

Running on Empty

2007 Annual Report



Washington State
Transportation Commission

Commissioners

Chair:

Richard Ford

Vice-Chair:

Elmira Forner

Members:

Bob Distler

Carol Moser

Dan O'Neal

Philip Parker

Dale Stedman

Executive Director:

Reema Griffith

Acknowledgments:

The Commission appreciates the ideas and comments from those who have contributed to this Annual Report. Thanks to the WSDOT photo library for its access and assistance. The principal author is Paul Parker, Senior Policy Analyst with the Transportation Commission. Design work is by Cheri Huber Design.

Table of Contents

Executive Summary	3
--------------------------------	---



Part 1: Priority Issues in Transportation Policy	5
---	---

A. Fiscal Needs and Challenges	5
1. Save What We Have.	5
2. The Congestion Challenge: Operate the System Better	6
3. Build What We Can: Supplement and Stretch Our Revenue.....	6
A) Tolling and Pricing	6
B) Innovative Approaches to Construction.....	8
C) Extending Finance Terms.....	9
4. Ferry Finances	10
B. Safety	11
C. Coordinating Transportation, Land Use and Economic Growth	12
1. Climate Change and the Connection to Transportation	12
2. Managing and Reducing Stormwater Runoff.....	12
3. Better Coordination of State and Local Investments.....	13
A) The State as a Partner	13
B) Concurrency.....	13
D. Connectivity	14
1. Ferry Connectivity Impacts WSF Capital Investment.....	14
2. Community Connections.....	14



Part 2: How Are We Doing Today?	15
--	----

A. What's Working?	15
1. Preservation	15
2. Safety	15
3. Economic Vitality	16
4. Mobility	17
5. Environmental Quality and Health.....	18
6. Stewardship	18
B. Room for Improvement	19
1. Preservation	19
2. Safety	19
3. Economic Vitality	20
4. Mobility	20
5. Environmental Quality and Health.....	20
6. Stewardship	20



Part 3: Overview of 2007 Activities	21
--	----

WSF Tariffs	21
Ferry Survey and Ferry Studies	22
Tacoma Narrows Bridge	22
Toll-setting and Tolling Research.....	22
Inland NW Regional Transportation Summit.....	22
Rail Workshops	23
Local Meetings and Outreach	23
Facility Namings	24



Looking Ahead:	25
-----------------------------	----

Roles and Responsibilities	26
---	----

Commissioners	27
----------------------------	----

Footnotes	28
------------------------	----





Executive Summary

The State of Transportation as We Enter 2008

Record oil prices are affecting almost every transportation mode, inflating expected project costs and changing fuel consumption by individual drivers. This economic jolt, coupled with a growing awareness of the causes and impacts of climate change, frames the Transportation Commission's 2007 Annual Report.

Although the state has stepped up with major transportation funding in the recent past, rising costs and flat to lower revenue, the failure of Proposition 1 in the Central Puget Sound, flood damage and the loss of ferry vessels to age, further challenge the state's ability to meet the mobility needs of the public.

While these challenges create head-lines, there is much that is going well. The Department of Transportation is constructing scores of recently funded projects on time and on budget. Fatalities statewide are down, transit ridership is up, and congestion at the Tacoma Narrows Bridge is eliminated.

In this Report, the Commission recommends the state continue to focus first on keeping the existing transportation system safe and reliable. We also recommend to the Governor and the Legislature fiscal and policy steps to improve the statewide transportation system and identify areas for further study.

Fiscal Recommendations

There is an urgent need for action on many fronts. Washington needs to:

- Invest more to preserve and maintain the existing state and local transportation system;

- Respond to congestion by operating the system better and removing "choke points" and bottlenecks;
- Stretch existing revenue and move forward aggressively to:
 - implement tolling;
 - use innovative construction contracting;
 - extend bond terms beyond the current 25 years; and
 - develop public and private partnerships that can bring additional funding to projects.

The Legislature has given the Commission special responsibilities to assist in developing state tolling policy. A tolling policy for the state will apply basic principles to toll projects so that they operate as a coordinated system. Tolling can supplement gas tax funding for major projects or, in the form of variable and dynamic pricing, it can price access to more fully utilize existing transportation assets. As tolling policy moves forward, an on-going dialogue between the public and policymakers will help government understand how much the public is willing to pay for improved mobility and help the public understand how expensive it is to build system improvements.

This Annual Report contains policy recommendations and information to fulfill the statutory duties of the Transportation Commission, as provided in RCW 47.01.071 and RCW 47.01.075. This Executive Summary provides an overview of recommendations more fully developed in the body of the Annual Report.

Issues and Programs That Should be Given Increased Attention or Need Further Study

In RCW 47.29.260, the Legislature directed WSDOT to review its contracting powers and management authorities. Given the construction challenges the state faces, and the difficulty of raising new revenue, the state should consider using innovative construction management and finance techniques for the mega-projects planned and underway. While



WSDOT has considerable construction expertise, where appropriate in developing and delivering complex projects, we recommend:

- Using design/build contracting, as the state did in building the Tacoma Narrows Bridge, to secure design flexibility, improve price certainty, allocate risk and complete projects faster. Assemble the design/build team very early in the project to work cooperatively with state officials in designing what is ultimately to be built.
- Evaluating the feasibility of using alliance contracting. This approach makes the contractor and the state “partners” in sharing the risks and benefits that can flow from the project work. Each is charged with doing what is best to accomplish the project at the least cost and in the shortest time.
- Streamlining our state’s public-private partnership statute to be more attractive to private equity investors.

Extending finance terms provides the opportunity to stretch funds further. Since the lifespan of many large projects far exceeds the time for bond repayment, the Legislature should consider giving the state the same authority for 35 or 40 year bonding for transportation projects as cities and counties have.

Washington State Ferries (WSF) is underfunded for essential new boats and terminal improvements and urgently needs a sustainable, predictable funding stream that will not compromise the integrity of the state-wide highway system. While the Commission has no specific recommendations on ferry finances at this time, these issues will be addressed later this year in the Commission’s Long-Term Ferry Finance Study. Solving the many problems facing WSF will require a larger political consensus to find the necessary resources.

Keep Safety a Priority

The Commission respectfully disagrees with the State Auditor on the priority of congestion in transportation spending. As we recommended in the Washington Transportation Plan and the Legislature affirmed last session, safety and system preservation should be the top priorities. The economic loss from serious and fatal accidents is large – and by some measures greater than congestion delays. The state should continue to prioritize transportation investments to enhance safety and consider helping improve safety on the most dangerous roads in the state, whether those roads are part of the county, city or state system.

Environmental, Land Use and Social Challenges

Coordinating transportation with other social and environmental needs will require partnerships and collaborations.

- Meeting the state’s goals for reduced greenhouse gas emissions will require significant changes in transportation planning and management. State and local transportation agencies will need new resources to facilitate, integrate and accommodate mode shifts. Transit systems will face new demand and increased expectations.
- Better strategies and more funding are needed to effectively reduce and control stormwater runoff from roads and highways built prior to the last decade but transportation agencies cannot shoulder this burden alone.
- Local governments must address “concurrency” when new growth impacts local roads and streets, but no similar requirement applies when development impacts state highways. During the Commission’s meetings around the state we saw many examples where adjacent developments simply put too many vehicles on segments of state highways, with SR 2 in the Snohomish Valley the poster child for congestion and major safety concerns.
- Better schedule coordination is needed between transit providers and Washington State Ferries.
- The state lacks adequate public transportation services to connect rural areas. Collaboration between WSDOT, local transit systems and private carriers may improve rural connectivity.

Looking Ahead

The Commission hopes that this Annual Report will help the Governor and the Legislature focus on the high priority issues facing Washington’s transportation system. The Report also summarizes our 2007 activities and what we heard as we traveled to communities around the state. Although this Report identifies many challenges facing the transportation system in our state, we hope that citizens will take pride in the excellent work being done as projects are built on time and on budget. And, while the hardship caused by taking ferries out of service is very real in the short term, responsible public officials do not expose the public to safety risks. We thank those officials for putting safety first.



Part 1:

Priority Issues in Transportation Policy

A. Fiscal Needs and Challenges

State and local transportation agencies have faced significant cost increases for steel, concrete, and oil for three years. Now, revenue uncertainty also poses a challenge. Highway construction costs using the WSDOT construction cost index increased 7.9% in the first three quarters of 2007 over the annual average of 2006. This inflation rate and lower than expected gas tax revenue, means that existing funding streams cannot build all the projects identified in the "Nickel" and Transportation Partnership Acts (TPA).

After cutting \$1.5 billion per biennium in transportation funding from car licensing fees in 1999, Washington is one of the most gas tax dependent states. In addition, Washington is more heavily bonded in transportation than at anytime in its history. Today 35 percent of the state gas tax revenue goes to debt service -- by the time all of the Nickel and TPA related bonds are issued, nearly all of the gas tax revenue stream will support interest on bonds. Our gas tax bonding capacity is nearly gone and limited federal funds add to the financial stress.

The long-term revenue picture is unlikely to improve. Regardless of the future price of a barrel of oil, fossil fuel consumption (and gas tax revenue) on a miles-per-gallon basis will decline as new vehicle emission standards take effect and people voluntarily reduce auto use in response to concern about climate change.

After the electorate's November defeat of the \$18 billion dollar Central Puget Sound transportation package, Paula Hammond, the Secretary of Transportation, announced the state's three-part response:

- Build what we can
- Operate the system better
- Create options

While this is a sound approach, we first recommend saving what we have.

1. Save What We Have

More investment is necessary to preserve and maintain the existing state and local transportation system.



The state's last two gas tax increases gained support by listing specific projects the new revenue would build. Although this strategy has been a success at raising money for new facilities, preservation and maintenance of the existing state highway system has not kept up. WSDOT estimates that its preservation budget is short by about \$100 million a year; the maintenance budget gap is about \$20 to \$30 million a year. As the tragic I-35 bridge collapse in Minneapolis

demonstrated, Washington is not alone in falling behind on system preservation. County and city governments also face shortfalls.

Washington needs a steady and predictable flow of transportation revenue to support preservation and maintenance. If the Legislature wishes to close the gap between available funds and what is needed to maintain the system three separate approaches that we have discussed are a very small, steady fuel tax increase not tied to any specific project list, a percentage tax on fuel, or a small sales tax on fuel. Any new, additional revenue should be strictly for preservation and maintenance, including emergency repairs, such as flood damage and landslide removal, and include a share for county roads and city streets.

2. The Congestion Challenge: Operate the System Better

Drivers in and around any metropolitan centers of the United States are familiar with traffic congestion. And they wonder: why can't our leaders in Olympia -- or Sacramento, Salem, or Albany -- do something about it?

For the most part, congestion in the United States today is not because of too little infrastructure. The problem is that most people want to use roads and use them at the same time. New infrastructure is expensive -- on average, the cost to construct one new lane of freeway one mile in length in urban areas is between \$20 million to \$50 million.

In this state, there are no billions for new infrastructure that is needed for only a few hours a day. Instead of building more infrastructure, there are ways to operate the system better and provide people options. System operation improvements in place today include incident response and on-ramp signaling; transportation options include commute trip reduction, vanpooling and telecommuting. Commuter rail, light rail, and express bus options are also part of the answer.

Dynamic tolling -- toll rates which change based on traffic to help improve throughput -- will soon be tested on SR 167 in the Kent Valley. Akin to that is variable time of day tolling. Both approaches have worked elsewhere in the United States. Other ideas, such as variable time of day speed limits, require diligent enforcement, but have worked in Europe. The answer to congestion appears to lie in more efficient use of the existing system in its entirety.

3. Build What We Can: Supplement and Stretch Our Revenue

The state should consider: A) tolling and pricing more facilities; B) use of innovative construction and financing approaches including partnerships within the public sector and between the public and private sectors, and C) longer bond terms.

The daily frustration of drivers on our roadways is ample evidence that our current transportation model is broken, and that bold thinking and leadership are needed. We're never going to solve congestion with higher federal gas taxes or additional earmarks; instead, we need fresh approaches like new technology, congestion pricing and greater private sector investment to get America moving again.

*U.S. Transportation Secretary
Mary E. Peters*

*Comments on the 2007 Urban Mobility Report
Tuesday, September 18, 2007*

Our state -- and indeed the entire nation -- needs to act to develop alternative transportation revenue sources to supplement, and perhaps ultimately replace, the gas tax. Before new highway capacity is built, existing assets should be managed to achieve throughput at full design capacity.

A) Tolling and Pricing

Tolling can supplement gas tax funding for major projects; variable and dynamic pricing can ensure fuller utilization of existing transportation assets.

Throughout our state's history, tolling has been used to fund the construction of large and expensive transportation projects. Today, in light of aging infrastructure, increased demand and increased congestion, and inadequate funding for major new transportation projects, tolling can supplement the gas tax. Pricing techniques also use tolls but their primary purpose is to improve the efficiency of existing transportation facilities, not to raise revenue.



The Tolling Study completed in 2006 by the Commission provided a set of eight recommended policies to guide development of a system of toll facilities in our State:

1. **Overall Direction.** Washington should use tolling to encourage effective use of the transportation system and provide a supplementary source of transportation funding.
2. **When to Use Tolling.** Tolling should be used when it can be demonstrated to:
 - Contribute to a significant portion of the cost of a project that cannot be funded solely with existing sources; and/or
 - Optimize system performance, such as with a HOV/Tolled Express lane.Such tolling should in all cases:
 - Be fairly and equitably applied in the context of the statewide transportation system; and
 - Not have significant adverse impacts through diversion of traffic to other routes.
3. **Use of Toll Revenue.** Toll revenue should be used only to improve, preserve or operate the transportation system.
4. **Setting Toll Rates.** Toll rates, which may include variable pricing, should be set to optimize system performance, recognizing necessary tradeoffs to generate revenue.
5. **Duration of Toll Collection.** Since transportation infrastructure projects have costs and benefits that extend well beyond those paid for by initial construction funding, tolls should remain in place to fund additional capacity, capital rehabilitation, maintenance, operations, and to optimize system performance.
6. **State Authority to Set Toll Policy.** Following broad statutory direction, the Washington State Transportation Commission, as the currently designated State Tolling Authority, should develop policies and criteria for selecting the parts of the transportation system to be tolled; propose the study of potential toll facilities; recommend toll deployments to the Governor and Legislature; and set toll rates. The Authority should engage in robust and continuous coordination with state-authorized regional or multistate entities that may propose toll facilities to the Authority.
7. **WSDOT to Implement Policy.** The Washington State Department of Transportation should be responsible for planning, development, operations and administration of toll projects and toll operations within the State.
8. **Toll Collection Systems.** Toll collection systems in the State of Washington should be simple, unified, and interoperable and avoid attended tollbooths, wherever possible.

Underlying the eight recommendations in the Tolling Study is the overarching need to develop and operate tolled facilities as a system. Mobility will improve if individual toll projects are operated as a system. And, by pooling revenue from tolled facilities, the State can leverage financial benefits, obtain lower interest rates on bonds, and fund additional system improvements. In early 2008, through the Tolling Study II work currently underway, the Commission and WSDOT will show that grouping potential future toll projects by corridors provides the traveling public greater mobility options and cost benefits.

An on-going dialogue between the public and policymakers must occur so that government understands how much the public is willing to pay for improved mobility and the public understands how expensive system improvements are.

How the state introduces tolling and how the public accepts it will impact policy decisions on other facilities. Policymakers need to engage in dialogue with the public to determine what the “system” is and decide what level of service and performance they want. Much work must be done to develop public awareness of pricing and its acceptance as a congestion management tool.

The Tolling Study recommended a phased, three-step approach to moving ahead with tolling projects, based upon viability and urgency:

- **Short Term** (within 10 years)
 - Accelerate implementation of high-cost/high-need projects such as SR 520, Columbia River Crossing at Vancouver, and Snoqualmie Pass.
 - Use price differentials as appropriate to make most effective use of the system.
 - Convert high-occupancy vehicle (HOV) lanes to HOV/tolled express lanes to optimize performance and maintain free-flowing service for transit, vanpools and carpools.
- **Medium Term** (within 20 years)

Consider the potential for building additional capacity as tolled express lanes through more extensive study of long-term costs and benefits.

Consider broader use of tolling to optimize system performance.
- **Long Term** (beyond 20 years)

Consider more extensive use of tolls as the ability to build more capacity is constrained, traditional revenue sources decline, and technology advances.

These policy choices must be made soon to ensure fairness and successful tolling across the transportation system. Beginning in spring 2008, the state will introduce dynamic pricing to the driving public by providing a driver the opportunity to buy into the HOV lane and bypass traffic congestion on the non-tolled lanes. The cost to enter the HOV lane on SR 167 between Auburn and Renton will vary depending on how much congestion is present to ensure that traffic in the HOV/High Occupancy Toll (HOT) lane flows at 45 mph or faster.

B) Innovative Approaches to Construction

Successful completion of the mega-projects underway or planned to preserve and enhance key features of the state transportation system requires efforts beyond “business as usual.” While WSDOT has considerable construction expertise, the Legislature recently directed WSDOT to study its current and potentially desirable contracting powers and project management authorities¹.

For projects as big in size and complex in scope as rebuilding the SR 520 Bridge, replacing the ferry fleet, or building the Columbia River Crossing, the state should consider new approaches to finance and construct them.

Use Design-Build Where Appropriate

Changes in project management should be considered to increase use of design/build where appropriate. While no panacea for the project challenges the state faces, design/build can provide design flexibility, improve price certainty, allocate risk and complete projects faster. The design/build team should be engaged very early in the project to work cooperatively with state officials in designing what is ultimately to be built.

Less complex and routine projects should be developed internally to the point where design provides accurate cost estimates for project authorization.

Construction of the Tacoma Narrows Bridge is a success story to build upon. Both its completion time and cost savings illustrate the benefits of using design/build contracts for project delivery. In a design/build contract one “master builder” manages the entire project from very early design to completion. Washington should increase the use of this project delivery technique where appropriate and implement it so that the agreement between the government and the contractor generates optimum efficiency.

A method used in Europe should be considered. There, a pool of contractors are pre-qualified based on objective qualifications: the size of the company, those that have completed similar work successfully, how long the firm has been

The Statewide Tolling Policy Also Should:

- Clarify the scope and definition of “operation and maintenance expenses” that can be paid from toll revenues;
- Allow for the establishment of “regional” advisory committees for citizen input in toll operations, rather than having a separate advisory committee for each tolled facility; and
- Reserve the authority for toll exemptions to the Commission.



in business, the experience and history of its subcontractors, and the reviews by previous customers. Those who are pre-qualified receive the owner's outline of basic requirements for the desired project outcome and are asked to submit a response of interest to provide design and construction services. After two companies are selected, each receives a grant to work with the state design team to develop a final proposal. When the design is complete enough to produce a bid price from each, one proposal is selected for contract negotiation.

Alliance Contracting

The Legislature should consider getting an independent evaluation of the feasibility of using alliance contracting -- a performance-based approach to building infrastructure that requires both the owner and contractor to do what is best for the project -- for very large, complex state transportation projects.

Another approach to building complex infrastructure that has been used successfully elsewhere around the world is alliance contracting². A performance-based approach to construction, government and one or more construction companies collaborate as true partners in the design and construction of a project, sharing responsibility for the project risks and costs and also sharing in the benefits. Alliance contracts, which have been described as requiring the owner and contractor to do what is best for the project, embody the following characteristics:

1. The partners (owner and contractors) are collectively responsible for performing the work and owning and managing project risk.
2. The alliance agreement contains terms specifying compensation:
 - The contractor is paid for direct costs subject to "open book" accounting and verification;
 - The contractor is paid indirect costs (for corporate overhead and normal business profit); and
 - Cost overruns and project savings are shared by the partners according to a project-specific formula.
3. The partners make decisions based on the best interests of the project.
4. The partners agree how to resolve issues – without recourse to litigation except in circumstances spelled out in the agreement.



Private investment

Our state's public-private partnership statute imposes too many restrictions to be attractive to private equity investors. We recommend streamlining the public-private partnership law to allow a wider range of financing opportunities while maintaining the Legislature's responsibility to balance public and private interests.

The Commission suggested how to reduce process and move project decisions forward in its 2007 Report on the Transportation Innovative Partnerships Program. The Dulles Greenway (Virginia) and SR 91 Express Lanes in California are already in operation as a result of private sector proposals to operate, finance, build and/or maintain toll highways.

Engaging large international companies in major transportation projects also provides the benefit of their global leverage. Washington experienced this benefit when cable delivered for the TNB project arrived rusty. Despite a very competitive world-wide market, this was no longer a one-time customer for cable in a dispute with a supplier, but an international construction giant with the clout to influence the supplier to quickly replace the defective material.

There are, of course, downsides to private investment, including the potential that the life-cycle cost of the project will be greater, and opposition from those who regard private investment as a step toward privatization of public goods.

C) Extending Finance Terms

Given the high cost of many of the projects the state must build or rebuild, and a lifespan for those projects that far exceeds the time for bond repayment, the Legislature should consider allowing 35 - 40 year bonding terms for at least very large transportation projects – a tool that is currently available to cities and counties.

Currently state practice is to issue bonds to fund transportation projects for a 25-year term. Although somewhat broader authority exists, Washington hasn't followed other states that use longer terms for bridges or mega-projects³. Forty or fifty year bonds are well within the useful lifespan of most transportation facilities, some of which are designed last 70 years or more. The Legislature should both consider constitutional changes and whether bonds backed by tolls or fares might be appropriate for longer terms.

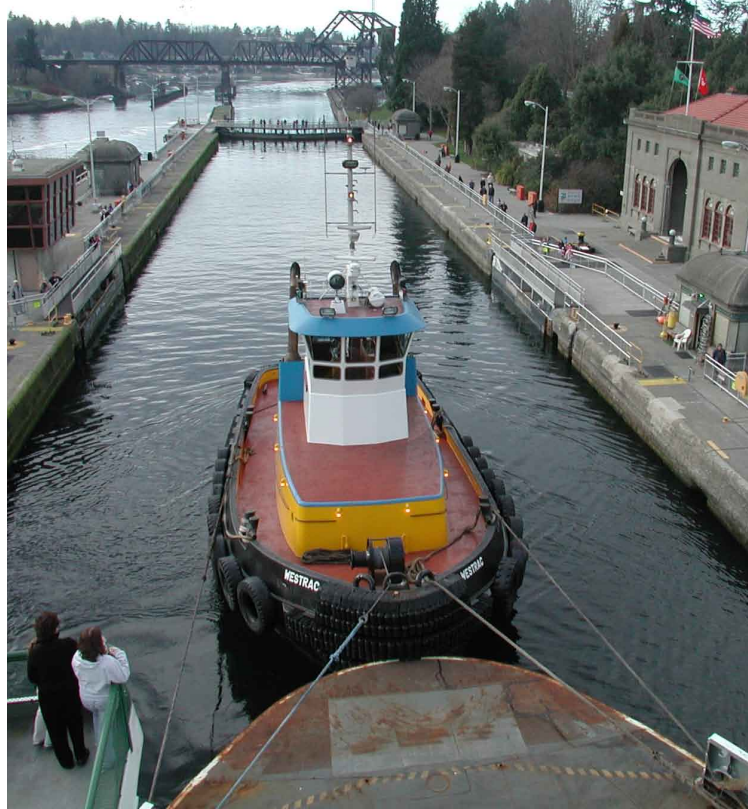


In practical terms, if a \$3.00 toll rate is sought over a 25-year term, by extending the debt service to 35 years, the toll could be lowered to about \$2.25. Someone commuting 200 times a year would pay about \$90 a year less in tolls – but the tolls would stay on for ten years longer. Because the dollars used to pay the toll in the first years typically are more valuable for someone whose income grows over time, the lower up front cost would be of great benefit and the toll in the later years would have less impact.

4. Ferry Finances

A sustainable, predictable funding stream for Washington State Ferries (WSF) is urgently needed — both for operations and for an agreed plan of capital expenditures. Although extensive efforts are underway to evaluate opportunities for changes in WSF operations, it is apparent that no easy solutions will emerge. Addressing the many problems facing WSF will require a larger political consensus to find the necessary resources.

Washington State Ferries (WSF) -- essential transportation for a significant segment of the State's population -- is a system in crisis. The largest ferry system in the United States, either public or private, WSF annually carries approximately 11 million vehicles and drivers a year (on average almost 30,000 a day) and over 13 million passengers, many who walk on. Ferries are operated as part of the state highway system but they also function as a transit system for carpool, bicycle and walk-on commuters.



pay scales set through collective bargaining.

Significant work is underway to assess ferry customer needs and ridership habits, rethink future demand forecasts and service levels, and "right size" the WSF capital plan based on those metrics. Results from the ferry customer survey will inform possible changes to operational and pricing strategies and improve understanding of long-term capital needs

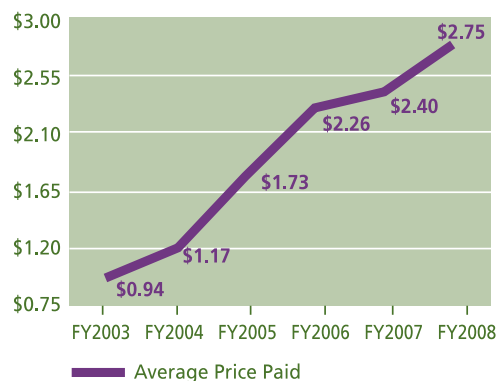
for vessels and terminals. The Commission is working with the Department, legislators and others on the long-term ferry finance study -- and other studies -- that will make policy and fiscal recommendations for the 2009 session.

One financing approach commonly used in the private sector that is under consideration is a long-term purchase plan at a fixed price. Given that the state needs to acquire between 6-10

ferries over the next 15 years, WSF could consider a purchase and finance arrangement to phase delivery of multiple boats over time but lock in the price today, or at least index any price increase.

By extending bond terms, instead of a \$3 toll for 25 years, the money needed to pay for the project would require only a \$2.25 toll -- but it would be paid for 10 additional years, spreading the facility cost among more users.

WSF Fuel Costs per Gallon, FY2003 - FY2008



B. Safety

The value of addressing the safety of our transportation system far exceeds the cost of congestion. The state should continue to prioritize transportation investments that enhance safety on the state system. It also should consider improving safety on the most dangerous roads in the state, whether those roads are part of the county, city or state system.

In adopting the Washington Transportation Plan, the Commission identified safety as one of the highest priorities for investment in the transportation system. Since then, the State Auditor, among others, has suggested that congestion, not safety, should be the highest priority. We disagree.

Approximately 600 people die in collisions in Washington each year. Not only is the personal loss staggering, but the economic loss to families and society as a whole is estimated at \$5.3 billion annually⁴. Although human tragedy cannot be measured solely in dollars, even in economic terms, the value of addressing the safety of our transportation system far exceeds the cost of congestion.

Vehicle Operation

Driver behavior is the dominant factor impacting highway safety today. The Traffic Safety Commission reports that speed, substance abuse, or both in combination account for 65% of fatalities in Washington. Lowering speed limits on two lane highways, beefing up enforcement, and preventing people from driving while under the influence of alcohol or drugs are some of the most important steps to reduce death and injury rates from collisions.

The Most Dangerous Roads are Two-lane County Roads

According to data collected by WSDOT, for every 100 million vehicle miles traveled on the highways, roads and streets of this state, the fatality rate is 0.90 for city streets; 1.65 for state highways; 0.53 for the interstate system; and 2.28 for county roads, most of which are of two-lane construction. While too many accidents are the result of substance abuse or speeding or both, there are still opportunities to improve roadways and improve safety, such as guardrail placement and improved shoulders on rural roads.



Bridges - Inspecting and Acting

People must have confidence that our transportation facilities are structurally safe. The Interstate 35 bridge collapse in Minneapolis demonstrated that even small structural defects can cause catastrophic failures. Due to aggressive and comprehensive inspection and repair programs, a high percentage of state, county, and city bridges in Washington are in good condition. However, some of our most heavily used structures, such as SR 520, need replacement.

The County Road Administration Board reports that on the county road system, 668 of the 3,270 bridges are considered deficient -- more than 20 percent. Of these, 185 are structurally deficient (unable to carry legal loads) and 483 are functionally obsolete (narrow lanes, inadequate rails and other safety problems).

While catastrophic failure is always of concern with structurally deficient bridges, even bridges in the "good" category can fail due to overweight vehicles. Safety pertaining to bridges is not all about weight. Many functionally obsolete bridges present challenges to the motoring public due to both lane width and the presence of obsolete safety features.

One structurally unsafe bridge -- Tacoma's Murray Morgan bridge -- was closed by Transportation Secretary Paula Hammond only days after her appointment. Although signs had been posted on the Murray Morgan bridge to prevent traffic by heavier vehicles, WSDOT surveillance indicated enough violations to warrant its closure to all vehicles. This concern is not unusual. Grays Harbor County experienced a catastrophic bridge failure earlier this year when an overweight truck and trailer ignored posted signage on weight restrictions.



C. Coordinating Transportation, Land Use and Economic Growth

1. Climate Change and the Connection to Transportation

Meeting the goals for reduced greenhouse gas emissions set by the Legislature and Governor will require significant changes in transportation planning and management.

As society responds to climate change, impacts to everyday transportation will be the most significant since Henry Ford perfected the assembly line. Increased fuel efficiency and voluntary mode shifts will reduce the transportation revenue stream, at the same time that state and local transportation agencies will need to facilitate, integrate and accommodate mode shifts. Transit systems will face new demand, including increased expectations from commuters, and calls for improved intercity connections.

Washington has joined with other western states in a major effort to reduce greenhouse gas emissions (GHG)⁵. To meet the goals set by the Legislature and Governor⁶, significant reductions must come from the transportation sector, which generates at least half of Washington's GHG. The strategy developed by the Governor's Climate Action Team relies on people using clean cars and using cars less. Reducing GHG will require mode shifts that increase use of transit, biking or walking, changing land use patterns, and changing business models.



The Climate Action Team Recommends the Following Unprioritized Options to Reduce Transportation-based GHG:

1. Transit, ridesharing, and Commuter Choice programs, such as telecommuting, parking cash-out, etc.
2. State, regional and local VMT (vehicle miles traveled) reduction goals and standards.
3. Transportation pricing.
4. Promote compact and transit-oriented development.
5. Quantify these impacts of transportation plans, programs and projects.
6. Improvements to freight railroads and intercity passenger railroads.
7. Diesel engine emission reductions and fuel efficiency improvements.
8. Transportation system management.
9. Actions to accelerate and integrate plug-in hybrid electric vehicle use.
10. Low carbon fuel standard.
11. Zero emission vehicle standard and low-GHG refrigerants.

Success in achieving these reductions will require new revenue streams to supplement transportation needs. And, although people will drive more efficient cars, people will still drive and transit, including Bus Rapid Transit, will play a larger transportation role. Gas tax revenue will decline -- but the need for roads will not go away.

2. Managing and Reducing Stormwater Runoff

Better strategies and increased funding are needed to effectively reduce and control stormwater runoff from roads and highways built prior to the last decade. Transportation alone cannot take on the entire burden to solve this problem to which we are all contributing.

Surface water runoff is the largest contributor of toxic chemicals that harm Puget Sound⁷. Runoff from roads, parking lots and driveways, as well as vehicle-generated airborne pollutants that eventually settle to earth, is a major source of contamination.

WSDOT and many cities and counties do a good job building new transportation facilities that reduce and mitigate runoff and spend a lot of effort and money to do so. In WSDOT case studies of 21 of its own projects, stormwater containment and treatment was by far the largest single environmental expenditure, accounting for 7.8% in 2003 and 8.4% in 2006 of the project cost.

Preventing harm from new projects is not enough. State and local governments need to go on the offensive to effectively reduce and control stormwater from roads and highways built prior to the last decade. But transportation should not be required to take on the entire financial burden itself -- for one thing there isn't enough money. Only a joint effort of multiple agencies and the private sector working together can solve this problem to which we are all contributing. Local improvement districts might offer one approach to addressing existing stormwater problems.

3. Better Coordination of State and Local Investments

In our 2006 Annual Report, we stressed the need for counties, cities, and the state to better coordinate and integrate land use, transportation, and economic development efforts, especially in light of higher costs and lower revenues facing the transportation system. This need is stronger today than ever.

A) The State as a Partner

When a state owned facility needs improvement and local governmental entities, local property owners, and even other state agencies are able and willing to help finance the needed improvements, WSDOT should have sufficient flexibility and authority to opt into partnerships where the state can leverage a small investment to complete a much needed project.

State policy and budgets sometimes present barriers that limit the ability of the WSDOT to partner with local government in a resourceful and productive manner. For example, during the Commission visit to Walla Walla earlier this year, it learned of a transportation need on SR 125, the state highway that provides access to the State Penitentiary, where a stretch of the road has not been constructed to either state or city standards and has significant stormwater management issues. A proposed improvement would rebuild about ½ mile of pavement and install bike lanes and sidewalks where they don't exist today.

As part of a major remodel and expansion of the State Penitentiary, the Department of Corrections has set aside some funds for the project, as has the Port of Walla Walla which owns property on the right-of-way. But the low traffic count on this portion of SR 125 caused it to be a fairly low project on the priority list. This, coupled with the fact that all available project funding is essentially already spent, has limited WSDOT participation in an improvement that could have otherwise been a win-win for all with a minor investment from the state.

B) Concurrency

The Legislature should consider clarifying the respective state and local responsibilities for addressing congestion driven by state and local permitting decisions and include a multi-modal approach to concurrency. Local decisions to allow new development should take into account costs for all transportation links across all modes.

The Growth Management Act (GMA) enacted a requirement for appropriate infrastructure to be provided in an efficient and environmentally acceptable manner at the time of new development -- and to prevent new development from degrading local service standards for existing residents⁸. Although this concurrency standard has been in place for 15 years, the mismatch between land use and transportation continues.

During 2007, as in 2006, as the Commission traveled across the state, it saw many places where cities and counties continue to issue housing and commercial permits despite inadequate infrastructure or where the state fails to exercise its responsibility to limit highway access. The severe congestion and serious accidents that plague the SR 2 corridor illustrate the problems that occur when new development is not in synch with transportation infrastructure. Also, what is acceptable congestion on a street in one city easily spills over into the next -- and accumulated trips from many cities can add up to congested highways.

Two concurrency studies completed in 2007 looked at how to improve coordination of transportation and land use⁹. Legislative action is needed to make real the concurrency promise. GMA should clarify the respective state and local responsibility for addressing congestion driven by state and local permitting decisions and include a multi-modal approach to concurrency. The siting of new commercial and residential development should take into account all transportation costs, modes, and connections.



D. Connectivity

Connectivity is about making connections: getting people (and goods) where they need to be in a timely and reliable way. Often, it is the ability to get from one place to another without a car. Connectivity means a person can walk on a ferry and upon disembarking, be able to catch a bus to their destination without a long wait. Or, it may be having public transit available. Very often, connectivity requires two or more transportation providers to partner.

1. Ferry Connectivity Impacts WSF Capital Investment

Increased seamlessness of transit connections between modes and operators will encourage commuters to leave their private autos behind. Transit providers and Washington State Ferries (WSF) should work together to accommodate demand by coordinating ferry and transit schedules, providing adequate park and ride facilities, and facilitating options such as FlexCar.

Large numbers of people commute across Puget Sound by ferry for jobs, for medical care, and for school. Whether bus and rail connections at the dock will reliably get people where they want to go plays a major part in a ferry commuter's decision to walk or drive onto the ferry.

WSDOT, working with local transit systems, can improve rural connectivity by contracting with private carriers to provide intercity bus service.

WSF and transit providers can work together to shape ferry service demand by coordinating schedules, providing adequate park and ride facilities, and offering access to car-sharing services such as FlexCar that allow members to reserve and drive a car whenever they want. Depending on the desirability of increasing walk-on ferry commuters to manage future capital investment, WSF may want to explore using operations revenue to improve transit connections.

2. Community Connections

Many Washington communities have no passenger train or intercity bus service. In last year's Report, we cited the lack of transit service between the Tri-Cities and Walla Walla as an example of lost connectivity between communities.

Thanks to WSDOT and a Federal Transit Administration pilot program matching private investments with grant money, Walla Walla and the Tri-Cities are connected again. Since November a 16-passenger bus makes three daily

round trips between the two with three stops along the way. A one-way trip on this Grape Line from Walla Walla to Pasco costs \$6.50 and takes a little less than two hours. The Omak to Ellensburg corridor will benefit next from the WSDOT intercity program, with service provided through a contract with Trailways.





Part 2:

How Are We Doing Today?

A. What's Working?

This portion of the Annual Report compares on the ground experience with the five investment guidelines from the 2006 – 2026 Washington Transportation Plan and the stewardship goal enacted in the 2007 legislative session¹⁰. Some demonstrate progress and collaboration; others indicate room for improvement.

1. Preservation

Preserve and extend prior investments in existing transportation facilities and the services they provide to people and commerce.

Running Smoothly

Last summer, WSDOT replaced expansion joints and repaved the northbound lanes of I-5 in Seattle from Spokane Street to the I-90 interchange. This preservation project provides a quieter ride and extends the life of the pavement for 30 more years. Aggressive traffic management efforts and driver cooperation helped keep traffic flowing and enabled the contractor to complete the project early, reducing closure of I-5 to a minimum.



2. Safety

Target construction projects, enforcement, and education to save lives, reduce injuries, and protect property.

Working Together

In October 2007, the US 12 Coalition celebrated completion of Phase 3 of a six-phase project improving a stretch of road between Walla Walla and Pasco that suffered 379 collisions between 2002 and 2007, including seven fatalities. The Coalition has made US 12 safety improvements the top transportation priority for their area; there is no confusion locally or in Olympia as to their focus.

Roundabouts

Across Washington, counties, cities and the state are building roundabouts to improve traffic safety and mobility. One successful example -- the biggest in Eastern Washington -- a 200-foot diameter, two-lane roundabout is part of a \$60 million project completed

on SR 240 in Richland in June 2007. The project also improves bicycle safety, completing a missing link on paths that loop around Pasco and Kennewick, and provides animal passage under the new highway.

3. Economic Vitality

Improve freight movement and support economic sectors that rely on the transportation system, such as agriculture, tourism, and manufacturing.

WSDOT, the Port of Tacoma, City of Fife, and I-5 Improvements

The Washington Transportation Plan stresses the need for partnerships to improve the efficiency and effectiveness of the transportation system. Traffic in and out of the Port of Tacoma has increased rapidly with Port expansion. To improve traffic flow, the Port of Tacoma and the City of Fife have partnered with WSDOT on a number of improvements to Interstate 5 and connecting roads. In December 2007, a dedication ceremony opened a wider on-ramp to southbound I-5 -- the third phase of a \$32.4 million, eight-phase project to improve safety and expand capacity at the busy Port of Tacoma/I-5 interchange.

Port of Tacoma and I-5 Expansion Partners

- Washington State Department of Transportation: \$14 million
- Washington State Freight Mobility Strategic Investment Board (FMSIB): \$8 million
- Federal Highway Administration: \$5 million
- Port of Tacoma: \$2 million
- Washington State Transportation Improvement Board (TIB): \$1.9 million
- City of Fife: \$1.1 million
- Private sector match: \$0.4 million

Future phases will widen 34th Avenue East and 12th Street East to improve truck access between Pacific Highway and Port of Tacoma Road, create a new off ramp from southbound I-5 to 34th Avenue East, widen the overpass to the Port of Tacoma, and separate cars and trucks on the off ramp from southbound I-5 to the Port of Tacoma Road.

Agritourism

The burgeoning agri-tourism economy in Chelan County demonstrates how small decisions like setting speed limits creates opportunities and barriers for a growing market niche. Fruit stands, wineries, and year-round recreation are growing economic sectors in Chelan County and North Central Washington. Area farmers and winemakers have produced an Ag-Tourism Driving Map and are organizing in other ways for their unique transportation needs: turn-outs to roadside stands, slower highway speeds, signs to mark attractions and routes.

Some of the new needs conflict with different needs of the older farm industries, such as quick and efficient farm-to-market routes. The agricultural community pointed out to the Commission a way to resolve both needs: a low-speed county road parallel to the state highway.



4. Mobility

Facilitate movement of people and goods to contribute to a strong economy and a better quality of life for citizens.

Electronic Tolling: TNB is Good to Go

Electronic tolling is off to a successful start in Washington. Since the Tacoma Narrows Bridge opened in July 2007, traffic has moved smoothly across the bridge and through the SR 16 corridor between Gig Harbor and Tacoma. Despite an anticipated reduction in crossings by those who want to avoid tolls, the traffic volume is comparable to that prior to the imposition of tolls.

The Successes Include:

- Toll collection totaling almost \$12 million from over 5.6 million vehicles that made the eastbound crossing through November.
- Morning commute speeds have improved from less than 25 mph prior to the bridge opening to an average of 60 mph after its opening.
- Nearly 64 percent of the toll payers are using the Good To Go! electronic toll collection system.
- Violation rates less than 3 percent.



Transit is Meeting New Needs

As a group, the 28 public transit agencies of Washington are doing well. In the Central Puget Sound, Sound Transit Express buses are carrying 10% more passengers than last year and Sounder commuter rail is up 17%; Community Transit, Metro and Pierce Transit have single digit increases. Link Transit, in Chelan and Douglas Counties, has boardings up 80% and revenue up 30% since 2003.

Equally important, in areas both urban and rural, transit systems are themselves in the midst of a transition. In the past, public transit saw

as its primary mission providing transportation for those who cannot drive. On both sides of the Cascade Crest, there is new focus and attention by transit agencies to serving commuters and persons who *choose* not to drive a car.

Working in partnership with county and city governments, Link Transit is considering developing a bus rapid transit route to help ease north-south congestion in the Wenatchee area. It would probably include:

- Queue jumper signalization to aid both bus and general-purpose traffic.
- Signal preference and preemption.
- Shared use of rail right of way.

In a truly innovative spirit, Link Transit also is working with the East Wenatchee Reclamation District to explore using its 100-year old bridge across the Columbia River as part of that bus rapid transit route.

EDITORIAL: The Miracle of the Bridge

Kitsap Sun, July 17, 2007

It works!

Comparatively speaking, driving across the Tacoma Narrows has become nothing short of miraculous. A staffer for the Washington State Department of Transportation called Monday's morning and afternoon commutes "a joy."

Few commuters would disagree. With Monday's opening of the new Tacoma Narrows Bridge, congested, stop-and-go commuter traffic was instantly transformed into a 55 mph joy ride from Gig Harbor into Tacoma.

And it was a team effort. About 73 percent of bridge users had transponders, allowing them to drive across without stopping at toll booths. For the record, that percentage is about double the number that's used transponders on new toll projects elsewhere in the nation.

Congratulations to the long list of all those who helped turn this impossible dream into a reality.

But now, without decades of bridge traffic jams to kick around anymore, what are we supposed to do?

Smile. And get used to it.



5. Environmental Quality and Health

Bring benefits to the environment and our citizens' health by improving the existing transportation infrastructure.

Getting People Out of Cars

King County Metro continues to reach out aggressively and creatively to win new riders with a variety of community and web outreach techniques. The Ballard In Motion campaign, helped with sponsorship from local businesses, targeted residents in Seattle's Ballard neighborhood:

- Offering free bus tickets
- Seeking pledges to drive less
- Awarding incentives for new travel habits
- Providing information on healthier travel choices

A Ballard map highlighted walkable 5-minute and 10-minute destinations and places to bike in 5 minutes; a bus table lists routes from Ballard to other locations.

If anyone says, "That's good for King County – we can't do it here," Whatcom Transit Authority can set you straight. Whatcom Transit is providing 15-minute service on select routes and bus passes for all Western Washington University students. Working jointly with the Whatcom Council of Governments, its *Smart Trips* program helps people and groups address the lack knowledge of auto alternatives and perceived safety issues and inconveniences. *Smart Trips* helps to reduce single occupant vehicle trips by providing an Emergency Ride Home guarantee for people who walked, biked, or bused and need a return ride home.

Reducing Maritime Diesel Emissions

Air quality in the Puget Sound region currently meets state and federal air-quality standards but as cargo volume grows, more ships, trains and trucks will arrive in the Ports of Tacoma and Seattle. These public ports, working together, along with the Port of Vancouver, B.C., announced a cooperative strategy to address air quality as part of the Northwest Ports Clean Air Strategy.

The group plans to work with the freight and shipping industry to reduce in containership diesel particulate emissions by 70% when ships are at dock by the year 2010. They also will set performance goals for each industry sector -- ocean-going vessels, cargo-handling equipment, trucks and railroads -- and implement some changes immediately to ensure that future growth is sustainable.

6. Stewardship

To continuously improve the quality, effectiveness, and efficiency of the transportation system.

Tracking Results

The Transportation Improvement Board (TIB) distributes grant funding to cities and counties from revenue gener-

ated by three cents of the statewide gas tax to foster state investment in quality local projects. The Board selects and administers transportation projects that best address its established criteria.

TIB uses an intranet based application, the Performance Management Dashboard, to measure agency performance. This on-line project information database contains data on projects funded by the Transportation Improvement Board between FY

1990 and the present. An amazing amount of information is readily available at <http://www.tib.wa.gov/Performance/Performance.htm>.

The Dashboard's inventory page displays all active TIB projects graphically by county. Each county with active projects has an indicator light containing the number of active projects. Red and yellow indicators locate projects with problems or delays. One click and detailed information can be viewed.

The Small Cities page builds on the field review TIB engineers have conducted of every street segment in small cities in the state. Each segment has a Pavement Condition Rating (PCR score) allowing TIB management to quickly see an overview of street conditions by county and the average rating in that county.



B. Room for Improvement

1. Preservation

Preserve and extend prior investments in existing transportation facilities and the services they provide to people and commerce.

Preserving the Highway System

With the buying power of the gas tax steadily decreasing and the cost of materials rapidly escalating, the on-going preservation and maintenance of the existing state highway system is beginning to fall behind. The Legislature has dedicated almost all of the new revenue generated by the last two gas tax increases to building new transportation facilities or replacing ones that are unsafe or outmoded. The state is not investing enough in keeping the system that it has. WSDOT estimates that its preservation budget is short by about \$100 million a year; the maintenance budget gap is about \$20 to \$30 million a year.

Transit Funding for Small Metropolitan Areas

Transit providers serving smaller populations often have difficulty competing for limited grant funds. Link Transit, a small transit agency with receipts under \$10 million annually, serves Chelan and Douglas Counties, connecting the Wenatchee urban area and outlying towns, as it has since 1990. Although Link is a successful small transit agency, when funding formulas are based on numbers of customers served, it has difficulty competing with large metropolitan systems for limited transit funds.

2. Safety

Target construction projects, enforcement, and education to save lives, reduce injuries, and protect property.

Rural County Roads

Rural county roads are the most dangerous roads to travel in the state based on WSDOT data measuring fatality rates for every 100 million vehicle miles traveled. Between 1993 and 2003, over 30% of auto fatalities in the state took place on county roads, built long ago for agrarian needs and not designed for the speeds which cars and trucks can achieve today. Though more law enforcement would help, many of the counties with the most rural lane miles already face challenges in funding sheriff patrols.

Many miles of road, small road budgets

County	Unincorp. Pop. (2006)	Rural Road Miles	2006 Levy Revenue
Adams	8,435	1776	\$1,175,000 ^a
Douglas	19,665	1549	\$3,263,000
Ferry	6,510	739	\$805,000 ^b
Grant	38,455	2482	\$6,368,000 ^c
King	367,070	678	\$76,051,000 ^d
Klickitat	13,160	1084	\$2,158,000
Lincoln	4,540	1992	\$1,395,000 ^e
Pierce	355,089	504	\$50,936,000 ^f
Spokane	123,411	2088	\$19,440,000 ^g
Whitman	6,303	1913	\$1,788,000 ^h

More than two-thirds of the rural county roads in the state are in Eastern Washington. Road miles per capita are high; road levy collections and gas tax revenue is small by comparison. Sampling 10 counties, this chart illustrates that rural counties with small populations lack money to invest in safety improvements.

Rural school districts face related transportation challenges. The biggest problems are road designs that exclude shoulders, bus pull-outs and sight distance. Other problems are excessive speed limits, inadequate road signage, student traffic, lack of law enforcement and road restrictions.

^a \$75,000 paid from road fund to county general fund for traffic policing services.

^b \$502,000 of road levy funds were diverted to traffic policing and \$303,000 was spent on jail and prosecution costs.

^c \$195,000 paid from road fund to county general fund for traffic policing services.

^d \$3,413,000 paid from road fund to county general fund for traffic policing services.

^e \$250,000 diverted from road fund for traffic policing services.

^f \$9,851,000 paid from road fund to county general fund for traffic policing services.

^g \$1,000,000 diverted from road fund for traffic policing services.

^h \$73,000 paid from road fund to county general fund for traffic policing services.



3. Economic Vitality

Improve freight movement and support economic sectors that rely on the transportation system, such as agriculture, tourism, and manufacturing.

Connect Transportation and Economic Development

The state lacks a policy that connects investments in transportation and economic development. Examples of this connection would be:

maintaining affordable ferry service in the San Juan Islands; ensuring accessible farm-to-market routes; and improving the state highway that traverses the Columbia River Gorge National Scenic Area. Recently, the Highway System Plan was criticized for emphasizing congestion and inadequately addressing transportation-related needs, such as economic development. A

state policy that connects investments in transportation and economic development would consider that the tourism, agriculture, and manufacturing sectors each have unique transportation needs that traditional funding approaches may not address.

4. Mobility

Facilitate movement of people and goods to contribute to a strong economy and a better quality of life for citizens.

Mega-projects

Efforts to move forward with replacing the Alaskan Way Viaduct and the SR 520 floating bridge across Lake Washington both suffered major setbacks during 2007. While it is important to take the time to select the best design and minimize community conflict, each day of delay puts the public safety at risk and also results in ever higher construction costs.

5. Environmental Quality and Health

Bring benefits to the environment and our citizens' health by improving the existing transportation infrastructure.

Better Utilize the Columbia River

The Columbia and Snake River system is an underutilized water route in an otherwise crowded transportation corridor. Major railroads line both banks of the Columbia, Interstate 84 follows the river on the Oregon side and SR 14 is notched between cliffs and rails on much of the Washington side. A fully-loaded barge traveling the Columbia-Snake waterway takes the place of 120 trucks on the road, providing environmental benefits and improving highway capacity.

Although bulk products dominate the current barge traffic, barge operators indicate that as trucking costs increase there may be non-traditional products that will move east and west by barge. Given the state interest in protecting the environment of the Columbia River Gorge and improving tourism access to Klickitat and Skamania county communities, the state might consider whether there are ways to increase use

of the Columbia-Snake waterway, especially the available capacity that exists for goods heading upstream.



6. Stewardship

To continuously improve the quality, effectiveness, and efficiency of the transportation system.

Accountability

During 2007, the State Auditor issued Performance Audits on three aspects of WSDOT operations and on Sound Transit. Although the Performance Audit on Managing and Reducing Congestion in Puget Sound includes much interesting information and some useful suggestions, we have already noted our disagreement with its conclusion that reducing congestion should be WSDOT's top priority.

In addition, while the Performance Audit of Washington State Ferries (WSF) raised findings that should be addressed, we have urged the Governor and the Joint Transportation Committee (JTC) to wait and consider those findings as part of the JTC State Ferry System Review and the Commission's Ferry Finance Study. Through the study processes underway, service, operational, and pricing strategies will inform the Ferry Finance Study and provide guidance for future funding of WSF.



Part 3:

Overview of 2007 Activities

In 2007, the Transportation Commission engaged in transportation finance and policy work in many ways. It established the first toll rates for the Tacoma Narrows Bridge (TNB) and, as directed by the Legislature, began work on a Long-Term Ferry Finance Study, a Tolling Study, and a Ferry Market Survey. The Commission also adopted a 2.5% tariff increase for Washington State Ferries.

The Commission continued its public outreach across the state with local meetings in Bellingham, Longview, Stevenson, Walla Walla and Wenatchee. Nearly 200 people attended the Inland Northwest Regional Transportation Summit in Spokane, which the Commission convened at the request of the Legislature and Governor.

WSF Tariffs

Setting tolls and tariffs is a contentious undertaking in a state where most roads have historically been available without payment of a fee. In the mid-1990s, the Commission created a 20-member Tariff Policy Committee (TPC) that included legislators to assist it in fare-setting. The TPC developed tariff route equity as a framework for fare recommendations and assisted the Commission with public hearings on proposed tariff changes. Tariff route equity has the goal that ferry users share equally in the fixed costs of ferry system operation and contribute proportionately for vessel space and time.

Ferry fares accounted for 75% of the operations budget for 2005 – 07; the current long-term ferry plan projects that fares will fully fund operating expenses by 2015 -17, with any additional revenue transferred to the capital account¹¹. A 2007 Washington State Ferries Financing Study suggested changing the tariff process, including:

- more specific legislative direction to the Commission on pricing strategies and farebox recovery;
- conducting a market survey of ferry users; and
- less reliance on the TPC and more direct involvement by the Commission in toll setting¹².

In response to this recommendation, the 2007 Legislature funded a market survey and connected future fare setting to pricing policies; the Commission dissolved the TPC following the 2007 tariff process. In summer 2007, the Commission began discussing anew how to best include the public in the fare setting process.

The 2007 tariff process attracted much public attention – nearly 400 people attended public meetings on proposed ferry tariffs. Although the Governor's 2007-09 budget and the TPC both proposed a 2.5% ferry tariff increase, the Commission initially proposed a 4 % increase in order to raise revenue closer to the amount the Commission expected necessary to meet rising fuel and labor costs¹³. In response, a strong majority of the public urged that only a 2.5% tariff increase be adopted and the transportation budget proposal by the House of Representatives assumed no fare increase in 2007.

The TPC acknowledged a gap between income and likely expenditures, but pointed out to the Commission that even the 4% tariff increase would not balance the WSF operating budget. After a public hearing in Seattle on the tariff proposal, by a 5 - 2 vote the Commission adopted a 2.5% tariff increase.

Ferry Survey and Ferry Studies

The Transportation Commission, the Joint Transportation Committee (JTC) and Washington State Ferries are each engaged in studies and planning exercises aimed at a new WSF Long-Range Plan and Draft 16-year Capital Budget prior to the 2009 Legislative Session. This work, in turn, is informed by the 2006 JTC Long-Term Finance Study and the 2001 Joint Legislative Task Force Report.

The Commission's Ferry Customer Survey is using a variety of qualitative and quantitative techniques including focus groups, interviews, on-board surveys, and on-line forums to gather information from a representative group of ferry customers on their travel attitudes and behaviors. It will identify fare policy, operational and customer-oriented strategies that will help to better utilize existing ferry capacity, increase operational efficiency, reduce the need for capital expansions, and improve cost-efficiency while maintaining ferry revenues.

Nine focus groups conducted in November and December 2007 set the stage for on-line forums in January with additional ferry customers, elected officials and businesses in ferry affected communities. On-board surveys are planned for late February and early March.

The Long-Term Ferry Finance Study builds on existing information and the findings of the ferry customer survey to consider the potential for state, regional, or local financing options. The study also will review how comparable ferry systems are funded and look at innovative transportation financing approaches.

Tacoma Narrows Bridge

In June 2007, the Commission adopted a toll schedule for the Tacoma Narrows Bridge. The basic car toll is \$3.00 and each additional axle is \$1.50; the car toll for transponder-equipped vehicles is \$1.75 for electronic toll collection. Despite strong advocacy from public safety and transit agencies for toll exemptions, the Commission ultimately required all vehicles pay tolls except for vehicles directly involved in maintenance and operations of the facility and except for emergency vehicles responding to a bona fide emergency.

Toll-setting and Tolling Research

WSDOT has superbly marketed TNB electronic tolling. While traffic smoothly flows at 60 mph across the bridge, demonstrating the benefit of using a transponder, some of the costs and operational practices have raised concern. In response, WSDOT has eliminated tow trucks contracted for quick incident response and reduced its toll operations staff. Following a Report from the TNB Citizens Advisory Committee, the Commission has recommended other changes to improve TNB operations and better allocate costs among toll facilities. The TNB toll adoption process for 2008 is underway.

In Fall 2007, the Commission began developing a proposed toll schedule for the SR 167 High Occupancy Toll Lanes between Auburn and Renton. This pilot project opens in Spring 2008 and offers a driver the opportunity to buy into the HOV lane and bypass traffic congestion on the non-tolled lanes. The cost to enter the HOV lane varies depending on the amount of congestion present to ensure that traffic in the HOV/High Occupancy Toll (HOT) lane flows at 45 mph or faster.

Both TNB and the SR 167 project provide valuable information to Washington – and to the Commission in particular -- as potential future tolling opportunities are further explored. Tolling Study II will identify potential tolling projects that meet the policy criteria set out in the 2006 Comprehensive Tolling Study. With the assistance of its consultant, the Commission will evaluate several potential projects including three corridors in the Central Puget Sound region, each consisting of several related projects, and four single projects located outside of the Central Puget Sound region: I-5 in Lewis County, the SR 395 North Spokane Corridor, the I-5 Columbia River Crossing, and Snoqualmie Pass.

Inland Northwest Regional Transportation Summit

The Greater Spokane region and the surrounding area known as the Inland Empire are seeing steady population and economic growth. That growth brings the need for improved transportation facilities to accommodate increasing demand and fill critical infrastructure voids.

Responding to this need, the Legislature directed the Transportation Commission to convene a regional transportation summit in Spokane to consider regional governance and funding options. The Inland Northwest Regional Transportation Summit took place on September 19 and 20, engaging over 200 business, community and local government leaders from Greater Spokane, the Palouse, Northern Idaho and British Columbia in discussions of the transportation and economic development needs and opportunities in the region.

Many who attended now have a better understanding that local funding is needed for major transportation projects. The one most discussed is the North Spokane Corridor, a series of improvements to US 395, a major north-south link in the movement of people and more than \$13.5 billion worth of goods between the United States, Mexico and Canada annually. This Corridor also supports regional and local commerce and serves as a major commuter route connecting the City of Spokane to rapidly developing residential communities to the north.

Spokane County residents could potentially contribute up to \$70 million a year to support the North Spokane Corridor. But at an estimated \$3.3 billion total cost, local resources alone will be inadequate. As suggested by Senator Patty Murray and Congresswoman Cathy McMorris Rodgers, a partnership including federal, state and local funding sources is necessary to complete this project.

Rail Workshops

In June, the Commission collaborated with WSDOT's Freight Multimodal Program to host Rail Workshops in Tacoma and Spokane. Over 50 people representing the railroad industry, freight and passenger advocates, and state policymakers, participated in discussions on how state policy and investment can help meet today's freight and passenger needs.

Each Workshop provided an overview of the 2006 State-wide Rail Capacity and System Needs Study including the key findings, conclusions, and policy recommendations. Representatives from the Governor's Office and WSDOT, and members of the legislature, briefed those attending how findings and recommendations of the Rail Study are already taking place, such as the reorganization of the WSDOT rail programs and the budget proviso addressing development of a Benefit/Impact Evaluation Methodology for evaluating future rail projects.

Although the Rail Workshops conclude the Commission's work on the study, the presentations and questions made clear that the State faces many challenges as it considers whether and how to implement the Rail Study's recommendations.

Local Meetings and Outreach

Among the charges given the Transportation Commission is to "provide a public forum" for the development of transportation policy in the state¹⁴. Members of the Commission do so as a group and individually. Each Commissioner actively engages in regional transportation planning efforts and participates in numerous statewide transportation organizations, from the Good Roads Association to the Steering Committee for the State Bicycle-Pedestrian Plan.

The Commission also meets in different areas of the state to hear from local citizens and see firsthand some of the successes and challenges facing the transportation system. During 2007, the Commission traveled to Longview, Stevenson, Walla Walla, Wenatchee and Bellingham.

Longview and its surrounding area is experiencing increased economic development that brings new transportation challenges in the state's most populated county not planning under GMA. Both the Port of Kalama and Port of Longview will benefit from the Columbia River channel deepening. This vital river corridor moves \$16 billion in exports and imports each year. Kalama may be adding rail storage capacity and enhancing turnaround time for rail car loading and off loading. At the Port of Longview, new infrastructure has improved connections to BNSF and Union Pacific main lines that serve port industrial property and marine terminals.

Cowlitz and Wahkiakum Counties report significant problems with landslides and slope stabilization on state highways and county roads. The two counties hope that the State will join them in developing a safe, cost effective, alternate route to SR 4 for emergency use when a future blockage occurs.

Stevenson, the county seat of Skamania County, sits astride SR 14, the two-lane highway that traverses the Washington side of the Columbia River Gorge National Scenic Area. The road, which has changed little since it was constructed in 1930, is part of a busy transportation corridor in which millions of tons of cargo move daily by barge and freight constantly travels the tracks hugging both shores. A natural gas pipeline and power and fiber optic grids connecting to the I-5 corridor also fit tightly in the SR 14 corridor.

Sixty percent of Skamania County residents commute out of the area on SR 14. This highway is essential for the day-to-day existence of area residents and the growing tourism economy. About 600 trucks also travel the route each day, sometimes tipping over on the several sharp turns. Most shoulders are narrow and in some locations there are none at all – a challenge for the tourists and recreational visitors who like to stop for views. SR 14 has become unsafe with cars, trucks, and increasing numbers of bicycles competing daily for space.

Skamania County has insufficient money to help address the needs. With 97 % of the land in the county National Forest, there is little tax base and almost no timber revenue. The County would like to generate more revenue through tourism, but that is difficult with a crowded highway whose expansion is constrained by topography and the Columbia River Gorge National Scenic Act.



Upriver, the Hood River Bridge poses another transportation challenge. Built in 1924 and rebuilt in 1938 to allow for the water level rise behind Bonneville Dam, the narrow bridge is functionally obsolete with no bicycle or pedestrian facilities. A recent inspection report indicates that millions of dollars of improvement are needed to keep the bridge open. Currently tolled at 75 cents per crossing, even a \$2 toll would not raise enough revenue to build a new bridge. It is uncertain whether the Port of Hood River, which owns this bridge and already has invested about \$7 million on improvements, will find more resources.

Walla Walla has over 135 miles of streets and roads. Located on an interstate transportation corridor between Oregon and Washington, the city of Walla Walla works closely with the city of College Place and Walla Walla County on major projects of common interest.

Government and community leaders in the Walla Walla region identify critical projects, organize around them and keep at it. They get results: US 12 is growing in phases to four lanes between Walla Walla and Pasco; an intermodal shipping facility is sending produce by rail to the East Coast weekly; and intercity bus service is available again.

The Port of Walla Walla is a member of the US 12 Coalition that made safety and mobility improvements to the primary route between Walla Walla and Pasco the top economic development priority for its area. The Port also expertly leverages local assets to bring other money to the table – RailEx is a \$100 million investment of private and public funds that began with a commitment of \$2.5 million of locally-generated money.

Until last year, produce headed east from Washington farms seldom traveled by long-haul truck. Rail was too slow, too unpredictable and too risky. But RailEx, a private company, saw an opportunity. It negotiated a 5-day priority access agreement with the Union Pacific RR and CSX Transportation to ship 55 railcars each week full of perishable product to the RailEx intermodal facility outside Albany, New York. The trip has now grown to 65 railcars; the equivalent of 10,000 truckloads of Washington and West Coast produce moved east last year.

Wenatchee is an island. Except for the old wagon traverse south over Colockum Pass, getting to and from the largest city in North Central Washington requires crossing over one of four bridges linking Wenatchee to the rest of Washington. Three bridges and the primary north-south arterials on each side of the river are state highways. The fourth bridge, a pedestrian crossing linking downtown Wenatchee and its sister city East Wenatchee, is relied upon today by bicycle commuters but could play a part in Bus Rapid Transit for the Wenatchee Valley.

A growing number of residents live across the river in East Wenatchee, population 12,000. Its biggest issue is keeping up with growth – such as the 400-600 homes being built off

of Eastmont Avenue – one of the city's north-south arterials. Major state and local projects in both communities will address safety, growth and congestion. On the Sellar Bridge, the southern connection across the Columbia River, interchange improvements will improve traffic flow and capacity. Reconfiguring the bridge itself by removing the sidewalks and constructing a pathway on the south side of the bridge will add a third lane.

East Wenatchee also is home to Pangborn Field, the regional airport, which is improving the runways and protecting the surrounding airshed. As in other rural Western communities with strong environmental amenities, air access is critical to attracting and maintaining tourists, new businesses, work-from-home employees and consultants who rely on air connections.

Bellingham, Whatcom County and its smaller cities all work together to meet the challenges of a major international border. The third largest U.S. - Canada Port of Entry hosts over 700 thousand trucks and 7 million cars per year, with cross-border trade valued at \$17 billion. A ten-year forecast shows a 110% truck traffic increase, a 63% rail increase, and a 174% passenger rail increase (sharing the rail with freight).

Local governments have collaborated since 1997 on the International Mobility and Trade Corridor Project (IMTC), led by the Whatcom Council of Governments. IMTC aims to coordinate all transportation connections through the Peace Arch border station. Emerging policy issues include increasing border delays, currency parity, new U.S. immigration laws, and U.S. transportation reauthorization.

With only 190,000 people, Whatcom County has meager resources to offset the impacts of cross-border travel, including law enforcement for those stopped at the border with charges other than security, customs or immigration pending. Not surprisingly, most traffic congestion in Whatcom County also is due to the border crossing. Traffic on I-5 is growing at a rate of 115 percent and local truck traffic to the port is growing at a rate of 275 percent.

Finally, a new partnership between the City of Bellingham and the Port of Bellingham is important not only to the city's economic future, but to the entire state. Redeveloping the city's central waterfront, a project with a 20 – 30 year build-out, is one of three state pilot projects for the Local Infrastructure Financing Tool (LIFT)¹⁵. If successful, LIFT can link transportation and economic development in a unified investment strategy.

Facility Namings

At the request of the Legislature and with demonstrated community support, the Commission named the Clinton Ferry Terminal the "Jack Metcalf Ferry Terminal" in honor of the former legislator and Congressman from Whidbey Island. It also named a portion of SR 113 in Clallam County the "Korean War Veterans' Blue Star Memorial Highway."



Looking Ahead

The mission of the Transportation Commission is to bring a citizens' perspective to transportation policy development, long-term transportation planning and financing, and transportation system and service delivery. Our concern is not only with state highways and ferries, but with how the entire transportation system works for the public, whether the travel mode is by foot, by personal vehicle, by public transportation, by air, or by bike.

Unlike any other state or local agency engaged in transportation, the Commission comes to the public policy table with no programs to fund, operate and manage. Working in the public interest with all transportation players – state and local, public and private – our goals are:

- an integrated and coordinated statewide transportation system.
- to set reasonable and rational tolls and fares balancing short-term needs with long-term objectives.
- to engage the public on transportation issues by sharing information and obtaining perspectives that will better inform both the public and its government.

20-Year Transportation Vision:
Washington's transportation system should serve our citizens' safety and mobility, the state's economic productivity, our communities' livability, and our ecosystem's viability.

-- November 14, 2006

Many of the transportation headlines in 2008 will focus on mega-projects in each of the state's urban areas, road safety in rural areas, the ferry system on the shores of Puget Sound, and fuel prices everywhere. While our work on the ferry market survey, the long-term ferry finance study, and further tolling analysis will contribute to those discussions, the Commission also commits to looking out for the everyday parts of the transportation system that don't get the headlines: the county road that carries workers to pear orchards, the state highway a truck travels to haul those pears to the intermodal loading facility, the express train that carries the boxes of pears to the East Coast. We also plan to further

explore whether the state should be required to approve or reject local development proposals to ensure their impacts on state routes are addressed.

As we meet with public and private leaders in cities and counties across the state, and in Olympia, we will ask and listen to what they need and how much they are willing to spend for a transportation system that is safe, reliable and efficient.

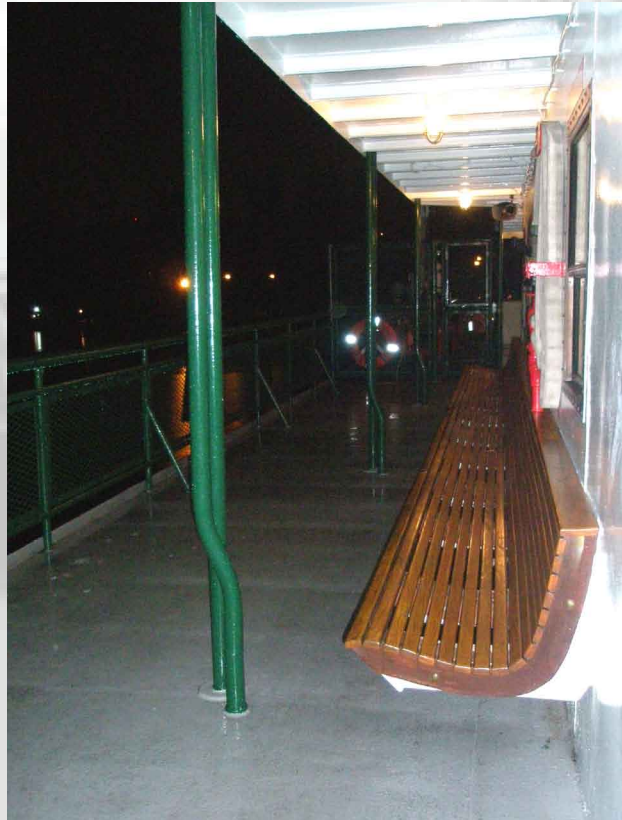
Washington State Transportation Commission

Roles and Responsibilities

The Washington State Transportation Commission provides a public forum for transportation policy development. It reviews and evaluates how the entire transportation system works across the state and issues the state's 20-year Transportation Plan. As the State Tolling Authority, the Commission sets tolls for state highways and bridges and fares for Washington State Ferries.

Key Facts

- The Commission is a seven member body of citizens appointed by the Governor for six-year terms. The Secretary of the Washington State Department of Transportation and a representative from the Governor's Office are ex officio members of the Commission.
- As a public forum for transportation policy development, the Commission develops and issues a comprehensive and balanced 20-year statewide transportation plan that reflects the priorities of government and addresses local, regional and statewide needs. It proposes transportation policy for the state and coordinates state transportation planning with national transportation policy, and with local/regional land use and transportation plans.



- The Commission conducts a statewide outreach program to gather input into state transportation policy, promote transportation education, and understand local and regional transportation needs and challenges. The Commission reports its findings in an annual report to the Governor and Legislature.
- The Commission is designated the State Tolling Authority and as such, sets all state highway and bridge tolls as well as setting fares for Washington State Ferries.
- Supplemental policy tasks assigned to the Commission by the Legislature include:
 - Oversight of the Transportation Innovative Partnership Program.
 - Conducting a ferry user market survey every two years.
 - Adopting the long-range ferry capital plan, ferry system operating strategies, and pricing policies.
 - Naming state transportation facilities.

Commissioners



Richard Ford, Chair

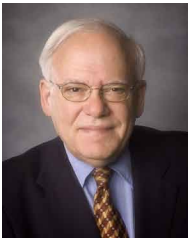
Richard contributes port and legal experience to the Commission. He is senior counsel of the international law firm K&L Gates LLP, former Director of Premera (Blue Cross), and Chair of the Alaskan Way Viaduct and Seawall Coalition. Richard also spent more than 30 years in public service, retiring in 1985 as Executive Director of the Port of Seattle. Richard

has served on a number of key boards and commissions, including the Climate Change Transportation Work Group - a sub-committee to the Governor's Climate Advisory Team, Governor's Growth Strategies Commission, Washington State Marine Oversight Board, Citizen Advisory Panel on Council Elections, and the RTA Regional Outreach Committee. Richard was appointed to the Commission in 2004 and was reappointed in 2007.



Elmira Forner, Vice-Chair

Elmira contributes former experience in local government as an elected official in King County and as a state legislator from the 47th District. She is currently active in the Chelan/Douglas community. Elmira was appointed to the Commission in 2000 and was reappointed in 2006.



Bob Distler, member

Bob comes to the Commission with an economics background and a career in transportation management, having worked in marketing, planning, operations and government and industry affairs. He has consulted for clients worldwide, including airlines, railroads and cruise lines. Since moving to Orcas Island in 1992, Bob has been involved

with Washington State Ferries and San Juan County, focusing on transportation and growth management issues. Bob was appointed to the Commission in 2005.



Carol Moser, member

Carol's background as a City Councilwoman brings a local government perspective to the Commission. In addition to serving ten years on the Richland City Council, Carol was appointed to the Association of Washington Cities Board of Directors in 2002, and was a Board Member on the Municipal Research Services Center until accepting the ap-

pointment on the Commission. Her primary focus for the Council, however, was transportation. She served on the Regional Transportation Planning Organization for the Benton-Franklin-Walla Walla Policy Advisory Council, the Ben-Franklin Transit board, and served four years on the State's Freight Mobility Strategic Investment Board. Carol also chaired the Three Rivers Community Roundtable Transportation Focus Group, and the Smart Growth/Liveable Communities Committee. Carol was appointed to the Commission in 2006.



A. Daniel O'Neal, member

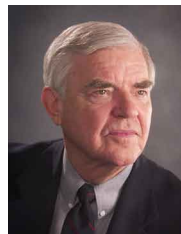
Dan O'Neal, a member since 2003. He is on the Board of Directors of The Greenbrier Companies (GBX), a publicly traded railroad car leasing and manufacturing company. He has owned and operated transportation and software businesses. Dan has actively participated in efforts to gain private and public sector support for improved freight

transportation infrastructure. He is a member of the Puget Sound Partnership Leadership Council and the Cascade Land Conservancy. Prior to joining a law firm in 1980 he was Chairman of the Interstate Commerce Commission. He had been Transportation Counsel to the Senate Commerce Committee chaired by Senator Warren Magnuson.



Philip Parker, member

Philip brings a varied background to the Commission. He recently retired as a Journeyman Electrician and has taught in the electrical apprenticeship program. Philip has represented the Vancouver community on many boards with a recent focus on workforce development and transportation issues. Philip was appointed to the Commission in 2007.



Dale Stedman, member

Dale contributes significant experience in transportation safety issues to the Commission. Dale worked for the American Automobile Association from 1951 until 1994. Dale is also active in the Spokane Area Good Roads Association and served as a member of the Washington State Blue Ribbon Commission on Transportation. Dale was appointed to the Commission in 2003.

Footnotes

¹ RCW 47.29.260 (Laws of 2005 c 317 § 26).

² To provide three examples, alliance contracting has been used to build the United Kingdom's Channel Tunnel Rail Link, build off-shore oil platforms, and procure naval ships in Australia.

³ Counties and cities have the authority to issue general obligation bonds for up to 40 years.

⁴ The Performance Audit estimates the total economic impact of congestion to the Puget Sound region is \$600 million to \$800 million a year.

⁵ On February 26, 2007, the Governors of Arizona, California, New Mexico, Oregon and Washington announced the formation of the Western Regional Climate Action Initiative. The states are collaborating to develop a regional target for reducing greenhouse gases and devising a market-based program, such as a cap and trade system, to reach that target.

⁶ In 2004, Washington GHG emissions totaled 120 million metric tons (mmt). State GHG emissions reduction goals established by the Legislature are:

- By 2020, reduce in the state of Washington to 1990 levels, a reduction of 10 mmt below 2004 emissions;
- By 2035, reduce greenhouse gas emissions in the state of Washington to 25% below 1990 levels, a reduction of 30 mmt below 2004;
- By 2050, reduce emissions to 50% below 1990 levels.

⁷ Control of Toxic Chemicals in Puget Sound, Phase 1: Initial Estimate of Loadings, Washington State Department of Ecology, U.S. Environmental Protection Agency, Puget Sound Partnership and Hart Crowder (November 2007). <http://www.ecy.wa.gov/pubs/0710079.pdf>. The Report cites the striking example that five pounds of material disappears over a tire's useful life; the particles end up in the air, in the water, and in the ground.

⁸ RCW 36.70A.020 (12). Ensure that those public facilities and services necessary to support development shall be adequate to serve the development at the time the development is available for occupancy and use without decreasing service levels below locally established minimum standards.

⁹ WSDOT and the Puget Sound Regional Council examined multimodal transportation improvements and strategies to comply with the concurrency requirements of the GMA. WSDOT analyzed expanding the statewide transportation concurrency requirements, including development impacts on Level of Service standards applicable to state-owned transportation facilities, including state highways and state ferry routes.



¹⁰ Chapter 516, Laws of 2007. RCW 47.01.012 (1)(e): Stewardship: To continuously improve the quality, effectiveness, and efficiency of the transportation system.

¹¹ Final Report, Washington State Ferries Financing Study 46 (January 2007).

¹² Final Report, Washington State Ferries Financing Study 53, 67 (January 2007).

¹³ The 2006 Legislative Financial Plan assumed yearly fare increases of 2.5% despite operating expenses that have historically grown at 9.4% per biennium.

¹⁴ RCW 47.01.075 (1).

¹⁵ Up to \$2.5 million is split between three pilot projects: the Bellingham waterfront, Spokane's "river district" and Vancouver's downtown Riverwest Project. Other LIFT projects around the state compete for an additional \$2.5 million a year.



