CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, June 24th, 2014

I. Call to Order Tom Donek called the Finance Committee Meeting to order at 5:00pm in **Room 224, City Hall.**

II. Roll Call The following members were present Greg Busch, Mike Peterson, Scott Spickler, and Tom Donek.
Also present were Carl Uchytil – Port Director, David Logan – Harbor Board Member.

III. Approval of Agenda.

MOTION BY MR. SCOTT SPICKLER TO APPROVE THE AGENDA AS PRESENTED AND ASKED UNANIMOUS CONSENT.
Motion passed with no objection.

IV. Public Participation on Non-Agenda Items – None.

V. Approval of May 27th, 2014 Finance Committee Meeting Minutes.

MOTION BY MR. GREG BUSCH TO APPROVE THE MAY 27, 2014 FINANCE COMMITTEE MEETING MINUTES AS PRESENTED AND ASKED UNANIMOUS CONSENT.
Motion passed with no objection.

VI. Consent Agenda – None.

A. Public Requests for Consent Agenda Changes
B. Committee Member Requests for Consent Agenda Changes
C. Items for Action

VII. Old Business

1. Mt. Roberts Tram Update

Presentation by the Port Director

Mr. Uchytil stated Goldbelt again reviewed the Horan Appraisal and would like to go back to re-negotiating for the fair market value between the two appraisals. The lease rent from 1997 – 2006 was set at $90,000.00. In 2006 the Board elected to bypass any royalty rent and came up with a value of 8% of the property so the rent was raised to $104,000.00. From 2012 to current is what needs to be reevaluated for a lease rent rate. Goldbelt has acknowledge the $60,000.00 minimum royalty rent is in the lease, the $2,000.00 air rights is reasonable, and the value of $190,000 for fee simple appraisal of the property which would make the rate $252,000.00 for 2012-2015. Goldbelt requested that the lease be amended to have the lease rent adjusted every 5 years at the Anchorage CPI.

Committee Questions
Mr. Spickler asked if the CPI will be adjusted every year or every five years.

Mr. Uchytil answered it would be every five years.

Mr. Donek asked how the $190,000.00 was determined.

Mr. Uchytil answered it was based on 8% of the average value of the two Reliant Appraisals.

Mr. Peterson stated these were the figures and rates we offered in February and Goldbelt declined at the time and wanted to go to the assembly as well as obtain a third appraiser. Now Goldbelt is coming back to the table to advise they are willing to re-negotiate based on the two appraisals instead of getting a third. Mr. Peterson suggested meeting with Goldbelt and reviewing the figures and going with the original 10% value of the property. If we accept this new rate it would get rid of the royalty rent formula, we would establish the starting point of 2012, moving from a 3 year to a 5 year appraisal, we are supporting retail, and we are willing to use Reliant's two lower figures.

Mr. Donek asked if it is written in the lease that we can negotiate the lease using the two appraisals that have been obtained.

Mr. Uchytil read the lease regarding obtaining the two different appraisals and Docks & Harbors and Goldbelt are able to negotiate the lease rent based on these.

Mr. Busch stated the change to 8% from 10% was never processed correctly according to the lease. By only increasing the CPI every 5 years instead of every year Goldbelt will save a large amount of money.

Mr. Donek asked if other leases are at 8% or 10%.

Mr. Uchytil answered they are all different.

Public Comment
Paul Swanson, Juneau, AK
Mr. Swanson stated it should be at 10%. He stated that it is time for Goldbelt to step up to the plate and pay a fair lease rent.

Dr. David Logan, Juneau, AK
Mr. Logan stated the 2% is less crucial than the CPI adjustment. It should be negotiated to a yearly CPI adjustment.

Committee Discussion/Action
Mr. Spickler stated we should have CBJ Finance Department run the numbers based on the different percentages so we have some hard numbers to work with in the negotiations.

Mr. Busch stated he would support 8% with an annual CPI. The rate is going to triple the lease rent so it will be a challenge going through the assembly.

Mr. Donek stated this is still all on the table for negotiations and we should keep the ability for us to do appraisals in the lease.

Mr. Spickler asked if Mr. Uchytil has met with Amy Mead the City Attorney.

Mr. Uchytil stated he has met with her and she sees things very black and white in our lease. He stated that in 2006 mistakes were made so we need to fix those.

Mr. Spickler stated he would like to see the numbers with the CPI increase every year over a five year period and run the 8%, 9%, and 10% value of the property. We could get feedback from the legal department.

Mr. Donek stated he does not think it is a legal question. It is what Docks & Harbors is willing to take.

Mr. Uchytil stated he asked Ms. Mead if we can evaluate the lease rent based on CPIs and not appraisals. Ms. Mead answered via e-mail there is nothing that prohibits it.

Mr. Donek stated the 8% was never in the original lease.

Mr. Peterson stated since we are in negotiations it takes the 8% off the table and we could return to the 10% from the original lease.

Mr. Donek stated we still need to have an appraisal every 5 – 10 years.

MOTION: None.

VIII. New Business - None

IX. Items for Information/Discussion

1. Establish Process and Timeline for comprehensive fee rate review.
   Presentation by the Port Director

Mr. Uchytil stated that the Harbor Board needs to do a rate review for the fees associated with Docks & Harbors along with the management of these fees. Mr. Uchytil presented an Action Plan with what rates require review and a tentative timeline. In order for the assembly to approve it would require to be completed by June of 2014 for next year.

Mr. Peterson asked if the Finance Committee is the right Committee to review the rates. Should it be CIP/Operations and the Full Board.

Mr. Donek stated we handle the money and finances for Docks & Harbors so that is the connection. This should be a small special committee to work with Carl and work on it in portions.

Mr. Busch suggested having different sub-committees and break up the fees in to sections to share the workload.

Mr. Peterson suggested we may need two years.

Mr. Donek agreed we will need more time to review the list of rates.

Mr. Busch stated we will not have enough time with public input, regulation updates, and assembly approval.

Mr. Peterson stated he is concerned that we are going to require more work from staff when there are still vacancies. He stated the Board can do most of this work.

Mr. Uchytil stated the only rates that are reviewed are the moorage, skiff rates and the water for Cruise Ship Docks.

Mr. Spickler asked if we should focus on the items that have not been updated in 5 – 10 years such as the passenger for hire fees.

Mr. Uchytil also presented a Master Plan for the Sitka Harbor Department from 2012 as an example of economic plan. We could hire services to help us with our future regarding fees and construction plans.

X. Staff & Member Reports – None.

XI. Committee Administrative Matters.

1. Next Finance Committee Meeting July 29th, 2014

XII. Adjournment.
The Finance Committee meeting adjourned at 6:05pm.