

OFFICE OF THE MANAGER

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April 5, 2007

Mr. John Hansen
President, NWCA
100-1111 W. Hastings Street
Vancouver, BC V6E 2J3

Dear John,

Thank you for your comments on the proposed allocation of passenger fee proceeds for the coming year. Attached is a final list of recommendations that were reviewed by the CBJ Passenger Fee Committee.

The following is a response to each of the comments contained in your letter:

1. Since becoming City Manager, I have made a concerted effort to only fund those projects that closely comply with the requirements of the federal Maritime Security Act of 2002, as amended. In the past four years, the list of projects for funding has become much more specific and significantly reduced in number. I eliminated projects that historically had been funded but which I felt did not comply with the federal law such as the city museum, downtown parking garage improvements, funding for a park ranger, funding for an events planner, and airport security improvements, to name a few. The amount of marine passenger fee contribution to our bus transit system has been reduced by more than \$1 million to more accurately reflect the benefit to cruise ship passengers. While I expect we will always disagree, to some extent, the continued improvement and effort to ensure compliance with federal law for use of the funds should be acknowledged.
2. I was under no obligation to go through a full cost allocation analysis for the general support portion of the passenger fees. It was a voluntary effort on my part to provide documentation to verify an accepted approach to allocating costs to general government for impacts incurred as a result of cruise ship passenger activities. OMB Circular A-87 establishes the principles for determining allowable costs and is designed to provide a reasonable method for fairly allocating direct and indirect costs. Even though you may believe that it is flawed, it is a well established method and practice routinely used by the federal government. Further, the language in the paragraph under 'General Support' was

not intended to imply that NWCA agreed with it. This is the same language used in prior years and NWCA has never objected. Next year I'll change the statement to say that the NWCA 'commented on it' rather than 'it was audited by NWCA.'

3. As an attachment, I have included a letter from Ward Air requesting that a low interest loan be made available for retrofitting two of their turbine Otters. While their request is not as closely tied to cruise ship passengers as the loan provided to Wings of Alaska for the same purpose, I do believe they make a compelling argument.
4. Tugs are normally required for the safe and efficient passage of cruise ships when entering and leaving the port of Juneau. Having the necessary infrastructure to support those tug operations is critical and necessary to them being able to perform their job for the cruise ship industry. Adequate dock facilities for the tugs that assist the cruise ships (without adequate dock facilities in the downtown harbor the tugs might not even be available) seem just as appropriate as providing the necessary dock infrastructure for the cruise ships themselves.
5. Whether real or perceived, congestion in the downtown area continues to be an issue. Anything that can be done to more efficiently and safely move cruise ship passengers to various locations in the downtown area would further eliminate congestion and provide a more pleasurable and safe experience for our visitors. The study results may show that existing services are adequate and/or that a downtown circulator bus system would not work. Nevertheless, I think it's important to examine the existing situation and determine if it can be improved, for summer visitors as well as local citizens.
6. As you can see from the attached final list of recommendations, the amount allocated toward evaluation of the downtown cruise ship berth enhancement project has been increased from \$125,000 to \$1 million for evaluation/concept design/pre-engineering work.

Thank you for your comments. The attached list of recommendations is scheduled for discussion at an Assembly Finance Committee meeting on May 2nd.

Sincerely,

Rod Swope
City & Borough Manager

Attachments

Cc: Mayor and Assembly