



# Ferry District Overview

---

ELIZABETH KOSA, DIRECTOR

WHATCOM COUNTY PUBLIC WORKS

COUNTY COUNCIL MEETING APRIL 28, 2026

# Agenda

---

- Ferry System Overview
- Road Safety Risks
- Road Fund Strain
- Ferry System Financial Instability
- Solution
- Legislative Support
- Schedule
- Next Action Steps

# Ferry System Overview

---

- County-operated ferry system for over 100 years
- Essential service with no alternative routes for 1,400 properties
- Financial and infrastructure challenges require action
- \$25 M capital project costs needed now
- Road fund is neglecting necessary road improvements to afford the ferry system
- Specifically enacted State Law changes to allow for vehicle ferries
- **Proposed solution: Form a County-wide Ferry District**

# Legally Obligated to Maintain Ferry Service

---

- No alternative access for Lummi Island residents
- Eliminating or drastically reducing service could be a constitutional taking
- Creates significant risk of costly legal claims

# Ferry Fund Revenue Sources

---

- Ferry System major funding sources:
  - County Road Fund (45% of operating, all of capital)
  - Ferry User fees (Farebox- 55% of operating only)
  - Ferry User Capital Surcharge (\$1 per ticket=\$185k per year)
  - State and Federal funds (e.g., grants, etc.)

# Road Safety and Reliability at Risk

---

- Road Fund made ongoing large reductions to road improvement budgets in both maintenance & capital in 2025
- Road Fund cannot responsibly sustain payments for the ferry system of \$3M/year
- Road Fund cannot afford new infrastructure debt service payments of an additional \$1.5M/year
- 933 miles of county roads serve
  - All 235,000 residents of Whatcom County
  - Businesses delivering and transporting goods and services
  - Visitors and tourists

# Road Fund Health

---

- Budget Reductions
  - 13 positions frozen (11 of those are M&O)
  - 9 Road fund positions eliminated permanently
  - 2026 capital was reduced from ~\$13M of local spend to ~\$2M local spend
  - Absorbing an additional \$1.5M/year bond payments for 30 years would further cut service and degrade infrastructure

# Impacts to Road Services

---

- Further cuts required to absorb ferry costs
  - (Paying debt service alone equates to ~15 Road fund FTEs, i.e. layoffs)
- Reduced:
  - Road maintenance
  - Snow plowing
  - Drainage (ditching)
  - Flood response
- Delayed or canceled infrastructure projects:
  - Bridges (163 total county inventory)
  - Culverts (impact on drainage and fish)
  - Roundabouts (lowers roadway safety)

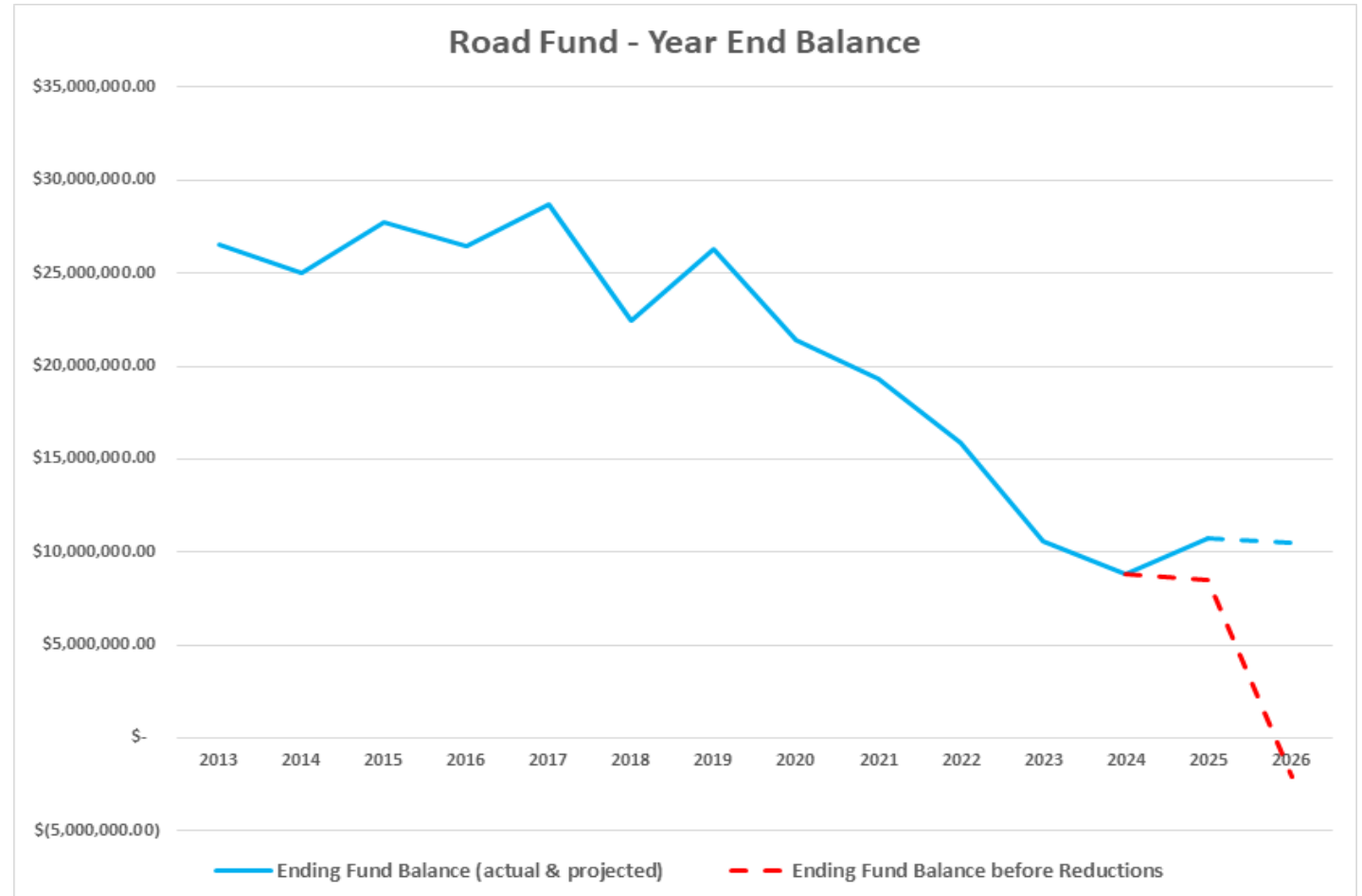
# County Roads Benefit all County Residents

---

- County roads used by all:
  - Residents in both urban and rural communities
  - Goods & services
  - Emergency responders
  - Visitors and tourists
- Road Fund specific levy lid lift would:
  - Only provide funding to cover the annual bond payment for the capital ferry project
  - NOT improve road services
  - Generates a lot less revenue – smaller population with lower property valuations

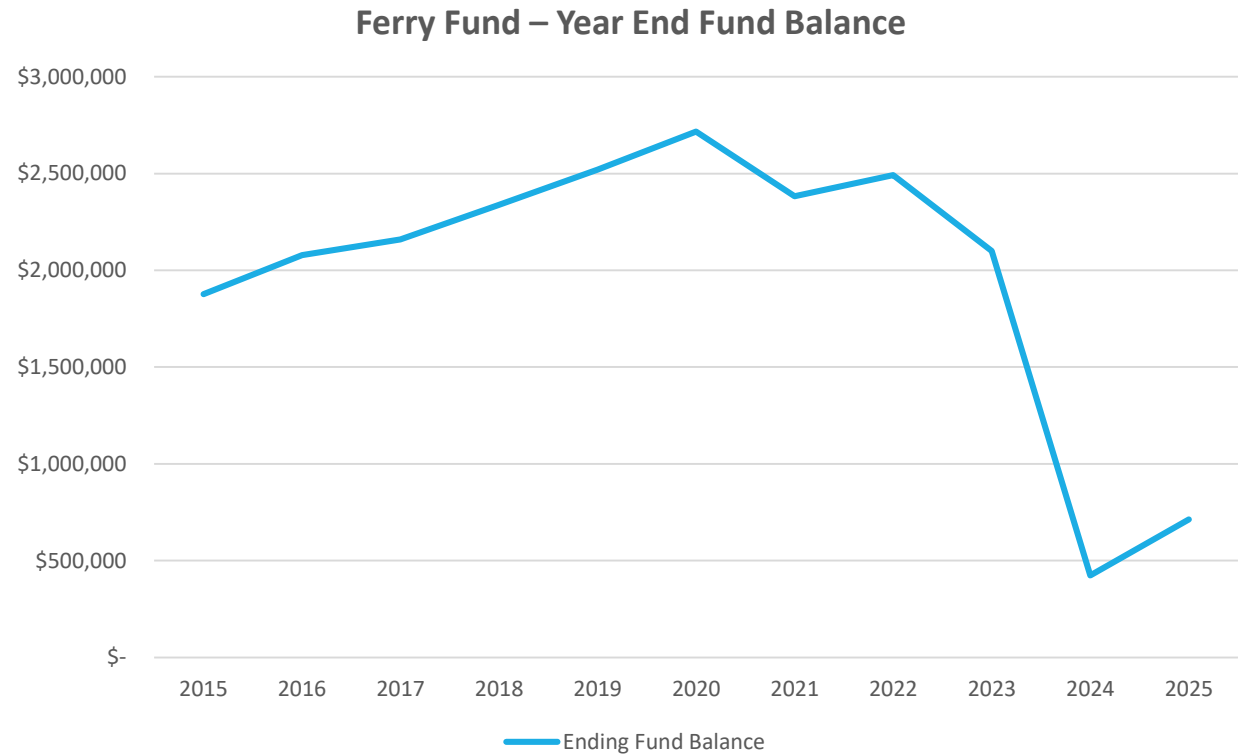
# Limited Road Fund Tax Base

- Only 41% of county residents pay (~93,000 unincorporated population)
- Disproportionate burden for ferry funding
- County-wide Ferry District reduces burden for unincorporated county residents- spreads cost across ~238,000 residents



# Ferry Fund Health

- Fund balance is critically low – insufficient capacity to cover unexpected expenses
- Current revenues cannot absorb new system expenses
- Ferry user rate increases are difficult to realize



# Financial Instability of Ferry System Operations

---

- Options without change:
  - Increase Road Fund burden
  - Increase Ferry User contributions
  - Fund balance drawdown spending with no backing
  - Revenue increases on existing county funds

# Ferry Infrastructure at End of Life

---

- Lummi Island side terminal past useful life- safety risks, ~\$500k per dolphin repair
- Vessel is over 64 years old (designed for a 50-year lifespan)
- Frequency and cost of emergency repairs are increasing
- Critical systems no longer supported
- Unfavorable insurance terms and rates
- Annual maintenance costs exceed the cash value of the asset



# Solution:

## Form a County-Wide Ferry District Tax

---

### What the new revenue could support:

- New Ferry and Terminal Bond payment ~ \$1.5M/year for 30 years
- Road Fund 45% county cost share of operational expenses (includes lowland lease) ~ \$1.8M/year
- Road Fund annual capital expenses ~ \$1M/year
- Road Fund upland lease lump sum payments (averaged) ~ \$0.2M/year
- Road Fund reserve fund balance requirement (50% operating) ~ \$0.2M/year
- Future Gooseberry Point Terminal relocation ~ \$2.5M/year
- Future vessel replacement 2088 ~ \$105M or \$1.7M/year

# Solution:

## County sought State Legislative Changes

---

- Lobbied State legislature to update the ferry district codes to support vehicle ferries
- Demonstrated special tax district is a necessary and effective tool for Ferry Counties
- Passed SB-2558
- Council approval only for up to \$0.10 cents per \$1000 of assessed value

# Solution: Two-Step Process

---

## Step 1: Form Ferry District

- Establish governing body (Council – FD Board of Supervisors)
- Outlines the purpose and use of the special revenue fund
- Grants taxing authority
- Does NOT set tax rate or collect revenue

## Step 2: Set Levy Rate

- Governing body determines funding level and what to cover (i.e., capital, operating, bond, etc.)
- Select rate based on system needs (current and future)
- Includes meeting reserves targets

# 2026 Ferry District Tentative Schedule

---

- **April 28- Council Intro/discussion - 30 minutes- TODAY**
- **May 12 Council Approval Establish Ferry District (w/out levy rate)**
  - **June 2-** Special Council Work Session #1- Analyze ferry system expenses, revenues, debt, and evaluate levy rate scenarios
  - **June 23-** Special Council Work Session #2 (if needed)- discussions with councilmembers
- **July 28 Intro/Discussion to Council – Proposed taxing rate with updated companion codes:**
  - 101.01 Whatcom County Ferry District
  - 10.34 Ferry Rates
  - 2.145 Whatcom County Ferry Advisory Committee
- **August 1- Council approval of Ferry District Levy**
- **Aug 5 – Submit Fiscal plan to MARAD**
- **Sept 15 – Sign MARAD Contract – obligate \$25M**

# Consequences if No Action Taken

---

- Risk of terminal or vessel failures
- Worsening road conditions and reduced levels of service
- Deferring roadway maintenance and capital – increases costs in future years
- Exposes the county to more liability for damages from unsafe roadways (tort claims)
- Lose \$35 Million Dollars in grants (\$25M in MARAD & \$10M in CRAB)

# Continued User Responsibility

---

- Ferry Users will still pay fares = to 55% of ATOE
- Farebox remains Ferry System Revenues

# Next Action Steps

---

- Council approves district formation
- Work session with fiscal consultant:
  - Review system costs (operating, capital, & future)
  - Evaluate levy rate options ( Up to \$0.10/\$1,000 of valuation)
- Council sets levy rate for 2027 collection
- Update governing codes accordingly
- Prepares the County to responsibly borrow \$25M match & be prepared to cover debt service
- Bid Project- Start Building Vessel 11/2026, Start Terminal Work (Aug 2027)
- Deliver new vessel and terminal (1<sup>st</sup> quarter 2029) Ribbon Cutting 😊

# Wrap Up & Questions

---

- Ferry services are essential to access the island
- Current funding model is unsustainable
- Ferry District enables urgent large capital investments to occur and secures \$25M in federal funds
- Ferry District offers a sustainable, long-term, balanced solution