SR 520 Net Toll Revenue Update

November 2019 Forecast Briefing Presentation

Presented by Brent Baker

January 14, 2020
Preliminary Rate Setting Observations

• Current SR 520 toll rates appear to meet all requirements
  – All debt service coverage requirements can be met
  – It appears that all financial obligations can be met (sum sufficiency)
  – No apparent need for rate setting action in 2020
  – The refunding of SR 520 triple-pledge bonds will lower debt service costs FY 2021 onward, improving coverage / overall financial picture

• Verification of sufficiency findings forthcoming from OST in February

• November 2019 Net Toll Revenue Projections to be finalized in February
  – Report documentation to follow
SR 520 Net Toll Revenue Components

- **Gross Toll Revenue Potential**
  - Toll Payment Fees
  - Revenue Not Recognized
  - Unpaid Toll Revenue
  - Recaptured Toll Revenue at *Good To Go!* Rates

- **Adjusted Gross Toll Revenue Collected**
  - Miscellaneous Pledged Revenue
  - Transponder Sales Revenue
  - Pay By Mail Rebilling Fees
  - Toll Revenue Recovered at Pay By Mail Rates

- **Adjusted Gross Toll Revenue & Fees**
  - Credit Card Fees
  - Transponder Costs
  - State & Consultant Costs
  - Roadway Toll System O&M Costs
  - CSC Back Office System & Operations Costs
  - Routine Facility O&M Costs
  - Bridge Insurance Premiums

- **Net Toll Revenue**
  - Deferred Sales Tax Payments & Debt Service*
  - Periodic Facility R&R*
  - Periodic Toll Equipment and CSC R&R*

* Only WSDOT forecasted annual uses of net toll revenues are shown; actual uses may be in the form of reserve account annual deposits
Summary of Changes in Stantec’s November 2019 Traffic and Gross Toll Revenue Potential Forecasts

• Forecast horizon adjusted to FY 2020 through FY 2056

• Overall, the toll transaction forecast is essentially unchanged
  – Transactions are 0.1% higher over the forecast period vs. prior forecast
  – Larger +/- % changes occur in the current decade due to revisions in the near-term construction schedule and changes in associated construction closures

• The traffic forecasts reflect a shift from Pay By Mail users to Good To Go! users, especially Pay By Plate users
  – Reflects recent trends in actual customer payment methods and revisions in how transactions with unreadable plates inform the forecasts by payment type

• Gross toll revenue potential is 0.5% lower over the forecast horizon
  – The shift from Pay By Mail users to lower Good To Go! toll rates reduced revenue even though total forecasted toll transactions have not declined
SR 520 Share of System-wide Toll Operating Costs

- **2025** – Addition of I-405 Renton to Bellevue ETLs
- **2026-2030** – Ramp-up of tolling on Gateway Program (SR 167 and SR 509) starts in FY 2026
- **2033** – Assumed removal of tolling on Tacoma Narrows Bridge (included in both 2018 and 2019 Forecasts)
Gross toll revenue potential is 0.1% lower than previous forecast

Net toll revenue is 1.5% higher than the previous forecast

- Miscellaneous revenues increased by +90% due to a higher assumed interest rate on fund balances and the inclusion of payments from the sale of the Aberdeen Pontoon Casting Basin
- Total O&M costs were slightly higher (+1.1%) and include higher credit card fees and bridge insurance premiums which are largely offset by the benefits of a smaller allocation share of system-wide costs
- Downstream uses of net toll revenue are not materially different overall, with higher facility R&R costs that are largely offset by lower toll R&R costs (vendor procurement) resulting from SR 520’s reduced share of allocated system-wide costs

<table>
<thead>
<tr>
<th>Forecast Category</th>
<th>Nov 2018 Forecast ($ millions)</th>
<th>Nov 2019 Forecast ($ millions)</th>
<th>Variance ($ millions)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Toll Revenue Potential</td>
<td>4,810.7</td>
<td>4,786.6</td>
<td>(24.1)</td>
<td>−0.5%</td>
</tr>
<tr>
<td>Subtotal: Revenue Adjustments</td>
<td>(65.8)</td>
<td>23.3</td>
<td>89.2</td>
<td>−135.5%</td>
</tr>
<tr>
<td>Subtotal: O&amp;M Costs</td>
<td>(1,429.3)</td>
<td>(1,444.8)</td>
<td>(15.5)</td>
<td>+1.1%</td>
</tr>
<tr>
<td>Net Toll Revenue</td>
<td>3,315.6</td>
<td>3,365.2</td>
<td>49.6</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Subtotal: R&amp;R Costs + Deferred Sales Tax</td>
<td>(560.4)</td>
<td>(590.8)</td>
<td>(30.4)</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Total after Deferred Sales Tax and R&amp;R</td>
<td>2,755.2</td>
<td>2,774.4</td>
<td>19.2</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>
Toll Transaction Comparison
History plus Current and Previous Projections | FY 2012-56

Fiscal Year

millions
Gross Toll Revenue Potential Comparison
History plus Current and Previous Projections | FY 2012-56

$ millions

Fiscal Year

September 2011 Gross Revenue Potential Forecast
November 2018 Gross Revenue Potential Forecast
November 2019 Gross Revenue Potential Forecast
Estimated Actual Gross Toll Revenue Potential
Net Toll Revenue Comparison
History plus Current and Previous Projections | FY 2012-56

$ millions

Fiscal Year

- 2012 2016 2020 2024 2028 2032 2036 2040 2044 2048 2052 2056

Legend:
- September 2011 Net Revenue Forecast
- November 2018 Net Revenue Forecast
- November 2019 Net Revenue Forecast
- Actual Net Toll Revenue