



JLARC Analysis of State Ferry Terminal Preservation

Presentation to the Transportation Commission

Joint Legislative Audit & Review Committee Staff

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Why a JLARC analysis and JLARC's recommendation to improve asset condition reporting?





Legislature Sought Improved Information on State Ferry Finances

- In 2006, the State Ferries Division of the Washington Department of Transportation **proposed a \$5.6 billion long-range plan**
- In response, the Legislature directed the Joint Transportation Committee (JTC) to study ferry finances
- JTC contracted for work, which focused initially on the **capital needs for ferry terminals**

JTC Consultant Identified Concerns About Terminal Facility Repair Plans



- State Ferries had requested capital funds for terminals that were **still in good condition**
- State Ferries' definitions of project categories overlapped & created confusion
- **All systemwide projects were allocated to preservation**, overstating the true cost of the preservation program
- **Life-cycle cost model was not updated for current asset conditions**



Legislature Responded by Adding Several New Statutory Requirements

- Directing OFM to develop key definitions
- Prohibiting the use of capital funds for maintenance
- Directing State Ferries to allocate systemwide and administrative costs to specific capital projects
- Requiring State Ferries to maintain a life-cycle cost model to identify investments needed to ensure terminals are preserved



Legislature Responded by Adding New Statutory Requirements (cont.)

- Specifying appropriations made for “preservation” be spent only on preserving assets and only when warranted by asset condition
- Requiring State Ferries to use its **life-cycle cost model (LCCM)** as the basis for preservation budget requests
- **Directing JLARC** to assess State Ferries’ progress in implementing the new statutory requirements

Progress, but asset condition reporting still a problem



Progress Made in Implementing New Statutory Requirements



- OFM issued required definitions of preservation, improvement, & maintenance
- State Ferries revised its capital budget request procedures to exclude maintenance from the capital program
- State Ferries developed a new approach to allocate systemwide & administrative costs
- State Ferries updated life-cycle cost model (LCCM) for terminals



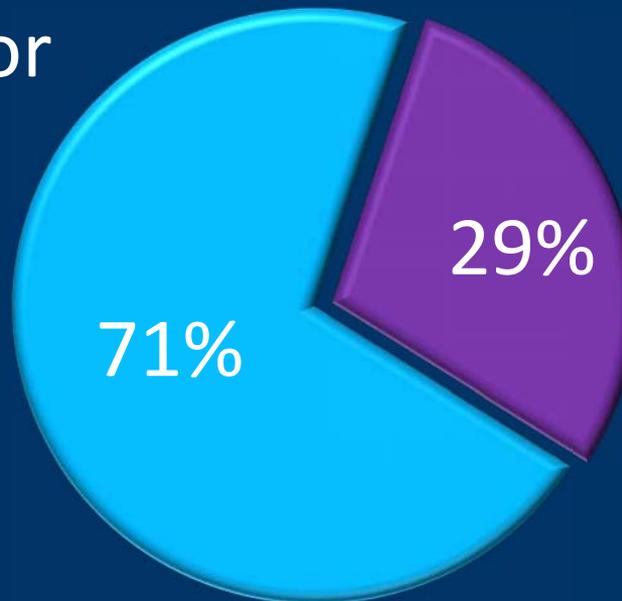
State Ferries Has Not Fully Complied with New Requirements

- WSDOT did not provide information in its project budget requests that **clearly identified the condition** of the individual ferry terminal assets
- State Ferries used preservation funds **for assets that were in good or fair condition, or were not rated**
- Found 9 of 15 projects on the 2009-11 project list included the early replacement or renovation of assets

JLARC Analyzed Ferry Terminal Projects Approved for 2009-11



Asset Condition
Good, Fair, or
Not Rated
\$32.5 M



Asset Condition
Poor or
Substandard
\$13.5 M

Total: \$46.0 M

Source: JLARC analysis of ferry terminal preservation projects approved for 2009-2011.

State Ferries Suggests Two Primary Justifications for Early Replacements



1. Early replacement of some structures is necessary when some components of a system are due for replacement but other closely related components are not
2. Preservation work is warranted on some structures that are still in good or fair condition because allowing further deterioration could result in a structural or safety concern

Compliance with Statute Possible by Better Disclosure



- JLARC concluded that while State Ferries' justifications may be reasonable, to comply with statute State Ferries' should more fully disclose condition information to the Legislature

Recommendation focuses on
improving budget requests



Improvements for Better Accountability



- Capital planning for terminal preservation has improved in response to legislative requirements
- Additional actions are needed to comply with statute and enhance transparency and accountability
- Actions needed to ensure the Legislature receives appropriately detailed information when considering funding requests

Recommendation

- WSDOT, working in collaboration with OFM, should develop new procedures for providing more informative capital budget requests for State Ferry terminal preservation



New Procedures Should Require:

- Modifying condition categories in the LCCM to explain funding requests for assets in good or fair condition that require preservation work to avoid deterioration resulting in structural or safety concerns
- Including asset condition ratings with capital budget requests
- Providing justification for exceptions to replace or renovate assets that are not justified solely by asset condition



Agency Responses

- WSDOT and OFM both concur with JLARC's recommendations



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