

# **I-405/SR 167 Corridor Program**

## **Executive Advisory Group #2**

**December 11<sup>th</sup>, 2023**

Julie Meredith, P.E.  
Lisa Hodgson, P.E.  
Jason Richter  
Carl See

WSDOT UMA and Megaprograms Assistant Secretary  
WSDOT I-405/SR 167 Program Administrator  
Office of the State Treasurer, Deputy Treasurer  
WSTC Deputy Director

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# Public comment

Blake Jones, Communications

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# Introductory remarks

Julie Meredith, UMA and Megaprograms Assistant Secretary

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# Financial Plan

Lisa Hodgson, Program Administrator

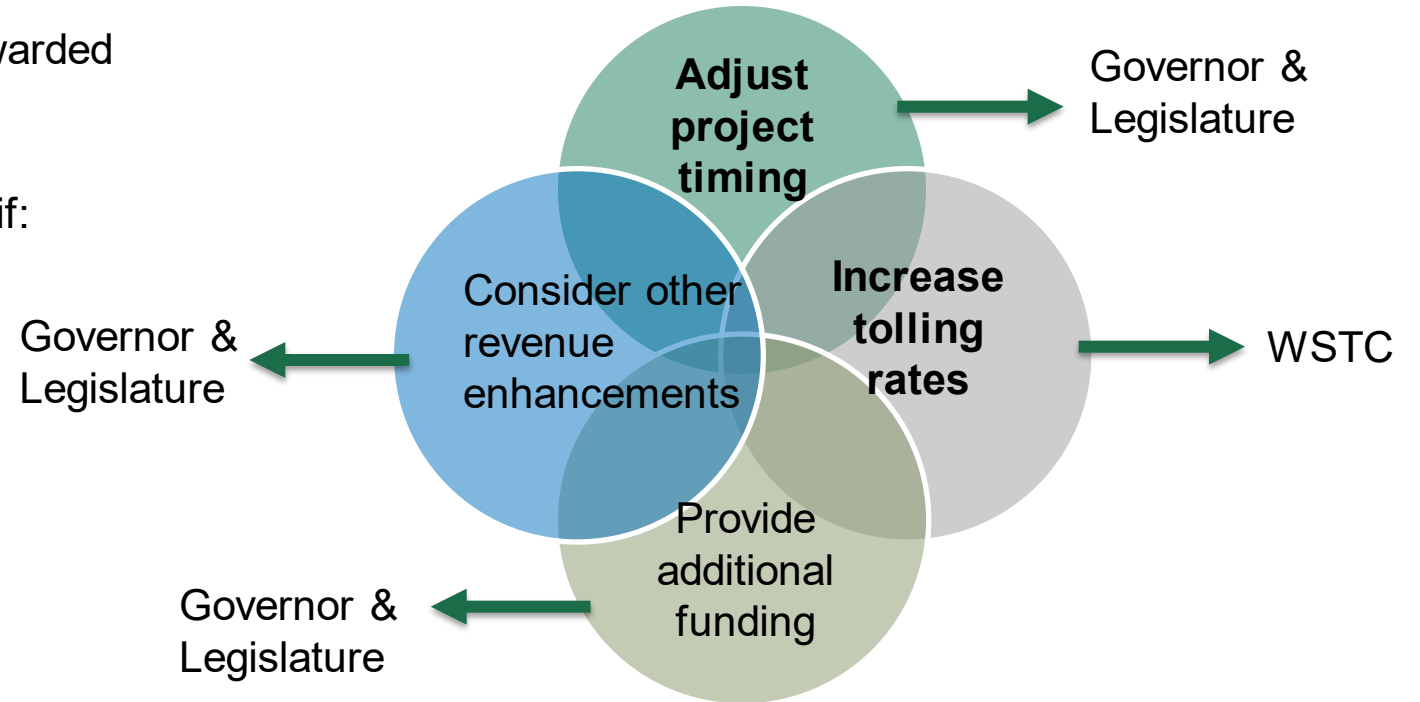
# IWG/EAG work plan

IWG Meeting 1 – Aug. 9	IWG Meeting 2 – Sep. 7	EAG Meeting 1 – Sept. 14	IWG Meeting 3 – Oct. 12	OST analysis – Oct./Nov.	IWG Meeting 4 – Dec. 6	EAG Meeting 2 – Dec. 11	2024 Legislative Session
<ul style="list-style-type: none"> <li>Background and review work plan</li> <li>Review funding need</li> <li>Review evaluation criteria</li> </ul>	<ul style="list-style-type: none"> <li>Review approach to address funding need</li> <li>Prepare IWG for briefing EAG members</li> <li>Feedback request: evaluation criteria and alternatives for analysis</li> </ul>	<ul style="list-style-type: none"> <li>Background and review funding need</li> <li>Confirm evaluation criteria</li> <li>Feedback request: alternatives for analysis</li> </ul>	<ul style="list-style-type: none"> <li>Review alternatives for analysis</li> <li>Confirm alternatives to address funding need</li> </ul>	<ul style="list-style-type: none"> <li>OST analysis of alternatives as discussed with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Present analysis results</li> </ul>	<ul style="list-style-type: none"> <li>Present analysis results</li> <li>Next steps on Financial Plan Report</li> </ul>	<ul style="list-style-type: none"> <li>Submit Updated Financial Plan Report to Legislators</li> </ul>

# Financial plan report

- **Purpose of report**

- Present potential alternatives for consideration by the Governor and Legislature to address known funding need
- Funding need accounts for two recently awarded projects with costs exceeding legislatively appropriated budgets
- Alternatives inform effect on funding need if:
  - Toll revenue increased
  - Project timelines were adjusted



WSDOT cocreated alternatives with IWG/EAG for Financial Plan

# Legislative budget appropriations

To address higher-than-expected bid prices for the two recently awarded projects, the following legislative appropriations are needed:

- Reappropriate \$21M of toll funds from the P-Program to the I-Program for the SR 167 Corridor Improvements Project (\$16M in the 23 – 25 biennium, \$5M in the 25 – 27 biennium).
- Increase the appropriation for the Brickyard to SR 527 project by \$254M beginning in the 25-27 biennium.
- Increase the appropriation for the deferred sales tax payback by \$41M in a future biennium.

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# Remaining projects



# Remaining projects -- benefits

#	Project	System Benefits	Toll Revenue
	<i>SR 167 Congestion Management</i>		
5	<ul style="list-style-type: none"> <li>• <b>SR 167/SR 410 to SR 18 Congestion Management (Southbound)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Adds ~5 miles of ETL system</li> <li>• Complement Gateway program improvements</li> <li>• Significant time savings</li> </ul>	<ul style="list-style-type: none"> <li>• Increases forecasted toll revenue</li> </ul>
6	<b>N 8<sup>th</sup> St Direct Access</b>	<ul style="list-style-type: none"> <li>• Local system improvements and ETL access</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal addition to forecasted toll revenue</li> </ul>
	<i>Renton to Bellevue (Contract 3)</i>		
7	<ul style="list-style-type: none"> <li>• <b>Interchange Improvements Bellevue</b></li> </ul>	<ul style="list-style-type: none"> <li>• Local system improvements and ETL access</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal addition to forecasted toll revenue</li> </ul>

From page 24 of 2021 Financial Plan Report

# Context setting (example)

#	Project	System Benefits	Toll Revenue
X	Project X	Management of traffic, systemwide consistency and synergy with other projects including BRT <ul style="list-style-type: none"><li>• Qualitative benefits</li><li>• Quantitative benefits (<b>reduction in daily person delay</b>)</li></ul>	Projected impacts on net toll revenue

Legislatively Planned Budget: \$XXM

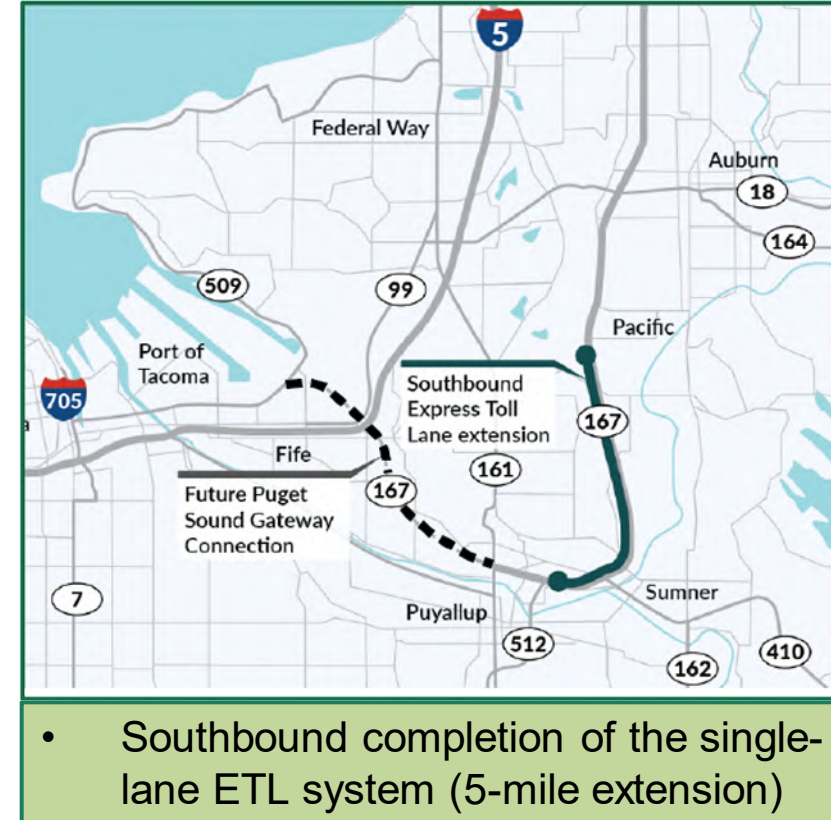
### Why reduction in daily person delay (hours)?

- Captures increase in mobility
- Highlights difference in no build versus making an improvement
- Reduction in delay = reduction in Green House Gas emissions
- Reduction in delay = increase in reliability

# SR 167/SR 410 to SR 18 Congestion Management (southbound)

#	Project	System Benefits	Toll Revenue
<i>SR 167 Congestion Management</i>			
5	SR 167/SR 410 to SR 18 Congestion Management (southbound)	<ul style="list-style-type: none"> <li>Continuity of ETL system, connection to other regional facilities (SR 18, SR 410, Gateway), speed and reliability for future BRT</li> <li>Improved safety performance</li> <li>Reduction in daily person delay (hours): 6,150</li> </ul>	Increases forecasted net toll revenue by ~\$700k/year

Legislatively Planned Budget: \$81M



# N 8<sup>th</sup> St Direct Access

#	Project	System Benefits	Toll Revenue
6	N 8 <sup>th</sup> St Direct Access	<ul style="list-style-type: none"> <li>Improved access into ETL system, regional growth center</li> <li>Reduction in daily person delay (hours): 510</li> </ul>	<p>Increases forecasted net toll revenue by ~\$350k/year*</p> <p>*total including NE 6th Extension Project</p>

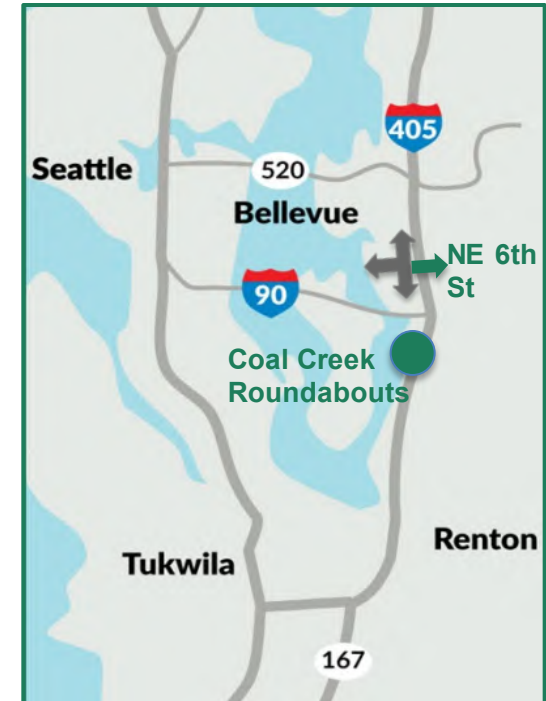
Legislatively Planned Budget: \$250M



- New ETL direct access at N 8th St

# Interchange Improvements Bellevue

#	Project	System Benefits	Toll Revenue
	<i>Renton to Bellevue Contract 3</i>		
7	<ul style="list-style-type: none"> <li>Coal Creek Parkway Roundabouts</li> </ul>	<ul style="list-style-type: none"> <li>Localized benefits</li> <li>Improved safety performance</li> <li>Reduction in daily person delay (hours): 1,090</li> </ul>	No impact to net toll revenue
	<ul style="list-style-type: none"> <li>NE 6<sup>th</sup> Extension</li> </ul>	<ul style="list-style-type: none"> <li>Improved access to ETL system, transit connectivity, BRT interface, regional growth center</li> <li>Reduction in daily person delay (hours): 1,240</li> </ul>	<p>Increases forecasted net toll net revenue by ~\$350k/year*</p> <p>*total including N 8<sup>th</sup> Direct Access Project</p>



- Modified ETL access at NE 6th St
- Modified Coal Creek interchange

Legislatively Planned Budget: \$145M

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# Alternatives for OST analysis

# Key assumptions

## WSTC decisions

- Toll rates
  - Maximum toll rate
  - Minimum toll rate
- Toll policies
  - Occupancy
  - Hours of operations

## WSDOT Traffic and Revenue

- Land use
- Update traffic conditions
- Timing of projects
- Repair and replacement (R&R) costs
- Operation & maintenance (O&M) costs

## OST Financial Terms:

- Interest rates
- Coverage requirements
- Revenue Stabilization Account (RSA)
- Deferred sales tax

## WSDOT Project Costs

- Aging of funds

# Alternative 1: Baseline Assumptions

#	Project	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40 +
5	SR 167 Southbound ETL Extension				◆												
6	North 8 <sup>th</sup> Street Direct Access					◆											
7	Interchange Improvements Bellevue (I-405 Renton to Bellevue Contract 3)					◆											

◆ Open to Traffic

Increase tolling rates	
Adjust project timing	
Add'l Funding	Enhance Revenue
✓	

HOV Policy: 3+ Peaks  
\$10/ \$9 max toll

**Baseline:** Identifies what the need is if Current Law Delivery & Legislatively Planned budgets for remaining projects are maintained

\*Legislatively planned budgets not adjusted for potential future cost increases



# Alternative 2: Higher Toll Policy

#	Project	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40 +
5	SR 167 Southbound ETL Extension				◆												
6	North 8 <sup>th</sup> Street Direct Access					◆											
7	Interchange Improvements Bellevue (I-405 Renton to Bellevue Contract 3)					◆											

◆ Open to Traffic

Increase tolling rates	✓
Adjust project timing	
Add'l Funding Enhance Revenue	✓

HOV Policy: 3+ Peaks  
Increased rates assumed

**Increasing toll rates:** Identifies reduction in need if toll rates were to increase while maintaining Current Law Delivery & Legislatively Planned Budgets for remaining projects

\*Legislatively planned budgets not adjusted for potential future cost increases

# Alternative 3: Prioritized Delivery

#	Project	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40 +
5	SR 167 Southbound ETL Extension					→	◆ {realize system benefits}										
6	North 8 <sup>th</sup> Street Direct Access						→										◆
7	Interchange Improvements Bellevue (I-405 Renton to Bellevue Contract 3)						→										◆

◆ Open to Traffic

Increase tolling rates	✓
Adjust project timing	✓
Add'l Funding	Enhance Revenue

HOV Policy: 3+ Peaks  
Increased rates assumed

**Minimal to no funding need:** Identifies reduction in need if toll rates were to increase, remaining projects\* are delayed 2 to 10 years; advancing projects that most closely align with system benefits and toll revenue criteria

\*Legislatively planned budget adjusted for the time value of money. Adjustments were only made for delay period using the Construction Cost Index (CCI).

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# Results of OST analysis

Jason Richter, OST Deputy Treasurer

# Financing overview

## Three New Financing Alternatives

### Alternative 1 (Baseline)

- \$9/\$10 Toll Cap; HOV 3+ Peak Period Exemption
- \$1.290 BB in project funds requested 2024-2030

### Alternative 2 (Option 3 Higher Toll Policy)

- \$15 Toll Cap; HOV 3+ Peak Period Exemption
- Same Project Funds as Scenario 1

### Alternative 3 (Prioritized Delivery)

- \$15 Toll Cap; HOV 3+ Peak Period Exemption
- Prioritized project delay and updated cashflow; \$1.424 BB in project funds requested in 2024-2030 & 2036-2039

## General Payment Priority For Toll Revenues:

- Operations and Maintenance (O&M)
- Revenue Stabilization Account
- Debt Service
- Repair and Replacement Account (R&R)
- Deferred Sales Tax
- PayGo Funding

## Important Modeling Considerations:

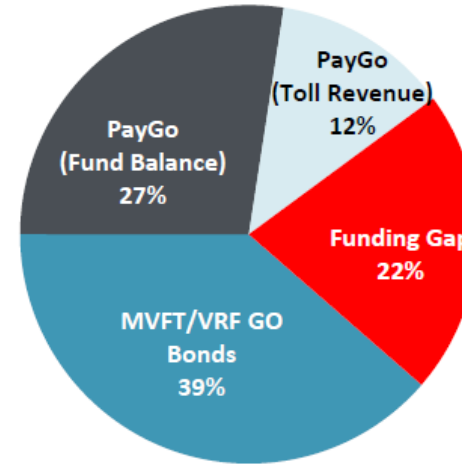
- Revenue Sensitivity
- O&M and R&R Costs
- Dependency on PayGo Funding

# Alternative 1 (Baseline)

## Summary of Financing Results\*

Security MVFT/VRF GO  
 Coverage Constraint 2.5x DSC incl. RSA Activity (Based on Net Toll Revs)  
 R&R Assumption Prefunded  
 Bond Term 30 years

<a href="#">Bond Sale #1</a> 2026	\$124,630,000
<a href="#">Bond Sale #2</a> 2027	124,600,000
<a href="#">Bond Sale #3</a> 2028	124,575,000
<a href="#">Bond Sale #4</a> 2029	123,030,000
<b>Total Bonds Issued</b>	<b>\$496,835,000</b>



Fiscal Year	Project Funds Requested**	Bond Proceeds Delivered***	PayGo (Fund Balance)	PayGo (Toll Revenue)	Funding Gap	% of Project Funds Delivered
2024	\$147,500,000	\$-	\$147,500,000	\$-	\$-	100%
2025	173,900,000	-	173,900,000	-	0	100%
2026	293,500,000	125,000,000	32,406,174	34,893,826	(101,200,000)	66%
2027	263,800,000	125,000,000	-	48,746,071	(90,053,929)	66%
2028	245,600,000	125,000,000	-	42,863,867	(77,736,133)	68%
2029	158,000,000	123,500,000	-	26,312,826	(8,187,174)	95%
2030	8,000,000	-	-	8,000,000	-	100%
<b>Total</b>	<b>\$1,290,300,000</b>	<b>\$498,500,000</b>	<b>\$353,806,174</b>	<b>\$160,816,589</b>	<b>(\$277,177,237)</b>	<b>79%</b>

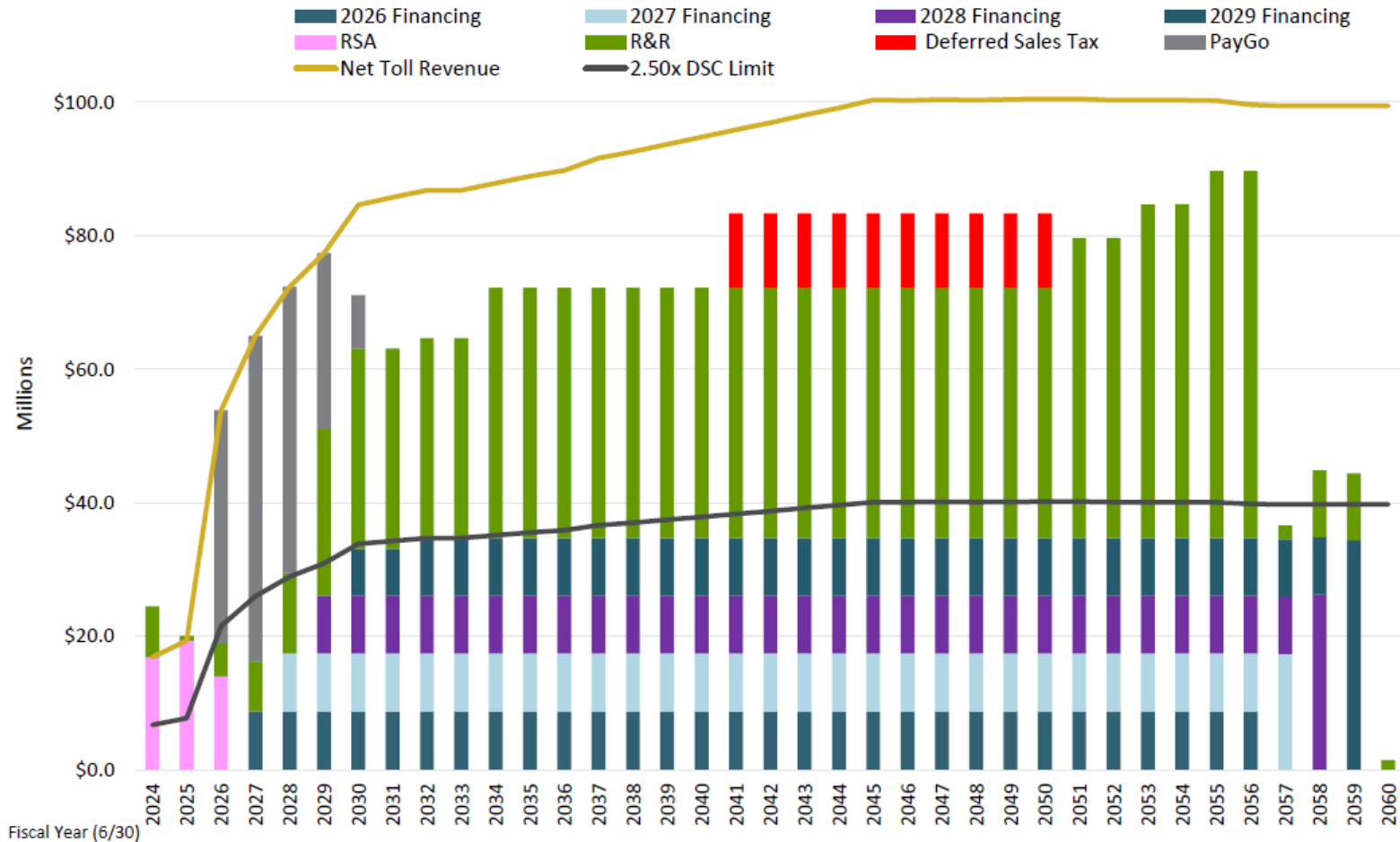
\*Net Toll Revenue - Prepared 9/27/2023 Total Corridor — Option 1 Base Assumptions | HOV 3+ Peak Period Exemption | \$9/\$10 Toll Cap

\*\*Project fund draw requirements Prepared 9/27/2023 Total Corridor — Option 1 Base Assumptions | HOV 3+ Peak Period Exemption | \$9/\$10 Toll Cap

\*\*\* Includes original issue premium/discount, as applicable.

# Alternative 1 (Baseline)

Assumptions | HOV 3+ Peak Period Exemption | \$9/\$10 Toll Cap | MVFT/VRF GO Bonds (30-Year Bonds w/2.50x Coverage incl. RSA, R&R Prefunded, Accelerated RSA Funding, PayGo Funding, \$1.29 Billion Goal for Project Funding)

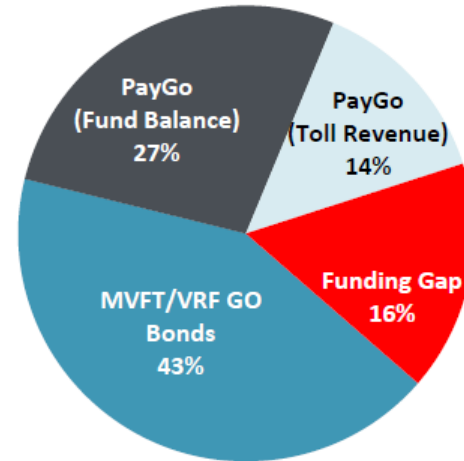


\*Net Toll Revenue - as of Prepared 9/27/2023 Total Corridor — Option 1 Base Assumptions | HOV 3+ Peak Period Exemption | \$9/\$10 Toll Cap Net Toll Revenue reflects the amount before deposits into the RSA.

# Alternative 2 (Higher Toll)

## Summary of Financing Results\*

Security	MVFT/VRF GO
Coverage Constraint	2.5x DSC incl. RSA Activity (Based on Net Toll Revs)
R&R Assumption	Prefunded
Bond Term	30 years
<u>Bond Sale #1</u> 2026	\$139,580,000
<u>Bond Sale #2</u> 2027	139,550,000
<u>Bond Sale #3</u> 2028	139,525,000
<u>Bond Sale #4</u> 2029	127,500,000
<b>Total Bonds Issued</b>	<b>\$546,155,000</b>



Fiscal Year	Project Funds Requested**	Bond Proceeds Delivered***	PayGo (Fund Balance)	PayGo (Toll Revenue)	Funding Gap	% of Project Funds Delivered
2024	\$147,500,000	\$-	\$147,500,000	\$-	\$-	100%
2025	173,900,000	-	173,900,000	-	0	100%
2026	293,500,000	140,000,000	32,406,174	33,297,590	(87,796,236)	70%
2027	263,800,000	140,000,000	-	56,645,727	(67,154,273)	75%
2028	245,600,000	140,000,000	-	50,332,664	(55,267,336)	77%
2029	158,000,000	128,000,000	-	29,254,780	(745,220)	100%
2030	8,000,000	-	-	8,000,000	-	100%
<b>Total</b>	<b>\$1,290,300,000</b>	<b>\$548,000,000</b>	<b>\$353,806,174</b>	<b>\$177,530,760</b>	<b>(\$210,963,066)</b>	<b>84%</b>

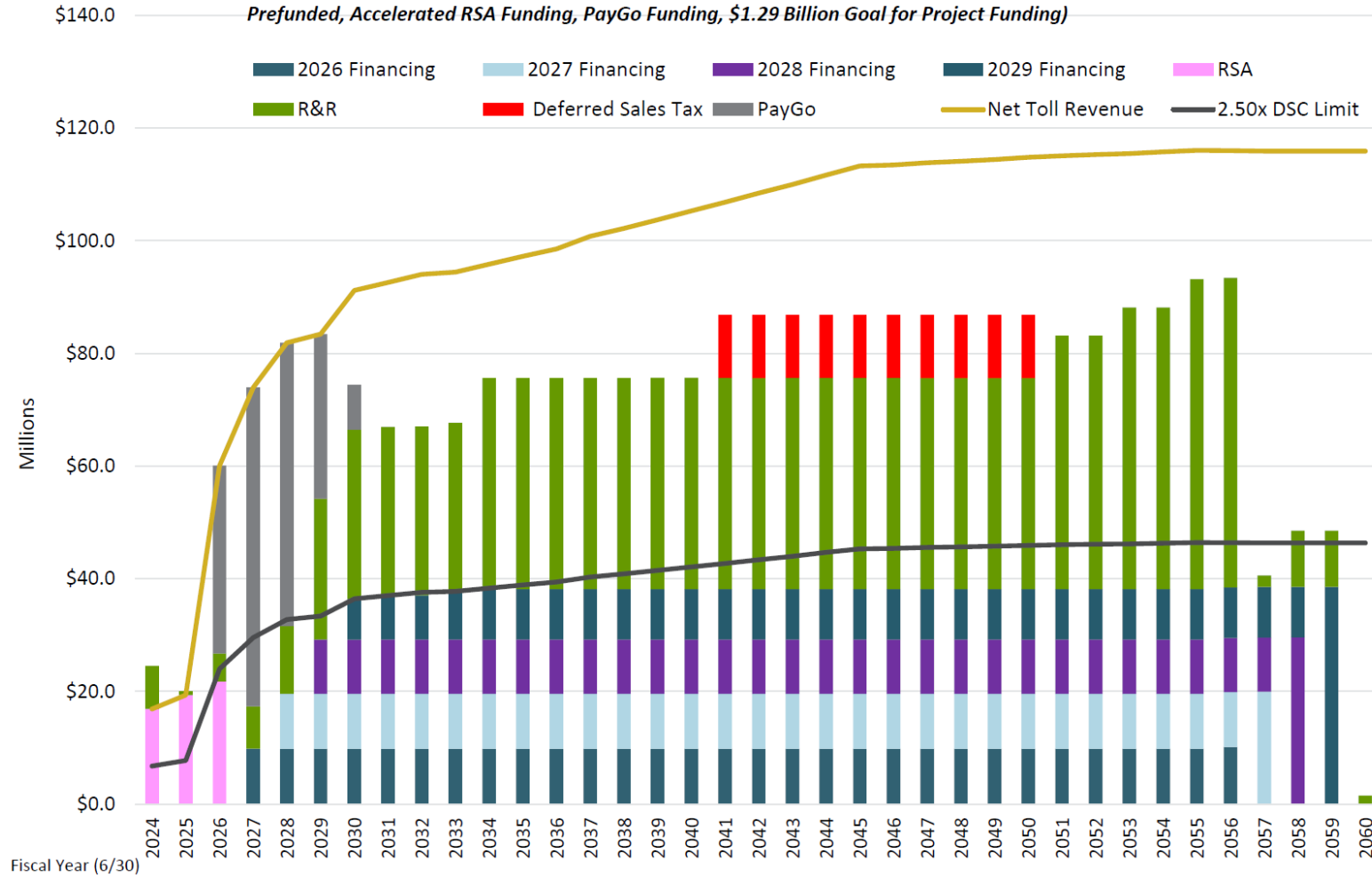
\*Net Toll Revenue - Prepared 9/27/2023 Total Corridor — Option 3 Higher Toll Policy | HOV 3+ Peak Period Exemption | \$15 Toll Cap

\*\*Project fund draw requirements Prepared 9/27/2023 Total Corridor — Option 3 Higher Toll Policy | HOV 3+ Peak Period Exemption | \$15 Toll Cap

\*\*\* Includes original issue premium/discount, as applicable.

# Alternative 2 (Higher Toll)

Scenario 2 | Option 3 Higher Toll Policy | | MVFT/VRF GO Bonds (30-Year Bonds w/2.50x Coverage incl. RSA, R&R Prefunded, Accelerated RSA Funding, PayGo Funding, \$1.29 Billion Goal for Project Funding)



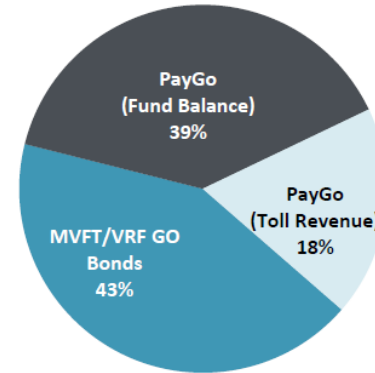
\*Net Toll Revenue - Prepared 9/27/2023 Total Corridor — Option 3 Higher Toll Policy | HOV 3+ Peak Period Exemption | \$15 Toll Cap Net Toll Revenue reflects the amount before deposits into the RSA. Expenditures in excess of Net Toll Revenue are assumed to be made from fund balance.



# Alternative 3 (Prioritized Delivery)

## Summary of Financing Results\*

Security	<b>MVFT/VRF GO</b>
Coverage Constraint	<b>2.5x DSC incl. RSA Activity (Based on Net Toll Revs)</b>
R&R Assumption	<b>Prefunded</b>
Bond Term	<b>30 years</b>
<a href="#">Bond Sale #1</a> 2026	\$214,355,000
<a href="#">Bond Sale #2</a> 2027	135,650,000
<a href="#">Bond Sale #3</a> 2028	75,760,000
<a href="#">Bond Sale #4</a> 2038	177,930,000
<b>Total Bonds Issued</b>	<b>\$603,695,000</b>



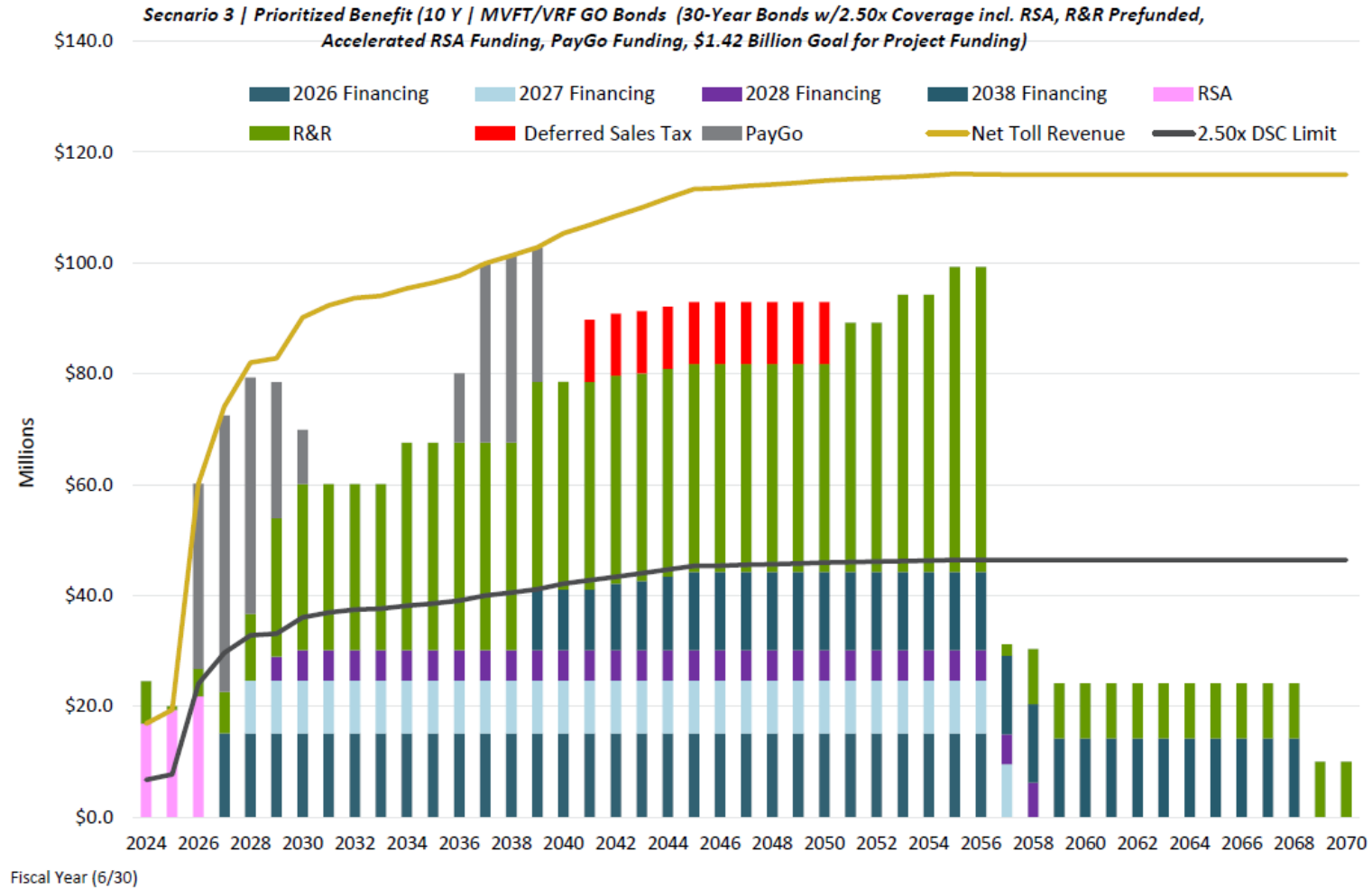
Fiscal Year	Project Funds Requested**	Bond Proceeds Delivered***	PayGo (Fund Balance)	PayGo (Toll Revenue)	Funding Gap	% of Project Funds Delivered
2024	\$146,500,000	\$-	\$146,500,000	\$-	\$-	100%
2025	172,800,000	-	172,800,000	-	-	100%
2026	280,500,000	215,000,000	32,077,161	33,422,839	-	100%
2027	185,900,000	136,055,000	-	49,845,000	-	100%
2028	84,000,000	41,345,000	-	42,655,000	-	100%
2029	59,200,000	34,650,000	-	24,550,000	-	100%
2030	9,800,000	-	-	9,800,000	-	100%
2031	-	-	-	-	-	0%
2032	-	-	-	-	-	0%
2033	-	-	-	-	-	0%
2034	-	-	-	-	-	0%
2035	-	-	-	-	-	0%
2036	12,500,000	-	-	12,500,000	-	100%
2037	39,500,000	-	7,160,379	32,339,621	-	100%
2038	206,500,000	130,000,000	42,768,896	33,731,104	-	100%
2039	226,500,000	48,500,000	153,758,670	24,241,330	-	100%
<b>Total</b>	<b>\$1,423,700,000</b>	<b>\$605,550,000</b>	<b>\$555,065,106</b>	<b>\$263,084,894</b>	<b>\$-</b>	<b>100%</b>

\*Net Toll Revenue - Reviewed by WSP 10/12/2023 Total Corridor — Prioritized Benefit (10 Year) | HOV 3+ Peak Period Exemption | \$15 Toll Cap

\*\*Project fund draw requirements Reviewed by WSP 10/12/2023 Total Corridor — Prioritized Benefit (10 Year) | HOV 3+ Peak Period Exemption | \$15 Toll Cap

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# Alternative 3 (Higher Toll & Project Delay)



\*Net Toll Revenue - Reviewed by WSP 10/12/2023 Total Corridor — Prioritized Benefit (10 Year) | HOV 3+ Peak Period Exemption | \$15 Toll Cap Net Toll Revenue reflects the amount before deposits into the RSA. Expenditures in excess of Net Toll Revenue are assumed to be made from fund balance, incl. the \$366.5 million balance in the I-405/SR 167 Account at the beginning of FY 2024

# Stakeholder input

- **IWG & EAG key themes:**
  - Prioritize projects that maximize system benefits
  - Work with legislators to retain preliminary design budget in 2024 for:
    - updating costs for future projects
    - practical solutions approach: evaluate opportunities to redefine scope while meeting project intent
    - identifying opportunities to potentially phase projects
  - Continue progress towards funding for SR 167 Master Plan implementation
  - Look to minimize the delay to remaining projects by:
    - updating financial plan as key assumptions becomes solidified
    - exploring possibilities for new funding sources beyond what leg directed, including federal funding and grants
  - Continue to work with Governor and Legislature on potential combinations of options to advance the program

# IWG/EAG work plan next steps

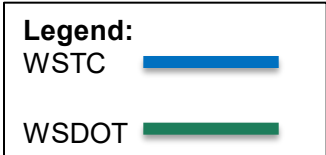
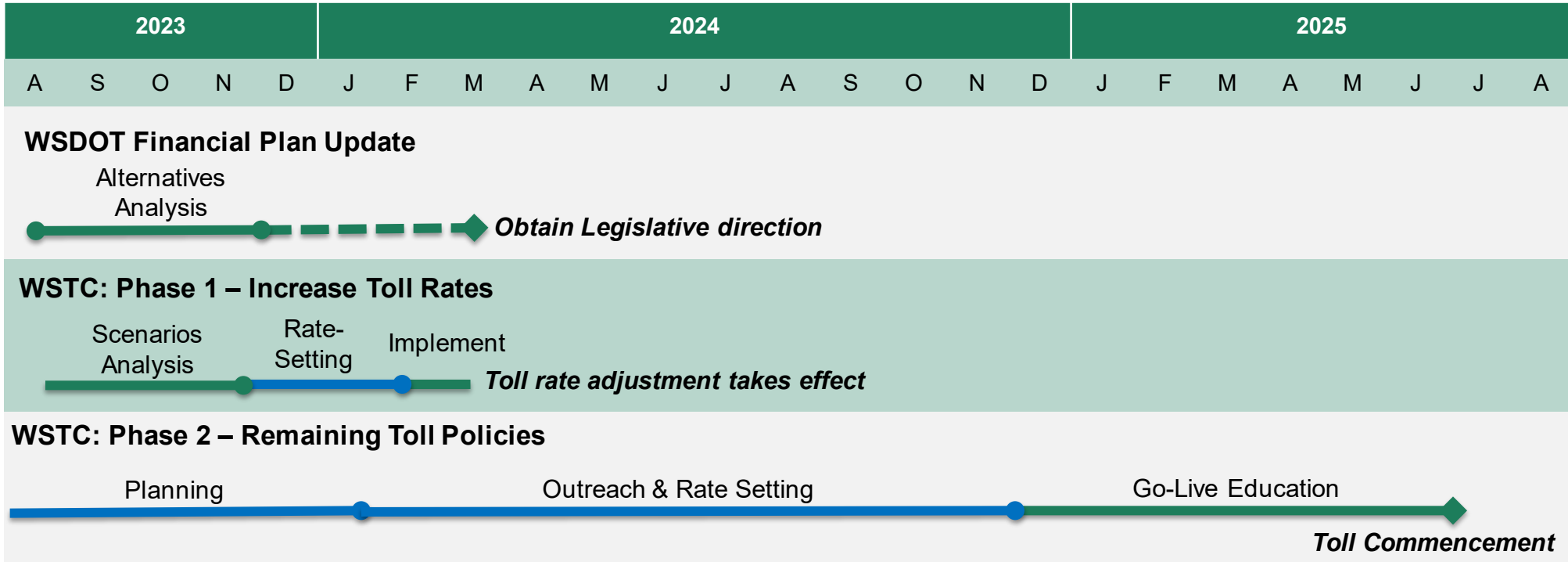
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# Toll policy update

Carl See, WSTC Deputy Director

# Parallel Processes – WSDOT & WSTC



# 2023 Legislative Direction to WSTC

- In the 2023-25 transportation budget (ESHB 1125), the Legislature directed the Commission to review toll revenue performance on the I-405 / SR 167 ETL corridor, and encouraged adjustment of the I-405 ETL toll rates
- Further guidance and input was provided in a letter from legislative membership requesting the Commission consider potential toll rate increases for the I-405 and SR 167 ETLs as part of a solution to the funding gap for corridor projects

# WSTC Situation Assessment

- Toll rates have not been adjusted since they were set on SR 167 over 15 years ago, and over 8 years ago on I-405.
- Current law requires toll rates support corridor performance and funding for improvements to the 50-mile ETL corridor
  - Increased traffic congestion has resulted in failure to meet corridor performance goals
  - Increased funding for improvements in the corridor is necessary to address shortfall for recently awarded corridor projects and on-going funding needs for further corridor improvements



# Planned Approach (WSTC)

The WSTC is addressing the identified revenue and performance needs with a phased approach to adjusting toll rates and policies for the I-405 / SR 167 corridor.

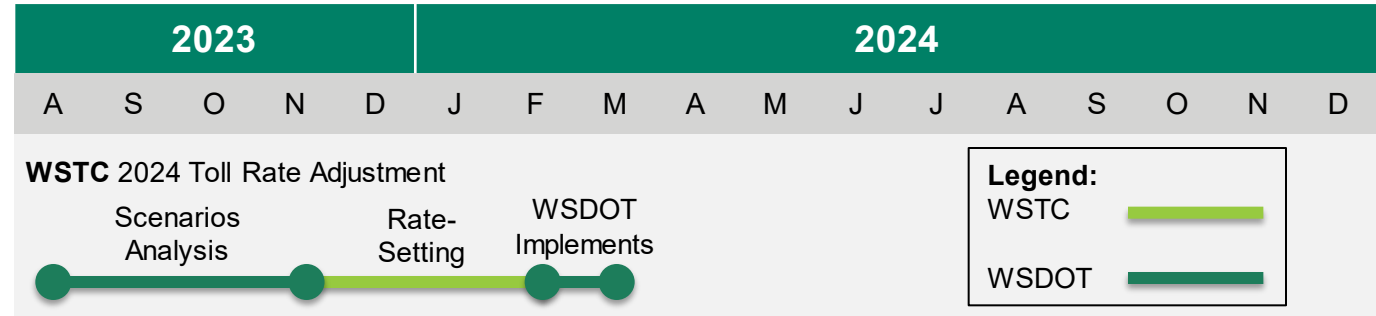
- **Phase 1 - November 2023 – March 2024:** adjust toll rates for the current express toll lane/HOT lane facilities on the I-405 / SR 167 corridor.
- **Phase 2 - Mid-2024 – Early 2025:** consider adjustments to toll policies in preparation for the opening of the new Renton to Bellevue express toll lanes and the SR 167 toll equipment upgrade in 2025.

# Phase 1: I-405 / SR 167 Toll Rate Adjustment Options (WSTC)

- At November 13 public input meeting the WSTC shared two possible options and supporting analysis from WSDOT for adjustments to the minimum and maximum toll rates on the I-405 ETLs and SR 167 HOT lanes with a tentative effective date of March 1, 2024.
- The WSTC continues to review analysis and options for Phase 1, with intent to identify a preferred toll rate scenario for public comment at the December Commission meeting (Dec 13).

	Current	Option 1	Option 2
<b>SR 167 HOT Lanes – min/max rates</b>	\$0.50 / \$9.00	\$1.00 / \$15.00	\$1.00 / \$12.00
<b>I-405 ETLs – min/max rates</b>	\$0.75 / \$10.00	\$1.00 / \$15.00	\$1.00 / \$12.00

# Phase 1: WSTC Rate Setting Timeline



## Phase 1: Key Rate Setting Steps:

- **November 13 Special Meeting:** Received preliminary financial and performance analysis and took public input
- **December Commission Meeting (Dec 13):** receive final analysis and select toll rate adjustment proposal for public review and comment – *File CR 102*
- **January Commission Meeting (Jan 17-18):** take public input on selected toll rate adjustment proposal
- **January 29 Special Meeting (9am) - tentative:** hold final hearing to take public comment and adopt toll rate adjustment – *File CR 103*
- **March 1 - tentative:** toll rate adjustment takes effect

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**Thank you**