

STAFF SUMMARY

Date:

File# A-717



TO:		FOR:		FROM:
X	General Manager		Vote	Dept.: Accounting & Finance
				Author: Mark K. Rozum
X	Board Members	X	Information	Subject: Preliminary Draft of Proposed 2026 Operating Budget

PURPOSE:

To present a preliminary draft of the staff's proposed 2026 Operating Budget.

BACKGROUND:

Attached please find the proposed draft of the staff's proposed 2026 Operating Budget, including: a statement of projected revenues and expenses; a statement of detailed operating expenses with comparisons to 2024 actual expenses and the 2025 budget.

Cost of service

The Authority's total operating expenses in 2026 are expected to be approximately \$162,206,097. This projected cost of service for 2026 represents a \$11,509,763 or 7.6%, increase in total operating expenses versus 2025 budget.

The most significant variances in projected cost are attributed primarily to the following cost categories:

EXPENSE DESCRIPTION	2024 ACTUAL	2025 BUDGET	2026 BUDGET	VARIANCE	% CHANGE
PAYROLL	\$49,936,076	\$ 55,416,486	\$ 58,154,283	\$2,737,797	4.9%
PENSION	7,138,605	10,635,163	10,868,611	233,448	2.2%
HEALTH & WELFARE	10,815,887	11,889,795	12,316,641	426,846	3.6%
PAYROLL TAXES	3,723,058	4,246,939	4,437,106	190,167	4.5%
DEPRECIATION	13,976,568	16,314,212	18,533,749	2,219,537	13.6%
VESSEL FUEL OIL	9,698,816	11,766,714	11,511,354	- 255,360	-2.2%
MAINTENANCE - VESSELS (excluding labor)	11,498,572	12,239,688	15,304,817	3,065,129	25.0%
MAINTENANCE - TERMINALS (excluding labor)	2,420,428	3,023,735	4,937,682	1,913,950	63.3%
CASUALTIES & INSURANCE	6,484,119	6,400,620	6,312,492	-88,128	-1.4%
OTHER	19,253,426	18,762,982	19,829,359	1,066,377	5.7%
TOTAL	<u>\$134,945,555</u>	<u>\$150,696,334</u>	<u>\$162,206,097</u>	<u>\$11,509,763</u>	<u>7.6%</u>

Vessel operating expenses are expected to increase by \$988,741, or 2.6%, in 2026. During 2026, it is expected that the Steamship Authority will use approximately 4,020,000 gallons of vessel fuel oil. Currently, we are expecting the delivered price of fuel, including hedging premiums, to range between \$2.79 and \$2.97 per gallon compared to a range of \$3.07 to \$3.27 for the 2025 budget. Fuel expense is expected to be approximately \$11,511,000 in 2026, or a 2.2% decrease compared to the 2025 budget.

Depreciation and lease amortization expense is expected to increase by 13.6%, or \$2,22,537 with the addition of the new vessel, M/V Monomoy for the full year, the Woods Hole terminal and freight shed buildings, the addition of two new electric buses that will be delivered in 2025 as well as the new reservation system and supporting equipment and systems.

Overall, maintenance expenses are expected to increase by \$6,090,742, or 21.0%, in 2026. Vessel repair expenses are expected to increase by \$3,065,000, or 25.0%, versus the budget for 2025 as dry-docks are scheduled for the M/V Barnstable, M/V Eagle, M/V Island Home, M/V Iyanough, and M/V Nantucket. 2026 terminal repairs, dolphin and dock repairs will increase by \$1,913,950, or 63.3%, versus 2025 budget. Computer hardware and software expenses are expected to increase by \$539,000 or 13.4%.

Health care, pension and unemployment cost expenses are expected to increase by \$660,000 or 2.9%, versus the 2025 budget and continues to reflect contributions by employees towards their medical plans. Payroll taxes are budgeted to increase by 4.5%, or \$190,000 compared to the 2025 budget.

Casualties and insurance expense is expected to decrease by \$88,000, or 1.4%.

Overall, payroll expense is anticipated to increase by \$2,738,000, or 4.9%.

The projected cost of service for 2026 is based on the approved 2025 Martha's Vineyard and Nantucket operating schedules.

Operating Revenues

The projected operating revenues for 2025 are generally based on actual traffic statistics for the 12-month period ending July 31, 2024. The Authority's traffic statistics over the past few years are as follows:

	2023 Actual	2024 Actual	2025 Budget	2026 Budget
No. of Passengers carried	2,921,844	2,940,965	2,927,511	2,961,671
No. of Automobiles carried	479,902	462,431	466,850	462,438
No. of Trucks carried	210,967	211,560	210,894	212,159
No. of Cars Parked	1668,861	171,951	171,789	170,685
No. of Trips	24,661	24,079	25,100	25,028
No. of Miles Traveled	365,798	357,442	379,132	376,972

The projected operating revenues of \$152,584,000 in 2026 represent a decrease of \$598,000 or 0.4%%, versus the 2025 budget. Automobile revenue is expected to decrease by approximately \$1,732,583, or 3.5%; freight revenue is expected to increase by approximately \$766,000, or 1.6%; passenger revenue is expected to increase by \$1,333,000, or 3.6% while parking revenue is expected to decrease by \$34,000, or 0.3% and rent revenue is expected to decrease by \$1,059,000 or 41.6% versus 2025 budget. Other income including interest income, grant revenue and license fees is expected to increase by \$4,554,477 or 42.8% versus the 2025 budget.

The Authority's Sinking Fund requirements for 2025 include estimated bond interest payments of \$1,840,350 on September 1, 2026; bond interest payments of \$1,840,350 on March 1, 2027; and bond principal payments of \$11,560,000 due on March 1, 2027.

Based on our estimate of revenues and expenses for 2026, the Authority's net operating income next year is expected to be approximately \$2,748,000.

Attached is a statement of projected net operating income by route for 2026. Based on the cost allocation method, operating revenues and other non-service income would be split 58.7% from the Martha's Vineyard route and 41.3% from the Nantucket route. The allocation of the total cost of service would be split 61.4% to the Martha's Vineyard route and 38.6% to the Nantucket route.

RECOMMENDATION:

This information is being forwarded for review and discussion by the Board Members. No action is being requested at this time. A vote to adopt the recommended 2026 Operating Budget will be requested at the Authority's October meeting.

Mark K. Rozum
Treasurer/Comptroller

APPROVED: _____
Robert B. Davis
General Manager

Attachments