

Initial Screening of Funding Sources Long-Term Ferry Funding Study



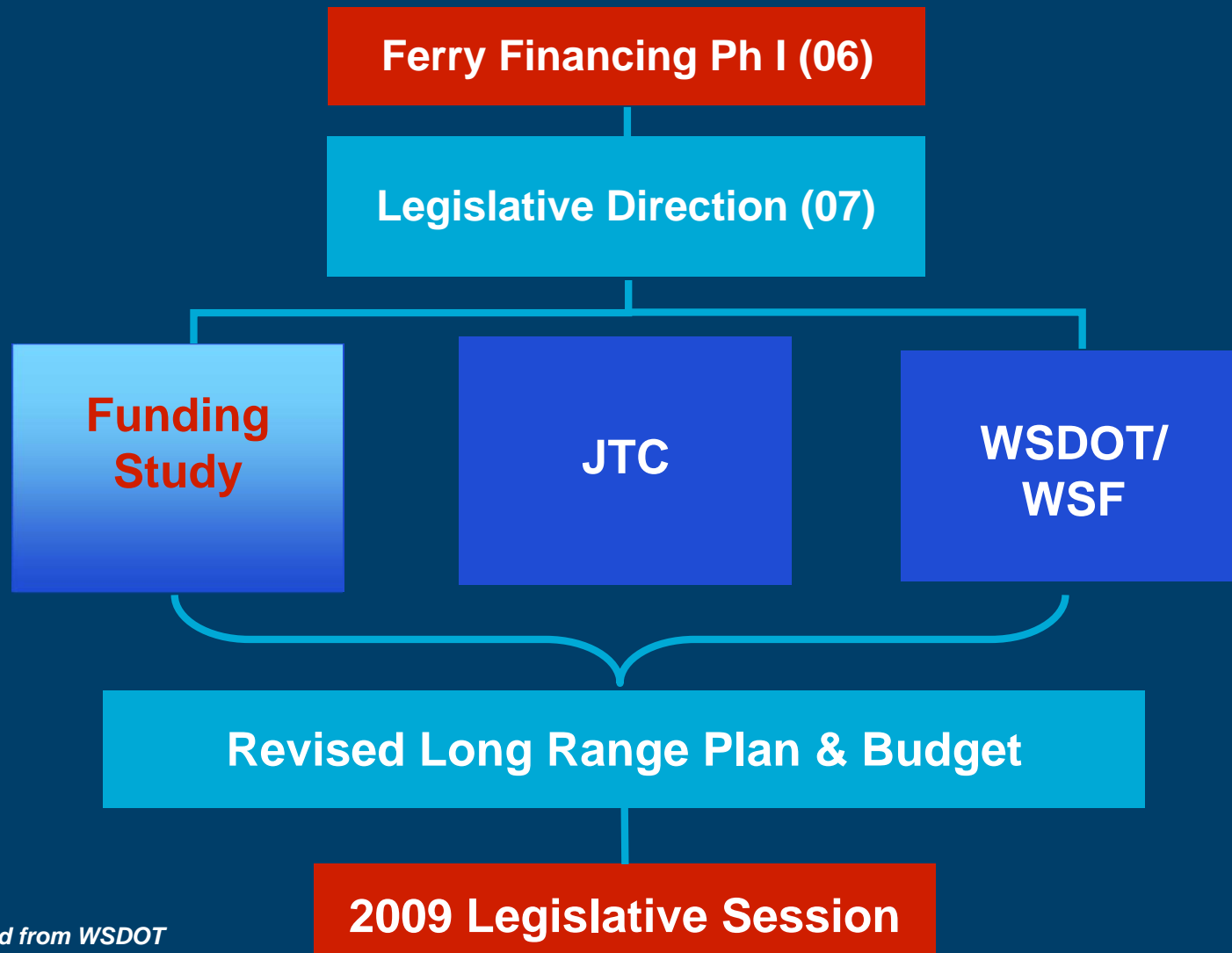
July 16, 2008

CAMBRIDGE
SYSTEMATICS



Washington State Transportation Commission

Ferry Finance Legislation *Work Program 2006-2009*



Adapted from WSDOT

Major Study Products

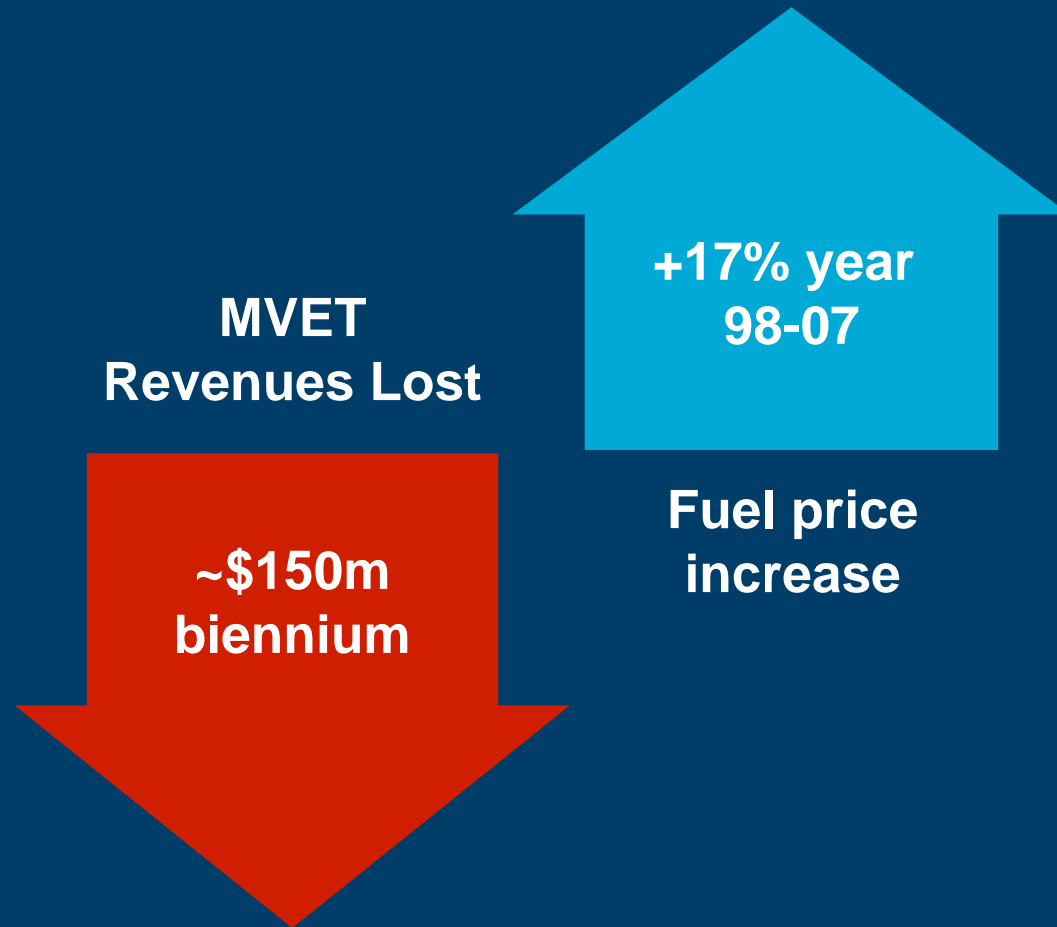


Ferry Funding Crisis: Symptoms

- Ad hoc transfers of funds
- Steel electrics pulled
- Aging fleet
- Terminal plans postponed
- “Black hole” in future funding

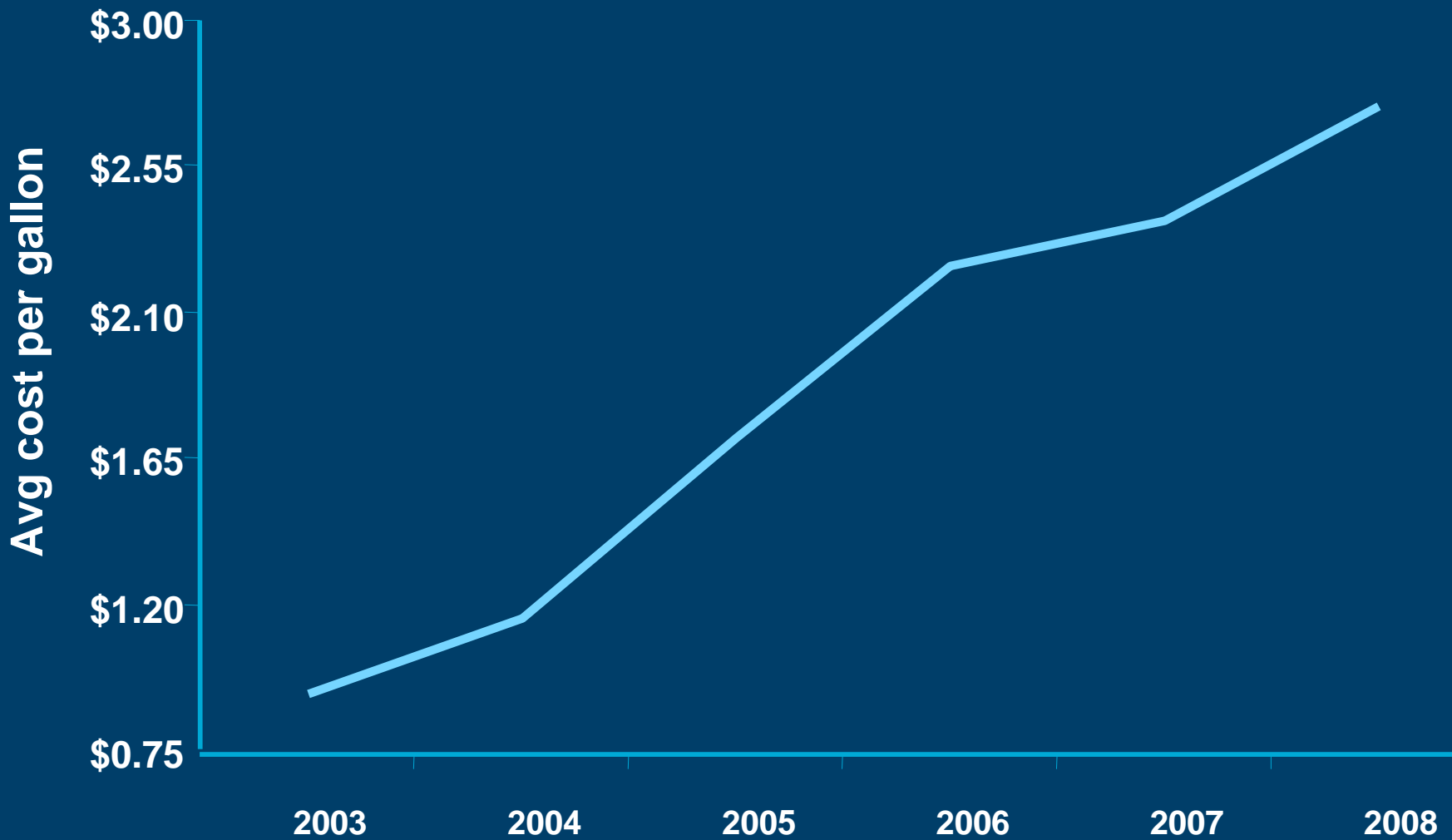


Ferry Funding Crisis: Major Causes



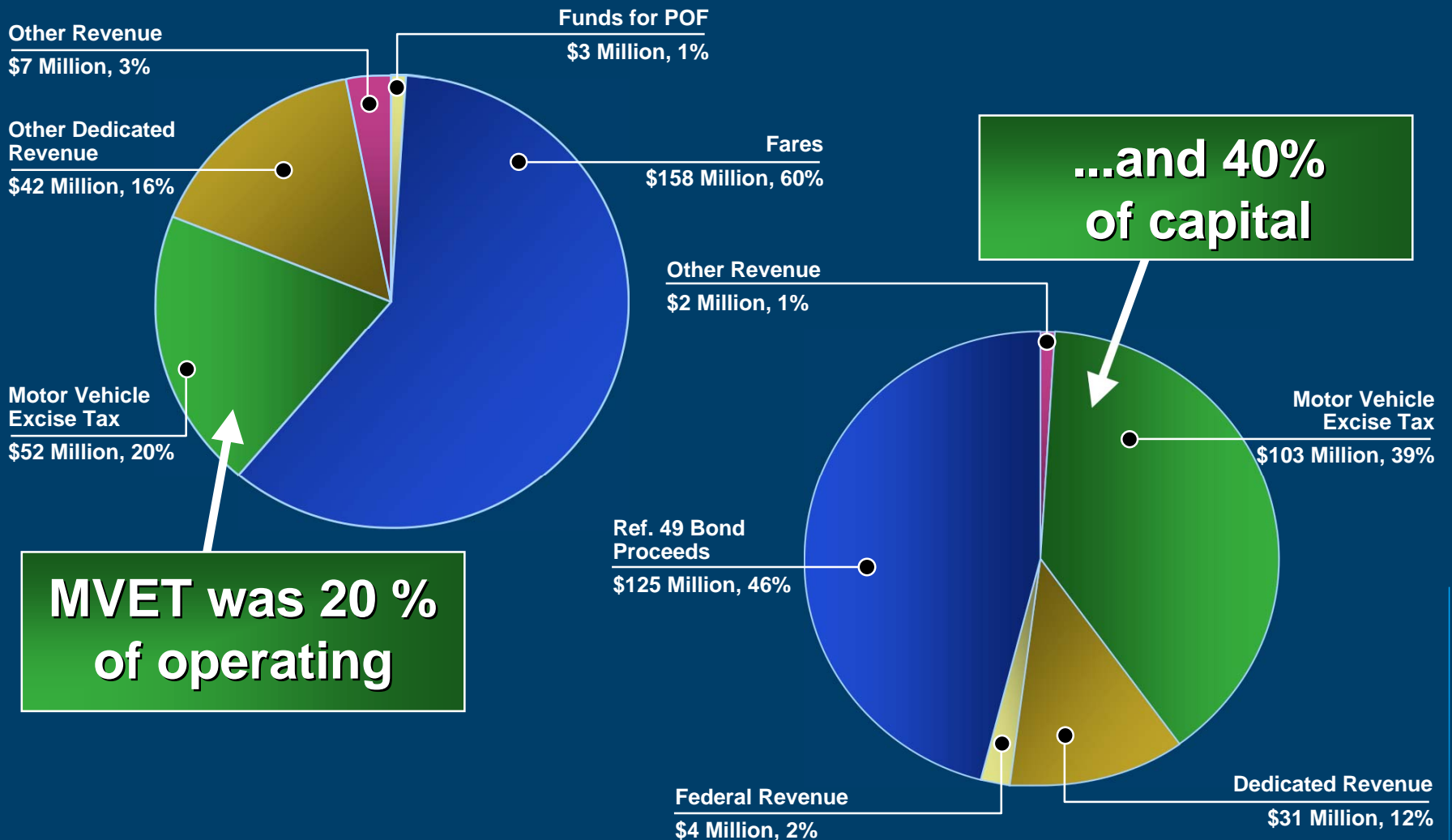
Ferry Funding Crisis

WSF Fuel Costs FY 03-08



Impact of MVET Removal

Ferries Budget Pre-MVET Removal (95-97)



From "WSF Ferries Budget: An Overview," presented by legislative staff at the July 8th meeting of the JTC Ferries Policy Work Group.

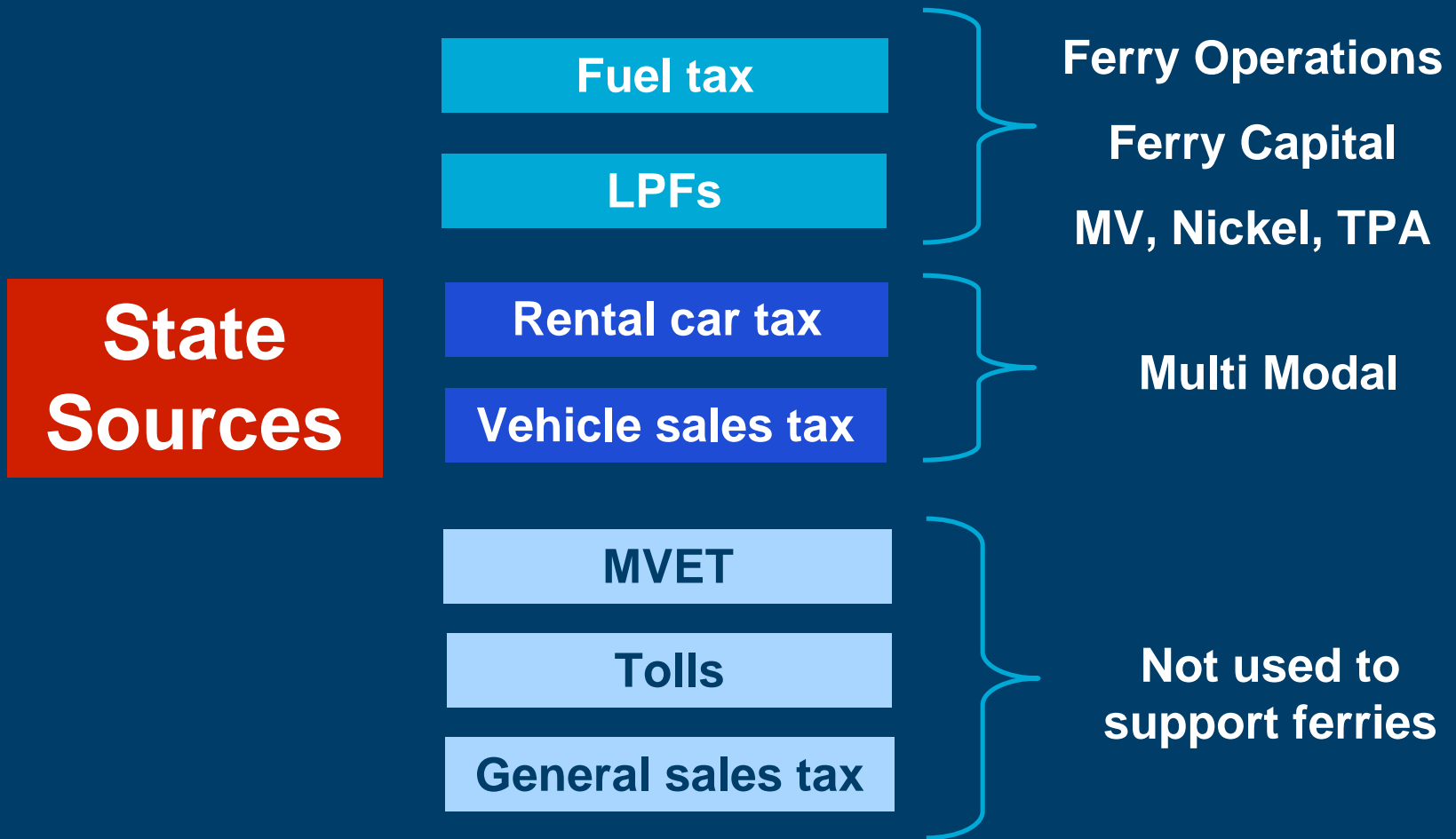
Initial Screening Process: Sources of Funds

State Sources

Local Sources

Ferry System Sources

State Sources of Funds



Fuel tax

	Yield	Reliability	Admin. Effectiveness
Fuel tax	✓✓✓	✓✓✓	✓✓✓

Each 1 cent increase = \$69 million / biennium

- Scores high, but future reliability in question
- Political acceptability ?
- Implementation options
 - Sales tax on gasoline
 - Index gas tax to inflation
 - Real increase (> inflation)

Licenses, Permits, and Fees

	Yield	Reliability	Admin. Effectiveness
LPFs	✓✓	✓✓✓	✓✓✓

Varies by fee; \$1 of registration fee: \$9.9 million / biennium.

- Relatively small source unless fees raised substantially
- High reliability & effectiveness
- Washington's registration fee (\$30) lower than national average of (\$56)
- Political acceptability ?

Rental Car Tax

	Yield	Reliability	Admin. Effectiveness
Rental car	✓	✓ ✓	✓ ✓ ✓

Add 0.5 percent to rental car tax: \$4m / biennium

- **Political acceptability**
 - May be greater – targets non-residents
- **Alternative: hotel tax**
 - Primarily locally controlled; restrictions on use of funds

Sales Tax on New and Used Vehicles

	Yield	Reliability	Admin. Effectiveness
Vehicle Sales	✓✓	✓	✓✓✓

Add 0.1 percent to sales tax: \$25 million / biennium

- Large tax base but current tax rate is low (0.3%)
- Less reliable source

MVET

	Yield	Reliability	Admin. Effectiveness
MVET	✓✓✓	✓✓✓	✓✓

Every 0.1 of MVET yields \$125 million / biennium

- Very high yield – large base, high rate (historically)
- High reliability
- Administratively effective
- Politically questionable due to history, fee amount

State Sales Tax

	Yield	Reliability	Admin. Effectiveness
Sales tax	✓✓✓	✓	✓✓

Every 0.1 of sales tax: \$232 million / biennium

- Highest yield
- Not currently used for ferries
- Competes with non-transportation priorities (education, health)

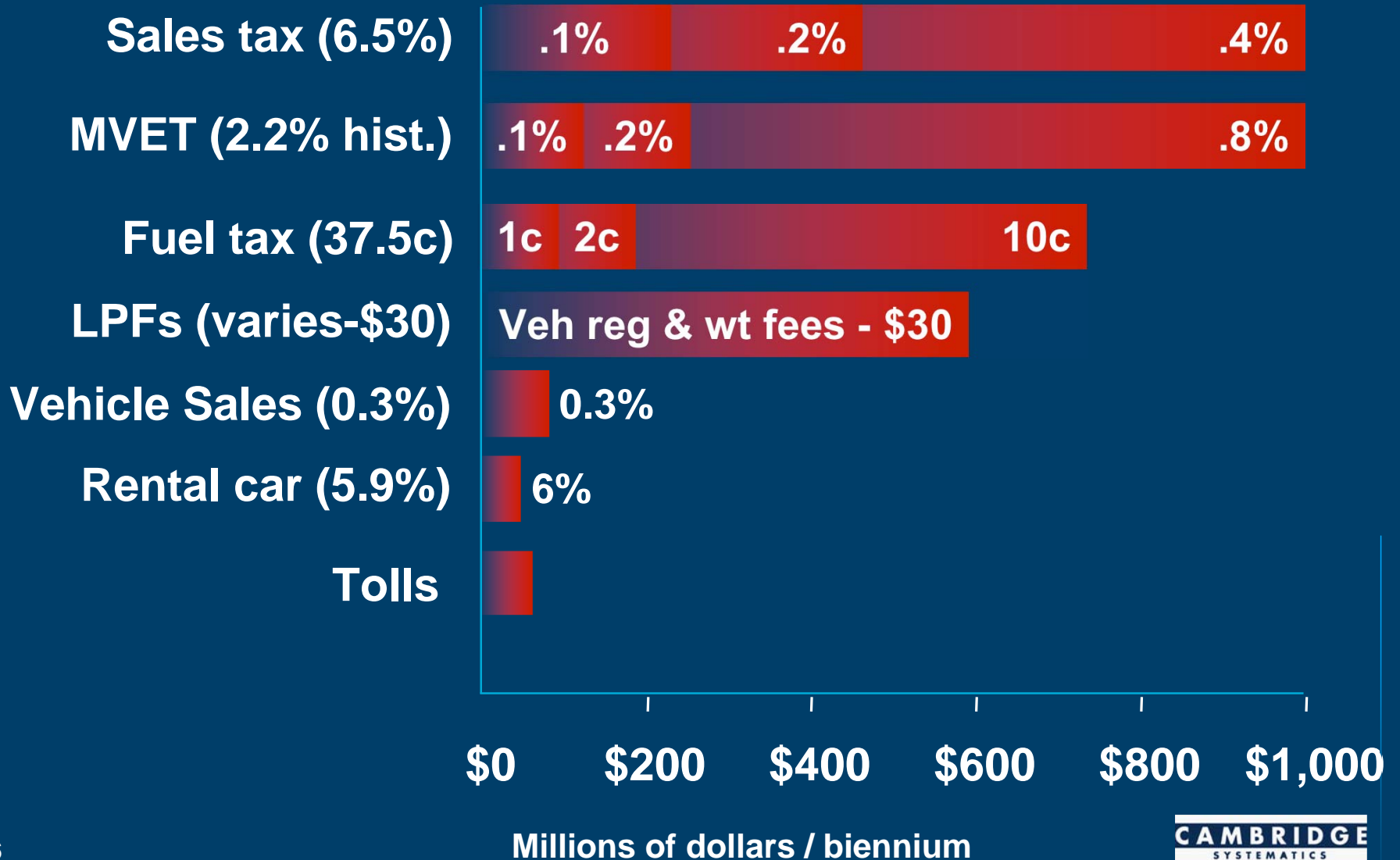
Tolls

	Yield	Reliability	Admin. Effectiveness
Tolls	✓✓	✓✓	✓

Assumes \$1.50 toll on Puget Sound HOT Lane Network and bridge

- Expensive to implement
- Legal constraints on use of funds
- Competition with highway needs
- Implementation options – bridges, points of entry

Relative Yield of Funding Sources



Initial Screening Process: Sources of Funds

Major State Sources

Local Sources

Ferry System Sources

Local Sources of Funds

Local Sources

Fuel tax

Parking tax

Impact fees

License fees

MVET

Property tax

Sales tax

Employer tax

Utility tax

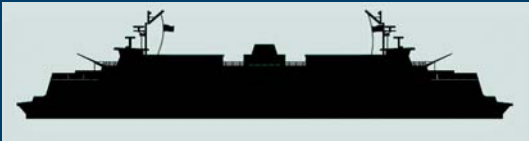
Real estate tax

Any County can use – general application

Specific application

What is appropriate role for local funding?

Vessels



Terminals



Ferry Operations



Local Sources: Relative Yield



Low

Medium

High

Parking tax

Impact fees

Fuel tax

Utility tax

MVET

Property tax

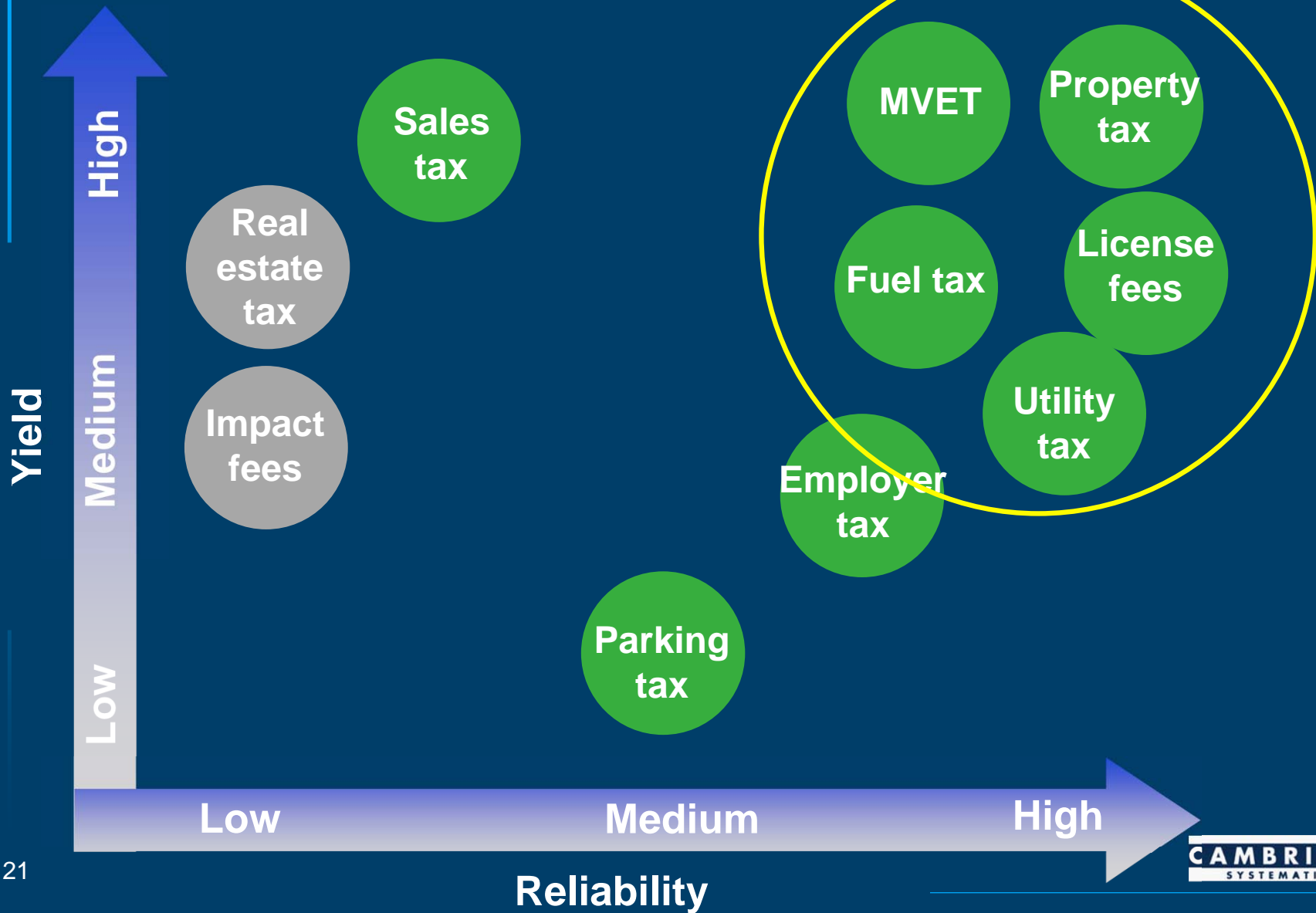
Sales tax

License fees

Employer tax

Real estate tax

Local Sources: Relative Yield



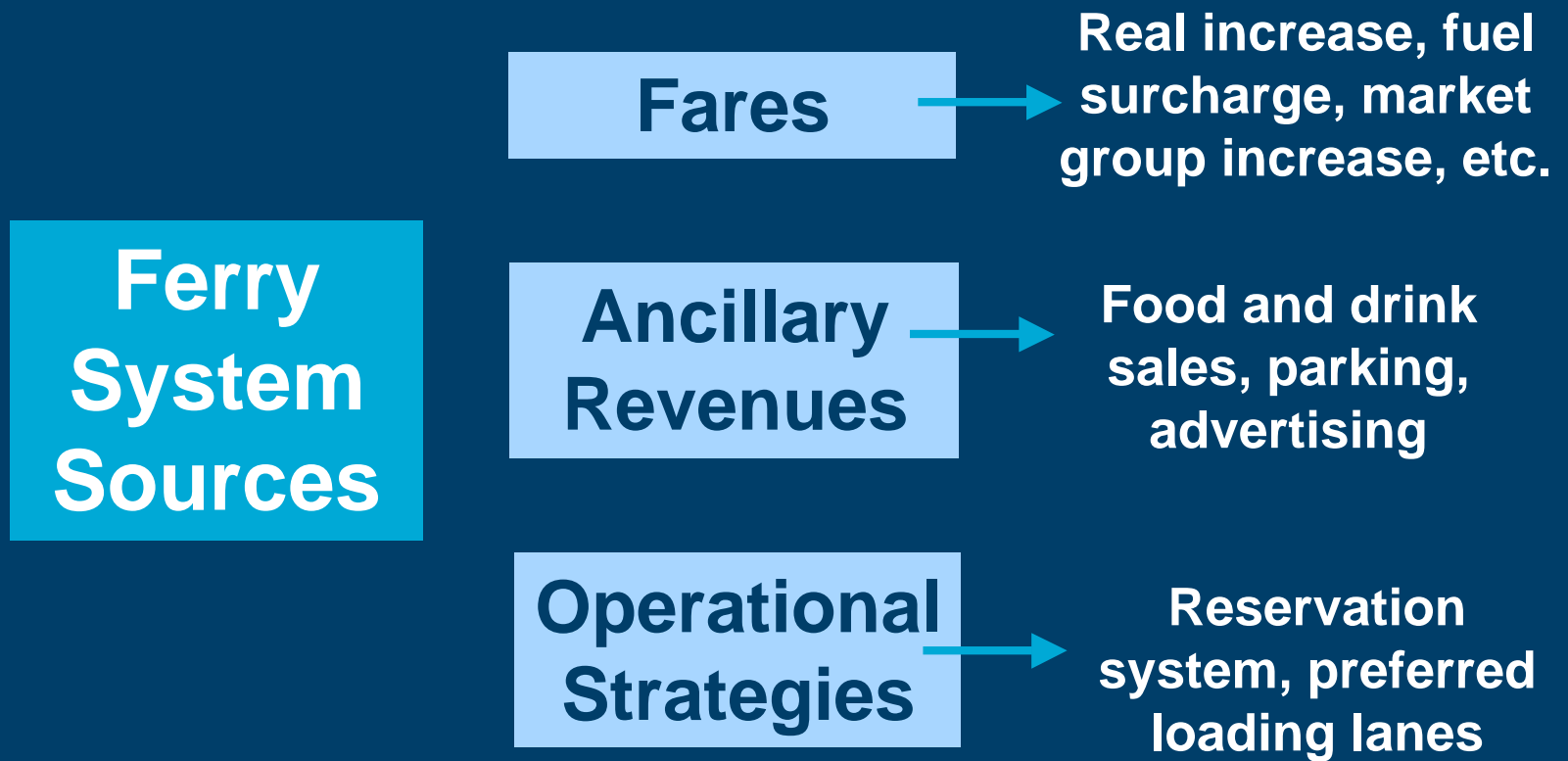
Initial Screening Process: Sources of Funds

Major State Sources

Local Sources

Ferry System Sources

Ferry System Sources of Funds



Fares

	Yield	Reliability	Admin. Effectiveness
Fares	✓ ✓	✓ ✓ ✓	✓ ✓ ✓

Every 1% increase in fares: \$3.1 million / biennium.

- Implementation options: across the board; index; real increase; market-based; space-based; time-based, etc.
- Additional 'willingness to pay' to be determined from customer survey

Ancillary Revenues

	Yield	Reliability	Admin. Effectiveness
Ancillary Revenue	✓	✓	✓

- **Not a major money-maker under current system**
 - \$5.6 million or 1.4% of operating revenues in 05-07
- **Counter example**
 - BC Ferries: floating catering service >\$140 million every two years in concessions revenue on major routes alone
- **Merits further study for potential larger contribution**

New Operational Strategies

	Yield	Reliability	Admin. Effectiveness
Op. Strategy	✓✓	✓	✓✓✓

- Preferred Loading Lanes
- Reservation System
- Could reduce operating gap somewhat
- Counter example: major source of revenue for BC Ferries

Local Sources: Relative Yield



Low

Medium

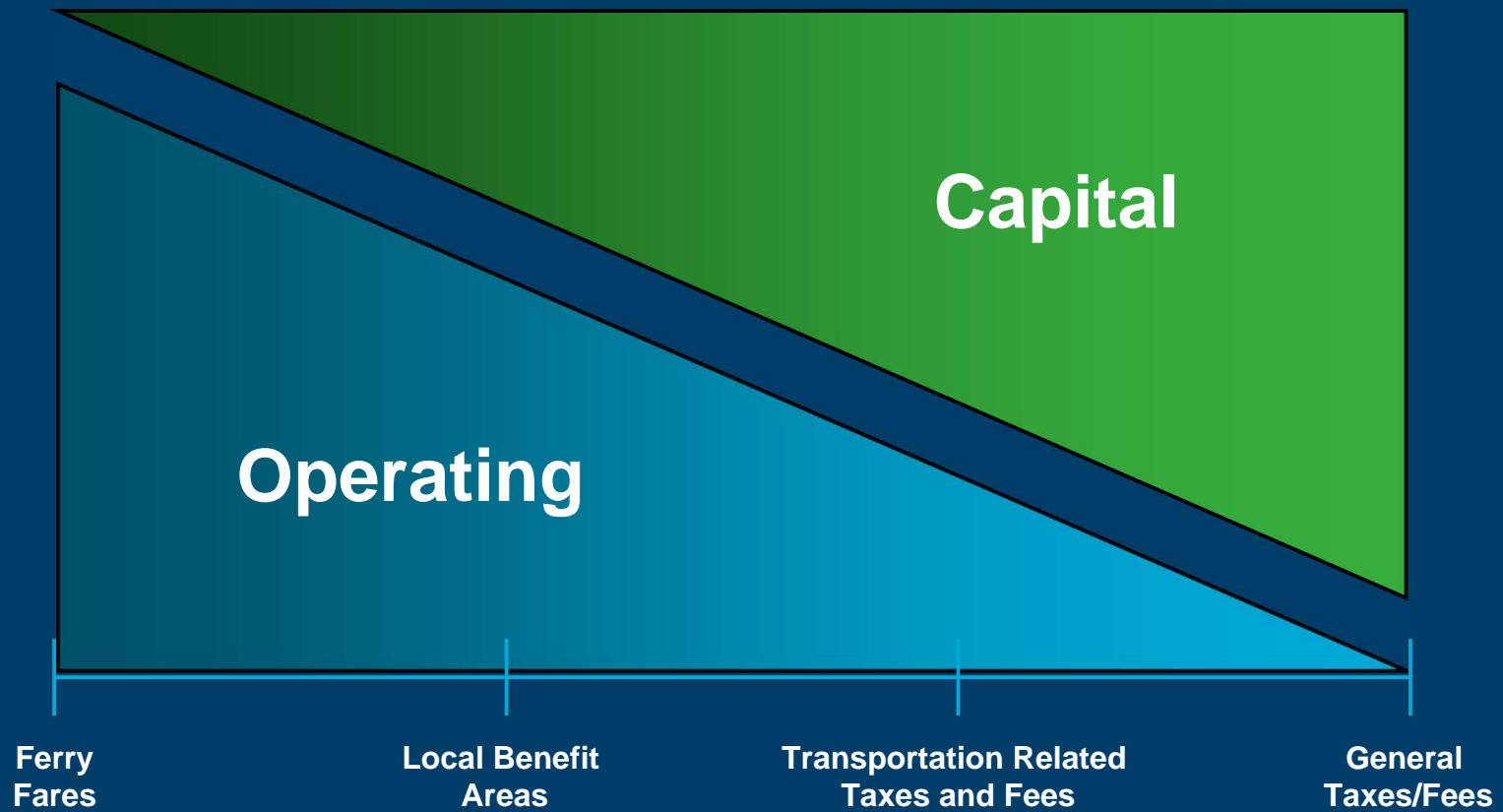
High

Ancillary
Revenues

Fares

Operational
Strategies

Matching Sources to Purpose



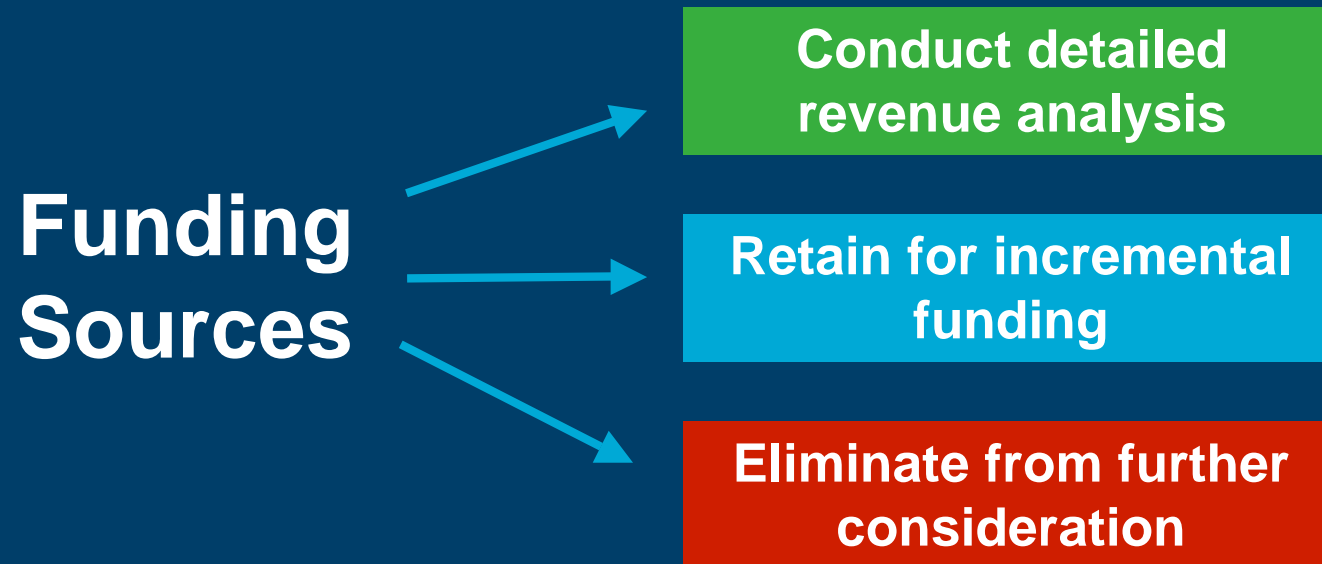
Key Considerations

- **Vessel acquisition requires major funding source(s)**
 - Public/political feasibility
 - Revenue generation capacity
 - Longevity and reliability
- **Finance and lease options to manage risk, cash flow**
- **Type of funding package**
 - Ferries only, state highway system, or multi-modal
- **Change in revenue allocation formulas may be necessary**

Key Considerations, continued

- **Is rationale for local option funding clear?**
- **Most effective mechanism for leveraging local funds?**
 - Which source(s)?
 - Implementation mechanism
 - Multi County Ferry District?
 - Local funding of incremental service?
- **Fare policy**
 - Differential pricing by route
 - Farebox recovery ratio

Decisions Required to Move Ahead



- Exploration of local funding implementation options
- Designation, for analysis purposes, of multi-county ferry district(s)