

Fiscal Challenges

Though the Docks & Harbors enterprise maintains nearly \$250M in assets, the FY24 fund balances are only \$1.5M and \$1.25M, respectively. The HDR report recommended the annual amount required to maintain D&H facilities in a state of good repair is to increase the fund balance by \$1.9M per year.

Costs Drivers

- Broadly speaking, Harbor Enterprise fees are unchanged since 2008.
- Cruise Ship fees have not changed since 2005.
- Insurance - Our cooperative CBJ Insurance share amount increased from \$138K in FY22 to \$426K in FY23.
- UAS Lease - Rent to the University increased from \$12K per year to >\$100K in June 2023.
- Personnel Cost - 2022 USCG unfunded security mandates resulted in an additional \$300K in staffing per season.

2023 Board Action & Plans

- February - Accepted HDR Report
- April - Hosted community outreach
- May - Proposed 9% Increase
- August - Plan to direct staff to commence 21 day public notice period
- September - Plan to hold Public Hearing
- October - Assembly Action

Rate Study Key Findings

- Based on the replacement reserve analysis conducted through this study, current D&H funding is insufficient to maintain assets in a state of good repair.
- To ensure alignment with the established rate setting principles, D&H's rates should be increased to ensure D&H assets are maintained in a state of good repair. Existing reserve balances are inadequate to maintain these assets.
- The use of the consumer price index for rate indexing should be reassessed. Wage rates, which represent about one half of D&H expenditures, have greatly outpaced CPI over the last decade. The current indexing may be inadequate to keep up with cost pressures.
- Overall Rates are a small fraction of users' overall costs which suggests a 9 percent rate increase could be obtained without any deleterious impacts.

For more information and to provide comments please visit:
www.juneau.org/harbors
HarborBoard@juneau.org



Docks & Harbors Enterprise Funds

Docks & Harbors operates as a CBJ enterprise to the general public and is financed primarily through user fees. No local sales tax or property tax is appropriated on an annual basis in support of harbor or cruise ship dock operations.

Proposed Rate Increase of 9%

Docks & Harbors under the governance of a nine member board of directors is proposing a 9% increase across all fees effective January 2024.

Docks & Harbors fees are set in regulation and changes require Assembly adoption. Broadly speaking fees have not increased in 17 years. Within the Docks Enterprise, 83% of all revenues collected are from cruise ships (> 200 feet) though dockage and port maintenance charges, which haven't been adjusted since 2005. In the Harbors Enterprise approximately half of all revenues are from small boat moorage. Though small boat moorage fees have been subject to an annual CPI adjustment since 2008, the regulation up until 2022 required a rounding up to the nearest nickel. In the ten years prior to 2022 (2012-21), the annual Urban Alaska CPI was only 1.65% which resulted in many years of no inflation adjustment because the \$0.05 threshold was not met. Challenges imposed by the pandemic, subsequent inflation and declining fund balances, led Docks & Harbors to hire a consultant to evaluate our financial health. January 2022, a contract was awarded to HDR-Alaska for a comprehensive rate study, to include the fees associated with cruise ships. That study validated our observations that our rates have not kept pace with the economic influences and that the harbor patrons served are not generally willing to accept less facilities or reduction in services. The Board has considered the results and concurs to take the necessary actions to raise fees 9% in both the Docks Enterprise and Harbor Enterprise operations. If enacted, the proposed rates would be effective in January 2024.

Managing Infrastructure.

Docks & Harbors oversees nearly \$250M in facilities and in the past dozen years has completed \$200M in capital projects. The inventory includes:

- ◆ **Small Board Harbors**
 - Mike Pusich Douglas Harbor
 - Harris Harbor
 - Aurora Harbor
 - Don D. Statter Harbor
- ◆ **Launch Ramp Facilities**
 - Douglas Harbor
 - North Douglas
 - Harris Harbor
 - Statter Harbor Launch Ramp
 - Amalga Harbor
 - Echo Cove
- ◆ **Cruise Ship Docks**
 - Alaska Steamship (AS Dock)
 - Cruise Ship Terminal (CT Dock)
 - Inside Cruise Ship Terminal (ICT)
 - Port Field Office Float (PFO)
- ◆ **Other Floats**
 - Taku Harbor
 - Intermediate Vessel Float (IVF)
 - National Guard Dock
 - Seadrome Dock (reservations only)
 - Taku Dock (licensed to Taku Smokeries)
 - Wayside Park Fishing Float
- ◆ **Other Facilities**
 - Auke Bay Marine Station
 - Auke Bay Loading Facility
 - Juneau Fisheries Terminal (leased)

The geographic diversity of our harbor assets (from Echo Cove to Taku Harbor) result in high annual operating costs, perhaps highest in the state. In serving patrons throughout Juneau, Docks & Harbors maintains four offices: Port Office, Port Field Office, Aurora Harbor Office & Statter Harbor Office.



The Docks & Harbors Board (HarborBoard@juneau.org) will continue to solicit comments from the public throughout the 2023 summer. A public hearing is anticipated in September. The hearing date, time and modes of participation will be posted in a requisite notice.