

Tacoma Narrows Bridge Rate Setting

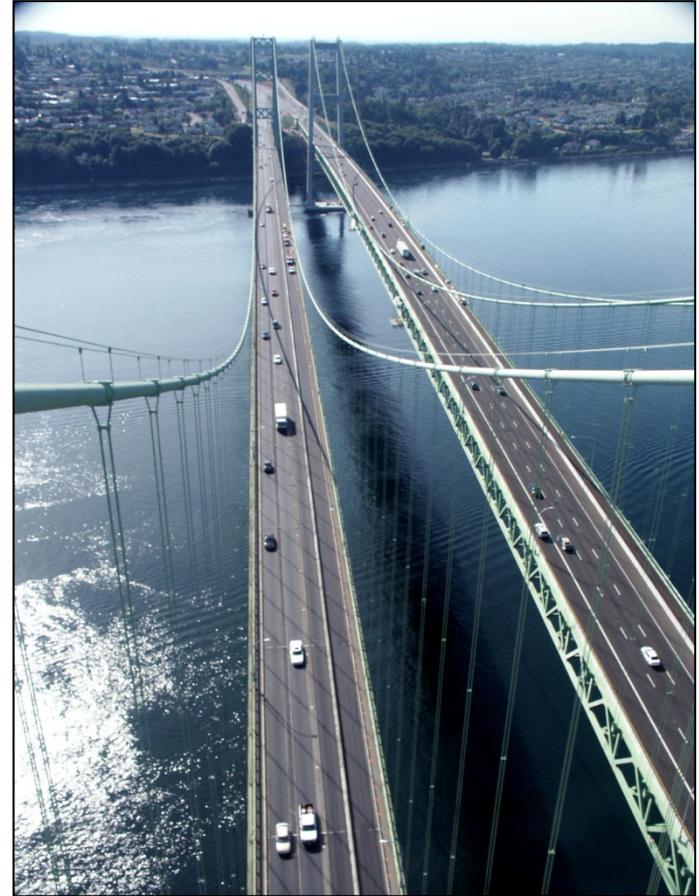
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Washington State Transportation Commission
January 22, 2014

Agenda

- Rate Setting Overview
- FY 2013 Actual Traffic, Revenue and Costs
 - History of Traffic Forecasts
 - Changes to Revenue Recognition
 - FY 2013
 - Forecast versus Actual
 - Uses of Funds
 - Cost to Collect
 - FY 2014
 - Q1 Forecast versus Actual
- Financial plan
 - Sources of Funds
 - Transfers to/from Other Accounts
 - Uses of Funds
 - Sufficient Minimum Balance
- Rate-setting Schedule Milestones



Why are we here?

- The Transportation Commission has adopted rates for FY 2014 and FY 2015 shown here (WAC 468-270-070)
- The Citizen Advisory Committee meets annually to review tolling projections and costs to advise the Transportation Commission on whether additional rate setting actions are required

**Table 1, Effective July 1, 2013
Tacoma Narrows Bridge Toll Rates**

Vehicle Axles	Good to Go! TM Pass ¹	Cash ¹	Pay By Mail ¹	Pay by Plate ²	Short Term Account ³
2	\$4.25	\$5.25	\$6.25	\$4.50	\$5.75
3	\$6.40	\$7.90	\$9.40	\$6.65	\$8.90
4	\$8.50	\$10.50	\$12.50	\$8.75	\$12.00
5	\$10.65	\$13.15	\$15.65	\$10.90	\$15.15
6	\$12.75	\$15.75	\$18.75	\$13.00	\$18.25

Notes:¹The rate has been rounded to the nearest five cents, as needed.

²For this type of payment method, the customer is charged the Good to Go!TM Pass toll rate plus a \$0.25 fee as provided in WAC [468-270-300](#).

³For this type of payment method, the customer is given a \$0.50 discount off the Pay By Mail toll rate as provided in WAC [468-270-300](#).

**Table 2, Effective July 1, 2014
Tacoma Narrows Bridge Toll Rates**

Vehicle Axles	Good to Go! TM Pass ¹	Cash ¹	Pay By Mail ¹	Pay by Plate ²	Short Term Account ³
2	\$4.50	\$5.50	\$6.50	\$4.75	\$6.00
3	\$6.75	\$8.25	\$9.75	\$7.00	\$9.25
4	\$9.00	\$11.00	\$13.00	\$9.25	\$12.50
5	\$11.25	\$13.75	\$16.25	\$11.50	\$15.75
6	\$13.50	\$16.50	\$19.50	\$13.75	\$19.00

Notes:¹The rate has been rounded to the nearest five cents, as needed.

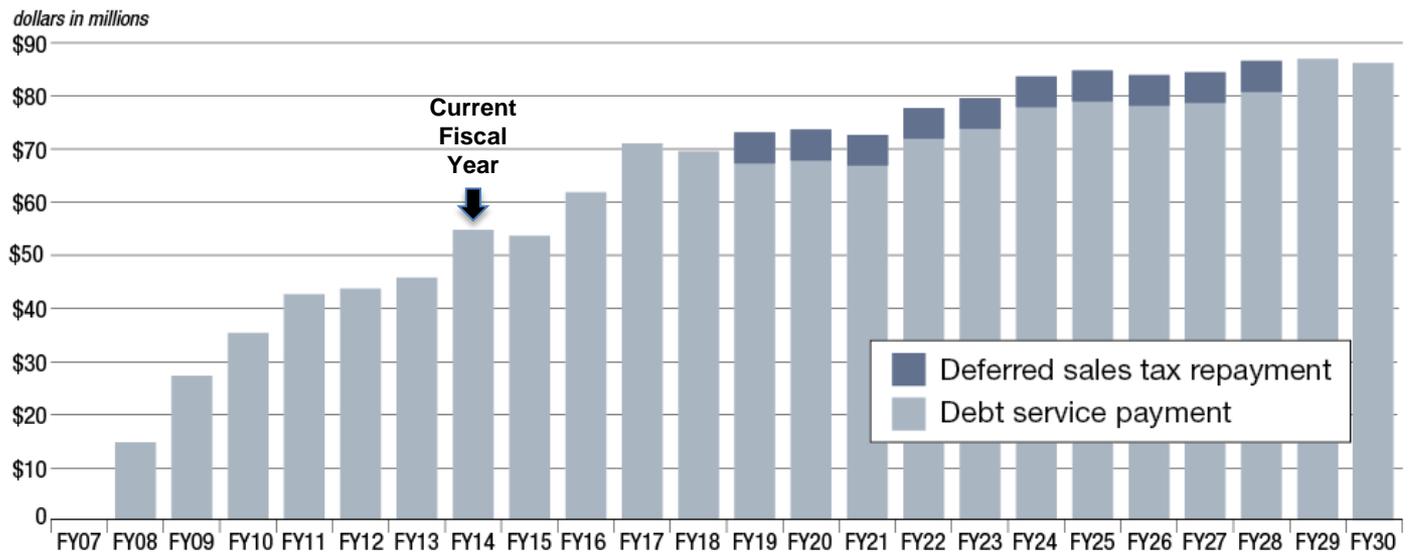
²For this type of payment method, the customer is charged the Good to Go!TM Pass toll rate plus a \$0.25 fee as provided in WAC [468-270-300](#).

³For this type of payment method, the customer is given a \$0.50 discount off the Pay By Mail toll rate as provided in WAC [468-270-300](#).

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
- In 2013, the Transportation Commission recommended that the criteria is met when the lowest projected monthly fund balance in a fiscal year (averaged over three months) exceeds the sufficient minimum balance

Current Debt Service Schedule

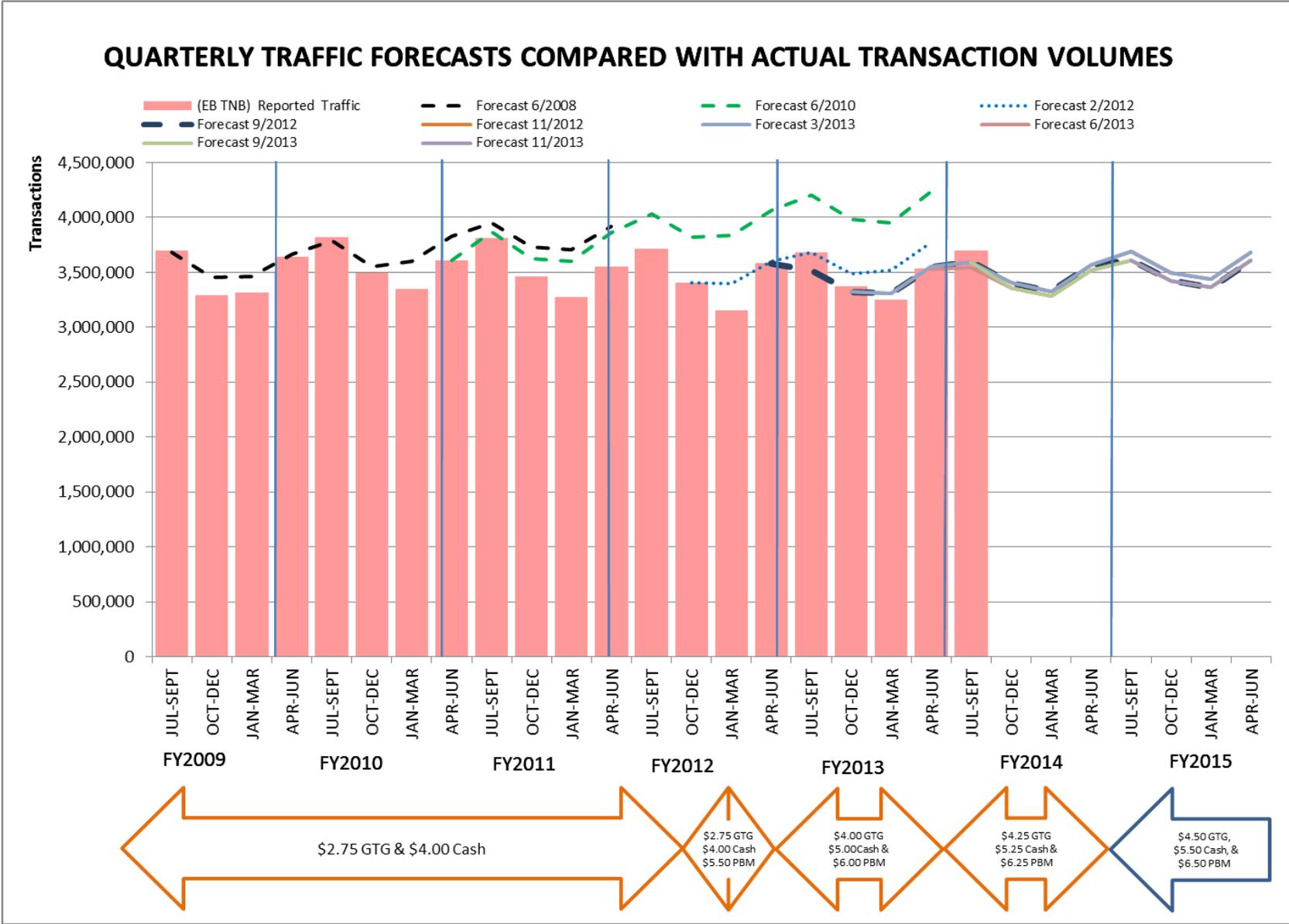


2002 plan toll rate		\$3.00	\$4.00	\$5.00		\$6.00	
Annual Toll Rate	Good To Go!	\$1.75	\$2.75	\$2.75	\$4.00	\$4.25	\$4.50
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50

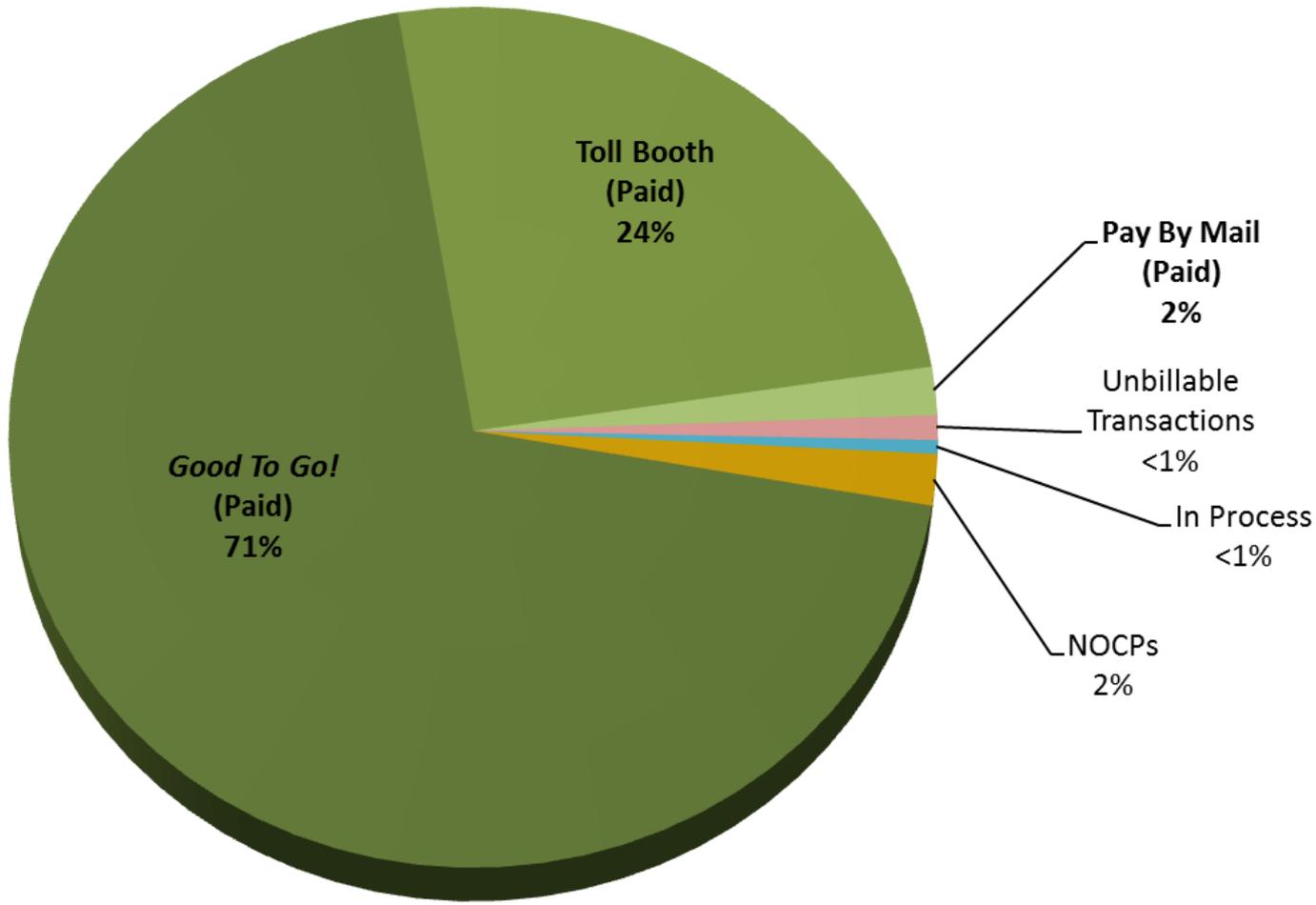
Does not include capitalized interest
 Source: WSDOT Budget and Financial Division

- Debt service payment schedule was set when project was originally financed in 2002
- Payments and toll rates were assumed to increase over time in the 2002 plan
- Repayment for deferred sales taxes to begin in December 2019 for ten years
- Capitalized interest paid in FY 2006 and 2007 is not shown

Quarterly Traffic Forecasts Compared with Actual Transaction Volumes



Transactions by Form of Payment – FY 2013



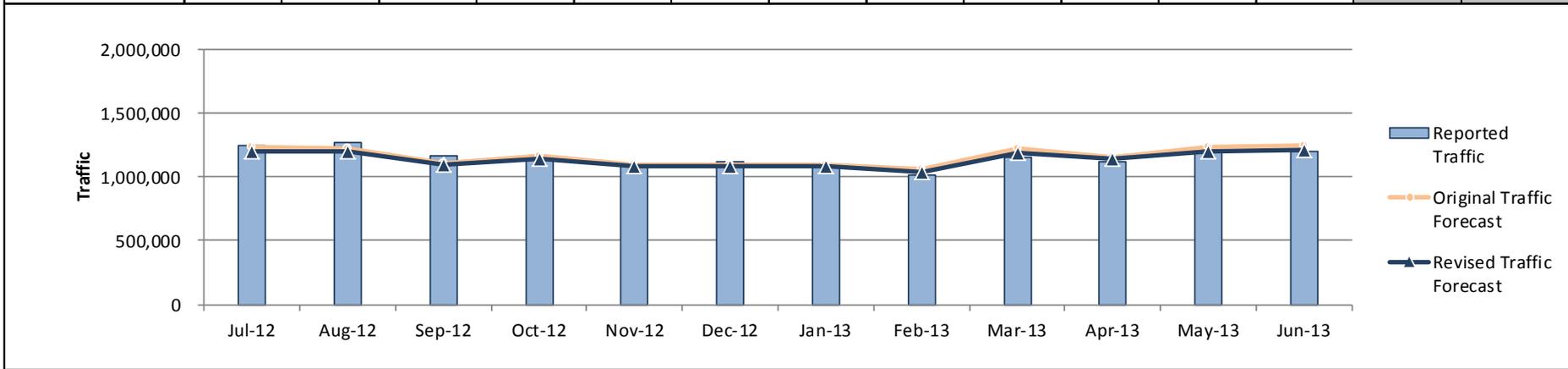
Source: WSDOT Toll Division – June 2013

March 2013 Accounting Adjustments

- In March 2013, newly available CSC system data allowed WSDOT to refine allowance for doubtful accounts calculations and allowed WSDOT to implement Generally Accepted Accounting Principles which limit revenue recognition.
- Generally Accepted Accounting Principles limit toll revenue recognition to amounts estimated to be collected within 12 months and prior to becoming a Notice of Civil Penalty. Due to CSC system data availability, March 2013 was the first period in which WSDOT was able to make this adjustment. This \$1 million adjustment (reduction in toll revenue) was cumulative from inception of toll bills through March 2013.
- With the availability of CSC system data and reports, WSDOT was able to refine the allowance for doubtful accounts estimate. This \$106,000 adjustment (reduction in toll revenue) was cumulative from inception of toll bills through March 2013.
- Revenue did not meet forecasts because toll forecast numbers were based on different assumption than AFS actual adjustments
 - Toll revenues remained accrued as tolls through the collection process
 - Future forecasts have been adjusted to be more in line with accounting practices

FY 2013 Projected and Reported Traffic

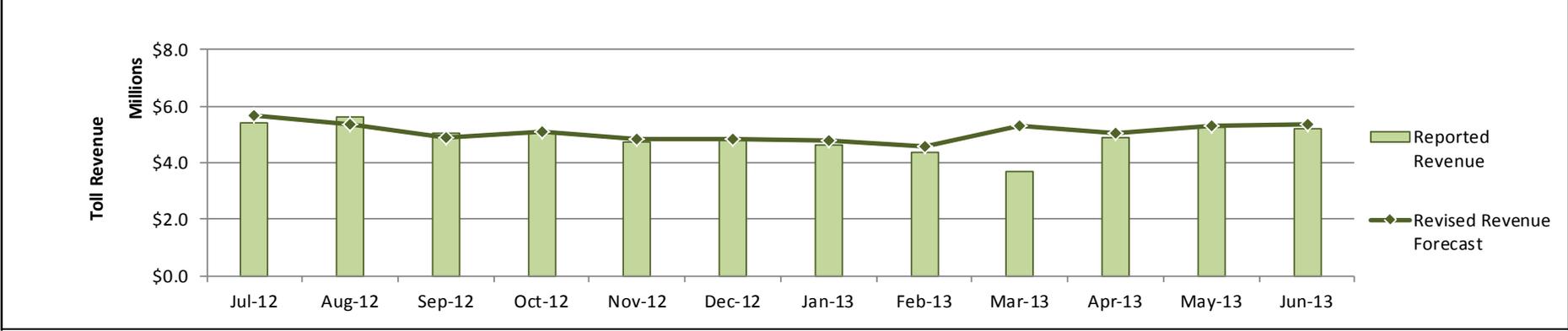
TRAFFIC	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	YTD	Annual Total
Original Forecast	1,230,000	1,220,000	1,110,000	1,170,000	1,100,000	1,100,000	1,100,000	1,060,000	1,220,000	1,160,000	1,230,000	1,250,000	13,950,000	13,950,000
Revised Forecast	1,206,000	1,205,000	1,093,000	1,147,000	1,084,000	1,090,000	1,080,000	1,036,000	1,193,000	1,139,000	1,197,000	1,211,000	13,681,000	13,681,000
Reported Traffic	1,245,321	1,271,306	1,162,037	1,162,254	1,093,484	1,116,081	1,083,710	1,012,832	1,151,437	1,119,667	1,212,813	1,197,041	13,827,983	13,827,983
Variance from Original	15,321	51,306	52,037	(7,746)	(6,516)	16,081	(16,290)	(47,168)	(68,563)	(40,333)	(17,187)	(52,959)	(122,017)	(122,017)
Variance from Revised	39,321	66,306	69,037	15,254	9,484	26,081	3,710	(23,168)	(41,563)	(19,333)	15,813	(13,959)	146,983	146,983



- Toll rates set to original state forecast
- Revised forecast includes forecast refinements made in subsequent quarterly updates
- Traffic levels were slightly above revised forecast

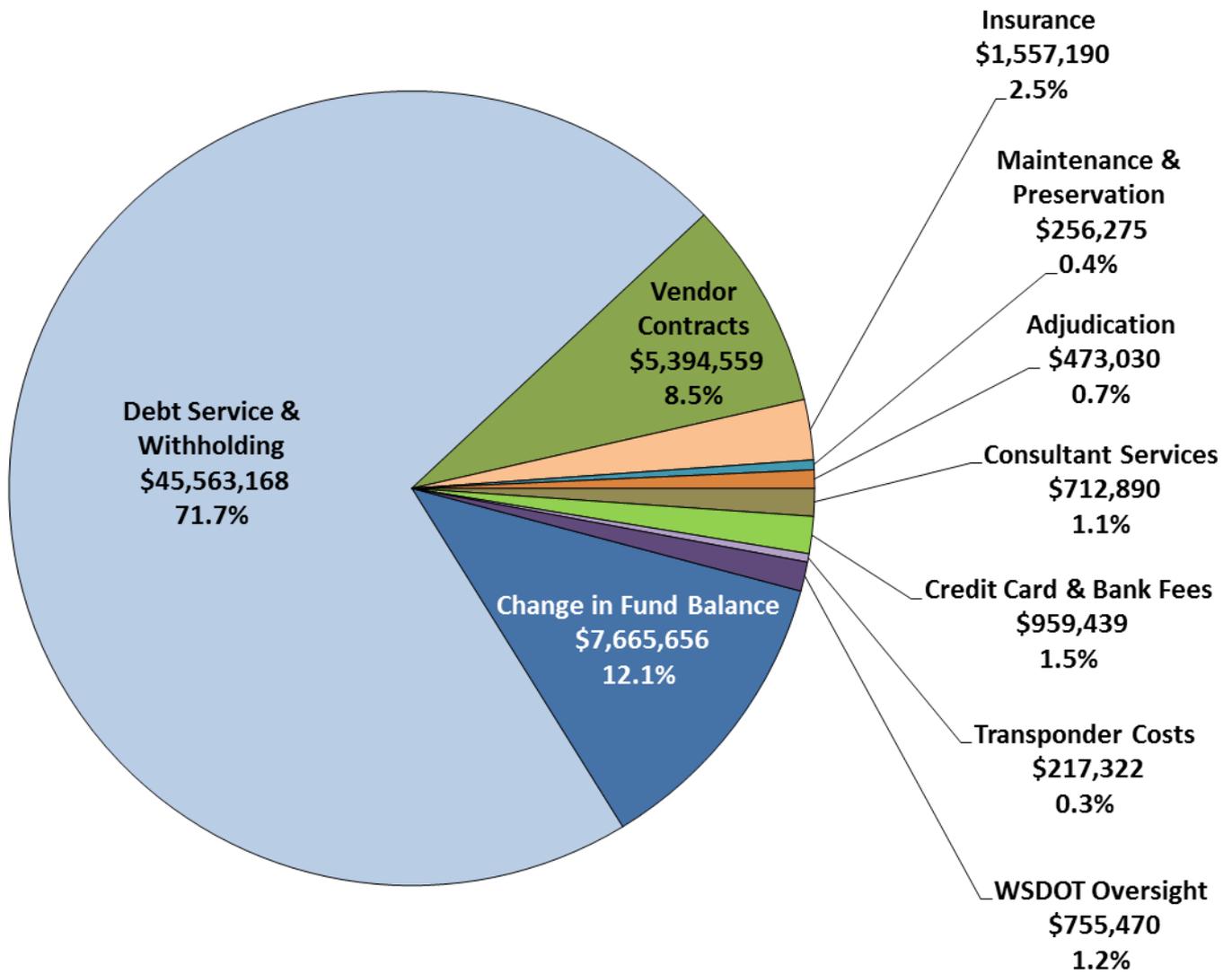
FY 2013 Projected and Reported Revenue

REVENUE	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	YTD	Annual Total
Original Forecast	\$5,366,000	\$5,386,000	\$4,892,000	\$5,096,000	\$4,822,000	\$4,842,000	\$4,842,000	\$4,642,000	\$5,336,000	\$5,102,000	\$5,386,000	\$5,436,000	\$61,148,000	\$61,148,000
Revised Forecast	\$5,653,000	\$5,377,000	\$4,877,000	\$5,102,000	\$4,808,000	\$4,824,000	\$4,779,000	\$4,580,000	\$5,276,000	\$5,036,000	\$5,319,000	\$5,370,000	\$61,001,000	\$61,001,000
Reported Revenue	\$5,382,613	\$5,586,616	\$5,037,892	\$5,116,325	\$4,743,409	\$4,828,090	\$4,644,200	\$4,349,572	\$3,670,609	\$4,887,796	\$5,233,251	\$5,194,752	\$58,675,126	\$58,675,126
Variance from Original	\$16,613	\$200,616	\$145,892	\$20,325	(\$78,591)	(\$13,910)	(\$197,800)	(\$292,428)	(\$1,665,391)	(\$214,204)	(\$152,749)	(\$241,248)	(\$2,472,874)	(\$2,472,874)
Variance from Revised	(\$270,387)	\$209,616	\$160,892	\$14,325	(\$64,591)	\$4,090	(\$134,800)	(\$230,428)	(\$1,605,391)	(\$148,204)	(\$85,749)	(\$175,248)	(\$2,325,874)	(\$2,325,874)



- Revenue below forecast primarily due to changes in revenue recognition in March 2013
- After a notice of civil penalty is issued, toll revenue is accounted for as civil penalty revenue rather than as toll revenue
- Civil penalty revenue – including tolls, \$5 reprocessing fees, and \$40 civil penalty administrative fees – in FY 2013 is \$3.826 million

FY 2013 Uses of Funds - Actual



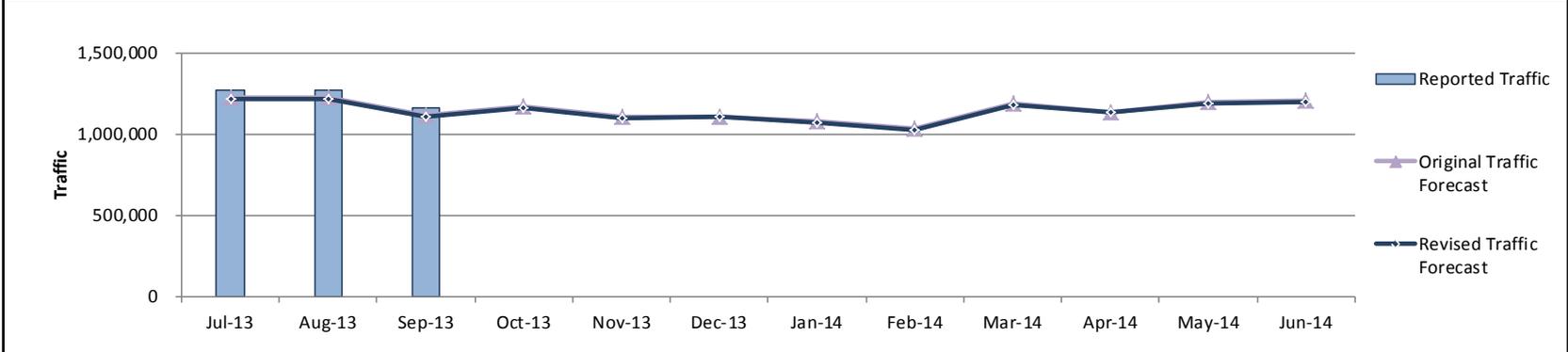
FY 2013 Cost to Collect

Transaction Type	SR 520 Cost to Collect ¹	TNB Cost to Collect ¹
<i>Good To Go! Pass</i>	\$0.29	\$0.30
Pay By Mail	\$0.94	\$1.07
Pay By Plate	\$0.37	\$0.40
Non-Revenue	\$0.23	\$0.24
Short Term Account	\$6.66	\$6.71
Tollbooth	N/A	\$1.05
Weighted Average	\$0.40	\$0.52

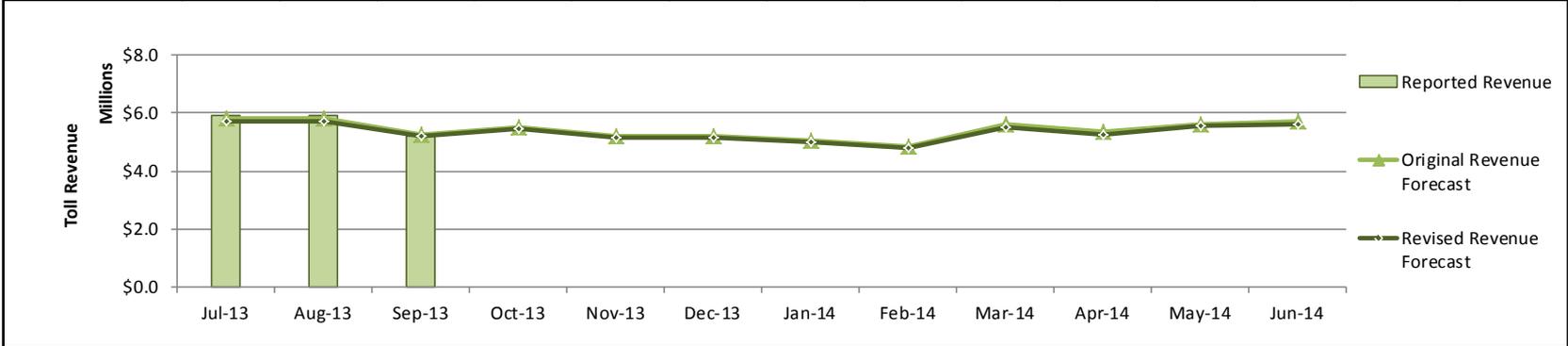
¹ Cost to Collect excludes debt payments, transponder costs, capital outlays for software, adjudication costs, roadway expansion, maintaining bridges/roads, ongoing bond support, patrol services, and services rendered by other state agencies or government. Unbillable and unpaid transactions were not included in the cost to collect analysis.

FY 2014 Q1 Projected and Reported Traffic and Revenue

TRAFFIC	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD	Annual Total
Original Forecast	1,226,408	1,226,797	1,112,203	1,166,798	1,102,725	1,108,677	1,077,556	1,033,089	1,190,273	1,136,312	1,194,315	1,208,048	3,565,408	13,783,201
Revised Forecast	1,219,594	1,219,982	1,106,024	1,160,316	1,096,599	1,102,517	1,071,570	1,027,350	1,183,660	1,129,999	1,187,680	1,201,338	3,545,600	13,706,628
Reported Traffic	1,265,753	1,270,356	1,157,809	-	-	-	-	-	-	-	-	-	3,693,918	3,693,918
Variance from Original	39,345	43,559	45,606										128,510	128,510
Variance from Revised	46,159	50,374	51,785										148,318	148,318



REVENUE	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD	Annual Total
Original Forecast	\$5,788,452	\$5,811,590	\$5,268,918	\$5,512,871	\$5,194,411	\$5,212,511	\$5,062,846	\$4,849,664	\$5,591,232	\$5,335,911	\$5,634,542	\$5,688,253	\$16,868,960	\$64,951,201
Revised Forecast	\$5,706,032	\$5,727,106	\$5,194,762	\$5,442,638	\$5,129,237	\$5,146,531	\$4,998,527	\$4,791,144	\$5,520,162	\$5,269,773	\$5,563,965	\$5,618,799	\$16,627,900	\$64,108,676
Reported Revenue	\$5,912,885	\$5,903,521	\$5,196,745	-	-	-	-	-	-	-	-	-	\$17,013,151	\$17,013,151
Variance from Original	\$124,433	\$91,931	-\$72,173										\$144,191	\$144,191
Variance from Revised	\$206,853	\$176,415	\$1,983										\$385,251	\$385,251



Financial Plan Summary



Printed on: 1/21/2014

Tacoma Narrows Toll Bridge Account (511) Financial Plan - Updated on January 17, 2014

Annual Financial Plan

Forecasted revenue is based on adopted November 2013 TRFC Forecast, Forecasted Expenses are based on the FY 2015-2019 Supplemental Budget (12/17/13)
Historical Revenues and expenses from 2006 - 2013 are based on TNB Income Statements

		Actuals				Forecast					
		2010	2011	2012	2013	2014	2015	2016	2017		
Fiscal Year											
Toll Rate (Pre-Pay)		\$ 2.75	\$ 2.75	\$ 2.75	\$ 4.00	\$ 4.25	\$ 4.50	\$ 4.50	\$ 4.50		
Toll Rate (Cash)		\$ 4.00	\$ 4.00	\$ 4.00	\$ 5.00	\$ 5.25	\$ 5.50	\$ 5.50	\$ 5.50		
Toll Rate (Pay-By-Mail)				\$ 5.50	\$ 6.00	\$ 6.25	\$ 6.50	\$ 6.50	\$ 6.50		
Beginning Fund Balance w/o Civil Penalties		16,487	16,800	8,124	3,828	8,140	8,355	11,803	7,058		
Operations and Maintenance											
Sources of Funds¹											
OPERATING SOURCES	Interest Earnings from Tacoma Narrows Account (511) ²	341	145	51	21	21	21	21	21		
	Interest Earnings from Toll Collection Account (495) ²	71	33	21	8	8	8	8	8		
	Toll Revenue - Pre-Pay & Cash	45,353	44,049	44,103	55,694	60,186	64,685	66,101	68,527		
	Toll Revenue - Pay By Mail	-	-	-	2,981	4,173	4,453	4,986	5,437		
	Transponder Sales Revenue	629	644	353	307	322	333	345	361		
	Violations	594	489	131	22	10	-	-	-		
	Transfers from Other Accounts	-	-	-	-	-	-	-	-		
	Fees ³	104	76	166	266	387	391	402	415		
	Contractual Damages ⁴	-	-	1,462	474	290	133	133	133		
	Miscellaneous Revenue ⁵	16	768	205	44	2	2	2	2		
Sub Total Sources of Funds for O & M before D/S		47,107	46,204	46,492	59,818	65,399	70,026	71,998	74,908		
XFERS	Debt Service Payment ⁶	(34,925)	(42,200)	(43,267)	(45,329)	(53,540)	(53,175)	(61,420)	(70,584)		
	Debt Service Withholding ⁶	22	(2,755)	2,824	(324)	(579)	(1,560)	(891)	492		
Total Sources of Funds for Operations and Maintenance		12,204	1,249	6,049	14,165	11,280	15,292	9,687	4,816		
Uses of Funds⁷											
OPERATING USES	Goods and Services			1,654	2,022	2,540	3,364	2,977	3,036		
	Toll CSC Operations Vendor Contract			3,330	3,372	3,289	3,289	3,289	3,288		
	Toll Booth and Lane Vendor Contract	6,781	5,621								
	Insurance ⁸	1,602	1,463	1,486	1,557	1,600	1,600	1,600	1,600		
	Credit Card and Bank Fees	907	784	857	959	934	990	934	990		
	Transponder Cost of Goods Sold		595	254	217	312	312	312	312		
	Washington State Patrol	271	209	15							
	Other Toll Operations Costs ⁹	988	455	203	194	363	359	309	306		
	Personal Service Contracts			466	713	1,067	955	583	585		
	Equipment Rental	4									
Travel											
Capital Outlays			1,346								
Salaries and Benefits	397	426	527	561	701	678	695	712			
Infrastructure Maintenance	229	324	187	238	152	286	293	300			
Total Uses of Funds for Operations and Maintenance		11,184	9,876	10,325	9,835	10,957	11,832	10,991	11,133		
Current Year Balance for Ops. And Maint. (Sources - Uses)		1,020	(8,627)	(4,276)	4,330	323	3,459	(1,304)	(6,317)		
Cumulative Balance for Ops. And Maint.		12,841	4,214	(62)	4,268	4,591	8,051	6,746	425		
CAPITAL	Capital										
	Preservation Expense ¹⁰	(707)	(49)	(20)	(18)	(108)	(12)	(3,440)	(496)		
Cumulative Balance for Capital		3,959	3,910	3,890	3,872	3,764	3,752	312	(185)		
Ending Fund Balance w/o Civil Penalties		16,800	8,124	3,828	8,140	8,355	11,803	7,058	246		
Civil Penalty Program - INFORMATIONAL PURPOSES ONLY - NOT INCLUDED IN FUND BALANCE											
Source of Funds											
CIVIL PENALTIES	Civil Penalty Revenue ¹¹	-	-	485	3,826	2,939	2,972	3,058	3,184		
	Uses of Funds										
	Civil Penalty Adjudication Costs ¹¹			401	473	518	520	525	536		
	Motor Vehicle Loan Repayment						950				
	Current Year Balance for Civil Penalty - NOT INCLUDED IN FUND BALANCE				84	3,353	2,421	1,502	2,533	2,648	
Cumulative Balance For Civil Penalties				84	3,437	5,857	7,359	9,891	12,537		
Ending Fund Balance		16,800	8,124	3,911	11,577	14,212	19,162	16,949	12,785		

Changes to Financial Plan Format

Formatting adjustments to the financial plan were made to make it easier to tie items to financial statements and track individual expenditures that were previously grouped together.

- Historical revenue and expenses tie to audited financial statements (www.wsdot.wa.gov/Tolling/TNBTolling/TNBLibrary.htm)
- Debt service and debt service withholding are subtotaled from revenue sources to determine total sources of funds available for operations and maintenance
- Line items that were no longer relevant were removed
- Capital sources and uses have been moved to a separate plan, and only the capital balance is shown.
 - Since construction ended, capital is used for facility preservation only

Changes to Financial Plan Content

- Sources tie to Transportation Revenue Forecast Council's November 2013 revenue projections and subtotal to reflect total revenue forecasted (www.ofm.wa.gov/budget/info/transportationrevenue.asp)
- FY 2014-2015 cost reductions consistent with Legislative direction. However, as part of the Toll Division Operational Review, it was determined cuts are not sustainable and WSDOT will need to address future funding needs
- FY 2014-2015 budget consistent with governor's supplemental budget request

Civil Penalties are Excluded from Fund Balance

- When the new Tacoma Narrows Bridge opened, the legislature loaned \$5.288 million in motor vehicle taxes to Tacoma Narrows Bridge for transponder subsidies and operating expenses prior to tolling
- Civil penalty cash receipts exceeding the cost of administering the adjudication program are dedicated to repaying this loan
- Revenues and expenses associated with civil penalties have been excluded from the Financial Plan fund balance for the purpose of calculating the sufficient minimum balance, including:
 - Civil penalty revenues
 - Costs of the adjudication program
 - The \$950,000 administrative transfer scheduled for FY 2015, in accordance with ESSB 5024, Section 407(15)
- It's assumed that civil penalty receipts will continue to exceed the cost of the adjudication program

Sources of Funds - Summary

Changes from Last Year's Financial Plan

	FY 2014	FY 2015
Interest earnings	↓	↓
Toll revenue – pre-pay & cash	↑	↑
Toll revenue – pay-by-mail	↑	↓
Transponder sales revenue	↓	↓
Civil penalty revenue (not included in fund balance)	↑	↑

Unchanged items are not noted

Uses of Funds - Summary

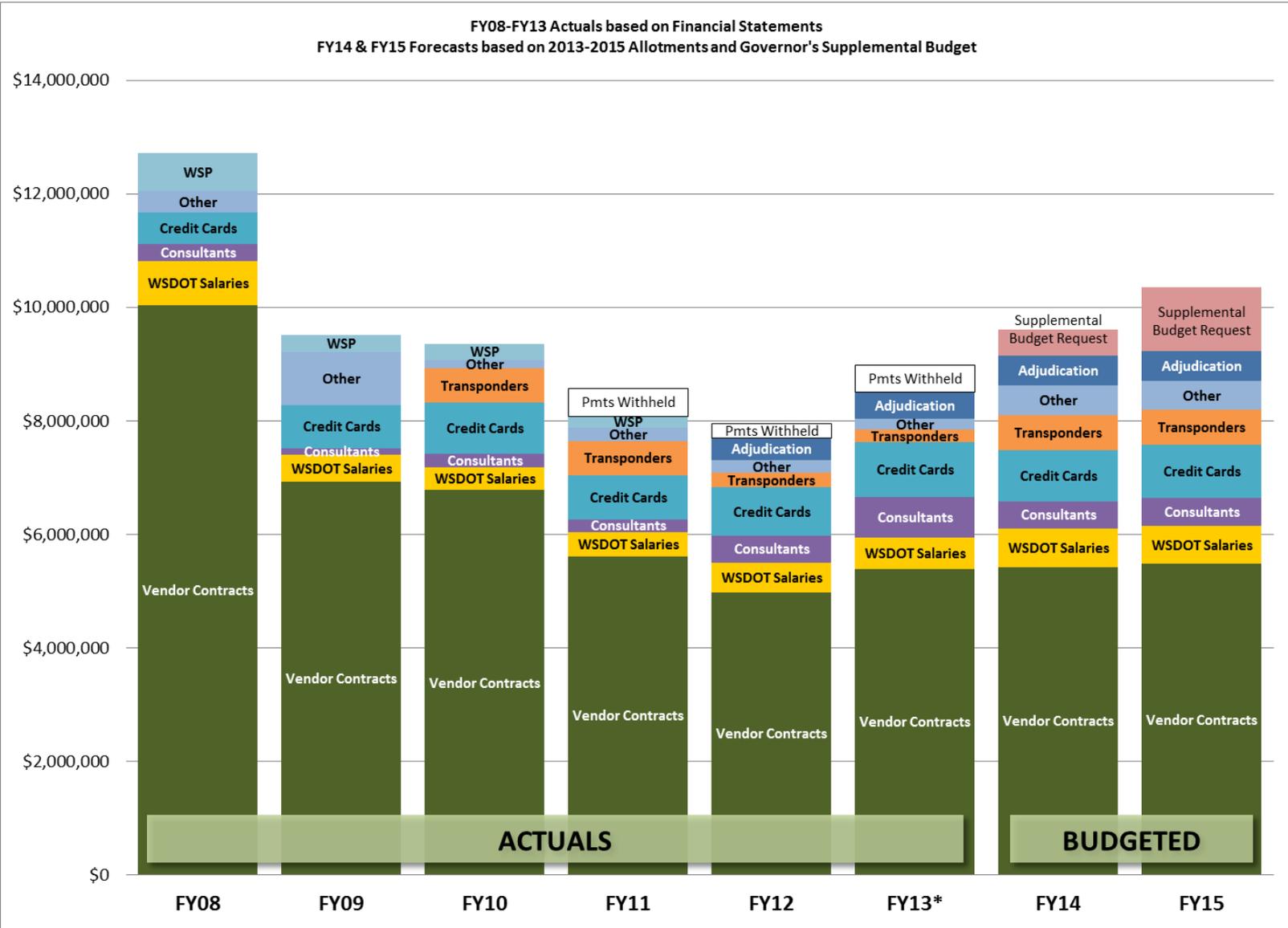
Changes from Last Year's Financial Plan

	FY 2014	FY 2015
Toll customer service center operations vendor contract	↓	↑
Insurance	↓	↓
Transponder cost of goods sold	↓	↓
Other toll operating costs	↑	↑
Personal service contracts	↑	↑
Salaries and Benefits	↓	↓
Infrastructure maintenance and preservation	↓	↓
Civil penalty adjudication costs (not included in fund balance)	↓	↓

Unchanged items are not noted

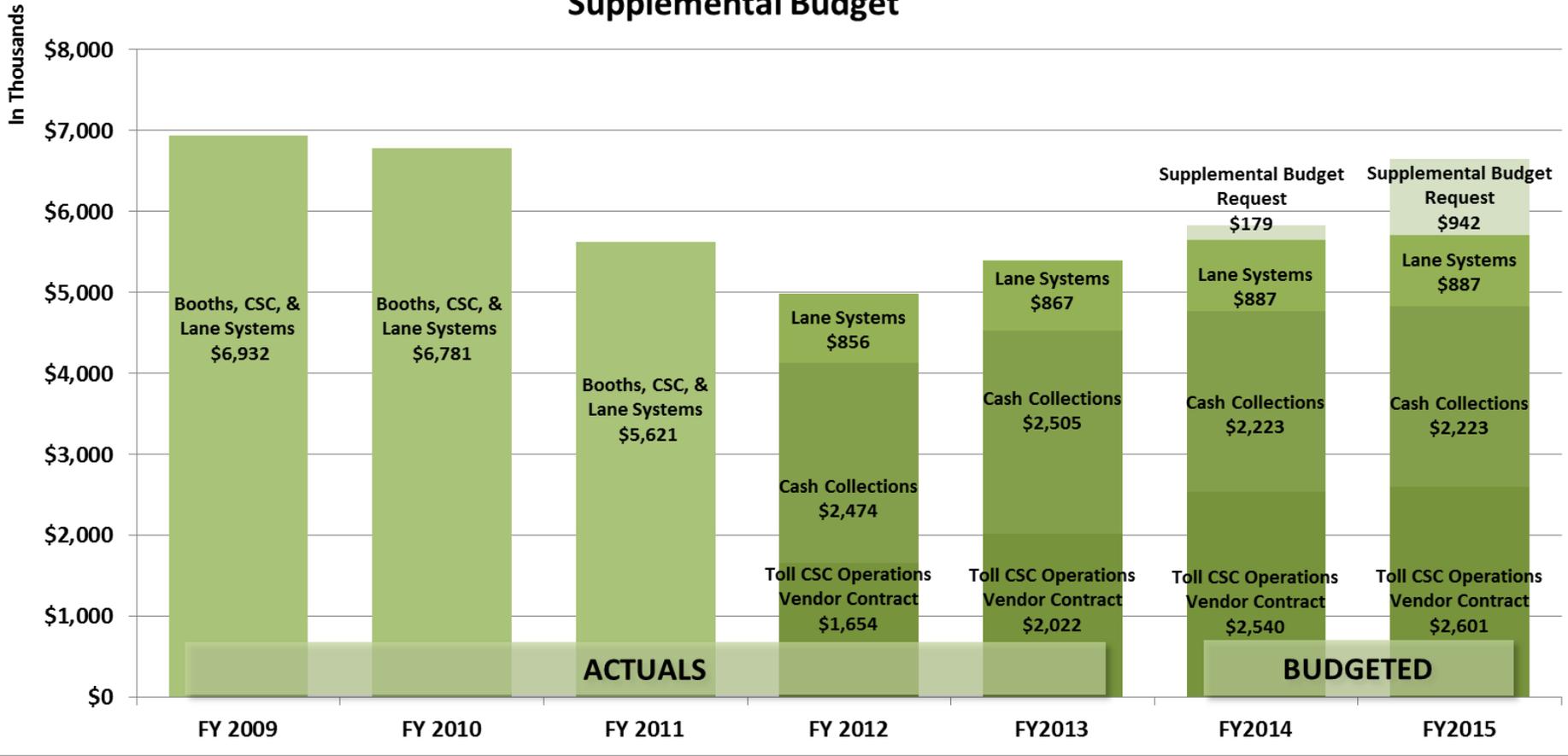
Uses of Funds - Summary

Historical and Budgeted Toll Operation Expenses



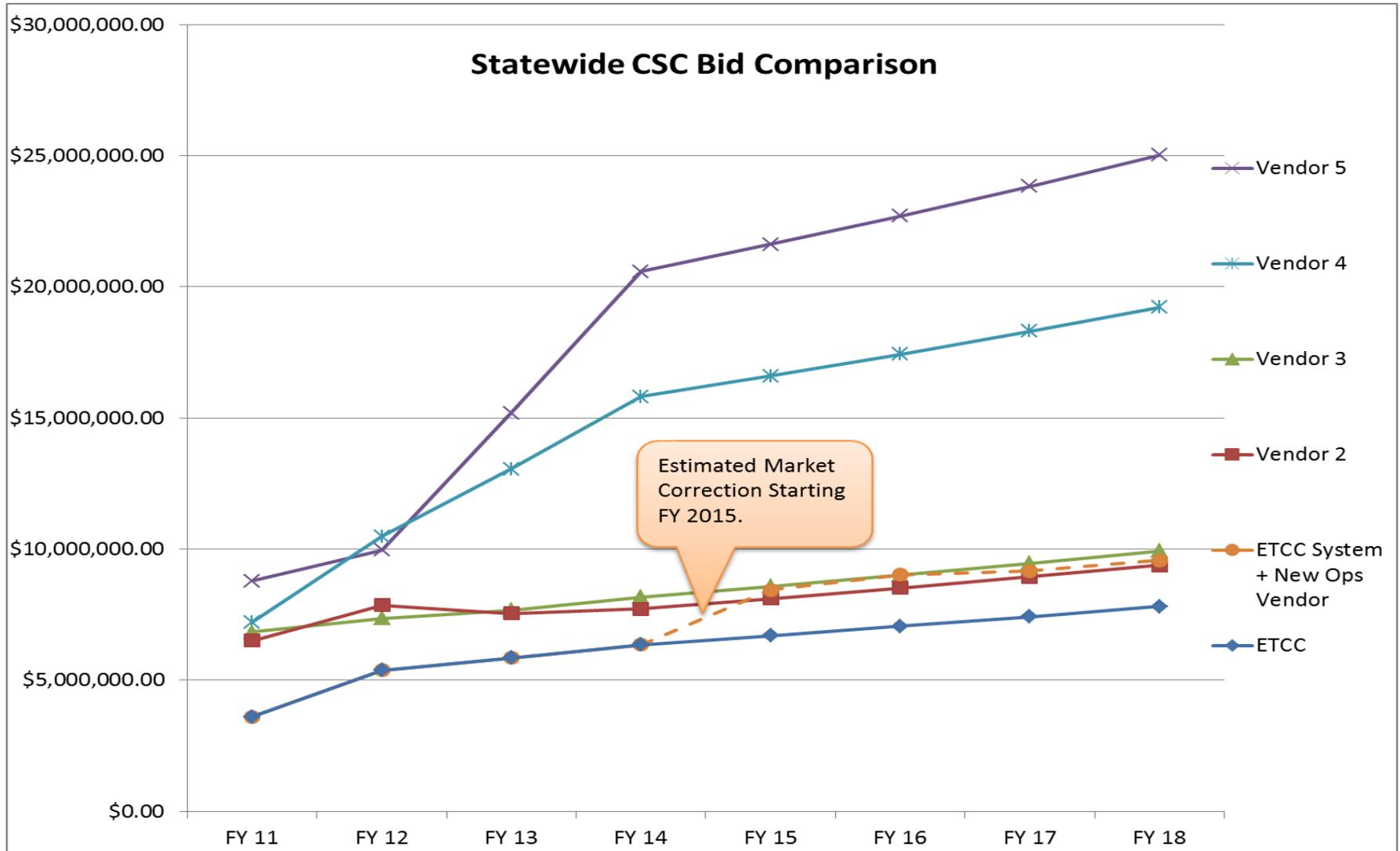
Historical Vendor Costs

FY12-FY13 Actuals based on Annual Financial Statements
 FY14 & FY15 Forecasts based on 2013-2015 Allotments and Governor's Supplemental Budget

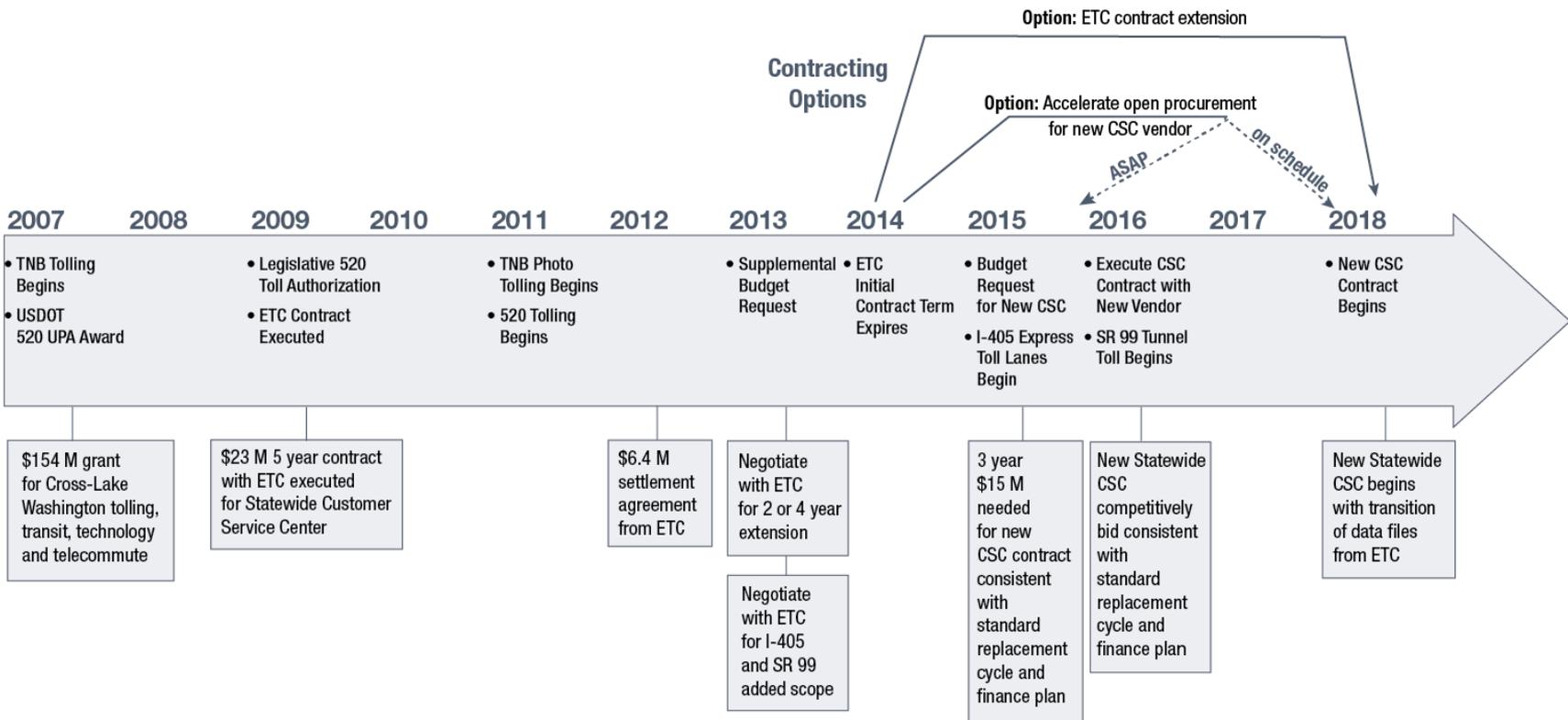


- Lower vendor costs in FY 2011, FY 2012 and FY 2013 reflect payments withheld for delayed SR 520 implementation and performance issues

2009 WSDOT Statewide CSC Bid Comparison



Toll Customer Service Center Operations Vendor Contract Re-procurement

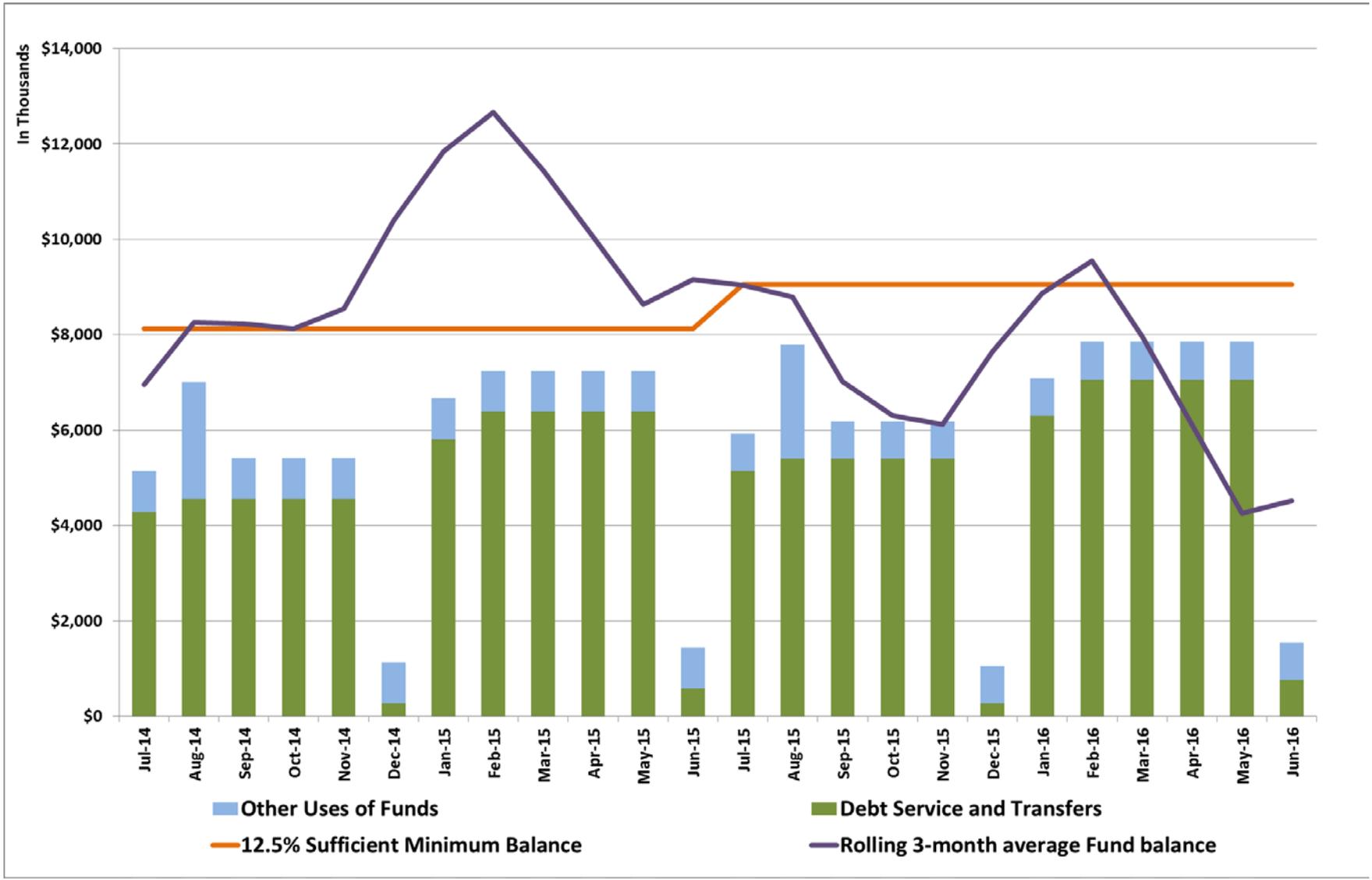


Governor's Supplemental Budget Request

- Restore 5.5 percent legislative cut to address Tacoma Narrows Bridge lane vendor contractual obligations
- Customer Service Center vendor market adjustment for FY 2015
- Acceleration of customer service center re-procurement :
 - Develop Requests for Proposals, Solicitation and Negotiation
 - Vendors Transition Costs
 - Transition Support
 - Customer Service Center Hosted Software Support
 - Customer Service Center System Improvements
- Conditional costs are reflected in customer service costs, personal service contracts

Sufficient Minimum Balance

Rolling 3-month average



Assumes a 25-cent increase in July 2014

Tacoma Narrows Bridge Rate Setting Milestones

	Milestone	WAC Revision Process	
		Maintain \$.25 increase	Deviate from the \$.25 increase
December	File CR 101		✓
January	WSTC rate setting kickoff meeting	✓	✓
	CAC rate setting kickoff meeting	✓	✓
	Financial plan/funding needs	✓	✓
	CAC financial plan Q&A	✓	✓
	CAC proposed scenarios		✓
February	Preliminary scenario results		✓
	CAC recommendation		✓
	Request any additional scenarios		✓
March	WSTC proposed rates		✓
	File CR 102		✓
April	Public Input meetings		✓
May	Public Hearing		✓
	Adopt toll rates		✓
	File CR 103		✓

For questions or further information...

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