



Skagit County Board of Commissioners

Ron Wesen, First District

Peter Browning, Second District

Lisa Janicki, Third District

MEMO

To: Skagit County Commissioners

From: Public Works Ferry Division

Date: October 28, 2025

RE: Responses to Guemes Ferry 2026 Fare Schedule Proposal

Background:

On July 27, 2023, the Skagit County Commissioners adopted Resolution #20230152, which sets the ferry fare revenue target methodology, including the formula used to calculate fares each year. The County Commissioners stated they intend to reach a 65% farebox recovery target by December 31, 2028, which requires ferry fares to increase steadily from 2023 to 2028 to reach that target.

The ferry division is directed to prepare an annual report pursuant to the revenue target formula found in Exhibit A of Resolution #20230152, amended by R20250015, and recommend a ferry rate schedule for the upcoming calendar year with an estimate of revenues based on those rates. The methodology for fare calculations uses the past two years of actual expenditures, the current year's approved budget, and the next two year's projected expenditures using cost escalation factors to establish the new ferry fare schedule.

Public Notice and Participation

On August 15, 2025, the proposed 2026 ferry fare schedule was posted to the ferry website, along with the 2025 ferry fare revenue target report, 2025 ferry budget monitoring report, 2024 ferry budget monitoring report, and the 2024 ferry expenditure and revenue reports. A public comment period was noticed, and written comments were accepted through the end of the public hearing on October 21, 2025. The ferry division received 33 written comments on the proposed schedule.

The County Commissioners hosted a public hearing on October 21, 2025, to accept verbal feedback on the 2026 fare schedule. The remainder of this report summarizes the comments and provides a departmental response.

[Public Comment Summary](#)

Public Comment Period: August 15, 2025, to October 21, 2025

1. Reduce ferry expenses rather than raise fares.

Each year the Public Works staff prepare the ferry division budget ensuring costs are kept as low as possible, while maintaining service levels and reliability and abiding by U.S. Coast Guard standards for safety and training. In order to continue operating the ferry with the current schedule, there are mandated minimum levels of staffing, training, supplies, and maintenance required.

Public Works has previously delayed maintenance activities and upgrades for the ferry in order to reduce costs for certain years; however, the longer maintenance is delayed, the more expensive maintenance becomes when those repairs become direly needed. Additionally, delayed maintenance negatively impacts the reliability of the ferry. This has been seen in 2025 with ferry service cancelled as a result of the bridge hydraulic system failing numerous times and issues with the engines electrical system. The hydraulic system has needed expensive maintenance and repairs for several years, but we have delayed those costs to reduce ferry expenditures.

The current ferry has outlived its useful life, and Public Works cannot safely operate the vessel without conducting the scheduled maintenance activities for 2026 and 2027. Additionally, several of the maintenance items scheduled for the 2026 pier-side maintenance period are required by the U.S. Coast Guard in order for the ferry division to maintain its' permission to operate the ferry.

2. Reduce service levels to reduce costs.

The ferry division has looked at reducing the level of service for the ferry, including fewer runs and shorter operating hours, but in order to make a significant reduction in the ferry fares, the County would have to make substantial reductions to the number of ferry runs each day. Service reductions would also lead to less farebox revenue overall.

Ferry staff and the Commissioners have stated this would not be the preferred strategy to reduce costs as it would reduce service too much for Guemes Islanders.

3. Expenditures are rising each year at a higher rate than in previous periods.

Expenditures are primarily increasing each year primarily due to the cost of salaries, benefits, and supplies for the ferry. Salaries, wages, and benefits go up each year due to cost of living (COLA). Supplies for the ferry, including fuel and small parts, have gone up significantly since the COVID-19 pandemic.

Over the past decade, the Ferry Division has made strategic investments in staffing and compensation to ensure safe, reliable service for our community.

- **Cost of Living Adjustments (COLA):** Like many public sector roles, ferry employee wages and benefits increase annually to keep pace with inflation. Over the past five years, unionized labor wages have risen by 14% through standard COLA adjustments.
- **Market-Based Compensation:** In 2023, following a county-wide compensation study, ferry salaries increased by an average of 10.8% to remain competitive and retain qualified personnel.
- **Long-Term Growth:** Since 2013, total ferry salaries, wages, and benefits have increased by approximately 100%, reflecting both COLA and necessary staffing enhancements.
- **Staffing Levels:** The number of ferry employees has grown from 18 in 2017 to 22 in 2025. This includes:
 - A shift from a 3-person to a 4-person base crew year-round to improve safety during vessel loading and unloading.
 - Three additional on-call employees to support operational flexibility. These positions are non-benefited, and hours are not guaranteed.
 - One new Assistant Manager position was added in 2022 to support oversight and continuity of operations.
- **Safety and Service Improvements:** In 2017, cost-saving measures reduced staffing, resulting in a higher rate of vehicle accident claims—particularly when a single deckhand was responsible for loading in Anacortes. Today, safety is prioritized with a consistent 4-person crew, reducing incidents and improving reliability.
- **Operational Impact of Staffing Cuts:** Past efforts to reduce staffing led to late sailings and violations of required rest periods. Returning to 2017 staffing levels would necessitate a reduction in sailings to maintain safety and compliance.

Additionally, when calculating the fare revenue target and fare costs, the ferry division now uses the past two years of expenses, the current adjusted budget (January through June), and the projected costs for the next two years. This ensures the County is looking into the future to ensure we have enough revenue to cover the following year's costs.

4. **As prices increase, there will be more riders shifting to walk-on, which reduces revenue.**

We do understand that as the fares increase, riders might shift from driving onto the ferry to walking onto the ferry to save costs. When calculating the fare costs for the proposed schedule, the ferry division are following the fare calculation formula approved by the County Commissioners in the August 2023 resolution, which stipulates that each year fares will rise to help revenue cover a portion of the operating and maintenance costs.

5. The after-hours charter and emergency services runs are too expensive.

The after-hours charter cost is calculated based on the cost per ferry run, prioritizing the following:

- **True Cost Recovery:** Historically, the ferry division offered these services at rates far below the actual cost of operating a run. This meant that taxpayer funds were subsidizing private or emergency use, which was not sustainable.
- **Operational Realities** - each after-hours trip requires:
 - A full crew to be called outside regular hours
 - Additional fuel and maintenance costs
 - Administrative time to process invoices/statements/payments
 - Scheduling adjustments and overtime pay
 - Safety and compliance measures that must be upheld regardless of trip duration
- **Equity and Fairness:** The updated pricing ensures that those requesting special service bear the cost, rather than shifting the burden to general taxpayers.
- **Availability and Safety:** By aligning pricing with actual costs, the ferry division can maintain safe staffing levels and ensure that emergency or charter runs do not compromise regular service or crew rest requirements.
- **Transparency:** The rate is based on a standard cost-per-run model, which allows for consistent and predictable pricing. It also reflects the county's broader move toward cost recovery and fiscal responsibility.

6. What does “services and pass through” mean?

“Services and pass through payments” for the ferry division include:

- Professional Services – consultant fees and includes the 7% fee paid to Anchor for ongoing services related to the ticketing system.
- Intergovernmental Professional Services – primarily a contract with USDA (United States Department of Agriculture) for bird management at the ferry terminals.
- Interfund Payments for Services – services rendered through our Skagit County Facilities Department for building maintenance.
- External Taxes and Op Assessment – excise tax and the Department of Natural Resources annual lease payment.
- Interfund Information Services – services and ongoing support and maintenance provided by our internal information service department, including network services, Wi-Fi, equipment (workstations and laptops), Microsoft and other software programs licensing and tools, etc.
- Communications – Telephones; specifically, terminal land lines/emergency elevator line, fax line, manager/staff cell phones.

- Travel – lodging, mileage, and per diem for staff travel.
- Meals – refreshments for public or staff meetings.
- Advertising - Public/legal notices, ads for call for bids, job postings.
- Rentals - Passenger-only service & portable toilet rental.
- Interfund Equipment Rental – vehicle and equipment rentals through Skagit County’s Equipment Division (ER&R).
- Insurance – marine insurance for the vessel, claims, and other expenses related to training, liability insurance, etc.
- Utilities - water, sewer, garbage, electricity for Anacortes ferry terminal building, docks & facilities.
- Maintenance - repair & maintenance of the vessel, buildings, structures & equipment.
- Interfund Shop Labor - ER&R shop labor for vessel and equipment repairs & maintenance.
- Miscellaneous – merchant services fees, uniforms, pest control, printing and mailings, training, conference, and registration fees.

7. The electronic ticketing transition is causing fares to increase. These costs should be allocated as capital costs and not impact the fare calculations.

The electronic ticketing system costs the ferry division under \$100,000 per year, which is less than 2% of the 2025 ferry expenditure budget. Removing the electronic ticketing system from the budget would not reduce the fare costs needed to meet the revenue target each year. The new system provides increased accountability for auditing purposes, helps staff with reporting requirements and grant applications, and provides a more efficient method for riders to purchase tickets online and store those tickets on their account.

The cost for electronic ticketing is not allocated as a capital cost for the ferry budget because the contract with Anchor is considered a services contract. Skagit County does not own the software used for ticketing. Anchor manages the software and provides electronic ticketing as a service for our riders, making it an ongoing expense for the operation of the ferry.

The electronic ticketing transition has been included in previous capital improvement plans. When the ferry division initially planned for the transition, there were proposals to add a ticket booth and additional ticket scanners for the parking lot or ferry office. These items would have been allocated as capital costs; however, the County did not ultimately pursue these capital purchases. The ferry division has purchased one ticket purchasing kiosk for the Anacortes terminal, which will be classified as a capital purchase.

8. The drydock costs should be allocated as capital costs, and not operations and maintenance.

Approximately \$1M of the 2025 drydock costs have been allocated as operations and maintenance (O&M) costs, while \$600,000 has been allocated as capital costs. The capital

costs include the two new engines for the repower effort, as well as the engineering for the new engines and constructing the engine houses.

When the ferry division applies for the Washington State Department of Transportation Ferry Deficit funding each year, there are guidelines for how costs are allocated to O&M or capital. The Skagit County Auditor's Office and certified public accountants review the ferry division's expenditures regularly to ensure costs are allocated properly for ferry deficit reimbursement. The state guidelines are also consistent with General Accepted Accounting Principles (GAAP).

9. What do the insurance costs include within the ferry budget?

The insurance cost allocation is outlined (for 2024) in [Resolution R20250051](#). It includes amounts for the Risk Manager/Litigation function, the overall county training program, background checks, hearing tests, workers compensation (for those that are covered by workers comp), loss payments, excess general liability and cyber liability insurance, property insurance, marine insurance, crime and terrorism insurance, and some miscellaneous items.

The cost allocation formula was changed for a couple of reasons. One, staff evaluated the metrics being used and determined that, while allowable and acceptable, could be refined to more accurately reflect the benefit. Second, by updating the metrics, it would stabilize the expenses to all budgets on a yearly basis and prevent wild fluctuations for budgets that received a claim.

Variations of insurance costs in prior years were caused by fluctuations in the allocation metrics. For example, the expense for excess general liability insurance premium used to be allocated based on the number of claims and the dollar amount of claims. In 2024, the Commissioners decided to change that allocation methodology and instead use the number of FTEs as the metric. This will stabilize that portion of the expense in the future. Additionally, the marine insurance provider now provides us with a breakdown of how much of the marine insurance is attributable to each vessel.

Another reason for the decrease in 2025 is that the Risk Pool, where we purchase some of our insurance, changed their fiscal year to match the calendar year. For 2025, we only paid 3 months of premiums. That will change for 2026.

10. Public meeting with Guemes Island residents.

The ferry division is planning to host a public hearing in mid-December to discuss project updates and services. The details will be shared in the November newsletter.