

Fact Sheet

Water Taxi Proposal – January 2010

- ✓ Review the financial impact of the CVB or the Township assuming operational responsibilities for the Water Taxi system
- ✓ Provide options for Board consideration where the annual subsidy will not exceed \$100,000 annually.

Who currently owns and operates the Water Taxi operation?

The current Water Taxi operation is operated by the Brazos Transit District. The Water Taxis are currently owned by The Woodlands Development Company. The Township / The Woodlands Convention & Visitors Bureau (CVB) have no control or authority over how and when they are operated.

How many Water Taxi boats are owned by The Woodlands Development Company?

There are currently six water taxis.

Is the Township or the CVB funding the current Water Taxi operation?

No, but the Township and CVB have budgeted for the Water Taxis in the past and the present.

Why is the continuation of a quality Water Taxi system important to The Woodlands?

The Water Taxi system provides a transportation link in the downtown area of The Woodlands on The Woodlands Waterway, a 1.5 mile waterway connecting hotels, shopping areas, dining, entertainment, the Pavilion, parks, corporate buildings and residential living.

The Water Taxi system provides a strong marketing image for The Woodlands / many people will never ride the system, but the image of the boats on the Waterway is appealing and keeps visitors returning to the area.

The Water Taxi system brings visitors to the area / strong sales tax proceeds allow us to reduce property tax requirements for property owners.

The Water Taxis have averaged 60,242 riders a year over the last five years for a total of 301,211 riders.

Visitors account for greater than 70% of the sales tax collections in the Town Center area or about \$21 million per year.

How did the Township / CVB become involved in consideration of operation of the Water Taxi system?

The Township Board appointed a Water Taxi Ad Hoc Committee to study the operations of the Water Taxi system. The Woodlands Development Company is no longer interested in owning the Water Taxi system and the Board directed the ad hoc committee to:

Has the Water Taxi Ad Hoc Committee completed their work?

Yes. The Water Taxi Ad Hoc Committee has met five times since being appointed on May 27, 2009. The Committee recommended that the Township / CVB become involved with the operation of the Water Taxi system and operate the system through a grant / operating agreement with Brazos Transit District.

What would have happened to the Water Taxi service if not assumed by The Township / CVB?

The Woodlands Development Company owns the boats and has stated it likely would sell or lease the boats to independent third parties. If this happened, The Township / CVB would have had no control over the quality of the operation or the continuation of the operation.

Will The Township have to buy the Water Taxis from the Development Company?

No. After considerable discussion with the Water Taxi Ad Hoc Committee, The Woodlands Development Company has agreed to "gift" the Water Taxis to the Township / CVB in exchange for the agreement that the Township / CVB will agree to operate the system for at least a five year period.

What is the current value of the Water Taxi Fleet in its current condition?

No market appraisal has been done. The current operators of the system have estimated there is value in the existing Water Taxi fleet (six boats) in the \$300,000 plus range.

What is the projected annual cost of the Township / CVB owning and operating the Water Taxi system?

There are two proposed cost components associated with The Township assuming ownership of the boats and continuing to contract with the Brazos Transit District for operations.

- ✓ The recommendation is to set the cap at \$100,000 annually; however, for operations, the projected annual cost is less than \$50,000 annually after the boats are renovated and the maintenance facility is completed.
- ✓ The projected capital renovation costs (one time) are projected at \$150,000 to completely renovate the existing fleet and give the boats an estimated 12 year useful life. This renovation will also upgrade the fleet so that group tours and special events can be readily accommodated.

Can the current Water Taxi operations be enhanced with The Township / CVB ownership?

The upgrade of the fleet, and the retrofitting of the boats for special events, should attract more riders to the system. The Township / CVB will have control over the timing and the quality of the operation and how the boats are used in special promotions.

The Township / CVB will actively market the upgraded Water Taxi fleet and also market the contracting of boats for special events / group tours to enhance convention business.

Could the Water Taxis be marketed differently?

The Woodlands CVB marketing team believes there are many different ways the Water Taxis could be marketed if the boats resided under the jurisdiction of The Woodlands Township / CVB. First and foremost, the CVB would include various retailers, mainly restaurants, to begin providing events in a festive environment, revolving around various seasons. A number of restaurants in The Woodlands have expressed interest in participating. Secondly, the Water Taxis have never had a strong marketing program to promote ridership. Cross promotion opportunities exist with Riva Row Boat House, special events and much more.

Could the Water Taxi operation pay for itself?

The Water Taxis are currently funded by fares. Through the proposed program, the Water Taxis can be funded through Federal Transportation grants and other sources of funding, such as Capital Cost of Contracting (CCC) reimbursement, and enhanced revenue of sponsorship, advertising and special events. The Goodman Corporation outlined in a Memorandum that the Water Taxi operation could have a reasonable goal of being self sufficient in less than two years.

How will operations be provided?

Operations would be provided through a five year operating agreement with the Brazos Transit District.

- ✓ Annual estimated cost is \$285,000 in 2010
- ✓ Grant funding will provide 32% of operating costs
- ✓ Fares expected to provide 50% of operating costs
- ✓ Special promotion income / advertising will reduce operating costs
- ✓ Township / CVB share in 2010 is expected to be \$50,000 or less with the potential to be self sufficient

How are the operating and capital funding needs proposed to be dealt within the existing Township budget?

The total renovation and operating cost for 2010 is expected to be about \$200,000.

- ✓ The Township set aside \$100,000 in 2009 as a “placeholder” for assuming the Water Taxi operation. Another \$100,000 was budgeted in 2010.
- ✓ The proposal is to use the 2009 and 2010 budget set aside to fund the renovation costs of \$150,000 in 2010 and begin Township / CVB operations in mid 2010 with the remaining budget of \$50,000.

The cost for 2011 and after is expected to be considerably less than \$100,000 per year with a goal of achieving self-sufficiency.

Can the funding committed for the upgrade of the Water Taxi fleet be used to leverage other federal capital grant funding?

If the funding for the upgrade of the Water Taxi fleet is placed directly with Brazos Transit District, the \$150,000 in funding from the Township / CVB can be used by The District to leverage funding for other transportation capital projects, such as the addition of Trolleys to serve village areas, as requested by Woodlands residents. Under this scenario, the \$150,000 could be used for a capital match of up to \$600,000 in federal capital funding, adding up to a total of \$750,000 for transportation capital projects in The Woodlands.

Note: Expansion of the Trolley system to serve the village areas requires further review; feasibility and operating costs are not addressed in this presentation.

What did The Woodlands Township Board of Directors decide?

At the January Board of Directors meeting on Wednesday, January 27, 2010, the Board of Directors accepted and approved the recommendation from the Water Taxi Ad Hoc Committee to operate the Water Taxi system through a grant / operating agreement with Brazos Transit in accordance with a Memorandum from The Goodman Corporation and directed the Water Taxi Ad Hoc Committee to work with The Goodman Corporation to develop the final agreements for consideration by The Woodlands Township Board of Directors.

What is the timeline for completing this proposal?

The necessary agreements are expected to take 3 to 6 months to complete.

The renovation of the Water Taxi fleet is expected to take 6 to 9 months.