



Washington State Ferry System Review Phase 2

Scope of the Study

*Presentation to State Ferry System Review – Phase 2
Policy Group – August 28, 2007*

Joint Transportation Committee Staff



What We're Doing

In 2006 the Joint Transportation Committee began a comprehensive study of the ferry system. Many of the study recommendations were enacted in ESHB 2358. The overriding themes of this legislation are:

- Use accurate and comprehensive data in making operational and capital decisions.
- Maximize utilization of existing capacity and choosing the most efficient balance of capital and operating investments.
- Adopt adaptive management practices in operating and capital programs to keep costs low while continuously improving quality and timeliness of service.

What We're Doing

Several budget provisos in the 2007/09 transportation budget continue the study of the ferry system. The study has several components:

- Provides a “seat at the table” for the JTC as WSF and the Commission implement the provisions of ESHB 2358
- Continues researching WSF practices (vessel preservation, administrative operating costs, etc.)
- Begins several new studies:
 - Timing and sizing of future vessel acquisitions
 - Capital financing strategies; a late session budget proviso requires additional capital financing studies for the Commission and WSF. Further work needs to be done to integrate these three tasks.

Who's Doing the Work

Legislature:

- JTC

Executive:

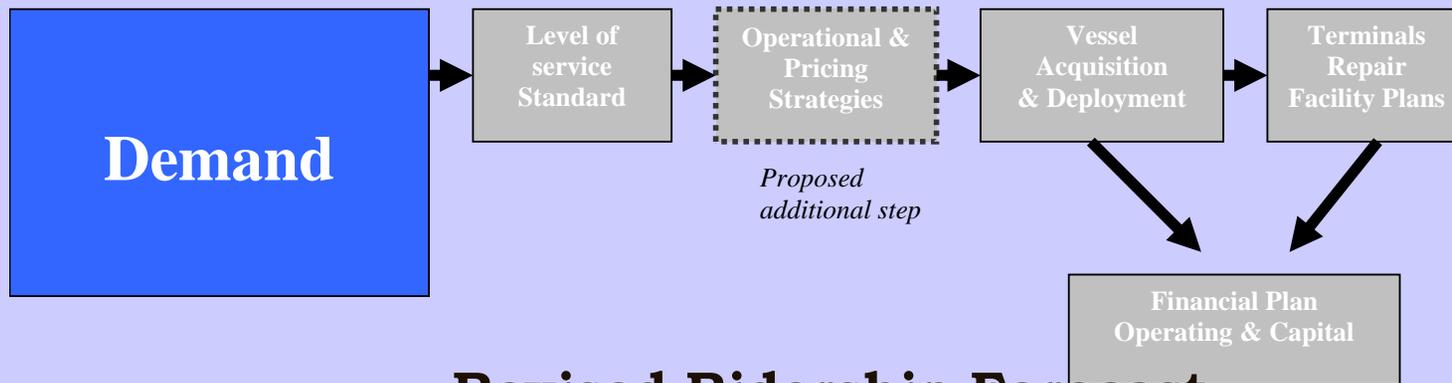
- Washington State Ferries
- Office of Financial Management
- Washington State Transportation Commission

Ferry Staff Workgroup: Meets biweekly

- JTC
- Senate & House Transportation Committees
- Governor's Office
- OFM
- WSF
- WSDOT
- WSTC

Ferry Finance Model





Revised Ridership Forecast

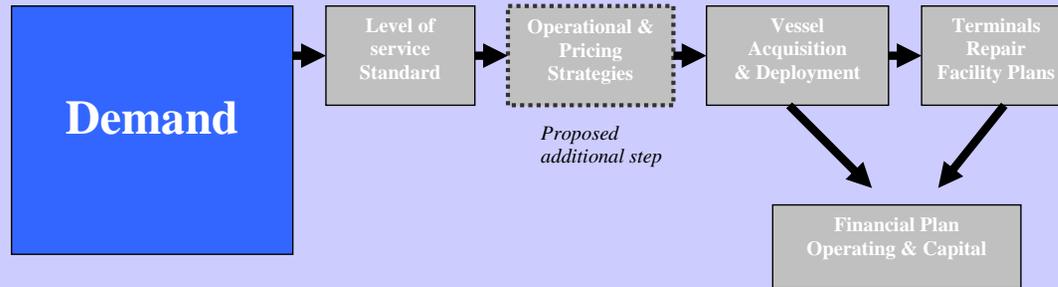
Tasks:

- Recast and reconcile WSF ridership demand forecasts.
- Incorporate 2006 origin and destination study results.
- Develop baseline ridership forecast to model level of service, pricing and operational strategy options.
- Develop ridership forecast for long-range capital plan incorporating recommended level of service, pricing and operational strategies.

Roles and responsibilities:

- WSF - Lead
- JTC – Participate and review

Statutes: [Budget §225\(8\)\(b\); §205\(1\)\(b\)\(1\).](#)



Market Research Survey

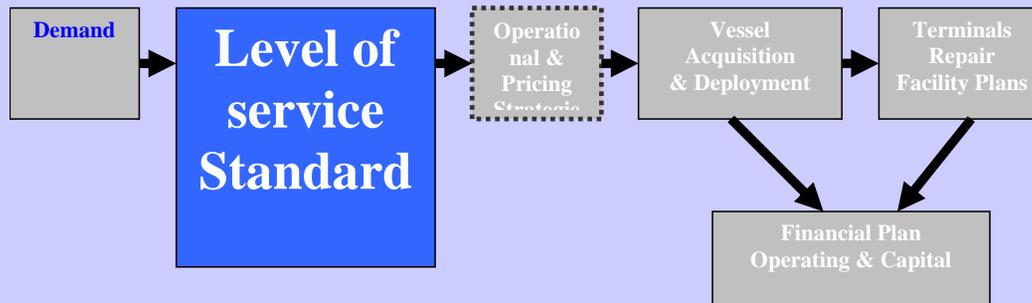
Tasks:

- Define survey objectives and scope
- Hire survey consultant
- Conduct survey and report – two phases

Roles and responsibilities:

- Transportation Commission – Lead
- WSF – Participate
- Ferry Advisory Committees – Input
- JTC – Participate and review

Statutes: [ESHB 2358 §3](#); [Budget §206\(1\) and 205\(1\)\(a\)\(i\)](#).



Vehicle level of service standard

Tasks:

- Level of service measurement options
- Vehicle level of service options by route/travel shed
- Recommended measurement (boat wait or other)
- Recommended level of service by route/travel shed

Roles and responsibilities

- WSF – Lead
- JTC - Participate and review

Statutory basis: [Budget §228\(8\)\(a\)\(ii\);§205\(1\)\(a\)\(ii\); ESHB 2358 §1](#)



Pricing Strategies

Roles and responsibilities:

- Market survey includes pricing strategies
- One way fare collection review by route/travel shed
- Review pricing policies
- Recommend pricing strategies by route/travel shed
- Adopt pricing policies

Tasks:

- WSF – Propose
- JTC - Participate in and review
- Commission – Adopt

Statutes: [ESHB 2358 §§ 5, 6](#) Budget: [§225\(8\)\(a\)\(iii\); §205\(1\)\(a\)\(iii\)](#)



Operational Strategies

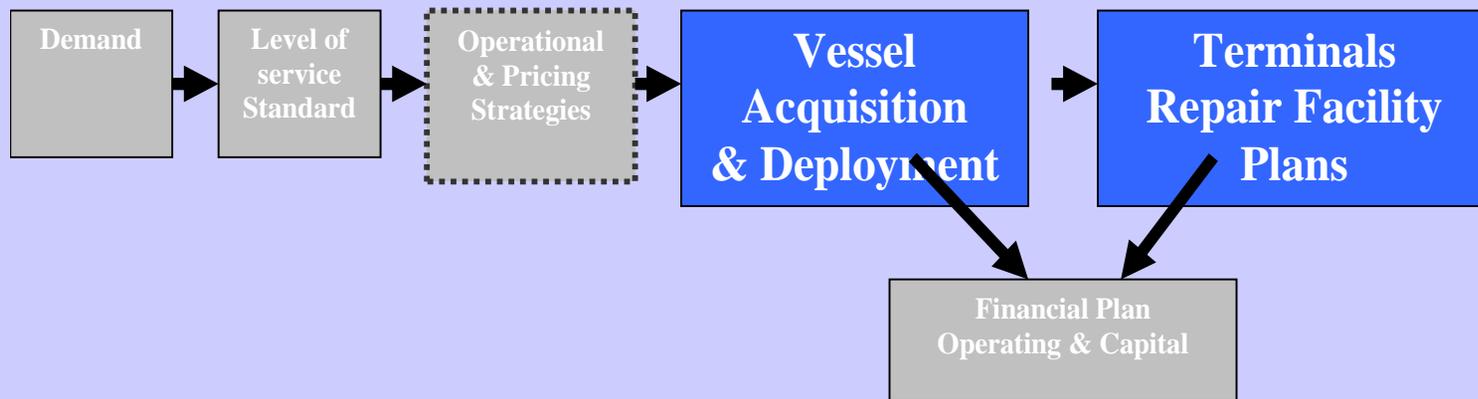
Tasks:

- Market survey includes operational strategies
- Review operational alternatives by route/travel shed
- Recommend operational strategies by route/travel shed

Roles and responsibilities:

- WSF – Recommend
- JTC – Participate in and review

Statutes: [ESHB 2358 §5](#); [Budget §205\(1\)\(a\)\(iv\)](#)



Life cycle cost model/preservation program

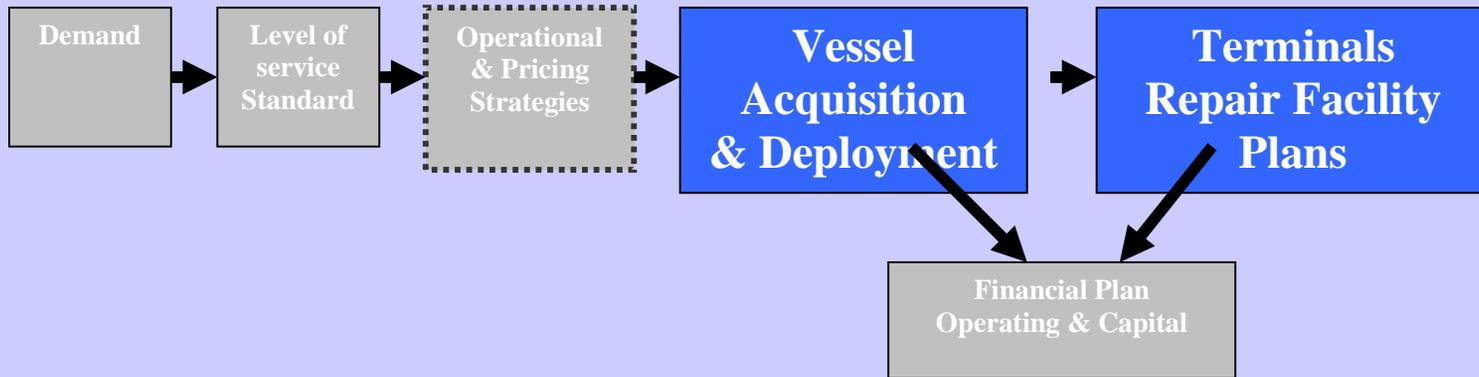
Tasks

- Revise life cycle cost model
- Asset management system study
- Vessel preservation cost review

Roles and responsibilities:

- WSF – Lead life cycle cost model & asset management
- JTC – Review life cycle cost model/conduct vessel study
- JLARC – Audit life cycle cost model

Statutes : [ESHB 2358 §10; Budget sections 225 \(8\)\(c\), 205 \(1\)\(b\)\(ii\), 108 \(2\), \(Section 308 \(6\)\)](#)



Capital Cost

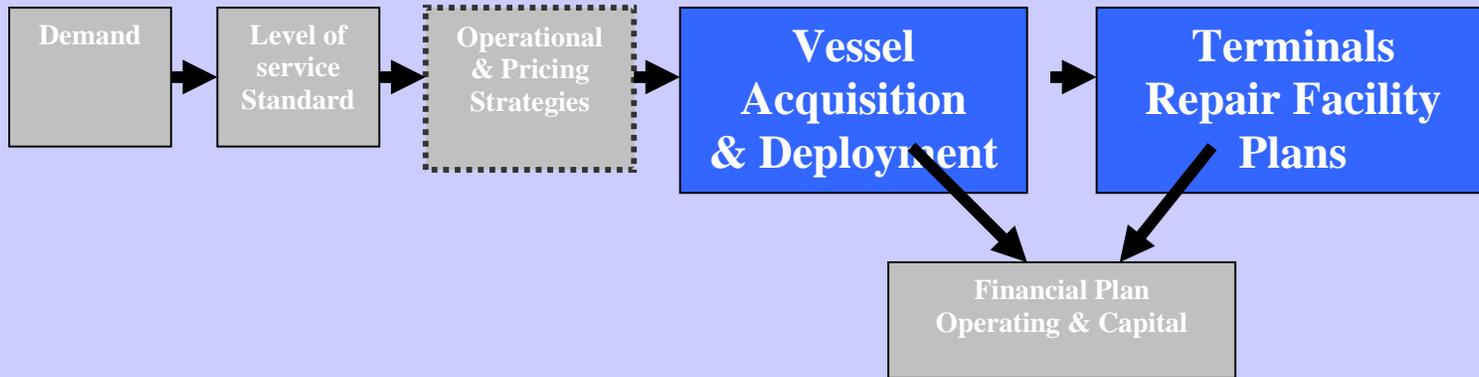
Tasks:

- Develop method to allocate systemwide costs to projects
- Capital definitions to be defined by OFM
- Preservation funding only for items in the LCCM
- Preservation funding justified by condition

Roles and responsibilities:

- WSF – Lead cost allocation methodology
- JTC – Review cost allocation methodology
- OFM – Capital definitions – review cost allocation method
- JLARC – Audit cost methodology & preservation costs

Statutes: [ESHB 2358 – Sections 3, 11, 9, and 15; Budget – Section 225\(8\)\(d\); 205\(1\)\(b\)\(iv\); 108\(1\).](#)



Terminal Design Standards

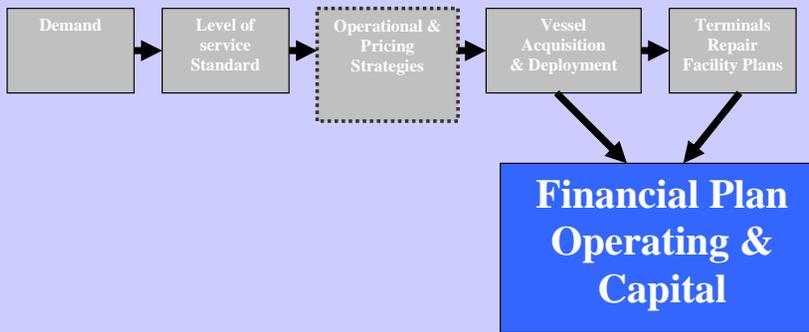
Tasks:

- Develop terminal design standards

Roles and responsibilities:

- WSF - Lead
- JTC – Participate in and review

Statutes: [ESHB 2358 §12](#); Budget: [section 205 \(1\)\(a\)\(v\)](#)



Long Range Capital Planning

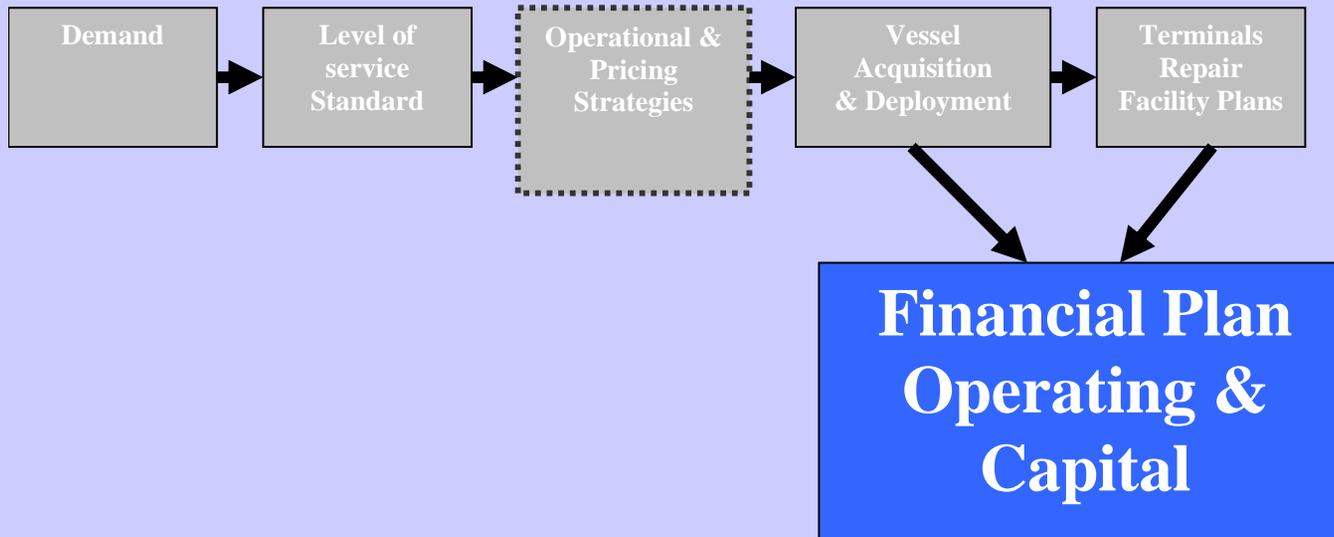
Tasks

- Adhere to current ridership forecast, vehicle level of service, pricing strategies, operational strategies, terminal design standards
- Draft long-range plan

Roles and Responsibilities

- WSF – Develop
- JTC – Participate and review
- Commission – Adopt

Statutes : [Budget - 205 \(1\)\(a\)\(vi\); ESHB 2358 \(13\).](#)



JTC Cost Reviews

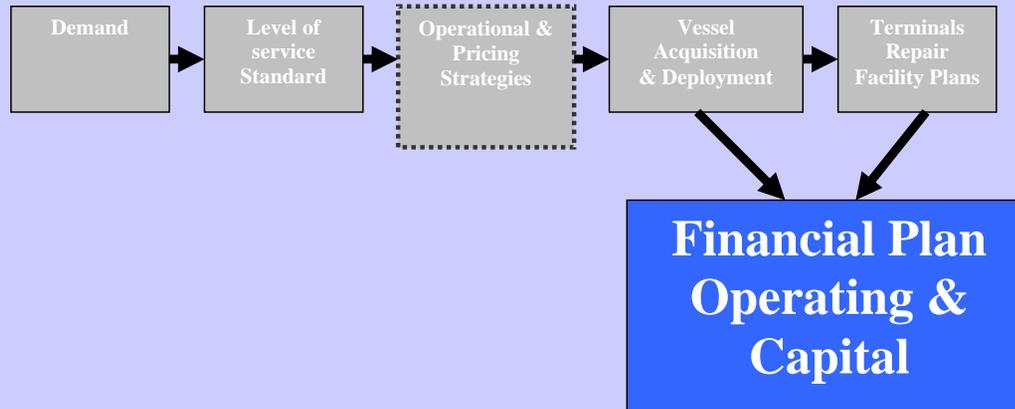
Tasks - Review:

- Administrative operating costs
- Non-labor & non-fuel operating costs
- Eagle Harbor maintenance program & costs
- Administrative and systemwide capital costs

Roles and responsibilities:

- JTC - Lead

Statutes : [*Budget* - section 205 \(b\)\(iii\).](#)



Study of Future Vessel Acquisitions

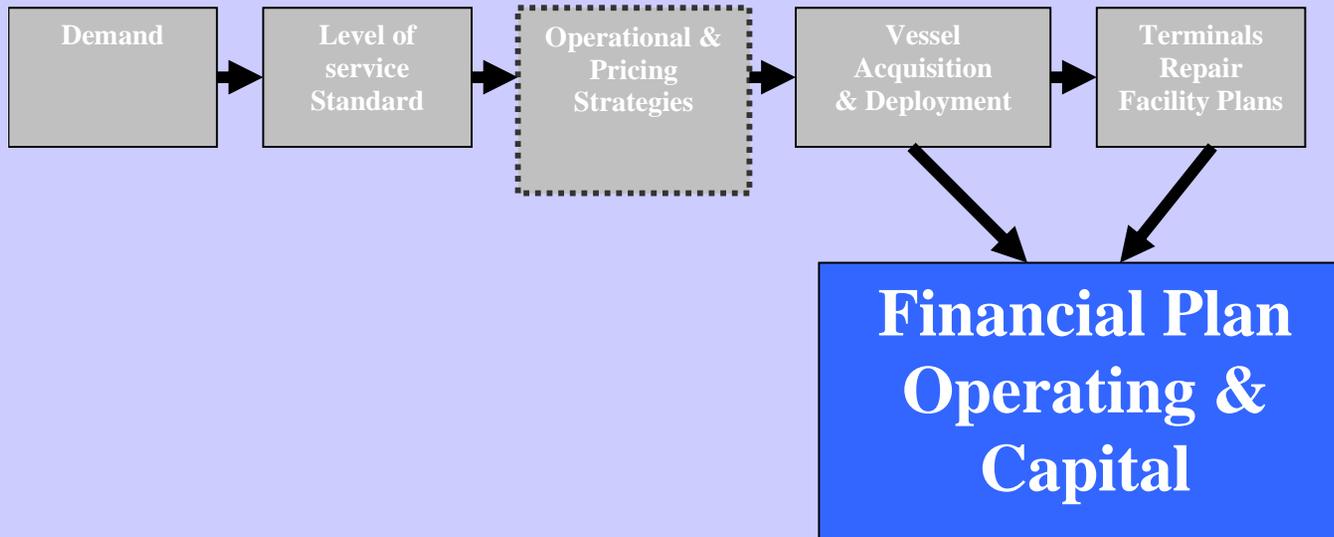
Tasks – Make recommendations re:

- Most efficient timing and sizing of future vessel acquisitions – beyond those already authorized.
- Recommendations must be based on ridership projections, level of service standards, and operational & pricing strategies.

Roles and responsibilities:

- JTC - Lead

Statutes : [*Budget* - section 205 \(1\) \(c\).](#)



Long Term Financing Study

Tasks

- Commission long-term financing study
- WSF public/private partnership study
- JTC long-term financing strategies

Further work needs to be done to integrate these three tasks.

Statutes : [Budget - section 205 \(1\)\(c\)\(ii\); 206\(2\).](#)

1. Ridership forecasting statutes

➤ Budget

- WSF must recast and reconcile ridership demand forecasts.
budget §225(8)(b).
- JTC review of ridership forecasts. *Budget §205(1)(b)(1).*

2. Market Survey Statutes:

- ESHB 2358 §3:
 - Transportation Commission must, with involvement of WSF, conduct a survey of users.
 - Survey must include information on recreational users, walk-on and vehicle customers, freight, and reactions to possible operational strategies and pricing policies.
 - Commission must provide opportunity for FAC input.
 - Must be updated at least every two years.
- Budget §206(1) and 205(1)(a)(i): JTC participation in, and review of, the initial survey.

3. Vehicle Level of Service Standard Statutes:

➤ *ESHB 2358 §1*: When setting level of service standard (currently boat waits) WSF may adjust for seasons.

➤ *Budget*:

- WSF to reestablish vehicle level of service standards to evaluate if boat wait is the right measure. §228(8)(a)(ii)

- JTC participation in, and review of, the reestablishment of level of service standards.

Budget §205(1)(a)(ii)

4. Pricing strategies statutes



ESHB 2358 §§ 5, 6

- WSF reviews, and Commission adopts, fares. Fare schedule adoption changed from April to September 1, effective 2008.
- Annual review must include pricing policies.
- Starting in 2008, reviews must:
 - Generate the amount of revenue required by the transportation budget.
 - Consider options for using pricing to increase off-peak ridership and level peak vehicle demand.
 - Recognize each travel shed is unique.
 - Consider impacts on users, capacity, and local communities.

Pricing strategies statutes (con.)

- Keep fares as simple as possible.
- Use data from a current user survey.
- Be developed with input from affected users by public hearing and by reviews with FACs.
- Fares may not be raised until the fare rules contain pricing policies, or September 1, 2009, whichever is later.
 - WSF director continues to have authority to use promotional (discounted) fares.
 - If operating revenues are used to support capital, must be specifically identified in fares.

➤ *Budget*

- WSF to develop pricing policy proposals and evaluate the one-way fare policy in effect on some routes
§225(8)(a)(iii)
- JTC participation in, and review of, the development of pricing policies. *§205(1)(a)(iii)*

5. Operational Strategies Statutes:

- *ESHB 2358 §5* - WSF must develop, and the Commission must review, operational strategies that:
 - Use data from a current user survey.
 - Recognize each travel shed is unique.
 - Are consistent with the vehicle level of service standards.
 - Use a life cycle cost analysis to find best balance between capital and operating investments.
 - Use methods of collecting fares that maximize efficiency and achieve revenue control.
 - Are reevaluated periodically, at least before a new capital plan is developed.

Operational Strategies Statutes (con.)

- Consider the following:
 - Options for leveling vehicle peak demand and increasing off-peak ridership.
 - Feasibility of reservation systems.
 - Ways to shift vehicle traffic to other modes.
 - Dock operation and queuing efficiencies.
 - Costs/benefits of remote holding versus over-water.
 - Methods of reorganizing holding areas to maximize space available for customer vehicle space.
 - Schedule modifications.
 - Efficiencies in exit queuing and metering.
 - Interoperability with other transportation services.

➤ *Budget §205(1)(a)(iv)* - "JTC participation in, and review of, the initial development of operational strategies

6. Life cycle cost model statutes:

- *ESHB 2358 §10* - WSF must maintain a life cycle cost model that:
 - Is used in developing preservation funding requests.
 - Uses available industry standards or department-adopted standards when standard life cycles are not available.
 - Is updated when inspections are made to reflect asset condition.
 - Does not include systems that aren't replaced on a standard life cycle or that are not yet built.
 - Is updated at least every three years.

6. Life cycle cost model statutes (con.)

➤ *Budget*

- WSF to update LCCM no later than August 1, 2007 (section 225 (8)(c)).
- JTC to review updated LCCM (section 205 (1)(b)(ii)).
- JLARC to ensure LCCM complies with requirements in bill (section 108 (2)) .
- WSF to research an asset management system, reporting to the Governor and the Legislature by 1-15-08 (Section 308 (6))

7. Capital Cost Allocation Statutes

- ESHB 2358
 - Capital definitions must conform to OFM definitions (section 3).
 - Systemwide costs to be allocated to projects (section 9).
 - Preservation funding request may only be for items in the LCCM (section 11).
 - Preservation expenditures must be warranted by asset condition (section 9).
 - JLARC to review implementation of cost allocation methodology, and assignment of preservation and improvement costs for FY 09 (section 15).

7. Capital Cost Allocation Statutes (con.)

- Budget
 - WSF to develop cost allocation methodology to conform to bill's
 - Definitions and direction on expenditures (section 225 (8)(d)).
 - JTC to review the proposed cost allocation methodology (section 205 (1)(b)(iv)).
 - JLARC to review assignment of preservation costs for FY 08 (section 108 (1)).

8. Terminal Design Standard Statutes

- ESHB 2358 §12 - WSF must develop terminal design standards (section 12) that:
 - Adhere to vehicle level of service standards.
 - Adhere to operational strategies.
 - Find the most efficient balance between capital and operating.

- Budget - JTC participation in, and review of, terminal design standards (section 205 (1)(a)(v))

9. Long Range Capital Plan Statutes

- ESHB 2358 – section 13 - Capital plan developed by WSF and approved by Commission. Plan must adhere to:
 - Current ridership demand forecast.
 - Vehicle level of service standards
 - Operational strategies.
 - Terminal design standards.

- Budget
 - JTC participation in, and review of, long range capital plan (section 205 (1)(a)(vi)).
 - JTC to make recommendation regarding the most efficient timing and sizing of future vessel acquisitions beyond those currently authorized by the legislation.

10. JTC Cost Review Budget Proviso:

- Budget, sec. 205(b)(iii): JTC to review following costs:
 - administrative,
 - operating,
 - nonlabor and nonfuel operating,
 - Eagle Harbor,
 - maintenance,
 - administrative and systemwide capital,
 - vessel preservation.

11. Study of Future Vessel Acquisitions Budget Proviso:

- Budget, sec. 205(1)(c)(iii):
 - JTC to make recommendations regarding timing and sizing of future vessel acquisitions beyond those currently authorized by the Legislature; The recommendations must:
 - Be based on the ridership projections, level of service standards, and operational and pricing strategies reviewed by the JTC; and
 - Include the impact of those recommendations on the timing and size of terminal capital investments and the state ferries' long range operating and capital finance plans.

12. Long Term Financing Study Budget Provisos:

➤ Budget

- Commission to conduct long-term financing alternative study (section 206(2)). \$100,000 appropriated.
- JTC to make recommendations regarding capital financing strategies for consideration in the 2009 session (section 205 (1)(c)(ii)).
- DOT program K \$300,000 appropriated for study