



Washington State
Transportation Commission



TNB Refinance Work Group Draft Recommendations

WSTC Meeting

Olympia, WA

December 12, 2017



Work Group Authorization

2017-2019 Transportation Budget

*The legislature finds that there is a need for long-term toll payer relief from increasing toll rates on the Tacoma Narrows bridge. Therefore, **the commission must convene a work group to review, update, add to as necessary, and comment on various scenarios for toll payer relief** outlined in the 2014 joint transportation committee report on internal refinance opportunities for the Tacoma Narrows bridge.*

The work group must include participation from the Tacoma Narrows bridge citizen's advisory group, at least one member from each of the legislative delegations from the districts immediately abutting the Tacoma Narrows bridge, the local chambers of commerce, and affected local communities. Legislative members of the work group must be reimbursed for travel expenses by the commission.

*The work group must submit a report with its **preferred and prioritized policy solutions** to the transportation committees of the legislature **by December 1, 2017.***

Work Group Intent

Mission

- Long-term toll payer relief from increasing toll rates on the Tacoma Narrows Bridge (TNB)

Objective

- Identify preferred and prioritized policy solutions providing long-term toll payer relief for users of the Tacoma Narrows Bridge

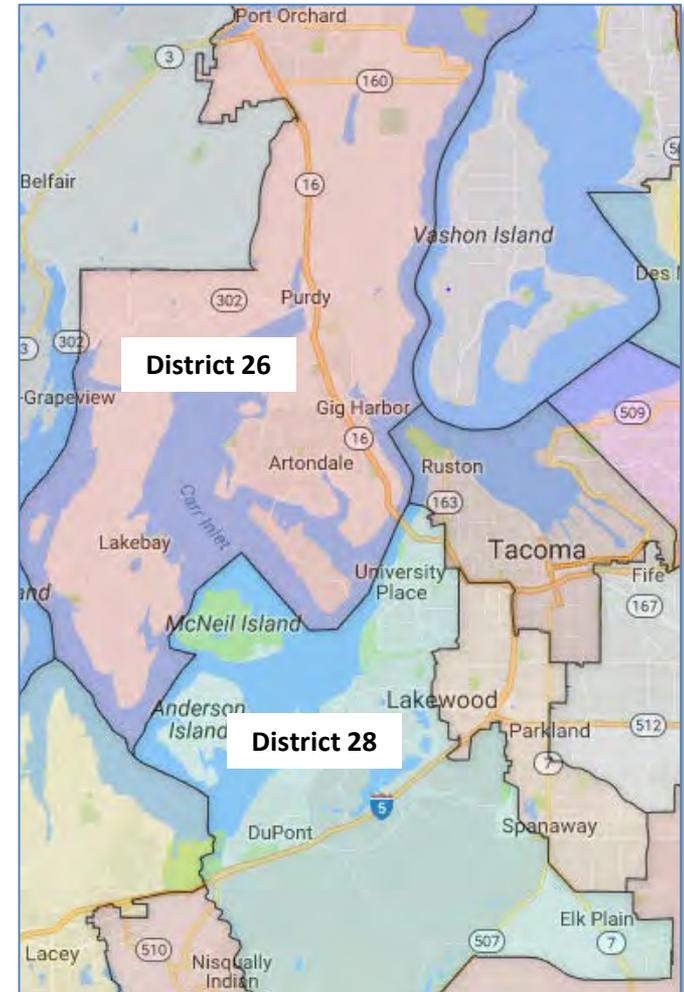
Work Group Participants

Co-Chairs

- **Shiv Batra**, Commissioner for the Washington State Transportation Commission
 - Commissioner Batra serves on the Commission's Tolling Subcommittee
- **Bruce Beckett**, Chair of the Tacoma Narrows Bridge Citizen's Advisory Committee (CAC)
 - The CAC is also represented by Al Weaver, CAC Vice-Chair

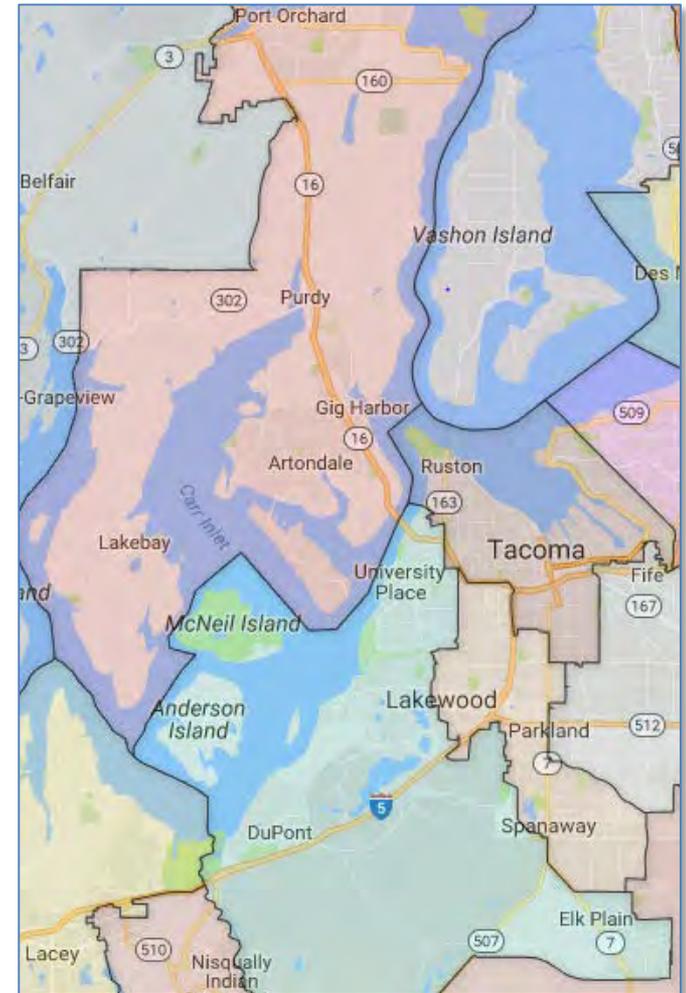
Work Group Participants

- The legislative delegations of districts abutting the Tacoma Narrows Bridge
 - **District 26**
 - Senator Jan Angel
 - Rep. Jesse Young
 - Rep. Michelle Caldier
 - **District 28**
 - Rep. Christine Kilduff
 - Rep. Dick Muri
- The local Chambers of Commerce
 - Warren Zimmerman, President/CEO of Gig Harbor Chamber
 - Matt Murphy, Executive Director of Port Orchard Chamber



Work Group Participants

- Affected local communities
 - Mayor Jill Guernsey, Gig Harbor
 - Mayor Marilyn Strickland, Tacoma
 - *Council Member Ryan Mello attending*
 - Mayor Javier Figueroa, University Place
 - Council Member Derek Young, Pierce County Council
 - Alex Mather, Pierce Transit
 - Representative Jake Fey, District 27
 - Jud Morris, Children’s Home Services
 - Council Member Bek Ashby, City of Port Orchard



Work Group Schedule

- **Work Group Meetings**

- ✓ August 1: INN at Gig Harbor
- ✓ September 28: UW Tacoma
- ✓ October 26: Gig Harbor Civic Center (City Hall)
- ✓ December 1 (9am-12pm): Gig Harbor Civic Center (City Hall)

- **Updates to Transportation Commission**

- ✓ October 18: Present on Work Group progress
- **December 12: Present Prioritized Funding Policy Options with Work Group Co-Chairs**

- **Updates to Senate & House Transportation Committees: TBD**

- **Report Due Date: Extension granted from Dec. 1 to Jan. 5.**

Work Group Recap

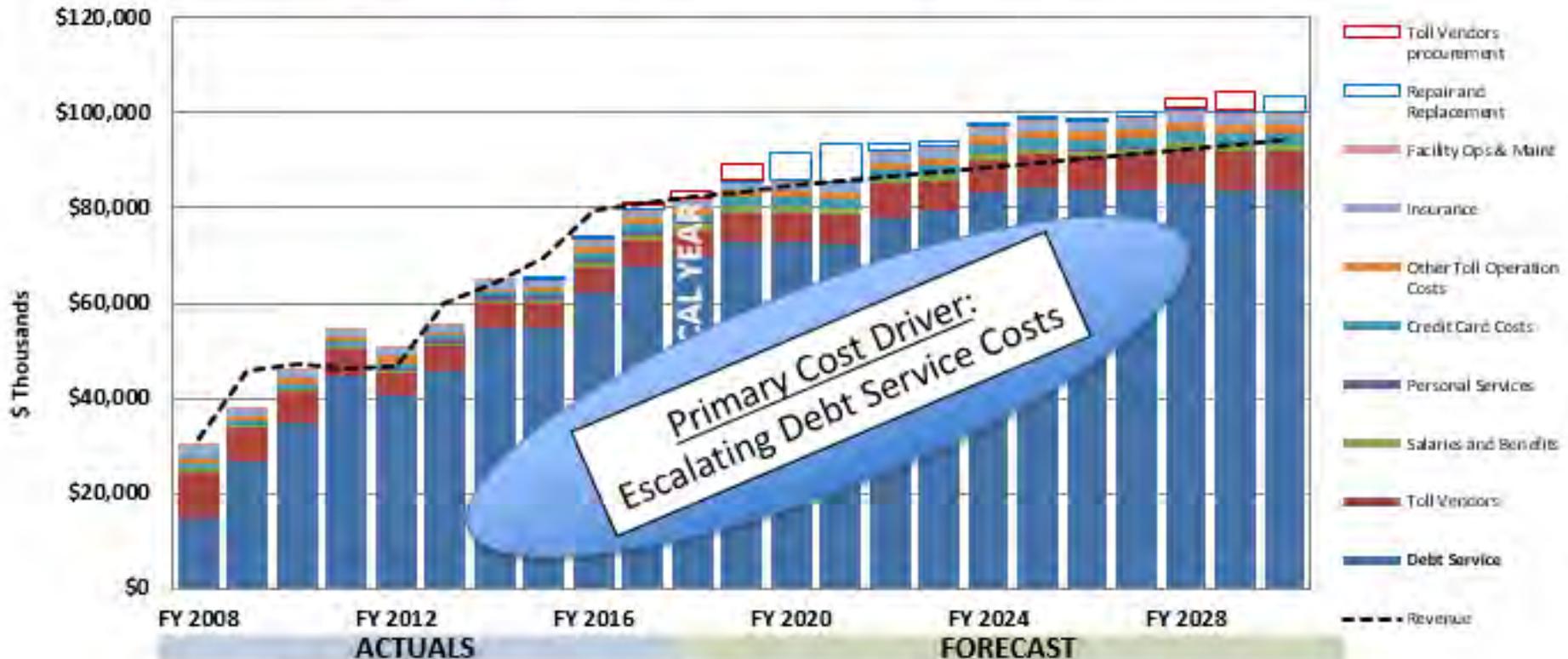
- Established Work Group mission & intent.
- Reviewed history of TNB performance, rate-setting, and financial support.
- Assessed updates to JTC toll rate scenarios.
- Identified and advanced scenarios for consideration.
- Updated analysis based on November 2017 traffic and revenue forecast.
- Agreed to problem statement
- Finalized prioritized financial and policy solutions.

Problem Statement

- **Problem Statement: \$125 million in remaining debt service increases**
- Primary problem to address for reducing the financial burden for TNB bridge toll payers.
- Also identified this as a problem that has contributed to rising toll rates since the opening of the facility in 2008.
- The escalating debt service structure sets apart the TNB facility from financing for Washington State's other tolling facilities
 - Represents a clear inequity.
 - Such a financing structure is not consistent with best practices, and is not supported by the Washington State Office of the State Treasurer.

Problem Statement: Escalating Debt Service

All Costs Forecast to FY 2030 (Actuals thru FY2017)



Draft Recommendation Objectives

To mitigate the impact of the debt service structure, the Work Group identified three objectives:

- **Maintain toll rates at FY 2018 levels.**
 - Addresses the impact of historical and future inequity caused by the escalating debt service.
 - Recognizes the burden on toll rate payers caused by escalating toll rates.
- **Funding to address immediate funding needs in the next 1-2 biennia.**
 - Without financial support, WSDOT and the Commission project TNB toll rates to increase in FY 2020.
 - Overall funding needs for the next two biennia exceed the value of debt service increases.
 - Will serve to maintain current toll rates, sets a precedent for additional financial support, and provides a down payment on future funding needs.
- **Long-term plan to address increasing debt service costs.**
 - The Legislature should declare or indicate its intent on how to use provided funds consistent with addressing the problem statement of increasing debt service costs, while supporting the capacity to maintain current toll rates.
 - Such intent may accompany funding for the full \$125 million in the budget, or in the case of partial funding, be policy direction for future budgets.

Draft Funding Scenario 1

Funding Scenario 1: Provide \$125 million in the 2018 or 2019 session to fund debt service increases for FY 2019 – FY 2030.

- Provides for the full request of \$125 million by the 2019 legislative session. This may include funding during the 2018 or 2019 session, or both.
- Ensures the Legislature fully addresses the problem statement of increasing debt service costs.
- Full funding could be accompanied by policy direction on the use of these funds, but this step may not be required.

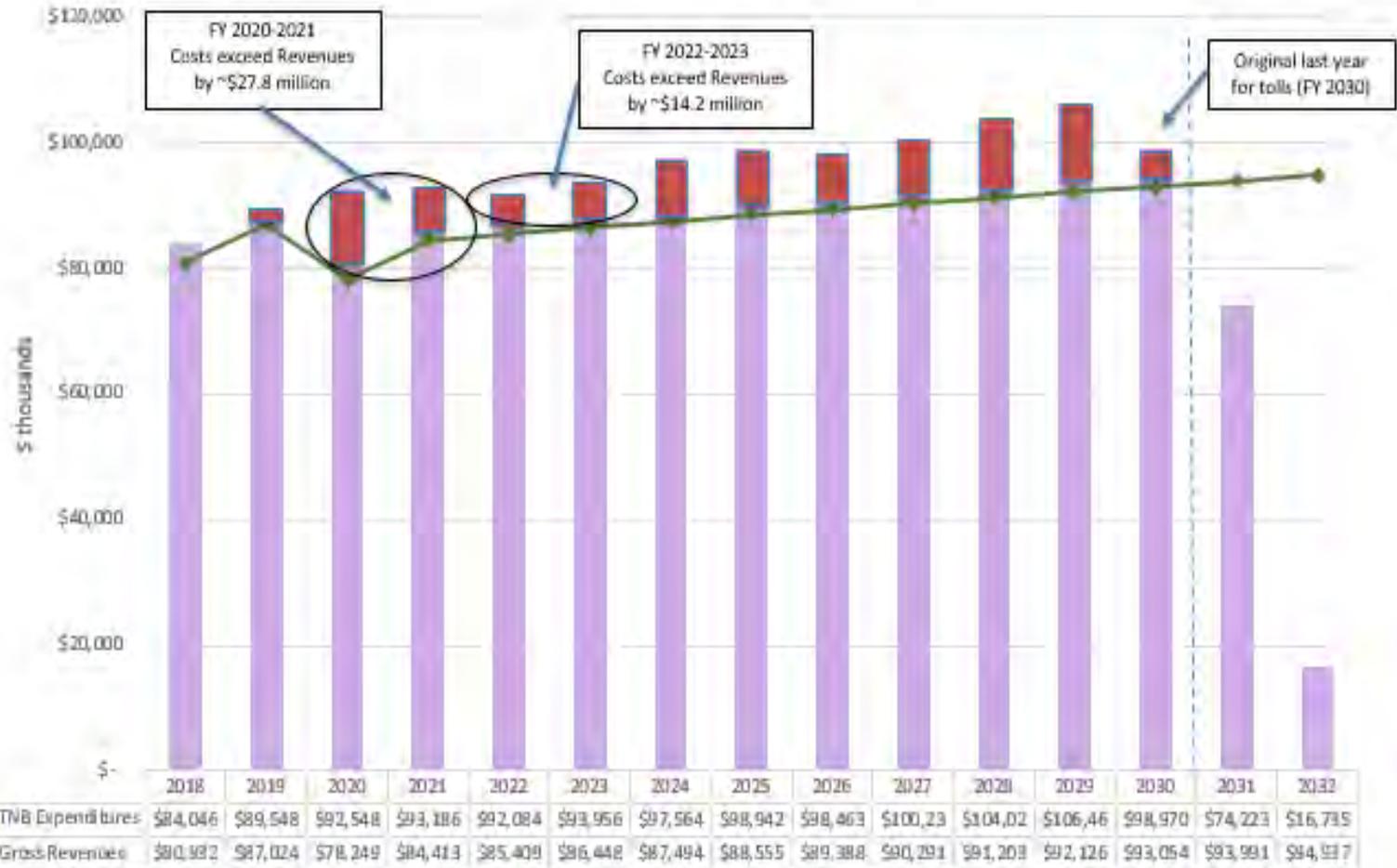
Draft Funding Scenario 2

Funding Scenario 2: Plan for biennial budget provisos totaling up to \$125 million over the remaining term of the bonds.

- Addresses the problem statement with biennial funding totaling up to \$125 million over the remaining term of the debt service.
- The Work Group requests that such funding be distributed at levels projected to maintain current (FY 2018) toll rates, while providing for the TNB funds' sufficiency. For example, funding needs for the next two biennia are projected to be:
 - ~\$27.8 million for the 19-21 biennium (FY 2020 – FY 2021)
 - ~\$14.2 million for the 21-23 biennium (FY 2022 – FY 2023)
- In conjunction with this funding scenario, the Work Group requests that the legislature pass a policy bill to support continued action by future legislatures.

Draft Funding Scenario 2 Chart

Total TNB Costs & Gross Revenue by Fiscal Year



Draft Policy Bill Scenario 1

The Work Group intends one of the following policy bill scenarios be paired with either of the recommended funding scenarios.

Policy Bill Scenario 1: Declare or indicate intent for future funding that fully addresses the \$125 million in debt service increases, while maintaining current (FY 2018) toll rates.

- While the legislature cannot commit funding in future budgets, a policy bill can declare or indicate intent for use of future funds.
- This policy bill would establish intent in support of fully funding the \$125 million in debt service increases, with the funds distributed across biennia as necessary for maintaining current (FY 2018) toll rates.
- This is the Work Group's preferred policy bill scenario, but providing the \$125 million as a lump sum (Funding Scenario 1) would make such a policy bill optional.

Draft Policy Bill Scenario 2

The Work Group intends one of the following policy bill scenarios be paired with either of the recommended funding scenarios.

Policy Bill Scenario 2: Require biennial mandatory reporting to the legislature on TNB funding needs from the Commission.

- Intent would be to serve as a tool for on-going identification and awareness of TNB funding needs.
- While not a statement of intent to support full funding for the Work Group's funding recommendations, this policy bill would support the capacity to secure future funding.
- Could pair this policy bill with either funding scenario, but would particularly add value for a biennial funding approach (Funding Scenario 2).

Draft Additional Recommendations

In the course of determining funding recommendations, the TNB Work Group identified several options that would not fully address the problem statement and objectives, but would support cost reduction and toll payer relief. These include:

- Motor Vehicle Fund Loan Forgiveness
- Use of Additional Bridge Loans to Support TNB Fund Sufficiency
- Use of Non-Toll Revenue for TNB Repair & Replacement Costs
- Pro-Rate or Defer Facility Repair & Replacement Costs and Customer Service Center Procurement Costs Scheduled for FY 2027 – FY 2030
- Assessment of Toll Vendor and O&M Costs to Identify Opportunities for Savings

Next Steps

Final Report

- ✓ Finalize report recommendations by: **December 6th**.
- Present content for approval at December Commission meeting.
- Finalize final draft for review by **December 15th**.
- Work Group feedback due by **December 21st**.
- Submit to Senate & House Transportation Committees by **January 5, 2018**.

Updates to Senate & House Transportation Committees: TBD



Questions?

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