

2020 Tolling Report

January 2020



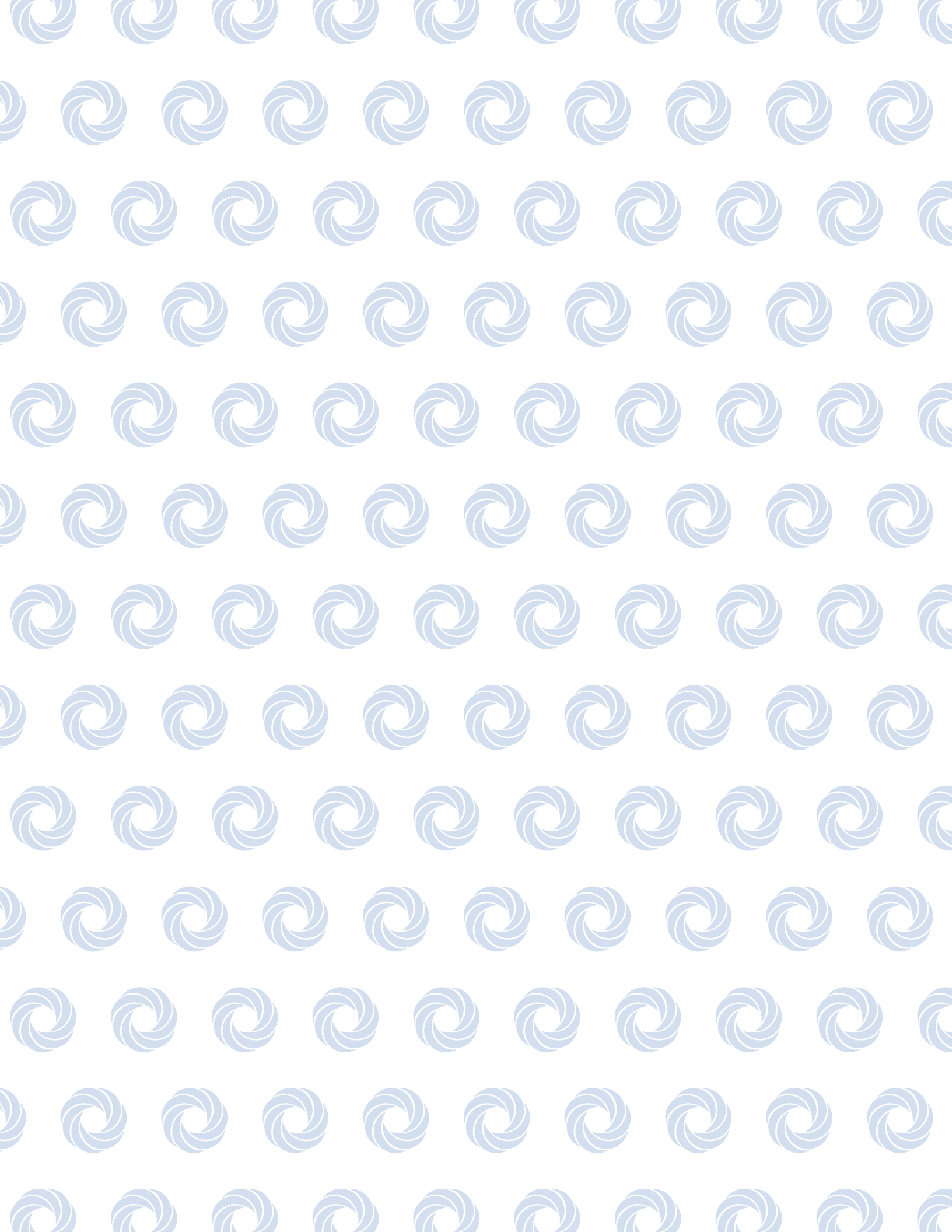


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INTRODUCTION

As the State Tolling Authority, the Washington State Transportation Commission (Commission) sets toll rates and policies for all tolled facilities statewide, which currently include: the SR 520 Bridge, the SR 16 Tacoma Narrows Bridge (TNB), the I-405 Express Toll Lanes (ETLs), the SR 167 Express Toll Lanes (ETLs), and the SR 99 Tunnel.

As tolling advances and expands in Washington State, the importance of oversight and reporting is critical to achieving a transparent and efficient system. To that end, this report provides an update to the Legislature on the Commission's toll setting activities and findings over the past year, and sets forth expectations for the year ahead.

This report also includes the Tacoma Narrows Bridge (TNB) Loan Report (see page 6). Since 2018, the Legislature has required the Commission to provide an update on loan amounts necessary to keep TNB toll rates at current levels through the life of the TNB debt service, except for up to a \$0.25 rate increase in 2021.

Total toll revenue collections for all five tolled facilities is projected to generate nearly \$454 million during the current biennium (July 1, 2019 – June 30, 2021). All of this revenue is dedicated in law to support the toll facility from which it was collected.

In determining the need to adjust toll rates, on an ongoing basis the Commission monitors the performance of each tolled facility, reviews traffic and revenue data as well as operational cost data, considers projections for future performance, and serves as a public forum in which all this information can be obtained and which the public can utilize in offering input for the Commission's consideration.



Tolling Gantry

2019 Commission Tolling Activities

In 2019, the Commission did not increase nor adjust toll rates on any of the tolled facilities in Washington State. Below is a summary of the toll-related work the Commission conducted in 2019.

SR 99 Tunnel

The Commission adopted the toll rate schedule and policies for the SR 99 Tunnel in October 2018. Tolling began in November 2019, after being open to traffic since February 2019. Since tolling commenced, the Commission has been closely monitoring traffic and revenue performance to ensure all financial requirements can be met.



SR 99 Tunnel Toll Rate Sign (WSDOT)

Traffic and revenue results for the SR 99 tunnel have exceeded projections. With the start of tolling, projections had estimated that traffic in the tunnel would initially decrease by 35% - 50% compared to traffic levels in the toll-free tunnel, with a gradual ramp-up of traffic during the year. However, during the first two weeks of tolling, traffic was down just 25%, with peak hour traffic down only 18%. Similar performance continued through the end of 2019. In addition, about 80% of tunnel users have a *Good To Go!* account. Nevertheless, such results remain too preliminary to inform long-term trends. The Commission will closely monitor the tunnel’s traffic and revenue performance in 2020.

Under current law, toll revenues must be used to fund \$200 million of bonded construction costs for the SR 99 Tunnel / Alaskan Way Viaduct Replacement Project, as well as fund the facility’s toll collection costs, and operations and maintenance costs. The toll rates vary by day of week and by time of day (referred to as “variable tolling”). This approach enables the maximization of revenue and vehicle throughput, and minimizes diversion to other travel routes.

Toll Policy Consistency

The Commission completed a rule-making process for establishing system-wide toll exemption policies in 2018, and these policies took effect in August 2019. The intent was to bring operational and policy consistency across all of the tolled facilities as much as possible, to streamline operations and to make rules between the tolled facilities consistent for the drivers.

Revenue impacts of the exemption policy changes are primarily limited to the Tacoma Narrows Bridge (TNB). This is because, prior to 2019, the TNB was the only tolled facility in which transit paid tolls. The Commission’s action to apply consistent toll exemption policies across all facilities means that transit buses and vanpools can now cross the TNB for free, like on all of the other facilities. This policy change is estimated to result in \$235,000 - \$245,000 less TNB toll revenue annually. This equates to less than 0.3% of annual TNB toll revenue, or little more than \$0.01 per transaction.

Toll Exemptions by Facility

Adopted: July 17, 2018 Took effect: August 1, 2019	Carpools	Motorcycles	Transit/ Rideshare	Private Buses/ School Buses	Emergency Vehicles	Tow Trucks (WSP Authorized)	Incident Response/ O&M Vehicles
Non-HOV exemptions							
BRIDGES AND TUNNELS							
SR 16 Tacoma Narrows Bridge	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
SR 520 Bridge	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
SR 99 Tunnel	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
PRICED MANAGED LANES							
SR 167 Express Toll Lanes	2+	At all times	At all times	At all times	On-Duty	In-Service	On-Duty
I-405 Express Toll Lanes	3+ peak/ 2+ off peak	At all times	At all times	At all times	On-Duty	In-Service	On-Duty

On-Duty = Vehicle operating in an official capacity

In-Service = On-duty and responding to an incident. Includes private tow trucks directed by WSP to clear vehicles from SR 520 bridge

Review of Toll Facility Performance

Throughout 2019, the Commission frequently reviewed revenue, traffic volumes, and overall financial performance indicators for the all of the State's tolled facilities, and continued active participation in planning for the completion of the I-405 / SR 167 ETL Corridor, and the SR 509 and SR 167 completion projects (Gateway Program).

I-405 / SR 167 ETL Low Income Tolling Study

Per Legislative direction, in fall 2019, the Commission began preparations for conducting a study that will assess the impacts of tolling on low-income drivers of the I-405/ SR 167 ETLs, and determine possible approaches to mitigating such impacts. More specifically, this study will assess practices in other states, assess how tolling impacts low-income drivers who use these tolled facilities, identify possible low-income toll program options to mitigate impacts, determine the costs of implementing and operating such possible programs, and identify the implications of each option on tolling policies, traffic, revenues, costs, operations, and enforcement. The Commission is working in collaboration with Department of Transportation, the Department of Social and Health Services, and other key stakeholders. The findings and recommendations of this study are due to the Legislature by June 30, 2021.

Anticipated 2020 Tolling Activities

Looking ahead to 2020, based on current forecasts, the Commission does not anticipate making changes to toll rates or policies. This is subject to on-going monitoring of actual traffic and revenue performance throughout the year.

SR 16 Tacoma Narrows Bridge

No changes to current toll rates are expected. The Legislature provided a \$12.543 million loan to the TNB Account for the 2019-2021 biennium in spring 2019. Based on analysis for the 2020 TNB Loan Report, this loan is expected to remain sufficient for keeping toll rates at their current levels for the biennium. Details are available in the 2020 TNB Loan Report section of this report (page 6).

SR 520 Bridge

No changes to current toll rates are expected, pending certification from the Office of the State Treasurer by early spring 2020 that projected toll revenues are sufficient under the current toll rate schedule.



SR 99 Tunnel

No changes to current toll rates are expected. However, the Commission will closely monitor the tunnel's traffic and revenue performance in 2020 as traffic performance becomes more established for this new facility. The Commission will also begin to assess rate setting needs for using toll revenues to pay facility repair and replacement costs, as required by the Legislature in spring 2019. As directed by the legislature, the 2018 rate setting process did not incorporate these costs. This assessment will be done in close cooperation with WSDOT and the Office of the State Treasurer.

I-405 / SR 167 Express Toll Lanes

No changes to current toll rate ranges are expected on the current facilities. Preparations and ongoing work will continue related to developing a rate-setting schedule for the I-405 / SR 167 Express Toll Lanes corridor, in close cooperation with WSDOT and the Office of the State Treasurer. This is in preparation for the start of tolling in 2024 on the future Bellevue to Renton portion of the I-405 Express Toll Lanes. The Commission will also continue work on the I-405 / SR 167 ETL Low-Income Tolling Study.



SR 509 / SR 167 Gateway Program

The Commission will continue participating in planning efforts led by WSDOT for these two future toll facilities, each connecting important freight corridors to I-5. This planning will include further consideration of rate-setting criteria for a future rate setting process.

Toll Operations

The Commission will continue to engage WSDOT on the progress of implementing the tolling back office system. WSDOT continues to work with the vendor on completing testing necessary for implementation.

SUMMARY OF CURRENT TOLL RATES AND REVENUES BY FACILITY

Toll Rate Structure by Facility (FY 2020)

Toll Facility	Rate Structure	Hours 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 Rates by Time of Day & Weekends	24 hrs., 7 days/wk.	3+ HOV lane w/toll
SR 99 Tunnel	Variable Rates by Time of Day & Weekends	24 hrs., 7 days/wk.	No HOV lane; not exempt from tolls
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 Express 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

Toll Rates by Facility (FY 2020)

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	\$1.25 - \$4.30	\$3.25 - \$6.30	None
Weekends & Holidays	\$1.25 - \$2.65	\$3.25 - \$4.65	None
SR 99 Tunnel			
Weekdays	\$1.00 - \$2.25	\$3.00 - \$4.25	None
Weekends & Holidays	\$1.00	\$3.00	None
I-405 Express Toll Lanes	\$0.75 - \$10.00	\$2.75 - \$12.00	None
SR 167 Express 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 a pass is not detected

Traffic Volumes & Toll Revenue by Facility (FY 2019)

Toll Facility	Traffic Volumes	Toll Revenue*
SR 16 Tacoma Narrows Bridge	15.5 million	\$82.3 million
SR 520 Floating Bridge	26.5 million	\$85.7 million
SR 99 Tunnel (tolling began Nov 2019)	N/A	N/A
I-405 Express Toll Lanes	9.7 million	\$29.3 million
SR 167 Express Toll Lanes	1.7 million	\$3.7 million
Total	53.3 million	\$200.1 million

Source: TRFC, November 2019

*Adjusted Gross Toll Revenue

2020 TACOMA NARROWS BRIDGE LOAN REPORT



SR 16 Tacoma Narrows Bridge

In 2018, SHB 2990 was enacted, establishing legislative intent to provide up to \$85 million in loans from transportation revenue sources between FY 2020 – FY 2030, to keep toll rates at current levels until debt service, deferred sales tax, and loans are repaid (through about FY 2032), while allowing for no more than a \$0.25 rate increase beginning on July 1, 2021 (FY 2022) or later.¹

The Commission is required to submit a status report to the Transportation Committees of the Legislature annually through the end of debt service payments in FY 2030. The report must include sufficient information to enable the Legislature to determine an adequate amount to loan the Tacoma Narrows Bridge (TNB) Account in a biennium. This will help to ensure there is no need for additional rate increases or changes to the debt service plan repayment schedule.

Loan estimates were modeled by the Commission using the criteria described in the 2018 legislation, and with data from Washington State Department of Transportation’s (WSDOT) 2020 TNB financial plan. This was the same process the Commission used in support of analysis for the legislation, and again for the 2019 TNB Loan Report, but with updated sources and assumptions.²

2019-2021 Biennium Loan Estimates

Based on the analysis for this report, no adjustment to the current loan amount for the 2019-21 biennium is necessary to meet financial requirements for the TNB Account in FY 2020 or FY 2021.

In spring 2019 the Legislature approved a loan to the TNB Account of \$12.54 million for the 2019-21 biennium. This amount was less than the \$14.9 million that was originally estimated in the 2019 TNB Loan Report submitted in January 2019. This lower amount assumed that the start of tolling on the SR 99 Tunnel in FY 2020 would result in a decreased share of system-wide tolling costs paid from the TNB Account.

Compared to the 2019 TNB Loan Report, projected costs increased for the 2019-21 biennium and projected revenues are slightly lower. However, the impact on the projected TNB Account fund balance of this reduction in net revenue for the 2019-21 biennium was largely offset by an ending fund balance for the 2017-19 biennium (FY 2019) that was \$6 million higher than projected.

2019-21 Biennium Loan Estimates & Distribution

	FY 2020	FY 2021	2019-21 Biennium
2019 TNB Loan Report Estimates*	\$6,511,000	\$8,392,000	\$14,903,000
Enacted Loan Amounts^ (2019 Legislature)	\$6,271,500	\$6,271,500	\$12,543,000

* Estimates rounded to nearest thousand.

^ 2019-21 biennium budget provided for \$12.543m from the Nickel Account. Distribution between fiscal years based on current fund transfer schedule. Equal amounts are transferred at the end of each quarter (source: WSDOT).

¹ Tacoma Narrows Bridge – Debt Service Payment Plan legislation (SHB 2990) <http://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bills/Session%20Laws/House/2990-S.SL.pdf>

² 2019 Tolling Report & 2019 TNB Loan Report (Appendix A) https://wstc.wa.gov/StudiesSurveys/documents/20190111_FINAL_2019TollingandTNBLoanReport.pdf

At the current loan amount for the 2019-21 biennium, the TNB Account fund balance is projected to have an ending fund balance of over \$13 million each fiscal year during this biennium, though the fund balance may intermittently not be in compliance with the Commission’s Sufficient Minimum Balance (SMB) policy in FY 2021.³ The SMB policy requires the TNB Account to maintain a retrospective three month rolling average fund balance of \$10 million. However, the Commission does not anticipate taking action to address the fund balance, as it is expected to remain near the SMB requirement, and because future loans and the planned \$0.25 rate increase in FY 2022 are expected to provide for long-term SMB compliance.

Comparison of Loan Estimates: FY 2022 – FY 2030

Looking long-term, loan estimates for FY 2022 – FY 2030 total about \$60.1 million, approximately \$6.9 million less than estimated in the 2019 TNB Loan Report. Combined with the current loan for the 2019-21 biennium, this would be \$9.3 million less than the \$81.8 million in total loan needs estimated in the 2019 TNB Loan Report, and \$12.5 million less than the \$85 million authorized in the legislation.

While these estimates could change over time, this current estimated decrease from the 2019 Loan Report largely resulted from reduced preservation costs for the bridge in the FY 2021-23 biennium, and from WSDOT now assuming TNB toll revenue will not contribute to the next replacement of the state’s tolling back office system and customer service center contracts, previously projected for the 2027-29 biennium. WSDOT assumes a 10 year system replacement cycle, so with a new tolling back office system being implemented in 2020 the next replacement is scheduled for about 2030, just about two years before TNB tolling is scheduled to end.

Factors Contributing to Loan Estimate Analysis

Though this analysis suggests no change to the current loan amount, traffic, revenue and cost inputs were updated since the 2019 TNB Loan Report. The information below summarizes the changes impacting the analysis for this report since the loan estimates provided in the 2019 TNB Loan Report.

Ending Fund Balance Estimates with Current Loan by Fiscal Year (FY 2019 – FY 2021)*

	FY 2019	FY 2020	FY 2021
2019 TNB Loan Report	\$ 16,063,000	\$ 13,500,000	\$ 13,500,000
2020 TNB Loan Report	\$ 22,103,000	\$ 13,777,000	\$ 13,032,000
<i>Difference</i>	\$ 6,040,000	\$277,000	\$ -468,000

* Estimates rounded to nearest thousand.

TNB Loan Estimates for FY 2022 – FY 2030 by Biennium*

	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	2027-29 Biennium	2029-31 Biennium	FY 2022 – FY 2030
2019 Loan Estimates	\$ 14,614,000	\$ 14,646,000	\$ 13,912,000	\$ 21,657,000	\$ 2,086,000	\$ 66,915,000
Updated Loan Estimates	\$ 13,252,000	\$ 14,722,000	\$ 13,463,000	\$ 15,958,000	\$ 2,669,000	\$ 60,063,000
<i>Difference</i>	\$ -1,362,000	\$ 75,200	\$ -448,400	\$ -5,699,000	\$ 582,600	\$ -6,852,000

* Loan estimates rounded to nearest thousand.

^ As enacted by Legislature in spring 2019

³ Transportation Commission TNB Sufficient Minimum Balance Policy <https://wstc.wa.gov/HighwayTolling/documents/TNB-SNB-Policy.pdf>

Toll Transactions

Toll transaction volumes on the TNB were slightly lower than expected in FY 2019, missing projections by just 0.5% (about 77,000 transactions), but still exceeding FY 2018 toll transactions by about 0.8% (about 116,000 vehicle trips). The November 2019 forecast projects that toll transactions will continue to grow in the 2019-21 biennium, with slightly higher growth than projected in the November 2018 forecast.⁴

Toll Transactions Compared to 2019 TNB Loan Report			
FY 2019 Actuals		2019-21 Biennium Forecast	
↓	-0.5%	↑	0.02%

Consistent with the 2019 TNB Loan Report, the adjusted loan estimates for FY 2022 – FY 2030 incorporate projected impacts on toll transaction growth rates from a potential \$0.25 rate increase on July 1, 2021 (FY 2022). As used for the 2019 TNB Loan Report, this analysis uses a 0.5% lower assumed toll transaction growth rate for FY 2022 than assumed with no rate increase (2020 TNB financial plan), or about 81,000 fewer vehicle trips. Annual growth rates then return to levels assumed without the rate increase.

Revenues

Adjusted gross revenues exceeded forecasted amounts in FY 2019 by 1.4%, benefiting from higher than forecast revenues in ten months of the year, and from one-time year end accounting adjustments. The November 2019 forecast projects similar, but slightly lower (about 0.3% less), adjusted gross revenues in the 2019-21 biennium than projected in the November 2018 forecast. This primarily results from a small increase in the forecasted share of image-based transactions (pay by plate and pay by mail), consistent with a higher than forecasted image-based transaction share in FY 2019.

Toll Revenues Compared to 2019 TNB Toll Report			
FY 2019 Actuals		2019-21 Biennium Forecast	
↑	1.4%	↓	-0.3%

The adjusted gross revenue estimates also include the projected impacts of the system-wide exemptions policy, as adopted by the Commission in July 2018⁵. This policy established consistent tolling exemptions on toll facilities across the state. This had the effect of expanding some exemptions to the TNB, with the transit exemptions for buses and vanpools most consequential.

These exemptions are expected to reduce annual projected TNB revenues by about 0.3%, equating to a reduced revenue potential of about \$206,000 in FY 2020, \$235,000 in FY 2021, and about \$245,000 annually thereafter, with the possible \$0.25 rate increase beginning in FY 2022. These estimates are \$10,000 higher than used for the 2019 TNB Loan Report, except for a minor reduction in the FY 2020 revenue impact with the shift in the start date for the system-wide exemptions policy from June 1, 2019 (FY 2019) to August 1, 2019 (FY 2020).

Costs

Analysis of the current loan included higher projected costs than previously assumed for the 2019-21 biennium, consistent with WSDOT’s 2020 TNB financial plan (December 2019). This increase largely resulted from shifting \$3.8 million of costs to the 2019-21 biennium from the adjacent biennia:

Operations: A shift in \$1.6 million of vendor procurement costs forward from FY 2019 (2017-19 biennium) to FY 2020 with the delayed implementation of the tolling back office system.

Preservation: A shift in \$600,000 forward from FY 2019 (2017-19 biennium) and a shift of \$1.65 million back from the 2021-23 biennium for a toll lane system replacement project.

TNB Costs Compared to 2019 TNB Toll Report			
FY 2019 Actuals		2019-21 Biennium Forecast	
↓	-5.0%	↑	2.3%

⁴ WA State Transportation Revenue Forecasts <https://www.ofm.wa.gov/budget/budget-instructions/transportation-revenue-information>

⁵ Traffic and revenue impacts from the exemptions policy are included in the November 2019 forecast, but were not included in the November 2018 forecast. The 2020 Loan Report assumptions remain higher than included in the November 2019 forecast, consistent with estimates for the 2019 Loan Report.

In addition, based upon updated information from WSDOT not included in their 2020 TNB financial plan, the analysis assumes a \$1.2 million reduction in costs from lower than expected costs for a facility preservation project in the 2019-21 biennium.

Over the full term of the debt service (through FY 2030) and period of repayment for the sales tax deferral and the loans (FY 2031-2032), costs are lower than previously assumed. In addition to the reduced preservation costs for the 2021-23 biennium, this reduction largely results from the WSDOT assumption that TNB toll revenues will not contribute to the next replacement of the tolling back office system and customer service center contracts, previously projected for the 2027-29 biennium. This results in a savings of \$5.6 million compared to the 2019 TNB financial plan.

Financial Model Assumptions

The current loan estimates incorporate costs and inflation factors assumed in WSDOT's 2020 TNB financial plan, as prepared for the Governor's 2020 supplemental transportation budget proposal issued in December 2019. Consistent with the TNB financial plan, the analysis assumes interest revenues distributed to the TNB Account from the Statewide Tolling Account that are not assumed in the November 2019 forecast, \$132,000 annually.

Calculations for the proposed loan adjustments maintain some distinctions from the TNB financial plan, consistent with the loan estimates for the 2019 TNB Loan Report. As noted below, these distinctions result from updates to information in the WSDOT financial plan, alignment with the \$0.25 rate increase for FY 2022 assumed by the loan legislation, and alignment with the Commission's SMB policy. These distinctions include:

- **WSDOT Financial Plan Update:**

- Assumes that facility repair & replacement costs for the TNB will be \$431,000 for the 2019-21 biennium, \$1.2 million less than projected in the financial plan. This aligns with input from WSDOT after submittal of the financial plan for the Governor's Budget.

- Assumes larger annual impact on potential revenue from toll exemptions than the 2020 TNB Financial Plan by \$30,000 - \$49,000 per year. This is \$10,000 more per year than assumed in the 2019 TNB Loan Report, based on updated bus and vanpool usage data for the TNB from transit agencies in the region.

- **FY 2022 Rate Increase:** Assumes annual increased revenue and \$97,000 in annual credit card costs resulting from an assumed \$0.25 rate increase on July 1, 2021 (FY 2022), in alignment with the intent of the legislation. This is \$2,000 more per year than the 2019 TNB Loan Report asserted, based on the assumption of higher credit card costs with the new tolling back office system.
- **Commission's SMB Policy:** An assumed annual ending fund balance of \$13.5 million to ensure compliance with the \$10 million retrospective three month rolling average requirement established by the Commission's sufficient minimum balance policy.



