

ESTIMATE OF FINANCIAL IMPACT OF NEW FERRY TRIP TICKET PLAN

Please review the following in its entirety and with the understanding it is an idea being submitted for consideration. It does not address each problem with the current system – but is meant to be the first in the process to move to a more computerized streamlined pre-pay system. This plan will reduce the senior/disabled and commuter discounts from 25% to 16.25% and will provide the same discount to all Members.

Background

Beginning in October 2011, the office staff hours will be divided between general administration and administration of the water utility. General administration tasks will be funded at 80% of the 2010/2011 budget. 20% of office staff hours (and allocation of funding) will now be used for the water utility. This allocation is an estimate for our 1st transition year because both the water utility and general administration will need to carry their own weight in the future.

Administration and processing of ferry logs and receipts, including tracking usage, require at least 8 – 15 office staff hours per week. Many of these hours are now used just to track passes, resolve errors, and search for answers and solutions. Staff is almost always backlogged due to the all-manual process. This process is time consuming and needs to be corrected.

The Finance Committee and Board have been looking for ways to cut our expenses in all areas. The following is part of the financial information that led to the New Ferry Trip Ticket Plan. Please read the proposed plan, which is now posted on www.herronisland.org, the HMC website.

2010 Pass/Ticket Revenue Information

<i>Fare Type</i>	<i># Sold in 2010</i>	<i>Total # of Rides</i>	<i>Discount per ride</i>	<i>*Reduction in revenue to HMC</i>
Commuter Pass - 20	14	280	\$2	\$560
Senior/Disabled Pass - 20	230	4,600	\$2	\$9,200
Book of 10 Vehicle/Driver \$8 tickets	208	2,080	80¢	\$1,664
Total		6,960		\$11,424

* Reduction in revenue to HMC is calculated by multiplying the number of rides by the discount for each ride.

* **Reduced revenue means that some Members are being subsidized at the expense of all Members.**

There are many ways to view this reduced ferry revenue information. One way is to count the 65 senior/disabled and commuter Members who used the 25% discounted pass, and to add an estimated 15 Members used the 10% & 12% discounted tickets. In 2010, 80 Members made **6,960 reduced ferry rides**. The discounts given to these 80 Members in 2010 represent **\$11,424 in reduced ferry revenue**.

The loss in revenue is accounted for in our 2011/2012 budget and has been calculated in this way for as long as the reduced rates have been offered. We looked for a plan that would simplify all stages and activities involved with ferry fees, from printing through the entire bookkeeping process, to save time and money and yet not cause any additional reduction in ferry revenue. When the new Ferry Trip Ticket Plan is priced correctly, a discount can be offered to more of our Membership because it is a more efficient and cost effective system.

As more Members purchase Trip Tickets, this will result in additional discounted ferry rides. For example: If HMC were to have 8,000 discounted rides in a year @ \$6.50 per ride, this would result in a \$12,000 reduction in revenue for that year. Here are some other scenarios considered:

8,000 discounted rides @ \$6.50 per ride → \$12,000 reduced revenue

8,000 discounted rides @ \$6.70 per ride → \$10,400 reduced revenue

8,000 discounted rides @ \$7.00 per ride → \$8,000 reduced revenue

9,000 discounted rides @ \$6.50 per ride → \$13,500 reduced revenue

9,000 discounted rides @ \$6.70 per ride → \$11,700 reduced revenue

9,000 discounted rides @ \$7.00 per ride → \$9,000 reduced revenue

Additional scenarios can be calculated, but it is estimated that a price of \$6.70 per discounted ticket may result in about the same reduced revenue that we now have calculated in our 2011/2012 budget.

The price for Trip Tickets will be evaluated at each new budget year and may go up or down (as it does now) so that our ferry revenue covers roughly 30% of our ferry expenses. (Ferry fees were first initiated to keep a fair balance between those who ride the ferry often and those who ride it seldom. The current 30%-70% plan replaced the old system of charging 100% of ferry expenses from assessments only.)

This information is posted to give Members a look at the financial information that was used to develop the Ferry Trip Ticket Plan. No decisions have been made at this time.