

APPENDIX D

September 27, 2006

Mr. Andrew Bennet
Project Manager
KPF Consulting Engineers
1601 Fifth Ave., Suite 1600
Seattle, WA 98101

Dear Andy:

ConsultEcon, Inc. is pleased to present this proposal to evaluate the market potential and to prepare an operating plan for the proposed Lake Tahoe ferry. This study would estimate ridership potential and patterns, and prepare a preliminary business plan. It is our understanding that this ferry will have usage segments that will include resident use for commuting and household errands, but to a greater extent will focus on convenient transportation for area tourists and as a recreational enhancement to travel within the Lake Tahoe area. In many cases the ferry ride itself would be a principal trip purpose.

ConsultEcon, Inc. was founded in 1991 to provide services to clients in the areas of project and plan concept development, evaluation and implementation in the fields of visitor attractions, tourism development, master plans and transportation planning. ConsultEcon, Inc. builds on the long experience of the principals in these areas. The staff of ConsultEcon has conducted over 500 studies including market studies, attendance projections, business plans, market and financial feasibility studies, operations analyses and economic impact studies.

ConsultEcon's work in tourism, attractions and economic development typically focuses on issues related to visitation or usage projections, ticket pricing and marketing, operations, business planning, economic feasibility and project economic impacts. We generally work with client representatives as well as architects, engineers and other related professionals on new projects, project expansions and master plans. ConsultEcon's work sets the framework for other professionals in terms of overall attendance levels, seasonality of attendance, cost/return trade-offs, and related issues critical to successful planning. We have worked for an array of existing and planned transportation, education, conservation, cultural and historical institutions and organizations. We maintain detailed industry data including 1,800 project reference files on an ongoing basis and extensive libraries and research materials relevant to this assignment. We call on our contacts and former clients in the attractions and tourism industries to discuss the latest trends and emerging issues.

Examples of relevant assignments include:

- ◆ Audubon Ark excursion boat on the Mississippi River in St. Louis, MO

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- ◆ Nature tour boats for the Mississippi River Museum in Dubuque, IA
- ◆ The Tennessee River Gorge Runner an Excursion Boat study in Chattanooga, TN
- ◆ For NOAA, a Tour and Education Boat Feasibility Evaluation
- ◆ We have worked on a number of maritime museums, and historic ship museums

We have just completed a new visitor attraction study in Reno, NV, and have project assignments in northern California. We have worked on several of these vessel studies with Mr. Andrew Bennett.

Firm principals that would lead this project are: Robert Brais, with over twenty years experience in this field, he has prepared market and operating plans for projects of this type and Mr. Thomas Martin, President of CEI, who has over 30 years in the business of planning visitor attractions as well as transportation economics studies.

PROPOSED SCOPE OF SERVICES

Following is the scope of services the consulting team feels is appropriate to evaluate the market potential of a Lake Tahoe ferry or ferries, and to prepare an operating plan.

Task 1. Initiate Project/Meet with Client Group

The consulting team will meet with the client group and tour the proposed terminal sites to discuss project issues and gather relevant existing data. This trip will inform subsequent consulting tasks.

Task 1.1 Tour and Evaluate Proposed Terminal Sites

This task will be conducted during the initial trip to Lake Tahoe. The consulting team will tour the proposed terminal sites and the nearby area and nearby land uses and pedestrian destinations within walking distance of the terminals. Issues to be evaluated as relevant will include:

- ◆ Terminal sites accessibility, visibility, and site layout
- ◆ Site characteristics
- ◆ The visitor services and amenities at the project site and available nearby
- ◆ Compatibility of on-site, adjacent and nearby land uses
- ◆ Parking
- ◆ The array of visitor destinations within walking distance of the terminal locations such as restaurants, shopping services, amusements, and attractions
- ◆ Opportunities for shuttle buses from the terminal to major attractors such as ski resorts and casinos
- ◆ Opportunities and constraints

- ◆ Other relevant issues as may be uncovered in the course of our work

Task 1.2 Interviews with Local Planning Agencies and Major Attractions

The consulting team will interview local planning agencies regarding relevant transportation related issues, congestion mitigation plans, growth trends, planning policies and other relevant data and initiatives. We will meet with major attractions to investigate market opportunities related to these attractions, and opportunities to partner on shuttles and other ways to enhance ferry viability and service to the public and the attractions industry.

Task 2. Market Study

The market study will evaluate the market potential for the Lake Tahoe Ferry.

Task 2.1. Analysis of Resident Market

Work in this task will define the resident market reach for this project, based on the road network, travel times and alternative transportation modes. We will examine the current and projected demographics and population trends, as well as employment profile of the resident market area.

Task 2.2. Tourist Market Profile

The tourist or visitor market will be an important component of ridership. We will review available secondary data source materials and the several visitor intercept studies available regarding tourist place of visitor origin, length of stay, activities while in the area, accommodations, spending patterns, demographic composition, travel patterns, transportation modes used and other relevant data. We will also interview several leaders of the Lake Tahoe hospitality industry to solicit their input on the potential for tourist usage of the proposed ferry. Relevant data will be presented in concise tabular format with accompanying analysis and summary.

Task 2.3. Experience of Visitor Attractions in the Region

Attendance patterns and characteristics of major visitor attractions will be evaluated. Current transportation modes to the attraction site will be investigated. The location of major visitor attractions vis-à-vis the proposed ferry terminal locations will be evaluated. The input of leadership of these attractions regarding their assessment of the potential for ferry usage by their clientele. Relevant data will be presented in concise tabular format with accompanying analysis and summary.

Task 3. Experience of Ferry / Tour Vessels in Destination Tourism Areas

The experience of comparable ferry / tour vessels in destination tourism areas will be important benchmark inputs to a number of aspects on this plan. Team members will review the experience of four or five comparable projects nationally from a market and operational perspective. Issues to be investigated will include but not be limited to:

- ◆ Ship location and context
- ◆ Market resident and tourism characteristics
- ◆ Target markets
- ◆ Ship capacity, schedule, seasonality, pricing, and other relevant issues
- ◆ Ownership and operating model
- ◆ Ridership patterns including seasonality, origin of riders, split between transportation versus pleasure in trip purpose
- ◆ Ancillary retail and food sales
- ◆ Planned investments for the future
- ◆ Sources and amounts of earned and unearned revenues
- ◆ Operating and maintenance plans
- ◆ Operating budgets
- ◆ Personnel plans
- ◆ Marketing programs
- ◆ Success strategies
- ◆ Other relevant issues as may arise

This data will be presented in concise tabular form, with a narrative discussing findings and lessons learned.

Task 4. Market Support Potential

Work in this task would evaluate the overall market potential for the Lake Tahoe Ferry as proposed. This will incorporate the analyses and findings of earlier tasks. Ridership potential will be evaluated for the proposed product based on the available market demand, the capacity of the vessel, vessel scheduling and seasonality factors. The analysis will include a discussion of seasonality and peak period ridership.

Task 5. Preliminary Business Plan

A preliminary business plan will be developed for ferry operation. The following are areas to be included in the business plan.

Task 5.1. Fare Policy

The effects of fares on ridership will be discussed and recommendations made for setting fares. The fare policy will address both the Operating Revenue to Operating Cost ratio and the cost to ride the ferry relative to the cost of alternate modes of transportation and other area attractions.

Task 5.2. Schedule

Daily and weekend service schedules will be developed with the consulting team to meet the anticipated demand and support development of the operating cost estimates. An annual schedule will be developed to describe the variations in service levels appropriate to the variations in seasonal demand and to accommodate annual vessel maintenance periods.

Task 5.3. Marketing Plan

An overview marketing plan will be developed to identify means of attracting riders to the system. It may include advertising, partnerships, package deals, and/or special events. An important goal of a marketing plan is to promote awareness of the service by residents, visitors, and regional tourist-related businesses.

Task 5.4. Non-Fare Revenue

Recommendations will be made for generating non-fare revenue, such as on-board concessions, advertising, and special events.

Task 5.5. System Management

Management positions, roles, and responsibilities will be identified as required to ensure efficient and safe operation of the service.

Task 5.6. Staffing Plan

Vessel crew, terminal staff, and maintenance staff requirements will be identified and staffing plan developed to recruit and train the personnel necessary for safe and efficient operation of the system.

Task 5.7. Operating Cost Estimate

Based on the results of the market demand study and input from the design and engineering team, vessel characteristics will be reflected for proposed ferry vessels. From the comparables analysis annual operating costs data will be used to establish estimated costs for fuel, lubricants, crew, insurance, management, overhead, terminal operations and maintenance.

Task 5.8. Maintenance Plan

Based on the recommended vessels and terminal site plans, a maintenance plan will be developed and incorporated into the annual operating plan and operating cost estimates. A discussion of the time the vessel will be out of service for scheduled maintenance and inspection and emergency repairs will be included.

Task 5.9. Implementation Plan

The implementation plan will outline the steps necessary to start and grow the service. It will include estimates of the start-up costs for the system and a discussion of risk mitigation strategies that can be implemented to minimize the need for subsidies to cover operating losses.

The preliminary plan would be modified moving forward as an operator is identified and planning and engineering are advanced. Market circumstances typically evolve over time as well.

Task 6. Draft and Final Reports -- Presentation

A concise business plan report that incorporates all organizational, market and economic analyses will be prepared and submitted for review and comment. Following review by the client, a revised final report will be issued and presented (Client Meeting #2) to the client group in a forum of its choice. Five copies of the report will be provided as well as an electronic file for additional printouts.

Optional Services

Based on the requirements of the client, we would also be available to consult on a per diem, time-and-materials basis or on an add-on scope of services. This may include additional analyses, evaluation of additional possible terminal sites or vessel configurations, or additional trips for meetings and presentations beyond those included in this proposal. We can provide primary market research services including telephone surveys and focus groups regarding this project.

PROJECT TIMING

The work outlined in this scope of services can be accomplished within a fifteen-week period if the client group provides necessary information on a timely basis, and a product review is conducted on a timely basis as well.