



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

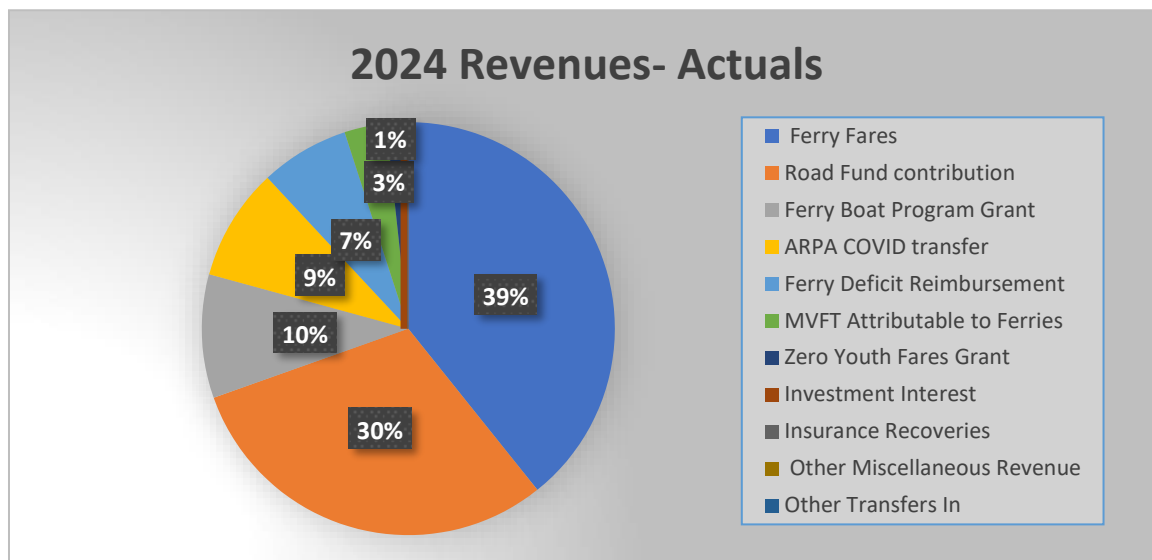
Adhering to Whatcom County Code (WCC): Title 10: Vehicles and Traffic, Chapter 10.34 Ferry Rates, section, 10.34.030 Use of ferry user fee revenues, the Public Works Department is required to present the County Council an annual fiscal review of the ferry system services, showing actual revenues and 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

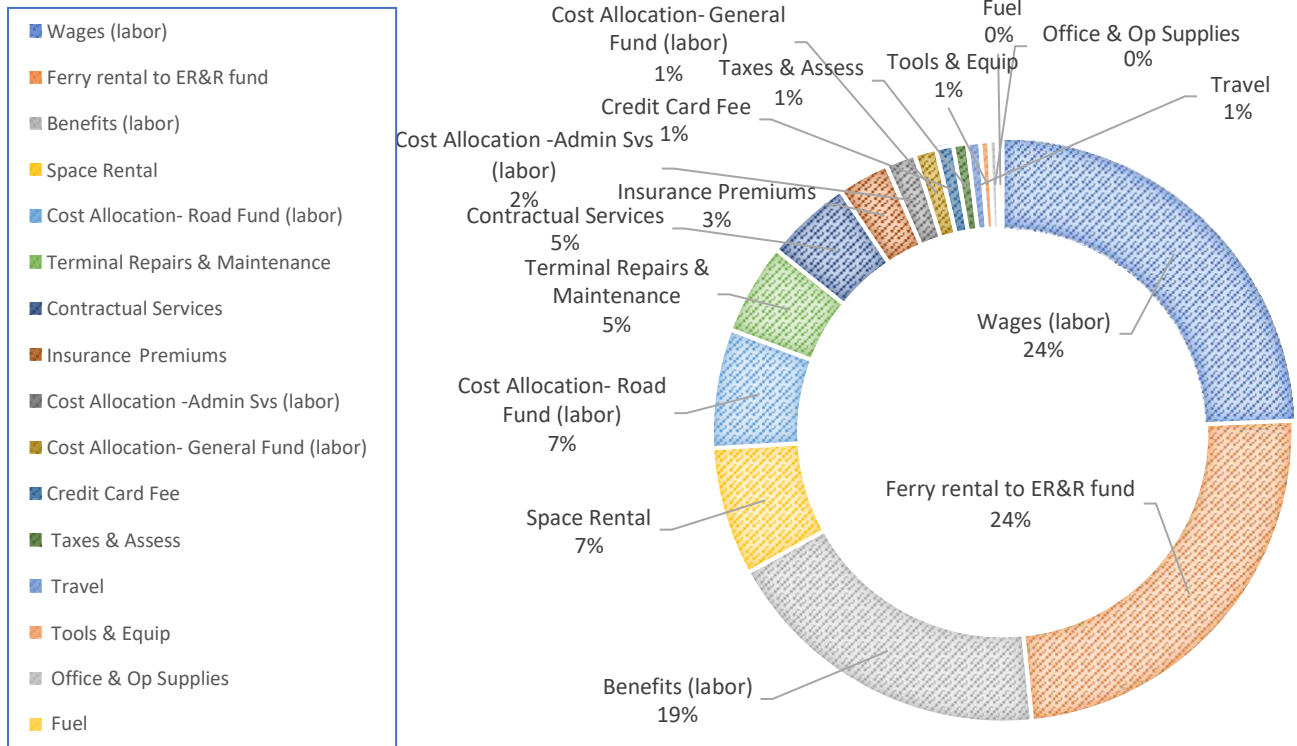
	Revenues	Approved Budget	Actuals	Variance
1	Ferry User Fees	1,640,000	1,596,702	-43,298
2	Road Fund Contribution	1,808,061	1,233,032	-575,029
3	Ferry Boat Program Grant	0	394,002	394,002
4	ARPA COVID transfer	358,000	358,000	0
5	Ferry Deficit Reimbursement	320,000	282,883	-37,117
6	Motor Vehicle Fuel 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

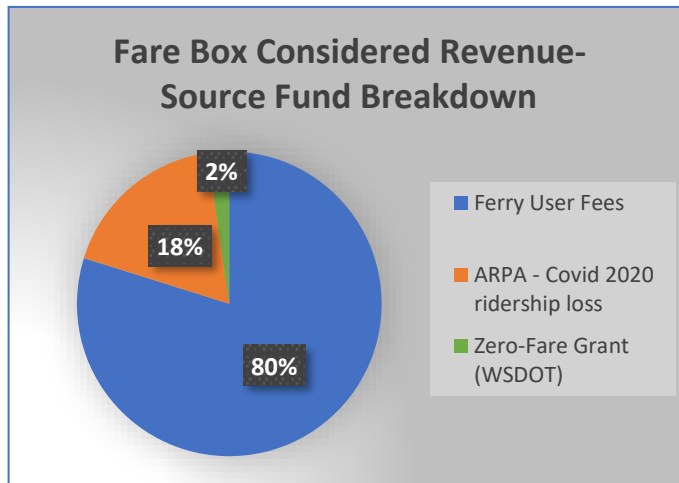
Ferry Final Year End Split-2024	
Total Operating Costs	(4,058,379)
MV Fuel Tax attributed to Ferry	133,392
Ferry Deficit Reimbursement	282,883
Interest Income	21,271
Other Misc	3,358
Employee Trips	9,720
Adjusted Total Operating Costs(ATOE)	(3,607,755)
Fare Box Recovery Rate (55%)	55%
Fare box Recovery 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.

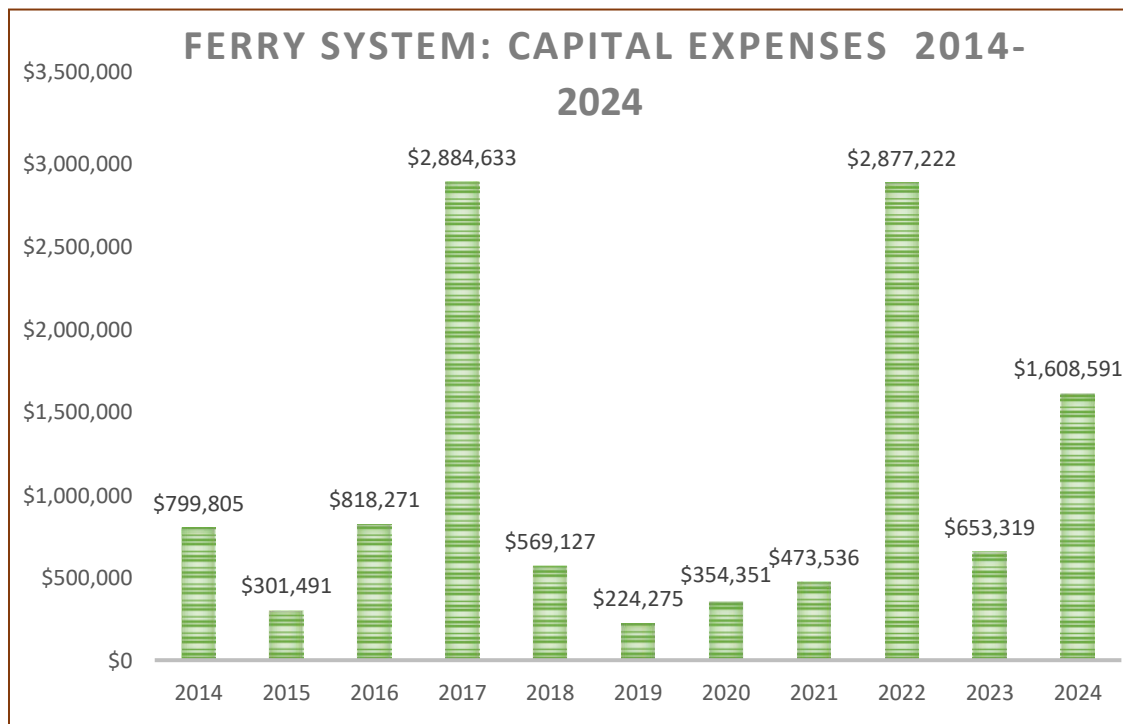
2034 Ferry Fund Reserve Target*	
2034 Estimated Total Annual Operations costs	5,500,000
Projected ATOE (Past 3 years averaged)	3,600,000
50% of adjusted total operating (ATOE)- Goal	1,800,000
55% cost share (User fees)	990,000
Per year for 9 years	110,000
45% costs share (County funds)	810,000
Per year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