

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

Draft 2019 Ferry Fare Revenue Target Report  
Rev. A. 15APR2019



DRAFT - REV. A

The following report is prepared annually for submittal to the Board of Skagit County Commissioners pursuant to R20100050, amended by Resolution R20110382, which establishes the Guemes Island Ferry fare revenue target methodology.

The resolution, at Attachment “B”, states that, “It is the desire of the Board that the County’s ferry fare revenue target be calculated as a percentage of the overall system operating and maintenance costs as computed in the annual deficit reimbursement report provided to the state less revenues from the motor vehicle fuel tax and state ferry deficit reimbursement. In order to balance and mitigate potential large variations in year-to-year maintenance costs and revenues from the motor vehicle fuel tax and state deficit reimbursement, these costs and revenues will be averaged over the previous five county calendar fiscal year periods.”

The ferry fare revenue target shall be calculated, using data from January 1 through December 31 of each calendar year, 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 states the ferry fare revenue target utilizing figures from 2014 through 2018.

<b>TABLE 1: 2018 REVENUE TARGET CALCULATION</b>						
FARE REVENUE TARGET METHODOLOGY: R20100050, amended by R20110382						
Fiscal Year	2014	2015	2016	2017	2018	5-Year Ave
Operation & Maintenance Expenditures	\$2,504,800	\$2,623,854	\$1,942,226	\$2,863,906	\$1,995,242	\$2,386,006
Attributable State Motor Vehicle Fuel Tax (MVFT)	(\$138,592)	(\$138,411)	(\$149,293)	(\$168,399)	(\$84,683)	(\$135,876)
WSDOT Ferry Deficit Reimbursement Payment	(\$118,156)	(\$349,260)	(\$215,862)	(\$159,051)	(\$390,074)	(\$246,481)
Adjusted O&M Expenditure	\$2,248,052	\$2,136,183	\$1,577,071	\$2,536,456	\$1,520,485	\$2,003,649
<b>Fare Recovery Requirement</b>						65%
<b>2019 Ferry Fare Revenue Target</b>						\$1,302,372

In 2014, 2015 and 2017 expenditures increased due to major mid-life maintenance performed during the annual haul-out each of those years. There was no haul-out and maintenance period in 2013, 2016 or 2018.

Table 2 shows the 2018 fare box revenue and the shortfall from the revenue target that occurred utilizing the current fare recovery methodology. The 2018 fare box revenue fell short of the revenue target by \$50,080.

<b>TABLE 2: 2018 REVENUE TARGET</b>	
Ferry Fare Revenue Target	\$ 1,282,491
Fare Box Revenue	\$ 1,232,411
Surplus/(Shortfall) From Revenue Target	<b>\$ (50,080)</b>

Summarized in Table 3 is the total road fund subsidy for 2018. The road fund subsidy is calculated utilizing 2018 O&M expenditures, less the motor vehicle fuel tax (MVFT), less the WSDOT deficit reimbursement, less the fare box revenue. The total road fund subsidy for 2018 was \$288,074.

<b>TABLE 3: 2018 ROAD FUND SUBSIDY</b>	
O&M Expenditures	\$ 1,995,242
WSDOT Deficit Reimbursement	\$ (390,074)
Motor Vehicle Fuel Tax (MVFT)	\$ (84,683)
Subtotal (Adjusted O&M Expenditures)	\$ 1,520,485
Fare Box Revenue	\$ (1,232,411)
Road Fund Subsidy	\$ 288,074

Table 4 shows the fare box revenue for the years 2014 through 2018.

<b>TABLE 4: FARE BOX REVENUE 2014 - 2018</b>	
2014	\$ 915,871
2015	\$ 1,006,793
2016	\$ 1,189,654
2017	\$ 1,160,205
2018	\$ 1,232,411

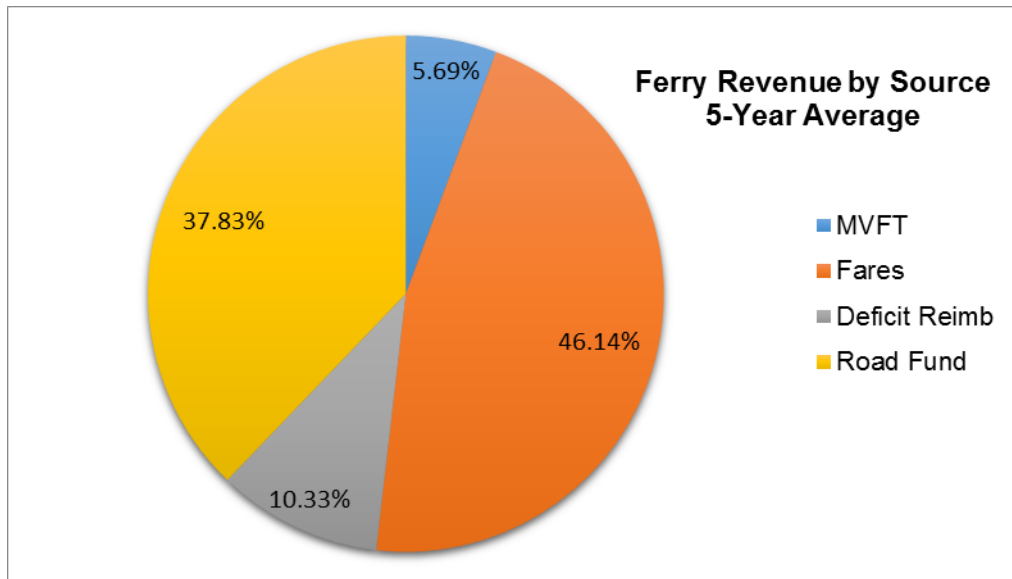
The last general fare increase was October 1, 2015. Prior to that, the most recent fare increase was June 1, 2011.

Table 5 contains total revenue and the road fund subsidy for the years 2014 through 2018. Revenue sources include fares, the state motor vehicle fuel tax, and the WSDOT ferry deficit reimbursement.

<b>TABLE 5: TOTAL REVENUE 2014 - 2018</b>						
	2014	2015	2016	2017	2018	5-Year Average
Fares	\$ 915,871	\$ 1,006,793	\$ 1,189,654	\$ 1,160,205	\$ 1,232,411	\$ 1,100,987
MVFT	\$ 138,592	\$ 138,411	\$ 149,293	\$ 168,399	\$ 84,683	\$ 135,876
WSDOT Deficit Reimbursement	\$ 118,156	\$ 349,260	\$ 215,862	\$ 159,051	\$ 390,074	\$ 246,481
Road Fund	\$ 1,332,181	\$ 1,129,390	\$ 387,417	\$ 1,376,251	\$ 288,074	\$ 921,400
Total	\$ 2,504,800	\$ 2,623,854	\$ 1,942,226	\$ 2,863,906	\$ 1,995,242	\$ 2, <del>838</del> 6,006

The road fund subsidy for 2014, 2015 and 2017 was significantly higher due to haul-out costs. Increased maintenance expenditures resulted from major mid-life projects such as piping, engine foundation and hull and car deck plate replacements that were completed during the shipyard periods.

As shown in the chart below, over a five-year average (2014-2018), fare box revenue, motor vehicle fuel tax and the WSDOT ferry deficit reimbursement collectively contributed an average of 62% of total revenue, while the road fund contributed 38%.



There is a 65% recovery requirement, per Resolution R20100050, amended by R20110382. The current 65% methodology states that fare box revenue must equal 65% of the five-year average of the adjusted O&M expenditures (refer to Table 1, page 1).

The following chart shows total revenue, by source, for 2018. As shown below, in 2018, fare box revenue, motor vehicle fuel tax and the deficit reimbursement collectively contributed 86% of total revenue, while the road fund contributed 14%.

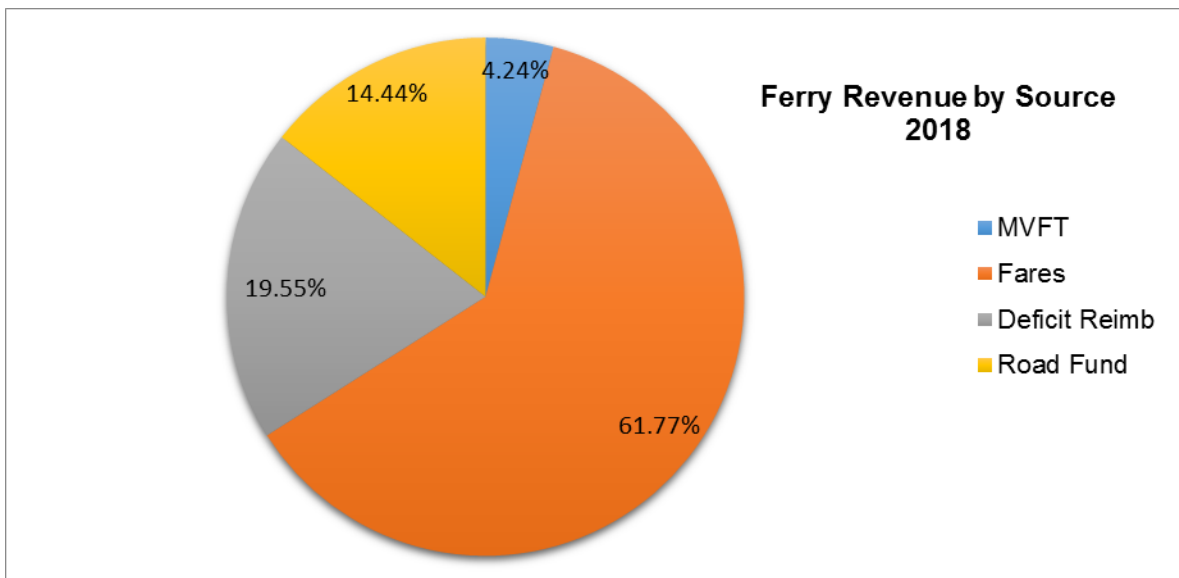
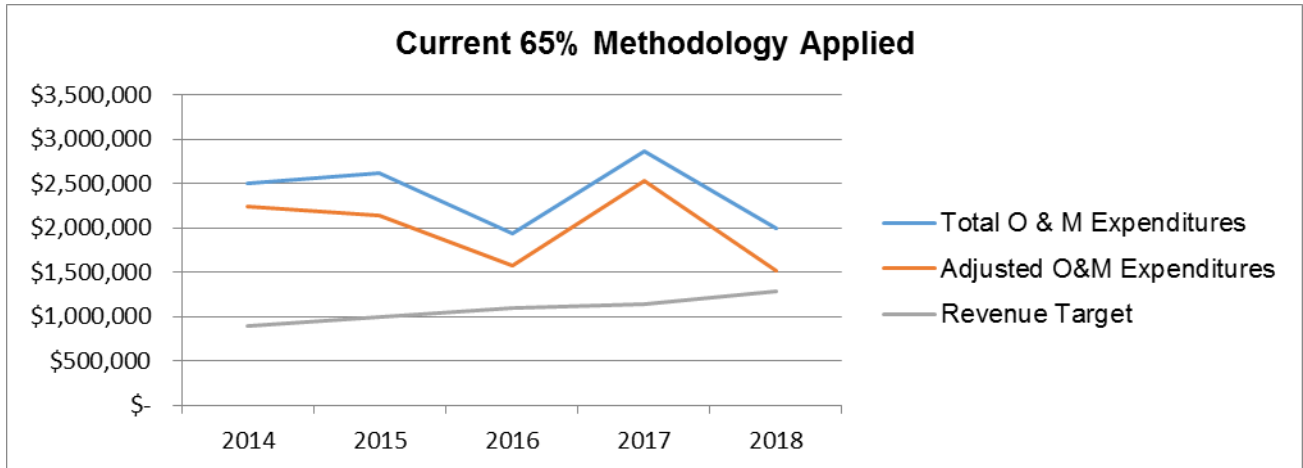


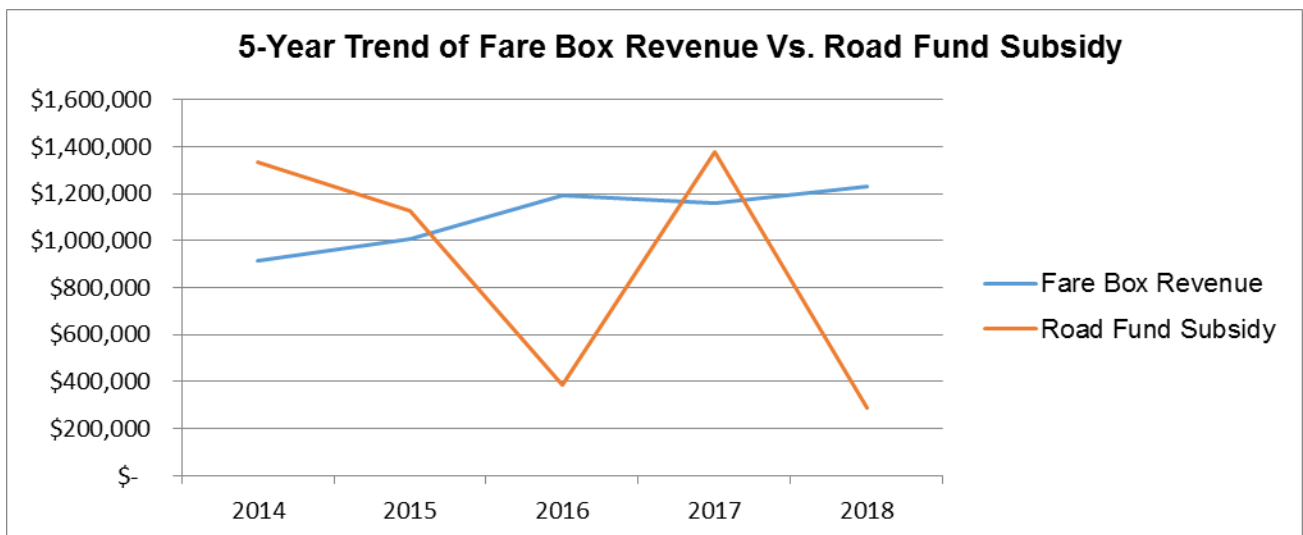
Table 6 shows the total O&M expenditures and the adjusted O&M Expenditures from 2014 through 2018. The adjusted O&M Expenditures represent total O&M expenditures, less MVFT, less the WSDOT deficit reimbursement. The five-year average of the adjusted O&M expenditures is multiplied by 65% to determine the revenue target.

	2014	2015	2016	2017	2018	5-Year Avg.
Total O & M Exp.	\$ 2,504,800	\$ 2,623,854	\$ 1,942,226	\$ 2,863,906	\$ 1,995,242	\$ 2,386,006
Adjusted O&M Exp.	\$ 2,248,052	\$ 2,136,183	\$ 1,577,071	\$ 2,536,456	\$ 1,520,485	\$ 2,003,649
Revenue Target	\$ 899,491	\$ 996,788	\$ 1,095,557	\$ 1,144,694	\$ 1,282,491	\$ 1,083,279



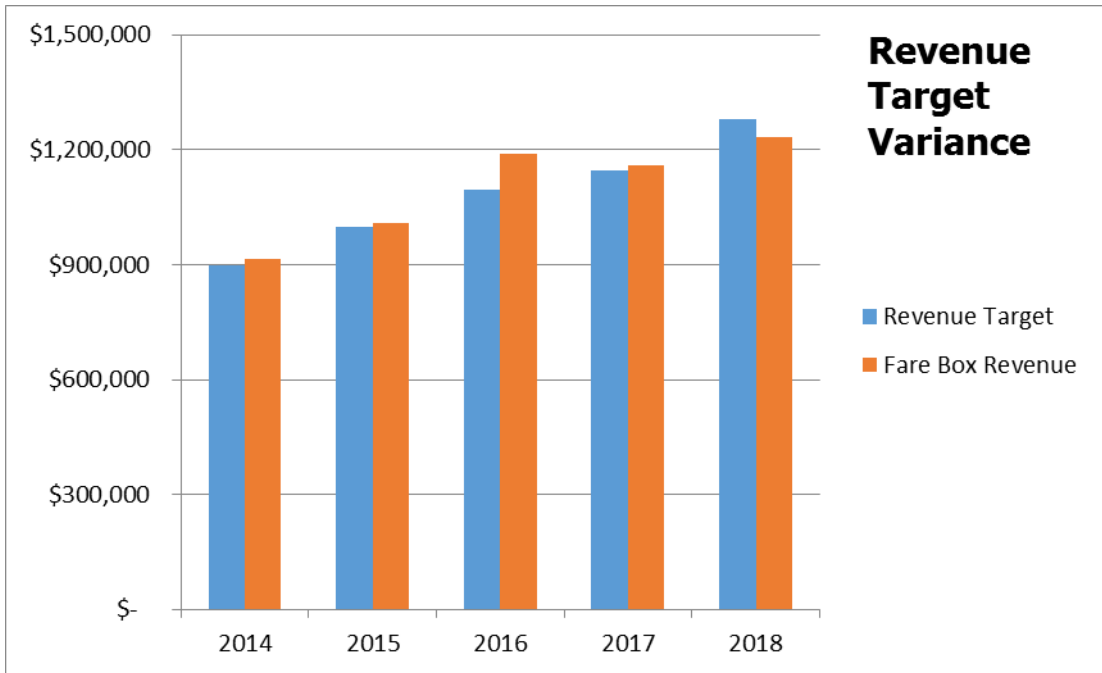
The current, five-year average methodology allows the revenue target to remain relatively stable regardless of whether O&M expenditures increase or decrease in any given year. Therefore, years with higher O&M expenditures result in increased subsidy from the road fund.

	2014	2015	2016	2017	2018
Fare Box Revenue	\$ 915,871	\$ 1,006,793	\$ 1,189,654	\$ 1,160,205	\$ 1,232,411
Road Fund Subsidy	\$ 1,332,181	\$ 1,129,390	\$ 387,417	\$ 1,376,251	\$ 288,074



As shown in Table 8, between 2014 and 2017, fare box revenue exceeded the revenue target by as much as \$94,097 in 2016. In fact, the shortfall in 2018 represents the first time annual fare box revenue has not met the revenue since 2012.

	2014	2015	2016	2017	2018
Revenue Target	\$ 899,491	\$ 996,788	\$ 1,095,557	\$ 1,144,694	\$ 1,282,491
Fare Box Revenue	\$ 915,871	\$ 1,006,793	\$ 1,189,654	\$ 1,160,205	\$ 1,232,411
Variance	\$ 16,380	\$ 10,005	\$ 94,097	\$ 15,511	\$ (50,080)



On June 18, 2018, the Board of Skagit County Commissioners passed Resolution R20180123, establishing a vessel replacement surcharge. The surcharge, imposed on every fare sold, was effective August 1, 2018. Table 9 shows the surcharge revenue from August 1 through December 31, 2018, and projected surcharge revenue for 2019.

2018 Actual	\$ 95,137.00
2019 Projected	\$ 225,000.00

In accordance with RCW 36.54.200, resulting revenue can only be used for the construction or purchase of ferry vessels, and to pay the principal and interest on bond authorized for the construction or purchase of ferry vessels. This revenue is accounted for separately and is not included in the fare box revenue figures included in this report.

**Summary:**

The year 2018 was a fairly typical year for ferry operations, with the exception that there was no scheduled haul-out. In spite of several unanticipated maintenance outages, operations and maintenance (O&M) expenditures were under budget by 24%.

2018 Budget	\$ 2,602,702
<u>2018 O&amp;M Expenditures</u>	<u>\$ 1,995,242</u>
Difference	\$ 607,460

Fare box revenue fell short of the revenue target by \$50,080.

2018 Revenue Target	\$ 1,282,491
<u>2018 Fare Box Revenue</u>	<u>\$ 1,232,411</u>
Shortfall	\$ (50,080)

On June 18, 2018, the Board of Skagit County Commissioners approved a resolution, R20180123, establishing a vessel replacement surcharge effective August 1, 2018. Surcharge revenue in 2018 was \$95,137. Public Works estimates that in 2019, the vessel replacement surcharge will generate approximately \$225,000.

During the evaluation period of this report (2014 through 2018), expenditures ranged between \$1.9 and \$2.9 million. Expenditures are consistently \$500,000 to \$1 million higher in years with haul-outs.

Despite variations in expenditures from year to year, the revenue target has remained relatively stable over the five-year evaluation period. The reason for this stability is the utilization of a five-year average when calculating the revenue target.

The road fund subsidy has ranged between \$288,000 and \$1.4 million; this is due to variations from year to year in expenditures and the relative stability of the revenue target. When the expenditures increased to over \$2.5 million in 2014, 2015 and 2017, the road fund subsidy was over \$1 million each year. In contrast, in 2016 and 2018, expenditures were \$1.9 million, and the road fund subsidy was less than \$500,000 each year.

Budgeted expenditures for 2019 are \$2,891,369 (or 10% over 2018 budgeted expenditures). As in 2018, there will be a haul-out in 2019.

The 2019 fare box revenue is not projected to meet the revenue target. However, it is too early to tell if the projected shortfall will be accurate.

2019 Fare Revenue Target	\$ 1,302,372
<u>2019 Budgeted Fare Box Revenue</u>	<u>\$ 1,150,000</u>
Projected Shortfall	\$ (152,372)

**Public Outreach:**

According to Resolution R20100050, amended by R20110382, Public Works is to, "Report annually to the Board during the month of April regarding the Guemes Island Ferry Fare Revenue Target Report and include fare recommendations."

This draft report will be available at [www.skagitcounty.net/ferry](http://www.skagitcounty.net/ferry) from Wednesday, April 10, through Wednesday, April 17. A public comment period will be open for the same dates, with written

comments due by 4:00 p.m. Wednesday, April 17. Comments can be submitted via mail or email to Rachel Rowe, Ferry Operations Division Manager.

Email: [rrowe@co.skagit.wa.us](mailto:rrowe@co.skagit.wa.us)

Mail: Rachel Rowe, Ferry Operations Division Manager  
C/O Skagit County Public Works  
1800 Continental Place  
Mount Vernon, WA 98273

Public Works will meet with the Guemes Island Ferry Committee to discuss the Draft 2019 Ferry Fare Revenue Target Report.

When: 2:00 p.m. Tuesday, April 16, 2019

Where: Anacortes library conference room (lobby) - 1220 10th St, Anacortes, WA.

Public Works will present the final 2019 Ferry Fare Revenue Target Report will be presented to the Board of Skagit County Commissioners.

When: 8:30 a.m. Tuesday, April 23, 2019

Where: Commissioners' Hearing Room, 1800 Continental Place, Mount Vernon, WA.

The public is welcome to attend both sessions.



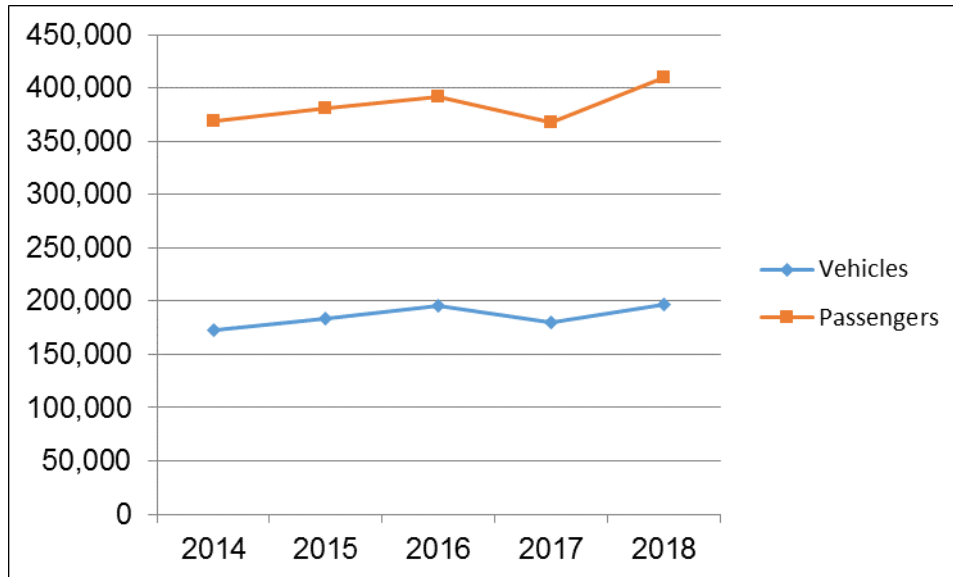
**APPENDIX A**

**RIDERSHIP & REVENUE STATISTICS**

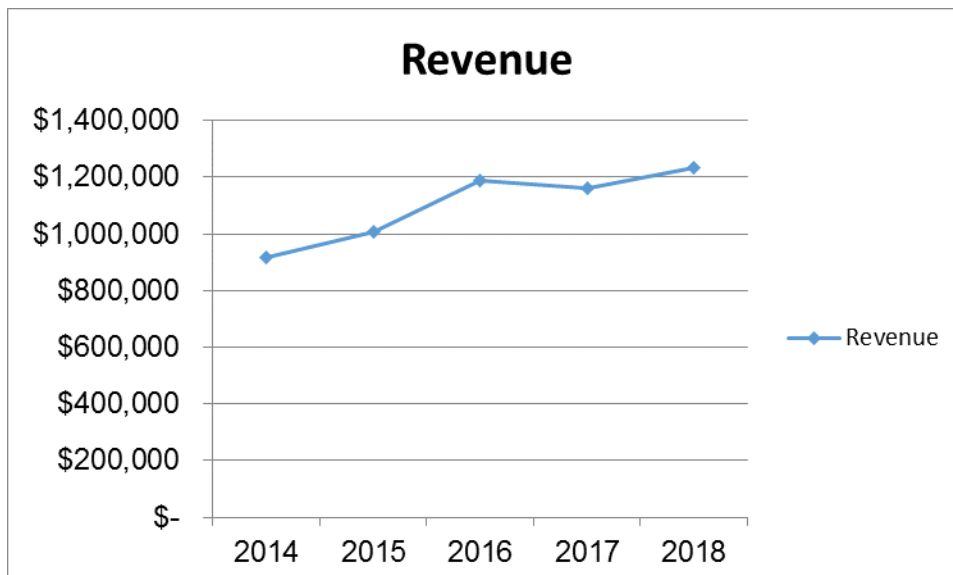
**2014 - 2018**

Skagit County Public Works Department  
2019 Ferry Fare Revenue Target Report

<b>Ridership 2014 - 2018</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Vehicles</b>	173,145	183,130	195,257	179,642	196,383
<b>Passengers</b>	368,856	381,559	392,441	368,212	410,177



<b>Fare Box Revenue 2014 - 2018</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenue</b>	\$ 915,871	\$ 1,006,793	\$ 1,189,654	\$ 1,160,205	\$ 1,232,411



## APPENDIX B

### RESOLUTION REFERENCES

<b>R20100050</b>	<a href="#"><u>Resolution rescinding R20040393 &amp; 20080018, directing the formation of a Guemes Island Ferry Operations Public Forum, and reestablishing a Guemes Island Ferry Ticket Fare Methodology</u></a>
<b>R20110382</b>	<a href="#"><u>Resolution amending R20100050 (At Attachment "A" &amp; "B") and also establishing the administration and Public Works calendar of events for the public forum, and reporting requirements for the Guemes Island Ferry Fare Revenue Target Report</u></a>
<b>R20150261</b>	<a href="#"><u>Resolution revising the Skagit County Ferry Fare structure and rescinding Resolutions R20110099, R20120139 &amp; R20130190</u></a>
<b>R20180123</b>	<a href="#"><u>Resolution rescinding R20150261, establishing a vessel replacement surcharge &amp; establishing the Skagit County Ferry fare schedule</u></a>

## **APPENDIX C**

# **2019 COUNTY FERRY SYSTEM OPERATION REPORT**

**COUNTY FERRY SYSTEM OPERATIONS REPORT**

Submitting County: Skagit Pertaining to Calendar Year: 2018

Expenditures	
(*)1) Operation and Maintenance	\$1,995,242.00
Capital	
Other Work and Repairs considered Capital	
Interest	
Depreciation	
<b>Total Expenditures</b>	<b>\$1,995,242.00</b>

(*)WSDOT / Ferry Deficit Reimbursement - Net Amount Claimed	
(1)O&M(+)	\$1,995,242.00
(2)Tolls(-)	\$1,331,754.00
(3)MVFT(-)	\$84,683.91
<b>Net Claimed</b>	<b>\$578,804.09</b>

Revenues	
(*)2) Ferry Toll Receipts	\$1,331,754.00
Ferry Deficit Reimbursement (334.03 or 336.00)	\$390,074.00
Other Revenues	\$825.00
<b>Total Revenues</b>	<b>\$1,722,653.00</b>

MVFT General Distribution	(**)CRAB Calculated MVFT Distribution Factor	2.259
	Total MVFT - County Roads (336.00.89)	\$3,321,197.00
MVFT Attributable to the Ferry System	(**)CRAB Calculated MVFT Distribution Factor w/o Ferry System	2.2014
	(*)3) Calculated MVFT Attributable to the Ferry System	\$84,683.91

(\*)Utilized by WSDOT to calculate the Pierce, Skagit, and Whatcom County Deficit Reimbursement payments for: 2019

(\*\*)CRAB provided data

Ferry System - Current and Replacement Values					
VESSLES	Year Built	Current Value	Replacement Value	Year Replacement Value Established	IPD Adjusted Replacement Value for Report Year
MV Guemes	1979	\$3,175,000.00	\$17,685,000.00	2017	\$17,985,645.00
FACILITES					
Mainland Dock	2011	\$3,485,182.00	\$5,618,182.00	2014	\$5,899,091.10
Mainland Terminal	2010	\$778,316.00	\$871,714.00	2014	\$915,299.70
Mainland Parking	2004	\$1,067,948.00	\$1,324,256.00	2014	\$1,390,468.80
Island Dock	2011	\$3,795,744.00	\$4,985,713.00	2014	\$5,234,998.65
Passenger Shelter	1979	\$1,000.00	\$10,000.00	2014	\$10,500.00
Island Parking	1979	\$150,000.00	\$250,000.00	2014	\$262,500.00
Dolphin/Wing Walls	2010	\$2,054,736.00	\$2,213,304.00	2014	\$2,323,969.20
Ferry System Total Current Value:					\$14,507,926.00
Ferry System Total Replacement Value:					\$34,022,472.45

I hereby certify that the above County Ferry Operations Report is true and accurate and that I have reviewed and approved the report for submission to the County Road Administration Board (CRAB) and the Washington State Department of Transportation - Highways & Local Programs (WSDOT). I hereby acknowledge and accept the Motor Vehicle Fuel Tax (MVFT) Distribution Factors determined by CRAB to calculate the MVFT attributable to the ferry system, and the application of the Implicit Price Deflator for Washington to determine the adjusted system replacement values for the report year.

Consistent with RCW 47.56.725, I certify that the receipts and costs shown in this voucher are true and correct; that the ferry tolls are at least equal to the tolls in place on January 1, 2015, excluding surcharges; that the net amount claimed is due and payable from the County share of the gas tax under the terms of the State/County Interagency Agreement and all applicable laws, rules, and regulations; and, that I am authorized to sign for the claimant.

Signed: [Signature] Date: 3.18.2019  
 County's Interagency Agreement Program Manager

Signed: [Signature] Date: 3.18.19  
 County Engineer