

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2015-17 Biennium

**TRANSPORTATION ADDENDUM
TO THE OPERATING BUDGET INSTRUCTIONS**

BUDGET DIVISION
JUNE 2014



ELECTRONIC ACCESS TO BUDGET INSTRUCTIONS

Information contained in this document is located at: <http://www.ofm.wa.gov/budget/default.asp>

OFM STAFF ASSISTANCE

Contact your agency's assigned budget analyst for assistance. Assignments, phone numbers, and e-mail addresses for OFM budget analysts are available at <http://www.ofm.wa.gov/budget/contacts/default.asp>

To accommodate persons with disabilities, this document is available in alternate formats by calling the Office of Financial Management at 360-902-0555. TTY/TDD users should contact OFM via the Washington Relay Service at 711 or 1-800-833-6388.

INTRODUCTION

Transportation Budget Instructions

This document provides additional budget instructions for transportation agencies. It is intended to be used in conjunction with the OFM operating and capital budget instructions.

Transportation Goals

Transportation agencies should develop their budgets within the context of the six goals adopted by the Legislature and codified in RCW 47.04.280:

- **Preservation:** To maintain, preserve, and extend the life and utility of prior investments in transportation systems and services.
- **Safety:** To provide for and improve the safety and security of transportation customers and the transportation system.
- **Mobility (addressing congestion):** To improve the predictable movement of goods and people throughout Washington state.
- **Environment:** To enhance Washington's quality of life through transportation investments that promote energy conservation, enhance healthy communities and protect the environment.
- **Stewardship:** To continuously improve the quality, effectiveness and efficiency of the transportation system.
- **Economic Vitality:** To promote and develop transportation systems that stimulate, support, and enhance the movement of people and goods to ensure a prosperous economy.

In a summary document, identify (1) the initiatives and investments in the base budget or proposed requests that tie to one or more of these goal areas, and (2) the specific and targeted outcomes that are expected.

Ten-year Financial Plan

Transportation agencies designated as a fund administrator should submit to OFM a ten-year financial plan for all funds they administer. Agencies should include documentation regarding assumptions made in the plan, such as inflation, bond interest rates, etc.

Backlog Reduction Plan

State law requires the budget to include a strategic plan for reducing backlogs of maintenance and repair projects – see RCW 43.88.03(5d). See reference in [Capital Budget Instructions](#).

WSDOT GRANT PROGRAMS

The following grant programs within WSDOT will submit a table detailing reappropriations and new awards. Information will include project title, lead agency, total project cost, grant request, biennium awarded, and catalog of federal domestic assistance number (CFDA).

- Program F - Aviation Grants
 - ◆ Preservation
- Program V- Public Transportation Grants
 - ◆ Rural Mobility Grants
 - ◆ Special Needs Grants
 - ◆ Vanpool Investment Program
 - ◆ Regional Mobility Grant Program
- Program Y- Rail Grants
 - ◆ Freight Rail Assistance Program
 - ◆ Freight Rail Investment Bank Loans
- Program Z- Local Programs Grants
 - ◆ Safe Routes to School Grants
 - ◆ Pedestrian and Bicycle Safety Grants
 - ◆ Surface Transportation Program Enhancement Grants

CRAB, FMSIB AND TIB GRANT PROGRAMS

The County Road Administration Board (CRAB), Freight Mobility Strategic Investment Board (FMSIB) and Transportation Improvement Board (TIB) must provide charts for their grant project award programs that illustrate the anticipated demand distribution over time for their respective programs based on current project life cycles and future grant call cycles.

CRAB will submit a table detailing grant awards for the current biennium and anticipated new awards for the 2015-17 biennium. Programs include the following:

- Rural Arterial Program
- County Arterial Preservation Program (formula results)
- County Ferry Capital Improvement Program (fee schedule)

FMSIB will submit a table detailing grant awards for the current biennium and anticipated new awards for the 2015-17 biennium for the Freight Mobility Program.

TIB will submit a table detailing grant awards for the current biennium and anticipated new awards for the 2015-17 biennium. Programs include the following:

- Small City Arterial Program
- Small City Preservation Program
- Small City Sidewalk Program
- Urban Arterial Program
- Urban Corridor Program
- Urban Sidewalk Program

CAPITAL PROGRAMS

Life Cycle Cost Models

The life cycle cost model (LCCM) is the basis for estimating future capital project needs and developing biennial budget requests.

Ongoing Maintenance and Operating Costs After Construction is Complete

If construction of a project will be completed and operational during the 2015-17 biennium, the agency must also submit a decision package in the operating budget request that reflects the project's operating budget impacts, if any, during the 2015-17 biennium and beyond.

Direct Project Support Costs

Direct project support costs will be identified in a separately submitted spreadsheet, and an explanation of the allocation process will be provided.

Contingency Costs and Risk Reserves

Contingency costs and risk reserves will be identified in a separately submitted spreadsheet for projects over \$5 million, and an explanation of the allocation process will be provided.

Transportation Executive Information System and Required Project Information (WSDOT)

As required by RCW 47.05.030, a ten-year investment plan must be submitted. Capital transportation projects are included in the following programs of the Department of Transportation:

- Program D – Capital Facilities
- Program I – Improvements
- Program P – Preservation
- Program Q – Traffic Operations
- Program W – Washington State Ferries (see below)
- Program Y – Rail
- Program Z – Local Programs

Transportation capital information used to make budget decisions must be entered into the Transportation Executive Information System (TEIS). Data should be provided at the Project Information Number (PIN) level of detail in a manner that is consistent with the last legislatively enacted project list. However, if the Department elects to provide an option to “roll up” projects at a higher level, it must provide:

- A crosswalk that explicitly shows which PINs are being rolled up into a Budget Identification Number (BIN), and
- A second project list that uses the same PIN structure as the last legislatively enacted project list.

Capital Facilities

As required by Chapter 86, Laws of 2012, the Department must itemize all requests for the construction of new buildings in a TEIS project list. Requests for any new building facility must adhere to OFM's [Capital Budget Instructions](#).

Mega Projects

For each mega project active in the upcoming biennium, the Department will submit an up-to-date one-page summary highlighting: a funding plan summary that includes the original project cost estimate and the current project cost estimate; the work completed to date; the work that will be completed in the ensuing biennium; and planned expenditures for the outer biennia.

Job Estimates

With each proposed TEIS project list submitted by the Department and subsequent lists created throughout the budget process, the Department will submit information to OFM on the number of jobs created, sustained or supported by the highway construction program.

Capital Grants

TEIS project information is required for the capital grant programs in the Rail and Local Programs.

For the remaining capital grant programs, enter the project information at the program level into TEIS as required for highway capital projects.

TIB and CRAB capital grant programs are **not** entered into TEIS, but must be available on the agency websites.

TEIS Required Data Elements

All projects listed in TEIS should have the following elements:

<ul style="list-style-type: none"> ▪ BIN ▪ PIN ▪ descriptive title ▪ phase ▪ Milestones: <ul style="list-style-type: none"> ◆ begin preliminary engineering ◆ project definition complete ◆ environmental documentation complete ◆ right-of-way certification ◆ advertisement date ◆ operationally complete 	<ul style="list-style-type: none"> ▪ work description ▪ DOT region ▪ state route ▪ program ▪ subprogram ▪ legislative district ▪ county ▪ fund source detail ▪ corridor identification ▪ total project cost from all fund sources ▪ list of all partners
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Last Enacted Budget Compared to Proposed Budget

The Department must submit a project list in TEIS consistent with the structure and format of the last legislatively enacted budget for comparison purposes. Additional budget requests should include a narrative that explains major variances in cost, scope or schedule between the last enacted budget and the legislative financial plan.

Explanation of Reappropriations

To the extent possible, the Department will include a narrative that explains why projects proceeded more slowly than what was anticipated in the last enacted budget.

Explanation for Advanced Projects

To the extent possible, the Department will include a narrative that explains why projects proceeded more quickly than what was anticipated in the last enacted budget.

Explanation of Major Cost Changes

Transportation agencies will submit written narratives to explain project overruns or underruns that exceed \$500,000 or 10 percent when compared to the last legislatively enacted project list.

Project List

Transportation agencies that have projects appropriated through a project list must have one project list for both the second supplemental request in the 2013-15 biennium and the 2015-17 base budget request. The project list will show expenditures for 2013-15, 2015-17, 2017-19, 2019-21, 2021-23, 2023-25, and “future.”

Summary of “Section 603” Changes (OFM-Approved Cost Changes)

The Department will include a summary of all Section 603 requests during the prior biennium by:

- fund
- subprogram
- phase in which the project increase occurred
- region

Nickel and TPA Status Reports

As previously required by Chapter 367, Laws of 2011, the Department will continue to provide an update with each budget submittal that compares the original project cost estimates in the 2003 and 2005 transportation lists to the completed costs of the project (or the most recent legislatively approved budget and total project costs for projects not yet completed).

FERRIES (WSDOT PROGRAMS X AND W)

Capital Basics

Ferry system infrastructure consists of two distinct types of assets: ferry terminals and maintenance facilities, and vessels.

Policy makers have expressed interest in being able to identify investments in terminals and maintenance facilities separately from investments in vessels. The budget request should accommodate this interest.

Ferry Ridership Demand Forecast

The Ferries Division must include information with its budget request that supports the need for maintaining, expanding or reducing service. Vehicle and passenger ridership forecast data also should be included.

Level-of-Service Standards

The Department is required to set level-of-service standards on ferry routes in consultation with local governments. Level-of-service information should be submitted with the budget request.

Maintenance

Normal maintenance costs should be programmed in the operating budget instead of the capital budget. There are three general characteristics of maintenance work: (1) is minor in scope and cost; (2) is repetitive; and (3) controls the deterioration of an asset.

Planned maintenance includes:

- Scheduled, repetitive work such as housekeeping activities, groundskeeping, site maintenance and certain types of service contracts.
- Periodic scheduled work (preventive maintenance) planned to provide adjustment, cleaning, minor repair and routine inspection of equipment to reduce service interruptions.
- U.S. Coast Guard-required dry dock inspections.
- Terminal or vessel system work conducted by Eagle Harbor maintenance staff.

Fuel

The budget for fuel is based on the latest fuel price forecast times the number of gallons estimated for the 2015-17 budget. Fuel price changes are a maintenance-level decision package. Any change to the estimated number of gallons should be separately identified in a decision package. Diesel and bio-diesel assumptions should be documented.

FERRY PRESERVATION

Life Cycle Cost Model

The life cycle cost model (LCCM) is the basis for estimating future terminal and vessel needs and developing the budget request for terminal and vessel preservation funding under RCW 47.60.345(3) and (4). The following explanatory points are important.

- Only assets in LCCM may be included in the preservation budget request. (RCW 47.60.355(1))
- To be included in LCCM, a terminal or vessel system must have an estimated life derived from an industry standard or other approved standard that is adjusted for actual condition based on inspection of the system conducted at least every three years. (RCW 47.60.345(1)(a) (1)(b) and (2))
- Excluded from LCCM are new vessels, utilities or other systems that are not replaced on a standard life cycle, assets not yet built, master plans, right-of-way acquisition or other non-preservation items. This means investments in these items are classified as improvements. (RCW 47.60.005(5), RCW 47.60.345(1)(c) and (d) and RCW 47.60.335(2))
- Each preservation project includes an allocation of system-wide and administrative capital program costs that are separately identifiable from direct project costs. (RCW 47.60.335(3)) Costs are split between preservation and improvement projects based on an OFM-approved allocation process.
- If a project meets both the improvement and preservation definitions, it is classified as an improvement project. (RCW 47.60.005(5))

The Department also should document how the LCCM is used to aggregate needs from terminal and vessel systems, to terminals and vessels, all terminals and the fleet, and the system as a whole.

Preservation – Condition Assessments

A condition assessment should precede the preservation needs assessment. It should have a methodology for rating the condition of a terminal or vessel system, such as “superior,” “adequate” or “inferior.”

This involves using a rating system to inspect and score each terminal and vessel system. This system should allow for aggregation (i.e., aggregating system scores to ratings for each terminal and each vessel, aggregating terminal ratings to a rating for all terminals and vessel ratings to a rating for the fleet, and aggregating all terminal and the fleet ratings to a rating for the entire system.) Further, aggregation should be done to establish ratings for types of systems.

This assessment should be included with the budget request.

Preservation Needs Assessment

The Ferries Division will estimate future terminal and vessel preservation needs using the Ferries LCCM prior to developing a budget request and proposed long-range plan.

Backlog Reduction Plan

State law requires the budget to include a strategic plan for reducing backlogs of maintenance and repair projects (RCW 43.88.030 (2)(d)). The Ferries Division will use the Ferries LCCM as the basis for developing the budget request and long-range plan for terminal and vessel preservation and then project how the proposed preservation investments reduce preservation needs using methodologies approved by the Legislature and/or OFM.

Major Vessel Preservation – “Rebuilding the Boat”

Preservation needs of existing ferries are based on the concept of replacing systems that are at the end of their life cycles. Life cycles can be five-, six-, eight-, 10-, 12-, 15-, 20- and 30-year intervals. Because of the various life cycles of vessel systems, replacement of worn-out systems takes place throughout the life of the vessel. However, there are times when a number of systems need replacement at the same time. This is referred to as “rebuilding the boat.” At the 30-year point in a vessel’s life, the boat may need to be rebuilt and require preservation costs in excess of \$50 million.

The Department shall provide a list of all vessels and identify past, present and future major preservation costs and expected replacement dates and costs.

Preservation Budget Overview

The Ferries Division’s preservation budget request must include:

- A description of the budget request, proposed long-range program (project list), and projected performance results for the entire system and for all terminals and the fleet.
- A highlight and explanation of significant deviations from normal preservation practices, such as decisions not to invest or to invest early in terminals and vessels.

FERRY IMPROVEMENTS

Improvement Needs Assessment

The improvement needs assessment should discuss what operational strategies have been considered and what their impact would be on improvement investment decisions. RCW 47.60.327(3) prescribes consideration of at least the following operational strategies:

- Feasibility of using reservation systems.
- Methods of shifting vehicular traffic to other modes of transportation.
- Methods of improving on-dock operations to maximize efficiency and minimize operating and capital investments.
- Cost-benefit analysis of remote holding versus over-water holding.
- Methods of reorganizing holding areas and minimizing on-dock employee parking to maximize the dock size available for customer vehicles.
- Schedule modifications.
- Efficiencies in exit queuing and metering.
- Interoperability with other transportation services.
- Options for leveling vehicle peak demand.
- Options for increasing off-peak ridership.

Vessel Improvements

New vessels are classified as improvements until they are actually acquired. Then the new vessels' systems can be added to the life cycle cost model, and new vessel preservation can be classified as preservation. (RCW 47.60.345(1) (d) and (3)).

Replacement and additional vessels are both considered to be improvements. "Replacing" a vessel consists of retiring an existing vessel and acquiring a new vessel to maintain roughly the same capacity of the fleet. "Adding" a vessel would increase the capacity of the fleet to meet growth in customer demand for ferry services.

Vessel Deployment Plan

The Department is required to develop and maintain a vessel rebuild and replacement plan in accordance with RCW 47.60.377, that includes:

- A summary of the condition of all vessels, distinguishing between active and inactive vessels.
- Projected rebuild dates for all vessels.
- Projected retirement dates for all vessels, distinguishing between active and inactive vessels.
- Timelines for vessel replacement, including business decisions, design, procurement and construction.

The Department also should provide timelines for construction of vessels that add capacity to the fleet.

The Department shall submit a summary of the proposed vessel deployment plan with the budget that includes a table showing vessel deployments by biennium, route number and class of vessel for the entire planning period (e.g., the "lego chart").

Pre-Design Studies

RCW 47.60.385(2) requires that requests for terminal improvement design and construction funding must be submitted with a pre-design study.

The Department must submit a pre-design for terminal and vessel preservation projects of \$5 million or more and all terminal improvement projects. Please see separate instructions for ferry pre-design requirements at <http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp>.

Capital Impacts on Operating Budget

Will the project cause changes in maintenance and operating requirements? If so, list estimated costs and FTEs and the biennium in which they will impact the operating budget. Reference any operating decision packages to which the project is tied.

System-wide and Administrative Capital Program Costs and Cost Allocation

System-wide Ferries Capital Program Costs: Most Ferries capital budget item numbers (BINs) are identified with a specific terminal or vessel. However, the Legislature may approve a BIN that makes investments at multiple locations. This facilitates legislative oversight and departmental administration of the BIN. The Vehicle Reservation System BIN is an example. These multi-location investments are grouped in the legislative project list under the heading of WSF-Administrative and System-wide. They are not subject to the cost allocation process required by RCW 47.60.335(3).

Administrative Capital Program Costs and Cost Allocation: The Ferries capital program conducts activities that support construction projects. These support activities are grouped by terminal project support, vessel project support, and program administrative support. The Legislature recognizes these activities as BINs in the adopted project list. They are grouped under the heading of WSF-Administrative and System-wide.

Terminal project support includes:

- Project controls
- Engineering technical support
- Program planning and design standards
- Engineering studies
- Regulatory compliance and inspections
- Engineering supervision and office support
- PMRS/Primavera implementation
- Other project support activities

Vessel project support includes:

- Preservation and engineering management, supervision and support
- Life cycle cost model (LCCM) update and maintenance
- Environmental technical support
- Planning and design standards
- Vessel noise control abatement
- Technical support
- Other project support activities

Administrative support includes:

- Contracting and legal services
- Program and budget development and management services
- System-wide planning and special studies
- Human resources and personnel services

- Finance and administrative services
- Public information services
- Other administrative support activities

The Ferries Division capital budget request for these support activities employs zero-based budget request packages similar in format to the OFM decision package. The support packages are included as Budget Item Numbers (BINs) in the proposed WSF Construction Program project list.

Budget projections for future biennia are based on spending levels for the two-year budget period, adjusted for unusual circumstances and then increased for inflation in each future biennium. However, it should be emphasized that projected out-biennia budgets are only place holders and are re-calibrated each budget cycle using zero-based budgeting methodology.

The administrative budget is split between the terminal subprogram (W1) and the vessel subprogram (W2) based on the dollar value of capital projects in each subprogram in each biennium.

These administrative costs are subject to the cost allocation process required by RCW 47.60.335(3). The legislative project list identifies these activities as separate BINs in the project list rather than allocating the costs to preservation and improvement BINs in order to facilitate the budgeting process. The Department complies with the cost allocation law by preparing a report that allocates actual administrative expenditures to preservation and improvement projects using a cost allocation plan developed by the Department.

Decision Packages will be used for Administrative Overhead

Decision packages will be aggregated to provide a program-level indirect cost budget request and an administrative overhead budget request. These budgets will be monitored at the program level through the budget review process.

TEIS FERRY REQUIREMENTS

The following budget instructions apply to the Washington State Ferry Capital Program (Program W):

- The Department shall submit a detailed Transportation Executive Information System (TEIS) list describing the work performed on each individual design/construction project funded under the Washington State Ferry Capital Program for Terminal Engineering (Program W – W1 Subprogram).
- All the terminal projects under the W1 Subprogram must be submitted at the detail/PIN level in the same manner they are programmed in the WSDOT Capital Program Management System (CPMS) and shown on the Life Cycle Cost Model (LCCM) Report.
- There is no further requirement to submit the list at the BIN level for terminal projects.
- All terminal projects completed in prior biennia should be dropped from the upcoming budget submittal.
- The Department shall maintain the BIN structure for vessel projects funded under the Washington State Ferry Capital Program for Vessel Engineering (Program W – W2 Subprogram).
- All the vessel projects under the W2 Subprogram must be submitted at the BIN level, and supplemented with a detailed PIN list describing the specific scope of work to be performed in a current biennium as it ties to the specific budget submittal.

The Department shall maintain the BIN structure for the Emergency Repair Program funded under the Washington State Ferry Capital Program (W Program – W3 Subprogram). Details should be provided as they become available upon a declaration of emergency on specific vessels and terminals.

ADDITIONAL FERRY REQUIREMENTS

The greater level of detail required in Chapter 306, Laws of 2013 with the 2013-15 base budget submittal should be updated for submittal of the 2015-17 budget.

TRANSPORTATION-SPECIFIC INFLATION

Inflation for Transportation Capital Programs

Agencies will increase the cost assumed in future biennia by an appropriate inflation factor. The agency submitting the capital project list will provide a narrative document with its budget submittal that details the inflation factor used, the assumptions used to determine the factor, and how the factor it used compares to industry standards.

ADDITIONAL BUDGET SUBMITTAL REQUIREMENTS FOR TRANSPORTATION AGENCIES

In addition to requirements in the general operating instructions, transportation agencies should provide:

- organizational charts and personnel information by agency function
- executive organizational chart
- divisional organizational chart

Unique to Washington State Patrol

Narrative summaries of:

- recruitment and retention issues, including projected retirements for the 2015-17 biennium
- Academy class schedule as currently proposed for the 2015-17 biennium
- vehicle and aviation fleet life-cycle analysis and replacement plan
- facility and capital project issues including plans for and progress on moving into the state data center and consolidating Olympia staff in the 1063 Capitol Way building

Unique to Department of Licensing

Narrative summaries of:

- Prorate and Fuel Tax System
- Information technology field system modernization
- Technology Modernization
- Central Issuance System
- License office consolidation efforts
- Data processing issues
- Real ID
- Customer service wait times by Licensing Service Offices

- Statistical information, including number of licensed drivers, vehicle licenses, agents/sub-agents and county auditors by type of service provided

Unique to County Road Administration Board

- Supporting statistical information, including status of rural roads, rural bridges, and all-weather road programs

Unique to Transportation Improvement Board

- Supporting statistical information, including status of sidewalks, urban arterials, and small city arterial programs

Unique to Freight Mobility Strategic Investment Board

- Include freight benefit evaluation result score sheets for new projects

Unique to Department of Transportation

- Summary of WSDOT consultant usage in 2011-13 and projected usage for 2013-15 and 2015-17

DEFINITIONS

Capital project. A capital project is a project to construct new infrastructure or significant long-term renewal or improvements to existing infrastructure. A capital project usually has a useful life of at least 5 years and typically requires the involvement of an architect or engineer. Grants made by the state to fund capital projects for other entities are often included in a capital program. Studies for the benefit of capital projects or programs may also be included in a capital program.

Preservation project. A preservation project is defined in accordance with RCW 47.60.005(8). It maintains, preserves and extends the life of existing state facilities and assets and does not significantly change the program use of a facility. Preservation projects generally have little effect on future operating programs and budgets, except for reductions in the agency's maintenance costs and the deferred maintenance backlog.

Improvement project. An improvement project is defined in accordance with RCW 47.60.005(5). It primarily achieves a program goal, such as changing or improving the characteristics of an existing asset to meet new program requirements, or creating a new asset through construction, lease, and/or purchase. This category is less concerned with life extension of an asset, and includes projects ranging from building new assets to significant renovation of existing assets. Improvement projects may also improve conditions, accommodate changes in service or clientele, or increase or maintain federal reimbursement.

Improvement projects must be tied to the statewide goal areas and strategies, as well as organizational and program goals, objectives strategies, and activities:

- Certain types of capital spending may not be categorized as preservation, and therefore, are categorized as improvements. This includes projects for utilities or other systems not replaced on a standard life cycle, assets not yet built, and other non-preservation items - RCW 47.60.005(5) and RCW 47.60.345(1)(c) and (d).

- Additionally, each improvement project includes an allocation of system-wide and administrative capital program costs that are separately identifiable from direct project costs - RCW 47.60.335(3).
- Finally, if a project meets both the improvement and preservation definitions, it is classified as an improvement project - RCW 47.60.005(5).

State law provides a definition of ferry improvements in RCW 47.60.005(5), RCW 47.60.335(2) and (3), RCW 47.60.345(1)(c) and (d), and RCW 47.60.355(1).