

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

October 13th, 2021
Via Zoom

- I. Call to Order** – Mr. Wostmann called the October 13th, 2021 meeting to order at 5:00pm.
- II. Roll Call**- The following members were in the Port Director’s Conference room or on zoom meeting - Lacey Derr, James Becker, David Larkin, Matthew Leither, Mark Ridgway, and Bob Wostmann.

Absent: Don Etheridge

Also Present: Matthew Creswell – Harbormaster, and Teena Larson – Administrative Officer.

III. Approval of Agenda

MOTION BY MR. RIDGWAY: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

IV. Public Participation on Non-Agenda Items – None

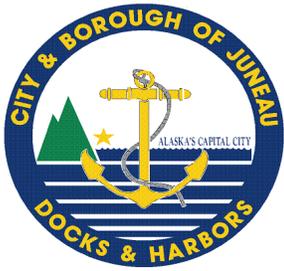
- V. Approval of September 29th, 2021 Finance Sub-Committee Meetings Minutes**
Hearing no objection the September 29th, 2021 meeting minutes were approved as presented.

VI. Unfinished Business

1. Docks & Harbors Rate Setting Policy Statement

Mr. Wostmann said this is the third time this policy statement has been brought to this Committee. It is our intent to forward this to the next Operations Committee. There were a couple of changes and the updated version was sent out to all the members. The changes were:

- In the background section - the starting date was entered where there was xxxx. *Adding CPI to a rate was first done in 2005 as a method for adjusting rates.*
- Under rate adjustment – *each rate based on issues such as changes in the underlying cost structure as well as user demand and changes in the use of facilities or services.* Mr. Wostmann said it used to say changes in the market. This new wording clarifies the intent.
- Rates must be consistent – The last sentence has been added based on the discussion from the last meeting. *Normally CPI changes will be applied starting April 1st and base rate changes either January 1st or July 1st as determined by the Board. Other starting dates may be established by the Board at its discretion.*



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Committee Question

Mr. Larkin recommended to change “recent” in the last sentence in the rate adjustment section to “2020”.

All Committee members agreed to the change.

Public Comment -None

Committee Discussion/Action

MOTION By MR. RIDGWAY: TO RECOMMEND ADVANCING THE RATE SETTING POLICY STATEMENT TO THE OCTOBER 20TH OPERATIONS-PLANNING COMMITTEE FOR CONSIDERATION AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

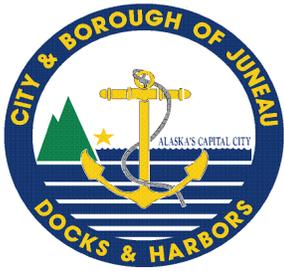
VII. Items for Information/Discussion

1. Docks & Harbors Fee Review & Prioritization

Mr. Wostmann said in the packet is the latest version of the rate overview spreadsheet. From the last meeting it was decided to focus on rates that generate at least \$100,000 of revenue. There is only one rate in the red category that exceeds \$100,000 and that particular rate, CBJ 15.100 passenger vessel fees, Docks & Harbors does not set these rates but are determined through negotiations with CBJ and the cruise industry. Docks & Harbors can recommend changes but they are not in our direct authority. With that rate eliminated, there are no other rates in the red and generating over \$100,000. He proposed to move to the orange category which are the rates changed between 2006 and 2010. He would like to review those rates tonight and come up with a priority list. The changes to the spreadsheet from the last version was staff added a fee change date column. He said there are several rates in the orange section with revenue over \$100,000 that will need prioritization.

Committee Discussion

Mr. Creswell said he would like to have the lightering fee in the red category rate reviewed because based on future projections for lightering and the increase in security required for this activity.



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Mr. Wostmann said he thought this fee was obsolete and asked Mr. Creswell if something changed.

Mr. Creswell said given next year's cruise ship schedule, there will be well over 20 lightering days and every lightering event requires the same security as a cruise ship at the dock and this is very labor intensive. This rate is under CBJAC 15.060.

Mr. Wostmann asked if staff had a recommendation for this fee?

Mr. Creswell said he does not at this time but staff can look into it further and come back with a recommendation at a future meeting.

Mr. Wostmann commented he has no objection to reviewing this rate.

Mr. Ridgway asked if Mr. Creswell knows how the \$600 rate was determined?

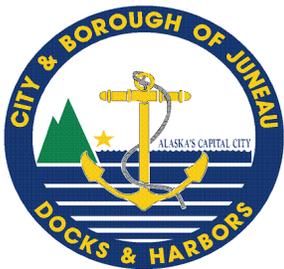
Mr. Creswell said he does not know where that fee came from. When the lightering fee was determined, it was at a time that security was not an issue like it is today.

Mr. Ridgway asked if Mr. Creswell could provide staff hours and the impact on staff for lightering operations? He wanted an estimated staff expense.

Mr. Creswell said he needs to be general due to our facility security plan but it would take two to four staff throughout the duration of their visit and possibly two shifts so it could be eight people. Keeping in mind there could be two other ships at the dock requiring security so there will be a need for a lot of staff.

Mr. Ridgway suggested to have staff look at the broader impacts of the lightering activity with fully burdened rate for staff and other costs that may be associated with this fee. He asked if anyone knew if the intent for this fee was to cover all costs or was the idea to pay for a portion of the staff costs?

Mr. Larkin asked if the \$600 lightering fee was to go for infrastructure or just staff?



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Mr. Creswell said he does not know the background for this fee. He said lightering is not intensive on infrastructure but it is on staffing.

Mr. Wostmann asked if it would make sense to have a different fee structure such as a per passenger rate or hourly rate versus a day rate?

Mr. Creswell said he has no recommendation at this time but wanted to make sure it is reviewed sooner rather than later. He can come back at another meeting with a recommendation.

Mr. Wostmann said this is a rate to review and he asked Mr. Creswell to come back with a recommendation.

Public Comment

Mr. Kirby Day, Juneau, AK

Mr. Day said he believes this fee was initially set for the use of the infrastructure. He does not know if there was any requirement for staffing when this fee was set. He said it was probably just tied to infrastructure and should probably be looked at. In most ports, lightering fees are a flat fee.

Mr. Wostmann asked the Committee members if they agreed to review the orange colored category rates next and how they should be prioritized, oldest or highest dollar value?

Mr. Leither asked with looking at reviewing the rates and hiring a rate consultant, he believes some of the rates in orange are going to be covered by the consultant. Has it been determined what rates will be reviewed by the consultant so the Committee knows what we need to review?

Mr. Ridgway said it may be a year before the rates are really addressed by the consultant. He asked if Mr. Etheridge wanted to review the higher dollar rates and adjust them prior to the study to adjust the deficiency of the rates sooner?

Mr. Wostmann said his intent was to narrow down the number of rates to review initially and have the largest return on our effort.



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Mr. Larkin said his concern is if we adjust rates and push them through and the study comes back under or over the rate change we will need to change them again. He said he recommends to continue working on these rates and get ready to implement, but do not implement anything until we have the report.

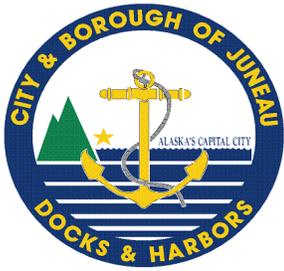
Mr. Ridgway said we are hurting with revenue issues. The lightering rate has not been changed since 2005 and was believed to be set for infrastructure, and did not include staff time. He would not like next season to come and not be generating enough revenue to cover staff time even if the rate study is not complete.

Mr. Wostmann said until we have the rate study, we will not know what a rate will need to be. He said it is our intent to not propose any rate unless we have a solid substantial reason to do so. There are two areas where we could consider an interim rate.

- If there is a clear area of discrepancy in a rate being charged and the services provided brought forward from staff.
- Applying a CPI. This would be on older rates, ten or more years, where the CPI has not been applied. Adding this would be due to increase in cost of living, staffing, and maintenance for the particular user group or service provided. He suggested this would be an interim fee adjustment on fees over ten years old and has not been adjusted by CPI. He recommended to use a retroactive CPI. The CPI from the past ten years is relatively low, about 1.5% per year.

Mr. Ridgway asked if Mr. Wostmann was suggesting to apply the current CPI or a roll back CPI to the time the last change was made?

Mr. Wostmann suggested to go back to the last time the rate was changed or determine a time but more than one year. We need to keep in mind we do not want to make a very large change to a rate. He suggested to go back ten years on rates older than ten years and apply that CPI increase. This could be a 10% increase so maybe the rate needs to be increased over a two to three year time period. Additionally, we need to point out to the user groups this is an interim rate change and that a further rate adjustment might occur when the rate study is completed if it is determined the basic rate was too low for the services.



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Mr. Larkin said he is unsure if the CPI should be applied across all the fees. He asked Mr. Creswell if the employee rates adjust with the CPI? He would not want to set a rate based on an hourly rate and the CPI ends up dropping the rate but we still pay the same for the employee.

Mr. Creswell said almost all the employees doing the security work are represented employees on the same pay scale and the pay scale is negotiated every three years. In those negotiations the yearly increase is set and it changes from year to year.

Mr. Wostmann asked if the negotiated pay scale tracks the CPI?

Mr. Creswell said that may be a fair statement.

Mr. Larkin suggested that if some of these fees are tied to personnel costs, the review would need to be on the same schedule as the personnel wage review.

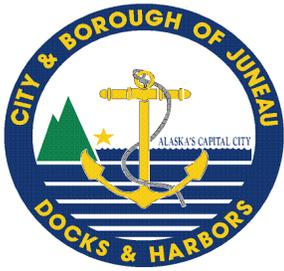
Mr. Wostmann commented that the three year time frame for a fee review could be justified by the wage review every three years.

Mr. Leither said he is apprehensive to ask for a retroactive CPI. He said that will be a hard thing to sell to people. If a new boat owner moves to Juneau, they would have to pay for the last ten years of inaction by the Board.

Mr. Wostmann said in that scenario they would begin by paying a rate less than what should have been if an appropriate CPI was applied. If the increase is significant it would be spread out over two or three years. It will still be less than the fair market value until we can get caught up so they still come out ahead.

Mr. Ridgway asked if some of these rates are tied to the CPI already?

Mr. Wostmann said on the rate overview chart there is a new column added for CPI: Yes or No. The question for the Committee is what can we reasonably recommend for a rate increase? He suggested to look at the rates in the orange category from 2006 to 2010 and see if it would be appropriate to apply a CPI to those rates. The members could look at all



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the rates and if they know a rate should be increased bring it to the attention of the Committee.

Public Comment

Mr. Kirby Day, Juneau, AK

Mr. Day said the cruise industry budgets twelve to eighteen months out. As moving forward, looking at rates every three years would provide a time table, but he just requested to please provide as much advance notice as possible to adjust budgets.

2. Port Director's definition of User Groups

Ms. Larson said the definitions in the packet were provided by Mr. Uchytel and she could answer questions.

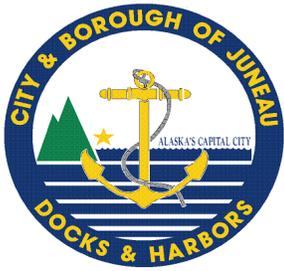
Committee Discussion

Mr. Ridgway asked how the definition was determined in section (f), Commercial Boatyard activity at the Downtown Boatyard and Auke Bay Boatyard? He said they are sub-leasing space so it seems like that would have been discussed. The rents are included in the memo. They charge services for repairs and a daily rate per foot rate for essentially sub-leasing a space they lease from us. He wanted to know if there could be more granularity there. As an enterprise, we lease these facilities out, but do we have any idea what the sub-lessee receives in rent?

Ms. Larson said Mr. Uchytel came up with the user groups and staff does not know what the boatyards charge their customers.

Mr. Ridgway asked if a user group is a sub-lessee of someone we lease to? He said he would get with Mr. Uchytel when he returns. It may be important to identify them.

Mr. Wostmann said most of the commercial leases he deals with has a clause for sub-leasing but he does not know of any primary lease holder required to disclose what they are being paid or financial arrangements made with a sub-lessee. That would be unusual. He said the intent of asking for user group definitions was in the rate setting policy we say we will strive to be equitable between all user groups so this was to define the different user groups. This may be very helpful for the rate study consultant also.



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Mr. Larkin asked if the vendor booth permit \$30,000 is per booth?

Mr. Creswell said it is \$30,000 for the use of three booths.

Public Comment – None

VIII. Sub-Committee Action Items

Mr. Wostmann suggested the Committee members look at the rates overview chart to consider the two proposed interim measures for adjusting rates and be prepared to come back and discuss this at the next meeting. He would like to have some recommendations to act on and move forward.

Mr. Ridgway asked staff to look at the rates and if there is something similar to the lightering fee with a more significant draw on staff to bring that rate to the Finance Sub-Committee to review.

Mr. Wostmann asked Mr. Creswell if he would be able to propose a new lightering rate at the next Finance meeting?

Mr. Creswell said he will be out for the next three weeks so he will need more time.

IX. Good of the Order

Mr. Wostmann said looking at the meeting schedule he suggested to have the Finance Sub-Committee meeting in November on Tuesday the 9th and in December on Tuesday the 7th. He asked to have staff add the meetings to the calendar and re-send to all Board members.

Mr. Creswell said he will bring recommendations for the lightering rate to the November 9th meeting.

X. Next Meeting – October 27th, 2021 @ 5 pm. (Corrected date from what was on the agenda)

XI. Adjournment – The meeting adjourned at 6:07pm