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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ALASKA

CRUISE LINES INTERNATIONAL
ASSOCIATION ALASKA, and CRUISE
LINES INTERNATIONAL
ASSOCIATION,

Plaintiffs,

v.

THE CITY AND BOROUGH OF JUNEAU,
ALASKA, a municipal corporation, RORIE
WATT, in his official capacity as City
Manager,

Defendants.

Case No.: 1:16-cv-00008-HRH

**AFFIDAVIT OF ALAN A. SCHACHTER IN SUPPORT OF CBJ'S OPPOSITION TO
PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT AND CBJ'S CROSS MOTION
FOR SUMMARY JUDGMENT**

STATE OF ALASKA)
)ss:
FIRST JUDICIAL DISTRICT)

I, Alan A. Schachter, being first duly sworn, states as follows:

1. I am a partner in the firm of Citrin Cooperman and Company, LLP, and have been a partner since 2009. I have been a Certified Public Accountant since 1969.

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2. I am a forensic accountant, holding certifications as a CPA, ABV, CFF, CVA and CFE.
3. I have a degree in economics from the Wharton School at the University of Pennsylvania. I earned an MBA at Pace University and also an Advanced Certification of Taxation from Pace University.
4. My complete CV is attached to this affidavit as Appendix A.
5. I served as the expert accountant for the Plaintiffs in *Bridgeport and Port Jefferson Steamboat Company v. Bridgeport Port Authority*, 566 F. Supp. 2d 81, 83 (D. Conn. 2008). I testified at the trial in that case.
6. I was retained by the City and Borough of Juneau to review what is generally called the cost allocation formula applied by the CBJ to the Marine Passenger Fee (MPF) in accordance with their Marine Passenger Fee ordinance. My task was to perform an analysis as to how the formula was applied in order to match the direct and indirect costs incurred by certain CBJ departments that provided services to the cruise ship passengers and/or the vessels, with their appropriate share of the MPF revenues. I have conducted a similar analysis for the Bridgeport Port Authority in *Bridgeport and Port Jefferson Steamboat Company v. Bridgeport Port Authority*, 566 F. Supp. 2d 81, 83 (D. Conn. 2008).
7. In conducting my analysis, I reviewed thousands of pages of CBJ financial records over years going back to at least 2012. I spent considerable time meeting personally with the CBJ Finance Director, Bob Bartholomew, the finance department accountant Jean Hodges, and with the current Comptroller, Sam Muse. I also interviewed several

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of the department heads from the departments that received allocations of funds from the MPF. I also spent several days in Juneau during July of 2017 and personally observed the services provided to cruise ship passengers and the vessels.

8. In my view, it is important to understand what the allocation formula accomplishes. It is unreasonable to directly match, on a dollar-for-dollar basis, each of the costs incurred by a municipality such as CBJ, in providing services to cruise ship passengers or to a vessel, with the revenues generated by the MPF. Recognizing this, in 2003, the CBJ developed a formula for allocating CBJ's appropriate direct and indirect departmental costs to the MPF. The allocation method was reviewed by the accounting firm of Elgee, Rehfield and Mertz. They concluded that the allocation method was fair and reasonable and was in accordance with the Federal Guidelines for cost sharing allocations between governmental units. The result of the application of the allocation method is that less than 2% of the total CBJ operating budgeted revenues are derived from MPF revenues. Based on my preliminary forensic accounting procedures, it appears to me, in light of the fact that CBJ services 1,000,000 passengers in an approximately five- month period in a city of approximately 30,000 residents, the amount of the MPF allocated to certain departments appears to be reasonable, fair and, possibly, overly conservative because my work to date convinces me that the allocation over time has been low as the departments have incurred costs greater than those reflected in the relevant allocation periods.

9. There are differences between the CBJ allocation from the underlying facts related to *Bridgeport and Port Jefferson Steamboat Company v. Bridgeport Port Authority*, 566 F. Supp. 2d 81, 83 (D. Conn. 2008). In *Bridgeport*, the Port Authority used all of the passenger fees to fund the entire operating budget for the Authority, regardless of whether the funds were used for a service related to the passengers. For example, the passenger fees were used to reimburse car rentals, buy baseball tickets, and all kinds of similar expenses. In my review of the CBJ records, there are no such extraneous uses of the MPF. The amounts allocated to each department from the MPF appear to reimburse each department for services related to the passengers and/or vessels.
10. In order to maintain a regular check on the use of the allocated funds, CBJ over the years has adapted the MPF allocation formula to account for changes as to which departments receive any of the allocated MPF. Changes in CBJ's operational format affects the MPF allocation. For example, at one time the Library Department received a portion of the allocation due to the overload of internet use by passengers and crew members in the summer months. At a certain point in time, CBJ determined to no longer make an allocation to the Library Department. I use this only as one illustration of the efforts by CBJ to insure the funds allocated to the departments reimbursements for services provided to the passengers and/or the vessel.

DATED: January 26, 2018



Alan A. Schachter

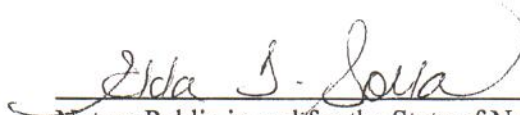
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SUBSCRIBED AND SWORN TO before me this th26 day of January, 2018.


Notary Public in and for the State of New York
My Commission Expires: April 21, 2019

ELDA I. SOLLA
Notary Public, State of New York
No. 01SO6090814
Qualified in Bronx County
Certificate Filed in New York County
Commission Expires April 21, 2019

CERTIFICATE OF SERVICE

The undersigned certifies that on ^{February 10} ~~January 30~~, 2018 a true and correct copy of the foregoing **AFFIDAVIT OF ALAN A. SCHACHTER IN SUPPORT OF CBJ'S OPPOSITION TO PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT AND CBJ'S CROSS MOTION FOR SUMMARY JUDGMENT** was served on the following parties of record via ECF:

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 /s/ Robert P. Blasco
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