

SR 16 Tacoma Narrows Bridge Rate Setting

Patty Rubstello, P.E.
Assistant Secretary
Toll Division

Rob Fellows
Policy and Planning Manager
Toll Division

Joel Emery
Director of Finance and Program Management
Toll Division

Washington State Transportation Commission
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Presentation Outline

**Meeting Objective:
Review FY 2016 Q2 Traffic and Revenue
and FY 2017 toll rate scenario results**

- **FY 2016 Q2 Traffic and Revenue**
- **Rate Setting Overview**
 - Debt Service
 - Sufficient Minimum Balance
 - What rates are required
 - Rate setting timeline
- **Sufficient Minimum Balance Test**
- **Long Range Annual Fund Balance Estimation**
- **Traffic growth rate analysis**

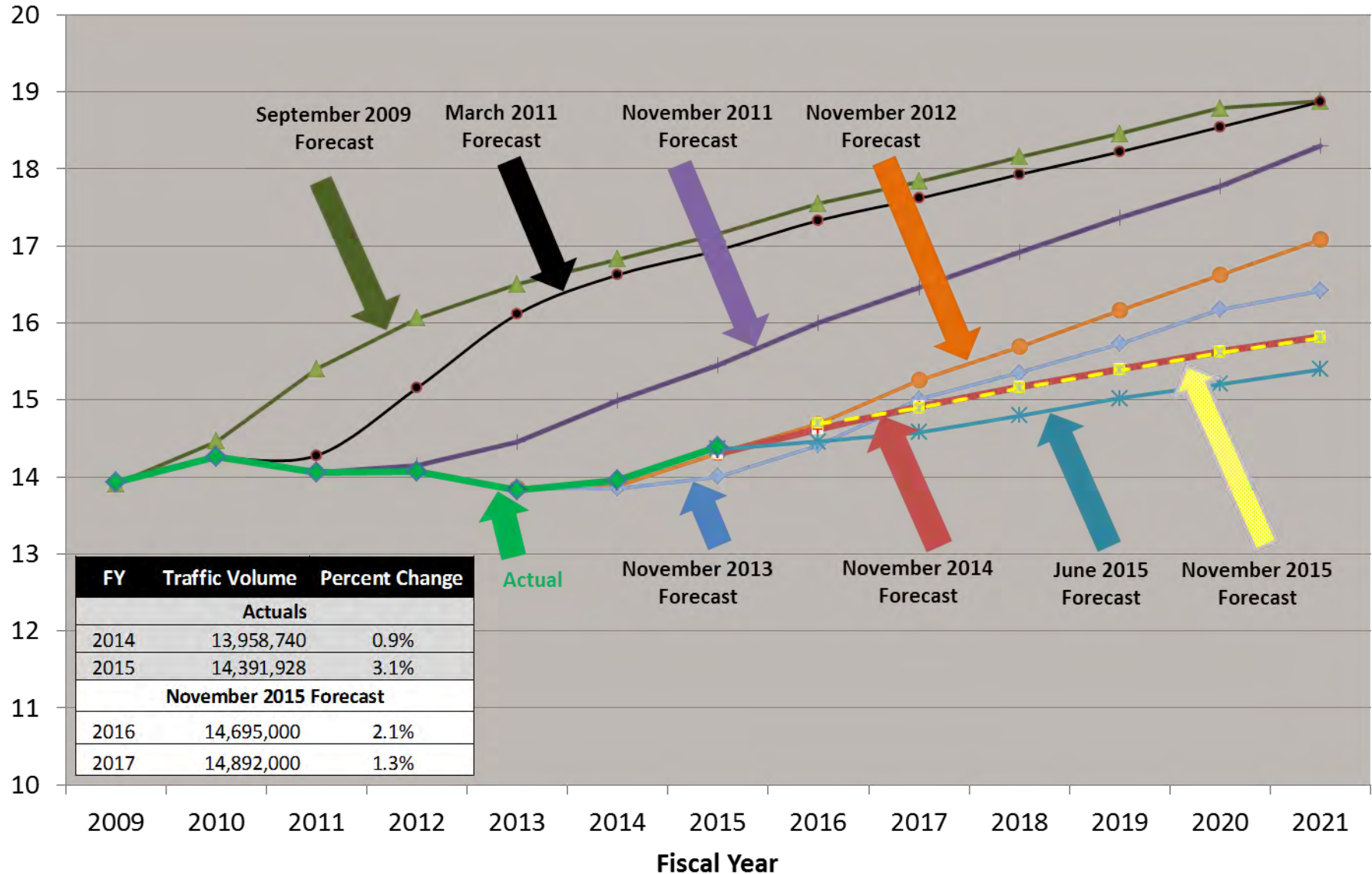


FY 2016 Q2

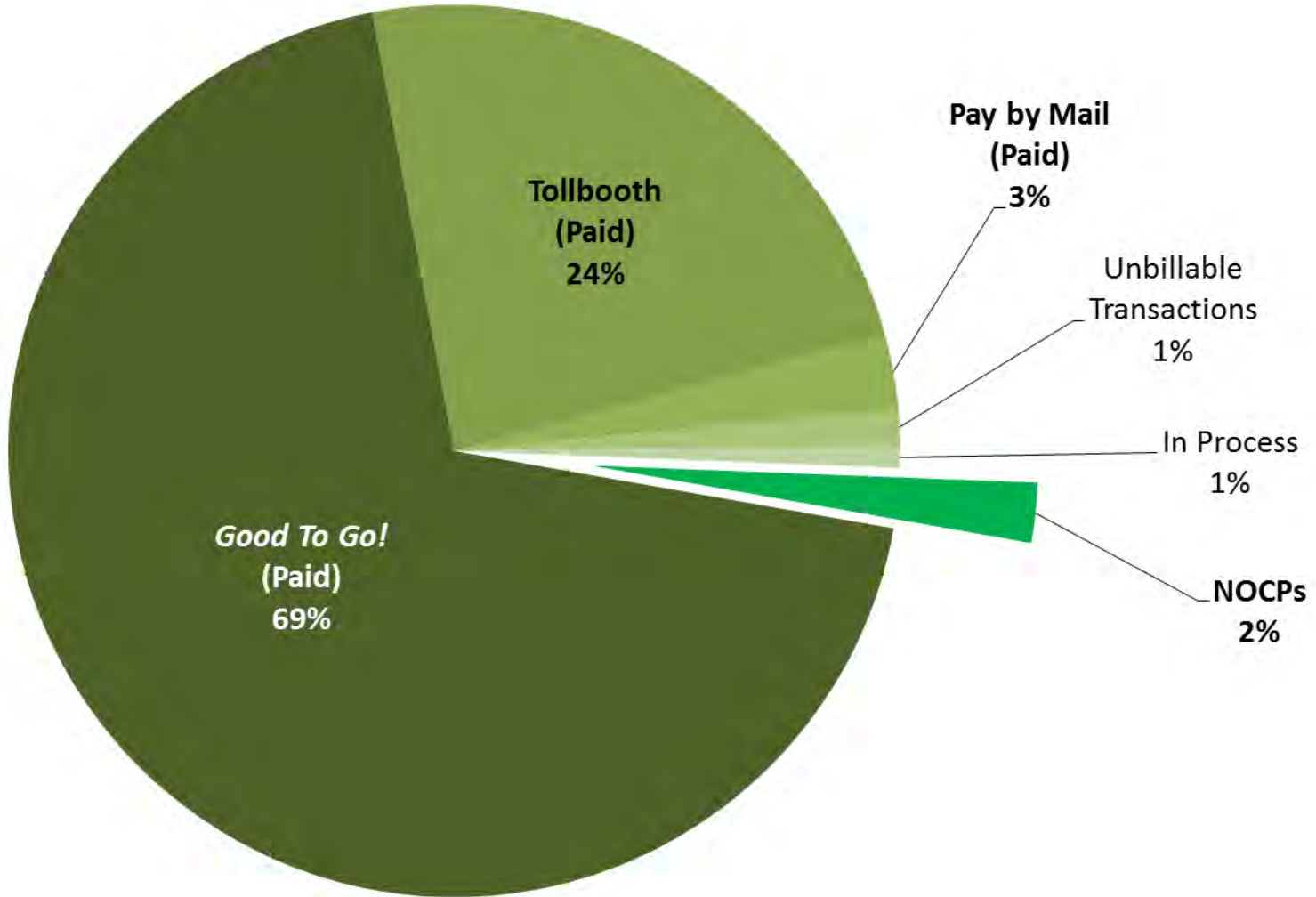
Traffic and Revenue

Forecasted Annual Eastbound Traffic

In millions



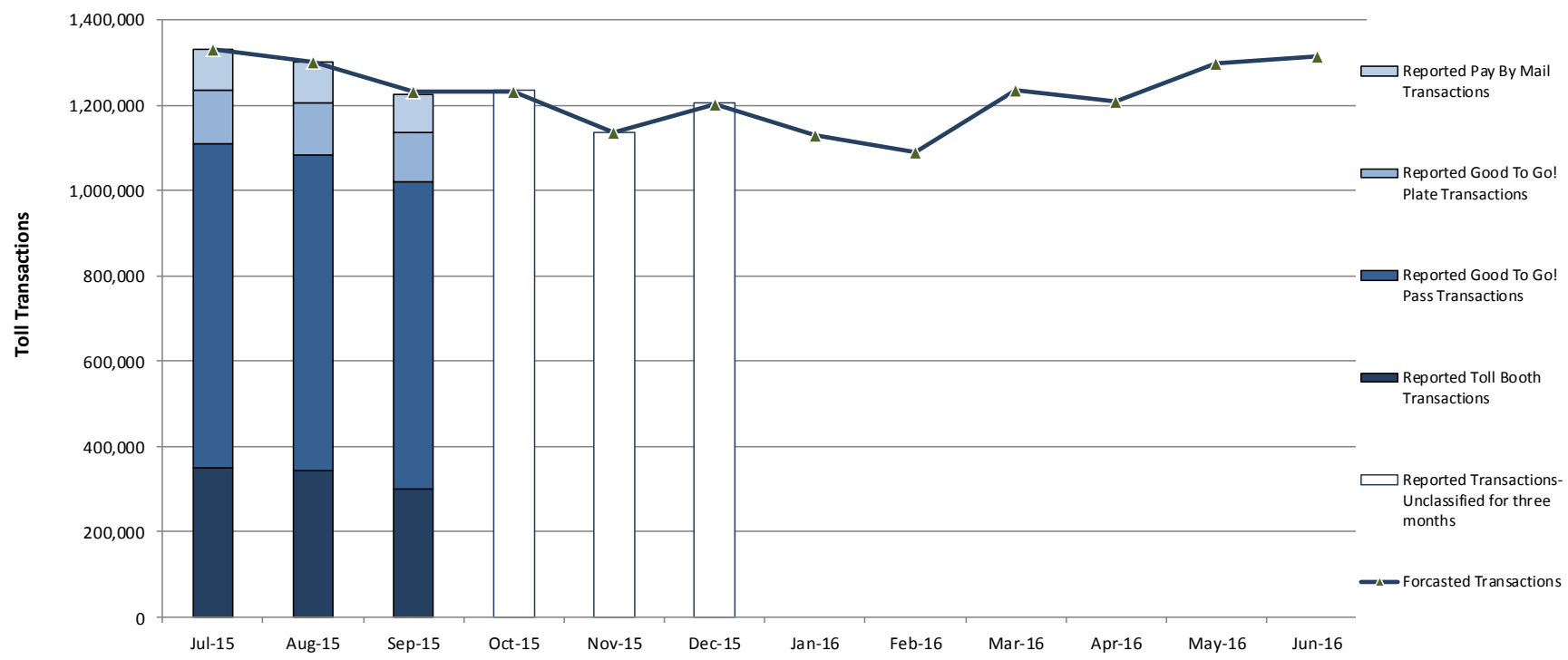
Transactions by Form of Payment – FY 2015



Source: WSDOT Toll Operations – June 2015

FY 2016 Q2 Forecasted and Reported Toll Traffic

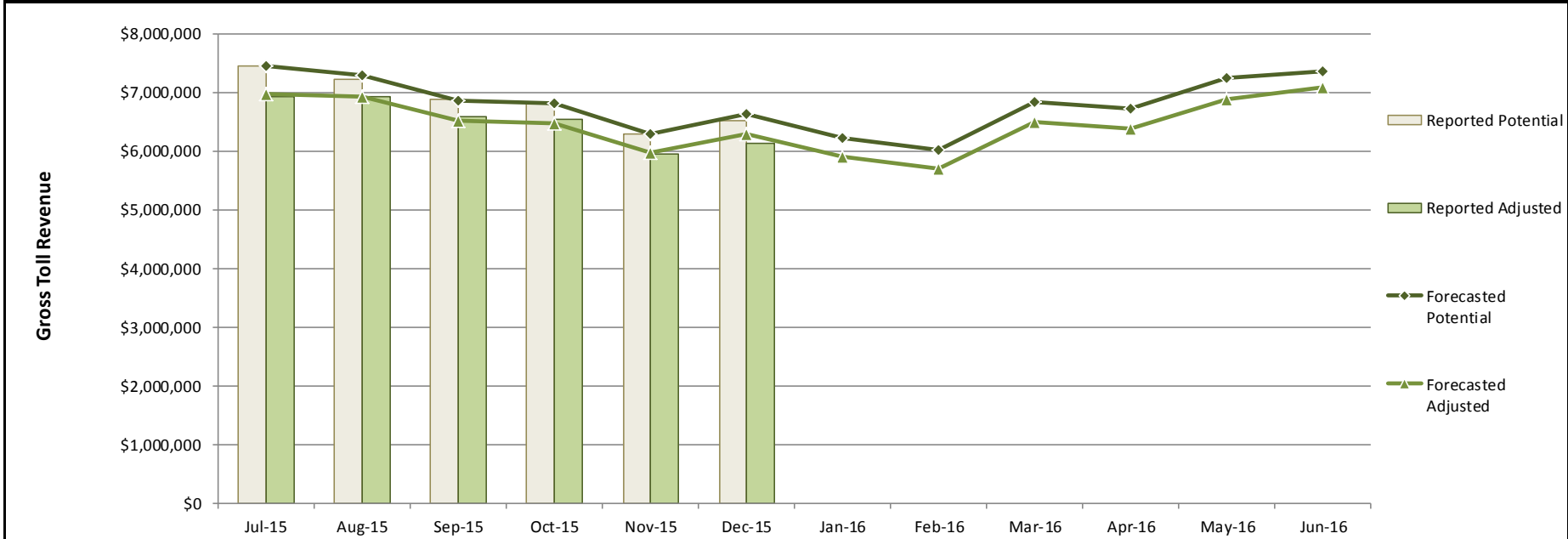
TOLL TRANSACTIONS	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	YTD	Annual Total
Forecasted Transactions ¹	1,329,105	1,299,129	1,230,100	1,231,043	1,137,055	1,200,096	1,128,038	1,088,039	1,233,055	1,208,051	1,296,052	1,315,181	7,426,528	14,695,000
Reported Transactions ²	1,331,532	1,302,183	1,226,444	1,234,934	1,136,584	1,206,401	-	-	-	-	-	-	7,438,078	
Variance from Forecast	2,427	3,054	(3,656)	3,891	(471)	6,305	-	-	-	-	-	-	11,550	
Variance - % change	0.2%	0.2%	(0.3%)	0.3%	(0.0%)	0.5%	-	-	-	-	-	-	0.2%	
Reported Toll Booth	26.2%	26.4%	24.4%					24.4%					25.7%	
Reported Good To Go! Pass	57.1%	56.8%	58.9%										57.6%	
Reported Good To Go! Plate	9.4%	9.3%	9.4%										9.4%	
Reported Pay By Mail	7.3%	7.5%	7.4%										7.4%	



Notes:
1 The data is based upon the Traffic Revenue Forecast Council November 2015 Forecast.
2 The reported transaction is based on the SR 16 Tacoma Narrows Bridge lane collection system data adjusted for duplicate and non-revenue transactions.

FY 2016 Q2 Forecasted and Reported Toll Revenue

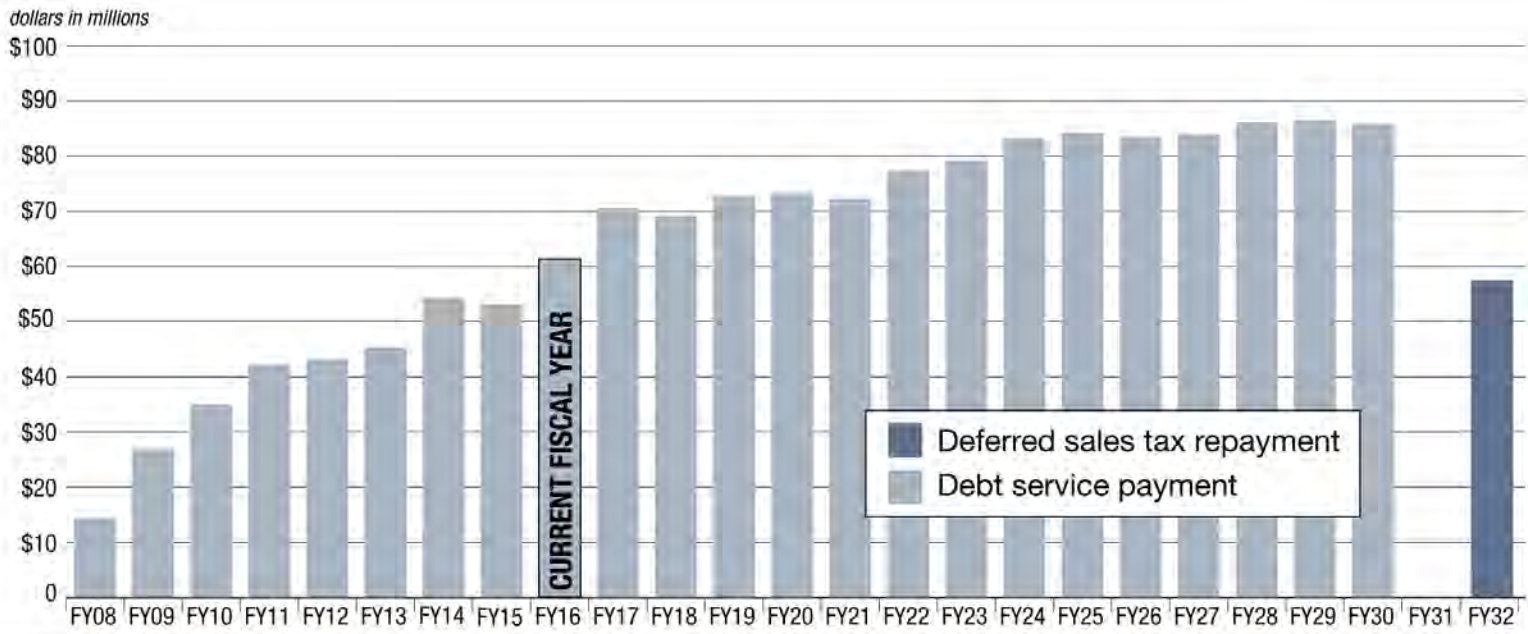
GROSS TOLL REVENUE	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	YTD	Annual Total
Forecasted Potential ¹	\$7,444,794	\$7,285,970	\$6,855,754	\$6,812,322	\$6,286,409	\$6,620,715	\$6,212,287	\$6,004,288	\$6,840,411	\$6,705,386	\$7,244,393	\$7,356,361	\$41,305,964	\$81,669,000
Reported Potential ²	\$7,451,601	\$7,221,540	\$6,879,062	\$6,809,512	\$6,276,598	\$6,521,575	-	-	-	-	-	-	\$41,159,886	
Variance From Forecasted Potential	\$6,807	(\$64,431)	\$23,308	(\$2,811)	(\$9,811)	(\$99,140)	-	-	-	-	-	-	(\$146,078)	
Variance - % Change	0.1%	(0.9%)	0.3%	(0.0%)	(0.2%)	(1.5%)	-	-	-	-	-	-	(0.4%)	
Forecasted Adjusted ³	\$6,970,998	\$6,915,548	\$6,507,205	\$6,465,981	\$5,966,805	\$6,284,115	\$5,896,452	\$5,699,028	\$6,492,642	\$6,364,481	\$6,876,085	\$7,077,661	\$39,110,652	\$77,517,000
Reported Adjusted	\$6,924,297	\$6,910,146	\$6,588,359	\$6,532,833	\$5,940,625	\$6,114,163	-	-	-	-	-	-	\$39,010,424	
Variance From Forecasted Adjusted	(\$46,700)	(\$5,403)	\$81,155	\$66,852	(\$26,181)	(\$169,952)	-	-	-	-	-	-	(\$100,228)	
Variance - % Change	(0.7%)	(0.1%)	1.2%	1.0%	(0.4%)	(2.7%)	-	-	-	-	-	-	(0.3%)	



- Notes:**
- 1** The data is based upon the TRFC November 2015 Forecast.
 - 2** The reported gross toll revenue potential values exclude toll revenue associated with duplicate transactions and non-revenue transactions and are comparable to forecast values.
 - 3** The Forecasted Adjusted Gross Toll Revenue reflects adjustments for Pay By Plate Fees, less Short-term Account Discounts and Toll Revenue Not Recognized, and the extended year-end accounting window.

Toll Rate Setting

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	\$5.00	\$5.50				
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50	\$6.00	\$6.50				
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50	\$7.00	\$7.50				

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

- 2002 planned toll rates were based on the Traffic and Revenue Study completed by Wilbur Smith Associates in August 2002. The financing assumption was \$800 million state general obligation bonds at an interest rate of 5.85%. A 2005 Traffic and Revenue Update, also conducted by Wilbur Smith Associates, confirmed the same toll rate structure.
- Payments and toll rates were assumed to increase over time in the 2002 plan.
- In 2015, the legislature moved repayment for deferred sales taxes to FY 2032 (per 2ESSB 5987).

Sufficient Minimum Balance

- **Washington State Transportation Commission requires that the Tacoma Narrows Bridge fund balance be kept at a sufficient level to ensure bonds can be paid in the event of unexpected circumstances**
 - Bridge insurance covers loss of bridge, business interruption, and acts of terrorism. The policy limit is \$500M.
 - The reduced premium of \$1.14M (before taxes and brokerage fees) is locked in for both FY 2016 and FY 2017.
 - Fund balance remains in the Tacoma Narrows Bridge account
- **Balance within a given month should not be forecasted to fall below an amount equal to 12.5 percent of annual expenses**
 - Monthly balance is averaged over three months retrospectively
 - Intended to cover 45 days of interruption of toll collection
- **Civil penalty revenues and the cost of adjudication program are excluded from the sufficient balance test**
 - Revenue includes amounts due but not yet received
 - The \$5.288 million loan from the motor vehicle fund has been paid down to \$4.338M by the first payment in FY 2015 of \$950K

Rate Setting Overview

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

Rate Setting Timeline

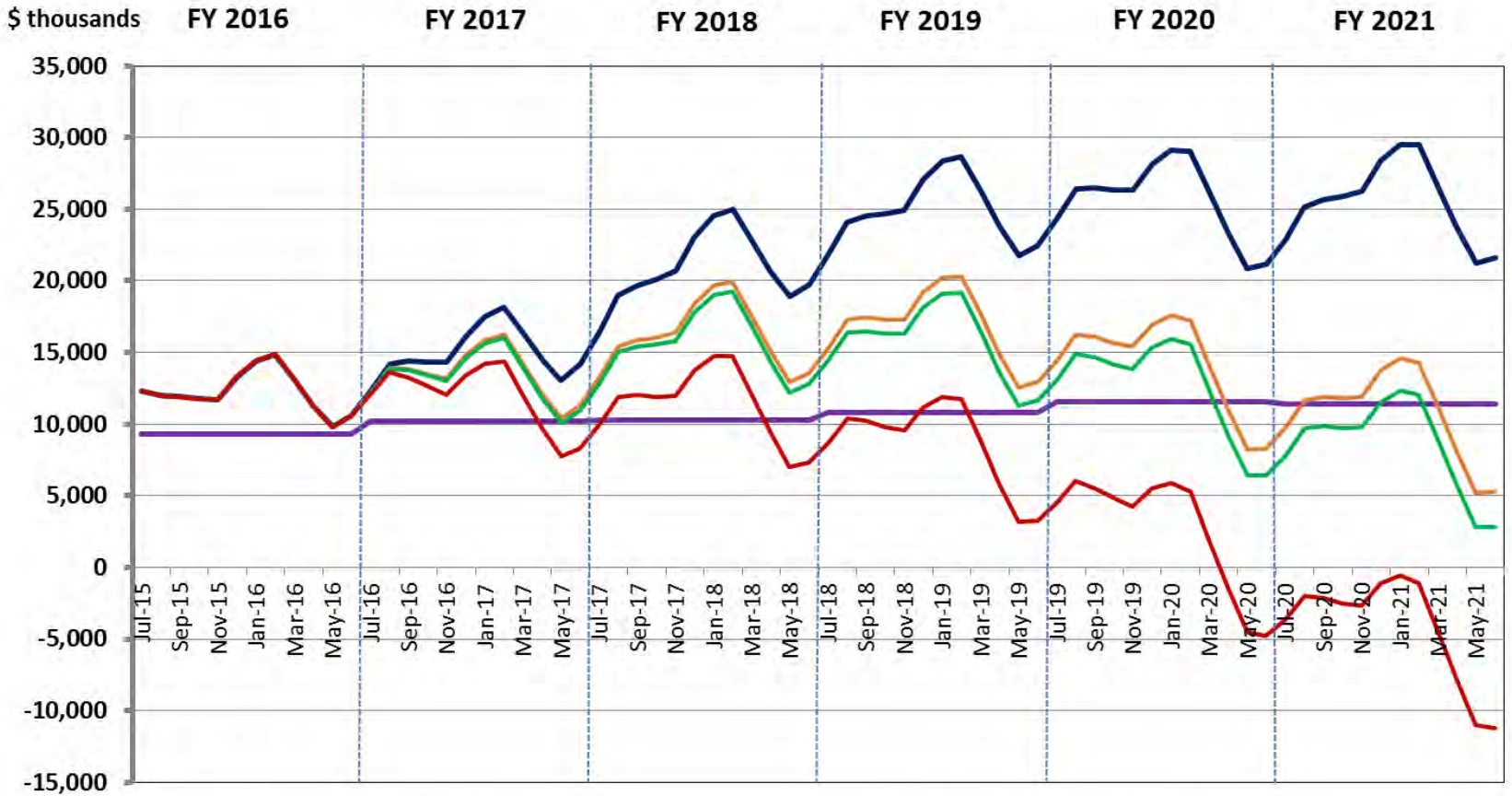
	Milestone
October 2015	WSTC: FY 2015 Traffic and Revenue Reporting
November 2015	CAC: Review Last Year's Financial Plan/T&R Actuals
December 2015	CAC: Financial plan/funding needed WSTC: Financial plan/funding needed CAC: Specify rate scenarios WSTC: File CR 101
January 2016	WSTC/CAC: Rate scenario results
February 2016	CAC recommendation
March 2016	WSTC: Public input meeting
April 2016	WSTC: Proposed rates WSTC: File CR 102
May 2016	WSTC: Public hearing Adopt toll rates WSTC: File CR 103
July 1, 2016	New toll rates take effect

These steps are needed only if rates selected in Spring 2015 are not sufficient

Sufficient Minimum Balance

Rolling 3-month average – Various Rate Scenarios

Tacoma Narrows Bridge - Baseline Traffic
 3-month Rolling Average Fund Balance for Various Rate Scenarios

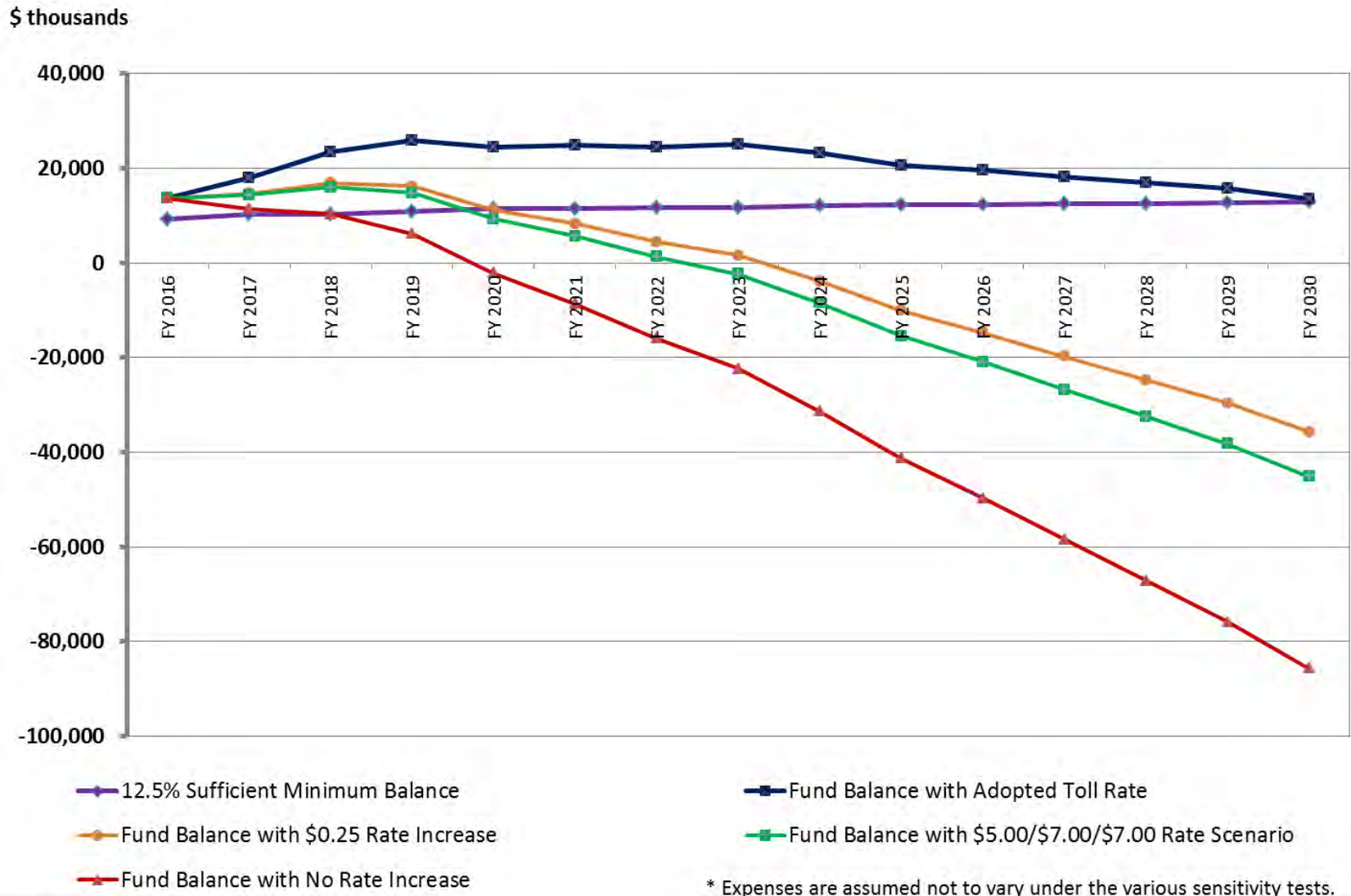


- 12.5% Sufficient Minimum Balance
- Fund Balance with Adopted Toll Rate
- Fund Balance with \$0.25 Rate Increase
- Fund Balance with \$5.00/\$7.00/\$7.00 Rate Scenario
- Fund Balance with No Rate Increase

* Expenses are assumed not to vary under the various sensitivity tests.

Sufficient Minimum Balance

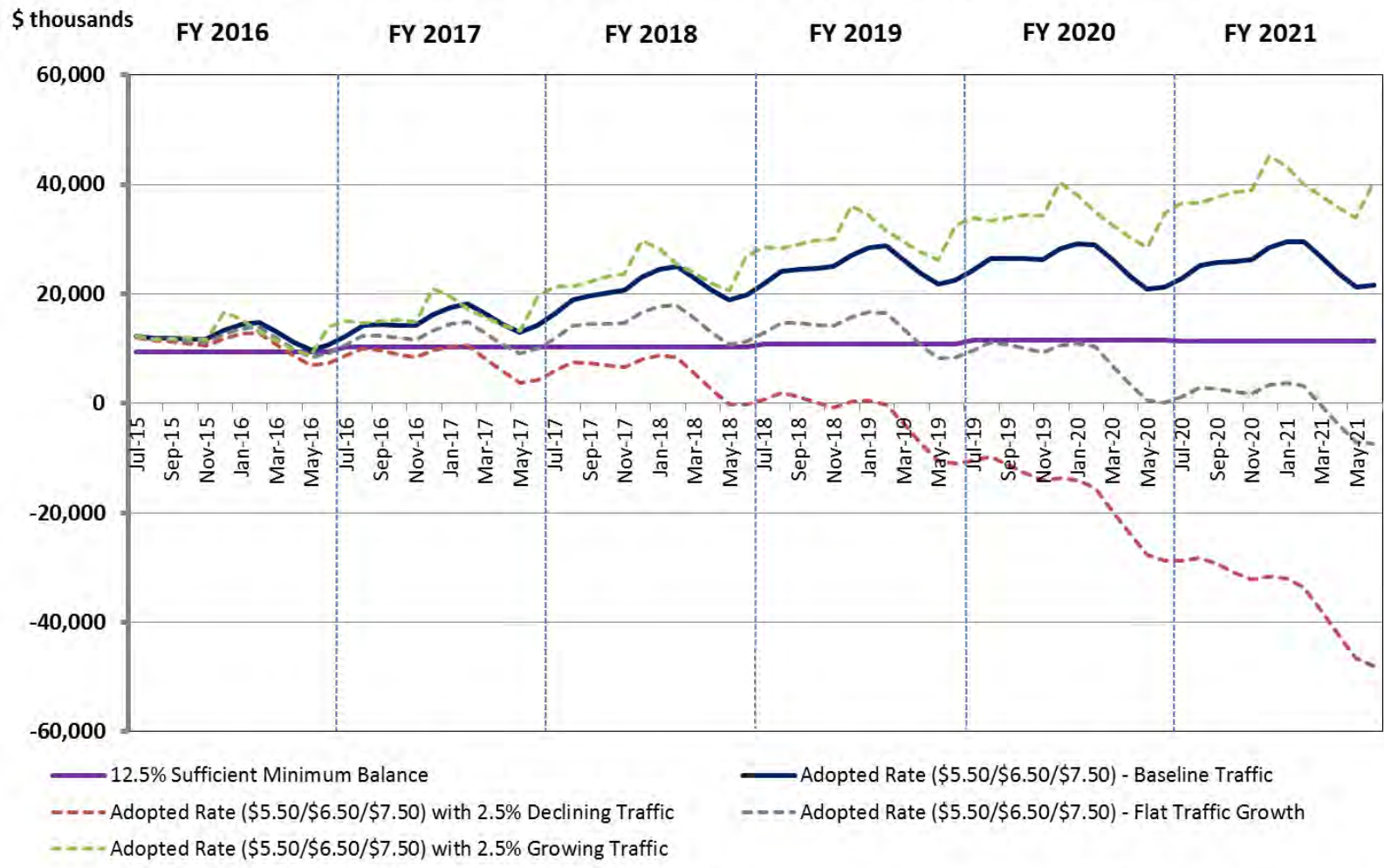
Estimated Annual Long-Range Fund Balance under Various Rate Scenarios



Sufficient Minimum Balance

Rolling 3-month average – Various Traffic Growth Rates

Tacoma Narrows Bridge - Adopted Toll Rate Scenario
 3-month Rolling Average Fund Balance for Various Growth Assumptions

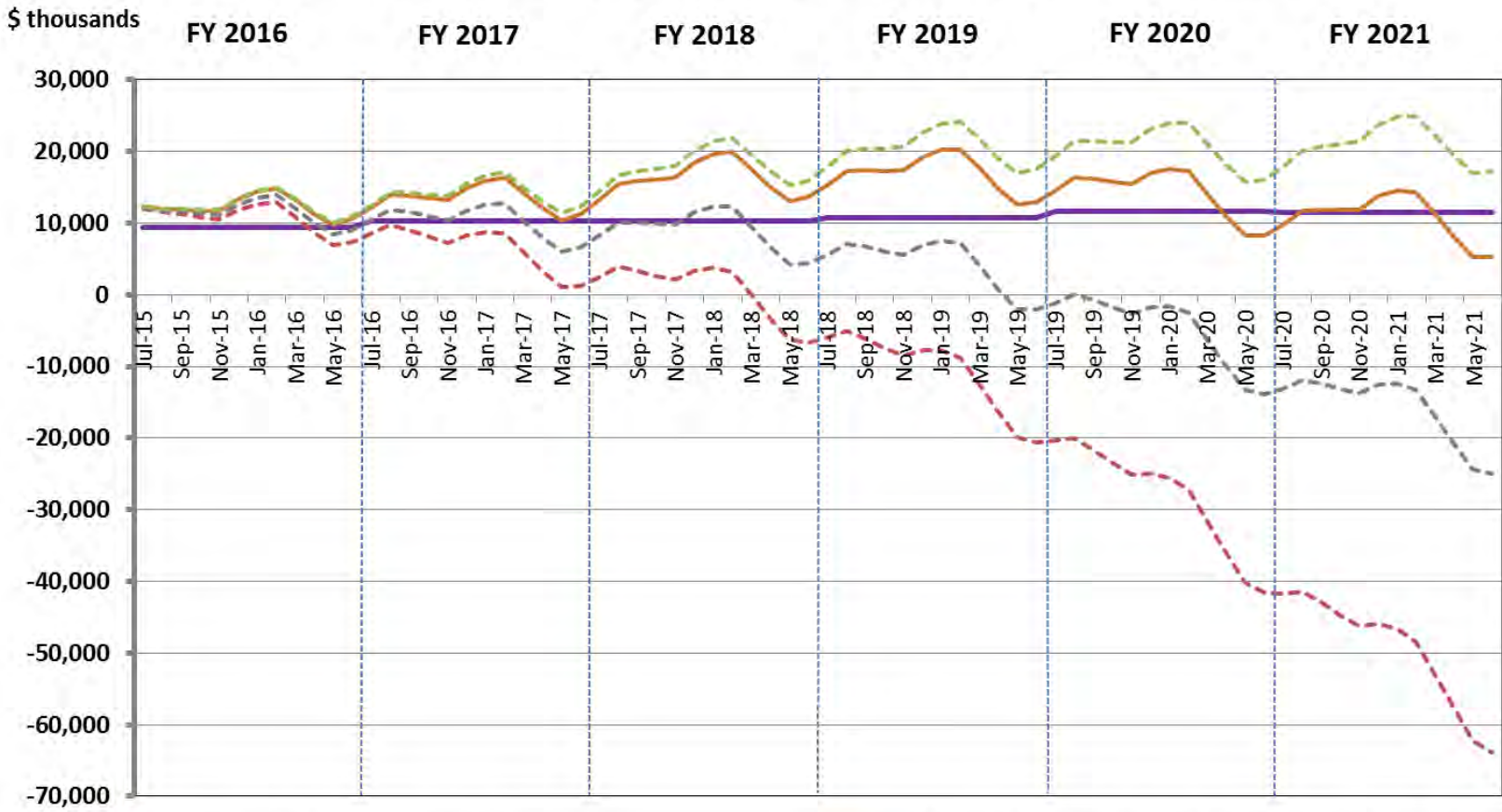


* Expenses are assumed not to vary under the various sensitivity tests.

Sufficient Minimum Balance

Rolling 3-month average – Various Traffic Growth Rates

Tacoma Narrows Bridge - \$0.25 Rate Increase Scenario
 3-month Rolling Average Fund Balance for Various Growth Assumptions



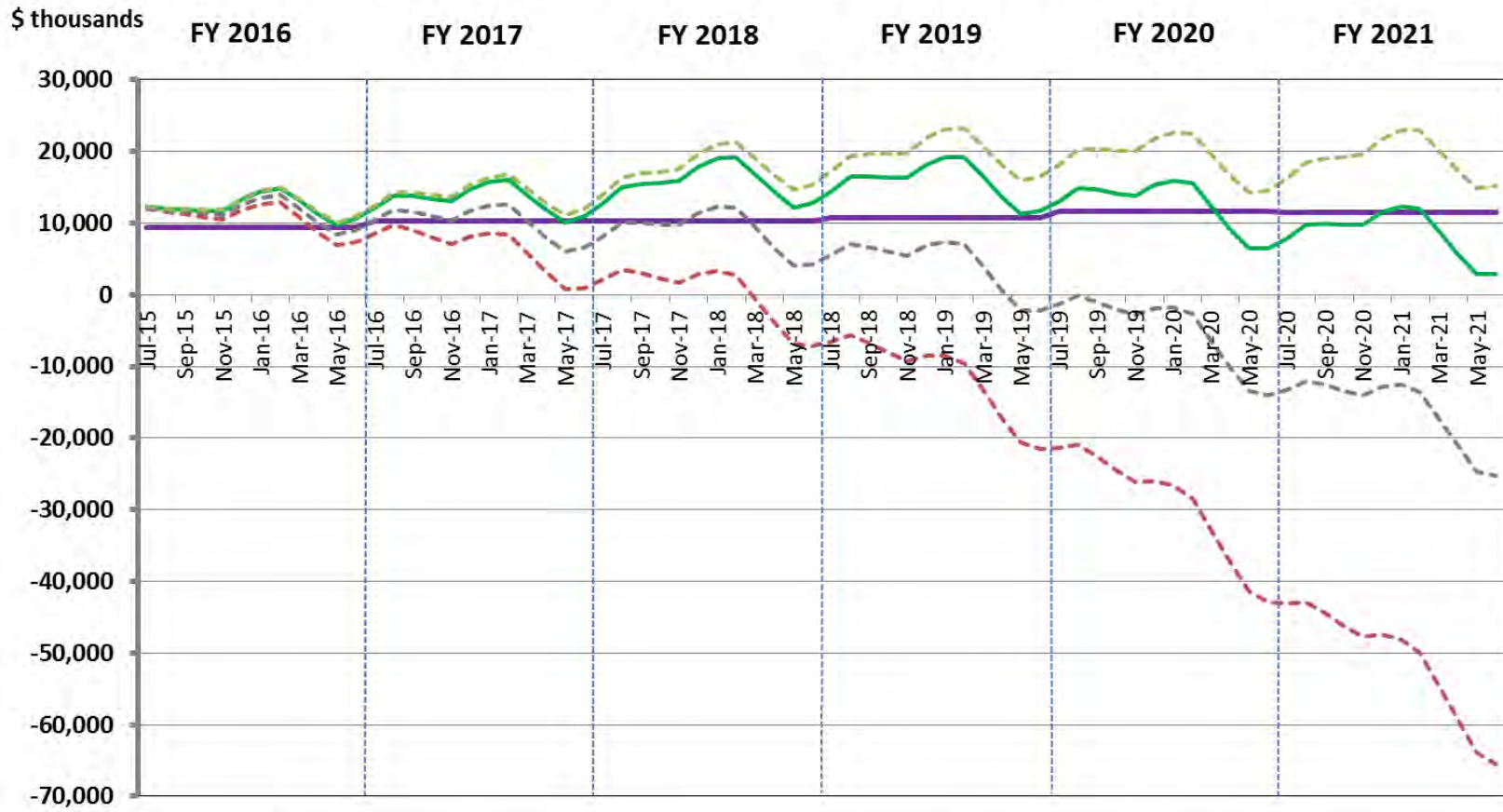
- 12.5% Sufficient Minimum Balance
- - - \$0.25 Increase Scenario with 2.5% Declining Traffic
- - - \$0.25 Increase Scenario - Flat Traffic Growth
- - - \$0.25 Increase Scenario with 2.5% Growing Traffic
- \$0.25 Increase Scenario (\$5.25/\$6.25/\$7.25) - Baseline Traffic

* Expenses are assumed not to vary under the various sensitivity tests.

Sufficient Minimum Balance

Rolling 3-month average – Various Traffic Growth Rates

Tacoma Narrows Bridge - \$5.00/\$7.00/\$7.00 Rate Scenario
 3-month Rolling Average Fund Balance for Various Growth Assumptions



- 12.5% Sufficient Minimum Balance
- - - \$5.00/\$7.00/\$7.00 Rate with 2.5% Declining Traffic
- - - \$5.00/\$7.00/\$7.00 Rate with 2.5% Growing Traffic
- \$5.00/\$7.00/\$7.00 Rate - Baseline Traffic
- - - \$5.00/\$7.00/\$7.00 Rate - Flat Traffic Growth

* Expenses are assumed not to vary under the various sensitivity tests.

For questions or further information...

Patty Rubstello, P.E.
Assistant Secretary, Toll Division
206-464-1299 or RubsteP@wsdot.wa.gov