

# Tacoma Narrows Bridge Citizen Advisory Committee Meeting Agenda

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**February 9, 2015 - 6 – 8 p.m.**

Harbor History Museum  
4121 Harborview Drive | Gig Harbor, WA

## **TNB Citizen Advisory Committee:**

Alan Weaver, Gig Harbor (Chair)    Ron Jones, Gig Harbor  
Bruce Beckett, Gig Harbor (Vice Chair)    Michael Murphy, Gig Harbor  
Randy Boss, Gig Harbor    Jay Stricherz, University Place  
Kathleen Harkins, Fircrest

## **AGENDA:**

Call to order..... Alan Weaver  
Introduction of new member..... Alan Weaver  
Future meetings..... CAC  
Financial plan recap..... Craig Stone, Rob Fellows  
Answers to Citizen Advisory Committee questions..... Craig Stone, Rob Fellows  
Scenario results..... Craig Stone, Rob Fellows  
Additional information and scenario requests..... CAC  
Public comment..... All  
Adjourn..... All

**Tacoma Narrows Toll Bridge Account (511)**  
**Financial Plan - Updated on February 4, 2015 - DRAFT**

**DRAFT**

Printed on: 2/9/2015

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)

Fiscal Year	Actuals		Rate Setting Biennium Forecast			
	2014	2015	2016	2017	2018	2019
1	<b>Toll Rate (Good To Go! Pre-Pay)</b>					
2	\$4.25	\$4.50	\$4.50	\$4.50	\$4.50	\$ 4.50
3	<b>Toll Rate (Cash)</b>					
	\$5.25	\$5.50	\$5.50	\$5.50	\$5.50	\$ 5.50
4	<b>Toll Rate (Pay-By-Mail)</b>					
	\$6.25	\$6.50	\$6.50	\$6.50	\$6.50	\$ 6.50
4	<b>Beginning Fund Balance (Financial Statements)</b>					
	11,578	9,081	12,351	10,890	2,015	(3,685)
5	<b>Sources of Toll Revenue Funds 1</b>					
6	Interest Earnings from Tacoma Narrows Account (511) 2					
7	15	21	21	21	21	21
8	Interest Earnings from Toll Collection Account (495) 2					
9	7	8	8	8	8	8
10	Toll Revenue - Good To Go! Pre-Pay & Cash					
11	60,159	66,162	67,566	68,727	69,881	70,931
12	Toll Revenue - Pay By Mail					
13	2,980	2,726	2,839	3,009	3,091	3,138
14	Transponder Sales Revenue					
15	306	248	191	210	181	189
16	Violations					
17	9	-	-	-	-	-
18	Fees 3					
19	337	302	315	334	343	348
20	Contractual Damages 4					
21	306	-	-	-	-	-
22	Miscellaneous Revenue 5					
23	43	-	-	-	-	-
24	<b>Total Sources of State Funds</b>					
25	64,163	69,467	70,940	72,309	73,525	74,635
26	<b>Uses of Toll Revenue Funds 6</b>					
27	Toll CSC Vendor Contract					
28	(2,122)	(2,389)	(2,506)	(2,552)	(2,529)	(2,970)
29	Toll Booth and Lane Vendor Contract					
30	(3,270)	(3,469)	(3,146)	(3,146)	(3,146)	(3,146)
31	Insurance 7					
32	(1,594)	(1,655)	(1,700)	(1,700)	(1,700)	(1,700)
33	Credit Card and Bank Fees					
34	(1,121)	(1,157)	(1,291)	(1,342)	(1,371)	(1,403)
35	Transponder Cost of Goods Sold					
36	(215)	(161)	(279)	(328)	(178)	(182)
37	Other Toll Operations Costs					
38	(260)	(313)	(296)	(348)	(239)	(232)
39	Personal Service Contracts 8					
40	(615)	(1,142)	(927)	(678)	(334)	(330)
41	Salaries and Benefits					
42	(523)	(675)	(1,220)	(1,198)	(794)	(771)
43	Infrastructure Maintenance					
44	(254)	(373)	(685)	(550)	(617)	(594)
45	<b>Subtotal: Operations and Maintenance Uses of Funds</b>					
46	(9,975)	(11,333)	(12,050)	(11,843)	(10,909)	(11,328)
47	<b>Subtotal: Operating Sources less Operating Uses</b>					
48	54,188	58,134	58,890	60,467	62,617	63,307
49	Debt Service Payment 9					
50	(54,344)	(53,106)	(61,385)	(70,549)	(69,115)	(72,590)
51	Debt Service Withholding 9					
52	(579)	(1,542)	(891)	492	(714)	(212)
53	<b>Subtotal: Uses of Funds incl. Debt Service</b>					
54	(64,897)	(65,981)	(74,326)	(81,899)	(80,737)	(84,130)
55	Deferred Sales Tax Repayment 10					
56	-	-	-	-	-	(5,791)
57	Preservation and Repair & Replacement (early years covered by capital balance)					
58	-	-	-	-	-	(201)
59	<b>Total Uses of Toll Funds</b>					
60	(64,897)	(65,981)	(74,326)	(81,899)	(80,737)	(90,122)
61	<b>Current Year Sources less Uses Balance</b>					
62	(735)	3,486	(3,386)	(9,590)	(7,212)	(15,486)
63	<b>Cumulative Sources Less Uses Balance</b>					
64	3,484	6,970	3,584	(6,006)	(13,218)	(28,704)
65	Beginning Capital Balance					
66	3,922	3,922	2,853	2,336	1,660	858
67	Total Sources of Capital Funds					
68	-	-	-	-	-	-
69	Preservation and Repair and Replacement (covered by Capital Balance)					
70	-	(1,069)	(517)	(676)	(801)	(858)
71	Ending Capital Balance					
72	3,922	2,853	2,336	1,660	858	-
73	<b>Sources Less Uses + Ending Capital Balance (for Sufficiency Test)</b>					
74	7,406	9,823	5,920	(4,346)	(12,359)	(28,704)
75	<b>12.5% Sufficient Minimum Balance</b>					
76	8,112	8,248	9,291	10,237	10,092	11,265
77	<b>Lowest 3-month Rolling Average Balance</b>					
78	-	6,254	3,115	(6,799)	-	-
79	<b>Amount Above/Below Sufficient Minimum Balance</b>					
80	-	(1,993)	(6,176)	(17,036)	-	-
81	<b>Civil Penalty Program - FOR INFORMATIONAL PURPOSES ONLY, NOT INCL. IN SUFFICIENCY FUND BALANCE 11</b>					
82	Civil Penalty Revenue (not incl. in Operating Revenue)					
83	(649)	3,427	3,573	3,785	3,888	3,947
84	Civil Penalty Adjudication Costs (not incl. in Operating Expenses)					
85	(1,113)	(1,623)	(1,132)	(1,443)	(1,100)	(1,100)
86	<b>Subtotal: Civil Penalty Net Revenue</b>					
87	(1,762)	1,804	2,441	2,342	2,788	2,847
88	Scheduled Motor Vehicle Loan Repayment					
89	-	(950)	-	(950)	(475)	(475)
90	<b>Civil Penalty Net Revenue after Loan Repayments</b>					
91	(1,762)	854	2,441	1,392	2,313	2,372
92	<b>Cumulative Balance for Civil Penalties</b>					
93	1,675	2,528	4,969	6,361	8,674	11,046
94	<b>Ending Fund Balance (Financial Statements)</b>					
95	9,081	12,351	10,890	2,015	(3,685)	(17,658)

- <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, \$1,556 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.

## Tacoma Narrows Bridge Citizen Advisory Committee Questions and Answers – Feb. 9, 2015

### 1. What does insurance cover vs. what does the sufficient minimum balance (SMB) cover?

- TNB bridge insurance provides coverage for bridge replacement and interruption in revenues due to catastrophe. Insurance has a \$10M deductible, and revenue disruption is only covered after the first 10 days.
- The Commission's 12.5% SMB policy is intended to provide 45 days of working capital, in case revenues are lower or costs are higher than expected. It recognizes that there is a risk in projecting exact revenues and costs if the balance must be sufficient to pay the debt service on time. The 45-day working capital is intended to cover all uncertainties that could leave an insufficient balance to meet debt service commitments.

The Commission's 45 day threshold was not related to the bridge insurance term, and the SMB policy is intended to cover a much broader set of uncertainties than a potential catastrophe.

### 2. Follow up on the legality of the sufficient minimum balance.

Commission will provide further information.

### 3. Quick overview of the financial plan

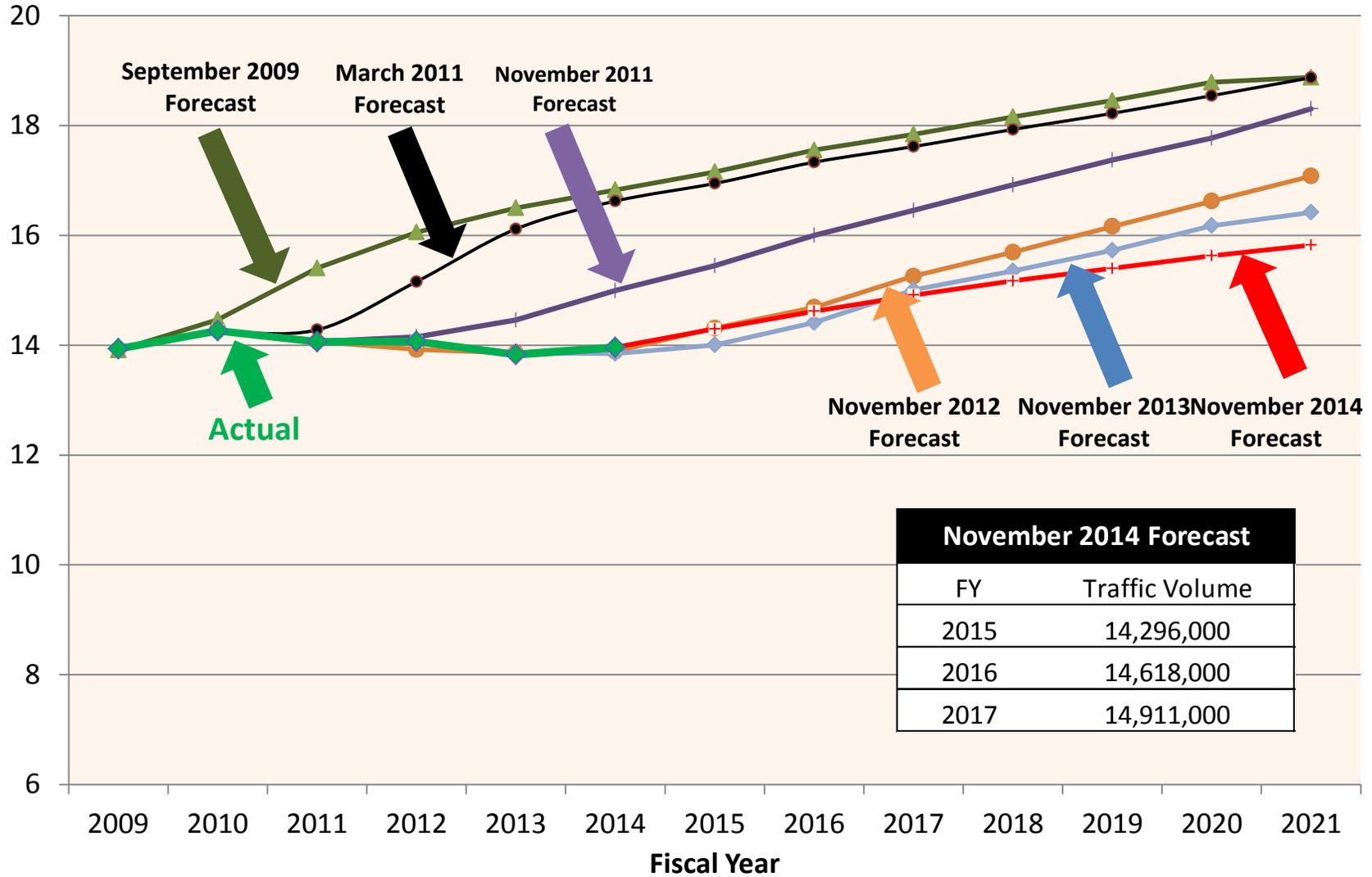
- **Looking at the columns:**
  - Fiscal years begin in July of the previous calendar year and end in June of the fiscal year.
  - FY 2014 ended last June, and the actual amounts spent and collected are shown. The total balance in the TNB account was \$9,081,000, shown in the bottom row.
  - We are in the middle of FY 2015 which will end this June. The numbers shown for 2015 are WSDOT's expected revenues and planned expenses for the year.
  - Numbers for 2016 and 2017 (in the dark black box) are in adopted budgets and forecasts. The Commission has asked the CAC to look at rates for both of these years.
- **Looking at the rows, focusing on FY 2016 and 2017:**
  - Lines 1 through 3 show the toll rates for each year. The financial plan is based on a scenario where there is no increase in tolls in order to identify the funding gap.
  - Line 4 is the beginning balance for the year in the TNB account, and matches the end balance from the previous year.
  - Lines 5-14 are all the forecasted revenues expected to be collected, excluding civil penalty revenues, which are in a separate section at the bottom (lines 44-50). Revenues are totaled on line 15. Civil penalties are separated out as if they are in a separate account, and are not used for rate-setting.
  - Lines 16-25 are all the budgeted expenses to operate and maintain the bridge and toll system, but not including debt service. Civil penalty adjudication costs are also excluded for the same reason discussed above for civil penalty revenues. Expenses are totaled on line 26.
  - Lines 28 and 29 added together are the debt service payments required.
  - Line 38 shows repair and replacement expenses planned for the new bridge. These are on a separate line because they are categorized as restricted capital funds, but are part of the total expenses for the bridge.

- **Getting to the bottom line:**

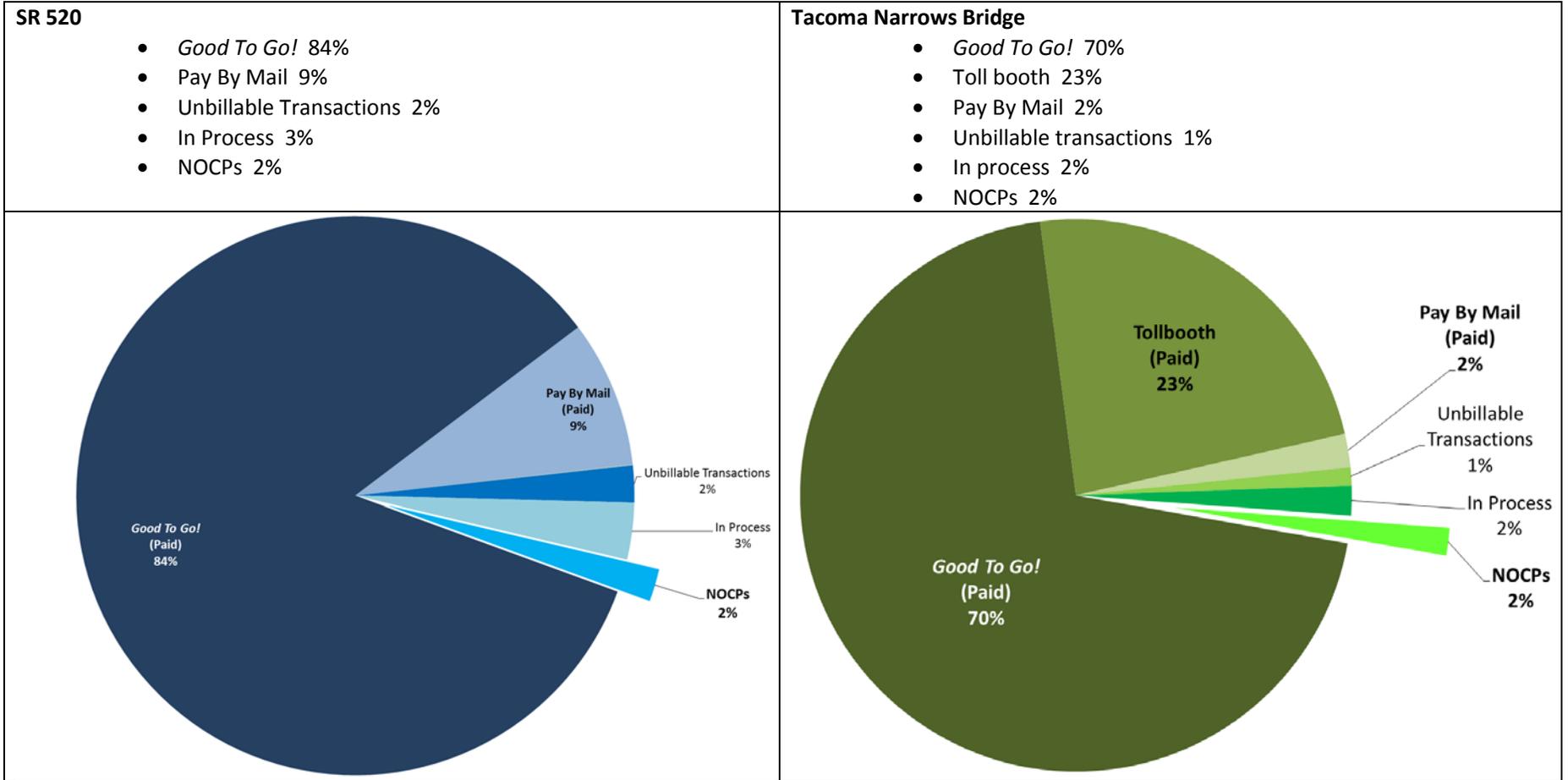
- Line 40, shown in yellow, is the ending fund balance for the TNB fund on June 30 when civil penalty balances are not included.
- Line 41 is the minimum sufficient balance calculation, equal to 12.5% of annual expenses.
- Line 42 is the lowest projected monthly balance in the fund during the year when averaged together with the previous two months. This is the calculation the Commission uses to determine whether the projected balance will be sufficient. This is easier to understand when looking at the chart that shows the SMB test.
- Line 43 is the difference between the lowest monthly balance and the sufficient minimum balance. This is the bottom line for rate-setting, the funding gap that rate-setting needs to address.
- For 2016 the funding gap is \$6,176,000.
- For 2017 the funding gap is \$17,036,000 – but that assumes no rate increase occurs in 2016. Remember that any increase in 2016 that raises \$6,176,000 will likely raise an equal amount in 2017, and the gap will be smaller. The SMB scenarios illustrate that.

4. Show Actual Annual Eastbound Traffic 2009-2014 (compare to slide 5 of 1/21 presentation).

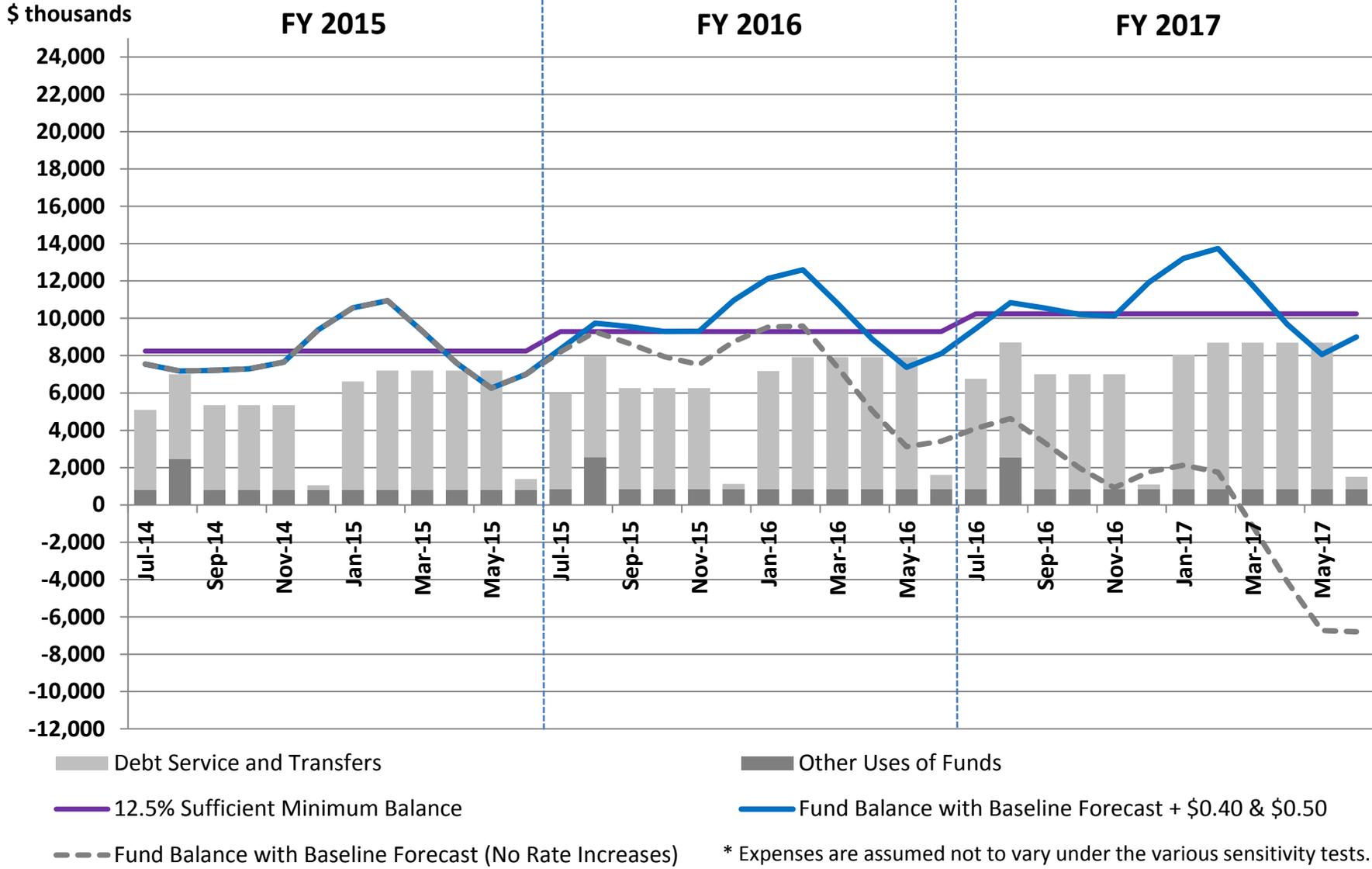
Actual and Forecasted Annual Eastbound Traffic on TNB (in millions)



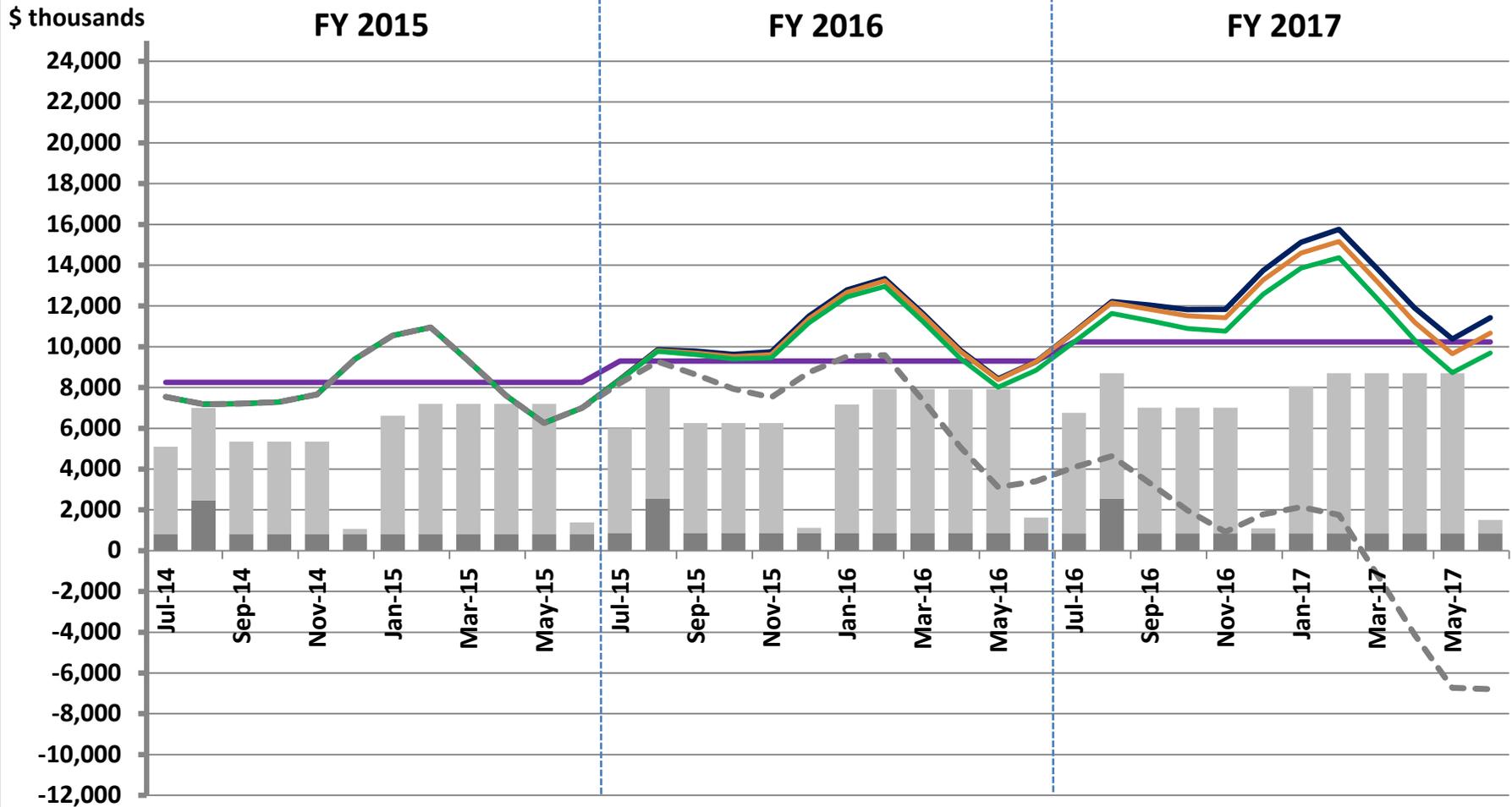
5. Show SR 520 Bridge Transactions by Form of Payment – FY 2014 (compare to slide 16 of 1/21 presentation).



### Tacoma Narrows Bridge Fund Balance: Toll Increases of \$0.40 in FY 2016 and \$0.50 in FY 2017



## Tacoma Narrows Bridge Fund Balance: Minimum Toll Increases for Various Traffic Scenarios in FY 2016 & FY 2017



- Debt Service and Transfers
    - Other Uses of Funds
    - 12.5% Sufficient Minimum Balance
    - Fund Balance with Flat Traffic + \$0.70 & \$0.50
    - Fund Balance with Baseline Forecast (No Rate Increases)
  - Other Uses of Funds
    - Fund Balance with Baseline Traffic + \$0.50 & \$0.50
    - Fund Balance with Declining Traffic + \$0.75 & \$0.50
- \* Expenses are assumed not to vary under the various sensitivity tests.

