BACKGROUND AND CONTEXT

1. INTRODUCTION

The Long-Range Plan (Plan) is intended to guide WSDOT Ferries Division (WSF) future service and investment decisions through fiscal year (FY) 2031. Developed with extensive input from the public as well as stakeholder groups, the Plan outlines a service plan and corresponding funding plan that will allow WSF to provide sustainable ferry service in the Puget Sound area. This is the Final Plan, and has incorporated feedback from the public review and comment on the December 19, 2008 Draft Plan as well as legislative direction given on the January 31, 2009 Revised Draft Plan (see sidebar).

This Final Plan is a long-term vision for ferries, and displays for communities and the Legislature goals and strategies that seek to balance achievable service goals and funding requirements. The Plan comes in two pieces:

- The document you are reading is a Final Long-Range Plan that presents key findings, recommended strategies, anticipated services, investments, and corresponding funding needs.
- Technical Appendices present additional detailed backup for the Final Plan, and supporting information.

The WSF Long-Range Plan responds to specific legislative direction, and will become a part of the Washington State Transportation Plan (WTP). The WTP is required by state and federal law and forms the basis for setting the state transportation system's investment priorities.

This Final Long-Range Plan is organized into the following major sections:

1. Background and Context
2. Stakeholder and Public Involvement
3. Our Customers: Ridership and Demand
4. Customer Service: Level of Service Standards
5. Operations: Adaptive Management Strategies
6. Service Plan and Investment Needs
7. Long-Range Plan Implementation

Is this the Final Plan?

This is the Final Long-Range Plan. An initial Draft Plan was released for public comment on December 19, 2008. The Revised Draft Plan was released on January 31, 2009, and included changes based on public feedback on the initial Draft.

This Final Plan was developed after the 2009 legislative session, and incorporates the policy direction on the significant choices presented in the Revised Draft Plan.

Information regarding the legislative process as well as additional summary materials can be found online at http://www.wsdot.wa.gov/ferries/planning/ESHB2358.htm or by calling 206-515-3411.

1.1 WSDOT Ferries Division (Washington State Ferries/WSF)

Since its creation in 1951, WSF has become the largest ferry system in the nation. Nearly 23 million people currently ride on WSF annually. WSF operates 22 vessels and 20 ferry terminals throughout Puget Sound, from Point Defiance in the south to Sidney, B.C. in the north (see Exhibit 1). Commuters, employers, students, commercial shippers, and tourists all count on WSF for safe, reliable transportation across the Puget Sound.

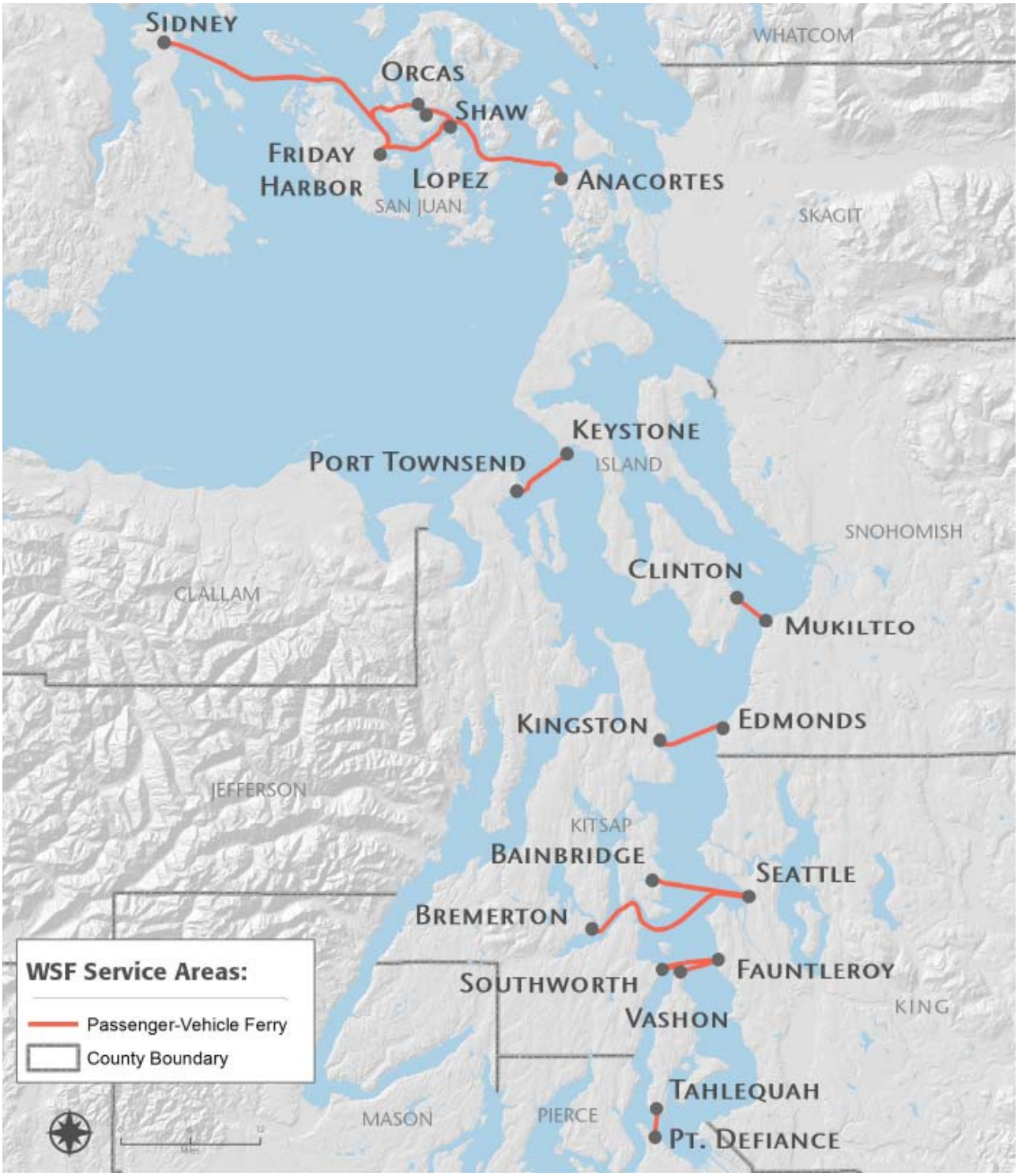
As part of the Washington State Department of Transportation (WSDOT), WSF serves two primary transportation functions.

Marine highway. WSF is an essential part of the highway network in Western Washington. Its 200 miles of marine highway provide links between urban areas on the east side of Puget Sound, growing communities on the Kitsap Peninsula, and more rural destinations on the Olympic Peninsula and the San Juan Islands. For communities on Vashon Island and the San Juan Islands, WSF is the only link to the mainland for personal and commercial vehicles.

That commercial vehicle connection is essential; Vashon and San Juan Island communities depend on ferries as the only means to transport goods—including basic supplies and local products—to and from the wider market. WSF makes special efforts to support commercial traffic.

Transit service provider. Ferries are also high-capacity people movers. WSF is the second largest transit system in Washington State, behind King County Metro. Ferry terminals connect passengers to many modes of transportation besides personal driving, including pedestrian, bicycle, vanpool, bus, trolley, and commuter rail.

Exhibit 1
Ferry System Service Area and Routes



The Washington State Ferries Financing Study

The 2006 Legislature requested the Joint Transportation Committee (JTC) to study the ferry system's finances in order to facilitate policy discussions and decision-making.

The resulting study included 23 recommendations, many of which were incorporated into ESHB 2358.

A full copy of the report is available online at: http://www1.leg.wa.gov/documents/LTC/jtc/Ferries/Ferry%20Finance%20Study%20Final%20Report%20January%202007.pdf

1.2 Purpose of the Long-Range Plan

WSF is releasing the Long-Range Plan at an historic point in Washington's marine transportation. The culmination of new legislative direction, new leadership, and new information about ferry system customers provides a unique opportunity to set a positive direction for the ferry system.

The goal of this Long-Range Plan is to provide information about the long-term needs of ferry customers, possible service and capital programs, and an analysis of future funding needs, so a long-term solution can be developed that addresses WSF's financial sustainability.

To meet this goal, the Plan responds to the legislative direction and identifies service adjustments and demand management strategies that allow WSF to respond to growth in demand while ensuring that the State's assets are utilized to their fullest extent.

In the 2007 legislative session, the Legislature passed Engrossed Substitute House Bill (ESHB) 2358 and its biennial transportation budget, which contained specific policy and operational directives related to how WSF is currently providing service and how it should be planning to meet the needs of ferry communities in the future.

A number of the specific tasks called out in ESHB 2358 required WSF to take a fresh look at how ferry services might be delivered in order to support current and future customers, while recognizing the State's significant financial constraints.

Given the economic conditions prior to and during the 2009 legislative session, and the scale of the funding needs that the State was facing in the highway program, in addition to the continuing ferry needs, it was necessary to consider the implications of a future where state funding could not realistically keep up with the needs of the ferry system.

As a result of these challenges, the Revised Draft Plan put forward two different visions of a future for WSF for consideration. These scenarios represented the realistic bookends of a range of service and capital investments that sought to balance service goals and long-term funding requirements.

1. Scenario A. This option assumed that current levels of service remained constant with modest improvements, operational strategies were implemented over time, and several new vessels came online. This plan scenario described WSF's view of the

most that could have reasonably been expected, given the financial constraints on State transportation programs.

2. Scenario B. This option recognized that the State may not be able to provide sufficient new revenues to meet the evolving needs of all ferry customers and communities, and looked at a reduced marine highway system. Scenario B assumed WSF would continue some key connections, and that local governments would be engaged in a dialogue about mitigating negative impacts of reduced WSF. Scenario B also contained a budget shortfall.

These scenarios described a range of possible futures for the State ferry system. They provided the 2009 State Legislature with a framework for decision-making about service and capital investments, and long-term funding needs.

This Final Plan is based on legislative direction from the 2009 session, and includes recommendations and strategies that are similar to those included in Scenario A with some modification. This Final Plan attempts to address the critical challenges facing WSF, including those described below:

Long-term Funding. Much has changed since the last Long-Range Plan for WSF was adopted in 1999; most profoundly the voter approval of I-695, which substantially reduced dedicated funding for the ferry system. For the last ten years, the Legislature has filled the funding gap created by the I-695 budget cuts by allocating transportation funds to WSF that would have otherwise supported the landside highway system. Given the unfunded needs in the landside highway capital program, this is unsustainable. Therefore, the ferry system lacks sufficient revenue to sustain its current level of service.

Role of Fares in Long-term Funding. One of the impacts of the lost funding has been a significant increase in fares over a relatively short period of time. Since 2000, fares have increased between 37% and 122%. WSF's operation is 65 percent supported by fares (2008 fiscal year), compared to approximately 60 percent farebox recovery in fiscal year 2001.

Aging Asset Base. WSF's fleet is among the oldest of any major ferry operator, with four vessels retired in 2007. Eight more vessels are to be retired over this 22-year planning horizon. In addition, many of the current terminal facilities were built in the 1940's and 1950's and have had few improvements beyond basic maintenance and preservation. WSF is facing a significant recapitalization effort in the next 20 years related to aging vessels and facilities.

Long Lead Times for Capital Investments. A long-range capital plan is necessary because decisions about ferry service have

long-term implications. There are significant lead times required to build new vessels or improve terminals, so WSF must anticipate the future need for such improvements today. Once built, WSF capital assets are long lasting, with vessels having an anticipated lifespan of 60 years.

Growth, Ridership Demand, and Service Needs. Although WSF serves nearly 23 million riders annually, ridership is down over 13% since its peak in 1999. While there is population growth expected in many of the communities served by WSF, it is not clear how this will translate into increased demand for ferry service. Ridership has declined from 2000 to 2006 throughout the system, despite population growth in counties serviced by WSF ranging from 4% growth in Kitsap County to 14% in Island County during the same period of time. By 2030, total demand is projected to increase by 37% over 2006 ridership, which was the last full year of regular service before the disruptions caused by the retirements of the Steel-Electric Class vessels. Over this same period, vehicle demand is expected to increase by 30% overall.

2. POLICY FRAMEWORK

Organizationally, WSF is a Division of WSDOT, which is a cabinet agency reporting to the Governor. The Governor is ultimately responsible for setting the policy and operational goals for the organization and holding WSF accountable for meeting these goals. In addition to the Governor's office, ferry service and investment decisions are guided by the following:

- The Washington State Department of Transportation integrates ferry service with other parts of the highway system and has many other transportation responsibilities in the Puget Sound region and around the State.
- The State Legislature passes laws about ferry service, sets the biennial budget for ferry operations and maintenance, and appropriates funds for WSF's capital needs.
- The Washington State Transportation Commission (WSTC) provides a public forum for transportation policy development. It reviews and evaluates how the entire transportation system works across the State, and issues the State's 20-year Transportation Plan. As the State Tolling Authority, the WSTC sets tolls for state highways and bridges, and fares for WSF. Its seven members are citizens appointed by the Governor.

2.1 Washington Transportation Plan

The WSF Long-Range Plan will become a part of the Washington Transportation Plan (WTP), a blueprint for transportation programs and investments in Washington. State and federal law require that the WTP be updated regularly. The current WTP was adopted by the Transportation Commission in 2006, and covers the period 2007-2030. The WSF portion of the plan has not been updated since 1999.

The WTP addresses every mode of the State's transportation system. WSF's Long-Range Plan is guided by the same goals that federal and state law prescribe for the WTP, including safety, congestion relief, asset preservation, system efficiency, environmental protection, and consistency with land use plans.

ESHB 2358 Requirements

For a complete list of legislative requirements included in ESHB 2358, the biennial transportation budgets, and other recent legislation, please see Appendix A.

2.2 ESHB 2358 The "Ferry Bill"

Passed by the 2007 Legislature, Engrossed Substitute House Bill (ESHB) 2358, the "Ferry Bill," fundamentally changed the policy direction guiding long-range planning efforts for the ferry system. The Legislature found that the State did not have good information about ferry customers, and directed WSF to pursue adaptive management practices in its operating and capital programs. Adaptive management is a process for continually improving management policies and practices by learning from the outcomes of operational programs and adapting them to improve customer service. The Legislature directed WSF to pursue adaptive management practices in order to keep costs as low as possible while continuously improving the quality and timeliness of service.

ESHB 2358 and associated budget provisions spelled out a list of tasks and a timeline that were designed to begin to address the questions raised in the 2006 Ferry Financing Study (see sidebar, page 6), and to develop an information base that could support the ultimate question of how to address the long-term funding needs of WSF. Specifically, ESHB 2358 and transportation budget provisos are designed to:

- Provide new and improved information. Examples of improved information requirements include a customer survey; updated ridership forecasting; a review of WSF's Life Cycle Cost Model (LCCM), which is used to determine capital preservation requirements; JTC Ferry Policy Working Group reviews of WSF's capital and operating costs; and pre-design study requirements for terminal improvement and preservation projects.
- Develop strategies to minimize costs or increase revenues. WSF was directed to consider operational strategies

and pricing policy changes; undertake a study of potential terminal co-developments with private sector partners; and to evaluate the cost-effectiveness of one-way toll collection.

With respect to pricing policy, the Legislature provided specific direction to evaluate options for using pricing as part of an adaptive management approach to help regulate demand while maintaining an awareness of the impact of fares on communities and users. ESHB 2358 requires that "the department shall annually review fares and pricing policies applicable to the operation of [WSF]…the department shall develop fare and pricing policy proposals that must:

- Recognize that each travel shed is unique, and might not have the same farebox recovery rate and the same pricing policies;
- Use data from the current customer survey conducted by the WSTC;
- Be developed with input from affected ferry users by public meetings and hearings and by review with affected ferry advisory committees, in addition to the market survey;
- Generate the amount of revenue required by the biennial transportation budget;
- Consider the impacts on users, capacity, and local communities; and
- Keep the fare structure as simple as possible.

While developing fare and pricing policy proposals, WSF must consider the following:

- Options for using pricing to reduce vehicle peak demand; and
- Options for using pricing to increase off-peak ridership.

The other significant change in pricing policy direction is that the language in the new legislation places a greater emphasis on the desirable outcomes of changes in fare rules. This change provides substantial flexibility to WSTC and WSF to focus on pricing options that might support "adaptive management practices in its operating and capital programs so as to keep the costs of the Washington State ferries system as low as possible while continuously improving the quality and timeliness of service." (ESHB 2358)

Other Related Studies

ESHB 2358 identifies specific topics for study and requires new levels of cooperation and collaboration among the Legislature (through the Joint Transporatation Committe), WSTC, and WSF. Through ESHB 2358 and the State's 2007 Transportation Budget, the Legislature has

identified a number of additional studies to be undertaken, all of which have informed this plan:

- Customer Survey. ESHB 2358 required WSTC to conduct a study of ferry customers that includes information on recreational, walk-on, vehicle, and freight customers and their reactions to possible operational strategies and pricing policies; allows opportunity for Ferry Advisory Committee[1] input; and is updated every two years.
- Long-term Funding.The 2007 Transportation Budget included a proviso requiring WSTC to conduct a long-term funding alternatives study that would make recommendations for how to address the gap between dedicated ferry revenues and operating and capital needs (section 206(2)). This study was published in February 2009 and includes recommendations around increased state taxes to fund the capital program and increased fares to fund the operating program.
- Vessel Study. The 2007 Transportation Budget requires the JTC to make recommendations regarding the most efficient timing and sizing of future vessel acquisitions beyond those currently authorized by the Legislature.

The above-mentioned ESHB 2358 studies supported policy makers during the 2009 legislative session, and informed the legislative guidance that has been conveyed for this Final Plan.

In addition to these ESHB 2358 efforts, another planning study that was underway concurrently with this effort, the Puget Sound Regional Council's (PSRC) Passenger-only Ferry Study, will have implications on the potential future for WSF.

- PSRC Passenger-only Ferry Study. In 2006, the PSRC Policy Board determined that there was a need for regional coordination around the issue of the long-term role for passenger-only ferry services in the Central Puget Sound region. The State Legislature had recently directed WSF to abandon its passenger-only program and discontinue passenger-only service on the Vashon-Seattle route. According to the PSRC, "the study will provide the technical basis to strengthen Destination 2030 policies, programs, projects, and criteria by improving:

[1] RCW 47.60.310 established Ferry Advisory Committees to be appointed by county legislative authorities in counties serviced by WSF, except for Vashon Island where a community council appoints the members.

- Coordination of state, regional, and local ferry system investments
- Integration of ferry operations with transit, roadway, and non-motorized improvements
- Guidance for ferry-oriented development and land use near ferry terminals
- Planning to address local land use and transportation impacts in ferry terminal communities
- The technical capabilities in the area of ferry system demand forecasting, and travel demand modeling and analysis, that will aid in prioritization of projects and programs."

The study was completed in early 2009, with additional work expected to integrate the study results into the regional transportation plan update (Destination 2040).

2.3 What factors did WSF consider in developing this Plan?

In developing these Final Plan recommendations, WSF also considered other factors and guidelines for the future of the ferry system. Not all of this guidance took the form of law or mandate, and it frequently reflected multiple, often conflicting, priorities that WSF must endeavor to balance as it plans to meet demand in the future. Guidelines for ferry service include the following:

WSF should charge prices that are reasonable. The WSTC sets policies that establish WSF's fare structure. In addition to fiscal and environmental considerations and the directions provided in ESHB 2358, the WSTC may, but is not required to, consider the "desirability of reasonable rates for persons using the ferry system to commute daily to work and (for) other frequent users who live in ferry-dependent communities."

WSF should act responsibly with regard to the natural environment. WSF has been an active partner in efforts to protect the natural environment, recently as host of a pilot study of alternative fuels, and on an everyday basis in its efforts to encourage transit use and vehicle sharing. This is in keeping with the Legislature and the WSTC's charge to "conserve nonrenewable natural resources including land and energy (RCW 47.01.071)."

In developing the Long-Range Plan, WSF assessed any capital project or service changes under consideration to ensure there are no "fatal flaws" from an environmental perspective. Environmental impacts of specific capital facility projects are evaluated during the

project's design development stage when WSF conducts a detailed environmental review as part of the State Environmental Protection Act (SEPA) or National Environmental Protection Act (NEPA).

WSF should plan with an awareness of financial constraints. The ferry system operates in a financially constrained environment. WSF lost a significant share of its dedicated capital and operating funding in 2000 and must share resources with the landside highway program to balance its budget.

WSF should respect the land use and growth management plans of local governments, while being mindful of its primary mission and its role as a state agency. WSF serves local communities that have a strong interest in planning for and managing their own growth and development. State law is clear on the need for WSF to cooperate with local planning processes. To this end, WSF makes long-range demand projections based on the regional growth forecasts that result from a cooperative process among local jurisdictions.

WSF's role in growth management is a responsive one. Local and regional planning organizations make policy decisions to shape growth; the resulting pattern of future trips is a consideration in ferry service planning. This balance of interests is reflected in state law: "Although [WSDOT] shall consult with local governments when setting level of service standards, the department retains authority to make final decisions… [The] department shall consider the necessary balance between providing for the free inter-jurisdictional movement of people and goods and the needs of local communities using these facilities" (RCW 47.06.140).

WSF should plan facility improvements and service to facilitate connections with other modes of transportation. State law refers to the WTP as "a statewide multimodal transportation plan" (RCW 47.06) and specifies that each modal plan should emphasize "the improvement and integration of all transportation modes to create a seamless intermodal transportation system for people and goods" (RCW 47.06.040).

WSF should consult with the public as it develops ferry plans or policy changes. State law (RCW 47.60.330) requires that ferry users be consulted before major service or fare changes through public hearings, surveys, and standing Ferry Advisory Committees. WSF also consults with ferry terminal neighbors and other interested parties before changes are implemented.

3. FINANCIAL SUSTAINABILITY

When voters approved I-695 in November 1999 and the Legislature codified the MVET tax reductions during the 2000 legislative session, WSF lost approximately 20% of its operating support and 75% of its dedicated capital funds.

In immediate response, WSF enacted a series of staff and service cuts that when combined with spending operating reserves allowed the system to survive through June 30, 2001. During the 2000 session, the Legislature provided a $20 million transfer from the General Fund that allowed for fewer service cuts than originally proposed.

To address the long-term funding needs of the ferry system, the Legislature and Governor undertook two major efforts prior to the enactment of ESHB 2358. In 2000, the Legislature established a Joint Legislative Task Force on Ferries (JTFF). The Task Force was charged with addressing the following key issues:

- Establishing appropriate levels of operating cost recovery (farebox recovery target)
- Exploring opportunities for cost and service reductions
- Evaluating the feasibility of privatization and public-private partnerships
- Assessing short-term and long-term capital funding needs of the system

The Legislative Task Force report was approved by the Task Force members on January 15, 2001 and it contained nine major recommendations, which focused primarily on opportunities to reduce costs and improve the financial performance of the operating program. The most widely discussed recommendation was for WSF to increase the farebox recovery rate from approximately 60% to 80% over six years. While this recommendation was a key factor in fare policy decisions in 2001-2004, it was never codified in statute.

At the same time as the JTFF effort, the Governor's Blue Ribbon Commission on Transportation (BRCT), which was tasked to review the entire structure of the State's transportation system, released their recommendations. The recommendations included a confirmation of the JTFF recommendations, plus a long-term goal of reaching 90% farebox recovery. As with the JTFF farebox recovery recommendation, the goal was not codified in statute.

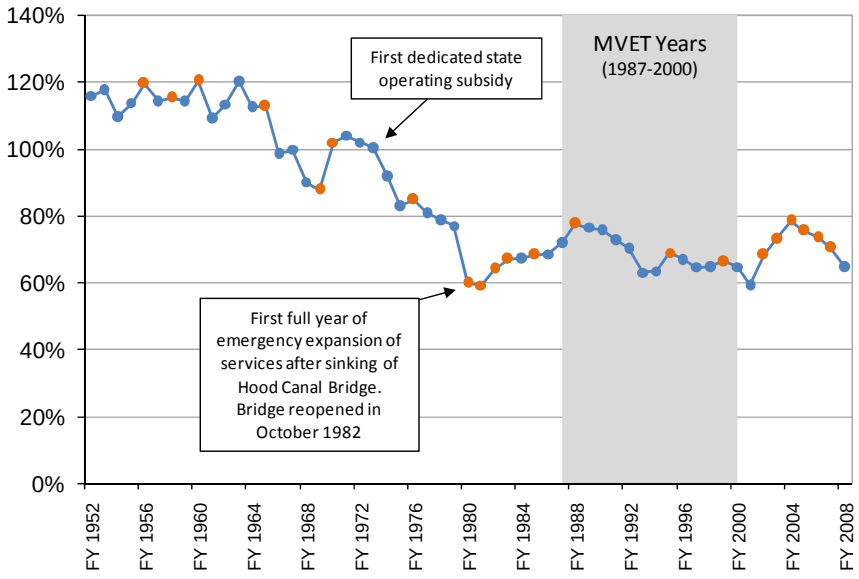
Neither the JTFF nor BRCT recommendations specifically addressed how to replace the lost MVET funding. With respect to funding, both efforts largely focused on using the fare policy to begin to stabilize the operating funding situation but suggested that the Legislature needed to develop a long-term funding solution for WSF.

3.1 Historical Context

While the farebox recovery recommendations from both the JTFF and the BRCT were controversial in ferry-served communities, it is worth putting these recovery targets into a historical perspective.

In the years prior to the loss of MVET funding, the Transportation Commission had been working from a general operating principle that fares should be adjusted to maintain a minimum 60% farebox recovery target (i.e. operating revenues must recover 60% of operating costs, with the balance coming from state tax sources). As presented in Exhibit 2, however, the distribution of responsibility for funding operations between the users and taxpayers was not always a 60/40 proposition.

Exhibit 2
Farebox Recovery Rates over WSF History

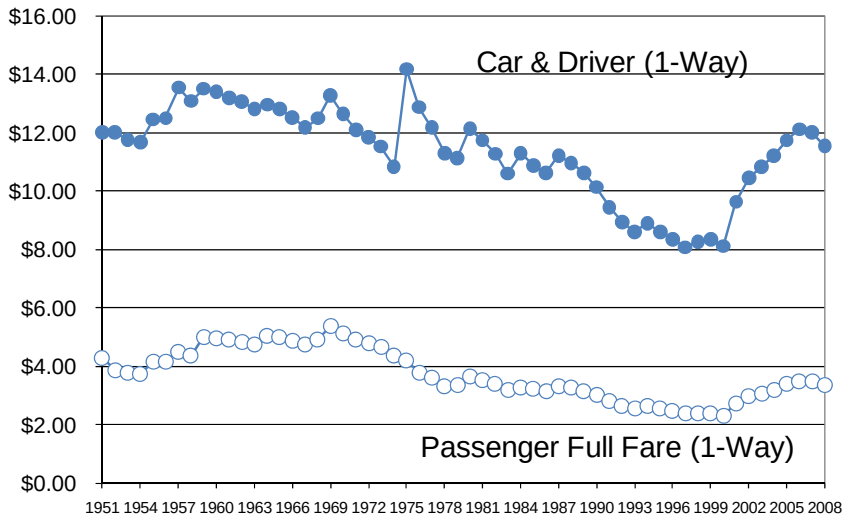


The portion of the cost of operations funded from fare revenues has shifted from more than 100%, to the 60% level during the MVET years (1987-2000). The transition from over 100% to 60% cost recovery represented a gradual but steady decline that benefited ferry users.

To improve the farebox recovery rates, it was necessary to implement substantial increases in customer fares. In fact, since the loss of MVET, fares have increased between 37% and 122%, varying by route. These large fare increases did push the recovery rate close to 80% in fiscal year 2004, but since then, cost increases (primarily rapid increases in fuel prices) and relatively modest fare increases have pushed the recovery rate back down closer to 70%.

Another useful historical comparison is to see how these significant recent fare increases have changed the price of ferry services in relation to previous years. Exhibit 3 shows that the fare increases have brought the cost of ferry services back up to a level that is more in-line with historical levels. In fact, prior to the loss of MVET, fare prices were at their lowest levels in history, when adjusted for inflation.

Exhibit 3
Historical Fares Adjusted for Inflation ($2008)



3.2 Funding for WSF Post MVET Repeal

Since the loss of MVET funding in the middle of the 1999-2001 Biennium, the Legislature has been subsidizing the funding gap with transfers from general transportation resources, primarily the Motor Vehicle Account and the Multimodal Account. The funds in these accounts are subject to appropriation every two years and are allocated based on funding priorities among all of WSDOT and other transportation agencies. WSF shares these limited resources with the landside highway system.

Over the course of the last nine years, WSF has received a total of $300 million in general transportation funding to backfill operations. These transfers have been necessary despite the large increases in fare revenues during this period. In fact, the cumulative impact of the fare increases is estimated to have raised approximately $130 million during this same period.

As discussed earlier, the magnitude of the necessary transfers of general highway funding to WSF has been significantly influenced by the higher cost of fuel during this period.

On the capital side, the transfers from available transportation discretionary funds have varied from biennium to biennium. In total, more than $350 million has been appropriated from these general transportation funds to replace lost MVET funds. During this period, WSF has been the recipient of some project-specific funding from both the Nickel Gas Tax Package and the Transportation Partnership funding package ($0.09 gas tax increase).

3.3 What is WSF Doing to Keep Costs Down?

Given the funding challenges facing WSF, steps have been taken to reduce costs as much as possible without jeopardizing safe, reliable and efficient service. The focus on managing costs has included three significant efforts: (1) cost containment strategies designed to reduce operating and capital costs immediately; (2) updating the Life Cycle Cost Models to ensure that preservation funding is optimized; and (3) reviewing and revising terminal design standards to ensure future terminal improvements are appropriately sized.

Cost Containment

WSF has carefully reviewed its operating practices and staffing levels. Savings have been achieved by leaving non-essential vacancies open, reducing technology upgrades, decreasing consultant costs, cutting administrative staff, and making across the board cuts in every department. All spending has stopped for goods and services that are not essential to the business. WSF has reduced fuel consumption by investing in boat modifications,with expected savings of 843,000 gallons of fuel in the 2007-2009 biennium. Maintenance that can prudently be deferred has been eliminated from the budget.

Some examples of recent cost saving measures include the following:

- Staff reductions: $1.5 million (25 budgeted positions)
- Fuel conservation: $3.7 million

Life Cycle Cost Model

Maintenance assumptions used in this analysis have been developed using the following Life Cycle Cost Model (LCCM) guidance in recent legislation:

ESHB 2358

WSF must maintain a Life Cycle Cost Model that (section 10):

- Is used in developing preservation funding requests.
- Uses available industry standards or department-adopted standards when standard life cycles are not available.
- Is updated when inspections are made to reflect asset condition.
- Does not include systems that aren't replaced on a standard life cycle or that are not yet built.
- Is updated at least every three years.

SSB 6932

The Life Cycle Cost Model will (section 4):

- Be used in estimating future terminal and vessel needs.
- Be the basis for developing the budget request for terminal and vessel preservation funding.

2007 Transportation Budget

- WSF to update LCCM no later than August 1, 2007 (section 225 (8)(c)).
- JTC to review updated LCCM (section 205 (1)(b)(ii)).
- JLARC to ensure LCCM complies with requirements in bill (section 108 (2)).

- Reductions in other operating costs: $2.2 million
- Reduction in consultant costs: $25 million

Cost containment is an ongoing process, and WSF will continue to look for ways to maximize the service delivered with the money it has. In part this will be achieved by looking throughout the year for ways to reduce spending. Future plans for reducing costs include:

- A much more detailed budget process in future budget cycles. In the 2009-11 biennium we have targeted a 12% reduction in fuel consumption
- Exploring methods of hedging WSF exposure to fuel prices
- Development of an injury reduction plan, pursuant to direction from the 2009 Legislature
- Updating the life cycle cost model for the fleet
- Ensuring capital staffing levels are consistent with delivery of the capital program

Updated Life Cycle Cost Model

As directed by the ESHB 2358, WSF continues its efforts to update its Vessel Preservation Life Cycle Cost Model (LCCM). Work completed to date includes a review and update of the vital systems' cost factors and replacement intervals. Currently, a review of the existing inspection process is being done to support the requirement that all assets in the LCCM be inspected and the LCCM updated to reflect actual asset condition every three years. The outcome of this review is to provide recommendations:

- Improving methods of condition assessments by using best industry practices
- Concerning methodology and resources needed to compile inspection data for analysis and conversion into useful management information
- Making economic analyses such as Lowest Life Cost Analysis that support vessel preservation investment decisions

The goal of these efforts is to ensure that vessel preservation funding is invested wisely for the best return in terms of vessel material condition, by replacing systems only when their condition requires it. When funding is limited, the highest priority needs of vital systems are preserved within their life cycles, and the high cost, non-vital systems such as passenger deck renovations and topside painting, are deferred.

The terminal Life Cycle Cost Model underwent an extensive update in 2007, which focused on bringing all of the condition ratings up to date

and reassessing when assets would need to be replaced. This effort resulted in a reduction of $106 million over the legislative 16-year financial plan.

Terminal Design Standards

Terminal design standards were reviewed and updated to ensure that terminal facility planning is consistent with the direction in ESHB 2358 and that facilities were being appropriately sized. These revised standards were used in the development of conceptual-level terminal improvement needs identified in this plan.

Terminal design standards are based on the following assumptions:

- Operational strategies will be implemented where appropriate
- Improvements in the efficiencies of loading and off-loading will be made where possible
- Major alternatives will be evaluated using a business case evaluation

Terminal design standards are divided into the following elements:

Vehicle Holding Sizing. The holding space required within the paid area is based on the largest vessel capacity of the route. There needs to be enough holding space in the paid area for one sailing worth of vehicles plus standby vehicles. HOV/preferential loading vehicles have separate holding spaces based on the utilization at each terminal.

Terminal Program. Each terminal has specific spaces that are required in order to safely and efficiently operate a ferry terminal. These spaces have been identified in terms of function, size and location.

Terminal Building Sizing. The terminal building is divided into two separate functions, the public waiting area and the staff areas. The public waiting area is sized based on the type of route (commuter, summer travel & tourist, mix). The difference in these types of routes is how long a customer is waiting; commuters typically arrive very close to the scheduled departure times vs. tourists who may arrive several hours before the scheduled departure time. More space is needed to accommodate customers that are waiting longer. The staff areas are determined using the State Department of General Administration's standards for type of employees and space they require.

Customer Information. Information Technology System (ITS) equipment will be installed at critical travel decision points regarding vehicle reservations/capacity information and proposed alternative

Asset Management System

While the preservation costs have been estimated using the life cycle cost approach as per legislative direction, WSF is moving to implement a more robust asset management system to improve its ability to effectively manage its preservation programs.

A budget proviso in the 2007-09 budget required WSF to "research an asset management system to improve Washington state ferries' management of capital assets and the department's ability to estimate future preservation needs."

The report was presented to the legislature during the 2008 session. WSF is now requesting funding to design and implement the system.

routes. The current WSDOT standards for highway information technology will be used.

Business case. The business case process is an objective, repeatable, quantitative approach to alternatives analysis. It is intended to determine the lowest life cycle cost solution for a given problem. Alternatives are identified and evaluated in terms of costs associated with each alternative. Costs include capital and operating as well as risks and benefits to the customer. See Appendix B for a more detailed discussion of terminal design standards.

How has the financial outlook influenced the development of the Final Plan?

The current and future financial challenges have had a profound impact on the approach to this planning effort. It forced WSF to take a completely fresh look at both what it is doing and how it is doing it. This Plan proposes some significant changes in how WSF does business and how customers will interact with the system in the future, while maintaining its commitments to providing the best possible service throughout the system, given funding constraints.

The public feedback on the Draft Plan was that service and vessels should have higher priority than improvements to terminals, and that has been reflected in the revised terminal budgets, where a number of projects initially included in Scenario A have been eliminated.