

Report on 2009 Toll Rate Adjustment Process and Scenarios

Maine Turnpike Authority



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Financial Outlook 2005-2008

The Maine Turnpike Authority (MTA) plans periodic toll adjustments in order to raise sufficient revenue to cover their expected capital, maintenance, and operating costs. The last toll adjustment was in 2005. The MTA long range plan called for a toll rate adjustment in 2010. During each toll adjustment, the MTA carefully estimates the expected costs as well as the anticipated amount of traffic (and corresponding revenue) for the period. However, in 2005 it would have been impossible to predict the skyrocketing cost of construction along with the stagnant toll revenues. Due to the MTA's legal and financial obligation to properly maintain the highway it has become necessary to move the toll adjustment up one year.

Traffic

Since 2005, traffic on the Maine Turnpike has stagnated. This was not always the case. The following illustrates the amount of traffic growth on the Turnpike since 1990.

- From 1990-1994, trips on the Turnpike overall had grown by 7%.
- From 1995-1999, trips on the Turnpike overall had grown by 29%.
- From 2000-2004, trips on the Turnpike overall had grown by 17%.

It had been anticipated that traffic overall would continue to grow, as it always has, but at a slower rate. However, traffic on the Turnpike in recent years has not grown. Consider the current growth trends.

- **Expected traffic for 2008 will be the lowest annual traffic on the Maine Turnpike since 2003**
- All economic indicators suggest that traffic will likely not increase significantly during 2009.

Construction, Maintenance, and Operating Costs

The MTA had carefully planned, estimated, and budgeted for their anticipated revenues and costs for the five years 2005- 2010. However, due to the steep rise in fuel and energy costs, construction and maintenance costs have risen far more than could have been expected. The overall cost of construction has risen by more than 55% since 2005. Some of the MTA's maintenance expenses have increased even more. For example, since 2005, the cost of paving has increased by 82 percent, deicing salt has increased by 83 percent, and diesel fuel has increased by 117 percent.

To make more money available for the highway and bridge programs, the MTA has made significant cuts from their operating budget. Through technology, efficiency, and staff reductions, the operating expenses have been cut by \$1.6 million in 2007 and by \$3.2 million in 2008. Operating expenses will be further reduced by \$4 million in 2009. Furthermore, those construction projects that could be deferred have been deferred, and others have been scaled back. However, budget cuts will not be enough to fill the gap in 2009.

2009 Toll Adjustment Process

Traffic is down lower than what was anticipated. Construction costs have risen at an alarming rate. Because of these factors, the MTA is obligated to find additional revenue in order to properly maintain a safe and efficient roadway, which is critical to Maine's economy. As toll revenues are the only funding source available to the MTA, the only means available to generate additional revenue is to move up the scheduled toll increase one year from 2010 to 2009.

With the challenge of adjusting tolls in this "perfect storm" of economic conditions, the MTA Board got to work. The MTA Board met at multiple workshops over several months to evaluate the budget, the program, the need to move up the toll adjustment, and the toll rate structure. The MTA Board evaluated several toll adjustment scenarios, took many aspects of the toll rate structure into consideration, and made a number of key decisions all to make the adjustment fair, reasonable and equitable.

Toll Rate Advisory Committee

In the spring of 2007 and in anticipation of a future toll increase, the MTA invited a group of local leaders and citizens to be a part of a Toll Rate Advisory Committee (TRAC). The goal of the TRAC was to provide the MTA with direction and guidance regarding changes to toll rates, toll structure policy, and toll adjustment methods of the Maine Turnpike. The TRAC examined the existing toll rate structure and offered many recommendations for improvement in a document entitled *Guiding Principles for Setting Toll Rates on the Maine Turnpike*.

Considerations

In order to generate the revenue needed, there are several different adjustments that could be made to the toll structure. **One of the goals of the MTA Board was to change the toll rate structure so that tolls were assessed more equitably to the users of the Maine Turnpike.** In order to undertake this task, the MTA Board carefully considered the *Guiding Principles* set forth by the TRAC.

The MTA Board had many considerations to evaluate. The different plazas and programs that were considered for adjustment are the following.

- Adjustment of the cash toll at each of the mainline plazas – York, New Gloucester, and West Gardiner
- Adjustment of the cash toll at the side interchange plazas
- Adjustment of the cash toll at the Gardiner I-295 mainline plaza
- Changing the way Maine-based EZ-Pass patrons are charged in order to offer more discounts to those patrons
- Adjustment to the minimum toll on short trips made by Maine-based EZ-Pass patrons (minimum toll does not apply to other users)
- An adjustment to the commercial vehicle rates at a higher rate than passenger cars.

Key decisions

There are two tolling systems on the Maine Turnpike; a closed barrier system between York and New Gloucester and an open barrier system between New Gloucester and Augusta. Because of this system, the tolls assessed on the Turnpike have varying levels of equity. In order to address equity, the MTA Board has decided to offer more discounts for short trips to the Maine-based EZ-Pass patrons. The discounts vary from 0-60% depending on the length of the trip. In order to produce toll rate scenarios that can generate the needed amount of revenue, while offering more discounts to EZ-Pass patrons, other tolls and programs need to be adjusted. The following are the key decisions made by the MTA Board regarding system-wide toll rate adjustments.

- The toll rate scenario would generate an additional \$20 million in revenue
- The cash toll at York would be increased \$0.25 to become \$2.00
- The cash toll at West Gardiner would be increase \$0.25 to become \$1.25
- The cash toll at the side tolls would be increased \$0.40 to become \$1.00
- The cash toll at Gardiner-I295 would be the same as the side tolls
- There would be no additional cash toll adjustment at Exits 44 and 52 beyond the increase at the other side tolls.
- The tolls charged for Maine-based EZ-Pass accounts were changed to a uniform rate per mile charge to provide discounts for short trips on the Turnpike
- The Maine-based EZ-Pass rate per mile charge was set so that a minimum of 50% of all EZ-Pass movements on the Turnpike will be discounted. (Currently, only 35% of movements are discounted)
- The commercial discount program will remain unchanged
- The minimum toll on short trips made by Maine-based EZ-Pass patrons will be increased by \$0.10

Toll Rate Adjustment Scenarios

The several key decisions made by the MTA Board regarding the equitable distribution of the next toll rate adjustment to the different programs and barriers are central to each toll rate

scenario and were incorporated into the three different toll rate scenarios for consideration. This left a few variables that can be fine-tuned in order to benefit the various user groups of the Turnpike.

Variables

The variables left for consideration became the basis for the three toll rate scenarios. These variables are as follows.

- Commuter rate adjustment
- The toll adjustment at the New Gloucester Barrier
- The toll adjustment for commercial vehicles
- Level of discounts offered to EZ-Pass patrons

Scenario A

Scenario A focuses on providing discounts for EZ-Pass patrons with a Maine account. This scenario allows for more discounts to the Maine-based EZ-Pass patron. The number of EZ-Pass movements that will be discounted with this scenario will be 61%. In order to make up the revenue lost from providing more EZ-Pass patrons with a discount, the cash toll rate at one of the mainline plazas would need an additional adjustment. The features of Scenario A are outlined below

- All commuter pass rates change consistent with toll rates. The increase is capped at 50%
- The cash toll at New Gloucester increases \$0.50 to become \$1.75
- Discounts are available to EZ-Pass patrons for 61% of all movements on the Turnpike
- Commercial vehicle multipliers remain unchanged

Scenario B

Scenario B is similar to Scenario A except instead of favoring Maine-based EZ-Pass patrons, commuter passes, are favored. Currently, commuters pay one fee to cover a three month period. The fee is set at 50% of 5 round trips per week for 13 weeks. However, the commuter pass is set at 50% off of the EZ-Pass rate, which will be lower than cash for 50% of the movements on the Turnpike. So commuter passes are discounted at 50% or more off of the EZ-Pass rate, and could be as much as 80% off of the cash toll rate.

As can be seen, the commuter program offers large discounts to frequent users of the Turnpike. But, because the Turnpike is a barrier system, the commuter pass rates for the different movements on the Turnpike vary greatly. A commuter pass that covers trips through the mainline barriers (York, New Gloucester, West Gardiner) costs significantly more than a commuter pass between Wells and Gray. Because of this difference in pass rates, the commuter passes that cover trips through a mainline barrier would not be increased under Scenario B.

In order to make up the revenue lost from not raising the rate for the mainline commuter passes, the toll rate at one of the mainline plazas would need an additional adjustment. The features of Scenario B are outlined below.

- Mainline commuter pass rates remain unchanged
- The cash toll at New Gloucester increases \$0.50 to become \$1.75
- Discounts are available to EZ-Pass patrons for 53% of all movements on the Turnpike.
- Commercial vehicle multipliers remain unchanged

Scenario C

Scenario C focuses on only increasing each mainline barrier by \$0.25. By considering this toll adjustment scenario along with all the key decisions made by the Board, this scenario tends to fall short on needed revenue. In order to make up the shortfall, commercial vehicles would be increased at a slightly greater rate than passenger cars. Currently, all commercial vehicle tolls are based on a multiplier of the tolls for passenger cars. Under Scenario C, the multipliers would increase slightly. The result would be that the typical commercial vehicle, a class 5 vehicle, would see an average additional 4% increase in toll above that of the passenger vehicle. The features of Scenario C are outlined below.

- All commuter pass rates change consistent with toll rates. The increase is capped at 50%
- The cash toll at New Gloucester increase \$0.25 to become \$1.50
- Discounts are available to EZ-Pass patrons for 50% of all movements on the Turnpike
- Commercial vehicle multipliers are increase by 0.1 yielding an additional toll rate increase beyond that of passenger car increases