

Whatcom County Public Works Discussion Regarding Fare Box Recovery Calculations and WCC 10.34

Updated 3/7/2023

This Report Prepared by
Whatcom County Public Works



Discussion Agenda

Discussion of WCC 10.34.030 Use of ferry user fee revenue as it relates to Fare Box .

- Why are we here?
- What we found reviewing 10.34.
- Revenue/Contribution Map
- Adjusted Operating Cost Calculation
- Financial Summary
- Graphing the Fare Box Reserve Balance using WCC 10.34.030 calculation
- ARPA Funding Request Summary
- Graphing results of Public Works proposed changes
- Detail for questions
- Next Steps

Why are we here?

In 2006 Whatcom county established its Ferry fund. One purpose of establishing this fund was to aid in setting fare recovery goals. Having one place to account for the non-capital Ferry related revenues and expenditures meant that it would be easier to track the program goal of recovering 55% of expenses through fares.

As the years passed, annual deficits and surpluses were calculated and tracked to ensure that rates were appropriately set. Significant deficits, like were seen in 2010, triggered fare review and subsequent increases. The next significant deficit was observed when reconciling 2020 year end, 1 year into COVID. Calculated after the 2020 year end, mid 2021 would have been the first opportunity to raise rates in response to the deficit. But, in the height of COVID response, it was agreed that another years worth of data would be helpful in understanding any ridership rebound.

In October 2022, we updated ridership models using updated COVID recovery ridership numbers. The models, the revenue forecast, and a look at expenses indicated a significant fare box deficit to overcome.

Public Works has been focused first and foremost on correcting the current gap between the 2023 projected fare revenues and the 2023 Fare Box goal. The gap between budgeted expenditures and projected fare revenue indicated a 38% increase in fares was necessary. This increase would not cover the past deficit. In order to not overcorrect, we would reevaluate the previous deficit once the current year was stabilized. Public Works worked with LIFAC to apply this increase across tickets and developed a proposed a rate increase schedule that was published in December.

At our last council discussion related to fare increases a hold was placed on the proposed rate increases in hopes that other revenue sources could provide relief to the ferry ridership base.

What we found reviewing 10.34

WCC 10.34.030 establishes the formula used to calculate the Fare Box Reserve amount.

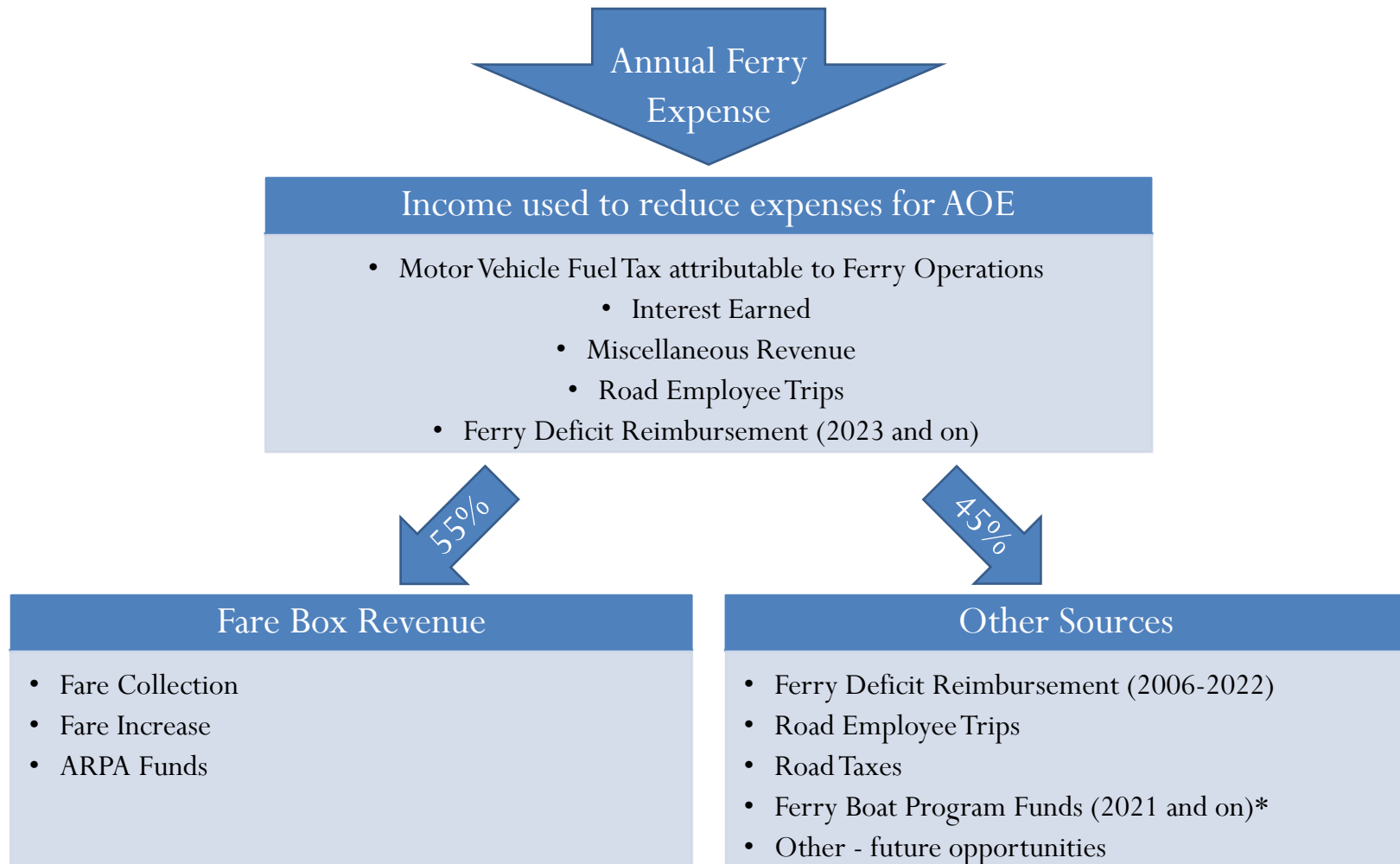
As Public Works and LIFAC considered opening up Whatcom County Code 10.34 to clarifying language updates it soon became clear that a deep dive analysis was needed to ensure the accuracy of the present and past calculations used. This analysis included a reconciliation of income, expenses, and contributions to the fund by source. In performing this calculation we found that two revenue sources had been swapped:

- The code states that Motor Vehicle Fuel Tax attributable to the Ferry (MVFT) will be used in the calculation.
- The code is silent on the handling of Ferry Deficit Reimbursement funds

In calculations all the way back to 2007, MVFT was left out of the Adjusted Operating Expenses equation and Ferry Deficit Reimbursement funds were substituted in.

In addition to the mix up of these two numbers in the calculation, it also became clear that the Road Fund has been over contributing to the fund over the years, leading to the build up of a fund balance in a fund that is intended to be reimbursement based.

Revenue/Contribution Map



* Ferry Boat Program Funds, when not used for ferry related capital projects, became available for operations as of 2021. Must comply with federal funding requirements.

Adjusted Operating Cost Calculation

		2006-2022 Ferry Fund	
Ferry Expense from Operations			\$46,091,015
MVFT Credit (2007 and on)			(\$2,673,223)
Interest Earned Credit			(\$359,560)
Employee Trips Credit			(\$138,070)
Misc. Revenue			(\$5,037)
Unrealized Gain/Loss			\$76,136
<hr/>			
Adjusted Operating Expense to Split (AOE)			\$42,991,261
		Farebox	Other Funding
Ratio		55%	45%
Expenses to Cover (AOE*Ratio)		\$23,645,194	\$19,346,067
Funding Sources			
User Fees		(\$22,583,977)	
2006 Establish Fund			(\$1,587,137)
2006 Interest Income			(\$68,747)
2006 Misc Revenue			(\$44)
Ferry Deficit Reimbursement (2006-Present)			(\$3,804,472)
Road Transfers In			(\$19,882,341)
Road Employee Trips			\$138,070
MVFT Credit			\$2,673,223
Depreciation Charged to Ferry Fund			\$24,305
Funding Source Deficit (Credit)		\$1,061,217	(\$3,161,076)
Calculated Fund Total			<u>(\$2,099,859)</u>
<hr/>			
Current Fund Balance			<u>(\$2,099,858)</u>
			\$1

Adjusted Operating Cost Calculation

Income Statement	Corrected 2006-2022	Prior Calc 2006-2022	Note
Total Operating Cost	\$46,091,015	\$46,091,015	
Motor Vehicle Fuel Tax (2007-2022)	(\$2,673,223)		Included in 10.34, but Ferry Deficit was mistakenly used instead.
Less Ferry Deficit Reimbursement (2007-2022)		(\$3,804,472)	Not included in 10.34 AOC Calculation
Less Interest and Other Income	(\$288,460)	(\$288,460)	
Less County Vehicle Trip Credit	<u>(\$138,070)</u>	<u>(\$138,070)</u>	
Adjusted Total Operating Cost (ATOC)	\$42,991,262	\$41,860,013	
55% of Adjusted Total Operating Cost yields a Council defined Fare Goal of:	<u>\$23,645,194</u>	<u>\$23,023,007</u>	
Actual and Budgeted Fare Collection	\$22,583,977	\$22,583,977	Change in Fare Box due to corrected calculation
Fare Box Deficit as of 2022 Year End	\$1,061,217	\$439,030	\$625,187

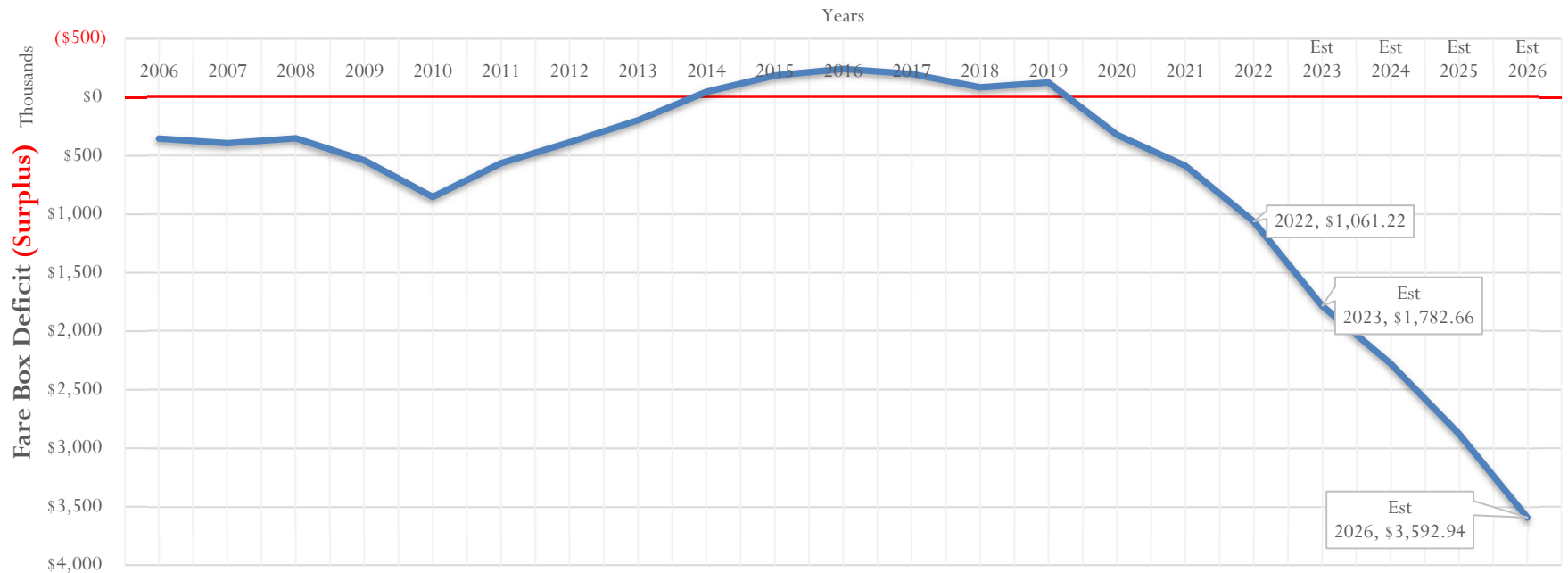
Financial Summary

Pre ARPA Contribution

Income Statement	2021	Projected 2022
Fares	\$1,526,180	\$1,536,199
Ferry Deficit Reimbursement	\$479,940	\$395,194
Interest and Other Income	\$ (4,438)	\$(49,211)
Road Fund Contribution	<u>\$1,574,114</u>	<u>\$1,572,623</u>
Total Revenue	\$3,575,796	\$3,454,805
Less Operating Expenditures	<u>(\$3,499,396)</u>	<u>(\$3,846,641)</u>
Net Income (Loss)	<u>\$76,400</u>	<u>(\$391,836)</u>
Ending Fund Balance	\$2,491,695	\$2,099,859

Fare Box Reserve Scenario Graph

Cumulative Difference Fare Box Deficit (Surplus)



— Recalculated Fare Box Reserve per existing WCC 10.34

Fare Box Reserve ARPA

ARPA Funding Request

Lost Revenue

- \$431,000 – Ridership revenue decline attributed to COVID

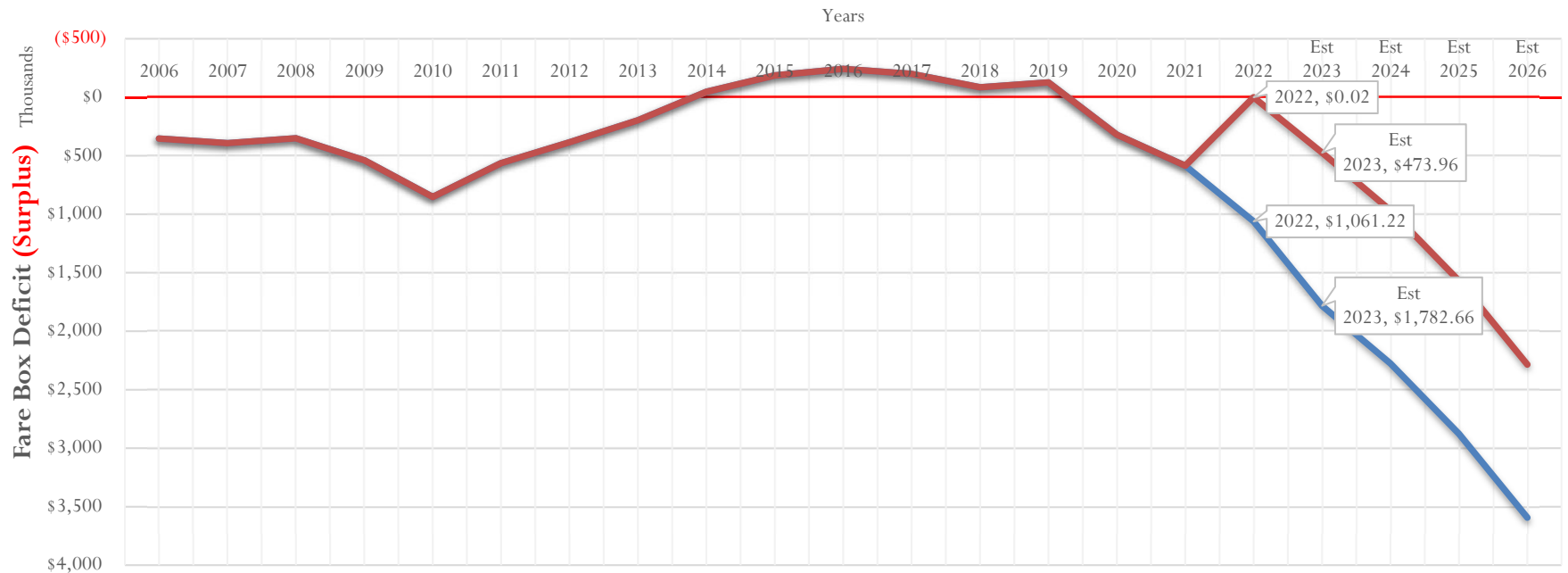
Expense Recovery

- \$222,000 – 2022 Emergency Dolphin Repair – Fare Box portion
- \$247,500 – 2023 Emergency Dolphin Repair – Fare Box portion
- \$408,200 – 2022 and prior Fare Box deficit

Total eligible for ARPA funding \$1,308,700

Fare Box Reserve Scenario Graph

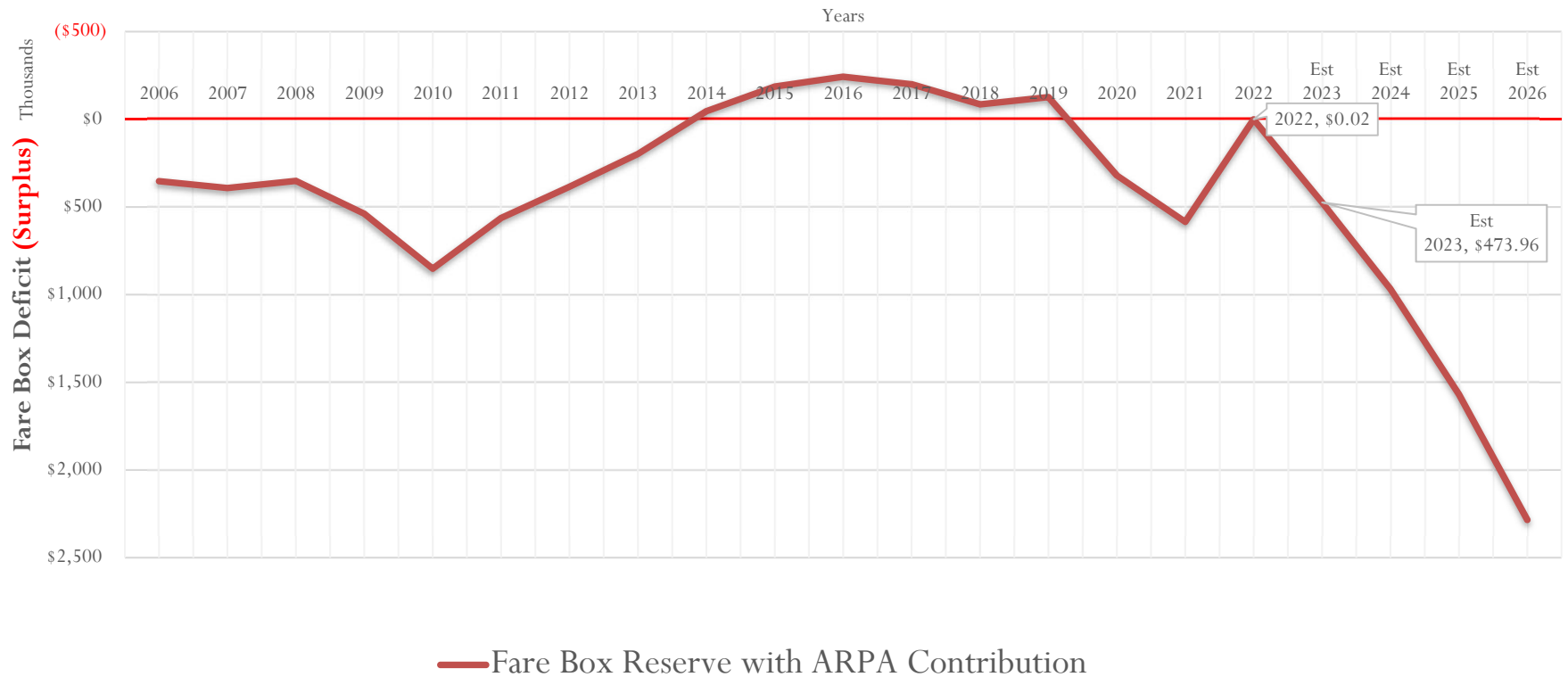
Cumulative Difference Fare Box Deficit (Surplus)



— Recalculated Fare Box Reserve per existing WCC 10.34 — Farebox Reserve with ARPA Contribution

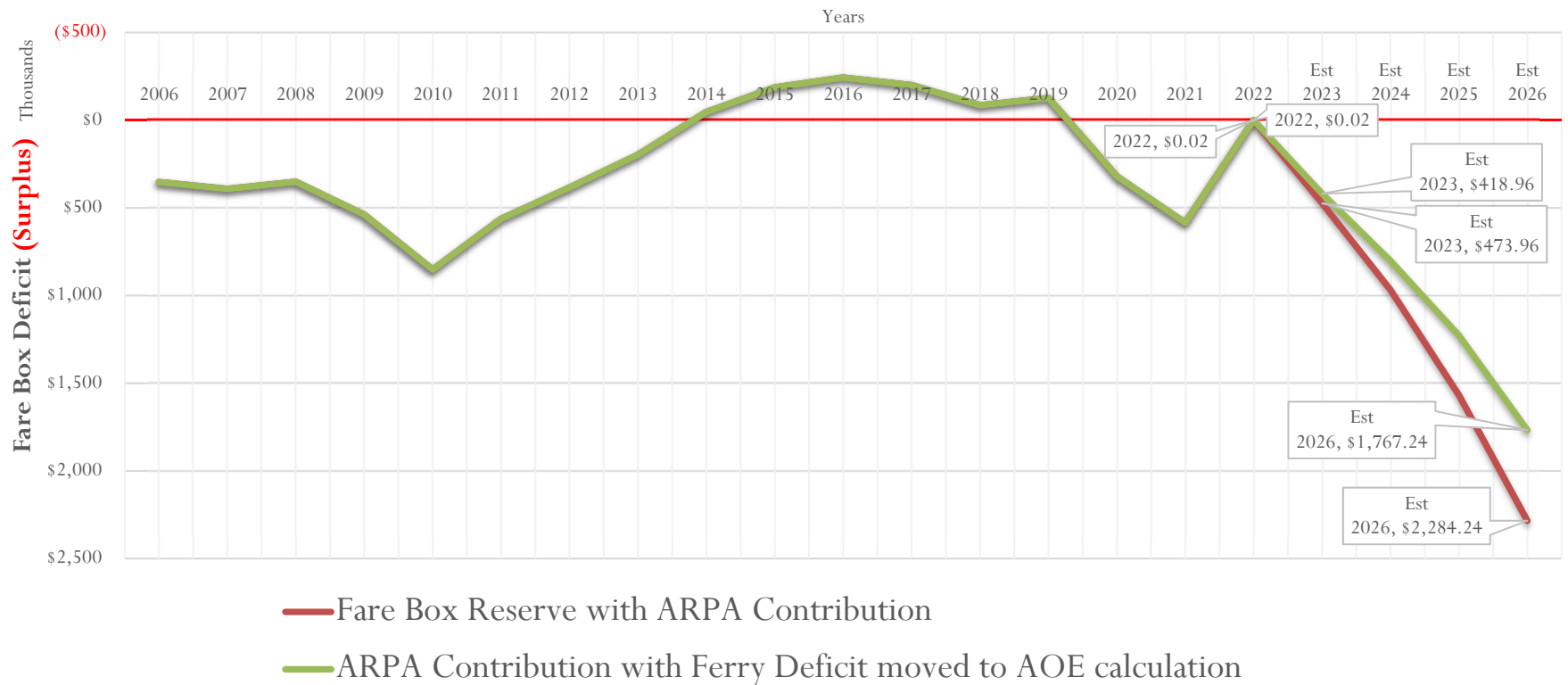
Fare Box Reserve Scenario Graph

Cumulative Difference Fare Box Deficit (Surplus)



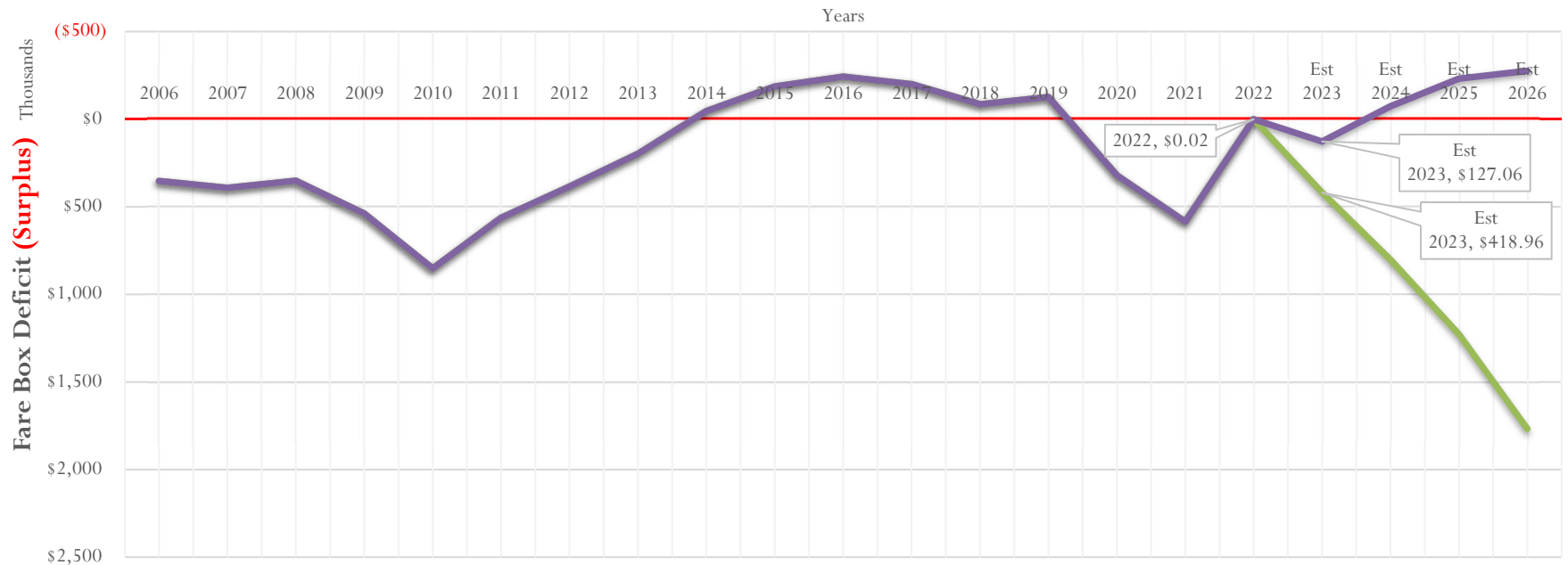
Fare Box Reserve Scenario Graph

Cumulative Difference Fare Box Deficit (Surplus)



Fare Box Reserve Scenario Graph

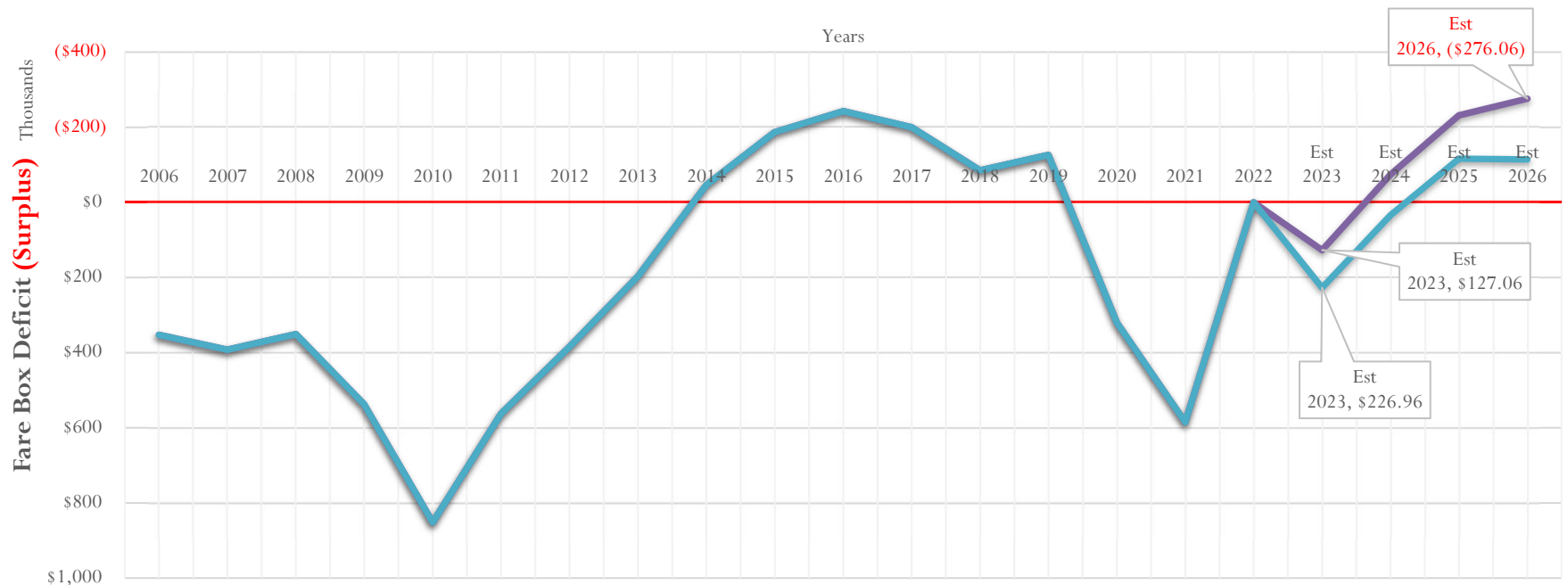
Cumulative Difference Fare box Deficit (Surplus)



- ARPA Contribution with Ferry Deficit moved to AOE calculation
- Fare Box with previously proposed 38% increase

Fare Box Reserve Scenario Graph

Cumulative Difference Fare Box Deficit (Surplus)



- Fare Box with previously proposed 38% increase
- With increase adjusted to 25% in 2023 and an added 10% in 2024.

Detail level backing calculations

Operating Expenditures - Are the cost of Ferry Operations

AOE - Adjusted Operating Expenses - Cost of Ferry Operations minus defined shared revenues. This represents what remains to be split and covered by Fares and other sources

AOE Fare Box Share - WCC 10.34.030 defined at 55% of Adjusted Operating Expenses

AOE Remaining Share - The remaining 45% of Adjusted Operating Expenses that need to be contributed to the ferry fund to fully reimburse the annual expenditures

	Calculation	2021	2022	Est 2023	Est 2024	Est 2025	Est 2026	Summary Thru 2022	Summary Thru 2026
					Expense Inflator	5%	5%		
Ferry Operating Expenditures	AOE	\$3,499,396	\$3,846,641	\$4,361,803	\$3,946,609	\$4,143,939	\$4,351,136	\$46,091,015	\$62,894,503
Motor Vehicle Fuel Tax Credit (2007 and on)	AOE	(\$241,522)	(\$231,141)	(\$235,000)	(\$235,000)	(\$235,000)	(\$235,000)	(\$2,673,223)	(\$3,613,223)
Interest Earned Credit (net of unrealized)	AOE	\$4,466	\$49,347	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)	(\$283,424)	(\$347,424)
Employee Trips Credit	AOE	(\$6,460)	(\$5,940)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$138,070)	(\$162,070)
Misc. Revenue	AOE	(\$28)	(\$136)	\$0	\$0	\$0	\$0	(\$5,036)	(\$5,036)
Ferry Deficit Reimbursement	AOE			(\$100,000)	(\$200,000)	(\$320,000)	(\$320,000)	\$0	(\$940,000)
	AOE							\$0	\$0
Adjusted Operating Expense (AOE)	AOE	\$3,255,852	\$3,658,771	\$4,004,803	\$3,489,609	\$3,566,939	\$3,774,136	\$42,991,261	\$57,826,749
Funding Sources									
Ratio	Fare Box	55%	55%	55%	55%	55%	55%	55%	55%
AOE for Fare Box	Fare Box	\$1,790,719	\$2,012,324	\$2,202,642	\$1,919,285	\$1,961,817	\$2,075,775	\$23,645,194	\$31,804,712
User Fees (Fares)	Fare Box	(\$1,526,180)	(\$1,536,199)	(\$1,536,199)	(\$1,536,199)	(\$1,536,199)	(\$1,536,199)	(\$22,583,977)	(\$28,728,773)
ARPA - Lost Revenue Consideration	Fare Box		(\$431,000)					(\$431,000)	(\$431,000)
Additional ARPA Consideration	Fare Box		(\$630,200)	(\$247,500)				(\$630,200)	(\$877,700)
Increase in Fare Box Collections over 2022	Fare Box			(\$192,000)	(\$576,100)	(\$576,100)	(\$537,700)	\$0	(\$1,881,900)
Annual Fare Box Decrease (Increase)	Fare Box	\$264,538	(\$585,075)	\$226,943	(\$193,014)	(\$150,482)	\$1,876		
Cumulative Fare Box Reserve Deficit (Surplus)	Fare Box	\$585,091	\$17	\$226,959	\$33,945	(\$116,537)	(\$114,661)	\$17	(\$114,661)
Fare Increase as % of 2022 collection	25%			25%	25%	25%	25%		
Next Fare Increase	10%				10%	10%	10%		
Remaining Expense Coverage	Other Funding	45%	45%	45%	45%	45%	45%	45%	45%
Remaining AOE Share	Other Funding	\$1,465,133	\$1,646,447	\$1,802,161	\$1,570,324	\$1,605,123	\$1,698,361	\$19,346,068	\$26,022,037
Annual Difference (Increase)	Other Funding	(\$373,649)	(\$84,289)	\$643,161	\$411,324	\$446,123	\$539,361		
Cumulative Difference (Credit)	Other Funding	(\$3,076,786)	(\$3,161,075)	(\$2,517,914)	(\$2,106,590)	(\$1,660,467)	(\$1,121,106)	(\$3,161,075)	(\$1,121,106)
Annual Other Funding Decrease (Increase)	Fare Box	\$585,091	\$17	\$226,959	\$33,945	(\$116,537)	(\$114,661)	\$17	(\$114,661)
Cumulative Other Funding Deficit (Surplus)	Other	(\$3,076,786)	(\$3,161,075)	(\$2,517,914)	(\$2,106,590)	(\$1,660,467)	(\$1,121,106)	(\$3,161,075)	(\$1,121,106)
End Of Year Fund Balance (Surplus)	Combined	(\$2,491,695)	(\$3,161,058)	(\$2,290,955)	(\$2,072,645)	(\$1,777,004)	(\$1,235,767)	(\$3,161,058)	(\$1,235,767)

Proposed Whatcom County Code Changes:

Adding ARPA funding as a contribution to AOE Fare Box Share

Ferry Deficit Reimbursement is not included in the current WCC 10.34.030 Calculation of Adjusted Operating Expenses. We propose adding it to future calculations.

Next Steps

Next 2 Weeks Public Works and LIFAC

- Update language codifying this understanding of the funding calculation
- Rerun Fare Model with 25% instead of 38% increase
- Work with LIFAC to find an acceptable spread of this increase across fares

March 21st Council Meeting

- Executive presentation on ARPA funding and use

April 11th Council Meeting

- Introduce WCC 10.34 updates
- Introduce Updated Fare Structure

April 25th Council Meeting

- Public hearing and adoption of fare increase
- Public hearing and adoption of WCC 10.34 changes

June 1st Ferry Program

- Recommended date for implementation of new fares