

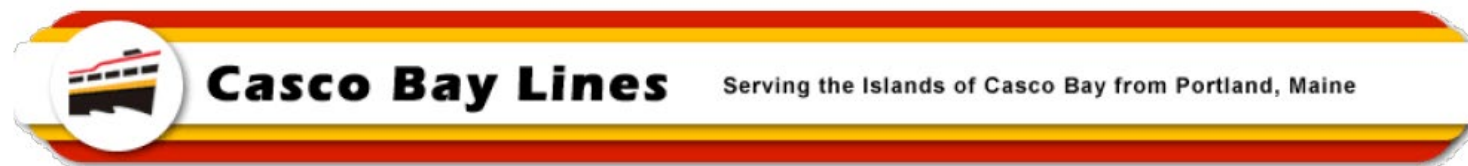
Casco Bay Lines Finances

Big Picture

Discussion of Finance Comm Road Map

Finance Committee

2/12/2025



CBL Finances Big Picture

- Where does the money to operate come from?
 - Income/Revenues from operations
- Where does the money go?
 - Expenses/Operations
- Expenses exceed operating income by millions of \$, resulting in a **deficit**
 - Long ago CBL broke even, borrowed against line of credit to fund off peak losses, paid bank back with summer profits
 - CBL now depends on **government grants** to cover losses
- Can we count on Federal grant funding of continued losses?

CBL Summary Financials FY 2023 and 2024

	FY2023 Audited	FY 2024 Preliminary
Operating Revenues	\$ 5,905,003	\$ 7,055,128
Expenses	\$ 10,382,249	\$ 9,679,703
Operating Deficit	\$ (4,477,246)	\$ (2,624,575)
Grants operating	\$ 4,293,521	\$ 3,548,892
Grants capital (boats,bldg)	\$ 6,140,147	

CBL Revenues from Operations **\$7.1m** FY 2024 (preliminary)

- Scheduled service 84% \$5.9m
 - **Passenger fares** 48% **\$3.4m**
 - Vehicles 21% \$1.5m
 - Freight 13% \$0.9m
- Group sales (charters, cruises etc) 15% \$1.1m
- Passenger fare change 6/2024: single ticket price increase raised revenue, mostly from summer visitors; passes delivered savings to most islanders & frequent riders
- Vehicle & Freight charges haven't changed in 15+ years
- Finance Comm plans to discuss fare increases, vehicles 1st

CBL Operating Expenses **\$9.7m** FY 2024 (preliminary)

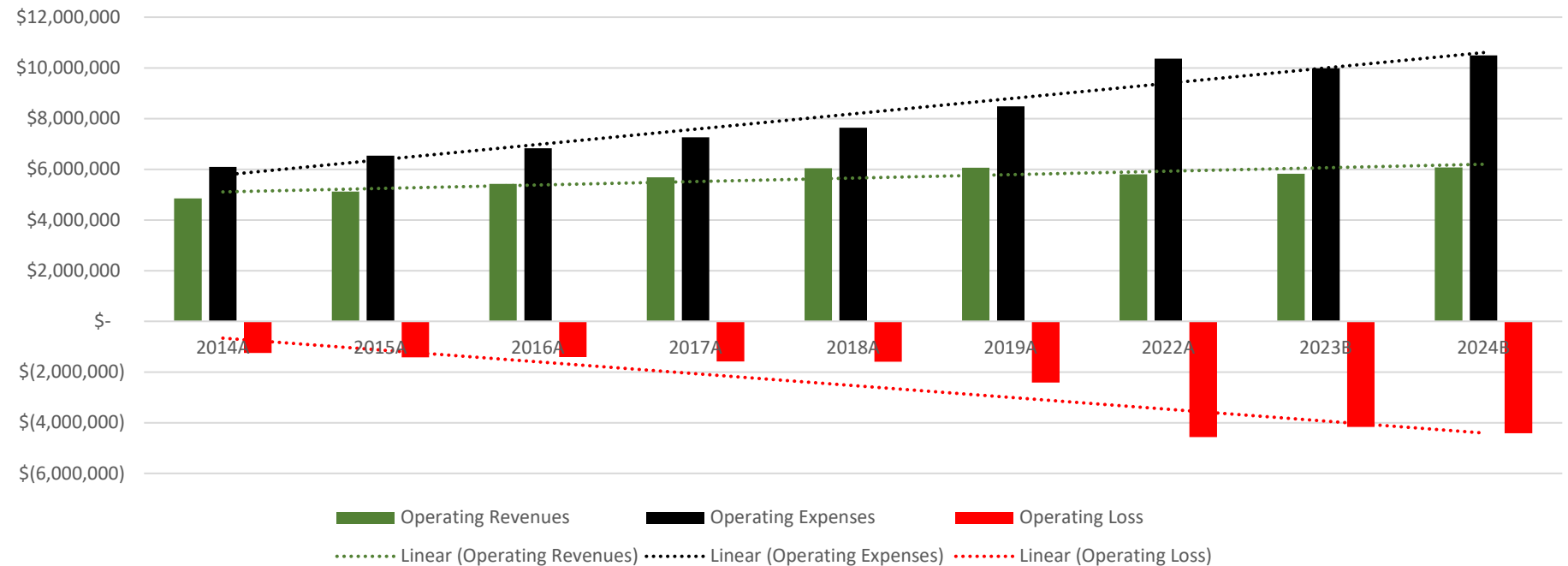
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|---------------------------------------|--------|--------|
| • Personnel | 53% | \$5.1m |
| • Marine | \$2.8m | |
| • Shoreside-ticket, freight, maint. | \$2.3m | |
| • Vessels-repairs \$1.6m, fuel \$1.0m | 27% | \$2.6m |
| • Operations-office \$400k | 11% | \$1.0m |
| • Terminal-maintenance \$400k | 6% | \$0.6m |
| • Sales-advertising \$141k | 3% | \$0.3m |
- Ferry runs: personnel, fuel, repair expense (including dry dock)

CBL Deficit **\$2.6m** FY 2024 (preliminary)

- ★ Deficit in 2024 *reduced* from \$4.5m in 2023 (audited)
 - Board did not accept management budget for 2024
 - Set goal of reducing deficit by \$1.1m/25% - met goal
 - Most of deficit reduction delivered by passenger fare increase
 - 87% of passenger revenue increase from Peaks peak season visitors
 - Go slow initiative by captains reduced fuel expense
- Deficit trend: spending accelerated starting in 2019, plugged mostly by Federal grants
- Deficits & dependence on Federal grants ballooned in covid years 2020-21

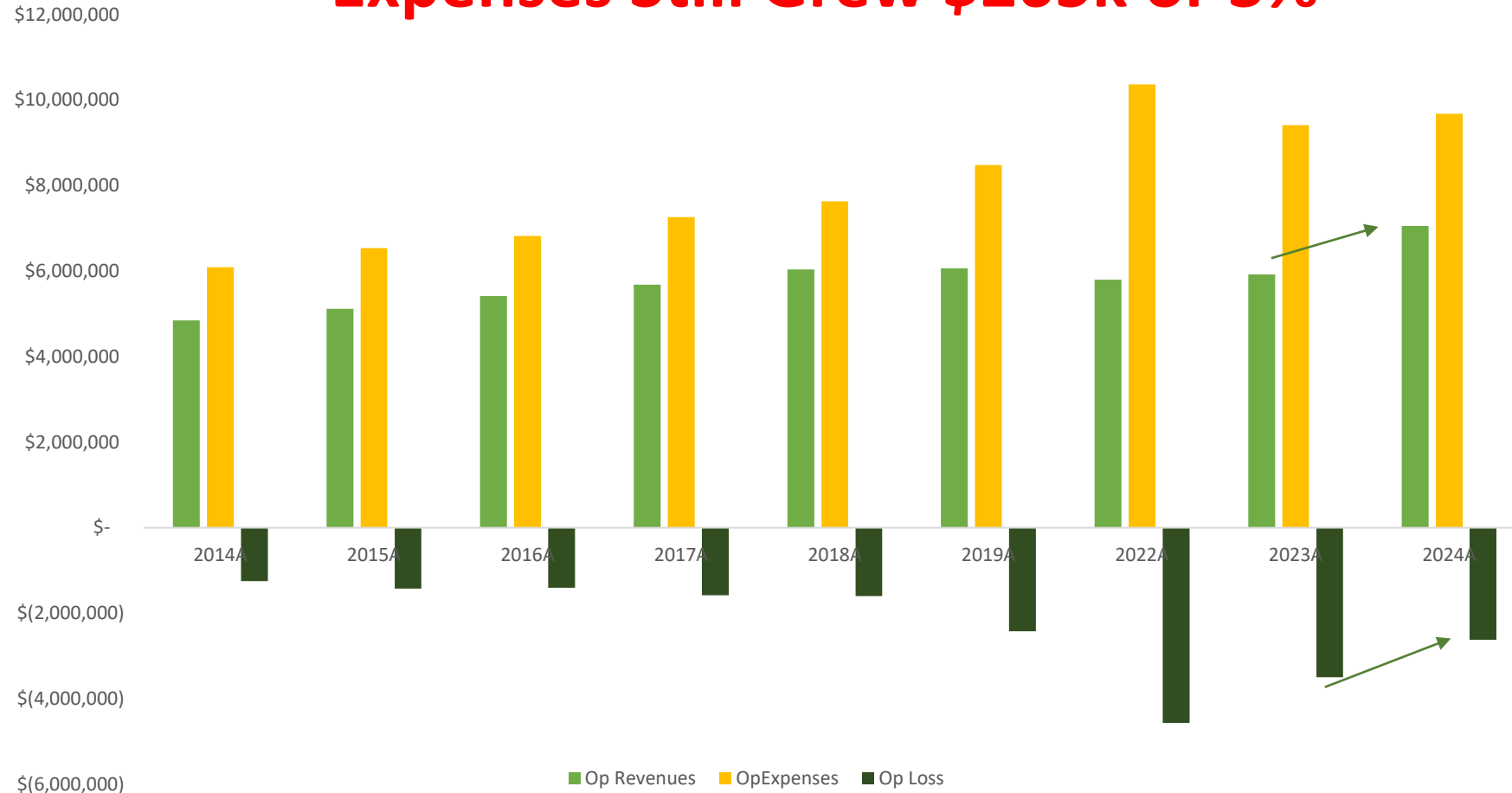
CBL Expenses **+59%** since 2014, CPI **+32%**

Before 2024 Passenger Fare Change CBL Expense/Loss Trend 2014A-2024B (removed covid years 2020-21)



Deficit Reduced to \$2.6m 2024

Expenses Still Grew \$265k or 3%



Operating revenues +\$1.0m in FY 24 vs 23, due to passenger fare increase

Increased risk to Federal grant funding to cover operating deficits (& capital projects)

Which Federal Programs Are Under Scrutiny?

Budget Office Named 2,600

Grant suspension rescinded 1/29/25 after being blocked by Federal judge.
Judge ruled 2/9/25 administration defied order to release billions. Uncertainty

Department of Transportation

- The Passenger Ferry Grant Program provides funding for passenger ferries through a competitive process for capital projects that support passenger ferry systems in urbanized areas, such as ferry vessels, terminals, and related infrastructure.
- The Electric or Low-Emitting Ferry Pilot Program makes federal funds available to projects that supports the purchase of electric or low-emitting ferry vessels.
- The Ferry Service for Rural Communities Program makes federal funds available to states to ensure basic essential ferry service is provided to rural areas.

Goal: Continue to Reduce Deficit & Dependence on At-Risk Federal Grants

- Biggest expense reduction opportunity: surgery on loss-making runs
 - Rationalize/unwind KPFF down the bay schedule
 - Explore combined DB/Peaks runs: early/late
 - Winter Peaks runs, especially with car ferry, will be scrutinized
- Eliminate extra summer boats to Peaks
 - Extra boats add more cost than they bring in revenue
 - Some peak schedule changes can improve revenue and on time performance
- Increase efficiency
 - E-ticketing, phones, kiosks, reduce seasonal hiring
- Staff should be analyzing costs, taking initiative to find efficiencies and savings
 - Go slow initiative provided meaningful savings in fuel expense



Work for the Finance Committee

CBL Finance Comm: Accelerate Work to Reduce Expenses & Deficit, **Be Prepared**

- Management recruiting Vice President of Finance, increase staff ability to provide analysis, model options, develop proposals, plan ahead
 - . . . understand our costs (Battery Steele) and find cost savings
- Address both expense cuts and revenue increases, fairly
- Meaningful expense reduction necessitates reduction of loss-making runs: staff analysis, proposals for “surgery” on schedule to all islands
 - Operations Committee responsibility for schedule, Finance and Ops to work together to achieve reductions that are financially meaningful while fulfilling mission to provide essential service to all islanders

CBL Finance: Methodical Work to Reduce Deficit by Increasing Revenue, **Be Prepared**

- Revenue increase next step: vehicle fares (cars & commercial)
- Align with staff analysis and Operations Comm public discussion on vehicle reservations system
 - Vehicle fare increase: address incentive to tourists to bring cars to Peaks because it's cheaper than parking and commercial vehicles that hog space yet don't pay as much as the cars they displace
 - Figure out a plan that preserves affordability for Peaks islanders, who need to take cars, trucks across, year-round (and don't plan 30 days ahead)
 - Current system & increase in vehicles risks crowding out islanders, who should have priority

CBL Finance: Methodical Work to Reduce Deficit, **Be Prepared**

- Freight rates to be addressed after vehicle rates; 13% of revenues
- Cadence of small incremental increases in passenger fares
 - Discussion: Assess fares annually? Bi-annually?
 - Listen to feedback, notably from businesses, against large price shocks
- ❖ Fairness and open discussion with islanders will be important as we reduce the deficit, especially in being prepared for a hard reduction.

Finance Committee Work

- Discuss and recommend deficit reduction goals for board consideration
 - For discussion: 2025 (\$2m)
 - For discussion: 2026 (\$1.5m)
 - For discussion: 2027 and ongoing unless forced to eliminate grants: (\$1m)
 - Develop plan to operate at break even, including necessary actions, in case of grant funding loss
 - Discuss with Board and monitor potential loss of grants for capital expenses
- Vehicle rates: cars and commercial vehicles
 - Figure out an islander or frequent user discount (must not be discriminatory)
 - Follow successful passenger fare tariff change where islanders and workers who use ferry frequently have a discounted option and revenue is captured from single ticket summer visitors
 - Car slots limited, unlike passenger space: ensure islander affordability, priority and reduce congestion
- Deepen understanding of expenses and choices with rigorous financial analysis by staff
- Budget for 2025, Q3 at March meeting, full year budget draft for consideration latest June
- ❖ Fairness and open discussion with islanders will be critical as we make decisions to reduce the deficit, especially in the event of loss of grant funding.

Appendix

Analysis of passenger fare change from inception 6/1/24 to 12/31/24

Presented at January 2025 Finance Committee meeting

Summary: Fare Change Period June-Dec 2024

Revenues in dollars

6/1 - 12/31/2023 Actuals	dollars	% of total		6/1 - 12/31/2024 Actuals	dollars	% of total		increase	% +/-
Peaks	\$ 1,383,049	67%		Peaks	\$ 2,269,805	75%		\$ 886,756	90%
Long	\$ 257,484	13%		Long	\$ 299,752	10%		\$ 42,268	4%
GD & DC	\$ 277,579	13%		GD & DC	\$ 300,194	10%		\$ 22,615	2%
Peaks, Long, GD/DC	\$ 1,918,112	93%		Peaks, Long, GD/DC	\$ 2,869,751	94%		\$ 951,639	97%
Other islands	\$ 138,445	7%		Other islands	\$ 167,395	6%		\$ 28,950	3%
Total	\$ 2,056,557	100%		Total	\$ 3,037,146	100%		\$ 980,589	48%
								Net increase for 7 mo period after off-peak decline of (\$38,990)	

Units declined overall (21%) and (18%) to Peaks

Ridership data up 1% overall for same period

Conclusion: fare increased passenger revenues by 48% in period vs 2023, did not materially reduce ridership, though many people switched to and benefitted from passes. Off-peak switching is negative to revenues

Off-peak Summary: Fare Change Period June-Dec 24

Revenues in dollars

10/10 - 12/31/2023 Off- peak Actuals	dollars	% of total		10/15 - 12/31/2024 Actuals	dollars	% of total		decrease	% +/-	
Peaks	\$ 152,409	63%		Peaks	\$ 150,330	75%		\$ (2,079)	-1%	Peaks ~flat
Long	\$ 45,186	19%		Long	\$ 25,298	13%		\$ (19,888)	-44%	Long declined the most in \$
GD & DC	\$ 28,921	12%		GD & DC	\$ 15,847	8%		\$ (13,074)	-45%	GD/DC greatest % decline
Peaks, Long, GD/DC	\$ 226,516	94%		Peaks, Long, GD/DC	\$ 191,475	95%		\$ (35,041)	-15%	
Other islands	\$ 13,506	6%		Other islands	\$ 9,557	5%		\$ (3,949)	-29%	Cliff > than LD & Chebeague off-peak
Total	\$ 240,022	100%		Total	\$ 201,032	100%		\$ (38,990)	-16%	

Decrease for 2.5 mo portion of
off-peak period

Long, GD/DC and other islands declined in off-peak compared to 2023
 Peaks revenue was flat in 2024 period compared to 2023

Only 2.5 mos of off-peak period so far, further declines compared to 2023 likely. Important to monitor. May need to responsibly evaluate changes

Peak Summary: Fare Change Period June-Dec 24

Revenues in dollars

6/1 - 12/31/2023 Peak Actuals	dollars	% of total		6/1 - 12/31/2024 Peak Actuals	dollars	% of total		increase	% +/-
Peaks	\$ 1,230,640	68%		Peaks	\$ 2,119,475	75%		\$ 888,835	87%
Long	\$ 212,298	12%		Long	\$ 274,454	10%		\$ 62,156	6%
GD & DC	\$ 248,658	14%		GD & DC	\$ 284,347	10%		\$ 35,689	4%
Peaks, Long, GD/DC	\$ 1,691,596	93%		Peaks, Long, GD/DC	\$ 2,678,276	94%		\$ 986,680	97%
Other islands	\$ 124,939	7%		Other islands	\$ 157,838	6%		\$ 32,899	3%
Total	\$ 1,816,535	100%		Total	\$ 2,836,114	100%		\$ 1,019,579	

Increase for peak period, off-peak
 declined by (\$38,990) in 2.5 mos

Peaks accounted for 87% of the revenue increase from fare change in Peak season

Peaks ridership data up 4% for peak period, total 470,683 riders

Have heard no reports from Peaks businesses of decline in visitors for summer of 2024

Ridership data for all islands shows an increase for 2024