

MaineDOT's Revised Ferry Rate Proposal

Presented to

Maine State Ferry Advisory Board

1. Purpose of This Proposal

This proposal is being delivered to Maine State Ferry Advisory Board (MSFAB) for the purpose of soliciting additional MSFAB before the MaineDOT publishes an updated ferry rate proposal in the on-going rulemaking process. This is intended to set forth not only what is proposed, but why. Again, this proposal is intended for MSFAB members, not the general public. Extensive input from the general public has already been received through rulemaking and the island listening sessions described below, and more opportunity for public input will be provided through the formal rulemaking process throughout the summer.

2. Background

Pursuant to 23 M.R.S.A. §4401, the Maine State Ferry Service (MSFS), an operational unit of the Maine Department of Transportation (MaineDOT), operates ferries carrying passengers and vehicles to the six Penobscot Bay islands of North Haven, Vinalhaven, Islesboro, Matinicus Isle, Swan's Island and Frenchboro.

As currently configured and operated, this service costs almost \$12 million per year to operate. (All capital costs of the service (100%) for boats, terminals, piers, transfer bridges, etc. are paid by the state through state highway and bond funds, and through federal grants. These capital costs historically average at least \$2 million per year, and are due to increase substantially in future years as new replacement ferry boats are added.)

Although there have been many suggestions aimed at cutting the \$12 million operational cost, experience has shown that significant rate reductions will not be realized in the near term without substantial structural changes to the service or revenue sources. The immediate question – ferry rates in effect now – requires that such structural discussions occur outside of the current rate setting process. The MSFS and MaineDOT are happy to engage in such structural change discussions in the coming months and years as we prepare for the next rate review – now scheduled for 2023.

Maine gas and diesel fuel taxpayers pay half the cost of the operational cost of the service – about \$6 million per year – as an operating subsidy. The remaining 50% of the cost of operations – about \$6 million per year – is paid for by ferry service patrons in the form of fares (i.e. tolls).

MaineDOT implemented new ferry service rates in May of 2018 to raise the 50% for operations paid by patrons. Among other things, the 2018 rate schedule created a single, year-round, round-trip, flat rate schedule for all islands including an \$11 fare for adults, \$5.50 for children aged 5 to 11, \$30 for a vehicle with driver, and a reservation fee of \$15. Island ferry routes vary

from 3 miles for Islesboro, 12.5 miles for North Haven and 15 miles for Vinalhaven, 23 miles for Matinicus, 6 miles for Swan's Island, and 8 ¼ miles for Frenchboro. The May 2018 structure also reduced commercial rates. Generally speaking, this May 2018 rate schedule had the effect of slightly reducing effective rates on four islands (North Haven, Vinalhaven, Swan's Island and Frenchboro), dramatically reducing rates for Matinicus, and doubling the rates for Islesboro.

This new flat-rate schedule was not expected by the Maine State Ferry Advisory Board or (MSFAB) or Ferry Service patrons. Predictably, Islesboro strenuously opposed the new rates, resulting in reduced ferry service usage, and administrative, judicial, and legislative action.

Further, this new rate structure did not raise revenue as planned. Reduced ferry usage (especially on Islesboro) along with personnel and other cost increases, caused a fare collection deficit of approximately \$800,000 per year. To raise the needed farebox revenue using the same rate concept as May 2018 (a single flat, year-round rates), another rate increase of 17% would be necessary. Such an across-the-board increase would result in rates of \$13 for adults, \$6.50 for children, and \$35 for a vehicle with driver, and a reservation fee of \$17.50.

3. A Fresh Look

After the installation of the new administration, MaineDOT quickly indicated its willingness to take a fresh look at the May 2018 rate schedule by extending the rulemaking process, and the affected communities have graciously allowed it to do so in an orderly way.

This fresh look has included an extensive and on-going listening and public input process. The MaineDOT Commissioner and other top management have met multiple times with affected customers, including three meetings with the MSFAB, meetings with litigants and legislators, four individual island meetings on Islesboro, Vinalhaven, North Haven, and Swan's Island, and a formal rulemaking meeting in Belfast. MSFAB input to this proposal is part of this process. Further, an additional formal rulemaking process will occur over the summer including publishing the proposed new rates, another public hearing, and a written comment period. It is anticipated that new rates will take effect on or before October 1, 2019.

The issue currently before MaineDOT is how to establish a "fair" rate structure that raises the required 50% for operations. It has become clear during this fresh look process that different islands have different perspectives, that there can be different definitions of "fair" even on the same island, and that no proposal will be universally supported. Given this reality, it is the duty and responsibility of MaineDOT and the MSFS to blend these various views and come up with a reasonable proposal. We believe we are doing so, and hope that all participants will agree that the process was open and fair, and that all have been heard and respected.

4. Summary of the Proposed New Rate Structure

The proposed new rate structure is attached as Appendix A, and is summarized below. It is projected that it will raise sufficient revenue to avoid the need to review rates until 2023,

although MaineDOT is open to reviewing rates before then if substantial changes to the operational or revenue structures occur.

Off-Peak Rates (October through May). For eight months of the year, the proposed round-trip rates on the four islands of North Haven, Vinalhaven, Swan's Island and Frenchboro are \$12 for adults, \$8 for children, \$30 for a vehicle with driver, a commercial rate of \$4.25 per foot, and a reservation fee of \$12.

The proposed off-peak round-trip rates for Islesboro are \$9 for adults, \$5 for children, \$27 for a vehicle with driver, a commercial rate of \$4.00 per foot, and a reservation fee of \$15.

Similar to Tariff 7 rates, the proposed rates for Matinicus are \$35 for adults, \$18 for children, \$88 for a vehicle with driver, and a commercial rate of \$5.75 per foot.

Commuter passengers (5 tickets for the cost of 4 used in 7 days) can further reduce their effective rates by up to 20%.

To rationalize the fare structure, it is proposed to reduce rates for motorcycles (\$25 to include rider) and bicycles (\$20 to include rider).

Peak Rates (June through September). For all islands except Matinicus, during the four higher-demand months of June through September, the regular rates set forth above are proposed to be increased by \$4 for passengers, \$7 for vehicles, and 50 cents per foot for commercial.

Equitable Adjustments. As part of the fresh look process, we heard numerous pleas to provide relief to certain users based upon equitable grounds. In response, this proposed fare structure will several equitable exemptions relating to commuters, people going to medical appointments, families with children, and teachers. Specific provisions are listed below.

Commuter discount – 5 ticket for the price of 4 to be used in 7 days.

Fewer restrictions to qualify for medical exemption.

Children prices to apply up to 17. (It is now 11.)

Teachers ride for free for school and school events.

Add one additional reservation.

5. Reasoning for Proposal

This proposal is the product of weighing various – some time competing - policy goals and the definitions of fairness. It reflects reasoning mentioned by MaineDOT at all or most of the meetings during the fresh look process.

Cost of Service vs. One System. As MaineDOT indicated at several times during the fresh look process, this proposal adopts different rates for different islands to partially reflect the

differing costs per passenger per island. From the input received, we expect that Islesboro may opine that there is not enough of a reduction, and other islands may opine that it is too much. We note that this is one ferry system, and the intent was never to calculate with mathematical certainty the different costs of different runs to different islands at different times of year and charge accordingly. The intent was to recognize and reflect differing cost in a general way. This proposal does so.

Value of Better Service. This proposal also recognizes the enhanced convenience and better connection reflected by more frequent ferry runs. It makes a real difference in the quality of life on an island to have more runs, more flexibility, more connection to the mainland. We heard more runs means higher property values.

Seasonal Rates. As is common with other ferry services, this proposal also includes a higher, yet relatively modest, seasonal rate for the higher demand months of June through September. This has the effect of mitigating costs for year-round islanders, one of the goals of this process, while treating similarly situated users more fairly. As was made clear during the fresh look process, MaineDOT will not be reinstating Tariff 7's policy of charging different rates on the same ferry run depending upon where the ticket is sold (on island versus at mainland terminals). This system, though still favored by some islanders, allows gaming and unfairness, and is not consistent with the introduction of on-line ticket sales, which is likely in the relatively near future.

Commercial Rates. This proposal increases commercial rates beyond those of Tariff 7 to reduce the cost of non-commercial passengers and vehicles. Although we have tried to analyze the impact of these rates, we understand more discussion and input may be needed in this area. MSFAB insight on this would be greatly appreciated. Obviously, revenue losses from reducing commercial rates will need to be made up elsewhere, likely in rates for passengers and non-commercial vehicles.

6. Looking forward

Looking beyond this rulemaking process, we intend to further modernize the MSFS with a new ticket system and other changes. A new ticketing system will provide better data for the next rate review scheduled for 2023, and to allow on-line purchases.

The MSFS will be looking for other revenue sources including increasing the fee charged for emergency runs, increased parking fees, and adding peak season trips.

Numerous people testified that they believed the way to provide lower rates was to provide more subsidy. As noted above, the State of Maine already provides 100% of capital funding and 50% of operational funding. Although we understand islander views can differ, MaineDOT respectfully submits that additional state subsidy is unlikely and would not have widespread policy support. In fact, highlighting the issue could have unintended consequences.

However, that does not mean that the subsidy question is not potentially relevant for future discussions. Virtually all other transit services are supported by the municipalities they serve. Currently, the island communities served by the MSFS do not provide any direct financial support to the MSFS. If they did, fares could be reduced dramatically. For the purpose of illustration only, and not as part of this proposal, the attached Appendix B shows what impact a 15% subsidy raised by all the island communities could have on ticket prices. Fare reductions in the range of 25 to 30% are possible. We know this is a big question, but on a policy level, we observe that that the mill rates of the island communities are reasonable, maybe even relatively low, and that raising a subsidy through property taxation would have the effect of assisting frequent ferry service users, who are predominately year-round islanders. Of course, we fully understand that property taxation is a local issue, and any such concept requires much more thought and discussion.

As always, we look forward to working with the MSFAB.

Draft Proposed Rates for Maine State Ferry Service

APPENDIX A

6/26/2019

ISLESBORO							
	Tariff #7 Weighted Average Price	Current Price	March 2019 +17% Proposal	Proposed Rate Oct-May	Proposed Rate June-Sept	Calculated Year Round Average Rate	Calculated Year Round Commuter Rate
Adult Round Trip (RT)	\$6.44	\$11.00	\$13.00	\$9.00	\$13.00	\$10.33	\$8.27
Child Round Trip	\$3.85	\$5.50	\$6.50	\$5.00	\$9.00	\$6.33	\$5.07
Veh Round Trip	\$15.54	\$30.00	\$35.00	\$27.00	\$34.00	\$29.33	\$23.47
Motorcycle Round Trip	\$15.54	\$30.00	\$35.00	\$25.00	\$25.00		
Truck per foot (One-way)	\$1.91	\$2.50	\$3.00	\$4.00	\$4.50	\$4.17	
Trk RT FT	\$1.89	\$2.50	\$3.00	\$4.00	\$4.50	\$4.17	
Adult Bik RT	\$8.48	\$20.00	\$23.00	\$20.00	\$20.00		
Child Bik RT	\$5.50	\$10.00	\$11.50	\$12.00	\$12.00		
Reserv	\$12.00	\$15.00	\$17.50	\$15.00	\$15.00		

SWANS ISLAND, FRENCHBORO, NORTH HAVEN, VINALHAVEN							
	Tariff #7 Weighted Average Price	Current Price	March 2019 +17% Proposal	Proposed Rate Oct-May	Proposed Rate June-Sept	Calculated Year Round Average Rate	Calculated Year Round Commuter Rate
Adult RT	\$12.56	\$11.00	\$13.00	\$12.00	\$16.00	\$13.33	\$10.67
Child RT	\$6.42	\$5.50	\$6.50	\$8.00	\$12.00	\$9.33	\$7.47
Veh RT	\$31.03	\$30.00	\$35.00	\$30.00	\$37.00	\$32.33	\$25.87
Motorcycle	\$31.03	\$30.00	\$35.00	\$25.00	\$25.00		
Trk OW FT	\$2.84	\$2.50	\$3.00	\$4.25	\$4.75	\$4.42	
Trk RT FT	\$3.50	\$2.50	\$3.00	\$4.25	\$4.75	\$4.42	
Adult Bik RT	\$16.50	\$20.00	\$23.00	\$20.00	\$20.00		
Child Bik RT	\$9.50	\$10.00	\$11.50	\$12.00	\$12.00		
Reserv	\$8.00	\$15.00	\$17.50	\$12.00	\$12.00		

MATINICUS				
	Tariff #7	Current Price	March 2019 +17% Proposal	Proposed Rate Year Round
Adult RT	\$33.00	\$11.00	\$13.00	\$35.00
Child RT	\$17.00	\$5.50	\$6.50	\$18.00
Veh RT	\$86.00	\$30.00	\$35.00	\$88.00
Motorcycle	\$86.00	\$30.00	\$35.00	\$50.00
Trk OW FT	\$5.50	\$2.50	\$3.00	\$5.75
Trk RT FT	\$6.75	\$2.50	\$3.00	\$7.00
Adult Bik RT	\$20.00	\$20.00	\$23.00	\$40.00
Child Bik RT	\$10.00	\$10.00	\$11.50	\$20.00
Reserv				

Draft: 15% MSFS Municipal Subsidy Concept

APPENDIX B

6/26/2019

ISLESBORO									
	Tariff #7 Weighted Average Price	Current Price	March 2019 +17% Proposal	Municipal Subsidy Concept Rate Oct-May	Municipal Subsidy Concept Rate June-Sept	Calculated Year Round Average Rate	Calculated Year Round Commuter Rate	Influence of Subsidy Oct- May	Influence of Subsidy June-Sept
Adult Round Trip (\$6.44	\$11.00	\$13.00	\$6.16	\$8.90	\$7.08	\$5.66	-\$2.84	-\$4.10
Child Round Trip	\$3.85	\$5.50	\$6.50	\$3.42	\$6.16	\$4.34	\$3.47	-\$1.58	-\$2.84
Veh Round Trip	\$15.54	\$30.00	\$35.00	\$18.49	\$23.28	\$20.09	\$16.07	-\$8.51	-\$10.72
Motorcycle Round	\$15.54	\$30.00	\$35.00	\$17.12	\$17.12			-\$7.88	-\$7.88
Truck per foot (On	\$1.91	\$2.50	\$3.00	\$2.74	\$3.08	\$2.85		-\$1.26	-\$1.42
Trk RT FT	\$1.89	\$2.50	\$3.00	\$2.74	\$3.08	\$2.85		-\$1.26	-\$1.42
Adult Bik RT	\$8.48	\$20.00	\$23.00	\$13.70	\$13.70			-\$6.30	-\$6.30
Child Bik RT	\$5.50	\$10.00	\$11.50	\$8.22	\$8.22			-\$3.78	-\$3.78
Reserv	\$12.00	\$15.00	\$17.50	\$15.00	\$15.00				

SWANS ISLAND, FRENCHBORO, NORTH HAVEN, VINALHAVEN									
	Tariff #7 Weighted Average Price	Current Price	March 2019 +17% Proposal	Municipal Subsidy Concept Rate Oct-May	Municipal Subsidy Concept Rate June-Sept	Calculated Year Round Average Rate	Calculated Year Round Commuter Rate	Influence of Subsidy Oct- May	Influence of Subsidy June-Sept
Adult RT	\$12.56	\$11.00	\$13.00	\$8.22	\$10.96	\$9.13	\$7.30	-\$3.78	-\$5.04
Child RT	\$6.42	\$5.50	\$6.50	\$5.48	\$8.22	\$6.39	\$5.11	-\$2.52	-\$3.78
Veh RT	\$31.03	\$30.00	\$35.00	\$20.54	\$25.34	\$22.14	\$17.71	-\$9.46	-\$11.66
Motorcycle	\$31.03	\$30.00	\$35.00	\$17.12	\$17.12			-\$7.88	-\$7.88
Trk OW FT	\$2.84	\$2.50	\$3.00	\$2.91	\$3.25	\$3.02		-\$1.34	-\$1.50
Trk RT FT	\$3.50	\$2.50	\$3.00	\$2.91	\$3.25	\$3.02		-\$1.34	-\$1.50
Adult Bik RT	\$16.50	\$20.00	\$23.00	\$13.70	\$13.70			-\$6.30	-\$6.30
Child Bik RT	\$9.50	\$10.00	\$11.50	\$8.22	\$8.22			-\$3.78	-\$3.78
Reserv	\$8.00	\$15.00	\$17.50	\$12.00	\$12.00				

MATINICUS					
	Tariff #7 Weighted Average Price	Current Price	March 2019 +17% Proposal	Municipal Subsidy Concept Rate Year Round	Influence of Subsidy
Adult RT	\$33.00	\$11.00	\$13.00	\$23.97	-\$11.03
Child RT	\$17.00	\$5.50	\$6.50	\$12.33	-\$5.67
Veh RT	\$86.00	\$30.00	\$35.00	\$60.26	-\$27.74
Motorcycle	\$86.00	\$30.00	\$35.00	\$34.24	-\$15.76
Trk OW FT	\$5.50	\$2.50	\$3.00	\$3.94	-\$1.81
Trk RT FT	\$6.75	\$2.50	\$3.00	\$4.79	-\$2.21
Adult Bik RT	\$20.00	\$20.00	\$23.00	\$27.39	-\$12.61
Child Bik RT	\$10.00	\$10.00	\$11.50	\$13.70	-\$6.30
Reserv					

	2017 Mill Rate*
Islesboro	\$ 13.12
North Haven	\$ 10.29
Vinalhaven	\$ 10.73
Swans Island	\$ 11.46
Matinicus	\$ 10.19
Frenchboro	\$ 16.97
Rockland	\$ 21.72
Lincolville	\$ 14.30
Tremont	\$ 9.22
Belfast	\$ 19.58
Ellsworth	\$ 17.83
ME State Average	\$ 15.03

Estimated increase in Mill
Rate for 15% Municipal
Share
\$1.32**

-Influence of subsidy compares concept rate to MaineDOT 6-25-19 proposal.

* From <http://mainer.co/maine-property-tax-rates-town/>

** Based on 2019 municipal valuation information