



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

- I. Call to Order** – Mr. Wostmann called the April 29th, 2020, Finance Sub-Committee meeting to order at 3:05 pm on Cloud Conferencing. The call in information was 713-2140 with PID# 370829, others were present at the Port Director's Office.

II. Roll Call

The following members were present telephonically: James Becker, Chris Dimond, Mark Ridgway and Bob Wostmann.

Also present were the following: Carl Uchtyl – Port Director, Matt Creswell – Harbormaster, Erich Schaal – Port Engineer, Teena Larson – Administrative Officer, Don Etheridge – Board Chair, and Budd Simpson(telephonically) – Board Member.

III. Approval of Agenda-

The agenda was approved as presented.

IV. Participation on Non-Agenda Items - None

V. Items for Information/Discussion

Mr. Wostmann said he asked to have the below items on the agenda. At our last meeting, the CIP projects were rushed at the end due to other time sensitive items on the agenda so he wanted to have this on the agenda again to give the committee more time to ask questions and discuss. He also wanted an update on the FY20 budget numbers.

1. Support for Capital Improvement Projects (CIP)

Mr. Uchtyl said in the packet is a list of CIP projects. The lined out items are projects already completed, projects not executed by Docks & Harbors, or the tug assist which is listed as a CIP project. These are all of the Docks and Harbors CIP projects approved by the Assembly. Mr. Uchtyl went over the list and explained the individual CIP's funding. The purpose to identify the funding was in the event Docks or Harbors became cash strapped. Are there certain projects that could be de-scoped or cancelled and be able to move money around to meet our obligation.

Mr. Uchtyl explained the column labels, budget (money set aside for the project), commitments (money committed for the project not spent out yet), actuals (money spent so far on the project), and funds available (money left to still spend on the project).

He went over the list of projects below.

Statter Improvements - Phase III- This project is the for-hire floats. Of the funds available, \$4,533,061 is primarily head tax money consisting of marine passenger



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

fees and state marine passenger fees which are non-generated harbor funds. Last week the Assembly approved moving money from the ABMS project into this project but those funds have not been moved yet.

Downtown Restroom Location/Destination – This has \$573,157 funds available. It is all marine passenger fee money with no harbor generated money. The vision for these funds was to add into the Archipelago project at the appropriate time.

MP to Taku Upland Improvements/Archipelago – This is the Archipelago project and we have \$2,423,069 funds available. These funds are marine passenger fees and state passenger fees.

ABMS Maintenance & Improvements – The fund balance from this project will be moved to the Statter Improvements project. This transfer has already been approved by the Assembly.

Small Cruise ship Moorage – This project has a fund balance of \$17,631 which is all marine passenger fee money. This was awarded to PND and is looking for small cruise ship infrastructure locations in the downtown area. The study will be brought forward to the full Board hopefully in May.

Pile Anode Installation – These projects extend the service life of our facilities. The budget of \$403,163 in this CIP includes funds for Aurora Harbor anodes and Douglas Harbor anodes. ADOT has informed Docks & Harbors we have been awarded the 50/50 matching grant for Harris Harbor but we have not brought it to the Assembly for approval. We will receive those funds after Assembly approval. The funds available of \$216,567 is half harbor generated money and half ADOT commitment funds.

Dock Security Stations – These are the new queing stations at the Alaska Steamship Wharf and Cruise Ship Terminal. The funds available of \$27,217 are marine passenger fees. This project will be closed out in the next couple months.

Weather Monitor & Communication – This is real time weather and current sensors. at three downtown locations, AJ Dock, CT Dock, and AS Dock. These funds are local marine passenger fees.

Large Berth Shore Power Design – This is local marine passenger fees of \$300,000.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

Aurora Harbor Improvements – The funds available of \$609,221 is the match money for the next phase of Aurora Harbor and this is all harbor money.

Mr. Uchytel said the vast majority of the CIP funds are local or state marine passenger fees with some harbor money. The CIP funds are set aside and different from the operating budget. However, much of our operating funds go into our fund balance which then feeds our CIP projects. The projects listed below are other projects that never make it to the list because we do not have money available;

- The Small Cruise Ship development
- The Wave Attenuator at Statter Harbor
- North Douglas Launch Ramp expansion
- Marine Services Facility – this is the area by Aurora Harbor
- Statter Harbor Baywalk. – this would link the Auke Bay Marine Station to the Statter Harbor office.

The only project that could be de-scoped to fund our harbor operations would be the Aurora Harbor Improvements.

Committee questions –

Mr. Ridgway asked if the downtown restroom project on the list is a new project?

Mr. Uchytel said that has been on the list for a long time.

Mr. Ridgway asked if the small cruise ship moorage project was looking at the area at the north end of Aurora as a possible location?

Mr. Uchytel said not really because the bridge is an impediment to small cruise ships.

Mr. Wostmann asked which of the CIP projects are in a hold status?

Mr. Uchytel said the downtown restroom (H51-112), and MP to Taku uplands (H51-116), but everything else is moving forward.

Mr. Wostmann asked about the Aurora Harbor Improvements project?



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

Mr. Uchytel said what doesn't show in the Aurora Harbor is the \$1.5M commitment from the Finance Department. With our \$500,000 and the \$1.5M is our \$2M match for a ADOT harbor grant. This would give us \$4M for the north end of Aurora.

Mr. Wostmann asked when something is identified as marine passenger money, can those funds be reallocated to a harbor project if the Board wanted to?

Mr. Uchytel said as a general rule money collected from cruise ships directly need to be used for like services or projects. What we have done recently is looked at the money generated from the loading zone permits and vendor booth permits and said those are not directly attributable to the cruise ships and can be used as harbor funds. He said money allocated through the marine passenger fee, the port development fee and the state marine passenger fees were the main reason for the lawsuit with CLIAA. After the lawsuit, there was an agreement that said CLIAA would not protest monies used at Statter Harbor. Staff needs to be careful how these funds are used and track appropriately.

Mr. Wostmann asked for clarification if the marine passenger fee and state marine passenger fee were both under the CLIAA lawsuit agreement?

Mr. Uchytel said CLIAA sued over the marine passenger fee and the port development fee.

Mr. Wostmann asked of the CIP funds available, how much is unencumbered that the City could spend at its discretion?

Mr. Uchytel went over the list for funds available;

- We have not signed the agreement for Statter Harbor phase III- approximately \$300,000 from this project
- The downtown restroom - \$573,000
- The MP to Taku uplands - \$1.8M in this project
- The small cruise ship moorage - \$17,000 is marine passenger fees that could be used somewhere else.
- The pile anode project there may be some money unencumbered after the last award.
- The security station project and weather monitoring could have a small amount.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

- The funds for the shore power design could be available.
- The Aurora Harbor Improvement funds could all be used however the Board wants to use them.

Mr. Wostmann asked Mr. Uchytel to add up all the unencumbered funds and bring to the Board for a future meeting. If Docks & Harbors has shortfalls, what are the funds the Board could decide to use elsewhere? Any funds for projects already awarded should not be included in the total. He wants to know what funds the Board can move at their discretion from the projects currently on hold for either putting the project on hold or insufficient funds to proceed. He said he does not have a good sense with the CIP funds flexibility to move around for operational shortfalls.

Mr. Etheridge said a lot of the CIP funds are the passenger fee funds that are not allowed to move for operational shortfalls.

Mr. Uchytel said he will go back and get a legal reading for the funds. From the list, the big money is in the Archipelago phase II project which is the covered shelter. If the project is funded with local marine passenger fees, and we are currently on hold with this project pending the museum decision, staff could go to the assembly to ask these funds be transferred to the Docks operating funds. We do receive marine passenger fees for Docks operations currently. If the money for the Archipelago came from the state marine passenger fees, he would have to look to see if it could be used for operations or are these funds limited to projects. He said that is the intent of the use for the state marine passenger fees. He will get a legal review for the next meeting.

Mr. Wostmann said he would like these numbers so the Board knows what we can fall back on.

Mr. Etheridge asked if any of the CIP fees could be used on Harbors operations?

Mr. Uchytel said not using marine passenger fees on harbor operations is how we have treated those fees in the past. A new way of thinking has been, “does Docks and Harbors need to keep their operational budgets separate”. With that thought, staff started intertwining the two with moving the vendor and loading zone permit fees into harbors revenue. The reason for changing our thinking on our operations is that Docks and Harbors manages mooring whether the stall is a 24’ stall or a 1000’ space



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

along the seawalk. It is all considered moorage so why can't Docks and Harbors be treated the same.

Mr. Etheridge said that is with the moorage fees. What about the marine passenger fees and port development fees in the lawsuit?

Mr. Uchytel said Docks & Harbors still needs to be very careful with both of those fees and follow the settlement agreement from the lawsuit. The marine passenger fees are distributed from the City Manager, and he decides what is funded with those fees. The majority of the port development fees are used to pay off the revenue bonds.

Mr. Uchytel said he will review the CIP funds to see where the funds could be used if Docks and Harbors has shortfalls.

Mr. Ridgway asked if the CIP project priorities changed due to the financial outlook?

Mr. Uchytel said staff's approach is we chase projects that have the best opportunity to be funded. Today maybe the zinc anodes project is not the top priority, but three years ago it was a top priority by the Board in our strategic planning (long term maintenance of our facilities). The issue with the zinc anodes project is that this is a ADOT grant that is to be used within two years of receiving. The Douglas Harbor zinc anode project will need to be finished because the two years is almost expired and Harris Harbor will need to be completed in the next fiscal year. Another reason we are moving forward on some projects is that they are funded with marine passenger fees. Some Board members might say the Archipelago project (funded with marine passenger fees) is not a high priority but we have the funds to move forward with it. Staff will apply for the BUILD grants that are due May 18th and apply for a ADOT municipal harbor grant for the north end of Aurora Harbor. A top priority for the Board may be the North Douglas launch ramp, but there is no way to get money for this project.

Mr. Ridgway said he hears that Mr. Uchytel proceeds with CIP projects that are;

- A. needed,
- B. funded, and
- C. staff looks to the Board to assist with prioritization



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

2. FY20 Budget Outlook

Mr. Uchtyl said at this time, the Finance Department is not looking to update FY21 or FY22. The FY20 budget in the packet just shows the updated revenue. Docks revenue projection today is at \$1.554M and staff is not expecting any revenue in April, May or June. Docks expense projection to the end of June is \$1.348M. It appears Docks will run a surplus even with no cruise ships through June. Our expenditures have been reduced by not bringing back our seasonal personnel as well as many other expenses that will be decreased due to no cruise ships. Mr. Uchtyl said a lot of our interdepartmental fees and set fees are front loaded in July.

Mr. Wostmann said he would like to look at the categories of expense at some point to find possible cost reductions for FY21.

Mr. Uchtyl said he can provide a snap shot of Docks and Harbors expenditures. When you add up all our expenditures, about three quarters of them are fixed costs. The remaining quarter are contractual service, repairs, materials and commodities, and that is where there could be potential budget cuts.

Mr. Wostmann said at some point, any enterprise has to live within their means. What we can see at this point for the rest of this year and the potential issues for next year, he believes the Committee will need to go through an exercise of going over every expense given the best guess for our revenues and funding for our activities at this time. What are the most critical activities and what can we reduce, eliminate, or do in house? He asked Mr. Uchtyl when a good time would be to start having this discussion?

Mr. Uchtyl said he believes the City Manager is still funding the Docks Enterprise of approximately \$450,000 from the marine passenger fees for FY21. He said Docks should be okay.

Mr. Uchtyl said for harbors budget, he is optimistic that our expense and revenue will be close. He said he does not know of anything else staff can do in FY20 for cost saving measures. We did not bring back seasonal employees and we have not staffed empty positions. There are other savings starting FY21 of no landscaping, less port-a-potties, and just a natural rhythm to reduce our expenditures.



DOCKS & HARBORS FINANCE SUB-COMMITTEE MEETING MINUTES

Wednesday April 29th, 2020

Mr. Wostmann wanted to start this discussion to have everyone start thinking of cost savings and when a good time to meet would be.

Mr. Uchytel went over the updated harbors revenue for FY20. On the last page of the packet is the best guess to date of \$3.9M in revenue. This also includes the deduction of the vendor fees and pulling some of the anticipated moorage from charter operators. We have two months left in this fiscal year but harbors should be okay. The harbors expenses are anticipated to be \$3.978 which is slightly above our revenue. This includes no seasonal employees and not filling the deputy harbor master position. However, the best estimate does not take into account the decrease in port-a-potties and other expenses due to no cruise ships. Staff has taken on cleaning the Lumberman but other than those additional fees we have cut back.

Mr. Wostmann noted that we are well below our balance reserve and asked if there will be any issue with that.

Mr. Uchytel said no, the money is set aside in a fund balance reserve. He said another thing Docks and Harbors does is puts money in a fleet replacement fund to replace vehicles and equipment when needed. Harbors adds \$20,000 every year and Docks adds \$10,000 every year with approximately \$70,000 in both accounts. There is a potential to have that transferred if needed. Other funds added to this account are the public surplus items sold. There is approximately \$30,000 in surplus sales for FY20 in harbors.

VI. Next Meetings –

Mr. Uchytel recommended to bring the budget update to the OPS Committee meeting and if more needs to be discussed to schedule a Finance Sub-Committee meeting at that time.

Mr. Wostmann agreed and asked Mr. Ridgway to put this item on the Ops agenda.

Mr. Ridgway agreed to have it on the agenda.

VII. Adjournment – The Finance Sub-Committee Meeting adjourned at 4:13 pm