

**MINUTES OF THE REGULAR MEETING OF THE
WASHINGTON STATE TRANSPORTATION COMMISSION
January 22 & 23, 2008**

The regular meeting of the Washington State Transportation Commission was called to order at 9 A.M., on January 22, 2008, in Room 1D2 of the Transportation Building in Olympia, Washington.

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

MINUTES APPROVAL

It was moved by Commissioner Forner and seconded by Commissioner Stedman to adopt the minutes of the November 13 & 14, 2008 Commission meeting as amended. The motion passed unanimously.

FREIGHT RESILIENCY REVIEW

Barbara Ivanov, Director, Freight Systems Division, WSDOT, shared an overview of the purpose of our state's freight system. She explained that it has been broken down into three systems; global gateways, international and national trade flows through Washington; Made in Washington, regional economies rely on the freight system and Delivering Goods to You, Washington's retail and wholesale distribution system. Up to 80 percent of truck trips operate in the local distribution system that delivers food, fuel and retail goods to consumers. In 2004, almost ten times more light and medium trucks than heavy trucks were licensed in the State.

Resiliency is defined as the ability to rapidly restore service after a disruption. The Department's Resilient Freight System research project with MIT's Center for Transportation and Logistics was completed in 2007 and provides: Best practices of public-sector freight system resiliency planning in the United States; provides a logical approach to develop a statewide freight system resiliency plan and stakeholders' roles and tasks needed to develop a resiliency plan.

Conducting interviews with our freight system customers we have learned their expectations of government, their business continuity plans, and how they will work with government when there is a high-impact disruption. We also learned that high-volume shippers do not have a relationship with government officials, so they rely on media for real-time information. We found that shippers require more distinct information than the general public receives from the media. The heart of the communications system is direct notification to shippers and carriers who both have distinct interests. At this time there is not a direct notification system in Washington that goes to shippers. The shippers expect government to have pre-established rational priorities. They value accurate, timely information above all else. The Department currently offers a passive system on its webpage, but the need is to have a push system that notifies shippers and carriers.

Lessons learned from the I-5 closure in December due to flooding emphasized to the Department that it is time to implement a robust system to provide early notification into a centralized system that is organized and provides high value to the state's freight customers. The Department has developed and hosts a traveler information website – targeted for truckers – for the I-5 corridor linking information from Washington, Oregon and California. You may visit the site at <http://www.wsdot.wa.gov/partners/TIO/>

LONG-TERM FERRY FINANCING STUDY – PHASE I REPORT

Steve Pickrell, P.E., Principal and Senior Vice President, Cambridge Systematics, explained that today's presentation will cover a review of the study's mandate and objectives; describe work steps completed to date; present findings of Phase I work; present recommended work plan for Phase 2 and solicit guidance for next steps.

The study primarily focuses on long-term financing alternatives, as opposed to gap coverage, for the Washington State Ferry System. The study objective is to synthesize existing information about current funding sources, financing capacity, trends in revenue and expenditures; to identify and evaluate a range of state, regional and local financing options, including new and non-traditional funding sources; develop selection of most viable options and requisite actions for stable, long-term finance package and to present findings and recommendations to the Commission in December 2008.

In Phase I the tasks were to review relevant finance studies, perform a scan of other ferry systems, take a look at regulatory review, hold stakeholder interviews, coordinate with market survey and other work efforts, develop a detailed Phase 2 work program and cost estimate and lastly to provide a summary report and presentation of findings and recommended next steps.

Looking back in time a wide-range of financial sources were reviewed that revealed a very good picture of how we got to the current situation. The Motor Vehicle Excise Tax fund, which was the substantial funding source for WSF, was repealed in 2000. As the revenue curve turned downward the cost curve was increasing. Referendum 51 rejected in 2002 eliminated potential a \$700 million future revenue for vessels, terminals and preservation. The funding gap was addressed through cost reductions, revenue increases and transfers. WSF reduced management and support positions, reduced service on selected routes, and reduced capital expansion programs to focus limited resources on preservation. A sequence of fare increases took place, including across-the-board fare increases of 20 percent in 2001.

Even though there are few true peer systems several interesting and useful findings came forward after review of peer funding strategies. Though passenger volumes of WSF, BC Ferries and Scanlines are comparable, WSF carries substantially more vehicles, particularly when fleet size is taken into consideration. WSF depends more heavily on fares, particularly vehicle fares, to fund operations, whereas, concessions are a substantially higher percentage of operating revenues at peer systems. Sources of capital funds also differ significantly by system.

Phase I findings found that since the elimination of the MVET in 2000, WSF has struggled to fund its operating and capital needs. Costs have risen widening the funding gap in recent years.

Sources of operating funds need to be expanded or indexed to assure coverage of operating expenses. Significant new sources of revenue need to be found to fund capital rehabilitation and replacements need to be identified. The structure of ferry fares may need to be revisited to reflect different markets. WSF should explore multiple ways to maximize revenue earned from system operations and property. Washington State has legal authority to tap numerous funding sources, though voter approval is required for many. Public acceptance of revenue solutions is critical to long-term sustainability of capital funding. The Commission and Legislature need to refine and evaluate financing alternatives sufficiently, take action and implement ferry financing legislation that will secure the long-term financial health and stability of the ferry system.

The remaining steps of Phase I are to evaluate a range of financing options, including new and non-traditional funding sources; develop a selection of most promising and viable options for a stable long-term finance package and identify necessary implementation actions. Phase 2 will kick off March 1 or sooner and work with the Ferry Survey and the Joint Transportation Committee. It will quantify a range of expected incremental income from various funding strategies, and identify the size of the need for funding of both the capital and operating program. Final findings and recommendations will be presented to the Commission in December 2008. He emphasized that moving forward into Phase 2 additional funds would be needed to accomplish all of the tasks.

It was moved by Commissioner Moser and seconded by Commissioner O'Neal to delegate to the Commission's Ferry Finance subcommittee the ability to work directly with the consultant to accomplish Phase 2 necessary tasks. The motion passed unanimously.

2008 AMENDMENTS TO WAHSINGTON STATE FERRIES (WSF) WASHINGTON ADMINISTRATIVE CODE (WAC)

Traci Brewer-Rogstad, Deputy Director, WSF, WSDOT, explained that WSF is requesting approval to file CR 102 to extend tariff language due to sunset in WAC 468-300-010 (footnote pertaining to In-Need Organizations); (passenger fares) and 020 (vehicles under 20' and motorcycles), footnote pertaining to Bundled Single Fare Media; and WAC 468-300-040 (oversized vehicles), footnote #2 pertaining to San Juan Interisland Transfers.

It was moved by Commissioner Distler and seconded by Commissioner Stedman to adopt the Department's recommendation, which specifically means, that the so called Pilot Program of In-Need Organizations will become a regular part of the tariff, and that bundled single fare media and transfers for commercial vehicles in the San Juans will be extended until the current law end of the freeze on ferry fares. The motion passed with Commissioner's Ford, Distler, Moser, Stedman and Parker voting "Aye" and Commissioner's Forner and O'Neal voting "Nay".

It was moved by Commissioner Forner and seconded by Commissioner O'Neal to amend the motion to include a sunset date of October 10, 2009 to the In-Need Organization language. The motion passed with Commissioner's Distler and Moser voting "Nay".

FERRY CUSTOMER SURVEY – PRESENTATION OF QUALITATIVE SURVEY REPORT

Rebecca Elmore-Yalch, Senior Vice President, Opinion Research Northwest, provided an overview of the customer survey. She explained that the overall purpose of the survey is to gather information from a representative sample of ferry customers on their travel attitudes and behavior, and to identify fare policy, operational and customer-centric strategies that could be effective in modifying demand for peak hour vehicular travel and/or increasing walk-on passenger traffic while continuing to accommodate demands for existing and future ridership. The expected outcome is to better understand customer attitudes and behaviors to estimate the impact of changes in fare policy, operational and other customer-centric strategies. The objective is to explore current travel behaviors to understand customer characteristics and attitudes towards travel, service and customer expectations.

Customers were asked how they currently use the system and what influences their travel behavior. It was found that most participants/regular riders have fixed and difficult schedules that determine which ferry to catch, while other riders consider traffic, weather and cost before traveling. Most participants indicated that their decision to drive on to the ferry is driven by necessity rather than choice. Two factors that clearly impact the decision as to when and how often to drive are based on cost and the amount of time required. All agreed that unpredictability of service is frustrating. Customers use a variety of sources to get information on wait times and are generally pleased with what is available. However, there are problems with ineffective email alerts and webcams that do not point in the right direction enabling you to see how long the wait line is. Customers in all groups expressed concern with many of the changes in the fare policies. Notably, they were unhappy with the expiration dates on the ticket books and passes not being transferable. The scanning system for passes doesn't always work accurately and slows down the loading process, which causes them to lose their place in the queue. There are also specific problems with loading and unloading that include light timing and pedestrian safety issues. Participants also indicated that there should be better scheduling of boats to meet rider needs and more frequent service during peak periods to meet vehicle load requirements. There were also concerns with cleanliness on the boats and customer service/employee attitudes. Despite all of the concerns participants were generally positive toward the system, ironically, they were positive about many of the same things they were negative about.

Commuters and regular riders do not feel that they should be responsible for modifying their travel behaviors to reduce the demand during tourist season. Commuters and regular riders feel that they are helping the system and should receive additional benefits for pre-paying their fares. Some participants questioned the perceived inequity in funding for roads and public transportation when compared to ferries. Participants in all groups suggested without prompting that a reservation system should be considered, however there were many concerns and questions about how it would/should work. They generally agreed that only a portion of the boat should be available for reservations, noting that there should be some distinction between regular riders and recreational users. Participants in all groups suggested priority loading lanes for commuters, residents and pass holders, however there were mixed feelings as to whether they would be willing to pay for priority loading. Many felt that there should be a benefit for pre-paying their fares.

Participants were generally unfamiliar with the concepts of HOT lanes and congestion pricing and were concerned about the cost and felt that it would not affect travel behavior because most travel when they do because they need to. There was nearly a universal agreement that the target for any program to manage demand should be the recreational/discretionary users as opposed to regular rider/commuters. Travel behaviors need to be clearly understood; notable we need to know to what extent, when, and why people are driving on and the extent to which they can modify this behavior. To encourage walk-on passengers and transit connections are critical and would require more secure park-and-ride lots and options to access shared vehicles. Strategies/concepts are likely to be complex and significant care will need to be taken in the design of the survey so that respondents can understand the concepts. The next step is to develop a questionnaire that will include key topics to address current travel behaviors.

SECRETARY'S REPORT

Paula Hammond, Secretary, WSDOT, provided updates regarding the aftermath of flooding in Lewis County and other areas of the state. She explained that there is a lot of question as to why rivers reacted differently this time, was it a normal or was it an extraordinary event. Lewis County local government could not come together in making a decision on what to do with the Army Corp of Engineers Dike/Levee Project after the 1996 flooding. Following the December 2007 flooding the Governor proposed that the state take the lead as the local sponsor for the Lewis County levee project in order to move the project forward. Local government has made a commitment to work with the state in moving the project forward. She emphasized that the Department, following the I-5 closure, became aware that there were no good alternatives for trucks. The Department struggles with the fact that there should be alternate parallel routes in areas where a chronic problem is known.

She moved on to provide an overview of upcoming Departmental legislative presentations. She emphasized that it's time to start beating the drum about preservation and system maintenance (ferries and highways), and short-line rail sustainability. She explained that we not only need the data, but the ability to capture the audience. There are chronic problems on the table that need to be discussed and addressed. She distributed a project delivery folio indicating that the 32 percent of the capital projects funded by the TPA and Nickel Revenue packages have been delivered as of December 31, 2007. She distributed the Department's recently published "Key Facts." She briefly commented on sustaining a long-term financial plan for the ferry system and highways otherwise both go into the ground. She provided an update regarding the status of ferries that have been docked for repairs and the bid opening for the design-build of the new ferries.

PUBLIC COMMENT

Douglas Rauh, resident of Bainbridge Island, shared that the market on the island is changing. The majority of the island's riders are non-commuters and they are being priced out of the system. He suggested that the fare calculation policy be revisited and that the state address its investment in capital assets.

Paul Locke, citizen, shared his concerns regarding the collection and use of public taxes. He exclaimed that we have got to figure out how to get the costs down and be realistic.

UPDATE ON AVIATION PLANNING COUNCIL

John Shambaugh, Senior Aviation Planner, Aviation Division, WSDOT, explained that the Aviation Division is in the process of developing an airport stormwater guidance manual in coordination with the Department's Environmental Services Division. The manual is intended to provide statewide guidance on addressing hazardous wildlife attractants near the airport. The Aviation Division is also nearing completion of an update to its Airports & Compatibility Land Use Guidebook with final publication expected in early spring 2008. A recently conducted study of 17 state-operated airports to define the purpose and role of the system and conduct a detailed assessment of existing facilities. The study will assist the Department in developing policies, standards and operating procedures for the airports.

The Long-Term Air Transportation Study is entering into its third and final phase. An extensive public outreach program has been developed which will include two statewide town hall meetings, a statewide survey and regional meetings to engage stakeholders and receive public comments on the project. During Phase III, a ten member Governor's Aviation Planning Council will be convened to develop recommendations regarding specific policies and strategies to meet statewide commercial and general aviation needs. The policies and strategies will be based on the assessment and analysis completed during Phases I and II of the Long-Term Air Transportation Study (LATS). A legislative package may include development of alternative funding sources and proposed amendments to legislation to improve the functionality of the statewide air transportation system. For further information on LATS please visit: <http://www.wsdot.wa.gov/aviation/lats/default.htm>

COMMISSION BUSINESS

WSF In-Need Organization Application Review

Washington State Ferries and Kitsap County United Way join together in the support of an In-Need application of the Kathleen Sutton Inspirational Fund providing discount ferry fares to subsidize patient travel expenses for three/five car/driver trips plus passenger fares per month.

It was moved by Commissioner Stedman and seconded by Commissioner O'Neal to approve the In-Need application for the Kathleen Sutton Inspirational Fund. The motion passed unanimously.

Chair Ford suggested that the Commission's Executive Director should have delegated authority to approve In-Need organization applications. This issue is to be revisited in the future.

Puget Sound Regional Council (PSRC) Executive Board and Operations Committee Appointments

It was moved by Commissioner Stedman and seconded by Commissioner Forner that Commissioner O'Neal remain on the Executive Committee and Chair Ford remain on the Transportation Policy Board with each being the alternate for the other. The motion passed unanimously.

COMMISSIONER REPORTS

Paul Parker, Senior Policy Analyst, WSTC, distributed a list of pending legislation and provided specifics on each piece of legislation of interest.

The Commission meeting adjourned at 11:00 a.m., on January 23, 2008.

WASHINGTON STATE TRANSPORTATION COMMISSION

DICK FORD, Chair

ELMIRA FORNER, Vice-Chair

PHILIP A. PARKER, Member

CAROL MOSER, Member

DAN O'NEAL, Member

ROBERT S. DISTLER, Member

DALE STEDMAN, Member

PAULA HAMMOND, Ex-Officio Member
Secretary of Transportation

JENNIFER ZIEGLER, Governor's Office

ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL