

DRAFT

Ferry District Levy Evaluation Definitions, Assumptions and Caveats

Levy Rate Yields

House Bill 2588 granted counties the authority to create a ferry district for any type of ferry and levy a property tax of no more than \$.10 per \$1,000 of assessed valuation without approval of the majority of the voters. The level of revenue generated at a range of levy rates between \$.03 and \$.10 were calculated using assessed valuations in the County's 2026 Tax Book. Levy revenue in 2027 would likely be higher. For reference, the growth in assessed valuation between 2025 and 2026 was 3.4%.

State law caps the annual increase in property tax collections through existing levies at 1% per year except on new construction. It is likely that expenditures, both capital and operations, will grow at a faster rate than ferry district property tax receipts.

Base Year for Analysis

2027 was chosen as the base year for this analysis. Although the new ferry will not be in service until 2029 all operating expenditures and revenues are presented as though the vessel was operating in 2027.

Potential Uses of Funds

Annual Operating Expenses

These are the expenditures incurred to operate the ferry service. Operating expenses reported in the 2024 Ferry Operating Review report were inflated using actuals and projected inflation to 2027 levels. (Would prefer to use 2025 but if available)

Near Term Capital Investments

These are expenditures that will be made each year to extend the useful life of system assets and for smaller scale capital improvements. Near term terminal capital investments were estimated using recent actuals expressed in 2027 level dollars. Replacement project expenditures are not included.

Uplands Lease Payments

Lease payment for the Gooseberry Point terminal reflect the current lease agreement payment schedule.

Ferry Debt Payment

Available funds are not sufficient to fully fund the upfront capital expenditures for the vessel replacement project due to the unavailability of local funds during the construction period and the twenty year payout of the CRAB grant(see below). This is the annual amount for interest and principal retirement on a loan to supplement front end funding for the replacement project.

Operating Reserve Fund

The ferry fund reserve target as defined in WCC10.34 establishes the fund level target at 50% of adjusted total operating expense (ATOE) by 2034. This is the amount estimated to be set aside in the operating reserve account for 2027 and each year until 2034. Future amounts will be calculated based on average annual expenditures and progress towards achieving/maintaining the target reserve requirement.

Future Terminal Relocation Capital Reserve

It is anticipated that the Gooseberry Point terminal will be relocated at the end of the current lease with the Lummi Nation. A reserve account is established to fund 50% of the expected cost of the relocation. Grant and other appropriations are assumed to fund the remaining 50%.

Mid-cycle Vessel Refurbishment

To achieve the planned useful life of a vessel a mid-cycle refurbishment is required. Typically, a refurbishment is 20-30% of the new vessel cost. Twenty five percent of the estimated new vessel cost is prorated over 20 years to calculate the annual reserve for the refurbishment.

Future Vessel Replacement Capital Reserve add mid cycle

The vessel currently being planned will have a life expectancy of 50-60 years. A reserve account is established to fund 50% of the expected cost of the relocation. Grant and other appropriations are assumed to fund the remaining 50%.

Secured Fund Sources

Ferry Boat Program

Funded by federal appropriation, the Federal Highway Administration Ferry Boat Program provides formula based funding to state and local ferry services. The level of funding has varied with each transportation funding act.

Farebox Revenue

Farebox revenue in 2025 was escalated to 2027 level using the same factors used for operating expense.

Capital Surcharge

As established by WCC10.34.02 a \$1 surcharge is applied to most fares collected to help fund construction of new ferries and ferry terminal improvements. Past year's annual collections were used to estimate ongoing collections.

County Road Administration Board (CRAB)

CRAB created the County Ferry Capital Improvement Program (CFCIP) in 1991 to assist Whatcom and three other counties operating car ferries in Washington. Grants of up to \$10M can be awarded but funding for the grants must be approved by the legislature and are

distributed in twenty equal annual payment of up to \$500,000. Whatcom County was awarded a \$10M CFCIP grant in 2022 that will be distribute annually through 2043.

Other State Funding

Whatcom County receives additional state funding through the Ferry Deficit Reimbursement program and a distribution of Motor Vehicle Fuel tax. Past year amounts were used to estimate 2027 funding.

Interest Earnings

There will likely be interest earnings on ferry account balances. Account balance levels will vary depending upon the chosen levy rate and the cumulative draws on the funds. Interest income has not been included in the analysis.

Potential Fund Sources

Maritime Administration (MARAD) Port Improvement Development Program (PIDP)

WCPW is applying for a \$5M PIDP grant. If awarded the level of debt would likely be reduced.

Fund Balance

The preliminary fund balance is calculated for each option using the uses and sources shown above. The levy rate required to cover each option's shortfall and the projected fund net cash position with the levy revenue is also displayed.