



# Pierce County Waterborne Transportation Study WTS Advisory Committee Meeting



April 23, 2015



## Meeting Purpose

### TODAY'S MEETING WILL FOCUS ON:

- **Fare policy options:** Alternatives to modify the fare structure and/or introduce new fare products to address:
  - **Demand management.** Pricing strategies that can incent travel behavior and help align capacity and demand
  - **Equity and balance.** Relative distribution of burden among different fare classes
- **Funding implications and options:** Alternative approaches to address future funding needs under different investment levels and assure the financial sustainability of the system:
  - **Fare revenue.** Options for establishing a policy basis for setting annual fare revenue target
  - **Subsidy requirements.** Options to address subsidy requirements over the long-term



# WTS Alternatives Analysis



# Pierce County Waterborne Transportation Study Framework for Alternatives Analysis

DRAFT

## SERVICE & OPERATIONS

### SERVICE

#### Existing Markets

- ▶ Anderson
- ▶ Ketron

#### Service Levels

- ▶ Vessel Hours ▶ 1 or 2 Boats

#### Acquiring Markets

- ▶ McNeil Island

#### Configuration

- ▶ Direct ▶ Triangle

#### New Markets

- ▶ Other Pierce County

#### Service Type

- ▶ Vehicle/ Passenger ▶ Passenger-only Vessel

### OPERATIONS

#### Vessel Operations

- ▶ Maintenance & Fueling intervals

#### Terminal Operations

- ▶ Staging/Loading
- ▶ Ticket sales/Redemption
- ▶ Traffic Management

#### Supporting Elements

- ▶ Communications
  - Real Time
  - General
- ▶ Fare Collection System
- ▶ Reservations

## FARE POLICY

Policy Options  
(Demand Management)

Policy Options  
(Equity)

Policy Options  
(Value Pricing)

## FACILITIES

#### Steilacoom

- ▶ Train Conflicts
- ▶ Signage
- ▶ 2nd Operating Slip
- ▶ Parking

#### Anderson Island

- ▶ Drop off/Pick up
- ▶ Passenger Shelter
- ▶ Signage
- ▶ Parking

## FUNDING

### FAREBOX RECOVERY

- ▶ Allocation of Funding Responsibility Among Beneficiaries
  - Customer
  - Property Owners
  - Pierce County Subsidy
  - Other Subsidies
- ▶ New Operating Revenue Opportunities
  - Charter/Tour
  - Advertising

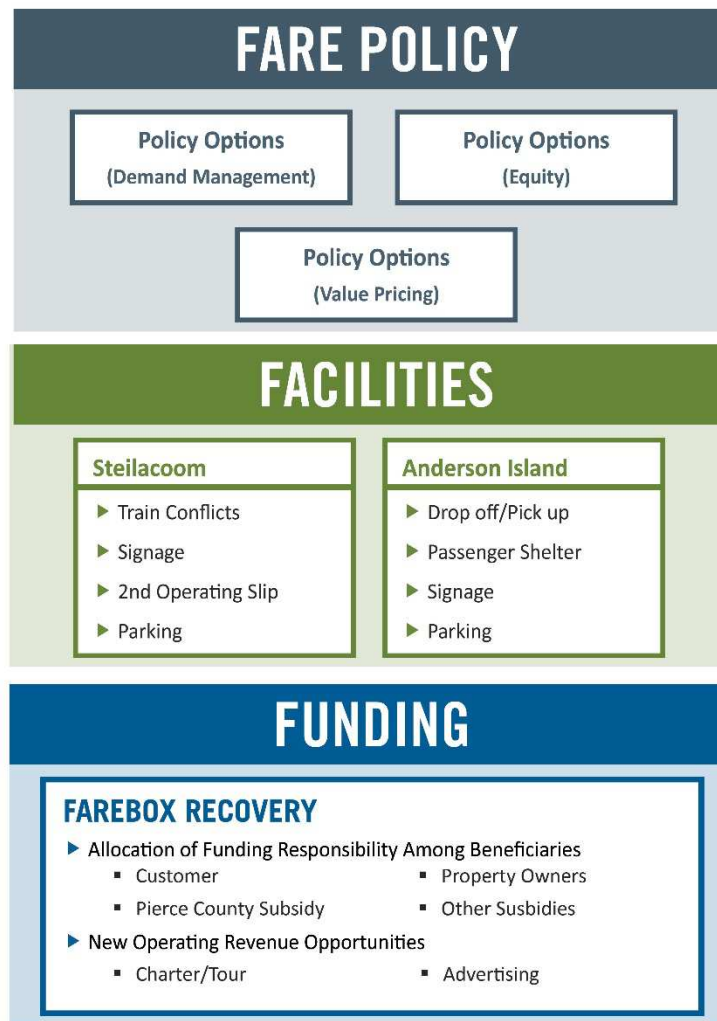


# Pierce County Waterborne Transportation Study Framework for Fares and Funding Analysis

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**Goal: Ensure Ferry finances are sustainable and the burden of financing is equitable**

- Fare options:
  - Vehicle: Passenger Fare Ratios
  - Vehicle Type and Passenger Type Fare Ratios.
  - Frequent Rider Discount.
  - Congestion/Peak Pricing.
  - New Products.
- Options for funding:
  - Allocation among beneficiaries
  - New revenue opportunities





# Fare Policy



## Summary of Current Fares

	Base Fare	Value Pass Discount (5-trip)	Peak Season Surcharge (May 1-Sept 30)
<b>Passengers</b>			
Adult	\$5.30	-20%	--
Youth	\$3.40	--	--
Children	FREE	--	--
Senior/Disabled/Medicare	\$2.65	--	--
<b>Vehicles (including driver)</b>			
Up to and including 21'	\$17.80	-20%	+~25%
Up to and including 21' – Senior or disabled	\$14.85	--	+~25%
Over 21' to under 30'	\$36.05	--	+~25%
30' to under 40'	\$57.40	--	+~25%
40' to under 50'	\$76.65	--	+~25%
50' to under 60'	\$95.80	--	+~25%
60' to under 70'	\$114.95	--	+~25%
70' to under 80'	\$140.85	--	+~25%
80' to under 90'	\$166.75	--	+~25%
90' and greater	\$197.25	--	+~25%
Over 11' in width	Fare by length x 2	--	+~25%
Motorcycle/Stowage	\$9.60	-20%	+~25%
3-Wheel Vehicle	\$11.25	--	+~25%
Steilacoom School District vehicle	Free (1x/day)	--	--
Bicycle	Passenger fare	--	--



## Summary of Comparable Fares

	Pierce County Ferry	Skagit County Guemes Island Ferry	Whatcom County Lummi Island Ferry	WSF Point Defiance-Talequah (FY 2013)
<b>Passenger Fare (Base, RT)</b>	\$5.30	\$2.50	\$7.00	\$5.20
<b>Multi-ride (cost per trip, discount)</b>	5 trips @ \$21.20 (\$4.24, -20%)	25 trips @ \$53.00 (\$2.12, -15%)	25 trips @ \$115.00 (\$4.60, -34%)	10 trips @ \$42.10 (\$4.21, -20%)
<b>Senior (discount)</b>	\$2.65 (-50%)	\$1.50 (-40%)	No special single trip fare	\$2.60 (-50%)
<b>Youth (discount)</b>	\$3.40 (-36%)	\$1.50 (-40%)	FREE	\$2.60 (-50%)
<b>Vehicle Fare (Base, RT, Non-Peak)</b>	Base <= 21' Non-peak: \$17.80	Base <= 20' Non-peak: \$8.00	Base <8,001 lbs Year-round: \$13.00	Base =14'-22' Non-peak: \$17.70
<b>Multi-ride (cost per trip, discount)</b>	5 trips @ \$71.20 (\$14.24, -20%)	20 trips @ \$136.00 (\$6.80, -15%)	10 trips @ \$102.00 (\$10.20, -22%) 25 trips @ \$235.00 (\$9.40, -28%)	10 trips @ \$142.10 (\$14.21, -20%)
<b>Oversize/Weight Pricing</b>	<ul style="list-style-type: none"> <li>Length measured in 10' increments to 90'</li> <li>Corresponding price increments from \$18.25-\$25.90</li> <li>Implied price per foot: \$1.83-\$2.59</li> <li>Flat rate of \$197.25 above 90'</li> </ul>	<ul style="list-style-type: none"> <li>Length measured in 5' increments to 65'</li> <li>Corresponding price increments from \$5-\$11</li> <li>Implied price per foot: \$1.00 - \$2.20</li> <li>Each 5' increment over 65': \$5.00</li> <li>Overwidth (&gt;8'6"): Double length charge</li> </ul>	<ul style="list-style-type: none"> <li>Weight:               <ul style="list-style-type: none"> <li>to 20,000 lbs (\$32.00)</li> <li>to 36,000 lbs (\$68.00)</li> <li>to 50,000 lbs (\$133.00)</li> </ul> </li> <li>Trailer length:               <ul style="list-style-type: none"> <li>to 16' (\$18.00)</li> <li>to 30' (\$34.00)</li> <li>over 30' (\$63.00)</li> <li>implied price per foot \$1.13-\$1.14</li> </ul> </li> <li>Overwidth (occupying more than one ferry lane) charged additional +50%</li> </ul>	<ul style="list-style-type: none"> <li>CUBE policy - fares based on set ratio relationships with a standard vehicle volume</li> <li>Standard volume: LxWxH = 22' x 8'6" x 7'6"s</li> </ul>





## Fare Policy Options

Pierce County Ferry operates on revenue from several funding sources. Fare revenue from customers is just one of these sources.

- **Fare policy is primarily focused on how to set prices for different types of customers** based on various policy and/or market considerations.
- **Fare policy options would change the structure of ferry fares without changing the total amount of fare revenue** that should be raised from customers. Under any potential change in fare policies, total revenue collected would still need to meet the revenue target established in the budget.

### What does this mean for the fare policy options?

- We are presenting a **menu** of options. Ultimately, recommendations from this study will be a mix-and-match package of options from this menu, with timed phasing if necessary.
- Due to the fact that the total amount of revenue would not change, options with revenue implications would need to be **offset** elsewhere in the system, possibly with a complementary option.



## Fare Policy Options

The Pierce County fare policy options can be viewed through three **lenses**. These provide the “why” behind why we might favor certain options.

### Affordability and Equity

- The equitable share of farebox revenue to be borne by riders of different types, such as passengers, vehicles, seniors, low-income, youth, and families.

### Demand Management

- The optimization of vessel capacity through the smoothing of ridership across sailings throughout the day, week, and year and through encouraging individual mode shifts from drive-on vehicles to walk-on or in-vehicle passengers.

### Market Value

- The ability of the Pierce County Ferry to capture the full value of the service provided. Guidance on the market value of these services can come from peer ferry system pricing.



## Summary of Fare Policy Issues

The following issues have been raised for the County's consideration:

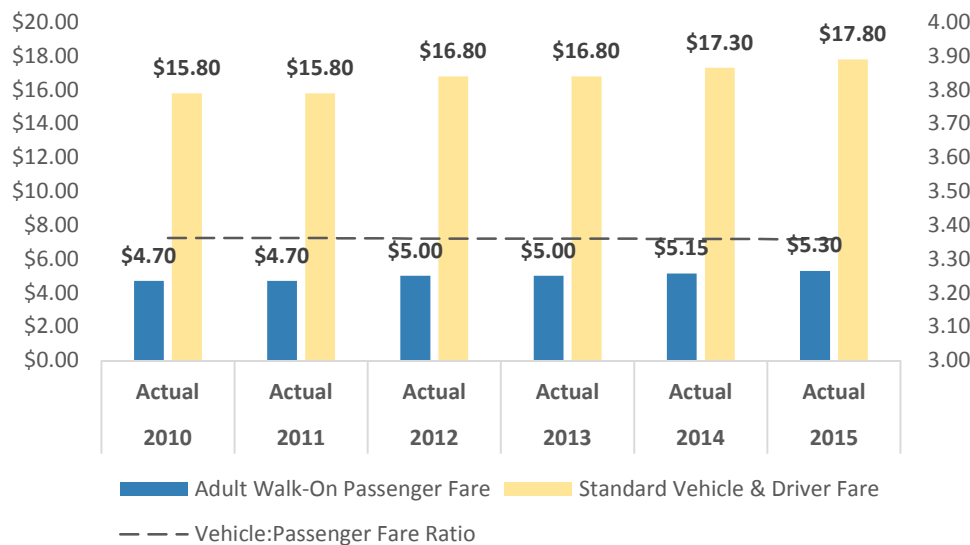
- 1 Vehicle: Passenger Fare Ratios.** Set ratios between passenger and vehicle fares.
- 2 Vehicle Type and Passenger Type Fare Ratios.** Set ratios among more granular fare types within vehicle and passenger fares.
- 3 Frequent Rider Discount.** Revise the frequent rider discount structure.
- 4 Congestion/Peak Pricing.** Revise or introduce new pricing related to times of travel.
- 5 New Products.** Introduce new fare products



## 1 Vehicle:Passenger Fare Ratios

The vehicle:passenger fare ratio reflects the relative price paid by the two major categories of ridership.

**Vehicle:Passenger Fare Ratio (2010-2015)**



- The full vehicle to passenger fare ratio has been 3.36 for the last five years meaning a vehicle fare brings 3.36 times more revenue than a passenger fare.
- Comparatively, the WSF cost of service analysis suggests that it costs more than 5 times more to transport a vehicle than a passenger.



## 1 Vehicle:Passenger Fare Ratios

### Affordability and Equity

Cost of service is a basis for understanding equity. Vehicles cost more to transport than passengers.

### Demand Management

Vehicles are the primary capacity constraint. Increasing this ratio would be in service of mode shift to parking and walking-on or carpooling ridership.

### Market Value

The ratio (and absolute fares) are comparable to the Point Defiance-Tahlequah route.



## 1 Vehicle:Passenger Fare Ratios

First, the County must consider whether a different ratio is desired. If a different ratio is desired, there are two ways of achieving it over time.

Options	Individual Fare Implications	System Implication
<b>1. No change:</b> Increase vehicle and passenger fares by the same rate	Vehicle % increase = Passenger % increase	No change
<b>2. Do not increase passenger fares,</b> and meet revenue goals with vehicle fare increases.	Vehicle % increase > Passenger increase (0%)	Vehicles pay greater share of revenue target; achieves new ratio more quickly
<b>3. Increase passenger fares</b> at a lower rate than vehicle fares over time to meet revenue goals.	Vehicle % increase > Passenger % increase	Vehicles pay greater share of revenue target; achieves new ratio more gradually
<b>4. No charge for passengers:</b> Only charge for vehicles (toll-bridge model)	Vehicle fares would increase to meet target	Vehicles pay entire fare revenue target

To be effective in demand management, would require consideration of complimentary operational strategies to support more walk-on ridership, such as parking facilities



## 2 Vehicle Type & Passenger Type Fare Ratios

2015 Fare Ratios	
<b>Adult Passenger</b>	<b>1.00</b>
Youth (5-18) Passenger	0.64
Frequent Rider Passenger Fare (per ride)	0.80
Senior/Disabled Passenger	0.50
<b>Vehicle and Driver</b>	<b>1.00</b>
Frequent Rider Vehicle Fare (per ride)	0.80
Vehicle and Sr/Disabled	0.85
Over 21' to under 30'	2.03
30' to under 40"	3.22
40' to under 50'	4.31
50' to under 60'	6.46
60' to under 70'	7.91
70' to under 80'	9.37
Over 80'	11.08
Motorcycles and 3-wheelers combined	0.59

Fare ratios within the vehicle and passenger categories guide customer choice between products when they are eligible for multiple products.

The County would use the full adult passenger fare and the full vehicle and driver fare as the benchmark for each category and vary discounts off of the benchmark.

### Issues with the current fare structure

- The 50% senior and disabled vehicle and driver discount is only applied to the “driver” portion of the fare, resulting in a 17% discount in total, leading many senior and disabled vehicle drivers to opt for the frequent rider discount instead.
- Oversize vehicle fare ratios do not currently have an algorithmic relationship according to space occupied.



2

## Passenger Types

## Vehicle Fare Types (Size)

### Affordability and Equity

- The County might be concerned about the relative impact of fares on affordability for certain groups, such as families and seniors.

- Large vehicles occupy space in proportion to their size, making it the basis for equity among different vehicle customers.

### Demand Management

- Focusing pricing to encourage greater frequency of travel as passengers could promote mode shift.

- Vehicle deck space is the main capacity constraint. Demand management goals can be furthered by encouraging travel in smaller vehicles.

### Market Value

- Pierce County Ferry currently has the smallest youth discount (36% vs. 40-50%) among peer systems.

- Pierce County charges some of the highest price per foot among its peer County systems. The relationship between size and price is not proportional.





## 2 Relationship among Passenger Fare Types

Changing the relationships between individual passenger fare types can help affordability for certain groups and ensure logical relationships between fare types.

Options	Individual Fare Implications	System Implications
<b>1. No change.</b> Apply a blanket fare increase.	<ul style="list-style-type: none"><li>All passenger fares increase by same %</li></ul>	<ul style="list-style-type: none"><li>Existing structural issues continue</li></ul>
<b>2. Increase youth discount.</b> Change the youth discount from 36% to 50%.	<ul style="list-style-type: none"><li>Youth fare changes from \$3.40 to \$2.65</li><li>May increase family affordability</li></ul>	<ul style="list-style-type: none"><li>Youth fares comprise about 3.4% of total fare revenue</li><li>Potential fare revenue decrease of approximately \$16,000</li><li>Aligns with other systems</li></ul>
<b>3. Increase senior and disables fare discount.</b> A deeper passenger discount will also affect the relationship between the senior & disabled driver fare and the value pass	<ul style="list-style-type: none"><li>Senior fare changes from \$2.65 to \$1.85</li><li>May increase senior affordability</li></ul>	<ul style="list-style-type: none"><li>Senior fares comprise about 8% of total fare revenue.</li><li>Potential fare revenue decrease of approximately \$16,000</li><li>Rebalances the senior vehicle &amp; driver and value pass fares</li></ul>



## 2 Vehicle Type (Size) Ratios

In the current fare structure, the 40-50' group currently pays the lowest price per foot over 21'. Moving to systematic vehicle size ratios would affect this category the most.

Options	Individual Fare Implications	System Implications
<p><b>1. No change.</b> Apply a blanket fare increase.</p>	<ul style="list-style-type: none"> <li>All fares increase by set percentage off current fares</li> </ul>	<ul style="list-style-type: none"> <li>Existing structural issues continue</li> </ul>
<p><b>2. Set oversize vehicle relationships linearly according to length</b> (set price per foot). May be combined with smaller categories.</p>	<ul style="list-style-type: none"> <li>The 21-50' groups would experience large increases                             <ul style="list-style-type: none"> <li>Of them, the 40-50' group would have the largest increase</li> </ul> </li> <li>The largest groups above 50' would have the smallest changes</li> </ul>	<ul style="list-style-type: none"> <li>Oversize vehicles comprise about 8% of total fare revenue</li> <li>Potential small fare revenue increase</li> <li>Potential operational and measurement issues</li> </ul>
<p><b>3. Set oversize vehicle relationships non-linearly</b> (increasing price per foot). May be combined with smaller categories.</p>	<ul style="list-style-type: none"> <li>The 21-40' categories would experience nominal increases in fares</li> <li>The 40-50' group would see a large increase</li> <li>The largest groups above 50' would have the largest increases</li> </ul>	<ul style="list-style-type: none"> <li>Oversize vehicles comprise about 8% of total fare revenue</li> <li>Potential small fare revenue increase</li> <li>Supports demand management</li> <li>Potential operational and measurement issues</li> </ul>



## 2 New Vehicle Category: Small Vehicle Fare

The County could introduce a small car fare and to do so, would need to set a cut off length and make determinations about identification and fare collection and vehicle processing.

Vehicle Length (ft)	Count of Car Models Available
10'	1
11'	2
12'	4
13'	11
14'	43
15'	109

Source: Consumer Reports, 2015

### Operations Considerations

- **Identification.** The smallest vehicles can be visually identified. Others might require measurement at the terminal through painted lanes or measuring tools. The County might consider one time measurement and validation for frequent small car riders (vehicle sticker).
- **Fare collection and vehicle processing.** A small car version of each current standard vehicle category will require modification of the fare collection system in terms of IT and in terms of verification at the terminal.



2

## New Vehicle Category: Small Vehicle Fare

### Affordability and Equity

On a cost of service and a deck space basis, smaller cars cost less and use less space, and therefore should be able to pay less. Over time residents may make small vehicle purchases to increase household affordability.

### Demand Management

A greater share of small cars will increase the number of fares paid and allow maximization of space.

### Market Value

WSF experience introducing the small car fare at a 80% discount resulted in 5% of vehicle fares using the discount and minimal revenue impacts.



2

## New Vehicle Category: Small Vehicle Fare

A small vehicle fare can help maximize the use of the ferry deck space and efficiency of the operation, but would likely result in a small decrease in fare revenue. Encouraging more customers to bring smaller vehicles can increase the effective capacity of the vessel – *carry more cars with the same boat.*

Options	Individual Fare Implications	System Implications
1. <b>No change.</b> Do not introduce a small car fare.	<ul style="list-style-type: none"><li>• No change</li></ul>	<ul style="list-style-type: none"><li>• No change</li></ul>
2. <b>Introduce a small car fare.</b> The new category may require fare collection and operating changes	<ul style="list-style-type: none"><li>• New product</li><li>• The existing standard vehicle 0-21' category would be split.</li></ul>	<ul style="list-style-type: none"><li>• Potential fare revenue decrease (~\$10,000). WSF experience shows 5% of vehicle fares using the small car fare at 14'.</li><li>• Support demand management</li><li>• May be operational ticketing and identification issues</li></ul>

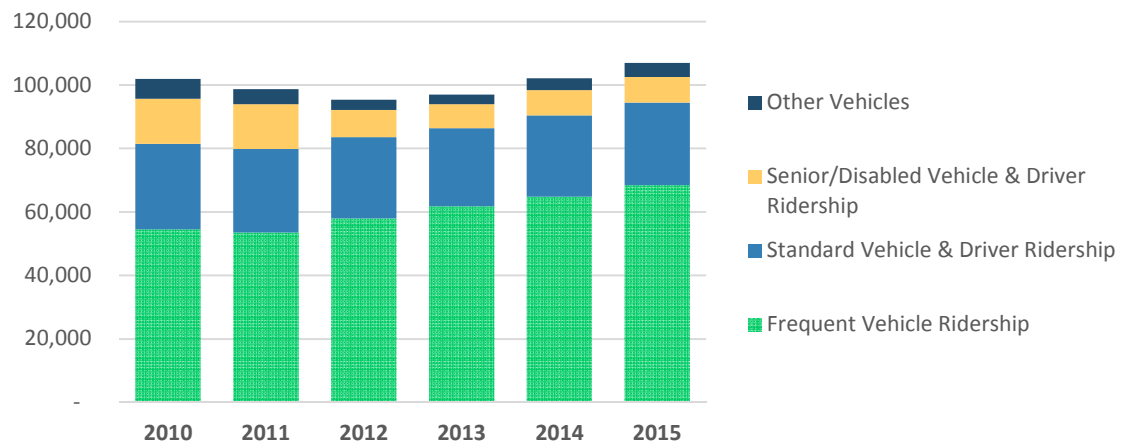


## 3 Frequent Rider Discount

Ridership on the value pass as a share of total vehicle ridership has grown from 54% in 2010 to 64% in 2015. Ridership on the vehicle value pass alone accounts for 46% of total fare revenue.

The County could modify the rules of the frequent rider pass to ensure truly frequent riders are rewarded. This should be considered along with the Monthly Pass option, congestion pricing, and new fare collection system capabilities.

Vehicle Ridership (2010-2015)



- Some of the shift resulted from the change in relative price between the value pass and the senior/disabled discount.
- The high rate of use might also signal groups sharing the frequent rider pass, thus making it a volume discount rather than a frequency discount.



## 3 Frequent Rider Discount

### Affordability and Equity

The County might be interested in affordability for certain groups such as year-round resident commuters.

### Demand Management

Currently, the value pass is the cheapest vehicle fare and available on the highest-demand sailings. The vehicle value pass is used for the majority of vehicle travel, while the passenger value pass ride is not used much at all.

### Market Value

Pierce County is the most generous among peers in the number of rides to qualify for a frequency pass (5 vs 10-25). The amount of the discount is moderate (20% vs. 15-35%)



## 3 Frequent Rider Discount

Potential changes to the frequent rider discount should be considered in the context of other potential changes to fare relationships already discussed, and potential new products such as a monthly pass.

Options	Individual Fare Implications	System Implications
<p><b>1. No change.</b> Leave the value pass at 5 trips within 40 days at a 20% discount.</p>	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Existing structural issues continue</li> </ul>
<p><b>2. Modify the pass rules to reflect frequent rider patterns.</b> A typical commuter will make 21 trips within 30 days. This could also be a new product with a deeper discount than the 5-trip value pass.</p>	<ul style="list-style-type: none"> <li>Passenger and vehicle value pass rules become more restrictive but discount remains</li> </ul>	<ul style="list-style-type: none"> <li>Potential fare revenue increase (portion anticipated to shift to full fare)</li> <li>Supports demand management</li> <li>Simple implementation</li> </ul>
<p><b>3. Vary the passenger and vehicle value pass discount:</b> On the extreme, a free passenger policy may be considered.</p>	<ul style="list-style-type: none"> <li>Maintain vehicle value pass discount</li> <li>Increase passenger value pass discount</li> </ul>	<ul style="list-style-type: none"> <li>Passengers comprise 17% of total fare revenue</li> <li>Supports demand management</li> <li>Simple implementation</li> </ul>





4

## Congestion/Peak Pricing

Congestion/peak pricing can be thought of in three layers:

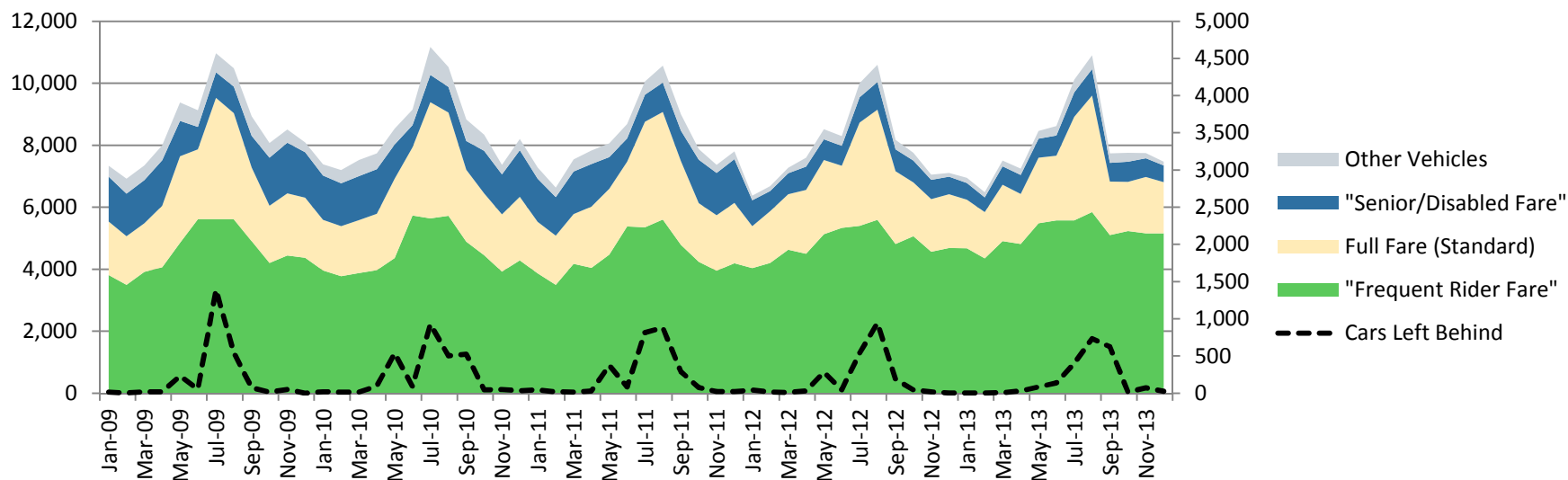
- **Seasonal (Month of Year)** – the County currently assesses a 25% summer surcharge on individual vehicle fares.
- **Day of Week** – the County does not currently price fares according to day of week.
- **Time of Day** – the County does not currently price fares according to time of day.



## 4 Congestion/Peak Pricing - Seasonal

Travel on value passes has softer peaks than full fare travel in the summer suggesting that it is being used by year-round residents. However at 64% of total vehicle travel, it makes the summer surcharge less effective for demand management.

Monthly Vehicle Ridership (2009-2013)





4

## **Congestion/Peak Pricing – Day of Week and Time of Day**

Our survey and utilization analysis indicate that certain days of week and times of day are consistently capacity constrained:

- Year-round weekday mornings
- Summer afternoon runs outbound
- Summer weekday morning runs inbound
- Summer Sunday late morning through evening runs inbound



4

## Congestion/Peak Pricing

The County could modify the peak pricing structure in the short-term. In the long-term, contingent on fare collection capabilities, the County could consider a wider range of, and more nuanced, congestion pricing options.

### Affordability and Equity

The County might be interested in affordability for certain groups such as year-round resident commuters vs. summer time visitors.

### Demand Management

The peak summer surcharge is currently limited in its ability to manage demand. A congestion pricing schedule could help maximize vessel utilization and cost-effectiveness.

### Market Value

Pierce County's peak surcharge is consistent with other systems, but it has not used all congestion pricing options at its disposal.



## 4 Congestion/Peak Pricing (Seasonal)

Options	Individual Fare Implications	System Implications
<p><b>1. No change.</b> Leave the peak surcharge at 25%.</p>	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Existing structural issues continue</li> </ul>
<p><b>2. Increase the peak surcharge.</b></p>	<ul style="list-style-type: none"> <li>All vehicle fare categories except value pass would be affected.</li> </ul>	<ul style="list-style-type: none"> <li>Peak season surcharge-eligible ridership comprises 20% of total annual vehicle ridership</li> <li>Potential fare revenue increase</li> <li>Demand management</li> <li>Simple implementation</li> </ul>
<p><b>3. Create a three-tier surcharge schedule.</b> In 2009-2013, July and August represented a 48-62% increase over the winter average ridership while May, June, and September saw a 9-29% increase.</p>	<ul style="list-style-type: none"> <li>All vehicle fare categories except value pass would be affected.</li> </ul>	<ul style="list-style-type: none"> <li>July-August surcharge-eligible ridership comprises 10% of total annual vehicle ridership</li> <li>Potential fare revenue increase</li> <li>Demand management</li> <li>Simple implementation</li> </ul>



## 4 Congestion/Peak Pricing (Day-of-Week, Time-of-Day)

Options	Individual Fare Implications	System Implications
<p><b>1. No change.</b> Leave the peak pricing focused on seasonal variation.</p>	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Existing structural issues continue</li> </ul>
<p><b>2. Day-of-week.</b> Consider day-of-week pricing to reflect significant congestion issues from Friday-Monday.</p>	<ul style="list-style-type: none"> <li>All vehicle fare categories except value pass would be affected.</li> </ul>	<ul style="list-style-type: none"> <li>Potential fare revenue increase</li> <li>Demand management</li> <li>One-point toll collection reduces the effectiveness of this pricing strategy</li> </ul>
<p><b>3. Time-of-day.</b> Consider time-of-day pricing to reflect significant congestion at certain times (Monday morning, Friday afternoon)</p>	<ul style="list-style-type: none"> <li>All vehicle fare categories except value pass would be affected.</li> </ul>	<ul style="list-style-type: none"> <li>Potential fare revenue increase</li> <li>Demand management</li> <li>One-point toll collection reduces the effectiveness of this pricing strategy</li> </ul>

**Note.** To be effective these strategies would likely require a change in fare collection policies, such that pricing might have an effect on travel in both directions. A more limited application might make more sense by targeting select trips, such as offering discounts for oversize travel during non-peak periods.



## 5 New Products: Monthly Pass

Monthly passes would be a product specifically designed for commuting residents. Depending on fare collection capabilities, Pierce County could issue passes linked with identification or mail-out vehicle stickers to limit abuse of unlimited rides.

### Affordability and Equity

The County might be interested in affordability for certain groups such as year-round resident commuters.

### Demand Management

A pass priced according to month or only usable on non-peak sailings (like a ski resort season pass with blackout dates) could help smooth demand.

### Market Value

WSF offers a passenger only monthly pass and has experienced significant demand for this product.



## 5 New Products: Monthly Passes

A monthly pass product can be priced in many ways. Most customers using this product will be shifting from another fare media. Our onboard survey indicates that full-time residents (68% of surveyed riders) make about 15 trips on average a month.

Options	Individual Fare Implications	System Implications
1. No change	<ul style="list-style-type: none"><li>No change</li></ul>	<ul style="list-style-type: none"><li>No change</li></ul>
2. Passenger-only Monthly pass	<ul style="list-style-type: none"><li>New product</li><li>Passenger value pass may be modified or replaced</li></ul>	<ul style="list-style-type: none"><li>Revenue impacts depend on pricing</li><li>Could support mode shift</li><li>May be operational ticketing and identification issues</li><li>Needs to be aligned with other fare policies</li></ul>
3. Vehicle Monthly pass	<ul style="list-style-type: none"><li>New product</li><li>Current vehicle value pass may be modified or replaced</li></ul>	<ul style="list-style-type: none"><li>Revenue impacts depend on pricing</li><li>May be operational ticketing and identification issues</li><li>Needs to be aligned with other fare policies, such as small car fare</li></ul>





# Funding Alternatives



# Pierce County Waterborne Transportation Study

## Framework for Local Ferry Funding

DRAFT

### **Financial Sustainability Objective**

A key objective for the WTS is to develop a policy framework for funding ferry operations indefinitely. The benefit of having such a framework is:

- To ensure a reasonable level of predictability for ferry customers, island residents and property owners, and Pierce County policy makers regarding service levels and funding responsibility
- Establish clear funding responsibility policies that will provide guidance to setting fare levels, considering service expansion options, and mitigating financial risks associated with changes in costs and/or revenues



# Pierce County Waterborne Transportation Study

## Future Funding Issues

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### **Long-term Financial Sustainability Challenge**

For the ferry operation to meet the needs of its various stakeholders, it is important to consider how funding responsibility might be shared among these stakeholders.

Factors that will influence future funding needs:

- Reliability and predictability of federal funding
- Fluctuations and growth in basic operational costs (labor and fuel)
- Service expansion to address capacity needs and/or customer preferences

Framework would address questions about how to assign responsibility for local funding of ferry operations and capital investment among:

- Direct beneficiaries of the service: customers and property owners
- County taxpayers



# Pierce County Waterborne Transportation Study

## Current Ferry Funding

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### How is Pierce County Ferry Currently Funded?

Majority of Pierce County Ferry Revenues =		
Ferry Fares + Deficit Reimbursement + MVFT "for ferries" + County Road Fund + FTA Funding		
<b>Ferry Fares</b>	Revenue required from ferry fares determined as part of the Pierce County Ferry Budget process	<b>46%</b>
<b>Deficit Reimbursement</b>	Deficit Reimbursement is a State funded program that distributes State gas tax to County-operated ferries. The program is administered by the Local Programs Division of WSDOT.	<b>6%</b>
<b>MVFT "for ferries"</b>	The MVFT "for ferries" is a portion of the County's distribution of State gas tax. The State-derived formula "attributes" a share of the County's gas tax to ferry operations based on the ferry's share of all County roads.	<b>2%</b>
<b>County Road Fund</b>	The Road Fund is the County's source of funds for transportation services and improvements. The principal sources of funding include the road levy, private harvest timber tax, leasehold excise tax, and the County's allocation of State MVFT revenues.	<b>11%</b>
<b>FTA Funding</b>	Pierce County is unique among its peer ferry operators and benefit from a federal transit subsidies	<b>20%</b>

These sources accounted for 87% of the revenues needed to cover costs in 2013. The County Road Fund contribution will fluctuate based on need, particularly for capital funding which can vary widely year-to-year.



# Pierce County Waterborne Transportation Study

## Current Ferry Funding

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### Anderson and Ketron Island contributions?

Island residents and property owners are the greatest beneficiaries of ferry service. In particular, they derive value in two principal ways:

- They can use the ferry service to access jobs, shopping, school, etc..
- The access provided by reliable ferry services supports the value of their properties

#### Sources of contribution:

- When residents use the ferry system, they contribute to the operation and maintenance by paying fares
- They contribute through their property taxes when they pay the Road Levy

Road levy contributions support ferry needs as well as general County road needs on the Islands

**2015 Island Road Levy Contribution**

Island	Total Assessed Value	Total Taxable Value	Taxable Share
Anderson	\$240,908,300	\$225,458,055	94%
Ketron	\$4,952,600	\$4,941,400	100%
<b>Total</b>	<b>\$245,860,900</b>	<b>\$230,399,455</b>	<b>94%</b>
<b>Road levy</b>	<b>1.9887/\$1,000 AV</b>	<b>\$458,198</b>	

Source: Pierce County Assessor, Mar 2015



## 1 Establish a Farebox Recovery Rate

County establishes a *policy-level recovery rate* and determines the fare revenue target based on the operating budget. County would be responsible to fund all capital and the balance of the operating needs for other available sources.

	Pierce County	Whatcom County	Skagit County
<b>Target</b>	<ul style="list-style-type: none"> <li>None specified</li> </ul>	<ul style="list-style-type: none"> <li>55% of selected costs</li> </ul>	<ul style="list-style-type: none"> <li>65% of selected costs</li> </ul>
<b>Formal policy</b>	<ul style="list-style-type: none"> <li>No formal policy</li> </ul>	<ul style="list-style-type: none"> <li>Adopted County Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>Adopted County Resolution</li> </ul>
<b>Basis for target</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Annual operating and maintenance costs</li> <li>Revenue in excess of target carried over to future years</li> </ul>	<ul style="list-style-type: none"> <li>5-yr avg of operating and maintenance costs less the 5-yr avgs of MVFT and Deficit Reimb. funding from the state</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Currently adjust fares roughly in line with inflation</li> </ul>	<ul style="list-style-type: none"> <li>Excludes any capital related costs including depreciation</li> </ul>	<ul style="list-style-type: none"> <li>Excludes any capital related costs including depreciation</li> </ul>



## 1 Approaches to Establish a Policy Farebox Recovery Rate

The advantage of an established recovery rate target, is there is an upfront policy determination of cost sharing.

Options	Recovery Rate	Implications
<b>1. Maintain current level.</b>	<ul style="list-style-type: none"><li>No change</li></ul>	<ul style="list-style-type: none"><li>Maintain current ratio of customer responsibility</li></ul>
<b>2. Based on peers.</b> Use peer group to establish a target farebox recovery.	<ul style="list-style-type: none"><li>55% to 65%</li></ul>	<ul style="list-style-type: none"><li>Consistency with similar operations</li><li>Need to determine cost basis</li><li>Need to determine any revenue offsets</li></ul>
<b>3. Based on County goal.</b> Consider a farebox target based on achieving an “equitable” share of costs to be recovered from customers	<ul style="list-style-type: none"><li>TBD</li></ul>	<ul style="list-style-type: none"><li>Targeted to Pierce County funding context</li><li>Need to determine cost basis</li><li>Need to determine any revenue offsets</li></ul>



2

## Establish a Farebox Recovery Formula

County establishes a policy-level formula that assigns certain costs to the customer base, which would become the fare revenue target. County would be responsible to fund all capital and the balance of the operating needs for other available sources.

### Conceptual Model: Bridge Analogy

- Pierce County ferry operates in lieu of a bridge to connect Anderson and Ketron to the mainland.
- Assign cost responsibility based on whether costs are similar to functions related to supporting other County bridges.
- Customers would then pay for the costs that are unique to ferry operations.
- Revenues would also align with ferry vs. non-ferry sources

COST ELEMENT		ALLOCATION	
		Customer	County
<b>"NON-BRIDGE" COSTS</b>			
Eligible Costs for	HMS Contract	100%	0%
Fare Revenue Target	Insurance	100%	0%
<b>Revenue Sources:</b>	Fuel	100%	0%
Fares, MVFT, Deficit Reimbursement	Other Supplies	100%	0%
<b>"BRIDGE COSTS"</b>			
County	Maintenance	0%	100%
Responsibility	Capital improvements (including depreciation)	0%	100%
<b>Revenue Sources:</b>	Management and support functions	0%	100%
County Taxes			





2

## Implications of a Formula-Based Policy

The primary advantage of using a formula-based policy for cost sharing is that the revenue target will reflect differential changes in costs and revenues.

### Costs that would fall disproportionately to customers:

- Operating costs associated with service expansion
- Structural changes in ferry cost drivers, such as fuel cost increases beyond inflation or changes in ferry contract costs

### Costs that would fall disproportionately to the County:

- Capital costs, including those associated with service expansion

### Other issues:

- The risk of reduced non-fare ferry funding (Deficit Reimbursement and FTA funding)
- Any rapid or sudden changes in ferry-related costs would need to be met with fare policy changes, could lead to price volatility



## 3 Broaden Local Ferry Funding Base

There may be an opportunity to add flexibility and predictability to the local funding of Pierce County ferry operations is through the creation of a Ferry District.

- With one exception, the structure and authority of a Ferry District is well suited to address the operational and financial challenges facing County ferry operators.
- The exception however is that:

**Current legislative authority limits Ferry Districts to the provision of passenger-only service. Pursuing this option would require statutory permission to extend this authority to all County ferry operations.**

### Example:

King County Council voted for the creation of a Ferry District in 2007 with taxing authority to levy 1/3 of one cent property tax per \$1,000 assessed value.



3

## Legislative Authority (RCW 36.54.110)

“The legislative authority of a county may adopt an ordinance creating a ferry district in all or a portion of the area of the county, including the area within the corporate limits of any city or town within the county. The ordinance may be adopted only after a public hearing has been held on the creation of a ferry district, and the county legislative authority makes a finding that it is in the public interest to create the district.”

“A ferry district may construct, purchase, operate, and maintain passenger-only ferries or wharves at any unfordable stream, lake, estuary, or bay within or bordering the ferry district, or between portions of the ferry district, or between the ferry district and other ferry districts, together with all the necessary boats, grounds, roads, approaches, and landings appertaining thereto under the direction and control of the governing body of the ferry district, free or for toll as the governing body determines by resolution.”



3

## Ferry District Funding (RCW 36.54.130)

The governing body of a ferry district may levy each year an ad valorem tax on all taxable property located in the district *not to exceed seventy-five cents per thousand dollars of assessed value.* A tax imposed under this section may be used only for:

- a) Providing ferry services, including the purchase, lease, or rental of ferry vessels and dock facilities;
- b) The operation, maintenance, and improvement of ferry vessels and dock facilities;
- c) Providing shuttle services between the ferry terminal and passenger parking facilities, and other landside improvements directly related to the *provision of passenger-only* ferry service; and
- d) Related personnel costs.



3

## Potential Recommendation

The benefits of a Ferry District for Pierce County and the residents and property owners of Anderson and Ketron Islands would be significant:

- Add flexibility and predictability to the local funding of Pierce County ferry operations and help mitigate the declining value of State shared revenues.
- The property tax mechanism that would capture some of the benefits of ferry operations that accrue to property owners, even those that do not currently occupy their property, though the ferry operations help preserve and grow the value of their land.
- Potentially reduces the portion of funding that would need to come from customers.

**Since these benefits would be similar for all of the County ferry operators, there may be an opportunity to collectively seek to extend the Ferry District authority to cover all ferry operations, not just passenger-only services.**



## Potential New Income Sources

### Opportunities to augment base funding model

Pierce County could seek additional income-producing opportunities to reduce the financial burden on the core funding sources.

#### Options could include:

- Charter and tour operation using the 2<sup>nd</sup> boat when it is not needed for service
- Enhanced services to existing customers for additional charges:
  - **Assured loading products:** multi-ride ticket book that offers guaranteed loading for a premium price (BC Ferries model)
  - **Reservations:** offer reservations in exchange for a reservations fee
- Sell advertising space on the vessel, terminals and PC Ferries website
- Share and/or lease 2<sup>nd</sup> boat to other County operators for use during drydocking or other maintenance periods



## Next Steps

### **NEXT STEPS INCLUDE:**

- **Public Meetings:**
  - Thursday May 14, Anderson Island Elementary, 7:00 PM
  - Thursday June 11, Anderson Island Elementary, 7:00 PM
- **Final Advisory Group Meeting**
  - Wednesday May 27, 2015
  - Review preliminary WTS recommendations