

Dear Commissioner;

March 9, 2011

The selection committee recently reviewed the proposed "Stearns Wharf Coastal Cruise Concession" applicants and we believe there is additional information that may have changed the decision to put the concession out for proposals again. This letter offers that clarification and an additional option to our proposal.

Santa Barbara Water Taxi, LLC was formed in 2003 after a meeting with Mr. Riedman and Mr. Bridley to propose a regularly scheduled water taxi service between the Harbor and Stearns Wharf. We were cautioned that while they endorsed the service they had concerns that it would not be successful. We knew we could make it successful and committed to the project with just a **one year** license agreement. We worked hard and have made it a success and are proud that Lil' Toot has become an important part of the 'Santa Barbara Experience'. We have carried over 200,000 passengers between the harbor and Stearns Wharf and although we pay a very small percent to the city for running the service we are the only non-subsidized water taxi on the west coast!

We would like to make the Stearns Wharf Coastal Cruise Concession (SWCCC) a success as well. We know the wharf, we know the sea conditions at the wharf and we know the challenges. We are willing to take the same **one year** lease and prove our ability to make it work. The city would not have a risk with this option as the income would be greater than the city is currently receiving.

Starting the process over again will delay a summer start date which is critical to the success of any operator. We are very aware of the financial risk presented with starting a weather dependent business after summer as Water Taxi business started in October of 2003. Starting a business that is weather dependent in the summer allows for more rapid growth and success.

We are certain our first year revenues would be an increase over the current operator simply because we would run the boat more often and offer different cruise selections with higher ticket costs. Starting in June would allow us the entire summer to prove our boat selection and concept. Although the proposed boat is smaller than our original concept it is more flexible because of its size and will run more often than the first proposal because of the 'Tier' of the engine and at a much lower operating cost. Since publishing the plan we have found more economies that make the profit picture better and the customer would enjoy a lower ticket price which we believe would increase the customer base and revenues for both us and the city.

Our understanding is that one of the concerns of the committee was the Air Quality Control District (APCD) engine 'Tier' program. We have a lot of experience with the APCD and California Air Resources Board (CARB) as we submitted a proposal to re-power the water taxi with electric motors last year. We learned a lot about this little known program and how it affects all commercial operators of diesel propulsion. The APCD published a schedule of time limits in which operators had to re-power their vessels to Tier II and after December 31, 2010 commercial operators would not be able to operate their equipment over 300 hours per year without penalty.

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We searched for vessels that were appropriate to our proposed business that were Tier II or could be run several years before re-power according to the APCD schedule. Our original selection had Tier 0 engines and we built our business plan around the 300 hundred hour limit. We planned to re-build the engines to Tier II standards during the winter of the first year which would cost \$150,000. We made an offer contingent on the acceptance of our business with the city and in an amount that took into account the need for anyone that bought the vessel to have the vessel brought up to Tier II standards. That offer was rejected so we looked for other alternatives.

There are a lot of vessels for sale now with older engines that need to be replaced which makes finding a suitable vessel more of a challenge. The replacement vessel for our plan was selected because it did not require an engine replacement until 2014 according to the build date and the APCD schedule. The Carl Moyer Program provides grant money to qualified operators to pay for up to 50% of the cost of replacement Tier II engines and has been used by many fisherman and commercial operators in the Santa Barbara Harbor. We already started the process to have the engines replaced using the Carl Moyer grant funds. The tiered engine program isn't as daunting if you understand the parameters of the program and select your vessel accordingly.

We have 9 years of experience operating from the wharf. There are only a hand full of captains that have come alongside the wharf in all kinds of conditions in the last 15 years. Those captains work for the current SWCCC or the Santa Barbara Water Taxi, LLC. Landing at the wharf is not like coming along side a dock in a protected harbor, it takes skill and lots of practice. Unskilled captains can do serious damage to the wharf, their vessels and may not be aware of ocean sea conditions that affect the safety of their passengers.

The vessel we have proposed is large and stable enough to carry a profitable load of passengers for sunset, dinner and whale watching cruises. It is enclosed which allows for the comfort of passengers regardless of the weather. We took the proposed vessel out off the coast of Newport Beach on a day with rough sea conditions and were very satisfied at the ride and comfort in those conditions. We conferred with the U.S. Coast Guard who agreed that this new vessel was probably a better choice for Santa Barbara.

We respectfully request that the selection committee revisit decision made last Friday. A **one year lease** option provides additional income for the city and allows us to prove our ability once again make a success of our proposal. We are very good at making the difficult happen and we feel that our commitment and history make our plan worthy of a second look.

Sincerely,

Capt. Fred Hershman

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