

Washington State Transportation Commission

SR 16 Tacoma Narrows Bridge Toll Rate Setting

Patty Rubstello, Assistant Secretary of Tolling

December 14, 2016

Review FY 2017 Financial Plan

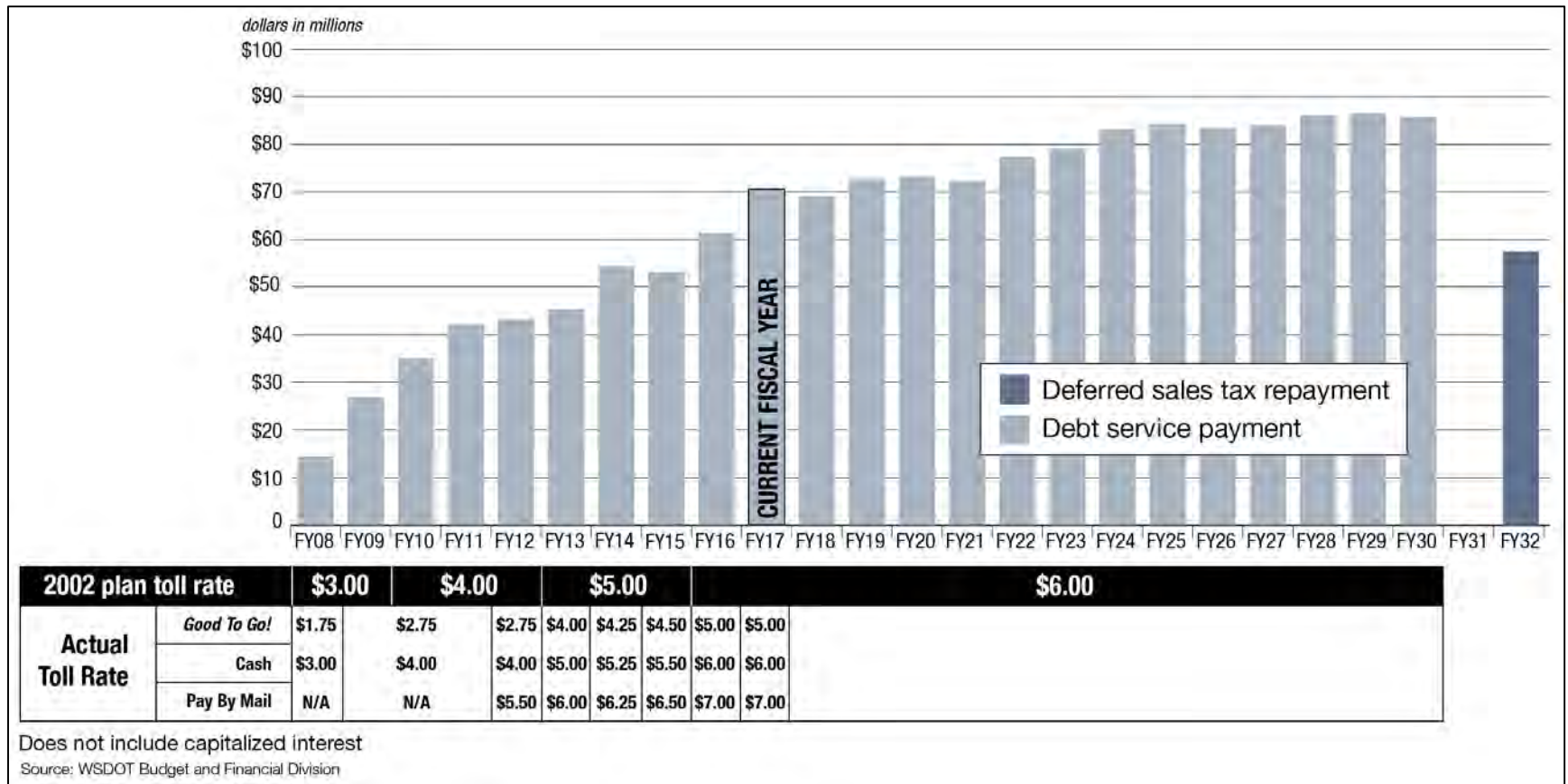
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 - Traffic and revenue highlights
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WHERE WE LEFT OFF LAST YEAR

- In 2015 the Transportation Commission made the decision to raise toll rates for all payment methods in two 50 cent steps in July 2015 and 2016
- The 2016 Legislature granted \$2.5 million from gas tax revenues to provide sufficient balance in the Tacoma Narrows Bridge fund to avoid the planned FY 2017 increase, so rates were not raised in July 2016
- The Transportation Commission told the CAC they would reconsider the sufficient minimum balance policy over the coming year
- Normally the Commission would aim to set toll rates for two years this year, but if no rate increase is needed for FY 2018, rate-setting would not occur until next year

CURRENT DEBT SERVICE SCHEDULE



- 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).

HOW TO READ THE FINANCIAL PLAN

Tacoma Narrows Toll Bridge Account (511)
 Financial Plan - Updated on November 17, 2016 - DRAFT
 Forecasted revenue is based on November TRFC.

Printed on: 12/4/2016

Historical Revenues and expenses from 2006 - 2016 are based on TNB I

		Actuals		Forecast		Rate Setting Biennium	
		2016	2017	2018	2019	2020	2021
(Amounts in thousands of nominal dollars except toll rates)							
Fiscal Year		2016	2017	2018	2019	2020	2021
1	Toll Rate (Good To Go! Pre-Pay)	\$5.00	\$5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
2	Toll Rate (Cash)	\$6.00	\$6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
3	Toll Rate (Pay-By-Mail)	\$7.00	\$7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
4	Beginning Fund Balance (Financial Statements)	14,083	20,876	19,715	18,809	12,457	6,164
5	Sources of Toll Revenue Funds 1						
6	Interest Earnings from Tacoma Narrows Account (511) 2	120	102	98	83	55	22
7	Interest Earnings from Toll Collection Account (495) 2	32	8	8	8	8	8
8	Toll Revenue - Good To Go! Pre-Pay & Cash	75,054	76,387	77,976	79,408	80,528	81,461
9	Toll Revenue - Pay By Mail	3,137	3,449	3,325	3,185	3,240	3,291
10	Transponder Sales Revenue	484	411	460	463	432	431
11	Violations	8	-	-	-	-	-
12	Fees 3	374	413	398	381	388	394
13	Contractual Damages 4	139	133	-	-	-	-
14	Miscellaneous Revenue 5	7	-	-	-	-	-
15	Total Sources of State Funds	79,355	80,903	82,265	83,528	84,651	85,607
16	Uses of Toll Revenue Funds 6						
17	Toll CSC Vendor Contract	(2,138)	(2,565)	(2,226)	(2,805)	(2,769)	(2,598)
18	Toll CSC Vendor Reprocurement		(359)	(1,508)	(3,458)	-	-
19	PBM Postage	(351)	(580)	(414)	(431)	(476)	(501)
20	Toll Booth and Lane Vendor Contract	(3,186)	(3,304)	(3,370)	(3,456)	(3,601)	(3,714)
21	Insurance 7	(1,184)	(1,158)	(1,500)	(1,500)	(1,615)	(1,656)
22	Credit Card and Bank Fees	(1,453)	(1,739)	(1,559)	(1,579)	(1,716)	(1,776)
23	Transponder Cost of Goods Sold	(316)	(411)	(460)	(463)	(432)	(431)
24	Other Toll Operations Costs	(476)	(350)	(517)	(515)	(485)	(479)
25	Personal Service Contracts 8	(803)	(345)	(310)	(310)	(249)	(251)
26	Salaries and Benefits	(762)	(1,084)	(1,243)	(1,232)	(1,142)	(1,122)
27	Infrastructure Maintenance	(438)	(510)	(565)	(554)	(599)	(584)
28	Subtotal: Operations and Maintenance Uses of Funds	(11,107)	(12,404)	(13,672)	(16,303)	(13,083)	(13,112)
29	Subtotal: Operating Sources less Operating Uses	68,248	68,499	68,594	67,225	71,567	72,495
30	Debt Service Payment 9	(61,385)	(70,549)	(69,115)	(72,590)	(73,102)	(72,151)
31	Debt Service Paid by MVA Account 12		2,500				
32	Debt Service Withholding 9	(891)	492	(714)	(212)	355	(304)
33	Subtotal: Uses of Funds incl. Debt Service	(73,383)	(79,961)	(83,500)	(89,105)	(85,831)	(85,568)
34	Deferred Sales Tax Repayment 10	-	-	-	-	(3,300)	(7,886)
35	Repair & Replacement (early years covered by capital balance)	-	-	-	-	-	-
36	Total Uses of Toll Funds	(73,383)	(79,961)	(83,500)	(89,105)	(89,130)	(93,454)
37	Current Year Sources less Uses Balance	5,971	942	(1,235)	(5,577)	(4,479)	(7,847)
38	Cumulative Sources Less Uses Balance	13,544	14,486	13,251	7,674	3,195	(4,652)
39	Beginning Capital Balance	3,806	3,802	2,841	2,698		
40	Total Sources of Capital Funds	-	-	-	-		
41	Repair and Replacement (covered by Capital Balance)	(4)	(961)	(143)	(241)		
42	Ending Capital Balance	3,802	2,841	2,698	2,457	0	
43	Sources Less Uses + Ending Capital Balance (for Sufficiency Test)	17,346	17,327	15,949	10,131	3,195	(4,652)
44	12.5% Sufficient Minimum Balance (SMB)	9,173	9,995	10,438	11,138	11,141	11,682
45	Amount (of Fund balance wo CP) Above/Below SMB	8,173	7,332	5,512	(1,007)	(7,947)	(16,334)
46	Lowest 3-month Rolling Average Balance	12,444	13,640	12,649	7,362	476	(7,183)
47	Amount (of 3-month average) Above/Below SMB	3,271	3,645	2,212	(3,776)	(10,666)	(18,865)
48	Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11						
49	Civil Penalty Revenue (not incl. in Operating Revenue)	1,698	1,627	1,570	1,503	1,530	1,553
50	Civil Penalty Adjudication Costs (not incl. in Operating Expenses)	(872)	(1,820)	(1,098)	(1,087)	(886)	(861)
51	Subtotal: Civil Penalty Net Revenue	826	(193)	472	416	644	692
52	Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	-	(950)
53	Civil Penalty Net Revenue after Loan Repayments	826	(1,143)	472	(534)	644	(258)
54	Cumulative Balance for Civil Penalties	3,530	2,387	2,859	2,325	2,969	2,711
55	Ending Fund Balance (Financial Statements)	20,876	19,715	18,809	12,457	6,164	(1,941)

Assumes currently adopted toll rates

Revenues

Costs other than debt service
 (note a new line item for the CSC Procurement)

Debt service

Net change in fund balance

Year-end fund balance

Above or below sufficient balance

Civil penalty revenue and
 adjudication costs excluded
 from sufficient balance test

RATE SETTING TIMELINE

	Milestone	
December 2016	CAC: Review Financial Plan, review need for rate setting WSTC: Review Financial Plan, review need for rate setting WSTC: File CR 101	<p>These steps are needed only if current rates are not sufficient through FY 2018 (July 2017 – June 2018)</p>
February 2017	WSTC/CAC: Rate scenario results CAC recommendation WSTC: Public input meeting	
March 2017	WSTC: Proposed rates WSTC: File CR 102	
May 2017	WSTC: Public hearing Adopt toll rates WSTC: File CR 103	
July 1, 2017	New toll rates take effect	

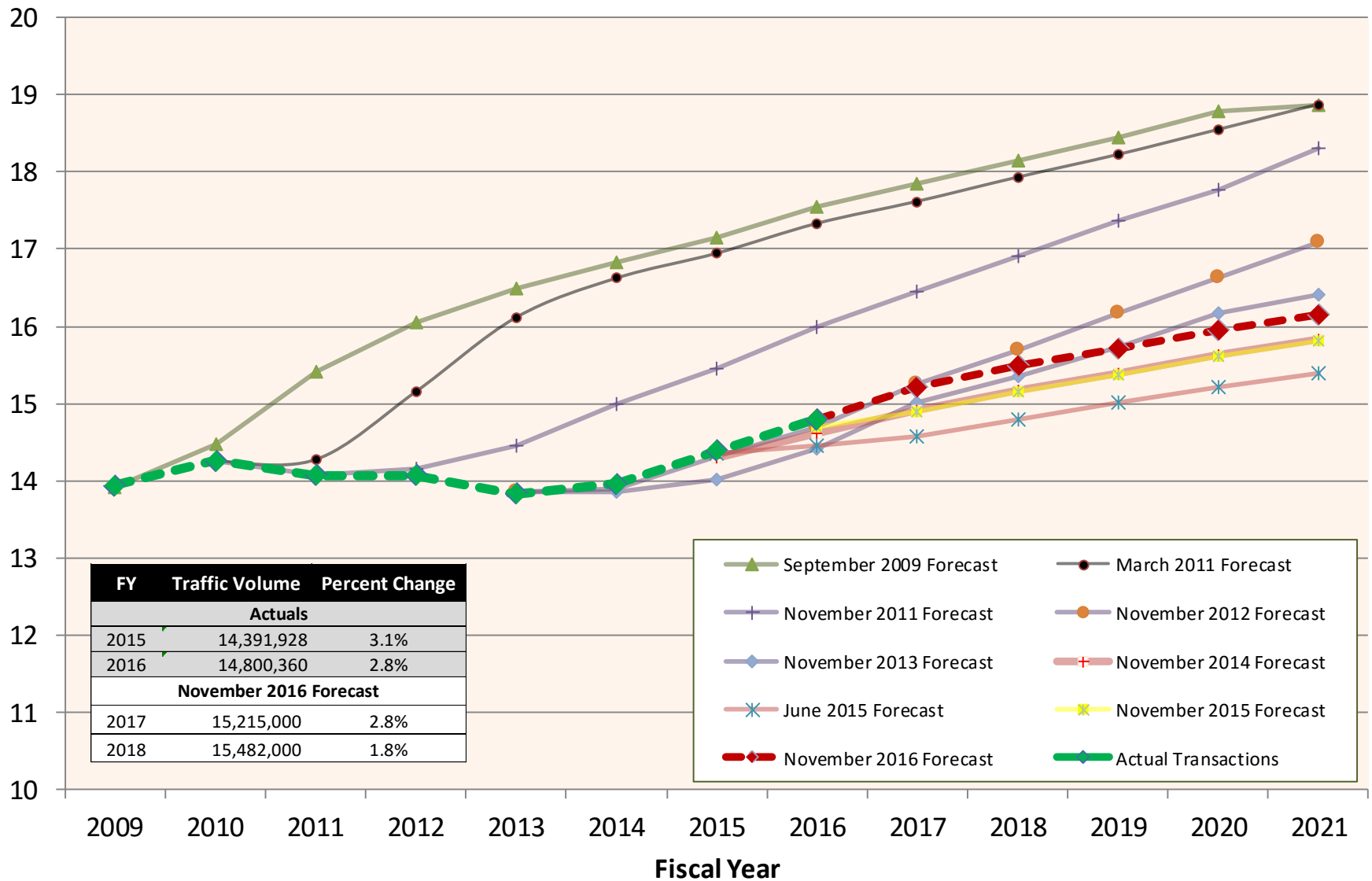
TRAFFIC AND REVENUE

TRAFFIC AND REVENUE HIGHLIGHTS

- Strong underlying economics continue to drive transaction growth
- As a percentage of overall transactions, Pay By Mail and Pay By Plate transactions continue to increase slightly while cash transactions remain constant
- November 2016 forecast assumes no July 2017 toll increase
- A new fiscal year maximum number of transactions was reached in FY 2016: 14.8 million
- A new monthly maximum number of transactions was reached in August 2016: 1.37 million

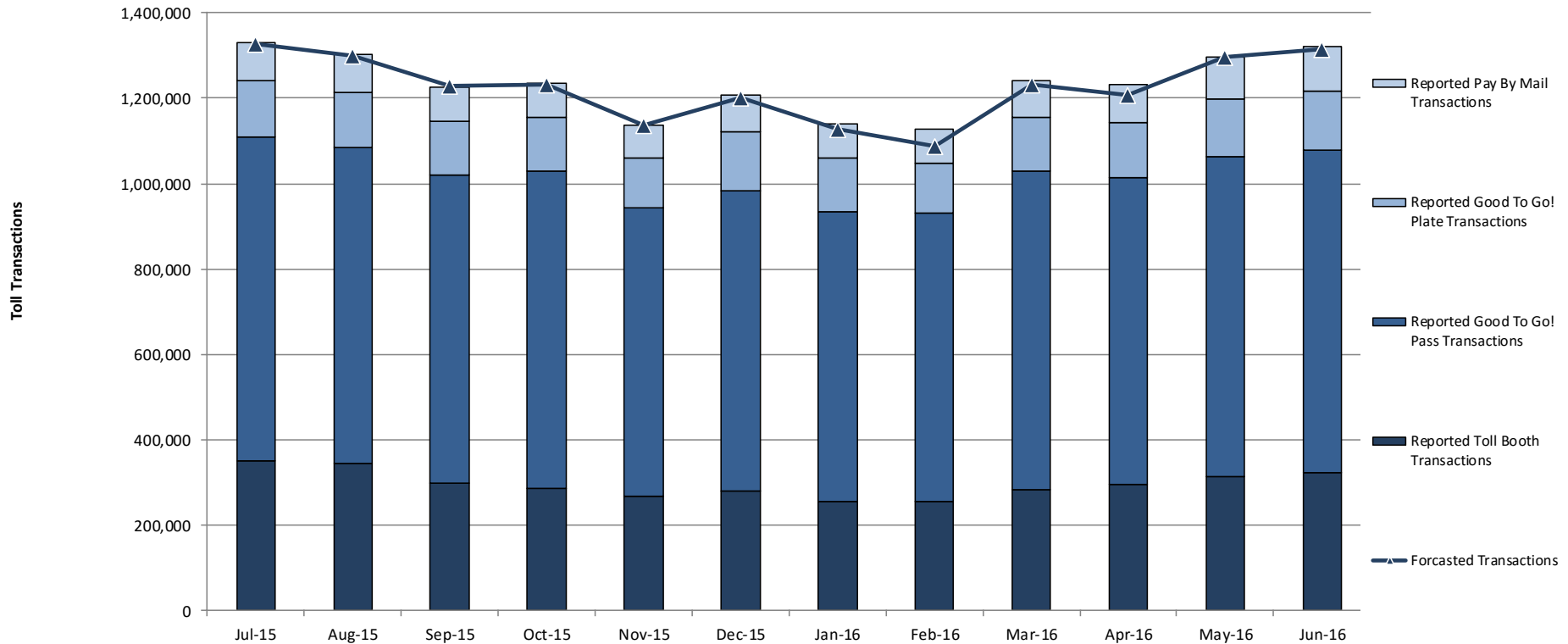
FORECASTED ANNUAL EASTBOUND TRAFFIC

Actual and Forecasted Annual Eastbound Toll Transactions on TNB (in millions)



FY 2016 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	14,695,000	14,695,000
Reported Transactions ²	1,331,532	1,302,183	1,226,444	1,234,934	1,136,584	1,206,380	1,140,463	1,126,514	1,241,916	1,233,613	1,297,280	1,322,517	14,800,360	
Variance from Forecast	2,427	3,054	(3,656)	3,891	(471)	6,284	12,425	38,475	8,861	25,562	1,228	7,336	105,416	
Variance - % change	0.2%	0.2%	(0.3%)	0.3%	(0.0%)	0.5%	1.1%	3.5%	0.7%	2.1%	0.1%	0.6%	0.7%	
Reported Toll Booth	26.2%	26.4%	24.4%	23.1%	23.5%	23.1%	22.5%	22.5%	22.7%	23.9%	24.2%	24.5%	24.0%	
Reported Good To Go! Pass	57.1%	56.8%	58.9%	60.1%	59.4%	58.4%	59.4%	60.1%	60.2%	58.4%	57.9%	57.1%	58.6%	
Reported Good To Go! Plate	9.8%	9.9%	10.1%	10.3%	10.3%	11.4%	11.1%	10.4%	10.2%	10.4%	10.3%	10.3%	10.4%	
Reported Pay By Mail	6.8%	6.9%	6.6%	6.4%	6.7%	7.0%	7.1%	6.9%	6.9%	7.3%	7.7%	8.1%	7.1%	

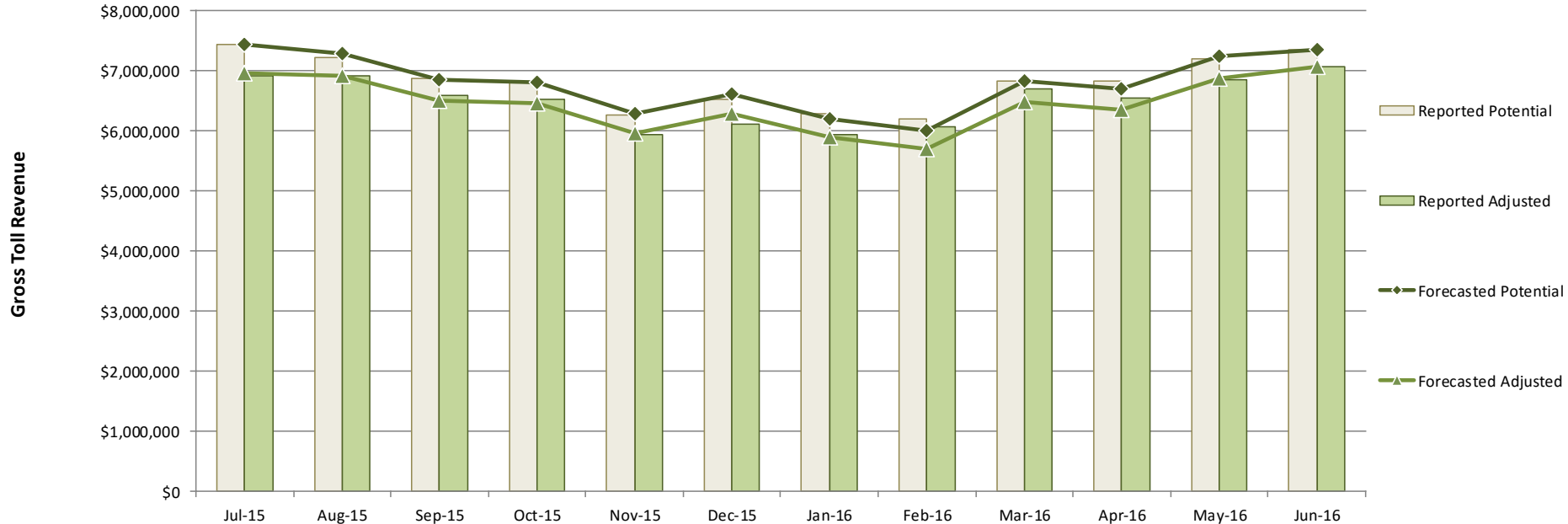


Notes:

- 1 The data is based upon the TRFC November 2015 Forecast.
- 2 The reported transaction is based on the TNB lane collection system data adjusted for duplicate and non-revenue transactions.

FY 2016 FORECASTED AND REPORTED TOLL REVENUE

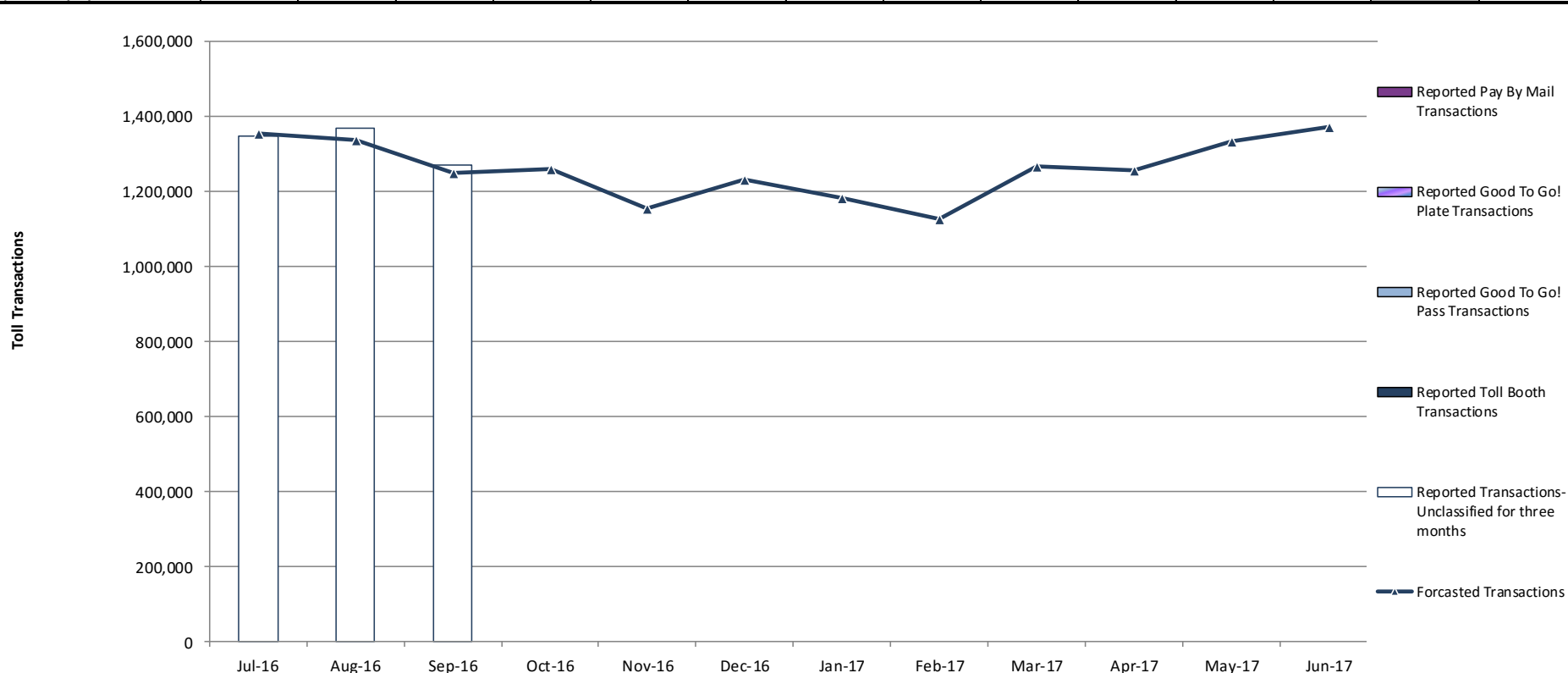
GROSS TOLL REVENUE	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	YTD	Annual Total
Forecasted Potential ¹	\$7,444,794	\$7,285,970	\$6,855,754	\$6,812,322	\$6,286,409	\$6,620,715	\$6,212,287	\$6,004,288	\$6,840,411	\$6,705,386	\$7,244,393	\$7,356,361	\$81,669,000	\$81,669,000
Reported Potential ²	\$7,451,601	\$7,221,540	\$6,879,062	\$6,809,512	\$6,276,598	\$6,521,575	\$6,288,539	\$6,198,315	\$6,840,546	\$6,831,967	\$7,205,431	\$7,352,457	\$81,877,139	
Variance From Forecasted Potential	\$6,807	(\$64,431)	\$23,308	(\$2,811)	(\$9,811)	(\$99,140)	\$76,252	\$194,027	\$135	\$126,581	(\$38,962)	(\$3,905)	\$208,049	
Variance - % Change	0.1%	(0.9%)	0.3%	(0.0%)	(0.2%)	(1.5%)	1.2%	3.2%	0.0%	1.9%	(0.5%)	(0.1%)	0.3%	
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	\$77,517,000	\$77,517,000
Reported Adjusted	\$6,924,297	\$6,910,146	\$6,588,359	\$6,532,833	\$5,940,625	\$6,114,163	\$5,931,340	\$6,068,713	\$6,705,563	\$6,550,982	\$6,853,823	\$7,069,885	\$78,190,730	
Variance From Forecasted Adjusted	(\$46,700)	(\$5,403)	\$81,155	\$66,852	(\$26,181)	(\$169,952)	\$34,888	\$369,685	\$212,922	\$186,501	(\$22,262)	(\$7,776)	\$673,730	
Variance - % Change	(0.7%)	(0.1%)	1.2%	1.0%	(0.4%)	(2.7%)	0.6%	6.5%	3.3%	2.9%	(0.3%)	(0.1%)	0.9%	



- 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.

FY 2017 Q1 FORECASTED AND REPORTED TOLL TRAFFIC

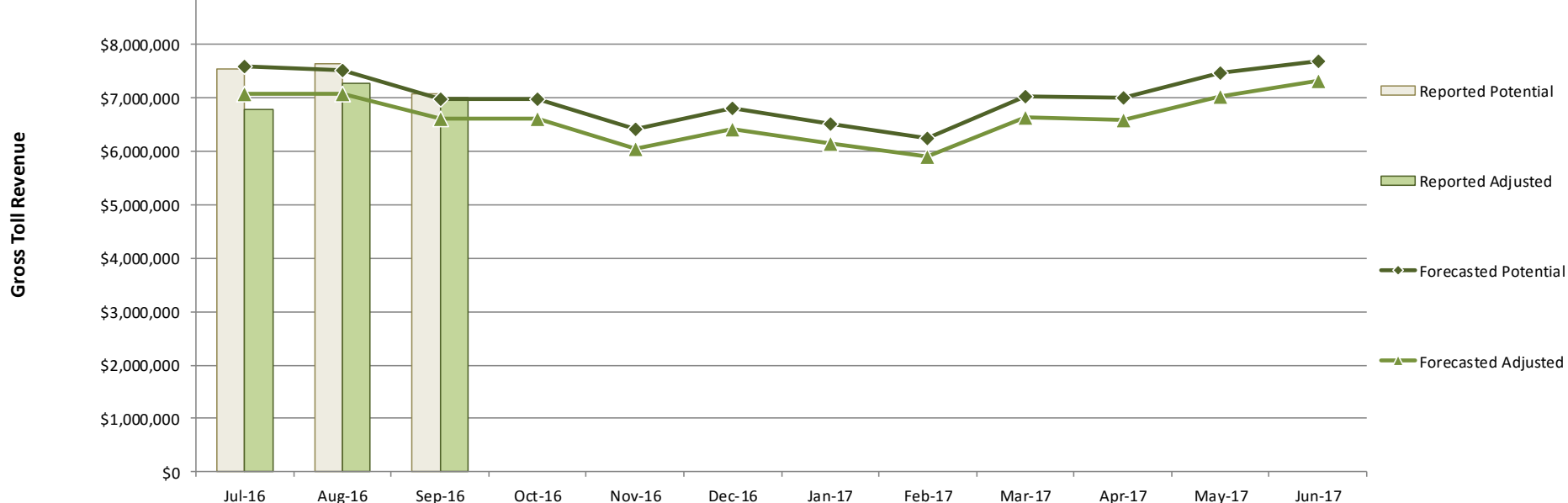
TOLL TRANSACTIONS	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD	Annual Total
Forecasted Transactions ¹	1,352,000	1,336,000	1,250,000	1,258,000	1,154,000	1,230,000	1,180,000	1,125,000	1,265,000	1,254,000	1,334,000	1,371,000	3,938,000	15,109,000
Reported Transactions ²	1,347,299	1,368,523	1,267,863	-	-	-	-	-	-	-	-	-	3,983,685	
Variance from Forecast	(4,701)	32,523	17,863	-	-	-	-	-	-	-	-	-	45,685	
Variance - % change	(0.3%)	2.4%	1.4%	-	-	-	-	-	-	-	-	-	1.2%	
Reported Toll Booth														
Reported Good To Go! Pass														
Reported Good To Go! Plate														
Reported Pay By Mail														



- Notes:**
- The data is based upon the TRFC June 2016 Forecast.
 - The reported transaction is based on the TNB lane collection system data adjusted for duplicate and non-revenue transactions.

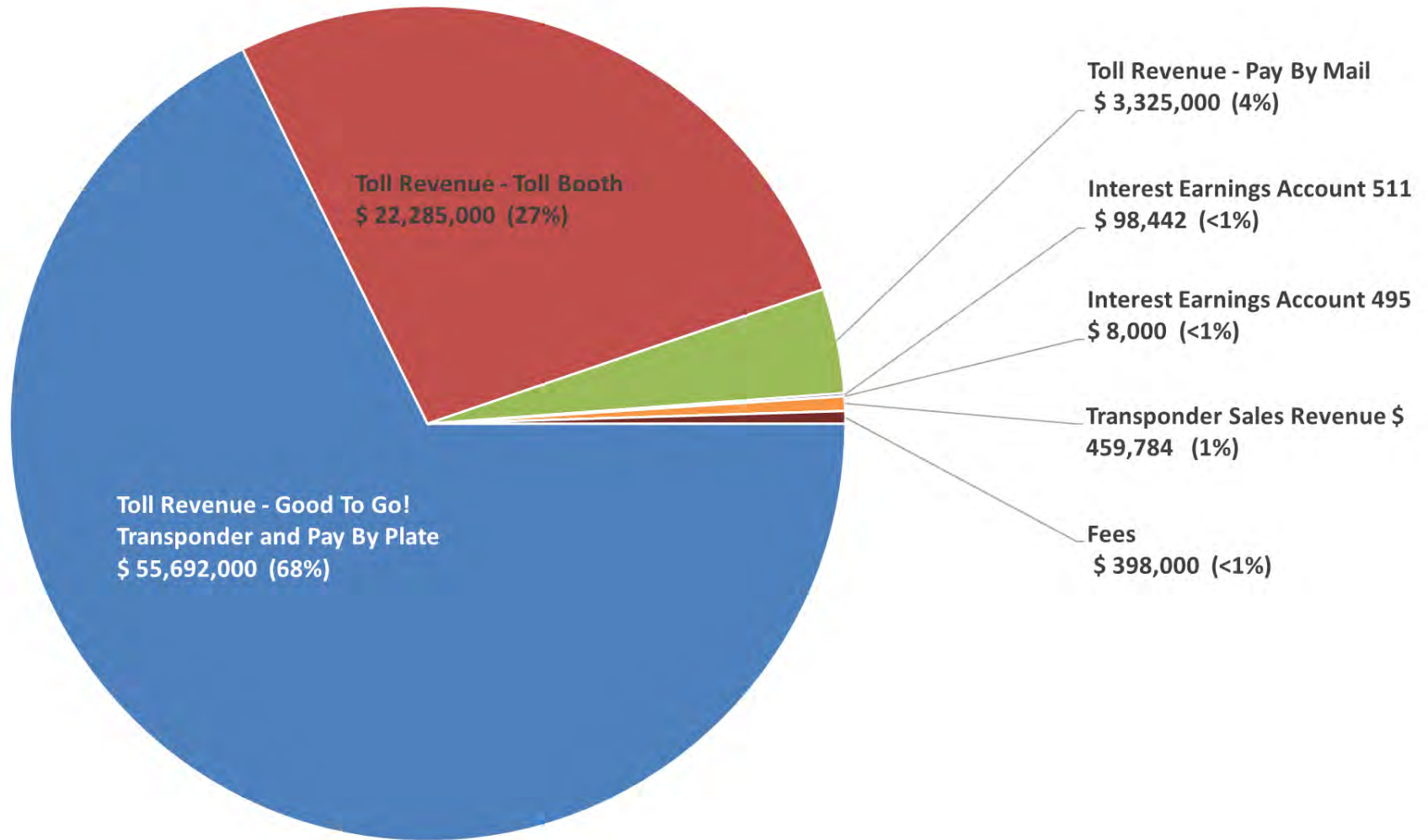
FY 2017 Q1 FORECASTED AND REPORTED TOLL REVENUE

GROSS TOLL REVENUE	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD	Annual Total
Forecasted Potential ¹	\$7,603,868	\$7,511,088	\$6,985,839	\$6,988,434	\$6,409,416	\$6,811,583	\$6,529,277	\$6,242,285	\$7,036,413	\$6,996,393	\$7,480,388	\$7,694,538	\$22,100,795	\$84,290,000
Reported Potential ²	\$7,545,009	\$7,647,748	\$7,069,378	-	-	-	-	-	-	-	-	-	\$22,262,134	
Variance From Forecasted Potential	(\$58,860)	\$136,660	\$83,539									-	\$161,339	
Variance - % Change	(0.8%)	1.8%	1.2%									-	0.7%	
Forecasted Adjusted ³	\$7,076,000	\$7,092,000	\$6,608,000	\$6,615,000	\$6,053,000	\$6,426,000	\$6,158,000	\$5,896,000	\$6,631,000	\$6,594,000	\$7,028,000	\$7,334,000	\$20,776,000	\$79,511,000
Reported Adjusted	\$6,798,481	\$7,287,859	\$7,008,974	-	-	-	-	-	-	-	-	-	\$21,095,313	
Variance From Forecasted Adjusted	(\$277,519)	\$195,859	\$400,974										\$319,313	
Variance - % Change	(3.9%)	2.8%	6.1%	-	-	-	-	-	-	-	-	-	1.5%	



- Notes:**
- The data is based upon the TRFC June 2016 Forecast.
 - The reported gross toll revenue potential values exclude toll revenue associated with duplicate transactions and non-revenue transactions and are comparable to forecast values.
 - 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.

FY 2018 PROJECTED SOURCES OF FUNDS



TOLL COLLECTION AND FACILITY COSTS

COST HIGHLIGHTS

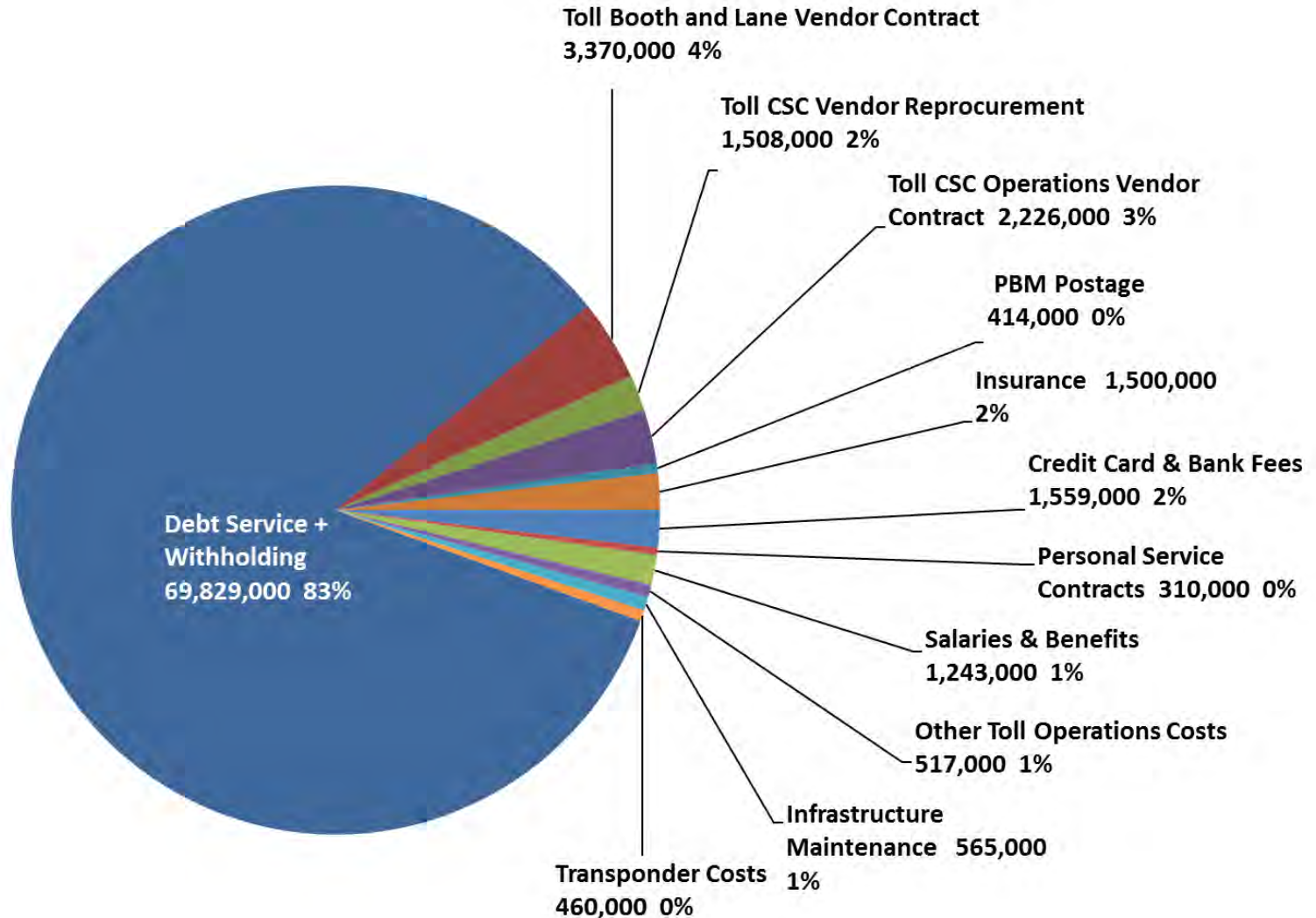
Changes from previous year's budget include:

- Higher procurement costs for the new Customer Service Center vendor(s) resulted from accelerating the project by a biennium and increased cost estimates
- Existing Toll CSC contract expires in June 2018. Costs are increased in FY 2019 as a conservative approach in anticipation of contract extension negotiations.
- The proportion of Pay By Mail transactions have increased, leading to increased printing and postage costs
- Personal services costs are declining beginning in FY 2017 as WSDOT fills positions
- Lower infrastructure maintenance due to refinements in estimates based on actual experience and the reclassification of some personnel costs

Looking out to 2021:

- Repair and replacement of toll equipment such as cameras and toll readers is needed at the mid-point of toll collection on the bridge

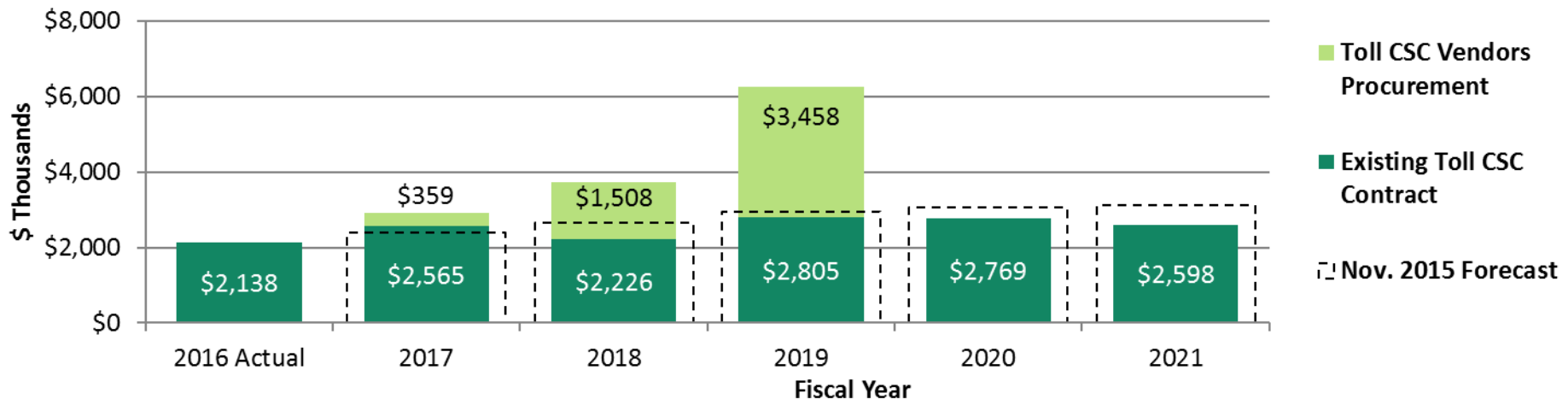
FY 2018 PROJECTED USES OF FUNDS



USE OF FUNDS

ToI CSC Vendor Contract and Procurement

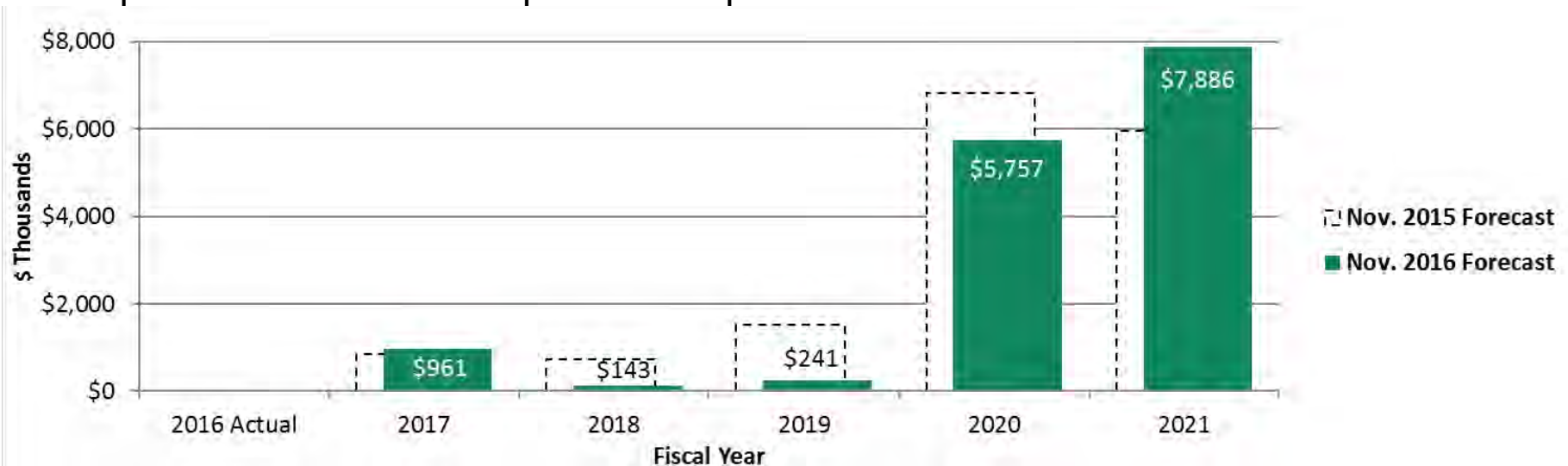
- Toll CSC Vendors Procurement was added as a new line item on this year's financial plan, noted in light green below. The previous year's forecast included procurement costs, some of which was included as repair and replacement costs.
- Increased procurement costs were the result of accelerating the project by a biennium and increased cost estimates
- In the Nov. 2015 forecast, I-405 express toll lanes were not included in cost allocation until FY 2018. I-405 is now part of FY 2017 vendor allocation and beyond.
- SR 99 Tunnel is included in cost distribution beginning in FY 2020



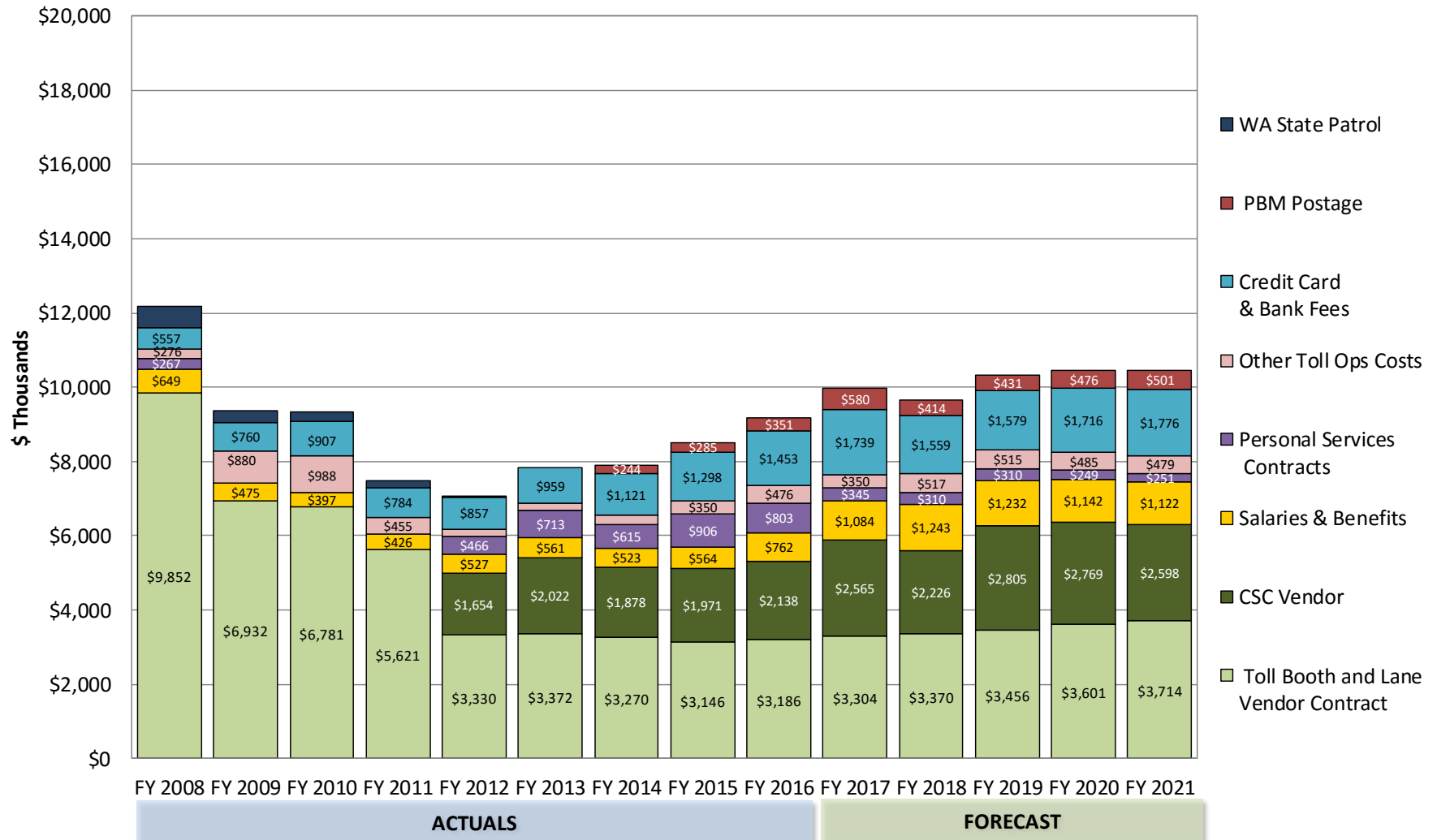
USE OF FUNDS

Preservation Repair and Replacement

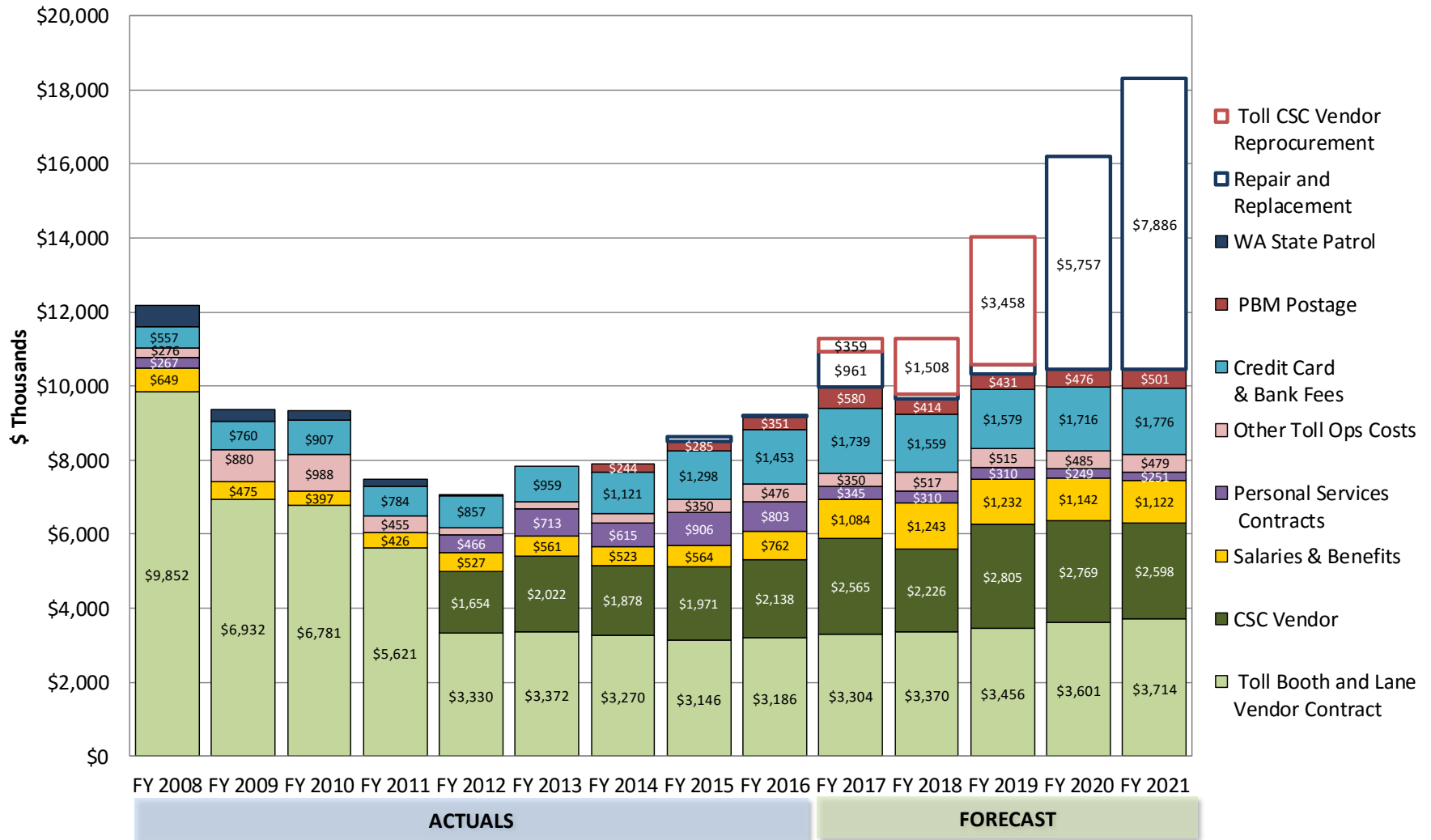
- Bridge deck resurfacing and lighting upgrades at \$0.96 million planned for FY 2017
- Toll equipment replacement at almost \$5 million per year in FY 2020 and 2021
 - The expected life of the average toll system is 10 years. Through consistent scheduled maintenance, we have been able to extend the life of the system.
 - Delaying replacement past design life can lead to sudden loss of service, which results in lost toll revenue
- Roadway resurfacing at \$2.3 million in FY 2021
- A portion of CSC procurement costs were included in the Nov. 2015 forecast as part of Preservation Repair and Replacement



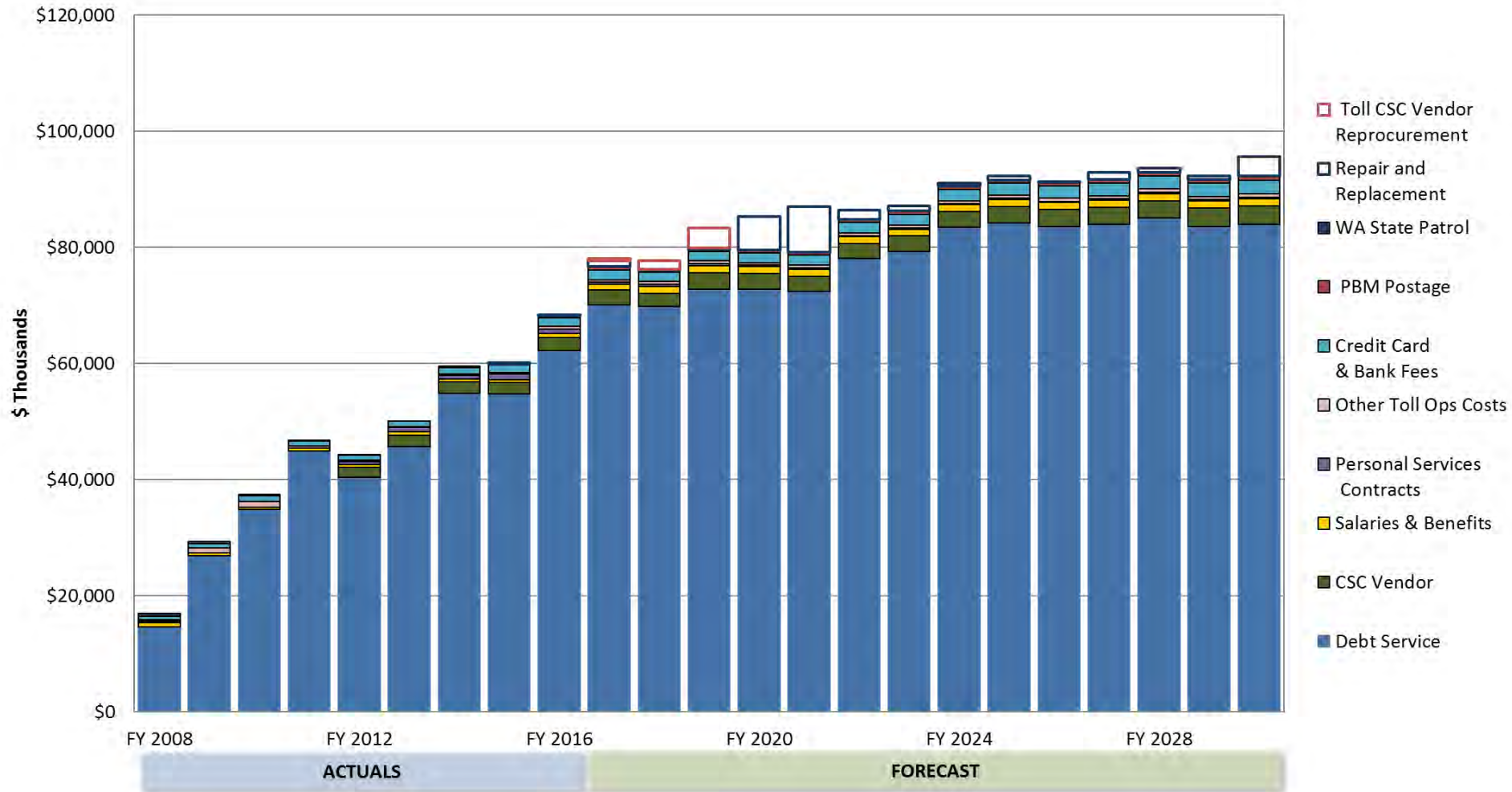
ANNUAL USE OF FUNDS – OPERATIONS



ANNUAL USE OF FUNDS – OPERATIONS + TOLL REPLACEMENT



ALL COSTS FORECAST TO FY 2030

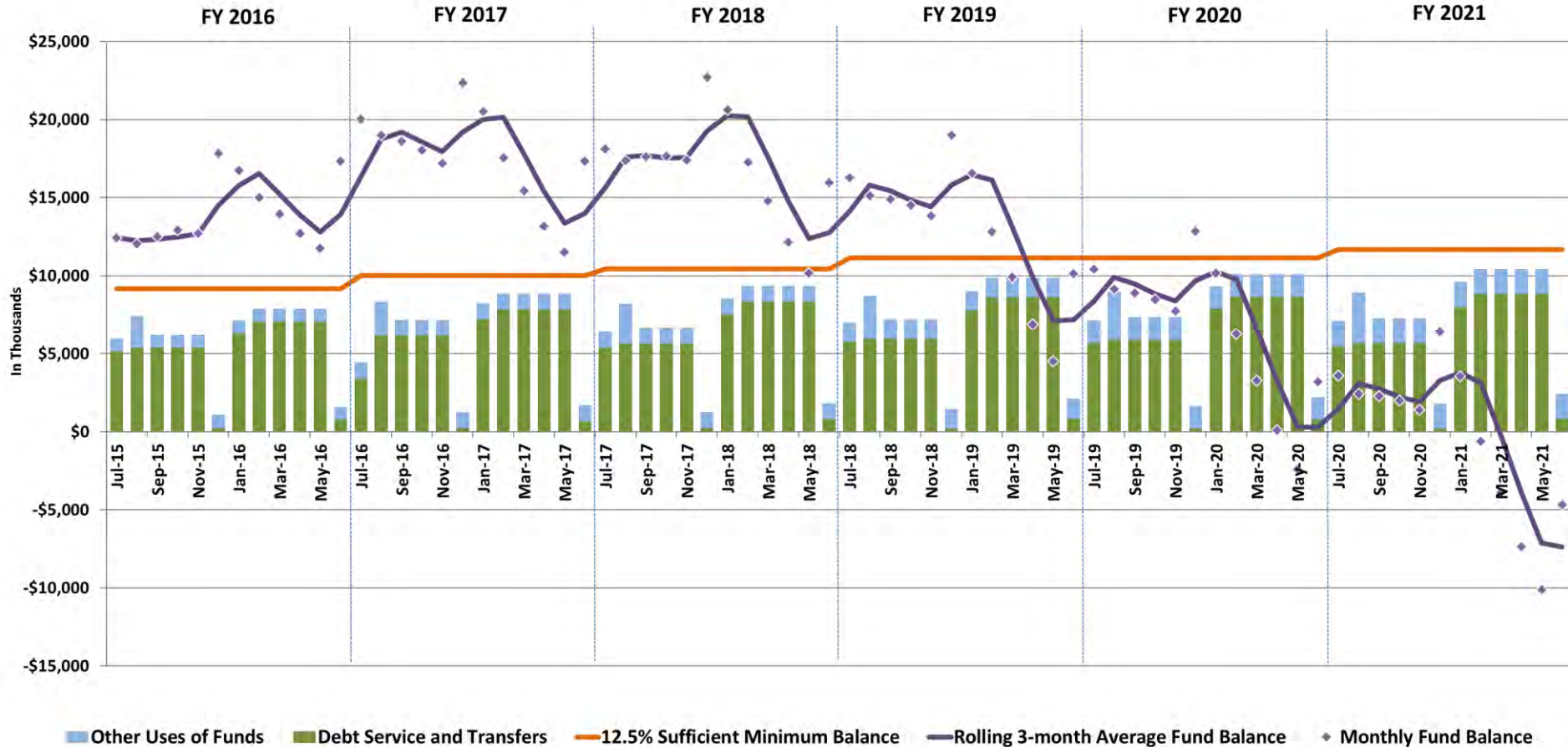


SUFFICIENT MINIMUM BALANCE

Rolling 3-month Average

Tacoma Narrows Bridge Fund Balance (\$ Thousands)

Forecast based on TNB Financial Plan



CONTACT

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