SR 520 Bridge Net Toll Revenue Report 2024 Update

June 25, 2024

Prepared for:
Washington State Department of Transportation

Prepared by:
WSP USA

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Originator	6/17/2024	MH, SL, BS
Technical Checker	6/19/2024	AK
Back Checker	6/20/2024	BS
Project Manager Approval	6/21/2024	TBB
WSDOT Review	6/25/2024	PS, ND
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Back Checker & PM Approval	6/25/2024	TBB

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Acronyms and Abbreviations

ACH	Automated Clearing House
ADA	Americans with Disabilities Act
AFS	Accounting and Financial Services
BOS	Back Office System (software)
CPR	Customer Program for Resolution
CSC	Customer Service Center (operations)
DES	Department of Enterprise Services Office of Risk Management
DOL	Department of Licensing
ESHB	Engrossed Substitute House Bill
ETL	Express Toll Lane
FTE	Full Time Equivalent
GTC	General Toll Consultant
HOV	High Occupancy Vehicle
HOT	High Occupancy Toll (lane)
IT	Information Technology
LES	Law Enforcement Systems
NOCP	Notice of Civil Penalty
NWR	Northwest Region (division of WSDOT)
O&M	Operations and Maintenance
OEO	Office of Equal Opportunity
ORM	Office of Risk Management
PBM	Pay By Mail
PBP	Pay By Plate
R&R	Repair and Replacement
RSA	Revenue Stabilization Account (reserves)
RTS	Roadway Toll System
SOC-1	Service Organization Control One
SR	State Route
STA	Short Term Account
T&R	Traffic and Revenue
TEF	Transportation Equipment Fund
TNB	Tacoma Narrows Bridge
WSDOT	Washington State Department of Transportation
WSF	Washington State Ferries (WSDOT Marine Division)
WSTC	Washington State Transportation Commission
YOE	Year of Expenditure

1 | Introduction and Key Forecast Changes

Background and Purpose

This report documents the preparation of the "May 2024 forecast" of net toll revenues for the State Route (SR) 520 Bridge across Lake Washington. The forecasts presented herein reflect the updated toll rates and policies expected to be adopted by the Washington State Transportation Commission (WSTC) on July 10, 2024, with the changes taking anticipated to take effect on August 15, 2024 (FY 2025). This *SR 520 Bridge Net Toll Revenue Report — 2024 Update* builds upon previous annual forecasts, including the most recent "May 2024 forecast" and the previous *SR 520 Bridge Net Toll Revenue Report—2023 Update*, dated March 17, 2023. As in the past years, WSDOT's statewide traffic and revenue consultant, Stantec, prepared the traffic and gross toll revenue potential (T&R) forecasts for the SR 520 Bridge that serve as the basis for the net toll revenue projections. Stantec's forecasts consider the potential impacts to traffic and revenue related to the continually evolving trip-making patterns resulting from the COVID-19 pandemic health crisis. Similarly, the May 2024 forecast of net toll revenue projections are based upon the latest available information about future toll collection and facility maintenance expenditures and revenue adjustments. This report documents the updated projections, describing the changes in key assumptions, inputs, and influences of operating experience compared to the recent November 2023 net revenue forecast that did not meet sufficiency requirements and resulted in the subsequent May 2024 forecast, the previous January 2023 forecast, and select comparisons back to the initial projections from September 2011. As the prior report including documentation of assumptions covered the January 2023 forecast, that is the primary basis for comparison for the current May 2024 forecast, with some comparisons considering both the changes leading to the November 2023 insufficient forecast and resulting revisions to toll rates and toll collection assumptions resulting in a financially sufficient forecast, documented here as the May 2024 forecast.

The net toll revenue projections are used to update the project's financial plan and represent the operating cash flow that would be available to pay debt service on toll financing, pay deferred sales tax on construction, and contribute to other reserve accounts, including one for periodic capital repair and replacement of facility and toll collection components. Specifically, the projections are used to demonstrate that tolls on the SR 520 Bridge are predicted to produce revenues in each fiscal year of the forecast in amounts sufficient for the state to meet its financial obligations in compliance with the bond covenants in Section 7.02(a) of Master Resolution number 1117 (MBR), and to support the WSTC as they opt to revise any toll rates or policies.

All annual amounts in this document are expressed in terms of the state fiscal year (FY), which runs from July 1 to June 30. The SR 520 forecast horizon currently covers 32 years, extending from FY 2024 through FY 2056.

September 2011 Forecast

For purposes of this document and related materials, the initial CDM Smith investment-grade traffic and gross toll revenue potential forecasts and accompanying net toll revenue projections that were used to support the initial October 2011 bond financing are collectively referred to as the "September 2011 forecast."

September 2012 Forecast

In September 2012, as part of ongoing financial planning and the negotiation of a loan from the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and

Innovation Act (TIFIA), CDM Smith completed a revised traffic and gross toll revenue potential forecast. Accompanying net revenue projections were also prepared, along with memoranda covering these revisions. During their subsequent toll rate setting process, the WSTC opted to round toll rates to the nearest nickel ($0.05) for the July 1, 2013 (FY 2014) and future planned toll increases.

For purposes of this document and related materials, the traffic and gross toll revenue potential forecasts, along with the accompanying net toll revenue projections—inclusive of the minor revision for nickel rounding—are collectively referred to as the "September 2012 forecast."

October 2013 Forecast

CDM Smith performed a comprehensive traffic and gross toll revenue forecast update in 2013. Detailed updates to the facility operations and maintenance (O&M) costs, toll collection O&M costs, and revenue adjustments were also prepared in late summer 2013 to yield updated net revenue projections. Collectively, these traffic and gross toll revenue forecasts, along with the net toll revenue projections, are referred to as the "October 2013 forecast."

November 2014 Forecast

CDM Smith performed another comprehensive traffic and gross toll revenue forecast update in 2014. As in 2013, a detailed review of the facility O&M costs, toll collection O&M costs, and revenue adjustments were made in the summer and fall of 2014, ultimately leading to revised inputs and assumptions to select forecast components. Collectively, these current traffic and gross toll revenue forecasts, along with the accompanying net toll revenue projections, are referred to as the "November 2014 forecast."

November 2015 Forecast

In preparation for the September 2016 final bond sale, another comprehensive traffic and gross toll revenue forecast update was prepared by CDM Smith in 2015. Their update incorporates new socio-economic forecasts, additional model years, traffic and tolling performance trends to date, and a revised construction closure schedule and roadway configuration related to the newly funded SR 520 "Rest of the West" improvements.

In the same manner as in previous forecasts, a detailed review of revenue adjustments, facility O&M and repair and replacement (R&R) costs, and toll collection O&M and R&R costs were made in the latter half of 2015, resulting in revised inputs, assumptions and net toll revenue projections.

Subsequent amendments to the 2015 traffic and revenue forecasts were completed in March 2016 to capture revised future toll rates and policies proposed and subsequently adopted by the WSTC. Specifically, previously planned step increases in weekday toll rates ranging from 12 to 18 percent by time of day plus a 2.5 percent increase on weekends was replaced with two 5 percent toll increases in FY 2017 and FY 2018, covering both weekdays and weekends. In addition, the night tolling from 11 PM to 5 AM was deferred one year from FY 2017 to FY 2018. Finally, the WSTC opted to maintain the current transit and registered vanpool exemptions, but not extend a toll exemption to carpools with three or more occupants, as originally assumed when the new floating bridge with HOV lanes opened in April 2016. The net revenue projections were similarly amended on March 25, 2016 and provided in support of toll rate setting activities and an update to the SR 520 financial plan.

November 2016 Forecast

CDM Smith's 2016 traffic and gross toll revenue projections capture a number of minor refinements, including updated population and employment forecasts, actual patterns that reflect slight shifts in traffic by time of day and day of week, updated construction closure assumptions for FY 2017, the addition of impacts due to construction closures on the parallel I-90 bridge, and a slight reduction in the *Good To Go!* account share of total transactions. Overall, these changes result in lower traffic and revenue through FY 2025, and slightly higher values thereafter.

November 2017 Forecast

In early 2017, the State contracted with Stantec to provide the November 2017 SR 520 traffic and revenue forecast. Stantec provided the updated traffic and revenue forecasts in late October 2017, and these forecasts form the basis for the net revenue projections documented in the *SR 520 Bridge Net Toll Revenue Report—2017 Update*. Stantec's traffic and gross toll revenue potential forecasts are based on their proprietary traffic and revenue forecasting tools and processes and reflect different sources of information and assumptions for population and employment forecasts, users' values of time, and toll payment method shares for *Good To Go!* account transponder pass and Pay By Plate transactions as well as Pay By Mail transactions. Compared to the previous November 2016 forecast prepared by CDM Smith, Stantec's November 2017 forecast had slightly lower toll transactions over the full forecast horizon and lower gross toll revenue potential estimates in most years, with the exceptions of FY 2019 where the number of construction closure days was revised lower, and the four years at the end of the horizon, FYs 2053-56.

November 2018 Forecast

Stantec's 2018 traffic and gross toll revenue projections reflect revised socioeconomic and demographic projections and model adjustments to more accurately align with recent actual experience, including a revised distribution of payment methods and differentials in average toll rates between payment methods. Projected revenue gains due to both higher average toll rates and toll traffic forecasts are partially offset by the change in payment split assumptions and revisions to the construction schedule, the latter which reflects an additional year of restricted capacity in FY 2027 due to the revised timing for completion of the Portage Bay Bridge and I-5 Connector. Overall, these changes resulted in higher traffic and gross toll revenue potential in all years of the forecast period.

November 2019 Forecast

Stantec's 2019 traffic and gross toll revenue projections reflect updated socioeconomic and demographic projections for the region, and this body of work represents the final pre-pandemic T&R forecast as a basis of comparison for future forecasts. Additional model adjustments were made to more accurately align with recent refinements on how tolls by payment method are categorized in reported data and differentials in average toll rates between payment methods. Further revisions to the construction schedule were incorporated to reflect the latest information available at the time of the forecast in mid-2019. Construction revisions were due to changes in the schedule for the Portage Bay Bridge and I-5 Connector. Overall, these changes resulted in minor changes to traffic and a half a percent reduction in gross toll revenue potential over the forecast horizon, primarily due to the shift of Pay By Mail trips to *Good To Go!* trips, which forgo the $2.00 higher Pay By Mail toll rate.

June 2021 Forecast

Stantec's 2021 traffic and gross toll revenue projections comprise refinements and adjustments to the previous pre-pandemic forecast to capture both the impacts of COVID-19 pandemic and beyond.

Specifically, the June 2021 forecast incorporates the likely perpetuating effects of the pandemic on changing work patterns resulting in a future "new normal" in which there are fewer work-based trips in the regional network. Also, the forecast accommodates the revised toll schedule which includes a one-time tailored set of toll increases by time of day averaging 15 percent overall in FY 2024, and its impact on SR 520 bridge use. Overall, these changes resulted in a 10.2 percent decrease in forecast horizon toll transactions while the forecast for gross toll revenue potential slightly increased by 0.6 percent over the forecast horizon, compared to the previous November 2019 forecast.

April 2022 Forecast

Stantec's 2022 traffic and gross toll revenue projections comprise further refinements and additional traffic trends in this second post-pandemic forecast. April 2022 forecast updates capture the latest trends in the still evolving work patterns contributing to the "new normal" in which there are fewer work-based trips and more discretionary trips in the regional network. In addition, this update includes revised assumptions on construction closures which now extend into FY 2030. As with the June 2021 forecast, this update incorporates the WSTC's revised toll schedule which includes a one-time tailored set of toll increases by time of day averaging 15 percent overall taking effect on July 1, 2023 for FY 2024. Compared with the June 2021 forecast, the current update resulted in a 4.6 percent decrease in forecast horizon toll transactions while the forecast for gross toll revenue potential decreased by 7.4 percent over the forecast horizon.

January 2023 Forecast

Stantec's January 2023 traffic and gross toll revenue forecasts included limited revisions from the April 2022 Forecast. The FY 2022-31 values were revised to account for actual experience through September 2022 (FY 2023) and modifications to the construction activities and closure schedule, resulting in small differences. For FY 2032 through the end of the forecast horizon in FY 2056 there were no changes in the traffic and gross toll revenue potential forecasts. As with the April 2022 forecast, this update incorporated the WSTC's revised toll schedule which included a single tailored set of toll increases by time of day, averaging 15 percent overall, that took effect on July 1, 2023 (FY 2024). Compared with the April 2022 forecast, the January 2023 forecast update resulted in a 0.2 percent decrease in forecast horizon toll transactions and gross toll revenue potential.

November 2023 Forecast (Insufficient)

In November 2023, Stantec prepared updated traffic and gross toll revenue forecasts to account for updated independent land use (population and employment) projections as well as revisions in scheduled construction activities and lane and ramp closures. The resulting gross toll revenue potential projection 1.8 percent lower than the January 2023 forecast over the forecast horizon; however, decreases of 10-19 percent were projected between FYs 2024 and 2030, years for which there already little headroom for meeting the gross and net revenue financial obligations. Net toll revenues were further suppressed by bridge insurance premium costs that more than doubled, resulting in increased costs of over $841 million over the forecast horizon, compared to the prior forecast. The premium cost growth rates were revised upward to align with the 10-year average annual growth of nearly 18%, which was applied for remainder of the current decade before tapering off once corridor construction is completed.

The resulting net revenue projections were 36 percent lower than the January 2023 forecast, or insufficient to meet all of the financial obligations for net toll revenue as determined by the Office of the State Treasurer, which triggered a rate setting action by the Washington State Transportation Commission. Two options were identified with the selected option used to develop the May 2024 forecast, the subject of this report. No formal documentation was prepared for the insufficient November 2023 forecast.

May 2024 Forecast

Stantec's May 2024 traffic and revenue projections are based on an updated analysis that incorporates the latest independent land use (population and employment) projections. Forecast values for FYs 2024-32 are revised based on actual data through February 2024 and reflect the latest modifications to SR 520 construction activities and closure schedule, which suppress some traffic and revenue through FY 2031 until corridor construction is complete. Following completion, Stantec predicts a corresponding increase in traffic and revenue in FY 2032. Compared to January 2023, Stantec's updated T&R forecast also incorporates the WSTC's revised toll schedule which includes a tailored set of toll increases averaging 10 percent overall that takes effect on August 15, 2024 (FY 2025). Compared with the January forecast, the current update resulted in a 3.7 percent decrease in forecast horizon toll transactions and a 5.2 percent increase in gross toll revenue potential.

Project Description

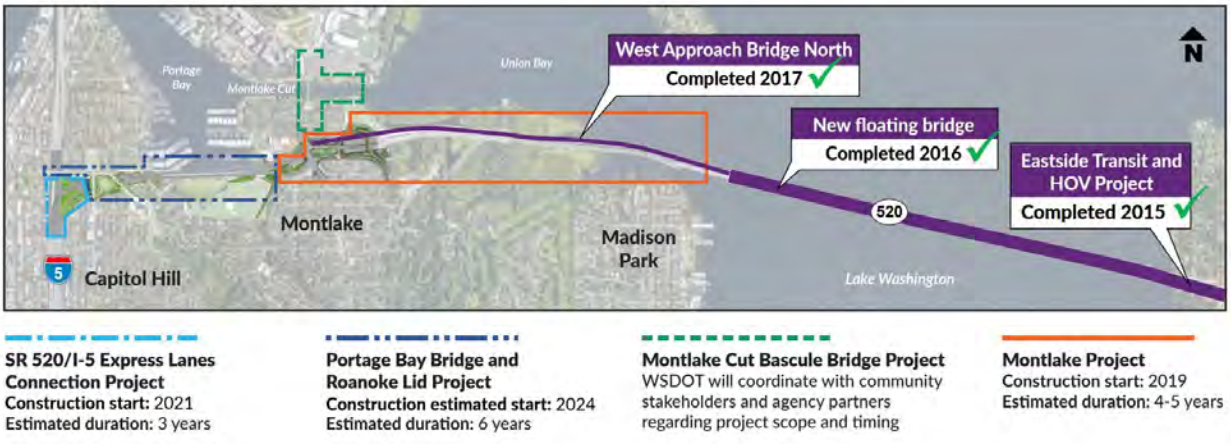
The SR 520 corridor stretches nearly 13 miles between I-5 in Seattle to the west and SR 202 to the east, crossing I-405 at about the halfway point, and serving various Eastside communities, including Bellevue, Kirkland and Redmond. The SR 520 Bridge Replacement and HOV Program includes the portion of the corridor between I-5 and I-405, and is comprised of several major component projects:

1) Pontoon Construction Project;
2) Eastside Transit and HOV Project;
3) Floating Bridge and Landings Project;
4) West Approach Bridge North Project;
5) Montlake Project;
6) I-5 Express Lanes Connection Project;
7) Portage Bay Bridge and Roanoke Lid Project; and
8) Montlake Cut Bascule Bridge Project

The total program cost is currently estimated at $5.69 billion, with program funding coming from a variety of federal, state, local sources plus tolling. The first four component projects listed above are completed, which collectively have replaced the old four-lane floating bridge and have upgraded the corridor to six lanes (two general purpose lanes and one high occupancy vehicle lane in each direction) between the west approach to the floating bridge in Seattle and the I-405 interchange on the Eastside.

Construction work is well underway on the Montlake and I-5 Express Lanes Connection Projects — the west approach structure for eastbound traffic is completed and open — and is commencing on the Portage Bay Bridge and Roanoke Lid Project. Exhibit 1 below provides a map of the component projects on the west side of Lake Washington.

Exhibit 1: SR 520 Bridge Replacement and HOV Program Map



Note: this Project Map does not identify the cities of Aberdeen, Kenmore, and Tacoma elsewhere in the state where pontoon development and construction previously occurred under the SR 520 Floating Bridge design-build contract.

WSDOT began tolling the existing SR 520 Bridge across Lake Washington in late December 2011 to help pay for a replacement floating bridge across the lake and other corridor improvements. Time of day variable tolling was implemented to manage congestion on the corridor, using all-electronic tolling with no toll booths.

In alignment with the T&R forecasts, the May 2024 net revenue projections account for construction activity between the Montlake and I-5 interchanges with SR 520, and resulting additional lane and full bridge closures, primarily during weekend and night periods between 11:00 PM and 5:00 AM through operational completion. The forecast does not assume any revenue as a result of property sales attributed to completion of the Montlake Phase of the West End Project.

More information including costs, benefits, maps, and photos can be found on the SR 520 Bridge Replacement and HOV Program website: https://wsdot.wa.gov/construction-planning/major-projects/sr-520-bridge-replacement-and-hov-program.

Key Changes in the May 2024 Net Revenue Projections

This section highlights the key changes to the May 2024 net revenue forecast results compared with the previous January 2023 and initial September 2011 projections, measured over a common forecast horizon from FY 2024 through FY 2056. Exhibit 2 compares the primary components of the May 2024 forecast with the initial September 2011 forecast.

Exhibit 2: Gross to Net Revenue Comparison — May 2024 / September 2011 (FY 2024-56)

Forecast Category (#) = T&R table column reference	September 2011 Forecast ($ millions)	May 2024 Forecast ($ millions)	Variance ($ millions)	Variance (%)*
Total Toll Transactions (8)	**1,211.4**	**1,071.0**	**(140.4)**	**–11.6%**
Gross Toll Revenue Potential (11)	**4,246.3**	**4,394.1**	**147.7**	**+3.5%**
Subtotal: Revenue Adjustments	(57.4)	(44.8)	12.5	–21.8%
Subtotal: O&M Costs	(1,284.6)	(2,176.8)	(892.2)	+69.5%
Net Toll Revenue (30)	**2,904.4**	**2,172.4**	**(731.9)**	**–25.2%**
Subtotal: R&R Costs + Deferred Sales Tax	(332.8)	(726.6)	(393.8)	+118.3%
Total after Deferred Sales Tax and R&R	2,571.6	1,445.9	(1,125.7)	–43.8%

* A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (**%**) variance representing percentage reduction in the cost (loss). The percentage change going from a negative value to a positive value or vice versa doesn't compute, and is only shown as a "+" or "–" based on the sign of the variance.

Exhibit 3 compares the primary components of the May 2024 forecast with the prior January 2023 forecast.

Exhibit 3: Gross to Net Revenue Comparison — May 2024 / January 2023 (FY 2024-56)

Forecast Category (#) = T&R table column reference	January 2023 Forecast ($ millions)	May 2024 Forecast ($ millions)	Variance ($ millions)	Variance (%)*
Total Toll Transactions (8)	**1,112.3**	**1,071.0**	**(41.3)**	**–3.7%**
Gross Toll Revenue Potential (11)	**4,175.3**	**4,394.1**	**218.7**	**+5.2%**
Subtotal: Revenue Adjustments	16.2	(44.8)	(61.0)	–377.0%
Subtotal: O&M Costs	(1,277.5)	(2,176.8)	(899.3)	+70.4%
Net Toll Revenue (30)	**2,914.0**	**2,172.4**	**(741.6)**	**–25.4%**
Subtotal: R&R Costs + Deferred Sales Tax	(670.0)	(726.6)	(56.5)	+8.4%
Total after Deferred Sales Tax and R&R	2,244.0	1,445.9	(798.1)	–35.6%

* A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (**%**) variance representing percentage reduction in the cost (loss). The percentage change going from a negative value to a positive value or vice versa doesn't compute, and is only shown as a "+" or "–" based on the sign of the variance.

Traffic and Gross Revenues

The May 2024 forecast includes the following changes from the prior January 2023 forecast:

- The May 2024 T&R forecast incorporates the latest updated construction activity and closure schedule (February 2024), which extends construction by another year through FY 2031, with FY 2032 as the first post-construction year.
- The updated T&R forecasts incorporate the latest independent land use (population and employment) projections prepared by BERK Consulting Inc. in late 2023.
- This forecast update also incorporates the WSTC's revised toll schedule, which includes a tailored set of toll increases averaging 10 percent overall that takes effect on August 15, 2024 (FY 2025).
- The near-term toll traffic forecasts over FYs 2024-31 were revised downward based on reported monthly traffic data through April 2024 that suggests some drivers are actively avoiding general construction activities on SR 520. These recent adjustments result in transactions that average 15.0 percent lower, and revenue after the assumed toll increase that averages 6.6 percent lower, than the January 2023 forecast on an annual basis through the end of construction (FY 2031). There is some fluctuation in the year-to-year differences as a result of the varying construction closure schedule.

Starting with FY 2032 following construction completion, toll transactions are marginally lower by 2 percent whereas gross toll revenue potential is just over 6.4 percent higher.

- In total, the cumulative toll traffic decreased by 3.7 percent over the full horizon through FY 2056, compared with the January 2023 forecast. Transaction shares also exhibited noticeable shift towards Pay By Mail, with average *Good To Go!* payment share over forecast horizon falling from 89.6 percent in January 2023 forecast to 86.4 percent in the current update. Rather than a fundamental shift in customer behavior, this is partially due to how the Back Office System (BOS) initially classifies *Good To Go! "*pay-as-you-go account" transactions as Pay By Mail until the credit card is processed at a pre-determined two-week period based on the date the customer account is created. This result began with the transition to a new BOS vendor and impacts all WSDOT facilities including SR 520. While actual payment methods are reconciled at a later step, the monthly traffic data provided by WSDOT for the T&R forecasts exhibits payment method splits based upon the initial BOS classifications.

- The May 2024 forecast for Gross Toll Revenue Potential decreased by 6.4 percent over FYs 2024-31 and increased by 5.2 percent over the full horizon through FY 2056, compared with the January 2023 forecast. Based on the increased transparency of the reported data and adjustments to payment shares, the following gross toll revenue potential revisions were made by payment method:

    - *Good To Go!* Transponder and Pay By Plate (account-based) gross toll revenue potential decreased by 9.7 percent over FYs 2024-31, but increased by 1 percent over the FYs 2024-56 forecast horizon.

    - Pay By Mail gross toll revenue potential increased by 10.3 percent over FYs 2024-31 and by 30.0 percent over the FYs 2024-56 forecast horizon.

Revenue Adjustments

- Adjusted Gross Toll Revenue Collected is 3.9 percent higher for the May 2024 forecast compared to the January 2023 forecast, largely arising from the 5.2 percent increase in Gross Toll Revenue Potential.

    - Partial recovery of fees and lower recovery of unpaid toll bills converted to NOCPs is the result of a combination of: (1) lower general recovery of second toll bills and toll bills sent for transactions that have aged over 60 days, and (2) reinstituting of the Customer Program for Resolution (CPR) with the transition to a new vendor, which allows customers, including those who have used CPR in the past, further opportunities to waive rebilling and NOCP fees if they register for a *Good To Go!* account.

    - There is a marginal increase of 0.9 percent in the $0.25 Pay By Plate fees collected due to increase in Pay By Plate share of transactions.

    - While the prior update assumed unreadable license plate leakage at 4.5 percent beginning from FY 2023 to align with the improvements expected in license plate image readability, the May 2024 update assumed a more pragmatic reduction over time. The unreadable license plate leakage assumption was tapered down from 6.0 percent in FY 2023 to 4.5 percent in FY 2026 and retained at 4.5 percent for the remainder of the forecast horizon in the current update based on the actual data from the vendor.

- With escalation of unpaid toll bills and recovery efforts resuming as of March 2023 and second toll bill mailings and consequently the number of address checks increasing, the overall rate assumed for invalid mailing addresses was tapered up from 5.3 percent in FY 2024 to 6.9 percent in FY 2026 and retained at 6.9 percent for the remainder of the forecast horizon. The prior January 2023 forecast assumed a lower, constant rate of 6.0 percent through the forecast horizon. This is considered to be a conservative assumption pending further refinement as more accurate data becomes available.
    - Although with lower overall forecasted traffic in the near term, the increase in Pay By Mail Share of transactions, combined with the aforementioned conservative changes in the revenue not recognized leakage assumptions, led to Revenue Not Recognized increasing by 22.6 percent, over the forecast horizon when compared to the prior January 2023 forecast.
- No changes were made to the underlying payment rates for first and second toll bills. However, given the projected increase in the share of Pay By Mail transactions and the bump in toll rates, Unpaid Toll Revenue increased by a considerable 26.7 percent in comparison to the January 2023 forecast.
- Recaptured Toll Revenue at the *Good To Go!* Rate is assumed to increase over the forecast horizon, primarily due to a short-term boost in unpaid tolls assumed to reach an NOCP in FY 2024 and early FY 2025, as a result of toll bill escalation efforts resuming in Match 2023. With the escalation efforts increasing the share of transactions to be recaptured in short term, combined with the longer-term increase in Pay By Mail trips, Recaptured Toll Revenue is 30.7 percent higher through the full forecast horizon, when comparing the May 2024 forecast with the January 2023 forecast.
- Adjusted Gross Toll Revenue Collected decreased by 7.8 percent over FYs 2024-31 compared with a 6.6 percent decrease in Gross Toll Revenue Potential, reversing to full forecast horizon increases of 3.9 percent and 5.2 percent for the two revenue measures, respectively.

- Revisions in Adjusted Gross Toll Revenue and Fees for the May 2024 forecast compared to the prior January 2023 forecast resulted in 3.8 percent higher forecast horizon values, slightly lower than the 3.9 percent increase for Adjusted Gross Toll Revenue Collected or the 5.2 percent increase noted for Gross Toll Revenue Potential.
    - Lower predicted fund balances contribute to lower interest earnings, and thus, downward revisions to the Miscellaneous Pledged Revenues forecast over the forecast horizon. The lower fund balances are directly attributed to lower than previously anticipated net toll revenue contributions to the SR 520 Account in the prior January 2023 forecast estimates. Note that annual interest earnings beyond FY 2032 are capped at their FY 2032 level, as a conservative approach to account for higher levels of uncertainty in future year interest earnings rates and account balances.
    - Transponder Sales Revenue (column 18) decreases by 8.9 percent over the forecast horizon from the smaller share of overall transponder revenues allocated to SR 520 due to the reduced share of projected systemwide transactions.
    - Pay By Mail rebilling fees and toll revenue recovered from delinquent Pay By Mail transactions recovered at the Pay By Mail rate in the Civil Penalty adjudication process

increased considerably over the full forecast horizon by 22.4 percent and 24.8 percent, respectively, primarily in the near term due to unpaid toll bills escalation efforts resuming in March 2023 and the forecast period higher projected share of Pay By Mail transactions.

- Similar to Recaptured Toll Revenue, no further collection efforts beyond the mailing of the first toll bill are assumed through Q1 2023, with a transition beginning at the end of March 2023 toward the return to full toll bill revenue collection procedures and assumptions in FY 2024.

- Adjusted Gross Toll Revenue and Fees decreased by 7.6 percent over FY 2024-31, consistent with the 7.0 percent decrease for Adjusted Gross Toll Revenue Collected. Over the full forecast horizon, the two revenue measures are up 3.8 percent and up 3.9 percent, respectively when comparing the May 2024 forecast to the January 2023 forecast.

Operating and Maintenance Costs

- Compared with the January 2023 forecast, the May 2024 Net Toll Revenue forecast is lower by 25.4 percent over the forecast horizon, notwithstanding the 3.8 percent increase in Adjusted Gross Toll Revenue and Fees as a result of the toll increase. The reduction in Net Tol Revenue is largely a result of substantial increases in bridge insurance premiums, along with more modest increases in Credit Card Fees, State and Consultant Costs, Roadway Toll System (RTS) O&M Costs, BOS Software Vendor O&M Costs, and Routine Facility O&M Costs that contribute to the overall decrease in projected net revenue. The following summarizes the primary revisions in the cost factors in the gross-to-net revenue process.
  - Changes in total annual Credit Card Fees are driven by a combination of an increase in gross revenue subject to bank card processing of 5.2 percent over the forecast horizon as well as an increase in the assumed overall credit card fee rate from 2.8 percent to 3.35 percent. As a result, Credit Card Fees increased by 29.8 percent compared to the January 2023 forecast.
  - Similar to Transponder Sales Revenue, Transponder Purchase and Distribution Costs decreased relative to the January 2023 forecast with lower sales volumes and slightly lower assumed share of total costs allocated to SR 520 due to its revised, lower share of systemwide toll transactions.
  - State Operations and Consultant Costs are higher over the forecast period by 10.9 percent compared to the January 2023 forecast. Higher costs are attributed to a combination of increased fixed costs and increased printing and postage costs. The increase in state costs stems from elements in the FYs 2024-25 budget revisions related to the number of state staff, base salaries and benefits percentages, refinements to the inclusion of newly toll-funded operating program costs for the entire forecast horizon pertaining to Programs D (Facilities), L (Transportation Commission), Q (Traffic Operations), S (Executive Management), U (Central Services) and WSP General Enforcement. Changes to SR 520's share of systemwide allocated costs also contribute to the increase in fixed state costs. Higher printing and postage costs can be attributed to the increased Pay By Mail transactions in the May 2024 update in comparison to the January 2023 forecast.
  - Roadway Toll System (RTS) O&M Costs are 3.3 percent higher over the forecast horizon compared to the January 2023 forecast. The increase is driven largely by higher vendor maintenance and vendor testing costs.
  - Customer Service Center (CSC) Operations Vendor O&M Costs are 1.7 percent lower over the forecast horizon while BOS Software Vendor O&M costs are 0.8 percent higher.

        - The May 2024 CSC operations vendor costs are lower primarily due to the reduction in SR 520 transaction forecasts and the decreased systemwide costs allocated per transaction.
        - The January 2023 BOS costs are higher over the forecast horizon due to upward reflect the ETAN contract costs, which form the basis for extrapolating future BOS vendor costs. Additionally, SR 520's share of overall systemwide transactions increased marginally compared to the January 2023 update, leading to a marginally higher share of BOS Vendor costs.
    - Routine Facility O&M Costs were updated by WSDOT staff and show a 2.4 percent forecast period increase in the May 2024 forecast compared with the January 2023 forecast. The increase is due to additional costs for lid maintenance and the staff costs increases in FYs 2024-25 serving as a basis for future cost projections.
    - Bridge insurance premiums (column 29) were revised upward by 225.1 percent in the May 2024 forecast compared with the prior January 2023 forecast. The higher premium projections are based on higher actual expenses for FY 2024, combined with higher cost escalation through FY 2031 that was set to the 10-year historical average rate of increase. The recent trends in insurance cost annual premium growth has far exceeded growth in toll revenues. WSDOT is currently evaluating self-insurance alternatives to reduce the cost of insurance; however, the current assumptions are that existing insurance premiums will continue to escalate at materially higher rates through FY 2031, thereafter tapering back to 2.5 percent annually.

Net Revenues

- As a result of changes to the traffic and gross toll revenue potential forecasts as well as revisions to the revenue adjustments and O&M costs, the May 2024 forecast for net toll revenues totals $2.17 billion over the FY 2024-56 forecast horizon. This is 25.3 percent ($741.6 million) lower than the original September 2011 forecast and 25.4 percent ($743.3 million) lower than the prior January 2023 forecast over the forecast horizon.

Uses of Net Toll Revenues

- A portion of available net toll revenues are intended to be used to pay state and local sales tax deferred during construction of the replacement SR 520 bridge. The May 2024 forecast is a no-change forecast in comparison to January 2023, which maintains the total repayment of value of $159.4 million and 10-year payment schedules and the delayed start year for repayment as FY 2042 based upon direction from the 2022 legislature.
- The May 2024 forecast for periodic CSC operations and BOS vendors re-procurement R&R costs are slightly higher over the forecast horizon as a result of additional costs assumed in the FYs 2024-25 budget. Similar to RTS O&M costs, WSDOT's estimates for RTS R&R costs increased in the May 2024 forecast from the prior January 2023 forecast, with increases in vendor costs exceeding reductions in state costs.
- Periodic facility R&R costs (column 33) were updated by WSDOT staff and increased by 11.0 percent over the forecast horizon relative to the prior January 2023 forecast. The increase is based on updated 2023 actual experience informed by revised unit cost pricing assumptions that capture recent above normal cost escalation.

Summary of Changes in Projected Net Revenue

Exhibit 4 below compares the forecast horizon totals for the May 2024 forecast, item by item, with the prior January 2023 forecast. Starting with gross toll revenue potential, the table lists the period totals for each revenue adjustment and expenditure deduction that collectively yield net toll revenue. Each component in the table includes its column number reference (#) in the January 2023 T&R table located in Appendix A as

Exhibit 29. Negative values in parentheses refer to costs or revenue deductions, both of which have the effect of lowering net revenues.

Exhibit 4: Net Revenue Component Comparison — May 2024 / January 2023 (FY 2024-56)

Forecast Category (#) = T&R table column reference	January 2023 Forecast ($ millions)	May 2024 Forecast ($ millions)	Variance ($ millions)	Variance (%)*
Gross Toll Revenue Potential (11)	**4,175.3**	**4,394.1**	**218.7**	**+5.2%**
Toll Payment Discounts and Fees (12)	82.6	83.3	0.7	+0.9%
Revenue Not Recognized (13)	(124.0)	(152.0)	(28.0)	+22.6%
Unpaid Toll Revenue (14)	(150.1)	(190.3)	(40.2)	+26.7%
Recaptured Tolls at *Good To Go!* Rates (15)	21.3	27.8	6.5	+30.7%
Miscellaneous Pledged Revenues (17)	59.0	44.1	(14.8)	–25.2%
Transponder Sales Revenue (18)	46.5	42.4	(4.1)	–8.9%
Pay By Mail Rebilling Fees (19)	52.5	64.3	11.8	+22.4%
Tolls Recovered at Pay By Mail Rates (20)	28.4	35.5	7.1	+24.8%
Subtotal: Revenue Adjustments	16.2	(44.8)	(61.0)	–377.0%
Credit Card Fees (22)	(105.9)	(137.5)	(31.6)	+29.8%
Toll Collection O&M	(682.0)	(706.0)	(24.0)	+3.5%
Transponder Purchase & Inventory Costs (23)	*(45.9)*	*(42.0)*	*3.8*	*–8.4%*
State and Consultant Operations Costs (24)	*(282.2)*	*(313.0)*	*(30.7)*	*+10.9%*
Roadway Toll Systems (RTS) O&M Costs (25)	*(39.8)*	*(41.1)*	*(1.3)*	*+3.3%*
CSC Operations Vendor O&M Costs (26)	*(272.7)*	*(268.1)*	*4.5*	*–1.7%*
BOS Software Vendor O&M Costs (27)	*(41.5)*	*(41.8)*	*(0.3)*	*+0.8%*
Routine Facility O&M Costs (28)	(116.1)	(118.9)	(2.8)	+2.4%
Bridge Insurance Premiums (29)	(373.5)	(1,214.4)	(840.9)	+225.1%
Subtotal: O&M Costs	(1,277.5)	(2,176.8)	(899.3)	+70.4%
Net Toll Revenue (30)	**2,914.0**	**2,172.4**	**(741.6)**	**–25.4%**
Deferred Sales Tax (31)	(159.4)	(159.4)	-	-
Periodic Facility R&R (32)	(435.9)	(483.8)	(47.9)	+11.0%
Periodic Toll Equipment and CSC R&R (33)	(74.7)	(83.3)	(8.6)	+11.5%
Total after Deferred Sales Tax and R&R	**2,244.0**	**1,445.9**	**(798.1)**	**–35.6%**

* A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (**%**) variance representing percentage reduction in the cost (loss). The percentage change going from a negative value to a positive value or vice versa doesn't compute, and is only shown as a "+" or "–" based on the sign of the variance.

Over the forecast horizon, the current net revenue projections — which are inclusive of the planned FY 2025 toll increase averaging 10 percent — are 25.4 percent lower than the previous forecast. Downstream uses of net toll revenues are nearly $56.5 million higher, primarily due to the increase in forecasted periodic facility R&R and periodic toll equipment and CSC R&R costs. As a result, remaining net revenues after the identified uses in Exhibit 4 are 35.6 percent lower than the prior forecast.

2 | Traffic and Revenue Overview

Toll Traffic and Gross Toll Revenue Potential

Annual toll traffic and gross toll revenue potential projections were prepared by Stantec based on the current corridor configuration which includes six lanes (one HOV and two general purpose lanes in each direction) from I-405 to the west end of the floating bridge plus a phased schedule for the construction of the remaining corridor projects, including work underway on the Montlake and I-5 Express Lanes Connection Projects and work commencing on the Portage Bay Bridge and Roanoke Lid Project (see Exhibit 1). Along with the completed approach structures west of the floating bridge (but not yet striped for six lanes), these remaining construction projects will complete six lanes between the floating bridge and I-5.

Several factors have led to the updated traffic and revenue forecast, including incorporating the anticipated long-term impacts of the pandemic in reducing commute trips informed by updated and an increase to the toll schedule averaging 15 percent enacted in FY 2024 in the January 2023 forecast, with further refinements based on new construction closure schedules and updated land use forecasts together with a proposed 10 percent toll increase in August 15, 2024 (FY 2025) reflected in the May 2024 forecast. These changes are presented in Exhibit 5.

Exhibit 5: Stantec Traffic and Revenue Forecast Refinement

The January 2023 T&R forecasts included a upward revision to tolls and incorporated revised population and employment forecasts underlying the updated toll traffic and revenue forecasts, which also reflect the latest COVID-19 pandemic recovery trends and long-term impacts on travel behavior. The revised toll rate schedule for FY 2024 included time-of-day tailored toll rate increases averaging 15 percent. The term "tailored" acknowledges different percentage increases by time of day and includes a minimal percentage increase in the morning and afternoon peak tolls but expands those peak periods by one hour, makes no increase to the overnight tolls, and includes somewhat higher midday and evening tolls.

Like the prior forecast, 'Stantec's May 2024 T&R forecasts included another independent population and employment forecast update completed by BERK Consulting Inc. in late 2023 as well as the effects of an updated construction activity and closure schedule, and includes actual traffic and revenue experience through April 2024. Recent experience shows that construction activity in the corridor is deterring more SR 520 bridge traffic than previously estimate, the result of which caused Stantec to materially lower their near-term significant T&R forecasts. The forecast also includes an expected toll rate schedule increase to be implemented on August 15, 2024 (FY 2025). The revised toll schedule includes time-of-day tailored rate increases averaging about 10 percent overall. As with the prior increase, the term "tailored" acknowledges different percentage increases by time of day, including a "flattening" of weekend tolls.

Additionally, the following rules that apply to the current toll rates will continue with the forthcoming FY 2025 toll schedule increases.

- The Pay By Mail toll rate maintains a $2.00 increment to the *Good To Go!* pass rate per trip for vehicles with two axles, $3.00 for three axles, $4.00 for four axles, $5.00 for five axles, and $6.00 for six or more axles.
- The Pay by Plate fee remains at $0.25 added to the *Good To Go!* toll rate to cover the additional costs of processing registered *Good To Go!* customers not using a transponder pass.
- Weekend rates remain in place for the following holidays occurring or observed on a weekday: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

The current and forthcoming weekday and weekend toll rate schedules are presented below in Exhibit 6 and Exhibit 7, respectively. The white spaces above the shaded bars show the difference between the existing and new toll rates by each hour. The new tolls are scheduled to take effect on August 15, 2024 (FY 2025) and are assumed to remain unchanged through the end of the forecast horizon in FY 2056.

Exhibit 6: Weekday Toll Rate Schedule Changes in FY 2025

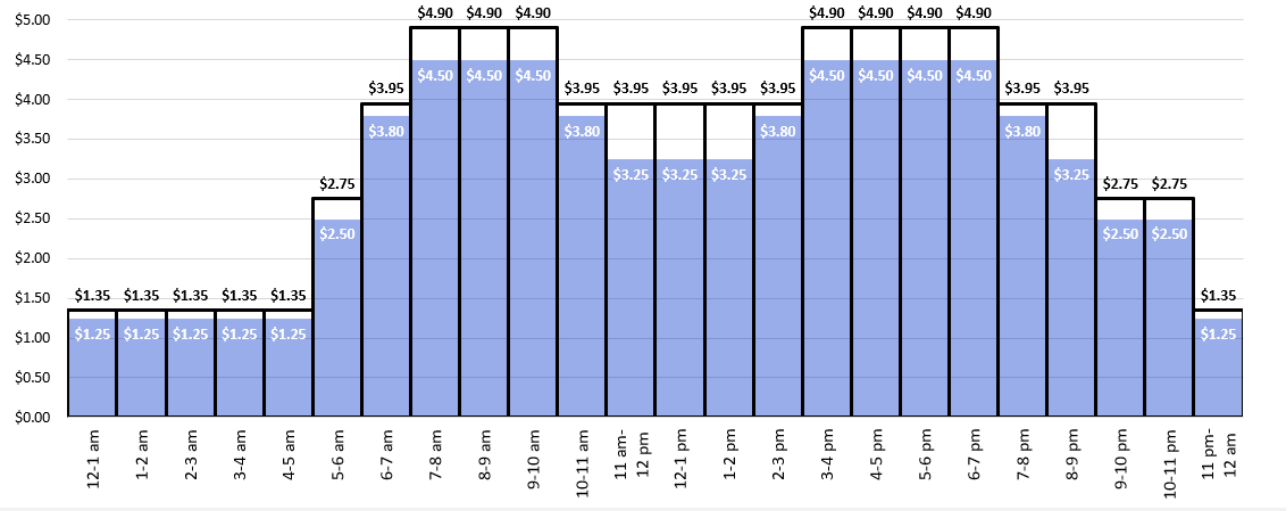
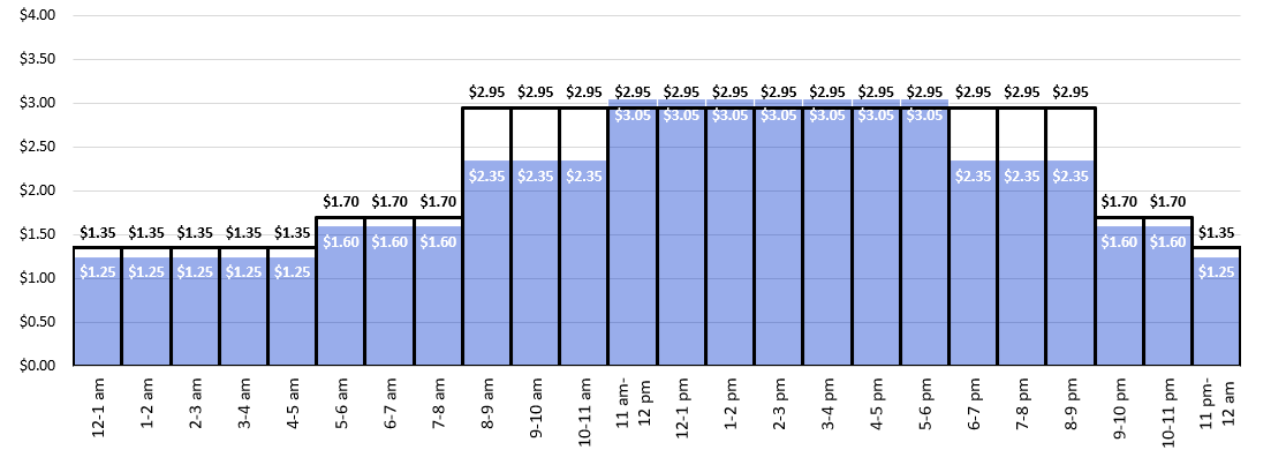


Exhibit 7: Weekend Toll Rate Schedule Changes in FY 2025



The May 2024 annual traffic and gross toll revenue potential forecasts serve as inputs to the estimation of net toll revenues by impacting certain cost estimates, both directly in cost calculations and in the proportional allocation of system-wide costs to each state toll facility. Exhibit 8 illustrates Stantec's current traffic forecast, which over the FYs 2024-56 forecast horizon, is 3.8 percent lower than the January 2023 forecast, with notable decreases in the near-term (FYs 2024-31) averaging to 15 percent due to construction activity and closure updates.

Exhibit 8: Stantec Toll Transaction Forecast Comparison (FYs 2024-56)

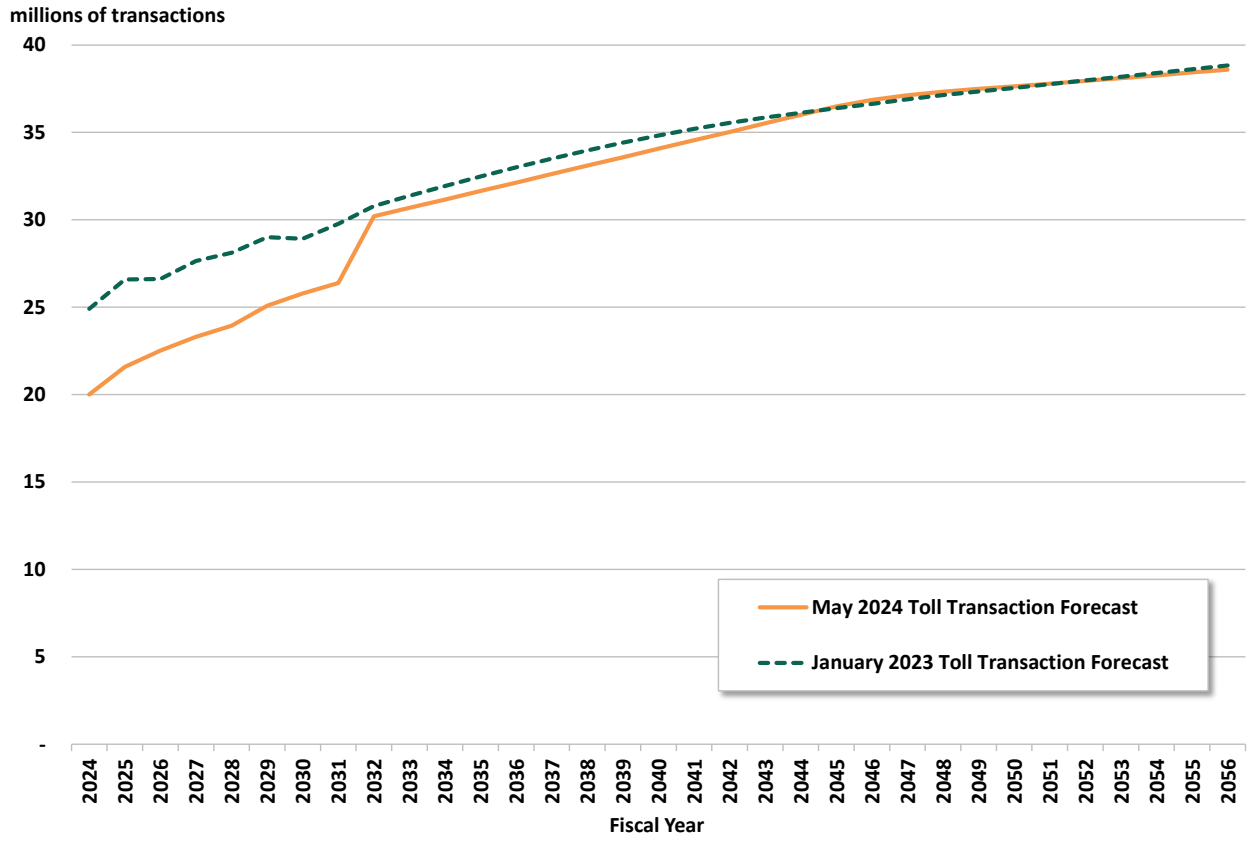
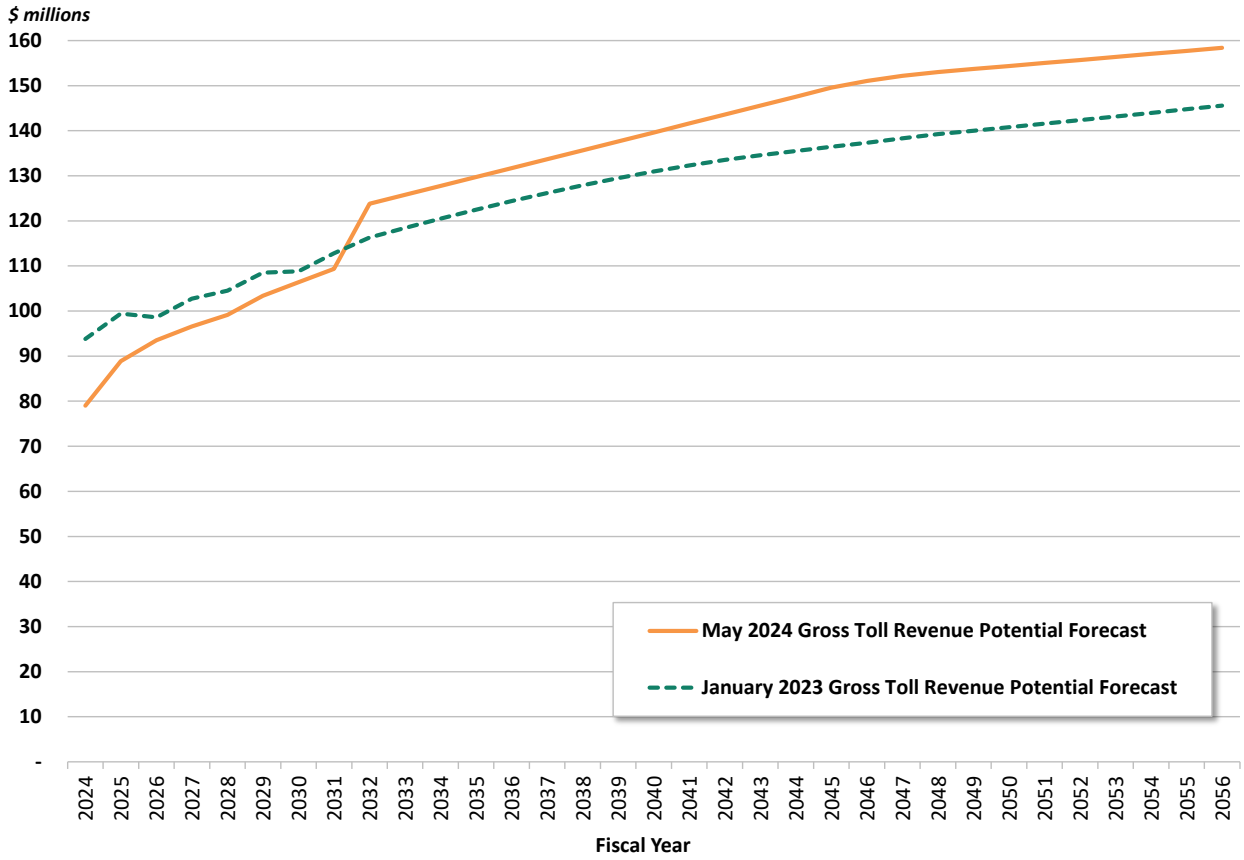


Exhibit 9 illustrates the corresponding gross toll revenue potential comparisons through FY 2056. Overall, the current May 2024 forecast is 5.2 percent higher than the prior January 2023 forecast across the forecast horizon. Note that the May 2024 forecasts include the adopted toll rate increases (averaging 15 percent) that will take place in early FY 2025. The annual forecast detail for the May 2024 traffic and gross toll revenue potential by fiscal year can be found in columns 2-11 of the

Exhibit 29 T&R table in Appendix A.

Exhibit 9: Stantec Gross Toll Revenue Potential Forecast Comparison (FYs 2024-56)



Payment and Toll Transaction Types

The second key input received from Stantec is the output distribution of traffic (toll transactions) and revenue by toll payment method. This information is used to estimate the costs of collection that differ between user types, as described later in this report. Stantec prepares forecasts for two main categories of customers: prepaid *Good To Go!* registered accountholders, identified either transponder passes or license plates (Pay By Plate), and unregistered (non-account) Pay By Mail customers.

Good To Go! Account Transactions

When *Good To Go!* customers register for and set up a prepaid account, they have two options for how their vehicle may be identified for toll payment: they can purchase a pass (transponder) for their vehicle(s), and/or they can register for "Pay By Plate" in which a picture of the vehicle's license plate is captured and linked to their account for payment, with an additional $0.25 processing fee.

Previously, a *Good To Go!* account required a minimum opening deposit of $30 and all accounts established on-line were automatically enrolled in auto-charge account replenishment. Replenishment could either be tied to a credit or debit card, or direct withdrawal from a checking or savings account. When an account reached a minimum balance threshold (e.g., $6), the account would be replenished by a pre-selected amount of at least $30, typically using automatic replenishment. Alternatively, a customer could contact the CSC and arrange for manual replenishment, though this is not common.

With the recent transition to new BOS and CSC vendors at the start of FY 2022, WSDOT gives customers the option of having a zero balance account. This option, referred to as "pay-as-you-go", still requires an automatic method to collect toll payment, but rather than maintaining a prepaid balance, toll charges are allowed to accrue over a two-week period, at which point the costs for any identified toll trips are debited from the customer's credit/debit card or bank account.

Pay By Mail / Non-Account Transactions

Unregistered customers lacking a *Good To Go!* account will be billed for their toll using a photo tolling system and Pay By Mail billing process. Vehicles passing through the toll facility that are not registered to a *Good To Go!* account via a transponder pass or license plate number will trigger the Pay By Mail billing process. Using a photo image, the license plate number will be read and matched with vehicle registration data to obtain the owner's name and mailing address from the Washington State Department of Licensing (DOL) or from a contracted vendor in the case of other states. A bill will then be mailed to the registered owner for the applicable Pay By Mail toll rate (plus any applicable late payment fees). Pay By Mail customers will have 80 days and two invoice cycles from the time of travel to pay their toll before the transaction is considered unpaid and becomes subject to a civil penalty. The Pay By Mail toll rates for two axle vehicles were initially $1.50 higher than the applicable *Good To Go!* rates. The Washington State Transportation Commission gradually increased this increment, and in 2016, adopted Pay By Mail toll rates for two axle vehicles that are $2.00 higher than the applicable *Good To Go!* rates. The Pay By Mail rates increase for vehicles with three or more axles, with the higher rate differential equal to $1.00 per axle up to a maximum of $6.00. The Pay By Mail toll rate differentials are assumed to remain unchanged thereafter.

To help incentivize the transition of Pay By Mail users to customer accounts, specifically those who may not have the funds available or may have concerns on providing a deposit to a public agency, a new option allows a customer to register one or more vehicle license plates to a *Good To Go!* account without requiring an initial deposit or maintaining a minimum account balance — the aforementioned pay-as-you-go account — which is now available with the recent transition to a new CSC vendor. As of May 2024 forecast update, pay-as-you-go accounts represented 25 percent of total individual accounts. It is still unknown at this time what the incremental cost of collection or leakage rates will be for this option as unpaid toll bill escalated recovery — which includes *Good To Go!* accounts with invalid credit cards or insufficient funds that transition to Pay By Mail — commenced in March 2023 and due to lags in reporting there is limited actual experience with recent payment rates from escalated toll bills. Once sufficient data from actual experience is available, adjustments in projected payment method splits and associated leakage assumptions may be required.

Projected Gross Toll Revenue and Transactions by Payment Type

Projections for the percentage shares of *Good To Go!* and non-account toll transactions provided in Stantec's forecast are shown for representative years in Exhibit 14 in the next section. Over time, it is estimated that the share of *Good To Go!* account customers will increase to an assumed ceiling of 86.8 percent in FY 2045, while the share of non-account (Pay By Mail) customers will decrease to 13.2 percent over the same period. Marketing efforts, the expansion of tolling to other WSDOT facilities, technology advancements, and customer incentives (the lower toll rate for account-based toll payments) are among the factors that will influence the market share distribution between account and non-account customers.

As part of the estimation of toll payment fees and discounts described later in this report, the Stantec estimated market shares by payment method include several sub-categories. *Good To Go!* transactions are subdivided into transponder pass transactions and Pay By Plate transactions, as shown in Exhibit 14 in the next section, with their percentage shares relative to total transactions.

Gross to Net Toll Revenue

Toll transactions and gross toll revenue potential forecast values by payment type are provided by Stantec as the initial inputs used in the net revenue forecasts.

Exhibit 10 to the right illustrates the flow of funds or "waterfall" of revenue adjustments and expenditures that are projected to occur in transitioning from gross toll revenue potential to the net revenues available to support project financing.

This updated net toll revenue report is organized around this waterfall by presenting the revisions to assumptions and values for each "bucket." Consistent with the toll traffic and gross revenue forecasts, the projections for the revenue adjustments and O&M expenditure items that yield net revenues were prepared for the FY 2024-56 forecast horizon.

A detailed T&R table provided as

Exhibit 10: Net Revenue Waterfall

Exhibit 29 in Appendix A provides the annual toll transactions and the annual dollar projections for each of the waterfall elements listed in Exhibit 10, shown in numbered columns. As the sections of this report cover the net revenue components in the waterfall diagram, reference is made to annual values for each component in the Appendix A Exhibit 29 T&R table by their column number.

Note that while the waterfall follows the structure of the T&R table, the subsequent uses of the net toll revenues in the bottom three buckets actually follow a separate flow of funds in the SR 520 financial plan that account for annual contributions to fund debt service and various reserve accounts.

3 | Net Toll Revenue Performance in Fiscal Years 2023-24

Exhibit 11 compares the reported performance in FY 2023 with the comparable projections from the previous January 2023 forecast. The following bullets summarize the key differences between actual FY 2023 performance and the January 2023 forecast.

- **Actual Toll transactions** were 8.5 percent lower while **gross toll revenue potential** was just over 7.2 percent lower than Stantec's January 2023 forecast for FY 2023.
- **Adjusted gross toll revenue collected** was 9.1 percent below the January 2023 forecast for FY 2023. An 8.4 percent decrease in fees within **toll payment discounts and fees** corresponded with a 11 percent decrease in *GoodToGo!* Transactions, while a modest 0.9 percent decrease in **revenue not recognized** leakage is attributed to a higher share of non-account transactions offsetting the overall decrease in total transactions. Higher than projected Pay By Mail trips and delayed escalation of unpaid first toll bill transactions until March 2023, resulted in **unpaid toll revenue** after 80 days and two invoices being higher than forecasted in the January 2023 forecast by 29.4 percent.
- **Miscellaneous pledged revenues** were materially higher from increased interest earnings, due to a combination of higher interest rates and larger underlying fund balances upon which to accrue interest earnings.
- **Credit card fees** were higher than projected due to higher rates of payment with a credit and debit cards and higher imputed credit card fees based on the transaction values and credit card payments.
- **Toll collection O&M costs** were 1.5 percent lower than forecasted, primarily due to lower transactions in the updated May 2024 forecast which reduces both the systemwide cost buildup and the cost share allocated to SR 520.
- **Routine facility O&M costs** were 19.7 percent lower than forecasted with less maintenance than anticipated being conducted on the roadway, similar to prior years. The January 2023 forecast revised forecast assumptions for facility O&M are based on historic trends in actual expenditures combined with budgeted near-term requirements by the Northwest maintenance division.
- **Net toll revenue** was 2.5 percent lower than projected in the January 2023 forecast, with positive factors — increases in miscellaneous pledged revenues, Pay By Mail rebilling fees and recovered toll revenue and reductions in toll collection and routine facility O&M costs —more than offset by negative factors — reductions in gross toll revenue potential and reduced fees revenue as well as increases in unpaid toll revenue and credit card fees.

Exhibit 11: FY 2023 Actual Revenue and January 2023 Forecast Comparison

FY 2023 Category	Forecast vs. Actual Comparison for Net Revenue Items ($ millions)			% Variance from Forecast[1]
	January 2023 Forecast	Actual Values[0]	Variance from Forecast	
Gross Toll Revenue Potential	**74.3**	**69.0**	**(5.4)**	**–7.2%**
Toll Payment Discounts and Fees	1.5	1.4	(0.1)	–8.4%
Revenue Not Recognized	(2.4)	(2.3)	0.0	–0.9%
Unpaid Toll Revenue	(3.1)	(4.1)	(0.9)	+29.4%
Recaptured Toll Revenue at Good To Go! Rates	-	-	-	-
Subtotal: Adjusted Gross Toll Revenue Collected	**70.4**	**64.0**	**(6.4)**	**-9.1%**
Miscellaneous Pledged Revenues	0.9	4.7	3.9	456.2%
Transponder Sales Revenue	0.8	0.8	0.0	0.5%
Pay By Mail Rebilling Fees & Miscellaneous Fees[2]	0.3	0.9	0.6	+172.8%
Recovered Toll Revenue	0.4	0.7	0.3	+68.6%
Credit Card Fees	(1.9)	(2.2)	(0.3)	+16.9%
Toll Collection O&M Costs[3]	(11.8)	(11.7)	0.2	–1.5%
Routine Facility O&M Costs	(2.8)	(2.3)	0.6	–19.7%
Bridge Insurance Premiums	(7.2)	(7.2)	(0.0)	+0.1%
Net Toll Revenue	**49.1**	**47.8**	**(1.2)**	**–2.5%**

[0] Actual values calculated from CSC Data, the Unbilled Transaction Report, and Monthly Toll Business Report.

[1] A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (%) variance representing percentage reduction in the cost (loss), a "positive" outcome.

[2] Miscellaneous fees include NSF, account statement, and bank transaction fees, and are not forecasted.

[3] Toll Collection O&M costs includes Transponder Purchase and Inventory costs, RTS, CSC/BOS vendor costs, and State and Consultant Operations costs.

Toll revenue performance for FY 2023 is also compared to the original September 2011 projections in Exhibit 12. Since the original 2011 forecast, the reduction in gross toll revenue potential represents the single most impactful change on net revenue, with gross toll revenue potential $33 million lower than originally projected. Much of this difference is due to greater and more prolonged effects of construction activity and closures suppressing bridge traffic, combined with the unanticipated effects of the COVID-19 pandemic, including a permanent increase in remote work, compared to the original 2011 forecasts.

The lower vehicle traffic contributed to lower toll collection O&M costs, when combined with lower facility O&M costs, result in a cost savings of $7.3 million. Largely offsetting the operational cost savings are the increases in insurance premiums that are more than double the original estimate of $2.9 million. Combining the overall net lower costs with offsetting miscellaneous revenue, not included in the September 2011 forecast, the 34.6 percent lower net revenue values are comparable to the 34 percent reduction in adjusted gross toll revenue collected.

Exhibit 12: Comparison of Preliminary FY 2023 Reported Revenue and September 2011 Forecast

FY 2023 Category	Forecast vs. Actual Comparison for Net Revenue Items ($ millions)			% Variance from Forecast[1]
	Sep 2011 Forecast	Actual Values[0]	Variance from Forecast	
Gross Toll Revenue Potential	**101.7**	**69.0**	**(32.7)**	**–32.2%**
Toll Payment Discounts and Fees	0.2	1.4	1.2	+538.1%
Revenue Not Recognized	(3.6)	(2.3)	1.2	–34.7%
Unpaid Toll Revenue	(1.5)	(4.1)	(2.6)	+178.2%
Recaptured Toll Revenue at Good To Go! Rates	-	-	-	-
Subtotal: Adjusted Gross Toll Revenue Collected	**96.9**	**64.0**	**(32.9)**	**–34.0%**
Miscellaneous Pledged Revenues	-	4.7	4.7	-
Transponder Sales Revenue	1.4	0.8	(0.6)	–41.5%
Pay By Mail Rebilling Fees & Miscellaneous Fees[2]	1.0	0.9	(0.1)	–11.6%
Recovered Toll Revenue	0.3	0.7	0.4	+140.2%
Credit Card Fees	(2.3)	(2.2)	0.1	–4.5%
Toll Collection O&M Costs[3]	(18.0)	(11.7)	6.3	–35.2%
Routine Facility O&M Costs	(3.3)	(2.3)	1.0	–30.6%
Bridge Insurance Premiums	(2.9)	(7.2)	(4.3)	+149.0%
Net Toll Revenue before R&R	**73.2**	**47.8**	**(25.3)**	**–34.6%**

[0] Actual values calculated from CSC Data, the Unbilled Transaction Report, and Monthly Toll Business Report.

[1] A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (%) variance representing percentage reduction in the cost (loss), a "positive" outcome.

[2] Miscellaneous fees include NSF, account statement, and bank transaction fees, and are not forecasted.

[3] Toll Collection O&M costs includes Transponder Purchase and Inventory costs, RTS, CSC/BOS vendor costs, and State and Consultant Operations costs.

Exhibit 13 compares the actual performance of the net revenue components in FY 2024 through April, with the January 2023 forecast. There have been several refinements to the T&R inputs and assumptions, as well as underlying O&M costs since the last net revenue report was prepared in January 2023. Since then, various quarterly near-term budgeting forecast updates and a full November 2023 forecast update captured these refinements. The primary update impacting the current forecast for gross toll revenue potential — which for 10 months of FY 2024 is over 14 percent lower than forecasted in January 2023 — is largely attributed to a heightened impact of construction activity and partial closures of toll lanes and ramps, the resultant congestion of which is suppress travel on SR 520. Adjusted revenue results were further reduced in comparison to the forecast from higher leakage rates, which are attributed to a backlog of unprocessed second toll bill mailings for non-account transactions. Although escalated processing of unpaid toll bills to second toll bills and civil penalties resumed in March, there have been higher than usual write-offs of toll bills that went unpaid and have aged over 12 months due to the backlog in toll bill mailings.

Recent net revenue performance was further impacted by higher than anticipated insurance premiums, which were $2.2 million or 30 percent higher than previously projected for FY 2024. When compared to the more recent updated November 2023 forecast, which accounted for the increased impact of construction closures on bridge volumes and higher insurance premiums, the reported values through April 2024 are 4.2 percent higher than projected.

Exhibit 13: FY 2024 Actual Revenue through April 2024 and January 2023 Forecast Comparison

FY 2024 (Through April 2024) Category	Forecast vs. Actual Comparison for Net Revenue Items ($ millions)			% Variance from Forecast[1]
	January 2023 Forecast	Preliminary Actual Values[0]	Variance from Forecast	
Gross Toll Revenue Potential	**76.5**	**65.4**	**(11.1)**	**–14.5%**
Toll Payment Discounts and Fees	1.4	1.2	(0.3)	–18.3%
Revenue Not Recognized and Unpaid Toll Revenue	(5.4)	(7.5)	(2.1)	+39.1%
Recaptured Toll Revenue at Good To Go! Rates	0.5	-	(0.5)	–100.0%
Subtotal: Adjusted Gross Toll Revenue Collected	**73.0**	**59.0**	**(14.0)**	**–19.2%**
Miscellaneous Pledged Revenues	0.8	3.8	3.0	+369.2%
Transponder Sales Revenue	0.7	0.6	(0.1)	–18.7%
Pay By Mail Rebilling Fees & Miscellaneous Fees[2]	1.3	1.3	0.1	+4.5%
Recovered Toll Revenue	-	-	-	-
Credit Card Fees	(1.9)	(2.0)	(0.1)	+4.5%
Toll Collection O&M Costs[3]	(10.7)	(10.4)	0.3	–2.9%
Routine Facility O&M Costs	(2.0)	(1.8)	0.2	–8.1%
Bridge Insurance Premiums	(7.4)	(9.6)	(2.2)	+30.3%
Net Toll Revenue	**53.8**	**40.8**	**(13.0)**	**–24.1%**

[0] Values are preliminary through April 2024 as of 6/10/2024 and subject to change with the financial close of FY 2024.

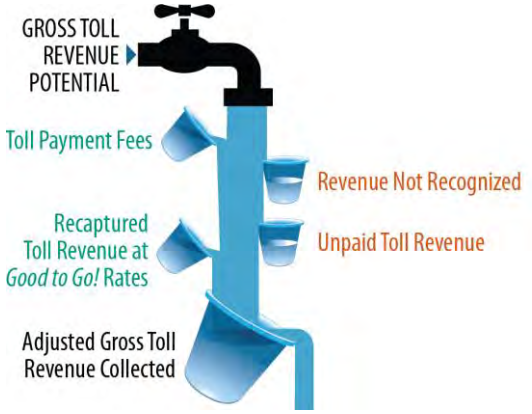
[1] A positive dollar variance on negative forecast values represents a cost (loss) reduction, with the negative percentage (%) variance representing percentage reduction in the cost (loss), a "positive" outcome.

[2] Miscellaneous fees include NSF, account statement, and bank transaction fees, and are not forecasted.

[3] Toll Collection O&M costs includes Transponder Purchase and Inventory costs, RTS, CSC/BOS vendor costs, and State and Consultant Operations costs.

4 | Changes to Revenue Adjustments

Exhibit 4 on page 12 summarizes the May 2024 forecast period totals for each element of the gross-to-net revenue projections, the prior January 2023 forecast values, and the forecast variances. This chapter provides detail on the changes to the individual revenue adjustment items, and the following chapter covers the changes in the projections for operations and maintenance expenses.



Revenue adjustments for toll payment discounts and fees, revenue not recognized, unpaid toll revenue, and recaptured toll revenue at *Good To Go!* toll rates can be found in columns 12-15 of the Exhibit 29 T&R table in Appendix A.

These items have been updated to reflect actual data from FY 2012 through FY 2023 as well as a forecast for FY 2024 that includes actual data through April 2024, with changes made to key forecast assumptions noted in the following descriptions.

Toll Payment Fees and Discounts (Column 12)

Pay By Plate Fee

WSDOT applies a $0.25 fee per transaction for *Good To Go!* customers who choose to pay via a pre-registered license plate (Pay By Plate) rather than with a transponder pass. This fee is not assumed to escalate with inflation.

With the license plate leakage rates held consistent with the prior forecast, although tapered from FY 2023-26 in the current update, the May 2024 forecast for Pay By Plate fees was revised upward by $0.7 million or 0.9 percent higher than the January 2023 forecast, primarily due to higher collection rates on license plate transactions and a noticeable increases in the total and percentage share of Pay By Plate transactions. Pay By Plate transactions are projected to grow from 27.7 percent in FY 2024 to a steady state of 31.5 percent by FY 2045 in the May 2024 forecast in comparison to 27.3 percent in FY 2024 to 30.1 percent by FY 2045 in the January 2023 forecast. Beyond FY 2045, the shares of Pay By Plate remained the constant for May 2024 forecast (at 31.5 percent) through FY 2056 compared to the January 2023 forecasts (30.1 percent).

- Data through the end of FY 2023 shows that among *Good To Go!* account transactions, there continues to be a higher rate of growth in those using the Pay By Plate payment method than those using a transponder pass, with Pay By Plate use in FY 2023 comprising 32.8 percent of all *Good To Go!* transactions or 27.9 percent of total transactions compared with the January 2023 forecast values of 31.1 percent and 27.2 percent, respectively. There are several contributing factors to this trend.
    - The transition to new back-office vendors in July 2021 resulted in increased toll transaction data transparency regarding intended customer payment methods. This has led to the reclassification of a portion of the forecasted image-based transactions from the Pay By

Mail payment method to *Good To Go!* Pay by Plate, with corresponding higher Pay By Plate fee revenues.

  - The Customer Program for Resolution (CPR), discussed in more detail on page 29, allows for non-account (unregistered) customers to resolve a notice of civil penalty without payment of the penalty if they open a *Good To Go!* account or resolve insufficient funds with an existing account. Since these transactions are typically handled over the phone, transponder passes are not always sold with these new accounts, and toll bills are often resolved at the *Good To Go!* toll rate plus the Pay By Plate $0.25 fee. The recent transition to new back-office vendors is likely to give customers additional opportunities to use CPR to reduce payment of late fees and civil penalty fees if they set up a customer account.
  - With tolls on SR 520 having been in operation for more than ten years, many customers have likely acquired new vehicles or replacement windshields on existing vehicles. In these cases, the $0.25 incremental fee may not be enough of a financial deterrent for customers to purchase and register a new transponder pass for their new vehicle, or the attempted transfer of a sticker tag pass to a new vehicle rendered the tag non-functional, inadvertently changing the method of payment to Pay By Plate.
  - The option of having a pay-as-you-go *Good To Go!* account starting in FY 2022 may also encourage more infrequent users to establish an account in the future without acquiring a transponder pass.

- Exhibit 14 shows that Stantec's projections for the share of customers using Pay By Plate is expected to grow over the forecast period, decreasing marginally from 27.9 percent in FY 2023 to 27.7 percent by FY 2025, and growing eventually to 31.5 percent of total transactions by FY 2045. Reported value in FY 2023 of 27.9 percent is higher than the FY 2022 value of 26.7 percent but similar as the prior forecast assumption, indicating that the shares of Pay By Plate trips continue to increase over the forecast horizon.
  - Reported values in FYs 2023 and 2024 indicated the payment shares have favored non-account Pay By Mail transactions, noting that further review of the underlying data reports are ongoing and payment split data could be revised with revisions to the data sources.
- Continued demand for switchable Flex Pass transponders required to receive a carpool exemption on the I-405 Express Toll Lanes, combined with the commencement of tolling in the SR 99 Tunnel in November 2019 and ongoing post-pandemic recovery trends in travel, are anticipated to increase overall pass usage in the region, reversing recent slight decreases in the overall *Good To Go!* share shown in Exhibit 14.

Pay By Plate fee revenue estimates are provided in column 12 of the Exhibit 29 T&R table provided in Appendix A.

Exhibit 14: Annual Shares of Total Transactions by Payment method (Selected Fiscal Years)

Fiscal Year	Registered *Good To Go!* Account Transactions						Unregistered (Non-Account) Pay By Mail Transactions[2]	
	Transponder (Pass)		Pay By Plate [1]		Total			
	January 2023 Forecast	May 2024 Forecast	January 2023 Forecast	May 2024 Forecast	January 2023 Forecast	May 2024 Forecast	January 2023 Forecast	May 2024 Forecast
2012	70.8%[3]		11.9%[3]		82.7%[3]		17.2%[3]	
2013	68.9%[3]		14.8%[3]		83.7%[3]		16.3%[3]	
2014	66.9%[3]		17.6%[3]		84.5%[3]		15.5%[3]	
2015	63.6%[3]		20.1%[3]		83.7%[3]		16.2%[3]	
2016	62.9%[3]		21.1%[3]		84.0%[3]		16.0%[3]	
2017	62.9%[3]		21.6%[3]		84.5%[3]		15.5%[3]	
2018	63.0%[3]		22.4%[3]		85.4%[3]		14.6%[3]	
2019	62.5%[3]		25.1%[3]		87.6%[3]		12.4%[3]	
2020	62.9%[3]		24.5%[3]		87.4%[3]		12.6%[3]	
2021	60.4%[3]		25.1%[3]		85.5%[3]		14.5%[3]	
2022	60.5%[3]		26.4%[3]		86.9%[3]		13.1%[3]	
2023	59.8%	56.9%[3]	27.6%	27.9%[3]	87.4%	84.8%[3]	12.6%	15.2%[3]
2025	60.4%	56.9%	27.4%	27.7%	87.8%	84.6%	12.2%	15.4%
2030	60.4%	56.0%	28.1%	30.1%	88.5%	86.0%	11.5%	14.0%
2035	60.4%	55.6%	28.8%	30.9%	89.1%	86.5%	10.9%	13.5%
2040	60.4%	55.5%	29.4%	31.2%	89.8%	86.7%	10.2%	13.3%
2045	60.4%	55.4%	30.1%	31.5%	90.5%	86.8%	9.5%	13.2%
2050	60.4%	55.4%	30.1%	31.5%	90.5%	86.8%	9.5%	13.2%

[1] Pay By Plate percentage shares are modeled by Stantec starting with the May 2024 Forecast.

[2] Values through FY 2019 include short term account transactions where customers initiate payment before receiving a bill; represents approximately 0.03% of total transactions.

[3] Actual values for the *Good To Go!* / Non-Account Transaction split are calculated from CSC data analysis for calendar years 2012-23 and Toll Business Report data fiscl years 2017-2023. Actual values for the *Good To Go!* Transponder and Pay By Plate percentages are calculated using 16J-TRAINS Pay By Plate fee revenue divided by the $0.25 fee to yield the number of transactions, adjusted for license plate leakage.

Short-Term Accounts

Non-account customers may set up a Short-Term Account (STA) by self-initiating payment provisions prior to or within 72 hours of traveling on SR 520. WSDOT previously offered a $0.50 discount per transaction from the higher Pay By Mail toll rate to incentivize prompt payment, thereby reducing the number of Pay By Mail transactions and the delay in receiving revenue. However, this option was not widely used and in 2018, the WSTC decided to remove the $0.50 STA discount while leaving this self-initiated payment option in place, effective for FY 2020. With the transition to the new CSC and BOS vendors, customers now have a new pay-as-you-go *Good To Go!* account payment option that charge tolls to a credit/debit card after travel rather than requiring the customer to use a prepaid account where maintaining a minimum balance is required. With no incremental or account maintenance fees associated with this new account type, recent enrollment data as of early March 2024 shows that pay-as-you-go accounts represent 96 percent of new individual account registrations, have displaced the short-term account payment method, and are now the primary choice for new *Good To Go!* account registrations.

Other Fees and Discounts

In addition to the fees described above, WSDOT is authorized to charge miscellaneous customer fees that are not included in the net revenue projections herein, including inactive account and paper statement/reprinting fees.

Prior to transition to the new back-office system and customer service center vendors in July 2021, a $5 closure fee for inactive accounts had not been collected. Concurrent with the transition during FY 2021, the new vendors reviewed and closed inactive accounts, administering the $5 fees. Total fees collected in FY 2021 amounted to $286,504 with the share allocated to SR 520 amounting to $100,706 as of early August 2021. With the backlog of historically inactive accounts since the start of tolling now closed, administration

fees from future closures are not anticipated to amount to much annually, and it has not yet been determined how frequently accounts will be reviewed and closed due to inactivity going forward.

Revenues from these items are not expected to be routine, do not have a material impact on future net revenues and are simply intended to offset administration and processing costs incurred by the state. As such these revenues are not currently included in the future year net toll revenue projections.

Uncollectible Revenue (Columns 13 & 14)

Uncollectible revenue, or "gross leakage" before any overdue toll bill recovery, is divided into two T&R table categories: Revenue Not Recognized (unbillable revenue) and Unpaid Toll Revenue. Revenue not recognized is un-pursuable revenue that occurs when a license plate is unreadable, or when the vehicle owner and address from a readable license plate cannot be identified. Unpaid Toll Revenue results from customer non-payment of toll bills after two invoices within 80 days of travel. Note that uncollectible revenue effectively gets reduced to a "net leakage" measure in the overall net revenue projections after accounting for the portion of unpaid toll revenue eventually recaptured at *Good To Go!* toll rates or recovered at Pay By Mail rates after a notice of civil penalty is mailed to customers with toll bills more than 80 days past due (see columns 15 and 19 of Exhibit 29).

Forecasts for uncollectible revenue are based on a toll collection activity workflow model which is refined annually based upon the accumulation of new data. This model estimates the probability that a toll transaction will become uncollectible under a variety of scenarios and points in the toll transaction workflow process. Exhibit 30 in Appendix B illustrates this workflow and the points in the process where leakage occurs. Other refinements captured in the May 2024 and prior forecasts resulted in higher rates of unidentified vehicle owners and addresses from readable plates, while payment rates of first and second invoices remained unadjusted in comparison to January 2023 forecast. The industry standard rate of leakage due to unreadable license plates is held without change from the prior update from FY 2026 through the forecast horizon. Between FY 2023-26, the January 2023 forecasts assumed a constant 4.5 percent throughout the forecast period, while May 2024 refined the leakage rates tapering down from 5.5 percent in FY 2024 to 4.5 percent in FY 2026. Leakage due to invalid vehicle registrations or owner addresses has shown a slight increase as reflected in the higher near-term leakage rates in FY 2024 but this is partially due to a backlog of transactions through the start of toll bill escalation in March 2023. With escalation commencing, further transactions from prior years were identified as image rejects through enforcement review prior to consideration for escalating to civil penalty. It is anticipated that with most of the backlog in transactions cleared in FY2024 the future leakage rates will return to historical values.

Revenue Not Recognized (Column 13)

Unreadable License Plates

Consistent with the improvements in license plate image readability, the May 2024 forecast retained the prior forecast assumptions for the readable share of license plate images from FY 2026 onwards. Plate readability is a function of the in-lane cameras and the interface between the RTS lane system vendor, the BOS software, and the integration with CSC operating procedures for reviewing license plate images. Unreadable plate assumptions include the following.

- The assumed shares of total image-based transactions (non-account Pay By Mail plus *Good To Go!* Pay By Plate) with readable license plates after manual review was 94.0 percent in FY 2023 and is projected to increase to 94.5 percent in FY 2024, reaching 95.5 percent under steady state

operations from FY 2026 onwards in the May 2024 forecast. The prior January 2023 forecast assumed 95.5 percent starting from FY 2023 till the end of the forecast horizon.

  - The 95.5 percent plate readability / 4.5 percent unreadable assumptions take into account that the new CSC and BOS vendor contracts include more specific requirements and performance metrics to better align with industry best practices, which is expected to improve plate image review productivity and accuracy through FY 2026.

- The total dollar value for unreadable plate leakage over the forecast horizon has increased for the May 2024 forecast by about $10.7 million or 12.3 percent, due to a combination of the higher leakage rates in FYs 2024-25 combined with larger forecasted share of Pay By Mail transactions, which are more frequently rejected in image review.

Unidentified Owner/Address

After a license plate is read, the system checks to see if the customer has a *Good To Go!* account, and if so, the account is debited for the toll plus an additional $0.25 administrative fee as a Pay By Plate transaction. If the plate number is not associated with a *Good To Go!* account, then further processing is initiated to obtain a valid owner name and address for the vehicle from the Department of Licensing (DOL) for in-state plates. For out-of-state plates, the BOS vendor provides license plate lookup services to provide the vehicle's owner name and address. These lookup costs have been embedded within the BOS vendor contract costs since FY 2022.

Pay By Mail transactions for which the owner cannot be identified from the license plate are deemed as revenue not recognized and include Canadian and all other out of country license plates (British Columbia, from where most Canadian plates on SR 520 originate, stopped providing vehicle owner information as part of their response to the U.S. Patriot Act in 2001).

The rate of unidentified owners/addresses from readable license plates was previously assumed to be higher than typical industry experience as the result of challenges faced by the prior BOS/CSC vendor, where the tools to properly process license plates may have been lacking or underperforming. This had led to transactions being left in an "in-process" holding pattern until ultimately dismissed with the passage of time. This May 2024 forecast returns to higher assumed near-term leakage due to delays in escalating recovery of unpaid toll bills and a limited track record with owner identification rates now that recovery efforts have recently resumed. The May 2024 forecast assumes 6.9 percent leakage compared to 6.0 percent in the January 2023 forecast.

- The unidentified owner rate is assumed to be increase from 5.3 percent from FY 2024 to 6.9 percent in FY 2026, where it remains thereafter; the January 2023 forecast assumed 6.0 percent from FY 2023 through the forecast horizon. The 6.9 percent unidentified owner rate includes a contingency above industry norms to account for potential local issues related to the inability to identify owners from temporary licenses as well as from Canadian plates.
- The dollar value for unidentified owner leakage is $17.2 million or 45.9 percent higher in the May 2024 forecast due to modified assumption of increased share of invalid registrations or owner addresses and higher share of Pay By Mail transactions.

Total Revenue Not Recognized

Incorporating the lower May 2024 forecast traffic values as the basis for leakage calculations, combined with upward refinements to leakage rates and significantly higher shares of Pay By Mail transactions, yields

an increase in forecast period Revenue Not Recognized of $28.0 million, a 22.6 percent increase from the previous forecast.

The combined revenues not recognized from unreadable plates and from readable plates with unidentified owners are shown in column 13 of Exhibit 29.

Unpaid toll revenue is a measure of the Pay By Mail revenues from toll transactions with readable license plates, identified owners, and thus toll bills mailed that are not collected within two billing cycles or 80 days. This measure excludes the benefits of any recovery efforts after 80 days, which are covered in subsequent sections.

The May 2024 forecast maintains payment rate assumptions used in the January 2023 forecast, with first toll bill payment rates of 58 percent and second toll bill payment rates of 39 percent, with a cumulative toll bill payment rate of 74.4 percent.

Despite no changes to the toll bill payment rates, the May 2024 forecast for unpaid toll revenue was revised upward by $40.2 million or 26.7 percent over the forecast horizon in comparison to the January 2023 forecast.

- The primary reason for the increase in unpaid toll bill leakage in the May 2024 forecast is the 30.4 percent increase in gross revenue potential expected to be generated from Pay By Mail customers over the forecast horizon.
    - The expected increase in Pay By Mail revenue results in more transactions going through license plate image review and subsequent owner and address lookup, with more overall transactions requiring toll bills.
    - A full resumption to unpaid toll bill revenue collection and recovery procedures is assumed for March 2023 onward.

Unpaid toll revenue is shown in column 14 of Exhibit 29 in Appendix A. The Toll Payment Activity Workflow and percentages are shown in Exhibit 30 in Appendix B.

Overall Changes in Uncollectible Revenue (Columns 13 & 14)

Total projected gross leakage attributed to revenue not recognized and unpaid toll revenue is 22.4 percent ($68.1 million) higher over the forecast horizon in the May 2024 forecast than in the January 2023 forecast.

Recaptured Toll Revenue at *Good To Go!* Rates (Column 15)

As with the previous forecast, the May 2024 forecast for revenue recovered in the notice of civil penalty (NOCP) process has been subdivided into two categories as a result of different accounting treatment in the SR 520 financial statements:

- "***Recaptured*** Toll Revenue at *Good To Go!* Rates" (column 15); and
- "Toll Revenue ***Recovered*** at Pay By Mail Rates" (column 20), discussed in a later section.

In both cases, most customers who fail to pay their tolls during the regular two invoice / 80-day billing cycle will receive a notice of civil penalty (NOCP) equal to $40 for each overdue toll owed. Specifically, by FY 2025, 87 percent of invoiced transactions unpaid after 80 days are assumed to be certified for a notice of civil penalty by a WSDOT toll enforcement officer, with the remaining 13 percent dismissed, the same as assumed in the January 2023 forecast and consistent with actual experience through the end of FY 2021,

noting that NOCPs have not been issued until March 2023. The $40 civil penalties are not considered "pledged revenue" in Master Resolution number 1117, and thus, are not captured within the net revenue forecast values.

A policy implemented at the beginning of FY 2016, and assumed to continue indefinitely in the May 2024 forecast, allows for more leniency in the handling of customer who are repeatedly failing to pay their toll bills. Referred to as the Customer Program for Resolution (CPR), this policy allows customers to open a new *Good To Go!* account by phone (or online) and resolve their unpaid tolls at the appropriate *Good To Go!* rate without payment of one or more civil penalties. Similarly, customers with existing *Good To Go!* accounts with an insufficient account balance for reason of an expired or changed credit card who end up receiving a NOCP are offered the opportunity to rectify their account and make payment, again without civil penalty.

- The toll revenue recaptured through the CPR is assumed to stay in the SR 520 Toll and Fee Account (16J) and is reported as "Tolling Revenue" within the SR 520 financial statements.
- Recaptured toll revenue at *Good To Go!* rates is estimated to be 50 percent of transactions for which the customers received an NOCP in the mail and took some kind of action, consistent with the January 2023 forecast.
- Toll revenues recaptured at *Good To Go!* rates from the civil penalty process are assumed to be collected partially in the fiscal year of travel and partially in the following fiscal year to account for an average six-month lag from the date of travel for toll bill processing, first and second invoice notification, NOCP notification, and subsequent resolution of payment.

After implementation issues experienced with the transition to the new back-office system vendor in FY 2022, partial revenues from further unpaid toll bill collection and recovery efforts, WSDOT has returned to full unpaid toll bill revenue collection procedures in FY 2024. The near-term forecast through FY 2032 for recaptured toll revenue is 14.3 percent higher than the prior January 2023 forecast owing to a higher forecasted share of Pay by Mail transactions.

Annual revenue projections for recaptured toll revenues are provided in column 15 of Exhibit 29 in Appendix A. The transaction workflow diagram shown in Exhibit 30 in Appendix B also illustrates the process by which toll bills go unpaid after two invoices and 80 days.

Miscellaneous Pledged Revenues (Column 17)

Column 17 of the May 2024 forecast T&R table in Appendix A provides actual "Miscellaneous Pledged Revenues" received in FYs 2012-23 as well as forecast period projections (that began with the November 2015 forecast). Miscellaneous revenues pledged towards debt service, as defined in Master Resolution number 1117, include interest earnings on subaccount balances within the SR 520 Toll and Fee Account (16J); SR 520's share of interest earned on the Toll Facilities Account (495) where prepaid *Good To Go!* customer funds are held, contract liquidated damages, sales of surplus property, and cash over and short.

Compared with the January 2023 forecast, miscellaneous pledged revenues are $14.8 million or 25.2 percent lower over the forecast horizon in the current May 2024 forecast. The decrease is

primarily due to the lower near-term revenues and higher costs that result in lower assumed account balances serving as the basis for account interest revenue.

For the SR 520 Toll and Fee Account (16J), interest earning projections are calculated using a long-term annual earnings interest rate of 0.61 percent in the May 2024 forecast, which is consistent with the rate applied in the January 2023 forecast. The interest rate percentage is applied to annual account balances, excluding miscellaneous revenues (which are primarily the interest earnings), estimated from the draft 2023 financial plan debt service payments, and updated by the current revenue and expenditure projections. The near-term projections are materially higher due to a higher interest yield of 2.25 percent expected through FY 2025. The 0.61 percent interest rate assumed for the May 2024 forecast in the longer-term (from FY 2026 forward) is conservative and lower than actual experience through FY 2023 with interest rate yields in excess of 2.2 percent. In addition, annual interest earnings are conservatively constrained to their FY 2032 level of $1.23 million in subsequent years even though account balances are projected to increase.

Transponder Sales Revenue (Column 18)

WSDOT purchases, retains, and sells *Good To Go!* transponders directly to customers and through third-party retailers and walk-in centers. Transponder sales revenues are initially assumed to exceed total transponder purchase and inventory costs through FY 2032, after which point transponder costs, escalating at a higher rate than revenue, result in costs exceeding revenue. Beginning with FY 2033, it is assumed the retail and wholesale prices would be adjusted to align transponder pass sales with costs, such that the transponder distribution process is net revenue neutral.

- The May 2024 forecast of transponder sales revenue is provided in column 18, upstream of the "Adjusted Gross Toll Revenue & Fees" subtotal in column 21, whereas transponder purchase and inventory costs are in column 23, "Transponder Purchase and Inventory Costs."
- Starting with the November 2019 forecast, annual projections for systemwide transponder sales revenue in the near term were set equal to a weighted-average direct retail and wholesale price for transponder purchases multiplied by the estimated sales volume.
    - Flex-Pass transponder revenue per unit is based on the assumption of 88 percent sales through direct retail at $15.00 per transponder and 12 percent sold at wholesale to third party distributers at $15.00 per transponder.
    - Sticker tag revenue per transponder is based on the assumption of 93 percent sales through direct retail at $5.00 per tag and 7 percent sold to third party distributors at $5.00 per tag wholesale.
    - License plate mounted transponders and motorcycle transponders are assumed to be sold through direct retail at $15.00 and $8.00 per transponder respectively.
    - Transponder retail prices are not assumed to increase until the point at which costs exceed revenue, occurring in FY 2033 for the May 2024 forecast.
- SR 520 is allocated a share of the systemwide transponder sales revenue (and costs) on a proportional transaction basis.
    - The May 2024 forecast initially allocates systemwide transponder revenue across five facilities, adding the I-405 Express Toll Lanes from Renton to Bellevue and the Gateway SR 509 Expressway in FY 2026, the Gateway SR 167 Expressway west of I-5 in FY 2027, and Gateway SR 167 Expressway east of I-5 in FY 2029. The Tacoma Narrows Bridge (TNB) is removed from the allocation after FY 2032 when tolls are assumed to end.

- The overall May 2024 forecast for transponder sales is $4.1 million or 8.9 percent lower over the forecast horizon compared with the January 2023 forecast (see Exhibit 4). The reduction is primarily due to lower revenue allocation to SR 520 as a result of fewer SR 520 transactions and a lower SR 520 share of systemwide transactions by including more facilities into the system. Compared with the prior forecast, transponder sales revenues are lower in the near term (through FY 2031) due to the lower demand projections. The rest of the forecast horizon assumes minor decrease from the January 2023 forecast, which are primarily attributed to changes in SR 520's allocated shares of total systemwide revenues.
- Annual projections of transponder sales revenue are in column 18 of Exhibit 29 in Appendix A.

Pay By Mail Rebilling Fees (Column 19)

Pay By Mail customers who do not pay their first invoice are subject to a rebilling fee of $5.00 with the second invoice. The fee is applied on a per invoice basis when an invoice includes any toll transactions being billed for a second time. The $5.00 fee amount does not escalate over time with inflation. Rebilling fee revenues are primarily driven by the forecasted volume of Pay By Mail transactions and assumed number of transactions per invoice, with secondary effects coming from potential changes in the rate of payment of first and second toll invoices.

The projections for Pay By Mail rebilling fees include the $5.00 fee per unpaid first invoice that is successfully collected on the second invoice before 80 days have elapsed plus a portion of the overdue rebilling fees on the unpaid second invoices that are later assumed to be recovered from the civil penalty adjudication process with an assumed six-month average lag.

With the full resumption of initially unpaid toll bill revenue collection and recovery procedures and assumptions in FY 2024, the current forecast maintains the standard revenue collection and recovery assumptions across the forecast horizon. The higher Pay By Mail share of transactions results in a marginally higher near-term forecast for rebilling fees.

- Compared to the January 2023 values, the May 2024 forecast for Pay By Mail transactions has been revised materially upward by 25.8 percent over the forecast horizon, increasing the total number of potential unpaid first invoices for Pay By Mail.
- The May 2024 forecast applies the forecast period assumption of 2.10 toll transactions per mailed invoice, consistent with the January 2023 forecast. The average of 2.10 transactions per mailed invoice, while unchanged in the current forecast, is subject to revision over time based on actual experience.
- The May 2024 forecast assumptions regarding first and second toll bill payment rates are consistent with the prior forecast, supported by actual data through FY 2023, as follows:
    - A 58 percent first toll invoice payment rate assumption means that 42 percent of first invoices will go unpaid and thus be subject to a rebilling fee on the second invoice.
    - 39 percent of the above unpaid first invoices are assumed to be paid on the second invoice inside of 80 days from the date of travel contributing to rebilling fee revenue.
    - The overall rate of payment for both invoices is assumed to be 74.4 percent in the current forecast, consistent with the January 2023 Forecast.

- Of the 25.6 percent of all toll invoices that go unpaid after 80 days, 87 percent are assumed to be certified for a notice of civil penalty by a WSDOT toll enforcement officer, with the remaining 13 percent dismissed, primarily due to incorrect customer or vehicle identification.
- The portion of NOCP transactions from which the toll is assumed to be recovered through the CPR or the normal civil penalty adjudication process and subsequent collection efforts is 45 percent in the May 2024 forecast, the same as assumed in the January 2023 forecast.
- For the 50 percent of such transactions for which tolls are recovered at the Pay By Mail rate, the $5 rebilling fee is also assumed to be recovered 55 percent of the time, with the remaining 45 percent are dismissed.
    - For the remaining 50 percent of transactions for which the toll revenue is recaptured at the *Good To Go!* rate via the CPR program, no rebilling fees are assumed to be collected.

Annual projections of late payment fees are provided in column 19 of Exhibit 29 in Appendix A, and the toll bill payment process is illustrated in the transaction workflow diagram as Exhibit 30 in Appendix B.

Toll Revenue Recovered at Pay By Mail Rates via NOCP (Column 20)

As noted earlier for "***Recaptured*** Toll Revenue at Good To Go! Rates", "Toll Revenue ***Recovered*** at Pay By Mail Rates" represents a subset of the category formerly referred to as "Recovered Toll Revenue". This change was made starting in the November 2016 forecast as a result of different accounting treatments in the SR 520 financial statements.

In both cases, most customers who fail to pay their tolls during the regular two invoice / 80-day billing cycle will receive a notice of civil penalty (NOCP) equal to $40 for each overdue toll owed. Specifically, 87 percent of overdue toll transactions are assumed to be certified for a notice of civil penalty by a WSDOT toll enforcement officer, with the remaining 13 percent dismissed.

Similar to rebilling fees and specific to FY 2023 through mid-Spring, no recovered toll revenue associated with further collection and recovery efforts beyond the initial toll bill (e.g., mailing a second toll bill and sending an NOCP) was included due to implementation issues experienced with the transition to the new back-office system vendor and start of toll bill escalation. Partial revenues from the resumption of unpaid toll bill collection and recovery efforts were included in FY 2023

With the full resumption of unpaid toll bill collection recovery efforts in FY 2024, the May 2024 forecast assumes continued full-scale toll bill collection recovery efforts across the forecast horizon. With decreased number of second toll bills and decreased rate of NOCPs being issued in FY 2024, the near-term forecast for recovered toll revenue is materially lower.

Customers receiving a NOCP will have the opportunity to remit payment for tolls and fees or request a hearing to avoid having their motor vehicle registration withheld from renewal and/or have the amount due sent to collections. The May 2024 forecast assumes that 45 percent will take action, and that 55 percent will ignore the NOCP altogether, and will ultimately be subject to hold on the renewal of their vehicle registration. Revenue attributed to the $40 NOCP fee is not considered pledged revenue under Master Resolution number 1117, and thus is not captured within the net revenue forecast values.

- For those customers that take action as a result of a NOCP, 50 percent are assumed to remit the toll due at the Pay By Mail rate, consistent with the January 2023 forecast.
    - 55 percent of those are assumed make a payment for the civil penalty as well.
    - 45 percent are assumed to only pay the toll and ignore the civil penalty due.

- Among the 45 percent above that take action, the forecast assumes that $0.80 will be collected for every dollar owed, consistent with the January 2023 forecast. This assumption captures the possibility that an administrative law judge through the civil penalty adjudication process may reduce or forgive some of the civil penalties due.

Toll revenues at the Pay By Mail rates and their associated civil penalties recovered in this manner flow into the Civil Penalty Account (17P). The toll portion of these revenues must be legislatively transferred to the SR 520 Toll Account (16J), which is assumed to occur in the subsequent biennium. Once transferred, the toll revenues are reported as an "Operating Transfer In" within the SR 520 financial statements.

5 | Changes to Operating and Maintenance Costs

This section documents the anticipated uses of Adjusted Gross Toll Revenues & Fees, which are those operating expenses that would be paid from toll revenues upstream of debt service and contributions to various reserve accounts, including those for deferred sales taxes and periodic repair and rehabilitation costs. As shown in the waterfall below, the SR 520 operational expenditures include: credit card fees, several categories of toll collection O&M costs, facility O&M costs, and bridge insurance premiums. Additional details regarding each of these deductions are provided below, with the annual projections provided in columns 22-29 of the T&R table, Exhibit 29 in Appendix A.

Some of the assumptions have been updated to reflect actual experience through the end of FY 2023 and cost amounts have been informed by back-office vendors contracted pricing. Changes to these assumptions are noted in the descriptions of each cost category below. All costs are expressed in year of expenditure dollars (YOE $) except where otherwise noted.

The WSDOT Toll Division provided near term, current 2023/25 biennium (FYs 2024-25) toll collection cost values are based on the agency's Decision Package budget request, with adjustments for cost escalation and certain calculated cost values.

A description of each of cost item is provided below.

Credit Card / Banking Fees (Column 22)

As a convenience to customers and to facilitate electronic toll collection, WSDOT accepts credit and debit (bank) cards for the payment of tolls as well as for the purchase of transponders. Credit card fees are provided in Exhibit 29, column 22. Bank card processing fees related to transponder sales are embedded in transponder purchase and inventory cost estimates in column 23 of Exhibit 29, and thus excluded from the separate calculation of bank card fees associated with the payment of tolls in column 22. Credit card transactions are processed by a third-party vendor which charges set fees for the service. These banking fees involve a fixed amount per transaction and a variable component as a percentage of the transaction amount.

For *Good To Go!* accounts, credit card fees have historically been tied to periodic account replenishment payments rather than individual toll transactions. However, with the new pay-as-you-go account option available to *Good To Go!* customers starting in FY 2022, customers are not required to maintain a prepaid account balance; rather the bank card registered to the account will be directly debited every two weeks based on account activity. This pay-as-you-go account option is increasing transaction costs due to more frequent bank card transactions (each of which carries the fixed transaction cost) of lower dollar amounts (which determine the variable cost), versus less frequent account replenishments at or above the $30

minimum value. The net effect is higher bank card processing costs as a percentage share of total revenue collected.

Since customers can use any Washington State toll facility with the same *Good To Go!* account, actual total credit card receipts resulting in bank fees paid by the state are allocated back to the individual toll facilities based on their shares of systemwide toll revenues. In contrast, future bank card fees for SR 520 and the other state toll facilities are most accurately forecasted on the basis of each facility's revenue projections.

For forecasting purposes, a composite fee rate is calculated to capture botht the fixed and variable component costs of bank card processing. This composite credit card fee rate — which is assumed to be applied to 96 percent of projected toll revenue — increased from 2.80 percent in the prior forecast to 3.35 percent for every year in the May 2024 Forecast.

In addition to the 3.35 percent credit card fee rate applied to 96 percent of forecasted revenue, an adjustment factor of 1.02 (102 percent) is applied to the total fee amount to allow for fees paid on customer account balance refunds (credit transactions) when pre-paid accounts are closed; this conservative assumption remains unchanged from previous forecasts but will likely revised if the share of customers opting for pay-as-you-go accounts continues to grow and outpace pre-paid accounts.

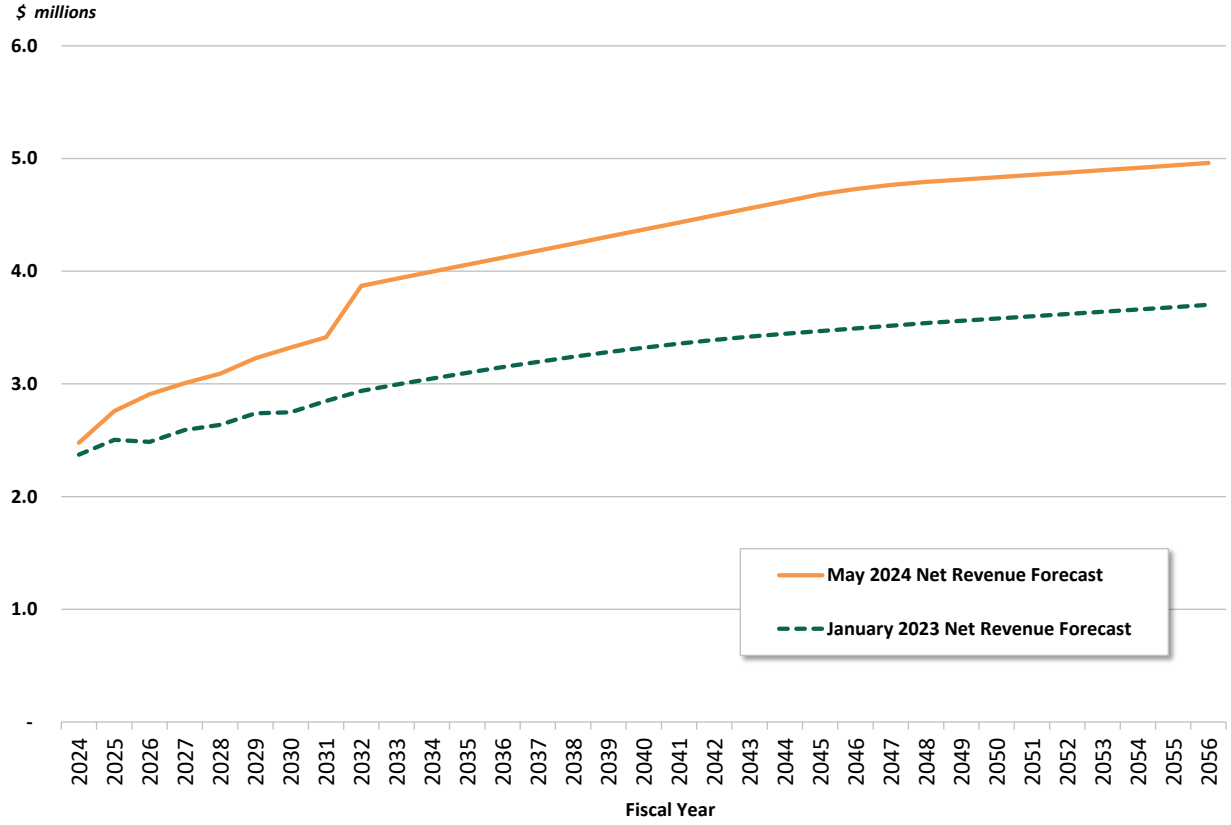
The credit card fees in Exhibit 29, column 22 are calculated from the total gross toll revenue potential projections (column 11), adjusted for the tolls actually received after factoring in *Good To Go!* Pay By Plate fees, total leakage, and rebilling fees recovered within 80 days (before the Civil Penalty process). The applicable revenue factor of 96 percent subject to bank card fees is slightly higher in the near-term than the prior forecast as confirmed by recent historical data through mid FY 2023. Similar to the prior forecast, the January 2023 forecast also assumes credit card fees associated with payments made in the civil penalty process will remain in the civil penalty account (17P) and are not transferred to the SR 520 Toll and Fee Account (16J); this includes the category for recaptured toll revenue at the *Good To Go!* rates via CPR. The assumption is based on actual practice to-date in which credit card fees related to all payments in the civil penalty adjudication process were not transferred to the toll account.

WSDOT also accepts automated clearing house (ACH) payments directly from a customer bank account as an alternative means of account replenishment that does not carry the credit card fee. Pay By Mail customers also have the option of paying their invoices by check. These alternatives account for the approximately 4 percent of revenues collected that are not subject to bank card processing fees. However, with the transition to a new BOS vendor, and their use of a new external vendor providing data security, a security fee of $0.12 per ACH transaction is now assumed, consistent with the security fee component on bank card transactions.

Credit card fees increased by $31.6 million or 29.8 percent over the forecast horizon from the January 2023 to May 2024 forecasts as a result of both higher fee rates and longer-term higher gross toll revenues as a result of the toll increase. For FYs 2024-31, costs associated with credit card fees increased by $3.3 million or 15.7 percent higher than estimated in the January 2023 forecast. This near-term increase is driven solely by the increased credit card processing fee rate, as near-term revenues are expected to be lower than the prior forecast.

Exhibit 15 illustrates the projected credit card fees by fiscal year over the forecast horizon for the two forecasts, with the May 2024 amounts corresponding to column 22 of Exhibit 29 in Appendix A.

Exhibit 15: Projected Credit Card Fees in YOE $ (FYs 2024-56)



Toll Collection Operations and Maintenance (Columns 23-27)

Toll collection O&M expenditures include all administrative and technical functions required for processing toll transactions and collecting revenue from customers. Beginning with the task of identifying a transaction, to recording the transaction, to ultimately collecting payment, the toll collection process requires involvement and coordination by various distinct parties across multiple functions:

- Transponder purchase, inventory, and sales, including the coordination with transponder pass manufacturers and third party (non-CSC) resellers;
- State and Consultant Operations costs (includes WSDOT Toll Division, WSDOT Accounting and Financial Services, and consultants;
- Roadway Toll System (RTS) vendor costs and related WSDOT Toll Division staff support; and
- Customer Service Center (CSC) Operations and Back Office System (BOS) Software vendors

Costs associated with the operating functions noted above are depicted in columns 23-27 of Exhibit 29 in Appendix A. As previously mentioned, credit card fees associated with direct customer transponder sales are included in the transponder purchase and inventory costs in column 23 rather than in column 22.

Specific details regarding the toll collection cost activities and changes in the cost assumptions included in the annual total toll O&M cost forecast values (columns 23-27 of Exhibit 29

) are provided as follows by cost subcategory.

Transponder Purchase and Inventory Costs (Column 23)

WSDOT purchases, retains, and sells *Good To Go!* transponders directly to customers via online/mail orders, at CSC retail locations, and through third-party retailers. These costs are provided in column 23 of the Exhibit 29 T&R table as a component of overall toll collection costs. As noted in the previous chapter, these projected costs are fully offset by expected transponder sales revenues forecast provided in column 18 from FY 2031 forward, with revenues projected to slightly exceed costs prior to FY 2031.

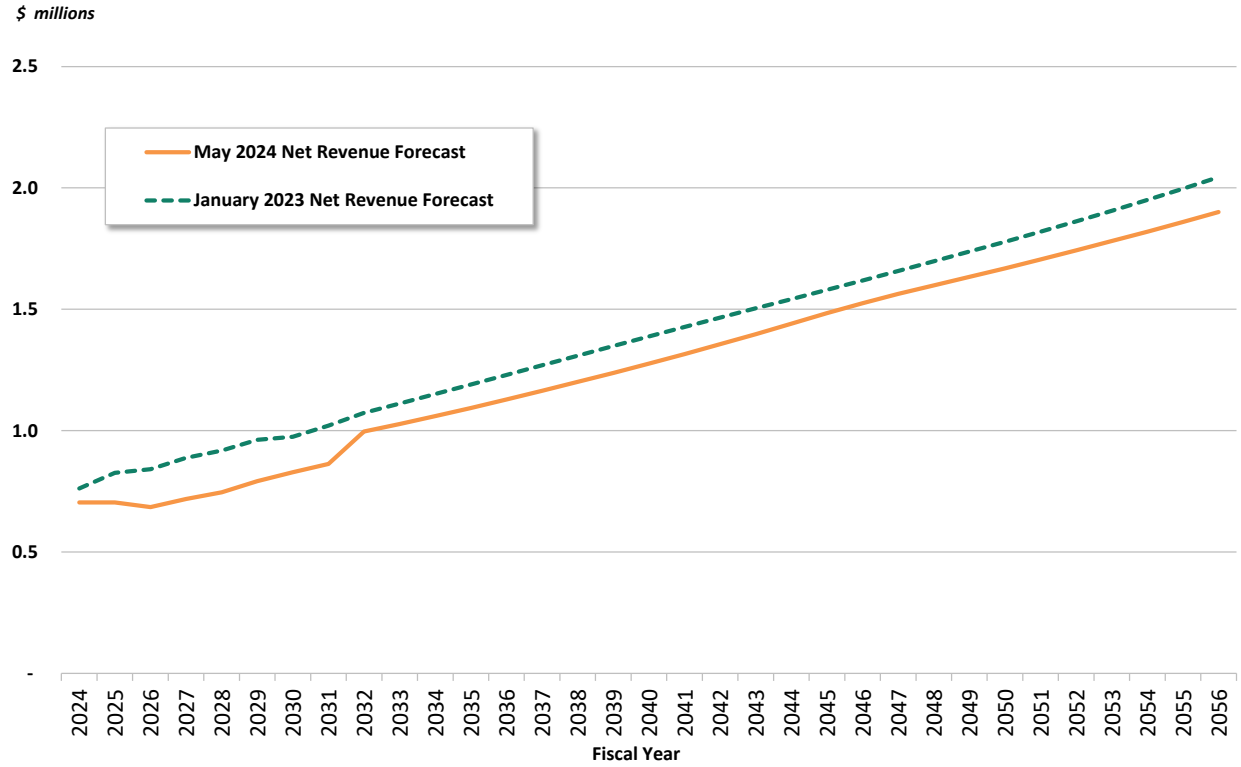
Transponder purchase, inventory and sales costs are determined by trends in the *Good To Go!* customer account base as well as the purchase of new or replacement transponders occurring with changes in the vehicle fleet and their owners as well as with the availability of new transponder technology.

Transponder costs, as well as associated revenues, are tallied at a system level and allocated to the individual facilities based on the number of *Good To Go!* account transponder toll transactions generated by each facility; this amount excludes toll exempt HOV carpool travel on the I-405 Express Toll Lanes between Bellevue and Lynnwood, which requires a Flex Pass transponder (declarable tag) that allow users to switch the transponder to HOV exemption status.

SR 520 was exempted from bearing any costs associated with the initial surge in transponders sold and/or distributed during the first-year ramp-up periods for the I-405 Express Toll Lanes in FY 2016 and SR 99 in FY 2019. The May 2024 forecast continues with the January 2023 forecast assumptions, reflecting a lower cost per unit as negotiated with transponder vendor Neology, Inc. starting at $0.78 per sticker tag transponder and $10.30 per Flex Pass transponder, with the full cost of $2.22 per sticker tag transponder and $15.56 per Flex Pass transponder when including inventory, packaging and mailing. The costs related to packaging, mailing, and inventory management are assumed to escalate by 2.5 percent per year, consistent with other cost escalation assumptions. The portion of the retail price that represents the unit cost from the manufacturer is assumed to increase by 1.0 percent per year. The declining real cost of transponder technology is the result of improvements in technology and reductions in production costs as the volume of production increases with the growth in toll facilities worldwide.

Transponder purchase, inventory and sales costs are projected to be $3.8 million or 8.4 percent lower over the forecast horizon than in the January 2023 forecast. The primary driver for the decrease in costs, is a decrease in overall transponder sales volumes, systemwide for all facilities. The lower sales volumes over the forecast horizon are a result of lower *Good To Go!* transaction estimates in the latest forecasts due to downward revisions in the long-term impact of the COVID-19 pandemic on travel. SR 520's share of systemwide transponder transactions is also lower in the May 2024 forecast in comparison to the January 2023 forecast, due to a combination of lower forecasted transactions and within the lower transaction volumes a smaller share of transponder transactions.

Exhibit 16: Transponder Sales and Inventory Costs in YOE $ (FYs 2024-56)



State and Consultant Operations (WSDOT Toll Division / Accounting and Financial Services) (Column 24)

State and Consultant Operations costs include the activities of the WSDOT Toll Division, their consultants, and the WSDOT Accounting and Financial Services (AFS) Division. The Toll Division currently operates five toll facilities: the SR 520 Bridge; the SR 16 Tacoma Narrows Bridge (TNB); the SR 167 High Occupancy Toll (HOT) lanes; the I-405 Express Toll Lanes (ETLs) between Bellevue and Lynnwood, and the SR 99 Tunnel. The Toll Division is responsible for general management, vendor oversight, marketing, information technology (IT), and printing and postage costs associated with Pay By Mail transactions, which are handled by the Washington Department of Enterprise Services (DES).

Staff positions and corresponding full-time equivalent (FTE) employees, base salaries and benefits, and overhead costs were adjusted to align with the WSDOT FY 2024 Supplemental Budget, which accounts for reduced staffing and re-alignment of salaries based on current staff and grades as well as open positions. Assumptions for staff benefits remained constant at approximately 42 percent in the May 2024 forecast, with percentages now based on actual pay grades in the revised model structure. Salary escalation rates were revised to be 4.0 percent in FY 2024, 3.5 percent in FY 2025 and 2.5 percent per year thereafter for the rest of forecast period in the current forecast, compared to 3.5 percent in FY 2024 and 2.5 percent thereafter for the rest of the forecast period in the prior January 2023 forecast. The escalation rates for state non-labor costs remained constant, at 3.5 percent for FY 24, and then continuing at 2.5 percent thereafter in the current forecast.

Normal salary and benefits costs associated with state full time equivalent (FTE) employees include staff working in finance and program management, government relations, CSC and BOS operations, RTS operations, and WSDOT AFS group support. Near term budget period FTEs are based on actual experience

and WSDOT Toll Division budgetary requests, using the percentage share of time each employee charges to the toll program, the total of which is then allocated based on each facility's share of total transactions.

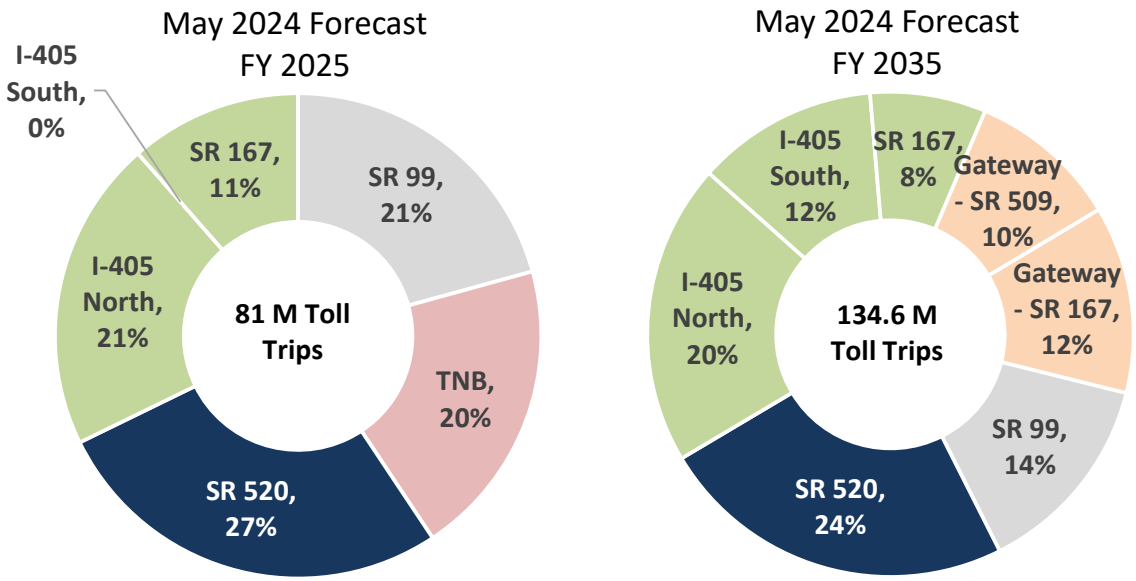
Longer-term forecast projections start with the FY 2024-25 budgeted staff levels with future changes in staffing levels primarily driven by the addition or removal of toll facilities from the system. Increased staffing levels are only assumed for facilities that have received legislative toll authorization, including the I-405 ETLs between Renton and Bellevue and the Gateway Program's SR 509 and SR 167 completion projects. A decrease in staffing is assumed for the planned removal of tolls from the Tacoma Narrows Bridge after FY 2032 when the project's debt and deferred sales taxes are repaid. The long-term forecast also assumes that state salaries and wages will escalate by 2.5 percent per year for general inflation.

As part of the above salaries and benefits, the forecast includes centralized toll operation, management, and administrative expenses (i.e., the Toll Division assistant secretary, executive assistant, and staff supporting strategic direction and planning, additional government relations, traffic and revenue analysis, toll rate setting, and payroll and human resource management). The capital programs for the toll facilities in development or under construction share the costs for the general management and administrative items. However, as these projects begin to transition to operations, the management and administration costs are assumed to be paid by toll revenues, with these systemwide costs allocated to each individual toll facility based on transaction levels.

Because these collective state operations services are provided on a systemwide basis, costs are allocated according to the projected share of total toll transactions for each facility, which varies slightly year-to-year due to changes in each facility's traffic forecasts. The cost allocations in the May 2024 forecast include the transactions for the existing five facilities — SR 520, Tacoma Narrows Bridge, I-405 Express Toll Lanes between Bellevue and Lynnwood, SR 167 HOT Lanes and the SR 99 Tunnel — plus the addition of the I-405 Express Toll Lanes between Renton and Bellevue in FY 2025 and the Gateway Program's SR509 Expressway starting in FY 2026. The Gateway Program's SR 167 Expressway is also factored in in two phases, the first beginning in FY 2027. The forecast allocates systemwide Toll Division staff and related costs by each facility's percentage share of the total number of toll transactions (toll trips) as well as a fractional percentage of non-revenue transactions.

Exhibit 17 shows the systemwide annual transaction forecasts and the respective cost allocation shares by toll facility in the May 2024 forecast for FY 2025 and FY 2035 as representative years. As seen in Exhibit 17, SR 520's share of systemwide costs decreases with the addition of the new toll facilities. With the full implementation of the Gateway Program (by FY 2029), SR 520's share of systemwide costs decreases from 27 percent in FY 2025 to 24 percent in FY 2035 for the May 2024 forecast, despite that the FY 2035 allocations shares exclude the Tacoma Narrows Bridge on which tolls are expected to be removed following the repayment of outstanding debt and deferred sales tax after FY 2032. These March 2024 values compare to 32 percent in FY 2025 and 26 percent in FY 2035 in the prior January 2023 forecast, with the decrease in the SR 520 share for the May 2024 forecast due to a combination of lower transactions on SR 520 and higher forecasted transactions on the other facilities.

Exhibit 17: Transaction-based Cost Allocation Shares for WSDOT Toll Facilities



Under the previous CSC operations vendor agreement, the state was responsible for reimbursing the prior CSC vendor for the actual printing and postage costs related to mailing Pay By Mail customer toll bills as well as for customers opting to receive *Good To Go!* account statements by mail. In 2016, the prior agreement was amended, transferring the role of printing and postage for Pay By Mail customer toll bills as well as providing customer opt-in *Good To Go!* account statements by mail to the Department of Enterprise Services Office of Risk Management (DES). The May 2024 forecast continues with this approach with DES responsible for the processing of Pay By Mail invoices. Printing and postage assumptions, which remain unchanged from the prior forecast, are as follows:

- The May 2024 forecast base assumptions capture actual experience in which the average cost to process and mail an invoice is assumed to be $0.76 in 2020 dollars, inflated by 2.5 percent per year.
- The May 2024 forecast assumes an average of 2.10 transactions per invoice for SR 520, consistent with the prior forecast and aligned with actual systemwide data.

In addition to printing and postage, license plate lookups are generally required for out-of-state license plates to acquire the vehicle owner's name and address for mailing toll bills to non-account customers. The CSC vendor has a contract for this service with a separate third-party vendor, based on fixed cost pricing per out-of-state plate inquiry. License plate lookup cost assumptions remained the same, with out-of-state plate look-up costs being in addition to the base vendor pricing. License plate lookup costs are estimated using a budgeted cost of $1.05 per invoice in FY 2023, with escalation assumed at 2.5 percent per year. Total license plate lookup costs are forecasted to be approximately $11.8 million over the forecast horizon.

Like the January 2023 forecast, the May 2024 forecast continued to include inter-agency transfers, primarily to Washington State Patrol (WSP) and the Washington State Transportation Commission (WSTC), through the full forecast horizon, with an assumed cost of $433,000 for WSP and $276,000 for WSTC per biennium, escalating at an assumed constant 2.5 percent per year.

The May 2024 forecast for state and consultant operations costs increased by $30.7 million (10.9 percent) over the forecast horizon compared to the January 2023 forecast. In the near-term from FYs 2024-31, State O&M costs were $2.2 million (4.6 percent) higher in comparison to the January 2023 forecast. Increases were driven by a combination of elements in the FYs 2024-25 budget revision related to the number of State FTEs, base salaries and benefits percentages, refinements to the inclusion of new toll funded operation program costs for the entire forecast horizon, changes to SR 520's share of systemwide allocated costs and increased Pay By Mail transactions in the May 2024 forecast.

The May 2024 forecast for State and Consultant Operations toll collection costs, including activities over-seen or performed by the Toll Division, are listed in Exhibit 18 with escalation assumptions in Exhibit 19.

Exhibit 18: State Operations Assumptions in the May 2024 Forecast

Cost Item	Key Assumptions
Salaries & Wages	SR 520's share includes the standard cost for 37.5 FTEs by job classification in FY 2023-24
Benefits	Assumed to be approximately 40.2% based on a staff calculation tool using current Washington State employee benefit calculations.
Technical Oversight	Toll consultants support CSC operations, RTS operations, and operational results analysis and reporting. Tolling consulting costs allocated to SR 520 are assumed to be $790,800 and $790,200 in FY 2024 and FY2025 escalating by 2.5% per year thereafter. An additional $553,200 and $553,800 is assumed for forecasting related activities for FY 2024 and FY2025 respectively with forecasting costs also escalating by 2.5% per year.
Office Supplies / Materials	Standard cost of $1,237 (FY 2023$) per year. This cost is escalated at 3.5% per annum till FY2024 and 2.5% per annum thereafter.
Rent	Standard cost of $146,557 per year (FY 2023$) with 10% escalation every 5 years.
Printing and Postage	Cost of $0.55 per mailing in FY 2023$ (includes cost of $0.068 per envelope, printing costs of $0.084 per mailing, bulk postage rate of $0.363 per mailing, and presort processing of $0.043 per mailing) with a 2.5% escalation per annum. Consumable and other mailing costs account for mailings not associated with toll bills. Cost per mailing of $0.76 (FY 2020$) assumed with an additional cost of $0.0044 (FY 2020$) per mailing for consumables with a 2.5% escalation per annum.
Out of State License Look Up Cost	For FY2024-25, these costs are budgeted at $0.12 million per year. For the remainder of the forecast horizon, these costs are calculated to be incurred for 11.5% of toll bills issued at $1.05 per invoice issued with the lookup cost increasing at 2.5% annually.
Computers, System Refinements & Equipment	Standard cost of $77,070 (FY 2023$) per year in addition to facility specific equipment costs as provided by WSDOT. The standard cost is escalated at 3.5% per annum till FY2024 and 2.5% per annum thereafter.
Telephone Communications	Standard cost of $6,128 (FY 2023$) per year; The standard cost is escalated at 3.5% per annum till FY2024 and 2.5% per annum thereafter.
Vehicles + Operations + Parking	Standard cost of $8,811 (FY 2023$) per year in addition to facility specific equipment costs as provided by WSDOT. The standard cost is escalated at 3.5% per annum till FY2024 and 2.5% per annum thereafter.
Other costs (Purchase services, travel, IT Hardware/Software)	Standard cost of $257,600 (FY 2023$) per year; The standard cost is escalated at 3.5% per annum till FY2024 and 2.5% per annum thereafter.

Note: FTE = full time equivalent employee

1 State salaries and benefits align with modification to salaries and benefits as stated in the January 2017 Governor's Budget that correspond to an agreement between the Washington Federation of State Employees bargaining unit and the State of Washington covering General Government on September 13, 2016. The agreement calls for a 6 percent increase over the life of the two-year contract, comprising of one 2 percent increase in FY 2018 and two 2 percent increases in the beginning and middle of FY 2019. A further adjustment was made of 5.0 percent escalation in FY 2023 and 3.5 percent in FY 2024 based on announced increases.

Exhibit 19: State Operations Escalation Assumptions in the May 2024 Forecast

Cost Item	Escalation per Period	Period in Years
Salaries and Benefits		
FY 2024	3.5%	1
FY 2025 onward	2.5%	1
Technical Oversight/Contracted Services	2.5%	1
Office Supplies / Mateirals	2.5%	1
Rent	10.0%	5
Printing/Postage/Office Supplies/Computers	2.5%	1
Inter-Agency Transfers	2.5%	1
Out of State License Plate Lookup Cost	2.5%	1
Telephone	2.5%	1
Vehicles + Operations + Parking	2.5%	1

State and consultant toll collection costs are included in column 24 of Exhibit 29 within Appendix A.

Roadway Toll Systems (Column 25)

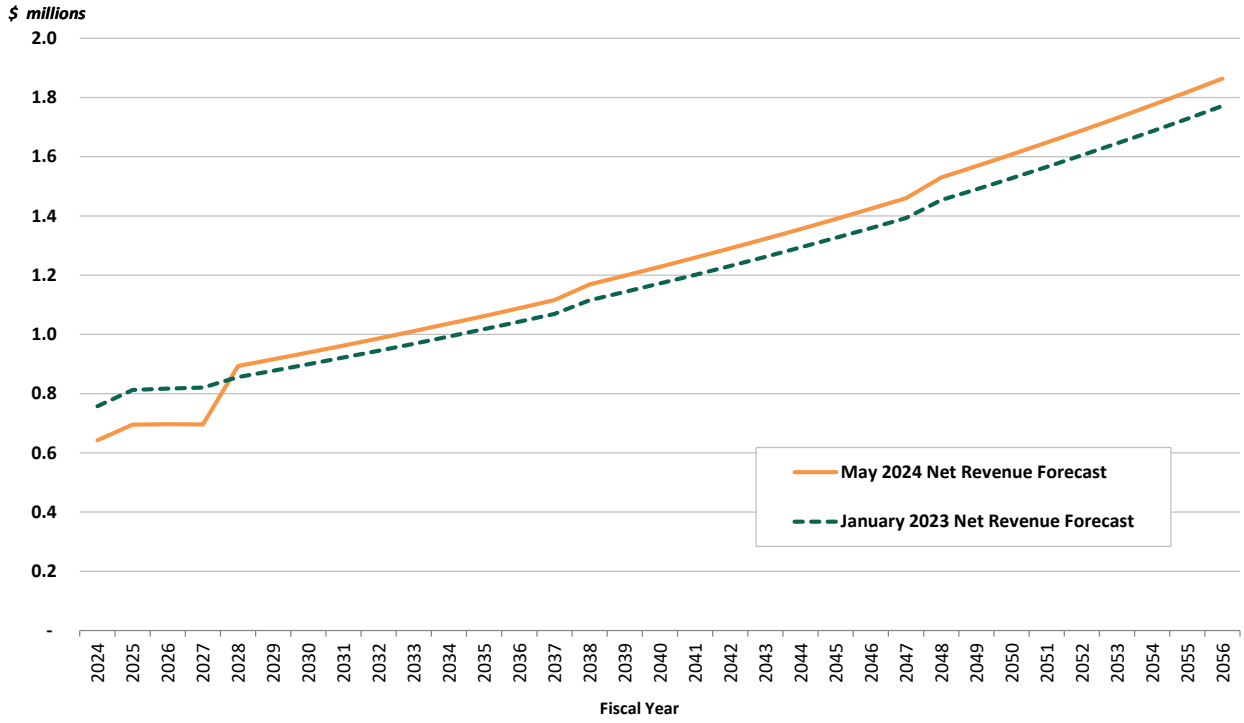
Roadway Toll Systems (RTS) include all equipment and software required to identify a toll transaction and transmit its data to the customer service center for processing. RTS equipment includes transponder readers, cameras, and other communication devices that need regular maintenance for proper functioning.

RTS operations and maintenance activities are performed by a private contractor, Kapsch (formerly Schneider Electric and Telvent), in conjunction with WSDOT maintenance staff. The vendor contract specifies that Kapsch will provide ongoing maintenance of the toll collection equipment through the contract period. The 10-year systemwide RTS vendor contract for all facilities began in FY 2017 with the installation of the permanent toll collection system on SR 520. WSDOT will perform any necessary maintenance to equipment gantries or other ancillary roadside equipment. After the RTS systemwide vendor contract expires, the state will have the option to re-bid the contract or assume responsibility for all RTS maintenance functions (the forecast assumes RTS vendor contract is rebid). Examples of these duties include:

- Realigning / recalibrating cameras and transponder readers;
- Cleaning camera lenses;
- Maintaining equipment data connections; and
- Monitoring / auditing equipment performance.

RTS costs are facility-specific and fixed with respect to the volume of traffic. RTS O&M costs over the FYs 2024-56 forecast horizon increased by $1.3 million (3.3 percent) compared with the January 2023 forecast, as shown in Exhibit 20. Reductions in State Costs only partially offset the increase in vendor costs due to new vendor maintenance estimates. The current May 2024 forecast values can be found in column 25 of the Exhibit 29 T&R table. Required periodic capital repair and replacement of RTS equipment is covered in a later section.

Exhibit 20: Roadway Toll Systems O&M Costs in YOE $ (FYs 2024-56)



Customer Service Center Operations and Back Office System Software (Columns 26 & 27)

The Back Office System (BOS) software and Customer Service Center (CSC) operations vendors are responsible for processing and billing toll transactions, collecting toll revenue, maintaining customer accounts, interfacing with customers via telephone and at *Good To Go!* retail walk-in centers and providing software applications to enable these functions. The outgoing vendor was responsible for providing both the BOS and CSC functions. As of July 2021, WSDOT had fully transitioned to new, separate BOS software and CSC operations vendors. In FY 2024, collection and recovery efforts for unpaid toll bills, including mailing second toll bills with an accompanying $5.00 rebilling fee and sending notices of civil penalty with their $40 fee, have been fully administered, after delays in prior years due to implementation efforts. Expenditures for BOS and CSC vendor services are incurred on a systemwide basis, with the total costs allocated back to each facility based on the number of electronic (non-cash) toll transactions.

With WSDOT's transition to separate BOS and CSC vendors, the new BOS software provides the full functionality of the outgoing system, plus addresses functional deficiencies identified by the State Auditor's Office and supports several key enhancements to program functionality, including the concept of a single customer account for both prepaid and pay-as-you-go payment provisions. In the future it will also provide for the option to integrate with Washington State Ferries (WSF) to allow *Good To Go!* passes to be utilized as a payment option for ferry fares, though WSF is not yet assumed to be part of the operations and does not currently contribute to periodic procurement or annual O&M costs. The requirements for the new systems software contract include two distinct, yet tightly integrated components: the operational back-office, and the commercial back-office.

The CSC operations vendor is primarily responsible for the staff performing the customer service and back-office operations tasks. Operations tasks include call center operation, back-office processing, image review including out-of-state license plate lookups, toll bill printing and mailing, transponder inventory

management, civil penalty adjudication processing, and collection oversight. In addition, WSDOT retains the option to evaluate what services may remain with the operator or brought in-house on a task-by-task basis in order to optimally leverage each group's areas of expertise (e.g., accounting).

One of the added benefits of separating the BOS vendor from the CSC vendor is the flexibility for WSDOT to maintain the systems software in place while changing the CSC vendor if the latter operator does not meet pre-determined key performance indicators (and assuming the BOS software meets and/or exceeds expectations and is dynamic enough to grow with additional toll facilities or other services). This flexibility also includes the ability for WSDOT to shorten the operations contract for a vendor who may underperform on customer service tasks as the contract is assumed to be six years with two optional two-year extensions. As a conservative approach, the forecast assumes procurement of a new vendor at the end of each six-year contract but allows an additional year for vendor transition, resulting in a seven-year effective contract period.

The cost estimates for FY 2024 reflect the third full fiscal year under the two new separate long-term contracts for BOS and CSC. The systemwide BOS vendor costs reflect the ETAN contract values and are allocated to SR 520 based on its share of the systemwide transactions. The May 2024 forecast assumes a 10-year BOS vendor contract term over FYs 2021-30, a change from the January 2023 forecast which assumed that the vendor contract extend over FYs 2022-31. In addition, cost assumptions reflect revised negotiated contract costs, including upward adjustments to account for recent price increases for labor and materials.

The SR 520 CSC costs up to FY 2025 are based on the estimated CSC budget values negotiated with the vendor. From FY 2026 onwards, the systemwide cost projections use estimated pass-through operations costs for the CSC vendor, based on a conservative, bottom-up, activity-based approach which evaluates all costs on a per unit cost and volume basis. The systemwide costs comprise transaction dependent and fixed costs (non-transaction dependent). Furthermore, the systemwide CSC costs are escalated to account for inflation over each fiscal year of the forecast horizon. Each year's forecasted value is then divided by the total number of forecasted electronic toll transactions to yield annual values for the average unit cost per transaction, which are then applied to the transaction forecast values for SR 520 by year to determine the SR 520 CSC O&M costs.

In the May 2024 update, cost projections align with the latest operational budgets developed by Neology (formerly known as Shimmick). The slight reduction in CSC O&M costs is due to the lower transaction forecast for SR 520 over the long-term horizon.

Two financial accounts are maintained to keep the costs and revenues separate for the civil penalty process. Delinquent toll bills that are subsequently recovered via the adjudication process are deposited into the Civil Penalty Account (17P), and are typically transferred from there to the SR 520 Toll and Fee Revenue (16J) Account through legislative authorization at the end of each fiscal year. The amount of time the CSC vendor spends supporting the two activities determines how the costs are allocated between the accounts.

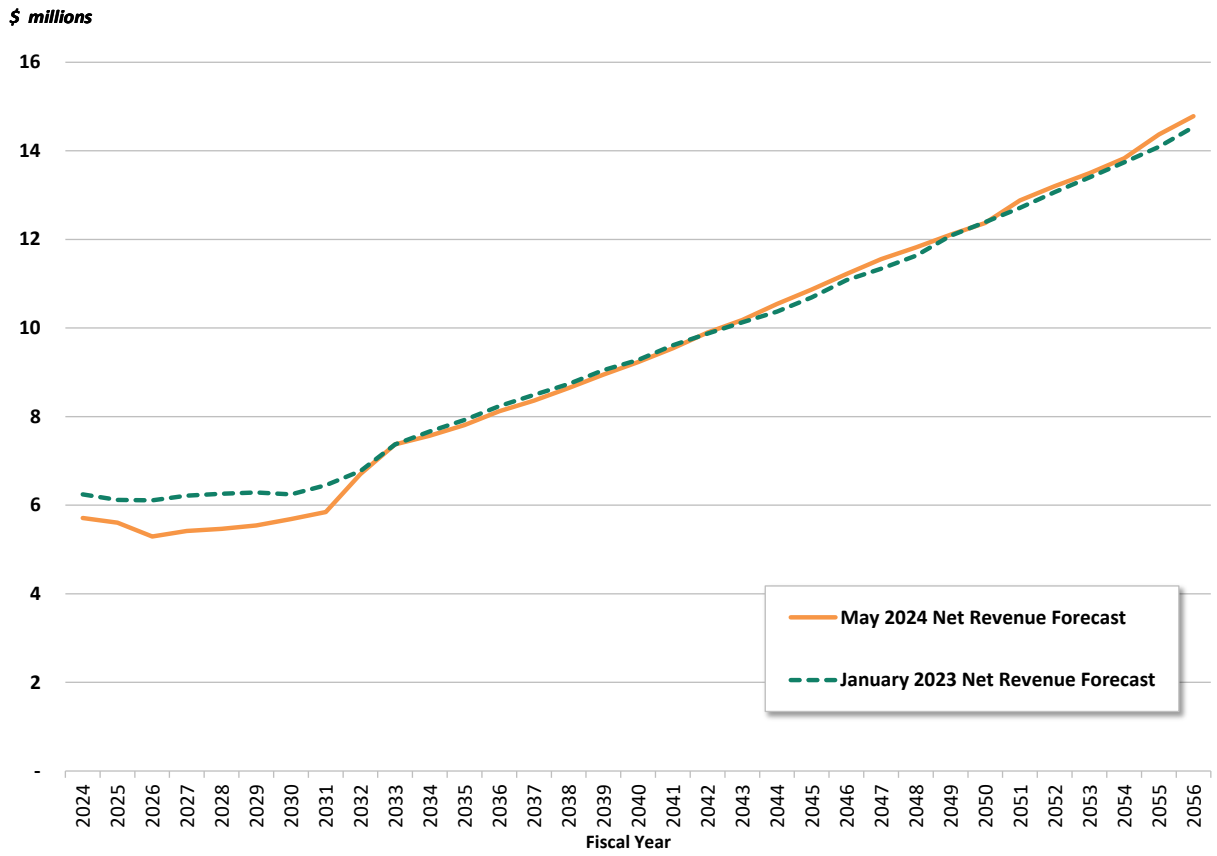
The aforementioned Customer Program for Resolution (CPR) alternative payment option, implemented in mid-2015, allows customers who receive a notice of civil penalty but call or visit a customer service center to receive a waiver of the $40 civil penalty fee, up to two times. When the CPR process is used to recapture toll revenue, the amount recaptured is automatically transferred into the SR 520 Toll and Fee Revenue Account, denoting the CSC vendor activities as toll collection-related. The first customer-initiated request typically results in both fees and penalties being waved, the second request requires *Good To Go!* account holders to bring their account back to good standing and non-account holders to open a *Good To Go!* account. Further requests for civil penalty fees to be waved requires a hearing with an Administrative Law

Judge. While helping to improve the rate of toll collection in the NOCP process, the waiver of $40 fees payable has resulted in a noticeable decrease in civil penalty fee revenue over time.

For the overall forecast horizon (FYs 2024-56), the SR 520 total BOS and CSC O&M costs are $4.2 million, or about 1.3 percent lower than in the January 2023 forecast. The combined $4.2 million decrease includes a marginal increase of BOS costs of approximately $0.3 million, driven by SR 520's share of transactions relative to overall systemwide transactions, and a decrease in CSC O&M costs of $4.5 million. The decrease in CSC costs is due to the marginal reduction in SR 520 transaction forecasts over the long-term horizon due to the permanent downward shift in travel predicted as an outcome of the COVID-19 pandemic and the decreased systemwide cost per transaction.

Exhibit 21 illustrates the forecast horizon CSC and BOS costs for the May 2024 and January 2023 forecasts. CSC Operations Vendor O&M costs are included in column 26 and BOS Software Vendor O&M costs in column 27 of Exhibit 29 in Appendix A.

Exhibit 21: SR 520 Share of System-wide CSC and BOS Cost Projections in YOE $ (FYs 2024-56)



Routine Facility Operations and Maintenance (Column 28)

Routine operation and maintenance of the SR 520 physical assets are critical to providing continuous, uninterrupted toll revenue generation. Proper maintenance of the facility also ensures that the expected level of service is provided to motorists. Typically, facility O&M activities include lane restriping, lighting maintenance, routine bridge repairs, pothole and pavement repair, traffic operations, signage, litter pickup, etc. These activities help to preserve safety and travel reliability along the corridor. A more detailed list of facility maintenance activities is provided in Appendix C as Exhibit 31.

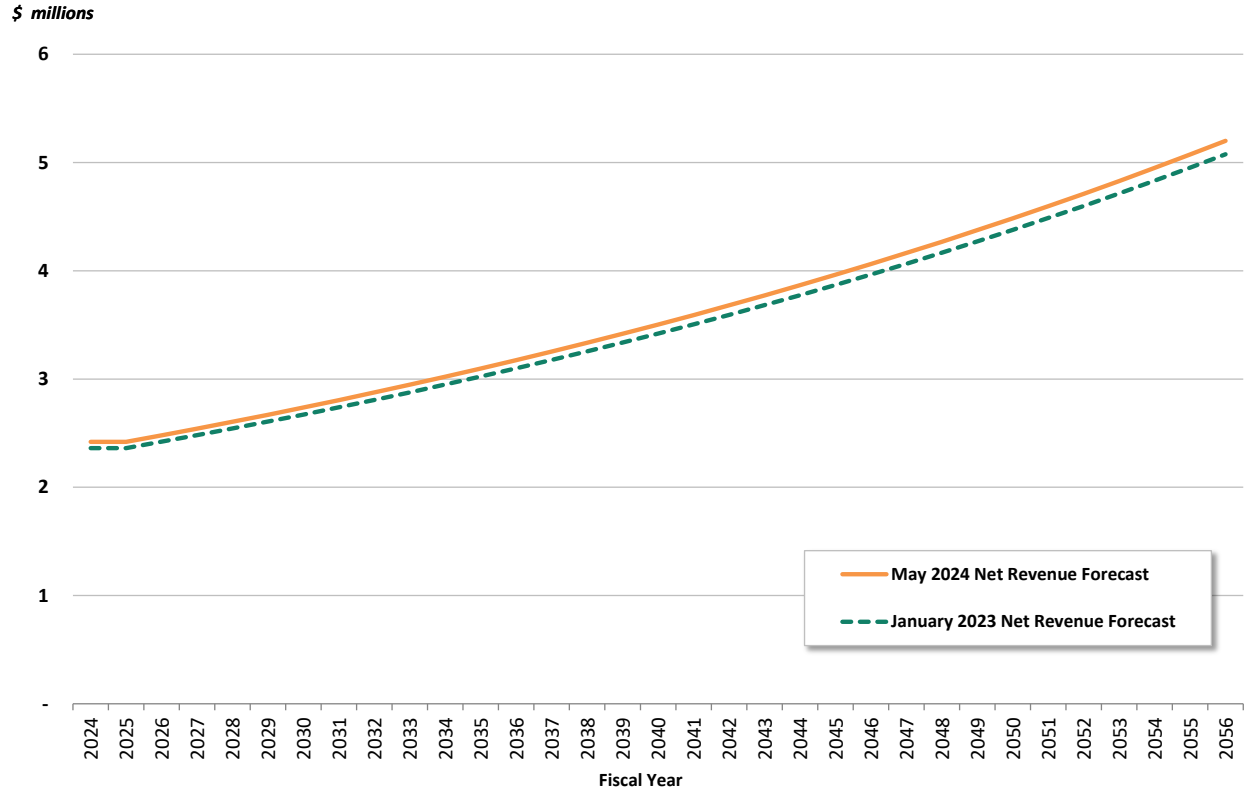
As described in Section 1 | Introduction and Key Forecast Changes, the SR 520 Bridge Replacement and HOV Program comprises eight component projects, the first four of which included construction funding supported by tolls. The facility O&M costs for these four components with toll funding are assumed to be paid from future tolls in the current and previous forecasts. The capital costs for remaining program components — which have yet to be completed — do not currently include any toll funding. As such, WSDOT assumes that the O&M costs for the existing and reconstructed roadway and structures comprising the remaining four corridor component projects will continue to be paid from motor vehicle revenues other than tolls. However, this assumption is subject to change if the state legislature were to include toll funding in a future budget for one or more of the remaining Program component projects.

In 2010, WSDOT's SR 520 Program office established a maintenance task force of engineering, maintenance, and design staff to conduct a full review of the Program's projected facility O&M costs. Responsibility for updating facility cost estimates was transferred to the Northwest Region (NWR) office in 2018. In 2019, the NWR program management and maintenance staff reassessed and updated the O&M (and R&R) estimates based on most up-to-date information for the November 2019 forecast. With the COVID-19 pandemic, NWR and HQ staff opted to refine only the R&R cost estimates, based upon more accurate major maintenance pricing details in what became the April 2022 forecast. For the current May 2024 forecast, the underlying cost and timing assumptions for the facility O&M and R&R cost projections were revised to more accurately reflect current market conditions and recent actual O&M activities on the SR 520 Bridge.

Over the forecast horizon, facility O&M cost assumptions for the May 2024 forecast have been refined to incorporate the latest information provided by the NWR office on requirements, the 2023-25 biennium Governor's budget appropriation request, as well as seven years of actual O&M (and R&R) expenditures on the new floating bridge and related facility components for which tolls fund O&M activities. Unit costs for labor, rental of equipment from the TEF, materials and supplies, and other (utilities, etc.) were reevaluated for FY 2026 and then factored by 2.5 percent annual inflation to estimate future costs in YOE dollars.

Based on these updates, the May 2024 forecast for facility O&M costs reflects a $2.8 million increase (2.4 percent) over the FYs 2024-56 horizon. The current and prior annual facility O&M cost projections are illustrated in Exhibit 22, with forecast values provided in column 28 of Exhibit 29 in Appendix A.

Exhibit 22: Projected Facility O&M Costs for the toll funded segments in YOE $ (FYs 2024-56)



Bridge Insurance (Column 29)

Annual insurance costs for the SR 520 Bridge comprise bridge insurance premium payments and brokerage fees. Current insurance premium pricing and coverage levels are provided by the Office of Risk Management (ORM) within the Department of Enterprise Services. Insurance coverage on the bridge and approach structures includes property damage on the Portage Bay Bridge, West Approach, Floating Bridge, and East Approach, as well as business interruption coverage for a total insured value of $1.76 billion with a $400 million all-risk policy limit.

Coverage is provided for property damage losses caused by forces of nature, component failure, or acts of terrorism with the $400 million limit for all risk loss protection, except for losses caused by earthquake or flood, which have $100 million limits. There is a $10 million deductible that applies to all property damage losses. In addition, coverage includes business interruption insurance with a $100 million limit for revenue due to a covered loss and there is a $100 million limit for boiler & machinery equipment breakdown risk, with an applicable $10 million deductible. Overall, the current asset value increased from $1.53 billion as the basis for the FY 2022 premium to $1.76 billion for the FY 2024 premium.

Separate from premium costs, brokerage fees are paid on a monthly basis. The fees are determined at a statewide level including SR 520 and TNB bridges and then allocated to individual facility, with a 2.5 percent annual escalation factor applied to account for inflation purposes. Also, starting FY 2032, with tolls likely to be discontinued on TNB, the insurance costs calculation assumes a higher share of statewide brokerages fees to be allocated to SR 520.

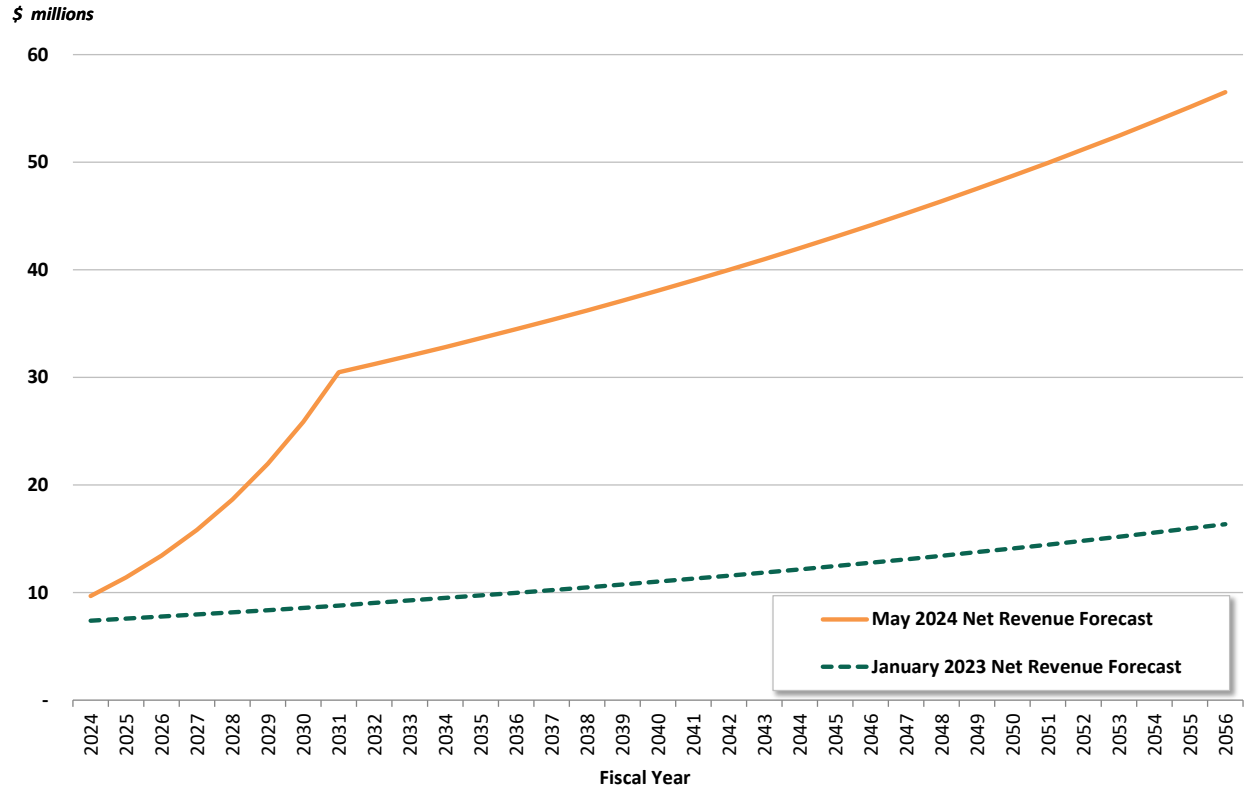
Bridge insurance premium costs over the forecast horizon more than trebled to nearly $841 million, a 225.1 percent increase compared to the January 2023 forecast. In the near-term through FY 2031, higher projected premium costs, per direction from WSDOT executives, are now based on the most recent quote for FY 2024, factored up annually by the most recent 10-year average historical increase in insurance costs, which is 17.8 percent. Longer term, a more modest, 2.5 percent annual escalation is applied starting with FY 2032 to the now higher basis. Factors likely contributing to the cost changes include the following.

- Challenging market conditions over the past few years continue to persist and contribute to higher premium rates. As losses from recent catastrophic events continue to mount — e.g., hurricanes Harvey, Irma and Maria in 2017, increases in California and other western state wildfires since 2018, and severe winter storms in 2021 and 2022 — so to have the exposure risk to property and potential threats to loss of operational revenues. Many insurers have suffered attritional losses and unprofitability in recent years, resulting in re-evaluation of risks and increases in their pricing.
- The Program's remaining structures west of Lake Washington (including the Portage Bay Bridge) have not yet been reconstructed, and thus, continue to have above average seismic risks until replaced with structures engineered to current standards. These Program elements are anticipated to be completed by FY 2032.

WSDOT and DES are currently exploring opportunities for state self-insurance which could include partial state coverage for certain assets and current policies supplemented by private market coverage. The details and costs for self-insurance are currently being developed and it is expected that the next forecast update will have materially different insurance cost projections.

The current and prior annual insurance premium projections are illustrated in Exhibit 22, with forecast values provided in column 29 of Exhibit 29 in Appendix A.

Exhibit 23: Projected Insurance Costs in YOE $ (FYs 2024-56)



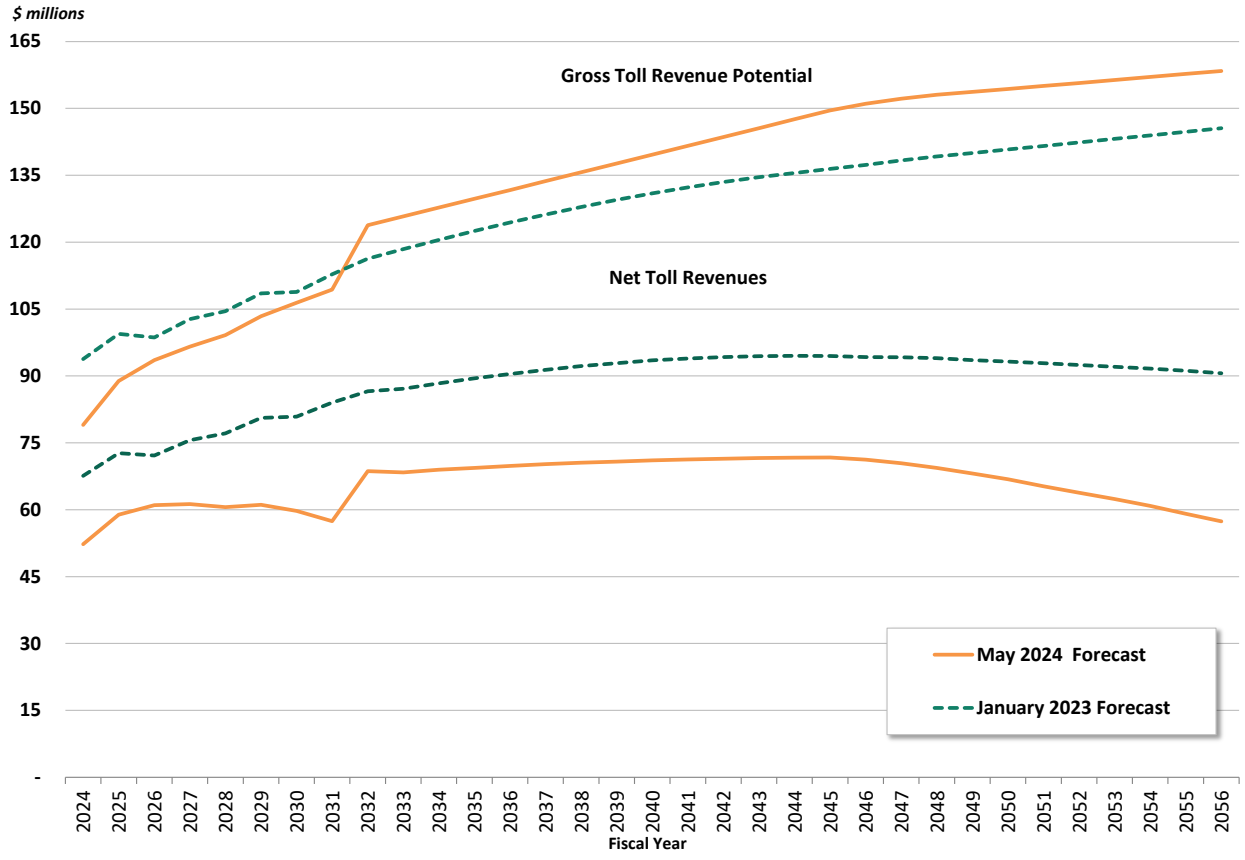
6 | Changes to Other Project Uses of Toll Revenues

Total Net Revenue (Column 30)

Starting with Gross Toll Revenue Potential in column 11 of Appendix A Exhibit 29, the addition and subtraction of the various revenue adjustments in columns 12-21 and the O&M expenditures in columns 22-29 result in the total projected net toll revenue in column 30 available to support financing, contribute to required reserves, and provide for other project uses.

Exhibit 24 illustrates the spreads between the gross and net toll revenue over the forecast horizon for the prior January 2023 and current May 2024 forecasts. Differences in the sums of the annual values over the forecast horizon are shown in Exhibit 4 on page 12.

Exhibit 24: Projected Gross and Net Toll Revenues (FYs 2024-56)



Other downstream uses of net toll revenues include deferred sales tax, periodic facility R&R costs, and periodic toll-related R&R costs as shown in the waterfall on the previous page. In accordance with the SR 520 financial plan flow of funds, net revenues are used to pay debt service first, with annual reserve account contributions for deferred sales tax and R&R coming downstream from coverage revenues. Descriptions for these other uses of tolls are provided below.

Deferred Sales Tax on Construction (Column 31)

The 2008 Washington State Legislature, through ESHB 3096 codified as RCW 47.01.412, granted the SR 520 Program the ability to defer a portion of the state and local sales tax payable on construction until five years after the replacement bridge is constructed and open to traffic. The State is deferring sales tax on almost all of the corridor program components with toll funding support, with the exception of sales tax paid in Grays Harbor County that applied to the floating bridge pontoon construction site development. Toll revenues are assumed to be the source of funding used to pay the deferred sales tax in 10 equal annual installments.

The first of the 10 equal annual installments was originally due on December 31st of the fifth calendar year after the certified date by which the program components with toll funding are operationally complete. The final program component to-date to use toll funding, the West Approach Bridge North, was completed in mid-2017, which would make the first deferred sales tax payment due on December 31, 2022, midway through FY 2023. However, the 2022 Washington State Legislature, via passage of HB 2024 which amended RCW 47.01.412, has effectively deferred the payment of construction sales tax until the twenty-fourth year after the certified completion date. Commencement of deferred construction sales tax payments is now projected for mid FY 2042.

The May 2024 forecast values, shown in column 31 of Exhibit 29 in Appendix A, maintain the total repayment of value of $159.4 million in 10 equal annual installments from FY 2042 through FY 2051 assumed in the prior April 2022 and January 2023 forecasts.

Toll-Related Repair and Replacement Costs (Column 32)

Toll-related R&R costs include the periodic repair, rehabilitation, and replacement of the RTS hardware and equipment. In addition to hardware and equipment, toll-related R&R costs include SR 520's share of the systemwide administrative and technical-related costs incurred by WSDOT to periodically procure both the RTS and CSC vendor contracts as well as implement and test new systems software and toll collection equipment hardware.

Additional detail on toll-related R&R and vendor procurement costs is provided below, and the annual cost projections in year of expenditure dollars are provided in column 32 of Exhibit 29 in Appendix A.

Roadway Toll Systems Repair and Replacement Costs

RTS vendor R&R costs include upgrades to, or replacement of, cameras and transponder readers, networking equipment, and fiber optic communication lines. While it may be possible to get more than 10 years out of some hardware components and/or for WSDOT to extend the contract for an established RTS vendor, the cost projections conservatively assume that the RTS vendor will be re-procured and entire RTS system will be replaced every 10 years. This periodic procurement is next scheduled to commence in FY 2026 and conclude in FY 2027, which includes up to one year for procurement of a state-wide vendor to

provide the entire roadway toll system, followed by implementation and testing of each facility to allow for a smooth transition to a new vendor and/or new equipment.

Allocation of systemwide RTS procurement costs are calculated using the total number of active toll facilities rather than the number of toll points to avoid concerns of over-allocation of primarily fixed costs to the I-405 Express Toll Lanes and the SR 167 HOT lanes with their multiple toll points.

The May 2024 RTS R&R costs increased by 25.5 percent ($7.3 Million) over the prior January 2023 forecast. This increase is attributed to revised Vendor Implementation and Testing costs, which increased base costs to match the costs of the SR 509 Gateway implementation and adoption of the latest available information for BOS Vendor Integration occurrence schedule.

CSC and BOS Repair and Replacement Costs

In addition to costs related to RTS vendor procurement, implementation, and testing, the periodic costs to procure the BOS software and CSC operations vendor contracts along with implementation and testing are also included in the Periodic Toll Equipment and CSC R&R column in the net revenue table as provided in Exhibit 29. While a USDOT Urban Partnership Agreement grant covering SR 520 paid for the initial procurement of the Customer Service Center vendor, including implementation, and testing, all subsequent costs associated with procuring and implementing one or more CSC and BOS vendors are to be allocated across all the authorized toll facilities based on each facility's share of total system wide transactions.

Similar to BOS O&M costs, systemwide BOS vendor procurement (R&R) costs are allocated on both the tolled and HOV/non-revenue transactions (the latter discounted by a weighting factor of 19.5 percent). This is differs from the methodology used in the prior January 2023 forecast.

Procurement costs also use the full forecasted transactions for each toll facility over the anticipated length of the vendor contract to establish each facility's share of the total systemwide costs. Using an extended 10-year horizon helps to even out ramp-up factors for new facilities just starting operations and ensures that future facilities that benefit from vendor operations are contributing to the procurement of the vendor. Costs are assumed to escalate by 2.5 percent per year to account for inflation.

Similar to BOS procurement costs, CSC costs use the full forecasted transactions for each toll facility over the anticipated length of the vendor contract to establish facility shares of the total systemwide costs. The current forecast values assume that the operations vendor contract will be procured for a base period of six years, with two optional two-year contract extensions. As a conservative approach, the forecast assumes only one two-year contract extension will be administered per procurement cycle, resulting in an eight-year effective contract period, with seven years between vendors after accounting for a one-year overlap period. Using an extended eight-year horizon helps to even out ramp-up factors for new facilities just starting operations and ensures that future facilities that benefit from vendor operations are contributing to the procurement of the vendor. Costs are assumed to escalate by 2.5 percent per year to account for inflation.

The previous CSC/BOS vendor was contracted to provide hosted software capable of account management, transponder inventory management, website administration, image reviews, collection oversight, accounting, and toll bill adjudication management, noting that Pay By Mail invoice generation and distribution were transferred to DES in 2016. The originally deployed software was referred to as a first generation (Gen 1) system in customer toll transactions processing for WSDOT. The current BOS vendor is providing a second generation (Gen 2) system software solution. The (Gen 2) BOS software for toll transaction processing and customer account management provides the capability to integrate of *Good To Go!* toll technology as an alternative payment method for Washington State Ferries (WSF) if considered in

the future. In addition, the Gen 2 system would address other concerns with the existing system by allowing for the following improvements:

- Enhancing key performance indicators (KPIs) to better measure things which would add immediate value to the customer service delivery, such as the customer website for account management, the CSC phone system, and support for routine and ad hoc reporting;
- Reduce the frequency of changes to operating rules, which can create an unstable environment where operational consistency is difficult to achieve;
- Facilitate training that better prepares customer-facing staff to deliver consistent information and service to customers;
- Provide a better path toward compliance with established policies and procedures required for good customer service; and
- Expedite recognition and resolution of transaction processing and customer service issues.

Following the recently completed vendor transition in FY 2022, the WSDOT Toll Division will allow for a separate BOS and CSC vendor procurement model going forward. However, separate BOS and CSC vendor RFPs do not preclude the selection of the same vendor for both contracts.

- BOS Software vendor contract — The back-office system software is integrated with the RTS (lane system) equipment, the CSC vendor (if different), WSDOT's accounting system (TRAINS), the Washington State Department of Licensing (DOL), and a third-party out-of-state license plate look-up vendor. The latter two parties are required for identifying Pay By Mail customer names and addresses for mailing toll bills.
    - The existing and future BOS vendor contracts are assumed to be 10 years in duration, with the procurement, transition, and replacement of the systems software and vendor spread across up to two fiscal years. RFP development will occur with a vendor solicitation in year 9, concurrent with some initial design and development; most of the final design, installation and testing is assumed to be evenly split between years 10 and 11. This is a notable change from the prior January 2023 update where all the costs accrue in years 9 and 10. In addition, transition support will occur during the last year of the outgoing vendor's contract as a reimbursable expense included in the overall procurement R&R cost.
- CSC Operations vendor contract — The customer service center operations vendor is primarily responsible for the staff performing the front and back-office customer service operations tasks. These would include call center operations, back-office transaction processing, license plate image review, transponder inventory management and distribution, adjudication management, collection oversight, and retail front office services. Toll bill printing and mailing, recently transferred from the CSC back-office vendor to the state Department of Enterprise Services, could potentially be added back to the scope of work for a future CSC operations vendor procurement.
    - The current forecast values assume that the operations vendor contract will be procured for a base period of six years, with two optional two-year contract extensions. As a conservative approach, the forecast assumes only one two-year contract extension will be administered per procurement cycle, resulting in an eight-year effective contract period, with seven years between vendors after accounting for a one-year overlap period. The revised assumption was made to better reflect the recent vendor transition experience and account for more conservatism in the cost estimates for future procurement cycles.

- In addition, WSDOT can evaluate what services may remain with the CSC operator or be brought in-house on a task-by-task basis in order to optimally leverage each group's areas of expertise.

In addition to the initial development costs for software and hardware, maintenance and technical support are included in the routine WSDOT and Consultant Operations staff costs and vendor contract costs discussed in their respective sections.

The Gen 2 BOS software is designed to be capable of adding new toll facilities as such facilities are authorized for tolling by the state legislature. Although the forecast assumes the Gen 2 system is capable of back-office integration with WSF, this is not yet assumed to be part of the operations, and thus, costs for that customization are excluded since WSF doesn't contribute to procurement or operational costs.

The inclusion of a fractional portion of non-revenue trips for the BOS vendor cost allocation to each toll facility in the forecast results in a higher share of BOS costs allocated to I-405 and SR 167 ETLs as a result of toll-free HOV carpool trips, thus decreasing the cost allocation share for SR 520 as well as SR 99 and TNB, all of which have limited non-revenue transactions compared to the ETL facilities.

The May 2024 update included budgeted appropriations from Program B for FY 2024 ($0.29 M) and FY 2025 ($0.95 M), which were not included in January 2023 update. Furthermore, the first CSC re-procurement in the forecast horizon has been pushed out by two years in the current update to FYs 2028-29 (instead of FYs 2026-27) This change leads to only partial inclusion of the CSC procurement costs for the final procurement cycle in FYs 2056-57 (forecast period ends with FY 2056), while the January 2023 update included these costs fully considering they were to be incurred in FYs 2054-55. In aggregate, over the FY 2024-56 forecast horizon, the SR 520 total BOS and CSC R&R costs have increased by $1.2 million or 2.7 percent compared to the January 2023 forecast. The BOS costs have increased by $2.1 million (or 5.8 percent), while the CSC costs have decreased by $0.9 million (or 9.0 percent) over the forecast horizon.

Exhibit 25 illustrates the total SR 520 toll-related R&R costs for the May 2024 and previous January 2023 forecasts. Exhibit 26 further illustrates the composition of the May 2024 forecast values by the main sub-components of toll-related R&R costs.

Exhibit 25: Toll Collection Repair and Replacement Cost Forecast Comparison in YOE $ (FYs 2024-56)

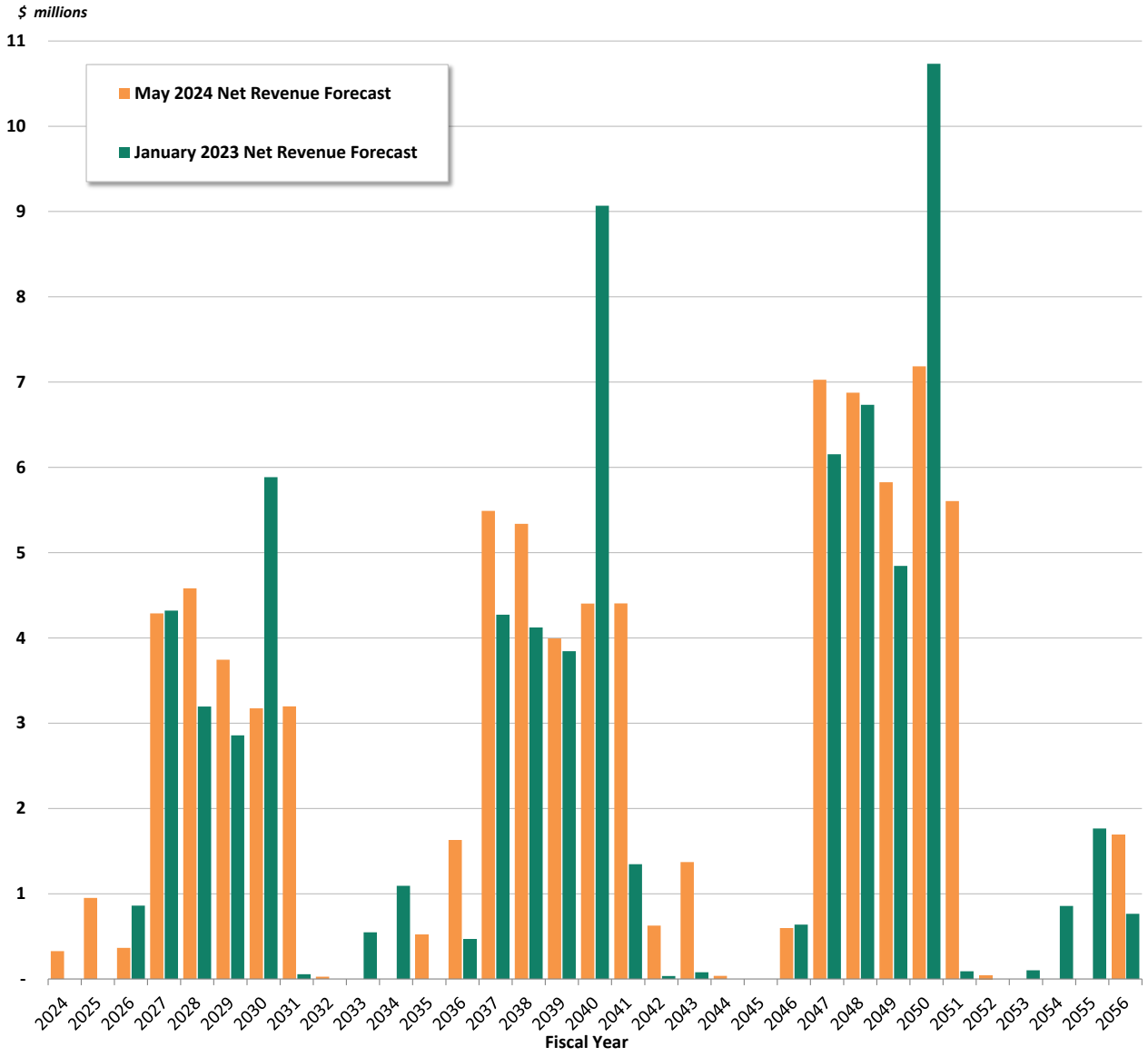
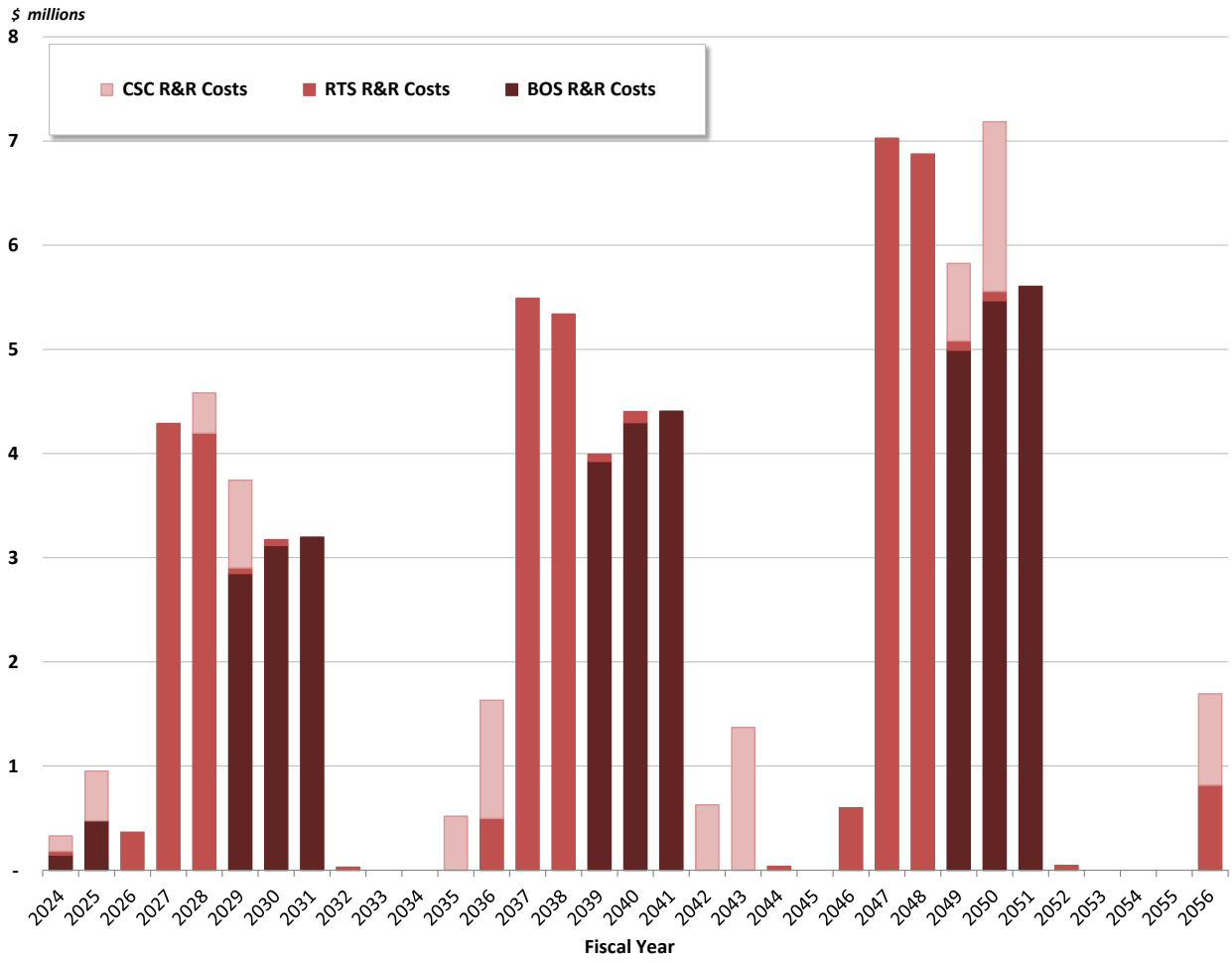


Exhibit 26: May 2024 Forecast for Toll Collection Repair & Replacement Costs by Component in YOE $ (FYs 2024-56)



Periodic Facility Repair and Replacement Costs (Column 33)

Costs associated with periodic facility R&R activities are assumed to be funded from the WSDOT preservation program ("P program") using toll revenues and other non-toll sources. Periodic facility costs typically involve major capital upgrades, renewal, and improvements, including replacement of anchor cables, replacement of strip seal expansion joints, surface rehabilitation, painting, and related capital rehabilitation. Cost estimates for periodic R&R items are dependent upon several design characteristics of the facility, including the type of construction materials and structural attributes.

As with facility O&M costs, WSDOT's NWR maintenance staff has responsibility for reviewing, revising, preparing, and documenting the costs for R&R activities. Like the O&M costs, R&R projections were prepared by roadway segment and cost category. In 2024, the NWR program management and maintenance staff and HQ staff reassessed and updated the R&R estimates based on most up-to-date information available. The R&R unit costs and projection estimates for this May 2024 forecast update were further refined and adjusted to reflect changes in the prices for materials and labor, and assumptions on major component replacement timelines.

The recent May 2024 forecast for facility R&R costs aligns with standard WSDOT project scoping practices. This included a detailed review performed by subject matter experts to analyze the maintenance and replacement activities, and work quantities for appropriateness, leveraging their experience and industry standards to determine the optimal asset replacement cycles, and assessing the recently awarded contract prices as well as historical bids to recommend suitable unit costs.

Traffic control activities are included within the R&R unit costs on relevant items. Other markups (miscellaneous, mobilization, tax, construction, contingencies, preliminary engineering) are applied based on the total estimated cost in the year of expenditure dollars and on the type of work (i.e., preliminary and construction engineering). The percentages for "other markups" are in accordance with the WSDOT Cost Estimating Manual[1], Plans Preparation Manual[2] and Ebase User's Guide[3].

The forecast horizon facility R&R cost assumptions for the May 2024 forecast have been refined to incorporate the latest information provided by the NWR office on requirements, the 2023-25 biennium Governor's budget appropriation request, as well as seven years of R&R (and O&M) expenditures on the facility. Base costs for labor, materials and supplies, and other (including utilities) were revised upwards to capture recent, above average cost escalation. Bridge item unit base costs were updated to FY 2023 actual expenditure values, and non-bridge item unit base costs were updated based on recommendations from NWR Design and Safety Office, which are higher than in the 2023 update. In addition, planning-level estimates for bridge deck sealing have been updated based upon recent expenditure experience The remaining cost assumptions were unchanged from the January 2023 forecast, including the 2.5 percent annual inflation assumption used to escalate costs to future YOE dollars.

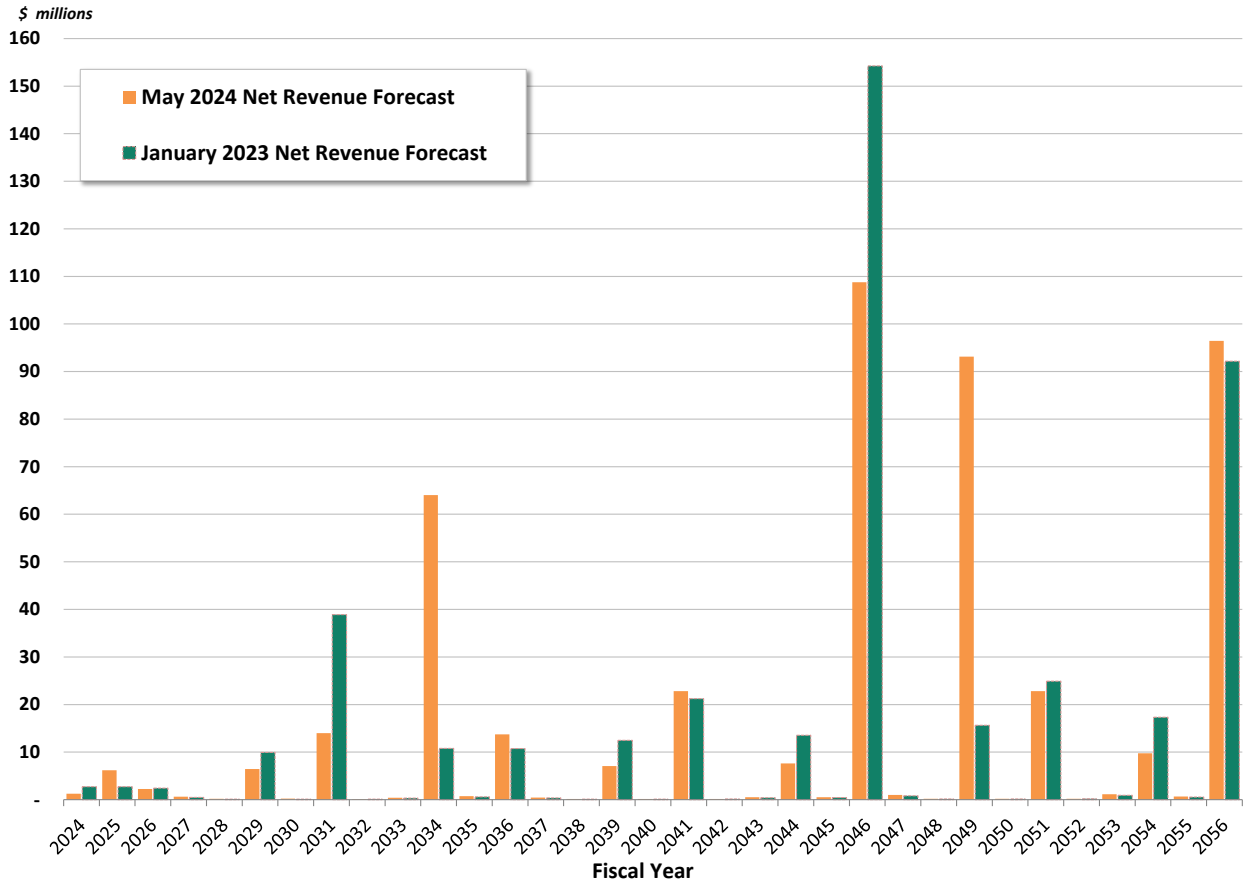
Based on these updates, projected R&R costs for the FYs 2024-56 forecast horizon reflect a $47.9 million increase (11.0 percent) in comparison to the 2023 update. Facility R&R costs funded by toll revenues are shown in column 33 of the Exhibit 29 T&R table for the May 2024 forecast. Annual amounts for both the current May 2024 and previous January 2023 forecasts are graphically depicted in Exhibit 27.

[1] Cost Estimating Manual for Projects, WSDOT, December 2020

[2] Plans Preparation Manual, WSDOT, September 2020

[3] Ebase User's Guide, May 2021

Exhibit 27: Toll-Funded Facility Repair & Replacement Costs by Forecast in YOE $ (FYs 2024-56)



Appendix A: Annual Toll Traffic & Revenue Projections

The T&R table provided on the following page as Exhibit 29 shows the adjustments, additions, and reductions to Stantec's Gross Toll Revenue Potential forecast that yield the net toll revenue cash flow available for debt service and other downstream uses.

Key changes and additions to T&R table columns by forecast are shown in Exhibit 28 below, with (#) representing the table column number.

Exhibit 28: Changes in the T&R Table Format across the Annual Net Revenue Forecasts

SEPTEMBER 2011	SEPTEMBER 2012*	OCTOBER 2013 & NOVEMBER 2014	NOVEMBER 2015	NOVEMBER 2016-18	NOV 2019, JUNE 2021, APRIL 2022	JANUARY 2023	MAY 2024
Gross Toll Revenue (11)	Gross Toll Revenue Potential (11)	No change	No change	No change	No change	No change	No change
Free Trip Incentive (12)	No Change	Included in actuals for Toll Payment Discounts & Fees (12)	No change	No change	No change	No change	No change
Self-Initiated Payment Incentives (13)	No Change	Included in Toll Payment Discounts & Fees (12)	No change	No change	No change	No change	No change
Good To Go! Pay By Plate Fees (14)	*Good To Go!* Pay By Plate Surcharge (14)	Included in Toll Payment Discounts & Fees (12)	No change	No change	No change	No change	No change
Late Payment Fees (15)	No change	Pay By Mail (PBM) Rebilling Fees (18)	No change	No change	No change	No change	No change
N/A	N/A	N/A	N/A	Recaptured Toll Revenue at *Good To Go!* Rates via CPR (15)	No change	No change	No change
N/A	N/A	Gross Toll Revenue Collected (15)	No change	Gross Toll Revenue Collected (16)	No change	No change	No change
Uncollectible Transactions/Leakage (16)	Uncollectible Accounts (16)	Revenue Not Recognized (13), Unpaid Toll Revenue (14)	No change	No change	No change	No change	No change
N/A	N/A	Misc. Pledged Revenues (16)	No change	Misc. Pledged Revenues (17)	No change	No change	No change
Recovered Toll & Fee Revenue (17)	No change	Recovered Toll Revenue (19), recovered fees included in PBM Rebilling Fees (18)	No change	Toll Revenue Recovered at PBM Rates via NOCP (20), recovered fees included in PBM Rebilling Fees (19)	No change	No change	No change
Adjusted Gross Toll Revenues (18)	No change	Adjusted Gross Toll Revenue & Fees (20)	No change	Adjusted Gross Toll Revenue & Fees (21)	No change	No change	No change
Transponder Sales Revenue (19)	No change	Transponder Sales Revenue (17)	No change	Transponder Sales Revenue (18)	No change	No change	No change
Credit Card Fees (21)	Credit Card Fees (22)	Credit Card Fees (21)	Credit Card Fees (21): now excludes fees from tag sales	Credit Card Fees (22)	No change	No change	No change
Transponder Purchase & Inventory Cost (20)	No change	Included in Toll Collection O&M (22)	Included in Toll Collection O&M (22); now includes credit card fees on tag sales	Included in Toll Collection O&M (23)	No change	No change	No change
Routine Toll Collection O&M Costs (22)	Toll Collection O&M Costs (22)	Toll Collection O&M Costs (22), costs now include Transponder Purchase & Inventory	No change	Toll Collection O&M Costs (23)	Toll Collection CSC O&M Costs split up: CSC Ops Vendor O&M (26), BOS Software Vendor O&M (27)	No change	No change
N/A	N/A	Periodic Toll Equipment and CSC R&R Costs (28)	No change)	Periodic Toll Equipment and CSC R&R Costs (29)	No change	No change	No change
Remaining Net Toll Revenues After R&R/ Deferred Sales Tax (28)	Net Toll Revenue After Deferred Sales Tax and Periodic R&R (28)	Total Net Toll Revenue After Deferred Sales Tax and Periodic R&R (29)	No change	Removed	No change	No change	No change

* Forecast values correspond to the September 2012 Net Revenue forecast update, modified to incorporate nickel rounding of toll rates in fiscal years 2014-16, as adopted by the Washington State Transportation Commission in May 2013.

Exhibit 29: SR 520 Traffic and Revenue Table — May 2024 Forecast with 10% Tailored Increase (Option B)
Annual Transactions, Gross Revenue, and Net Revenue | FY 2012-56

Updated: 6/17/2024

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33
		Good To Go! Accounts			Pay By Mail / No Account				Toll Revenue Potential			Plus (Less):	Less:	Less:	Plus:		Plus:	Plus:	Plus:	Plus:		Less:	Less:	Less:	Less:	Less:	Less:	Less:	Less:				
	Fiscal Year	Wtd. Average Toll per PCE Transaction (one-way)[1]	Annual Bridge Toll Transactions (millions)[2]	PCE Bridge Volumes (millions)[3]	Wtd. Average Toll per PCE Transaction (one-way)[1]	Annual Bridge Toll Transactions (millions)[2]	PCE Bridge Volumes (millions)[3]	**Total Toll Transactions (millions)[4]**	*Good To Go!* Pre-Paid Accounts ($ millions)[5]	Pay By Mail / No Account ($ millions)[6]	**Total Gross Toll Revenue Potential ($ millions)[4]**	Toll Payment Discounts and Fees ($ millions) [7, 8, 9]	Revenue Not Recognized ($ millions) [10, 11]	Unpaid Toll Revenue ($ millions) [10, 12]	Recaptured Toll Revenue at Good To Go! Rates via CPR ($ millions) [13]	**Subtotal: Adjusted Gross Toll Revenue Collected ($ millions)**	Misc. Pledged Revenues ($ millions) [14]	Transponder Sales Revenue ($ millions) [15]	Pay By Mail Rebilling Fees (2nd Invoice & Later Recovery) ($ millions) [16, 17]	Toll Revenue Recovered at Pay By Mail Rates via NOCP ($ millions) [18]	**Subtotal: Adjusted Gross Toll Revenue & Fees ($ millions)**	Credit Card Fees ($ millions) [19]	Transponder Purchase and Inventory Costs ($ millions) [20]	State and Consultant Operations Costs ($ millions) [21]	Roadway Toll Systems (RTS) O&M Costs ($ millions) [22]	CSC Operations Vendor O&M Costs ($ millions) [23]	BOS Software Vendor O&M Costs ($ millions) [23]	Routine Facility O&M Costs ($ millions) [24]	Bridge Insurance Premiums ($ millions) [25]	**Total Net Toll Revenue ($ millions)**	Deferred Sales Tax Payments ($ millions) [26]	Periodic Toll Equipment and CSC Repair & Replacement (R&R) Costs ($ millions)[27]	Periodic Facility Repair & Replacement (R&R) Costs ($ millions)[28]
Reported Data	2012	$2.66	7.95	8.05	$3.96	1.66	1.69	**9.61**	21.39	6.67	**28.06**	(0.21)	(0.69)	(1.05)	-	**26.10**	2.00	1.32	0.83	-	**30.25**	(0.43)	(0.93)	(3.53)	(0.32)	(2.18)	-	-	(1.64)	**21.22**	-	-	-
	2013	$2.78	16.92	17.01	$4.19	3.30	3.35	**20.22**	47.28	14.02	**61.30**	0.67	(1.52)	(5.01)	0.00	**55.44**	0.24	0.47	1.38	-	**57.53**	(0.91)	(0.33)	(1.94)	(0.29)	(4.60)	-	-	(2.43)	**47.02**	-	-	-
	2014	$2.85	17.69	17.77	$4.23	3.27	3.31	**20.96**	50.57	14.02	**64.59**	0.86	(1.68)	(3.28)	0.01	**60.50**	0.21	0.50	1.51	-	**62.72**	(1.08)	(0.35)	(3.40)	(0.36)	(3.87)	-	-	(2.52)	**51.14**	-	-	-
	2015	$2.93	18.43	18.52	$4.19	3.59	3.62	**22.02**	54.21	15.17	**69.38**	1.02	(3.82)	(2.69)	0.06	**63.95**	0.51	0.55	1.60	0.89	**67.49**	(1.20)	(0.34)	(3.67)	(0.37)	(4.78)	-	-	(2.22)	**54.91**	-	(0.35)	-
	2016	$2.93	19.77	19.86	$4.79	3.45	3.48	**23.22**	58.13	16.67	**74.80**	1.20	(3.70)	(3.73)	0.79	**69.35**	0.70	0.83	1.40	0.82	**73.09**	(1.31)	(0.55)	(4.36)	(0.27)	(4.75)	-	(0.81)	(2.26)	**58.77**	-	(0.48)	-
	2017	$3.08	20.26	20.36	$5.10	3.72	3.75	**23.97**	62.79	19.13	**81.91**	1.26	(4.54)	(4.29)	0.63	**74.98**	3.77	0.85	1.14	0.82	**81.55**	(1.56)	(0.59)	(4.90)	(0.41)	(5.62)	-	(2.36)	(2.24)	**63.87**	-	(0.80)	(0.21)
	2018	$3.11	22.59	22.70	$6.15	3.19	3.22	**25.79**	70.52	19.83	**90.35**	1.47	(4.40)	(4.85)	0.62	**83.18**	0.98	0.87	1.31	1.00	**87.35**	(1.73)	(0.59)	(4.88)	(0.52)	(5.92)	-	(1.76)	(2.48)	**69.46**	-	(2.56)	(0.28)
	2019	$3.18	23.17	23.28	$5.36	3.35	3.38	**26.52**	74.06	18.13	**92.19**	1.58	(4.36)	(4.53)	0.79	**85.68**	2.14	0.91	1.64	1.00	**91.36**	(1.85)	(0.65)	(4.93)	(0.37)	(8.02)	-	(2.23)	(2.83)	**70.49**	-	(4.04)	(0.06)
	2020	$3.17	18.25	18.34	$5.29	2.64	2.66	**20.89**	58.05	14.07	**72.12**	1.30	(2.86)	(4.90)	0.91	**66.57**	7.05	0.73	1.11	1.43	**76.89**	(1.50)	(0.48)	(4.34)	(0.46)	(9.26)	-	(2.03)	(3.38)	**55.44**	-	(2.02)	(0.11)
	2021[A]	$3.27	12.52	12.57	$5.12	2.12	2.14	**14.64**	41.08	10.98	**52.05**	0.93	(2.55)	(4.44)	0.60	**46.59**	2.50	0.50	0.74	0.23	**50.57**	(1.04)	(0.32)	(6.22)	(0.46)	(7.63)	-	(1.93)	(4.10)	**28.87**	-	(1.43)	(0.03)
	2022	$3.12	16.76	16.84	$4.45	2.53	2.55	**19.28**	52.60	11.36	**63.96**	1.27	(1.90)	(3.32)	-	**60.00**	1.60	0.75	(0.23)	0.77	**62.89**	(1.61)	(0.56)	(4.75)	(0.47)	(4.40)	(0.12)	(1.84)	(5.86)	**43.28**	-	(1.64)	(0.03)
	2023	$3.14	17.37	17.45	$4.52	3.11	3.14	**20.48**	54.75	14.21	**68.96**	1.42	(2.34)	(4.08)	-	**63.96**	4.74	0.81	0.91	0.74	**71.16**	(2.17)	(0.62)	(5.60)	(0.52)	(4.19)	(0.73)	(2.27)	(7.22)	**47.85**	-	(0.05)	(0.20)
New Floating Bridge Operations	2024	$3.63	16.65	16.85	$5.23	3.36	3.40	**20.01**	61.25	17.77	**79.02**	1.39	(2.95)	(3.63)	0.49	**74.32**	3.11	0.70	1.91	0.06	**80.10**	(2.48)	(0.70)	(6.20)	(0.64)	(4.69)	(1.02)	(2.42)	(9.69)	**52.25**	-	(0.33)	(1.25)
	2025	$3.84	18.27	18.49	$5.33	3.32	3.36	**21.59**	70.94	17.94	**88.87**	1.51	(3.23)	(4.27)	0.73	**83.61**	3.19	0.73	1.49	0.06	**89.08**	(2.76)	(0.70)	(6.61)	(0.70)	(4.58)	(1.02)	(2.42)	(11.42)	**58.87**	-	(0.95)	(6.20)
	2026	$3.88	19.12	19.35	$5.37	3.39	3.43	**22.51**	75.11	18.43	**93.54**	1.61	(3.31)	(4.43)	0.64	**88.06**	1.09	0.76	1.47	0.85	**92.23**	(2.91)	(0.68)	(5.69)	(0.70)	(4.44)	(0.86)	(2.48)	(13.45)	**61.03**	-	(0.37)	(2.24)
	2027	$3.87	19.88	20.12	$5.36	3.43	3.47	**23.31**	77.94	18.62	**96.56**	1.70	(3.40)	(4.49)	0.65	**91.03**	1.15	0.79	1.49	0.85	**95.30**	(3.01)	(0.72)	(5.80)	(0.70)	(4.56)	(0.86)	(2.54)	(15.84)	**61.28**	-	(4.29)	(0.63)
	2028	$3.88	20.51	20.76	$5.39	3.43	3.47	**23.94**	80.46	18.69	**99.15**	1.78	(3.47)	(4.51)	0.66	**93.62**	1.20	0.80	1.50	0.88	**98.00**	(3.09)	(0.75)	(5.98)	(0.89)	(4.63)	(0.84)	(2.60)	(18.65)	**60.56**	-	(4.58)	(0.20)
	2029	$3.86	21.58	21.84	$5.36	3.51	3.55	**25.09**	84.35	19.05	**103.40**	1.90	(3.60)	(4.62)	0.67	**97.75**	1.21	0.84	1.54	0.88	**102.22**	(3.23)	(0.79)	(5.99)	(0.92)	(4.74)	(0.80)	(2.67)	(21.97)	**61.11**	-	(3.75)	(6.45)
	2030	$3.87	22.18	22.45	$5.37	3.61	3.65	**25.79**	86.80	19.61	**106.41**	1.95	(3.70)	(4.75)	0.69	**100.60**	1.22	0.86	1.58	0.91	**105.17**	(3.32)	(0.83)	(6.07)	(0.94)	(4.90)	(0.78)	(2.74)	(25.88)	**59.71**	-	(3.17)	(0.21)
	2031	$3.89	22.69	22.96	$5.40	3.69	3.73	**26.38**	89.22	20.15	**109.37**	2.00	(3.81)	(4.88)	0.71	**103.39**	1.21	0.88	1.62	0.91	**108.01**	(3.41)	(0.86)	(6.21)	(0.96)	(5.06)	(0.79)	(2.81)	(30.48)	**57.43**	-	(3.20)	(13.97)
	2032	$3.85	26.10	26.41	$5.35	4.10	4.15	**30.20**	101.59	22.20	**123.79**	2.34	(4.28)	(5.42)	0.76	**117.18**	1.23	1.00	1.79	0.95	**122.17**	(3.87)	(1.00)	(6.86)	(0.99)	(5.82)	(0.88)	(2.88)	(31.24)	**68.63**	-	(0.03)	(0.12)
	2033	$3.85	26.52	26.84	$5.34	4.16	4.21	**30.68**	103.27	22.50	**125.77**	2.38	(4.35)	(5.47)	0.80	**119.13**	1.23	1.03	1.83	0.95	**124.17**	(3.93)	(1.03)	(7.51)	(1.01)	(6.35)	(1.02)	(2.95)	(32.02)	**68.36**	-	-	(0.39)
	2034	$3.85	26.95	27.27	$5.35	4.21	4.26	**31.16**	104.94	22.80	**127.74**	2.42	(4.41)	(5.54)	0.81	**121.02**	1.23	1.06	1.86	1.06	**126.23**	(4.00)	(1.06)	(7.74)	(1.04)	(6.52)	(1.05)	(3.02)	(32.82)	**68.99**	-	-	(64.02)
	2035	$3.85	27.38	27.71	$5.35	4.27	4.32	**31.65**	106.61	23.11	**129.72**	2.46	(4.48)	(5.62)	0.82	**122.90**	1.18	1.09	1.88	1.06	**128.12**	(4.06)	(1.09)	(7.99)	(1.06)	(6.73)	(1.09)	(3.10)	(33.64)	**69.37**	-	(0.52)	(0.74)
	2036	$3.85	27.80	28.13	$5.36	4.32	4.37	**32.12**	108.28	23.41	**131.69**	2.50	(4.55)	(5.69)	0.83	**124.79**	1.23	1.13	1.91	1.11	**130.17**	(4.12)	(1.13)	(8.23)	(1.09)	(7.01)	(1.12)	(3.17)	(34.48)	**69.82**	-	(1.63)	(13.72)
	2037	$3.85	28.24	28.58	$5.35	4.38	4.43	**32.62**	109.97	23.71	**133.68**	2.55	(4.61)	(5.77)	0.84	**126.68**	1.23	1.16	1.93	1.11	**132.13**	(4.18)	(1.16)	(8.49)	(1.12)	(7.22)	(1.15)	(3.25)	(35.34)	**70.21**	-	(5.49)	(0.44)
	2038	$3.85	28.67	29.01	$5.35	4.43	4.48	**33.10**	111.65	24.00	**135.65**	2.59	(4.68)	(5.84)	0.85	**128.58**	1.23	1.20	1.96	1.14	**134.11**	(4.24)	(1.20)	(8.75)	(1.17)	(7.46)	(1.18)	(3.33)	(36.23)	**70.53**	-	(5.34)	(0.14)
	2039	$3.85	29.10	29.45	$5.36	4.48	4.53	**33.58**	113.33	24.30	**137.63**	2.63	(4.74)	(5.91)	0.86	**130.47**	1.23	1.24	1.98	1.14	**136.06**	(4.31)	(1.24)	(9.02)	(1.20)	(7.73)	(1.21)	(3.42)	(37.13)	**70.80**	-	(3.99)	(7.05)
	2040	$3.85	29.53	29.88	$5.35	4.54	4.59	**34.07**	115.01	24.60	**139.61**	2.67	(4.81)	(5.99)	0.87	**132.35**	1.23	1.28	2.01	1.17	**138.04**	(4.37)	(1.28)	(9.30)	(1.23)	(7.99)	(1.25)	(3.50)	(38.06)	**71.08**	-	(4.40)	(0.14)
	2041	$3.85	29.96	30.32	$5.36	4.59	4.65	**34.55**	116.71	24.89	**141.60**	2.72	(4.88)	(6.06)	0.89	**134.27**	1.23	1.32	2.03	1.17	**140.02**	(4.43)	(1.32)	(9.58)	(1.26)	(8.26)	(1.28)	(3.59)	(39.01)	**71.28**	-	(4.41)	(22.81)
	2042	$3.85	30.39	30.75	$5.36	4.64	4.70	**35.03**	118.40	25.18	**143.58**	2.76	(4.94)	(6.13)	0.90	**136.16**	1.23	1.36	2.05	1.20	**142.00**	(4.50)	(1.36)	(9.87)	(1.29)	(8.58)	(1.32)	(3.68)	(39.99)	**71.43**	(15.94)	(0.63)	(0.15)
	2043	$3.85	30.82	31.19	$5.36	4.70	4.76	**35.52**	120.09	25.48	**145.57**	2.80	(5.01)	(6.21)	0.91	**138.06**	1.23	1.40	2.08	1.20	**143.97**	(4.56)	(1.40)	(10.17)	(1.32)	(8.83)	(1.35)	(3.77)	(40.99)	**71.58**	(15.94)	(1.37)	(0.50)
	2044	$3.85	31.26	31.63	$5.36	4.75	4.81	**36.01**	121.79	25.77	**147.56**	2.84	(5.07)	(6.28)	0.92	**139.97**	1.23	1.44	2.10	1.23	**145.98**	(4.62)	(1.44)	(10.48)	(1.36)	(9.15)	(1.39)	(3.87)	(42.01)	**71.66**	(15.94)	(0.04)	(7.62)
	2045	$3.85	31.69	32.07	$5.36	4.80	4.86	**36.49**	123.49	26.05	**149.54**	2.89	(5.14)	(6.35)	0.93	**141.86**	1.23	1.48	2.12	1.23	**147.94**	(4.68)	(1.48)	(10.79)	(1.39)	(9.44)	(1.43)	(3.96)	(43.06)	**71.70**	(15.94)	-	(0.53)
	2046	$3.85	32.01	32.39	$5.36	4.85	4.91	**36.86**	124.73	26.31	**151.04**	2.92	(5.19)	(6.42)	0.94	**143.29**	1.23	1.53	2.15	1.26	**149.45**	(4.73)	(1.53)	(11.11)	(1.42)	(9.75)	(1.46)	(4.06)	(44.14)	**71.24**	(15.94)	(0.60)	(108.79)
	2047	$3.85	32.24	32.63	$5.37	4.88	4.94	**37.12**	125.67	26.51	**152.18**	2.94	(5.23)	(6.46)	0.95	**144.37**	1.23	1.56	2.16	1.26	**150.59**	(4.77)	(1.56)	(11.42)	(1.46)	(10.05)	(1.50)	(4.16)	(45.24)	**70.42**	(15.94)	(7.03)	(1.00)
	2048	$3.85	32.42	32.81	$5.37	4.91	4.97	**37.33**	126.38	26.66	**153.04**	2.95	(5.26)	(6.50)	0.95	**145.18**	1.23	1.60	2.17	1.29	**151.48**	(4.79)	(1.60)	(11.72)	(1.53)	(10.28)	(1.54)	(4.27)	(46.37)	**69.37**	(15.94)	(6.88)	(0.17)
	2049	$3.85	32.56	32.95	$5.37	4.93	4.99	**37.49**	126.93	26.78	**153.71**	2.97	(5.28)	(6.53)	0.96	**145.82**	1.23	1.63	2.18	1.29	**152.16**	(4.81)	(1.63)	(12.02)	(1.57)	(10.53)	(1.57)	(4.38)	(47.53)	**68.11**	(15.94)	(5.83)	(93.13)
	2050	$3.85	32.68	33.07	$5.37	4.95	5.01	**37.63**	127.47	26.89	**154.36**	2.98	(5.30)	(6.56)	0.96	**146.44**	1.23	1.67	2.19	1.31	**152.84**	(4.83)	(1.67)	(12.33)	(1.61)	(10.76)	(1.61)	(4.48)	(48.72)	**66.82**	(15.94)	(7.18)	(0.18)
	2051	$3.85	32.82	33.21	$5.37	4.97	5.03	**37.79**	128.03	27.00	**155.03**	2.99	(5.33)	(6.58)	0.97	**147.07**	1.23	1.71	2.20	1.31	**153.52**	(4.85)	(1.71)	(12.65)	(1.65)	(11.23)	(1.65)	(4.60)	(49.94)	**65.24**	(15.94)	(5.60)	(22.81)
	2052	$3.85	32.96	33.36	$5.37	4.99	5.05	**37.95**	128.58	27.12	**155.70**	3.00	(5.35)	(6.61)	0.97	**147.71**	1.23	1.74	2.21	1.32	**154.21**	(4.88)	(1.74)	(12.98)	(1.69)	(11.51)	(1.69)	(4.71)	(51.19)	**63.82**	-	(0.05)	(0.19)
	2053	$3.86	33.10	33.50	$5.37	5.01	5.07	**38.11**	129.14	27.24	**156.38**	3.01	(5.37)	(6.64)	0.97	**148.35**	1.23	1.78	2.22	1.32	**154.90**	(4.90)	(1.78)	(13.32)	(1.73)	(11.77)	(1.73)	(4.83)	(52.47)	**62.39**	-	-	(1.16)
	2054	$3.86	33.23	33.63	$5.37	5.03	5.09	**38.26**	129.69	27.35	**157.04**	3.03	(5.40)	(6.67)	0.98	**148.98**	1.23	1.82	2.23	1.33	**155.59**	(4.92)	(1.82)	(13.66)	(1.77)	(12.06)	(1.77)	(4.95)	(53.78)	**60.86**	-	-	(9.75)
	2055	$3.86	33.37	33.77	$5.36	5.06	5.12	**38.43**	130.25	27.47	**157.72**	3.04	(5.42)	(6.70)	0.98	**149.62**	1.23	1.86	2.24	1.33	**156.28**	(4.94)	(1.86)	(14.02)	(1.82)	(12.56)	(1.81)	(5.07)	(55.12)	**59.08**	-	-	(0.68)
	2056	$3.86	33.51	33.91	$5.37	5.08	5.14	**38.59**	130.81	27.59	**158.40**	3.05	(5.44)	(6.73)	0.99	**150.27**	1.23	1.90	2.25	1.34	**156.99**	(4.96)	(1.90)	(14.39)	(1.86)	(12.93)	(1.85)	(5.20)	(56.50)	**57.40**	-	(1.69)	(96.44)
Totals FY 2012-23		211.67	212.76		35.93	36.31	**247.60**	645.42	174.25	**819.67**	12.77	(34.36)	(46.17)	4.40	**756.31**	26.42	9.09	13.34	7.69	**812.85**	(16.40)	(6.31)	(52.53)	(4.82)	(65.22)	(0.84)	(15.23)	(39.18)	**612.31**	-	(13.37)	(0.91)
Totals FY 2024-56		926.19	937.31		144.77	146.51	**1,070.96**	3,608.88	785.17	**4,394.05**	83.26	(151.96)	(190.30)	27.84	**4,162.89**	44.15	42.36	64.32	35.49	**4,349.21**	(137.46)	(42.02)	(312.98)	(41.07)	(268.13)	(41.84)	(118.89)	(1,214.39)	**2,172.43**	(159.40)	(83.33)	(483.83)
Totals FY 2012-56		1,137.86	1,150.07		180.70	182.81	**1,318.56**	4,254.30	959.42	**5,213.72**	96.03	(186.32)	(236.47)	32.24	**4,919.20**	70.56	51.46	77.66	43.18	**5,162.06**	(153.86)	(48.33)	(365.51)	(45.90)	(333.35)	(42.68)	(134.12)	(1,253.57)	**2,784.74**	(159.40)	(96.69)	(484.74)

Footnotes

[1] Reflects the average revenue per passenger car equivalent (PCE) based on time-of-day variable weekday and weekend toll structures.

[2] Annual volume of vehicles subject to tolls in each travel direction; includes autos and trucks; prepared by Stantec Consulting.

[3] Converts trucks with 3+ axles and vehicles with trailers to their passenger car equivalent (PCE) based on an axle number multipliers of the auto toll.

[4] Total toll traffic and gross toll revenue potential projections (and subtotals by payment method) are inclusive of proposed closures for construction and toll equipment installation in the corridor.

[5] Gross toll revenue potential from pre-paid Good To Go! accounts before any adjustments for fees, uncollectible revenue, and recapture / recovery efforts.

[6] Gross toll revenue potential from Pay By Mail customers (no established accounts) before adjustments for fees, uncollectible revenue, and recapture / recovery efforts. Revenue forecasts assume an additional toll increment of $2.00 per transaction for Pay By Mail customer transactions.

[7] Includes the $0.25 per transaction fee charged for pre-paid *Good To Go!* Pay By Plate transactions; fee assumed to be constant with no annual escalation.

[8] Includes a $0.50 short-term account discount for non-*Good To Go!* account customers who self-initiate payment. Discount discontinued in FY 2020.

[9] Actual values include one-time toll incentive credits for FY 2012 with a carry-over amount into FY 2013.

[10] Leakage reflects classification methods in place at the time of reporting, with Good To Go! leakage transactions valued at the Pay By Mail rate prior to FY 2023.

[11] Inability to read the vehicle license plate due to equipment failure/image obstruction <or> inability to identify the vehicle owner's name and address from a readable license plate both result in unbillable transactions, classified as revenue not recognized.

[12] Recognized but unpaid toll revenue after 80 days (2 billing cycles) from date of travel; excludes tolls later recovered from a Notice of Civil Penalty (NOCP).

[13] Initially unpaid toll revenue from a toll bill that is later recaptured after 80 days and linked to an account at the Good To Go! toll rate without civil penalty.

[14] Miscellaneous pledged revenues include contractual liquidated damages, interest earnings, & surplus property sales. Only interest gains are forecasted, and only Account 16J interest is projected to exhibit annual growth based upon the expected ending balances, with growth constrained after FY 2032.

[15] Anticipated revenues from transponder sales initially exceed transponder costs in column 23 until cost escalation erodes that margin; thereafter, transponder sales revenue assumed to equal costs.

[16] Late payment rebilling fee of $5 per invoice (no escalation) assessed to Pay By Mail customers who don't pay first invoice; includes fees recovered from a NOCP (6 month lag).

[17] Actual values also include statement and $30 NSF fees (not forecasted), and exclude misc. pledged revenues, which are shown in column 17.

[18] Includes unpaid toll revenue from a toll bill that is later recovered from a NOCP at the Pay By Mail toll rate, with or without the $40 civil penalty. Civil penalty fees are not transferred to the SR 520 toll account. Recovered toll amounts are appropriated back to the SR 520 account in the following biennium. For FYs 2015-17 there was a transfer of accumulated recovered tolls from FYs 2012-15.

[19] Credit card fees for forecast years are estimated at 3.35% of applicable gross toll revenues collected via bank card; an additional factor is included for fees related to account refunds.

[20] Includes transponder purchase and inventory costs plus associated credit card fees on purchases; cost escalation eventually erodes the sales revenue margin initially exhibited in column 18.

[21] Includes State operations costs for toll bill processing and postage, accounting, marketing, forecasting, enforcement, vendor oversight and consultant services.

[22] Includes Roadway Toll Systems (RTS) vendor O&M and associated non-Toll Division State ITS and TMC costs.

[23] Starting in FY 2022, toll O&M costs previously labeled as Customer Service Center (CSC) in column 26 are segregated into CSC Operations Vendor costs and Back Office System (BOS) Software Vendor costs.

[24] Facility O&M costs are assumed to be fully paid from toll revenues

[25] Includes property damage on all structures and business interruption coverage (for lost revenues), plus SR 520's share of statewide brokerage fees. Premium growth rates provided by WSDOT.

[26] Reflects the payment of deferred construction sales tax on the Floating Bridge and Eastside plus West Approach Bridge projects deferred during construction, starting in FY 2042.

[27] Includes periodic BOS, CSC and RTS vendor re-procurement, system testing and acceptance, and RTS toll equipment replacement costs; amounts assumed to be fully funded by tolls.

[28] Includes facility R&R costs for the floating bridge structures, ATM equipment, federal required bridge inspections, and other periodic activities and excludes amounts for typical highway costs on the at-grade portion of the corridor from the east bridge landing to I-405 (i.e., roadway repaving), which would be funded from the WSDOT Preservation ("P") Program.

[A] In the FY 2021 second Supplemental budget, the legislature transferred $18.2 M in expenditures from the SR 520 Corridor Account (16J) to the SR 520 Civil Penalties Account (17P) for payment from those funds. This resulted in higher net revenues within 16J to meet the Bond Resolution coverage requirements. Reported values include a one-time $1.3 M transfer in of interest earnings from prior years.

General Notes

– Traffic and gross toll revenue forecasts prepared by Stantec, dated 6/14/2024, and include FY 2024 actual data through April 2024.
– Tolling started December 29, 2011 (mid FY 2012).
– Weekday and weekend toll rates were escalated at 2.5% per year through FY 2016, including nickel rounding starting with FY 2014.
– A 5% toll increase occurred in FY 2017, followed by another 5% plus night tolling in FY 2018, and a ~15% tailored toll increase in FY 2024.
– American Rescue Plan Act (ARPA) funds covered all O&M costs in columns 22-29 for FYs 2022 and 2023, and $16.46 M of these costs in FY 2024.
– O&M cost estimates for FY 2024 are based on budgeted toll collection costs, considering actual expenditures thru the end of FY 2023
– Forecasted revenue adjustment and cost assumptions were informed actual data thru the end of FY 2023, applied to the Stantec T&R forecast.
– System-wide costs in columns 23-24 & 26-27 that are allocated to SR 520 on the basis of each facility's forecasted traffic and assume tolling on the Tacoma Narrows Bridge ends in FY 2032.
– Table values include more precision than displayed.

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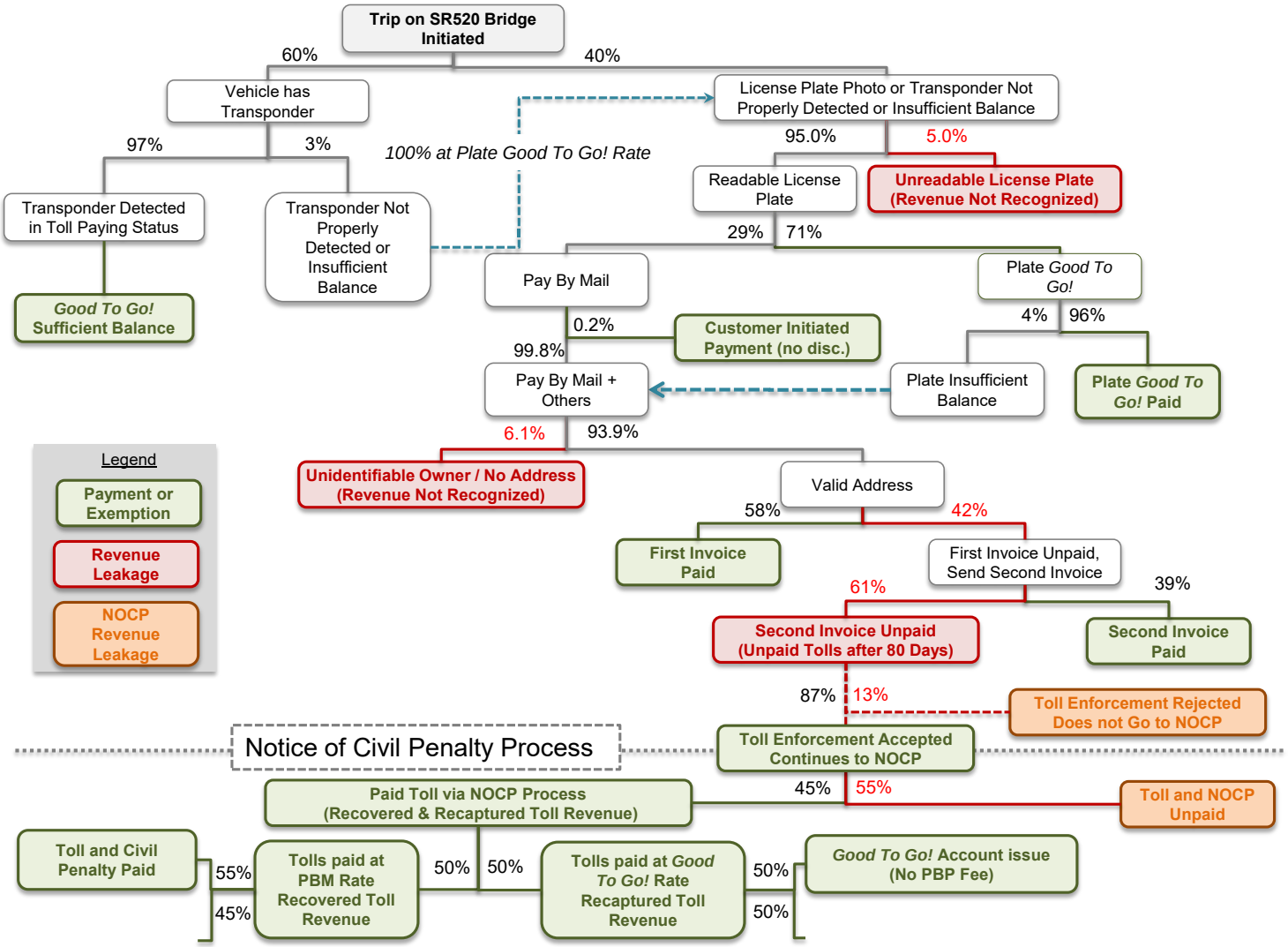
Appendix B: Toll Payment Activity Workflow

Exhibit 30: SR 520 Toll Transaction Activity Workflow — May 2024 Forecast (FY 2025)



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Appendix C: List of Facility Maintenance Activities

Exhibit 31: SR 520 Maintenance Categories and Activities

Maintenance Activity	Unit of Measure
Pavement Patching, Repair & Crack Sealing	Lane Mile
Shoulder Maintenance	Shoulder Mile
Sweeping and Cleaning	Shoulder Mile
Maintain Ditches	Linear Feet of Ditch
Maintain Culverts	Each
Maintain Catch Basins and Inlets	Each
Maintain Detention/Retention Basins	Storm water Treatment Facility (Each)
Litter Pickup	Shoulder mile
Landscape Maintenance (3 yr plant establish)	Acres
Bridge Deck Repair	Square Feet of Bridge Deck
Structural Bridge Repair	Square Feet of Bridge Deck
Bridge Cleaning	Square Feet of Bridge Deck
Movable and Floating Bridge Operations	Bridges (Each)
Urban Tunnel Systems Operations	Urban Tunnel Systems (Each)
Snow and Ice Control Operations	Lane Mile
Pavement Striping Maintenance	Lane Mile
Raised/Recessed Pavement Marker Maintenance	
Raised	*Each*
Pavement Marking Maintenance	Each
Regulatory Sign Maintenance	Each
Guide Sign Maintenance	Each
Guardrail Maintenance	
Concrete Barrier	*Linear Feet of Concrete Barrier*
Highway Lighting Systems Operations	Each
Toll Equipment Power	Annual Lump Sum
Under-Lid Lighting Operations	Annual Lump Sum
Intelligent Transportation Systems Operations	
Closed Circuit Television	*Each*
Variable Message/Changeable Sign	*Each*
Data Station System	*Each*
3rd Party (unknown) Damages	Lane Mile
Wetland Mitigation Sites	Acres
ATM Sign Structures	Each
Static Sign Structures	Each
Noise Walls	Linear Feet
Fish Culverts	Each
Sidewalk	Linear Feet
Locates (all disciplines)	Each
Retaining Wall	Linear Feet