

CBJ DOCKS & HARBORS BOARD
OPERATIONS/PLANNING COMMITTEE MEETING MINUTES
Wednesday, March 17th, 2021

I. Call to Order Mr. Ridgway called the meeting to order at 5:00 pm in a Zoom meeting at the Port Director's Office.

II. Roll Call

The following members were present in person or on zoom meeting: Jim Becker, Lacey Derr, Chris Dimond, Don Etheridge, James Houck, David Larkin, Annette Smith, Bob Wostmann, and Mark Ridgway.

Absent: none

Also present at the Port Director's Office: Carl Uchtyl – Port Director, Erich Schaal – Port Engineer, Matthew Creswell – Harbormaster and Mary Wolf – Administrative Assistant 1.

III. Approval of Agenda

MOTION by Mr. Etheridge: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

Motion approved with no objection

IV. Public Participation on Non-Agenda Items – None

V. Approval of Wednesday, February 17th, 2021 Operations/Planning Meeting Minutes

Minutes of February 17th, 2021 approved as presented.

VI. Special Order of Business – Summary of March 11th Finance Sub-Committee Meeting

Presentation by the Finance Sub-Committee Chair

Mr. Wostmann reported that the Sub-Committee has had two formal meetings and one working group meeting. Focus is gathering facts and looking at details. The committee made no formal actions and did not vote on any motions. The three primary areas of focus is expenses, revenues, and the remainder of the FY2021 budget. The Committee discussed the right approaches for lease deferrals and a specific request for a lease deferral. They also discussed the UAS (University of Alaska Southeast) property and options to lease or purchase but Docks & Harbors does not have the upfront cash to purchase the facility. Discussions were about various options and ways to purchase part or all of the UAS facility including bond money. They dug into the details of the budget and the larger expense items of the FY21 budget. A number of cost saving were identified which could be postponed or not done at all. The committee came up with about \$225,000 in deferrable expenses and discussed other revenue sources. Mr. Wostmann said Mr. Drew Green with Cruise Line Agencies of Alaska made substantial and significant comments regarding an increase of the reservation charge policy. The

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Finance Sub-Committee is in favor of deferral of some of the lease payments but they felt strongly there needs to be some form of means test for the deferral.

VII. Unfinished Business –

1. Lease Deferment Policy

Mr. Uchytel said on page seventeen of the agenda packet is the Resolution for Lease Rent Deferment. The Resolution is a direction from the Board to staff and reflects the will of the Board. The Finance Sub-Committee discussed the Resolution and their suggestion is that we provide a means test to allow companies that have leases with Docks & Harbors to defer those payments for this calendar year. A lease deferment of either all or a portion of the lease and all qualified leases must be means tested. The easy button for the means testing is to request the lessee provide Docks & Harbors their grant application from the City or Juneau Economic Development Committee (JEDC) as proof of loss of revenue. The Finance Sub-Committee thought it would be appropriate to defer the lease payment for this year only throughout the term of the lease. The deferment would be spread out however long they have remaining on their lease at a rate yet to be determined. It could be a LIBOR rate, commercial prime rate or just a straight four percent rate. The Finance Sub-Committee was clear that they wanted to have the repayment in the sum of a loan over that period. Mr. Uchytel said there was not a full discussion about this Resolution and this is a good opportunity for the Board to ask questions. It is relatively straight forward and Mr. Uchytel's only request is for staff - the repayment term be made as simple as possible for his admin staff to track it. He does not want his staff having to recalculate LIBOR rates every year and wants to make the fewest number of changes for staff. This would be an in house adjustment.

Committee Questions

Mr. Ridgway asked if we could change the language of the lease deferment resolution prior to going to the full Board for votes.

Mr. Uchytel said it is his understanding that it is well within the purview of the Board to give directions on aspects of leases like this as best we can in an emergency order. Staff will do what the Board asks them to do.

Ms. Derr asked, if spreading out a loan payment over twenty-five years places a burden on staff, would a five year term be more reasonable?

Mr. Uchytel said that a shorter term of loan repayment would be easiest for staff. The tracking is done manually with the deferment spread out over x number of years. All of Docks & Harbors leases are thirty-five years or less depending on where the lease is in their cycle. Some leases are coming due this year.

Mr. Larkin said he is concerned that the deferment is only for calendar year 2021. The fact that the lessee has no income because of COVID and the shutdown, they are not likely to have any income in January 2022 either. Should the Board push the end date of this to the end of the first quarter of 2022 when they start seeing income from the return of the cruise ships?

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Mr. Uchytal said it is not the direction the Finance Sub-Committee recommended but it could be done.

Mr. Wostmann said the Finance Sub-Committee discussed whether it would be best to spread the deferred amount over the remaining payments on the lease versus extending the lease by a certain number of months. Mr. Wostmann said there was feedback from a member of the public who expressed preference for not changing the end date of their lease, but increasing the payments. It could get complicated to make it optional on how repayments are done. The Board should not alter the end dates of the leases. Maybe asking them what would work best for them in repayment terms. It was suggested to not exceed five years for repayment. How do we minimalize the workload of staff?

Mr. Uchytal said an invoice for their normal lease payment and a second invoice for the deferred lease payment amount.

Mrs. Larson said just invoices would work.

Mr. Ridgway commented he is in support of a limitation of time not to exceed five years that would be reflected in their next invoice and extending their deferment to the second quarter of 2022.

Mr. Wostmann said he agrees with giving relief to the beginning of 2022 operating season or somewhere in May is reasonable.

Mr. Etheridge said he would rather make the amendments tonight and send it to the Board for review at next weeks meeting.

Mr. Becker asked if the lessee could sell their lease.

Mr. Uchytal said they would assign the lease, not sell it. The assignee of the lease would pick up all the terms and liabilities of the lease.

Mr. Uchytal said it might be easiest to defer the payments to July 1, 2021 (FY22) for budget reasons.

Mrs. Larson said that all the leases do not all come due on July 1st. The leases have different due dates, so it does not matter.

Mr. Wostmann said at this time we only have one application. We do not know the scope of what other requests may come. Perhaps, we need to be flexible with the end date. This is definitely optional; there will be companies that will not apply and some who will not qualify for a deferment.

Mr. Ridgway asked if later on we could just undue what we are proposing if we find we have lost too much revenue.

Mr. Uchytal said once we make an agreement it becomes a commitment.

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Mr. Wostmann suggested we make a defined application period. An open ended program is not appropriate.

Mr. Ridgway summarized the lease deferment discussions. Limit time spent on this by staff, a deferment time limit should not exceed five years, notation about how this is going to work via an invoice and a written agreement. Extend it beyond calendar year 2021 to 2022 with an application period cutoff date.

Public Comment- none

Committee Discussion/Action

MOTION by MR. ETHERIDGE: TO MOVE THE RESOLUTION FOR AMENDMENTS AND ASK UNANIMOUS CONSENT.

Motion approved for amendment with no objection.

MOTION by MR. ETHERIDGE: TO MOVE THE AMENDMENT TO EXTEND THE DEFERMENT TO JULY 1, 2022 WITH A TEN YEAR TIME LIMIT TO PAY OFF THE DEFERMENT AND AMEND WITH AN APPLICATION CUTOFF DATE OF SEPTEMBER 1, 2021 AND A FOUR PERCENT INTEREST RATE.

Motion approved with no objection.

MOTION by MR. ETHERIDGE: TO MOVE THE AMENDMENTS AS PRESENTED AND ASK FOR UNANIMOUS CONSENT ON THE AMENDMENTS.

Mr. Wostmann said he is in support of the modifications and amendments to the motion.

Motion approved with no objection.

MOTION by MR. ETHERIDGE: TO MOVE THE RESOLUTION TO THE FULL BOARD AS AMENDED AND ASK UNANIMOUS CONSENT.

Motion approved with no objections.

2. UAS Property Purchase Decision

Mr. Uchytel said on page twenty-three of the agenda packet is the layout of the University of Alaska Southeast (UAS) property that we are discussing. Mr. Sam Kito III with UAS is on the phone representing the University. The goal of the action item is to get direction from the Committee on whether you want to move forward with a lease or purchase agreement for all or part of the UAS property that is included in the appraisal. The Docks & Harbors existing UAS lease expires May 4, 2021. The property is about 2.8 acres and over the last thirty-three years, we have paid UAS about \$15K per year. In an agreement with UAS back in the late 1980's, the City and Borough of Juneau (CBJ) gave the UAS \$500K for the Egan Library. The lease included the opportunity for CBJ to renew the lease for another thirty-three years at fair market value. UAS staff ordered an appraisal from Horan & Company to establish fair market value and they have received the

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appraisal on their property. The fair market value is \$2.88M for the current leased area or a new lease payment of \$230K per year. In addition, UAS looked at the entire parcel in that area of 5.3 acres, which includes the UAS Vo-Tech Bldg. The entire parcel of 5.3 acres is appraised at \$8.57M. The appraisals are in the agenda packet. Mr. Uchytel said options are to purchase part of the parcel or the entire parcel. The leased area is marked in solid yellow in the illustration. The area we currently lease is more than just the boat yard; it is what we call the Juneau Fisheries Terminal: crane dock or pot dock, and the fisheries float. It also includes the upland area that Harri's Commercial Marine uses. The Welding Lab building is not part of the appraisal for the current leased area. UAS currently maintains and manages the Welding Lab. Mr. Uchytel asked if the Board wanted to move forward with a lease for \$230K per year for the current leased area, purchase the current lease area for \$2.88M, or purchase the entire area of 5.3 acres at \$8.57M?

Committee Questions –

Ms. Smith asked if UAS would continue to control the UAS welding lab if they sell the property?

Mr. Uchytel said the UAS welding lab is included in the entire parcel for \$8.57M. It is not included in the \$2.88M appraisal for the area we currently lease.

Mr. Ridgway commented that the will of the Board may not be able to be reflected with the financial status of the Enterprise. The services that we provide through our lease is very important to a broad Juneau economic group. We are stuck with our charter, which drives us to a decision that would benefit access to the docks for commercial fisherman if these services continue. There are capital improvements needed in the facilities located in the entire parcel area. Without having the finances to purchase the property, it does seem difficult to justify purchasing something that needs major capital improvements. Staff and UAS are relying on this Committee to move this issue forward.

Mr. Etheridge said Mr. Ridgway is correct; this is a very important service we provide to fisherman and other users of the fisherman's terminal and crane dock and we should continue to provide this service. In conversations with Mr. Uchytel and CBJ Finance, it is going to be hard to come up with enough money to purchase this property but it may be able to be done. The reason to purchase over leasing is the fact there is \$10K a year difference between the purchase payment and the lease payment. At the end of the fifteen years, we own the property and at the end of the lease period, we have paid twice as much. Mr. Etheridge said it is important that we look at purchasing this property and there are a lot of financing options available. One option might be making payments to UAS directly for the purchase. First decision is if Docks & Harbors should purchase the property, lease the property, or let it go.

Mr. Ridgway asked Mr. Etheridge if the purchase area he is referring to is the current leased parcel or the entire parcel?

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Mr. Etheridge said he does not see any way possible to purchase the entire parcel. We could never come up with those kind of funds at this time.

Ms. Derr said that she agrees with Mr. Etheridge that purchasing the property is the most appropriate in her opinion. We would be paying the same funds and we need to own what we can. The welding lab is in very poor condition and is right in the middle of the area that we want. Maybe there is room to negotiate adding the welding lab to the smaller purchase area. It would be great to have the whole area. We need to purchase what we can afford, let the space go, or continue to lease it.

Mr. Becker said Ms. Derr mentioned the welding lab building in the middle of the parcel. Would the University consider making the welding lab part of the purchase?

Ms. Smith said her understanding of what we are trying to do is to make a recommendation but not go ahead with the purchase.

Mr. Ridgway said yes, this is to pursue a course of action to send to the full Board. This is a step in the process, but it is not the purchase itself.

Ms. Smith said she would like to see us move forward with the best deal we could get for the entire package. She has not walked through the welding lab to know what the condition is, but she trusts the Board in their decision. Ms. Smith thinks we have a lot of room to negotiate and depending on if UAS wants to get rid of this property.

Mr. Ridgway clarified that Ms. Smith is referring to the entire UAS property.

Ms. Smith said yes, the entire parcel area including the Voc-Tech center.

Mr. Ridgway said we should pursue what we can and he does not know where we can come up with \$8.57M.

Mr. Larkin asked if the University wanted to keep the Tech Building, could we lease that building back to them if we purchase the entire parcel? The University then would be responsible for the maintenance of that building and its use.

Mr. Uchytel said the term is fair market value for their property. He does not know how the University system is in negotiating details like that. CBJ has certain rules that have to be followed in negotiating property deals and it has to be for fair market value. We have not started any negotiating at this time. We are at the phase in getting the Board to decide what they want to do. Any additional expenditures that we come up with must be balanced by revenues. Mr. Uchytel said we can propose what we want, but staff is looking for direction from the Board.

Mr. Wostmann said it is his understanding that the University has to use fair market value if they sell. He agrees that funding the \$8M is out of our reach. Mr. Wostmann said Docks and Harbors should try to negotiate to getting a cohesive parcel with access from the road to the waterfront and the welding lab. Our ideal scenario is a contiguous piece of property from the access road to the water. If we see our way to come up with the \$2.8M, maybe we can stretch our money further and negotiate with the University to

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purchase one contiguous parcel. That is the best usage of that land for harbor and marine related activities.

Mr. Ridgway asked Mr. Wostmann if an easement would be sufficient in that need or the purchase of real property to ensure that access.

Mr. Wostmann thinks we should purchase the parcel so we can use it as we please, expand that space available, make improvements, and control the property for future needs of the community. Under a lease agreement, we are limited to the terms of the easement.

Mr. Ridgway asked what negotiations with UAS looked like? Does it involve the Board Chair and Mr. Uchytel discussing potential options with Mr. Kito? What are the next steps to move forward?

Mr. Uchytel said the appraisal was prepared for Miss Tina Thomas, Senior Property Manager of UAS Facilities in Anchorage. Mr. Sam Kito has been the messenger for UAS. Mr. Uchytel said he does not know who makes the decisions at UAS if it is the Chancellor or the Land Manager. Mr. Uchytel said on our end, three or less Board members can participate in negotiations but everything needs to be approved by the Assembly. Mr. Uchytel said he does not know who has the right to negotiate and make the final decision at UAS. He deferred that question to Mr. Kito.

Mr. Sam Kito, representing UAS said he has had initial discussions with some of the leadership at the University. At this level in Juneau, there would be an interest in consideration of maybe some type of long-term agreement rather than looking for capital payment for consideration of purchase of the leased parcel or the entire parcel. There is an interest in having some flexibility from UAS but he would need to work with UA's land department to make sure he has the authority to negotiate. Regarding who makes the decision, it all depends on the type of arrangement we have with the leases. There is more of an opportunity for the Southeast leadership to be engaged in lease negotiations. For consideration to sales, his understanding, in initial conversations, is it seems as though if it is the entire sale of the currently leased parcels or sale of the entire property, that would need to go through the Headquarters of the University of Alaska and a Board of Regents review. So there are different levels depending on if the Board wants to lease or purchase the UAS property. UAS can sit down with Mr. Uchytel, and at this point in time Mr. Kito is the UAS point of contact, but he does not have the ability to make certain decisions.

Mr. Becker asked Mr. Kito if we keep the current lease rate until new terms are met.

Mr. Kito said he could talk with his leadership. He does not see an issue in continuing of the status quo, which puts both of us in a situation of wanting to get this resolved sooner than later.

Mr. Ridgway asked Mr. Kito if his initial conversation included a purchase option.

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Mr. Kito said the purchase option was only discussed for the entire leased parcel. There is definitely an interest from the University to provide service programs that are currently being offered. It would be available to some negotiating, a couple of the components that are a little more difficult is to provide another location for the mining technology program, diesel classes, and the construction technology program. The conversation he had earlier today about the property was that the health labs and the nursing labs are set up fairly unique right now, it might take some time to move them but there could be an interest. He thinks if there is an interest in purchasing the entire property we could come to some kind of agreement. He believes there may be a desire to have UAS maintain the services or the programs at the facilities they are currently. There was mention about the UAS welding lab, he can see looking at the map that it does break up the area. The challenge they have is that they have an operating welding program and the building is in poor shape. A report indicated their best path forward is to actually build a new building as opposed to repairing the current building. We do not have the funding to do that, but they still have the welding program and equipment. There are some challenges that need worked out. He definitely understands the interest of CBJ in trying to make the property more cohesive.

Mr. Uchytel said we might want to buy the welding lab to make the property contiguous. He has done some math and if you see the area bounded where the boatyard is, that value is \$1.3M, the appreciated value of the welding shop is \$170K. Just looking at the building and the whole area it would be probably three quarters of the existing \$1.1M. If we want to buy the property around the welding lab as well, you can add another \$1M to the purchase price as a rough number. The Committee needs to decide what we want and what we can afford. Adding the welding lab could add another \$1M to the purchase of the \$2.88M property.

Mr. Ridgway said the whole package is probably more desirable than part of the package in the sellers view. The motion this evening is to direct staff to continue to work with UAS that involves more than just one parcel. He wants staff to come up with an option that would be the entire package with further discussion with UAS with leasing back the areas for the programs mentioned this evening and then also a smaller package which is a more affordable option to baseline and maintain the services we now have.

Mr. Wostmann said he personally would strongly favor a third option, which is to consolidate the parcels that we currently lease. Basically means negotiating taking over the space of where the welding lab currently is. UAS has issues there because they do not want to lose the welding program. It would greatly enhance the value of the overall parcel if we were able to find a way to consolidate that center portion in to the totality of the land we are purchasing. He would like to put that on the table and see how far we can take it in terms of what UAS is willing to do as well as what Docks and Harbors is ultimately able to raise as funds to do this. He thinks \$8M is probably out of our reach. The additional \$1M that Mr. Uchytel identified should be considered to see if it is possible.

Public Comment –

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Mr. Dennis Watson, Juneau, AK said he would encourage the Board to take a look at the property that involves the welding shop. You would be shooting yourself in the foot if you did not include the welding lab. Allow UAS to operate in the welding lab until they can move out or you have concrete plans to move forward.

Committee Discussion/Action –

MOTION by Mr. Etheridge: TO PURSUE THE PURCHASE OF ALL OR A PORTION OF THE UNIVERSITY OF ALASKA SOUTHEAST PROPERTY COMMONLY REFERRED TO AS THE JUNEAU FISHERIES TERMINAL DEPENDING ON WHAT TERMS CAN BE WORKED OUT WITH THE UNIVERSITY AND WHAT WE CAN AFFORD TO PURCHASE AND ASK UNANAMOUS CONSENT.

Motion approved with no objection.

VIII. New Business

1. Proposed Fee for Service Increases

Mr. Uchytel said with the direction that this Committee just made, we are committing ourselves in the future of expanding significant bonds in order to make this purchase. Now that Staff has some direction to purchase the property, the next question is how are we going to afford to pay for this. We cannot do this without raising fees in the Harbor Enterprise in some manner for either the leased area or the entire area which is five point three acres (5.3 acres). CBJ will not have funds available for this. Docks and Harbors wants this property and we are on own to figure out how to fund this. The Committee needs to understand that we cannot have it all and there has to be a commensurate raise in revenue at some point. Mr. Uchytel said staff has identified some rates to raise for consideration. The bullets in the power point show the reservation charge policy, the resident surcharge, and the vessel salvaging and disposal fees to consider. Mr. Uchytel displayed a power point presentation to show how he views the resident's surcharge/live aboard fee. The resident surcharge is a \$69 per vessel per month fee for people that live in the harbors for more than 3 days a month. There is an additional fee of \$23 per month for every extra person over four living on a vessel. The resident surcharge fee was established in 2004. In 2017, as part of our Alaska Clean Harbors we instituted a new regulation that required marine sanitation devices for all liveaboards. For \$69 a month, they get potable water; as a Juneau homeowner, you pay \$140 month for water and sewer. They get trash disposal; as a Juneau homeowner, you pay \$35 a month for household trash removal. We do have recycling seasonally as well as oil and hazardous waste disposal downtown and at Statter Harbor. We pay close to \$20K a year in just disposing of waste oil. However, that is not specific to live aboards but for all users. Mr. Uchytel recognizes live aboards have charges that other patrons use. Our live aboards also have access to sewer pump outs and sewer carts that Harbor Staff must monitor. Heated bathrooms at Statter and Harris, snow removal services on all the floats and parking lots, and lighting on the floats and parking lots. We have on call Harbor Officers access daily from 8:00am to 4:30pm seven days a week and emergency access to harbor needs after normal hours. In FY19 and FY20, we collected \$115K in live aboard fees.

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That is about 140 live-aboard vessels in the four harbors. Last count we have 727 slips, which means one in five vessels in our harbor system are live-aboard. In Southeast Alaska, there are 15 communities that are smaller than our harbor live aboard community. Haines only allows live aboards from April to October at \$75/month. Homer does not allow a live aboard for longer than three months in any one year. Cordova, Whittier and Seward allow live aboards year round with no additional charges. Skagway in their ordinance says the Harbormaster shall discourage use of the harbor for live aboards when being used as a permanent place of residence. Skagway charges \$60.84 per month surcharge. Sitka allows live aboards year round with a surcharge of \$166.57 per month.

Mr. Uchytel said the Harris bathrooms were recommissioned at a cost of \$150K for heated bathrooms and showers. Pump out facilities were added in Douglas, Aurora, and Harris Harbor will be completed in May of 2021. We are currently working on winterizing the Statter Harbor pump out, so it will be available year round. There will be a new pump out at the new for hire floats. The reason Haines does not allow winter live-aboard vessels is that there is a considerable amount of expense that goes with winterizing potable water. In all of our harbor projects, we provide potable water that has heat trace so the live-aboards have year round water. That is not consistent throughout the state. Staff added security cameras at the downtown harbors this year. All of these improvements are primarily, but not exclusively, to help the live-aboard communities in our harbors. In FY20 impound disposal cost the harbors \$40,528. In FY21, we have spent \$59,000 so far. In the last two fiscal years we have spent almost \$100K in impounds. These numbers do not include the Lumberman expenses. Of the vessels we have impounded, 14 of the 18 have been live-aboards. Those 14 vessels have cost the Enterprise \$88K, which we will never collect. Since the fall of 2018, we have spent \$240K for snow removal in only the harbors and launch ramps. Three quarters to almost ninety percent of the \$240K are in the harbors. Maybe twenty percent is at the launch ramps in Douglas, North Douglas and Stater Harbors. Most of the snow removal is primarily for the live-aboard community and some winter commercial fishing. Winter use of the harbors is mainly live aboards. The fee of \$69 in 2004 equates to \$96 in 2021. This number reflects what we have lost in depreciation in the last seventeen years.

Mr. Uchytel said the actual revenue numbers for FY21 are down for Harbor revenue from FY20. With the lower numbers in FY21, we will still be in the black but not by much. We are estimating expenditures of \$4M and revenue is right at \$3.9M. Mr. Uchytel strongly recommends that any new expected recurring expenditures has to balance with an appropriate increase in fees. It is a good public policy that the cost makers should be the cost payers in the fees for services that we provide in our Docks and Harbors Enterprise. Mr. Uchytel is proposing that resident surcharge of \$69, which equals \$96 in 2021 needs to be double. We need to look at the other fee increases such as the reservation charge fee and the vessel and salvage disposal fees. Mr. Uchytel said he wants the Committee to discuss the live aboard fees and whether it is appropriate to raise that rate by doubling it to \$138. The increase would benefit the Harbors Enterprise by \$115K.

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Committee Questions –

Mr. Becker asked Mr. Uchytel how collections are done on the past due balances. If they are sent to a collections agency, will it show up on their credit report?

Mr. Uchytel said we have a process where we bill until they are considered uncollectable. They are then sent to CBJ collections division. That division attempts to collect what we were unable to collect. It will show up on a credit report if they owe Docks and Harbors money. Those patrons who stop paying are not typically making purchases that would require a credit check.

Mrs. Larson confirmed that Docks and Harbors collections show up on a credit report.

Ms. Smith asked how much just harbors pays in trash costs? She asked if the public still uses our bins illegally? Do we still have the furnace that burns excess oil?

Mr. Creswell said just recently staff issued a ticket to a private citizen dumping his residential trash in the dumpster at Douglas Harbor. A harbor patron filmed him doing so. Staff was able to track him by his license plate number and we certified mailed him a citation for unauthorized use of a harbor trash bin, which was a \$75 ticket. This was a big win on our part. We have one waste oil burner and it is in the shop at Aurora Harbor. We burn the oil that is generated and dropped off at the Aurora collection site. The problem comes with the Statter Harbors collection site, which is very heavily used. We do not have a waste oil burner at Statter Harbor. The cost of disposing that waste oil and transporting it to Aurora to burn is more expensive than what we pay a company in Ketchikan to dispose of it. We save thirty to fifty cents a gallon by sending it to Ketchikan versus having a local company transport it to Aurora and burning it there. In the past, we have generated too much oil and have had to dispose of it locally. It costs two and a half times more per gallon than it currently costs to have it sent to Ketchikan.

Mr. Uchytel said Docks and Harbors spends approximated \$175K per fiscal year for trash bins and trash disposal.

Mr. Becker said these fees should have been raised a long time ago.

Mr. Etheridge said he believes the increase is doable and should be done. This will not be popular but when you compare a slip to space rent at one of the trailer parks for a mobile home, that is \$900-\$1000/month. Our live-aboards have mighty cheap costs for having your garbage hauled away and potable water year round. The cost of running the heat tape to keep the water lines from freezing is astronomical. The rate increase is justified. The Board has probably dropped the ball in not doing this sooner, but we should move forward.

Ms. Smith asked if it is possible or reasonable to raise rates on a sliding scale. What additional bills does a live-aboard pay. They do not pay water and sewer individually. Do they pay for their electricity? Maybe we should implement fees like the rest of us that own homes pay. Homeowners pay for water, sewer and trash. Can we base their fees on the same city rates?

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Mr. Uchytel said that the Board could implement any sliding policy they like. It could be twenty five percent this year and twenty-five percent next year. The Board can do what they feel is appropriate, it is in your purview. The rate for Sitka live aboards is a \$166.57/month surcharge. That rate is based on city rates for water, sewer and refuse. Mr. Ridgway asked how much the lease is for the two parcels out on Thane Road.

Mr. Uchytel said it is about \$8700 per year for about two acres of land and it is not considered waterfront property.

Mr. Ridgway said there are a lot of things in our Enterprise that would take great pain to being equitable. We are here this evening discussing the lease which we would have to pay \$254K when we receive an income of \$27K. The Board recently discussed a rate decrease of moorage rates and because it is written into the code, it seemed disingenuous to change the structure we were presented. There are a lot of things that are very expensive in our Enterprise that people get very cheap. He would encourage the Enterprise to look at all our rates in addition to this. Mr. Ridgway would be more likely to consider a sliding scale increase. Regardless of how good of a deal it is, this does not seem equitable.

Mr. Wostmann said he believes doubling this rate is easily justified with the cost that we incur and compared to costs by someone who owns a home. He is sympathetic to the impact this will have on the live-aboards, but he thinks the committee needs to do this. Mr. Wostmann would suggest a fifty percent increase the first year and another fifty percent increase in the second year.

Mr. Dimond said doubling the live-aboard rate is not going far enough. This may be a shock to our live-aboards, but \$69 a month even at \$140 a month, the amount of services that we are providing far exceeds that amount. That is extremely cheap for utilities. The Board should realistically look at raising the fee a little higher than doubling. Even if we did not provide any of these services, \$140 a month would still be a steal. I realize that this may be a lower income level bracket of people that are living on these vessels but you cannot rent anything in this community for that price. He does not see a need to break this down over time. The City is losing money and this is part of our responsibility to ensure that we are not being taken advance. He is in favor of raising the rates immediately.

Mr. Etheridge said he agrees with Mr. Dimond that we need to go ahead with the increase for the live-aboard fee. We need to look at all of our rates because many are outdated.

Ms. Smith said she agrees with Mr. Etheridge. She also is aware of the good that the live- aboards do by living in the harbor and some of the protections that they provide. She asked if it is possible if the Finance Sub-Committee can take on the task of taking a look at all of our rates and bring forth the fees that are out of line.

Mr. Ridgway said we have many fees and lease rates that are under different formulas. He said the Finance Sub-Committee has been looking broadly at a lot of fees. That is why the document before us today was created.

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Mr. Wostmann said the Finance Sub-Committee has been looking closely at expenses, but it is time to look at our charges for services to see where we have mismatches. This is a project that is going to take some time.

Mr. Ridgway said he completely agrees that we are underpriced. If we are giving away below market value services then we are inviting people that cannot afford to live anywhere else to live in our harbors. We should not create a firestorm for the Board when we are trying to raise our rates for the services that we provide.

Mr. Dimond said he recognizes and respects that this will be a hardship, but he also wants to caution that if \$140 is going to lead to derelict vessels, we are not that far away at \$69 either.

Mr. Larkin said we want to acknowledge that no one is living in our harbors for \$69. They are paying the normal moorage fees plus the \$69 surcharge for live-aboards. Is it correct that the live-aboard surcharge has not been increased since 2004? If this was approved at x rate, when would this take effect?

Mr. Ridgway said the rate has not been changed since 2004.

Mr. Uchytel said the process assuming the Board wants to move as quickly as possible would be; at the Board meeting on March 25th, 2021 the Board would approve to go advertise, it is a twenty one day notice that there is a pending regulation change. For twenty one days we publically notice in the newspaper, at the libraries, and then we hold a public hearing at the April Board meeting. At the April Board meeting the Board could have a public meeting and if approved it would go to the Assembly for approval. The regulation change only takes one meeting, presuming everything happened on time, the regulation change could be approved at the May Assembly meeting. The Board would confirm it at our May Board meeting and it would be implemented in June. Mr. Uchytel said in his power point presentation and in the agenda packet he highlighted two other fees.

Mr. Uchytel said in his memo in the packet he mentioned the potential for reservation charge fee as well as the vessel salvage and disposal fee increases. The vessel salvage and disposal fee is a twenty five cent per linear foot fee that was fully intended to be an incentive for people to get their own insurance on their vessels. In FY20 we collected \$16K in vessel salvage and disposal fees and in the last two years we have spent \$100K to dispose of vessels. We want to incentivize people to get their own insurance instead of paying this small fee. Even if we quadrupled it to one dollar per linear foot we would still have people who would not or could not get insurance. That increase would negate the cost of salvage and disposal of impounded vessels. The Reservation charge policy would affect the reservations at the Intermediate Vessel Float, at our two cruise ship docks, and at the breakwater in Statter Harbor. If we wanted to double those rates, that would be an additional \$140K per year. Mr. Uchytel and staff came up with those fees to offset what he thought was going to be the additional charges for the new UAS lease or the UAS property purchase. If we double those two rates, we would be able to cover the new cost of purchasing the UAS property.

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Mr. Ridgway said Sitka Harbors bases their rate off of their city resident rates. He thinks if something has been undervalued for a long time, perhaps we do not have a basis for that rate. In the actual CBJ code is there a chance we could charge the resident fees. He sees us doubling this rate but it might be more reasonable to do something like Sitka does and adopt how they value their services. If we did that, would it be close to the \$140?

Mr. Uchytel said he is not sure if it is an apples to apples comparison. The Harbormaster in Sitka said the breakdown that live-aboards pay per month is \$50.10 refuse, \$59.09 sewer and \$57.38 for water for a total of \$166.57. Collectively the live-aboard residents would complain that they generate hardly any trash, they use the restrooms and showers provided at the harbors and barely use water. If you look at the totals for snow removal, lighting, security camera, bathrooms, doggie poop bags, every live-aboard has a dog or two. This all adds up. In Sitka, the live-aboard surcharges goes in to the City's general fund.

Ms. Smith asked how many fishing vessel are also live-aboards? She knows at one point in time we were not looked upon kindly by the fishing fleet because they felt they could get moorage less expensive in Hoonah. If we increase the rates, can we tie future rate increases to the cost of living? A homeowner pays \$130 per month for water and sewer.

Mr. Creswell said there may be two fishing boats that are also live-aboard patrons.

Mr. Uchytel said Sitka has a different rate for commercial fisherman which may be half of what the normal rate is. Harbors are all different and we all have different nuances. His opinion is the Consumer Price Index (CPI) does not keep pace with the actual cost of administering a program. We have several rates that are tied to CPI. The will of the Board should also allow for rate increases as needed in the future.

Mr. Houck asked if he were on a 26' live-aboard vessel in Statter Harbor, what is his monthly total?

Mr. Creswell said in Statter Harbor the moorage rate with the current live-aboard fee is \$262.00 per month. This is \$7.35 per foot times length of boat, plus \$69.00 fee equals \$262.00. They do not pay sales tax.

Mr. Houck asked if 26' is the average length for a live-aboard vessel.

Mr. Creswell said he believes the average size is probably 26' to 32'.

Mr. Creswell said the majority of our live-aboard boats are downtown and that rate is much less than Statter harbor.

Mr. Houck said we are still looking at less than \$350 per month. He is in favor of doubling the fee. He agrees with Mr. Uchytel that the CPI does not keep up. He would like to see fee reviews on a more regular basis.

Ms. Smith asked if the Finance Sub-Committee could do a review of our rates every January whether it be an increase or decrease for the next fiscal year?

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Mr. Wostmann responded that revising rates every year puts a substantial burden on the Finance Sub-Committee and staff. He thinks a more appropriate approach might be to go with the CPI. Then every so many years (three or five years) there be a rate review unless the Board identifies special circumstances that justifies a rate review earlier than what the policy calls for. That seems more workable than an annual basis for fee reviews.

Mr. Uchytel said doing a fee review is a lot of work. We did one five years ago but he does not recall why the live-aboard rate was not adjusted. The Board looked at every rate and they amended eighty percent of the rates. With the CPI, the \$69 rate in 2004 would be \$96 today. That is why he is hesitate to rely solely on the CPI. We have to look at the services, and is our fee schedule appropriate for our charges.

Mr. Etheridge said he agrees with Mr. Uchytel. He was on the committee that did the first budget and fee review. They used the CPI and thought it would be wonderful going forward. The comments were always made that yes, we will gradually keep up with rates. The CPI has not done this, the CPI did not adjust with our costs. It is important to note this.

Mr. Ridgway is in favor of the rate increases, but maybe not all at once. A side issue not connected to these three rate increase is to establishing a reliable process that we do fee review every five years.

Public Comment –

Mr. Paul Swanson, Juneau, AK said Mr. Larkin and Mr. Houck pointed out that you are also getting moorage money as well as the \$69 for the boat being in the slip. He has no problem with raising the \$69 rate. He also noted that when his boat is out of the slip in the winter, the harbor can put another boat in his slip and moorage for that slip is paid directly to the harbor. Mr. Swason does not believe that snow removal should be applied directly to the live-aboards because the snow removal is going to be done regardless.

Mr. Dennis Watson, Juneau, AK said he fully agrees with reviewing the rates with the CPI. He is not in favor of taking away the CPI. The CPI is a fair way of adjusting the rates. The harbors has in the past after 2004 looked at rate increases, but the Board never raises rates. This should be a valuable lesson that once the harbor gets back to full services, it is going to take awhile to make up what you lost in the past years. The lease rates are another example. I have sat on harbor Board meetings since 2004 and I cannot tell you how many times the lease comes up and the Board goes through the expense and time to calculate rates. Every single time you have backed down in raising rates. Some of your rates are ridiculous low, he does not see why you contract with Horan and then do not follow his recommendation. A business does not operate this way. Look at what the University is looking at for fair market value, which is probably correct, and chances are they will not back down from that rate. The Board has given away so many opportunities over the last several years. Water rates for the city are going up for the next three years. Do not back down this time.

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Committee Discussion/Action –

Mr. Ridgway said he agrees that the Board needs to raise rents and raise rates that are way undervalued. It seems that this proposal should include a foundation for what the rates are based on.

MOTION by MR. ETHERIDGE TO: MOVE THAT WE GO AHEAD AND DOUBLE THE LIVE ABOARD FEES AND FOR THE RESERVATION MOORAGE FEES AND ASK UNANIMOUS CONSENT.

Mr. Ridgway asked for a roll call vote.

Mr. Wostmann said he not sure of the proper procedure since the motion is on the table. The moorage reservation rate has not been thoroughly discussed and he says the motion is premature.

Mr. Ridgway said the motion has been made, the agenda packet shows information on the reservation rate. He asked for a roll call vote again.

Mr. Wostmann asked to make an amendment to the motion.

MOTION by MR. WOSTMANN TO: AMEND THAT THE MOTION BE REDUCED TO ADDRESSING THE LIVE ABOARD FEE ONLY AND TO HAVE A SEPARATE MOTION AFTER DISCUSSION ON THE RESERVATION RATE.

Mr. Houck seconded Mr. Wostmann's amendment to further discuss reservation charges.

Mr. Etheridge amended his motion to split his motion into two parts: increase liveaboard rates and increase reservation rates.

MOTION by MR. ETHERIDGE TO: AMENDED HIS MOTION TO SPLIT HIS FIRST MOTION IN TO TWO PARTS: THE LIVE ABOARD RATE INCREASE AND RESERVATION RATE INCREASE.

Mr. Wostmann said Mr. Etheridge's amendment does suffice his amendment. Are both motions still on the table?

Mr. Etheridge said both motions are on the table. We will vote on the live-aboard increase and then we vote on the reservation rate increase.

Mr. Ridgway said the first motion is to double the live-aboard fees.

The motion passed 8 - 1. Mr. Ridgway – no.

Mr. Ridgway opened the floor up for discussion for the second half of Mr. Etheridge's motion for the amendment regarding the reservation fee policy increase and vessel surcharge and disposal fees.

Mr. Wostmann said the key part that needs to be discussed is the fact if we pass the motion without exceptions it will apply to the two cruise ship terminals. We heard from

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Mr. Drew Green at the Finance Sub-Committee meeting that in his opinion the cruise lines would take substantial exception given that the passenger fees that they are already paying in addition to doubling their reservation rate from \$3 to \$6 would be very significant. He strongly recommended the Board not do that. It is Mr. Wostmann's understanding that in ordinance we have the ability to issue special rates for particular user groups. There was some discussion in the Finance Sub-Committee meeting but not with any conclusion. Perhaps we would double the rates and institute a special rate for cruise ships. I think all that needs is a special motion.

Mr. Etheridge said in all the years he has sat on this Board, he has never seen a rate increase to Ports for the cruise industry that they did not complain about. That is Mr. Green's job to make sure that we do not raise their rates. Mr. Etheridge said it is totally justifiable; it does cost us a considerable amount to operate the two cruise ship terminals. Most of those fees the cruise ships pay goes directly to the City. This is a fee that comes directly to Docks & Harbors for our operations.

Mr. Creswell said the difference between normal moorage and reservation moorage is the reservation moorage is basically for the yachts. The reserved moorage is guaranteed space and that comes at a premium price because of the small amount of guaranteed space we have. It is labor intensive with these boats and not only for the reservations but also for the management. They are a needier crowd; they have a lot more going on, and lots of comings and goings. They demand a higher level of service from our staff.

Mr. Dimond said we are looking at spending \$3M or possibly more on the UAS property. The reality is that we need to make the tough decision to raise more revenue in order to do that. Mr. Etheridge is correct in that the cruise ship companies will push back, but our obligation is to the community of Juneau. We are insuring that we make proper decisions. If we are looking at purchasing this property, we must have revenue to do so.

Mr. Wostmann said we also need to include in our considerations that the UAS facility would be for the benefit of our local commercial fisherman and local residents. It is an operation that would belong to harbors and not docks. Charging the cruise ships higher rates for reserved moorage is a docks operation. We are raising revenue on the docks side of our operations and justifying it with a need for revenue on the harbors side. That is a conflict and could be a potential challenge.

Mr. Ridgway asked Mr. Wostmann if he was saying he was seeing legal challenges on the horizon.

Mr. Wostmann said he is only basing his comment on his own sense that there is a conflict and from Mr. Green's comments. He did not imply that would lead to legal action.

Ms. Smith said unless she completely misunderstood, are our fees in line with other facilities fees?

Mr. Uchytel said for yacht traffic in comparison to the Seadrome Dock we are under market.

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Mr. Ridgway directed Ms. Wolf to take a roll call vote on the motion to double the reservation rates.

The reservation rate increase vote passed 7 – 2. Mr. Wostmann and Mr. Ridgway – no.

2. CY2021 Loading Zone and Passenger for Hire Fee Adjustment

Mr. Creswell said page 123 and 124 of the agenda packet are the current and proposed fees for this seasons permits. Last year when the pandemic began, we discussed what to charge for permits, but we did not know what the season was going to look like. After it became clear that we were not going to have a cruise ship season, we still had a few companies that tried to operate on a very limited basis. The fee structure on page 123 is for A & B Loading Zone Permits, Passenger for Hire Permits (PFH) and Statter Harbor Bus Permits. Last year the Board decided that the charge for Loading Zone Permits would be \$5 with no seat fees. PFH would be \$100 with no per passenger fees. The PFH they pay right now in regulation is \$500 per inspected vessel plus \$1.50 for each passenger that gets on the boat. Uninspected six-pack boats pay \$150 per vessel and \$1.50 per passenger. For the Loading Zone Permits it is \$400 per company plus \$9 per passenger seat fee. They can have one or more buses under the company and then they pay \$9 per seat on each of their busses which is a onetime charge for the year. Statter Harbor is structured the same way for the bus permits, \$300 per company plus \$15 per seat for a bus that enters Statter harbor. We did this so we could track who was in and out of the harbors and to verify insurance. The Board decided on \$5 for buses with no seat fee and PFH Permit at \$100 with a no seat fee. On page 124 is the 2021 proposals. There will be more operations in 2021 than in 2020. Travel restrictions are easing up and there will be independent travelers, small cruise ships, and fishing charters. We are not sure about the buses yet as they are more directly tied to the cruise ships. There are costs to issuing these permits and we need to insure that we know who is driving the busses, boats and the companies are properly insured, they are using our facilities properly, and we are covering our costs of issuance and administration of the permits. Loading Zone Permit charges would be \$100 per company with a \$9 passenger seat fee still in effect. Normally we would collect that at the beginning of the season, he proposes to collect it at the end of the season because of the uncertainty. Companies do not know how many buses they are going to need this season. He proposes for the PFH fee, we reduce the Inspected Vessel fee from \$500 per vessel to \$100 per vessel and the uninspected vessels to \$50 per vessel and still collect the \$1.50 per passenger. They will be getting revenue from the seats in the cost of the tour or the fishing charter. The same thing for the Statter Bus Permit and loading zone permits is to charge the company fee and collect on the seat fee at the end of the season.

Committee Questions

Mr. Larkin asked what the duration of the fee structure? Is this a onetime fee for this year or is this a permanent change?

Mr. Creswell said this is what he is proposing for the 2021 tourist season only.

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Mr. Houck said does this apply to all loading zone permits as well as B & C?

Mr. Creswell said yes it is for all loading zone permits.

Public Comment

Mr. Kirby Day, Juneau, AK said thank you. He is speaking from a Tourism Best Management Practice (TBMP) standpoint. On March 16th, there were four major cruise lines that announced they would be cancelling everything up until July 1st. Two other major companies are probably making the same announcement in the coming days or weeks. We are in the same situation we were in last year. He is optimistic but over the last two months has become more realistic with our tour operators. The mantra has been find a way financially to get to 2022, because 2021 is going to be not much at all. We will have the US flagged ships and small cruise ships, which is great for our community and the economy. He asked to reconsider the seat fee charge due to no revenue since October of 2019 and how many times a bus may be used. He recommended maybe a \$9 per seat for the buses a company uses or \$9 per passenger of the people he carries, whichever is less. They may need those buses but they may not be able to fill them because of CDC requirements. On the passenger for hire he thinks what Mr. Creswell has outlined is fair because in that case they are paying per passenger. The Statter Harbor bus permit fee, again he thinks the same thing. You would not want to be on the hook for five hundred seats all summer at \$15 per seat when they were never used. Mr. Day certainly appreciates Mr. Creswell and the Board looking at reducing fees while still understandably trying to cover your costs. We are going to know a lot more in a month or so but it does not look like much of a season.

Committee Discussion/Action

Mr. Creswell said that if we charge that price per passenger we would collect far more revenue than we would at the per seat fee that we currently have in regulation. Basically the \$9.00 per passenger fee is the same fee we charge \$1.50 per passenger for passenger for hire. A \$9 and \$15 per passenger per trip is significant revenue. The bus one time seat fee is for the entire season. If it would make things simpler, we have time to figure out what to do with the passenger seat fees at a later time.

MOTION by MR. ETHERIDGE: TO MOVE AHEAD WITH THE RECOMMENDED COMPANY FEES, PASSENGER FOR HIRE FEES AND BRING UP THE PER PASSENGER/SEAT FEES AT THE NEXT OPERATIONS MEETING AND ASK UNANIMOUS CONSENT.

Mr. Houck said he needs to recuse himself from the vote.

The motion passed with Mr. Houck's recusal not affecting the vote.

IX. Items for Information/Discussion

1. Downtown Harbors Wait List Update

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Mr. Uchytal said on page 119 of the agenda packet shows the waitlist that Jennifer Sim put together for the downtown harbors which is a list with fifty-five vessels. There is a demand for larger vessels that want reserved moorage. Right now, many of these patrons are being accommodated in transient moorage. He asked the Board members to look this over and it will be discussed at the regular Board Meeting on March 25th.

Committee Discussion/Public Comment –

Mr. Etheridge said the waitlist is just the local demand. When you look at the other summer traffic coming through, we have very little space to accommodate them.

2. Auke Bay Wave Attenuator – Letters of Support

Mr. Uchytal said on page 120 of the agenda packet is a letter of support for the Auke Bay Wave Attenuator that is going to Acting Director of Office of Management & Budget as well as the head of the Army Corp of Engineers in support of the Wave Attenuator. This is our lobbyist putting this in front of the Federal Delegation. Mr. Uchytal said he wants to let the Board know he has also reached out to about a dozen local businesses who have also submitted similar letters of support. This is an ongoing project.

Committee Discussion/Public Comment

Mr. Etheridge asked Mr. Uchytal if he asked for letters of support from the Legislative Delegation.

Mr. Uchytal said he has not yet done that. He has not even asked our Assembly to write a letter, but maybe we should. The issue about this particular project is that we have not done public outreach. It has been a concept that people have seen and know about, but we have never asked the Assembly to support it. He has been working with the Army Corps and they like the project. The public outreach of saying who likes this project and who does not like this project has not been done. There are going to be a percentage of people who are going to oppose this. At some point we need to cross that bridge. For the most part the Federal Delegation has been moving forward with this as a federal project.

3. Small Cruise Ship Infrastructure Master Plan – Update
Presentation by the Port Engineer

Mr. Schaal said on page 121 and 122 of the agenda packet is a draft memo to the Assembly Committee of the Whole. The memo is a follow up to questions on the Small Cruise Ship Masterplan that we presented to the Assembly on February 1st, 2021.

Mr. Etheridge asked the Committee to take a look at the memo and let Mr. Schaal know if they see anything he missed and anything more the Assembly needs to know based on their questions. Mr. Schaal needs to hear back from the Board prior to the next Board meeting so he can complete the memo and get it to the Assembly. Basically it goes over how we came up with the locations, how we came up with the 700 linear feet of additional moorage, and what was determined for access for the NOAA and Seadrome Dock expansion.

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Committee Discussion/Public Comment –

Mr. Etheridge said there was a lot of questions that were already answered in the presentation. The answers in the draft memo are more detailed than what was answered at the meeting.

X. Staff and Member Reports.

Mr. Uchytel said in preparation for next week's Board meeting, based on the will of this Committee, please be prepared to answer a lot of unhappy patrons questions. If this Committee wants to purchase property, and it is believed this is the best use of our limited funds, we need to raise rates. The two items discussed tonight will be on the March 25th agenda for discussion.

XI. Committee Administrative Matters

1. Next Operations/Planning Committee Meeting – Wednesday, April 21st, 2021

XIII. Adjournment at 8:02pm