

# SR 16 Tacoma Narrows Bridge Rate Setting

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Washington State  
Department of Transportation

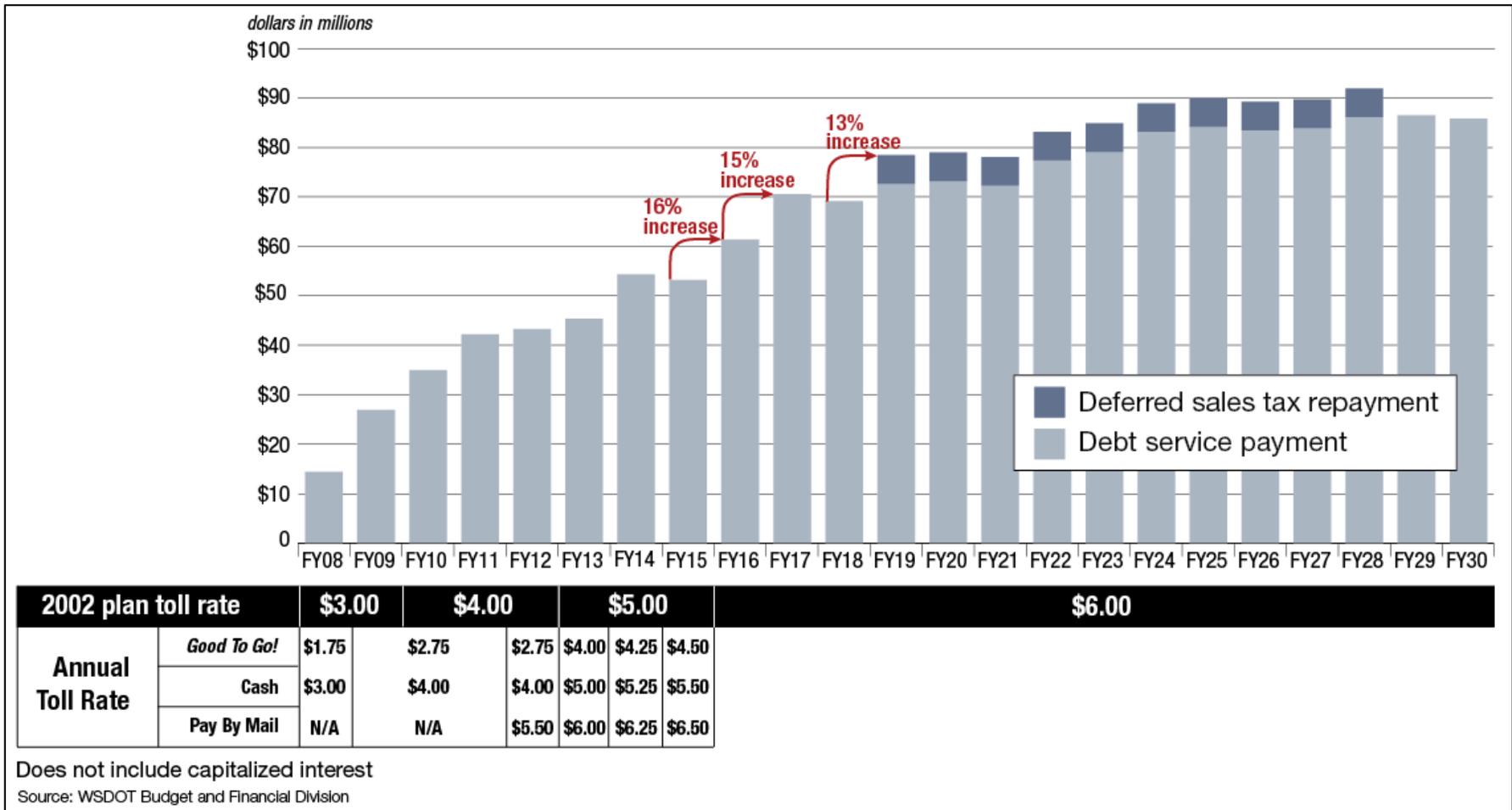
# Presentation Outline

## Meeting Objective: Review of last year and FY 2015 actuals

- **Rate Setting Overview**
  - Debt Service
  - Traffic and Revenue
  - Sufficient Minimum Balance
  - How to Read the Financial Plan
  - Rate-setting Process and Milestones
- **Traffic and Revenue**
  - Sources of Funds
  - FY 2014 and FY 2015
  - Distribution of Tolls by Payment Method
  - Civil Penalty Program Revenues
- **Toll Collection and Facility Costs**
  - Uses of Funds
  - Changes from previous year
- **Sufficient Minimum Balance Test**



# Debt Service Schedule – prior to 2015 legislative session



- 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

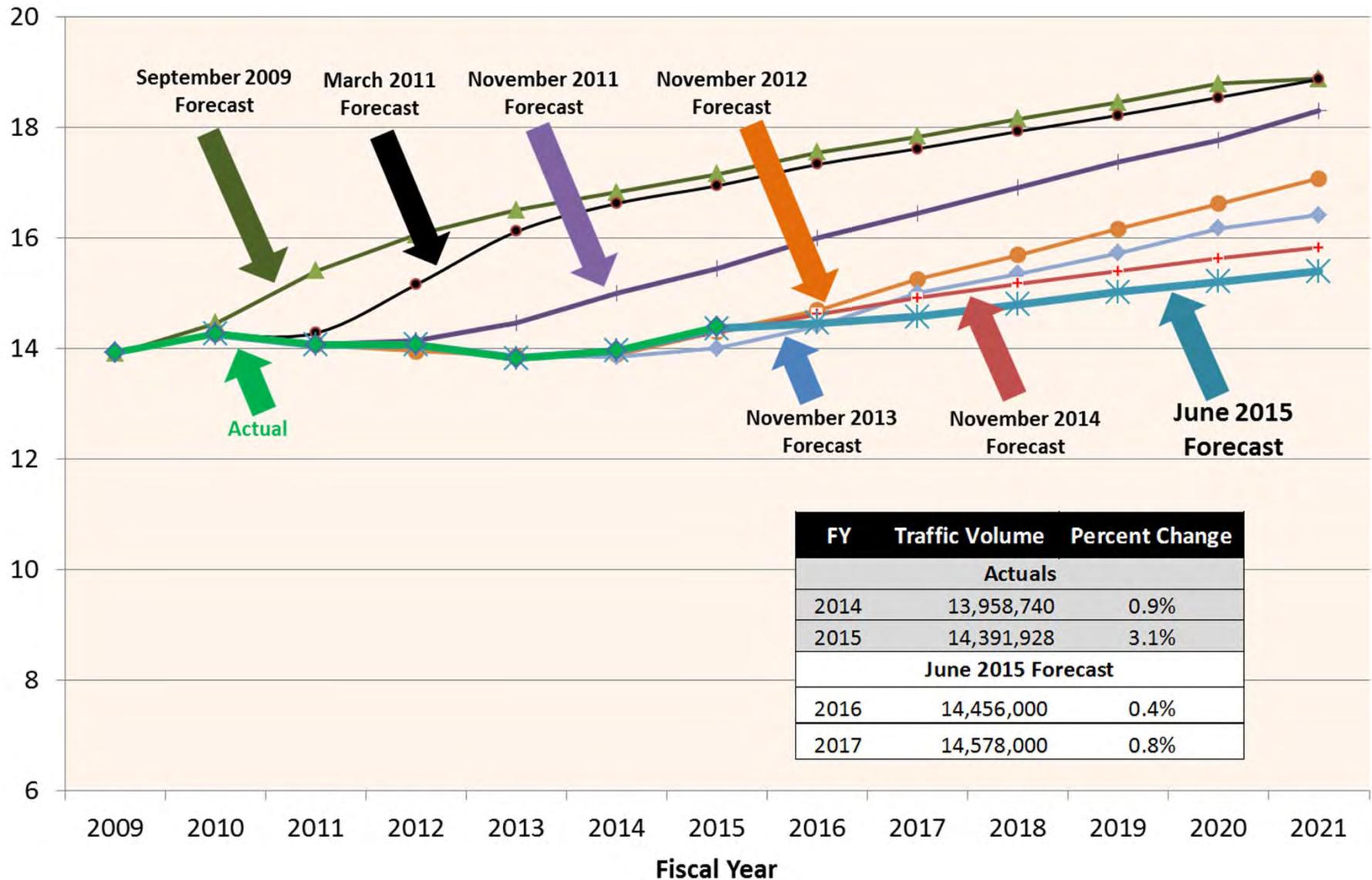


# Sufficient Minimum Balance

- **Washington State Transportation Commission requires that the Tacoma Narrows Bridge fund balance be kept at a sufficient level to ensure bonds can be paid in the event of unexpected circumstances**
  - Bridge insurance covers loss of bridge, business interruption, and acts of terrorism. The policy limit is \$500M.
  - The reduced premium of \$1.14M (before taxes and brokerage fees) is locked in for both FY 2016 and FY 2017.
  - Fund balance remains in the Tacoma Narrows Bridge account
- **Balance within a given month should not be forecasted to fall below an amount equal to 12.5 percent of annual expenses**
  - Monthly balance is averaged over three months retrospectively
  - Intended to cover 45 days of interruption of toll collection
- **Civil penalty revenues and the cost of adjudication program are excluded from the sufficient balance test**
  - Revenue includes amounts due but not yet received
  - The \$5.288 million loan from the motor vehicle fund has been paid down to \$4.338M by the first payment in FY 2015 of \$950K

# Forecasted Annual Eastbound Traffic

*In millions*



# How to Read the Financial Plan

Tacoma Narrows Toll Bridge Account (511) **DRAFT**

Printed on: 1/19/2015

Financial Plan - Updated on January 16, 2015 - DRAFT

Forecasted revenue is based on adopted November 2014 TRFC Forecast. Forecasted expenses for FY 2016-17 are based on the Governor's proposed budget.

Historical Revenues and expenses from 2006 - 2014 are based on TNB Income Statements

(Amounts in thousands of nominal dollars except toll rates)

Fiscal Year	Actuals		Rate Setting Biennium Forecast			
	2014	2015	2016	2017	2018	2019
Toll Rate (Good To Go! Pre-Pay)	\$4.25	\$4.50	\$4.50	\$4.50	\$4.50	\$ 4.50
Toll Rate (Cash)	\$5.25	\$5.50	\$5.50	\$5.50	\$5.50	\$ 5.50
Toll Rate (Pay-By-Mail)	\$6.25	\$6.50	\$6.50	\$6.50	\$6.50	\$ 6.50
<b>Beginning Fund Balance (Financial Statements)</b>	<b>11,578</b>	<b>9,081</b>	<b>12,351</b>	<b>10,890</b>	<b>2,015</b>	<b>(3,685)</b>
<b>Sources of Toll Revenue Funds 1</b>						
Interest Earnings from Tacoma Narrows Account (511) 2	15	21	21	21	21	21
Interest Earnings from Toll Collection Account (495) 2	7	8	8	8	8	8
Toll Revenue - Good To Go! Pre-Pay & Cash	60,159	66,162	67,566	68,727	69,881	70,931
Toll Revenue - Pay By Mail	2,980	2,726	2,839	3,009	3,091	3,138
Transponder Sales Revenue	306	248	191	210	181	189
Violations	9	-	-	-	-	-
Fees 3	337	302	315	334	343	348
Contractual Damages 4	306	-	-	-	-	-
Miscellaneous Revenue 5	43	-	-	-	-	-
<b>Total Sources of State Funds</b>	<b>64,163</b>	<b>69,467</b>	<b>70,940</b>	<b>72,309</b>	<b>73,525</b>	<b>74,635</b>
<b>Uses of Toll Revenue Funds 6</b>						
Toll CSC Vendor Contract	(2,122)	(2,389)	(2,506)	(2,552)	(2,529)	(2,970)
Toll Booth and Lane Vendor Contract	(3,270)	(3,469)	(3,146)	(3,146)	(3,146)	(3,146)
Insurance 7	(1,594)	(1,655)	(1,700)	(1,700)	(1,700)	(1,700)
Credit Card and Bank Fees	(1,121)	(1,157)	(1,291)	(1,342)	(1,371)	(1,403)
Transponder Cost of Goods Sold	(215)	(161)	(279)	(328)	(178)	(182)
Washington State Patrol	-	-	-	-	-	-
Other Toll Operations Costs	(260)	(313)	(296)	(348)	(239)	(232)
Personal Service Contracts 8	(615)	(1,142)	(927)	(678)	(334)	(330)
Capital Outlays (Software Asset)	-	-	-	-	-	-
Salaries and Benefits	(523)	(675)	(1,220)	(1,198)	(794)	(771)
Administrative Transfers Out	-	-	-	-	-	-
Infrastructure Maintenance	(254)	(373)	(685)	(550)	(617)	(594)
<b>Subtotal: Operations and Maintenance Uses of Funds</b>	<b>(9,975)</b>	<b>(11,333)</b>	<b>(12,050)</b>	<b>(11,843)</b>	<b>(10,909)</b>	<b>(11,328)</b>
<b>Subtotal: Operating Sources less Operating Uses</b>	<b>54,188</b>	<b>58,134</b>	<b>58,890</b>	<b>60,467</b>	<b>62,617</b>	<b>63,307</b>
Debt Service Payment 9	(54,344)	(53,106)	(61,385)	(70,549)	(69,115)	(72,590)
Debt Service Withholding 9	(579)	(1,542)	(891)	492	(714)	(212)
<b>Subtotal: Uses of Funds incl. Debt Service</b>	<b>(64,897)</b>	<b>(65,981)</b>	<b>(74,326)</b>	<b>(81,899)</b>	<b>(80,737)</b>	<b>(84,130)</b>
Deferred Sales Tax Repayment 10	-	-	-	-	-	(5,791)
Preservation and Repair & Replacement (early years covered by ca	-	-	-	-	-	(201)
<b>Total Uses of Toll Funds</b>	<b>(64,897)</b>	<b>(65,981)</b>	<b>(74,326)</b>	<b>(81,899)</b>	<b>(80,737)</b>	<b>(90,122)</b>
<b>Current Year Sources less Uses Balance</b>	<b>(735)</b>	<b>3,486</b>	<b>(3,386)</b>	<b>(9,590)</b>	<b>(7,212)</b>	<b>(15,486)</b>
<b>Cumulative Sources Less Uses Balance</b>	<b>3,484</b>	<b>6,970</b>	<b>3,584</b>	<b>(6,006)</b>	<b>(13,218)</b>	<b>(28,704)</b>
Beginning Capital Balance	3,922	3,922	2,853	2,336	1,660	858
Total Sources of Capital Funds	-	-	-	-	-	-
Preservation and Repair and Replacement (covered by Capital Bala	-	(1,069)	(517)	(676)	(801)	(858)
Ending Capital Balance	3,922	2,853	2,336	1,660	858	-
<b>Sources Less Uses + Ending Capital Balance (for Sufficiency Te</b>	<b>7,406</b>	<b>9,823</b>	<b>5,920</b>	<b>(4,346)</b>	<b>(12,359)</b>	<b>(28,704)</b>
<b>12.5% Sufficient Minimum Balance</b>	<b>8,112</b>	<b>8,248</b>	<b>9,291</b>	<b>10,237</b>	<b>10,092</b>	<b>11,265</b>
<b>Lowest 3-month Rolling Average Balance</b>	<b>-</b>	<b>6,256</b>	<b>3,638</b>	<b>(6,472)</b>	<b>-</b>	<b>-</b>
<b>Amount Above/Below Sufficient Minimum Balance</b>	<b>-</b>	<b>(1,992)</b>	<b>(5,653)</b>	<b>(16,709)</b>	<b>-</b>	<b>-</b>
<b>Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11</b>						
Civil Penalty Revenue (not incl. in Operating Revenue)	(649)	3,427	3,573	3,785	3,888	3,947
Civil Penalty Adjudication Costs (not incl. in Operating Expens	(1,113)	(1,623)	(1,132)	(1,443)	(1,100)	(1,100)
<b>Subtotal: Civil Penalty Net Revenue</b>	<b>(1,762)</b>	<b>1,804</b>	<b>2,441</b>	<b>2,342</b>	<b>2,788</b>	<b>2,847</b>
Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	(475)	(475)
<b>Civil Penalty Net Revenue after Loan Repayments</b>	<b>(1,762)</b>	<b>854</b>	<b>2,441</b>	<b>1,392</b>	<b>2,313</b>	<b>2,372</b>
<b>Cumulative Balance for Civil Penalties</b>	<b>1,675</b>	<b>2,528</b>	<b>4,969</b>	<b>6,361</b>	<b>8,674</b>	<b>11,046</b>
<b>Ending Fund Balance (Financial Statements)</b>	<b>9,081</b>	<b>12,351</b>	<b>10,890</b>	<b>2,015</b>	<b>(3,685)</b>	<b>(17,658)</b>

Assumes no change in toll rates as a baseline

Revenues (sources of funds)

Costs other than debt service

Debt service

Change in fund balance

Fund balance remaining at year-end

Civil penalty revenue and adjudication costs excluded from sufficient balance test

# Rate Setting Overview

## What Rates Are Required?

- RCW 47.46.100 states the toll charges must be imposed in amount 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](#).
- Transportation Commission policy states that the sufficient minimum balance shall not be less than 12.5 percent of annual Tacoma Narrows Bridge costs (equivalent to 45 days of working capital year round), measured on a retrospective three month rolling average fund balance

# Rate Setting Timeline

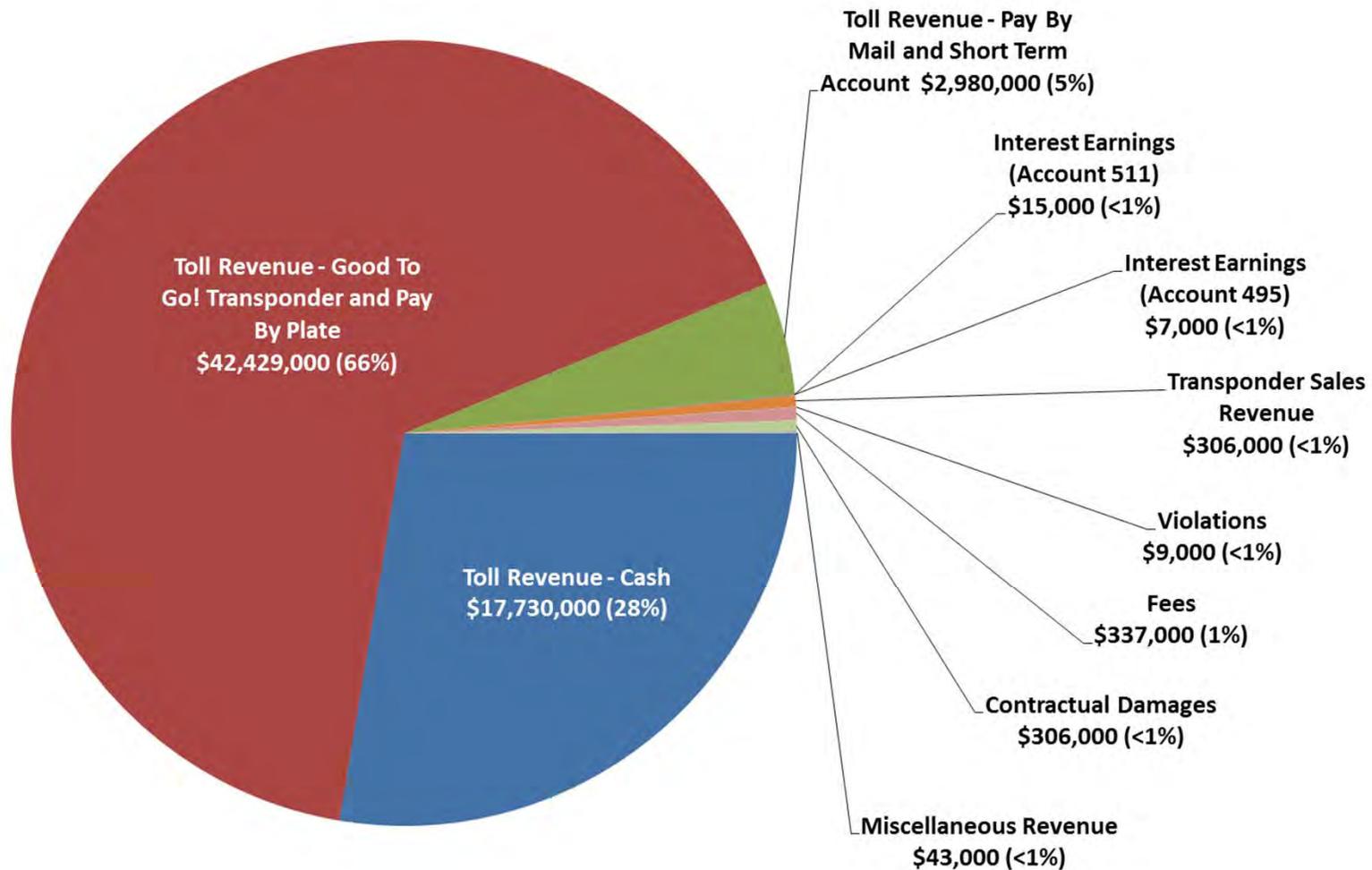
	Milestone	
October 2015	WSTC: FY 2015 Traffic and Revenue Reporting	
November 2015	CAC: Review Last Year's Financial Plan/T&R Actuals	
December 2015	CAC: Financial plan/funding needed WSTC: Financial plan/funding needed CAC: Specify rate scenarios WSTC: File CR 101	<p><b>These steps are needed only if rates selected in Spring 2015 are not sufficient</b></p>
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	

# Traffic and Revenue

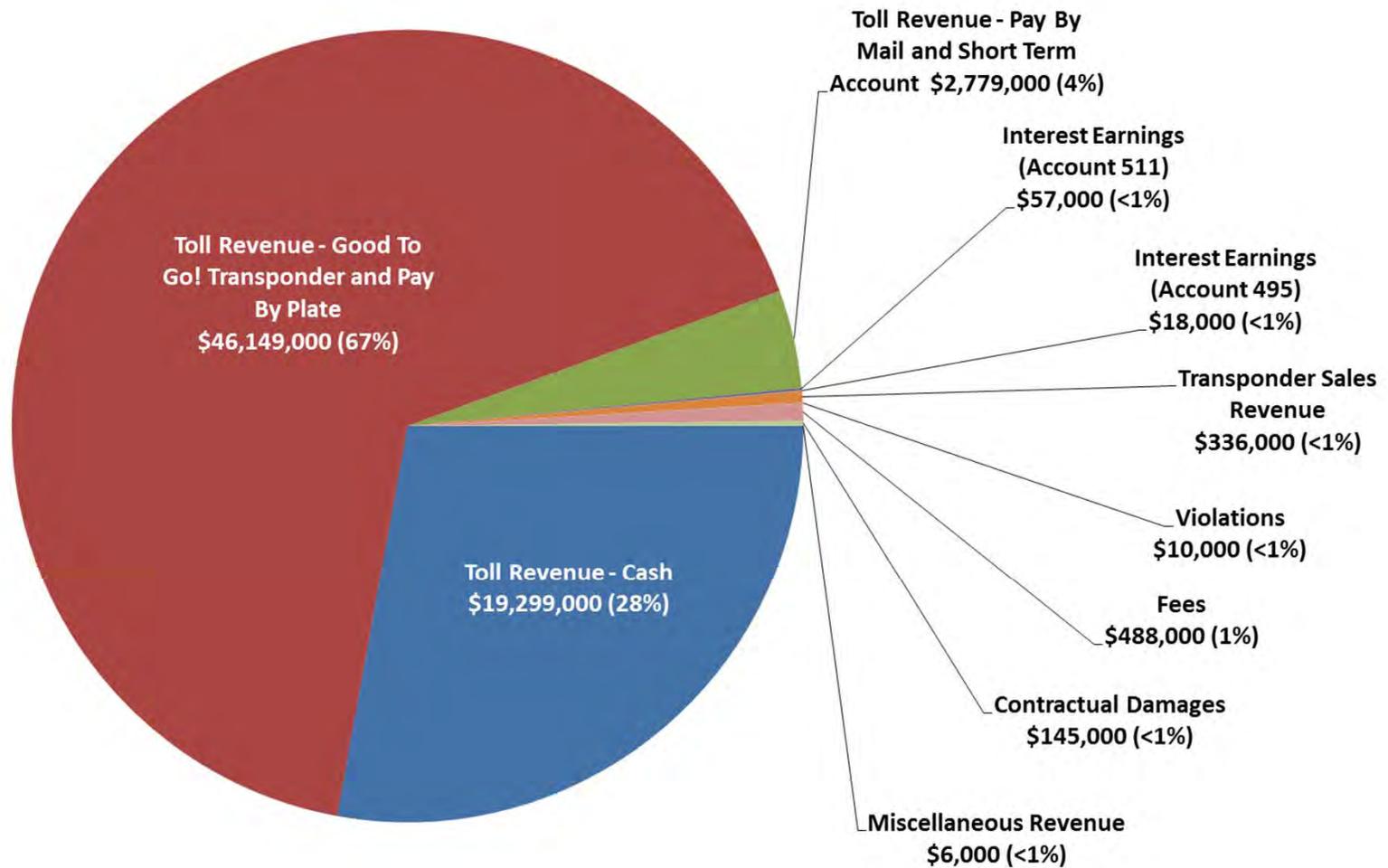
# Last Year's Traffic and Revenue Highlights

- **In 2014, WSDOT contracted with a new statewide traffic and revenue forecasting consultant**
  - Previous forecasts were based on the original investment analysis
  - New model was used to run toll rate scenarios
  - Updated data reflected recession and changed conditions
- **Forecast results reflected changes in accounting to match what experience suggests would be received**
  - Toll revenues not expected to be received within 80 days were considered civil penalty revenue rather than toll revenue
  - Civil penalties revenues were reduced to reflect what is likely to be collected

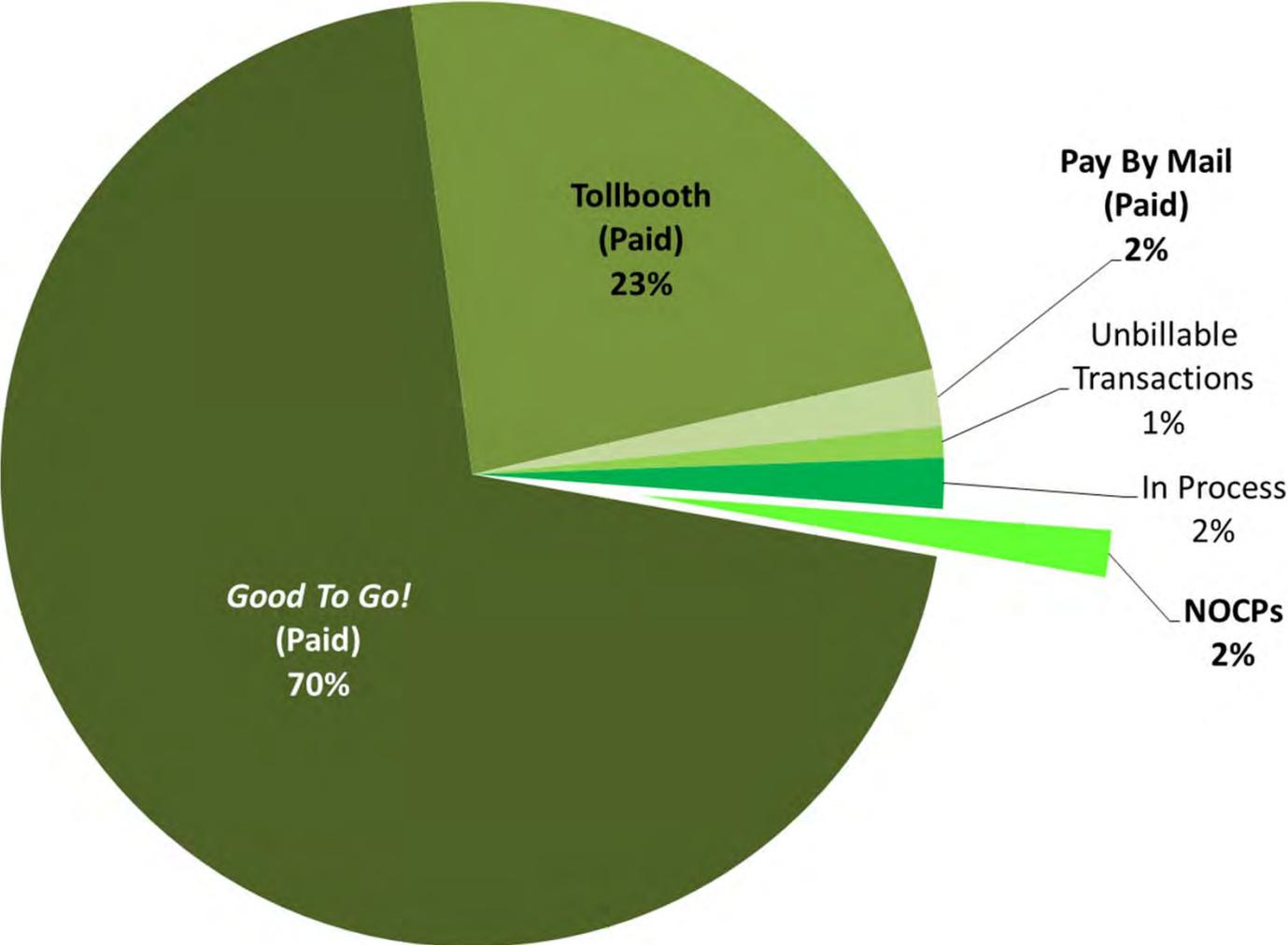
# FY 2014 Sources of Funds - Actual



# FY 2015 Sources of Funds - Actual

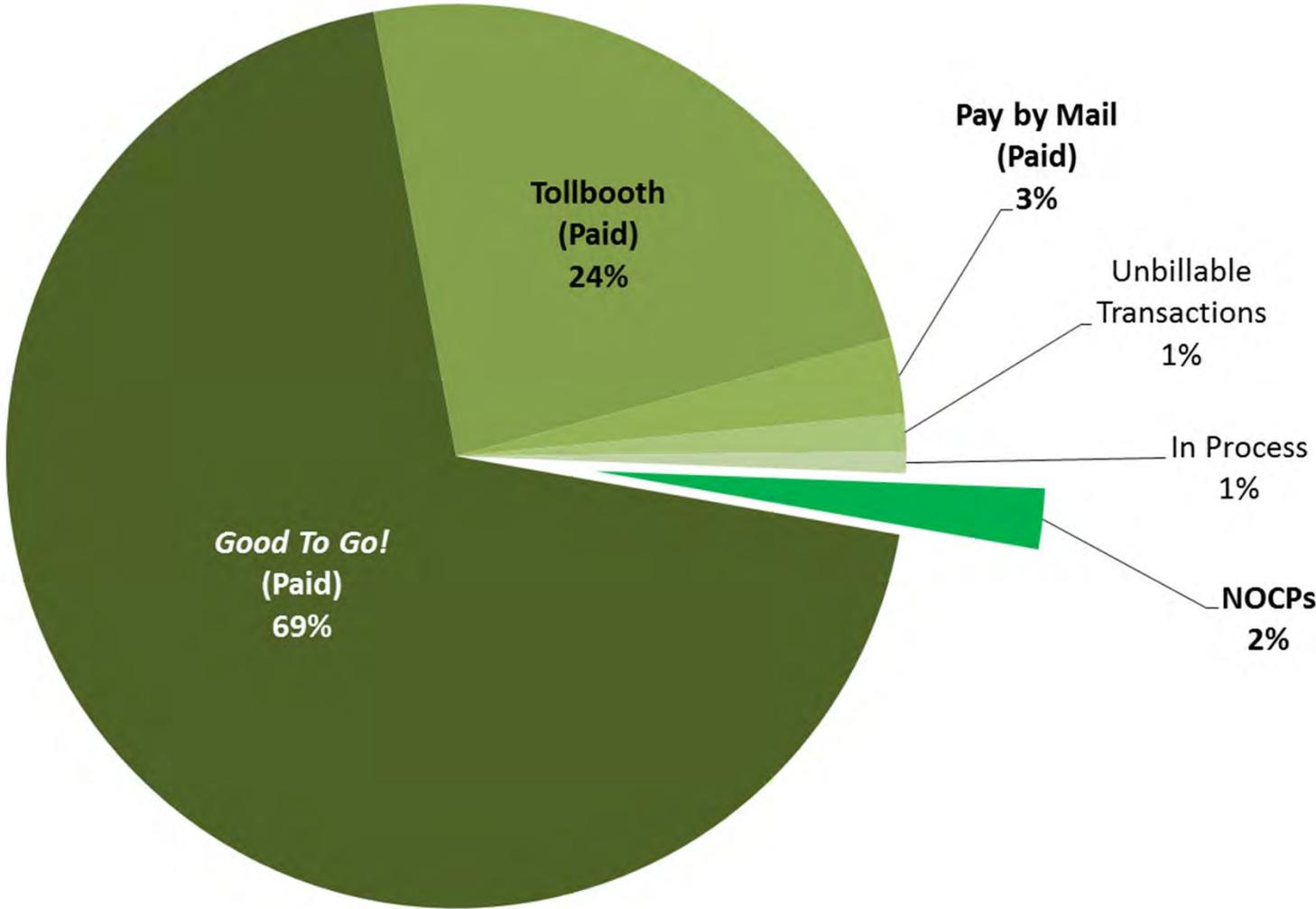


# Transactions by Form of Payment – FY 2014



Source: WSDOT Toll Division – June 2014

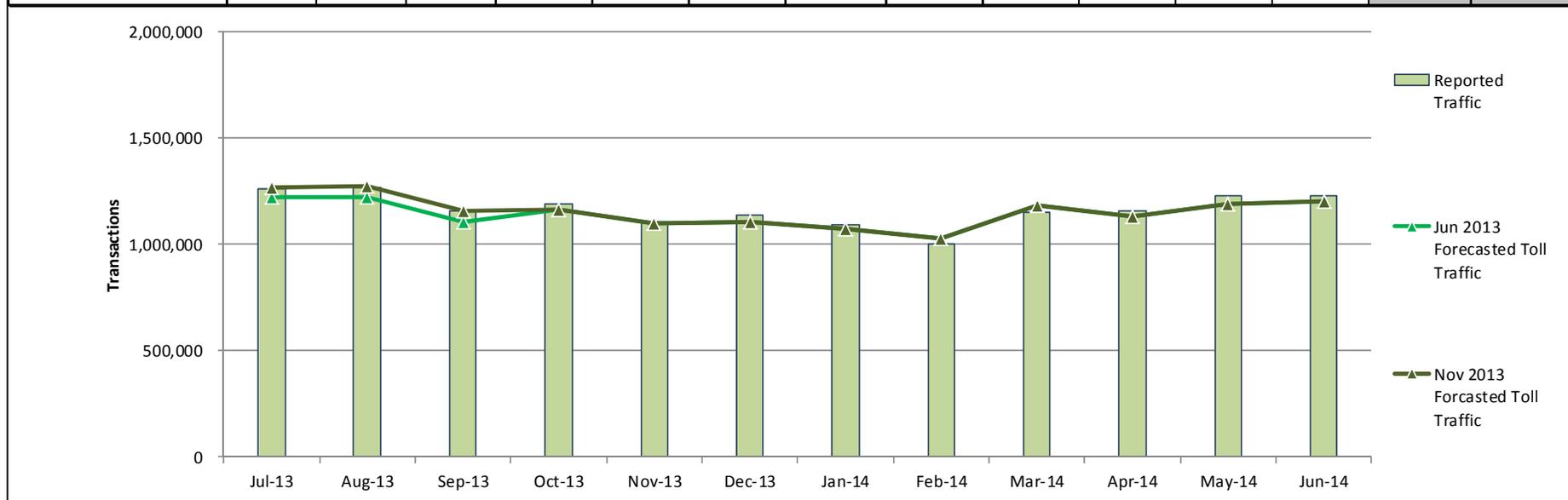
# Transactions by Form of Payment – FY 2015



Source: WSDOT Toll Operations – June 2015

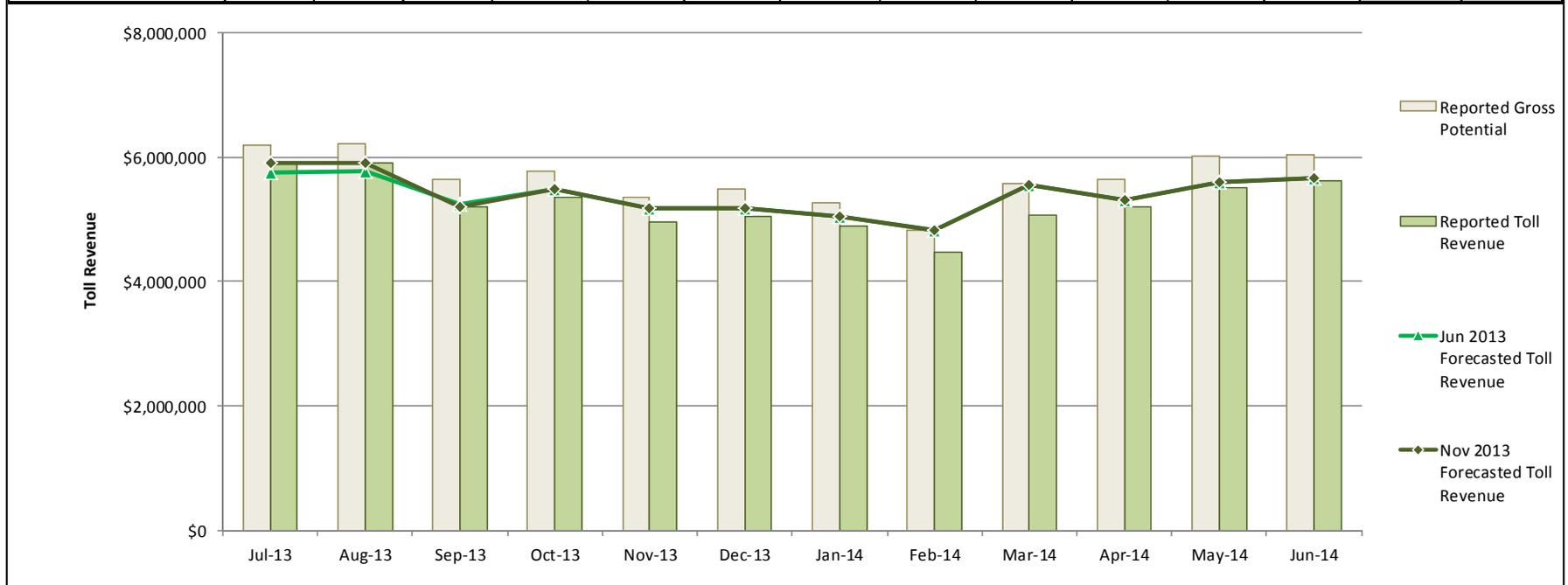
# FY 2014 Forecasted and Reported Traffic

TRAFFIC	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD	Annual Total
Forecasted Potential (June 2013) <sup>1</sup>	1,219,595	1,219,982	1,106,024	1,160,315	1,096,599	1,102,517	1,071,570	1,027,349	1,183,660	1,130,000	1,187,680	1,201,338	13,706,629	13,706,629
Forecasted Potential (November 2013) <sup>2</sup>	1,265,753	1,270,356	1,157,809	1,159,468	1,095,798	1,101,712	1,070,787	1,026,599	1,182,795	1,129,174	1,186,813	1,200,460	13,847,524	13,847,524
Reported Transactions <sup>3,A</sup>	1,261,915	1,266,670	1,153,860	1,186,000	1,102,564	1,134,245	1,092,010	999,868	1,146,554	1,157,650	1,229,418	1,227,986	13,958,740	13,958,740
Variance from Forecast Potential <sup>4</sup>	42,320	46,688	47,836	26,532	6,766	32,533	21,223	(26,731)	(36,241)	28,476	42,605	27,526	259,533	259,533
Variance - % change	3.5%	3.8%	4.3%	2.3%	0.6%	3.0%	2.0%	-2.6%	-3.1%	2.5%	3.6%	2.3%	1.9%	1.9%



# FY 2014 Forecasted and Reported Revenue

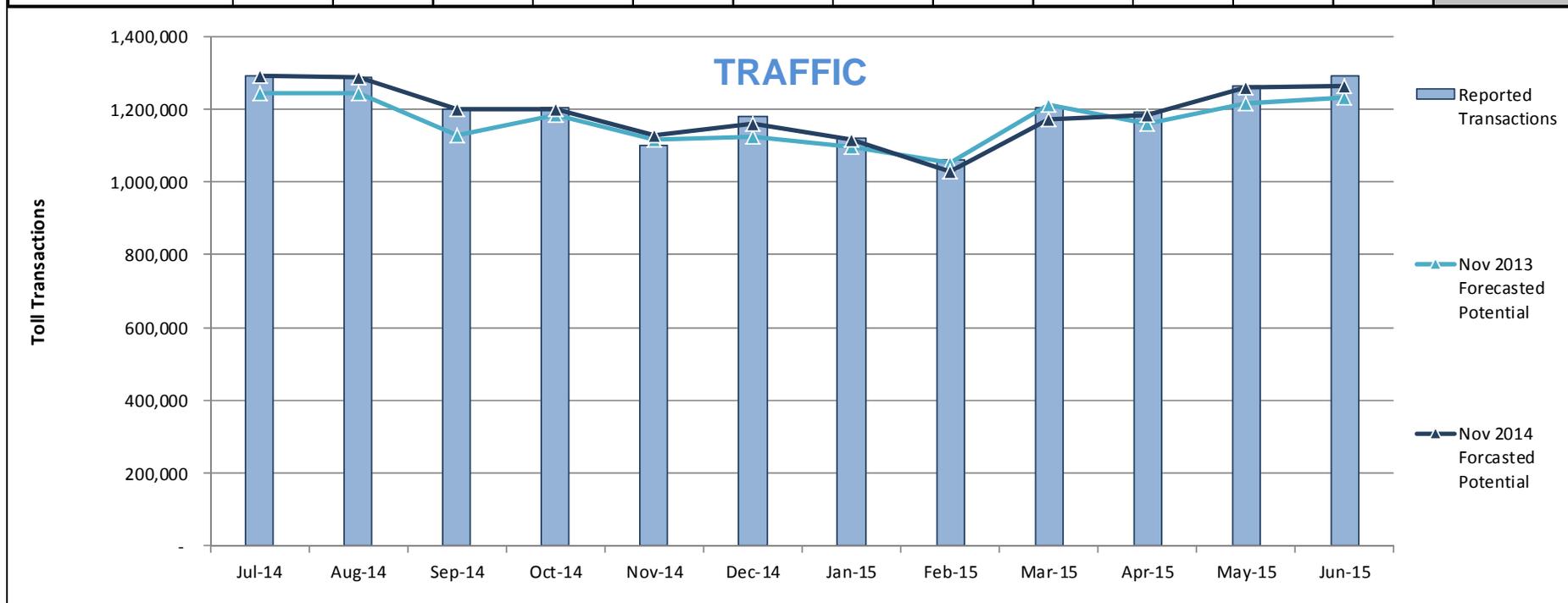
REVENUE	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD	Annual Total
Forecasted Potential (June 2013) <sup>1</sup>	\$5,761,481	\$5,782,760	\$5,245,243	\$5,486,190	\$5,170,281	\$5,187,713	\$5,038,525	\$4,829,483	\$5,564,334	\$5,311,942	\$5,608,488	\$5,663,761	\$64,650,201	\$64,650,201
Forecasted Potential (November 2013) <sup>2</sup>	\$5,912,885	\$5,903,521	\$5,196,745	\$5,486,190	\$5,170,281	\$5,187,713	\$5,038,525	\$4,829,483	\$5,564,334	\$5,311,942	\$5,608,488	\$5,663,761	\$64,873,868	\$64,873,868
Forecasted Gross Potential <sup>3</sup>	\$5,761,481	\$5,782,760	\$5,245,243	\$5,486,190	\$5,170,281	\$5,187,713	\$5,038,525	\$4,829,483	\$5,564,334	\$5,311,942	\$5,608,488	\$5,663,761	\$64,650,201	\$64,650,201
Reported Gross Potential <sup>4</sup>	\$6,199,939	\$6,217,158	\$5,641,852	\$5,774,586	\$5,351,803	\$5,484,547	\$5,277,092	\$4,833,151	\$5,567,799	\$5,638,620	\$6,014,404	\$6,031,119	\$68,032,070	\$68,032,070
Variance from Forecasted Gross	\$438,458	\$434,398	\$396,609	\$288,396	\$181,522	\$296,834	\$238,567	\$3,668	\$3,465	\$326,678	\$405,916	\$367,358	\$3,381,869	\$3,381,869
Variance - % Change	7.6%	7.5%	7.6%	5.3%	3.5%	5.7%	4.7%	0.1%	0.1%	6.1%	7.2%	6.5%	5.2%	5.2%
Forecasted Adjusted <sup>5</sup>	\$5,706,032	\$5,727,106	\$5,194,762	\$5,440,366	\$5,127,096	\$5,144,382	\$4,996,440	\$4,789,144	\$5,517,857	\$5,267,573	\$5,561,642	\$5,616,454	\$64,088,854	\$64,088,854
Reported Revenue <sup>A,B</sup>	\$5,912,885	\$5,903,521	\$5,196,746	\$5,359,304	\$4,949,524	\$5,051,726	\$4,883,638	\$4,480,655	\$5,060,912	\$5,210,842	\$5,509,016	\$5,620,226	\$63,138,995	\$63,138,995
Variance From Adjusted Forecast <sup>6</sup>	\$206,853	\$176,415	\$1,983	(\$81,061)	(\$177,572)	(\$92,656)	(\$112,802)	(\$308,489)	(\$456,945)	(\$56,731)	(\$52,627)	\$3,773	(\$949,859)	(\$949,859)
Variance - % Change	3.6%	3.1%	0.0%	(1.5%)	(3.5%)	(1.8%)	(2.3%)	(6.4%)	(8.3%)	(1.1%)	(0.9%)	0.1%	(1.5%)	(1.5%)



Footnotes located at the end of the presentation

# FY 2015 Forecasted and Reported Toll Traffic

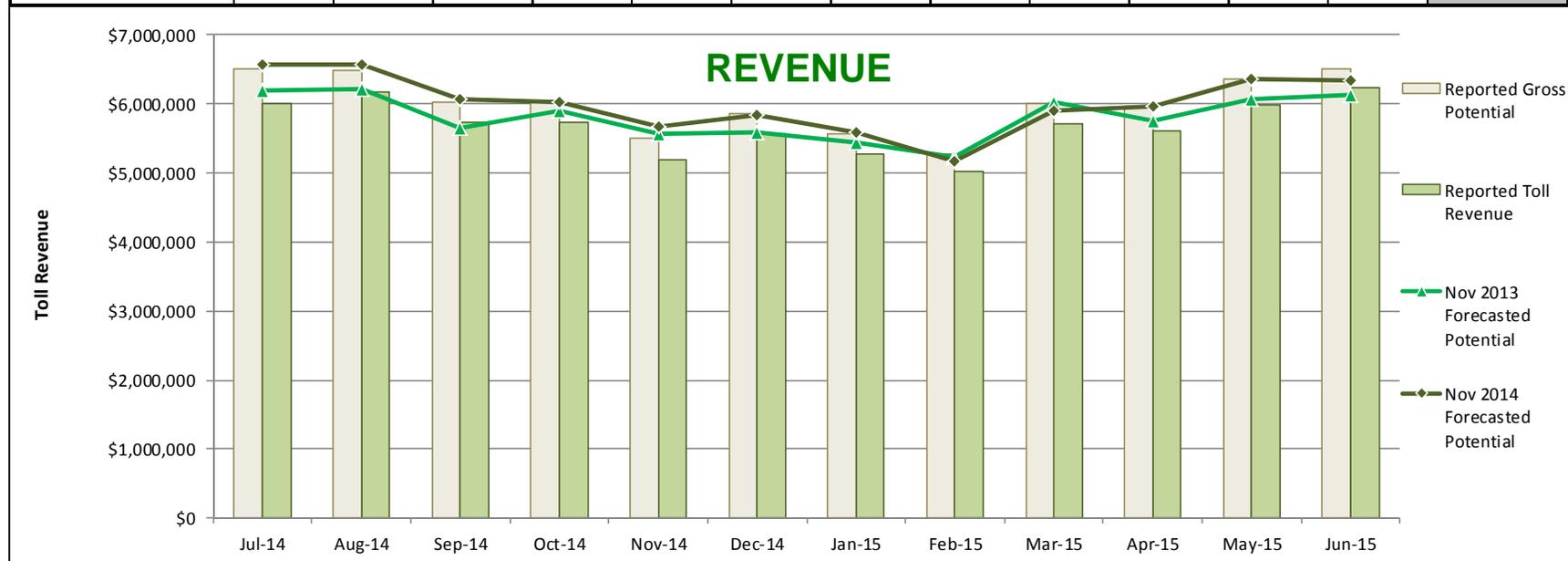
TRAFFIC	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Annual Total
Forecasted Potential (November 2013) <sup>1</sup>	1,242,494	1,242,950	1,126,845	1,182,113	1,117,165	1,123,185	1,097,971	1,052,683	1,212,899	1,157,908	1,216,989	1,231,037	14,004,239
Forecasted Potential (November 2014) <sup>2</sup>	1,292,065	1,288,064	1,199,060	1,201,060	1,129,056	1,161,058	1,115,056	1,029,051	1,172,059	1,185,059	1,260,063	1,264,063	14,295,714
Reported Transactions <sup>3</sup>	1,290,551	1,288,396	1,198,257	1,204,577	1,101,928	1,177,708	1,119,391	1,059,563	1,203,584	1,192,595	1,264,063	1,291,315	14,391,928
Variance from Forecast Potential <sup>4</sup>	48,057	45,446	71,412	3,517	(27,128)	16,650	4,335	30,512	31,525	7,536	4,000	27,252	263,114
Variance - % change	3.9%	3.7%	6.3%	0.3%	(2.4%)	1.4%	0.4%	3.0%	2.7%	0.6%	0.3%	2.2%	1.8%



Footnotes located at the end of the presentation

# FY 2015 Forecasted and Reported Toll Revenue

REVENUE	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Annual Total
Forecasted Potential (November 2013) <sup>1</sup>	\$6,192,985	\$6,217,036	\$5,638,958	\$5,897,197	\$5,557,174	\$5,576,064	\$5,446,363	\$5,221,191	\$6,017,371	\$5,744,281	\$6,062,884	\$6,124,928	\$69,696,432
Forecasted Potential (November 2014) <sup>2</sup>	\$6,562,452	\$6,559,450	\$6,066,419	\$6,016,420	\$5,674,395	\$5,846,406	\$5,584,390	\$5,160,360	\$5,891,410	\$5,965,415	\$6,356,440	\$6,336,442	\$72,019,999
Forecasted Gross Potential <sup>3</sup>	\$6,192,985	\$6,217,036	\$5,638,958	\$6,016,420	\$5,674,395	\$5,846,406	\$5,584,390	\$5,160,360	\$5,891,410	\$5,965,415	\$6,356,440	\$6,336,442	\$70,880,657
Reported Gross Potential <sup>4</sup>	\$6,496,847	\$6,489,230	\$6,020,851	\$6,018,004	\$5,508,964	\$5,848,662	\$5,567,189	\$5,271,343	\$6,001,788	\$5,958,320	\$6,356,283	\$6,505,275	\$72,042,756
Variance From Forecasted Gross Potential	\$303,862	\$272,194	\$381,893	\$1,584	(\$165,431)	\$2,256	(\$17,201)	\$110,983	\$110,378	(\$7,095)	(\$157)	\$168,833	\$1,162,099
Variance - % Change	4.9%	4.4%	6.8%	0.0%	(2.9%)	0.0%	(0.3%)	2.2%	1.9%	(0.1%)	(0.0%)	2.7%	1.6%
Forecasted Adjusted <sup>5</sup>	\$5,914,415	\$6,167,223	\$5,593,777	\$5,754,778	\$5,427,627	\$5,592,158	\$5,341,537	\$4,935,947	\$5,635,205	\$5,705,992	\$6,080,012	\$6,289,833	\$68,438,503
Reported Toll Revenue <sup>6</sup>	\$6,013,436	\$6,169,873	\$5,728,594	\$5,733,372	\$5,179,488	\$5,561,499	\$5,275,579	\$5,026,473	\$5,714,713	\$5,599,617	\$5,991,120	\$6,233,043	\$68,226,807
Variance From Adjusted Forecast <sup>7</sup>	\$99,021	\$2,650	\$134,817	(\$21,407)	(\$248,139)	(\$30,659)	(\$65,957)	\$90,526	\$79,508	(\$106,375)	(\$88,892)	(\$56,790)	(\$211,696)
Variance - % Change	1.7%	0.0%	2.4%	(0.4%)	(4.6%)	(0.5%)	(1.2%)	1.8%	1.4%	(1.9%)	(1.5%)	(0.9%)	(0.3%)

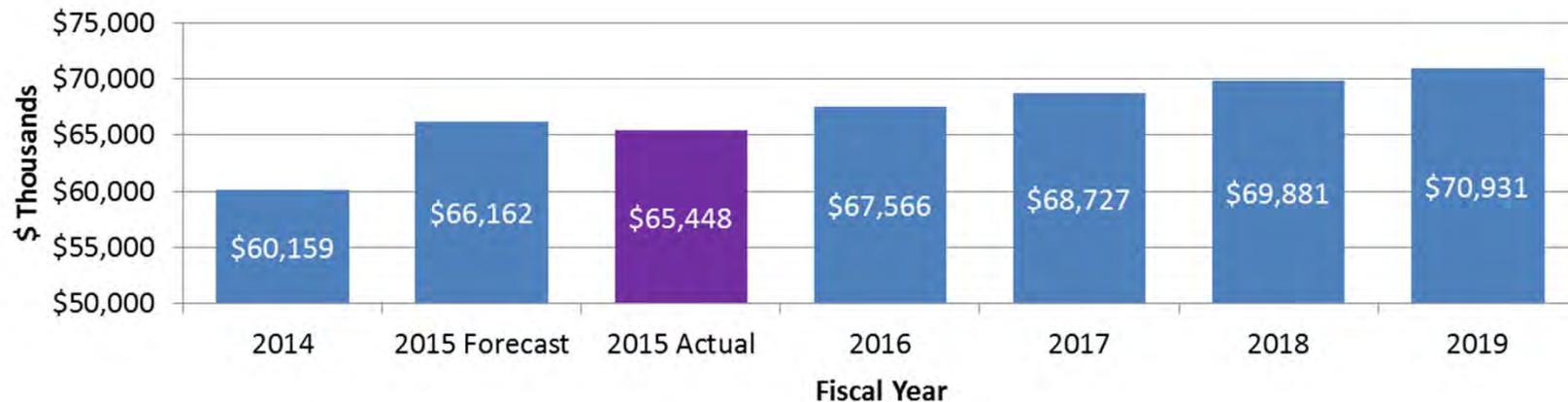


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# Sources of Funds

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

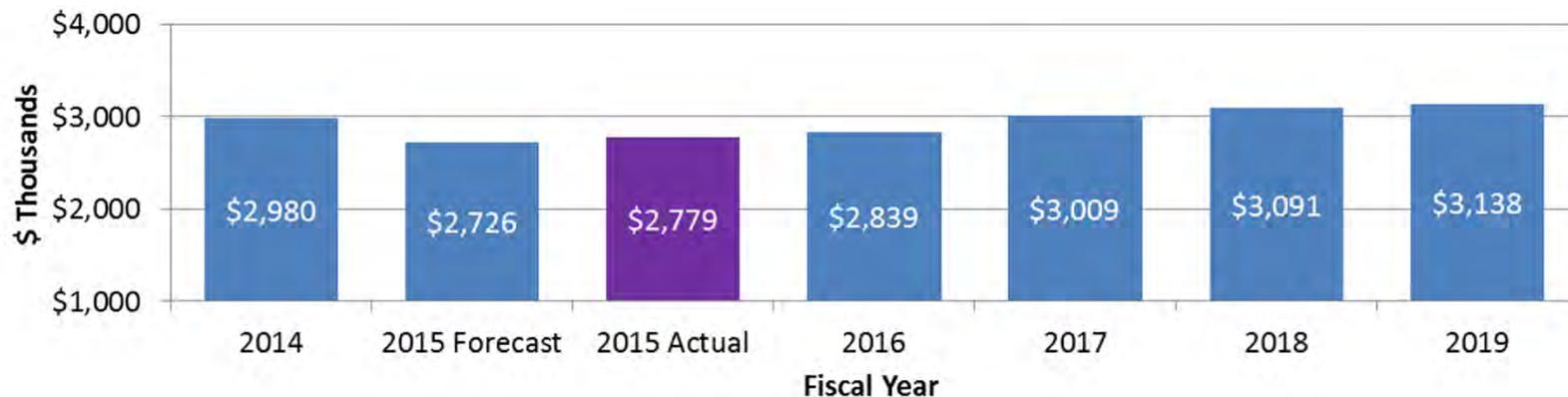
- The minor revenue growth from *Good to Go!* Pre-Pay and Cash is largely attributable to small increases in area population and employment
- As growth occurs in the catchment area of the TNB, it is assumed that a higher percentage of this growth will be frequent users of the facility, and therefore much more likely to pay via a *Good To Go!* pass rather than cash
- *Good To Go!* pass payment splits were increased slightly throughout the forecast while cash transaction payment splits were decreased



# Sources of Funds

## Toll Revenue – Pay By Mail

- Recent trends have shown an increase in the share of photo-based transactions, which include Pay By Mail transactions
- Pay By Mail transactions will continue to grow until peaking at about 14 percent of overall transactions by FY 2021. This Pay By Mail transaction growth results in higher revenue growth than the *Good to Go!* Pre-Pay and Cash payment methods



# Sources of Funds

## Transponder Sales Revenue

- Transponder sales revenue projections are lower than transponder costs due to an increase in the average transponder cost as new Flex Passes are sold. The increase in average cost was not incorporated into the projected revenue.
- An adjustment will be made to future transponder sales revenue forecasts
- Transponder sales will equal receipts
- FY 2015 actual revenue for transponders correlates to the high sales of the Flex Pass as part of the I-405 express toll lanes launch, allocated to each facility by total transactions



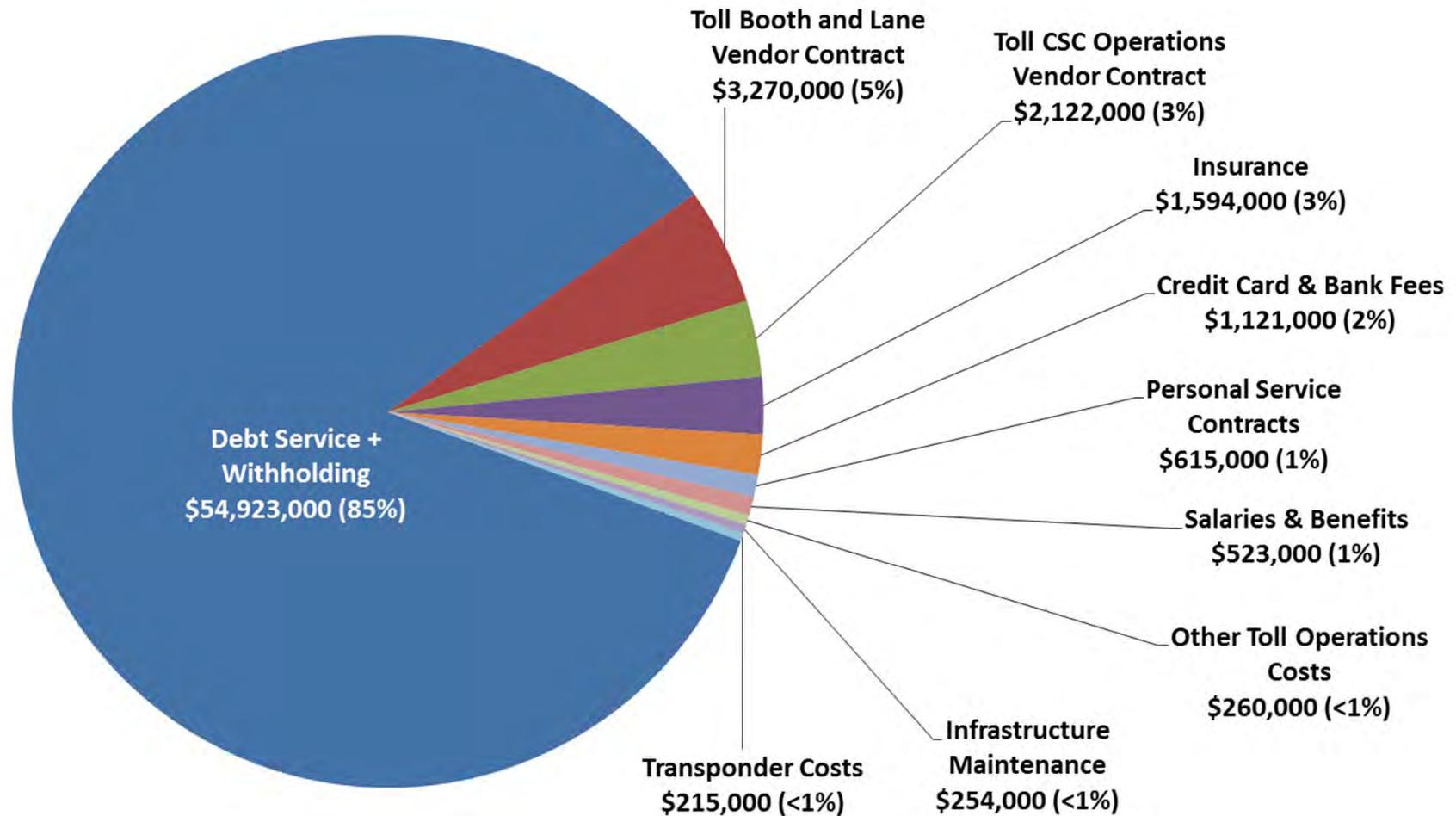
# Toll Collection and Facility Costs

# Last Year's Cost Highlights

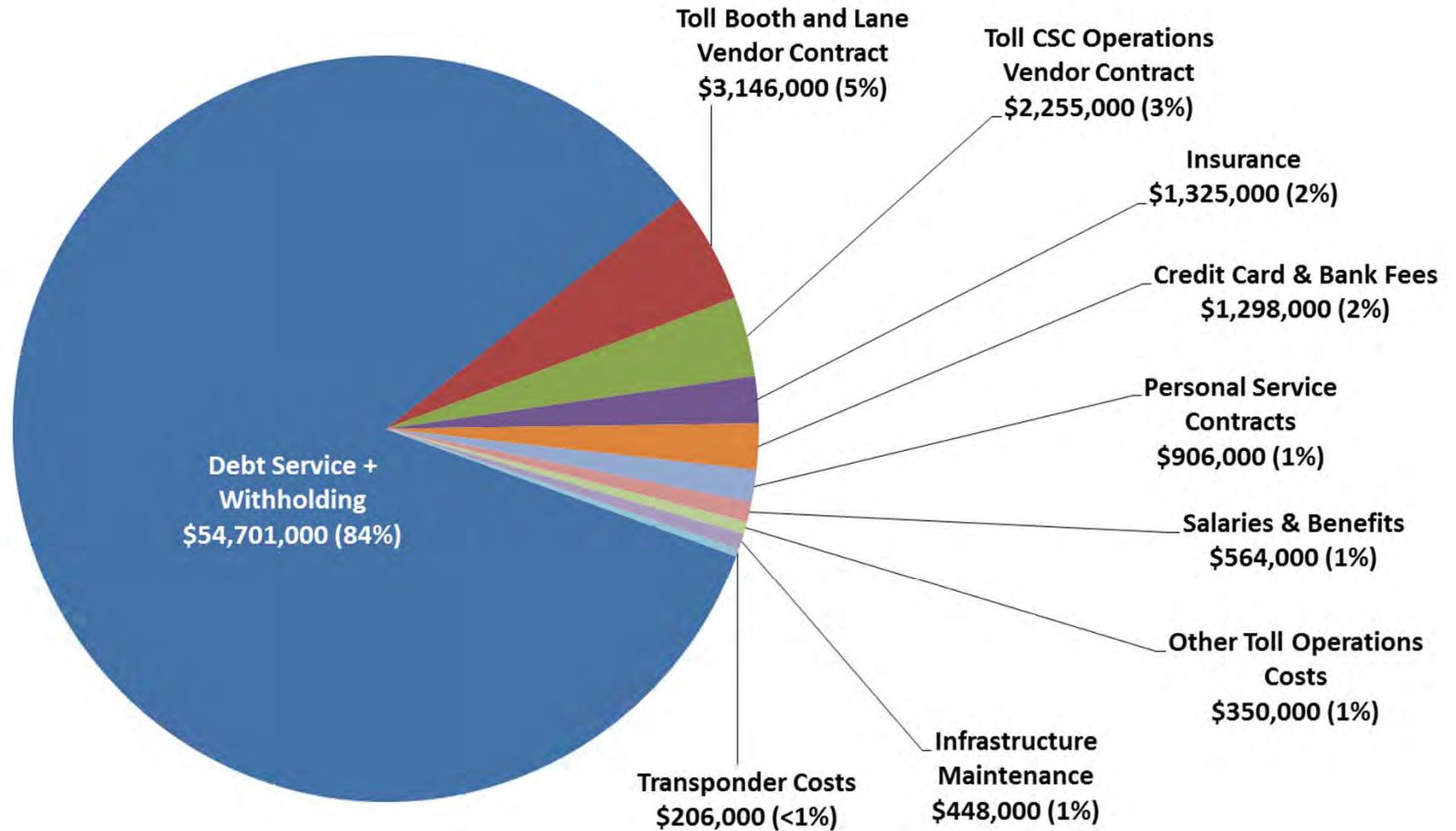
Changes from previous year's budget included:

- **FY 2015 Supplemental Budget included expenses to prepare for reprocurement of customer service vendor**
  - Current CSC vendor contract expires in 2016 with possible extension to 2018
  - The normal replacement cycle for a vendor (approximately every 10 years) to take us through the 2020s
  - Contingency in case existing contractor is unable to meet requirements
  - Included salary and consultant expenses in 2015 and 2016
- **Governor's FY 2015-17 budget directed the Toll Division to become self-sufficient. Some expenses that were paid from capital funds are now paid from the operating budget.**
  - SR 16 Tacoma Narrows Bridge, SR 520 Bridge, and SR 167 HOT Lanes each pay a share of these central administrative expenses
  - Development of new toll systems is a capital expense funded by capital projects, but expenses transition to toll operating budget at opening
- **Facility maintenance and preservation cost changes**
  - Maintenance costs higher as new bridge warranties expire
  - Bridge resurfacing in two phases

# FY 2014 Uses of Funds - Actual

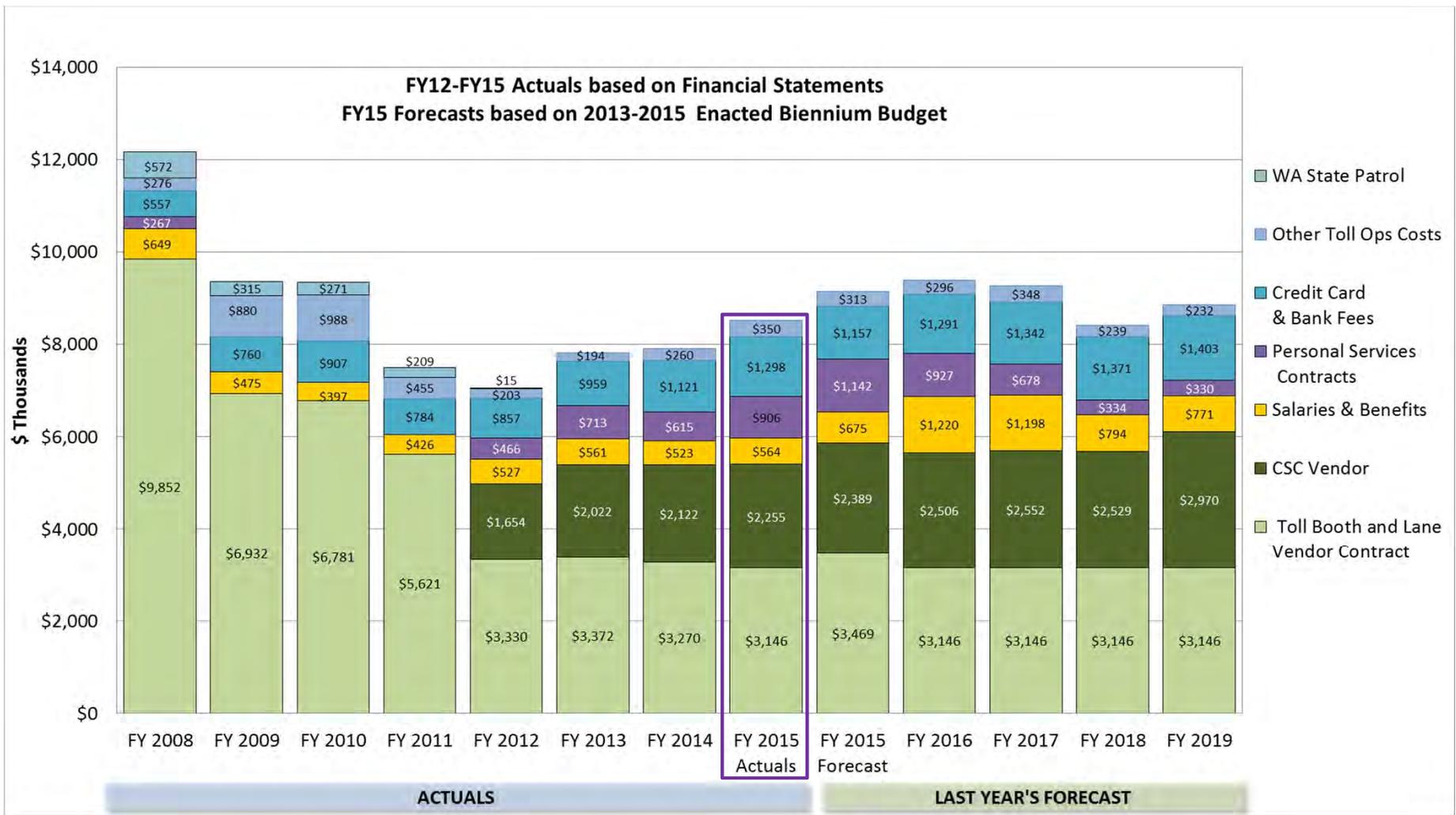


# FY 2015 Uses of Funds - Actual



# Uses of Funds - Summary

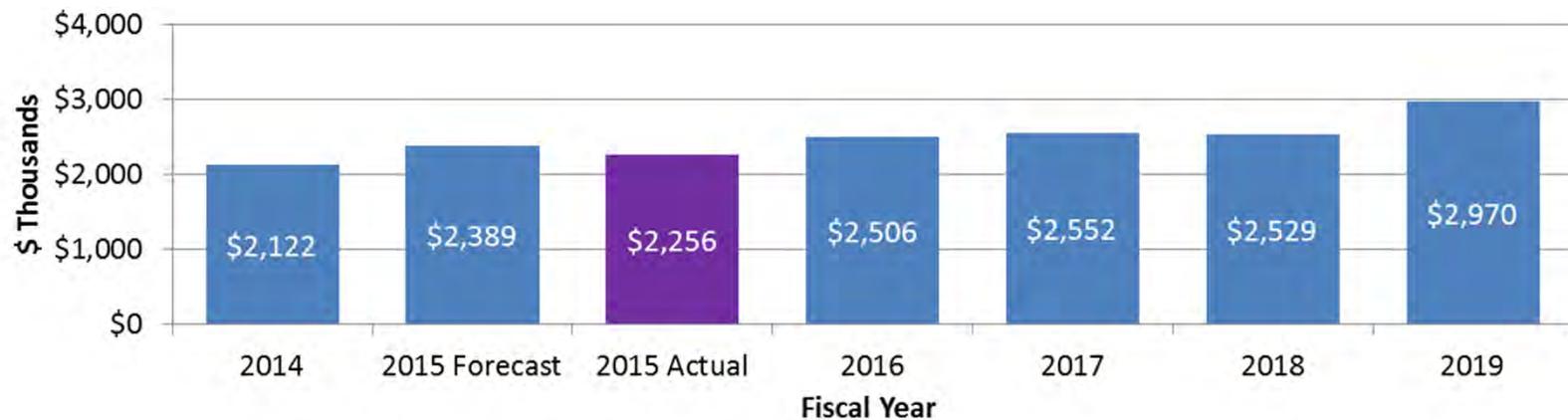
## Historical and Budgeted Toll Operation Expenses



# Use of Funds

## Toll CSC Vendor Contract

- Includes costs associated with re-procurement of a new CSC vendor
  - \$278k in FY 2015 and \$245k in FY 2016
- Re-procurement costs will be included in Preservation and Repair and Replacement in future years



# Use of Funds

## Toll Booth and Lane Vendor Contract

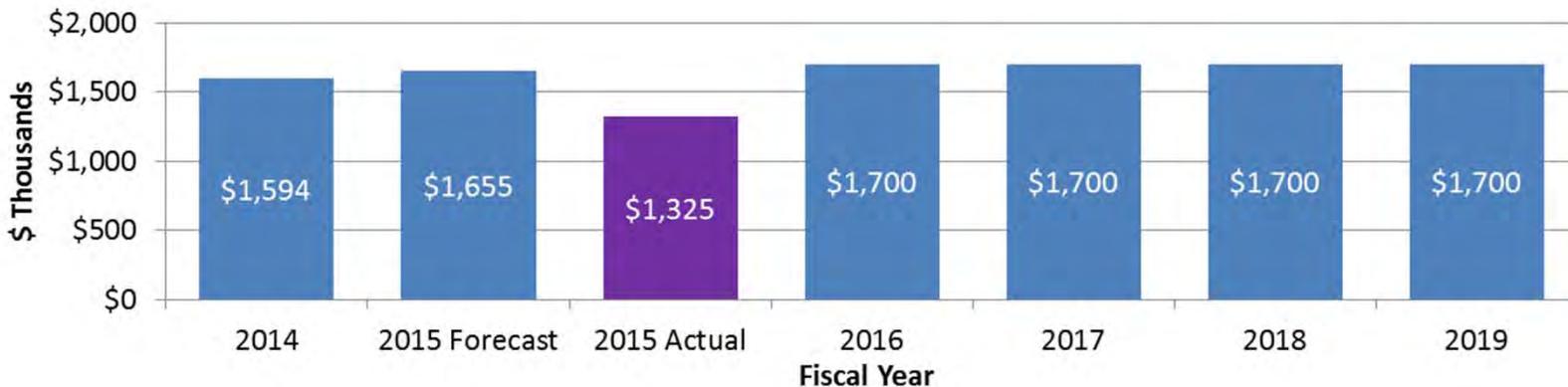
- Toll Booth and Lane Vendor contract was re-negotiated in FY 2015



# Use of Funds

## Insurance

- Actual insurance costs shown through FY 2014
- Budgeted insurance costs shown for FY 2015 and beyond based on industry trends and feedback
- In addition to annual insurance payments, monthly insurance payments are made to the Department of Enterprise Services for managing the insurance process
- FY 2015 actual negotiated cost was lower than expected for insurance



# Use of Funds

## Credit Card and Bank Fees

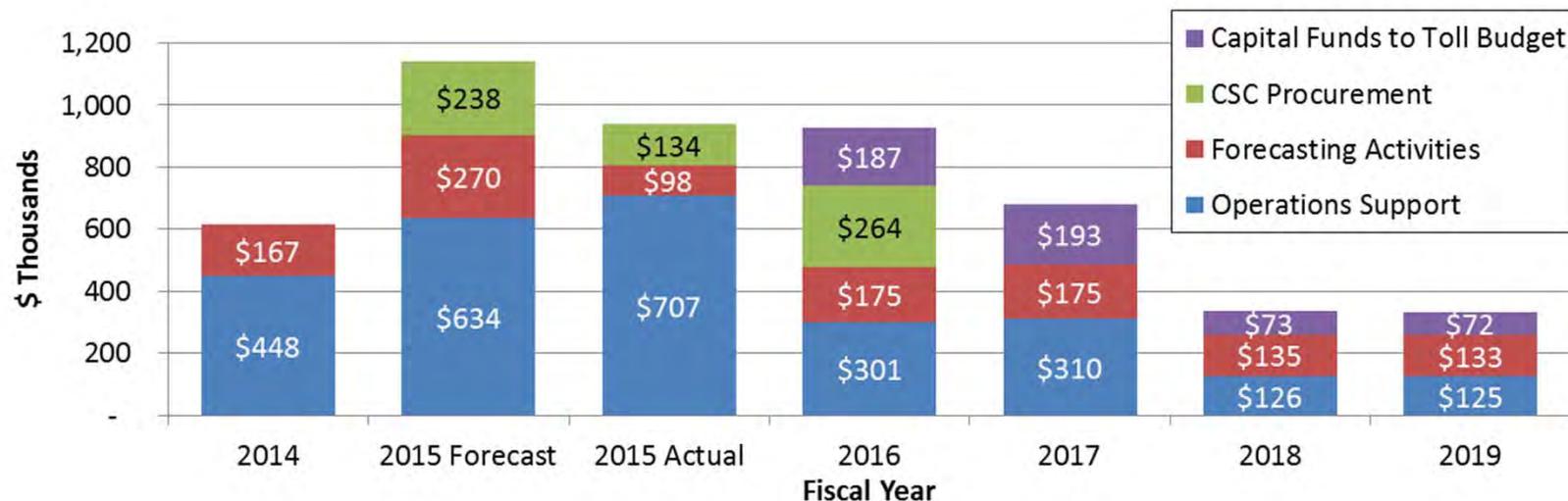
- Credit card and bank fees rise in direct proportion to revenue
- WSDOT no longer receives a discounted credit card fee rate and beginning in FY 2015, WSDOT is being charged “toll industry” rates which are slightly higher



# Use of Funds

## Personal Services Contracts

- Personal services contracts include: forecasting activities, operations support, CSC procurement costs and the transition of costs currently paid from capital funds to the toll operating budget
- Higher costs in FY 2015 and FY 2016 are primarily driven by procurement costs
- Costs are also attributable to the TNB share of the transition from capital funds to the toll operating budget
- Savings are realized in FY 2018 and FY 2019 with the addition of two facilities



# Use of Funds

## Salaries and Benefits

- Increased salaries and benefits are primarily attributable to 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
- A minor increase is related to a recalculation of employee benefit packages, as calculated by OFM
- Savings are realized in FY 2018 and FY 2019 with the addition of two facilities added



# Use of Funds

## Infrastructure Maintenance

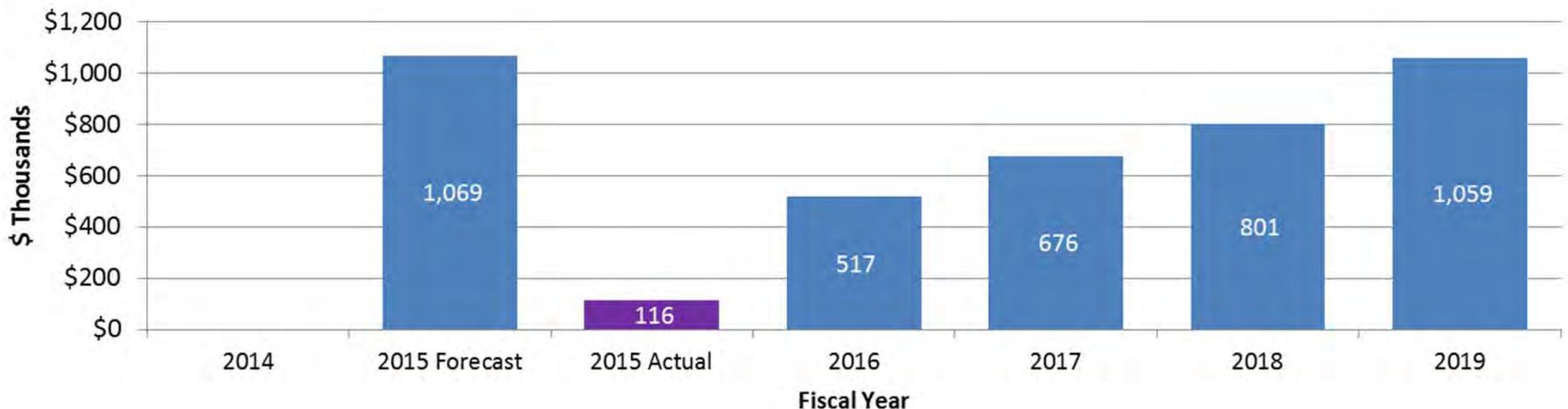
- Includes highway support staff for bridge maintenance
- Increased costs due to expired warranty maintenance items which were previous covered by warranties but which now be funded by the toll operating budget
- New maintenance items added that are associated with the identification of additional bridge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



# Use of Funds

## Preservation Repair and Replacement

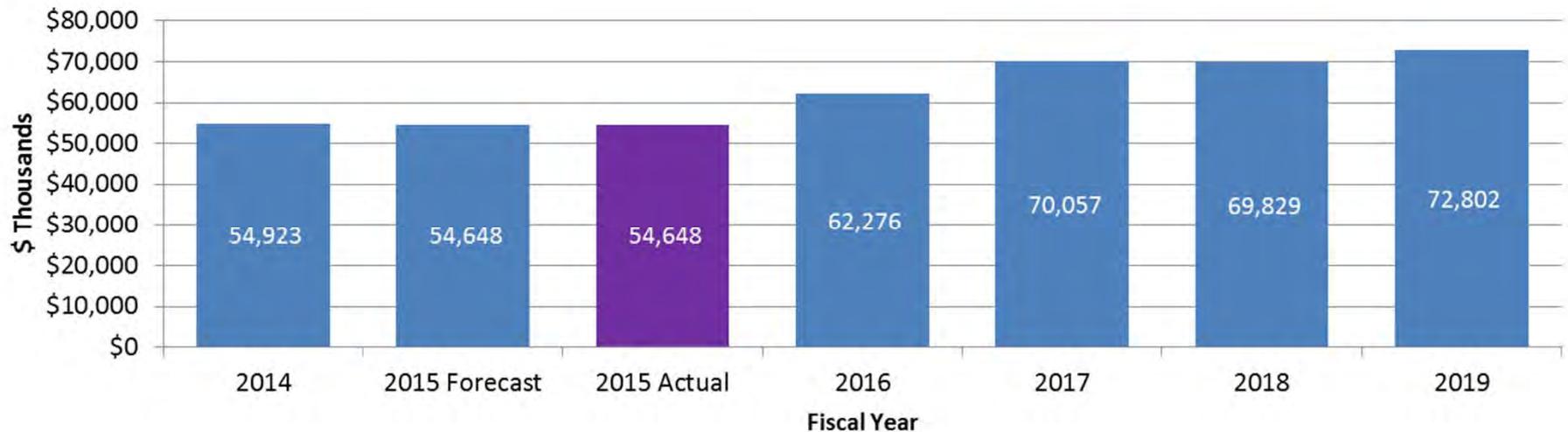
- The FY 2015 forecast amount was driven by the \$1.06m cost for the deck resurfacing of the bridge. This work was postponed to FY 2016, reflecting the low cost in FY 2015 actuals. This adjustment will be shown in December on the Financial Plan.
- Lower costs in FY 2016 and FY 2017 are related to minor improvements and upgrades, joint rehabilitation, electrical work, and required routine inspections



# Use of Funds

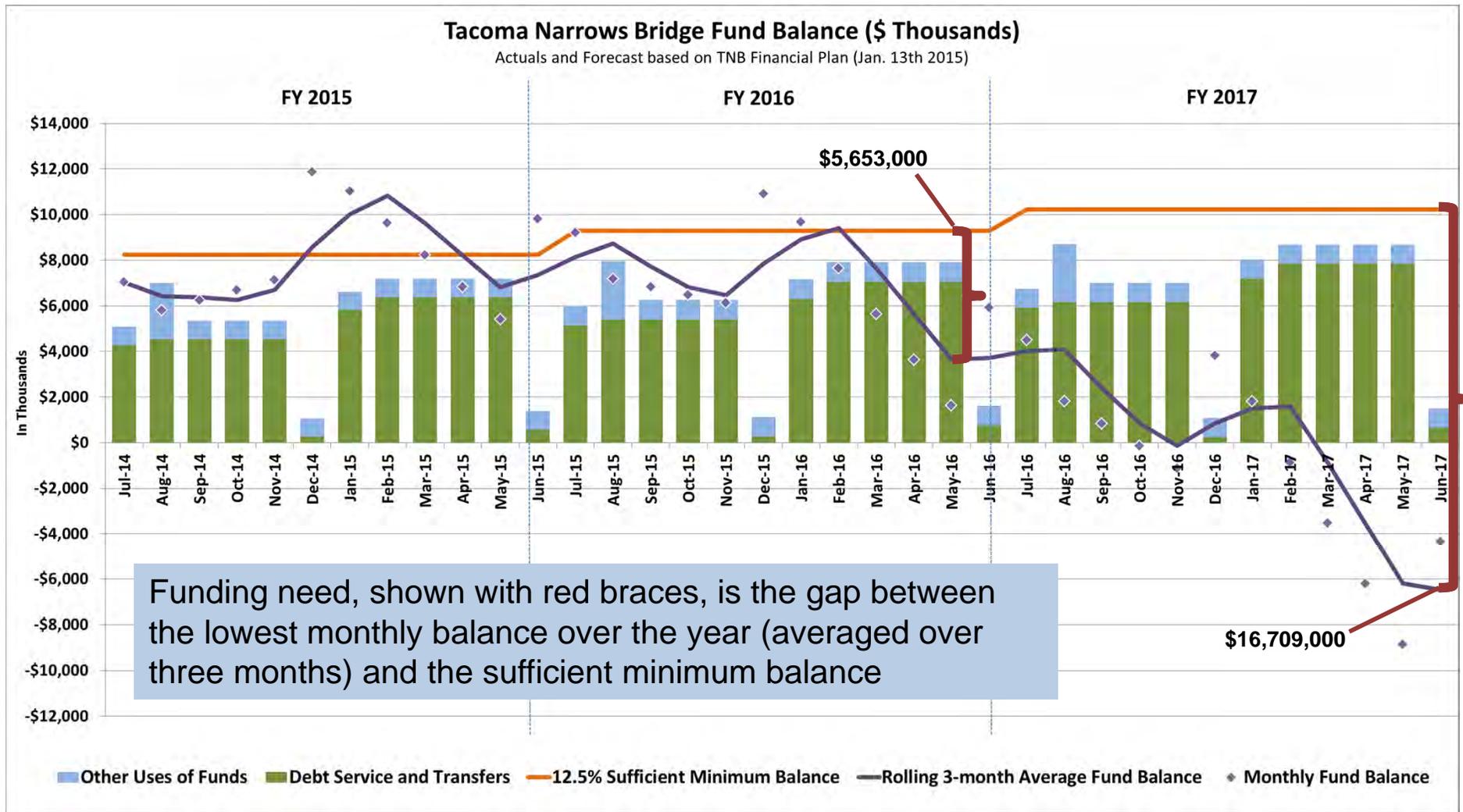
## Debt Service Payment

- The required debt service payments increase substantially in the near term due to the structure of the debt

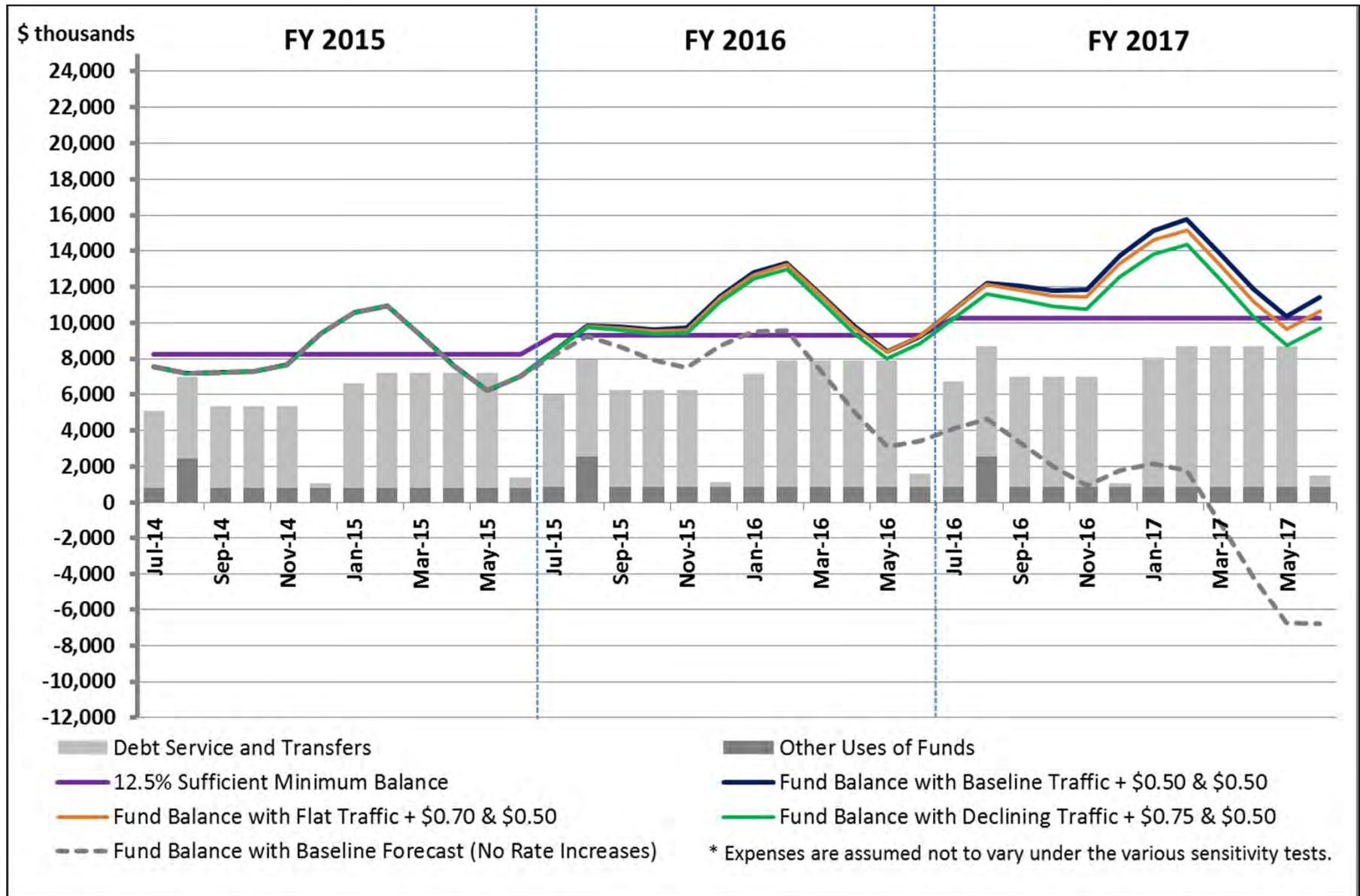


# Sufficient Minimum Balance

## Rolling 3-month average



# Minimum Toll Increases for Various Traffic Scenarios FY 2016 and FY 2017



# Minimum Toll Increases for Various Traffic Scenarios

## *FY 2016 and FY 2017*

	FY 2015	FY 2016	FY 2017
<b>Sufficient Minimum Balance Requirement</b>	<b>8,248</b>	<b>9,291</b>	<b>10,237</b>
<b>Baseline + \$0.50 &amp; \$0.50</b>			
Minimum 3-Month Average Fund Balance	6,254	8,403	10,376
<i>Surplus / (Deficit)</i>	<i>(1,993)</i>	<i>(888)</i>	<i>139</i>
<b>Flat Traffic + \$0.70 &amp; \$0.50</b>			
Minimum 3-Month Average Fund Balance	6,254	8,383	9,659
<i>Surplus / (Deficit)</i>	<i>(1,993)</i>	<i>(907)</i>	<i>(579)</i>
<b>Declining Traffic + \$0.75 &amp; \$0.50</b>			
Minimum 3-Month Average Fund Balance	6,254	8,009	8,731
<i>Surplus / (Deficit)</i>	<i>(1,993)</i>	<i>(1,282)</i>	<i>(1,506)</i>

# For questions or further information...

**Craig J. Stone, P.E.**  
Assistant Secretary, Toll Division  
206-464-1222 or [StoneC@wsdot.wa.gov](mailto:StoneC@wsdot.wa.gov)

# FY 2014 Forecasted and Reported Toll Traffic

## Footnotes

- 1 Data is based upon the TRFC June 2013 Forecast without non-revenue transaction adjustment. The remaining months of the forecast, italicized and gray highlight are for information purposes.
  - 2 The data is based upon the TRFC November 2013 Forecast adjusted for non-revenue transactions. The first three months of the November Forecast were updated to reflect actual transactions prior to removal of duplicate and non-revenue transactions. The first three months are presented in italics and gray highlighting for informational purposes only and are not used to calculate the variance.
  - 3 The reported traffic is based on the TNB lane collection system data adjusted for duplicate and non-revenue transactions.
  - 4 The variance is a comparison between reported transactions and the June 2013 forecast for the first three months and the November 2013 forecast for the remaining nine months.
- A Backlogged Financial Reconciliations - On February 13, 2011, WSDOT transitioned tolling customer service center operations to a new vendor - Electronic Transaction Consultants Corporation (ETCC). During the transition, the ETCC system encountered problems in the accuracy and timeliness of recording revenue and other accounting transactions. WSDOT and ETCC have investigated and corrected accounting records for known discrepancies. At this time, ETCC has not completed key reconciliations which ensure timely and accurate processing of financial transactions and accurate system reporting. Upon completion of these reconciliations, any discrepancies identified will be addressed and necessary correcting adjustments will be made.

# FY 2014 Forecasted and Reported Toll Revenue

## Footnotes

- 1 Data is based upon the TRFC June 2013 Forecast without non-revenue transaction adjustment. The remaining months of the forecast, italicized and gray highlight are for information purposes.
  - 2 The data is based upon the TRFC November 2013 Forecast adjusted for non-revenue transactions. The first three months of the November Forecast were updated to reflect actual transactions prior to removal of duplicate and non-revenue transactions. The first three months are presented in italics and gray highlighting for informational purposes only and are not used to calculate the variance.
  - 3 The forecasted gross potential data comes from the June 2013 monthly forecasted potential revenue for July through September and the November 2013 monthly forecasted potential revenue for October through June.
  - 4 Reported gross potential data comes from the TCS/AVI report and WSDOT's accounting system.
  - 5 The Forecasted Adjusted Gross Toll Revenue reflects adjustments for Pay By Plate Fees, less Short-term Account Discounts and Toll Revenue Not Recognized. June 2013 TRFC is used for July, August and September; November 2013 TRFC for remaining months.
  - 6 The variance is a comparison between reported revenue and the June 2013 forecast for the first three months and the November 2013 forecast for the remaining nine months.
- A Backlogged Financial Reconciliations - On February 13, 2011, WSDOT transitioned tolling customer service center operations to a new vendor - Electronic Transaction Consultants Corporation (ETCC). During the transition, the ETCC system encountered problems in the accuracy and timeliness of recording revenue and other accounting transactions. WSDOT and ETCC have investigated and corrected accounting records for known discrepancies. At this time, ETCC has not completed key reconciliations which ensure timely and accurate processing of financial transactions and accurate system reporting. Upon completion of these reconciliations, any discrepancies identified will be addressed and necessary correcting adjustments will be made.
- B Reports in the Subsidiary Accounting System for Tolling - After the close of the fiscal year, WSDOT determined, through independent audits, that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contained weaknesses in internal control requiring revision to existing procedures and protocols. The results of the audit findings provide concern to WSDOT, and we will take appropriate actions to remediate the issues. WSDOT will aggressively pursue actions by our contracted service provider to remediate deficiencies identified through these independent audits, as we are committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

# FY 2015 Forecasted and Reported Toll Traffic

## Footnotes

- 1 Data is based upon the Traffic and Revenue Forecast Council (TRFC) November 2013 Forecast. The remaining months of the forecast, italicized and gray highlight, are for information purposes.
- 2 The data is based upon the TRFC November 2014 Forecast.
- 3 The reported traffic is based on the Tacoma Narrows Bridge lane collection system data adjusted for duplicate and non-revenue transactions.
- 4 The variance is a comparison between reported transactions and the November 2013 forecast for the first three months and the November 2014 forecast for the remaining nine months.

## SR 16 Tacoma Narrows Bridge

# FY 2015 Forecasted and Reported Toll Revenue

## Footnotes

- 1 Data is based upon the Traffic and Revenue Forecast Council (TRFC) November 2013 Forecast. The remaining months of the forecast, italicized and gray highlight, are for information purposes.
- 2 The data is based upon the TRFC November 2014 Forecast.
- 3 The Forecasted Gross Potential data comes from the November 2013 monthly forecasted potential revenue for July through September and the November 2014 monthly forecasted potential revenue for October through June.
- 4 The Reported Gross Potential data comes from the TCS/AVI report, ICRS/VPS report, and WSDOT's accounting system and is subject to change pending fiscal period closeout.
- 5 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. November 2013 TRFC is used for July, August and September; November 2014 TRFC for remaining months.
- 6 Reported Toll Revenue corresponds to "tolling revenue" values reported in WSDOT financial statements.
- 7 The variance is a comparison between Reported Toll Revenue and the Forecasted Adjusted Gross Toll Revenue.

**Tacoma Narrows Toll Bridge Account (511)**  
**Financial Plan - Updated on January 16, 2015 - DRAFT**

**DRAFT**

Printed on: 1/19/2015

Forecasted revenue is based on adopted November 2014 TRFC Forecast. Forecasted expenses for FY 2016-17 are based on the Governor's proposed budget.

Historical Revenues and expenses from 2006 - 2014 are based on TNB Income Statements

(Amounts in thousands of nominal dollars except toll rates)

	Actuals		Rate Setting Biennium Forecast			
	2014	2015	2016	2017	2018	2019
<b>Fiscal Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Toll Rate (Good To Go! Pre-Pay)	\$4.25	\$4.50	\$4.50	\$4.50	\$4.50	\$ 4.50
Toll Rate (Cash)	\$5.25	\$5.50	\$5.50	\$5.50	\$5.50	\$ 5.50
Toll Rate (Pay-By-Mail)	\$6.25	\$6.50	\$6.50	\$6.50	\$6.50	\$ 6.50
<b>Beginning Fund Balance (Financial Statements)</b>	<b>11,578</b>	<b>9,081</b>	<b>12,351</b>	<b>10,890</b>	<b>2,015</b>	<b>(3,685)</b>
<b>Sources of Toll Revenue Funds 1</b>						
Interest Earnings from Tacoma Narrows Account (511) 2	15	21	21	21	21	21
Interest Earnings from Toll Collection Account (495) 2	7	8	8	8	8	8
Toll Revenue - Good To Go! Pre-Pay & Cash	60,159	66,162	67,566	68,727	69,881	70,931
Toll Revenue - Pay By Mail	2,980	2,726	2,839	3,009	3,091	3,138
Transponder Sales Revenue	306	248	191	210	181	189
Violations	9	-	-	-	-	-
Fees 3	337	302	315	334	343	348
Contractual Damages 4	306	-	-	-	-	-
Miscellaneous Revenue 5	43	-	-	-	-	-
<b>Total Sources of State Funds</b>	<b>64,163</b>	<b>69,467</b>	<b>70,940</b>	<b>72,309</b>	<b>73,525</b>	<b>74,635</b>
<b>Uses of Toll Revenue Funds 6</b>						
Toll CSC Vendor Contract	(2,122)	(2,389)	(2,506)	(2,552)	(2,529)	(2,970)
Toll Booth and Lane Vendor Contract	(3,270)	(3,469)	(3,146)	(3,146)	(3,146)	(3,146)
Insurance 7	(1,594)	(1,655)	(1,700)	(1,700)	(1,700)	(1,700)
Credit Card and Bank Fees	(1,121)	(1,157)	(1,291)	(1,342)	(1,371)	(1,403)
Transponder Cost of Goods Sold	(215)	(161)	(279)	(328)	(178)	(182)
Washington State Patrol	-	-	-	-	-	-
Other Toll Operations Costs	(260)	(313)	(296)	(348)	(239)	(232)
Personal Service Contracts 8	(615)	(1,142)	(927)	(678)	(334)	(330)
Capital Outlays (Software Asset)	-	-	-	-	-	-
Salaries and Benefits	(523)	(675)	(1,220)	(1,198)	(794)	(771)
Administrative Transfers Out	-	-	-	-	-	-
Infrastructure Maintenance	(254)	(373)	(685)	(550)	(617)	(594)
<b>Subtotal: Operations and Maintenance Uses of Funds</b>	<b>(9,975)</b>	<b>(11,333)</b>	<b>(12,050)</b>	<b>(11,843)</b>	<b>(10,909)</b>	<b>(11,328)</b>
<b>Subtotal: Operating Sources less Operating Uses</b>	<b>54,188</b>	<b>58,134</b>	<b>58,890</b>	<b>60,467</b>	<b>62,617</b>	<b>63,307</b>
Debt Service Payment 9	(54,344)	(53,106)	(61,385)	(70,549)	(69,115)	(72,590)
Debt Service Withholding 9	(579)	(1,542)	(891)	492	(714)	(212)
<b>Subtotal: Uses of Funds incl. Debt Service</b>	<b>(64,897)</b>	<b>(65,981)</b>	<b>(74,326)</b>	<b>(81,899)</b>	<b>(80,737)</b>	<b>(84,130)</b>
Deferred Sales Tax Repayment 10	-	-	-	-	-	(5,791)
Preservation and Repair & Replacement (early years covered by cap	-	-	-	-	-	(201)
<b>Total Uses of Toll Funds</b>	<b>(64,897)</b>	<b>(65,981)</b>	<b>(74,326)</b>	<b>(81,899)</b>	<b>(80,737)</b>	<b>(90,122)</b>
<b>Current Year Sources less Uses Balance</b>	<b>(735)</b>	<b>3,486</b>	<b>(3,386)</b>	<b>(9,590)</b>	<b>(7,212)</b>	<b>(15,486)</b>
<b>Cumulative Sources Less Uses Balance</b>	<b>3,484</b>	<b>6,970</b>	<b>3,584</b>	<b>(6,006)</b>	<b>(13,218)</b>	<b>(28,704)</b>
Beginning Capital Balance	3,922	3,922	2,853	2,336	1,660	858
Total Sources of Capital Funds	-	-	-	-	-	-
Preservation and Repair and Replacement (covered by Capital Balan	-	(1,069)	(517)	(676)	(801)	(858)
Ending Capital Balance	3,922	2,853	2,336	1,660	858	-
<b>Sources Less Uses + Ending Capital Balance (for Sufficiency Test</b>	<b>7,406</b>	<b>9,823</b>	<b>5,920</b>	<b>(4,346)</b>	<b>(12,359)</b>	<b>(28,704)</b>
<b>12.5% Sufficient Minimum Balance</b>	8,112	8,248	9,291	10,237	10,092	11,265
<b>Lowest 3-month Rolling Average Balance</b>	-	6,256	3,638	(6,472)	-	-
<b>Amount Above/Below Sufficient Minimum Balance</b>	-	(1,992)	(5,653)	(16,709)	-	-
<b>Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11</b>						
Civil Penalty Revenue (not incl. in Operating Revenue)	(649)	3,427	3,573	3,785	3,888	3,947
Civil Penalty Adjudication Costs (not incl. in Operating Expenses)	(1,113)	(1,623)	(1,132)	(1,443)	(1,100)	(1,100)
<b>Subtotal: Civil Penalty Net Revenue</b>	<b>(1,762)</b>	<b>1,804</b>	<b>2,441</b>	<b>2,342</b>	<b>2,788</b>	<b>2,847</b>
Scheduled Motor Vehicle Loan Repayment	-	(950)	-	(950)	(475)	(475)
<b>Civil Penalty Net Revenue after Loan Repayments</b>	<b>(1,762)</b>	<b>854</b>	<b>2,441</b>	<b>1,392</b>	<b>2,313</b>	<b>2,372</b>
<b>Cumulative Balance for Civil Penalties</b>	<b>1,675</b>	<b>2,528</b>	<b>4,969</b>	<b>6,361</b>	<b>8,674</b>	<b>11,046</b>
<b>Ending Fund Balance (Financial Statements)</b>	<b>9,081</b>	<b>12,351</b>	<b>10,890</b>	<b>2,015</b>	<b>(3,685)</b>	<b>(17,658)</b>

- <sup>1</sup> For GAAP purposes, Interest Earnings, Debt Service and Transfers displayed as Operations Sources of Funds are considered to be Nonoperating Activities.
- <sup>2</sup> Interest income displayed is net of the cost of investment activities. Interest income is not specifically forecasted in the published TRFC forecasts, but reported as a separate line item for actuals in the income statement. Forecasted interest based upon 2013 actuals.
- <sup>3</sup> Includes NSF check, Customer Service Center administration fees, and the reprocessing fee associated with the second Pay By Mail statement.
- <sup>4</sup> Contractual damages are not included in the TRFC revenue forecast.
- <sup>5</sup> FY 2008-2014 - Includes contractor liquidated damages for late project delivery, 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 starting.
  - In FY 2011, \$763,297 was paid by toll vendor as the contractual damages. Among the \$763,297, \$11,556 was from TransCore and \$396,000 was from ETCC due to vendor system issues which caused a decrease in toll revenue; another \$355,741 was paid by ETCC to repay related TNB costs.
- <sup>6</sup> Uses of Funds for Operations in FY 2015 - FY 2021 reflect the proposed budget. Operation and maintenance uses - except for maintenance, preservation - are inflated from FY 2016 to FY 2019 using the rate of IPD, 2.5% annually. Maintenance and preservation are from WSDOT plan updated December, 2014. 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, total for FY 2015 = \$580k, FY 2016 = \$602k. 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.
- <sup>7</sup> Insurance for FY 2015 is the forecast expense, however a majority of this cost (\$1.31m) was paid in August 2014.
- <sup>8</sup> Other previously included the Personal Services expense, until FY 2012 when Personal Services was broken out separately.
- <sup>9</sup> 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.
- <sup>10</sup> Starting in FY 2018, TNB will begin to pay back the deferred sales tax related to capital expenses, which will result in 10 annual payments of equal amounts. Repayment of the deferred sales tax will occur from FY 2018 to FY 2028. Capital expenses also include preservation costs.
- <sup>11</sup> 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 Motor Vehicle Fund Loan. However, published financial statements will include Civil Penalty Revenues and Adjudication Expenses.
- As stated in Section 701, MISCELLANEOUS 2013-2015 FISCAL BIENNIUM: 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. Additionally, all civil penalties, resulting from nonpayment of tolls on the state route number 520 corridor, shall be deposited into the state route number 520 civil penalties account created under section 4, chapter 248, Laws of 2010 but only if chapter 248, Laws of 2010 is enacted by June 30, 2010.
- Per Section 407 (15) of the 13-15 Transportation Budget, OST is required to transfer \$950,000 from the TNB Toll Bridge Account to the Motor Vehicle Account.