

# *Initial Screening of Funding Sources Long-Term Ferry Funding Study*



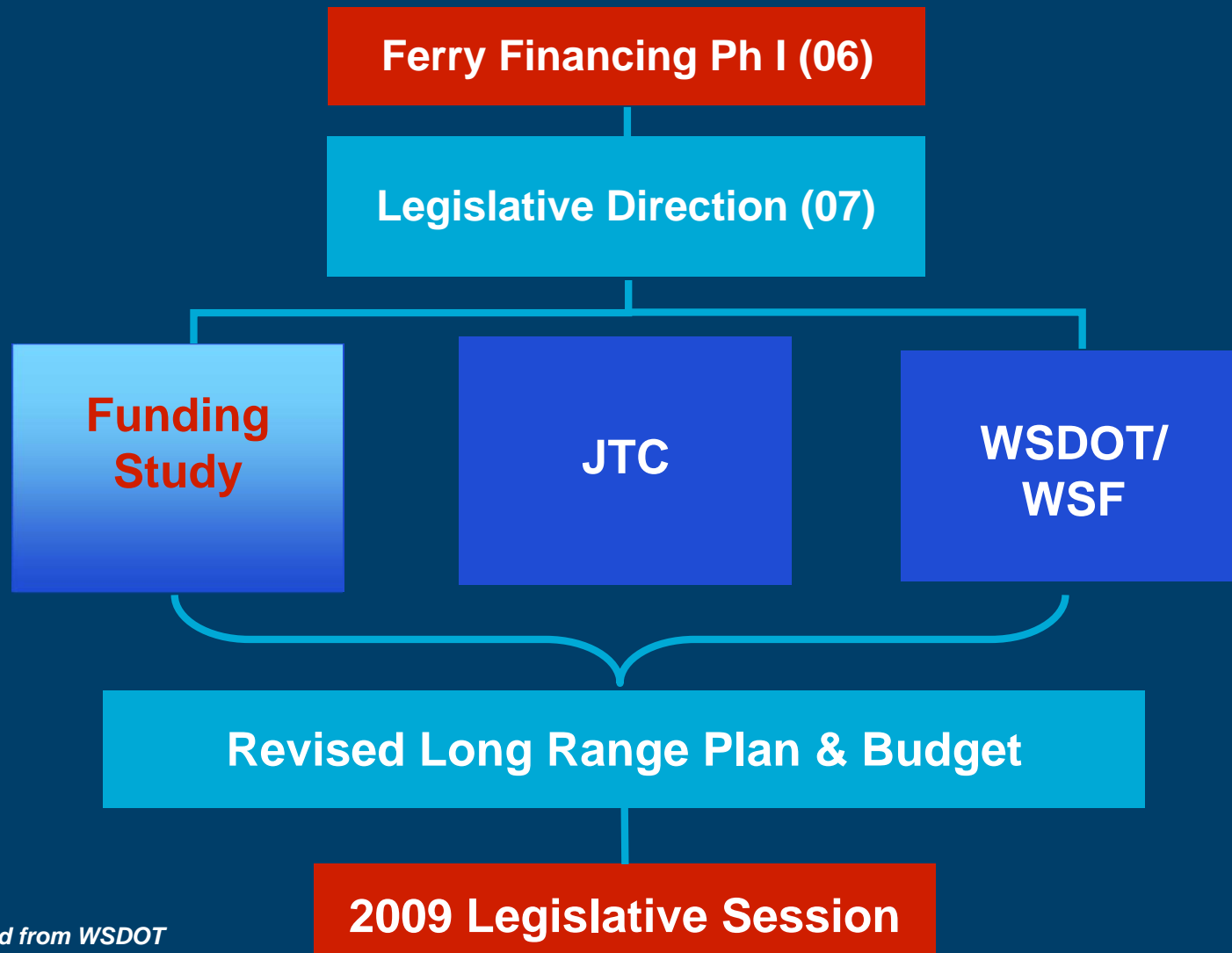
July 16, 2008

**CAMBRIDGE**  
SYSTEMATICS



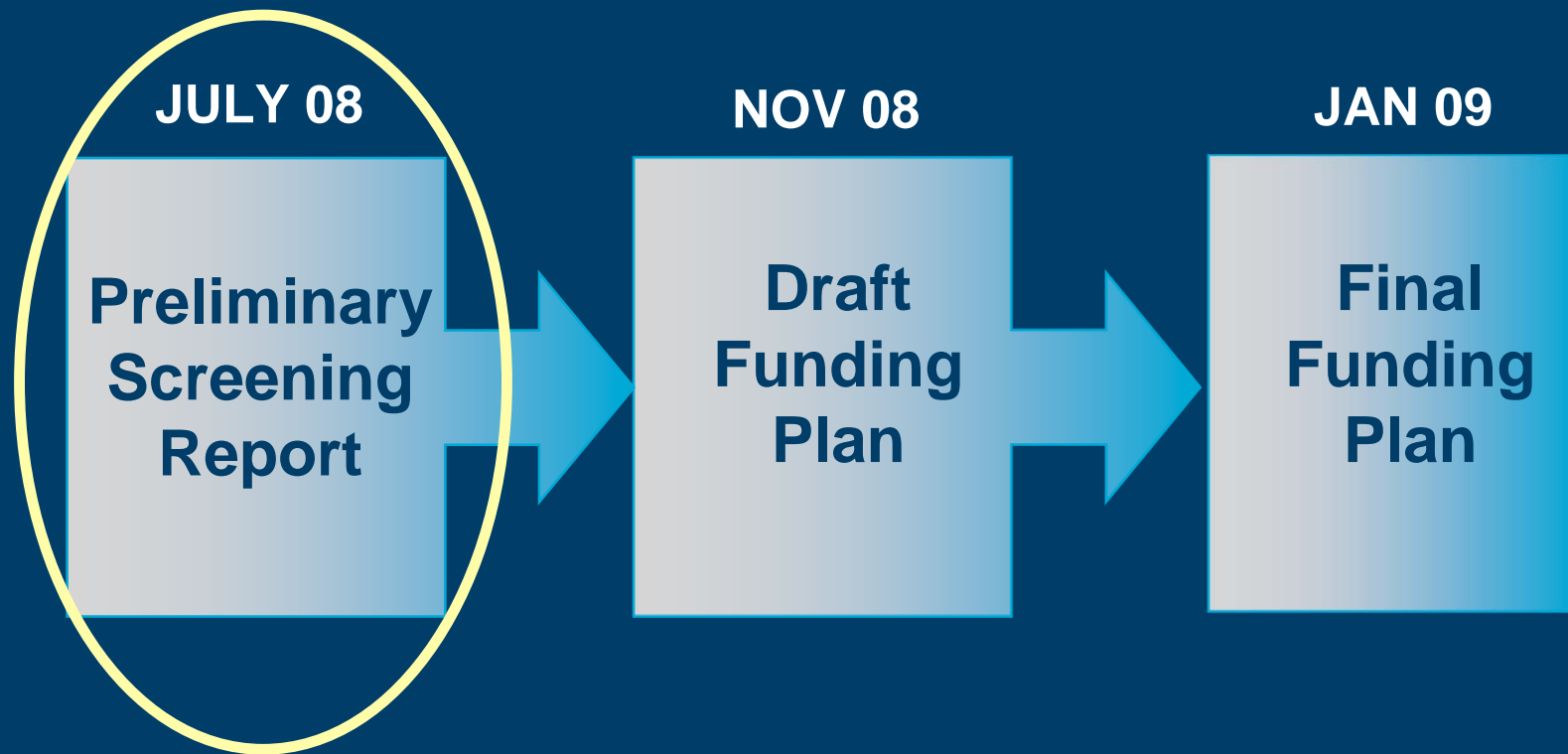
*Washington State Transportation Commission*

# Ferry Finance Legislation *Work Program 2006-2009*



Adapted from WSDOT

# Major Study Products

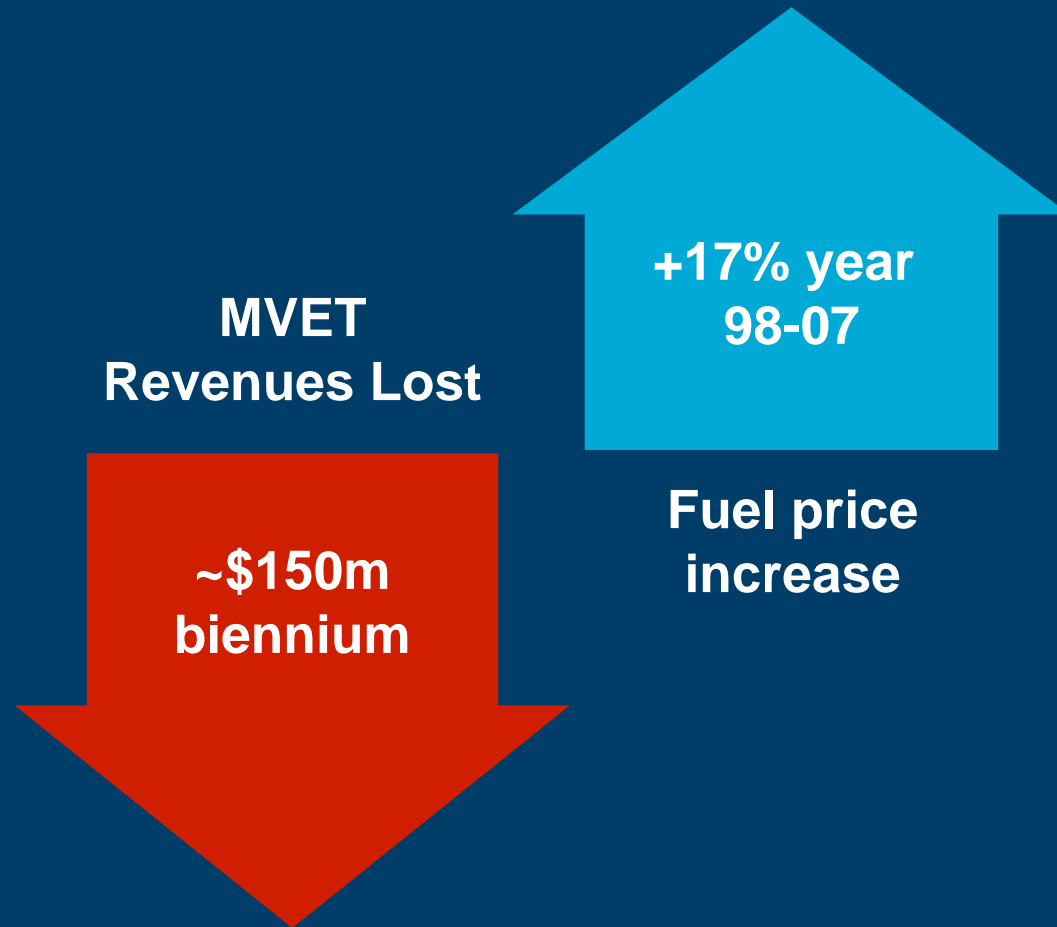


# Ferry Funding Crisis: Symptoms

- Ad hoc transfers of funds
- Steel electrics pulled
- Aging fleet
- Terminal plans postponed
- “Black hole” in future funding

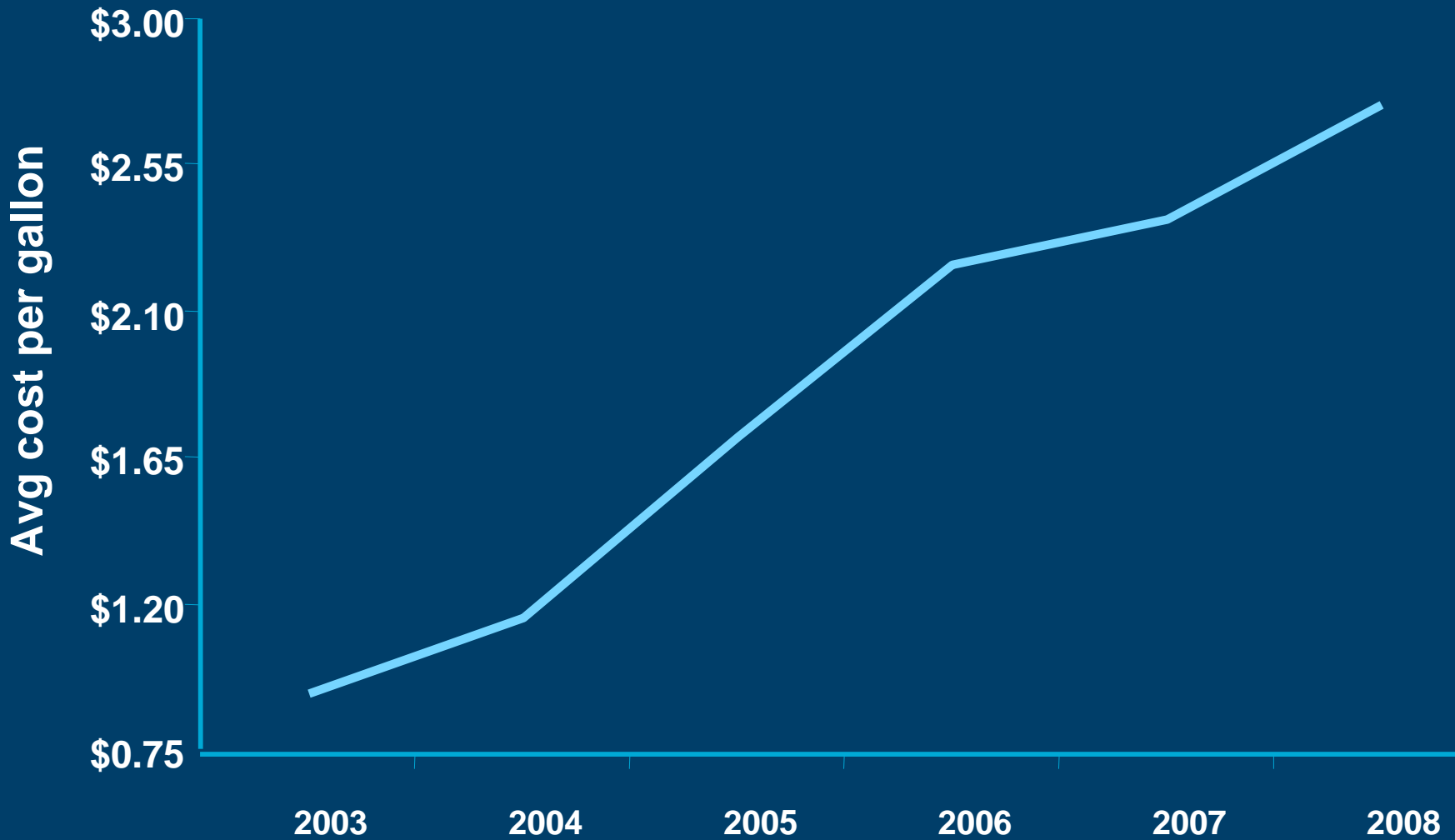


# Ferry Funding Crisis: Major Causes



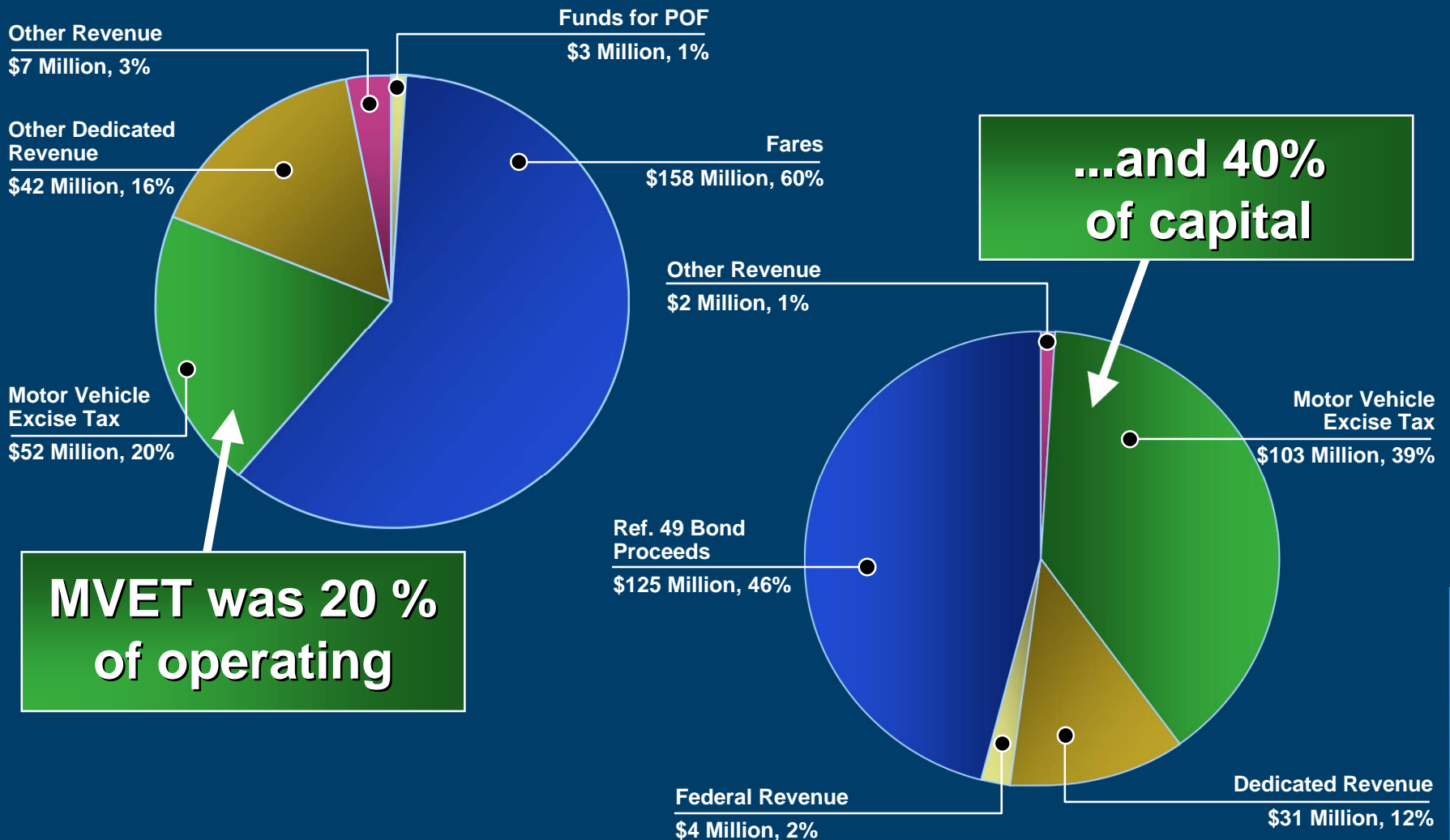
# Ferry Funding Crisis

## WSF Fuel Costs FY 03-08



# Impact of MVET Removal

## Ferries Budget Pre-MVET Removal (95-97)



From "WSF Ferries Budget: An Overview," presented by legislative staff at the July 8<sup>th</sup> meeting of the JTC Ferries Policy Work Group.

# Initial Screening Process: Sources of Funds

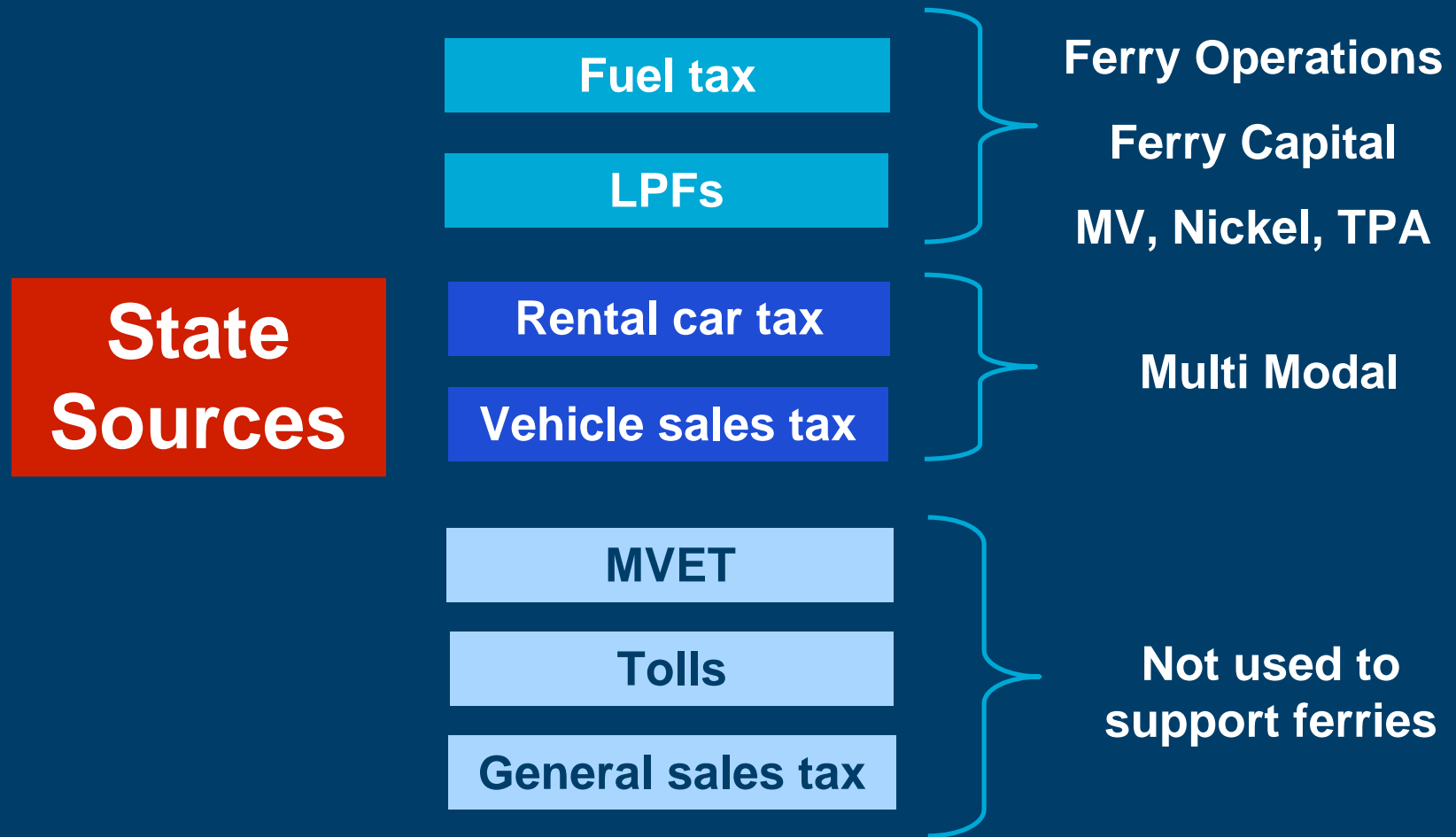
**State Sources**

**Local Sources**

**Ferry System Sources**



# State Sources of Funds



# Fuel tax

	Yield	Reliability	Admin. Effectiveness
Fuel tax	✓✓✓	✓✓✓	✓✓✓

*Each 1 cent increase = \$69 million / biennium*

- Scores high, but future reliability in question
- Political acceptability ?
- Implementation options
  - Sales tax on gasoline
  - Index gas tax to inflation
  - Real increase (> inflation)

# Licenses, Permits, and Fees

	Yield	Reliability	Admin. Effectiveness
LPFs	✓✓	✓✓✓	✓✓✓

*Varies by fee; \$1 of registration fee: \$9.9 million / biennium.*

- Relatively small source unless fees raised substantially
- High reliability & effectiveness
- Washington's registration fee (\$30) lower than national average of (\$56)
- Political acceptability ?

# Rental Car Tax

	Yield	Reliability	Admin. Effectiveness
Rental car	✓	✓ ✓	✓ ✓ ✓

*Add 0.5 percent to rental car tax: \$4m / biennium*

- **Political acceptability**
  - May be greater – targets non-residents
- **Alternative: hotel tax**
  - Primarily locally controlled; restrictions on use of funds

# Sales Tax on New and Used Vehicles

	Yield	Reliability	Admin. Effectiveness
Vehicle Sales	✓✓	✓	✓✓✓

*Add 0.1 percent to sales tax: \$25 million / biennium*

- Large tax base but current tax rate is low (0.3%)
- Less reliable source

# MVET

	Yield	Reliability	Admin. Effectiveness
MVET	✓ ✓ ✓	✓ ✓ ✓	✓ ✓

*Every 0.1 of MVET yields \$125 million / biennium*

- Very high yield – large base, high rate (historically)
- High reliability
- Administratively effective
- Politically questionable due to history, fee amount

# State Sales Tax

	Yield	Reliability	Admin. Effectiveness
Sales tax	✓✓✓	✓	✓✓

*Every 0.1 of sales tax: \$232 million / biennium*

- Highest yield
- Not currently used for ferries
- Competes with non-transportation priorities (education, health)

# Tolls

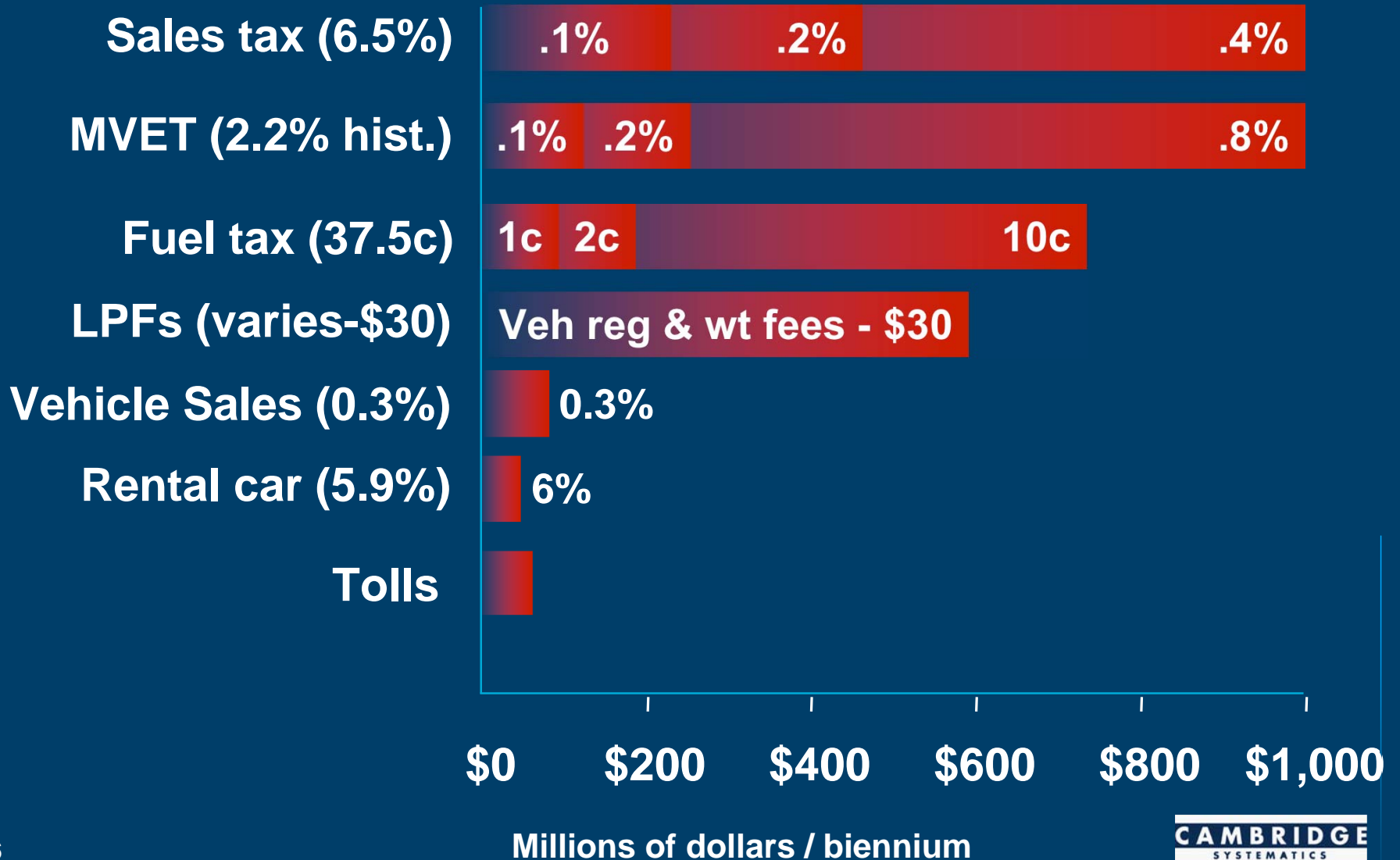
	Yield	Reliability	Admin. Effectiveness
Tolls	✓✓	✓✓	✓

*Assumes \$1.50 toll on Puget Sound HOT Lane Network and bridge*

- Expensive to implement
- Legal constraints on use of funds
- Competition with highway needs
- Implementation options – bridges, points of entry



# Relative Yield of Funding Sources



# Initial Screening Process: Sources of Funds

**Major State Sources**

**Local Sources**

**Ferry System Sources**

# Local Sources of Funds

## Local Sources

Fuel tax

Parking tax

Impact fees

License fees

MVET

Property tax

Sales tax

Employer tax

Utility tax

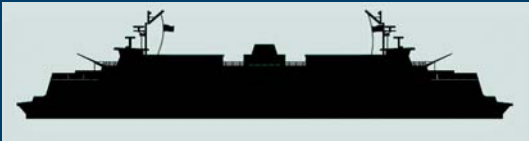
Real estate tax

Any County can use – general application

Specific application

# What is appropriate role for local funding?

## Vessels



## Terminals



## Ferry Operations



# Local Sources: Relative Yield



Low

Medium

High

Parking tax

Impact fees

Fuel tax

Utility tax

MVET

Property tax

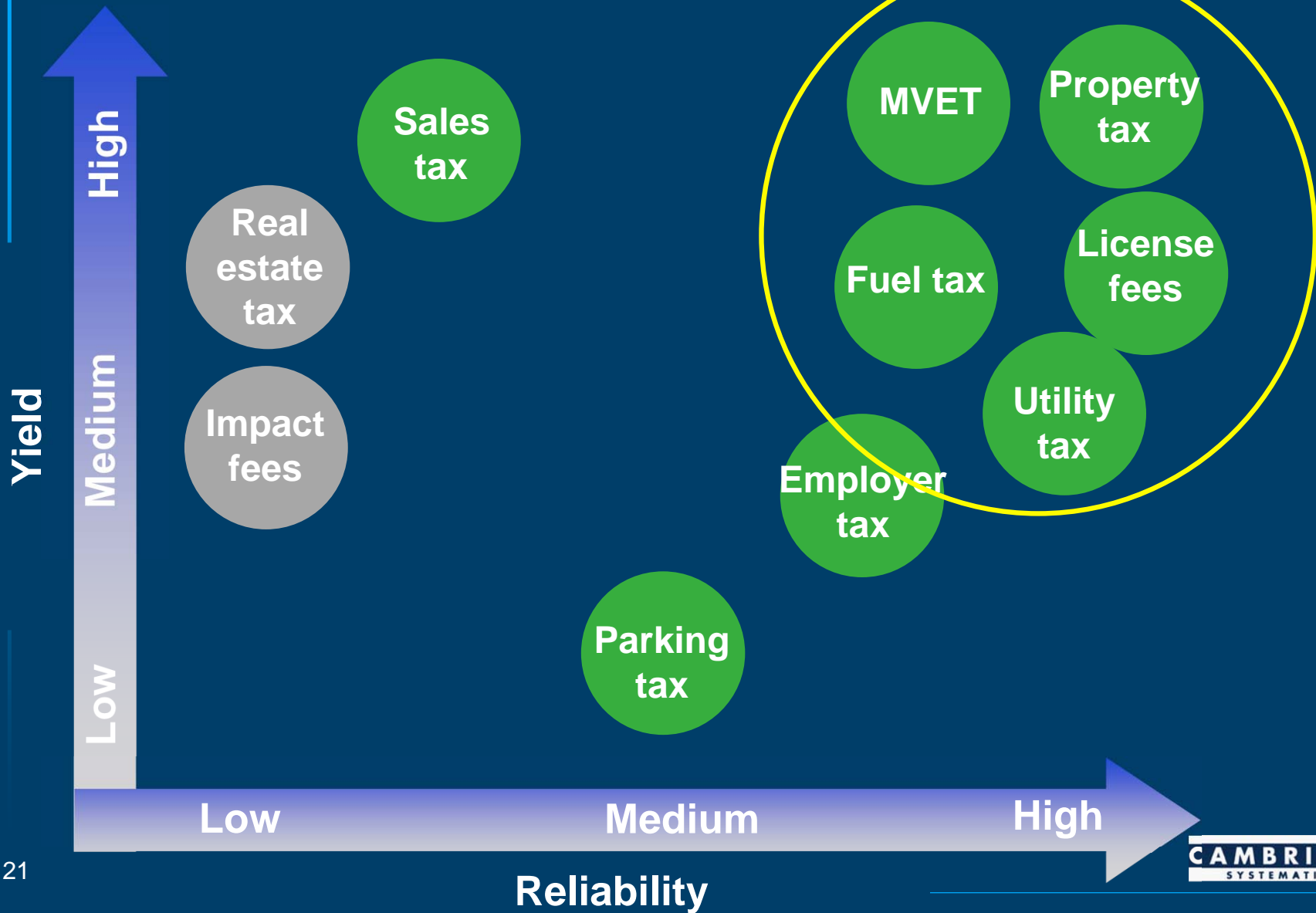
Sales tax

License fees

Employer tax

Real estate tax

# Local Sources: Relative Yield



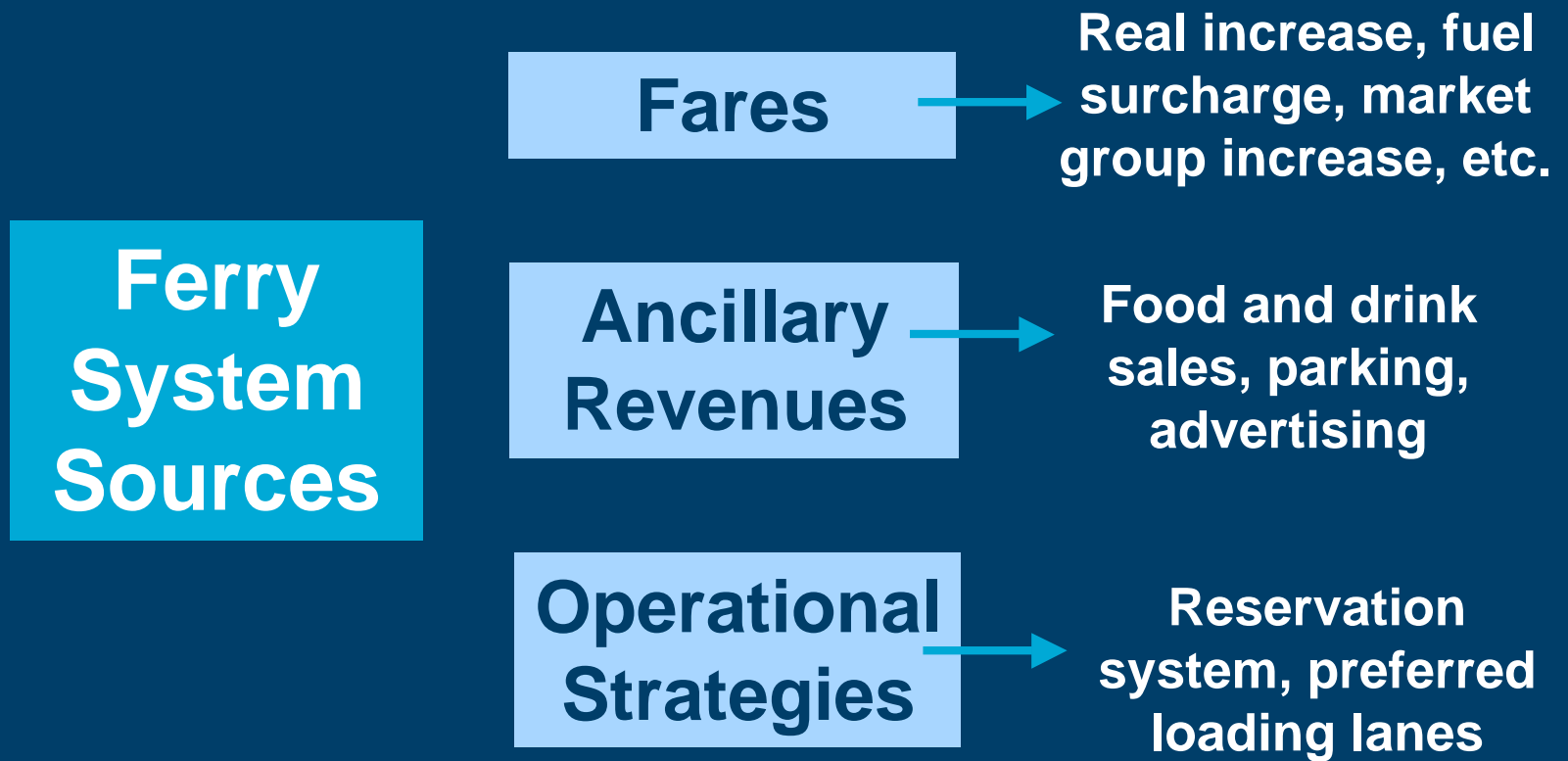
# Initial Screening Process: Sources of Funds

**Major State Sources**

**Local Sources**

**Ferry System Sources**

# Ferry System Sources of Funds





# Fares

	Yield	Reliability	Admin. Effectiveness
Fares	✓ ✓	✓ ✓ ✓	✓ ✓ ✓

*Every 1% increase in fares: \$3.1 million / biennium.*

- **Implementation options: across the board; index; real increase; market-based; space-based; time-based, etc.**
- **Additional ‘willingness to pay’ to be determined from customer survey**

# Ancillary Revenues

	Yield	Reliability	Admin. Effectiveness
Ancillary Revenue	✓	✓	✓

- **Not a major money-maker under current system**
  - \$5.6 million or 1.4% of operating revenues in 05-07
- **Counter example**
  - BC Ferries: floating catering service >\$140 million every two years in concessions revenue on major routes alone
- **Merits further study for potential larger contribution**

# New Operational Strategies

	Yield	Reliability	Admin. Effectiveness
Op. Strategy	✓✓	✓	✓✓✓

- Preferred Loading Lanes
- Reservation System
- Could reduce operating gap somewhat
- Counter example: major source of revenue for BC Ferries

# Local Sources: Relative Yield



Low

Medium

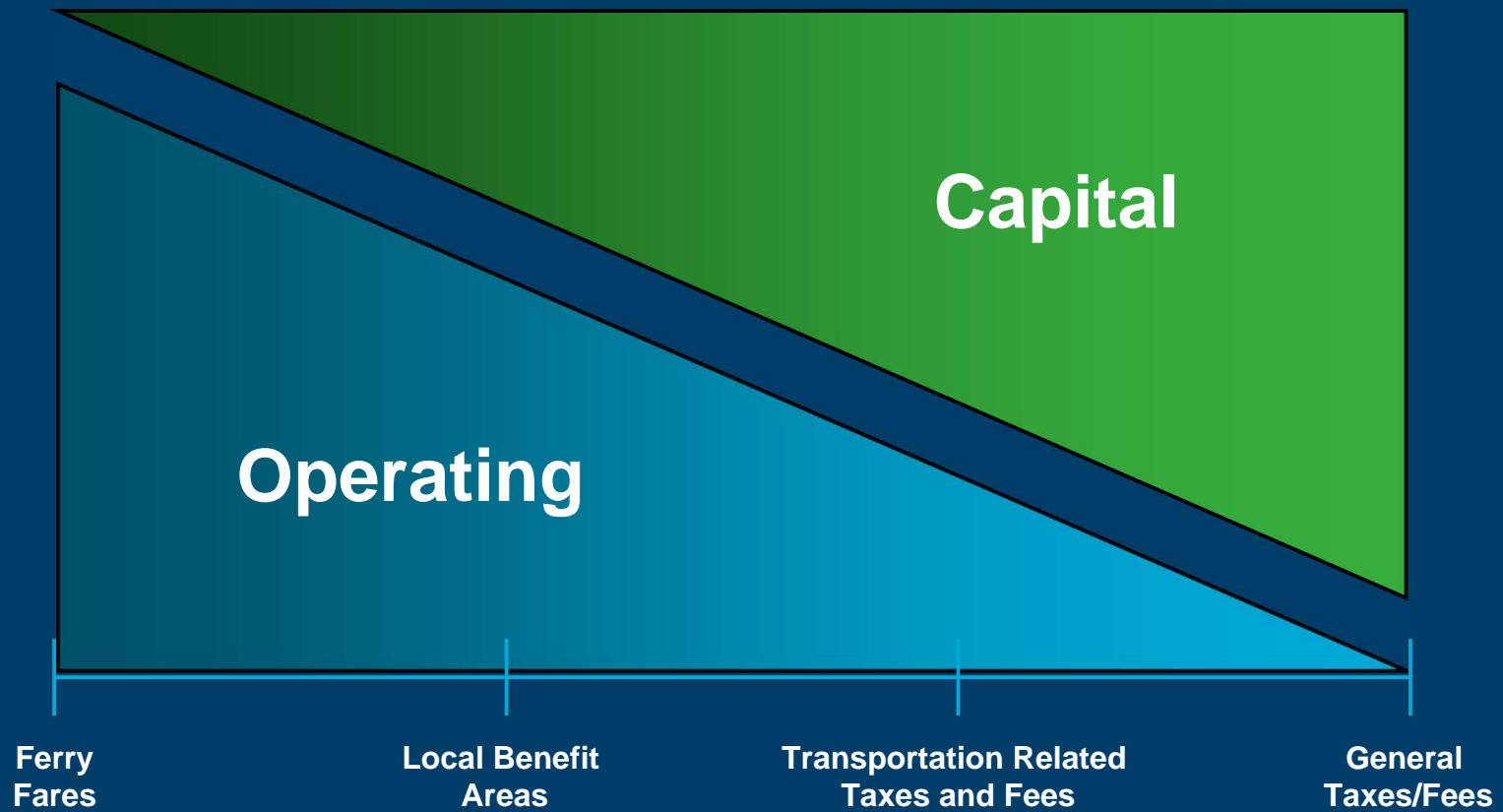
High

Ancillary  
Revenues

Fares

Operational  
Strategies

# Matching Sources to Purpose



# Key Considerations

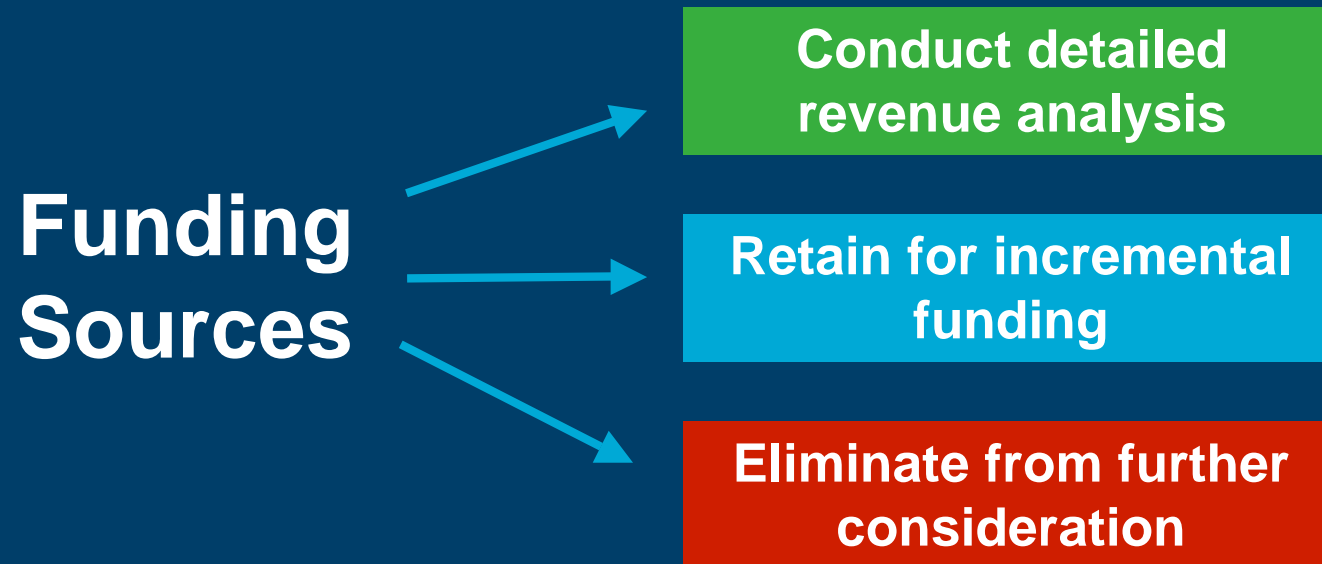
- **Vessel acquisition requires major funding source(s)**
  - Public/political feasibility
  - Revenue generation capacity
  - Longevity and reliability
- **Finance and lease options to manage risk, cash flow**
- **Type of funding package**
  - Ferries only, state highway system, or multi-modal
- **Change in revenue allocation formulas may be necessary**

# Key Considerations, continued

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- **Is rationale for local option funding clear?**
- **Most effective mechanism for leveraging local funds?**
  - **Which source(s)?**
  - **Implementation mechanism**
    - **Multi County Ferry District?**
    - **Local funding of incremental service?**
- **Fare policy**
  - **Differential pricing by route**
  - **Farebox recovery ratio**

# Decisions Required to Move Ahead



- Exploration of local funding implementation options
- Designation, for analysis purposes, of multi-county ferry district(s)