



Whatcom County Public Works Ferry System's Annual Operating Review Fiscal Year 2024

Background

Whatcom County owns and operates a Ferry System, servicing Lummi Island, a rural section of unincorporated county, with a population of approximately 1,000 residents. The Ferry System consists of terminal and docking infrastructure and one vessel, the Whatcom Chief, a 63-year-old ferry designed to transport 100 passengers and 16 vehicles. The Department of Public Works is responsible to operate the Ferry System, with the primary functions to ensure operations abide by federal, state and county codes, develop and adhere to approved budgets, produce a 14-year Capital plan, provide direct customer services, and manage 14 full time employees represented by the Teamsters, the Masters, Maters, and Pilots Union and the Inland Boatman's Unions.

Requirements

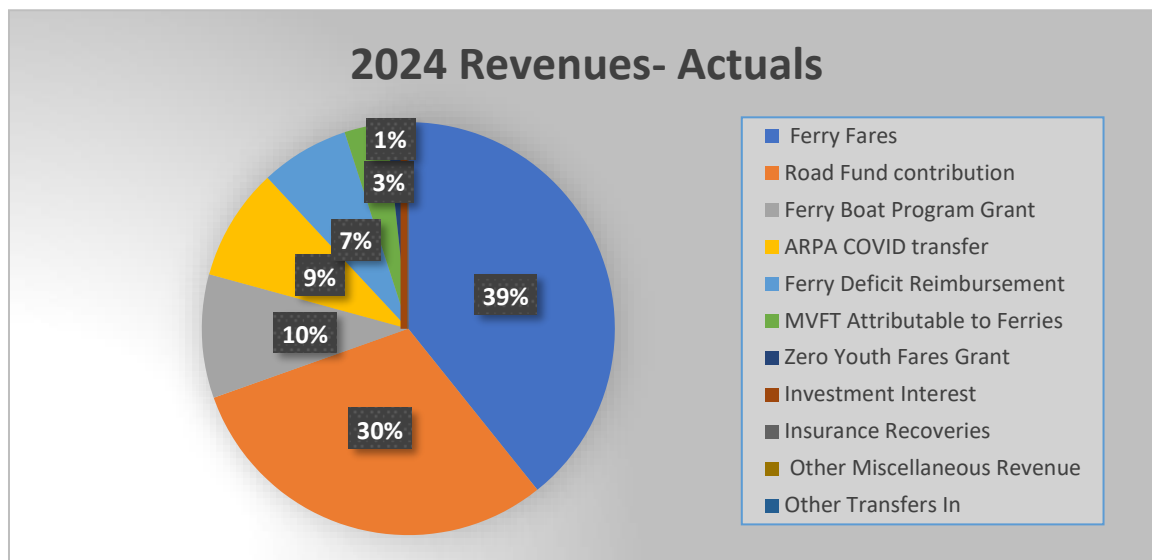
Adhering to Whatcom County Code (WCC): Title 10: Vehicles and Traffic, Chapter 10.34 Ferry Rates, section, 10.34.030 Use of ferry user fee revenues, the Public Works Department is required to present the County Council an annual fiscal review of the ferry system services, showing actual revenues and expenses, calculating fund balances and projecting future revenues and expenses, in order to evaluate if a fare change is necessary.

Objectives

- 1.) Verify that the fare box recovery rate (55% of Adjusted Total Operating Expenses {ATOE}) is being achieved.
- 2.) Demonstrate if a fare change is necessary by using the cumulative fare box reserve total, ferry fund reserve target, and current projections.
- 3.) Evaluate adequacy of fare box reserves.

Operating Revenues- Budgeted and Actuals

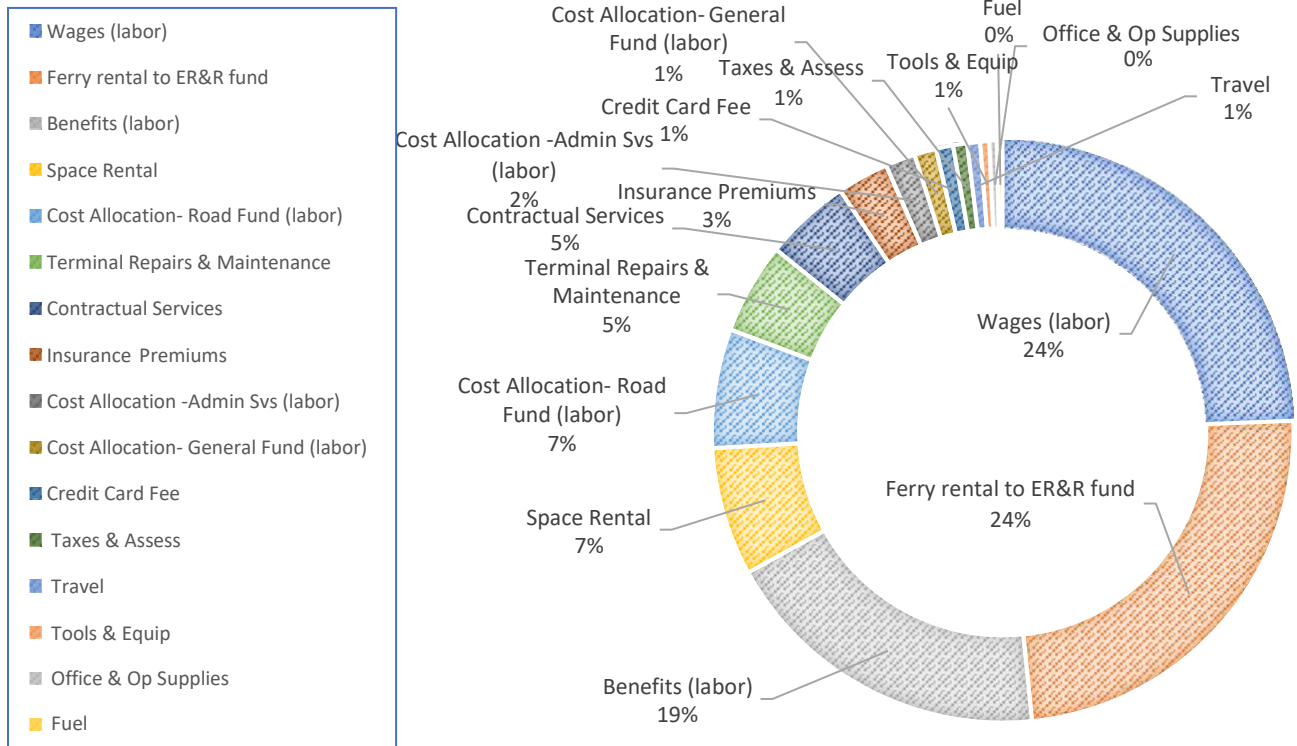
| | Revenues | Approved Budget | Actuals | Variance |
|----|---|------------------|------------------|-----------------|
| 1 | Ferry User Fees | 1,640,000 | 1,596,702 | -43,298 |
| 2 | Road Fund Contribution | 1,808,061 | 1,233,032 | -575,029 |
| 3 | Ferry Boat Program Grant | 0 | 394,002 | 394,002 |
| 4 | ARPA COVID transfer | 358,000 | 358,000 | 0 |
| 5 | Ferry Deficit Reimbursement | 320,000 | 282,883 | -37,117 |
| 6 | Motor Vehicle Fuel Tax (Attributable to Ferries) | 0 | 133,392 | 133,392 |
| 7 | Zero Youth Fares Grant | 0 | 45,000 | 45,000 |
| 8 | Investment Interest | 16,000 | 21,271 | 5,271 |
| 9 | Insurance Recoveries | 0 | 3,358 | 3,358 |
| 10 | Miscellaneous Revenue | 350 | 0 | -350 |
| 11 | Transfers In | 62,298 | 0 | -62,298 |
| | Total | 4,204,709 | 4,067,640 | -137,069 |



Expenses- Budgeted and Actuals

| 2024 Expenses | Final Budget | Actuals | Variance |
|-------------------------------------|--------------------|--------------------|----------------|
| Wages | (1,098,154) | (975,460) | 122,694 |
| Ferry rental to ER&R fund | (960,000) | (960,000) | 0 |
| Benefits | (594,826) | (742,883) | (148,057) |
| Space Rental | (286,899) | (285,855) | 1,044 |
| Cost Allocation- Road Fund | (318,200) | (264,597) | 53,603 |
| Repairs & Maintenance | (272,250) | (202,618) | 69,632 |
| Contractual Services | (242,556) | (191,324) | 51,232 |
| Insurance Premiums | (134,134) | (114,746) | 19,388 |
| Admin Cost Allocation-Admin Svs | (66,308) | (66,308) | 0 |
| Cost Allocation- General Fund | (48,638) | (48,638) | 0 |
| Credit Card/Banking Fee | (34,000) | (38,091) | (4,091) |
| Taxes & Assess | (37,045) | (31,113) | 5,932 |
| Travel-Other | (18,200) | (29,051) | (10,851) |
| Tools & Equip | (20,029) | (21,237) | (1,207) |
| Office & Op Supplies | (25,250) | (15,856) | 9,394 |
| Fuel | (15,500) | (11,820) | 3,680 |
| Printing | (3,500) | (9,569) | (6,069) |
| Equipment Rental | (12,250) | (9,025) | 3,225 |
| Travel-Educ/Training | (3,400) | (6,109) | (2,709) |
| Other Miscellaneous | (4,150) | (5,038) | (888) |
| Electric | (6,400) | (4,605) | 1,795 |
| Building Maintenance Fees | (3,960) | (3,960) | 0 |
| Other Services-Interfund | (2,000) | (3,632) | (1,632) |
| Intergov Prof Svcs | (3,200) | (2,800) | 400 |
| Telephone | (2,240) | (2,603) | (363) |
| Water/Sewer | (2,970) | (2,034) | 936 |
| Other Utilities | (2,050) | (1,904) | 146 |
| Solid Waste | (700) | (1,777) | (1,077) |
| Health Care Services | (700) | (1,616) | (916) |
| Training | (22,100) | (1,380) | 20,720 |
| Books-Publications-Supscr | (225) | (838) | (613) |
| Postage-Interfund | (600) | (772) | (172) |
| Postage/Shipping/Freight | (3,000) | (710) | 2,290 |
| Meeting Refreshments- Crew meetings | 0 | (410) | (410) |
| Professional Services | (46,544) | 0 | 46,544 |
| Advertising | (300) | 0 | 300 |
| Total Expenses | (4,292,278) | (4,058,379) | 233,899 |

ACTUAL EXPENSES



2024 Equipment Rental and Revolving (ER&R) Rates Summary

| | |
|--|---------------|
| 2024 | |
| ER&R rental rate (Asset: Ferry- Whatcom Chief) | \$960,000 |
| Accumulated Depreciation | (\$110,880) |
| Dry Dock | (\$1,082,793) |
| Non-Dry Dock costs (maintenance and repairs) | (\$47,228) |
| Net rental revenue | (\$280,901) |
| No savings | |

2024 Ferry Fund Adjusted Total and year End Splits

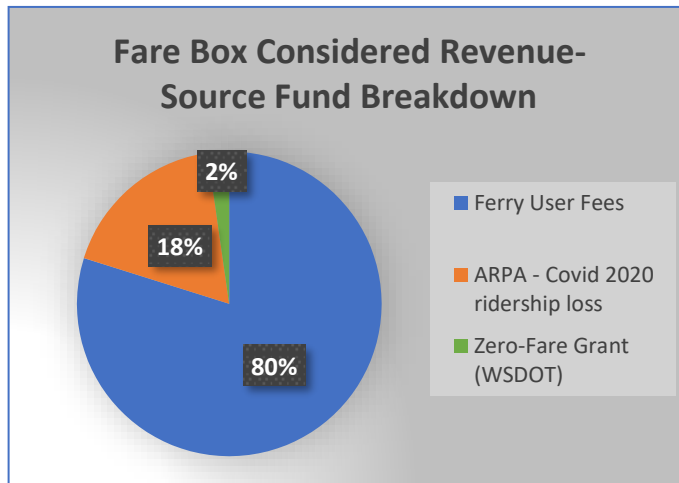
| Ferry Final Year End Split-2024 | |
|---|--------------------|
| Total Operating Costs | (4,058,379) |
| MV Fuel Tax attributed to Ferry | 133,392 |
| Ferry Deficit Reimbursement | 282,883 |
| Interest Income | 21,271 |
| Other Misc | 3,358 |
| Employee Trips | 9,720 |
| Adjusted Total Operating Costs(ATOE) | (3,607,755) |
| Fare Box Recovery Rate (55%) | 55% |
| Fare box Recovery Goal | \$ (1,984,265) |
| Fare Box Revenue Actual | \$ 1,596,702 |
| Difference from Fare Box (Deficit) | \$ (387,563) |
| | |
| Reconciling item- One-Time ARPA contribution | 358,000 |
| Reconciling item- Youth Zero-Fare Policy Grant (C#202409017) | 45,000 |
| Reconciled Difference from Fare Box (Surplus) | \$ 15,437 |
| | |
| Adjusted Total Operating Costs | (3,607,755) |
| County Contribution (45%) | 45% |
| County Subsidy | (1,623,489) |
| Reconciling item- KPFF Dolphin invoice | (3,544) |
| Reconciled County Subsidy | (1,627,034) |
| Total Transfer Due to Ferry Fund | (1,627,034) |
| Revenue towards County Subsidy: | |
| Ferry Boat Program Funds (C# 202407031) | 394,002 |
| Road Fund portion of Ferry Fund | (1,233,032) |

Fare Box Summary

| Fare Box Metrics | |
|--|-------------|
| 1. Fare Box Recovery Goal (55% of ATOE): | \$1,984,265 |
| 2. Total fare box considered revenue: | \$1,999,702 |
| 3. Actual Fare box recovery rate achieved: | 55.43% |

| Fare Box Revenue Breakdown | | |
|--|--------------------|-------------|
| Ferry User Fees* | \$1,596,702 | 80% |
| ARPA - Covid 2020 ridership loss | \$358,000 | 18% |
| Zero-Fare Grant (WSDOT) | \$45,000 | 2% |
| Total Fare Box Considered Revenue | \$1,999,702 | 100% |

*June through December fees collected at new price structure

**Notes:**

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(l); 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. Per WCC 10.34, the ferry fund reserve target is to have 50% of the average prior three years' ATOE, to 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.

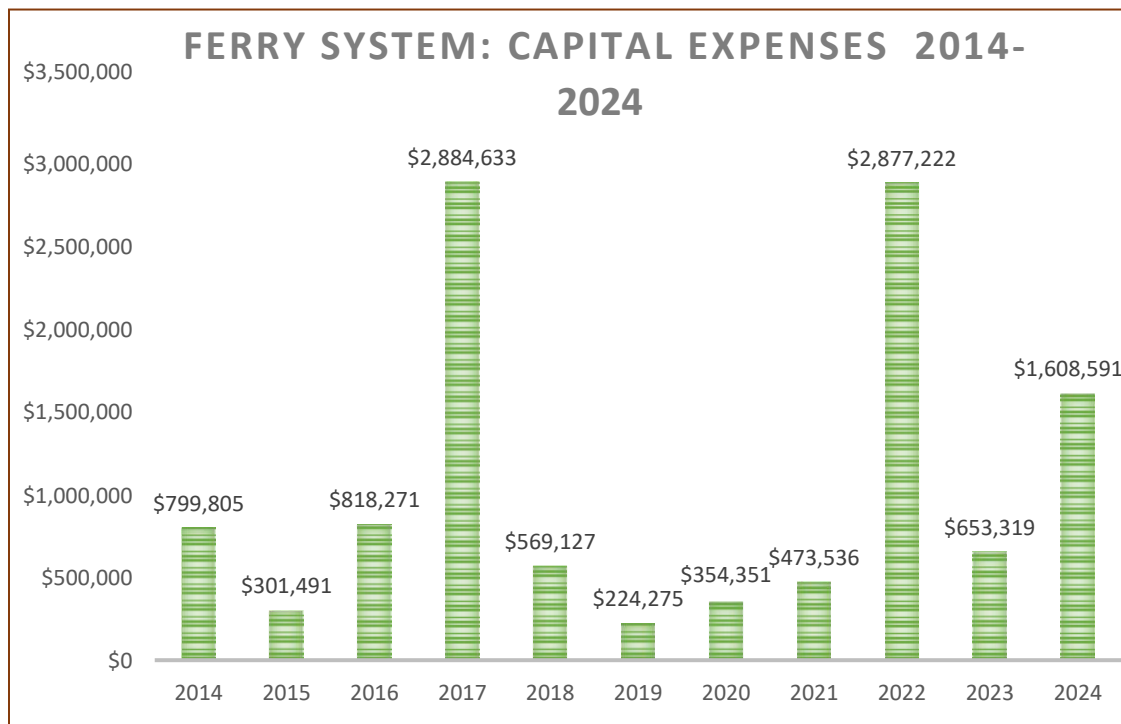
| 2034 Ferry Fund Reserve Target* | |
|--|-----------|
| 2034 Estimated Total Annual Operations costs | 5,500,000 |
| Projected ATOE (Past 3 years averaged) | 3,600,000 |
| 50% of adjusted total operating (ATOE)- Goal | 1,800,000 |
| | |
| 55% cost share (User fees) | 990,000 |
| Per year for 9 years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

With nine years remaining to meet the reserved target goal, user fees should plan to generate \$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 established in the WCC.

**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 breakwaters and dolphins. Costs shown in this capital category are in addition and separate from the service provided within the ER&R fee and in addition to the annual county funds (Road Fund) covers 45% cost share of operating costs.



| 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 |
| Cumulative Total (10 years) | \$11,564,622 |
| Average- per year | \$1,051,329 |

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/disable fares and student multi-ride case. The surcharge is required to be exclusively used for the construction of a new ferry vessel and improvements to the ferry terminals. The cumulative fund balance for the surcharge revenues are listed below. Each year on average the surcharge generates \$127,500 in revenue. In 2022 \$155,361 was collected and \$148,476 in 2023. The current capital surcharge fund balance is \$317, 619.

| Fund Name | Account Number | Account Description | General Ledger Balance |
|------------------------------|----------------|---------------------|------------------------|
| Ferry Capital Surcharge Fund | 904.1111 | Cash in funds | \$317,619 |

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.

2025 and 2026 Ferry Fund and Fare Box Projections:

| Account Description | 2023 Actuals | 2024 Actuals | Biennial Budget-2025 | Biennial Budget-2026 |
|----------------------------------|--------------|--------------|----------------------|----------------------|
| MV fuel tax-county ferries | -286,390 | -416,275 | -285,000 | -285,000 |
| Investment earnings | -36,018 | -21,271 | -16,000 | -16,000 |
| Miscellaneous other operating | 39 | -3,358 | -350 | -350 |
| Employee Trips | -5,720 | -9,720 | 0 | 0 |
| | | | | 0 |
| Regular salaries and wages | 928,582 | 975,460 | 1,052,258 | 1,104,871 |
| Extra help | 101,368 | 102,909 | 14,800 | 15,540 |
| Out of class/premium pay | 61,933 | 61,559 | 45,000 | 47,250 |
| Leave Payout | 1,156 | 0 | 0 | 0 |
| Overtime | 78,256 | 88,561 | 52,500 | 55,125 |
| Retirement | 104,247 | 109,562 | 96,322 | 101,138 |
| Social security | 89,572 | 93,424 | 89,089 | 93,543 |
| Medical insurance | 208,836 | 238,905 | 236,609 | 248,439 |
| Other health and welfare benefit | 24,239 | 26,303 | 26,320 | 27,636 |
| Worker's comp-interfund | 402 | 490 | 3,237 | 3,399 |
| Unemployment-interfund | 1,508 | 1,635 | 1,560 | 1,638 |
| Annual Leave | 19,889 | 16,961 | 0 | 0 |
| Sick Leave | 1,860 | 2,484 | 0 | 0 |
| Office and operating supplies | 9,110 | 10,728 | 20,325 | 21,341 |
| Office and operating supplies- | 990 | 5,128 | 9,500 | 9,975 |
| Printing | 2,703 | 9,569 | 10,050 | 10,553 |
| Books, publications and subscr | 0 | 838 | 200 | 210 |
| Fuel | 9,402 | 11,716 | 12,500 | 13,125 |
| Fuel-interfund | 335 | 103 | 3,300 | 3,465 |
| Tools and equipment | 1,133 | 21,237 | 7,000 | 7,350 |
| Contractual services | 92,943 | 191,324 | 113,200 | 118,860 |
| Professional services | 0 | 0 | 6,000 | 6,300 |
| Health care services | 1,081 | 1,616 | 700 | 735 |
| Building maintenance fees | 3,924 | 3,960 | 3,682 | 3,866 |
| Other services-interfund | 10,672 | 3,632 | 2,000 | 2,100 |
| Postage, shipping and freight | 550 | 791 | 2,000 | 2,100 |
| Postage-interfund | 811 | 772 | 1,000 | 1,050 |
| Telephone | 0 | 2,603 | 2,250 | 2,363 |
| Education and training | 3,142 | 6,109 | 3,000 | 3,150 |
| Travel- Other | 21,135 | 29,051 | 20,536 | 21,563 |
| Equipment rental | 9,905 | 9,025 | 13,000 | 13,650 |
| Equipment rental-interfund | 960,000 | 960,000 | 960,000 | 1,008,000 |
| Space rental | 265,658 | 284,255 | 294,133 | 308,840 |
| Space rental-interfund | 1,600 | 1,600 | 1,600 | 1,680 |
| Insurance premiums | 50,775 | 95,612 | 138,188 | 145,097 |
| Insurance premiums-interfunds | 19,134 | 19,134 | 26,489 | 27,813 |
| Water and sewer | 2,656 | 2,034 | 4,460 | 4,683 |
| Gas | 2,460 | 0 | 500 | 525 |
| Electric | 4,276 | 4,604 | 6,500 | 6,825 |
| Solid waste | 1,330 | 1,777 | 1,500 | 1,575 |
| Other utilities | 2,110 | 1,904 | 2,050 | 2,153 |
| Repairs and maintenance | 449,536 | 12,030 | 31,500 | 33,075 |
| Repairs and maintenance-interf | 167,057 | 190,588 | 190,131 | 199,638 |
| Minor Remodeling | 11,441 | 0 | 0 | 0 |

| | | | | |
|--------------------------------|---------|---------|---------|---------|
| Registration and tuition | 1,600 | 1,380 | 22,100 | 23,205 |
| Meeting Refreshments | 0 | 410 | 0 | 0 |
| Administrative cost allocation | 63,758 | 66,308 | 69,050 | 72,503 |
| Other miscellaneous | 33,790 | 43,141 | 36,800 | 38,640 |
| Intergovernmental professional | 3,085 | 2,800 | 3,500 | 3,675 |
| Taxes and assessments | 29,648 | 31,113 | 37,045 | 38,897 |
| Transfers out | 334,114 | 313,235 | 403,009 | 423,159 |

Cumulative Fare Box Reserve Balance 2024

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 2024 is **\$ 721,679**.

Summary:

The ferry system's projections for future years indicate revenues are insufficient to cover the operating program's projected future costs. Without adjustments to fares or services, in 2025 a fare box shortfall of approximately \$620K is expected, and in 2026 the shortfall is projected to be \$730K.

| | 2023 | 2024 | 2025 | 2026 |
|--|------------------|------------------|------------------|------------------|
| Total Revenue | (328,089) | (450,624) | (301,350) | (301,350) |
| Total Expenses | 4,193,713 | 4,058,380 | 4,076,493 | 4,280,318 |
| Adjusted Total Operating Expense (ATOE) | 3,865,623 | 3,607,756 | 3,775,173 | 3,978,968 |
| 55% of Net Expense of ATOE | 2,126,093 | 1,984,266 | 2,076,329 | 2,188,432 |
| Fares through 9/15 | | | 1,132,446 | |
| Fares 9/15-12/31 | | | 324,531 | |
| Dolphin return* | 236,229 | | | |
| 2023 & 2024 Fare box revenue | 1,389,880 | 1,596,702 | | |
| 2024 Fare-box considered revenue (ARPA + Youth Fares) | - | 403,000 | | |
| Projected Fares | | | | 1,456,977 |
| Farebox Ticket Revenue Shortfall | | | 619,352 | 731,455 |
| Cumulative Fare-box fund balance | 706,243 | 721,679 | 102,327 | (629,128) |
| Annual 55% Farebox coverage | 76% | 101% | 70% | 67% |

*Note: The \$430k dolphin lawsuit returned funds to fare box, it was split into two credits, a portion credited in 2022 and the remainder in 2023.