



**SKAGIT COUNTY
PUBLIC WORKS DEPARTMENT
Ferry Operations Division**

**Guemes Island Ferry Fare Revenue Target Report
January 1, 2009 through December 31, 2009**

DRAFT



September 2010

**Guemes Island Ferry
Ferry Fare Revenue Target Report**
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The following draft report is prepared for submittal to the Skagit County Board of Commissioners prior to September 30th, 2010, pursuant to Skagit County Resolution R#20100050, which established the Guemes Island Ferry Ticket Fare Methodology. This report is the first such evaluation conducted since the enabling resolution was adopted on February 16th, 2010.

Beginning January 1, 2010, counties that operate ferries will be required to submit annual reports to the Washington State Department of Transportation (WSDOT) on a calendar-year basis instead of the State fiscal year ending June 30th, 2010. The Skagit County Public Works Department has reviewed the impact of this change in the WSDOT reporting timeline and has implemented Resolution R#20100050.

The Ferry Fare Revenue Target Methodology provided for in Attachment “B” of Resolution R#20100050 is to utilize data from January 1st to December 31st of each evaluation period. The Ferry Fare Revenue Target is to be calculated as follows:

“The five (5) calendar year average of ferry operating and maintenance costs as computed in the prior annual deficit reimbursement reports submitted to the State. For purposes of this resolution, capital expenditures are not included in the ferry operating and maintenance costs and shall be defined as all capital expenditures defined in WAC 136-400-030 and other capital costs including financing and depreciation expenses applied to the replacement, expansion, or creation of ferry system physical elements, less the five (5) year average of the State Motor Vehicle Fuel Tax received by the County for operation and maintenance of the ferry system, less the five (5) year average of the State Ferry Deficit Reimbursement received by the County, the total of the above multiplied by 65%”.

TABLE 1 - REVENUE TARGET CALCULATION YEARS 2010						
FARE REVENUE TARGET METHODOLOGY: #R20080018						
Fiscal Year	2005	2006	2007	2008	2009	5 Year Ave
Operation & Maintenance Expenditure	\$2,061,013	\$1,614,877	\$1,770,599	\$2,105,750	\$1,699,309	\$1,850,310
Attributable State Motor Vehicle Fuel Tax	(\$95,468)	(\$106,309)	(\$131,625)	(\$132,236)	(\$125,527)	(\$118,233)
WSDOT Ferry Deficit Reimbursement Payment	(\$264,291)	(\$289,739)	(\$150,419)	(\$211,328)	(\$74,164)	(\$197,988)
Subtotal	\$1,701,253	\$1,218,829	\$1,488,555	\$1,762,186	\$1,499,618	\$1,534,089
Fare Recovery Requirement						65%
2010 Ferry Fare Revenue Target						\$997,158

Table 1 re-states the revenue target for 2010 based upon the calendar year versus the state fiscal year as the preceding 2009 ferry fare revenue target report indicates.

Table 2 shows the 2011 revenue target, using projected totals for 2010. It is important to note that the projected 2010 expenditures in this table are based on the 2010 projected budget as of June 30th, 2010, rather than on a five (5) year calendar average. The state motor vehicle fuel tax and WSDOT ferry deficit reimbursement payment is based on the five (5) year calendar average.

TABLE 2 - REVENUE TARGET CALCULATION YEARS 2011						
FARE REVENUE TARGET METHODOLOGY: #R20080018						
Fiscal Year	2006	2007	2008	2009	2010 Projected	5 Year Avg
Operation & Maintenance Expenditure	\$1,614,877	\$1,770,599	\$2,105,750	\$1,699,309	\$1,684,762	\$1,775,059
Attributable State Motor Vehicle Fuel Tax	(\$106,309)	(\$131,625)	(\$132,236)	(\$125,527)	(\$118,233)	(\$122,786)
WSDOT Ferry Deficit Reimbursement Payment	(\$289,739)	(\$150,419)	(\$211,328)	(\$74,164)	(\$197,988)	(\$184,728)
Subtotal	\$1,218,829	\$1,488,555.49	\$1,762,186	\$1,499,618	\$1,368,541	\$1,467,546
Fare Recovery Requirement						65%
2011 Ferry Fare Revenue Target						\$953,905

As indicated in Table 3, the projected "Fare Box" Revenue for the calendar year ending December 31st, 2010 was \$851,425, a decrease of nearly \$37,000.00 from the previous calendar year's fare box revenue of \$888,285. 2011 projections reflect anticipated lost revenue due to the ferry being out of service for approximately 60 days due to dock rehabilitation work, during which time all vehicle fares will be eliminated.

TABLE 3 - FARE BOX REVENUE 2005-2011	
2005	\$ 476,491
2006	\$ 788,509
2007	\$ 781,028
2008	\$ 827,225
2009	\$ 888,286
2010 Budgeted	\$ 851,425
2011 Projected	\$ 790,658

Summarized in Table 4 is the shortfall from revenue target that occurred from 2005 to 2009 assuming a ferry fare revenue target of 65%. The 2010 projected deficit reimbursement / motor vehicle fuel tax is estimated as the five (5) year calendar average from 2005-2009.

TABLE 4 - SUMMARY REVENUE TARGET						
	2005	2006	2007	2008	2009	2010 Projected
Expenses	\$2,061,013	\$1,614,877	\$1,770,599	\$2,105,750	\$1,699,309	\$1,850,310
Deficit Reimb/MVFT	(\$359,759)	(\$396,048)	(\$282,044)	(\$343,564)	(\$199,691)	(\$316,221)
Subtotal	\$1,701,254	\$1,218,829	\$1,488,555	\$1,762,186	\$1,499,618	\$1,534,089
Fare Recovery Requirement	65%	65%	65%	65%	65%	65%
Ferry Fare Revenue Target	\$1,105,815	\$792,239	\$967,561	\$1,145,421	\$974,752	\$997,158
Fare Box Revenue	\$476,491	\$788,509	\$781,028	\$827,225	\$888,286	\$851,425
Shortfall From Rev Target	\$629,324	\$3,730	\$186,533	\$318,196	\$86,466	\$145,733

Table 5 illustrates the amount of Road Fund dollars used to support the operation of the Guemes Island Ferry for the period of 2005-2009, and projected for 2010. As shown, the Road Fund will have spent over \$4,000,000 for ferry operations by the end of 2010.

TABLE 5 - ROAD FUND SUBSIDY							
	2005	2006	2007	2008	2009	5-Year Total	2010 Projected
Expenses	\$2,061,013	\$1,614,877	\$1,770,599	\$2,105,750	\$1,699,309	\$9,251,548	\$1,850,310
Deficit Reimb/MVFT	(\$359,759)	(\$396,048)	(\$282,044)	(\$343,564)	(\$199,691)	(\$1,581,106)	(\$316,221)
Fare Box Revenue	(\$476,491)	(\$788,509)	(\$781,028)	(\$827,225)	(\$888,286)	(\$3,761,536)	(\$851,425)
Road Fund Subsidy	\$1,224,763	\$430,320	\$707,527	\$934,961	\$611,333	\$3,908,907	\$682,664

Table 6 shows projections for 2011. The projected fare box revenue is \$163,247 less than the target, and based on the submitted 2011 budget, the Road Fund subsidy will be \$822,078.

TABLE 6 - 2011 PROJECTIONS	
	2011 Projected
2011 Ferry Fare Revenue Target	\$ 953,905
2011 Projected Fare Box Revenue	\$ 790,658
Projected Shortfall	\$ 163,247
Requested 2011 Operational Budget	\$ 1,612,736
2011 Projected Fare Box Revenue	\$ 790,658
Projected Road Fund Subsidy	\$ 822,078

Summary:

2009 was a relatively normal year for ferry ridership, as is 2010 to date.

Actual ferry revenues did not meet the revenue target for 2009 by \$86,466.

Projected 2010 fare revenue is anticipated to be \$851,425. The revenue target for 2010 is \$997,158, which implies a projected shortfall of approximately \$145,000 when calculated using the five (5) year calendar average of expenses, deficit reimbursement, and motor vehicle fuel tax.

The requested operational budget for 2011 is \$1,612,736.

The revenue target for 2011 is \$953,905 and the projected revenue for 2011 is \$790,658, indicating a projected shortfall of approximately \$163,247. It is important to note that this revenue target is based on the five (5) year calendar average of expenses, deficit reimbursement, and motor vehicle tax figures with the exception of the 2010 projected expenditures, which are estimated based on the 2010 projected budget as of June 30th, 2010.

The Public Works Department continues to review additional cost control measures that would streamline the ferry operation while continuing to provide safe, reliable, and efficient service.

Recommendations:

As per Attachment "A" of Resolution 20100050, Public Works is expected to report annually to the Board during the month of September regarding Guemes Island Ferry operations. This report is to be included in the annual report. The Public Works Department recommends adjusting the requirements for evaluation of this report and presentation to the Board of County Commissioners until April of the year following the evaluation period. This will provide adequate time for one (1) full calendar year's worth of data to be compiled prior to making fare recommendations. Fare increases could then be implemented September 11th of each calendar year. This change in reporting requirements would assist the department in eliminating projected revenues and operating costs, and allow us to utilize the actual revenues, expenses, and deficit reimbursement and motor vehicle fuel tax figures. Public Works is confident that should this report include one (1) full calendar year's reporting cycle, it will present a more accurate picture of the revenue target and the effects of cost control measures implemented during the year prior. With this in mind, Public Works is not recommending a fare increase to take effect January 1st, 2011.