

Memorandum

TO: CTIO BOARD OF DIRECTORS
FROM: KELLY BROWN, CHIEF TOLL OPERATIONS OFFICER
SUBJECT: CTIO DYNAMIC PRICING CRITERIA RECOMMENDATIONS
DATE: JULY 19, 2023

Purpose

This memorandum presents the recommended CTIO dynamic pricing criteria to the CTIO Board of Directors (CTIO Board) for consideration. These criteria will guide the Dynamic Pricing Algorithm for each specific Express Lane corridor (1) Cap or No Cap on Maximum Rates; (2) Toll Rates Calculation and Change Intervals; (3) Toll Minimum and Maximum Increments and Decrements; (4) Minimum Toll Rate; and (5) Procedure to Reconsider Board-Approved Algorithm.

Action

Informational only, the CTIO Board is not being asked to vote on the dynamic pricing criteria at this month's meeting.

Background

In 2019, CTIO conducted a procurement for a Next Generation Lane Toll System (NGLTS). The NGLTS provided CTIO with dynamic pricing functionality. In advance of implementing dynamic pricing on the CTIO Express Lanes network, the CTIO Tolling Policy adopted by the CTIO Board at the July 17, 2019 board meeting will need to be amended to include criteria for dynamic pricing. In preparation, staff conducted a workshop at the April 2023 Board Retreat that provided an in-depth overview of how dynamic tolling works and presented initial policy considerations. The criteria below were initially presented during the pricing discussion at the retreat and each criteria will work together to run the dynamic pricing algorithm.

Dynamic Pricing Criteria Descriptions

(1) Cap or No Cap on Maximum Rates

- Each CTIO Express Lane corridor will have a Soft Cap on the Maximum Toll Rate.
 - The soft-capped maximum toll rate may vary from Express Lane corridor to corridor based on the specific conditions found on that corridor so that existing toll rate setting policies will continue to be met.

(2) Toll Rates Calculation and Change Intervals

- Toll rates will be re-evaluated at five (5) minute intervals and the toll rate may change at no less than five (5) minute intervals on each CTIO Express Lane corridor.
 - The calculation interval may vary from Express Lane corridor to corridor based on the specific conditions found on that corridor so that existing toll rate setting policies will continue to be met.

(3) Toll Minimum and Maximum Increments and Decrements

- The minimum and maximum amounts that toll rates can increase or decrease at each Change Interval may vary from Express Lane corridor to corridor based on the specific conditions found on that corridor so that existing toll rate setting policies will continue to be met.

(4) Minimum Toll Rate

- The minimum toll rate calculated by the Dynamic Pricing Algorithm must cover toll collection and administration costs.
 - The minimum toll rate may vary from Express Lane corridor to corridor so that toll collection and administration costs for that corridor continue to be met.

(5) Procedure to Reconsider Board-Approved Algorithm Criteria

- In the case(s) where one or more of the dynamic pricing algorithm criteria are not functioning as expected, a CTIO Board-approved procedure will be needed. This will ensure that CTIO will continue to be met the overall tolling policy objectives and cover its Express Lane obligations.

Where possible, the dynamic pricing criteria are designed to be either a range of acceptable values and/or are a set of guard rails that will give the dynamic pricing algorithm the flexibility to set toll rates that will conform to existing Tolling Policy already approved by the CTIO Board. Specific ranges or parameter for each corridor will be brought to the Board for review and approval on an annual basis (as is the current process for time of day pricing.)

Next Steps

- The CTIO Board is encouraged to provide feedback on the recommended dynamic pricing criteria presented in this memo.
- Staff will return with a red-lined version of the CTIO Tolling Policy, including the agreed on criteria, for CTIO Board approval.