

**MINUTES OF THE REGULAR MEETING OF THE
WASHINGTON STATE TRANSPORTATION COMMISSION
June 23, 2010**

The regular meeting of the Washington State Transportation Commission was called to order at 9:00 a.m., on Wednesday, June 23, 2010, in Room 1D2 of the Transportation Building in Olympia, Washington.

Commissioners present at the meeting were: Chair Carol Moser, Bob Distler, Dick Ford, Elmira Forner, Latisha Hill and Dan O'Neal.

MINUTES SUMMARY ADOPTION

It was moved by Commissioner Ford and seconded by Commissioner Forner to approve the minutes of the May 19, 2010 meeting as amended. The motion passed unanimously.

SR 520 TOLLING WORK SESSION

Craig Stone, Director, Toll Division, WSDOT, told the Commission he expects the Commission to adopt early SR 520 tolling rates in late fall 2010, with tolling to begin in Spring 2011.

Dave Dye, Deputy Secretary, WSDOT, made opening remarks regarding conversations between WSDOT and the State Treasurer regarding financial planning and the Commission's role in rate-setting. The Treasurer is concerned about the overall amount of state debt and what types of transportation bonds are issued. The Commission asked what percentage of state debt is comprised of transportation bonds.

Essentially, the size of the projects and amount of debt involved impacts the credit of the entire state. Bond buyers do not want politics to interfere with repayment. Mr. Dye cited legislative action on establishing the format for Tacoma Narrows Bridge (TNB) debt, revisiting TNB tolling issues, and Commission response to legislative and community concern on TNB rates as examples of TNB political considerations that may impact the SR 520 financial strategy. Commissioners responded that based on the Commission's history, bondholders should have no cause for concern.

Amy Arnis, Chief Financial Officer, Strategic Planning & Finance, WSDOT, reviewed the Toll Scenarios and Common Assumptions previously discussed for the \$2.62 billion bridge replacement, landings and Eastside SR 520 improvements.

Craig Stone, WSDOT, presented several alternative toll scenarios that were tested. All scenarios fall short of revenue maximization. The Commission discussed all of the options presented.

- Is it best to have a gradual increase in tolls to avoid a big (20% or more) jump in tolls when the new facility opens? How much should post-2016 assumptions influence toll rates for the existing facility? There is public reluctance for tolling to raise more money than needed at the time.
- Should the peak AM and peak PM toll be the same?

- Should scenarios aim to meet or exceed overall project funding outlook? What coverage ratios are anticipated?
- How large of an annual increase is desired?
- How many toll steps should variable rate tolling contain? Time of day variation balances traffic and revenue.

Commissioners noted that financial plans and traffic change projections may change if tolling proceeds by segment as opposed to tolling the entire system. In addition, Commissioners noted the importance of keeping in mind the long-term need for system tolling.

By early fall, the Commission will narrow the options, prior to seeking public comment. The Commission will aim to have a recommended option emerge from the July Commission meeting.

The direction to the Tolling Division for July is:

- Remove Alternatives 2 and 3 from consideration.
- Drop Alternative 5 in favor of Alternative 4, since they are quite similar. Look at alternatives A and D as bookends.
- Refine modeling with the remaining Scenarios: Alternative 4, Scenario A, Scenario D-prime (the same am and pm peak rate in 2011 and smaller step in 2017) and a revised Alternative 1 that has a smaller differential between the morning and afternoon peak rate. Also develop a scenario with a morning peak higher than \$2.80 and an afternoon peak lower than \$3.50.

The new bridge should be complete by 2014; if planning and financial decisions for the West Side happen soon enough, the entire project could be complete by 2017. The Commission Tolling Subcommittee has recommended that a tolling rate be set that grows slowly and avoids a large bump with project completion in 2017 or at a later time.

Secretary Hammond expressed the Department preference for a lower rate first, to be increased after the facility is improved.

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_OSTFinanceBasicsPres.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_TollExemptions.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_SR520Pres.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_SR520OperationsMaintRehab.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_SR520TollModeling.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_SR520Update.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP02_SR520FinanceTollPolicy.pdf

Action/Follow-up Items: Further tolling work in July, leading to setting toll rates in late fall 2010.

COMMISSION BUSINESS

The Commission reviewed and approved applications for discounted ferry tickets from two In-Need Organizations: Orcas Family Connections and Outward Bound.

It was moved by the Commission to approve Orcas Family Connections and Outward Bound applications for In-Need Organizations. The motion passed unanimously.

The Commission discussed the direction to be given to RTPO/MPOs for submitting priority projects pursuant to Section 205(8) of the transportation budget to the Commission and revised the Draft, with staff recommendations.

The Nominating Committee reported that no action will be taken on the nomination of officers at this time.

The Commission reviewed the locations and dates set for Washington Transportation Plan Listening Sessions and suggested two changes.

Follow-Up/Action Item: None

PUBLIC COMMENT

There was no public comment.

UPDATE ON REFORM EFFORTS AND REVIEWS UNDERWAY AT WASHINGTON STATE FERRIES

Secretary Hammond and David Moseley, Assistant Secretary, Ferries Division, WSDOT, briefed the Commission on reforms instituted at WSF since David Moseley took charge of WSF. Staff and budgets have been reduced by 35 FTE and \$2.2 million a year. Use of temporary employees has been reduced and operating budgets have been cut by \$2 million a year. Changes have been made to improve scheduling and manage overtime. Work is still underway to improve payroll management and oversight; overtime cost is \$5.4 million -- 8% of labor cost.

Progress since 2008 also includes an emphasis on vessel design and construction, terminal preservation and maintenance, a Community Outreach strategy, and adoption of a Long-Range Plan. The 2009 Legislature decided to maintain the current level of service into the future, although there is not yet a strategy to fund that.

Mr. Moseley stressed that improving on-time performance is key to increasing commuter base.

What kind of savings can be captured from additional efficiencies and oversight?

- Eliminate travel time and mileage for special project personnel (\$120,000/yr).
- Converting long-term special project positions to regular position.
- Eliminating overtime and vacation overlap pay (average \$11,500/yr).
- Terminated housing lease on Friday Harbor (\$24,000/yr).

- Implement revised overtime policy to improve management control of overtime.

Total savings from 2010 management changes within WSDOT control: \$256,000.

Other changes and efficiencies must be pursued at the bargaining table. Negotiations for 2011-2013 contracts are underway and must conclude by end of July.

What else is there that needs to be done? Continue the hard work of changing the culture.

Secretary Hammond said that the Department needs to be able to assure the Commission – by September, when the reports are back – that ferry management costs are under control.

The Governor's direction:

- Bring ferry labor contracts more in line with other state government workers;
- Ferries national expert review panel focused on crewing, service and schedule; and;
- State Auditor Evaluation
 - Implementation of previous findings
 - Adequacy of timekeeping system
 - Opportunities to improve time capture and processing.

WSDOT emphasized that even with the \$500,000 efficiencies and a presumed 2.5% rate increase, the ferry system needs a fare increase to balance the budget by June 2011. Projections show the system will be short \$19.2 million in the 2011-2013 biennium – even before contract negotiations are added in. Commissioners noted that the ferries division is seeking a supplemental appropriation every year. The State Auditor has requested a meeting with members of the Commission, which they have agreed to.

Secretary Hammond proposed that the Commission begin fare proposal action in July, conduct community outreach in August, and adopt fare increase in late September to enable increase effective November 1, 2010.

The Commission indicated a desire to have all the information regarding cost savings and other measures relating to overtime and certain other expenditures before it proceeds, which may preclude action prior to September.

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP06_ContinuingFerriesReform.pdf

http://wstc.wa.gov/AgendasMinutes/agendas/2010/June23/20100623_BP06_SummaryPres.pdf

Action/Follow-Up Items: The Commission reiterated its desire to delay taking action on the fare adjustment until all the information requested is before it.

If you would like additional detail on what occurred at any Commission meeting in Olympia, please refer to our web site at www.wstc.wa.gov and click on the link titled "Meeting Audio on TVW" under the 2010 Olympia Meetings section of the home page. There you will be able to access the full audio recording of the meeting. If you have questions please contact our office at 360-705-7070.

WASHINGTON STATE TRANSPORTATION COMMISSION

CAROL MOSER, Chair

ROBERT S. DISTLER, Vice-Chair

PHILIP A. PARKER, Member

DAN O'NEAL, Member

DICK FORD, Member

ELMIRA FORNER, Member

LATISHA HILL, Member

PAULA HAMMOND, Ex-Officio Member
Secretary of Transportation

TERESA BERNTSEN, Governor's Office

ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL