



DOCKS AND HARBORS OPERATIONS/PLANNING MEETING AGENDA

May 17, 2023 at 5:00 PM

City Hall Conf. Room 224/Zoom Webinar

<https://juneau.zoom.us> or 1-253-215-8782 Webinar ID: 871 6670 9967 Passcode: 069340

- A. CALL TO ORDER: (5:00pm in CBJ Room 224 and Via Zoom)**
- B. ROLL CALL: (James Becker, Don Etheridge, Paul Grant, Debbie Hart, David Larkin, Matthew Leither, Annetter Smith, and Mark Ridgway).**
- C. PORT DIRECTOR REQUESTS FOR AGENDA CHANGES**
MOTION: TO APPROVE THE AGENDA AS PRESENTED OR AMENDED.
- D. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS** (not to exceed five minutes per person, or twenty minutes total time)
- E. APPROVAL OF MINUTES**
 - 1. April 20th, 2023 Minutes
- F. UNFINISHED BUSINESS**
 - 2. Harbor Rate Increase - Next Steps
 - Presentation by the Port Director
 - Committee Questions
 - Public Comment
 - Committee Discussion/Action
 - MOTION: TBD
- G. NEW BUSINESS**
 - 3. Aurora Harbor Phase IV Funding Strategy
 - Presentation by the Port Director
 - Committee Questions
 - Public Comment
 - Committee/Discussion/Action
 - MOTION: TBD
- H. ITEMS FOR INFORMATION/DISCUSSION**
 - 4. Harris Harbor Gate - Update
 - Presentation by the Port Engineer
 - Committee Discussion/Public Comment
 - 5. UAS Property/Boatyard Status - Update
 - Presentation by the Port Director
 - Committee Discussion/Public Comment

6. Board Recruitment Efforts

Presentation by the Port Director

Committee Discussion/Public Comment

I. STAFF, COMMITTEE AND MEMBER REPORTS

J. COMMITTEE ADMINISTRATIVE MATTERS

Next Operations/Planning Committee Meeting - Wednesday, June 21st, 2023.

K. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.org.

**CBJ DOCKS & HARBORS BOARD
OPERATIONS/PLANNING COMMITTEE MEETING MINUTES**

Thursday, April 20th, 2023
CBJ Room 224 and Via Zoom

A. Call to Order: Mr. Ridgway called the meeting to order at 5:02pm in CBJ Room 224.

B. Roll Call : The following members attended in CBJ Room 224 or via zoom - James Becker, Paul Grant, David Larkin, Matthew Leither, and Mark Ridgway.

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

Absent: Don Etheridge, Debbie Hart, and Annette Smith.

C. Port Director requests for Agenda changes

MOTION By MR. BECKER: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

D. Public Participation on Non-Agenda Items -None

E. Approval of Minutes

1. March 22nd, 2023 minutes

Hearing no objection, the March 22nd, 2023 minutes were approved as presented.

F. Unfinished Business

2. Hansen-Gress Property Purchase & Sales Agreement

Mr. Uchytel said previously the Board approved the appraisal for this property and the purchase and sales agreement will need to go through the Board. He recently found out the sales agreement does not need to go through the Assembly. The purchase and sales agreement on page fifteen in the packet has been drafted by CBJ Law. The purchase price is \$118,510. It has the right of first refusal requested from the Board in case the City wants to buy this property back in the future.

Committee Questions

Mr. Grant asked if the Board has any authority to speak on this sale with the sale agreement being between the City and Borough of Juneau and Hansen Gress. He asked who holds the title for this property?

Mr. Uchytel said the City does, Docks & Harbors just manages it.

Mr. Grant said he has a problem with approving an agreement that is selling something someone else owns.

Mr. Uchytel said the Assembly has already approved the appraisal and the sale of the property, just not the agreement yet.

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Mr. Grant asked if this has been approved by Hansen Gress?

Mr. Uchytel said they have not reviewed it yet.

Mr. Ridgway asked if it would be too onerous to set boundary conditions under the right of first refusal that the price be set using the same appraisal methodology and consistent with what was used to come up with this price.

Mr. Uchytel said the area we are selling is the least value of land in the whole parcel. If fifty years from now Hansen Gress wants to sell and receive an offer, they would need to notify CBJ of that offer and allow CBJ to purchase it at that offer price. He is not sure if adding the language about using the same appraisal methodology would protect us any more than the right of first refusal current wording in fifty years from now.

Mr. Ridgway asked why is he using fifty years and not one year.

Mr. Uchytel said the premise of all this work is that Jeremy Hansen and Tyler Gress is to fix up an aging building for their use for the foreseeable future. It will be more than one year.

Mr. Grant asked if CBJ Law had thought about making this a right of first offer rather than a right of first refusal? If they decide to sell, they need to give the City an opportunity to make the first offer which would open up negotiations with us as opposed to someone else making an offer and CBJ would need to match that offer.

Mr. Uchytel said the Board specifically asked for a “Right of First Refusal” in the agreement and that is what he asked CBJ Law to use.

Mr. Grant commented that he thought the intent for this is to make sure CBJ can get this back if they decide to sell. He is not sure if it is best to have the “Right of First Refusal” or “Right of First Offer” and he wanted staff to ask CBJ Law.

Public Comment - None

Committee Discussion/Action

Mr. Ridgway suggested to explore Mr. Grant’s question with CBJ Law about the “Right of First Offer”. There will be a need for a motion tonight to forward this to the Board. He would like staff to ask if we can also add the condition of “can we explore boundary conditions” or is that appropriate? He said this is City land and the zoning was conducive to the original owner building their building across two lots, and now we are faced with a problem where we are judiciously disposing of waterfront property.

Mr. Uchytel said he will ask CBJ Law.

MOTION By MR. BECKER: TO ACCEPT THE HANSEN-GRESS DRAFT PROPERTY PSA AS PRESENTED AND SEND TO THE FULL BOARD.

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Mr. Grant objected – He would like to add, SUBJECT TO STAFF’S REVIEW OF “RIGHT OF FIRST OFFER” AND APPRAISAL CONDITIONS. He does not want this to go to the Board as a final document until he hears what CBJ Law said on this.

Mr. Larkin asked for more clarification on the “Right of First Refusal”, and “Right of First Offer”. The “Right of First Refusal”, we would have a chance to purchase the property at that offered rate, or a higher price first. The “Right of First Offer” we can make an offer, but they can still go to someone else that offers higher and sell to them. How does the difference affect us?

Mr. Grant said in the “Right of First Offer” they are obligated to negotiate with us to the point we are unable to reach an agreement on price. It seems to make more sense in terms of negotiations with the seller.

Roll Call Vote –

Yay – Matt Leither, David Larkin, Mark Ridgway, Jim Becker, and Paul Grant.

Mr. Grant read the whole motion as amended -

**MOTION: TO ACCEPT THE HANSEN – GRESS DRAFT PROPERTY PSA
SUBJECT TO STAFF’S REVIEW OF “RIGHT OF FIRST OFFER” AND APPRAISAL
CONDITIONS AND ASK UNANIMOUS CONSENT.**

Motion passed.

G. New Business

3. Local Match - PIDP (Port Infrastructure Development Program) Grant for Aurora Harbor Drive Down Float

Mr. Uchtyl said on page 23 of the packet is a preliminary design for the PIDP grant application. This application is for a Small Port-Small Project. With the property issues with the University, he believes using a location on CBJ property will have a better chance for this grant. What is shown in the plan is a \$11.25M project for a drive down float which is the maximum ask for this grant. There is no required match, but he has been told that some match is better than none. Comments received from a MARAD representative is that offering 20% or less would be the most competitive. If a 20% match is not feasible for the community to address in detail why. If there is some amount that can be used as a match to put that amount in the application and to state the obvious. On page 25 in the packet are some options where a smaller match could come from. He noted we only have \$1.25M in the Harbor fund balance. He talked about the Auke Bay Wave Attenuator match need, and the Board may want to add more security type projects for the downtown harbors security needs. He said he added to the packet letters of support for the Drive Down Float project starting on page 27 in the packet. Also in the packet is a cost analysis put together by Rain Coast Data. Our BCA is much higher than with past project applications. Using CBJ property and making a smaller project, our BCA greatly improves.

Committee Questions

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Mr. Grant asked how this interplays with possible future scenarios with the University. What if in three or four years the University wants to sell the property to us.

Mr. Uchytel said when he had PND move forward with this design, he wanted them to do no harm to the University property. With this design, we could still come back and do what was previously designed for the University property.

Mr. Grant asked if the University property is on the table in three or four years, do we want to keep the money that would be used on this for the University property purchase.

Mr. Uchytel said the Infrastructure Improvements Jobs Act (IIJA) put \$1T into infrastructure projects and that is what is funding the MARAD and the PIDP projects now. Three or four years from now, we may not have a change to go back and get any money

Mr. Ridgway commented in regards to the design, he is concerned with the sharp corner and has witnessed difficulty turning at the Auke Bay Loading Facility in the past.

Mr. Uchytel said we are applying for a grant and not doing final design. He does not see any other place a drive down float will fit on the CBJ property with road access and easily available without large infrastructure investments. If we want a drive-down float, this is the only logical location. There may be room for alterations to this design but we are limited to \$11.25M project.

Mr. Becker commented that he would like to work on the design more.

Mr. Uchytel said the grant application is due next week. If the Board says they do not want to do this, that is fine. He is prepared to submit a grant application and be competitive. After we get the grant, we can work more on the final design.

Mr. Ridgway asked if the grant looks unfavorable to changing the design that was submitted in the application?

Mr. Uchytel said he believes there is latitude to go from a conceptual design to a final design.

Mr. Ridgway asked what is staff recommendation for a match?

Mr. Uchytel said he does not have an amount. We have \$1.25M in the Harbor Fund, we need \$1.5M match for the Auke Bay Wave attenuator, and the Board has indicated the need for more security projects in the downtown harbors. He suggested not less than \$500,000 and explain the other needs in the grant. If we are not successful, we could try again next year with a higher match amount.

There was more discussion on how much should be used for a match.

Public Comment - None

Committee Discussion/Action

Mr. Ridgway suggested to use \$637K as a match based on his review of available funds.

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Mr. Uchytel commented that this is due April 28th and because there are contractors involved with this application, he would not like this changed after this meeting. This will be put on the consent agenda for the Board meeting next week.

Mr. Grant said he was going to suggest \$500,000.

MOTION By MR. GRANT: TO COMMIT \$500,000 AS LOCAL MATCH FOR THE MARAD PIDP GRANT APPLICATION FOR AN AURORA HARBOR DRIVE DOWN FLOAT AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

4. Bid Award - Aurora Harbor Rebuild Phase III (Contract # DH-015)

Mr. Uchytel said staff opened bids last Wednesday, and there were two bidders. We do not have enough money in the CIP to even award the base bid at this time. Staff is in the process of transferring money from our fund balance to this CIP. This transfer takes two Assembly meetings. The Assembly introduced this on Monday and final action will be on May 8th. At the May 8th meeting the Assembly can also award the low bid to Trucano Construction. Mr. Uchytel showed on page 68 in the packet what the base bid will buy. Mr. Uchytel provided other options but suggested to move forward with the base bid award.

Committee Questions

Mr. Ridgway commented that Mr. Uchytel is suggesting to take what we can get, and build what we can.

Mr. Grant asked if the T-float on the end can not be added, can we build a couple more slips?

Mr. Uchytel said once the bids have been open, this is a take it or leave it bid. We do not have any money for anything more than the base bid.

Public Comment - None

Committee Discussion/Action

MOTION By MR. BECKER: TO RECOMMEND AURORA HARBOR PHASE III BID AWARD TO TRUCANO CONSTRUCTION COMPANY FOR \$4,269,650 AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

H. Items for Information/Discussion

5. ADEC Certificate of No Exposure (CNE) – Auke Bay Loading Facility

Mr. Creswell said in the packet on 69 & 70 is the Auke Bay Loading Facility uses. From last week, Gastineau Guiding has removed their request to pressure wash. This was brought back to this meeting at the request of the Chair. On page 69 is the certificate of non-exposure from DEC which allows for minor maintenance. That is also backed up

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with a letter from me to DEC. In the packet on page 70 is a SOP for what is allowed at the ABLF, what is required for the minor maintenance, and it is all performed by reservation only. Mr. Creswell went over the SOP which has been prior practice and is now in writing.

Committee Discussion-

Mr. Becker asked if the conflict at the ABLF has been resolved?

Mr. Creswell said this is a solution and it does not allow pressure washing.

Mr. Grant suggested to change in #7 – remove “capable”.

Mr. Ridgway said he did not see anywhere that is prohibits fuel transfer. Item #4 add “protective tarp” and after immediately add “documented”.

Mr. Creswell said there is some fuel transfers allowed at the ABLF but only in certain areas.

Mr. Ridgway recommended to put in more detail what is and is not allowed in regards to fuel transfer.

Mr. Uchtyl also pointed out that having the word “capable” may be the word needed so they are capable but not locked.

Mr. Ridgway commented that we own the property and can dictate the rules. Moving forward, if something is not working, change the SOP. He suggested to add in item #5 after the pressure washing prohibited to add “or any activity creating debris”. He is offering potential edits but relies on staff for the final decision. Item #7 add “send an email attesting the tank is empty and when it will be removed”.

Mr. Larkin recommended in item #6, shipping containers location will be identified by Harbor staff. This allows for our staff to tell where the containers need to be placed.

Mr. Creswell said we do that currently.

Public Comment – None

6. UA/UAS Property Lease

Mr. Uchtyl said we have reached an agreement with the University for an annual lease rent of \$100,000 with CBJ providing considerations for specific services. In waiting to receive a new lease from UAS, UAS is asking if CBJ would object to an extension of the existing lease with a new rent amount and requirements. He asked CBJ Law and they have no objection to this. We could see some lease terms at the next Board meeting to review. He will brief the Assembly Finance Committee at the budget presentation meeting. Regarding the sub-lease for the boatyard operator, the direction from CBJ Law is that we can continue to lease that property to Harri’s Commercial Marine with the extension without an open competition for a new boat yard operator.

Committee Questions –

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Mr. Grant asked if there is going to be substantial costs that need to be factored in for what Docks & Harbors will be contributing in order to keep the rent at \$100K?

Mr. Uchytel said he has been trying to get that information from UAS.

Mr. Grant asked if UAS is going to propose to Docks & Harbors what additional add-ons they want.

Mr. Uchytel said that is correct.

Mr. Becker asked about the Travel Lift? He said it is in bad shape and has been for three years.

Mr. Uchytel said the Travel Lift is owned by UAS and is to be maintained by the Boatyard operator. He is unsure what course of action is to come for the Travel Lift. He asked why Harri's has not done repairs for three years if it has been in bad shape?

Mr. Ridgway asked what Mr. Uchytel thinks this area will look like in 30 years?

Mr. Uchytel said with a new chancellor, he is hopeful UAS will want to sell all or a portion of their property. He does not believe there will be a higher and better use than CBJ's use. We still have the \$2M that the Assembly appropriated for this property. The fair market value was \$2.88M and Docks & Harbors would still need to come up with \$1M.

Public Comment – None

7. Assembly Finance Budget Presentation

Mr. Uchytel said in the packet on page 72 is the Assembly presentation he will present on April 26th. He went through his presentation and pointed out and discussed highlights.

Committee Questions –

Mr. Ridgway said for future reference, he would like to highlight the additional personnel need due to the Coast Guard requirements.

Public Comment - None

I. Member Reports – Mr. Leither commented that Statter Harbor is looking great and thanked Harbor staff.

Mr. Grant reported on the security discussion at the outreach meeting. The patrons talking on this topic were from Douglas Harbor and he did not get the sense that these people were alarmists. He said the Harbormaster commented after the meeting that security measures just moves the problem around from one harbor to the next. He wanted the Board to think about doing security gates at Douglas rather than Harris at this time.

Mr. Uchytel said the reason Harris was chosen, was because there is one entrance and a better connectivity with security cameras. He is reaching out to our term contractor Morris Engineering to ask for a lighting plan solution for Douglas Harbor. One will be

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for a \$50,000 plan and one will be for a \$100,000 plan. It would be easier to implement the gate at Harris and the lighting at Douglas.

Mr. Becker commented that the Douglas patrons got the Board's attention and he wanted to meet with them to talk about this security topic.

Mr. Ridgway suggested to have a document showing Docks & Harbors security plans and it also helps the Board fulfill their duties. He wants people to feel confident that a solution is on the way.

Mr. Becker said the Douglas patrons pointed out that JPD has been called several times and did not even show up and asked Mr. Creswell if that was true?

Mr. Creswell said JPD is under staffed and can only enforce on the areas they are authorized to enforce. Sometimes that means the suspect is questioned and released. He said he has had great response from the police. Mr. Creswell told about an individual arrested and taken to jail who was in Harris untying boats and was caught after a chase.

Mr. Grant asked if an additional security person would be a benefit? He would like staff to bring this back to the Board to think about.

Mr. Ridgway commented that security personnel, gates, and lighting is all we can do.

Mr. Uchytel commented that before he heard from the Douglas patrons he believed Douglas to be a fairly safe Harbor. Part of that was because one of our Harbor Officers lives in Douglas year around. He has heard Sitka has had similar problems with bathrooms like we experienced with the Harris bathrooms. A lot of the homeless people have moved to the Valley now. The Glory Hole is incentivizing cheap housing and has encouraged boat rentals previously.

Mr. Grant commented that the Board needs to get ahead of a potential shooting in our harbors based on what he heard.

Mr. Larkin left the meeting at 6:48pm.

Staff Reports - None

J. Harbormaster Report - None

K. Committee Administrative Matters
Next Operations/Planning Committee Meeting-**Wednesday, May 17th, 2023**

L. Adjournment – The Meeting adjourned at 6:49pm.

Harbor Rate Adjustment
Execution Planning Schedule
PROPOSED

Section F, Item 2.

- ✓ January 13th, 2022 – Docks & Harbors awarded contract to HDR-Alaska, Inc for Harbor & Port Rate Study
- ✓ September 1st, 2022 – Docks & Harbors received final HDR report “Port of Juneau – Docks & Harbors Rate Setting Project”
- ✓ November 17th, 2022 – Docks & Harbors received final briefing from HDR
- ✓ December 7th & 8th, 2022 – Board Retreat offered consensus to increase fees 9% across both the Docks Enterprise and Harbors Enterprise
- ✓ January 18th, 2023 – Operations & Planning Committee discussed next steps to raise rates 9% as an informational item
- ✓ January 26th, 2023 – Regular Board meeting discussed next steps to raise rates 9% as an informational item
- ✓ February 15th, 2023 – Operations & Planning Committee reviewed White Paper – Propose Docks & Harbors Rate Increase. Committee was notified that the 2022 Urban Alaska CPI was 8.1%
- ✓ February 23rd, 2023 – Regular Board asked to affirm by motion: “To accept the findings of the HDR Report and direct Staff to begin a process, with Board engagement to raise fees 9% across the Docks Enterprise and Harbor Enterprise”.
- ✓ March 22nd, 2023 – Staff provides proposed ppt and informational material to Ops Committee
- ✓ April 4th, 2023 – Hold open house at Mendenhall Library to engage public on proposed rate increase
- ✓ April 18th, 2023 – Hold open house at Yacht Club to engage public on proposed rate increase
- May 17th, 2023 - Operations & Planning Committee considers public input and makes recommendation to increase rates on time certain schedule
- May 25th, 2023 – Docks & Harbor Board finalizes execution plan
- August 31th, 2023 – Commence 21-day public notice process to make regulations fee changes
- September 28th, 2023 – Public hearing on regulations to fee changes
- October 23rd, 2023 – Assembly adopts Board recommendations on regulations to fee changes
- January 2024 – First (or only) fee changes goes into effect



Port of Juneau – Docks & Harbors Rate Setting Project

City and Borough of Juneau

September 1, 2022

Executive Summary

The City and Borough of Juneau Docks and Harbors (D&H)¹ contracted HDR Engineering Inc. (HDR) to conduct a study of the D&H enterprise's rate fee structure and on the impact of any potential rate changes to D&H stakeholders.

Key findings include:

- Stakeholders are not likely sensitive to modest changes in rates.
- Based on anecdotal information provided by stakeholders selected by D&H, overall Rates are a small fraction of users' overall costs
- The use of the consumer price index for rate indexing should be re-assessed. Wage rates, which represent about one half of D&H expenditures, have greatly outpaced CPI over the last decade. The current indexation may be inadequate to keep up with cost pressures for D&H.
- 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 magnitude of the required rate increases is dependent on D&H's future capital program for expansion / new assets. The greater the capital requirements, the higher the rate increase.
- Docks and Harbors should maintain a replacement reserve analysis and forward-looking capital plan to determine the degree to which Funds balances and rates are sufficient to deal with ongoing maintenance and future capital investment requirements.
- Future increases would be tied to any needs identified by the ongoing replacement reserve analysis plus reflect any investments in new assets.
- 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.
- The funding gap could be narrowed or eliminated in at least two different ways:
 1. Additional funding from CBJ.
 2. Increasing rates – D&H rates would have to increase about 9 percent to eliminate the gap.
 3. Some combination of the above.
- Overall Rates are a small fraction of users' overall costs which suggests a 9 percent rate increase could be obtained without any deleterious user impacts.

¹ D&H will be used in this report

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Introduction & Purpose

The City and Borough of Juneau Docks and Harbors (D&H) is an Assembly administered Enterprise that serves recreational users, commercial fishers, commercial charter operators, live-aboard vessels, commercial boat yard use, and cruise ship passengers and crews. D&H oversees several harbors and the two downtown cruise berths.

The Docks enterprise oversees the cruise ship terminal docks. The primary stakeholders are the cruise lines that visit Juneau. The Harbors enterprise is responsible for several harbors used by commercial, recreational, and live-aboard vessel owners. These include Douglas Harbor, Harris Harbor, Aurora Harbor, and Statter Harbor. Users at these harbors include recreational vessels, commercial fishing vessels, and live-aboard vessel owners. Charter operators also use Statter Harbor, Auke Bay, and the downtown facilities. Harbor enterprise assets also includes launch ramps for vessels, parking, and other revenue generating assets.

D&H contracted HDR Engineering Inc. (HDR) to conduct a study of D&H Enterprise's rate fee structure. The current rates cover the full range of services, including permits (e.g., loading permits and tour sales permits), dockage, port maintenance, port development, moorage, passenger, and several other fees. D&H receives little support from other sources (e.g., state) so the revenue from these rates needs to cover current operating expenses as well as future capital expenditures. D&H faces a potential revenue shortfall as costs have increased in recent years and assets need to be maintained in a state of good repair in future years. Consequently, D&H will need to explore both mitigating expenditures and augmenting revenues.

As part of this effort, HDR considered both cost-based (i.e., based on costs of providing services) and market-based approaches. The latter includes both looking at market comparable metrics, as well as marked demand-based approaches (e.g., increasing rates in cases where demand outstrips supply). HDR performed the following services.

- Conducted a thorough review of applicable documents related to current tariffs, facilities, users, and D&H budget.
- Facilitated stakeholder outreach to tenants, key stakeholders, and other user groups. Meetings provided insights to sensitivity to rate changes and the potential effects of those changes on usage. Meetings also provided information for later tasks such as the tariff review and proposed harbor rate schedule.
- Review of D&H's current tariff structure with an emphasis on potential pricing anomalies and rates creating potential market distortions.
- Developed a rate methodology for proposed types of adjustments to rates to address revenue objectives to recoup costs (operating and future capital projects to maintain assets in a state of good repair and for any improvements). Per discussions with D&H, HDR was to focus on the largest revenue generating user categories, generally those revenue sources that accounted for about 80 percent of total revenues.
- The rate methodology is founded on a "replacement reserve" type of analysis to identify the level of annual cashflow needed to appropriately maintain D&H's assets to ensure they are maintained in a state of good repair and additional reserves are available for new capital assets.² The details of the analysis are documented in an MS Excel proforma financial model that is provided as a project deliverable. The model can be updated over time to ensure that sufficient reserves are available in the future.

² Based on cost information provided by D&H as opposed to an independent assessment of needs as would be the case in a rigorous replacement reserve analysis.

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D&H Revenues & Expenditures³

Revenues

D&H has revenue streams for each of the Docks Enterprise and Harbor Enterprise. Revenues are not commingled between Docks and Harbors. Revenues for Docks in fiscal year (FY) 2021 was historically low due to COVID and its impact on the cruise line industry worldwide. Juneau is the Southeast Alaska cruise hub and the largest cruise destination for the state. 99% of all cruise visitors in the region visit Juneau compared to 90 percent for Ketchikan.⁴ Historically, revenues have been nearly \$2 million per year, with a positive spike in FY2019. Dock revenue comes from moorage and vessel weight-based charges for cruise ships. Head tax related charges for cruise passengers do not accrue to D&H but rather are received by D&H from CBJ to fund projects and to cover dock related debt service. Cruise related charges for the passenger head tax are lower than that of Ketchikan, the next largest cruise destination.

Revenues for Harbors were nearly \$4.1 million in FY2021 and in the previous five years were between \$4.2 and \$4.6 million. Harbors revenues come from a more diverse set of sources and user groups. The largest sources of revenue by vessel user groups include recreation vessels, commercial fishing, luxury charters, launch ramp users, and the live-aboard community. At about \$1.7 million, recreational vessels are the largest source of revenue by far. Other important user groups include commercial leases, vendor booth permits, and parking.⁵

COVID-19 had a major impact on the distribution of D&H revenues by source. Examining pre-COVID revenues (2019 CY (calendar year)) provides a better picture for rate planning purposes. Revenues derived from recreational vessels and cruise ships accounted for 56.6 percent of total D&H revenues in 2019. Commercial leases are the next largest source at 16.1 percent. More than 80% of D&H revenues are concentrated from recreation vessels, cruise ships, commercial leases, commercial fishing, and vendor booth permits. A myriad of other revenues sources comprises the remaining revenue base.

For the vessel user groups, revenue from moorage fees at the four primary harbors (Statter Harbor, Douglas Harbor, Harris Harbor, and Aurora Harbor) are the largest source of revenues. D&H does not differentiate between user types but does set differential charges for daily, monthly, bi-annual, and annual. One can also pay for reserved space at Statter Harbor. In addition to moorage fees, there is also a residence surcharge for live-aboard users. Launch ramp users pay for either a daily or annual permit and D&H has different rates for recreational and commercial users.

An important issue to note is that there is common usage at many of the harbors thus D&H is not able to differentiate charges by type of user. It is also not certain based on our financial review if costs of providing services (especially at Douglas Harbor, Harris Harbor, and Aurora Harbor) are different at each of the relevant harbors. This would also apply to different ramps used by ramp users.

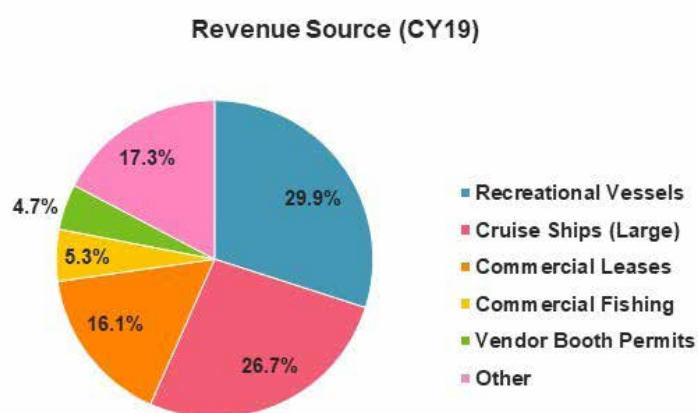


Figure 1. Distribution of CBJ Revenues, 2019 CY

³ Revenue and expenditure data provided by D&H to HDR on December 15, 2021, email attachments "Docks Funds Balance Overview" and Harbor Fund Balance Overview'.

⁴ Economic Impact Report, Cruise Lines International Association – Alaska. <https://akcruise.org/economy/economic-impact-by-region/>

⁵ An October 8, 2021, memo from the Port Director to the Dock and Harbors Finance Sub-Committee (Defining Docks & Harbors User Groups) lists revenues by user groups.

D&H moorage rates for daily and monthly are in general much lower than that from other Alaska port facilities (see [Figure 2](#) and [Figure 3](#)). D&H differentiates moorage rates by facility for monthly (and annual) for downtown harbors versus Auke Bay which is remote.

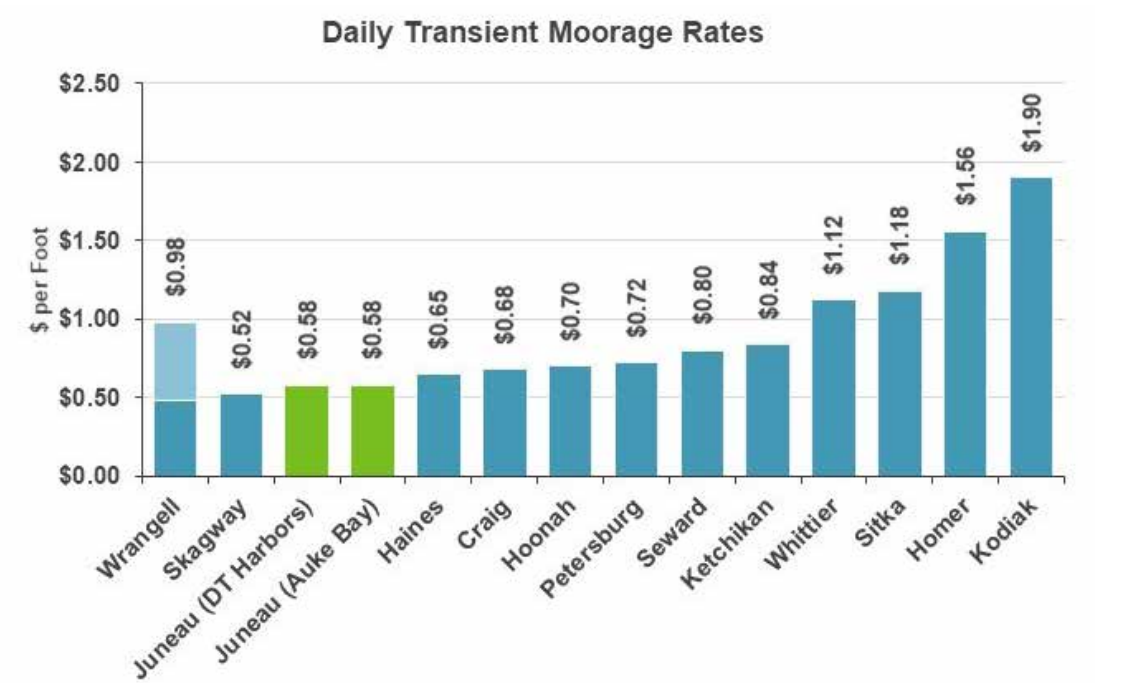


Figure 2. 2020 Comparison of Daily Moorage Rates, dollars per foot, 2020
Light blue area reflects the difference between the pre-paid rates at Wrangell (\$0.48/foot) and the invoiced rates at Wrangell (\$0.98/foot)

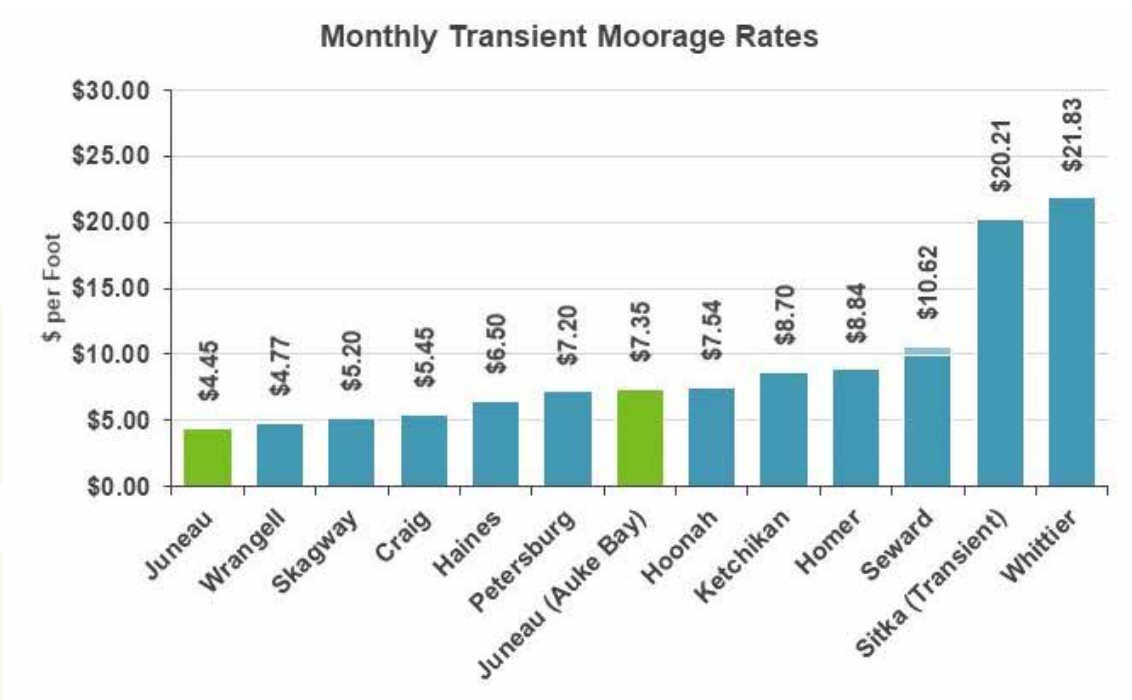


Figure 3. Comparison of Monthly Moorage Rates, dollars per foot, 2020
Light blue area reflects the difference between the reserved rates at Seward (\$9.97/foot) and the transient rates at Seward (\$10.92/foot)

When annual moorage rates are examined, D&H downtown rates are higher than most other facilities, with the exception of Homer, Whittier and D&H’s Auke Bay facility.

In general, about half of D&H moorage revenues for both downtown harbors and Statter Harbor are based on the monthly tariff. For downtown, less than 10 percent of revenues are based on the daily tariff whereas for Statter Harbor, about 27% of revenues are based on the daily tariff.⁶

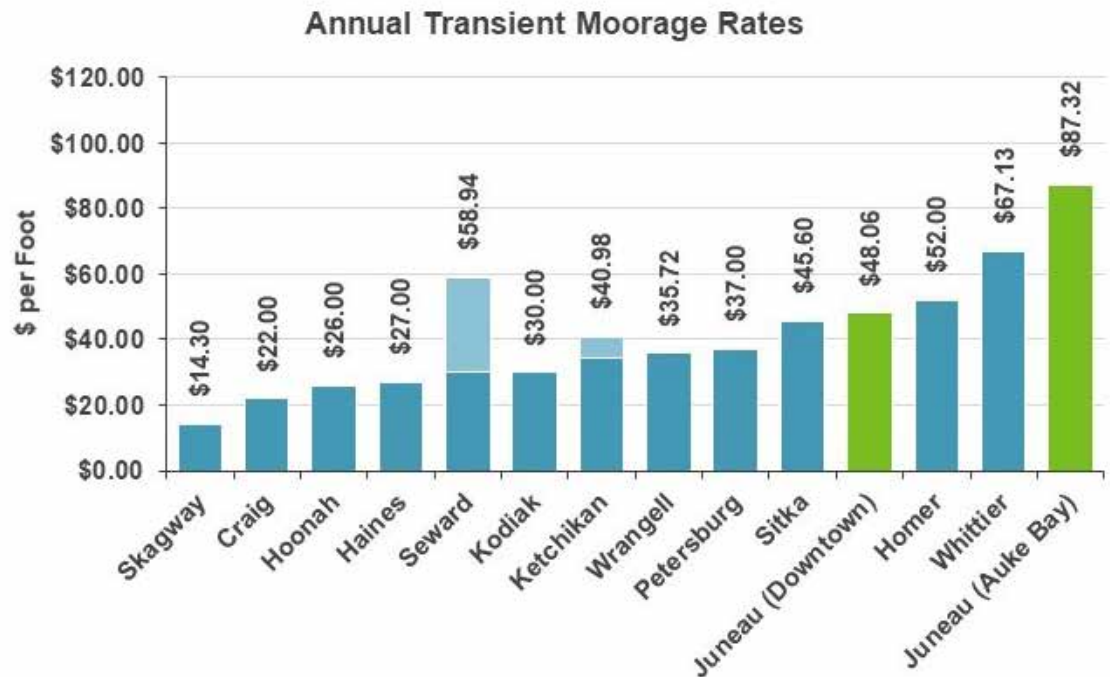


Figure 4. Comparison of Annual Moorage Rates, dollars per foot, 2020
Light blue area for Seward reflects the difference between the reserved rates at Seward (\$26.97/foot) and the transient rates at Seward (\$58.94/foot). Light blue area for Ketchikan reflects the difference between the Inside City rates at Ketchikan (\$34.48/foot) and the Outside City rates at Ketchikan (\$40.98/foot).

Port Expenditures

Use of revenues from Docks and Harbors users is not commingled and goes to providing services and maintaining assets in a state of good repair for each area, respectively.

COVID had a significant negative impact on cruise ship passenger counts which form the basis of revenues for Docks. Pre-COVID, the budgeted expenses for Docks were \$1.95 million and actual expenses were \$1.71 million. In the previous five years actual expenses ranged from about \$1.19 million to about \$1.73 million. While in most years actual expenses were less than budgeted expenses, there was a shortfall in FY 2021. Combined with reduced revenue due to COVID, the Docks funds balance decreased substantially in FY 2021. The FY 2021 fund balance is about \$1.82 million. The Dock Fund balance in 2021 is less than half of 2018 levels due to COVID-19 and capital investments in 2019.

COVID did not have much of an impact on Harbor revenues as most of the user base is local. As noted above, revenues have been steadily increasing from about \$3.4 million in FY 2013 to nearly \$4.6 million in FY 2021. During this time, budgeted expenses have also gone up proportionally with actual expenses increasing somewhat less. Harbors fund balances have also declined materially since 2013, amounting to \$1.4M at the end of FY2021, of which \$791,900 is restricted for debt service. The drawdown in balances mainly relates to capital outlays of about \$7.4M over that time-period. As with Docks, Harbors needs to set aside these funds for future contingencies. Unlike Docks, Harbors serve a wider range of stakeholders. As such, there is a more diverse set of possible issues to deal with in the future.

⁶ Based on 2019 fiscal year data.

D&H needs to set aside these funds for future contingencies. This includes years with poor financial results (2021) and years when D&H incurs additional costs to maintain assets in a state of good repair. As assets age, these expenses can increase exponentially. This is especially so for higher valued assets used for servicing cruise vessels. As such, it is especially important to maintain a robust funds balance to be able to service and replace assets at their scheduled time.

Almost half⁷ of D&H expenditures (excluding capital) are related to personnel. While D&H rates are now indexed to inflation, we have seen that general wage inflation has far exceeded that of the Consumer Price Index. If these trends continue, the indexation of D&H rates will likely be insufficient to keep up with changes to labor rates. Other measures of inflation may be more suitable for indexing D&H rates.

Figure 5 and Figure 6 provide a summary of revenue, expenditure, and fund balances from 2013 to 2021.

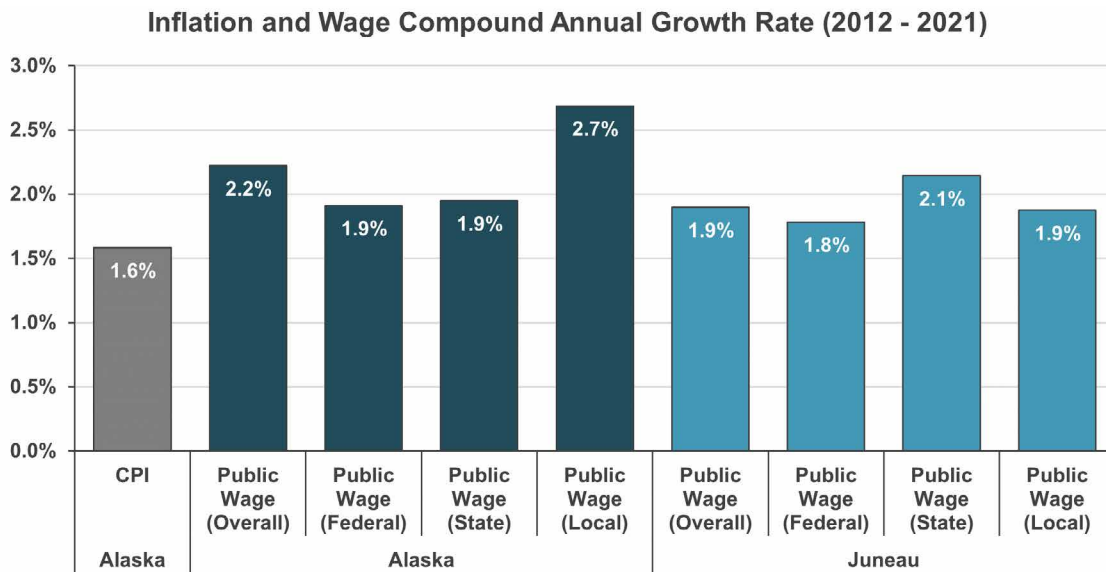


Figure 5. Wage versus CPI Inflation, 2012 - 2021

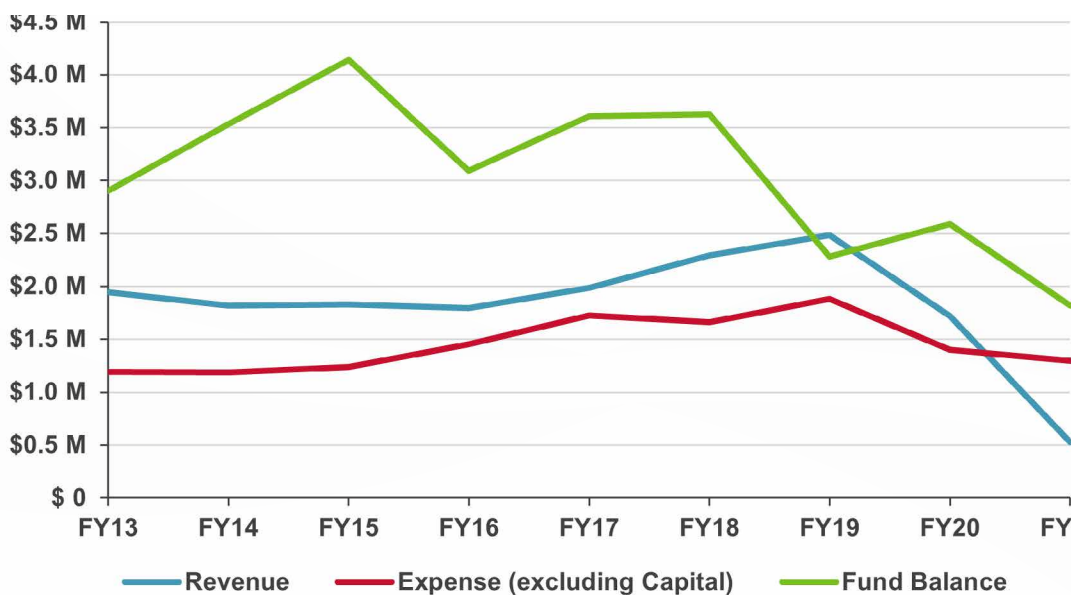
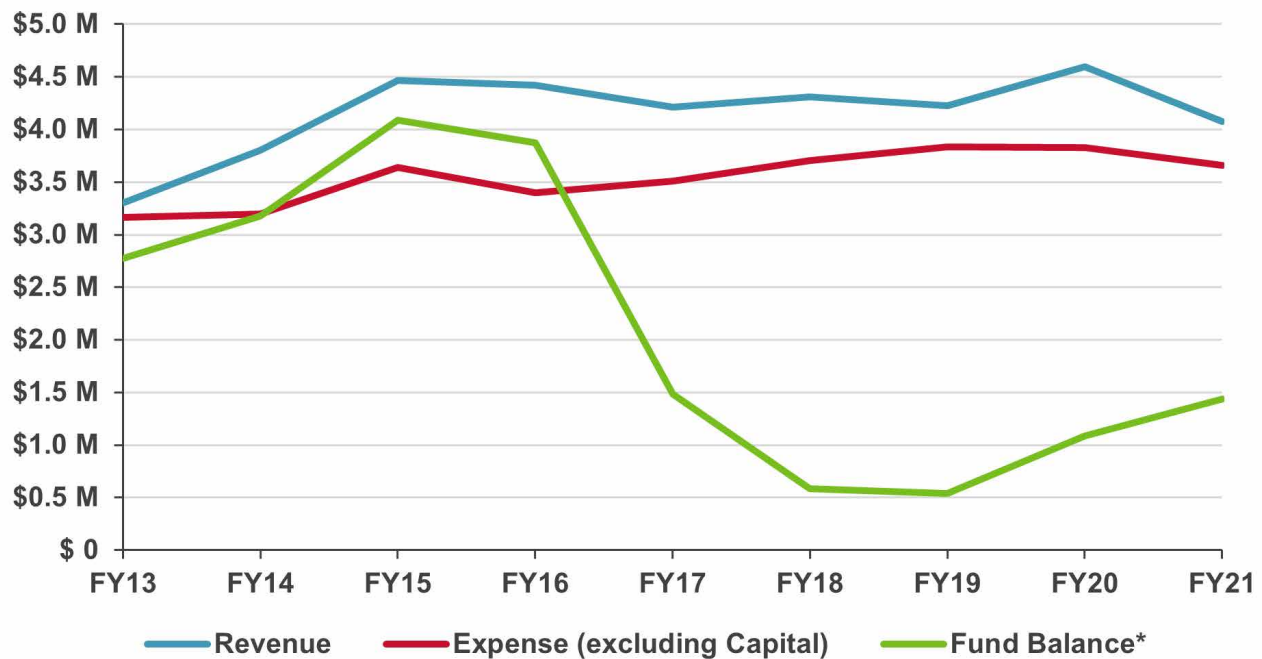


Figure 6. CBJ Docks Fund Balance, 2013 to 2021

⁷ From FY2013 to FY 2021, personnel expenditures were 48% of non-capital expenditures. This data was provided by D&H for 2013-2021.

Harbors Fund



**Portion of the balance is reserved for debt repayment*

Figure 7. CBJ Harbors Fund Balance, 2013 - 2021

Expenditures for both Docks and Harbors consist of fixed personnel and building costs and some generally fixed operations and maintenance costs. As noted above, maintaining assets in a state of good repair also requires variable costs that occur every few years and can result in spikes in expenditures.⁸ Additionally, some of the variable costs will be for major rehabilitation and even entire replacement of assets that require a significant infusion of funds that require setting aside money in reserves. This would also apply to any proposed new assets.

As such, HDR recommends that D&H maintain a rigorous replacement reserve analysis to determine the amount of funds needed to deal with these state of good repair issues. This would allow D&H to establish rates to accumulate adequate reserves every year to have these funds (i.e., escrow funds annually to pay for major expenses when they occur). Part of this exercise would include assigning annual cost schedules for each of the facilities D&H maintains. Some of the costs are specific to maintaining the infrastructure and others are shared costs (e.g., general D&H personnel costs). Having a better idea of future expenditures is essential for establishing the revenues required to fund these expenditures. Once that is established, it also provides a better framework for establish rates to meet these revenue targets.

Through this rate setting project, HDR developed a financial model to estimate to establish a replacement reserve analysis that can be used to determine the level of rates required to maintain D&H's assets in a state of good repair and to provide for future capital needs. Using D&H asset and cost inputs⁹, HDR has estimated the rate increase necessary to fund D&H's financial needs.

⁸ A November 19, 2021, memo from the Port Director to the Board and City Manager (FY2021 Review - Docks & Harbors Operations) highlights several recent projects (see item #5).

⁹ The cost information was exogenous to this study and provided by D&H. HDR has not independently validated these inputs.

3

Stakeholder Perspectives

Between April 5th and 9th, 2022, HDR conducted outreach with different D&H user groups. HDR conducted the outreach to ascertain sensitivity to any changes in rates and services and how any changes might affect their business model (commercial users) and harbor usage (non-commercial users). The responses are confidential and as such are not included in the report.¹⁰

Outreach User Group participants were:

- Cruise Lines
 - Charter Operators
- Recreation Boaters
 - Launch Ramp Users
- Live-Aboard Community
 - Commercial Fishing

General points raised during the outreach included:

Docks

- Alaska is a world class cruise line destination and the stop at Juneau is an integral part of the cruise (e.g., taking in a whale watching charter).
- Current cruise related taxes and fees (D&H, state, etc.) are a small part of total Cruise trip costs for passengers (cruise, airfare to Seattle, charters, and other expenses). Any modest changes to these taxes are not likely to alter a decision to take a cruise to Alaska.
 - » However, D&H needs to take into consideration any rate change at other ports.
- Cruise lines would value certainty in any potential rate increase and would prefer any increase to be set 12 to 18 months in advance to adequately incorporate into their business model and itineraries.

Harbors

- For recreational boaters in general, the fees paid to D&H are only a small component of the total costs of boating. The major cost drivers include the costs of the boat, fuel, insurance, etc. Boating is a way of life for recreational boaters. The more price sensitive recreational boaters may opt for using launch ramps instead of paying moorage, but this also implies that they bear the costs of storing and transporting the boat (truck, and trailer chassis). In some cases, a recreational boater may both moor a vessel and use launch ramps depending on a variety of circumstances.
- There are not many substitutes to the services D&H offers recreational boaters and most are pleased with existing service levels. Given this and that D&H related costs are not a large component of total costs, recreational boaters would not likely change their behavior much if there were a modest fee increase.
- Nearly all charter boat customers are out-of-state visitors disembarking from cruise lines. The Juneau cruise is often an integral component of their trip. If you take a cruise to Alaska, you are likely going to take a charter in Juneau unless price points change drastically for them.
- Moorage is not one of the top cost drivers for charter operators. That being said, typical charter rates range from \$140-\$200 so there is relatively more price sensitivity to D&H rates than for cruise lines. This presents more of an issue if the rate in question were a head tax rather than a moorage rates; the latter being a small component

¹⁰ Responses are not to be interpreted as results from a census of all users, but rather responses from groups of individuals selected by D&H.

of total costs for charter operators.

- D&H related costs are not a top cost driver for commercial fishing vessels. Primary cost drivers are vessel costs, crew, fuel, etc. However, they may be price takers (i.e., accept what processors offer) and their ability to pass along costs may depend as much on general prices for their products increasing. In the case of vertically integrated fisheries/processors this is less of an issue.
- The live-aboard community use their vessels as both house boats and for recreational boating. Boating is more than just a way of life (i.e., primary hobby) but also where they live. Since there is also a monthly residence surcharge (in addition to moorage), D&H fees make up a higher share of costs than for purely recreation vessels. However, as these vessels are also house boats, D&H fees not only need to be put in context of recreational vessels costs but also costs of housing. As such, one can consider D&H related fees as a percentage of recreational boating and housing costs. In many cases, these house boats are somewhat larger than a purely recreational vessel and entail greater operational costs than a purely recreational vessel due to their dual purpose. The live-aboard option represents a lower-cost housing option for the community which may be in the interest of the municipality. However, the community shares and competes for space with other users and as such are not any different from that standpoint to D&H with respect to setting fair and equitable rates for D&H services.
- The demand for parking at Statter Harbor is greater than supply.
- The demand for reserved spaces is greater than supply.
- Nearly all stakeholders would rather not have a cut in service levels, and many would be willing to pay a modest amount more to maintain or increase service levels.

4

Perspectives on Changing Rates and Elasticity of Demand

When setting rates (and any prices in general), gauging the sensitivity of users to price changes is paramount. The economic term for this sensitivity is “price elasticity.” Changes that reduce output less (less elastic) are more economically efficient than those that lead to larger changes in the demand for services. Often this entails charging different prices for different users or differential pricing based on quantity or quality. This exercise becomes more challenging when pricing for shared facilities so differential pricing by group is not practical and often politically risky. D&H’s current rate structure does provide for discounts based on quantity, or to be precise duration (daily, monthly, semi-annual, and annual). Moving forward there are a few points to consider that are useful in providing rate recommendations.

- The more substitutes are available for a product or service, the more “elastic” or sensitive demand is to changes in prices. Conversely, when fewer substitutes are available prices are less elastic.
- When the cost of the service in question is only a small component of total user costs, changes in the costs of that service matter less to the overall usage of the overall service (e.g., costs of state license plates as a ratio of costs to operating a vehicle).
- A product or service is currently underpriced if demand for it is greater than the available supply.
- Products or services that provide more value should be priced higher than services that provide less value.
- Differential pricing (by group, quantity, or quality) that increases overall demand the most is more economically efficient. Conversely, rate increases that decrease output the least are more efficient than rate increases that decrease output more.
- Economically efficient differential pricing is based on charging lower elasticity groups relatively more. This is the essence of “Ramsey pricing” that is used in rate setting by utilities and other similar entities.
- Providing better (lower per unit) pricing when buying in bulk or for longer-term contracts makes economic sense if it increases demand more than uniform pricing.
 - » However, these discounts need to be put in context of the user. For example, if the longer-term contract also provides more value (over and above the price break) to the user (e.g., improved certainty of having a parking spot in your office building’s garage) then D&H needs to be cautious in providing too large a price break.
 - » Similarly, longer-term users may be less price elastic to changes in rates since the overall service (e.g., less uncertainty on finding a space, less hassle compared to getting daily permits, etc.) is of great value. As above, D&H needs to exercise caution in setting too large a price break. Further, given the likelihood of the group being less price elastic to changes in rates, one would expect to see less changes to demand than with changes to relatively more elastic daily users.
 - » A review of moorage rates shows that in many cases the implied daily rate of paying monthly (assuming you use the service daily) is only about a $\frac{1}{4}$ of the daily rate. This appears to be a steep discount. For launch ramp users the implied daily rate is much lower.

5

Rate Setting Principles

When reviewing potential rate setting actions, it is critical to review and understand not just the users of the service but also the principles or objectives that the rate setter has established. It is important to note that the D&H Enterprise funds are operated and financed in a manner similar to private business with the objective to provide goods and services to the general public on a continuing basis and be financed or recovered primarily through user charges.

D&H Docks and Harbors has a well-articulated set of principles/criteria and are documented in the **Docks & Harbors - Rate Setting Policy** that we summarize and paraphrase below. Any rate changes or restructuring must be aligned with these principles.

4. Rates must be fair and reasonable – a defined and consistent approach and striving to allocate an equitable share of the cost to every user.
5. Rates must be consistent - establishing this rate setting policy we will have a consistent approach to every rate and rate change.
6. Rates must be supported by data and an explanation of how the data justifies the rate.
7. Rates must be sufficient to support the operations of docks and harbors.
8. Rates must replace capital investments.
9. Rates must build reserves for contingencies and future growth.
10. Where currently significant disparity exists between the cost allocation to user groups these need to be adjusted in a fair and appropriate manner.

The rate setting policy is quite robust and broadly consistent with policies applied in other ports. The policy is set with a focus of the D&H Enterprise to operate as a business entity and not as a public entity with broader societal objectives; that purpose rests at the municipality itself. The D&H Enterprises must set rates to cover operational costs, maintain existing assets and to build reserves to fund future growth. In establishing new rates, care must be taken to ensure that the rates are fair, consistent, and equitable across user groups.

In assessing how the current rates align with the **Docks & Harbors - Rate Setting Policy**, we offer the following:

1. Rates must be fair and reasonable:
 - a. Passenger head tax rates for Docks apply to cruise passengers are lower than that charged at Ketchikan but higher than that charged at Skagway. Juneau is the featured Alaska cruise destination and has the largest number of cruise visitors per year than any other Alaska destination. The rates are in general a very small share of a passenger's total cost for that cruise.
 - b. Rates for Harbors are established without differentiation between individual user groups and can therefore be considered fair. The equity and value of having such large discounts provided for longer term users relative to daily users is an issue worth exploring further. Overall Harbor rates are a small portion of any one user's total usage cost.
2. Rates must be consistent.
 - a. D&H have now established rates to be inflation adjusted going forward to facilitate consistency. Existing rates are now indexed to consumer inflation. Other inflation indices may be better aligned with port related cost drivers and should be considered.

3. Rates must be supported by data and an explanation of how the data justifies the rate.
 - a. From a market-oriented viewpoint existing rates are well supported.
 - b. Rates are a small fraction of users' overall costs.
 - c. Facility utilization is high.
 - d. There are no real competitive alternatives.
 - e. Users have indicated that they are not sensitive to modest price changes which is consistent with the evidence in a-to-d above.
 - f. From a cost orientation viewpoint, there is not well documented evidence of the cost by service or a projection of the future costs for asset renewal and new infrastructure.
4. Rates must be sufficient to support the operations of docks and harbors.
 - a. Rates currently do cover annual operational expenses for Harbors and pre-COVID covered Docks operational expenses.
5. Rates must replace capital investments.
 - a. It is unclear from existing financial data and reports that existing rates are sufficient to build reserves to fund new assets and existing asset replacement. Existing fund balances for both Docks and Harbors are significantly lower than previous levels. The replacement reserve analysis that follows indicates that existing rates are not sufficient.
6. Rates must build reserves for contingencies and future growth.
 - a. It is unclear from existing financial data and reports that existing rates are sufficient to build reserves to fund new assets and existing asset replacement. Existing fund balances for both Docks and Harbors are significantly lower than previous levels. The replacement reserve analysis that follows indicates that existing rates are not sufficient.
7. Where currently significant disparity exists between the cost allocation to user groups these need to be adjusted in a fair and appropriate manner.
 - a. For Harbors, the rate approach does not distinguish between user groups. There is a large price differential between daily rates versus the implicit daily rate associated with the longer-term rates. This equity related to this disparity should be explored further.

The following observations/reservations are based on the above:

1. D&H should continue to view their rate setting philosophy with a business-oriented philosophy.
2. D&H could raise rates from existing levels without any deleterious impacts on users or any negative competitive consequences for Docks and Harbors.
3. D&H should assess the relative price differentials and implied "volume" discounts between daily and long-term moorage rates.
4. D&H should set future rates to augment fund balances so that funds are available to maintain existing infrastructure and support the acquisition of future assets.
5. The reserve analysis that follows indicates that current rates are inadequate to maintain assets in a state of good repair and support future growth.
6. D&H should consider other mechanisms for indexing rates as opposed to consumer inflation.

6

Replacement Reserve Analysis (RRA)

A replacement reserve analysis is a long run capital planning process that will help D&H anticipate the financial requirements for the repair and replacement of port facilities and the acquisition of additional assets. The output of the replacement reserve analysis is an estimate of the annual reserve that should be set aside to maintain D&H’s facilities in a state of good repair.¹¹

To conduct the RRA, the following inputs are required for each D&H facility:

- Average remaining life of the facility;
- The replacement cost of the facility; and,
- The potential external funding available for the asset replacement from non-D&H funding sources.

These inputs were collected for all D&H facilities and documented in the financial model provided as a project deliverable.¹² The total replacement value in 2022 dollars for all D&H facilities is estimated to be \$195.2 million.

The annual profile of the required replacement expenditures over the next 40 years is provided below. These estimates are net of potential external funding that could be used to fund the facility replacements at least partially. These external funding sources include but are not limited to federal discretionary grant funding, passenger fees and ADOT Harbor Grants.

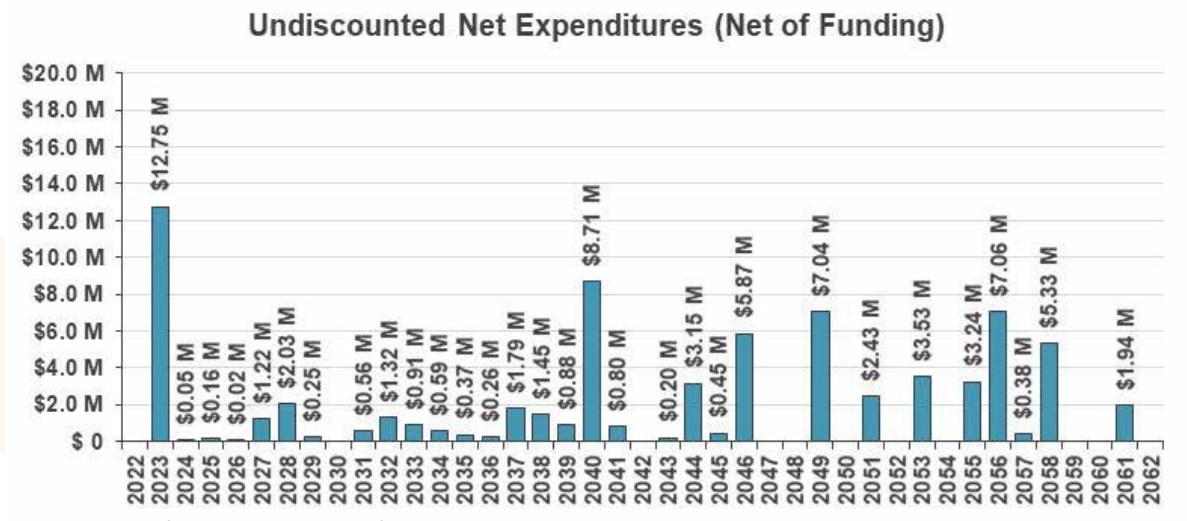


Figure 8. Annual reserve requirements by year, 2020

The RRA assumes that when an asset reaches the end of its “average remaining life”, it is fully replaced and therefore funding is required. As illustrated in Figure 8, there are some years in which there are no assets reach the end of their remaining life and no replacement expenditures required. In other years, some assets do reach the end of their remaining life and they are assumed to be replaced with large funding requirements such as in 2040 where \$8.7M is required.

The total reserve requirement by facility is provided below in 2022 dollars. Some of the replacements will receive funding from external sources and are therefore for D&H, the net expenditure estimates are the most relevant.

11 HDR discussed the need to have such an analysis during monthly Board meetings. This exercise is a result of those suggestions and discussions with D&H during the development of the report.

12 The data was provided by D&H staff. HDR did not independently verify these data.

	GROSS EXPENDITURES	FUNDING	NET EXPENDITURES
Statter	\$31.0 M	\$15.2 M	\$15.8 M
S Aurora	\$24.3 M	\$11.6 M	\$12.7 M
Douglas	\$13.9 M	\$6.6 M	\$7.3 M
Harris	\$13.4 M	\$6.4 M	\$7.0 M
ABLF	\$7.0 M	\$ 0	\$7.0 M
N Aurora	\$7.2 M	\$3.6 M	\$3.6 M
Wayside Park Float	\$3.1 M	\$ 0	\$3.1 M
ABLF Uplands	\$3.0 M	\$ 0	\$3.0 M
Statter Uplands	\$2.4 M	\$ 0	\$2.4 M
Taku Harbor	\$4.3 M	\$2.1 M	\$2.3 M
ABMS	\$1.6 M	\$ 0	\$1.6 M
Seawalk	\$31.3 M	\$29.8 M	\$1.5 M
Norway Point Float	\$1.4 M	\$ 0	\$1.4 M
National Guard Dock	\$1.3 M	\$ 0	\$1.3 M
Port of Juneau Uplands	\$19.2 M	\$18.3 M	\$0.9 M
Harris Harbor Uplands	\$0.7 M	\$ 0	\$0.7 M
Amalga	\$2.2 M	\$1.6 M	\$0.6 M
AS Pontoon	\$11.8 M	\$11.2 M	\$0.6 M
CT Pontoon	\$10.0 M	\$9.5 M	\$0.5 M
N Douglas Boat Launch	\$0.8 M	\$0.4 M	\$0.4 M
Echo Cove	\$0.5 M	\$0.3 M	\$0.3 M
Aurora Harbor Uplands	\$0.3 M	\$ 0	\$0.3 M
Douglas Harbour Uplands	\$0.2 M	\$ 0	\$0.2 M
IVF	\$2.6 M	\$2.5 M	\$0.1 M
PFO	\$1.6 M	\$1.5 M	\$0.1 M
TOTAL	\$195.2 M	\$120.4 M	\$74.7 M

The RRA converts the 40 years of annual replacement related expenditures to an equivalent annual amount. To do this, the 40 years of expenditures are discounted to a present value using a real discount rate of 3%.¹³ Then, this present value is converted into an annual equivalent amount reflecting the 40-year planning horizon.

The annual amount required to maintain D&H facilities in a state of good repair going forward is \$1.9M. That is, to maintain D&H's existing facilities, D&H revenues must exceed expenditures by \$1.9 M per year to be able to establish reserves that can be used to maintain and replace assets once they reach the end of their asset life. This \$1.9 M estimate excludes any capital needs for new facilities or other assets.

If we examine the three years prior to COVID-19, D&H revenues exceeded non-capital expenditures by about \$1.2 M (in 2022\$) per year which is about \$0.7M less than that identified through the RRA. Existing fund balances can be used to contribute to the replacement of assets, but the total fund balance is only \$3.3M at the end of fiscal 2021 which is equivalent to only \$0.1 million per year over a 40-year horizon. D&H's funding gap, excluding any net capital investment in new infrastructure, is about \$0.6M a year. Any planned capital projects would have to also be funded which would add to this shortfall.

The RRA was conducted for the combined assets of D&H. Managing D&H assets and rates from a holistic perspective would provide D&H management greater flexibility in financial planning.

The details (e.g., data inputs, assumptions, and methods) of the RRA are provided as a separate deliverable – the D&H Financial Model coded in MS Excel.

¹³ See OMB Circular A-4 p.33 https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/circulars/A4/a-4.pdf

7

Rate Recommendations

Setting rates is a policy issue that must be determined by D&H. It must reflect D&H's rate setting principles, policy objectives and future capital program. If we re-examine, D&H's rating principles we note that it is core to principles that rates must be sufficient to support the operations of docks and harbors, rates must replace capital investments, and that rates must build reserves for contingencies and future growth.

We find that based on the RRA, D&H's existing funding is inadequate to achieve these objectives. To meet D&H's policy objectives, additional funding is required to provide sufficient reserves to fund asset replacement to fund any capital investment in new infrastructure. The additional funding could come from: direct new funding from D&H, through increasing D&H rates, or through any combination of the above.

To eliminate the funding gap solely through D&H rates, an average increase of about nine percent would be required. We do believe that a rate increase of that magnitude would not have any deleterious impacts on D&H users.

HDR makes the following recommendations:

1. D&H make a one-time increase for all rates to meet their capital replacement requirements as well as their future capital program. Based on the Replacement Reserve Analysis, the magnitude of the increase would have to be nine percent to for asset replacements. The actual rate increase should also reflect their capital plan for new infrastructure investments.
2. D&H provide an advance notice to users of the one-time increase of 12 months.
3. D&H maintain the indexation of rates and fees. However, using consumer inflation to adjust rates is not entirely reflective of D&H Docks and Harbors cost pressures (e.g., rising wage rates greater than the CPI) and alternative cost indices more reflective of the D&H operating environment should be explored.
4. D&H should consider removing the firewall between docks and harbors to provide greater flexibility in meeting financial obligations (i.e., balancing financial statements).
5. For the purposes of this study, HDR is proposing an across-the-board increase. In the future, D&H may wish to differentiate increases by source (facility) but that is outside the scope of this report.



Port of Juneau Rate Setting Project
City and Bureau of Juneau
September 1, 2022

Docks & Harbors Proposed 9% Rate Increase Public Outreach

Taku Harbor

Downtown Cruise Ship Docks



Docks & Harbors Governance

Board Members

- Don Etheridge (Chair)
- Debbie Hart (Vice Chair)
- Mark Ridgway (Ops-Planning Chair)
- David Larkin (Ops-Planning Vice)
- Annette Smith
- Paul Grant
- Jim Becker
- Matt Leither
- Vacant [Your name here]

Staff Members

- Carl Uchtyl (Port Director)
- Matt Creswell (Harbormaster)
- Jeremy Norbryhn (Statter Harbor Supervisor)
- Kevin Dugan (Downtown Harbors Supervisor)
- Scott Hinton (Port Supervisor)
- Teena Larson (Admin Officer)
- Matthew Sill (Port Engineer)



Basic Problem (Broadly Speaking)

- Existing Fund Balances are insufficient to sustain robust harbor and port facilities;
- Revenues collected are limited to fee-based services which are provided by Docks & Harbors;
- Harbors Fees have not been raised since 2008;
- Docks Fees have not be raised since 2005;



Docks & Harbors Proposed Rate Increase

- 2021 – Commenced series of Finance Sub-Committees Meetings
 - One goal was to mitigate losses because of the pandemic
 - Another goal was to financially account for rent increase at UAS property
 - Board elected to hire a consultant for a Rate Study
- 2022 (January) – Contract awarded to HDR-Alaska
- 2022 (February) – Assembly approved CPI adjustment for most fees
 - Harbor moorage has been subject to annual CPI since 2008
- 2022 (November) – Board received final briefing from HDR-Alaska
- 2023 (February) – Board voted “To accept the findings of the HDR Report & begin a process to raise fees 9% across the Docks & Harbors Enterprises”



Harbor Rate Adjustment Outreach Schedule & Milestones

- April 4th – Public Outreach @ Mendenhall Valley Library at 6pm
- April 18th – Public Outreach @ Yacht Club at 6pm
- May 17th – Docks & Harbors Operations-Planning Meeting
 - Considers public input & makes recommendation to increase rates on time certain schedule
- May 25th – Docks & Harbors Regular Board Meeting
 - Finalizes execution plan
- August 31st – Docks & Harbors Regular Board Meeting
 - Commence 21-Day Public Notice for Regulation Changes
- September 28th – Docks & Harbors Board
 - Hold Public Hearing on Regulation Changes
- October 23rd – Assembly takes action on Board recommendations



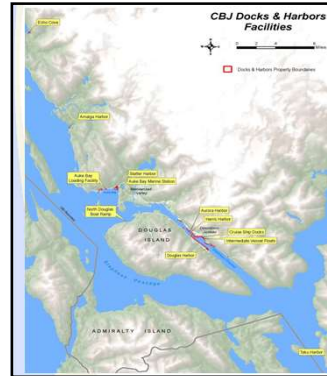
“Enterprise” Funded CBJ Department

- The Enterprise Funds are operated and financed in a manner similar to private business.
- The intent of the governing body is to provide goods and services to the general public on a continuing basis and be financed or recovered primarily through user charges.
- The acquisition and improvement of the facilities have been financed from existing cash resources, issuance of revenue and general obligation bonds, and state and federal grant funds.



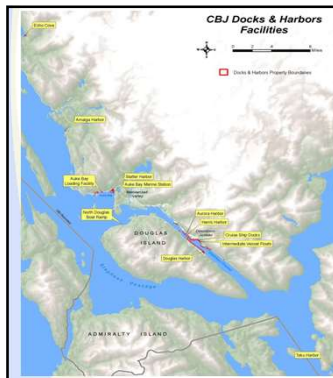
Cliff Notes Enterprise Funded Departments

- Two Enterprises – Fiscally Separated
 - Docks Enterprise – for Cruise Ship Docks & Supporting Uplands
 - Eligible for Passenger Fee funding support
 - Harbor Enterprise – for Small Boat Harbors & Launch Ramps
- No money received from CBJ Sales Tax or Property Tax for annual operating expenditures for either Docks or Harbors
- Can compete for 1% Sales Tax Initiative every 5 years
 - 2017 – Received \$1.5M for Aurora Harbor Phase III
 - 2022 - Received \$5M for Aurora Harbor; \$750K for Taku Harbor; and \$750K to dredge Wayside Park Float



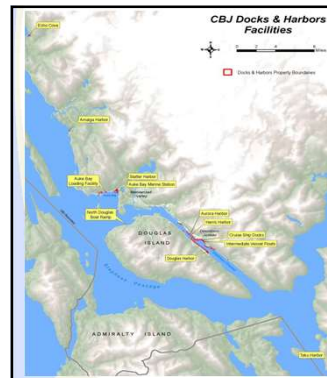
Managing Infrastructure

- Small Boat Harbors
 - Mike Pusich Douglas Harbor
 - Harris Harbor
 - Aurora Harbor
 - Don D. Statter Harbor Facilities
- Launch Ramp Facilities
 - Douglas Harbor
 - North Douglas Launch Ramp
 - Harris Harbor
 - Statter Harbor Launch Ramp
 - Amalga Harbor
 - Echo Cove



Managing Infrastructure

- Cruise Ship Docks
 - Alaska Steamship (AS Dock)
 - Cruise Ship Terminal (CT Dock)
 - Inside Cruise Ship Terminal (ICT)
- Port Field Office (PFO) Float
- Intermediate Vessel Float (IVF)
- National Guard Dock
- Seadrome Dock (reservations only)
- Taku Dock (licensed to Taku Smokeries)



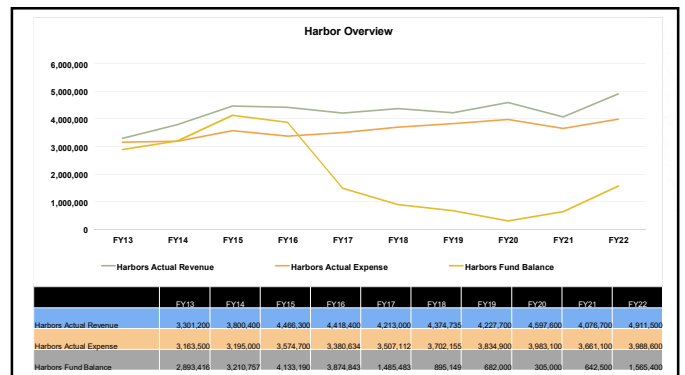
Managing Infrastructure

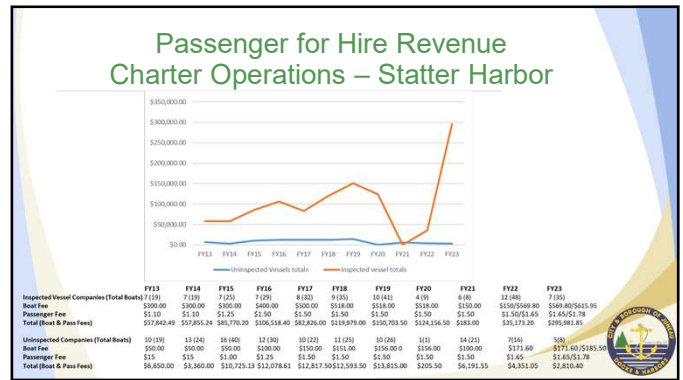
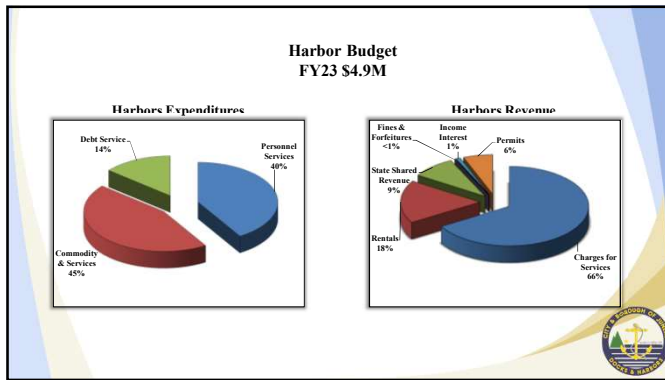
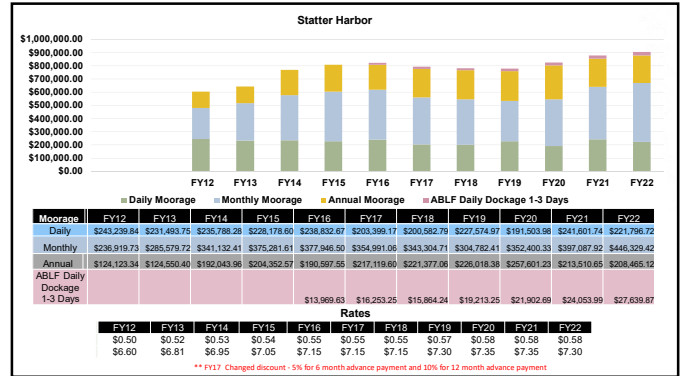
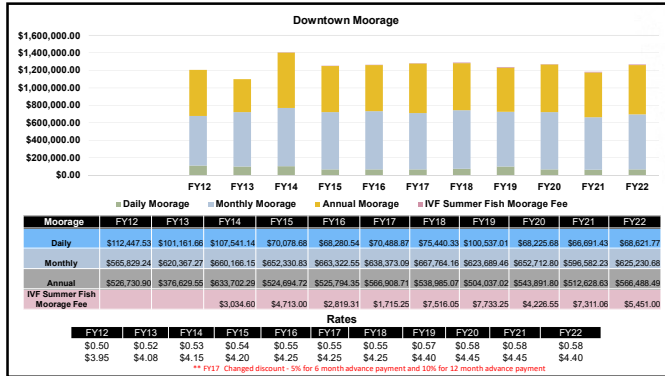
- Taku Harbor
- Auke Bay Marine Station
- Auke Bay Loading Facility
- Wayside Park Fishing Float
- Associated Uplands & Tidelands
- Plant replacement value estimated \$250M
- Only Juneau School District & CBJ Water Utilities have more infrastructure value



Docks & Harbors - Harbors OVERVIEW					
	FY22 Actuals	FY23 Amended Budget	FY23 Projected Actuals	FY24 Approved Budget	FY24 Revised Budget
EXPENDITURES					
Personnel Services	\$ 1,774,400	2,001,200	2,023,300	1,900,200	2,108,600
Commodities and Services	1,560,300	2,053,200	2,198,400	2,061,900	2,311,500
Capital Outlay	665,900	740,900	686,600	741,700	683,600
Debt Service	-	-	-	-	-
Support to Capital Projects	-	-	-	-	-
Total Expenditures	4,000,600	4,795,300	4,908,300	4,712,800	5,103,700
FUNDING SOURCES					
Charges for Services	-	-	-	-	3,705,000
Licenses, Permits, and Fees	-	-	-	-	360,000
Rentals and Leases	-	-	-	-	900,000
State Shared Revenue	-	-	-	-	370,000
Federal Revenue	-	-	-	-	-
Fines and Penalties	-	-	-	-	10,000
Investment and Interest Income (Loss)	-	-	-	-	197,000
Support from	-	-	-	-	-
Pandemic Response	116,500	-	-	-	-
Capital Projects	-	-	-	-	-
Total Funding Sources	4,783,000	5,012,600	5,154,600	5,032,600	5,432,700
FUND BALANCE					
Debt Reserve	-	-	-	-	-
Beginning Reserve Balance	791,900	791,900	791,900	791,900	791,900
Increases (Decreases) in Reserve	-	-	-	-	-
End of Period Reserve	\$ 791,900	791,900	791,900	791,900	791,900
As available Fund Balance	1,051,400	1,813,300	1,813,300	2,080,100	2,680,800
Beginning of Period	782,400	217,100	246,300	319,800	320,000
End of Period As Available	\$ 1,833,800	2,030,400	2,059,600	2,399,900	2,499,100
STAFFING	16.53	16.83	16.83	16.83	17.49

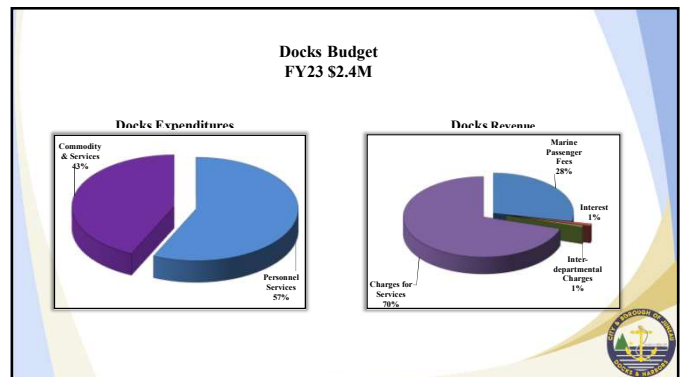
Ending Fund Balance on June 30th does not include \$500K transferred to Aurora Harbor Phase III. Anticipated Harbor Enterprise Fund balance will be \$1.5M.

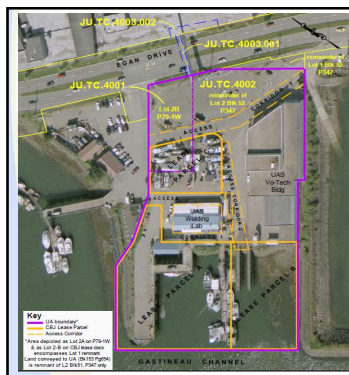
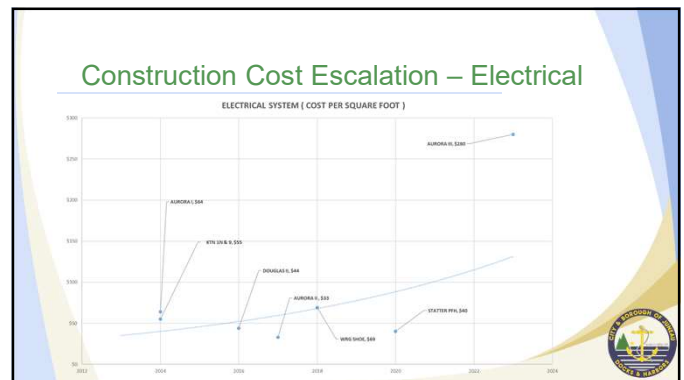
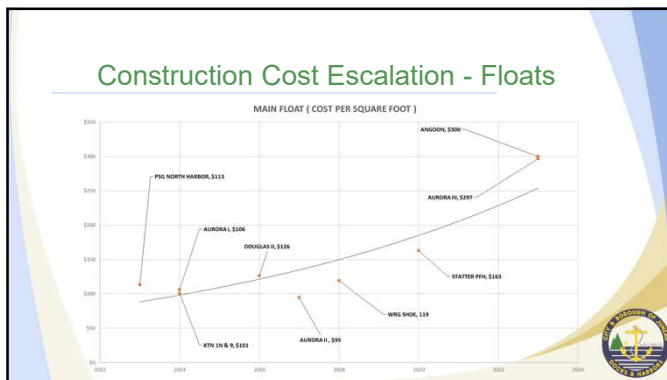
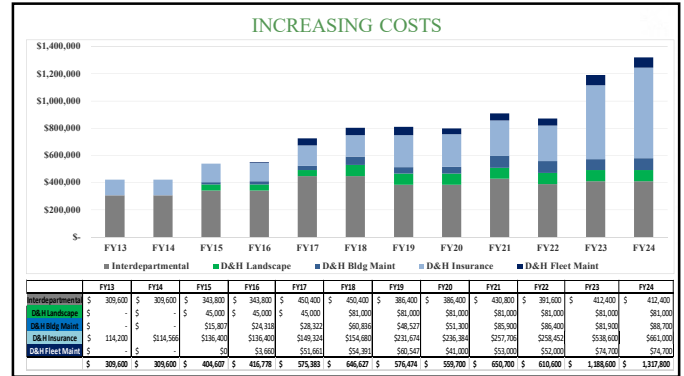
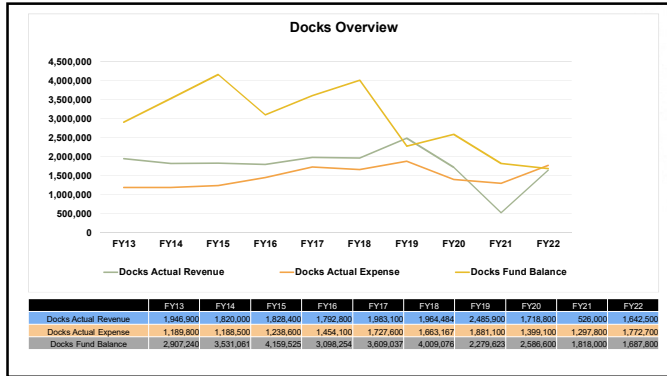




Docks & Harbors - Docks OVERVIEW

	FY22 Actuals	FY23 Amended Budget	FY23 Projected Actuals	FY24 Approved Budget	FY24 Revised Budget
EXPENDITURES					
Personnel Services	\$ 1,061,900	1,583,700	1,379,500	1,313,000	1,428,500
Commodities and Services	716,800	992,000	1,052,500	978,600	1,074,100
Capital Outlay	-	-	-	-	-
Support to:					
Marine Passenger Fee	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	1,778,700	2,585,700	2,392,000	2,291,600	2,502,600
FUNDING SOURCES					
Interdepartmental Charges	15,100	15,100	15,100	15,100	40,200
Charges for Services	1,177,600	1,760,000	1,760,000	1,760,000	1,800,000
Licenses, Permits, and Fees	-	-	-	-	-
Rentals and Leases	1,500	-	-	-	-
Investment and Interest Income (Loss)	(36,400)	213,900	24,300	21,300	67,100
Support from:					
Public Revenue	-	-	-	-	-
Marine Passenger Fees	448,500	717,000	717,000	-	717,000
Port Development Fees	-	-	-	-	-
State Marine Passenger Fees	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Funding Sources	1,605,500	2,485,400	2,536,400	2,513,400	2,624,300
FUND BALANCE					
Beginning of Period	1,819,200*	1,649,800	1,649,800	1,794,200	1,794,200
Income (Decrease) in Fund Balance	(160,400)	117,700	144,400	233,600	121,700
End of Period Fund Balance	\$ 1,658,800	1,767,500	1,794,200	2,027,800	1,915,900
STAFFING	13.74	19.20	19.20	19.20	19.24





UAS Property Lease

- Juneau Fisheries Terminal considered critical for commercial fishermen & boatyard activity;
- Since 1988, CBJ has enjoyed favorable lease rent with UA at ~\$12K/year;
- Lease expires May 5th, 2023
- UA willing to enter into new 4 year lease at \$100K/year
- Fair Market Value of leased property is \$230,400/year

HDR-Alaska Rate Study Process

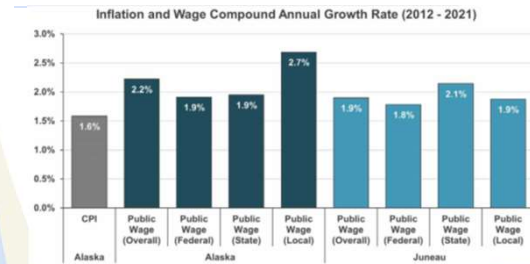
- Conducted review of applicable documents related to current tariffs, facilities, users, and D&H budget.
- Facilitated stakeholder outreach to tenants, key stakeholders, and other user groups.
- Reviewed of D&H's current rate structure with an emphasis on potential pricing anomalies and rates creating potential market distortions.
- Developed a rate methodology for proposed types of adjustments to rates to address revenue objectives to recoup costs (operating and future capital projects to maintain assets in a state of good repair and for any improvements).
- The rate methodology is founded on a "replacement reserve" type of analysis to identify the level of annual cashflow needed to appropriately maintain D&H's assets.

HDR-Alaska Report

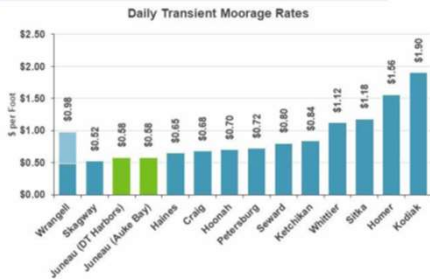
- Based on anecdotal information provided by stakeholders selected by D&H, overall Rates are a small fraction of users' overall costs
- The use of the consumer price index for rate indexing should be re-assessed. Wage rates, which represent about one half of D&H expenditures, have greatly outpaced CPI over the last decade. The current indexation may be inadequate to keep up with cost pressures for D&H.
- 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.
- Overall Rates are a small fraction of users' overall costs which suggests a 9 percent rate increase could be obtained without any deleterious user impacts.



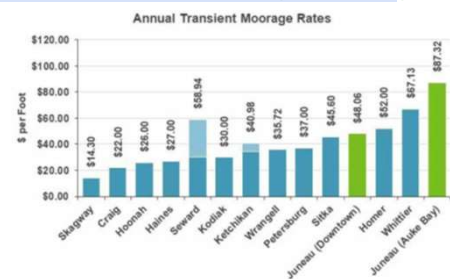
CPI vs Annual Wage Growth



HDR-Alaska Daily Transient Moorage Rates (2020)



HDR-Alaska Annual Transient Moorage Rates (2020)



From Statter 2012...



To Statter in 2022



Statter Award Winning Launch Ramp



Mike Pusich Douglas Harbor



Aurora Harbor Phase I



Aurora Harbor Phase II



Auke Bay Loading Facility



US Customs/Port Field Office



Cruise Ship Terminal Staging Area



From 2015...



To 2017



Visitor's Center



Visitor's Center Kiosk



Security Shelters @ AS & CT Approach Docks



Before Peratrovich Plaza



Peratrovich Plaza



What has Docks & Harbors Done for you over the past dozen years?

Harbors Enterprise (\$82M)

- Aurora Harbor \$20M
- Douglas Harbor \$5M
- Statter A&B Floats \$10M
- Statter Launch Ramp \$17M
- Statter For Hire \$15M
- Auke Bay L'd Facility \$15M

Docks Enterprise (\$99M)

- Cruise Ship Berths \$60M
- US Customs/Port Field Office \$4M
- CT Staging Area \$10M
- Peratrovich Plaza \$15M
- Visitor Center/Kiosk \$4M
- Marine Park Deckover \$2.5M
- Taku Dock \$1.5M
- Security Stations \$700K
- Current & Wx Stations \$100K



Additional Harbor Investments since 2012 (not included in previous slide)

- Douglas Harbor Floating Breakwater - \$8M
- Douglas Harbor – Army Corps dredging \$6M
- Harris & Aurora Harbors – Army Corps maintenance dredging & Breakwater Repairs - \$4M
- Harris Harbor Bathrooms - \$300K
- Year round sewage pump out at each harbor - \$300K
- Douglas & Harris Anode installation - \$250K
- Security Cameras (various locations) - \$100K
- Safety Ladders (Downtown harbors) - \$50K
- Acquisition of Auke Bay Marine Station – valued ~ \$6M



So what's left to accomplish?

- Aurora Harbor & Aurora Harbor Office Rebuild
- Enhance Marine Services & Commercial Fisheries opportunities (Haul-outs, cranes & drive down floats)
- Small Cruise Ship Infrastructure
- Expand launch ramp facilities (North Douglas)
- Improve marina-like amenities (restrooms, showers, laundry)
- Landscaping, lighting, & paving harbor parking lots
- Maintenance, including maintenance dredging at Wayside Float and float replacement at Taku Harbor
- Safety Rails along the downtown Seawalk
- Recapitalization of [Statter Breakwater](#)



Juneau Fishermen's Terminal



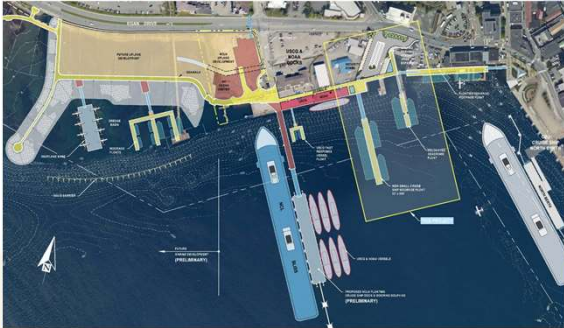
Proposed Drive Down Float Grant Submission



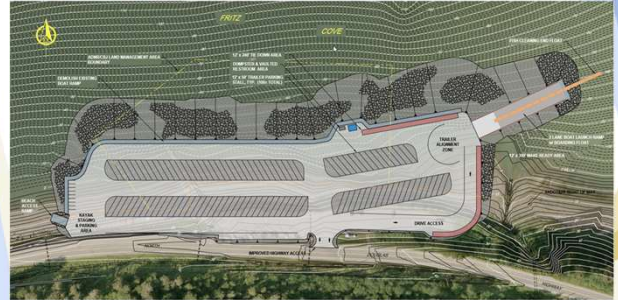
Marine Services – Haul Out Facilities



Small Cruise Ship Infrastructure



North Douglas Launch Proposed Expansion



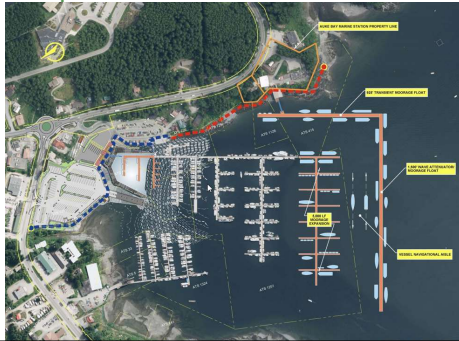
Wayside Dock Maintenance & Dredging and Taku Harbor Approach Float Replacement



Douglas Harbor Paving, Landscaping & Lighting



Recapitalization of Statter Breakwater



Safety Rails along Seawalk



Summary

- Docks & Harbors is financially solvent;
- Docks Enterprise will have \$1.8M in Fund Balance at the end of the fiscal year;
- Harbors Enterprise will have \$1.25M in Fund Balance;
- Docks & Harbors is impacted by unnegotiable fees (CBJ Inter-departmental use fees, Insurance, UA lease rent, trash, construction escalation costs, etc.)
- Docks & Harbors has been successful in recapitalizing facilities over the past dozen years with nearly \$200M in projects completed;
- An outside consultant has recommended Docks & Harbors raise rates to stay even with costs and to meet patron expectations;
- The Docks & Harbors Board is considering a 9% increase across all fees and is soliciting public input.

	1-Apr-23 CPI	January 1st, 2024 Rate Study Options				1-Jul-23 CPI	January 1st, 2024 Rate Study Options		
Fee Increases	8.10%	3%	4.50%	9%	Fee Increases	8.10%	3%	4.50%	9%
P01 Cruise Ship Wharfage Fee	\$3.24	\$3.34	\$3.39	\$3.53	H61B Boom Truck - 1Hr	\$136.08	\$140.16	\$144.37	\$148.70
P02 Summer moorage <65'	\$3.24	\$3.34	\$3.39	\$3.53	Boom Truck - 30Min	\$68.04	\$70.08	\$72.18	\$74.35
P03 Summer Moorage <u>>65'</u>	\$5.40	\$5.56	\$5.64	\$5.89	H94 Skiff	\$340.19	\$350.40	\$355.50	\$370.81
P04/H97 Fish Moorage Fee	\$1.62	\$1.67	\$1.69	\$1.77	H10/H11 Daily	\$0.66	\$0.68	\$0.69	\$0.72
P05 Summer Moorage <u>≥ 200'</u>	\$3.24	\$3.34	\$3.39	\$3.53	H03/H15 Downtown Monthly	\$4.97	\$5.12	\$5.19	\$5.42
P06 Maintenance Fee 100 NRT	\$5.90	\$6.08	\$6.17	\$6.43	H06/H18 Statter Monthly	\$8.28	\$8.53	\$8.65	\$9.03
P08 Vessel Lightering Fee	\$1,837.70	\$1,892.83	\$1,920.40	\$2,003.09	H01/H02 Downtown Annual	\$53.70	\$55.31	\$56.12	\$58.53
P50 Port Maintenance <3hr	\$3.00	\$3.09	\$3.14	\$3.27	H04/H05 Statter Annual	\$89.43	\$92.11	\$93.45	\$97.48
P56 Summer Moorage <u>≥ 200'</u>	\$3.24	\$3.34	\$3.39	\$3.53	H03M/H15M Downtown 6 Month	\$30.64	\$31.56	\$32.02	\$33.40
P57 Greywater Service	\$162.15	\$167.01	\$169.45	\$176.74	H06M/H18M Statter 6 Month	\$51.02	\$52.55	\$53.32	\$55.61
					H22 Residence	\$78.24	\$80.59	\$81.76	\$85.28
					H22A Residence Additional	\$26.08	\$26.86	\$27.25	\$28.43
					H23 Boat Launch Rec	\$102.06	\$105.12	\$106.65	\$111.25
					H24 Boat Launch Day	\$17.00	\$17.51	\$17.77	\$18.53
					H25 Boat Launch Comm	\$283.49	\$291.99	\$296.25	\$309.00
					H25C Boat Launch Comm Daily	\$34.02	\$35.04	\$35.55	\$37.08
					H444 Grid Fees	\$1.14	\$1.17	\$1.19	\$1.24
					H45 Crane Fees	\$5.66	\$5.83	\$5.91	\$6.17
					H51 Storage Fees	\$0.56	\$0.58	\$0.59	\$0.61
					H56 Waitlist Initial	\$56.70	\$58.40	\$59.25	\$61.80
					H57 Waitlist annual	\$11.34	\$11.68	\$11.85	\$12.36
					H13/H96 ABLF Moor 1-3 days	\$0.85	\$0.88	\$0.89	\$0.93
					H16 ABLF Moor 4-6	\$1.70	\$1.75	\$1.78	\$1.85
					H17 ABLF Moor 7 +	\$3.39	\$3.49	\$3.54	\$3.70
					H61M Mechanical Work Zone	\$28.34	\$29.19	\$29.62	\$30.89
					H95 Vessel Disposal Sur	\$0.28	\$0.29	\$0.29	\$0.31
					H105 Anchoring	\$0.28	\$0.29	\$0.29	\$0.31
					P19/H62 Power 20A Daily	\$6.80	\$7.00	\$7.11	\$7.41
					P20/H63 Power 30A Daily	\$10.20	\$10.51	\$10.66	\$11.12
					P21/H64 Power 50A Daily	\$28.35	\$29.20	\$29.63	\$30.90
					P22/H65 Power 100A/208V	\$97.52	\$100.45	\$101.91	\$106.30
					P23/H66 Power 100A/480V	\$224.52	\$231.26	\$234.62	\$244.73
					P24/H67 S Liveaboard 20/30A	\$102.06	\$105.12	\$106.65	\$111.25

Continued	1-Jul-23	January 1st, 2024		
	CPI	Rate Study Options		
Fee Increases	8.10%	3%	4.50%	9%
P25/H68 S Liveaboard 50A	\$224.52	\$231.26	\$234.62	\$244.73
P26/H69 S Liveaboard 100A/208V	\$476.27	\$490.56	\$497.70	\$519.13
P27/H70 S Liveaboard 100A/480V	\$1,122.63	\$1,156.31	\$1,173.15	\$1,223.67
P28/H71 Summer 20/30A	\$61.24	\$63.08	\$64.00	\$66.75
P29/H72 Summer 50A	\$122.47	\$126.14	\$127.98	\$133.49
P30/H73 Summer 100A/208V	\$285.76	\$294.33	\$298.62	\$311.48
P31/H74 Summer 100A/480V	\$666.77	\$686.77	\$696.77	\$726.78
P32/H75 Winter Liveaboard 20A	\$136.08	\$140.16	\$142.20	\$148.33
P33/H76 Winter Liveaboard 30A	\$183.38	\$188.88	\$191.63	\$199.88
P34/H77 Winter Liveaboard 50A	\$340.19	\$350.40	\$355.50	\$370.81
P35/H78 Winter Liveaboard 100A/208V	\$816.46	\$840.95	\$853.20	\$889.94
P36/H79 Winter Liveaboard 100A/480V	\$1,905.07	\$1,962.22	\$1,990.80	\$2,076.53
P37/H80 Winter 20A	\$81.65	\$84.10	\$85.32	\$89.00
P38/H81 Winter 30A	\$108.86	\$112.13	\$113.76	\$118.66
P39/H82 Winter 50A	\$204.11	\$210.23	\$213.29	\$222.48
P40/H83 Winter 100A/208V	\$476.27	\$490.56	\$497.70	\$519.13
P41/H84 Winter 100A/480V	\$1,102.22	\$1,135.29	\$1,151.82	\$1,201.42
1149/1154 - H20/P20 AMP	\$6.80	\$7.00	\$7.11	\$7.41
1150/1155 - H30/P30 AMP	\$10.20	\$10.51	\$10.66	\$11.12
1151/1157 - H50/P50 AMP	\$28.35	\$29.20	\$29.63	\$30.90
1152/1157 - H100A/208V-P100A/208V	\$97.52	\$100.45	\$101.91	\$106.30
1153/1158 - H100A/208V - P100A/208V	\$224.52	\$231.26	\$234.62	\$244.73



Port of Juneau

155 S. Seward Street • Juneau, AK 99801
(907) 586-0292 Phone • (907) 586-0295 Fax

May 10th, 2023

James L. Marks
Director, Division of Planning & Program Development
Alaska Department of Transportation & Public Works
PO Box 112500
Juneau, AK 99811-2500

Dear Mr. Marks,

As you may have been briefed, the City & Borough of Juneau (CBJ) - Docks & Harbors has been dutifully pursuing the recapitalization of our largest harbor facility, Aurora Harbor, since the first phase was constructed in 2013. Aurora Harbor Phase III bids opened on April 12th and thanks to a \$2M - FY2023 ADOT Harbor Facility Grant, a \$4.3M construction project will be awarded to Trucano Construction in the coming days. Unfortunately, due to supply chain limitations, we have made the decision to extend the performance period to May 2024. Specifically, this decision was made after consulting the four major, Pacific NW manufacturers of floats who each indicated lack of capacity to supply a finished product within a six-month period. This recalibration of our schedule was necessary to ensure reasonable and competitive bids could be achieved.

Docks & Harbors is already looking to the next, and hopefully the final, Phase IV of Aurora Harbor. We have secured sufficient local match (up to \$5M) for this phase, which is estimated to be \$10M. Docks & Harbors is prepared to submit a FY25 ADOT Harbor Facility Grant. I formally request consideration to allow CBJ Docks & Harbors to compete for the FY25 Harbor Facility Grant, even though an existing grant (Aurora Harbor Phase III) will not be closed out until the end of FY24.

Assuming the FY25 grant process follows previous [Instructions for completing the Harbor Facility Grant Application](#), Docks & Harbors would be disqualified from consideration due to C.9 which reads:

Prior harbor grants must be completed and closed-out before another harbor grant application will be accepted for the same harbor facility.

As Docks & Harbors frequently leverages this grant opportunity, we appreciate the intent of ADOT to discourage bundling grants into a larger project. However, this is not our circumstance and supply chain challenges have created a situation which merits flexibility to the grant application process. I offer the following:

- Docks & Harbors is confident we will have Aurora Phase III closed out by July 2024.
- Docks & Harbors has secured necessary match funding for Phase IV and will be able to submit an application to ADOT by the August 2023 deadline.
- I have reviewed the Harbor Facility Grant Program ([AS 29.60.800](#)) and see nothing in the legislation (or even legislative intent) which would disenfranchise our request in this particular situation.
- The ADOT Facility Grant Program is only strengthened by having more qualified applications for consideration.

I fully understand that there is no guarantee that funding would be available for Aurora Phase IV. My request is only to be allowed to compete along with all other municipal harbors for FY25 grant opportunities.

Sincerely,

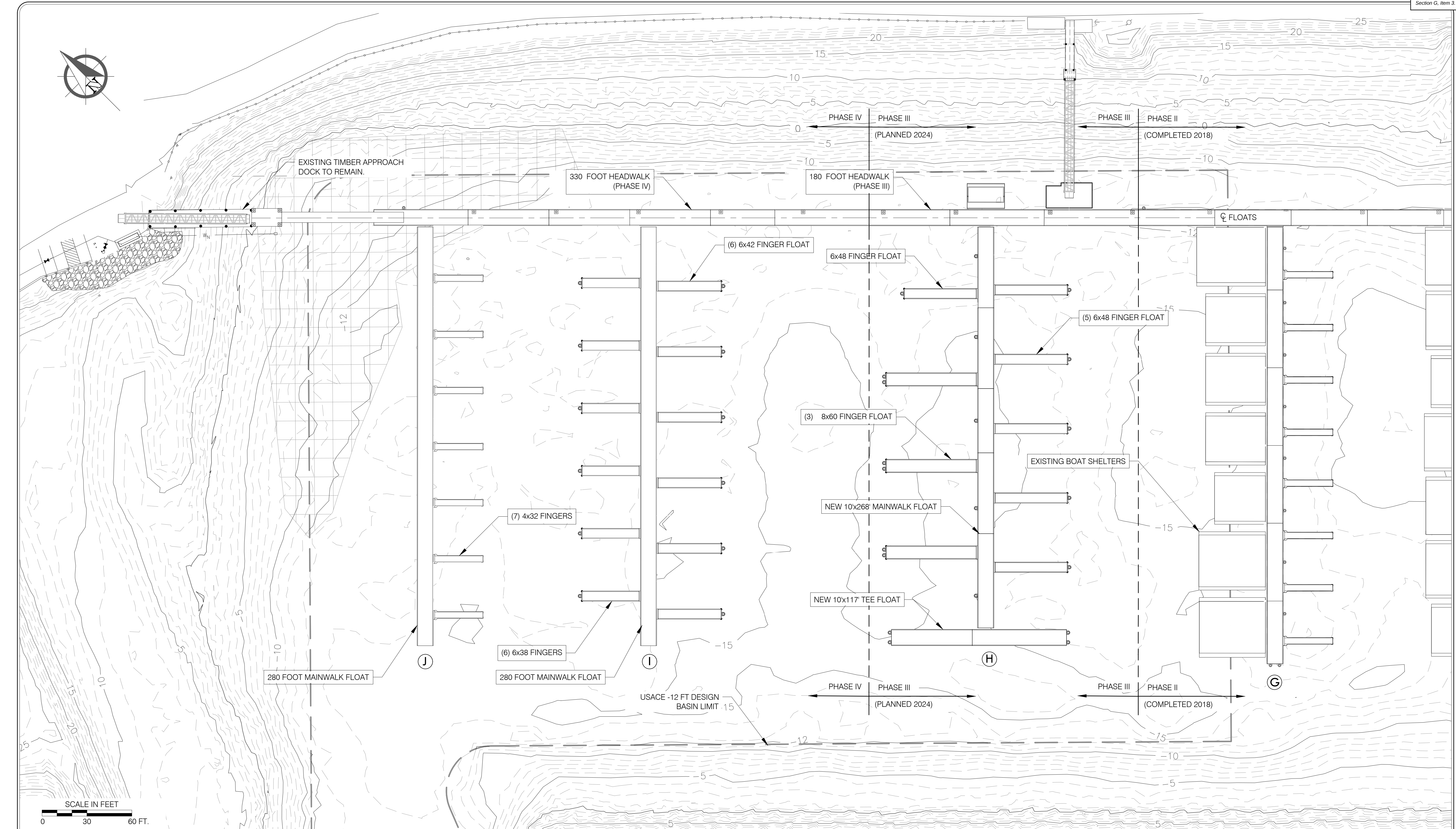


Carl Uchytel, PE

Port Director

City & Borough of Juneau

Copy: Marie Heidermann
Julie Chapman



A - PHASE IV SITE PLAN



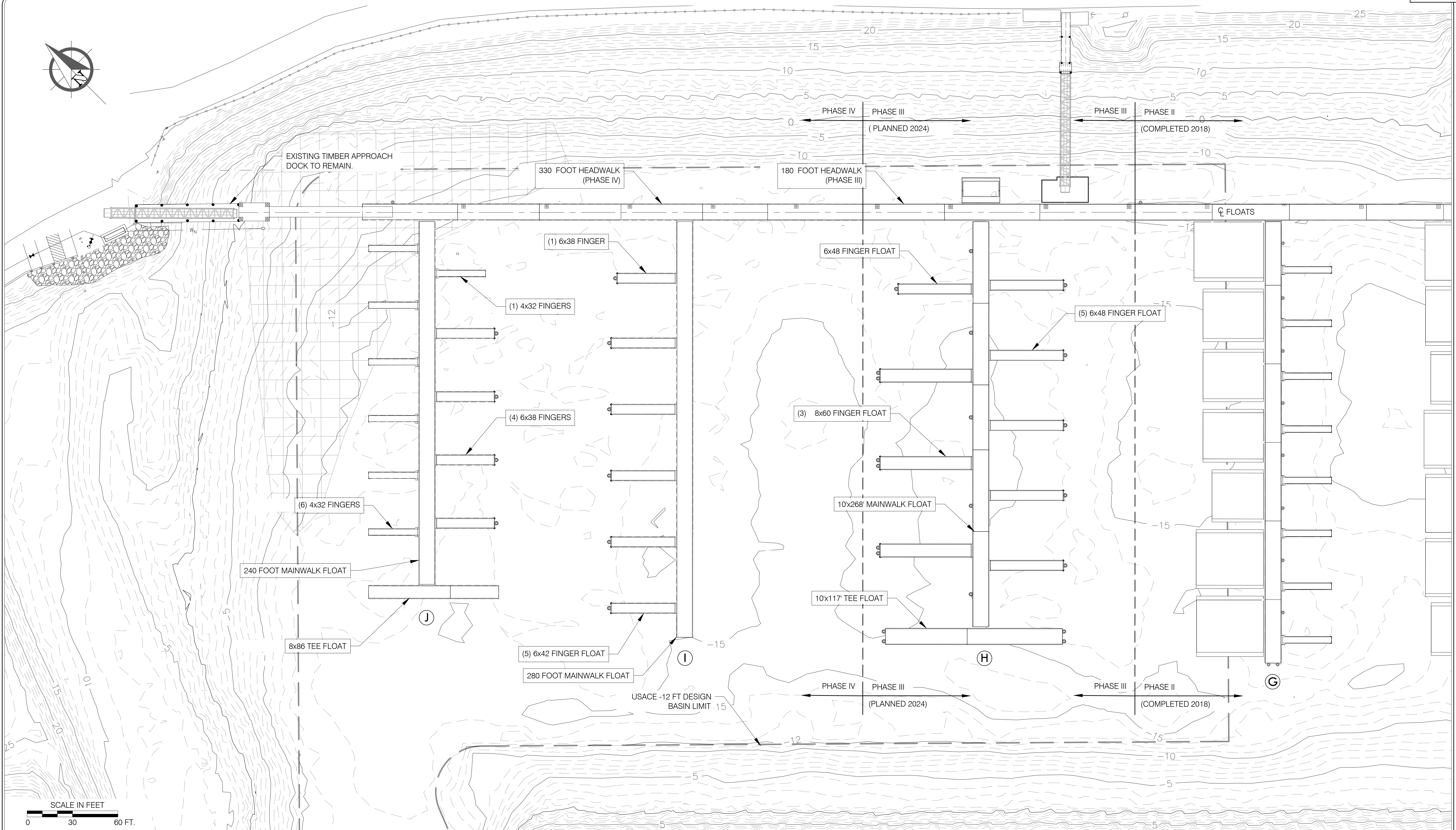
REVISIONS					
REV	DATE	DESCRIPTION	DWN	CHK	APP

CITY AND BOROUGH OF JUNEAU
DOCKS & HARBORS
155 SOUTH SEWARD STREET
JUNEAU, ALASKA 99801
PHONE: 907-586-0292

PHASE IV - LAYOUT OPTION A
AURORA HARBOR REBUILD - PHASE IV

DESIGN:	MS	DATE:	APRIL 4, 2024
CHECKED:	CU	CONTRACT NO.:	DH24-0XX
APPROVED:	CU	FILE NO.	XXX
		SHEET:	1 of 2

A



B - PHASE IV SITE PLAN



REVISIONS					
REV	DATE	DESCRIPTION	DWN	CHK	APP

CITY AND BOROUGH OF JUNEAU
DOCKS & HARBORS
155 SOUTH SEWARD STREET
JUNEAU, ALASKA 99801
PHONE: 907-586-0292

PHASE IV - LAYOUT OPTION B
AURORA HARBOR REBUILD - PHASE IV

DESIGN:	MS	DATE:	APRIL 4, 2024
CHECKED:	CU	CONTRACT NO.:	DH24-0XX
APPROVED:	CU	FILE NO.	XXX
		SHEET:	2 of 2

B

AMENDMENT NO. 4 BETWEEN
THE UNIVERSITY OF ALASKA AND THE CITY AND BOROUGH OF JUNEAU
FOR LEASE AGREEMENT
FISHERIES AND MARINE RELATED DEVELOPMENT OF UAS MARINE TECH CENTER
JUNEAU, ALASKA

THIS LEASE AGREEMENT AMENDMENT NO.4 (“Amendment No.4”), by and between THE CITY AND BOROUGH OF JUNEAU (“LESSEE”), a municipal corporation whose address is 155 South Seward Street, Juneau, Alaska 99801 and the UNIVERSITY OF ALASKA (“LESSOR”), a corporation created under the Constitution and laws of the State of Alaska, whose address is 1815 Bragaw Street, Suite 101, Anchorage, Alaska 99508 3438, is made effective as of May 6, 2023.

RECITALS

WHEREAS, the Lessor and Lessee entered into that certain Lease dated May 6, 1988, for a term of thirty-three years.

WHEREAS, the 1988 Lease allowed Lessee a one-time option to extend the Term of the Lease for an additional thirty-three years, which Lessee did not exercise.

WHEREAS, the parties previously agreed to Amendments No. 1 in 2021 and No. 2 in 2022, each extending the lease term for a year, and No. 3, extending the lease term for a month, now set to expire June 5, 2023.

WHEREAS, the parties are now desirous of leasing the same property for a four-year term.

NOW THEREFORE, The City and Borough of Juneau and the University of Alaska agree as follows:

Sections 1.3 and 1.4 are deleted.

Section 2 is replaced in its entirety with:

TERM.

- A. This Lease shall be for **FOUR (4)** years (the “Term”) commencing on **June 6, 2023** and expiring **June 5, 2027** without notice or other action by either party, unless earlier terminated or extended as provided in this Lease.

Section 3 is deleted.

Section 4 is replaced in its entirety with:

RENT.

- A. Base Rent. Lessee agrees to pay to the University the sum of EIGHT THOUSAND THREE HUNDRED THIRTY-THREE AND 33/100 DOLLARS (\$8,333.33) monthly as rent, payable upon execution of this Lease with the first payment due May 5, 2023 and on the fifth of each month thereafter, without deduction and without notice or demand. Payment shall be submitted to the University at the address listed on page 1 of this Lease or at such other place as the University may designate.

- B. Interest on Unpaid Rent, Late Charges. A late payment fee of five percent (5%) of the amount due shall accrue for any payments due under this Lease not made within ten (10) days of the due date. In addition to the late payment fee, unless otherwise specifically provided herein, any sum payable to Lessor hereunder which is not paid when due shall bear interest at the highest rate allowable under AS 45.45.010 (b) on all amounts past due from the date the same becomes due until paid.
- C. Educational Benefit. In consideration for the Base Rent being discounted from the fair market rental value of the property, Lessee will provide, throughout the Lease term, the following in-kind benefits:
1. Lessee shall provide free lift tickets and 50% discounts on gear rental at Eaglecrest for UAS students and entering into internships for UAS students pursuing outdoor recreation degrees.
 2. Lessee shall provide CBJ bus passes to UAS students at no cost.
 3. Lessee shall provide access at no cost to Treadwell Rink, CBJ Pools and Dimond Park Fieldhouse for UAS students.
 4. Lessee shall provide kayak storage and launch services at Statter Harbor at no cost for UAS students.
 5. Lessee shall provide or arrange no fewer than three (3) paid maritime internships to UAS students each semester, including but not limited to harbor operations, harbor marketing, or harbor administration.
 6. Lessee engaged relationships with the UAS/CG/ CSPI program.
 7. Lessee shall provide snow removal at no cost to UAS at the 5.34-acre UAS Tech Center facility, both those portions leased hereunder to Lessee and those portions remaining under UAS occupancy, including but not limited to the UAS Welding Lab and UAS Vo-Tech Building.

Section 5 is deleted.

Section 11 is replaced in its entirety with:

INSURANCE.

A. General Requirements.

- i. Lessee and its contractor and subcontractor(s) of any tier are required to carry the types and limits of insurance shown in this insurance clause, Section 12, and to provide the Lessor with a Certificate of Insurance ("certificate"). The Lessee and its contractor and subcontractor(s) shall not commence work under this contract until satisfactory evidence has been provided to the Lessor that the Contractor can cover the requirements set forth in this provision with regard to the Contractor and all subcontractors when engaged in any work performed under this contract. All certificates shall be coordinated by the Lessee and provided to the Lessor prior to signing of the contract by the Lessee. Certificates shall be executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth below. All certificates shall provide for thirty (30) days' written notice to the Lessor prior to cancellation, non-renewal, or other material change of any insurance referred to therein as evidenced by return receipt of

United States certified mail.

- ii. Additionally, and at its option, Lessor may request certified copies of required policies and endorsements. Such copies shall be provided within (10) ten days of the Lessor's request.
- iii. All insurance required hereunder shall be maintained in full force and effect with insurers with Best's rating of AV or better and be licensed and admitted in Alaska. All policies required shall be written as primary policies and not contributing to nor in excess of any coverage the Lessor may choose to maintain. Failure to maintain the required insurance may result in termination of this Private Suite Space Use Agreement at the Lessor's option.
- iv. All policies shall name the Lessor as Additional Insured. On the certificate, the Lessor shall be stated as: "University of Alaska." Certificates shall be mailed to:

University of Alaska
Facilities and Land Management
1815 Bragaw Street, Suite 101
Anchorage, Alaska 99508

- v. Failure of Lessor to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Lessor to identify a deficiency from evidence that is provided shall not be construed as a waiver of the obligation of Lessee and its contractor and subcontractor(s) of any tier to maintain such insurance.
- vi. No Representation of Coverage Adequacy. By requiring insurance herein, Lessor does not represent that coverage and limits will necessarily be adequate to protect Lessee and its contractor and subcontractor(s) of any tier, and such coverage and limits shall not be deemed as a limitation on the liability of the Lessee and its contractor and subcontractor(s) of any tier under the indemnities granted to the Lessor in this Lease.
- vii. Lessee is responsible for coordinating the reporting of claims and for the following: (a) notifying the Lessor in writing as soon as practicable after notice of an injury or a claim is received; (b) cooperating completely with the Lessor in the defense of such injury or claim; and (c) taking no steps (such as admission of liability) which will prejudice the defense or otherwise prevent the Lessor from protecting its interests.
- viii. Failure to comply with this provision may preclude other contracts and agreements between the Lessee and the Lessor. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. Certificates of Insurance must be furnished to the Lessee prior to beginning work and must provide for a 30-day prior notice to the Lessor of cancellation, non-renewal, or material change. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the Lessee and its contractor and subcontractor's services.
- ix. In the event Lessee as a municipality self-insures for any of these insurance requirements, Lessee will provide Lessor with a letter to document its self-insurance program. Unless Lessor within 30 days of that letter that some aspect of the self-insurance program is inadequate, the self-insurance

program will be deemed to meet the requirements of this section 13.

- B. **Required Insurance Coverage.** Without limiting Lessee's indemnification, it is agreed that Lessee and its contractor and subcontractor(s) shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement policies of insurance covering the following types and limits:
- i. **Commercial General Liability Insurance.** Lessee and its contractor and subcontractor(s) of any tier shall maintain Commercial General Liability ("CGL") written on an occurrence basis and with a limit of not less than TWO MILLION AND NO/100 DOLLARS (\$2,000,000.00) each occurrence and TWO MILLION AND NO/100 DOLLARS (\$2,000,000.00) aggregate. If such CGL insurance contains a general aggregate limit, it shall apply separately by location and shall not be less than FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00). CGL insurance shall be written on standard ISO occurrence form (or a substitute form providing equivalent coverage) and shall cover liability arising from premises, operations, broad form property damage, independent contractors, products-completed operations, personal injury and advertising injury, explosion, collapse, underground hazards, and liability assumed under a contract including the tort liability of another assumed in a business contract. If necessary to provide the required limits, the Commercial General Liability policy's limits may be layered with a Commercial Umbrella or Excess Liability policy.
 - ii. **Commercial Auto Insurance.** Lessee and its contractor and subcontractor(s) of any tier shall maintain a Commercial Auto policy with a Combined Single Limit of not less than ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00); Underinsured and Uninsured Motorists limit of not less than \$1,000,000; Comprehensive; Collision; and a Medical Payments limit of not less than \$10,000. Coverage shall include Non-Owned and Hired Car coverage.
 - iii. **Workers' Compensation.** Lessee and its contractor and subcontractor(s) of any tier shall provide and maintain, for all of its employees engaged in work under this contract, Workers' Compensation Insurance in accordance with the laws of the State of Alaska. The Lessee and its contractor shall be responsible for Workers' Compensation Insurance for any subcontractor(s) who directly or indirectly provides services under this contract. This coverage must include statutory coverage for states in which employees are engaging in work and employer's liability protection not less than ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) each accident, ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) each person and ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) policy limit. Where applicable, coverage for all federal acts (i.e., U.S.L. & H and Jones Act) must also be included.
 - iv. **Personal Property.** If applicable, Lessee and its contractor and subcontractor(s) of any tier shall purchase insurance to cover personal property of Lessee and its contractor and subcontractor(s) of any tier. In no event shall Lessor be liable for any damage to or loss of personal property sustained by Lessee and its contractor and subcontractor(s) of any tier, even if such loss is caused by the negligence of Lessor, its Board of Regents, officers, employees, agents and representatives.
 - v. **Professional Liability.** If available generally to members of the professions of Lessee and its contractor and subcontractor(s) of any tier, Lessee and its contractor and subcontractor(s) of any tier shall maintain Professional Liability (Errors & Omissions) insurance on a claims made basis, covering claims made during the policy period and reported within three years of the date of occurrence. Professional Liability shall include all errors, omissions, or negligent or wrongful

acts of the Lessee, contractor, subcontractor, or anyone directly or indirectly employed by them, made in the performance of this contract which results in financial loss to the Lessor. Limits of liability shall be not less than one million AND NO/100 dollars (\$1,000,000.00). Coverage shall be maintained for the duration of this contract plus three (3) years following the date of final payment.

- vi. **Pollution Liability Insurance.** If applicable, Lessee and its contractor and subcontractor(s) of any tier, shall maintain Pollution Liability Insurance covering pollution legal liability arising from sudden and accidental and gradual pollution, and applicable to bodily injury, property damage, including natural resource damage, loss of use of damaged property or of property that has not been physically injured or destroyed; cleanup costs, removal, storage, disposal and or use of the pollutant; and defense, including costs and expenses incurred in the investigation, defense, or settlement of claims. Coverage shall be maintained in an amount of at least Two Million AND NO/100 Dollars (\$2,000,000.00) per loss. Coverage shall apply to sudden and gradual pollution conditions resulting in the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases natural gas, waste materials, or other irritants, contaminants or pollutants. If coverage is written on a claims-made basis, the Lessee and its contractor and subcontractor(s) warrants that any prior acts or retroactive date applicable to coverage under the policy precedes the effective date of this contract; and that continuous coverage will be maintained or an extended discovery period will be exercised for a period of three (3) years beginning from the time that work under this contract is completed. This policy shall name the Lessor as Additional Insured and waiver of subrogation language shall be included.
- vii. **Aircraft.** If aircraft are used in the operations to be performed hereunder, aviation liability insurance with limits of TWENTY-FIVE million (\$25M) per occurrence combined single limit for bodily injury and property damage liability. This coverage shall include all owned, hired and non-owned aircraft. If Lessee and its contractor and subcontractor(s) operates an airstrip, airfield or other airport facilities in the operations to be performed hereunder, the coverage shall include airport liability. This policy shall name the Lessor as Additional Insured and waiver of subrogation language shall be included.
- viii. **Watercraft.** If watercraft are used in the operations to be performed hereunder, watercraft liability insurance with limits of TWENTY-FIVE million (\$25M) per occurrence, combined single limit for bodily injury and property damage liability. This coverage shall include owned and non-owned watercraft. This policy shall name the Lessor as Additional Insured and waiver of subrogation language shall be included.
- ix. **Well Control.** If new or existing wells are coordinated or used in the operations to be performed hereunder, coverage for the cost of bringing a well under control in the event of blowout, including resultant pollution, seepage or contamination and resultant clean-up, cost to restore or re-drill a well due to blowout, crater or fire, and the cost of extinguishing an oil and gas well fire, shall be included. Limit shall be TWO HUNDRED million (\$200M). This policy shall name the Lessor as Additional Insured and waiver of subrogation language shall be included.
- x. **Excess Liability.** If necessary to provide the required limits, required policy limits may be layered with a Commercial Umbrella or Excess Liability policy or policies.
Section 25 is replaced in its entirety with:

- A. Holdover. If Lessee shall, with the written consent of Lessor, hold over after the expiration of the term of this Lease, such tenancy shall be for an indefinite period of time on a month-to-month tenancy, provided that this tenancy may be terminated by either party with ninety (90) days' prior notice. During such tenancy, Lessee agrees to pay Lessor monthly rent at the rate of One Hundred Twenty-Five Percent (125%) of 1/12th of the annual rent in effect immediately prior to the holding over, unless a different rate shall be agreed upon in writing. Lessee shall be bound by all the other terms, covenants, and conditions of this Lease, so far as applicable.

Sections 6-10, 12-24, and 26-32 are retained and in continuing effect, except as they may become inapplicable by reason of the specific changes made herein. In the event of any irreconcilable inconsistencies between the retained sections and the amended sections hereunder, the amended sections will be deemed controlling.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 4 below.

LESSEE:

Rorie Watt
City Manager
CITY AND BOROUGH OF JUNEAU

Date

LESSOR:

Adrienne K. Stolpe
Director of Land Management
UNIVERSITY OF ALASKA

Date

Enterprise Board Appointment Process

Docks and Harbors Board Comments

May 2023

Duties and Responsibilities of the Docks and Harbors Board Defined

The duties and responsibilities of the Docks and Harbors (D&H) Board are defined in the D&H Board Bylaws and Title 85. The Board has undertaken the task of reviewing and updating its Bylaws. The revised Bylaws were approved by the Assembly in June 2014. There is a current set of ByLaws pending with the CBJ Attorney for Assembly approval.

The pandemic significantly affected Docks & Harbors. The Board has taken on the task of evaluating expenditures and looking for opportunities for revenue growth. The Board has taken on the task of reviewing Title 85 and related regulations as needs arise. This is an effort to clean up language that is obsolete, redundant or ambiguous and to revise fees appropriately. All code/regulation revisions are forwarded to the Assembly for approval.

Overall, the duties and responsibilities of the Docks and Harbors Board are well defined.

Skills and Knowledge Sets Required

An effective Docks and Harbor Board member must have the following attributes:

- Cares about what is going on with Juneau's D&H with a balanced, non-biased perspective.
- Wants to be involved and is committed to helping make a difference for all D&H users and the community.
- Committed to an open public process.
- A good listener and active participant in Board discussions.
- Capable of critical thinking.
- Analytical and forward focused.
- Good communication skills - both written and spoken.
- Active in some aspect of maritime activity – such as boating in general, sport fishing, commercial fishing, diving, tourism, marine service and supply, marine engineering and construction, etc.
- Mind reading skills highly desirable

The Board is **not** well served by an individual with a personal agenda regardless of their level of knowledge or experience.

Current Docks and Harbors Board Membership (2022 – 2023)

The current members of the Docks and Harbors Board are a diverse group of long time Juneau residents. All have experience in boating and individual members have the following professional experience:

1. Lawyer
2. Retired marine construction and maintenance journeyman and tour boat captain
3. Downtown merchant with a day job
4. Director of non-profit maritime organization
5. Retired commercial fisherman
6. SEARHC Employee
7. BRH Employee
8. Captain of whale watching charter
9. Vacancy

These Board members represent a well-rounded group that possesses skills and knowledge needed to be an effective board. In addition to what is apparent from their profession/resumes, each board member has gained, through Board work, varying degrees of knowledge pertaining to Juneau's docks and harbors.