



Washington State
Transportation Commission



2017 Tolling Report

January 11, 2017

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Tolling Introduction

The Commission, as the State Tolling Authority, sets toll rates and polices for all tolled facilities statewide, including: the SR 520 Floating Bridge, the SR 16 Tacoma Narrows Bridge (TNB), the I-405 Express Toll Lanes (ETLs), and the SR 167 High Occupancy Toll (HOT) Lanes.

Total toll revenue for all four tolled facilities is projected to generate over \$340 million during the current biennium (July 1, 2015 – June 30, 2017). All of this revenue is dedicated in law to support the toll facility from which it was collected.

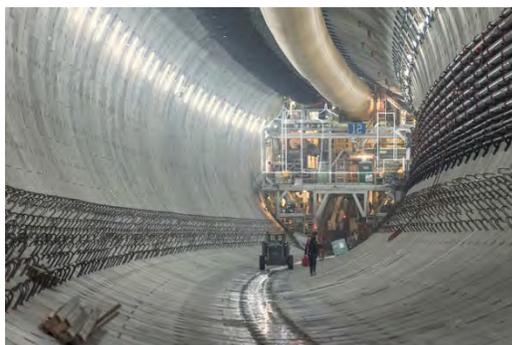
While tolling is used to raise revenue for capital improvements and to improve traffic flows, the Commission recognizes tolling carries a real financial impact for those drivers who regularly travel on tolled facilities. Whenever called upon to revise toll rates, the Commission carefully reviews traffic and revenue projections, listens to affected members of impacted communities, and seeks to ensure customers are treated fairly. The Commission also seeks to ensure the public understands that their tolls are being used to support the very tolled facilities they travel on.



Tolling Gantry

This report summarizes the Commission’s expected toll-related activities for 2017. The Commission does not anticipate adopting new toll rates in 2017 on any facility. However, there will be a review of revenues, traffic volumes, and overall financial performance for the SR 16 TNB and the SR 520 Floating Bridge, in the context of the already adopted toll rate increase for SR 520, to occur on July 1, 2017. The Commission will also continue to regularly monitor revenue and the operational performance of the I-405 ETLs and SR 167 HOT Lane facilities, and in late 2017, likely begin the rate setting process for the SR 99 Tunnel facility.

In an effort to minimize toll rate increases and continually improve and advance toll policies supporting fairness and equity, the Commission has developed a proposed revision to the TNB fund’s Sufficient Minimum Balance (SMB) policy. In 2017, the Commission will work with the Legislature, Office of the State Treasurer, WSDOT, and the TNB Citizens Advisory Committee to arrive at an agreed to SMB policy.



Boring machine in SR 99 tunnel, December 2016

Looking ahead to 2018, the Commission will set toll rates for the SR 99 Tunnel facility. WSDOT anticipates tolling will begin in February 2019. In addition, the Commission will continue to participate in on-going design and financial planning for longer-term projects designated by the Legislature as future tolled facilities, including: the SR 167 and SR 509 completion projects (Gateway Program), and the extension of express toll lanes on I-405 from Bellevue to Renton (SR 167).

The Commission will continue to offer input on WSDOT’s procurement of a new back office vendor, and will continue to follow-up on recommendations made in the Washington State Auditor’s Performance Audit Report, “Washington State Department of Transportation: Improving the Toll Collection System” (May 2016).

SR 16 Tacoma Narrows Bridge

Scheduled increases in debt service payments require the Commission to regularly review traffic volumes and revenue collections on the SR 16 Tacoma Narrows Bridge (TNB). For example, debt service payments increased by 16% in FY 2016, and 15% in FY 2017. These reviews ensure TNB tolls generate adequate revenue to make debt service payments, and to maintain and operate the facility as required in law.

Below are the current toll rates. These rates have been in effect since July 1, 2015 (FY 2016 – FY 2017).

Payment Method	Toll Rate
<i>Good To Go!</i> (Transponder)	\$5.00
Cash at Tollbooth	\$6.00
Pay-By-Mail	\$7.00

For all payment methods, the toll rate increases with each additional axle.

2016 Commission Action

In winter 2016, the Commission consulted with the TNB Citizen Advisory Committee (CAC), and the public at large, on whether the adopted \$0.50 rate increase to take effect on July 1, 2016 (FY 2017) remained necessary. The Commission set rates for two years in May 2015 (\$0.50 increases on July 1 of 2015 and 2016) to provide more predictability for toll payers. However, the second year's rate increase was subject to review by the Commission and the CAC before enactment.



SR 16 Tacoma Narrows Bridge

In May 2016, after receiving input from the CAC and additional public comment, the Commission rescinded the second \$0.50 increase planned for July 1, 2016. In alignment with public input, the Commission sought to keep toll rates as low as possible while meeting obligations to cover annual costs. This was made possible by higher than expected traffic volumes and approval by the Legislature in spring 2016 of a one-time \$2.5 million toll subsidy to assist in making FY 2017 debt service payments.

2017 Plans

In 2017, the Commission will work with the CAC to determine if a rate increase should be adopted, with an effective date of July 1, 2017 (FY 2018), though WSDOT projects revenue will be sufficient to cover annual expenses thru the next fiscal year. In addition, the Commission will discuss options with the Legislature and CAC for changes to the Sufficient Minimum Balance (SMB) policy for the TNB Fund.

Recommendations

To mitigate the burden on toll payers of significant cost increases in FY 2018 – FY 2021, explore approaches to subsidizing debt service or significant periodic TNB costs.

Looking forward, at forecasted traffic volumes, WSDOT estimates toll rates will need to generate about \$21 million more in the 2017-2019 biennium than in the 2015-2017 biennium, and then nearly \$8.4 million more in the 2019-2021 biennium to meet projected TNB costs. Though traffic volume is projected to grow, without Legislative support from non-toll revenue sources, rate increases will be necessary to meet these revenue needs.

As described below, these cost increases include scheduled debt service increases, and three significant periodic costs:

Debt Service & Periodic Costs	2017-2019 Biennium	2019-2021 Biennium
Debt Service Increases	\$9,772,000	\$3,548,000
Periodic Costs		
Back Office Re-Procurement	\$6,470,000	\$0
Toll Lane Equipment Replacement	\$220,800	\$9,651,700
Bridge Repaving	\$163,100	\$3,991,700

As a result, while the fund balance is projected to remain positive and above the 12.5% SMB (about \$10.5 million) in FY 2018 at current toll rates, by FY 2021 the fund balance is projected to go negative.

The Commission joins the TNB Citizen Advisory Committee in asking the Legislature to reduce or eliminate the need for these toll rate increase via a toll subsidy from non-toll revenue sources, and to explore other options to reduce the impact of these major upcoming costs.

Tacoma Narrows Bridge: Sufficient Minimum Balance Policy

The Commission has reviewed its Sufficient Minimum Balance (SMB) Policy for the Tacoma Narrows Bridge (TNB) Fund. The Commission assessed tools available to mitigate risks of a negative fund balance.

The intent of the review was to determine whether the SMB Policy continues to be an effective tool to safeguard against a negative TNB fund balance occurring, while not unnecessarily burdening toll payers.

Created by the Commission in 2010, the SMB policy requires a balance equating to 12.5% of total annual TNB costs be maintained, based on a rolling three-month average of the fund balance.

Based upon this policy, the TNB fund is projected to be within \$3.6 million of the current SMB value of \$9.9 million for the current fiscal year (FY 2017), before falling below the SMB in FY 2019 and beyond.

Recommendations

The Commission provides the following recommendation, subject to further discussion with the Legislature and the TNB Citizen Advisory Committee.

Change the SMB requirement from 12.5% of total annual costs to a flat level of \$10 million.

This amount provides coverage for the TNB’s current insurance deductible of \$10 million for revenue loss. It will also support the largest amount set aside in a month for debt service payments over the life of the loan (\$8.9 million in FY 2029).

The table below presents how a recommended \$10 million SMB would compare with the value of the current 12.5% SMB, based on estimates of annual costs for the TNB for the next two biennia (FY 2018 – FY 2021). As shown, driven by increasing debt payments and periodic costs during the next two biennium, the current value of the 12.5% SMB is projected to increase from about \$10.5 million in FY 2018 to about \$11.7 million in FY 2021.

TNB SMB	FY 2018	FY 2019	FY 2020	FY 2021
12.5% of Annual TNB Costs*	\$10.5 Million	\$11.3 Million	\$11.2 Million	\$11.7 Million
\$10 Million	\$10 Million	\$10 Million	\$10 Million	\$10 Million
Difference	\$500,000	\$1.2 Million	\$1.2 Million	\$1.7 Million

*Approximate values.

SR 520 Floating Bridge

On April 25, 2016, the new SR 520 Floating Bridge opened for traffic. With the opening, WSDOT shifted traffic and tolling from the old to the new bridge.

Tolls will contribute a total of \$1.2 billion towards construction of the SR 520 Floating Bridge Project. The tolls also fully fund the maintenance, operations, and insurance for the bridge as well as managing congestion. Rates vary by day of week and time of day to maximize revenue and vehicle throughput, and minimize diversion to other routes. This kind of tolling is referred to as “variable tolling.”

2016 Commission Action

In May 2016, after extensive review and analysis, and following public input meetings in the Puget Sound region, the Commission enacted two, 5% toll rate increases effective July 1, 2016 and July 1, 2017 (FY 2017 and FY 2018), and approved an overnight (11pm – 5am) toll of \$1.25 to take effect on July 1, 2017. The Pay by Mail fee was also increased to \$2.00 (from \$1.50) and took effect on July 1, 2016, aligning this fee for the SR-520 Floating Bridge with the other tolled facilities.



SR 520 Floating Bridge, April 2016

The rate increases enacted by the Commission in May 2016 resulted in the following toll rates:

Good To Go! Rates	July 1, 2016 (FY 2017)	July 1, 2017 (FY 2018)
Peak period weekday rates (7am - 9am; 3pm - 6pm)	\$4.10	\$4.30
Off-peak weekday rates	\$1.90 - \$3.25	\$2.00 - \$3.40
Weekend rates & specified holidays	\$1.30 – \$2.50	\$1.40 - \$2.65
Overnight rates (11pm – 5am)	\$0.00	\$1.25

Pay by Mail toll rates are the Good To Go! toll rates, plus a \$2.00 fee.

Toll rates increase with each additional axle.

In fall 2016, WSDOT projected that revenue available to pay debt service costs would be lower than anticipated at the adopted toll rates. Factors include lower than anticipated traffic since the new bridge opened in April 2016, and higher than anticipated costs for the back office system re-procurement. The Office of the State Treasurer (OST) will determine in January 2017 whether the projected revenues are sufficient based upon the currently adopted rates to take effect on July 1, 2017.

2017 Plans

The Commission will continue to work closely with WSDOT and OST to monitor traffic volumes, revenue performance, and costs for the SR 520 Floating Bridge to determine if action is necessary to ensure the sufficiency of revenues for covering costs as required by law. If OST determines toll revenues will not be sufficient to meet legal and bond covenant requirements, the Commission will need to initiate a rate setting process in the spring of 2017 to raise rates to a level that will generate the required revenue.

I-405 Express Toll Lanes (ETLs)

The I-405 Express Toll Lanes (ETL) between Lynnwood and Bellevue opened in September 2015. This included conversion of the existing High Occupancy Vehicle (HOV) lane to an ETL, and the addition of an ETL in each direction between SR-522 and Bellevue.

The ETLs operate from 5am-7pm on weekdays, allowing drivers equipped with a transponder and not exempt as qualifying HOVs to “buy into” the lanes. HOVs with 2+ people are exempt from tolls from 9am-3pm, while HOVs with 3+ people are always exempt. The ETLs are open to all vehicles with no toll from 7pm-5am on weekdays, and all day on weekends and major federal holidays

Rates range from \$0.75-\$10.00 and vary automatically depending on traffic volumes and speeds. This kind of tolling is referred to as “dynamic tolling” and the rates are displayed on overhead electronic signs. The 17 miles of ETLs gives drivers the option of a faster and more predictable trip, and toll revenue generated by them is dedicated in law to funding future I-405 corridor improvements.



I-405 ETL Map (Dec 2016)

Since the lanes opened, ETL usage has been much higher than expected. For example, in the first year (September 2015 – September 2016) there were about 14.5 million ETL trips, beating expectations by nearly 20 percent. The average toll rate during this time was \$2.50 during peak periods. The table below shows the distribution of rates over the first year:

Toll Rate	Percent of Peak Period Trips
\$0.75	56%
\$1.00 - \$5.00	24%
\$5.00 - \$9.00	17%
\$10.00	3%

Despite the higher than expected use, ETL performance in peak periods has averaged 45 mph or more, 85% of the time. While the goal is to raise this average to 90% of the time, hitting that performance target consistently has been hampered by the chokepoint and limited capacity the single lane creates in an already very congested, quickly

growing area on the north-end of I-405 (between I-5 and SR 522).

For example, from April-September 2016, the dual lane section exceeded the 90% target in both directions, while the single lane section in each direction averaged 45 mph or more just over 70% of the time. Despite the single lane performance, the ETLs are moving vehicles much more efficiently and reliably than was the case prior to their opening, when the single 2+ HOV lane averaged 45 mph only 60% of the time during peak periods, a 25% improvement.

A benefit of higher than anticipated ETL use during the first year was \$13.6 million generated in excess of required costs. By law, excess toll revenue is dedicated to future improvements for the I-405 corridor.

A current example how toll revenue is benefiting the corridor is the northbound hard-shoulder running lane that will open to general purpose traffic during peak hours in Spring 2017 to help alleviate congestion on the north end of the corridor where the ETL goes to a single lane.

2016 Commission Action

The Commission has been closely monitoring ETL operations and revenue performance, and has worked closely with WSDOT on identifying options and solutions as the need arose.

In March 2016, upon legislative request, and after consultation with WSDOT and gathering public input, the Commission modified the hours of operations for the I-405 ETLs, going from a 24/7 operation to limiting tolling operations to 5am-7pm on weekdays only, and opening up the lanes to all vehicles on evenings, weekends, and major federal holidays. The Commission did so to maintain faster and more reliable trips for transit, carpoolers, and toll-paying customers during the busiest days of the week, while balancing traffic across all lanes on evenings and weekends when traffic volumes are much lower. These changes, which permanently took effect on August 21, 2016 with Commission approval, also improve consistency of HOV policies with I-405 south of Bellevue, and with SR 167.



Good To Go! Flex Pass Transponder

2017 Plans

The Commission will continue to work with WSDOT and actively monitor ETL performance, particularly during peak periods.

Recommendations

The Commission supports continued use of surplus revenues to improve performance in the single-lane ETL section of the corridor. This includes exploring options with the Legislature to use toll revenue and other funds to complete the second ETL lane between SR 522 and I-5 in Lynnwood.

SR 167 High Occupancy Toll (HOT) Lanes

In operation since 2008, the SR 167 High Occupancy Toll (HOT) Lanes are a pilot project allowing drivers of single occupancy vehicles equipped with a transponder to “buy into” the SR 167 2+ HOV lanes between Auburn to Renton northbound (9 miles) and between Renton to Pacific (14 miles).

Like the I-405 ETLs, the SR 167 HOT lanes are dynamically tolled and the toll rate is posted on electronic signs, varying based upon traffic volumes and speed. The Commission has maintained the original minimum and maximum toll rates of \$0.50 and \$9.00 since the lanes opened in 2008. Tolling operations on the SR 167 HOT Lanes is from 5am – 7pm, seven days a week.

Use of the SR 167 HOT Lanes continues to increase, and the Legislature has extended the pilot project through the 2015-2017 biennium.

2016 Commission Action

The Commission worked with WSDOT on assessing the possibility of making the hours of operations for the SR 167 HOT Lanes consistent with the I-405 ETLs. This review included looking at the current I-405 ETLs from Bellevue to Lynnwood, and the planned future ETL system that will go from Bellevue to

Renton (estimated opening date of 2024). While the assessment did not lead to action, milestones and issues needing resolution were identified before such changes can be made.



SR 167 HOT Lanes Map (Dec 2016)



SR 167 HOT Lane sign

2017 Plans

The Commission will continue to closely monitor the traffic and revenue performance of the SR 167 HOT Lane operations, and will assess and identify opportunities to improve operational consistency with the I-405 corridor and the other tolled facilities.

Recommendations

The Commission supports continued operation of the HOT lanes as a way to reduce congestion and provide drivers a reliable trip on the SR 167 corridor.

Future Tolling Projects

The Commission has been engaging WSDOT earlier on future projects that assume toll revenues. This includes the SR 99 tunnel, the SR 509 & SR 167 completion projects (Gateway Program), and the proposed extension of the I-405 ETLs from Bellevue to Renton. This engagement will continue into the future as these projects are advanced.

Future Projects: Summary of Commission Action

Project	2016/17 Commission Engagement	Toll Expectation	Expected Tolling Date
SR 99 Tunnel	Traffic & Revenue Study Technical Committee	Generate \$200m for project costs; cover select tolling and facility costs; traffic management	February 2019
I-405 ETLs: Bellevue to Renton	Interagency Working & Executive Advisory Groups	Traffic management; help fund future corridor improvements	2024
SR 167 Completion (Gateway Program)	SR 167 Steering & Executive Committees	Generate \$180m for Gateway Program costs; traffic management	about 2030
SR 509 Completion (Gateway Program)	SR 509 Steering & Executive Committees	Generate \$180m for Gateway Program costs; traffic management	About 2030

Recommendations

The Commission supports the distribution of back office system re-procurement costs to include currently active and authorized tolling facilities, including the SR 99 Tunnel.

With an expected tolling start date of February 2019, the SR 99 Tunnel is anticipated to join the TNB, SR 520 Floating Bridge, the I-405 ETLs, and the SR 167 HOT Lanes as active tolling facilities during the 2017-2019 biennium. With the back office system in place for 10 years, beginning in July 2019 (FY 2020), including the SR 99 Tunnel in this distribution will provide greater equity to rate payers for each facility. Benefits to rate payers include:

- TNB and SR 520 Floating Bridge: Reduce the risk of a future toll increase to pay for these costs. For example, including the SR 99 Tunnel in paying for the re-procurement would reduce the TNB's projected 2017-2019 biennium costs by about \$1.5 million, and nearly \$3.6 million for the SR 520 Floating Bridge.
- I-405 ETLs and SR 167 HOT Lanes: Savings from including the SR 99 Tunnel in the distribution will provide revenue for investment in future improvements to those corridors.

Tolling Operations: Oversight and Planning

In May 2016, the Washington State Auditor’s Office (SAO) released a performance audit of WSDOT’s Toll Division which included recommendations on improving WSDOT’s toll collection system. These recommendations followed a review of tolling operations that began in early 2015.

2016 Commission Action

The SAO report included a recommendation to improve communication and engagement with key stakeholders, such as the Commission. This recommendation is in alignment with the Commission’s role as the State Tolling Authority and current law which requires the Commission to “review toll collection policies, toll operations policies, and toll revenue expenditures on the eligible toll facilities and report annually on this review to the legislature.” (RCW 47.56.850(1)).

Following this recommendation and subsequent discussions with WSDOT’s Toll Division staff, there has been improvements in the completeness and timeliness of information provided to the Commission, leading to more informed rate setting decisions

2017 Plans

The Commission will continue to work closely with WSDOT to ensure the SAO recommendation is fully implemented. For example, WSDOT’s Toll Division and Commission staff will continue to regularly discuss on-going projects, engage on regular updates about the back office system re-procurement, and coordinate on timing of decisions to better ensure data needs are met.

Recommendations

The Legislature should direct development of a strategic tolling policy plan setting a path forward on tolling into the future.

The purpose of this plan would be to better ascertain how our urban highway system fits together and functions in the world of high demand and fixed capacity. For example, the plan could inform future mobility planning for the I-5 corridor by identifying how existing and planned tolling facilities could best integrate with I-5 to meet future mobility needs of commerce, tourism, and commuters. This could include exploration of whether dynamic tolling of the I-5 HOV lanes in the Central Puget Sound would help improve mobility in this corridor by providing the option of a more reliable trip for transit, HOV drivers, and paying single occupancy drivers.

Over the last 10 years, tolling has successfully been implemented on four facilities, and WSDOT recently completed a strategic operations plan for tolling. An additional four tolling projects are now underway or in the planning stages. Although the state wisely uses only one tolling technology, each of the current facilities uses tolling in a different way and with some variation in rules.

A strategic tolling policy plan will support further coordination between toll facilities, enhance overall system performance, and help ensure continued success as new projects are implemented. For example, while we look at more immediate impacts to neighboring routes and communities, we do not conduct system-wide assessments looking at the bigger picture – the economic, social, and operational implications of a new tolled facility or expanded toll system.

Summary of Tolling by Facility

Toll Rate Policies by Facility (FY 2017)

Toll Facility	Rate Structure	Hrs. of Operation	HOV Policy
SR 16 Tacoma Narrows Bridge	Single flat rate	24 hrs., 7 days/wk.	2+ HOV lane w/toll
SR 520 Floating Bridge	Variable by Time of Day & Weekends	5am - 11pm, 7 days/wk.	3+ HOV lane w/toll
I-405 Express Toll Lanes	Dynamic Pricing Based on Speeds & Volumes	5am - 7pm, weekdays	3+ HOVs always exempt from tolls; 2+ HOVs exempt 9am-3pm*
SR 167 High Occupancy Toll Lanes	Dynamic Pricing Based on Speeds & Volumes	5am - 7pm, 7 days/wk.	2+ HOVs exempt from tolls

*Requires use of Good To Go! Flex Pass transponder

Toll Rates by Facility (FY 2017)

Toll Facility	Good To Go!*	Pay by Mail	Other
SR 16 Tacoma Narrows Bridge	\$5.00	\$7.00	\$6.00 (Toll Booth)
SR 520 Floating Bridge			
Weekdays	\$1.90 - \$4.10	\$3.90 - \$6.10	None
Weekends & Holidays	\$1.30 - \$2.50	\$2.30 - \$4.50	None
I-405 Express Toll Lanes	\$0.75 - \$10.00	\$2.75 - \$12.00	None
SR 167 High Occupancy Toll Lanes	\$0.50 - \$9.00	n/a	None

Note: All rates are for 2 axle vehicles. Rates increase per additional axle.

*\$0.25 fee added to Good To Go! rates if transponder not detected

Toll Rate Traffic & Revenue by Facility (FY 2016)

Toll Facility	Traffic	Toll Revenue*
SR 16 Tacoma Narrows Bridge	14.8 million	\$ 78.2 million
SR 520 Floating Bridge	23.2 million	\$ 69.4 million
I-405 Express Toll Lanes	7.5 million	\$ 12.3 million
SR 167 High Occupancy Toll Lanes	1.1 million	\$ 1.4 million
Total	46.7 million	\$ 161.3 million

Source: TRFC, November 2016

*Adjusted Gross Toll Revenue

