

# Ferry District Levy Analysis

## Introduction

Long term financial plans are being developed to support discussions about possible Ferry District property tax levels. The plans span the time from the inception of the currently defined replacement project through the assumed completion of a 20-year debt repayment schedule in 2046. The plans continue to be refined as both expenditures and revenues are better understood.

Financial plans are being developed for two Ferry District Program funding level options differentiated by the level of reserves.

### Option 1 Minimum Program

- Annual Operating Expenses
- Near Term Capital Improvements
- Replacement Project Debt Payment
- Operating Reserve Fund

### Option 2 Minimum Program Plus Future

- Annual Operating Expenses
- Near Term Capital Improvements
- Replacement Project Debt Payment
- Operating Reserve Fund
- Gooseberry Point Terminal Relocation Reserve
- Mid-cycle Vessel Refurbishment Reserve

A summary of the findings of the financial plans for these two options is displayed in the attached exhibit. Definitions and assumptions underlying the plans are discussed below.

## Project Expenditures

Project design, preconstruction, construction and project management expenditure have been captured and estimated for the life of the project, 2025-2029. Although cost escalation factors have been applied and the design level is 90%, the shipbuilding and construction industry has seen recent market distortions and volatility and actual market conditions at the time of bidding are difficult to predict. Contractor bids are expected in November 2026. Financing costs are not included in project expenditures. (see Financed Amount and Debt Payment note below)

## Ferry District Program Expenditures

### **Annual Operating Expenditures**

These are the expenditures incurred to operate the ferry service. Operating expenses reported in the 2025 Ferry Operating Review report were escalated annually for inflation and then adjusted for the new vessel operating profile beginning in 2029.

### **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 capital investments were estimated using past year expenditures and then escalated annually for inflation. Replacement project expenditures are not included.

### **Tidelands Lease Payments**

Lease payment for the tidelands controlled by the Lummi Nation reflect the current lease agreement payment schedule.

### **Operating Program Reserve**

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 would be calculated based on average annual expenditures and progress towards achieving/maintaining the target reserve requirement.

### **Future Gooseberry Point Terminal Relocation (Option 2 only)**

It is anticipated that the Gooseberry Point terminal will be relocated at the end of the current lease with the Lummi Nation. Grant and other appropriations are assumed to fund 50% of the relocation cost. A reserve account is established to fund 25% of the expected cost of the relocation.

### **Mid-Cycle Vessel Refurbishment (Option 2 only)**

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 the first 20 years of the vessel's life to calculate the annual reserve for the refurbishment.

## Financed Amount and Debt Payment

Available funds from known revenue sources are not sufficient to fully fund upfront capital expenditures for the vessel replacement project due to the insufficiency of local funds during the construction period and the twenty-year payout of the CRAB grant. The County has applied for a \$5 million Maritime Administration(MARAD) Port Infrastructure Development Program (PIDP) grant. If the grant is awarded the amount to be financed and the associated debt payments would be reduced.

The construction period funding gap is the same for both options. For this financial plan it is assumed that the project funding gap will be financed at 6% over a twenty-year repayment period resulting in approximately \$14 million in financing costs. Financing costs would be reduced if the County were awarded a Public Works Board loan. The maximum loan amount is \$10 million at 2.3%.

#### Required Levy Revenue and Effective Levy Rate

This is the ferry district tax revenue necessary to supplement farebox, other operating program revenue, grants and appropriations, capital surcharge and borrowed amounts to fully fund each ferry district program option. The estimated effective levy rate to generate the necessary property tax revenue is calculated using the 2025 assessed values used for 2026 tax assessments.

#### Estimated Annual Property Owner Tax Affect

The estimated tax effect for the effective levy rate for each option was calculated using the 2025 median fair market value for homes in Whatcom County reported as by the Washington Department of Revenue.