Tacoma Narrows Bridge
Internal Refinance Opportunities

Presentation to the Transportation Commission

January 21, 2014

Mary Fleckenstein, Project Manager

Joint Transportation Committee

Study Proviso

ESSB 5024, Sec. 204(4)

(4) The joint transportation committee shall convene a work group to identify and evaluate internal refinance opportunities for the Tacoma Narrows bridge. The study must include a staff work group, including staff from the office of financial management, the transportation commission, the department of transportation, the office of the state treasurer, and the legislative transportation committees. The joint transportation committee shall issue a report of its findings to the house of representatives and the senate transportation committees by December 31, 2013.

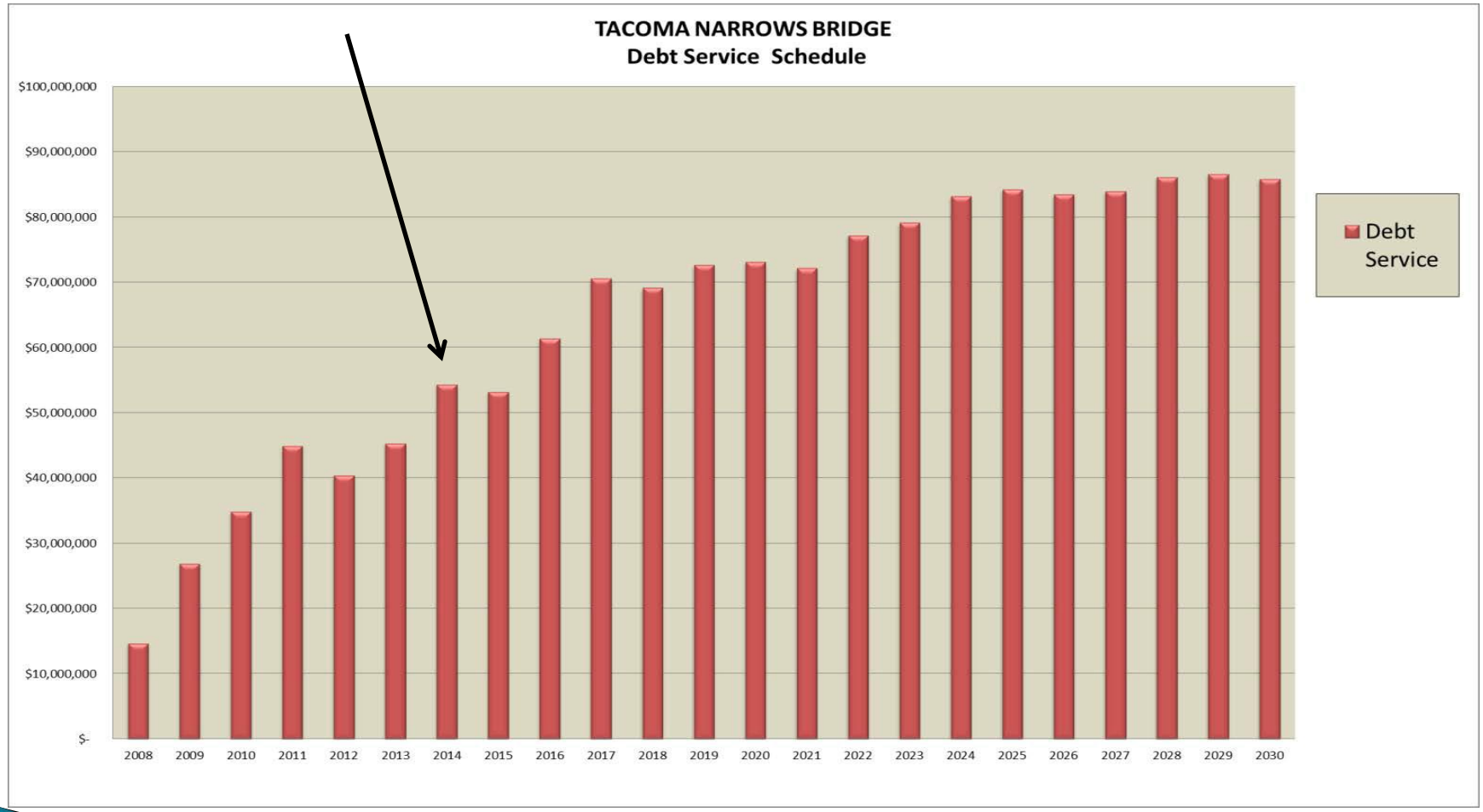
Staff Workgroup

WORKGROUP PARTICIPANT	ORGANIZATION
Mary Fleckenstein, Project Manager, and Beth Redfield	JTC
Clint McCarthy	Senate Transportation Committee
Alyssa Ball, Mark Matteson	House Transportation Committee
Erik Hansen	OFM
Amy Arnis, Craig Stone, Rob Fellows, Catherine Larson, Rich Struna, Wyn Dang, Doug Vaughn	WSDOT
Ellen Evans, Svein Braseth, Kate Manley, Scott Merriman	State Treasurer's Office
Reema Griffith and Noah Crocker	Transportation Commission
Jackson Maynard, Lyset Cadena, Dana Quam, Debbie Driver	Caucus staff

TNB: How Did We Get Here?

- Financing structure, with escalating debt payments
- Toll rates lower than projected
- Traffic levels lower than projected

TNB: Stairstepped debt service



Toll Rates Lower than Projected

	2002 Planned toll	Actual *Good To Go!* toll	Weighted average toll
2008	$3.00	$1.75	$2.12
2009	$3.00	$2.75	$3.13
2010	$4.00	$2.75	$3.13
2011	$4.00	$2.75	$3.13
2012	$4.00	$2.75	$3.13
2013	$5.00	$4.00	$4.44
2014	$5.00	$4.25	$4.57
2015	$5.00	$4.50	$4.82
2016	$6.00	TBD	TBD

Traffic Levels Lower than Projected

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
2002 T&R Study	15,010,000	15,341,000	15,397,000	15,794,000	16,202,000	16,132,000
2005 T&R Update	14,311,000	14,670,000	14,710,000	15,084,000	15,468,000	15,664,000
Nov 2007 Forecast	13,738,058	14,471,000	14,469,000	14,893,000	15,272,000	15,564,000
Nov 2008 Forecast	**13,858,606**	14,259,848	14,111,314	14,892,799	15,282,103	15,564,000
Nov 2009 Forecast		**13,900,642**	14,719,333	15,512,149	16,087,746	16,521,000
Nov 2010 Forecast			**14,252,567**	14,787,266	15,679,037	16,298,693
Nov 2011 Forecast				**14,055,030**	14,143,768	14,457,000
Nov 2012 Forecast					**13,943,073**	13,849,623
Nov 2013 Forecast						**13,861,044**

Bold = actuals

Study Outline

- Summarized history of TNB financing and tolling
- Developed a base case for tolls, with expenditures and revenues as in current law, evaluated under 3 traffic outlooks
- Developed seven “what if” scenarios, with changes in revenues and expenditures, and assuming 3 traffic outlooks, to see a range of potential toll rates

Scenario Estimating Tool

- Traffic – current forecast, zero growth, decline
- Revenue
  - Toll and other
- Expenses
  - Debt service
  - Toll vendor
  - Toll operations
  - Bridge Insurance
  - Bridge Maintenance
  - Preservation (R&R)
  - Deferred sales tax
- Sufficient minimum balance (SMB)

Caveats and Assumptions

- Traffic
  - No elasticity assumptions built in (traffic not adjusted due to higher or lower toll rates)
- Expenses increase at IPD – not half IPD as in financial plan
- Toll rate is blended rate (GTG, cash, PBP, PBM, short term account – 2 axle vehicles)
- Analysis begins with FY 2016 rates
- Results are rough estimates
  - Suggest general trends, but need further detailed analysis to make informed decisions
- It's up to the Transportation Commission to set toll rates.

TNB Estimated Expenditures

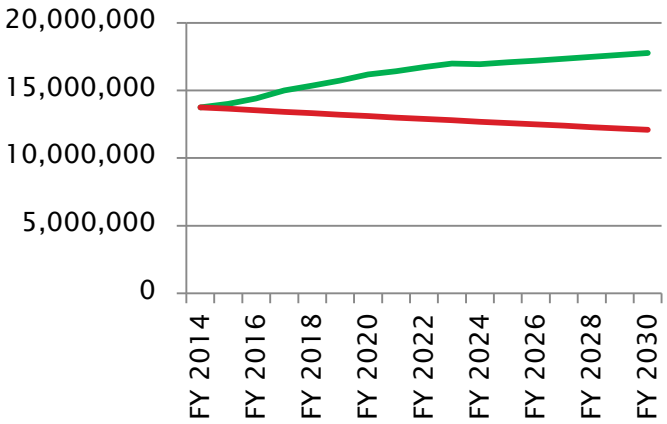
Assuming full IPD

	Debt Service	Toll Vendor	Toll Operations	Bridge Insurance	Bridge Maintenance	Preservation (R&R)	Deferred Sales Tax	Total Expenditures
FY 2014	54,932,000	5,453,500	3,675,600	1,750,000	270,000	0	0	66,081,100
FY 2015	54,735,000	5,453,500	3,640,400	1,750,000	305,000	119,735	0	66,003,635
FY 2016	62,311,000	5,532,660	3,693,242	1,775,402	340,000	4,543,189	0	78,195,493
FY 2017	70,092,000	5,614,549	3,747,905	1,801,680	375,000	1,002,473	0	82,633,607
FY 2018	69,889,000	5,696,045	3,802,307	1,827,831	380,443	3,078,198	0	84,673,825
FY 2019	72,861,000	5,791,056	3,865,731	1,858,320	386,789	12,496	5,759,000	90,534,392
FY 2020	72,770,000	5,892,420	3,933,395	1,890,847	393,559	118,364	5,759,000	90,757,585
FY 2021	72,478,000	5,999,934	4,005,164	1,925,348	400,740	2,685,064	5,759,000	93,253,250
FY 2022	78,093,000	6,109,775	4,078,486	1,960,595	408,077	1,128,348	5,759,000	97,537,281
FY 2023	79,339,000	6,222,642	4,153,829	1,996,814	415,615	3,436,681	5,759,000	101,323,580
FY 2024	83,480,000	6,338,510	4,231,175	2,033,995	423,354	47,449	5,759,000	102,313,483
FY 2025	84,301,000	6,455,447	4,309,234	2,071,519	431,164	2,768,062	5,759,000	106,095,426
FY 2026	83,683,000	6,574,718	4,388,852	2,109,793	439,130	1,463,344	5,759,000	104,417,838
FY 2027	84,047,000	6,695,656	4,469,582	2,148,602	447,208	1,903,942	5,759,000	105,470,990
FY 2028	86,325,000	6,818,009	4,551,257	2,187,864	455,380	720,359	5,759,000	106,816,868
FY 2029	86,542,000	6,943,257	4,634,864	2,228,055	463,745	599,489	0	101,411,410
FY 2030	79,660,000	7,070,847	4,720,035	2,268,998	472,267	2,573,403	0	96,765,550

Source: WSDOT, 9/24/13

TNB Traffic

Current Forecast vs. Pessimistic Scenario



TNB Traffic		
	Current forecast (1)	Pessimistic scenario (2)
FY 2014	13,753,000	13,753,000
FY 2015	14,004,000	13,642,976
FY 2016	14,410,000	13,533,832
FY 2017	15,005,000	13,425,562
FY 2018	15,352,000	13,318,157
FY 2019	15,728,000	13,211,612
FY 2020	16,177,000	13,105,919
FY 2021	16,418,000	13,001,072
FY 2022	16,720,000	12,897,063
FY 2023	16,983,000	12,793,886
FY 2024	16,937,000	12,691,535
FY 2025	17,082,000	12,590,003
FY 2026	17,203,000	12,489,283
FY 2027	17,342,000	12,389,369
FY 2028	17,482,123	12,290,254
FY 2029	17,623,378	12,191,932
FY 2030	17,765,775	12,094,396

TNB Traffic		
	Current forecast (1)	Pessimistic scenario (2)
FY 2014	0.00%	0.00%
FY 2015	1.83%	-0.80%
FY 2016	2.90%	-0.80%
FY 2017	4.13%	-0.80%
FY 2018	2.31%	-0.80%
FY 2019	2.45%	-0.80%
FY 2020	2.85%	-0.80%
FY 2021	1.49%	-0.80%
FY 2022	1.84%	-0.80%
FY 2023	1.57%	-0.80%
FY 2024	-0.27%	-0.80%
FY 2025	0.86%	-0.80%
FY 2026	0.71%	-0.80%
FY 2027	0.81%	-0.80%
FY 2028	0.81%	-0.80%
FY 2029	0.81%	-0.80%
FY 2030	0.81%	-0.80%

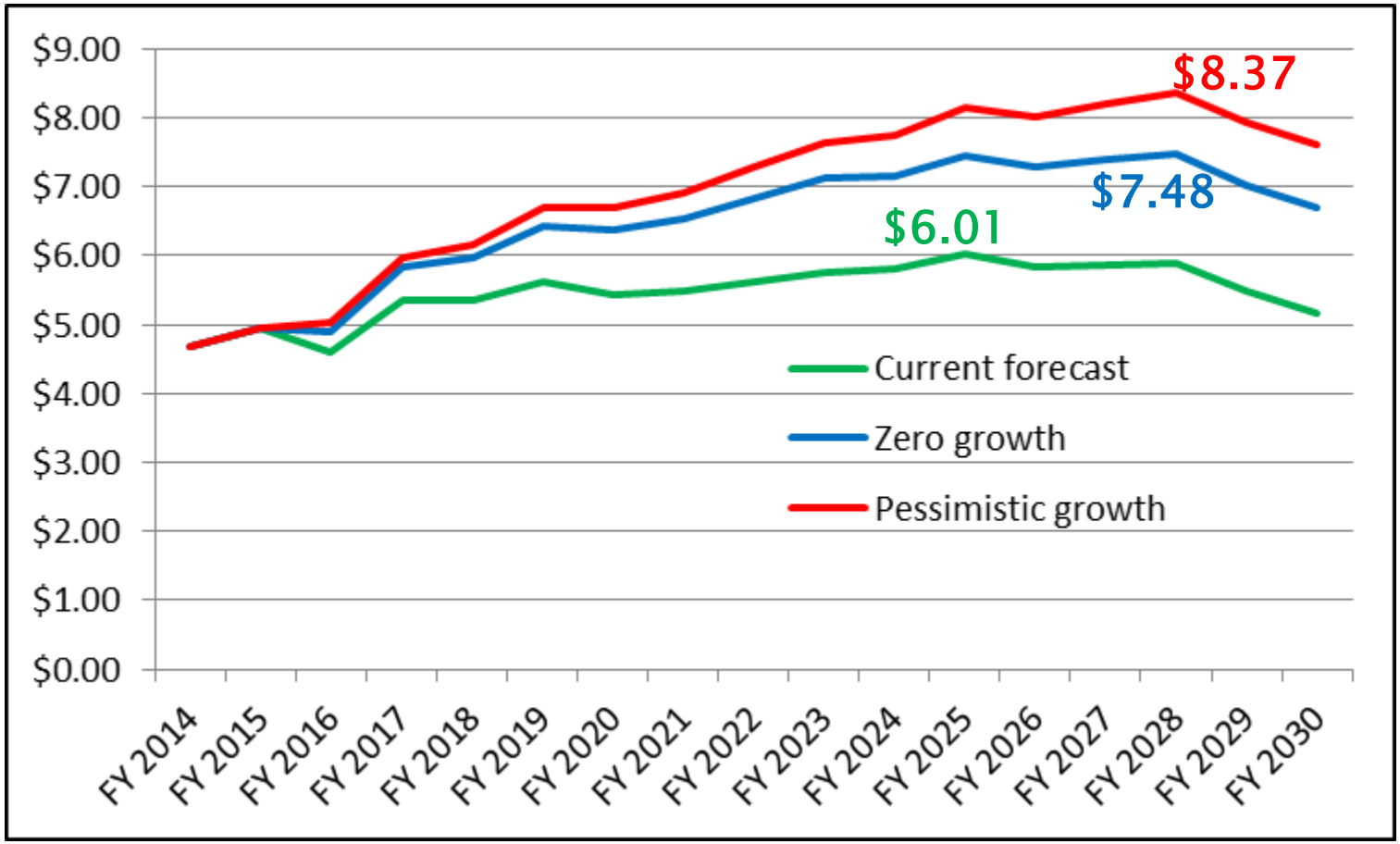
(1) Current forecast September 2013 Transportation Revenue Forecast
(2) Source – generated for this study by legislative staff

What you'll see today

- Potential toll rates in the base case scenario
- Potential toll rates in the following seven scenarios
  - 1. Deferred sales tax repayment
  - 2. 5% cut in toll operations and vendor costs
  - 3. Another fund source pays preservation costs
  - 4. Tolls only pay debt service
  - 5. Loan to keep blended toll below $6
  - 6. Loan to offset effect of increasing debt service
  - 7. Worst case scenario

Potential estimated blended toll rates – Base Case

(Full IPD, tolls pay costs as in current law, three traffic scenarios)



Scenario 1: Deferred sales tax repayment

- $58 million deferred construction sales tax, to be repaid between FY 2019 and FY 2028

- If the Legislature used $58 million in non-toll revenues to make this repayment, could affect tolls by **35 to 45 cents**, depending on the traffic scenario, and actions taken by the Transportation Commission

Deferred sales tax: Policy considerations
Could cost $201 million to adopt this policy

- Sets a precedent for other facilities
- For the TNB, would cost other transportation fund sources $58 million over ten years (FY 2019 – FY 2028)
- The same policy for SR 520 would cost other fund sources $144 million over ten years (FY 2022 – FY 2031)
- Department of Revenue: Risk of federal lawsuit if turned into an exemption

Deferred Sales Tax Repayment			
($ in 000s)			
Fiscal Year	**TNB**	**520**	**Total**
2018			$ -
2019	$ 5,760		$ 5,760
2020	$ 5,760		$ 5,760
2021	$ 5,760		$ 5,760
2022	$ 5,760	$ 14,356	$ 20,116
2023	$ 5,760	$ 14,356	$ 20,116
2024	$ 5,760	$ 14,356	$ 20,116
2025	$ 5,760	$ 14,356	$ 20,116
2026	$ 5,760	$ 14,356	$ 20,116
2027	$ 5,760	$ 14,356	$ 20,116
2028	$ 5,760	$ 14,356	$ 20,116
2029		$ 14,356	$ 14,356
2030		$ 14,356	$ 14,356
2031		$ 14,356	$ 14,356
Total	$57,600	$ 143,563	$ 201,163

Scenario 2: 5% cut in toll vendor and toll operations budget

- 2013 Legislature reduced toll vendor and toll operations budget by 5%.
- Legislative budget assumes this reduction will be maintained at the same level in the future
- Could affect tolls by about **a nickel**,
  - But the savings is small enough that it could be overshadowed by other changes in traffic or expenditures.

Scenario 3: Another fund source pays preservation costs (R&R)

- R&R costs are uneven, due to the nature of the work required in a particular year.
- If another fund source paid for R&R, it could save **ten to fifteen cents on average,** but the savings in a particular year might be more or less than that.
- Would cost Motor Vehicle Account (or other revenue source) $26 million

	Preservation (R&R)
FY 2014	$ -
FY 2015	$ 119,735
FY 2016	$ 4,543,189
FY 2017	$ 1,002,473
FY 2018	$ 3,078,198
FY 2019	$ 12,496
FY 2020	$ 118,364
FY 2021	$ 2,685,064
FY 2022	$ 1,128,348
FY 2023	$ 3,436,681
FY 2024	$ 47,449
FY 2025	$ 2,768,062
FY 2026	$ 1,463,344
FY 2027	$ 1,903,942
FY 2028	$ 720,359
FY 2029	$ 599,489
FY 2030	$ 2,573,403
TOTAL	$ 26,200,595

Larger scenarios: Gifts and loans

- “Gifts” from other fund sources, no repayment required
- Loans, to be repaid after debt service is paid off in 2030.
  - 5 year and 10 year repayment scenarios

Scenario 4: Tolls only pay debt service
beginning in FY 2016

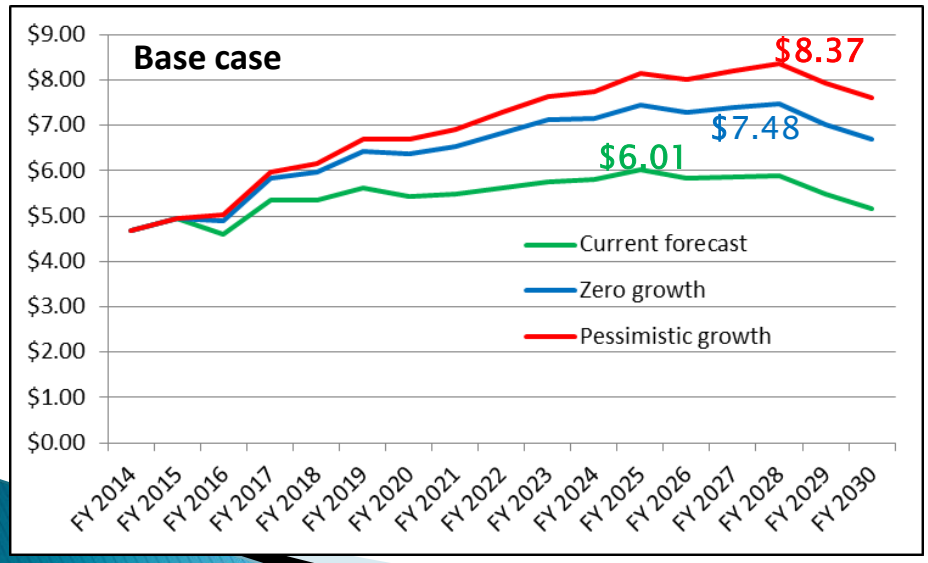
	Total Expenditures	Debt Service	Non debt-service expenditures	% non-debt service expenditures
FY 2014	66,081,100	54,932,000	11,149,100	17%
FY 2015	66,003,635	54,735,000	11,268,635	17%
FY 2016	78,195,493	62,311,000	15,884,493	20%
FY 2017	82,633,607	70,092,000	12,541,607	15%
FY 2018	84,673,825	69,889,000	14,784,825	17%
FY 2019	90,534,392	72,861,000	17,673,392	20%
FY 2020	90,757,585	72,770,000	17,987,585	20%
FY 2021	93,253,250	72,478,000	20,775,250	22%
FY 2022	97,537,281	78,093,000	19,444,281	20%
FY 2023	101,323,580	79,339,000	21,984,580	22%
FY 2024	102,313,483	83,480,000	18,833,483	18%
FY 2025	106,095,426	84,301,000	21,794,426	21%
FY 2026	104,417,838	83,683,000	20,734,838	20%
FY 2027	105,470,990	84,047,000	21,423,990	20%
FY 2028	106,816,868	86,325,000	20,491,868	19%
FY 2029	101,411,410	86,542,000	14,869,410	15%
FY 2030	96,765,550	79,660,000	17,105,550	18%

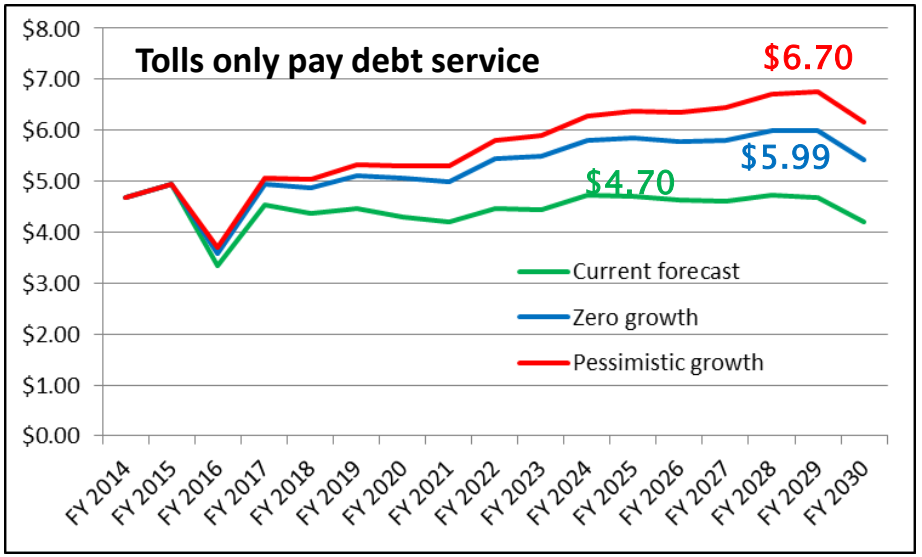
Other funds would pay this $276 million

Consideration: Other facilities will want this, too.

Tolls only pay debt service
beginning in FY 2016

- "Gift" from other transportation fund sources of $276 million over 15 years (FY 2016 – FY 2030)
- Could affect tolls by **$1.10 to $1.45** on average, depending on the traffic assumption





Tolls pay only debt service, FY 2016 – 2030

Loan, with repayment beginning 2031

	Current traffic forecast	Zero traffic growth	Pessimistic traffic
FY 2016 – 2030 loan	$276 million		
Average toll level impact FY 2016 – 2030	$1.10 to $1.45 of potential savings		

Repayment toll to repay loan*

Average repayment toll -- 10 years FY 2031 – 2040	$2.30 to $3.70
Average repayment toll -- 5 years FY 2031 – 2035	$3.70 to $5.75

* Assumes repayment toll pays all costs – loan, toll vendor and toll ops, insurance, M&O, R&R. Toll is 20–40 cents lower if another fund source pays insurance, M&O and R&R

Loan: Tolls only pay debt service FY 2016 – 2030

10 year repayment includes loan and all bridge and toll-related costs

15 years of toll savings $1.10 to $1.45 on average

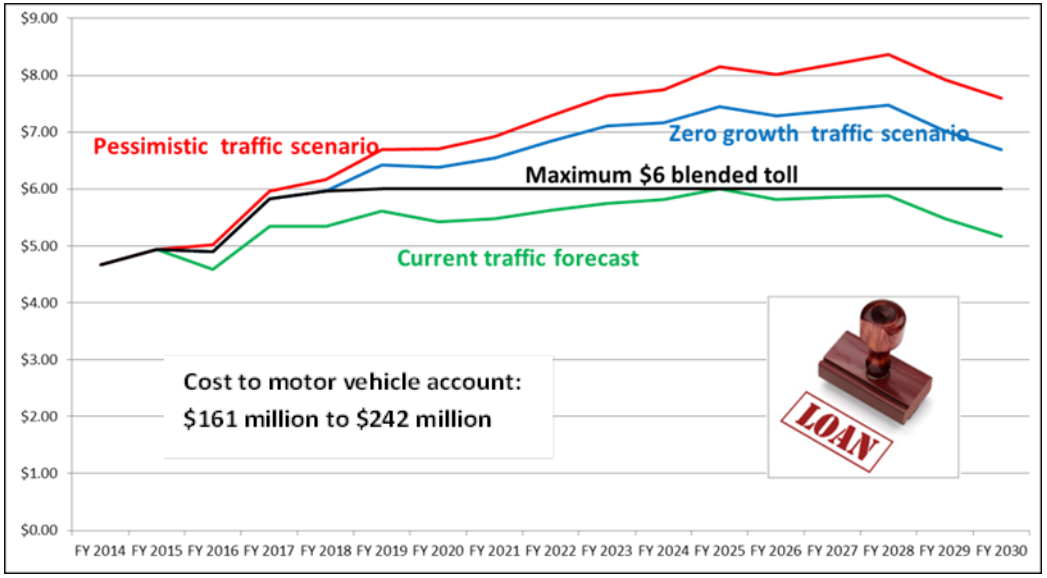
Motor Vehicle Fund has to pay $276 million; impact on other projects

10 years of repayment toll $2.30 - $3.70 on average

	Loan	Impact on tolls	Repayment, all costs
FY 2016	$15,884,493		
FY 2017	$12,541,607		
FY 2018	$14,784,825		
FY 2019	$17,673,392		
FY 2020	$17,987,585		
FY 2021	$20,775,250	Toll savings: $1.10 to $1.45 savings on average over the 15 years	
FY 2022	$19,444,281		
FY 2023	$21,984,580		
FY 2024	$18,833,483		
FY 2025	$21,794,426		
FY 2026	$20,734,838		
FY 2027	$21,423,990		
FY 2028	$20,491,868		
FY 2029	$14,869,410		
FY 2030	$17,105,550		
FY 2031			$47,146,278
FY 2032			$43,531,418
FY 2033			$43,118,018
FY 2034		Repayment toll: $2.30 to $3.70 toll on average, over the 10 years	$43,354,986
FY 2035			$43,619,061
FY 2036			$48,747,839
FY 2037			$45,313,778
FY 2038			$45,475,723
FY 2039			$49,090,282
FY 2040			$45,291,191
TOTAL	$276,329,579		$454,688,573

Scenario 5: Maximum $6.00 toll

- Original finance plan -- $6.00 maximum toll
- Study evaluated size of loan needed to achieve maximum $6.00 blended toll
- Results



Maximum $6.00 toll, FY 2016 – 2030

Loan, with repayment beginning 2031

	Current traffic forecast	Zero traffic growth	Pessimistic traffic
FY 2016 – 2030 loan	NA	$161 million to $242 million	
Average toll level impact FY 2016 - 2030	NA	80 cents to $1.30 of potential average savings	
Repayment toll to repay loan*			
Average repayment toll -- 10 years FY 2031 – 2040	NA	$2.05 to $3.15 average toll	
Average repayment toll -- 5 years FY 2031 – 2035	NA	$3.05 to $5.00 average toll	

* Assumes repayment toll pays all costs – loan, toll vendor and toll ops, insurance, M&O, R&R. Toll is 20–40 cents lower if another fund source pays insurance, M&O and R&R

Scenario 6: Level debt service

- Treasurer's current practice is for level debt service, rather than rising debt service as with TNB

- Scenario 6: Loan to offset effect of increasing debt service after FY 2016

Level debt service, FY 2016 – 2030

Loan, with repayment beginning 2031

	Current traffic forecast	Zero traffic growth	Pessimistic traffic
FY 2017 – 2030 loan	$231 million		
Average toll level impact FY 2017 - 2030	$1.00 to $1.30 of potential average savings		
Repayment toll to repay loan*			
Average repayment toll -- 10 years FY 2031 – 2040	$1.90 to $3.00 average toll		
Average repayment toll -- 5 years FY 2031 – 2035	$3.10 to $4.75 average toll		

* Assumes repayment toll pays all costs – loan, toll vendor and toll ops, insurance, M&O, R&R. Toll is 20–40 cents lower if another fund source pays insurance, M&O and R&R

Scenario 7: Double digit tolls?

Not likely

Take-aways from today's presentation

1. Blended tolls not likely to reach double-digit.
2. Legislature can take action to reduce the impact of tolls on TNB users.
3. To have a significant impact on tolls, it will be costly, with implications for other projects and programs funded from the Motor Vehicle Account.
4. There will be pressure to provide similar relief for users of other tolled facilities.
5. Transportation Commission sets toll rates – not the Legislature. Important consideration for bond market.

Questions?