

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

For Tuesday, January 26, 2010

I. Call to Order.

Chairman Kueffner called the Finance Committee Meeting to order at 5:00 p.m. in room 224 of the Assembly Building.

II. Roll Call.

The following members were present: Mr. Jardell, Ms. Jebe, Mr. Kueffner and Mr. Preston.

The following members were absent: Mr. Etheridge and Mr. Mehrkens.

Also in attendance were the following: Mr. Stone-Port Director and Roy McLeod-Administrative Officer.

III. Approval of Agenda.

MOTION by Ms. Jebe: TO ASK UNANIMOUS CONSENT 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.

MOTION by Ms Jebe: TO ASK UNANIMOUS CONSENT TO APPROVE THE NOVEMBER 19, 2009 FINANCE COMMITTEE MINUTES AS PRESENTED.

The motion passed without objection.

VI. Items for action.

1. Amendment to Docks and Harbors Regulation – Passenger for Hire.

Mr. Stone said we are recommending the Committee consider amendments to the port fee regulations as they relate to the assessment of passenger-for-hire fees for day tour boats. At the time of adoption, the Board did not extend the fees to the cruise ship docks, the Intermediate Vessel Float (IVF) and the Marine Park Lightering Float. In an effort to standardize fees, we are recommending the Board amend the fee regulations. The intent of the amendment is to assess passenger-for-hire fees in lieu of moorage fees to companies that use the port facilities for day tours at all CBJ facilities.

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VI. Items for action (continued).

MOTION by Ms. Jebe: TO RECOMMEND THE BOARD PROPOSE AN AMENDMENT TO THE PORT FEE REGULATIONS ADDRESSING PASSENGER FOR HIRE CHARGES. TO HOLD PUBLIC HEARINGS AT THE FEBRUARY 23, 2010 FINANCE COMMITTEE MEETING AND THE FEBRUARY 25, 2010 REGULAR BOARD MEETING AND TO TAKE FINAL ACTION IMMEDIATELY AFTER THE PUBLIC HEARING AT THE FEBRUARY 25 REGULAR BOARD MEETING AND ASK UNANIMOUS CONSENT.

The Motion Passed without objection.

2. Amendment to Docks and Harbors Regulation – Resident Surcharge

Mr. Stone said he was providing an amendment to the resident surcharge regulations that would take into account vessels with numerous on-board residents. The regulation would require vessels with more than three residents to pay an additional fee of \$23 for each resident above three. The regulation is intended to provide equity in the residence surcharge and was brought about from certain vessels being used as boarding houses.

Mr. Kueffner suggested a notification be sent to all Harbor residents to give them a chance to come to the public meetings and comment.

MOTION by Mr. Jardell: TO RECOMMEND THE BOARD PROPOSE AN AMENDMENT TO THE PORT FEE REGULATIONS ADDRESSING RESIDENCE SURCHARGES. TO HOLD PUBLIC HEARINGS AT THE FEBRUARY 23, 2010 FINANCE COMMITTEE MEETING AND THE FEBRUARY 25, 2010 REGULAR BOARD MEETING AND TO TAKE FINAL ACTION IMMEDIATELY AFTER THE PUBLIC HEARING AT THE FEBRUARY 25 REGULAR BOARD MEETING AND ASK UNANIMOUS CONSENT.

The Motion Passed without objection.

3. Moorage Rate 2010 CPI Adjustments.

Mr. McLeod said every year we adjust the moorage rates according to the Anchorage CPI. This year the CPI increase was 1.2%. If the Board does nothing, the increase will take effect because it is an automatic adjustment. Mr. McLeod included moorage rate charts reflecting the CPI increases for the moorage year beginning July 1, 2010.

Ms. Jebe said she was not in favor of the increase even though it is a small amount.

Mr. Preston said the reason the moorage rates are set up to automatically adjust to the Anchorage CPI is to show increased revenues over time to be eligible for revenue bonds.

There was brief discussion between Committee Members.

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VI. Items for Action (Continued)

MOTION by Mr. Jardell: TO FORWARD THE MOORAGE RATE 2010 CIP ADJUSTMENTS TO THE FULL BOARD AND RECOMMEND THEIR ADOPTION AND ASK UNANIMOUS CONSENT.

The motion passed with one objection.

4. 2010 Scheduled Tideland Lease Adjustments.

Mr. McLeod said there are seven leases that are due for adjustment this year. Four of the leases are either at or above the 15 cents per square foot level. The three that are below are: Channel Flying at 10 cents, Thane Ore House at 11 cents, and John Gitkov at 14 cents. Having these properties appraised would cost an estimated \$15,000 and if the appraisal Justified raising the rents to 15 cents per square foot, this would produce only an additional \$5,400 per year in revenue. This combined with the current economic environment and the fact that 2009's inflation rate was only 1.2%, leads Port Management to conclude that the effort and cost of pursuing lease rate increases this year outweighs the possible gain in revenues.

Mr. Kueffner asked when the next opportunity to do a lease rent adjustment would be if we choose not to pursue a rent increase at this time.

Mr. McLeod said our next opportunity to make adjustments to these leases would be five years.

Mr. Stone said he did not think there would be a change in assessments to justify an increase in the lease rates.

Mr. Jardell was in favor of going ahead with appraisals for all three properties. He also asked if the lease rate increases were set at five years.

Mr. McLeod said the lease adjustment intervals are part of the lease agreement signed by the lessor.

Mr. Jardell and Ms. Jebe asked for more information from Horan, the appraisal company before the committee moved forward on this action item. They asked for the date of the last appraisal on the lease adjustment properties and to give a cost estimate on what a comparative analysis of similar properties would be and if it would be cost effective to go ahead with full appraisals.

5. 2010 Budget.

Mr. McLeod provided a handout that included the 2011-2012 budget projections. Mr. McLeod said if you look at FY10 actuals compared to FY11 and FY12 the salaries projections are smaller and that is because the benefits percentage change significantly in the next two years. This year it is 38.9% and it will decrease to 31.9% for the next two years.

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VI. Items for Action (Continued)

The Docks portion of the budget has one very significant change. Due to outstanding Tour Broker Sales Permits this year, we are now projecting \$400,000 in tour sales permits in stead of the previous \$175,000. Dock expenses we expect to be about the same.

Ms. Jebe asked what line number 82 (board Contingency) amounts represented.

Mr. Stone said he would double check but he was pretty sure that was money used for a matching grant for the fisheries terminal cranes. The contingency fund was set up so when something unexpectedly breaks, we can have it immediately fixed without going through the administrative process to get approval. If the funds are not used, they just go back into the reserves.

Mr. Stone said our budgets do not include any depreciation expenses or capital replacement costs so this makes them a bit deceptive. Most public entities do not include those items in their budgets.

MOTION by Mr. Jardell: TO FORWARD THE 2010 BUDGET TO THE FULL BOARD FOR ADOPTION AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

VII. Items for Information/Discussion.

1. Docks and Harbors Revenue Report.

Mr. McLeod provided a new revenue report. He said we are ahead of last year in Harbors mainly because the lease fees have been moved over to Harbors. There was a brief review of the revenue report.

2. Waterfront Permit Sales Report.

Mr. Stone said we had several new tour companies bidding this year for the waterfront sales permits. Liquid Alaska is a new tour company that purchased a permit to do amphibious vehicle tours. They will be using the Harris Harbor Launch Ramp to access the water and then do a harbor tour. Woo Hoo Tours is another new tour company that would like to rent jet skies from one of the CBJ Harbors. Phil is working with the owner of Woo Hoo Tours to find a place in the Harbors that offers some storage and other facilities that he needs for operation.

Mr. McLeod said the total for auctioned permits this year was \$343,000 and total permits renewed was \$94,100 so the total for waterfront sales permits is \$437,500 for the FY10 season.

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VIII. Staff & Member Reports.

Committee Members all agreed that providing a website to download meeting agendas was working very well.

Mr. Preston said at the previous meeting he and Mr. Mehrkens had volunteered to work with the City Assessor and the property owner to help negotiate a purchase price for the Lenhart property. The assessor came back to them and said he felt reasonably comfortable with the appraised value of \$650,000. We felt the appraisal was a bit higher than it should be and we made an offer of \$599,000 which we felt was a reasonable starting offer.

The Lenharts came to the C.I.P. Committee Meeting, made a presentation and seemed very eager to sell the property, but they did not accept our offer. We just received a letter from the Lenharts again offering the property at the price of \$650,000. The current assessed value of the property is \$567,000.

Mr. Stone said we might want to go back to the City Assessor and get his input because the assembly will ultimately want his recommendation.

IX. Committee Administrative Matters.

The next Finance Committee Meeting is scheduled for February 23, 2010.

X. Adjournment.

MOTION by Ms. Jebe: TO ADJOURN AND ASK UNANIMOUS CONSENT.

The meeting adjourned at 6:23 p.m.