

**Note: This is a compilation of questions that LIFAC asked Public Works for clarification on. The answers were compiled by Randy Rydel of Whatcom County Public Works and are in draft form as of 4/24/2023.**

### **The Ferry Fund Explained**

- The **Ferry Fund** holds all of the **ferry operating expenses**. It has fund number 444 and it also holds fare box revenue and excess road fund payments – excess road fund payments are the result of the road fund contributing exactly 45% of the annual expenses, year over year, and not offsetting for other revenue sources (Ferry Deficit Reimbursement, Interest, and Misc ) that reduce the amount the road fund should have contributed – resulting in an **excess**.
- There is NO Ferry Deficit Reimbursement Fund
- There is NO Ferry System Fund
- Fare Box Covered Expenses – Total Operating Expenses, minus the following: Ferry Deficit Reimbursement, Interest, Motor Vehicle Fuel Tax attributable to Ferry Operations, county employee trips. All of this is then multiplied by 55% to come up with the total expenses that need to be covered by Fare Box Revenue.
- To summarize, the **Cumulative Fare Box Deficit** – the dollar amount of Fare Box Covered Expenses that exceeds fare box revenue on a cumulative basis
- Think of the cash in the Ferry Fund 444 akin to having a mortgage on your house. Even though you owe money on the house you may still have a bank account with cash in it. The cash you have has effectively been loaned to you by the bank, you still owe the bank for the loan.
- In the ferry fund case the **excess contributions** are what the road fund has “loaned,” above what was strictly necessary through over-contribution, \$3m in cash to the Ferry Fund. It has added a little bit each year.
- The Cumulative Fare Box Deficit (**over spending – spending exceeding annual fare box revenue**) has already drawn down this \$3m loan to \$2m.
- The \$2m loan is still sitting as cash in the Ferry Fund. *WHILE IT COULD BE SPENT*, this would cause the Cumulative Fare Box Deficit to dip even further and the pay back to be tougher.
- Ultimately the \$3m loan will need to be addressed. Right now, there is \$2m of cash to pay it back and the rest will have to be raised through other sources.
- In 2023 without a fare update we are eating through the remaining \$2m of loaned cash at an estimated rate of **\$43k per month**.
- Historically, the decision has been made to keep the **Excess** in the fund for precisely the situation we are in now, where fare box expense exceeds fare box revenue. It is a common best business practice to keep at least 3-6 months of expenses on hand.
- The “Accounting Error” that makes up part of the Cumulative Fare Box Deficit has been quoted in the community as costing ferry users \$1,000,000+. In a report given 3/7/2023 this error was reported to have an estimated impact of \$625K. Since then the error has been reconciled and actually impacts the Cumulative Fare Box Deficit by \$423K. While this is significant, it is not the amount that has been misquoted in public comment.
- The County proposed adding additional funding that reduces the Adjusted Total Operating Expenses by \$320k each year, helping to reduce the Fare Box Recovery Goal and reducing the previously calculated increase by approximately 12%.

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	Fare Payers	Fare Box Goal	Actual Fare Collection	Annual Fare Box Deficit (or Reserve)	Expenses that Fare Collection Can Support	Annual Expenses	Ferry Expenses Over Spent (Under Spent)
2006		(\$1,016,520)	(\$663,803)	\$352,717	\$1,210,774	\$1,852,078	\$641,304
2007		(\$945,931)	(\$907,020)	\$38,911	\$1,805,569	\$1,876,316	\$70,747
2008		(\$1,087,045)	(\$1,128,360)	(\$41,315)	\$2,196,348	\$2,121,229	(\$75,119)
2009		(\$1,333,285)	(\$1,145,978)	\$187,308	\$2,201,551	\$2,542,111	\$340,559
2010		(\$1,335,473)	(\$1,021,801)	\$313,672	\$2,019,675	\$2,589,988	\$570,313
2011		(\$1,256,481)	(\$1,545,829)	(\$289,348)	\$2,967,588	\$2,441,501	(\$526,087)
2012	175,628	(\$1,269,199)	(\$1,447,131)	(\$177,932)	\$2,807,317	\$2,483,804	(\$323,513)
2013	166,607	(\$1,284,812)	(\$1,475,990)	(\$191,178)	\$2,868,277	\$2,520,681	(\$347,596)
2014	171,806	(\$1,240,763)	(\$1,481,783)	(\$241,020)	\$2,892,024	\$2,453,806	(\$438,218)
2015	175,917	(\$1,319,129)	(\$1,459,800)	(\$140,671)	\$2,855,471	\$2,599,706	(\$255,765)
2016	175,267	(\$1,417,893)	(\$1,479,971)	(\$62,078)	\$2,904,658	\$2,791,790	(\$112,868)
2017	183,976	(\$1,566,400)	(\$1,521,088)	\$45,312	\$2,982,511	\$3,064,896	\$82,385
2018	187,089	(\$1,662,649)	(\$1,551,294)	\$111,355	\$2,946,654	\$3,149,117	\$202,463
2019	183,920	(\$1,477,011)	(\$1,524,448)	(\$47,437)	\$3,150,147	\$3,063,898	(\$86,249)
2020	141,310	(\$1,624,102)	(\$1,167,302)	\$456,801	\$2,363,511	\$3,194,058	\$830,547
2021	166,266	(\$1,772,485)	(\$1,526,180)	\$246,305	\$3,051,568	\$3,499,396	\$447,827
2022	168,257	(\$1,961,539)	(\$1,536,199)	\$425,340	\$3,073,295	\$3,846,641	\$773,346
		(\$23,570,719)	(\$22,583,977)	\$986,742			\$1,794,076

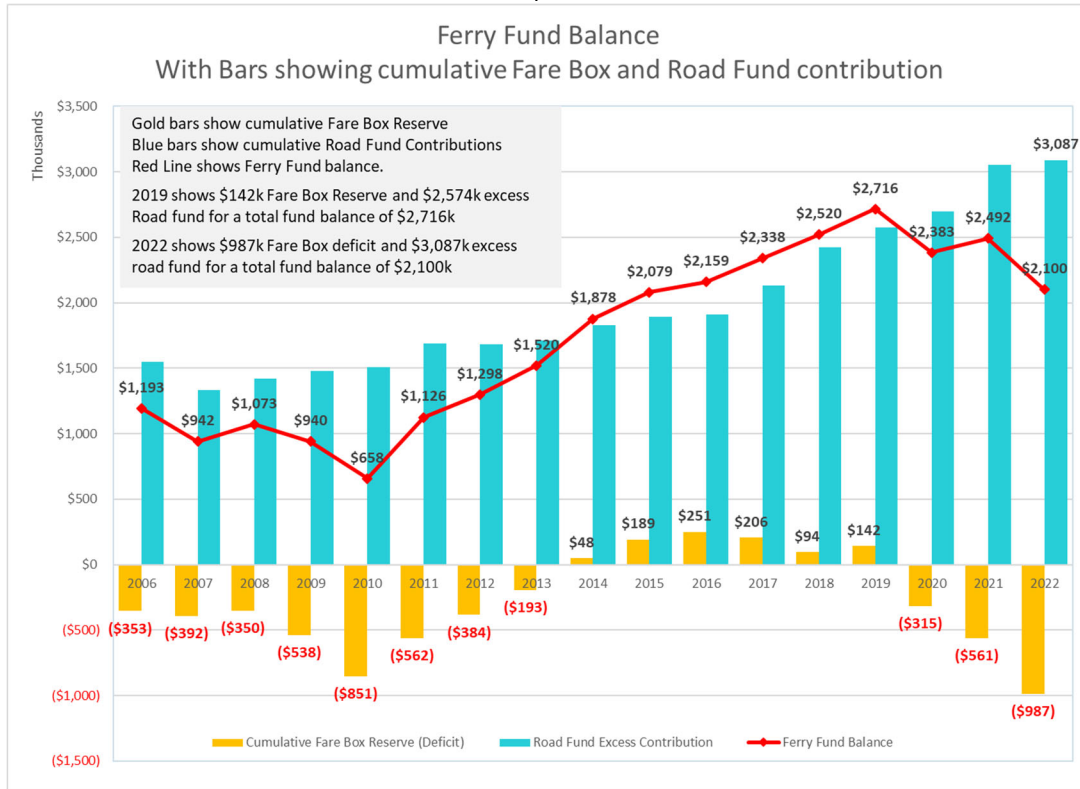
This chart shows the annual Fare Box Deficit/Reserve year over year from 2006-2022. It shows that in 2011-2016 Actual Fares Exceeded the Fare Box Goal each year. This was accomplished by an increase in fares, stable ridership, and flat annual expenses. Notice that Annual expenses from 2009-2015 are nearly \$2.5m year over year.

In 2016 after banking years of Fare Box Reserve, fares were reduced for some categories. And expenses started to rise. 2017-2020 saw average expenses of \$3.1m, nearly 25% greater than the 2011-2016 stable years. Ridership only went up less than 5% in those years causing an imbalance in the fare collection to the Annual Expenses. 2017 was the first year that indicated the fares did not cover expenses. There was a \$250k Cumulative Fare Box Reserve going in to 2017 so \$45k of the reserve was used to cover the imbalance. In 2018 \$111k was used to cover the imbalance, slowly eroding the reserve. A 2019 drop in expenses helped balance things for 2019, but expenses continued to grow again into 2020-2022.

It can be seen that ridership is 91% of what it was in 2017. But expenses from 2017 to 2022 have gone up 25% again.

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When did the Road Fund contribute the \$3m of excess contribution?



The road fund started 2006 with \$1.5m of excess contribution. From there, the excess contributions continued to accumulate as shown in the graph above. The table below shows similar data in table form for those who are interested in a different style.

The data shows each year (aside from 2007 and 2012) that the road fund contributed more than was required. These contributions are not part of the fare calculation and have led to the belief that there are plenty of fare box reserves to cover expenses. The table shows how 2014-2019 did have positive reserves from fare box collections, but those reserves were used up and were \$986k in deficit by the end of 2022.

This data also shows that the often mentioned \$2m+ surplus at the end of any of the recent years, is a surplus of excess contributions, not fare collections.

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Annual Road Fund Deficit (Reserve)	Fare Payers	Cumulative Fare Box Deficit (Reserve)	Road Fund Deficit (Reserve)	Ferry Fund Balance
(\$1,545,948)	2006	\$352,717	(\$1,545,948)	(\$1,193,231)
\$212,400	2007	\$391,628	(\$1,333,548)	(\$941,920)
(\$89,310)	2008	\$350,312	(\$1,422,858)	(\$1,072,546)
(\$54,473)	2009	\$537,620	(\$1,477,331)	(\$939,711)
(\$32,247)	2010	\$851,292	(\$1,509,578)	(\$658,286)
(\$178,020)	2011	\$561,944	(\$1,687,598)	(\$1,125,653)
\$5,588	2012 175,628	\$384,013	(\$1,682,010)	(\$1,297,997)
(\$31,108)	2013 166,607	\$192,835	(\$1,713,117)	(\$1,520,283)
(\$116,428)	2014 171,806	(\$48,185)	(\$1,829,546)	(\$1,877,731)
(\$60,670)	2015 175,917	(\$188,856)	(\$1,890,216)	(\$2,079,072)
(\$18,235)	2016 175,267	(\$250,934)	(\$1,908,450)	(\$2,159,384)
(\$224,376)	2017 183,976	(\$205,622)	(\$2,132,826)	(\$2,338,448)
(\$292,455)	2018 187,089	(\$94,267)	(\$2,425,281)	(\$2,519,548)
(\$149,274)	2019 183,920	(\$141,704)	(\$2,574,555)	(\$2,716,260)
(\$123,126)	2020 141,310	\$315,097	(\$2,697,681)	(\$2,382,585)
(\$355,415)	2021 166,266	\$561,402	(\$3,053,097)	(\$2,491,695)
(\$33,504)	2022 168,257	\$986,742	(\$3,086,600)	(\$2,099,858)
(\$3,086,600)				

How come things turned so quickly? The decline of the cumulative fare box reserve balance in 2017 (\$45k decline from 2016) and 2018 (\$111k decline from 2017) show the start of rising costs. Even with peak ridership, the Ferry Operations cost more than fare box ridership could cover. There was no need to increase fares at the time as there was still a \$141k reserve. As expenses continued up, ridership dropped off due to COVID and changes in ridership patterns. While expenses continued to go up, without riders to pay for it, the fare box deficit fell significantly. Even in 2021 and 2022 as ridership started to rebound, expenses did not. This all leads us to the current fare increase which only helps 2023 and does not even cover the past deficit. This increase will help stabilize the falling fare box reserve, but not recover it.