



JOINT TRANSPORTATION COMMITTEE FERRIES FINANCING STUDY II

2008 STATUS REPORT

JTC FERRY POLICY GROUP

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Legislative Direction

Status Report

- JTC Ferries Financing Study Policy Workgroup to the Transportation Committees by December 2008 (ESHB 2878 205(1))

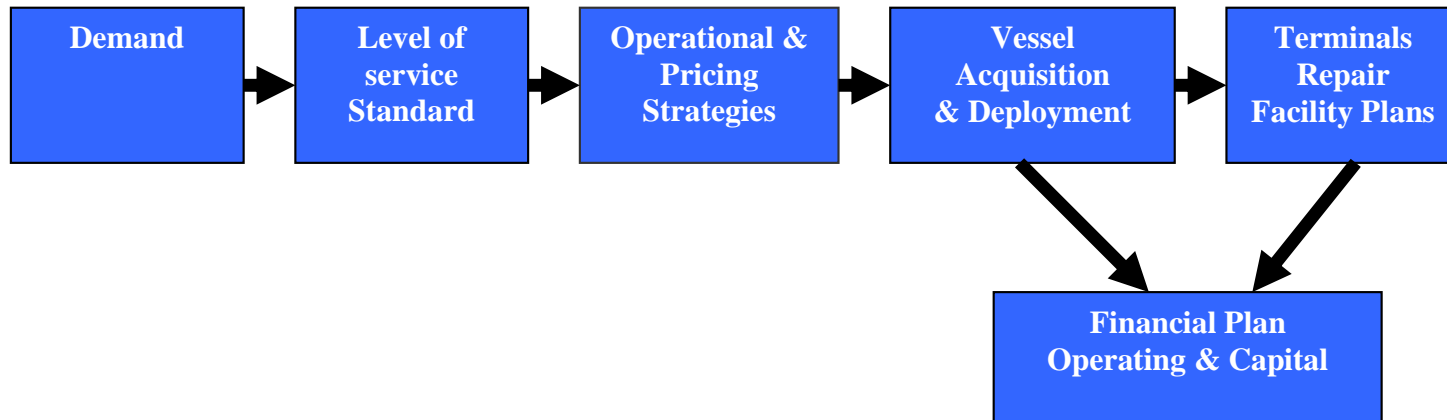
Background

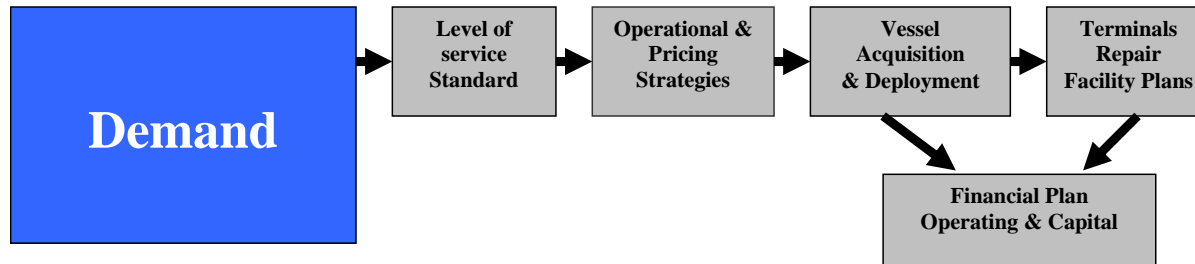
- Phase I of the JTC Ferry Financing Study
 - ✓ Legislature directed JTC to study WSF's capital & operating programs in the 2006 Interim
- ESHB 2358 "The Ferry Bill" adopted 2007 session
 - ✓ WSF directed to adopt adaptive management strategies to keep costs as low as possible while continuously improving service
 - ✓ ESHB 2358 & budget provisos required coordinated work by WSF, JTC, and the Transportation Commission (WSTC)

Status Summary

- All ESHB 2358 & budget provisos' tasks complete or underway
- WFS and WSDOT have substantially revised their planning
- 2358 planning information crucial to decision-making under current economic conditions

Ferry Finance Decision Model





ESHB 2358 required

- Customer survey – WSTC
- Revised ridership forecast – WSF with JTC participation

Why important?

Survey

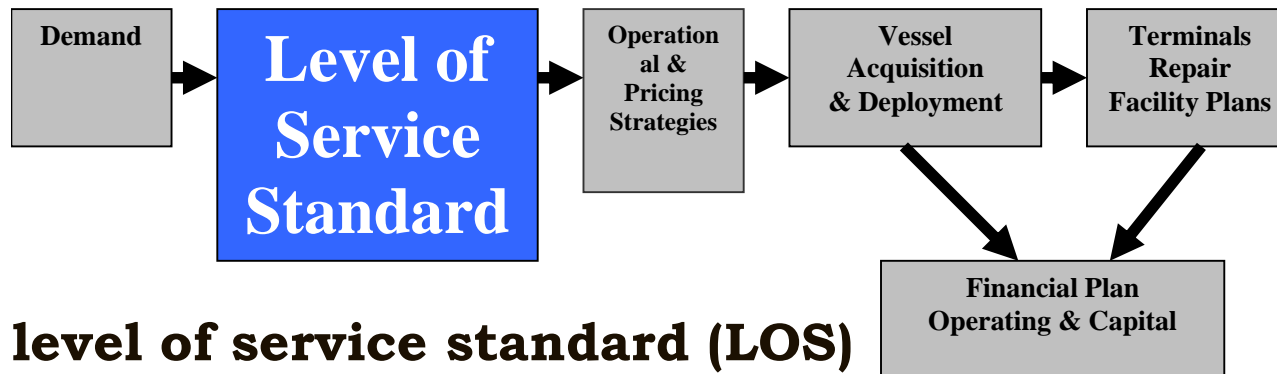
1. Contradicts some prior assumptions about ferry customers (that they are primarily commuters) & the cause of ridership declines (due to price increases).
2. Provides a basis for gauging potential reactions to operational and pricing strategies before they are implemented.
3. Provides a foundation for adaptive management practices, the essence of which is to consistently monitor the impact of changes on customer behavior and satisfaction and adapt as needed.

Findings – Survey

- Riders are generally more affluent & older than the general population in ferry served communities.
- Most ferry system trips are non-commute trips.
- Riders have some flexibility in their schedules.
- Riders are mostly satisfied with WSF.
- Most riders believe WSF is a good value.
- Reductions in ferry use are driven more by changes in lifestyle than by fare increases.
- Most Puget Sound residents use the ferry system.
- Most Puget Sound residents think the ferry system is important.

Ridership Forecast – Why important

1. Revised ridership forecast – increase is nearly half the rate of the prior forecast (36% by 2030 rather than 68%).
2. Revised ridership projection provides a more realistic basis for planning service & capital investments.
3. WSF can set a reasonable ridership goal for monitoring. If WSF's ridership varies from the projections, on-going customer survey information can identify the causes & provide a basis for management and legislative response.



Vehicle level of service standard (LOS)

- ESHB 2358 required review of vehicle standard
- LOS used to determine when more service & vessels needed
- Prior standard based on peak period boat waits
- New standard focuses on seasonal, daily system capacity
 - ✓ New standard - % of sailings filled to capacity summer, spring & winter

Why important?

Focusing on the delivery of service throughout the day, season & year will result in a more cost-efficient balance of peak and non-peak service and more cost-efficient capital investments.

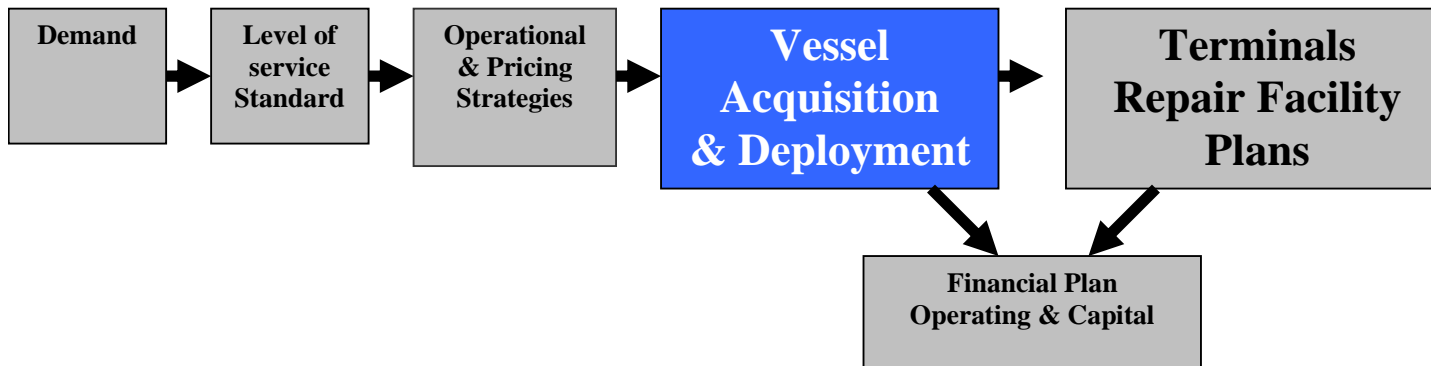


Operational & Pricing Strategies

- Goal – To get the most out of the existing system & maximize utilization of existing assets
- ESHB 2358 directed WSF to adopt adaptive management practices in its operating and capital program
- WSF reviewed all strategies identified in ESHB 2358 & others
- *Draft Long-Range Plan* proposes two types of strategies
 1. Strategies to increase walk-on use of ferries
 - a) Transit enhancements
 - b) Fare incentives for foot-passengers
 2. Strategies to level peak vehicle demand
 - a) Vehicle reservations
 - b) No charge for vehicle reservations

Why important?

1. Encouraging customers to walk-on will use existing capacity more fully.
2. The on-time arrival of vehicles to the terminal means that there will be less space required to hold vehicles at or near the terminal and less congestion on roads.
3. A reservation system should increase the use of off peak sailings.



Vessel Preservation & Replacement

- SSB 6932 –requires a systemwide vessel rebuild and replacement plan
- *JTC Draft Vessel Sizing and Timing Report – Oct. 2008*

Why important?

1. Improving vessel preservation & replacing aging vessels is critical for stable service.
2. Vessel acquisition is a significant portion of the capital plan. Less out of service time means acquiring fewer vessels.
3. WSF's 2006 plan called for standardizing the fleet – which lead to major terminal renovations & relocation plans.
4. Basing deployment decisions on % of sailings filled, % of auto capacity used & cost per auto carried will reduce operating costs.

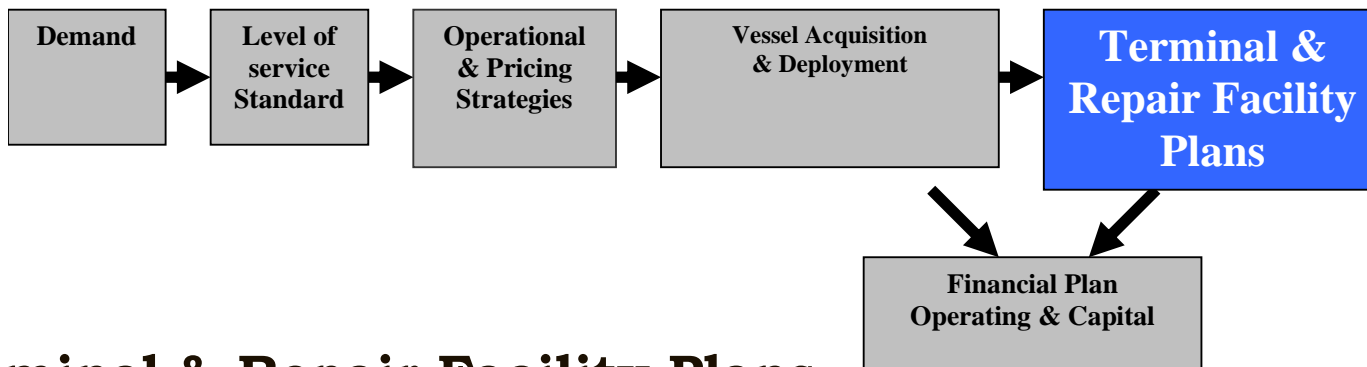
Draft Vessel Sizing & Timing Report Key Recommendations

Vessel Acquisition

- Fleet size – 21 vessels for Draft Long-Range Plan A rather than 22
- Reduce out-of-service time – 6 weeks average rather 7 per vessel per year
- New vessel acquisitions – 10 for Plan A service
 - ✓ Subject to review with revised Hyak retirement date
- Open vessel acquisition to national competition

Vessel Deployment

- Most financially significant operating decision – 60% of operating cost from vessels of which 50% variable with deployment
- Deploy smaller vessels on some routes – i.e. Pt. Defiance, Interisland, Sidney, & Bremerton
- Deploy smaller vessels on 2 boat routes to evening sailings and deploy Bremerton smaller vessel to Bainbridge in the evening.



Terminal & Repair Facility Plans

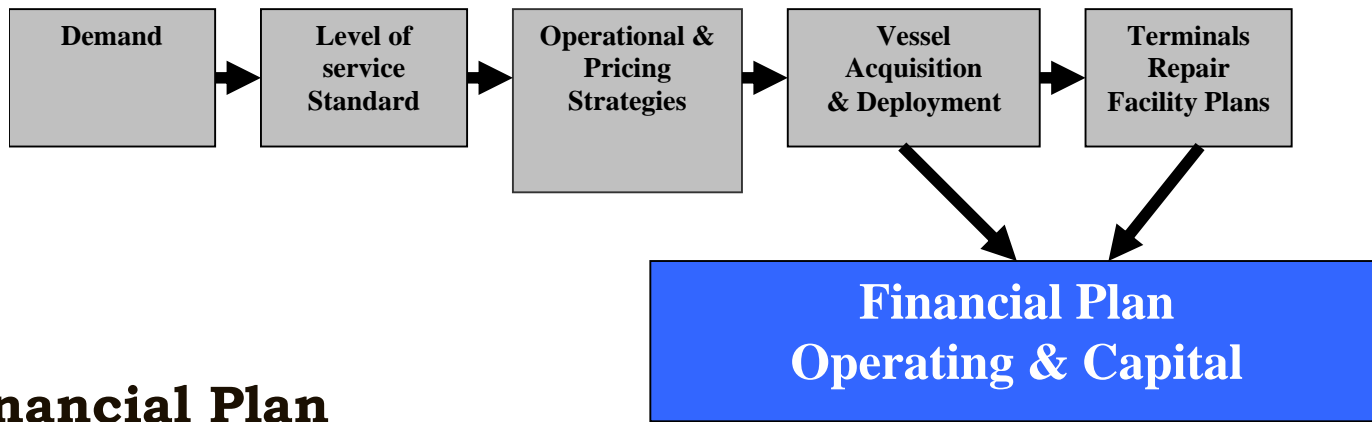
- 2007-09 capital budget – placed major terminal projects on hold
- WSF required to review its terminal life cycle cost model (LCCM)
- Pre-design studies required for all terminal improvement projects & terminal preservation projects over \$5 million

Why important?

1. Revised LCCM provides a reliable basis for planning & legislative understanding of terminal preservation needs.
2. Reduced terminal expansions and relocations represents a substantial savings to WSF' capital program & reduced long-term operating costs.
3. Pre-design studies allow the legislature & OFM to have more information before committing design & construction funding.

Terminal Plan Changes

- Need for major terminal expansions and multi-modal terminals reduced.
 - ✓ Of 3 terminal re-locations proposed in 2006 – only 1 remains in WSF's *Draft Long Range Plan* (Mukilteo)
 - ✓ Bainbridge, Anacortes, Port Townsend & Seattle projects reduced in scope
- Terminal life cycle cost model review reduced \$106 million from 2007-23 16 year financial plan.
- Pre-design studies complete for 2 projects with JTC review concurring with the recommendations.
- Pre-design process will inform *Draft Long Range Plan* proposed projects, such as reservation system costs, before the legislature approves design and construction funding.



Financial Plan

- Financial plan is a result of improved planning & strategies, cost analysis and reduction, and projections of future funding.
- Improvements in the ridership forecast, operating & pricing strategies, and revised terminal & vessel plans lowered costs of future enhancements.
- JTC conducted a series of detailed cost reviews.
- Legislature required 2 studies regarding ferry system funding:
 - ✓ WSTC – Future financing
 - ✓ WSDOT – Public/private partnerships

Why important?

1. Understanding ridership & operating costs will allow the legislature to set a reasonable expectation for fare income when adopting WSF's operations budget.
2. Ensuring the right balance between capital & operating expenses will enable WSF to be more strategic in its spending.
3. Focusing on capital staffing, administrative & indirect projects costs will ensure cost-effective delivery of WSF's capital program.
4. Distributing indirect and administrative costs to terminal & vessel projects will enable the legislature to understand the total cost of these projects.
5. Reliable estimating of the magnitude of the gap in WSF's capital and operating funding will allow decision makers to determine the system's long-term direction.

Operations Budget – JTC reviewed in 5 studies

- Operating labor costs are difficult for WSF's management to control
 - ✓ Labor agreements
 - ✓ Coast Guard requirements
 - ✓ WSF management can deploy the smallest size vessel suitable for a route which will contain costs
- Fuel costs can be reduced
 - ✓ Slowing vessels
 - ✓ Modifying docking procedures
 - ✓ Using smaller, more fuel efficient vessels on routes
- Operations management & support labor costs are reasonable
 - ✓ 10% of operations staff
- Management and support operations non-labor expenses can be reduced
 - ✓ Particularly marine insurance costs
- Fares reflect WSF's operations costs
 - ✓ WSF proposing a fuel charge to improve financial stability
- Greater ridership would help hold fares down

Capital Staffing & Administration Costs – JTC 2 studies

- Capital program staffing costs should be reviewed & reduced
 - ✓ Capital staffing should be based on the final Long-Range Plan
 - ✓ Capital program staff should focus on preservation
 - ✓ Capital staff charges to administration should be reviewed & reduced
 - ✓ Use of on-site consultants should be reviewed & reduced
- Capital program non-staffing administrative costs are generally reasonable
 - ✓ 2008 session – WSF directed to review use of Primavera scheduling system
- Indirect and administrative costs are being allocated to projects
 - ✓ Allocation methodology reviewed by JTC

Cost-Benefit Analysis

- JTC studies recommend that WSF consistently undertake cost-benefit analysis and consider the implications of its decisions for both the operating and the capital budget.

Long Term Financing

- WSTC issued a preliminary report on *Long Term Ferry Funding*
 - ✓ Will be updated in February
- JTC to review WSF's costs in its 2008 *Draft Long Range Plan*
 - ✓ Report to the Transportation Committee by March 2009.