

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

Wednesday, January 12th, 2022
Via Zoom Meeting

- I. Call to Order:** Mr. Wostmann called the meeting to order at 5:00 p.m. on January 12th, 2022 via zoom meeting.
- II. Roll Call:** The following members were present in the Port Director's Conference Room or via Zoom - Lacey Derr, James Becker, Matthew Leither, Mark Ridgway, Don Etheridge and Bob Wostmann.

Absent: David Larkin

Also present: Carl Uchytel – Port Director, Matthew Creswell – Harbormaster and Teena Larson – Administrative Officer.

- 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 December 22nd, 2021 Finance Sub-Committee Meetings Minutes.**
Hearing no objection, the December 22nd, 2021 Finance Sub-Committee minutes were approved as presented.

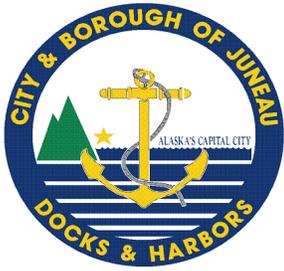
VI. Items for Information/Discussion

1. Budget Cycle Review FY22 & FY23/24 Biennial Budget

Mr. Uchytel asked members to see page seven of the agenda packet. Staff is working on finishing the FY22 budget as well as submitting the biennial budget for FY23 & FY24. He said after consultation with the Finance Department what is presented here tonight will meet the requirement in the City Charter, meaning our revenue will exceed our expenses. As an enterprise we must meet this criteria as well as our bond covenant. Mr. Uchytel went through the budget overview spreadsheet explaining line items for the Docks Enterprise and Harbors Enterprise. Mr. Uchytel is projecting a zero balance budget.

Committee Discussion

Docks Enterprise:



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Mr. Wostmann asked about a few line items with large discrepancies from prior years. His first question was about *Contractual Training* and the large increase from prior years like FY19.

Mr. Uchytel said much of that training has to do with the facilities security training requirements for Mr. Jeremy Norbryhn - Deputy Harbormaster and Mr. Scott Hinton – Port Operations Supervisor.

Ms. Larson said there will also be contractual training for the part-time limited employees. They will all need CPR/First Aid training, flagger training and safety training.

Mr. Wostmann asked about the line item *Repairs*. It took a significant jump from FY19 at \$7,000 to projecting FY22, FY23 and FY24 as high as \$60,000.

Ms. Larson said a lot of that figure was for the lighting on the cruise ship docks. The first repair we had on the CT Dock was over \$30,000 and we have additional repairs expected.

Mr. Wostmann asked about the equipment and if these types of repairs were normal.

Mr. Uchytel said all of the LED lighting along the catwalk has failed and needs to be replaced. The cost is unfortunate, but with the placement right along the water and exposure to winds it is something that can occur.

Mr. Wostmann said lighting is very important, it is just unfortunate it needs to be replaced. He also asked when the lighting was installed.

Mr. Uchytel said it was installed in 2016 and 2017.

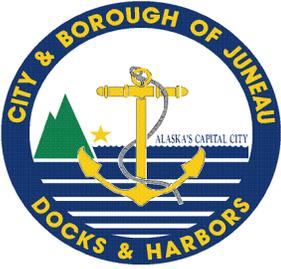
Mr. Wostmann asked about the *Building Maintenance Division Charges* line item. It increased from \$19,000 in FY19 to \$30,000 in FY24.

Ms. Larson said the price is set by CBJ and cannot be changed.

Mr. Wostmann asked for clarification on *Spec & Prop*.

Mr. Uchytel said it was specialty property insurance and the cost has doubled since FY19.

Mr. Wostmann also asked if there was a shift in where we record *All Other Workforce* expenses.



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Mr. Uchtyl said it is for the engineering staff. Their salaries are required to be paid through CIP projects with the exception of about 10% to 15% of their time is attributable to the Docks Enterprise and Harbors Enterprise.

Mr. Wostmann wanted clarification on the *Port Development* fee in FY21 in the amount of \$350,964.

Mr. Uchtyl said it was to get us close to the \$448,500 we normally receive from Marine Passenger Fees that we did not collect in FY20. We received the same amount but it came from through different revenues account to offset the loss.

Harbor Enterprise:

Mr. Uchtyl said the Harbor Enterprise is 50% salaries and 50% commodities and services. We have close to a neutral budget between our revenues and expenditures. We are currently forecasting almost \$240,000 in additional lease expenses for the UAS property. We also have an increase in payroll with the new part-time limited FTE's and the addition of a Harbor Security Officer position.

Mr. Ridgway asked for an explanation in the discrepancies in the *Licenses, Permits and Fees* section.

Mr. Uchtyl said that is where we moved money from the Dock Enterprise to the Harbor Enterprise. The bulk of that was for what we anticipated for the nine Vendor Booth Permits which are \$30,000 each.

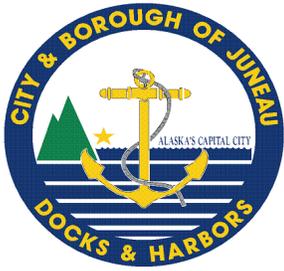
Ms. Larson said last season they did not start until July of 2021, which was FY22. The permits were at a discounted rate, but will be accounted for twice in FY22.

Mr. Leither inquired about the *Rents* line and asked if the significant increase was due to the UAS lease increase.

Mr. Uchtyl confirmed it was significantly higher to show the rental increase for the UAS property.

Mr. Wostmann inquired about the large increase for the *Repairs* line.

Mr. Uchtyl said he looks at the budget like an authorization to spend. It is one of those numbers where we do not know what the future will be. FY21 actuals are at \$124,000 and we have had an austerity program the last few years because of Covid. There is a need to do repairs at the Fisherman's Terminal and at Taku Harbor. He worked with the Harbormaster to come up with the figure here, which also includes



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lighting needs at the Auke Bay Loading Facility. If there is money left over we are able to use it to buy things like the up-and-out rescue ladders. It is a large number but it gives us flexibility to make repairs as needed.

Mr. Wostmann again pointed out the cost doubling for the *Building Maintenance Division Charges*.

Mr. Uchytel explained there was a policy change within CBJ on the process. In FY19 we paid CBJ \$30,000 for a maintenance contract, but we also paid a fee anytime we made a call-out. The new guidance gives us unrestricted use up to a certain level. Once we reach that level we move into an extraordinary costs section. This is a non-negotiable fee, but in the long-term we will get more for our money.

Mr. Creswell said we used to be charged for services, but now they have gone to full cost allocation and look at two or three years previous to forecast the next two years. As we get new facilities and our old ones get older there is bound to be an increase in the maintenance needs and costs. The more maintenance we do in-house the lower this CBJ fee will be going forward. The other nice aspect of this change is when a large cost is incurred it does not come out of our budget immediately, it gives us time to budget for it accordingly.

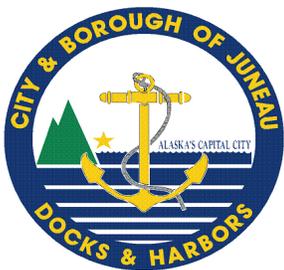
Mr. Wostmann wanted to go over the *Fleet Replacement Reserve* line.

Ms. Larson said it was required throughout all of CBJ to be able to pay for all anticipated fleet needs for ten years. We were not able to meet that so they asked us to increase our contribution.

Mr. Wostmann asked if our equipment was not lasting for ten years, or if there was another reason we were not meeting past contributions.

Ms. Larson said she thinks our equipment has actually been lasting longer than projected but we have big needs coming up with a loader, a boat and several other things.

Mr. Creswell said CBJ requires all of our major equipment to be on a fleet replacement reserve and have the funding in place. We have been lucky to recapitalize, with the exception of a couple vehicles most equipment is six to eight years old. He is hopeful when it comes to a loader or boat we can apply for a grant to cover the cost, but we still need to have that listed and the funding in place.



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Mr. Leither asked about the *Bank Card Fees*, and why it costs \$80,000 per year.

Mr. Wostmann explained they are the fees charged by the credit card processor. He said he was interested in a discount for receiving cash or check, or maybe we could pass that charge on to the customer so we do not need to budget it as an expense. He explained CBJ has contracts with the credit card processor and we cannot change the company.

Public Comment – None

2. Regulation Changes – Consumer Price Index (CPI)

Mr. Uchtyl said the Law Department has indicated a willingness to advance CPI adjustments to multiple rates at once.

Committee Discussion

Mr. Ridgway asked if it would be last year's CPI added to these rates if it passes. He also wanted to know what date the CPI would change the rate.

Mr. Uchtyl said most of the moorage fees are tied to our fiscal year. Typically the 1st of July is when our moorage rates increase that already have a CPI adjustment included in the regulation. He would like to discuss with Law to clarify the date for cruise ship fee adjustments. Every year in January we communicate with the cruise ship industry and Mr. Kirby Day and give them the rates. He agreed with Mr. Ridgway that we need to write it into regulation so it will be for an entire cruise season and not a fiscal year.

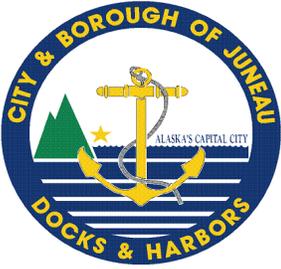
Mr. Wostmann asked if staff has a preference on the date to change the cruise ship fees. Whether it should be like the others at the beginning of the fiscal year, or the tourist season on May 1st.

Ms. Larson said she thinks moorage is fine changing July 1st. She liked Mr. Uchtyl's suggestion about the cruise industries CPI adjustment on May 1st.

Mr. Ridgway asked about the struck-out language regarding rounding to the nearest cent. He was curious if anyone saw a source of complication with the current wording.

Mr. Uchtyl said he worked with Law trying to be as consistent as possible for all the fees so there is predictability.

Public Comment



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Mr. Kirby Day – Juneau, Alaska

He said the industry deals with this in a variety of ways all over the world. For instance, Hawaii's season is from October to March. He thinks it would be beneficial to have one fee per cruise season. It is not impossible to have it change in July, but it would be much simpler to have a standard fee for the entire season. The industry usually budgets a year out and completes their budgets in June.

3. Harbor Rate Study - Update

Mr. Uchtyl met with HDR and we are close to executing a contract. We have discussed the order of their work and if there will be interviews ahead of the document reviews.

Committee Discussion

Mr. Leither spoke about how this has been moving along with the different committees and he thought there would be a vote on it at some point. He remembered Mr. Uchtyl said in previous meetings that a vote was not needed for him to proceed, but he thought a vote would be done anyway.

Mr. Uchtyl said he could bring it to the Operations/Planning Committee next week if that is the will of the Board.

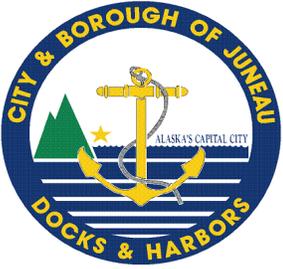
Mr. Wostmann said he would feel more comfortable with one last quick look at it. He also thought the final decision to move it to the Operations/Planning Committee should be up to the Chair, Mr. Ridgway.

Mr. Ridgway asked for clarification from Mr. Leither on what he was requesting. Does he want an Operations/Planning Committee vote to award the contract?

Mr. Wostmann said he wanted it clearly understood that the vote would not be for negotiations of the contract, only an up or down, yes or no vote to award the contract. If a member had a significant issue with what is proposed they could address it.

Mr. Ridgway said if Mr. Leither really needed to see it, but he has faith in staff and said staff has been doing things like this for a very long time. He said Mr. Uchtyl can put it on the agenda if he would like, but please be brief. Mr. Ridgway said he personally does not feel it is needed. If Mr. Wostmann and Mr. Leither need further assurance that is fine.

Mr. Wostmann said he has no doubt Mr. Uchtyl has done a good job of negotiating the contract. He feels a final review by the authority is always a good idea, although,



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he does not feel that strongly about this. If members here tonight disagree and feel we should go ahead without putting it forward he was fine with that too.

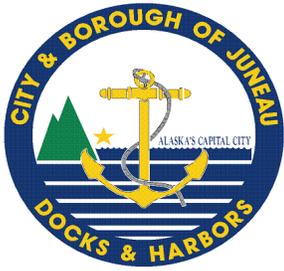
Mr. Etheridge said we already set the maximum fee that can be charged. He does not understand what we would be looking at to approve. Are we trying to vote on the methods the consultant uses?

Mr. Leither said throughout this process he feels he has asked several times at what time does this become final. He keeps hearing once we advance it out of committee, we will then have a final chance to take a look at things. Now it seems things are done and he isn't sure when or how that happened. He is afraid the study will tell us to increase the rates by 6% across the board, and we do not need a study to do that at the cost of \$50,000. He would be happy to vote for this if there was data proving it was worth the expense. Mr. Leither would also like to see sample work and multiple explanations for why rate increases would be needed.

Mr. Ridgway said the first mention of a rate study was over a year ago. We were looking at financial darkness and realizing we have not raised rates in many years, some had not changed in over a decade. He does not want to slow this process down but it might be a legitimate step to take. He asked Mr. Leither what type of motion he was hoping for if this went to the Operations/Planning Committee, and finally the Full Board. He remembers speaking about the scope of work over many meetings and even voting on that for the study. We also approved the funding for the study as a group. He is not 100% sure what the motion would be.

Mr. Leither said the motion he sees as needed is approving the consultant and seeing the contract that Mr. Uchytel has created. He needs to see the consultant is taking it in a very detail oriented way to feel comfortable voting for it. He wants to see an exact reason for increasing or decreasing fees. He would like to see if they are truly the best company. He never saw the selected company's proposal.

Mr. Wostmann said there was a solicitation to all of the Board members to see if they would like to be a part of the selection committee and participate in the evaluation process. The evaluation team did just that by listening to the approach they would take and about what type of data they would collect. He said Mr. Leither's concerns were not presented to this committee, but they were addressed. He is not opposed to a final review but they did approve an RFP, which gave the approval for Mr. Uchytel to go ahead with the rate study. As a matter of fact, he was specifically directed to do so. He feels the Board would be pushing the envelope to ask for further review.



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Mr. Leither said he remembers the meeting with the RFP and is frustrated he did not get the answers he was looking for. He kept asking what is next, and is this the end. The answer he received was, “we advanced it, and then we can look at it later”. Then we could approve the budget set aside for this. He was out of town for a meeting and might feel better if he could get a sample of the consultant’s work.

Mr. Wostmann said due to the way Mr. Leither feels, and the confusion, we should put this on the agenda for the next Operations/Planning Committee. This would give Mr. Leither or any other member a chance to voice concerns. The only option with the motion would be to vote it up or down. Once the Port Director is given instructions to proceed and negotiate the contract that is the time for members to voice concerns. He does not think it should become policy for the members to second guess the director every time we have a contract.

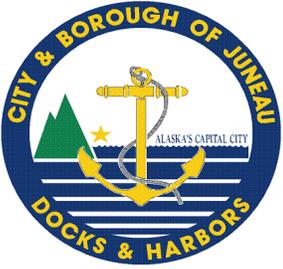
Mr. Etheridge agreed and said every member had the opportunity to sit in on that selection committee and only two did. He feels everyone did an excellent job on the interviews. We did not just accept their written responses but also did an oral interview on the final two. We spent a lot of hours with staff going through the interviews and paperwork. He feels we are now trying to pull the rug out from underneath Mr. Uchytel. We gave him the okay to negotiate the contract. His recommendation is for Mr. Leither to get together with Mr. Uchytel so Mr. Leither can state his concerns and ask questions.

Mr. Ridgway said it is fine if we add this to the Operations/Planning Committee agenda. We can then take a roll-call vote on awarding the contract. He wants Mr. Leither to speak with Mr. Uchytel and get his answers. He feels this rate study will go through especially with all the work that has gone into it so far.

Mr. Leither said he is not trying to denigrate the work that has gone into this rate study thus far. He is frustrated with the process and is happy with a vote at the next Operations/Planning Committee meeting. He asked if he was able to get a sample of the work given by this company.

Mr. Uchytel said he did not want a copy of the proposals released prior to the selection committee making a decision. We can now make all three proposals available to members.

Mr. Leither said he only wants to review the work of the company that was selected by the committee.



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Mr. Uchtyl said part of hiring professional services is a trust that once you interview them, evaluating them against their peers, you make the best choice you can and have confidence they will perform.

Public Comment – None

4. Proposal – Statter Harbor Moorage Fee Surcharge – **Cancelled due to time constraints. Will be moved to the next Finance Sub-Committee meeting agenda.**

VII. Sub-Committee Action Items

To read Mr. Leither's proposal on the Statter Harbor Moorage Fee Surcharge ahead of next week's meeting.

VIII. Good of the Order - None

IX. Next Meeting – January 26th, 2022

X. Adjournment – The meeting adjourned at 6:29 p.m.