

SR 16 Tacoma Narrows Bridge Rate Setting

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**SR 16 Tacoma Narrows Bridge Citizen Advisory Committee
December 9, 2015**

Presentation Outline

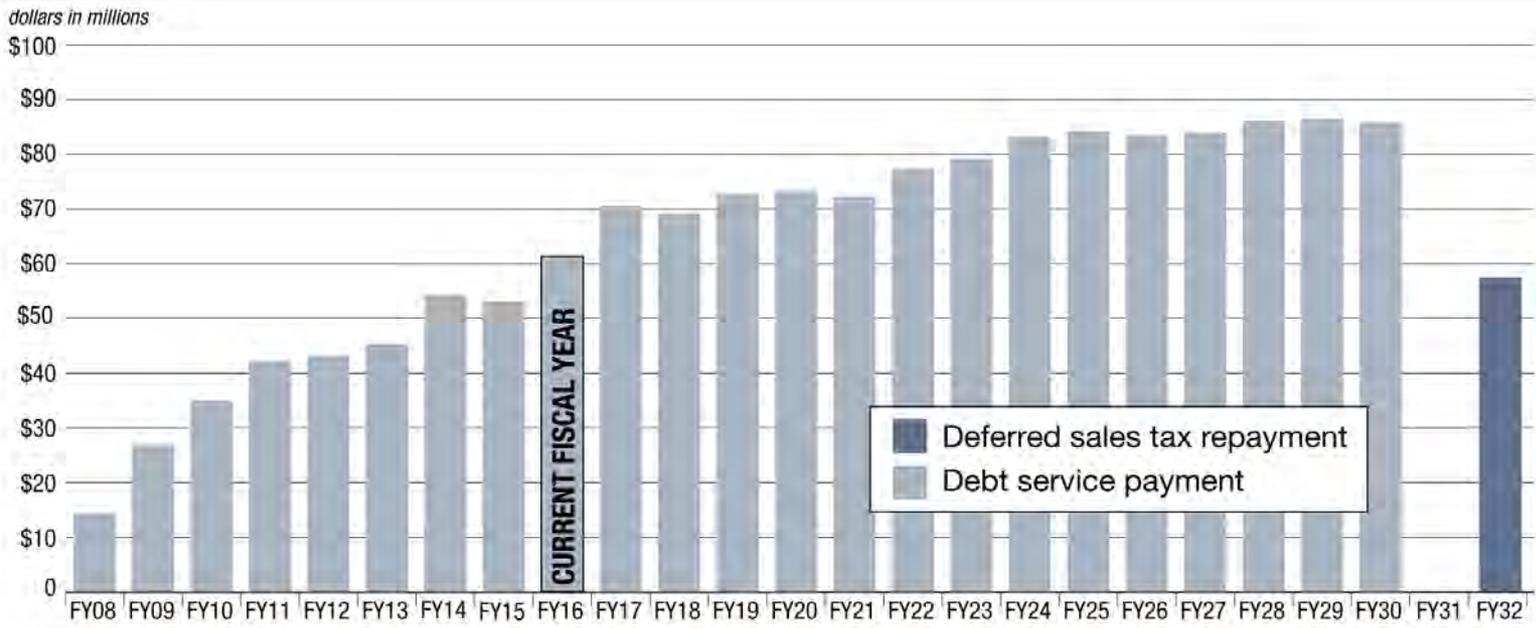
Meeting Objective:

Review 2016 TNB Financial Plan, with focus on FY 2017 adopted toll rates

- **Rate Setting Overview**
 - Debt Service
 - How to Read the Financial Plan
 - Rate-setting Process and Milestones
- **Traffic and Revenue**
 - FY 2016 Q1 Forecast vs. Actuals
 - Sources of Funds
- **Toll Collection and Facility Costs**
 - Uses of Funds
 - Changes from previous year
- **Sufficient Minimum Balance Test**



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	\$5.00	\$5.50				
	Cash	\$3.00	\$4.00	\$4.00	\$5.00	\$5.25	\$5.50	\$6.00	\$6.50				
	Pay By Mail	N/A	N/A	\$5.50	\$6.00	\$6.25	\$6.50	\$7.00	\$7.50				

Does not include capitalized interest
 Source: WSDOT Budget and Financial Division

- 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)

DRAFT

Printed on: 12/4/2015

Financial Plan - Updated on December 3, 2015 - DRAFT

Forecasted revenue is based on adopted November 2015 TRFC Forecast. Forecasted expenses for FY 2016-17 are based on the 2015-17 Transportation Enacted Budget and 2016 Supplemental budget Request.

Historical Revenues and expenses from 2006 - 2015 are based on TNB Income Statements.

Fiscal Year	Actuals		Rate Setting Biennium Forecast		2018	2019
	2014	2015	2016	2017		
Toll Rate (Good To Go! Pre-Pay)	\$4.25	\$4.50	\$5.00	\$ 5.50	\$ 5.50	\$ 5.50
Toll Rate (Cash)	\$5.25	\$5.50	\$6.00	\$ 6.50	\$ 6.50	\$ 6.50
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Beginning Fund Balance (Financial Statements)	11,578	9,081	14,083	16,783	20,672	26,866
Sources of Toll Revenue Funds 1						
Interest Earnings from Tacoma Narrows Account (511) 2	15	57	60	70	90	109
Interest Earnings from Toll Collection Account (495) 2	7	18	8	8	8	8
Toll Revenue - Good To Go! Pre-Pay & Cash	60,159	65,448	74,548	82,613	84,091	85,472
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Transponder Sales Revenue	306	336	279	328	256	272
Violations	9	10	-	-	-	-
Fees 3	337	488	430	441	442	442
Contractual Damages 4	306	145	133	133	-	-
Miscellaneous Revenue 5	43	6	-	-	-	-
Total Sources of State Funds	64,163	69,287	78,427	86,855	88,157	89,520
Uses of Toll Revenue Funds 6						
Toll CSC Vendor Contract	(1,878)	(1,971)	(2,596)	(2,400)	(2,644)	(2,942)
PBM Postage	(244)	(285)	(338)	(376)	(332)	(346)
Toll Booth and Lane Vendor Contract	(3,270)	(3,146)	(3,146)	(3,146)	(3,280)	(3,362)
Insurance 7	(1,594)	(1,325)	(1,200)	(1,200)	(1,500)	(1,500)
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Infrastructure Maintenance	(254)	(448)	(951)	(817)	(786)	(767)
Subtotal: Operations and Maintenance Uses of Funds	(9,975)	(10,498)	(12,232)	(11,688)	(12,165)	(12,586)
Subtotal: Operating Sources less Operating Uses	54,188	58,789	66,195	75,167	75,992	76,935
Debt Service Payment 9	(54,344)	(53,106)	(61,385)	(70,549)	(69,115)	(72,590)
Debt Service Withholding 9	(579)	(1,595)	(891)	492	(714)	(212)
Subtotal: Uses of Funds incl. Debt Service	(64,897)	(65,199)	(74,508)	(81,745)	(81,994)	(85,388)
Deferred Sales Tax Repayment 10	-	-	-	-	-	-
Repair & Replacement (early years covered by capital balance)	-	-	-	-	-	(923)
Total Uses of Toll Funds	(64,897)	(65,199)	(74,508)	(81,745)	(81,994)	(86,311)
Current Year Sources less Uses Balance	(735)	4,088	3,919	5,111	6,163	3,209
Cumulative Sources Less Uses Balance	3,484	7,572	11,491	16,602	22,765	25,974
Beginning Capital Balance	3,922	3,922	3,806	2,197	1,341	609
Total Sources of Capital Funds	-	-	-	-	-	-
Repair and Replacement (covered by Capital Balance)	-	(116)	(1,610)	(856)	(732)	(609)
Ending Capital Balance	3,922	3,806	2,197	1,341	609	-
Sources Less Uses + Ending Capital Balance (for Sufficiency)	7,406	11,379	13,688	17,943	23,374	25,974
12.5% Sufficient Minimum Balance (SMB)	8,112	8,150	9,314	10,218	10,249	10,789
Amount (of Fund balance wo CP) Above/Below SMB	-	3,229	4,374	7,725	13,125	15,185
Lowest 3-month Rolling Average Balance	-	-	9,815	12,294	16,455	-
Amount (of 3-month average) Above/Below SMB	-	-	501	2,076	6,205	-
Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE						
Civil Penalty Revenue (not incl. in Operating Revenue)	(649)	3,169	1,778	1,882	1,934	1,962
Civil Penalty Adjudication Costs (not incl. in Operating Exper	(1,113)	(1,190)	(1,387)	(1,298)	(1,172)	(1,172)
Subtotal: Civil Penalty Net Revenue	(1,762)	1,980	391	584	763	791
Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	-	(950)
Civil Penalty Net Revenue after Loan Repayments	(1,762)	1,030	391	(366)	763	(160)
Cumulative Balance for Civil Penalties	1,675	2,704	3,095	2,729	3,492	3,332
Ending Fund Balance (Financial Statements)	9,081	14,083	16,783	20,672	26,866	29,306

Assumes currently adopted toll rates

Revenues

Costs other than debt service

Debt service

Net change in fund balance

Year-end fund balance

Sufficient minimum balance test

Civil penalty revenue and adjudication costs excluded from sufficient balance test

Rate Setting Timeline

	Milestone
October 2015	WSTC: FY 2015 Traffic and Revenue Reporting
November 2015	CAC: Review Last Year's Financial Plan/T&R Actuals
December 2015	CAC: Financial plan/funding needed WSTC: Financial plan/funding needed CAC: Specify rate scenarios WSTC: File CR 101
February 2016	WSTC/CAC: Rate scenario results CAC recommendation WSTC: Public input meeting
March 2016	WSTC: Proposed rates WSTC: File CR 102
May 2016	WSTC: Public hearing Adopt toll rates WSTC: File CR 103
July 1, 2016	New toll rates take effect

These steps are needed only if rates selected in Spring 2015 are not sufficient

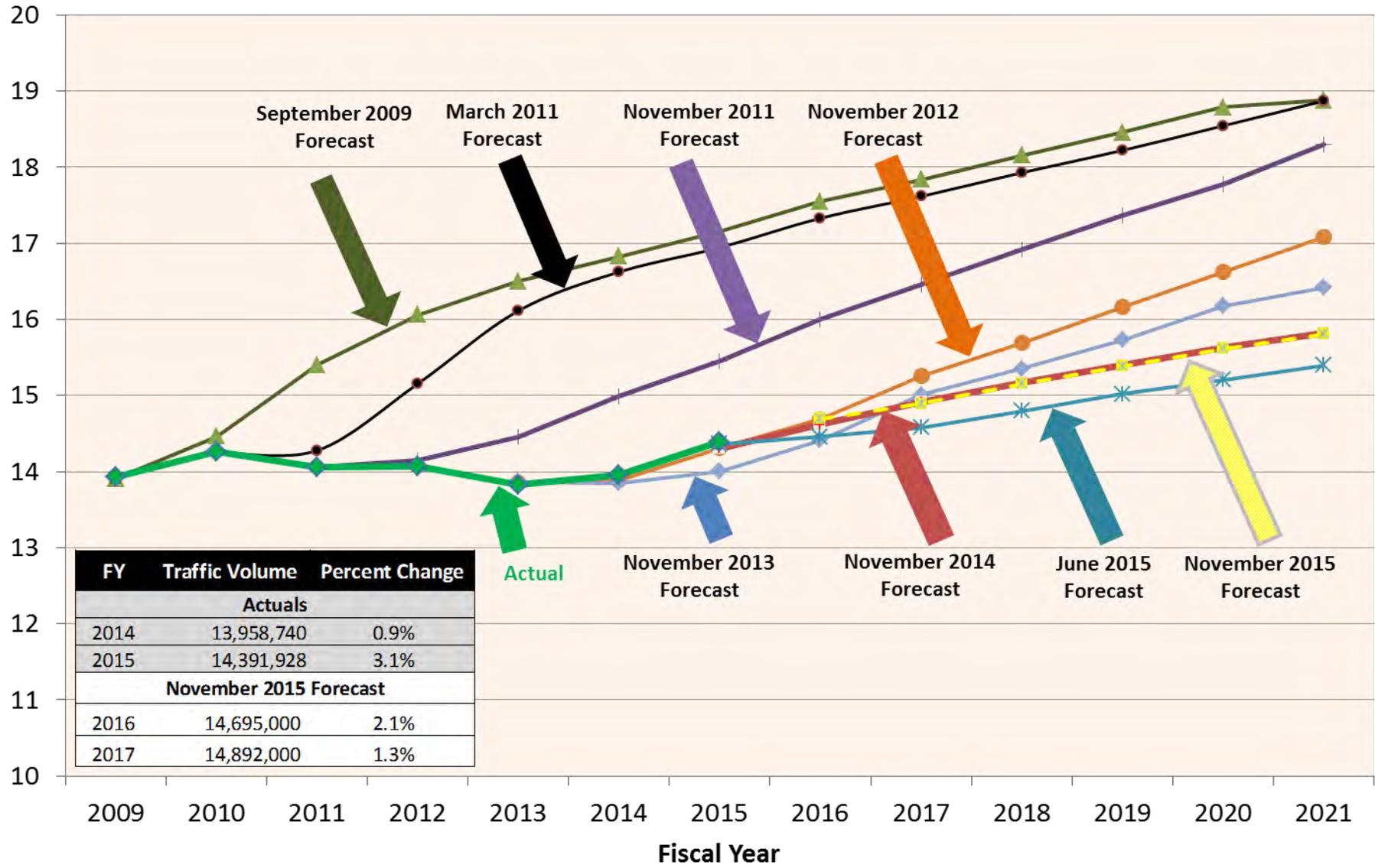
Traffic and Revenue

Traffic and Revenue Highlights

- June and November 2015 forecasts both assumed the July 2016 and 2017 toll increases adopted by the Transportation Commission
 - The June 2015 forecast reduced traffic growth due to toll increases
 - The November 2015 forecast reflects higher demographic and economic projections and growth in actual traffic since the June forecast was completed, offsetting the effect of higher tolls
- Photo-tolling transactions are higher than projected and *Good To Go!* pass transactions are lower
 - Photo-tolling transactions were at a higher toll rate (including fees), which were offset by higher costs and leakage
- A higher overall leakage percentage is assumed in the November 2015 forecast to better match current experience
 - The number of invalid addresses is higher than projected
 - We are working with the Department of Licensing to reduce this leakage

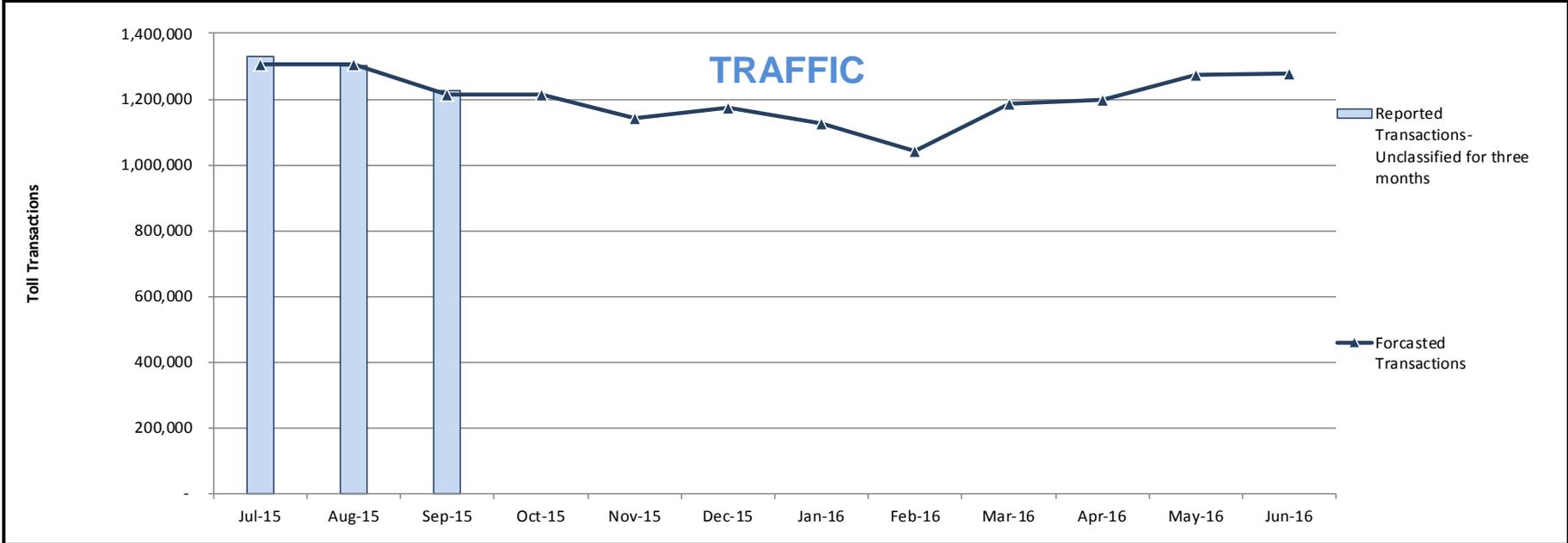
Forecasted Annual Eastbound Traffic

In millions



FY 2016 Q1 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	1,305,065	1,304,065	1,212,060	1,214,061	1,142,057	1,173,059	1,128,056	1,042,052	1,185,059	1,199,060	1,273,064	1,278,064	3,821,190	14,456,000
Reported Transactions ²	1,331,532	1,302,183	1,226,444	-	-	-	-	-	-	-	-	-	3,860,159	
Variance from Forecast	26,467	(1,882)	14,384	-	-	-	-	-	-	-	-	-	38,969	
Variance - % change	2.0%	(0.1%)	1.2%	-	-	-	-	-	-	-	-	-	1.0%	
Reported Cash Transactions													-	
Reported Good To Go! - with Transponders													-	
Reported Good To Go! - Pay By Plate													-	
Reported Pay By Mail													-	

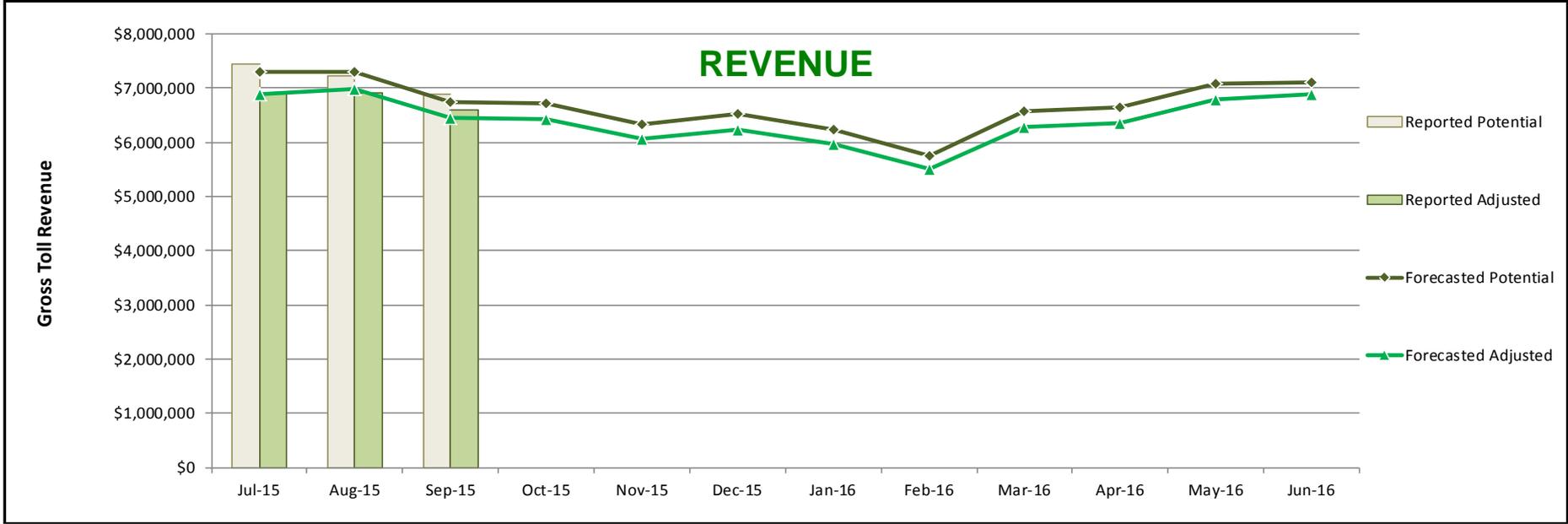


Notes:

- 1 The data is based upon the Transportation Revenue Forecast Council June 2015 Forecast.
- 2 The reported transactions are based on the Tacoma Narrows Bridge lane collection system data adjusted for duplicate and non-revenue transactions.

FY 2016 Q1 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	\$7,307,491	\$7,303,490	\$6,741,455	\$6,712,456	\$6,329,429	\$6,520,441	\$6,232,424	\$5,757,391	\$6,571,445	\$6,654,451	\$7,088,478	\$7,097,480	\$21,352,436	\$80,316,000
Reported Potential ²	\$7,451,601	\$7,221,540	\$6,879,062	-	-	-	-	-	-	-	-	-	\$21,552,202	
Variance From Forecasted Potential	\$144,110	(\$81,951)	\$137,607	-	-	-	-	-	-	-	-	-	\$199,766	
Variance - % Change	2.0%	(1.1%)	2.0%	-	-	-	-	-	-	-	-	-	0.9%	
Forecasted Adjusted ³	\$6,895,619	\$6,987,092	\$6,449,405	\$6,421,662	\$6,055,228	\$6,237,965	\$5,962,426	\$5,507,972	\$6,286,760	\$6,366,170	\$6,781,394	\$6,885,306	\$20,332,116	\$76,837,000
Reported Adjusted	\$6,924,297	\$6,910,146	\$6,588,359	-	-	-	-	-	-	-	-	-	\$20,422,802	
Variance From Forecasted Adjusted	\$28,678	(\$76,946)	\$138,954	-	-	-	-	-	-	-	-	-	\$90,687	
Variance - % Change	0.4%	(1.1%)	2.2%	-	-	-	-	-	-	-	-	-	0.4%	

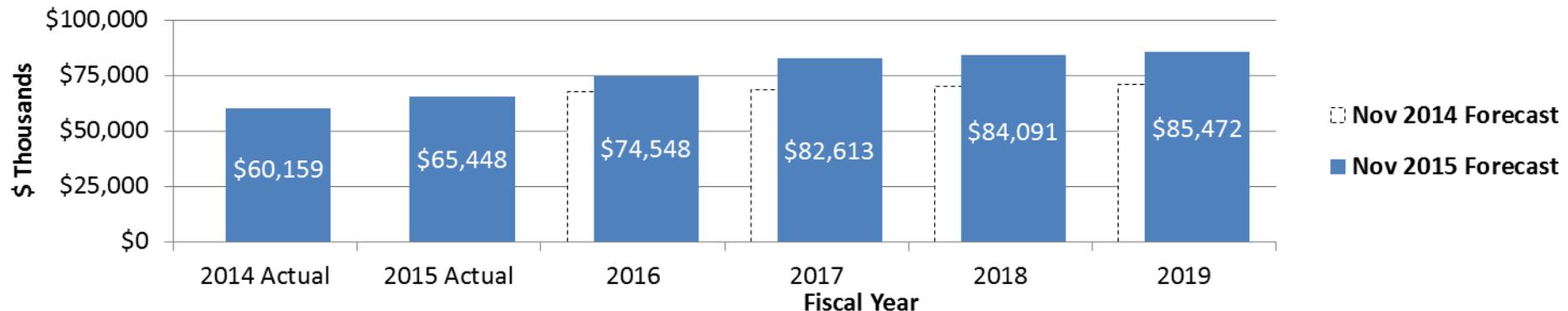


- Notes:
- 1 The data is based upon the Transportation Revenue Forecast Council June 2015 Forecast.
 - 2 The reported gross toll revenue potential values exclude toll revenue associated with duplicate transactions and non-revenue transactions and are comparable to forecast values.
 - 3 The Forecasted 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.

Sources of Funds

Toll Revenue – *Good To Go!* Pre-Pay and Cash

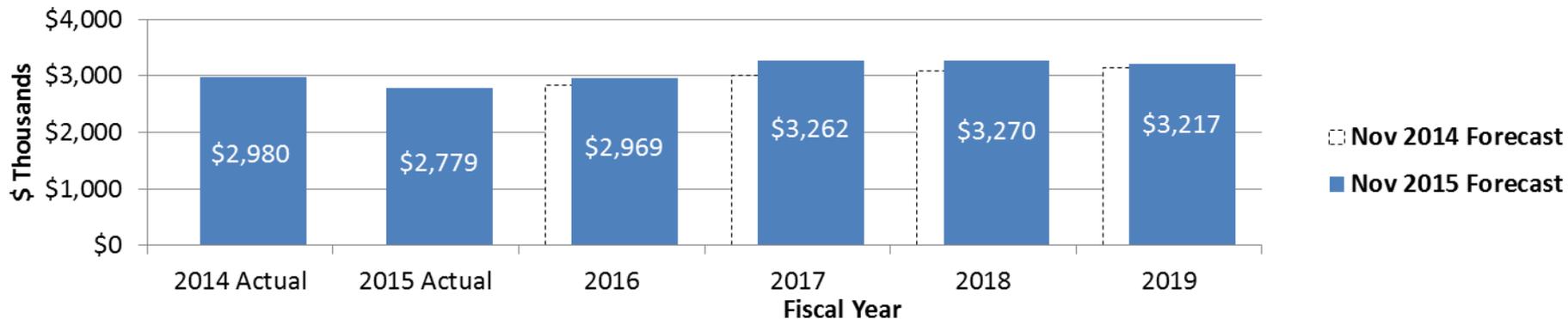
- The current financial plan assumes higher revenues due to the higher toll rates enacted by the Transportation Commission in the Spring of 2015
- The current forecast for *Good To Go!* pre-pay and cash is higher than projected during last year's rate-setting due to an improved economy and rapid growth of both the population and employment in the area



Sources of Funds

Toll Revenue – Pay By Mail

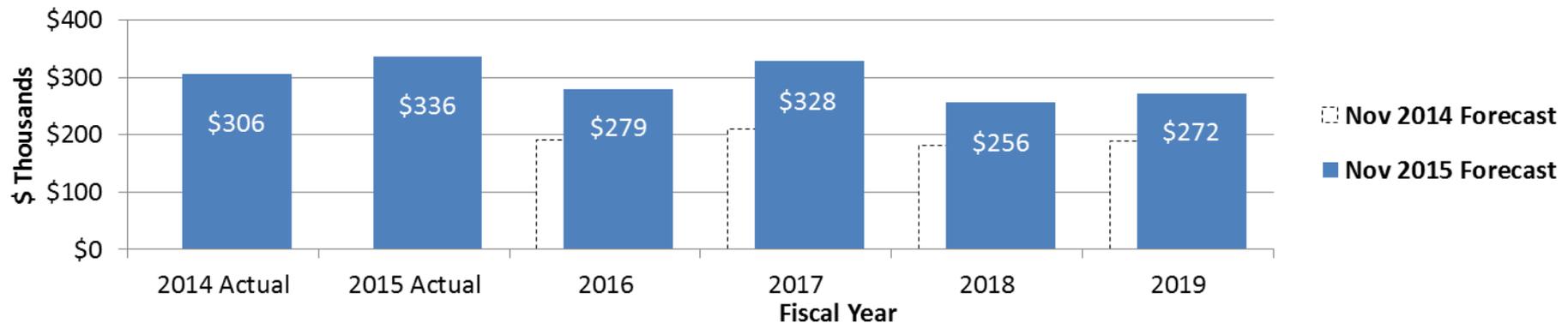
- The current financial plan assumes higher toll rates enacted by the Transportation Commission in the Spring of 2015
- Pay By Mail transactions have been trending higher than forecast
- Pay By Mail transactions are at a higher toll rate, which are at least partially offset by higher costs and leakage



Sources of Funds

Transponder Sales Revenue

- Transponder sales are generally equal to costs, so revenue neutral
- Future transponder sales revenue and cost projections are adjusted to increase the average transponder cost as new Flex Passes are sold
- FY 2015 actual revenue for transponders correlates to the high sales of Flex Passes as part of the I-405 express toll lanes launch



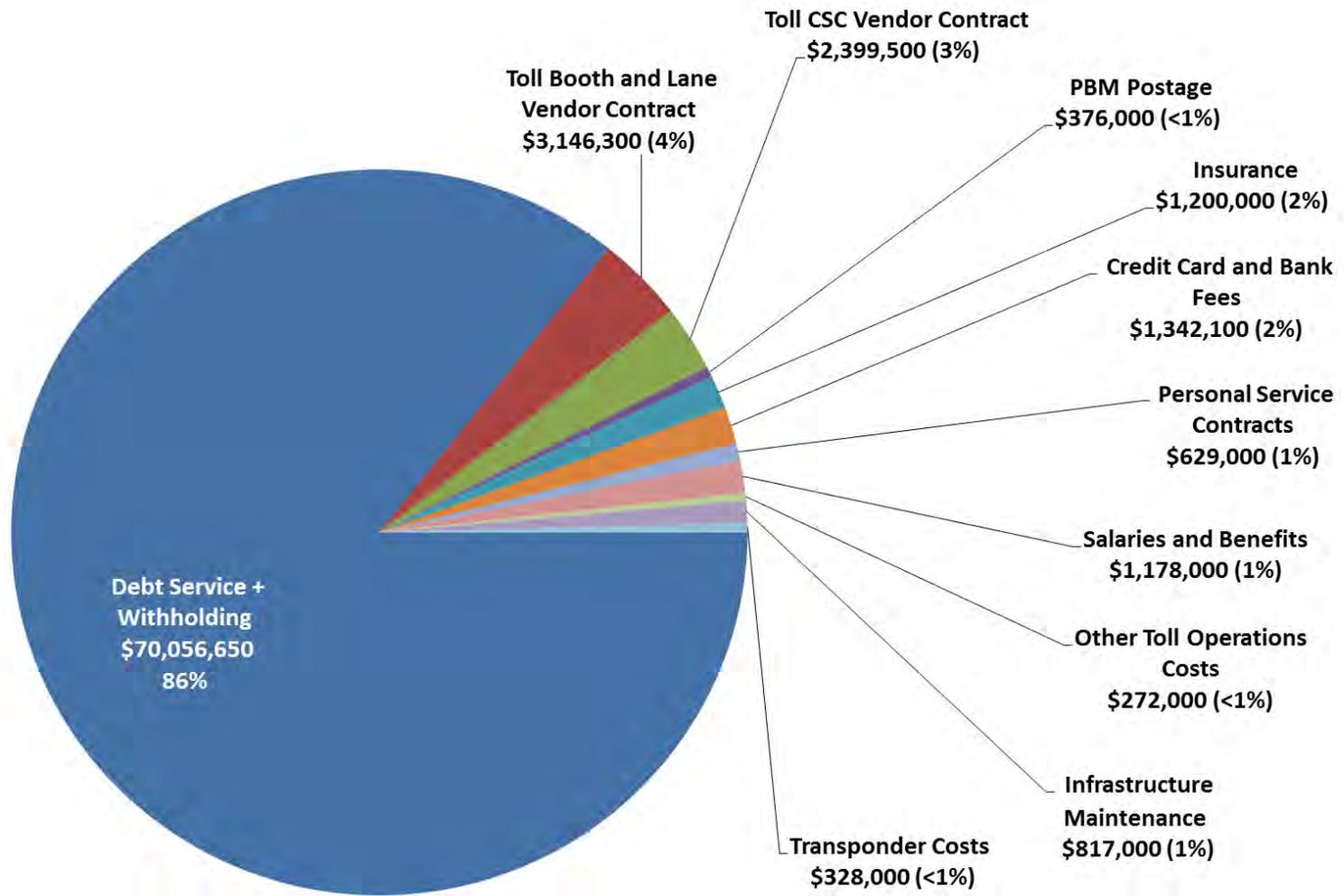
Toll Collection and Facility Costs

Cost Highlights

Changes from previous year's budget included:

- Continued transition of toll personnel costs from capital to operating budgets funded by toll revenues
- Adjustments to vendor costs reflecting system enhancements, rate adjustments, and escalation
- Continued work on customer service center vendor re-procurement, with phased transition that could begin transferring operations as early as FY 2016, and system re-procurement projected for FY 2019
- Lower insurance costs
- Changes in 2018 and 2019 to cost distribution between facilities
- Shift of bridge pavement overlay project from FY 2015 to FY 2016

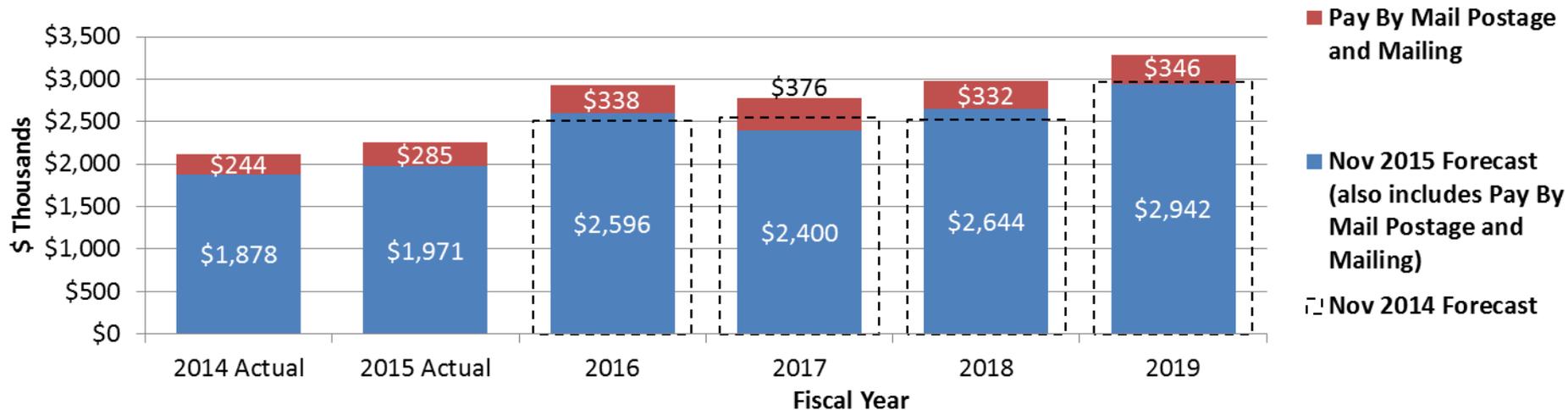
FY 2017 Uses of Funds



Use of Funds

Toll Customer Service Center Vendor Contract

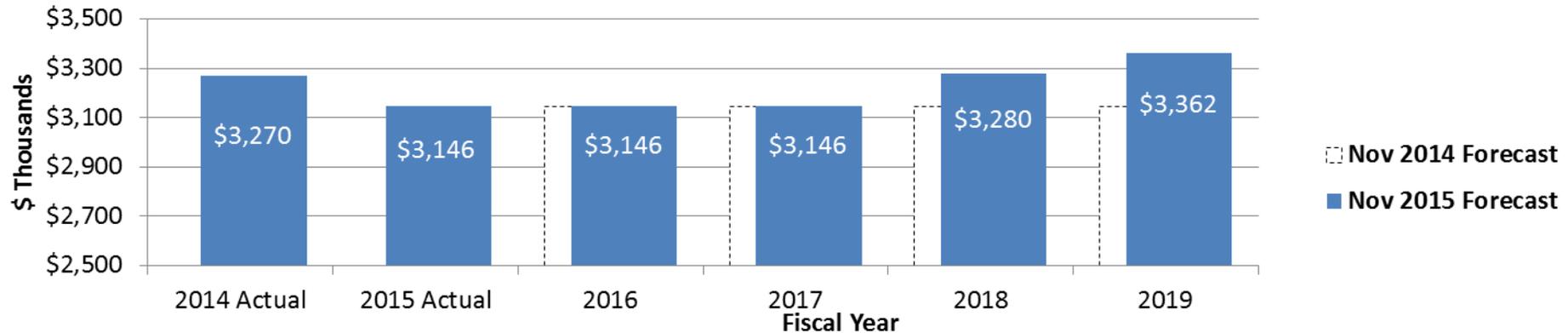
- The current financial plan includes back-office system enhancements in FY 2016 and FY 2017 that were not included in last year's plan
- The current contract for the systems and operations vendor expires in 2018. The Legislature has authorized funding for vendor replacement. Those costs are reflected, below.
- Additional facilities
 - I-405 express toll lanes are included in cost distribution beginning in FY 2018
 - SR 99 Tunnel was previously assumed to open in 2018, now opening date is not certain



Use of Funds

Toll Booth and Lane Vendor Contract

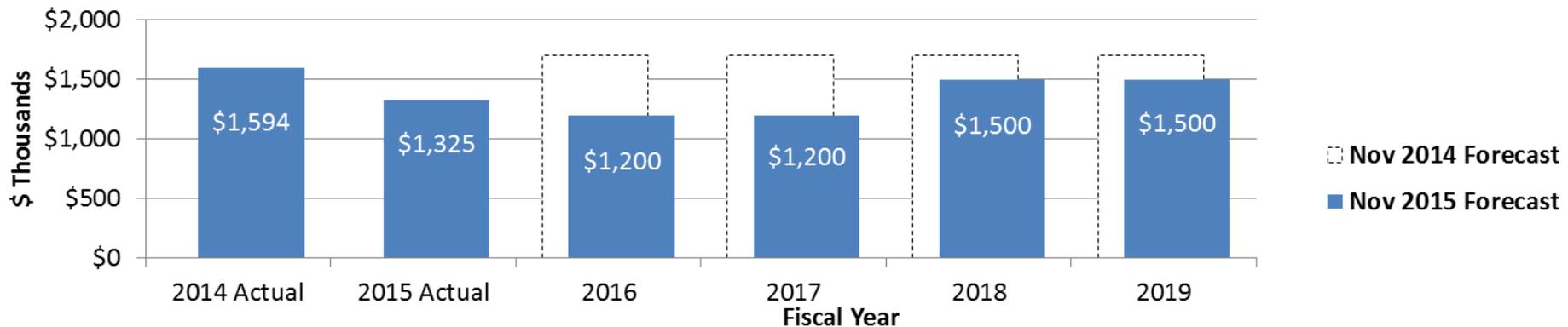
- Contract price for lane vendor was reduced in 2015
- Escalation for the toll booth and lane vendor contract begins in FY 2018



Use of Funds

Insurance

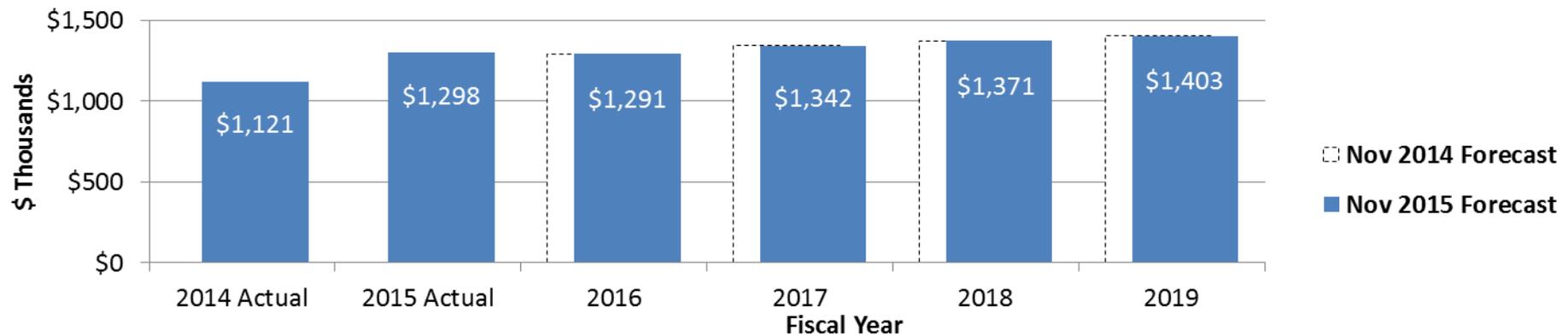
- In the 2014 financial plan, budgeted insurance costs for FY 2016 and beyond were based on industry trends and feedback
- Actual insurance costs for FY 2016 and 2017 were lower than expected
- In addition to annual insurance payments, monthly payments are made to the Department of Enterprise Services for managing the insurance process



Use of Funds

Credit Card and Bank Fees

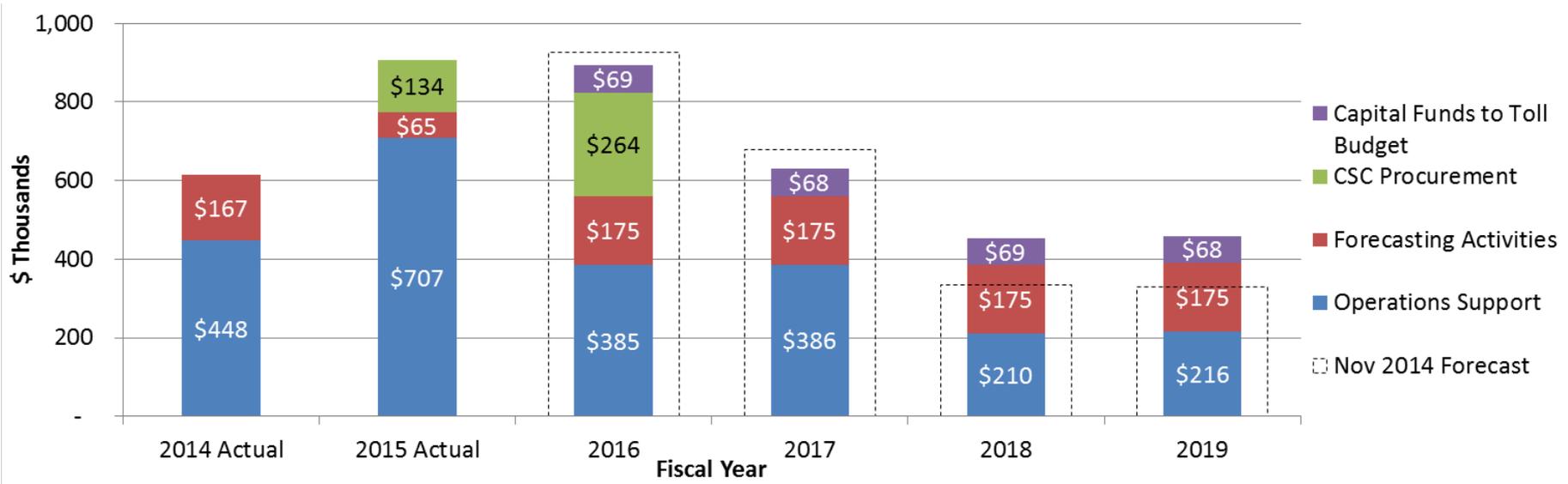
- Projected costs for credit card fees have not changed from last year's financial plan
- Credit card and bank fees rise in direct proportion to revenue



Use of Funds

Personal Services Contracts

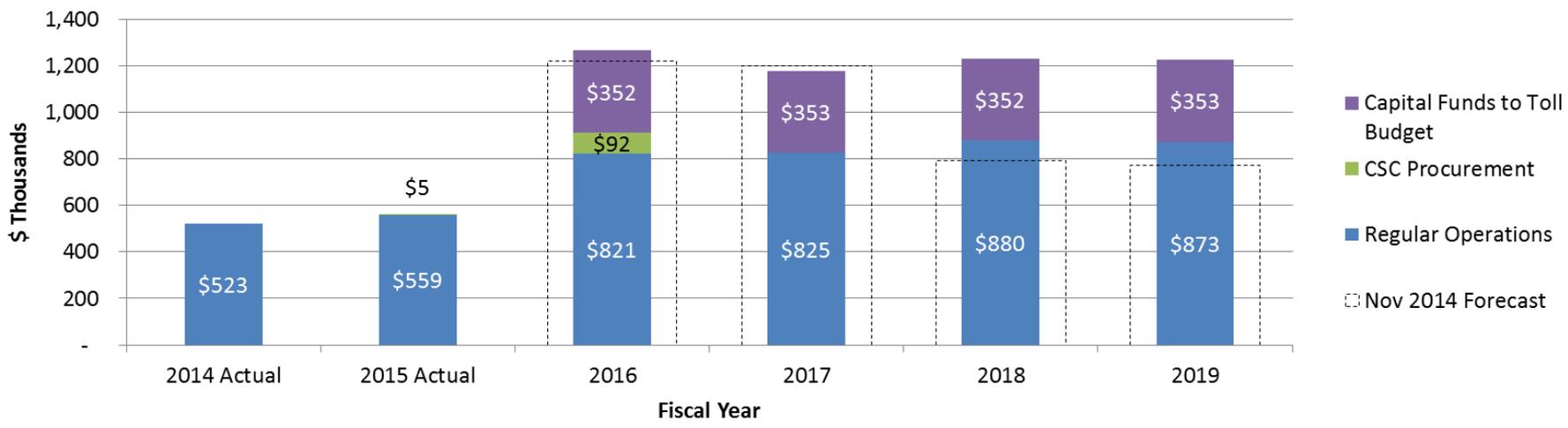
- In FY 2015, higher than projected funds were spent on consultant activities to assist with Operations Support in policy, rate-setting, finance, and program management
- Beginning in FY 2016, WSDOT anticipates filling vacant positions, reducing the cost of the Personal Services contract
- CSC procurement activities move to capital funds beginning in FY 2017



Use of Funds

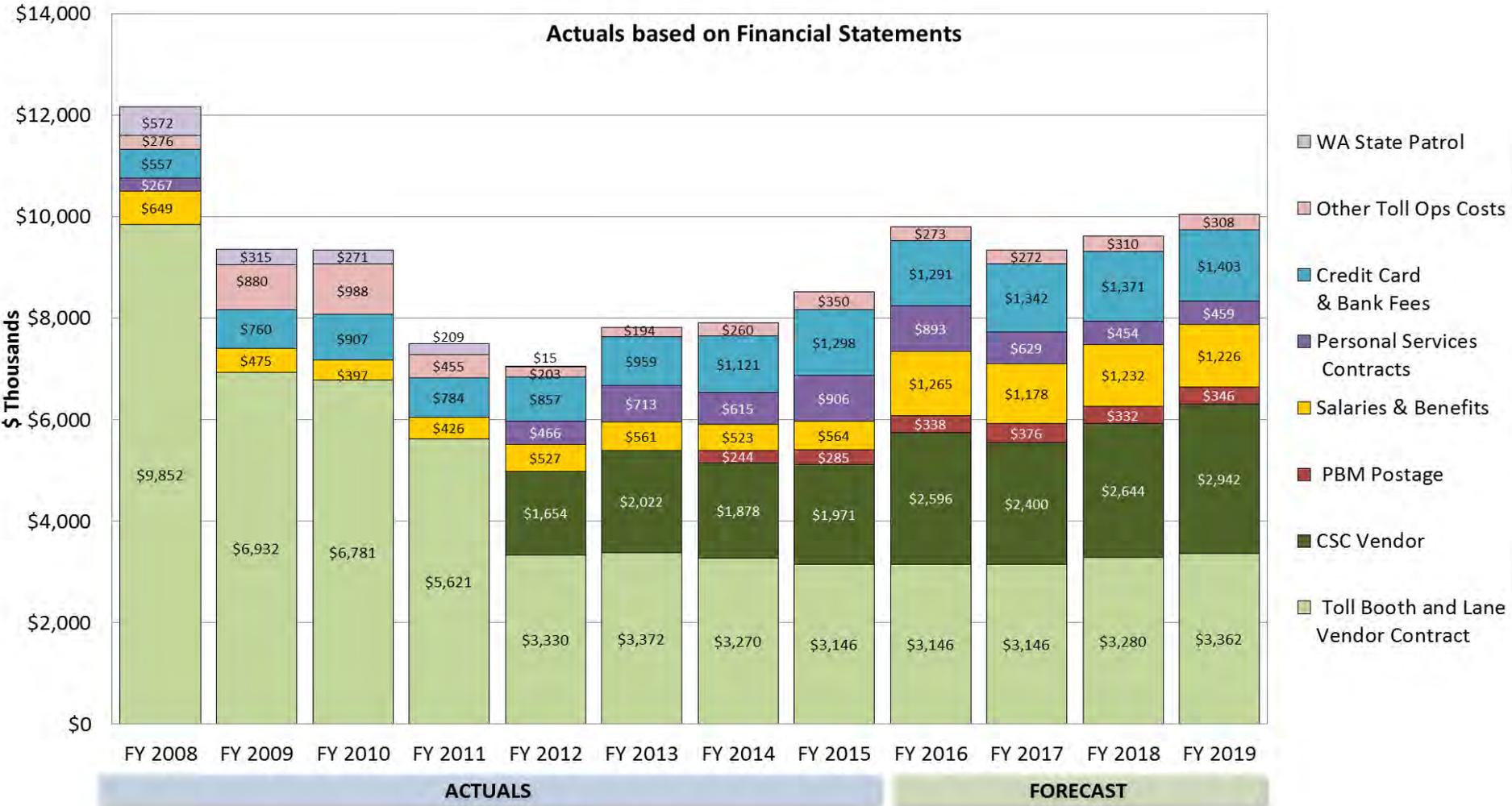
Salaries and Benefits

- Increased salaries and benefits are primarily attributable to filling vacant positions and the TNB share of the transition from capital funds to the toll operating budget
- This cost item also includes salaries and benefits costs related to CSC re-procurement through FY 2016



Uses of Funds - Summary

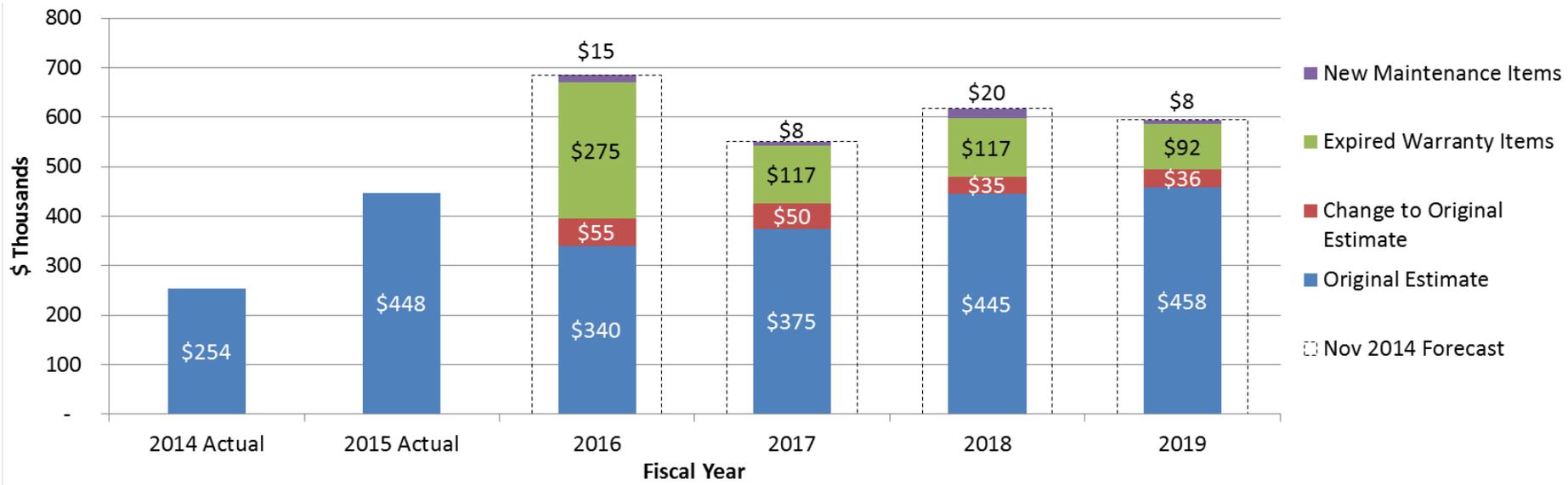
Historical and Budgeted Toll Operation Expenses



Use of Funds

Infrastructure Maintenance

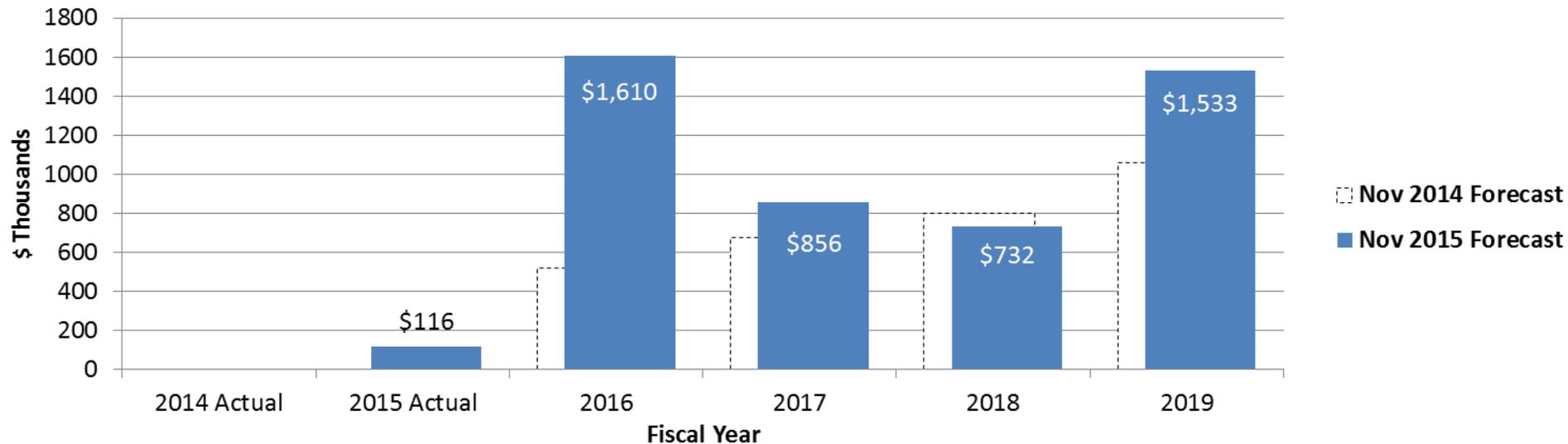
- Includes highway support staff for bridge maintenance
- Increased costs due to expired warranty maintenance items which were previous covered by warranties but which now be funded by the toll operating budget
- New maintenance items added that are associated with the identification of additional bridge inspections required to support maintenance planning



Use of Funds

Preservation Repair and Replacement

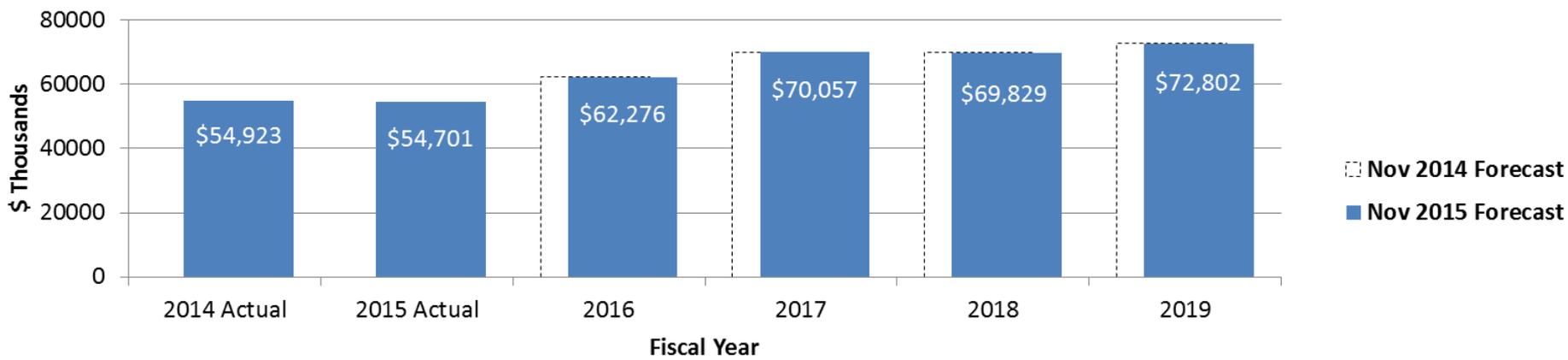
- Bridge pavement overlay project budgeted for 2015 was rescheduled to 2016
- Beginning in 2017, the cost of re-procuring the statewide customer service center and back office begin to be phased in



Use of Funds

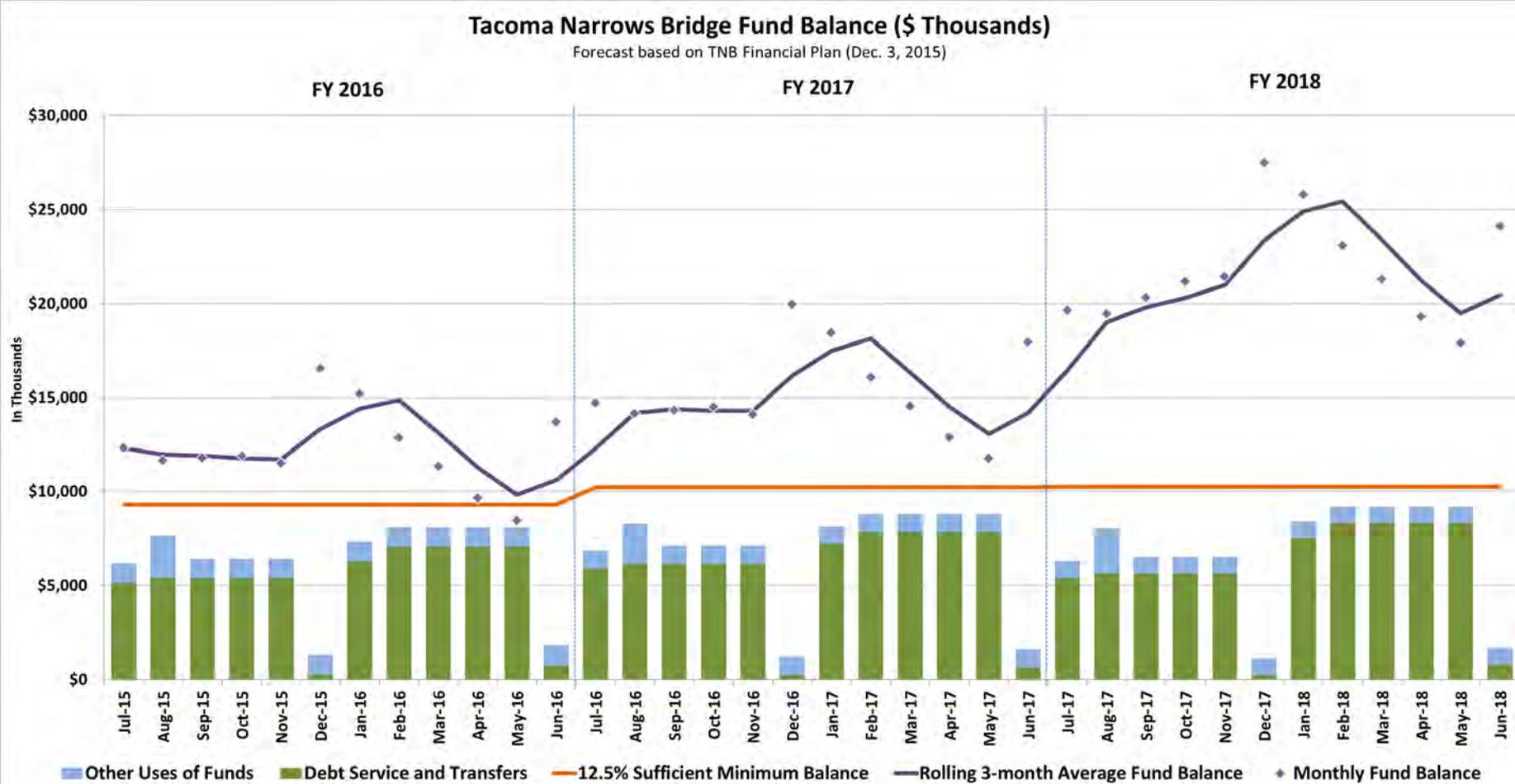
Debt Service Payment

- The required debt service payments begin to level-off in 2017



Sufficient Minimum Balance

Rolling 3-month average



- Data reflects the \$0.50 toll rate increase in both FY 2016 and FY 2017 as adopted by the Transportation Commission in the Spring of 2015

For questions or further information...

Patty Rubstello, P.E.

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(Amounts in thousands of nominal dollars except toll rates)

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Total Sources of Capital Funds	-	-	-	-	-	-
Repair and Replacement (covered by Capital Balance)	-	(116)	(1,610)	(856)	(732)	(609)
Ending Capital Balance	3,922	3,806	2,197	1,341	609	-
Sources Less Uses + Ending Capital Balance (for Sufficiency Te	7,406	11,379	13,688	17,943	23,374	25,974
12.5% Sufficient Minimum Balance (SMB)	8,112	8,150	9,314	10,218	10,249	10,789
Amount (of Fund balance wo CP) Above/Below SMB	-	3,229	4,374	7,725	13,125	15,185
Lowest 3-month Rolling Average Balance	-	-	9,815	12,294	16,455	-
Amount (of 3-month average) Above/Below SMB	-	-	501	2,076	6,205	-
Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11						
Civil Penalty Revenue (not incl. in Operating Revenue)	(649)	3,169	1,778	1,882	1,934	1,962
Civil Penalty Adjudication Costs (not incl. in Operating Expense)	(1,113)	(1,190)	(1,387)	(1,298)	(1,172)	(1,172)
Subtotal: Civil Penalty Net Revenue	(1,762)	1,980	391	584	763	791
Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	-	(950)
Civil Penalty Net Revenue after Loan Repayments	(1,762)	1,030	391	(366)	763	(160)
Cumulative Balance for Civil Penalties	1,675	2,704	3,095	2,729	3,492	3,332
Ending Fund Balance (Financial Statements)	9,081	14,083	16,783	20,672	26,866	29,306

- ¹ For GAAP purposes, Interest Earnings, Debt Service and Transfers displayed as Operations Sources of Funds are considered to be Nonoperating Activities.
- ² Interest income displayed is net of the cost of investment activities. It is reported as a separate line item for actuals in the income statement.
- ³ Includes NSF check, Customer Service Center administration fees, and the reprocessing fee associated with the second Pay By Mail statement.
- ⁴ Contractual damages are expected to continue until FY 2017.
- ⁵ FY 2008-2015 - Includes donations, sales of surplus right of ways, cash over and short, and prior period recoveries.
- FY 2008: \$104k of donations for grand opening; FY 2010: \$2,350 down-payment for the \$21,501 sale of surplus right of way; FY 2011 - FY 2030 \$164 monthly payment for the same real estate sale.
- ⁶ Uses of Funds for Operations in FY 2016 - FY 2017 reflect the enacted budget and 2016 supplemental budget request. Maintenance and preservation are from WSDOT plan updated November 2015. CSC Operations Vendor Contract, Personal Services Contracts, and Salaries and Benefits in FY 2015 & 2016 include costs associated to re-procurement of a CSC vendor which are included in Preservation and R & R in future years. WSDOT Salaries and Benefits, Personal Services Contracts, and Other Toll Operations costs include costs associated to TNB's share of system-wide administrative costs (MS), total for FY 2016 = \$507k, FY 2017 = \$523k, FY 2018 = \$532k, FY 2019 = \$529k, FY 2020 = \$513k, FY 2021 = \$513k.
- ⁷ Insurance for FY 2016 is the forecast expense, however a majority of this cost (\$1.15m) was paid in August 2015.
- ⁸ Other previously included the Personal Services expense, until FY 2012 when Personal Services was broken out separately.
- ⁹ Debt Service Payment represents Principal and Interest payments paid out of the Highway Bond Retirement Account for bonds sold for TNB Account construction costs. Debt Service Withholding represents the amount transferred in a given fiscal year from the TNB Account, more or less than the Debt Service Payment. RCW 47.10.847 requires the State Treasurer to withhold amounts for as required by the bond proceedings into the Highway Bond Retirement Account, which is on a monthly basis prior the due dates of the debt service payment.
- ¹⁰ In spring 2015 Legislature passed bill 2ESSB 5987, Sec. 405 of the bill postpones TNB's repayment of the deferred sales tax to FY 2032 (the first payment is on December 31, 2031).
- ¹¹ Revenues and Expenses for Civil Penalties are included in the Financial Plan but do not affect the fund balance used in the 3-month rolling average sufficiency test because Civil Penalty Net Revenues are reserved for paying back the \$5.288 million Motor Vehicle Fund Loan. However, published financial statements will include Civil Penalty Revenues and Adjudication Expenses.
-As stated in RCW 46.63.160 (9): "Except as provided otherwise in this subsection, all civil penalties, including the photo toll and associated fees, collected under this section must be deposited into the toll facility account of the facility on which the toll was assessed. However, through June 30, 2015, civil penalties deposited into the Tacoma Narrows toll bridge account created under RCW 47.56.165 that are in excess of amounts necessary to support the toll adjudication process applicable to toll collection on the Tacoma Narrows bridge must first be allocated toward repayment of operating loans and reserve payments provided to the account from the motor vehicle account under section 1005(15), chapter 518, Laws of 2007."