



City and Borough of Juneau  
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DATE: January 26, 2021  
 TO: Chair Triem and Assembly Finance Committee  
 FROM: Rorie Watt, City Manager  
 RE: Draft FY22 Passenger Fee Proposal

This memo discusses my proposal for the expenditure of passenger fees (CBJ \$5 Marine Passenger Fee, \$3 Port Development Fee and \$5 State Commercial Passenger Vessel Fee).

This proposal is made in accordance with the MOA that was reached with CLIA in March of 2019 and is designed to provide services and solve community issues related to cruise ship tourism.

The cruise tourism industry holds a consensus view that sailings will resume to Southeast Alaska in the summer of 2021. This view is challenged by a number of factors including the CDC Framework for a Conditional Sailing Order, the ongoing closure of Canadian ports, and the technical implications of the Jones Act. Those factors introduce significant uncertainty.

In spite of that significant uncertainty, discussions with cruise tourism industry representatives indicate a reduced cruise season that starts late and ramps up later in the summer. Signals from the industry point to a visitation number on the order of 500,000 and 750,000 cruise visitors in 2021. For the purposes of budgeting, staff consensus best guess on a forecast points to 550,000 visitors this summer, with up to 100,000 visitors in May/June and 450,000 visitors in Jul/Aug/Sept. This forecast may or may not be conservative and is based on the overall concept that vaccination, testing, and therapeutic treatments will continue to improve. At this time and partially based on pent up demand, it appears that the cruise industry could make a strong return in the summer of 2022.

Here is how that forecast for visitation translates to passenger fee revenue in FY21 and FY22:

			<b>PAX</b>	<b>MPF</b>	<b>PDF</b>	<b>State CPV*</b>	<b>Total</b>
CY2020 Jul/Aug/Sept	FY2021		0	\$ -	\$ -		\$ -
CY2021 May/June	FY2021		100,000	\$ 500,000	\$ 300,000		\$ 900,000
CY2021 Jul/Aug/Sept	FY2022		450,000	\$ 2,250,000	\$ 1,350,000		\$ 4,050,000
CY2022 April/May/June	FY2022		500,000	\$ 2,500,000	\$ 1,500,000	\$ 2,750,000	\$ 7,250,000
CY2022 Jul/Aug/Sept	FY2023		800,000	\$ 4,000,000	\$ 2,400,000		\$ 7,200,000

*\*State CPV receipts remitted to CBJ approximately eight months after they are received*

**FY21 Passenger Fee Total \$ 900,000**  
**FY22 Passenger Fee Total \$ 11,300,000**

The FY21 Adopted Budget forecasts \$2.7 million of total passenger fees, which is considerably higher than the \$900,000 now forecast for the remainder of FY21. Likely, after the necessary FY21 expenditures, the two passenger fee funds will have deficit/negative fund balances. These negative balances could be self-corrected by surplus passenger fee receipts in FY22.

At this time and out of an abundance of caution, I propose that CBJ budget to expend passenger fees in FY22 only on items that are necessary to accommodate and welcome the passengers anticipated. If projections change, the budget can be adjusted.

	<b>Direct Cost</b>	<b>Overhead*</b>	<b>Total</b>
<b>Debt Service: Juneau Cruise Terminal Docks</b>	2,093,600		<b>2,093,600</b>
<b>CBJ Municipal Services</b>			
Ambulance/EMS Support	842,300	69,300	<b>911,600</b>
Police Support	883,300	72,700	<b>956,000</b>
Seawalk, Open Space and Restroom Maintenance	405,500	33,400	<b>438,900</b>
Street Cleaning/Repair	215,000	17,700	<b>232,700</b>
D&H- Port Management & Landscaping	315,000	25,900	<b>340,900</b>
D&H- Port Customs Office Bldg Maint	133,500	11,000	<b>144,500</b>
<b>Third-Party Visitor Services by Assembly Grant</b>			
Travel Juneau - Crossing Guards	363,400		<b>363,400</b>
Travel Juneau - Visitor Information Services	150,000		<b>150,000</b>
DBA - Downtown Security Program	67,000		<b>67,000</b>
TBMP - Best Management Practices Support	15,000		<b>15,000</b>
Franklin Dock Enterprises (Security, Restrooms)	170,000		<b>170,000</b>
AJ Juneau Dock, LLC (Security, Restrooms)	179,800		<b>179,800</b>
<b>Total Proposed FY22 Passenger Fee Expenditures</b>	<b>5,833,400</b>	<b>230,000</b>	<b>6,063,400</b>

*\*Proportional allocation of CBJ overhead costs for management, administration, finance, and legal support*

Passenger fee funding for all CBJ municipal services and the related overhead is calculated by a third-party cost allocation consultant (Matrix Consulting) in compliance with applicable federal standards and industry best practices.