



State Ferry Terminals: Procedures to Account for and Request Capital Funds Have Improved, but Additional Actions Are Needed Proposed Final Report

Joint Legislative Audit & Review Committee

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Presentation Overview

- Background
 - Results of previous study
 - New statutory requirements
- Audit results
 - Progress made in implementing new requirements
 - Additional actions needed
- Recommendations
- Agency responses



1 Background



Legislature Sought Improved Information on State Ferry Finances



- In 2006, the State Ferries Division of the Washington Department of Transportation proposed a \$5.6 billion long-range plan
- In response, the Legislature directed the Joint Transportation Committee (JTC) to study ferry finances
- JTC contracted for work, which focused initially on the capital needs for ferry terminals

JTC Consultant Identified Concerns About Terminal Facility Repair Plans



- Found State Ferries had requested capital funds for terminals that were still in good condition
- State Ferries' definitions of project categories overlapped & created confusion
- All systemwide projects were allocated to preservation, overstating the true cost of the preservation program
- Life-cycle cost model (LCCM) was not updated for condition

Legislature Responded by Adding New Statutory Requirements



- Required OFM to develop key definitions
- Prohibited the use of capital funds for maintenance
- Directed State Ferries to allocate systemwide and administrative costs to specific capital projects
- Required State Ferries to maintain a LCCM to identify investments needed to ensure terminals are preserved

Legislature Responded by Adding New Statutory Requirements (cont.)



- Specified that appropriations made for preservation may only be spent on preservation and only when warranted by asset condition
- Required State Ferries to use its life-cycle cost model as the basis for preservation budget requests
- Directed JLARC to assess State Ferries' progress in implementing the new statutory requirements

2 Audit Results



Several of the New Requirements Have Been Implemented



- OFM:
 - issued required definitions of preservation, improvement, & maintenance
- State Ferries:
 - excluded maintenance from its capital program
 - developed a new approach to allocate systemwide & administrative costs
 - updated its LCCM to reflect asset condition

State Ferries Has Not Complied With All of the New Statutory Requirements

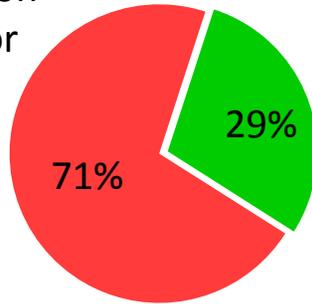


- State Ferries used appropriations provided for preservation to replace or renovate assets that were not justified by asset condition
- WSDOT did not provide information in its project budget requests that clearly identified the condition of the individual ferry terminal assets

71% of Appropriation for Assets in Good or Fair Condition or Not Rated



Asset Condition
Good, Fair, or
Not Rated
\$32.5 M



Asset
Condition Poor
or Substandard
\$13.5 M

Total: \$46.0 M

Source: JLARC analysis of ferry terminal preservation projects approved for 2009-2011.

State Ferries Suggests Two Primary Justifications for Early Replacements



- State Ferries explains early replacement of some structures is necessary when some components of a system are due for replacement but other closely related components are not

State Ferries Suggests Two Primary Justifications for Early Replacements



- State Ferries asserts preservation work is warranted on some structures that are still in good or fair condition because allowing further deterioration could result in a structural or safety concern

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Conclusions & Recommendations



Overall Conclusions



- Capital planning for terminal preservation has improved in response to legislative requirements
- Additional actions are needed to comply with statute and enhance transparency and accountability
- These actions are needed to ensure the Legislature receives appropriately detailed information when considering funding requests

Recommendation



- WSDOT, working in collaboration with OFM, should develop new procedures for providing more informative capital budget requests for State Ferry terminal preservation

New Procedures Should Require:



- Modifying condition categories in the LCCM to explain funding requests for assets in good or fair condition that require preservation work to avoid deterioration resulting in structural or safety concerns
- Including asset condition ratings with capital budget requests
- Providing justification for exceptions to replace or renovate assets that are not justified solely by asset condition

Agency Responses



- WSDOT and OFM both concur with JLARC's recommendations

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