Agency:	**405**	**Department of Transportation**
Decision Package Title/Code:	**8F**	**Fuel Rate Adjustment**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Programs
- **B – Toll Operations and Maintenance**
- **C – Information Technology**
- **D – Facilities – Operating**
- **E – Transportation Equipment Fund**
- **F – Aviation**
- **H – Program Delivery Management & Support**
- **M – Highway Maintenance & Operations**
- **Q – Traffic Operations – Operating**
- **T – Transportation Planning, Data, & Research**
- **V – Public Transportation**
- **Y – Rail – Operating**
- **X – Ferries – Operating**
- **Z – Local Programs – Operating**

Recommendation Summary

Various department programs use fuel purchased through the Transportation Equipment Fund (TEF) for motor vehicles and equipment. The September 2014 Fuel Price Forecast projects higher fuel costs in the remainder of the 2013-15 biennium. Additional appropriation authority of $645,000 is requested for programs that use fuel to cover the associated increase in TEF equipment rental rates. An increase in the agency's non-appropriated TEF spending authority of $1,652,000 is also requested for the TEF program's increased expenditures for fuel for the department and for fuel sold to other agencies. A separate decision package has been submitted to cover the 2015-17 biennium and beyond.

Fiscal Detail

Detail by Fund	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
039-1 Aviation-State	-	1,000	1,000	-	-
09F-1 HOT Lanes	-	2,000	2,000	-	-
108-1 MVA-State	-	628,000	628,000	-	-
109-1 Puget Sound Ferry	-	12,000	12,000	-	-
218-1 Multimodal-State	-	2,000	2,000	-	-
Total Appropriated Fund	**-**	**645,000**	**645,000**	**-**	**-**
410-6 Non-appropriated	-	1,652,000	1,652,000	-	-
	FY 2014	**FY 2015**	**2015-17**	**2017-19**	**2019-21**
Staffing FTEs	0.0	0.0	0.0	0.0	0.0

Detail by Fund and Program

Fund 039-1	FY 2014	FY 2015	2013-15	2015-17	2017-19
Pgm. F-Aviation	-	1,000	1,000	-	-

Fund 09F-1 HOT Lanes	FY 2014	FY 2015	2013-15	2015-17	2017-19
Pgm. B-Toll Operations & Maintenance	-	2,000	2,000	-	-

Fund 108-1 MVA-State	FY 2014	FY 2015	2013-15	2015-17	2017-19
Pgm. C-Information Technology	-	2,000	2,000	-	-
Pgm. D-Facilities Operations	-	10,000	10,000	-	-
Pgm. H-Program Delivery, Management	-	9,000	9,000	-	-
Pgm. M-Highway Maintenance	-	564,000	564,000	-	-
Pgm. Q-Traffic Operations	-	36,000	36,000	-	-
Pgm. T-Transportation Planning, Data	-	5,000	5,000	-	-
Pgm. Z-Local Programs	-	2,000	2,000	-	-
Subtotal Fund 108-1	-	628,000	628,000	-	-

Fund 109-1 Puget Sound Ferry	FY 2014	FY 2015	2013-15	2015-17	2017-19
Pgm. X-Ferries-Operating	-	12,000	12,000	-	-

Fund 218-1 Multi-Modal	FY 2014	FY 2015	2013-15	2015-17	2017-19
Pgm. V-Public Transportation	-	1,000	1,000	-	-
Pgm. Y-Rail-Operating	-	1,000	1,000	-	-
Subtotal Fund 218-1	-	2,000	2,000	-	-

Package Description

TEF is responsible for the acquisition and operating costs of about 6,500 vehicles and equipment of all types. Department programs use this equipment to operate and maintain the highway system and to support department activities. In the 2013-15 biennium, programs will use approximately 7.2 million gallons of gas and diesel fuel and TEF will sell approximately 6.8 million additional gallons to other agencies, with expected increases in the price per-gallon.

As a non-appropriated, proprietary, internal service fund, TEF charges rent for the use of equipment. The rental rates paid by department programs include fuel costs. These rental rates will increase in 2013-15 to cover the higher per-gallon prices. The increase of $645,000 would adjust operating programs' appropriations to cover the TEF equipment rental-rate increases. The impact of increased TEF rental rates for the capital programs are absorbed within capital projects. The increase in the TEF non-appropriated spending authority of $1,652,000 will allow the original fuel purchases to be made at the higher price, and cover the increase for purchasing fuel that is sold to other agencies.

This decision package addresses only the 2013-15 biennium, as a separate request has been submitted with the 2015-17 agency-request budget for 2015-17 and beyond.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
Providing funding for increasing fuel costs supports the department's performance, especially in the area of state highway maintenance and operations.

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 is essential to the Results WSDOT Goal 1: Strategic investments. The primary beneficiary of the additional spending authority is the Highway Maintenance and Operations Program. Priority outcomes within Goal 1 include effective management of assets on strategic corridors, as well as preservation and maintenance investments.

Does this decision package provide essential support to meet one or more of the Governor's Results Washington priorities? If so, please describe.
Yes. Funding for fuel supports the Governor's Results Washington priority, Goal 2: Prosperous economy, by supporting the maintenance and operations of the state highway system and contributing to a sustainable and efficient transportation infrastructure.

What are the other important connections or impacts related to this proposal?
Vehicles and equipment used by the department are essential to meeting agency responsibilities. The desired outcome is to allow the department to provide necessary services such as snow and ice removal, highway maintenance, and other activities in order to operate and maintain the state transportation system.

What alternatives were explored, and why was this alternative chosen?
The department has instituted the following fuel conservation measures:

1) A "no idle" policy that requires vehicle operators to turn off engines prior to leaving vehicles;
2) Using energy-efficient light-emitting diode (LED) lighting on equipment when possible;
3) Teaching driving techniques that conserve fuel;
4) Keeping equipment operating at peak efficiency; and
5) Purchasing new equipment and updating existing equipment with fuel-saving technology when possible.

TEF vehicles and equipment are essential to accomplishing the department's mission of operating and maintaining the state's highways. There are no cost-effective substitutes for the use of this equipment. As a result, there are minimal opportunities to economize on the use of fuel without reducing activities supported by the equipment. The alternative of requesting additional appropriation authority was chosen in order to maintain current levels of service.

What are the consequences of adopting or not adopting this package?
If adopted, TEF would not need to reduce base expenditures needed for replacing worn-out equipment on schedule, and department programs would not have to reduce their services to cover higher rental rates due to fuel costs.

Currently, the TEF program has a $39 million equipment replacement backlog. Increasing this backlog would affect the capability of the department to perform its mission. Additionally, long-term costs are higher when equipment replacement and repair is deferred.

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

Expenditure Calculations and Assumptions
Department fuel costs are included in TEF rental rates. The forecasted rental increase, by program, is shown in the following table. Capital programs I, P, and W are assumed to absorb the increase in fuel costs into the cost of capital projects.

2013-15 Change in TEF Equipment Rental Due to Fuel Based on the September 2014 Forecast				
Pgm.	**Description**	**Forecast Change in Equipment Rental**	**Adjustment for Capital Programs Absorbing Change in Fuel Cost**	**Change in Funding Needed**
B	Toll Oper.& Maint.	$2,000		$2,000
C	Info. Tech.	2,000		2,000
D	Facilities	10,000		10,000
F	Aviation	1,000		1,000
H	Pgm Delivery	9,000		9,000
I	Improvements	17,000	(17,000)	0
M	Highway Maint & Oper.	564,000		564,000
P	Preservation	148,000	(148,000)	0
Q	Traffic Operations	36,000		36,000
S	Trans. Mgmnt.	0		0
T	Planning, Data, Rsrch.	5,000		5,000
V	Public Transportation	1,000		1,000
W	Ferries Construction	2,000	(2,000)	0
X	Ferries Operations	12,000		12,000
Y	Rail Programs	1,000		1,000
Z	Local Programs	2,000		2,000
	Subtotal WSDOT	$812,000	($167,000)	**$645,000**
	Other Agencies	$840,000		
	Total Program E	**$1,652,000**		

This request is based on the September 2014 Fuel Price Forecast of the Transportation Revenue Forecast Council. The calculations also take into account actual consumption and prices through August 2014, in addition to a forecast of fuel consumption for September 2014 forward, based on the prior two-year average for each forecasted month.

The decision package covers fiscal year 2015 only, as a separate decision package has been submitted for projected fuel costs for the six-year period beginning 2015-17. The department will provide updates to the Office of Financial Management and legislative Transportation Committees with the upcoming November 2014 and March 2015 Fuel Price Forecasts.

The following table shows the assumptions for average prices, consumption by gallons and type of fuel and the budget for 2013-15 compared to the September 2014 forecast.

TEF 2013-15 Estimated Expenditures for Fuel

Current 2013-15 Budget Based on February 2014 Forecast

	WSDOT			Other Agencies			Total Program E		
	FY 14	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**
Gasoline									
Gallons	1,276,360	1,287,061	2,563,421	3,092,219	3,072,395	6,164,614	4,368,579	4,359,456	8,728,035
Price Per Gallon	$3.3423	$3.3441	$3.3432	$3.2811	$3.3436	$3.3123	$3.3423	$3.3441	$3.3214
Total Unleaded	$4,266,000	$4,304,000	$8,570,000	$10,146,000	$10,273,000	$20,419,000	$14,412,000	$14,577,000	$28,989,000
Diesel									
Gallons	2,230,054	2,267,152	4,497,206	337,932	354,066	691,998	2,567,986	2,621,218	5,189,204
Price Per Gallon	$3.8887	$3.9406	$3.9149	$3.8972	$3.9399	$3.9191	$3.8887	$3.9406	$3.9154
Total Straight Diesel	$8,672,000	$8,934,000	$17,606,000	$1,317,000	$1,395,000	$2,712,000	$9,989,000	$10,329,000	$20,318,000
Total Gas & Diesel									
Gallons	3,506,414	3,554,213	7,060,627	3,430,152	3,426,461	6,856,613	6,936,565	6,980,674	13,917,239
Dollars	$12,938,000	$13,238,000	$26,176,000	$11,463,000	$11,668,000	$23,131,000	$24,401,000	$24,906,000	$49,307,000

Forecast for 2013-15 Based on September 2014 Fuel Forecast

	WSDOT			Other Agencies			Total Program E		
	FY 14	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**
Gasoline									
Gallons	1,281,028	1,286,578	2,567,606	3,119,209	3,096,953	6,216,162	4,400,236	4,383,531	8,783,768
Price Per Gallon	$3.2997	$3.6306	$3.4655	$3.2463	$3.6323	$3.4386	$3.2997	$3.6306	$3.4465
Total Unleaded	$4,227,000	$4,671,000	$8,898,000	$10,126,000	$11,249,000	$21,375,000	$14,353,000	$15,920,000	$30,273,000
Diesel									
Gallons	2,390,390	2,273,308	4,663,698	324,551	343,333	667,884	2,714,941	2,616,642	5,331,582
Price Per Gallon	$3.7458	$4.0184	$3.8787	$3.7529	$4.0136	$3.8869	$3.7458	$4.0184	$3.8797
Total Diesel	$8,954,000	$9,135,000	$18,089,000	$1,218,000	$1,378,000	$2,596,000	$10,172,000	$10,513,000	$20,685,000
Total Gas & Diesel									
Gallons	3,671,418	3,559,886	7,231,304	3,443,759	3,440,286	6,884,046	7,115,177	7,000,173	14,115,350
Dollars	$13,181,000	$13,806,000	$26,987,000	$11,344,000	$12,627,000	$23,971,000	$24,525,000	$26,433,000	$50,958,000

Change From Current Budget to September 2014 Fuel Forecast

	WSDOT			Other Agencies			Total Program E		
	FY 14	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**	**FY 14**	**FY 15**	**Biennium**
Gasoline									
Gallons	4,668	(483)	4,185	26,989	24,558	51,547	31,657	24,075	55,732
Price Per Gallon	($0.0426)	$0.2865	$0.1223	($0.0348)	$0.2886	$0.1263	($0.0426)	$0.2865	$0.1251
Total Unleaded	($39,000)	$367,000	$328,000	($20,000)	$976,000	$956,000	($59,000)	$1,343,000	$1,284,000
Diesel									
Gallons	160,337	6,156	166,493	(13,381)	(10,733)	(24,114)	146,955	(4,577)	142,379
Price Per Gallon	($0.1429)	$0.0777	($0.0362)	($0.1444)	$0.0736	($0.0322)	($0.1429)	$0.0777	($0.0357)
Total Diesel	$282,000	$202,000	$484,000	($99,000)	($17,000)	($116,000)	$183,000	$184,000	$368,000
Total Gas & Diesel									
Gallons	165,005	5,673	170,678	13,608	13,825	27,433	178,612	19,499	198,111
Dollars	$243,000	$569,000	$812,000	($119,000)	$959,000	$840,000	$124,000	$1,527,000	$1,652,000

Delineate which costs or savings are one-time versus ongoing? What are the budget impacts in future biennia?

Fuel cost increases are expected to be ongoing. However, this decision package addresses only the 2013-15 biennium, as a separate request has been made for 2015-17, 2017-19, and 2019-21 biennia in the 2015-17 agency-request budget.

Objects of Expenditure

Object of Expenditure Detail - Program E, Non-appropriated Funds					
Object of Expenditure	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
E - Goods and Services	-	812,000	812,000	-	-
F - Cost of Goods Sold	-	840,000	840,000	-	-
Total by Object	**-**	**1,652,000**	**1,652,000**	**-**	**-**

Object of Expenditure Detail - Department Programs, Appropriated Funds					
Object of Expenditure	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
E - Goods and Services	-	645,000	645,000	-	-
Total by Object	**-**	**645,000**	**645,000**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**BN**	**Toll Adjudication Cost Increases**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Program B – Toll Operations and Maintenance

Recommendation Summary

In 2010, the Legislature passed Chapter 249, Laws of 2010 (ESSB 6499) which created an adjudication program for toll enforcement. Since inception of the program, WSDOT has collected $16.7 million in previously unpaid tolls and fees. During that same time, the program's expenses have totaled approximately $6.4 million. Changes to the program have resulted in an increase in the number of customers who request administrative hearings. Funding is requested to manage forecasted growth in the adjudication program for the Tacoma Narrows Bridge (TNB) and the State Route (SR) 520 Bridge. The department estimates a need for an additional $1.4 million in expenditure authority in the current biennium.

Fiscal Detail

Detail by Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
17P-1 SR 520 Civil Pen-State	-	135,000	135,000	1,295,000	647,000
511-1 TNB Account-State	-	1,291,000	1,291,000	1,500,000	1,266,000
Total by Fund	**-**	**1,426,000**	**1,426,000**	**2,795,000**	**1,913,000**

Package Description

WSDOT's adjudication (Civil Penalty) program has collected $16.7 million in previously unpaid tolls and fees while incurring $6.4 million in expenses.

Statutory changes made in the 2013 Legislative Session gave an administrative law judge the authority to reduce the civil penalty fees for customers requesting hearings who can demonstrate specific mitigating factors (RCW 46.63.160). The new process was implemented in July 2013. Since this change was implemented, WSDOT has experienced an almost two-fold increase in the number of administrative hearings (both written and in-person) requested by customers with unpaid toll bills.

Additionally, in September 2013, the State Court of Appeals ruled that WSDOT must offer a "re-review" (or appeal) to those petitioners who felt that the finding of liability against them was in error. WSDOT is finalizing the details of this re-review process and intends to offer it to all eligible petitioners effective October 1, 2014. WSDOT estimates that this new process will add approximately 14,000 additional hearings per year; a 48 percent increase. The high estimate of re-review requests is due to the rules for requesting a re-review only require a petitioner to request a hearing without having to file any paper work or pay any filing or court fees.

The expenditures for the adjudication program on the TNB exceeded the total 2013-15 expenditure authority in June. During the first 14 months of the 2013-15 biennium, TNB adjudication costs have averaged $89,000 per month. This trend is expected to continue until January 2015 when the new adjudication review process is planned to begin. For the final six months of the biennia, monthly TNB adjudication expenses are expected to increase to $122,000. For the 2015-17 biennium, monthly TNB adjudication expenditures are projected to stabilize at $111,000. The increase expenditure projected for the final six months of fiscal year 2015 are related to the need to apply extra resources to work through the backlog of eligible cases, which has accumulated since October 2013.

Due to these two changes and in alignment with current experience, WSDOT is requesting an additional $1.4 million for increased adjudication costs--$1.3 million for the TNB and $135,000 for the SR 520 Bridge. Projections indicate 2013-15 revenue collections for both TNB and SR 520 Bridge will exceed expenditures.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
Increased funding for adjudication is necessary to allow the department to efficiently and effectively manage the adjudication process as WSDOT anticipates that monthly hearings will increase to 3,500 per month from the current level of 2,600 per month. WSDOT must have additional resources to handle the increased adjudication workload and meet the statutory timelines for providing hearing results to petitioners. The expected impact on internal and external stakeholders by funding this request is expected to be positive and will demonstrate to the traveling public that WSDOT is fair and consistent in the administration of its civil penalty program.

Performance Measure Detail
The goal going forward will be for the adjudication program to handle an estimated 3,500 hearings per month. With this request, WSDOT expects to stay current with requested hearings (adjudicate hearings within 30 days of request). In addition, WSDOT estimates that the adjudication program revenue will continue to exceed expenditures.

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.
This request funds an increase in costs for the adjudication process in support of the toll collection operations of the TNB and SR 520 Bridge. Tolls are part of the WSDOT strategic direction and integrated in the following ways:

- <u>Goal 1: Strategic investments</u>
  Tolls provide a consistent revenue stream to increase efficiency on existing roadways and provide funding to maintain related infrastructure.
- <u>Goal 2: Modal integration</u>
  Tolling provides incentive for increased use of alternative modes (train, light rail, bus, and bike) by introducing a user cost to the roadway. Tolling also promotes safety through reduced congestion and more predictable driving conditions.

- <u>Goal 3: Environmental stewardship</u>
  Varying toll levels help drivers prioritize their trips and reduce peak congestion. Reduced congestion and smoother flowing traffic maintains better air quality, fuel economy, and reduced carbon consumption and emissions.
- <u>Goal 6: Smart technology</u>
  Use of electronic tolling through use of transponders and license plate imaging allows travelers to continue roadway speeds and maintains traffic flow without requiring additional real estate for tollbooths or creating delays on the roadways.

Tolling is specifically called out in WSDOT's strategic Reform No. 10, where the program is directed to "Streamline tolling operations, costs, and efficiencies."

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.
Yes, this request supports the Governor's Results Washington priority, Goal 1: Prosperous economy, Goal 2: Sustainable energy and a clean environment, and Goal 5: Efficient, effective, and accountable government.

What are the other important connections or impacts related to this proposal?
The requested funding will allow the department to fully comply with the legislative requirements of the program and respond to customers in a timely manner. With that, WSDOT's ability to cover its adjudication costs with civil penalty fees collected is an important topic to multiple stakeholder groups.

What alternatives were explored, and why was this alternative chosen?
The changes to the program are required to comply with adjudication legislation and a superior court decision. The department has reviewed the requirements of the legislation and working with the Attorney General's Office, internal stakeholders, and its vendors has concluded that an increase in the adjudication funding is the most cost effective solution given current resources.

What are the consequences of adopting or not adopting this package?
If this package is not adopted, WSDOT will not be able to meet the legislative requirements of adjudication fully. For example, WSDOT must respond to hearing participants within 30 days of their hearing. Current resources will fall behind in this requirement as the program continues to grow.

The current funding levels will not support any changes and/or future growth of the program. If WSDOT cannot meet its legislative requirements, toll enforcement will be put in jeopardy and WSDOT will lose the revenue protection and customer equity benefits it provides. As customers realize that others are not paying their tolls without consequences, they may stop paying as well. WSDOT will not have many options for forcing payment.

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

Determine which statutes, rules, or contracts might be impacted.
For adjudication, compliance with statutes related to civil penalty mitigation (RCW 46.63.160) and an administrative hearing re-review (RCW 34.05.488 – 34.05.491) would be adversely affected if funding for this package were not approved.

Expenditure calculations and assumptions.

Object E
The increased costs estimates are based on the higher than expected number of hearings seen as a result of the new mitigation process, an adjusted estimate of future shared costs splits between the toll facilities, as well as updated assumptions of the number of additional hearings, which will result from the legislatively mandated re-review program.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
All of the adjudication costs detailed below are ongoing costs and the department has submitted a coordinating request in the 2015-17 biennial budget.

Objects of Expenditure

Object of Expenditure	FY 2014	FY 2015	2013-15	2015-17	2017-19
A - Salaries and Wages				(349,000)	(342,000)
B - Benefits				(140,000)	(137,000)
C - Personal Service Contracts					
E - Goods and Services		1,426,000	1,426,000	3,284,000	2,392,000
G - Travel					
J - Capital Outlay					
Total by Object		**1,426,000**	**1,426,000**	**2,795,000**	**1,913,000**

Salary and FTE Detail

	FTEs		Dollars	
List Positions by Classification	**2015-17**	**2017-19**	**2015-17**	**2017-19**
Transportation Specialist 5 (TPS5)	(0.1)	(0.1)	(10,410)	(10,410)
Washington Management Service 2 (WMS2)	(0.1)	(0.1)	(13,221)	(13,265)
Graphic Designer Senior (GD SR)	(0.1)	(0.1)	(12,534)	(10,534)
Communications Consultant 3 (CC3)	(0.1)	(0.1)	(13,914)	(14,000)
Communications Consultant 4 (CC4)	(0.1)	(0.1)	(19,900)	(26,986)
Communications Consultant 5 (CC5)	(0.1)	(0.1)	(17,652)	(16,000)
Customer Service Manager (CSM)	(0.2)	(0.2)	(28,100)	(28,800)
Customer Service Specialist 3 (CSS3)	(0.0)	(0.0)	(13,422)	(10,422)
Customer Service Specialist 2 (CSS2)	(2.3)	(2.3)	(212,798)	(211,422)
Total	(3.0)	(3.0)	(342,000)	(342,000)

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**MD**	**Known Third Party Damages**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Program **M – Highway Maintenance and Operations**

Recommendation Summary

When damage to department property is caused by a third party, and that individual has been identified, the department pursues collection of reimbursement from the known party for the cost of the repair.

The current 2013-15 budget for making such repairs is $8.5 million. However, it is anticipated that the total costs in this category will exceed the budgeted amount by $1.4 million. Because the repair costs are recovered, additional revenue will offset the additional spending. An appropriation increase is requested to repair damages by known third parties and for the costs to collect associated reimbursements.

Fiscal Detail

Detail by Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
108-1 MVA-State	-	1,440,000	1,440,000	-	-
Total by Fund	**-**	**1,440,000**	**1,440,000**	**-**	**-**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Revenue Detail

Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
108 MVA	-	1,440,000	1,440,000	-	-
Total	-	1,440,000	1,440,000	-	-

Package Description

When damage to department property occurs, a repair cost estimate is prepared and, if the damaging party is known (that is, there is a collision report, damage memo, or a department employee on scene who can verify the responsible party), department staff diligently pursue reimbursement for the repair from the identified third party. The repairs are made by the Highway Maintenance and Operations Program (Program M), except in the case of extraordinary damage, such as when a bridge is hit by an over-height vehicle, in which case the Preservation Program (Program P) makes the repairs.

The Highway Maintenance Program's current budget includes $8.5 million to pay for third party damages to the highway system where the responsible party is known and reimbursement is anticipated. Program M expenditures for 2013-15 are projected to be $9.8 million, rather than the $8.5 million appropriated. The administrative cost of collecting this additional $1.3 million is estimated to be $125,000 – for total additional requested appropriation authority of $1.4 million.

The decision package requests additional appropriation authority for 2013-15 only, as a separate decision package seeking an appropriation authority increase for 2015-17 and beyond has been submitted with the agency's 2015-17 agency request budget.

Revenues from collected reimbursements are expected to cover the additional expenditures.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?
Increased appropriation authority will allow the program to continue repairing damages caused to the highway system by known third parties, and to recover costs from the responsible parties.

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 agency's strategic plan, Results WSDOT, Goal 1: Strategic investments, by effectively managing assets.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.
Yes. The maintenance and operations of the state highway system support the Governor's Results Washington priority, Goal 2: Prosperous economy. Specifically, maintaining the highway system in good working order contributes to a sustainable and efficient transportation infrastructure, and contributes to maintaining infrastructure assets at 2012 baseline condition levels.

What are the other important connections or impacts related to this proposal?
Additional appropriation authority will allow the program to continue repairing damage to the highway system and recover costs from the responsible parties without diverting resources from other basic highway maintenance activities that benefit the traveling public. Additionally, collecting the cost of repairs from the parties who cause the damage prevents spreading costs to all transportation taxpayers when the responsible party is known.

What alternatives were explored, and why was this alternative chosen?
Additional alternatives explored include:

- Redirecting funds from other activities. The Highway Maintenance and Operations Program has an estimated $72 million backlog per-biennium of unfunded maintenance, which is increasing as new transportation infrastructure is added to the system. At the same time, the program is expected to achieve Maintenance Accountability Program (MAP) performance targets and meet legal obligations of federal stormwater permit compliance. Damages caused by motorists are usually to safety features, such as to guard rails and signage, so repairs are generally given a high priority and made quickly – regardless of other plans for the funding. Without the requested appropriation authority, funding for other areas of the Highway Maintenance and Operations Program would be used for third-party damage repairs, which would adversely affect other program activities.

- Deferring damage repair until funding is available. If the specific damage does not create a safety hazard, deferring the repair is an option but adds to the already-substantial maintenance backlog.

Requesting the additional appropriation authority is the preferred option to prevent the adverse consequences of other alternatives. The appropriation is supported by associated revenue.

What are the consequences of adopting or not adopting this package?
Depending on the nature of the damage, and the availability of other funds, if the unrepaired highway infrastructure poses a safety hazard, the program would likely have no option other than to redirect funds from other activities. If the damage does not pose a safety hazard, the repair could be deferred, but collection efforts might be affected, since the responsible third party could argue that no reimbursement is warranted if no repairs were made.

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
Expenditures for 2013-15 through September 2014 (representing 15 months of the biennium) are $6,134,494 – or a monthly average of $408,966. Extending this monthly average to the full 24 months yields $9,815,190 ($408,966 x 24 = $9,815,190, or $9.815 million rounded). Comparing the projected need to the budgeted amount of $8.5 million yields a spending authority gap of $1,315,000. In addition, the cost of collecting the associated revenue is 9.52 percent, or $125,000 for a total additional request of $1,440,000.

Forecast of Third-Party Damages - Program M Expenditures	
	Program M Expenditures
Total through September 2014	$6,134,494
Divided by Number of Months (15)	15
Twelve-Month Average	$408,966
Biennial Months (24)	24
Estimated 2013-15 Total	$9,815,190
Rounded	$9,815,000
2013-15 Budgeted Level	8,500,000
Difference - Additional Repair Authority Requested	**$1,315,000**
9.52% for Administration (Collections), rounded	125,000
Total 2013-15 Request	**$1,440,000**

Shown below is the biennial history of known third party damage revenue and Program M expenditures on known third party repairs.

Known Third Party Damages
(in Millions of Dollars)

Biennium	Revenue	Program M Expenditures
2003-05	$5.8	$5.6
2005-07	$7.2	$7.2
2007-09	$9.5	$9.0
2009-11	$11.0	$7.3
2011-13	$10.0	$8.5
2013-15 Est.	$14.9	$9.8

Total revenues and expenditures for the Maintenance program, shown in the above table, are not necessarily equivalent within a given fiscal period for the following reasons:

1) The revenue includes collections for damages repaired in both the Maintenance program and the Preservation program, as this revenue source is not distinguished by program within the department's accounting system.
2) Revenue collections for specific incidents can occur in a fiscal period other than that in which the incident's damages are repaired.
3) Revenues are initially estimates of the debt owed by known third parties and are adjusted for the probability of collection, based upon the age of the debts.
4) Debts of $100,000 or more are tracked individually and the recording of the revenue may be shifted from one fiscal period to another, based upon the probability of collection within a fiscal period.

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

Increases are expected to be ongoing. However, this decision package addresses only the 2013-15 biennium, as a separate request has been made for 2015-17, 2017-19, and 2019-21 biennia in the 2015-17 agency-request budget.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
A - Salaries and Wages		656,000	656,000		
B - Benefits		296,000	296,000		
E - Goods and Services		488,000	488,000		
Total by Object	**-**	**1,440,000**	**1,440,000**	**-**	**-**

The object of expenditure detail shows expenditures for salaries and benefits, which is how the funding is expected to be spent, but no new FTE authority is needed.

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**PT**	**Thea Foss Natural Resources Damage Assessment**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Program **P – Highway Preservation**

Recommendation Summary

Funding is requested for the department's share of mitigating natural resource damages from contamination of the Thea Foss Waterway. As one of many potentially responsible parties (PRP) for contamination of the waterway, the department is legally required to pay a portion of the damage assessment. The primary component of the mitigated settlement is funding a King County restoration project on the White River. The settlement includes several entities and the final amounts are expected to be known in first quarter of calendar year 2015. This request is a placeholder and an estimated amount.

Fiscal Detail

Detail by Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
108-1 Motor Vehicle-State	-	1,000,000	1,000,000	-	-
Total by Fund	**-**	**1,000,000**	**1,000,000**	**-**	**-**

Package Description

In 2008, a lawsuit was filed against the Washington State Department of Transportation as a PRP for hazardous waste contamination of the Thea Foss Waterway. The alleged contamination regarded construction of a drainage system on Highway 705 in the 1980s, as well as stormwater discharges from I-5 and I-705 into the waterway. In 2011, the U.S. District Court found that the department was responsible for EPA's response costs for the Thea Foss Waterway cleanup. Concurrently, trustees conducted a Natural Resources Damage Assessment (NRDA) for damages to the natural resources of the waterway that occurred until the waterway was cleaned up. The trustees have been negotiating a settlement of the damages with the PRPs in a mediated settlement process.

Narrative Justification and Impact

The department is participating in the mediated process and shares of the settlement are being allocated similar to the share allocation for cleanup. This request is to fund department's share of the NRDA mitigation cost. Failure to contribute to satisfy the damage assessment would subject the department to additional litigation.

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.
This request supports the Results WSDOT Goal 3: Environmental Stewardship.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.
This request supports Results Washington priority, Goal 3: Sustainable energy and a clean environment

What are the other important connections or impacts related to this proposal?
This mediation, which includes a number of public entities, is anticipated to finalize amounts owed to the federal government related to natural resource damage on the Thea Foss Waterway.

What alternatives were explored, and why was this alternative chosen?
If additional funding were not provided for the payment of the obligation, it would be necessary to defer preservation projects that were funded in the initial 2013-15 transportation budget.

What are the consequences of adopting or not adopting this package?
Failure to contribute to satisfy the damage assessment would subject the department to additional litigation.

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.

Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?
This is a one-time cost.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
A - Salaries and Wages	0	0	0	0	0
B - Benefits	0	0	0	0	0
C - Personal Service Contracts	0	0	0	0	0
E - Goods and Services	0	1,000,000	1,000,000	0	0
G - Travel	0	0	0	0	0
J - Capital Outlay	0	0	0	0	0
Total by Object	**0**	**1,000,000**	**1,000,000**	**0**	**0**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**UE**	**ELG Building Lease Savings**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Program U – Payments to Other Agencies

Recommendation Summary

The department proposes an adjustment to appropriations to account for savings from the refinance of the Edna Lucille Goodrich (ELG) Building and subsequent reduced charges from the Department of Enterprise Services (DES) for lease payments.

Fiscal Detail

Detail by Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
108-1 MVA-State	-	(257,000)	(257,000)	-	-
Total by Fund	**-**	**(257,000)**	**(257,000)**	**-**	**-**
	FY 2014	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

In 2004, the state entered into a long-term lease with a nonprofit corporation that issued a "63-20" lease revenue bond on behalf of the state for the lease purchase of the ELG Building. With this type of financing, a nonprofit corporation issues bonds on behalf of the state and uses the proceeds to manage the design and construction of a facility. Upon substantial completion of the project, the state leases the facility from the nonprofit and these lease payments are pledged to the repayment of the bonds. The state takes title to the property once the bonds have been paid.

In 2014, the Office of the State Treasurer (OST) identified potential savings in debt service that could be achieved by refunding the 2004 bonds. In collaboration with DES, the Office of Financial Management (OFM), and the department, the OST concluded the most useful option would be refunding the 2004 bonds with a new issue of 63-20 bonds.

The ELG Building was refinanced in June 2014, and the savings in 2013-15, when compared to the spending authority provided in Program U for this purpose is $257,000. This adjustment frees up resources in the Motor Vehicle Account for other transportation purposes. A separate decision package for future savings has been submitted with the department's 2015-17 agency request.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?

This adjustment will allow the Legislature to appropriate the unneeded funds from Program U for other priorities.

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.
The decision package supports the agency's strategic plan, Results WSDOT, Goal 1: Strategic investments, by freeing up transportation resources for higher-priority asset preservation and maintenance.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.
This decision package supports the Governor's Results Washington priority, Goal 5: Efficient, effective, and accountable government. In particular, the proposal contributes to improved resource stewardship and the desired outcome of cost-effective government.

What are the other important connections or impacts related to this proposal?
The proposal affects the resources available for other transportation projects by making the best, most efficient use of funds and minimizing ongoing operating costs paid from the Motor Vehicle Account.

What alternatives were explored, and why was this alternative chosen?
OST, in collaboration with DES and OFM, reviewed various refunding scenarios including whether to sell the bonds competitively at a public sale or whether the bonds will be sold by means of a negotiated sale to one or more underwriters. It was ultimately concluded that it was most advantageous to the State to refund the 2004 bonds with a new issue of 63-20 bonds sold competitively at a public sale.

The current higher appropriation could be left in Program U, Charges to Other Agencies, to offset possible increased charges from other agencies. It was determined that the requested decrease in appropriation is the best option to allow funds to be used for other higher priorities.

What are the consequences of adopting or not adopting this package?
Approval of this request will align appropriation with expenditure needs and free up Motor Vehicle Account resources for higher priorities.

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

	Monthly Lease Payment		No. of	Annual Lease Payment		Difference
	Prior (Budgeted)	With Refinance	Months	Prior (Budgeted)	With Refinance	(Rounded)
2015 Supplemental Request:						
FY 2014	$147,191.76	$147,191.76	12	$1,766,301	$1,766,301	$0
July 2014	$147,191.76	$136,366.01	1	147,192	136,366	(11,000)
Remainder FY15	$147,191.76	$124,840.57	11	1,619,109	1,373,246	(246,000)
			2013-15:	**$3,532,602**	**$3,275,913**	**($257,000)**
2015-17 Biennium and Beyond (separately submitted request):						
FY 2016	$147,191.76	$130,240.34	12	1,766,301	1,562,884	(203,000)
FY 2017	$147,191.76	$134,697.15	12	1,766,301	1,616,366	(150,000)
			2015-17:	**$3,532,602**	**$3,179,250**	**($353,000)**

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

All cost savings are ongoing. However, projected savings for the 2015-17, 2017-19, and 2019-21 biennia are reflected in a separate decision package that was submitted with the department's 2015-17 agency request budget.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2016**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
E - Goods and Services		(257,000)	(257,000)	-	-
Total by Object	**-**	**(257,000)**	**(257,000)**	**-**	**-**

Agency:	**405**	**Department of Transportation**
Decision Package Code/Title:	**WE**	**Ferries Capital Repair Costs**
Budget Period:	**2015**	**Supplemental**
Budget Level:	**ML – Maintenance Level**	

Program **W – Washington State Ferries Construction**

Recommendation Summary

This decision package requests additional appropriation authority to address unplanned capital costs for vessel and terminal repairs in the ferries construction program (Program W).

Fiscal Detail

Detail by Fund	FY 2014	FY 2015	2013-15	2015-17	2017-19
099-1 PSCCA-State	-	2,065,000	2,065,000	-	-
Total by Fund	**-**	**2,065,000**	**2,065,000**	**-**	**-**
	FY 2014	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
Staffing FTEs	**-**	**-**	**-**	**-**	**-**

Package Description

The enacted 2013-15 transportation budget provides Program W (Ferries Construction) an appropriation of $4,935,000 for emergency capital repair costs, subject to approval by the Office of Financial Management. As of September 2014, the department has received approval for the use of $4,904,000 for unexpected repair needs – leaving $31,000 for the remainder of the biennium.

The program estimates that total biennial expenditures for unplanned repairs will amount to $7,000,000. This is higher than existing spending authority by $2,065,000. This total includes $600,000 for unplanned but necessary repairs at the Coupeville Ferry Terminal.

On September 24, 2014, Coupeville Ferry Terminal staff discovered a large gap between the apron and the transfer span, as well as noise coming from the apron. The bridge was closed to operations and an investigation revealed a fatigue crack around a hinge assembly upon operation of the apron at its full range of motion. A temporary repair has been made but a permanent repair is expected to cost approximately $600,000 – and exceeds the remaining appropriation authority. The repair must be made to maintain the safety of the system and to prevent cancelation of additional ferry runs. Spending authority will be accessed, temporarily, by way of a change management process – decreasing the spending plan for a project that is expected to be delayed, and utilizing that capacity to make the necessary repairs. If this appropriation increase is approved, expenditures will be transferred to the new, higher, emergency repair appropriation. If not approved, the agency will seek a request for adjustment to the donor project in the 2015-17 biennium.

In addition to the known Coupeville repair, the department seeks $1.5 million in appropriation authority for future unexpected but necessary repair costs for the remainder of the biennium – for a total increase of $2.1 million.

Appropriation authority for unplanned repairs is a key element in the department's strategy to minimize disruption to ferry service, scheduled construction, and ordinary maintenance activities that could occur if the agency is unable to address unanticipated damage to terminals and vessels. The department uses emergency repair spending authority to repair damage to terminals and vessels that is not the result of deterioration or wear that could be anticipated. These repairs may involve the use of statutorily authorized emergency contracting procedures to restore terminals and vessels to operational readiness. Emergency repairs also include repairs to terminals and vessels that must be made immediately in order to satisfy unanticipated legal or regulatory requirements. The purpose of setting aside special funding to handle unexpected repairs is to expedite restoration of ferry service, as well as to avoid inefficiencies caused by diverting resources from scheduled construction and ordinary maintenance activities.

It is difficult to budget for emergency repairs because circumstances adversely affecting the operational status of terminals and vessels are unpredictable. Over the fiscal year 2000 through fiscal year 2013 period, expenditures for unplanned repairs have averaged $6.0 million per biennium, expressed in dollars of 2013-15 purchasing power. These biennial expenditures have ranged from a high of $9.2 million in the 1999-01 biennium to a low of $2.1 million in the 2009-11 biennium.

The Ferry System provides marine transportation services through its terminals and vessels. This infrastructure may be damaged during the normal course of business, which limits or precludes the use of terminals and vessels. Making repairs immediately allows ferry terminals and vessels to return to operational status. At this time, all spending authority designated for this purpose has been committed, with the exception of $31,000. In order to keep the Ferry System in safe and reliable operating condition, increased spending authority is needed. This will facilitate continuity of service to Washington State Ferry (WSF) customers. Additionally, dedicated funding for unexpected repairs limits the need to divert funds from scheduled construction and ordinary maintenance activities to pay for unanticipated needs. Protecting funds programmed for preservation and maintenance of ferry infrastructure is a priority because preservation projects replace terminal and vessel systems that have reached the end of their life cycles and maintenance projects ensure that assets will reach their expected lives. Delaying preservation and maintenance to address emergent repairs increases risks that vessel and terminal systems will fail.

Narrative Justification and Impact

What specific performance outcomes does the agency expect?

Setting aside special funding to deal with unforeseen but necessary repairs allows damaged ferry terminals and vessels to return to operational status as quickly as possible. This supports the desired result of providing continuity of service to ferry customers and maximizing the use of existing assets to meet customer demand for marine transportation.

While terminals and vessels are being repaired, there is a reduction in the capability of WSF to move people and vehicles. This translates into longer wait time for customers, increased congestion in the areas around terminals, and stress on fleet reserves, which can disrupt planned shipyard visits. Expediting repairs shortens the time during which the Ferry System has to operate with diminished capacity. This restores the level of service, reduces congestion, and supports execution of the shipyard schedule.

Expediting the return of terminal and vessel assets to service is critical to the efficient operation of the Ferry System. It minimizes the time that a spare vessel with less favorable service characteristics and higher operating costs may have to be used as a substitute for a damaged vessel. It minimizes mitigation costs that terminals may incur in order to operate under conditions of limited throughput capacity. It avoids inefficiencies caused by diverting funds from scheduled construction and ordinary maintenance activities to deal with unanticipated damage.

Making these repairs promptly facilitates ridership by minimizing the time that vessel carrying capacity and terminal throughput capability is diminished. This helps WSF maintain its level of service standards and performance objectives in completing scheduled trips on time.

Expedited repair of damaged terminals and vessels reduces the length of time that ferry services are degraded. This reduces the time during which customers experience travel delays and curtails congestion near terminals that can develop when throughput capacity is diminished.

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.

The decision package supports the agency's strategic plan, Results WSDOT, goal 1 - strategic investment, which calls for effective management of system assets…to enhance economic vitality. Specifically, the request supports a priority outcome of the goal – prioritizing strategic investments. Emergency repair is the Ferry System's highest priority investment and it is specifically tailored to maximize the System's existing capabilities within existing resources. A second priority outcome of this goal is to deliver services and projects on time and on budget. The ability to make these repairs without undue delay restores damaged assets so they are available to provide scheduled services on time. It also minimizes disruption to the capital investment program and maintenance activities by precluding the diversion of funds for these purposes. Execution of planned preservation and maintenance enhances WSF's ability to provide safe and reliable marine transportation services.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.
This proposal supports the Governor's Results Washington priority, Goal 2: Prosperous economy. A desired outcome of goal 2 is achieving a sustainable, efficient, and reliable transportation infrastructure. The additional appropriation authority will maximize the use of existing transportation infrastructure, minimize disruption of transportation services, minimize the duration of less-efficient deployment of assets, and minimize disruption of planned capital investments and maintenance activities.

What are the other important connections or impacts related to this proposal?
Communities and individual customers served by the Ferry System will benefit from and support this funding. Expediting the repair of damaged terminals and vessels promotes continuity of service and makes the best use of assets.

The Legislature's Joint Task Force on Ferries Report reviewed WSF's funding priorities derived from policy-maker guidance, including the Governor, the Transportation Commission, and regulatory agencies. In order of ranking, funding priorities included emergency repairs, regulatory compliance, continuity of service, quality of service and meeting customer demand. Current Governor's budget instructions continue to recognize the role of emergency repairs by directing the department to maintain the project code structure for the Emergency Repair Program and to provide details as they become available upon a declaration of emergency on specific vessels and terminals. The department recognizes policy-maker emphasis on emergency repairs and places emergency repairs at the top of the hierarchy of priorities.

What alternatives were explored, and why was this alternative chosen?
Several alternatives were explored for addressing the exhaustion of 2013-15 spending authority for unforeseen repair projects.

#	Alternative Courses of Action	Pursue	Evaluation
1	Obtain supplemental budget spending authority	Yes	This alternative is the traditional approach to obtaining needed spending authority for this purpose. Other alternatives considered below are not yet available or defeat the purpose of the repair funding. However, increasing funding for this purpose places additional stress on limited resources.
2	Lower the casualty insurance deductible	Future potential	The unplanned costs experienced in 2013-15 to date are all lower than the current deductible and, therefore, have been funded solely with state funds. Lowering the deductible could reduce the demand for state spending authority but this would be partially offset by higher insurance premiums. Use of this alternative would require reconsideration of current risk management policies.
3	Cancel or defer capital projects	No	Diverting funding from programmed capital projects to unplanned repairs will cause inefficiencies in delivery of investments. Reduced or deferred preservation investments may increase the risk of terminal and vessel systems failing.
4	Use maintenance funds	No	Use of maintenance funding for these repairs could degrade maintenance and increase the risk of terminal and vessel failure.

What are the consequences of not funding this package?
The adverse impact will most likely fall on programmed capital investments. One purpose of setting aside special funding to deal with unexpected repair costs is to avoid inefficiencies caused by diverting funds from scheduled construction and ordinary maintenance activities.

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.
Background:

- The historical average biennial cost of emergency repairs is $6.0 million of 2013-15 purchasing power. (See table 1.)
- Through September 2014, WSF has experienced emergencies that are estimated to cost $5.5 million. This exceeds the 2013-15 legislative appropriation of $4.9 million.
- If emergencies continue to occur at the biennium-to-date rate, WSF will spend $8.1 million by the end of the biennium. (See table 2.)
- The 2013-15 biennium-to-date repairs appear to be anomalies and have trended toward high cost repairs to a greater extent than in any of the prior six biennia. (See table 3). This suggests that unexpected repairs for the remainder of the biennium will occur at a lower rate than the biennium-to-date rate, and leads the department to assume that total biennial repair costs will be between the historical average of $6.0 million and the projection of $8.1 million.

Recommendation:

- The department recommends total 2013-15 biennial unplanned repair spending authority of $7,000,000. This requires an increase in the Emergency Repair Sub-program W3 appropriation proviso of $2,065,000 in Puget Sound Capital Construction Account-State appropriations; i.e., a proviso increase from $4,935,000 to $7,000,000.

Detailed Analyses:

- During the seven biennia prior to the 2013-15 biennium, WSF has had an average of $6.0 million in unplanned repairs per-biennium in dollars of 2013-15 purchasing power.

Table 1

Biennium	Emergency Repairs $ in Biennium of Expenditure	Emergency Repairs $ inflated to 2013-15 Biennium Dollars
2011-13	$5.1 million	$5.2 million
2009-11	$2.0 million	$2.1 million
2007-09*	$6.8 million	$7.5 million
2005-07	$5.3 million	$6.1 million
2003-05	$2.6 million	$3.2 million

2001-03	$6.7 million	$8.5 million
1999-01	$7.0 million	$9.2 million
Average/Biennium	$5.1 million	$6.0 million

**Excludes expenditures for Steel Electrics in the 2007-09 biennium*

- One approach to estimating 2013-15 biennium expenditures is to project the total biennial expenditures based on actual expenditures to date. This approach suggests that WSF will incur $8.1 million in emergent repairs by the end of the biennium.

Table 2

	Cost in Dollars
2013-15 biennium appropriation	$4,935,000
Value of necessary unplanned repair spending ($4.9 M approved by OFM, plus $600,000 Coupeville Terminal) occurring from July 2013 through September 2014*	$5,504,000
Projected repair costs for the 2013-15 biennium	$8,073,000
Increase in 2013-15 appropriation	$3,138,000

** Calculation methodology: To estimate the total biennial appropriation needed, a two-month lag between requests and expenditures is assumed. Through September 2014 (a 15-month period), the biennial expenditure need has totaled $5,504,000 – for a monthly average expenditure of $5,504,000 ÷ 15 = $366,933 per-month. With the two-month lag, expenditures would be needed for 22 – rather than 24 – months. Applying the biennium-to-date monthly average to 22 months yields the biennial estimate: $ 366,933 x 22 = $8,072,526 or $8,073,000 rounded.*

- During the six biennia preceding the 2013-15 biennium, WSF had a biennial average of 2.8 moderate, 2.3 high, and 0.3 very high-cost unplanned repair projects. Fifteen months into the 2013-15 biennium, WSF have three moderate, one high, and two very high-cost unplanned repair projects.

Table 3

Biennium	No. of ER Projects Moderate Cost Range ($200,000-$500,000) In 2013-2015 Dollars	No. of ER Projects High Cost Range ($500,000-$1,500,000) In 2013-2015 Dollars	No. of ER Projects Very High Cost Range ($1,500,000-$3,000,000) In 2013-2015 Dollars
2013-15 (to date)	3	1	2
2011-13	2	0	0
2009-11	0	2	0
2007-09*	3	7	0
2005-07	2	1	1
2003-05	4	1	0
2001-03	6	3	1
Average/Biennium 2001-2013	2.8	2.3	0.3

**Excludes Steel Electric projects in the 2007-2009 biennium.*

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

This proposal is a one-time only adjustment of emergency repair spending authority for the 2013-15 biennium.

Objects of Expenditure

Object of Expenditure Detail					
Object of Expenditure	**FY 2014**	**FY 2015**	**2013-15**	**2015-17**	**2017-19**
J - Capital Outlay	-	2,065,000	2,065,000	-	-
Total by Object	**-**	**2,065,000**	**2,065,000**	**-**	**-**