



CITY OF CORONADO

CITY COUNCIL STAFF REPORT

June 18,2024

{{section.number}}f

AUTHORIZE THE CITY MANAGER TO EXECUTE A NEW THREE-YEAR CONTRACT FOR THE CORONADO COMMUTER FERRY SERVICE WITH FLAGSHIP CRUISES AND EVENTS

RECOMMENDATION:

Authorize the City Manager to execute the agreement with Star & Crescent Boat Company, d/b/a Flagship Cruises & Events.

BACKGROUND:

Since 1993, Coronado has contracted with Flagship Cruises & Events to provide commuter ferry service. Flagship Cruises and Events holds the exclusive agreement for regulated water transportation in San Diego Bay, authorized by the San Diego Port District and the Public Utilities Commission. Initially funded by toll revenue from the San Diego-Coronado Bridge until Fiscal Year 1999-2000, the City now uses its annual allocation from the Transportation Development Act (TDA) to fund operation of the free commuter ferry in order to address peak-hour traffic congestion on weekdays during commute times, excluding holidays. Morning commuter passengers receive a voucher for free access to an afternoon return ferry.

On January 15, 2010, the direct ferry service to Naval Air Station North Island (NASNI) was terminated at the request of the Navy due to security concerns. Currently, commuter service operates only between the San Diego Broadway pier and Coronado's Ferry Landing dock. In 2019, the City reached an agreement with the Port to share the costs of providing an additional free commuter trip during morning commute hours, departing from Broadway at 8:10 am and departing from Coronado at 8:30 am, thereby increasing the total weekday round trips from 11 to 12.

Beginning in October 2019, the City and the Port of San Diego entered into a Memorandum of Agreement to jointly share the costs of funding a sixth commuter ferry trip, operating Monday through Friday between 8:00 am and 9:00 am. The Port of San Diego has agreed to continue to cover 50% of the costs for this sixth free commuter ferry trip during the 2024-27 contract term.

On November 1, 2022, the City and Flagship entered into a new two-year contract with a first-year cost of \$302,022, and an annual adjustment accordance with the Consumer Price Index (CPI) for the San Diego region, not to exceed 5%. The contract was retroactively applied and began on October 1, 2022, and expires on September 30, 2024. The 2022-24 contract represented an approximate 36% cost increase from the 2019-2022 contract. Flagship described the increase as being necessary to address the competition from other means of transportation and recreational opportunities in the area, along with increases in Flagships overall expenses and projected operating costs. A CPI increase of 4.7% was applied in the second year of the current contract, bringing the 2023-24 cost to \$316,200.

ANALYSIS:

Flagship Cruises and Events met with staff in spring of 2024 and has proposed new contract terms in advance of the expiration of the current contract. Flagship proposes a 3-year term with an additional 1-year renewal option. The initial contract price is set at \$357,820 for the first year.

This includes the cost for operation of the ferry service at \$28,985 per round trip and \$10,000 allocated annually for marketing and advertising reimbursements. A cost escalator based on the Consumer Price Index (CPI) for the San Diego Region, limited to a maximum increase of 5% may cause the contract value to fluctuate annually.

The proposed 2024-25 cost of \$347,820 reflects an approximate 10% increase compared to the 2023-24 cost of \$316,200. According to Flagship, this rise in price is attributed to increases in fuel expenses, labor costs and liability insurance costs.

The below line graph depicts the first-year contract cost of the commuter ferry service between Coronado Ferry Landing and Broadway Pier from 2010 to 2025.



Figure 1: Ferry Service annual cost from 2010-2025

FISCAL IMPACT:

The proposed annual first year contract price for the 2024-2027 ferry service is \$357,820. The Port of San Diego has agreed to continue funding 50% of the sixth free commuter ferry trip for the 2024-2027 service period. Funding for the commuter ferry service is funded by the SANDAG Transportation Development Act (TDA) funds allocated to the City of Coronado. The amount of the proposed TDA funds allocations for Fiscal Year 2025 have yet to be released by SANDAG but it is anticipated to be consistent with past budget terms and distribution being timely. Coronado’s 2023 TDA allocation was \$313,425 and sufficient TDA fund balance remains to cover the cost should the TDA allocation be reduced.

ALTERNATIVE: The City Council may choose not to execute a new contract with Flagship to provide the free commuter ferry service.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

This activity is not defined as a project under CEQA and is therefore exempt from environmental review.

PUBLIC NOTICE:

No notice required.

ATTACHMENTS:

1. Contract for Coronado Commuter Ferry Services

Submitted By: Community Development Department / Jasmine Bridges