



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

September 29, 2021

Via Zoom

- I. Call to Order** – Mr. Wostmann called the September 29th, 2021 meeting to order at 5:00pm.
- II. Roll Call** - The following members were in the Port Directors Conference room or on zoom meeting - David Larkin, Matthew Leither, Don Etheridge and Bob Wostmann.

Absent: Lacey Derr, James Becker, and Mark Ridgway

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 September 8th, 2021 Finance Sub-Committee Meetings Minutes.

Hearing no objection the September 8th, 2021 meeting minutes were approved as presented.

VI. Items for Information/Discussion

1. Docks & Harbors Rate Setting Policy Statement

Mr. Wostmann said the draft for the rate setting policy is in the packet on page seven. This is on the agenda for discussion. This will go to the Operations/Planning meeting next and to the Board for final approval.

Committee Discussion

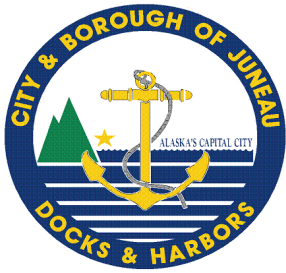
Mr. Larkin asked about the CPI. Is Anchorage the correct CPI to use or is there one more closely related to our economy?

Mr. Wostmann said he has dealt with CPI adjustments in the past and to his knowledge the closest published CPI is the Anchorage based one.

Mr. Uchytel said we could look at the CPI for the whole state. But the only City CPI is Anchorage. This is historically how we have always done it.

Mr. Etheridge said Anchorage is the only city published in Alaska.

Mr. Wostmann said his experience for using this CPI has been adjusting rates for commercial property and Anchorage is the largest community in the state with lots of commercial property which was the closest they could come to. He said to his knowledge the Anchorage CPI is the best available to us.



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Mr. Etheridge said because of the wording put in regulation for the increase amount, it was years before there was an increase, so in the overall picture, we went behind. If we do a CPI adjustment we should not set a minimum on the increase.

Mr. Wostmann commented that one of the ways to approach the CPI would be to have a base year set and each year the increase of the CPI from the base year to the CPI is computed and rounded either up or down and over time you stay even with the CPI. He said it may be appropriate to re-evaluate the base rate every three to five years to see if there is a reason to re-set it.

Mr. Leither asked if before he came on the Board the Board voted to increase the reserved dock space rate?

Mr. Uchytel said yes there was a dockage fee that was voted to increase but on May 24th the Assembly voted to reject that proposal.

Mr. Leither asked in looking at the components of the approach, if we do an equity approach to a fee, people would be paying four times the rate that other people are paying and not receiving four times the amount of services or using four times the amount of resources? He said he wants to make sure we are not eliminating charging a market rate by always trying to be equitable with what we are charging.

Mr. Wostmann asked where this was talked about in the draft?

Mr. Leither said on page seven in the packet under Approach/Components #4 Equity Adjustment.

Mr. Wostmann said in this document one of the things we look at to determine the proper rate should be taken into account is equity or user groups that are comparable in the services they are receiving. We should also take into account market rates and the scarcity of a particular service. On page eight in the packet under #5 Sticker Shock/Rate Adjustment in the second sentence "changes in the underlying cost structure as well as user demand and changes in the market place". He said this could be clarified more with "the demand for use of facility or services" where there is more demand than availability could be a component for setting a rate.

Public Comment –

Mr. Kirby Day, Juneau, AK

Mr. Day commented that when you are setting dockage rates, cruise lines typically budget a year in advance so knowing as far in advance as possible would be helpful.

Mr. Wostmann said the policy statement currently states the base rate will be reviewed no more frequently than every three years and no longer than five years, and in the interim the CPI will apply. This is specifically so the industry has a basis for planning.



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Mr. Wostmann said he will make change in language based on Mr. Leither's comments and bring it back to the Committee for review at the next meeting for final thoughts and comments. If all in agreement it will be forwarded to the Operations Committee and then the full Board.

Mr. Larkin said based on Mr. Day's testimony, and planning ahead for rate changes applies to everyone, maybe we should add something in this document that says when we are going to adjust rates that they will start at the next quarter or a period of time so people have a little time and it does not start right after it is approved at the Assembly.

Mr. Wostmann said the process itself takes at least ninety days. A rate change goes through two meetings of the Finance Sub-Committee, to the Operations Committee, to the Board, to the Board again for the public hearing, and then to the Assembly.

Mr. Larkin said he knows the process but after the Assembly votes to raise the rates, that could take effect in a month, that could be quick for some people. There should be a set time period for the rate to be effective and not just the next billing cycle.

Mr. Etheridge said we could set it so the rate increases happen in January and July.

Mr. Wostmann said the CPI usually was published in February. If it is known we will be using the CPI rate and it is published in February, he thought having the rate effective at the beginning of the season would be enough notice time.

Ms. Larson said the CPI is published in February and the Anchorage CPI has changed to Urban Alaska.

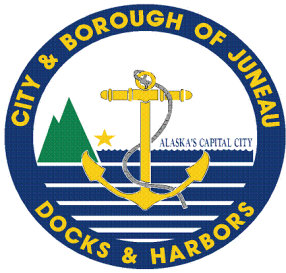
Mr. Wostmann asked if this is now based on all larger urban areas in the state including Fairbanks and Juneau.

Mr. Leither said he just looked it up and it includes Anchorage and the Mat-Su area.

Mr. Wostmann recommended to have a rate change effective April 1st. Typically a CPI change is not that much and it would not be substantial for Industry to take this into account. Every three to five year review we are anticipating could be a more substantial change and the proper way to address when that starts should be decided at that time. As part of publishing a rate change it could also be published when it will apply.

Mr. Uchytel said how it works currently is we do have a CPI adjustment for small boat harbors moorage that takes effect on July 1st. That makes sense because people pay a year in advance and it would be a lot of work for staff to go back and readjust and make a lot of mathematical permutations.

Mr. Wostmann said he is good with having the rate start July 1st.



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2. Docks & Harbors Fee Review & Prioritization

Mr. Uchtyl said on page nine in the packet is a draft matrix. The idea is to review when fees have been changed, how much they provide to the Docks & Harbors enterprises, and the matter of helping this Committee prioritize which fees should be reviewed in what order. He said the Committee could look at the oldest fees, balance that with what fee will have the best rate change for our effort, and the highest return on investment with the time and resources this Committee has. The rates are provided for a calendar year and not a fiscal year. As far of the age of a regulation, the date is from when a regulation was changed last, but it is not always when the rate was changed.

Committee Discussion

Mr. Wostmann asked if staff could go back and change the revised date to the last rate change date. The Committee's focus is to go back and look at the oldest rates to determine the priority.

Mr. Uchtyl said staff can do that.

Mr. Wostmann said the rates to look at first on this document would be red or orange and then go to the revenue generated rates. Green are rates changed from 2016 to current, yellow are 2011-2015, orange are the 2006-2010 time frame, and red is older than 2006. He said he wants to get moving on some of these rates, but on the other hand we need a rate study to provide a better insight on how to adjust the rates and what the base should be. We will not have the results of the study until sometime in the spring. What we could reasonable do in the interim is to look at what rates do not have a CPI adjustment and is it appropriate to apply one, start a discussion on how often a rate needs reviewed whether it would be a more frequent review or a five year review. He asked Mr. Uchtyl if he has a good definition of our user groups?

Mr. Uchtyl said the user groups would be:

- Large Cruise Ships
- Small Cruise Ships
- Commercial Fishermen
- Recreational Small Boat Harbor Users
- Recreational Launch Ramp Users
- Tourism Industry Permittees
- Live-aboards

Mr. Wostmann asked Mr. Uchtyl to provide a memo with the user groups and a definition.



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Mr. Larkin said he likes the document and just wanted to say that reviewing the fees does not always mean it needs to be adjusted. He commented on the reserved moorage waitlist fee that has review in progress. It says this was not looked at since 2005. We can look at it again but it may not need to be changed but just update the review date.

Mr. Wostmann agreed to look at the rates and maybe at a minimum apply the CPI which may not be a large increase but move us in a direction we want to go and have a consistent policy for all rates.

Mr. Leither asked why there is a review in progress for the reserved moorage waitlist fee.

Mr. Uchtyl said at one time the Committee went through several fees and there was a motion to increase the waitlist fee.

Mr. Wostmann said it was reviewed but it has not gone anywhere.

Mr. Leither asked why the reserved moorage fees do not have review in progress?

Mr. Wostmann said that is an oversight and he will fix that.

Mr. Etheridge said the dockage charges are still at the City Managers level waiting for a report from the City Manager to the Assembly. That fee change could still happen.

Mr. Uchtyl said because we have really started over with the fee review, it is probably fair to say no fees are in review or all fees are in review.

Mr. Wostmann said he will work with Mr. Uchtyl to have a more accurate review status because that did not get much attention.

Mr. Wostmann said what can we effectively work on now, and what do we need to wait on for our rate study.

Mr. Etheridge recommended to see what we want from the rate study and not look at all these fees that will just increase the expense of the study. The larger revenue sources need to be put in the rate study. The fees that generate \$2,000 or less would not need to be put in the rate study. He suggested the annual moorage fees, launch ramp fees, and live-aboard fees be put in the rate study.

Mr. Wostmann asked if a cutoff of \$100,000 in revenue be a good place to start?

Mr. Etheridge said yes.

Mr. Leither asked if there was any fee we could not apply the CPI to? This would be outside what the study would provide.



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Mr. Wostmann said it would be almost all the rates but there are a few that we do not actually control the rate. We could go through this today or after updating the status. It might make sense to also add a CPI column with yes or no.

Mr. Etheridge said he agrees to add CPI to our rates that we have control over. He suggested to have a threshold for where we are at for the rate study.

Mr. Wostmann said he is hoping the rate study provides insight into setting the base rate. The CPI can be applied to almost all of our rates regardless of the rate study and we should proceed to do that.

Public Comment –

Mr. Dennis Watson, Juneau, AK

Mr. Watson said he agrees with the Board Chair on the process the Board needs to start with to stay on track.

VII. Sub-Committee Action Items

Mr. Wostmann said he will sit down and refine the rate overview list in the next few days to update the status and create a CPI column and tag all the rates where a CPI is appropriate. After this is updated he will distribute to the Committee members to review and to look at the rows that are red and orange and indicate if you agree that those are the most important rates to start with. The new version of this document including the rate change dates should be distributed prior to the next meeting.

Mr. Uchtyl said he is committed to drafting a memo defining the user groups.

VIII. Good of the Order –

Mr. Uchtyl said he will miss the next meeting on October 13th.

IX. Next Meeting – October 13th, 2021 @ 5pm (corrected to October 13th)

X. Adjournment – The meeting adjourned at 6:01pm.