

DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Monday November 30th, 2020

- I. Call to Order** – Mr. Wostmann called the November 30th Finance Sub-Committee meeting to order at 5:00 pm via Zoom Meeting.

II. Roll Call

The following members were present via zoom or in the Port Director's conference room: James Becker, Chris Dimond, David Larkin, Don Etheridge, and Bob Wostmann.

Also present were the following: Carl Uchtyl – Port Director, Matt Creswell – Harbormaster, Teena Larson – Administrative Officer, and Tiara Ward – CBJ Finance Accountant

III. Approval of Agenda

THE AGENDA WAS APPROVED AS PRESENTED.

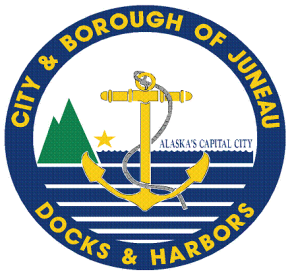
IV. Participation on Non-Agenda Items - None

- V. Approval of October 15th, 2020 Finance Sub-Committee Minutes** – Hearing no objection the minutes of October 15th, 2020 are approved as presented.

VI. Items for Information/Discussion

1. Estimated Statter Harbor expenses related to charter vessel operations

Mr. Uchtyl said he was asked from this Committee to separate costs attributable to the charter operations at Statter Harbor. What does it cost our staff through time and resources to support the charter operations at Statter Harbor? This is a difficult task because none of the user groups believe they are a burden on the operating costs. On page 15 in the packet is a memo that show costs attributable to Statter Harbor For-Hire Charter operations. In paragraph two, he estimates 75% of all Harbor operations at Statter Harbor are for the Statter Harbor facility which is \$1.3M of the annual operating costs or roughly \$100K/month. Broken down further, he estimated 1/3 of the \$1.3M is directly for charter operations for efforts to maintain Statter Harbor which results in a reasonable amount of \$150K. Mr. Uchtyl said the other way he looked at the costs associated with charter operations was to assume one Harbor Officer and one Harbor Technician are fully engaged with charter operations seven days a week from early morning to 8pm in the evening, the administrative portion is approximately a quarter of the seasonal time spent permitting, and monthly passenger billing. The port-a-potties are primarily at Statter Harbor for the charter operations which is five at \$855.50 per month. He assumed 75% of the restroom supplies and water/waste water is used directly on the charter operations. For the refuse disposal he estimated 25% of the total cost is for the charter operations.



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The sweeping and striping of the bus lot is a lump sum with 100% associated with the charter operations. Adding all of these costs together are \$133K which is in line with the \$150K estimated in paragraph two of the memo.

Mr. Wostmann asked if the Harbor Officer, Harbor Technician, and the Administrative costs include benefits?

Mr. Uchytel said they include benefit costs.

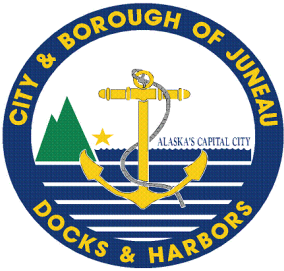
Mr. Wostmann said there are two components to the fees associated with the charter operations. One being the direct costs that were identified in the memo and either using the \$150K or the \$133K, and the other being the capital costs for the facility that is being built for the charter operations. He said he has been doing some calculations to determine a depreciation cost and he estimates \$270K annually which may not be a good number right now because he used the standard straight line depreciation and it may not be calculated this way. There was previous discussion about reimbursement from the charter operators for about half of the capital costs which is around \$137K. These are estimated numbers to have something to work with and think about. He said taking the \$137K and adding the \$150K it comes to a little under \$300K annually. Currently, the inspected vessels paid in fees \$225K. Using these numbers, there could be an approximate fee increase of 30% to get to the \$300K from the \$225K. If this approach seems reasonable, staff would need to work with CBJ Finance to figure out how they do the depreciation to get an accurate number. The 30% increase could possibly be carried out over a few years.

Mr. Etheridge asked if the numbers used for replacement is for the full cost of the Statter Harbor For-Hire facility or just the 25% that Harbors has to provide?

Mr. Wostmann said that is the full cost of the project. This would be paying off the full investment of the facility so the funds can be set aside to replace the facility 50 years from now. He put these numbers together to get a general scope of what the Committee wanted to do. Another calculation he was working with was the estimated 80,000 passenger that go on whale watching tours at \$150 per person he estimates the charter operators receiving revenue of \$12M. The \$300K contribution from the fleet as a whole seems like a reasonable cost. Providing this vastly improved facility, the charter operators should predict there would be an increase in fees.

Mr. Larkin asked if the charter operators asked for the new facility or is this something Docks & Harbors decided to do?

Mr. Uchytel said it is a little bit of both. Statter Harbor is the highest requested facility. Staff knows the demand exceeds capacity and the charter operators has brought up that



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they need a place to tie up every night. The charter operators have indicated they are a value to the community and they provide some of the economic engine of tourism. The charter operators has requested additional facilities and staff has seen how packed Statter Harbor can be. Staff looks at this as a win/win because it provides a place for the charter operators but it also relieves the stress for others to use Statter Harbor.

Mr. Larkin said the raising of the fees will be a little easier knowing this facility was built from their request.

Mr. Wostmann said he was a charter operator and he avoided Statter Harbor whenever he could to avoid the congestion during the summer. He said his perspective of this facility is that it is going to be a huge improvement.

Mr. Etheridge said when he was a charter operator he would never go to Statter Harbor due to congestion. If there was not space of the IVF downtown they would anchor out and lighter back and forth with skiffs.

Mr. Becker said this will be a great benefit for the charter operators. He asked what the estimate for adjustment was going to be and how the phasing in over a few years would work?

Mr. Wostmann said his rough numbers were estimated off the entire investment of \$14.7M and over a 50 year amortization so the amount that will be going toward that in a given year is about 2%. If the idea is to just pay back the City's portion, they would probably want to be reimbursed a whole lot sooner. The phasing over a few years idea would be to do increments of 10% over a few years.

Public Comment –

Brent Bitterman, Alaska Luxury Tours

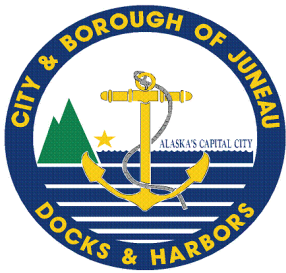
Mr. Bitterman asked if this project is paid for by cruise ship head tax money?

Mr. Uchytel said three quarters of the funding for this project is from head tax and one quarter from local sources.

Mr. Bitterman said the reason he believes this is important is when you talk about raising fees. He said regarding the idea of the facility being paid for by the charter industry because it would not need to be built if it was not for the charter industry being there, it is already being paid for by the cruise lines so it seems like it is double dipping from his perspective. To pass along a rate increase does not seem fair in his estimation.

Kirby Day, Juneau, AK

Mr. Day said he was making sure there would be no increase in calendar year 2021.



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Mr. Wostmann said that is correct and this would not take effect until 2022.

Mr. Day said as operators, we all want to keep our costs down especially given the uncertainty of where we are today. It is important to remember that if we did not do this project that was three quarters of the way funded by passenger head tax, in all likelihood, the City would have had to cap this business and limit the capacity because we were out of room and out of residential patience. This project does benefit the charter operators, the cruise industry, the passengers, and the residents. He said in general, most operators do not want their costs to increase right now but it may be a good idea to sit down with the operators after the first of the year and talk through thoughts and ideas on how to have a fee increase over the next five years. Given the uncertainty that may creep into 2022, maybe have a gradual increase for that year and a normal increase in the following years. He is not speaking for the operators. This comes out of their bottom line and in turn needs to charge the guest as well. He asked if it was the intent to make up this increase based off the per passenger or also on the moorage, or both?

Mr. Wostmann said what the increase is based off is undecided. He agrees that the charter operators need to be involved in the discussion and could be over the next six to nine months. Ultimately, the Committee is looking for a fee structure to have in place in 2022 but if there still is not a full season we would undoubtedly not raise the fees or raise them a lot less. In correcting his earlier statement, only 1% of the value would be depreciated because we are looking at half the value. There are multiple ways to approach this reimbursement or even if that is something the Committee wants to do.

Mr. Etheridge said there will be several meeting if there is a proposed fee increase and a lot of opportunity for public comment.

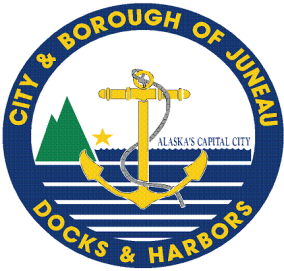
Mr. Wostmann asked about Mr. Uchytel's memo dated October 15th. In the last sentence in paragraph one which says, "We have sufficient Harbors Enterprise match for Phase III(A) and III(C)", but what about III (B)?

Mr. Uchytel said that is an error, it should say Phase III(A) and III(B). Harbors does not have enough funds for Phase III(C).

Mr. Wostmann asked why the uninspected vessels will not be operating in the new facility?

Mr. Uchytel said this is an attempt to maximize or manage the new facility as best as possible.

2. CY22 Statter Harbors For-Hire Fee Rate Discussion- This was discussed in the previous item.



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3. FY21 Docks and Harbors Budget Review

Mr. Uchytel said the Docks & Harbors revenue and expense projections was put together today for FY21. Looking at the Docks projections, staff is estimating \$785,628 in revenue and \$1,321,413 in expense and this will leave Docks with a deficit of \$535,785. At some point staff will need to go forward to the Assembly and ask for fund balance money to cover the deficit. Mr. Uchytel said looking at the Harbors projections, staff is estimating \$4,393,680 in revenue and \$3,979,833 in expense this will leave \$413,847 up in revenue at the end of FY21.

4. FY22 Budget Process Calendar

Mr. Uchytel said this is the first year the Finance Department provided this calendar and he wanted to share this with the Board. He pointed out important dates for the Board. By Charter, the date the Assembly is required to approve the budget is June 15th. The process is broken down into three waves with Docks & Harbors in wave 3. The MPF requests are due January 4th, December 7th is the first round of training for the budget process and provide the spreadsheets to be completed by the Department. On January 25th is when the spreadsheets are due to finance with the updates for this current fiscal year FY21 and make changes to the next fiscal year FY22. Once the Finance Department has the budget updates they will add their portion of the budget numbers, such as debt service, interest, and make other appropriate adjustments. The City Manager will schedule a presentation from Docks & Harbors to address Assembly concerns with our budget. This date is typically in March or April and then all the budgets are approved at the June 15th deadline. He said Tiara Ward is our Finance Accountant who is also on this zoom meeting if you have any questions.

Ms. Ward said this is a new schedule for the Finance Department as well due to our new budget analyst. The plan is to have the budget completed earlier so as to not be scrambling at the last minute City-wide.

Mr. Wostmann said he would like to focus on the dates from December 7th to January 25th. December 7th is the date staff receives the working spreadsheets to update and January 25th is when they need to be submitted to Finance. During this time there will need to be a Finance Sub-Committee meeting, an Operations meeting, and a Board meeting in order to approve the budget numbers for submission.

Mr. Uchytel said if we did not complete all the meetings before the January 25th deadline it would be okay. We have an Operations meeting on January 20th and the Full Board on January 28th. He is sure the Finance Department would accept the working draft that we could have approved at the January 28th Board meeting.



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Ms. Ward said if the Board needed a little more time that would be appropriate. The goal is to have most of a budget ready so the Manager's office can look at all the needs and set the MPF and CIP schedules. She believes the January 28th date would be fine.

Mr. Wostmann asked when staff would have a preliminary review of the budget with the Finance Sub-Committee?

Mr. Uchytel said the 20th of January is the Operations Committee meeting and recommended having a Finance Sub-Committee review anywhere between the 6th and the 14th of January.

Mr. Wostmann asked Mr. Uchytel to send out a doodle poll for the dates between January 6th and the 14th.

Mr. Uchytel asked what level the Committee wants to see the budget. The Assembly approves a very high level biennial review.

Mr. Wostmann said the Sub-Committee should get into the weeds that leads up to the total budget which he believes is the duties of the Finance Sub-Committee. In part so when this goes to the Operations and the Full Board there is not a need for the Board as a whole to dig into the detail items again. He wants to review all the detail line items and believes this could be a two part process. Staff could send out the draft budget to the Finance Sub-Committee members to have a little time to review it before the meeting date.

Mr. Uchytel said he will send out a doodle poll for the January 6th to the 14th time period.

5. Graphic ideas to communicate to the Docks & Harbors Board

Mr. Uchytel said he had a discussion with Mr. Wostmann, Mr. Etheridge and Mr. Ridgway about better way to communicate the financial health of Docks & Harbors on a periodic basis. He said he has nothing to present and is asking what the members would like to see with the budget numbers.

Mr. Becker said he would like to have a one on one to get caught up on budget numbers with Mr. Uchytel.

Mr. Wostmann said he wanted to pull some other reports that had some effective graphics but he was unable to find the time for that for this meeting but he would like this topic on the next agenda. If any other members have a finance report they would like to see to please send it to Mr. Uchytel.

VII. Next Meeting – January meeting TBD.

VIII. Adjournment – The Finance Sub-Committee Meeting adjourned at 6:15 pm.