



**WASHINGTON STATE
TRANSPORTATION COMMISSION**

**Joint Transportation Committee
June 2, 2009
Tolling Workshop**

**Transportation Commission's Current Statutory
Roles & Responsibilities**

General:

- Designated as the State Tolling Authority
- Toll Setting: sets toll rates, establishes toll exemptions
- Accountability: Reviews toll collection policies, toll operation policies, and toll revenue expenditures – reports annually to legislature on review results
 - Annual reports will also include an overview of toll payer feedback
- Makes adjustments as conditions warrant on eligible toll facilities

Rate Setting and Allowable Expenditures:

- Expenditures of toll revenues are subject to appropriation
- The Commission must ensure toll rates will generate enough revenue to cover:
 - Operating costs of the toll facility including maintenance, preservation, administration, renewal, replacement, and toll enforcement
 - Obligations for the timely repayment of debt service on the bonds issued for a facility – including any other associated financing costs such as required reserves, minimum debt coverage/ contingency funding, insurance, and compliance with all other covenants made by the state in bond proceedings
 - Obligations to reimburse the Motor Vehicle Fund for gas taxes applied to the payment of the bonds issued for the facility
 - To provide for the operations and conveyances of people or goods, and
 - To the extent possible, set rates to optimize system performance, recognizing necessary trade-offs to generate necessary revenue
 - Tolls may vary by time of day, type of vehicle, traffic conditions, or other factors designed to improve performance of the system

Tolling Citizen Advisory Committees (CAC): *(see below for specific TNB CAC experience)*

- Commission may create such committees
- Must have 9 members
- Must be permanent residents of the affected project area
- Members of the committee serve without compensation
- Serves in an advisory capacity to Commission on all matters related to the imposition of tolls including the feasibility of providing discounts, the trade-off of lower tolls versus the early retirement of debt, and consideration of variable pricing
- In setting rates, the Commission shall consider the Committee's recommendations

2009 Legislation Impacting Toll Setting

ESSB 1272 - Capital Budget Bond Bill

- Authorized issuance of up to \$1.95 Billion in general obligation bonds for 520
- Toll revenue is to be contractually pledged – bonds are first payable from toll revenue, then from gas tax
 - By contrast, TNB debt is structured so that gas tax is the only “official” pledge
- Reserves the ability of the State Finance Committee to issue toll revenue bonds in the future after consulting with Commission and WSDOT
- Determination of the exact financing structure to be used for a specific bond issue is delegated to the State Finance Committee
- The State Finance Committee is authorized to include various provisions in the bond covenants to further assure bond buyers.
 - Provisions could address: debt service coverage ratios (*ratio of toll revenue to debt service*), details on operations and maintenance of the toll facility, management of the toll revenue, etc.
 - Consultation with Commission and WSDOT is required
- In setting toll rates the Commission must ensure sufficient revenue is generated to meet the operating costs of the toll facility and meet obligations for the payment of debt service on bonds issued on the facility (including reserves and minimum debt coverage per the bond covenants issued)
- The Legislature pledges to not impair or withdraw the authorization of the Commission to set and adjust toll rates as needed

SSB 5795 - Tacoma Narrows Bridge (TNB) Toll Revenue Expenditures

- Authorizes the Commission to set by rule, what toll related costs can be billed to the TNB toll revenue
- Toll revenue cannot be used to pay for costs that do not contribute directly to the financing, operation, maintenance, management, and necessary repairs of the TNB
- WSDOT must provide detailed quarterly expenditure reports to the Commission

Toll Setting Experience

Tacoma Narrows Bridge (TNB)

- Governor appoints the TNB CAC
- TNB Citizen Advisory Committee (CAC) meets annually for several months, reviewing detailed toll revenue and cost data from WSDOT
- Provides toll recommendation to the Commission in December
- Commission forwards information to the Legislature for toll setting authorization
- Commission adjusts toll rates as necessary in late spring/ early summer

Lessons Learned from TNB:

- The CAC’s role and function provides great support and perspective to the Commission in setting rates on the TNB

- The CAC review process has brought to light various data and fiscal deficiencies which has led to great improvements in how WSDOT's financial information is displayed and communicated to the CAC, the Commission and the public
- Cost allocation needs to be improved so that there is a higher level of transparency and clarity. Rules to be set by the Commission per SSB 5795 will assist with this

SR 167 HOT Lanes

- Toll rates on SR 167 are dynamically set per travel speed and traffic demand in the HOT lane
- The Commission set a range for the toll rates to fluctuate within and will leave that range in place until the performance of the HOT lane begins to fail and thus require an adjustment in the toll rate range

Looking Forward: Toll Policy Discussion Items

Future Toll Policies

- In consultation with the Governor, Legislature, WSDOT and the State Treasurer's Office (STO), the Commission should work to develop and implement toll policies aimed at creating a balanced, uniform tolling approach across the system
 - Policies would relate to such issues as: toll expenditure rules/ billable costs; toll exemptions; cash vs electronic rate setting; variable toll rate setting; debt coverage/ reserve requirements*; etc.

**NOTE: reserves would be in excess of the appropriation authority amount, serving as a set aside to cover potential shortfalls in toll revenue that may occur in between toll setting cycles.*
- The State Treasurer has recommended seven tolling principles for consideration – some are already enacted in law – the remaining could be done in law or within the Commission's toll rules (*see State Treasurer's letter*)

Future Citizen Advisory Committees (CAC)

- If the Commission appoints future CAC's, they should be regionally based so that one committee can advise on toll rates for a given region (like Central Puget Sound or Vancouver/ Portland). This approach allows one body to provide toll advisement from a system perspective, considering all toll facilities in operation within the region (TNB CAC would stay in place)
- In setting early tolls for SR 520, a decision has not been made yet on whether or not a CAC is needed
 - Appreciate input on the need to do so and how the selection process might work
 - If the decision is to not create a CAC for early toll setting advisement, the Commission could directly conduct the necessary public outreach, with WSDOT assistance
- When rates are to be set for the new SR 520 bridge, while no decision has been made yet, a CAC could be appointed for advisement on a variable rate schedule, exemptions, etc.
- CAC's do have a cost associated with them, even though the members are not entitled to compensation
 - Based upon our experience with the TNB CAC, staffing time and support by WSDOT is significant

Future Commission Needs

- The Commission, WSDOT, and the State Treasurer’s Office need to form a strong partnership from inception to delivery – the decisions and communications of one most always impact the other
- The Commission needs to play an active role in the following areas:
 - All public outreach related to future toll facilities
 - Financial plan development of all future toll facilities
 - Detailed toll facility cost review
 - Toll rate/ scenario modeling development
 - Toll diversion analysis – not just about traffic diversion but also about “revenue diversion”: outcome of reduced revenue due to ineffective toll setting
 - Review of draft toll facility contractual terms impacting toll rates – allows for input prior to contract execution with private providers
 - Review of WSDOT toll operation and collection policies prior to implementation
- In order to be able to carry out its growing toll setting responsibilities in an independent manner, the Commission needs one fiscal analyst position which, among other things, would be in charge of reviewing traffic and revenue data, and related financial information.