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CAC Recommendation - Tacoma Narrows Bridge - Meeting of November 17, 2010

Facts

1. Effective July 1, 2011, non payment of tolls on the TNB will no longer be considered a violation. The current infraction process of issuing tickets and court procedures will cease, thus requiring issuance of a civil penalty and a different adjudication process if the TNB is to collect on the non payment of a toll.
2. The existing process to handle situations where the driver did not drive through the toll booth or have a transponder, and then calls or comes back to pay the toll, needs to be incorporated into the toll payment system (customer initiated payment).

Recommendations

1. Effective July 1, 2011, the new Adjudication Process shall be adopted for TNB users who cross the bridge without a transponder or who fail to pay the cash toll at the toll booths, in which case:
 - a. The toll rate shall be \$7;
 - b. At 30 days a \$5 late fee shall be added to the \$7, for a total of \$12; and
 - c. At 80 days a notice of civil penalty (NOCP) shall be issued in the amount of \$40 plus the \$7 toll and the \$5 late fee, for a total of \$52.
2. Effective July 1, 2011, TNB users who use "customer initiated" payment of toll may notify the Good to Go office ten (10) days prior or 72 hours after crossing the TNB shall pay a "toll" of \$7.00 less \$.50 or \$6.50. The payment must be made at "time of initiation". If not paid within the allotted time:
 - a. The user shall be billed in the amount of \$7;
 - b. At 30 days a \$5 late fee shall be added to the \$7, for a total of \$12; and
 - c. At 80 days a NOCP shall be issued in the amount of \$40 plus the \$7 toll and the \$5 late fee, for a total of \$52.
3. Transponder use shall be encouraged and the present rate shall remain the same.
4. The cash toll will continue at the current rate.
5. Photo Tolling and Pay by Mail as envisioned for implementation on the State 520 bridge shall **not** be implemented on the TNB. The "cash toll option" shall remain and the toll booths on the Tacoma Narrows Bridge shall **not** be removed.

CAC Recommendation at meeting on November 17, 2010 - By a vote of 6 in favor vs. 1 opposed.

Recommendation - Photo Tolling - Pay by Mail - Tacoma Narrows Bridge

Recommendation 5. :

Photo Tolling and Pay by Mail (PT/PBM) as envisioned for implementation on the State 520 bridge shall **not** be implemented on the TNB.

The "cash toll option" shall remain and the toll booths on the Tacoma Narrows Bridge shall **not** be removed.

Findings:

Financial benefit to the TNB does not appear to be a factor in WSDOT's desire to convert to PT/PBM on the TNB. PT/PBM does not increase the financial stability of the TNB. In fact, it may jeopardize the current stability.

Because, the TNB is paid 100% by tolls, any reduction of toll and other revenues and/or increase in expenses may require an increase in tolls in order to meet bond payments, operating expenses and required reserves. This point can not be overlooked in any financial or operational decision concerning the TNB.

Analysis of WSDOT's financial information shows there is no scenario, which provides an increase in toll revenues resulting from PT/PBM. In fact, WSDOT data provided to the Citizens Advisory Committee, shows that a shift of just 20% from cash tolls to PT/PBM will result in a reduction of revenues. With less funds collected on a daily basis, the interest revenues will be reduced. Interest income from Fund 511 and 495 is projected to decrease by \$170,429 when comparing FY 2010 with FY 2012. Comparing the Financial Plan of October 8, 2009 with the 20% Shift projections shows a \$52,000 decrease in interest income from the Fund 495 account for FY 2012. Actual net revenues received from civil penalties (violations) may also decline.

The TNB operates 100% on a prepay and cash basis. WSDOT is recommending converting the collection of cash tolls in the amount of \$1,545,723 per month to accounts receivable. Cost of postage, printing a statement, envelope, etc. (without labor and computer costs) is about \$2 per account. Using WSDOT data on a 20% shift from cash, the first billing to accounts will cost \$1,236,578 per year. Since 1/3rd of the accounts will not pay on the first billing, the second billing will cost approximately \$411,780. If all were collected after the second billing these costs would total \$1,648,358. Compared to only \$519,363 for cash toll collection at the FY 2012 cost of \$ 0.56 per transaction. Thus increasing the cost of collection by \$1,128,995.

An unknown number will not pay after the second mailing. And will then be charged with a civil penalty. The cost of the adjudication process could exceed \$40 to collect a \$4 toll.

With cash tolls, 100% of revenues are collected at a known cost of 56 cents.

Recommendation - Photo Tolling - Pay by Mail - Tacoma Narrows Bridge

WSDOT's recommendation to begin PT/PBM on the TNB in early 2011 is based on wanting to have a uniform statewide tolling system. And is driven by the 2011 start-up of tolling on the existing 520 bridge, which does not and will not have toll booths. A second factor is the new tolling contractor's agreement does not include operation of toll booths. The new contract may have been negotiated on electronic and photo tolling volumes that require inclusion of all TNB transactions. In order for the 520 Bridge to obtain the expected cost benefits under the contract, collection of tolls on the TNB would have to be electronic or photo, thus eliminating cash tolls.

There is no law that requires the TNB to be part of a uniform statewide tolling system. **SB 6499 Sec. 3. (4) (c) states; A customer may pay with cash on toll facilities that have a manual cash collection system.**

WSDOT estimates a 10% unreadable rate for Photo Tolling. Should cash toll payers in FY 2012 (4,637,170 crossings per year) convert to PT/PBM and the 10% unreadable rate be applied at \$4.00 per crossing; lost revenues could be as high as \$1,854,868. WSDOT's October 6, 2010 materials address this issue by simply stating; "Tolls owed, but not collected are considered a business cost".

WSDOT 's estimated increased staffing costs of \$833,000 and other expenses, such as postage seem to be under estimated for the number of various transactions required. There are no estimated expenses for accounts receivable/accounting or computer costs. When discussed, WSDOT admitted the postage expense for FY 2012 - PBM may be understated by as much as \$200,000 with a 20% shift from cash.

The cost of replacing the "photo equipment" on the TNB has not been disclosed. Nor has the cost of closing and/or removal of the toll booths and tolls administrative building. \$3 M to \$5M was put on the table for discussion. WSDOT simply said they did not know if that dollar amount was close. These expenditures have not been factored into any of WSDOT's financial analysis to determine if conversion to PT/PBM is financially beneficial. But they must be, as the costs would be paid from tolls. And could require an increase in toll rates with no benefit to the user.

By law sufficient tolls must be collected on the TNB to assure payment of the bonds, operating expenses and a required minimum reserve. It is not reasonable to put TNB toll payers at risk of higher tolls, just to have a uniform statewide tolling system with no benefit to the TNB toll payer!