

**WASHINGTON STATE TRANSPORTATION COMMISSION
MINUTES OF FERRY TARIFF HEARING
March 22, 2007**

The Washington State Transportation Commission hearing concerning proposed changes to ferry tariffs was called to order at 1:00 p.m., on March 22, 2007 at Puget Sound Regional Council Boardroom, 1011 Western Avenue, Seattle, Washington.

Commissioners present at the meeting were: Chair Ford, Ed Barnes, Bob Distler, Elmira Forner, Carol Moser, Dan O'Neal and Dale Stedman.

DEPARTMENT STAFF DISCUSSION OF PUBLIC OUTREACH; TARIFF POLICY COMMITTEE DISCUSSION ON PROPOSAL AND OUTREACH – WAC 468-300-010; 468-300-020; 468-300-040; AND 468-300-220

Chair Ford announced that today's meeting is to discuss the WAC published in late January 2007 regarding the general fare increase.

Ray Deardorf, Planning Director, Finance, Washington State Ferries (WSF), WSDOT, opened the presentation with introductions of Alice Tawresey, Chair, Tariff Policy Committee (TPC), Susan Harris-Huether, Customer Information Manager, Traci Brewer-Rogstad, Director of Marine Operations, WSF and Michael Hodgins, Berk & Associates.

Ms. Tawresey opened the discussion indicating that today's presentation will include a review of the Tariff proposal set forward by the TPC, public involvement program results and pending legislation. The original recommendation by the TPC was a 2.5 percent fare increase with next-nickel rounding and a continuation of the tariff route equity phasing, extending the sunset date for the in-need organization pilot discount program for one year, adjusting the peak season fare calculations for oversized vehicles, monthly passes purchased as part of the Smart Card Program with unlimited use and establishing a pilot reservations system with a surcharge of \$10 for vehicles under 20 feet in length and \$20 for vehicles over 20 feet in length on the Port Townsend/Keystone route.

Mr. Deardorf shared that there were eleven public meetings held throughout the service area with nearly 400 people in attendance. There were 271 total comments along with petitions containing 1139 signatures. The level of input is higher than 2002, 2003 and 2006, but substantially lower than the 2001 and 2005 proposals. The theme of the conversation was predominantly the general fare increase and the Pilot Reservations Program. Customers from other ferry communities outside of the Port Townsend/Keystone route expressed concern that the reservation system proposal might migrate to their routes in the future. The majority of customers prefer the flash pass as opposed to the Smart Card technology. There were other comments heard that were not a part of the proposal, such as peak period pricing which was viewed by some as another fare increase for those that are daily users of the system.

Ms. Tawresey shared that the TPC met on March 8, 2007. There were six members of the Committee present to review public comments and discuss possible modifications to the proposal.

Without a quorum no official decisions could be made, but the members present agreed to reiterate their original proposal to the Commission and recommend a 2.5 percent general fare increase. It is suggested that all other elements of the proposal be maintained including the Port Townsend/Keystone pilot reservation system.

Mr. Deardorf explained that there is pending legislation in both the Senate and the House to move the date of fare of the fare cycle from May 1 to October, beginning in 2008. This change would have the following implications for the Tariff process:

- Delaying any fare increase from May 1, 2008 to October 2008 would result in a net revenue loss of applying a fare increase to one peak season period.
- The total 2007-09 biennial revenues from a 4 percent increase on May 1, 2007 and a 2.5 percent increase in October 2008 are nearly equivalent to the biennial revenues from a 2.5 percent increase on May 1, 2007 and another 2.5 percent increase on May 1, 2008.
- Because several dates in the WAC are tied to the May 1, 2007 fare change date, this would require some minor technical editing to the WAC.

The financial plan supporting the House Transportation budget assumes no fare increase in May 2007.

Ms. Tawresey reflected on the TPC's accomplishments from its conception in 1991. The TPC was established to allow citizens the opportunity to have input in the fare setting process. It did its best in trying to bring policy to the setting of tariffs. In closing she expressed that TPC members appreciate having made a difference and were honored to serve.

Commissioner Stedman asked if the TPC came to their 2.5 percent increase decision based on available data. Ms. Tawresey responded "no" that the TPC recommended the 2.5 percent proposal based on the Governor's budget. It convinced them that increasing fares would not come anywhere near balancing the budget. The deficit between the expenditures and income was so large that a fare increase would not cover that amount and was meaningless.

Commissioner O'Neal asked whether the TPC's original decision to propose a 2.5 percent increase was a close vote? Ms. Tawresey responded that it was not close, that nearly every member supported the 2.5 percent number with perhaps one abstention.

In closing Mr. Deardorf walked through the Code Reviser filing process of the Tariff Proposal.

Commissioner Distler commented that the financial condition of the ferry system is not good. The budgetary proposal that was given to make today's decision is unrealistic and did not meet the needs of the systems users in the out years. The Ferry Finance Study is a work in progress and has been fully addressed. He noted that when it comes time to adopt the proposal he will propose two changes; the reservations surcharge for the Port Townsend/Keystone route be eliminated and the across the board fare be held at 2.5 percent.

PUBLIC TESTIMONY

Dick Falkenbury, Seattle resident, shared that he feels WSF has two problems, firstly there is not enough room for drive on and the system does not generate enough revenue. The WSF should model itself after Google and other internet companies that focus on building the customer base by using various inducements including low initial fares. He proposed a deposit fare system with customer incentives.

Marilyn Omev, Vashon Community Council, shared that the senior disabled passenger coupons are good for one year. There is concern that the new electronic fare system will not allow one year before expiration. She emphasized that fare increases are impacting communities. There needs to be meaningful community involvement early in the fare setting process. She expressed concern about a reservation system on routes, like Vashon-Seattle that 50 percent commuter.

Dennis Cziske, Kingston Ferry Advisory Committee, commented that the Ferry Finance Study only addressed fare increases as a way of generating additional revenue for operating costs. He presented a petition containing 922 signatures that addresses concerns with fares, constant and stable funding for ferry operating costs in a subsidy of some form and peak pricing. He supports the 2.5 percent increase without exceeding it.

Walter Elliott, Co-Chair Executive Committee, Ferry Advisory Committee (FAC), pointed out that public opinion is very much a part of policy making. The FAC requests that the Commission follow the legislative intent of a 2.5 percent general fare increase, or withhold fare increases for one year. Higher fares will not stabilize ferry finances. He stated that some ferry routes pay 99 percent of operating costs as opposed to every other transit system that pays considerably less than 50 percent. He urged the Commission to go to the Legislature and seek stable financing for ferries.

Chuck Atcheson, Kingston resident, retired minister, urged that the Commission freeze fares and turn to the Legislature, because fare increases will never close the revenue gap.

Anne Sheridan, Friday Harbor resident, shared that increases in fares has a trickle down effect. The cost of goods and services is impacted when the fares increase. It is clear that fare increases have had a profound affect on the economy in ferry communities. She emphasized that the community wants to be part of the process in finding ways to sustain the ferry system. She presented a petition to the Commission containing more than 3000 signatures.

Debbi Lester, Bainbridge Island resident, asked that ferry fares be fair and equitable. She had moved her business back to Bainbridge Island, but is now finding that the higher ferry fares are a hindrance to her Seattle customers. You need to keep in mind that ferries are marine highways and must have sustainable funding.

Peter Bonyun, Port Townsend resident, commented that escalating fares and essential services of ferries are becoming unbearable. Ferry fares should not be raised at all. The Commission must tell the Legislature that it is time to find stable, consistent funding for ferries.

He shared his support of the proposed reservation system, but objected to the proposed surcharge.

Forest Shomer, Port Townsend resident, explained that he feels that there should be more connectedness to ferry communities cross sound. High fares tend to cause people to “drive around” the ferries adding to congestion. There should not be a surcharge on the reservation system.

Tim Caldwell, Port Townsend Chamber of Commerce and Chair of Port Townsend Advisory Committee, read letters from the Jefferson County Board of Commissioners and the Port Townsend Chamber of Commerce Board of Directors supporting the proposed reservation system without a surcharge.

Mike Lauver, Whidbey Island resident, runs a shuttle bus system from Whidbey which he pays thousands in ferry fares every year. He shared his support of a 2.5 percent general fare increase. He explained that he does not support the proposed reservation system.

Raising fares is not the answer to a declining ridership. The Commission should advocate for the ferry community.

John Solin, Whidbey Island resident, and business partner of Mike Lauver, urged the Commission to take a look at where the money goes, as well as where the money comes from. The Commission should send the message to WSF that it needs to live within the budget. If not, all parties need to work together to fund ferries the right way. He asserted that WSF had been miscalculating fares according to an incorrect interpretation of the existing WAC language. Now WSF wants to rewrite the WAC to fit their consistent misinterpretation of the WAC. Mr. Solin indicated that he had raised the same point at last year’s tariff hearing and the Commission supported his position; this year’s proposal includes revised WAC language to conform to the tariff calculation methodology in effect prior to 2006.

CONSIDERATION OF AND ACTION ON TARIFF PROPOSAL

It was moved by Commissioner O’Neal and seconded by Commissioner Stedman to amend the original proposal and approve the 2.5 percent general fare increase as opposed to the proposed 4 percent increase.

Chair Ford opened the motion for discussion.

Commissioner O’Neal commented that the Commission should go with the 2.5 percent increase based on the Tariff Policy Committee’s recommendation.

Commissioner Stedman expressed that he supports this action. He questioned if ferries should be part of the highway or transit system. Transit systems receive federal funding.

Commissioner Barnes commented that ferries should be funded in a way that users will not be impacted by yearly fare increases.

Commissioner Forner commented that she would not support the 2.5 fare increase. The

revenue gap with WSF is historical and a fare increase will not solve the problem. She emphasized that she is very frustrated with the process.

Going to the Legislature to fill the funding gap will only impact transportation project funding.

Commissioner Moser commented that she believes that when the voters passed Initiative 695 they were not aware of what the impact would be. A Ferry Marketing Study with new and innovative ideas could potentially address the funding gap.

Commissioner Distler commented that a fare increase will not solve the problem. He pointed out that the difference between a 2.5 and 4 percent increase, just this one time, is about \$50-60 million over the 16 years in the projected financials that the legislative staff works with. He explained that he supports the 2.5 percent, not because he wants to throw away the \$60 million, but is regrettably willing to give the Legislature one more chance to see if they are serious about the intent of the Ferry Finance Study. The 16-year budget with 2.5 percent increase per year, which is inflation rate only, amounts to a \$766 million out of balance. We must lean on the Legislature to address this problem.

Chair Ford called the question of all those in favor to amend the proposal to a 2.5 percent general fare increase. The motion passed with Commissioners Ford, O'Neal, Moser, Stedman and Distler voting yes and Commissioner Forner and Barnes voting no.

Commissioner Distler pointed out that the WAC language does not enable the Department the ability to conduct a reservation system. It simply sets a surcharge if the Department chooses to implement or test a reservation system on the Port Townsend/Keystone route. This Commission does not have the authority to direct the Department in any operational manner.

It was moved by Commissioner Distler and seconded by Commissioner Forner to strike the portion of the proposal that establishes the \$10 and \$20 reservation surcharge for any possible reservations pilot program on the Port Townsend/Keystone route.

Commissioner O'Neal asked for clarification of whether eliminating the reservation surcharge would mean elimination of the reservation system itself. Ms. Brewer-Rogstad indicated that the surcharge had been considered the source of funds to pay for the reservation system. Some other means might be found.

Mr. Deardorf commented that if the surcharge is removed from the reservation program, then WSF would have to take another look at it. It would give an opportunity to involve the community more in the discussion and not plan it so hastily. Commissioner O'Neal indicated he thought the reservation system was a good idea that should be tried, but he agreed with other Commissioners that the high fee would likely doom the program from the start.

Commissioner Stedman agreed that he supports the reservation system pilot without an associated fee.

The motion to strike the reservation fee passed unanimously.

Commissioner O'Neal opened discussion of the peak season surcharge.

Mr. Deardorf responded that peak season oversize vehicle fares have been calculated as a multiple of the base season fare for vehicles under 20 foot length. The WAC language as currently worded says that peak season oversize fares are to be calculated by applying the peak season surcharge to each applicable oversized fare in the base season. The proposed language will allow exactly what is done in the peak season. There will be no change to operations, just a change in the WAC language referencing oversize fares.

It was moved by Commissioner Distler to adopt the amended proposal.

Mr. Deardorf requested that if it is the Commission's intention to not raise fares again until October 2008, then WSF would simply ask to make minor housekeeping modifications to WAC language.

Commissioner Distler expressed that he feels the technical WAC change stated in Attachment C was premature. A fare adjustment may be necessary May 1, 2008. This would tie the Commission's hands for the summer season revenue for 2008.

Mr. Deardorf proposed that the language could be reworked to say the next fare change without tying it to a specific date.

Chair Ford recommended language should be developed that would deal with the unknown.

Reema Griffith, Executive Director, explained that the Legislature can freeze a fare increase action, but not the modification of the Commission's policies in WAC. The issue being discussed can be addressed at anytime between now and the passage of legislation. It is premature to start this process until the Legislature makes a decision.

The motion to approve the WAC proposal as amended passed with Commissioners Ford, O'Neal, Stedman, Barnes, Distler and Moser voting yes. Commissioner Forner abstained.

The Commission meeting adjourned at 3:00 p.m., on March 22, 2007.

WASHINGTON STATE TRANSPORTATION COMMISSION

DICK FORD, Chair

ELMIRA FORNER, Vice-Chair

EDWARD BARNES, Member

CAROL MOSER, Member

DAN O'NEAL, Member

ROBERT S. DISTLER, Member

DALE STEDMAN, Member

DOUGLAS MACDONALD, Ex-Officio Member
Secretary of Transportation

JENNIFER ZIEGLER, Governor's Office

ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL