

To: Danny Kermode
From: Greg Hammond
Date: February 28, 2019
Subject: **Financial Review - TC-190087 - The Rock Transportation Services Corporation**

Recommendation

Staff finds the company has the financial ability to provide auto transportation service as required in WAC 480-30-126-5(b). There is no financial reason preventing the transfer of Auto Transportation Authority under Certificate C-1077.

Discussion

On February 8, 2019, The Rock Transportation Services Corporation (The Rock or Company) filed with the Utilities and Transportation Commission an application for transfer of the Certificate of Convenience and Necessity (CC&N) from SeaTac Shuttle, LLC dba Whidbey-SeaTac Shuttle, to provide auto transportation service between Whidbey Island and SeaTac International Airport. Staff is required by WAC 480-30-126-5(b) to determine whether the company has the financial ability to operate its proposed service. Staff has reviewed the filed financial information and has concluded that the company does have the resources to operate the proposed service.

Company Structure:

The Rock started business in Washington on December 17, 2018, according to the Washington Secretary of State's Corporations Division website and registered with the Department of Revenue on December 24, 2018. The company's application states that it is wholly owned by D'Arcy Morgan. The company indicated on its application that it will retain all current management and staff from the prior ownership, SeaTac Shuttle LLC. The Rock will adopt SeaTac Shuttle's current tariff and time schedules, and is not proposing any other changes or modifications at this time. The sales agreement includes a transfer of all assets from SeaTac Shuttle to The Rock.

Balance Sheet Review:

- Assets, \$3,852,000
- Liabilities, \$3,352,000
- Equity, \$500,000

The applicant reports \$214,000 of cash on hand in its application. This significant cash balance would allow the company to cover its operating expenses should any cash flow issues arise. Additionally, the applicant reports \$448,000 in Trucks and Trailers, as well as \$6,000 in office furniture, and an additional \$6,000 in other equipment. The applicant also lists \$3,178,000 in other assets. On the liabilities side, the company has reported \$3,352,000 in notes payable. On the equity side, the applicant reports \$500,000 in Capital.

Pro forma Income Statement:

- Revenue, \$3,228,000
- Expenses, \$3,140,000
- Net Income, \$88,000

The company estimates a total revenue of \$3,228,000, with an estimated 73,200 one way riders. Because the company operates on flexible fares, the revenue generated per ticket can fluctuate. Based on review of the prior ownership's 2017 annual report the revenue and ridership estimates are reasonable. The prior ownership reported a total of 67,389 total one-way riders in 2017. The company expects \$3,140,000 in annual expenses. This estimate is also in line with the expenses reported on SeaTac Shuttle's 2017 annual report. The projected revenues and expenses result in a net income of \$88,000.

Conclusion

Staff has reviewed The Rock Transportation Service Corporation's financial information submitted in Docket TC-190087 and concludes the company has made reasonable efforts to estimate its finances under the proposed auto transportation service. Based on the company's financial records provided, the company has adequate resources and therefore staff concludes that The Rock Transportation Service Corporation has the financial resources to operate the proposed service.