



MEMORANDUM

DATE: February 21, 2024

TO: Assembly Finance Committee

FROM: Alexandra Pierce, Tourism Manager

SUBJECT: Marine Passenger Fee Philosophy

This memo provides an overview of the passenger fee process as well as staff's current philosophy behind passenger fee allocations and our strategic plan for the future. There are three components to what we collectively refer to as "passenger fees": CBJ's \$5 Marine Passenger Fee and \$3 Port Development Fee and the State \$5 Commercial Passenger Vessel Excise Tax (CPV). This is actually a \$34.50 tax, of which Juneau receives a \$5 allocation. Not all ports collect passenger fees, but the first seven ports of call for a ship over 250 passengers receive \$5 in State CPV.

All ports fund tourism infrastructure through a combination of passenger and port fees. When we talk about passenger fees, we tend to lump all these pots of money together, but both the lawsuit and public process focus on MPF only. CBJ's ordinance requires staff to solicit for MPF suggestions in December and then put the proposed budget out for public review before it goes to the Assembly for adoption along with the Manager's budget.

The cruise industry holds a consensus view that Southeast Alaska visitor numbers will stay flat between 2023 and 2025, largely as a result of Juneau's five ship limit. The scheduled lower berth capacity is estimated to be 1.65 million visitors for the summer 2024 season.

Using Passenger Fees under the settlement agreement

The use of Marine Passenger Fees is outlined in the Tonnage Clause of the US Constitution. Essentially the expenditure of fees must support the vessel. Our settlement agreement with CLIA allows us to expend fees to support and provide services to passengers.

Under the settlement agreement, fee usage is dependent on proximity to the ship and determined by a mapped area. We are able to use passenger fees in Zone A for services and infrastructure. In Zone B, we are required to discuss passenger fee usage at an annual meeting with CLIA. Projects outside Zone B are also subject to consultation with CLIA.

The settlement agreement requires us to meet annually to "discuss in good-faith any new proposed projects and services for which Fees are sought to be expended in the following Fiscal Year with the ultimate decision resting with the Assembly." We have agreed to settle disputes over expenditures of fees through direct discussions, escalating to non-binding mediation before resorting to mitigation. This meeting took place on January 8.

Funding

Here is how that forecast for visitation translates to passenger fee revenue in FY24 and FY25:

		PAX	MPF	PDF	State CPV*	Total
CY2023 Jul/Aug/Sept	FY2024	990,000	\$ 4,950,000	\$ 2,970,000	\$ 8,250,000	\$ 16,170,000
CY2024 April/May/June	FY2024	660,000	\$ 3,300,000	\$ 1,980,000		\$ 5,280,000
CY2024 Jul/Aug/Sept	FY2025	990,000	\$ 4,950,000	\$ 2,970,000	\$ 8,250,000	\$ 16,170,000
CY2025 April/May/June	FY2025	660,000	\$ 3,300,000	\$ 1,980,000		\$ 5,280,000

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

FY24 Passenger Fee Total \$ 21,450,000

FY25 Passenger Fee Total \$ 21,450,000

The absent 2020 cruise season and slow 2021 season still incurred operating and debt service expenses. As a result, we carried a negative fund balance of \$3.2 million into FY23. This was eliminated in FY24 and we will carry a positive fund balance into FY25.

The below chart lists the projects that staff is proposing to fund for FY25. A compilation of all requests received is included in attachments B and C.

	Direct Cost	Overhead	Total
Debt Service: Juneau Cruise Terminal Docks	\$ 2,026,600	\$ -	\$ 2,026,600
CBJ Municipal Services			
Police Support	\$ 1,067,600	\$ 12,300	\$ 1,079,900
Ambulance/EMS Support	\$ 656,700	\$ 7,600	\$ 664,300
Seawalk, Open Space and Restroom Maintenance	\$ 831,500	\$ 9,600	\$ 841,100
Street Cleaning/Repair	\$ 339,200	\$ 3,900	\$ 343,100
D&H - Port Management	\$ 275,000	\$ 3,200	\$ 278,200
D&H - Port Customs Office Building Maintenance	\$ 142,000	\$ 1,600	\$ 143,600
D&H - Access Control Security	\$ 300,000	\$ 3,500	\$ 303,500
Tourism Management	\$ 342,400	\$ 3,900	\$ 346,300
Total City Services	\$ 3,954,400	\$ 45,600	\$ 4,000,000
Third-Party Visitor Services by Assembly Grant			
Travel Juneau - Visitor services program	\$ 171,000	\$ -	\$ 171,000
Travel Juneau - Crossing guard program	\$ 358,800	\$ -	\$ 358,800
Tourism Best Management Practices (TBMP)	\$ 44,200	\$ -	\$ 44,200
Downtown Business Association	\$ 90,000	\$ -	\$ 90,000
JEDC - Mobile Data Purchase	\$ 100,000	\$ -	\$ 100,000
AJ Dock - Access Control Security	\$ 150,000	\$ -	\$ 150,000
AJ Dock - Restroom Maintenance	\$ 30,000	\$ -	\$ 30,000
Franklin Dock - Access Control Security	\$ 150,000	\$ -	\$ 150,000
Franklin Dock - Restroom Maintenance	\$ 30,000	\$ -	\$ 30,000
Total 3rd Party Services	\$ 1,124,000	\$ -	\$ 1,124,000
Capital Investments			
Shore Power	\$ 5,000,000	\$ -	\$ 5,000,000
Overstreet Park and Canoe Statue Lighting		\$ -	\$ -
Downtown Bearproof Garbage Cans	\$ 100,000	\$ -	\$ 100,000
NOAA - Blubber Cortisol Study	\$ 160,000	\$ -	\$ 160,000
NOAA - Statter Harbor Signage	\$ 25,000	\$ -	\$ 25,000
Marine Park Improvements	\$ 2,000,000	\$ -	\$ 2,000,000
Triangle Project (Claw Back)	\$ 1,000,000	\$ -	\$ 1,000,000
Capital Transit	\$ 1,000,000	\$ -	\$ 1,000,000
Warner's Wharf Beautification	\$ 200,000	\$ -	\$ 200,000
Public Wi-Fi	\$ 1,000,000	\$ -	\$ 1,000,000
Archipelago Museum	\$ 500,000	\$ -	\$ 500,000
Revolving Loan Program	\$ 1,000,000	\$ -	\$ 1,000,000
Total Capital Investments	\$ 11,985,000	\$ -	\$ 11,985,000
Total Proposed FY24 Passenger Fee Expenditures	\$19,090,000	\$ 45,600	\$19,135,600

Using Passenger Fees:

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. Third-party visitor services are funded based on the settlement agreement and on discussions with CLIA as described therein.

Capital Investments:

Shore Power: staff is recommending \$5 million for shore power. This money may be used to purchase transformers for the 16B docks or may be used as a match for a grant.

NOAA: the blubber cortisol study will use baseline data collected during COVID to assess the effects of boat traffic on whales. NOAA has also requested funding for interpretive signage at Statter Harbor.

Marine Park: we completed design of the Marine Park renovation this summer. This funds construction.

Overstreet Lighting: Parks & Rec has a project planned to improve lighting along the Overstreet Park Seawalk. The artist who built the canoe sculpture put in a request to light the sculpture; this can be incorporated into the existing Parks & Rec project.

Capital Transit: there are two requests for bus service. One to formalize and fund what Capital Transit is currently doing and enhance service to the Valley. This request is included in the budget before the Committee. The second request is for a downtown circulator pilot project. The Circulator Study was before PWFC on January 29. Staff has reserved enough money to fund the circulator in fund balance pending Assembly adoption of the Study and direction on implementation.

Triangle Project: this is a passenger fee funded project that was completed using General Funds during the pandemic. The "claw back" makes the general fund whole.

Warner's Wharf: this is a simple beautification and upgrade project for the Warner's Wharf alleyway. Warner's Wharf (next to Pier 49) is a key connection to the Seawalk.

Public Wi-fi: we received many complaints about the issues with internet service with cruise ships in town. Wi-fi throughout downtown is an effort to address those issues and take some of the load off our local network. There is still work to do with the providers, but this is something that CBJ can do quickly to address the problem.

Waterfront Museum: under the current plan, the museum would include public restrooms and some visitor amenities.

Revolving Loan Program: this program would establish a low interest loan for tourism operators to invest in cleaner energy equipment. Examples include low emission bus or boat engine conversions. CBJ successfully implemented a similar program in the early 2000s to convert to quieter float plane engines. This project reimagines that program to help tour operators adopt cleaner technologies. The loans would be administered by JEDC.

Seawalk: staff will likely approach the Assembly with a debt financing package for the Seawalk in the coming months. This provides additional funding for design.

Attachments:

Attachment A – Passenger Fee Infrastructure Needs FY24-28

Attachment B – Combined Passenger Fee Requests Table

Attachment C – Consolidated FY25 Passenger Fee Requests

Attachment D – Memorandum of Agreement (Amendment 1) – settlement agreement between CBJ and cruise lines

Attachment E – Maritime Industry Zones map