

**Transportation Revenue
Forecast Council
June 2016
Transportation Economic and
Revenue Forecasts
Volume III: Alternate Forecast Tables**

Transportation Revenue Forecast Council

Alternative Forecasts

June 2016

- **Alternate Ferry Forecast.....IV-3**

REVENUE AND RIDERSHIP PROJECTIONS
JUNE 2016 FORECAST
FISCAL YEARS 2016-2027

Prepared for
Washington State Ferries

for Presentation to the
**Transportation Revenue
Forecast Council**

June 16, 2016 Meeting

Prepared by
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June 14, 2016

Washington State Ferries

June 2016 Revenue and Ridership Forecasts — Fiscal Years 2016-2027

JUNE 2016 FORECAST NOTES

The fare revenue and ridership forecasts for Washington State Ferries (WSF) are completed in four stages. First, monthly ridership projections by seven fare categories are prepared for each route using time series analysis methods, with a forecast horizon from the present through fiscal year (FY) 2027.

The seven fare categories include: (1) passenger full fares, (2) passenger commuter discount fares, (3) passenger other discount fares, (4) auto full fares, (5) auto commuter discount fares, (6) other discount vehicles, and (7) oversized vehicle fares.

Stage two of the process generates system-wide ridership projections. Econometric models combine ferry fare scenarios with demographic and economic projections to produce system-wide unconstrained ridership forecasts by seven fare categories through FY 2027. Within each fare category, the individual route forecasts are then calibrated to match the system-wide forecast totals from the econometric models.

The third stage of the process consists of adjusting the calibrated passenger and vehicle ridership by route to reflect seasonal vehicle capacity constraints, changes in service hours, and/or the net impacts from adding or eliminating service.

Last, the appropriate fares and average fare realizations are applied to the calibrated, capacity-constrained ridership forecasts for each route by fare category. This yields monthly and annual revenue forecasts by route for seven fare categories.

In August 2015, the Washington State Transportation Commission adopted two separate fare increases to take place in FY 2016, effectively revising the Baseline and Alternative 1 Forecast Scenarios. The June Forecast scenarios are as follows:

- **Baseline Forecast** – Includes two nickel-rounded fare increases in FY 2016 of 1.0% for passengers and 2.5% for vehicles on October 1, 2015 and May 1, 2016, plus removal of the overweight fare surcharge on vehicles up to 22 feet in length. With no further fare increases, real fares will decline from FY 2017 forward.
- **Alternative 1 Forecast** – Builds on the Baseline Forecast by adding consecutive 2.5% increases each October, from 2017 through 2026 (FY 2018-27), resulting in slightly increasing real fares under current inflation projections.

The FY 2016 projections have been updated to include actual revenue and ridership through May 2016.

Ridership Impacts

- The June 2016 ridership forecasts reflect the latest updated demographic and economic variable forecasts provided by the State and commercial sources.
- The forecasts for trade/transportation/utilities, retail, and overall non-agricultural employment display a mix of small upward and downward revisions over the forecast horizon, collectively having no material impacts on projected ridership.
- The real personal income forecast has been revised downward over the forecast horizon, initially 1.3% lower in FY 2017 and rising to 3.1% lower in FY 2027, which dampens demand for passenger and vehicle/driver commuter ridership.
- A small upward revision to inflation contributes to slightly lower real fares over the forecast horizon, which tend to lift the ridership forecasts.
- Projections for real gasoline prices reflect a notable increase for the remainder of FY 2016, a slight decline in FY 2017, and then increasingly steeper declines thereafter relative to the February forecast. By FY 2027, real gas prices are forecasted to be 28% lower, sending the vehicle/driver ridership forecasts upward.
- Overall, the June Baseline Forecast for ridership in FY 2016 is 0.5% higher than projected in February, showing 1.6% annual growth over FY 2015.
- Actual ridership for the four months from February through May 2015 came in 1.6% higher overall, with April particularly strong. However, the increase was driven by passengers (3.9% higher) rather than vehicles (1.1% lower), with the total revenue increase for FY 2016 only 1.0% even with the two fare increases.
- Ridership for FY 2017 is projected to be 0.7% higher than previously forecasted, and thereafter ranging to as much as 1.1% higher for the Baseline Forecast and 1.2% higher for the Alternative 1 Forecast.

Revenue Impacts

- For the 2015/17 biennium, forecasted revenues of \$368.8 M are \$1.8 M (0.5%) higher than in February for both the Baseline and Alternative 1 Forecasts.
- The 2015/17 biennium forecast is distributed as \$360.8 M in base fares to the operating account and \$8.0 M in fare surcharge revenue to the capital account.
- For the 2017/19 biennium, forecasted revenues of \$380.9 M under the Baseline Forecast are 0.9% higher than projected in February. For the Alternative 1 Forecast, the 2017/19 biennium projection is \$389.5 M or 0.5% higher.
- Thereafter, projected biennial revenues range from 1.2% to 1.6% higher than their February values, depending on the forecast scenario and biennium.

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Washington State Ferries

REVENUE PROJECTIONS ~ BASELINE FORECAST

Adopted Fares through May 1, 2016 | No Changes in Fares after May 2016¹

June 2016 Forecast – Fiscal Years 2016-2027

Fiscal Year	June 2016 Capacity-Constrained Revenue Forecast	Fiscal Year Annual Growth Rate	June Biennium Total	June vs. February Forecast			February 2016 Baseline	
				% Change by Fiscal Year	\$ Change and % Change by Biennium		Capacity-Constrained Revenue Forecast	Biennium Total
2008	\$148,379,626	1.1%						
2009	\$144,540,455	(2.6%)	\$292,920,081					
2010	\$147,009,545	1.7%						
2011	\$147,447,850	0.3%	\$294,457,395					
2012	\$155,085,373	5.2%						
2013	\$162,047,033	4.5%	\$317,132,406					
2014	\$167,441,867	3.3%						
2015	\$175,965,750	5.1%	\$343,407,617					
2016 ²	\$181,307,000	3.0%		0.3%			\$180,824,000	
2017	\$187,506,000	3.4%	\$368,813,000	0.7%	\$1,822,000	0.5%	\$186,167,000	\$366,991,000
2018	\$189,418,000	1.0%		0.8%			\$187,922,000	
2019	\$191,470,000	1.1%	\$380,888,000	1.0%	\$3,381,000	0.9%	\$189,585,000	\$377,507,000
2020	\$193,538,000	1.1%		1.2%			\$191,191,000	
2021	\$194,828,000	0.7%	\$388,366,000	1.3%	\$4,895,000	1.3%	\$192,280,000	\$383,471,000
2022	\$196,336,000	0.8%		1.4%			\$193,620,000	
2023	\$197,889,000	0.8%	\$394,225,000	1.6%	\$5,757,000	1.5%	\$194,848,000	\$388,468,000
2024	\$199,261,000	0.7%		1.6%			\$196,193,000	
2025	\$200,747,000	0.7%	\$400,008,000	1.4%	\$5,818,000	1.5%	\$197,997,000	\$394,190,000
2026	\$202,279,000	0.8%		1.2%			\$199,812,000	
2027	\$204,000,000	0.9%	\$406,279,000	1.2%	\$4,826,000	1.2%	\$201,641,000	\$401,453,000

¹ The Baseline Forecast Forecast includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, plus the 25¢ surcharge per fare sold for funding capital expenditures. However, the Baseline Forecast excludes any further changes to the nominal fares after May 2016, resulting in declining real fares over the forecast horizon. The Baseline Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

Washington State Ferries

REVENUE PROJECTIONS ~ BASELINE FORECAST

Adopted Fares through May 1, 2016 | No Changes in Fares after May 2016¹

June 2016 Forecast – Fiscal Years 2016-2027

Fiscal Year	June 2016 Capacity-Constrained Revenue Forecast	Fiscal Year Annual Growth Rate	June Biennium Total	Distribution of Revenue to Operating and Capital Programs			
				25¢ Surcharge Revenue for Capital Program	Capital Biennium Total	Base Fare Revenue for Operating Program	Operating Biennium Total
2008	\$148,379,626	1.1%				\$148,379,626	
2009	\$144,540,455	(2.6%)	\$292,920,081			\$144,540,455	\$292,920,081
2010	\$147,009,545	1.7%				\$147,009,545	
2011	\$147,447,850	0.3%	\$294,457,395			\$147,447,850	\$294,457,395
2012	\$155,085,373	5.2%		\$2,544,970		\$152,540,403	
2013	\$162,047,033	4.5%	\$317,132,406	\$3,626,191	\$6,171,161	\$158,420,842	\$310,961,245
2014	\$167,441,867	3.3%		\$3,662,690		\$163,779,177	
2015	\$175,965,750	5.1%	\$343,407,617	\$3,894,088	\$7,556,778	\$172,071,662	\$335,850,839
2016 ²	\$181,307,000	3.0%		\$4,002,000		\$177,305,000	
2017	\$187,506,000	3.4%	\$368,813,000	\$4,041,000	\$8,043,000	\$183,465,000	\$360,770,000
2018	\$189,418,000	1.0%		\$4,080,000		\$185,338,000	
2019	\$191,470,000	1.1%	\$380,888,000	\$4,129,000	\$8,209,000	\$187,341,000	\$372,679,000
2020	\$193,538,000	1.1%		\$4,181,000		\$189,357,000	
2021	\$194,828,000	0.7%	\$388,366,000	\$4,221,000	\$8,402,000	\$190,607,000	\$379,964,000
2022	\$196,336,000	0.8%		\$4,262,000		\$192,074,000	
2023	\$197,889,000	0.8%	\$394,225,000	\$4,304,000	\$8,566,000	\$193,585,000	\$385,659,000
2024	\$199,261,000	0.7%		\$4,344,000		\$194,917,000	
2025	\$200,747,000	0.7%	\$400,008,000	\$4,387,000	\$8,731,000	\$196,360,000	\$391,277,000
2026	\$202,279,000	0.8%		\$4,432,000		\$197,847,000	
2027	\$204,000,000	0.9%	\$406,279,000	\$4,480,000	\$8,912,000	\$199,520,000	\$397,367,000

¹ The Baseline Forecast Forecast includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, plus the 25¢ surcharge per fare sold for funding capital expenditures. However, the Baseline Forecast excludes any further changes to the nominal fares after May 2016, resulting in declining real fares over the forecast horizon. The Baseline Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

Washington State Ferries

REVENUE PROJECTIONS ~ ALTERNATIVE 1 FORECAST

Adopted Fares through May 1, 2016 | 2.5% Annual Fare Increases FY 2018-27¹

June 2016 Forecast – Fiscal Years 2016-2027

Fiscal Year	June 2016 Capacity-Constrained Revenue Forecast	Fiscal Year Annual Growth Rate	June Biennium Total	June vs. February Forecast			February 2016 Alternative 1	
				% Change by Fiscal Year	\$ Change and % Change by Biennium		Capacity-Constrained Revenue Forecast	Biennium Total
2008	\$148,379,626	1.1%						
2009	\$144,540,455	(2.6%)	\$292,920,081					
2010	\$147,009,545	1.7%						
2011	\$147,447,850	0.3%	\$294,457,395					
2012	\$155,085,373	5.2%						
2013	\$162,047,033	4.5%	\$317,132,406					
2014	\$167,441,867	3.3%						
2015	\$175,965,750	5.1%	\$343,407,617					
2016 ²	\$181,307,000	3.0%		0.3%			\$180,824,000	
2017	\$187,506,000	3.4%	\$368,813,000	0.7%	\$1,822,000	0.5%	\$186,167,000	\$366,991,000
2018	\$191,954,000	2.4%		0.8%			\$190,467,000	
2019	\$197,577,000	2.9%	\$389,531,000	1.0%	\$3,421,000	0.9%	\$195,643,000	\$386,110,000
2020	\$203,526,000	3.0%		1.2%			\$201,074,000	
2021	\$208,934,000	2.7%	\$412,460,000	1.4%	\$5,305,000	1.3%	\$206,081,000	\$407,155,000
2022	\$214,587,000	2.7%		1.4%			\$211,562,000	
2023	\$220,322,000	2.7%	\$434,909,000	1.6%	\$6,438,000	1.5%	\$216,909,000	\$428,471,000
2024	\$226,195,000	2.7%		1.6%			\$222,576,000	
2025	\$232,575,000	2.8%	\$458,770,000	1.5%	\$7,118,000	1.6%	\$229,076,000	\$451,652,000
2026	\$239,325,000	2.9%		1.5%			\$235,873,000	
2027	\$246,316,000	2.9%	\$485,641,000	1.4%	\$6,911,000	1.4%	\$242,857,000	\$478,730,000

¹ The Alternative 1 Forecast includes includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, followed by annual 2.5% fare increases starting October 2017 (FY 2018), plus the 25¢ surcharge per fare sold for funding capital expenditures. Projected annual inflation is less than the 2.5%, leading to slightly increasing real fares over the forecast horizon. The Alternative 1 Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

Washington State Ferries

REVENUE PROJECTIONS ~ ALTERNATIVE 1 FORECAST

Adopted Fares through May 1, 2016 | 2.5% Annual Fare Increases FY 2018-27¹

June 2016 Forecast – Fiscal Years 2016-2027

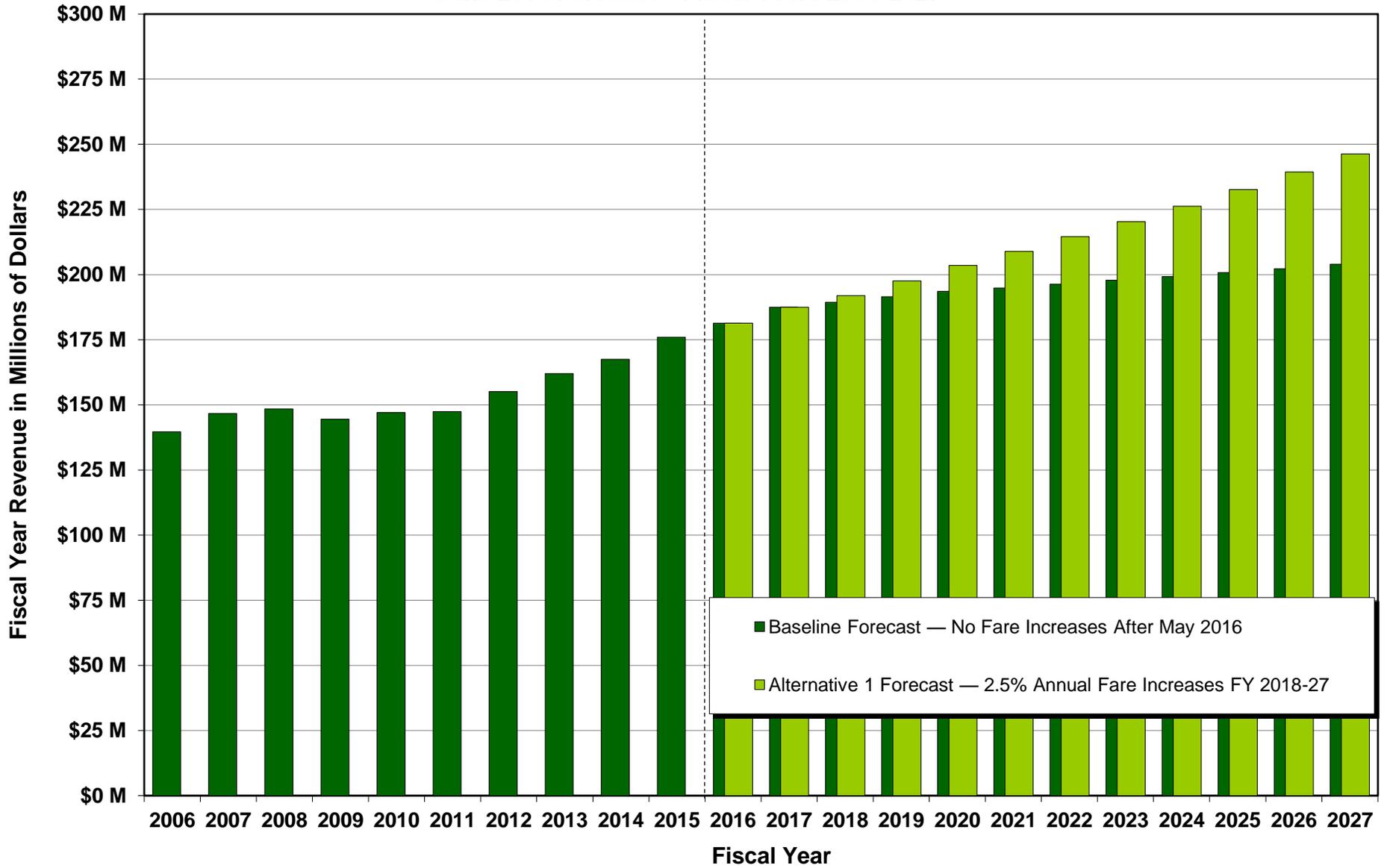
Fiscal Year	June 2016 Capacity-Constrained Revenue Forecast	Fiscal Year Annual Growth Rate	June Biennium Total	Distribution of Revenue to Operating and Capital Programs			
				25¢ Surcharge Revenue for Capital Program	Capital Biennium Total	Base Fare Revenue for Operating Program	Operating Biennium Total
2008	\$148,379,626	1.1%				\$148,379,626	
2009	\$144,540,455	(2.6%)	\$292,920,081			\$144,540,455	\$292,920,081
2010	\$147,009,545	1.7%				\$147,009,545	
2011	\$147,447,850	0.3%	\$294,457,395			\$147,447,850	\$294,457,395
2012	\$155,085,373	5.2%		\$2,544,970		\$152,540,403	
2013	\$162,047,033	4.5%	\$317,132,406	\$3,626,191	\$6,171,161	\$158,420,842	\$310,961,245
2014	\$167,441,867	3.3%		\$3,662,690		\$163,779,177	
2015	\$175,965,750	5.1%	\$343,407,617	\$3,894,088	\$7,556,778	\$172,071,662	\$335,850,839
2016 ²	\$181,307,000	3.0%		\$4,002,000		\$177,305,000	
2017	\$187,506,000	3.4%	\$368,813,000	\$4,041,000	\$8,043,000	\$183,465,000	\$360,770,000
2018	\$191,954,000	2.4%		\$4,067,000		\$187,887,000	
2019	\$197,577,000	2.9%	\$389,531,000	\$4,089,000	\$8,156,000	\$193,488,000	\$381,375,000
2020	\$203,526,000	3.0%		\$4,115,000		\$199,411,000	
2021	\$208,934,000	2.7%	\$412,460,000	\$4,131,000	\$8,246,000	\$204,803,000	\$404,214,000
2022	\$214,587,000	2.7%		\$4,147,000		\$210,440,000	
2023	\$220,322,000	2.7%	\$434,909,000	\$4,166,000	\$8,313,000	\$216,156,000	\$426,596,000
2024	\$226,195,000	2.7%		\$4,183,000		\$222,012,000	
2025	\$232,575,000	2.8%	\$458,770,000	\$4,202,000	\$8,385,000	\$228,373,000	\$450,385,000
2026	\$239,325,000	2.9%		\$4,224,000		\$235,101,000	
2027	\$246,316,000	2.9%	\$485,641,000	\$4,250,000	\$8,474,000	\$242,066,000	\$477,167,000

¹ The Alternative 1 Forecast includes includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, followed by annual 2.5% fare increases starting October 2017 (FY 2018), plus the 25¢ surcharge per fare sold for funding capital expenditures. Projected annual inflation is less than the 2.5%, leading to slightly increasing real fares over the forecast horizon. The Alternative 1 Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

Washington State Ferries — Revenue History and Forecast Trends

June 2016 Forecast – Fiscal Years 2006-2027



Washington State Ferries

RIDERSHIP PROJECTIONS ~ BASELINE FORECAST

Adopted Fares through May 1, 2016 | No Changes in Fares after May 2016¹

June 2016 Forecast – Fiscal Years 2016-2027

Fiscal Year	June 2016 Unconstrained Demand Forecast*	June 2016 Capacity Constrained Projections			February 2016 Projections		
		Passenger Ridership	Vehicle/Driver Ridership	Total Ridership	Annual Rate of Growth	Total Ridership	Jun. % Chg from Feb.
2008		12,926,006	10,441,798	23,367,804	(2.8%)		
2009		12,580,511	9,917,249	22,497,760	(3.7%)		
2010		12,453,226	10,134,311	22,587,537	0.4%		
2011		12,242,320	9,968,973	22,211,293	(1.7%)		
2012		12,236,081	9,983,059	22,219,140	0.0%		
2013		12,350,126	10,045,043	22,395,169	0.8%		
2014		12,696,936	10,154,905	22,851,841	2.0%		
2015		13,270,874	10,387,368	23,658,242	3.5%		
2016 ²	24,030,000	13,464,000	10,566,000	24,030,000	1.6%	23,922,000	0.5%
2017	24,178,000	13,431,000	10,747,000	24,178,000	0.6%	24,004,000	0.7%
2018	24,391,000	13,504,000	10,887,000	24,391,000	0.9%	24,230,000	0.7%
2019	24,711,000	13,701,000	10,999,000	24,700,000	1.3%	24,508,000	0.8%
2020	25,061,000	13,926,000	11,106,000	25,032,000	1.3%	24,802,000	0.9%
2021	25,367,000	14,161,000	11,156,000	25,317,000	1.1%	25,055,000	1.0%
2022	25,684,000	14,399,000	11,211,000	25,610,000	1.2%	25,335,000	1.1%
2023	26,012,000	14,638,000	11,271,000	25,909,000	1.2%	25,619,000	1.1%
2024	26,339,000	14,886,000	11,315,000	26,201,000	1.1%	25,925,000	1.1%
2025	26,694,000	15,139,000	11,372,000	26,511,000	1.2%	26,274,000	0.9%
2026	27,085,000	15,403,000	11,435,000	26,838,000	1.2%	26,633,000	0.8%
2027	27,502,000	15,677,000	11,509,000	27,186,000	1.3%	27,002,000	0.7%

¹ The Baseline Forecast includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, plus the 25¢ surcharge per fare sold for funding capital expenditures. However, the Baseline Forecast excludes any further changes to the nominal fares after May 2016, resulting in declining real fares over the forecast horizon. The Baseline Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

* Excludes demand adjustments for potential vessel capacity constraints and impacts due to the 25¢ per fare capital surcharge.

Washington State Ferries

RIDERSHIP PROJECTIONS ~ ALTERNATIVE 1 FORECAST

Adopted Fares through May 1, 2016 | 2.5% Annual Fare Increases FY 2018-27¹

June 2016 Forecast – Fiscal Years 2016-2027

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		Passenger Ridership	Vehicle/Driver Ridership	Total Ridership	Annual Rate of Growth	Total Ridership	Jun. % Chg from Feb.
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2011		12,242,320	9,968,973	22,211,293	(1.7%)		
2012		12,236,081	9,983,059	22,219,140	0.0%		
2013		12,350,126	10,045,043	22,395,169	0.8%		
2014		12,696,936	10,154,905	22,851,841	2.0%		
2015		13,270,874	10,387,368	23,658,242	3.5%		
2016 ²	24,030,000	13,464,000	10,566,000	24,030,000	1.6%	23,922,000	0.5%
2017	24,178,000	13,431,000	10,747,000	24,178,000	0.6%	24,004,000	0.7%
2018	24,307,000	13,448,000	10,859,000	24,307,000	0.5%	24,146,000	0.7%
2019	24,449,000	13,534,000	10,908,000	24,442,000	0.6%	24,248,000	0.8%
2020	24,626,000	13,651,000	10,956,000	24,607,000	0.7%	24,375,000	1.0%
2021	24,760,000	13,780,000	10,953,000	24,733,000	0.5%	24,461,000	1.1%
2022	24,901,000	13,907,000	10,952,000	24,859,000	0.5%	24,576,000	1.2%
2023	25,056,000	14,036,000	10,962,000	24,998,000	0.6%	24,699,000	1.2%
2024	25,203,000	14,164,000	10,964,000	25,128,000	0.5%	24,835,000	1.2%
2025	25,360,000	14,284,000	10,979,000	25,263,000	0.5%	24,991,000	1.1%
2026	25,547,000	14,413,000	11,007,000	25,420,000	0.6%	25,162,000	1.0%
2027	25,761,000	14,552,000	11,049,000	25,601,000	0.7%	25,353,000	1.0%

¹ The Alternative 1 Forecast includes includes 1.0% passenger and 2.5% vehicle fare increases on October 1, 2015 and May 1, 2016, followed by annual 2.5% fare increases starting October 2017 (FY 2018), plus the 25¢ surcharge per fare sold for funding capital expenditures. Projected annual inflation is less than the 2.5%, leading to slightly increasing real fares over the forecast horizon. The Alternative 1 Forecast also reflects the current programmed level of service subject to capacity constraints.

² FY 2016 includes actual revenue data through May 2016.

* Excludes demand adjustments for potential vessel capacity constraints and impacts due to the 25¢ per fare capital surcharge.

Washington State Ferries — Ridership History and Forecast Trends

June 2016 Forecast – Fiscal Years 2006-2027

