



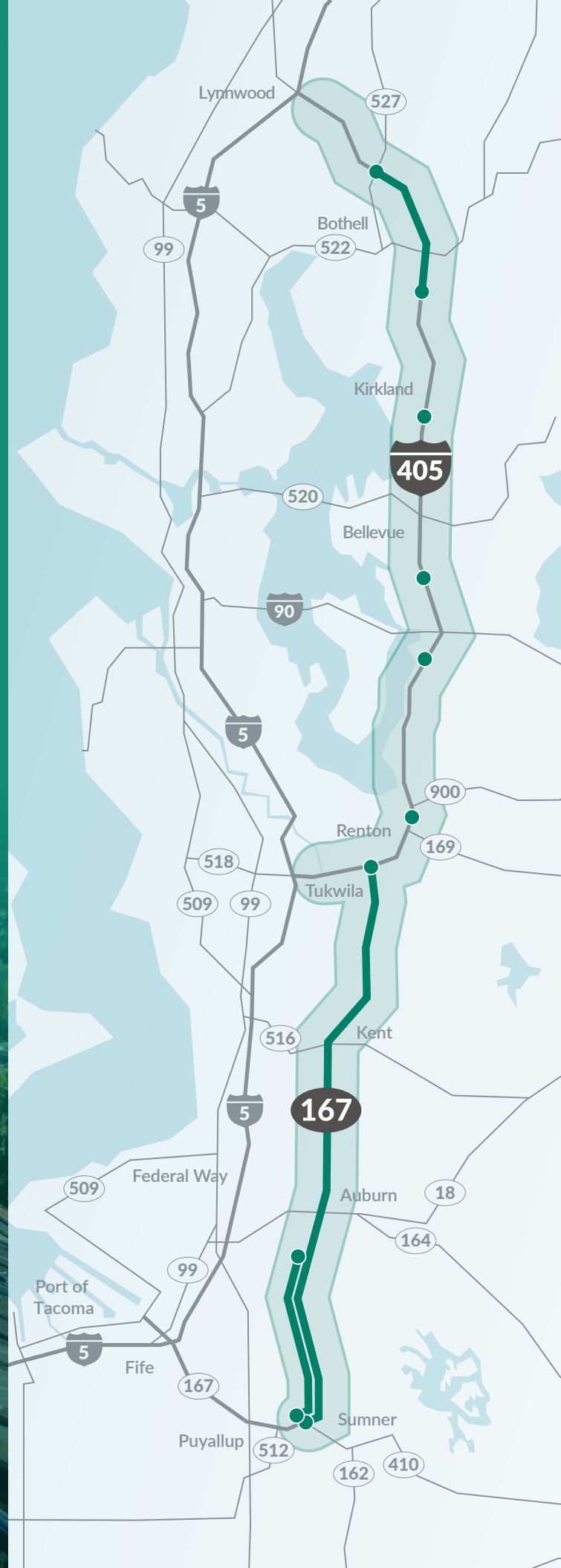
I-405/ SR 167 Corridor

# Financial Plan REPORT

2023 Update  
**FINAL**



December 2023





I-405/ SR 167 Corridor

# Financial Plan Report

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## Opening letter

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Dear members of the Washington State Legislature House and Senate Transportation Committees,

The Washington State Department of Transportation (WSDOT) submits this updated I-405/ SR 167 Corridor Financial Plan Report to address the program's current funding gap. This report presents potential alternatives for delivering legislatively planned projects previously identified in the 2021–23 Biennium Transportation Budget (SSB 5165) for the I-405/ SR 167 corridor. These projects are critical to build a 50-mile ETL system from Puyallup to Lynnwood and implement high-capacity Bus Rapid Transit in partnership with Sound Transit.

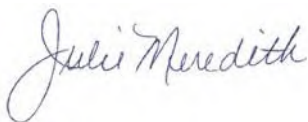
This report responds to the funding gap created after moving forward with two recent project contracts, the I-405/ Brickyard to SR 527 Improvement Project and the SR 167 Corridor Improvements Project. In July 2023, WSDOT received direction from the Washington State Legislature's Transportation Committee Leadership to award these projects while evaluating alternatives. The letter states, "As we have discussed, we support WSDOT moving forward to award both projects; the I-405 Brickyard to SR 527 contract and the SR 167 Toll System Upgrade. We are committed to reviewing and adjusting as necessary the financial plan for the balance of the I-405/SR 167 Program including options to increase tolling rates, provide additional funding, adjust project timing, or consider other revenue enhancements."

After consulting with stakeholders on corridor priorities, WSDOT has developed alternatives that adjust future projects' timing and/or adjust toll rates and policies. These toll adjustments reference the efforts of the Washington State Transportation Commission (WSTC) as they progress their toll rate-setting process. The Office of the State Treasurer's (OST) preliminary financial analysis of these alternatives shows a potential funding gap in the range of \$0 to \$277 million—depending on which alternative moves forward.

This report also includes recommendations for next steps from the I-405/ SR 167 Executive Advisory Group, comprised of local and state elected officials, regional transit agencies, and federal transportation agencies that provide input to WSDOT on corridor priorities and needs. The Governor and Legislature will ultimately decide how to address the projected funding gap and determine the schedule for delivering the projects discussed in this report.

We thank the Governor and Legislature for their continued support and collaboration to advance the multimodal I-405/ SR 167 corridor program. We all share an interest in prioritizing projects with system benefits and synergies that complement Sound Transit's planned I-405 Bus Rapid Transit and the 50-mile system of express toll lanes on I-405/ SR 167, which have a proven ability to move more people and provide travelers with a faster, more reliable trip. We look forward to continuing to work with the Governor, Legislature, Office of Financial Management (OFM), OST, and WSTC on next steps for delivering the next priority projects on the I-405/ SR 167 corridor.

Sincerely,



Julie Meredith

*Assistant Secretary, WSDOT Urban Mobility & Access and Megaprograms*

# Executive Summary

December 2023

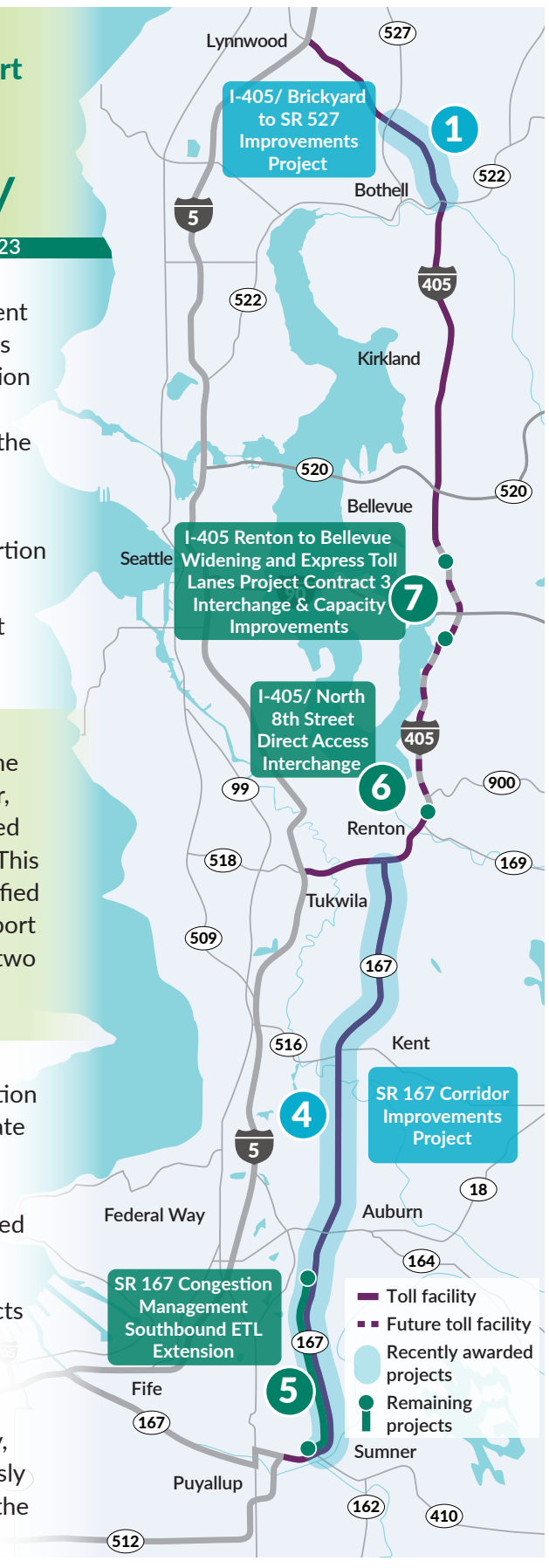
This report presents potential alternatives informed by recent financial analysis for delivering legislatively planned projects previously identified in the 2021–23 Biennium Transportation Budget (SSB 5165) on the I-405/ SR 167 corridor. This information is for Legislature’s consideration in addressing the funding gap recognized upon the award of two projects:

- **I-405/ Brickyard to SR 527 Improvement Project:** The project is cost shared with Sound Transit. WSDOT’s portion of the cost increased by \$254M
- **SR 167 Corridor Improvements Project:** WSDOT’s cost increased by \$21M

While there are other projects identified to complete the stakeholder-driven vision for the I-405/SR 167 corridor, this report specifically addresses the funding gap created by the cost increase of two recently awarded projects. This plan also maintains the current law project list as identified in the 2021 Financial Plan Report. The scope of this report does not evaluate potential cost increases beyond the two recently awarded projects.

WSDOT received direction via a letter from the Transportation Committee Leadership to award these contracts and evaluate alternatives to balance the I-405/ SR 167 program budget, using one or more of the following options. A mix of these options will likely be necessary to address the projected need on the corridor:

- **Adjust project timing:** There are three remaining projects left to deliver from SSB 5165. WSDOT developed an alternative to delay these projects to understand the extent of delays needed to potentially eliminate the funding gap. Rather than delaying all projects uniformly, WSDOT evaluated projects against the criteria previously established in 2021, to prioritize projects that provide the most benefit to the corridor system.



- **Increase corridor toll rates:** The Washington State Transportation Commission (WSTC) continues their process of evaluating increases to toll rates on the I-405/ SR 167 corridor. This report references assumptions for increases to toll rates and estimates how this revenue increase could help reduce the funding gap.
- **Revenue enhancements:** WSTC is in the process of evaluating modification to existing toll policies such as hours or days of toll operation that would better manage traffic. These modifications to toll policy, other than toll rates, may also enhance revenue. This report assumes changes to these policies that would be implemented in 2025, including HOV occupancy in alignment with WSTC's latest assumptions.
- **Other sources of funding:** Additional funds could be used during the earlier delivery years of a project to save the toll revenue for later years which would increase overall financial capacity. These could be local or business contributions, grants, federal and state funding sources.

As part of the analysis, WSDOT undertook the following activities:

- Confirmed that rescoping recently awarded projects would be infeasible to reduce costs and stay aligned with the 2023 legislative Project List
- Provided technical support for WSTC efforts to adjust corridor toll rates and policy as part of their toll rate-setting process
- Consulted with the I-405/ SR 167 Executive Advisory Group (EAG) and Interagency Working Group (IWG) throughout the development of alternatives, including focused updates to individual corridor stakeholders
- Evaluated remaining project prioritization by referencing defined criteria to understand system impacts from adjusting one or more projects' timing
- Coordinated with OST regarding financial analysis of options and provided regular updates to the Legislature, Governor's Office, and OFM throughout report development.

WSDOT developed the 2023 Financial Plan alternatives with the IWG, EAG and other corridor stakeholders. While the report presents multiple alternatives, the decision to use one or more option is at the discretion of the Legislature.

## Source of funding gap

While toll revenue has stabilized post-pandemic, the agency is facing a new funding challenge due to volatile market conditions and significant cost escalation within the industry both locally and nation-wide. The bidding environment reflects the construction industry's uncertainty and limited capacity, with fewer contractors bidding on projects, and significantly higher bids than the engineer's estimate as demonstrated by the two recently awarded corridor projects. This has resulted in increased construction costs and higher Operation and Maintenance (O&M) costs. In addition, the O&M costs increased to account for expenditures not previously identified that support system operations such as the Washington State Patrol. Revenue has been adjusted to reflect revised project delivery timelines; and updated interest rates assumptions reflect current market conditions.

OST's November 2023 baseline scenario calculated the projects' funding gap at \$277 million after incorporating the awarded contract bid prices and updated toll revenues forecasts, operation and maintenance costs, repair and replacement costs, and interest rate assumptions.

## Approach to addressing the funding gap

This report focuses on alternatives to address the immediate gap of \$277 million by evaluating how one or more of the alternatives could help reduce or eliminate this gap. WSDOT evaluated delaying the three remaining projects between two to 10 years; with priority given to projects that would produce higher system benefits in comparison to others. WSDOT referenced the criteria established in 2021 to evaluate and measure system benefits and revenue. Reviewing revenue-associated benefits required a balance between time and cost. While delaying projects (and their expenditures) allows toll revenue to accumulate (PayGo), delaying projects should be limited to minimize the impact to users of the corridor as well as additional escalation-related costs.

There are three remaining projects left to be delivered within Substitute Senate Bill 5165:

- SR 167 Southbound Congestion Management (southbound)
- North 8th Street Direct Access
- I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements

We did not update the three remaining project estimates to reflect current market conditions because the focus of this report is to resolve the immediate gap and balance the Program's budget. For this immediate effort, the estimates for the three remaining projects reference the legislatively planned budgets. WSDOT would like to evaluate these projects' scopes and identify if any practical solutions are feasible that could reduce the cost and still achieve the projects' intended benefits. This will require the appropriation of preliminary engineering funds for these projects during the 2024 legislative session of \$2 million per project.

When developing alternatives, WSDOT provided bookends to define the funding gap and illustrate how it could change with increased toll rates or adjustment to project delivery timelines. WSDOT used the bookend approach because of the extensive time and resources required to assess traffic and revenue and to perform financial analyses on numerous scenarios. In November 2023, OST referenced WSDOT's bookends and conducted a financial analysis that identified the funding gap for each of the alternatives.

**What does a bookend illustrate?** One side of a bookend illustrates the financial need if no adjustments were made to current toll rates and policy or project timelines; and the other side of the bookend illustrates how far in time projects may need to be shifted to eliminate the funding gap and if toll rates were to be increased per WSTC's work.

## Findings of the Financial Analysis

The description and results of each of the three alternatives:

**Alternative #1—Baseline Delivery:** references Current Law delivery dates for all projects. Financial parameters used were based on OST's latest assumptions and inputs from WSDOT including the updated bids for the recently awarded projects. The Traffic & Revenue (T&R) forecasts use the current maximum toll rate policy of \$9 along SR 167 and \$10 along I-405. The minimum toll rate is assumed to be \$0.75 corridor-wide.

In addition, the HOV occupancy is assumed to be 3+ corridor-wide during the peak periods to align with WSTC's latest assumptions. **The funding gap identified in this baseline scenario is \$277 million.**

**Alternative #2—Increased Toll Rates:** mimics the inputs used in the Baseline Delivery but includes a corridor-wide increase in the maximum toll rate of \$15. For this analysis, the toll rate and HOV occupancy changes are assumed to take place with the expected opening of the I-405 Bellevue to Renton express toll lanes and the SR 167 facility upgrades in mid-2025. **The increased maximum toll rate reduces the funding gap to \$211 million.**

**Alternative #3—Prioritized Delivery:** delays the remaining corridor projects between two to 10 years with priority given to projects that would produce higher system benefits and toll revenues. Amongst the three remaining projects, the SR 167/ SR 410 to SR 18 Congestion Management (southbound) project provides more benefits and revenue relative to North 8th Street Direct Access and I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements. Alternative #3 includes the same toll rate and policy adjustments as described in Alternative #2. Prioritizing system benefits while also increasing toll revenue **eliminates the current funding gap** through a combination of bond proceeds and PayGo financing (PayGo financing uses current and accumulated toll revenues to pay for certain project costs).

The Alternative references the remaining projects' legislatively planned budgets. In the likely scenario that their estimates exceed their budgets, delays would be further in the future to maintain a zero-funding gap.

## Recommendations and next steps

To address the contract bids on the two recently awarded projects, the following reappropriations are required:

- Reappropriate \$21 million of toll funds from the P-program to the I-Program for the SR 167 Corridor Improvements Project (\$16 million in the 23–25 biennium, \$5 million in the 25–27 biennium)
- Increase the appropriation for the I-405/ Brickyard to SR 527 Improvement Project by \$254 million beginning in the 25–27 biennium
- Increase the appropriation for the deferred sales tax payback by \$42 million in a future biennium

At the request of the legislators, WSDOT presented three alternatives ranging from a funding gap of \$277 million to \$0 to fund the above appropriations. The alternative that eliminates the funding gap includes a delay to the remaining projects of two to 10 years. To further understand the needs for the remaining projects, in consultation with our IWG & EAG stakeholders, WSDOT would work with legislators to retain preliminary engineering design budget in 2024. These funds would be used to collaborate with stakeholders and reassess these projects' scopes and intended benefits to stay within the legislatively planned budgets and/or evaluate opportunities to phase the projects. Preliminary engineering would require approximately \$2 million for each of the three remaining projects to engage in a practical solutions approach and identify opportunities to rescope and/or phase these projects while meeting the intended benefits of the I-405/ SR 167 corridor vision.

Other recommendations as proposed by the EAG included partnering with local agencies to explore possibilities for new funding sources beyond what the legislators directed us, including federal funding and grants. And for the Legislature to fund the SR 167 Implementation Plan (\$2.5 million) as well as fund a system-wide low-income toll program.

# Section 1 Overview

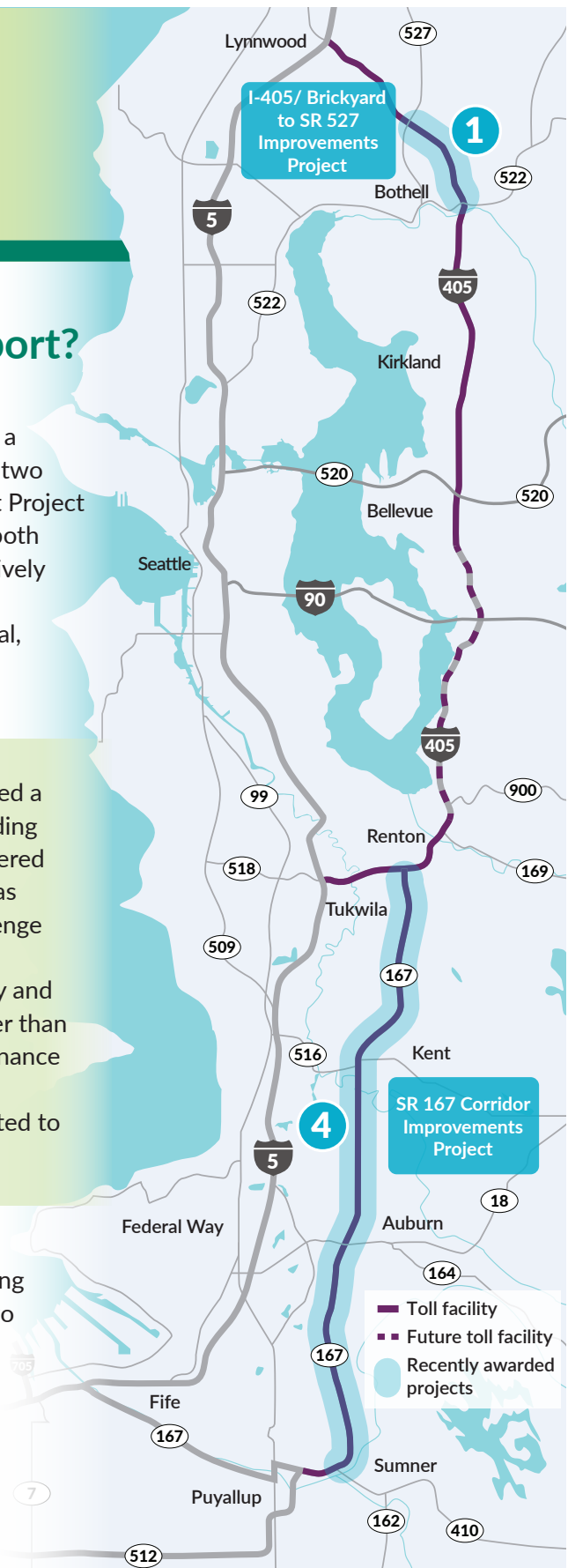
## What is the purpose of this report?

Leaders of the House and Senate Transportation Committees of the Washington State Legislature sent a letter on July 21, 2023, directing WSDOT to advance two projects, the I-405/Brickyard to SR 527 Improvement Project and the SR 167 Corridor Improvement Project, after both projects' lowest (winning) bids exceeded their legislatively appropriated budgets. Both projects provide critical infrastructure to implement the vision for a multimodal, managed 50-mile corridor system. Therefore, the legislators supported progressing their delivery.

In 2021, I-405/ SR 167 Financial Plan Report presented a funding and phasing approach that responded to funding shortfalls stemming from declining toll revenues triggered by the global pandemic. In 2023, while toll revenue has stabilized, the corridor faces a different funding challenge due to volatile market conditions and significant cost inflation triggering construction cost escalation locally and nationwide. This impact has not only resulted in higher than estimated bids but also higher operations and maintenance costs. Furthermore, the nationwide escalation has contributed to interest rates rising. These all contributed to a decrease in bond capacity.

Transportation Committee Leadership requested that WSDOT present alternatives for addressing the funding gap created by higher than estimated costs for the two projects. The alternatives use one or more of the options below based on the legislators' request:

- Adjust project timing
- Increase Toll Rates
- Other revenue enhancements
- Provide additional funding





## How is WSDOT responding to legislative direction?

This report includes WSDOT's evaluation of the options available per legislative direction. WSDOT has developed alternatives that have varying effects on the funding gap.

As part of the analysis, WSDOT undertook the following activities:

- Confirmed that rescoping recently awarded projects would be infeasible to reduce costs and stay aligned with the 2023 legislative Project List
- Provided technical support for Washington State Transportation Commission (WSTC) efforts to adjust corridor toll rates and policies as part of their toll rate-setting process
- Consulted with the I-405/ SR 167 Executive Advisory Group (EAG) and Interagency Working Group (IWG) throughout the development of alternatives, including focused updates to individual corridor stakeholders
- Evaluated remaining project prioritization by referencing defined criteria to understand system impacts from adjusting one or more projects' timing
- Coordinated with Office of the State Treasurer (OST) regarding financial analysis of options and provided regular updates to the Legislature, Governor's Office, and Office of Financial Management (OFM) throughout report development.

While there are other projects identified to complete the stakeholder-driven vision for the I-405/ SR 167 corridor, the 2023 Financial Plan Report specifically addresses the funding gap created by the cost increase of two recently awarded projects. This plan also maintains the current law project list as identified in the 2021 Financial Plan. The scope of this report does not evaluate potential cost increases beyond the two recently awarded projects.

## Whom did WSDOT consult to develop this report?

WSDOT has continued decades-long partnership, engagement and consultation with agencies and stakeholders on the funding and delivery of this multimodal corridor. Specific to this set of improvements, WSDOT collaborated closely with Sound Transit, the EAG, IWG, WSTC, OST, OFM and Governor's office, the legislature, and internally within WSDOT.

## Sound Transit coordination

WSDOT and Sound Transit have worked closely to develop Sound Transit's I-405 Bus Rapid Transit (BRT) system, Stride, a critical program to move more people through I-405/ SR 167 corridor. Most recently the two agencies collaborated and established an agreement on the funding and delivery of the I-405/ Brickyard to SR 527 Improvement Project, constructing critical infrastructure needed to implement BRT in the north-end of the corridor. When bids were opened to higher-than-expected prices, Sound Transit worked with their Board and received approval on July 27, 2023, to increase their project budget to cover their portion of the project costs.

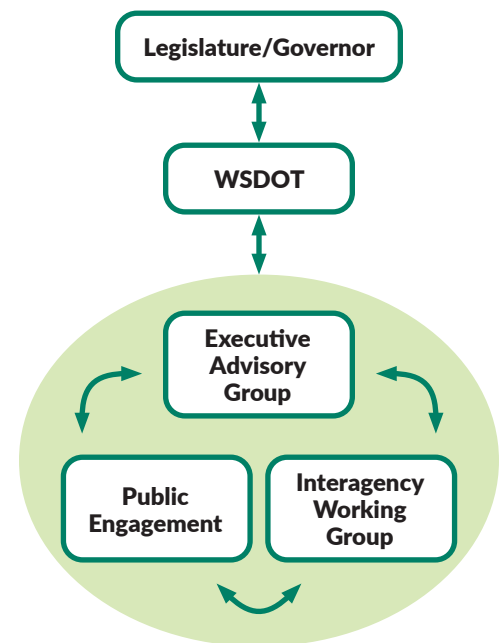
## Executive Advisory Group (EAG) and Interagency Working Group (IWG)

WSDOT has continued its decades-long engagement with the I-405/ SR 167 EAG to help guide WSDOT in the prioritization and implementation of corridor-wide project delivery, including tolling and BRT. Comprised of local and state officials, regional transit agencies and federal transportation agencies, the EAG is a key partner for advancing multimodal corridor improvements. While developing the updated financial plan, WSDOT consulted with partners, provided information about the challenges facing the corridor and presented the technical analysis. EAG members provided input on key assumptions, policy choices and next steps. Appendix B provides meeting summaries and participant notes.

WSDOT held EAG meetings on September 9 and December 11, 2023, yielding several key themes:

- Prioritize funding and delivery of projects that maximize system benefits/synergies that complement the express toll lanes (ETL) project along the 50-mile corridor. Consider the system benefits such as improved reliability for BRT and connections to other multimodal options.
- Use a practical solutions approach to evaluate opportunities to redefine remaining projects' scope while maintaining project intent.
- Continue progress towards funding for the SR 167 Implementation Plan, including next steps to implement a system-wide low-income toll program.
- Explore additional options, including federal funding and grants, to respond to the funding gap beyond the legislative options for the remaining I-405/ SR 167 corridor project delivery.

WSDOT also worked closely with the IWG, comprised of multiagency staff who support EAG members, throughout the development and analysis of alternatives. IWG members helped to develop alternatives, review findings, and propose alternatives for consideration.



## Washington State Transportation Commission (WSTC)

WSDOT worked closely with WSTC, which is responsible for setting toll rates and policies including ETL occupancy requirements, hours of operation and minimum and maximum toll rates—all of which can influence the amount of toll revenue collected. After multiple years of coordination on identifying toll rates and policies for consideration, WSTC began developing preliminary toll rate scenarios for further analysis in 2023 in preparation for the 2025 opening of the I-405 Renton to Bellevue express toll lanes project and an upgraded toll system on SR 167. Based on analysis that will be available in Spring of 2024, WSTC will use this analysis to evaluate adjustments to various toll rates and policies to manage traffic demand and provide a consistent travel experience throughout the 50-mile system. WSDOT's ongoing Traffic and Revenue studies project the net toll revenue for WSTC consideration when setting toll rates and policies. Given that the legislators directed WSDOT to explore increasing toll rates, WSDOT engaged WSTC to ensure their traffic and revenue methodology aligned with WSTC's toll scenario evaluation.

In August 2023, legislators also directed WSTC to explore near-term toll rate adjustments for the I-405 (Bellevue to Lynnwood) and SR 167 separate from the 2025 toll rate-setting process as a potential option to help fill the corridor funding gap and to support meeting traffic management performance goals. This effort is identified as "Phase 1" of WSTC's toll rate-setting process and the remaining work is considered "Phase 2" as further explained below.

### How does WSTC's work relate to this WSDOT effort?

There are three coordinated processes occurring in parallel—each with overlapping data needs:

- **WSTC 2024 Toll Rate Increase (Phase 1):** Responds to a recent legislative request for WSTC to consider potential toll rate increases for the existing I-405 ETLs (Bellevue to Lynnwood) and SR 167 High Occupancy Toll (HOT) lane facilities. This would be a part of a near-term solution to respond to the unforeseen increases in project costs, along with a look at traffic performance on the corridor.
- **WSTC 2025 Toll Rates & Policy Adjustments (Phase 2):** Responds to RCW 47.56.850 to review and potentially adjust toll collection policies, toll operation policies, and toll revenue expenditures on existing and new eligible toll facilities. These adjustments will coincide with the opening of the new toll facilities within the I-405 Renton to Bellevue project and upgrades to the toll system on SR 167.
- **WSDOT Financial Plan Update Report:** Responds to a legislative request from the Transportation Committee Leadership to evaluate alternatives to balance I-405/SR 167 Program funding including a) adjusting corridor toll rates and HOV policy or b) adjusting timing of projects or c) a combination of both. WSDOT also conducted initial assessments on potential revenue enhancements or other sources of funding that could be considered.

Other WSTC work also includes further evaluation of a system-wide low-income toll program. Their August 2021 report recommended next steps to develop of a low-income program. This 2023 Financial Plan Report did not assume any additional toll expenditures to fund this program.

### Coordination summary

WSDOT continued to inform state elected officials and agencies including legislative leadership, the Governor’s Office and the Office of Financial Management regarding the development and analysis of options for consideration. WSDOT worked with OST on the financial analysis of alternatives pertaining to project delivery alternatives and potential toll rate increases.

	2023							2024
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
	<ul style="list-style-type: none"> <li>Jun. 22 Bids received for I-405/ Brickyard to SR 527 Improvement Project</li> <li>Jun. 28 Bids received for SR 167 Corridor Improvements Project</li> </ul>	<ul style="list-style-type: none"> <li>Jul. 21 Washington State Legislature letter received</li> </ul>						
Executive Advisory Group				<ul style="list-style-type: none"> <li>Sep. 14</li> </ul>			<ul style="list-style-type: none"> <li>Dec. 11</li> </ul>	
Interagency Working Group			<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>	
State Agencies	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Oct. 9 STC</li> </ul>	<ul style="list-style-type: none"> <li>Dec. 4 HTC</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Local Agencies			<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>

## How does this report fit with the I-405/ SR 167 Corridor vision?

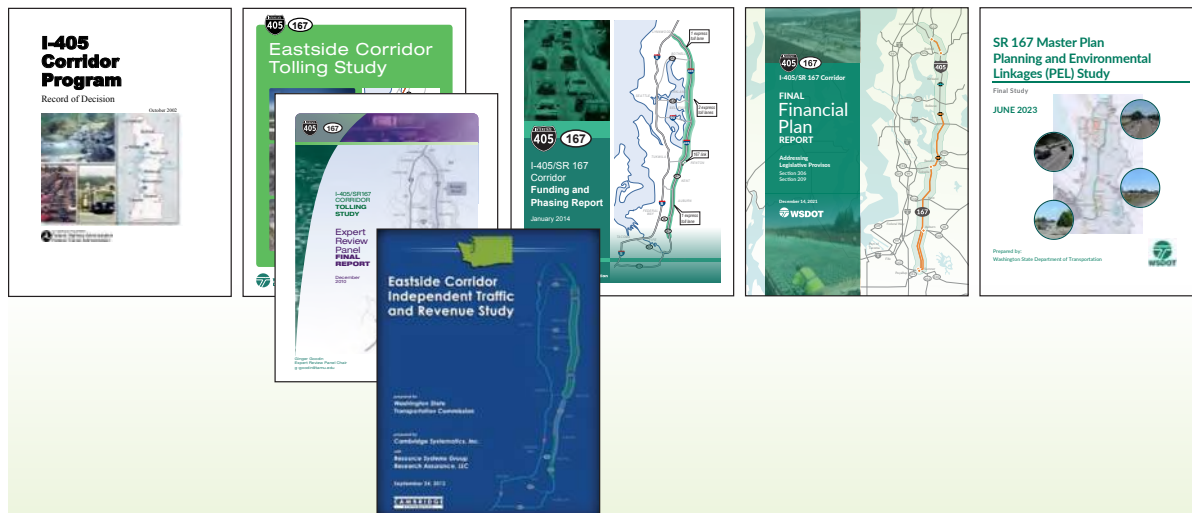
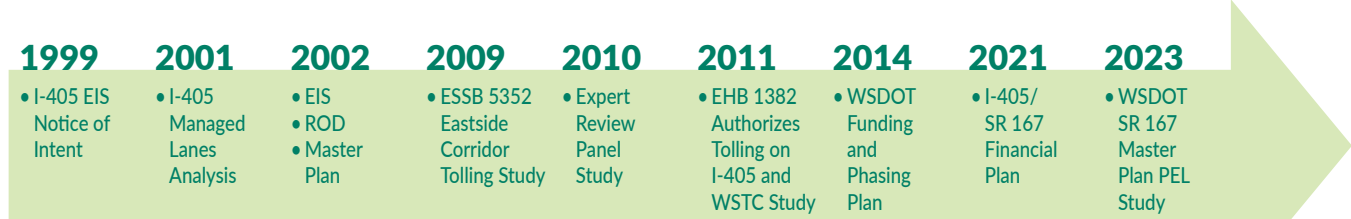
For more than 20 years the Legislature has invested in multimodal improvements for the 50 mile I-405/ SR 167 corridor guided by the stakeholder endorsement of the corridor vision, Master Plan and priorities. To date WSDOT has delivered more than \$2 billion in corridor improvements to the traveling public starting with the Nickel Transportation Investment Package in 2003, the Transportation Partnership Program in 2005, Connecting Washington Package in 2016 and Move Ahead Washington in 2022.

In 2019, WSDOT received legislative direction per ESSB 5825 to use bonded toll revenue for the next set of I-405 and SR 167 corridor projects. With toll revenue declining at the time due to the global pandemic and additional projects identified, the 2022 Legislature appropriated funds as part of the Move Ahead Washington Revenue Package to address the funding shortfall. WSDOT has continued working toward delivery of the priority projects necessary to build out the managed system

and infrastructure as well as support Sound Transit's BRT system. Between State funding and Sound Transit investments for I-405 corridor BRT, nearly \$5 billion has been dedicated to implementing the I-405/ SR 167 multimodal corridor vision.

A central part of the original I-405 corridor vision, as well as the recently completed SR 167 Master Plan, has been building a 50-mile ETL system from Puyallup to Lynnwood and supporting high-capacity BRT. The corridor's managed lane system has demonstrated the ability to move more people across all lanes and provide ETL users with a faster, more reliable trip when needed. ETLs also generate toll revenue to invest back into the corridor to offset the cost of transportation improvements, ongoing operations and maintenance and facility preservation.

The work in this report is consistent with the technical analyses, collaboration with partners and legislative direction dating back to 1999. This report is intended to provide alternatives for the Legislature to consider for address the current funding gap while advancing the corridor vision.



# Section 2 Appropriated Projects and Considerations

## What are the current law projects funded by toll revenue?

The current law projects, shown in Exhibit 2-1, improve the system along the entire I-405/ SR 167 corridor. ESSB 5825 (2019) authorized a list of projects to be funded through toll revenue, which was valued at \$938 million. Since this authorization, the list has evolved including additional funds authorized via SSB 5165 (2021), with an updated value of \$1.178 billion. As noted in the 2021 Financial Plan Report, the 2019 (pre-covid) OST financial analysis indicated that toll revenue could only support \$938 million.

Exhibit 2-1 Current Project List and Description based on SSB 5165 (2021)

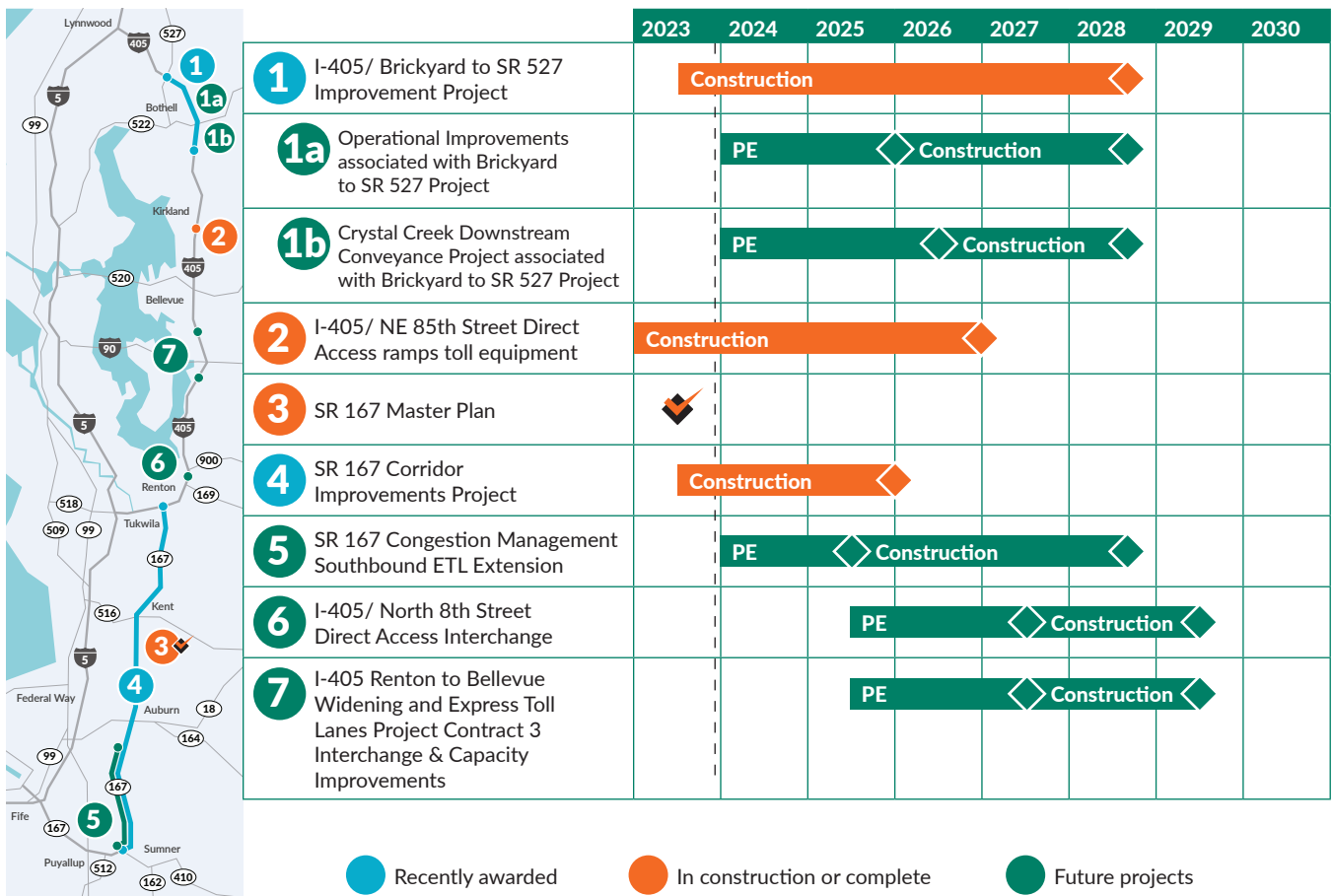
<b>1</b>	I-405/ Brickyard to SR 527 Improvement Project	<ul style="list-style-type: none"> <li>• Extends dual ETLs from SR 522 to SR 527</li> <li>• Builds direct access ramps with inline stations at SR 522 and SR 527 interchanges</li> <li>• Constructs 3 I-405 Stride BRT stations and the I-405/ SR 522 transit hub</li> </ul>
<b>1a</b>	Operational Improvements associated with Brickyard to SR 527 Project	<ul style="list-style-type: none"> <li>• Lessons learned from Bellevue to Lynnwood ETL opening</li> <li>• Constructs spot improvements downstream of corridor improvements</li> </ul>
<b>1b</b>	Crystal Creek Downstream Conveyance Project associated with Brickyard to SR 527 Project	<ul style="list-style-type: none"> <li>• Fish passage corrections for Crystal Creek</li> </ul>
<b>2</b>	I-405/ NE 85th Street Direct Access ramps toll equipment	<ul style="list-style-type: none"> <li>• Constructs toll equipment on the NE 85th ETL direct access ramps funded as part of Sound Transit's BRT investments for the NE 85th Street station</li> </ul>
<b>3</b>	SR 167 Master Plan	<ul style="list-style-type: none"> <li>• Provides recommendation for short and long-term multimodal projects along the SR 167 corridor</li> </ul>
<b>4</b>	SR 167 Corridor Improvements Project	<ul style="list-style-type: none"> <li>• Replaces original toll system from 2008</li> <li>• Upgrades SR 167 toll system for customer experience and management consistency with I-405 system</li> <li>• Adds strategic capacity by constructing a southbound auxiliary lane including preservation</li> <li>• Converts HOV lane to ETL from SR 410/ SR 512 to SR 18 interchange</li> </ul>
<b>5</b>	SR 167 Congestion Management Southbound ETL Extension	<ul style="list-style-type: none"> <li>• Extends southbound ETL to the south to SR 410/ SR 512 interchange area</li> </ul>
<b>6</b>	I-405/ North 8th Street Direct Access Interchange	<ul style="list-style-type: none"> <li>• New ETL direct access ramp (not currently planned for I-405 BRT use)</li> </ul>
<b>7</b>	I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements	<ul style="list-style-type: none"> <li>• Extension of NE 6th street to eastside of I-405 for connection to ETL system</li> <li>• Improvements to Coal Creek Parkway interchange</li> </ul>

● Recently awarded     
 ● In construction or complete     
 ● Future projects

## What are the current law project schedules?

WSDOT has continued to make progress on delivering the current law projects while building upon the partner-driven vision for a multi-modal system across the 50-mile corridor with the completion of the SR 167 Master Plan in 2023. After the 2021 Financial Plan, the Legislature moved forward with delivery of the SR 167 Corridor Improvement Project to open in 2025, advancing the project's delivery, associated system benefits and anticipated toll revenue. The I-405/ Brickyard to SR 527 Improvement Project is planned to open in 2028, aligning with opening of Sound Transit's north end Stride BRT service. Exhibit 2-2 details the current law delivery schedule for the toll funded projects.

Exhibit 2-2 Current Project List and Timeline based on SSB 5165 (2021)



## Which projects are being evaluated as part of this report?

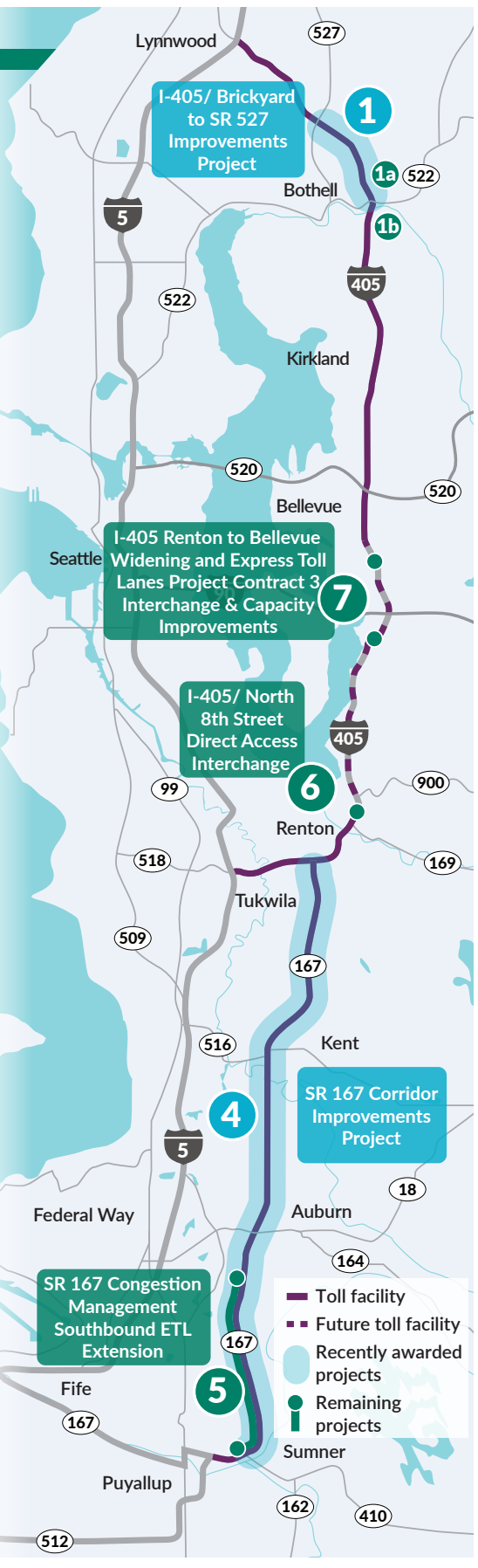
This report is focused on the delivery of two critical projects, the I-405/ Brickyard to SR 527 Improvement Project **1** and the SR 167 Corridor Improvement Project **4**. The bid prices for these projects exceeded the legislatively appropriated budgets creating a funding gap.

As previously noted, one of the options legislators provided for evaluation as part of this report is the adjustment of remaining projects' timing to address the funding gap. With project delivery well underway on the I-405/ SR 167 corridor, the number of future projects whose appropriations or timing that can be adjusted is limited. The Operational Improvements **1a** and the Crystal Creek **1b** projects are components of the larger I-405/ Brickyard to SR 527 Improvement Project currently under construction. These projects were not considered in the adjustment of project timing because they are needed to fulfill the project's environmental commitments and respond to the fish passage injunction.

With that in mind, WSDOT evaluated adjusting project delivery on the three remaining projects included in SSB 5165 (2021):

- SR 167 Congestion Management—Southbound Express Toll Lane (ETL) Extension **5**
- I-405/ North 8th St Direct Access Interchange **6**
- I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements **7**

In evaluation of project timing adjustment, cost estimates for each of the remaining projects reflect their legislatively planned budgets (as established in SSB 5165 in 2021) except for an increase to account for the time value of money (referencing WSDOT's Construction Cost Index (CCI)). Cost estimates have not been updated due to the timing of the financial plan update, the complexity of the projects, and the volatility in cost escalation causing a variety of uncertainty that cannot be predicted





at this time. Understanding that these projects could experience similar cost escalation, WSDOT proposes engaging stakeholders in practical design workshops focused on fundamental project needs and identifying potential solutions to address those needs within the legislatively planned budgets. This will require the appropriation of preliminary engineering funds for these projects during the 2024 legislative session of \$2 million per project.

There are other I-405/ SR 167 corridor projects not previously evaluated in the 2021 Financial Plan report because they were not part of the ESSB 5825 toll funded projects, do not have any legislatively appropriated funds and therefore were not included in the current Program’s budget. Projects not evaluated include the SR 520/ 124th interchange project (funded by Connecting Washington for design and right of way only) and injunction barrier replacements including a permanent solution to the Lakehurst Fish Barrier Project (permit condition of the emergency repair project conducted in 2023). This Financial Plan evaluation also did not consider the projects identified in the SR 167 Master Plan Study. Additional legislative and stakeholder discussions are required to evaluate the funding and phasing of remaining projects identified in the I-405 and SR 167 Master Plans.

## Why is there a funding gap?

Coming out of the global pandemic and since the 2021 Financial Plan, new challenges have created a funding gap in the corridor. The primary driver for the funding gap includes WSDOT receiving two construction project bids that significantly exceeded the legislatively authorized budget. Other considerations include revenue adjustments to reflect revised project delivery timelines, updated interest rates assumptions and increases in operation and maintenance costs related to inflation and toll appropriations.

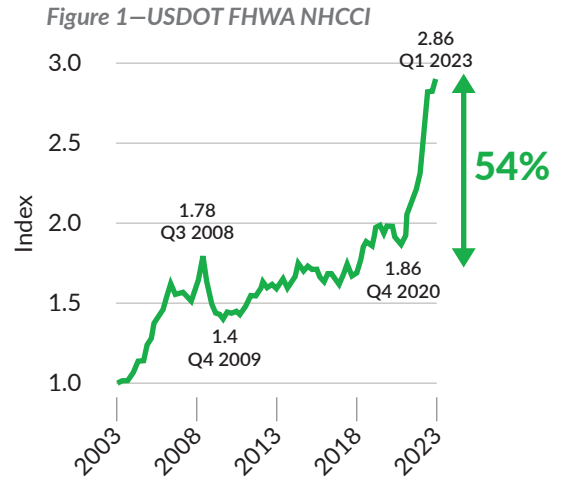
### Construction cost escalation

In early June, WSDOT opened bids for the I-405/ Brickyard to SR 527 Improvement Project and the SR 167 Corridor Improvements Project. The bid prices resulted in the projects exceeding the legislatively authorized budget—combined increases were \$275 million; with \$254 million for the I-405/ Brickyard to SR 527 Improvement Project and \$21 million for the SR 167 Project. As seen in Exhibit 2-4 most of the increase over authorized budget occurs in the 25–27 biennium. However, there is an immediate funding gap of \$16 million within the 2023–25 biennium that is included in WSDOT’s supplemental budget request awaiting Governor and Legislature’s approval.

*Exhibit 2-4 Funding Gap for Recently Awarded Projects per biennium*

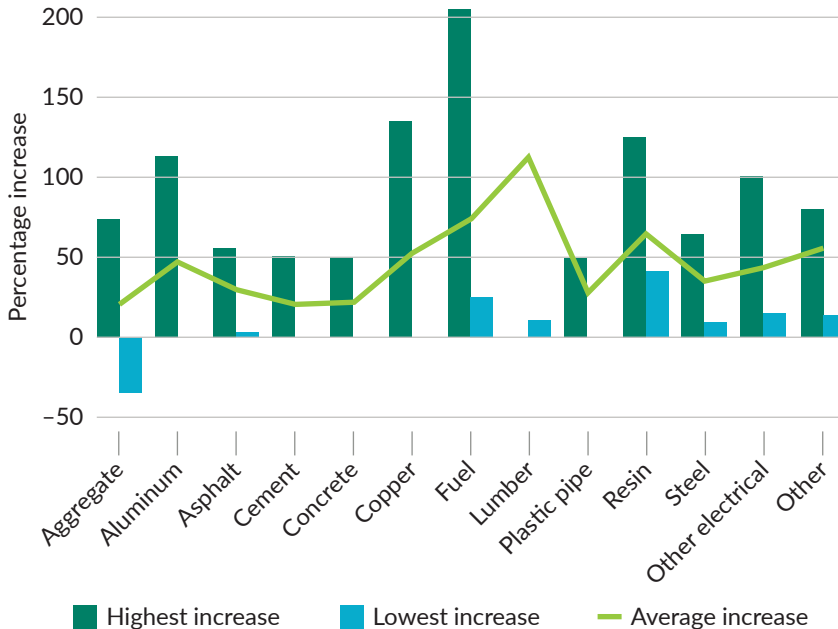
Project	Total gap by project	2023–2025 biennium	2025–2027 biennium	2027–2029 biennium
<b>1</b> I-405/ Brickyard to SR 527 Improvement Project	-\$254M		-\$179M	-\$75M
<b>4</b> SR 167 Corridor Improvements Project	-\$21M	-\$16M	-\$5M	
<b>Total gap by biennium</b>	<b>-\$275M</b>	<b>-\$16M</b>	<b>-\$184M</b>	<b>-\$75M</b>

This significant cost escalation is not a challenge unique to the I-405/ SR 167 Corridor or to WSDOT. State departments of transportation (DOTs) across the nation are experiencing similar cost escalation. The U.S. Department of Transportation’s Federal Highway Administration (FHWA) measures the average change over time in prices paid by state DOTs for roadway construction material and services—this is called the National Highway Construction Cost Index (NHCCI). According to FHWA, the Index grew by 54% between 2020 (4th quarter) and 2023 (2nd quarter).



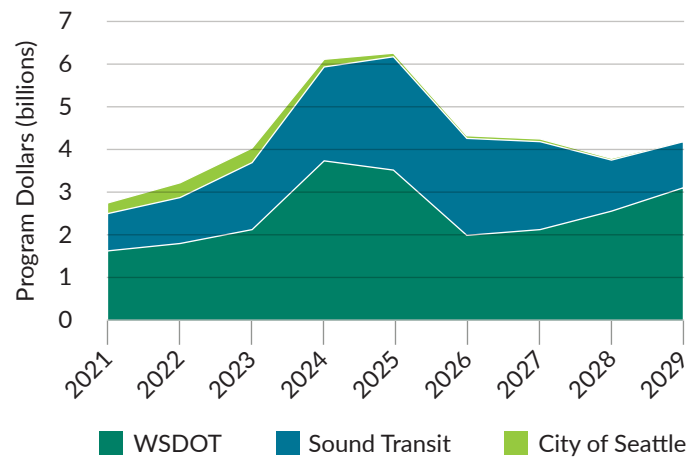
While inflation volatility has impacted all product costs, some products experienced higher pricing volatility compared to others. The American Association of State Highway and Transportation Officials (AASHTO) tracked material price increases for construction, including lumber, asphalt, concrete, etc., with the average increase for all DOTs ranging from 20% to 111% (2022 figures).

*Figure 2—AASHTO Material Price Increases in Construction*



In addition, competition for construction contractors can increase prices due to demand for available labor in both the public and private sectors. Due to the demand for capital transportation projects in the region, WSDOT has experienced and anticipates continued unfavorable market conditions leading to increased project costs. As seen in Figure 3, WSDOT and Sound Transit both have significant programs that are just getting to peak demand at nearly \$6 billion in combined work. This does not include private or other public agencies, such as the Port of Seattle who also have significant work occurring that is likely to impact available resources.

Figure 3—Puget Sound Region Demand in Capital Transportation Projects



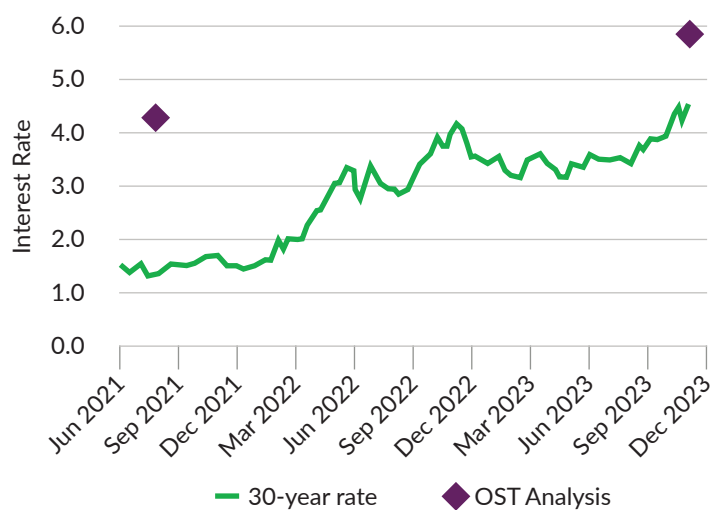
Over the state’s 20+ year design-build history, WSDOT has experienced an average of about five submitters on each design-build contract. In 2023, the average is only 2.6 with relevant examples such as the I-405/Brickyard to SR 527 Improvements Project with just two bidders and, in some cases, WSDOT has had a single bidder. This is an unprecedented situation contributing to construction cost escalation on WSDOT’s larger design-build projects, specifically on the I-405/ SR 167 corridor.

## Other considerations

### Interest rates

In addition to increasing construction costs, there has also been a rise in interest rates. The AAA Municipal Market Data (MMD) index is a general benchmark for the type of bonds that would be sold for the I-405/ SR 167 program. As a reference, the 30-year AAA MMD spot yield (i.e. interest rate) has increased nearly 3% since the 2021 financial plan (OST analysis conducted in July of 2021). Interest rates increases reduce the bonding capacity of the finance model and decrease the funds available for the program.

Figure 4—Interest Rate 2021 vs. 2023



As shown in Figure 4, in the 2021 financial plan OST assumed an aggregate borrowing cost of 4.34%. This included a 2% interest rate cushion to mitigate interest rate risk at a time when borrowing costs were near historic lows. In the November 2023 financial analysis, OST reduced the 2% interest rate cushion to 1% to better align with the current interest rate environment, resulting in an aggregate borrowing cost of 5.82%.

While OST's interest rate assumptions provide some insulation from changing market conditions, the AAA MMD benchmark is a reflection of current market conditions. OST varies its interest rate cushion percentage based on its judgement of the market conditions. Even though OST's assumed interest in 2021 and 2023 (4.34% and 5.82%, respectively) did not change as much as the AAA MMD's benchmark during that same time, it is important to note that interest rates can be volatile and will be subject to change until the bonds for the project are sold.

## O&M costs

An increase in Operation & Maintenance (O&M) costs negatively impacts the corridor's financial capacity. Because the corridor's O&M costs are to be paid from toll revenues, increases in O&M costs reduce the amount of net revenue available for bonding and PayGo financing.

**Roadway Toll System:** Inflation has contributed to increased O&M costs for tolled facilities, directly reducing the financial capacity from toll revenue. Kapsch is the system provider and operator of the Roadway Toll Systems (RTS) that collect the data necessary to charge customers correctly. Since the Financial Plan Report of 2021, WSDOT has recently negotiated O&M costs with Kapsch for the four projects along the corridor. The increase in O&M costs for these new systems is \$132.2 million over the 36-year forecast horizon (from fiscal year 2022–2057). One of the primary reasons for these cost increases includes a higher cost inflation rate than previously forecasted, including for the work associated with updates to the SR 167 tolling infrastructure.





**Toll Fund Appropriations:** During the 2020 legislative Session, the Legislature was concerned about operational challenges related to reduced toll funds available due to the pandemic. They requested that WSDOT do an analysis of direct tolling-related support to a select group of outside agencies and WSDOT programs. To that end, WSDOT developed a report which detailed the level of tolling support provided to:

- Washington State Transportation Commission (WSTC),
- Washington State Patrol (WSP),
- WSDOT Program Q—Traffic Operations,
- WSDOT Program S—Executive Management, and,
- WSDOT Program U—Central Services,

As a one-time solution to pandemic-related funding challenges, the Legislature offset funding appropriations for the 2021–23 biennium from the Motor Vehicle Fund (MVF) with toll funds based on report findings. This appropriation solution was titled “Net Zero Shift” since it did not increase the funding appropriations for any of the programs. It only “shifted” the funding source from tolls to the MVF.

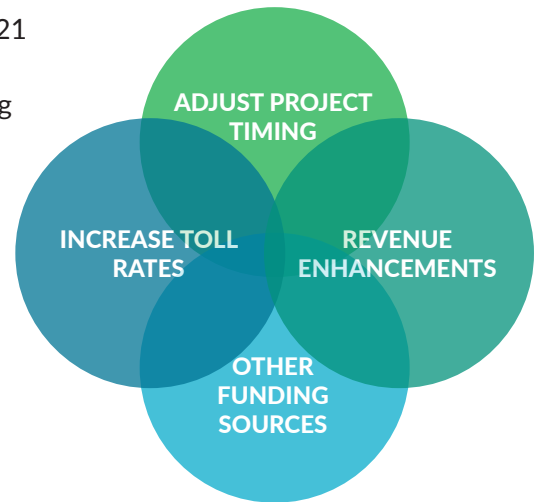
Based on this continued utilization of toll funds for the Net Zero Shift appropriations, WSDOT has included an annual O&M cost to the I-405/ SR 167 ETL’s financial plan analysis. For the forecast horizon of fiscal years 2022–2057, this additional O&M expenditure totals more than \$80 million.

## Section 3

# Options from Legislators to Consider

## What options did the Legislature provide for evaluation?

The Legislature directed WSDOT to review and update the 2021 Financial Plan Report by evaluating options to balance the I-405/ SR 167 Program budget. Options to address the funding gap include adjusting project timing, increasing toll rates, considering other revenue enhancements, or providing other sources of funding—with an understanding that a combination of these options will likely be needed to balance the program budget.



### Adjust Project Timing

#### How did WSDOT evaluate adjustments to project timing?

WSDOT assessed project timing for the three remaining projects funded with toll revenue. To adjust project timelines, we balanced project expenditures against available toll revenue and bonding capacity to minimize the funding gap. WSDOT's objective is to provide transportation system benefits that efficiently move people and goods through the I-405/ SR 167 corridor. We based project timing adjustments on evaluating each of the three remaining projects against the 2021 evaluation criteria. More recently in our 2023 engagements, stakeholders reaffirmed that the 2021 evaluation criteria was still relevant to the corridor vision.

### Evaluation criteria for adjusting project timing

**Statewide benefits and synergy:** In optimizing schedules for project delivery, it is important to recognize that certain projects provide system benefits and synergies, such as a consistent travel experience, improved reliability for BRT, and connections to other multimodal transportation options.

**Revenue:** The current law budget project financing is predicated on delivery of revenue-producing projects, and delays in project delivery would negatively impact revenue projects for the entire model. If higher-toll-revenue generating projects are advanced to completion earlier, then these projects can help to lower the funding need and finance delivery of subsequent projects. Conversely, if higher-cost, toll-revenue-generating construction projects are delayed, costs will escalate, and additional future projects will be delayed.

## How did each project measure against the evaluation criteria?

After confirming the 2021 evaluation criteria was still relevant, stakeholders requested additional quantitative data to evaluate the three remaining projects. When evaluating all three projects, as shown in Table 3-1 below, the SR 167/ SR 410 to SR 18 Congestion Management Project resulted in the most reduction in daily person delay (6,150 hours) and generated more potential revenue (approximately twice as much as the other two combined). While all projects provide benefits to the corridor, these findings were used to inform project delivery prioritization (see Section 4).

Table 3-1 Evaluation of Projects based on System Benefits and Revenue

Project		System Benefits	Toll Revenue
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><b>Reduction in daily person delay (hours): 6,150</b></li> </ul>	Increases forecasted net toll revenue by <b>~\$700k/year</b>
N 8th St Direct Access		<ul style="list-style-type: none"> <li>Improved access into ETL system, regional growth center</li> <li><b>Reduction in daily person delay (hours): 510</b></li> </ul>	Increases forecasted net toll revenue by <b>~\$350k/year*</b> *total including NE 6th Extension Project
I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements	Coal Creek Parkway Roundabouts	<ul style="list-style-type: none"> <li>Localized benefits</li> <li>Improved safety performance</li> <li><b>Reduction in daily person delay (hours): 1,090</b></li> </ul>	No impact to net toll revenue
	NE 6th Extension	<ul style="list-style-type: none"> <li>Improved access to ETL system, transit connectivity, BRT interface, regional growth center</li> <li><b>Reduction in daily person delay (hours): 1,240</b></li> </ul>	Increases forecasted net toll net revenue by <b>~\$350k/year*</b> *total including N 8th Direct Access Project

## Increase Toll Rates

### How is WSTC's work related to this updated Financial Plan?

WSTC began their toll rate-setting process in 2023 to prepare for the opening of the I-405 express toll lanes from Renton to Bellevue and the SR 167 Corridor Improvements Project. As part of their toll rate-setting process, WSTC is evaluating adjustments to various toll policies with the primary goal to manage traffic demand and provide a consistent travel experience throughout the 50-mile system. To respond to the significant construction cost increases, the Legislature issued a letter to WSTC in August 2023 asking them to evaluate potentially increasing revenue by adjusting toll rates on the two existing toll facilities, and to support meeting traffic management performance goals. In response to this letter, WSTC established a phased approach for adjusting I-405/ SR 167 toll rates and policies. WSTC is currently evaluating scenarios to do a Phase 1 adjustment to toll rates and policies on existing I-405 and SR 167 toll systems by early 2024. Phase 2 would include the remaining implementation work for the opening of the new facilities in 2025. This is illustrated in the table below and based on WSTC's discussions in early December of 2023. This is occurring in parallel with this Financial Plan Report update that is subject to change as WSTC's process continues through early 2024.

Phase 1: Increasing Toll Rates (2024)	
<b>Maximum Toll Rate</b>	The current maximum toll rate allowed on SR 167 and I-405 is \$9 and \$10, respectively. WSTC is evaluating increasing the maximum toll rate on the entire corridor to be either \$12 or \$15.
<b>Minimum Toll Rate</b>	The current minimum rate allowed on SR 167 and I-405 is \$0.50 and \$0.75, respectively. WSTC is evaluating increasing the minimum toll rate on the entire corridor to one dollar. However, the financial analysis conducted for this Report assumes \$0.75 corridor wide.

Phase 2: Remaining Toll Policies (2025)	
<b>HOV Occupancy/ Hours of Operation</b>	SR 167 HOT lanes operate with a HOV 2+ requirement, every day of the week, and operating hours from 5am to 7pm. I-405 express toll lanes operate with an HOV 3+ requirement between the hours of 5am to 9am and 3pm to 7pm on weekdays only. WSTC is evaluating altering the HOV occupancy to 3+ corridor-wide during peak times, extending hours of operations to 8pm, and extending the periods during which HOV 3+ applies. WSTC is reviewing adding weekend tolling on I-405 with an HOV 2+ occupancy requirement. In addition to the policy changes, WSTC would evaluate the potential of a maximum toll rate at either \$15 or \$18 for 2025.

### What toll policies did WSDOT assume for the purpose of this report?

While WSTC evaluates toll policy adjustments, they continue to collaborate with WSDOT to evaluate how increased toll revenue could help balance Program budget and manage traffic. WSTC has evaluated various toll policy assumptions which are detailed in Section 4. The financial analysis conducted for this report did not assume any adjustments to toll rates and policies prior to 2025. WSTC continues its Phase 1 work and therefore additional toll revenue realized due to rate adjustments have not been included in this financial plan report



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## Revenue Enhancements

### *Which revenue enhancements can be considered?*

In addition to increasing toll rates, WSTC can modify toll policies to support both traffic management and revenue needs for the corridor. Per WAC 468-270-040, WSTC must evaluate all toll policies on an annual basis and determine adjustments needed to maintain system performance. These policies are mainly with WSTC's Phase 2 work as previously described such as changing occupancy requirements or tolling on weekends. Depending on WSTC's decisions on both Phase 1 and Phase 2 toll rate-setting, the toll revenue forecasts could change, altering the financial capacity of the system.

## Other Funding Sources

### *Are there other sources of funding that could be considered?*

Similar to other state projects, the I-405/ SR 167 corridor would require a mix of strategies to address the projected funding gap. We reviewed previously identified strategies to determine any new findings that could alter previous conclusions. Addressing this through a state budget lens, the Governor and Legislature could consider the benefits from using non-toll revenue options in the earlier years of project delivery, as this could increase overall future financial capacity.

The financial analysis assumes that, to finance the program, the state will issue tax-exempt triple pledge bonds (bonds expected to be paid from toll revenues, with an additional pledge of motor vehicle fuel taxes and vehicle related fees, further backed by the full faith and credit of the State i.e. General Obligation (GO)). The financial analysis in this report continued the current assumption that the state would pursue GO bonds. However, depending on whether interest rates and other terms are more favorable, and with the Legislature's direction, WSDOT and OST may elect to pursue additional options (like a Transportation Infrastructure Finance Innovation Act (TIFIA) loan) to fund the three remaining projects.

## TIFIA Loans

During the development of the 2021 Financial Plan Report, per legislative direction, WSDOT explored financial options including a TIFIA loan. A TIFIA loan did not seem reasonable at the time because such a loan required federal agency approval through an expensive and lengthy process which would not have met delivery schedules for Sound Transit BRT. TIFIA funding is not an option for the two recently awarded projects. If deemed appropriate to use, it could only be used for the three remaining projects and would need to be secured in time to include the required federal contract requirements associated with TIFIA funds.

## GARVEE Bonds

During the development of the 2021 Financial Plan Report, WSDOT evaluated the use of GARVEE bonds. A GARVEE is a tax-exempt debt financing instrument that pledges expected future federal transportation aid to the payment of debt service. Like other non-toll reliant sources, GARVEE bonds could provide up-front capital in the project’s early delivery years. WSDOT has previously applied GARVEE bond proceeds on the SR 520 Project construction.

Federal funds received by WSDOT must be appropriated through the state legislative process in order to be used by WSDOT. The legislatively enacted budget for WSDOT continues to primarily commit projected federal transportation aid funds for preservation and improvements projects including the Interstate Bridge Replacement (IBR), SR 18 Widening—Issaquah/Hobart Rd to Raging River, and Gateway Program. Table 3-2 shows where the federal funds are committed to Preservation or Improvement Programs through 2033, as well as the remaining payments for the SR 520 GARVEE bond debt service. The Move Ahead WA revenue package included assumptions for how the additional federal funding that was made available by the passage of Infrastructure Investment and Jobs Act (IIJA)/ Bipartisan Infrastructure Law (BIL) would be used to support state transportation investments. Further committing future planned federal transportation aid funds to the repayment of new GARVEE bonds would require a reduction in funding for other transportation programs. In addition, the I-405/ SR 167 bond authorization would need to be amended by the Legislature to allow the issuance of GARVEE Bonds; and, similar to the TIFIA loan, funds could not be used on the two recently awarded projects and would need to be secured in time to include the required federal contract requirements for the three remaining projects. Ultimately, the Governor and Legislature will decide how or if to issue GARVEE bonds, how to make any associated budget adjustments, and how federal dollars might be appropriated.

Table 3-2 Distribution of Committed Federal Funds

Committed Federal Funds <sup>1</sup>	Biennium					
	2021–23	2023–25 <sup>3</sup>	2025–27	2027–29	2029–31	2031–33
Program P (Preservation) & I (Improvement) <sup>2</sup>	998.5	1,620.6	1,284.2	1,381.6	1,406.0	1,330.5
SR 520 GARVEE Debt Service	199.0	192.5				
<b>Total</b>	<b>1,197.5</b>	<b>1,813.1</b>	<b>1,284.2</b>	<b>1,381.6</b>	<b>1,406.0</b>	<b>1,330.5</b>

1. Actual/planned federal funds committed to preservation (non-dedicated portion) and SR 520 GARVEE debt service only.
2. Based on 2023 Legislative Project List (LEAP Transportation Document 2023-1 as developed April 21, 2023).
3. The increase in the 2023-25 biennium includes \$300M in American Rescue Plan Act (ARPA) funds for Culverts and \$340.3M Move Ahead Washington (MAW) funds that were re-appropriated from projects in the 2021-23 biennium.

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## Sales Tax Deferral

During the 2022 legislative session, SSB 5825 allowed for deferral of sales tax, reducing the initial cost of project delivery. This financial plan and analysis incorporate the sales tax deferral.

## New Funding Sources

Additional funds that may become available for transportation purposes could help fill the corridor's funding gap, particularly during earlier years when multiple projects are expected to be under construction at the same time (i.e., pinch point years—through FY 2030 under current delivery assumptions). These sources include local or business contributions, grants, federal and state funds. Likelihood of receiving federal funds is increased if its purpose is to fill a portion of the shortfall, and there is certainty in how the remaining funding is received. If WSDOT receives additional funds for delivery of the I-405/ SR 167 projects during the pinch-point years, this would directly reduce the funding gap.

# Section 4

## Financial Analysis

### What toll policies were used to develop alternatives?

In developing traffic and revenue forecasts for this report in September 2023, WSDOT coordinated with WSTC, making several assumptions about toll policies that would be in place when financing was pursued, as shown in Exhibit 4-1. Apart from the maximum toll rates, toll policies are consistent throughout all options. WSDOT prepared a baseline delivery option to quantify the funding gap based on existing maximum toll rates. As previously discussed, these will ultimately be determined by WSTC and changes to these policies could affect the analysis presented in this report.

We have included various assumptions within this Financial Plan based on activities that are progressing. These include:

- WSTC’s decisions on toll rates and policies
- Legislature’s decision on funding of a system-wide low-income toll program
- WSDOT’s delivery of project milestones
- Future updates to traffic & revenue forecasts
- Fluctuation of interest rates
- OST’s development of a Master Bond Resolution (MBR) that will establish financial terms

The financial capacity and analysis results could change as assumptions are solidified.

*Exhibit 4-1 Toll Policy Assumptions in Forecasts (June 2023)*

Policy	Assumptions	
	Baseline Delivery	Increased Toll Rates and Prioritized Delivery
Maximum Toll	\$9 on SR 167 and \$10 on I-405	\$15 on all facilities
	<b>All Alternatives (Baseline Delivery, Increased Toll Rates and Prioritized Delivery)</b>	
Minimum Toll	\$0.75	
Toll-Free HOV	3+ during peak hours, 2+ during off-peak hours	
Toll Hours	5 am to 7 pm, Monday to Friday	

## What alternatives did WSDOT develop for financial analysis?

WSDOT developed a range of delivery alternatives for financial analysis by OST to inform the Governor and Legislature on program delivery. We focused on providing book ends to illustrate to policy makers how one or more of the options could impact the program's funding gap.

The primary alternatives fell into two categories: those with a higher funding gap and those with a minimal funding gap, as described in the next subsections. To help inform discussions with stakeholders about delivery and funding tradeoffs, WSDOT also performed preliminary supplementary evaluations of other alternatives. These alternatives would require additional traffic and revenue modeling and OST financial analysis for further consideration, as discussed in the "Other Alternatives" section below.

The financial analysis does not include any additional revenue projections that may be realized due to increasing toll rates on existing facilities in 2024 as part of WSTC's phase 1 efforts. It also does not include an increase in expenditures to fund a systemwide low-income toll program. The financial analysis assumes that the costs of the remaining projects align with legislatively planned budgets. Noting that for Alternative No. 3 (the alternative that adjusts project timing), the budget is adjusted only for the time value of money for the delay period.

### *Higher Funding gap Alternatives*

The **Baseline Delivery** alternative aligns with the WSDOT supplemental budget request and includes toll revenue and expenditures updated in the June 2023 traffic and revenue forecast and August 2023 updated Toll Facility O&M/R&R costs. For the projects in construction, including the recently awarded projects, project costs reflect actual bid prices. However, the remaining projects included their legislatively planned budgets. The OST financial analysis showed a funding gap of approximately \$277 million.

The **Increased Toll Rates** alternative mimics **Baseline Delivery** assumptions but increases the maximum toll rates to align with WSTC's latest corridor recommendations. This alternative reduces the funding gap from the Baseline Delivery alternative to approximately \$211 million.

## Minimal Funding gap Alternative

The **Prioritized Delivery** alternative mimics the assumptions of the **Increased Toll Rates** alternative. However, **Prioritized Delivery** delays the three remaining projects by two to ten years to better align project expenditures with available revenue and still receive some of the transportation and revenue benefits in the near term. The legislatively planned budgets were assumed and any toll revenue from the projects would be delayed. We only increased project costs to account for future cost escalation (i.e. time value of money) from these project delays utilizing WSDOT's Construction Cost Index (CCI). The CCI is used to calculate how the cost of a construction project is likely to increase based on the number of years of delay. While this metric is updated by WSDOT on an ongoing basis, it does not reflect the unprecedented volatility in the market recently encountered. Based on OST's financial analysis, delaying the remaining projects by two to 10 years at their legislatively planned budgets would eliminate the funding gap. This is accomplished through a combination of bond proceeds and PayGo financing (PayGo financing uses current and accumulated toll revenues to pay for certain project costs).

## Other alternatives

WSDOT performed supplementary evaluations of other alternatives to help inform delivery and funding trade-off discussions. Additional traffic and revenue modeling by WSDOT's consultant and financial analyses by OST would be required if any of these scenarios are considered to move forward.

The scenarios that received preliminary evaluation included:

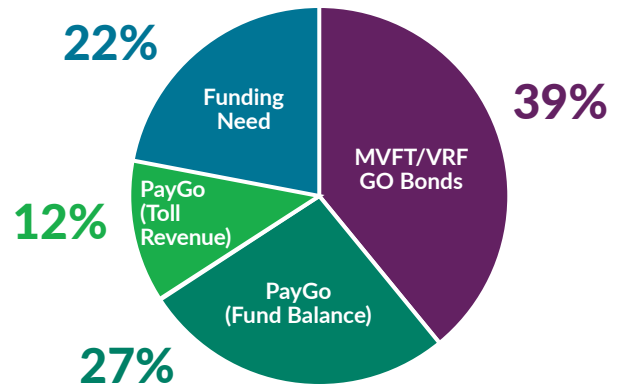
- **Delaying all projects uniformly by 10 years from Current Law:** Alternative mimics the assumptions of the Prioritized Delivery alternative but delays all future projects by 10 years. The early benefits of the SR 167 Improvements Project are not realized for an additional 8 years, losing approximately \$5 million of net revenue and over 12 million hours of delay savings in that timeframe.
- **Adjusting the Prioritized Delivery scenario:** Delaying two of the remaining projects by ten years as shown in the Prioritized Delivery alternative (Alternative #3) is a significant impact to communities and stakeholders in the corridor. There is approximately \$200 million forecasted to be in the toll account in 2035 that could be used to construct project improvements in the corridor. If a practical solutions process resulted in cost savings or identifying other funding sources, the projects could potentially fit within the available resources and be advanced to an earlier delivery timeline.

The following pages give additional detail on project schedules and funding gaps for the three primary alternatives. Appendix A provides additional financial data from OST.

# Baseline Delivery

## Summary of Preliminary 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	
Bond Sale #1 - 2026		\$124,630,000
Bond Sale #2 - 2027		\$124,600,000
Bond Sale #3 - 2028		\$124,575,000
Bond Sale #4 - 2029		\$123,030,000
<b>Total Bonds Issued</b>		<b>\$496,835,000</b>



Fiscal Year	Project Funds Requested	Bond Proceeds Delivered	Pay Go (Fund Balance)	Pay Go (Toll Revenue)	Funding gap	% of Project Funds Delivered
2024	\$147,500,000	\$0	\$147,500,000	\$0	\$0	100%
2025	\$173,900,000	\$0	\$173,900,000	\$0	\$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	\$0	\$48,746,071	-\$90,053,929	66%
2028	\$245,600,000	\$125,000,000	\$0	\$42,863,867	-\$77,736,133	68%
2029	\$158,000,000	\$123,500,000	\$0	\$26,312,826	-\$8,187,174	95%
2030	\$8,000,000	\$0	\$0	\$8,000,000	\$0	100%
<b>Total</b>	<b>\$1,290,300,000</b>	<b>\$498,500,000</b>	<b>\$353,806,174</b>	<b>\$160,816,590</b>	<b>\$(277,177,236)</b>	<b>78%</b>

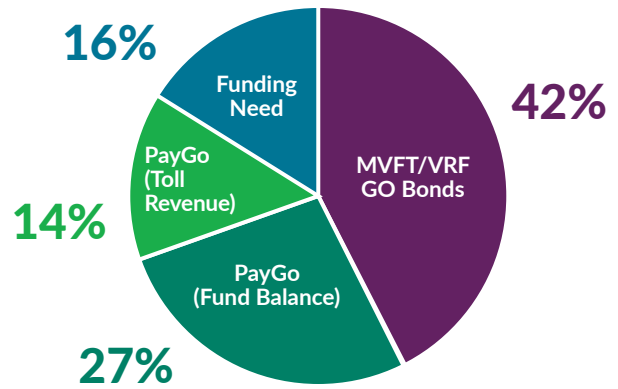
Project opening (current law)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	<b>1</b> I-405/ Brickyard to SR 527 Improvement Project <b>1a</b> Operational Improvements associated with Brickyard to SR 527 Project <b>1b</b> Crystal Creek Downstream Conveyance Project associated with Brickyard to SR 527 Project <b>2</b> I-405/ NE 85th Street Direct Access ramps toll equipment <b>3</b> SR 167 Master Plan <b>4</b> SR 167 Corridor Improvements Project <b>5</b> SR 167 Congestion Management Southbound ETL Extension <b>6</b> I-405/ North 8th Street Direct Access Interchange <b>7</b> I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements				◆											

Adjust Project Timing  
 Increase Toll Rates  
 Revenue Enhancements/ Other Funding Sources

# Increased Toll Rates

## Summary of Preliminary 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	
Bond Sale #1 - 2026		\$139,580,000
Bond Sale #2 - 2027		\$139,550,000
Bond Sale #3 - 2028		\$139,525,000
Bond Sale #4 - 2029		\$127,500,000
<b>Total Bonds Issued</b>		<b>\$546,155,000</b>



Fiscal Year	Project Funds Requested	Bond Proceeds Delivered	Pay Go (Fund Balance)	Pay Go (Toll Revenue)	Funding gap	% of Project Funds Delivered
2024	\$147,500,000	\$0	\$147,500,000	\$0	\$0	100%
2025	\$173,900,000	\$0	\$173,900,000	\$0	\$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	\$0	\$56,645,727	-\$67,154,273	75%
2028	\$245,600,000	\$140,000,000	\$0	\$50,332,664	-\$55,267,336	77%
2029	\$158,000,000	\$128,000,000	\$0	\$29,254,780	-\$745,220	100%
2030	\$8,000,000	\$0	\$0	\$8,000,000	\$0	100%
<b>Total</b>	<b>\$1,290,300,000</b>	<b>\$548,000,000</b>	<b>\$353,806,174</b>	<b>\$177,530,761</b>	<b>\$(210,963,065)</b>	<b>84%</b>

Project opening (current law)		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>1</b>	I-405/ Brickyard to SR 527 Improvement Project				◆												
<b>1a</b>	Operational Improvements associated with Brickyard to SR 527 Project				◆												
<b>1b</b>	Crystal Creek Downstream Conveyance Project associated with Brickyard to SR 527 Project				◆												
<b>2</b>	I-405/ NE 85th Street Direct Access ramps toll equipment		◆														
<b>3</b>	SR 167 Master Plan																
<b>4</b>	SR 167 Corridor Improvements Project	◆															
<b>5</b>	SR 167 Congestion Management Southbound ETL Extension				◆												
<b>6</b>	I-405/ North 8th Street Direct Access Interchange					◆											
<b>7</b>	I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements					◆											

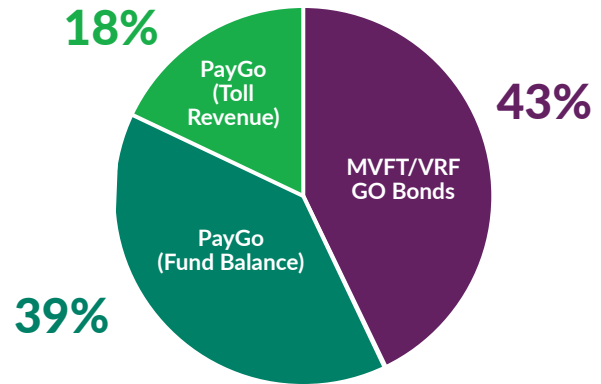
Adjust Project Timing  
 Increase Toll Rates  
 Revenue Enhancements/ Other Funding Sources



# Prioritized Benefit (10 years)

## Summary of Preliminary 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
Bond Sale #1 - 2026	\$214,355,000
Bond Sale #2 - 2027	\$135,650,000
Bond Sale #3 - 2028	\$75,760,000
Bond Sale #4 - 2038	\$177,930,000
<b>Total Bonds Issued</b>	<b>\$603,695,000</b>



Fiscal Year	Project Funds Requested	Bond Proceeds Delivered	Pay Go (Fund Balance)	Pay Go (Toll Revenue)	Funding gap	% of Project Funds Delivered
2024	\$146,500,000	\$0	\$146,500,000	\$0	\$0	100%
2025	\$172,800,000	\$0	\$172,800,000	\$0	\$0	100%
2026	\$280,500,000	\$215,000,000	\$32,077,161	\$33,422,839	\$0	100%
2027	\$185,900,000	\$136,055,000	\$0	\$49,845,000	\$0	100%
2028	\$84,000,000	\$41,345,000	\$0	\$42,655,000	\$0	100%
2029	\$59,200,000	\$34,650,000	\$0	\$24,550,000	\$0	100%
2030	\$9,800,000	\$0	\$0	\$9,800,000	\$0	100%
2036	\$12,500,000	\$0	\$0	\$12,500,000	\$0	100%
2037	\$39,500,000	\$0	\$7,160,379	\$32,339,621	\$0	100%
2038	\$206,500,000	\$130,000,000	\$42,768,896	\$33,731,104	\$0	100%
2039	\$226,500,000	\$48,500,000	\$153,758,670	\$24,241,330	\$0	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>\$0</b>	<b>100%</b>

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>1</b> I-405/ Brickyard to SR 527 Improvement Project				◆												
<b>1a</b> Operational Improvements associated with Brickyard to SR 527 Project				◆												
<b>1b</b> Crystal Creek Downstream Conveyance Project associated with Brickyard to SR 527 Project				◆												
<b>2</b> I-405/ NE 85th Street Direct Access ramps toll equipment		◆														
<b>3</b> SR 167 Master Plan																
<b>4</b> SR 167 Corridor Improvements Project	◆															
<b>5</b> SR 167 Congestion Management Southbound ETL Extension				◆	→	◆										
<b>6</b> I-405/ North 8th Street Direct Access Interchange				◆												◆
<b>7</b> I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements				◆												◆

◆ Project opening (current law)

◆ Project opening in alternative (if different)

Adjust Project Timing

Increase Toll Rates

Revenue Enhancements/ Other Funding Sources

## How do the delivery schedules compare under the different alternatives?

Project schedules for the lower need (Prioritized Delivery) alternative would differ from the higher need (Baseline Delivery or Increased Toll Rates) alternatives, with some projects delivered either slightly or substantially later due to the overall cost increases, as shown in Exhibit 4-2.

*Exhibit 4-2 Project Schedules within each alternative*

Project	Higher Need (Baseline Delivery/ Increased Toll Rates)	Minimal Need (Prioritized Delivery)
<b>1</b> I-405/ Brickyard to SR 527 Improvement Project	2028	2028
<b>2</b> I-405/ NE 85th Street Direct Access ramps toll equipment	2026	2026
<b>3</b> SR 167 Master Plan	Complete	
<b>4</b> SR 167 Corridor Improvements Project	2025	2025
<b>5</b> SR 167 Congestion Management Southbound ETL Extension	2028	2030
<b>6</b> I-405/ North 8th Street Direct Access Interchange	2029	2039
<b>7</b> I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements	2029	2039

 Recently awarded

 In construction or complete

 Future projects

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## What can we do to reduce years of delay to remaining projects?

The 2023 financial analysis assumed the costs represented in the legislatively planned budgets would be sufficient to complete the remaining projects. However, since these estimates do not account for the unprecedented market volatility, it is expected that WSDOT will not be able to construct the current project scopes within their legislatively planned budgets. Furthermore, the project budgets do not account for any additional fish barriers, or construction limits that may be needed to correct fish barriers, as design of these projects progress.

Absent new funding sources, to reduce the delay of remaining projects, WSDOT would engage with stakeholders to rescope the projects via a practical solutions approach based on an updated purpose and need to reduce overall cost while still meeting the projects' intent. This would require \$2 million of appropriated funds to be designated for each project for the 23-25 biennium.

# Section 5

## EAG Recommendations and Next Steps

### How did WSDOT engage with corridor partners?

WSDOT engaged with the EAG and the IWG while developing this 2023 Financial Report and the financial alternatives, including two EAG meetings in September and December 2023 and four IWG meetings between August and December 2023. With each group, WSDOT reviewed the challenges and tradeoffs. WSDOT developed potential alternatives that depict how each one of the options could be used to reduce or eliminate the funding gap. OST performed financial analyses for these alternatives to provide estimated funding gaps.

### What recommendations did the EAG propose?

- Prioritize projects that maximize system benefits
- Work with legislators to retain preliminary design budget in 2024 to:
  - Complete a practical solutions approach on the remaining projects to evaluate opportunities to redefine scope while meeting project intent. Identify opportunities to potentially phase projects. This would require \$2 million of appropriated funds to be available for each remaining project for the 23–25 biennium.
- Work with the local agencies and legislators to explore possibilities for new funding sources beyond what legislators directed us, including federal funding and grants. We recognize that federal grants, if successfully pursued, would be only part of the solution.
- Work with the Legislature to fund the SR 167 Implementation Plan (\$2.5 million).
- Continue support of WSTC requests for Legislative funding of system-wide low-income toll program.

## How do we continue to advance the multimodal I-405/ SR 167 corridor program?

We thank the Governor and Legislature for their continued support and collaboration to advance the multimodal I-405/ SR 167 corridor program. We look forward to continuing the work with the Governor, Legislature, OFM, OST and WSTC on next steps for delivering the next priority projects on the I-405/ SR 167 corridor. Additional steps can be taken to continue advancement of this corridor program.

- If legislators desire to either reduce the delay of the remaining projects or afford these projects in the future (as identified in Alternative No. 3), WSDOT would engage stakeholders in a practical solutions approach to evaluate project scope against the latest complexities and develop solutions aligned with the program's vision.
- Monitor the need to update the Financial Plan as assumptions for traffic and revenue forecasts (including low-income toll program), toll policy, and financial parameters are solidified.

### ***Title VI Notice to Public***

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**Legislatively planned projects included in 2021-23 Biennium Transportation Budget (SSB 5165)**

- 1** I-405/ Brickyard to SR 527 Improvement Project
- 2** I-405/ NE 85th Street Direct Access ramps toll equipment
- 3** SR 167 Master Plan
- 4** SR 167 Corridor Improvements Project
- 5** SR 167 Congestion Management Southbound ETL Extension
- 6** I-405/ North 8th Street Direct Access Interchange
- 7** I-405 Renton to Bellevue Widening and Express Toll Lanes Project Contract 3 Interchange & Capacity Improvements

For more information:

**Lisa Hodgson, P.E.**  
I-405/ SR 167 Program Administrator  
[hodgsol@wsdot.wa.gov](mailto:hodgsol@wsdot.wa.gov)

December 2023

