

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

August 25th, 2021

- I. Call to Order** – Mr. Wostmann called the August 25th, 2021 Finance Sub-Committee to order via zoom at 5:00 pm.
- II. Roll Call** - The following members were present via zoom or at the Port Director’s Office Conference room: Matt Leither, James Becker, Mark Ridgway, Don Etheridge and Bob Wostmann

Absent – Lacey Derr and David Larkin
- III. Approval of Agenda** –
Motion by Mr. Etheridge: To approve the agenda as presented and ask unanimous consent.

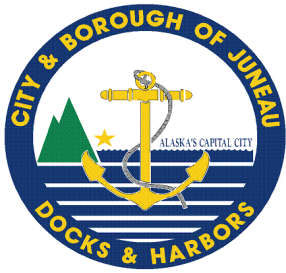
Motion passed with no objection.
- IV. Public Participation on Non-Agenda Items** - None
- V. Approval of August 12th, 2021 Finance Sub-Committee Meetings Minutes.**
Hearing no objection, the minutes of August 12th were approved as presented.
- VI. Items for Information/Discussion**
 1. Review of all Docks & Harbors Fees in Regulation
Mr. Uchytel said starting on page eight in the packet is a list of fees in regulation. On page 30 to 34 are the fees the Harbor administrative staff charge out.

Mr. Wostmann said this will be a document source for members of the Committee to refresh their memory and any new members to use moving forward with discussing rates.

Committee Discussion – None

Public Comment – None
 2. Charter Vessel Rates at Statter Harbor – Next Steps
Mr. Uchytel said last fall the discussion began on the Statter Harbor for-hire floats fee whether the current fee was the right fee or not. The current fee for inspected vessels is \$518 per vessel and \$1.50 per person. The discussion was tabled until after this year’s cruise ship season. With the infrastructure finished at Statter Harbor, this is an appropriate time to continue the discussion for these fees. The discussions included: what does it cost to manage the charter fleet, and what was the infrastructure expense associated with the floats? What are the other fees associated with this fee? Mr. Uchytel said Mr. Wostmann suggested a 30% increase in fees but that was just a suggestion.

Committee Discussion
Mr. Leither asked if the \$500 that the charter operators pay is in addition to moorage?



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Mr. Uchytel said yes.

Mr. Leither asked if the charter operators are paying the same moorage rate as other Statter Harbor users?

Mr. Uchytel said yes.

Mr. Wostmann wanted Mr. Uchytel to go over different approaches for these fees.

Mr. Uchytel said a few different ideas to come up with an appropriate fee is –

- Charge a percentage of what a charter operator charges for a trip.
- A fee to cover the different costs to manage the for-hire floats. On page 65 in the packet are defensible fees for the charter operators.
- Look at how much investment CBJ and Docks & Harbors has in building out the infrastructure.

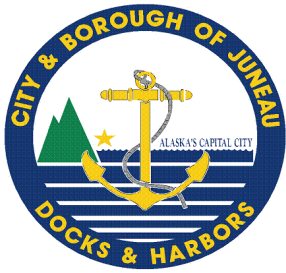
As a result of the CLIA lawsuit, it allowed for Docks & Harbors to move forward with Statter Harbor phase III(A) which was the dredging and Statter Harbor phase III(B) which was the float installation. For both phases add up to \$8.4M in construction costs. We also have plans for the uplands: curb gutter, bathrooms, waiting areas, and paving which will be another \$4M. The vast majority of the \$8.4M was paid from head tax. From the CLIA lawsuit it was agreed that $\frac{3}{4}$ of the funding could be from head tax with the remaining $\frac{1}{4}$ would be from Harbors funds.

Mr. Wostmann said he recalls previous discussions looking at two components to recover costs. One was operational costs and the other was investment costs by charging the fleet a certain amount to recover our capital investment. The operational costs were \$135K to \$150K and also to recover $\frac{1}{2}$ of the capital investment in the facility of \$150K per year so \$300K would need to be figured into this fee for the use of the new facility. Currently that segment of the fleet generates \$225,000 annually. To go from the \$225,000 to the \$300,000 is where the 30% increase came from.

Mr. Etheridge said it will not only be the cost of the upkeep but also the replacement. That is a big problem with all of our fees not looking at cost of replacement.

Mr. Wostmann said that is why we are in this current dilemma. There are four different components that need to be considered setting a rate.

1. Recovery of operations
2. Recovery of investment capital
3. Build new capital for further growth
4. Catch up



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Mr. Wostmann said he is unsure how to refine those numbers. He suggests to have someone with expertise in this area give guidance on how to proceed on what is a good rate for the various operations we have. Even with approval to spend money on a rate study, it would not be complete until next spring and we need to have a fee before then. He said there has been some work on this fee already but not a whole lot of substantiation behind it but there are numbers we can defend and are reasonable. He said from his perspective, with the unknown 2022 season, it does not seem reasonable to increase the fee by 30% for next year. He suggested to start the increase at 10% which gets a small step in the right direction and is still affordable for the charter operators.

Mr. Etheridge asked if the 10% was going to be for the vessel and the per passenger fees?

Mr. Wostmann said he is not sure yet but it is up for discussion.

Mr. Uchytel said he believes the \$225,000 included moorage for the passenger for hire vessels.

Mr. Wostmann said he recommends both the vessel and the passenger fee be increased by 10%.

Mr. Leither said how many months of the year will this just be for charter operators.

Mr. Uchytel said our permits go from April 15 through September.

Mr. Leither said charter operators use the floats for 5½ months on prime real estate with electricity, water, and a sewage pump out all year. They are only paying \$100 per month extra when he knows people that would pay more for that location with that good of access. He said he is not sure what the fee should be but he wants to think about this more.

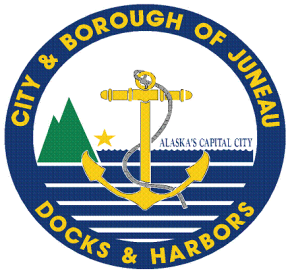
Mr. Etheridge said if we move forward with this it can be changed at the Operations Committee or the Board meeting.

Mr. Leither asked what the goal for today is?

Mr. Wostmann said we are trying to come up with a preliminary figure to forward to the Operations Committee and we could also hear public comment.

Mr. Etheridge said starting with the 10% is a good starting point until we receive the completed rate study.

Mr. Uchytel said 10% is a modest amount to start with. This would allow for the Charter Operators to plan for that amount and continue the process through our normal Committee



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and Board processes. This Committee will meet again before the Operations Committee so there will be more time to discuss this and bring in the Charter Operators that will be affected by this rate increase for public input.

Mr. Etheridge said this will give an opportunity to get the public involved. We can put the Charter Operators on notice that we are looking at a 10% increase.

Public Comment

Sierre Gadaire, Juneau, AK

Ms. Gadaire said she is the General Manager of Gastineau Guiding. She said 10% is a reasonable request. How the tourism business income works is there is a direct impact of the slow cruise ship season this year coupled with limited staffing options through a short season. Looking forward to the 2022 season, our big concern is startup costs. We have to staff and prepare for a season that is very large. We rely on cruise ship contracts, we sign those contracts early and we do not receive payment for services rendered for 60 to 90 days after wards. We float all of our expenses in April into May and June. In a normal season that would be fine but after 2020 and 2021 it is a hardship. Having a 20 or 30% increase would make it even harder. We are currently paying moorage for every vessel, a per passenger fee, two separate seat fees for buses, plus all the other fees to the other organizations. Up front, startup costs are a huge consideration. One thing the US Forest Service did this year to work with the tourism industry was to let us pay at the end of the season. With the Harbors 10% fee increase in 2022 she is not too concerned but it was helpful to be able to pay at the end of the season.

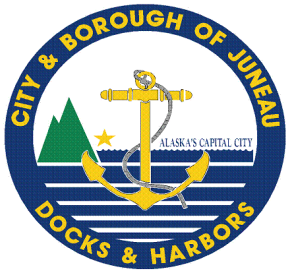
Mr. Wostmann asked if it would be helpful if payment was postponed and made mid-season or another time but not at start up.

Ms. Gadaire said delayed payment to mid-season would be helpful.

Mr. Ridgway said the Board is going to enter into a period to review our rate structures, and that has a lot to do with our operational costs. He asked Ms. Gadaire, "if the rate study came back and recommended a 20 to 25% increase, how long would it take Gastineau Guiding to be able to pay that increase and would it be better in a phased approach?"

Ms. Gadaire said Gastineau Guiding commits to pricing two years out so we are committed for pricing through 2023. It is not as simple to say the operators are going to pass the increase on to the customer. It will take a couple years to be able to start recouping the increase so a phased approach would be helpful.

Mr. Etheridge said the last couple years, the Board did decrease the rates for the charter operators to help them out.



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Alison Jacobson, Haines, AK

Ms. Jacobson said she is the owner of Alaska Fjordlines and she has been operating the last two summers and appreciates the discounts provided by the Board. Her business is down 60% this year. She said moving forward to 2022 it is still very uncertain. The boarder is open for US travelers but still closed for Canadians and 95% of her customers are off the Alaska Highway. Our company brings independent travelers from Haines and Skagway to Juneau. We have one bus and boat and make one trip a day to Juneau. If there is an increase, she would appreciate a slight increase because there are so many unknowns for the coming year. She is concerned about startup costs also. She said she pays a lot of fees in Haines, Juneau and Skagway and anything the Board can do to help get on top of these hard times would be greatly appreciated.

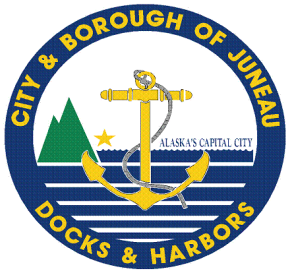
Mr. Wostmann said the Board gave direction to the Port Director to make accommodations in special circumstances. We are currently operating with the assumption next year will be a full season but if things change we may end up revisiting all of this. This item will be put on our September 8th meeting agenda and at that time there will be a motion with a recommendation to go to the Operations Committee.

3. Request for Proposal (RFP): Rate Study

Mr. Uchytal said starting on page 72 of the packet is a RFP he drafted as consideration for a harbor rate study. The project description is on page 78 but he may need to change this after talking to the City Manager. He believes the Board gave direction for a cost based rate study. The two types of studies talked about at a previous meeting was a market rate study and a cost based study. The market rate study is looking at your rates in comparison with your competitors and cost based is looking at your investments and if you were a private enterprise how would you allocate fees. This RFP is saying Docks & Harbors is offering to qualified professionals a chance to provide resumes that would allow a set number of staff and Board members to sit on a selection committee to choose a company to help navigate this process of the rate study. He wants the selected company to also help guide us through the rate process. Mr. Uchytal said the City Manager recommended to expand the RFP to include a market study for the cruise ship dockage fees and this ask would be easy to add to the RFP.

Committee Discussion

Mr. Leither commented when there is a cost based study, they are just breaking down the different user groups costs. However, there are instances more complicated than that with the parking situation in Statter Harbor versus the parking downtown. The Statter Harbor people pay for parking and the downtown people do not and he would assume that it costs the same for the upkeep of the parking areas. Is there a way to factor that into the fee?



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Mr. Uchytel said this is one of the difficulties to putting together a rate study. The consultant will take direction from staff in their analysis. Part of that would be there is insufficient parking at Statter Harbor and we do not have an issue with parking downtown. This is more of a management issue than it is a cost basis.

Mr. Leither said he looks at it as a supply and demand issue. He would suggest a combined study with cost based and market based approach. He said reviewing the other three community rate studies, he believes the Sitka study was most applicable to our case. One of the biggest reasons for getting this rate study is for transparency and have the reasons for increase in fees. However, in the Sitka study they said a fee needed to be increased by a certain percentage but there was no data behind the fee increase. He wants to make sure if we do a rate study that there needs to be clear documented reasons for an increase they think is necessary.

Mr. Uchytel said consultant will do what we are willing to pay for.

Mr. Becker asked if there was a paramount reason to expand this study to the cruise ship docks.

Mr. Uchytel said this request came from the City Manager and there is belief that our cruise ship dockage fees are under market value. With this going out for the small boat harbors, the cruise ship portion could be included.

Mr. Etheridge asked if the cruise ship moorage study would include the yachts?

Mr. Uchytel said this RFP is to get interest from consultants and then when a consultant is chosen that is when we would enter into negotiations on what we want, based on what the cost is, and what we can afford.

Mr. Wostmann asked for an example of what is meant in section 1(4) in the RFP?

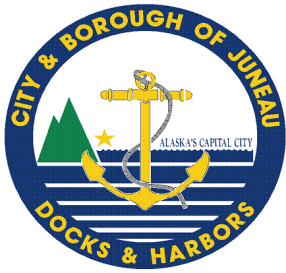
Mr. Uchytel said he was thinking of the UAS property. The whole rate study is a result of the costs that we see on the horizon with obtaining the UAS property.

Mr. Wostmann asked if we are allowed to do oral interviews in a zoom meeting?

Mr. Uchytel said typically an oral interview is done when there is not a clear winner. We can set this up anyway the Board and staff want.

Public Comment – None

MOTION By MR. ETHERIDGE: TO PUT THE REQUEST FOR THE PROPOSED RATE STUDY WITH THE OPTION OF THE MARKET STUDY WITH THE DOCKAGE FOR CRUISE SHIP RATES INCLUDED AND MOVE TO THE NEXT OPERATIONS MEETING AND ASK UNANIMOUS CONSENT.



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Motion passed with no objection

VII. Action Items –

Mr. Wostmann said as a result of today's meeting a particular action item would be to talk to people in the industry to get as much feedback on the Statter Harbor rates for the next meeting.

VIII. Next Meeting – September 8th, 2021 @ 5 pm

Agenda items –

Statter Harbor passenger for hire fees 10% increase.

Rate review priorities (look at the rates to see if a rate needs review before the rate study)

IX. Adjournment – The meeting adjourned at 6:10pm.