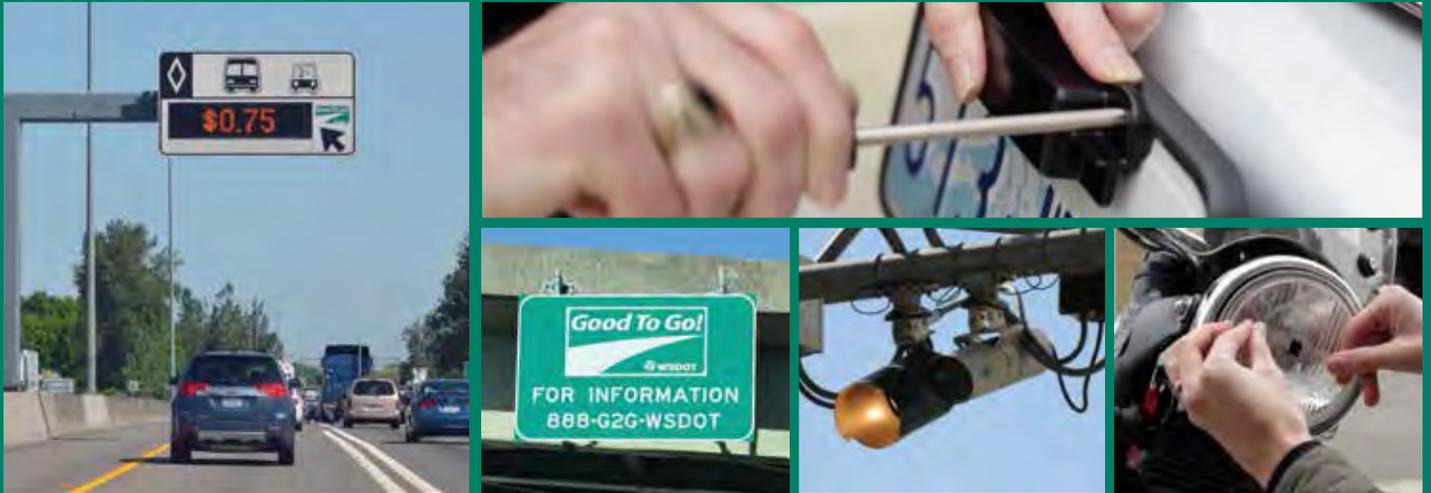


WSDOT Toll Division Annual Report FY 2014



Getting Results



A Message from WSDOT



We are pleased to present WSDOT's *Good To Go!* Toll Program Annual Report for fiscal year 2014. Tolling plays an important part in Results WSDOT, the agency's strategic plan for 2014-2017. This plan provides the vision, mission, values, goals, priority outcomes and strategies to guide the work of the agency. In the report you will see how tolling contributes to each of our six agency goals:



Strategic investment: tolls are a critical part of the state's funding for large, urban transportation projects on strategic corridors



Modal integration: tolls optimize system capacity, and support speed and reliability of all transportation modes



Environmental stewardship: tolls promote practices that reduce greenhouse gas emissions



Organizational strength: the Toll Division supports a culture of multi-disciplinary teams to implement innovative solutions who are continuously improving and applying Lean practices



Community engagement: the Toll Division works with the Transportation Commission, advisory groups, and communities to evaluate options and provide feedback to decision makers regarding tolling



Smart technology: tolling in Washington state uses advanced technology to inform, improve and operate efficiently



We have met every traffic and performance goal on each of our three toll facilities, and the majority of our customers are satisfied and pay on time. A recent survey showed that overall 83 percent of customers were satisfied with the service they received contacting customer service while more than 95 percent of tolls are paid on time. The vast majority of tolls are paid with a *Good To Go!* account.

Hundreds of thousands of drivers depend on *Good To Go!* for a high level of customer service and accountability of approximately 36 million transactions. As we move forward, we will continue to apply lessons learned from our existing facilities and use best practices from other agencies both near and far. We strive for continuous improvement and in the coming year we will focus on improving our Pay By Mail billing and enforcement processes.

We look forward to opening the I-405 express toll lanes in late 2015. The new lanes will provide drivers a choice to pay a toll to access the new express toll lanes where traffic will move 45 miles per hour or faster. We are proud of our accomplishments and our continuing efforts to improve mobility and customer service for *Good To Go!* customers and commuters throughout the Puget Sound Region.

Sincerely,

Lynn Peterson
Secretary of Transportation

Craig J. Stone, P.E.
Assistant Secretary, WSDOT Toll Division

Highlights from Fiscal Year 2014



• Results WSDOT, the agency's strategic plan for 2014-2017, provides the vision, mission, values, goals, priority outcomes and strategies to guide the work of the agency. It represents a shift in the way we do business to get the most capacity of the entire multimodal transportation system, leverage our limited funding and engage with communities and partners.

How tolls help fund transportation projects

Washington State is using tolling as a strategic tool to help finance capital improvement projects, manage congestion, enhance mobility and generate revenue for ongoing operations and maintenance. The Washington state Legislature determines which facilities are authorized for tolling. The Washington State Transportation Commission determines the toll rates and fees.

Current toll facilities:

- Tacoma Narrows Bridge
- SR 167 HOT lanes
- SR 520 bridge

Legislatively authorized toll facilities:

- I-405 express toll lanes
- SR 99 tunnel

How do future toll revenues help pay for construction?

Washington uses tolls to help fund construction on legislatively selected projects, allowing for the delivery of a project and its transportation benefits sooner than would otherwise be the case without toll funding. Investors purchase toll-backed bonds that are repaid from future toll revenues. Once tolling of the project has started, toll revenues are first used to pay for the operations and maintenance of the facility. For SR 520, toll revenues available after paying for the operations and maintenance are used for debt service on outstanding bonds. A portion of the toll revenue is also used for capital expenditures and to repay sales tax that was deferred during the construction of the project.

36.1 million
toll transactions

14 million
Tacoma Narrows Bridge

1.1 million
SR 167 HOT Lanes

21 million
SR 520 Bridge

110,000
visits to **3** Good To Go!
Customer Service Centers

417,000
Calls
to Good To Go! Customer Service Center last year

\$126.6 million
gross toll revenue

\$63.5 million
Tacoma Narrows Bridge

\$1.2 million
SR 167 HOT Lanes

\$61.9 million
SR 520 Bridge

\$54 million
Approximate amount of Tacoma Narrows Bridge debt payment made in FY 2014

\$85.8 million
Approximate amount of the final Tacoma Narrows Bridge debt payment in FY 2030

7 Drivers save an average of **minutes** using the SR 167 HOT lanes for a toll of \$2 during the peak hour.

\$1.2 billion
SR 520 Bridge
Good To Go! tolling is **on track** to generate \$1.2 billion to help fund a new bridge.

2015
I-405 Express Toll Lanes will **launch**

480,000
Good To Go! Accounts

How much does each toll transaction cost?

The results of WSDOT’s analysis of the cost to collect tolls are reflected here, and cover fiscal year 2014. This analysis helps WSDOT evaluate cost centers and the effects of its business rules.

The adjacent table compares the cost to collect tolls on our two tolled bridges by payment method. The cost to collect includes postage, staffing, operating and maintaining toll collection equipment, conducting customer service, costs to operate and maintain the roadway, and enforcement. Insurance is excluded.

WSDOT toll collection costs vary by facility. For example toll collection costs on the Tacoma Narrows Bridge are 12 cents higher than other facilities, in part because drivers have the option to pay at a toll booth. The percent cost per average transaction on our two tolled bridges is 13 percent.

Cost to collect toll per transaction

Payment Method	Tacoma Narrows Bridge	SR 520
<i>Good To Go!</i> Pass	\$0.33	\$0.31
Pay By Plate	\$0.34	\$0.33
Pay By Mail	\$1.23	\$1.20
Toll booths	\$1.07	N/A
Weighted average	\$0.55	\$0.43

Washington state’s tolling framework, roles and responsibilities

The Legislature established Washington state’s tolling framework in 2008, stating that tolls should be used to contribute significantly to the project cost and optimize transportation system performance. Toll rates would be set to meet anticipated funding obligations and to optimize system performance, recognizing trade-offs to generate revenue. Tolls should be fair and equitable without significant diversion impacts. And, tolling responsibilities would be shared as follows:

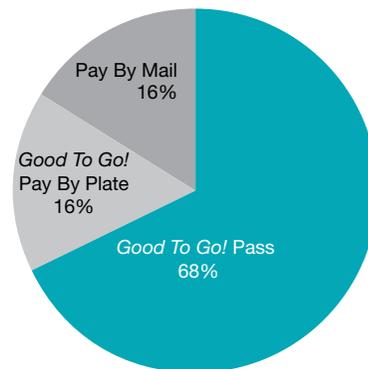
	Washington State Legislature	Transportation Commission	Department of Transportation
Responsibility	Establish tolling, designate toll corridors and use of toll revenues	Set toll rates and related fees	Plan, analyze and construct facilities, collect tolls, build and operate toll collection systems
Roles	Establish legal toll framework Authorize tolling in designated corridors Approve financing plans Enable tolling practices Appropriate toll operation budget	Set toll rates within funding requirements Set toll exemptions Establish advisory committees	Develop toll collection systems and procedures Collect tolls Finance improvements Operate tolled corridors Assess financial feasibility of toll projects

Good To Go! customer service

• Community Engagement: The *Good To Go!* customer service center allows WSDOT to interact with customers and strengthen credibility with the public.



Toll transactions by payment method (FY 2014) SR 520 bridge



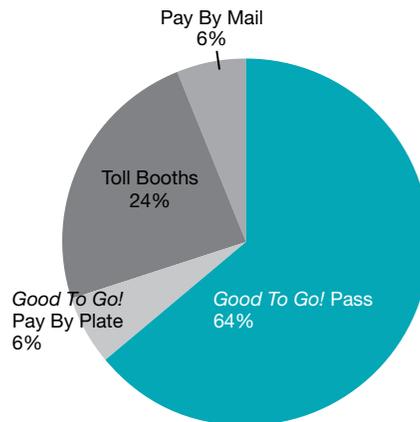
Source: WSDOT Toll Operations

Good To Go! continues to grow

WSDOT offers a variety of toll payment options. As seen in the charts at right, the majority of our toll bridge customers choose to pay their tolls via a pre-paid *Good To Go!* account. Nationally, more and more toll road operators are moving toward cost-effective all-electronic tolling with account and pass-based toll accounts as the primary collection method.

With approximately 36 million annual toll transactions and nearly 480,000 active accounts, *Good To Go!* is a strong, viable payment method with a large customer base. After some challenges with the start of all-electronic tolling, customer input has helped WSDOT focus on areas to strengthen customer service with more improvements planned.

Tacoma Narrows Bridge



Source: WSDOT Toll Operations

3 Customer service centers

110,000 visits

2/3 of all visits are in Gig Harbor

- 417,000 phone calls
- 2.8 million emails
- 2.7 million pieces of mail

Over 80 percent of customers are satisfied

Quality customer service is a top priority for WSDOT's *Good To Go!* program. No matter if it's in-person, on the phone, online or via email, we are there for our customers. In a recent survey, 83 percent of customers said they were satisfied or very satisfied with the customer service they received from the *Good To Go!* program.

Enforcement helps keeps tolling fair for all

While the vast majority of tolls on the Tacoma Narrows and SR 520 bridges are paid with *Good To Go!* accounts, some drivers elect to receive a toll bill in the mail. As of Sept. 30, 2014, 95 percent of WSDOT's 36 million toll transactions in FY 2014 had been paid.

If a toll remains unpaid for 80 days, a notice of civil penalty is issued to the vehicle's registered owner. The civil penalty is \$40 per unpaid toll and is additive to the outstanding tolls and unpaid reprocessing fees. If a civil penalty recipient does not respond by the due date to pay or request a hearing, they are subject to continued collection efforts and may be prevented from renewing their vehicle registration.

With a July 2013 change in state law, judges are able to take into consideration additional mitigating factors for customers that contest a civil penalty. They were also granted the ability to dismiss the civil penalty but have the customer remain liable for any unpaid tolls and/or fees. Since the implementation of the new law approximately 27 percent of transactions have had fees reduced.



Tacoma Narrows Bridge

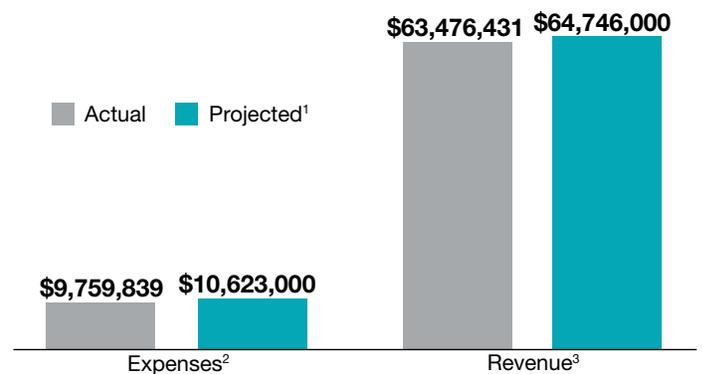
- **Strategic Investment:** The new Tacoma Narrows Bridge has decreased travel times between the Kitsap Peninsula and Tacoma and improved safety in the corridor.
- **Community Engagement:** The Tacoma Narrows Bridge Citizen Advisory Committee engages the community through the toll rate setting process. Their work is integral to the Transportation Commission's annual toll rate setting process.



Tacoma Narrows Bridge traffic has remained steady with approximately 14 million transactions occurring in FY 2014. An average of 41,000 vehicles cross the eastbound Tacoma Narrows Bridge each weekday and more than 70 percent of tolls are paid with a *Good To Go!* account. WSDOT generated approximately \$63.1 million in gross toll revenue and \$337,000 in reprocessing fees, which is just slightly below WSDOT's forecasts. However, WSDOT's cost-saving measures mean that Tacoma Narrows Bridge expenditures were also less than projected.

Objectives	Goal Met?	Accomplishments
Pay for new bridge construction	✓	<ul style="list-style-type: none"> • Meeting debt payments

Tacoma Narrows Bridge expenses are less than projected (FY 2014)



¹ Forecasted Revenue and Budgeted Expenses
² Expenses exclude Civil Penalty and Transponder costs
³ Only includes tolling revenue and reprocessing fees
 Sources: Projected Revenue: Nov. 2013 TRFC Forecast, includes actual data through Sept. 2013
 Projected Expenses: 2013-2015 Expenditure Authority Schedule, Revised EA 4.4.2014
 Actual Revenue and Expenses: FY 2014 Tacoma Narrows Bridge WSDOT Toll Division Financial Statements

Tacoma Narrows Bridge Toll Rates for FY 2014

 16
TOLL BRIDGE



**PAY BY
MAIL**

**CASH
CREDIT**

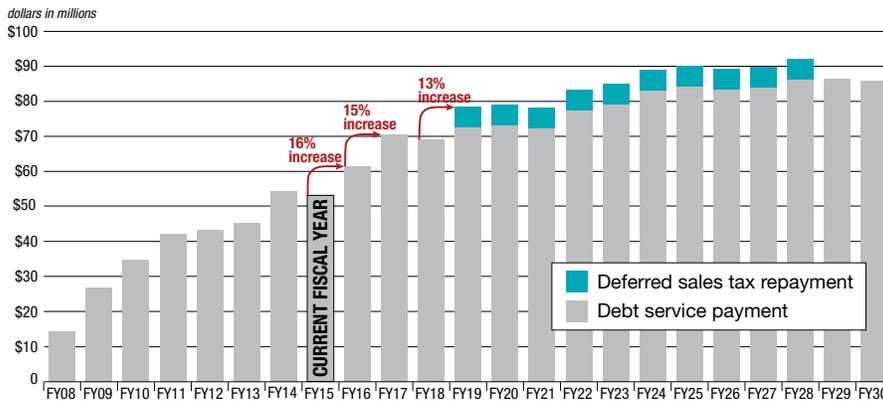
2 AXLES \$4.25 \$6.25 \$5.25

ADDED TOLL PER AXLE

Future construction debt payments means toll rate increases are needed

The Tacoma Narrows Bridge was financed to keep tolls low in the initial years and grow over time, which means debt repayments were low in the early years and rise over time. The original 2002 finance plan called for the average passenger vehicle toll to be \$3 for the first two years, \$4 for three years, \$5 for the next three years, and finally \$6 for the remaining years. The economic recession soon after the bridge opened has resulted in slower traffic growth. However, during this time the *Good To Go!* toll rates for the majority of users has stayed below the planned rates. Traffic more recently is again growing as the economy is recovering. The state made approximately \$54 million in debt payments in 2014. Payments will increase over time before ultimately reaching approximately \$86 million in FY 2029.

Tacoma Narrows Bridge debt payments grow over time



2002 plan toll rate		\$3.00	\$4.00	\$5.00	\$6.00		
Annual Toll Rate	Good To Go!	\$1.75	\$2.75	\$2.75	\$4.00	\$4.25	\$4.50
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50

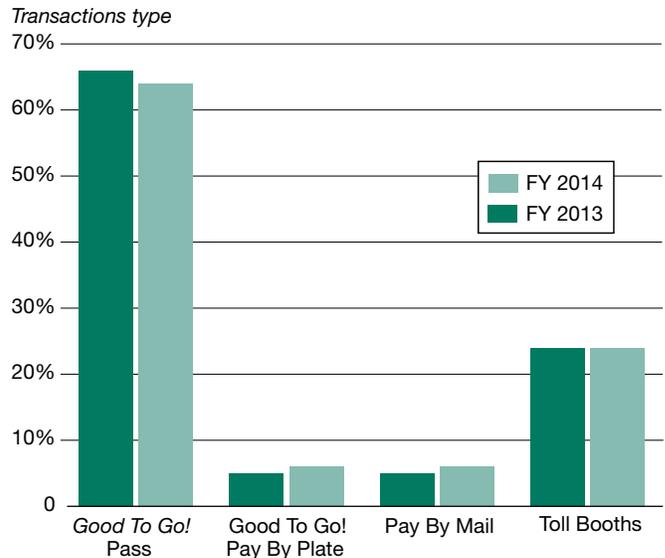
Does not include capitalized interest
Source: WSDOT Budget and Financial Division

Number of customers using Pay By Plate and Pay By Mail continues to grow

Comparing FY 2014 to FY 2013 shows the percentage of transactions being paid by *Good To Go!* passes has decreased, transactions being paid at the toll booth has remained steady, and photo-based transactions have increased.

The increase in customers using photo-based payment options (Pay By Plate and Pay By Mail) shows that a growing number of drivers prefer relying on their license plates to pay their toll even if it costs more. WSDOT continues to closely monitor this trend and further evaluate potential cost savings of converting to all-electronic tolling.

Primarily *Good To Go!* accounts, but some customers still prefer cash



Source: WSDOT Toll Operations

Where your Tacoma Narrows Bridge toll dollar goes

The majority of every toll dollar goes to repaying construction debt



Total³: \$63,476,431

1 Customer service center vendor (ETCC)	\$2,122,111 (3.3%)	5 Insurance premiums	\$1,594,405 (2.5%)
2 Roadway and toll booth toll collection vendor (TransCore)	\$3,269,903 (5.2%)	6 Bridge/roadway operations and maintenance	\$253,896 (0.4%)
3 WSDOT oversight and other ¹	\$783,155 (1.2%)	7 Consultant services	\$615,076 (1.0%)
4 Credit card and bank fees	\$1,121,293 (1.8%)	8 Available for debt service payments, capital expenditures, reserves ²	\$53,716,592 (84.6%)

¹ Includes expenditures for supplies, communications, rents, repairs, services provided by outside vendors, etc.

² Includes funds set aside for periodic repair and replacement (preservation). Net revenues from tolls of \$53,716,592 fell short of the required payment of \$54,922,858 in principal and interest on project construction debt in FY 2014, resulting in a decrease to the TNB Fund balance.

³ Expenses related to Civil Penalty adjudication and transponder sales are not included as they have corresponding revenue sources other than Tolling Revenue. "Toll dollar" refers only to revenue collected as tolls and reprocessing fees, so excludes civil penalty, transponder, contractual damages, interest, and miscellaneous revenue.

Source: Tacoma Narrows Bridge Account WSDOT Financial Statements for FY 2014

Next Steps

- Analyzing cost efficiency measures.
- Updating hardware and aging network equipment.

SR 167 HOT Lanes Pilot Project



- **Strategic investment:** HOT lanes manage limited roadway space to improve traffic. Toll revenue will be reinvested in the corridor.
- **Modal Integration:** HOT lanes have strong support from regional transit agencies and offer a more reliable trip for all modes that choose to use them.
- **Environmental Stewardship:** By improving transit and rideshare operations and improving traffic flow, express toll lanes can decrease air pollution and greenhouse-gas emissions.
- **Smart Technology:** Dynamic tolls change based on real-time traffic conditions to maintain speeds of at least 45 miles per hour in the HOT lanes.

The SR 167 HOT lanes opened to traffic on May 3, 2008. After six years of operation, the pilot project continues to do what it was designed to accomplish: reduce congestion and travel times for everyone driving in the corridor. Usage and revenue for the SR 167 HOT lanes also continue to increase as more drivers than ever are choosing the HOT lanes for a reliable trip.

HOT Lanes are meeting objectives

Objectives	Goal Met?	Accomplishments
Free Flow Traffic	✓	<ul style="list-style-type: none"> • HOT lanes speeds >45 mph • Travel times more reliable
Reduced Congestion	✓	<ul style="list-style-type: none"> • Daily tolled volumes up • Corridor transit volumes up
Improved Safety	✓	<ul style="list-style-type: none"> • Average collision rate remains stable • Incident response time down
Demonstrated Ability to Finance Improvements	✓	<ul style="list-style-type: none"> • HOT lanes generating revenue to cover operating costs since April 2011
Equitable Use of Facility	✓	<ul style="list-style-type: none"> • Annual surveys show both low and high income drivers use HOT lanes

SR 167 Average Peak Hour Toll Rates for FY 2014



Northbound AM (7-8 a.m.)



Southbound PM (4-5 p.m.)

HOT lanes use and revenue continues to grow

The goal of the SR 167 HOT lanes pilot project is to help reduce traffic congestion and maintain free-flow traffic conditions in the HOT lanes. Revenue generation is an added benefit but was not the primary goal of the pilot project. While the goal is to operate the highway more efficiently, revenue for the SR 167 HOT lanes continues to increase and has exceeded operating costs since April 2011.

- SR 167 HOT lanes average daily tolled trips have more than quadrupled since opening.
- Travel time savings for HOT lane users continue. Peak hour users save an average of seven minutes on their trip for a \$2 toll.
- Annual HOT lane revenue increased 3 percent over the previous year.

SR 167 average daily toll transactions (T-Th through June 30, 2014)



Source: WSDOT Toll Operations

HOT Lanes are saving people time

The northbound HOT lanes provided weekday drivers with an average time savings of eight minutes during the morning peak hour for an average toll of \$2.25. In the afternoon peak hour, the southbound HOT lane provided weekday drivers an average savings of six minutes for an average toll of \$1.50.

More drivers are using the HOT lanes and saving time.

	Tolled Trips ¹	Average Toll Paid ²	Travel Time Savings ³	
			Northbound	Southbound
June 2008	1,000 	\$1.00	8 	4 
June 2013	4,200 	\$1.25	9 	6 
June 2014	4,500 	\$1.25	8 	6 

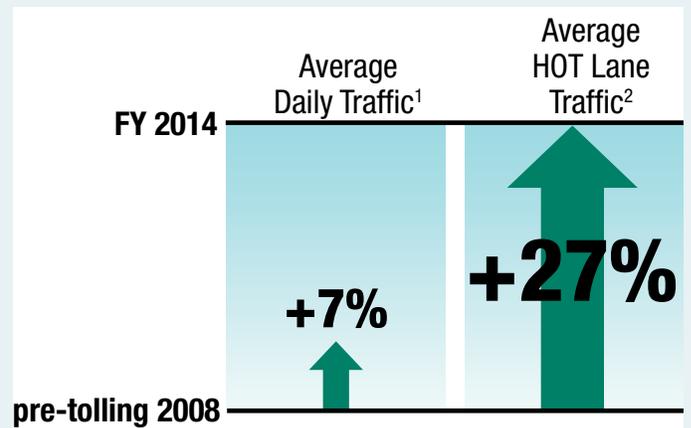
¹Tolled trips per weekday (Tuesday - Thursday)

²Average toll rate (Tuesday - Thursday)

³AM Peak (7-8am) PM Peak (4-5pm); Savings = HOT lane vs. general purpose lane

Source: WSDOT Toll Operations

More people are choosing HOT lanes



¹Weekday traffic (Tuesday - Thursday); All lanes

²Weekday traffic (Tuesday - Thursday); HOT Lane only

Source: WSDOT Toll Operations

HOT Lanes continue to benefit transit users

It is difficult to determine the specific effect of the HOT lanes on transit ridership. Transit ridership in the SR 167 corridor has increased, although a number of factors affect ridership including the changing economic climate, fluctuating gas prices, and changes made to corridor transit service. However, like other HOT lanes users, bus riders continue to enjoy the benefits of a reliable trip in the HOT lane.

Safety statistics stay steady

The average collision rate remains stable throughout the pilot project area. It's important to remember that multiple factors can affect safety and collisions, including changing traffic volumes, reduced congestion, increased enforcement, roadway surface conditions, changes in visibility and laws requiring the use of hands-free cellular devices. WSDOT remains confident that HOT lanes are not adversely impacting driver safety.

HOT lanes maintain reliable speeds

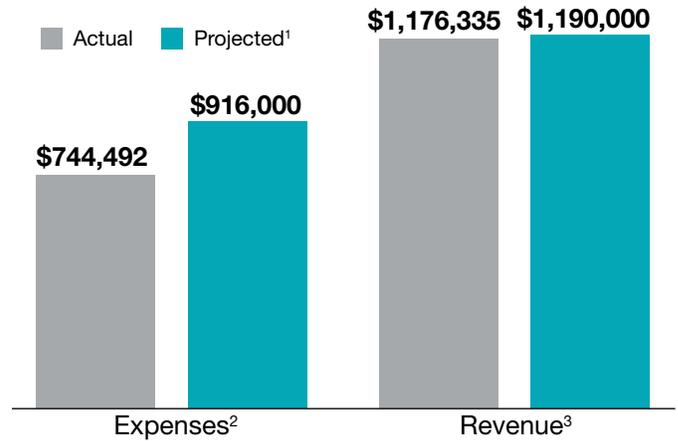
HOT lane toll rates can range from 50 cents to \$9 based on congestion. The average Tuesday through Thursday toll rate ranged between 75 cents and \$1 for the first three years of operations before increasing to \$1.25 in the fourth year, where it has remained since. The increased average toll rate reflects the increased demand for the HOT lanes. With greater public understanding, more people are choosing to use the SR 167 HOT lanes for a more reliable trip.

Drivers use the HOT lanes to avoid congestion and arrive on time

Every year since 2008, WSDOT has conducted a survey of *Good To Go!* account holders who had paid at least once to use the SR 167 HOT lanes in the last year. The survey helps WSDOT better understand who uses the SR 167 HOT lanes and why. The 2014 survey results were consistent with previous years showing that about one-third of respondents used the HOT lanes on average less than once per month. In keeping with national trends, few people use HOT lanes all the time, but many people use them occasionally when they need to get somewhere on time.

The split between drivers who use the HOT lanes primarily for work and those that use them for personal trips was nearly even, with 47 percent using the HOT lanes for work and 53 percent using them for personal trips. Yet they all have a common goal - 88 percent of respondents use the HOT lanes because they either want to avoid congestion in the regular lanes or need to arrive on time to their destination.

HOT lanes expenses are down (FY 2014)



¹ Forecasted Revenue and Budgeted Expenses

² Total expenses less Transponder costs

³ Only includes tolling revenue

Sources: Forecasted Revenue: November 2013 TRFC Forecast, includes actual data through September 2013

Budgeted Expenses: 2013-2015 Expenditure Authority Schedule, Revised EA 4.4.2014
Actuals: FY 2014 SR 167 WSDOT Toll Division Financial Statements

Changes to HOT lanes access

Drivers have said that they want easier access in and out of the HOT lanes. In a 2012 customer survey, 40 percent responded that they did not like using designated entry and exit points. Transit agencies have also stated that it is tough for them to use the HOT lanes because buses frequently need to enter and exit the highway to make stops. In August 2014, contractor crews removed striping and updated signage on the SR 167 HOT lanes as part of an evaluation project, enabling drivers to enter and exit the lanes along nearly the entire length of the corridor between Renton and Auburn.

WSDOT has partnered with the Washington State Transportation Center at the University of Washington to evaluate the impact of the change.

Next steps

- Analyzing cost efficiency measures.
- Extending pilot status beyond June 30, 2015.
- Studying and evaluating the effects of access changes to the HOT lanes.
- Extending southbound HOT lane 8 miles to Pacific. The project is expected to open to traffic in 2017.

SR 520 Bridge



- **Strategic Investment:** Tolling the existing SR 520 bridge saves the state money in financing as a new, safer SR 520 bridge is built.
- **Modal Integration:** Buses and vanpools travel toll-free on the SR 520 bridge, encouraging transit and vanpool use.
- **Environmental Stewardship:** Analysis shows that emissions have reduced by over 30 percent for all pollutants on SR 520 since tolling began.
- **Organizational Strength:** WSDOT engages teams from the Toll Division and the SR 520 program to deliver a complex project on time.
- **Smart Technology:** All-electronic tolling uses advanced technology while keeping traffic moving at highway speeds.

SR 520 Bridge tolling continues to meet its two central goals: to generate revenue to help finance the replacement bridge and reduce congestion on SR 520. Tolling is projected to generate \$1.2 billion towards the funded portion of the SR 520 Bridge Replacement and HOV Program. When fully funded, the program will build 12.8 miles of safety and mobility improvements from I-5 in Seattle to SR 202 in Redmond.

Objectives	Goal Met?	Accomplishments
Pay for new bridge construction	✓	<ul style="list-style-type: none"> • On track to generate \$1.2 billion in toll revenue for the new SR 520 bridge
Reduce congestion on SR 520	✓	<ul style="list-style-type: none"> • Faster travel times on SR 520

SR 520 tolling has had a positive impact on air quality in the area

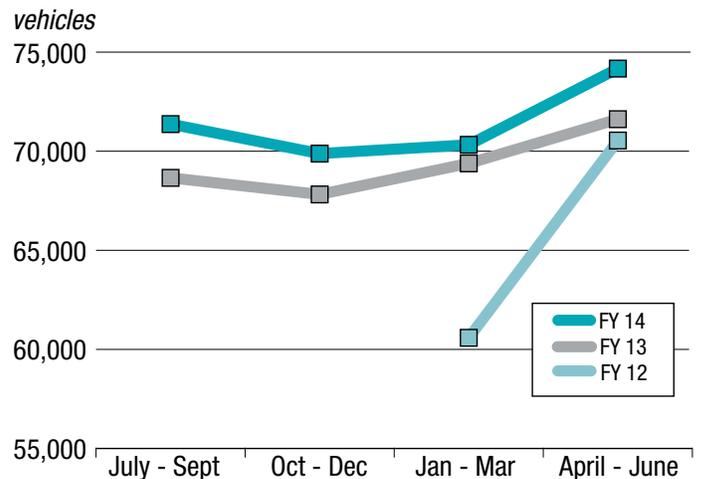
Tolling the SR 520 Bridge resulted in improved traffic flow, increased travel speeds and a decrease in stop-and-go driving across the SR 520 bridge. These changes in travel behavior resulted in a 30 percent reduction in both emissions and fuel use on the SR 520 bridge since tolling began. Additionally, combined emissions on SR 520, I-90, I-5 and I-405 have decreased 2 to 6 percent since tolling began on SR 520.

Volumes on SR 520 continue to grow

An average of 72,000 vehicles crossed the SR 520 on weekday during FY 2014, up from 70,000 during FY 2013. Traffic volumes on the SR 520 Bridge are down about one-third from pre-tolling levels of 103,000 in 2011.

SR 520 Weekday Peak Toll Rates for FY 2014

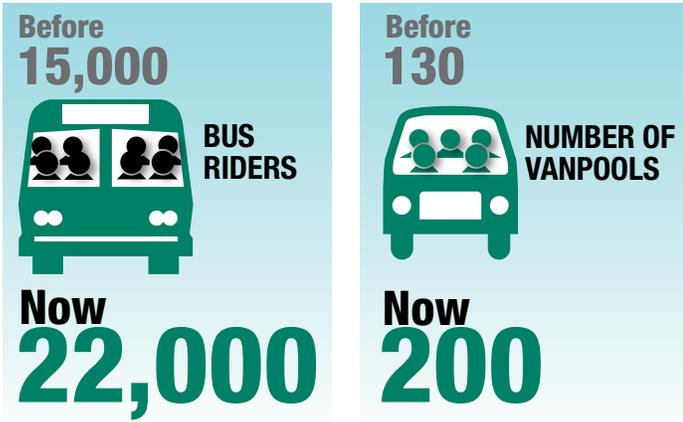
The sign features the SR 520 logo and 'TOLL BRIDGE' text. It includes a 'Good To Go!' logo and a 'PAY BY MAIL' box. Below, it displays '2 AXLES' and two digital toll rate displays: \$3.70 and \$5.25. At the bottom, it reads 'ADDED TOLL PER AXLE'.



Tolling on the SR 520 Bridge began on Dec. 29, 2011.

Source: WSDOT Toll Operations

SR 520 daily transit volumes continue to increase



Strong growth for transit and vanpools

SR 520 corridor weekday transit ridership was more than 22,000 in spring 2014. This is an increase of 4 percent since 2012 and a 46 percent increase since 2010. This ridership increase can at least be partly correlated with the 140 daily bus trips King County Metro and Sound Transit added in preparation for tolling, which increased weekday service on 19 routes serving SR 520. By comparison, King County Metro and Sound Transit saw an estimated 10 percent increase in regionwide transit ridership since 2010. Additionally, 200 vanpools now cross the lake on SR 520, an increase of more than 70 vanpools, or 50 percent, since tolling started.

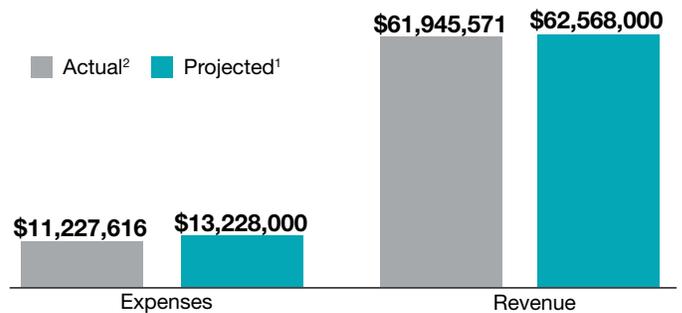
Revenue is on track to generate \$1.2 billion for new SR 520 bridge

In December 2011, WSDOT started tolling the existing facility to provide \$1.2 billion for a new, safer bridge and to manage congestion. In FY 2014 WSDOT generated approximately \$60.5 million in gross toll revenue and \$1.45 million in reprocessing fees.

Of the 20.9 million total toll transactions in FY 2014, approximately 84 percent were made by *Good To Go!* account holders.

We anticipate traffic and revenue will continue to meet projections. Toll rates are scheduled to increase in July 2015 as the final of four planned 2.5 percent annual rate increases. In July 2016, there is a planned increase of approximately 15 percent. No rate increases are planned after 2016 for financing purposes. However, the commission will monitor traffic and revenue data to ensure traffic flows are effectively managed and financial and legal obligations are met.

SR 520 revenue: actual vs. forecast (FY 2014)



¹ Projected forecast values are consistent with the October 2013 Net Revenue forecast. The expense forecast includes Toll Collection O&M costs, Credit Card Fees, and Bridge Insurance Premiums, less transponder inventory costs. The revenue forecast includes tolling revenue after adjustments for the \$0.25 Pay By Plate Fee, Short-term accounts, and uncollectible revenue, as well as revenue from reprocessing fees.

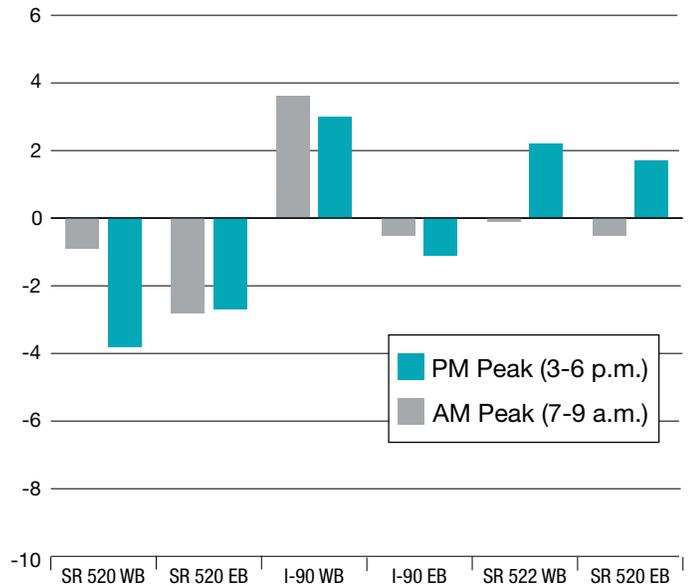
² Actuals are consistent with the values reported in the WSDOT financial statements for the facility. The revenue only includes Toll Revenue and reprocessing fee revenue, thus excluding transponder sales revenue. The expenses exclude transponder-related costs, as the transponders have an offsetting stream of revenue. Annual actual Expenses may not fully align to forecasted expenditures due to the way that biennium expenditures unfold.

Sources: Actual Revenues and Expenses: SR520 WSDOT Toll Division Financial Statements
Forecasts: Revenue and Expenses: October 2013 Net Revenue Forecast

Travel times remain steady on all cross-lake routes

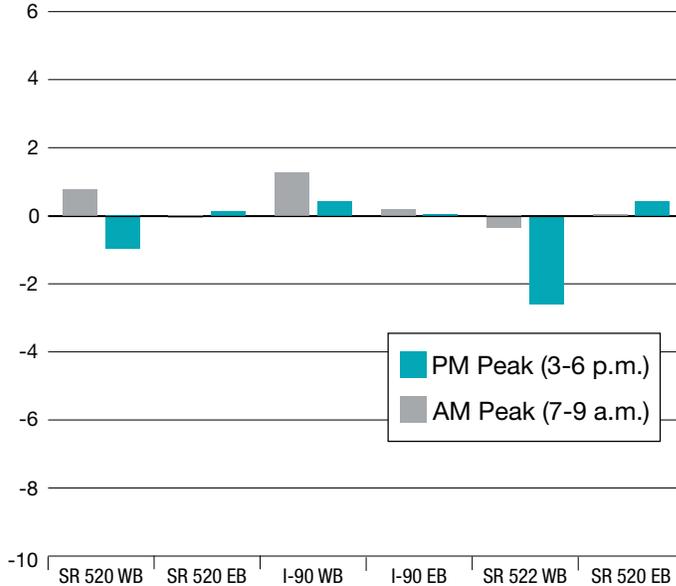
Travel time advantages on SR 520, realized with the start of tolling, have persisted through FY 2014. Travel times for drivers using the SR 520 bridge continue to remain faster than pre-tolling travel times. Peak hour travel time changes in 2014 were within two minutes of travel times reported for 2013 for all three cross-lake routes. The small changes in travel times between FY 2013 and FY 2014 is likely indicative that the changes in traffic patterns seen after tolling started have settled down.

Cross-lake travel time changes before tolling vs FY 2014 (minutes) between I-405 and I-5



Source: WSDOT Toll Operations

Cross-lake travel time changes (FY 2014 vs FY 2013) (minutes) between I-405 and I-5



Source: WSDOT Toll Operations



Where your SR 520 toll dollar goes

The majority of your SR 520 toll dollar goes to paying directly for construction or repaying construction debt



Total⁴: \$61,945,571

<p>1 Customer service center vendor (ETCC) \$4,997,150 (8.1%)</p> <p>2 Roadway and toll booth toll collection vendor (Telvent) \$358,222 (0.6%)</p> <p>3 WSDOT oversight and other¹ \$1,389,459 (2.2%)</p> <p>4 Credit card and bank fees \$1,081,236 (1.7%)</p>	<p>5 Insurance premiums \$2,515,092 (4.1%)</p> <p>6 Bridge/roadway operations and maintenance² \$0 (0%)</p> <p>7 Consultant services \$886,457 (1.4%)</p> <p>8 Available for debt service payments, Capital expenditures, and contributions to reserve accounts³ \$50,717,955 (81.9%)</p>
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¹ Includes expenditures for supplies, communications, rents, repairs, services provided by outside vendors, etc.

² Tolls will begin paying for routine facility operations and maintenance costs starting in FY 2016 as construction of project segments are completed.

³ Includes funds set aside for periodic repair and replacement (preservation), repayment of deferred sales tax on construction, operations and maintenance reserves, and a revenue stabilization fund, as applicable, plus cost of investment activities. \$26,024,976 of this amount was used to pay principal and interest on project construction debt in FY 2014.

⁴ Expenses related to transponder sales are not included as they have corresponding revenue source other than Tolling Revenue. "Toll dollar" refers only to revenue collected as tolls and reprocessing fees, so excludes transponder, contractual damages, interest, and miscellaneous revenue.

Source: SR 520 Account WSDOT Financial Statements for FY 2014

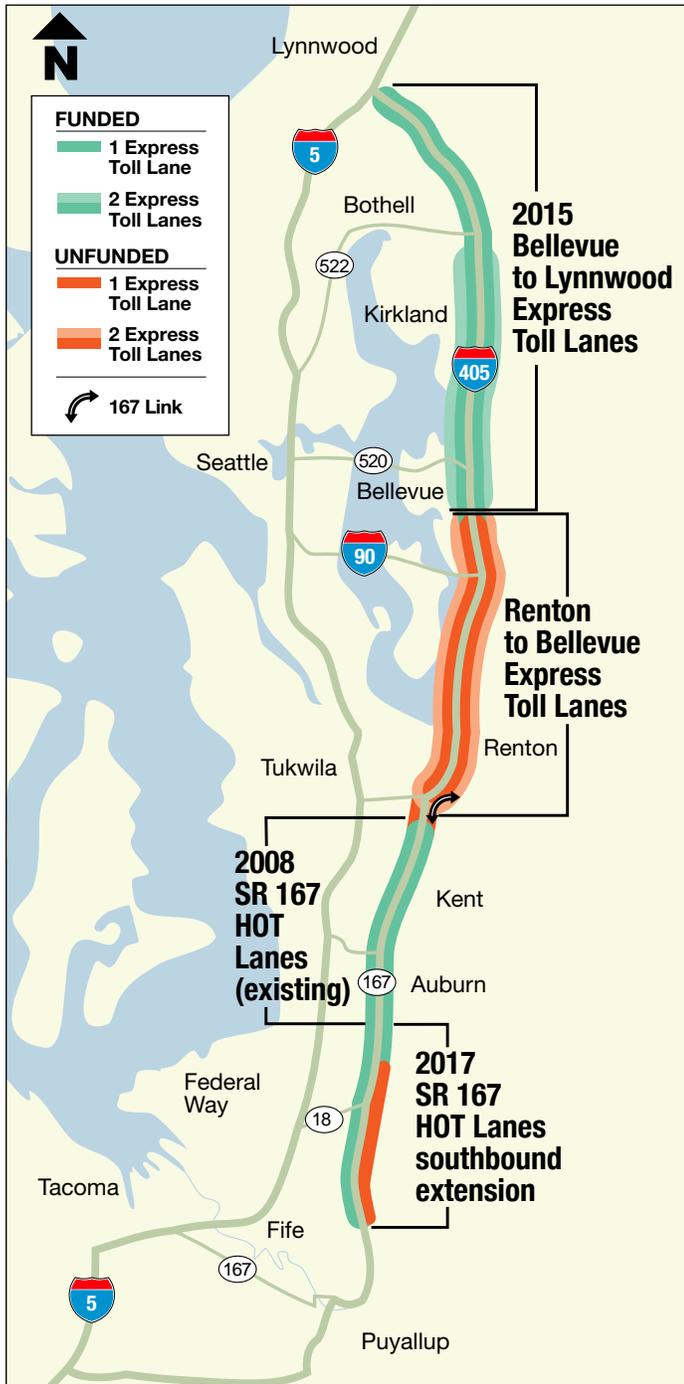
Next steps

- Analyzing cost efficiency measures.
- Installing temporary toll equipment for use while new bridge is under construction.

I-405 Express Toll Lanes



- Strategic investment: Express toll lanes strategically manage limited roadway space to improve traffic. Toll revenue will be reinvested in the corridor.
- Modal Integration: Express toll lanes will offer a more reliable trip for all modes that choose to use them.
- Environmental Stewardship: By improving traffic flow, express toll lanes can decrease air pollution and greenhouse-gas emissions.
- Organizational Strength: The Toll Division and the I-405/SR 167 Corridor program work together to deliver a complex project on time.
- Community Engagement: Over a decade of community-based partnerships led to toll authorization and consensus recommendations on carpool policy and future funding priorities.
- Smart Technology: Dynamic tolls will change based on real-time traffic conditions to maintain speeds of at least 45 miles per hour in the express toll lanes.



New lanes will boost speeds and reliability starting in 2015

I-405 travelers are routinely stuck in traffic more hours per day than anyone in the state, and the carpool lanes often move as slowly as the regular lanes. WSDOT is on track to open 17 miles of express toll lanes between Bellevue and Lynnwood in the fall of 2015 to help relieve this congestion and generate funds for future corridor improvements.

Express toll lanes give drivers the choice to use the HOV lanes to avoid traffic by paying a toll, similar to the SR 167 HOT lanes. They are:

- fast, moving traffic at 45 miles per hour or faster
- predictable, giving drivers predictable travel times
- adjustable, with tolls increasing and decreasing based on traffic volumes
- a choice, offering non-carpool drivers a new option to pay a toll to use the HOV lanes
- efficient, moving more vehicles and improving conditions in the regular lanes

As part of the broader I-405/SR 167 corridor vision, WSDOT ultimately plans to create a 40+ mile north-south express toll lane system from I-5 in Lynnwood to SR 167 at the Pierce County line, providing a reliable alternative to I-5 for all travelers, including transit, carpools and freight.



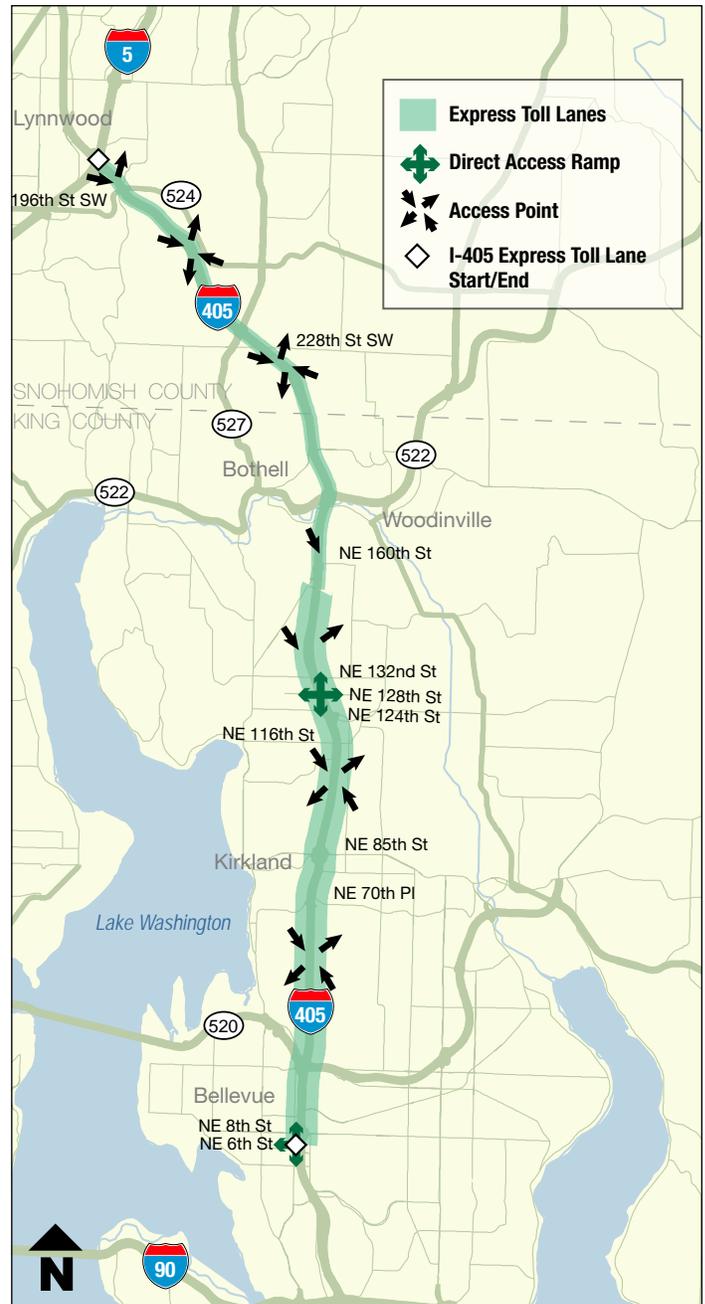
How will I-405 express toll lanes work?

Electronic signs will post the toll rates, based on destination and traffic conditions. Drivers will enter and exit the express toll lanes using designated access points and pay the price posted as they enter the lane.

Drivers can use their *Good To Go!* account to pay a toll or receive a bill in the mail at a higher toll rate. Transit, vanpools and carpools with the designated number of passengers will still be able to use the lanes for free. However, to use the express toll lanes toll-free, eligible carpools will need to get a new *Good To Go!* Flex Pass and have it set to HOV mode.

WSDOT has been working with the Washington State Transportation Commission to determine carpool occupancy rules and exemptions for the I-405 express toll lanes, guided by legislative traffic performance and revenue requirements. After WSDOT conducted an extensive outreach process in 2013, the I-405/SR 167 Executive Advisory Group, composed of corridor elected officials and transportation agencies, recommended that carpools with three or more people ride toll-free during peak hours, and carpools with two or more people ride free during off-peak hours. The commission will finalize the carpool rules, the minimum and maximum toll rates, and other exemptions.

Flex Pass



Next Steps

- Toll rate setting with the Transportation Commission through March 2015.
- Flex Pass on sale in spring 2015.
- Bellevue to Lynnwood express toll lanes open in late 2015.
- Funding I-405 improvements between Renton and Bellevue and the I-405/SR 167 Direct Connector.

SR 99 Tunnel



- **Strategic Investment:** The seismically vulnerable 1950s-era viaduct will be replaced by the new tunnel.
- **Organizational Strength:** WSDOT engages teams from the Toll Division and the Alaskan Way Viaduct Replacement Program to deliver a complex project.

Tolls will help fund SR 99 improvements

WSDOT’s contractor Seattle Tunnel Partners is building a tunnel to replace the SR 99 Alaskan Way Viaduct, a double-deck highway that has spanned the downtown waterfront for more than 60 years. In late 2013 the contractor stopped tunneling and discovered damage to the tunneling machine’s seal system and contamination within the main bearing. Because this is a design-build contract, STP and their machine manufacturer are responsible for developing and implementing the plan to fix the machine and resume tunneling.

Funding for the \$3.1 billion viaduct replacement program comes from state, federal and local sources as well as the Port of Seattle and tolls on drivers using the tunnel. Of that total cost, the 2012 Legislature stated \$200 million should come from toll funding. Tolls could also pay for future tunnel operations and maintenance costs, similar to other toll facilities.

In 2011, the city of Seattle and WSDOT convened the Advisory Committee on Tolling and Traffic Management. The ACTT committee explored ways to refine tolling of the SR 99 tunnel to minimize traffic diversion, meet project funding goals and investigate strategies to mitigate diversion.

The 15-member committee provided advisory recommendations to the Governor, Legislature, Transportation Commission, Federal Highway Administration, WSDOT, Seattle mayor and Seattle City Council in March 2014.



Next steps

- Conduct investment-grade traffic and revenue analysis for tolling the SR 99 tunnel.
- The Legislature will also consider authorizing bonds for the financing of the viaduct replacement program
- Toll rate setting by the Washington State Transportation Commission.

Financial Reports

COMBINING BALANCE SHEET
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
WASHINGTON TOLLING SYSTEM
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

	NOTES	TNB ACCOUNT	HOT LANES ACCOUNT	520 BRIDGE ACCOUNT	520 CIVIL PENALTY ACCOUNT	CENTRAL TOLL ACCOUNT	TOTAL
ASSETS							
Cash and cash equivalents		\$ 8,639,134	\$ 2,083,284	\$263,817,962	\$ 10,021,255	\$ 11,591,851	\$296,153,486
Cash held with escrow agents		-	-	13,968,940	-	-	13,968,940
Accounts receivable, net	1	1,052,710	1,077	2,149,556	120	-	3,203,463
Notice of civil penalties, net	2	7,726,583	-	-	13,027,116	-	20,753,699
Due from other governments	3	-	-	10,000,000	-	-	10,000,000
Due from other funds/agencies		732,193	25,379	1,013,603	144,206	2,807,799	4,723,180
Due from toll vendor	4	689,577	39,986	849,039	-	11,079	1,589,681
Consumable inventories	5	-	-	-	-	702,515	702,515
TOTAL ASSETS		\$ 18,840,197	\$ 2,149,726	\$291,799,100	\$ 23,192,697	\$ 15,113,244	\$351,094,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable		\$ 965,980	\$ 70,714	\$ 50,355,532	\$ 96,217	\$ 55,901	51,544,344
Retained percentages payable		-	-	14,442,020	-	-	14,442,020
Obligations under securities lending agreement	6	237,962	57,040	7,213,006	275,819	283,681	8,067,508
Due to other governments		3,350	-	452,793	3,720	-	459,863
Due to other funds/agencies		803,899	38,990	16,829,382	157,815	1,678,137	19,508,223
Due to department of revenue - taxes		-	16	13	-	5,788	5,817
Unearned revenue	7	1,176,012	-	625,158	1,723,376	13,056,899	16,581,445
Unclaimed property refund liability	8	-	-	-	-	500	500
Liability for cancelled warrants	9	2,720	-	827	-	32,338	35,885
Total Liabilities		3,189,923	166,760	89,918,731	2,256,947	15,113,244	110,645,605
Deferred Inflows of Resources							
Unavailable revenue-\$5 fee, NOCPs, Real Estate	10	6,169,438	-	870,355	9,226,224	-	16,266,017
Unavailable revenue-toll vendor	10	399,602	36,000	764,406	-	-	1,200,008
Total Deferred Inflows of Resources		6,569,040	36,000	1,634,761	9,226,224	-	17,466,025
Fund Balances							
Nonspendable consumable inventories	5	-	-	-	-	702,515	702,515
Restricted for unspent GARVEE bond proceeds	11	-	-	161,208,906	-	-	161,208,906
Restricted for operations and maintenance	11	-	-	7,253,547	-	-	7,253,547
Restricted for repair and replacement	11	-	-	3,750,000	-	-	3,750,000
Restricted for transportation	11	9,081,234	-	28,033,155	-	-	37,114,389
Committed for transportation	11	-	1,946,966	-	11,709,526	-	13,656,492
Unassigned		-	-	-	-	(702,515)	(702,515)
Total Fund Balances		9,081,234	1,946,966	200,245,608	11,709,526	-	222,983,334
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		\$ 18,840,197	\$ 2,149,726	\$291,799,100	\$ 23,192,697	\$ 15,113,244	\$351,094,964

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE COMBINING BALANCE SHEET
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
WASHINGTON TOLLING SYSTEM
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014**

Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

ETCC Critical Accounting Reports and Backlogged Reconciliations - During the fiscal year and shortly thereafter, ETCC successfully remediated most of the critical accounting report defects and resubmitted all reconciliations since the inception of electronic tolling in December 2011 through the most recent fiscal year. WSDOT is reviewing the reconciliation support and is working collaboratively with ETCC to bring the reconciliations current, ensure all defects are remediated, and achieve system acceptance.

Detailed Notes

1. **Accounts Receivable, net:**
 - (a) TNB and 520 Bridge Accounts consist primarily of: (1) Crossings where a Toll Bill has been sent to the customer via Pay-by-Mail, (2) Customer payments made by credit card which had yet to settle by June 30, (3) and the Accounts allocated share of NSF fee, transponder sales and \$5 reprocessing fee receivables. Receivables are net of allowance for doubtful accounts.
 - (b) HOT Lanes Account consists of HOT Lanes allocated share of NSF fee and transponder sales receivables.
2. **Notice of Civil Penalties, net** - The TNB balance consists of all outstanding amounts due related to TNB notices of civil penalties and the 520 Civil Penalty balance consists of all outstanding amounts due related to 520 Bridge notices of civil penalties.
3. **Due From Other Governments** – This amount is due from the federal government under the TIFIA loan program and will be collected in September 2014.
4. **Due from Toll Vendor** – For TNB, HOT Lanes and the 520 Bridge Account, the Due from Toll Vendor consists primarily of amounts due from the CSC operations vendor (ETCC) due to renegotiation of the CSC operations contract. For the Central Toll Account amount are due from the CSC operations vendor ETCC due to operational and system errors that have required manual corrections and have resulted in amounts due to WSDOT.
5. **Consumable Inventory** – Toll transponders valued at cost using the first in, first out (FIFO) method.
6. **Obligations Under Security Lending Agreement** – State statutes permit the Office of State Treasurer (OST) to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. OST records an asset and an offsetting liability for securities on loan at fiscal year end.
7. **Unearned Revenue:**
 - (a) TNB Account - Notice of civil penalty amounts not yet recognized because the adjudication process has not been completed. Also included are amounts associated with deferrals for toll bill amounts not estimated to be collected until they become NOCP receivables.
 - (b) 520 Bridge Account - amounts associated with deferrals for toll bill amounts not estimated to be collected until they become NOCP receivables.
 - (c) 520 Civil Penalty Account – Notice of civil penalty amounts not yet recognized because the adjudication process has not been completed.
 - (d) Central Toll Account - amounts from customers on deposit for prepaid *Good To Go!* accounts. No revenue is recognized in the Central Toll Account. Funds from the prepaid accounts, held in the Central Toll Account, are transferred to the applicable toll facility when a transponder is “read” as the customers’ vehicle crosses one of the toll facilities. Until this event, the prepaid toll account balance represents a liability to the state and is owed to the customer.
8. **Unclaimed Property Refund Liability** – After twenty-four months of inactivity, prepaid toll accounts are closed and remaining balances, less any associated fees, are refunded to the customer. In cases where the *Good To Go!* vendor cannot locate the customer, WSDOT remits the prepaid toll account balance to the Department of Revenue’s Unclaimed Property Section.
9. **Cancelled Warrants** – When a vendor cannot be located, such as when the vendor changes addresses without notification, the original warrant (check) must be cancelled and reissued once the vendor is located.
10. **Unavailable Revenue:**
 - (a) TNB Account - amounts associated with TNBs long-term portion of the toll vendor receivable and a real estate contract receivable. Also included are deferrals for NOCP and \$5 fee receivable amounts estimated to take over 12 months to collect.
 - (b) HOT Lanes Account - amounts associated with the accounts long-term portion of the toll vendor receivable.
 - (c) 520 Bridge Account - amounts associated with 520s long-term portion of the toll vendor receivable. Also included are deferrals for \$5 fee receivable amounts estimated to take over 12 months to collect.
 - (d) 520 Civil Penalty Account – amounts associated with deferral for NOCP receivable amounts estimated to take over 12 months to collect.
11. **The Unspent Bond Proceeds and Operations and Repair Restrictions** – 520 Bridge Account Reserves required by the Master Bond Resolution. Additionally, fund balances are considered “restricted” if its usage is limited by creditors, other governments, or through constitutional provisions, and “committed” if usage is limited by the governing authority.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
TACOMA NARROWS BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

	NOTES	JULY THROUGH MARCH	APRIL THROUGH JUNE	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 46,798,911	\$ 16,340,083	\$ 63,138,994
Civil penalty	2	(1,280,219)	631,041	(649,178)
Violation penalty revenue		5,358	3,536	8,894
Transponder sales	3	226,889	79,181	306,070
Toll vendor contractual damages	4	269,957	36,168	306,125
Toll bill reprocessing fee	5	304,366	33,071	337,437
Interest income		11,239	10,713	21,952
Miscellaneous	6	33,136	10,163	43,299
TOTAL REVENUES		<u>46,369,637</u>	<u>17,143,956</u>	<u>63,513,593</u>
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract	7	1,601,993	520,118	2,122,111
Toll booth and lane vendor contract		2,446,145	823,758	3,269,903
Insurance		1,589,615	4,790	1,594,405
Credit card and bank fees		789,262	332,031	1,121,293
Transponder cost of goods sold	8	163,769	50,932	214,701
Other	9	163,423	96,684	260,107
Total Goods and Services		<u>6,754,207</u>	<u>1,828,313</u>	<u>8,582,520</u>
Personal service contracts	10	426,794	188,282	615,076
Salaries and benefits		386,754	136,294	523,048
Civil penalty adjudication costs	11	830,553	282,399	1,112,952
Infrastructure maintenance and preservation	12	166,637	87,259	253,896
TOTAL EXPENDITURES		<u>8,564,945</u>	<u>2,522,547</u>	<u>11,087,492</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>37,804,692</u>	<u>14,621,409</u>	<u>52,426,101</u>
OTHER FINANCING USES				
Operating transfers out	13	(42,464,673)	(12,458,185)	(54,922,858)
TOTAL OTHER FINANCING USES		<u>(42,464,673)</u>	<u>(12,458,185)</u>	<u>(54,922,858)</u>
NET CHANGE IN FUND BALANCE		(4,659,981)	2,163,224	(2,496,757)
FUND BALANCE - BEGINNING		<u>11,577,991</u>	<u>6,918,010</u>	<u>11,577,991</u>
FUND BALANCE - ENDING		<u>\$ 6,918,010</u>	<u>\$ 9,081,234</u>	<u>\$ 9,081,234</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
TACOMA NARROWS BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

ETCC Critical Accounting Reports and Backlogged Reconciliations - During the fiscal year and shortly thereafter, ETCC successfully remediated most of the critical accounting report defects and resubmitted all reconciliations since the inception of electronic tolling in December 2011 through the most recent fiscal year. WSDOT is reviewing the reconciliation support and is working collaboratively with ETCC to bring the reconciliations current, ensure all defects are remediated, and achieve system acceptance.

Motor Vehicle Account Obligation – In 2005-07, as tolling began on the Tacoma Narrows Bridge, an operating loan of \$5,288,000 was made from the Motor Vehicle Account to capitalize the Tacoma Narrows Bridge Account (Chapter 518, Laws of 2007, Section 1005(15)). RCW 46.63.160 requires that net civil penalties deposited in the Tacoma Narrows Bridge Account must first be allocated toward repayment of the operating loan. In order to transfer the funds the State Treasurer's Office must be provided administrative transfer authority. For the 2013-15 biennium, the Legislature provided authority in Chapter 222, laws of 2014 (ESSB 6001, Section 407(15)) to transfer \$950,000.

Detailed Notes

1. **Tolling Revenue** – Revenue earned, net of any adjustments, from tolls on vehicles traveling in the eastbound direction over the Tacoma Narrows Bridge, which are collected at toll booths, as electronic toll accounts, or pay-by-mail.
2. **Civil Penalty Revenue** – Revenue earned when any of the following conditions exist: (a) Payment of Notice of Civil Penalty is received, or (b) Notice of Civil Penalty payment due date passes without receiving a request for an administrative hearing, or (c) an Administrative Law Judge upholds the Notice of Civil Penalty. Due to improved timeliness of ETCC reports, WSDOT was able to transition our NOCP receivable allowance and deferral methodology to a current monthly methodology, this transition meant an additional month of allowance activity occurred in fiscal year 2014 to bring the methodology current which resulted in negative revenue for the period.
3. **Transponder Sales** – Sales of transponder devices to potential and existing *Good To Go!* electronic toll account customers.
4. **Toll Vendor Contractual Damages** – Charges to ETCC for not meeting Key Performance Indicators (KPIs), totaling \$16,148, and the short-term portion of future amounts due from ETCC, totaling \$289,977.
5. **Toll Bill Reprocessing Fee Revenue** – The allocated portion of fees associated with the issuance of second toll billings.
6. **Miscellaneous Revenue** – This can include revenue for administrative and statement fees, NSF check fees, cash over, payments related to sale of surplus property, and prior period recoveries.
7. **Toll CSC Operations Vendor Contract** – In addition to payment for monthly CSC operations, costs paid to ETCC include pass-through costs related to printing, postage, and registered owner look up costs.
8. **Transponder Cost of Goods Sold** – Cost of purchasing, packaging, and shipping transponders.
9. **Other Goods and Services** – Expenditures for supplies, communications, rents, repairs, services provided by outside vendors, etc.
10. **Personal Service Contracts** – Expenditures incurred for traffic and revenue forecast consulting and CSC operations consulting.
11. **Civil Penalty Adjudication Costs** – TNB's share of the adjudication system vendor contract with ETCC for the adjudication system module, as well as its share of supplies, communications, credit card fees, Office of Administrative Hearings costs, and salaries and benefits of WSDOT staff.
12. **Infrastructure Maintenance and Preservation** – Cost of maintenance and bridge preservation activities on the new Tacoma Narrows Bridge. These costs include Goods and Services of \$91,806 and Salaries and Benefits of \$162,090.
13. **Operating Transfers Out** – Transfer of toll proceeds and cash to facilitate the payment of debt service.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
HIGH OCCUPANCY TOLL OPERATIONS ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

	NOTES	JULY THROUGH MARCH	APRIL THROUGH JUNE	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 959,217	\$ 217,118	\$ 1,176,335
Transponder sales	2	27,390	10,380	37,770
Toll vendor contractual damages	3	2,334	3,317	5,651
Interest income		1,306	1,781	3,087
Miscellaneous	4	2,777	1,004	3,781
TOTAL REVENUES		<u>993,025</u>	<u>233,600</u>	<u>1,226,625</u>
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract	5	142,462	49,562	192,024
Credit card and bank fees		15,315	7,396	22,711
Transponder cost of goods sold	6	19,670	6,619	26,289
Washington state patrol	7	77,162	37,184	114,346
Other	8	15,739	7,186	22,925
Total Goods and Services		<u>270,348</u>	<u>107,947</u>	<u>378,295</u>
Personal service contracts	9	87,451	50,860	138,311
Salaries and benefits		36,124	19,102	55,226
Infrastructure maintenance	10	156,048	42,901	198,949
TOTAL EXPENDITURES		<u>549,971</u>	<u>220,810</u>	<u>770,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>443,054</u>	<u>12,790</u>	<u>455,844</u>
NET CHANGE IN FUND BALANCE		443,054	12,790	455,844
FUND BALANCE - BEGINNING		<u>1,491,122</u>	<u>1,934,176</u>	<u>1,491,122</u>
FUND BALANCE - ENDING		<u>\$ 1,934,176</u>	<u>\$ 1,946,966</u>	<u>\$ 1,946,966</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
HIGH OCCUPANCY TOLL OPERATIONS ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014**

Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

HOT Lanes Operating Expenditures in other Accounts - Currently the High Occupancy Toll (HOT) Lanes Account pays all costs associated with operations and maintenance of the HOT Lanes on SR 167. However, approximately \$89,000 in costs associated with Toll Lane vendor warranty as well as some WSDOT staffing costs were funded outside of the HOT Lanes Account during the first two quarters of this fiscal year.

Detailed Notes

1. **Tolling Revenue** – Revenue earned from single occupancy vehicles traveling in the High Occupancy Vehicle (HOV) Lanes on SR 167 with a *Good To Go!* transponder account. A variable fee, based on traffic volumes, is automatically charged to their account. An allowance for doubtful accounts was created in Quarter 4 of fiscal year 2014 and toll revenue was reduced by approximately \$137,000 for negative customer account balances that are not being collected at this time.
2. **Transponder Sales** – Sales of transponder devices to new and existing *Good To Go!* electronic toll account customers.
3. **Toll Vendor Contractual Damages** – Charges to ETCC for not meeting Key Performance Indicators (KPIs), totaling \$1,665, and the short-term portion of future amounts due from ETCC, totaling \$3,986.
4. **Miscellaneous Revenue** – This can include revenue for administrative and statement fees, NSF check fees, cash over, and prior period recoveries.
5. **Toll CSC Operations Vendor Contract** – In addition to payment for monthly CSC operations, costs paid to ETCC include pass-through costs related to printing, postage, and registered owner look up costs.
6. **Transponder Cost of Goods Sold** – Cost of purchasing, packaging, and shipping transponders.
7. **The Washington State Patrol** – Support for the enforcement of the laws governing the use of the HOT Lanes by issuing citations to HOT Lane violators.
8. **Other Goods and Services** – Expenditures for supplies, communications, rents, repairs, services provided by outside vendors, etc.
9. **Personal Service Contracts** – Expenditures incurred for traffic and revenue forecast consulting and CSC operations consulting.
10. **Infrastructure Maintenance** – Cost of maintenance activities on the HOT Lanes. These costs include Goods and Services of \$33,790 and Salaries and Benefits of \$165,159.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

	NOTES	JULY THROUGH MARCH	APRIL THROUGH JUNE	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 45,008,621	\$ 15,486,896	\$ 60,495,517
Debt service reimbursement (FHWA)	2	30,817,141	-	30,817,141
Transponder sales	3	367,847	132,753	500,600
Toll vendor contractual damages	4	48,788	70,318	119,106
Toll bill reprocessing fee	5	1,141,213	308,841	1,450,054
Interest income		236,037	263,529	499,566
Miscellaneous	6	51,206	16,570	67,776
TOTAL REVENUES		<u>77,670,853</u>	<u>16,278,907</u>	<u>93,949,760</u>
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract	7	3,501,198	1,495,952	4,997,150
Toll lane vendor contract		238,386	119,836	358,222
Insurance		2,507,613	7,479	2,515,092
Credit card and bank fees		757,166	324,070	1,081,236
Transponder cost of goods sold	8	265,015	85,537	350,552
Other	9	264,962	178,074	443,036
Total Goods and Services		<u>7,534,340</u>	<u>2,210,948</u>	<u>9,745,288</u>
Personal service contracts	10	602,113	284,344	886,457
Salaries and benefits		683,337	263,086	946,423
Capital outlay - replacement bridge construction	11	205,772,683	135,804,145	341,576,828
TOTAL EXPENDITURES		<u>214,592,473</u>	<u>138,562,523</u>	<u>353,154,996</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES		<u>(136,921,620)</u>	<u>(122,283,616)</u>	<u>(259,205,236)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	12	323,883,633	10,000,000	333,883,633
Cost of investment activity	13	(883,493)	-	(883,493)
Operating transfers out - debt service	14	(19,518,732)	(6,506,244)	(26,024,976)
Operating transfers out - GARVEE debt service	14	(30,817,141)	-	(30,817,141)
TOTAL OTHER FINANCING USES		<u>272,664,267</u>	<u>3,493,756</u>	<u>276,158,023</u>
NET CHANGE IN FUND BALANCE		135,742,647	(118,789,860)	16,952,787
FUND BALANCE - BEGINNING		<u>183,292,821</u>	<u>319,035,468</u>	<u>183,292,821</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014**

Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

ETCC Critical Accounting Reports and Backlogged Reconciliations - During the fiscal year and shortly thereafter, ETCC successfully remediated most of the critical accounting report defects and resubmitted all reconciliations since the inception of electronic tolling in December 2011 through the most recent fiscal year. WSDOT is reviewing the reconciliation support and is working collaboratively with ETCC to bring the reconciliations current, ensure all defects are remediated, and achieve system acceptance.

Detailed Notes

1. **Tolling Revenue** – Revenue earned, net of any adjustments, from tolls on vehicles traveling over the 520 Bridge, which are collected by either *Good To Go!* electronic toll accounts or pay-by-mail.
2. **Debt Service Reimbursement (FHWA)** – Federal Highway Administration Revenue provided for debt service on GARVEE bonds (Series 2012F & Series 2014C). These revenues are received every six months and the associated operating transfers out (Note 14) occur at the same time.
3. **Transponder Sales** – Sales of transponder devices to new and existing *Good To Go!* electronic toll account customers.
4. **Toll Vendor Contractual Damages** – Charges to ETCC for not meeting Key Performance Indicators (KPIs), totaling \$34,473, and the short-term portion of future amounts due from ETCC, totaling \$84,633.
5. **Toll Bill Reprocessing Fee Revenue** – The allocated portion of fees associated with the issuance of second toll billings.
6. **Miscellaneous Revenue** – This can include revenue for administrative and statement fees, NSF check fees, cash over, payments related to sale of surplus property, and prior period recoveries.
7. **Toll CSC Operations Vendor Contract** – In addition to payment for monthly CSC operations, costs paid to ETCC include pass-through costs related to printing, postage, and registered owner look up costs.
8. **Transponder Cost of Goods Sold** – Cost of purchasing, packaging, and shipping transponders.
9. **Other Goods and Services** – Expenditures for supplies, communications, rents, repairs, services provided by outside vendors, etc.
10. **Personal Service Contracts** – Expenditures incurred for traffic and revenue forecast consulting and CSC operations consulting.
11. **Capital Outlay** – Costs associated with construction of the new replacement 520 Floating Bridge.
12. **Bonds Issued** – The second series of GARVEE bonds (Series 2014C) were issued in September 2013. The first proceeds authorized in the SR 520's TIFIA drawdown loan were received in September 2014.
13. **Cost of Investment Activity** – Costs associated with the bond issuance planning and management.
14. **Operating Transfers Out** – Transfers of cash to the Toll Facility Bond Retirement Account to facilitate the payment of debt service on the Series 2012C, 2012F, and 2014C bonds. The GARVEE transfer out for the Series 2012F & 2014C bonds is paid by a reimbursement from FHWA (Note 2).

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 CIVIL PENALTY ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014

	NOTES	JULY THROUGH MARCH	APRIL THROUGH JUNE	YEAR-TO-DATE
REVENUES				
Civil penalty	1	\$ 1,858,122	\$ 2,590,204	\$ 4,448,326
Interest income		4,382	7,736	12,118
TOTAL REVENUES		<u>1,862,504</u>	<u>2,597,940</u>	<u>4,460,444</u>
EXPENDITURES				
Goods and Services				
Adjudication system vendor contract	2	752,924	202,775	955,699
Other	3	652,791	253,770	906,561
Total Goods and Services		<u>1,405,715</u>	<u>456,545</u>	<u>1,862,260</u>
Salaries and benefits		<u>126,498</u>	<u>52,711</u>	<u>179,209</u>
TOTAL EXPENDITURES		<u>1,532,213</u>	<u>509,256</u>	<u>2,041,469</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>330,291</u>	<u>2,088,684</u>	<u>2,418,975</u>
NET CHANGE IN FUND BALANCE		330,291	2,088,684	2,418,975
FUND BALANCE - BEGINNING		<u>9,290,551</u>	<u>9,620,842</u>	<u>9,290,551</u>
FUND BALANCE - ENDING		<u>\$ 9,620,842</u>	<u>\$ 11,709,526</u>	<u>\$ 11,709,526</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 CIVIL PENALTY ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED JUNE 30, 2014**

Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

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Operating Transfer - Pursuant to RCW 47.56.876, the Legislature may transfer excess fund balance from the 520 Civil Penalties Account to the 520 Bridge Account for capital expenditures on the SR 520 Corridor. In order to transfer the funds the State Treasurer's Office must be provided administrative transfer authority. For the 2013-15 biennium, the Legislature provided authority in Chapter 222, laws of 2014 (ESSB 6001, Section 407(9)) to transfer \$886,000.

Detailed Notes

- 1. Civil Penalty Revenue** – Revenue earned when any of the following conditions exist: (a) Payment of Notice of Civil Penalty is received, or (b) Notice of Civil Penalty payment due date passes without receiving a request for an administrative hearing, or (c) an Administrative Law Judge upholds the Notice of Civil Penalty. Due to improved timeliness of ETCC reports, WSDOT was able to transition our NOCP receivable allowance and deferral methodology to a current monthly methodology, this transition meant an additional month of allowance activity occurred in fiscal year 2014 to bring the methodology current.
- 2. The Adjudication System Vendor Contract** – 520 Bridge share of the adjudication system vendor contract with ETCC for the adjudication system module.
- 3. Other Goods and Services** – Expenditures for the 520 bridge's share of adjudication costs including supplies, communications, credit card fees, Office of Administrative Hearings costs, and salaries and benefits of WSDOT staff.

For more information

Tolling in Washington state
www.wsdot.wa.gov/tolling

Good To Go!
www.wsdot.wa.gov/goodtogo

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Title VI Notice to Public It is the Washington State Department of Transportation's (WSDOT) policy to assure that no person shall, on the grounds of race, color, national origin or sex, as provided by Title VI of the Civil Rights Act of 1964, be excluded from participation in, be denied the benefits of, or be otherwise discriminated against under any of its federally funded programs and activities. Any person who believes his/her Title VI protection has been violated, may file a complaint with WSDOT's Office of Equal Opportunity (OEO). For additional information regarding Title VI complaint procedures and/or information regarding our non-discrimination obligations, please contact OEO's Title VI Coordinator Jonte' Robinson at (360) 705-7082.

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