



# TACOMA NARROWS BRIDGE

## FY 2013 Rate Adjustment

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# WASHINGTON STATE TOLLING OVERVIEW

*Approaches to Tolling*

# Tolling To Fund a Project



## Tacoma Narrows Bridge

- Project Cost: Tolls are paying for the new \$735 million bridge; gas tax pays for another \$583 million in SR-16 corridor improvements.
- Toll revenue makes bond payments and finances maintenance and operations.
- Toll Rates for car:

<i>Good to Go:</i>	\$2.75
<i>Cash:</i>	\$4.00
- Transit not exempt



# Tolling To Manage Traffic

## SR 167 HOT Lane Pilot Project:

- High Occupancy Toll (HOT) Lanes using dynamic tolling.
- Rates reflect current traffic in HOT and general purpose lanes.
- Speeds have increased by 11% in GP lanes.
- Average toll: Less than \$1.00
- HOVs & transit are free



# Tolling To Fund a Project & Manage Traffic

## SR 520 Bridge Replacement / HOV Project:

- New floating bridge
- Extends HOV lanes from I-5 to SR 202
- Total Project Cost: \$4.65 billion; of \$2.62 billion that is funded, \$1 billion is raised from tolling
- Variable Tolls:
  - *Weekday peak: \$3.50 ETC/\$5 pay by mail*
  - *No tolls 11 pm – 5 am*
  - *Exemptions: registered vanpools and transit*



# Tolling to Manage a Transportation Corridor



# Tolling in the Future

## Two Additional Tolled Facilities Authorized

- I-5 Columbia River Crossing
- SR 99 Downtown Bored Tunnel

## Four studies underway:

- I-405/SR 167 Express Toll Lanes
- SR 509 Extension to I-5
- SR 167 Extension to Port of Tacoma
- I-90 from I-5 to I-405



# Tacoma Narrows Bridge Rate Setting Process

**Paula J. Hammond, P.E.**  
Secretary

**David L. Dye, P.E.**  
Deputy Secretary

**Steve Reinmuth**  
Chief of Staff

**Craig J. Stone, PE**  
Toll Division Director

**Washington State Transportation Commission Public Input Meetings  
April 18 and 19, 2012**

# Presentation Outline

- Tolling Legislative Framework: Roles and Responsibilities
- Tacoma Narrows Bridge (TNB) Funding Requirements
- Introduction of Photo Tolling and Early Results
- TNB Citizen's Advisory Committee (CAC)
- Forecasting Accuracy



# 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

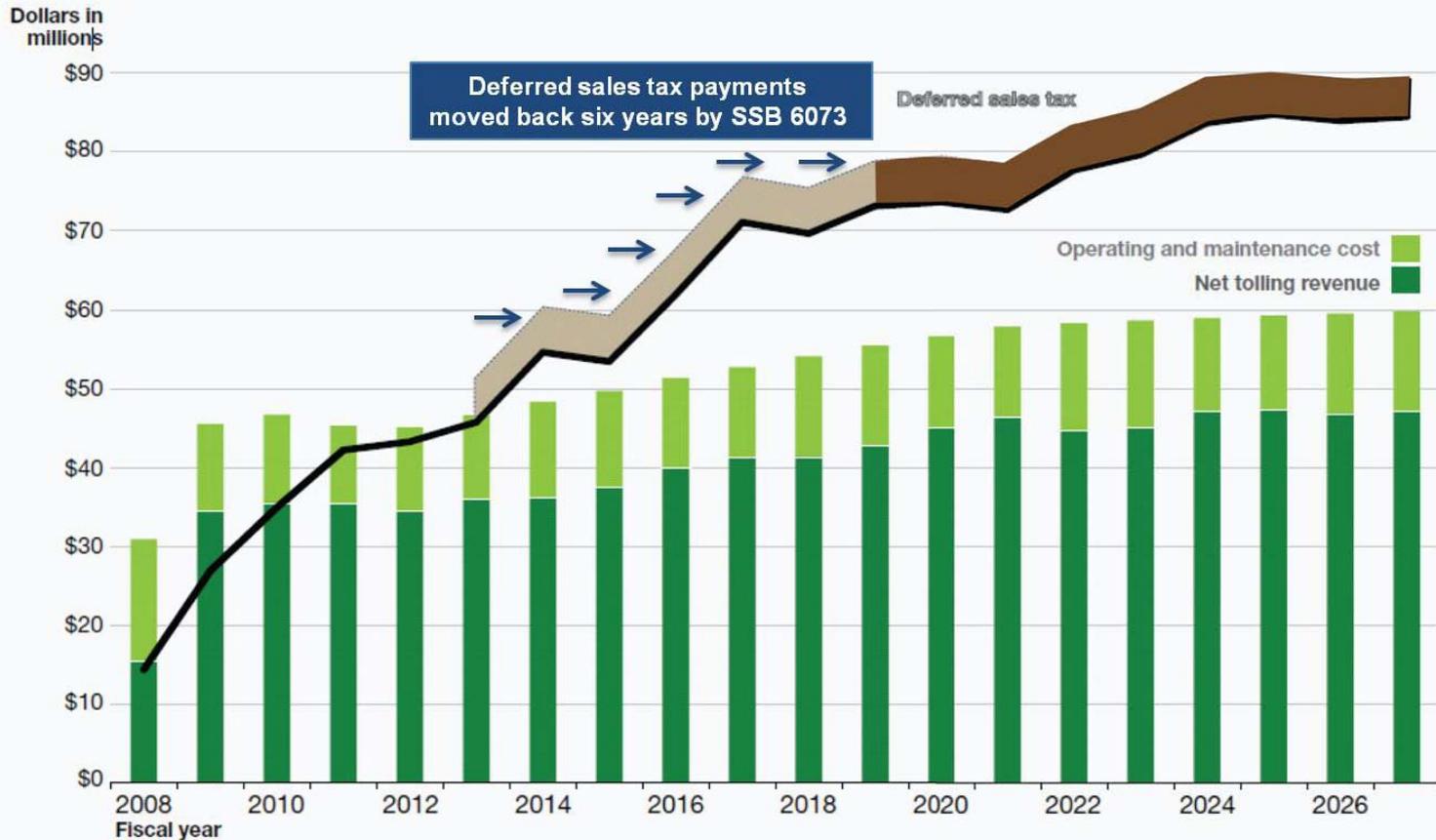
The Legislature, Commission and WSDOT each play a role

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

# 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

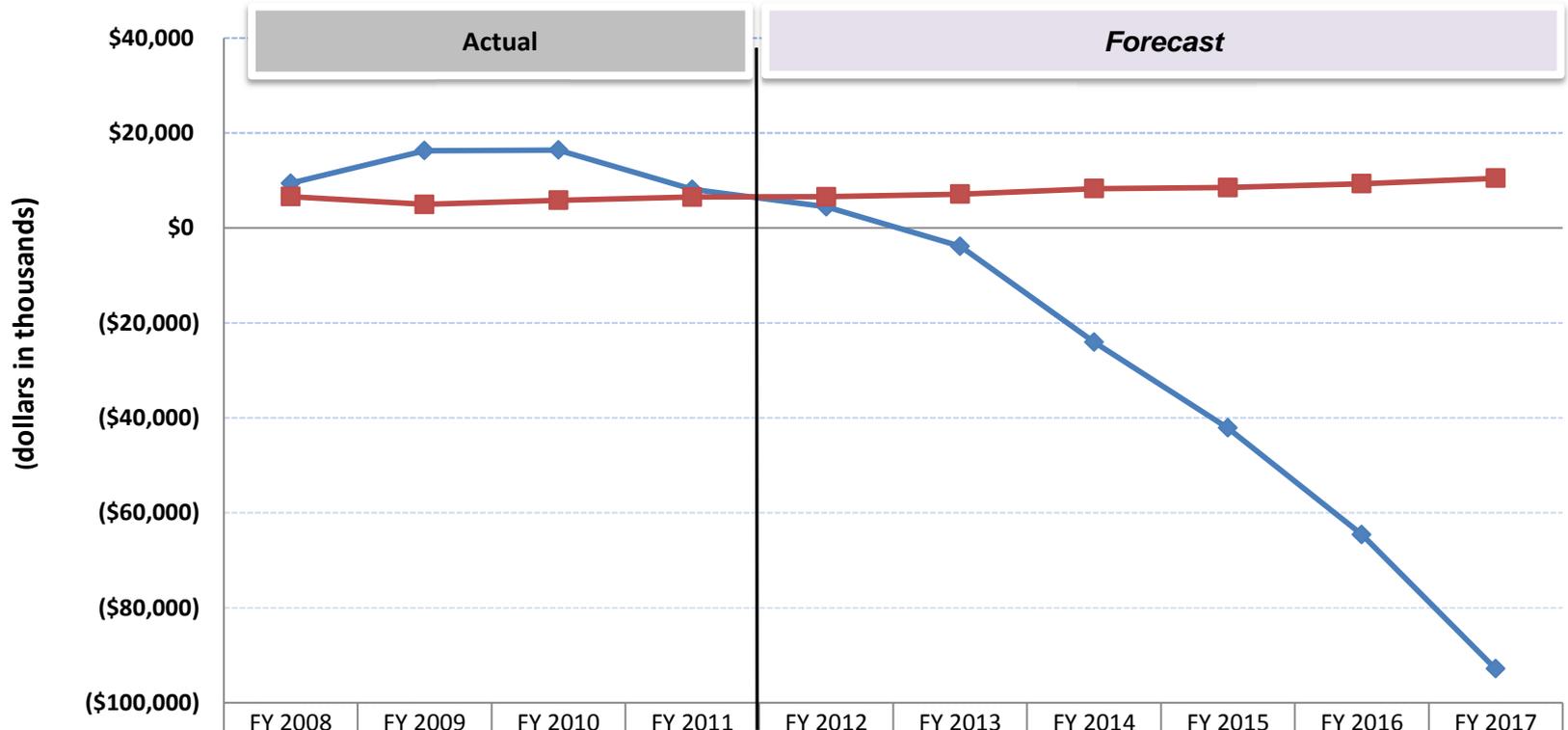


Actual toll rate	\$1.75 T \$3.00 C	\$2.75 Transponder \$4.00 Cash		
2002 plan toll rate	\$3.00	\$4.00	\$5.00	\$6.00

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)

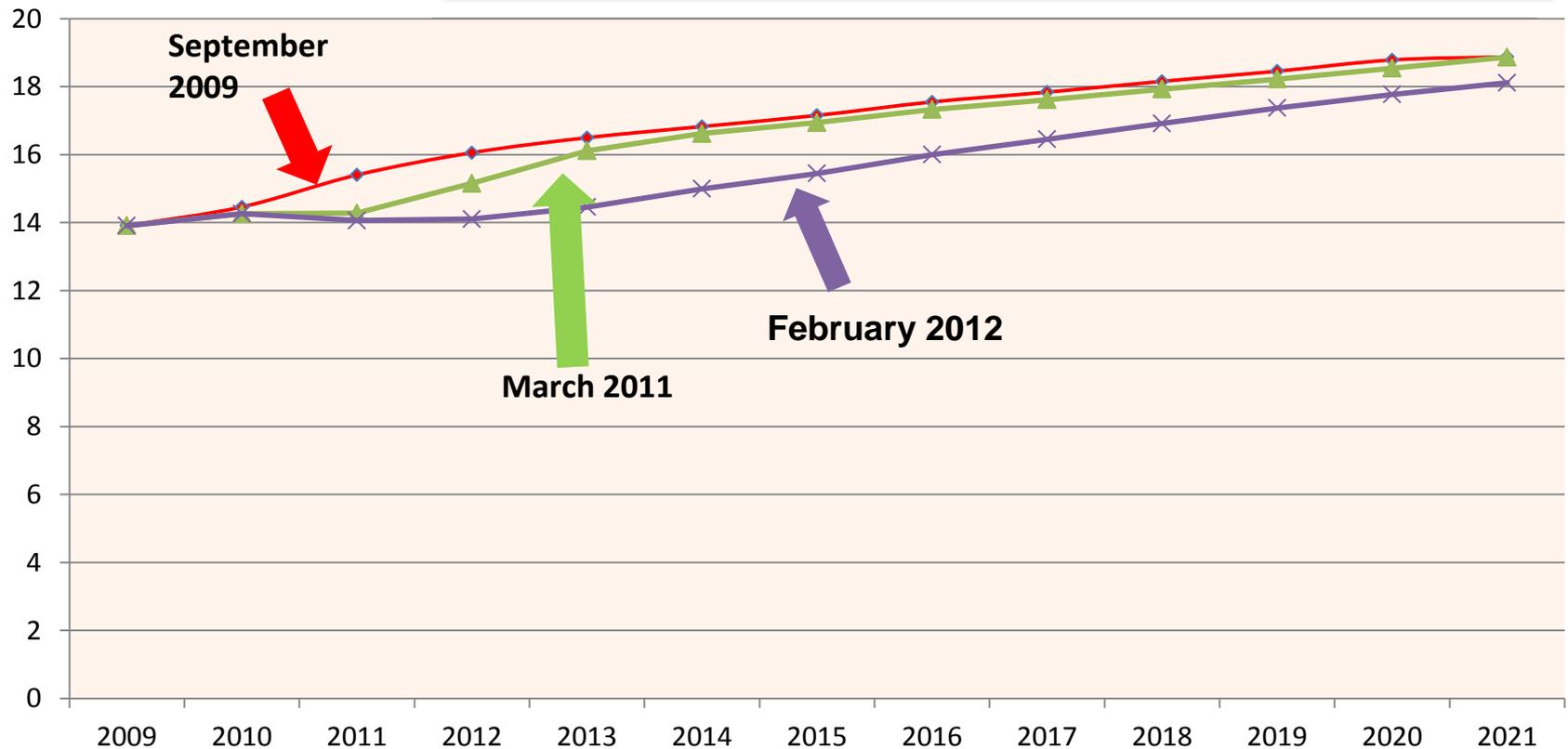


	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ending Unreserved Fund Balance	9,418	16,290	16,413	8,124	4,474	(3,859)	(24,021)	(42,101)	(64,569)	(92,816)
12.5% Sufficient Minimum Balance	6,630	4,985	5,852	6,516	6,594	7,130	8,285	8,512	9,318	10,481

# 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



# Changes to TNB Operations and Introduction of Photo Tolling

- Transitioned to a new toll vendor for customer service and back office
- Deployed new transponder technology and upgraded readers
- Partnered with five area retailers to distribute *Good To Go!* transponders
- Implemented Photo Tolling on TNB, and new payment methods
- Now transitioning from toll infractions to a civil penalty process for customers who don't pay bills



# Photo Tolling Began Dec 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.

# New Enforcement Process

- Notice of Infraction (NOI) process ended on Dec. 2, 2011
  - \$52 penalty issued by Washington State Patrol and handled by Pierce County Courts
  - Last NOI was mailed on December 11, 2011
- The Notice of Civil Penalty process began on Dec. 3, 2011
  - Customers who go through toll readers without paying will receive a toll bill rather than a violation
    - 1<sup>st</sup> toll bill is mailed after 7 days
    - 2<sup>nd</sup> toll bill, with \$5 reprocessing fee, is mailed after 30 days
  - A notice of civil penalty is issued after 80 days with \$40 fee for each unpaid transaction
  - Adjudication handled through the state's Office of Administrative Hearings

*RCW 46.63.160*

# Transition to New Tolling Vendor

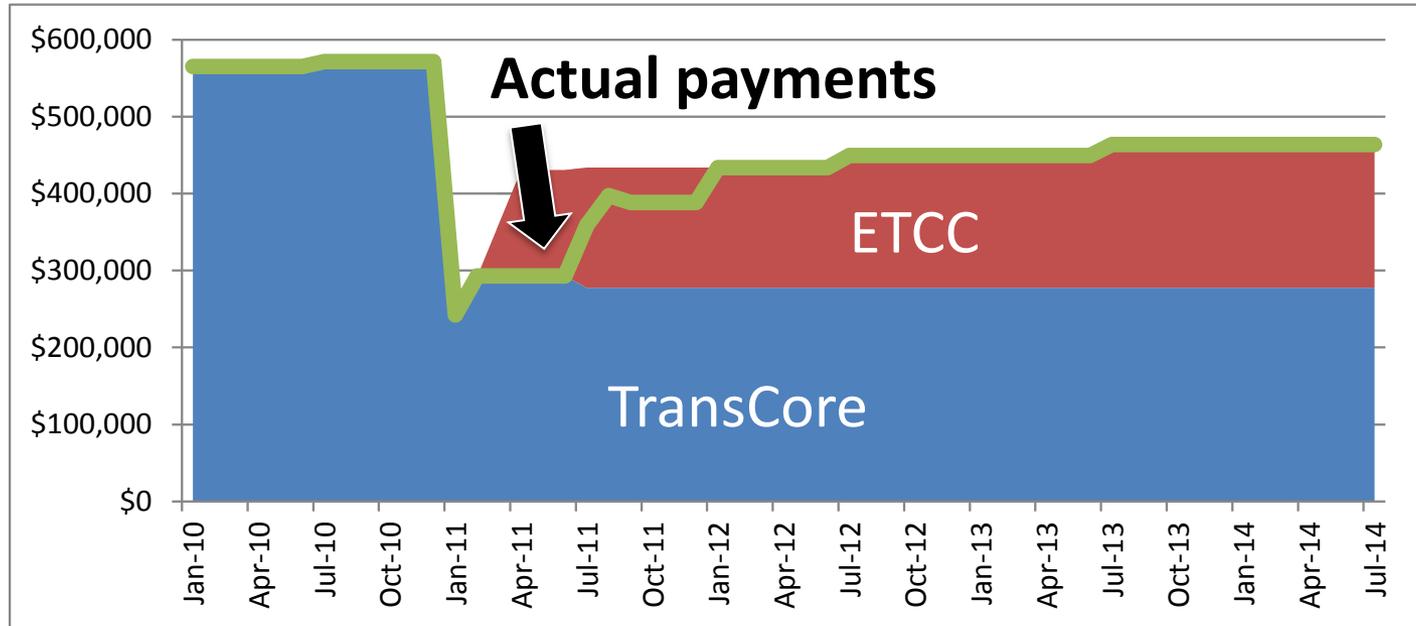
- New toll vendor contract awarded December 2009 for customer service and back office functions
- Data migration from the former vendor occurred in February 2011
- WSDOT faced challenges with the transition to a new vendor that impacted customers
  - System issues
  - Interface issues
  - Toll reader problems
- Violation processing was backlogged, and many were dismissed

# Effect of the New Back Office Contract

## Long-term savings

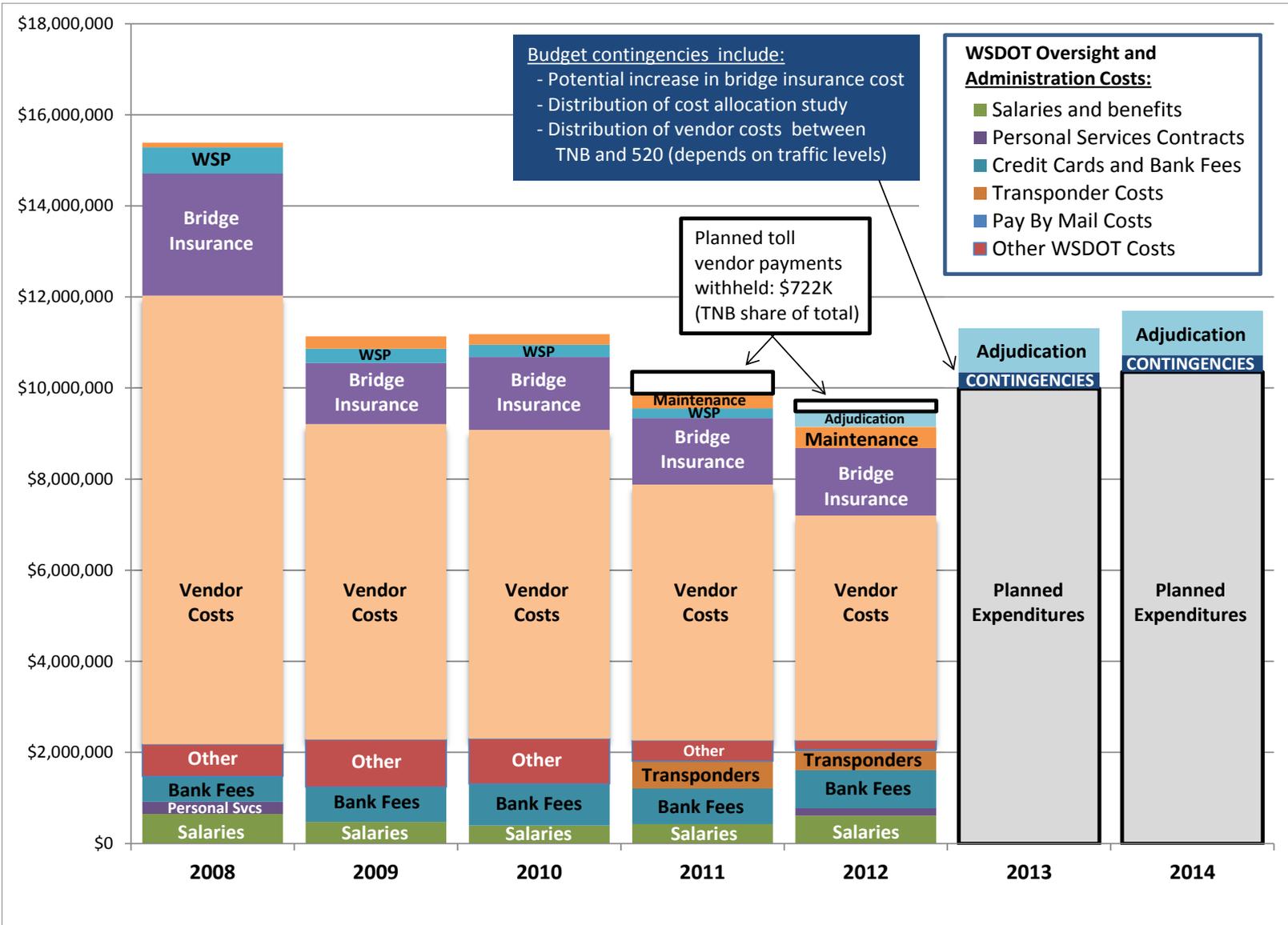
- TNB ratepayers did not pay for development costs of new back office system or replacement of the toll readers
  - The Federal Highway Administration's SR 520 Lake Washington Urban Partnership grant paid for development of the new vendor contract
  - The FHWA also paid for the replacement of the toll 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

# Vendor Costs with New Contract



- TransCore now provides lane systems and cash collection only
- ETCC customer service center contract has a lower price
- No payments made to ETCC between February and June; only partial payments since July until SR 520 tolling is operational

# TNB Toll Collection Costs Since 2008



# 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

Tappan Zee Narrows Toll Bridge  
Annual Sufficient Fund Balance Coverage  
(\$ in Thousands)

Analysis of Toll Revenue Scenarios 3-16-2012  
Draft

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

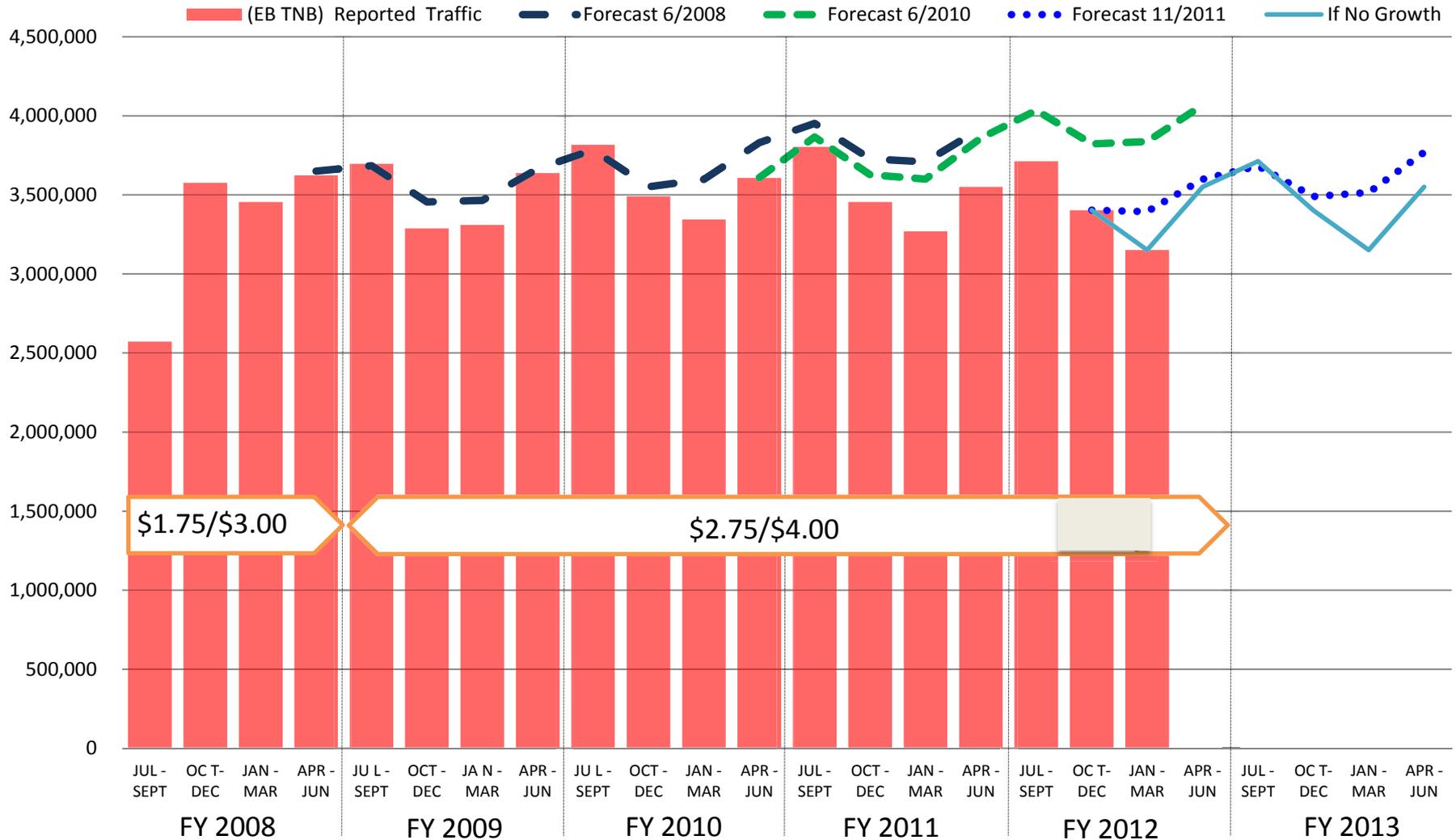
		FY 2012	FY 2013	FY 2014	FY 2015
12.5% Sufficient Minimum Balance (SMB)		6,594	7,130	8,285	8,512
<b>Baseline Scenario - February 2012 Forecast</b>	TNB Account Ending Fund Balance	\$ 4,474	\$ (3,859)	\$ (24,014)	\$ (42,101)
\$2.75 GTG / \$4 Cash / \$5.50 PBM	Sufficient Fund Balance Coverage	8.5%	-6.8%	-36.2%	-61.8%
<b>Scenario A</b>	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%
<b>Scenario B</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%
<b>Scenario C</b>	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%
<b>Scenario D</b>	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%
<b>Scenario E</b>	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%
<b>Scenario F</b>	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%
<b>Scenario G</b>	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%
<b>Scenario H</b>	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%
<b>Scenario I*</b>	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%
<b>CAC RECOMMENDATION</b>	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



Bars are actual transactions

# 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.**

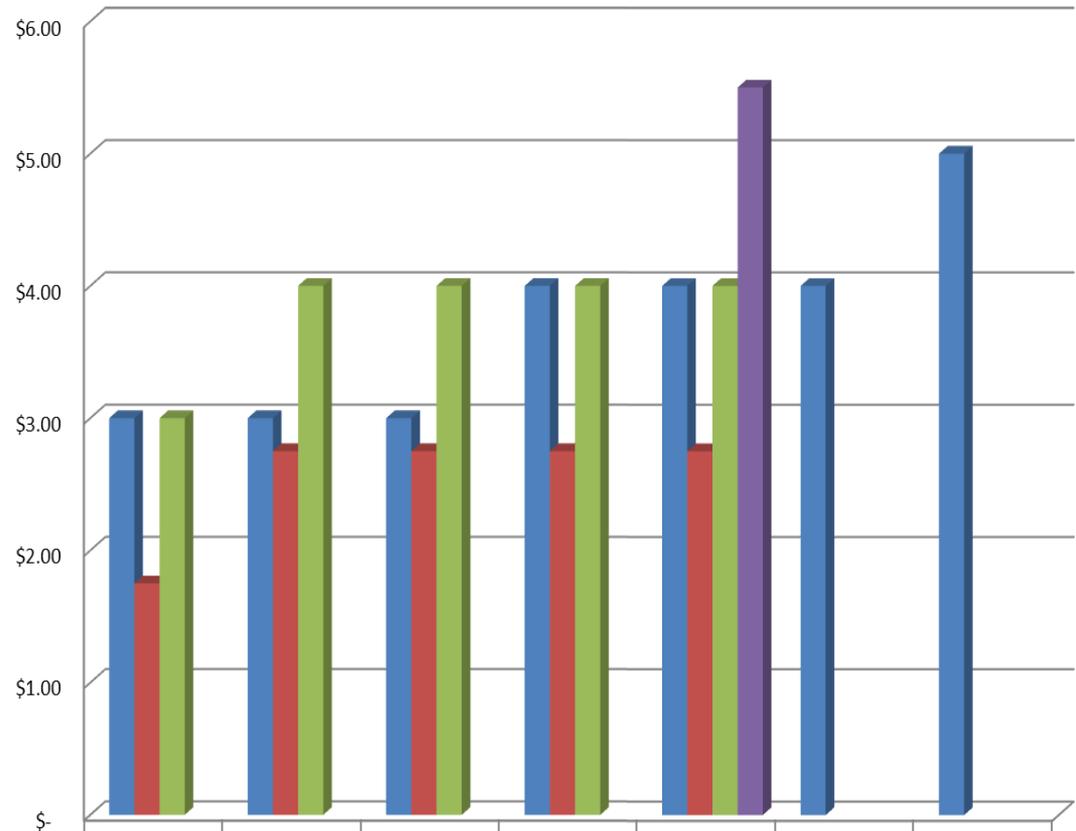
# Actions Tempering the Amount of the Rate Increase

- 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 Toll Rate History

- Original Toll Rate Plan assumed a flat, single toll rate - no discounts were planned.
- Original Toll Rate Plan assumed a \$3 increase every 3 years.
- There has been only one toll rate increase (July 1, 2008).

Tacoma Narrows Bridge  
2002 Original Toll Rate Plan vs. Implemented Toll Rates

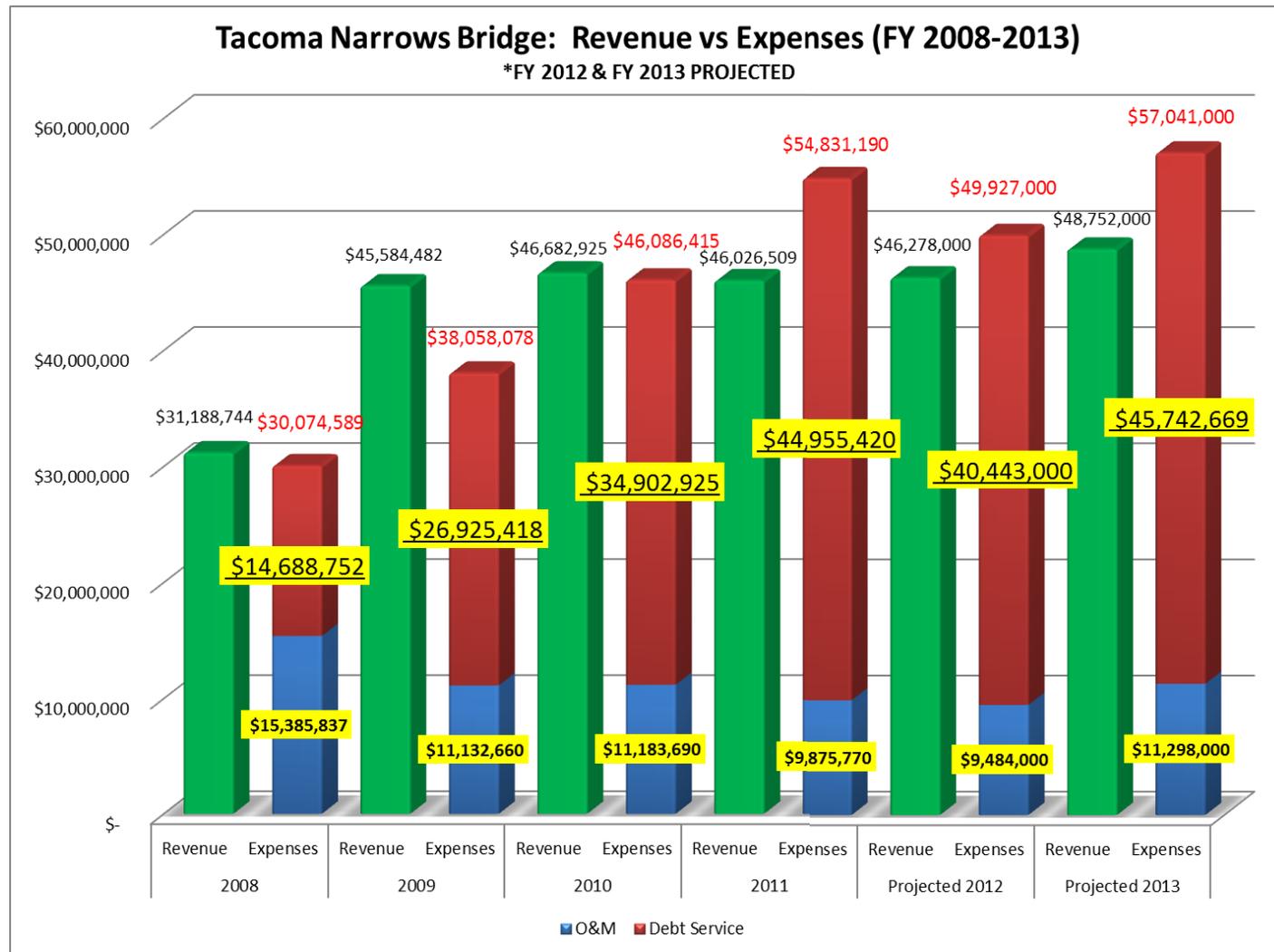


■ 2002 Original Toll Rate Structure	\$3.00	\$3.00	\$3.00	\$4.00	\$4.00	\$4.00	\$5.00
■ Good-to-Go	\$1.75	\$2.75	\$2.75	\$2.75	\$2.75		
■ Cash	\$3.00	\$4.00	\$4.00	\$4.00	\$4.00		
■ Pay-by-Mail					\$5.50		

# Tacoma Narrows Bridge: Total Revenues & Total Expenses

Revenues are not keeping pace with expenses largely due to:

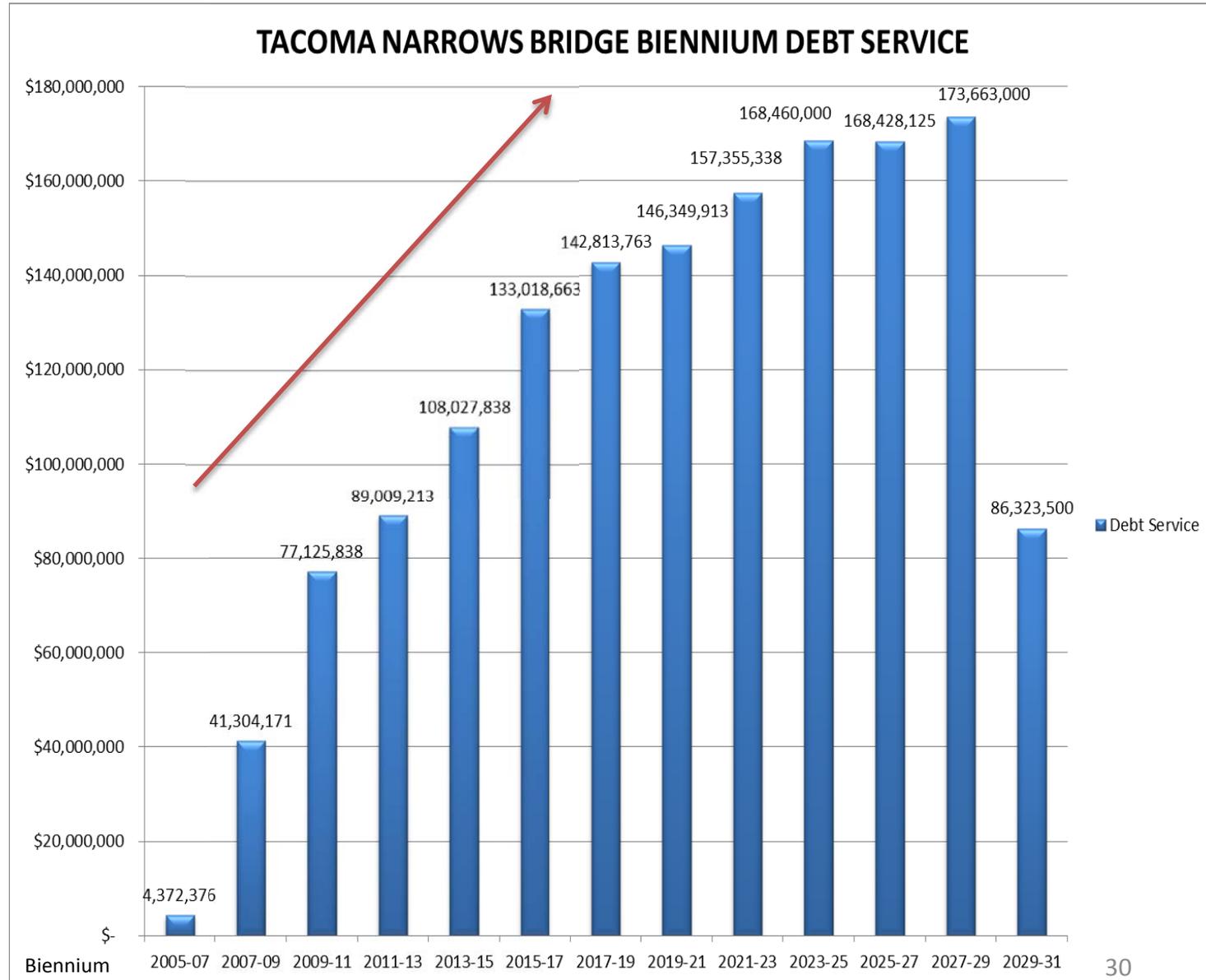
- Escalating debt service payments
- O&M costs
- Declining traffic volumes



\*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 Biennium Debt Service

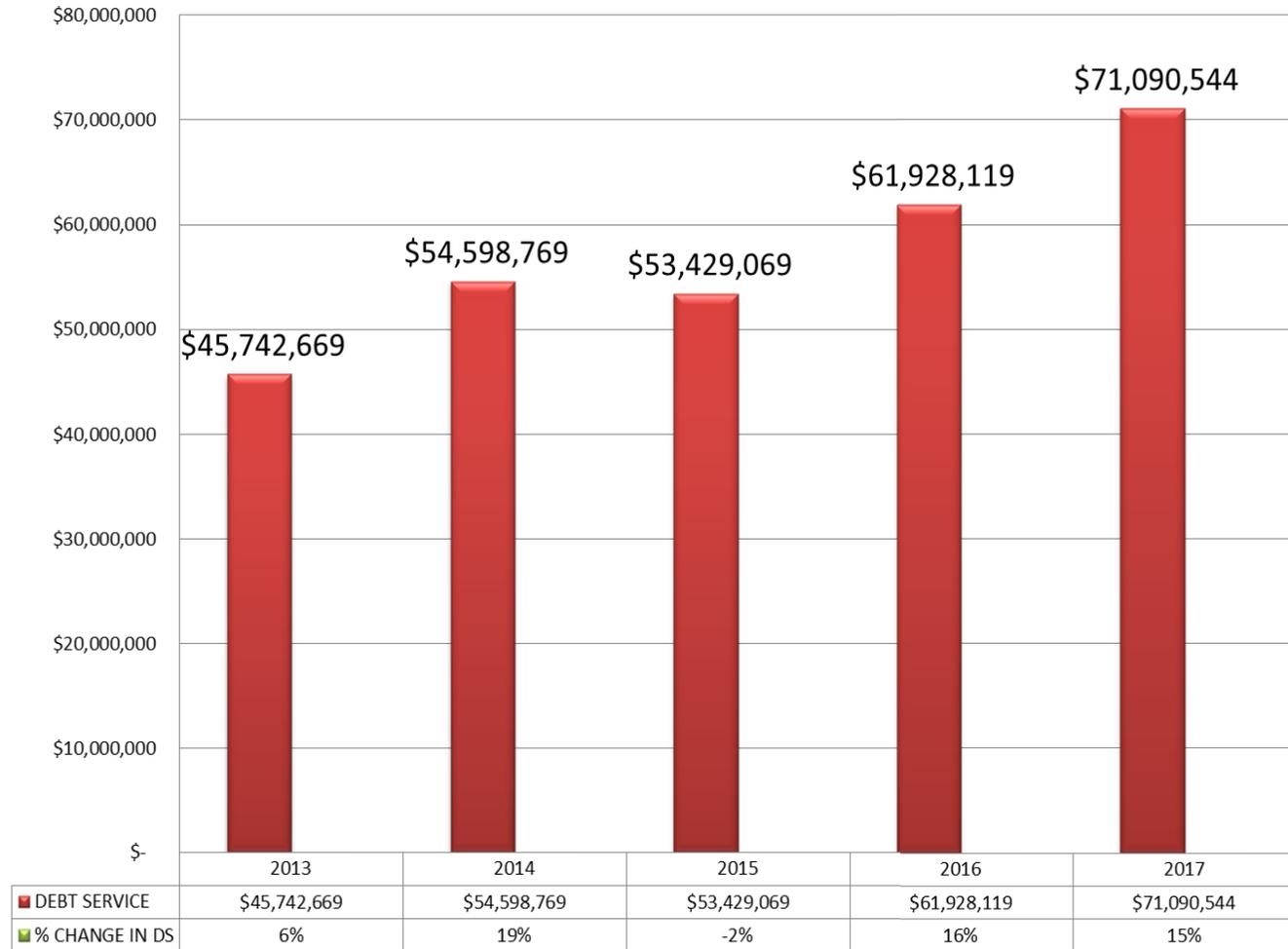
- Debt service payments will increase each fiscal year.
- These are fixed rate bonds with no option to refinance.



# Tacoma Narrows Bridge Debt Service - FY 2013-2017

- The current rate setting process addresses the funding obligations in FY 2013 only.
- The escalating debt service structure will require rates to be adjusted each fiscal year.
- From FY 2013 to FY 2017 the Debt Service obligations grow from \$45.7 million to \$71 million.

Tacoma Narrows Bridge Debt Service (FY 2013-2017)



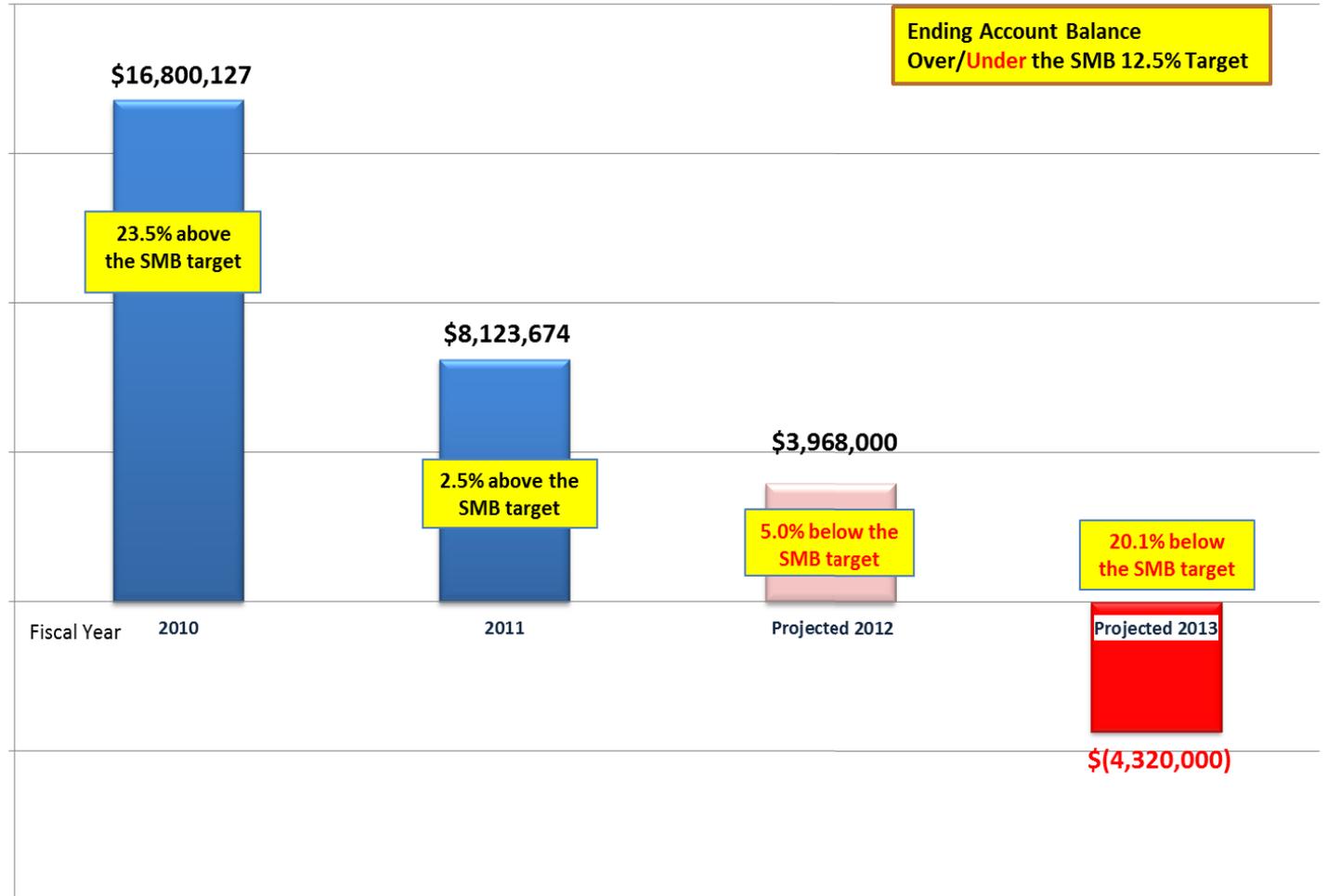
# Why is a Sufficient Minimum Balance Needed?

- **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.
- **The Commission has established a Sufficient Minimum Balance for the TNB Account of 12.5% to cover costs and revenue shortfalls.** The TNB account is not projected 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 it 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. Sufficient Minimum Balance Target

Fiscal Year Ending Account Balance Compared to the SMB target



Ending Account Balance  
Over/Under the SMB 12.5% Target

23.5% above  
the SMB target

2.5% above the  
SMB target

5.0% below the  
SMB target

20.1% below  
the SMB target

Fiscal Year 2010

2011

Projected 2012

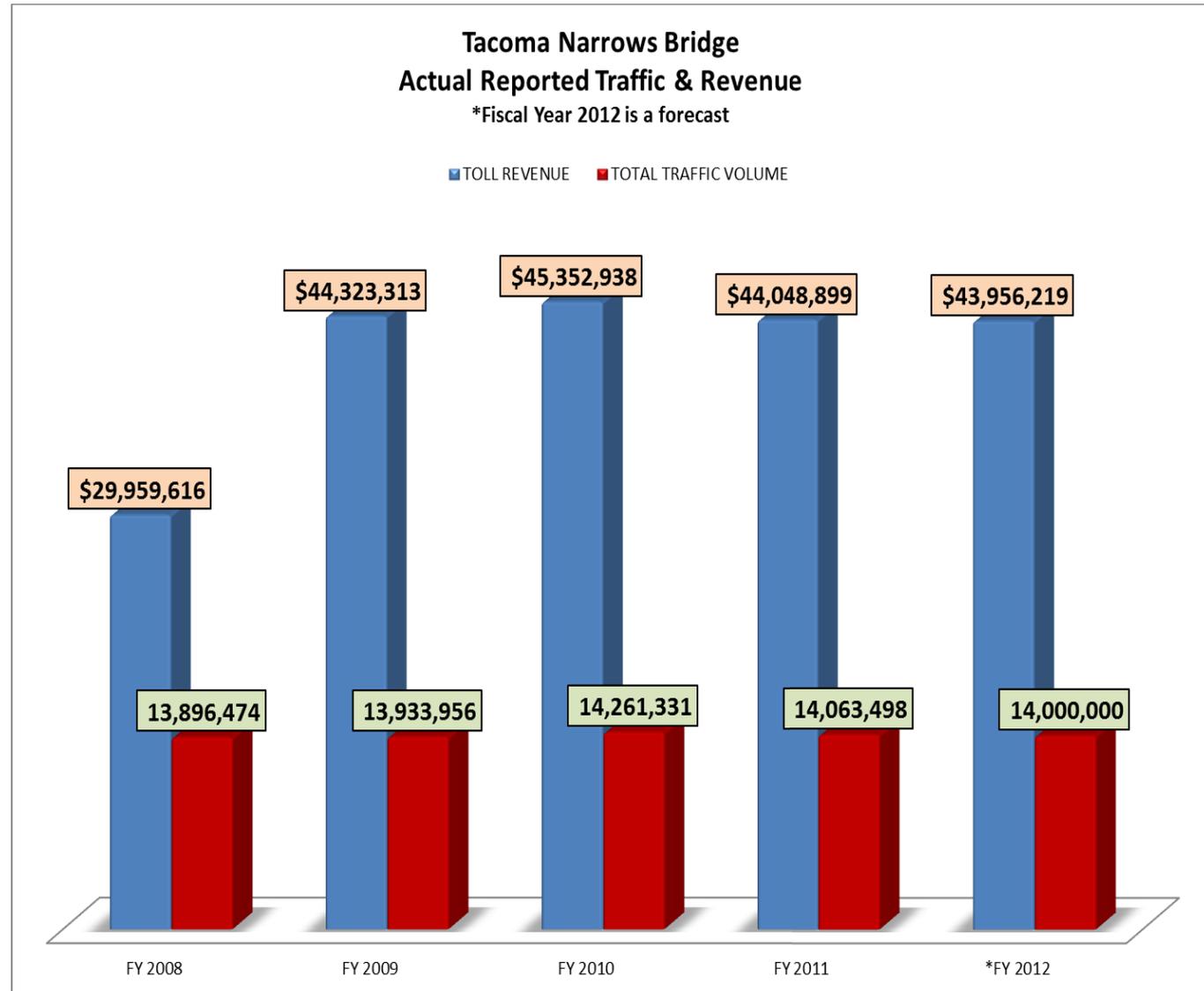
Projected 2013

\$(4,320,000)

- The Commission established a Sufficient Minimum Balance Policy in FY 2010.
- Since FY 2010, the account balance has been reduced to pay for increasing expenses instead of raising toll rates.
- **FY 2013 TNB account balance will go negative without a toll rate increase.**

# Tacoma Narrows Bridge Traffic & Revenue History

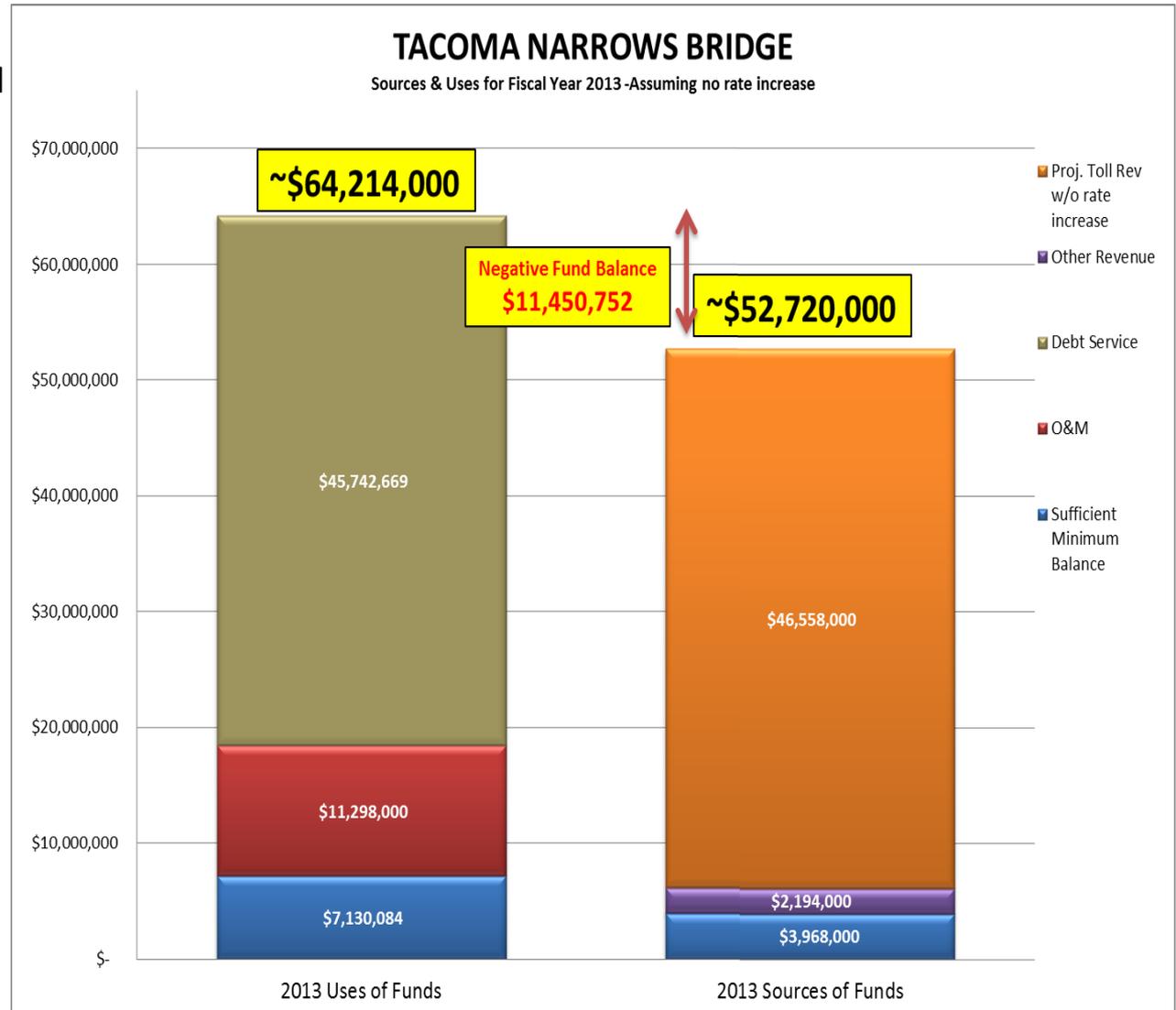
- The traffic and revenue peaked in FY 2010 and has declined during the last two fiscal years.
- Declining traffic results in declining revenues.
- Despite this fact, toll rates have not been raised because the SMB was used to cover costs in light of less revenue.



# Tacoma Narrows Bridge

## Fiscal Year 2013 Funding Obligation

- **With no rate increase, toll revenue will generate \$46.5 million . The FY 2013 funding need is \$64.2 million.**
- The SMB has been reduced below the policy level and must be restored.
- Even when assuming traffic volumes will grow as projected, **if rates are not increased the Tacoma Narrows Bridge Account will be nearly \$11.5 million short of its funding obligation.**



\*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

- Projected and actual traffic volumes are used to help determine what rates should be set at for the fiscal year ahead.
- Projections and forecasting are “crystal ball” exercises. 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.
  - FY 2010 traffic volume was **1.23% lower** than projected.
  - FY 2011 traffic was **3.55% lower** than projected
  - **To date for FY 2012** (July 2011 – March 2012) traffic volume is **2.62% lower** than projected.
- NOTE: Actual (*as opposed to “projected”*) traffic volumes are decreasing:
  - 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%

## WSTC Proposed Toll Rates

**GTG: \$4.00**

**CASH: \$5.00**

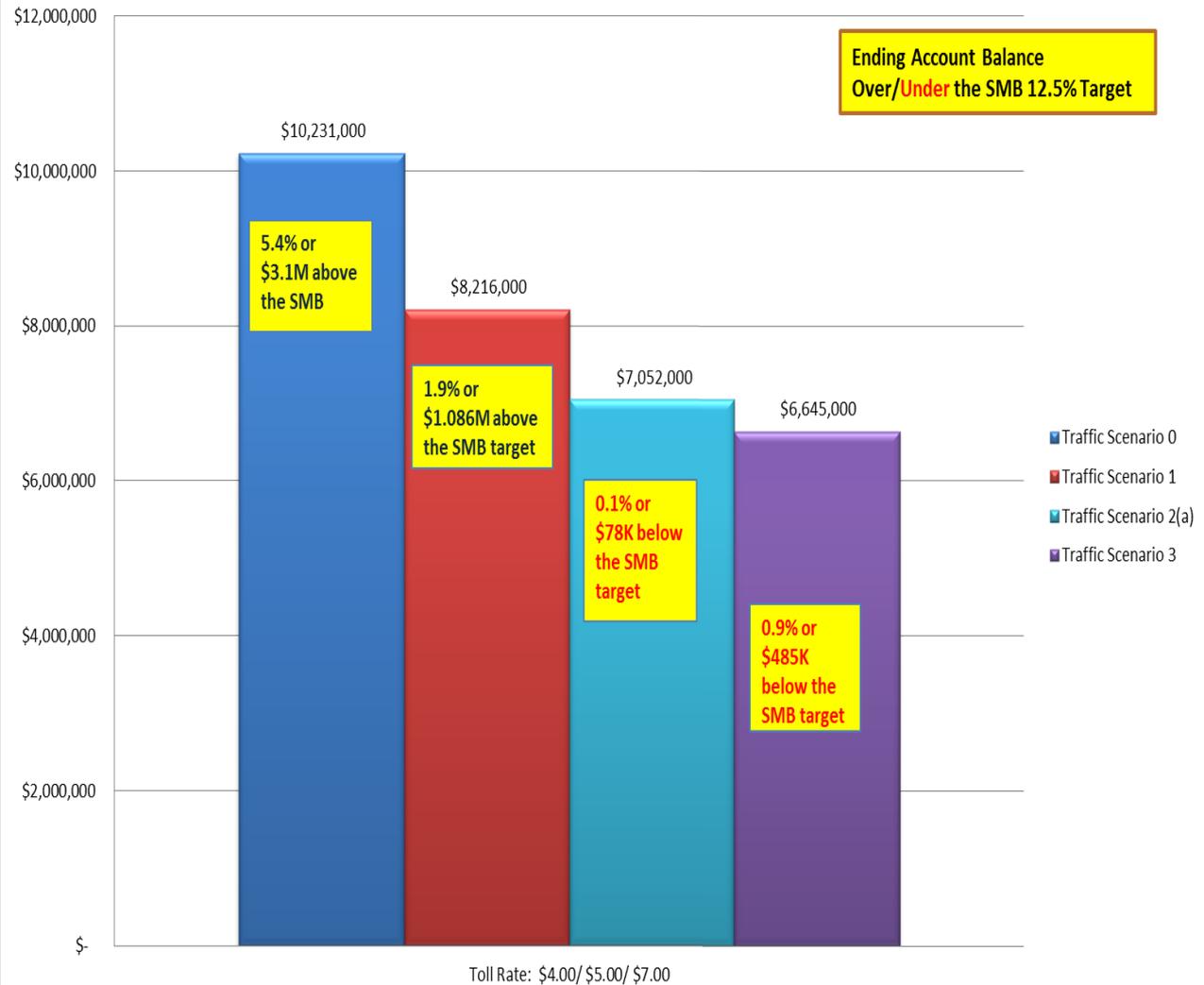
**PBM: \$7.00**

- Actual Traffic volumes have been decreasing yet projections indicate they will increase – even when toll rates go up.
- In applying sensitivity to the baseline traffic assumptions, the WSTC proposed Toll Rates will meet the Policy Target of 12.5% under two traffic conditions (T “0” & T1).

**Note:**

Traffic sensitivity tests applied the Consultant’s % of elasticity and % of customer payment method. Also assumes “other” revenues based on current financial plan.

## TNB: Ending Fund Balance with Traffic Volume Sensitivity



### SCENARIOS

Traffic Scenario 0: Consultant’s projection on traffic volumes for FY 2013

Traffic Scenario 1: Forecasted traffic volume for end of FY 2012–carried forward in FY 2013

Traffic Scenario 2(a): Est. traffic vol. based on Actual FY 2012 traffic–carried forward in FY 2013

Traffic Scenario 4: Actual traffic volume for FY 2011 - reduced by 3%

### BASELINE TRAFFIC

14,460,000

14,000,000

13,734,412

13,641,593

# Remaining Steps in Rate Setting Process

Two public input meetings will be held on the toll rate proposal:

- **April 18, Port Orchard:** 6 – 8 p.m. at City Hall, 216 Prospect Street
- **April 19, Gig Harbor:** 6 – 8 p.m. at the Civic Center, 3510 Grandview Street

Final hearing when the final decision will be made on toll rates:

- **May 21, Gig Harbor:** 6 – 8 p.m. at the Civic Center

**New toll rates will take effect on July 1, 2012**

In addition to testifying at the public meetings, comments can be submitted via:

- Email: [transc@wsdot.wa.gov](mailto:transc@wsdot.wa.gov)
- Mail: P.O. Box 47308, Olympia, WA 98504-7308
- Phone: 360.705.7070

**THANK YOU!**  
**QUESTIONS?**

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