

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES
For Tuesday, December 13, 2011

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:00 p.m. at the Port/Customs conference room.

II. Roll Call.

The following members were present: Tom Donek, Kevin Jardell, Michael Williams and Eric Kueffner.

The following members were absent: John Bush and Wayne Wilson.

Also in attendance was the following: Carl Uchytel-Port Director, Johanna Young-Auke Bay office.

III. Approval of Agenda.

MOTION by Mr. Williams: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed without objection.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of previous meeting minutes.

Hearing no objection, the minutes of the November 29, 2011 Finance Committee Meeting was approved.

VI. Items for Action.

1. Tim Smith et al Lease Rent Adjustment
Presentation by the Port Director

Mr. Uchytel – The reason I put this down as an action item is to give Mr. Smith the opportunity to object to the back rent adjustment. Mr. Smith was reached today and said he was fine with the letter. Mr. Uchytel wanted to give the leasee the options if there were any issues.

VII. Items for information/Discussion.

1. Juneau Convention & Visitor's Bureau Overview.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 2

Presentation by Ms. Lorene Palmer – CEO/President JCVB (Juneau Convention & Visitors Bureau)

Ms. Palmer – Mr. Uchytel asked me here to explain what JCVB is and how it relates to the new visitor center. In February our board had a retreat to look at the financial sustainability over the long term. Our business model is based on hotel/bed & breakfast bed taxes at seven percent and five percent sales tax on every room. JCVB gets four percent of the seven percent for tourist promotions. Juneau has a finite source of revenue because of a finite number of hotel rooms. After looking over the revenue starting back in 2006, JCVB is averaging about \$589,000.00 just over the last few years. This is the revenue available to the JCVB. As you know the cost of doing business is growing but the range of revenue is finite. This led to a very heart felt discussion about the bureau long range. That led JCVB to make some pretty significant decisions. One of those decisions was to close the Centennial Hall Visitor Centers and move the administration office out of the Sealaska building because there was a cheaper rate elsewhere. JCVB inherited the Visitor Information Services. The Chamber originally had it and it migrated over to the JCVB. It was operated for years out of the Davis Log Cabin. The CBJ paid for the Bureau to operate the Davis Log Cabin on behalf of the CBJ to provide visitor services. Ten years ago the Davis Log Cabin was torn down, at that time the board and CEO decided to enter into a lease agreement with the CBJ to move to Centennial Hall. That lease was \$50,000.00 a year to provide visitors with a service. JCVB needed to figure out what the core services were. The mission is to be out in the market place promoting Juneau as a visitor destination to influence people to come here and to seek out conventions and meeting business. Those are the main two goals of the JCVB. The JCVB will be operating in the newly renovated airport, non manned ferry terminal, the kiosks at Marine Park and the new Cruise Ship Terminal. After visiting with Gary Gillette he provided me with what he thought would be the operating expense for the new Visitors Center both on a seasonal and year round base. I took that to the JCVB board and at that point the board determined that it made sense to seek that money from the passenger fee to pay the operating expenses if in fact that Bureau was going to be responsible for covering the cost of operating it. Considering that the Visitor Center was built with passenger money JCVB felt that it was a justifiable request. The question is whether or not that would be something that JCVB would roll into our existing request from the CBJ or if in fact Docks & Harbors (DH) would take it on under your own facility requirements?

Committee Questions

Mr. Kueffner – What is JCVB, are you a separate entity from the City? Does the City appoint people to JCVB board? How many members are there?

Ms. Palmer – Yes JCVB is separate and was established as a private non-profit organization. It is a membership organization, in order for people to take part in JCVB programs to promote their business. The board of directors is voted on by the members,

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 3

the CBJ appoints a liaison and there is a seat for the CBJ. There are a total of 270 members.

Mr. Kueffner – DH is planning on doing just what you just said, request passenger proceeds to try and cover the operating cost because they are there. It also makes sense that it comes from JCVB because they are the one using the facilities.

Ms. Palmer – That seems to be the crux of the situation, to determine who should be asking and relatively soon because the request needs to be into the CBJ Manager before the end of the year. The way I left it with Mr. Uchytel is, I was waiting the committee's decision on who would be doing the requesting under what situation and the amount to request.

Mr. Uchytel – DH needs to figure out how the enterprise wants to move forward with charging the lease rent. There is an ordinance "Minima Acceptable Lease Rent". It goes into having an appraised value and an assessed value of the property. That should set the minimum lease rent. There is a caveat in the ordinance that says the Assembly can basically set a rate that they see fair and reasonable. The question from a business point is how does DH move forward? Who is paying what? What services are going to be rendered? The board needs to decide how DH is going to proceed, what DH is going to ask the Bureau to ask for, with regards to passengers' fee funds. Is it going to be just for the utilities, fare market value and allow the assembly to say adjust that. Those are the things that need to be considered.

Mr. Williams – What was your lease rate at Centennial Hall? DH needs to start from somewhere, maybe get an appraisal. With that said, DH needs something to come back to the assembly with. Could the assembly pay for a little of this or agree to this?

Ms. Palmer – Roughly \$50,000.00 a year.

Mr. Donek – What is the base line?

Ms. Palmer – \$8,000.00 or \$9,000.00 for a season.

Mr. Uchytel – Fair market rent, what is that? What Mr. Gillett put together is just a rate for assumed utilities, snow removal those types of numbers.

Mr. Kueffner – That is operation cost.

Mr. Uchytel – I can say what DH pays for the Seadrome building, Ms. Palmer knows what JCVB paid at Sealaska building.

Ms. Palmer – JCVB pays two eighty five a square foot at Sealaska.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 4

Mr. Kueffner – It strikes me the first step would be to have a formal request from JCVB stating that they are interested in renting the space and paying the operating cost. That would give DH something to take to the assembly and say look this is the offer made.

Mr. Jardell – Mr. Uchytel and I have talked about this and he can explain what I thought DH should do.

Mr. Uchytel – What I have put on the table is for the board to move forward with a formal lease agreement. Go through the process outlined in ordinance and allow the JCVB to move forward with a request for passenger fees money to recoup their cost.

Mr. Donek – If DH doesn't rent it to JCVB what will DH do with it? If an appraisal is done it is going to compare it to space that anyone can rent and DH doesn't have that type of space to rent. The building is built for a visitor center. Going through the expense of an appraisal is that going to do any good? If Ms. Palmer could give DH a letter saying JCVB likes the building and this is what JCVB can afford to pay and start there.

Ms. Palmer – The JCVB isn't doing visitors services to profit themselves. JCVB does it to help Juneau, and it is a service on behalf of the community. JCVB is ready and willing to provide this service in a facility that was built dedicated to being a visitor center on the water front in one of the largest ports in Alaska, which makes sense to me. What I would like from DH is the number to request if in fact DH wants the JCVB to request the passenger fee money to cover the cost that are reasonable to make that facility not a burden on DH. If DH wants to make it into a revenue generating retail space that is an entirely different conversation to have with someone else. JCVB will not be interested in doing that.

Mr. Kueffner – I am ready to suggest that JCVB ask for the operating expenses and keep the revenue neutral for DH so it doesn't cost DH money. As long as there is a handle on the cost that is what should be used.

Mr. Jardell – That area is going to serve a lot of cruise passengers getting passenger cruise taxes to pay for it is fair. If DH figures out the square foot rate that the City is paying JCVB in Centennial Hall and applied that to this place on the same square footage that would cover the cost and give some maintenance money for up keep. DH could go to the City manager saying DH supports JCVB getting these funds to cover this rate; the same as what the City has been charging them. DH can use that as it's bases and if the assessor ever assesses the building DH can deal with that then. However DH thinks this is a fair rate and DH thinks it should be paid for by the passenger fee tax.

Mr. Kueffner – DH doesn't want to get stuck with a rate that is less then the operating costs. Does DH have a handle on what the rate is going to be? There in \$9,000.00 for a season, \$21,000.00 for the year and \$50,000.00 for Centennial Hall.

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 5

Mr. Jardell – What if it doesn't cover all of the costs?

Mr. Uchytel – When managing a building one should ask for two and half percent return to maintain the building for future upkeep.

Mr. Kueffner – There is no disagreement that there should be a request to get passenger fee funding for this expense. The question is how much? DH would like JCVB to do the asking. What is the amount?

Mr. Jardell – Isn't the building half the square footage as Centennial Hall?

Ms. Palmer – Yes at least half.

Mr. Kueffner – So rent should be between \$21,000.00 and \$25,000.00.

Mr. Uchytel – JCVB hasn't decided if they are going to be there fulltime or seasonal. Does that play into the rental rate?

Mr. Donek – There is nothing DH can do with this building during the off season. This rent needs to cover year round.

Ms. Palmer – JCVB is here completely prepared to go forward and ask for the funds. The fact that the building was built with passenger fees, lays the ground work for justifying the request for the money to operate it. JCVB is ready to make that request providing that there is full support. And to make sure the operating costs are covered. There are mixed feelings on whether to make it year round or seasonal because of the ability to staff it year round. I like the idea of having lights on in a building on South Franklin Street. To make it feel more alive. There are some merits for keeping it open year round, but the costs go down if the doors are closed in October and re-open in April. I just need a number to put into the letter before the end of the year.

Mr. Uchytel – If I had to pick a number I would look at what is being paid at the Seadrome building, DH pays two dollars and fifty cents per square foot. If JCVB could go forward with \$30,000.00 for a number, if that would be acceptable to the City Manager.

Mr. Williams – There needs to be something to back up the request with where the amount came from and the operating cost along with future maintenance.

Ms. Palmer – A Visitor Center is an anomaly. It will pay a different rate then the retail stores across the street.

Mr. Donek – It would be good to have the number for a full year. Also include winter checks and things like that. What it cost DH to have it there, which is the absolute base

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 6

line, and then compare it to \$2.50 a foot or something. That would be the upper limit. Then look at a number in between those.

Mr. Kueffner – I feel that information is right here in front of the committee.

Mr. Uchytel – Time is of the essence if DH wants to compete for the money by the end of December.

Mr. Kueffner – At \$2.50 a square foot I come up with \$28,500.

Mr. Palmer – After a year there will be a better understanding of the cost. JCVB is the only customer for this place so why not keep it at a one year lease. JCVB is not going anywhere and then it can be revisited. I will just wait for Mr. Uchytel to give me a number to put into the letter.

2. Coast Guard Liberty Letter
Presentation by the Port Direction

Mr. Uchytel – I said I would memorialize my concept of approaching the Liberty with a new lease agreement and I got direction from this committee to set the moorage rate at the existing rate of six sixty a foot. The proposal is that they would have to pay for both sides of the pier which is 254 feet long. I was just reporting back as to what I have done and there is a copy of the letter I sent.

3. Harbor User Comments

Mr. Kueffner – There are two comments that came in about fees. This is not an action item but just general discussion on how DH charges what they charge. Let's take one at a time. First one is fees at Statter for transients and for patrons that have slips downtown but want to use Statter. I put this in the category of people say things were better let's go back to it. Because this is not based on DH economics; it is based on what some user thinks would be more advantageous to them and cheaper for users. I am not quite sure what the economic justification for this would be. Right now it is set up if a patron has a slip downtown and wants to use a slip else where, they pay for both of them. I am not sure if DH can generate more or fairer revenue by doing something different.

Mr. Williams – If DH allowed this everyone would be out at Auke Bay. Maybe if the dock system was bigger and it could accommodate them better, maybe in the future there could be a rate discount. Auke Bay, "Statter Harbor" is fully used; it is a highly desired spot because it is that, nicer place = higher rate. I feel for them and understand.

Mr. Kueffner – If a downtown slip holder is at Statter Harbor is their stall available for hot berthing?

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 7

Mr. Uchytel – Yes.

Mr. Donek – They say this was like this in the past. When was that?

Dennis Watson – No, pay in both places. There is a program for commercial fisherman.

Mr. Kueffner – That program is still in place for the commercial fisherman.

Ms. Young – Yes there is a program like that. As long as Patrons accounts are in good standing, each stall holder gets 20 days per year at Statter. They need to bring in a fish ticket for every month and when they use all 20 then they start to pay.

Mr. Kueffner – DH did that to try and demonstrate the loyalty to the fisherman.

Mr. Donek – My take on it is, if DH did something like this and everyone decided to go to Auke Bay from Downtown it would be chaos. Because Auke Bay has enough boats in it right now. DH doesn't need to encourage people to go out there.

Mr. Kueffner – There is not a long enough history with this matter. DH needs to look at the long view and see whether the rates are discouraging people.

Mr. Donek – I think people trailer their boats because of crowding at Statter Harbor.

4. Commercial Launch Ramp Question

Mr. Kueffner – The other comment was about the launch ramp. It struck me as more of an operations then a finance comment. This is about some questions about the commercial launch ramp. What the patron described is correct. You do need a commercial launch ramp permit in order to use any of the ramps in Juneau for commercial purposes and if you use the ABLF you need to pay 1.50 a minute.

Ms. Young – These rules are on line; the first 30 minutes you pay \$30.00 dollars, each additional minute after that you pay \$1.50 per minute. All of the commercial drivers that I have talked to, Willies are aware of these fees and plan on using it in the summer. They do understand the fees involved. This gentleman was under the impression that commercial fisherman were able to use the dock why not the launch ramp.

Mr. Kueffner – He has some legitimate questions. Why should I pay extra fee associated with the new facility to avoid getting stuck behind Willies at Statter Harbor? The answer is that is what the extra fees are for. If you want to have a place dedicated to doing this, then yes use the other place. It sounds like Willies is doing the same thing. So there is a premium to using the ABLF (Auke Bay Loading Facility). Just so I am clear the commercial loader can use Statter Harbor, but when they do they have to get in line with everyone else.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 8

5. FY13 Passenger Fee Proceeds

Presentation by the Port Director

Mr. Uchytel – DH was notified that the City Manager was looking for Passenger Fee Request for fiscal year 2013. This is a list of projects that have been compiled that need to be focused on. By the end of tonight it would be nice to have some direction from the Finance Committee on which ones have priority. The first project is 16-B project. I found a memo from Mr. Craig Duncan to Mr. Rod Swope dated April 20, 2011. In the memo the funding option for the 16-B project that Mr. Duncan has suggested the way forward to avoid using local passenger fees to fund the project. In spite of what they discussed, I think this option is still on the table for DH to request.

Mr. Kueffner – Looking at this memo, it looks as if this is something DH can do, it is possible to do without funding from Passenger Fees, here is how it can be done. This to me is not a statement that this is the only way DH should do this. It looks to me as a way to accomplish it.

Mr. Uchytel – On the second page there is a borrowing consideration second bullet: “We would like to avoid using the marine passenger fee revenue as a future funding source.” I read that to suggest that they are not in favor of marine passenger fees, the local ones, for the 16-B project in the future.

Mr. Kueffner – I look at that, as these are the assumptions. I am not taking this as a directive. I think DH should assert their independence and say this is appropriate and make the request. All they can do is say no.

Mr. Uchytel – I didn’t put a dollar amount to request. I think there is about five million dollars available in the Passenger Fee. I don’t know what is reasonable.

Mr. Kueffner – I think that each one of these made sense and even the order.

Mr. Uchytel – Area wide port operations the last three are \$154,100.00. The question is should DH increase that.

Mr. Kueffner – That number is already obtained.

Mr. Uchytel – In fiscal year 2009 DH received about 40,000. In the last three years (2010, 2011, 2012) DH has gotten 154,000. So DH needs to request this, but it is based on the percentage of the dock operating cost. I could make the argument that DH has the custom building and over head that should be rolled into. I am hesitant to make that request for DH because DH should try and push that to DHS (Department of Homeland Security) to support the over head of the building.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 9

Mr. Kueffner – As I recall this nine percent being the result of a lot of gyrations by the port director in trying to find ways that he could come up with an appropriate measure of the percent that was attributable to area wide services. Given the short time line and the

difficulty of coming up with it last time I don't see any reason to try and come up with something else. If it has been working for three fiscal years lets try it again.

Mr. Uchytel – This was not put together as a priority list.

VIII. Staff and Member Reports.

Mr. Uchytel – I will be going to the boat show in Seattle and in the past there have been some incentives for people to come to Juneau the summer. I will be bringing this up at a board meeting and then back to the finance as an action item.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting – January 24, 2012 at 5:00 pm in the Port/Customs Conference Room.

X. Adjournment.

MOTION by Mr. Williams: TO ADJOURN THE FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.

The meeting adjourned at 6:17p.m.