



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

November 1, 2022

{{section.number}}c

### **REPORT ON THE FREE COMMUTER FERRY AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 8 FUNDS**

#### **RECOMMENDATION:**

Receive report on the commuter ferry and Transportation Development Act Article 8 funds and provide direction as appropriate, and consider whether to authorize a new contract with Flagship Cruises and Events to continue operating the free commuter ferry.

#### **BACKGROUND:**

This item was initiated as a City Council Policy 2 request that directed staff to present a report on the free commuter ferry, allowable uses of the City's Transportation Development Act (TDA) Article 8 funding allocation, ferry ridership data, and the City's contract with Flagship Cruises and Events (Flagship).

The City of Coronado (City) entered into a contract with Flagship in 1993 to provide a commuter ferry serving San Diego, Naval Air Station North Island (NASNI), and Coronado. Flagship is the only operator that has an agreement with the San Diego Unified Port District (Port) and the Public Utilities Commission to provide regulated water transportation in San Diego Bay between San Diego and Coronado.

Prior to fiscal year 1999-2000, the commuter ferry was funded with San Diego-Coronado Bridge toll revenues. In 1999, special legislation authored by former California Senator Alpert was approved to allow TDA Article 8 funds to be used to pay for continuation of the commuter ferry. The City has since used its annual TDA allocation to fund operation of the free commuter ferry.

Direct ferry service to NASNI was terminated in 2010 at the request of the Navy due to security concerns. The free commuter ferry service has subsequently been provided only between the San Diego Broadway Pier and the Coronado Ferry Landing dock.

The City reached an agreement with the Port in 2019 to share the costs of providing an additional free commuter trip. The free commuter ferry has since offered six free daily round trips Monday – Friday, except holidays. The first morning free commuter trip begins at 4:50 AM at the Broadway Pier and the last free trip departs from Coronado at 8:30 AM. Passengers receive a voucher for free access to an afternoon return ferry. Over the past decade, the free commuter ferry has generally served between 68,000 – and 83,000 passengers annually; however, ridership declined significantly during the Covid-19 pandemic, and although rebounding, has not yet returned to pre-pandemic levels.

The City and Flagship entered into a three-year contract with two optional years in 2019. Flagship initially informed the City in April 2022 that they intended to exercise the first optional year of the contract to extend service into 2023; however, they subsequently changed their mind and submitted a request for a new contract in July 2022. The contract expired on September 30, 2022 and Flagship has continued to operate the ferry over the past month under the previous contract

terms. Flagship has indicated that they will suspend free commuter ferry service if a new contract is not imminently executed.

## **ANALYSIS:**

### **Ferry Contract**

Flagship has requested the City consider a new contract valued at \$302,022/year with an annual escalator based on the published consumer price index (CPI). The 2019-2022 contract between the City and Flagship had a yearly cost of \$206,075 with annual CPI increases. Including two prior CPI increases, the annualized contract cost for 2022 is \$221,888.

Flagship's cost proposal to continue operating the free commuter ferry represents an approximate 47% increase from the 2019-2022 contract and a 36% increase over the current annualized contract cost. Flagship also requests the new rate be retroactively applied to begin on October 1, 2022 when the 2019-2022 contract expired.

Flagship has indicated that the free commuter ferry is losing money and that the requested cost increase is necessary to offset higher costs for fuel, personnel, and other operation and administration expenses. Ostensibly, an annual CPI increase in 2023 (currently 8.2%) would be insufficient for Flagship to maintain profitable operations.

### **TDA Funds**

The Transportation Development Act provides funding to transit and non-transit related purposes that comply with applicable regional transportation plans. TDA provides two funding sources: the Local Transportation Fund, which is derived from a .25% of the general sales tax collected statewide and the State Transit Assistance Fund, which comes from the statewide sales tax on diesel fuel. SANDAG is responsible for apportioning the region's annual TDA allotment.

The free commuter ferry is financed with TDA Article 8 funds provided to the San Diego Metropolitan Transit System (MTS) and passed through to the City of Coronado. TDA Article 8 funds may only be spent on multimodal transportation terminals, express bus and vanpool services, and commuter ferry services (see pages 6-7 of Attachment 1). According to MTS staff, it may be possible to change the allowable expenditures of TDA Article 8 funds; however, any change would require the SANDAG Board of Directors to amend *Board Policy No. 027: TDA*.

The City has historically used its TDA allocation exclusively to fund the ferry commuter ferry. The Coronado's 2023 TDA allocation is \$313,435, up from \$242,595 in 2022. Annual TDA allocations are subject to fluctuations depending on economic conditions and there is no guarantee that funding will continue to increase or even remain at current levels. The City's 2023 TDA allocation, however, would be adequate to fully fund the first year of ferry operations under Flagship's new contract proposal.

There does not appear to be any statutory requirement that obligates the City to administer the commuter ferry contract. According to MTS staff, it may be possible for MTS to directly contract with a ferry operator using Coronado's TDA allocation; however, such a change would need to be evaluated by MTS staff and would ultimately require authorization from the MTS Board of Directors. Shifting contract management responsibilities to MTS would provide some administrative relief for the City and could potentially improve the ability to secure state and federal grant funding that are only available to public transit operators.

## **Ferry Ridership**

Annual ridership on the free commuter ferry has ranged from approximately 68,000 to 83,000 total passengers since fiscal year 2012-2013 through 2019-2020. Ridership declined significantly in 2020 and 2021 due to the Covid-19 pandemic, with approximately 45,000 passengers per year. Passenger numbers have rebounded in 2022, but remain lower than historic averages.

To get a better understanding of the composition of ferry passengers, staff rode all six free commuter ferry trips on September 27 and 30, 2022 and asked riders a series of questions. A total of 213 passengers participated in the survey, although some did not answer every question. While the survey is not scientific, only represents a snapshot in time, and does not account for ridership during peak summer months, it did provide some useful insights. A summary of the most notable findings is described below, and a complete overview of passenger responses is included as Attachment 2.

### *Where do ferry passengers live?*

200 passengers responded to this question, with 99 responding that they lived in Coronado, 45 in downtown San Diego, and another 50 who lived in greater San Diego County. Only six respondents lived outside of San Diego County. Of the total respondents, 72% reside either in Coronado or downtown San Diego.

### *Where do ferry passengers work?*

Of the 209 responses to this question, 83 passengers reporting that they worked in Coronado and another 62 employed in downtown San Diego, which combined represents approximately 69% of the total riders. 27 respondents were unemployed, accounting for ~13% of passengers.

### *How many passengers are in the military?*

213 passengers responded to this question, with 64 indicating that they served in the armed forces and 16 stating that they were civilian employees at military installations, which combined represents approximately 38% of total passengers surveyed.

### *Why are people riding the ferry?*

155 of the 212 respondents to this question replied that they rode the ferry to commute to work, representing 73% of all riders. 51 passengers, or 24%, cited recreation as the primary purpose of their trip.

### *Would people still ride the commuter ferry if it wasn't free?*

Over 49% of respondents indicated that they would not continue riding the commuter ferry if it was no longer free. Approximately 8% would still use the ferry and 32% were unsure.

## **FISCAL IMPACT:**

There is no fiscal impact associated with this report; however, should the City Council direct staff to execute a new contract with Flagship under their proposed terms, the City would commit \$302,022 of its \$313,435 allocation for FY 2022-2023. This figure does not account for any possible Port contributions.

## **ALTERNATIVES:**

The City Council may direct staff to: 1) execute a new contract with Flagship under their proposed terms; 2) negotiate with Flagship for a smaller cost increase; or, 3) seek alternatives to the current exclusive City-funded and -administered model.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

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

**PUBLIC NOTICE:**

No notice required.

**ATTACHMENTS:**

1: MTS Board Policy 027: TDA

2: Ferry Passenger Survey Results

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