



**INFORMATION PAPER  
FOR THE FINANCE COMMITTEE**

**NEAR-TERM TOLL POLICY OPTIONS**

**MAY 2012**



## Purpose

- To outline potential options for setting near-term toll rates on the Dulles Toll Road (DTR)
- Today's Committee discussion will help management and the Financial Advisors develop recommendations for consideration at the June meeting of the Board Committees.
- If those recommendations are accepted by the Finance Committee in June, the next step in the regulatory process is to present potential toll rate adjustment options to the public for review and comment during July and August.



## Near-Term Toll Policy Options

Three near-term toll rate scenarios have been developed as a starting point for the discussion:

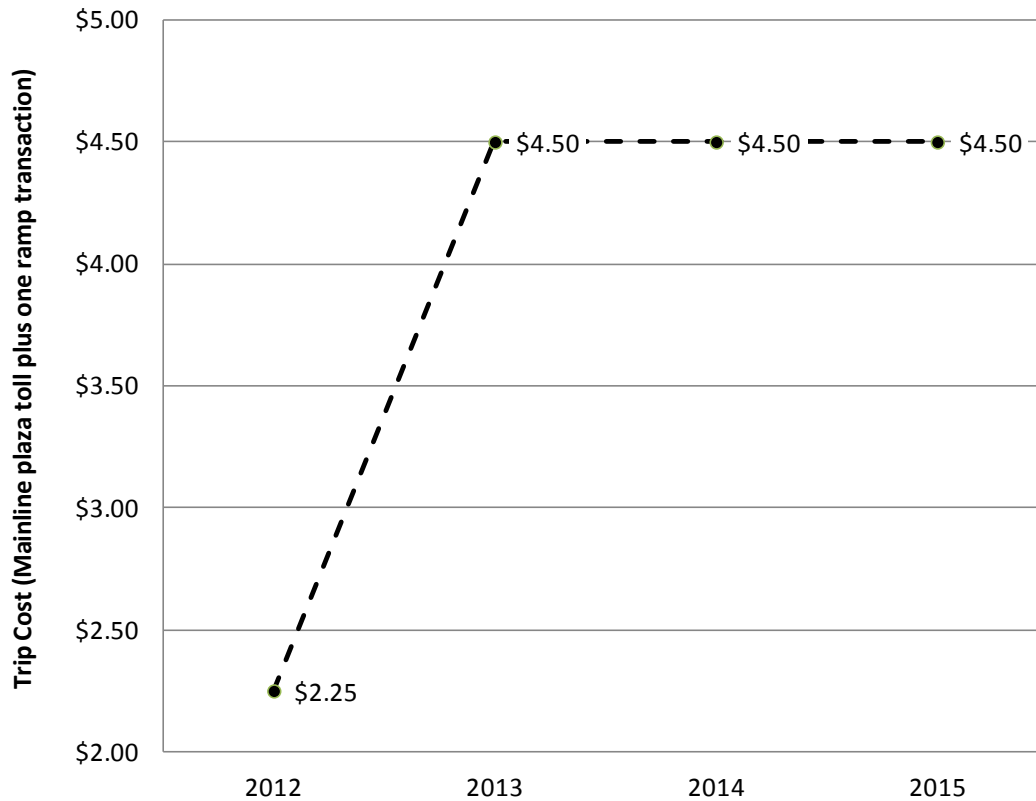
- Base Case***      Establish a Trip Cost of **\$4.50** for the period 2013 through 2015
  
- Scenario 1***      Establish a Trip Cost of **\$2.75** for 2013, **\$3.50** for 2014 and **\$4.50** for 2015
  
- Scenario 2***      Establish a Trip Cost of **\$3.50** for 2013, **\$3.50** for 2014 and **\$3.50** for 2015



*Base Case*

Establish a Trip Cost of **\$4.50** for the period 2013 through 2015

**Potential Cost of a Trip on The Dulles Toll Road**  
(Mainline Plaza Toll plus one ramp transaction)



— ● — 2012 Initial Toll Rate Estimate

Base case for discussion purposes.

Assumes \$150 million from Virginia is not used to reduce near-term toll rates.

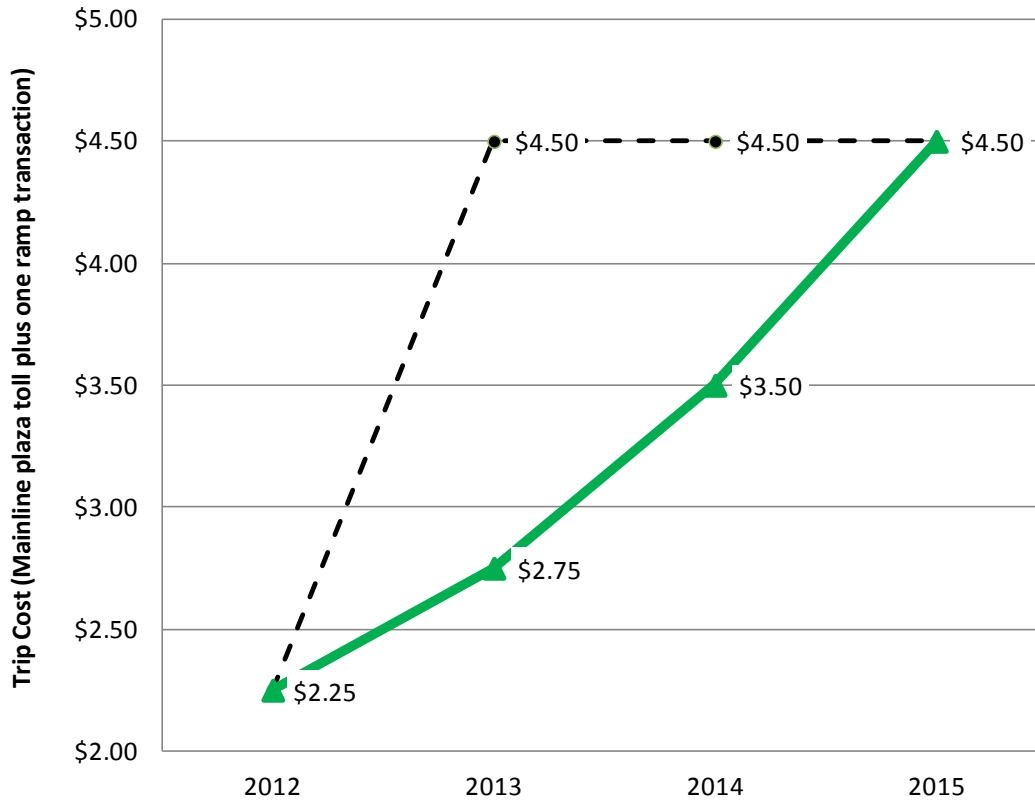
**HYPOTHETICAL SCENARIO FOR DISCUSSION PURPOSES ONLY**



*Scenario 1*

Establish a Trip Cost of **\$2.75** for 2013, **\$3.50** for 2014 and **\$4.50** for 2015

**Potential Cost of a Trip on The Dulles Toll Road**  
(Mainline Plaza Toll plus one ramp transaction)



Uses \$150 million of funding from Virginia to reduce near-term toll increases as agreed in the Memorandum of Agreement.

—●— 2012 Initial Toll Rate Estimate      —▲— Reduce 2013 and 2014 Trip Cost

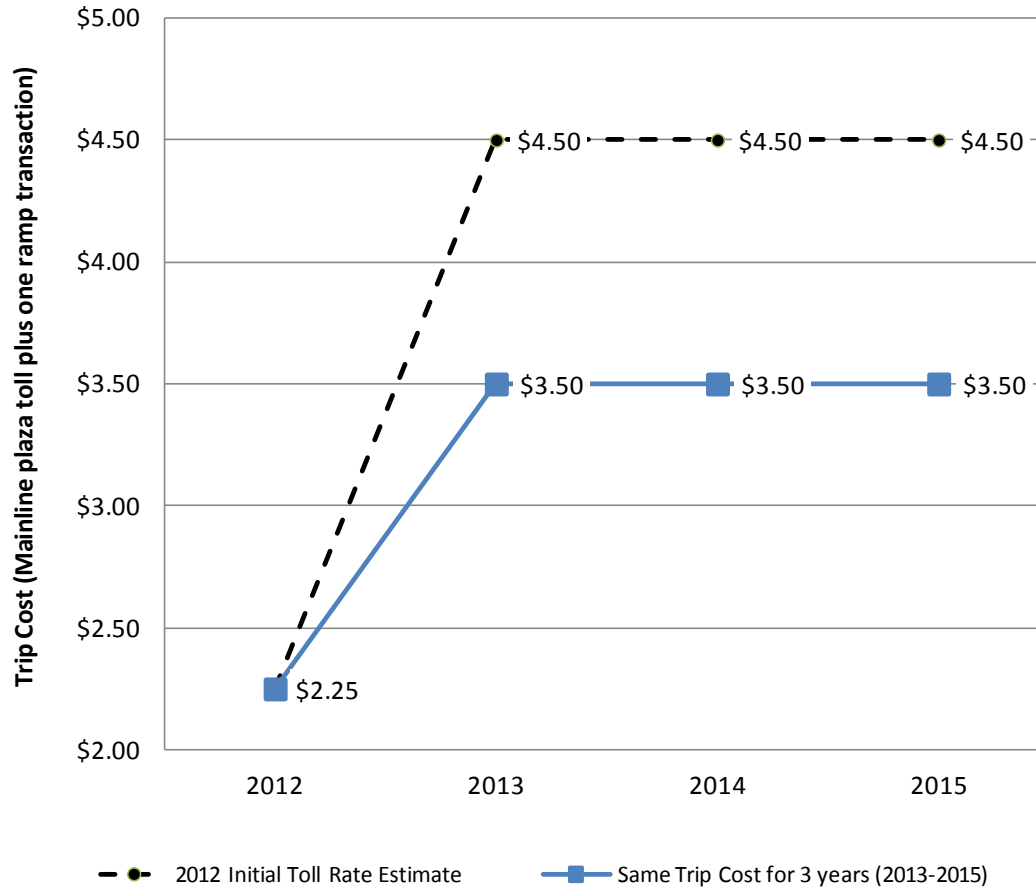
**HYPOTHETICAL SCENARIO FOR DISCUSSION PURPOSES ONLY**



*Scenario 2*

Establish a Trip Cost of **\$3.50** for 2013, **\$3.50** for 2014 and **\$3.50** for 2015

**Potential Cost of a Trip on The Dulles Toll Road**  
(Mainline Plaza Toll plus one ramp transaction)



Same underlying financing assumptions as Scenario 1.

\$150 million from Virginia is used to pay interest on DTR in different years.

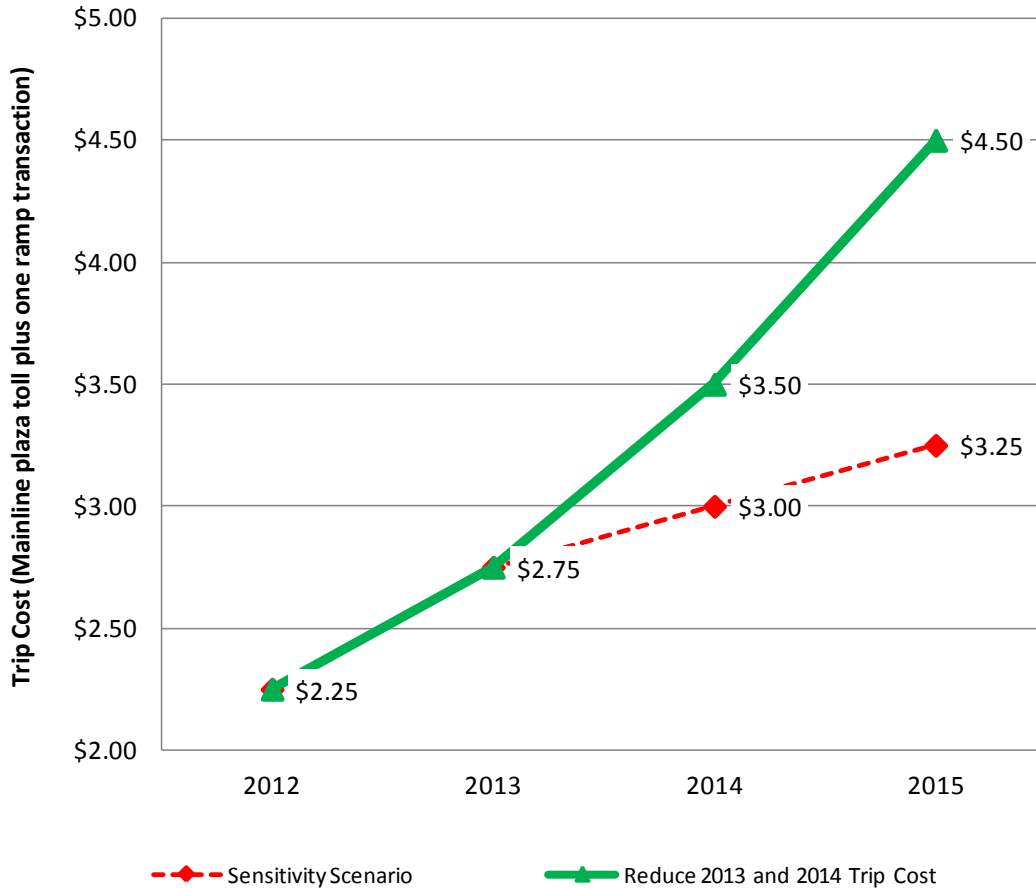
**HYPOTHETICAL SCENARIO FOR DISCUSSION PURPOSES ONLY**



## Sensitivity Analysis

### How might lower toll rates impact the finance plan?

**Potential Cost of a Trip on The Dulles Toll Road**  
(Mainline Plaza Toll plus one ramp transaction)



Lower assumed toll rates could reduce gross toll revenue over next three years by nearly \$65 million.

Reduced toll revenue can be offset by issuing approximately \$150 million of bonds that pay interest each year with Capital Appreciation Bonds (CABs) that pay interest at maturity.

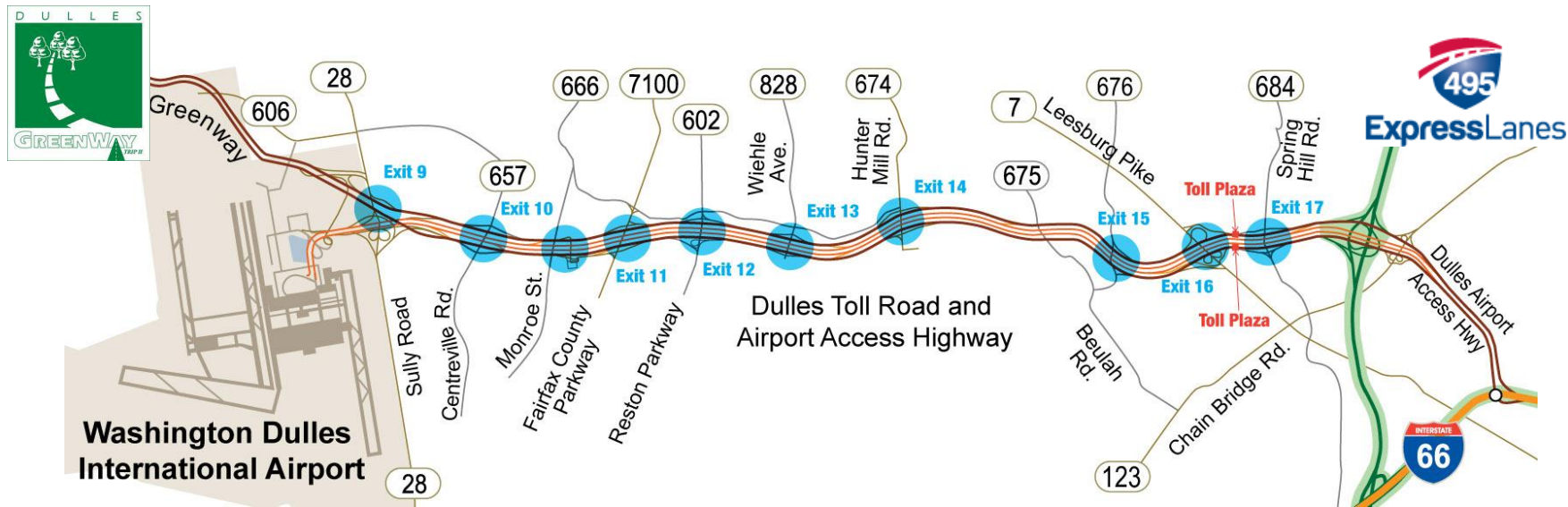
Incremental debt service on the more expensive CABs over the life of the project could be over \$1.6 billion.

**HYPOTHETICAL SCENARIO FOR DISCUSSION PURPOSES ONLY**



## Current Toll Rates in the Dulles Corridor

	<u>Toll for Full Length Trip</u>	<u>Length (miles)</u>	<u>Toll per Mile</u>
Dulles Toll Road – 2012	\$2.25	13.4	\$0.17
Dulles Greenway – 2012 ( <i>Off-peak</i> ) (1)	\$4.00	14	\$0.29
Dulles Greenway – 2012 ( <i>Peak</i> ) (1)	\$4.80	14	\$0.34
495 Express Lanes (2)	\$5.50	14	\$0.39



(1) Toll rates do not include \$0.75 collected on behalf of the Airports Authority for access to the Dulles Toll Road. Between 2013 and 2020, the private owner of the Dulles Greenway is permitted to increase annual toll rates at the greater of growth in CPI plus one percent, GDP growth, or 2.8%.

(2) Scheduled to open in December 2012. Project sponsors expect cost of average trip to be between \$5.00 and \$6.00. Toll rates will range from \$0.20 per mile in off-peak to \$1.00 in peak period on high demand sections.





## Comparable Metrorail Fares

Based on WMATA's proposed FY2013 fares, the cost to travel from Washington Dulles International Airport to Tysons Corner during peak hours would be \$4.80 if the Silver Line was completed and in service.

### Indicative Metrorail Fares from Phase 2 stations based on Proposed FY2013 Rates and Policies

Peak Fare						
From\To	Dulles Airport	Herndon	Wiehle-Reston East	Tysons Corner	East/West Falls Church	All DC and MD Destinations
Dulles Airport	\$ 2.10	\$ 2.30	\$ 3.05	\$ 4.80	\$ 5.75	\$ 5.75
Route 606	\$ 2.10	\$ 3.00	\$ 3.65	\$ 5.40	\$ 5.75	\$ 5.75
Route 772	\$ 2.55	\$ 3.50	\$ 4.20	\$ 5.75	\$ 5.75	\$ 5.75
Off-Peak Fare						
From\To	Dulles Airport	Herndon	Wiehle-Reston East	Tysons Corner	East/West Falls Church	All DC and MD Destinations
Dulles Airport	\$ 1.70	\$ 1.85	\$ 2.05	\$ 3.50	\$ 3.50	\$ 3.50
Route 606	\$ 1.70	\$ 2.05	\$ 2.75	\$ 3.50	\$ 3.50	\$ 3.50
Route 772	\$ 2.05	\$ 2.75	\$ 3.25	\$ 3.50	\$ 3.50	\$ 3.50

Source: WMATA Responses to Loudoun County Questions, Submitted April 25, 2012



## Summary of Near-Term Toll Policy Options

	<i>Initial Trip Cost Estimates</i>	<i>Reduce 2013 and 2014 Trip Cost</i>	<i>Same Trip Cost for Three Years</i>
2012	\$2.25	\$2.25	\$2.25
2013	<b>\$4.50</b>	<b>\$2.75</b>	<b>\$3.50</b>
2014	<b>\$4.50</b>	<b>\$3.50</b>	<b>\$3.50</b>
2015	<b>\$4.50</b>	<b>\$4.50</b>	<b>\$3.50</b>

**Base Case- Establish a Trip Cost of \$4.50 for the period 2013 through 2015**

Maximizes financial flexibility but requires a significant adjustment in a single year.

**Scenario 1- Establish a Trip Cost of \$2.75 for 2013, \$3.50 for 2014 and \$4.50 for 2015**

Minimizes near-term impact on DTR customers but requires at least \$150 million of funding from Virginia

**Scenario 2. Establish a Trip Cost of \$3.50 for 2013, \$3.50 for 2014 and \$3.50 for 2015**

Alternative way to use the \$150 million from Virginia. Higher trip cost in 2013 enables lower toll rate in 2015.

**INFORMATION PAPER FOR THE  
FINANCE COMMITTEE  
NEAR-TERM TOLL POLICY OPTIONS AND  
PROCESS FOR ADJUSTING TOLL RATES ON THE DULLES TOLL ROAD  
MAY 2012**

**PURPOSE**

To provide information on the process and proposed schedule for validating or potentially adjusting toll rates on the Dulles Toll Road (DTR).

**BACKGROUND**

The Airports Authority has the exclusive right to establish, charge, and collect tolls and other fees for the use of the Dulles Toll Road. Prior to adjusting toll rates, the Airports Authority must follow its process for promulgating regulations, including convening one or more public hearings in the Dulles Corridor to provide members of the public and others an opportunity to become informed about, and express their views on, any proposed toll rate changes. Consistent with past practice, the Airports Authority engaged an independent Traffic and Revenue Study Consultant to conduct a comprehensive study as an input to its toll rate setting process.

**DISCUSSION**

***Near-Term Toll Policy Options***

There are currently a number of outstanding variables that could impact recommended toll rates. Staff and Financial Advisors have prepared four near-term toll policy options that the Committee may wish to consider that highlight key policy considerations, including:

- The potential need to issue subordinate debt to achieve less severe near-term toll increases,
- The impact of \$150 million in contribution from the Commonwealth of Virginia, and
- The option to use Commonwealth of Virginia funding to achieve a single toll rate increase that could remain stable over two or three years, instead of near-term annual increases.

The three scenarios that illustrate the policy options are as follows:

1. Establish a Trip Cost of \$4.50 for the period 2013 through 2015 (Base Case)
  - Generates sufficient toll revenue to support the plan of finance
  - Significant adjustment in a single year.
  
2. Establish a Trip Cost of \$2.75 for 2013, \$3.50 for 2014 and \$4.50 for 2015 (Scenario 1)
  - Minimizes near-term impact on DTR customers
  - Requires at least \$150 million of funding from Virginia
  
3. Establish a Trip Cost of \$3.50 for 2013, \$3.50 for 2014 and \$3.50 for 2015 (Scenario 2)
  - Higher trip cost in 2013 enables lower toll rate in 2015
  - Requires at least \$150 million of funding from Virginia

The Committee should also consider whether the next toll setting process should include establishment of tolls for one, two, or three years into the future. Staff and Financial Advisors would not recommend setting tolls beyond three years into the future while the Metrorail project is still under construction.

***Toll Setting Process and Schedule***

Prior to establishing future toll rates, the Airports Authority follows its regulatory process, which includes convening public hearings in the Dulles Corridor and reporting back to the Board on public views collected during the public hearings. In addition, the Airports Authority also consults with the Dulles Corridor Advisory Committee (DCAC) with respect to any proposed toll rate adjustments, although DCAC consent or approval of toll rate adjustments is not required under the agreements with the Commonwealth.

To facilitate a potential toll rate adjustment by January 2013, Management proposes the following draft schedule for adjusting toll rates on the Dulles Toll Road:

**Proposed 2012 Process & Schedule for Adjusting Toll Rates**

5/16/12	<p><b>Finance and/or Dulles Corridor Committee Meeting</b></p> <ul style="list-style-type: none"> <li>• Receive potential toll rate schedule(s) for 2013 and future years</li> </ul>
6/20/12	<p><b>Finance and/or Dulles Corridor Committee Meeting</b></p> <ul style="list-style-type: none"> <li>• Receive initial recommendations for proposed tolls for 2013 and future years based on Committee discussion at May meeting</li> <li>• Provide Committee authorization to proceed with the regulatory process for proposed rate adjustments and effective dates</li> </ul>

7/04/12	<b>End of Extended Option Period for Loudoun County</b>
July and August 2012	<b>Proposed Public Comment Period and Dulles Corridor Advisory Committee (DCAC) Meeting</b> <ul style="list-style-type: none"> <li>• Public comment period and public forums on proposed toll rate adjustments</li> <li>• Consultation with DCAC on proposed tolls for 2013 and future years</li> </ul>
9/19/12	<b>Finance and/or Dulles Corridor Committee Meeting</b> <ul style="list-style-type: none"> <li>• Receive staff report on the Public Forums and DCAC comments</li> <li>• Decision whether to recommend proposed resolution to set DTR toll rates for 2013 and possibly future years</li> </ul>
10/17/12	<b>Board of Directors Meeting</b> <ul style="list-style-type: none"> <li>• Consideration of resolution to set new DTR toll rates for 2013 and possibly future years</li> </ul>
Late October/Early November	<b>Proposed DCAC Meeting</b> <ul style="list-style-type: none"> <li>• Airports Authority briefing to DCAC to report on Board's consideration of DCAC advice, public comments, and actions with regard to DTR toll rate schedule</li> </ul>
1/1/13	<b>Implementation of Potential Toll Rate Adjustment</b>

## **CONCLUSION**

Staff and Financial advisors request the Committee to review the tolling policy options and schedule, and to provide further direction.

Prepared by:  
Office of Finance  
May 2012