

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

October 27th, 2021
Via Zoom Meeting

- I. Call to Order** – Mr. Wostmann called the meeting to order at 5:00 pm on October 27th, 2021.
- II. Roll Call** - The following members were in the Port Director’s Conference room or on zoom meeting - David Larkin, Matthew Leither, Mark Ridgway, Don Etheridge and Bob Wostmann)

Absent: Lacey Derr, and James Becker

Also Present: Carl Uchtyl – Port Director, Teena Larson – Administrative Officer, and Nichole Benedict – Administrative Assistant I.

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 October 13th, 2021 Finance Sub-Committee Meetings Minutes**
Hearing no objection, the October 13th, 2021 Meeting Minutes were approved as presented.

VI. Unfinished Business - None

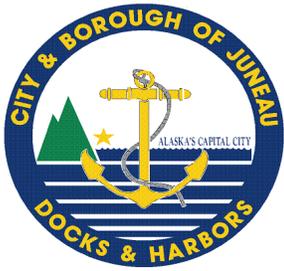
VII. Items for Information/Discussion

1. Docks & Harbors Fee Review (Prioritization & CPI)

Mr. Wostmann said moving forward with the fee review, applying the CPI has two components;

1. Review the orange color rates (old rates) on the chart and determine what rates could have a CPI applied to it and if it would be appropriate to recapture some of the CPI increases that probably could have been applied in past years and were not. (That is where the going back ten years came from).
2. Should we apply a CPI to some of these rates going forward that we currently do not apply the CPI?

He said the Committee is in a position that we cannot clearly define what a rate should eventually be because the approach to that, and all the components of that, is what we hope to get out of the rate study. This Committee should still look at these rates that have



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

not been touched in 10 to 15 years and is there a clear basis to amend the rate without waiting for the results of the rate study.

Committee Discussion

Mr. Etheridge asked for clarification, we are not looking to go retroactive on collection of funds but using the accumulation of past CPI numbers to calculate the current cost.

Mr. Wostmann said he did not understand the difference.

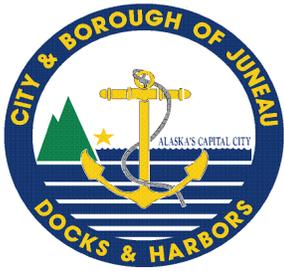
Mr. Etheridge said we are not looking to go retroactive to collect funds.

Mr. Wostmann said that would be correct. Depending on how large of an increase it may be increased by a little for several years to get to the final increase.

Mr. Ridgway said the Alaska.gov has a CPI calculator. You can put in what you currently charge and the date it was last changed and it will give you a rate you should be charging today. He suggested to add a column to the rate review spreadsheet that would auto calculate the rate adjusted by the CPI from the last year it was changed. We could also look into how much money we did not collect over time and how to apply that CPI. The rate study is not going to tell us what we do about not increasing a fee for the past ten years. He said he is not sure if it is fair and reasonable to go back to increase our rates. There could have been a reason the Board did not raise those rates without the CPI increase. We could come up with the amount not collected, but we do not know the reason behind it. He said he suggested to table applying an accumulative CPI and wait for the rate study and do not look at recapturing a previous rate. If the rate study is done correctly, it will consider the operational expense, and how much money we currently have to do recapitalization.

Mr. Wostmann said for clarification on Mr. Ridgway's comments, one approach of adjusting a rate that has not been adjusted for 15 years, decide what a rate would be today if a CPI was applied, take that rate forward with the starting date we decide, and then continue to apply the CPI in the future. The other approach is to apply the CPI today but look at how much money was lost when the CPI was not applied and add an additional increase to recover the lost funds. That would be a problematic approach. They are lost funds, but the burden should not fall on our customers.

Mr. Ridgway said the new rate should not try to capture any lost revenue.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

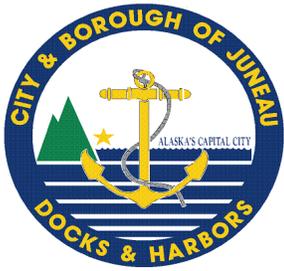
October 27th, 2021
Via Zoom Meeting

Mr. Wostmann commented that we would not go back further than ten years to calculate for today's rate.

Mr. Leither said we are depending on the rate study so much that his concern is that if we have all the fees in the rate study that the study will cost \$100,000 rather than \$40,000 for fewer fees being reviewed. He thought initially the study was going to focus on the contentious fees, and the other fees we would figure out ourselves. That is more complicated because it will be hard to tell when the fees were initially established and what the date and rationale was behind the fee. A lot of the fees we do not know why they were established in the first place. To apply a CPI adjustment of 15% without any actual data behind it is scary to him. He said trying to collect retroactive money is a difficult thing. Adjusting a rate by the CPI is reasonable but we are unsure if the rate is reasonable to begin with.

Mr. Larkin said he can see the rate study as valuable but it is what you choose to review that gives you your rate study. In a rate study he is familiar with, the consultant went out and looked at the most expensive marinas in the area, but not at a marina equivalent to what the rate study was done for. With that, the rates ended up artificially inflated. The other part of this is, the Board is assuming our rates are going to increase, but the study might indicate we are overpriced and our rates need to be decreased. On the CPI, looking at historic increases over the last few years, it tends to be a two to three percent increase per year. Some have been ten to thirteen percent per year. If we use CPI, we may want to put a cap on the CPI increase. Example would be not to exceed a three or four percent increase regardless of the CPI so people do not get sticker shock. He suggested to add a column on the rate review sheet for when a fee was last reviewed. That would restart the clock for the next review time.

Mr. Ridgway said if this is the rate making body, and fees were established by this body in the past, he believes the rates were fair and data based rates at the time they were established. The rate sheet in front of us will be reviewed by a contractor doing our rate study and regardless of any of our rates today, we are going to get a sheet of paper that shows us what they believe our rates should be today. Our discussion to apply the CPI to rates that were changed many years ago is irrelevant because the consultant is going to give a fair and reasonable rate.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

Mr. Wostmann said one of the reasons to apply a CPI is because we do not expect the rate study to be completed in time to affect the 2022 rates. Early on in our discussions of the fees, there was consensus that a CPI should have been applied to most of these rates. In the interim before the rate study is completed, applying the CPI would increase our revenue by a small amount. Once the rate study is complete, that will restart our starting point and a CPI will be added going forward and our rates would be reviewed every three to five years to see if a further adjustment needs to be made.

Mr. Leither asked if it is reasonable to decide what rates are going to be in the rate study and the other ones apply a CPI to?

Mr. Wostmann said that is an approach to take but he suggested to add the CPI to all the rates which would be a small and justifiable rate increase for 2022.

Mr. Etheridge asked Mr. Uchytel to confirm the consultant for the rate study will do a cost based study for our rates?

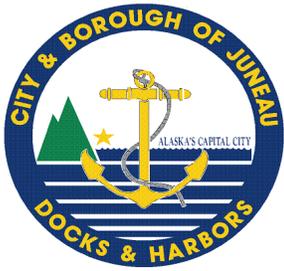
Mr. Uchytel said that is the direction he received was to do a cost based study on some of the Harbor rates and there will be a market based study for the cruise ship dock fees.

Mr. Ridgway suggested to apply the CPI for the interim rate adjustment on all our rates for simplicity until the rate study is completed.

Mr. Wostmann suggested to go back to the last time the rate was set, but put a cap on how far back we go, and apply the CPI to the rate. Does ten years seem appropriate or should it be something else? He also suggested to add another column showing what the CPI is today from the date it was set or if it is more than ten years ago to only go back the ten years. If that rate is too large there can be discussion on the adjustment.

Mr. Leither said his recommendation is to not add the CPI to the rates going to be in the rate study to prevent whiplash with ups and downs and added confusion.

Mr. Wostmann said there could be some criticism but he believes we are going to find the rate study supports substantial increases and we could be faced with getting to the final increase with increases over multiple years.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

Mr. Ridgway commented that he applied a few rates in the CPI calculator and the \$5 passenger fee would raise to \$6, the \$600 lightering fee would raise to \$790, and the \$69 live-aboard fee would raise to \$83.

Mr. Wostmann asked staff to amend the fee review chart with adding the CPI column with the calculated numbers. He wants it calculated on all rates but he will have a discussion at the next meeting whether that is appropriate.

Mr. Ridgway asked if this will be based off last rate review or last rate change date. He said he suggests to use the last rate change date.

Mr. Wostmann recommended that if the change date is longer than ten years to only going back ten years. He asked Mr. Uchytel if staff could have that done for the next meeting?

Mr. Uchytel said yes.

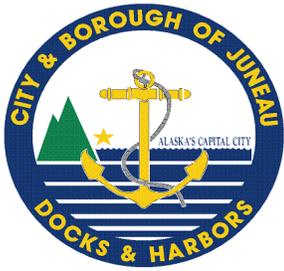
Mr. Leither asked what our budget would look like if we applied the CPI to everything. Would it be worth it to spend \$50,000 on a study if our budget looks good and everyone is happy?

Mr. Wostmann said he is still very much in favor of the rate study. One of the comments heard from our customers is they want justification and documentation for the rate. His expectation of the rate study will enhance their reasons for increasing a rate.

Mr. Leither said some back up on the last live-aboard increase was there was no good data and the price was going to double. Going from \$69 to \$83 might be more palatable. He said he has a fear that the study will only be as good as the data that we can give them and we already know we cannot give them the data because we do not have it. If we are just going to get from a consultant that we need to raise our rates by a certain percent, applying the CPI is a way to do that.

Mr. Wostmann asked Mr. Uchytel to expand on the data staff would be able to supply to the rate study consultant.

Mr. Uchytel said Docks & Harbors has a good engineering staff, we know what our maintenance costs are, and a pretty good idea of future projects that the Board expressed interest in. Even after the report is received, there will still be a lot of work from staff and the Board. He believes what Mr. Leither is getting at is if we already know the rates will



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

need to be increased based on the needs of the Harbor Enterprise just apply the CPI and bypass the consultant fees altogether. Mr. Uchytel said we establish more credibility having a third party consultant evaluate the proposed increases.

Mr. Leither said giving an example when the live-aboard fees were going to increase, no one knew how much the live-aboards were using, water, electricity, garbage, which maintenance fees went specifically into live-aboards, and that goes for the launch ramp also. There was no specific data on the maintenance on a specific launch ramp. He said his concern is that the study is only going to be as good as the data we can give them. If we had good data we could set the rate ourselves and if we do not have good data then it will not be a good study.

Mr. Etheridge commented that we have never made an increase in the last fifteen years that people did not complain and make accusations about the Harbors.

Mr. Ridgway asked if Mr. Leither suggests that an equitable rate for the live-aboards should be based on their usage of water, electricity, garbage, and specific maintenance for them. If that is the thought, that is a ton of work and there may not be all the data. He believes we may need to find out what the other live-aboard rates are and determine that way what our rate needs to be.

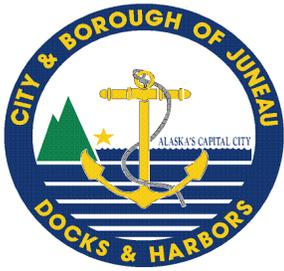
Mr. Leither said his understanding of our goals in our fee setting policy are to make equitable fees and if the live-aboards are responsible for more use, than they should pay more.

Mr. Wostmann said he would like this put on the next agenda. The two requested changes for staff is the CPI adjustment and the last revisited date.

Public Comment -

Mr. Kirby Day, Juneau, AK

Mr. Day said adding the CPI for the 2022 and waiting for the rate study for future year has more credibility to your users than raising it based on ten years of CPI because you did not have it in regulation. This should not necessarily cause everyone's rates to go up on money that was missed. He said we pay a lot of fees based on CPI. He suggested to do a flat CPI increase until the rate study gives a good base. He also suggested to call different ports in Alaska to see what they charge for lightering.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

2. Port Director's definition of User Groups

Mr. Uchytel said in the packet are the user group definitions that was shown at the last Finance meeting. The task he was given was to identify who our user groups are.

Committee Discussion

Mr. Wostmann commented that this will be helpful for the rate study consultant.

Mr. Ridgway asked about the definition of the Commercial Boat Yards. We lease the area for the boat yard operations. A lot of the boaters sub-lease from the boat yard and he was wanting to know if we should be identifying sub-leases of the Commercial Boat Yard as a user group?

Mr. Uchytel said of the two boat yards, the downtown one is a sub-lease. They both have high visibility of Docks & Harbors facilities and a fairly high rent we receive. The intent to break down the user groups was to try to put our different customers into a group to have a more appropriate manner to discuss the fee review.

Mr. Ridgway said going off the first sentence "define user groups that frequent our facilities". We do not have the users of the boat yards defined as a frequent visitor to our facilities. There are hundreds that frequent the boat yards but they are only identified as the Commercial Boat Yard itself.

Mr. Wostmann asked if the lease holders were allow to sub-lease?

Mr. Uchytel said we do not have contractual sub-leases with the two boat yard operators.

Mr. Wostmann asked if one of the two boat yards wanted to sub lease a portion of the facilities to another party does their lease require them to notify us or are they restricted.

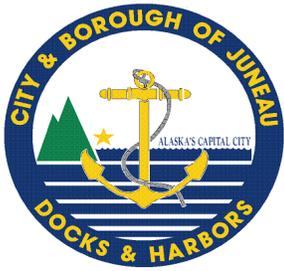
Mr. Uchytel said he does not recall having the authority to sub-lease. We will verify for the next meeting.

Mr. Wostmann said this could be forwarded to the next Operations Committee.

Public Comment - None

3. Harbor Rate Study – Process & Update

Mr. Uchytel said the RFP's are due on November 9th. He is looking to empanel a selection committee with staff and Board members. He will not be on the selection committee.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

October 27th, 2021
Via Zoom Meeting

Committee Discussion – None

Public Comment - None

VIII. Sub-Committee Action Items

Mr. Wostmann said the action item is as soon as staff updates the fee chart with the CPI calculations to send out to the members. The members can look over the changes and come prepared to our next meeting and if possible reach a conclusion on what to recommend to the next Operations Committee meeting.

IX. Good of the Order

The Committee members agreed to set a meeting on November 23rd and December 22nd.

Mr. Uchytel commented the cruise lines receives a memo for the coming season in January on what the fees will be and the Harbor fees start July 1st.

Mr. Wostmann commented that Mr. Creswell will be bringing a proposal for a new lightering fee on November 9th and that should be moved along quickly to the Operations Committee.

X. Next Meeting – Tuesday, November 9th, 2021 @ 5 pm

XI. Adjournment – The Meeting adjourned at 6:25pm.