Tacoma Narrows Bridge
2015 Toll Rate Proposal
Final Hearing
May 20, 2015

Washington State
Department of Transportation

Agenda

WSDOT presentation:

- Statewide Tolling
- Roles and Responsibilities
- Future Debt Service Payments

Transportation Commission presentation:

- Why tolls need to increase
- Toll rate proposal

Washington State's tolling network

Current toll facilities:

- SR 16 Tacoma Narrows Bridge
- SR 167 HOT Lanes Pilot Project
- SR 520 Bridge

Authorized toll facilities:

- I-405 Express Toll Lanes
- SR 99 Tunnel

Washington Tolling Roles and Responsibilities

	Washington State Legislature	Transportation Commission	Department of Transportation	Office of the State Treasurer (OST)
Responsibility	Establish tolling, designate toll facilities and use of toll revenues	Set toll rates and related fees	Plan, analyze and construct facilities, collect tolls, build and operate toll collection systems	
Roles	• Establish legal toll framework • Authorize tolling in designated corridors • Approve financing plans • Enable tolling practices • Appropriate toll operation budget	• Set toll rates within funding requirements • Set toll exemptions • Establish advisory committees	• Develop toll collection systems and procedures • Collect tolls • Finance improvements • Operate tolled corridors • Assess financial feasibility of toll projects	• Conducts all financings for the State of Washington • Responsible for the issuance of toll debt

Tolling by the Numbers – FY 2014

***Good To Go!* by the numbers**

- Approximately 36 million toll transactions
- 480,000 active *Good To Go!* accounts
- Gross toll revenue: $126.6 million

SR 16 Tacoma Narrows Bridge by the numbers

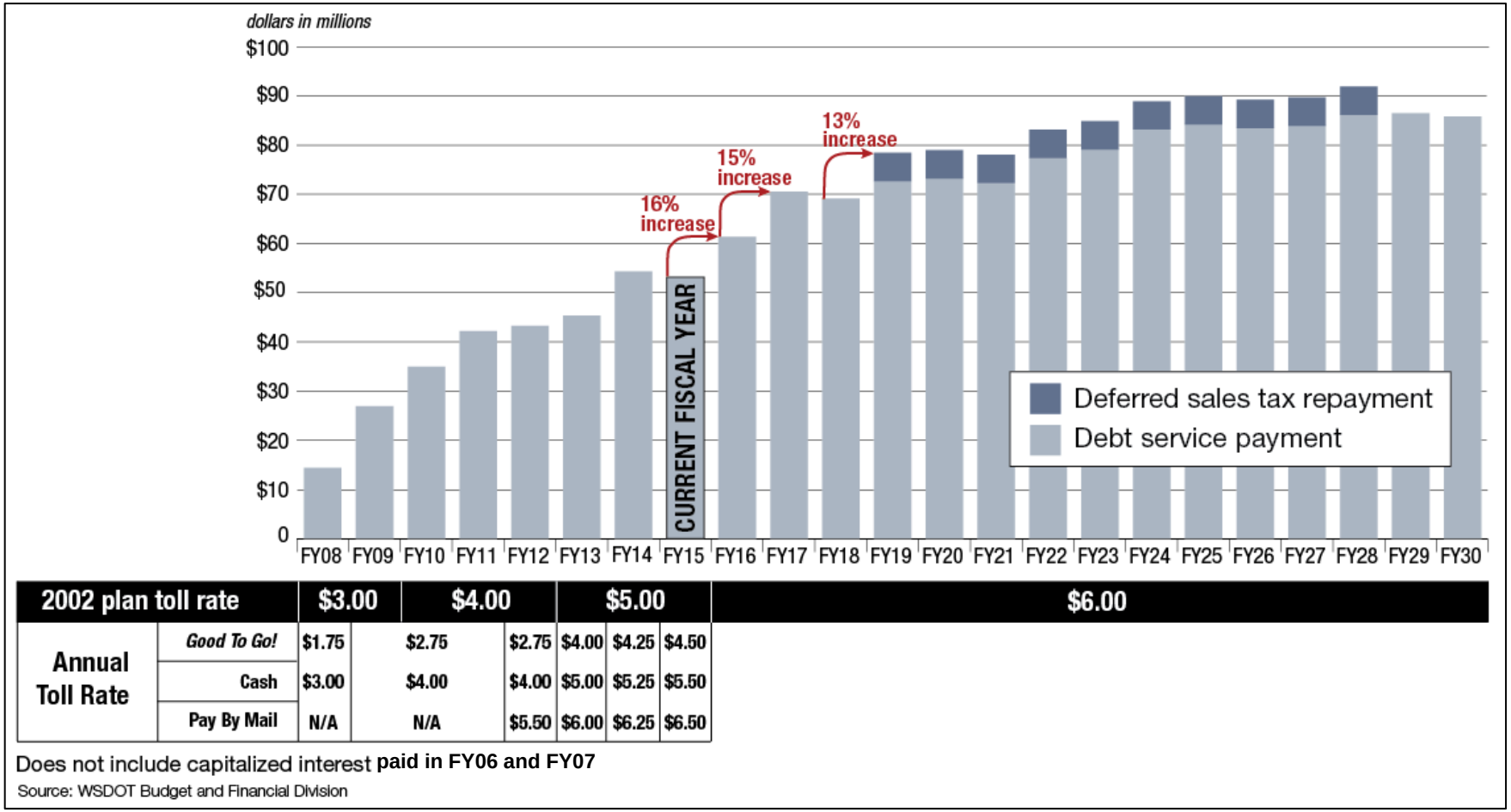
- Average daily toll transactions: 41,000
- Total number of transactions: 14 million
- Gross toll revenue: $63 million
- Percentage of transactions by payment type:
  - *Good To Go!* accounts: 70 percent
  - Toll Booth: 24 percent
  - Pay By Mail: 6 percent

SR 16 Tacoma Narrows Bridge

History

- In 1998 voters approved construction of a second Tacoma Narrows Bridge
- Construction began in 2002, funded with bond financing to be repaid using tolls
- Tolling began in 2007
- Debt service schedule requires regular toll rate increases

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

Does not include capitalized interest **paid in FY06 and FY07**

Source: WSDOT Budget and Financial Division

- Debt service payment schedule was set when project was originally financed in 2002
- Payments and toll rates were assumed to increase over time in the 2002 plan
- Repayment for deferred sales taxes to begin in FY 2019 for ten years

Washington Transportation Commission Proposal

Tacoma Narrows Bridge
2015 Toll Rate Proposal

- **What does the law require ?**
- **Why do toll rates need to increase?**
- **Current Financial Plan**
- **Debt Service Schedule**
- **Reported Traffic Volumes**
- **Historical Toll Rates**
- **Citizens Advisory Committee Proposal**
- **Toll Proposal Assessment**
- **Transportation Commission's Toll Rate Proposal**

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 (FY) through FY2030.

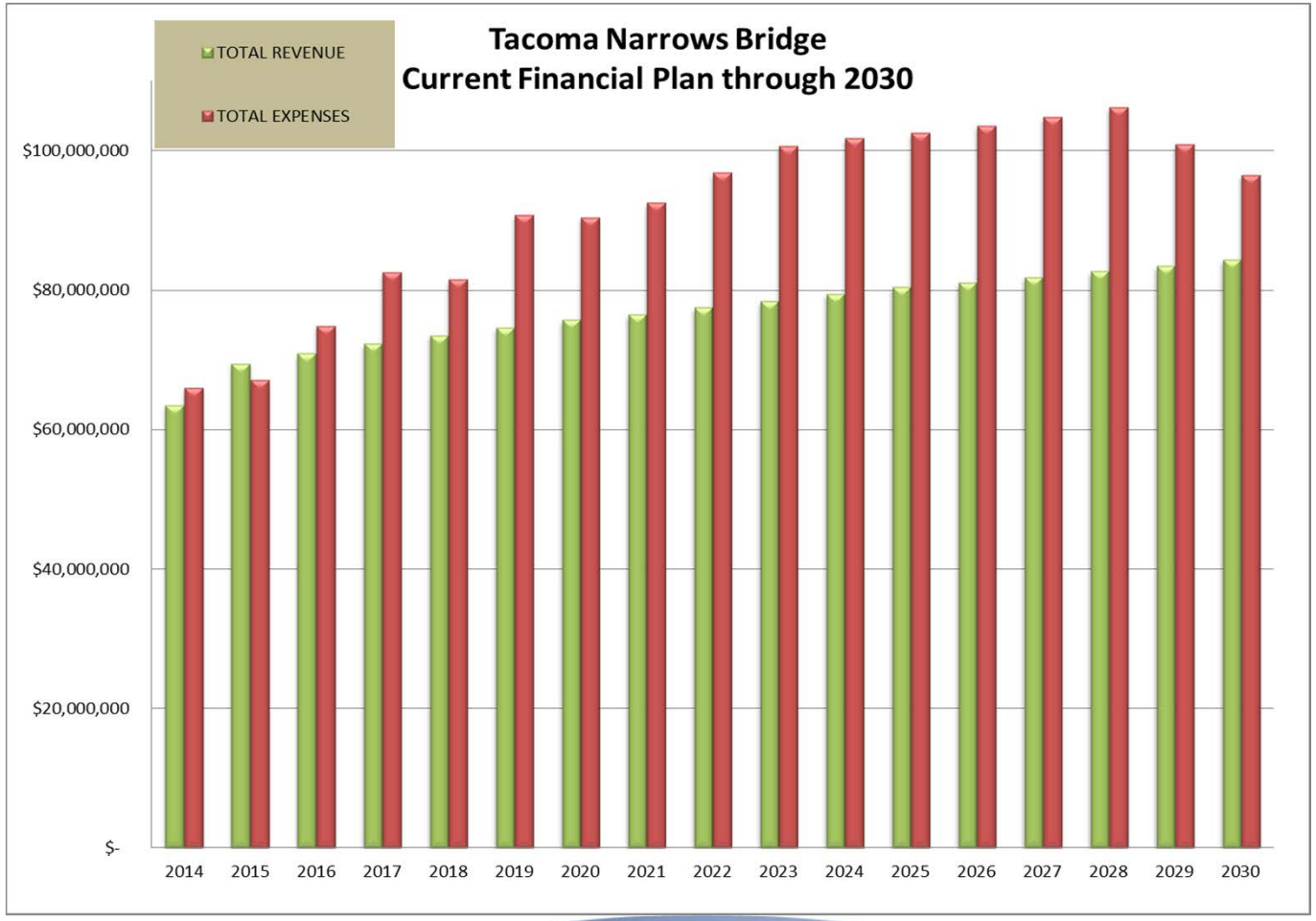
- For example, in FY2015 debt service payments amount to $53 million. They increase to $61 million in FY2016 and increase again in FY2017 to $70 million.
- Debt Service as a % of total fiscal year expenses:

  FY2015: 80% FY2016: 82% FY2017 85% FY2018: 85%

The 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.

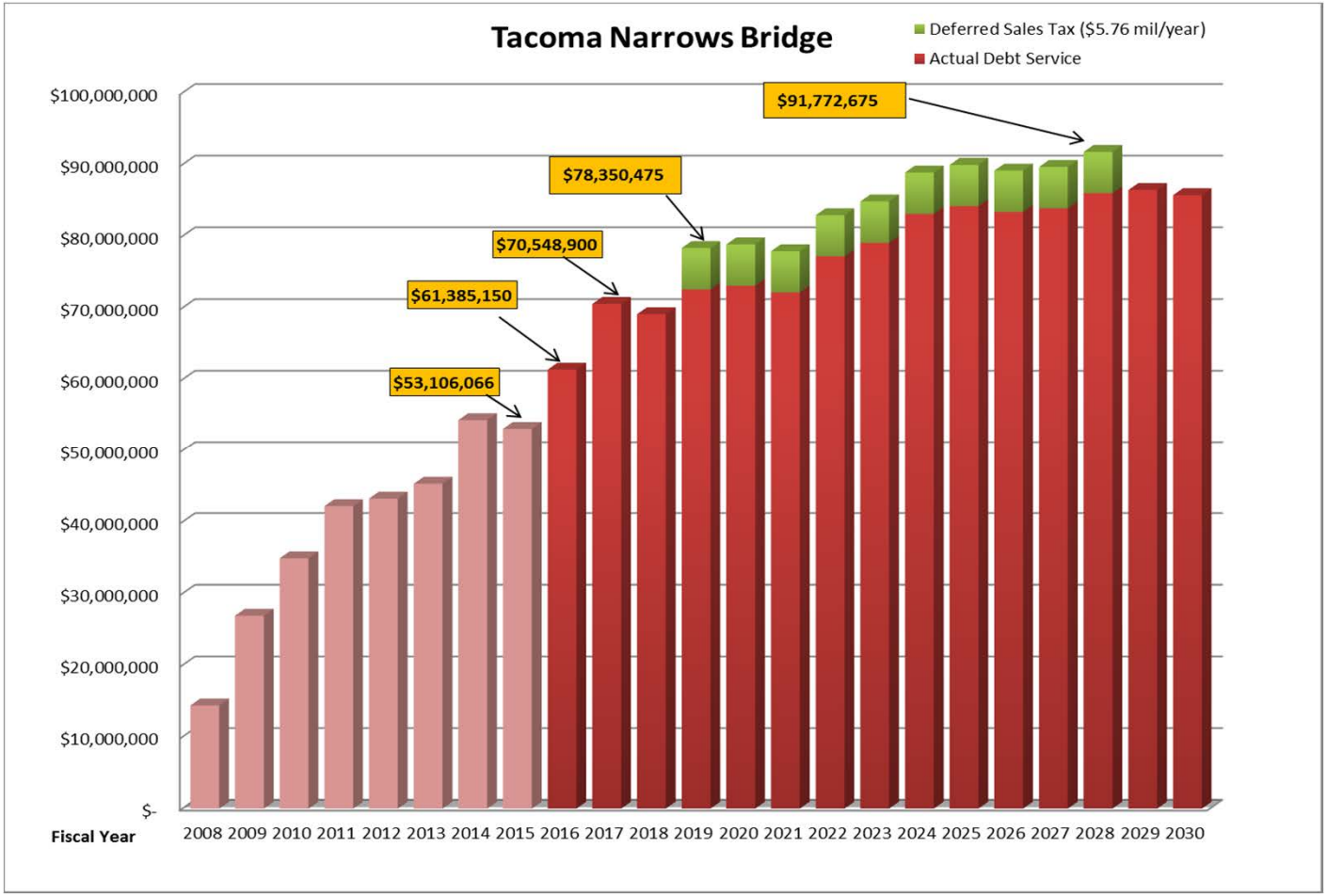
Tacoma Narrows Toll Bridge
Financial Plan Under Current Rates
Good To Go (GTG): $4.50 Cash: $5.50 Pay By Mail (PBM): $6.50

- **Total expenses exceed total revenues each year beginning in Fiscal Year 2016.**
- Fund balance drops below requirements in Fiscal Year 2016.
- The Tacoma Narrows Account would end Fiscal Year 2017 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 FY2015 to FY2016
- Debt Service will increase by **$9.16** million from FY2016 to FY2017



Tacoma Narrows Bridge
Reported Traffic Volume

Toll Increase History

Toll increases have occurred in:

- Fiscal Year 2009
- Fiscal Year 2013
- Fiscal Year 2014
- Fiscal Year 2015

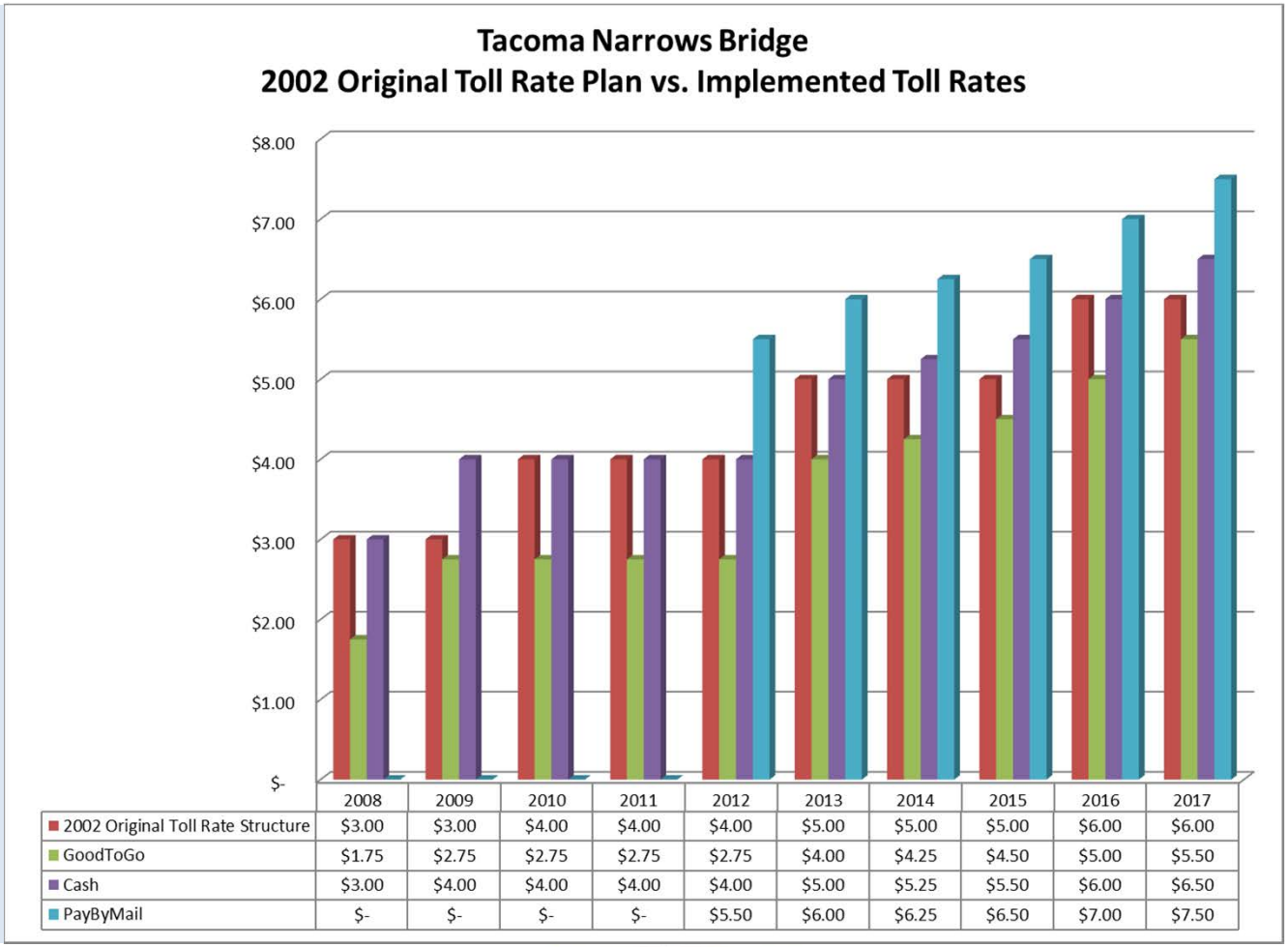
- **Traffic volumes have remained relatively flat since 2008**

- 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 History

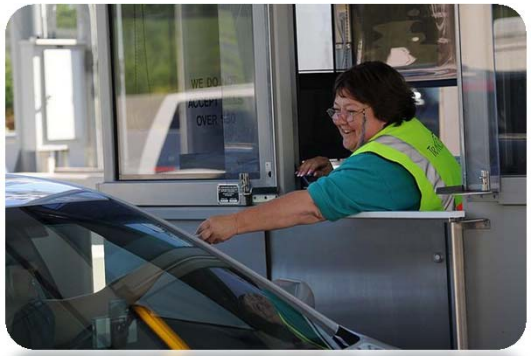
- The 2002 Original Toll Rate Plan assumed a flat, single toll rate—no discounts were planned.
- The original plan assumed an initial $3.00 toll with tolls expected to grow to $6.00 by FY2016.
- There have been <u>four</u> toll rate increases. Fiscal Years 2009,2013-2015.
- *FY2016 & FY2017 numbers in the chart represent the current toll rate proposal.*



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2002 Original Toll Rate Structure	$3.00	$3.00	$4.00	$4.00	$4.00	$5.00	$5.00	$5.00	$6.00	$6.00
GoodToGo	$1.75	$2.75	$2.75	$2.75	$2.75	$4.00	$4.25	$4.50	$5.00	$5.50
Cash	$3.00	$4.00	$4.00	$4.00	$4.00	$5.00	$5.25	$5.50	$6.00	$6.50
PayByMail	$-	$-	$-	$-	$5.50	$6.00	$6.25	$6.50	$7.00	$7.50

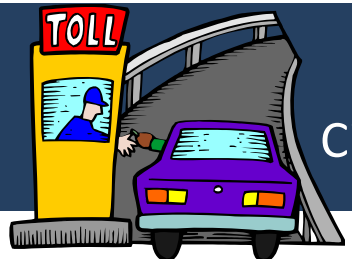
Tacoma Narrows Bridge
Toll Payment Options

Good To Go!
This is the lowest toll rate intended for commuters and is considered to be the discounted toll rate.



Toll Booth/Cash
Captures the additional cost of manual toll collection and is frequently used by tourist and the occasional user.

Pay By Mail
Pay By Mail is the highest toll rate. Drivers who do not have a Good To Go pass and choose not to stop at the toll booth will receive a bill in the mail.



Tacoma Narrows Bridge
Citizen's Advisory Committee(CAC) 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 Fiscal Year 2016 and Fiscal Year 2017*

Fiscal Year 2016:	**Good To Go: $5.00**	**Cash: $6.00**	**Pay By Mail: $7.00**
Fiscal Year 2017:	**Good To Go: $5.50**	**Cash: $6.50**	**Pay By Mail: $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 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.

In other words, the Tacoma Narrows Bridge account shall maintain a minimum balance in the account to provide for 45 days of expenses.

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 $0.50 increases in all tolls as of July 1, 2015 and again 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.

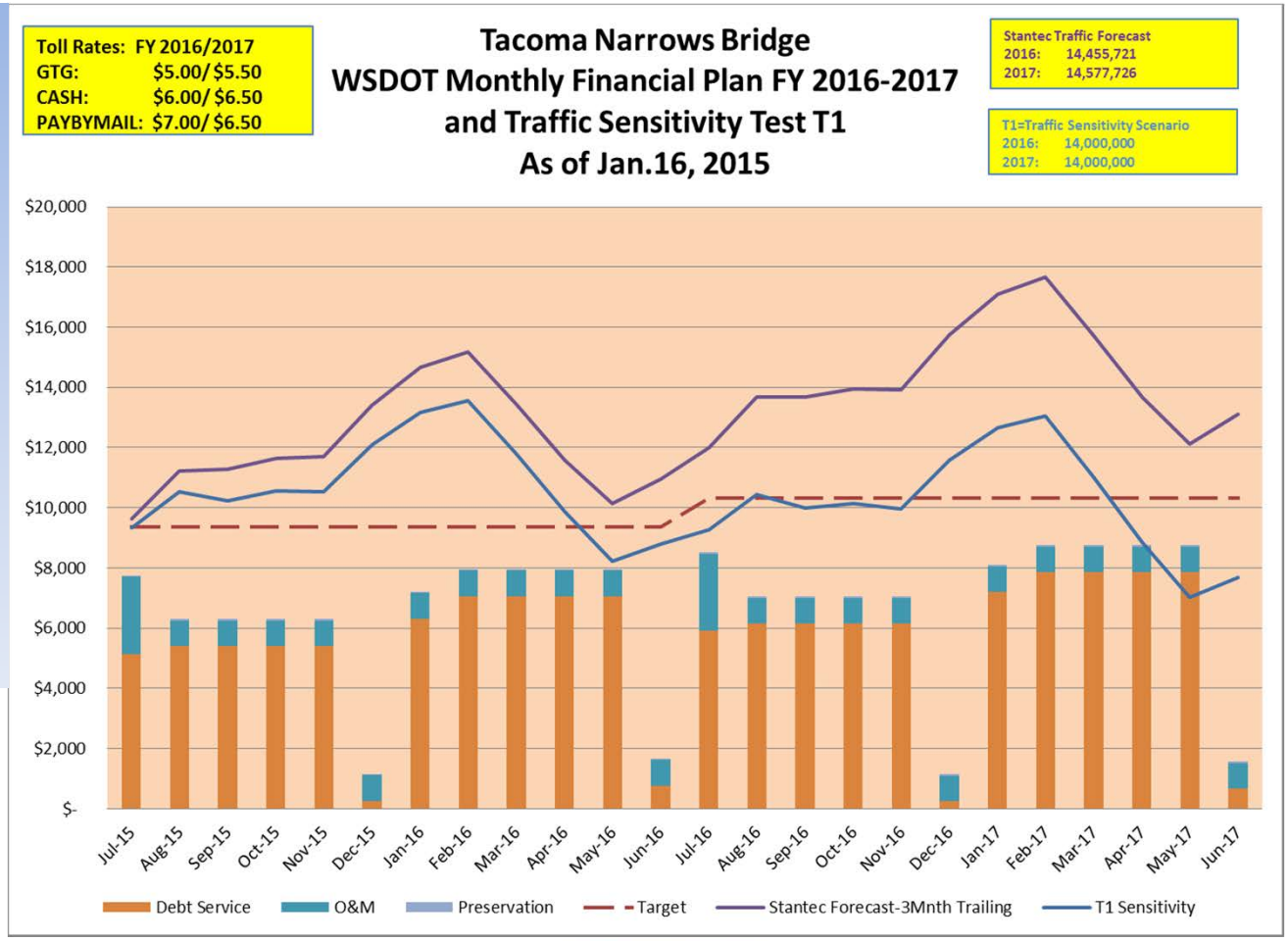
- The graph on the following page depicts fund balance on a 3 month rolling average and illustrates whether or not the fund balance passes or fails to meet the SMB test.

Tacoma Narrows Bridge
Fund Balance Test for Proposed Toll Rates

3-MONTH ROLLING AVG FUND BALANCE MEASUREMENT

FY2016 year round compliancy
$0.50 increase July 1, 2015
Stantec: Passes all year
Flat Traffic: Fails in May 2016

FY2017 year round compliancy
$0.50 increase July 1, 2016
Stantec: Passes all year
Flat Traffic: Fails most the year



Washington State Transportation Commission

Tacoma Narrows Bridge
Washington State Transportation Commission
Toll Rate Proposal Summary

Effective on July 1, 2015 (FY2016):
$0.50 cent rate increase

Effective on July 1, 2016 (FY2017):
An additional $0.50 cent rate increase.

Fiscal Year 2016 (2-Axle Rates)

Good To Go:	**$5.00**
Cash:	**$6.00**
Pay By Mail:	**$7.00**

Fiscal Year 2017 (2-Axle Rates)*

Good To Go:	**$5.50**
Cash:	**$6.50**
Pay By Mail:	**$7.50**

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

FISCAL YEAR 2016

Proposed	Toll Rate Structure				
Axles	Good To Go	Toll Booth	Pay By Mail	Pay By Plate	Short Term Account
2	$ 5.00	$ 6.00	$ 7.00	$ 5.25	$ 6.50
3	$ 7.50	$ 9.00	$ 10.50	$ 7.75	$ 10.00
4	$ 10.00	$ 12.00	$ 14.00	$ 10.25	$ 13.50
5	$ 12.50	$ 15.00	$ 17.50	$ 12.75	$ 17.00
6	$ 15.00	$ 18.00	$ 21.00	$ 15.25	$ 20.50

FISCAL YEAR 2017

Proposed	Toll Rate Structure				
Axles	Good To Go	Toll Booth	Pay By Mail	Pay By Plate	Short Term Account
2	$ 5.50	$ 6.50	$ 7.50	$ 5.75	$ 7.00
3	$ 8.25	$ 9.75	$ 11.25	$ 8.50	$ 10.75
4	$ 11.00	$ 13.00	$ 15.00	$ 11.25	$ 14.50
5	$ 13.75	$ 16.25	$ 18.75	$ 14.00	$ 18.25
6	$ 16.50	$ 19.50	$ 22.50	$ 16.75	$ 22.00

Tacoma Narrows Bridge
Washington State Transportation Commission
Toll Rate Proposal Schedule

The Commission will hold public meetings for people interested in learning more about the rate proposal and would like to offer their comments.

April 15	
On-Line Virtual Meeting	6 - 8 p.m. - See below for details on how to participate.
April 22	
Gig Harbor City Hall Council Chambers 3510 Grandview Gig Harbor WA	6 - 8 p.m. Detailed overview of rate proposal will be provided and public comment will be taken.
May 20	
Gig Harbor City Hall Council Chambers 3510 Grandview Gig Harbor WA	6 - 8 p.m. Detailed overview of rate proposal will be provided and public comment will be taken. **Commission will take final action on rate setting at this meeting.**

Questions

Washington State Transportation Commission
PO Box 47308
Olympia, WA 98504-7308
Email: transc@wstc.wa.gov
Phone: (360) 705-7070

Noah Crocker
Senior Financial Analyst
Washington State Transportation Commission
(360) 705-7070 or crocken@wstc.wa.gov

Craig J. Stone, P.E.
Assistant Secretary, Toll Division
Washington State Department of Transportation
206-464-1222 or StoneC@wsdot.wa.gov