

## **Issue Review - Spirit of Kingston Vessel Acquisition**

November 14, 2012

### **Background**

The King County Department of Transportation Marine Division (KCMD) operates passenger-only ferry services under contract to the King County Ferry District (KCFD) through an Inter-Local Agreement (ILA). Passenger-only ferry service is provided on two routes; Seattle to West Seattle and Seattle to Vashon Island. The service is provided using two 25 year old vessels leased by the KCFD with no dedicated backup vessel. The KCMD has contracts with local vessel owners to provide a backup vessel when one of the leased vessels is out of service, but vessel availability is not guaranteed, especially during peak summer months.

The Port of Kingston recently discontinued service from Kingston to Seattle and announced they would no longer be a passenger ferry service provider. Their primary vessel, the Spirit of Kingston, is available for transfer to another public agency with no capital cost outlay to that entity. The vessel was purchased for 2 million dollars using Federal Transit Administration (FTA) funding. The vessel is certified to carry 147 passengers and a crew of three.

Due to the FTA investment, there may be an opportunity to obtain the vessel at no cost to KCFD.

### **Recommendation**

KCMD, in consultation with KCFD staff, has evaluated the costs and potential savings associated with obtaining a third vessel and found that in addition to improving operational and service reliability, the addition of the Spirit of Kingston to the KCFD fleet would reduce overall expenses over the next five years and beyond.

Specifically, KCMD is recommending that Spirit of Kingston be brought into the KCFD fleet as the primary West Seattle Water Taxi vessel, and move the Rachel Marie into back-up vessel service. When the new vessels are constructed, the Spirit of Kingston would be moved into back-up vessel service. This is described in Option B below.

This approach increases reliability and is anticipated to save more than \$425,000 on lease and rental expenses over the next five years.

### **Analysis**

Service and operational reliability are critical for providing successful passenger-only ferry service. Vessel performance directly impacts service and operational reliability. Given the age of the existing leased vessels and the anticipated need for increased repairs and maintenance into the future, vessel service reliability is in need of improvement. Having a dedicated Ferry District owned backup vessel will improve service reliability.

Providing continued reliable service over the next two years as the KCFD transitions to owning new vessels should be factored into considering a backup vessel. Beginning in 2014 there is a gap between the expiration of the existing vessel leases and when the

## **Issue Review - Spirit of Kingston Vessel Acquisition**

new vessels arrive. To provide service during 2014 the current leased vessel contracts must be extended a minimum of nine additional months. The Spirit of Kingston could fill that gap to avoid the nine months of lease extension costs.

The KCMD has explored several options for the King County Ferry District to consider in acquiring the Spirit of Kingston vessel.

### **Option A: Spirit of Kingston is full time backup vessel**

This option provides dedicated backup vessel beginning 2013.

Cost Savings: (\$77,608)

- Eliminates costs to charter backup boats when leased vessels are out for planned or unplanned service needs.
- Provides consistent full time backup vessel beginning 2013.
- Requires extending both leased vessel contracts during the transition period.

### **Option B: Spirit of Kingston provides West Seattle service, with backup leased vessel**

This option provides dedicated backup vessel except in 2014 during vessel transition.

Cost Savings: (\$435,155)

- Eliminates costs to charter backup boats when leased vessels are out for planned or unplanned service needs, except in 2014.
- Reduces engine rundown fees in 2013 and eliminates them in 2014 for one leased vessel.
- Avoids cost of extending leased vessel contracts for 9 months in 2014 prior to transitioning to new vessels.
- Provides consistent full time backup vessel during 2013 with Spirit of Kingston as primary vessel on West Seattle route.

### **Option C: Spirit of Kingston provides West Seattle service, no backup vessel**

This option provides dedicated backup vessel only after both new vessels are in service.

Cost Savings: (\$670,360)

- Terminates one leased vessel contract one year early and avoids lease cost for 9 months in 2013.
- Avoids cost of extending leased vessel contracts for 9 months in 2014 prior to transitioning to new vessels.
- Eliminates engine rundown fees in 2013 and 2014 for one leased vessel.
- Eliminating costs to charter backup boats when leased vessels are out for planned or unplanned service needs is delayed until after new vessels are delivered.

### **Option D: Status Quo**

This option continues operations with no dedicated backup vessel and requires vessel lease extensions until new vessels go in service.

Costs: \$336,756

- No change from existing operations.
- Service delivery continues with no dedicated backup vessel.
- Costs to charter backup boats when leased vessels are out for planned or unplanned service needs continue.
- Increasing risks for 25-year old leased vessels experiencing service reliability issues during the next two years.

## **Issue Review - Spirit of Kingston Vessel Acquisition**

### **Financial Summary of Options**

	Dedicated Backup Vessel	Contract for Backup Vessels	Added Costs Over 5 Years	Cost Avoidance Over 5 Years	Net Cost Reduction Over 5 Years
<b>Option A</b>	Yes	No	\$420,805	(\$498,413)	(\$77,608)
<b>Option B</b>	Yes, except in 2014	No, except in 2014	\$354,245	(\$789,400)	(\$435,155)
<b>Option C</b>	No	Yes	\$329,075	(\$999,435)	(\$670,360)
<b>Option D</b>	No	Yes	\$336,756	None	\$336,756

### **Ferry District Next Steps**

1. Ferry District to approve a motion to move ahead with the acquisition of the vessel Spirit of Kingston.
2. Ferry District Executive Committee Chair to send a letter to the Port of Kingston and the Federal Transit Administration acknowledging the board's desire to acquire the vessel Spirit of Kingston.
3. Ferry District Board of Supervisors to pass a resolution for the acquisition of the vessel Spirit of Kingston which then gets forwarded to the Port of Kingston and the FTA to complete the formal asset transfer.