

Whatcom County Ferry Advisory Committee
October 23, 2024
Minutes **DRAFT**

6:00 p.m. CALL TO ORDER – Pam Gould, Chair

Present: Janice Catrell, Richard Frye, Pam Gould, Diane Harper, Carol Landt, Tom Philpot, Catherine Shornick

Absent: Todd Lagestee

Welcome to Gary Poole, Ferry Master, Laura Frolich, Public Works (PW), and Jon Scanlon, County Council (CC)

Agenda stands

Minutes from September 25, 2024, adopted

COMMITTEE WORK

- **Report on October 22 County Council meetings:** Chair Gould reported on newest fare proposal presented by PW Director Kosa to the CC Finance committee (see attached United Fee Schedule Memo, Kosa). After feedback from the ferry crew and islanders, punchcards were included in this round and reflect a 15% discount; however, rates would increase 28% across the board on January 1. PW noted that no increases had occurred in 12 years, but Diane H. pointed out that surpluses occurred from 2011 through 2019. The \$1M moved into the Road Fund was, according to the PW Finance Director, initially a loan and thus repaid. The new code requirement of 50% of operating costs in reserve increases pressure on the fare box. Laura F. said the reserve funds are safe, but Harper and others pointed out that it's a legitimate concern that funds could be moved. The budget is to be looked at annually, but CC is required to adopt a budget now, part of which is the fee schedule. Laura F. explained that PW must indicate a revenue stream, and Jon S. underscored that state law and charters require a budget process. Rich F. called attention to CC's plan to raise fares annually, which impacts ridership; further, PW has not provided accurate or consistent accounting over many years. Fare increases should be based on confirmed deficits, rather than projections.

A question was raised as to the cost of implementing new fares, and whether an increase every two years would be wiser. During the last code change process—despite WCFAC recommendations—CC insisted on annual increases. WCFAC is still waiting on accounting of costs associated with the June increases, and there is much frustration that people spent a lot of money on new cards, only to have little to no opportunity to trade them in under pending proposals (many people are only here in the summer, for instance). As to moving to an electronic ticketing system, Gary said they are watching other ferry systems that have implemented them and are working out kinks.

The county includes trips based on punchcards sold (e.g. 20 trips counted when 20-trip card sold). Fares reviewed by the CC for approval do not reflect a \$1 per trip surcharge that also is charged. Laura F. reported that approximately \$600K is in the capital fund at this time, but County is facing

huge capital expenses to replace the ferry for which it is unprepared. She noted that they are considering an outside consultant to review the entire ferry operation. Janice C. asked about upcoming Charter review, and whether there are elements in the Charter that should be applicable to the ferry. Jon S. thanked everyone for their feedback and urged people to contact him (he provided his cards), and to include the full CC when writing. Open session will be available at upcoming CC meetings; they expect to finalize the budget by December 3rd (Nov. CC dates are the 6th (due to Election Day) and 19th).

It was pointed out that the use of punchcards is not black and white: it was alarming to hear a CC member raise an advantage of earning interest and additional funds by way of unused punchcards. As well, the exchanges are expensive and likely not feasible for many people in January—and, many people just purchased new cards. On the other hand, the cards make it faster to collect fares and there are concerns about everyone having access to, and being forced to pay transaction fees for, credit/debit cards. A conversation to resolve issues would be useful. Jon S. reiterated the importance of communicating with him and CC asap.

- **WCFAC member terms and open seats, follow-up:** Under the current schedule, five terms are expiring soon, rather than terms expiring 3/3/3. Jon S. was advised a change via ordinance may be necessary to change the schedule. People will need to reapply to re-up. Pam asked everyone to be prepared to report at our next meeting whether they'll be re-upping. As well, an unincorporated seat remains unfilled.
- **ad hoc Access Committee, update:** N/A
- **ad hoc Ferry and Terminal Committee, update:** Tom Philpot reported on the presentation made to the CC's Committee of the Whole (COW) regarding a recommendation for a smaller replacement ferry (see attached slides). WCFAC is not proposing to change the Level of Service (LOS), but rather identifying that a smaller ferry would still meet the LOS and avoid enormous dock replacements as well.
- **Ad hoc Level of Service (LOS), update:** Diane H. presented a revised Level of Service Action Plan and recommended approval of the updated plan to allow for a minimum size ferry (see attachments). *Motion (Harper; Frye second): WCFAC adopts the changes to the 2018 Lummi Island Ferry Service Level of Service Action Plan and recommends approval of the updated Plan to the Whatcom County Council via a new resolution.* Passed unanimously by all members present. A cover letter and the document will be sent to the County Executive, CC and PW immediately.

NEW BUSINESS

- **Ferry Master update, Gary Poole:** The next punchcard sale date is November 6th, and the last scheduled exchange day is in Bellingham on November 7th. He underscored again how important is to be nice to the ferry crew and PW staff, who are trying to help islanders. The ferry will have down time on November 20th and December 4th. Four crew members received awards for their stellar work responding to a fire emergency, and the crew is receiving additional training specific to fighting fires in electric vehicle batteries. Plans for the next drydock are underway, tentatively

planned for two weeks in late April/early May, and the intent is to work on the next drydock immediately after this next one is scheduled. The last drydock came in under budget. It was noted that CC should be talking to Gary re process changes.

- Public Works, Laura Frolich: Laura F. said that buying tickets in bulk comes at a risk (i.e., punchcards), noting a practice that's been in place for decades; it's possible to strategize on the concept of a convenience card and to generate revenue. Laura briefly talked about a capital update and a request to consultants to provide a revised Scope for a smaller vessel. PW has reached out regarding the RAISE grant; they've been advised to not be hopeful, and they are focusing on a revenue stream.

It was pointed out that commuters were absent from the discussion and need to be included. Jon S. again encouraged people to write to the CC re suggestions, such as expanding from 30 to 90 days the time for exchanges and other ideas/concerns.

OPEN SESSION

- Diane Harper provided analysis (see DHarper fare prop, attached) of the proposed increases, which would cost \$29 for a car/driver with a passenger to visit the island as a single trip and \$23.60 for a car/driver with passenger using punchcards to travel to the mainland, for instance for frequent medical treatments for one of them. Those fares are high enough so that the unsustainable downward cycle of ridership and upward increase in fares can be expected. Harper supports a transportation district of Lummi Island property owners.
- Ralph Steele voiced frustration of asking so many questions and receiving no responses from WCFAC or PW. He questioned the use of 10-year rather than 2-year projections and noted it was unconscionable for PW to change the codes as they did. Now, CC member Byrd wants to stiff riders by making more money and interest off unused punchcards. Huge numbers are unresolved, but everyone loses; even a forensic auditor found overwhelming evidence (during recent court case). He encouraged everyone to write to the state and ask for a review of the rate increases and the ferry fund.

[Parker, Smith passed on time; Carlson n/a]

- Reschedule November and December meeting dates: *Motion (Harper; Philpot second): WCFAC reschedule November 2024 meeting to the 20th*. Passed unanimously by all present. Any need for a December meeting (and date change) will be addressed at the November meeting.

Meeting adjourned 7:45 PM.

Upcoming

- November 20th WCFAC meeting
- November 6 and 19, CC meetings

Attachments: [submitted with draft minutes for county posting]

- WCFAC September 25, 2024, Minutes
- WCFAC Terms
- WCFAC Slides COW 10-22-24 F&T adhoc
- LOS Plan and Resolution
- WCFAC letter on LOS 9.24.24
- United Fee Schedule Memo, Kosa
- D Harper fare prop 10-23-24

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Submitted by C. Shornick

Whatcom County Ferry Advisory Committee
September 25, 2024
Minutes

6:00 p.m. CALL TO ORDER – Diane Harper, Vice Chair (sitting in for Chair)

Present: Janice Catrell, Richard Frye, Pam Gould, Diane Harper, Carol Landt, Tom Philpot, Catherine Shornick

Absent: Todd Lagestee

This is an in-person meeting only. A hiring freeze prevents replacement of previous staff support for hybrid meetings; a community volunteer with necessary equipment would be most welcome.

Welcome to Laura Frolich and Roland Middleton, Public Works (PW); Gary Poole, Ferry Master; and Jon Scanlon, County Council (CC)

Agenda stands, other than pending motion from ad hoc Ferry and Terminal Committee

Minutes from August 28, 2024, adopted

COMMITTEE WORK

- **WCFAC member terms and open seats, follow-up:** Chair Pam Gould will send memo to Barry Buchanan; Jon Scanlon will follow through, regarding request adjustment to term appointments so only one-third of members rotate off each year, rather than the current 50%. [See attached]
- **ad hoc Access Committee, update:** Carol Landt reported that many unknowns continue, so ad hoc work has slowed. A letter campaign to inform fellow county citizens of the many needs for and reliances upon the ferry is pending.
- **ad hoc Ferry and Terminal Committee, update:** Tom Philpot reported on a lack of response from WCFAC’s earlier request to CC, PW and County Executive (Exec) regarding four recommended actions for an affordable solution, and therefore emphasized the first two questions. [See attached] Laura Frolich said KPFF is working on, and PW could look into responding in writing; the electronic component is more impactful than the vessel size. The question remains as to what the existing structure can tolerate. Roland indicated a 16- or 20-car ferry was not studied re the Gooseberry side. Diane cited earlier documentation assuming Gooseberry dock being adequate until 2040. Comparison of displacement between the Whatcom Chief and a 20-car ferry is needed.

The ad hoc committee also underscored a recommendation to pursue permission from DOT to downsize the ferry. Laura said 60% of design for 34-car ferry is completed, so the challenge is to meet the timeframe; as well, PW has not been directed to alter plans at this time. Roland said the timeframe will not change; they are looking at means of pivoting but again, there is no direction. It was pointed out that a smaller ferry could lower the overall cost and was included in the initial KPFF documents. Pam reported that KPFF indicated design work was on hold, and Liz Kosa (PW Director) had said she reached out to DOT re the timeline. Roland noted that maritime regulations require that we have funding on our end secured, indicating that federal regulations establishing the RAISE grants set the deadline, so there is no time extension possible. Rich F. asked that a case

be made for the best, affordable ferry within the timeline; such a vessel would also meet level of service (LOS) at three trips/60 cars per hour.

Jon Scanlon will ask Exec for another work session. Jon's focus is on closing the gap between total cost and cost to taxpayers. Sharon Shewmake told him she needs any request for funds by December, and the new county lobbyist is aware of the issue, although needs must be prioritized. Reportedly, the Exec met with federal and state representatives, and some WCFAC members met with Rick Larsen. Legislators underscored that the county must be the entity to reach out. Jon reported that both the General and Road funds are unhealthy; the Exec's budget proposal comes forward in October.

Motion (Shornick; Gould second): WCFAC recommends that the ad hoc Ferry and Terminal committee meet with County Council and request that Council enables that meeting (work session Oct 14, PW, or full CC Oct. 8). Passed unanimously by those present.

Diane said the size of ferry had nothing to do with the benefit cost analysis prepared for the RAISE grant. Roland indicated a 16-car ferry would meet that benefit analysis; Laura said decisions are based on what is wisest for tax base at this time.

- **Ad hoc Level of Service (LOS), update:** Diane H. reviewed a draft letter and information re LOS (see attachments) to consider for October action. LOS can be met by a 20-car ferry; however, public input and WCFAC comments are needed, so information will be available at the library and hopefully elsewhere. Roland said anecdotally, ridership has not returned to pre-Covid levels. Jon said WCFAC might ask for an update to Resolution 2018 026, not a change to LOS.

PW needs direction to investigate options; as to where direction comes from, CC must work with administration to move that forward.

NEW BUSINESS

- Charles Bailey reported that the Climate Impact Action Committee (CIAC) unanimously voted to advise CC to adopt a resolution opposing I-2117. [See attached.] Skagit County was awarded \$18.75M to support their ferry, and Whatcom County could anticipate at least that amount. *Motion (Gould; Philpot second):* WCFAC will send a letter to County Council endorsing CIAC's recommendations. Passed unanimously by those present.
- Laura Frolich, PW, presented an update on the ferry system budget [see attached], including projections, impacts, conclusions, service reduction options, a proposed budget, and a commitment to the ferry system and community. Inflation, insurance, drydock, fuel, fixed costs age of the ferry, suppressed ridership and fixed costs are all causes of *projected* shortfalls and deficient reserves in 2024-25. Increased ridership could provide a cushion, but due to union contracts, service reductions cannot be addressed until the next budget cycle. Annual fare increases are needed to afford the 55%, and to keep the ferry as self-sustaining as possible and

sustainable. PW is recommending limiting punch cards for needs-based only, and increasing fares 10% across all categories effective 2025. Comments can be sent to ferry@whatcom.wa.us and expressed to CC October 8 and 22, and November 6 and 19.

Laura noted that a taxing district has not been enabled at this time so is not available for projection purposes. People could receive notification that they are purchasing into an “impaired transport network” but Islanders would have to decide on taxing themselves. This is just one proposal, but the only one at this time.

WCFAC members expressed frustration that not enough time was allowed for WCFAC to respond to such a dramatic proposal, and that the full burden of shortfalls appears to be falling on Islanders. As well, history has shown that as fare costs increase, ridership decreases, so PW should consider lowering costs for some categories.

Efforts will be made to schedule an additional WCFAC meeting (before October 23rd).

OPEN SESSION

- Bob Anderson noted that the focus has been on lowering costs, and urged serious consideration of purchasing a used ferry to buy time. No service reductions have been suggested, and no cost saving have been included – both of which need to be included, even if it means reopening union contracts. Looking at the expense side is imperative.
- Jim Dickinson advocated for the Hiyu at \$1.85M, since it is available now. WCFAC should hold a special session to review the complexities.

Meeting adjourned 7:47 PM.

Upcoming

- October 23, WCFAC meeting; possible additional meeting TBD
- October 8, 22 and November 6 and 19, CC meetings

Attachments: [submitted with draft minutes for county posting]

- WCFAC August 28, 2024, Minutes
- WCFAC Terms
- WCFAC Ferry Alternatives 8.28.24
- Background for LOS letter
- WCFAC letter on LOS 9.24.24 draft
- Climate Impact Advisory Committee to CC
- Whatcom County Ferry System Operations Budget Update

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Submitted by C. Shornick

Whatcom County Ferry Advisory Committee

<https://www.whatcomcounty.us/3149/WCFAC-Reports-and-Additional-Information>

Membership: 9 voting members appointed by County Council

5 members live on the island.

2 members who live in unincorporated Whatcom County.

2 members who live anywhere on the mainland (incorporated or unincorporated, priority given to 1 Lummi Nation member when possible)

1 County Council member (ad hoc non-voting)

Terms: Members serve 3-year terms. Each member is limited to 2 terms, with 1-year separation required before applying again.

WCFAC terms as they were appointed have 5 ending this January.

position	term ends			current member
	1/31/2025	1/31/2026	1/31/2027	
1	island			Pamela Gould
2	island			Diane Harper
3			island	Thomas Philpot
4			island	Catherine Shornick
5	island			Richard Frye*
6	mainland			Janice Cattrell
7	mainland			Todd Lagestee*
8		unincorp.		Carol Landt
9		unincorp.		Vacant

If the terms are adjusted as shown for positions 1, 7, and 9; only three of the nine positions rotate each year. This also allows the mainland and unincorporated areas to have a continuing representative.

position	suggested shifts in term end			current member
	1/31/2025	1/31/2026	1/31/2027	
1		island		Pamela Gould
2	island			Diane Harper
3			island	Thomas Philpot
4			island	Catherine Shornick
5	island			Richard Frye*
6	mainland			Janice Cattrell
7		mainland		Todd Lagestee*
8		unincorp.		Carol Landt
9			unincorp.	Vacant

* already has served one full term

Lummi Island Replacement Ferry – Issues and Challenges as of October, 2024

2022 RAISE cost estimate = \$50.3 M → 2024 KPFF Revision = \$92 M (+83%)

Funding gap

- \$56 to 71M for a 34-vehicle, diesel-electric hybrid without additional State funding
- \$40M for “in-kind” replacement of the Whatcom Chief and forfeiture of the \$25M RAISE grant

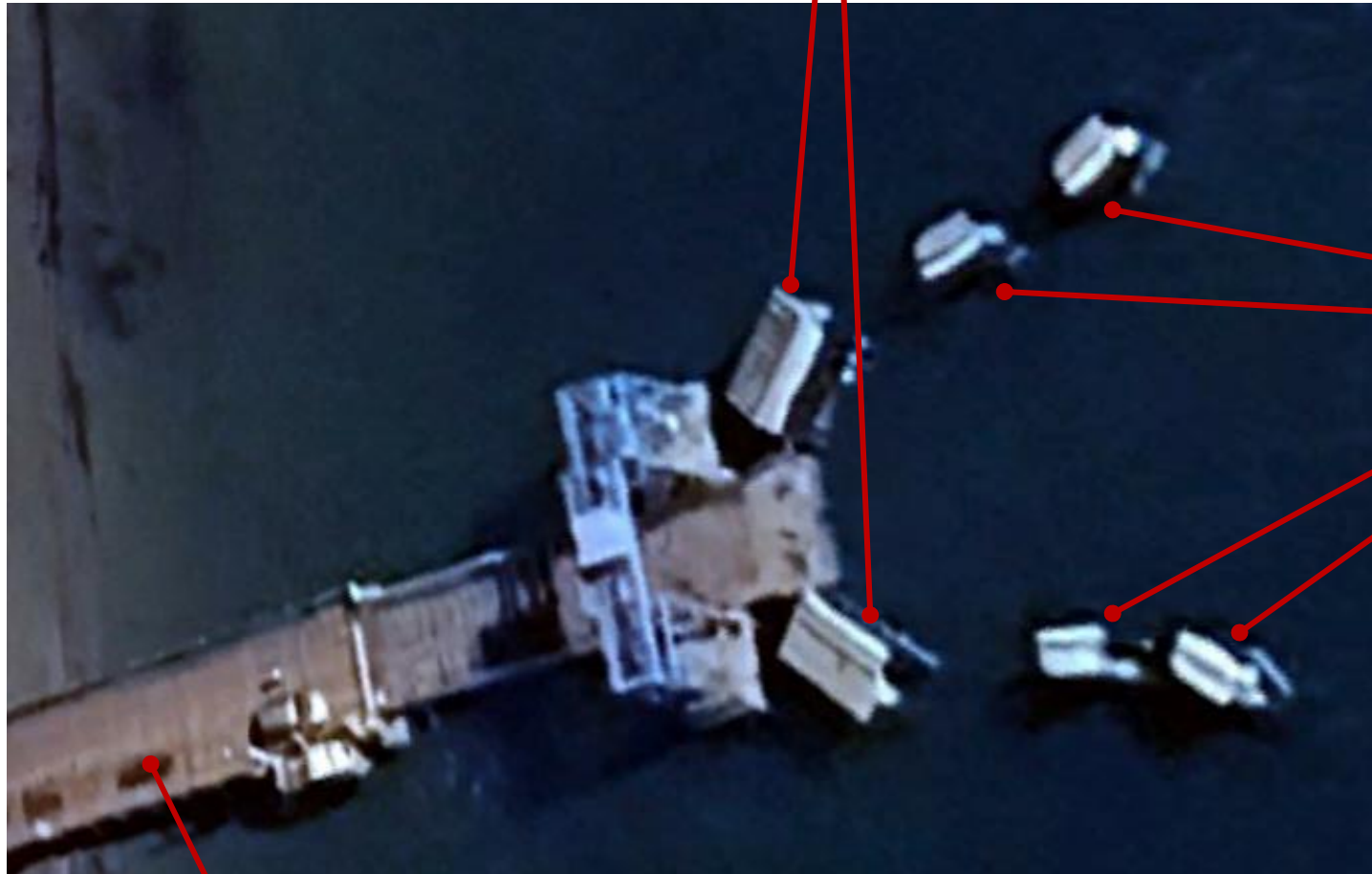
Complete RAISE grant funding package needs to be in place by *July of 2025*

Can/Should the Replacement Ferry Be Downsized?

- Will/might it help bring the project home?
- Can USDOT be persuaded that downsizing is in the project's best interests?
- Can downsizing help to significantly reduce the required retrofit work on the two ferry terminals?

Gooseberry Point Ferry Terminal as of 2024

Both timber wingwalls
replaced with steel in 2013

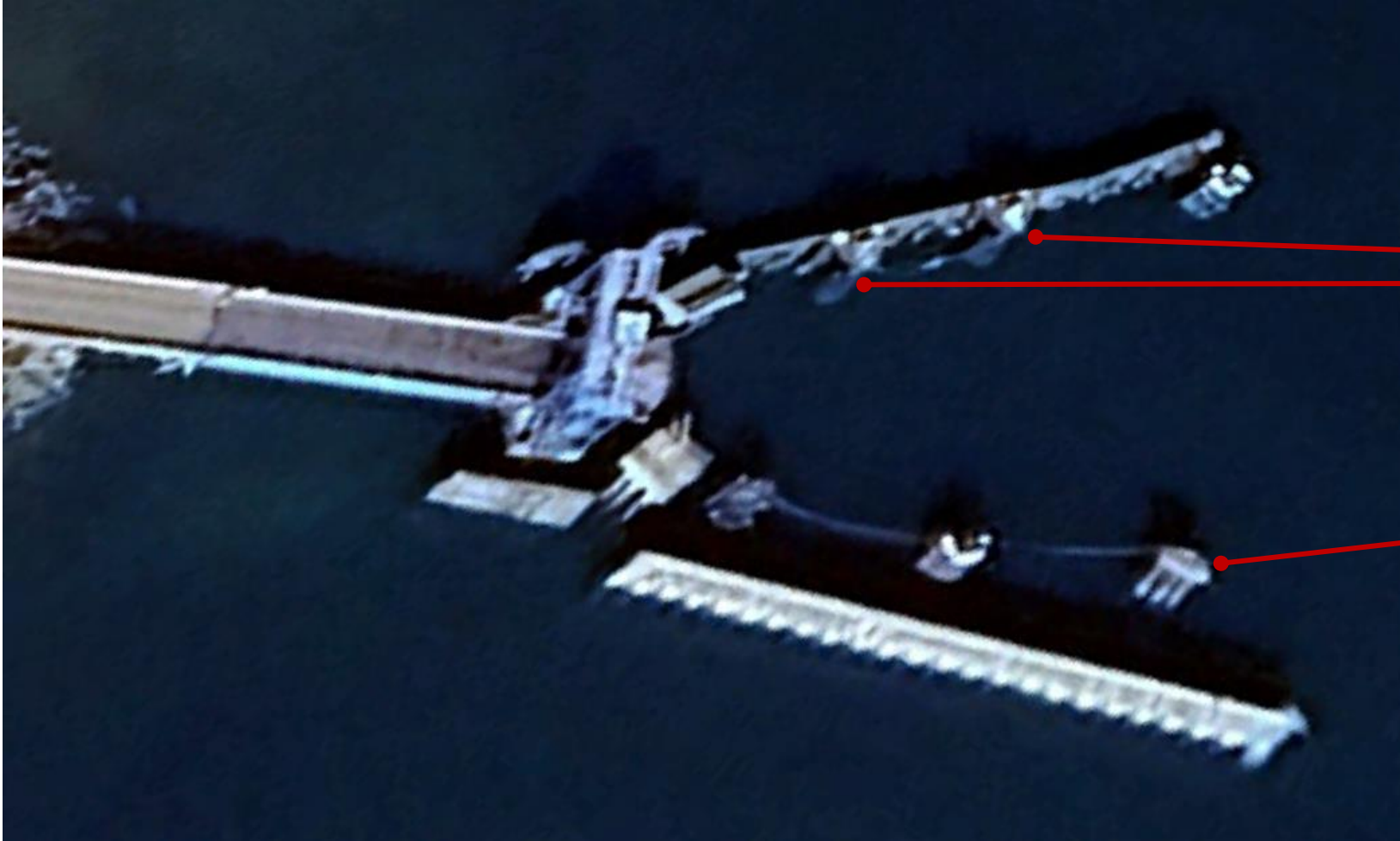


Four timber dolphins
replaced with steel in
2014

- 40-year amortization to 2053-54
- Tribal tidelands lease expires in **2046**

Transfer span

Lummi Island Ferry Terminal as of 2024



Two timber dolphins replaced with steel in 2008 in anticipation of 35-vehicle ferry

One timber dolphin replaced with steel in 2005

Remaining three timber dolphins and wingwalls originally scheduled for replacement in **2018**

Cost Estimate Comparison

2022 estimates are from the RAISE grant proposal (April)

2024 estimates are updated numbers from KPFF (July)

Project Cost	2022	2024	% Increase
Vessel Construction, 34-vehicle hybrid	25.0	35.0	40
Terminal Retrofit, Gooseberry Point ¹	4.6	26.1	118
Terminal Retrofit, Lummi Island ¹	7.4		
Uplands Improvements, Lummi Island	1.4	2.0	43
Lummi Terminal Electrification	7.8	8.0	3
Design and Preconstruction ²	4.0	14.0	252
Additional project costs ³	--	6.9	--
	50.3	92.0	83

¹ Costs were allocated differently in the two estimates, requiring combination of the two terminal retrofits for comparative purposes.

² These costs were allocated among the preceding five categories in 2022, but separated out and pooled in 2024.

³ Not enumerated in 2022, but in 2024 these included environmental mitigation, Lummi TERO, and operational impacts, including lost revenue.

Revisiting Level of Service (LOS)

- Whatcom County Council Resolution 2018-026

Design and construction of a 34 car vessel that will accommodate legal loads of vehicles.....

Design of a new vessel that will approach the goal of a carbon neutral vessel and provide flexibility for future electric conversion.

- In 2018, the Lummi Island community was actually quite divided on the issue of ferry size.
- Anticipated WCFAC resolution requesting that 2018-026 be amended to allow for a replacement ferry as small as a 20-vehicle vessel.

DRAFT

RESOLUTION NO. _____

**UPDATING THE APPROVED ACTION PLAN FOR THE ESTABLISHED
LEVEL OF SERVICE FOR THE LUMMI ISLAND FERRY SYSTEM**

WHEREAS, the **Whatcom County** Ferry Advisory Committee was established to review and provide recommendations on proposed changes to ferry operations and fares; and,

WHEREAS, the **Whatcom County** Advisory Committee was established to assist the county in collecting information from ferry riders on actual and desired ferry services, concerns, and ideas for improved service; and,

WHEREAS, the **Whatcom County** Ferry Advisory Committee was established to analyze and develop recommendations to continue and improve the cost-effective operation of ferry service to Lummi Island; and,

WHEREAS, the **Whatcom County** Ferry Advisory Committee was established to research, review, and make recommendations regarding ferry replacement, long-term planning, parking, transportation to and from ferry docks, alternative docking locations, alternative funding sources, and other major capital and operational issues regarding ferry service to Lummi Island; and,

WHEREAS, the Whatcom County Council asked the **prior** Lummi Island Ferry Advisory Committee to propose a Level of Service Ferry System Action Plan to meet the goals established with Resolution 2017-012; and,

WHEREAS, the Whatcom County Council approved a Level of Service Action Plan for the Lummi Island Ferry in Resolution 2018-026; and,

WHEREAS, ridership and demographic information available in 2024 indicate that the adopted Level of Service can be adequately met with a twenty vehicle ferry; and,

WHEREAS, Whatcom County continues to work with the Lummi Nation whose plans for the Gooseberry Point area have changed since Resolution 2018-026 was adopted; and,

WHEREAS, the Whatcom County Ferry Advisory Committee recommends that the Level of Service Action Plan for the Lummi Island Ferry be updated.

NOW, THEREFORE, BE IT RESOLVED the Whatcom County Council approves the **updated** Level of Service Action Plan for the Lummi Island Ferry Service as shown on the attachment hereto (Exhibit A).

Exhibit A

Updated Lummi Island Ferry Service Level of Service Action Plan

1. Vessel

A. Balancing capacity against operating costs (fuel, personnel, etc.) to ensure affordable fares over the long run, including needs-based fares, while optimizing vehicle demand, deck space and trip frequency to minimize wait times, the design and construction of ~~a 34-car~~ **20 car** vessel is added to the ~~2019-2024~~ Six-Year Transportation Improvement Program. The timing of the design and construction shall coincide with the next cycle of funding by the County Road Administration Board.

B. The design of the vessel shall accommodate all walk-on passengers during typical peak times, accommodate legal loads of vehicles per Washington State Commercial Vehicle Guide and comply with U.S. Coast Guard safety standards and the Americans with Disabilities Act.

C. To approach the goal of a carbon neutral vessel and provide flexibility for future electric conversion and reliability, the design of the vessel shall be a hybrid diesel-electric.

2. Terminals

A. Design and construction of the marine structure modifications to the Gooseberry Point terminal and Lummi Island terminal to accommodate the new vessel is added to the ~~2019-2024~~ Six-Year Transportation Improvement Program. The timing of the design and construction shall coincide with the next cycle of funding by the County Road Administration Board and the construction of the new vessel.

B. In addition to the modifications to accommodate a new vessel, improvements to the Lummi Island terminal shall include: reconfigure the queuing lanes, install ADA restrooms, and improve bicycle and pedestrian loading by locating the queuing area as close to the vessel as possible to reduce the time required to load onto the ferry.

C. Implement remote ferry queue monitoring.

D. Implement self-service ticketing.

E. Whatcom County will ~~initiate an intergovernmental agreement~~ **continue working with** the Lummi Nation to confirm the location of the Gooseberry Point Terminal ~~as shown on the 2015 Lummi Nation TIGER grant application~~. Upon the finalization of ~~the~~ **an intergovernmental** agreement Whatcom County Public Works shall initiate the environmental review and permitting process for the Gooseberry Point terminal relocation.

F. Construction of the new Gooseberry Point terminal relocation is to be accomplished prior to the end of the Uplands Lease Agreement with the Lummi Nation (October 2046). The design shall include dual lane loading and improve bicycle and pedestrian loading by locating the queuing area as close to the vessel as possible to reduce the time required to load onto the ferry.

G. Whatcom County shall coordinate the Gooseberry Point terminal relocation with the Lummi Nation's permitting, funding and construction of the future Fisherman's Cove Improvements.

H. As property becomes available, Whatcom County shall purchase lands adjacent and near the new location of the Gooseberry Point terminal. The property will be utilized for off-street queuing, parking, and passenger amenities.

I. All infrastructures shall be designed to accommodate the 100-year sea level rise prediction by NOAA.

3. Operations

A. A Whatcom County ferry district will be created to increase grant opportunities. This district shall be funded by a seasonal surcharge on single cash fares for the capitalization of future vessels.

B. The long-term improvements shall be phased over time to allow for a complete funding portfolio to leverage a variety of funding sources and mechanisms.

C. ~~Change the Whatcom County Comprehensive Plan policies regarding Ferry System service:~~ Public Works shall establish a performance metric to monitor service performance of the Lummi Island Ferry system. This will include a weeklong count at least every quarter in both sailing directions. This count will include percent capacity, on-time performance, and the number of vehicles left in the queue. The count shall be compared to the desired level of service of no more than two sailing waits during average weekday peak periods.

9/25/24 DRAFT ----- to be reviewed and public comment is invited ----- action on the proposed letter may be taken at the October WCFAC meeting, and would include a draft resolution for Council convenience.

Dear County Council and Executive Sidhu,

The Whatcom County Ferry Advisory Committee recommends that the Whatcom County Council adopt the attached draft resolution which updates Resolution 2018-026 establishing an action plan to obtain the adopted level of service for the Lummi Island ferry.

The amended Resolution would not change the level of service adopted by the former Lummi Island Ferry Advisory Committee, but would update the minimum size of the ferry from “a 34 car vessel” to “the design and construction of a 20 car or larger vessel.”

We recommend this change for the following four reasons

1. **New Data Available.** We have updated ridership projections using seven additional years of ridership data and 2020 and 2022 Census reports. Using the demand model and methodology that Kpff consultants used, the projections demonstrate that a 20 car vessel will be adequate to meet the adopted two-boat wait level of service in peak summer afternoons between 4 and 7 pm, accepting that one additional trip after 7 pm may be needed in the year 2060.
2. **Greater Service Flexibility.** Kpff established that the 20 car ferry that they modeled can make 8 trips in the 3 hour peak travel periods, versus only 6 trips for larger ferries. The faster trips by the 20 car ferry gives ferry managers more flexibility to adjust the number of trips to meet changing demand, and it reduces the time vehicles spend waiting for the next trip.
3. **More Cost-effective.** Since the 20 car ferry has almost 80% of the throughput of the 34 car ferry, even though much smaller, a 20 car hybrid diesel-electric ferry maximizes throughput for each dollar spent. It also may allow reduction in the cost of modifying the terminals.
4. **Climate-friendly.** A 20 vehicle versus a 34 vehicle ferry lessens the immediate and long term environmental costs.

Please see the addendum to this letter for the analysis supporting each of these reasons.

In conclusion the Whatcom County Ferry Advisory Committee recommends that the County Council update the minimum size of the ferry necessary to meet the adopted Level of Service in Resolution 2018-026.

Thank you for the efforts that you and staff are making to obtain a new ferry.

Sincerely,

Whatcom County Ferry Advisory Committee

Addendum: Background Analysis

The update to Resolution 2018-026 is needed for the following reasons:

1. **New Data Available.** Updating ridership projections using seven additional years of ridership counts and the results of the U.S. Census for 2020-2022: the minimum capacity to meet the adopted level of service is a 20 car ferry instead of a 34 car ferry; accepting that in 2060 one extra ferry trip after 7 pm would be required.
 - Methodology used to forecast future demand was found in the RAISE grant, Appendix A, report from consultants Steer Davies Gleave. When their methodology was applied using the seven additional years of ferry ridership data from the Public Works Department, the projected vehicle demand used to size the ferry was at least 7% lower.
 - The population growth rate that the Kpff consultant used indicates about a 5% increase in population per decade. However, the growth rate forecast for ferry ridership would equal about 9% per decade. This is true to past trends nationally of each household taking an increasing number of vehicle trips. However, the COVID pandemic greatly accelerated the adoption of distance work, and the U.S. census shows that between 2011 and 2022, workers living on the island reduced commuting, with the percentage of those working at home increasing from 25% to 40%. It is difficult post-COVID to predict increased trips per household, so the model used in 2017 by Steer Davies Gleave and Kpff may estimate too high of a peak period demand in future years.
2. **Greater Service Flexibility.** The 20 car ferry modeled by Kpff was able to make almost 3 trips per hour (8 trips in 3 hours); while the larger 28 and 34 vehicle ferries they modeled were limited to 2 trips per hour (6 trips in 3 hours).
 - The smaller ferry allows ferry managers more flexibility to adjust the number of trips, adding an additional trip only as demand indicates. Also, the Level of Service of no more than a two trip wait has a different impact if two trips take about 45 minutes versus a 30 minute wait for the next ferry. This also impacts the length of the queue on Haxton Way in non-peak periods.
 - When surveyed in 2018, those dependent upon the ferry were 41% in favor of a smaller than 34 car ferry, even though the difference in cost was presented as less than three million dollars and the number of vehicles that would experience more than a two trip wait were about double what is in the updated forecast.
3. **More Cost-Effective.** Since the 20 vehicle ferry has almost 80% of the throughput of

the 34 vehicle ferry (160 vehicles in 3 hours versus 204 vehicles in 3 hours), even though much smaller; a 20 car hybrid diesel-electric ferry maximizes vehicle throughput for each dollar spent.

- The cost of a 20 car ferry, using the ratio of the costs Kpff estimated in 2018 for the 20, 28, and 34 car ferries as cited in the RAISE grant Appendix A, would be about \$24 million instead of \$35 million.
 - Both the over \$18 million that Skagit County was granted by the State and the USDOT RAISE grant were based on the environmental advantages of a ferry that uses electricity. A traditional diesel only ferry would have to cost \$43 million less to be a less expensive alternative to a diesel-electric propulsion system.
- 1) **Climate-friendly.** A 20 vehicle versus a 34 vehicle ferry lessens the immediate and long term environmental costs, including materials necessary to build, the impact on the marine environment at the terminals, and the ongoing fuel consumption of diesel and electricity.



MEMORANDUM

TO: Whatcom County Council

THROUGH: Satpal Sidhu, Whatcom County Executive

FROM: Elizabeth Kosa, Public Works Director *EK*

DATE: October 16, 2024

RE: Unified Fee Schedule: Proposed Ferry Rate Changes

This memo provides background on the ferry fund, focusing on fare box revenues, describes the projected gap in fare box revenues, and presents the Executive’s recommendation for County Council’s consideration. In order to have a balanced budget proposal for the Ferry Fund in the 2025-2026 Biennial Budget, either fare box revenues need to be increased, operating expenses decreased, or alternative funding sources need to be identified.

Background: Ferry Fund – Operations

WCC 10.34.030 *Use of ferry user fee revenues*, requires that 55% of the “adjusted total operating costs”¹ (ATOC) for the ferry system are paid by fare box considered revenues and the remaining 45% of the ATOC paid for via a subsidy from County funds; the Road Fund currently provides that subsidy. The Council is updated annually on the ferry operating budget and in October 2022, the Council was notified of a projected shortfall in fare box considered revenues. At that time, the projected shortfall was about \$410,000; today the projected shortfall (see **TABLE 1**) is \$413,606 in 2025, increasing to \$968,975 by 2029 (average annual projected deficit of \$615,000).

TABLE 1: Projected Shortfall in Fare Box Revenues

	2024	2025	2026	2027	2028	2029
Total Projected Operating Costs	4,098,837	4,148,730	4,486,328	4,710,644	4,946,177	5,193,485
ATOC	3,710,114	3,755,647	4,093,245	4,306,240	4,530,111	4,765,409
55% of ATOC Fare Box Revenues must cover	2,040,563	2,065,606	2,251,285	2,368,432	2,491,561	2,620,975
Projected Fare Box Revenues	1,890,512	1,652,000	1,652,000	1,652,000	1,652,000	1,652,000
Projected Fare Box Surplus (Deficit)	(150,051)	(413,606)	(599,285)	(716,432)	(839,561)	(968,975)

¹ To calculate the 55% requirement, you first need to determine the “adjusted total operating costs” (ATOC). To calculate the ATOC you take the total operating expenses for the ferry system, and subtract out a portion of those expenses that are paid for from other revenues as outlined in WCC 10.34.005(G), This includes subtracting the following from the total operating expenses: (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(I); (5) Other miscellaneous income, such as immaterial amounts due to NSF checks; and (6) Actual NCER expenditures, up to \$150,000 in a calendar year. Put another way, the 55% requirement only applies to a portion of the total operating costs for the ferry system.

In addition to the annual projected deficit in fare box revenues, WCC 10.34 includes a “Ferry fund reserve target” that 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.” It is currently estimated that to meet this requirement there needs to be a reserve of fare box revenues of about \$3 million in 2034. When the ferry fund reserve is factored into consideration, the projected gap in ferry fare revenues increases. Any options to address this problem should consider solving both the annual operating deficit and creating an annual surplus in ferry fare revenues, in order to build up this reserve.

Since the discussions in 2022, there have been extensive conversations about the ongoing projected shortfall in fare box revenues, and the need to phase in fare increases (the funding gap is too large to correct in one fare increase). The first move to address this was done via an amendment to the WCC 10.34 *Ferry Rates* in April 2024; this amendment increased all fares by approximately \$1 per ride and was implemented through an Executive Order that went into effect June 1, 2024. (*See attachment A: Executive Order 2024-01.*) This fare increase was the first in 12 years and was not intended to fully solve the projected deficit, rather it was acknowledged at that time that this was the first of many fare increases that will be needed to address the projected deficit and build a reserve.

Ferry system expenses are projected to continue to increase annually, worsening the projected deficit over time. The ferry system has maintained a consistent level of service, not enhancing or expanding services, yet program expenses continue to climb as the result of high inflation and increases across a variety of expenses (i.e. salaries and benefits, dry dock expenses, rentals, insurance, maintenance needs, etc.). In addition, reductions in other revenues that support ferry operations are declining. Examples of increased costs and changes in revenues include:

- Increasing costs for maintenance and repair rates enacted through the County Equipment Rental and Revolving Fund (ER&R) (ER&R costs 2020 set at \$616k, in 2023 increased to \$970k). This is due to:
 - 2024 long and expensive dry dock repairs
 - Fuel costs increased
 - Repairs and maintenance costs rising on an older vessel
- Ferry Insurance almost doubled from \$50k to \$95k, and is anticipated to continue to increase significantly each year as the vessel ages
- Ridership is decreasing
- State/Federal revenue contributions have decreased

Policy Options

To address the projected deficit, three policy options are identified:

1. Reduce Expenses
2. Amend WCC 10.34.030 to reduce the amount of operating costs fare box revenues must cover, and to allocate other county sources (Road or general fund) to cover a higher percentage.
3. Increase fare box revenues

Option 1:

Current projections assume operating expenses will grow by 5% each year. Some goods and services, specifically ones outside our control, such as insurance and shipyard costs, have grown by more than 50% and continue to rise. Public Works will continue to evaluate service changes to reduce expenses, however, without implementing drastic changes to the level and quality of services, minor service adjustments would be insufficient at resolving the projected deficit and would not result in a legal balanced budget in the 2025-2026 budget. Therefore, Option 1 is not a viable option for this budget cycle.

Option 2:

Option 2 would require identifying new revenues to subsidize ferry users further (beyond the 45% subsidy the

County Road fund already provides). At this time there are no additional County resources available without requiring cuts to critical road, bridge, and drainage infrastructure services. Forming a countywide ferry district or transportation benefit district would help alleviate the road fund impact and could minimize future fare increases. In addition to supporting the operation, establishing a new revenue appears necessary to afford the large capital ferry replacement project. Capital alternatives are still being evaluated and the process and timeline needed to establish a new revenue is not achievable for this budget cycle but it will need to be addressed in the future. For these reasons, Option 2 is not a viable option within the current timeframe and was not analyzed further in this memo.

Although the year is not yet complete, initial receipts indicate the fare increases enacted in June 2024 have increased revenues by approximately 15% on a year-to-year basis. Even with that fare increase and the one-time Council allocation of \$358,000 in American Rescue Plan Act funds in May 2024, the projected 55% fare box considered revenue is anticipated to be short \$272,880 by the end of 2024, and without any fare increases the fare box considered revenue is projected to be short on average \$615,000 per year, over the next five years (see **TABLE 1** presented on pg.1).

Option 3:

Option 3- increasing fare box revenues has been identified as the most effective and feasible policy option for this budget cycle. After evaluating many variations of fare increases, the following four rate increase scenarios are presented (see **TABLE 2**).

Fare Box Increase Scenarios

- A. **No annual fare increases** - Scenario 1 is not a viable choice, because it conflicts with current code language requiring rates to be adjusted at a minimum for inflation on an annual basis, but is shown here to display what the situation would be if no action is taken.
- B. **Annual increase- inflation only (assumes 5% per year)** - Scenario 2 does not achieve the fiscal goals established by the County.
- C. **Remove punch cards and increase by 10% in 2025, 11% increase in 2026, 8% increase in 2027-2034** - Scenario 3, provides a positive fare box fund balance in the biennial budget timeframe and sufficiently contributes to the ferry reserve fund.
- D. **Keep punch cards and increase by 28% in 2025, 9% increase in 2026, 8% increase in 2027-2034** - Scenario 4 provides a positive fare box fund balance in the biennial budget timeframe and sufficiently contributes to the ferry reserve fund while maintaining multi-rider passes (punch cards).

TABLE 2 summarizes the projected deficit (surplus) for each fare box increase scenario.

TABLE 2: Farebox Fund Projections

Farebox Projections- Deficit (Surplus) in \$	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
A No annual fare increases	413,600	599,280	716,430	839,575	968,990	1,105,005	1,247,950	1,398,155	1,556,060	1,721,995
B Annual increase- 5% inflation No PC + 10% 2025, 11% 2026, 8% 2027-2034	336,985	454,190	499,290	546,865	596,970	649,715	705,155	763,565	825,055	889,680
C Increase all fares 28% 2025, 9% 2026, 8% 2027-2034	28,600	(9,845)	(71,280)	(140,800)	(219,395)	(307,780)	(406,945)	(517,935)	(641,905)	(780,230)
D	(7,920)	(8,855)	(72,490)	(144,650)	(226,105)	(317,900)	(420,970)	(536,415)	(665,445)	(809,380)

Note: Scenarios 3 & 4 meet the reserve target of \$3M by 2034

Executive Recommendation: Option 3D

Initially, Public Works proposed Option 3C as it is consistent with County code, resolves the budget shortfall within the budget timeframe, and demonstrates the system is not able to support discounting the rates for

80% of its customers. However, after significant public feedback, the importance of punch cards became more evident for the convenience they provide and the operational efficiencies generated. Therefore, the Executive's Office is recommending the Council approve Option 3D: **Increase all rates 28% in 2025, 9% in 2026 and 8% annually through 2034**². The reasons for recommending this policy option include:

1. Produces a balanced budget over the 2-year budget
2. Starts contributing to the ferry reserve fund
3. Avoids service impacts
4. Preserves punch cards

Table 3: Option 3D Proposed Unified Fee Schedule

Fare Class (does not include "free" ticket classes)	Proposed Final Price		2024 Applied Pricing	2025 Proposed Pricing	Per Ticket Rate Increase
	Ticket Price with Capital Surcharge	Ticket			
Passenger / Pedestrian					
Passenger/Pedestrian Cash*	\$ 10.00	Pedestrian	\$ 7.00	\$ 9.00	\$ 2.00
Passenger/Pedestrian Multiride	\$ 82.00	New	\$ 56.00	\$ 72.00	\$ 16.00
Passenger/Pedestrian Multiride	\$ 164.00	New	\$ 112.00	\$ 144.00	\$ 32.00
Needs Based Multiride (25->10)	\$ 36.00	Red	\$ 28.00	\$ 36.00	\$ 8.00
Vehicle / Driver					
Bicycle w/Rider	\$ 10.00	Bike	\$ 7.00	\$ 9.00	\$ 2.00
Motorcycle w/Driver	\$ 11.00	Motorcycle	\$ 8.00	\$ 10.00	\$ 2.00
Motorcycle w/Driver Multiride	\$ 90.00	New	\$ 64.00	\$ 80.00	\$ 16.00
Vehicle < 11k W/Driver Cash	\$ 19.00	Vehicle	\$ 14.00	\$ 18.00	\$ 4.00
Vehicle < 11k W/Driver Multiride	\$ 154.00	Drk Blue	\$ 112.00	\$ 144.00	\$ 32.00
Vehicle < 11k W/Driver Multiride	\$ 308.00	New	\$ 224.00	\$ 288.00	\$ 64.00
Needs Based Vehicle W/Driver	\$ 72.00	Gold	\$ 56.00	\$ 72.00	\$ 16.00
Vehicle/Driver - small truck < 20,000	\$ 55.00	Small Truck	\$ 42.00	\$ 54.00	\$ 12.00
Vehicle - small truck Multiride	\$ 550.00	Grey	\$ 420.00	\$ 540.00	\$ 120.00
Vehicle/Driver - med truck < 36,000	\$ 126.00	Med Truck	\$ 98.00	\$ 125.00	\$ 27.00
Vehicle - med truck Multiride	\$ 1,260.00	Salmon	\$ 980.00	\$ 1,250.00	\$ 270.00
Vehicle/Driver - large truck < 50,000	\$ 243.00	Large Truck	\$ 189.00	\$ 242.00	\$ 53.00
Vehicle - large truck Multiride	\$ 2,430.00	Purple	\$ 1,890.00	\$ 2,420.00	\$ 530.00
Trailer					
Trailer < 16 feet	\$ 28.00	TRL <16ft	\$ 21.00	\$ 27.00	\$ 6.00
Trailer < 16 feet Multiride	\$ 140.00	New	\$ 105.00	\$ 135.00	\$ 30.00
Trailer 16-30 feet	\$ 52.00	TRL 16-30ft	\$ 40.00	\$ 51.00	\$ 11.00
Trailer 16-30 feet Multiride	\$ 260.00	New	\$ 200.00	\$ 255.00	\$ 55.00
Trailer > 30 feet	\$ 96.00	TRL >30ft	\$ 74.00	\$ 95.00	\$ 21.00
Special Trips after boat shut-down	\$ 807.00	After Hours	\$ 630.00	\$ 806.00	\$ 176.00

Note: Please be aware that due to our system processing dollar amounts are rounded up to nearest whole dollar amount and therefore some may not be exactly a 28% increase.

² This is based on current projections, however, conditions may change and other work to consider service changes and ticketing efficiencies overtime, or new sources of revenues, could mitigate the annual increases in the future.

Service Reductions

We are in the process of evaluating options for changing the current level of service. Service reductions could entail shortening the sailing time from 20 hours a day to a total of 18 hours (2- 9hr shifts), 16 hours (2- 8hr shifts) or 10 hours (1-10hr shift) per day. We are also considering different schedules for summer/winter and weekdays/weekends, like most other ferry systems. However, reducing the sailing schedule too much does affect the system's ability to generate revenue. In addition, changing the hours and/or wages of Ferry employees requires renegotiating our collective bargaining agreements, which expire in December of 2025, with typical negotiations lasting upwards of 6 months. Due to the timing of the budget and unified fee schedule update, we do not anticipate there being sufficient time to implement service changes in 2025. Service reduction strategies are continuing to be analyzed and may be feasible for implementation in 2026, however, due to these constraints, changing the existing level of service is not proposed at this time.

Future Services

Implementing an electronic ticketing system is an operational improvement we are considering and plan to determine whether there is a positive return on investment. Enhancing our technology resources could help ensure better collection accuracy, provide convenience, and mitigate operational issues. At this time, we are in the early stages of evaluating the available software and hardware products needed for electronic ticketing, gathering information from other ferry operators, and assessing costs and their effectiveness.

ANNOTATED Table 3: Option 3D Proposed Unified Fee Schedule

Fare Class (does not include "free" ticket classes)	round trips	Proposed Ticket Price with Capital Surcharge	Per Ticket Increase over current	% increase over current
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Passenger / Pedestrian

Passenger/Pedestrian Cash*	1	\$ 10.00	\$ 2.00	25%
Passenger/Pedestrian Multiride	10	\$ 82.00	\$ 16.00	24%
Passenger/Pedestrian Multiride	20	\$ 164.00	\$ 32.00	24%
Needs Based Multiride (25->10)	10	\$ 36.00	\$ 8.00	29%

Vehicle / Driver

Bicycle w/Rider	1	\$ 10.00	\$ 2.00	25%
Motorcycle w/Driver	1	\$ 11.00	\$ 2.00	22%
Motorcycle w/Driver Multiride	10	\$ 90.00	\$ 16.00	22%
Vehicle < 11k W/Driver Cash	1	\$ 19.00	\$ 4.00	27%
Vehicle < 11k W/Driver Multiride	10	\$ 154.00	\$ 32.00	26%
Vehicle < 11k W/Driver Multiride	20	\$ 308.00	\$ 64.00	26%
Needs Based Vehicle W/Driver	10	\$ 72.00	\$ 16.00	29%
Vehicle/Driver - small truck <20,000	1	\$ 55.00	\$ 12.00	28%
Vehicle - small truck Multiride	10	\$ 550.00	\$ 120.00	28%
Vehicle/Driver - med truck <36,000	1	\$ 126.00	\$ 27.00	27%
Vehicle - med truck Multiride	10	\$ 1,260.00	\$ 270.00	27%
Vehicle/Driver - large truck < 50,000	1	\$ 243.00	\$ 53.00	28%
Vehicle - large truck Multiride	10	\$ 2,430.00	\$ 530.00	28%

Trailer

Trailer < 16 feet	1	\$ 28.00	\$ 6.00	27%
Trailer < 16 feet Multiride	5	\$ 140.00	\$ 30.00	27%
Trailer 16-30 feet	1	\$ 52.00	\$ 11.00	27%
Trailer 16-30 feet Multiride	5	\$ 260.00	\$ 55.00	27%
Trailer > 30 feet	1	\$ 96.00	\$ 21.00	28%

Special Trips after boat shut- down	1	\$ 807.00	\$ 177.00	28%
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A counter suggestion is that properties on the island pay for a transportation district, with use of the ferry charged by ticket prices. Property value is dependent on the ferry. This is similar to the charge for the utility of electricity, where there is a base charge to have access to it; plus separately paying for the amount used.

DHarper 10-23-24 file: exec10-21proposal per trip

Before June 2024, some tickets were 25 trips, so only per trip price directly comparable.

25 trip, not 20 trip

Price per Round Trip				% increase in 7 months	In 2023 % of all trips purchased
May 2024 price per round trip	Current price per round trip	Proposed price per round trip	Proposed Increase since May		

\$ 8.00	\$ 8.00	\$ 10.00	\$ 2.00	25%	13%
\$ 4.52	\$ 6.60	\$ 8.20	\$ 3.68	81%	0%
\$ 4.52	\$ 6.60	\$ 8.20	\$ 3.68	81%	17%
\$ 2.80	\$ 2.80	\$ 3.60	\$ 0.80	29%	1%

\$ 8.00	\$ 8.00	\$ 10.00	\$ 2.00	25%	1%
\$ 9.00	\$ 9.00	\$ 11.00	\$ 2.00	22%	<1%
\$ 6.60	\$ 7.40	\$ 9.00	\$ 2.40	36%	<1%
\$ 14.00	\$ 15.00	\$ 19.00	\$ 5.00	36%	18%
\$ 11.20	\$ 12.20	\$ 15.40	\$ 4.20	38%	1%
\$ 9.40	\$ 12.20	\$ 15.40	\$ 6.00	64%	43%
\$ 5.20	\$ 5.60	\$ 7.20	\$ 2.00	38%	4%
\$ 33.00	\$ 43.00	\$ 55.00	\$ 22.00	67%	<1%
\$ 28.20	\$ 43.00	\$ 55.00	\$ 26.80	95%	<1%
\$ 76.00	\$ 99.00	\$ 126.00	\$ 50.00	66%	<1%
\$ 64.80	\$ 99.00	\$ 126.00	\$ 61.20	94%	<1%
\$ 146.00	\$ 190.00	\$ 243.00	\$ 97.00	66%	<1%
\$ 124.30	\$ 190.00	\$ 243.00	\$ 118.70	95%	<1%

\$ 21.00	\$ 22.00	\$ 28.00	\$ 7.00	33%	<1%
\$ 21.00	\$ 22.00	\$ 28.00	\$ 7.00	33%	0%
\$ 39.00	\$ 41.00	\$ 52.00	\$ 13.00	33%	<1%
\$ 39.00	\$ 41.00	\$ 52.00	\$ 13.00	33%	0%
\$ 71.00	\$ 75.00	\$ 96.00	\$ 25.00	35%	<1%

\$ 601.00	\$ 630.00	\$ 807.00	\$ 206.00	34%	
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Change from May 2024 to January 2025	2025 Cost/trip	Increase	% increase
car/driver multi-trip ticket:	\$ 15.40	\$ 6.00	64%
multi-trip car/driver with passenger:	\$ 23.60	\$ 9.68	70%
single trip tickets car/driver with passenger:	\$ 29.00	\$ 7.00	32%
multi-trip needs based car/driver with passenger	\$ 10.80	\$ 2.80	35%