Joint Transportation Committee

Non-Labor, Non-Fuel Operating Cost Final Report

Washington State Department of Transportation Ferries Division Financing Study II

Prepared For:
Joint Transportation Committee
Washington State Legislature

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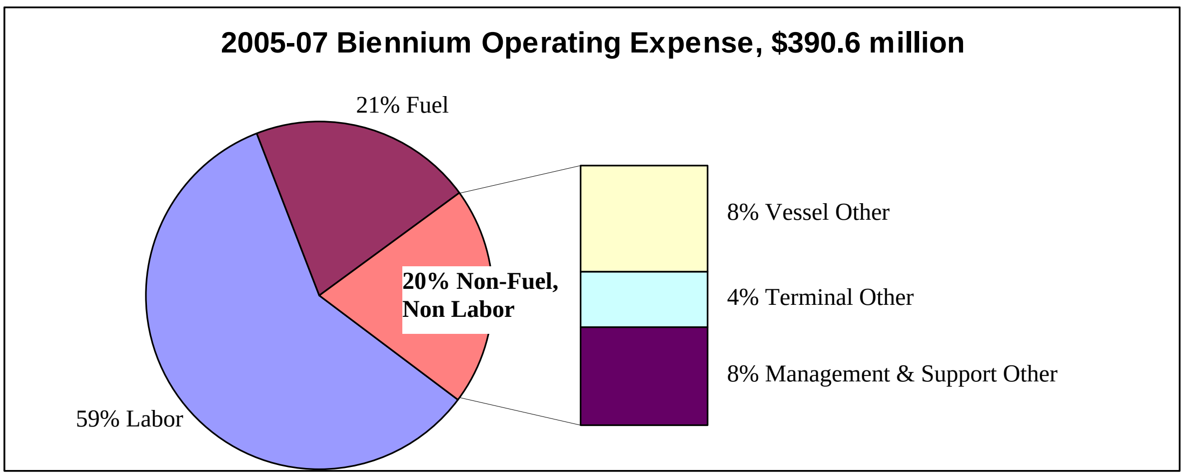
The *Washington State Ferries Financing Study Final Report,* January 2007 included a review of Ferries' operating costs, noting that 80 percent of these costs were for fuel and labor. The 2007 Legislature directed the Joint Transportation Committee (JTC) to review the other 20 percent of operating costs, specifically all Washington State Department of Transportation (WSDOT) Ferries Division (Ferries) non-labor, non-fuel operating costs (ESHB 1094 §205(1)(b)(iii)).

A. Scope of Report

The Ferries' budget is divided into an operating program, which maintains and operates the vessels and terminals, and a capital program, which preserves and improves the vessels and terminals. This report looks only at the operating program and specifically at non-labor, non-fuel expenses. These expenses totaled $79.5 million in the 2005-07 biennium, or 20 percent of all ferries operating expenses. Of the $79.5 million in non-labor, non-fuel expenses:

- $33.0 million was for vessels,
- $29.5 million for management and support, and
- $17.0 million for terminals.



Sources. The consultants reviewed the 2005-07 biennium actual expenses from Ferries' financial reports including, the FY 06 draft route statement; X program non-labor expense by subprogram report; and operating program (X) labor and fuel expenditures report.

B. Costs Related to Labor and Fuel

Of the $79.5 million in non-labor, non-fuel costs reviewed in this report, $9.6 million are related to labor and fuel expenses but were not examined in the 2007 report due to the way they are accounted for. Examples are private automobile mileage reimbursements and fuel used when vessels are on their way to or from shipyards for repair. When these expenses are combined with the labor and fuel expenses examined in 2007, the portion of Ferries' operating budget that is labor related is 61 percent and fuel expenses are 21 percent. As noted in the *Ferry Financing Study Final Report*, January 2007, between labor costs, which are largely controlled by bargaining agreements, and fuel costs, Ferries' management has little opportunity to effectively control operating costs.

C. Overview Non-Labor, Non-Fuel Costs

The largest non-labor, non-fuel costs in the 2005-07 biennium were for repairs ($25.3 million), insurance ($9.2 million), supplies and materials ($8.3 million), services ($5.6 million), rent and leases ($5.5 million), management and organizational expenses ($4.6 million), utilities ($3.9 million), private automobile mileage ($3.3 million), and merchant discount fees and bank charges ($2.6 million). Together these expenses accounted for 86 percent of all non-labor, non-fuel expenses in the biennium. The remaining 14 percent of total non-labor, non-fuel expenses were for a variety of miscellaneous expenses including communications, printing, training and other employee related costs, and advertising.

Executive Summary Non-Labor, Non-Fuel Expenses, 2005-07 Biennium

($ millions)

Non-Labor, Non-Fuel Expenses	$	%	Summary
Repairs	25.3	32%	Drydock, outside repairs, equipment
Insurance	9.2	12%	Marine insurance program
Supplies & Materials	8.3	10%	General and inventory
Services	5.6	7%	Temporary employees, charges from other state agencies
Rent & Leases	5.5	7%	Office & warehouse space, terminal leases, office machines
Management & Organizational	4.6	6%	Terminal agent contracts, consultants
Utilities	3.9	5%	Terminal utility services, vessel utilities, Eagle Harbor
Private Auto	3.3	4%	Mileage reimbursement for employees
Merchant Discount Fees	2.6	3%	Credit card fees/bank service charges
Misc.	11.2	14%	Communications, printing, training & other employee costs, etc.
Total	79.5		

D. Major Expenses

The report provides detailed information on Ferries' non-labor, non-fuel costs, including those costs that are related to labor and fuel expenses.

- **Maintenance Repairs $25.3 million –** The largest maintenance repair expenditures were for drydocking of vessels ($8.7 million); outside repairs (i.e., repairs not conducted by the Eagle Harbor Repair & Maintenance Facility) of terminals and vessels ($7.2 million); the purchase of equipment related to vessel repairs ($5.9 million); and fuel consumed by vessels during repairs ($1.7 million).
- **Insurance $9.2 million –** These expenses are reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008. That report included three recommendations to review insurance costs and improve Ferries insurance claims management.

- **Supplies and Materials $8.3 million –** These expenses include the purchase of general supplies ($4.7 million); supplies, such as cleaning materials, issued from the Ferries' inventory ($2.4 million).[1]
- **Services $5.6 million –** The largest expenditures are in a category called "other services" in Ferries' accounting system ($1.1 million), which includes expenses such as participation in oil spill contingency planning, payments to Kitsap Transit for Ferries' share of the Bremerton transit center costs, and a wide variety of other services. Ferries spent $1.1 million on temporary employee services and $1.0 million on services by other state agencies, both of which are reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008.
- **Rent and Leases $5.5 million –** These expenses include $1.1 million for terminal leases. There are also $4.4 million in rent and leases costs reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008 for Ferries' offices, warehouse, and office equipment.
- **Management and Organizational $4.6 million** – These expenses include $1.8 million for consultants reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II*, April 2008; $2.5 million for terminal agent contracts; and $0.3 million of miscellaneous expenditures. The *Management and Supports Cost Draft Report* included a recommendation to review the use of long-term on-site consultants.
- **Utilities $3.9 million –** Utilities expenses were for terminal utility services ($2.8 million), vessel utilities ($0.5 million), and electrical and other utility expenses at the Eagle Harbor Maintenance and Repair Facility and the north region training office ($0.6 million).
- **Private Automobile Mileage $3.3 million –** Ferries' staff receive private automobile mileage reimbursement whenever a personal vehicle is used for business travel. The costs per employee for private automobile mileage reimbursement for the 2005-07 biennium ranged from $606 per terminal operations employee to $4,523 per engine crew employee. Mileage is paid in accordance with Ferries labor agreements.
- **Merchant Discount Fees $2.5 million/Bank Service Charges $0.1 million –** Merchant discount fees and bank service charges were reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008. A recommendation was included in that report to potentially reduce merchant discount fee expenses.

[1] Ferries accounts for general supplies and materials separately from supplies that enter the Ferries' inventory. General supplies and materials include items that are ordinarily consumed within one year. These items are not entered into the Ferries' inventory.

E. Non-Labor, Non-Fuel Cost Recommendation

Terminal Agent Contracts

In the 2005-07 biennium, Ferries spent $2.5 million on terminal agent contracts to provide services at four San Juan Island terminals (Orcas, Friday Harbor, Shaw, and Lopez) and at the Sidney B.C. terminal. Ferries has extended the terminal agent contracts, or assigned them to associates of retiring agents, frequently without a competitive process.[2]

In recent years Ferries has not bid the contracts in order to complete various analyses and operational adjustments, such as the move to the electronic fare system. Contracts have been in place since 1977 at Orcas Island and at Lopez since 1986. The contract at Sidney was competitively bid in 2004, the Shaw Island contract was assigned in 2004 without a competitive process, and the Friday Harbor contract was assigned in 2002 (the original contract had been awarded 11 years earlier through a competitive process.)

Ferries is currently developing extensions of the existing agent contracts that offer consumer price index increases for the period 2006-2011, with the exception of Lopez Island which is anticipated to have a larger adjustment due to an operational analysis.

> ***Recommendation:*** Ferries should enter into a competitive process for terminal agent services as the contracts expire to ensure that it is receiving the best combination of service and value.

> ***WSDOT Response:*** Concur with regards to Friday Harbor, Lopez Island and Orcas Island terminal agent contracts. Unique circumstances at Shaw and Sidney may affect the method for selecting these agents in the future.

[2] In 1985 Ferries received an interpretation from the Attorney General that it could enter into terminal agent contracts without competitive bid under RCW 47.60.010, although the Attorney General recommended that the contracts be competitively bid to avoid any inference of favoritism.

Section I.
Purpose and Scope of Review

A. Purpose

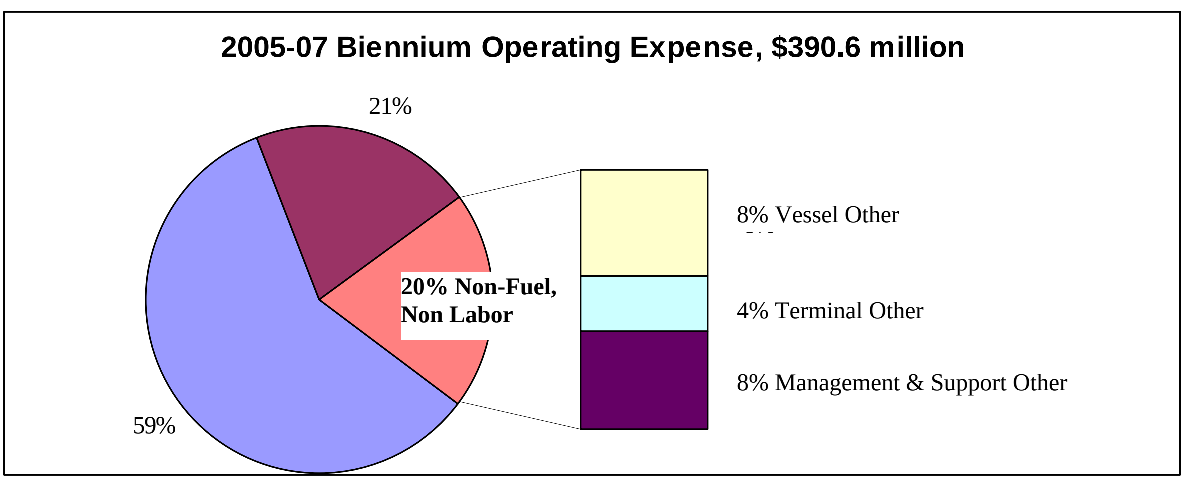
The *Washington State Ferries Financing Study Final Report*, January 2007 included a review of Ferries' operating costs, noting that 80 percent of these costs were for fuel and labor. The 2007 Legislature directed the Joint Transportation Committee (JTC) to review the other 20 percent of operating costs, specifically all Washington State Department of Transportation (WSDOT) Ferries Division (Ferries) non-labor, non-fuel operating costs (ESHB 1094 §205(1)(b)(iii)). This report provides information that will be useful to the long-term financing studies currently being conducted, at the direction of the legislature, by the JTC and the Washington State Transportation Commission (WSTC) (ESHB 1094 § 206(2) & § 205 (1) (c) (ii)).

B. Scope of Report

The Ferries' budget is divided into an operating program, which maintains and operates the vessels and terminals, and a capital program, which preserves and improves the vessels and terminals. This report looks only at the operating program and specifically at non-labor, non-fuel expenses.

In the 2005-07 biennium, non-labor, non-fuel expenses accounted for 20 percent or $79.5 million of Ferries' total operating costs of $390.6 million. The $79.5 million non-labor, non-fuel operating expenses consisted of: $33.0 million for vessels, $29.5 million for management and support, and $17.0 million for terminals.

Figure 1
Operating Expense, 2005-07 Biennium



C. Sources and Methods

The consultants used data from the most recent full biennium – 2005-07.

Ferries has cooperated fully in the development of this report. The 2005-07 biennium information that the consultants analyzed for this report was provided by Ferries' finance systems.

The reports Ferries provided and the consultants used included:

- FY 06 draft route statements
- X program non-labor expenses by subprogram
- Operating program (X) labor and fuel expenditures

The consultants also used information received in developing three prior reports: (1) *Washington State Ferries Financing Study Final Report,* January 2007, *Appendix E Operating Budget Review;* (2) *Auto-Passenger Vessel Preservation and Replacement Final Report of WSDOT Ferries Division Financing Study II,* January 2008[3]; and (3) *Management and Support Costs Draft Report of WSDOT Ferries Division Financing Study II*, April 2008. [4]

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[3] The *Auto-Passenger Vessel Preservation and Replacement Final Report, WSDOT Ferries Division Financing Study II,* January, 2008 reviews vessel maintenance expenses for the 2005-07 biennium including engine operations expenses in the X1 vessel operations sub-program and Eagle Harbor Maintenance & Repair Facility expenses in the X4 vessel maintenance sub-program.

[4] The *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008 reviews $29.5 million in management support non-labor, non-fuel costs included in the X3 operation management and support, X7 maintenance management and support, X8 finance and administration, and X9 executive management sub-programs.

Section II.
Overview Non-Labor, Non-Fuel Costs

This section provides an overview of non-labor, non-fuel costs. The next three sections provide a more detailed review of these costs by terminals, vessels, and management and support costs. This section notes that a total of $9.9 million of expenses that are accounted for as non-labor, non-fuel costs are directly related to labor and fuel – further indicating the limited discretion Ferries has over its operating expenses.

A. Non-Labor, Non-Fuel Costs

1. Costs Related to Labor and Fuel

Of the $79.5 million in non-labor, non-fuel costs reviewed in this report, $9.6 million are actually related to labor and fuel prices. Labor related expenses of $7.9 million are accounted for as non-labor expenses in the state accounting system, and thus were not examined in a 2007 review of Ferries' fuel and labor expenses. The $7.9 million of costs related to labor and fuel include such expenses as $3.3 million for private automobile mileage, $1.2 million for uniforms, $1.1 million for maintenance and cure payments[5], and $0.4 million for crew meals that are mandated by labor agreements and/or state or federal regulations. The repairs expenses include $1.7 million in vessel fuel used while vessels are being repaired.

When these expenses are combined with labor and fuel expenses, the portion of Ferries' operating budget that is labor related is 61 percent and fuel expenses are 21 percent. As noted in the *Ferry Financing Study Final Report*, January 2007, between labor costs, which are largely controlled by bargaining agreements, and fuel costs, Ferries' management has little opportunity to effectively control operating costs.

Table 1.
Labor and Fuel Related Costs, 2005-07 Biennium
($ millions)

Labor Related Items	$	Fuel Related Items	$
Private Automobile Mileage	3.3	Vessel Fuel Used During Repairs	1.7
Uniform Clothing	1.2		
Maintenance & Care Payments	1.1		
Training & Employee Recognition	0.6		
Lodging/Meals	0.4		
Laundry Rental Services	0.4		
Commute Trip Reduction	0.3		
Drug Testing	0.2		

[5] Maintenance and cure payments are payments to vessel employees when they are injured. Vessel employees are excluded from the Labor and Industries' Workers' Compensation and covered under the Jones Act instead.

Labor Related Items	$	Fuel Related Items	$
Crew Meals	0.2		
Physical Exams	0.1		
Employee Safety Award	0.1		
Total Labor and Fuel Related Costs	7.9		1.7
Costs Accounted for as Labor/Fuel	230.5		80.6
Total	238.4		82.3
% Labor and Fuel Related Costs	61%		21%

2. Major Non-Labor, Non-Fuel Costs

The largest non-labor, non-fuel costs in the 2005-07 biennium were for repairs ($25.3 million), insurance ($9.2 million), supplies and materials ($8.3 million), services ($5.6 million), rent and leases ($5.5 million), management and organizational expenses ($4.6 million), utilities ($3.9 million), private automobile mileage ($3.3 million), and merchant discount fees[6]and bank charges ($2.6 million). Together these expenses accounted for 86 percent of all non-labor, non-fuel expenses in the biennium. The remaining 14 percent of total non-labor, non-fuel expenses were for a variety of expenses including communications, printing, training and other employee related expenses, and advertising.

Table 2.
Summary Non-Labor, Non-Fuel Costs, 2005-07 Biennium
($ millions)

	Terminals	Vessels	Management & Support	Total	%
Budget	X2 & X6	X1 & X4	X3, X7, X8, X9	$	of total
Repairs	4.7	20.5	0.1	25.3	32%
Insurance			9.2	9.2	12%
Supplies & Materials	1.7	5.9	0.7	8.3	10%
Services	1.6	0.3	3.7	5.6	7%
Rent & Leases	1.1		4.4	5.5	7%
Management and Organizational	2.5		2.1	4.6	6%
Utilities	2.8	0.5	0.6	3.9	5%
Private Automobile Mileage	0.3	3.0		3.3	4%
Merchant Discount Fees/Bank Charges			2.6	2.6	3%
Communications	0.3	0.1	1.1	1.5	2%
Printing, Books			1.3	1.3	2%
Equipment - IT & Non-Inventoried, Furnishings	0.3	0.5	0.4	1.2	2%
Transportation Equipment Fund Rental/Parts	0.9		0.2	1.1	1%
Maintenance & Cure Payments		1.1		1.1	1%
Payments to Attorney General			0.9	0.9	1%
Miscellaneous Other Expenses	0.4	0.1	0.4	0.9	1%
Training & Employee Recognition	0.1	0.2	0.3	0.6	1%
General Repairs/Office Machine Maintenance	0.1	0.1	0.2	0.4	1%
Lodging/Meals		0.3	0.1	0.4	1%

[6] Merchant discount fees are charges paid by vendors on credit card transactions.

	Terminals	Vessels	Management & Support	Total	%
Info Technology Services			0.3	0.3	0%
Payments to OEO			0.3	0.3	0%
Advertising			0.2	0.2	0%
Facilities & Services			0.2	0.2	0%
Personnel Services	0.1		0.1	0.2	0%
Crew Meals		0.2		0.2	0%
OSC Services			0.1	0.1	0%
Employee Safety Award		0.1		0.1	0%
Interest		0.1		0.1	0%
Other Fuel	0.1			0.1	0%
Total	17.0	33.0	29.5	79.5	

B. Maintenance Repairs

The largest non-labor, non-fuel expense in the 2005-07 biennium was for maintenance repairs, which totaled $25.3 million representing 32 percent of total non-labor, non-fuel expenses. Vessel maintenance repair expenses ($20.5 million) were larger than terminal maintenance repair expenses ($4.7 million) in the biennium.

Maintenance Repair expenditures are summarized in the table below. The largest maintenance repair expense of $8.7 million was for vessel drydocking. Outside maintenance repairs to terminals were $3.8 million and to vessels were $3.3 million. Outside maintenance repairs are those done by contractors rather than the Eagle Harbor Repair & Maintenance Facility, including repairs made at shipyards and by contractors at terminals. The maintenance repair budget also includes equipment purchased from outside vendors to support vessel maintenance repairs ($5.9 million) and fuel consumed by vessels during maintenance repairs ($1.7 million).

Table 3.
Summary Repair Costs, 2005-07 Biennium
($ millions)

	Vessel Maintenance	Vessel Operations	Terminal Maintenance	Maintenance Management & Support	Total	% of
	X4	X1	X6	X7		Total
Drydock	8.7				8.7	34%
Outside Repairs	0.9	2.4	3.8	0.1	7.2	28%
Equipment Purchases	2.8	3.1			5.9	23%
Petroleum Based Products*		1.7			1.7	7%
General Repairs			0.9		0.9	4%
Inspection Fees	0.5				0.5	2%
Turbochargers	0.1	0.1			0.2	1%
Propane & Other Gases		0.1			0.1	0%
Towing		0.1			0.1	0%
Total	13.0	7.5	4.7	0.1	25.3	

* Fuel consumed during repairs.

C. Insurance

The second largest non-labor, non-fuel expense is for insurance, with total costs of $9.2 million charged to the Ferries budget in the 2005-07 biennium. Insurance costs are reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008 which includes recommendations to review insurance costs and improve Ferries' claims management:

> ***Recommendation from prior report:*** The Office of Financial Management (OFM) and Ferries should review the marine insurance program to determine whether it is cost-effective versus being self-insured, including its terminal property, hull and machinery, war risk and liability coverages.
>
> ***Recommendation from prior report:*** If OFM and Ferries conclude that it is cost-effective to continue to retain commercial insurance, the coverages and deductibles should be reviewed.
>
> ***Recommendation from prior report:*** Ferries should confirm that it has a full understanding of the coverages provided if it continues to procure commercial insurance and ensure that implementation of the administrative cost allocation requirements of ESHB 2358 meets Ferries' claims management needs.

D. Supplies and Materials

The third largest non-labor, non-fuel expense in the 2005-07 biennium was $8.3 million for supplies and materials including: the purchase of general supplies ($4.7 million); supplies, such as cleaning materials, issued from the Ferries' inventory ($2.4 million); [7] and uniform clothing expenses ($1.2 million).

Table 4.
Summary Supplies & Materials Costs, 2005-07 Biennium
($ millions)

	Vessel Maintenance X4	Vessel Operations X1	Terminal Maintenance X6	Terminal Operations X2	Operations Maintenance & Support X3	Maintenance Management & Support X7	Executive Management X9	Total $	% of Total
General Supplies and Materials	1.6	1.3	1.1	0.1	0.3	0.1	0.2	4.7	57%
Inventory Issued Supplies		2.1		0.3				2.4	29%
Uniform Clothing		0.9		0.2	0.1			1.2	14%
Total	1.6	4.3	1.1	0.6	0.4	0.1	0.2	8.3	

E. Services

The fourth largest non-labor, non-fuel expense in the 2005-07 biennium was $5.6 million for services. The largest expense of $1.1 million was for a category identified as "other services" in the Ferries accounting services. Examples of charges in the other services category include: payments to the Washington State Maritime Cooperative for Ferries

[7] Ferries accounts for general supplies and materials separately from supplies that enter the Ferries' inventory. General supplies and materials include items that are ordinarily consumed within one year. These items are not entered into the Ferries' inventory.

participation in oil spill contingency planning ($0.3 million), payments to Kitsap Transit for Ferries share of the Bremerton transit center costs ($0.2 million), diving assistance, oil and bilge waste management for marine vessels, alarm monitoring at Ferries' terminals and warehouse, rodent control, drinking water service at all Ferries' locations, and a wide variety of other services.

Ferries spent $1.1 million on temporary employee services, including information technology support, all in the management and support sections.[8] An additional $1.0 million was spent on services by other state agencies, which included Ferries' share of the new human resources system and on-going payroll services, OFM labor relations staff, risk management charges, and Risk Management Administration Account Fund 546 charges for the insurance broker fee for the marine insurance program.[9]

Table 5.
Summary Services Costs, 2005-07 Biennium
($ millions)

	Vessel Operations	Terminal Maintenance	Terminal Operations	Operations Maintenance & Support	Maintenance Management & Support	Finance & Administration	Executive Management	Total	% of
	X1	X6	X2	X3	X7	X8	X9	$	Total
Other Services	0.1		0.3	0.4		0.2	0.1	1.1	20%
Temporary Services				0.3	0.1	0.3	0.4	1.1	20%
Services By Other State Agencies				0.2		-0.1	0.9	1.0	18%
Services by Other Governments		0.1	0.4		0.1			0.6	11%
Laundry Rental Services			0.4					0.4	7%
Miscellaneous Services	0.2	0.1	0.1					0.4	7%
Commute Trip Reduction						0.3		0.3	5%
Armored Car Services			0.2					0.2	4%
Drug Testing							0.2	0.2	4%
Information Tech Support				0.1				0.1	2%
Physical Exams							0.1	0.1	2%
Janitorial & Cleaning Services						0.1		0.1	2%
	0.3	0.2	1.4	1.0	0.2	0.8	1.7	5.6	

F. Rent and Leases

The fifth largest non-labor, non-fuel expense in the 2005-07 biennium was $5.5 million for rent and leases. Rent and leases on Ferries' properties totaled $4.8 million, including $2.4 million for the headquarters office, $0.8 million for the Seattle warehouse, $0.2 million for the training facility, $0.3 million of one-time move related costs for the move to the new headquarters location, and $1.1 million for terminal leases. Other rental costs were for the use of meeting rooms and other temporary uses which totaled $0.5 million for the biennium and rent of copy machines and equipment.

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[8] See *Management and Support Costs Draft Report, Washington State Department of Transportation Ferries Division Financing Study II* April 2008, for a discussion of the use of temporary employees. Temporary employees were used in the 2005-07 biennium to meet short-term needs created by vacancies and by vacation and peak workloads. Ferries also used temporary employees to provide support for on-going work where permanent positions were not available.

[9] See *Management and Support Costs Draft Report, Washington State Department of Transportation Ferries Division Financing Study II* April 2008, for a discussion of these services.

Table 6.
Summary Rent & Lease Costs, 2005-07 Biennium
($ millions)

	Terminal Operations	Operations Maintenance & Support	Maintenance Management & Support	Finance & Administration	Total	% of
	X2	X3	X7	X8	$	Total
Rent & Leases - Property/Ferries Division					4.8	87%
2901 3rd Ave. - Headquarters				2.4		
One-time move in costs - Headquarters		0.3				
Seattle Warehouse				0.8		
North Region OfficeTraining Facility		0.2				
Terminal Leases	1.1					
Rent & Leases - All Other Property				0.5	0.5	9%
Rent & Leases - Copy Machines		0.1			0.1	2%
TEF* Equipment Rentals			0.1		0.1	2%
Total	1.1	0.6	0.1	3.7	5.5	
*Transportation Equipment Fund						

G. Management and Organizational

In the 2005-07 biennium, Ferries spent $4.6 million on management and organizational expenses which included: $2.5 in terminal operations for terminal agents, $1.8 million on consultants in the management and support divisions[10], and $0.3 million in miscellaneous expenses. Consultants costs are reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008 which includes:

> ***Recommendation from prior report:*** Ferries should review its use of long-term on-site consultants.

H. Utilities

In the 2005-07 biennium, Ferries spent $3.9 million on utilities charges of which $2.8 million was for terminal utility services; $0.5 million was for vessel utilities, primarily hazardous material disposal and bilge dumping; and $0.6 million was for electrical and other utility services at the Eagle Harbor Maintenance and the training facilities.

Table 7.
Summary Utility Costs, 2005-07 Biennium
($ millions)

	Terminal Operations	Vessel Operations	Maintenance Management & Support	Total	% of
	X2	X1	X7	$	Total
Electricity	1.1		0.5	1.6	41%
Other Utilities	1.4	0.1	0.1	1.6	41%
Water	0.3			0.3	8%
Hazardous Material Disposal		0.2		0.2	5%
Bilge Pumping		0.2		0.2	5%
Total	2.8	0.5	0.6	3.9	

[10] See *Management and Support Costs Draft Report, Washington State Department of Transportation Ferries Division Financing Study II* April 2008, for a discussion of consultant use in the 2005-07 biennium. A long-term on-site consultant was used to coordinate and promote non-farebox revenues.

I. Private Automobile Mileage

In the 2005-07 biennium, Ferries spent $3.3 million on private automobile mileage payments to employees, with $1.8 million spent on vessel engine room employees, $1.2 million on vessel deck employees, $0.2 million on terminal operating staff, and $0.1 million on Eagle Harbor staff working on terminal maintenance.

Staff receive private automobile reimbursement whenever a personal vehicle is used for business travel. The costs per employee for the biennium ranged from $4,523 per engine crew employee to $606 per terminal operations employee.

Mileage reimbursement is consistent with current collective bargaining agreements.[11] Reimbursement is at the rate approved for state employees by OFM.

The bargaining agreements under which the largest private automobile mileage reimbursement occurs are:

- *IBU (Inlandboatmen's Union of the Pacific, Marine Division, International Longshore and Warehouse Union)* representing unlicensed deck staff, terminal staff, information agents, and the shoregang at Eagle Harbor.
- *MM&P (International Organization of Masters, Mates and Pilots)* representing licensed deck personnel.
- *MEBA (Marine Engineering Beneficial Association)* which has two bargaining units, one representing licensed engine room staff and one representing unlicensed engineering room staff.

Mileage reimbursement is concentrated in relief and on-call employees who fill in at terminals and on vessels when regular staff are not available. Relief and on-call employees are entitled to mileage reimbursement when they are assigned away from their regular or nearest terminal or route.

Represented employees also receive mileage reimbursement when attending training classes.

Section IV of this report discusses mileage reimbursement under the MEBA contract that lead to the higher per employee reimbursement for engine room crews. Engine room crews are assigned to particular vessels, and if the vessel is re-assigned or docked for maintenance, the engine room crew is entitled to mileage reimbursement.

[11] Labor agreements are reviewed in the *Washington State Ferries Financing Study Final Report, Technical Appendix 5: Operating Budget Review*, p. 33-34.

Table 8.
Summary Private Automobile Mileage Reimbursement
2005-07 Biennium

	Vessel Operations		Terminal Maintenance	Terminal Operations	Total
	X1		X6	X2	$
	Deck	Engine			
Private Automobile Mileage*	1.2	1.8	0.1	0.2	3.3
# of employees**	648	398	112	330***	
Average reimbursement/employee	$1,852	$4,523	$893	$606	

* ($ millions) **Sept. 2005 *** Excluding 6 custodians

J. Merchant Discount Fees/Bank Charges

In the 2005-07 biennium, Ferries expended $2.5 million on merchant discount fees, which are charges from credit card companies incurred when customers use credit cards to pay for tickets, and $0.1 million in bank fees. Merchant discount costs are reviewed in the *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II,* April 2008. That report includes a recommendation intended to reduce merchant discount fee charges:

> ***Recommendation from prior report:*** Ferries should consider accepting only Visa and MasterCard which have lower merchant discount fees.

Section III.
Terminal Non-Labor, Non-Fuel Costs

This section reviews Ferries non-labor, non-fuel costs of operating and maintaining its 20 terminals. In the 2005-07 biennium, these costs totaled $17.0 million or 4 percent of Ferries total operating costs.

A. Overview

Terminal expenses are in two sections of the Ferries operating budget: terminal operations (X2) and terminal maintenance (X6). In the 2005-07 biennium, terminal operations had non-labor, non-fuel expenses of $9.3 million. Terminal maintenance, which includes Eagle Harbor and contracted maintenance expenses, had non-labor, non-fuel expenses of $7.7 million.

B. Terminal Operations Non-Labor, Non-Fuel Expenses

Terminal operations expenses of $9.3 million for the 2005-07 biennium are shown in the table below. Ninety percent (90 percent) of terminal operations non-labor, non-fuel costs were for utilities ($2.8 million), management and organizational expenses ($2.5 million), services ($1.4 million), rents and leases ($1.1 million), and supplies and materials ($0.6 million). These expenses are discussed in more detail below. The remaining 10 percent of terminal operations non-labor, non-fuel expenses were for a variety of expenses including communications, private automobile mileage, and miscellaneous services.

Table 9.
Terminal Operations Non-Labor, Non-Fuel Expenses, 2005-07 Biennium
($ millions)

Budget Item	$	% of total
Utilities	2.8	30%
Management & Organizational	2.5	27%
Services	1.4	15%
Rent & Leases	1.1	12%
Supplies & Materials	0.6	6%
Communications	0.3	3%
Private Automobile Mileage	0.2	2%
General Repairs/Office Machine Maintenance	0.1	1%
Other Fuel	0.1	1%
Other Personal Services	0.1	1%
Misc. Other Expenses	0.1	1%
Total Terminal Operations	9.3	100%

1. Utilities

Terminal utilities cost a total of $2.8 million in the 2005-07 biennium. As shown in the table below, general utility bills were $1.2 million, electricity $1.1 million, water $0.3

million, and miscellaneous other utilities, such as natural gas and hazardous waste disposal, $0.2 million.

Table 10.
Terminal Operations Utility Expenses, 2005-07 Biennium
($ millions)

Utility	$	% of total
General	1.2	43%
Electricity	1.1	39%
Water	0.3	11%
Misc.	0.2	7%
Total Utilities	2.8	

2. Management and Organizational

Management and organizational expenses in terminal operations are for contract terminal operators in the San Juans. Total expenses in the 2005-07 biennium were $2.5 million.

a. History of Terminal Agent Contracts[12]

Former Assistant Attorney General Robert McIntosh wrote a memo in 1985 that analyzed, among other topics, the final sentence in RCW 47.60.010[13] as it pertains to the San Juan Island terminal agent contracts. The Attorney General concluded that the statute does not require competitive bid, but recommended that the terminal agent contracts be competitively bid to avoid any inference of favoritism.

In 1985, WSF cancelled its bid process for a multi-island agent contract following actions by the Inland Boatmen's Union of the Pacific (IBU) to have this work within their jurisdiction. In exchange for the IBU's withdrawal of its claimed representation, Ferries stopped the bid process and negotiated new contracts with the (then) existing agents. Since that time, Ferries has issued competitive bids for the Friday Harbor terminal agent contract (due to the agent's retirement) and the Sidney, B.C. terminal agent contract (since replaced by a service agent contract).

Generally, Ferries has elected to extend existing terminal agent contracts in order to complete an updated terminal operations analysis for each terminal to address agent fee issues; to bring all of the agent contracts into the same fiscal year duration; and to allow for Ferries' implementation of new electronic fare collection, communications and reservation system for all terminals in the San Juan Islands. While Ferries was working on these tasks, some of the existing agents were also contemplating retirement.

[12] All of the information on terminal agent contracts was provided by Ferries Director of Legal Services and Contracts.

[13] "In addition to the powers of acquisition granted by this section, the department is empowered to enter into any contracts, agreements, or leases with any person, firm, or corporation and to thereby provide, on such terms and conditions as it shall determine, for the operation of any ferry or ferries or system thereof, whether acquired by the department or not."

In recent years, Ferries has maintained the existing agent contracts pending completion of the above tasks, in order to possibly re-consider a competitive proposal process for a unified, multi-island agent contract for management and communication consistency, and expected cost efficiencies. In 2004, Ferries accepted the assignment of the Shaw Island agent contract to the current agent, a condition of the sale of the Shaw Island upland property by the former agent, the Franciscan Service Corp., to the current agent. (Shaw Island is the only terminal in the San Juans where WSDOT does not own the upland property.)

Currently, Ferries is developing extensions of the existing agent contracts that offer consumer price index (CPI) increases to the agent fees for the period 2006-2011, with the exception of Lopez Island which is likely to have an agent fee adjustment (similar to Shaw Island[14]) due to an operational analysis. Ferries has not made a decision whether to seek competitive proposals for a unified agent contract, but such determination is necessary before Ferries pursues a new, individual agent contract for each Island (generally five years, with a five year option).

Agent services are detailed within five main categories in the agent contracts: administrative, ticket sales and collection, operations, reporting, and communications. The agents must attend to all terminal equipment, including the operation of the transfer span for each vessel arrival and departure, and assist with the loading/unloading of vehicles and passengers.

Ferries furnishes and maintains all utilities at the terminals, including light, water, heating and phone service, all pursuant to Ferries' utility accounts. Ferries also reimburses the agents for garbage disposal services and restroom holding tank pumping services, at actual service invoice cost, as submitted by the agent.

b. Duration of Terminal Agent Contracts

The table below shows the terminal agent contracts by terminal, the 2005-07 expense, 2008 fiscal year expense and how long the contract has been in place.

> ***Recommendation:*** Ferries should enter into a competitive process for terminal agent services as the contracts expire to ensure that it is receiving the best combination of service and value.

Table 11.
Terminal Operations Terminal Agent Contracts
($ millions)

Terminal	Agent	05-07 Fee	08 Fee	Contract Since
Orcas	Russells at Orcas	0.8	0.5	1977 (2)
Friday Harbor	Anchor Management Services	0.6	0.3	2002 (3)
Shaw	Captains Landing Inc.	0.4	0.2	2004 (4)

[14] The Shaw Island terminal agent contract includes a 95.54 percent fee adjustment due to Ferries' operational analysis retroactive to December 1, 2006.

Terminal	Agent	05-07 Fee	08 Fee	Contract Since
Lopez	McKel	0.4	0.2 (1)	1986 (5)
Sidney	Flair Hospitality	0.3	0.2	2004 (6)
Total		2.5	$1.4	

(1) Subject to pending terminal operational analysis adjustment.
(2) Former agent was Patricia Klossner who sold the adjoining Orcas Fuel Dock business to the Russells who then became the terminal agents.
(3) On-site manager to the former agent (Aeronautical Services, Inc.) which voluntarily terminated contract due to asserted inability to make a profit. ASI was agent for 11 years following a competitive proposal/selection process.
(4) Assigned from former agent (Franciscan Service Corp.) due to FSC sale of terminal upland property.
(5) Manager of former agent (Forest Foss) who retired.
(6) Awarded following a 2004 competitive proposal process. Flair Hospitality Group, with different management, was agent from 1987-2004 following a prior competitive proposal process.

WSDOT Response: We concur with the recommendation as it pertains to the Friday Harbor, Lopez Island and Orcas Island terminal agent contracts, following the 2011 expiration of the contracts. As with former competitive processes for the Friday Harbor and Sidney, B.C. agent contracts, a request for proposals process will be utilized to secure the most advantageous proposal, considering management, operations, price and other evaluation factors.

Shaw Island is the only terminal in the San Juans where WSDOT does not own the upland property at the landing. Because of the unique property situation at Shaw Island, a continuation of the existing agent contract may be in Ferries' best interest, as was the case with the former agent, the Franciscan Service Corporation.

In 2007, a subsidiary of BC Ferries became the lessee of the Sidney, B.C. ferry terminal. In 2008, Ferries entered into a three year license agreement for operations at the terminal, through February 28, 2011. Ferries has an option to extend the license for up to two additional years subject to renegotiation of the license fee. Ferries' on-site service agent at Sidney is Flair Hospitality Group, Inc. which is also under contract to the terminal lessee for operation of the terminal. These unique circumstances may affect the method and manner of contracting for future service agent contracts at Sidney.

3. Services

Services expenses in terminal operations totaled $1.4 million in the 2005-07 biennium. Expenses included laundry services ($0.4 million); other services, including fire district and fire protection services and payments to water districts ($0.4 million); Sidney terminal property taxes ($0.3 million); armored car services ($0.2 million); and miscellaneous services, primarily janitorial and cleaning services ($0.1 million).

Table 12.
Terminal Operations Services Expenses,
2005-07 Biennium

($ millions)

Service	$	% of total
Laundry Rental Services	0.4	29%
Other Services	0.4	29%
Sidney Property Taxes	0.3	21%
Armored Car Service	0.2	14%
Misc. Services	0.1	7%
Total Services	1.4	

4. Rent and Leases

Rent and lease expenses in terminal operations totaled $1.1 million in the 2005-07 biennium, of which $0.9 million or 82 percent was for terminal lease payments, and $0.2 million or 18 percent was for meeting rooms, equipment, and other miscellaneous rentals. The table below shows the terminal lease payments for the biennium.

Table 13.
Terminal Operations Terminal Leases Expenses,
2005-07 Biennium

($ millions)

Terminal	Owner	
Kingston	Port of Kingston	0.3
Sidney	Town of Sidney	0.2
Anacortes	Port of Anacortes	0.4
Total		0.9

5. Supplies and Materials

Supplies and materials in terminal operations totaled $0.6 million in the 2005-07 biennium, of which $0.3 million was for ticketing, restroom, and janitorial supplies issued from the Ferries inventory; $0.2 million was for uniform clothing; and $0.1 million was for other supplies and materials.

Table 14.
Terminal Operations Supplies & Materials Expenses,
2005-07 Biennium

($ millions)

Materials and Supplies	$	% of total
Inventory Issued Supplies	0.3	50%
Uniform Clothing	0.2	33%
Other Supplies and Materials	0.1	17%
Total	0.6	

C. Terminal Maintenance Non-Labor, Non-Fuel Expenses

Terminal maintenance non-labor, non-fuel expenses of $7.7 million are shown in the table below. Terminal maintenance expenses are divided into two sub-programs: repairs and maintenance done by the Eagle Harbor Maintenance and Repair Facility ($2.9 million) and contracted maintenance ($4.8 million). Seventy-five percent (75%) of terminal maintenance expense was for general repairs ($4.7 million) and supplies and materials ($1.1 million). These expenses are discussed in more detail below. The remaining 25 percent of expenses were for transportation equipment fund charges, equipment and tools, services, and other miscellaneous charges.

Table 15.
Terminal Maintenance Non-Labor, Non-Fuel Expenses, 2005-07 Biennium
($ millions)

	Eagle Harbor	Contracted	Total	
General Repairs	0.1	4.6	4.7	61%
Supplies & Materials	1.1		1.1	14%
Transportation Equipment Fund Equipment Rental	0.5		0.5	6%
Transportation Equipment Fund – Ferries Parts & Supply	0.4		0.4	5%
Equipment, Tools, IT	0.3		0.3	4%
Services	0.1	0.1	0.2	3%
Private Automobile Mileage	0.1		0.1	1%
Training	0.1		0.1	1%
Miscellaneous	0.2	0.1	0.3	4%
Total	**2.9**	**4.8**	**7.7**	

1. General Repairs

The general repairs expense of $4.7 million in the 2005-07 biennium included $3.8 million in outside repairs and $0.9 million in general repairs. Outside repairs are for maintenance work done at terminals by outside contractors. General repairs include a wide variety of basic jobs for terminals, including landscaping services, fire system tests, elevator repairs and cleaning, air conditioning, door repairs, etc.

The breakdown by terminal for the general repairs expense is shown below.

Table 16.
Terminal Maintenance General Repairs Expenses, 2005-07 Biennium
($ millions)

Terminal	Contracted General Repairs	General Repairs	Total
Seattle	0.6	0.2	0.8
Anacortes	0.4	0.1	0.5
Clinton	0.3	0.1	0.4
Bainbridge	0.3	0.1	0.4
Lopez	0.3	0.1	0.4

Terminal	Contracted General Repairs	General Repairs	Total
Kingston	0.2	0.1	0.3
Edmonds	0.2	0.1	0.3
Keystone	0.3		0.3
Port Townsend	0.3		0.3
Bremerton	0.3		0.3
Vashon	0.2		0.2
Fauntleroy	0.1		0.1
Tahlequah	0.1		0.1
Point Defiance	0.1		0.1
Mukilteo	0.1		0.1
Eagle Harbor		0.1	0.1
Total	3.8	0.9	4.7

2. Supplies and Materials

The supplies and materials expense of $1.1 million in the 2005-07 biennium was all for work conducted at the Eagle Harbor maintenance facility.

Section IV.
Vessel Non-Labor, Non-Fuel Expenses

This section reviews Ferries non-labor, non-fuel costs of operating and maintaining its vessels. In the 2005-07 biennium, during which Ferries had 24 auto-passenger vessels and 4 passenger-only vessels, these costs totaled $33.0 million or 8 percent of Ferries total operating costs.

A. Overview

Vessel expenses are in two sections of the Ferries operating budget: vessel operations (X1) and vessel maintenance (X4). In the 2005-07 biennium, vessel operations, which includes deck operations and engine room operations, had non-labor, non-fuel expenses of $18.1 million. Vessel maintenance had non-labor, non-fuel expenses of $14.9 million.

B. Vessel Operations Non-Labor, Non-Fuel Expenses

Vessel operations expenses of $18.1 million for the 2005-07 biennium are shown in the table below. Ninety-one percent (91%) of vessel operations non-labor, non-fuel expenses were for repairs ($7.5 million), supplies & materials ($4.3 million), private automobile mileage ($3.0 million), maintenance and cure payments ($1.1 million), and utilities ($0.5 million). These expenses are discussed in more detail below. The other 9 percent of vessel operations non-labor, non-fuel expenses were for equipment, services, training, crew meals, and other personnel related expenses, and for miscellaneous expenses.

Table 17.
Vessel Operations Non-Labor, Non-Fuel Expenses,
2005-07 Biennium
($ millions)

	Deck Operations	Engine Operations[15]	Total	% of Total
Repairs	0.8	6.7	7.5	41%
Supplies & Materials	1.9	2.4	4.3	24%
Private Automobile Mileage	1.2	1.8	3.0	17%
Maintenance & Cure Payments	0.9	0.2	1.1	6%
Utilities		0.5	0.5	3%
Non-capital & IT Equipment		0.4	0.4	2%
Services	0.1	0.2	0.3	2%
Training		0.2	0.2	1%
Crew Meals	0.2		0.2	1%

[15] Engine operations costs are discussed in the *Auto-Passenger Vessel Preservation and Replacement, Washington State Ferries Financing Study II Final Report*, January 2008 p. 71-77. Table 24 of the *Auto-Passenger Vessel Preservation and Replacement Study* shows $2.6 million for supplies in vessel operations, which includes the $2.4 million shown in this table for supplies and materials and $0.4 million in IT Equipment. Two hundred thousand ($200,000) of uniform costs included in supplies and materials in this table are treated as part of the labor cost analysis in Table 25 of the *Auto-Passenger Vessel Preservation and Replacement Study.*

	Deck Operations	Engine Operations[15]	Total	% of Total
Communications		0.1	0.1	1%
General Repairs		0.1	0.1	1%
In-state Lodging		0.1	0.1	1%
Furnishing & Equipment		0.1	0.1	1%
Employee Safety Award	0.1		0.1	1%
Interest	0.1		0.1	1%
Total	5.3	12.8	18.1	

1. Repairs

The repairs expense of $7.5 million in the 2005-07 biennium included $3.1 million for equipment purchases directly from vendors, of which $3.0 million was for engine operations and $0.1 million was for deck operations. Outside repair expenses of $2.4 million included $1.8 million for payments to shipyards for repairs and $0.6 million for deck operations. Engine operations also expended $1.7 million for gas and other fuel used during repairs, $0.1 million for towing, and $0.1 million for turbochargers and batteries. Deck operations incurred charges of $0.1 million for propane.

Table 18.
Vessel Operations Repairs, 2005-07 Biennium
($ millions)

	Deck Operations	Engine Operations[16]	Total	% of Total
Equipment	0.1	3.0	3.1	41%
Outside Repairs	0.6	1.8	2.4	32%
Petroleum Based Products		1.7	1.7	23%
Propane & Other Gases	0.1		0.1	1%
Towing		0.1	0.1	1%
Turbochargers & Batteries		0.1	0.1	1%
Total	0.8	6.7	7.5	

2. Supplies and Materials

The $4.3 million in supplies and materials expense in the 2005-07 biennium includes $2.1 million for the use of supplies issued from the central Ferries inventory, which includes restrooms, cleaning, safety, and repair supplies. An additional $1.3 million was spent on other supplies and materials and $0.9 million on uniforms, primarily for deck operations staff.

[16] Engine operations vessel repair expenses are reviewed in the *Auto-Passenger Vessel Preservation and Replacement Final Report, Washington State Ferries Financing Study II*, January 2008, p. 76-77.

Table 19.
Vessel Operations Supplies & Materials, 2005-07 Biennium
($ millions)

	Deck Operations	Engine Operations[17]	Total	% of Total
Inventory Issues	1.0	1.1	2.1	49%
Supplies & Materials	0.2	1.1	1.3	30%
Uniform Clothing	0.7	0.2	0.9	21%
Total	1.9	2.4	4.3	

3. Private Automobile Allowance

As shown in Table 17, Ferries expended $3.0 million in the biennium for reimbursement of private automobile use by deck employees ($1.2 million/$1,850 per employee) and engine room employees ($1.8 million/$4,500 per employee. This reimbursement results from labor agreements that impact staffing and shift assignments.[18]

Engine Room Private Automobile Allowance

Engine room employees received the largest average private automobile allowance reimbursement per employee in the 2005-07 biennium. Under its agreements with MEBA (Marine Engineers Beneficial Association) for its 232 licensed and 166 non-licensed engine room staff, Ferries provides private automobile allowance reimbursements for:

- *Relief employees* – Ferries employs relief employees for engine room staff when regular employees are not available. Relief employees are entitled to mileage reimbursement if they are assigned away from their regular route.
- *Regular employees assigned to the San Juan and Keystone routes* – Mileage is paid to regular employees permanently assigned to the San Juan Islands-Anacortes-Sidney B.C. route and the Port Townsend-Keystone routes for one round trip per week from the terminal nearest the employee's residence.
- *Vessel route changes* – Engine room employees are assigned to a particular vessel. If a vessel route changes, the crew is entitled to mileage reimbursement for the distance between their regular terminal and the temporary terminal.
- *Vessel at Eagle Harbor or a shipyard* – Engine room employees receive mileage when their vessel is in a commercial shipyard or at the Eagle Harbor Repair and Maintenance Facility.
- *Training* – Engine room employees receive mileage when attending training courses.

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[17] Engine operations supplies and materials expenses are reviewed in the *Auto-Passenger Vessel Preservation and Replacement Final Report, Washington State Ferries Financing Study II,* January 2008, p. 75-76.

[18] Staffing requirements of labor agreements are discussed in the *Washington State Ferries Financing Study Final Report, Technical Appendix 5: Operating Budget Review*, p. 33-34.

4. Maintenance and Cure Payments

Maintenance and cure payments, which totaled $1.1 million in the 2005-07 biennium, are for vessel employees (IBU, MM&P, and MEBA) when they are injured. Vessel employees are excluded from Labor & Industries Workers' Compensation and covered under the Jones Act instead. The daily amount (called "maintenance") varies between the unions ranging from $30 per day to $40 per day in the 2007-09 labor contracts.

"Cure" is payment for the injured employee's medical expenses for the illness or injury until they reach maximum medical cure.[19]

The 2008 Supplemental Transportation Budget requires OFM to "make a recommendation to the transportation committees of the legislature by December 1, 2008, as to whether Washington state ferries marine employees should be covered under workman's compensation" (ESHB 2878, 2008 Supplemental Transportation Budget, p. 2— Chapter 121, Laws of 2008).

Table 20.
Vessel Operations Maintenance & Cure, 2005-07 Biennium
($ millions)

	Deck Operations	Engine Operations	Total
Maintenance & Cure Payments	0.9	0.2	1.1
Total	0.9	0.2	1.1

C. Vessel Maintenance

Vessel maintenance non-labor, non-fuel expenses of $14.9 million incurred by the Eagle Harbor Repair Facility are shown in the table below. Eighty-two percent (82%) of the maintenance expenses or $13.0 million was for repairs; 11 percent or $1.6 million was for supplies and materials; $0.2 million was for employer provided meals and lodging; and the remaining $0.1 million was for miscellaneous expenses including equipment rental and general repairs and alterations. These expenses are discussed in detail in the *Auto-Passenger Vessel Preservation and Replacement Final Report, Washington State Ferries Financing Study II*, January 2008, p. 78-80.

Table 21.
Vessel Maintenance Non-Labor, Non-Fuel Expenses, 2005-07 Biennium
($ millions)

	$	% of Total
Repairs	13.0	87%
Supplies & Materials	1.6	11%
Employer Provided Meals/Lodging	0.2	1%
Misc.	0.1	1%
Total	**14.9**	

[19] Maximum medical cure does not necessarily mean that the employee is as they were pre-injury, but that there is no more treatment for the individual.

1. Repairs

The $13.0 million in vessel maintenance repair expenses incurred by Eagle Harbor in the 2005-07 biennium were primarily for drydocking vessels. Drydockings required by the United State Coast Guard are included in this expense. Work done during maintenance drydockings includes inspection, maintenance and preservation of sea valves, propellers, outer shaft seals, and other equipment. Vessel hull blasting and painting are also included in maintenance drydockings.

The table below is excerpted from the *Auto-Passenger Vessel Preservation and Replacement Final Report, Washington State Ferries Financing Study II*, January 2008, p. 77 and shows the major repair expenses.

Table 22.
Vessel Maintenance Repair Expenses, 2005-07 Biennium
($ millions)

	$	% of Total
Drydock	8.7	67%
Equipment Purchases	2.8	22%
Outside Repairs	0.9	7%
Inspection Fees	0.5	4%
Turbochargers	0.1	1%
Total	**13.0**	

Drydock and outside repairs expenses by vessel are shown in the table below.

Table 23.
Vessel Maintenance Drydock & Outside Repairs Expenses by Vessel, 2005-07 Biennium
($ millions)

	Drydock	Repairs	Total
Steel Electric Class 1920s			
Illahee	0.4		0.4
Klickitat	0.3	0.1	0.4
Nisqually	0.1		0.1
Quinault	0.5		0.5
Sub-Total	1.3	0.1	1.4
Misc. 1940s			
Rhododendron	0.2		0.2
Evergreen State Class 1950s			
Evergreen State	0.1		0.1
Klahowya			
Tillikum			
Sub-total	0.1		0.1
Super Class 1960s			
Elwha	0.2	0.1	0.3

	Drydock	Repairs	Total
Hyak	0.6	0.1	0.7
Kaleetan	0.4	0.1	0.5
Yakima	0.3		0.3
Sub-total	1.5	0.3	1.8
Misc. 1960s			
Hiyu			
Jumbo Mark I Class 1970s			
Spokane	0.4		0.4
Walla Walla	1.3		1.3
Sub-total	1.7	0	1.7
Issaquah Class 1980s			
Cathlamet	0.3		0.3
Chelan	0.3		0.3
Issaquah	0.4	0.1	0.5
Kitsap	0.5		0.5
Kittitas	0.2		0.2
Sealth	0.5	0.1	0.6
Sub-total	2.2	0.2	2.4
Jumbo Mark II Class 1990s			
Puyallup	0.6	0.1	0.7
Tacoma	0.4	0.1	0.5
Wenatchee	0.5	0.1	0.6
Sub-total	1.5	0.3	1.8
Misc.	0.2		0.2
Total	8.7	0.9	9.6

Section V.
Management and Support Non-Labor, Non-Fuel Costs

This section reviews Ferries non-labor, non-fuel management and support costs which totaled $29.5 million in the 2005-07 biennium, representing 8 percent of Ferries' operating costs in the biennium. These costs are discussed in detail in The *Management and Support Costs Draft Report, WSDOT Ferries Division Financing Study II*, April 2008. Therefore this section includes only a summary table of these expenses.

Table 24.
Management & Support Non-Labor, Non-Fuel Expenses, 2005-07 Biennium
($ millions)

Budget Item	X3 Operations M&S	X7 Maintenance M&S	X8 Finance & Admin	X9 Exec. Mgmt.	Total	%
Insurance	9.2				9.2	31%
Rent & Leases	0.1	0.6	3.7		4.4	15%
Services: Temporary, Other State Agencies, Physicals	1.0	0.2	0.8	1.7	3.7	13%
Merchant Discount Fees/Bank Charges			2.6		2.6	9%
Management and Organizational	0.7	0.6	0.6	0.2	2.1	7%
Printing, Books	0.5	0.1	0.7		1.3	4%
Communications	0.2	0.2	0.7		1.1	4%
Payments to Attorney General				0.9	0.9	3%
Supplies & Materials	0.4	0.1		0.2	0.7	2%
Utilities		0.6			0.6	2%
Training & Employee Recognition				0.3	0.3	1%
Equipment - IT & Non-Inventoried	0.1	0.1	0.1	0.1	0.4	1%
Info Technology Services			0.3		0.3	1%
Payments to OEO				0.3	0.3	1%
Advertising	0.2				0.2	1%
General Repairs/Office Machine Maintenance			0.1	0.1	0.2	1%
Transportation Equipment Fund Equipment Rental	0.1	0.1			0.2	1%
Facilities & Services			0.2		0.2	1%
Lodging			0.1		0.1	0%
Outside Repairs, Equip Rental		0.1			0.1	0%
Personnel Services				0.1	0.1	0%
OSC Services				0.1	0.1	0%
Miscellaneous Other Expenses	0.1	0.1		0.2	0.4	0%
Total	12.6	2.8	9.9	4.2	29.5	