

**ESHB 2358 - S AMD 589**

By Senators Spanel, Haugen

ADOPTED 04/20/2007

1       Strike everything after the enacting clause and insert the  
2 following:

3       "NEW SECTION. **Sec. 1.** The legislature finds from the 2006  
4 Washington state ferries financing study that the state has limited  
5 information on state ferry users and markets. Accurate user and market  
6 information is vital in order to find ways to maximize the ferry  
7 systems' current capacity and to make the most efficient use of  
8 citizens' tax dollars. Therefore, it is the intent of the legislature  
9 that Washington state ferries be given the tools necessary to maximize  
10 the utilization of existing capacity and to make the most efficient use  
11 of existing assets and tax dollars. Furthermore, it is the intent of  
12 the legislature that the department of transportation adopt adaptive  
13 management practices in its operating and capital programs so as to  
14 keep the costs of the Washington state ferries system as low as  
15 possible while continuously improving the quality and timeliness of  
16 service.

17       **Sec. 2.** RCW 47.06.140 and 1998 c 171 s 7 are each amended to read  
18 as follows:

19       (1) The legislature declares the following transportation  
20 facilities and services to be of statewide significance: The  
21 interstate highway system, interregional state principal arterials  
22 including ferry connections that serve statewide travel, intercity  
23 passenger rail services, intercity high-speed ground transportation,  
24 major passenger intermodal terminals excluding all airport facilities  
25 and services, the freight railroad system, the Columbia/Snake navigable  
26 river system, marine port facilities and services that are related  
27 solely to marine activities affecting international and interstate  
28 trade, and high-capacity transportation systems serving regions as  
29 defined in RCW 81.104.015. The department, in cooperation with

1 regional transportation planning organizations, counties, cities,  
2 transit agencies, public ports, private railroad operators, and private  
3 transportation providers, as appropriate, shall plan for improvements  
4 to transportation facilities and services of statewide significance in  
5 the statewide multimodal plan. Improvements to facilities and services  
6 of statewide significance identified in the statewide multimodal plan  
7 are essential state public facilities under RCW 36.70A.200.

8 (2) The department of transportation, in consultation with local  
9 governments, shall set level of service standards for state highways  
10 and state ferry routes of statewide significance. Although the  
11 department shall consult with local governments when setting level of  
12 service standards, the department retains authority to make final  
13 decisions regarding level of service standards for state highways and  
14 state ferry routes of statewide significance. In establishing level of  
15 service standards for state highways and state ferry routes of  
16 statewide significance, the department shall consider the necessary  
17 balance between providing for the free interjurisdictional movement of  
18 people and goods and the needs of local communities using these  
19 facilities. When setting the level of service standards under this  
20 section for state ferry routes, the department may allow for a standard  
21 that is adjustable for seasonality.

22 NEW SECTION. Sec. 3. A new section is added to chapter 47.60 RCW  
23 to read as follows:

24 The definitions in this section apply throughout this chapter  
25 unless the context clearly requires otherwise.

26 (1) "Adaptive management" means a systematic process for  
27 continually improving management policies and practices by learning  
28 from the outcomes of operational programs.

29 (2) "Capital plan" means the state ferry system plan developed by  
30 the department as described in RCW 47.06.050(2) and adopted by the  
31 commission.

32 (3) "Capital project" has the same meaning as used in budget  
33 instructions developed by the office of financial management.

34 (4) "Commission" means the transportation commission created in RCW  
35 47.01.051.

36 (5) "Improvement project" has the same meaning as in the budget  
37 instructions developed by the office of financial management. If the

1 budget instructions do not define improvement project, then it has the  
2 same meaning as "program project" in the budget instructions. If a  
3 project meets both the improvement project and preservation project  
4 definitions in this section it must be defined as an improvement  
5 project. New vessel acquisitions must be defined as improvement  
6 projects.

7 (6) "Life-cycle cost model" means that portion of a capital asset  
8 inventory system which, among other things, is used to estimate future  
9 preservation needs.

10 (7) "Maintenance cost" has the same meaning as used in budget  
11 instructions developed by the office of financial management.

12 (8) "Preservation project" has the same meaning as used in budget  
13 instructions developed by the office of financial management.

14 (9) "Route" means all ferry sailings from one location to another,  
15 such as the Seattle to Bainbridge route or the Port Townsend to  
16 Keystone route.

17 (10) "Sailing" means an individual ferry sailing for a specific  
18 route, such as the 5:00 p.m. sailing from Seattle to Bremerton.

19 (11) "Travel shed" means one or more ferry routes with distinct  
20 characteristics as determined by the department.

21 NEW SECTION. **Sec. 4.** A new section is added to chapter 47.60 RCW  
22 to read as follows:

23 (1) The commission shall, with the involvement of the department,  
24 conduct a survey to gather data on ferry users to help inform level of  
25 service, operational, pricing, planning, and investment decisions. The  
26 survey must include, but is not limited to:

- 27 (a) Recreational use;
- 28 (b) Walk-on customer use;
- 29 (c) Vehicle customer use;
- 30 (d) Freight and goods movement demand; and
- 31 (e) Reactions to potential operational strategies and pricing  
32 policies described under section 7 of this act and RCW 47.60.290.

33 (2) The commission shall develop the survey after providing an  
34 opportunity for ferry advisory committees to offer input.

35 (3) The survey must be updated at least every two years and  
36 maintained to support the development and implementation of adaptive  
37 management of ferry services.

1       **Sec. 5.** RCW 47.60.290 and 1983 c 3 s 136 are each amended to read  
2 as follows:

3       ~~((Subject to the provisions of RCW 47.60.326,))~~ (1) The department  
4 ~~((is hereby authorized and directed to))~~ shall annually review  
5 ~~((tariffs and charges as))~~ fares and pricing policies applicable to the  
6 operation of the Washington state ferries ~~((for the purpose of~~  
7 ~~establishing a more fair and equitable tariff to be charged passengers,~~  
8 ~~vehicles, and commodities on the routes of the Washington state~~  
9 ~~ferries))~~.

10       (2) Beginning in 2008, the department shall develop fare and  
11 pricing policy proposals that must:

12       (a) Recognize that each travel shed is unique, and might not have  
13 the same farebox recovery rate and the same pricing policies;

14       (b) Use data from the current survey conducted under section 4 of  
15 this act;

16       (c) Be developed with input from affected ferry users by public  
17 hearing and by review with the affected ferry advisory committees, in  
18 addition to the data gathered from the survey conducted in section 4 of  
19 this act;

20       (d) Generate the amount of revenue required by the biennial  
21 transportation budget;

22       (e) Consider the impacts on users, capacity, and local communities;  
23 and

24       (f) Keep fare schedules as simple as possible.

25       (3) While developing fare and pricing policy proposals, the  
26 department must consider the following:

27       (a) Options for using pricing to level vehicle peak demand; and

28       (b) Options for using pricing to increase off-peak ridership.

29       NEW SECTION. Sec. 6. A new section is added to chapter 47.60 RCW  
30 to read as follows:

31       (1) The commission shall adopt fares and pricing policies by rule,  
32 under chapter 34.05 RCW, according to the following schedule:

33       (a) Each year the department shall provide the commission a report  
34 of its review of fares and pricing policies, with recommendations for  
35 the revision of fares and pricing policies for the ensuing year;

36       (b) By September 1st of each year, beginning in 2008, the

1 commission shall adopt by rule fares and pricing policies for the  
2 ensuing year.

3 (2) The commission may adopt by rule fares that are effective for  
4 more or less than one year for the purposes of transitioning to the  
5 fare schedule in subsection (1) of this section.

6 (3) The commission may increase ferry fares included in the  
7 schedule of charges adopted under this section by a percentage that  
8 exceeds the fiscal growth factor.

9 (4) The chief executive officer of the ferry system may authorize  
10 the use of promotional, discounted, and special event fares to the  
11 general public and commercial enterprises for the purpose of maximizing  
12 capacity use and the revenues collected by the ferry system. The  
13 department shall report to the commission a summary of the promotional,  
14 discounted, and special event fares offered during each fiscal year and  
15 the financial results from these activities.

16 (5) Fare revenues and other revenues deposited in the Puget Sound  
17 ferry operations account created in RCW 47.60.530 may not be used to  
18 support the Puget Sound capital construction account created in RCW  
19 47.60.505, unless the support for capital is separately identified in  
20 the fare.

21 (6) The commission may not raise fares until the fare rules contain  
22 pricing policies developed under section 5 of this act, or September 1,  
23 2009, whichever is later.

24 NEW SECTION. **Sec. 7.** A new section is added to chapter 47.60 RCW  
25 to read as follows:

26 (1) The department shall develop, and the commission shall review,  
27 operational strategies to ensure that existing assets are fully  
28 utilized and to guide future investment decisions. These operational  
29 strategies must, at a minimum:

30 (a) Recognize that each travel shed is unique and might not have  
31 the same operational strategies;

32 (b) Use data from the current survey conducted under section 4 of  
33 this act;

34 (c) Be consistent with vehicle level of service standards;

35 (d) Choose the most efficient balance of capital and operating  
36 investments by using a life-cycle cost analysis; and

1 (e) Use methods of collecting fares that maximize efficiency and  
2 achieve revenue management control.

3 (2) After the commission reviews recommendations by the department,  
4 the commission and department shall make joint recommendations to the  
5 legislature for the improvement of operational strategies.

6 (3) In developing operational strategies, the following, at a  
7 minimum, must be considered:

8 (a) The feasibility of using reservation systems;

9 (b) Methods of shifting vehicular traffic to other modes of  
10 transportation;

11 (c) Methods of improving on-dock operations to maximize efficiency  
12 and minimize operating and capital costs;

13 (d) A cost-benefit analysis of remote holding versus over-water  
14 holding;

15 (e) Methods of reorganizing holding areas and minimizing on-dock  
16 employee parking to maximize the dock size available for customer  
17 vehicles;

18 (f) Schedule modifications;

19 (g) Efficiencies in exit queuing and metering;

20 (h) Interoperability with other transportation services;

21 (i) Options for leveling vehicle peak demand; and

22 (j) Options for increasing off-peak ridership.

23 (4) Operational strategies must be reevaluated periodically and, at  
24 a minimum, before developing a new capital plan.

25 **Sec. 8.** RCW 47.60.330 and 2003 c 374 s 5 are each amended to read  
26 as follows:

27 (1) Before a substantial change to the service levels provided to  
28 ferry users, the department shall consult with affected ferry users by  
29 public hearing and by review with the affected ferry advisory  
30 committees.

31 (2) Before ((a substantial expansion or curtailment in the level of  
32 service provided to ferry users, or a revision in the schedule of ferry  
33 tolls or charges)) adding or eliminating a ferry route, the department  
34 ((of transportation)) shall consult with affected ferry users and  
35 receive legislative approval. ((The consultation shall be: (a) By  
36 public hearing in affected local communities; (b) by review with the

1 ~~affected ferry advisory committees pursuant to RCW 47.60.310; (c) by~~  
2 ~~conducting a survey of affected ferry users; or (d) by any combination~~  
3 ~~of (a) through (c).~~

4 ~~Promotional, discount, and special event fares that are not part of~~  
5 ~~the published schedule of ferry charges or tolls are exempt. The~~  
6 ~~department shall report an accounting of all exempt revenues to the~~  
7 ~~transportation commission each fiscal year.~~

8 ~~(2) There is created a ferry system productivity council consisting~~  
9 ~~of a representative of each ferry advisory committee empanelled under~~  
10 ~~RCW 47.60.310, elected by the members thereof, and two representatives~~  
11 ~~of employees of the ferry system appointed by mutual agreement of all~~  
12 ~~of the unions representing ferry employees, which shall meet from time~~  
13 ~~to time with ferry system management to discuss means of improving~~  
14 ~~ferry system productivity.~~

15 ~~(3) Before increasing ferry tolls the department of transportation~~  
16 ~~shall consider all possible cost reductions with full public~~  
17 ~~participation as provided in subsection (1) of this section and,~~  
18 ~~consistent with public policy, shall consider adapting service levels~~  
19 ~~equitably on a route by route basis to reflect trends in and forecasts~~  
20 ~~of traffic usage. Forecasts of traffic levels shall be developed by~~  
21 ~~the bond covenant traffic engineering firm appointed under the~~  
22 ~~provisions of RCW 47.60.450. Provisions of this section shall not~~  
23 ~~alter obligations under RCW 47.60.450. Before including any toll~~  
24 ~~increase in a budget proposal by the commission, the department of~~  
25 ~~transportation shall consult with affected ferry users in the manner~~  
26 ~~prescribed in (1)(b) of this section plus the procedure of either~~  
27 ~~(1)(a) or (c) of this section.)~~

28 NEW SECTION. Sec. 9. A new section is added to chapter 47.60 RCW  
29 to read as follows:

30 (1) Appropriations made for the Washington state ferries capital  
31 program may not be used for maintenance costs.

32 (2) Appropriations made for preservation projects shall be spent  
33 only on preservation and only when warranted by asset condition, and  
34 shall not be spent on master plans, right-of-way acquisition, or other  
35 nonpreservation items.

36 (3) Systemwide and administrative capital program costs shall be

1 allocated to specific capital projects using a cost allocation plan  
2 developed by the department. Systemwide and administrative capital  
3 program costs shall be identifiable.

4 NEW SECTION. **Sec. 10.** A new section is added to chapter 47.60 RCW  
5 to read as follows:

6 (1) The department shall maintain a life-cycle cost model on  
7 capital assets such that:

8 (a) Available industry standards are used for estimating the life  
9 of an asset, and department-adopted standard life cycles derived from  
10 the experience of similar public and private entities are used when  
11 industry standards are not available;

12 (b) Standard estimated life is adjusted for asset condition when  
13 inspections are made;

14 (c) It does not include utilities or other systems that are not  
15 replaced on a standard life cycle; and

16 (d) It does not include assets not yet built.

17 (2) All assets in the life-cycle cost model must be inspected and  
18 updated in the life-cycle cost model for asset condition at least every  
19 three years.

20 (3) The life-cycle cost model shall be used when estimating future  
21 system preservation needs.

22 NEW SECTION. **Sec. 11.** A new section is added to chapter 47.60 RCW  
23 to read as follows:

24 (1) Preservation funding requests shall only be for assets in the  
25 life-cycle cost model.

26 (2) Preservation funding requests that exceed five million dollars  
27 per project must be accompanied by a predesign study. The predesign  
28 study must include all elements required by the office of financial  
29 management.

30 NEW SECTION. **Sec. 12.** A new section is added to chapter 47.60 RCW  
31 to read as follows:

32 The department shall develop terminal design standards that:

33 (1) Adhere to vehicle level of service standards as described in  
34 RCW 47.06.140;



- 1 (2) Adhere to operational strategies as described in section 7 of
- 2 this act; and
- 3 (3) Choose the most efficient balance between capital and operating
- 4 investments by using a life-cycle cost analysis.

5 NEW SECTION. **Sec. 13.** A new section is added to chapter 47.60 RCW  
6 to read as follows:

- 7 The capital plan must adhere to the following:
- 8 (1) A current ridership demand forecast;
  - 9 (2) Vehicle level of service standards as described in RCW
  - 10 47.06.140;
  - 11 (3) Operational strategies as described in section 7 of this act;
  - 12 and
  - 13 (4) Terminal design standards as described in section 12 of this
  - 14 act.

15 NEW SECTION. **Sec. 14.** A new section is added to chapter 47.60 RCW  
16 to read as follows:

- 17 (1) Terminal improvement project funding requests must adhere to
- 18 the capital plan.
- 19 (2) Requests for terminal improvement design and construction
- 20 funding must be submitted with a predesign study that:
- 21 (a) Includes all elements required by the office of financial
- 22 management;
- 23 (b) Separately identifies basic terminal elements essential for
- 24 operation and their costs;
- 25 (c) Separately identifies additional elements to provide ancillary
- 26 revenue and customer comfort and their costs;
- 27 (d) Includes construction phasing options that are consistent with
- 28 forecasted ridership increases;
- 29 (e) Separately identifies additional elements requested by local
- 30 governments and the cost and proposed funding source of those elements;
- 31 (f) Separately identifies multimodal elements and the cost and
- 32 proposed funding source of those elements; and
- 33 (g) Identifies all contingency amounts.

34 NEW SECTION. **Sec. 15.** A new section is added to chapter 47.60 RCW  
35 to read as follows:

1 (1) The joint legislative audit and review committee shall assess  
2 and report as follows:

3 (a) Audit the implementation of the cost allocation methodology  
4 evaluated under chapter . . . (Engrossed Substitute House Bill No.  
5 1094), Laws of 2007, as it exists on the effective date of this  
6 section, assessing whether actual costs are allocated consistently with  
7 the methodology, whether there are sufficient internal controls to  
8 ensure proper allocation, and the adequacy of staff training; and

9 (b) Review the assignment of preservation costs and improvement  
10 costs for fiscal year 2009 to determine whether:

- 11 (i) The costs are capital costs;
- 12 (ii) The costs meet the statutory requirements for preservation  
13 activities and for improvement activities; and
- 14 (iii) Improvement costs are within the scope of legislative  
15 appropriations.

16 (2) The report on the evaluations in this section is due by January  
17 31, 2010.

18 (3) This section expires December 31, 2010.

19 NEW SECTION. **Sec. 16.** The following acts or parts of acts are  
20 each repealed:

21 (1) RCW 47.60.150 (Fixing of charges--Deposit of revenues) and 2003  
22 c 374 s 3, 1999 c 94 s 26, & 1990 c 42 s 405; and

23 (2) RCW 47.60.326 (Schedule of charges for state ferries--Review by  
24 department, factors considered--Rule making by commission) and 2005 c  
25 270 s 1, 2003 c 374 s 4, 2001 1st sp.s. c 1 s 1, 1999 c 94 s 27, 1990  
26 c 42 s 406, 1983 c 15 s 25, & 1981 c 344 s 5."

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By Senators Spanel, Haugen

**ADOPTED 04/20/2007**

27 On page 1, line 1 of the title, after "ferries;" strike the  
28 remainder of the title and insert "amending RCW 47.06.140, 47.60.290,  
29 and 47.60.330; adding new sections to chapter 47.60 RCW; creating a new

1 section; repealing RCW 47.60.150 and 47.60.326; and providing an  
2 expiration date."

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