

PREPARING THE 2011-13 FERRY BUDGET PROPOSAL AND 10-YEAR FINANCIAL PLAN

PRESENTATION TO
TRANSPORTATION COMMISSION
JANUARY 19, 2011



January 2011

Financial pressures

- 2010 financial plan left operating program shortfall of \$180.2 million and \$864.9 million in capital over ten year period ending in 2019-21

- Falling gas tax, license, permit and fees between forecasts
 - (\$44.7) million over ten years from February 2010 forecast to November 2010 forecast

- Falling ridership
 - down over 4 million from system high in 1999
 - down 4.8 million over ten years from February 2010 forecast to November 2010 forecast
 - service reductions in 2000, 2003, 2005, 2009 and proposed for 2011

- Increasing fuel and labor costs

- Aging boats and terminals

Ending account balances after agency request

Account Balance Summary (in thousands)	09-11 Projected	11-13 Projected	13-15 Projected	15-17 Projected	17-19 Projected	19-21 Projected	21-23 Projected
Ending Balances - Agency Request (September 2010 Forecast)							
<u>108 Motor Vehicle Account</u>							
Beginning	94,758	(18,620)	(156,578)	(245,954)	(373,295)	(471,895)	(600,182)
Ending	(2,620)	(156,578)	(245,954)	(373,295)	(471,895)	(600,182)	(730,167)
<u>550 Nickel Account</u>							
Beginning	49,528	30,431	17,286	7,069	(4,164)	(5,616)	3,756
Ending	30,431	17,286	7,069	(4,164)	(5,616)	3,756	23,201
<u>09H Transportation Partnership Account</u>							
Beginning	85,015	158,122	(1,253)	(2,499)	(10,199)	(13,724)	(17,583)
Ending	158,122	(1,253)	(2,499)	(10,199)	(13,724)	(17,583)	(22,697)
<u>218 Multimodal Account</u>							
Beginning	30,556	16,035	(10,561)	(51,470)	(105,089)	(138,857)	(174,959)
Ending	16,035	(10,561)	(51,470)	(105,089)	(138,857)	(174,959)	(200,265)
<u>215 Special Cat. C Account</u>							
Beginning	2,184	341	(1,905)	594	12,076	25,171	39,643
Ending	341	(1,905)	594	12,076	25,171	39,643	49,806
<u>099 PS Capital Construction Account</u>							
Beginning	19,709	12,213	9,869	(325,827)	(556,821)	(794,348)	(865,864)
Ending	12,213	9,869	(325,827)	(556,821)	(794,348)	(865,864)	(907,843)
<u>109 PS Ferry Operations Account</u>							
Beginning	2,616	(2,860)	(49,837)	(136,673)	(209,746)	(270,238)	(316,581)
Ending	(2,860)	(49,837)	(136,673)	(209,746)	(270,238)	(316,581)	(347,516)
<u>081 State Patrol Account</u>							
Beginning	8,859	(1,909)	(31,238)	(61,511)	(106,041)	(148,789)	(208,325)
Ending	(1,909)	(31,238)	(61,511)	(106,041)	(148,789)	(208,325)	(245,701)
<u>106 Hwy Safety - DOL Account</u>							
Beginning	3,274	745	(592)	332	2,889	6,989	11,090
Ending	745	(592)	332	2,889	6,989	11,090	16,426

Drills

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- Expenditure side
 - ▣ Scrubbed administration costs
 - ▣ Considered which capital projects could be postponed
 - ▣ Considered route and service level reductions
- Revenue side
 - ▣ Evaluated fare increases and ridership impacts
 - ▣ Ruled out tax increases
 - ▣ Endorsed fuel surcharge if needed
 - ▣ Cap transfers

Ferry Operations

Revenue Sources

- Gas Tax distributions (2.3283% of 23-cent gas tax collections - required by law)
- Motor vehicle registration fee (\$2.02 per new registration, \$0.93 per renewal – required by law)
- Combined licensing fees (1.375% of collections – required by law)
- Fares (required by law – RCW 47.60.530)
- Concessions (required by law)
- Interest Earnings (required by law)
- Transfers (not required by law)
- Federal Funds (earmarked)

Statutory distributions as a percent of operating program – past and future

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	01-03	03-05	05-07	07-09	09-11	total
Statutory distributions	\$47.2	\$48.5	\$53.9	\$58.4	\$57.9	\$256.9
Ferry Operating Budget	\$313.2	\$334.7	\$392.9	\$444.5	\$427.5	\$1,912.8
Distributions as % of operating budget	15.1%	14.5%	13.7%	13.1%	13.5%	13.4%

	11-13	13-15	15-17	17-19	19-21	total
Statutory distributions	\$59.5	\$60.8	\$61.5	\$62.3	\$63.1	\$307.2
Ferry Operating Budget	\$440.6	\$457.2	\$475.1	\$493.6	\$511.6	\$2,378.1
Distributions as % of operating budget	13.5%	13.3%	12.9%	12.6%	12.3%	12.9%

Fares as a percent of the operating program (in millions)

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	95-97	97-99	99-01	01-03	03-05	05-07	07-09	09-11	11-13
Ferry Fares (actuals and forecast)	157.5	172.6	192.3	230.9	259.4	286.4	293.5	294.6	328.0
Ferry Operating Budget	244.1	270.5	303.6	313.2	334.7	392.9	444.5	427.5	440.6
Fares as a % of operating budget	64.5%	63.8%	63.3%	73.7%	77.5%	72.9%	66.0%	68.9%	74.4%

Cost per trip compared to fare

Route	Farebox Recovery 2004 vs. 2010		Ridership (2010 actuals)	% of total riders	Average Fare*	Cost to operate (2010)**	Cost per Passenger Trip **
System as a whole	79.7%	70.5%	22,614,000	100.0%	\$6.66	\$208,584,000	\$9.22
Anacortes/San Juans	51.9%	43.1%	1,723,000	7.6%	\$11.97	\$46,628,000	\$27.06
Anacortes/Sidney	81.6%	57.1%	116,000	0.5%	\$26.14	\$5,645,000	\$48.66
Port Townsend/Keystone	61.20%	38.%	552,000	2.4%	\$6.26	\$7,667,000	\$13.89
Fauntleroy/Vashon- Southworth	61.2%	53.1%	2,942,000	13.0%	\$5.09	\$28,840,000	\$9.80
Seattle-Bremerton	46.6%	47.7%	2,560,000	11.3%	\$5.67	\$27,953,000	\$10.92
Seattle-Bainbridge	120.1%	91.6%	5,950,000	26.3%	\$5.65	\$33,565,000	\$5.64
Edmonds-Kingston	120.9%	94.3%	4,159,000	18.4%	\$8.15	\$29,432,000	\$7.08
Mukilteo-Clinton	99.5%	84.5%	3,972,000	17.6%	\$4.65	\$20,591,000	\$5.18
Pt. Defiance-Tahlequah	58.8%	40.2%	640000	2.8%	\$4.89	\$8,263,000	\$12.91
Total	79.7%	70.5%	22,614,000	100%	\$6.66	\$208,584,000	\$9.22

* Fare revenue/ridership

** Numbers are from route statements and include certain fixed or nearly-fixed costs allocated across routes.

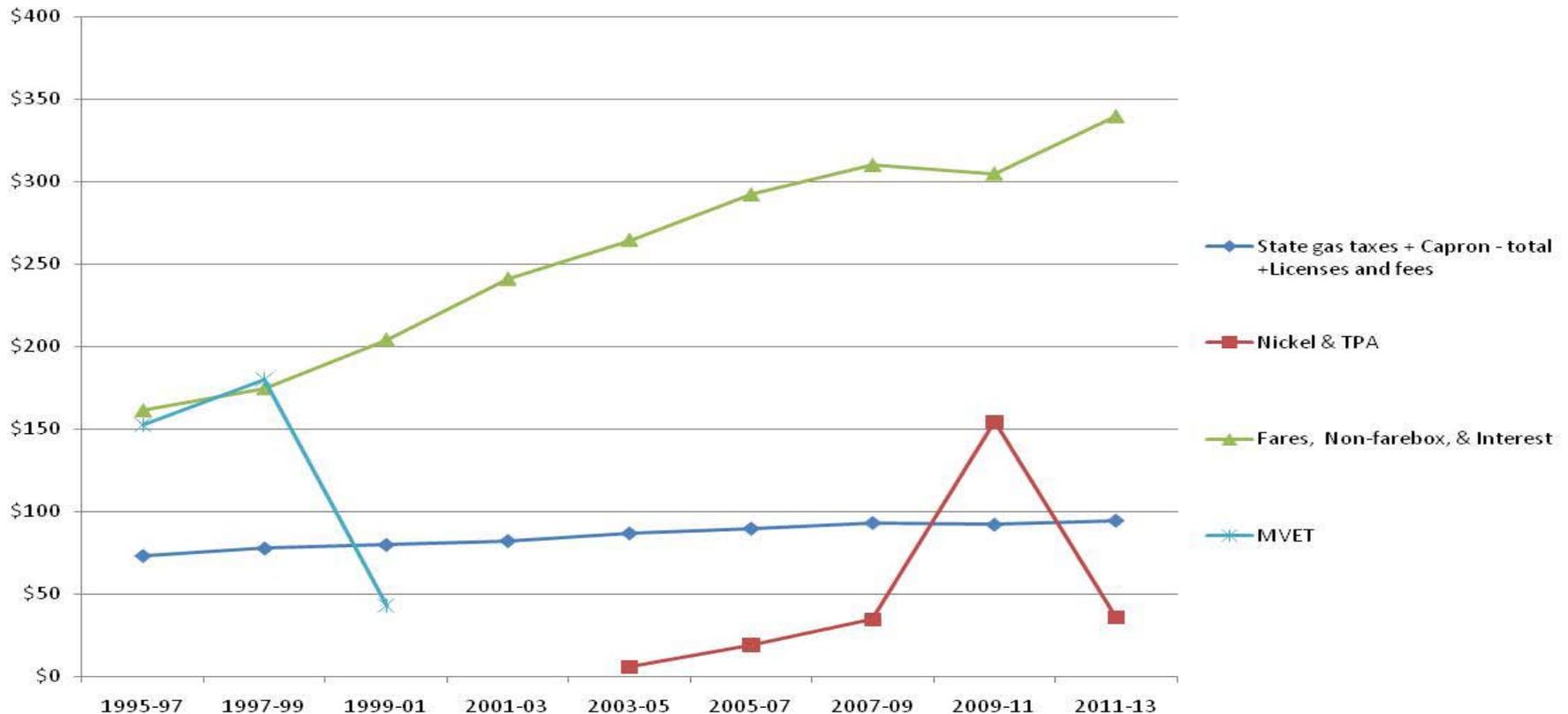
Potential fare increases

Revenue	\$ 2 million	\$4 million	\$6 million	\$8 million	\$10 million	\$12 million	\$14 million
Ridership Loss	(148,900)	(300,500)	(453,400)	(606,200)	(761,700)	(918,500)	(1,077,800)
Percent Fare Increase	1.1%	2.3%	3.5%	4.6%	5.8%	7.0%	8.2%
Revenue	\$16 million	\$18 million	\$20 million	\$22 million	\$24 million	\$26 million	\$28 million
Ridership Loss	(1,237,300)	(1,399,400)	(1,563,900)	(1,728,300)	(1,895,700)	(2,065,600)	(2,410,500)
Percent Fare Increase	9.5%	10.7%	12%	13.2%	14.5%	15.8%	17.1%

Operating and capital sources

Washington State Ferries: Operating and Capital Fund Sources

Dollars in Millions



Notes:

- 1. 2009-11 and 2011-13 dollars reflect the Governor's 2011 supplemental and 2011-13 biennial budget proposals.
- 2. 2003 Nickel and 2005 TPA funding used only for capital projects. TPA and Nickel capital funding for ferries ends in 2017-19.

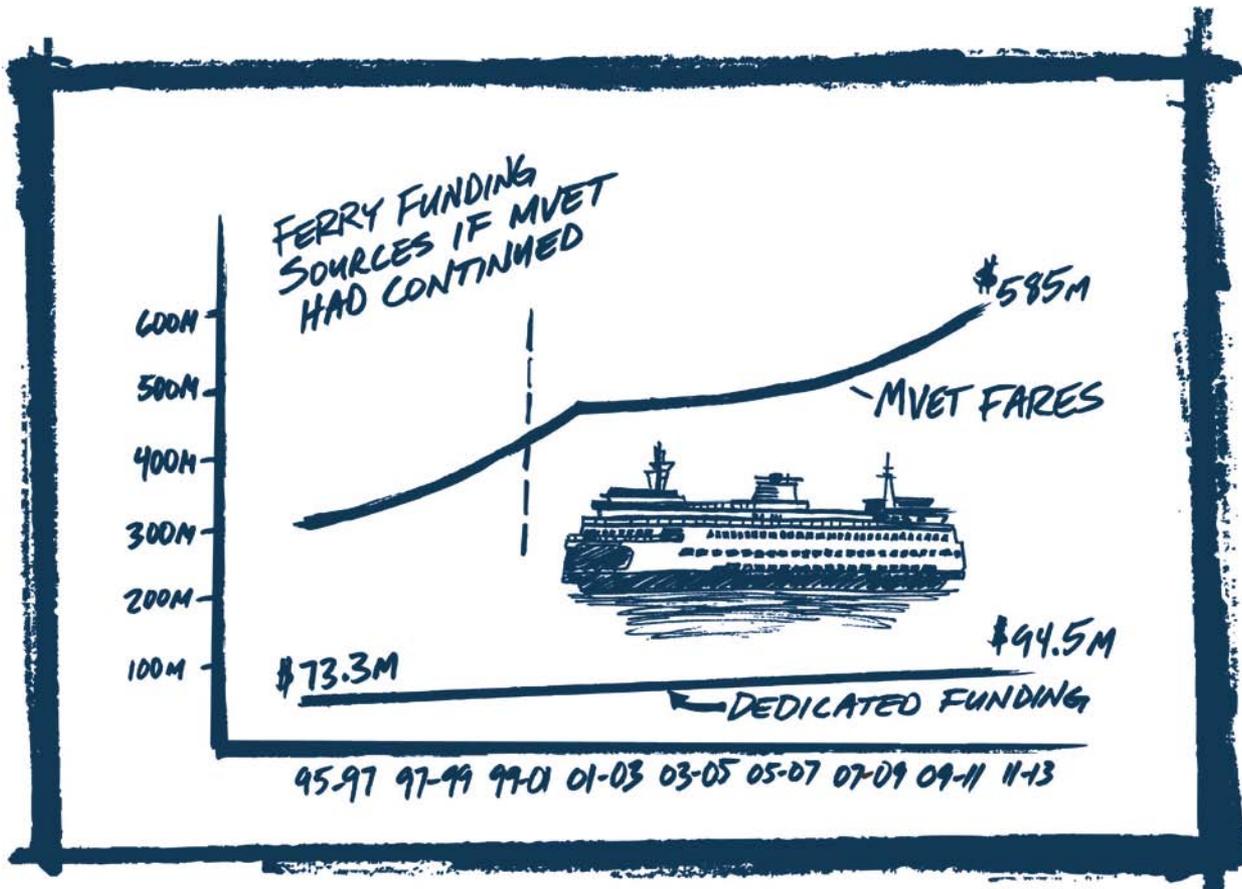
MVET as percent of ferry operating budget

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	95-97	97-99	99-01	01-03	03-05	05-07	07-09	09-11	11-13
MVET (actuals and forecast)	152.5	179.9	201.0	225.0	251.0	260.0	250.0	248.0	257.0
Ferry Operating Budget	244.1	270.5	303.6	313.2	334.7	392.9	444.5	427.5	440.6
MVET as % of operating budget	62.4%	66.5%	66.2%	71.8%	74.9%	66.1%	56.2%	58.1%	58.3%

Loss of MVET

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Washington State Ferries - system faces a \$900 million shortfall over the next decade.

2011-13 Ferry Budget

Ferry Capital Funds

(Millions)

PSCCA S- \$78.4

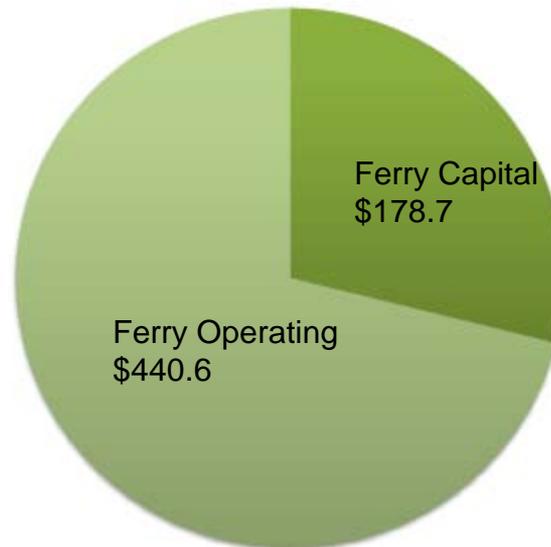
PSCCA F- \$50.6

Nickel S - \$11.8

TPA S - \$1.0

MMA S- \$36.9

Total - \$178.7



Ferry Operating Funds

(Millions)

PSFOA S- \$440.6

Total - \$440.6

2011-13 ferry budget puts & takes

(in thousands)

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Budget Item	Cost	Budget Item	Cost
Fuel	\$32,184	Tier 2 Reductions	(\$4,012)
Crew costs for Kwa-di-Tabil	\$5,156	Labor Savings	(\$9,700)
Engine room shift changeover	\$1,540	Reduce Ferry Administration	(\$1,235)
Marine Insurance	\$1,749	Reduce Ferry Maint., Training, and OT	(\$1,126)
Credit/Debit Fees	\$1,024	Reduce Terminal Costs	(\$500)
Program savings	(\$628)	Suspend Plan 1 COLA	(\$4,132)
Tier 1 Reductions	(\$16,028)	Pension Rate Change	\$7,462

Governor's Budget: Proposed Service Reductions



The Islands and International

- Anacortes/Sidney, B.C.**
 - Service only provided 22 weeks/year vs. 40 weeks currently
 - Fall/Spring 8 weeks, summer 14 weeks
 - Make 1 run to Sidney per day
- Anacortes/San Juan Islands**
 - Reduced service hours for 18 weeks fall/spring vs. currently
 - Reduced capacity by 20 car spaces on one vessel in the 14 week summer
- San Juan Interisland**
 - Reduced hours in fall and spring and reduction in capacity of 23 car spaces per sailing
 - No interisland boat on weekends for 18 additional weeks

Savings

\$2.3 million

North Sound

- Port Townsend/Coupeville (Keystone)**
 - Second vessel not restored
- Clinton/Mukilteo**
 - Eliminate last roundtrip of night (weekday), last sailing 11:45 p.m.

\$1.2 million

Central Sound

- Seattle/Bremerton**
 - Eliminate one mid-day roundtrip year round (weekday) and reduce capacity by 20 car spaces on one vessel fall/winter/spring
 - Eliminate all sailings after 9:05 p.m.

\$2.3 million

South Sound

- Fauntleroy/Vashon/Southworth**
 - Reduced weekend hours for 8 weeks fall/spring
 - Reduced capacity by 37 car spaces on one vessel year round
- Point Defiance/Tablequah**
 - Eliminate one early afternoon roundtrip and one late night roundtrip

\$.7 million

Combined Savings from Vessel Downsizing:

Port Townsend – Coupeville
 Fauntleroy – Vashon – Southworth
 Seattle – Bremerton
 Anacortes – San Juans
\$10.3 million

Terminal savings \$.5 million

Total Savings \$17.3 million



2011-2013 Governor's Budget

	Current		First Year		Second Year	
	Summer	F/W/S	Summer	F/W/S	Summer	F/W/S
Anacortes - San Juans - Sidney	144 124 144 87 144	144 144 87 90	144 124 144 87 144	144 144 87 64 90	144 124 144 87 64 144 124	144 144 87 90
Port Townsend - Coupeville	50	50	50 64 64	50 64	50 64	50 64
Mukilteo - Clinton	124 124	124 124	124 124	124 124	124 124	124 124
Edmonds - Kingston	202 188	202 188	202 188	202 188	202 188	202 188
Seattle - Bainbridge	202 202	202 202	202 202	202 202	202 202	202 202
Seattle - Bremerton	188 124	144 124	188 124	144 124 124	188 124	144 124
Fauntleroy-Vashon - Southworth	124 87 87	124 87 87	124 87 87	124 87 87 87	124 87 87 87	124 87 87 87
Pt. Defiance - Tahlequah	48	48	48	48 64	48 64	48 64
Standby (emergency reserve)	34	34	34	34 144	34 144	34 144
Maintenance Reserve	144 90	188 144 124	144 90	188 144 124	144 90	188 144 124

KEY

202	188	Jumbo Vessel	124	Medium Vessel - Issaquah	34	Small and slow vessel	
144		Large Vessel - Super	90	87	M4-Size Vessel - Seattle/Evergreen	64	New 64-car Vessel
					144	New 144-car Vessel	



Preservation needs are five times greater than improvement needs (in millions)

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	Gov Proposed 2011-13	10 Year
Vessel - Improvement	54.6	85.5
Terminal - Improvement	13.7	96.2
Total – Improvement	\$68.3	\$181.7
Vessel – Preservation	39.1	364.4
Terminal - Preservation	37.3	539.5
Total - Preservation	\$76.4	\$903.9
Total – Preservation & Improvement	\$144.7	\$1,085.6

Totals exclude project and administrative support and emergency repairs

Major Transportation Accounts
Estimated Ending Fund Balances
Updated for November 2010 Revenue Forecast
(\$ in Millions)

Account Balance Summary (in thousands)	09-11 Projected	11-13 Projected	13-15 Projected	15-17 Projected	17-19 Projected	19-21 Projected	21-23 Projected
Ending Balances - 2011-13 Governor's Proposed Budget (November 2010 Forecast)							
<u>108 Motor Vehicle Account</u>							
Beginning	94,758	16,094	657	(6,623)	(90,011)	(167,608)	(273,653)
Ending	16,094	657	(6,623)	(90,011)	(167,608)	(273,653)	(443,969)
<u>550 Nickel Account</u>							
Beginning	49,528	27,369	6,765	17,121	6,690	(13,704)	(18,782)
Ending	27,369	6,765	17,121	6,690	(13,704)	(18,782)	(23,817)
<u>09H Transportation Partnership Account</u>							
Beginning	85,015	182,476	4,866	12,563	19,925	(16,746)	(107,908)
Ending	182,476	4,866	12,563	19,925	(16,746)	(107,908)	(233,889)
<u>218 Multimodal Account</u>							
Beginning	30,556	22,244	966	(46,079)	(122,358)	(63,183)	(54,706)
Ending	22,244	966	(46,079)	(122,358)	(63,183)	(54,706)	(57,850)
<u>215 Special Cat. C Account</u>							
Beginning	2,184	644	107	784	101	620	845
Ending	644	107	784	101	620	845	254
<u>099 PS Capital Construction Account</u>							
Beginning	19,709	5,817	5,360	(135,846)	(532,646)	(767,853)	(889,100)
Ending	5,817	5,360	(135,846)	(532,646)	(767,853)	(889,100)	(935,685)
<u>109 PS Ferry Operations Account</u>							
Beginning	2,616	2,593	2,226	(34,226)	(56,866)	(65,457)	(59,060)
Ending	2,593	2,226	(34,226)	(56,866)	(65,457)	(59,060)	(37,218)
<u>16J State Route Number 520 Corridor Account</u>							
Beginning	0	1,032	332	119	551	15,827	45,033
Ending	1,032	332	119	551	15,827	45,033	47,707
<u>081 State Patrol Account</u>							
Beginning	8,859	2	3,196	(36,419)	(85,087)	(128,060)	(184,833)
Ending	2	3,196	(36,419)	(85,087)	(128,060)	(184,833)	(216,294)
<u>106 Hwy Safety - DOL Account</u>							
Beginning	3,274	1,963	6,216	5,082	7,744	9,665	12,622
Ending	1,963	6,216	5,082	7,744	9,665	12,622	14,791