

Tacoma Narrows Bridge Account (FUND 511)

Overview of Debt Service Withholding

Noah Crocker
Senior Financial Analyst

AGENDA

FUNDS: Cash Transfers & Timing

- Tacoma Narrows Bridge Account (**Fund 511**)
- Motor Vehicle Fuel Tax Account (**Fund 108**)
- Highway Bond Retirement Account (**Fund 303**)

**Impact of Current Debt Service Withholding Methodology (“1/5th +1”)
-Interest Earnings**

**Impact of a potential Debt Service Withholding
Methodology change on the TNB and Rate Setting**

“1/5th + 1” versus “1/6th”

Example FY 2014

!!NO IMPACT ON RATE SETTING FOR FY 2013!!

Tacoma Narrows Bridge Account (Fund 511)
Motor Vehicle Fuel Tax Account (Fund 108)
Highway Bond Retirement Account (Fund 303)

- Tacoma Narrows Bridge Toll Revenue and associated miscellaneous revenue is deposited into the Tacoma Narrows Bridge Account (**Fund 511**)
- The Highway Bond Retirement Account (**Fund 303**) makes all debt service payments related to Gas-Tax Bonds including all bonds for the Tacoma Narrows Bridge.
- Per statute, the Motor Vehicle Fuel Account (**Fund 108**) transfers money to **Fund 303** to make debt service payments on Gas-tax bonds.
- Per statute, Fund 511 must reimburse Fund 108 for the debt service attributable to the Tacoma Narrows Bridge Bonds.
- **Flow of Funds**
 - Fund 108 Transfer \$ to Fund 303 for Debt Service
 - Fund 511 Transfers \$ to reimburse Fund 108 for TNB Bonds
 - Fund 303 Pays Bondholders on debt service payment dates

****NOTE** For the TNB, Fund 108 is a pass through, cash never remains in the fund.****

GENERAL DEBT SERVICE

WITHHOLDING TRANSFER PRACTICES

- Long standing practice of the State to transfer gas tax revenues to the Highway Bond Retirement Account in order to facilitate the timing of gas tax bonds debt service payments.

TACOMA NARROWS BRIDGE

DEBT SERVICE WITHHOLDING TRANSFERS

TIMING AND METHODOLOGY

- **FISCAL YEARS 2008-2009**

- TIMING:

- On the day before the debt service payment was due there was a transfer from Fund 511 to Fund 303.

- METHODOLOGY:

- **No Withholding practice.** Funds were transferred to debt service account when needed to pay debt service.

- **FISCAL YEAR 2010-2013**

- TIMING:

- On the last business day of each month there is a transfer from Fund 511 to Fund 303.

- METHODOLOGY:

- **The “1/5th + 1” practice**

- **FISCAL YEAR 2014-Forward**

- TIMING:

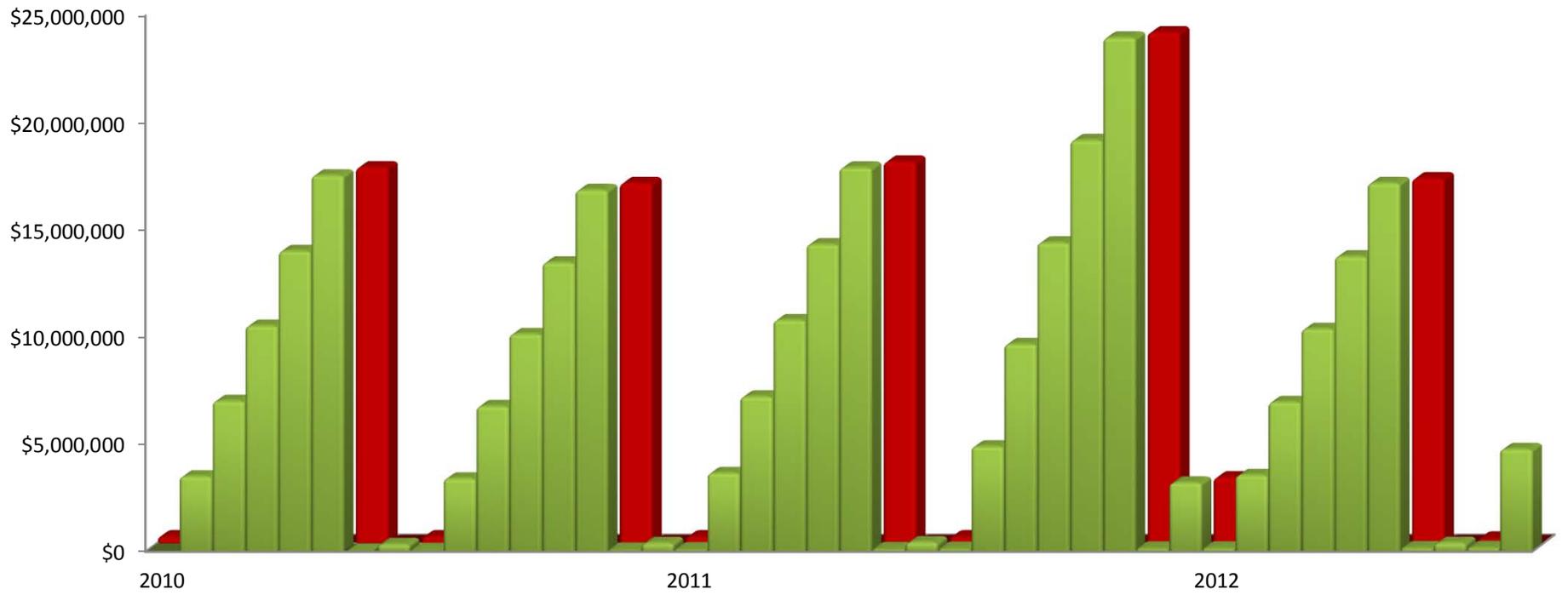
- On the last business day of each month there will be a transfer from Fund 511 to Fund 303.

- METHODOLOGY:

- **The “1/6th” practice**

FUND 303-TNB Portion CASH FLOW FY 2010 - FY2012 (YTD)

■ Fund Balance ■ Debt Service



IMPACT OF DEBT SERVICE WITHHOLDING

(CURRENT METHODOLOGY-"1/5TH +1")



IMPACT ON INTEREST EARNINGS

- Question:

- Are the funds transferred from the 511 Account to the 303 account earning interest?



- Question:

- Are the interest earnings in the Fund 303 equivalent to funds earned in 511 based on rate of return?

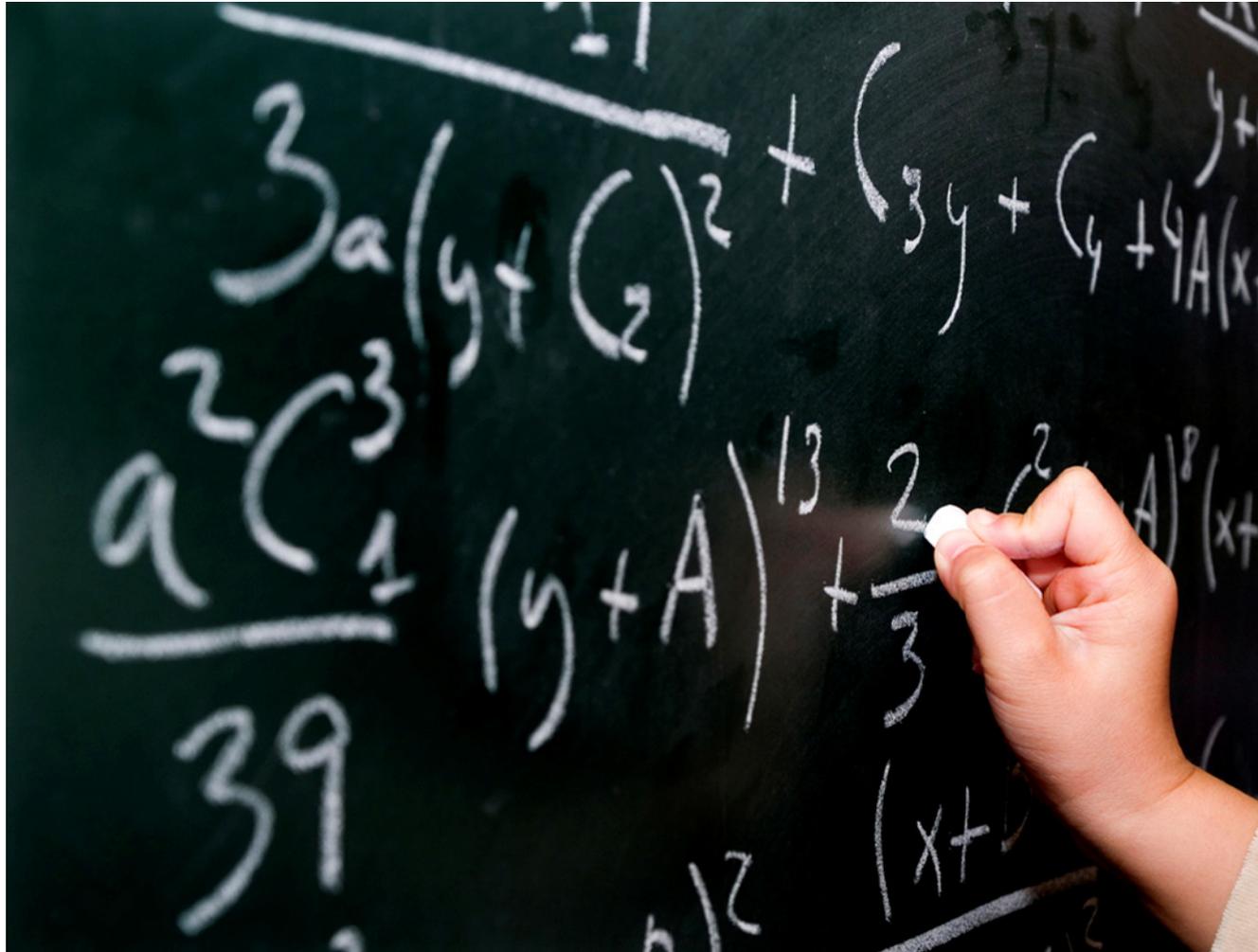


FUND 303-TNB PORTION

Realized vs. Re-Calculated Interest Earnings

<u>Fiscal Year</u>	<u>Fund 303-TNB Portion- Realized Interest Earnings</u>	<u>Re-Calculated Earnings if Funds were in Fund 511</u>	<u>Realized less Re- Calculated</u>
2010	\$ 119,293.67	\$ 111,891.97	\$ 7,401.70
2011	\$ 57,361.88	\$ 60,583.13	\$ (3,221.25)
2012 YTD (Inc. Dec)	\$ 23,312.24	\$ 22,526.60	\$ 785.64
Total (YTD)	\$ 199,967.79	\$ 195,001.70	\$4,966.09

IMPACT of potential Debt Service Withholding Methodology Change on the TNB and Rate Setting



What is the potential Change?

(Change is anticipated to be implemented in FY 2014-Forward)

- Debt Service Withholding Methodology could change from the “1/5th + 1” to “1/6th”
- “1/5th + 1”
 - Described as withholding revenue in an amount sufficient over a 5 month period in order to make the debt service payment in the 6th month. Plus, withholding in a one month period the exact amount due in the subsequent month.
- “1/6th”
 - Described as withholding revenue each month in the amount defined as the summation of 6 consecutive months of debt service divided by 6. The withholding amount is a rolling figure in that it will always adjust for the next 6 consecutive months.
 - Example:
 - Jan DS Withholding \$ Amt= Debt Service from months Feb-July divided by 6
 - Feb DS Withholding \$ Amt= Debt Service from months March-Aug divided by 6

What is the IMPACT of the potential Debt Service Withholding Methodology change on the TNB and Rate Setting?

1. Could require toll rates to raise more revenue than required to meet the Fiscal Year Expenses

– **EXAMPLE: FY 2014**

- Rates will have to raise an additional \$3.555 million in revenue to meet the Funding Need

2. Magnifies the Interest Earnings issue

IMPACT #1

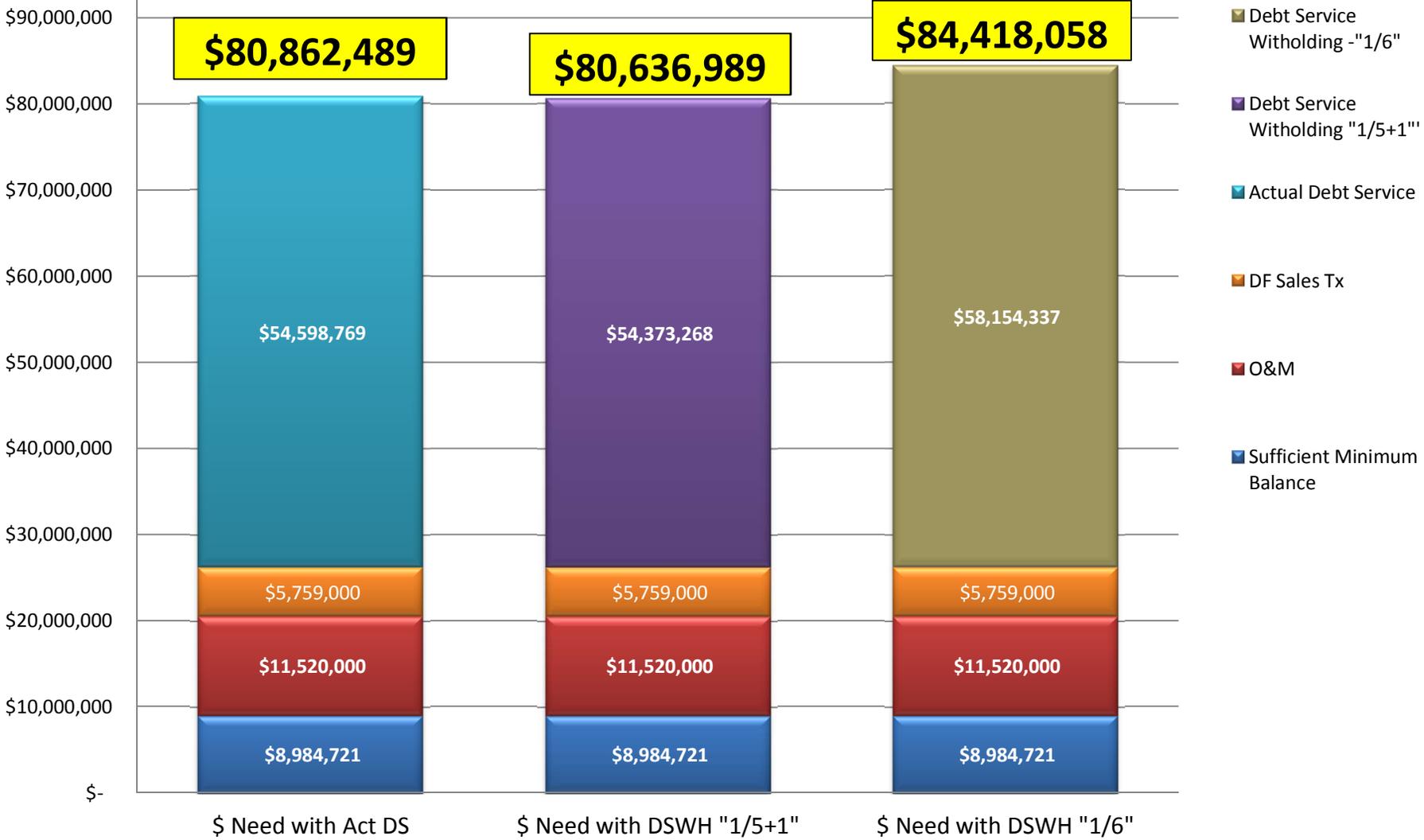
- **Revenue Impact**

- Could require an increase in the revenue target in a given fiscal year.

- **Toll Rate Impact**

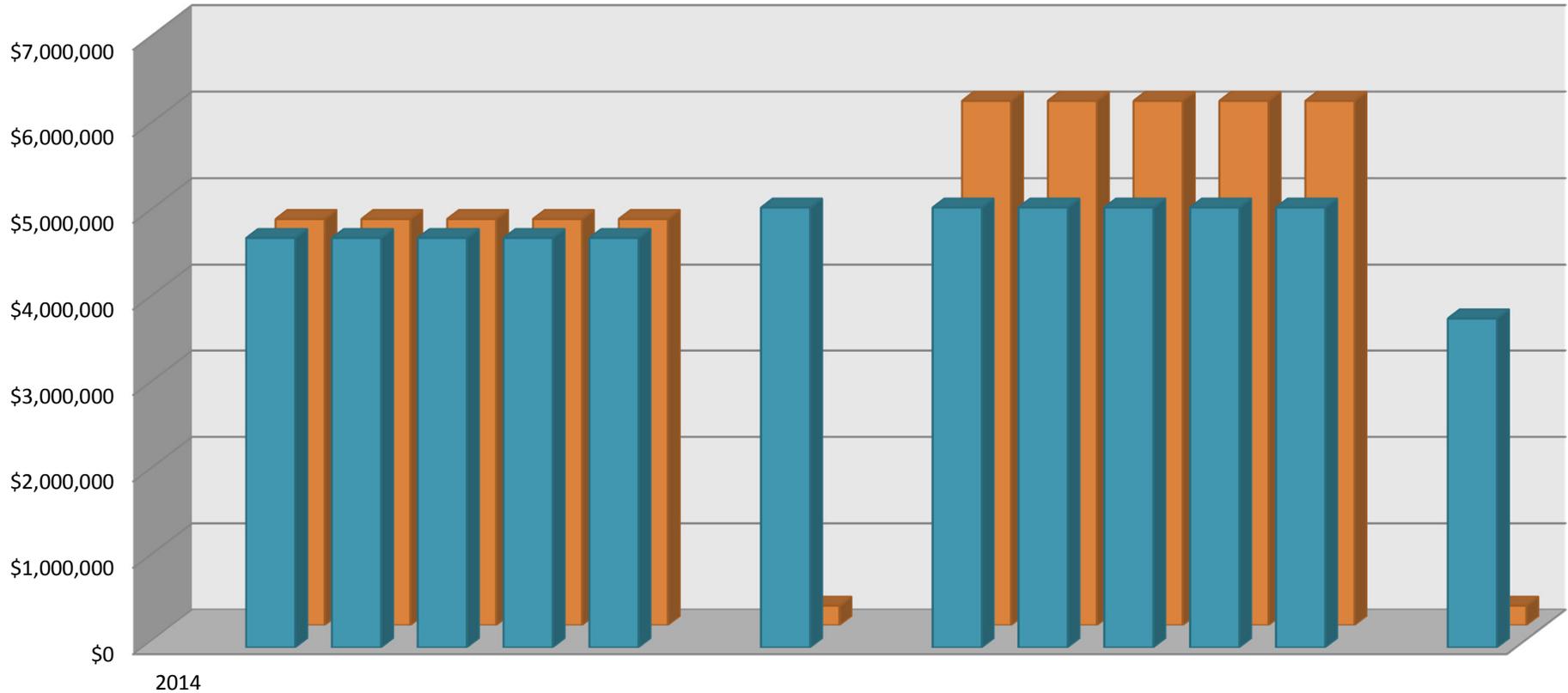
- To achieve funding a higher revenue target toll rates will need to be increased.

TACOMA NARROWS BRIDGE
Impact of Debt Service Withholding Transfers
FY 2014 Funding Need Comparison
Actual Debt Service vs. Debt Service Withholding "1/5th +1" vs. Debt Service Withholding "1/6th"



Fiscal Year 2014 Comparison of Debt Service Withholding \$ Amounts

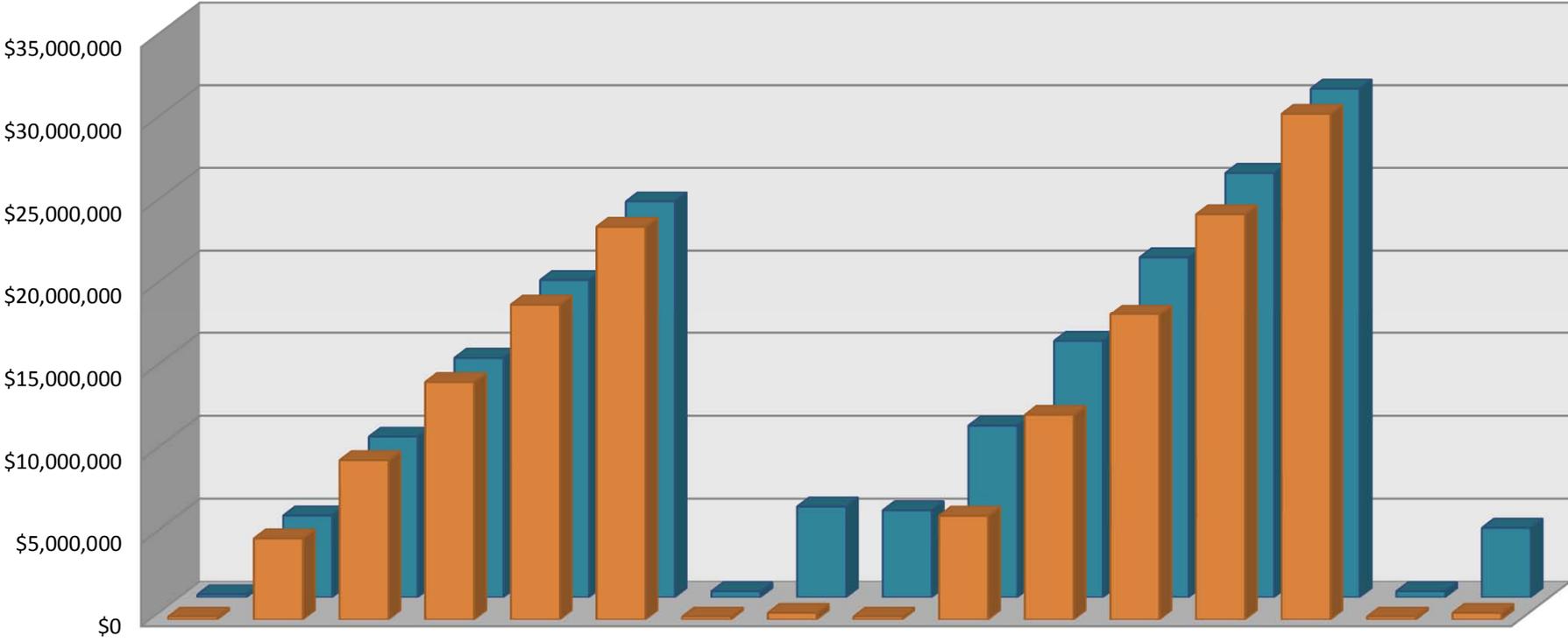
■ Proposed DSWH "1/6th"
 ■ DSWH "1/5th+1"



	Actual DS Due	DSWH("1/5th + 1")	Proposed DSWH("1/6th")
Total	\$ 54,598,768	\$ 54,373,268	\$ 58,154,338
Difference between Actual DS & DSWH (1/5th+1)		\$ (225,500)	
Difference between Actual DS & proposed DSWH (1/6th)			\$ 3,555,570

**Fiscal Year 2014
Fund 303-TNB Portion
Fund Balance Comparison**

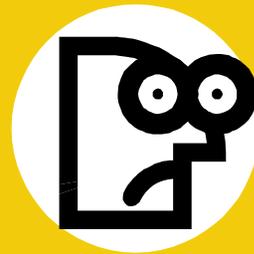
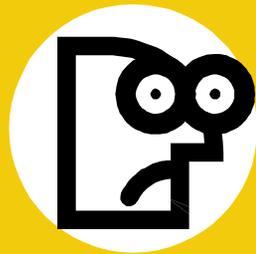
■ Fund Bal- "1/5th+1"
 ■ Potential Fund Bal - "1/6th"



2014

	"1/5th+1"	Proposed "1/6th"
Total 303-TNB Portion Ending Fund Balance	\$ 403,097	\$ 4,184,166

QUESTIONS?



It's QUESTION TIME!!