

June 2022 State Transportation Revenue Forecast

Washington State Ferries

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Washington State Transportation Commission Meeting
July 20, 2022

Agenda

- Ridership trends before the pandemic and amid pandemic recovery
- Passenger and vehicle/driver ridership historical and forecast patterns
- June 2022 Forecast highlights
 - 2021-23 biennium fare revenue forecasts
 - Key forecast factors
 - Ridership and revenue comparisons with the February 2022 Forecast
 - Forecast summary, including miscellaneous ferry revenues



2019 – Changing trends *before* the pandemic

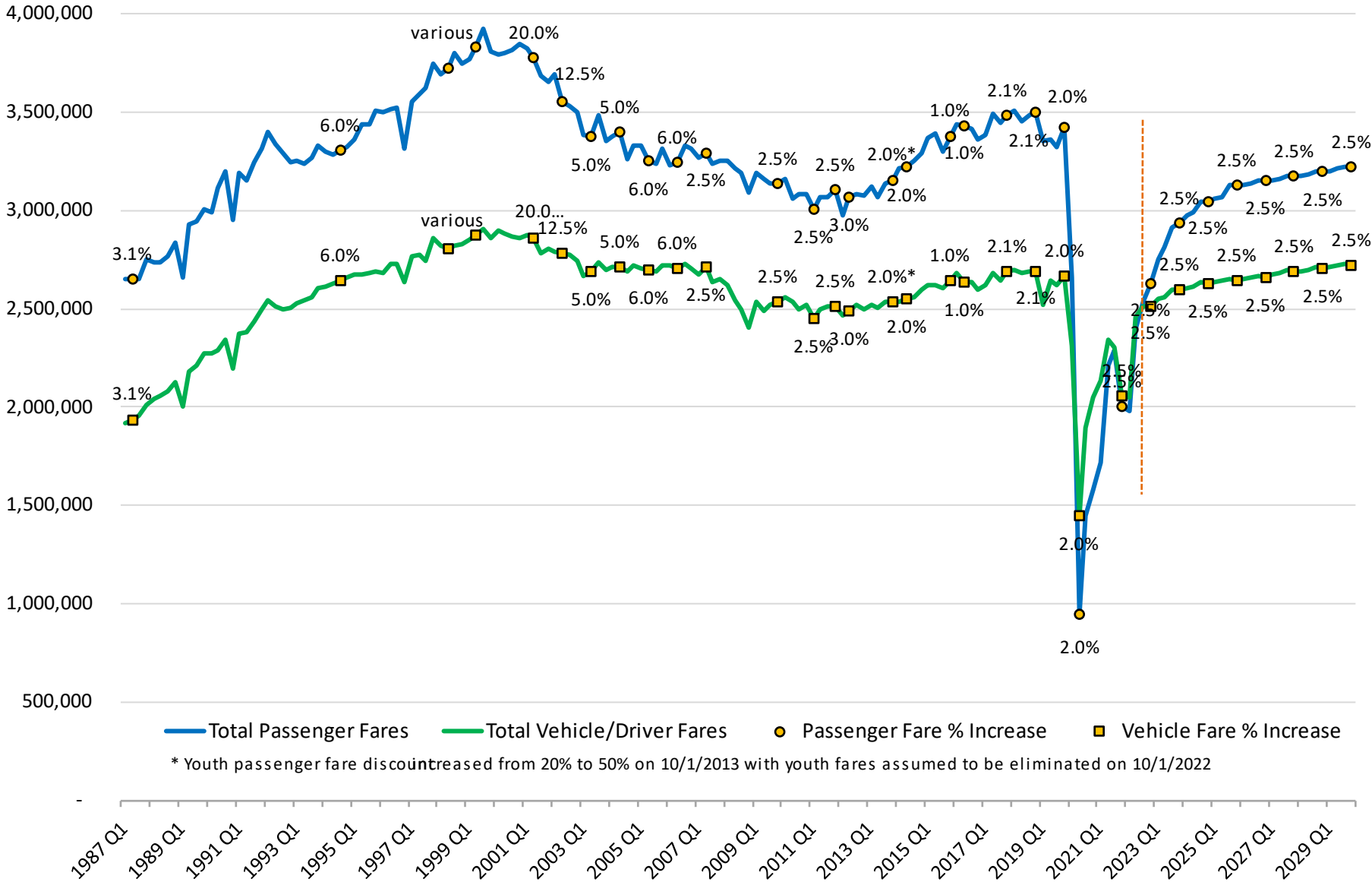
- **WSF's ridership had been steadily increasing until recently — up 11.2% from 2012 thru 2018**
- **2019 saw a ridership drop of 3.2% from 2018**
 - Colman Dock routes dropped 6.2%
 - Snowstorms caused a 19% drop in February
 - Only two months – January and April – showed an increase in riders compared to 2018
 - 3 routes stable or increasing – Point Defiance, Port Townsend and Sidney, B.C.
- **2019 was also the first year with consistent Kitsap passenger-only ferry service on Seattle-Bremerton and Seattle-Kingston routes**

Current ridership trends amid pandemic recovery

- **Overall ferry ridership grew by 12% in FY 2022, though still 29% below FY 2019**
 - Expected pace of pandemic recovery was slower than previously forecasted
 - April, May and June 2022 ridership levels were lower than in 2021
 - Unpredictable service levels on many routes contribute to lower ridership demand
- **Despite 24% growth in FY 2022, passenger fares remain 38% below FY 2019**
 - Seattle-Bremerton passenger ridership was 68% below FY 2019 levels, likely exacerbated by reduced WSF vessel sailings and Kitsap Transit's competing passenger-only ferry service
 - Passenger ridership levels on the Point Defiance-Tahlequah and San Juan Islands routes were only 10% and 12% below pre-pandemic levels, respectively
 - Frequent user "passenger commuter" fare category ridership system-wide is 74% below FY 2019 levels and is not expected to fully recover in the 10-year forecast horizon
- **Vehicle/driver ridership grew by 2.4% in FY 2022, holding at 19% below FY 2019, as much a result of the service capacity constraints as the pandemic**
 - The Point Defiance-Tahlequah, Vashon-Southworth, and San Juan Islands routes are within a few percentage points of their FY 2019 levels
 - Seattle-Bremerton and Southworth-Vashon vehicle ridership still more than 1/3 below FY 2019

Passenger and Vehicle Ridership Trends with Fare Increases

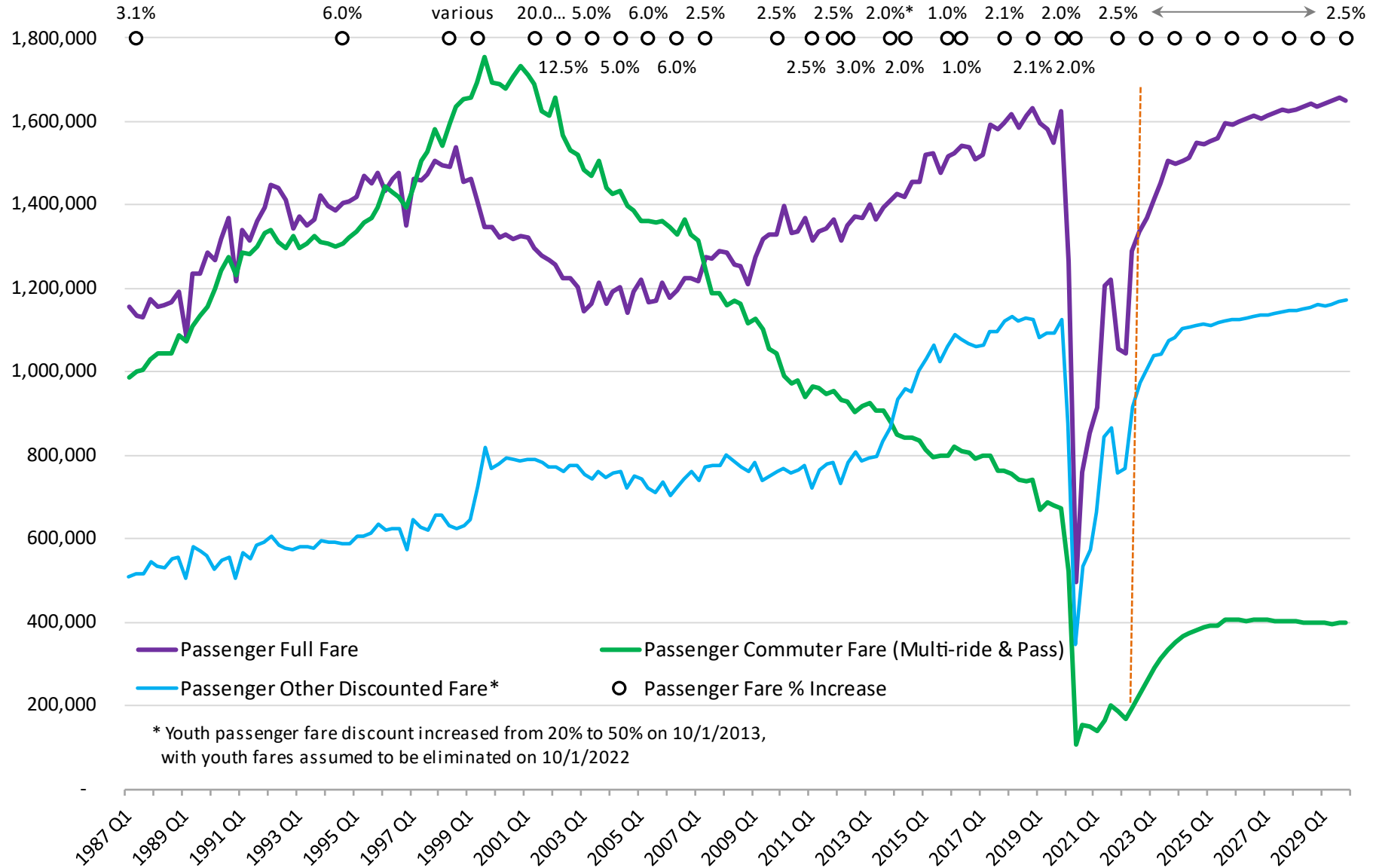
Seasonally-Adjusted Quarterly Ridership | June 2022 Alternative 1 Forecast



* Youth passenger fare discountreased from 20% to 50% on 10/1/2013 with youth fares assumed to be eliminated on 10/1/2022

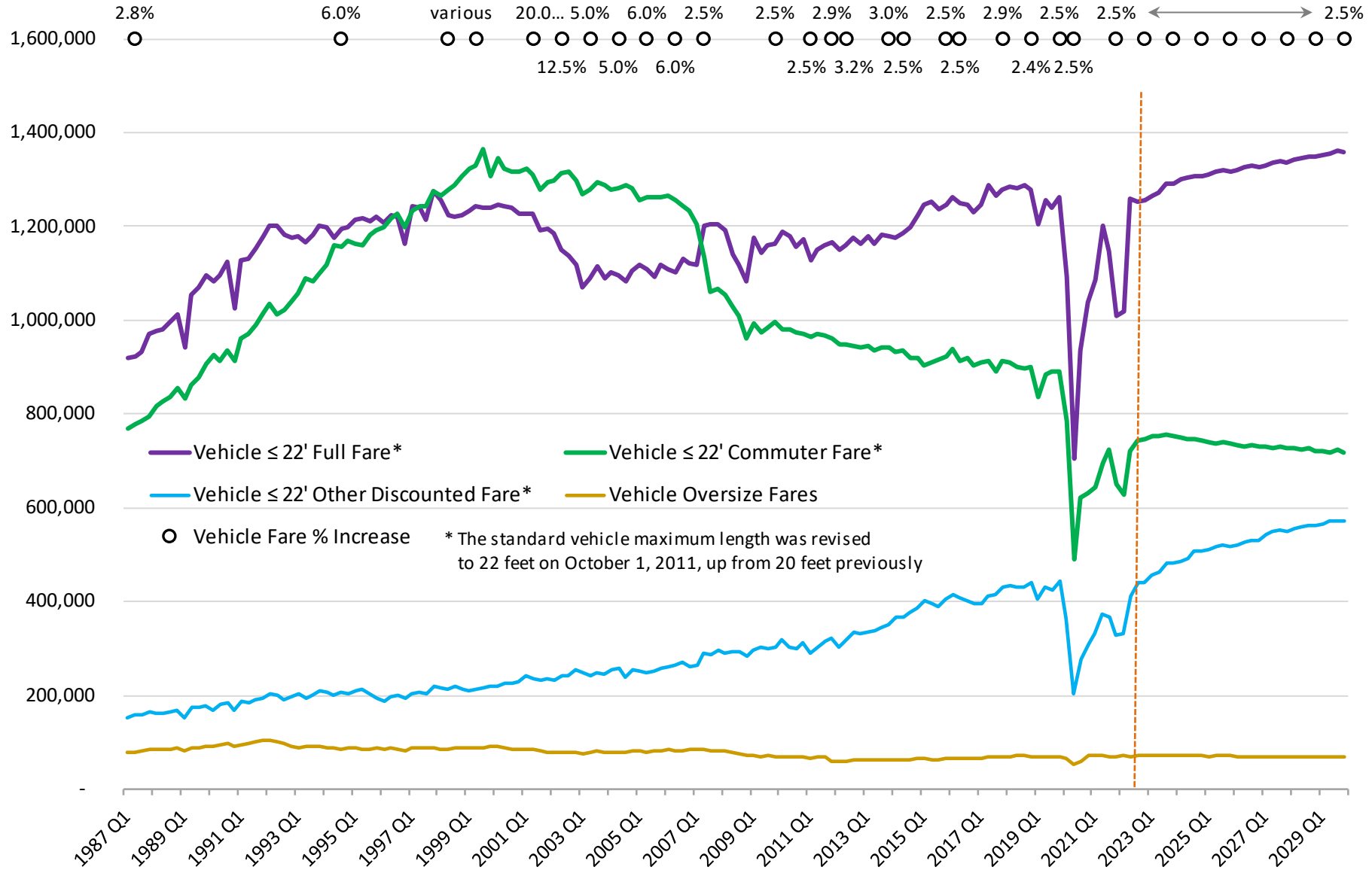
Passenger Fare Ridership Trends with Fare Increases

Seasonally-Adjusted Quarterly Ridership | June 2022 Alternative 1 Forecast



Vehicle/Driver Fare Ridership Trends with Fare Increases

Seasonally-Adjusted Quarterly Ridership | June 2022 Alternative 1 Forecast



June 2022 Forecast Ferry Ridership and Revenue Highlights

2021-23 Biennium Fare Revenue Forecasts

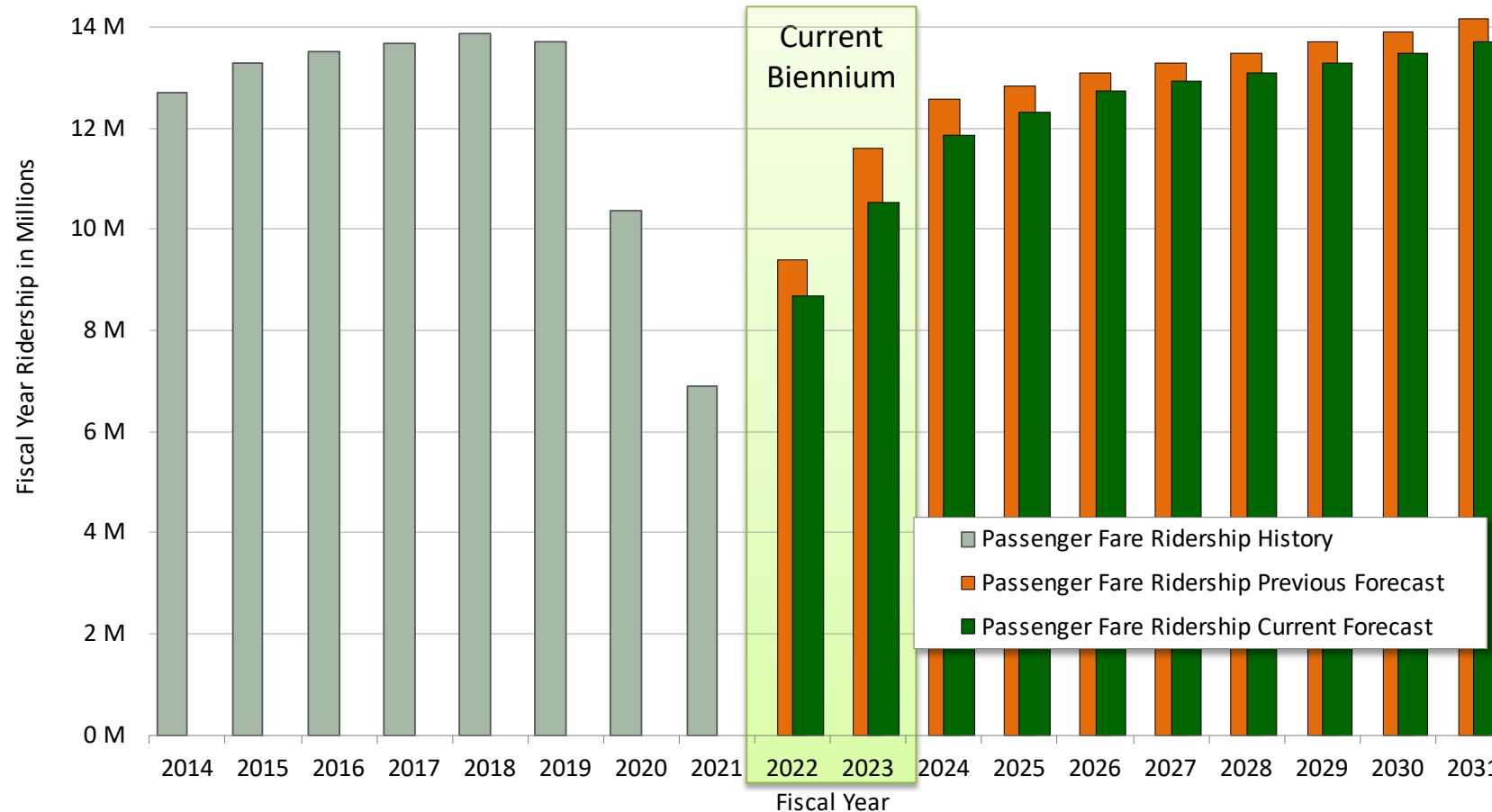
- The legislature's 2021-23 biennium budget for WSF (based on the March 2021 Forecast) required:
 - \$367.5 million for operations
 - \$14.4 million from the two capital surcharges
- The current June 2022 Forecast anticipates a slower recovery from the pandemic with less ridership and fare revenue for the 2021-23 biennium:
 - \$342.6 million for operations
 - \$12.5 million from the two capital surcharges
- The June 2022 Forecast takes into account the ridership and revenue impacts from service disruptions:
 - Now assuming a more gradual return to full-service levels extending to July 1, 2023 (FY 2024), including the return of the Sidney, B.C. route on that date at the earliest
- The next fare revenue forecast update will be in September 2022

Key factors driving the June 2022 ferry forecasts

- **Recent actual ridership* shows a continued softening of the positive trends emerging by this time last year with the following likely causes:**
 - Public concern regarding the COVID-19 virus cyclical trends as well as a colder and wetter Spring than normal likely contributed to lower ridership in FY 2022
 - Continued vessel staffing challenges and an extended full-service resumption period result in schedule unpredictability and vehicle capacity constraints that inhibit demand on many routes
 - Elimination of youth passenger fares set for 10/1/2022 will reduce future revenues
- **The June Forecast projections for the economic variables also contribute to lower forecast horizon ridership demand:**
 - Downward revisions to projected real personal income and employment, plus higher projections for real gasoline prices throughout the forecast horizon, combine to lower the June 2022 ridership demand projections
 - Higher general price inflation over the forecast period results in lower real fares, which contributes to a slight — but not offsetting — uplift in ridership demand.

* The June 2022 Forecast includes actual ridership through May 2022 and revenue through April 2022.

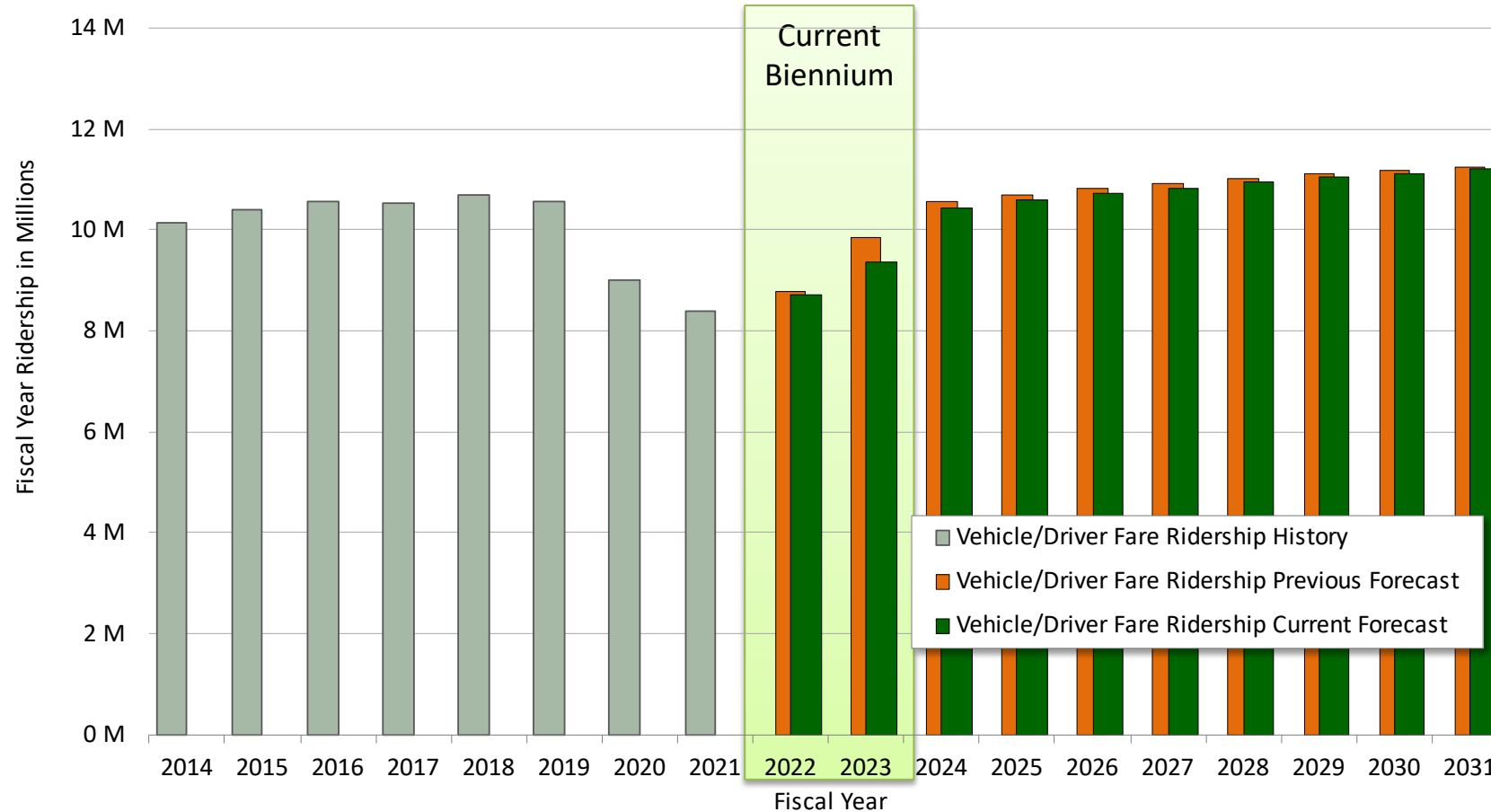
Ferry Passenger Ridership Forecast Comparison | June vs. February



June 2022 Baseline Forecast: passenger fare ridership changes:

- FY 2022 — Annual growth +25.6% ↓ 7.9% from February
- FY 2023 — Annual growth +21.5% ↓ 9.1% from February

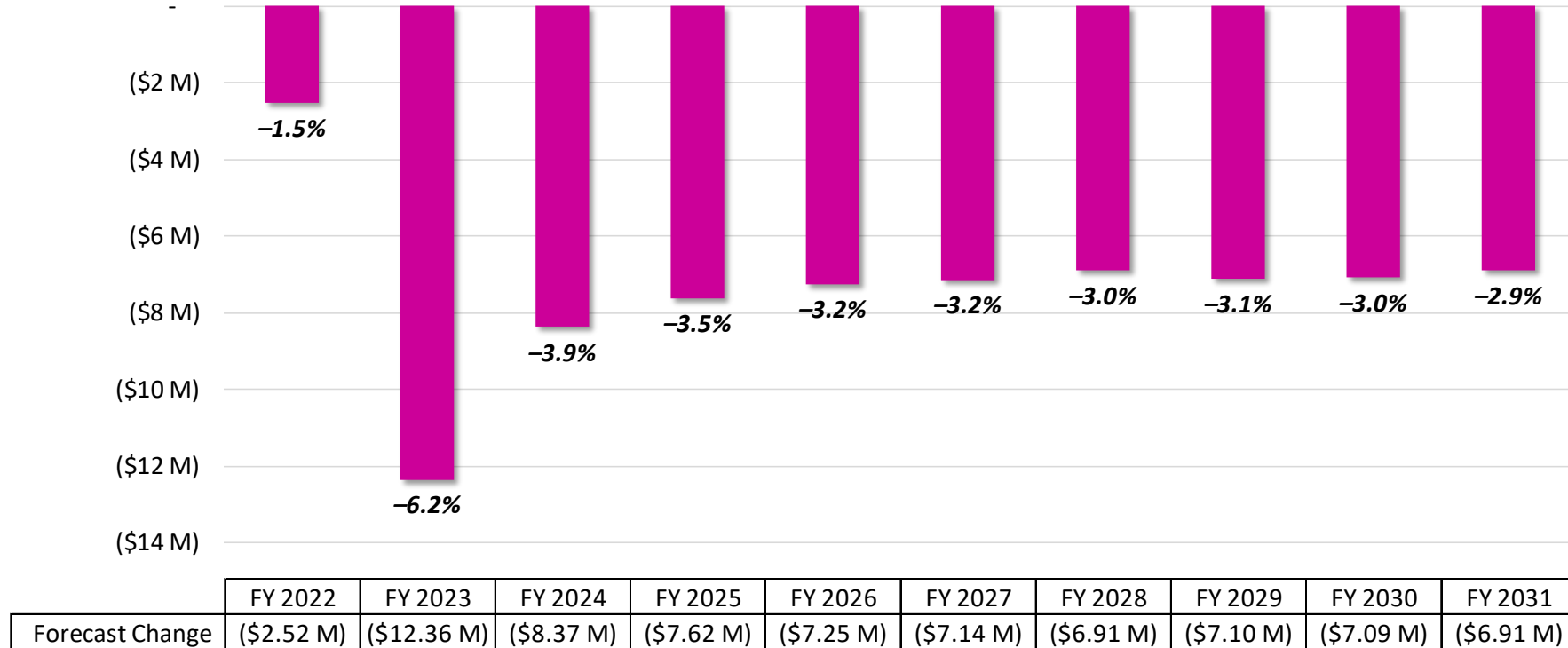
Ferry Vehicle/Driver Ridership Forecast Comparison | June vs. February



June 2022 Baseline Forecast: vehicle/driver fare ridership changes:

- FY 2022 — Annual growth +3.8% ↓ 0.7% from February
- FY 2023 — Annual growth +7.4% ↓ 5.0% from February

Change in Ferry Revenue Forecast Comparison | June vs. February



June 2022 Baseline Forecast: Changes in ferry farebox revenues:

- FY 2022 —  2.52 M (3.8%) from February (based on 10 months of actual data)
- FY 2023 —  12.36 M (6.2%) from February

Summary: June 2022 Baseline Forecast vs. prior February 2022 Forecast

Ferry Farebox Revenue

- 2021-23 Biennium: \$355.10 M  \$14.88 M (4.0%) from February
- 2023-25 Biennium: \$419.69 M  \$16.00 M (3.7%) from February

Reasons for the Revisions

- Recent trends reflecting ongoing pandemic cycles and their effects on ridership
- The pending elimination of youth passenger fares effective 10/1/2022
- Revised analysis of vehicle capacity *constraints resulting from current service reductions and the current gradual return to full-service levels by July 1, 2023*

Ferry Miscellaneous Revenue

- 2021-23 Biennium: \$5.61 M  \$2.01 M (26.4%) from February
- 2023-25 Biennium: \$9.90 M  \$1.70 M (14.7%) from February

Reasons for the Revisions

- Lower overall miscellaneous revenues are the result of updated vendor projections and revised, more conservative assumptions for terminal-related revenues

Questions?

For additional information, please contact:

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