Washington State
Department of Transportation
Paula J. Hammond, P.E.
Secretary of Transportation

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October 16, 2012

Mr. Stan Marshburn, Director
Office of Financial Management
PO Box 43113
Olympia, WA 98504-3113

Dear Mr. Marshburn:

Enclosed is the 2013 Supplemental Budget request for the Department of Transportation (WSDOT). We understand that every agency must do its part in crafting solutions to the current financial dilemma. The department is again prioritizing its spending for the 2011-13 biennium so that funding is only requested for non-discretionary items. Our suggested budget proviso language changes will be submitted later this fall to correspond with the development of the Governor's budget.

We look forward to working with you and your staff as you develop WSDOT's supplemental budget. Our budget office is available to assist in the event you have any questions. Please contact Doug Vaughn, Budget Director, at 360-705-7500 for any further information.

Sincerely,

Paula J. Hammond, P.E.
Secretary of Transportation

PJH:ka
Enclosure

cc: Doug Vaughn, WSDOT Budget Director
Robin Rettew, OFM

State of Washington

Recommendation Summary

Agency: 405 Department of Transportation

10/16/2012

Dollars in Thousands

	FY2 FTEs	Other Funds	Total Funds
2011-13 Current Biennium Total			
Total Carry Forward Level			
Percent Change from Current Biennium			
Carry Forward plus Workload Changes			
Percent Change from Current Biennium			
M2 NA Snow and Ice Control		2,200	2,200
M2 NB Unrealized Engine Room CBA Savings		3,640	3,640
M2 NC MV Rhododendron Inventory Write-Off		550	550
M2 NE Vessel Maintenance		1,884	1,884
M2 NF Concession Credits and Other		150	150
M2 NI Adjustment for CSC Cost Allocation			
M2 NJ RITE Software License		120	120
Total Maintenance Level		**8,544**	**8,544**
Percent Change from Current Biennium			
2011-13 Total Proposed Budget		**8,544**	**8,544**
Percent Change from Current Biennium			

M2 NA Snow and Ice Control

One-time funding of $2.2 million is requested for extraordinary snow and ice control expenditures during the 2011-12 winter. This funding will allow Program M - Highway Maintenance and Operations to cover costs associated with the severe winter season. This funding is necessary in order to continue work necessary to meet asset management goals and public expectations throughout the remainder of the biennium.

M2 NB Unrealized Engine Room CBA Savings

Expenditure authority is requested to restore funding for four engine room crew positions (one assistant engineer for each shift of the four Super Class ferry vessels). The 2011 Legislature reduced the 2011-13 Biennium ferries operating program budget base by $20 million. As part of this reduction, approximately $3.6 million was assumed to be saved by reducing crew size by that one position for each Super Class vessel. Since the United States Coast Guard (USCG) has not yet approved this change in staffing level, the engine room positions have not been reduced.

M2 NC MV Rhododendron Inventory Write-Off

Marine Vessel (MV) Rhododendron, the only remaining vessel in the Rhododendron Class of ferries, is scheduled to be sold before the end of the 2011-13 Biennium. One-time expenditure authority is requested to surplus inventory items (previously purchased for the MV Rhododendron that cannot be used elsewhere in the ferry fleet) and expense ("write-off value") these surplus items. Once the parts are sold, the difference from the estimated write-off value will be reflected in the Puget Sound Ferry Operating Account (PSFOA) as a credit.

M2 NE Vessel Maintenance

This package requests funding to address unplanned vessel maintenance costs in Ferries - Operating (Program X).

M2 NF Concession Credits and Other

Expenditure authority is requested to reflect an accounting change in concession credits for galley and terminal vendors, and the media consulting company that distributes ferry schedules. In order to comply with the State Administrative and Accounting Manual (SAAM), which supports the principles of the Generally Accepted Accounting Principles (GAAP), the department is required to use the "modified accrual basis of accounting," meaning that expenditures and revenues are recorded in the same period in which they are incurred. Under this requirement, expenses for vendors and the ferry schedule distributor need to be offset by revenues generated from these activities in the period in which they occur. The net impact to the Puget Sound Ferries Operating Account (PSFOA) is zero.

M2 NI Adjustment for CSC Cost Allocation

In the 2011-13 Biennium, the Washington State Department of Transportation (WSDOT) implemented a centralized tolling back office which provides greater efficiencies in delivering customer service, Good to Go!, and other shared services. The budget assumed proportional shares of the centralized costs for each toll facility based on estimated transactions. Actual transactions through September 2012 reflect a higher proportion of transactions for State Route (SR) 167 High Occupancy Toll (HOT) Lanes than originally assumed, while SR 520 has a lower proportion. An adjustment in funding is requested for SR 167 HOT Lanes and SR 520.

M2 NJ RITE Software License

As part of a settlement agreement between the Washington State Department of Transportation (WSDOT) and its toll customer service contractor, Electronic Transaction Consultant Corporation (ETCC), WSDOT received a software license with an assessed value of $4 million. The government accounting treatment for this software asset requires the department to request additional appropriation authority. The department anticipates it has enough appropriation authority in the Tacoma Narrows Bridge (TNB) and State Route (SR) 520 program to account for the software license; therefore, this package is only requesting an increase in appropriation authority for SR 167 High Occupancy Toll (HOT) Lanes.

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**NA**	**Snow and Ice Control**
Budget Period:	**2011-13**	
Budget Level:	**ML – Maintenance Level**	

Program **M – Highway Maintenance and Operations**

Recommendation Summary

One-time funding of $2.2 million is requested for extraordinary snow and ice control expenditures during the 2011-12 winter. This funding will allow Program M – Highway Maintenance and Operations to cover costs associated with the severe winter season. This funding is necessary in order to continue work necessary to meet asset management goals and public expectations throughout the remainder of the biennium.

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
108-1 MVA-State	-	2,200,000	2,200,000	-	-
Total by Fund	**-**	**2,200,000**	**2,200,000**	**-**	**-**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

For the period July 2011 through September 2012, Program M budgeted $10.7 million for materials used (e.g., salt, liquid anti-icer, and sand) for snow and ice control. Due to severe 2011-12 winter conditions, actual material expenditures were $13.7 million, an overrun of $3 million.

This package requests $2.2 million of the $3 million shortfall to reflect current program-wide spending as of September 30, 2012. The $0.8 million difference was absorbed this summer as a result of under expenditures in various material-intensive activities such as paving. The under expenditures occurred as a result of the redirection of resources throughout much of Eastern Washington to address the significant rain/wind storms that occurred in July as well as responding to the numerous wildfires for much of the month of September.

Looking forward to the upcoming winter season (2012-13), expenditure levels for snow and ice control may need to be modified depending on the type of winter encountered and the status of Program M's overall budget. If the upcoming winter is more severe than the "average" winter, the department may need to add to this request. If the winter is lighter than planned, any savings could be used to offset prior winter cost overruns or result in this request being reduced.

Indicators of the severity of the 2011-2012 winter include the following:

- Early closures of Chinook, Cayuse, and the North Cascades Passes due to extreme cold and high elevation snows in mid-November.
- Significant and widespread lowland snow and ice events starting in November and continuing for several months. The most severe of these events occurred during the Martin Luther King Holiday week in January, and resulted in highway, school, and business closures, widespread power outages, and millions of dollars in damage to homes, businesses, and highways. WSDOT was in full emergency response mode for the duration of this event with the Emergency Operations Center activated and all available personnel on duty for around-the-clock coverage.
- The trend of late season, high elevation snows continued into March. Snow fell 168 inches and 185 inches respectively at Snoqualmie and Stevens Passes during the period of mid-February to mid-March. Snow accumulation totals at season's end were on par with record-setting seasons of the past decade.
- Concurrent with high elevation snowfalls were lowland freezing events of short-term duration, but frequent occurrence. These types of events caused repeated and costly applications of deicer materials to keep pavements free of ice.
- The Frost Index, which is the best indicator of overall winter severity, showed that the winter of 2011-12 was more severe than the 21 year average index.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
Providing the $2.2 million will cover the net cost overrun for snow and ice control to allow the Maintenance Program deliver its currently planned activities. No changes in efficiency or output are projected since the requested funds will be used to offset the cost overrun in materials used for snow and ice control that was incurred during Fiscal Year 2012.

Performance Measure Detail
If the requested funds are provided, Level of Service (LOS) ratings as measured by the Maintenance Accountability Process (MAP) should remain stable. If the requested funds are not provided, staffing levels and activities will have to be reduced (when?). This will adversely affect LOS ratings for several maintenance activities.

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
Yes. This request for funding is essential in meeting WSDOT Strategic Plan Objective 2.1 "Maintain highway and bridge systems to optimize their short and long-term usefulness and minimize life-cycle costs" and the underlying strategy of "Deliver appropriate levels of maintenance in alignment with MAP targets and budgeted priorities."

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This request would provide essential support to the Governor's priority of "Building a safe and efficient transportation system."

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes, funding would contribute to statewide results by providing resources to safely and efficiently operate the highway system. The maintenance and operation of the highway system is a high priority in the Priorities of Government (POG) process.

Identify important connections or impacts related to this proposal.
There are no known or anticipated stakeholder concerns regarding funding this request. Generally, highway users are supportive of this request, as it will help the Maintenance Program continue providing for the safe and reliable use of the highway system.

What alternatives were explored, and why was this alternative chosen?
Alternative 1: Provide no additional funds and shift existing program funds from other maintenance activities to cover the overrun in snow and ice control. This alternative would lead to layoffs of selected existing maintenance employees, and increase the size of the current maintenance backlog. This alternative was not selected due to the significant adverse impacts to Maintenance Program activities.

Alternative 2: Request additional funds to offset the current cost overrun and allow the Maintenance Program to deliver services as currently planned. This alternative was selected due to its importance in continuing to support the safety and reliability of the highway system.

What are the consequences of not funding this package?
If funding is not provided and the program would either absorb these costs or reduce services. The department anticipates the following impacts:

- Current pavement patching and crack sealing work would be significantly scaled-backed. Deferred repairs will lead to increased pavement deterioration and result in the need for more funding to address the problem in the future.
- Current roadway striping and pavement marking work that is already in progress will be significantly scaled-back. Impacts would include less striping of secondary routes which may include some routes not being striped this year or only striping center lines on selected routes. Also, primary routes may not receive the second stripe later in the season prior to winter.
- Implement a hiring freeze and/or defer filling positions as vacancies arise. This will result in less staff performing key maintenance functions in various activities. This will also impact the upcoming winter with vacancies remaining open going into winter operations.

- Eliminate all planned overtime work and limit use of overtime for emergencies only. This will reduce efficiencies associated with work performed on weather-dependent activities such as paving, striping, and vegetation management, as well as work performed in remote locations.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
For the period July 2011 through September 2012, the program budgeted $10.7 million for materials used in snow and ice control. Actual material expenditures were $13.7 million, an overrun of $3 million. The program is requesting $2.2 million of the $3 million to match current program-wide budget status as of the end of September, 2012. The $0.8 million difference is the result of under-runs in materials usage for other program activities.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
All costs are one-time.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
A - Salaries and Wages		-	-	-	-
B - Benefits		-	-	-	-
E - Goods and Services	-	2,200,000	2,200,000	-	-
Total by Object	**-**	**2,200,000**	**2,200,000**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**NB**	**Unrealized Engine Room CBA Savings**
Budget Period:	**2011-13**	
Budget Level:	**ML – Maintenance Level**	

Program X – Washington State Ferries Maintenance and Operations

Recommendation Summary

Expenditure authority is requested to restore funding for four engine room crew positions (one assistant engineer for each shift of the four Super Class ferry vessels). The 2011 Legislature reduced the 2011-13 Biennium ferries operating program budget base by $20 million. As part of this reduction, approximately $3.6 million was assumed to be saved by reducing crew size by that one position for each Super Class vessel. Since the United States Coast Guard (USCG) has not yet approved this change in staffing level, the engine room positions have not been reduced.

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
109-1 PSFOA-State		3,640,000	3,640,000	3,750,000	3,750,000
Total by Fund	**-**	**3,640,000**	**3,640,000**	**3,750,000**	**3,750,000**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Note: FTEs were not reduced in the 2011-13 Biennium budget for this issue, so no FTEs are requested.

Package Description

Based on estimated savings associated with the 2011-13 collective bargaining agreements (CBAs), the 2011 Legislature reduced the Washington State Ferries (WSF) 2011-13 Biennium operating budget by $20 million per biennium. As part of this reduction, there were assumed savings of approximately $3.6 million per biennium for a reduction of crew in the engine room on each of the four Super Class ferry vessels (MV Hyak, MV Kaleetan, MV Yakima, and MV Elwha).

The budget reduction savings for engine room staff was based on the difference in the crewing level on the Super Class ferry vessels as specified in the 2011-13 CBAs and the minimum crewing level required by USCG's Certificate of Inspection (COI), which is the current instrument that establishes the crewing level required to operate and carry ferry passengers. The current COI on the Super Class vessels is higher than the CBAs by one additional engine room position, an assistant engineer.

The department and the USCG are currently reviewing crewing levels necessary for the safe operation of ferry vessels, including the Super Class ferry vessels. Since the USCG has yet to approve a change in staffing levels, the engine room positions have not been reduced as assumed by the 2011 Legislature.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
The department will operate vessels in a safe manner.

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
Yes. This package supports the department's goal to operate an efficient transportation system.

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods, and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. Ferry operations make a key contribution to Priorities of Government goals to improve economic vitality and the mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
Insufficient funds to pay ferry employees could result in reduced ferry services.

What alternatives were explored, and why was this alternative chosen?
N/A

What are the consequences of not funding this package?
There will not be enough budget authority to operate the ferry system at the legislatively-approved level of service.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
The cost is based on an assistant engineer position in the engine room on each of the four Super Class ferry vessels. Engine room hours per position on the four vessels can be calculated as follows:

24 hours per day x 365 days a year = 8,760 hours per year

The cost for an assistant engineer is $51.96 per hour which includes base wages plus the employer share of employee benefits (pension, Social Security, Medicare), employee leave costs, health care costs, and other miscellaneous costs.

The following table displays the total cost estimated for each of the four Super Class vessels, totaling $3.6 million.

Vessel	Additional Position	# of Hours per Year	Wage	FY Total	2011-13 Total
MV Hyak	Assistant Engineer	8,760 hours/year	$51.96	$455,000	$910,000
MV Kaleetan	Assistant Engineer	8,760 hours/year	51.96	455,000	910,000
MV Yakima	Assistant Engineer	8,760 hours/year	51.96	455,000	910,000
MV Elwha	Assistant Engineer	8,760 hours/year	51.96	455,000	910,000
			TOTAL	**$1,820,000**	**$3,640,000**

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?

All costs are ongoing until the USCG changes the COI crewing level. Out biennia include a restoration of three percent to wages that were reduced in the 2011-13 Biennium but are restored on June 30, 2013 per the CBAs.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
A - Salaries and Wages		2,912,000	2,912,000	3,000,000	3,000,000
B - Benefits		728,000	728,000	750,000	750,000
Total by Object	**-**	**3,640,000**	**3,640,000**	**3,750,000**	**3,750,000**

Salary and FTE Detail						
	FTEs			**Dollars**		
List Positions by Classification	**FY 2012**	**FY 2013**	**Biennial Average**	**FY 2012**	**FY 2013**	**Total**
Assistant Engineers (Engine Room)	-	-	-		2,912,000	2,912,000
Total	**-**	**-**	**-**	**-**	**2,912,000**	**2,912,000**

Out Biennia				
	FTEs		**Dollars**	
List Positions by Classification	**2013-15**	**2015-17**	**2013-15**	**2015-17**
Assistant Engineers (Engine Room)	-	-	3,000,000	3,000,000
Total	**-**	**-**	**3,000,000**	**3,000,000**

Agency:	**405 Department of Transportation**
Decision Package Code/Title:	**NC MV Rhododendron Inventory Write-Off**
Budget Period:	**2011-13**
Budget Level:	**ML – Maintenance Level**

Program X – Washington State Ferries Maintenance and Operations

Recommendation Summary

Marine Vessel (MV) Rhododendron, the only remaining vessel in the Rhododendron Class of ferries, is scheduled to be sold before the end of the 2011-13 Biennium. One-time expenditure authority is requested to surplus inventory items (previously purchased for the MV Rhododendron that cannot be used elsewhere in the ferry fleet) and expense ("write-off value") these surplus items. Once the parts are sold, the difference from the estimated write-off value will be reflected in the Puget Sound Ferry Operating Account (PSFOA) as a credit.

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
109-1 PSFOA-State	-	550,000	550,000	-	-
Total by Fund	**-**	**550,000**	**550,000**	**-**	**-**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

This package requests appropriation authority to expense and surplus parts inventory for the MV Rhododendron, the only remaining vessel in the Rhododendron Class of ferries, which is scheduled to be sold before the end of the 2011-13 Biennium. Vessel parts have been purchased for the MV Rhododendron and placed into inventory for future use. Since these parts cannot be used on any other vessel in the fleet, they will be surplused when the MV Rhododendron is sold. Once the surplus parts are sold, the difference from the estimated write-off value will be reflected in the Puget Sound Ferry Operating Account (PSFOA) as a credit.

According to State Administrative and Accounting Manual (SAAM) 85.56.20.b, which supports the principles of the Generally Accepted Accounting Principles (GAAP), consumable inventory at time of purchase is considered an asset until it is used or consumed. The purchase is viewed as trading one asset (cash) for another asset (consumable inventory). The inventory is considered an expense only when it is "issued" out of the consumable inventory system. If consumable inventory becomes obsolete, as it would be in this case, a transaction is processed that removes the asset value of the obsolete parts and records it as an adjustment to inventory expenditures.

If spare parts should be purchased by a third party, the amount required to be expensed would be adjusted accordingly. However, the potential revenue from the sale of the vessel cannot be determined at this time.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
The inventory stored at the warehouse will include only inventory for vessels which are included in the service plan for the 2013-15 Biennium, not decommissioned or out-of-service vessels. This will free up warehouse space to accommodate additional inventory for other vessel parts.

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
Yes. This package supports the department's goal to operate an efficient transportation system.

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods, and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. Ferry operations make a key contribution to Priorities of Government goals to improve economic vitality and the mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
N/A

What alternatives were explored, and why was this alternative chosen?
Retain inventory items for Rhododendron Class ferries. However, this would require warehouse space to be used for obsolete inventory.

What are the consequences of not funding this package?
If this package is not authorized, WSF will not be able to absorb this expense within the current appropriation authority. The department would be in violation of M72-90 Section B of Washington State Department of Transportation's (WSDOT) Consumable Inventory Manual, which requires WSF to expense the parts in order to surplus parts from inventory.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
Expenditure authority requested is based on the current value of parts for the MV Rhododendron as reflected in the department's Consumable Inventory System.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
This is a one-time impact to WSF's 2011-13 appropriation level. There is no budget impact in future biennia.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
E - Goods and Services	-	550,000	550,000	-	-
Total by Object	**-**	**550,000**	**550,000**	**-**	**-**

Agency: 405 Department of Transportation
Decision Package Code/Title: NE Vessel Maintenance
Budget Period: 2011-13
Budget Level: ML – Maintenance Level

Program X – Washington State Ferries Maintenance and Operations

Recommendation Summary
This package requests funding to address unplanned vessel maintenance costs in Ferries – Operating (Program X).

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
109-1 PSFOA-State		1,884,000	1,884,000	-	-
Total by Fund	**-**	**1,884,000**	**1,884,000**	**-**	**-**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description
Ferries - Operating (Program X) is currently experiencing a number of challenges impacting its maintenance budget: (1) a greater than average number of vessel breakdowns, (2) a shortage of nearby shipyard dry dock space availability, (3) significant funding declines in Ferries - Capital (Program W) for preservation projects, and (4) additional maintenance increases.

Vessel Breakdowns: A higher occurrence in the number of vessel breakdowns and subsequent emergency repairs are caused by mechanical failures associated with an aging fleet. Breakdowns often require additional vessel maintenance. Emergency repairs are funded in accordance with Chapter 86, Laws of 2012 (Transportation Appropriations Act). As of September 30, 2012, the Office of Financial Management (OFM) has authorized expenditures of $2.3 million of the $3 million available for ferries-related emergency capital repairs in Program W. Based on the current trend in which emergency repairs are occurring, WSF estimates it will need an additional $1 million to cover the cost of emergency repairs, bringing the total available for emergency repairs to $4 million in the 2011-13 Biennium. (The department plans to request additional funds in the amount of $1 million separately as part of its November update to the capital project list.) Costs associated with the additional vessel maintenance are a Program X operating expense.

Shortage of Dry Dock Space: Reduced access to local shipyard dry dock space for vessel capital preservation work has required WSF to use alternative dry dock shipyards. For example, instead of dry docking at Vigor Shipyards located in Seattle at Harbor Island, the Marine Vessel (MV) Puyallup was transported to Seaspan Shipyard in Vancouver, B.C. This has resulted in higher transport (towing) costs for Program X due to both distance and the restriction that vessels must be towed when travelling in international waters. The cost to transport/tow a vessel is an operating cost. Also, because the MV Puyallup was nearing the United States Coast Guard (USCG) mandated

inspection date, an additional contract was entered into resulting in increased costs to perform maintenance work prior to the USCG inspection, unless the department wanted to take the vessel out of service.

Declines in Capital Budget Funding: Significant declines in the capital program funding have also resulted in adding costs to Program X. As preservation work is deferred, operating maintenance funds are used instead of capital funds to pay for vessel maintenance projects that would normally have been addressed when performing the full preservation project. One example is additional spot painting of hulls during maintenance rather than a full hull painting as a capital job.

Additional Maintenance Increases: There have been additional maintenance costs that were not budgeted in Program X including higher costs for parts to rebuild engines and a 72 percent increase in the cost for sewage and bilge pumping.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
N/A

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
Yes. This package supports the department's goal to operate an efficient transportation system.

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods, and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. Ferry operations make key contributions to Priorities of Government goals to improve economic vitality and the mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
Vessel maintenance is an integral part of providing ferry service. Continual maintenance of vessels is required to maintain vessels and USCG certification.

What alternatives were explored, and why was this alternative chosen?
Vessel maintenance is a required activity and is essential for ferry service. Additional funding for preservation would minimize the need for additional maintenance, but this alternative was not chosen due to capital program constraints.

What are the consequences of not funding this package?
WSF is required to meet USCG requirements in order to maintain operational certification and to operate the system according to the published schedule of runs. It is anticipated that existing appropriation authority will not sufficiently fund the second fiscal year. This will result in providing less reliable service and the likelihood that future repairs will be more costly.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
Based on the emergency maintenance repairs in the first fiscal year as detailed in the table below, a projected shortfall of $1.884 million is assumed for the vessel maintenance program.

Description		Cost
Vessel Breakdowns:		
Additional parts and equipment not covered under the emergency repair program, but associated with required emergency repairs on the MV Klahowya	$	300,000
Shortage of Dry Dock Space:		
Dry dock the MV Puyallup in British Columbia due to lack of local shipyard availability	$	316,000
Declines in Capital Budget Funding:		
Perform additional spot painting of hulls during maintenance rather than a full hull painting as a capital job for MV Issaquah, MV Cathlamet, and MV Chelan	$	570,000
Additional steelwork required on the MV Tacoma while in the shipyard	$	73,000
Additional Maintenance Increases:		
Engine rebuild on the MV Elwha	$	220,000
Engine rebuilds on the Issaquah class vessels	$	265,000
Increased costs for sewage and bilge pumping (72% over the past three years)	$	140,000
Total	**$**	**1,884,000**

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?

Costs are one-time. The department has already requested funding for this issue for the 2013-15 Biennium under decision package ML-XD.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
E - Goods and Services		1,884,000	1,884,000	-	-
Total by Object	**-**	**1,884,000**	**1,884,000**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**NF**	**Concession Credits and Other Adjustments**
Budget Period:	**2011-13**	
Budget Level:	**ML - Maintenance Level**	

Program X – Washington State Ferries Maintenance and Operations

Recommendation Summary

Expenditure authority is requested to reflect an accounting change in concession credits for galley and terminal vendors, and the media consulting company that distributes ferry schedules. In order to comply with the State Administrative and Accounting Manual (SAAM), which supports the principles of the Generally Accepted Accounting Principles (GAAP), the department is required to use the "modified accrual basis of accounting," meaning that expenditures and revenues are recorded in the same period in which they are incurred. Under this requirement, expenses for vendors and the ferry schedule distributor need to be offset by revenues generated from these activities in the period in which they occur. The net impact to the Puget Sound Ferries Operating Account (PSFOA) is zero.

Fiscal Detail

Revenues	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
109-1 PSFOA-State		150,000	150,000	-	-
Total by Fund	**-**	**150,000**	**150,000**	**-**	**-**

Expenditures	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
109-1 PSFOA-State	-	150,000	150,000	-	-
Total by Fund	**-**	**150,000**	**150,000**	**-**	**-**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

Expenditure authority is requested to reflect an accounting change in concession credits for galley and terminal vendors, and the media consulting company that distributes ferry schedules.

Currently, agreements between Washington State Ferries (WSF) and vessel and terminal concessionaires allow concessionaires to purchase equipment such as ovens and refrigerators. The value of the equipment purchases are applied as a reduction to fees owed to WSF for the use of space on vessels and terminals. The purchase amount is not recorded as an expenditure. Instead, the amounts recorded for WSF's operating costs and revenues are understated. Similarly, the media consulting agreement allows the amount WSF pays to the firm for the distribution of ferry schedules to be deducted from the portion of revenues from advertising owed to WSF. This practice understates WSF's operating costs and revenue.

Under section 80.20.50 of SAAM and GAAP, WSF is required to record the full operating cost of the ferry system and realize the full amount of any liabilities and revenues separately and in the same period they occur.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
The changes for payments related to galley equipment and the distribution of ferry schedules complies with 80.20.50 of the SAAM and GAAP and rules established by the Governmental Accounting Standards Board (GASB).

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
Yes. This package supports the department's goal to operate an efficient transportation system.

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods, and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. Ferry operations make a key contribution to Priorities of Government goals to improve economic vitality and the mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
The change for payments for galley equipment and distribution of ferry schedules is consistent with SAAM 80.20.50, GAAP, and rules established by GASB.

What alternatives were explored, and why was this alternative chosen?
N/A

What are the consequences of not funding this package?
If the department is not able purchase equipment on behalf of concessionaires, equipment failures could result in galley closures, impacting concession revenues (which currently generate approximately $900,000 per year).

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions

Galley and Terminal Vendors
Of the $150,000 requested for revenues and expenditures, $75,000 reflects the estimated amount of revenues and expenses that will occur in Fiscal Year (FY) 2013. The $75,000 is comprised as follows:

- $70,000 (value of galley equipment that will be purchased in FY 2013) which reflects the average purchases for FY 2007 - FY 2012.
- $5,000 (value of WSF's terminal advertising/concessions for FY 2013) which reflects the average value of advertising/concessions for FY 2007 - FY 2012.

The net impact to the PSFOA is zero. The increases in concession revenue will be reflected in "miscellaneous revenue" (Vessel Non-Fare Revenue and Other Non-Fare Revenue Terminal categories) as part of WSF's revenue forecast.

Ferry Schedule Distributor
The remaining $75,000 of the $150,000 requested for revenues and expenditures reflects the cost to distribute ferry schedules in FY 2013 (from the media consulting firm). The amount is based on the average cost for FY 2011 - FY 2012.

Because the cost increase will be offset by revenues, the net effect on the PSFOA is zero. The increases in advertising revenue will be reflected in the "miscellaneous revenue" (Other Non-Fare Revenue Terminal category) within WSF's revenue forecast.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
All costs and revenues are ongoing. See the department's 2013-15 Biennium budget request PL-XE.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
C - Personal Service Contracts	-	150,000	150,000	-	-
Total by Object	**-**	**150,000**	**150,000**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**NI**	**Adjustment for CSC Cost Allocation**
Budget Period:	**2011-13**	
Budget Level:	**ML – Maintenance Level**	

Program B – Toll Operations and Maintenance

Recommendation Summary

In the 2011-13 Biennium, the Washington State Department of Transportation (WSDOT) implemented a centralized tolling back office which provides greater efficiencies in delivering customer service, *Good to Go!*, and other shared services. The budget assumed proportional shares of the centralized costs for each toll facility based on estimated transactions. Actual transactions through September 2012 reflect a higher proportion of transactions for State Route (SR) 167 High Occupancy Toll (HOT) Lanes than originally assumed, while SR 520 has a lower proportion. An adjustment in funding is requested for SR 167 HOT Lanes and SR 520.

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
09F-1 SR 167 HOT Lanes - State	-	175,000	175,000	221,000	221,000
16J-1 SR 520 Bridge -State	-	(175,000)	(175,000)	(221,000)	(221,000)
Total by Fund	-	-	-	-	-
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	-	-	-	-	-

Package Description

In Fiscal Year (FY) 2012, WSDOT established a central back office and customer service center to collect tolls on SR 520, Tacoma Narrows Bridge (TNB), and the SR 167 HOT Lanes. Costs are shared between the three facilities based on a methodology that was developed in collaboration with the Office of Financial Management and legislative staff.

The 2011-13 Biennial Budget assumed proportional shares of the centralized costs for each toll facility based on estimated transactions, resulting in 65 percent supported from SR 520, 34 percent from TNB, and one percent from SR 167 HOT Lanes. However, the transaction totals through September 2012 have resulted in approximately three percent of the customer service center costs allocated to SR 167 and 63 percent to SR 520. As a result, expenditures for SR 167 HOT Lanes are approximately $9,200 per month greater than estimated, and expenditures for SR 520 are approximately $9,200 per month less than estimated.

WSDOT is requesting a net zero adjustment in appropriation authority for SR 167 HOT Lanes (Fund 09F) and SR 520 (Fund 16J) to reflect this cost shift. If funding is not adjusted, WSDOT may not have enough appropriation authority to administer tolling on SR 167 HOT Lanes.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
WSDOT can continue providing the current level of service and toll revenue collection on the SR167 HOT Lanes.

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
N/A

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. This request supports the Priorities of Government goal of encouraging economic development by improving statewide mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
N/A

What alternatives were explored, and why was this alternative chosen?
WSDOT could develop a stand-alone customer service facility for each corridor, but this would create duplicate functions that would be more costly. By developing a centralized back office/customer service center and allocating the costs to each facility, WSDOT is able to reduce costs through efficiencies.

What are the consequences of not funding this package?
If funding is not provided, the program would not have enough appropriation authority to administer tolling on the SR 167 HOT Lanes.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
Due to a delay in tolling on SR 520, the Electronic Transaction Consultant Corporation (ETCC) provided WSDOT with a lower customer service center rate through November 2011. Because of the lower rate, WSDOT was able to absorb the impact of having a higher percentage allocated to SR 167 through November 2011. This decision package requests an adjustment to the proportionate share of centralized costs from December 2011 through June 2013 (19 months).

In total, the current contract with ETCC for customer service is approximately $460,000 per month for FY 2012. Based on the allocation methodology developed for this cost (electronic transactions), approximately three percent would be allocated to SR 167 and 63 percent to SR 520. The result is a difference of two percent from what was assumed in the 2011-13 budget, or $175,000 over 19 months ($460,000 monthly contract x 2 percent x 19 months = $174,800).

The department is requesting an increase of $175,000 in appropriation authority from the SR 167 HOT Lanes account and a corresponding decrease to the appropriation authority for the SR 520 account.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
Costs are ongoing. However, this adjustment is already reflected in the department's 2013-15 Biennial Budget request.

Objects of Expenditure

Object of Expenditure	FY 2012	FY 2013	2011-13	2013-15	2015-17
E - Goods and Services	-	-	-	-	-
Total by Object	**-**	**-**	**-**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**NJ**	**RITE Software License**
Budget Period:	**2011-13**	
Budget Level:	**ML – Maintenance Level**	

Program B – Toll Operations and Maintenance

Recommendation Summary

As part of a settlement agreement[1] between the Washington State Department of Transportation (WSDOT) and its toll customer service contractor, Electronic Transaction Consultant Corporation (ETCC), WSDOT received a software license with an assessed value of $4 million. The government accounting treatment for this software asset requires the department to request additional appropriation authority. The department anticipates it has enough appropriation authority in the Tacoma Narrows Bridge (TNB) and State Route (SR) 520 program to account for the software license; therefore, this package is only requesting an increase in appropriation authority for SR 167 High Occupancy Toll (HOT) Lanes.

Fiscal Detail

Detail by Fund	FY 2012	FY 2013	2011-13	2013-15	2015-17
09F-1 SR 167 HOT Lanes - State	-	120,000	120,000	-	-
Total by Fund	**-**	**120,000**	**120,000**	**-**	**-**
	FY 2012	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

In June 2012, due to the delay of the commencement of tolling on SR 520, and the circumstances causing the delay, ETCC agreed to provide WSDOT with $2.4 million in revenues ($400,000 per year through Fiscal Year 2018), and a software license with an assessed value of $4 million.

Because the software license is considered an asset, WSDOT is required to make offsetting revenue and expenditure accounting entries. Although the net impact to the fund is zero, having expenditure entries requires additional appropriation authority. The department anticipates it has enough appropriation authority in the TNB and SR 520 program to absorb these expenditure entries; therefore, this package is only requesting an increase in appropriation authority for SR 167 HOT Lanes, in the amount of $120,000.

This package would provide WSDOT enough appropriation authority to continue to operate the SR 167 HOT Lanes in the 2011-13 Biennium.

[1] WSDOT Contract Number K397

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
WSDOT can continue providing the current level of service and toll revenue collection on the SR167 HOT Lanes.

Performance Measure Detail
N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
N/A

Does this decision package provide essential support to meet one of the Governor's priorities? If so, please describe.
Yes. This decision package supports the Governor's priority to have a strong, efficient, and seamless transportation system that supports economic vitality and the mobility of people, goods and services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process? If so, please describe.
Yes. This request supports the Priorities of Government goal of encouraging economic development by improving statewide mobility of people, goods, and services.

Identify important connections or impacts related to this proposal.
This proposal will allow the SR 167 HOT Lanes to recognize its share of asset from the acquisition of the software license from the settlement between WSDOT and ETCC.

What alternatives were explored, and why was this alternative chosen?
N/A

What are the consequences of not funding this package?
If funding is not provided, the program would not have enough appropriation to administer tolling on the SR 167 HOT Lanes.

What is the relationship, if any, to the state capital budget?
N/A

Determine which statutes, rules, or contracts might be impacted.
N/A

Expenditure Calculations and Assumptions
The software license was valued between $3.8 million and $4.3 million by a third party consultant, Dye Management Group, Inc. Based on the valuation provided by Dye Management

Group, Inc., $4 million was used as the value of the software license for the settlement agreement.

In Fiscal Year (FY) 2012, WSDOT established a central back office and customer service center to collect tolls on the SR 520 Bridge, TNB, and the SR 167 HOT Lanes. Costs are shared between the three facilities based on a methodology that was developed in collaboration with the Office of Financial Management and legislative staff. Based on the allocation methodology developed for this cost (electronic transactions), $1,332,000 (33.3 percent) was allocated to TNB, $120,000 (3 percent) was allocated to SR 167 HOT Lanes, and $2,548,000 (63.7 percent) was allocated to SR 520 for the software license.

This decision package is only requesting SR 167 HOT Lanes' portion of the software license, or $120,000. The department anticipates that it has sufficient appropriation authority for SR 520 and TNB for this expenditure in the 2011-13 Biennium.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
All costs are one-time.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2012**	**FY 2013**	**2011-13**	**2013-15**	**2015-17**
J - Capital Outlay	-	120,000	120,000	-	-
Total by Object	**-**	**120,000**	**120,000**	**-**	**-**