



Whatcom County Public Works Ferry System's Annual Operating Report

Fiscal Year 2025

Background

Whatcom County has owned and operated a Ferry System for over 100 years, servicing Lummi Island, with a population of approximately 1,000 year-round residents. Lummi Island is part of Whatcom County jurisdiction, separate from tribal land. The Ferry System includes a 64-year-old vehicle ferry- *the Whatcom Chief* and two terminals. One terminal is owned by Whatcom County on Lummi Island, and one terminal is located on Gooseberry Point, which is on land leased from the Lummi Nation. The system operates seven days a week, year-round, and is a critical transportation element connecting island residents to the mainland, transporting goods and services, and providing access for visitors and tourists. The ferry rates are approved with the biennial budget in the County's Unified Fee Schedule and are outlined in Whatcom County Code (WCC) 10.34 Ferry Rates.

Requirements

Adhering to WCC: Title 10: Vehicles and Traffic, Chapter 10.34 Ferry Rates, section, 10.34.030 Use of ferry user fee revenues, the Public Works Department is expected to provide in the second quarter of the following year, an annual review of the ferry system services, detailing revenues and expenses, calculating total fund balances including the ferry fund and the farebox and project the expected revenues and expenses into future years, in order to evaluate the farebox adequacies.

Objectives

- 1.) Determine if the fare box recovery rate, 55% of Adjusted Total Operating Expenses (ATOE), is being achieved.
- 2.) Demonstrate if a fare change is warranted, from evaluating the cumulative fare box reserve total, ferry fund reserve target, and current projections.
- 3.) Evaluate adequacy of fare box reserves.

Cumulative Fund Balances

Fund Balances		2021	2022	2023	2024	2025
Cumulative- Fare Box Reserve Deficit (Surplus)	Fare Box	(1,322,995)	(1,012,398)	(276,185)	(178,392)	(160,619)
Cumulative-County (Road Fund) Funding Deficit (Surplus)	County funds (Road Fund)	(1,087,461)	(893,632)	(188,756)	(286,549)	(263,176)
End of Year Ferry Fund Balance (Surplus)	Combined	(2,519,548)	(2,293,687)	(711,930)	(464,941)	(423,795)

Note: The fund balance decreased in 2025 is attributed to an increase in payroll liabilities including accrued compensation, vacation and sick leave recorded on the balance sheet. Although these costs will not be recognized until used or cashed out, for the purpose of the reconciliation the liability is split 55/45. This balance sheet exclusive impact resulted in a farebox attributed reduction \$156,100, and a Road fund attributed reduction of \$89,590. These liabilities are not included in the ATOE calculation, and do not negatively impact the cumulative fare-box reserve.

Operating Revenues- Budgeted vs. Actuals

	Revenues	Approved Budget	Actuals	Variance
1	Ferry User Fees	\$2,054,500	\$2,025,990	(\$28,510)
2	Road Fund Contribution	\$860,746	\$807,657	(\$53,089)
3	Ferry Boat Program Grant	\$1,069,000	\$984,755	(\$84,245)
4	Trial Ruling 24-2-00720-37 #5 Road Fund Transfer	\$ -	\$430,058	\$430,058
5	Ferry Deficit Reimbursement	\$ -	\$184,932	\$184,932
6	Motor Vehicle Fuel Tax (Attributable to Ferries)	\$285,000	\$412,373	\$127,373
7	Zero Youth Fares Grant	\$68,500	\$113,500	\$45,000
8	Investment Interest	\$16,000	\$29,112	\$13,112
9	Miscellaneous Revenue	\$350	\$ -	(\$350)
	Total	\$4,354,096	\$4,988,377	\$634,281

2025 Actual Expenses

2025 Expenses	Actuals
Wages	\$1,312,784
Ferry rental to ER&R fund	\$960,000
Benefits	\$488,586
Space Rental	\$70,709
Cost Allocation- Road Fund	\$602,526
Repairs & Maintenance	\$226,243
Contractual Services	\$82,491
Insurance Premiums	\$157,833
Admin Cost Allocation-Administrative Services	\$69,050
Cost Allocation- General Fund	\$99,396
Credit Card/Banking Fee	\$54,727
Taxes & Assess	\$38,558
Travel-Other	\$25,230
Tools & Equipment	\$19,618
Office & Operating Supplies	\$41,255
Fuel	\$9,602
Printing	\$14,362
Equipment Rental	\$10,311
Travel-Education/Training	\$ -
Other Miscellaneous	\$2,298
Electric	\$5,304
Building Maintenance Fees	\$3,682
Other Services-Interfund	\$123,662
Intergovernmental Professional Services	\$2,950
Telephone	\$3,088
Water/Sewer	\$2,705
Other Utilities	\$1,904
Solid Waste	\$1,254
Health Care Services	\$1,076
Training	\$3,690
Books-Publications-Subscriptions	\$884
Postage-Interfund	\$932
Postage/Shipping/Freight	\$770
Meeting Refreshments- Crew meetings	\$334
Professional Services	\$3,806
Judgements & Damages	\$1,388
Advertising	\$204
Total Expenses	\$4,443,212

2025 Equipment Rental and Revolving (ER&R) Rates Summary

2025	
ER&R rental rate (Asset: Ferry- Whatcom Chief)	\$960,000
Accumulated Depreciation	(\$110,880)
Dry Dock	(\$503,273)
Non-Dry Dock costs (maintenance and repairs)	(\$180,646)
Net rental revenue	\$165,201

2025 Ferry Fund Adjusted Total and year End Splits

Ferry Final Year End Split-2025	
Total Operating Costs	(\$4,443,212)
MV Fuel Tax attributed to Ferry	\$412,373
Ferry Deficit Reimbursement	\$184,932
Interest Income	\$62,373
Other Misc	\$ -
Employee Trips	\$34,960
Adjusted Total Operating Costs (ATOE)	(\$3,748,574)
Fare Box Recovery Rate (55%):	
Fare box Recovery Goal	\$2,061,716
Fare Box Revenue Actual	\$2,052,398
Difference from Fare Box (Deficit)	(\$9,317)
Reconciling item- Trial Ruling 24-2-00720-37 #5	\$430,058
Reconciling item-Youth Zero-Fare Policy Grant (C#202409017)	\$113,500
Reconciled Difference from Fare Box (Surplus)	(\$534,241)
Adjusted Total Operating Costs	(\$3,748,574)
County Contribution (45%)	\$1,792,412
Revenue towards County Subsidy:	
Ferry Boat Program Funds (C# 202407031)	\$984,755
Road Fund portion of Ferry Fund	\$702,103
Road Fund portion of Ferry Fund reserves	\$105,554

Fare Box Summary

Fare Box Metrics	
1. Fare Box Recovery Goal (55% of ATOE):	\$2,061,716
2. Total fare box considered revenue:	\$2,595,956
3. Actual Fare box recovery rate achieved:	79%

Note: The fare box recovery rate includes other one-time revenues and is not solely comprised of Ferry User fees.

Fare Box Revenue Breakdown	
Ferry Fares	\$2,052,398
Trial Ruling 24-2-00720-37 #5	\$430,048
Youth Zero-Fare Policy Grant (C#202409017)	\$113,550
Total Fare Box Considered Revenue	\$2,595,996

Note:

1. WCC 10.34.005.C. "Fare box considered revenue" means the revenue from ferry user fees. Revenue from other funding sources will only be included as fare box considered revenue if designated by resolution of the Whatcom County council. 2. G. "Adjusted total operating expenses" (ATOE) means the amount of total operating expenses (TOE) minus adjustments defined in subsections (G)(1) through (6) of this section and then used in the calculation of the fare box recovery goal. Beginning January 1, 2024, the ATOE amount shall be determined by subtracting the following amounts from the TOE: 1. Motor vehicle fuel tax attributable to ferry operations; 2. Ferry deficit reimbursement funds (RCW 47.56.725(2)); 3. Investment income or loss; 4. Ferry passage trips as defined in WCC 10.34.020(I); 5. Other miscellaneous income, such as immaterial amounts due to NSF checks; 6. Actual NCER expenditures, up to \$150,000 in a calendar year.

Operating Reserve Target

By 2034, operations are projected to cost \$5.5 million per year. According to WCC 10.34, the ferry fund reserve target is to have 50% of the average prior three years' ATOE, and be comprised of 55 percent fare box considered revenue and 45 percent county funds by 2034. The average of the past three years ATOE is approximately \$3.6M and has been used to calculate the reserve target goal. Below are the dollar amounts estimated in total and per year that would be needed to achieve the target reserve for operating expenses by the year 2034.

2034 Ferry Fund Reserve Target*	
2034 Estimated Total Annual Operations costs	5,500,000
Projected ATOE (Past 3 years averaged)	3,600,000
50% of adjusted total operating (ATOE)- Goal	1,800,000
55% cost share (User fees)	990,000
Per year for 9 years	110,000
45% costs share (County funds)	810,000
Per year for 9 years	90,000

With eight years now remaining to meet the reserved target goal, user fees should continue to plan to generate approximately \$110,000 per year in savings for operating reserves, and the county should plan to save \$90,000 per year from county funds, in order to build a sufficient operating reserve as described in county code.

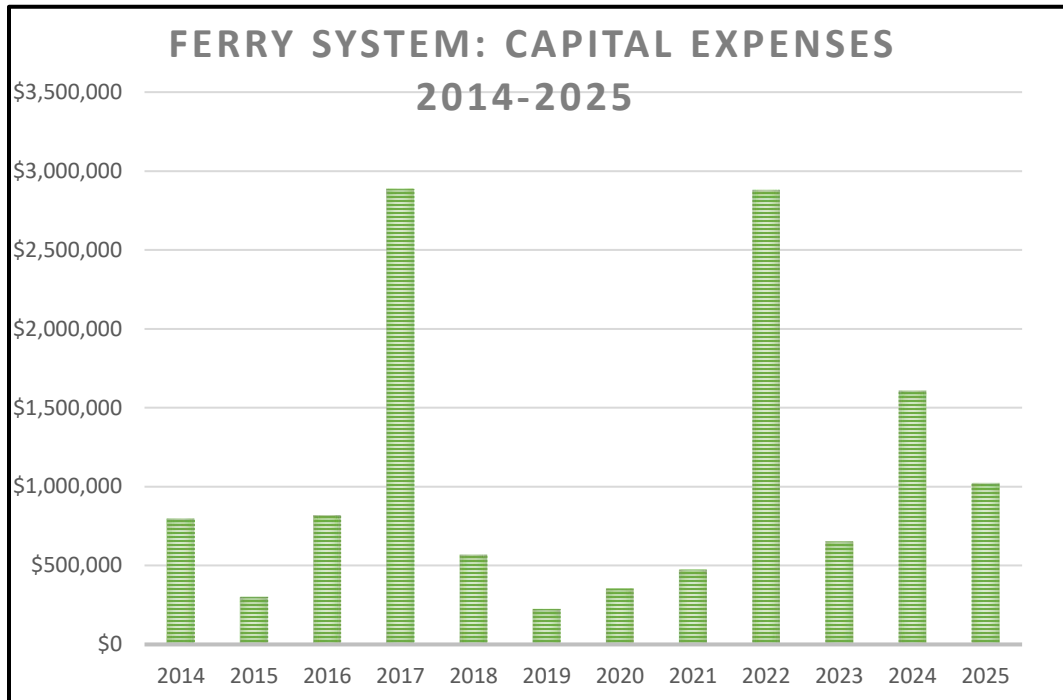
*Note:

WCC 10.34.005 N. "Ferry fund reserve target" is defined as 50 percent of the average prior three years' ATOE and will be comprised of 55 percent fare box considered revenue and 45 percent county funds. The ferry fund shall contain the full ferry fund reserve target by 2034.

Capital Program Contributions:

The Ferry system requires regular capital investments to improve and replace the system infrastructure, including the docks, terminals, hydraulic lift systems, and in-water structures like the breakwater. Costs shown in this capital category are in addition to and separate from the service provided within the ER&R fee, and in addition to the annual county funds (Road Fund), which covers 45% cost share of operating costs.

Capital Improvement Expenses 2014-2025



Capital Improvement Expenses

Year	Total Ferry Capital Investments
2014	\$799,805
2015	\$301,491
2016	\$818,271
2017	\$2,884,633
2018	\$569,127
2019	\$224,275
2020	\$354,351
2021	\$473,536
2022	\$2,877,222
2023	\$653,319
2024	\$1,608,591
2025	\$1,022,160
Cumulative Total (11 years)	\$12,586,781
Average- per year	\$1,048,988

Capital Surcharge:

A capital surcharge, to contribute to the new vessel and terminals, was established by Council in March of 2021. Ordinance 2021-012 amended WCC 10.34.020 Ferry Rates and Unified Fee Schedule to include a one-dollar (\$1.00) capital surcharge in addition to the base fare, for all customer categories, except special needs-based rates, special senior/disabled fares, and student multi-ride cases. The surcharge is required to be exclusively used for the construction of the new ferry vessel and improvements to the ferry terminals. The cumulative fund balance for the surcharge revenues is listed below. Each year, on average, the surcharge generates approximately \$187,000 in revenue. The current capital surcharge fund balance is approximately \$402,931.

Fund Name	Account Number	Account Description	General Ledger Balance
Ferry Capital Surcharge Fund	1904.1111	Cash in funds	\$401,931.07

Note:

WCC 10.34.005.O. A capital surcharge of \$1.00 shall be collected for all fares except for needs-based fares (subsections K and L of this section). The capital surcharge shall be used exclusively for the construction of a new ferry vessel and terminal improvements.

2027-2030 Fare Box Projections:

Account Description	2027	2028	2028	2030
Fare Box Revenue	\$2,054,500	\$2,054,500	\$2,054,500	\$2,054,500
Fare Box Considered Revenue- 55%				
MV fuel tax-county ferries	\$156,750	\$156,750	\$156,750	\$156,750
Investment earnings	\$8,800	\$8,800	\$8,800	\$8,800
Miscellaneous other operating	\$193	\$193	\$193	\$193
Total Projected Fare Box considered revenues	\$2,223,243	\$2,223,243	\$2,223,243	\$2,223,243
Total Adjusted Total Operating Expenses- 55%*	(\$2,306,141)	(\$2,429,735)	(\$2,559,509)	(\$2,695,772)

Net Fare Box Surplus (Deficit)	(\$82,897)	(\$206,492)	(\$336,266)	(\$472,528)
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Cumulative Fare Box Reserve Balance 2025

WCC 10.34.005.K defines the Cumulative fare box reserve as the ongoing calculation of fare box surplus or deficit and shall be calculated as the sum of each year's annual fare box contribution. The farebox reserve balance at the end of 2025 is \$518,804.

Summary:

In 2025, the fare box received several unanticipated one-time revenue sources that enabled the Ferry Fund to meet its required contribution levels and begin building reserves, which now totals approximately \$300,000. The farebox recovery rate achieved the required target, due to one-time revenues. Without these unplanned revenue sources, the fare box would have fallen \$9,317 short of the 55% contribution requirement established under WCC 10.34.

Fortunately, the one-time revenues generated a farebox surplus of \$405,230, which afforded an additional contribution toward the reserve fund target. The Road Fund also contributed approx. \$105,554 toward the reserve fund target. Combined, the Road Fund contribution and farebox surplus place the Ferry Fund more on track to meet the 2034 reserve fund target.

The data demonstrates that farebox reserves are adequate for 2026; however, they are not sufficient to sustainably support future years without similar unplanned, one-time revenues. Based on an evaluation of the cumulative farebox reserve balance, the Ferry Fund reserve target, and current financial projections, a fare increase does not appear warranted at this time.