

## ATTACHMENT D:

# Fee Adjustment Policy for Pay-As-You-Go Program

### Background

Board Report 2018-0703, Attachment E, established a baseline unit cost estimate for processing Pay-As-You-Go (PAYG) notices of \$4 per notice. This was based on the known or forecasted costs associated with supporting the PAYG program that were available at that time, including but not limited to: postage, manual image review, customer service labor, payment processing, and other accounting/logistics. That Board Report attachment also indicated that the fee amount would need to be reassessed after one year, with the intention of ensuring that it remains appropriately set to sufficiently cover the PAYG program's costs on an ongoing basis.

### Purpose

This fee adjustment policy more precisely establishes the framework that will be used to make such adjustments to the PAYG fee periodically over time in an effort to ensure it remains properly aligned with the program's costs. This policy is designed to include appropriate adjustments to account for the effects of inflation, economic climate conditions, an evolving labor/wage landscape, and other factors that contribute to the program's costs. It also takes into consideration the proportion of violations that have gone unpaid (i.e., the non-recovery rate).

### Method

An annual audit will be performed to calculate the base processing cost ( $x$ ) per non-FasTrak trip in the ExpressLanes using the most recent available data. This cost will then be adjusted to account for the non-recovery rate ( $r_0$ ) to calculate the final processing fee amount ( $x^*$ ) as follows.

$$x^* = \left( \frac{x}{1 - r_0} \right)$$

When an update to the fee becomes warranted as described in this policy, the new fee amount will be rounded up to the nearest dollar to simplify messaging to users while also ensuring that it remains sufficient to cover the ongoing costs of the program.

### Escalation Considerations

Per the ExpressLanes Ordinance for Enforcement of Toll Violations, if a Pay-As-You-Go (PAYG) Notice is not paid within 30 days, it escalates to a "Past Due Notice" and incurs an additional "Past Due Penalty" on top of the previous balance due. If a Past Due Notice is not paid within 30 days, it escalates further to a "Delinquent Notice" and incurs an additional "Delinquent Penalty" on top of the previous balance due. As of January 5, 2020, the escalation penalty structure is as follows.

NOTICE ESCALATION STAGE	TOTAL AMOUNT DUE
Initial PAYG Notice	Toll + \$4 Processing Fee
Past Due Notice	Toll + \$4 Processing Fee + \$21 past-due penalty
Delinquent Notice	Toll + \$4 Processing Fee + \$21 past-due penalty + \$30 delinquent penalty

Altogether, the total amount due at the Past Due Notice escalation stage is the toll plus \$25 in fees and penalties, while the total amount due at the Delinquent Notice escalation stage is the toll plus \$55 in fees and penalties.

As the PAYG processing fee is adjusted in accordance with the procedures described above, the past-due penalty will be adjusted down by an equivalent amount such that the total amount due at the Past Due Notice stage remains the toll plus \$25 in fees and penalties, and the total amount due at the Delinquent Notice stage remains the toll plus \$55 in fees and penalties.

### **Escalation Example**

When the PAYG processing fee is increased from \$4 to \$8 in accordance with the procedures above, the Past Due Penalty would be adjusted from \$21 to \$17 so that the total amount due at the Past Due Notice stage remains the toll plus \$25 in fees and penalties, and the total amount due at the Delinquent Notice stage would remain the toll plus \$55 in fees and penalties. The table below summarizes the new escalation penalty structure in this example.

<b>NOTICE ESCALATION STAGE</b>	<b>TOTAL AMOUNT DUE IN THIS EXAMPLE</b>
<b>Initial PAYG Notice</b>	Toll + \$8 Processing Fee
<b>Past Due Notice</b>	Toll + \$8 Processing Fee + \$17 past-due penalty
<b>Delinquent Notice</b>	Toll + \$8 Processing Fee + \$17 past-due penalty + \$30 delinquent penalty