

# Business and Operations Plan

## Tampa Bay Ferry Pilot Project

### 2nd Addendum

June 8, 2016

#### **BACKGROUND**

This is the second addendum to the Business and Operations Plan submitted to the City of St. Petersburg on May 3, 2016.

The first addendum was provided on May 12, 2016 and focused on how the project could be delivered for an estimated cost not to exceed \$1,400,000.

This second addendum focuses on the project objectives and how the pilot service can be implemented.

#### **MISSION**

The objectives of the Tampa Bay Ferry Pilot Project (Pilot Service) are to:

- Introduce progressive transportation technology to the Tampa Bay region
- Evaluate potential demand for a long-term / sustained transit-based ferry service that connects key population centers on Tampa Bay
- Identify various user (rider) groups / segments
- Consider how long-term / sustained ferry service can be integrated into the regional transportation network
- Evaluate the operational, logistical and regulatory issues related to the service
- Evaluate consumer preferences
- Evaluate revenue potential
- Identify the ideal type and size of vessel(s) for long-term / sustained service
- Consider various options for planning, management, operation and governance of a long-term / sustained service
- Identify long-term / sustainable funding sources and mechanisms
- Evaluate pricing and the elasticity of demand
- Identify and consider stakeholder issues

#### **ROUTE**

The Pilot Service will operate on Tampa Bay between the cities of St Petersburg and Tampa.

An Apollo Beach terminal was studied in the Business and Operations Plan but was determined not to be feasible for this Pilot Service due to regulatory and cost issues. This location can be reconsidered at a later time and contingent upon the findings of the Pilot Service.

## **PLANNED APPROACH**

The participating governments will work with an established ferry service operator (Operator) to implement the project during a 6-month operating period commencing November 1, 2016 and ending April 30, 2017.

Based on the risk the Operator will be asked to assume, the project will generally be viewed as a Public-Private Partnership.

The specific terms and conditions of the relationship will be covered in an Operating Agreement, but will generally include:

1. The City of St. Petersburg will be the lead agency and function as the Public Representative.
2. The Operator will provide a turnkey Pilot Service, except for permitting and upland improvements – which will be provided by the Public Representative.
3. The Operator will receive a fixed price of \$1.4 million to provide the Pilot Service.
4. Also, the Operator shall retain the first \$125,000 of the ticketing, advertising and sponsorship revenue to cover the balance of its project expenses. Any additional revenue from these sources shall go to the City of St. Petersburg for distribution to the other participating governments.
5. The Operator will assume the risk of generating the additional \$125,000 in revenue to cover all its project costs.
6. The Pilot Service will consist of a minimum of two (2) round trips between the two cities on M, T, W, Thurs, Sat, and Sun. and up to three (3) trips on Friday - subject to crew and scheduling logistics.
7. The fares charged for the service will be established by mutual agreement between the Operator and the Public Representative.
8. The City of St. Petersburg is responsible for upland development and engineering costs (estimated to not exceed \$50,000) associated with upland terminal preparation for the Pilot Service. The City of St Petersburg shall apply to the Corp of Engineers for approval of the dock and terminal facilities in St Petersburg. If this cannot be accomplished, the Public will have an opt-out clause.

## **OTHER AGENCIES**

The Public-Private project team will work closely with Hillsborough County, Pinellas County and the City of Tampa in developing and implementing the Pilot Ferry project. It will also interface with the Florida Department of Transportation and Federal Transit Administration regarding opportunity to establish the service on a long-term basis.

## **SCHEDULE**

The operating schedule is the foundation of the Pilot Service and associated costs. Safe, reliable and efficient transit service is a key focus of the project, therefore the proposed operating schedule was optimized to provide service seven (7) days a week.

Midweek the service emphasizes commuter transit activities; while on the weekends the service emphasizes discretionary (recreation, tourism, sports and entertainment) transit activities. The schedule was optimized based on available funding and is therefore limited in its hours and scope.

The final schedule details will be defined in the Operating Agreement, but will generally reflect the schedule below.

*Table 1 - Schedule*

<b>Conceptual Schedule Subject to Market and Operational Requirements</b>	Depart St. Pete	Trips	Depart Tampa
Weekday Schedule (Monday-Thursday)			
	7:00 AM	2	10:00 AM
	3:00 PM	2	5:15 PM
Friday	7:00 AM	2	4:00 PM
	5:15 PM	2	6:30 PM
	9:15 PM	2	10:30 PM
Saturday	5:15 PM	2	6:30 PM
	9:15 PM	2	10:30 PM
Sunday	11:00 AM	2	12:15 PM
	5:30 PM	2	6:45 PM

<b>April Sports Month (optional weekday service)</b>			
Lightning Playoffs Games	7:00 AM	2	4:15 PM
	5:30 PM	2	10:00 PM
Rays Games	7:00 AM	2	5:30 PM
	10:00 PM	2	11:15 PM

## REVENUE POTENTIAL

One of the objectives of the Pilot Service is to gain a better understanding of the revenue potential for the service, as well as gaining an understanding of how price impacts ridership demand (Elasticity of Demand).

Additional revenue can potentially be generated from sponsorships and special event activities.

The Operator and Public Representative will establish the official Pilot Service fares. However, the following tables represent the potential for revenue generation at different fare and ridership levels.

*Table 2 – Rev Factors*

### Revenue Estimation Inputs

Based On Concept Schedule

Service Option	Max Trips/Period	Periods	Period Unit	Max PAX/Trip	Max Ticket Sales	Unit
M- F Day Time Intercity Service	18	24	Week	149	64,368	One Way
Weekend Intercity	12	24	Weekend	149	42,912	One Way
Special Events (Gasparilla & NYE)	1	2	Days	149	298	RT

*Table 3 – Revenue Sensitivity*

**Revenue Matrix**

<b>M-F Daytime Intercity Service</b>			<b>Ticket Price</b>			
<b>% Sales</b>	<b>Max Tickets</b>	<b>Pax</b>	<b>\$ 5.00</b>	<b>\$ 7.50</b>	<b>\$ 10.00</b>	
25%	64,368	16,092	\$80,460	\$120,690	\$160,920	
50%	64,368	32,184	\$160,920	\$241,380	\$321,840	
75%	64,368	48,276	\$241,380	\$362,070	\$482,760	

<b>Intercity Weekend</b>			<b>Ticket Price</b>			
<b>% Sales</b>	<b>Max Tickets</b>	<b>Pax</b>	<b>\$ 5.00</b>	<b>\$ 7.50</b>	<b>\$ 10.00</b>	<b>\$ 12.50</b>
25%	42,912	10,728	\$53,640	\$80,460	\$107,280	\$134,100
50%	42,912	21,456	\$107,280	\$160,920	\$214,560	\$268,200
75%	42,912	32,184	\$160,920	\$241,380	\$321,840	\$402,300

<b>Miscellaneous</b>	<b>Number</b>	<b>Pax</b>	<b>Ticket/Pax</b>	<b>Low Revenue</b>	<b>High Revenue</b>
Special Occasions (New Years Eve/Garparilla)	2	100	\$50	\$ 10,000	\$ 14,900
Sponsorships				\$ 50,000	\$ 100,000
<b>Total</b>				\$ 60,000	\$ 114,900

There is insufficient information available to predict the total revenue the Pilot Service might generate. In fact, this is one of the questions the project seeks to clarify. In any event, the above revenue tables can be used to help bracket the project’s revenue potential.

**COST BREAKDOWN**

Under the current strategy, the Operators project budget is summarized as follows:

*Table 4 - Operator’s Budget*

<b>Revised Budget (associated with 2<sup>nd</sup> Amendment)</b>	
Vessel Operations	\$791,597
Operational Management and Administration	\$406,069
Maritime Facilities (Terminals)	\$250,084
Marketing	\$77,250
<b>Total</b>	<b>\$1,525,000</b>