

Swimming in Subsidies:

The High Cost of NYC Ferry

By Sean Campion

Launched three years ago, NYC Ferry serves more than 4 million passengers annually along six routes, with plans to add two additional routes by 2021 and reach 9 million riders by 2023. To date NYC Ferry has required a high level of subsidy: At \$10.73 per ride, its operating subsidy is 10 times that of the New York City Transit (NYCT) system. Furthermore, NYC Ferry transports fewer people annually than the subway transports in one day.

The ferry's subsidies are high for two reasons: Its operating costs are high due to long routes and seasonal and leisure-oriented ridership, and its revenue is low because its fare is pegged to subway and bus fares. The recently announced expansion of NYC Ferry service will require even greater public subsidies—reaching as much as \$24.75 per ride for the Coney Island route.

Before an expansion of service is implemented, City officials should reconsider the policy choices that contribute to the high subsidies, evaluate options that would reduce the level of subsidy, and consider whether alternative uses would meet the city's transportation needs more efficiently and more effectively.



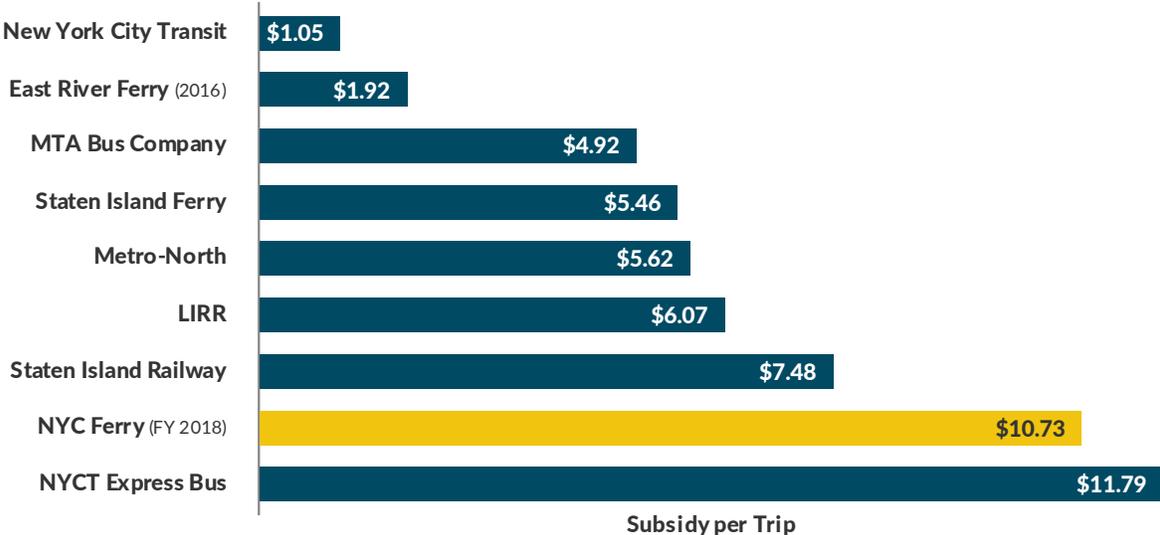
Background

In 2015 Mayor Bill de Blasio announced New York City would fund a citywide ferry service, later named NYC Ferry, to offer new transportation options in neighborhoods underserved by mass transit and to connect waterfront neighborhoods with existing and emerging job centers. NYC Ferry incorporated the East River Ferry service, launched during Mayor Michael Bloomberg’s administration, with five new routes to serve 20 landings in Manhattan, Queens, Brooklyn, and the Bronx, including seasonal service to Governors Island. NYC Ferry service launched in May 2017.

NYC Ferry provided 4.1 million rides in 2018, and ridership is projected to grow to 4.6 million in 2019 and to as much as 9 million by 2023 following the launch of additional routes.

Compared to other transit operators, the ferry system serves relatively few riders. There were 24.5 million trips on the Staten Island Ferry, 89.2 million trips on the Long Island Railroad, 691 million trips on local Metropolitan Transportation Authority (MTA) buses, and 2.7 billion trips on subways in 2017. Put another way, the subway system serves more people in one day than NYC Ferry serves all year.

Figure 1: Public Subsidies per Unlinked Passenger Trip by Transit Operator



Note: NYC Ferry data is for city fiscal year 2018. East River Ferry data is from calendar year 2016, its last full year of standalone operations. Data for other transit agencies are from calendar year 2017. Trip data are based on unlinked passenger trips reported by transit operators to NTD.

Sources: National Transportation Database, *DatTransit Agency Profiles* (Accessed February 8, 2019); New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018).

Unlike the Staten Island Ferry, which is operated by the New York City Department of Transportation (DOT), NYC Ferry is a public-private partnership with Hornblower, a San Francisco-based ferry company. The New York City Economic Development Corporation (EDC) manages NYC Ferry on

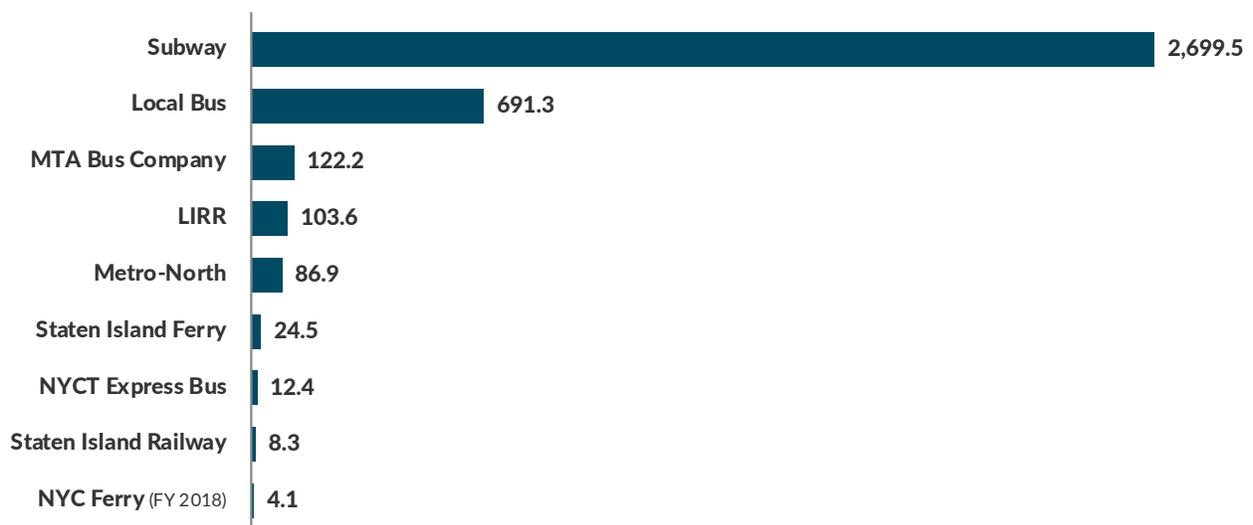
behalf of New York City. Under the terms of the agreement, Hornblower is responsible for designing, procuring, and operating the ferry vessels according to plans approved by EDC, while the City is responsible for selecting routes, setting schedules, and building barges, landings, and on-shore infrastructure. The Mayor pledged that fares would be set at \$2.75 per ride, with the City compensating Hornblower for its operating costs plus a management fee.

Heavily Subsidized Transportation Option

In its first full year of operations NYC Ferry was among the most heavily subsidized transit services in the region: At \$10.73 per ride, its subsidy is twice that of the Staten Island Ferry and five times higher than the East River Ferry prior to its integration into NYC Ferry. It is also substantially higher than the subway, rail, and bus services that transport far more New Yorkers into, around, and out of the city. On a per-trip basis, only MTA express bus service has higher subsidies than NYC Ferry.

The high subsidy is due to high operating costs and low revenue, which are the product of policy choices to keep fares low and to provide daily service on routes with variable demand, low ridership, and high fixed operating costs. Spending to date includes some one-time costs associated with launching new routes; the per-ride subsidy may decline in future years as operating costs stabilize and ridership grows. Even with these developments, NYC Ferry would still require a greater subsidy than competing modes of transit while serving a smaller number of passengers.

Figure 2: Annual Unlinked Passenger Trips
(in millions)



Note: NYC Ferry data is for city fiscal year 2018. Data for other transit agencies are from calendar year 2017. Trip data are based on unlinked passenger trips reported by transit operators to NTD.

Sources: National Transportation Database, *DatTransit Agency Profiles* (Accessed February 8, 2019).

High Operating Costs

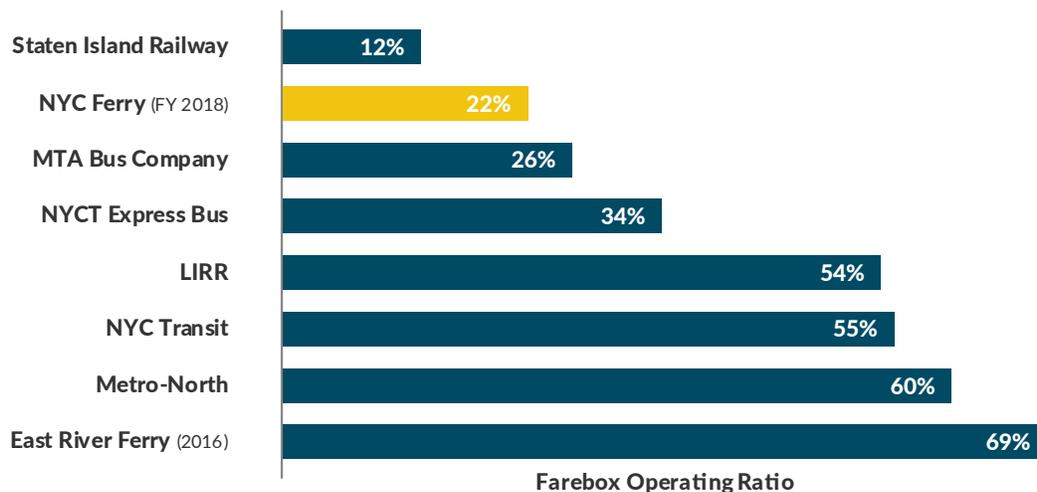
EDC reported NYC Ferry’s operating costs in fiscal year 2018 were \$56.7 million, or \$13.83 per trip—more than double the operating costs of other ferry operators in the New York region, including the publicly owned and operated Staten Island Ferry, the defunct public-private East River Ferry, and the privately owned BillyBey and New York Waterway services. (See Figure 3.) NYC Ferry has higher operating costs because it serves long routes with low ridership and has a highly seasonal, leisure-oriented ridership pattern that leads EDC to charter additional vessels to meet peak demand.

Long Routes with Low Ridership

The NYC Ferry network includes long routes with high operating costs to serve neighborhoods with low population densities. As a result, the system requires deeper subsidies than other local transit systems, which have lower per-trip operating costs or collect more in fare revenue.

In 2018 NYC Ferry’s fare revenue covered just 22 percent of its operating costs, a metric known as a farebox operating ratio. Among other transit systems charging a fare, only Staten Island Railway had a lower operating ratio. (See Figure 4.) NYC Ferry’s operating ratio also lags well behind the now-defunct East River Ferry, which recouped nearly two-thirds of its operating costs through fare revenue in 2016, its final year of standalone operations.

Figure 4: Farebox Operating Ratio by Transit Operator



Note: NYC Ferry data is for City fiscal year 2018. East River Ferry data is from calendar year 2016, its last full year of standalone operations. Data for other transit agencies are from calendar year 2017. NYC Ferry’s operating ratio is based on operating revenue and expenditures reported in EDC financial statements. The farebox operating ratios for the other operators are based on operating revenue and expenditures reported to the NTD.

Sources: National Transportation Database, *DatTransit Agency Profiles* (Accessed February 8, 2019); New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018).

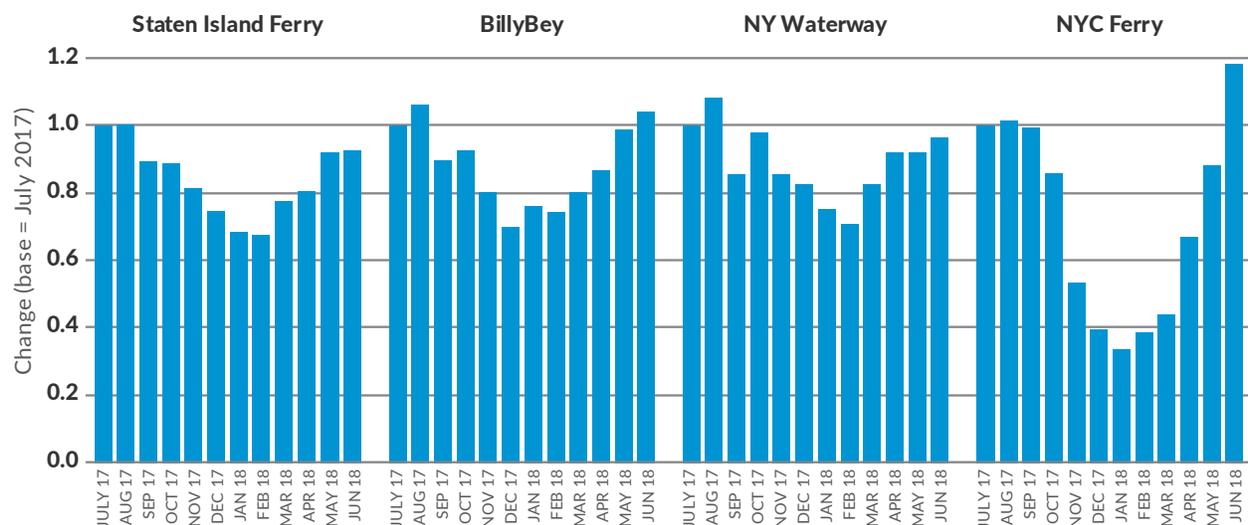
Another reason why NYC Ferry’s operating revenue covers a small share of its operating expenses is that it serves a small number of passengers per hour of operations. In 2016 the East River Ferry served 165 passengers per revenue hour; in contrast, NYC Ferry served just 91 passengers per revenue hour in fiscal year 2018. This drop off is attributable in part to the addition of the South Brooklyn and Rockaway routes, which are longer than the initial East River routes and serve a smaller number of riders.

Seasonal Ridership

NYC Ferry’s ridership varies more by season than other ferry networks in the New York region. In response EDC has chartered additional vessels during peak periods to meet demand, which has also increased operating costs.

As with all local ferry operations, NYC Ferry ridership peaks in the summer months and falls during the winter. In its first year of operations, however, the drop-off in NYC Ferry’s ridership was more extreme than the Staten Island Ferry or private operators. Figure 5 compares month-to-month changes in ridership over the course of fiscal year 2018. NYC Ferry ridership fell by 67 percent from August 2017, during which it served 478,000 riders, to its lowest month in January 2018, when it served 159,000 riders. That decline is twice as large as other local ferry services. Ridership on the publicly operated Staten Island Ferry fell 32 percent between August 2017 and January 2018 while the privately operated BillyBey and New York Waterway fell 28 percent and 31 percent, respectively.

Figure 5: Monthly Change in Ridership Relative to July 2017, July 2017 through June 2018



Sources: National Transportation Database, *DatTransit Agency Profiles* (Accessed February 8, 2019); New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018).

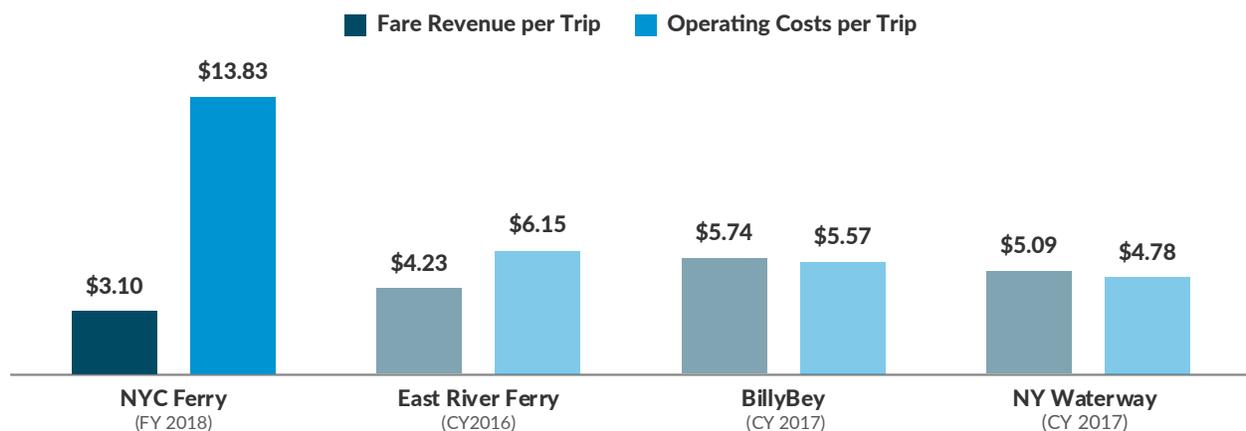
The sharp increase in summer ridership is driven primarily by additional weekend travel. Weekend ridership, consisting predominantly of trips for leisure, is more responsive to seasonal trends than weekday ridership.¹² Most of NYC Ferry’s weekend ridership accordingly takes place in the summer. During summer months weekend trips make up 40 percent of NYC Ferry ridership, up from 21 percent during the winter.¹³ (Overall weekend ridership on NYC Ferry is higher than that of its peers, with weekend trips accounting for 33 percent of ridership compared to 22 percent on the Staten Island Ferry and 15 percent on the private ferries.) This extreme seasonality is also a byproduct of NYC Ferry’s comparatively small base of regular commuters. Year-round, slightly more than one-third of NYC Ferry riders are commuters, according to EDC survey data; in contrast, commuters likely make up at least 62 percent of all trips on Staten Island Ferry.¹⁴

EDC’s strategy to address the extreme seasonality of NYC Ferry’s ridership also has increased operating expenses and subsidies. NYC Ferry has struggled to meet its on-time performance target of 94 percent when ridership peaks in the spring and summer months, particularly on the Rockaway route.¹⁵ In response EDC has paid to charter additional vessels to add capacity to meet peak summer demand, rather than increase fares to reduce demand. While this improved on-time performance on some routes, it also increased operating costs and subsidies.

Low Fares

Despite its high operating costs, City officials set the fare for the NYC Ferry service at \$2.75 per ride, which is equivalent to a single ride on an MTA subway or bus.¹⁶ This is lower than other ferry operators in the region, which charge a higher fare that is commensurate with the costs of operating a ferry network. (See Figure 6.)¹⁷

Figure 6: Fare Revenue and Operating Costs per Trip



Note: NYC Ferry data is for city fiscal year 2018, with expense data from EDC financial statements. East River Ferry data is from calendar year 2016, its last full year of standalone operations. Data for other transit agencies are from calendar year 2017.

Sources: National Transportation Database, *DatTransit Agency Profiles* (Accessed February 8, 2019); New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018).

The willingness of passengers on other ferries to pay higher fares is consistent with past EDC research that found ferry systems are a premium transit option, similar to express buses, with a ridership base that is willing to pay more for the comfort and convenience of ferry service.¹⁸ Consistent with this analysis, per-ride pricing on the predecessor East River Ferry service was \$4 on weekdays and \$6 on weekends. Similarly, the MTA charges \$6.50 per ride for express bus service.

One exception is the Staten Island Ferry, which has been free since 1997. However, since operating costs of the Staten Island Ferry are half that of NYC Ferry, its per-ride subsidy is lower.

Capital Costs Are Also Substantial

The NYC Ferry operating costs discussed in this report do not include debt service, even though the capital costs of the citywide ferry system are substantial and continue to grow. As of February 2019, the City's capital commitments for NYC Ferry totaled \$114.3 million, while planned commitments for fiscal years 2019 to 2022 are \$524.2 million—a total of \$638.5 million.¹⁹ These capital commitments reflect an expansion of EDC's responsibilities as part of its public-private partnership with Hornblower, and one that shifts long-term financing costs from EDC to the City budget.

City officials decided to accelerate the City's acquisition and rehabilitation of Hornblower's ferry fleet and procure new high-capacity vessels. These purchases are projected to cost \$375 million between fiscal years 2019 and 2022. At the end of the contract term with Hornblower, the City will own most if not all of the NYC Ferry fleet.²⁰ The acquisition of new vessels may eliminate the need to charter boats during peak periods, which would reduce NYC Ferry's, and EDC's, annual operating expenses. However, the debt service on new vessels will be paid through the New York City operating budget rather than EDC-controlled funds. The City also will fund the construction of a homeport at the Brooklyn Navy Yard to accommodate these vessels and will build new barges and landings throughout the system.

The \$114.3 million in commitments to date will incur annual debt service payments of approximately \$8.7 million; at full buildout, debt service on the estimated \$638.5 million in actual and planned commitments will reach \$48.6 million per year.²¹

Planned Expansion Would Increase Subsidies and Costs

Following a feasibility study of potential ferry landings proposed by the public and elected officials, earlier this year Mayor de Blasio announced the following service expansion:

- A new route connecting Staten Island's St. George Ferry Terminal with Battery Park City and Pier 79 on the west side of Manhattan (Opening 2020);

- A new route connecting Coney Island with Bay Ridge and Pier 11 at Wall Street in Manhattan (Opening 2021); and
- The extension of the existing Soundview route to a new park-and-ride ferry landing at Ferry Point Park in the Bronx (Opening 2021).²²

EDC projects the two new routes and the new landing at Ferry Point Park would garner 2.5 million riders each year with operating costs of \$25.5 million. The upfront capital costs for building new landings and upland infrastructure and purchasing additional ferries for this expansion would be \$108 million. (See Table 1.)

Table 1: Projections of Annual Ridership and Expenses of New Routes and Services

	Staten Island	Coney Island	Ferry Point	Total	Existing Ridership
Annual Ridership	2,000,000	400,000	80,000	2,480,000	4,101,874
Total Operating Expense	\$13,000,000	\$11,000,000	\$1,500,000	\$25,500,000	\$56,744,000
<i>Expense per Ride</i>	\$6.50	\$27.50	\$18.75	\$10.28	\$13.83
Fare Revenue	\$5,500,000	\$1,100,000	\$220,000	\$6,820,000	\$12,722,000
<i>Required Subsidy/Ride</i>	\$3.75	\$24.75	\$16.00	\$7.53	\$10.73
Capital Cost (at full build out)	\$44,000,000	\$42,000,000	\$22,000,000	\$108,000,000	\$575,516,000
<i>Annual Debt Service (3.75%, 20 years)</i>	\$3,146,803	\$3,003,767	\$1,573,402	\$7,723,972	\$41,159,901

Source: CBC staff analysis of data from New York City Economic Development Corporation, 2018 2019 NYC Ferry Expansion Feasibility Study (January 2018).

At the current fare, the per-ride subsidy, excluding debt service, would be approximately \$7.50; however, the cost and ridership projections vary widely among the three routes.²³ Most of the ridership—2 million—would be for the new Staten Island-to-Midtown route, which connects three existing ferry terminals and serves a dense catchment area with poor transit connections to Midtown Manhattan. At \$6.50, the per-ride operating costs of this route would be only slightly higher than the Staten Island Ferry. If projected ridership and costs hold, the operating subsidy for this route would be \$3.75 per trip.²⁴

The remaining two routes are projected to require substantial subsidies due to low ridership. EDC's feasibility study found that the Coney Island route would serve 400,000 riders per year and require a subsidy of nearly \$25 per ride. The Ferry Point landing would serve an additional 80,000 riders at a subsidy of \$16 per ride. The capital costs of the Coney Island route and Ferry Point landing are \$64 million and will add \$4.6 million in debt service to annual operating costs.²⁵

Implementation Hinders Strategic Planning and Transparency

The City of New York has operated a municipal ferry system since it took over operations at the Staten Island Ferry in 1905; that service is now operated by DOT. Nevertheless, NYC Ferry was established as a public-private partnership with EDC, a City-controlled not-for-profit corporation. EDC's status affords it greater flexibility to develop and enter into public-private partnerships; the decision to have EDC operate the ferry, however, comes with several drawbacks.

First, the decision to place NYC Ferry under EDC has created redundancies within City government. DOT sets transportation policy and operates the country's largest municipal ferry service; EDC's role historically has been to manage piers and waterfront properties and to oversee private ferry companies that operate in New York City waterways, including managing the operations of the East River Ferry that preceded and was integrated into NYC Ferry. The original operating agreement with Hornblower anticipated EDC's role in NYC Ferry would be limited to managing the on-shore infrastructure and setting the fare and service levels—tasks within EDC's core competencies and the scope of its Maritime Contract. Subsequently, EDC has expanded its responsibilities, primarily by exercising its contractual options to acquire and expand the NYC Ferry fleet and to build a City-owned homeport. Going forward, EDC and DOT will own and operate separate ferry fleets.

Second, funding NYC Ferry through EDC rather than through the City budget limits the ability to track the dollars allocated to ferry service and to exercise oversight. DOT's expense budget for the Staten Island Ferry, for example, includes detailed operating and maintenance data, including headcount and spending on personnel, contractual services, supplies, fuel, and other expenses. Similarly, the Mayor's Management Report tracks indicators that tie back to these expenses.

In contrast, NYC Ferry is not funded through general fund revenue appropriated through the budget process, and EDC is not required to report detailed operating or budget data about its ferry service. EDC funds NYC Ferry's operations through an arrangement in which the Mayor allows EDC to retain a greater share of the revenue it generates from operating City-owned commercial properties than is expressly allowed under its contracts with the City.²⁶ While the City Council must approve any capital spending, paying for NYC Ferry's operations through EDC means that its operating budget is not subject to City Council review. This funding model also differs from the operations of the now-defunct East River Ferry service, which was subsidized from the City's General Fund.

In fiscal year 2017, EDC retained \$41.3 million in revenue that it otherwise would have remitted to the City in order to subsidize NYC Ferry. In fiscal year 2018 EDC retained \$39.4 million; most of this retained revenue has gone to paying EDC's contractual payments to Hornblower. EDC reports the cost of its payments to Hornblower were \$30.0 million in 2017 and \$43.9 million in 2018.

Since NYC Ferry's operating budget is not publicly available, it is unclear how much additional revenue EDC has spent on NYC Ferry beyond its contractual payments to Hornblower. However, EDC's board materials indicate that it has taken on additional costs pertaining to the ferry system, including full-time headcount, consultants, and on-call construction firms.²⁷ EDC has also entered into a series of fuel hedging contracts to lock in long-term fuel prices and retained a financial consultant to administer the fuel hedges and mitigate long-term risk.²⁸

Is This the Most Cost-Effective Use of the City's Transportation Dollar?

At a time when traffic clogs city streets, buses crawl, and transit ridership is falling, the City must make tough choices about how best to improve mobility. When it launched NYC Ferry, City officials made a series of decisions about how to address some of these problems: first by investing in a ferry network, and then by setting the fares, routes, and service levels. Those choices have created a ferry network that serves a small number of New Yorkers, is expensive to operate in part to support leisure-oriented travel, and requires a high subsidy that will grow higher to extend service to Coney Island and Ferry Point. Reviewing the system's costs and subsidies through its first full year of operations should prompt consideration of whether maintaining the same operating strategy, pricing model, and expansion plans will be the most efficient and most effective use of City transportation funding.

EDC and City officials can take actions to improve the system. The high rate of leisure travel offers an opportunity to charge higher fares on weekends and for noncommuters to offset the cost of subsidies for daily commuters. Other premium transit options, like the private ferry services and the MTA express bus service, charge higher fares that are commensurate with their operating expenses. Other services use dynamic pricing that increases along with demand. When it was a standalone service, the East River Ferry charged a higher fare on weekends, which allowed it to recoup a larger share of its operating costs than NYC Ferry currently does. Private ferry operators offer limited weekend service because it is not profitable. Dynamic pricing models could be more appropriate for long, low-productivity routes that require substantial subsidies and see demand spikes on weekends. A different fare structure could also mitigate the need to charter vessels or purchase larger boats.

The lack of transparency into NYC Ferry's operations and finances, however, makes it difficult to evaluate these policy choices. Funding ferries through EDC's budget rather than the City's General Fund means that the public does not have a full picture of the costs and benefits of NYC Ferry. It also makes it more difficult to compare ferry subsidies with the impact of other potential City-funded transit investments, ranging from bicycle lanes and the rollout of citywide bike share to traffic signal upgrades and the expansion of Select Bus Service.

ENDNOTES

- [1] City of New York, Office of the Mayor, “Mayor de Blasio Announces NYC Ferry Now Planning for 9 Million Annual Riders, Growing to Meet Demand” (press release, May 3, 2018), <https://www1.nyc.gov/office-of-the-mayor/news/235-18/mayor-de-blasio-nyc-ferry-now-planning-9-million-annual-riders-growing-meet-demand#/0>.
- [2] All ridership data in this report is based on unlinked passenger trip data provided by transit operators to the National Transit Database. See: National Transit Database, *Transit Agency Profiles* (accessed February 8, 2019), <https://www.transit.dot.gov/ntd/transit-agency-profiles>. NTD reports include unlinked trip data. An unlinked trip counts each trip on a subway or bus line as a single ride, as opposed to a linked trip, which counts a rider who transfers between lines as one trip. For example, a subway journey that involves one free transfer between lines would count as two unlinked trips but one linked trip. The MTA annual financials include estimates of linked trips within each operating company. The difference between linked and unlinked trips is largest in NYCT Subway (2.7 million in NTD versus 1.7 million in MTA annual report) and LIRR (103.6 million in NTD versus 89.1 million in MTA report). See: Metropolitan Transportation Authority, “2017 Annual Report” (March 27, 2018), http://web.mta.info/mta/compliance/pdf/2017_annual/SectionA-2017-Annual-Report.pdf.
- [3] Agreement between the New York City Economic Development Corporation and HNY Ferry, LLC, dated February 12, 2016.
- [4] Under the operating agreement with Hornblower, EDC has the right to approve staffing plans, determine the level of service provided, and set fares. While the fare was set initially at \$2.75, it is not tied directly to the MTA base fare. EDC can also direct Hornblower to increase service if additional vessels are needed to meet demand. The contractual payments do not include fuel, which is a reimbursable expense. EDC also reimburses Hornblower for pre-approved one-time start-up costs associated with launching new routes. Hornblower’s management fees are subject to meeting on-time performance and trip completion targets, with bonuses paid for exceeding goals and reductions for missing the targets.
- [5] Per-trip operating subsidies are based on the difference between operating expenses and fare revenues divided by annual unlinked passenger trips. Operating expenses do not include debt service. For NYC Ferry, its per-trip subsidy is calculated by Citizens Budget Commission (CBC) staff based on the fiscal year 2018 net operating expenses of \$43.9 million, reported in EDC’s financial statements, divided by ridership of 4.1 million, as reported by the NTD Database. The analysis uses fiscal year 2018 data for NYC Ferry in order to capture the revenue and expenses of the new routes; during 2017, ridership on the existing East River route accounts for nearly all revenue and expenses. As a result, 2018 NYC Ferry expenses include some nonrecurring startup costs for routes that opened during the fiscal year or expected to open in fiscal year 2019. These costs include marketing expenses and non-capitally eligible equipment. See: National Transit Database, *Transit Agency Profiles* (accessed February 8, 2019), <https://www.transit.dot.gov/ntd/transit-agency-profiles>; and New York

City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018), https://www.nycedc.com/sites/default/files/filemanager/EDC_FY_18_Audited_Financial_Statements.pdf.

- [6] BillyBey and NY Waterway are private ferry companies operated by Port Imperial Ferry Company. They offer service between ferry landings in New Jersey (Edgewater, Hoboken, Weehawken, and Jersey City) and Manhattan (Battery Park City, Wall Street, and Midtown West).
- [7] EDC's reported net operating cost for the ferry system reflects its contractual payments to Hornblower, which include reimbursements for salaries and wages, maintenance and operating costs, fuel up to a specified volume cap, landing fees, homeporting costs, shuttle bus costs, ticketing fees, vessel chartering expenses, and a management fee. It excludes the transfer of farebox revenue collected by EDC and any additional expenses incurred by EDC or by Hornblower outside of the contractual agreement.
- [8] The farebox operating ratio metric is based on operating revenue and expenses. The figures exclude the cost of capital expenditures, including debt service and depreciation, and the cost of retiree health benefits. Excluding these costs allows for a direct comparison among different transit systems and is consistent with how operating data are presented in the NTD. For more information on the NTD's methodology for calculating ridership, revenues, and expenditures, and how the NTD data differ from figures reported in the MTA's financial statements, see: Rahul Jain and Charles Brecher, "Getting the Facts Straight on Metropolitan Transportation Authority Fare Ratios," *Citizens Budget Commission Blog* (November 25, 2012), <https://cbcny.org/research/getting-facts-straight-metropolitan-transportation-authority-fare-ratios>.
- [9] EDC's initial demand studies predicted NYC Ferry's low farebox operating ratio. A 2013 feasibility study found that long routes with lower ridership projections, such as the Soundview, South Brooklyn, and the Rockaway routes, would recover no more than 20 percent of operating costs through fares and require subsidies ranging from \$9.70 to as much as \$19 per trip. The same study found Astoria and Long Island City routes could achieve farebox recovery ratios of 65 to 74 percent with subsidies ranging from \$0.87 to \$2.50 per ride at a fare of \$2.50. See: New York City Economic Development Corporation, *Citywide Ferry Study 2013: Final Report*, https://www.nycedc.com/sites/default/files/filemanager/Resources/Studies/2013_Citywide_Ferry_Study/Citywide_Ferry_Study_-_Final_Report.pdf.
- [10] National Transit Database, *Transit Agency Profiles* (accessed February 8, 2019), <https://www.transit.dot.gov/ntd/transit-agency-profiles>.
- [11] National Transit Database, *Monthly Module Database*, November 2018 (accessed February 6, 2019), <https://www.transit.dot.gov/ntd/data-product/monthly-module-raw-data-release>.
- [12] Alan Treffeisen, *Estimate of Revenues and Costs of Staten Island Ferry Tourist Fare* (New York City Independent Budget Office, September 2014), <https://ibo.nyc.ny.us/iboreports/2014siferryfareletter.pdf>.
- [13] National Transit Database, *Transit Agency Profiles* (accessed February 8, 2019), <https://www.transit>.

[dot.gov/ntd/transit-agency-profiles](https://www.mta.com/dot.gov/ntd/transit-agency-profiles).

- [14] Staten Island Ferry commuters are defined as weekday riders who live on Staten Island. On NYC Ferry between 35 percent to 45 percent of trips were commuter trips; according to EDC, during peak times, approximately 70 percent are commuter trips. See: Alan Treffeisen, *Estimate of Revenues and Costs of Staten Island Ferry Tourist Fare* (New York City Independent Budget Office, September 2014), <https://ibo.nyc.ny.us/iboreports/2014siferryfareletter.pdf>; and Kim Vaccari, Executive Vice President and Chief Financial Officer, New York City Economic Development Corporation, email to Citizens Budget Commission staff (March 13, 2019).
- [15] New York City Ferry, *Quarterly Ridership Reports* (accessed February 4, 2018), <https://www.ferry.nyc/reports-statistics/>.
- [16] Passengers on NYC Ferry also have the option of purchasing a one-way bike pass for \$1, a 30-day unlimited pass for \$121, or a 30-day adult pass with a bike pass for \$141.
- [17] Average per-trip fare revenue for the NYC Ferry in fiscal year 2018 was \$3.10, which is higher than the one-way fare of \$2.75. It is not possible to explain why the average fare is higher, as EDC does not publish detailed revenue or operating data on NYC Ferry's performance. The difference may be the result of revenue from bike passes or unused unlimited trips.
- [18] New York City Economic Development Corporation, "Sustaining Ferry Service in New York" (November 2011), http://www.streetsblog.org/wp-content/uploads/2015/02/revised_wmab_ferry_funding_presentation__short_david_hopkins_111611.pdf.
- [19] New York City Office of Management and Budget, email to Citizens Budget Commission staff (February 14, 2019).
- [20] EDC's operating agreement with Hornblower contains a call/put option that allows one party to require the other to purchase the ferry fleet at full market value before the term expires. The clause likely was requested by Hornblower to mitigate its financing risk. Under New York State law, the probable useful life of a ferry boat is 10 years, which exceeds the length of the operating agreement. EDC also purchased the fleet of boats from the previous private operator of the East River Ferry system when that service was terminated and the route was incorporated into the NYC Ferry system. It later sold those boats to NY Waterway.
- [21] The debt service estimates assume level debt service payments with an average probable useful life of 20 years and an annual interest rate of 3.75 percent, based on the yield on the City's 20-year general obligation bonds. The useful life is a weighted average of the probable useful life of ferries and land-based infrastructure.
- [22] EDC estimates the new routes would reduce travel times by 25 to 35 minutes for residents who live and work near the new landings and create additional efficiencies elsewhere in the ferry network, though these changes would increase capital and operating costs.
- [23] Consistent with reporting to the NTD database, these per-ride subsidies in Table 1 are based on operating revenue and expenditures before debt service. If debt service were included, the total expense per ride would increase to \$13.40 and the subsidy per ride would increase to \$10.65.

- [24] The feasibility study does not study whether the new route would attract riders away from the existing Staten Island Ferry service, which would increase its per-trip operating cost.
- [25] The feasibility study also identified other reasons that contribute to higher expenses at Coney Island and Ferry Point. Sand deposits and currents in Coney Island Creek present operational risks and will require additional maintenance to ensure the channel remains navigable. Ferry Point Park is located in a non-residential area, which means the landing will operate as a park-and-ride facility with a one-third of a mile walk to an existing parking lot. This will increase upfront capital costs and limits its potential ridership base. With debt service costs, the per-ride subsidy would increase to \$32 on the Coney Island route and \$36 for the Ferry Point landing.
- [26] EDC funds its expenses and economic development projects through revenue from the operations of City-owned commercial properties. The City's contracts with EDC allow EDC to retain revenue up to a specified cap and requires it remit certain revenue streams and excess fund balances to the City's General Fund, though both provisions are at the discretion of the Mayor. EDC funds the operations of NYC Ferry from two of its sub-funds: the Maritime Fund and the Apple 42nd Street Fund. The Maritime Fund includes revenue derived from City-owned properties that EDC manages under its Maritime Contract, which include wharves, waterfront buildings, public markets, public aviation facilities, and intermodal transportation properties. Under the Maritime Contract, EDC is required to remit any net operating income from operating the Maritime portfolio to the City. Before the launch of NYC Ferry, the City requested that EDC remit \$16.7 million from the Maritime Fund annually to the General Fund. The Apple 42nd Street fund includes revenue from City-owned properties in the Times Square area. Under its contract with the City, EDC is obligated to transfer all payments in lieu of taxes, real estate taxes, and rental revenues it collects from the Times Square district to the City unless otherwise directed by the Office and Management and Budget.
- [27] New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018), https://www.nycedc.com/sites/default/files/filemanager/EDC_FY_18_Audited_Financial_Statements.pdf, and *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2017 and 2016* (September 2017), https://www.nycedc.com/sites/default/files/filemanager/About_NYCEDC/Financial_and_Public_Documents/Annual_Report/FY17_EDC_Financial_Statements.pdf.
- [28] New York City Economic Development Corporation, *Executive Committee Meeting Minutes* (February 6, 2019), https://www.nycedc.com/sites/default/files/filemanager/About_NYCEDC/Financial_and_Public_Documents/NYCEDC_Executive_Committee_Meeting_Minutes/EDC_Executive_Committee_Minutes_2-6-19.pdf, and June 28, 2018 and November 9, 2017 minutes, <https://www.nycedc.com/about-nycedc/financial-public-documents>.
- [29] New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2018 and 2017* (September 2018), https://www.nycedc.com/sites/default/files/filemanager/EDC_FY_18_Audited_Financial_Statements.pdf.

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