

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

For Thursday, September 17, 2009

I. Call to Order.

Chairman Kueffner called the Finance Committee meeting to order at 4:56 p.m. in the CBJ Assembly Chambers.

II. Roll Call.

The following members were present: Mr. Etheridge, Mr. Fisk, Mr. Jardell, Ms. Jebe, Mr. Kueffner, Mr. Mehrkens and Mr. Preston.

Also in attendance were the following: Mr. Stone-Port Director and Mr. McLeod – Docks and Harbors Administrative Officer.

III. Approval of Agenda.

MOTION by Mr. Jardell: ASK UNANIMOUS CONSENT TO APPROVE THE AGENDA AS PRESENTED.

The motion passed without objection.

IV. Public Participation on Non-Agenda Items.

There was no public participation.

V. Approval of Previous Meeting Minutes

MOTION by Ms. Jebe: ASK UNANIMOUS CONSENT TO APPROVE THE AUGUST 13, 2009 FINANCE COMMITTEE MEETING MINUTES AS PRESENTED.

The motion passed without objection.

VI. Items for Action.

1. Discussion of Wharfage Fees.

Mr. McLeod said he would like to open the discussion and seek guidance from the Committee on the topic of freight or wharfage fees and whether to impose such at the Auke Bay Loading Facility. He surveyed other Harbors such as Ketchikan, Petersburg, Sitka and Homer and found that only Homer has an active charge of \$4.62 per ton for fish and \$14.00 per ton for all other freight. Port Management feels that at the very least we should charge 5 cents per gallon for the dispensing of fuel from the facility.

Mr. Fisk said that similar loading takes place at the downtown crane dock so any wharfage fees should apply at both facilities.

FINANCE COMMITTEE MEETING MINUTES

September 17, 2009

Page 2

VI. Items for Action (cont'd).

Mr. Jardell said he would like to know the potential range of income a wharfage fee would bring.

Mr. McLeod said at this point, we have no idea what is going to come across the dock at the new loading facility.

Mr. Fisk asked if there was currently any charge for using the new facility.

Mr. Stone said we are currently charging \$90 per hour for loading at the landing craft freight ramp.

Mr. Fisk asked if the wharfage fee would be in addition to the hourly loading fee.

Mr. Stone said we could charge either or both. One of the concerns is that we are in direct competition with Mr. Gitkov's facility next door and he does have a fee. Mike Erickson has also mentioned that we should have at least a minimal charge for poundage coming across the dock. People are also fueling their vessels at the facility and this is competing with the Deharts Harbor Fuel Dock where we receive \$.05 cents per gallon sold.

Mr. Kueffner asked if charging by the pound would require some kind of weigh station.

Mr. Stone said we would just rely on self reporting by customer.

Mr. Preston mentioned that he was concerned that the purpose of the new facility was to encourage local fishermen to unload locally and hopefully bring back some who have left Juneau to use other facilities. He does not want to chase them off by charging more fees. He suggested a minimal tonnage fee might be best.

Mr. Jardell suggested postponing the wharfage fee for a year to review what is actually being loaded at the facility.

Mr. Mehrkens mentioned that the Harbor Board had agreed to lower the lease rate on the Gitkov lease in anticipation of the new loading facility competing with his business.

Mr. Fisk said we did originally plan to have a system of fees and charges at the loading facility. He thought it was reasonable to charge something otherwise the facility may be taken for granted. He asked what the charge was for just tying up at the dock.

Mr. Stone said the fee for tying up at the loading facility is the normal daily moorage rate of \$.48 cents per foot. If patrons have paid monthly or annual moorage already, there is no charge for tying up at the dock up to a maximum of four hours.

Mr. Mehrkens said he did not like the idea of self reporting of tonnage by patrons. He suggested looking at the cost for administration and data collection. He thought we should defiantly charge a comparable fee to that at the Dehart's Fuel Dock for fuel loading.

CBJ DOCKS & HARBORS BOARD
FINANCE COMMITTEE MEETING MINUTES

September 17, 2009

Page 3

VI. Items for Action (cont'd).

Mr. Etheridge said we need to consider maintenance cost for the new facility and how we are going to pay for them.

Mr. Mehrkens said he watched an entire barge load up with gravel from the landing craft loading ramp. There were heavy duty dump trucks going up and down the ramp and we are going to see some wear and tear that we did not anticipate at the facility.

Mr. Fisk suggested having a workshop where we asked the fishing community what they feel is reasonable to charge for the facility use.

MOTION by Mr. Preston: ASK UNANIMOUS CONSENT TO AMEND THE FEE REGULATIONS BY ADDING A WHARFAGE FEE FOR LOADING AT THE AUKE BAY LOADING FACILITY, WITH FEE AMOUNT TO BE DEVELOPED BY THE FINANCE COMMITTEE WITH TWO TO THREE PUBLIC MEETINGS, AND FINAL ACTION TO BE TAKEN AT THE DECEMBER HARBOR BOARD MEETING.

The motion passed without objection.

2. Discussion of Horan Appraisal at Auke Bay Commercial Loading Facility.

Mr. Stone said one of the last things we need to do for completion of the Auke Bay Loading Facility is to obtain an easement from the Alaska Glacier Seafood Company for filling up against their retaining wall when we built the facility. We have asked Mr. Horan to establish the value of the easement. He determined that value of the perpetual easement and associated land was \$340,000.00.

Mr. Erickson, owner of Alaska Glacier Seafood Company, would prefer to lease some additional uplands from us in exchange for the easement. We have concluded that 58 ft. of property between the Loading Facility and the Alaska Glacier Seafood Company could be leased to Mr. Erickson.

We have asked Mr. Horan to appraise the value of the property as a lease rental credit. He provided this value in the appraisal also and he estimated that \$340,000.00 would be equal to about a 36 year rental lease credit. The 36 years is our standard lease term. Mr. Stone recommended leasing the property to Mr. Erickson because that portion of the uplands is not highly usable to us. The extra uplands will allow Alaska Glacier Seafood Company to expand their business and increase the incoming fish tax which comes back to us.

Mr. Stone recommended that the Finance Committee request the Harbor Board approve the attached easement and lease for uplands with the following conditions:

1. The leased premises shall consist of the area shown in Exhibit A.
2. The lease term shall be for 35 years with a renewal option for another 35 years.

CBJ DOCKS & HARBORS BOARD
FINANCE COMMITTEE MEETING MINUTES

September 17, 2009

Page 4

VI. Items for Action (cont'd).

3. Lease rent for the initial 35 year term shall be offset by the granting of a perpetual Easement on the property shown in Exhibit B. Lease rent for the renewal period shall be in accordance with CBJ Lease Ordinance.
4. The lease shall contain all of the standard terms and conditions set out in CBJ Lease Ordinance.
5. Prior to making any physical improvements on the leased premises, the lessee shall obtain approval from the Docks and Harbors Board.
6. The lessee shall install a fence or other physical barrier between the leased premises and the Auke Bay Loading Facility.
7. The lessee is responsible for moving and/or relocating and utilities on the leased premises in accordance with applicable codes and must obtain the approval of the Docks and Harbors Board prior to moving or relocating a utility.

Mr. Fisk excused himself from discussion of this item.

Mr. Preston asked if the appraisal had gone to the CBJ Legal Department or if the the Finance Committee was the first place it was being presented.

Mr. Stone said the appraisal had not gone to the Legal Department yet but they are aware that we are looking at leases in that area.

Mr. Mehrkens said he thought filling against Glacier Seafood Company's retaining wall was actually a benefit to them because the wall was failing and now it is being held up by the fill. He also asked what the lease rate would be minus the construction cost for the area of the proposed lease.

Mr. Stone said the appraisal of the proposed lease land was \$362,790.00. This value is based on our actual construction costs at \$45 per square ft. An estimated interest rate of 8% is being used to calculate indicated annual rent. He also said that was included in the appraisal of the easement, Mr. Horan was giving Glacier Seafood Company credit for Docks and Harbors avoiding the cost of having to build a retaining wall.

Mr. Mehrkens said he was concerned about how the public would view this proposal. He wondered if we could have spared some expense by not building right up to Alaska Glacier Seafoods retaining wall. The extra fill appears to be surplus land.

Mr. Stone said it wouldn't have made sense not to fill all the way up to the Alaska Glacier Seafood Company building and just leave a rubble pile in between.

FINANCE COMMITTEE MEETING MINUTES

September 17, 2009

Page 5

VI. Items for Action (cont'd).

Mr. Mehrkens said it looks like we did extra fill just to lease the land back to Glacier Seafoods in exchange for an easement. He was concerned about how the situation would appear to the public.

Mr. Jardell said he would like more information about what we did when extending the fill, what we had to do and how that decision was made. He said he did not feel comfortable making a decision on how to go forward on this item.

Ms. Jebe said she did not clearly understand some of the figures in the appraisal.

Mr. Kueffner asked if Mr. Horan could come in or call in to the next meeting and further explain the appraisal.

Mr. Stone said that he believed there was an assumption made in the appraisal that both the lease land and the easement value would increase over time.

Mr. Mehrkens said when you buy an easement, there is usually a one time cost. We would be leasing the land back at a fixed cost and our regulation requires us to do a lease with five year updates.

Mr. Jardell asked if the public was notified that these lands were available for lease prior to having the appraisal done. He suggested having the CBJ Legal Department take a look at the proposal and make sure we can enter into this kind of deal.

Mr. Mehrkens agreed with Mr. Jardell and said this proposal would be more palatable to the public if we can show fair market value for both the easement and the proposed lease land.

Mr. Preston clarified the request for additional uplands has been an ongoing discussion with Alaska Glacier Seafoods even prior to building the Loading Facility and has been of public record.

Mr. Stone said he would have Mr. Horan call in for questions at the next Finance Committee Meeting.

VII. Items for information/Discussion.

1. Docks and Harbors Revenue Report.

Mr. McLeod provided graphs of the following for review:

Docks revenues by month by fiscal year.

Docks revenues cumulative by fiscal year.

CBJ DOCKS & HARBORS BOARD
FINANCE COMMITTEE MEETING MINUTES

September 17, 2009

Page 6

VII. Items for information/Discussion (cont'd).

Harbors revenues by month by fiscal year.

There was a brief discussion of the Revenue Reports among the Committee Members.

Mr. Mehrkens said the revenues are up from last year.

Ms. Jebe asked why the Statter Harbor parking is down from last year.

Mr. McLeod said we have not yet recorded credit card charges for paid parking from the new parking meter in Statter Harbor. The charges just started processing the first part of September.

Ms. Jebe asked about the passenger for hire per passenger fees. It did not appear that we had any income for this year.

Mr. Kueffner said he appreciated the new format of the revenue report.

VIII. Staff & Member Reports.

There was none.

IX. Committee Administrative Matters.

The next Finance Committee Meeting will be held on Thursday, October 15, 2009.

X. Adjournment.

MOTION: by Mr. Fisk: ASK UNANIMOUS CONSENT TO ADJOURN THE FINANCE COMMITTEE MEETING.

The motion passed with objection.

The meeting was adjourned at 6:04 p.m.