

SR 16 Tacoma Narrows Bridge Rate Setting

Joel Emery

Director of Finance and
Program Management
Toll Division

Patty Rubstello, P.E.

Assistant Secretary
Toll Division

Rob Fellows

Policy and Planning Manager
Toll Division

Washington State Transportation Commission
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Presentation Outline

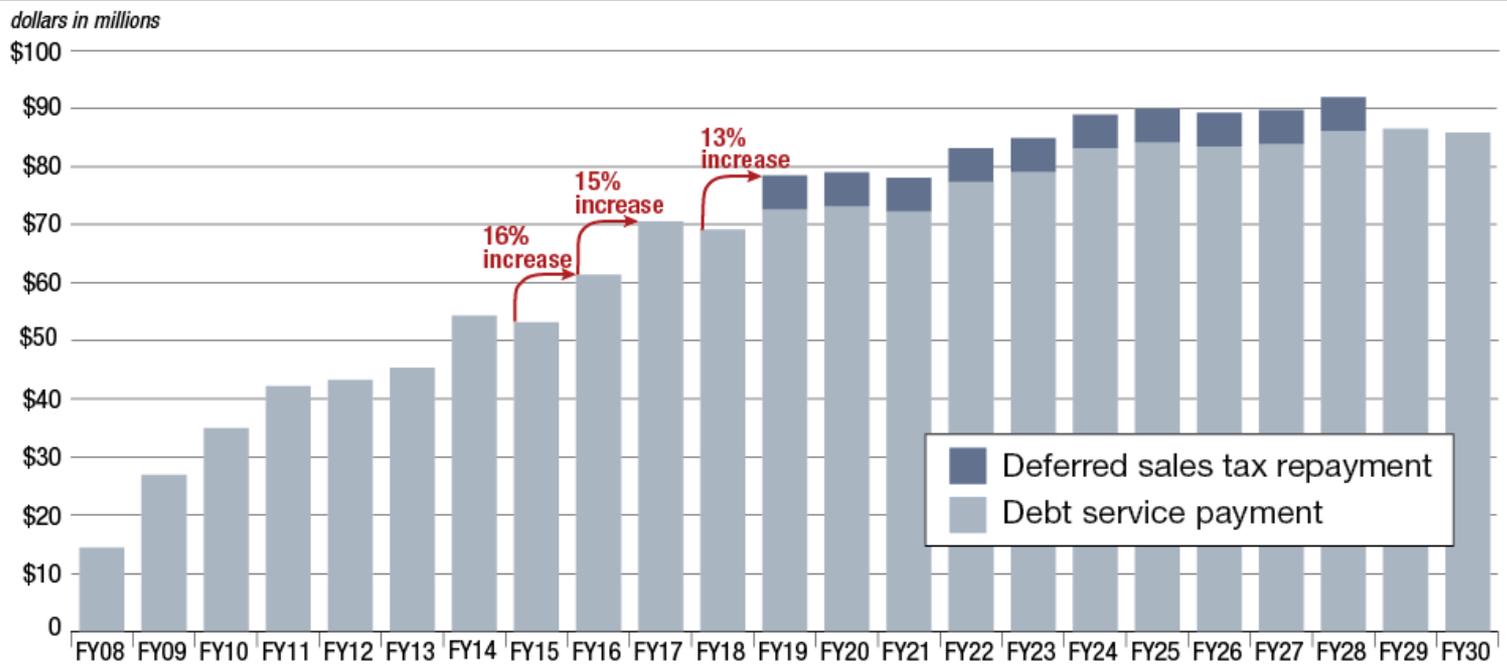
Meeting Objective:

Review 2016 TNB Financial Plan, with focus on FY 2017 adopted toll rates

- **Rate Setting Overview**
 - Debt Service
 - Sufficient Minimum Balance
 - How to Read the Financial Plan
 - Rate-setting Process and Milestones
- **Traffic and Revenue**
 - FY 2016 Q1 Forecast vs. Actuals
 - Sources of Funds
- **Toll Collection and Facility Costs**
 - Uses of Funds
 - Changes from previous year
- **Sufficient Minimum Balance Test**



Debt Service Schedule – prior to 2015 legislative session



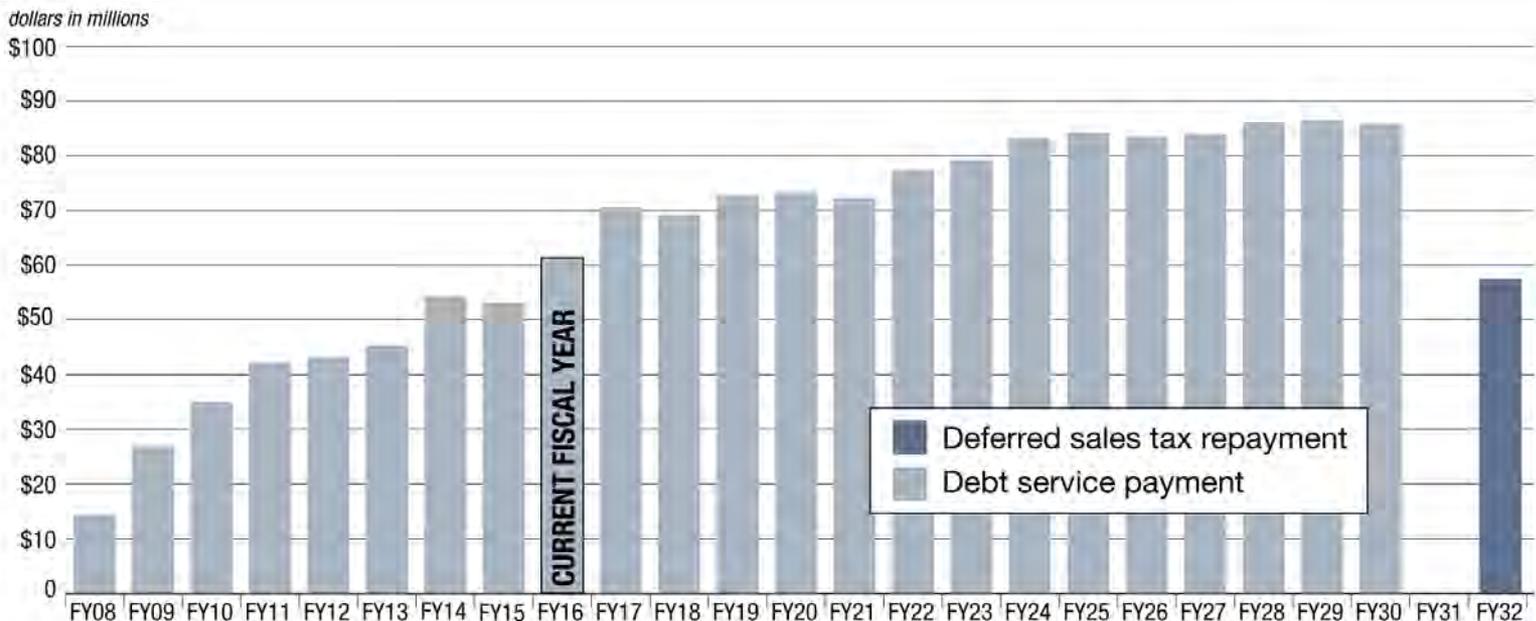
2002 plan toll rate		\$3.00	\$4.00	\$5.00				\$6.00
Annual Toll Rate	Good To Go!	\$1.75	\$2.75	\$2.75	\$4.00	\$4.25	\$4.50	
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50	
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50	

Does not include capitalized interest

Source: WSDOT Budget and Financial Division

- 2002 planned toll rates were based on the Traffic and Revenue Study completed by Wilbur Smith Associates in August 2002. The financing assumption was \$800 million state general obligation bonds at an interest rate of 5.85%. A 2005 Traffic and Revenue Update, also conducted by Wilbur Smith Associates, confirmed the same toll rate structure.
- Payments and toll rates were assumed to increase over time in the 2002 plan.
- Prior to 2015 legislative session, repayment for deferred sales taxes was to begin in FY 2019 for ten years.

Current Debt Service Schedule



2002 plan toll rate		\$3.00	\$4.00	\$5.00				\$6.00			
Annual Toll Rate	Good To Go!	\$1.75	\$2.75	\$2.75	\$4.00	\$4.25	\$4.50	\$5.00	\$5.50		
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50	\$6.00	\$6.50		
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50	\$7.00	\$7.50		

Does not include capitalized interest
 Source: WSDOT Budget and Financial Division

- 2002 planned toll rates were based on the Traffic and Revenue Study completed by Wilbur Smith Associates in August 2002. The financing assumption was \$800 million state general obligation bonds at an interest rate of 5.85%. A 2005 Traffic and Revenue Update, also conducted by Wilbur Smith Associates, confirmed the same toll rate structure.
- Payments and toll rates were assumed to increase over time in the 2002 plan.
- **In 2015, the legislature moved repayment for deferred sales taxes to FY 2032 (per 2ESSB 5987).**

Sufficient Minimum Balance

- **Washington State Transportation Commission requires that the Tacoma Narrows Bridge fund balance be kept at a sufficient level to ensure bonds can be paid in the event of unexpected circumstances**
 - Bridge insurance covers loss of bridge, business interruption, and acts of terrorism. The policy limit is \$500M.
 - The reduced premium of \$1.14M (before taxes and brokerage fees) is locked in for both FY 2016 and FY 2017.
 - Fund balance remains in the Tacoma Narrows Bridge account
- **Balance within a given month should not be forecasted to fall below an amount equal to 12.5 percent of annual expenses**
 - Monthly balance is averaged over three months retrospectively
 - Intended to cover 45 days of interruption of toll collection
- **Civil penalty revenues and the cost of adjudication program are excluded from the sufficient balance test**
 - Revenue includes amounts due but not yet received
 - The \$5.288 million loan from the motor vehicle fund has been paid down to \$4.338M by the first payment in FY 2015 of \$950K

How to Read the Financial Plan

Tacoma Narrows Toll Bridge Account (511)

DRAFT

Printed on: 12/4/2015

Financial Plan - Updated on December 3, 2015 - DRAFT

Forecasted revenue is based on adopted November 2015 TRFC Forecast. Forecasted expenses for FY 2016-17 are based on the 2015-17 Transportation Enacted Budget and 2016 Supplemental budget Request.

Historical Revenues and expenses from 2006 - 2015 are based on TNB Income Statements.

		Actuals		Rate Setting Biennium Forecast			
(Amounts in thousands of nominal dollars except toll rates)		2014	2015	2016	2017	2,018	2,019
1	Fiscal Year						
2	Toll Rate (Good To Go! Pre-Pay)	\$4.25	\$4.50	\$5.00	\$ 5.50	\$ 5.50	\$ 5.50
3	Toll Rate (Cash)	\$5.25	\$5.50	\$6.00	\$ 6.50	\$ 6.50	\$ 6.50
4	Toll Rate (Pay-By-Mail)	\$6.25	\$6.50	\$7.00	\$ 7.50	\$ 7.50	\$ 7.50
5	Beginning Fund Balance (Financial Statements)	11,578	9,081	14,083	16,783	20,672	26,866
6	Sources of Toll Revenue Funds 1						
7	Interest Earnings from Tacoma Narrows Account (511) 2	15	57	60	70	90	109
8	Interest Earnings from Toll Collection Account (495) 2	7	18	8	8	8	8
9	Toll Revenue - Good To Go! Pre-Pay & Cash	60,159	65,448	74,548	82,613	84,091	85,472
10	Toll Revenue - Pay By Mail	2,980	2,779	2,969	3,262	3,270	3,217
11	Transponder Sales Revenue	306	336	279	328	256	272
12	Violations	9	10	-	-	-	-
13	Fees 3	337	488	430	441	442	442
14	Contractual Damages 4	306	145	133	133	-	-
15	Miscellaneous Revenue 5	43	6	-	-	-	-
16	Total Sources of State Funds	64,163	69,287	78,427	86,855	88,157	89,520
17	Uses of Toll Revenue Funds 6						
18	Toll CSC Vendor Contract	(1,878)	(1,971)	(2,596)	(2,400)	(2,644)	(2,942)
19	PBM Postage	(244)	(285)	(338)	(376)	(332)	(346)
20	Toll Booth and Lane Vendor Contract	(3,270)	(3,146)	(3,146)	(3,146)	(3,280)	(3,362)
21	Insurance 7	(1,594)	(1,325)	(1,200)	(1,200)	(1,500)	(1,500)
22	Credit Card and Bank Fees	(1,121)	(1,298)	(1,291)	(1,342)	(1,371)	(1,403)
23	Transponder Cost of Goods Sold	(215)	(206)	(279)	(328)	(256)	(272)
24	Other Toll Operations Costs	(260)	(350)	(273)	(272)	(310)	(308)
25	Personal Service Contracts 8	(615)	(906)	(893)	(629)	(454)	(459)
26	Salaries and Benefits	(523)	(564)	(1,265)	(1,178)	(1,232)	(1,226)
27	Infrastructure Maintenance	(254)	(448)	(951)	(817)	(786)	(767)
28	Subtotal: Operations and Maintenance Uses of Funds	(9,975)	(10,498)	(12,232)	(11,688)	(12,165)	(12,586)
29	Subtotal: Operating Sources less Operating Uses	54,188	58,789	66,195	75,167	75,992	76,935
30	Debt Service Payment 9	(54,344)	(53,106)	(61,385)	(70,549)	(69,115)	(72,590)
31	Debt Service Withholding 9	(579)	(1,595)	(891)	492	(714)	(212)
32	Subtotal: Uses of Funds incl. Debt Service	(64,897)	(65,199)	(74,508)	(81,745)	(81,994)	(85,388)
33	Deferred Sales Tax Repayment 10	-	-	-	-	-	-
34	Repair & Replacement (early years covered by capital balance)	-	-	-	-	-	(923)
35	Total Uses of Toll Funds	(64,897)	(65,199)	(74,508)	(81,745)	(81,994)	(86,311)
36	Current Year Sources less Uses Balance	(735)	4,088	3,919	5,111	6,163	3,209
37	Cumulative Sources Less Uses Balance	3,484	7,572	11,491	16,602	22,765	25,974
38	Beginning Capital Balance	3,922	3,922	3,806	2,197	1,341	609
39	Total Sources of Capital Funds	-	-	-	-	-	-
40	Repair and Replacement (covered by Capital Balance)	-	(116)	(1,610)	(856)	(732)	(609)
41	Ending Capital Balance	3,922	3,806	2,197	1,341	609	-
42	Sources Less Uses + Ending Capital Balance (for Sufficiency 1)	7,406	11,379	13,688	17,943	23,374	25,974
43	12.5% Sufficient Minimum Balance (SMB)	8,112	8,150	9,314	10,218	10,249	10,789
44	Amount (of Fund balance wo CP) Above/Below SMB	-	3,229	4,374	7,725	13,125	15,185
45	Lowest 3-month Rolling Average Balance	-	-	9,815	12,294	16,455	-
46	Amount (of 3-month average) Above/Below SMB	-	-	501	2,076	6,205	-
47	Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11						
48	Civil Penalty Revenue (not incl. in Operating Revenue)	(649)	3,169	1,778	1,882	1,934	1,962
49	Civil Penalty Adjudication Costs (not incl. in Operating Expen)	(1,113)	(1,190)	(1,387)	(1,298)	(1,172)	(1,172)
50	Subtotal: Civil Penalty Net Revenue	(1,762)	1,980	391	584	763	791
51	Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	-	(950)
52	Civil Penalty Net Revenue after Loan Repayments	(1,762)	1,030	391	(366)	763	(160)
53	Cumulative Balance for Civil Penalties	1,675	2,704	3,095	2,729	3,492	3,332
54	Ending Fund Balance (Financial Statements)	9,081	14,083	16,783	20,672	26,866	29,306

Assumes currently adopted toll rates

Revenues

Costs other than debt service

Debt service

Net change in fund balance

Year-end fund balance

Sufficient minimum balance test

Civil penalty revenue and adjudication costs excluded from sufficient balance test

Rate Setting Overview

What Rates Are Required?

- 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 states that the sufficient minimum balance shall not be less than 12.5 percent of annual Tacoma Narrows Bridge costs (equivalent to 45 days of working capital year round), measured on a retrospective three month rolling average fund balance

Rate Setting Timeline

	Milestone
October 2015	WSTC: FY 2015 Traffic and Revenue Reporting
November 2015	CAC: Review Last Year's Financial Plan/T&R Actuals
December 2015	CAC: Financial plan/funding needed WSTC: Financial plan/funding needed CAC: Specify rate scenarios WSTC: File CR 101
February 2016	WSTC/CAC: Rate scenario results CAC recommendation WSTC: Public input meeting
March 2016	WSTC: Proposed rates WSTC: File CR 102
May 2016	WSTC: Public hearing Adopt toll rates WSTC: File CR 103
July 1, 2016	New toll rates take effect

These steps are needed only if rates selected in Spring 2015 are not sufficient

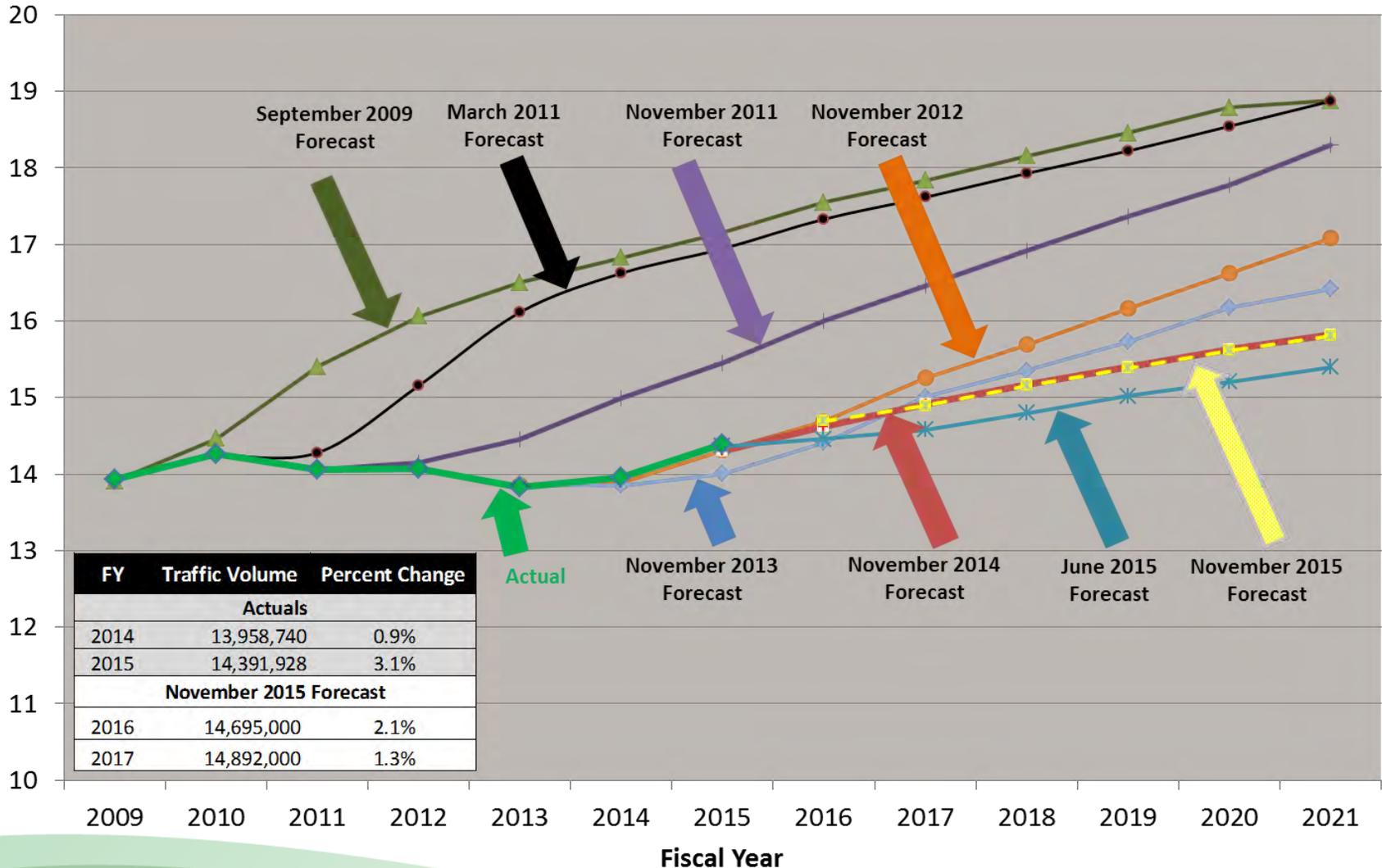
Traffic and Revenue

Traffic and Revenue Highlights

- June and November 2015 forecasts both assumed the July 2016 and 2017 toll increases adopted by the Transportation Commission
 - The June 2015 forecast reduced traffic growth due to toll increases
 - The November 2015 forecast reflects higher demographic and economic projections and growth in actual traffic since the June forecast was completed, offsetting the effect of higher tolls
- Photo-tolling transactions are higher than projected and *Good To Go!* pass transactions are lower
 - Photo-tolling transactions were at a higher toll rate (including fees), which were offset by higher costs and leakage
- A higher overall leakage percentage is assumed in the November 2015 forecast to better match current experience
 - The number of invalid addresses is higher than projected
 - We are working with the Department of Licensing to reduce this leakage

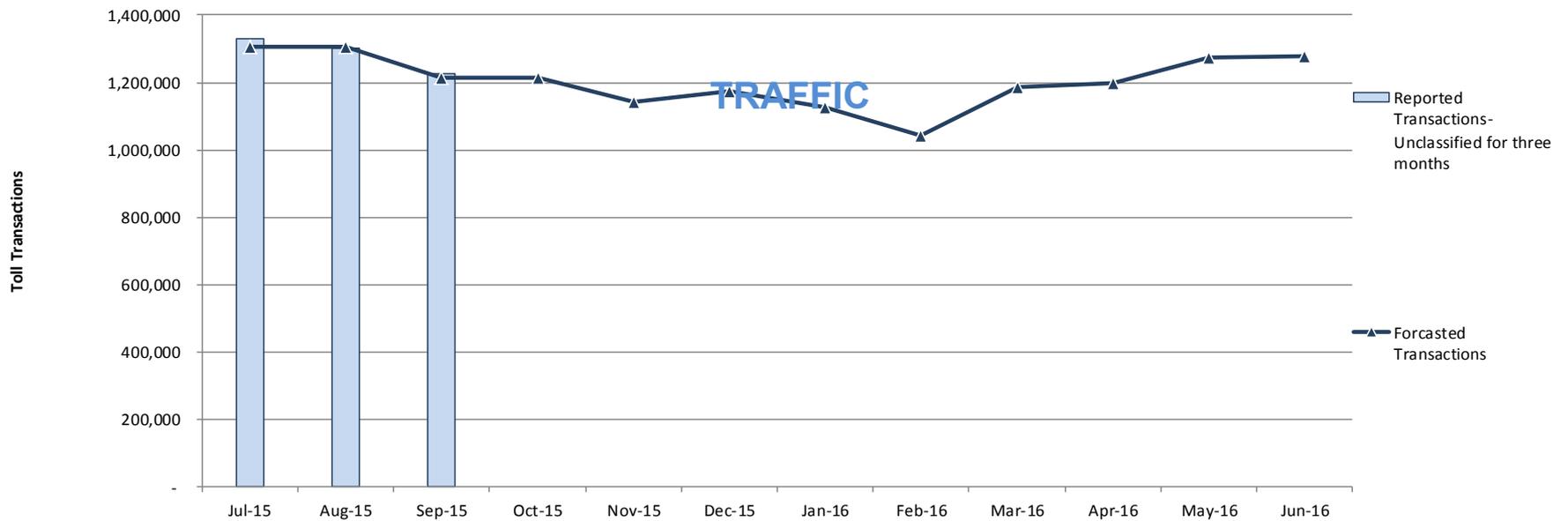
Forecasted Annual Eastbound Traffic

In millions



FY 2016 Q1 Forecasted and Reported Toll Traffic

TOLL TRANSACTIONS	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	YTD	Annual Total
Forecasted Transactions ¹	1,305,065	1,304,065	1,212,060	1,214,061	1,142,057	1,173,059	1,128,056	1,042,052	1,185,059	1,199,060	1,273,064	1,278,064	3,821,190	14,456,000
Reported Transactions ²	1,331,532	1,302,183	1,226,444	-	-	-	-	-	-	-	-	-	3,860,159	
Variance from Forecast	26,467	(1,882)	14,384	-	-	-	-	-	-	-	-	-	38,969	
Variance - % change	2.0%	(0.1%)	1.2%	-	-	-	-	-	-	-	-	-	1.0%	
Reported Cash Transactions													-	
Reported Good To Go!													-	
- with Transponders													-	
Reported Good To Go!													-	
- Pay By Plate													-	
Reported Pay By Mail													-	



Notes:

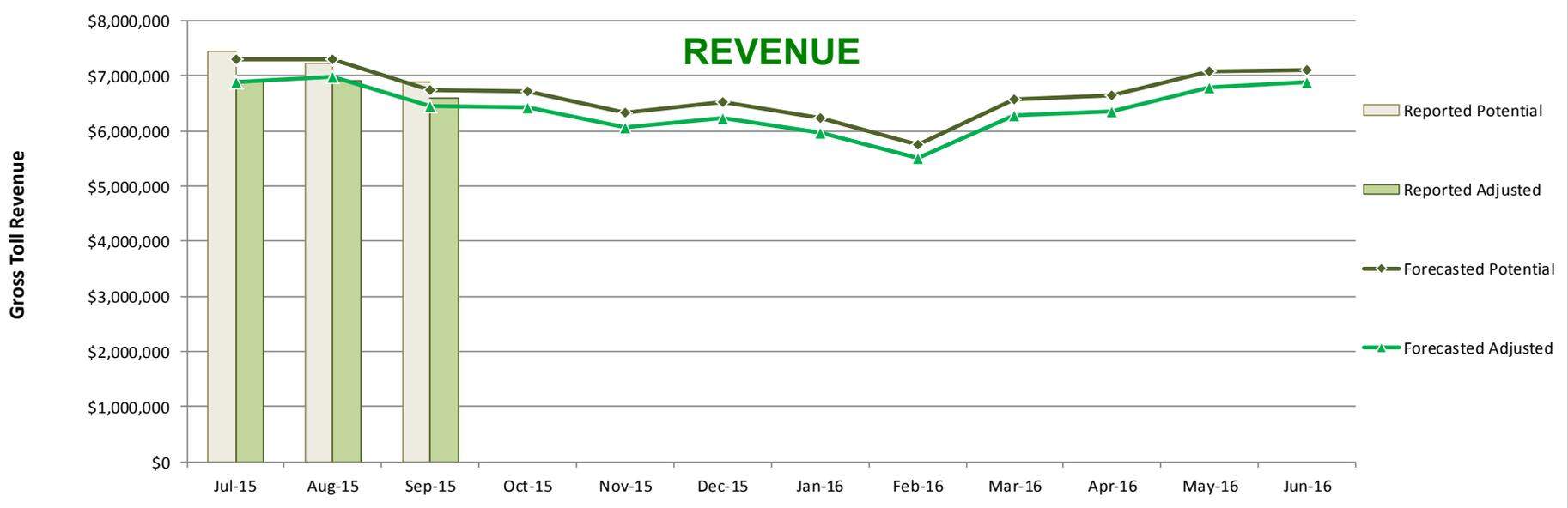
- 1 The data is based upon the TRFC June 2015 Forecast.
- 2 The reported transaction is based on the TNB lane collection system data adjusted for duplicate and non-revenue transactions.

1 The data is based upon the Transportation Revenue Forecast Council June 2015 Forecast.

2 The reported transactions are based on the Tacoma Narrows Bridge lane collection system data adjusted for duplicate and non-revenue transactions.

FY 2016 Q1 Forecasted and Reported Toll Revenue

GROSS TOLL REVENUE	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	YTD	Annual Total
Forecasted Potential ¹	\$7,307,491	\$7,303,490	\$6,741,455	\$6,712,456	\$6,329,429	\$6,520,441	\$6,232,424	\$5,757,391	\$6,571,445	\$6,654,451	\$7,088,478	\$7,097,480	\$21,352,436	\$80,316,000
Reported Potential ²	\$7,451,601	\$7,221,540	\$6,879,062	-	-	-	-	-	-	-	-	-	\$21,552,202	
Variance From Forecasted Potential	\$144,110	(\$81,951)	\$137,607	-	-	-	-	-	-	-	-	-	\$199,766	
Variance - % Change	2.0%	(1.1%)	2.0%	-	-	-	-	-	-	-	-	-	0.9%	
Forecasted Adjusted ³	\$6,895,619	\$6,987,092	\$6,449,405	\$6,421,662	\$6,055,228	\$6,237,965	\$5,962,426	\$5,507,972	\$6,286,760	\$6,366,170	\$6,781,394	\$6,885,306	\$20,332,116	\$76,837,000
Reported Adjusted	\$6,924,297	\$6,910,146	\$6,588,359	-	-	-	-	-	-	-	-	-	\$20,422,802	
Variance From Forecasted Adjusted	\$28,678	(\$76,946)	\$138,954	-	-	-	-	-	-	-	-	-	\$90,687	
Variance - % Change	0.4%	(1.1%)	2.2%	-	-	-	-	-	-	-	-	-	0.4%	



Notes: 1 The data is based upon the TRFC June 2015 Forecast.

Notes: 2 The reported gross toll revenue potential values exclude toll revenue associated with duplicate transactions and non-revenue transactions and are comparable to forecast values.

3 The Forecasted Adjusted Gross Toll Revenue reflects adjustments for Pay By Plate Fees, less Short-term Account Discounts and Toll Revenue Not Recognized, and the extended year-end accounting window.

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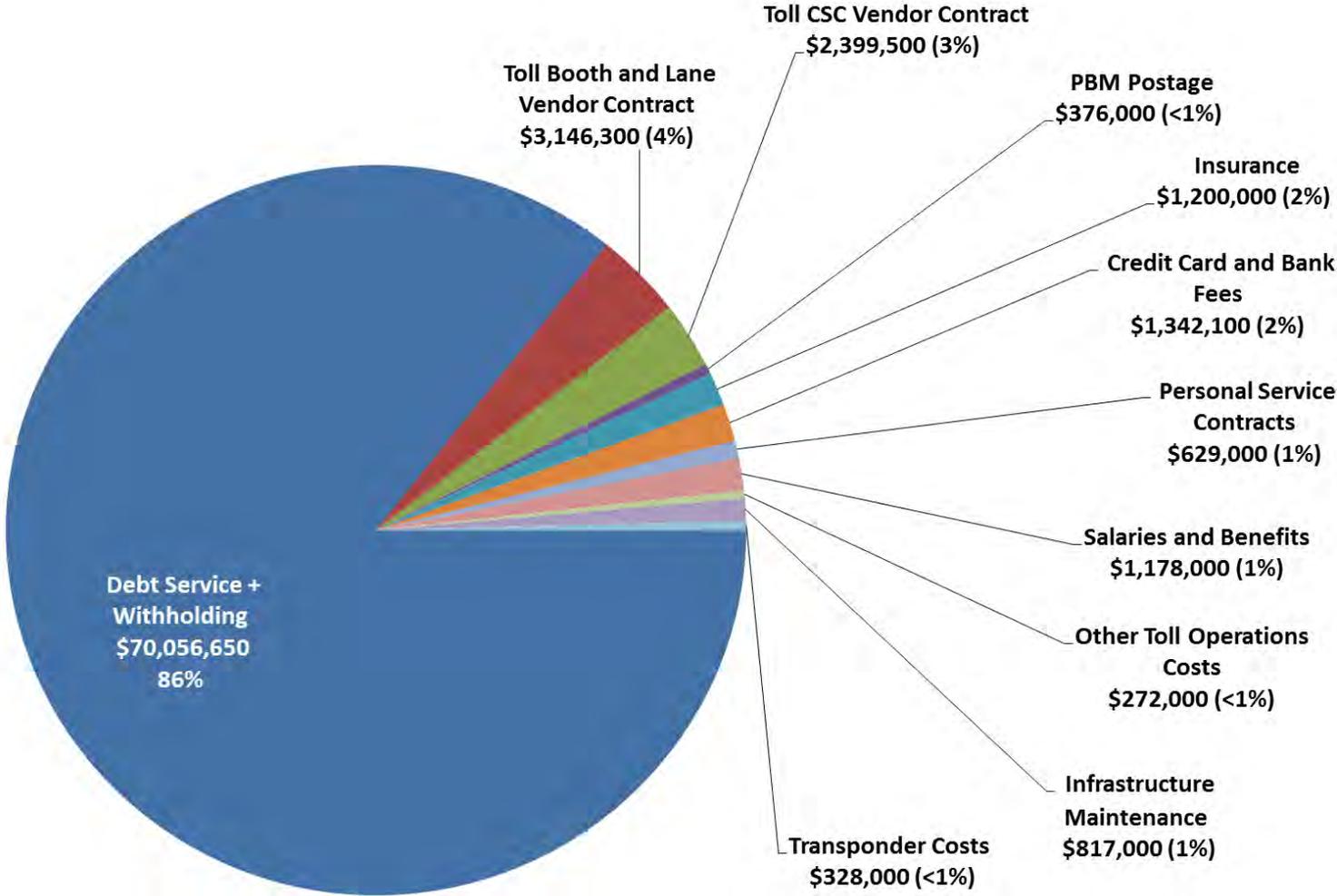
Toll Collection and Facility Costs

Cost Highlights

Changes from previous year's budget included:

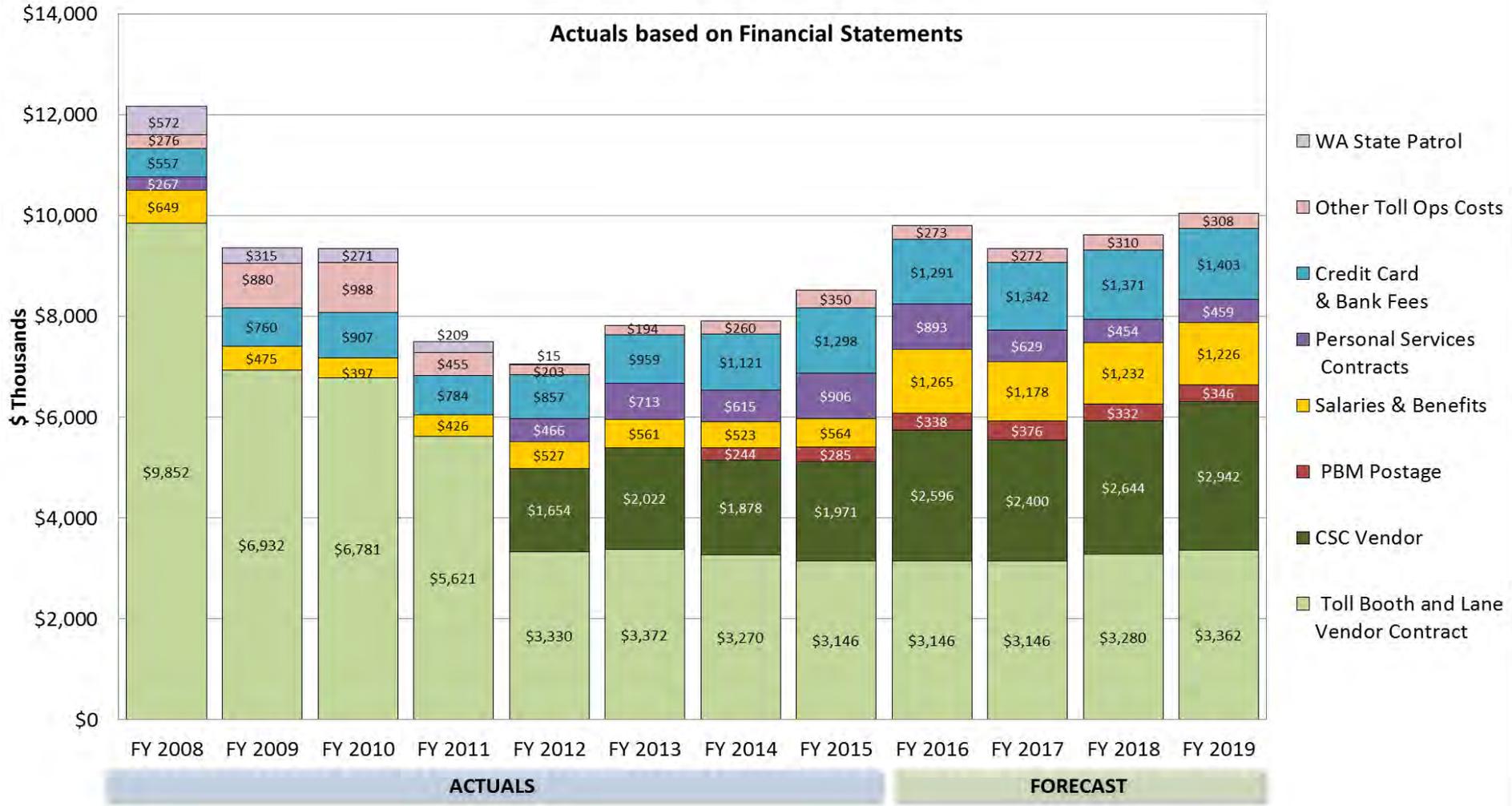
- Continued transition of toll personnel costs from capital to operating budgets funded by toll revenues
- Adjustments to vendor costs reflecting system enhancements, rate adjustments, and escalation
- Continued work on customer service center vendor re-procurement, with phased transition that could begin transferring operations as early as FY 2016, and system re-procurement projected for FY 2019
- Lower insurance costs
- Changes in 2018 and 2019 to cost distribution between facilities
- Shift of bridge pavement overlay project from FY 2015 to FY 2016

FY 2017 Uses of Funds



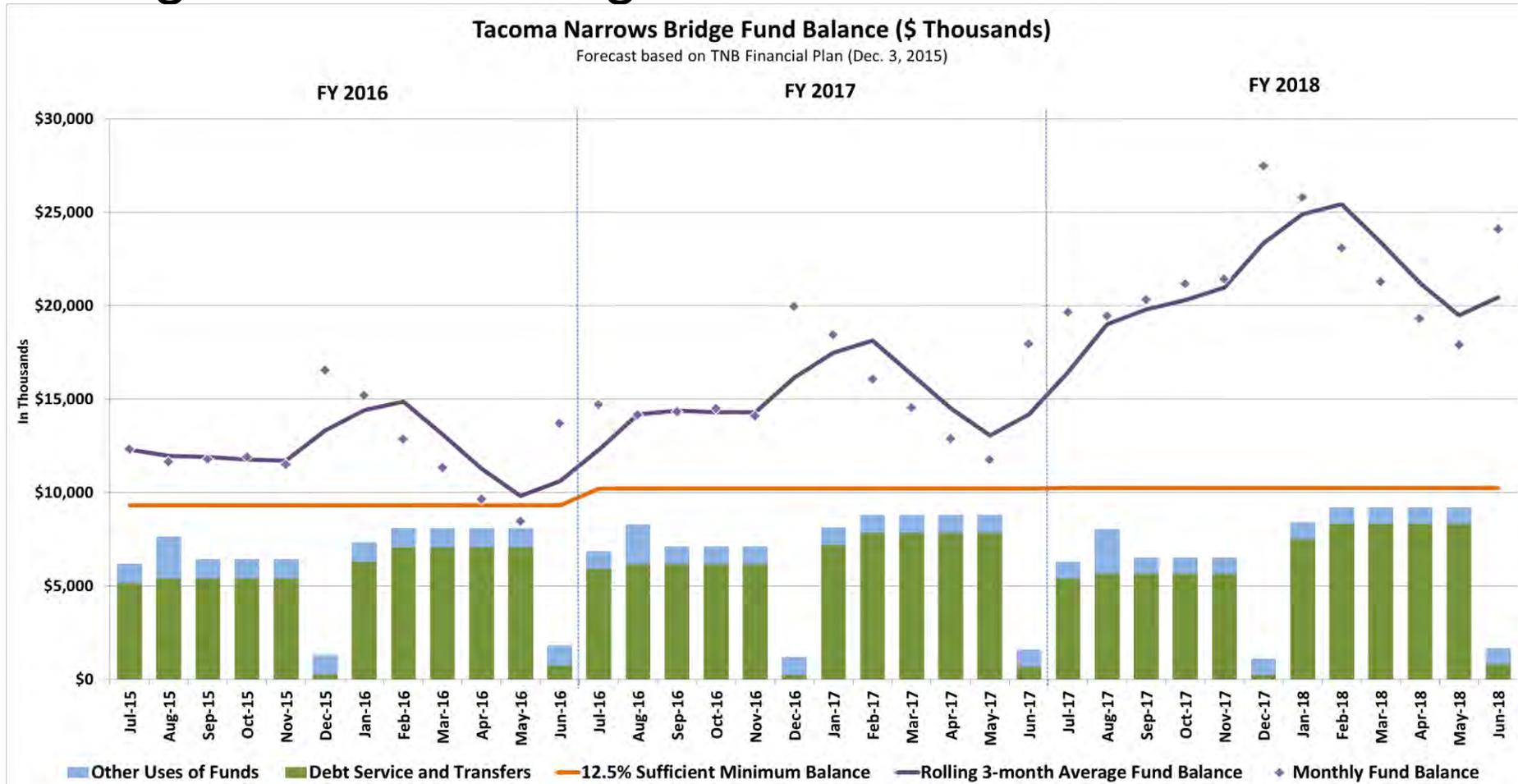
Uses of Funds - Summary

Historical and Budgeted Toll Operation Expenses



Sufficient Minimum Balance

Rolling 3-month average



- Data reflects the \$0.50 toll rate increase in both FY 2016 and FY 2017 as adopted by the Transportation Commission in the Spring of 2015

Questions?

For additional information on the Tacoma Narrows Bridge Rate Setting, please contact:

Patty Rubstello, P.E.

Assistant Secretary, Toll Division

206-464-1299 or RubsteP@wsdot.wa.gov

Joel Emery

Director of Finance and Program Management, Toll Division

206-464-1226 or EmeryJo@wsdot.wa.gov

Rob Fellows

Policy and Planning Manager, Toll Division

206-464-1257 or FellowR@wsdot.wa.gov