

Long-Term Ferry Funding Study

Summary of Preliminary Report

presented to the
**Washington State
Transportation
Commission**

presented by
Cambridge Systematics, Inc.

November 18, 2008



Presentation Overview

- **Review of study mandate and objectives**
- **Update on current funding situation**
- **Ferry investment scenarios and funding needs**
- **Sources of funding and revenue generation potential**
- **Conclusions and next steps**

Legislative Provisions and Objectives

- **ESHB 1094, Section 206 – Transportation Commission**
 - Long-term financing alternatives
 - Incorporate findings of customer survey
 - Consider the potential for state, regional, or local financing
- **Develop selection of most viable options and requisite actions for stable, long-term funding package**
- **Assumption is that Commission is seeking funding to sustain something comparable to current service**

Transportation Funding is in State of Flux

- **Oil prices have moderated for now, but forecasts and expectations call for significant future increases**
- **Recent vessel bid opening higher than anticipated**
- **Tax receipts declining; other modes also facing difficult near-term funding picture**
- **Competition with non-transportation needs as well**

Ferry Funding Scenarios

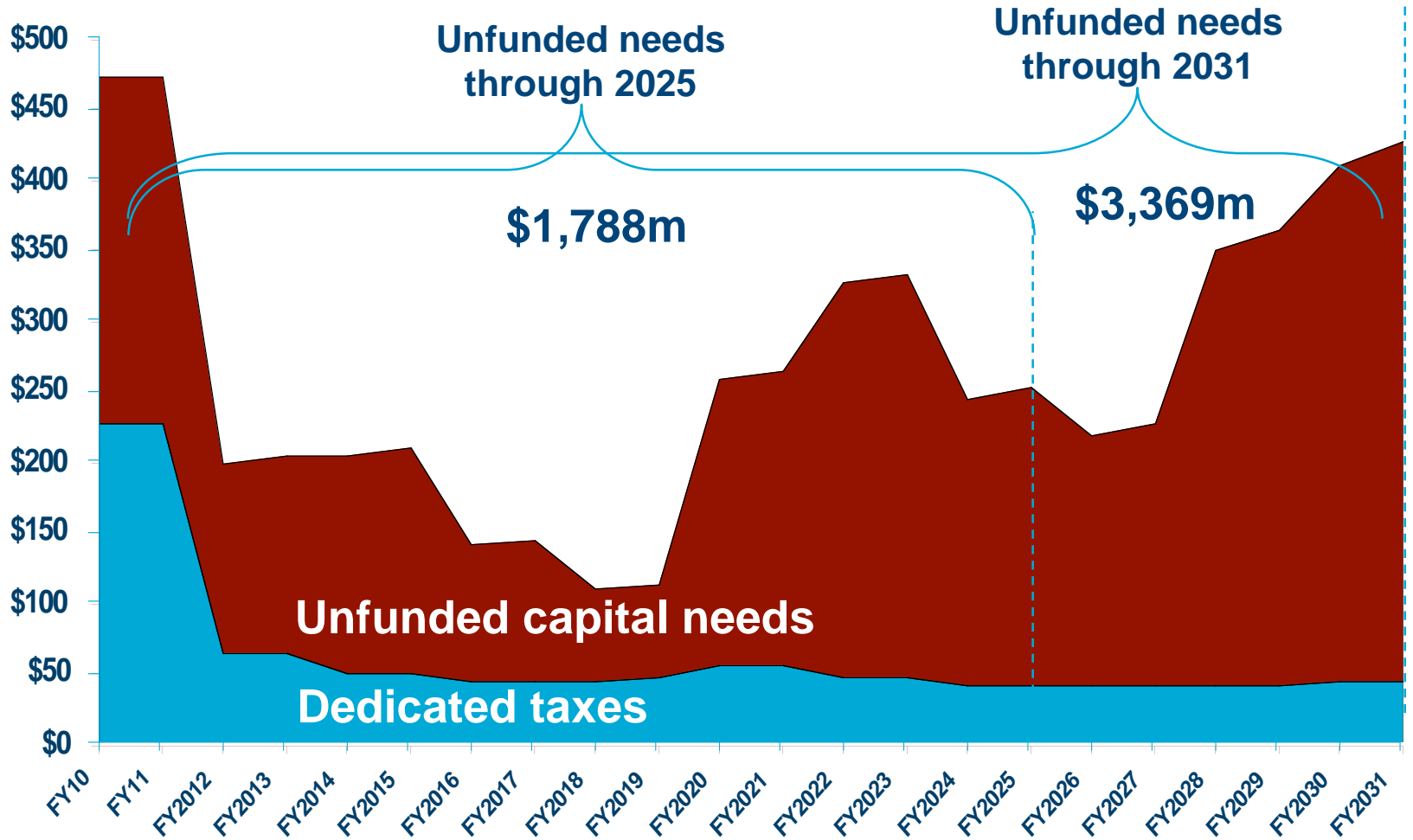
- **WSF Baseline Needs Analysis**
- **WSF 'Preferred' or '2358' scenario**
- **Reduced level of operations and capital investment**
- **WSTC options to above**

Key Features of Baseline Scenario

- **Operate current services**
- **Maintain, preserve and replace existing capital assets**
 - **Two Island Home class, three 144s**
 - **In-kind vessels replacement per retirement schedule**
 - **Terminal preservation and replacement in-kind**
- **Core capital investment needs of over \$3 billion**
- **Operating revenue driven by 2.5% annual fare increase and ~1.5% annual ridership increase**
- **Greatest operating financial risk is fuel prices**

Baseline Capital Need Over Time

Year of Expenditure Dollars, Millions

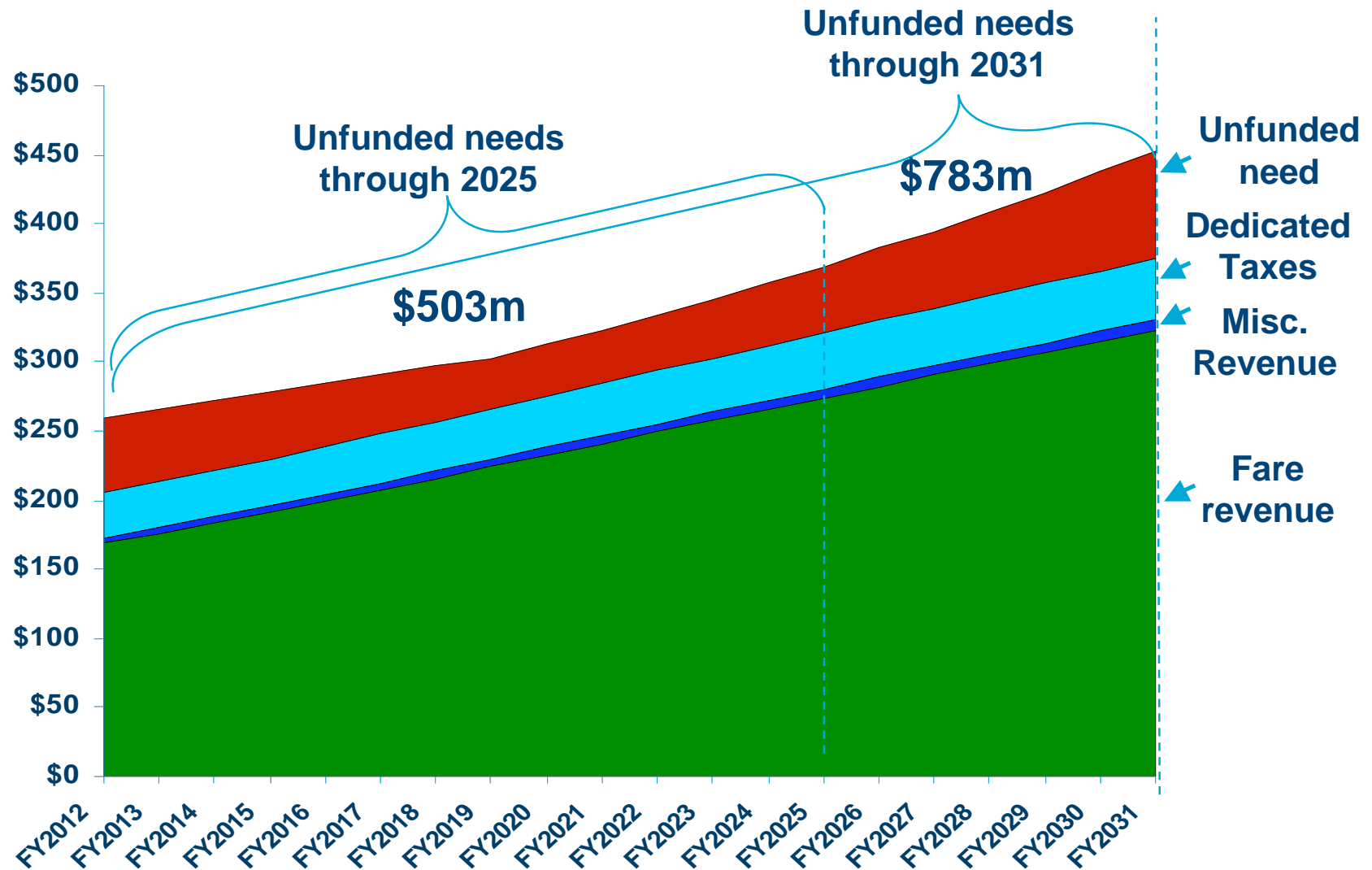


Long Range Planning Horizon (FY2010 - FY2031)



Baseline Operating Budget

Year of Expenditure Dollars, Millions



Other Scenarios' Funding Needs

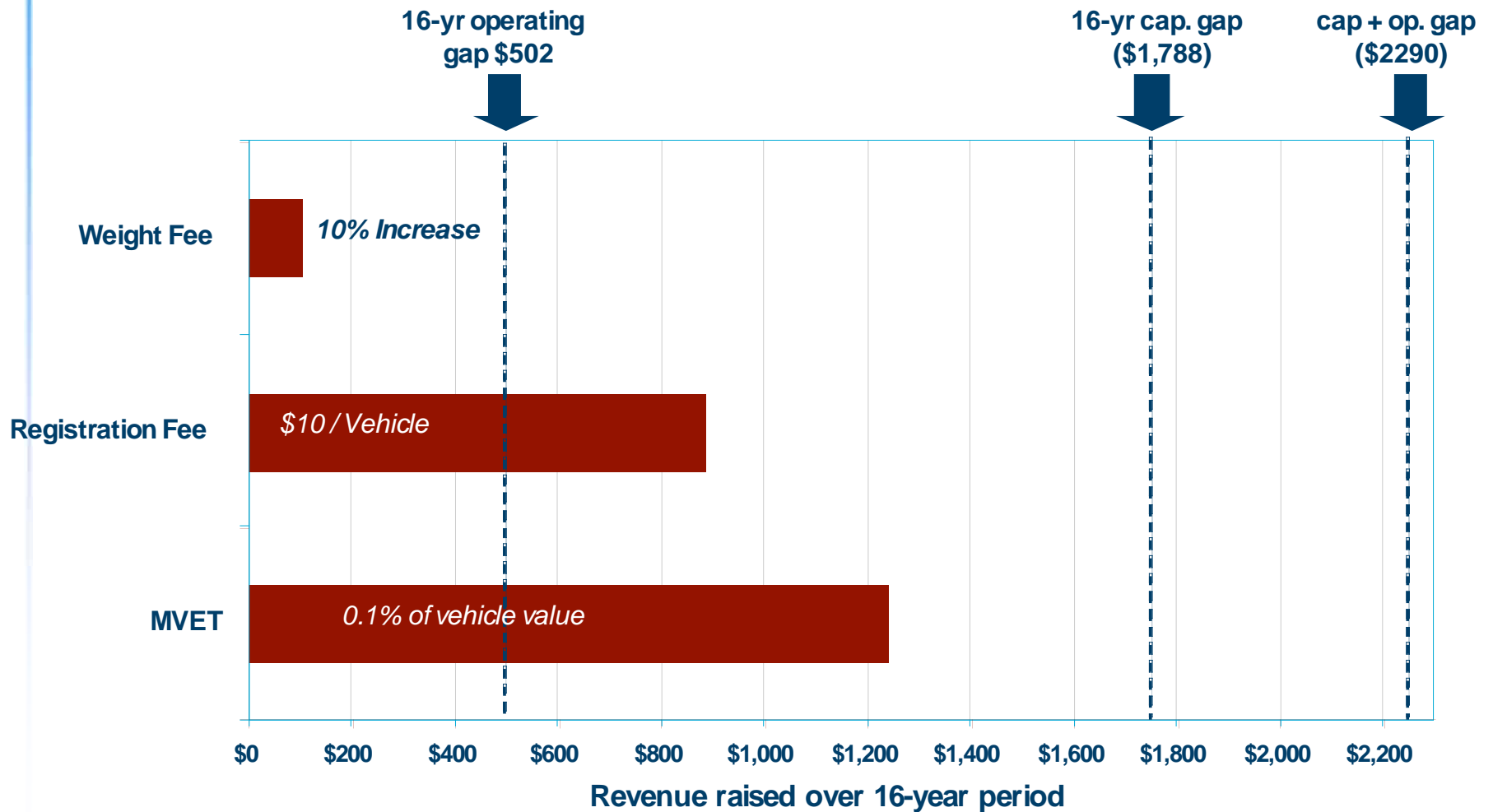
- **'2358' scenario costs are roughly \$1.2B higher than estimated Baseline costs over 22 years, prior to any extraordinary cost savings efforts (combined capital plus operating, inflated YOY dollars)**
- **Reduced level scenarios will relate to some level of available funding, e.g., no new state revenue source**
- **Even reduced scenarios will have significant capital preservation and replacement costs if service is to be sustainable over long term**

Comparison of Baseline Needs to Revenue Generation Potential of Statewide Sources

- **Primary sources under consideration**
 - Vehicle registration fees and weight tax
 - Motor vehicle excise tax
- **Compare to 16-year operating and capital funding gaps**

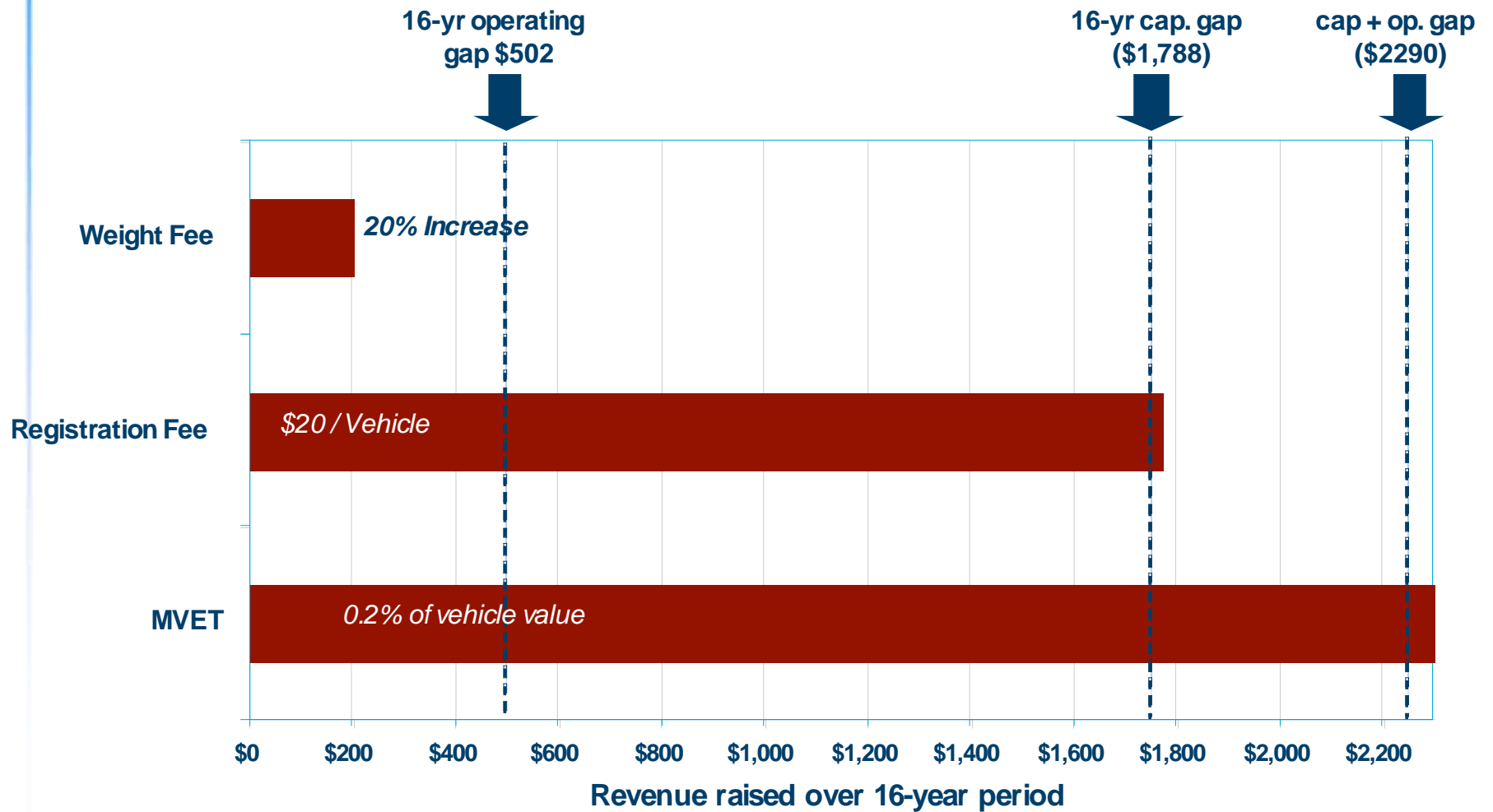
Revenue from State Sources

Revenue over 16-year planning period, Year of Expenditure Dollars



Revenue from State Sources

Revenue over 16-year planning period, Year of Expenditure Dollars



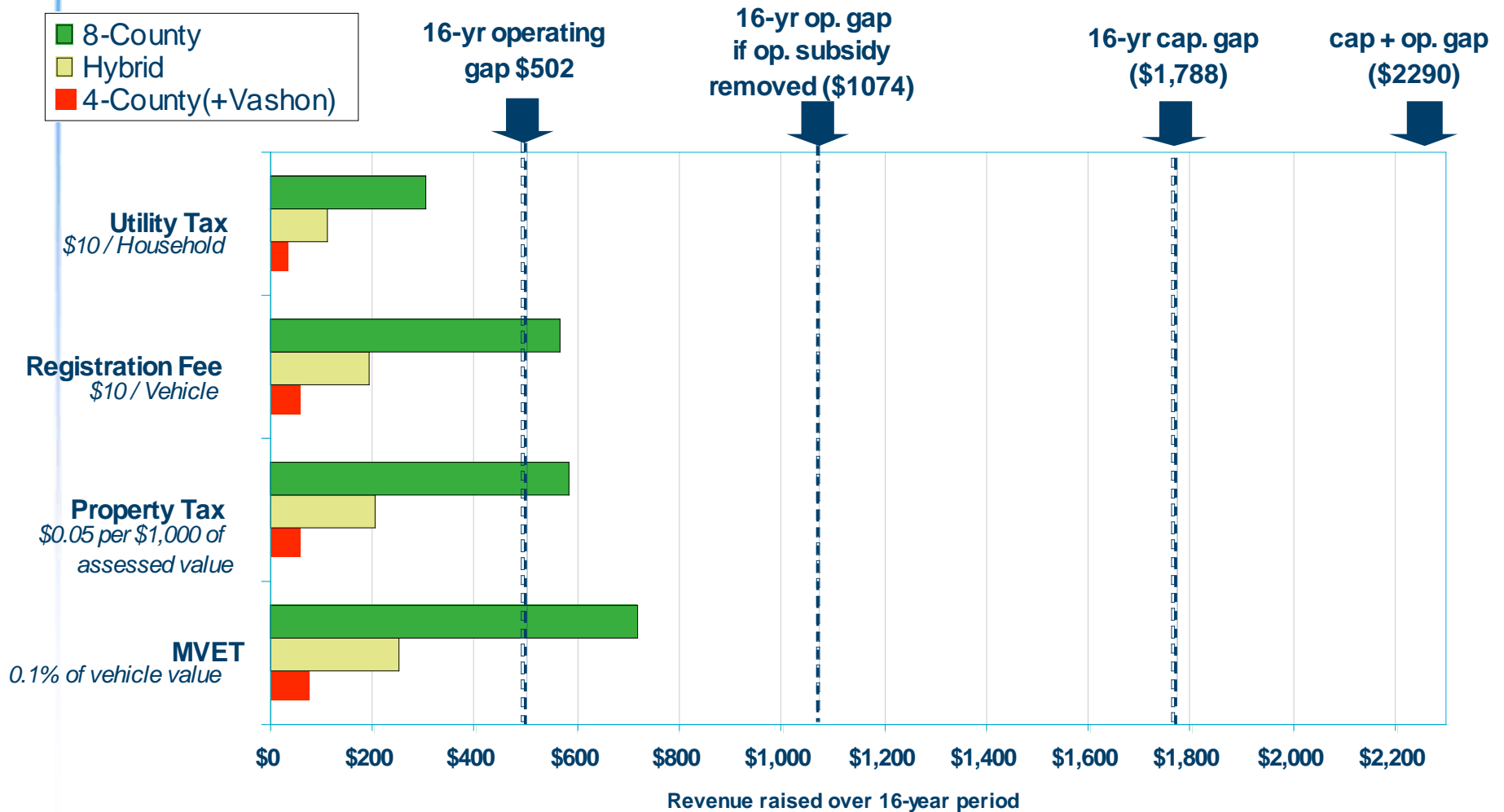
1 Source: Cambridge Systematics estimates.

Comparison of Baseline Needs to Revenue Generation Potential of Local Sources

- **Primary sources still under consideration**
 - Utility tax
 - Property tax
 - Vehicle registration fee
 - Motor vehicle excise tax
- **Three Ferry Funding Districts considered thus far**
 - Four-county plus Vashon Island
 - “Hybrid” district of four-county plus portions of King and Snohomish
 - Eight-county district

Revenue from Local Sources

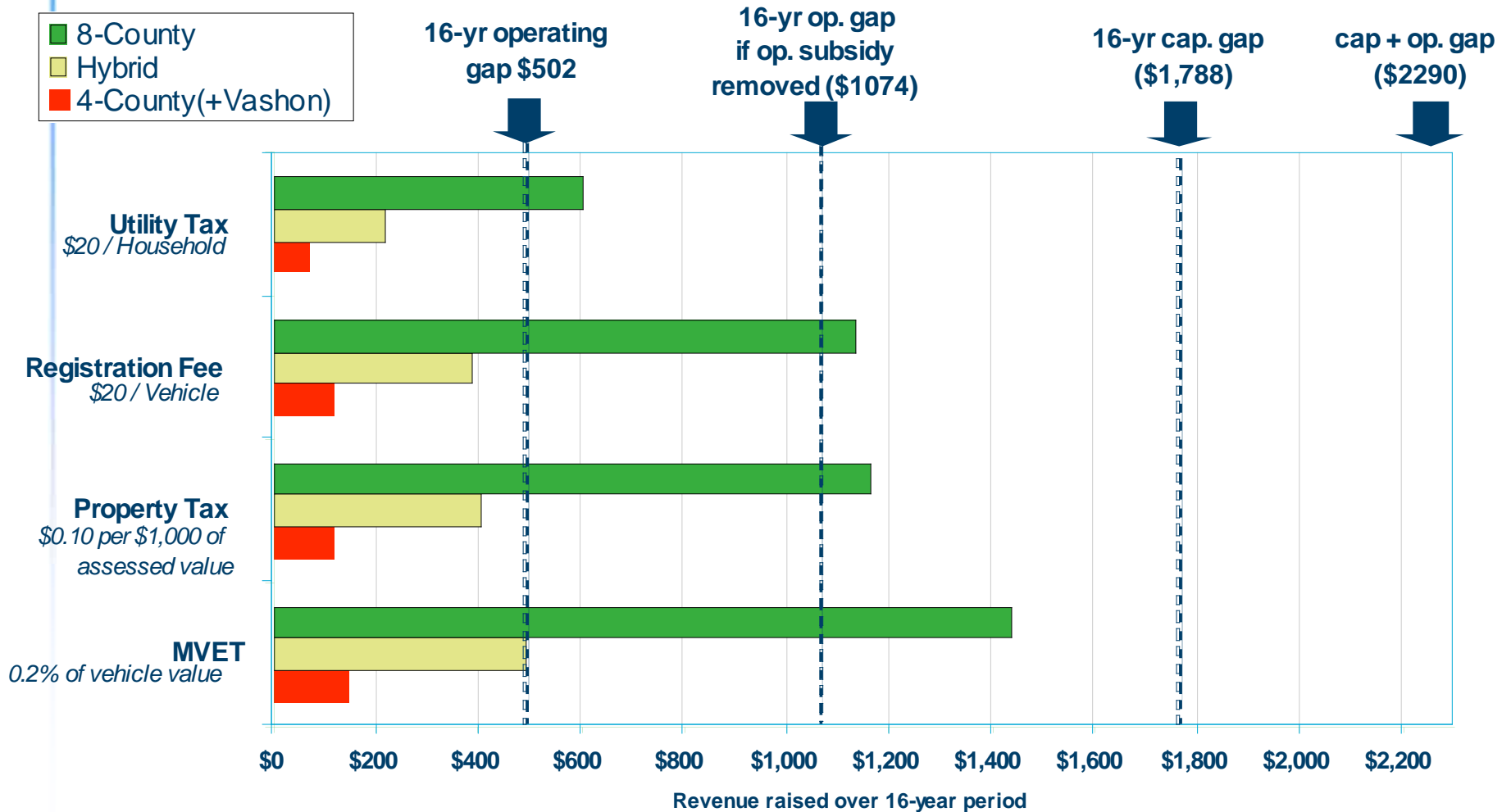
Revenue over 16-year planning period, Year of Expenditure Dollars



Source: Cambridge Systematics estimates. An 8-County district would include all eight ferry served counties. A 4-County district would include only Jefferson, Island, Kitsap, and San Juan Counties plus Vashon Island (part of King County). A "hybrid" district would include the 4-County district plus the portions of King and Snohomish Counties lying west of Interstate Five. District boundaries are for illustrative purposes only.

Revenue from Local Sources

Revenue over 16-year planning period, Year of Expenditure Dollars



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Local Funding Considerations and Steps

- **Set district boundaries**
- **Gain political support**
- **Pass legislation**
 - **May not be necessary**
- **Devise agreement between localities**
 - **Funding responsibility and relative shares**
- **Incorporate localities into WSF governance structure**
- **Localities determine how to raise funds**

Local Funding Examples

- **San Francisco Peninsula Commuter Rail, “Caltrain”**
 - State operated 1980-1987, then transferred to local level
 - Three-county Joint Powers Agreement
 - Localities fund operating subsidy (share of AM boardings)
 - Localities provide set amount for capital
 - State & federal governments make up the rest
- **WMATA**
 - Operating subsidy provided by seven local governments and MDOT
 - Share determined by population, usage, and station location
 - Locals also provide capital ‘grants’
 - All localities represented on WMATA board

Operating Income Strategies

- **Fares currently make up ~97% of WSF operating income**
- **Operating income only covers ~72% of operating costs**
- **Other source of operating income are important to pursue but not likely to close funding gap**
 - **Advertising and naming rights**
 - **Vessel and terminal concessions**
 - **Joint development of terminal areas**
 - **Public/private partnerships**
- **Strategy required to help close operating gap through additional fare revenue**

Illustrative Fare Increases Required to Achieve Different Levels of Farebox Recovery

● 75% Recovery

- 2.5-5% increases for two years
- 2.5% every year thereafter

● 85% Recovery

- 10-15% Increases for two years
- 2.5% every year thereafter

● 100% Recovery:

- 15-20% increases for at least two years
- 2.5% increase every year thereafter

Alternatives to Across-the-Board Fare Increases

- **Variable fuel surcharge to recover price increases**
- **Increase in seasonal fare surcharge**
- **Three-season “off-peak, shoulder, peak season” surcharge structure**
- **Peak-period fare surcharge**
- **Reduction in frequent user discounts**
- **Oversize vehicle surcharge**

Conclusions and Recommendations

- **Other issues rapidly overtaking ferry funding discussion**
- **Near-term funding needs to be resolved, but important to focus on funding long-term, sustainable service**
- **Any new source of revenue will take time to implement**
- **Even financially-constrained scenarios will have unmet capital funding needs requiring new source of revenue**
- **Recommend that Commission continue to refine details of state and local funding packages**
- **Work with WSF to define corresponding fare strategies**

Next Steps

- **WSF still actively working to define operating and investment scenarios**
- **Final Commission funding report in early 2009 will incorporate scenario planning framework of WSF Long Range Plan**
- **Commission to finalize funding recommendations tied to preferred scenario and alternatives**