

Guemes Ferry Replacement **Vessel Replacement Surcharge**

Ferry Public Forum 1:30 p.m., Saturday, April 28, 2018
Board of Skagit County Commissioners



Vessel Replacement Surcharge

RCW 36.54.200

“Vessel replacement surcharge – Use of revenues.

A County or ferry operating ferries under this chapter may impose a vessel replacement surcharge on every ferry fare sold. The surcharge must be at least equal to the surcharge amount included in the Washington state ferry fares identified in RCW 47.60.315(7). Revenue generated from the surcharge may only be used for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry vessels. The surcharge must be clearly indicated to ferry passengers and drivers and, if possible, on the fare media itself.”

RCW 47.60.315(7)

“The commission shall impose a vessel replacement surcharge of twenty-five cents on every one-way and round-trip ferry fare sold, including multiride and monthly pass fares. The surcharge must be clearly indicated to ferry passengers and drivers and, if possible, on the fare media itself.”



Vessel Replacement Surcharge

Background

- The M/V Guemes was built in 1979
- No replacement fund was established

Why a surcharge now?

- Replacement efforts are underway
- A new vessel could be in service as early as 2020 or 20 years from now
- Skagit County currently has \$0 in the bank for construction
- The vessel should be considered a piece of equipment
- A replacement fund is prudent

How much revenue can we generate?

- Current proposal – approximately \$245,000/year
- In 40 years – nearly \$10 million

How long will the surcharge be in effect?

- Ultimately up to the Board of Skagit County Commissioners
- Implementation could be as early as May 20, 2018



Vessel Replacement Surcharge

What are legal uses of the surcharge revenue?

- The purchase and construction of a new vessel
- To pay the principal and interest on bonds authorized for the construction or purchase of a new vessel

What are illegal uses of the surcharge revenue?

- Operations and maintenance
- Re-power or re-furbish
- Other dock or ferry capital improvement projects

Where will the surcharge revenue be deposited?

- In a separate fund
- Fund balance can be reported any time



Vessel Replacement Surcharge

Proposed surcharge details

- \$0.50 per senior/disabled/youth passenger
- \$1.00 per adult passenger
- \$1.00 per motorcycle & rider
- \$2.00 per vehicle & driver
- \$5.00 per oversized vehicle
- Frequent-user punch cards adjusted & discounted accordingly
- Represents an average per-ticket price increase of 23%

Other proposed fare changes

- Extend expiration of vehicle punch cards from 90 to 120 days
- Eliminate the fee for bicycles



Vessel Replacement Surcharge

This proposal may be approved, modified, or rejected by the Board of Skagit County Commissioners. Your views for or against this matter are invited by attendance, representation, or letter.

Public comment period

- Open through close of public forum, Saturday, April 28
- Comments posted at skagitcounty.net/ferry

More information

- Available at skagitcounty.net/ferry



Draft 2018

Ferry Fare Revenue Target Report

Ferry Public Forum 1:30 p.m., Saturday, April 28, 2018
Board of Skagit County Commissioners



2018 revenue target methodology

- Resolution R20110382, Attachment “B”
- Evaluation period - 2013 through 2017
- 5-year average
- 65% fare recovery requirement
- Capital expenditures are not included



2018 revenue target

2018 REVENUE TARGET CALCULATION	
	5-Year Average
O&M expenditures	\$2,310,480
State Motor Vehicle Fuel Tax (MVFT)	(\$151,108)
WSDOT deficit reimbursement	(\$186,309)
Adjusted O&M expenditures	\$1,973,063
Fare Recovery Requirement	65%
2018 Ferry Fare Revenue Target	\$1,282,491



2017 revenue target

2017 REVENUE TARGET	
Ferry fare revenue target	\$1,144,694
Fare box revenue	\$1,160,205
Surplus from revenue target	\$15,511

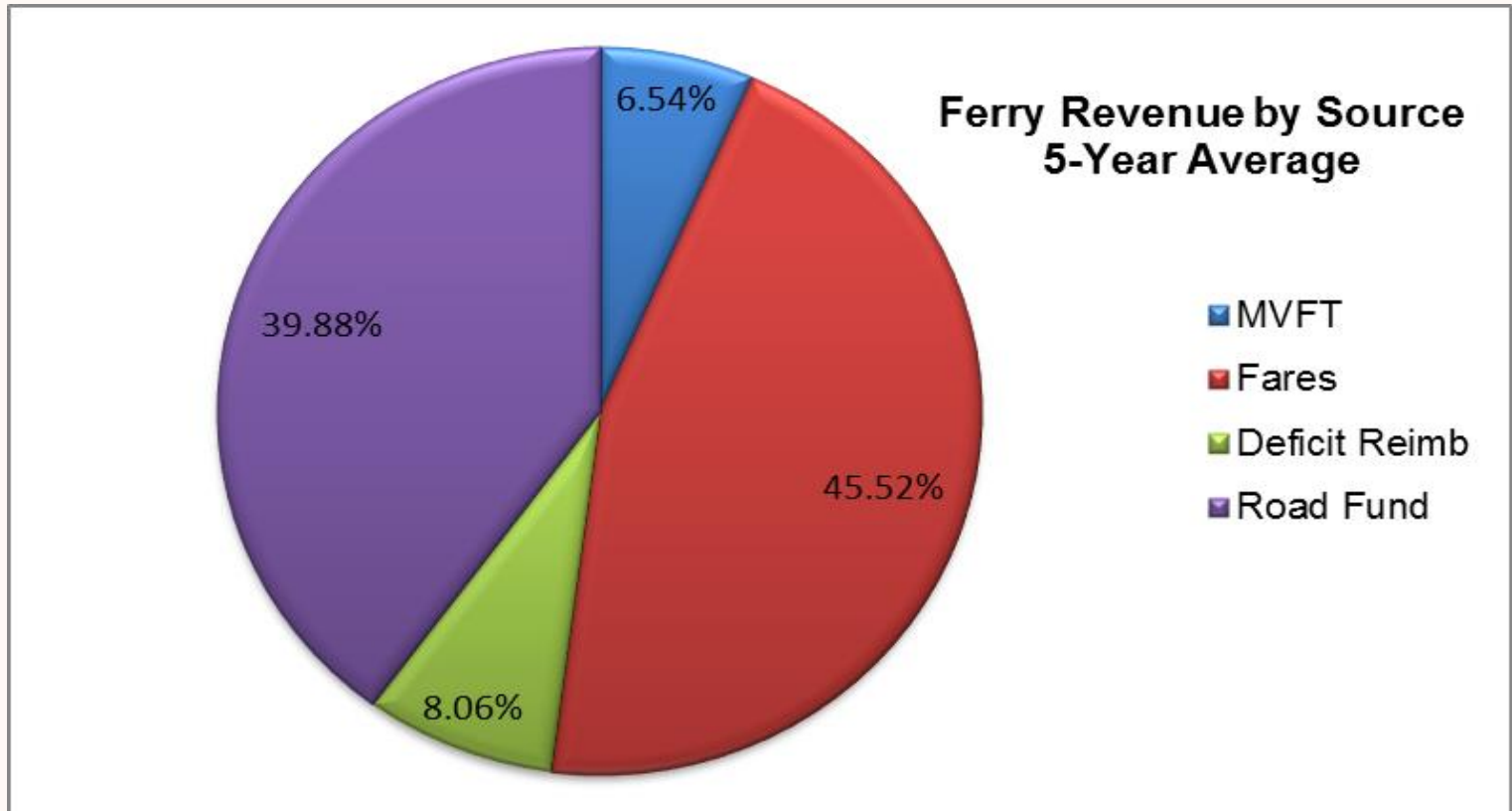


2017 road fund subsidy

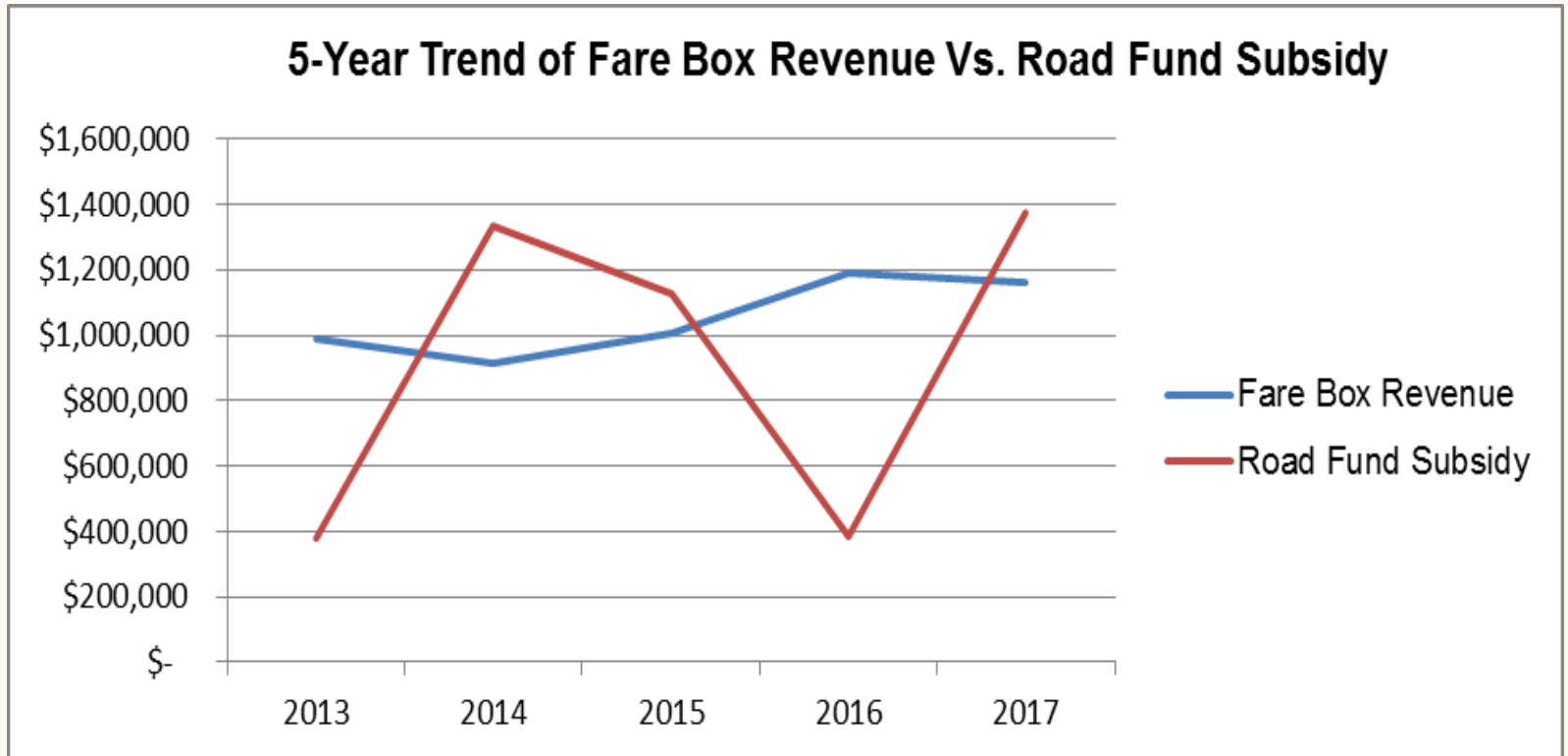
2017 ROAD FUND SUBSIDY	
O&M expenditures	\$2,863,906
WSDOT deficit reimbursement	(\$159,051)
Motor Vehicle Fuel Tax (MVFT)	(\$168,399)
Subtotal	\$2,536,456
Fare box revenue	(\$1,160,205)
Road fund subsidy	\$1,376,251



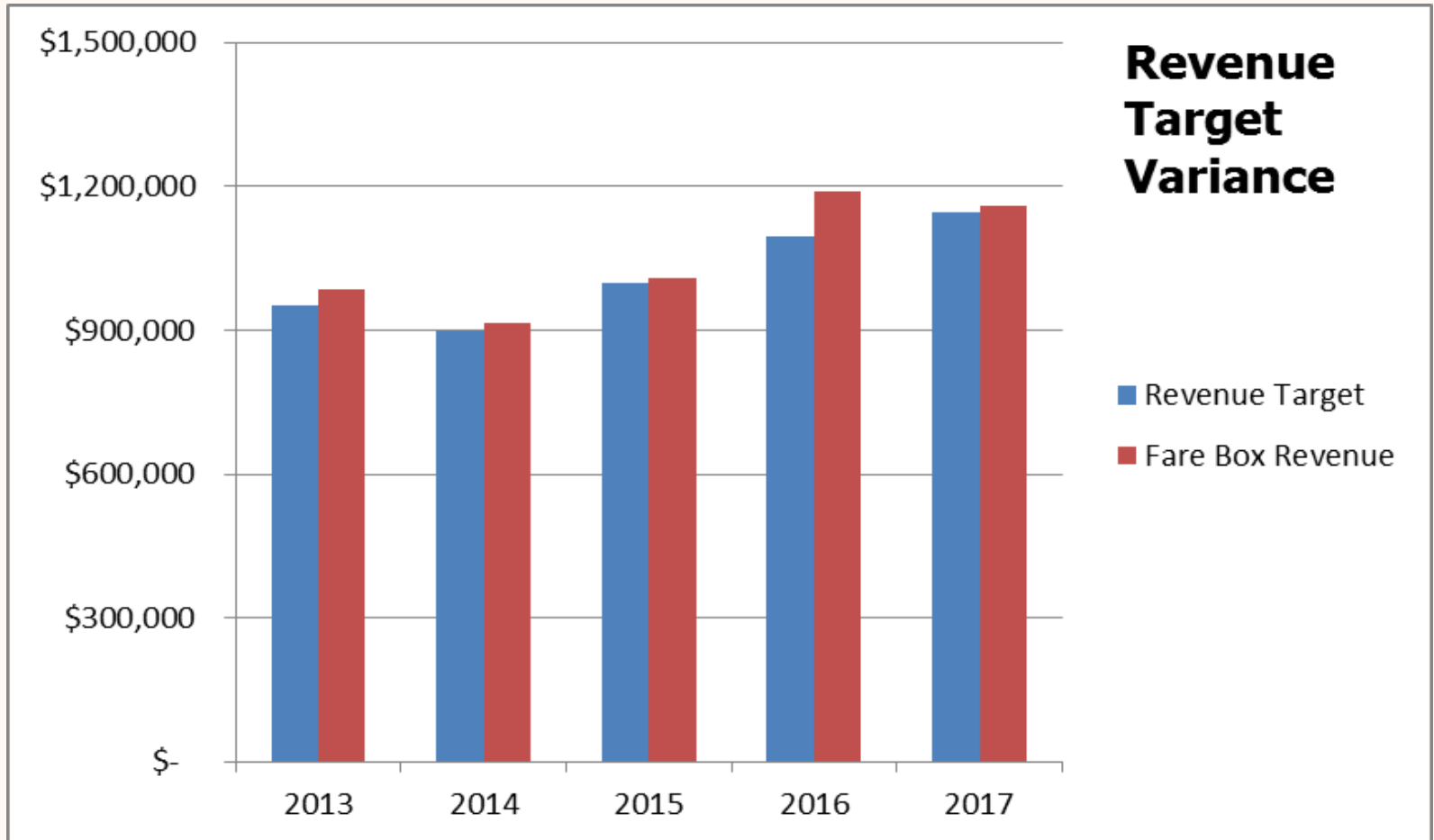
Revenue sources – 5-year average



Trends – fare box revenue vs. road fund subsidy



Revenue target variance – 2013 through 2017



Summary

- O&M expenditures – over 5 years
 - \$1.6 to \$2.9 million
- Road fund subsidy – over 5 years
 - \$380,000 to \$1.4 million
- Haul-outs increase costs by \$500,000 to \$1 million/year
- Revenue target remains stable – due to 5-year average



Recommendations

- Public Works recommends no general fare increase
 - 2017 fare box revenue exceeded target
- 2018 fare box revenue may not meet target
 - Too early to tell
 - Depends on haul-out timing

2018 Fare Revenue Target	\$ 1,282,491
<u>2018 Projected Fare Box Revenue</u>	<u>\$ 1,127,012</u>
Projected difference	\$ (155,479)



Timeline

- Draft report
 - Presented to BCC – April 10, 2018
 - Presentation – Public forum, April 28, 2018, 1:30pm
- Public comment period open
 - April 9 through April 28, 2018
- Final report
 - Available at skagitcounty.net/ferry
 - Submitted to BCC – April 30, 2018
 - Submission in accordance with Resolution R20110382

