2020 TNB Loan Report Summary

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TNB Loan Legislation Recap

• In 2018, SHB 2990 was enacted, establishing legislative intent to provide up to $85 million in loans for the TNB Account.

• Loans are meant to keep TNB toll rates at no more than $0.25 above current levels until debt service, deferred sales tax, and loans are repaid (through about FY 2032).

• Assumes no more than a $0.25 rate increase, beginning on July 1, 2021 (FY 2022) or later.
Loan for 2019-21 Biennium

• In 2019, the Legislature appropriated $12.543 million to the TNB Account as a loan for the 2019-21 biennium.

• The loan amount was $2.36 million less than recommended in the 2019 TNB Loan Report.
  – Legislature assumed less system-wide costs paid by TNB tolls for the 2019-21 biennium.

**TNB Loan: 2019-2021 Biennium**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21 Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Loan Report</td>
<td>$ 6,511,000</td>
<td>$ 8,392,000</td>
<td>$ 14,903,000</td>
</tr>
<tr>
<td>Estimates</td>
<td></td>
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<tr>
<td>Enacted Loan Amounts</td>
<td>$ 6,271,500</td>
<td>$ 6,271,500</td>
<td>$ 12,543,000</td>
</tr>
<tr>
<td>(2019 Legislature)^</td>
<td></td>
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</tr>
</tbody>
</table>

^Enacted loan distribution by fiscal year based on approved fund transfer schedule.

*Estimates rounded to nearest thousand.*
Loan Report to Legislature

• SHB 2990 directed the Transportation Commission to annually report to the Legislature on necessary loan amounts for each biennium.

  – Required through the end of debt service in FY 2030, followed by reports on the loan repayment.

  – Submitted as part of Commission’s annual Tolling Report.

  – Report directed to the Transportation Committees of the Legislature.
2020 TNB Loan Report

Purpose

• Assesses whether the $12.5 million loan for the 2019-21 biennium remains adequate.

Loan Amount Assumptions

• $0.25 rate increase on July 1, 2021 (FY 2022) with related cost and revenue impacts.

• Compliance with Commission’s TNB Sufficient Minimum Balance policy.
Analysis Assumptions

• Analysis primarily based on WSDOT’s 2020 TNB Financial Plan.

• Differences from Financial Plan include:
  – $1.2 million lower facility repair & replacement costs for 2019-21 biennium than the financial plan (Source: WSDOT).
  – Assumed higher impact on potential revenues from exemptions than the financial plan by $30,000 - $49,000 per year.
2019-21 Fund Balance Status

- The $12.5 million loan maintains a positive TNB Account fund balance through the 2019-21 biennium.
  - Ending TNB Account fund balance projects at over $13 million for each fiscal year.
  - Supported by FY 2019 ending fund balance being $6 million more than projected.

Ending Fund Balance Estimates with Current Loan by Fiscal Year (FY 2019 – FY 2021)*

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 TNB Loan Report^</td>
<td>$ 16,063,000</td>
<td>$ 13,500,000</td>
<td>$ 13,500,000</td>
</tr>
<tr>
<td>2020 TNB Loan Report</td>
<td>$ 22,103,000</td>
<td>$ 13,777,000</td>
<td>$ 13,032,000</td>
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<tr>
<td>Difference</td>
<td>$ 6,040,000</td>
<td>$ 277,000</td>
<td>$ -468,000</td>
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</tbody>
</table>

*Estimates rounded to nearest thousand.
^Loan Report sets fund balance target of $13.5 million each year to support meeting TNB SMB requirement.
2019-21 Biennium TNB SMB Status

• Fund balance projects to fall slightly below Commission’s $10 million SMB requirement at end of FY 2021.

• Commission’s SMB Policy Summary
  – Retrospective 3 month rolling average of the TNB Account fund balance shall not be less than $10 million.
  – The Commission shall take action to identify measures that address a projected shortfall.
  – *Policy does not require a rate-setting action.*

• Commission staff recommends no rate-setting action to address the SMB in 2019-21 biennium.
Loans for Future Biennia

- Loans for future biennia (FY 2022 - FY 2030) now project about $6.9 million less than 2019 Loan Report.
  - $1.65 million shift of toll lane system replacement costs from the 2021-23 biennium back to the 2019-21 biennium.
  - $5.6 million from eliminating TNB toll revenue contribution to future tolling back office & customer service center system replacement costs (2027-29 biennium).

<table>
<thead>
<tr>
<th>TNB Loan Estimates for FY 2022 – FY 2030 by Biennium*</th>
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<tbody>
<tr>
<td><strong>2019 Loan Estimates</strong></td>
</tr>
<tr>
<td>2021-23 Biennium</td>
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<tr>
<td><strong>Updated Loan Estimates</strong></td>
</tr>
<tr>
<td>2019 Loan Estimates</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
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<tr>
<td>$ -1,362,000</td>
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* Loan estimates rounded to nearest thousand.
^ As enacted by Legislature in spring 2019
2020 TNB Loan Report Takeaways

• No change is necessary in the current loan of $12.543 million for the 2019-21 biennium.

• Based on current projections, no rate setting action necessary before the assumed rate increase for FY 2022 (July 1, 2021) of up to $0.25.

• Loans for future biennia (FY 2022 - FY 2030) now project about $6.9 million less than 2019 Loan Report.

• Including the 2019-21 biennium, total loans now project to about $72.6 million, or about $12.4 million less than authorized in SB 2990.
Next Steps

• Submit Report to Transportation Committees of the Legislature in January 2020.

• Continue to monitor TNB traffic and revenue, fund balance status, and compliance with Commission’s SMB Policy.

• Fall / Winter 2020: begin preparations for possible rate increase of up to $0.25 in FY 2022 (July 1, 2021).

• January 2021: Submit 2021 TNB Loan Report with loan estimate for the 2021-23 biennium.