

ESHB 2358 - S COMM AMD

By Committee on Transportation

ADOPTED 04/04/2007

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 existing capacity and to make the most efficient use of existing assets
11 and tax dollars.

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

14 (1) The legislature declares the following transportation
15 facilities and services to be of statewide significance: The
16 interstate highway system, interregional state principal arterials
17 including ferry connections that serve statewide travel, intercity
18 passenger rail services, intercity high-speed ground transportation,
19 major passenger intermodal terminals excluding all airport facilities
20 and services, the freight railroad system, the Columbia/Snake navigable
21 river system, marine port facilities and services that are related
22 solely to marine activities affecting international and interstate
23 trade, and high-capacity transportation systems serving regions as
24 defined in RCW 81.104.015. The department, in cooperation with
25 regional transportation planning organizations, counties, cities,
26 transit agencies, public ports, private railroad operators, and private
27 transportation providers, as appropriate, shall plan for improvements
28 to transportation facilities and services of statewide significance in

1 the statewide multimodal plan. Improvements to facilities and services
2 of statewide significance identified in the statewide multimodal plan
3 are essential state public facilities under RCW 36.70A.200.

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

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

20 The definitions in this section apply throughout this chapter
21 unless the context clearly requires otherwise.

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

25 (2) "Capital plan" means the state ferry system plan as described
26 in RCW 47.06.050(2) and adopted by the commission.

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

29 (4) "Commission" means the transportation commission created in RCW
30 47.01.051.

31 (5) "Improvement project" has the same meaning as in the budget
32 instructions developed by the office of financial management. If the
33 budget instructions do not define improvement project, then it has the
34 same meaning as "program project" in the budget instructions. If a
35 project meets both the improvement project and preservation project
36 definitions in this section it must be defined as an improvement

1 project. New vessel acquisitions must be defined as improvement
2 projects.

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

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

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

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

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

15 (11) "Travel shed" means one or more ferry routes with distinct,
16 common characteristics as determined by the department.

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

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

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

29 (2) Ferry advisory committees may provide suggestions to the
30 commission regarding the survey.

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

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

36 (~~Subject to the provisions of RCW 47.60.326,~~) (1) The department

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

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

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

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

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

17 (d) Generate the amount of revenue required by the biennial
18 transportation budget; and

19 (e) Keep fare schedules as simple as possible.

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

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

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

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

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

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

31 (b) In October of each year, beginning in 2008, the commission
32 shall adopt by rule fares and pricing policies for the ensuing year.
33 The schedule may initially be adopted as an emergency rule if necessary
34 to take effect in, or as near as possible to, the month of October.

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

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

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

11 (5) Fare revenues and other revenues deposited in the Puget Sound
12 ferry operations account created in RCW 47.60.530 may not be used to
13 support the Puget Sound capital construction account created in RCW
14 47.60.505, unless the support for capital is separately identified in
15 the fare.

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

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

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

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

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

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

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

31 (2) After the commission reviews recommendations by the department,
32 the commission and department shall make joint recommendations to the
33 legislature for the improvement of operational strategies.

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

36 (a) The feasibility of using reservation systems;

1 (b) Methods of shifting vehicular traffic to other modes of
2 transportation;

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

5 (d) A cost-benefit analysis of remote holding versus over-water
6 holding;

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

10 (f) Schedule modifications;

11 (g) Efficiencies in exit queuing and metering; and

12 (h) Interoperability with other transportation services.

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

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

17 (1) Before a substantial change to the service levels provided to
18 ferry users, the department shall consult with affected ferry users by
19 public hearing and by review with the affected ferry advisory
20 committees.

21 ~~(2) Before ((a substantial expansion or curtailment in the level of~~
22 ~~service provided to ferry users, or a revision in the schedule of ferry~~
23 ~~tolls or charges)) adding or eliminating a ferry route, the department~~
24 ~~((of transportation)) shall consult with affected ferry users and~~
25 ~~receive legislative approval. ((The consultation shall be: (a) By~~
26 ~~public hearing in affected local communities; (b) by review with the~~
27 ~~affected ferry advisory committees pursuant to RCW 47.60.310; (c) by~~
28 ~~conducting a survey of affected ferry users; or (d) by any combination~~
29 ~~of (a) through (c).-~~

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

34 ~~(2) There is created a ferry system productivity council consisting~~
35 ~~of a representative of each ferry advisory committee empanelled under~~
36 ~~RCW 47.60.310, elected by the members thereof, and two representatives~~
37 ~~of employees of the ferry system appointed by mutual agreement of all~~

1 of the unions representing ferry employees, which shall meet from time
2 to time with ferry system management to discuss means of improving
3 ferry system productivity.

4 ~~(3) Before increasing ferry tolls the department of transportation
5 shall consider all possible cost reductions with full public
6 participation as provided in subsection (1) of this section and,
7 consistent with public policy, shall consider adapting service levels
8 equitably on a route by route basis to reflect trends in and forecasts
9 of traffic usage. Forecasts of traffic levels shall be developed by
10 the bond covenant traffic engineering firm appointed under the
11 provisions of RCW 47.60.450. Provisions of this section shall not
12 alter obligations under RCW 47.60.450. Before including any toll
13 increase in a budget proposal by the commission, the department of
14 transportation shall consult with affected ferry users in the manner
15 prescribed in (1)(b) of this section plus the procedure of either
16 (1)(a) or (c) of this section.)~~

17 NEW SECTION. **Sec. 9.** A new section is added to chapter 47.60 RCW
18 to read as follows:

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

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

25 (3) Systemwide and administrative capital program costs shall be
26 allocated to specific capital projects using a cost allocation plan
27 developed by the department. Systemwide and administrative capital
28 program costs shall be identifiable.

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

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

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

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

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

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

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

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

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

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

15 (2) Preservation funding requests that exceed five million dollars
16 per project must be accompanied by a predesign study. The predesign
17 study must include all elements required by the office of financial
18 management.

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

21 The department shall develop terminal design standards that:

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

24 (2) Adhere to operational strategies as described in section 7 of
25 this act; and

26 (3) Choose the most efficient balance between capital and operating
27 investments by using a life-cycle cost analysis.

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

30 The capital plan must adhere to the following:

31 (1) A current ridership demand forecast;

32 (2) Vehicle level of service standards as described in RCW
33 47.06.140;

34 (3) Operational strategies as described in section 7 of this act;
35 and

1 (4) Terminal design standards as described in section 12 of this
2 act.

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

5 (1) Terminal improvement project funding requests must adhere to
6 the capital plan.

7 (2) Requests for terminal improvement design and construction
8 funding must be submitted with a predesign study that:

9 (a) Includes all elements required by the office of financial
10 management;

11 (b) Separately identifies basic terminal elements essential for
12 operation and their costs;

13 (c) Separately identifies additional elements to provide ancillary
14 revenue and customer comfort and their costs;

15 (d) Includes construction phasing options that are consistent with
16 forecasted ridership increases;

17 (e) Separately identifies additional elements requested by local
18 governments and the cost and proposed funding source of those elements;

19 (f) Separately identifies multimodal elements and the cost and
20 proposed funding source of those elements; and

21 (g) Identifies all contingency amounts.

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

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

26 (a) Audit the implementation of the cost allocation methodology
27 evaluated under chapter . . . (House Bill No. 1094), Laws of 2007, as
28 it exists on the effective date of this section, assessing whether
29 actual costs are allocated consistently with the methodology, whether
30 there are sufficient internal controls to ensure proper allocation, and
31 the adequacy of staff training; and

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

34 (i) The costs are capital costs;

35 (ii) The costs meet the statutory requirements for preservation
36 activities and for improvement activities; and

1 (iii) Improvement costs are within the scope of legislative
2 appropriations.

3 (2) The report on the evaluations in this section is due by January
4 31, 2010.

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

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

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

10 (2) RCW 47.60.326 (Schedule of charges for state ferries--Review by
11 department, factors considered--Rule making by commission) and 2005 c
12 270 s 1, 2003 c 374 s 4, 2001 1st sp.s. c 1 s 1, 1999 c 94 s 27, 1990
13 c 42 s 406, 1983 c 15 s 25, & 1981 c 344 s 5."

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14 On page 1, line 1 of the title, after "ferries;" strike the
15 remainder of the title and insert "amending RCW 47.06.140, 47.60.290,
16 and 47.60.330; adding new sections to chapter 47.60 RCW; creating a new
17 section; repealing RCW 47.60.150 and 47.60.326; and providing an
18 expiration date."

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