
Transition to a Road Usage Charge System



Presentation to the Washington State Transportation Commission

Ellen Evans
Office of the State Treasurer

January 21, 2015



Legislative Direction

In April 2014, the Legislature added a new section to the adopted 2013-15 transportation budget

The Legislature directed the Office of the State Treasurer to:

“...explore the fiscal implications with respect to outstanding motor vehicle fuel transportation bonds and to future transportation bond sales, relating to any reduction, refunding, crediting, or repeal of the motor vehicle fuel tax, in whole or in part, that may occur in a transition to a potential road usage charge by which transportation activities may be funded in the future. The exploration of fiscal implications must examine possible effects on the state credit rating, interest rates, and other factors that affect the cost of financing transportation projects...”



How does the MVFT GO Pledge Work?

The MVFT GO Pledge ensures the lowest cost of funds for transportation projects.

Under Article VIII, Section 1(g) of the state constitution, the state may

“...pledge its full faith, credit, and taxing power to guarantee the payment of any obligation payable from revenues received from any of the following sources: (1) Fees collected by the state as license fees for motor vehicles; (2) Excise taxes collected by the state on the sale, distribution or use of motor vehicle fuel; and (3) Interest on the permanent common school fund:

Provided, that the legislature shall, at all times, provide sufficient revenues from such sources to pay the principal and interest due on all obligations for which said source of revenue is pledged.”

In this context, these bonds are not subject to the constitutional debt limit.



Findings

There are currently \$7.3 billion outstanding MVFT GO bonds with the longest maturities extending beyond 25 years.

1. It will not be possible to significantly reduce MVFT revenues until all of the obligations on MVFT GO bonds have been met.
 - Outstanding MVFT GO bonds can only be repaid with MVFT revenues.
 - MVFT revenues must be maintained at levels sufficient to meet all obligations over the life of the bonds.
 - Repealing the gas tax would be an unconstitutional impairment of the state's bond contract with owners of outstanding MVFT-GO bonds and violate the legislative commitment to provide MVFT revenues at all times to pay the debt service on those bonds.
 - Significant reductions or refunds of MVFT revenues could be seen by the market as a threat to the state's ability to consistently pay debt service on outstanding MVFT GO bonds. This could negatively impact the state's credit ratings and increase borrowing costs across the board.



Findings (cont'd)

Constitutional constraints

2. It may be possible to leverage road usage charges to fund transportation projects at the state's lowest borrowing costs within the current constitutional framework.
 - If the road usage charges can be structured as motor vehicle license fees, the state could authorize a new series of bonds pledging *both* road usage charges and MVFT revenues, with an overall pledge of the state's full faith and credit, outside the state's debt limit.
 - The state's capacity to issue transportation bonds would increase to the extent that new road usage charges exceed any declines in MVFT revenues.
 - This transition envisions maintaining MVFT revenues to pay existing obligations and to support new bonds backed by both revenue streams.



Findings (cont'd)

Revenue Bonds

3. Under current law, road usage charges which are not structured as motor vehicle license fees, could be leveraged – outside of the debt limit – but only in the form of revenue bonds.
 - Revenue bonds, particularly those leveraging a new untested revenue stream, typically have
 - higher borrowing costs,
 - higher coverage requirements and
 - credit enhancements.

Updated SR 520 Finance Plan



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Updated SR 520 Finance Plan - *As of 1/16/2015*

SR 520 Finance Plan incorporates latest data as of January 2015:

Net Toll Revenues

Gross SR 520 Toll revenues

O&M expenditures

Construction Costs

Estimated R&R expenditures

Interest Rates



SR 520 Finance Plan - As of 1/16/2015

Summary of SR 520 Bond Issuance by Funding Source (% Of Proceeds)	Par Amount	Bond Proceeds	TIC
Triple Pledge (Toll/MVFT/GO) Bonds			
First Triple Pledge Bond Issue (29%)	\$518,775,000	\$550,000,000	4.311%
Second Triple Pledge Bond Issue (6%)	\$111,775,000	\$110,858,598	4.675%
Direct GARVEE Bonds			
First GARVEE Issue (32%)	500,400,000	600,000,000	2.235%
Second GARVEE Issue (17%)	285,915,000	323,000,000	2.831%
TIFIA Loan (16%)	300,000,000	300,000,000	2.990%
Total:	\$1,716,865,000	\$1,883,858,598	

Summary of Aggregate SR 520 Corridor Projects Funding

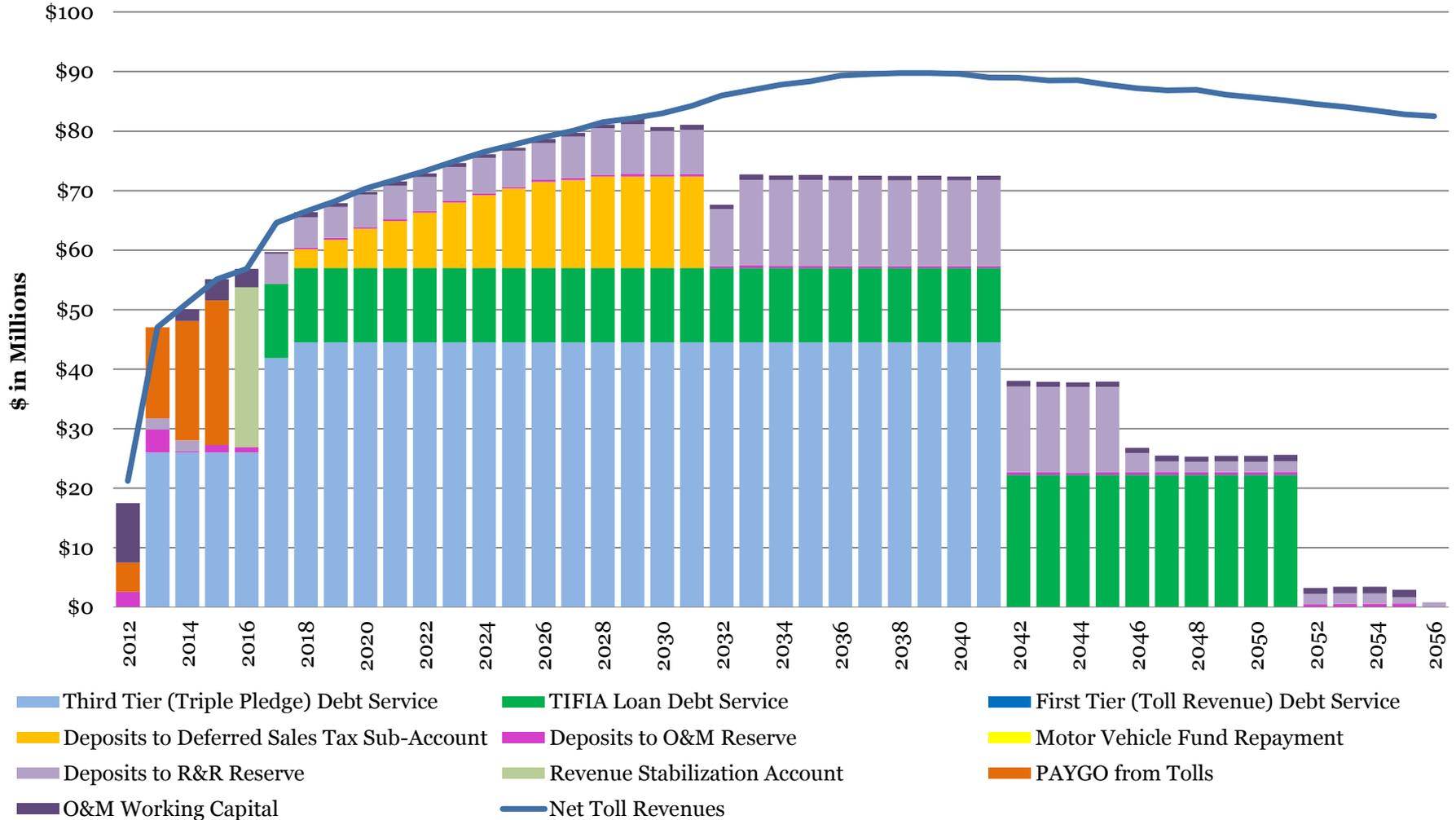
(-) Total SR 520 Corridor Projects Uses Before Sales Tax Deferral	\$2,895,210,705
(+) State and Local Construction Sales Tax Deferral - Total	159,400,000
(+) WSDOT Nickel, TPA, MVA	580,707,942
(+) Other Federal Funds	198,134,691
(+) Local Funds	2,303,702
(+) Project Fund Deposits from Bond Proceeds	1,883,858,598
(+) Project Fund Interest Earnings	534,715
(+) Available Net Toll Revenues for Construction	64,539,383
(+) Deposits from Unrestricted Toll Revenue Account	5,731,674
= Funding Excess / (Additional Funding Needed)	\$0

Debt Service Coverage -- Minimum and Results	Master Bond Resolution			Lowest Coverage	
	Rate Covenant	ABT	Policy	Calculated at	for Year
Toll Revenue Bonds (First Tier)	1.500x	2.000x	2.000x	N/A	N/A
Triple Pledge (Toll/MVFT/GO) Bonds (Third Tier)	1.250x	1.300x	1.300x	1.493x	2018
TIFIA Loan Coverage (Fourth Tier)	1.100x	1.100x	1.150x	1.167x	2018
Coverage Including Deposits to Deferred Sales Tax Account	n/a	n/a	1.100x	1.103x	2023
Sufficiency	1.000x	n/a	1.000x	1.012x	2029
GARVEE Bonds	n/a	3.500x	3.750x	5.023x	2024
GARVEE BONDS (FY2012 O.A. Coverage)	n/a	3.500x	3.750x	6.089x	2023



SR 520 Finance Plan - As of 1/16/2015

All Required Expenditures/Deposits Coverage





SR 520 Finance Plan - As of 1/16/2015

FY Ending June 30,	Net Toll Revenues	Deposits to Debt Service Subaccounts	Deposits to O&M and R&R Subaccounts	Deposits to Deferred Sales Tax Subaccount	SUFFICIENCY Coverage incl. R&R Deposits	Deposits to Revenue Stabilization Subaccount	Net Revenues for Project Fund	Total Debt Service and Fund Deposits	Aggregate Coverage Including Debt Service and Fund Deposits	Deposits to Toll Facilities Account
2012	21,218,971	-	2,565,733	-	8.270	-	4,939,618	7,505,351	2.827	13,713,620
2013	47,021,081	26,024,975	5,719,424	-	1.481	-	15,276,681	47,021,081	1.000	-
2014	51,138,217	26,024,975	2,035,514	-	1.822	-	20,032,079	48,092,568	1.063	3,045,649
2015	55,115,035	26,024,975	1,227,963	-	2.022	-	24,291,005	51,543,943	1.069	3,571,091
2016	56,842,503	26,024,975	833,107	-	2.116	26,933,575	-	53,791,657	1.057	3,050,846
2017	64,588,053	54,311,575	5,081,371	-	1.087	-	-	59,392,946	1.087	5,195,107
2018	66,492,373	56,983,482	5,308,890	3,200,000	1.015	-	-	65,492,373	1.015	1,000,000
2019	68,259,728	56,981,420	5,518,308	4,760,000	1.015	-	-	67,259,728	1.015	1,000,000
2020	70,320,919	56,983,771	5,737,148	6,600,000	1.014	-	-	69,320,919	1.014	1,000,000
2021	71,796,714	56,977,992	5,913,722	7,905,000	1.014	-	-	70,796,714	1.014	1,000,000
2022	73,288,367	56,981,931	6,006,436	9,300,000	1.014	-	-	72,288,367	1.014	1,000,000
2023	74,960,699	56,977,979	5,982,720	11,000,000	1.014	-	-	73,960,699	1.014	1,000,000
2024	76,505,907	56,979,369	6,251,538	12,275,000	1.013	-	-	75,505,907	1.013	1,000,000
2025	77,712,754	56,983,713	6,329,041	13,400,000	1.013	-	-	76,712,754	1.013	1,000,000
2026	78,996,581	56,979,233	6,517,348	14,500,000	1.013	-	-	77,996,581	1.013	1,000,000
2027	80,076,671	56,977,288	7,299,383	14,800,000	1.013	-	-	79,076,671	1.013	1,000,000
2028	81,521,026	56,978,458	8,127,568	15,415,000	1.012	-	-	80,521,026	1.012	1,000,000
2029	82,150,715	56,981,267	8,754,447	15,415,000	1.012	-	-	81,150,715	1.012	1,000,000
2030	82,978,720	56,981,333	7,619,788	15,415,000	1.037	-	-	80,016,122	1.037	2,962,599
2031	84,260,355	56,980,618	7,804,300	15,415,000	1.051	-	-	80,199,918	1.051	4,060,436
2032	85,971,484	56,981,324	9,907,547	-	1.285	-	-	66,888,871	1.285	19,082,613
2033	86,869,012	56,985,424	14,838,731	-	1.209	-	-	71,824,155	1.209	15,044,857
2034	87,788,563	56,979,157	14,789,914	-	1.223	-	-	71,769,071	1.223	16,019,492
2035	88,378,560	56,984,765	14,805,881	-	1.231	-	-	71,790,646	1.231	16,587,914
2036	89,324,995	56,982,762	14,754,985	-	1.245	-	-	71,737,747	1.245	17,587,248
2037	89,590,999	56,984,938	14,763,479	-	1.249	-	-	71,748,417	1.249	17,842,582
2038	89,778,582	56,981,203	14,758,277	-	1.251	-	-	71,739,481	1.251	18,039,101
2039	89,749,088	56,982,856	14,768,652	-	1.251	-	-	71,751,508	1.251	17,997,580
2040	89,641,730	56,979,856	14,730,527	-	1.250	-	-	71,710,383	1.250	17,931,347



SR 520 Finance Plan - As of 1/16/2015

FY Ending June 30,	Net Toll Revenues	Deposits to Debt Service Subaccounts	Deposits to O&M and R&R Subaccounts	Deposits to Deferred Sales Tax Subaccount	SUFFICIENCY Coverage incl. R&R Deposits	Deposits to Revenue Stabilization Subaccount	Net Revenues for Project Fund	Total Debt Service and Fund Deposits	Aggregate Coverage Including Debt Service and Fund Deposits	Deposits to Toll Facilities Account
2040	89,641,730	56,979,856	14,730,527	-	1.250	-	-	71,710,383	1.250	17,931,347
2041	89,040,213	56,978,771	14,771,564	-	1.241	-	-	71,750,335	1.241	17,289,878
2042	88,975,796	22,218,940	14,866,710	-	2.399	-	-	37,085,650	2.399	51,890,146
2043	88,499,520	22,218,940	14,817,286	-	2.390	-	-	37,036,227	2.390	51,463,294
2044	88,530,143	22,218,940	14,787,983	-	2.392	-	-	37,006,924	2.392	51,523,219
2045	87,815,110	22,218,940	14,824,088	-	2.371	-	-	37,043,028	2.371	50,772,082
2046	87,208,597	22,218,940	3,719,084	-	3.362	-	-	25,938,025	3.362	61,270,572
2047	86,835,973	22,218,940	2,263,040	-	3.547	-	-	24,481,981	3.547	62,353,992
2048	86,943,322	22,218,940	2,203,271	-	3.560	-	-	24,422,212	3.560	62,521,110
2049	86,125,126	22,218,940	2,248,817	-	3.520	-	-	24,467,757	3.520	61,657,369
2050	85,629,074	22,218,940	2,237,266	-	3.501	-	-	24,456,206	3.501	61,172,868
2051	85,158,585	22,218,940	2,298,632	-	3.473	-	-	24,517,572	3.473	60,641,013
2052	84,534,049	(0)	2,250,435	-	37.563	-	-	2,250,435	37.563	82,283,614
2053	84,084,660	-	2,313,784	-	36.341	-	-	2,313,784	36.341	81,770,877
2054	83,463,064	-	2,305,223	-	36.206	-	-	2,305,223	36.206	81,157,841
2055	82,824,383	-	1,681,917	-	49.244	-	-	1,681,917	49.244	81,142,466
2056	82,489,078	-	840,465	-	98.147	-	-	840,465	98.147	81,648,613
	3,540,495,094	1,748,149,794	337,181,307	159,400,000		26,933,575	64,539,383	2,336,204,059		1,204,291,035