

**WASHINGTON STATE TRANSPORTATION COMMISSION
MINUTES OF FERRY TARIFF HEARING
September 8, 2009**

The Washington State Transportation Commission public hearing concerning proposed changes to ferry tariffs was called to order at 1:00 p.m., on September 8, 2009 at Puget Sound Regional Council Boardroom, 1011 Western Avenue, Seattle, Washington.

Commissioners present at the meeting were: Chair Moser, Bob Distler, Elmira Forner, Dan O'Neal, Philip Parker, Latisha Hill and Dick Ford (via conference call in).

COMMISSION DISCUSSION OF TARIFF PROPOSAL

Chair Moser opened the meeting with Commissioner introductions and WSF Planning Director Ray Deardorf. She explained that today's hearing is to amend WAC 468-300-010 (Ferry Passenger tolls), 468-300-020 (Vehicle under 20', motorcycle, and stowage ferry tolls), 468-300-040 (Oversize vehicle ferry tolls), and 468-300-220 (Calculation of charter rates for vessels owned by the Washington State Ferry System) effective October 11, 2009.

Mr. Deardorf provided an overview of the proposal:

- System-wide general fare increase of 2.5 percent (plus nickel rounding). He noted that some routes may be a bit more/or less than 2.5 percent based Tariff Route Equity.
- Discontinue the 5 percent toll-booth surcharge off option, which was never implemented.
- Remove pilot-program status of the In-Need Organization Program and make it permanent.
- Allow reservation deposits to be taken on routes where the Legislature has approved a vehicle reservation system (proposal of 25-100 percent of the applicable full fare).
- Fire District agreements, which would allow WSF to enter into agreements for free passage when on emergency calls in lieu of payment for fire protection services at ferry terminals.
- Continue Tariff Route Equity phasing on the San Juan Interisland route at a rate of 5 percent above the 2.5 percent fare increase for a total of 7.5 percent increase for the route.
- Charter rate update.
- Three-season fare structure instead of the current two season fare structure. In addition to the 25 percent surcharge on single-fare vehicles effective May 1 through mid October an additional surcharge of 10 percent the last part of June through the day after Labor Day on all routes in the system.

Commissioner O'Neal questioned the proposed language for the reservation deposit. Mr. Deardorf responded that the Department proposed language of up to 100 percent, but the Commission proposed language between 25-100 percent. Mr. Deardorf noted that the public/commercial carriers have concerns with committing large sums of money for reservation deposits.

Commissioner Distler questioned why this issue is being taken up now, unless the Department intends to do something on the Port Townsend/Keystone route soon. Mr. Deardorf responded that it is because of the reservation no-show rate on the Port Townsend/Keystone route that the issue is being taken up. WSF is working with the Edmonds/Kingston Partnership on this issue.

Reema Griffith, Executive Director, WSTC, provided an overview of public participation in the Ferry Fare public meetings held August 31, September 1 & 2, 2009. The Commission received an estimated total of 97 attendees at the three meetings, seven written comment forms were received, eleven written letters and approximately 87 emails.

Mr. Deardorf provided an update on fare revenues and ridership. He shared that the March revenue forecast was exceeded by about \$1.7 million dollars for the quarter. He also noted that there have been overloads and congestion on the weekends throughout the summer months. He moved on to further discuss the proposed reservation deposit on the Edmonds/Kingston route.

Commissioner Ford commented on the provisions of the reservation deposit and how it impacts today's proposal.

It was moved by Commissioner Parker and seconded by Commissioner O'Neal to divide the proposed tariff changes into three separate votes. First, to approve the 2.5 percent general fare increase, discontinue the authority for a 5 percent toll-booth surcharge, update charter rates; remove the pilot status of the In-Need Organization Program and add the Fire District's agreements;

second, to continue TRE phasing on the San Juan interisland routes; and

third, the proposal to eliminate the peak season fares and replace with shoulder and summer season fares.

Chair Moser opened the floor for public comment.

PUBLIC TESTIMONY

Luella Wells, League of Women Voters for Washington, commented on the entire proposal explaining that the League of Women Voters opposes the implementation of any summer surcharge for users of the ferry system. In particular the additional super summer surcharge of 10 percent as proposed by the Commission. The implementation of this surcharge would penalize residents of ferry dependant communities who must use ferries for business and personal needs, particularly those who can least afford it. It would increase the cost of delivery of goods and services to and from ferry communities. It would also increase the use of surface highways and even encourage single occupancy vehicle use. This further

separates the marine highway system from the rest of the state's highway system in terms of tolls. It is expected that ferry ridership recover the cost of maintenance and operations of the ferry system while not expecting the same on the rest of the state's highways. The League of Woman Voters supports a balanced and seamless transportation system in which policies are determined by consideration of community livability, character, job/housing balance, environmental impacts, social factors and energy consumption. Ferries in Washington State are part of the highway system and should be funded accordingly.

Allan Mendel, Chair Vashon Ferry Advisory Committee and Co-Ferry Advisory Executive Council, shared that letters have been mailed to the Commission from the Ferry Advisory Executive Council objecting to the super summer surcharge. He also noted that a letter was sent to the Commission from Representative Rockefeller, Appleton and Rolfes objecting to the super summer surcharge. Another issue is a quote in the Kitsap Sun newspaper by Commissioner O'Neal stating "he was unaware of the impact a summer season surcharge would have on residents of the effected communities who are unable to afford multi-ride tickets". He emphasized that he had previously made that very point that there are residents on Vashon who were least able to afford it. That's the reason some of the residents don't buy multi-ride tickets is because they can't afford to pay that amount of money at one time, so they buy single-ride tickets which are more expensive, but it's all they can afford. It appears that nobody listened at the public meetings, which is very concerning.

Commissioner O'Neal stated that just because he might not have heeded Mr. Mendel, doesn't mean all the other commissioners should be impugned. He explained that the point he was trying to make was that when the proposal was made assumptions were made that the primary impact of the increase would fall upon the occasional tourist in the belief that their were very few regular individual ticket purchasers – testimony at the hearings suggested that assumption was erroneous.

Howie Rosenfeld, San Juan County Council, commented that WSF has requested only the 2.5 percent general fare increase. The Commission has gone beyond that request and the Council feels that this will impact a lot of people in ferry served communities. The primary concern is how it impacts commercial carriers and the cost of goods in island communities. He questioned if there has been an economic impact analysis on the proposed increases, and if not, why not? This proposal has happened so quickly. He asked if it is possible to defer the super summer surcharge decision until the impacts have been discussed. He expressed that the Commission needs to lobby the Legislature to find sustainable funding for the ferry system.

Commissioner Distler responded that a 2.5 percent increase will no doubt exceed inflation. The Commission has completed a study on ferry financing options that it presented to the Joint Transportation Committee (JTC) earlier this year.

Chair Moser explained that the compressed timeline for the tariff process is a result of Legislative direction.

Lance Evans, Executive Director, Orcas Island Chamber of Commerce, shared that he agrees with Ms. Wells and Mr. Rosenfeld's comments with regards to the super summer surcharge proposal and the cost that riders and commercial carriers will incur.

CONSIDERATION OF AND ACTION ON TARIFF PROPOSAL

Commissioner Forner explained that she is rather disappointed that the package was not accepted as presented in July. There has been extensive discussion and this was one way that would help sustain the ferry system. How will the budget shortfall be gapped without generating more revenue? She expressed that she does not support the motion unless it's for the entire package as presented today.

Commissioner Distler explained that he would support the 2.5 percent general increase, but maybe even that is too much considering the current rate of inflation.

Commissioner O'Neal noted that there's no question that the ferry system is in trouble. The Commission has done a ferry finance study and made a proposal to the JTC on how to bridge the funding deficit. The Legislature has taken some action in meeting the revenue needs, but not as much as WSTC recommended. He briefly touched on the fact that according to WSF data the ferry system is currently meeting or exceeding its expected revenue projects so far this year. The Commission tariff proposal which includes the super summer tariff makes the current rate schedule more complex than it currently is. He noted that he supports the motion on the table.

Chair Moser requested that Commissioner Parker restate his motion.

Commissioner Parker restated his original motion.

Commissioner Hill commented that adding more complexity to the fare structure should be further considered. She also expressed concerns with the cost of fuel and how it impacts the revenue balance. At this point the Commission does not have that information. This is not just a ferry funding problem, but a problem for the entire transportation system. As well not having a tariff advisory committee has also impacted the process.

Commissioner Parker concurred with the lack of fuel cost inflation and how it impacts the revenue. He noted that his intent was to separate the proposal items in order to obtain three distinct votes from the Commission.

Commissioner Ford called for the question on Commissioner Parker's motion.

The motion passed with Commissioner Forner voting "no", Commissioner Distler "no", Chair Moser "yes", Commissioner O'Neal "yes", Commissioner Hill "yes", Commissioner Parker "yes" and Commissioner Ford "yes"; to approve the 2.5 percent general fare increase, discontinue the authority for a 5 percent toll-booth surcharge, update charter rates; remove the pilot status of the In-Need Organization Program and add the Fire District's agreements. The motion passed 5 to 2.

It was moved by Commissioner Distler and seconded by Commissioner Hill to adopt the continued phasing of TRE by imposing an additional 5 percent increase on the San Juan Island interisland route.

Chair Moser opened the floor for public comment.

There were no public comments on the motion.

The motion passed unanimously to approve the continued phasing of TRE by imposing an additional 5 percent increase on the San Juan Island interisland route.

It was moved by Commissioner Parker and seconded by Commissioner Forner to approve the proposal to eliminate the peak season fares and replace with shoulder and summer season fares.

Chair Moser opened the floor for public comment.

Dennis Cziske, Kingston FAC addressed the non-refundable reservations prepayment noting that he feels there should be some kind of mitigation process because of too many extenuating circumstances. He also noted that he opposes the super summer surcharge because it penalizes 27 percent of the identified riders who ride less than once a month and can not afford to purchase multi-ride tickets because of income restraints. He also agrees that there will be a negative impact on commercial vehicle traffic and a risk to tourism. This proposal is also a very marginal gain to the ferry system.

Walt Elliott, Kingston FAC shared that he agrees with all of the public comments that have been made today. The revenue that the super summer charge would generate will not cover the budget gap. WSF is currently working on a fuel surcharge proposal to the present to the Legislature, which is a better way to handle the revenue gap. In closing he noted that he was disappointed with public attendance at the public meetings and believes that the Silverdale location was ill chosen by the Commission.

Commissioner Ford commented that the Commission takes the ferry fare adjustments very seriously and he believes that the Legislature will have to supplement the revenue gap. He explained that he is not in favor of the super summer surcharge based on complications to fixed income riders and it appears that the Legislature is prepared to bridge the revenue gap.

Commissioner Forner shared that she feels the legislative budget will need to be adjusted in other areas to make up the funding gap that ferries has. She noted that it is the Commission's responsibility to view the transportation system statewide. It is also the Commission's responsibility to move towards more sustainable funding for the ferry system. In closing she noted that she does support the 10 percent super summer surcharge.

Commissioner Distler expressed that for years there have been supplemental appropriations to cover fuel consumption costs for the ferry system. He noted that the Commission's survey led it to seek alternative funding sources for the ferry system such as the super summer surcharge. The ferry system should not continue to lean on supplemental funds from the Legislature.

Commissioner O'Neal emphasized that this proposal adds complexity and not much revenue. He added that WSF revenues were meeting projections, that assumptions about

the super surcharge burden seemed to be wrong, and general questions about the process were additional reasons he will vote against the surcharge.

Commissioner Hill agreed with Commissioner O’Neal’s comment and will vote no on this proposal.

Commissioner Parker agreed that the super summer surcharge does not solve the problem. He noted that he will also vote no on the proposal.

Chair Moser commented that the public meetings helped her to realize that occasional riders struggle with affording the multi ride fare. She noted that she will vote no on the proposal. Perhaps a fuel surcharge would be a better solution as opposed to the super summer surcharge.

The motion failed two “yes” and five “no” to approve the super summer surcharge.

Chair Moser noted that a technical amendment must be made to WAC 468-300-010.

Paul Parker, Senior Policy Analyst, WSTC noted that the route description from Lopez, Orcas, Shaw and Friday Harbor to Sidney contains an @ symbol that must be removed.

It was moved by Commissioner O’Neal and seconded by Commissioner Hill to approve the technical change to WAC 468-300-010. The motion passed unanimously.

The meeting adjourned at 3:45 p.m.

This meeting has been recorded. If you would like additional meeting details an audio cd is available for a nominal fee. Please contact the Transportation Commission Office at (360)705-7070.

WASHINGTON STATE TRANSPORTATION COMMISSION

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ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL