Tacoma Narrows Bridge Account

Sufficient Minimum Balance
Commission Policy Update

Commission Regular Meeting
Carl See, WSTC Senior Financial Analyst
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SMB FAQs

• The SMB Policy is a Commission policy

• The SMB is a target minimum fund balance
  – A tool to protect the TNB fund balance from going negative
  – Not an annual expenditure
  – Part of fund balance for TNB Account – not restricted in use

• “Sufficiency Test”
  – Based on 3 month rolling average of TNB fund balance
  – For sufficiency test, TNB fund balance excludes TNB Civil Penalty Program revenues and expenses

• Current SMB value = about $10.5m (FY 2018)
  – Set at 12.5% of working capital (~45 days)
  – Forecasted at $11.2m for FY 2019
TNB Account FAQs

• Receives all toll revenue from the Tacoma Narrows Bridge

• Toll revenue designated for costs of new (eastbound) TNB:
  – Debt service & fees (via Motor Vehicle Fund)
  – Renew & Replacement for tolling and facility
  – Operations & maintenance for tolling and facility
  – Deferred sales tax (for payment in FY 2032)

• Lowest 3 month average fund balances for TNB operations:
  – FY 2017 (July 2016): $17,251,000
  – FY 2018 (projected): $11,233,000
  – FY 2019 (projected): $6,913,000
  – Civil Penalty Program revenue & expenses not included
Assessing Risks: Revenue Recovery

- SMB one of several tools to maintain or recover fund balance
  - Commission action to raise toll rates
    - Time necessary to coordinate and implement
    - Not a lump sum of revenue
    - Not effective if tolled bridge fully closed
    - Impacts rate payers and local businesses
  - Motor Vehicle Account loan, if balance negative
    - Future TNB Account revenue would repay the loan, with interest (variable)
    - No legislative or Commission action needed, but considered a last resort by state
    - Poor impression with bond holders
  - Transfer (grant) of funds to TNB Account by Legislature
    - Time necessary to implement
    - No obligation to transfer funds
  - Insurance for loss of toll revenue
SMB Policy Recommendations

• Set SMB at flat $10 million
  – *WSTC’s Preliminary Choice in December 2016*
  – Provides coverage for TNB insurance deductible
  – Covers about 40 days of average monthly toll revenues at current rates, approximately 35 days if average toll rate increased to $6.00.
  – Exceeds highest monthly debt service withholdings, except for Feb – May 2029 ($10.14m).

• Include TNB Civil Penalty Program revenue and expenses when calculating SMB sufficiency
  – Increases fund balance used as measure of SMB sufficiency
  – Civil Penalty program fund balance has stabilized over time
TNB SMB Rolling 3-Month Average
Current Policy

FY 19: Fund balance falls below current SMB in March – June 2019
TNB SMB Rolling 3-Month Average Proposed Policy

FY 19: Fund balance falls below proposed SMB in only May 2019
SMB Policy Recommendations

• Additional updates to SMB policy language:
  – Align with current insurance deductible requirements
  – Clarify the rate adjustment trigger to enable Commission to explore options for without a rate-setting action
Questions?

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