

Tacoma Narrows Bridge Internal Refinance Opportunities

Mary Fleckenstein, JTC Project Manager
July 24, 2013

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.

How Did We Get Here?

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

Financing Structure

- ▶ Public–private partnerships (P3) initiative in the 1990s; TNB only project of six to advance.
- ▶ While ultimately publicly–financed, its finance structure reflects promises made by the P3 statute, namely the ability to construct projects **without tax dollars**.
- ▶ Washington Supreme Court: no tolls on existing bridge to finance new bridge
- ▶ Legislature: no gas tax dollars to finance debt service during construction

Zero Coupon Bonds



- ▶ Needed funds for construction (2002 – 2007), that didn't require revenues to pay debt service until the bridge opened.
- ▶ State Finance Committee: Non-callable zero coupon bonds
 - Upside: No revenue stream needed for debt service during construction
 - Downside: Cannot be refinanced when interest rates drop

Construction and Financing: \$300 Million Savings

Tacoma Narrows Bridge Capital Construction Sources and Uses of Funds 2010 Plan Compared to the 2002 Plan <i>nominal dollars in millions</i>		
	Dec-10 Financial Plan	Jul-02 Financial Plan
Sources of Funds		
Interest Earnings	9	10
Gross Bond Proceeds	684	800
Capitalized Interest	-4	-73
Toll Revenue Used for Financing Deferred Sales Tax	54	53
Expenditures from Motor Vehicle Account (MVA)	11	11
Transfers from MVA	39	39
Total Sources of Funds for Capital	\$792	\$840
Uses of Funds		
Cost of Issuance	6	8
Capital Construction in TNB Account	717	761
Deferred Sales Tax	58	60
Capital Construction in MVA Account	11	11
Total Uses of Funds for Capital	\$792	\$840
Interest Rates on Bonds Sold*	4.93%	5.85%
Total Debt Service through FY 2030	1,492	1,783

*Interest rates experienced in the December 2010 Financial Plan are roughly estimated using the weighted average of bond issues.

Toll Rates Lower than Projected

	2002 Planned toll	<i>Actual Good To Go!</i> 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

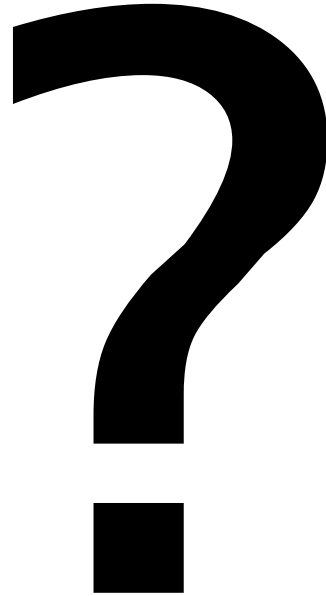
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
2002 T&R Study	15,010,000	15,341,000	15,397,000	15,794,000	16,202,000	16,132,000
2005 T&R Update	14,311,000	14,670,000	14,710,000	15,084,000	15,468,000	15,664,000
Nov 2007 Forecast	13,738,058	14,471,000	14,469,000	14,893,000	15,272,000	15,564,000
Nov 2008 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

Bold = actuals

To date

- ▶ All the bills are being paid: debt service, operations and maintenance, insurance
- ▶ With tolls lower than projected
- ▶ And with traffic lower than projected

What Does the Future Hold?



Toll Payers are Concerned ...

	<i>Good To Go!</i> Toll	Weekly	Yearly
FY 2008	\$1.75	\$8.75	\$437.50
FY 2014	\$4.25	\$21.25	\$1062.50
?	\$6.00	\$30.00	\$1,500.00

... yet the state's financial obligations must still be met.

Study Outline

- ▶ Summarize history of TNB financing and tolling
- ▶ Review and summarize results of three upcoming studies
 - Tolling Cost of Service Study (August, October)
 - SAO performance audit of contract management of the customer service center (August)
 - WSDOT's Lean Review Report (October)
- ▶ Sketch three financial scenarios, with a range of traffic outlooks, to see a range of potential toll rate schedules

Evaluate Options

- ▶ Evaluate alternative scenarios to help cover the bridge's ongoing costs.
 - loans
 - additional revenues
 - cost savings
 - extending the number of years tolls are paid

Tolls Pay Debt Service and Bridge Costs

- ▶ State law requires debt service on the TNB bonds to be paid from the Motor Vehicle Account.
- ▶ State law also requires tolls to reimburse the Motor Vehicle Account for that debt service, and to pay maintenance and operations costs, insurance costs, and other costs related to the new bridge.

Potential Gas Tax Loan

- ▶ Could loan from the Motor Vehicle Account cover some debt service or operating costs?
- ▶ Identify effect on potential toll rates, including length of repayment term.
- ▶ Identify potential impacts on other projects and operations funded from the Motor Vehicle Account.

Potential Cost Savings

- ▶ Deferred sales tax repayment -- \$58 million; 10 year repayment schedule, beginning Dec, 2018.
- ▶ 2007 gas tax loan -- \$5.288 million
- ▶ Cost savings identified in the 3 studies
- ▶ Brainstorm other potential cost savings – credit card fees, pay by mail adjudication costs, overhead charged by WSDOT, etc.

Potential Revenue Sources

- ▶ Are fees sufficient to cover the costs of transactions (Cost-of-Service study)?
- ▶ Brainstorm other potential revenue sources

Staff Workgroup

WORKGROUP PARTICIPANT	ORGANIZATION
Mary Fleckenstein, Project Manager, and Beth Redfield	JTC
Clint McCarthy	Senate Transportation Committee
Alyssa Ball, Mark Matteson, Amy Skei	House Transportation Committee
Erik Hansen	OFM
Amy Arnis, Craig Stone, Rich Struna, 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, Samantha Gatto, HDC Staff	Caucus staff

Presentations to JTC

- ▶ July 24th, Centralia
- ▶ October 9th, Tacoma
- ▶ December 12th, Olympia

Questions?

