

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

March 11th, 2021
Via Zoom Meeting

- I. Call to Order** – Mr. Wostmann called the meeting to order March 11th, 2021 at 5:00pm.
- II. Roll Call** - The following were in attendance in the Port Director’s Conference Room or via zoom. Chris Dimond, James Becker, Don Etheridge and Bob Wostmann

Absent – David Larkin

Also in attendance: Carl Uchtyl – 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

Mr. Kirby Day, Juneau, AK

Mr. Day said regardless of having the cruise ships or not, he is implementing the TBMP membership. He said it is important to continue this program and continue the commitment to the community in terms of dealing with impacts. There is a modified set of guidelines with a few changes from last year that will go out soon. He asked with the uncertainty, how does Docks & Harbors plan to move forward with fees for the Vendor Booths or Loading Zone Permits? Will there be discussion on when the payments would be due? He suggested to have this on a future meeting.

Mr. Wostmann said this has not been discussed in a formal matter but the Committee does intend to address this topic with thoughts to do something similar to last year.

V. Approval of March 3rd, 2021 Finance Sub-Committee Meeting Minutes.

The minutes of March 3rd, 2021 were approved as presented with no objection.

VI. Items for Information/Discussion

1. FY21 Docks Enterprise Budget Review

Mr. Uchtyl said Mr. Wostmann requested to bring to this Committee the Docks revenue and expenditures so the Committee can look for savings. Mr. Uchtyl showed the power point that was presented at the March 3rd meeting showing where staff believes our revenue and expense will be. This summer is another uncertain season, and to date, we



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only have \$448,500 in revenue. On the expense side of Docks we show actuals through January and estimates through the end of the fiscal year with our expense estimated at \$1,255,000. This will mean we will need to draw from our Docks fund balance of about \$800,000.

Mr. Uchtyl said he worked off the gl298 and input the numbers in a spreadsheet to be able to read easier. He went over the budget, expenditures, and budget balance.

Committee Discussion/Public Comment

Mr. Wostmann said this was requested to bring to this Committee to dig deeper into the numbers to see if money could be reallocated or not spent. He looked at the travel and training line and asked if this item could be cut back.

Mr. Uchtyl said there could be additional \$2,500 on this line item due to a commitment for travel and training for the Harbormaster.

Mr. Creswell said there may not be any contractual training this fiscal year.

Mr. Dimond wanted to know how much more each line item will have expenditures through the end of the fiscal year.

Mr. Wostmann asked if the printing line item could be decreased?

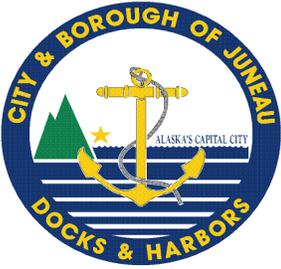
Mr. Uchtyl said yes due to not printing packets and signage.

Mr. Dimond asked if there could be savings here due to still holding meeting via zoom and not printing packets?

Mr. Uchtyl said the printing line item is a fat number at this point but he unsure how much in savings there will be.

Mr. Wostmann said the rent line item is a large number. If the Board is forgiving people that owe us rent money is it time to have the discussion to people we pay to?

Mr. Uchtyl said the \$65,000 is the base rent we pay to Goldbelt for this Port Office.



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Mr. Wostmann commented there is a substantial amount left in the electricity line item.

Mr. Uchtyl said some of this is budgeted for when we sell power on the IVF for visiting yachts so the expenditure for the power line item will increase.

Mr. Wostmann commented that the electricity line item is such that our expense is driven by what we sell.

Mr. Uchtyl commented on the refuse it is primarily for yachts and the small cruise ships.

Mr. Wostmann asked about the water service.

Mr. Uchtyl said that is budgeted for the water that we sell to cruise ships. That will be much lower than originally budgeted. There will be a small amount of use by the small cruise ship but not very much.

Mr. Wostmann asked about the repair line item. He commented with no one on the docks there will not be much of a need for this item.

Mr. Uchtyl said there will be some use of this item to continue to maintain the docks facilities.

Mr. Wostmann said he understands the need for the maintenance.

Mr. Creswell said there could be minor fixes needed but nothing major.

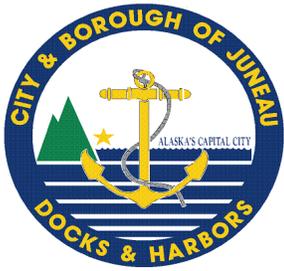
Mr. Wostmann asked if removing \$25,000 would still be enough budget left?

Mr. Uchtyl said probably.

Mr. Wostmann asked about the contractual services line item.

Mr. Uchtyl said this is the port a potties and term contractor expenses.

Mr. Creswell does not anticipate any large expenses at this time.



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Mr. Uchtyl said there will be approximately \$25,000 fee for the scuttling of the Lumberman which will be split between Docks & Harbors.

Mr. Wostmann asked if there was \$25,000 left in that line item that would be enough?

Mr. Uchtyl said that would work.

Mr. Wostmann asked about the interdepartmental line item.

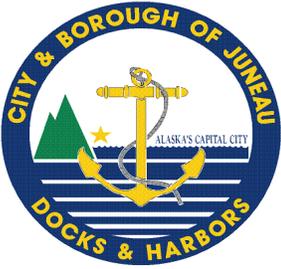
Mr. Uchtyl said this has already been expended and this is what we pay other CBJ departments for their services.

Mr. Rogers said the key thing about the interdepartmental cost is that it is based on your activity from two years ago. The cost is determined by useful data from the central services from the previous year. The FY22 services will be based on the services Harbors used in FY20. The FY21 interdepartmental services is based off FY19 usage. It is somewhat unfortunate that the services are low this year but still paying the higher interdepartmental cost. The calculated cost for FY23 will be based off the low usage in FY21. This is the method used across CBJ. He said the Finance Department is asked, "what is the alternative?" The alternative is to seek these services on your own. The hospital has just changed from using CBJ Law to paying for their own attorney so they were given that money back. The costs to do that are astronomically higher rather than lower to do this. He said using CBJ services can be fairly cost effective. He said he would be happy to return again and do a longer presentation if the Board or Mr. Uchtyl makes the invitation.

Mr. Wostmann said that would be a good discussion to have in the future because we could be reviewing the first half of FY22 very soon.

Mr. Uchtyl asked Mr. Rogers if any changes to the budget needs to be to the Finance Department by March 21st?

Mr. Rogers said that is correct so any changes can be put in the budget book before they are printed. Whatever is not in that book will need to come to the Assembly as a request for change. That is not impossible and every year there are some small changes.



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Mr. Etheridge asked about the process for bonding and are we locked into the City or State bonding?

Mr. Rogers said Docks & Harbors is locked into working with the City in some dimension because it requires the City to take on debt but there are lots of options. He said if you are talking about the property by Aurora Harbor the concept of a revenue bond makes sense. The revenue bond is backed by the revenue generated by the Enterprise. They tend to be a little more expensive in terms of interest rate than a general obligation bond. The general obligation bond is much more expensive because it requires the vote of the public. The revenue bond does not require the vote of the public. Within the revenue bond structure, there is a competitive marketing offering. Finance goes to Wallstreet to borrow \$5M or \$10M, there is a process where brokers buy the bond from us and they become the person who lends us money. With small loans, there is a thing called direct placement. That is where we go to a few bank and tell them how much we want to borrow. The banks provide and offer with interest and debt structure which can be done as a revenue bond with the only thing committed being the harbor revenue. Going this direction the interest rate will be a little higher than any other kind of sale. These are all option we can explore. We have a financial advisor and a bond attorney who work through all of these issues. He said he already discussed this with them and they are ready for execution whenever the Board is ready to move forward.

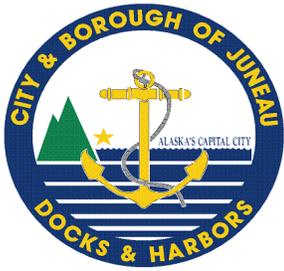
Mr. Uchtyl said the Docks Enterprise is going to have a deficit and we will need to pull money from our fund balance. What does that process look like?

Mr. Rogers said he would like to sit down with Mr. Uchtyl and figure out the best process forward.

Mr. Wostmann asked about the safety programs and equipment?

Mr. Uchtyl said this is to outfit new employees with safety gear and there is no need for that this year.

Mr. Dimond asked about the landscape division line item?



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Mr. Uchtyl said there is an agreement with Parks & Recreation landscaping to do the landscaping along the seawalk and they take the money out in the beginning of the fiscal year.

Mr. Wostmann said not doing all the landscaping may be something to consider.

Mr. Wostmann asked if there was any savings from materials and commodities?

Mr. Creswell said there will be some savings but not sure how much.

Mr. Dimond said the items discussed to reduce the budget comes up to approximately \$225,000.

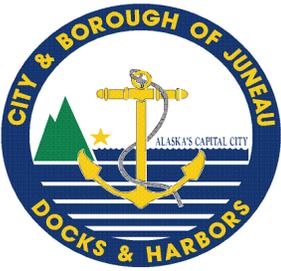
Mr. Wostmann commented that staff has already reduced the cost estimate in the remaining months. He said he was interested in what this exercise reduced or substantiated the number provided from staff.

Mr. Uchtyl showed a slide with 44 positions for Docks & Harbors. A year ago it was decided not to bring back any of the seasonal employees which was a loss of 24 positions. We ended up bringing back eight seasonal positions primarily to apply the concrete sealant on the floats, the Lumberman clean up, North end of Aurora Harbor demolition, and Statter Harbor additional summer help for the seven days a week operations. He showed the Docks personnel spreadsheet on page 25 of the packet and personnel is approximately 50% of our overall cost. He said there is nearly \$1M in expense for Docks.

Mr. Wostmann asked if there was projects in line for this summer or could they be postponed.

Mr. Uchtyl said he would like to bring back a couple of Docks employees to do cleaning and maintenance like stuff. This will also provide for someone at the Port seven days a week providing better customer service for the yacht industry as well as someone there for the small cruise ships.

Mr. Wostmann asked if that would be down from the five employees we had last summer?



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Mr. Uchtyl said the total ask for seasonal's is two for Docks, two for Statter Harbor, and one for the downtown Harbors. We brought back a total of eight seasonal employees last year.

Mr. Wostmann asked if there was any regular positions vacant.

Mr. Uchtyl said all of our full time FTE's are filled. We have several seasonal positions vacant and at this time we have no intention of filling those positions. There is value to have the additional help at the Port, Statter Harbor, and at the downtown Harbors.

Mr. Wostmann asked if the requested seasonal staff was figured into the staff estimate through the end of FY21?

Mr. Uchtyl said the estimates are assuming we are not going to have seasonal staff.

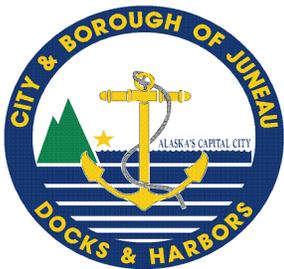
Mr. Wostmann asked if there will be any further reduction from the staff estimate for the end of FY21.

Ms. Larson said there could be a small reduction.

Mr. Wostmann said the purpose of this was to provide the Committee members with a good understanding of these numbers and to validate if it is a good number or if there could be additional savings.

Mr. Uchtyl explained staff worked from actuals from this year and last year to have a final number but didn't work from cutting budget amounts. We are going to be close to what staff came up with for the final amount for the end of FY21. He said when he looks at budget numbers there is an authorization to spend up to that amount but we are not going to spend that amount. Staff needs to get with Mr. Rogers and work through the mechanics of the transfer.

Mr. Wostmann said it is important to identify savings wherever we can and minimize the draw on our fund balance. He said there was a working group that identified two rates that could be increased, live-aboard fees, and reservation fees.



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Mr. Etheridge said he agreed that these need to be looked at. One of the justifications he used in discussion about live-aboards is that well over half of the boats we had to pay to destroy have debt that goes with them because they don't pay their fees. Regarding the reservation rate, we are under the other marina's in town and we need to make some revenue.

Mr. Wostmann asked what is a competitive reservation rate?

Mr. Uchytel said the reservation rate also includes the cruise ship docks. He is proposing raising this fee from \$3.00 to \$6.00. He said the only problem he sees is staff has already communicated in January with cruise ships agents what the rates are for the coming calendar year. The way around this is there is an authorization in ordinance that allows the Board to set promotional rates based on market needs. The Seadrome dock rates are higher than ours.

Mr. Wostmann said the Board just decreased the moorage rates. Does anyone have suggestions for other fees to increase?

Mr. Becker asked if we raised the moorage rates by 10% what would that get us?

Mr. Uchytel said approximately \$330,000.

Mr. Etheridge said looking into purchasing the UAS property, we do need to increase harbor rates to pay for the property.

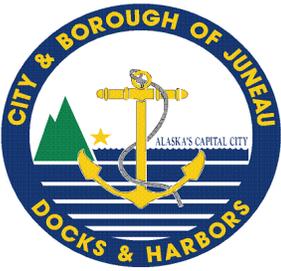
Mr. Uchytel said an area for potential rate increase would be a surcharge to use a credit card for payment.

Mr. Wostmann said a consumer can avoid this fee if they wanted to pay by some other means. He suggested to continue to look for other ways to increase revenue.

Public Comment

Mr. Drew Green, Cruise Line Agencies, Juneau

Mr. Green said his customers are a lot of the yacht users and cruise ships that use these facilities. He said he is concerned about doubling the rates to raise money for a project



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that does not benefit our customers. This is more of a harbor issue to raise revenue for the UAS property. Aside from fisherman that use the IVF and the Statter Harbor Breakwater on occasion, there is no benefit to the small cruise ships and yachts. This would be a shock to our customers to have the rates doubled. He does not believe it is appropriate for a harbor user. He is also not keen on the cruise ship rate increase doubling. He suggested incremental increase over time would be better. The rates at the City dock have been kept low because they are offset by marine passenger fees, port development fees, and the state excise tax. The cruise ships pay \$13 per head in addition to the fees that are collected that go to the City of Juneau and a lot comes back to Docks & Harbors in the form of bond debt service, 16B, and operational costs. The fair market value is not a good question because the going rate for the cruise ships themselves is offset by those other fees that Docks & Harbors benefits from directly and it is not an equal comparison.

Mr. Becker asked what a typical rate at other southeast communities is for small cruise ships?

Mr. Green said they vary greatly, but Juneau is in line with other public ports that have revenue sources that they do not pay for infrastructure. It is low compared to some of the private facilities because they do not benefit from the infrastructure support that the municipalities have.

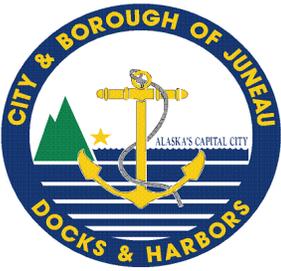
Mr. Wostmann suggested to send this to the Operations Committee meeting for further discussion next week.

2. Lease Deferment Policy Discussion

Mr. Uchytel said he received guidance from Mr. Wostmann and Mr. Etheridge to draft a resolution for lease rent deferment which is needed for the request from Ian Simpson with Rocovich LLC. This resolution basically says that Docks & Harbors is willing to consider deferment with interest for all or a portion of this calendar year. This has been brought to this committee for discussion and take to the Operations Committee next week.

Committee Discussion/Public Comment

Mr. Dimond asked what metrics will be used to determine validation verification that there are in fact hardships?



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Mr. Uchytel said the discussion on that topic went to the fact that JEDC has an example executing their work in grant funding COVID relief after the City. JEDC does have an application for a local business asking for validation of need and that particular loan requires submission of past income tax and it is quite detailed. He said depending on the number of companies needing deferment, we would do this in house following the guidelines of JEDC. All the details are not totally figured out but it would be looking at one year to the other and the company would need to show that there was an amount of revenue lost and that much would be deferred.

Mr. Dimond asked if there was any discussion regarding their tenants benefitting from our goodwill and receiving a break as well. He would not want someone to get a deferment and still charge their struggling tenants.

Mr. Wostmann said if the landlord has to show a substantial decrease in revenue year after year that is presumed to be because his tenants are also getting a deferment or are unable to pay. He said in the application we would have the applicant certify that these losses are a result of COVID related problems in their business. He would like JEDC to be the actual administrator of this program. So far this is a concept and needs to go to the Operations Committee and then on to the Full Board for approval.

Public Comment

Mr. Kirby Day, Juneau, AK

Mr. Day asked if this also includes the Vendor Booth Permit holders?

Mr. Uchytel said this is drafted for a Lessor/Lessee type of agreement. The Vendor Booths are a permit type of relationship which is different.

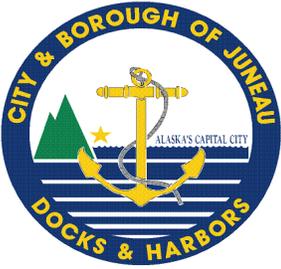
Mr. Ian Simpson, Rocovich, LLC, Juneau, AK

Mr. Simpson said this resolution looks really good. What might be a good suggestion is to piggy back off JEDC work that has already been done rather than hiring them.

3. UAS Property – Lease/Purchase Strategy

Mr. Uchytel said he wanted to let Mr. Becker talk about his vision for the needs of the Commercial Fishing Industry and continue that dialog. Mr. Uchytel said he plans to have an action item for the Operations Committee to endorse the purchase of the UAS property and then how will Harbors pay for the property.

Committee Discussion/Public Comment



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Mr. Becker said Juneau is a maritime community and we have a lot of fish in the area. If you go to Juneau Marine Services, it is completely full with boats being stored and boats being worked on. The reason he got on this Board was because of his interest to develop the UAS property. We received a price from the University but we could do a counter offer. If we went with a bond package it will be the same price if we continue to lease the property. If we are going to be in this business, and be paying that amount of money, we need to get a bond to do it. The issue is how do we pay the bond. There has been fees identified to raise, but there will be objection. Another option would be every boat that comes down the channel has a 10% increase which will spread out the increase. The boat yard does not bring in a lot of revenue but it contributes significantly to the economy of Juneau. He said he is continuing to look for funding opportunities.

Mr. Etheridge said he talked to the Mayor and it does not sound good to receive any money from the City for the UAS property purchase because they have a deficit they are looking at. The Mayor did say we could use the left over money from Aurora Harbor project but there needed to be a payback plan in place to use those funds. Those funds could help with the bonding. He said he is also continuing to look for funding to pay for the UAS property. This is a very important asset to the Harbors. He said he also talked to a UAS representative and he was told they need to collect the appraised value for property purchase.

Mr. Dimond asked if there has been discussion on a public/private partnership on this property?

Mr. Wostmann said it has been mentioned but that has not been moved forward. This is something that can be looked into more.

Mr. Uchytel said if the thought is to have a P3 with a private boat yard operator, he does not believe they can generate enough revenue to make it work.

Mr. Etheridge said the boat yard is too small.

VII. Next Meeting – TBD

VIII. Adjournment – The meeting adjourned at 6:44pm.