



MEMORANDUM

TO: HPTE BOARD OF DIRECTORS
FROM: KELLY BROWN, TOLLING OPERATIONS MANAGER
DATE: JUNE 19, 2019
SUBJECT: HPTE TOLLING POLICY

Purpose and Requested Action

This memorandum presents high level HPTE staff policy recommendations for board consideration. These include (1) toll rates setting and adjustment; (2) License Plate Tolling (LPT) surcharge and Interoperability transactions surcharge; (3) Express Lanes toll rates setting objectives (revenue versus throughput maximization); and, (4) tolling equity considerations. At this time the board is asked to consider presented policy guidance and provide feedback.

Background

The policies presented below were first introduced at the February 2019 Board retreat.

Policy description

(1) Toll rate setting and adjustment

a Initial toll rate setting: initial toll rates setting will be initiated by a traffic and revenue study for each corridor. Prior to project opening, a sensitivity analysis on initial rates will be conducted to finalize toll rates for HPTE board approval. The pricing objective in the toll rates setting phase is project specific based on financing covenants and traffic operations requirements.

b Toll rate adjustment: on a yearly basis, HPTE staff will evaluate the performance of each Express Lane to determine adherence to traffic operations requirements and financial covenants. Attachment A shows the methodology for determining yearly toll rates adjustments.

(2) LPT surcharge and Interoperability transactions surcharge

a LPT surcharge: Under current HPTE practice, License Plate Tolling (LPT) surcharge will be priced based on two objectives: (1) offset the additional back office processing cost and (2) recover revenue lost due to LPT leakage.

b Interoperability (IOP) Transactions surcharge: for future transactions types, such as IOP transactions, HPTE staff will adopt the same methodology where surcharges are set based on recovering additional incurred cost and lost revenue.

(3) Express Lanes toll rates setting objectives (revenue versus throughput maximization)

HPTE will set toll rates based on Express Lanes corridor specific objectives. The overarching goal of HPTE will be to provide fiscally responsible toll rates that balance needs such as traffic speeds, reliable travel times, debt coverage, operations and maintenance cost, and financing future corridor improvements. For Express Lanes operated by a private entity, the toll rates setting methodology will be included in the project agreement.

(4) Tolling equity considerations

In consideration of Express Lanes objectives in providing safe and reliable trips, HPTE will not provide discounts, other than those mandated (e.g. HOV 3+), that can potentially degrade traffic conditions and travel time reliability in Express Lanes. If mandated to provide discounts by an outside agency, HPTE will adjust toll rates help offset loss in toll revenue.

Next Steps

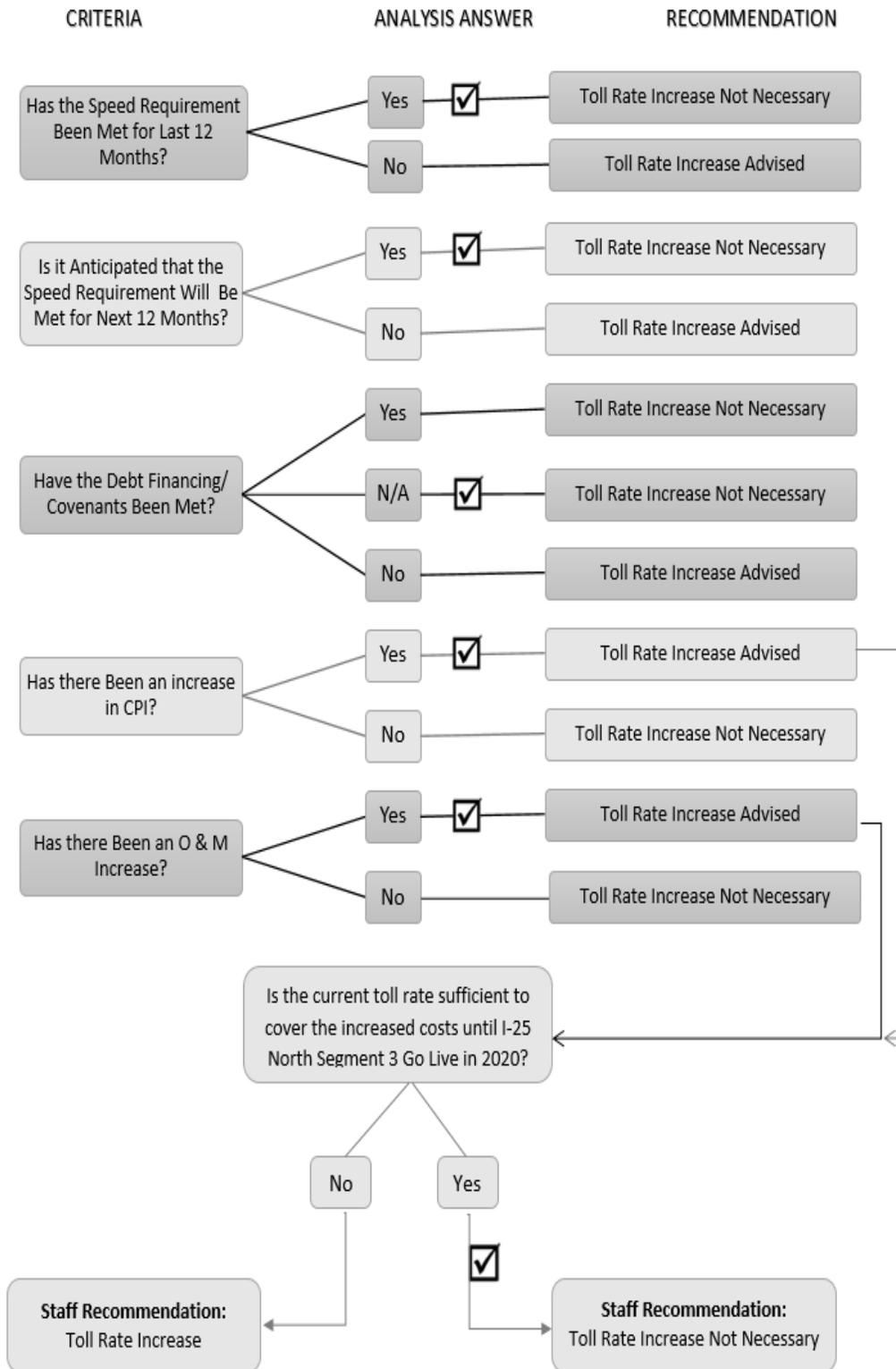
- The Board is being asked to review and present any changes to HPTE's staff to be incorporated.
- HPTE staff will integrate any requested changes to the recommended policies and will return to the Board in July for final adoption of HPTE tolling policy.

Attachments

Attachment A: Yearly Express Lane Toll Rate Adjustment Flowchart Example

Attachment B: HPTE Tolling Policy

Attachment A: Yearly Express Lane Toll Rate Adjustment Flowchart Example



Attachment B: HPTE Tolling Policy

Colorado High-Performance Transportation Enterprise

HPTE Tolling Policy

1. Purpose

The High-Performance Transportation Enterprise (“HPTE”) Tolling Policy (“Policy”) is intended to provide a framework the setting and adjustment of toll rates on HPTE operated corridors. The Policy aims to provide:

Statewide Equity: implementing consistent statewide policies limits controversy and helps the public’s acceptance of toll rates;

Communications: Educating the traveling public on toll policies (HOV rate setting etc.) is a challenging proposition. A consistent policy greatly simplifies that effort; and,

Internal Administration: A consistent tolling policy provides guidance to HPTE staff and simplifies the administration and operation of toll collections.

HPTE projects are complex and each is unique. If it is necessary to deviate from this Policy on future projects, HPTE staff will document the different approach and will seek input and approval from the Board, and the practice will be incorporated, if necessary, into this Policy.

2. Toll rate setting and adjustment frequency

Background

Studies indicate that the primary reason motorists use Express Lanes is for travel time consistency and reliability. Given the desire for consistency it is also essential that the motorist is not surprised or confused when receiving the monthly invoice for use of the lane. A lack of understanding of the toll rate setting or adjustment policy is one key reason that motorist may choose to NOT use the Express Lane even in circumstances where he or she would otherwise choose to use it.

Policy

Initial toll rates setting will be initiated by a traffic and revenue study for each corridor. Prior to project opening, a sensitivity analysis on initial rates will be conducted to finalize toll rates for HPTE Board approval. The pricing objective in the toll rates setting phase is project specific based on financing covenants and traffic operations requirements.

For operational corridors, on a yearly basis, HPTE staff will evaluate the performance of each Express Lane to determine adherence to traffic operations requirements and financial covenants. Exhibit A shows the methodology for determining yearly toll rates adjustments.

3. Transactions Surcharges

Background

The HPTE needs to balance allowing those who do not have an electronic toll pass

the capability to use the lane on occasion against the additional costs associated with processing and collecting license plate tolls. Setting a policy on how to calculate such surcharges ensures fairness and a consistent standard across Express Lane corridors. For interoperability agreements the HPTE needs to consider the cost they impose upon it and seek to recoup it.

Policy

A License Plate Tolling (“LPT”) surcharge ensures that LPT payers bear the full cost of the additional expenses they impose on the system. To that end, a LPT surcharge will be priced based on two objectives: (1) offset the additional back office processing cost and (2) recover revenue lost due to LPT leakage.

For future transactions types, such as Interoperability transactions, HPTE staff will adopt the same methodology where surcharges are set based on recovering additional incurred cost and lost revenue.

4. Express Lanes toll rates setting objectives (revenue versus throughput maximization)

Background

Different corridors can have fundamentally different objectives. A corridor financed with debt that the HPTE needs to repay may need to rely upon a revenue maximization tolling policy. A corridor where the HPTE only needs to recover operating and maintenance costs provides the HPTE the option to focus on throughput if necessary.

Policy

HPTE will set toll rates based on Express Lanes corridor specific objectives. The overarching goal of HPTE will be to provide fiscally responsible toll rates that balance needs such as traffic speeds, reliable travel times, debt coverage, operations and maintenance cost, and financing future corridor improvements. For Express Lanes operated by a private entity, the toll rates setting methodology will be included in the project agreement.

5. Tolling equity considerations

Background

There are four primary categories of equity concern that most often involve Express Lanes and other priced facilities: (1) Equity; (2) Modal Equity; (3) Geographic Equity; and (4) Revenue Equity. Despite equity considerations that affect Express Lanes, it is important to note that all income groups and roadway users (not just drivers) can benefit from the implementation of pricing. Freeway users, even low-income users, benefit indirectly from additional road capacity because toll paying drivers will not be competing for space on existing general-purpose lanes.

Nevertheless, HPTE is a government-owned business established as a separate division within the CDOT. HPTE is an enterprise for purposes of Section 20 of

Article X of the State Constitution (commonly referred to as “TABOR”), and accordingly is not subject to the revenue and spending limitations of TABOR as long as it receives less than ten percent of its total revenues in grants from state and local governments. As an enterprise or a government owned business, HPTE must be cognizant of the revenue it earns, and therefore must collect enough to cover its expenses. Any tolling equity policies implemented will have an effect on the amount of revenue HPTE earns, and will likely have a detrimental effect on projects in operations and for future projects that could have a borrowing component.

Policy

In consideration of Express Lanes objectives in providing safe and reliable trips, HPTE will not provide discounts, other than those mandated (e.g. HOV 3+), that can potentially degrade traffic conditions and travel time reliability in Express Lanes. If mandated to provide discounts by an outside agency, HPTE will adjust toll rates to help offset loss in toll revenue.

Exhibit A – Toll Rate Adjustment Flow Chart Example

