

State of California  
Business, Transportation and Housing Agency  
Department of Transportation

PROGRAM AMENDMENTS  
Traffic Congestion Relief Application  
Resolution : TA-02-11

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CTC Meeting: July 18, 2002

Reference No: 2.1c.(4)

OriginalSignedBy:  
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July 1, 2002

### **TRAFFIC CONGESTION RELIEF (TCR) PROGRAM APPLICATION APPROVAL**

At the July 18, 2002 California Transportation Commission (Commission) meeting, the Commission will be asked to consider the following Traffic Congestion Relief Program application for \$2,500,000 for the San Diego Unified Port District. A fact sheet describing the project is attached.

- Project #81 - \$2,500,000, Phase 4 for San Diego Ferry; acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County.  
Applicant Agency: San Diego Unified Port District (SDUPD)  
Implementing Agency: SDUPD  
Advance Requested: \$1,250,000

**TCR Program – Application Approval Project # 81**

**San Diego San Diego Ferry; acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County.**

(\$ X 1,000)

|                                    |  |   |                |
|------------------------------------|--|---|----------------|
| <i>Estimated Project Cost:</i>     | \$6,193                                    | <i>TCRP Funds covered by the application:</i> | <b>\$2,500</b> |
| <i>Total TCRP Funds Available:</i> | \$5,000                                    | <i>Phases(s) covered in application:</i>      | 4              |
| <i>Lead Agency:</i>                | San Diego Unified<br>Port District (SDUPD) | <i>Implementing Agency:</i>                   | SDUPD          |

**TCRP allocation request concurrent w/application: \$0***for Phase(s):* N/A*Advance requested:* \$1,250*for Phase(s):* 4**Project Summary:**

The TCRP project is to implement a daily scheduled ferry service along the San Diego County coastal corridor that will help relieve traffic congestion on Interstate 5 between Oceanside and San Diego. The applicant is requesting that TCRP funding be used in conjunction with private funding to expand the ferry service to include nonscheduled weekend service to Marina del Rey in Los Angeles County.

The new off-coast high-speed, low-emission commuter ferry service between San Diego and Oceanside is designed to augment existing ferry service in the San Diego Bay. In addition to ferry operations, land-side infrastructure improvements, including ticket booths, covered benches, dock improvements, and ADA accessibility improvements, will be developed as part of the project. The service will run once from Oceanside south to San Diego in the morning (approximately 46 miles) and return to Oceanside in the evening. The project will be evaluated based on on-going surveys looking at such factors as the average number of passengers carried per trip, the number of days of total operation, the trends of when passengers use the service, and the success of marketing strategies.



The Port of San Diego has proposed the scheduled service be initiated as a one-year demonstration project. The Port has determined that the best option to implement the new service is through a lease agreement with a private company. The demonstration service will be provided using a high-speed ferry capable of carrying 149 passengers. The Port will provide limited shuttle service to transport passengers from parking facilities and transit stations to the docking facilities. The Port and its private partner have developed a business plan that includes the one-year demonstration project between San Diego and Oceanside as a means to evaluate the feasibility and public acceptance of the off-coast ferry service. Once this feasibility has been demonstrated and the vendor has secured \$1.5 million in private investments, the business plan includes the initiation of ferry service between San Diego, Oceanside and Marina del Rey for access to west Los Angeles and Los Angeles International Airport. The service to Marina del Rey will be funded through a private investment for operating expenses with additional support from the TCRP for lease costs of the vessel and other fixed expenses. The private company business plan strategy is to solicit further private investment to expand to an 11-vessel fleet that will provide perpetual service along the southern California coastline. Financial analysis contained in the business plan proposes that the service can operate without the need for on-going public subsidies.

**Summary of Action:**

This application will program funding to initiate ferry service from San Diego to Oceanside, from September 2002 to March 2003. The agency also request a waiver to the condition set forth under Resolution TA -02-03, Section 2.3, which stipulates that "the Port and its vendor shall demonstrate commitment of a minimum of \$1.5 million in private financing for the operation of ferry service." Additional conditions for approval of Phase 4 funding to obtain ferryboat and initiate ferry operations are discussed below.

**Cost and Schedule** (\$ x 1,000)

| <i>Phase</i>  | <i>Scope</i>   | <i>Start</i> | <i>End</i> | <i>Cost</i> |
|---------------|--|--------------|------------|-------------|
| 1             | Concept Development and Preparatory work for application | 6/92         | 10/01      | \$559       |
| 1             | Studies, Environmental Review and Permits                | 10/01        | 8/02       | \$200       |
| 2             | Plans, Specifications and Estimates                      | 1/02         | 8/02       | \$200       |
| 4             | Construct Landside Improvements                          | 6/02         | 9/02       | \$884       |
| 4             | Implement Ferry Service                                  | 9/02         | 9/03       | \$4,331     |
| <b>Total:</b> |  |              |            | \$6,174     |

NOTES: The funding table shown is for the one-year demonstration service. The funding table has been modified to include \$500,000 of private financing for concept development and business preparation activities prior to the TCRP. Additional private financing in the form of tiered investments of \$30 million is required to initiate the service to Marina del Rey, design and procure the 11 vessels, and establish the permanent service.

**Funding Plan** (\$ x 1,000)

| <i>Source</i>    | <i>Type</i> |           | <i>Phase 1</i> | <i>Phase 2</i> | <i>Phase 3</i> | <i>Phase 4</i> | <i>Total</i> |
|------------------|-------------|-----------|----------------|----------------|----------------|----------------|--------------|
| TCRP             | State       | Committed | \$200          | \$200          |                | \$3,384        | \$3,784      |
|                  |             | Proposed  |                |                |                | \$1,216        | \$1,216      |
| SD Port          | Local       | Committed | \$59           |                |                |                | \$59         |
|                  |             | Proposed  |                |                |                |                |              |
| Fare-Box         |             | Committed |                |                |                | \$251          | \$251        |
|                  |             | Proposed  |                |                |                | \$364          | \$364        |
| Prior Investment | Private     | Committed | \$500          |                |                |                | \$500        |
|                  |             | Proposed  |                |                |                |                |              |
| <b>Totals:</b>   |             | Committed | \$759          | \$200          |                | \$3,635        | \$4,594      |
|                  |             | Proposed  |                |                |                | \$1,580        | \$1,580      |
| <b>Totals:</b>   |             |           | \$759          | \$200          |                | \$5,215        | \$6,174      |

**Previous TCRP Action:** An application was approved on October 3, 2001 (Resolution TA-01-15) for Phase 1 and Phase 2. A subsequent application was approved on February 28, 2002 (Resolution TA-02-03) for Phase 4 – landside improvements. A minor amendment was approved in April 2002 to update the project schedule.

**Status of Conditions:** Conditions set forth in Resolution TA-01-15 for an allocation of Phase 1 and Phase 2 funding have been met. The Port has submitted a Phase 1 Report that addresses several conditions related to approval of Phase 4 funding. The following conditions were set forth under Resolution TA-02-03:

- Prior to approval and allocation of Phase 4 funding, obtain ferryboat and implement the initial ferry boat service (currently estimated at \$1.83 million):
  1. Port and its vendor shall demonstrate commitment of minimum \$1.5 million in private financing.
  2. Port shall demonstrate that all permits to operate the service have been obtained.
  3. Port shall document final proposed emissions reduction strategies.

Status of each of these conditions:

1. The Port requests waiver on condition #1. The Port and SCX have been unable to secure the initial private investment at this time. SCX has released 20 business plans and private placement memoranda soliciting investment. Response and interest has generally been positive. Unfortunately, potential investors are reluctant to invest with no evidence of market and ongoing operations.
2. All permits to operate the vessel have been met except final New-to-Zone permit from the San Diego Coast Guard. The selected vessel has undergone similar testing in Hawaii, however, the final permitting must be performed in San Diego. The Department recommends that this condition be modified to stipulate that only costs associated with a certificated vessel be deemed an allowable expense. The State would not participate in any costs for a vessel that fails to obtain all required permits. This modification to this condition allows approval and allocation of TCRP funding at this time.
3. The Port has submitted the final emission reductions strategy consistent with the requirements contained in the Mitigated Negative Declaration.

The following condition from Resolution TA-01-15 and Resolution TA-02-03 are still applicable

- Upon completion of the first year of service, and annually thereafter, the Port of San Diego shall report to the Commission on:
  - Results of the project as measured against established performance criteria.
  - Estimated reduction in traffic on I-5 corridor.
  - Viability of ferry service considering other transit modes between San Diego and Oceanside.
  - Viability of continued service utilizing farebox revenue and other subsidies.
  - Viability of expanded service between Oceanside and San Diego and other destinations.
- Infrastructure improvements will remain the sole property of the San Diego Unified Port District and the City of Oceanside and shall remain available for ferry services, and the sale or transfer of title of the improvements shall result in a credit to the State as prescribed in the Master Agreement between the State and the Port.
- The funding approved is based on estimated costs including appropriate program management costs and to be negotiated management fees (profit), but actual reimbursements will be allowed up to the approved amount subject to applicable cost principles that are contained in the State's Master Agreement with the grantee and based upon pre-award audit reviews.

**Issues / Discussion:**

The Department supports the proposed staged plan to fund the Phase 4 ferry operations. In February 2002, the Department recommended, and the CTC approved, a staged approval approach. This approach will allow the approval of remaining TCRP funds for the ferry operations to be synchronized with private investments to ensure that full funding for the ferry operations is secured prior to continuation of service beyond the proposed 6 months. Later stages of approval will be subject to meeting "performance measures/load factors" established by the applicant and securing private financing commitments.

Regional Transportation Plan documentation is on file. CTC reviewed the Mitigated Negative Declaration and approved the project for Future Consideration of Funding under Resolution E-02-25.

**CALIFORNIA TRANSPORTATION COMMISSION**  
**Approval of Traffic Congestion Relief Program**  
**Project Applications**

**RESOLUTION TA-02-11**

- 1.1 WHEREAS the Traffic Congestion Relief Act of 2000 (herein after referred to as “statute”), which was established by Chapters 91 (AB 2928) and 656 (SB 1662) of the Statutes of 2000, establishes the Traffic Congestion Relief Program, providing \$5.39 billion for projects throughout the State of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity; and
- 1.2 WHEREAS in accordance with Government Code Section 14556.11 the California Transportation Commission (Commission) has adopted guidelines, in consultation with the Department of Transportation (Department) and regional agencies, to implement the Traffic Congestion Relief Program (TCRP); and
- 1.3 WHEREAS the statute and guidelines require applicants to specify full and complete project applications, including scope, cost and schedule, financial plans and funding sources; and
- 1.4 WHEREAS the Commission, with assistance from the Department, is required by statute to review and approve applications for TCRP projects that meet the requirements in statute and guidelines; and
- 1.5 WHEREAS the Commission, with assistance from the Department, has reviewed submitted TCRP project applications, and subsequent clarifications and revisions, and determined they comply with the statute and guidelines; and
- 1.6 WHEREAS on October 3, 2001, the Commission approved Resolution TA-01-15 providing \$400,000 to the San Diego Unified Port District (the Port) for Phase 1 - Environmental (ENV) and Phase 2 – Plans, Specifications & Estimates (PS&E) for TCRP Project #81 – acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County; and
- 1.7 WHEREAS on February 28, 2002, the Commission approved Resolution TA-02-03 providing \$884,000 to the San Diego Unified Port District (the Port) for Phase 4 - Construction (CON) for TCRP Project #81 – acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County, for landside improvement and ferry service implementation; and
- 1.8 WHEREAS the Commission, with assistance from the Department, has reviewed a subsequent TCRP project application, and subsequent clarifications and revisions, for TCRP Project #81 for \$2,500,000 for landside improvement and ferry service implementation.

- 2.1 NOW THEREFORE BE IT RESOLVED the Commission does hereby approve the following TCRP project applications totaling \$2,500,000 as submitted, with subsequent clarifications and revisions:
- Project #81 - \$2,500,000, Phase 4 for San Diego Ferry; acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County – **Implement Ferry Service.**  
Applicant Agency: San Diego Unified Port District (SDUPD)  
Implementing Agency: SDUPD  
Advance Requested: \$1,250,000
- and
- 2.2 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-02-03 for TCRP Project #81 concerning final emissions reduction strategies has been met, and
- 2.3 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-02-03 for TCRP Project #81, that the Port has obtain all permits to operate the service have been obtained except final vessel certificate of inspection; and
- 2.4 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-02-03 for TCRP Project #81, regarding permits be modified that only costs associated with a certificated vessel be deemed an allowable expense and that the State would not participate in any costs for a vessel that fails to obtain final certificate of inspection; and
- 2.5 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-02-03 for TCRP Project #81 that the Port and its vendor shall demonstrate commitment of minimum \$1.5 million in private financing prior to approval and allocation of additional Phase 4 funding to obtain ferryboat and implement the initial ferryboat service be waived; and
- 2.6 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-01-15 for TCRP Project #81 is still applicable - Upon completion of the first year of service, and annually thereafter, the Port of San Diego shall report to the Commission on:
- Results of the project as measured against established performance criteria.
  - Estimated reduction in traffic on I-5 corridor.
  - Viability of ferry service considering other transit modes between San Diego and Oceanside.
  - Viability of continued service utilizing farebox revenue and other subsidies.
  - Viability of expanded service between Oceanside and San Diego and other destinations;
- and

- 2.7 BE IT FURTHER RESOLVED that the condition stipulated in Resolution TA-02-03 for TCRP Project #81 is still applicable:
- Infrastructure improvements will remain the sole property of the San Diego Unified Port District and the City of Oceanside and shall remain available for ferry services, and the sale or transfer of title of the improvements shall result in a credit to the State as prescribed in the Master Agreement between the State and the Port.
  - The funding approved is based on estimated costs including appropriate program management costs and to be negotiated management fees (profit), but actual reimbursements will be allowed up to the approved amount subject to applicable cost principles that are contained in the State's Master Agreement with the grantee and based upon pre-award audit reviews;
- and
- 2.8 BE IT FURTHER RESOLVED for cash flow purposes, an advance of \$1,250,000 is approved for TCRP Project #81 – acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County; and
- 2.9 BE IT FURTHER RESOLVED that all applicant agencies shall provide the Commission and the Department with a progress report on April 1<sup>st</sup> and October 1<sup>st</sup> of each year on actual expenditures and status of work, until the projects have been completed; and
- 2.10 BE IT FURTHER RESOLVED that this TCRP project application approval by the Commission reserves the State funding for the projects as specified by the statute, and allows the applicant agencies to incur costs in accordance with the approved project application, statute and guidelines.