

Update on Ferries Division Reforms

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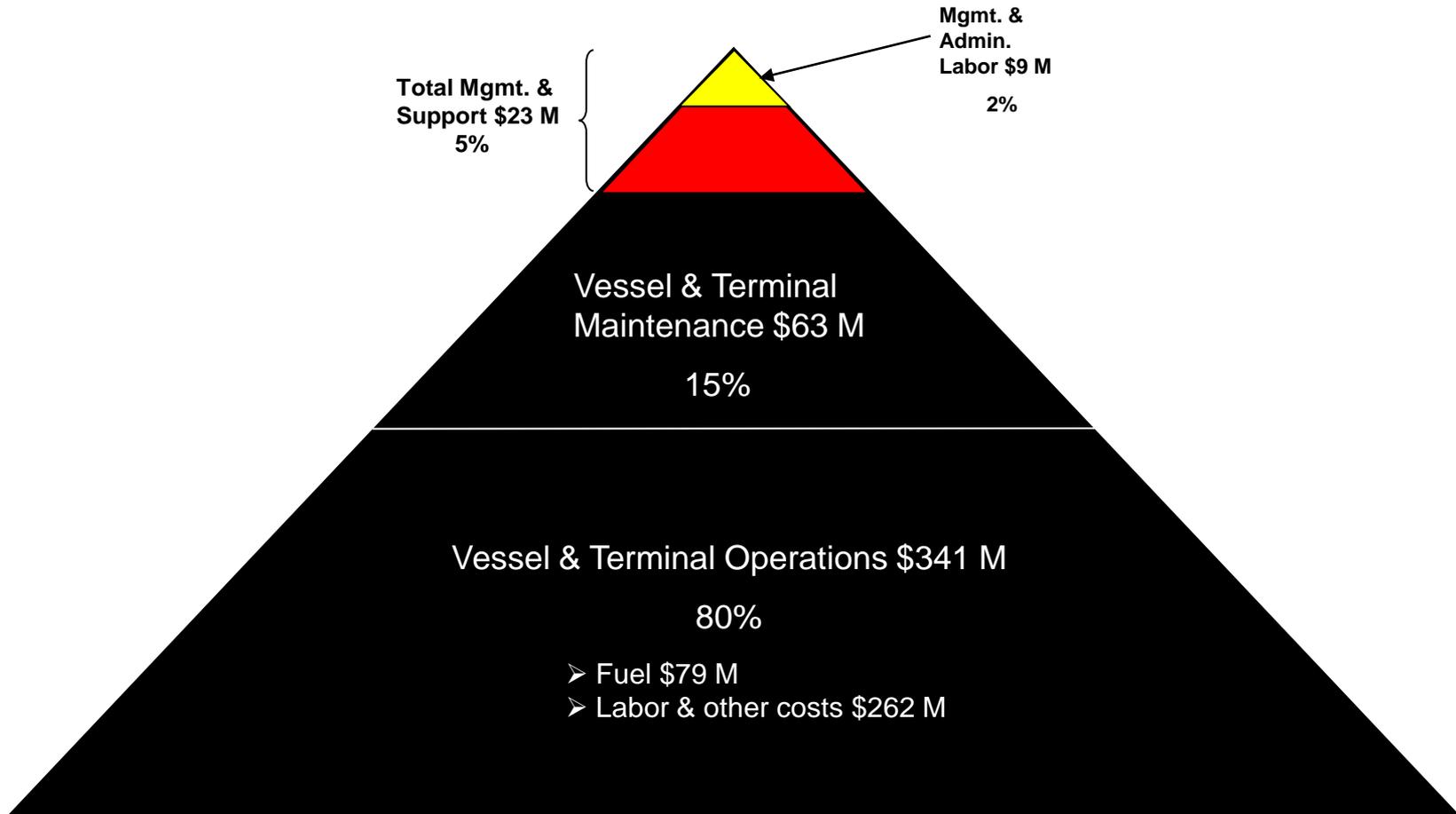


Transportation Commission
Olympia, Washington
October 20, 2010

Discussion Overview

- **Update on Cost Savings**
- **Budget Outlook**
- **PVA Panel Report**
- **SAO report**
- **Questions**

Operating Budget Overview – FY2009-11



Unavoidable cost expectations, 2011-13 biennium (millions)

	Estimate
Fuel & lube oil cost increase	\$29.5
Operation of 2 nd and 3 rd 64-car ferries	5.2
Insurance, leases	2.1
Credit card fees	1.0
Total	\$37.8
+ Employee compensation, agreements, settlements and decisions	- UNKNOWN -
New USDOT rule on passengers with disabilities	- UNKNOWN -

Projected Operating Budget Deficit

(\$ in millions; with planned fare increases)

Projected biennial savings

Travel time and mileage	\$0.240
Friday Harbor housing	\$0.048
Overlap pay	\$0.023
Staff reductions	\$0.755
Cap on travel time	\$0.360
Overtime, training, maintenance, marketing, & other	\$2.323

Total \$3.7 million

Revenues Based on September, 2010 Forecast	2009-11	2011-13	2013-15
Sources of Funds:			
Farebox Revenue - no fare increases	292.9	303.7	322.1
2.5% increase January 1, 2011	1.3		
2.5% increase each Oct. 2011-24		12.6	26.2
State taxes, fees, and other revenues	57.8	59.2	61.2
Budget transfers and beginning fund balance	69.5	56.8	0.0
Miscellaneous Revenue (Concessions, etc.)	7.9	8.9	9.4
Total Sources of Funds	429.4	441.2	418.9
Uses of Funds:			
Vessel Operations, excluding fuel			
Vessel operations	186.1	199.4	211.8
Terminal operations	56.3	60.3	64.1
Operations Management and Support	18.5	19.8	21.0
Total Operations, excluding fuel	260.9	279.5	296.9
Fuel	78.8	107.9	116.9
Total Vessel Operations	339.6	387.3	413.8
Maintenance			
Vessel	37.0	39.6	42.1
Terminal	16.8	18.0	19.1
Maintenance Management and Support	9.4	10.1	10.7
Total Maintenance	63.2	67.7	71.9
Management and Support			
	23.1	24.8	26.3
Marine Employees Commission & OFM charge	0.5	0.6	0.5
Health benefit premiums	1.6	1.6	1.7
Projected and Potential Savings	(0.3)	(3.7)	(3.8)
Total Uses of Funds	427.7	478.2	510.3
Ending Balance	1.7	(37.0)	(91.4)

Projected Capital Budget Deficit

(\$ in millions)

<i>Based on September, 2010 Forecast</i>	2009-11	2011-13	2013-15
Sources of Funds			
State Taxes and Fees for Ferry Capital	153.9	117.0	68.4
Bond Proceeds (<i>R-49, Nickel & Multimodal GO</i>)	114.0	159.2	10.5
Local Funds	0.2	0.0	0.0
Federal Funds	65.1	35.1	34.5
Total Sources of Funds	333.2	311.2	113.4
Uses of Funds			
Debt Service	31.8	31.8	31.8
Terminal Construction	86.3	78.4	111.5
New Vessel Construction	135.9	142.9	215.0
Other Vessel Construction	77.7	55.9	85.9
Emergency Repairs	6.3	4.6	4.9
Total Capital Projects	306.2	281.8	417.3
Total Uses of Funds Including Debt Service	338.0	313.6	449.1
Ending Balance	12.2	9.8	(325.9)

Annual Cost Savings Summary

Implemented since FY2007

Reduced consultant usage throughout the division	\$14.8
Recalibrated terminal life cycle cost model	\$6.6
Staff reductions in all areas	\$2.2
Reduced use of temporary employees	\$0.2
Across the board cuts in operating budgets	\$2.0
Additional projected and potential reductions, FY11-13	\$1.9
Total	\$27.7 million annually (\$55.4 million biennially)
Lost potential savings – Crew at USCG level	\$10.5 biennially
Travel compensation	\$3M

Passenger Vessel Association Report

- 36 recommendations:
 - ❖ Management practices
 - ❖ Vessel and terminal maintenance
 - ❖ Finance
 - ❖ Scheduling
 - ❖ Labor
 - ❖ Customer Interactions
- Report to Governor due in mid-November

State Auditor's Office Report

- Governor's request:
 - ❖ Evaluate implementation of past recommendations
 - ❖ Evaluate adequacy of timekeeping and payroll processing systems
 - ❖ Identify and evaluate obstacles and opportunities to improve systems

State Auditor's Office Report

- Results:

- ❖ Past recommendations have been implemented except for implementation of a new system, which requires funding.
- ❖ Concur with a feasibility study by OFM, WSDOT, and other State departments that the systems should be replaced.
- ❖ Existing systems do not support contract compliance (which can lead to establishment of past practices) and lacks data necessary to support data driven decision making.
- ❖ No further performance auditing will be done until a new system is in place.

Questions?

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