



Washington State  
Transportation Commission



# SR 99 Tunnel Rate Setting Update

**Presented by:**

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*Based on analysis by Stantec Inc. and WSP USA Inc.*

March 14, 2018  
WSTC Seattle Meeting

# What Has Changed Since Rate-Setting Began

- WSDOT updated cost and revenue assumptions, including
  - Costs updated to reflect new toll vendor contracts
  - Net revenues updated to include net civil penalty revenues
- Legislature took action during the 2019 session
  - Approved budget proviso providing FY 2019 rate-setting and funding direction.
  - Proposed legislation with specific financing direction did not pass.
- Stantec & WSP completed gross and net revenue analysis for Commission's requested toll rate scenarios.
  - All requested toll rate scenarios maintain initial toll rates between financial plan scenario's range of \$1.00-\$2.50.

# Toll rate options proposed for detailed analysis by the WSTC Tolling Subcommittee

- **Financial Plan Scenario (IG-0)**

Minimum	<b>\$1.00</b>	11 PM-5 AM Nights & All Day on Weekends
Off-Peak	<b>\$1.50</b>	5-6 AM, 9 AM-3 PM, & 6-11 PM Weekdays
AM Peak	<b>\$1.75</b>	6-9 AM Weekdays
PM Peak	<b>\$2.50</b>	3-6 PM Weekdays

- **Option 1a**

- Tolls initially same or lower than Scenario IG-0
- **3% toll increases every 3 years, starting FY 2023 thru FY 2059**
- Toll increases include overnight and weekends

- **Option 2a**

- Peak tolls same as Scenario IG-0
- **Peak shoulder period ± adjustments and lower midday and evening tolls**
- No toll escalation

# Toll rate options proposed for detailed analysis by the WSTC Tolling Subcommittee (cont.)

- **Option 3a**

- Tolls initially same or lower than Scenario IG-0
- **3.5% annual increases FY 2021 thru FY 2025**
- Toll increases exclude overnight and weekends
- No toll escalation after FY 2025

- **Option 5a**

- Tolls initially same or lower than Scenario IG-0 except 6-7 PM shoulder
- **5% increases in FY 2025 and FY 2030**
- Toll increases include overnight and weekends
- No toll escalation after FY 2030

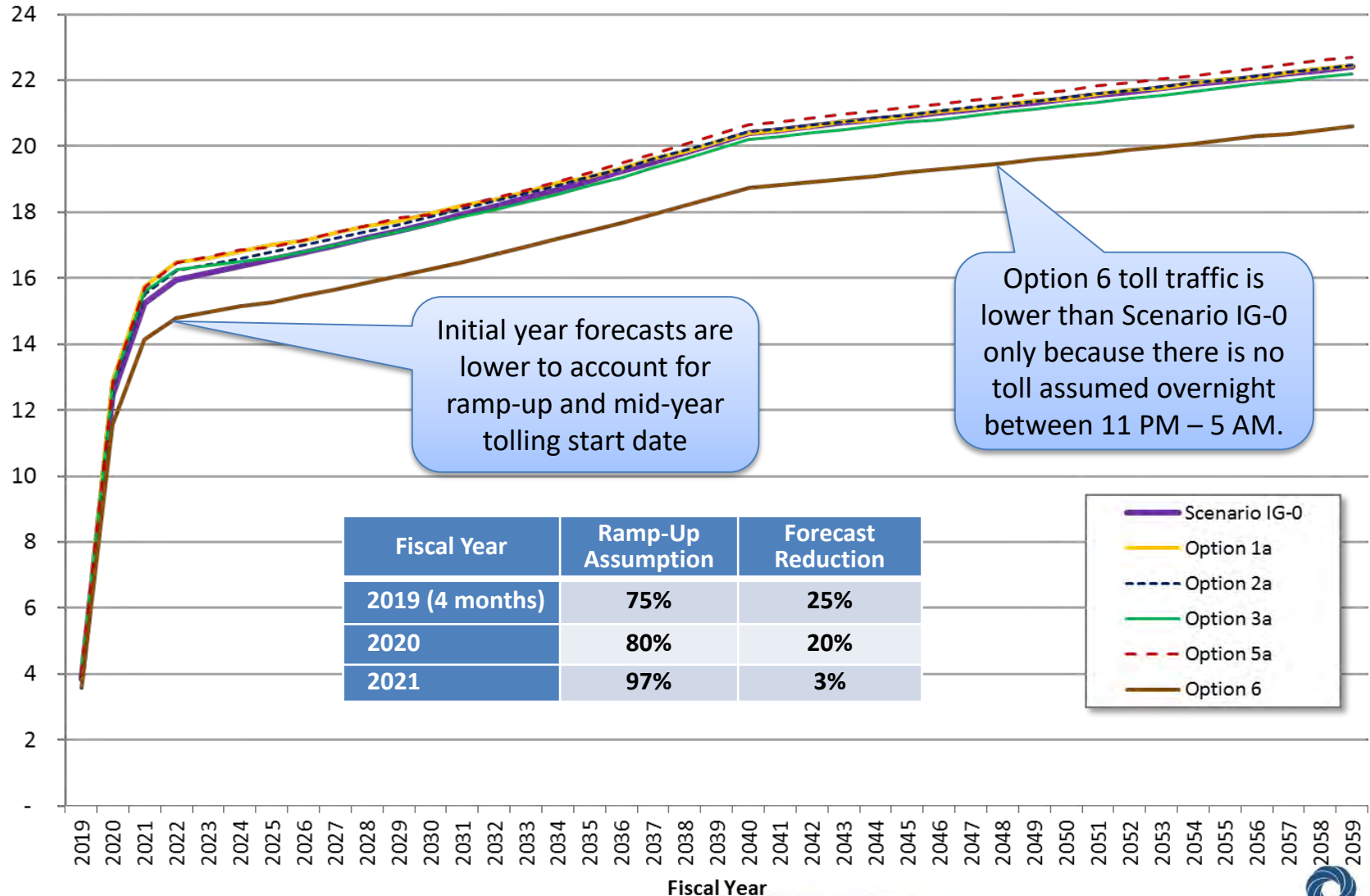
- **Option 6**

- Peak period tolls similar to Scenario IG-0, with peak shoulder tolls added
- **Lower midday/evening tolls and no overnight tolls**
- **5¢ (2%) toll increase in FY 2025; includes weekends**
- No toll escalation after FY 2025

# Comparison: Annual Traffic Forecasts for Financial Planning

## SR 99 Tunnel — Financial Plan Scenario (IG-0) + Rate Setting Options

millions



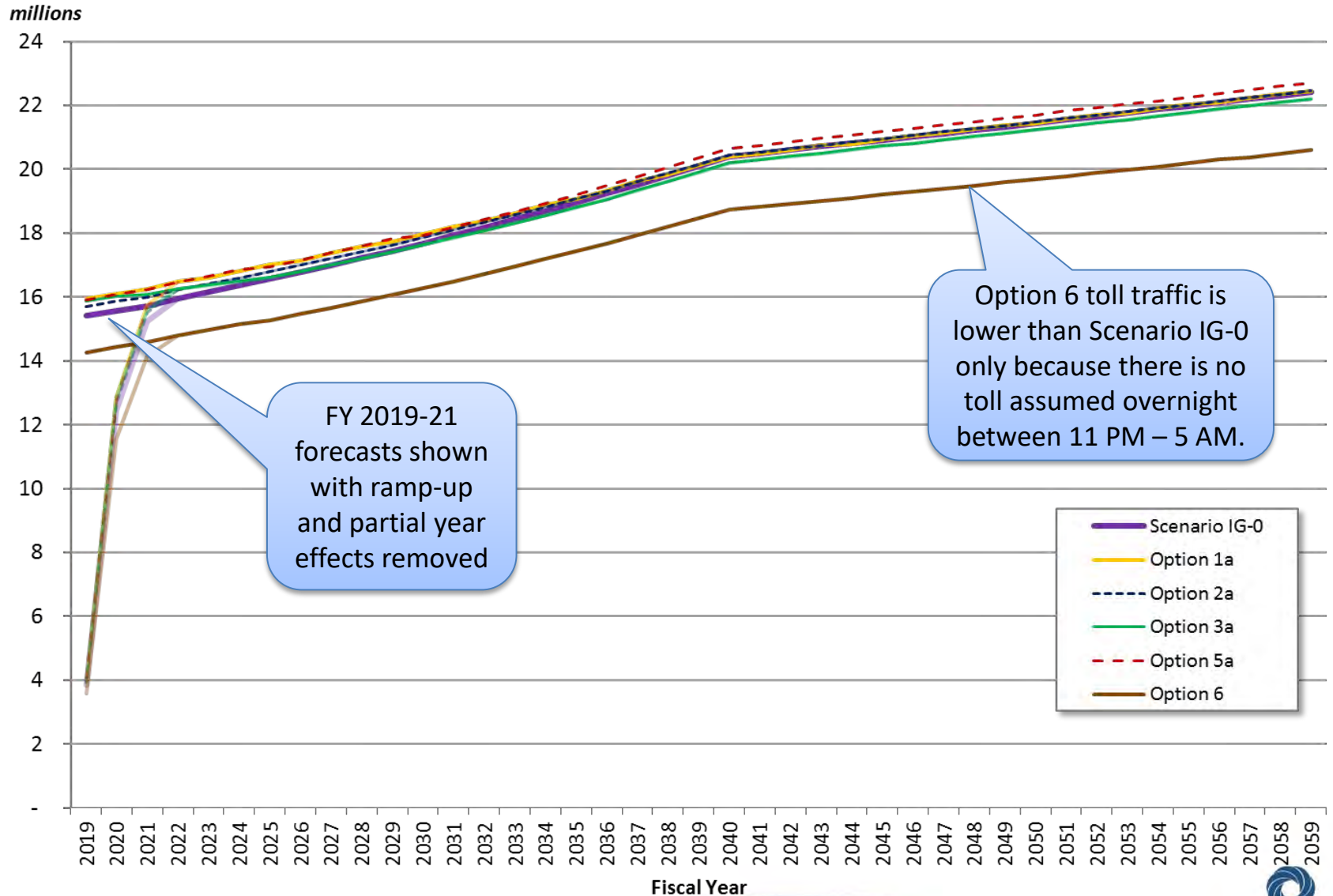
Initial year forecasts are lower to account for ramp-up and mid-year tolling start date

Option 6 toll traffic is lower than Scenario IG-0 only because there is no toll assumed overnight between 11 PM – 5 AM.

Fiscal Year	Ramp-Up Assumption	Forecast Reduction
2019 (4 months)	75%	25%
2020	80%	20%
2021	97%	3%

- Scenario IG-0
- Option 1a
- Option 2a
- Option 3a
- Option 5a
- Option 6

# Comparison: Annual Traffic Forecasts *Excluding Ramp-up* SR 99 Tunnel — Financial Plan Scenario (IG-0) + Rate Setting Options

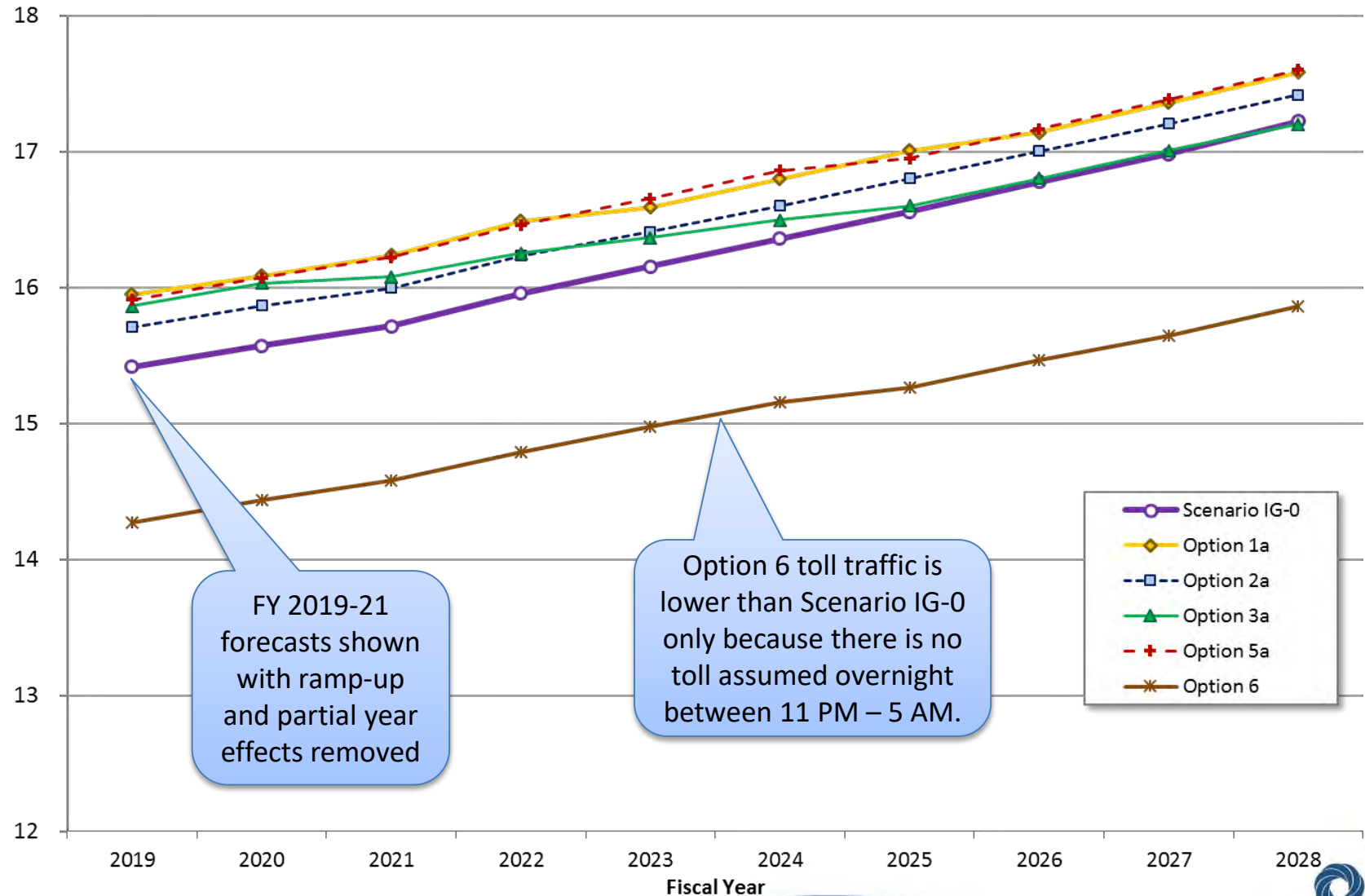


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# Comparison: Annual Traffic Forecasts *Excluding Ramp-up*

## SR 99 Tunnel – Financial Plan Scenario (IG-0) + Rate Setting Options – FY 2019-28

millions



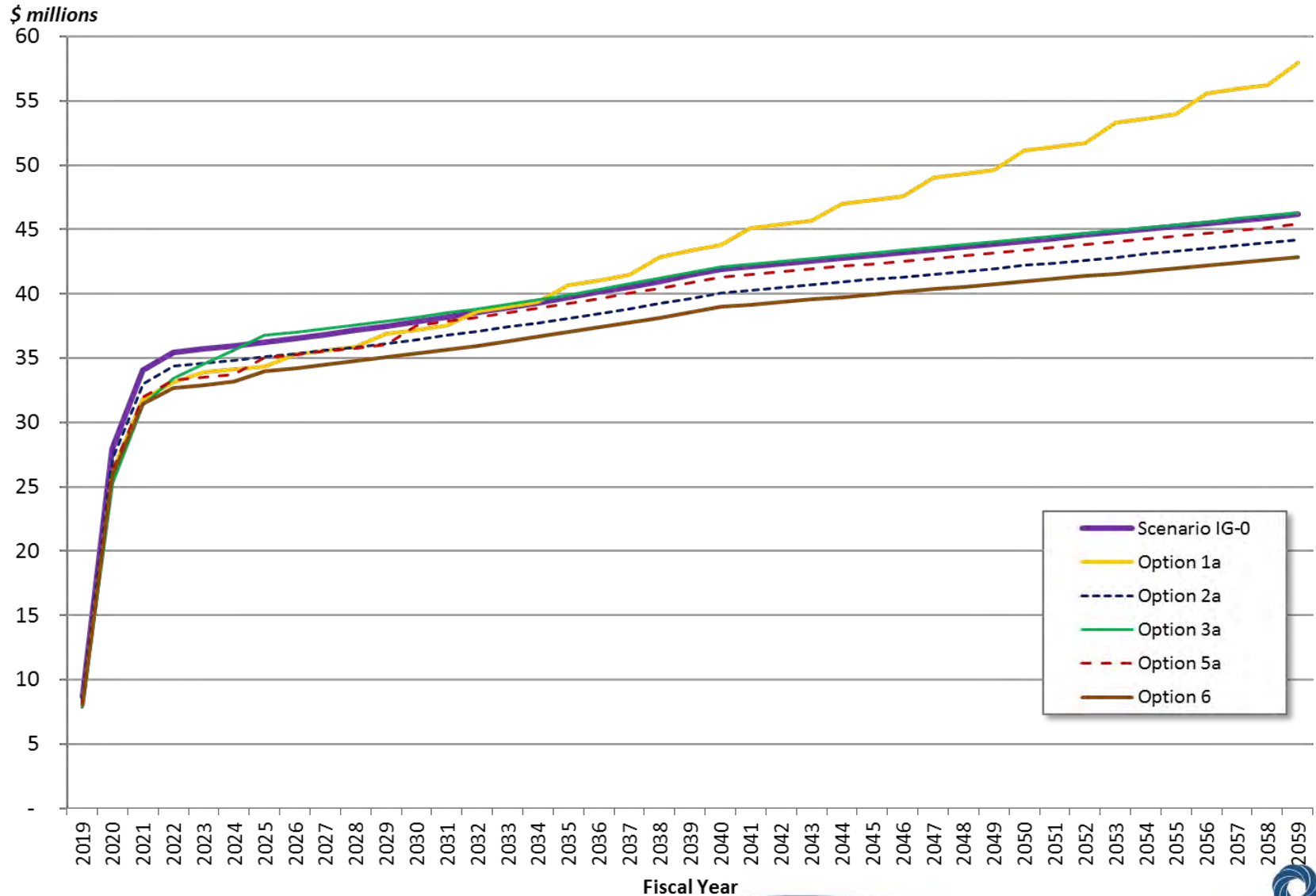
FY 2019-21 forecasts shown with ramp-up and partial year effects removed

Option 6 toll traffic is lower than Scenario IG-0 only because there is no toll assumed overnight between 11 PM – 5 AM.

- Scenario IG-0
- Option 1a
- Option 2a
- Option 3a
- Option 5a
- Option 6

# Comparison: Annual Gross Toll Revenue Potential Forecasts

## SR 99 Tunnel — Financial Plan Scenario (IG-0) + Rate Setting Options





# Summary of Net Revenue Analysis

- Options assessed for ability of annual net revenues *after toll R&R reserve account deposits* to exceed debt service costs by and assumed 15% each year (1.15x debt service coverage ratio) as a financial “cushion”.
  - The annual coverage “cushion” hedges against forecast uncertainty, and once realized, can subsequently be available to fund additional uses (subject to Legislative direction).
  - The Commission will determine the final method and amount for a cushion with consultation with WSDOT and OST.
- With one exception (Option 6), all options pay for expected costs (including debt service) but provide differing levels of financial “cushion”.**

Option	Above/Below Target Debt Service Coverage*	Comments
Scenario IG-0	Generally <b>At or Above</b> Preliminary Coverage Target (1.15x or more)	Drops below target 1.15x in FY 2044 only
Option 1a		Net revenue remains above 1.15x target in every year and modest toll escalation allows for faster funding of toll R&R reserve account and/or higher coverage
Option 3a		Net revenue remains above 1.15x target in every year
Option 5a		Drops below target 1.15x in FYs 2042-44 only
Option 2a		<b>Below</b> Preliminary Coverage Target (less than 1.15x)
Option 6	Maintains 1.06x coverage thru FY 2041, decreasing in FY 2042, and falling short of covering debt service in FY 2044 (0.99x)	

\* A shortfall ranging from \$6.2 to \$7.0 M by option is projected in FY 2019, requiring a loan to pay for R&R costs and/or other expenses. A \$6.5 M loan is already provided in the current budget. The loan amounts are assumed to be repaid in FY 2020-21.

# Next Steps

By April, the Commission seeks to settle on key financing assumptions, and determine if other scenarios are needed:

## Key Finance Assumption Decision Points:

- Apply legislative action for what expenses toll rates need to cover
  - Session concluded March 8th
- Obtain updated debt service requirements for \$200m in capital funding from Office of State Treasurer (OST)
- Define sufficiency requirements
  - Commission will determine definition of sufficiency, the period of time for consideration, and amount of funds assumed for other uses or cushion.
- Clarify what reserves should be required, when payments should begin, and on what schedule.

# Next Steps

Comparison of Financing Requirements by Facility for Key SR 99 Finance Assumption Decision Points:

Requirement / Assumption	TNB	SR 520 Bridge	SR 99 Tunnel (Original Proposal)
<b>Uses of Toll Revenues</b>	Debt Service + O&M and all R&R costs	Debt Service + O&M and all R&R costs	Debt Service + O&M and <u>toll</u> R&R costs
<b>Debt Service Structure</b>	Steeply escalating debt service	Generally level debt service	Level debt service
<b>Term of sufficiency</b>	Annual	Thru FY 2051: 25 year maximum bond maturity 35 year TIFIA loan maturity	Thru FY 2046: 25 year maximum bond maturity assumed
<b>Coverage/Reserves</b>	No reserves. Sufficient minimum balance req.	R&R reserves, debt service and sum sufficient coverage requirements	Toll R&R reserves, debt service and sum sufficient coverage req's.

# Next Steps (cont.)

By April, the Commission seeks to (1) settle on key financing assumptions, and (2) determine if other scenarios are needed:

## **Determining Additional Scenarios:**

- Determine if changes to key finance assumptions merit additional toll scenario analysis requests
- Consider interest in merging elements of existing toll scenarios
- Review and confirm Commission rate-setting priorities
- Continue to assess stakeholder feedback and priorities
- Seek and apply changes to costs and operational assumptions

# Tentative Timeline

## SR 99 Tunnel Rate Proposal

### March – April

- Commission & WSDOT staff continue stakeholder discussions.
- **April Commission Meeting (April 17-18)**
- Commission decides on finance assumptions and, if needed, additional toll scenario analysis requests.

### April – June

- Continue stakeholder outreach and host public input meeting(s)
- Stantec, Inc. and WSP model additional toll scenario requests, if needed
- **June Commission Meeting (June 19-20)**
- Commission reviews Tolling Subcommittee recommended toll scenario options

# Tentative Timeline

## SR 99 Tunnel Rate Proposal

### June – July

- Continue stakeholder outreach and host public input meeting(s)
- **July Commission Meeting (July 17-18)**
- Commission approves proposed rule for public input

### July – September

- Continue stakeholder outreach and host public input meeting(s)
- **September Commission Meeting (September 11)**
- Public hearing & Commission adopts final rule



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# System-Wide Exemptions & Fees Proposal Update

**Presented by:**

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Senior Financial Analyst, WSTC

March 14, 2018  
WSTC Seattle Meeting

# Status of Exemptions Proposal

- Proposed rule (WAC) language is being written to:
  - Standardize exemptions across facilities
  - Address transit, vanpool and rideshare exemptions for TNB
    - Considering changes required by FAST Act language extending transit toll and HOV exemptions to “over the road” buses.
  - Replace the “bona fide emergency” requirement for emergency vehicles with a broader exemption (TBD)
  - Clean up language to make it cleaner and clearer
- Changes include:
  - Eliminating facility-specific exemptions sections
  - Writing one simple exemption section for all facilities
  - Rewriting express toll lane exemptions section to be specific to HOVs



# System-Wide Fees: Why Discuss Now?

1. Align rule-making with planned proposal for system-wide exemption changes.
2. WSDOT is scheduled to switch to the new Customer Service Center (CSC) vendor at the end of 2018.
  1. Changes made to rate or fee structures are best included with initial system requirements, as possible.
  2. Now possible to assess whether there will be potential changes to cost and leakage differentials between payment methods with the new system vendor, though preliminary.

# Current Fee and Rate Differentials

Type of Charge	Payment Method	How we charge	Rationale
Toll Rate	<i>Good To Go!</i> Pass	This is the base toll rate	<i>Good To Go!</i> is the lowest cost payment method with the lowest leakage rate
Fee / Discount	<i>Good To Go!</i> Pay By Plate	Additional 25 cent <b>fee</b> per transaction	Approximately 10% of license plates cannot be read correctly causing leakage
Toll Rate	Pay By Mail	Additional <b>toll increment</b> of \$2 over <i>Good To Go!</i> toll rate	Requires cost of invoicing and processing; leakage from license plates, address lookups, non-payment
Fee / Discount	Short Term Accounts	<b>Discount</b> of 50 cents off the <b>Pay By Mail toll rate</b>	Less leakage than Pay By Mail because we have customer payment identification
Toll Rate	Cash Payments at Toll Booths	Additional <b>toll increment</b> of \$1 over <i>Good To Go!</i> toll rate	Higher cost collection due to need for staffing toll booths. TNB only.

# Proposed Principles for Fee Assessment

- Identify fee changes that have no impact on toll rates.
  - Changes should be revenue-positive or neutral.
- Inform Commission decisions on differentials for both fees and future toll rates.
  - Review anticipated cost and leakage information from the new vendor
  - As possible, assess customer preferences about payment methods.
    - Do some customers use higher cost payment methods because of the convenience?
    - Do some customers use higher cost payment methods due to barriers to entry for lower cost options?

# Tentative Timeline: Exemptions & Fee Proposals

## March – April

- Commission & WSDOT staff continue exemptions research and stakeholder discussions.
- WSDOT prepares fee assessment information.

### ➤ April Commission Meeting (April 17-18)

- Commission staff presents Tolling Subcommittee's draft proposed rule

## April – May

- Continue stakeholder outreach and host public input meeting(s)

### ➤ May Commission Meeting (TBD)

- Commission approves proposed rule for public input

## May – July

- Continue stakeholder outreach and host public input meeting(s)

### ➤ July Commission Meeting (July 17-18)

- Public hearing & Commission adopts final rule (file CR 103)



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# Questions?

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