

Washington State Ferries Capital Investment

Joint Transportation Committee

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Secretary
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January 6, 2006



How much funding is planned for WSF capital investment?

This is the plan on paper drawn from the forthcoming supplemental budget submission

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
State Cash Funding	166.4	226.5	382.3	251.0	287.9	1,314.1
Federal	73.6	47.9	31.0	31.0	31.0	214.5
Bond Funding	51.2	166.8	47.3	0.0	0.0	265.3
Less Debt Service	(39.6)	(39.0)	(33.1)	(32.6)	(32.4)	(176.7)
Net Construction Funds	\$251.6	\$402.2	\$427.5	\$249.4	\$286.5	\$1,617.2

Embedded assumptions in the plan on paper:

- Fuel prices: \$2.02/gallon increasing at general consumer price inflation.
- Labor costs: no amounts included for binding arbitration awards.
- Fare increases: 6% each year through 2009, thereafter at general consumer price inflation.

How the "state cash funding" line is built.

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
Fund Balance	14.6					14.6
State Distribution of Gas Tax	36.0	38.8	40.8	42.3	43.4	201.3
Transfer of Gas Taxes & Vehicle Fees from the Motor Vehicle Account	77.8	132.5	152.8	126.1	132.0	621.2
Multimodal Taxes and Fees	3.0	2.3	4.0	1.8	1.5	12.6
State Revenue expended from 2003 Transportation Account	35.0	39.3	86.4	3.9	0.0	164.6
State Revenue expended from 2005 Transportation Partnership Account	0.0	1.9	59.6	26.1	48.6	136.2
Total Contributions	166.4	214.8	343.6	200.2	225.5	1,150.5
Excess Subsidy from Operating Statement	0.0	11.7	38.7	50.8	62.4	163.7
State Funds Available	166.4	226.5	382.3	251.0	287.9	1,314.2

"State cash funding" includes an expected contribution from excess subsidy from the operating statement. (see below)

WSF 10-Year Operating Pro Forma

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-Year Total
Sources of Funds						
Farebox Revenue - November Forecast	280.2	303.2	319.8	329.8	337.0	1,570.1
Potential From Future Fare Increases if Permitted*	7.5	32.6	58.7	80.8	106.0	285.7
Miscellaneous Revenue (Concessions, etc)	9.0	10.7	10.9	11.0	11.1	52.7
Total Operating Revenues Generated	296.8	346.5	389.5	421.6	454.1	1,908.5
Uses of Funds**						
Operations	278.2	289.2	303.4	319.7	338.5	1,528.9
Maintenance	54.2	56.4	59.1	62.3	66.0	297.9
Management and Support	21.8	22.6	23.7	25.0	26.5	119.6
Other Charges	10.3	10.6	11.2	11.8	12.4	56.3
2006 Supplemental for Fuel***	13.8	14.3	15.0	15.8	16.7	75.7
2006 Supplemental for Other***	0.7	0.0	0.0	0.0	0.0	0.0
2006 Placeholder Arbitration Awards	TBD	TBD	TBD	TBD	TBD	TBD
Total Supplemental	14.5	14.3	15.0	15.8	16.7	75.7
Total Uses of Funds	378.9	393.1	412.5	434.7	460.0	2,078.4
Subsidy Required	(82.1)	(46.6)	(23.0)	(13.0)	(5.9)	
Presumed Level of Subsidy Under Current Legal Arrangements for Ferry Operations						
Fund Balance	1.8					1.8
Distribution of State Gas Taxes, Vehicle Fees & Other Miscellaneous Revenue	50.5	54.8	57.3	59.3	60.9	282.8
Gas Taxes and Vehicle Fees Transferred from the Motor Vehicle Account	19.1	0.0	0.0	0.0	0.0	19.1
Multimodal Taxes, Fees, and Transfers	10.7	3.5	4.3	4.5	7.4	30.4
Total Subsidy Under Current Legal Arrangements	82.0	58.3	61.7	63.8	68.3	334.0
"Excess Subsidy" from Operating Statement	0.0	11.7	38.7	50.8	62.4	163.6

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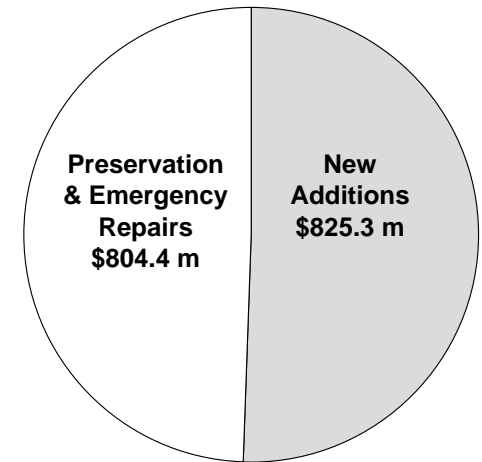
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<i>Fund Balance</i>	<i>1.8</i>					<i>1.8</i>
<i>Distribution of State Gas Taxes, Vehicle Fees & Other Miscellaneous Revenue</i>	<i>50.5</i>	<i>54.8</i>	<i>57.3</i>	<i>59.3</i>	<i>60.9</i>	<i>282.8</i>
<i>Gas Taxes and Vehicle Fees Transferred from the Motor Vehicle Account</i>	<i>19.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>19.1</i>
<i>Multimodal Taxes, Fees, and Transfers</i>	<i>10.7</i>	<i>3.5</i>	<i>4.3</i>	<i>4.5</i>	<i>7.4</i>	<i>30.4</i>
Total Subsidy Under Current Legal Arrangements	82.0	58.3	61.7	63.8	68.3	334.0
"Excess Subsidy" from Operating Statement	0.0	11.7	38.7	50.8	62.4	163.6

If the plan on paper holds, this is how it would support WSF capital investment.

WSF Capital Expenditure 10-Year Pro Forma

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
Vessel Preservation	57.3	46.9	53.2	60.5	75.8	293.7
Terminal Preservation	76.2	112.0	93.5	120.3	77.7	479.7
New Vessels	37.1	123.3	165.0	20.2		345.6
Terminal Improvements	66.3	112.3	130.8	40.8	117.0	467.1
Multimodal Passenger Only	3.0	2.3	4.0	1.8	1.5	12.6
Emergency Repairs	4.0	6.0	6.5	7.0	7.5	31.0
Projected Capital Expenditures	243.9	402.8	452.9	250.6	279.4	1,629.6



June 2009

January 2010

September 2010

May 2011



December 2011

The projected funding for vessels is probably short by \$20 - \$50m more or less depending on inflation costs caused by procurement delay and the choice of 144-car vs 130-car vessel size.



Mukilteo \$130.9 m



Bainbridge \$87.5 m



Seattle Colman Dock \$79.8 m



Anacortes \$73.9 m



Edmonds \$35.0 m

Other Terminals \$60.0 m

Sensitivity assessment for the on paper plan.

Fuel assumption in the operating budget

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
What if fuel costs are higher?*		(18.0) to (36.0)	(18.0) to (36.0)	(18.0) to (36.0)	(18.0) to (36.0)	(72.0) to (144.0)

Based on fuel consumption of 36 million gallons per biennium, a 50¢ increase would increase fuel costs by \$18 m, and \$1.00 increase would increase fuel costs by \$36 m per biennium.

Binding arbitration awards

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
What if arbitration awards are funded?	(6.0) to (20.0)	(3.0) to (10.0)	(3.0) to (10.0)	(3.0) to (10.0)	(3.0) to (10.0)	(18.0) to (60.0)

Ferry fare increases not achieved

<i>millions of dollars</i>	05-07	07-09	09-11	11-13	13-15	10-year total
What if ferry fares are not increased as planned?	(0.4)	(17.5)	(42.7)	(64.3)	(89.2)	(214.1)

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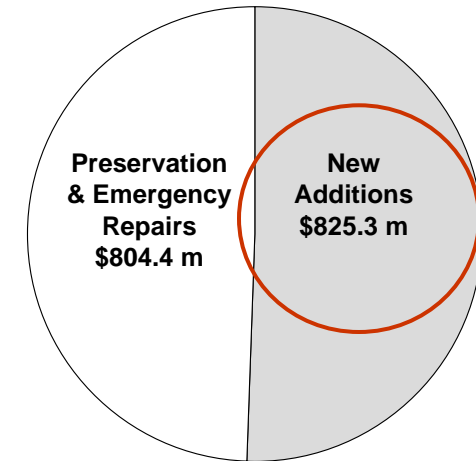
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How does the sensitivity analysis affect the amount available for capital investment?

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Sensitivity Analysis Brought Forward

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Up to (\$418.1.m)

Based on fuel consumption of 36 million gallons per biennium, a 50¢ increase would increase fuel costs by \$18 m, and \$1.00 increase would increase fuel costs by \$36 m per biennium.

Management policy choices and strategies in face of major sensitivity risks to the on paper plan:

- Vessel Replacement:
 - Build 130-car or 144-car boats?
 - Contract for four-boat program, five-boat program or something else?
- Fares:
 - What planning assumptions have legislative consensus?
- Labor Cost Decisions:
 - How will labor cost decisions and fuel cost realities ripple through operating and capital expenditure expectations?
- How are capital funding uncertainties distributed between new terminal and new vessel expectations?