

WSDOT Ferries Division 2011 Tariff Proposal

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Presentation Overview

- Tariff 2011 Proposal Development and Roles of Key Participants
- 2011-13 Budget and Fare Revenue Target
- Overview of WSF Tariff Proposal:
 - Implement a 3.0% General Fare Increase.
 - Begin restructure of vehicle category pricing including reorganization of categories under 30 feet.
 - Eliminate the annual bicycle pass and exempt customers with frequent user products from the bicycles surcharge.
 - Implement a formula-driven fuel surcharge mechanism.
 - Implement the legislatively-directed 25-cent per ticket capital surcharge.
- Next Steps
- Public Outreach

Tariff 2011 Process and Roles

- The following entities were involved in the development of the 2011 Tariff Proposal:
 - **WSDOT Ferries Division.** WSF is responsible for conducting a review of the tariff and developing a fare proposal to submit to the WSTC.
 - **FAC-T.** The FAC-T is an advisory group, comprised of FAC Executive Council members or their designees, and transit and freight representatives, that provides advice, input, and feedback to WSF and WSTC on fare policy options during the development of the Department's proposal. The FAC-T met 7 times during this process.
 - **WSTC.** The WSTC is responsible for adopting fares through rulemaking, and will have final say in what fares are implemented. They will conduct public outreach, and adopt final rule changes at a public hearing.

Tariff 2011 Process & Schedule

- The 2011 Tariff Cycle includes the following major milestones:
 - **January 6th.** FAC-T holds first meeting.
 - **May 17th.** Preliminary presentation of tariff issues to WSTC.
 - **May 20th.** FAC-T meeting to discuss the fuel surcharge in detail.
 - **Early June.** WSF public meetings, including discussion of possible tariff items.
 - **June 16th.** Final FAC-T meeting to review preliminary Department fare proposal.
 - **June 16th.** Forecast Council adopts June revenue forecast
 - **June 29th.** Presentation of Department proposal to WSTC.
 - **Late July/Early August.** Commission outreach on fare proposal.
 - **Last week of August.** WSTC public hearing on fare proposal.
 - **October 1, 2011.** New fares take effect.

2011-13 Budget & Legislative Direction

- WSF operating budget maintained existing service levels throughout the system.
- Fuel budget of \$135 million is the highest in WSF history.
- State tax support for operations continued at 2009-11 level of \$148 million, which includes \$89.5 million in transfers from other transportation accounts.
- Budget was balanced through non-fuel cost savings of approximately \$17 million and higher expected fare revenues.
- Total fare revenue target is \$310 million, a 5.6% increase over the 2009-11 revenues.
- At this funding level current service can be maintained.
- Statutory direction to impose a 25-cent per ticket capital surcharge for vessel replacement.

2011-13 Budget Fare Revenue Target

- RCW 47.60.290 requires WSF to develop fare and pricing proposals that must:
 - “(d) Generate the amount of revenue required by the biennial transportation budget”
- The \$310 million target was established based on March ridership forecast and assumed 2.5% fare increases in 2011 and 2012.
- In the June forecast ridership projections were revised downward as the economy continues to struggle.
- As a result of lower forecasts, 2.5% fare increases are now expected to generate \$306 million, or approximately \$4 million less than the target.
- Challenge for WSF and the WSTC is to address the impact of June forecast, while recognizing that there is some expectation of 2.5% given the underlying budget assumption.

General Fare Increase

- Implement a 3.0% general fare increase on October 1, 2011.
- Implementing a 3.0% increase instead of a 2.5% increase will raise an additional \$1.1 M over the biennium, which will partially mitigate the impact of the lower ridership growth expectations – other options with lower fare increases could trigger service reductions.
- This is a step toward meeting the revenue target that tries to balance the lower forecast numbers with recent experience suggesting actual revenues coming in stronger:
 - March through May 2011, fare revenues have exceeded the March forecast by \$407,000.
- Given uncertainty, WSF will continue to closely monitor actual revenues over the next several months
- Meeting the \$310 million target using the June ridership forecasts would suggest a 4.2% increase in 2011 and again in 2012.
- Impacts to individual fare categories will vary based on rounding and other policy considerations

Changes to Vehicle Categories

The Long-Range Plan introduced the concept of using pricing as a way to encourage customers to travel on WSF in smaller vehicles, effectively growing deck space and delaying or reducing the need for capital investments. Toward this end, WSF proposes:

Restructure categories under 30-feet. A new configuration has been developed that can be supported with existing systems. The changes will be phased in over three years, but the eventual goal is:

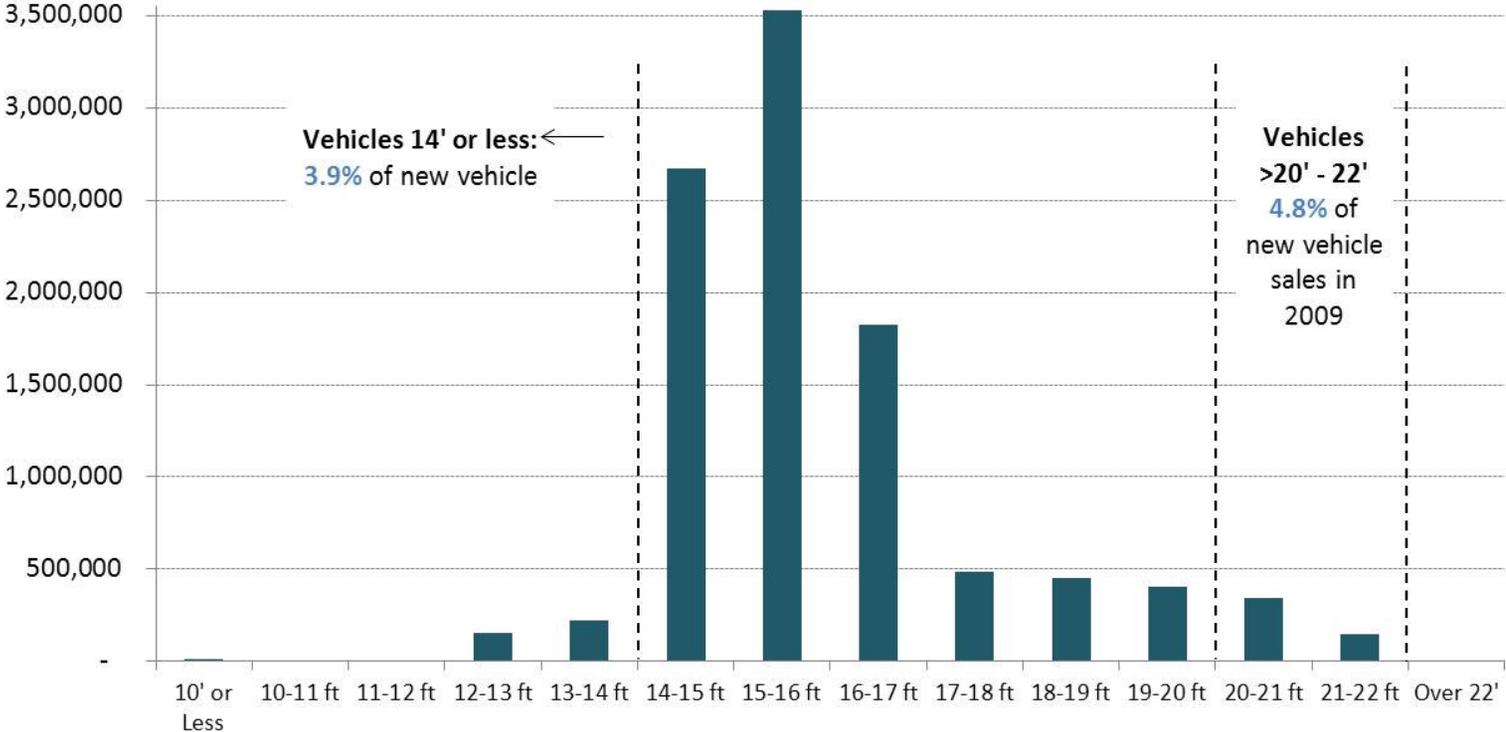
- **Standard 2-wheeled motorcycles.** Same as current definition.
- **New small vehicle category.** New category for all vehicles under 14-feet in length (except standard motorcycles) to be priced ultimately at 70% of standard car.
- **14 to 22-foot vehicles.** Extends standard vehicle to 22-feet, to capture virtually all passenger and light truck vehicles.
- **22 to 30-foot vehicles.** Upper bound is the same as current definition.

Change pricing on all vehicle categories. Fares would continue to be in proportion to volume of space used on the car deck, however per foot costs would increase slightly as vehicles got longer

Rationale for New Category Definitions

- **New small vehicle category.** Cutoff placed at 14-feet in length based on an evaluation of recent U.S. fleet sales data and extensive conversations with terminal operations.
- **14 to 22-foot vehicles.** Extending the standard vehicle to 22-feet will significantly improve transaction efficiency at the tollbooth.

2009 Sales of Passenger Vehicles and Light Trucks



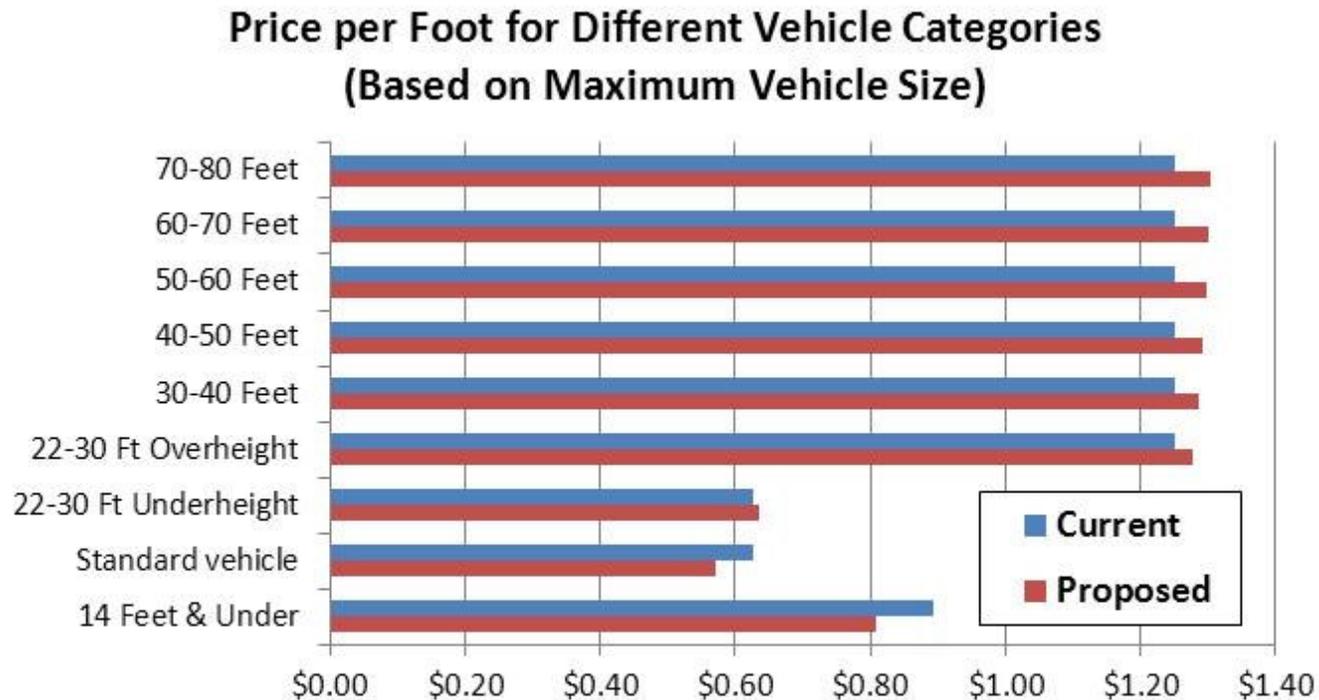
Changes to Vehicle Categories (cont'd)

Phase Implementation Over Three Years. Since creating a new, lower fare category for small vehicles results in lost revenue to WSF, fares in other vehicle categories will need to be increased slightly to make up the difference. In 2011, the first year of phasing, fare impacts would be as follows:

- Price the 14 Feet and Under category at 90% of the standard vehicle category (goal will be to eventually reach 70% of standard vehicle).
- The standard vehicle category would increase by one nickel on central sound fares with other routes adjusted based on relationship to central sound.
- Remaining lost revenue would be spread across oversize vehicle categories along a curve, with higher increases for longer vehicles.
- The motorcycle oversize charge, which applies to all three-wheeled or larger vehicles licensed as motorcycles, would be increased to begin growing this fare category toward the new 14-foot and Under category. At the end of phasing, this fare would be eliminated and these vehicles would pay the 14-foot and Under fare.

Proposed Change in Pricing Policy

- To encourage shifts into marginally smaller vehicles throughout the vehicle categories, price per foot would be increased as vehicles get longer
- Compared to current pricing policies, this would shift the revenue burden slightly toward larger vehicles



Bicycle Surcharge and Permit Fees

The bicycle per-trip surcharge is paid in addition to the passenger fare. The annual bicycle permit costs \$20 and exempts passengers from the per-trip surcharge on all routes except those serving the San Juan Islands. In addition, there is an opportunity to reduce staffing costs at Colman Dock by adding a new bicycle commuter gate.

WSF Proposal

To take advantage of the new commuter gate at Colman Dock, WSF will:

- Eliminate the annual bicycle permit
- Allow passengers paying with monthly passes, multi-ride media, and ORCA ePurse to bring bicycles without charge.
 - On the San Juan Islands routes, only customers paying with a multi-ride product would be exempt from the surcharge.

Fuel Surcharge Mechanism

In the 2011 Fuel Cost Mitigation Plan, the Department developed a fuel cost mitigation strategy that consists of (1) fixed price hedging, (2) improved fuel budgeting and forecasting, (3) fuel conservation, and (4) a fuel surcharge.

WSF Proposal

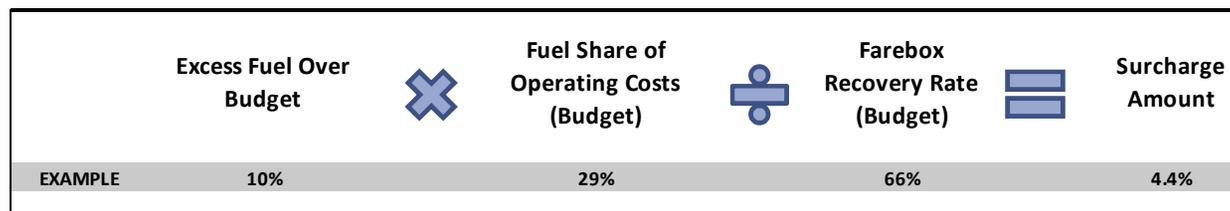
- Implement a system-wide, formula-based fuel surcharge during times when fuel costs are higher than those funded in the budget. Key policies governing the fuel surcharge are:
 - **Minimum surcharge amount:** 2.5%
 - **Maximum surcharge amount:** 10.0%
 - **Fixed Thresholds:** Implement surcharge in fixed increments of 2.5%, 5.0%, 7.5%, or 10.0%.
- Cost increases due to higher than budgeted fuel consumption or share of biodiesel will be exempt from fuel surcharge calculations.

How Would Fuel Surcharge Work?

- The fuel surcharge would be automatically triggered if actual costs exceed budgeted costs.
- The need for a fuel surcharge will be reviewed quarterly and if triggered, customers would be notified 30 days before any fare change.
- The surcharge will need to be at least 2.5% to be implemented (which would happen if actual costs exceed budgeted costs by 6%).
- The surcharge would be applied as a fixed percent to all fares and rounded to nearest nickel and shown separately on receipts.
- Actual costs (after accounting for hedging) must exceed budget costs – any under budget savings will be put toward any later rises in costs before a surcharge is triggered.
- The surcharge mechanism would be reset to zero as part of the budgeting process.

Fuel Surcharge Implications

Formula for calculating surcharge amount:



Surcharge for different fuel prices using current central sound fares:

\$3.86 Budgeted fuel price per gallon

Actual Price of Fuel	Pct over Fuel Budget	Calculated Surcharge	Surcharge Amount	Car & Driver Surcharge	Total Car & Driver FF	Passenger Surcharge	Total Passenger FF	Notes
\$3.86	0.0%	0.0%	0.0%		\$15.20		\$7.10	<i>Current fare & budget price of fuel</i>
\$4.05	5.0%	2.2%	0.0%	\$0.00	\$15.20	\$0.00	\$7.10	<i>No surcharge</i>
\$4.08	5.7%	2.5%	2.5%	\$0.40	\$15.60	\$0.20	\$7.30	Minimum threshold of 2.5% met
\$4.15	7.5%	3.3%	2.5%	\$0.40	\$15.60	\$0.20	\$7.30	
\$4.25	10.0%	4.4%	2.5%	\$0.40	\$15.60	\$0.20	\$7.30	
\$4.34	12.5%	5.5%	5.0%	\$0.75	\$15.95	\$0.35	\$7.45	Increased to 5% level
\$4.40	14.0%	6.2%	5.0%	\$0.75	\$15.95	\$0.35	\$7.45	
\$4.46	15.5%	6.8%	5.0%	\$0.75	\$15.95	\$0.35	\$7.45	
\$4.52	17.0%	7.5%	7.5%	\$1.15	\$16.35	\$0.55	\$7.65	Increased to 7.5% level
\$4.59	19.0%	8.3%	7.5%	\$1.15	\$16.35	\$0.55	\$7.65	
\$4.69	21.5%	9.4%	7.5%	\$1.15	\$16.35	\$0.55	\$7.65	
\$4.79	24.0%	10.5%	10.0%	\$1.50	\$16.70	\$0.70	\$7.80	Capped at 10% limit

Notes: Table is for illustrative purposes only and is based on **current fares**. Actual surcharge impacts would depend on final adopted rules
 Fares are rounded to the nearest nickel after applying the surcharge amount
 The surcharge amount would be shown separately on receipt
 Actual price of fuel is the overall average price including gallons purchased using fixed price contracts and gallons purchased at spot prices

Capital Surcharge

Senate Bill 5742 states that WSF shall impose a vessel replacement surcharge of \$0.25 on every ferry fare system-wide to be put in the newly created Capital Vessel Replacement Account. This account could only be spent on the construction or purchase of ferry vessels.

WSF Proposal

- Impose a \$0.25 surcharge on each ferry fare system-wide (one-way or round-trip).
- Adjust multi-ride and monthly pass products to reflect total per-ticket price.

Timeline and Next Steps

- CR102 filing no later than July 20
- Commission outreach – Late July/early August
- Public hearing – August 23-30
- CR103 filing no later than August 31
- Implementation of new fares – October 1

Public Outreach

- Based on discussions with WSTC, the following meeting locations are recommended for the WSTC outreach on its fare policy proposal.

San Juan Interisland boat	Friday Harbor, San Juan Islands
Whidbey Island (Coupeville)	Vashon Island
Bainbridge Island	Bremerton
Port Orchard	Seattle (Final Hearing)

- The two meetings in the San Juan Islands will be handled on the same day/trip, with an overnight in Friday Harbor.
- Goal would be to have several commissioners at each meeting.
- The final hearing needs to be held sometime between August 23 – 30.

Questions?

For more information, please contact:

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