

MEMORANDUM

TO: Satpal Sidhu, Whatcom County Executive

FROM: Whatcom County Ferry Advisory Committee

DATE: May 30, 2025

RE: Whatcom County Ferry: Fare box recovery goal

This memo provides recommendations on improving revenue to the ferry system adopted by the Whatcom County Ferry Advisory Committee at our meeting on May 28, 2025. Background information is added to aid consideration and discussion. These are preliminary and do not include specific ferry fare recommendations since too many questions remain about the status of the Ferry Fund. Without accurate information on 2024 expenses and revenue, current projections of 2025 expenses, and the cumulative fare box reserve balances and material changes in that balance since 2022, it is impossible to know whether and how much additional revenue is needed. We request that this information be made available to us with time to work with the community and refine our recommendations before final decisions are made. Additionally outstanding litigation issues may directly impact overall financials

Following are the recommendations from WCFAC to the County Executive and County Council from the 5/28/25 meeting to address Fare Box Revenue as requested by County Council motion (see appendix for background information)

On 5/28/25 Whatcom County Ferry Advisory Committee moved and unanimously passed a motion to recommend to County Executive and County Council the following:

1. **Change the name of the discounted Multi-ride punch card to Commuter Card. Time limit these punch cards so that if you are not riding the ferry 2-3 times a week, it is not economical. Use these for both pedestrian/passenger and vehicle/driver cards.**
2. **Limit increases to fares on Needs Based multi-trip tickets to no more than 20% per change.**
3. **Institute Peak Season Prices mid-May – mid-September.**
4. **A transportation system ferry assessment for all developable island properties.**

An important additional issue to consider for long-term system stability and modifying the pressure on Fares and the Road Fund is to create a **county-wide Ferry System assessment** on all properties instead of just those in the unincorporated areas.

Background: Fare Box Recovery Goal

WCC 10.34.030 *Use of ferry user fee revenues*, requires that 55% of the “adjusted total operating expenses” (ATOE) for the ferry system are paid by “fare box considered revenues.” This goal was more than met in most of the years since 2011 (the last change in fare rates, not including the addition of the \$1/trip capital charge). In recent years costs have risen rapidly while fare revenue has been constant excepting in 2020. The need for immediate changes could be eliminated through resolving the current accounting and legal questions regarding the cumulative fare box reserve balance. However, the Ferry Committee agrees that in order for annual revenue to match 55% of annual expenses it will be necessary to find additional revenue or reduce expenses. Making changes gradually is the best way to both preserve current ridership levels and to support keeping the community of long time county residents.

Missing complete information, we still are encouraged by the recent report by Public Works on the first quarter of 2025. An annual projection based on the first quarter revenue of \$381,529 and past patterns of first quarter revenue being only 20% of annual revenue, suggests that 2025 fare revenue at current fare rates might be over \$1.8 million. Public Works projected last fall that 2025 total operating expenses would be \$4,084,008; estimating ATOE results in a fare box recovery goal of about \$2,000,000. The gap between the goal and fare box considered revenue would be about \$200,000, or a gap of only 10%. This is encouraging news from the first quarter, but additional information is needed before decisions are made.

Service Reductions

WCFAC does not at this time recommend service reductions in order to allow working households to hold jobs on the mainland. If service reductions are being considered, we ask that we be allowed time to discuss work schedules of community members that might be impacted and advise the County on what would have the least impact on commuters.

Future Services

Implementing an electronic ticketing system would allow the recommendations regarding Commuter Cards and Peak Surcharges to be more easily implemented. If a system that has worked well elsewhere is available, special funding to be repaid would bring some immediate returns in flexibility for increasing fare revenue and increasing customer satisfaction.

Other Revenue Recommendations

Although WCFAC did not take formal action on these questions, they have been discussed:

- Request Public Works identify possible cost saving in the ferry system. Discussion included costs around Passenger Van during dry dock with a 24,000\$ cost to ready the van plus staffing cost, time limiting multi ride cards could decrease back costs, prior estimates were 40,000\$ plus for these processes.
- Resolving the past miscalculation by CRAB in the state funding for the ferry system would lead to lower costs for both the Road Fund and for ferry users.
- Understanding and making a policy decision about the Road Fund withdrawing money deposited into the Ferry Fund as a reserve in 2006 could fulfill the Council's adopted

requirement for a reserve or at least would inform the Council that it was this action by Public Works that led to the sudden ferry fund financial issue last year.

- Given the unknown impacts of current legal actions, it is advantageous to both ferry users and county officials to focus on and work together finding a path forward that leads to long term financial viability of the ferry system and the Road Fund. Please allow us to be helpful to you.

Appendix: Background Information supporting WCFAC Policy Recommendations

1. Change the name of the discounted Multi-ride punch card to Commuter Card. Time limit these punch cards so that if you are not riding the ferry 2-3 times a week, it is not economical. Use these for both pedestrian/passenger and vehicle/driver cards.

- In 2023 over 60% of all trips were paid using punch cards at a discounted rate. The Ferry Committee believes that it is important to the community to keep fares as low as possible for households of commuting age and with children in school and for those who need frequent medical service. Year-round commuters are the financial base for any public transportation system. In order to make these Commuter Card fares as low as possible, time limits on their use would shift more trips to the higher priced single trip fares.
- The Washington State Ferry System issues “commuter cards” that are good for 90 days and have 10 or 20 trip denominations for the islands with large commuting populations (Vashon and Bainbridge ferries). Their website states that during the nonpeak fare season, savings are 20%-25%; during peak fare season savings are 35% - 45% if all trips are used. Pierce County issues “Value” passes good for 5 trips and 40 days.
- Absent an electronic ticketing system, each period (such as quarterly) punch cards could be implemented by an assigned specific color, differentiated each year by a large year date printed over the face. Quarterly 25 trip punch cards equal about 2 trips/week.
- WCC Chapter 10.34.020(M) allows for multi-ride cards to be used or credited towards new cards for 30 days after rate changes. There is no requirement for time limited cards to be exchanged/credited unless a rate change should occur during their term. There is nothing prohibiting time limits in WCC Chapter 10.34.
- WCC Chapter 10.34.020(M) prohibits multi-ride cards from having a greater than 20% discount, so there is no ability to favor commuters when raising single trip prices; only in so far as the increased use of single-trip tickets improved revenue so as to lessen fare increases for everyone.

2. Limit increases to fares on Needs Based multi-trip tickets to no more than 20% per change.

- These are the class of fare payers who are least able to adjust for large budget swings.
- Needs-Based punch cards comprised about 5% of all tickets in 2023 (using information provided in Randy Rydel’s 2023 ticket pricing spreadsheet); and provide even less than that amount of fare revenue given the large discount. Although limiting increases in

Needs-Based fares could make the discount grow larger, it would have little impact on fare revenue.

- WCC Chapter 10.34.020(M) does not limit the amount of the discount allowed to Needs-Based tickets.

3. Institute Peak Season Prices mid-May – mid-September.

- All other ferry systems in the state, both other counties using unincorporated Road Fund support and the Washington State Ferry System rely on this income boost.
- The 16 weeks between mid-May and mid-September are 30% of weeks, but include about 50% of single-trip tickets and 33% of the multi-trip tickets.
- For the commuter type ferry routes, the Washington State Ferry System adds 25% to the non-peak vehicle fares, but does not increase the passenger/pedestrian fares to encourage lower vehicle demand in the peak period. Pierce County also does not charge extra for pedestrians, while Skagit County increases fares for both pedestrians and vehicles. Pierce County has the highest increase, similar to the 35% WA state peak charges for the more remote islands.
- About 50% of all the taxable value of island properties has a title holder with an address outside of Whatcom County. The last census indicated that only 48% of the houses on the island are occupied by full-time residents. For those seasonal and VRBO homes, and for the many owners who claim residence outside of Whatcom County, the cost of each ferry passage is comparably a minor expense.
- Using 2022 data and current prices, an increase of 35% on all single trip tickets would add about \$128,000; if more trips were shifted from punch cards, this would be larger.
- The WCC Chapter 10.34.020(M) requirement that multi-trip tickets have no greater discount than 20% would mean either a lower than 20% discount in the non-peak period, or a rate increase for Commuter cards. To prevent a rate increase for Commuter cards along with the complications of exchanges, one potential solution would be to add a surcharge as was done in 2000 and in 2011 instead of changing the fare rate. This difference was recognized in the CRAB contracts and in the RCWs where surcharges are exceptions. A summer surcharge of \$3 on all single ticket purchases (the amount imposed in 2011) would add about \$168,000 in revenue using 2022 ridership data, so would bring in more revenue and fewer complications.

Two recommendations that address long-term system stability and modifying the pressure on Fares and the Road Fund.

4. A transportation system ferry assessment for all developable island properties.

- a. The ferry is similar to the electric utility in that all developable properties need access to it however much or little it is used. Every parcel only keeps its value if there is an operating ferry system with convenient schedule. It is a necessary utility.
- b. A very rough estimate using the taxable value of properties in Fire District 11 indicates that the levy rate allowed for the County Council to impose on a Ferry District would bring in about \$400,000 per year at a cost of about \$30/month on property with a taxable value of \$500,000.

- i. This would be equivalent to a fare increase of \$3/round trip, excluding needs-based; so would have a larger total monthly ferry cost for those full-time residents who use the ferry less than 10 times per month.
- ii. However, It spreads the ferry costs to seasonal and VRBO property owners; for a property owner who only uses the ferry twenty times a year, it is equivalent to an \$18 per trip surcharge.
- c. A tax just on island properties should go towards meeting the 55%, and WCC Chapter 10.34.005(C) allows the County Council to designate by resolution the inclusion of other funds along with ferry user fees in meeting the fare box recovery goal.

Ferry System assessment for all taxable county properties instead of just those in the unincorporated area.

- a. As more areas incorporate, the Road Fund will have less and less revenue; making supporting the ferry a larger part of its expenses.
- b. A very rough estimate indicates that a county-wide Ferry District tax at about 10% of the allowed levy rate would result in a charge of about \$3 per month on a \$500,000 home; and would result in about \$4.5 million in revenue to relieve the Road Fund of all ferry operating costs, probably cover most capital costs, and allow the County the flexibility to experiment on the sweet spot for balancing fare revenue and a community of full time county residents on the island.