



SR 99 Tunnel Toll Rate Setting Update

WSTC Commission Meeting

May 11, 2021

Brent Baker

Senior Vice President

WSP USA

Carl See

Deputy Director

Washington State Transportation Commission

SR 99 Tunnel COVID-19 Impacts

- After four months of initial toll operations ramp-up, the COVID-19 pandemic sharply reduced SR 99 tunnel traffic and revenues in March 2020
- For the SR 99 tunnel from March 2020 – March 2021 (13 months):
 - Toll traffic was 37% (5.2 million) below pre-pandemic forecasts
 - Gross toll revenue was 42% (\$12.2 million) below pre-pandemic forecasts
 - Percentage decrease in net toll revenue substantially higher due to largely fixed O&M costs
- SR 99 traffic in FY 2022 (*July 1, 2020 – June 30, 2022*) is expected to be 23% lower than pre-pandemic levels, with net revenue at 59% below expected levels.
- Continued pandemic recovery and “new normal” traffic levels poses long-term challenges to meeting financial and legal requirements

SR 99 Pre- / During / Post-Pandemic Forecasts

Fiscal Year	Pre-Pandemic November 2019 Forecast		Current April 2021 Forecast		Pre-Pandemic to Current Forecast Decrease		Pre-Pandemic to Current Forecast Percentage	
	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)
2021	13.91	12.02	8.73	(0.05)	(5.18)	(12.06)	-37%	-100%
2022	16.32	16.35	12.60	6.77	(3.72)	(9.58)	-23%	-59%
2023	16.59	17.48	15.05	11.27	(1.54)	(6.22)	-9%	-36%
2024	16.80	17.39	15.82	12.09	(0.98)	(5.30)	-6%	-30%
2025	17.01	17.19	16.28	12.55	(0.72)	(4.64)	-4%	-27%
2030	17.96	17.93	17.25	14.64	(0.71)	(3.29)	-4%	-18%
2040	20.41	18.33	19.48	15.22	(0.94)	(3.11)	-5%	-17%

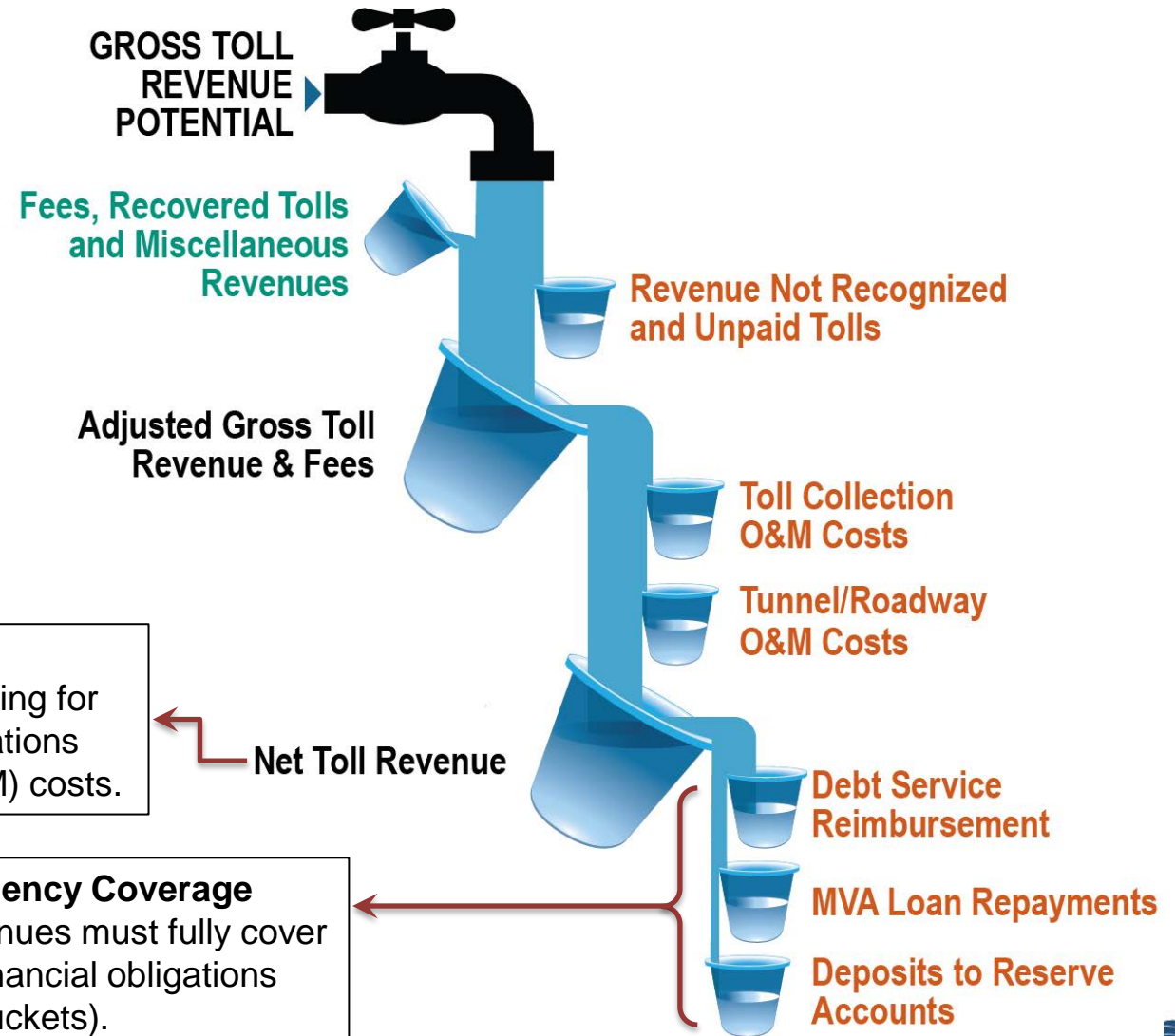
SR 99 Flow of Funds and Net Revenue Targets

*Tolls must be set such that **net toll revenues** equal or exceed the **Sum Sufficiency Coverage** measure in every year*

Tunnel facility repair and replacement (R&R) costs are required to be paid from net toll revenues (R&R reserve account)

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

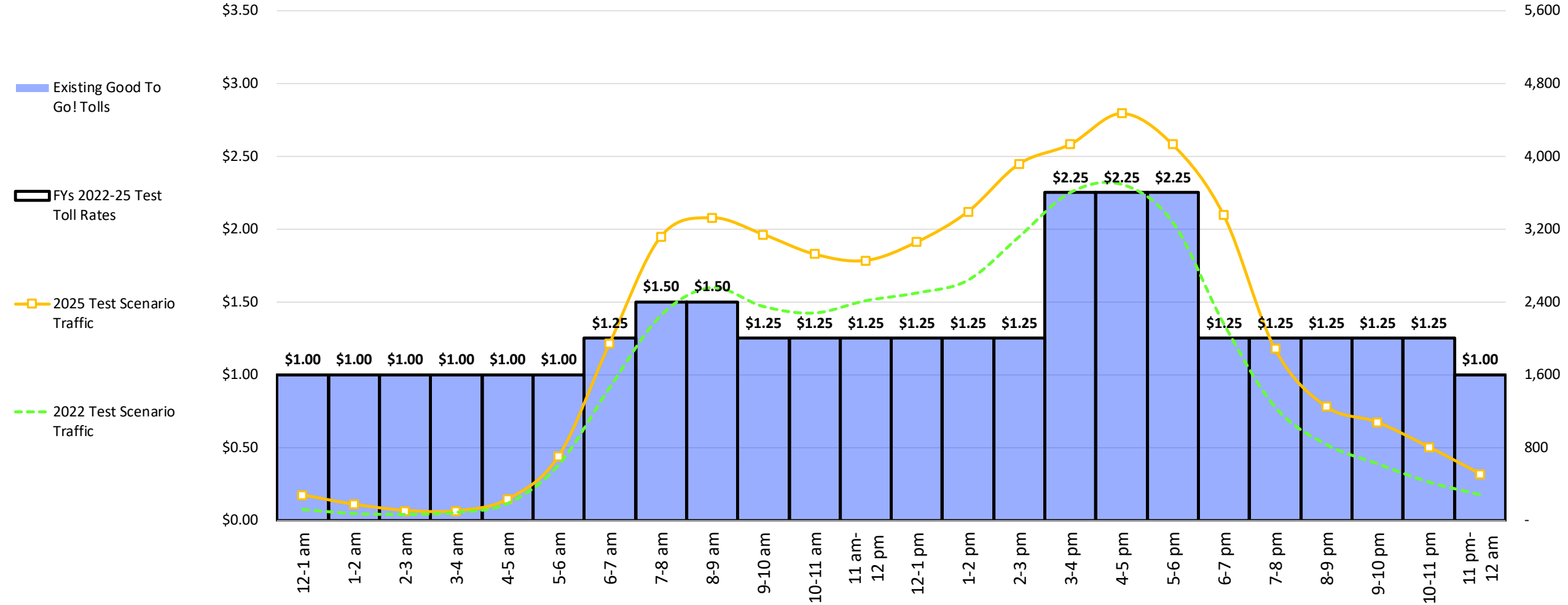
Sum Sufficiency Coverage
Net toll revenues must fully cover all annual financial obligations (bottom 3 buckets).



SR 99 FY 2022 Toll Schedule & FY 2022/25 Traffic Forecasts

Planned toll rates in FYs 2023-25 are 3% higher than shown

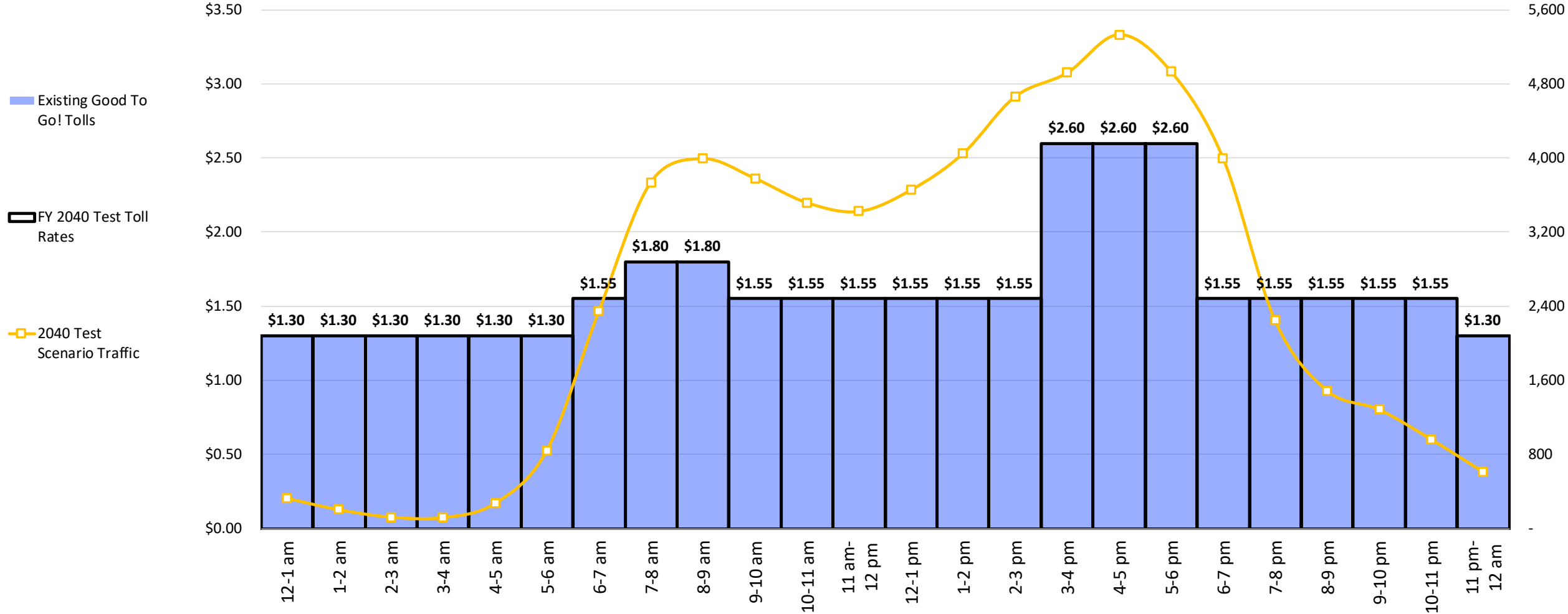
FY 2022 | Weekday Toll Rate Schedule Scenarios | SR 99



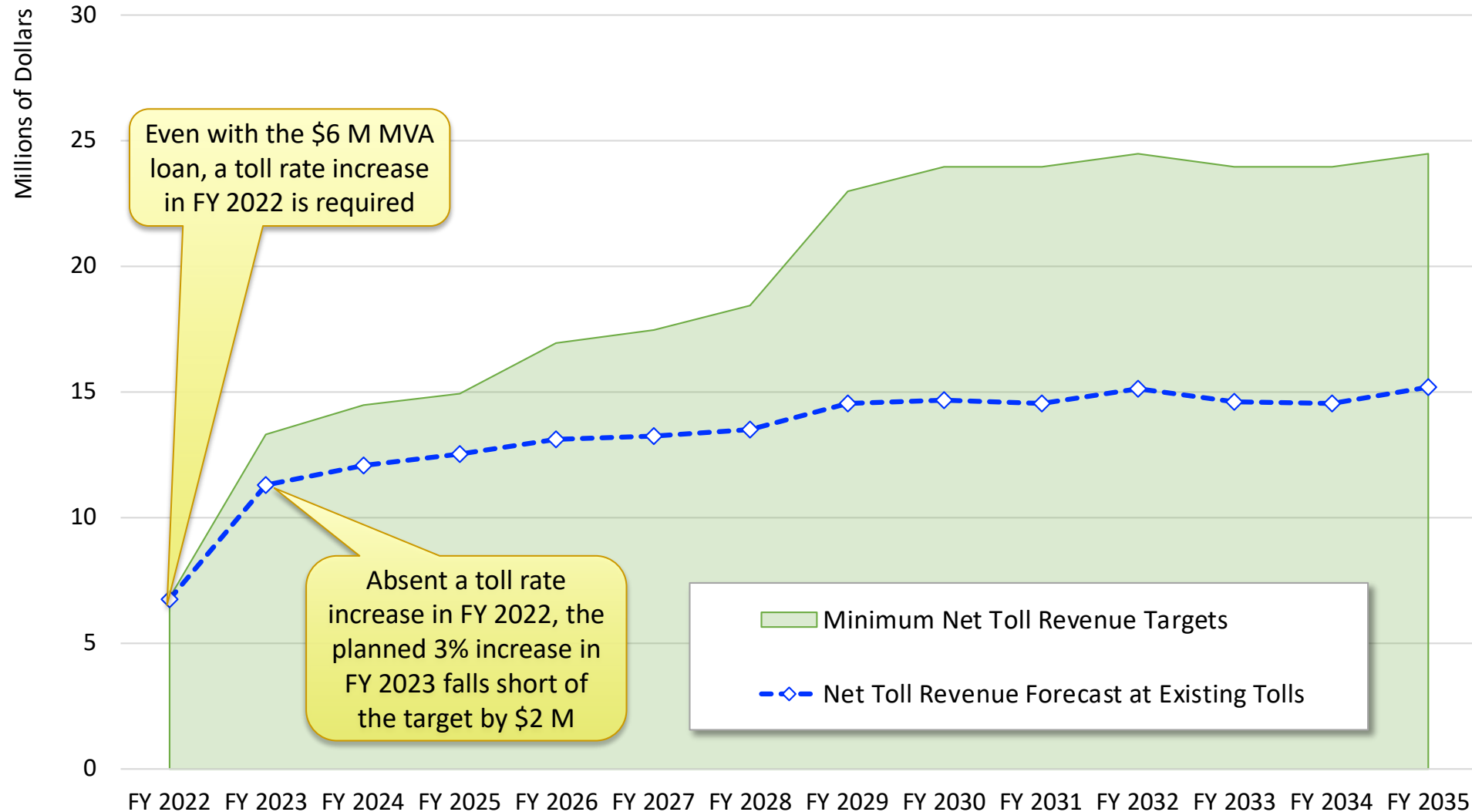
SR 99 FY 2040 Toll Schedule & Traffic Forecasts

FY 2038-40 toll rates are 16-30% higher than current rates due to six 3% increases with nickel rounding

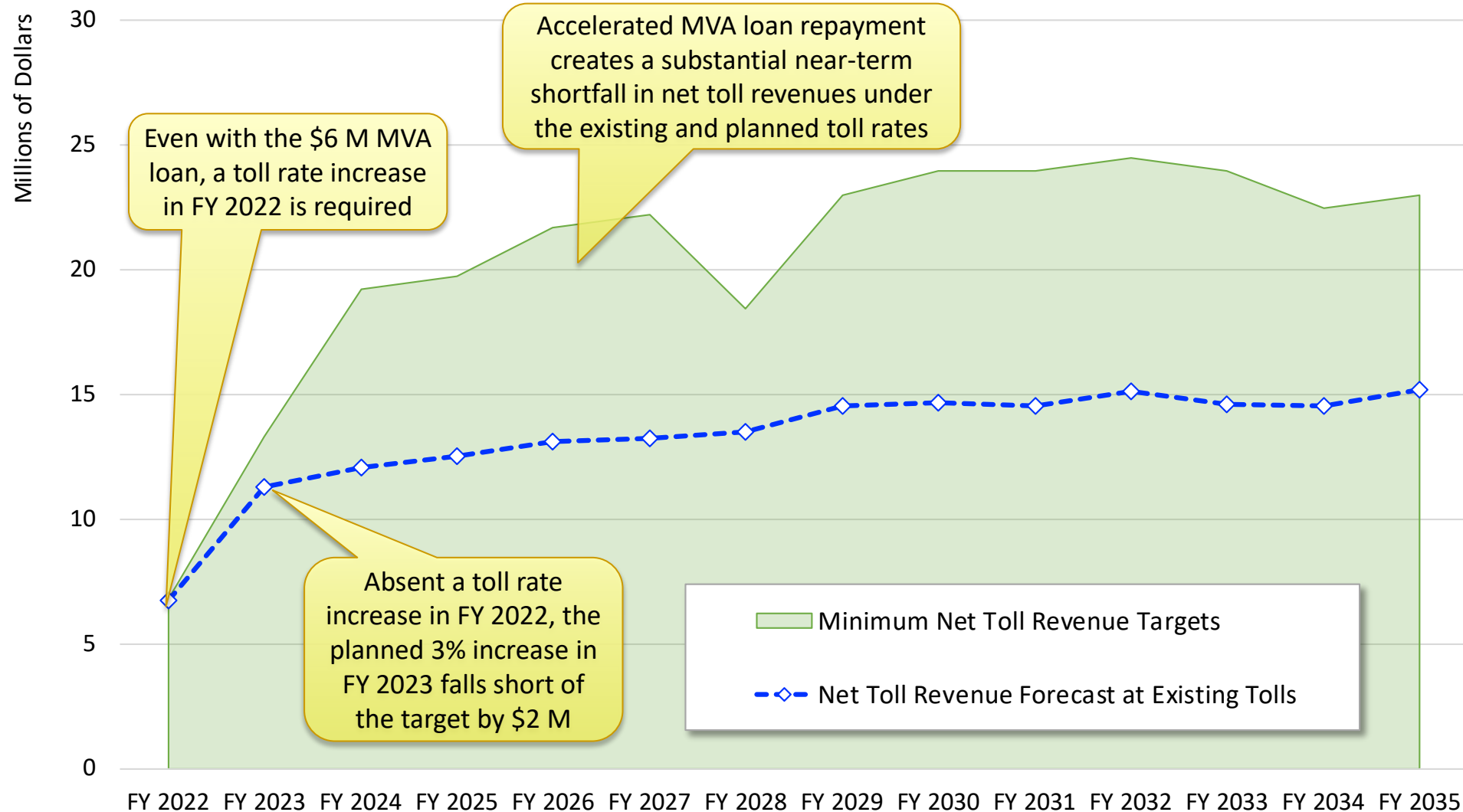
FY 2040 | Weekday Toll Rate Schedule Scenarios | SR 520



Under current toll rates with deferred MVA loan repayment, SR 99 net revenue projections are insufficient



Under current toll rates with accelerated MVA loan repayment, SR 99 net revenue projections are insufficient



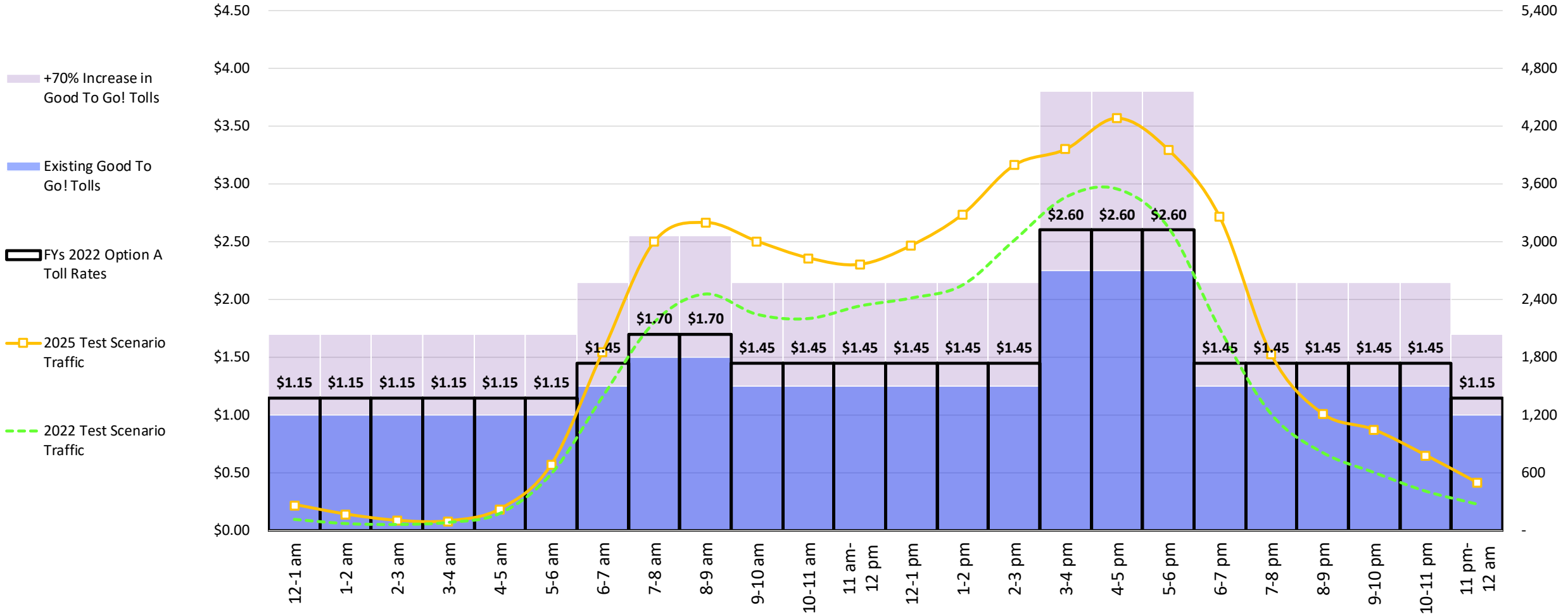
What has been done to-date to shore up SR 99?

- The Transportation Commission, Department of Transportation, and Office of the State Treasurer have collaborated to assess solutions
- The Legislature has authorized additional loans from the Motor Vehicle Account (MVA) to help meet financial obligations and mitigate a necessary toll increase
 - \$13 million MVA loan in FY 2021
 - \$6 million MVA loan to be made available in FY 2022
 - These are in addition to the \$10 million MVA loan provided in FY 2019 before tolling began in November 2019
- Lacking sufficient pre-pandemic toll operations experience, SR 99 was not eligible for ARPA relief funds
- Given current revenue projections, a toll rate increase in FY 2022 is required to meet SR 99's near-term financial obligations

SR 99 Toll Rate Increase Proposals

- Option A — uniform **15%** toll increase on October 1, 2021 (FY 2022)
 - Assumes the planned 3% toll increase on July 1, 2022 (FY 2023) is maintained
- Option B — uniform **\$0.25** toll increase on October 1, 2021 (FY 2022)
 - Percentage increase varies by time of day, averages 16% on weekdays
 - Assumes the planned 3% toll increase on July 1, 2022 (FY 2023) is maintained
- Assumes the deferred MVA loan repayment schedule
- The accelerated MVA loan repayment schedule would require a substantially higher increase in FY 2022

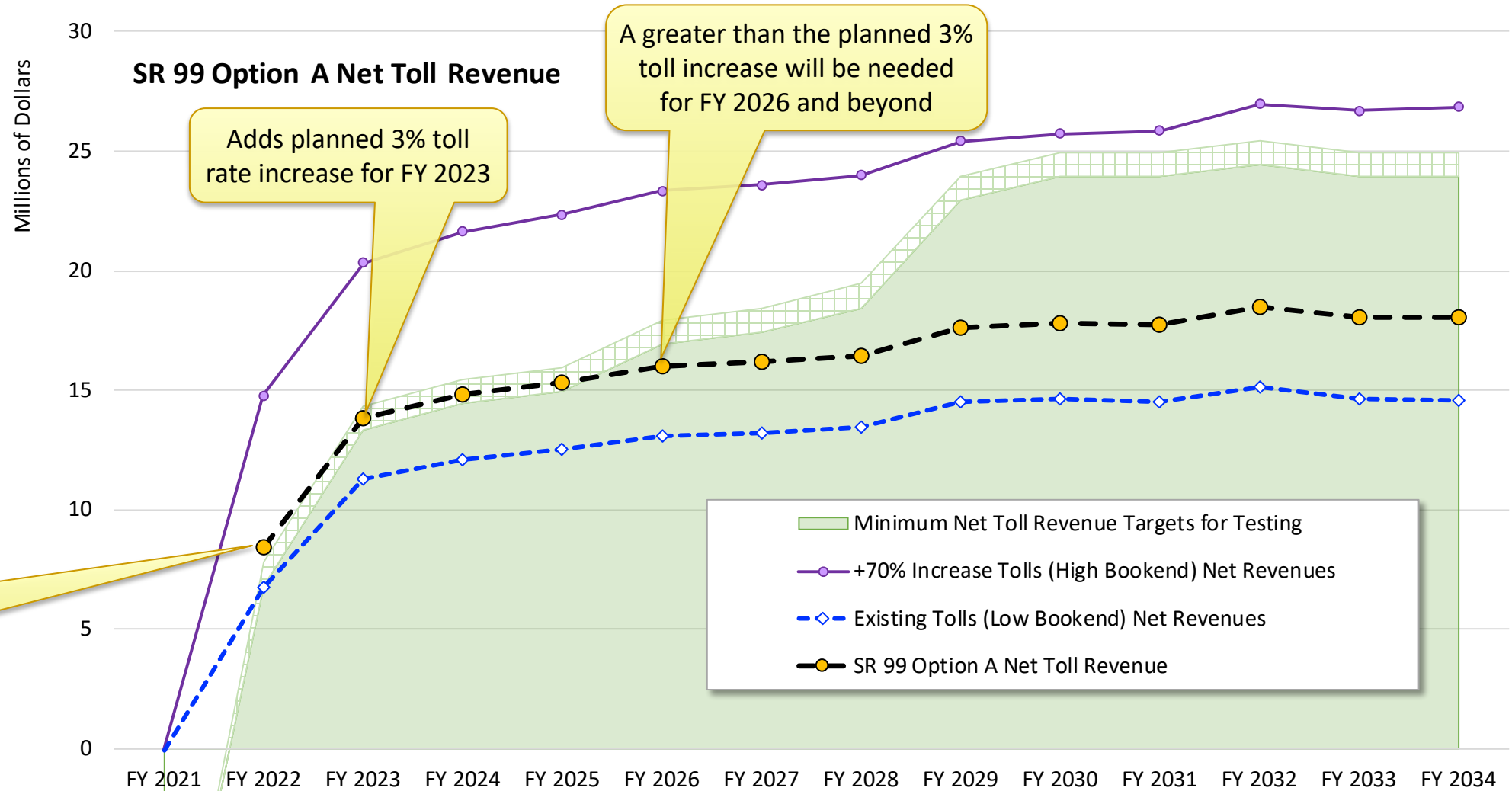
SR 99: Option A - Uniform 15% Toll Rate Increase



SR 99: Option A - Uniform 15% Toll Rate Increase

Min. Sum Sufficient Coverage Ratio (FY 2031) 0.741x

Assumes deferred MVA loan repayment

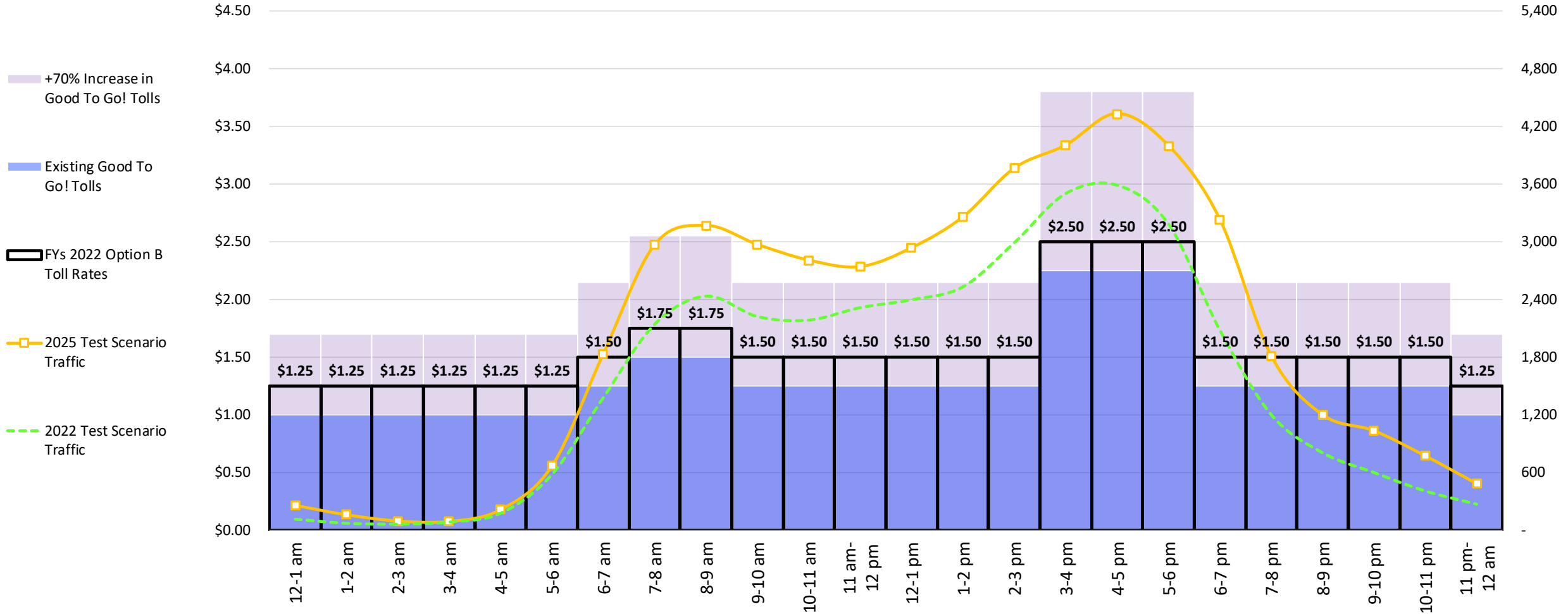


15% toll rate increase assumed in FY 2024

Adds planned 3% toll rate increase for FY 2023

A greater than the planned 3% toll increase will be needed for FY 2026 and beyond

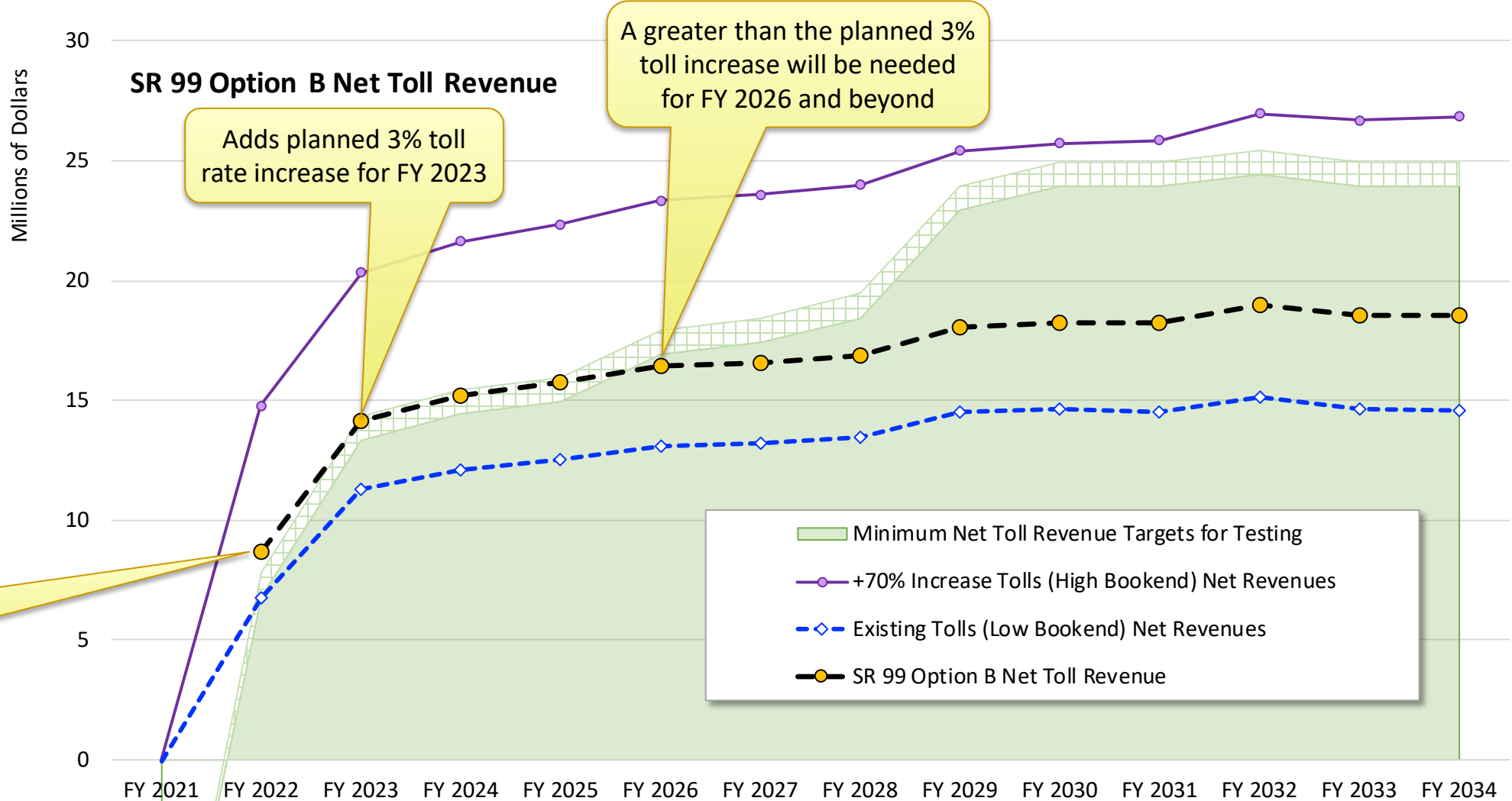
SR 99: Option B - Uniform \$0.25 Toll Rate Increase



SR 99: Option B - Uniform \$0.25 Toll Rate Increase

Min. Sum Sufficient Coverage Ratio (FY 2031) 0.760x

Assumes deferred MVA loan repayment



15% toll rate increase assumed in FY 2024

Adds planned 3% toll rate increase for FY 2023

A greater than the planned 3% toll increase will be needed for FY 2026 and beyond

Discussion: Two Rate Proposals for SR 99

- An initial rate increase is required on October 1, 2021 (during FY 2022) regardless of MVA loan repayment schedule
 - Deferred repayment of the most recent loans for \$13 million in FY 2021 and \$6 million for FY 2022 would be spread over 13 years in FYs 2034-46
 - Accelerated MVA loan repayment would require all loans be repaid over 4 years in FYs 2024-27
 - This would require the equivalent of toll increases totaling 51% by the end of FY 2023
 - 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 meet the near-term financial obligations:
 - Option A — uniform 15% toll rate increase** across all times of day
 - Option B — uniform \$0.25 toll rate increase** across all times of day

Contact:

Carl See

WSTC Deputy Director

360-705-7070

transc@wstc.wa.gov