



**Meeting Summary**  
**SR 520 Legislative Workgroup Working Session #1**  
**Tuesday, October 20, 2009**  
**10 a.m. to 2 p.m.**  
**Sound Transit, Union Station**  
**Ruth Fisher Boardroom**

**Attendees:**

**In attendance:**

- Representative Scott White, 43rd District, Co-chair
- Senator Rodney Tom, 48th District, Co-chair
- Speaker Frank Chopp, 43rd District
- Representative Jamie Pedersen, 43rd District
- Representative Ross Hunter, 48th District
- Representative Deborah Eddy, 48th District
- Representative Larry Springer, 45th District
- Senator Eric Oemig, 45th District
- Senator Ken Jacobsen, 46th District

- Representative Judy Clibborn, House Transportation Committee Chair
- Senator Mary Margaret Haugen, Senate Transportation Committee Chair
- Senator Dan Swecker, 20th District
- Representative Dan Roach, 31st District

**Not in attendance:**

- Senator Ed Murray, 43rd District
- Washington Transportation Secretary Paula Hammond
- State Transportation Commissioner Richard Ford

**Welcome and introductions (Sen. Tom and Rep. White)**

Sen. Tom and Rep. White, co-chairs, welcomed the group to the first working session of the SR 520 Legislative Workgroup. Sen. Tom reviewed the meeting agenda.

Rep. White briefly summarized the Westside Subgroup meeting held on Oct. 8, by highlighting the following presentations and topics of discussion:

- Joint presentation by the proponents of Option A and L on an A+ Hybrid.
- Presentation of the Option K Hybrid.
- Presentations by transit agencies.
- Presentations by Mayor Degginger, City of Bellevue and Councilmember Conlin, City of Seattle.

Rep. White also noted that WSDOT is providing an independent cost review panel with a preliminary cost assessment of the hybrid options. The cost panel will provide its assessment of the preliminary costs in the next week or two.

The complete PowerPoint [presentation](#) from the October 8 Westside Subgroup meeting is available on the SR 520 Legislative Workgroup [Web site](#).

**Current funding: SR 520 delivery plan (Julie Meredith and Amy Arnis)**

Julie Meredith, SR 520 Program Director, and Amy Arnis, WSDOT Chief Financial Officer, presented the current SR 520 delivery program. Currently, the total program cost, as outlined in ESHB 2211, is \$4.65 billion. With the sales tax deferral, the overall cost of the program is \$4.36 billion. Of the \$4.36 billion cost for the program, only \$1.99 billion (after sales tax deferral) is currently funded, leaving a \$2.37 billion gap. The available funds pay for the floating bridge section of the corridor and the necessary landings.

Ms. Meredith outlined three components that drive the program's current schedule:

- Opening the floating bridge to drivers in 2014.
- Beginning construction of the Eastside project as soon as 2010 (if funding is available).
- Completing all the work in the new corridor by 2018. ([Slides 5-7](#) in the presentation include additional information.)

**QUESTION:** Why is the cost of the project already being reduced from \$4.65 billion to \$4.36 billion? (Spkr. Chopp)

**RESPONSE:** *The difference is the sales tax deferral, which will be paid for out of future toll revenue.*

**QUESTION:** Is \$4.65 billion the amount available for construction only? (Spkr. Chopp)

**RESPONSE:** *WSDOT's assumption was that the \$4.65 billion was the total project cost, including taxes. The sales tax deferral would be paid for out of future toll revenue so WSDOT assumed that funding for the entire program would be during the construction period plus the sales tax deferral after the completion of the program.*

**COMMENT:** Please elaborate on the assumptions used when projecting toll revenues. I am looking ahead in the presentation to slide 37 and I am wondering if the amount of the gap seems overstated. (Rep. Pedersen)

**RESPONSE:** *The current tolling scenario assumed for SR 520 is Scenario 7, which is the basis for the projected revenue gained from tolling. This scenario was an outcome of the Tolling Implementation Committee's work in 2008 and was discussed during 2009 legislative session. The bond authorization is only for the floating section of the bridge and the landings, so the statute [bonding bill] would need to change to attain the other bonds, such as showing that stimulus money is being brought into the program. There will be a presentation on this later in today's meeting.*

**QUESTION:** Do you assume this toll is to begin immediately? In other words as soon as technologically possible? (Rep. Pedersen)

**RESPONSE:** *Yes.*

**QUESTION:** In 2007, WSDOT had about \$1 billion in the risk pool for the program. Is that money still available? (Sen. Tom, Sen. Swecker)

**RESPONSE:** *In order to complete construction of the floating bridge section and the necessary landings, the state is using money from the risk pool by issuing bonds to fund construction. The state has placeholder money in the risk pool that is outside of the construction window to help pay for the program (2018-2023). If the program is built and completed by 2018, the state needs to figure out how to borrow against any future federal aid to deliver the program during the construction window. Part of the proceeds will be used to pay for debt service on the bonds that are borrowed against the future federal aid. The state is still anticipating that the money in the risk pool will be used for construction and will be used to pay debt service. On slide 7, the toll revenue for capital expenditures and the bond proceeds repaid with federal funding are shown as part of the risk pool (\$650 million) as well as a portion of the federal funding allocation of \$240 million.*

**QUESTION:** Is the money from the risk pool actually in any account? (Rep. Clibborn)

**RESPONSE:** *Currently the money is not sitting in an account. The money is trickling in over a period of time.*

**COMMENT:** I presume that the financing cost of the program is closer to \$10 billion. The confusion is between the total cost of construction and the total cost of financing for the program – the financing costs need to be shown somewhere so people understand the full costs over time. (Spkr. Chopp)

**COMMENT:** To follow on Rep. Pedersen’s point that the statute that was written in such a way that we would only fund the floating bridge and approaches because this workgroup process was to come forward – there is money that would be available and doesn’t show up here. For example, if we change the statute to accommodate federal stimulus funds. (Rep. Clibborn)

**QUESTION:** Would additional tolling money be above and beyond the \$0.65 billion for the bond proceeds that are repaid with federal funding? (Sen. Tom)

**RESPONSE:** *The \$0.65 billion is assumed to be the borrowing against the “risk pool” – (the future federal funds). Any additional borrowings from the Scenario 7 toll rates would be additional bond proceeds that would be delivered against the toll revenue stream. There is some nuance between how much direct cash toll revenue the \$0.24 billion would contribute versus the bond proceeds sources because we might need some of that revenue to pay for debt service during construction.*

### **Financial Phasing and Timing (Brent Baker)**

Brent Baker, Principal Financial Consultant, Parson Brinckerhoff, presented on the financial phasing options and timing for the SR 520 program. The current SR 520 program delivery timeline assumes a six-lane corridor open to traffic in 2016 and the overall program complete by 2018. The current finance plan borrows against future toll revenues through Fiscal Year (FY) 2046 and federal funding through FY 2023. Mr. Baker noted that if WSDOT receives the Transportation Investment Generating Economic Recovery (TIGER) grant, it will require the acceleration of the Eastside project because the TIGER grant expenditures must be used by February 2012. Mr. Baker also outlined multiple factors to consider in extending the program delivery timeline

including; financing costs, inflation, risks, user benefits, workforce and environmental documentation. ([Slides 9-11](#) in the presentation include additional information.)

**QUESTION:** What is the definition of “overall program complete by 2018?” (Rep. Springer)

**ANSWER:** *The SR 520 corridor would be built from I-5 in Seattle to SR 202 in Redmond. Between 2016 when the new corridor is open to traffic and 2018 we’ll still be completing activities like grading, illumination, landscaping and demolition of existing structures.*

**QUESTION:** If the program delivery is extended past 2018, is that later than what is currently planned? (Sen. Swecker)

**ANSWER:** *The illustrative “extended program delivery line” would assume the floating bridge section would still to be completed by 2016, and the west side and Eastside projects would be delayed past the current schedule.*

**QUESTION:** Would the delay in program delivery affect the TIGER grant application? (Sen. Swecker)

**ANSWER:** *Yes, it would effect the application. The Eastside project would not be accelerated as planned if an extended program delivery approach were pursued.*

**QUESTION:** Since the bidding environment is so favorable at this present time, is that reflected in the hypothetical analysis? (Rep. Clibborn)

**ANSWER:** *Yes, the assumptions for the funded program (orange line) reflect the current cost situation. The hypothetical extended delivery line (blue line) includes projected benefits of the current contracting climate as well as risks associated with future inflation. The further into the future we delay decisions, the uncertainty grows and we become unsure of the bonding environment.*

**QUESTION:** If we look back over the last 15 years, where would interests rates be today in comparison? Have they ever been this low? (Rep. Hunter)

**ANSWER:** *No.*

**QUESTION:** Haven’t we built the last two mega projects in a more rapid manner so that we can avoid future higher interest rates? (Sen. Haugen)

**ANSWER:** *Yes, WSDOT has been able to complete projects in shorter timeframes as a result of the funding included in the 2003 and 2005 gas tax packages.*

### **Federal Reauthorization (Larry Ehl)**

Larry Ehl, WSDOT Federal Liaison, presented information about federal funds that may be available to the SR 520 program. There are two streams of federal transportation funding opportunities: formula funds and earmarks and grants.

The current federal bill that provides the opportunity for federal earmarks is called the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU). Under SAFTEA-LU earmarks are funded, not simply authorized for future funding.

Earmarks for Washington state are available, however, there are many competing projects seeking the same federal funds, such as Washington State Ferris and the High-Speed Intercity Passenger Rail program. The average size of a mega-project earmark nationwide is \$71.1 million and the number of earmarks over the last 20 years has significantly increased, though the upward trend will most likely not continue due to the nation's current economic climate.

For Washington, the total dollars in earmarks as well as the average number of federal earmarks for highway projects have not fluctuated. The SR 520 program's near-term earmarking opportunities include the SAFETEA-LU reauthorization bill that is under consideration by Congress in addition to the Fiscal Year 2011 appropriations bill. ([Slides 13-21](#) in the presentation include additional information.)

**QUESTION:** If the Alaskan Way Viaduct Project received an earmark of \$220 million, will that make it difficult for the SR 520 program to receive an earmark? Would the federal government be reluctant to award a similar-sized earmark to another mega-project in the same city? (Sen. Tom)

**RESPONSE:** *That will not hurt the program's chances of receiving an earmark. The congressional delegation from Washington is very influential in Washington D.C. as a result of two very active senators who sit on the transportation committee.*

**QUESTION:** Has an earmark ever fully funded a project? (Sen. Haugen)

**RESPONSE:** *An earmark has occasionally paid for an entire project, though usually they are about 20 percent of the project cost.*

**QUESTION:** An earmark can only be used for the project it was designated for, and not another project, correct? (Sen. Haugen)

**RESPONSE:** *Yes.*

**QUESTION:** Does how much money we put in have any relation to how much we get back? (Sen. Jacobsen)

**RESPONSE:** *Right now we get a little more back than we contribute as a state.*

**QUESTION:** Why has there been a trend of increased earmarks over the last 20 years? (Sen. Jacobsen)

**RESPONSE:** *There are a couple of reasons why this has happened. There tends to be more investment in an economy when it is strong; earmarking is a popular way to designate specific and available money to a project. If a local agency thinks that a state department of transportation is not allocating the necessary funding for a project, then they can ask Congress for money. All of these factors have increased or occurred over the last 20 years.*

**QUESTION:** If the Federal Highway Trust Fund runs out, will all our attempts at federal money be for nothing? (Sen. Haugen)

**RESPONSE:** *The Trust Fund revenues are not keeping up with the funds that Congress has decided to spend. At some point in the future Congress will have to decide whether to increase taxes or fees to increase the revenues. At this point the Trust Fund is viable through March of 2010, and at that time Congress will need to take action.*

## **Local Transportation Benefit District (TBD) Overview (Ashley Probart)**

Barbara Gilliland, Workgroup Administrator, highlighted a chart included in the meeting materials that outlined the differences between Regional Transportation Investment District (RTID) and the Transportation Benefits District (TBD) taxing authorities in Washington. The [handout](#) is available on the Web site.

Ashley Probart, Association of Washington Cities, presented information about what a TBD entails, reviewed local examples of TBDs and how a TBD might be an option for securing funding for the SR 520 program. A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of funding transportation improvements within a district. He presented on the following topics: ([Slides 23-34](#) in the presentation include additional information.)

- Formation.
- Eligible TBD projects.
- Project criteria.
- Accountability measures.
- Revenue options.
- Estimated annual revenue hypothetical examples using SR 520 jurisdictions.
- Process for approval.
- Jurisdictions in Washington that have implemented a TBD.
- Lessons learned.

**QUESTION:** How have cities reacted to TBD's that would impose property taxes?  
(Barbara Gilliland)

**RESPONSE:** *Different jurisdictions have different capacities for implementing the most appropriate revenue generator. Most cities have asked for a vehicle license fee.*

**QUESTION:** What is the farthest geographical distance away from a project that a TBD has been approved? For example, are people in Federal Way going to be interested in funding the SR 520 program? How might this impact us? (Sen. Tom)

**RESPONSE:** *The revenue analysis projections only includes cities that are closest to the SR 520 corridor, like Seattle, Bellevue, and Kirkland. It is not county-wide.*

**QUESTION:** On the revenue projection, can you explain the bonding amount? Does that include how much money is generated to complete the project? (Sen. Swecker)

**RESPONSE:** *Those revenue streams show how much revenue would be generated over a 30-year bonding cycle.*

## **Tolling Options (Brent Baker)**

Brent Baker, Principal Financial Consultant, Parson Brinckerhoff, presented on SR 520 program tolling options. WSDOT plans to begin tolling the SR 520 floating bridge as soon as November 2010 and no later than June 2011.

The SR 520 Tolling Implementation Committee assumed Scenario 7 or “medium” toll rates collected at the center of the floating bridge. Scenario 7 “medium” tolling is anticipated to generate about \$1 billion for the SR 520 program. An additional 20 percent or \$210 million could be made available with higher SR 520 tolls. An additional seven percent or \$75 million could be made available by tolling short distance trips that do not cross Lake Washington. There is additional funding available if I-90 were tolled. He outlined two options: express toll lanes and general purpose toll lanes. More information on Scenario 7 can be found in the [SR 520 Tolling Implementation Committee’s Tolling Report](#). ([Slides 36-38](#) in the presentation include additional information.)

**QUESTION:** Would HOV vehicles be exempt from a toll? (Sen. Tom)

**ANSWER:** *Yes, we used the same assumptions as the Tolling Implementation Committee. Vehicles with three or more occupants and transit are toll-free under Scenario 7.*

**QUESTION:** Is it possible to toll on- and off- ramps to SR 520? What I am getting at is putting a segmental toll on the ramps to and from the Arboretum. (Sen. Jacobsen)

**ANSWER:** *It is certainly technologically possible to install toll collection equipment on a ramp. The toll could be collected in the center of the bridge or at all access points to the bridge.*

**QUESTION:** The anticipated amount of money generated through tolling is not yet illustrated in our funding sources, correct? (Rep. Clibborn)

**ANSWER:** *If WSDOT borrows against the remaining sum of money in the SR 520 Account, it is correct that all of the capacity resulting from Scenario 7 tolling would not be used and will be discussed later in the presentation as a potential funding source.*

**COMMENT:** During the discussion of tolling, the Workgroup needs to be mindful that the toll rates are not set by the legislature. The legislature informs the Transportation Commission of the funding gap that needs to be filled with tolling, but the Commission will decide who pays the tolls and much the tolls will cost. (Rep. Clibborn)

**COMMENT:** It is important to remember that there is a point where you can’t keep raising the toll amounts and the revenue starts to decrease due to diversion. (Rep. Clibborn)

**QUESTION:** Geographically, what are the tolling limits that have been analyzed on SR 520? (Rep. White)

**ANSWER:** *Tolling on SR 520 was analyzed from I-5 to I-405 in Bellevue. The models did not extend east past I-405 to Redmond.*

**QUESTION:** Would segmental tolling on SR 520 help fund the program? (Sen. Jacobsen)

**ANSWER:** *The positive effect of segmental tolling is only marginal because the cost of these segmental tolls would need to be low priced.*

**QUESTION:** With capital and operating costs included, how much revenue could be generated by a HOT lane on I-90? (Rep. Hunter)

*ANSWER: Tolling under the I-90 HOT lane scenario could generate about \$145 million assuming last year's estimates for the cost of implementing the infrastructure for this scenario.*

**QUESTION:** Can one facility be tolled to pay for another facility? Would the I-90 HOT lane or general purpose tolling scenario be able to pay for the SR 520 facility? This may affect our decision. (Rep. Clibborn)

*ANSWER: The federal government has not provided new information yet about those scenarios.*

**QUESTION:** Can the pool of money from multiple facilities being tolled be used for one project? Are there previous programs that have done this before? Can we have more information about this? (Rep. White)

*ANSWER: WSDOT will investigate the federal policies and report back to the Workgroup.*

**QUESTION:** If the two express lanes on I-90 were toll lanes, does that mean they are worth \$250 million? How does that price relate to Sound Transit light rail on I-90? (Sen. Tom)

*ANSWER: The cost of the carpool lanes on I-90 does not take into effect the mobility benefits of the project and should not be used for comparison in this way.*

### **Joint Transportation Committee Funding Study (Kathy Scanlan)**

Kathy Scanlan, Principal Consultant, Cedar River Group, presented to the Workgroup on the Joint Transportation Committee's comprehensive analysis of mid and long-term transportation funding mechanisms. The principle objective of the study was to identify specific steps toward implementing viable mid-term and long-term transportation funding approaches. The goal is to provide a package of funding tolls that the legislature could consider to meet the transportation funding objectives. The group has studied a variety of funding methods.

Potential medium-term revenue sources include:

- Sales tax on fuel
- Index fuel tax
- Tolling
- RTID
- Container charges

Long-term potential revenue sources include a vehicle miles traveled (VMT) tax. The VMT tax is the most complex and most difficult to implement. These potential funding sources are subject to an evaluation framework that is based on the question: Is the funding method an appropriate state level fee or tax and does it have a nexus with transportation? A full report will be submitted in December 2009. ([Slides 38-53](#) in the presentation include additional information.)

**COMMENT:** To accommodate a VMT tax, the state Department of Licensing computer system would need to be upgraded at the price of approximately \$100 to \$200 million. (Sen. Swecker)

**QUESTION:** Has the VMT tax been implemented in other states? (Sen. Tom)

**ANSWER:** *It has not been implemented yet, but many states are in the middle of studying the positive and negative effects of the tax by running mock trials of the program.*

**QUESTION:** What is the difference between the VMT tax and the motor vehicle tax? (Rep. Eddy)

**ANSWER:** *The VMT tax charges drivers per mile driven versus per registered car.*

**COMMENT:** The Workgroup should be aware that the VMT tax has other policy goals. It is not just meant to be a revenue stream. (Rep. Eddy)

**QUESTION:** What are the CAFE standards? (Sen. Haugen)

**ANSWER:** *The CAFE standards are the vehicle fleet average fuel economy standards set by the federal government. CAFE stands for corporate average fuel economy.*

**COMMENT:** The VMT tax relies heavily on the vehicle's odometer being correct, which is easy to manipulate. (Rep. Hunter)

**QUESTION:** Is there anywhere in the world that has used a VMT tax? (Sen. Jacobsen)

**ANSWER:** *There are some countries in Europe that have implemented a similar system, but the tax has only been exclusive to trucks.*

### **Preliminary Observations and Discussion (Barbara Gilliland and Workgroup members)**

Barbara Gilliland, Workgroup Administrator, summarized the available funding sources for the SR 520 program. The group discussed the potential for available funding revenue through the different sources shared during earlier presentations. After sharing the funding chart, the members held a discussion. ([Slides 55-58](#) in the presentation include additional information.)

**QUESTION:** What is the exact amount of the assumed revenue generated through tolling, shown on slide 56? (Sen. Tom)

**QUESTION:** Instead of providing an exact amount for the other potential revenue sources, what is the range of potential money available? (Sen. Tom)

**COMMENT:** There should be an added column on the funding chart that displays who makes the decision that money will be delegated to the program. There should also be a column that shows when the different funds would be available to the program. (Rep. Eddy)

**COMMENT:** The potential revenue generated through I-90 tolling should be shown on the chart too. (Rep. Eddy)

**QUESTION:** Who would pay for the TBD vehicle license fee (VLF)? Would it be a mix of King County or local jurisdictions? (Rep. Hunter)

**ANSWER:** *Only cities in the immediate area in the corridor would pay.*

**COMMENT:** If anything over a \$20 VLF was implemented, it would need to be voted upon by the users, and I doubt it would be successful. Only a local city vote for a VLF higher than \$20 would have a chance of success. (Rep. Clibborn)

**QUESTION:** Since the east and west ends of the corridor have specific design concerns, can a TBD be localized to those areas to help pay for what design the residents want? (Sen. Swecker)

**COMMENT:** The funding options that are potentially available should be categorized in tiers to make it easier to define what is most readily available and what is not as available or would not generate as much money. (Rep. White)

**COMMENT:** How would a tier be defined? There is competition for all available funds throughout the state for different projects, so defining what funding source belongs in a certain tier would be difficult. (Rep. Eddy)

**COMMENT:** Analyzing the chart of potential funding sources and hearing the different presentations, it seems that the program will have to be built at a cheaper price or I-90 will have to be tolled. (Rep. Pedersen)

**COMMENT:** I-90 tolling would close the gap and leave extra money. (Sen. Jacobsen)

**COMMENT:** The most politically feasible option for tolling I-90 would be Scenario 10, the HOT lane option. That scenario would most likely meet federal requirements. There are other design elements on the project that do not seem necessary, like the lid over I-5 in Seattle or at 124th and 148th Street in Bellevue. Once the final design was decided upon, then evaluating tolls on I-90 would seem more feasible. Potential design cuts in the program would save money and should also be considered. (Rep. Clibborn)

**COMMENT:** Critically analyzing potential cuts should be considered on both sides of the bridge. (Rep. Springer)

**COMMENT:** If the Westside Subgroup cannot decide on a west side design option, the larger group will need to make the decision. (Rep. Hunter)

**COMMENT:** It is the responsibility of the entire Workgroup to decide on a design option and a funding plan for the west side. The charge of the Westside Subgroup is to bring a range of potential options for the entire Workgroup to decide upon. (Rep. White)

**QUESTION:** How would a design-build process affect the program? (Rep. Clibborn)

**ANSWER:** *The potential contractor can show design innovation that would cut costs and shorten the schedule. The critical part is to commit funding to the project so the entire process can proceed.*

**Follow-up items (Barbara Gilliland)**

- Investigate the difference between the construction cost and the financing cost of the program. Develop a chart that lists the total program costs including debt service.
- Investigate and report-back information about the federal policies related to tolling one facility to help pay for another facility.
- Share the exact amount of revenue generated through tolling in Scenario 7 on the funding chart on slide 56.
- Develop a chart that outlines SR 520 funding sources, action needed, who is responsible for the decision and the timeline for availability
- Add the potential revenue generated through tolling I-90 to the funding chart for consideration.