



Washington State Transportation Commission

Long Term Ferry Funding Study Status Update

presented by
Cambridge Systematics, Inc.

September 2008



CAMBRIDGE
SYSTEMATICS

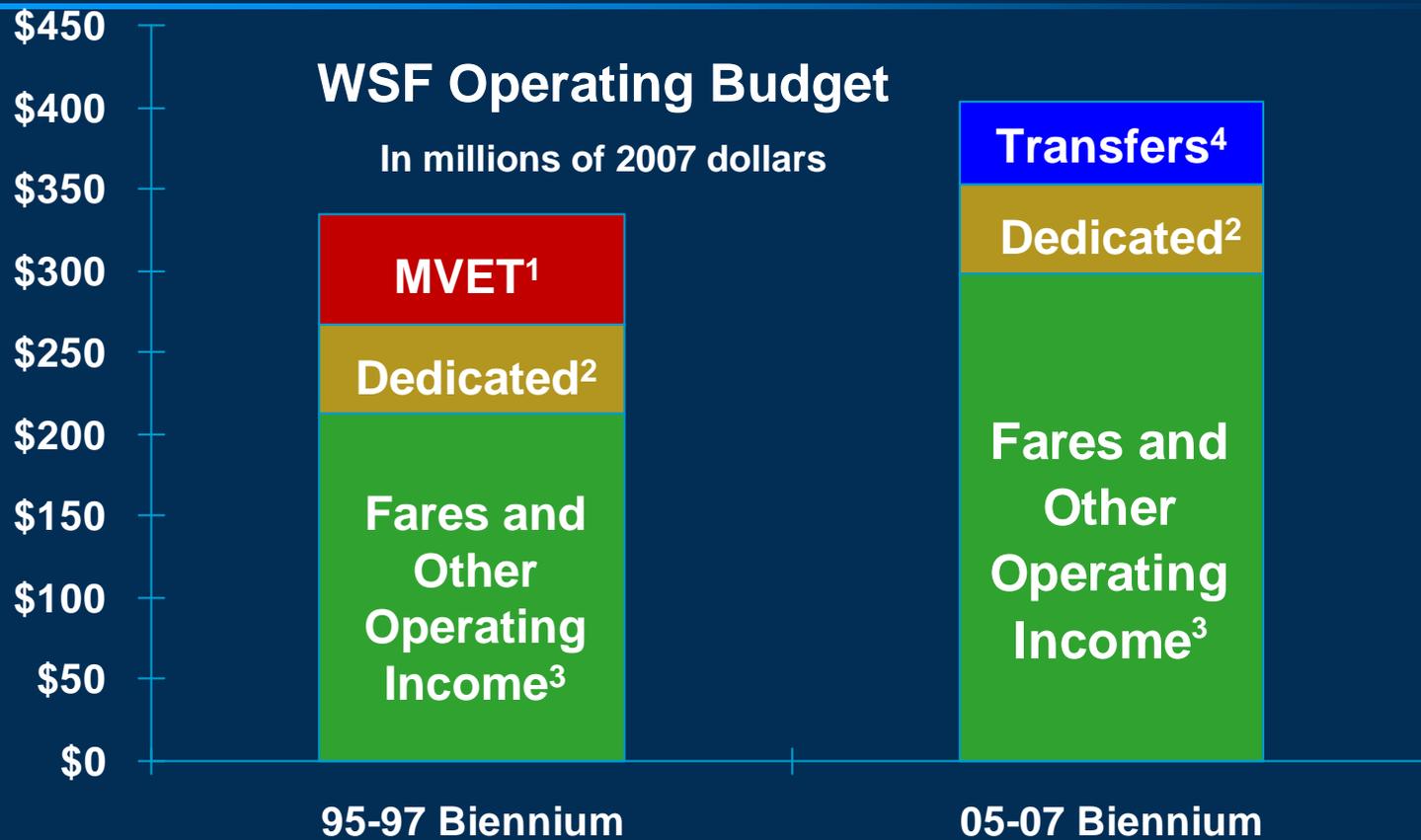
Major Study Products



September

**Currently in between
preliminary report and
draft funding plan**

Impact of Loss of MVET on Operating Budget

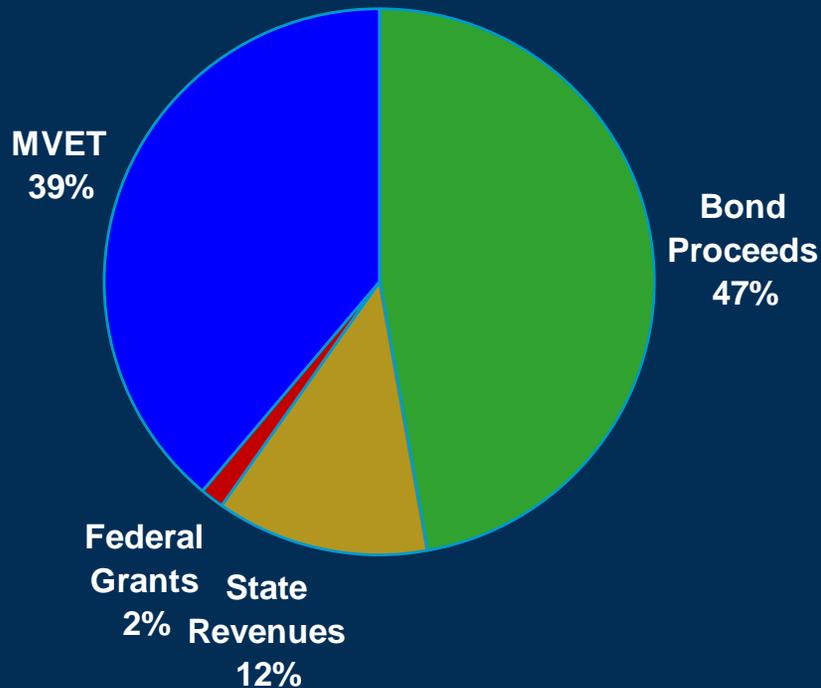


1. MVET – Motor Vehicle Excise Tax
2. Includes a portion of the motor fuel tax and revenues from licenses, permits, and fees.
3. Predominantly fare revenue but also Includes income from terminal and on-board concessions, parking, advertising, etc.
4. Ad hoc transfers from Motor Vehicle and Multimodal accounts. These vary year to year and are not guaranteed or dedicated for ferry use.

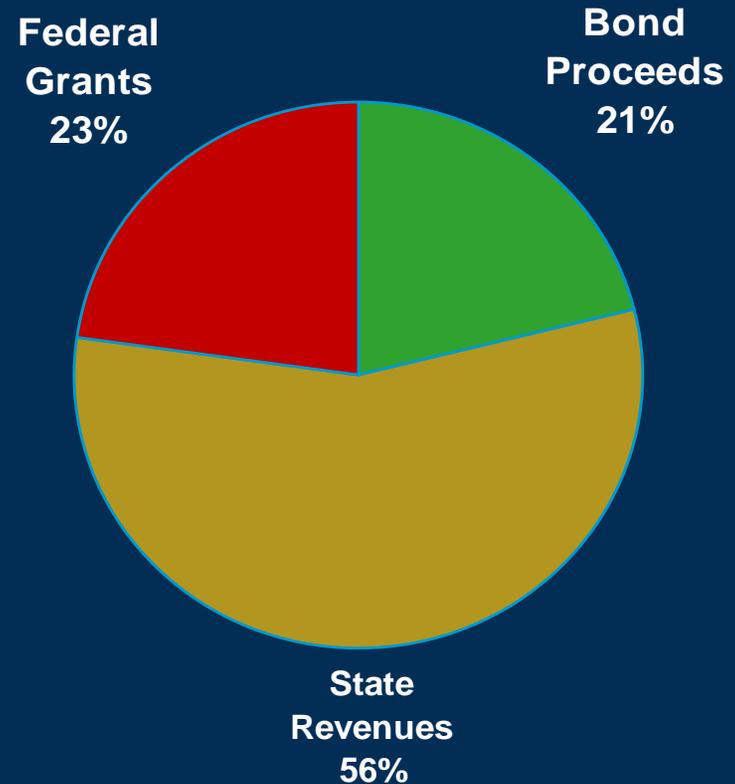
MVET Impact on Capital Budget

Source of Allocation and Percent of Total

95 to 97 Biennium



05 to 07 Biennium



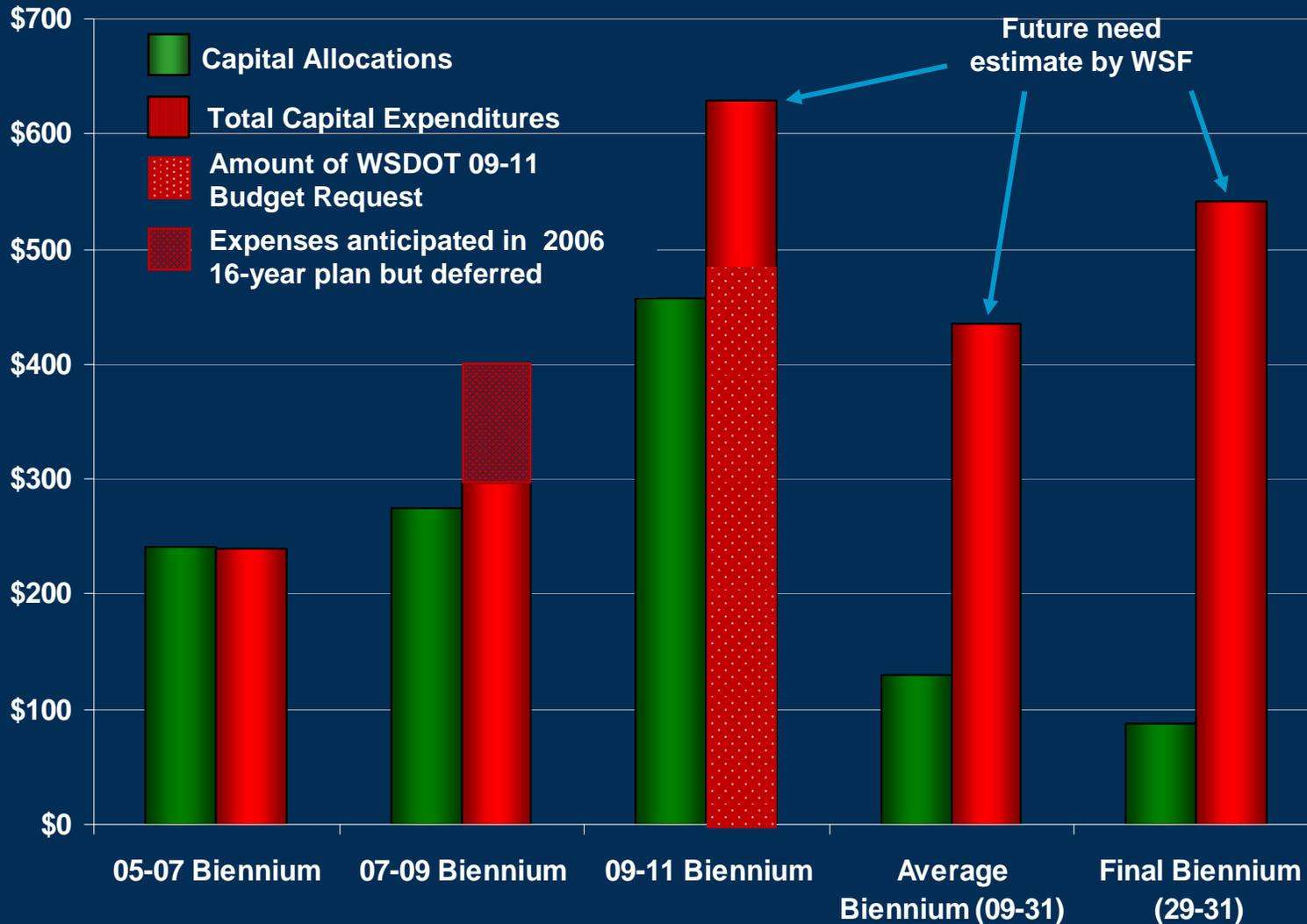
Other state sources of revenue have been tapped to fill gap created by loss of MVET

Factors Affecting Capital Needs Estimates

- **Timing of preservation expenditures**
 - Deferred preservation from previous years spread out over several future years
- **Number and timing of vessel acquisitions**
 - Current plan has majority of new vessel acquisition costs in second half of plan, i.e., FY2021 to FY 2031
- **Construction cost escalation**
 - Uncertainty in long-term vessel construction costs
- **Terminal enhancements beyond “replacement in kind”**
- **Financing costs**

Capital Allocations and Expenditures

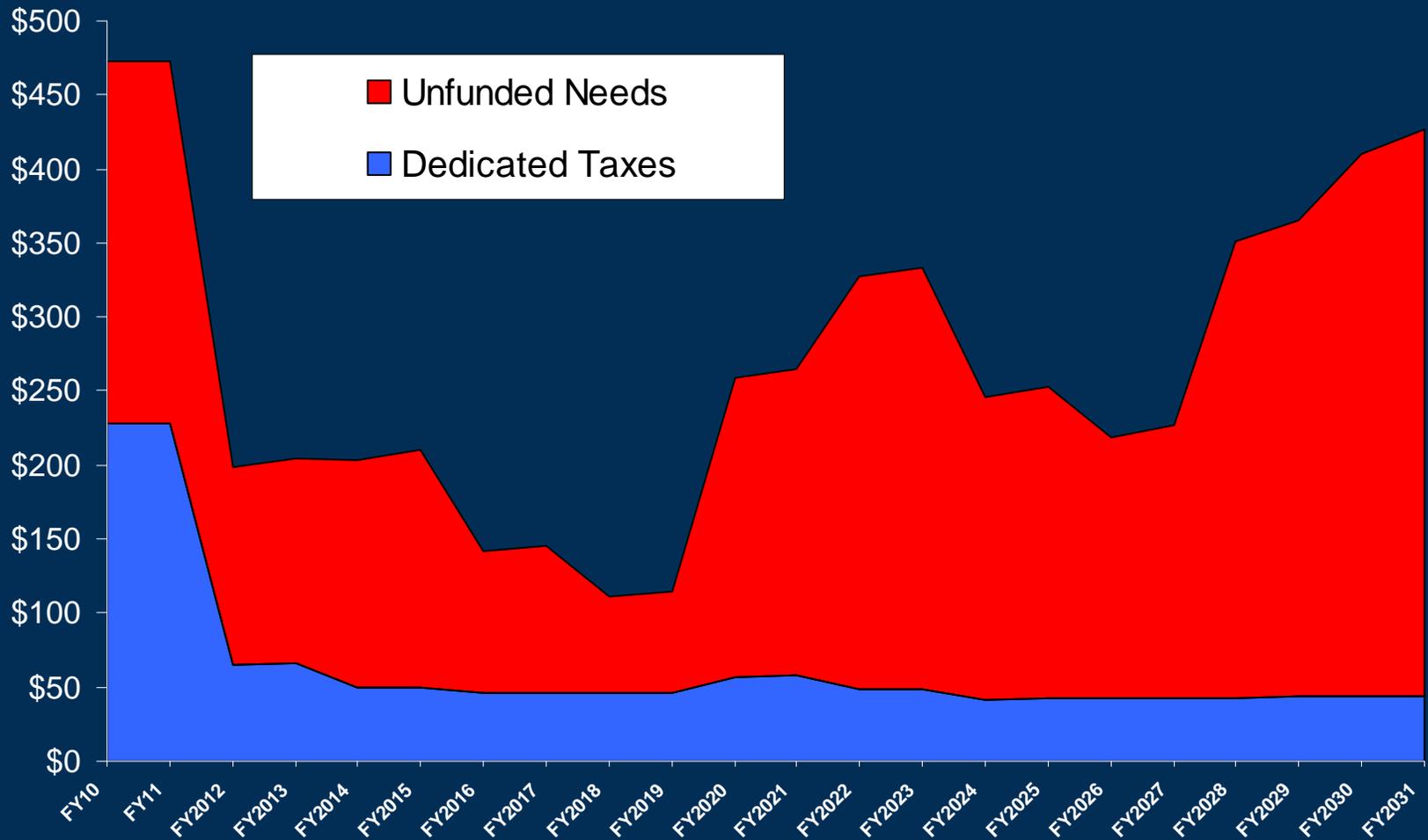
Year of Expenditure Dollars, Millions



Notes: The 05-07 Biennium represents actual revenues / expenses. The 07-09 Biennium represents actual FY08 revenues / expenses plus projected FY09 revenues / expenses. The 09-11, Average, and Final Biennia represent revenues / expenses projected in the Washington State Ferries Baseline Needs Analysis, released August 2008

Capital Need Over Time

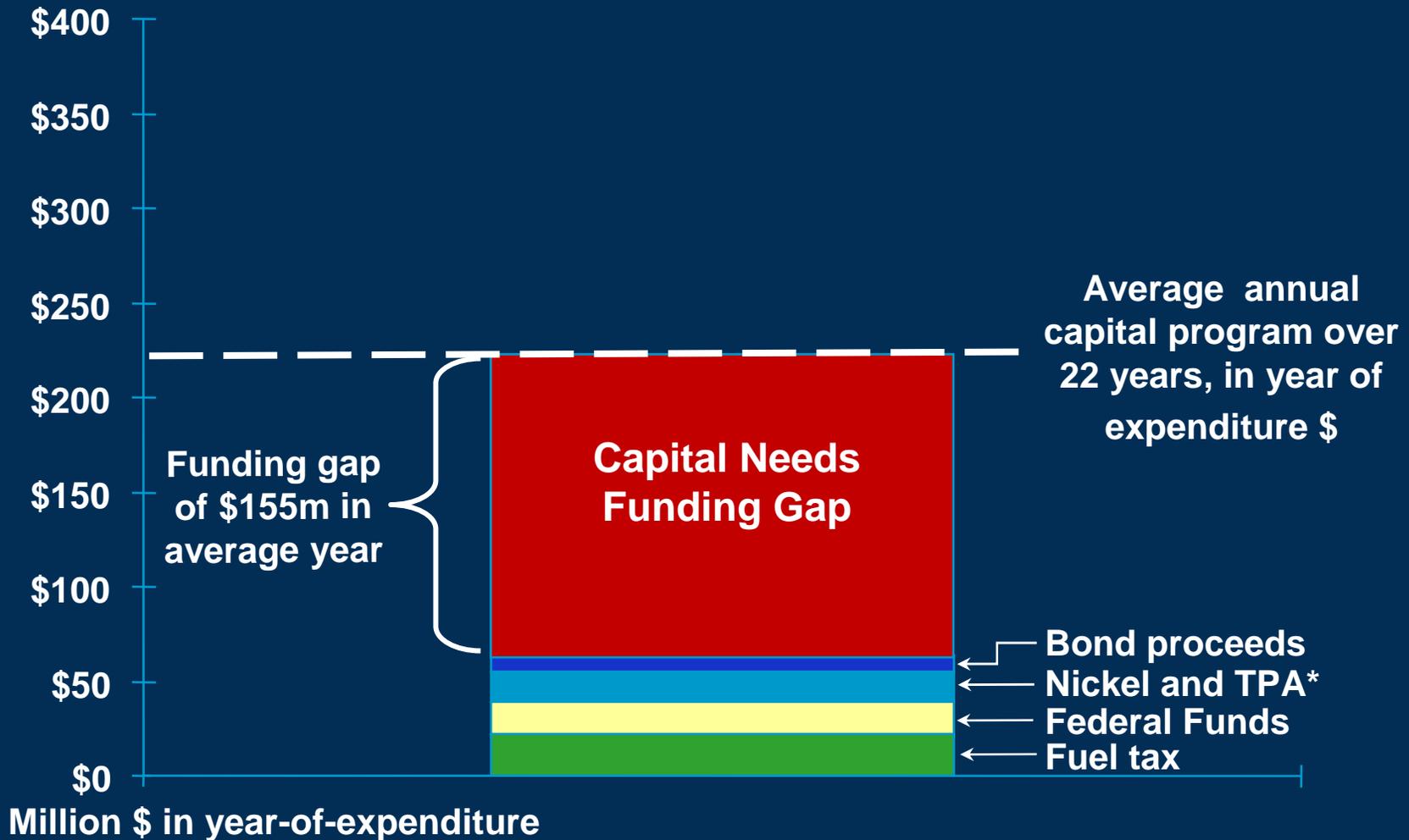
Year of Expenditure Dollars, Millions



€ Notes: Capital need figures from WSF Adjusted Baseline Needs Analysis, released September 2008

Estimated Future Capital Need

Projected Average Annual Capital Funding Gap



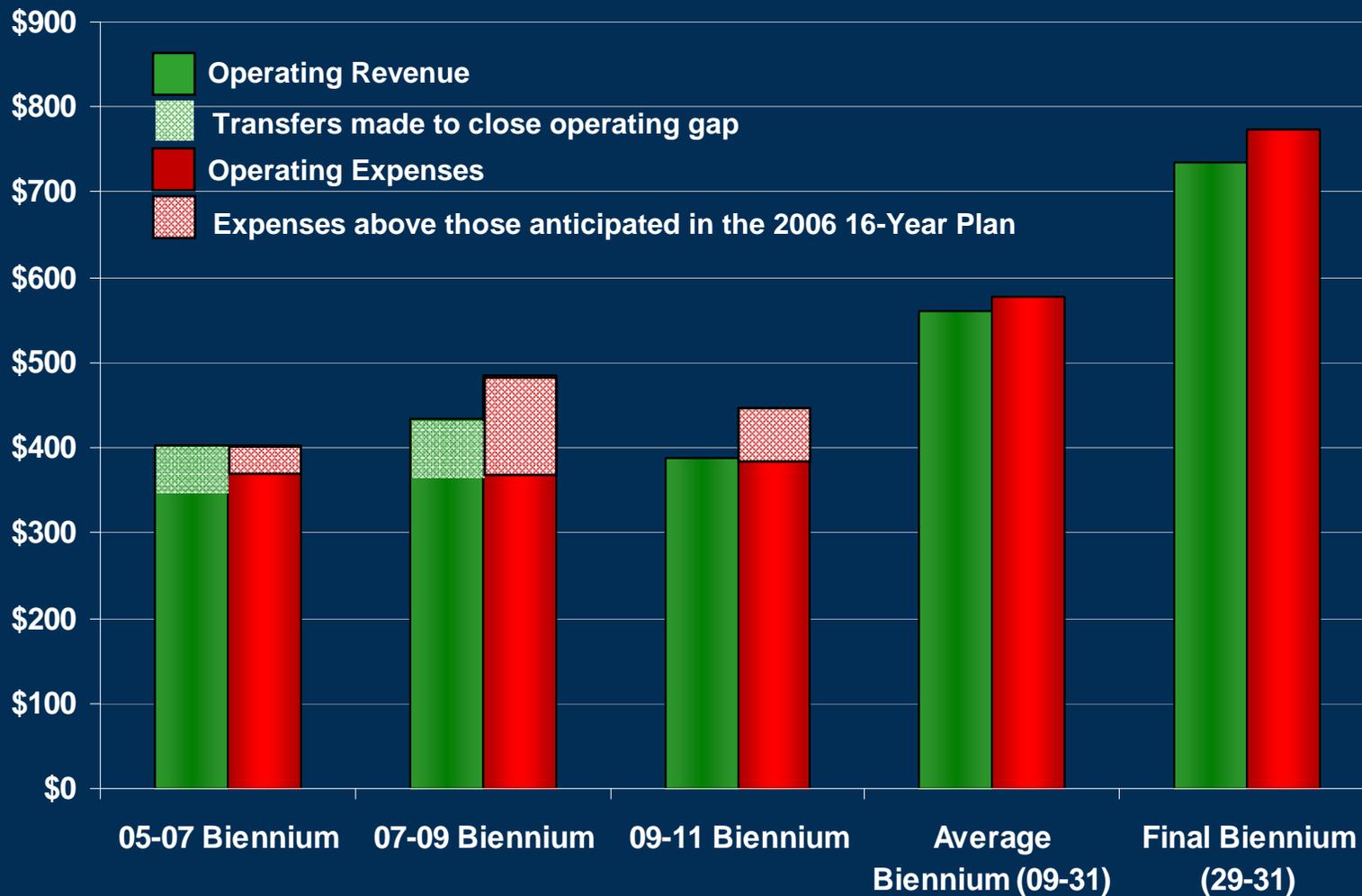
Factors Affecting Operating Needs Estimates

Uncertainty Exists on Both Cost and Revenue Side

- **Fuel cost:** “Pessimistic” projection assumes near term decline followed by longer-term increase in cost
- **Labor cost:** Based on long-term averages, lower rate of increase than most recent biennia
- **Ridership:** Assumes approx. 1.5% per year increase with no corresponding expansion in fleet capacity
- **Fares:** Assumes 2.5% average annual fare increase
- **Fare elasticity:** More analysis required to gauge ridership and revenue impacts of any significant fare increase

Operating Revenue and Expenses

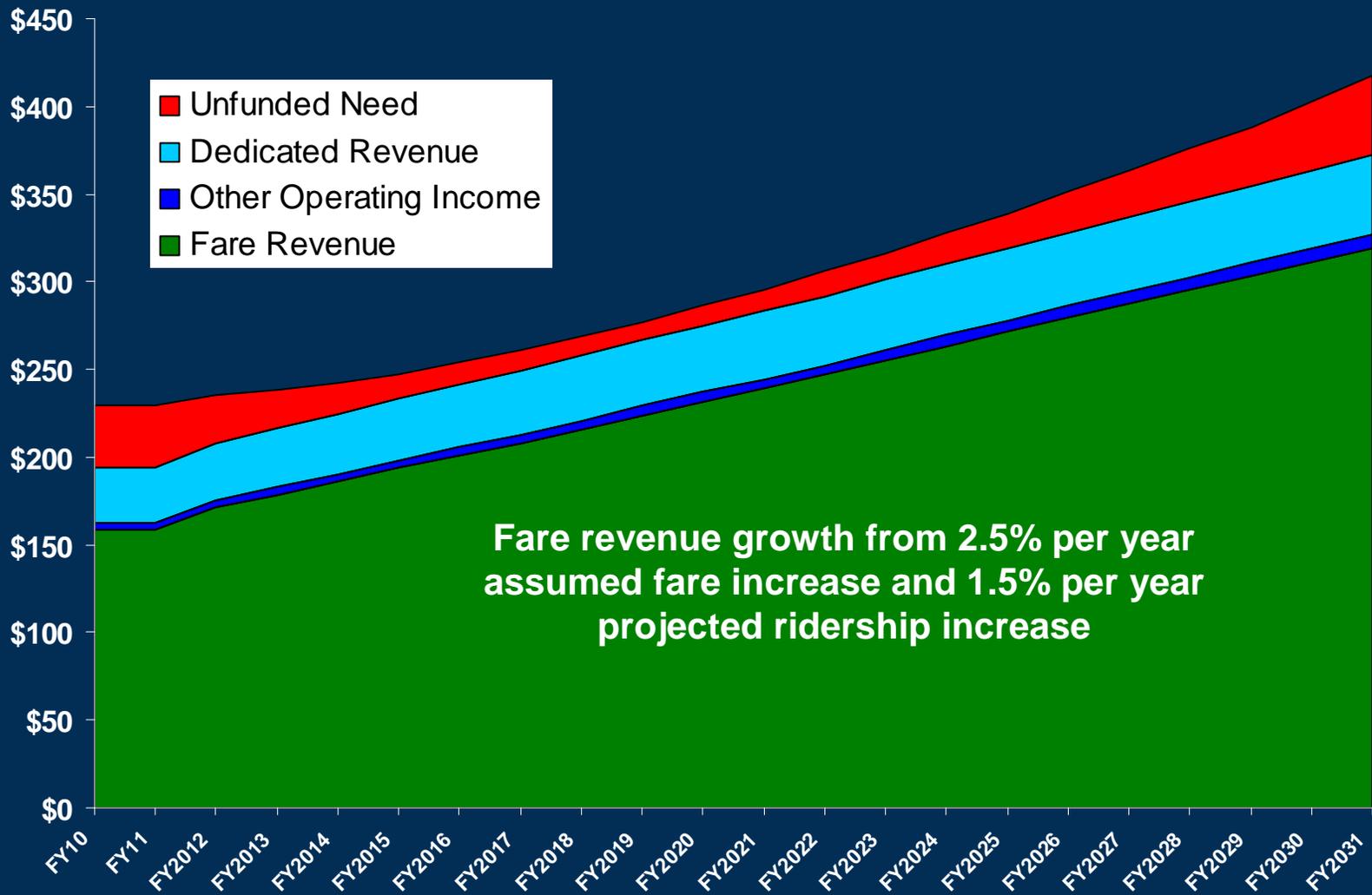
Year of Expenditure Dollars, Millions



Notes: The 05-07 Biennium represents actual revenues / expenses. The 07-09 Biennium represents actual FY08 revenues / expenses plus projected FY09 revenues / expenses. The 09-11, Average, and Final Biennia represent revenues / expenses projected in the Washington State Ferries Baseline Needs Analysis, released August 2008. Operating revenue assumes a 2.5 percent annual fare increase and about a 1 percent per year growth in ridership.

Operating Need Over Time

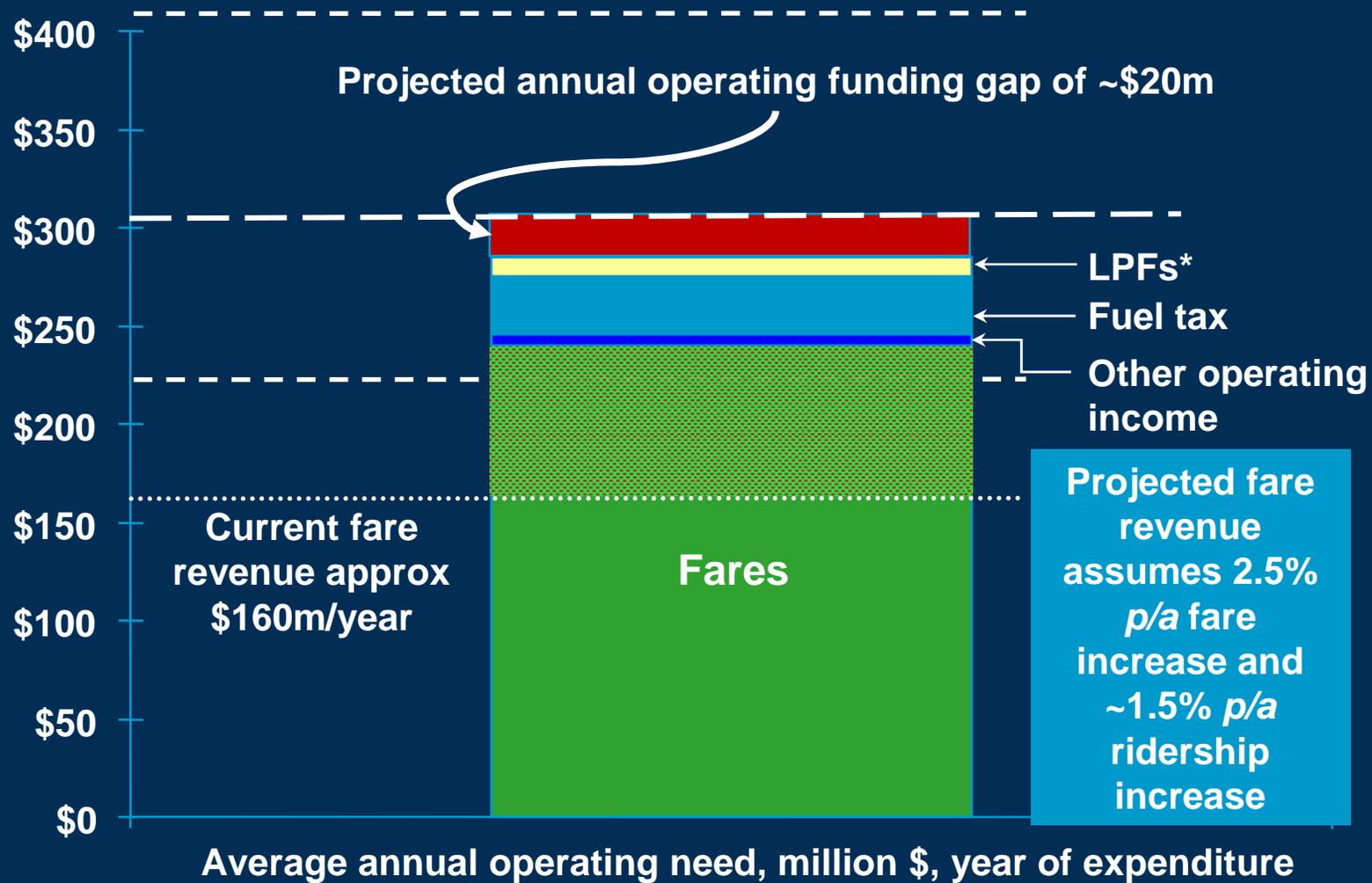
Year of Expenditure Dollars, Millions



↑ Notes: Operating need figures from Washington State Ferries Baseline Needs Analysis, released August 2008

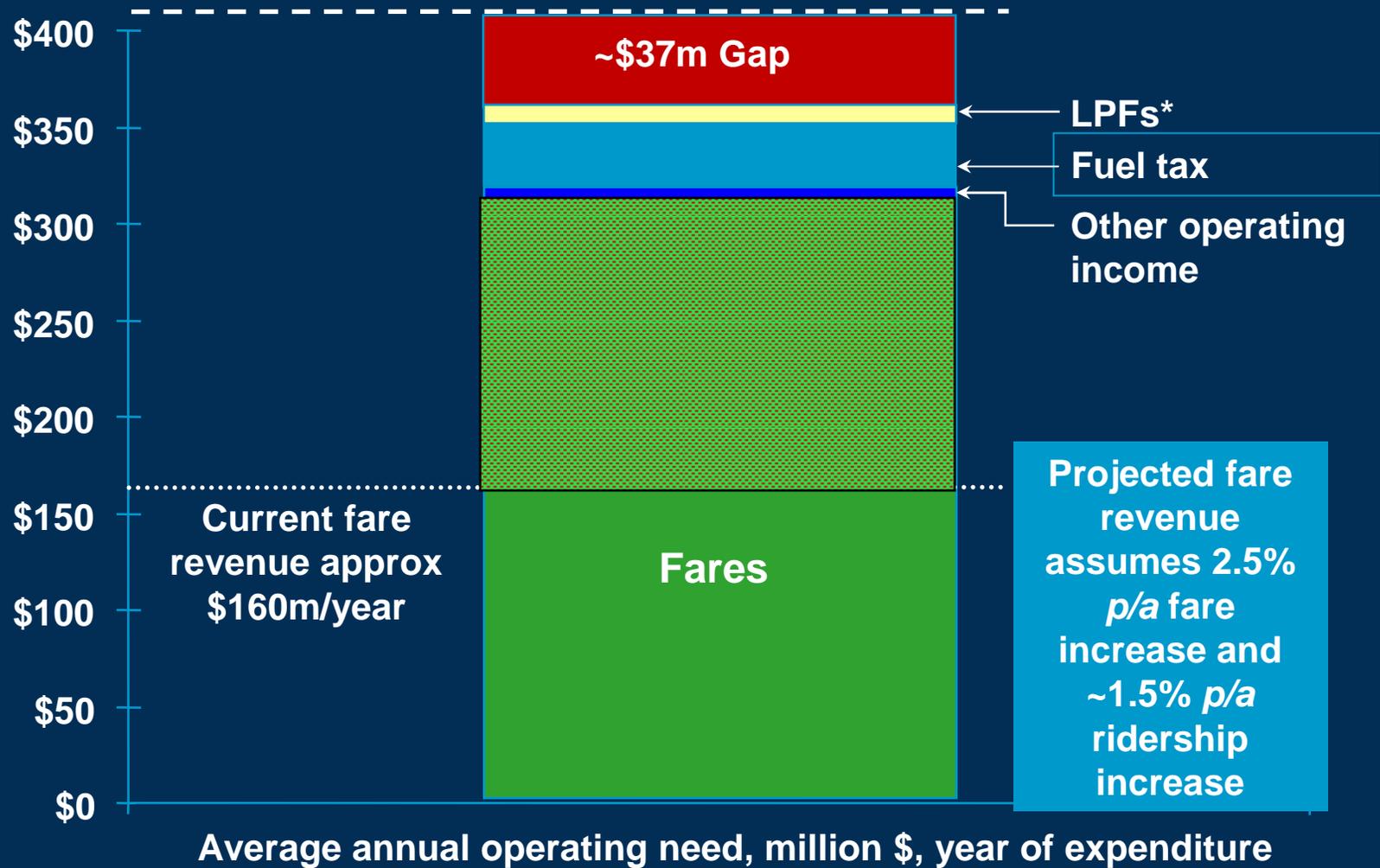
Operating Funding Need

Projected Average Annual Operating Funding Gap



Operating Funding Need

Projected Out-Year (FY2031) Operating Funding Gap



*Vehicle licenses, permits, and fees

Screening and Analysis of Future Funding Sources

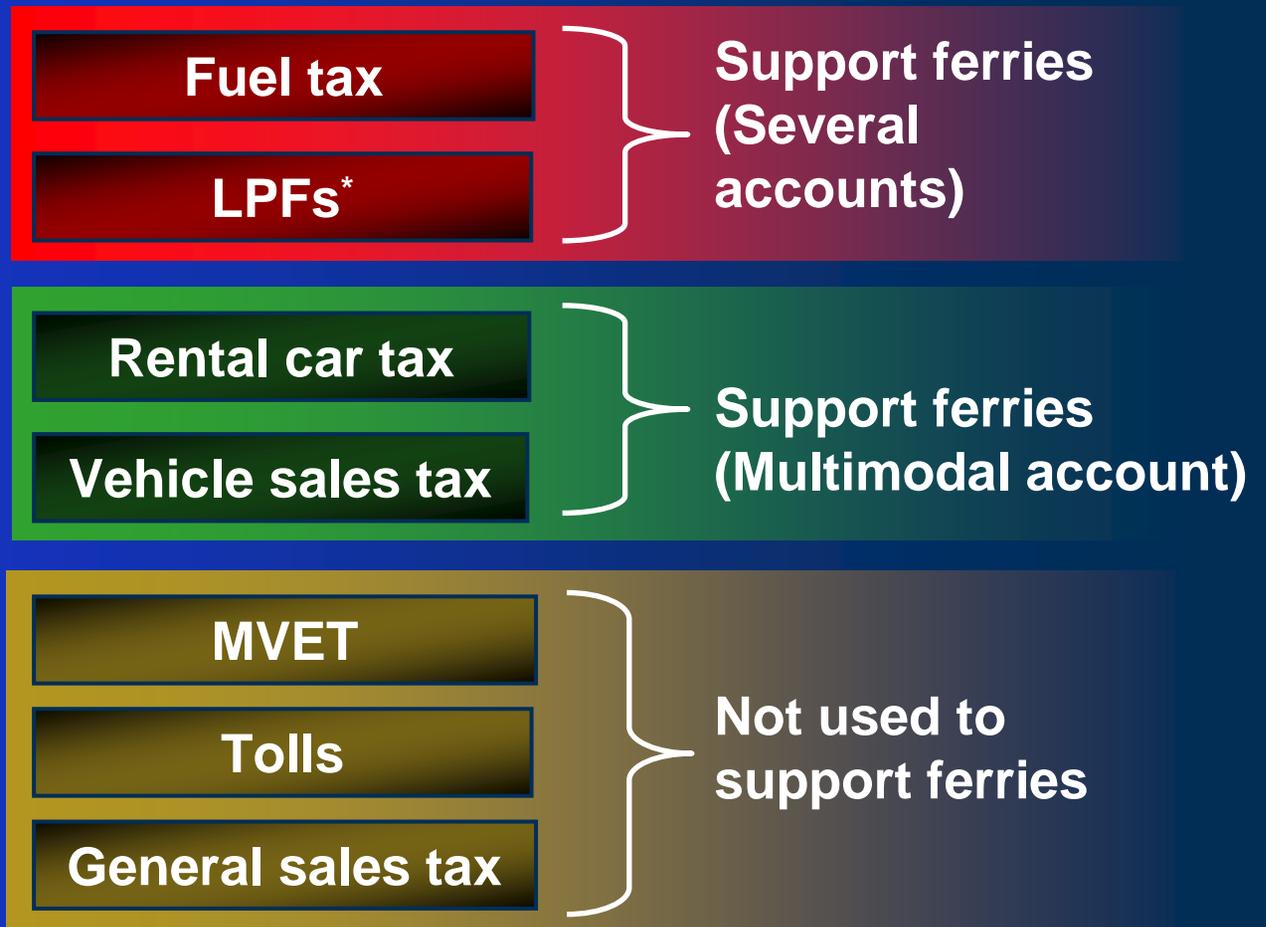
- “Long list” of funding sources evaluated for
 - Yield
 - Reliability
 - Administrative Effectiveness
 - Political Acceptability
 - Equity
 - Economic Efficiency
- Identified short list of sources to retain for further analysis

	Yield	Reliability	Admin. Effectiveness	Challenges/Issues
State Sources				
Vehicle Excise Tax	●●●	●●●	●●	The state MVET was rescinded in the past due to voter opposition.
Fuel Tax Increase	●●●	●●●	●●●	Fuel prices are at historical highs; adding to the price may generate opposition.
Sales Tax Surcharge or Increment	●●●	●	●●	State sales tax revenues are typically dedicated to the state general fund.
Tolls	●●	●●	●	By law, toll revenues may not currently be used outside the tolled facility.
Licenses, Permits, and Fees	●●	●●●	●●●	Some licenses, permits, and fees have been increased in the recent past.
Rental Car Tax Surcharge	●	●●	●●●	This source is weakly linked to the ferry system; direct impact is greatest on out-of-state visitors.
Local Sources				
Sales Tax	●●●	●	●●	Local transit operators depend on local sales tax revenues.
Property Tax	●●●	●●●	●●	Local school systems depend on property tax revenues.
Vehicle Licenses	●●●	●●●	●●	Local option license fees have been repealed in the past due to voter referendums.
Motor Vehicle Excise Tax	●●●	●●●	●●	Some local transit operators also depend on this tax.
Fuel Tax	●●●	●●●	●●	Fuel prices are at historical highs; adding to the price may generate opposition.
Employer Tax	●●●	●●	●●	This tax is currently intended for use by local transit agencies.
Real Estate Excise Tax	●●●	●	●●	This source has not traditionally been used for transportation purposes.
Utility Excise Tax	●●	●●●	●●	This tax is currently intended for use by local transit agencies.
Development Impact Fees	●●	●	●●	This source may be too unreliable to provide a steady source of funds for the ferry system.
Commercial parking tax	●	●●	●●	Revenues from this source will be minimal unless applied to all commercial parking lots.
Ferry System				
Ferry Fares	●●	●●●	●●●	Ferry fares have been increased substantially in the recent past.
Ancillary Revenues	●	●	●	Revenues from this source are minimal unless major changes are made to the institutional structure of WSF.
New Service Offerings	●	●	●	A reservation system and preferred loading lanes are currently under study by WSF; preliminary survey results indicate customer opposition to the preferred loading lanes concept.

“Long List” of Funding Sources from July 2008 Screening Report

State Sources of Funds Considered

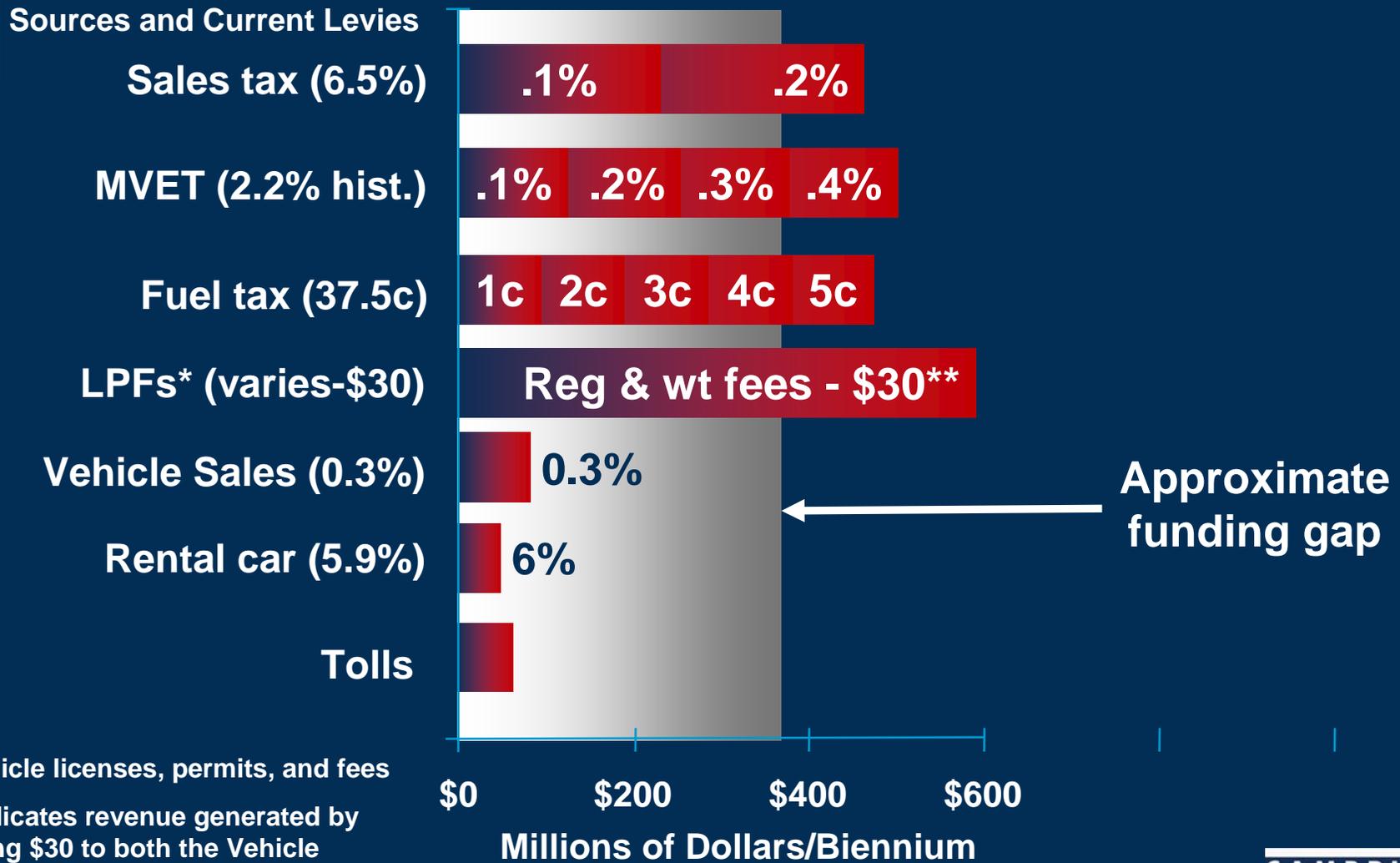
State Sources



*Vehicle licenses, permits, and fees

Potential Yield of State Funding Sources

Yield of Incremental Tax/Fee Relative to Funding Gap



* Vehicle licenses, permits, and fees

** Indicates revenue generated by adding \$30 to both the Vehicle Registration and Weight Fees

\$0 \$200 \$400 \$600

Millions of Dollars/Biennium

Figures are approximate

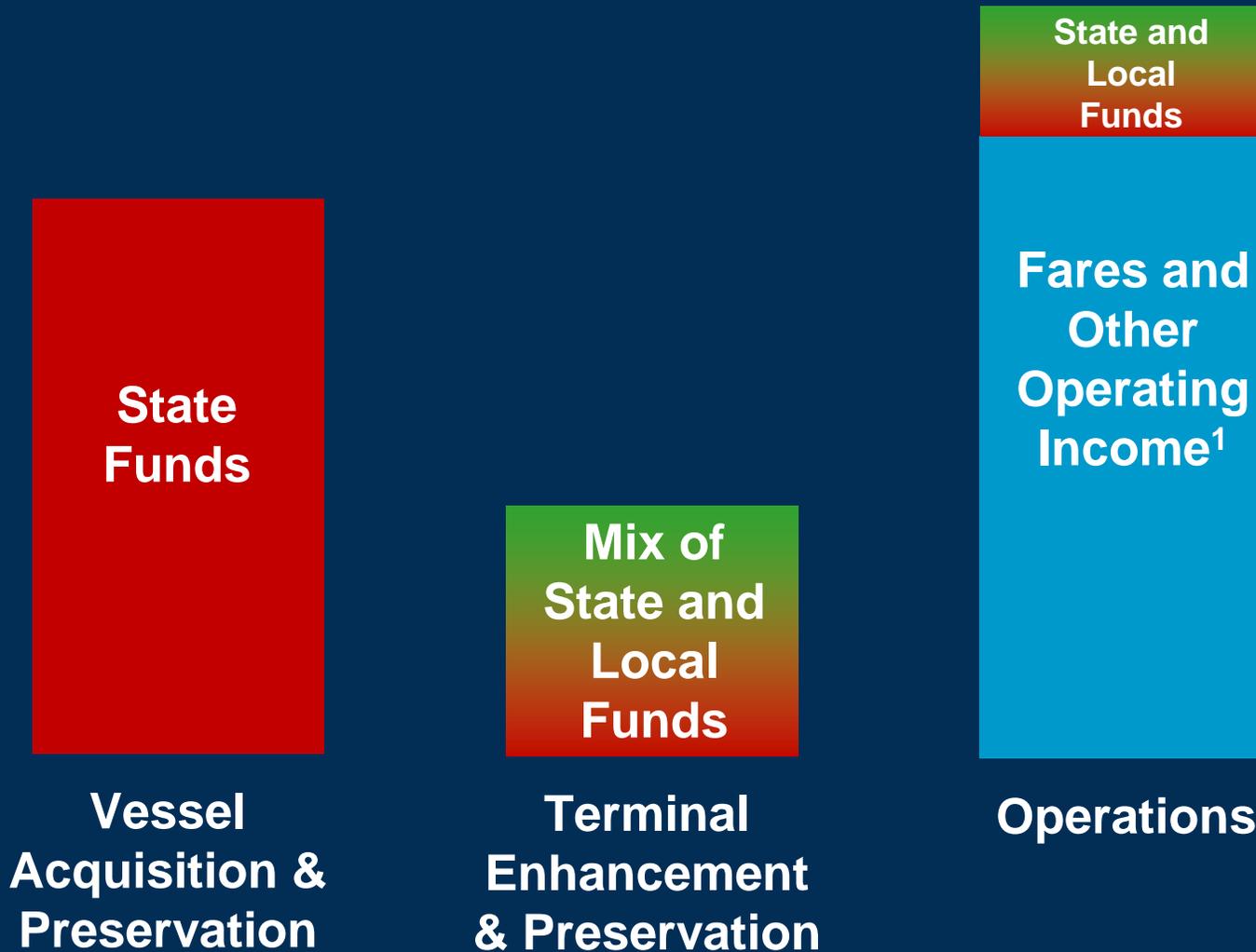
Proposed Three-Legged Funding Structure



Local sources recommended to supplement state sources and operating income

Likely Uses of Funds

Source of Funds and Relative Need



Local Sources of Funds Considered

Local Sources

Fuel tax

Parking tax

Any County can use – general purposes

Impact fees

License fees

MVET

Property tax

Sales tax

Employer tax

Utility tax

Real estate tax

Explicitly authorized for specific purposes

Transportation Benefit Districts are an Existing Mechanism

- Few restrictions on geography or use of funds
- District has bonding authority
- Voter approval required
- Sunsets after improvement is complete and debt is paid

By current law, TBDs may be funded by:

- Sales and use tax
- License fee
- Property tax
- Tolls
- Other limited sources

Closing the Funding Gap

- **Define preferred state revenue sources for addressing the large capital funding gap**
- **Pursue incremental operating revenues to reduce subsidy**
 - Index fares to inflation, implement fuel cost surcharge
 - Advertising, food and beverage sales, naming rights
 - Reservation fees
- **Determine appropriate mix of state and local sources to close operating gap**
- **Define appropriate role for local funding**
 - Use of funds, amount of contribution, source