



Amherst Island Ferry Service

Volume I, Issue I

June 2006

Revenue vs. Expenditure-Bottom Line

Highlights

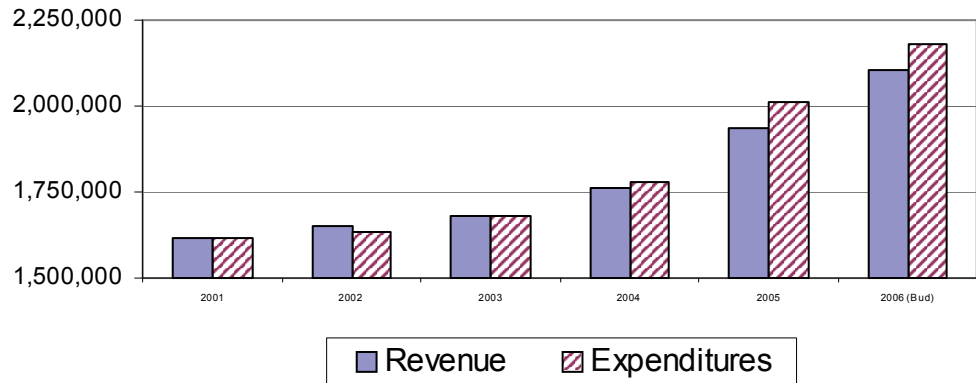
- Ferry Revenue does not match expenses.
- Revenue through fares has increased by 9% between 2001 and 2005.
- Provincial Subsidy has increased by 21 % between 2001 and 2005.
- Fuel costs are rising and have increased by 38 % between 2001 and 2005.
- Annual Operating deficit forecasted to increase.

Unless additional revenue is raised or expenditures lowered, the Ferry's financial position will deteriorate and the current annual deficit will continue to grow. Detailed financial information is presented in this newsletter to inform the public.

Increasing fuel costs represent the major factor impacting the financial health of the service and the reason for the need to raise revenues from users.

Historically, surplus revenues have been placed into a Ferry Operations Reserve Fund and yearly deficits are covered from the fund. In December 2005 the operating fund had a reserve of \$249,000. In addition to the recent fare increase, \$77,600 was transferred from the Ferry Reserve Fund to balance the 2006 budget.

Ferry Revenue vs Expenditures



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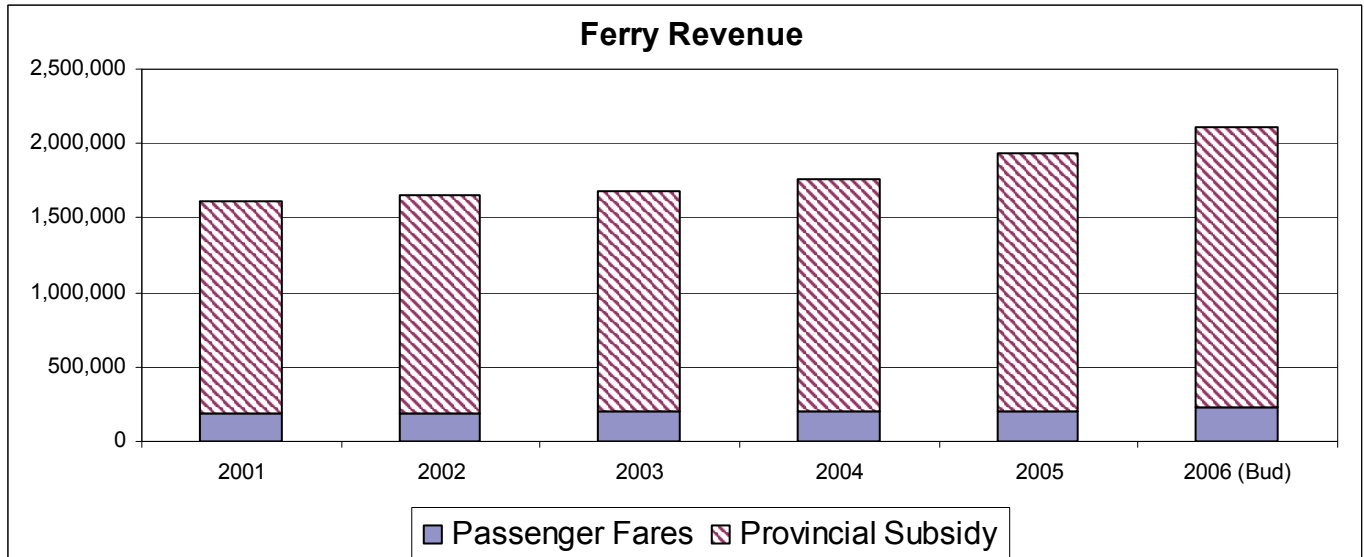
Ferry Revenue

Ferry Revenue is generated from two major sources—Passenger Fares and Provincial Subsidy. The table and chart presented below illustrates actual numbers from 2001 to 2005 plus the 2006 Council approved budget.

Ferry Revenue	2001	2002	2003	2004	2005	2006 (Bud)
Passenger Fares	189,092	190,931	195,400	196,534	206,321	225,000
Provincial Subsidy	1,425,720	1,462,000	1,484,291	1,563,435	1,729,414	1,879,100
Revenue	1,614,812	1,652,931	1,679,691	1,759,969	1,935,734	2,104,100

Note: Ferry subsidy in 2003 does not include adjustment of \$253,153 received for previous years.

Ferry Revenue (continued)



Ferry Expenditures

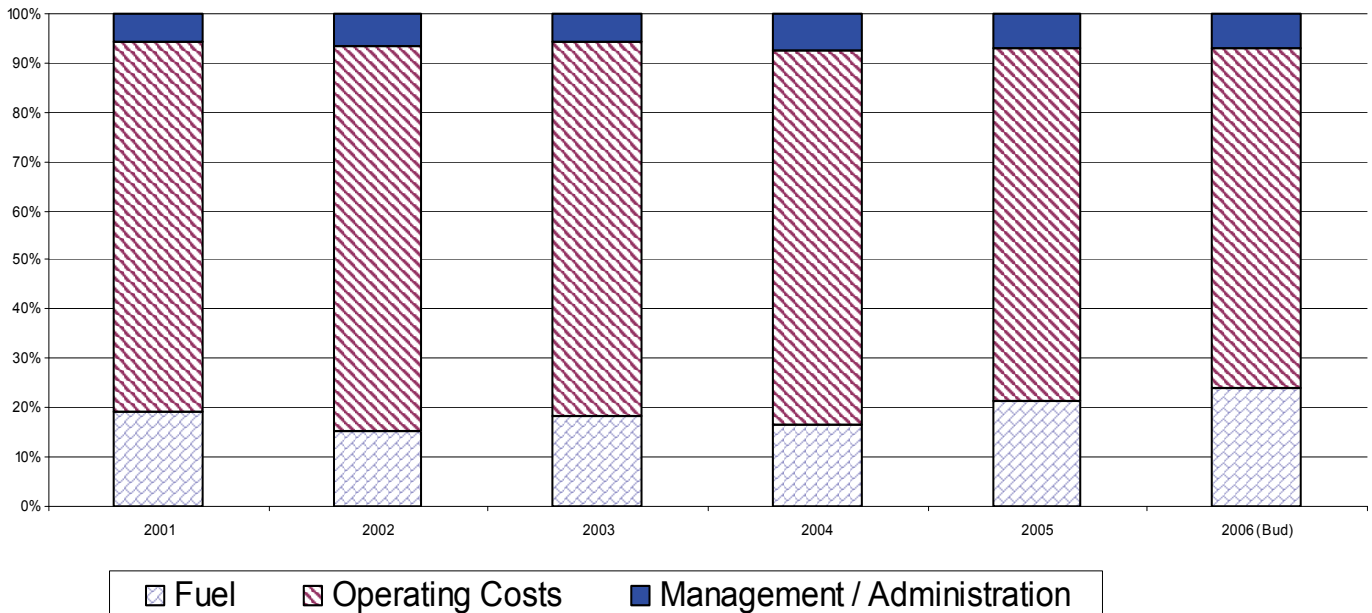
The Ministry of Transportation, by agreement with the Township, funds 90% of most costs. Since the Frontenac II commenced year round Ferry service, Provincial funding for the fuel component dropped to 73% of the fuel costs. As fuel prices increase, the Municipal financial contribution, in total dollars, is increasing yet the fare revenue has remained substantially stable. The Table and Chart on page 2 and 3 illustrates actual ferry data showing major ferry expenditures from 2001 to 2005 plus the 2006 Council approved Ferry budget. Note the cost escalation trend, in particular the fuel that and only receives 73% Provincial funding has increased by 38% since 2001.

Ferry Operating	2001	2002	2003	2004	2005	2006 (Bud)
Management Salaries	9,508	11,311	11,666	30,110	32,471	34,000
Administration	81,500	98,900	85,700	102,300	112,300	116,300
Operating Salaries	1,116,042	1,154,360	1,157,096	1,209,430	1,278,116	1,348,200
Fuel	314,302	248,335	307,090	292,277	434,785	520,000
Insurance	21,545	23,131	27,282	26,539	26,552	28,000
Berthage Charges	0	28,300	28,300	61,500	61,500	61,500
Other	75,160	69,625	61,235	54,966	67,049	73,700
Expenditures	1,618,057	1,633,962	1,678,370	1,777,122	2,012,772	2,181,700

Notes: A one-time accounting computer system charge of \$13,900 removed from 2002 administration. In 2004 additional \$21,400 restatement of administration charges. Increase in Management salaries between 2003 & 2004 to reflect actual time spent by Ferry Manager on Ferry issues.

Ferry Expenditures (continued)

Ferry Operating Expenditures



Public Questions & Municipal Response

Regular ferry users know that, in March 2006, Loyalist Township implemented an interim fare increase to cover a portion of the revenue shortfall. Knowing that the fare increase would not cover the deficit, Council undertook a public consultation program to obtain input as to the best option to raise additional revenue.

The Township received a small number of comments or questions in response to the brochure entitled "Opportunity for input on how to address Ferry Revenue Shortfall."

This section provides a response to some of those questions. We encourage input on this subject and hope that it will be helpful to have this information in advance of a public meeting that will take place on the Island in the coming weeks.

There were several questions relating to costs and revenue, therefore the first two pages of this newsletter is intended to provide ferry users with those details. The actual budget sheets are available on request.

When was the last fare increase?

- Following the permanent deployment of the Frontenac II, bulk ticket rates were increased from \$1.79 to \$2.17 (by reducing the number of tickets for \$50 from 28 to 23) and individual rates were increased from \$3.50 to \$5.00, effective March 1, 2001.
- Effective March 17th, 2006, bulk

Last fare increase
2001

tickets (sold in books of 30 for \$75) are \$2.50 each; the individual car or pick-up fare is \$6.00.

Why was there no grace period to use up old tickets?

- A grace period was considered but it was decided that it would be fairer for everyone if the new rate applied across the board on the effective date.

Why not have a \$50.00 book of bulk tickets?

- The bulk ticket rate is primarily intended to give a better price to Islanders who use the ferry on a
- (Continued on page 4)*

Public Questions & Municipal Response (continued)

(Continued from page 3)

regular basis. We have found that an increasing number of frequent visitors have purchased bulk tickets as the individual fare has increased over the years. We expect that the \$75 book will discourage occasional users from purchasing bulk tickets.

What % of costs does MTO cover?

- Until a revised agreement was signed on June 2, 2003 (effective January 1, 2001), MTO subsidized 90% of all operating expenditures. In order to have the Frontenac II in service year round, the Township agreed to pay 100% of the additional costs (fuel, insurance) associated with the improved service.
- Under the new agreement, MTO covers approximately 73% of fuel costs and continues to provide 90% subsidy for all other operating expenditures except for a cap on administration and insurance. Through a fairly complicated formula, the savings from having the larger ferry year round (reduced use of bubble system, etc.) are credited to the Township.
- Note that MTO provides the ferry, and replacement ferry when needed, and pays for all repairs and capital expenditures related to the ferry itself and to maintenance and improvements to the loading area on the mainland side and the operation and capital costs associated with the bubble system.
- The docks are owned and main-



tained by the Township. The Ferry Service is charged a berthage fee for the use of the docks. This amount is set aside for future dock work.

If the ferry was transferred to MTO would it then be free for Islanders?

- MTO has shown no interest in taking over the ferry operations. Questions in this regard should be directed to MTO.

What are the staffing requirements for the ferry?

- The deck crew consists of a Mate, a Purser and a Deckhand. The Engineer and Captain complete the 5-member crew that is required by Transport Canada regulations based on the number of passengers the ferry is rated to carry.
- Transport Canada establishes the minimum crew size based on the number of people required to perform life saving tasks in an emergency. The crew size cannot be altered when there are fewer passengers on board.

Would the cost be offset if all Township employees / vehicles paid?

- All township employees pay the same fee as the public to use the ferry.
- Fares for Township vehicles are charged to the appropriate general rate account (Recreation, Transportation, etc.) and the amount is transferred to the ferry revenue account.

Has cutting the 12:30 p.m. and

1:30 a.m. ferry service been considered?

- All options are being considered as part of this exercise. Since MTO covers 90% of staff salaries, this does not appear to offer great cost savings. Nevertheless, if Island residents felt this was a viable option and that it did not create a hardship to those individuals using late night trips, it is an option to consider.

Why is the Ferry Office required?

- The Ferry Office provides a valuable service as a convenient location for the pursers to take the ferry receipts and as a local ferry contact point for island residents.
- The office is staffed 3 days a week and any closure would not have a substantial impact on the financial bottom line but would negatively impact the ability to provide local service.
- The work performed by the Ferry Clerk (including staff scheduling) is necessary to the operation.

Why not refuel in off hours so as not to place a strain on maintaining the ferry schedules?

- Fuel delivery is tendered through MTO to obtain the best price. Delivery times are outside the Township's control.
- The Township has not explored obtaining services outside of regular working hours, however we believe such service would be offered at a premium like most other off-hour services.

(Continued on page 5)

Public Questions & Municipal Response (continued)

(Continued from page 4)

Why not have an end loading ferry?

- To make use of The Frontenac II's end loading capability, the docks at both Millhaven and Stella would have to be reconfigured. Rough estimates are several million dollars and those costs would have to be borne 100% by Township residents. However, the process of getting current estimates is underway.
- If determined to be a financially viable proposal, it would take several years to obtain the necessary approvals, funding and to complete construction and would not address the immediate revenue needs.

Is money available from outside sources such as the "Good Neighbour Fund", lotteries, casinos, etc?

- The Township's Ferry Committee met with wind energy firms to ascertain the nature of the proposed "Good Neighbour Fund" and the methodology of obtaining funding.
- The Good Neighbour Fund would first depend on the generosity of the property owners, who have wind energy structures on the Island, to make a voluntary contribution to the Fund to be matched by the energy company. None of this funding is available, if at all, until such time that wind energy is generated on the island. This is not likely to occur in the next few years.
- Staff are not aware of any lottery or casino that has a funding program in place that could financially benefit the Amherst Island

ferry service.

Why are building permits still being issued for the island when the capacity of the ferry is limited?

- Ferry capacity is not an issue at this time and any additional riders will increase revenue that is needed by the service.
- The Township is aware of the number of vacant lots and is monitoring the ferry capacity issue.

Are you going to have a public meeting on the island?

- A public meeting regarding the ferry financial situation is scheduled for July 18, 2006 at 7:00 p.m., in the Amherst Island Community Centre.
- The format of the meeting will be a series of poster boards fol-

lowed by a Q & A session at 8:00 p.m.

Where can I get more detailed budget information?

- If you wish to receive more detailed budget information please contact the Township office outlining your specific information needs.

(30)

Ferry Service Public Meeting
LOOKING FOR SOLUTIONS
July 18, 2006
Amherst Island Community Hall
7 p.m.

LOOKING FOR SOLUTIONS
Your input is required!!!

The Council of Loyalist Township is still very interested in receiving additional feedback from island residents and other ferry stakeholders as to the best methodology of reducing the gap between revenue and expenses. We welcome fresh ideas from those previously presented in response to the Township's Amherst Island Ferry - March 2006 brochure.

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