Tacoma Narrows Bridge

Citizens Advisory Committee

S. Alan Weaver, Chair
Jim Pasin, member
Ted Hillard, member

January 20, 2010

A. Introduction

1. Determination of Reserve - S. Alan Weaver (paragraphs A through G)
2. Violation Revenue and Miscellaneous Matters - Jim Pasin (paragraph H)
3. Rate Discrepancy - $2.75 versus $5.00 - Ted Hillard (paragraph I)

B. Importance of starting with amount of Reserve

Oversimplification	Fiscal 2011	Fiscal 2012
+ Reserve desired for fiscal year		
+ Debt service amount	$44,955,000	$40,443,000
+ Extraordinary debt repayment	5,288,000	0
+ Administrative costs		
- Carry over Reserve from prior year		

Total = Amount of money needed to be collected from tolls during Fiscal Year

Divide Total by expected number of trips (14,000,000 to 15,000,000 annually)

Equals "average" toll before application of the Good to Go Discount

C. Treasurer's March 30, 2009 letter regarding State 520 and other <u>future</u> projects
Position makes sense in the abstract applied to those projects.

D. Treasurer's December 16, 2010 presentation – would require TNB reserves of **$15,850,000**, which the CAC believes to be a gross overkill when applied to the TNB.

E. What the Transportation Commission should do -- determine the amount of the Reserve for Fiscal Year 2011:

	CAC	Treasurer
Suggested Reserves	**$4,718,000**	**$15,800,000**

F. Factors to consider in determining the amount of the Reserve:

1. TC must establish tolls which are "sufficient" to cover certain enumerated expenses. RCW 47.46.100 (3). Statute did not specify an amount or formula. If legislature wanted a large Reserve, then legislation would have so provided. Sufficient does <u>not</u> mean "more than enough." Treasurer has introduced a new definition.

2. Treasurer's "sophisticated investor" argument is not applicable.

   a. TNB bonds already sold

   b. Sophisticated investor would realize difference between bonds secured solely by tolls (future State 520) and bonds secured by the gas tax and State's full faith and credit (TNB).

   c. All payments required under the bonds have been timely paid with sufficient funds with established tolls.

3. Why increase the Reserve in the first place?

   a. Treasurer's December 16 presentation devoid of specific reasons (except for fleeting reference to weather conditions in Ms. Evans's oral presentation).

   b. Treasurer's January 8, 2010 Commentary in The News Tribune mentioned "the inevitable uncertainties in traffic, weather, accident and expense projections…"

4. Possible "inevitabilities"

   a. December, 2008 weather resulted in 167,000 fewer crossings.
      167,000,000 crossing x $3.00 (average toll) = $500,000

   b. "Ice Storm" of 10 or so years ago closed bridge for 2 or 3 days.
      44,000 vehicles per day x $3.00 toll x 3 days = $396,000

   c. What if TNB closed for a <u>month</u> for whatever reason?
      44,000 vehicles per day x $3.00 toll x 31 days = $4,092,000

5. Extreme lateness of bringing matter to attention of CAC and TNB users – only after CAC presentation on December 16, 2010.

6. Larger picture -- consider <u>two</u> <u>year</u> time frame

   a. Fiscal 2011: debt service plus extraordinary = $50,343,000

   b. Fiscal 2012: debt service plus extraordinary = 40,443,000

   c. Difference is $9,800,000

   d. Why require a <u>huge</u> Reserve in Fiscal 2011 (which would require that the tolls be $3.75 and $5.00 (per the Treasurer)) when if the same logic were used for Fiscal 2012, the tolls would be required to be <u>reduced</u>? It would be better to have two years of even tolls rather than the first year of high tolls and second year with low tolls and then have a jump in tolls the third year.

G. Balancing the Extremes

Reserve Amount	ETC Toll	Cash Toll		Scenario *
$ 4,718,000	**$2.75**	**$5.00**	**CAC proposal**	**J**
8,156,000	3.00	5.00		C
10,957,000	3.25	5.00		D
13,108,000	3.50	5.00		E
15,850,000	**3.75**	**5.00**	**Treasurer's proposal**	**F**

* As set forth in DOT's 12/02/09 handout to CAC

H. **Presentation by Jim Pasin**

1. Confirm recommendation of $2.75 ETC and $5.00 cash toll
   a. Revenues would "sufficiently" meet debt service, operations and $5.2 million payback.
   b. Potential increase in use of Good to Go; resulting in improved traffic flow, lower cost per transaction.
   c. Increase Violation revenue by $1,173,820 to $5,869,080 for Fiscal 2011.
   d. Increase transponder sale revenue by estimated 5% or $29,900.
   e. ETC users make an investment for the discount.

2. The Legislature established "the rules" for the operation of the TNB, so as to not have Government Agencies or Departments, including the Treasurer, make-up rules during the life the of the TNB. Thus, the Treasurer's comment "This is how the financial markets define "sufficient" can not be considered to apply to the TNB.

3. The Treasurer's recommendation of $15 million collection over debt service and operating cost equates to not collecting tolls for 126 days or 4.2 months.

4. For the daily commuters, a $1 increase in tolls equals $220 per year. A family may have to expend two or three times that amount. I ask: Would the TC or Treasurer be willing to ask State employees working in Olympia to pay $200 per year so the State could have such a reserve?

5. Eight of the ten of the bonds (all but the 7th and 10th) are non-callable. Thus, there is <u>no</u> benefit to the toll payers to pay more than the current fiscal year debt service and operating costs.

6. Since the opening of the TNB, Unaccounted for Toll Violation Revenues are just over $12,010,000. Little or nothing is being done to "collect" this lost revenue. I suggest the TC do something about this immediately.

7. Collecting Tolls that are more than "sufficient" would be an economic drain on the greater Peninsula community economy in good times or bad. And this could lead to the State "borrowing" the reserve to help balance its Budget or for other uses, now or in the future.

8. Open Road Toll Analysis

9. Violation information:

Fiscal Year	Traffic	2.7% Violations	Projected Revenue	Accounted for Revenue	Unaccounted Revenue
2008	13,896,474	375,205	$ 4,502,458	$ 467,000	$4,035,458
2009	13,933,956	376,217	4,514,602	598,000	3,916,602
2010	14,290,948	385,856	4,630,267	562,000	4,068,267
3 years	**42,121,378**	**1,137,277**	**$13,647,326**	**$1,627,000**	**$12,020,326**

I. Presentation by Ted Hillard

Fairness of $2.75 versus $ 5.00.
Use of electronic transfer discounts in place of various discounts.
Cost.

See also email dated December 28 from S. Alan Weaver to Commissioner Dan O'Neal discussing the same issue.