



# Tacoma Narrows Bridge 2015 Toll Rate Proposal March 17, 2015

# Tacoma Narrows Bridge Rate Setting Requirements

## What does the law require?

RCW 47.46.100 states the toll charges must be imposed in amount sufficient to:

- Provide for annual revenue 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](#).

# Tacoma Narrows Bridge Rate Increase

**Toll rates need to be set at a level to generate annual revenue sufficient to meet the financial commitments and costs of operating the Tacoma Narrows Bridge.**

## **Why do tolls need to increase?**

Escalating debt service payments are driving expenses up. The bonds sold to fund the construction of the bridge were structured with escalating debt service payments each fiscal year through FY 2030.

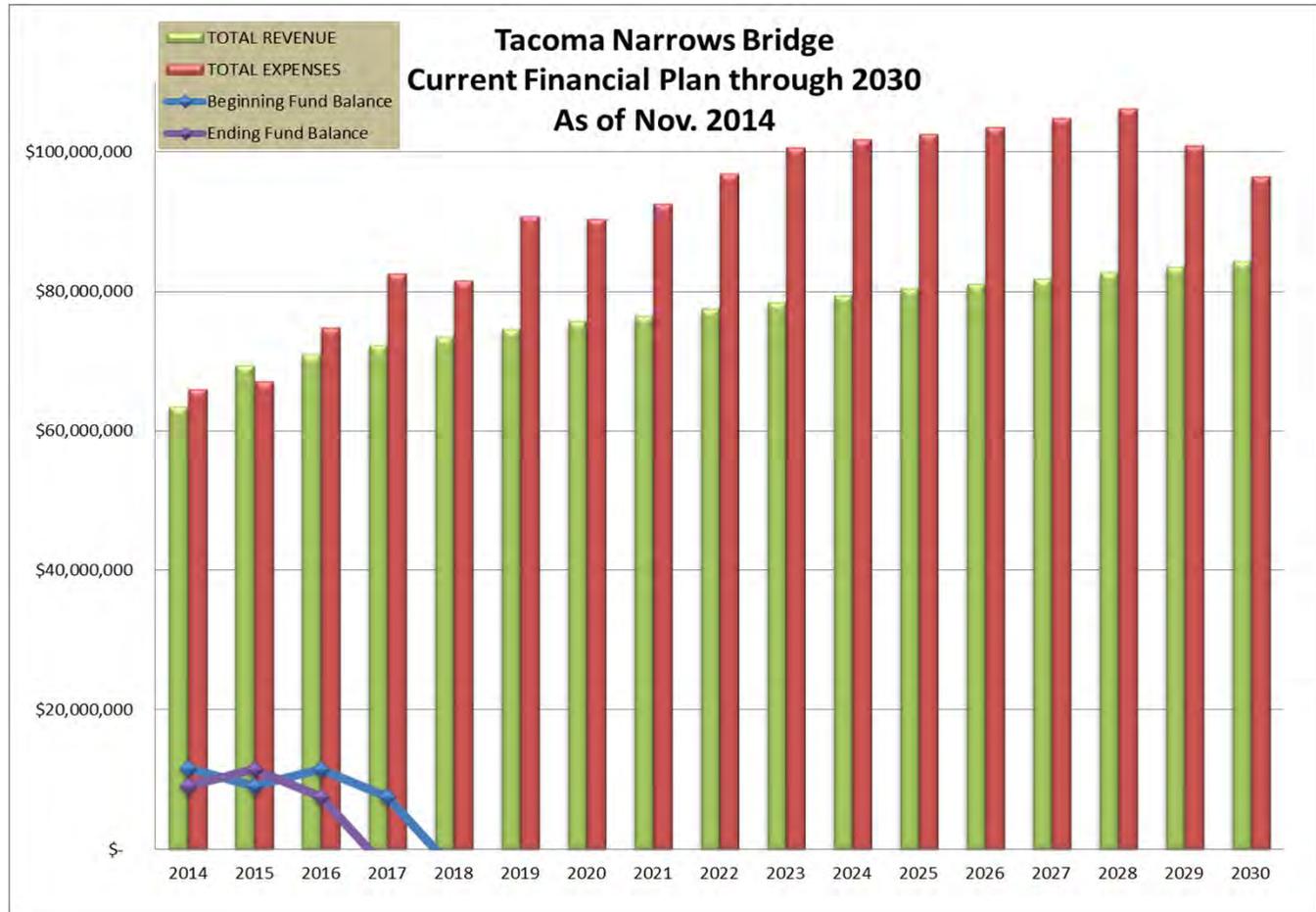
- For example, in FY15 debt service payments amount to \$54 million. They increase to \$62 million in FY16 and increase again in FY17 to \$70 million.
- Debt Service as a % of total fiscal year expenses:

**FY15: 80%   FY16: 82%   FY17: 85%   FY18: 85%**

**It should be noted that Office of the State Treasurer has refinanced all the bonds it could for Tacoma Narrows Bridge and has realized a total savings of \$9.446 million over the life of the bonds.**

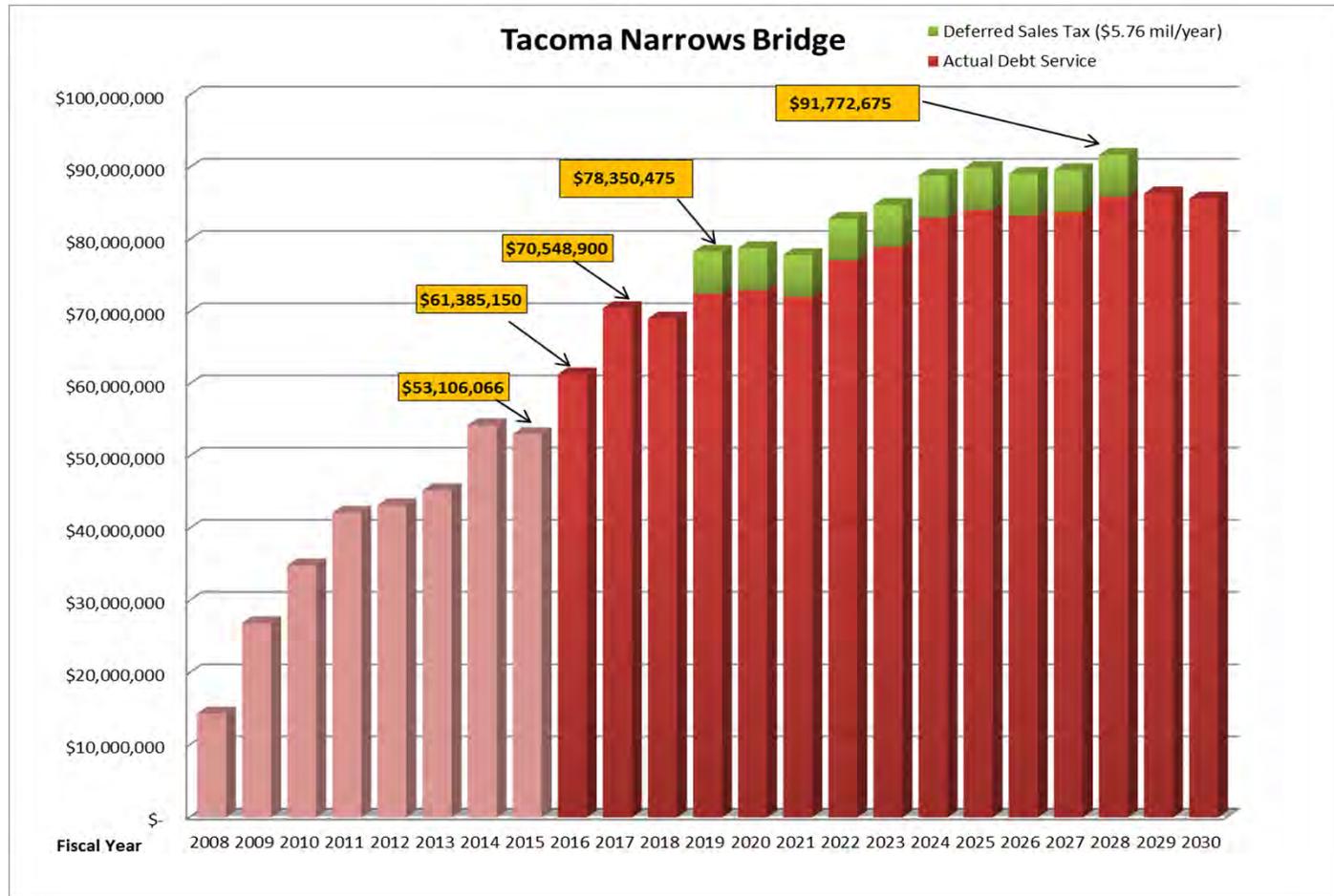
Tacoma Narrows Toll Bridge  
 Financial Plan Under Current Rates  
 Good To Go (GTG): \$4.50 Cash: \$5.50 Pay By Mail (PBM): \$6.50

- **Total expenses exceed total revenues each year beginning in FY 2016.**
- Fund balance drops below requirements in FY 2016.
- The Tacoma Narrows Account would end FY2017 in a deficit if the current rates were kept in place.



# Tacoma Narrows Bridge Debt Service and Deferred Sales Tax

- 10 different bonds were issued to fund the construction of the bridge.
- The bonds that could be refinanced have been and **saved \$9.5 million over the life of the debt**
- Debt Service will increase by **\$8.27 million** from FY15 to FY16
- Debt Service will increase by **\$9.16 million** from FY16 to FY17



# Tacoma Narrows Bridge Reported Traffic Volume

## Toll Increase History

Toll increases have occurred in:

- FY09
- FY13
- FY14
- FY15
- **Traffic volumes have remained relatively flat since 2008**
- July-December 2015: Traffic has positive growth.

| Tacoma Narrows Bridge |                         |                                 |
|-----------------------|-------------------------|---------------------------------|
| Fiscal Year           | Actual Reported Traffic | Growth Rate of Actual Traffic % |
| 2008                  | 13,896,474              | -                               |
| 2009                  | 13,933,956              | 0.27%                           |
| 2010                  | 14,261,331              | 2.35%                           |
| 2011                  | 14,063,498              | -1.39%                          |
| 2012                  | 13,951,689              | -0.80%                          |
| 2013                  | 13,827,983              | -0.89%                          |
| 2014                  | 13,958,741              | 0.95%                           |
|                       |                         |                                 |
| 2015 YTD (July-Dec.)  | 7,259,547               | 2.17%                           |

# Tacoma Narrows Bridge Toll Rate Scenario Evaluation



## How does the Commission evaluate the need for a rate increase?

The Commission uses a fund balance test to determine if the current rates will cover costs in the coming fiscal year or if they need to be increased.

## What is the fund balance test?

Commission Policy states that the Tacoma Narrows Bridge fund balance shall not be less than 12.5% of annual total TNB costs (equivalent to 45 days of working capital year round), measured on a retrospective three month rolling average fund balance.

# Tacoma Narrows Bridge Financial Status - Fiscal Years 2016-2017

Forecast shows **Expenses** exceeding **Revenues** from FY 2016-2017. **Debt Service** accounts for **82-85%** of expenses over these fiscal years.

### Net Revenue

FY 2016: (\$ 3.903 mil)

FY 2017: (\$ 10.266 mil)

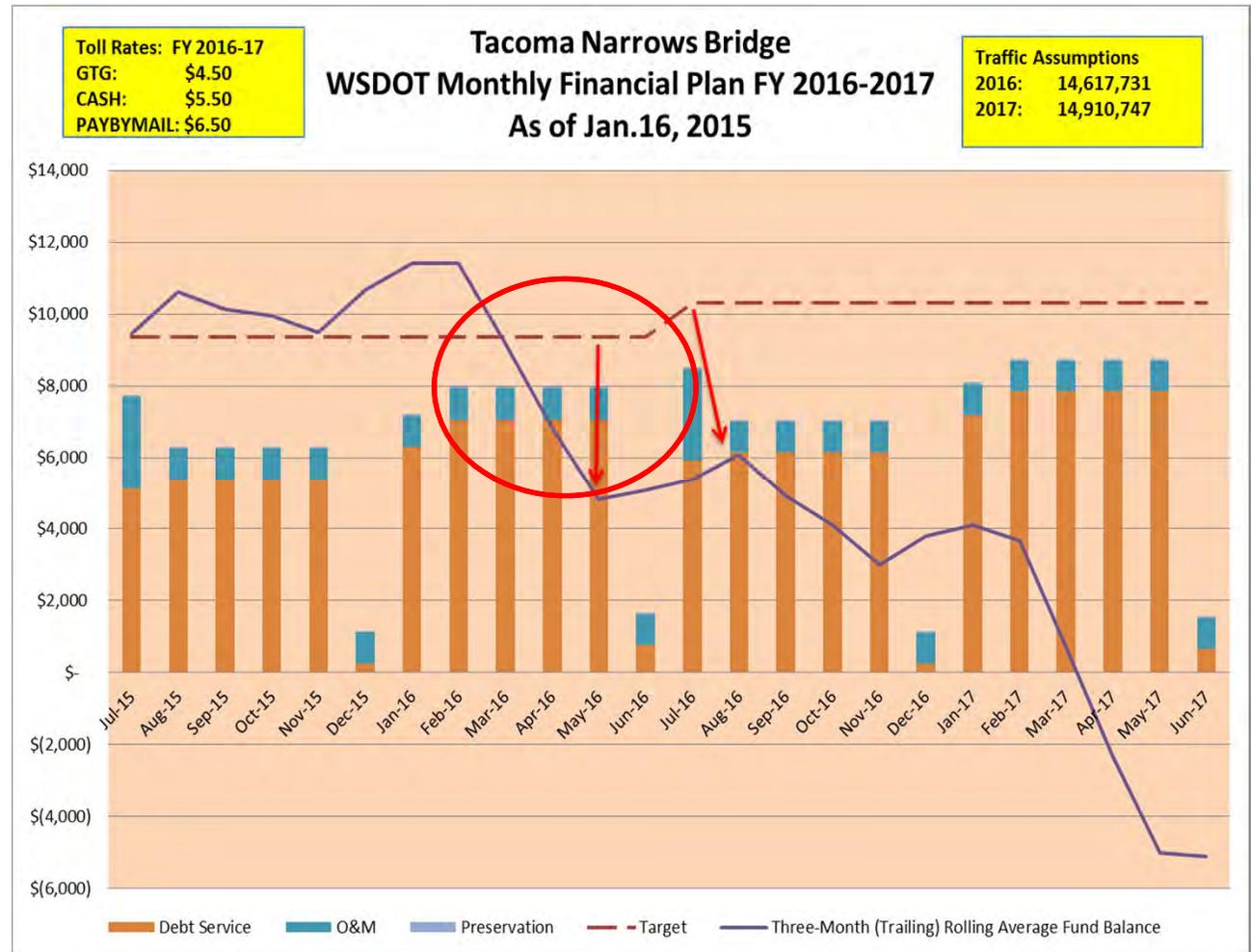
### Sufficient Minimum Balance Test

**Fails in FY 2016**

**Fails in FY 2017**

### Assumptions:

- FY2015 Toll Rates remain unchanged
- Traffic Volume grows at 2.41% in FY 2015, 2.25% in 2016 2.0% in 2017





## Tacoma Narrows Bridge Citizen Advisory Committee Toll Rate Proposal

### What is the Tacoma Narrows Bridge Citizens Advisory Committee (CAC) Toll Rate Proposal for 2-axle vehicles?

The CAC recommended a 50 cent rate increase in FY 2016 and FY 2017\*

FY 2016: GTG: \$5.00      Cash: \$6.00      PBM: \$7.00

FY 2017: GTG: \$5.50      Cash: \$6.50      PBM: \$7.50

*\*The annual review process with the CAC will still occur and adjustments will be made if needed.*

### Why set the rates for 2 years?

Setting rates for two years provides more predictability for toll payers and allows the public to anticipate and plan for known increases.

# Tacoma Narrows Bridge Toll Rate Proposal Assessment

- In order to determine if the CAC toll rate recommendation is sustainable, we evaluated it according to whether or not we will be able to meet the sufficient minimum balance (SMB) requirement, based upon traffic and revenue estimates throughout fiscal years 2016 and 2017.
- The Scenarios evaluated are:
  - Base Scenario:** No change in Toll Rates
  - Scenario 1:** Consecutive fiscal year \$0.50 Increases in all tolls as of July 1, 2015 and July 1, 2016
- The SMB Policy is to maintain fund balance equal to 45 days of working capital year round, measured on retrospective 3 month rolling average.
- The graph on the following page depicts fund balance on a 3 month rolling average and illustrates whether or not the fund balance passes or fails to meet the SMB test.

# Tacoma Narrows Bridge Fund Balance Test for Proposed Toll Rates

- Fiscal Year 2016**  
 An across the board \$0.50 increase on July 1, 2015 is expected to meet the SMB fund balance test year round for FY2016.
- Fiscal Year 2017**  
 An additional across the board \$0.50 increase on July 1, 2016 is expected to meet the SMB fund balance test year round for FY2017.

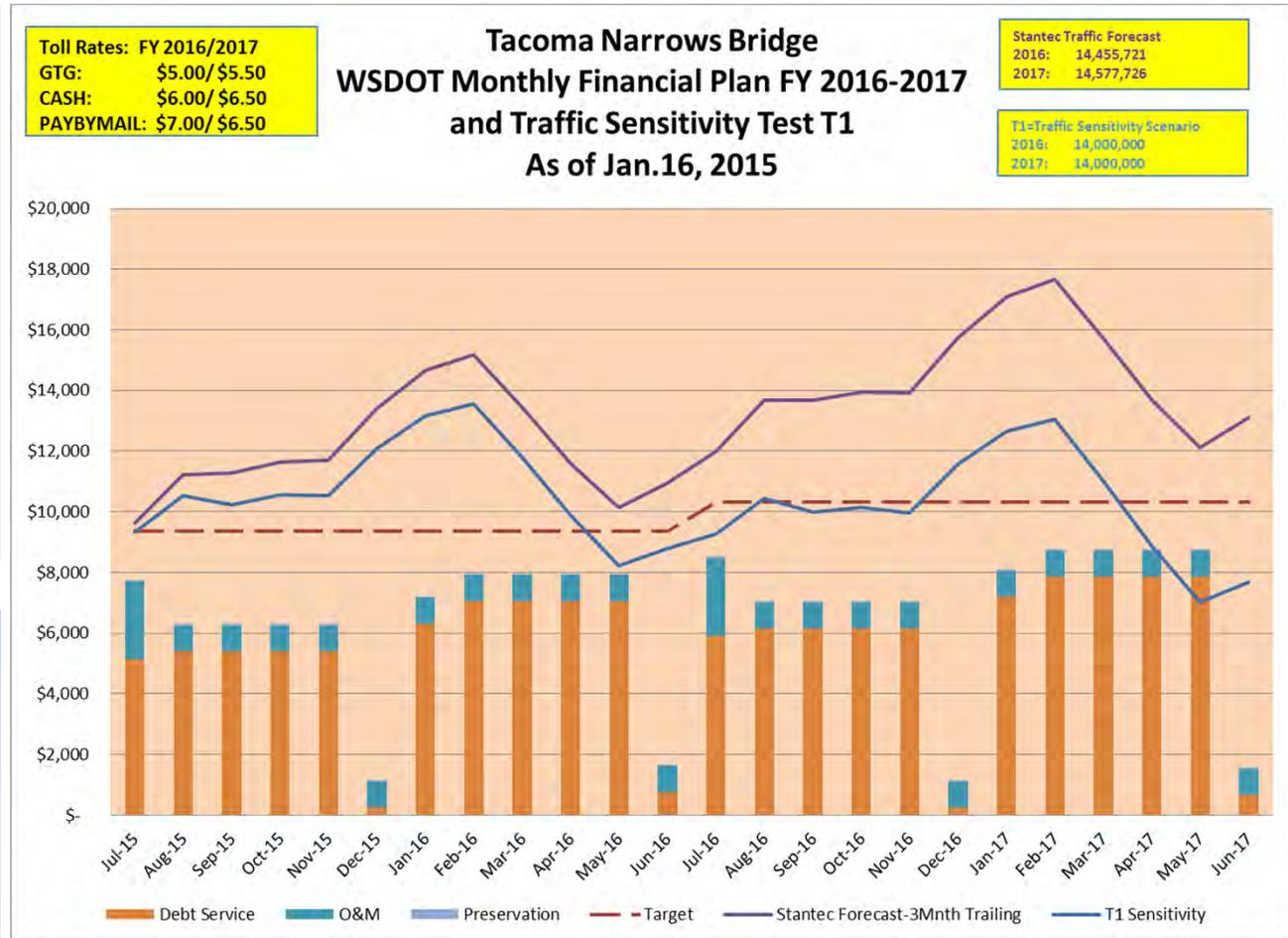
## 3-MONTH ROLLING AVG FUND BALANCE MEASUREMENT

### FY2016 year round compliancy

Stantec: **Passes all year**  
 Flat Traffic: **Fails** in May 2016

### FY2017 year round compliancy

Stantec: **Passes all year**  
 Flat Traffic: **Fails** most the year





## Questions

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