

Toll Division Operational Review

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Joint Transportation Committee Meeting
December 12, 2013

Background

The 2012 State Legislature passed a budget proviso requiring the Washington State Department of Transportation to conduct a review of the Department's toll operations and maintenance program in order to:

- Identify and eliminate inefficiencies and redundancies;
- Incorporate lessons learned; and
- Analyze opportunities to conduct operations more effectively

The Legislature further directed the Department to use the results of the state performance audit and the Cost of Service Study as the basis for the review.

Background

In order to fully describe WSDOT's tolling program, organization, and cost structure, the report contains a broader range of topics. It addresses the Toll Division's management approach and use of resources in order to consider efficiencies at a broader level.

The operational review evaluated:

- Toll Division's overall management approach (business model)
- Roles and Responsibilities
- Use of Resources
- Opportunities for Improvements
- State Auditor's Office Audit Findings
- Cost of Services Analysis

Lean Organizational Review

Lean Process Team

- Made up of representatives from each functional group within the Toll Division, as well as members-at-large providing management and oversight. Functional area leads (Lean Leads) were identified who are responsible to facilitate the Lean work in their specific areas, coordinating with subject matter experts (SMEs) and end-users for the Lean reviews.

Lean Leadership Team

- Includes the Lean Sponsor (Assistant Secretary, Toll Division) and the management and oversight members from the Lean Process Team.

Lean Advisory Board

- Dave Kristick, Deputy Executive Director/Director of Operations, E-470 Public Highway Authority
- Jennifer Crosson, Toll Program Manager, Jacobs
- Jorge Figueredo, Tolls Business Sector Manager, Atkins
- Dennis Lakey, Six Sigma Black Belt, Jacobs

Toll Division Operational Review Findings

The Toll Division Operational Review was expansive, extended beyond toll operations, and encompassed all aspects of the Toll Division. Several organizational and operational efficiencies have been identified. Findings have been categorized under five themes.

Key themes:

- Tolling has become a larger share of the transportation funding solution nationally, and within Washington State;
- WSDOT's tolling program is growing and maturing;
- Customers are generally satisfied with the services being provided;
- Costs are reasonable and consistent with peer agencies; and
- There are opportunities for improvements.

Tolling has become a larger share of the transportation funding solution

Finding: Tolling as a Funding Source

Tolling has become a larger share of the transportation funding solution nationally, and within Washington State. Thirty states across the country are using tolling as a funding source and WSDOT has launched three new toll facilities since 2007 and two more are scheduled to open by 2016.

STATE AND REGIONAL TOLL AUTHORITIES



Legislative Direction on Tolling

Current toll facilities:

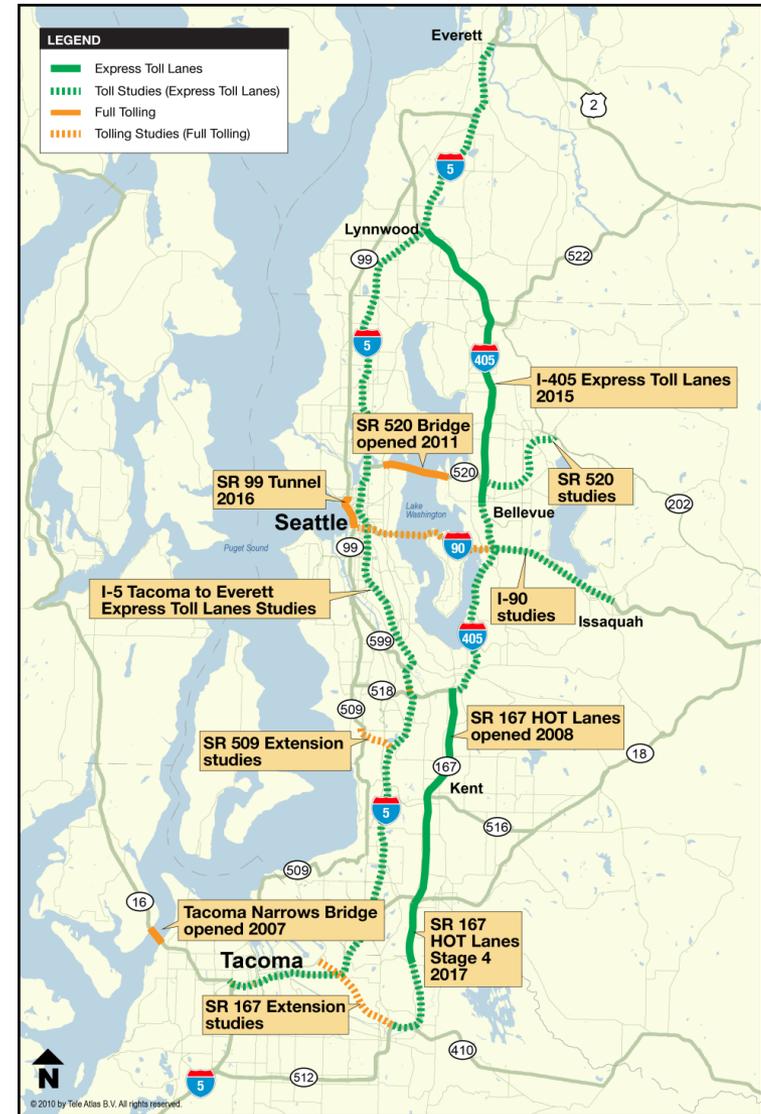
- Tacoma Narrows Bridge
- SR 167 HOT Lanes
- SR 520 Bridge

Authorized toll facilities:

- I-405 Express Toll Lanes
- SR 99 Alaskan Way Tunnel

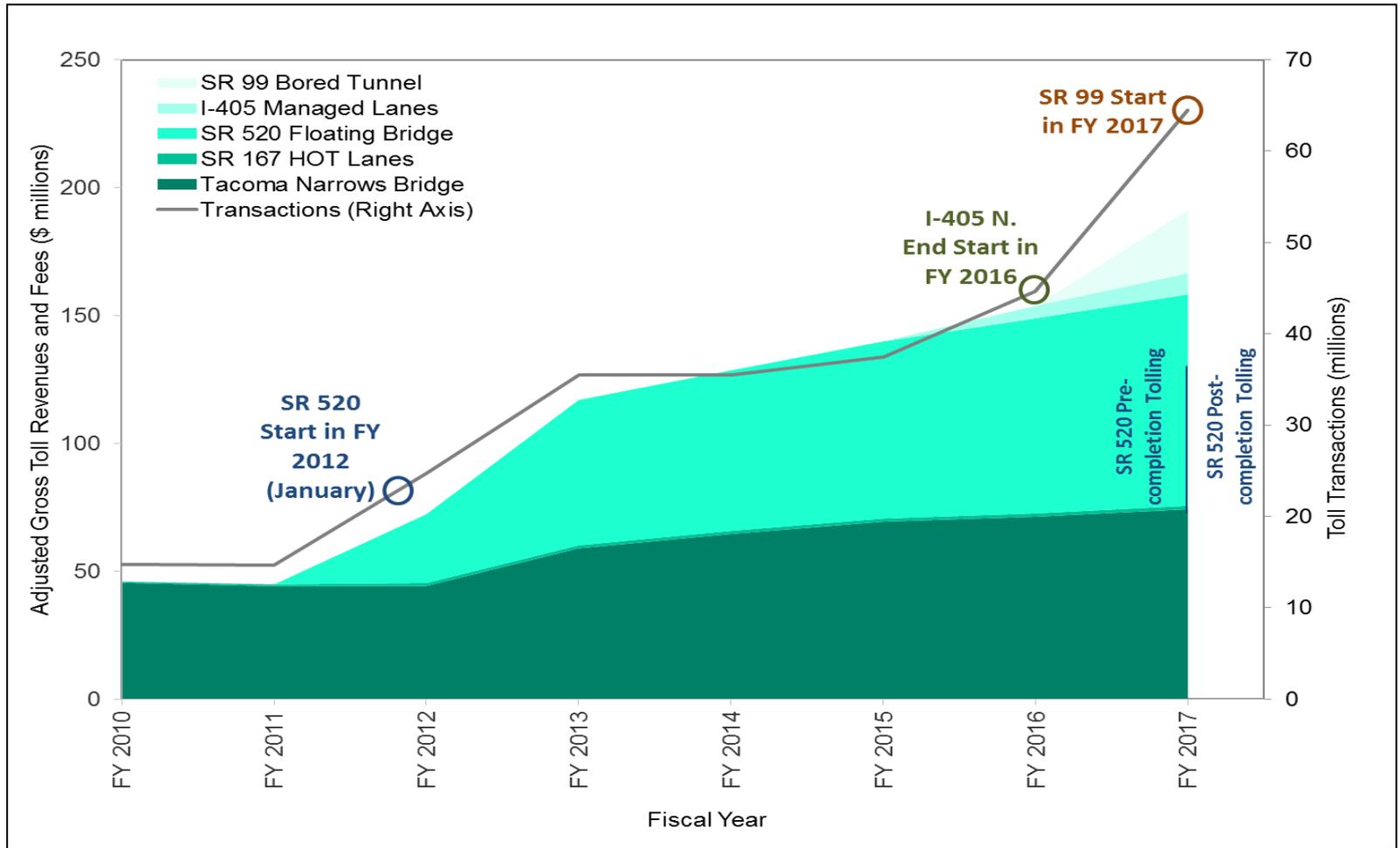
Under study:

- I-90 Floating Bridge
- Puget Sound Gateway Project
 - SR 509 Completion
 - SR 167 Completion
- I-5 Express Toll Lanes



WSDOT's tolling program is growing and maturing

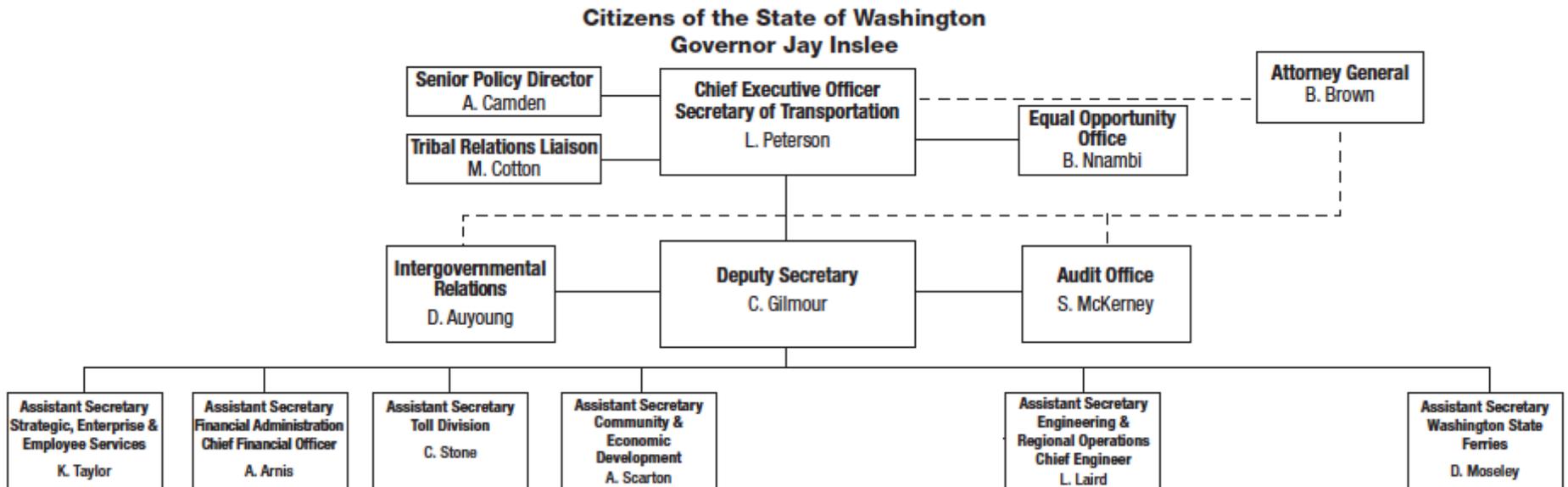
Toll Division Projected Transactions and Revenue through FY 2017



Finding: WSDOT's Tolling Structure is Appropriate

The Toll Division is a highly focused team that leverages the private sector to provide support to implement and operate its integrated toll program.

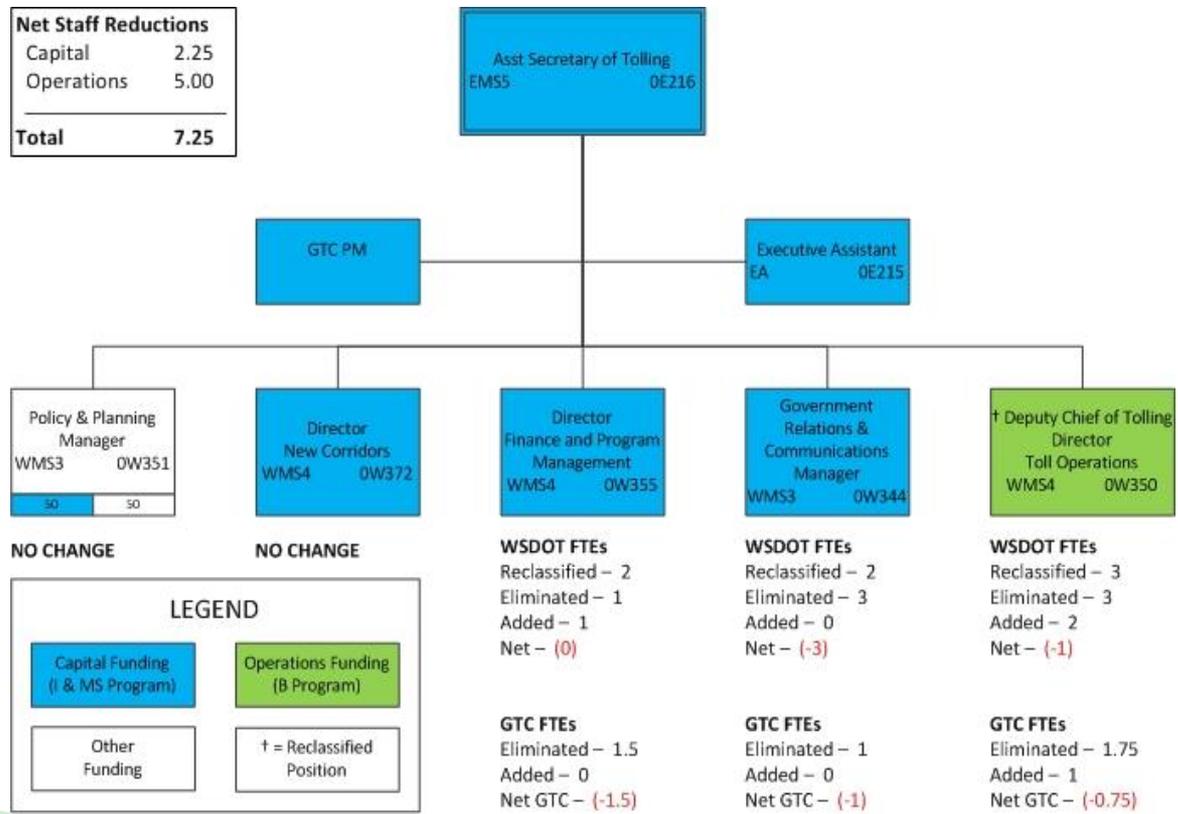
The structure has been validated by the Joint Transportation Committee's Expert Review Panel and the General Tolling Consultant.



Finding: Organizational Realignment and Staff Reductions

The organization of the Toll Division was evaluated and restructured to better meet the current and future needs of the organization. Based on this review, the Development and Operations departments were combined under a single Director.

Each position was evaluated to validate the function served and to determine the long-term need. Four WSDOT positions and three and one-quarter consultant positions and have been identified for elimination.



Finding: Clarification of Roles and Responsibilities

Roles and responsibilities of toll division activities were reviewed to determine the appropriate responsibilities of toll activities and functions.

This work will continue through the end of 2013, when an executive order defining roles and responsibilities will be issued by the Secretary of Transportation.

Finding: Co-location with the Customer Service Center Vendor

The benefits of co-locating Toll Division staff with the customer service center vendor were evaluated and the Toll Division will pursue co-location opportunities.



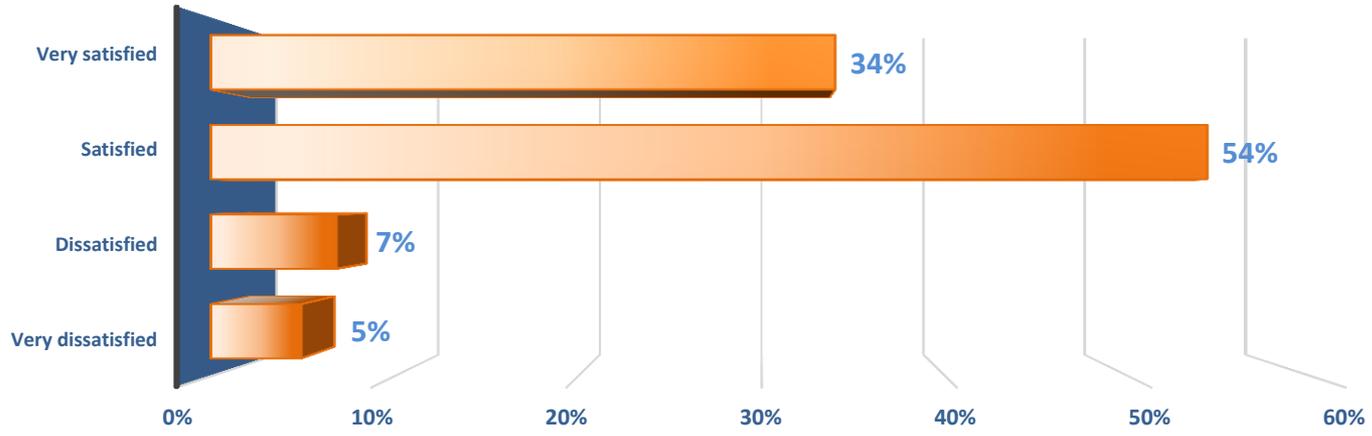
**Customers are generally
satisfied with the services
being provided**

Finding: Customer Expectations

According to a recent survey, most customers are satisfied. Having an issue or dispute resolved the first time someone calls is the largest service gap between importance to the customer and customer satisfaction.

Overall, how satisfied are you with Good To Go! Customer service?

Base: All Respondents (N=2380)



**Costs are reasonable and
consistent with peer agencies**

Cost to Collect-SR 16 Tacoma Narrows Bridge

Transaction Type	Transaction Count ¹	Cost to Operate and Maintain ²	Cost to Collect ³	Cost to Operate and Maintain ²	Cost to Collect ³
		All Funding Sources		Toll Funding Only	
Good To Go! Pass	9,093,586	\$0.46	\$0.32	\$0.43	\$0.30
Tollbooth	3,297,580	\$1.22	\$1.07	\$1.20	\$1.05
Pay By Mail	658,260	\$1.26	\$1.11	\$1.21	\$1.07
Pay By Plate	565,304	\$0.57	\$0.44	\$0.53	\$0.40
Non-Revenue	3,650	\$0.41	\$0.26	\$0.38	\$0.24
Short Term Account	563	\$7.26	\$7.03	\$6.94	\$6.71
Weighted Average	13,618,943	\$0.69	\$0.55	\$0.66	\$0.52

¹ Transaction counts for this analysis have been adjusted to represent final disposition.
² Cost to Operate and Maintain excludes debt payments, transponder costs, capital outlays for software, and adjudication costs.
³ Cost to Collect is a subset of Cost to Operate and Maintain and additionally excludes insurance, supporting roadway expansion, maintaining bridges/roads, providing ongoing bond support, patrol services, and services rendered by other state agencies or government.

Cost to Collect-SR 167 HOT Lanes

Transaction Type	Transaction Count ¹	Cost to Operate and Maintain ²	Cost to Collect ³	Cost to Operate and Maintain ²	Cost to Collect ³
		All Funding Sources		Toll Funding Only	
Good To Go! Pass	1,005,355	\$1.12	\$0.71	\$0.99	\$0.63
Non-Revenue	26,877	\$0.97	\$0.65	\$0.84	\$0.57
Pay By Plate	N/A	N/A	N/A	N/A	N/A
Short Term Account	N/A	N/A	N/A	N/A	N/A
Pay By Mail	N/A	N/A	N/A	N/A	N/A
Tollbooth	N/A	N/A	N/A	N/A	N/A
Weighted Average	1,032,232	\$1.11	\$0.71	\$0.99	\$0.63

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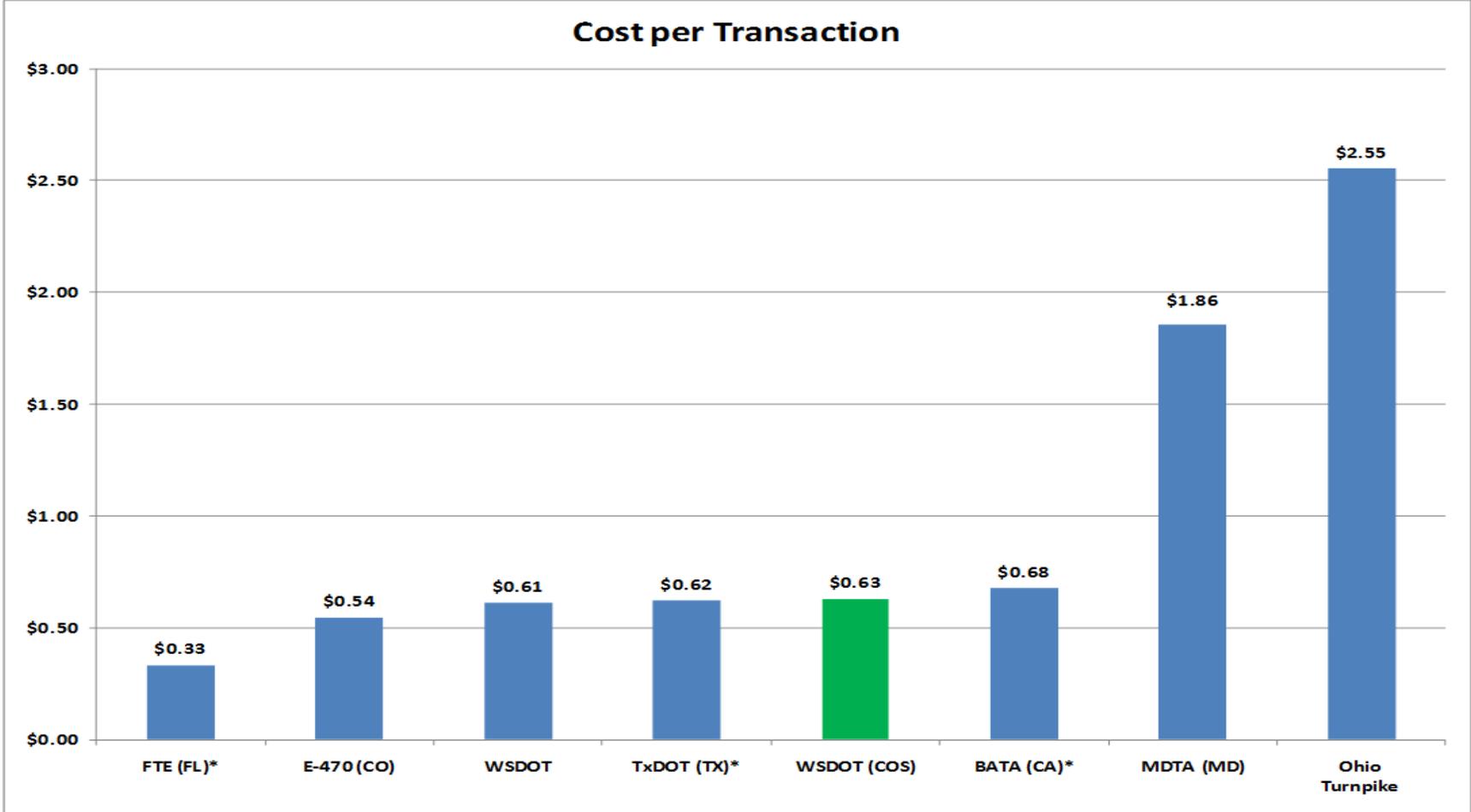
Cost to Collect-SR 520

Transaction Type	Transaction Count ¹	Cost to Operate and Maintain ²	Cost to Collect ³	Cost to Operate and Maintain ²	Cost to Collect ³
		All Funding Sources		Toll Funding Only	
Good To Go! Pass	14,094,962	\$0.45	\$0.31	\$0.41	\$0.29
Pay By Mail	3,214,463	\$1.14	\$0.98	\$1.08	\$0.94
Pay By Plate	2,560,756	\$0.53	\$0.40	\$0.49	\$0.37
Non-Revenue	109,381	\$0.62	\$0.25	\$0.58	\$0.23
Short Term Account	6,785	\$7.16	\$6.97	\$6.84	\$6.66
Tollbooth	N/A	N/A	N/A	N/A	N/A
Weighted Average	19,986,347	\$0.57	\$0.43	\$0.53	\$0.40

¹ Transaction counts for this analysis have been adjusted to represent final disposition.
² Cost to Operate and Maintain excludes debt payments, transponder costs, capital outlays for software, and adjudication costs.
³ Cost to Collect is a subset of Cost to Operate and Maintain and additionally excludes insurance, supporting roadway expansion, maintaining bridges/roads, providing ongoing bond support, patrol services, and services rendered by other state agencies or government.

Finding: Cost to Collect

An evaluation of peer agencies demonstrates that WSDOT's cost per transaction is reasonable.



- 1. Peer agency comparisons are based on agencies' published financial statements from 2013; those marked with an asterisk are from 2012. WSDOT information shown in blue is from the FY 2013 financial statements; information shown in green is the averaged cost to operate and maintain from the FY 2013 Cost of Service analysis.
- 2. Only FTE and Ohio Turnpike report interest expenses under Operating Expenses; all other agencies report interest expenses under Non-Operating Revenue (Expenses), so interest expenses have been removed from the analysis.

Finding: Cost to Collect

The review of Toll Division collection costs by payment method and facility was performed to evaluate cost drivers. The results of the cost of service analysis highlight areas requiring further examination:

- Cash Collection on Tacoma Narrows Bridge
- Short Term Account contacts
- Customer Contacts
- Inactive Accounts



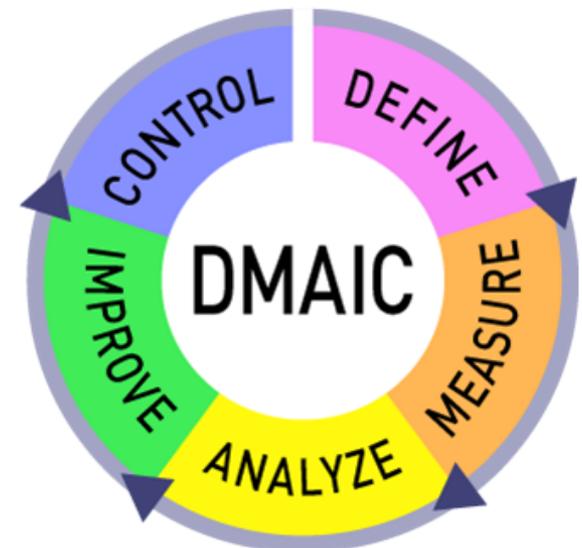
**There are opportunities for
improvements**

Finding: Operational Efficiencies

Lean workshops were held and 70 potential Lean projects were identified covering each of the Toll Division functional areas.

The process of applying Lean tools to quantify and eliminate waste is a culture the Division has embraced with the formal adoption of a Lean structure, ensuring the Toll Division operates efficiently and effectively with an eye towards continuous improvement.

Three Lean reviews are currently underway and others will follow.



Top Priority Operational Efficiencies

The processes were defined, measured, and analyzed to determine how best to implement process improvements and what might be expected in terms of future time or cost savings.

- Escalated Customer Inquiry Procedures Improvement – possible 40% reduction in escalated customer inquiries forwarded to WSDOT for remediation (equal to potentially \$15,000 annually) by implementing a customer outreach program and empowering CSC frontline staff to research and dismiss certain fees which were erroneously assessed or could be dismissed as a part of a customer education program
- \$0.25 Pay by Plate Fee Reversal Process Improvement – possible 40% reduction in reversal processing time (equal to potentially \$27,000 annually) by implementing a customer outreach program, empowering CSC frontline staff to handle reversals without transferring to another team, and streamlining the back-up documentation requirements.
- Image Review of Photo Enforced Transactions Improvement – implementation of recommended improvements will lead to a 10 to 20 percent reduction in errors and an increase in revenues.

Finding: Re-evaluation of Toll Program Funding Needs

A thorough review of the impacts of the five percent budget cuts made to the FY 2013-15 biennium B program budget has determined that the vendor cuts are not sustainable and WSDOT will need to address either due to contractual obligations or to facility changes:

- Expected contract commitments with lane vendors, Telvent and TransCore;
- Risk mitigation strategies for CSC operations;
- Cashless study on Tacoma Narrows Bridge; and
- Ramp up activities in advance of starting the I-405 Express Toll Lanes.

Ongoing Continuous Improvement

Using Lean management principles, the Toll Division will continue to examine opportunities to:

- Eliminate inefficiencies;
- Standardize processes; and
- Foster a culture of continuous improvement

Future Lean initiatives:

- Review of customer portals
 - Web design
 - Interactive Voice Recognition phone system
 - Pay By Mail invoice redesign
- Review of payment processing
 - Lockbox services
- Review of infrequent user payment methods
 - Market passes
 - Clarity on Short Term Accounts

For questions or further information...

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