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Testimony on NYC Ferry

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Committee on Transportation and Infrastructure

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Good morning. I am Sean Campion, Director of Housing and Economic Development Studies at the Citizens Budget Commission (CBC), a nonprofit, nonpartisan think tank and watchdog dedicated to constructive change in the services, policies, and finances of New York City and New York State. Thank you for the opportunity to testify on NYC Ferry's finances and its impact on the finances of the New York City Economic Development Corporation (EDC).

In September 2022, after EDC's Ferry Forward plan was first proposed, CBC [testified before the Council](#) that its success "should be evaluated by whether and how much the subsidy—per ride and in total—is reduced, with evidence that the remaining subsidy above what is provided to other transit users is well targeted to those in the greatest need of transit options and affordability."

Two years later, Ferry Forward has steered NYC Ferry's finances in the right direction. EDC has reduced the ferry subsidy, both per ride and in total, due to the combination of fare increases and more efficient operations. Importantly, fare increases did not reduce ridership; in fact, ridership hit record levels, even adjusted for the addition of new routes.

However, despite these improvements, NYC Ferry remains one of the [most heavily subsidized transit options in New York City](#), and one of the [most subsidized public ferry systems](#) in the country. Furthermore, the available data are limited, so we do not know how much of the subsidy—still [\\$8.55 per ride in fiscal year 2023](#)—is flowing to riders with the greatest need for transit options or affordability. Finally, the still-large \$56.5 million annual total subsidy diverts substantial resources from EDC's core economic development mission.

While NYC Ferry importantly serves many regular commuters in neighborhoods without fast or reliable transit service to Manhattan, the majority of its ridership base continues to be leisure-oriented, including some who may be willing to pay more than \$4.50 for their occasional rides. EDC's

[2023 ridership survey](#) found that only 32 percent of NYC Ferry riders, but 60 percent of weekday peak riders, ride the system 3 or more days a week. The survey also found that NYC Ferry riders view the ferry as an improvement over alternative modes: 73 percent of respondents said they ride the ferry because it offers better or faster service than other transportation options.

That is why CBC continues to recommend a still-higher fare for non-commuting rides to offset NYC Ferry's high operating costs and free up EDC resources for economic development. NYC Ferry's one-time fare could match the \$7 fare for MTA express bus service, a similarly high-cost transit mode that offers a premium service.

CBC's new analysis of NYC Ferry's pre-pandemic finances in fiscal year 2019, compared to fiscal year 2023 finances, finds both improvements and continued shortcomings.¹ On the positive side, EDC's Ferry Forward plan:

- **Increased Ridership—And Increased Revenue Even More:** NYC Ferry ridership increased 17 percent between fiscal years 2019 and 2023, while revenue increased 29 percent, due in part to higher fares on one-time and occasional riders.

When NYC Ferry launched, the fare was set to match the price of subways and buses at \$2.75; the fare remained at that price until September 2022, when EDC raised fares to \$4 for one-time riders. As of September 9, 2024, one-time fares on commuter routes are \$4.50, with reduced fares of \$2.90— matching the current price of buses and subways—available for frequent riders. Discounted per-trip fares of \$1.45 are available for seniors, persons with disabilities, high school students, and participants in the Fair Fares program.
- **Reduced Operating Expenses Even While Increasing Service:** Over the same period, operating expenses fell 5 percent overall and 12 percent per revenue hour, indicating greater efficiency. These savings appear primarily from maintaining COVID-era reductions in service on the longest and costliest routes, and lower spending on purchased transportation, which includes the cost of renting ferry boats to provide additional, money-losing service in peak-demand periods. These savings more than offset higher fuel and management costs.
- **Reduced Subsidy Overall and Per-Trip:** The result of strong revenue growth and reduced expenses is a reduction in the subsidy. Between fiscal years 2019 and 2023, the per-trip subsidy fell 26 percent, from \$11.50 to \$8.55, while the overall subsidy declined from \$65.2 million to \$56.5 million.
- **Eliminated Draw Downs on EDC's Reserves or the City's Budget:** As a result of the savings, EDC was able to fund the NYC Ferry fiscal year 2023 subsidy using only rental income from City-owned land in Times Square and its Maritime Portfolio, rather than drawing down its cash reserves, as it had to do in the years prior to the pandemic or relying on a funds from the City's budget.
- **Allowed EDC to Balance its Budget:** EDC also managed to operate at a surplus in 2023 and 2024 after operating at a loss for several years prior to the pandemic due to the need to subsidize NYC Ferry.

While Ferry Forward has provided an effective course correction, NYC Ferry's financial outlook is not buoyant as it may appear. At least three issues cloud its financial situation:

- **Per-Trip Subsidy Excludes Substantial Debt Service Costs:** The official per-trip operating subsidy of \$8.55 includes only operating revenues and expenses. While this is a commonly accepted metric that allows for comparisons across transit systems, it fails to account for non-operating expenses like debt service, which can be a substantial cost for capital intensive infrastructure entities.

The City's expenditures on debt service for NYC Ferry capital costs are not included in EDC's operating subsidy, but they should be. Through fiscal year 2023, the City of New York committed \$429.2 million in capital for NYC Ferry to acquire ferry boats, improve docks and piers, and build two homeports. The associated debt service is paid for through the City's operating budget; there is no reimbursement from EDC or ferry farebox revenue.

Conservatively, the annual debt service on NYC Ferry capital commitments is \$26.4 million, or \$3.99 per trip, assuming level debt service payments on 30-year bonds issued at 4.5 percent. Therefore, the full per-ride subsidy is really \$12.54.

Furthermore, if NYC Ferry were a stand-alone entity, its debt service would equal to 25 percent of its operating budget and would be considered unaffordable.

- **EDC Buoyed by Big Increase in Times Square Rental Payments:** EDC collects rental payments and payments in lieu of taxes from properties in the 42nd Street Development Project on behalf of the City. The City allows EDC to retain rental income to fund its operations but requires it to pass through PILOT revenue and property taxes to the City's general fund. EDC uses these retained rental payments to subsidize NYC Ferry.

EDC's retained rental payments from the 42nd Street Development Project more than tripled between fiscal years 2019 and 2023, increasing from \$23.6 million to \$73.8 million. EDC diverted \$49.7 million of the \$73.8 million collected in fiscal year 2023 to subsidize NYC Ferry; the balance of the subsidy was paid from revenue generated by City-owned waterfront assets that EDC manages on the City's behalf, referred to as the Maritime portfolio.

Comparatively, in fiscal year 2019, the 42nd Street and Maritime rental payments were not enough to pay the \$65.2 million subsidy: even with the entire \$23.6 million 42nd Street rental payment and \$16.7 million from the Maritime Portfolio going to NYC Ferry, EDC had to fund a \$24.9 million shortfall out of its cash reserves. Without the significant increase in 42nd Street rental payments, either EDC or the City would have been on the hook to fill the gap in fiscal year 2023.

However, funding NYC Ferry out of the Times Square rental payments may be at risk in the future. Property owners in the 42nd Street Development Project have the [option to buy back their land](#) from the City for \$10 after 29 years; while none have exercised that right to date, several sites are now eligible to exercise their repurchase options. If they did, rental payments would decline.

- **EDC's Budget is Balanced but With Little Margin:** The continued need to subsidize NYC Ferry diverts funding that could otherwise support EDC's core mission of spurring the growth of New York City's economy. EDC's finances have stabilized post-pandemic, but its fiscal year 2025 budget has no slack. EDC's fiscal year 2025 adopted budget is balanced on a cash basis but shows a \$25 million deficit after accounting for depreciation. EDC's operating costs have also increased amid efforts to stimulate the City's post-COVID economic recovery, with personnel costs up 28.3 percent, or \$20.7 million, since 2023. If not for subsidizing the NYC Ferry, EDC would have more resources to devote to boosting economic growth.

EDC's Ferry Forward plan has steered NYC Ferry away from a fiscal abyss, but EDC and the City should take additional steps to reduce the ferry subsidy and ensure that EDC has the capacity to fulfill its core economic development mission.

CBC greatly appreciates EDC's successes. But moving forward, [CBC calls on EDC](#) to eliminate the lowest-ridership routes, target subsidies to those in the greatest need of affordable transit options, and increase fares for other riders to match those of comparable premium transit services, like the \$7 per trip charged for the MTA's express bus system. Furthermore, EDC should continue to hold the line on service expansions absent rigorous analysis that they would be financially feasible.

Thank you for the opportunity to testify, and I look forward to answering any questions you may have.

Further Reading

- <https://cbcny.org/research/swimming-subsidies>
 - <https://cbcny.org/research/nyc-ferry-comparative-analysis>
 - <https://cbcny.org/advocacy/testimony-nyc-ferry>
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¹ Findings based on CBC analysis of New York City Economic Development Corporation, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2019 and 2018* (September 2019), www.abo.ny.gov/annualreports/PARISAuditReports/FYE2019/Local-LDC/NewYorkCityEconomicDevelopmentCorporation2019.pdf, *Financial Statements, Required Supplementary Information and Supplementary Information Years Ended June 30, 2023 and 2022* (September 2023), <https://edc.nyc/sites/default/files/2023-10/Tab%2020b.%20NYCEDC%20FY2023%20Ernst%20%26%20Young%20Certified%20Financial%20Audit.pdf>, *NYC Ferry Supplemental Financial Information* (November 1, 2023), <https://edc.nyc/sites/default/files/2023-11/NYCEDC-NYCFerry-Supplemental-Financial-Information-FY19-23.pdf>, and "Meeting Minutes of the Board of Directors of the New York City Economic Development Corporation" (June 18, 2024), <https://edc.nyc/sites/default/files/2024-08/EDC%20Board%20of%20Directors%20Minutes%206-18-2024%20-%20signed.pdf>.