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June 3, 2015

Mr. Dennis Simpson
Director – Division of Planning and Program Development
Maryland Transportation Authority
2400 Broening Highway, Suite 117
Baltimore, MD 21224

Re: **ICC Toll Revenue Forecast**

Dear Mr. Simpson:

As requested, CDM Smith is pleased to submit this letter and toll revenue forecast for the Intercounty Connector (ICC). This forecast benchmarks to actual data through April of 2015 and estimates that the ICC will generate at least \$55 million in collectable revenue for FY 2015. This is about \$10 million or 15 percent below what was originally forecasted in the 2011 ICC Update Letter. About a third of that shortfall can be attributed to an assumed 5 percent planned toll increase that did not occur on July 1, 2013. Most of the remaining shortfall can be attributed to the delay in completion of Segment E and the fact that current traffic on Segment E is below than originally forecasted.

Going forward from 2015, this forecast differs from previous forecast assumptions in two regards:

1. Previous forecasts assumed biennial toll rate adjustments reflecting assumed inflation (an increase of approximately 5% every two years). The first of these adjustments was assumed to take place in July 2013 (FY 2014 - as described above); the second in FY 2016, and so on. These inflation based toll rate adjustments have not been made, nor are they assumed to take place in the future, thus, actual revenues will continue below prior forecasts.
2. This new forecast also reflects the estimated impact of the recently adopted toll rate structure set to take effect on July 1, 2015 (FY 2016). The new toll rate structure assumes the following changes:
 - A \$0.03 per mile toll rate reduction in every time period for the base ETC toll rate;
 - Toll rates for each movement on the ICC are now rounded to the closest penny;
 - The toll factor for a 3 axle vehicle is reduced from 3x to 2x the passenger car ETC toll rate;
 - The toll factor for a 4 axle vehicle is reduced from 4.5x to 3x the passenger car ETC toll rate.

All other toll rate policies on the ICC not mentioned above, including video toll surcharges and minimum tolls are assumed to remain unchanged. A summary of the ETC per mile toll rates are shown in **Table 1**. The reduction in revenues attributable to these downward adjustments of toll rates is estimated to be \$6.6 million in FY 2016.





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Table 1
Intercounty Connector Per Mile Toll Schedule

Weekday	Current Toll Rate Structure					July 1, 2016 Toll Rate Structure				
	2 Axle	3 Axle	4 Axle	5 Axle	6+ Axle	2 Axle	3 Axle	4 Axle	5 Axle	6+ Axle
5 - 6 AM	\$0.20	\$0.60	\$0.90	\$1.20	\$1.50	\$0.17	\$0.34	\$0.51	\$1.02	\$1.28
6 - 9 AM	\$0.25	\$0.75	\$1.13	\$1.50	\$1.88	\$0.22	\$0.44	\$0.66	\$1.32	\$1.65
9 AM - 4 PM	\$0.20	\$0.60	\$0.90	\$1.20	\$1.50	\$0.17	\$0.34	\$0.51	\$1.02	\$1.28
4 - 7 PM	\$0.25	\$0.75	\$1.13	\$1.50	\$1.88	\$0.22	\$0.44	\$0.66	\$1.32	\$1.65
7 - 11 PM	\$0.20	\$0.60	\$0.90	\$1.20	\$1.50	\$0.17	\$0.34	\$0.51	\$1.02	\$1.28
11 PM - 5 AM	\$0.10	\$0.30	\$0.45	\$0.60	\$0.75	\$0.07	\$0.14	\$0.21	\$0.42	\$0.53

Weekend	Current Toll Rate Structure					July 1, 2016 Toll Rate Structure				
	2 Axle	3 Axle	4 Axle	5 Axle	6+ Axle	2 Axle	3 Axle	4 Axle	5 Axle	6+ Axle
5 AM - 11 PM	\$0.20	\$0.60	\$0.90	\$1.20	\$1.50	\$0.17	\$0.34	\$0.51	\$1.02	\$1.28
11 PM - 5 AM	\$0.10	\$0.30	\$0.45	\$0.60	\$0.75	\$0.07	\$0.14	\$0.21	\$0.42	\$0.53

Table 2 displays 3 sets of annual toll revenue forecasts through FY 2023. The first forecast shown is from the original 2011 update forecast, the second forecast shown is benchmarked to current data and assumes no future inflation based toll increases, and a third forecast shown incorporates the recently adopted toll rate structure scheduled to be implemented on July 1, 2015 (start of FY 2016). The current forecast estimates FY 2015 toll revenue at \$55.0 million which reflects actual data through April 2015. Under the toll reduction forecast, FY 2016 toll revenue is estimated at \$54.4 million which reflects normal growth of slightly more than 10 percent (growing from the reduced FY 2015 base) and the offsetting \$6.6 million due to the toll reduction. Under the new toll structure, FY 2016 toll revenue is estimated to be nearly \$16 million below the original 2011 forecast. Toll revenue is expected to growth by 5 percent in FY 2017, reducing to 4 percent growth per year for FY 2018 and FY 2019. By 2022, annual growth in toll revenue is estimated at 2 percent per year.

The forecast presented for FY 2016 and onward can be considered as an interim forecast, as CDM Smith is currently conducting an investment grade traffic and revenue of the ICC which will be finalized in late summer. The impact from the toll reduction will be further analyzed utilizing the demand tolling models being developed under the investment grade study. In the figures included in this letter, the negative impact due to the toll reduction was estimated assuming only a modest increase in additional ICC usage associated with the toll reduction. We believe that our conclusions are conservative - meaning that it is more likely than not, that the loss in toll revenue associated with the toll reduction will be less than the \$6.6 million estimated.





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Fiscal Year	2011 Update Letter	Current Forecast With No Biennial Toll Increases		Current Forecast With Additional FY 2016 Toll Reduction		Total Impact Versus 2011 Forecast (000)
	Toll Revenue (000)	Toll Revenue (000)	Net Impact (000)	Toll Revenue (000)	Net Impact (000)	
2015	\$65,148	\$55,000	(\$10,148)	\$55,000	\$0	(\$10,148)
2016	\$70,233	\$61,000	(\$9,233)	\$54,396	(\$6,604)	(\$15,837)
2017	\$73,028	\$64,050	(\$8,978)	\$57,115	(\$6,935)	(\$15,913)
2018	\$78,411	\$66,612	(\$11,799)	\$59,400	(\$7,212)	(\$19,011)
2019	\$82,095	\$69,276	(\$12,819)	\$61,776	(\$7,500)	(\$20,319)
2020	\$87,640	\$71,355	(\$16,285)	\$63,630	(\$7,725)	(\$24,010)
2021	\$89,571	\$73,495	(\$16,076)	\$65,538	(\$7,957)	(\$24,033)
2022	\$90,467	\$74,965	(\$15,502)	\$66,849	(\$8,116)	(\$23,618)
2023	\$91,372	\$76,465	(\$14,907)	\$68,186	(\$8,279)	(\$23,186)
Cumulative	\$727,965	\$612,218	(\$115,747)	\$551,890	(\$60,328)	(\$176,075)

We also note that this current analysis does not indicate a need for congestion-based toll adjustments to manage demand to level of service thresholds in the period under consideration. We will continue to examine this issue this summer as we complete our traffic and revenue update.

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Please do not hesitate to contact me with any questions regarding this forecast.

Respectfully submitted,

Scott A. Allaire

Scott A. Allaire
 Vice President
 CDM Smith Inc.

