



Lummi Island Ferry

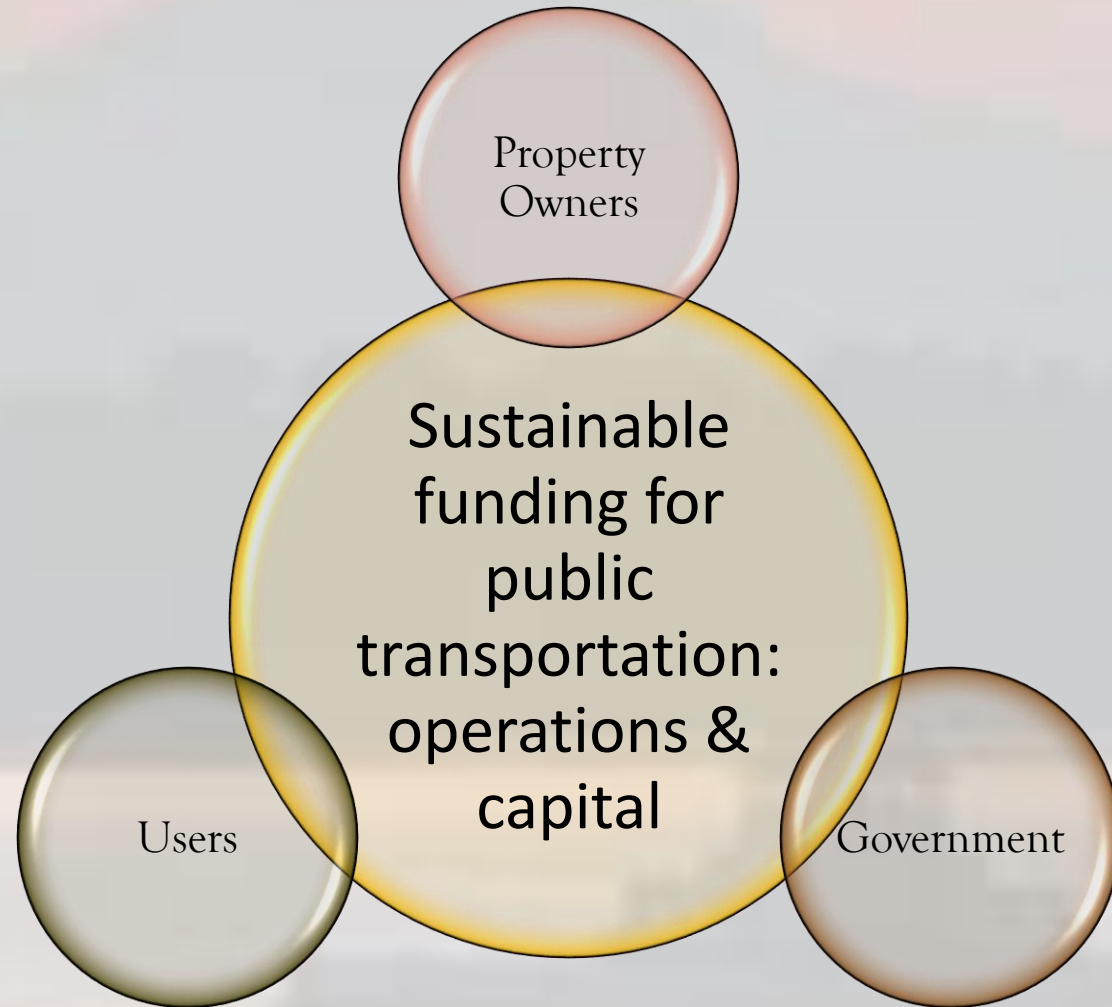
Funding Strategy

Continuing conversation from Dec. 2024 memo

June 10, 2025

Presentation

- Review memo from Executive's Office
- Capital project
- Long term capital expenses
- Impact to road fund
- Work towards a comprehensive sustainable financial model
- Ferry System's Annual Operating Review Fiscal Year 2024





Key Project Decision Points

The RAISE Grant funding obligation deadline is September 2026. The project schedule to meet this deadline is outlined below.

Project team tasks to meet RAISE grant and project delivery requirements

Complete 60% terminal design to support permits

Begin Contract Design for terminals and vessel

Federal/State/Local Permits

NEPA Environmental Assessment

RAISE Grant deadline

JULY 2024

JAN 2025

JUL 2025

JAN 2026

JUL 2026

SEP 2026

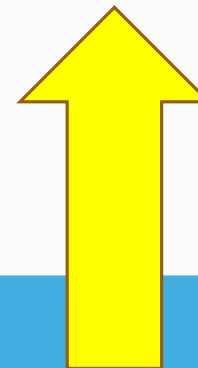
Key decision points for Council


Confirmation of current project to meet adopted Level of Service goals

Finalize project schedule and funding approach

Adopt a final financial plan with local funding component

Council to approve grant agreement





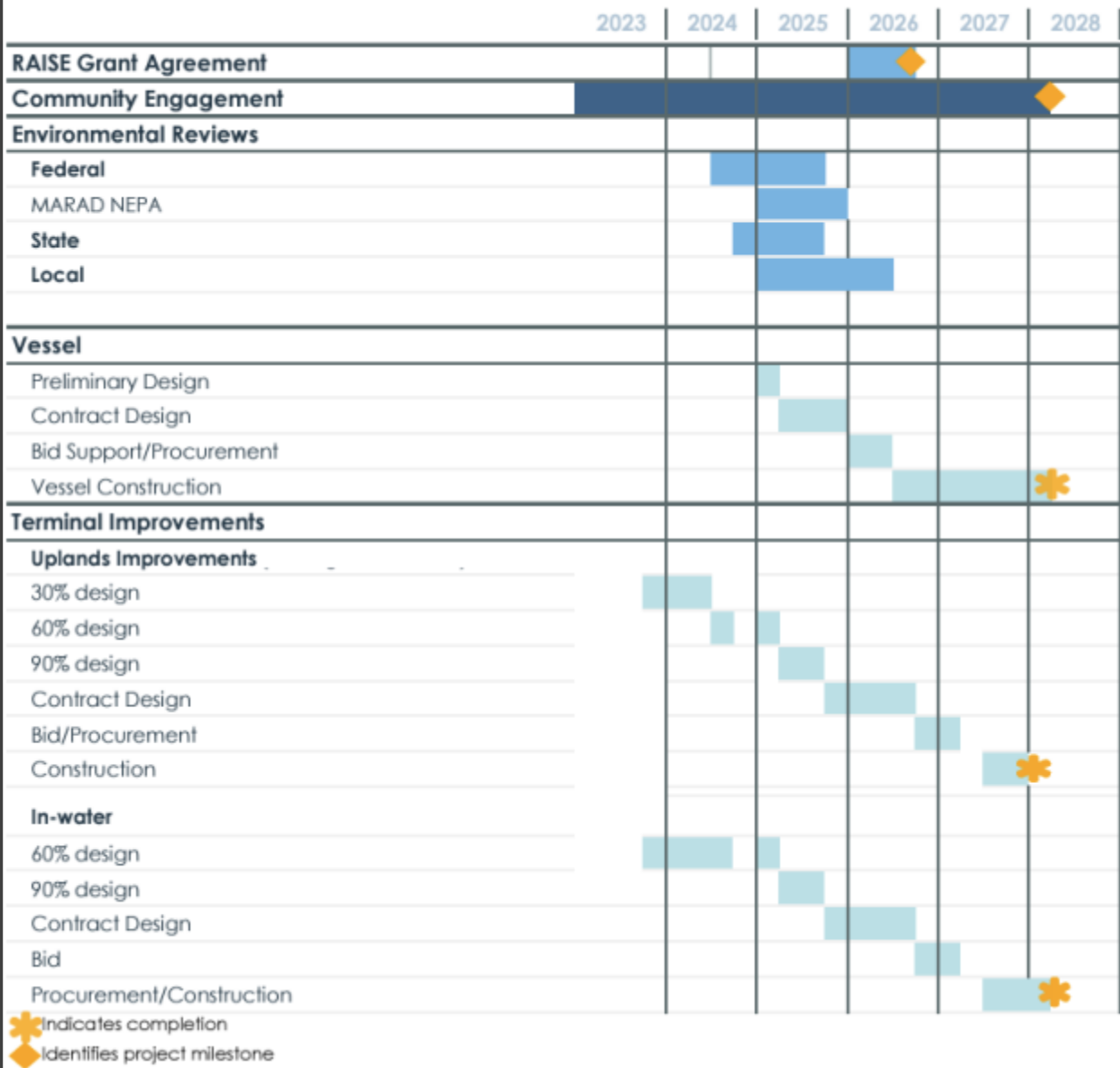
Lummi Island Ferry Replacement and Terminal Modernization project

Funding

Current budget

Project Description	Revised Scope 20 Car Hybrid
Design, Technical and Management Support	
Design, Environmental & Permitting Phase	5,350,000
Bid & Procurement	2,414,000
Construction Phase	2,604,000
Whatcom County Public Works	1,093,000
Total Design, Technical and Management Support	11,461,000
Ferry Replacement/Upgrade	
Direct Construction	24,932,000
Total Ferry Replacement/Upgrade	24,932,000
Terminal Modification and Restoration	
Lummi Island - Marine Structures	
Direct Construction	9,663,000
Total Terminal Modification and Restoration	9,663,000
POF Float Procurement	
Procurement	1,008,000
Total POF Float Procurement	1,008,000
Lummi Terminal Uplands Improvements	
Direct Construction	1,102,000
Total Lummi Island Uplands Improvements	1,102,000
Mitigation	552,000
Total Capital Replacement and Modernization Project	48,718,000
Operating Program Financial Impacts	
Estimated Fare Revenue Loss	588,000
Estimated Break-in Period Operating Costs	1,275,000
Other Operating Costs (Passenger Vessel Charter)	1,352,000
Total Operating Program Financial Impacts	3,215,000
Overall Project Financial Impact	51,933,000

Figure 5: Timeline for Project Completion



Timeline

Funding decision milestones:

Must have vessel funding = April 2026

Terminal Improvements funding = December 2026

RAISE grant

Hopeful we will hear soon.

Decision is with the USDOT Office of the Secretary

State capital grant

RCW change to allow for a ferry district

2026 session: Jan 12 – March 13

TIFIA

Federal program. Makes sense if we receive RAISE grant, if not, then no.
(Will federalize project)

WA State LOCAL financing

Makes sense if we do not receive RAISE and our debt scenario is 25 year term.


County Road Administration Board (CRAB)– Puget Sound Ferry Operations Account

CRAB published an announcement in December 2024, describing their work to correct the methodology for funds distribution.

States remedy: Counties to receive a refund for the amounts mistakenly withheld in the current biennium (July 2023- November 2024)

The December 2024 distribution to the counties used the corrected methodology

We received: \$278,981.06



Being proactive
and a plan for financing

What is the debt service amount, and how do we pay for it?

- ◆ RAISE grant: will lower debt
- ◆ Additional State Capital grant: will lower debt
- ◆ Interest rates: could lower or raise debt payments

	SCENARIO: 1		SCENARIO: 2		SCENARIO: 3	
	TOTAL PROJECT COST:	\$51,933,000	TOTAL PROJECT COST:	\$51,933,000	TOTAL PROJECT COST:	\$51,933,000
	Less WSDOT local programs design money	\$5,300,000	Less WSDOT local programs design money	\$5,300,000	Less WSDOT local programs design money	\$5,300,000
		\$46,633,000		\$46,633,000		\$46,633,000
			Less RAISE grant (but this is reimburseable need cash flow to pay this)	\$25,000,000	Less RAISE grant (but this is reimburseable need cash flow to pay this)	\$15,000,000
	CAPITAL PROJECT FINANCE TOTAL:	\$46,633,000	CAPITAL PROJECT FINANCE TOTAL:	\$21,633,000	CAPITAL PROJECT FINANCE TOTAL:	\$31,633,000
DEBT SCENARIO 1	TIFIA Estimated debt service annually. 35 years @ 3% Revenue for debt service: CRAB award: \$10M, \$500,000 per year for 20 years \$1 Ferry capital surcharge per passage (2023 actual) TIFIA LOAN: Need to identify ANNUAL revenue for total capital project debt service shortfall	2,235,375 500,000 148,000 1,587,375	1,036,988 500,000 148,000 388,988	1,516,343 500,000 148,000 868,343		
DEBT SCENARIO 2	Traditional financing. Estimated debt service annually. 25 years @4% Revenue for debt service: CRAB award: \$10M, \$500,000 per year for 20 years \$1 Ferry capital surcharge per passage (2023 actual) TRADITIONAL FINANCING: Need to identify ANNUAL revenue for total capital project debt service shortfall	3,074,622 500,000 148,000 2,426,622	1,426,314 500,000 148,000 778,314	2,085,637 500,000 148,000 1,437,637		

Covering Debt Service = Raising Revenue

State Capital Grant	Ferry District*	Increase Capital Surcharge	Voted Transportation Benefit District	Voted Road Fund Lid Lift
Any funding would lower debt service amount	Countywide or Lummi Island only	Riders	All unincorporated area	Unincorporated
	Property tax	User fee	Sales Tax or Car Tab	Property tax
State paying 29.46% of current project budget	*with RCW change		Point Roberts MVFT = \$41,500	

Legislative change

- ❖ RCW 36.54 – ferry district change
 - HB1331/SB5403 in 2017
 - Led by Pierce County
- ❖ RCW 36.32.235 – county ferry maintenance & repair contracts
 - HB1054: sponsored by Reps Ramel & Timmons

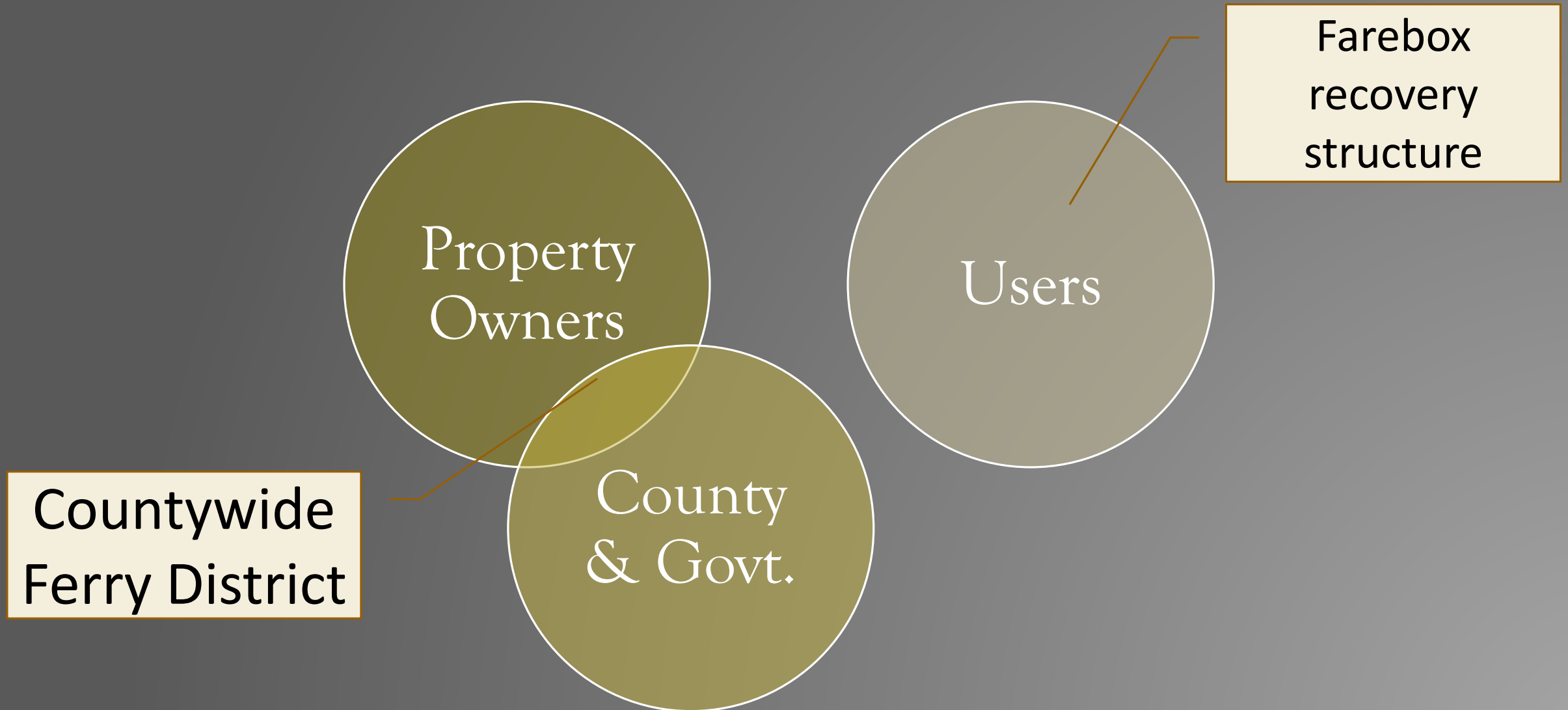
DEBT SERVICE FUNDING		DEBT SERVICE & OPERATIONAL FUNDING	
COUNCIL ACTION <i>Increase Surcharge</i> Est. based on current ridership		LEGISLATIVE CHANGE Council Action: Ferry District	
1.00	\$ 148,000	Lummi Island only ferry district <small>2024 Assessed Value=</small>	\$590,056,945 \$0.45 \$ 265,525.63
2.00	\$ 296,000		\$0.75 \$ 442,542.71
3.00	\$ 444,000		
4.00	\$ 592,000	Unincorporated only <small>2024 Assessed Value=</small>	\$28,059,725,774 \$0.01 \$ 280,597.26
5.00	\$ 740,000		\$0.02 \$ 561,194.52
			\$0.03 \$ 841,791.77
			\$0.05 \$ 1,402,986.29
			\$0.25 \$ 7,014,931.44
			\$0.75 \$ 21,044,794.33
		Countywide ferry district <small>2024 Assessed Value=</small>	\$61,508,297,935 \$0.01 \$ 615,082.98
			\$0.02 \$ 1,230,165.96
			\$0.03 \$ 1,845,248.94
			\$0.05 \$ 3,075,414.90
			\$0.25 \$ 15,377,074.48
			\$0.75 \$ 46,131,223.45

DEBT SERVICE & OPERATIONAL FUNDING				
ROAD FUND				
Road fund levy rate		0.000746921		
Lummi Island only 2024 Assessed Value=	\$	590,056,945		
Lummi Island only road fund collection			\$	440,726
Countywide road fund valuation =	\$	28,059,725,774		
Countywide road fund collection			\$	20,958,400
Voted lid lift				Increase in collection
0.000746921		\$0.01	\$ 21,238,995.69	\$ 280,595.25
		\$0.02	\$ 21,519,592.95	\$ 561,192.51
		\$0.03	\$ 21,800,190.21	\$ 841,789.77
		\$0.05	\$ 22,361,384.72	\$ 1,402,984.28
		\$0.25	\$ 27,973,329.88	\$ 7,014,929.44

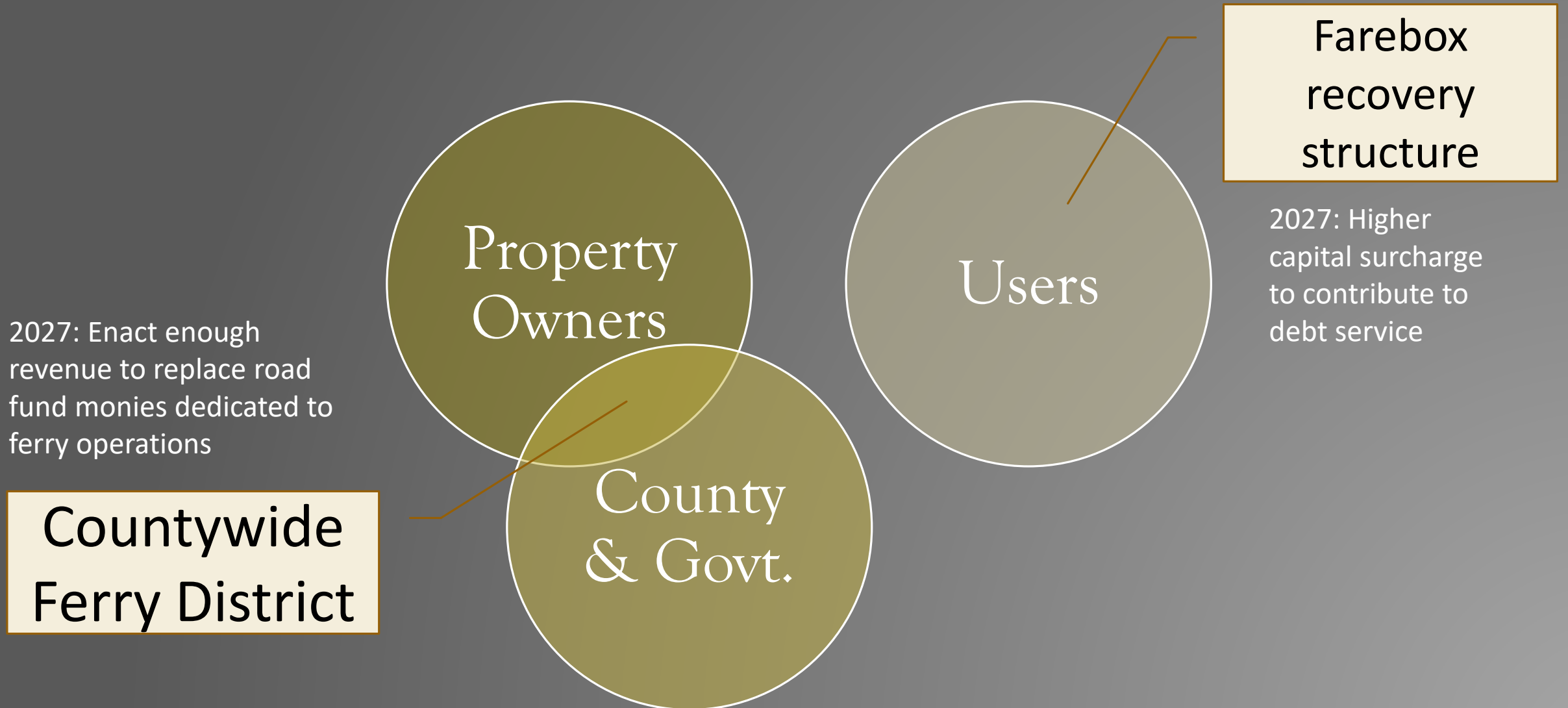
Covering Debt Service = Raising Revenue

Property Value	\$400,000	\$650,000	\$800,000	\$1,200,000	
0.00001	\$4	\$6.50	\$8	\$12	Annually
0.00002	\$8	\$13	\$16	\$24	
0.00003	\$12	\$19.50	\$24	\$36	
0.00005	\$20	\$32.50	\$40	\$60	
0.00025	\$100	\$162.50	\$200	\$300	
0.00045	\$180	\$292.50	\$360	\$540	
0.00075	\$300	\$487.50	\$600	\$900	

Sustainable model: operations/capital



Sustainable model: operations/capital



Executives Office recommends:

- Immediately follow Whatcom County Code WCC 10.34 to set fares
- Work with Washington State Legislature to amend RCW 36.54, removing the work “passenger”
- IDENTIFY 2027 COMPREHENSIVE BUDGET with operations and capital expenses captured

Executives Office recommends:

Policy work:

- Does the County want to continue reliance on the road fund at the level projected?
- What long-term sustainable sources of revenue to support a comprehensive budget for the ferry system would Council consider (e.g., a countywide ferry district)?
- Consider what savings can be achieved through decreasing the level of service to decrease operational costs

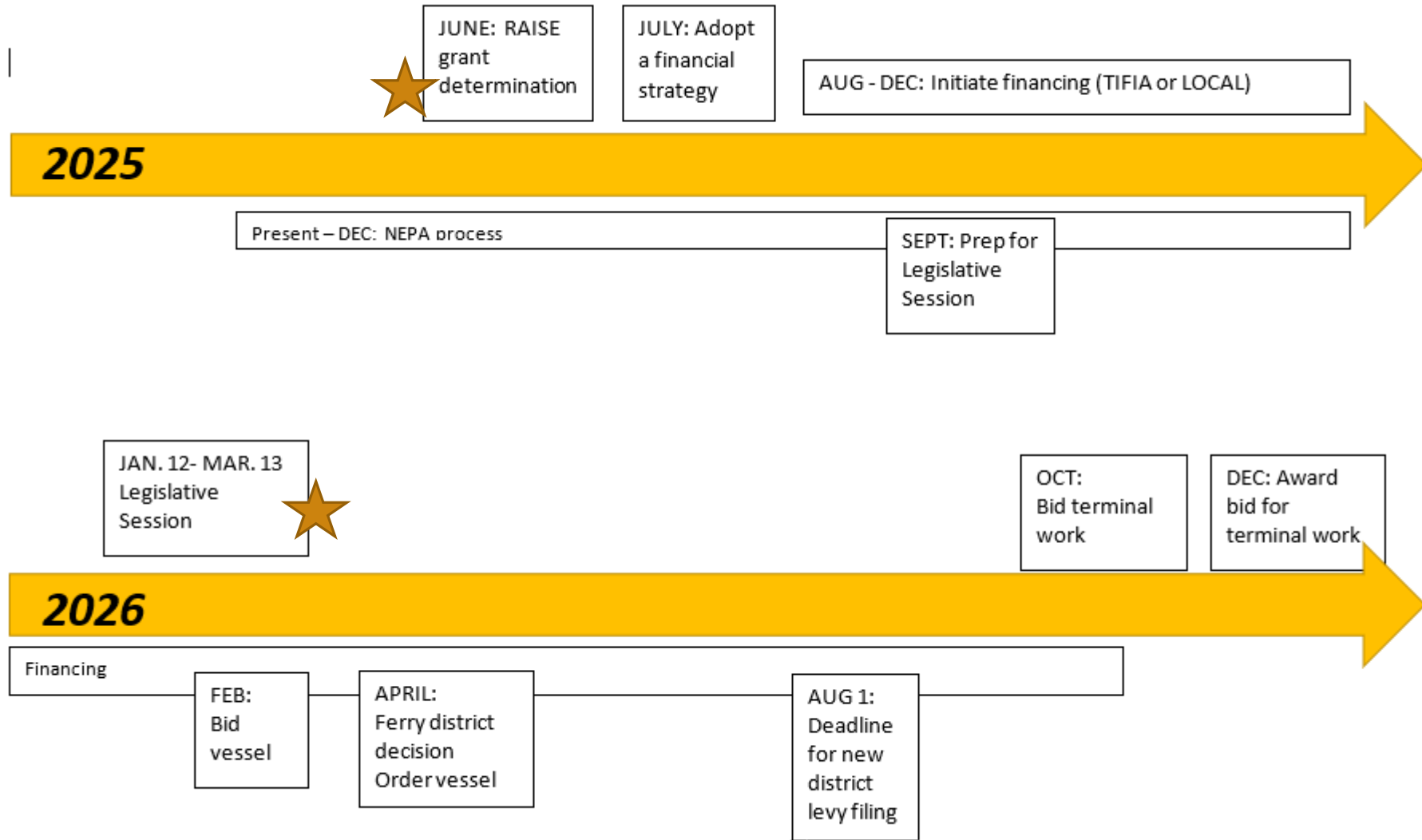
Executives Office recommends:

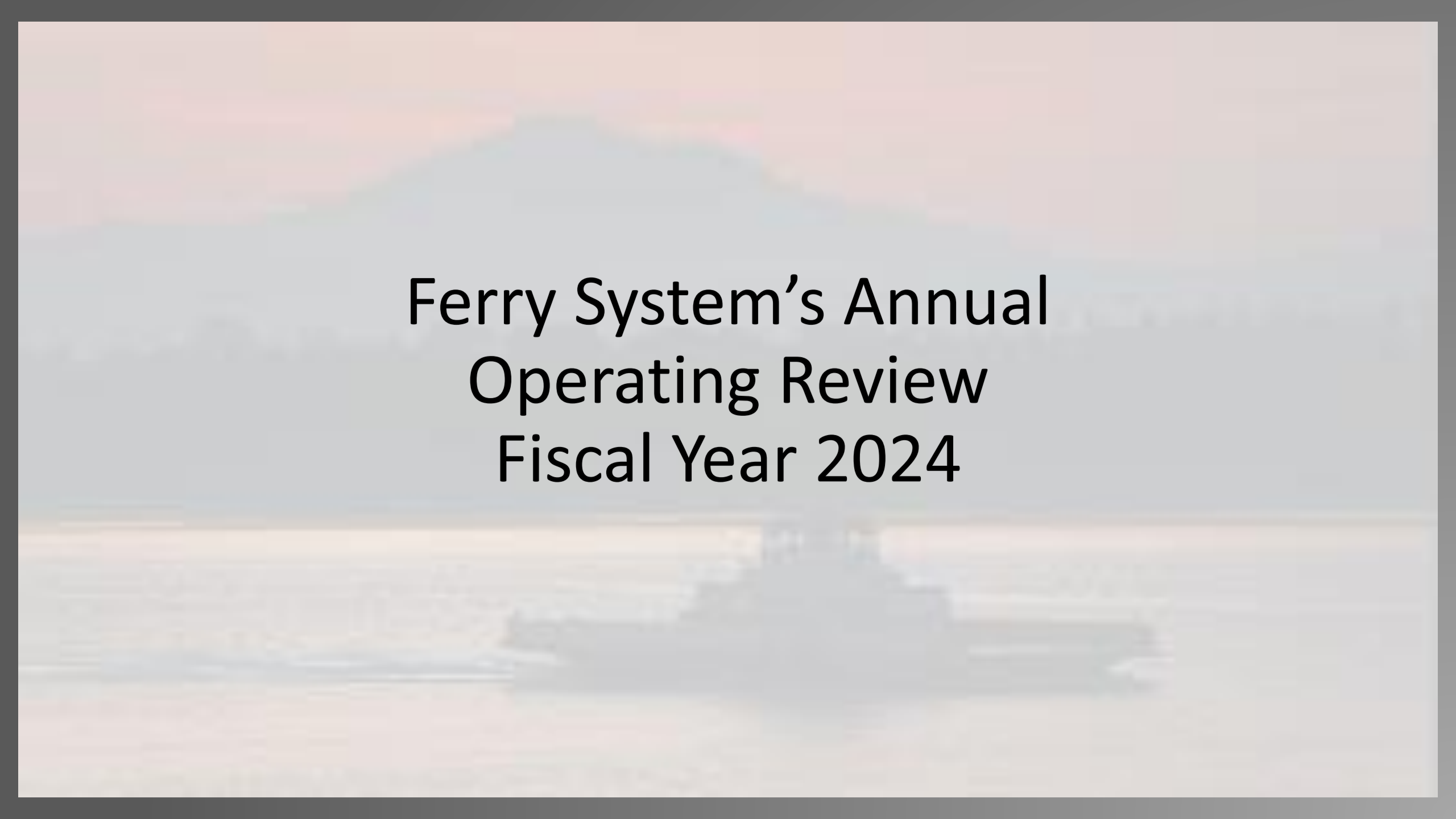
Policy work:

- Consider other operational changes and further changes to the fares could help stabilize operational expenses and generate additional revenue:
 - Implementing an electronic ticketing system to allow for more dynamic pricing
 - Include summer seasonal fares or adding a summer surcharge
- Update debt service projections as capital project progresses. Milestones that must be passed in order to decide for long term funding and sustainable service:
 - Finalize RAISE grant
 - Legislative change

Executives Office recommends:

- Objectively look to budget projections in 2027 and 2028 when the current ferry replacement and infrastructure project is completed and debt service funding is needed.
- Long term funding decision



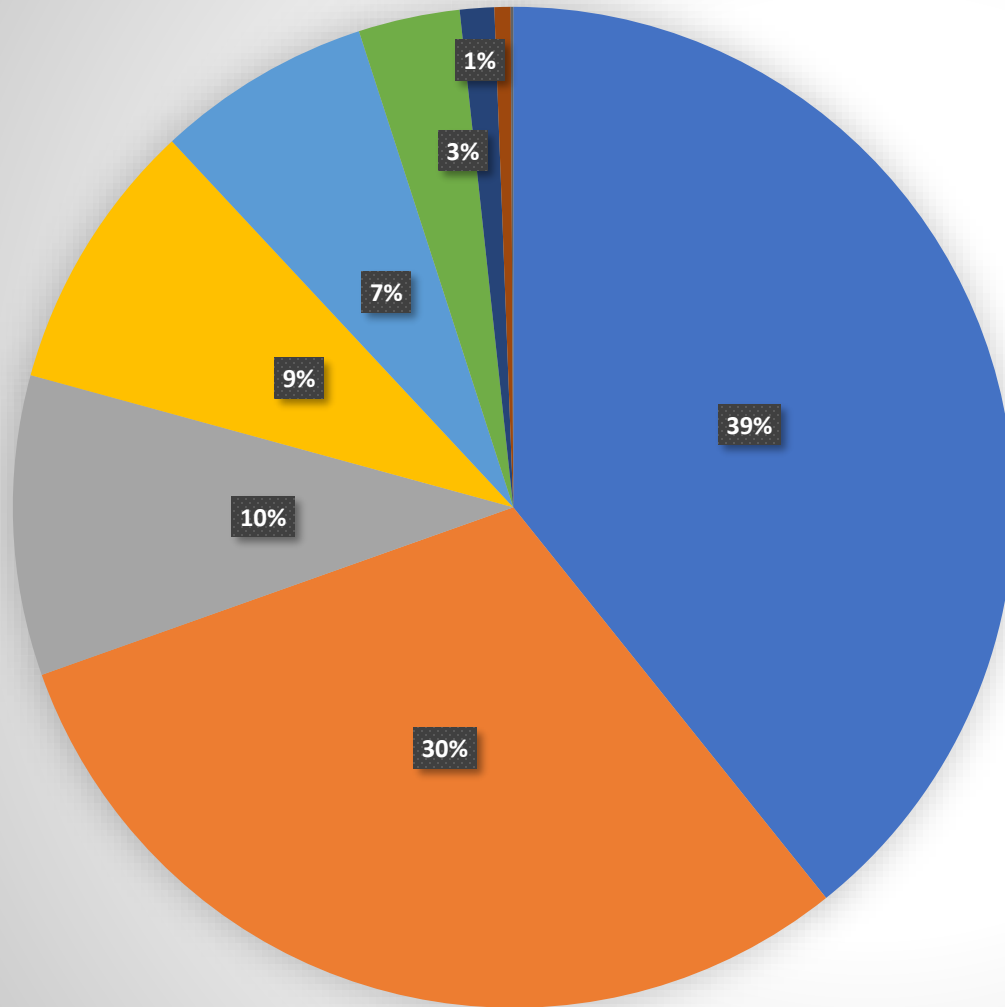


Ferry System's Annual Operating Review Fiscal Year 2024

Ferry Operations Revenues. Pg. 2

	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

2024 Revenues- Actuals



- Ferry User Fees
- Road Fund Contribution
- Ferry Boat Program Grant
- ARPA COVID transfer
- Ferry Deficit Reimbursement
- Motor Vehicle Fuel Tax (Attributable to Ferries)
- Zero Youth Fares Grant
- Investment Interest
- Insurance Recoveries
- Miscellaneous Revenue

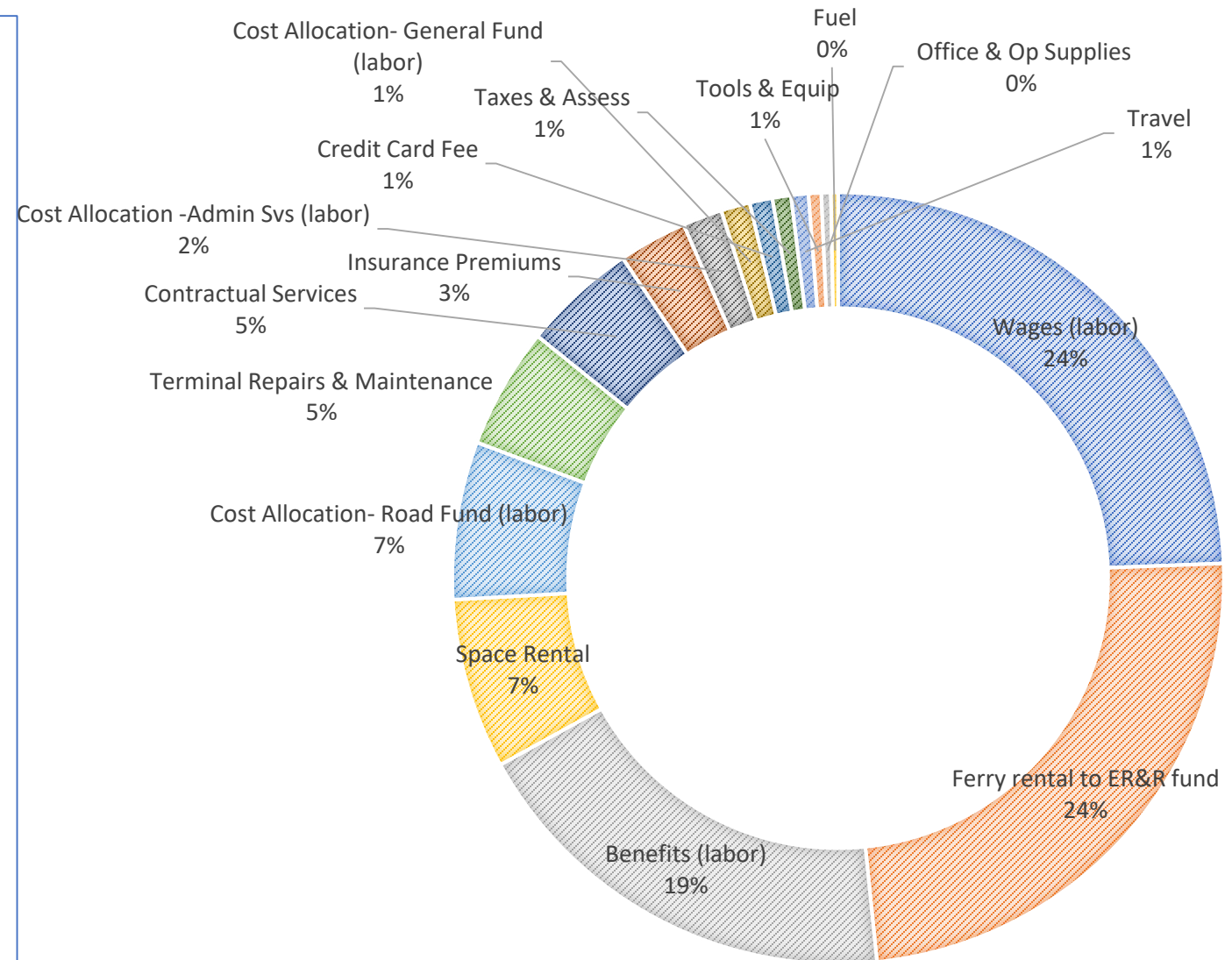
2024 Ferry Operations Expenses, Pg. 3

Budget: \$4,292,278

Actual: \$4,058,379

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

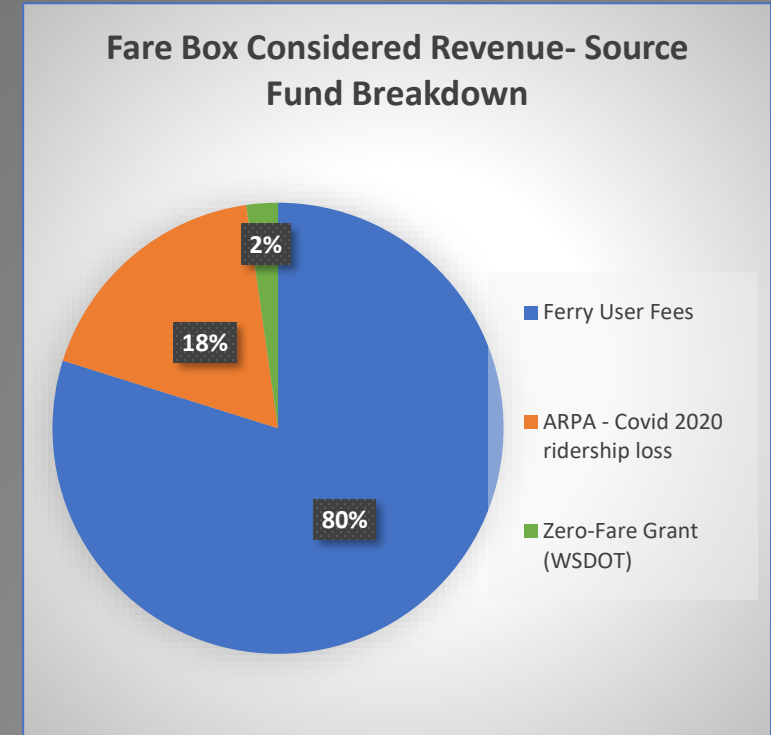


2024 Ferry Fund Adjusted Total, Pg. 5

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	(1,623,489.70)
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, Pg. 5

Fare Box Metrics		
1. Fare Box Recovery Goal:		\$1,984,265
2. Total fare box considered revenue:		\$1,999,702
3. Actual Fare box recovery rate:		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%



Operating Reserve Target, Pg. 6

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

Capital Surcharge, Pg. 8

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.*

Fare Box Reserve Balance, Pg.10

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: Projections, Pg.10

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.



Next Steps:

Executive action

Regular council discussions as we move
through policy decisions

Plan A & B

RAISE grant

YES

NO

Initiate TIFIA Loan

Initiate WA LOCAL Program Financing



2026 Legislative Session

Ferry District language change

Capital grant ask \$10M

YES

NO

YES or NO

Calculate ferry district rate based current funding status and need for 2027, enact, file with Auditor by August 1

Calculate amount of County funds needed to fill void, capital surcharge. Try again in 2027 Legislative Session