

Whatcom County Council Special Committee of the Whole

**COUNTY COURTHOUSE
311 Grand Avenue, Ste #105
Bellingham, WA 98225-4038
(360) 778-5010**



Committee Minutes - Draft Minutes

Tuesday, June 2, 2026

9 AM

Hybrid Meeting - Council Chambers

**FERRY DISTRICT WORKSHOP - HYBRID MEETING - ADJOURNS BY 10:55
A.M. (PARTICIPATE IN-PERSON, SEE REMOTE JOIN INSTRUCTIONS AT
www.whatcomcounty.us/joinvirtualcouncil, OR CALL 360.778.5010)**

COUNCILMEMBERS

Elizabeth Boyle
Barry Buchanan
Ben Elenbaas
Kaylee Galloway
Jessica Rienstra
Jon Scanlon
Mark Stremler

CLERK OF THE COUNCIL

Cathy Halka, AICP, CMC

1. [AB2026-415](#) Work session to help the Whatcom County Council (acting as the Ferry District Board of Supervisors) learn more about the ferry system, ask questions, and consider what level of service the Ferry District could provide through establishing a levy rate
- Elizabeth Kosa, Public Works Director, introduced a presentation on the ferry district levy rate. She stated that the purpose of the work session is to get feedback from Council regarding a potential levy rate. She provided an overview of the ferry district process so far, noting that today's work session is the second step in developing the ferry district that Council established on May 12th. She stated that, in fall 2024, ferry replacement was estimated to cost \$93 million. At that point, Public Works worked to reduce the scale of the replacement project, and a diesel-electric battery hybrid 20-car vessel was identified as the replacement. These changes reduced the project cost to \$54 million. However, even with the reduced cost and federal and state grants, the county does not have existing reserves or in-hand funding to cover the \$19 million replacement project funding gap (for debt services). Kosa stated that the levy rate must include debt financing. She stated that the RAISE grant will be forfeited, and the county may be responsible for repayment of allocations to the state and federal government if the county does not go ahead with the new build as designed. Kosa provided an overview of work on the project, which started in 2017, to date.

Carla Sawyer, Public Works, provided an overview of cash flow analysis, potential funding level requirements, and corresponding property tax levy amounts, noting that levy yields should be confirmed and projected by the Assessor's Office. The lowest levy rate of \$0.01 would result in a 2027 yield of \$700,000 while a \$0.10 levy rate would result in a 2027 yield of \$6.6 million. Sawyer outlined four potential funding level scenarios:

- Level 3 would offer full funding, and would cover annual operating expenses, near-term capital improvements, tidelands lease, uplands lease repayment, replacement project debt repayment, operating reserve, future Gooseberry Point Terminal, mid-cycle vessel refurbishment, and future vessel replacement reserve.
- Level 2 would provide core program offerings, including annual operating expenses, near-term capital improvements, tidelands lease, uplands lease repayment, and replacement project debt repayment.
- Level 1A would provide replacement debt payment only.
- Level 1B would provide the replacement debt payment and uplands lease repayment.

Sawyer provided information about expenses, stating that annual uses of

funds were projected to the year 2027 using actual expenditures adjusted for new vessel profile, the replacement project financial plan, and marine industry data. She shared the following fund amounts:

- Annual operating expenditures = \$5.5 million
- Near-term capital investments = \$1 million
- Tidelands lease payments = \$200,000
- Uplands lease repayment = \$400,000
- Annual debt payment = \$1.6 million
- Operating reserve = \$200,000
- Gooseberry Point Terminal = \$1.3 million (approximately 50% of project cost)
- Mid-cycle vessel refurbishment = \$600,000
- Vessel replacement = \$900,000.

Sawyer identified and quantified existing fund sources:

- Federal Ferry Boat Program \$700,000
- Farebox (Ferry Users) = \$2.2 million
- Capital Surcharge (Ferry Users) = \$200,000
- Other State funding = \$500,000
- Crab Grant = \$500,000

Sawyer stated that \$1.1 million is the minimum amount needed to keep the replacement project moving forward. She also noted that the maximum levy rate is insufficient to fund the full ferry program. Variations on the three options could be considered to strike a balance between levy revenues and funding goals.

Kosa stated that she hopes to get feedback and have an open discussion about potential levy rates with councilmembers. She said the next work session on June 30 will focus on updating Whatcom County Code language. She said that they hope to introduce a draft ferry district levy ordinance and submit a MARAD-RAISE grant agreement on July 14 with a Council vote on the ordinance on July 28.

Sawyer stated that the funding gap might decrease if the county receives a MARAD grant.

Kosa stated that Level 1A is the minimum required for moving the ferry project forward. She said that going with Level 3 would impact their ability to go forward with the replacement vessel because it would require a vote from the public and would create a timing problem that could result in the

loss of the RAISE grant. She opened the floor to questions from the councilmembers.

Stremmer asked about savings of running a new, more efficient ferry vessel versus the current vessel.

Kosa stated that the new vessel will be larger, which may be more costly in terms of fuel consumption and dry dock. She added that it will likely not break down as much as the current ferry, but the new vessel is also a diesel hybrid, which is more complex and may require more specialized maintenance. She stated that, similar to new vehicles, new marine vessels have some proprietary elements, which may require specialized maintenance.

Stremmer asked a follow up question about mid-cycle refurbishment.

Kosa stated that they estimate a 50-year vessel life with mid-cycle refurbishment at 20 years.

Scanlon asked for clarification on the mechanics of the levy.

Kosa stated that the levy is similar to the flood control zone district.

Chris Quinn, Prosecuting Attorney's Office, stated that Council can set up to \$0.10 per \$1,000 worth of property value. Once Council establishes the levy rate, it will result in a levy amount. Quinn stated that \$0.10 is a hard ceiling. Beyond that, voter approval is required. Therefore, if Council starts by setting the rate at \$0.10, there is some risk if property values plummet.

Scanlon asked if there is a way to adjust the levy rate year-to-year below 10 cents.

Quinn stated that 1 percent is the constitutional limit for increases, but there are no restrictions on decreases to the levy. He said that, if Council does not take the 1% increase in a given year, they would likely be able to use that banked capacity in a future year.

Scanlon asked how many of the fund uses would extend for the length of the levy.

Sawyer stated that the operating reserve is one example.

Jed Holmes, Executive's Office, stated that the Crab revenue will end in

about 17 years.

Sawyer stated federal ferry boat program funds have historically been pretty reliable. She said that other state funding includes the ferry deficit fund appropriated by the legislature and the motor vehicle fuel tax.

Scanlon stated that the use of the fund and the availability of other revenue sources may change at some point in the future.

Rienstra asked about market volatility.

Sawyer stated that in 2021-2022, there were 20 percent swings in shipyard costs.

Stremmer asked about the relationship between Level 3 and Level 2 funding options and the Road Fund.

Kosa stated that there would be a \$3 million positive impact to the Road Fund (or other eligible fund) annually. She added that they could potentially use the funding to restore maintenance and operation positions and begin building up the fund balance.

Scanlon asked if there are other uses councilmembers would like to see for the Road Fund in the future.

Councilmembers expressed agreement with the priorities stated by Kosa.

Scanlon asked what people around the county would see if those positions were restored.

Kosa said that they would see more chip seal work, ditching, and other road maintenance.

Boyle asked about mid-cycle vessel refurbishment.

Kosa stated that if inflation or costs overcome the levy amount, the county could put the levy up for a public vote or look at reducing services.

Boyle asked about the impact of the levy rate on families. She estimated that at the average property value of around \$616,000, the impact would be about \$43 annually.

Stremmer asked about electrification at the ferry terminals.

Kosa stated that they are not going to build out the infrastructure for full electric, but the boat could be converted to full electric if desired at a later date. Electrification was projected to add approximately \$10 million to the project.

Scanlon asked about the operating reserve fund.

Kosa stated that the ferry fund operates without a meaningful fund balance. The reserve would be available to pay for unanticipated emergency expenses such as a significant breakdown.

Scanlon asked how emergencies are currently handled.

Kosa stated that they may look to the Road Fund or the General Fund for a loan.

Scanlon asked what the levy rate would be to include the operating reserve fund and the future Gooseberry Point Terminal.

Sawyer stated that she would calculate the rates.

Scanlon asked for clarification about the cost of ferry fares.

Kosa stated that the fares would be flat as they relate to their 55% target and 1% if necessary for inflation.

Stremmler asked about the labor pool for new maintenance and operations staff.

Kosa said that there is a labor pool out there, though many do not have commercial driver's licenses (CDL).

Boyle asked if there are any concerns with selecting Level 2 or lower.

Kosa stated that the preference is for sustainable funding.

Buchanan asked about the Gooseberry Point property acquisition.

Roland Middleton, Public Works, stated that the county did not purchase any property, and Lummi Nation has stated that the county should prepare to move at the end of the lease, which is October 27, 2046. He said the goal is to move out of the way of the Lummi commercial properties but stay in the

same general area.

Satpal Sidhu, County Executive, stated that it would be good for the county to acquire property.

Stremler asked for clarification about the next steps.

Kosa provided an overview of some key upcoming dates.

Middleton stated that the funding for the RAISE grant goes away on September 30.

Kosa stated that if they added the operating reserve fund, the levy rate would stay at \$0.07. If they added the Gooseberry Point Terminal, it would go to \$0.09. If they added both operating reserve and future Gooseberry Point Terminal, the levy rate would stay at \$0.09. If they added the operating reserve, future Gooseberry Point Terminal, and the refurbishment, they would need to levy the full \$0.10, and it would still be \$100,000 short.

Scanlon asked if there are any other potential revenue sources for the future Gooseberry Point Terminal.

Kosa stated that there may be opportunity to apply for more grants.

Sawyer clarified that the \$1.3 million estimate assumes that the county receives 50% of the funding from grants or other sources.

Kosa clarified that the levy cannot be used for the Road Fund, but pressure on the Road Fund can be alleviated with the levy, as Road Fund dollars will no longer need to be expended at the same rate in the Ferry Fund.

Scanlon asked for an overview of the annual report regarding the ferry fund.

Laura Frolich, Public Works, shared information about ferry system operations for fiscal year 2025. She provided an overview of cumulative fund balances over time, noting that there is a surplus, which is important for a system with this level of expense. Frolich highlighted some of the different revenue sources that flow into the ferry fund, as well as the expenses for the year. She continued to detail aspects of the annual report.

Julia Green, Public Works, stated that the farebox would have been about \$9,000 short of the goal without the trial ruling and the youth zero-fare policy grant.

Frolich returned to describing the annual report.

Kosa stated that Public Works looks at the need for ferry rate adjustments each year.

Elenbaas asked for clarification about the farebox projections.

Green stated that there was a typo on the farebox projections slide.

Scanlon asked where the payment for the lawsuit came from.

Green stated that it was a Road Fund transfer into the Ferry Fund.

Scanlon asked where the MVFT recalculation landed.

Green stated that it went into the Ferry Fund and is a split between the local portion of 45% and the farebox portion of 55%.

Scanlon asked if the fare increase impacted ridership.

Frolich stated that ridership remained consistent.

Scanlon thanked the presenters.

Kosa asked councilmembers to email questions and potential levy scenarios to Public Works.

Boyle asked what other councilmembers are thinking in terms of potential levy amounts.

Rienstra stated that she is interested in seeing the impacts of the potential grant funding. She added that \$0.08 might be a limit for her due to potential volatility.

James Lee, Public Works, stated that a grant was submitted on June 1 and there is no timeline for a decision, though staff are hoping it will happen by the end of the year.

Kosa stated that they might be able to provide language to address the grant if it occurs after the vote on the levy.

Sawyer stated that a clear plan for local funding is essential before trying to

finance debt.

This agenda item was PRESENTED AND DISCUSSED.