

SR 520

Toll Setting Process

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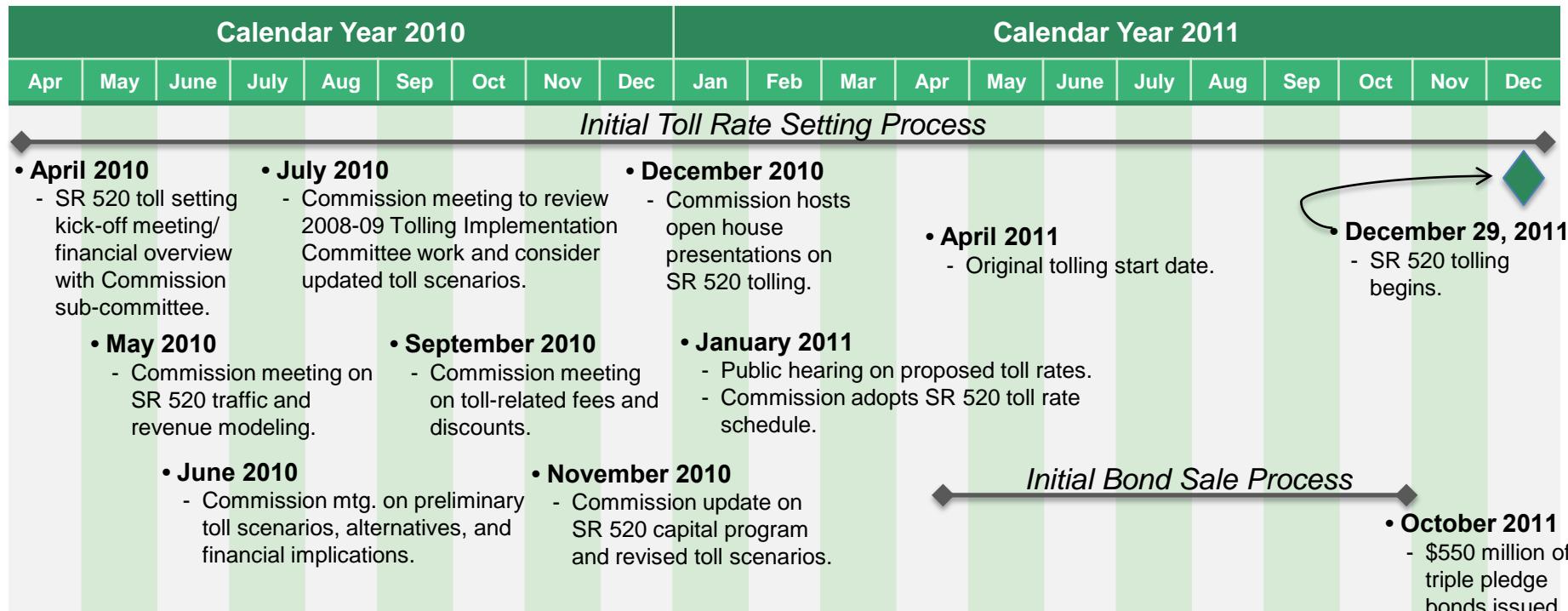
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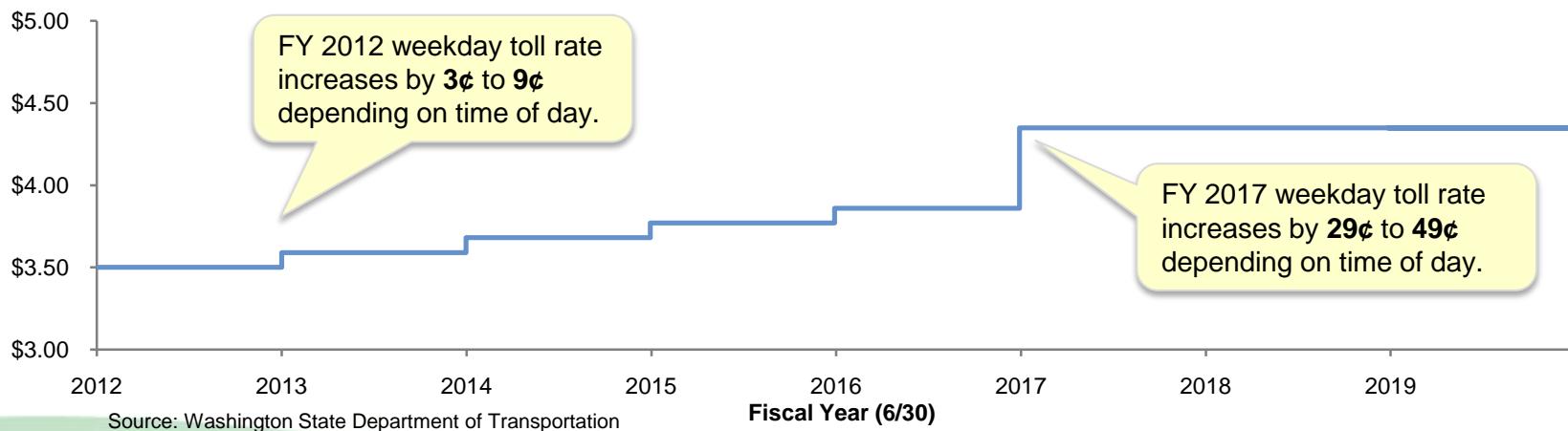
Timeline Leading to Toll Implementation



- Activities since commencement of tolling on SR 520
 - Collect feedback on customer service and monitor progress
 - Initiate civil penalty process
 - Monitor traffic and revenue and begin developing business metrics reports
 - Continue *Good To Go!* marketing effort

Toll Rate Increases in Finance Plan

- January 2010, after significant public process, the Commission set the initial toll rates and the toll rate schedule as follows
 - WAC 468-270-040 states “starting July 1, 2012, the toll rates will increase 2.5% annually, subject to review and potential adjustment by the Commission”
- September 2011, the State Finance Committee approved the finance plan for SR520 Floating Bridge and Eastside Project.
 - Fully funded project assumed annual 2.5% toll rate increases through FY 2017, an approximate 15% increase in FY 2017, and no increases thereafter.
 - This language was communicated to the bond market in the “Official Statement”.



How do SR 520 and TNB differ?

Revenue pledges

■ SR 520

- Construction funded in part by toll-backed bonds in which net toll revenues are pledged.
- October 2011 the state sold “triple pledge” bonds - first payable from toll revenue, then from motor vehicle fuel taxes and backed by the full faith and credit of the state.
- Finance plan anticipates issuance of stand-alone toll bonds in FY2014.
- The state has pledged to bondholders that tolls will be set to produce revenues to cover O&M, meet debt service and fund all other required obligations including debt service coverage, deferred sales tax, and reserves.

■ TNB

- Construction funded by MVFT/GO bonds, reimbursed by toll revenues. Toll revenue is NOT directly pledged to bondholders.
- By statute, TNB toll revenues are expected to cover O&M, R&R, and repay the motor vehicle fund for debt service.
- Failure to set tolls to generate sufficient revenue results in a loss to the motor vehicle fund. That loss would be expected to be repaid in subsequent periods.

How do SR 520 and TNB differ?

Decision-making requirements

■ SR 520

- The Transportation Commission is the toll setting authority. Commission contractually required to ensure that tolls will be set to produce revenues to cover O&M, meet debt service and fund all other required obligations including debt service coverage, deferred sales tax, and reserves.
- WSDOT is required to have experts develop traffic and revenue projections, as well as confirm proposed O&M budget is based on appropriate and reasonable cost estimates.
- The Office of the State Treasurer will certify that projected net toll revenues, based on the proposed rate schedule and O&M estimates, will meet debt service obligations and other bond covenants.
- WSDOT will post quarterly accounting statements on the web. The State is required to annually report audited financial statements and description of material events on “Electronic Municipal Market Access” (EMMA), the official source for municipal bond market disclosures.

■ TNB

- The Transportation Commission is the toll setting authority. In accordance with statute, and Commission policy, the Commission sets toll rates to cover debt service, O&M, and R&R expenses, and provide for a sufficient minimum balance of 12.5% of those expenditures.
- WSDOT has experts develop traffic and revenue projections, as well as review budgets.
- WSDOT posts quarterly accounting statements on the web.

July 2012 Scheduled Toll Increase

- **Toll rates will increase by 2.5% on July 1, 2012. Public outreach will include:**
 - Email to all *Good To Go!* customers
 - News releases
 - Web and social media posts
 - Media outreach
- **The Commission has established clear expectations that traffic and revenue data, and certifications, will be in hand early for all future rate-setting discussions.**
- **Delayed tolling implementation resulted in:**
 - Not enough actual experience for a traffic consultant to revise the revenue forecast.
 - Not enough data to understand whether the state is consistently meeting our revenue targets, although early data suggested there is not a problem.
 - Lack of time for the Commission to consider options based on actual experience.
- **The Commission was advised by their AG**
 - Any action other than allowing the automatic increase to occur would require certificates that there was sufficient revenue to meet all obligations.

Process to change SR 520 toll rates

Transportation Commission options:

- **Change the toll rate schedule (either up, down, or mixed).**
 - WSDOT prepares options for consideration.
 - WSDOT provides certificate* from Traffic & Revenue Engineer regarding forecasted traffic and revenue. Available October 2012.
 - WSDOT provides certificate* from Consulting Engineer that the proposed O&M budget is based on appropriate and reasonable cost estimates. Available October 2012.
 - Commission requests additional options or modifies options.
 - Between fall of 2012 and spring of 2013, the Commission will consider toll rate adjustments to enter into the WAC process if necessary.
 - The Office of the State Treasurer will certify that projected net toll revenues, based on the proposed rate schedule and O&M estimates, will meet debt service obligations and other bond covenants.
- **Review but do not change toll rate schedule. Toll rates increase automatically each July 1st by 2.5% (about 10 cents/trip during peak periods), based on the Commission rule adopted January 5, 2011 after being publicly vetted in late 2010.**

Preliminary Toll Rate Setting Timeline*

Prior	Calendar Year 2012						Calendar Year 2013									
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	
Rate Setting Actions	<ul style="list-style-type: none"> January 2011 <ul style="list-style-type: none"> Commission adopts SR 520 toll rate schedule and policies. December 29, 2011 <ul style="list-style-type: none"> SR 520 tolling begins. July 2012 <ul style="list-style-type: none"> Scheduled 2.5% toll increase effective. Consulting Engineer briefs Commission on preliminary review of O&M costs. WSDOT updates Commission on T&R performance. October 2012 <ul style="list-style-type: none"> Traffic Consultant and Consulting Engineer brief Commission on base case toll scenario T&R. 	<p><i>Identify and review toll options</i></p>						<p><i>WAC Process (if toll rates are revised)</i></p>								
Related Activities	<p><i>Develop WSDOT 13-15 budget</i></p>	<ul style="list-style-type: none"> November 2012 <ul style="list-style-type: none"> Revenue forecast update. September 2012 <ul style="list-style-type: none"> Revenue forecast update. October 2012 <ul style="list-style-type: none"> Traffic Consultant and Consulting Engineer provide certificates to WSDOT per MBR. WSDOT provides updated budget to OFM. 	<ul style="list-style-type: none"> February 2013 <ul style="list-style-type: none"> WSDOT presents toll rate schedule to Commission and projected T&R March 2013 <ul style="list-style-type: none"> File WAC Notice (CR 101) April 2013 <ul style="list-style-type: none"> File WAC Revision (CR 102) April 2013 <ul style="list-style-type: none"> File WAC Rule (CR 103) 	<ul style="list-style-type: none"> July 2013 <ul style="list-style-type: none"> Revised toll rates effective July 1. 												