

**DOCKS & HARBORS
FINANCE SUB-COMMITTEE
MEETING MINUTES**

March 3, 2021
Via Zoom Meeting

- I. Call to Order** – Mr. Wostmann called the meeting to order at 5:00 pm on March 3, 2021.
- II. Roll Call** – The following were in attendance in the Port Director Conference room or via zoom. James Becker, David Larkin, Don Etheridge and Bob Wostmann

Absent – Chris Dimond

Also in attendance: Carl Uchytel – Port Director, Matt Creswell – Harbormaster, Teena Larson – Administrative Officer, and Lacey Derr – Board Member.

III. Approval of Agenda

MOTION By MR. ETHERIDGE: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS COSENT:

Motion passed with no objection.

IV. Public Participation on Non-Agenda Items - None

V. Approval of January 13th, 2021 Finance Sub-Committee Meeting Minutes.

The minutes of January 13th were approved with no objection.

VI. Items for Information/Discussion

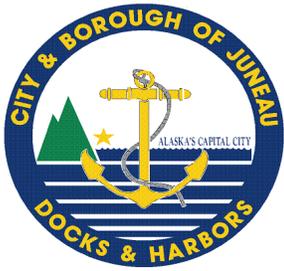
Mr. Uchytel provided a power point presentation with a summary of Docks and Harbors revenue and expenses for FY21, current lease revenue and how they are affected by different industry, information about Rocovich LLC lease, UAS property acquisition process, and potential rate increase opportunities.

Mr. Uchytel said Docks expenses are predicted to be at \$1.255M with revenue at \$453,000. This will mean Docks operations will need to take approximately \$802,000 from fund balance of \$2.59M. Harbors expenses are predicted to be at \$4.062M with revenue close to that amount. These numbers are predictions as of today.

1. Lease Revenue – Background

Mr. Uchytel showed a slide with all the leases and rents. He showed another slide showing a pie graph how the leases are affected by industry.

Committee Discussion/Public Comment



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Mr. Etheridge asked how much of the Docks money is lease revenue.

Mr. Uchytel said there is no lease revenue in Docks. It was all moved to Harbors.

Mr. Wostmann asked if the leases labeled “affected by tourism” and the “Juneau economy” were the ones likely to ask for some kind of relief from lease payments?

Mr. Uchytel said some of the leases under the Juneau economy category are not affected by tourism.

Mr. Wostmann asked if roughly two thirds to three quarters of the leases affected could ask for relief.

Mr. Uchytel said if the question is how many businesses are going to be asking for relief, he is unsure. The Tram is directly hit by tourism and that is \$272,000.

Public Comments

Mr. Kirby Day, Juneau, AK

Mr. Day said he is appreciative that the Committee is discussing this topic. There does not look like there will be any large cruise ships for the 2021 season also which will mean there will be 31 months without revenue for the tourism industry until May 2022.

2. Rocovich Lease Deferment Request

Mr. Uchytel showed the area for this lease deferment request. The area is 7,245 SF of submerged land. The lease expires in 2038 and it is reviewed every three years. The lease was assigned from Alaska Pacific in 2019. The current lease rent is \$26,082 per year. The request from Rocovich is to defer the remaining lease starting in April in the amount of \$19,561.50 with interest in equal installments over the life of the lease commencing May 2022. Mr. Simpson is online to answer questions on the request from Rocovich LLC for lease deferment.

Mr. Ian Simpson, Rocovich LLC

Mr. Simpson said there is a lot of uncertainty going into this year and that is the reason for this request.

Committee Discussion/Public Comment

Mr. Etheridge asked if Rocovich applied for COVID relief money from the City?



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Mr. Simpson said they did in 2020.

Mr. Wostmann said Rocovich is asking in advance of the lease payments in the entirety for the full amount. If the Committee should decide to recommend a 50% deferment, would that still be helpful?

Mr. Simpson said yes, but the full amount would be more helpful.

Mr. Wostmann said he has heard from other landlords that various agreements are being reached with tenants to ease the burden from postponement of payments, reduction of payments, the deferred amount being spread out over the remaining payments, and in some cases the lease is extended. He asked what Rocovich prefers.

Mr. Simpson said spread out. The main purpose for this request is to push stuff out of 2021. He said they are certain this is going to be a bad year, but optimistic for years after this year. In regards to other tenants, some are good with deferral and some don't have any money at all and are making other arrangements.

Ms. Derr asked how this deferment will assist tenants. She would like to see the trickle down affect and see this help as many people as possible.

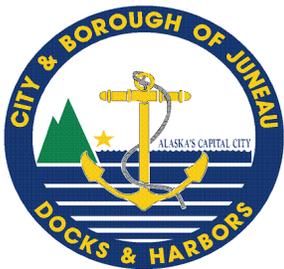
Mr. Wostmann said he agrees. He indicated there are several questions to consider for the lease rent requests, and the administrative costs for this work. This will need to be established as a program rather than a one by one basis. The Committee will need to ask finance questions and have the lease holder demonstrate that they have a financial hardship similar to what the City has in place. We need to move fairly quickly but equitable. The program needs to be structured so it helps those that really need it but not those that can still get by.

Mr. Larkin asked if anything like this has happened in the past. Has there been a precedent set by the Board that we could look at guidelines on what has already been done.

Mr. Uchytel said he has no recollection of deferment on lease payments.

Mr. Etheridge said the Committee needs to make sure there is a financial hardship and every avenue is taken to apply for all the COVID relief they can get. This will hurt our Harbors budget a lot. We depend on this income to provide funding to the Harbors.

Ms. Larson said this lease was in arrears before Rocovich and it was such a large amount it couldn't be paid all at once. They made payments with interest to get caught up.



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Mr. Wostmann said there needs to be more discussion on this topic and the Committee needs to decide what the policy for this type of request will be.

Mr. Uchtyl asked what additional information will be needed from staff to continue to work on this topic?

Mr. Wostmann recommended a working group to work through issues and look at examples from other programs.

Mr. Etheridge recommended that Mr. Uchtyl, Mr. Wostmann, Ms. Larson and himself get together to come up with questions that need to be answered to get some ideas on how to move forward before taking this back to the Operations meeting.

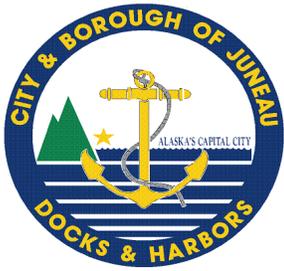
3. UAS Property – Lease/Purchase Strategy Update

Mr. Uchtyl said he spoke to CBJ staff leadership on ideas on how to acquire the UAS property. The lease appraisal from Horan is \$230,400 a year lease rent for the 2.8 acres we are currently leasing. The purchase price is \$2.88M for that same area. It is \$8.57M for the 5.3 acres including the VoTech building. He said there is no money that CBJ has that is readily available for Docks & Harbors to secure this property. There is not a path that leads to any type of funding outside of Docks & Harbors. The CBJ Finance Director is looking at revenue bond options. The question about the 1% sales tax which we currently have \$1.5M for the North end of Aurora Phase III, there is caution using this money for anything other than the North end because it will be risky with the Assembly and the Juneau public. It could be perceived that our number one project is no longer our favorite project. The other risk is with signaling that we want to reprogram that money, the Assembly is going to be facing \$12M deficit in the upcoming budget and they may need to sweep back CIP projects to balance the City budget. These are concerns that we have to be aware of as we navigate a process forward.

Committee Discussion/Public Comment

Mr. Etheridge asked what type of payment and duration can we look at in a bond.

Mr. Uchtyl said he asked for three scenarios. One was financing the full \$2.88M, one was looking at Harbors coming up with \$1.75M which is reprogramming the 1% sales tax money plus the money we have in the CIP so that was a smaller amount and also look at a bond package for the entire \$8.5M. He showed slides on all three options. The first option is \$240,000 per year. The second option to close out the Aurora phase III CIP and only finance \$1.1M the payments would be approximately \$100,000 per year. All three



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are 15 year terms. The last option is the revenue bond for the entire amount with payment of \$700,000 per year.

Mr. Wostmann commented that the purchase payment per year, and the lease payments per year, are the same for the first option to purchase the area we currently lease.

Mr. Etheridge asked if we have the capacity to purchase the area we currently lease?

Mr. Uchtyl said we have been running revenue surplus but it is hard to predict the outcome for this year. Staff has been looking at potential rate increases. He said for this procurement of this property the Board needs to say that they think the downtown boat yard area is one of the highest priorities we have. Without that statement, we are just spending money we will never recapitalize fully. The next question is, "how does the Board want to fund this"?

Mr. Becker said he understands the lease payment and the payment for the bond are relatively the same.

Mr. Wostmann said yes with only purchasing the partial area and on a 15 year term.

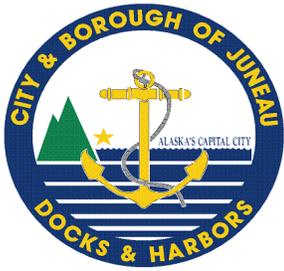
Mr. Etheridge wanted to know what type of bonding this was. He asked if it was state bonding or some other kind of bonding? He said state bonding may have better rates.

Mr. Uchtyl said we can also ask UAS if they would be interested in a lease to own type arrangement.

Mr. Larkin said he likes that the purchase payment and the lease payment is the same. He likes the idea that we would have the boat yard and the area between the two harbors. A question for UAS is how bad do they want the Tech building and do they want to keep using it? What if the property price was lowered and they were still able to use the Tech building for \$1 annually but they were responsible for the maintenance. The other thing is if we use the money that was already voted on in the 1% sales tax, how do we go back and ask for more money for Aurora Harbor?

Mr. Uchtyl said that we would go back out in the 2022 sales tax initiative and say we needed to repurposed those funds and ask for more.

Mr. Wostmann said we do not currently pay \$230,000 for the UAS lease. If we were to extend the lease, that is what we would pay.



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Mr. Larkin asked if on the extension of the sales tax, is that the current tax or an additional tax.

Mr. Etheridge said it would be a new one. The old one is being paid off next year. He said one of the problems he sees is that sales tax is designed for capital projects and he does not think the Assembly would approve this.

Mr. Larkin said tearing down the welding building might be a capital project.

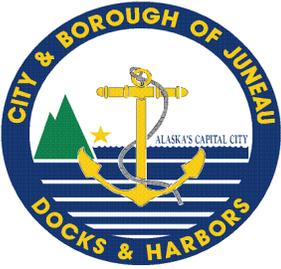
Mr. Uchtyl said to give more context, Juneau has a 3% sales tax and every five years the voters are asked if they want to continue the 1% sales tax initiative for capital improvement projects and a list of capital projects to vote on. The other 1% also goes before the voters.

4. Potential Rate Increase to Reservation Charge Policy – 05 CBJAC 15.035

Mr. Uchtyl said there is no way to move forward to purchase the lease property from UAS without raising rates in some manner. Where can we raise rates that will make a difference to provide funds for this new cost we are incurring? Since the Board elected not to raise moorage rates, he is looking at other fees.

- In FY19 we collected \$117,507 and in FY20 \$114,884 in live-aboard fees with the fee being \$69.00 per month and \$23 for each person over four people. This works out to be about 140 live-aboards in Juneau. Included is water, sewer, snow removal, garbage, parking, and lighting of the facilities. What has been averaged over the few years is too low and this fee should be double. We won't be popular with everyone but this is one avenue to pursue. Other communities have restrictions on live-aboards but Juneau allows live-aboards as a life style and we have to maintain all four harbors which is very costly. We added security cameras and other things over the years that we should be compensated for.
- The IVF and Statter Breakwater reservation fee is another fee to increase. For the IVF, FY19 we collected \$72,669 and for FY20 we collected \$87,517. For the Statter Breakwater FY19 we collected \$92,906 and FY20 \$74,411. The fee is \$2.50 a LF per day. He said this rate should be double.

Mr. Uchtyl said with doubling the resident surcharge and the reservation rates we could bring in an additional \$280,000 per year. He said if the Board truly wants to acquire property, we have to back it up with some new fees in the Harbors and this is what he proposes.



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Committee Discussion/Public Comment

Mr. Becker commented that the Board did decide not to raise rates and there was some discussion and it was a close vote. Considering this new issue, can we revisit looking at raising the rates for boat owners? He said singling certain people out, people will see through this. He sees the live-aboards squawking quite a bit. Raising the rates across the board might soften the blow for everyone.

Mr. Etheridge said correcting the statement that was made, the Board was not trying to increase the rates but the Board lowered the rates for the Harbor users. He commented that on the live-aboard fees, he has been advocating for this increase ever since he has been doing nightly patrols. When the prices are raised he believes the harbors will be cleaned up from the bad users. He supports this increase as well as the reservation increase.

Mr. Wostmann commented that the resident surcharge and the reservation rates could stand to be raised. He said he was a live-aboard a number of years ago and he remembers he could have paid double at the time and it would not have hurt his budget. He asked Mr. Uchytel what the reservation rate is in other harbors?

Mr. Uchytel said for reservations that is hard to do a true comparison because of what the different facilities have to offer. He said our rates are substantially less than what Goldbelt charges at the Seadrome dock.

Mr. Wostmann supports raising the fees discussed.

Mr. Larkin said he also supports raising the fees.

Mr. Etheridge said our facilities are not comparable because we don't charge enough for our moorage to upgrade our harbors.

Mr. Wostmann said with implementing these fees we would be able to proceed with a bond for a lease purchase. Given the current strain on the community and Docks & Harbors is under, it might be our best option to begin the ultimate purchase of the land from UAS with a lease purchase agreement so we don't have to come up with the \$2.8M up front. If our finances improve in a year or two then execute the purchase option for this lease.

VII. Next Meeting – This will be decided at another time.

VIII. Adjournment – The meeting adjourned at 6:16 pm.