

# LUMMI ISLAND FERRY ADVISORY COMMITTEE (LIFAC) MINUTES

## 3/8/23

**Location:** The Grange, Lummi Island

**Meeting called to order by Chair, Judy Olsen at 6:02pm**

### **ROLL CALL:**

Judy Olsen (Chair), Mary Marshall (Vice Chair & Secretary) , Cris Coburn, Jim Dickinson, Mike McKenzie, Rich Frye

Excused Absent: Todd Lagestee

### **Others:**

Rich Hudson, Kathy Kershner (County Council) Randy Rydel (Financial Services Manager, Public Works)

Peter Earle, Patrick Vincent, Ann Madaj, Kristine Afridi, Robin Cohen, Pam Gould, Jim Ross, Mary Ross, Eileen Martin, Steven Thomas, Rhayma Blake, Debbie Barnes-Josiah

### **Comments from Kathy Kershner:**

Wanted to address LIFAC committee and the Lummi Island community because of comments she made in response to another county council member in 3/7/23 meeting that she realizes were inappropriate and wrong. Came early to tour the island and heard about the history and learn more. She realized that she was wrong in her assumptions and would like to sincerely apologize. Wanted everyone to know she would continue to work for the people of Lummi Island, to try and make the fare increase as painless as possible. She advocated for ARPA funds and it looks those will go thru in the \$1Million range. Just really wanted to apologize for comments that were wrong and insensitive. Spoke with council member Todd Donovan and said she would be going out because she needed to “eat a little crow”. She was happy she came and again apologized for what she said the previous day and for being informed.

### **Open Session for Public Comment: (3 minute limit!)**

**Patrick Vincent** – Puzzled about how the fare box increases have come about. Wanted to clarify with Kathy Kershner that we have getting some Covid Relief? Confirmed that that is the ARPA funds. Feels all that money should be put back in the ferry fund. Feels that everything has been very confusing and is suspicious about people’s intentions – is Elizabeth Kosa doing all of this to get the permanent PW Director position? Not sure of her intentions. Feels that Skagit County is taking a more constructive approach than we are. He and partner are senior citizens and would like to see a discount, like is offered on the Skagit Ferry. Also, the issues around Capital vs. Operating costs needs to be much clearer as there still seems to be a lot of question about what is what.

**Ann Madaj** – Do like the Senior rate at Skagit and would like to see it here. Because she and Patrick live together but not married so not qualify for some of the relief. Feel likes a marriage penalty. Also Skagit rewards passenger and bicycles with lower rates which is nice. Unlike Lummi that has lowered fares for bigger trucks. Skagit fares are much lower than ours.

**Mary/Judy noted that Skagit rates are due to go up substantially as well**

**Rhayma Blake** – Thank you to Kathy Kershner for coming out today. Support review of expenses to make sure that all are in the right categories, especially as it relates to a new ferry. Would like to make sure that Needs Based Fares stay as low as possible. Would like to revisit Todd Lagastee suggestion of a two step approach to the fare increases. Thank Kathy for helping to form LIFAC and encourage LIFAC to serve us something that Council can easily adopt. Your job is to be the voice and serve up and easy solution.

**Peter Earle** – Echo appreciation to Kathy for coming out and for apologies. Would like to make sure the council pays very close attention to what a 35% fare increase over two years will do to the island. Contends that it constitutes gentrification by force because of the fare increases. The increase of over \$1000 increase will affect families and should evaluate the human factor – this is a human issue affecting human beings – His first point. #2 Was shocked by Randy Rydel’s presentation yesterday to council – Peter has developed a deep seated suspicion and lack of confidence in the way the staff of PW has been approaching this process. The fare box excess continued to increase to over \$400K until January of 2021 when the effects of the pandemic hit, and then established a policy to decrease ridership, no fares and telling people to stay home – so why should islanders have to pay for PW policies that decreased revenue? Has challenged Mr. Rydel in multiple emails on this question and have just heard “we have to do it as it’s mandated by the ordinance”. Peter believes he didn’t, and yesterday admitted as much.. (Peter had run over time and wanted to make more points)

**Judy Intervened – to ask the committee how to proceed, since we do have Randy Rydel here and he could answer some of these questions. Cris also wanted to interject that we have rules that these meetings need to be civil and respectful, speaking at a reasonable volume and asked Peter to adhere to these guidelines**

**Kristine Afridi** – asked to speak, she had changed her mind and wanted to speak on behalf of families. Been on the island for 19 years and watched all the families move off the island because of gentrification. This fare increase will wipe us out. Whole island changed because of the last time the fares were increased. No one can afford it because it’s now almost a retirement community and council needs to realize our voting percentage is very high.

**Judy** suggested that we do a Q & A with Randy to answer some of these questions

**Peter Earle** asked for more time. “Continuing, the council gave back the \$400+ in ARPA funds yesterday but THEN (and I’m skipping over the fact that the \$800K for two dolphin repairs was dumped into expenses immediately after they declared we needed a fare increase which are capital expenses, not operating) I heard Randy go back to 2006 and say that we were mismanaging the Fuel Tax so we now are at a \$1M deficit? This is very suspicious – I think any reasonable person or council member should demand a full audit – if they have been mismanaging it this badly since then, how can we believe any of this? We need to make sure about all of this before they raise our rates 35% and drive everyone off the island. We were arguing about other things in January and now it appears you were wrong so why should we believe anything? And the explanation was some obscure thing that no one understands. If the Fuel tax was miscalculated, how the hell did we get a surplus? This doesn’t make sense.”

**Judy intervened again to ask Peter to tone it down and again he was over his second 3 minute time.**

**Mary** – A brief history of what’s happened since October,– Identified deficit in October, covid, inflation, fuel costs all contributed. Rate increase proposed by PW in December, LIFAC endorsed an alternative proposal by Diane Harper and submitted to PW. Neither was approved and we went back in January to look at alternatives and in February still could not endorse any of the alternatives so LIFAC asked the council for a pause to find a more reasonable solution, including Covid Relief funds. Kathy Kershner asked if we had received ARPA funds, which we had not and said that she would ask for \$450K in funds and that we would postpone any fare rate decisions until we had an answer to that. Then at 3/7 council Finance Committee meeting we got the bad news that this ancient accounting error from 2006 seems to have put us further in the hole, even though the good news is that we may be getting close to \$1M in ARPA funds.

**Judy** – And just to be clear, this was not known to LIFAC until yesterday during the meeting

**Cris** – Would like to point out that we can all have our questions, suspicions but Randy has been working diligently to make sure things are accurate, at the request of the public and members of this committee to do a thorough review – which is HOW this issue was discovered. None of the current employees of PW were here in 2006 when the original error was embedded in the calculations.

**Debbie** – would like the issue of capital vs. operating expenses

**Randy Rydel**- PDF – attached. Would like to review code 10.34 – (Judy described as the ordinance the lays out how the ferry is paid for and accounted for) Capital expenses come out of road fund, not out of ferry fund. For example, the new breakwater, \$1M came out of road fund. The ferry fund takes care of all operating funds. The code states, that 55% of all operating costs must be paid by fares and the rest comes from the road fund, or county budget (45%) This is how all expenses to keep the ferry running, other than Capital expenses, are divided. Maintenance to the Dolphins, is considered an operating expense because the structure already exists – the new breakwater, was brand new and did not exist in its current form, therefore a capital expense. Operating expense includes fuel, admin, dry dock and maintenance. (someone asked to read the ordinance for definition)

**Judy** – 10.34 says all “Operating cost” means all expenses associated with the actual daily running of the ferry and all regular and routine maintenance and administrative expenses associated with the use and operation of all physical elements for the ferry system. “Capital Costs” means all capital expenditures, including financing and depreciation applied to the replacement, expansion or creation of ferry system elements. “Ferry Box Recovery Rate” means the calculated percentage of total revenue generated through ferry user fees in comparison to total actual operating costs for the same period of time minus any revenue from the motor vehicle fuel tax meant for ferry operations or from interest.

**Rich Hudson** - requested that all questions be held to the end (Peter Earle kept asking questions) as Randy would likely cover if could finish.

**Randy** – Explained slide 5, 6 and 7 (attached) of how all these expenses are calculated. When he was doing his due diligence, he calculated everything from 2006-2022. 2006 was the time when the State CRAB board decided that those counties with ferries should get a little more of the Motor Vehicle Fuel Tax collections than counties that do not. So this was \$2.673M credited to the operating expenses since 2006. Randy explained page 6, and how all expenses exceeded fares by about \$1M. and when all credits and debits are calculated, over the period 2006-2022, the ferry fund was about \$2.1. Essentially, the 45% side of the calculation has contributed an extra \$3.1M. Page 7 shows where the corrected calculation of \$2.6M vs. \$3.8M is added back to the fund, in other words, too large of a credit, which increases the operating cost over that time by a little over \$1M. Had the miscalculation not been found, the fare box deficit would currently be \$439K vs. the recalculated amount of \$1.06M.

Randy admits it was wrong but it was only found because everyone kept asking to go back and look at how the numbers have been calculated and when things didn't tie out to the dollar, this is what he eventually found. There were approx. 6 other people before Randy set this up and tracked it over the years.

**Randy** asked **Peter** if he was listening as he was having a side conversation –

**Peter** said he had to leave for a birthday party and wanted Randy to explain how this was equitable that we now had to pay for Randy's and PW mistakes from 2006 – we shouldn't be taxed for their mistakes and incompetence

**Randy** – I was asked to look into this by Islanders (Peter, Rich Frye) in the hope of finding a mistake in the favor of Islanders, if I had found that, we would have credited it to the other side, so I wonder why it is inequitable for it to be the other way around?

**Peter** – If the department of revenue had found a mistake going back to 2006, they would not have gone back.

**Randy** – Effectively, County council is covering the mistake by giving an additional \$600K in ARPA funds to cover it because originally, they were only going to allocate \$450K (Kathy Kershner validated Randy's statement). So effectively, this is the best time to have found it when the council still has access to some funds that they can use to cover it.

**Robin Cohen** asked if Randy had had his work double checked, he has had it reviewed but not to the detail that Randy has. It would be very costly to have a full audit but he is confident that the reviews that have been done are sufficient – he has looked at every transaction over the time period and has 55,000 rows of data that he has reviewed (mostly on nights and weekends) and that is the data he has been working with.

**Rich F** – I keep recalling the old days when commuting was very easy and inexpensive. Then in 2007 it went up 700% and it completely changed the nature of the island and the cost for families and people who didn't have the \$2-3K extra money to commute anymore and had to move away. It's astonishing to me that the amount that was calculated incorrectly, was not covered by the massive fare increases since then. The people who moved away were replaced by retirees and people who could work from home, this is the cycle that everytime you raise the rates, the revenue goes down because people move away and we end up with the same cycle – there is something wrong with the picture. Don't understand the 2006 MFVT mistake issues but understand that Randy has spent a lot of time on, the real issue bothering Rich is not about the difference between capital and operating expenses but the fact that the law says that fare box pays for regular and routine maintenance – and we have not really had a good explanation of what this is and is not regular and routine – the law is very specific and it has not been addressed. *(See 2/8/23 Meeting minutes addendum from WSDOT Auditor explaining this in response to Rich's request)*

**Steve** – One way to look at it is simply a credit and debit scenario – and to remember that the most expensive thing is an empty ferry – therefore we need to increase ridership to help with this. Back in 1980, the county reduced the rates by half which increased ridership. So watching the numbers and squeezing so that there is no ridership doesn't seem like a good business decision. You're choking your horse. A successful business keeps the ferry full, not empty.

**Judy** – (stopped a couple of tangents into the new ferry) The reality is that we have an ordinance that specifically states what has to be done – that ferry fares must cover 55% of the operating costs of the ferry.

**Randy** – Answered question about what would bring the current fare box deficit even – we asked the council for \$1.3M to bring it to breakeven, the council was only willing to allocate about \$1M but they are still considering. The amount left would be recovered over the next few years with fare increases. If you look at slide 13-15, you'll see the exact effects of the ARPA reimbursements and with and without fare increases. Even if we are back to breakeven, the current fares do not cover expenses, creating deficits over the years to come. You can see what happens with a 38% increase and a 25% increase. The reason for the two step increase, 25% this year, 10% next year is to evaluate what the ridership trend looks like for 2023, we don't know yet what it will be. Guemes ferry hired KPFF for \$112K to assess ridership and they came back and said they didn't know what it would be. I would just like us to flatline this bottom number so it is not continuing to go down, losing more money each year. Ideally I'd like it to trend up, but just stabilizing would be great. The expenses continue to go up, due to the age of the ferry so if ridership goes up, that's good and more of the expense will be covered. Bottom line, the ridership numbers might be optimistic, they might go the other way, hence the two step increase, if needed.

**Question** – Has LIFAC or the County considered a taxing district for people who own homes but don't live here?

**Jim** – Said it had been looked into and would only add about \$180K, it would be better to have a county tax vs. a city tax, because Bellingham benefits but no one else does. Bottom line is we need to do something different – such as a ferry boat we can hire during dry dock and save a lot of money (**Rich H** has already said no to this as it is not coast guard approved and doesn't meet the standards we need).

**Rich H** – When fares raised in 2007 and ridership dropped off a bit, what happened?

**Randy** – the farebox recovered and grew over 3 years. Question about the Willows being closed affecting ridership and Randy responded that those are single ride tickets which is not the bulk of the revenue. He believes the 25% increase this year will give us breathing room to evaluate what ridership is doing. We need to figure out over the next two weeks, what the distribution of the rates will be and try to be equitable. But if we bump the single ride up too much, eventually, people stop using it, which will indeed have a negative effect for everyone.

**Eileen** – If the single rides raise too much, my children won't visit.

**Judy** – We have addressed that and it won't be that high and we have supported a peak season increase.

**Randy** – The Guemes study did say that Peak Season pricing is worth it and would have a positive effect.

**Judy** – Echoing a concern of Todd Donovan, we should be careful not to alienate Whatcom county residents who pay taxes.

**Eileen** – The new 10% on punchcards is not enough, it should be more.

**Judy** – That has not been finalized and other systems have a 3:1 ratio and we are looking at that.

**Mary** – Just to let everyone know, next steps are another council committee meeting in two weeks where they will be looking for recommendations from LIFAC and PW. We will be working with PW next week to flush out some proposals for how the fares might be distributed. Right now, the proposal is 25% this year and 10% in 2024 – the previous proposal was a 38% increase (on the Ferry Website) but that has not been adopted and is off the table. We are making progress and hope to make more. We are hoping to keep Needs based the same and make things as equitable as possible. As you have all experienced since 2011, all prices have gone up, and expenses for the ferry are no different. Possible final vote will be in April (Kathy Kershner said she wasn't positive yet, but somewhere in there). Kathy said waiting for LIFAC and PW recommendations for fare structure and will go from there.

**Randy** – Offered to stay after the meeting if people have questions.

### **Minutes Consent:**

**Motion to approve February 2023 Meeting Minutes – Approved with additional comments from Rich Frye (unanimous consent)**

### **Committee Activity:**

#### **Reports, Presentations and Discussion:**

##### **1. Rich H – Operations report**

- a. Vendors coming out tomorrow for bids for drydock. Will likely be very expensive, close to \$1M even though there are no big repairs, simply because costs have gone up exponentially with all of these vendors. 4 in total.
- b. FYI – The increase is emergent, because it's needed. We really want to work with LIFAC to do this. Skagit Ferry is looking to increase their fares by 75% and there breakdown is 65/35 split of revenue and costs. And they may cap road fund to \$750K (Whatcom contributes about \$1.3M to our ferry). Guemes is facing similar issues, so this is not just Lummi Island.

**Mary** – I would like to clarify some misinformation on Next Door regarding the facts of current punchcards. Currently, once a fare increase goes into effect, you will have 6 months to use your old punchcard. However, we have asked for a change to the code that would allow you to trade in an old punch card for it's value towards a new one. What's proposed is a 3 month grace period to use the old card, then you must trade it for the value of the new one. Likely going into effect on June 1<sup>st</sup>, if that ends up being the date a rate increase goes into effect.

**Randy** – Currently, it's when the county votes on it but we're asking for that change to when the fares go into effect.

**Judy** – Elizabeth Kosa, interim Director, will be at a meet and greet on Friday, March 10<sup>th</sup> along with two other candidates for the full time position at the Civic Center, Garden room from 1-3

**Robin** – Not opposed to a fare increase and look at what Guemes is doing right and take some time to do it right.

**Judy** – Agreed and we are trying to take everything into consideration. But when you move one fare, you have to adjust for another one so there is a lot more going on underneath than you know. You can listen to their ferry meetings online, both Guemes and Skagit, very informative. And they review and fares annually for possible increases.

**Cris** – And Guemes has a town right by the Dock, we do not which makes a huge difference.

**Mike** – Grateful for all that attended – so let's deal in facts and the last fare increase was decreased by \$1 – I would like to do a history of the LIFAC and can assure you that there never has been anyone recently who is working against us or any reason for us to be suspicious – it just doesn't work that way. I work in facts, not opinions so please keep that in mind. We're working on solutions and we're open to

**Jim** – I get phone calls from people who are saying this increase will wipe them out and they are nearly crying. We need to do things differently in order to address the problem – why I think we should look at the passenger ferry I proposed. **(Rich H has already reviewed and it doesn't meet Coast Guard specifications.)**

### **Action Items:**

1. Cris Coburn will write a letter to the Lummi Nation re: naming help for new ferry
2. Mike McKenzie proposal for naming ferry postponed till April
3. Roland Middleton coming to May meeting to discuss new ferry progress.

### **Judy:**

- **Adjourned meeting at 7:30 and thanked Attendees for participation and ideas.**
- **Thanked Randy and Kathy for coming.**

# 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.

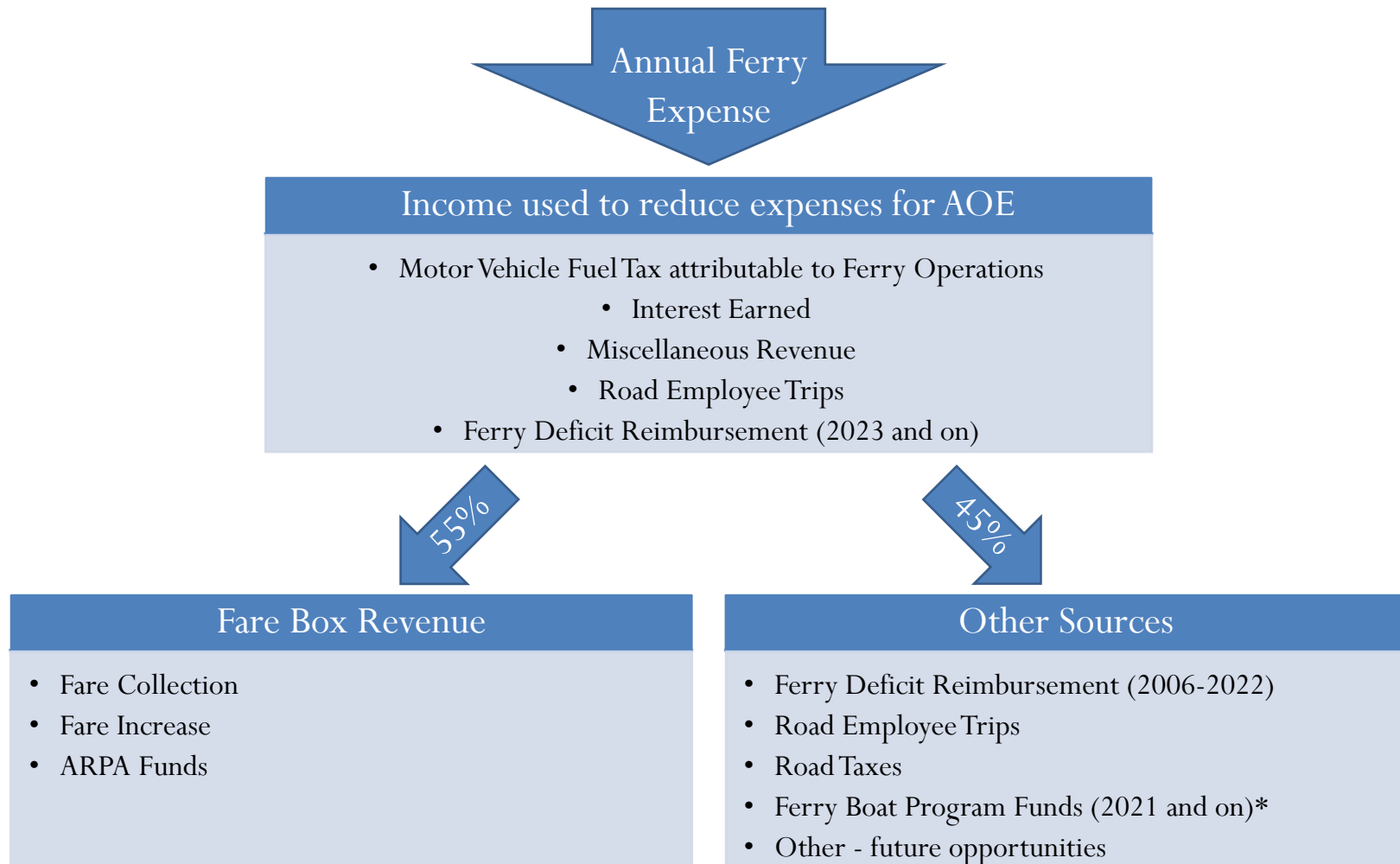
As Public Works and LIFAC considered opening up Whatcom County Code 10.34 to clarifying language updates it soon became clear that a deep dive analysis was needed to ensure the accuracy of the present and past calculations used. This analysis included a reconciliation of income, expenses, and contributions 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

		<b>2006-2022 Ferry Fund</b>	
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
		<b>Farebox</b>	<b>Other Funding</b>
Ratio		55%	45%
Expenses to Cover (AOE*Ratio)		\$23,645,194	\$19,346,067
<b>Funding Sources</b>			
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)
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Calculated Fund Total			(\$2,099,859)
<hr/>			
Current Fund Balance			(\$2,099,858)
			\$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>	
<b>Adjusted Total Operating Cost (ATOC)</b>	<b>\$42,991,262</b>	<b>\$41,860,013</b>	
55% of Adjusted Total Operating Cost yields a Council defined Fare Goal of:	<u>\$23,645,194</u>	<u>\$23,023,007</u>	
<b>Actual and Budgeted Fare Collection</b>	<b>\$22,583,977</b>	<b>\$22,583,977</b>	<b>Change in Fare Box due to corrected calculation</b>
<b>Fare Box Deficit as of 2022 Year End</b>	<b>\$1,061,217</b>	<b>\$439,030</b>	<b>\$625,187</b>

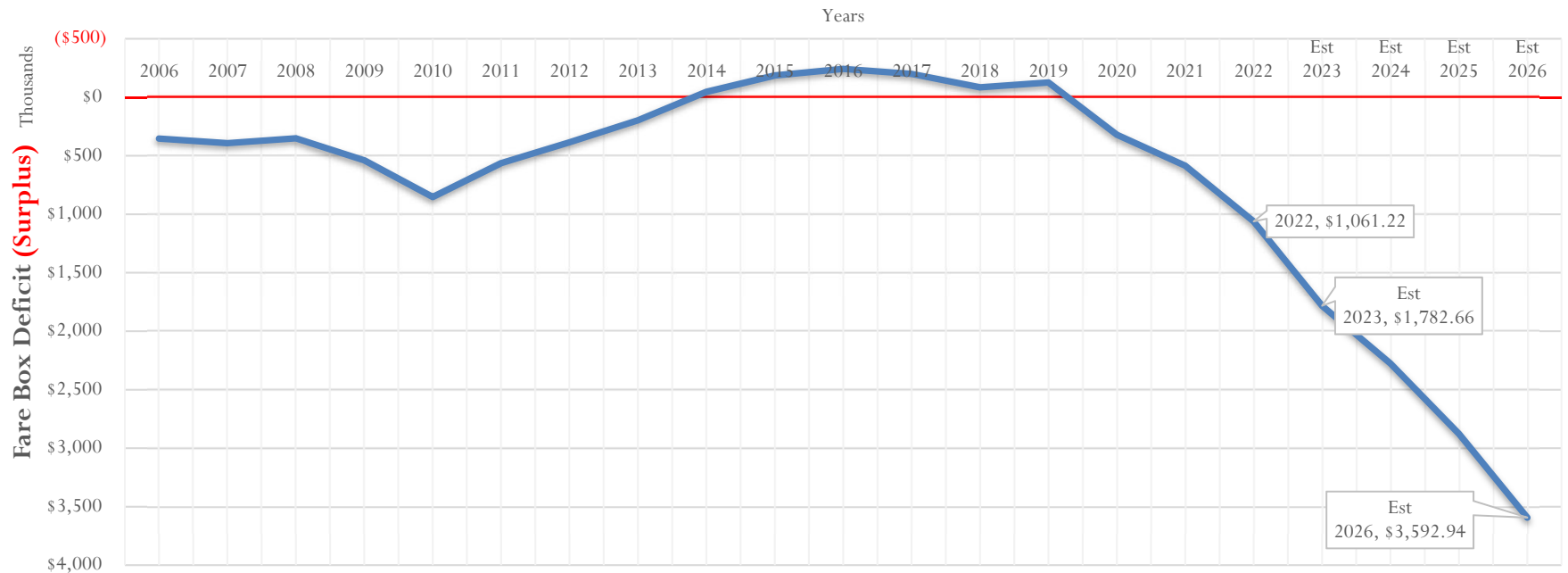
# Financial Summary

## 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>
<b>Total Revenue</b>	<b>\$3,575,796</b>	<b>\$3,454,805</b>
Less Operating Expenditures	<u>(\$3,499,396)</u>	<u>(\$3,846,641)</u>
<b>Net Income (Loss)</b>	<b><u>\$76,400</u></b>	<b><u>(\$391,836)</u></b>
<b>Ending Fund Balance</b>	<b>\$2,491,695</b>	<b>\$2,099,859</b>

# 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

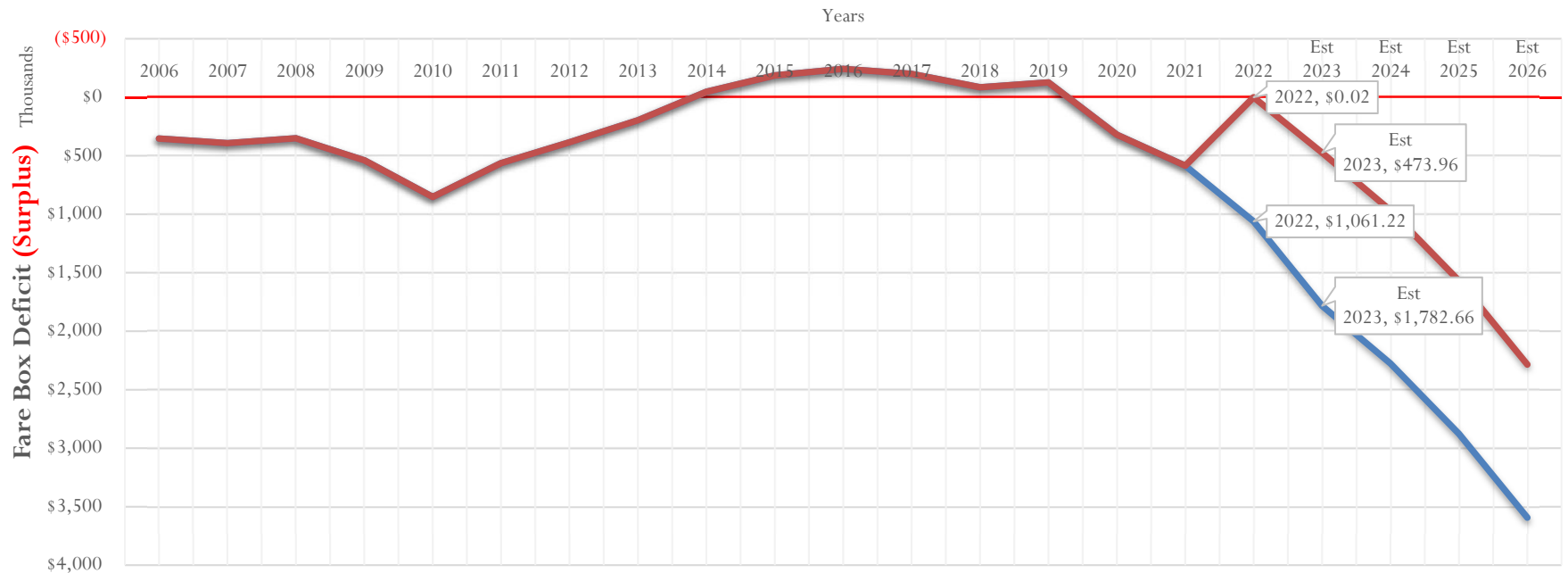
### Expense Recovery

- \$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)

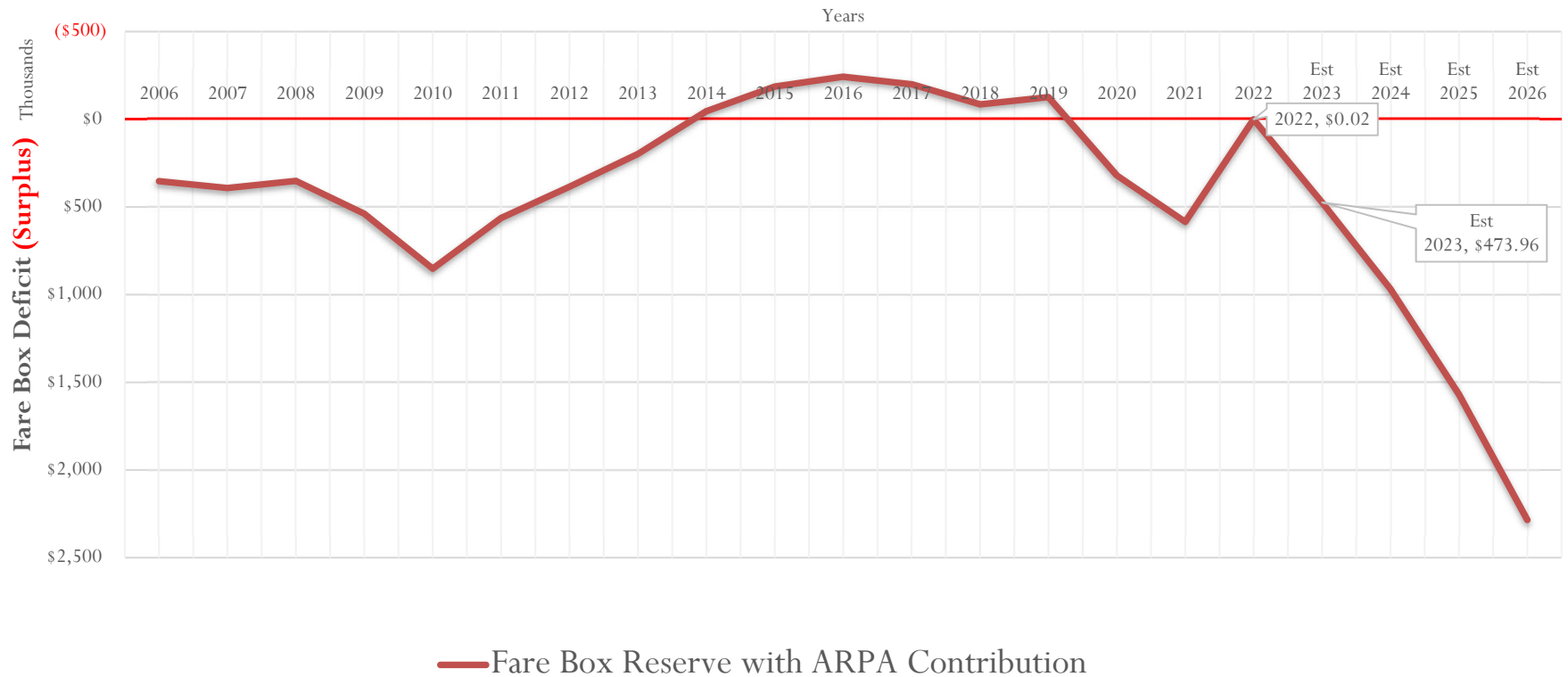


— Recalculated Fare Box Reserve per existing WCC 10.34 — Farebox Reserve with ARPA Contribution



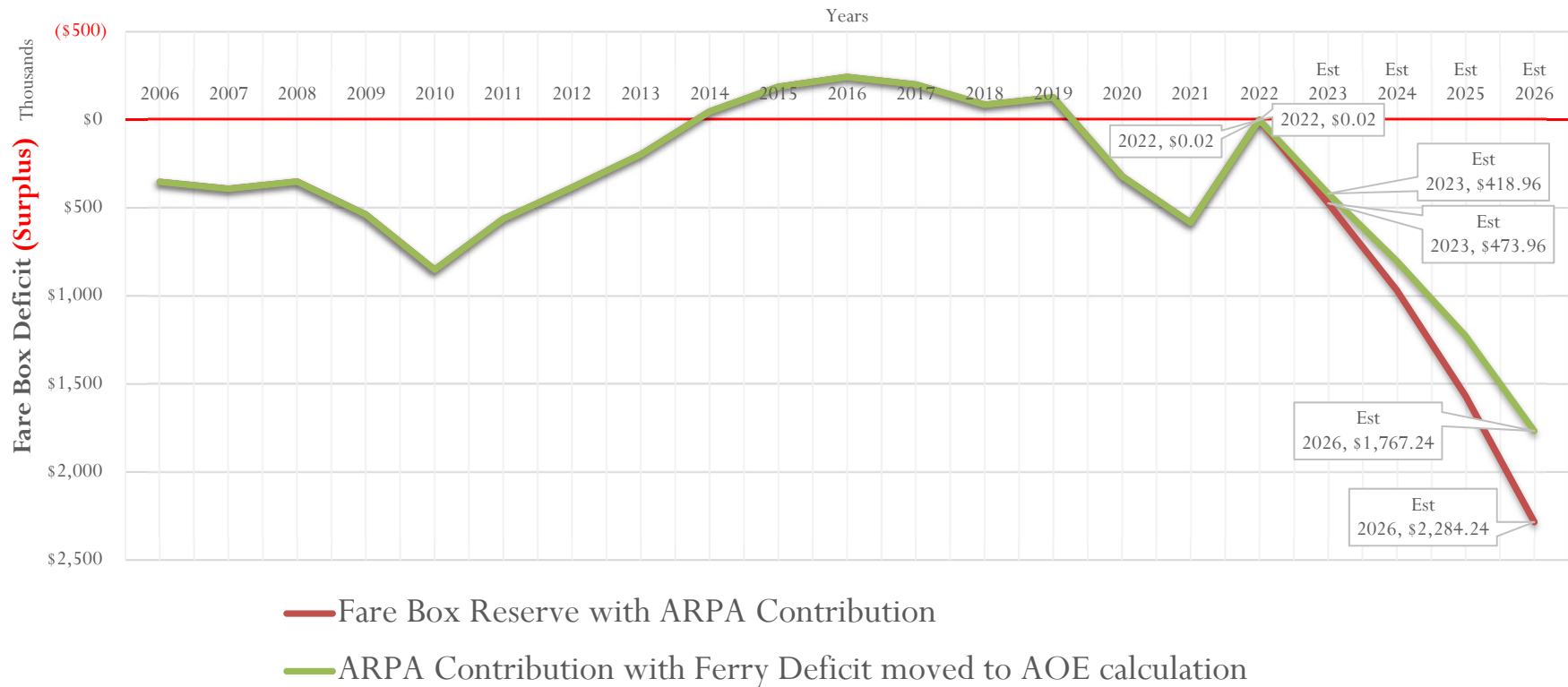
# Fare Box Reserve Scenario Graph

## Cumulative Difference Fare Box Deficit (Surplus)



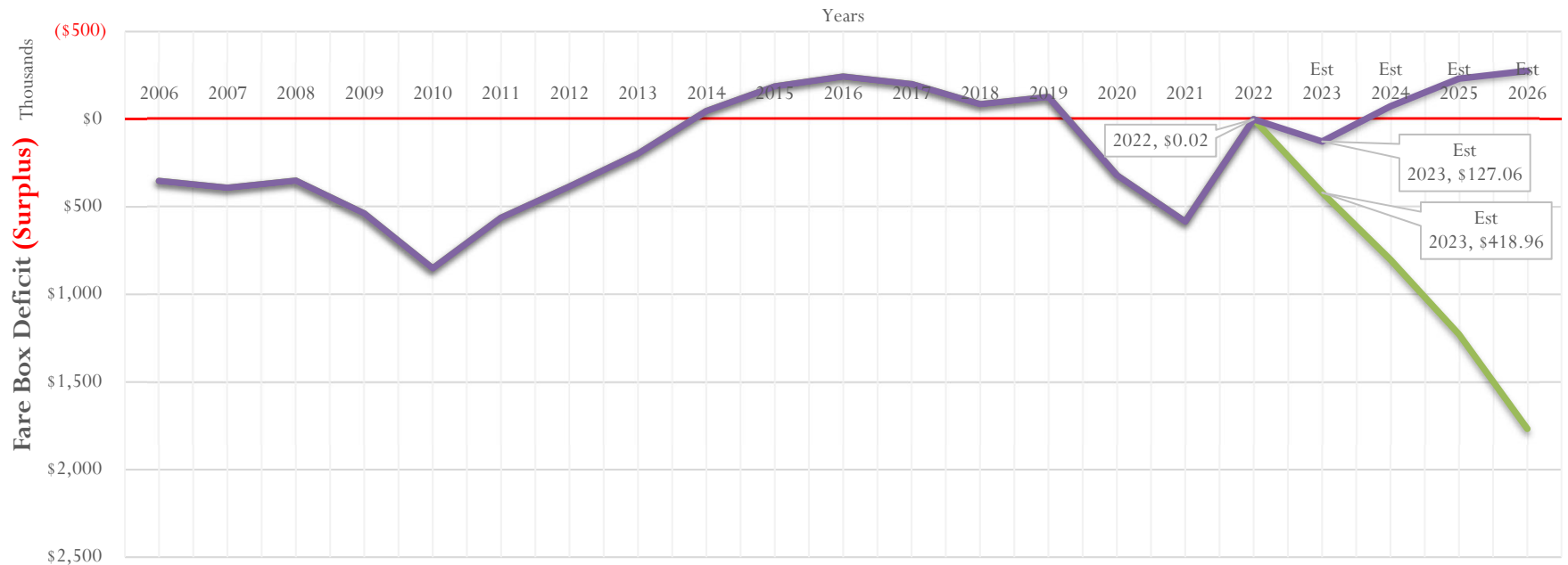
# Fare Box Reserve Scenario Graph

Cumulative Difference Fare Box Deficit (Surplus)



# Fare Box Reserve Scenario Graph

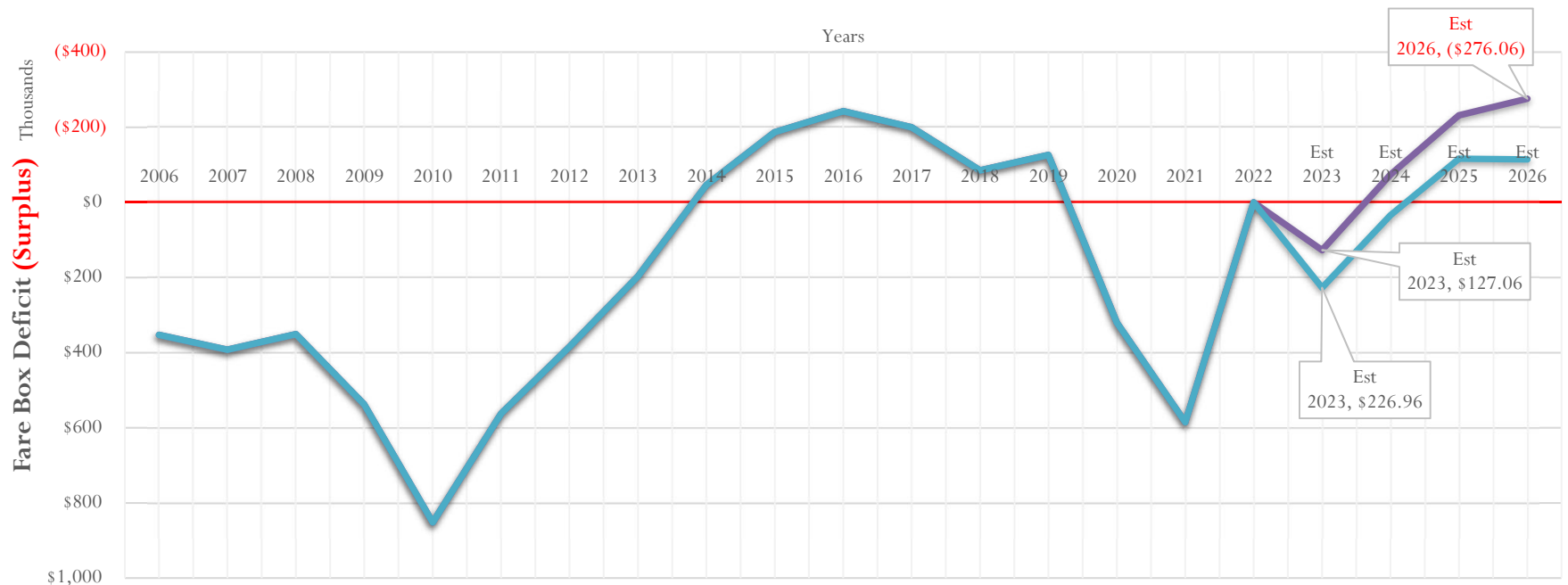
Cumulative Difference Fare box Deficit (Surplus)



- 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
<b>Adjusted Operating Expense (AOE)</b>	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
<b>Funding Sources</b>									
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		
<b>Cumulative Fare Box Reserve Deficit (Surplus)</b>	Fare Box	<b>\$585,091</b>	<b>\$17</b>	<b>\$226,959</b>	<b>\$33,945</b>	<b>(\$116,537)</b>	<b>(\$114,661)</b>	<b>\$17</b>	<b>(\$114,661)</b>
<b>Fare Increase as % of 2022 collection</b>	<b>25%</b>			<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>		
Next Fare Increase	10%				<b>10%</b>	<b>10%</b>	<b>10%</b>		
<b>Remaining Expense Coverage</b>	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		
<b>Cumulative Difference (Credit)</b>	<b>Other Funding</b>	<b>(\$3,076,786)</b>	<b>(\$3,161,075)</b>	<b>(\$2,517,914)</b>	<b>(\$2,106,590)</b>	<b>(\$1,660,467)</b>	<b>(\$1,121,106)</b>	<b>(\$3,161,075)</b>	<b>(\$1,121,106)</b>
<b>Annual Other Funding Decrease (Increase)</b>	Fare Box	\$585,091	\$17	\$226,959	\$33,945	(\$116,537)	(\$114,661)	\$17	(\$114,661)
<b>Cumulative Other Funding Deficit (Surplus)</b>	Other	<b>(\$3,076,786)</b>	<b>(\$3,161,075)</b>	<b>(\$2,517,914)</b>	<b>(\$2,106,590)</b>	<b>(\$1,660,467)</b>	<b>(\$1,121,106)</b>	<b>(\$3,161,075)</b>	<b>(\$1,121,106)</b>
<b>End Of Year Fund Balance (Surplus)</b>	Combined	<b>(\$2,491,695)</b>	<b>(\$3,161,058)</b>	<b>(\$2,290,955)</b>	<b>(\$2,072,645)</b>	<b>(\$1,777,004)</b>	<b>(\$1,235,767)</b>	<b>(\$3,161,058)</b>	<b>(\$1,235,767)</b>

**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

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- 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 21<sup>st</sup> Council Meeting

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- Executive presentation on ARPA funding and use

## April 11<sup>th</sup> Council Meeting

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- Introduce WCC 10.34 updates
- Introduce Updated Fare Structure

## April 25<sup>th</sup> Council Meeting

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

## June 1<sup>st</sup> Ferry Program

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- Recommended date for implementation of new fares