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## KITSAP TRANSIT

# PASSENGER-ONLY FERRY BUSINESS PLAN AND LONG RANGE STRATEGY PHASE TWO REPORT

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MARCH 2016





# KITSAP TRANSIT

## Passenger-Only Ferry Business Plan and Long Range Strategy

### Phase Two Report

March 2016 | Phase Two Report



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# Passenger-Only Ferry Business Plan and Long Range Strategy

## Phase Two Report

**March 2016**

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- Appendix A – Phase Two Outreach and Public Engagement Final Summary
- Appendix B – WSF Southworth, WA Kitsap Transit POF Technical Feasibility Study
- Appendix C – Vessel Maintenance Staffing Memo
- Appendix D – Fare Strategy and Structure Recommendations
- Appendix E – Detailed Ridership Analysis Memorandum
- Appendix F – Grant Opportunity Matrix
- Appendix G – Financial Plans



# Plan Highlights

Over the past two years Kitsap Transit has been preparing a business plan for cross-sound passenger-only ferry (POF) service between three ports in Kitsap County and downtown Seattle. Extensive public outreach was conducted to shape a plan that is both feasible and meets the communities' needs. The service would be governed by Kitsap County elected officials through either the existing Kitsap Transit Public Transportation Benefit Area or a newly formed ferry district.

## Routes

Three routes, originating in Bremerton, Kingston and Southworth, that all arrive at Pier 50 in Seattle. All three routes would be in service by 2020.

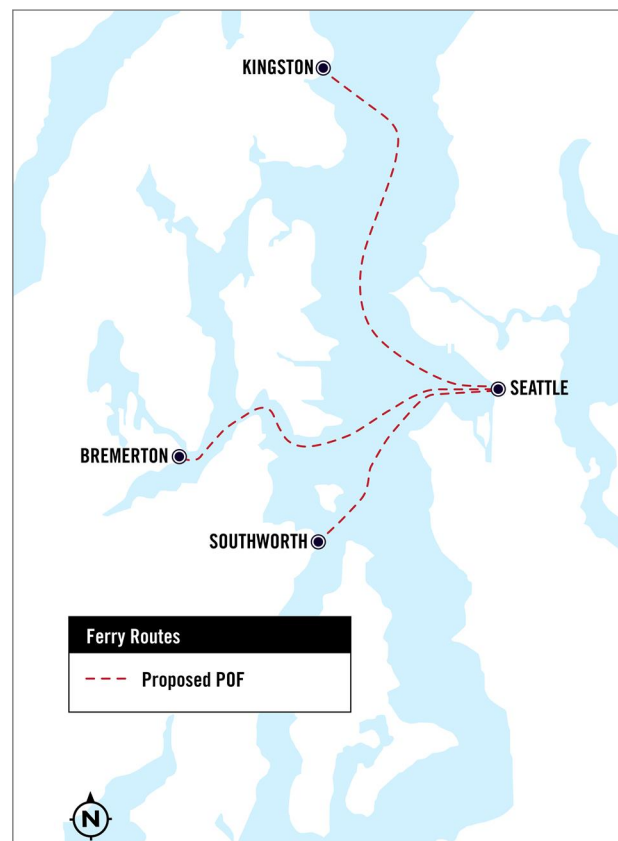
Route	Proposed Service Start
Bremerton	July 2017
Kingston	July 2018
Southworth	July 2020

## Vessels

Total of six vessels – Existing Rich Passage 1, plus five new vessels as described below:

Vessels	Bremerton	Kingston	Southworth
Rich Passage 1 (KT owns)	✓		
Rich Passage 2	X	X	
Rich Passage 3	✓		
High-speed 150-passenger		✓	
Bow Loading 250-passenger			✓
Bow Loading 250-passenger (high-speed)		X	X

✓ = Dedicated vessel  
X = Backup vessel



## Service Schedule Examples

Example commute and expanded service schedules for each route:

### Bremerton

<i>October - April (Base Season)</i>	Round Trips	First Departure West Side Terminal	Last Seattle Morning Departure	First Afternoon Departure West Side Terminal	Last Departure Seattle
Monday - Friday	6	5:45 AM	8:40 AM	3:25 PM	6:20 PM
<i>May – September (Peak Season) Expanded Service - High</i>					
Monday - Thursday	12	5:45 AM	-	-	7:35 PM
Friday	15	5:45 AM	-	-	11:10 PM
Saturday	12	9:15 AM	-	-	11:10 PM

### Kingston

<i>October - April (Base Season)</i>	Round Trips	First Departure West Side Terminal	Last Seattle Morning Departure	First Afternoon Departure West Side Terminal	Last Departure Seattle
Monday - Friday	6	5:40 AM	9:00 AM	2:20 PM	6:40 PM
<i>May – September (Peak Season) Expanded Service - High</i>					
Monday - Thursday	10	5:40 AM	-	-	8:05 PM
Friday	12	5:40 AM	-	-	11:00 PM
Saturday	10	9:00 AM	-	-	11:00 PM

### Southworth

<i>October - April (Base Season)</i>	Round Trips	First Departure West Side Terminal	Last Seattle Morning Departure	First Afternoon Departure West Side Terminal	Last Departure Seattle
Monday - Friday	6	6:00 AM	8:30 AM	3:10 PM	6:20 PM
<i>May – September (Peak Season) Expanded Service - High</i>					
Monday - Thursday	13	6:00 AM	-	-	7:20 PM
Friday	17	6:00 AM	-	-	10:30 PM
Saturday	13	9:30 AM	-	-	10:30 PM

### Fares

The proposed fare schedule would include the following fare amounts and types:

Fare Type	Price
Full Fare	\$12 round trip
Monthly Pass	\$168
Bus/Ferry Incentive Pricing	To be determined
Reduced Fare	\$6 round trip

### Service Delivery

An interagency agreement between Kitsap Transit and the King County Department of Transportation Marine Division (KCMD) would provide for operation of the service by the KCMD with Kitsap Transit retaining responsibility for service schedules, fare products, fare levels, and capital investment programs.

### Financial Plan

The financial plan is balanced with a combination of grants, fares, and 3/10<sup>ths</sup> of one percent sales tax.

Planning around the POF Business Plan and Long Range Strategy has been completed in two phases. The following report outlines the work and findings of Phase Two. Information about the first phase is available in the Phase One Summary Report and appendices.

# 1 Introduction/Overview

A comprehensive business plan is essential to successful POF service in Kitsap County. The business plan must also address the investment plan requirements of RCW 36.57A.200 for all elements of a passenger ferry program, including proposed routes and ridership, vessel and terminal capital requirements, service schedules, fares, and an operating plan. The business plan must also demonstrate how the proposed service can be financially viable over the long term. Kitsap Transit has developed a business plan with these components in two phases. This report, together with the Phase One report and the technical appendices of both phases, documents Kitsap Transit Passenger-Only Ferry Business Plan and Long Range Strategy.

## 1.1 PURPOSE

In January 2015, the Kitsap Transit Board of Commissioners accepted the Phase One Passenger-Only Ferry Business Plan and Long Range Strategy and directed Kitsap Transit to expand the planning effort, including broad public outreach and refinements to the business plan.

## 1.2 SCOPE

Phase Two built upon the previous work performed in Phase One and focused on the following questions:

- What did we hear from the community and how was feedback incorporated in the plan?
- What capital and operating plan refinements have been made?
- What are the legal structure options?
- How much will service cost and how will we pay for it?

## 1.3 PHASE ONE BUSINESS PLAN OVERVIEW

The POF business plan developed during Phase One:

- Reviewed the history of POF service in Puget Sound;
- Identified routes for analysis;
- Produced and implemented a public involvement plan to guide business plan development;
- Evaluated governance structures;
- Developed a model to analyze POF market demand and project ridership;
- Identified terminal locations and enhancements and vessel requirements;
- Prepared a management strategy and operating schedule;
- Formulated a phasing and implementation plan for service;
- Developed a cost model to develop a sustainable financial plan; and
- Analyzed the economic benefits of POF service.

For more information about Phase One, refer to the January 2015 Passenger-Only Ferry Business Plan and Long Range Strategy.

## 2 What Did We Hear from the Community and How Was Feedback Incorporated in the Plan?

The key objectives of community engagement were gauging community interest in passenger ferry service and gaining feedback about the potential service. Phase One outreach included two online surveys, stakeholder interviews, and information tables with a focus on current ferry riders. The feedback from Phase One helped shape the initial POF business plan.

Phase One outreach concluded:

- There was general community support for POF service;
- Benefits and economic opportunities in Kitsap County would increase with POF service;
- Individuals were willing to pay more for faster service;
- More than half of individuals were willing to pay a 2/10<sup>ths</sup> to 4/10<sup>ths</sup> of one percent increase in sales tax for POF service to Kitsap County; and
- Regional support and continued funding is essential to successful POF service.

Building upon Phase One, Kitsap Transit conducted additional detailed and diverse public outreach efforts in Phase Two to further refine the POF business plan.

### 2.1 PHASE TWO OUTREACH

Public outreach was a significant focal point of Phase Two. A robust engagement plan sought to reach a more diverse cross-section of residents, community and business leaders, and dive deeper into concerns and opportunities related to the POF business plan and potential service.

Phase Two public engagement included conducting stakeholder interviews, telephone surveys and roundtable discussions, and launching an informational website. In addition, an independent, informal, Task Force formed during Phase Two and provided additional input. Public engagement efforts focused on the following issues:

- Familiarity with the POF business plan;
- Reactions to descriptions of potential service scenarios;
- Reasons to use POF service;
- Interest in service beyond commute hours; and
- Reactions to potential ballot measure proposals.

Figure 2-1 outlines the timeline and activities for public outreach completed during Phase Two.



Source: Appendix A – Phase II Outreach and Communications Summary

**Figure 2-1: Phase Two Community Engagement Milestones**

## 2.2 KEY THEMES

A major objective of the public outreach completed in Phase Two was to gain detailed feedback on specific components of the POF business plan. Several consistent themes emerged across the stakeholder interviews, telephone surveys, and roundtable discussions. Many of these themes have been addressed in the Phase Two version of the POF business plan.

Specific changes to the business plan as a result of community feedback include:

- Single fare structure for all three POF routes, instead of route-dependent fare structure proposed in Phase One;
- Additional service beyond peak commute periods, including mid-day, evening, and Saturday service;
- Accelerated implementation of service for the Southworth route; and
- Recommendation for 3/10<sup>th</sup> of one percent increase in sales tax to support desired service levels.

Additionally, consistent overall themes heard in Phase Two engagement include:

- POF service will have a positive impact on Kitsap County economy and quality of life;
- There is a desire for increased vessel size and/or sailings to move more people;
- Most participants support Kitsap Transit pursuing a local revenue measure to fund POF service, but acknowledge there will be challenges in passing a measure; and
- Cost of service is the most common concern.

Table 2-1 provides a summary of the overall findings from these outreach activities. The full report of findings can be found in Appendix A.

**Table 2-1: Key Results from Public Outreach**

<b>POF service is a benefit to Kitsap County and the Puget Sound region.</b> <ul style="list-style-type: none"> <li>✓ Stakeholders say POF service would improve the economy, provide reliability to commuters, and open up access to economic hubs</li> <li>✓ 86% of survey respondents say POF would help the local economy</li> <li>✓ Roundtable participants say POF is an economic driver that addresses regional issues like congestion and growth</li> </ul>	<b>Cost of implementation is the most common concern.</b> <ul style="list-style-type: none"> <li>✓ Stakeholders question whether costs outweigh benefits</li> <li>✓ Taxpayer cost is the top reason provided by survey respondents for opposing POF service</li> <li>✓ Roundtable participants support the POF service measure but think costs may result in an unsuccessful measure</li> </ul>	<b>Strong preference for additional service beyond commute hours, but not all want to pay more for it.</b> <ul style="list-style-type: none"> <li>✓ Survey respondents' top priority is service for special events, personal activities, and tourism promotion</li> <li>✓ Support for funding additional service (special events, non-commute sailings) drops nearly 25% in public opinion surveys</li> <li>✓ Roundtable participants reinforce need to support tourism with additional capacity and sailings</li> </ul>
<b>Reliable, efficient, and rider-friendly service is desired.</b> <ul style="list-style-type: none"> <li>✓ All groups agree that service has to be frequent, easy to use, and integrated with existing transit modes</li> </ul>	<b>Proposed fare rates for POF service do not cause concern.</b> <ul style="list-style-type: none"> <li>✓ Almost all roundtable participants say proposed fares are reasonable</li> <li>✓ 69% of survey respondents disagree that POF service would cost riders too much</li> </ul>	<b>POF service must be guided by a sound plan. But most do not know about POF/business plans.</b> <ul style="list-style-type: none"> <li>✓ Stakeholders and roundtable participants say Kitsap Transit must communicate the work completed in the plan</li> <li>✓ Four in ten survey respondents know about POF plans</li> </ul>
<b>Strong support exists for Kitsap Transit pursuing POF service.</b> <ul style="list-style-type: none"> <li>✓ Nearly three in four survey respondents support Kitsap Transit pursuing service</li> <li>✓ Most roundtable participants support placing a measure before voters</li> </ul>		

## 3 What Business Plan Refinements Have Been Made?

The following key elements were assessed as part of the Phase Two evaluation:

- Opportunities to accelerate the implementation timeframe for Southworth;
- Alternative fleet configurations to accommodate the revised phasing schedule and terminal facilities;
- Further definition of operating agreements with partnering agencies;
- Opportunities to optimize vessel maintenance processes;
- Alternate fare levels and refinement of the fare collection strategy; and
- Expansion of operating schedules to include mid-day, evening, and Saturday service options.

### 3.1 TERMINAL FACILITIES

The Southworth terminal facilities have been reevaluated in response to community feedback and a strong interest in accelerating service startup at this location. The Kingston and Bremerton terminal facility requirements did not change in Phase Two and the terminals still require only minor improvements such as wayfinding and aesthetic upgrades, plus dock repairs at Kingston. KCMD is continuing to work on the design for the new terminal facilities at Pier 50 to incorporate Kitsap routes.

#### **Southworth Terminal**

Initially, a new POF terminal facility for side-loading 150-passenger vessels at Southworth was assumed requiring an extensive design and permitting effort, and delaying service start-up. The existing Washington State Ferries (WSF) terminal facility at Southworth is designed for a vehicle ferry and not a typical passenger-only vessel. To accelerate the implementation timeframe at Southworth, the feasibility of designing and constructing a new bow-loading passenger-only vessel that could fit in the existing vehicle slip was explored. This would eliminate the need for terminal improvements at Southworth and could accelerate implementation of the Southworth route by three to five years.

#### **Pier 50 Terminal**

Design of Pier 50 improvements is progressing in conjunction with the redesign of WSF's Colman Dock facilities. The key design elements have not changed since Phase One. WSF and KCMD currently anticipate completion of the new terminal facilities in fall 2018. KCMD anticipates the need to operate from a temporary facility for approximately one year while the permanent facility is constructed.



## 3.2 VESSEL INFRASTRUCTURE

Based on the community's significant interest to accelerate the timeframe of the Southworth route, Phase Two included a feasibility study of a passenger ferry designed to fit within the existing WSF vehicle slip. The feasibility study examined the dimensional parameters required for a passenger-only vessel berthing in the vehicle slip at Southworth as well as the ability to berth at the Pier 50 float. The feasibility study determined a passenger-only vessel capable of both bow-loading and side-loading could be designed for operation out of both locations, while sustaining the requisite 28-knot cruising speed.

Additionally, the feasibility study indicated it would be impractical for Kitsap Transit to modify an existing vessel that would be both wide enough to fit within the vehicle slip, and be able to berth at Pier 50. Therefore, the study concluded that designing and constructing a new vessel class specifically designed for this route was preferable. Vessels with the required width typically have capacity for 200 to 300 passengers. See Appendix B for the Technical Feasibility Study.

### Phase Two Fleet Configuration

To maintain consistent POF service, an appropriate backup vessel(s) must be available. Modifying the vessel serving Southworth also requires modification of the fleet configuration. The bow-loading vessel would be unique to the Southworth route and would need a specific backup vessel of similar design.

As determined in Phase One, the Kingston route would require a new 150-passenger vessel capable of maintaining a 35-knot cruising speed to achieve the desired crossing time. In Phase One, the Spirit of Kingston and/or Rich Passage 2/3 (RP2/3) class vessel(s) were suggested as a backup vessel for this route. However, each of these vessels would lead to degradation in the level of service, with the Spirit of Kingston not able to maintain the required service speed and the RP vessels not having the same passenger capacity.

Consequently, to meet the expanded service schedule demands of the Phase Two operating scenario with an uninterrupted and comparable level of service, a backup vessel for the Kingston and Southworth routes is required. Rather than providing separate backup vessels for these two routes, the recommendation is for a single vessel designed to possess the requisite bow-loading for Southworth service and the speed necessary to maintain the sailing schedule at Kingston.

Therefore, three types of vessels would be required including: (1) three high-speed, low wake 118-passenger vessels RP1/2/3, (2) one high-speed 150-passenger vessel, and (3) two bow/side-loading, 250-passenger vessels, one moderate and one high-speed. The fleet configuration is provided in Table 3-1.

The Phase Two POF service plan for Bremerton is built on a commute service schedule of six round-trips per day and the expanded seasonal service plan. The Phase One plan envisioned expanding to twelve round-trips in the commute period as demand grew and when the third RP could be built. In the Phase Two service plan, the expansion to twelve round-trips during the commute period is suspended until shoreline monitoring demonstrates the feasibility of the additional trips. However, provisions for construction of a RP3 are incorporated into the business plan to support the twelve round-trip commute schedule in the future.

**Table 3-1: Phase Two Fleet Configuration by Route**

	Primary Vessel	Backup Vessel
Bremerton (1)	RP1 (HS 118 PSGR)	RP2 (HS 118 PSGR) RP3 (HS 118 PSGR)
Bremerton (2)	RP2 (HS 118 PSGR)	RP3 (HS 118 PSGR)
Kingston	T-Boat (HS 150 PSGR)	RP3 (HS 118 PSGR) or Bow-Loading (HS 250 PSGR)
Southworth	Bow-Loading (MS 250 PSGR)	Bow-Loading (HS 250 PSGR)

HS = High-speed  
MS = Moderate speed

From a maintenance and operational perspective, it is beneficial to have the same vessel classes in a fleet. However, all three proposed routes have unique characteristics that are not conducive to a uniform fleet configuration. With multiple vessel classes in the fleet, there would be slightly different training and maintenance requirements that can be accommodated by appropriate staffing and procedures.

### 3.3 OPERATING PLAN/AGREEMENTS

The Phase One report recommended that Kitsap Transit contract with KCMD for operations and maintenance of Kitsap's cross-sound ferry service. During Phase Two, the POF planning team met with KCMD staff to explore opportunities and formulate an approach to partnering in the delivery of Kitsap's POF service. An initial outline of the partnership approach was developed.

Under this public/public partnership arrangement, Kitsap Transit would provide administrative and capital program oversight and KCMD would operate the POF service. As part of this agreement, KCMD staff and maintenance facilities could be used for routine and intermediate maintenance of vessels at either the overnight tie-up location or the existing KCMD Pier 48 Maintenance Barge. Table 3-2 provides a potential framework for roles in the partnership.

**Table 3-2: Kitsap Transit and KCMD Partnership Approach**

Activity	Kitsap Transit			KCMD		
	Lead	Coordinated	Advisory	Lead	Coordinated	Advisory
<b>Vessel Operation</b>						
Crew recruitment and training				✓		
Human Resource Management				✓		
Crew dispatch				✓		
Coast Guard certification and inspection			✓	✓		
Routine vessel maintenance				✓		
Annual vessel maintenance			✓	✓		
<b>Terminal Operation</b>						
West side terminals	✓					✓
Pier 50			✓	✓		
<b>Terminal Maintenance</b>						
West side terminals	✓					✓
Pier 50			✓	✓		
<b>Customer Service</b>						
Customer Service		✓			✓	
<b>Service Scheduling</b>						
Service Scheduling	✓				✓	
<b>Fares</b>						
Structure and fare levels	✓					
Fare collection		✓		✓		
Fare revenue processing	✓					✓
<b>Insurance</b>						
Vessels	✓			✓		
West Side terminals	✓					✓
<b>Construction Management</b>						
Vessels	✓			✓		
West Side terminals	✓				✓	
Pier 50			✓	✓		
<b>Management</b>						
Operation			✓	✓		
Purchasing and contracting			✓	✓		
Accounts Payable				✓		

While formal agreements with KCMD have not been developed, agency leaders began discussing potential agreements during Phase Two. The POF project team worked closely with KCMD leadership to identify common management and support costs and to evaluate allocation alternatives.

The King County Executive and King County Department of Transportation have both expressed strong support for this partnership plan. They see it as a sound example of regional cooperation and an excellent opportunity to leverage local resources to the benefit of both Kitsap and King counties. King County is prepared to continue work to develop the partnership agreement over the coming months.

Partnering with KCMD would require both Kitsap and King County internal review and approvals prior to adopting an interagency agreement that would be approved through the budget cycle. The anticipated timeframe for completing the interagency agreement is as follows:

- Approximately six to nine months to complete the initial development that includes:
  - Development of terms and conditions
  - Legal review
  - Director's review
- Approximately four to six months to secure appropriate council and commission approvals and authorizations.

### 3.4 MAINTENANCE FACILITIES

In addition to the initial discussions of an operating agreement, Kitsap Transit continued to explore the possibility of partnering with KCMD for vessel maintenance. Analysis was completed to assess advantages and disadvantages of different maintenance strategies. The study evaluated the capacity of the KCMD Pier 48 Maintenance Barge to berth the vessels and the option of mooring and maintaining the vessels within Kitsap County.

Through discussions with KCMD, it was determined that the Pier 48 Maintenance Barge would have capacity to maintain and moor the Kitsap Transit vessels, and KCMD expressed interest in this arrangement. The analysis examined the pros and cons of topics such as: utilizing the qualified KCMD crew at the Pier 48 Maintenance Barge to perform intermediate level maintenance activities, and positioning the vessels on either the east or west side of Puget Sound. Additional analysis is required to determine the most appropriate maintenance plan. See Appendix C for the Vessel Maintenance Staffing analysis.

Maintenance and mooring arrangements would be part of the interagency agreement between Kitsap Transit and KCMD.

### 3.5 FARE COLLECTION

The Phase One analysis focused on an approach that included varied fare levels by route resulting in round-trip fares for Bremerton and Southworth at \$11 and \$15 for Kingston. In Phase Two a single cross-sound fare level was recommended to provide consistency across all routes and equity for all users. Relying on survey findings that riders were willing to pay an additional \$1 to \$3 for the premium service, a system-wide \$12.00 round-trip full fare and \$10.50 round-trip frequent user fare is proposed. See Table 3-3 for a breakdown of the proposed fares.

**Table 3-3: Proposed Fares**

	Full Fare	Effective Monthly Pass Fare	Reduced Fare
<b>Eastbound Direction (Rounded to Nearest \$0.25)</b>			
Base Fare	\$0.00	\$0.00	\$0.00
Premium Service Charge	\$2.00	\$2.00	\$1.00
Total One-Way Price	\$2.00	\$2.00	\$1.00
<b>Westbound Direction (Rounded to Nearest \$0.25)</b>			
Base Fare	\$8.00	\$6.50	\$4.00
Premium Service Charge	\$2.00	\$2.00	\$1.00
Total One-Way Price	\$10.00	\$8.50	\$5.00
<b>Total Round Trip Price</b>	<b>\$12.00</b>	<b>\$10.50</b>	<b>\$6.00</b>
<b>Monthly Pass</b>		<b>\$168<sup>1</sup></b>	

Work began in Phase One to identify an initial fare structure and an approach to fare collection, and the following work continued in Phase Two which:

- Further refined the directional fare concept to help mitigate ridership imbalances while retaining a simple and easy-to-administer structure;
- Identified the proposed frequent user and monthly pass prices using the new, single cross-sound fare;
- Analyzed and determined the approach to adopting the One Regional Card for All (ORCA) as the preferred fare medium; and
- Examined the establishment of discount programs and practices and opportunities for bus/ferry incentive pricing and developed an approach to integrate the pricing into the ORCA based system, and also identified new opportunities to potentially leverage off of mobile ticketing technology that King County Metro and Sound Transit are piloting in 2016.

<sup>1</sup> This is consistent with how WSF prices its fare products; the monthly pass cost is calculated based on 16 round trips per month.

### 3.6 SERVICE PLANNING

The Phase One study focused on commute-only service with three round-trips in the morning and three round-trips in the evening. Vessel speed specifications reflect the crossing time required to meet the commute schedule. These one-way crossing times are indicated below for each route:

- Bremerton – 35 minutes (28-minute transit time and 7-minute loading/unloading)
- Kingston – 40 minutes (33-minute transit time and 7-minute loading/unloading)
- Southworth – 30 minutes (23-minute transit time and 7-minute loading/unloading)

Responding to community feedback, Kitsap Transit explored expanding service schedules beyond the commute-only service level. Example expanded service schedules were developed for three levels of implementation during peak season (May to September): lower, moderate, and high to illustrate how, and at what cost, Kitsap Transit might implement various levels of expanded service. Further analysis demonstrated that fares and operating subsidies could fund year round commute and the high level of expanded service.

Table 3-4, Table 3-5, and Table 3-6 illustrate the total daily round-trips and potential schedules for Bremerton, Kingston, and Southworth respectively for the three levels of service.

**Table 3-4: Potential Bremerton Schedules**

<b>October - April (Base Season)</b>	<b>Round Trips</b>	<b>First Departure West Side Terminal</b>	<b>Last Seattle Morning Departure</b>	<b>First Afternoon Departure West Side Terminal</b>	<b>Last Departure Seattle</b>
Monday - Friday	6	5:45 AM	8:40 AM	3:25 PM	6:20 PM
<b>May - September (Peak Season)</b>					
<i>Expanded Service - Lower</i>					
Monday - Thursday	7	5:45 AM	8:40 AM	3:25 PM	7:35 PM
Friday	10	5:45 AM	8:40 AM	3:25 PM	11:10 PM
Saturday	10	11:40 AM	-	-	11:10 PM
<i>Expanded Service - Moderate</i>					
Monday - Thursday	9	5:45 AM	9:55 AM	2:10 PM	7:35 PM
Friday	12	5:45 AM	9:55 AM	2:10 PM	11:10 PM
Saturday	10	11:40 AM	-	-	11:10 PM
<i>Expanded Service - High</i>					
Monday - Thursday	12	5:45 AM	-	-	7:35 PM
Friday	15	5:45 AM	-	-	11:10 PM
Saturday	12	9:15 AM	-	-	11:10 PM

**Table 3-5: Potential Kingston Schedules**

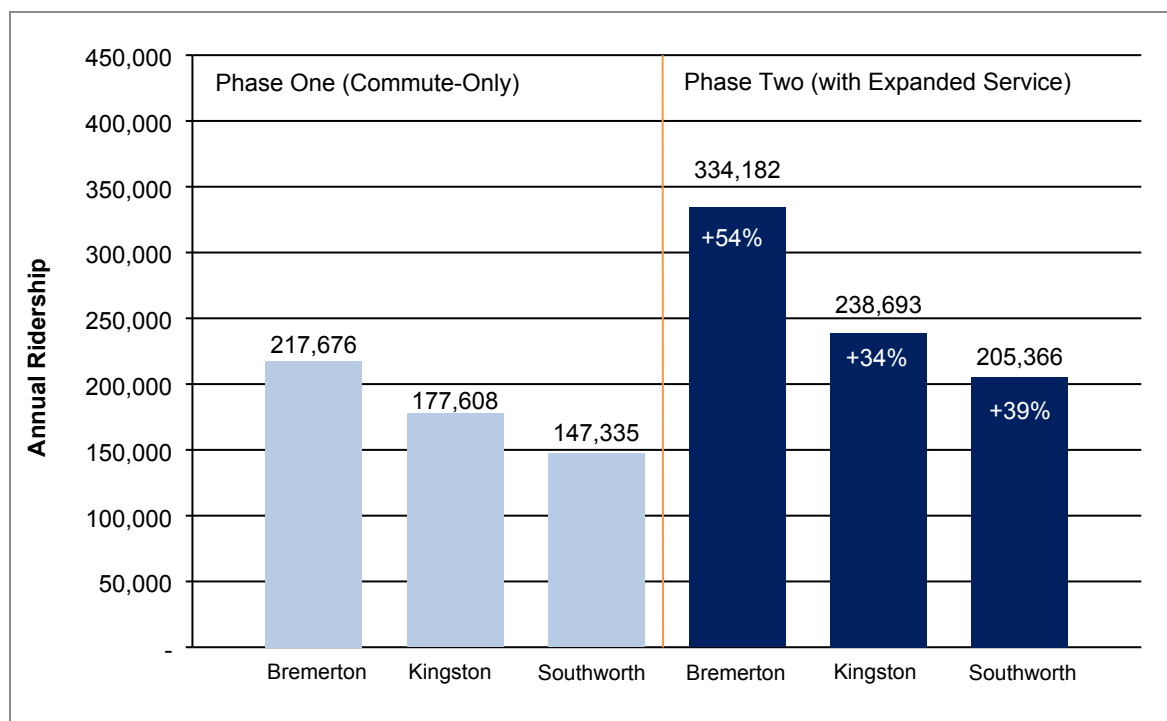
<b>October - April (Base Season)</b>	Round Trips	First Departure West Side Terminal	Last Seattle Morning Departure	First Afternoon Departure West Side Terminal	Last Departure Seattle
Monday - Friday	6	5:40 AM	9:00 AM	2:20 PM	6:40 PM
<b>May - September (Peak Season)</b>					
<i>Expanded Service - Lower</i>					
Monday - Thursday	7	5:40 AM	9:00 AM	2:20 PM	8:05 PM
Friday	9	5:40 AM	9:00 AM	2:20 PM	11:00 PM
Saturday	8	11:50 AM	-	-	11:00 PM
<i>Expanded Service - Moderate</i>					
Monday - Thursday	9	5:40 AM	10:30 AM	1:00 PM	8:05 PM
Friday	11	5:40 AM	11:50 AM	2:20 PM	11:00 PM
Saturday	8	11:50 AM	-	-	11:00 PM
<i>Expanded Service - High</i>					
Monday - Thursday	10	5:40 AM	-	-	8:05 PM
Friday	12	5:40 AM	-	-	11:00 PM
Saturday	10	9:00 AM	-	-	11:00 PM

**Table 3-6: Potential Southworth Schedules**

<b>October - April (Base Season)</b>	Round Trips	First Departure West Side Terminal	Last Seattle Morning Departure	First Afternoon Departure West Side Terminal	Last Departure Seattle
Monday - Friday	6	6:00 AM	8:30 AM	3:10 PM	6:20 PM
<b>May - September (Peak Season)</b>					
<i>Expanded Service - Lower</i>					
Monday - Thursday	7	6:00 AM	8:30 AM	3:10 PM	7:20 PM
Friday	11	6:00 AM	8:30 AM	3:10 PM	10:30 PM
Saturday	11	11:30 AM	-	-	10:30 PM
<i>Expanded Service - Moderate</i>					
Monday - Thursday	9	6:00 AM	9:35 AM	2:10 PM	7:20 PM
Friday	13	6:00 AM	9:35 AM	2:10 PM	10:30 PM
Saturday	11	11:30 AM	-	-	10:30 PM
<i>Expanded Service - High</i>					
Monday - Thursday	13	6:00 AM	-	-	7:20 PM
Friday	17	6:00 AM	-	-	10:30 PM
Saturday	13	9:30 AM	-	-	10:30 PM

### 3.7 RIDERSHIP

Phase Two analyzed the potential demand for the expanded service scenarios for each route. Ridership was forecasted for each level of expanded service. The ridership analysis indicates with more sailings, annual ridership increases. Figure 3-1 illustrates the annual Phase One ridership projections as well as annual ridership projections with expanded service evaluated in Phase Two. The figure also indicates the percent increase in ridership from Phase One to Phase Two.



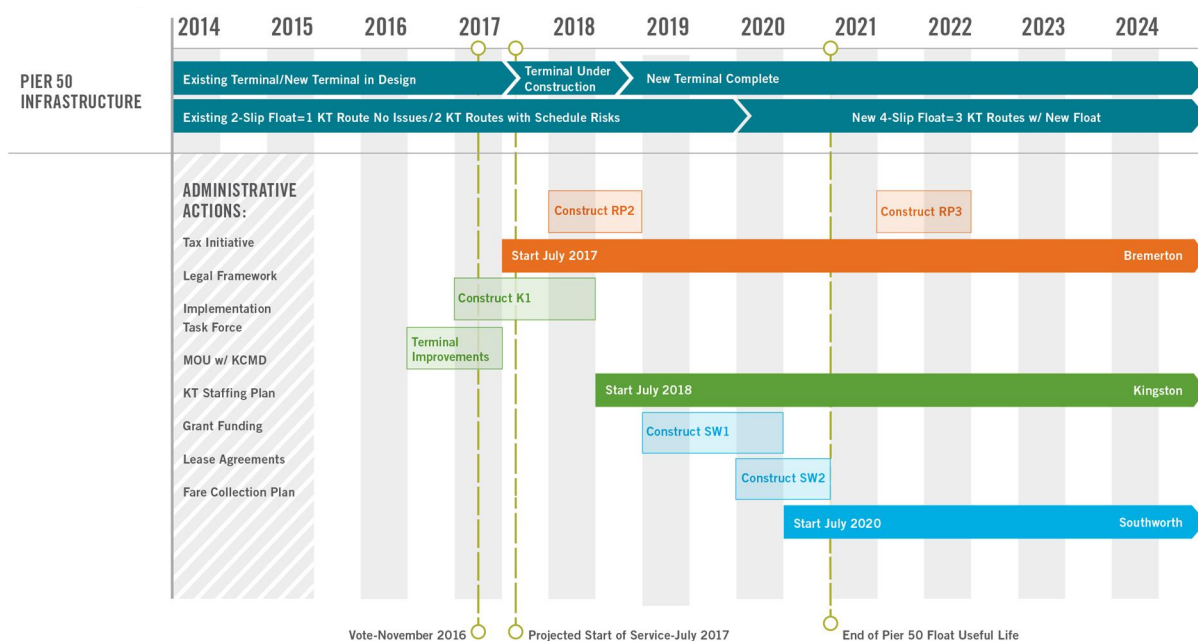
**Figure 3-1: Annual Ridership for Phase One (Commute-Only) and Phase Two (with Expanded Service)**

### 3.8 IMPLEMENTATION PLAN

With bow loading at Southworth, the revised implementation plan projects all three routes to be operational by 2020, within four years of local funding approval. While Kitsap Transit has initiated partnership agreement discussions with KCMD, they would also need to engage in lease agreement discussions with WSF and the Port of Kingston for use of their terminal facilities.

Bremerton service would commence in the summer of 2017 as only minor aesthetic terminal improvements are required and the RP1 has already been built. The Kingston route requires construction of a high-speed vessel as well as dock improvements and would be operational approximately one year after Bremerton, in the summer of 2018. Startup of Southworth service would require design and construction of a new 250-passenger vessel and small modifications to accommodate bow-loading and upland passenger staging and would occur in the summer of 2020. Figure 3-2 illustrates the proposed phasing plan for implementing the three routes.





Note: Actual start date dependent upon successful ballot measure.

Figure 3-2: Phasing Plan

## 4 What are the Legal Structure Options?

In developing a POF service business plan, Kitsap Transit explored a legal structure to govern the service, a local tax source to support the service, and boundaries for inclusion in the proposed ferry service area. The Phase One business plan recommended that Kitsap Transit employ their current Public Transportation Benefit Area (PTBA) municipal corporation to govern the cross-sound POF service. It was noted in the Phase One report that Kitsap Transit was pursuing additional statutory authority for the establishment of a ferry user district. The 2015 Washington State Legislature and the Governor did approve expanded authority allowing Kitsap Transit to also consider establishment of a ferry district to govern POF service.

Analytical work was performed during Phase Two to support Kitsap Transit's evaluation of legal structure alternatives and boundary establishment. The project team:

- Estimated ridership originating within Kitsap County and subsections of the county;
- Estimated voter population distribution within Kitsap County and subsections of the county; and
- Estimated taxable retail sales and sales tax yields by precinct within Kitsap County.

The results of this analysis are presented in Table 4-1 through Table 4-4 below.

**Table 4-1: POF Ridership Projections by Route**

Route	% of All Ridership originating within Kitsap County
Bremerton	100%
Kingston	91%
Southworth	75%
Total within Kitsap County	91%
Total outside Kitsap County	9%

Source: Appendix E - Kitsap Transit Passenger-Only Ferry Business Plan and Long Range Strategy: Detailed Ridership Analysis

**Table 4-2: POF Ridership Projections within Alternative Boundary**

Route	% of All Ridership within Proposed Boundary
Bremerton	86%
Kingston	78%
Southworth	61%
Total within Proposed Boundary	77%

Source: Appendix E - Kitsap Transit Passenger-Only Ferry Business Plan and Long Range Strategy: Detailed Ridership Analysis

**Table 4-3: Registered Voter Distribution**

Location	Registered Voters	% of All County Registered Voters
Kitsap County	153,571	100%
Alternative Ferry District	129,426	84%

Source: Kitsap County Elections

**Table 4-4: Taxable Retail Sales**

Location	2014 Taxable Retail Sales Reported for all Precincts in Kitsap County	% of Reported Taxable Retail Sales <sup>2</sup>
Kitsap County	2.577 B	100%
Alternative Ferry District	2.525 B	98%

Source: Washington State Department of Revenue

<sup>2</sup> The Washington State Department of Revenue is unable to track all taxable sales in the county to a specific precinct or other geographical unit. Total taxable retail sales for Kitsap County are higher than reported in this table.

## 5 How Much Will POF Cost and How Do We Pay For It?

A comprehensive financial plan was developed for the cross-sound POF program in Phase One. The plan addressed capital and operating costs as well as tax, grant, and operating revenue. In Phase Two the financial plan:

- Incorporated a higher level of service;
- Financed a greater portion of start-up costs with local funds to demonstrate viability at a lower level of grant funding while maintaining the implementation schedule;
- Adopted bow loading at Southworth to expedite implementation of service from Southworth;
- Incorporated revised capital investment requirements;
- Adopted a single cross-sound fare for all routes; and
- Evaluated the sustainability of the financial plan to withstand economic and performance uncertainty.

### 5.1 COST OF EXPANDED SERVICE AND FUNDING MECHANISMS

As in Phase One, costs for construction of both vessels and terminals were estimated and inflated over the investment period. Operating costs for the higher level of service, including terminal and vessel operations and management and support, were estimated and projected over the term of the financial plan.

- \$48 million in capital investment would be required between 2017 and 2022 to support all three routes with the vessel configuration described in Section 3.2.
- Nearly \$13 million of local funds would be committed to capital investments required to launch the first two routes.
- Ongoing operating subsidy requirements<sup>3</sup> once all three routes are in service with year round commute and the high level of expanded service would be \$8 million per year:
  - \$2.5 million for Bremerton
  - \$3.1 million for Kingston
  - \$2.4 million for Southworth

As noted in the Phase One report, adequate funding is critical for sustainable, long-term service. While a portion of operating costs would be covered by fare-box revenue, the remainder of operating costs and capital outlays would need to be covered through other funding sources. Grant funding would be utilized whenever possible; however, competition for these funds can be intense and an alternative that does not depend upon grant revenue to cover start-up capital was

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<sup>3</sup> Subsidies estimated in 2016 dollars.

evaluated and is discussed below. See Appendix F for an inventory of grant opportunities. Local funding in the form of tax levies would be required to support capital needs and sustain the service over the long-term.

The financial plan, at the higher level of seasonal expanded service with the required capital investments, is balanced with fare revenue, grant revenue to cover approximately 50 percent of start-up capital requirements, and 3/10<sup>ths</sup> of one percent sales tax. Local tax revenues supplement capital investments in the early years as service ramps up. Local tax revenues are dedicated to subsidizing ongoing operation and maintenance of the system once all three routes are fully implemented. Funding to subsidize the existing Port Orchard Foot Ferry is also covered through the revenues generated by the 3/10<sup>ths</sup> of one percent sales tax, freeing up approximately \$1.5M per year for bus service.

## 5.2 FINANCIAL PLAN SUSTAINABILITY

Like the Phase One plan, the Phase Two financial plan continues to adopt a conservative approach to estimating both costs and revenues. Some key elements of the financial assumptions are discussed below.

### Fuel Prices

Fuel prices were assumed to be \$4 a gallon, a conservative estimate in 2015 when Kitsap Transit was paying approximately \$2.50 a gallon and even more conservative now when fuel is as low as \$1 a gallon.

### General Cost Escalation

Cost escalation was assumed to be 5 percent per year, in line with actual experience for Kitsap Transit and well within the rate experienced by other ferry operations.

### Fare Structure

The Phase One business plan proposed a two-tier fare structure with Bremerton and Southworth priced at \$11 for full adult fare and Kingston at \$15. In Phase Two, a single cross-sound fare was evaluated with a goal of remaining relatively revenue neutral. A system-wide cross-sound full adult fare of \$12 was recommended and incorporated into the Phase Two ridership and revenue projections.

### Ridership and Fare Revenue

As part of the Phase One planning work, a rider choice model was built to project ridership for each of the three proposed routes. Rider choice models have been shown to be very reliable in projecting ridership for many other land and ferry transit systems.<sup>4</sup>

Using the ridership model, baseline ridership and revenue was estimated using the recommended expanded service schedule and a \$12 adult full fare. An average realization of 85 percent was applied to the revenue forecast to account for frequent use and other fare discounts. The estimate was further reduced by 25 percent to account for ridership ramp-up and economic uncertainty. A 5 percent escalation factor was applied annually to fare revenue to keep fare growth in line with cost escalation. No additional factor is applied for ridership growth.

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<sup>4</sup> See Appendix F of the Phase One report for a full discussion of ridership modeling and projection

### **Local Tax Revenue**

Current Kitsap Transit sales tax receipts were used to establish base year collections at 3/10<sup>ths</sup> of one percent sales tax. Tax revenue growth was assumed to be 3.5 percent per year, well below the average predicted for the next three years in Kitsap County by the Puget Sound Economic Forecaster.

### **Grant Revenue**

Responding to a suggestion from the Federal Transit Administration, the overall level of federal grant support was re-evaluated. The proposed financial plan does assume grant support to start-up capital investment at approximately 50 percent.

However, an alternative premised on no start-up capital grants was developed. In this case, fares and 3/10<sup>ths</sup> of one percent sales tax would be supplemented with debt funding in the range of \$21 million. This would provide funding for the required capital, debt service, and operating subsidy to operate all three routes with commute service at the level of six round-trips per day during the off-peak season and the higher level of expanded service during peak season. In the no-grant-revenue alternative, a third vessel for Bremerton would be contingent upon the later availability of grant funds. Total debt service for this alternative was estimated to be approximately \$5 million.

## **5.3 PROJECTED FINANCIAL PLAN**

Route financial projection statements were prepared for each of the three routes and include operating revenue, operating costs, and capital costs. They reflect the implementation schedule proposed in the overall business plan and are consolidated into a system-wide route financial projection statement that incorporates funding for both the operating subsidy and the capital program. Refer to Attachment 1 for a summary of the financial plan and Appendix G for financial plans of each route.

# **6 Key Findings and Next Steps**

Through the work performed in Phase Two, Kitsap Transit has gained a deeper understanding of community and stakeholder support and concerns for POF service. Community interest in more than just commute service was a very strong theme in all forms of outreach. The potential schedule development, demand forecasting, and financial analysis completed in Phase Two illustrates that expanded service is feasible. Additionally, modifications for a Southworth vessel are feasible that would result in an accelerated timeframe for beginning operations at that terminal. By implementing expanded POF service, a broader spectrum of community members would be able to utilize and benefit from this service.

Although the proposed plan offers a viable plan for sustainable passenger ferry service, no plan can anticipate all future developments. Kitsap Transit should develop a performance monitoring and evaluation program to ensure that the ferry program remains viable and to make the inevitable course changes dictated by rider needs, evolving economic conditions, and the costs of service delivery.

Key findings from Phase One and Phase Two of the business plan include:

- There is broad community support for POF service.
- There are two viable legal structures available to support Kitsap POF service: the current Kitsap Transit PTBA and the new statutory authority to establish a separate Ferry District
- Bow loading in the WSF slip allows Southworth service to begin three to five years sooner.
- Incorporating an expanded seasonal service plan for POF service is financially feasible based on projected ridership and revenue, with a 3/10<sup>ths</sup> of one percent sales tax levy and grant funding.
- King County is a willing partner in providing cross-sound POF service.

Should the Kitsap Transit Board of Commissioners choose to refer the business plan to the voters, work should continue to:

- Refine elements of the plan such as fare structure and fare collection, vessel moorage and maintenance arrangements, and an internal staffing and management plan;
- Conduct preliminary design and acquisition work for capital investments;
- Coordinate with the Federal Transit Administration for submission of a project application as the first step in seeking New/Small Starts grants; and
- Initiate development of an interagency agreement with King County and other partnering agencies.

# Attachment 1

Kitsap Passenger-Only Ferry Projected Financial Plan  
All Routes 2017-2036

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Attachment 1: Kitsap Passenger-Only Ferry Projected Financial Plan – All Routes 2017-2036 (\$ in thousands)

Operations	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Bremerton Service Introduced	Kingston Service Introduced		Southworth Service Introduced																
<b>Revenue</b>																				
Fares	703	2,003	2,657	3,290	3,980	4,179	4,388	4,607	4,837	5,079	5,333	5,600	5,880	6,174	6,483	6,807	7,147	7,504	7,880	8,274
Miscellaneous Operating Revenue																				
<b>Total Operating Revenue</b>	<b>703</b>	<b>2,003</b>	<b>2,657</b>	<b>3,290</b>	<b>3,980</b>	<b>4,179</b>	<b>4,388</b>	<b>4,607</b>	<b>4,837</b>	<b>5,079</b>	<b>5,333</b>	<b>5,600</b>	<b>5,880</b>	<b>6,174</b>	<b>6,483</b>	<b>6,807</b>	<b>7,147</b>	<b>7,504</b>	<b>7,880</b>	<b>8,274</b>
<b>Expenses</b>																				
Direct Vessel Operating Expense																				
Operating Labor	503	1,379	1,744	2,402	2,815	2,956	3,104	3,259	3,422	3,593	3,773	3,961	4,159	4,367	4,586	4,815	5,056	5,309	5,574	5,853
Fuel	912	2,573	3,276	4,216	4,821	5,062	5,315	5,581	5,860	6,153	6,461	6,784	7,123	7,479	7,853	8,246	8,658	9,091	9,545	10,023
Other Operating Costs	50	135	170	233	272	286	300	315	331	347	364	383	402	422	443	465	488	513	538	565
Maintenance Labor	219	574	723	865	1,011	1,061	1,115	1,170	1,229	1,290	1,355	1,422	1,494	1,568	1,647	1,729	1,815	1,906	2,002	2,102
Maintenance Supplies and Materials	170	432	537	728	848	891	935	982	1,031	1,082	1,137	1,193	1,253	1,316	1,382	1,451	1,523	1,599	1,679	1,763
Vessel Insurance	79	242	305	447	528	554	582	611	642	674	708	743	780	819	860	903	948	996	1,045	1,098
Other Maintenance	43	115	144	200	236	248	260	273	287	301	316	332	348	366	384	403	424	445	467	490
<b>Subtotal Vessel Operations</b>	<b>1,977</b>	<b>5,451</b>	<b>6,900</b>	<b>9,091</b>	<b>10,531</b>	<b>11,058</b>	<b>11,611</b>	<b>12,191</b>	<b>12,801</b>	<b>13,441</b>	<b>14,113</b>	<b>14,818</b>	<b>15,559</b>	<b>16,337</b>	<b>17,154</b>	<b>18,012</b>	<b>18,912</b>	<b>19,858</b>	<b>20,851</b>	<b>21,894</b>
Direct Terminal Operating Expense																				
Labor	106	300	315	393	413	433	455	478	501	527	553	581	610	640	672	706	741	778	817	858
Maintenance	26	63	78	117	141	148	155	163	171	179	188	198	208	218	229	240	253	265	278	292
Terminal Lease Expense	18	47	59	83	98	103	108	114	119	125	132	138	145	152	160	168	176	185	194	204
Other	97	223	270	397	476	500	525	551	579	608	638	670	703	739	775	814	855	898	943	990
<b>Subtotal Terminal Operations</b>	<b>247</b>	<b>634</b>	<b>722</b>	<b>990</b>	<b>1,127</b>	<b>1,184</b>	<b>1,243</b>	<b>1,305</b>	<b>1,370</b>	<b>1,439</b>	<b>1,511</b>	<b>1,586</b>	<b>1,666</b>	<b>1,749</b>	<b>1,837</b>	<b>1,928</b>	<b>2,025</b>	<b>2,126</b>	<b>2,232</b>	<b>2,344</b>
<b>Total Direct Expenses</b>	<b>2,224</b>	<b>6,085</b>	<b>7,622</b>	<b>10,081</b>	<b>11,659</b>	<b>12,242</b>	<b>12,854</b>	<b>13,496</b>	<b>14,171</b>	<b>14,880</b>	<b>15,624</b>	<b>16,405</b>	<b>17,225</b>	<b>18,086</b>	<b>18,991</b>	<b>19,940</b>	<b>20,937</b>	<b>21,984</b>	<b>23,083</b>	<b>24,237</b>
Management and Support																				
KT POF Management and Support	235	329	345	362	380	399	419	440	462	485	510	535	562	590	620	651	683	717	753	791
Contractor Management and Support	886	1,358	1,426	2,070	2,174	2,283	2,397	2,517	2,642	2,775	2,913	3,059	3,212	3,372	3,541	3,718	3,904	4,099	4,304	4,519
<b>Total Management and Support</b>	<b>1,120</b>	<b>1,686</b>	<b>1,771</b>	<b>2,433</b>	<b>2,554</b>	<b>2,682</b>	<b>2,816</b>	<b>2,957</b>	<b>3,105</b>	<b>3,260</b>	<b>3,423</b>	<b>3,594</b>	<b>3,774</b>	<b>3,962</b>	<b>4,161</b>	<b>4,369</b>	<b>4,587</b>	<b>4,816</b>	<b>5,057</b>	<b>5,310</b>
<b>Total Operating Expenses</b>	<b>3,344</b>	<b>7,771</b>	<b>9,393</b>	<b>12,513</b>	<b>14,213</b>	<b>14,924</b>	<b>15,670</b>	<b>16,453</b>	<b>17,276</b>	<b>18,140</b>	<b>19,047</b>	<b>19,999</b>	<b>20,999</b>	<b>22,049</b>	<b>23,151</b>	<b>24,309</b>	<b>25,524</b>	<b>26,801</b>	<b>28,141</b>	<b>29,548</b>
<b>Net Operating Operating Subsidy Required</b>	<b>2,641</b>	<b>5,768</b>	<b>6,736</b>	<b>9,223</b>	<b>10,233</b>	<b>10,745</b>	<b>11,282</b>	<b>11,846</b>	<b>12,438</b>	<b>13,060</b>	<b>13,713</b>	<b>14,399</b>	<b>15,119</b>	<b>15,875</b>	<b>16,669</b>	<b>17,502</b>	<b>18,377</b>	<b>19,296</b>	<b>20,261</b>	<b>21,274</b>
<b>Additional Service Subsidy Allotment</b>					432	454	476	500	525	551	579	608	638	670	704	739	776	815	855	898
Subsidy per Rider	\$21	\$18	\$17	\$19	\$18	\$19	\$20	\$21	\$22	\$24	\$25	\$26	\$27	\$29	\$30	\$32	\$33	\$35	\$37	\$38
Farebox Recovery	21.0%	25.8%	28.3%	26.3%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%

Note: Numbers may not add up due to rounding.

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Attachment 1: Kitsap Passenger-Only Ferry Projected Financial Plan – All Routes 2017-2036 (\$ in thousands)

Capital	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Bremerton Service Introduced	Kingston Service Introduced		Southworth Service Introduced																
<b>Revenue</b>																				
State and Local Government Grant Funding								1,000			1,000			750			750			750
Federal Grants-Forecast			7,129	13,189	280	6,422	280	280	280	280	280	280	280	280	280	280	280	280	280	280
<b>Total Capital Grant Revenue</b>			7,129	13,189	280	6,422	280	1,280	280	280	1,280	280	280	1,030	280	280	1,030	280	280	1,030
<b>Expenses</b>																				
<b>Vessels</b>																				
Vessel Leases																				
Vessel Acquisitions	3,002	5,369	9,368	15,443		7,831														
Vessel Tie-up Facility Lease or Construction																				
Major Maintenance							1,000		1,000			1,000			1,000			1,000		
Rich Passage Monitoring	175	254	138	145	152	159														
<b>Subtotal Vessels</b>	3,176	5,624	9,506	15,588	152	7,990	1,000		1,000			1,000			1,000			1,000		
<b>Terminals</b>																				
Seattle Terminal	1,378	1,378		912																
Kitsap Terminals	684	510		638																
Terminal Preservation Reserve					150			200			200			200			200			200
<b>Subtotal Terminals</b>	2,062	1,889		1,550	150			200			200			200			200			200
Unforeseen Event Contingency	200			75	200	200	200	150	150	200	200	200	200	200	200	200	200	200	200	200
Capital Program Management & Support																				
<b>Total Capital Expenditures</b>	5,438	7,512	9,506	17,212	502	8,190	1,200	350	1,150	200	400	1,200	200	400	1,200	200	400	1,200	200	400
<b>Net Capital Required</b>	5,438	7,512	2,376	4,023	222	1,767	920	-930	870	-80	-880	920	-80	-630	920	-80	-630	920	-80	-630
<b>Debt Repayment - Port of Bremerton</b>		625	625	625	625															
<b>Port Orchard Foot Ferry</b>	1,654	1,736	1,823	1,914	2,010	2,111	2,216	2,327	2,443	2,566	2,694	2,828	2,970	3,118	3,274	3,438	3,610	3,790	3,980	4,179
<b>Total Local Funding Required for Capital and Operating</b>	9,733	15,641	11,560	15,785	13,522	15,076	14,894	13,743	16,277	16,097	16,106	18,755	18,647	19,033	21,567	21,599	22,133	24,821	25,016	25,721
<b>Total POF Tax Funding at Three Tenths</b>	12,588	13,028	13,484	13,956	14,445	14,950	15,474	16,015	16,576	17,156	17,756	18,378	19,021	19,687	20,376	21,089	21,827	22,591	23,382	24,200
Interest Revenue	10	2	15	3	9	8	12	29	31	38	50	48	51	56	48	45	43	28	16	6
Bond Funds																				
Debt Service																				
<b>Projected Cash Balance</b>	2,865	254	2,193	367	1,299	1,181	1,772	4,073	4,403	5,500	7,200	6,871	7,296	8,005	6,863	6,397	6,135	3,932	2,314	799

Note: Numbers may not add up due to rounding.

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Progressions  
*Sawyer & Associate*

  
Cocker  
Fennessy

 **steer davis gleave**

  
IBI  
GROUP

 **Elliott Bay  
Design Group**