

AICAB SPECIAL MEETING SUMMARY MINUTES
September 6, 2013 @ Anderson Island Community Clubhouse
(AICAB Approved)

Present: Chair Joe Howells, Vice-Chair Carol Pascal, Treasurer Ann Dasch, Secretary Dave Jacobsen, Ed Stephenson, Dr. Charlene Holt, Pat Owen, Rich Sullivan, Steve Woolley, Bobbi Sullivan.

Guests: Ferry and Airports Administrator Deb Wallace, Councilmember Assistant Alice Sniffin.

Call to Order and Verification of Quorum: A quorum was confirmed and the Meeting was called to order by the Chair at approximately 7:04 P.M. The Pledge of Allegiance to the flag was observed.

Statement of Purpose for Special Meeting and Adoption of Agenda. The Chair stated that the meeting is a Special Meeting for the sole purpose of discussion Pierce County ferry fare changes. No other business will be conducted. The Chair established ground rules for the length of statements and comments, and the timing and sequence of questions from the Board and the audience.

Preparation and Considerations for 2014-15 Pierce County Ferry Fares.

Deb Wallace, Pierce County Airport and Ferry Administrator

Ms. Wallace handed out a package of information including a letter addressed to AICAB entitled “Ferry Issue Summary” with two attachments. Attachment B specifically addresses the “Pierce County Ferry – 2014 Budget Proposal”. Also included in the handout is a two-sided spreadsheet which calculates estimated farebox revenue for 2014 and 2015 assuming 2012 ridership levels and 3 percent across-the-board fare increases for each of those calendar years. The package also includes information on the process for considering “potential” ferry schedule changes sometime in 2014, and on planning for implementation of a new ferry ticketing system. Ms. Wallace asked that AICAB identify one of its members in the next month or two to participate on the ticketing system planning group.

Ms. Wallace reviewed the 2014-15 ferry operations budget proposal as it is summarized on Attachment B. Proposed fare revenue reflects a 3% increase over 2012 rates in each of the next two years, which will generate an estimated \$1,925,861 in 2014 and \$1,983,311 in 2015. The County had considered a target of 50% of the cost of Operations and Maintenance coming from farebox revenue, but that would have required fare increase of nearly 26%. They also considered a fare box revenue target of \$2.1 million a year, but that would require a fare increase approaching 12%. They considered a 6% increase on January 1, 2014 for the two years, but settled on 3% in each of the next two years, which approximates the annual rate of inflation in recent years. To balance the budget in part then, the County will increase the subsidy from the County Road Fund to \$1,312,650. This is significant, in that the annual contribution to the County Road fund from Anderson and Ketron Island property taxes is approximately \$375,000. The County is also planning an “eco-tourism and charter program” utilizing the non-active ferry. This is estimated to contribute \$40,000 in revenue in 2014. The County will also actively seek additional State and federal grant funding.

Ms. Wallace also identified several initiatives and efforts to reduce Operations and Maintenance expenses. The budget reflects an estimated 20% reduction in fuel costs as a result of the success of the fuel catalyst system installation. Energy saving steps, such as installing LED lighting and HVAC improvements in the terminal are forecast to reduce costs by \$10,000 a year. The County will also reduce the ferry and facility

depreciation set-asides by half for the next two years. For future budgets, reduced Coast Guard out-of-water dry docking requirements and the possibility of multi-year, multi-agency dry docking contracts are expected to significantly reduce maintenance costs. At this time, the County is not considering any service reductions to reduce expenses, but will continue to work with the island communities to look for service schedule refinements and efficiencies.

The County is looking to AICAB to consider the proposed changes to the fare structure to accomplish the budget requirements, and to provide a recommendation to include any suggested modifications to this ferry fare adjustment plan.

An audience member asked if the County expects to net \$40,000 a year from the eco-tourism use of the idle boat after operating costs including fuel and crew time. Ms. Wallace indicated that yes that is a "good estimate" for net revenue. They are working with a number of organizations, including the Nisqually Nature Center, the Anderson Island Historical Society, and the ferry operations contractor to put a comprehensive plan together.

An audience member asked about the life expectancy of the ferries for purposes of the depreciation schedule. Ms. Wallace indicated that the ferries are depreciated over a 40 year life.

An audience member asked what changes in ridership are anticipated in the County's ferry fare plan. Ms. Wallace indicated that this proposal assumes no change in ridership over the two years. Two years ago, it was assumed that ridership would increase by a quarter of a percent per year, and that did not come to fruition for 2012, but things are looking better for 2013. However, it is possible that the planned fare increase will actually negatively impact ridership, so forecasting ridership for purposes of budgeting needs to be conservative.

An audience member asked why ferry fares need to increase despite the significant reductions in costs the ferry system has, or intends to realize. Ms. Wallace noted that while cost reductions have and can be realized, they only partially offset increases in costs such as the price of fuel and in labor costs.

An audience member asked if financial reports on the County's ferry operations were available to the public. Ms. Wallace indicated that they are provided to members of the Ferry Committee, but she would be happy to also begin providing them to AICAB , as well as posting them on-line.

An audience member stated that if ferry fares needed to increase by 3 percent per year despite significant operational savings and increased subsidies, other operational costs must have increased much more than the 3 percent rate of inflation. Ms Wallace responded that because of their disproportionate share of the total expenses, increase in fuel and labor costs have a disproportionate impact on the budget.

AICAB member Woolley asked what proportion of the overall revenue need is covered by farebox revenue. Ms. Wallace indicated that farebox revenue currently accounts for about 43% of the overall revenue.

A member of the audience noted that her experience was that public bus farebox revenue accounted for a much smaller percentage of the revenue requirement for operations than 43%. Ms. Wallace noted that, from her experience it depends on the demand and use for the particular route. A high volume ridership

for some routes means the farebox recovery is able to contribute much more to covering the expenses of that route. She noted that some of the State's ferry routes such as the Vashion run have a much higher farebox recovery than others. The ten-year-old Waterborne Transportation Study recommended an 80% fare box recovery, but that was not adopted by the County Council. In recent years, the goal was for a 50% farebox recovery, but that would have required unrealistic increases in ferry fares.

Considerations and Recommendations for 2014-15 Ferry Fare Structure.

Ann Dasch, Chair, AICAB Ferry Issues Study Committee

AICAB Member Dasch presented a PowerPoint overview of the Ferry Issues Study Committee ideas and concerns related to ferry fare increases. Member Dasch shared the factors that the State ferry system considers in developing recommendations for fare increases, including the uniqueness of each route; the importance of surveys, public and advisory group input; the value of simplicity; use of pricing strategy to level out ridership; as well as budget requirements and community impacts.

Member Dasch noted that ferry fare revenue peaked in 2007. There was a bit of an uptick in fare revenue in 2012, in part because of the elimination of fare-exempt passage. She showed fare revenue by quarter since 2007, and noted that while peak season fare revenue is up somewhat, non-peak season fare revenue is down somewhat. While this in part may reflect the increase in the peak season surcharge percentage, it may also show that year-around residents are more price sensitive than peak season visitors. The 2003 Waterborne Transportation Study did note that ferry service demand is affected by the particular demographic makeup of the Islands' population, and another study has shown that families with children take more daily trips than childless households. While there has been significant growth in the number of household on Anderson Island in the last ten years, much of that growth has been in seasonal or part-time occupants. Member Dasch has personally observed a trend to more full-time residents finding primary residences on the mainland, as well as more "snow birds" with second homes away from the Island. The Study Committee sees potential advantages at the fare box from actions that encourage year-around, full-time residency on the Island. She noted that since 2001, the fares paid by "passengers" have increased by a larger percentage than fares paid by standard vehicle w/ driver – in particular "youth" and multi-ride passenger fares.

Member Dasch noted that one Study Committee member had suggested fares be set on a "price per square foot" used basis. She shared a chart showing the "Approximate Price per Square Foot by Ticket Category, 2013" which shows that passengers pay more per square foot of deck space (assuming about 10 square feet per sitting person) than do vehicles w/driver (assuming 100 square feet per passenger vehicle).

Member Woolley referenced an article that warned of the "unintended consequence" of individuals taking two small vehicles rather than one large vehicle when incentives are given to smaller vehicles.

Member Dasch noted that the "fundamental goal" in fare setting should be to "improve livability". More residents mean more ridership, more ridership means bigger grants, more ridership means lower costs per ride. The consensus of the Ferry Issues Study Committee is that 1) the overall length of the weekday schedule should be expanded; 2) the focus should be on reducing costs rather than increasing revenues; 3) any fare increases should be limited to vehicle fares only; 4) the fare schedule should be simplified (e.g. senior, disabled, youth pay the same, and little-used fare categories should be eliminated); 5) a monthly passenger pass should be established; 6) the "commuter" pass should be renamed to a more marketing-

friendly name; 7) the expiration of the multi-ride pass should be extended to 90 days; and 8) the discount for multi-ride passes should be increased.

Chairman Howells asked if the Committee was prepared to provide specific recommendations on all the various individual category ferry fare rates to achieve the fare box revenue target. Ms. Wallace noted that some of the ideas would require implementation of a new ticketing system. Others would require revenue offsets through raising other rates beyond the 3 percent average. “Something has to go up to cover those that would go down”. Member Dasch indicated that the Study Committee believed that increased ridership from a better fare structure would offset some of the cost of changes, but generally it would take about a 4 percent per year increase in vehicle fares to offset not increasing passenger fares.

Public Comment.

Member Woolley suggested that, because vehicle w/driver fares provide over 80 percent of the farebox revenue, you could theoretically increase vehicle fares by 5% per year and let passengers ride free, but that may not be realistic or take into account other impacts from such a decision.

Member Stephenson noted that the public transportation system is not in place to serve a lot of walk on passengers when they reach the mainland.

Member Jacobsen noted that virtually all of the goods and services for the Island come in vehicles from the mainland, so shifting more of the cost to vehicles will indirectly increase the cost of goods and services on the Island.

Member Holt asked about the potential environmental impact of the ecotourism trips with the ferry. Ms. Wallace noted that an additional benefit of the new fuel catalyst system is a reduction in vessel exhaust.

Member Woolley observed that another advantage of the eco-tourism idea is that it could provide additional trained crew members available for normal ferry operations.

Member Paschal asked about the feasibility of spreading out or lengthening the weekday schedule in a cost neutral way. Ms. Wallace indicated it is possible, but it would have to be done in such a way as to take advantage of a split shift for the crew.

A member of the audience asked how the County would load the charter in the summer to avoid conflict with the regular ferry service. Ms. Wallace noted that it would be walk-on only, and would be scheduled around the established schedule of regular service.

A member of the audience asked if the 3percent plus 3 percent increases is a “done deal”. Ms Wallace responded that the budget farebox revenue required amount is on its way to the County Council, but there is potential for some shifting of revenue contributions between ridership classes. She did note that the County Council will accept public input as a part of their budget setting process. However, service changes, like splitting the day won’t be done now. Attachment A lays out a process and schedule for considering, evaluating (including a survey and public outreach), analyzing and implementing any schedule changes – those changes wouldn’t happen before May, 2014.

Member Dasch asked if the weight of the load on the boat affect emissions or fuel usage. Ms Wallace noted that it probably does, although likely slight.

An audience member commented that from his experience trying to get to and from jury duty via Pierce Transit bus route 212, it is just not possible. The first step needs to be to work with the transit system before you assume walk-on ferry service is realistic for most.

An audience member suggested that if you kept the Peak Season surcharge in effect year-round, you might be able to avoid an increase in ferry fare rates altogether.

Chairmen Howells reiterated that the Study Committee needs to come back to AICAB with specific, priced-out recommendations. He asked the Study Committee members if they were unanimous on the concepts shared by Member Dasch this evening. Committee member Buchert stated that he is primarily concerned with getting the family friendly fare relationships in place. Committee member Hashibe stated that he is most concerned with expanding service hours and rolling back ferry fares to increase ridership.

A member of the audience asked if the increased ferry service to Ketron has resulted in increased Ketron ridership. Ms Wallace indicated that she did not know, but did note that at the same time, a call-in system was implemented to avoid unnecessary trips to Ketron. As AICAB has asked, the County will take a look at the feasibility of eliminating the “triangle” runs as part of the upcoming schedule review.

A member of the audience asked if the 3 percent per year increase is driven by labor costs as well as fuel costs. Ms. Wallace indicated that labor costs have been increasing by approximately 3 percent per year. They are preparing to negotiate a new contract now, and there is a proposal to increase wages more to more closely align with the State of Washington ferry system.

A member of the audience raised a concern about the suggestion of eliminating senior discounts and summer surcharges in the memo handed out by Deb Wallace. Member Dasch indicated those were ideas discussed earlier, but that are not part of the current recommendations from the Study Committee.

A member of the audience expressed the opinion that people who move to the Island need to adapt to the existing schedule like those who have come before them.

A member of the audience asked if there had been any change in the allocation of administrative costs to the ferry system. Ms. Wallace indicated that yes, there have been improvements in that they monitor more closely administrative time spent on airport versus ferry issues, and they are more accurately accounting for maintenance versus administrative costs. The administrative costs are between 10 and 11 percent for the ferry system.

A member of the audience indicated she is a newcomer to the Island, and she has recently been turned down for two jobs because she can't work late hours because of the ferry schedule.

A member of the audience stated that those of us who have been here for some time have adapted our life style and our budgets to the ferry schedule. “Please don't make changes unless there are compelling and have demonstrable benefits. People are “still trying to get used to the changes you made last year.”

Study Committee member Hashibe asked for a show hands from those in attendance as to support for expanding the ferry schedule and lowering the ferry fares. Chairman Howells agreed to ask for a show of hands on the question of interest in expanding service hours for the information of the Study Committee. Approximately one half of those in attendance raised a hand, but Ms. Wallace asked “how many would be willing to take some split in the day where there was no service” to accomplish that. A member of the audience asked for details on what that split would be, and Ms. Wallace stated that would need to be researched and discussed, but the County will be looking at that possibility.

Announcements and Adjournment:

The Special Meeting was adjourned at approximately 8:52 p.m.