



SR 520 Bridge Toll Rate Setting

Carl See

Senior Financial Analyst
Washington State
Transportation Commission

Patty Rubstello, P.E.

Assistant Secretary
Toll Division

Brent Baker

Vice President
WSP | Parsons Brinckerhoff

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Presentation Outline

- Overview and usage
- Benefits of the SR 520 Program
- History and context
- Financial requirements for toll rate setting
- Review of toll rate scenarios considered
- Scenario 2 toll schedule phasing options and analysis results
- FY 2017 toll rate proposal

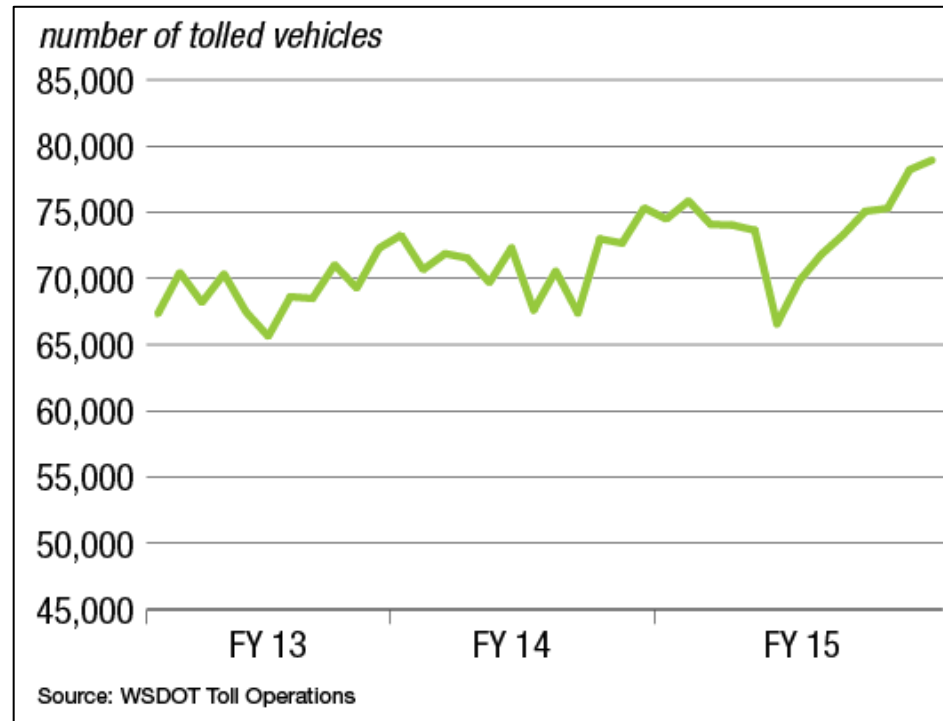
SR 520 Overview

- Tolling began December 29, 2011
- Federal Urban Partnership Agreement provided \$154 million to implement:
 - Pre-construction tolling on existing bridge
 - Variable pricing to manage congestion
 - Enhanced transit service
- On track to contribute \$1.2B toward construction of the new bridge
- Current tolling hours: 5 AM to 11 PM



SR 520 Usage

- An average of 74,000 tolled vehicles crossed the bridge each weekday in FY 2015, up from 72,000 per weekday in FY 2014. This trend of higher average weekday traffic has continued through the first half of FY 2016.
- As of FY 2015, transit ridership has increased by more than 50 percent since tolling began
- Registered vanpools have increased to 238 in FY 2015, up 83 percent from 130 since tolling began



Benefits of the new SR 520 Bridge

The construction of the SR 520 Program serves two primary purposes:

- Improves public safety by replacing old, vulnerable structures that could fail in a windstorm or earthquake
- Enhances regional mobility by adding a dedicated transit/HOV lane and improved transit facilities along the highway, as well as wider shoulders and a regional bicycle/pedestrian path.

Tolling the highway provides a critical funding source to build these improvements, by providing approximately \$1.2 billion in funding toward the \$4.56 billion construction program.



SR 520 Rate Setting History and Context: 2011-15

- **2011 — Commission sets initial SR 520 toll rates**
 - Tolling starts on the existing bridge on December 29, 2011 (mid-FY 2012)
 - \$3.50 *Good To Go!* weekday peak period toll, \$1.60 minimum
 - \$2.20 *Good To Go!* weekend peak period toll, \$1.10 minimum
 - Additional \$1.50 Pay By Mail toll increment
 - No overnight toll from 11 PM to 5 AM due to construction activity and need for overnight closures
- **The 2011 SR 520 Financial Plan assumed:**
 - 2.5% annual increases each fiscal year on July 1, 2012 through July 1, 2015 (FY 2013-16)
 - A “step increase” to higher tolls (\$4.35 peak period) and night tolling (11 PM – 5 AM) on July 1, 2016 (FY 2017), concurrent with the completion of the new floating bridge
 - Assuming projections are met, the financial plan did not require further toll increases after FY 2017
- **2012-15 — Commission adopts Financial Plan assumptions for 2.5% toll increases (FY 2013-16)**
 - Commission adds nickel rounding of tolls starting with FY 2014 (July 1, 2013)

SR 520 Rate Setting History and Context: 2015-16

- **December 2015 — Commission selects four scenarios for analysis as alternatives to the Financial Plan toll assumptions**
- **February 2016 — WSDOT presents analysis results for the four alternative toll scenarios**
 - Commission focuses in on a single scenario
 - Commission requests analysis of options to phase-in the toll increase over multiple years
- **March 2016 — Commission proposes toll rates for FY 2017 and FY 2018, reflecting a two-step phase-in**
- **April 2016 — Public outreach meetings**
- **May 2016 — Public hearing / Commission adopts FY 2017 and FY 2018 toll rates**
- **July 1, 2016 — New FY 2017 toll rates take effect**

What are the SR 520 Financial Plan requirements?

- **The state entered into a contract with bondholders (Master Resolution No. 1117), enabling cost-effective toll financing**
- **The Master Resolution pledges toll revenues to the repayment of bonds issued to pay for construction and requires that toll rates generate revenue sufficient to provide for:**
 - Operations and maintenance (O&M) costs
 - Repayment of principal and interest on borrowed funds
 - Timely deposit of required amounts into accounts for O&M reserves, major repair and replacement (R&R) reserves, deferred sales tax payment, revenue stabilization, etc.
 - These conditions must be met for every year in which debt is outstanding (through FY 2051)

What are the SR 520 Financial Plan requirements?

- **Toll rates must also yield projected net revenues that meet or exceed debt service coverage targets in every year that debt is outstanding***
 - Net toll revenues = gross toll revenues collected less O&M costs
 - To issue Triple Pledge construction bonds backed in part by toll revenue, the state needs to demonstrate that net toll revenues will exceed debt service by a multiple of 1.30 and will exceed all debt service, including the TIFIA Loan, by a multiple of 1.15

Debt Tier / Type of Debt		Minimum Coverage Ratio Requirements	
		Additional Bonds Test*	Covenant
3 rd Tier	Triple Pledge Bonds	1.30x	1.25x
4 th Tier	TIFIA Loan	1.15x	1.10x

* The higher "Additional Bonds Test" coverage requirements must be met in order for any scheduled bond sales to occur

- **Other Master Resolution requirements (section 7.01)**
 - "The Tolling Authority shall include variable pricing in adopting Toll Rate Schedules and establishing tolls, and
 - Tolls shall be set to maintain travel time, speed, and reliability and to generate sufficient Toll Revenue to meet all requirements [previously outlined]...."
 - "Tolls may vary for type of vehicle, time of day, traffic conditions, or other factors designed to improve performance of the System."

Toll Scenarios Analyzed and Commission Preference

Case	FY 2017+ Toll Schedule Features			Financial Sufficiency Findings
	Weekdays	Weekends	3+ Carpool Exemption	
Baseline	<ul style="list-style-type: none"> Financial Plan toll rates for the new bridge 15% weighted average increase \$4.35 max peak toll \$2.90 midday toll 	<ul style="list-style-type: none"> Financial Plan toll rates for the new bridge 2% weighted average increase (4% applied 11AM – 6PM only) \$2.50 max midday toll 	Yes	✘
Alternative A			No	✓
Scenario 1	<ul style="list-style-type: none"> Uniform 15% increase \$4.50 max peak toll \$2.80 midday toll 	<i>Same as Alternative A</i>	No	✓
Scenario 2	<ul style="list-style-type: none"> 10% increase \$4.30 max peak toll \$2.70 midday toll 	<ul style="list-style-type: none"> 10% increase \$2.65 max midday toll \$2.05 shoulder / \$1.40 off-peak 	No	✓
Scenario 3*	<ul style="list-style-type: none"> Directionally tailored PM tolls \$4.25 max peak toll \$3.00 midday toll 	<ul style="list-style-type: none"> \$2.75 max midday toll (+15%) \$2.00 shoulder toll (+8%) \$1.50 off-peak toll (+20%) 	No	✓
Scenario 4	<i>Same as Baseline</i>	<ul style="list-style-type: none"> 10% increase vs Financial Plan \$2.75 max midday toll (+15%) \$2.05 shoulder / \$1.40 off-peak 	Yes	✘

Note: All cases include nickel rounding of toll rates and a \$1.25 minimum overnight toll starting in FY 2017.

* For Scenario 3, quarter rounding was applied to the toll rates for vehicles with three or more axles, calculated as multiples of the two-axle rates.

Multi-step Options for Phasing in Scenario 2 Tolls

Case	FY 2017	FY 2018	FY 2022	Summary
Scenario 2	+ 10% + night tolling	no change	no change	Increases FY 2016 toll rates by 10% on both weekdays and weekends in FY 2017 and adds night tolling between 11 PM and 5 AM at the rate of \$1.25; no further changes assumed.
Scenario 2.A	+ 5%	+ 5% + night tolling	no change	Two step increase achieves Scenario 2 toll rates in FY 2018. <ul style="list-style-type: none"> • 5% increase in FY 2017 • 5% increase in FY 2018 plus night tolling added
Scenario 2.B	+ 5%	+ 5%	+ night tolling	Three step increase achieves Scenario 2 toll rates in FY 2018 except for nights which are added in FY 2022. <ul style="list-style-type: none"> • 5% increase in FY 2017 • 5% increase in FY 2018 • Night tolling added in FY 2022
Scenario 2.C	+ 4%	+ 4% + night tolling	+ 2%	Three step increase achieves Scenario 2 toll rates in FY 2022. <ul style="list-style-type: none"> • 4% increase in FY 2017 • 4% increase in FY 2018 plus night tolling added • 2% increase in FY 2022

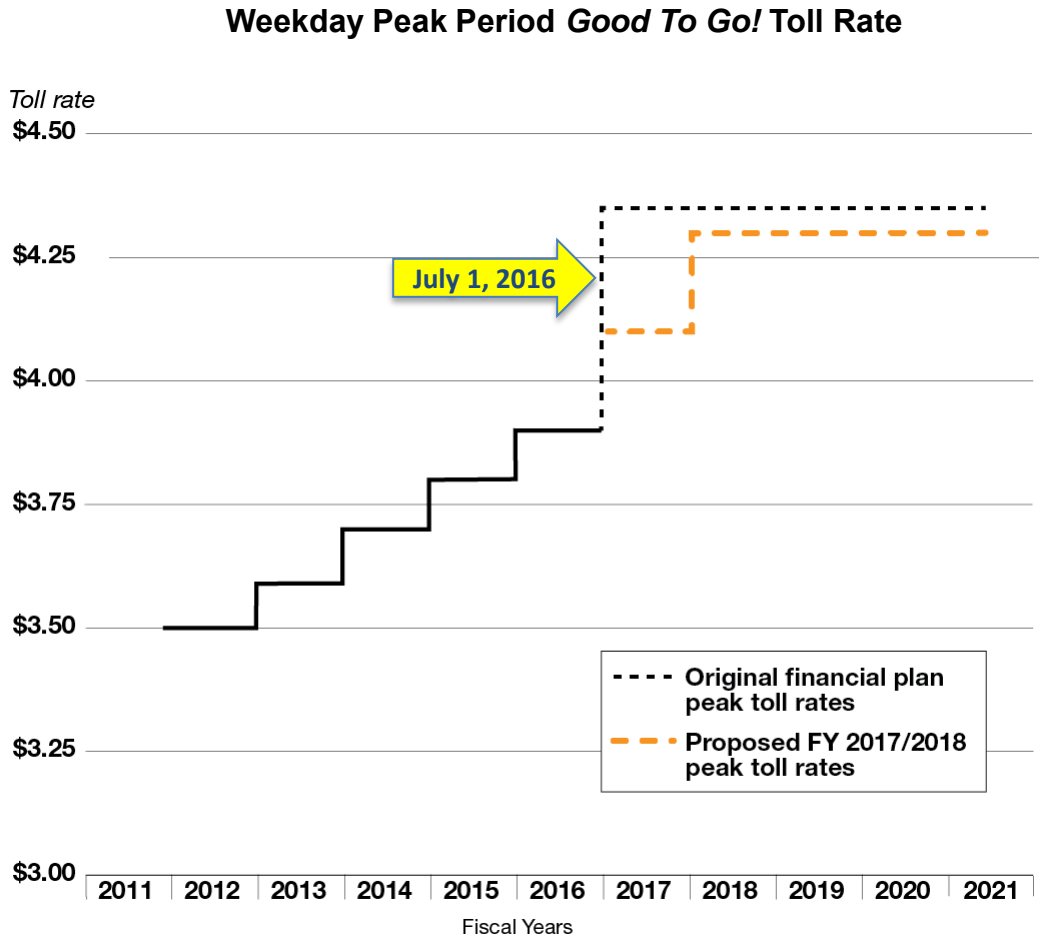
- NOTES:**
- Toll rates are assumed to be rounded to the nearest nickel; average percentage increases and percentage increases by time period may differ.
 - For all cases, HOV 3+ carpools are assumed to pay tolls (not exempt) while transit busses and registered vanpools are assumed to be exempt.
 - Other assumptions: Pay By Mail toll increment is \$2.00, *Good To Go!* Pay By Plate fee is \$0.25, and Short Term Account discount is \$0.50.

Next Steps

- Final investment grade traffic, gross revenue, and net revenue forecast results for the recommended scenario
- Office of the State Treasurer certification of selected scenario
- Toll rate adoption
- Toll rate to take effect July 1, 2016

Original Financial Plan and Proposed Toll Rates

- Commission adopted 2.5% toll increases in 2012 through 2015 (FYs 2013-16)
- The original SR 520 Financial Plan assumed a larger step increase on July 1, 2016, coinciding with opening the new floating bridge
- This would have raised the weekday peak period toll to \$4.35
- The Commission is proposing rates lower than the original Financial Plan assumption



Commission two-step toll rate Increase Proposal

- 5% in FY 2017
- 5% + \$1.25 night tolling in FY 2018
 - Delays the original 2011 financial plan assumption for night tolling by one year
- Applies to weekdays and weekends with nickel rounding
- Maintains current exemptions for transit and registered vanpools
- Applies a \$2.00 Pay By Mail toll increment that aligns SR 520 with the toll increment for the I-405 Express Toll Lanes and SR 16 Tacoma Narrows Bridge
- Provides a bit of headroom for forecast variance in FY 2018-22

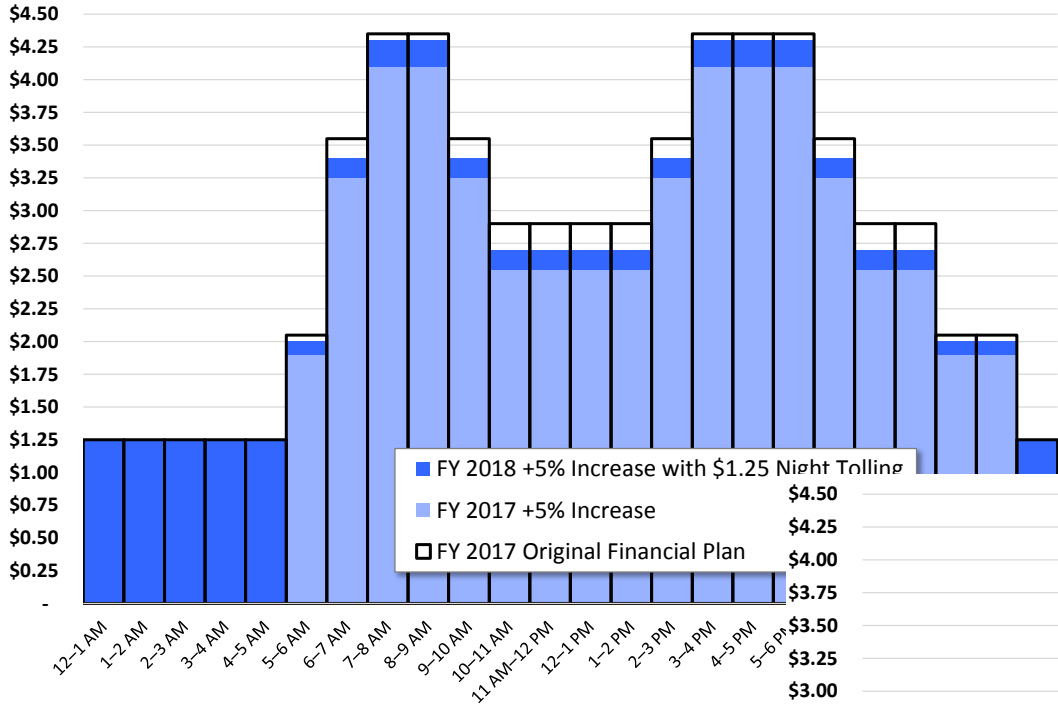
Case	FY 2017	FY 2018	FY 2022	Summary
Commission Two-Step Increase Proposal	+ 5%	+ 5% + night tolling	no change	Two step increase achieves Scenario 2 toll rates in FY 2018. <ul style="list-style-type: none"> • 5% increase in FY 2017 • 5% increase in FY 2018 plus night tolling added

NOTES:

- Toll rates are assumed to be rounded to the nearest nickel; average percentage increases and percentage increases by time period may differ.
- For all cases, HOV 3+ carpools are assumed to pay tolls (not exempt) while transit busses and registered vanpools are assumed to be exempt.
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Commission Toll Schedule Proposal

Weekday Good To Go! Toll Rates

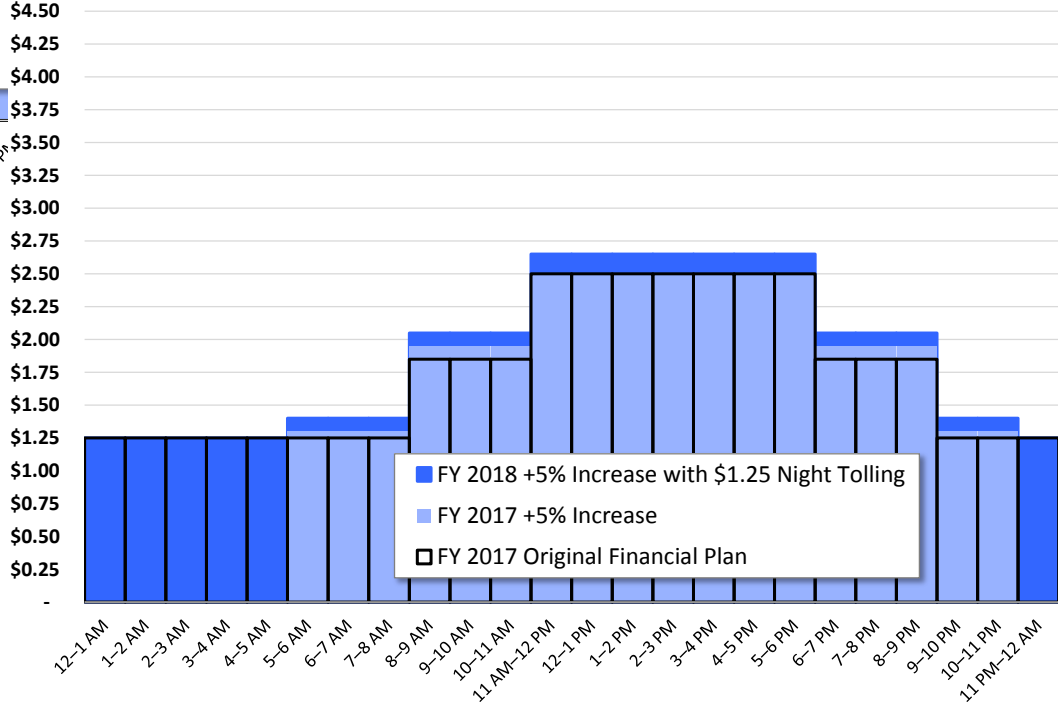


COMMISSION PROPOSAL SUMMARY

- Meets financial sufficiency requirements
- No carpool exemptions
- Adds 5% to tolls in FY 2017 and FY 2018 for both weekday and weekend, with nickel rounding applied
- Peak weekday toll: \$4.10 and then \$4.30
- Midday weekday toll: \$2.55 and then \$2.70
- Peak weekend toll: \$2.50 and then \$2.65

ORIGINAL FINANCIAL PLAN

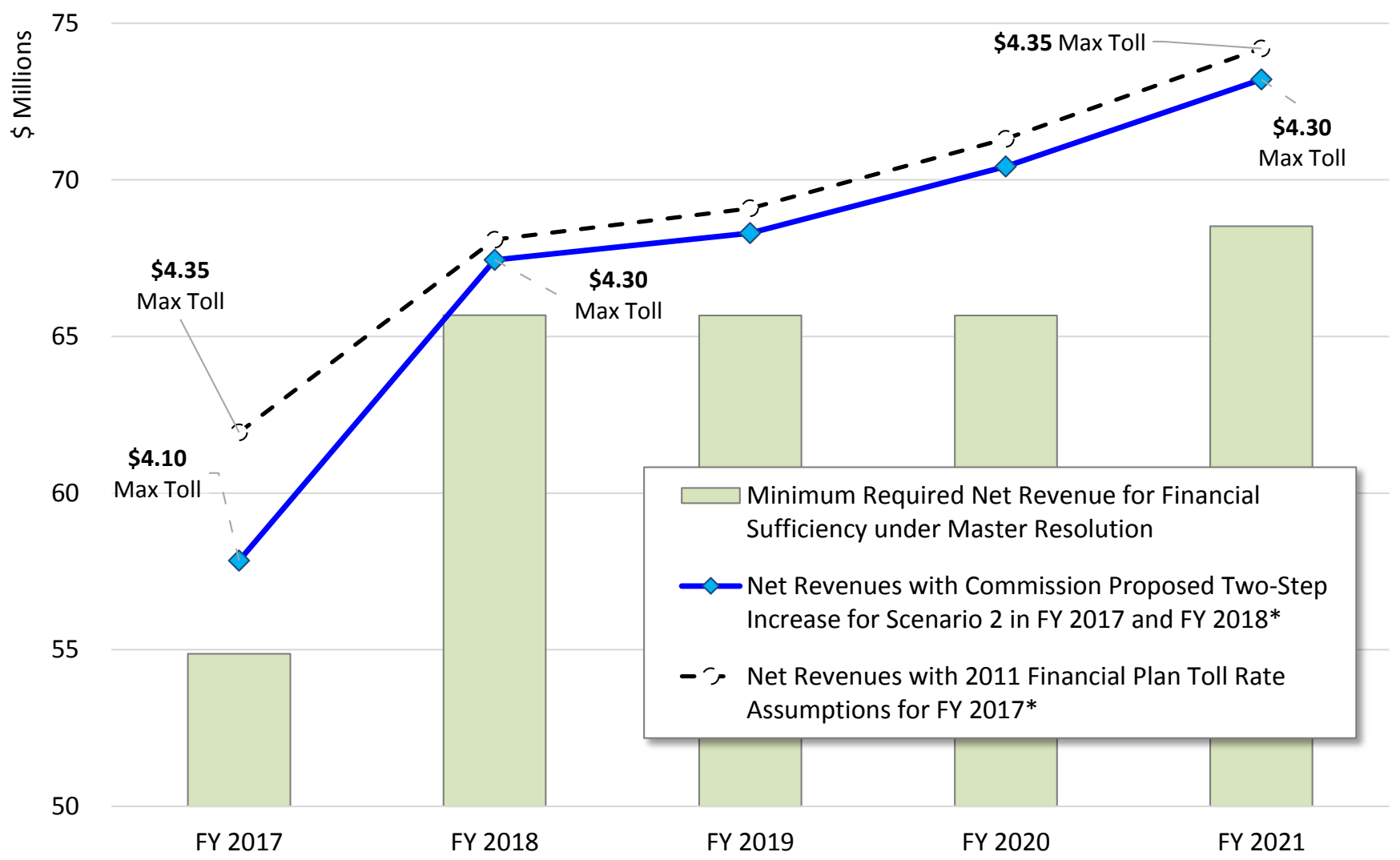
- Applied toll increases of 12-18% on weekdays in FY 2017 varying by time of day (15% weighted average increase)
- Applied midday toll increase of 4% on weekends (2% weighted-average increase)



Projected and Minimum Required Net Revenues for 2011

Financial Plan and Commission Proposed Two-Step Toll Schedule

Scenario 2 Multi-step Toll Increase Options Compared to Minimum Required Net Revenues



* Net revenues available after deposits to the Revenue Stabilization Account

Public Comment

For questions or further information...

Patty Rubstello, P.E.

Assistant Secretary, Toll Division

206-464-1299 or RubsteP@wsdot.wa.gov

Reema Griffith

Executive Director, Washington State Transportation Commission

360-705-7070 or GriffiR@wstc.wa.gov



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