SR 16 Tacoma Narrows Bridge Toll Rate Setting Update

WSTC Commission Meeting
May 18, 2021

Carl See
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Washington State Transportation Commission
Toll Rate Setting Requirements: SR 16 Tacoma Narrows Bridge

State law requires the following (*RCW 47.46.100 & 47.56.240*):

- Establish tolls that generate revenue necessary to address:
  - Costs of operating and maintaining the bridge
  - Annual debt service costs

- The 2018 Legislature established its intent in law (*RCW 47.46.190*) to mitigate future rate increases by loaning up to $85 million to the TNB account
  - Countered effects of escalating debt service through the life of bond repayment
  - Will begin to be repaid, along with deferred sales taxes, once bonds are retired
  - Assumes a rate increase of up to 25 cents effective as soon as FY 2022
  - Loans have been appropriated biennially in amounts recommended by the WSTC
• Thirteen-month (March 2020 to March 2021) toll revenue was 16%, or $14.2 million below the Pre-COVID forecast.
TNB Loan & Subsidy for 2021-23 Biennium

• 2021-23 budget provides total support of $46 million for the 2021-23 biennium
  – Loan of $30.3 million for repayment in FY 30-31
  – Subsidy of $15.7 million from American Rescue Plan funds

• Funding aligns with assumption for 25 cent rate base fare increase in FY 2022

• Estimated funding needs increased as a result of COVID-19 related updates to cost and revenue projections for the 2021-23 biennium.

**TNB Loan & Subsidy: 2021-2023 Biennium***

<table>
<thead>
<tr>
<th></th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>2021-23 Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 TNB Loan Update</td>
<td>$ 6,138,000</td>
<td>$ 7,114,000</td>
<td>$ 13,252,000</td>
</tr>
<tr>
<td>2021 TNB Loan Update</td>
<td>$ 25,546,000</td>
<td>$ 13,327,000</td>
<td>$ 38,873,000</td>
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<tr>
<td>2021-23 Budget</td>
<td>$23,000,000</td>
<td>$23,000,000</td>
<td>$46,000,000</td>
</tr>
</tbody>
</table>

*Estimates rounded to nearest thousand.
Projected TNB Fund Balance by Month
March 2021 Forecast, Session Law Budget – Existing Toll Rates

FY 2020 | FY 2021 | FY 2022 | FY 2023

- Expenditures vary by month
- Fund balance varies accordingly
- Assumes even payments of loans and federal relief
- Balance projection is negative for May 2022

Note lowest balance
TNB Fund Balance Status

• Fund balance projections are conservative
  – Assumes all budget allotments are fully expended
  – Assumes use of $1.3 million per biennium in unallotted funds for potential unplanned expenditures, consistent with legislative financial plan
  – Assumes federal American Recovery Plan Act (ARPA) funds are distributed to the TNB account between FY 2022 and FY 2023. do not arrive all at once during FY 2022

• Strategies are available to mitigate projected negative monthly fund balances
  – Monthly negative balances are manageable for short periods through interagency cooperation if future revenue is assured

• Note: March-April 2021 traffic and revenue results have outperformed the March 2021 forecast
Commission’s Sufficient Minimum Balance (SMB) Policy Summary

- Retrospective 3 month rolling average of the TNB Account fund balance shall not be less than $10 million

- Implemented by Commission as means to address unanticipated revenue loss
  - Created in lieu of a reserve subaccount, such as is in place for the SR 520 bridge and SR 99 tunnel accounts

- The Commission shall take action to identify measures that address a projected shortfall
  - *Policy does not require a rate-setting action*
WSTC tracks the three-month rolling average of fund balance

Objective is to keep the rolling average fund balance above the $10 million Sufficient Minimum Balance
TNB Rate Setting – Guiding Principles

• Support intent of legislative loan plan for TNB (*RCW 47.46.190*):
  – Establish rate increase of up to 25 cents in FY 2022
  – Support intent to limit TNB loans over life of the bond repayment to $85 million (through FY 2030)

• Ensure TNB revenues are sufficient to meet annual expenses established in law

• Return fund balance to compliance with Commission’s SMB policy by end of 2021-23 biennium
### Current and Proposed TNB Toll Rates

- **Proposed toll rate increase of 25 cents with effective date of October 1, 2021**

<table>
<thead>
<tr>
<th></th>
<th>Pass</th>
<th>Cash Tolls</th>
<th>Pay By Mail</th>
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<tbody>
<tr>
<td><strong>Current Toll Rate</strong></td>
<td>$5.00</td>
<td>$6.00</td>
<td>$7.00</td>
</tr>
<tr>
<td><strong>Proposed Toll Rate</strong></td>
<td>$5.25</td>
<td>$6.25</td>
<td>$7.25</td>
</tr>
</tbody>
</table>

**Notes:**
- Good To Go! Pay By Plate transactions pay an additional 25¢ fee over Pass rate
- Tolls for multi-axle vehicles are a multiple of the passenger car rates (up to six axles)
**TNB Fund Balance Status**

March 2021 Forecast, Session Law Budget – 25 cent increase effective October 1

- Expenditures vary by month
- Fund balance varies accordingly
- Assumes even payments of loans and federal relief
- Balance projection is negative for May 2022 even with 25¢ increase
Sufficient Minimum Balance Test
March 2021 Forecast, Session Law Budget – 25 cent increase effective October 1

• WSTC tracks the three-month rolling average of fund balance
• Objective is to keep this line above $10 million Sufficient Minimum Balance
• 25¢ increase restores SMB compliance by end of biennium
TNB Long-Term Financial Status

• Proposed 25 cent toll rate increase supports legislative intent to cap on-going loans for the TNB at $85 million with repayment beginning in FY 2031 following repayment of debt service and deferred sale tax.
Next Steps

• Continue to assess TNB financial information in support of the proposed rate setting, including impacts on future TNB loan projections.

• Consider input provided by the TNB Citizens Advisory Committee (CAC).

• Present proposed rate setting options to the Commission on June 15th for selection of option(s) for further public input.
Contact:

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