



ELIZABETH KOSA
DIRECTOR

MEMORANDUM

To: The Honorable Satpal Singh Sidhu, Whatcom County Executive and The Honorable Members of the Whatcom County Ferry District Board of Supervisors

From: Elizabeth Kosa, Director *EK*

Subject: Work session overviewing and discussing Ferry District 2027 Budget funding Level Options

Date: June 26, 2026

Requested Action

No action, review initial Ferry District budget options, that includes two ferry program's options for level of service. One option is a full budget planned to cover current and future expenses and the second is a minimum budget level to cover ferry current system obligations. The annual budget amount, once approved in an annual budget, is used to set the property tax-levy rate, which is planned for collection in 2027.

Background and Purpose

The 64-year-old ferry, terminals and docks are components of a vital public transportation system that is past its useful life and requires extensive capital improvements. Therefore, beginning in 2017, the Public Works Department put forth effort to secure funding for the Lummi Island Ferry Replacement and System Modernization project. In 2022, the County secured approx. \$5M in Move Ahead WA State funds to produce competitive applications for federal funds and complete all pre-award design and permitting requirements.

In 2023 the County was awarded \$25M from the USDOT Maritime Administration (MARAD), with a deadline to obligate the federal funds by September of 2026. To complete the NEPA process and secure all necessary federal permits, the county hired KPFF and Elliot Bay Design Group and has spent approx. \$4M of the \$10M budgeted for project design and engineering. The preapplication checklist requirements are almost finalized, which makes us eligible to enter into this grant agreement with MARAD.

The one outstanding requirement is a financial plan that demonstrates the required local non-federal match is secured. Our strategy for filling the project funding gap includes borrowing funds and issuing debt which depends on having source funds that indicate a solid repayment plan.

On May 18, 2026 the Whatcom County Council formed a countywide Ferry District, in order to support the county's ability to continue to operate a 100-year-old ferry system. The Ferry District's general purpose is to construct, purchase, operate, and maintain ferries and wharves. The governing body of the Ferry District is the Board of Supervisors, of which the County Council members are designated, and under RCW36.54.130, has taxing authority to carry out the purposes for which the Ferry District was created. The Board of Supervisors has the authority and responsibility to approve a baseline district budget for Ferry Services in 2027, of which will be

used by the Assessor's office as the metric to set the taxing levy rate, effective in 2027. A district budget that equates to ten cents or less per \$1,000 of property valuation is approved by the Board of Supervisors. Budgets exceeding that threshold are required to be approved by the tax payers.

The district budget is a necessary funding mechanism to ensure the new capital project can be constructed, as it will help secure more competitive interest rates when borrowing because it shows an ability to repay a loan. which is key to completing the financial plan and demonstrating funding for the project match, which is required by MARAD in the \$25M grant agreement.

Please Laura Frolich at 360-778-6205 or lfrolich@co.whatcom.wa.us if you have any questions or concerns regarding this agenda item.