Casco Bay Lines Finance Committee & Board

Presentation by the Finance Committee Chair/Treasurer

9/27/2023

By-Laws: Finance Committee responsible for overseeing development of the budget

CBITD By-Laws 4/14/17 lay out our responsibilities:

Section 5, Finance Committee. There shall be a Finance Committee that includes the Treasurer. It shall be the duty of the Finance Committee to, monitor the financial performance of the District, to oversee development of both the annual operating budget and the long-term capital expense budget of the District, and to recommend revisions as necessary to the Board. The Finance Committee shall meet quarterly except as more frequent meetings are required with respect to the development of the annual budget.

What we asked management for….

- **Sept 2022 budget meeting** Finance Comm directed staff to reduce the loss for 2024 and to prepare multiple scenarios by July 2023 for reducing expenses and increasing revenue to provide the board with a menu of options to reduce the net loss by $1-2mm

- **12/21/22 Finance Comm Priorities for FY 2023 proposed**
- Complete financial Audit of FY 2022 financials by new independent audit firm with no material misstatements, urgently
- Provide input to GM on hiring high caliber Finance lead, ASAP
- Oversee staff achievement of FY 2023 operating budget approved by the board on 9/22/22
  - Revenues $5.8mm / Expenses $10.0mm
  - Operating loss -$4.2mm offset by Grant revenue $4.2mm
- Draft FY 2024 budget to Finance Comm with models for 3 options for reducing the operating loss by $1-2mm, by end July 2023
- Improve timeliness of monthly financial statements, deliver to Finance Comm by end of each subsequent month
- **4 meetings, July, Aug, Sept (2x) to discuss budget**

As of 9/20 Finance Comm received from management….

- FY 2024 budget with a projected operating loss of $4.3 million and expenses $10.4m (inclusive of $467k new board requested expenses)
  - FY 2023 budget:
    - Expenses $10.0mm
    - Operating loss $4.2mm
    - 7/23 1 page summary with unspecified staff cuts & unspecified "across the board" fare increases-no realistic detail to discuss
    - Held 4 meetings, requesting analysis and detail, some of which received
    - Finance Director has dived into expenses to understand, responsive to FinComm adds
- 2024 management budget continues trend of increased expenses: 10.3% > 2023 Forecast
- 2019-2023F revenues down 3% while expenses are up 28%

Financial Ops Summary

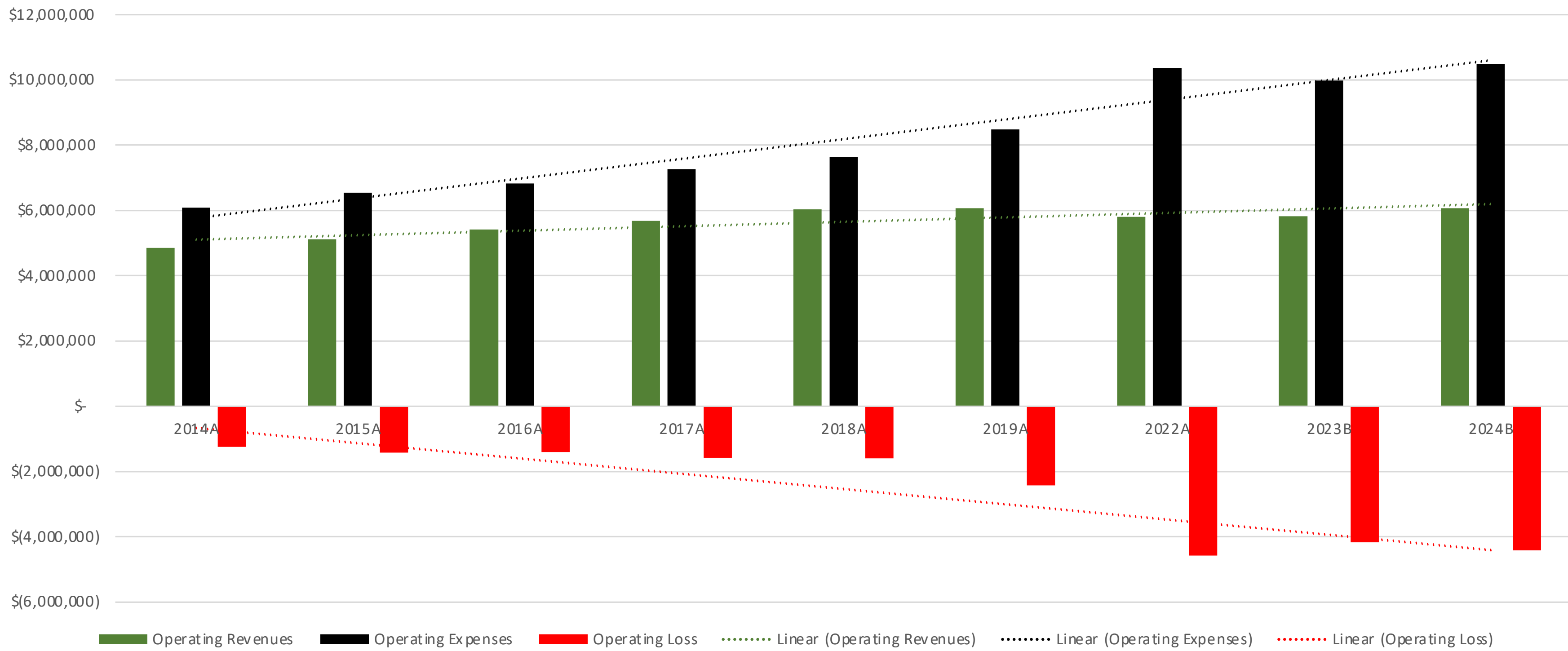
*does not include capital expenses (capex)

- 2019 expenses & loss increased significantly (pre covid)
- 2022 expenses up 22% over 2019; loss up 89%
- 2023 budget continued the trend of greatly increased expenses and loss
- Finance Committee rec'd 2023 budget in Sept as Finance Director departed, no time to analyze or change
- Finance Comm directed staff to reduce the loss for 2024 and to prepare multiple scenarios by July 2023 for reducing expenses and increasing revenue to provide the board with a menu of options to reduce the net loss by $1-2mm

	Op Revenues	OpExpenses	Op Loss	Loss vs PY	Exp vs PY
2014A	$ 4,845,934	$ 6,091,118	$ (1,245,184)		
2015A	$ 5,119,331	$ 6,539,199	$ (1,419,868)	14%	7%
2016A	$ 5,418,336	$ 6,824,704	$ (1,406,368)	-1%	4%
2017A	$ 5,682,481	$ 7,262,331	$ (1,579,850)	12%	6%
2018A	$ 6,037,222	$ 7,633,653	$ (1,596,431)	1%	5%
2019A	$ 6,061,478	$ 8,480,473	$ (2,418,995)	52%	11%
2020A	$ 3,357,286	$ 7,946,871	$ (4,589,585)	90%	-6%
2021A	$ 5,348,112	$ 11,161,561	$ (5,813,449)	27%	40%
2022A	$ 5,798,740	$ 10,364,336	$ (4,565,596)	89%	22%
2023B	$ 5,826,865	$ 9,988,426	$ (4,161,561)	-9%	-4%
2024B	$ 6,068,057	**$ 10,522,419**	**$ (4,454,362)**	**7%**	**5%**

CBL Expense/Loss Trend 2014A-2024B

(removed covid years 2020-21)



Flat operating revenues + growing expenses = growing operating loss

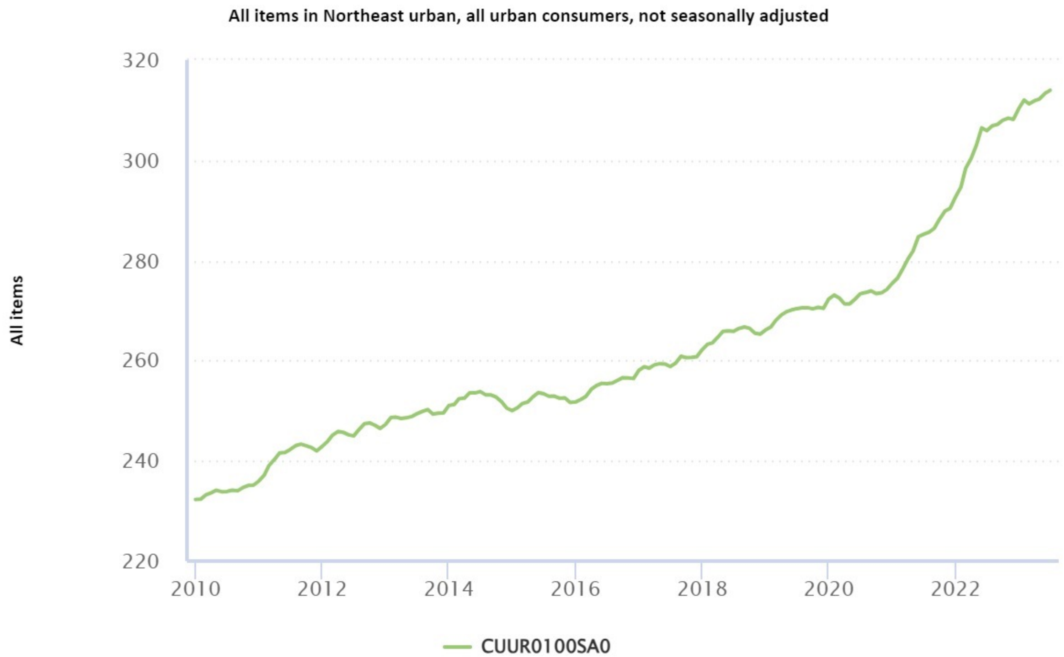
Issue: Expenses keep rising, fares haven't risen in >10 years

Consumer Price Index (CPI) Up 35% Since 2010
CBL: No Fare Increase, Expenses Up 73%

Per Hank, last fare increase ~14 years ago

If peak fares had increased with CBI Peaks would be $10.40, Long $14.45

CBL expenses are up 73% since 2014, more than twice the rate of inflation



Click and drag in the plot area to zoom in. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Revenues

	2023 B	2023 F	2024 B		2022 A	2019 A	Trend 2023-24	Trend 2019-23
Revenue								
Passenger	2,529,205	2,520,545	2,510,000		2,650,354	2,734,946	-0.4%	-7.8%
Vehicle	1,231,864	1,448,481	1,471,000		1,429,191	1,096,017	1.6%	32.2%
Freight	978,480	903,389	970,000		925,880	950,546	7.4%	-5.0%
Mail	78,200	83,652	83,500		83,591	74,599	-0.2%	12.1%
Sales revenue	956,727	934,617	980,457		701,422	1,199,009	4.9%	-22.1%
Misc+interest	51,390	55,945	53,100		21,482	54,383	-5.1%	2.9%
TOTAL REVENUE	*$ 5,825,866*	*$ 5,946,629*	*$ 6,068,057*		*$ 5,811,920*	*$ 6,109,500*	2.0%	-2.7%

- 2024 passenger revenue projected flat, trend is down; *need data on passengers
- 2024 freight projected up 7.4%, yet 2023 F is below budget ??
- Sales revenue down 22% since 2019; 2023F sales expense $287,666=30% of sales; how can expense be reduced and revenue increased?

Costs: work to be done

- No analysis of costs presented, yet
- Other than Sales, do not understand costs of any service nor where losses occur in order to identify and publicly debate changes
- President's proposal to evaluate unwinding KPFF schedule, savings possible, might we combine with freight boat, early/late Peaks service? - needs financial analysis & public discussion
- Freight: what is the cost to ship a package? Construction material? Do we want to offer a low rate for e.g. food, but charge cost+margin for large shipments, e.g. building materials or jacuzzis to Peaks?
- Commercial vehicles max at $135, but may displace many cars @$83
    - Recent example: huge flat bed truck + large UHaul were only vehicles on Machigonne, loss of revenue compared to cars
- Which runs/services lose money? Can they be combined or changed?
- How can we best support island residents?

Goal: Address Both Expenses and Revenues

- Public discussion of fare increases (3%-15%), suggested flat to all islands and other models that capture revenue from high volume single ticket buyers while discounting for year-round riders (and workers?)
- Increase event charters and price appropriately: run scheduled service on time, eliminate extra boats to Peaks (with residential boarding)
- E-ticketing: increase single ticket price (no round trip), offer discounts for those who support ferry year-round and after purchasing X tickets (over time, not all at once)
  - Discuss monthly/annual pass pricing, for example $50/mo. off season, $500-600/yr.
  - Commuter books: do they make sense? Family books? used by summer groups
  - Need to address half price ticket buyers (elderly, disabled, child)
  - Hardship program: perhaps with churches, like fuel assistance (special situations)?

Goal: Address Both Expenses and Revenues

- Unwind KPFF down the bay schedule (while decreasing db ticket prices)
- Explore combined DB/Peaks runs: early/late?, freight boat
- Eliminate costly extra summer boats to Peaks (analyze)
  - Notify event hosts, offer charters, communicate in advance
  - Analyze: do extra boats add more cost than revenue?
  - Reduce stress on crew, improve on time performance on which islanders depend
- Reduce marketing expenses (City and State efforts drive tourist traffic)
- Staff should be looking for efficiencies and expense reductions
- Seasonal staffing levels?

A Lot of Work To Be Done . . .

- Public discussion and input critical
- Changes to fare structure for passengers: FinComm goal by March 24
- Changes also needed for cars and freight
  - When was the last time freight costs were analyzed?
  - Freight concerns unite Peaks and down the bay islanders, impacts businesses and generates stress on crew
  - Large home projects on Peaks generate large shipments & trucks: is pricing fair?
- Fares, expenses, fall under Finance Committee
- Schedules under Operations, important to address for both Peaks and down the bay, and an opportunity for us and citizens to work together