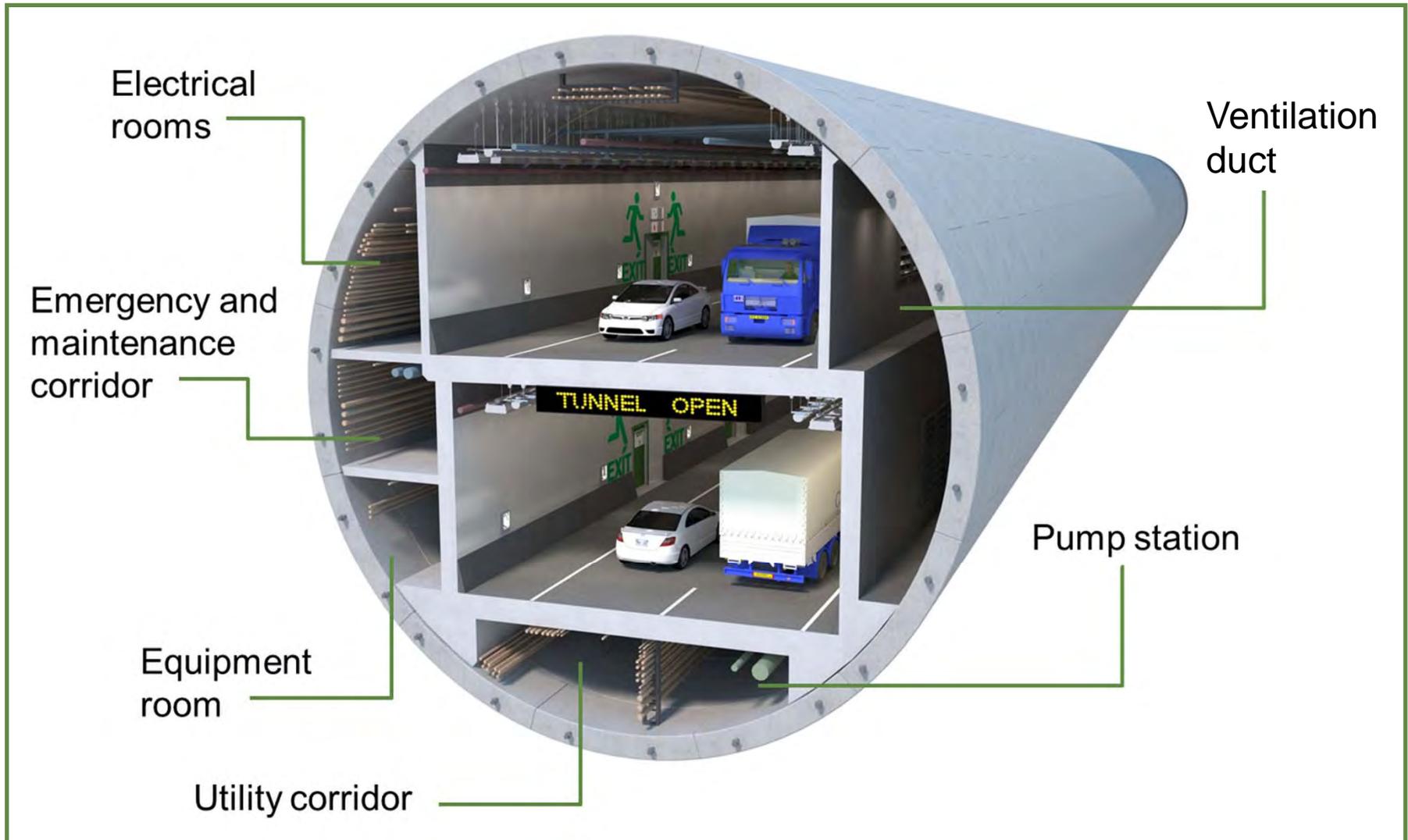


Advisory Committee on Tolling and Traffic Management
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Small Groups Material – Tunnel Ownership Costs



A rendering of the SR 99 tunnel, which will have two 11-foot lanes with an eight-foot safety shoulder and a two-foot shoulder in each direction.

Alaskan Way Viaduct Replacement Program



Design concept of the north portal operations building.



The SR 99 tunnel will be equipped with state-of-the-art ventilation, fire detection and suppression, security and lighting systems.

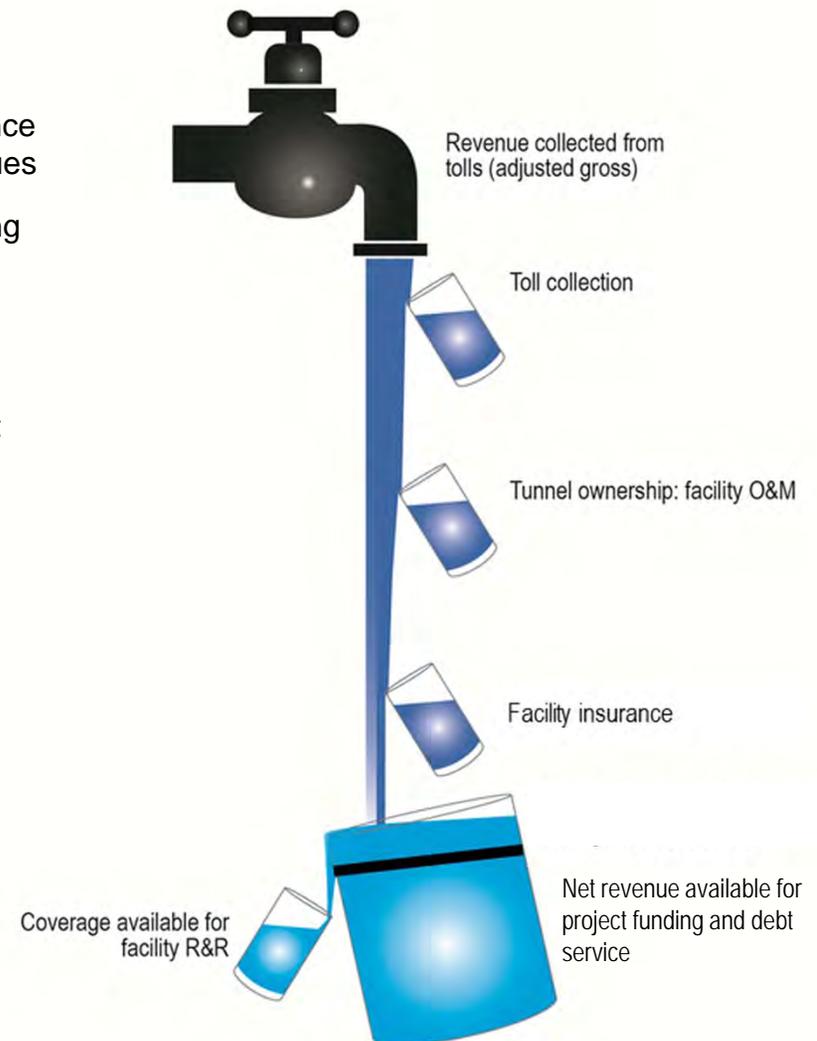


Operations center

Advisory Committee on Tolling and Traffic Management
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Small Groups Material – Finance Costs

Toll Revenue Available to Support Project Financing

- Net revenues provide the cash flow to support financing
 - Toll collection costs, tunnel operations and maintenance costs, and insurance are paid first out of gross revenues
 - Investors want assurances that the revenue generating facility will be maintained
- Not all of net revenues can be used to repay principal and interest on debt
 - A portion of net revenues need to be retained for debt service coverage and/or other reserves
 - Accumulated coverage revenues can later be used to fund periodic repair and replacement (R&R) costs



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Small Groups Material – Finance Costs

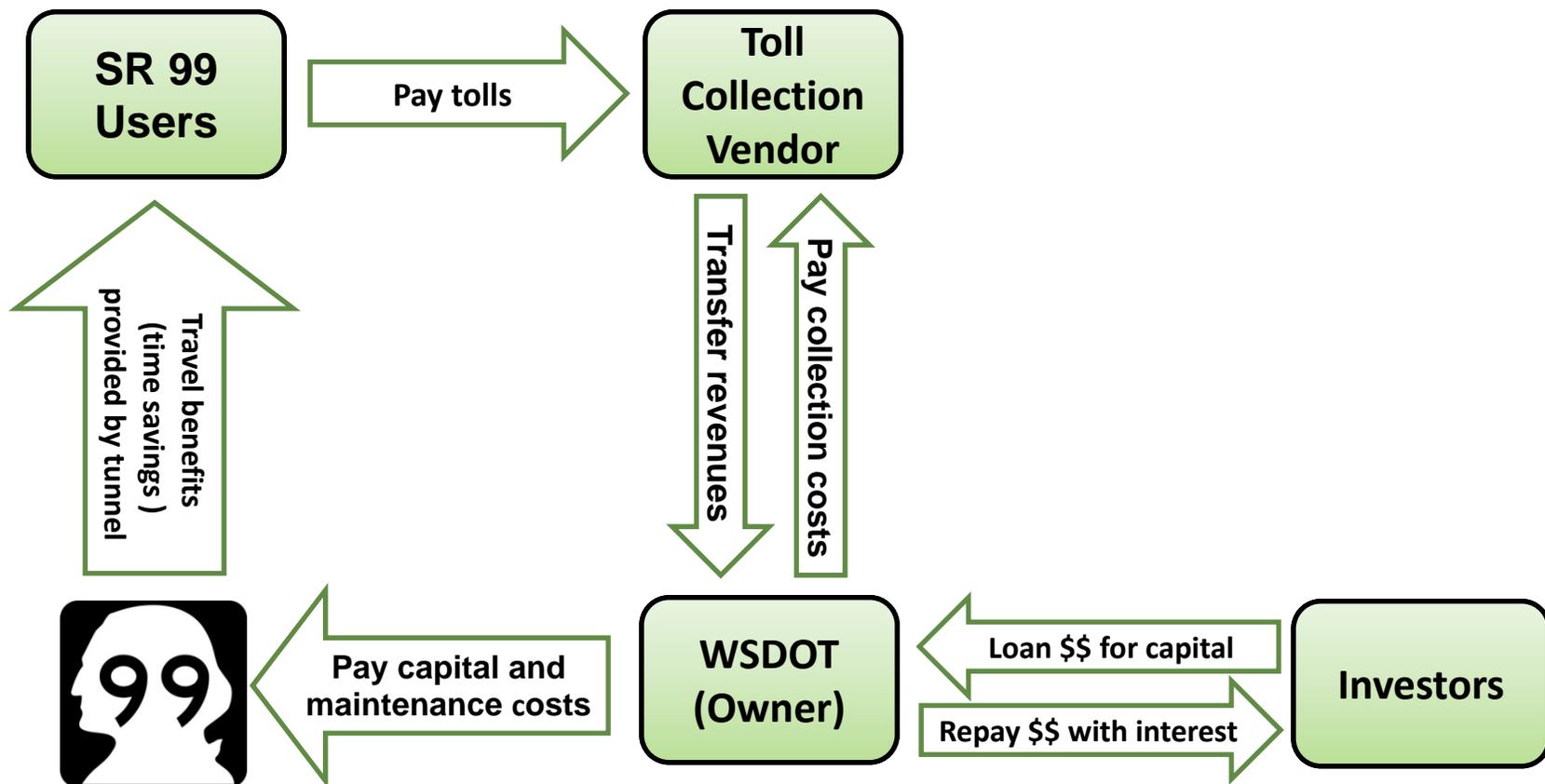
Toll Diversion and Revenue Risk

- Financing costs will depend on investors' views toward various risks
 - Higher risks could mean higher interest rates, coverage, and/or reserve requirements, all of which would yield less project funding
- Traffic and revenue risk from toll diversion is a key focus
- SR 99 tunnel has several viable alternative routes
 - This likely increases its revenue risk from toll diversion compared to local bridges
- More / better diversion opportunities increase the need to optimize tolls with a variable rate schedule
 - Lower tolls at times when alternatives are relatively uncongested and attractive help to keep traffic in the tunnel



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Small Groups Material – Finance Costs

User – Owner – Investor Relationships



**Advisory Committee on Tolling and Traffic Management
Meeting 6, Sept. 19, 2012
Small Groups Material – Finance Costs**

Key Roles and Responsibilities in Toll Project Financing

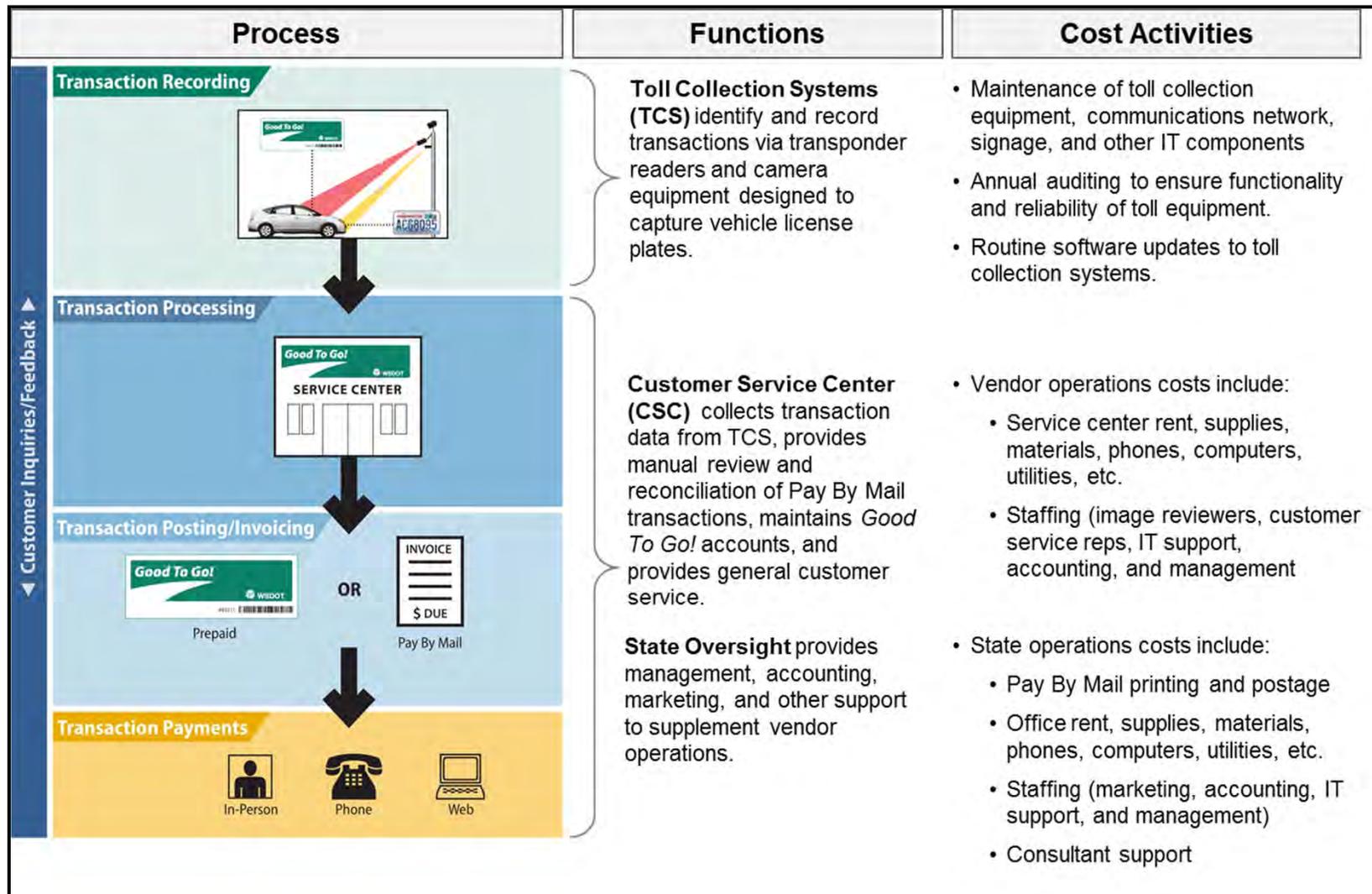
<p align="center">State Legislature</p>	<ul style="list-style-type: none"> • Authorizes tolling • Authorizes sale of bonds 	<ul style="list-style-type: none"> • Appropriate toll revenue • Maintain Toll Authority's powers
<p align="center">WSDOT (Project Owner)</p>	<ul style="list-style-type: none"> • Prepare project financial plan • Project development & delivery • Oversee prep of traffic & revenue projections 	<ul style="list-style-type: none"> • Develop & test proposed toll rate schedule • Toll collection & customer service • Operate, maintain & insure the facility
<p align="center">Toll Authority (Wash. Trans. Commission)</p>	<ul style="list-style-type: none"> • Set & maintain toll, fees, policies, exemptions • Review & report on toll collection & operations policies / expenditures 	<ul style="list-style-type: none"> • Ensure adopted tolls are sufficient to meet all obligations
<p align="center">Office of the State Treasurer</p>	<ul style="list-style-type: none"> • Financial planning in developing & testing proposed toll rate schedule • Certify toll sufficiency to meet bond covenants 	<ul style="list-style-type: none"> • Ensure tolls are sufficient to meet obligations • Sell bonds • Administer accounts for debt repayment
<p align="center">State Finance Committee</p>	<ul style="list-style-type: none"> • Adopt Master Bond Resolution • Support sale of bonds • Investor relations/ maintain tax exempt status 	<p><i>Note: The State Finance Committee is composed of the Governor, the Lieutenant Governor, and the Treasurer.</i></p>

Advisory Committee on Tolling and Traffic Management

Meeting 6, Sept. 19, 2012

Small Groups Material – Toll Collection Costs

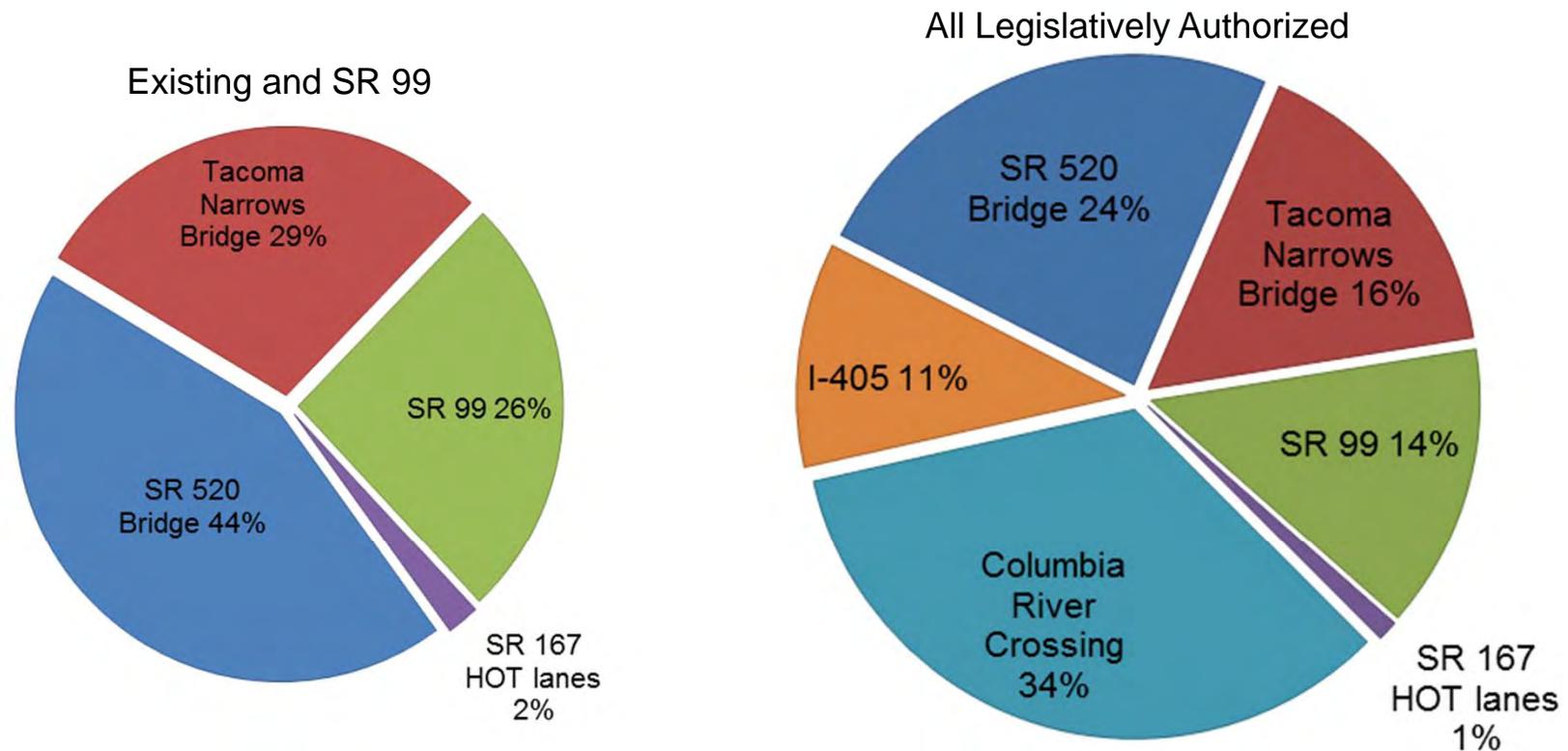
Toll Transaction Process, Functions, and Costs



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Small Groups Material – Toll Collection Costs

Allocating Cost Among WSDOT Toll Facilities

Customer service center and state oversight costs of toll collection



How are shared statewide toll program costs allocated between facilities?

- The pie chart on the right represents a greater number of facilities, and therefore a higher cost overall.
- Statewide customer service center costs are shared based on percentage of non-cash transactions at each facility.
- Most state oversight costs are shared based on the percentage of all transactions at each facility.

**Advisory Committee on Tolling and Traffic Management
Handout for Sept. 19, 2012 committee meeting**

How would SR 99 toll revenues be used?

The Alaskan Way Viaduct replacement projects are estimated to cost \$3.1 billion. Of this amount, tolling is anticipated to contribute \$200 million for tunnel construction. In order to utilize this funding during construction, the State of Washington must borrow against future toll revenues by issuing toll-backed bonds. Bond payments, including principal and interest, as well as other financing costs will be covered by the projected toll revenue stream over a 30-year period.

In addition to construction funding, toll revenue will also provide a reliable funding stream for operations, maintenance, and other ownership costs of the tunnel and toll-related expenses. These costs are assumed to be funded before making debt-related payments to ensure the facility is operated and maintained to necessary standards. Examples of these costs include:

Toll collection costs

- Toll collections equipment on SR 99 and statewide customer service.
- Credit card fees.
- Postage for mailing toll invoices.
- State support staff: Toll operations including information technology, accounting and audit, marketing, customer service and program management.
- Maintenance of toll collection systems.

Tunnel ownership costs

SR 99 tunnel operations and maintenance (facility O&M)

- Incident response teams.
- Maintenance of lighting; heating, ventilation and air conditioning; and electrical systems.
- Maintenance of fire, life and safety systems.

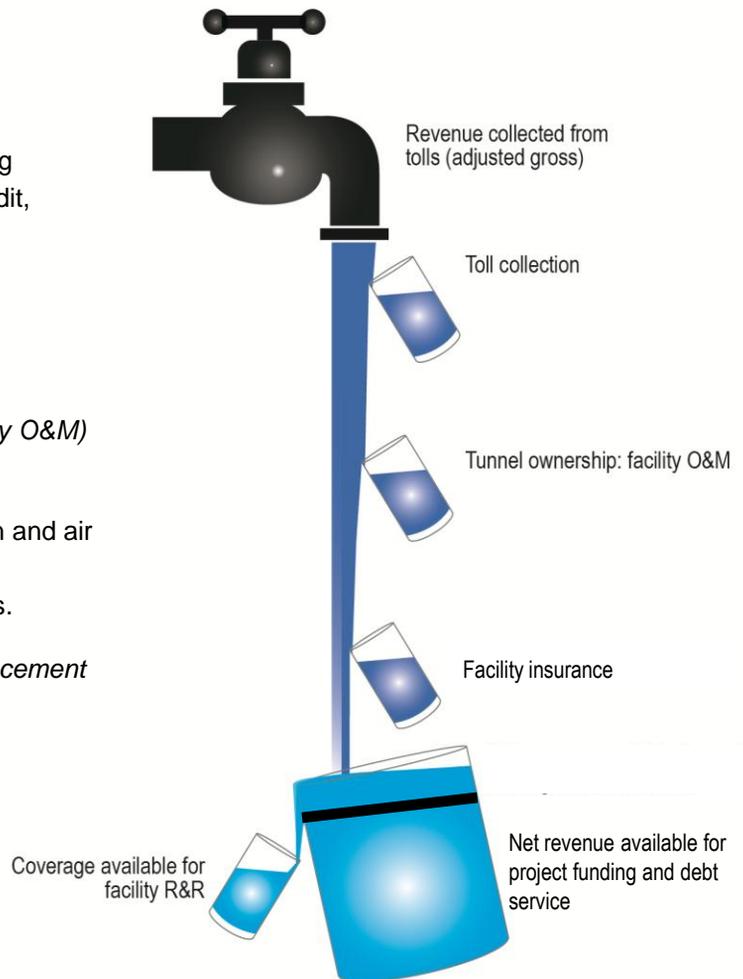
SR 99 tunnel long-term, periodic repair and replacement (facility R&R)

- Repaving and restriping.
- Replacement of fans and HVAC systems.
- Electrical and software upgrades for fire, life and safety systems.

Facility insurance

Financing costs

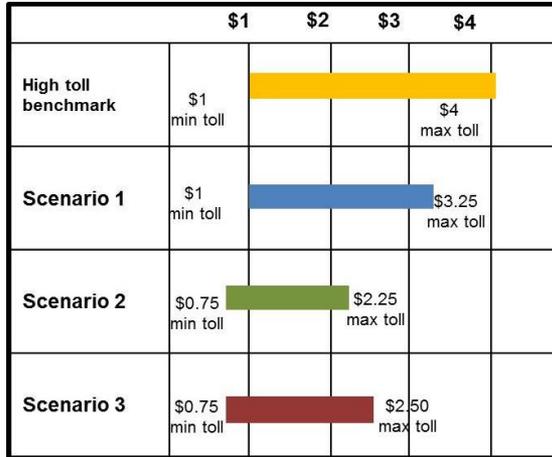
- Principal and interest payments (debt service).



Advisory Committee on Tolling and Traffic Management

Preliminary Revenue Results for High Toll & Scenarios 1 – 3

Toll rate ranges by scenario



	Revenue Collected from Tolls*	Toll Collection Costs**	Tunnel Ownership: Operations and Maintenance	Tunnel Ownership: Repair and Replacement	Facility Insurance Costs***	Net Revenue
High Toll Benchmark	\$1,340	\$220 to \$280	\$170	\$180	\$80	\$630 to \$690
Scenario 1	\$1,220	\$230 to \$300				\$490 to \$560
Scenario 2	\$770	\$200 to \$260				\$80 to \$140
Scenario 3	\$980	\$210 to \$260				\$290 to \$340

Numbers represent estimates for approximately 30 years. Costs in millions of dollars.

* After adjustments for fees, credits and uncollectible accounts.

** Varies based on number of operational toll facilities.

*** Insurance study in progress.

	Net Revenue*	Potential Financing and Coverage**	Potential Project Funding**
High Toll Benchmark	\$630	\$380 to \$420	\$210 to \$250
Scenario 1	\$490	\$280 to \$320	\$170 to \$210
Scenario 2	\$80		
Scenario 3	\$290	\$140 to \$180	\$110 to \$150

Costs in millions of dollars.

Likely couldn't finance scenario 2 for tunnel project funding.

* The low end of the net revenue range was assumed for financial calculations.

** This is a preliminary calculation and requires analysis by the Office of the State Treasurer.