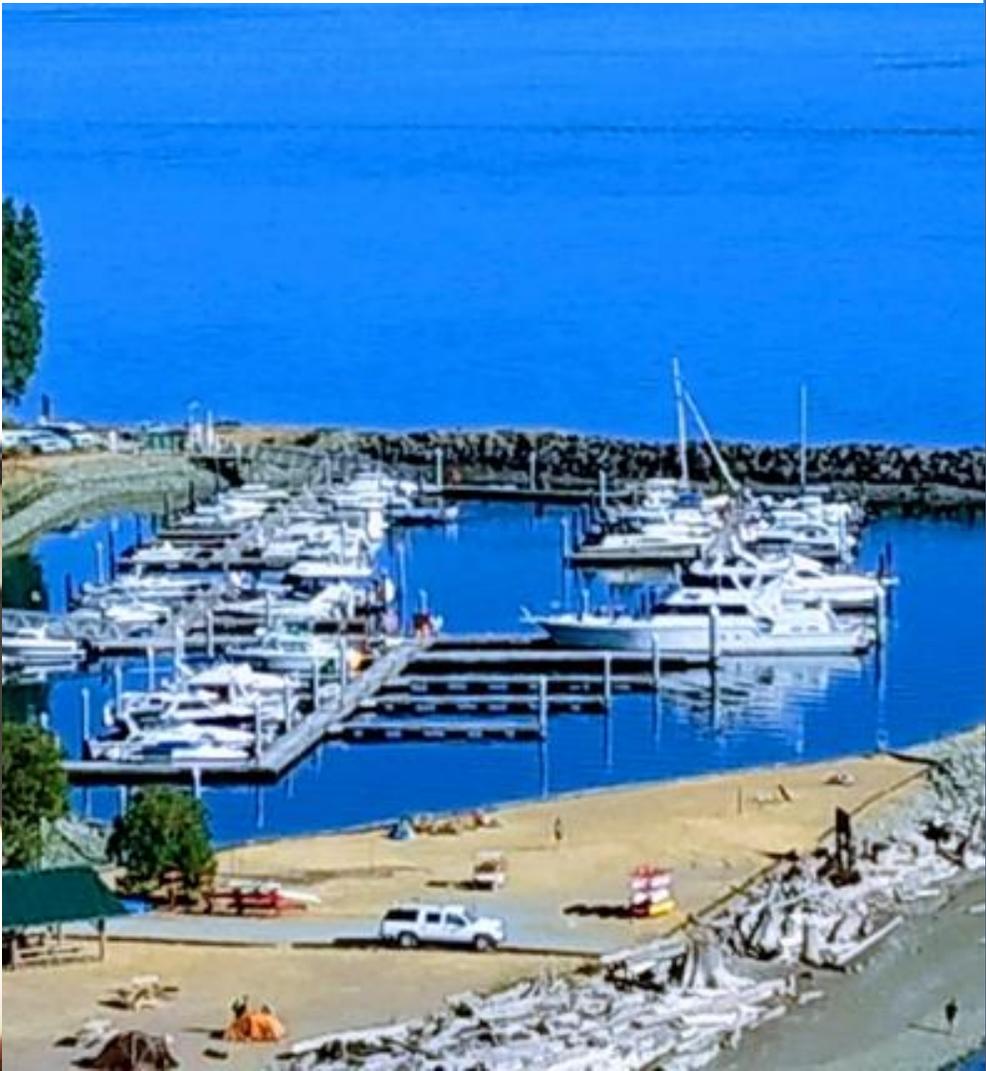




HICA Ferry Proposal

October 17, 2019



Frequently Asked ??????????

- Why do we need a new ferry?
- What was the process to look at new options?
- What is the cost & how can we afford a new ferry?
- Why did we choose a smaller ferry. Will that affect our service levels?
- Will we need a special assessment & would it change our ridership fees?

Why do we need a new ferry?

5-year cost projections

	Hat Express	New Ferry
Maintenance	290,000	75,000
Poss. Eng. rebuilt(2)	130,000	0
Fuel Cost	130,000	60,000
Personnel	700,000	635,000
Total	1,250,000	770,000

Savings	\$ 480,000
Sale of Hat Express	\$ 180,000
5-Year Savings Total	\$ 660,000

- Our existing ferry is aging poorly and is very expensive to operate.
- Our 16-cylinder engines are obsolete and would cost about \$175K+ ea to replace. They are a ticking time bomb.
- We will gain efficiencies in maintenance, fuel costs, moorage rates, needed staffing & more.

What was the process to look at new options?

- A Vessel Committee was established several years ago to look at options for a new boat. After looking at many options:
 - * Nichols Brothers Boat (Whidbey island)
 - * Thain Boatworks (Everett)
 - * Velocity (Bellingham)
 - * Armstrong Boatbuilders (Port Angeles)
 - * All American Marine (Bellingham)
 - * Munson (Burlington)
 - * Progressive Industrial (Florida)
 - * Vigor (Seattle)

The committee felt the proposal from Armstrong was the best option on several points.

What is the cost & how can we afford a new ferry?

- About \$1,050,000 depending on final options.
- Down payment of \$200,000 from our Capital Reserves.
- Based on a 20-year loan at 5% (possibly lower) our annual payment would be \$5,602.62/month. Annual cost is **\$67,315.62**
- Each year we budget \$125K to the Capital Reserve account. Per the reserve study, 38.3% goes to the ferry reserve. This is **\$47,875 annually**.
- This leaves a balance of \$19,440 to cover the annual payment. Savings from the current ferry budget in efficiencies will cover this cost. (\$16K minimum in fuel & maintenance alone.)
- Armstrong will assist in selling our current boat which can be applied to the loan as seen fit by the board.

Why did we choose a smaller ferry. Will that affect our service levels?

We chose a smaller ferry for several reasons including a more efficient hull design, operating costs & most of our runs are under 50 passengers.

There are numerous advantages to an under 50 passenger ferry including:

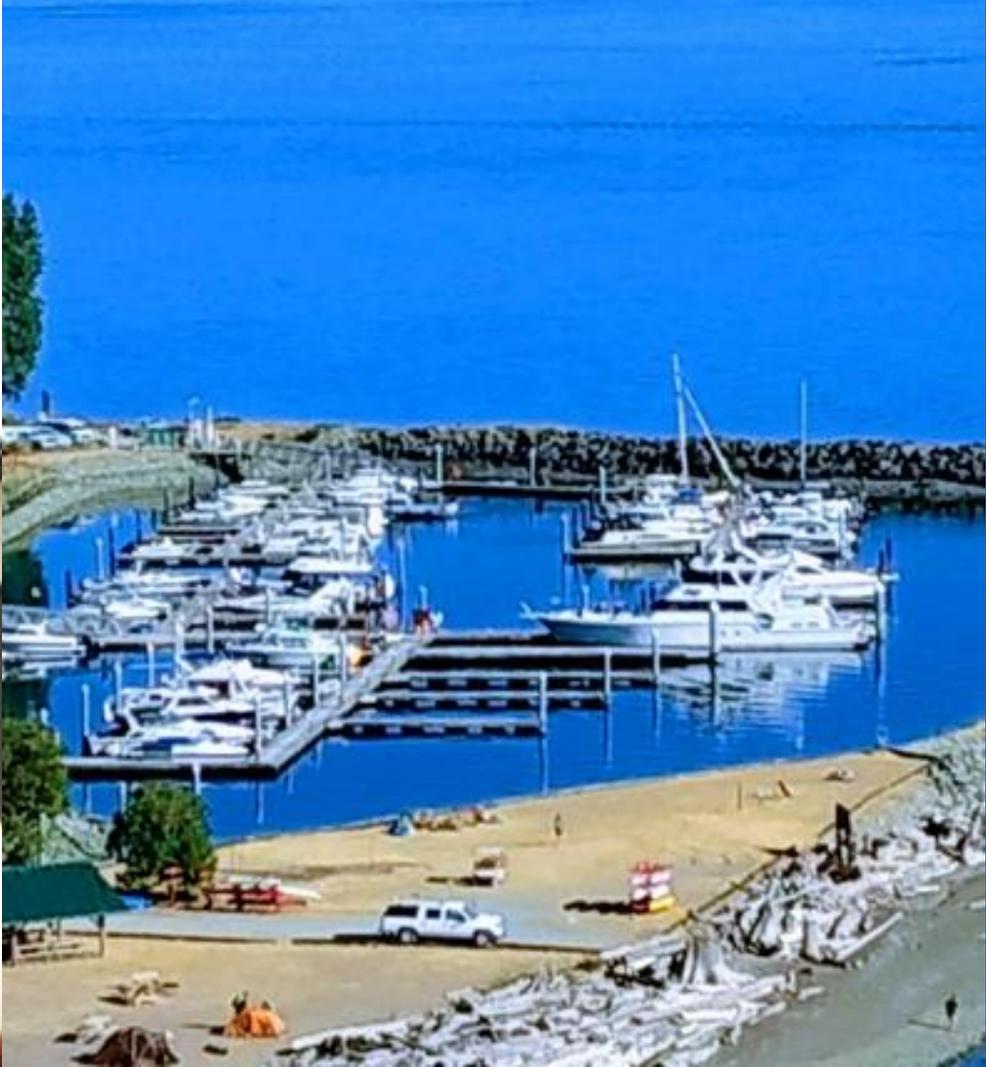
- Smaller crew
- Different Coast Guard certification (less onerous)
- Lower insurance costs, fuel needs & maintenance costs.

Other considerations with Armstrong

- The warranty for hull is 8 years.
- All the equipment such as engines, gear boxes, gen sets, electronics etc. come with their own warranty.
- The engines have 24-month warranty or 5000 hrs hours.
- An extended warranty can be purchased

Will we need a special assessment & would it change our ridership fees?

- We will not need a special assessment as explained in the finance slide. This was a primary concern as we moved forward and established the Ferry Committee.
- Our owner ridership fees will not increase.



Thank you!