

TACOMA NARROWS BRIDGE

FY 2013 Rate Adjustment

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May 21, 2012

Tacoma Narrows Bridge Rate Setting Process

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Secretary

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Chief of Staff

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Toll Division Director

**Washington State Transportation Commission Public Hearing
May 21, 2012**

TNB Rate-setting Requirements

- RCW 47.46.100 states the toll charges must be imposed in amount sufficient to:
 - Provide for annual operating and maintenance expenses, except as provided in RCW [47.56.245](#);
 - Make payments required under RCW [47.56.165](#) and [47.46.140](#), including insurance costs and the payment of principal and interest on bonds issued for any particular toll bridge or toll bridges; and
 - Repay the motor vehicle fund under RCW [47.46.110](#), [47.56.165](#), and [47.46.140](#).
- Transportation Commission policy requires that the sufficient minimum fund balance in the Tacoma Narrows Bridge account each year be 12.5% of annual debt service and expenditures.
- Rate increase was deferred in 2010, reflecting a conscious decision to lower fund balance to the 12.5% sufficient minimum balance policy level.

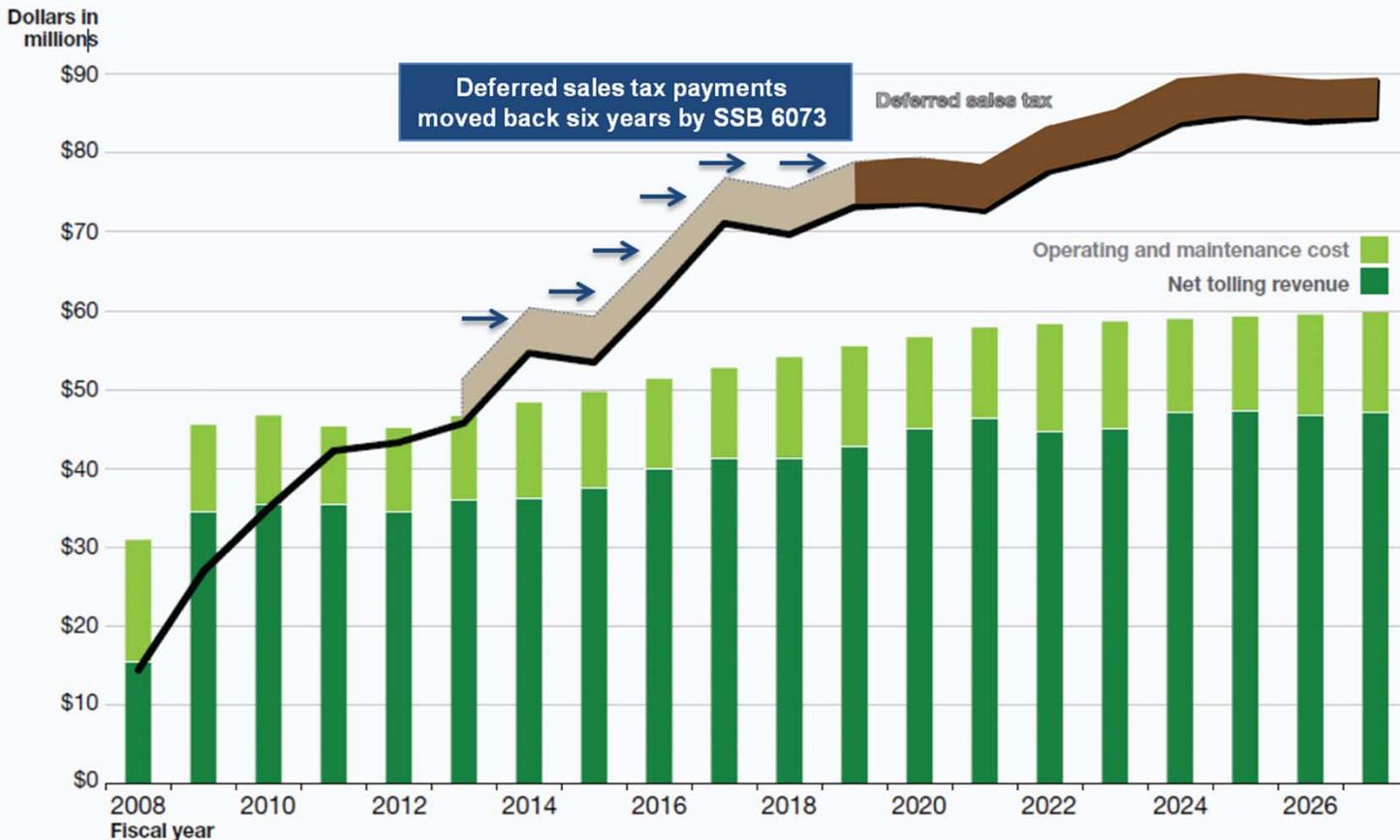
Toll Authority is Shared

The Legislature, Commission and WSDOT each play a role

	Washington State Legislature	Transportation Commission	Department of Transportation
Toll Authority Under Current Legislation	Establish tolling, designate toll corridors and use of toll revenues	Set toll rates and related fees	Collect tolls, build and operate toll collection systems
Roles	<ul style="list-style-type: none"> • Establish legal toll framework • Authorize tolling in designated corridors • Approve financing plans • Enable tolling practices • Appropriate toll operation budget 	<ul style="list-style-type: none"> • Set toll rates within funding requirements • Set toll discounts • Establish advisory committees 	<ul style="list-style-type: none"> • Develop toll collection systems and procedures • Collect tolls • Finance improvements • Operate tolled corridors • Assess financial feasibility of toll projects

Why a Rate Increase is Needed

Tacoma Narrows Bridge toll revenue vs. debt service
 (including transponder sales, penalties and fees)
 November 2011 revenue forecast; no future toll increases assumed

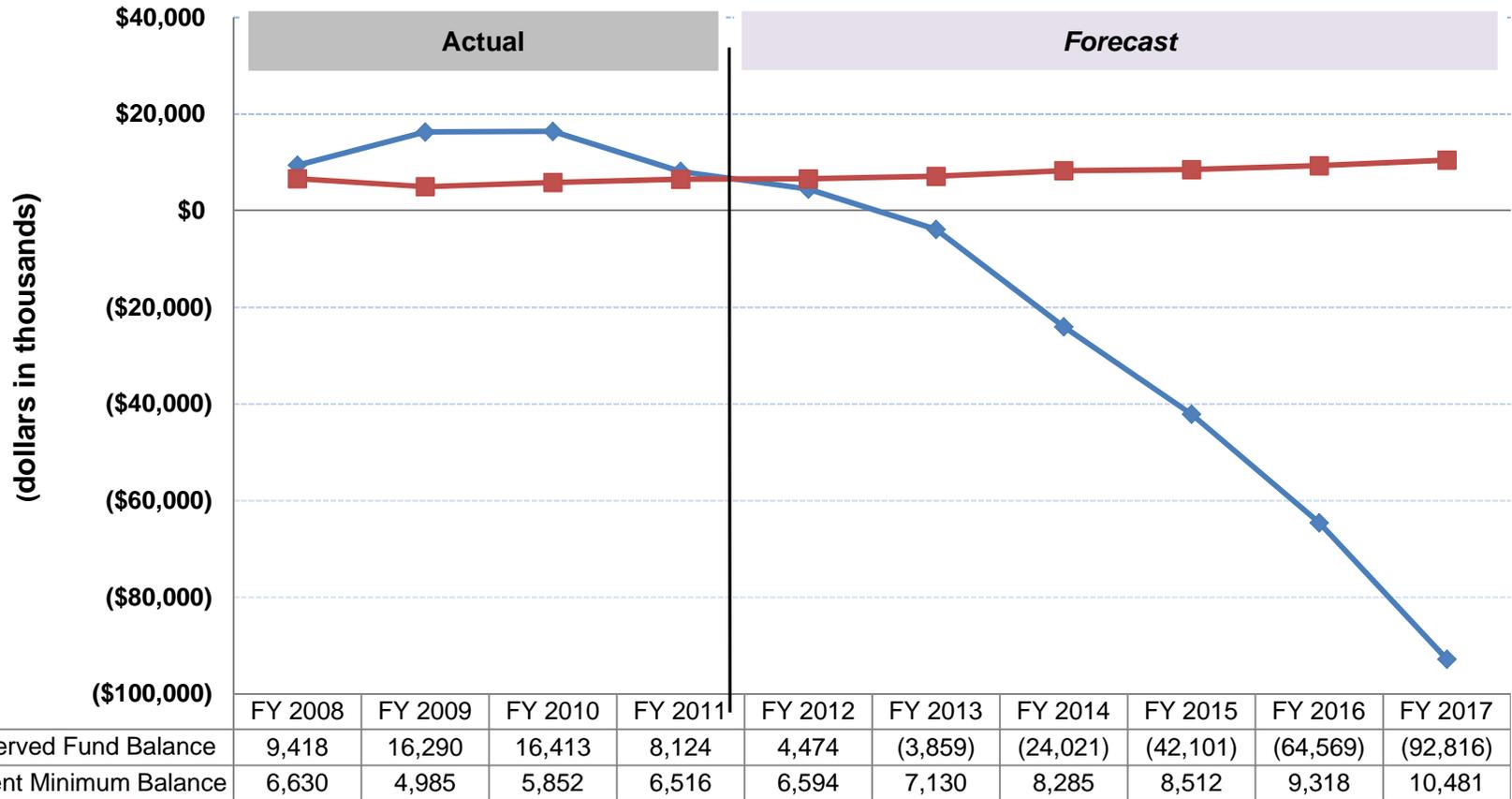


Actual toll rate	\$1.75 T \$3.00 C	\$2.75 Transponder \$4.00 Cash		
2002 plan toll rate	\$3.00	\$4.00	\$5.00	\$6.00

Note: Operating and maintenance cost reflect actual expenditures through fiscal year 2011, allotted amounts for 2012 and 2013, and estimates for the out-biennia are based on WSDOT's 2012 supplemental budget request.

Fund Balance Will Go Negative at Current Toll Rates

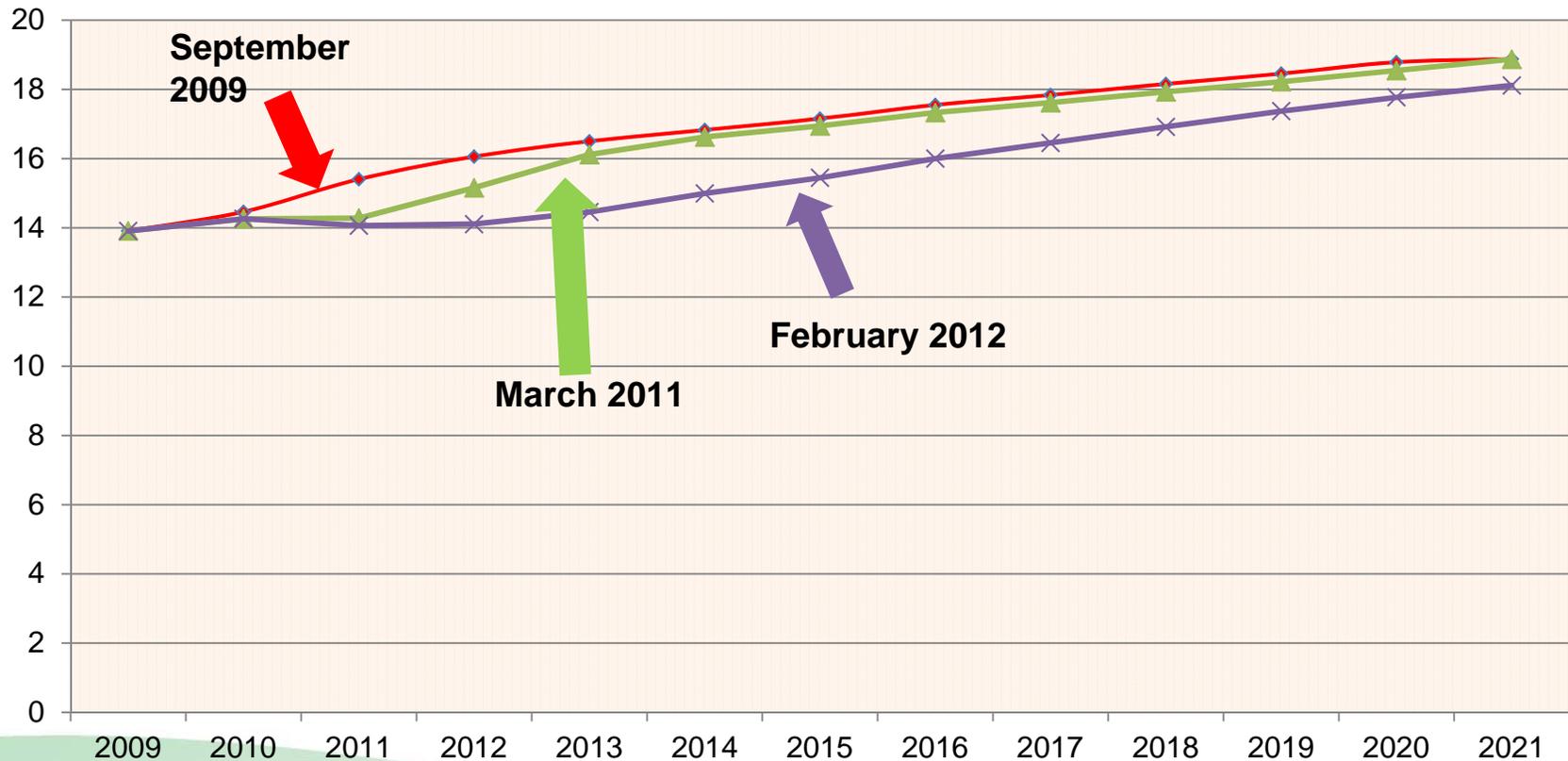
Tacoma Narrows Toll Bridge Account (511)
 Ending Fund Balance vs 12.5% Sufficient Minimum Balance
 (based on February 2012 Draft Financial Plan - Assumes No Rate Change)



Effect of Economy on Traffic Forecasts

Annual Round Trip Traffic on TNB (in millions)

- Forecasts early in the recession were optimistic that a recovery would come quickly
- More recent forecasts have anticipated longer-term effects of the recession



Additional Payment Options on TNB

- As of December 3, 2011, TNB customers who don't pay using cash or a transponder will no longer be "violators"
- Three new payment options:
 - **Good To Go! Pay By Plate:** Customers can open a *Good To Go!* account without using a transponder and have tolls assessed by reading their license plate. There is a 25 cent fee per transaction for processing.
 - **Good To Go! Short Term Account:** Customers can open a short term account for up to 10 days. This account must be created within 72 hours after crossing to receive a 50 cent discount off the Pay By Mail rate.
 - **Pay By Mail:** Customers without an account and who don't initiate payment will be sent a bill. The Pay By Mail rate is currently \$1.50 higher than the cash rate.

Benefits of New Back Office Contract

Long-term savings

- **TNB ratepayers did not pay for development costs of new back office system or replacement of the toll readers**
 - The Federal Highway Administration's SR 520 Lake Washington Urban Partnership grant paid for development of the new vendor contract
 - The FHWA also paid for the replacement of the toll readers
- **The new contract will result in lower TNB toll collection costs**
 - The new vendor contract is less expensive than the previous one
 - Per-transaction cost will be decreased as fixed vendor costs are shared by rate-payers using SR 520 and other tolled facilities

TNB Citizen Advisory Committee

Advises the Transportation Commission on TNB Tolling

- **January 11, 2012**
 - Overview presentation, results of four preliminary scenarios
- **February 8, 2012**
 - WSDOT responded to initial questions
- **February 22, 2012**
 - Responded to additional questions, additional scenarios
- **March 8, 2012**
 - Results of more scenarios reflecting lower funding contract due to legislation delaying repayment of TNB deferred sales taxes
- **March 20, 2012**
 - Recommended toll rate presented to the Washington State Transportation Commission

Scenarios Evaluated by the CAC

2012 Citizen Advisory Committee Toll Scenario Results Reflects Passage of SSB 6073 (Deferring Sales Taxes)

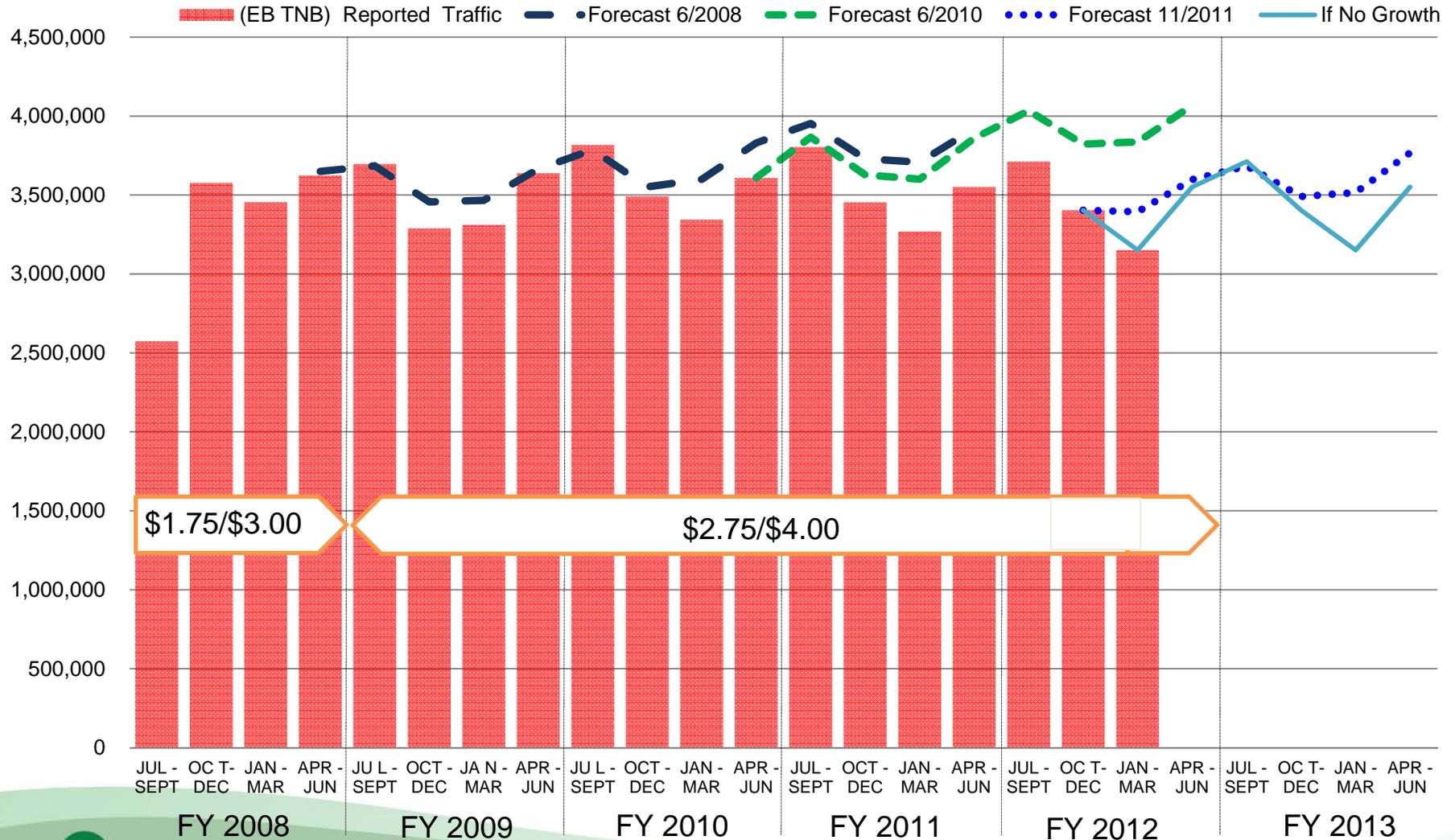
		FY 2012	FY 2013	FY 2014	FY 2015
12.5% Sufficient Minimum Balance (SMB)		6,594	7,130	8,285	8,512
Baseline Scenario - February 2012 Forecast	TNB Account Ending Fund Balance	\$ 4,474	\$ (3,859)	\$ (24,014)	\$ (42,101)
\$2.75 GTG / \$4 Cash / \$5.50 PBM	Sufficient Fund Balance Coverage	8.5%	-6.8%	-36.2%	-61.8%
Scenario A	TNB Account Ending Fund Balance	\$ 4,474	\$ 14,582	\$ 13,483	\$ 15,005
\$4.25 GTG / \$5.50 Cash / \$7 PBM	Sufficient Fund Balance Coverage	8.5%	25.6%	20.3%	22.0%
Scenario B	TNB Account Ending Fund Balance	\$ 4,474	\$ 16,783	\$ 17,977	\$ 21,880
\$4.50 GTG / \$5.50 Cash / \$7 PBM	Sufficient Fund Balance Coverage	8.5%	29.4%	27.1%	32.1%
Scenario C	TNB Account Ending Fund Balance	\$ 4,474	\$ 16,090	\$ 16,524	\$ 19,583
\$4.25 GTG / \$6.00 Cash / \$7.50 PBM	Sufficient Fund Balance Coverage	8.5%	28.2%	24.9%	28.8%
Scenario D	TNB Account Ending Fund Balance	\$ 4,474	\$ 18,291	\$ 21,017	\$ 26,458
\$4.50 GTG / \$6.00 Cash / \$7.50 PBM	Sufficient Fund Balance Coverage	8.5%	32.1%	31.7%	38.9%
Scenario E	TNB Account Ending Fund Balance	\$ 4,474	\$ 5,458	\$ (4,724)	\$ (12,514)
\$3.50 GTG / \$4.75 Cash / \$7.00 PBM	Sufficient Fund Balance Coverage	8.5%	9.6%	-7.1%	-18.4%
Scenario F	TNB Account Ending Fund Balance	\$ 4,474	\$ 5,446	\$ (4,792)	\$ (12,647)
\$3.50 GTG / \$5.00 Cash / \$7.00 PBM	Sufficient Fund Balance Coverage	8.5%	9.5%	-7.2%	-18.6%
Scenario G	TNB Account Ending Fund Balance	\$ 4,474	\$ 8,738	\$ 1,951	\$ (2,327)
\$3.75 GTG / \$5.00 Cash / \$7.25 PBM	Sufficient Fund Balance Coverage	8.5%	15.3%	2.9%	-3.4%
Scenario H	TNB Account Ending Fund Balance	\$ 4,474	\$ 11,789	\$ 7,784	\$ 6,320
\$4.00 GTG / \$5.25 Cash / \$6.75 PBM	Sufficient Fund Balance Coverage	8.5%	20.7%	11.7%	9.3%
Scenario I*	TNB Account Ending Fund Balance	\$ 4,474	\$ 13,685	\$ 11,651	\$ 12,204
\$4.15 GTG / \$5.50 Cash / \$7 PBM	Sufficient Fund Balance Coverage	8.5%	24.0%	17.6%	17.9%
CAC RECOMMENDATION	TNB Account Ending Fund Balance	\$ 4,474	\$ 7,764	\$ (97)	\$ (5,513)
\$3.65 GTG / \$5.00 Cash / \$7 PBM	Sufficient Fund Balance Coverage	8.5%	13.6%	-0.1%	-8.1%

*No formal forecast was done by CDM Smith for this scenario; results were interpolated from prior scenario results.

Shorter-Term Forecast Accuracy

Dashed lines are forecasts

Reported (Actual) Transactions and Quarterly Forecasted Transactions



\$1.75/\$3.00

\$2.75/\$4.00

Bars are actual transactions

Questions?

For more information please contact:

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OVERVIEW

Transportation Commission Toll Rate Proposal

Tacoma Narrows Bridge

Why is a Toll Rate increase necessary?

- 1) Total expenses will be increasing in future fiscal years due to the escalating debt service payments. Revenues are not keeping pace with expenses.**
- 2) The “Sufficient Minimum Balance” (SMB) is below the required target because it has been used to maintain the current toll rates during this recession.**
- 3) Traffic volumes are decreasing & accurately forecasting traffic and revenue for future years, in this recessionary time, is extremely challenging.**
- 4) The TNB Citizens Advisory Committee conducted a comprehensive review and submitted a recommended rate increase.**

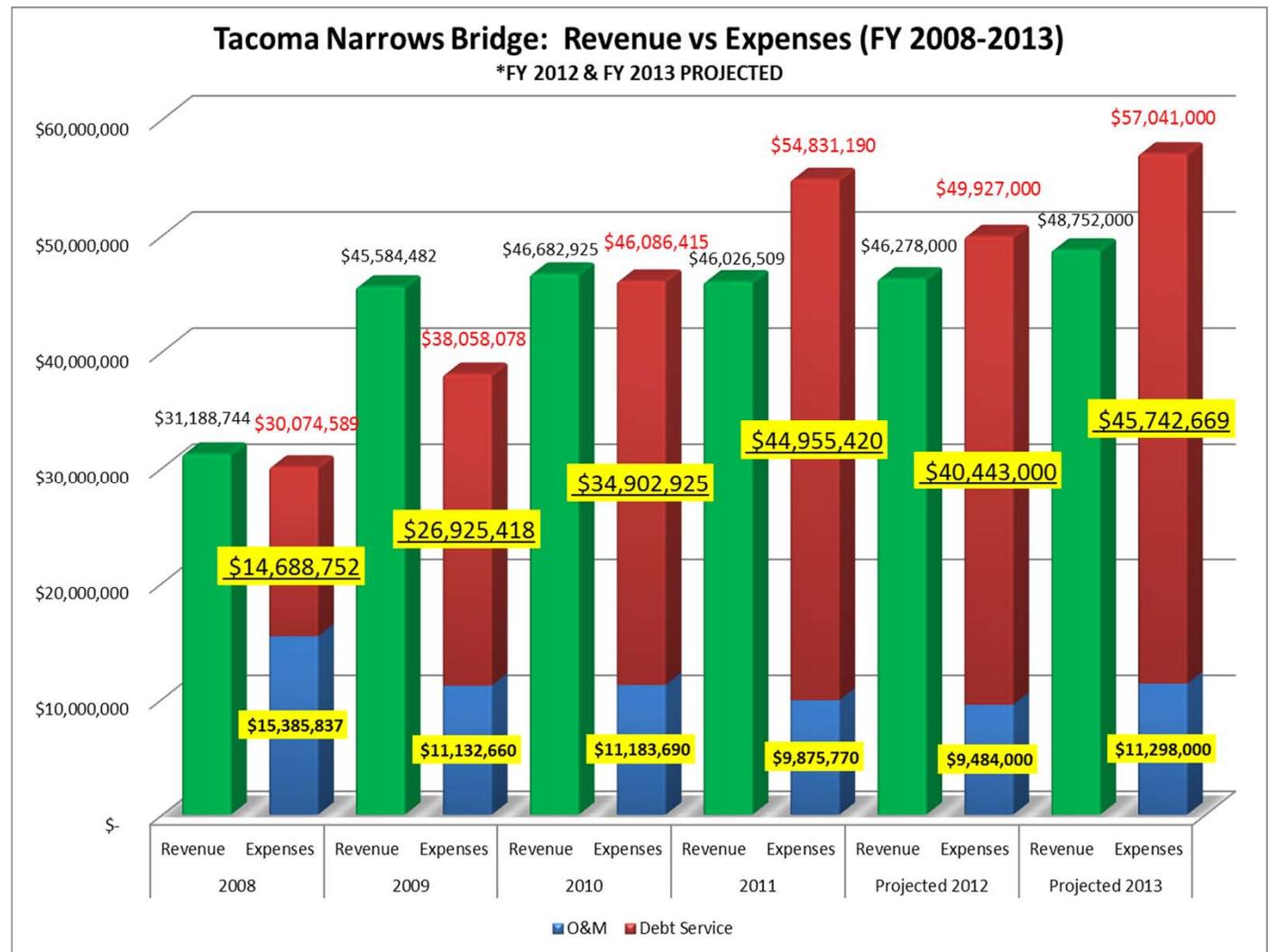
Actions Tempering the Amount of the Rate Increase

- Legislators representing the TNB regional area, including Senator Kilmer and Representatives Seaquist & Angel, were successful in passing a bill during the 2012 Legislative Session, putting off the re-payment of the TNB project sales tax due to the General Fund. **This saved toll payers \$5.75 million in fiscal year 2013** *(July 1, 2012 – June 30, 2013)*
- The Commission was successful in its request of the State Treasurer's Office to hold off implementing a new policy on how often and how much they transfer funds from the TNB Account, to a holding account which TNB debt payments are made from. **This agreement saved toll payers \$4.1 million in fiscal year 2013.** *(July 1, 2012 – June 30, 2013)*

Tacoma Narrows Bridge: Total Revenues & Total Expenses

Revenues are not keeping pace with expenses largely due to:

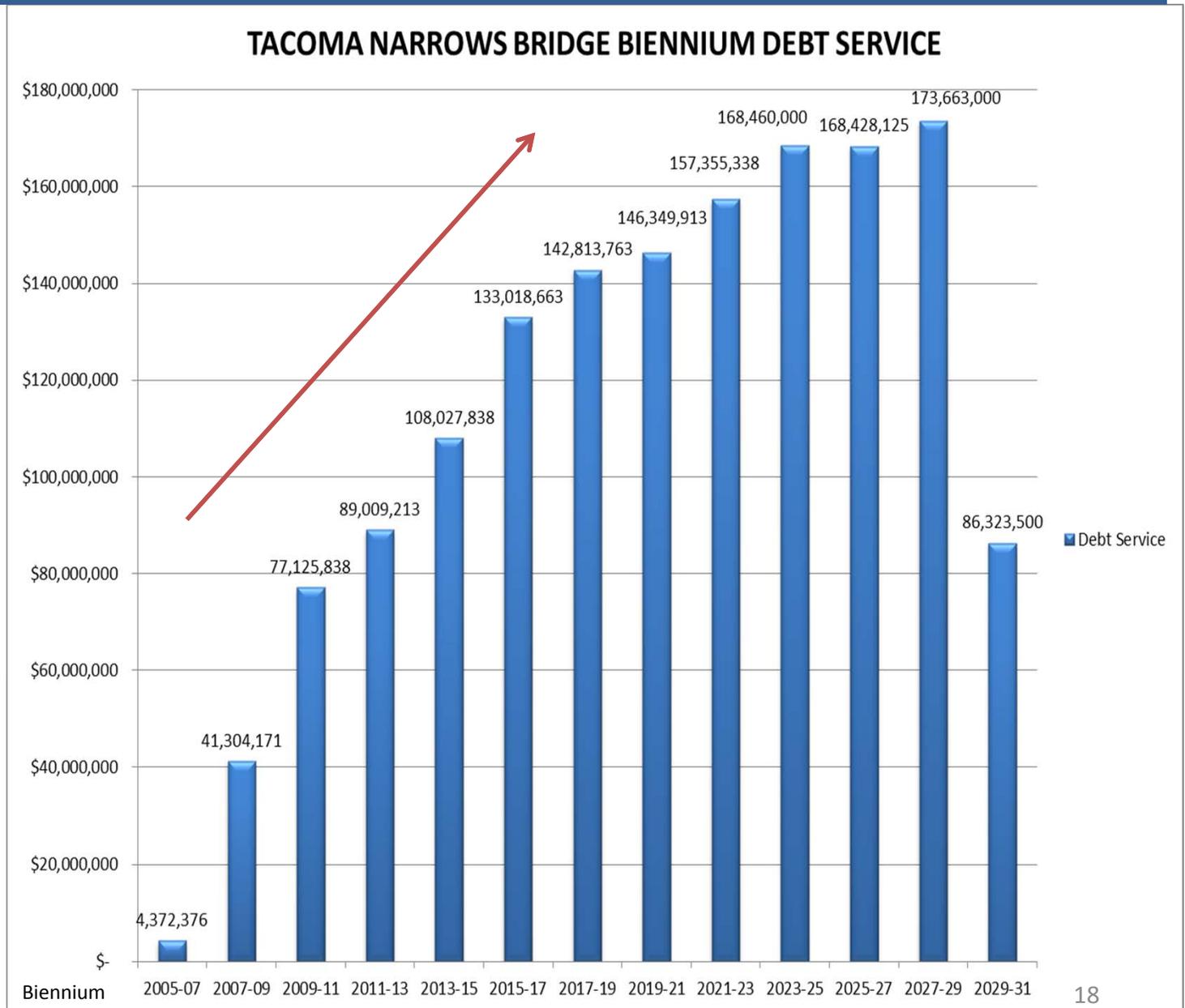
- Escalating debt service payments
- O&M costs
- Declining traffic volumes



*FY 2013 Projected Toll Revenue based on CDM Smith Inc. Traffic Volume Assumption: **14,460,000** or **3.29% increase** in Traffic Volume from FY 2012

Tacoma Narrows Bridge Debt Repayment Schedule

- TNB was financed with 10 different fixed rate bond sales with no option to refinance.
- The current rate setting process addresses the funding obligations in FY 2013 only.
- The escalating debt repayment structure will require rates to be adjusted each fiscal year.
- From FY 2013-FY 2017 the Debt Service obligations grow from \$45.7 million to \$71 million.

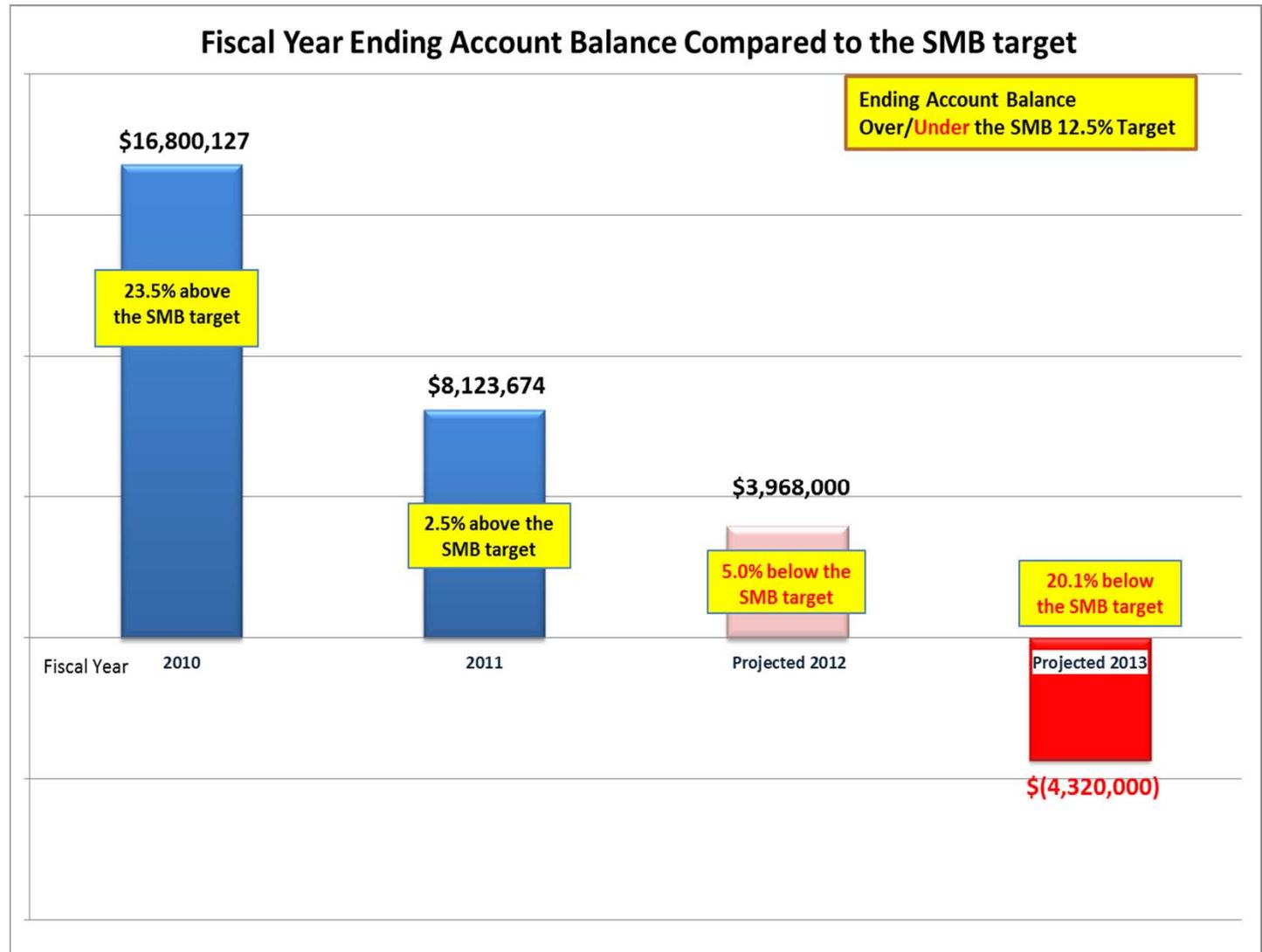


Why is a Sufficient Minimum Balance (SMB) Needed?

- **The law requires that toll rates be set in amounts sufficient to pay for annual operating and maintenance expenses and debt payments.** The Legislature granted discretion to the Commission - the state's Tolling Authority - to determine what is needed to assure that these mandatory costs are fully covered.
- **In 2010 the Commission established a Sufficient Minimum Balance for the TNB Account of 12.5% to cover costs and revenue shortfalls.** The TNB account is not expected to maintain a 12.5% balance throughout each fiscal year - the account balance will fluctuate as revenues come in and expenses are paid out.
 - **The 12.5% balance requirement applies to the year-end-balance** – if at the end of the fiscal year, the balance is below the 12.5% target, then rates for the following year will need to be set to restore it by the end of the next fiscal year.
 - **All TNB toll revenues remain in the TNB Account** and cannot be used for any other purpose except on the TNB.
- **Unforeseen disruptions to tolling operations or traffic volumes on the bridge can significantly reduce toll revenues, but operations and maintenance expenses and debt payment obligations remain.** A decline in traffic volume due to weather, rate adjustments, natural disasters, or other events on the SR 16 corridor affect revenue and must be taken into consideration.

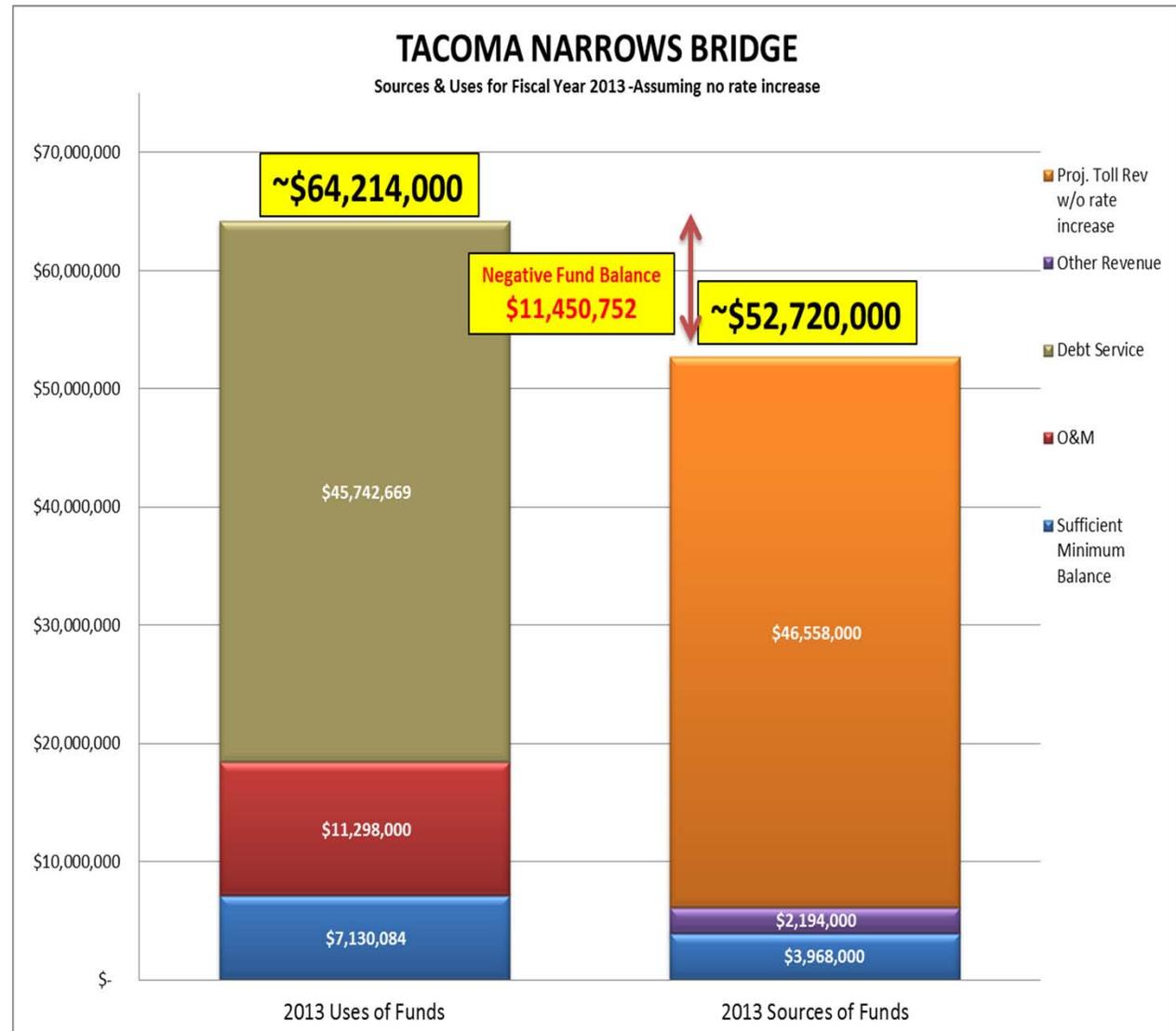
Tacoma Narrows Bridge Account Balance vs. Minimum Balance Requirements

- Since FY 2010, the TNB Account balance has been reduced to pay for increasing expenses instead of raising toll rates.
- The account balance at the end of FY 2012 is projected to be \$3.9 million – that’s \$3 million below what it should be under minimum balance requirements.
- **FY 2013 TNB account balance will go negative without a toll rate increase.**



Tacoma Narrows Bridge Fiscal Year 2013 Funding Obligation

- With no rate increase, projected toll revenue for FY 2013 is \$46.5 million - \$17.7 million short of the amount needed. (\$64.2 million)
- The minimum account balance has been reduced below the required level and must be restored.
- Even if projections of traffic growth occur, **the Tacoma Narrows Bridge Account will still be nearly \$11.5 million short with no rate increase.**



*Projected Toll Revenue based on CDM Smith Inc. Traffic Volume Assumption: **14,460,000** or **3.29% increase** in Traffic Volume from FY 2012

Comparing Projected & Actual Traffic Volumes

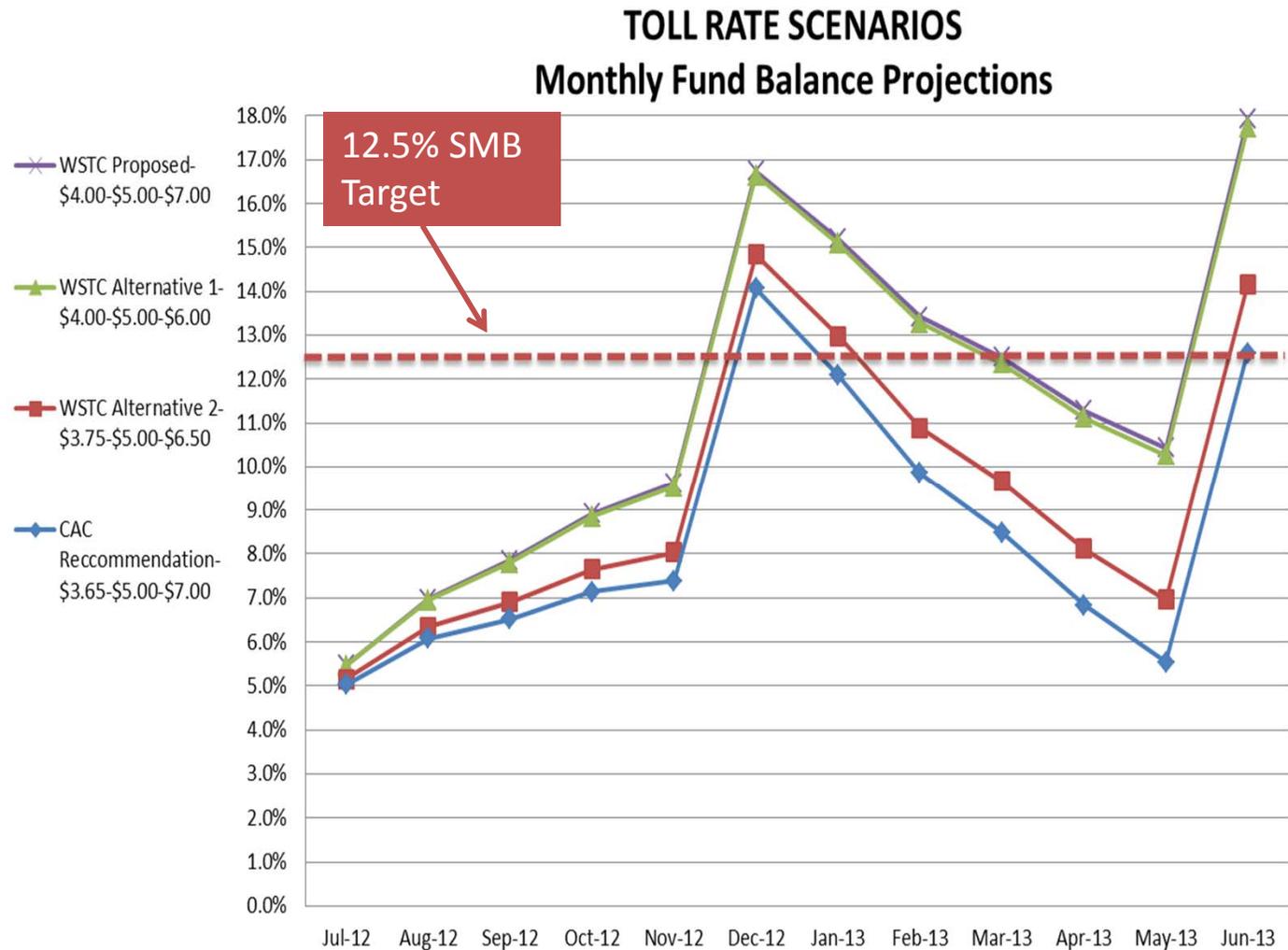
- Both projected and actual traffic volumes are used to help determine what rates should be set at for the fiscal year ahead.
- In unstable economic times, making projections carries risk and much uncertainty that must be tempered.
- As indicated in the table below, **actual traffic volumes have been below projections** – this fact necessitates a review of actual traffic volumes in determining the rate change.
 - **To date for FY 2012** (*July 2011 – March 2012*) traffic volume is **2.62% lower than was projected**.
- Setting aside projections, actual traffic volumes have been decreasing over the last couple of years:
 - In Fiscal Year 2011 (*July, 1 2010 – June 30, 2011*) traffic volumes decreased by **1.39%**.
 - Between July 2011 and March 2012 traffic volumes have decreased by **2.34%**

Tacoma Narrows Bridge			
Fiscal Year	Projected Traffic	Actual Reported Traffic	Actual vs Projected Traffic %
2008	13,868,300	13,896,474	0.20%
2009	13,964,642	13,933,956	-0.22%
2010	14,438,243	14,261,331	-1.23%
2011	14,580,683	14,063,498	-3.55%
2012 YTD(July-March)	10,542,413	10,266,087	-2.62%

Source: WSDOT Reported Traffic & Revenue

Tacoma Narrows Bridge Toll Rate Proposals

- The TNB Citizen Advisory Committee recommended:
 - ETC = \$3.65
 - Cash = \$5.00
 - PBM = \$7.00
- WSTC Proposed:
 - ETC = \$4.00
 - Cash = \$5.00
 - PBM = \$7.00
- **The WSTC proposal and Alternative 1 (\$4 \$5, \$6) generate the revenue necessary to cover costs and meet requirements through FY 2013.**



THANK YOU!

QUESTIONS?

Contact:

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