



SR 520 Bridge Toll Rate Setting Update

WSTC Commission Meeting

May 11, 2021

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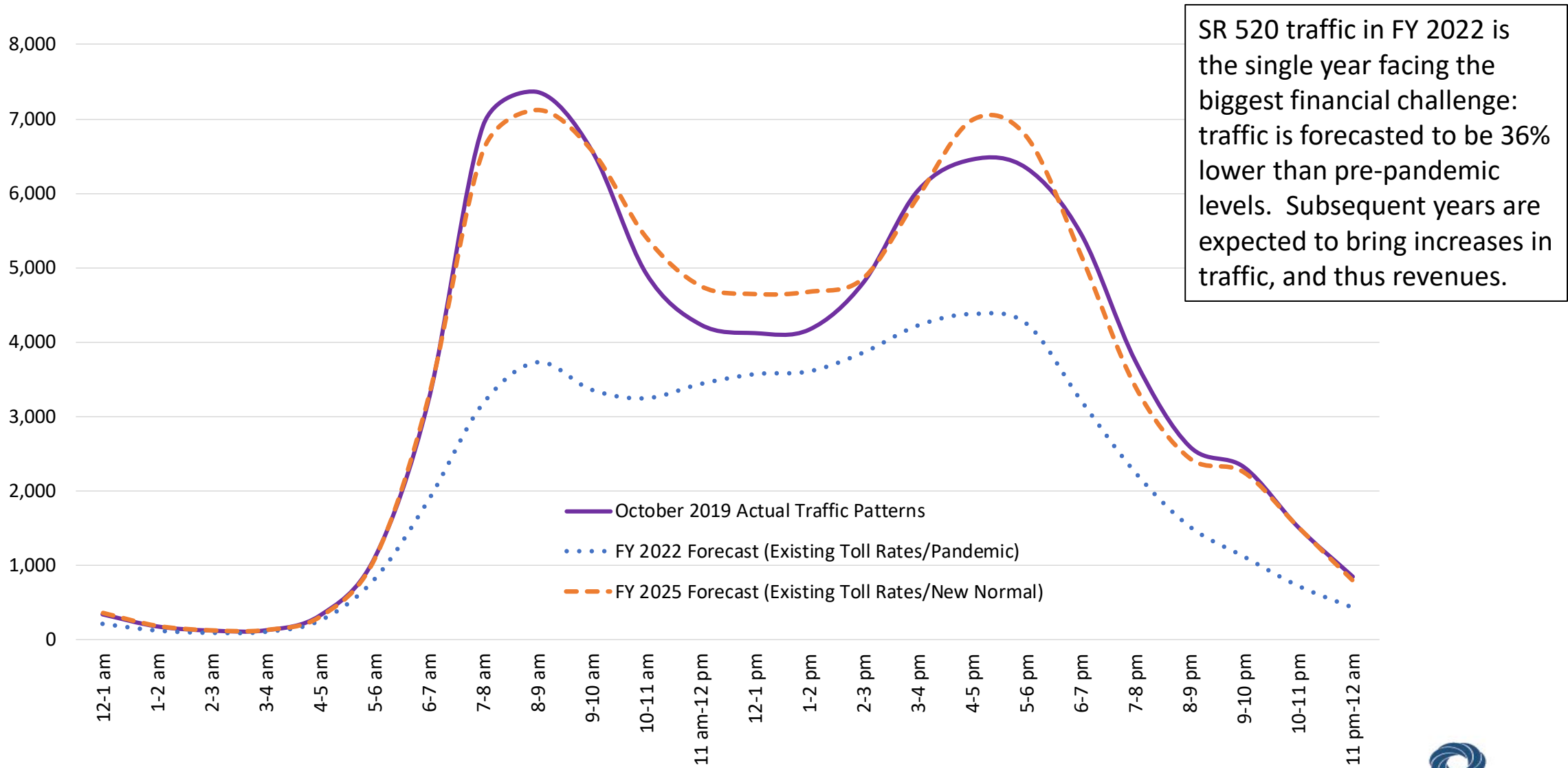
Deputy Director

Washington State Transportation Commission

SR 520 Bridge COVID-19 Impacts

- Beginning in March 2020, COVID-19 has sharply reduced SR 520 bridge traffic and revenues
- For the SR 520 bridge from March 2020 – March 2021 (13 months):
 - Both traffic and revenue were 54% below pre-pandemic forecasts
 - Gross toll revenues collected were \$52.7 million below pre-pandemic forecasts
 - Percentage decrease in net toll revenue substantially higher due to largely fixed operations and maintenance (O&M) costs
- SR 520 traffic in FY 2022 (*July 1, 2021 – June 30, 2022*) is expected to be 36% lower than pre-pandemic levels, with net revenue at 70% below expected levels
- Largest traffic declines occurred during peak periods, further impacting revenue loss
- Continued pandemic recovery and “new normal” traffic levels poses long-term challenges to meeting financial and legal requirements

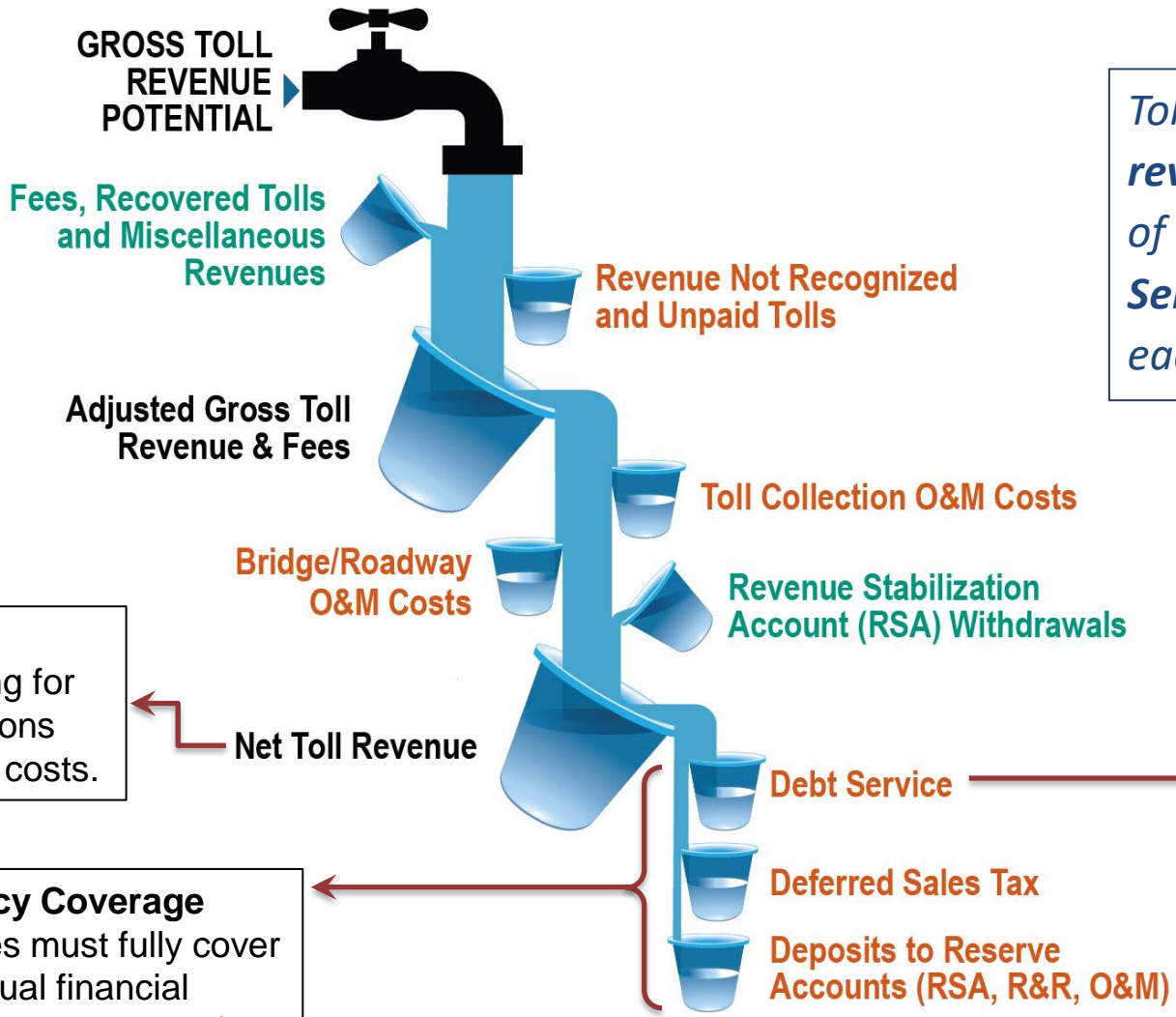
Pre- / During / Post-Pandemic Traffic Patterns



SR 520 Pre- / During / Post-Pandemic Forecasts

Fiscal Year	Pre-Pandemic November 2019 Forecast		Current March 2020 Forecast		Pre-Pandemic to Current Forecast Decrease		Pre-Pandemic to Current Forecast Percentage Decrease	
	Toll Transactions (millions)	Net Toll Revenue (\$ millions)	Toll Transactions (millions)	Net Toll Revenue (\$ millions)	Toll Transactions (millions)	Net Toll Revenue (\$ millions)	Toll Transactions (millions)	Net Toll Revenue (\$ millions)
2020	27.49	65.96	20.89	55.44	(6.61)	(10.53)	-24%	-16%
2021	27.96	71.41	13.83	21.39	(14.12)	(50.03)	-51%	-70%
2022	28.11	73.36	18.53	37.07	(9.58)	(36.28)	-34%	-49%
2023	29.25	76.84	24.57	57.55	(4.69)	(19.29)	-16%	-25%
2024	30.63	79.35	28.12	66.87	(2.51)	(12.48)	-8%	-16%
2025	31.39	82.09	28.57	67.33	(2.83)	(14.77)	-9%	-18%
2030	35.40	92.44	32.15	78.25	(3.26)	(14.19)	-9%	-15%

SR 520 Flow of Funds and Net Revenue Targets



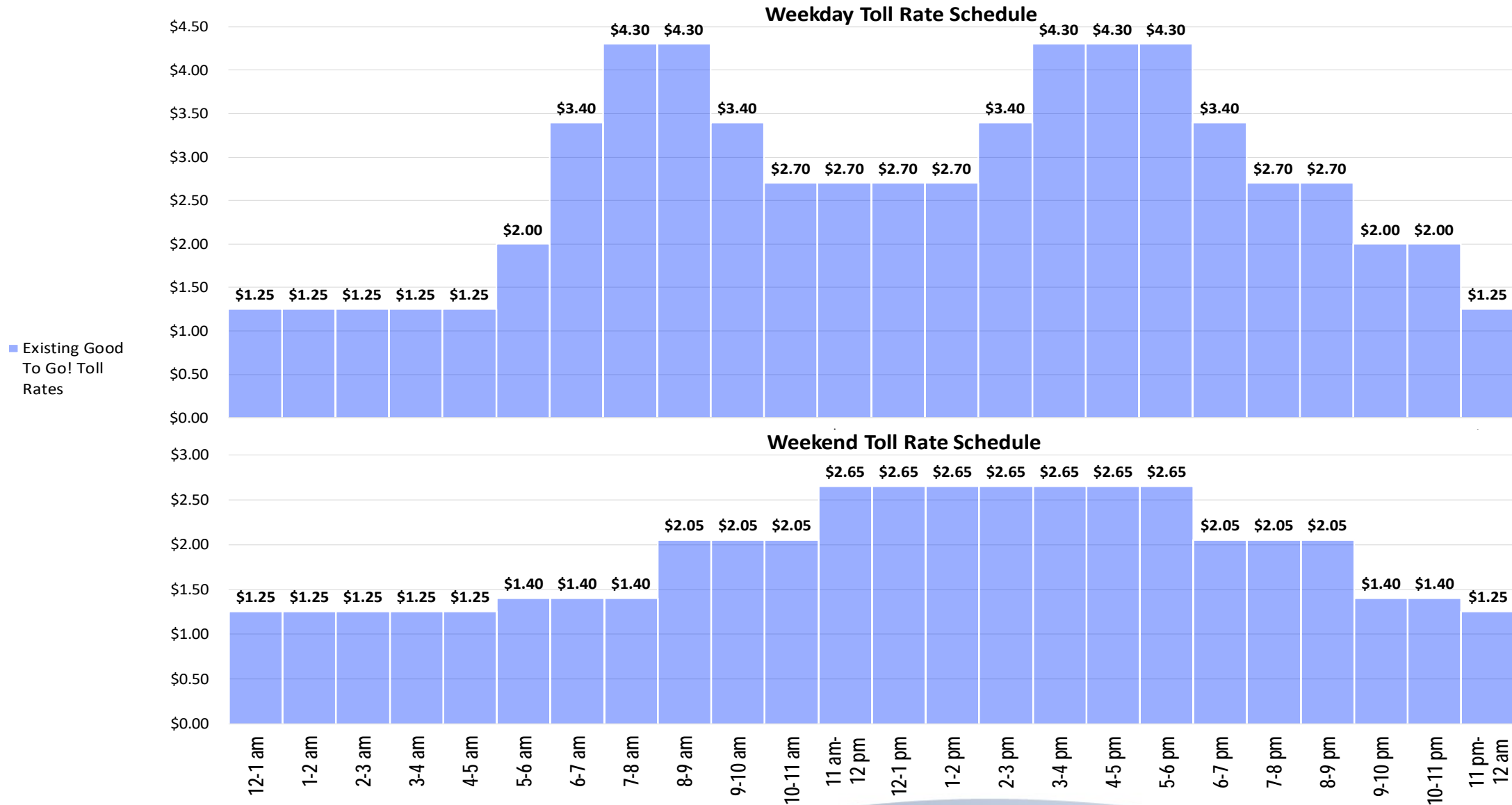
Tolls must be set such that net toll revenues equal or exceed the greater of the Sum Sufficiency and Debt Service Coverage requirements in each and every year

Net Toll Revenues
What remains after paying for all routine annual operations and maintenance (O&M) costs.

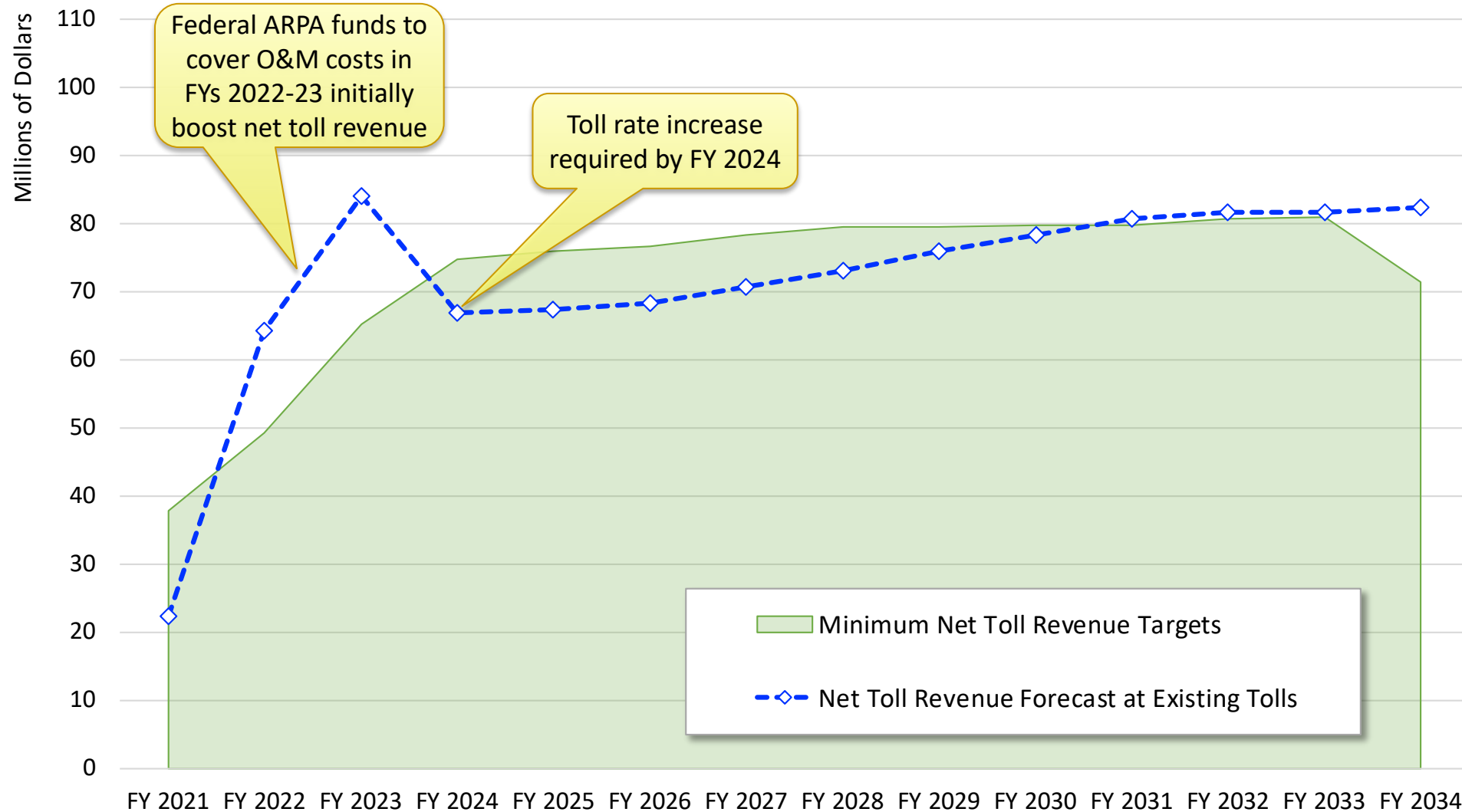
Sum Sufficiency Coverage
Net toll revenues must fully cover all required annual financial obligations (bottom 3 buckets).

Debt Service Coverage
Net toll revenues must be at least 110% (1.10x) of the annual Debt Service amount.

Existing *Good To Go!* toll rate schedules



Under current SR 520 toll rates, net revenue projections are insufficient



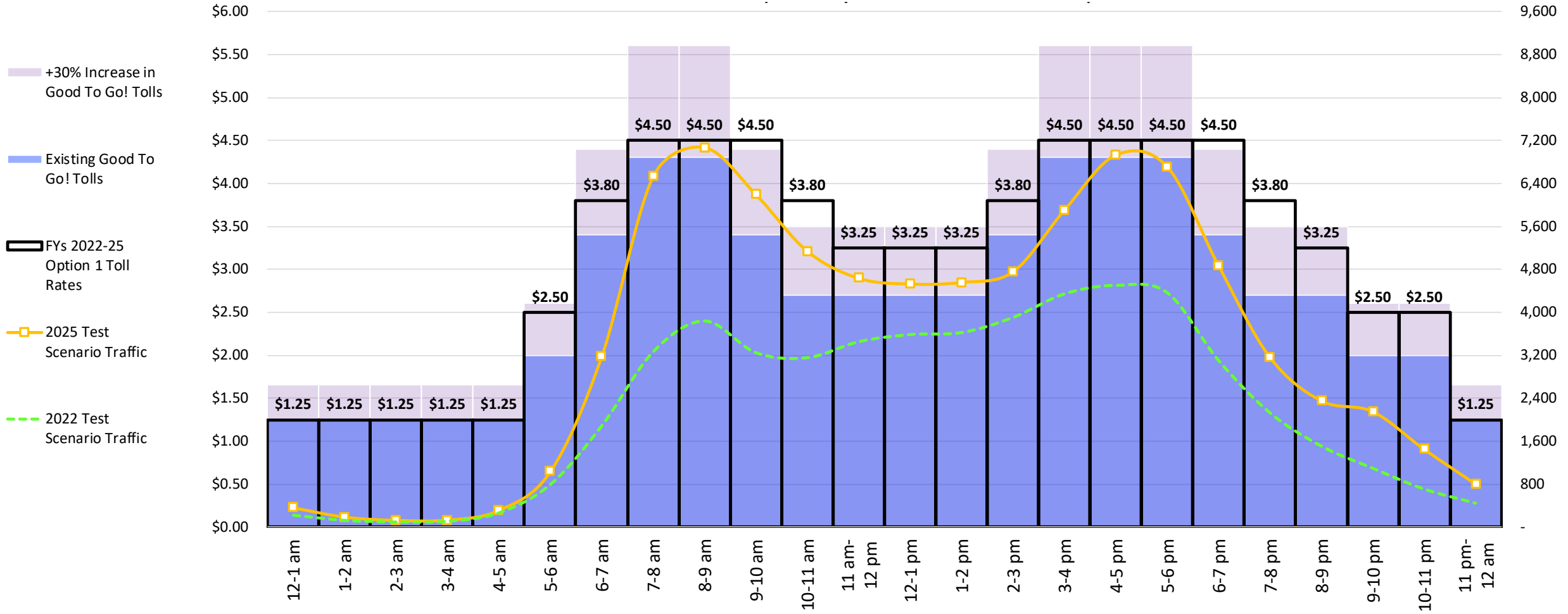
What has been done to-date to shore up SR 520?

- The Transportation Commission, Department of Transportation, and Office of the State Treasurer have collaborated to assess solutions
- For fiscal years 2020 and 2021, one-time, extraordinary measures amounting to more than \$40 million have been applied to reduce financial obligations and thus, delay a toll rate increase
- All non-mandatory costs have been deferred through FY 2022
- The 2021 Legislature programmed American Rescue Plan Act (ARPA) funds to pay for an estimated \$50 million in O&M costs in FYs 2022-23
- This action bolsters available net toll revenues in these years, both deferring the necessary toll increase until 7/1/2023 (FY 2024) and mitigating its size
 - May allow WSDOT to begin rebuilding reserve accounts

SR 520 Toll Rate Increase Proposals

- Option 1 — tailored increase by time period averaging **15%** overall on July 1, 2023 (FY 2024)
 - Expands morning and afternoon peak periods by one hour
 - No increase in minimum toll; holds maximum toll increase to +5%
 - Higher midday and evening toll increases
- Option 2 — uniform **15%** toll increase on July 1, 2023 (FY 2024)
 - Retains current variable toll schedule
 - Maximum toll stays under \$5.00
- Assumes that ARPA funds pay all O&M costs (including facility maintenance, toll operations, insurance premiums and credit card fees) in FYs 2022-23

SR 520: Option 1 – Tailored Toll Rate Increase



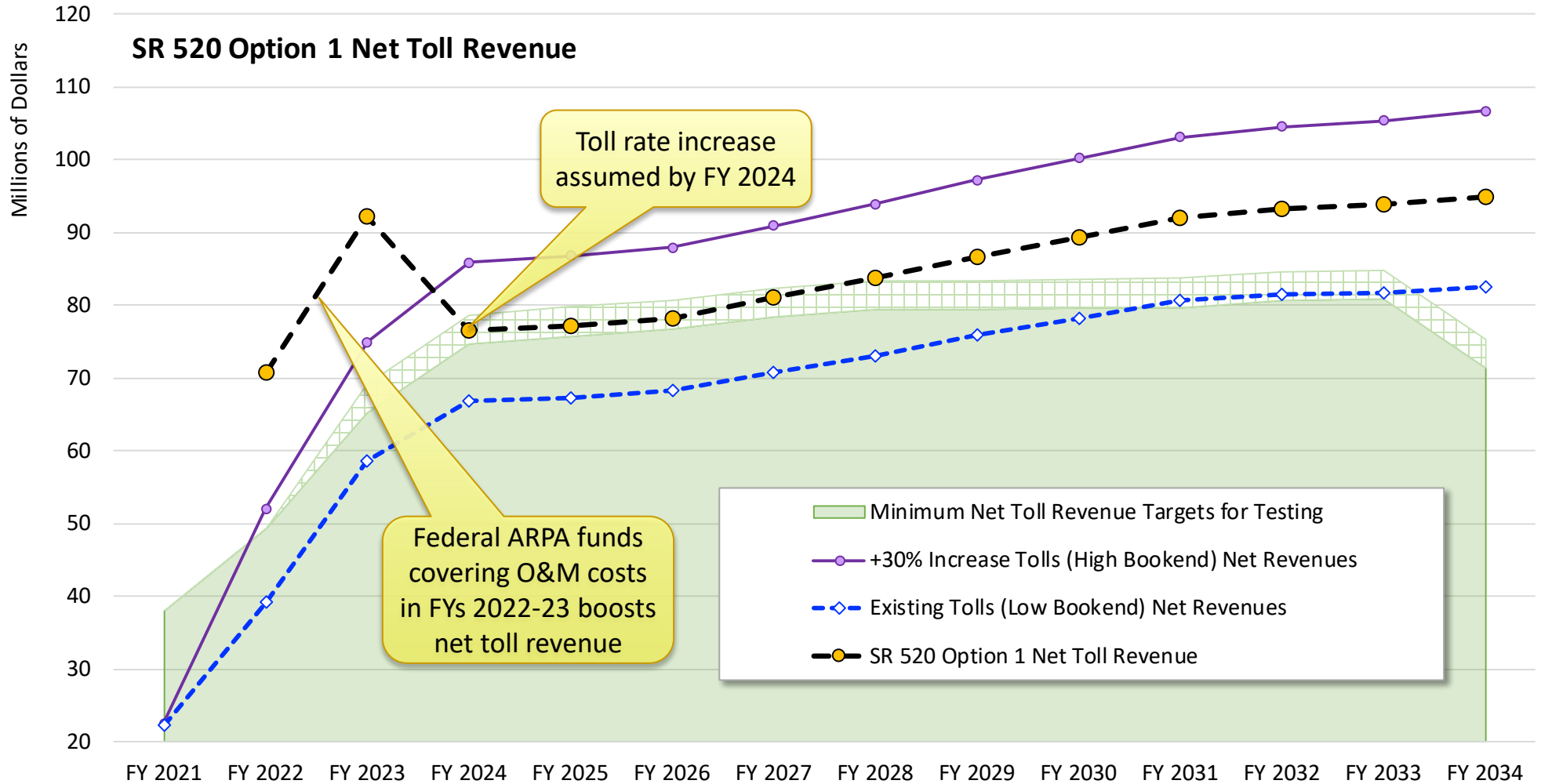
SR 520: Option 1 – Tailored Toll Rate Increase

Min. Sum Sufficient Coverage Ratio (FY 2025) 1.019x

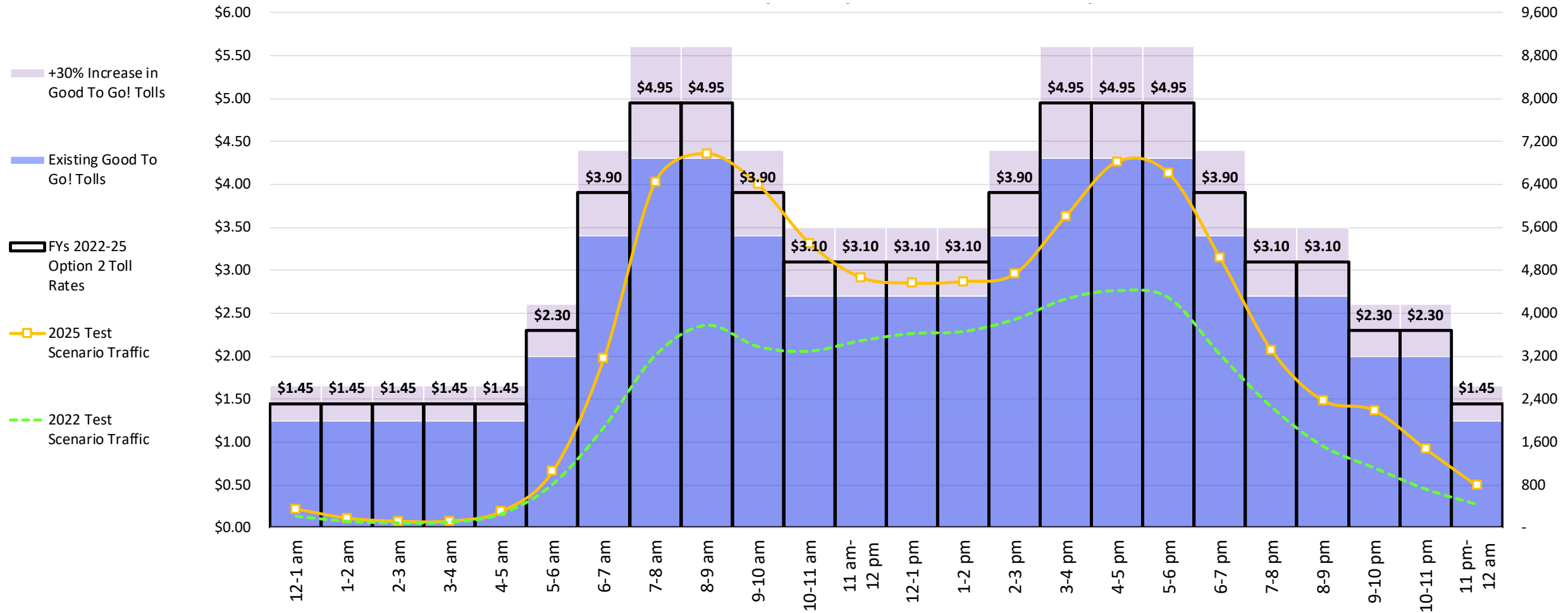
Minimum Debt Service Coverage Ratio (FY 2024) 1.523x

Revenue Stabilization Account Funding Target \$30.5 M

Assumes ARPA funds pay for all O&M costs in FYs 2022-23



SR 520: Option 2 – Uniform 15% Toll Rate Increase



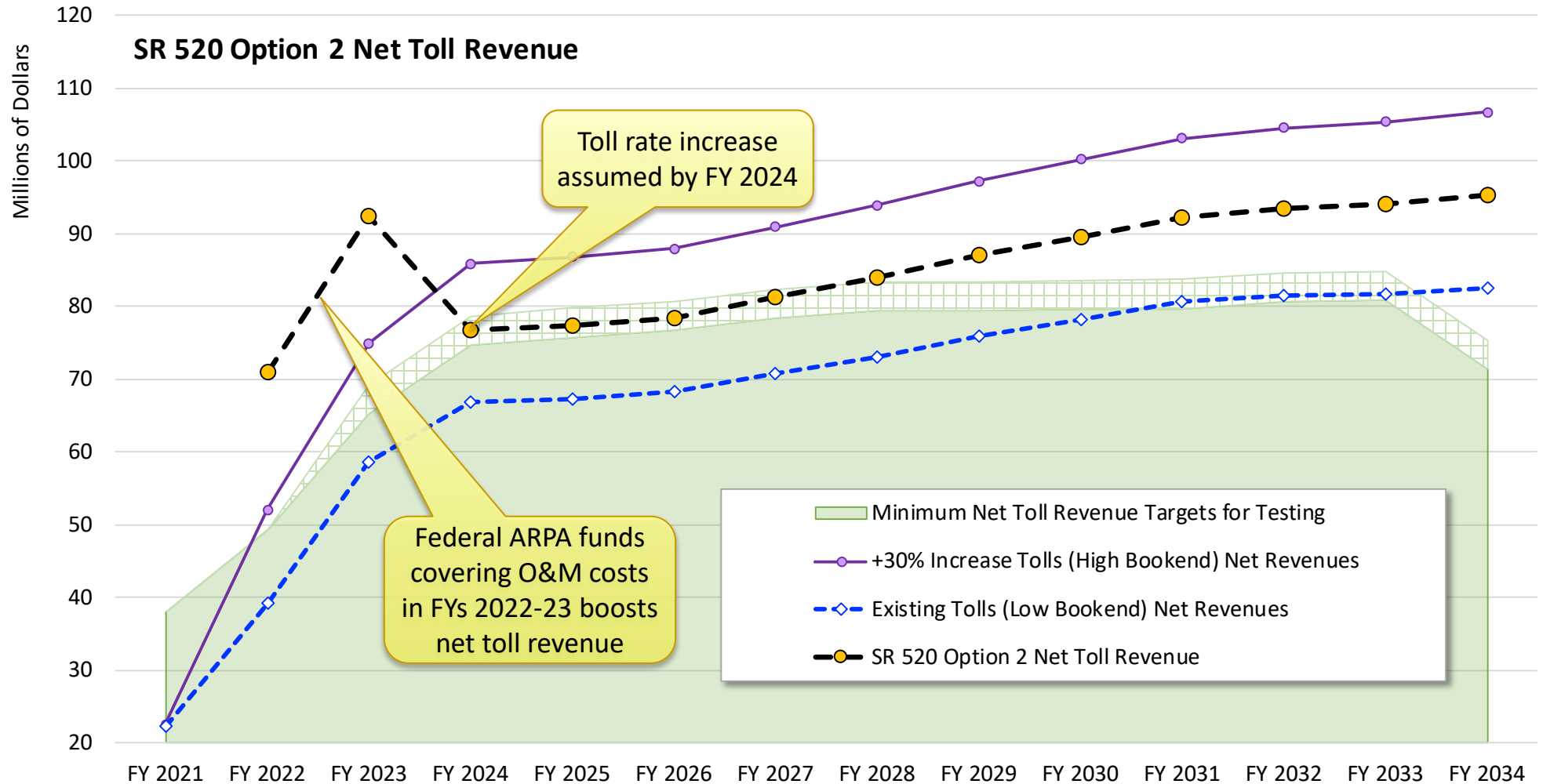
SR 520: Option 2 – Uniform 15% Toll Rate Increase

Min. Sum Sufficient Coverage Ratio (FY 2025) 1.021x

Minimum Debt Service Coverage Ratio (FY 2024) 1.527x

Revenue Stabilization Account Funding Target \$30.6 M

Assumes ARPA funds pay for all O&M costs in FYs 2022-23



Discussion: Two Rate Proposals for SR 520

- Rate increase not required until 7/1/2023 (FY 2024)
 - ARPA funds provide welcome relief by covering all O&M costs in FYs 2022-23, boosting near term net toll revenues while traffic is still recovering
 - However, action must be taken this year for FY 2024 to demonstrate that SR 520 net toll revenues will be sufficient to meet forecast horizon financial obligations
 - The Commission, WSDOT and OST will continue to monitor actual performance and stand ready to adjust accordingly
- The WSTC Tolling Subcommittee has identified two proposals which are compliant with and support statutory requirements:
 - Option 1 — tailored toll rate increase** by time period (averages to 15%)
 - Option 2 — uniform 15% toll rate increase** across all times of day

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