

WSDOT Points of Agreement
with the JTC Cost of Toll Collection Expert Review Panel

1. Statement of Key Issues and Concerns:

- **If business rules are not complete, it is less likely that the implementation schedule can be achieved, bidders will factor uncertainty into their cost proposal, or costly changes will be needed after the contract is awarded.**
- **Blanket distribution of transponders could result in higher cost than targeting each payment product strategically, and issuing transponders only to those for whom they are the lowest cost option.**
- **There is concern that the schedule is too aggressive. The short implementation timeframe and draft nature of business rules cause risk for vendors that could increase their cost proposals or reduce the number of qualified bidders.**
- **Transitioning from electronic tolling to all-electronic tolling has not been fully addressed in the industry.**

2. ERP Recommendations that are consistent with WSDOT tolling approach already:

CSC Operations:

- **Perform market research/Determine frequency of use.**
This is underway now.
- **Establish pricing to affect customer account behavior.**
This is in statute and has been our intent.
- **Determine pricing differentials for various account types.**
Will be applied during rate-setting.

Technology:

- **Deploy the most accurate video technology.**
TCS procurement requirements specify this.
- **Utilize fingerprint technologies to minimize manual review.**
We are using performance criteria rather than specifying how the vendor should meet our performance requirements. We expect vendors who believe this technology will lower their costs will include fingerprint technology in their proposals.

Organization:

- **Key functions for the Tolls Division are:**
 - **Financial Strategy and Operations – Financial planning, bond issuance, revenue accounting, project cost accounting**
 - **Toll Systems Development & Procurement – Hardware, software, installation, maintenance, other systems**
 - **Toll Operations Management – Day-to-day operational support, staffing, business rules**

This is consistent with the structure of our new toll division approach.

- **Importance of flexibility**
We believe flexibility will be a function of our transparency and credibility.
- **Focus on toll business functions as opposed to the civil development of a project.**
Recent organization changes have taken this approach.

Summary Recommendations:

- **Need to develop comprehensive Business Rules that address the long-term needs of WSDOT.**
We have completed and posted a compilation of current business rules, including proposed rules that are dependent on legislation.
- **Emphasize prepaid accounts and marketing to customer base.**
Part of overall deployment strategy.

3. ERP Recommendations that suggest changes that WSDOT agrees to and will implement:

Technology:

- **To minimize costs of technology conversion in the future:**
 - **WSDOT should distribute transponders to customers who use SR 520 frequently**
 - **Optimize the use of prepaid video accounts**

Note that we are less concerned with technology conversion costs than with strategically marketing each toll product to the market segments for which each is more appropriate. Can't wait for technology standard to be settled; need to make a decision for the present. Video technology and registration of license plate data with transponder accounts can serve as a back-up when transponder reads fail. Business rule inconsistency is the greatest obstacle to achieving national interoperability.

Organization:

- **Outside expertise – Consider the use of a Toll General Engineering Consultant.**

We agree and will consider further.

SR 520 Recommendations:

- **Don't allow the SR 520 schedule to drive major policy decisions and business rules.**

We agree; see discussion below on phasing and our proposed alternative.

Summary Recommendations:

- **Reduce emphasis on transponder technology to achieve AETC and place more focus on video technology.**

We interpret this to mean that we should put a greater emphasis on moving customers into pre-pay video from post-pay to avoid billing cost, leakage and collections. We're committed to targeting transponders to frequent users, but we're not convinced that moving frequent customers from transponders to video accounts would reduce the cost of collection. We agree that the procurement should not suggest our primary focus is on transponders.

4. Recommendations that we'd like to propose a different solution for:

Summary Recommendations:

- **Implement a two-phase solution, providing an opportunity to develop Business Rules and adapt to changing standards.**

We agree with the intent of this recommendation, but after trying to work out the details we've concluded that there may be another option to meet the expressed concerns. Challenges with the phased approach included:

- *Major risk areas could not be pushed back, including migration of the TNB back office function, interfaces to WSDOT accounting systems, sales tax support, etc.*
- *Some customization of off-the-shelf software would still be needed, requiring a later duplication of effort to achieve the final package.*
- *Many of the detailed requirements are to adapt new and existing toll systems to meet Washington State accounting and reporting needs.*
- *Developing the phased approach would require pushing back the submittal date, tightening the development timeline further.*

Since the phased approach alone does not address our shared concern over the tight implementation timeline, we are proposing instead to incentivize prospective CSC proposers to determine a balance with providing requirements, schedule and prices.

The SR 520 toll implementation date will be moved to June, 2011 with substantial incentive payments to the selected vendor for an opening up to as early as November 2010. If the vendor proposes an early implementation date, the contract terms will establish that vendor-proposed date for the early opening date and the vendor will be held liable for delays.

***This does not mean we reject the ERP recommendation for phased implementation** – we understand that it may be necessary to operate two customer service centers for an interim period if the CSC migration cannot happen before SR 520 tolling begins. But that is not our preferred approach, and we do not want the vendor to build that approach into their cost proposal. If an interim tolling approach is needed, we would prefer to work with the vendor to implement it using a change process.*

5. Recommendations that we will consider later, or have been resolved and are no longer relevant:

Toll Enforcement Recommendations:

- **Use email and telephone search sites rather than postage.**
We will work with the vendor to assess the error rate for owners' addresses using DOL/DMV license plate data and to identify the least-cost approach to improving accuracy of address data.
- **Allow a grace period for settling violations without penalties.**
We believe that our plan for billing customers first and attempting collection prior to sending to the courts will accomplish this. We will propose legislation to make the distinction between billing and violation clearer. In further discussion ERP members made it clear that this recommendation was also to suggest expanding video tolling to SR 16, which we will consider.

Summary Recommendations:

- **Overall, need to rely less upon vendors to provide complete solution.**
ERP members indicated in workshop discussion on August 12 that this recommendation was made assuming there were a lot of business rules left to be written. In that case the vendor would have the lead for business rule development – this comment is no longer relevant.

Other:

- **Simplifying truck classification technology and business rules on SR 520** *ERP members have indicated that this recommendation was intended to mitigate for the short timeline of the original toll implementation date, and is no longer relevant now that the timeline will be extended.*

6. WSDOT Proposed Changes to Procurements by Addendum:

- **Add partnering language to the CSC procurement** – this has already been added through CSC Amendment 7.
- **Remove the upset price from the CSC procurement** – this has already been done through CSC Amendment 7.
- **Remove the upset price from the TCS procurement** – this has already been done through TSC Amendment #10.
- **Post a compilation of business rules, including rules that are dependent still on legislation** – this has already been done through CSC Amendment 9.
- **Update definitions per ERP comments.**
- **Modify language in the program overview and scope of work that suggests a greater focus on transponder penetration to focus more heavily on moving post-pay customers into pre-paid video products.**
- **Clarify that incentive programs would focus on pre-paid accounts rather than only for transponder adoption.**
- **Update usage data and the expected number of accounts for planning and costing purposes.**
- **Incentivize the CSC vendor to find a balance meeting the technical requirements, schedule and price. Provide substantial financial incentive to a successful bidder who proposes and achieves an accelerated implementation date for tolling earlier than June, 2011. The date set would become a contract date after which liquidated damages could be assessed for implementation delays.**
- **Clarify that the vendor should be prepared to begin tolling on SR 520 even data migration has not occurred due to delay caused by actions or inactions of WSDOT or its' vendor(s).**
- **Clarify that an account holder can use both transponders and license plates to pay a toll using different vehicles.**

7. Issues WSDOT would like to pursue further with the ERP if time allows:

Other:

- **Numbers and benchmarks from JTC presentation** – *benchmarks change based on strategies for handling accounts, etc. We would appreciate more discussion about whether the industry targets discussed at the July 30 meeting are reasonable for Washington in the near term, and what approach is best to monitor toll collection cost and performance year-to-year.*