



MEMORANDUM

DATE: May 2, 2024

TO: Assembly Finance Committee

FROM: Alexandra Pierce, Tourism Manager

SUBJECT: Updated: Marine Passenger Fee Philosophy

This memo is an updated version of the one reviewed by the Finance Committee on February 7, and provides an overview of the passenger fee process as well as staff's current philosophy behind passenger fee allocations and our strategic plan for the future. There are three components to what we collectively refer to as "passenger fees": CBJ's \$5 Marine Passenger Fee and \$3 Port Development Fee and the State \$5 Commercial Passenger Vessel Excise Tax (CPV). This is actually a \$34.50 tax, of which Juneau receives a \$5 allocation. Not all ports collect passenger fees, but the first seven ports of call for a ship over 250 passengers receive \$5 in State CPV.

All ports fund tourism infrastructure through a combination of passenger and port fees. When we talk about passenger fees, we tend to lump all these pots of money together, but both the lawsuit and public process focus on MPF only. CBJ's ordinance requires staff to solicit for MPF suggestions in December and then put the proposed budget out for public review before it goes to the Assembly for adoption along with the Manager's budget.

The cruise industry holds a consensus view that Southeast Alaska visitor numbers will stay flat between 2023 and 2025, largely as a result of Juneau's five ship limit. The scheduled lower berth capacity is estimated to be 1.65 million visitors for the summer 2024 season.

Using Passenger Fees under the settlement agreement

The use of Marine Passenger Fees is outlined in the Tonnage Clause of the US Constitution. Essentially the expenditure of fees must support the vessel. Our settlement agreement with CLIA allows us to expend fees to support and provide services to passengers.

Under the settlement agreement, fee usage is dependent on proximity to the ship and determined by a mapped area. We are able to use passenger fees in Zone A for services and infrastructure. In Zone B, we are required to discuss passenger fee usage at an annual meeting with CLIA. Projects outside Zone B are also subject to consultation with CLIA.

The settlement agreement requires us to meet annually to "discuss in good faith any new proposed projects and services for which Fees are sought to be expended in the following Fiscal Year with the ultimate decision resting with the Assembly." We have agreed to settle disputes over expenditures of fees through direct discussions, escalating to non-binding mediation before resorting to mitigation. This meeting took place on January 8.

Funding

Here is how that forecast for visitation translates to passenger fee revenue in FY24 and FY25:

| | | PAX | MPF | PDF | State CPV* | Total |
|-----------------------|--------|------------|--------------|--------------|-------------------|---------------|
| CY2023 Jul/Aug/Sept | FY2024 | 990,000 | \$ 4,950,000 | \$ 2,970,000 | \$ 8,250,000 | \$ 16,170,000 |
| CY2024 April/May/June | FY2024 | 660,000 | \$ 3,300,000 | \$ 1,980,000 | | \$ 5,280,000 |
| CY2024 Jul/Aug/Sept | FY2025 | 990,000 | \$ 4,950,000 | \$ 2,970,000 | \$ 8,250,000 | \$ 16,170,000 |
| CY2025 April/May/June | FY2025 | 660,000 | \$ 3,300,000 | \$ 1,980,000 | | \$ 5,280,000 |

**State CPV receipts remitted to CBJ approximately eight months after they are received*

FY24 Passenger Fee Total \$ 21,450,000
FY25 Passenger Fee Total \$ 21,450,000

The absent 2020 cruise season and slow 2021 season still incurred operating and debt service expenses. As a result, we carried a negative fund balance of \$3.2 million into FY23. This was eliminated in FY24 and we will carry a positive fund balance into FY25.

The below chart lists the projects that staff is proposing to fund for FY25. A compilation of all requests received is included in attachments B and C. A more detailed version is included in your packet.

| FY25 Passenger Fee Proposal | | | | |
|---|----------------------|------------------|----------------------|---------------------------------|
| | Direct Cost | Overhead | Total | Available Balance in CIP |
| Debt Service: Juneau Cruise Terminal Docks | \$ 2,026,600 | \$ - | \$ 2,026,600 | \$ - |
| CBJ Municipal Services | | | | |
| Police Support | \$ 1,067,600 | \$ 9,800 | \$ 1,077,400 | \$ - |
| Ambulance/EMS Support | \$ 656,700 | \$ 6,000 | \$ 662,700 | \$ - |
| Seawalk, Open Space and Restroom Maintenance | \$ 831,500 | \$ 7,700 | \$ 839,200 | \$ - |
| Street Cleaning/Repair | \$ 339,200 | \$ 3,100 | \$ 342,300 | \$ - |
| Capital Transit | \$ 1,000,000 | \$ 9,200 | \$ 1,009,200 | \$ - |
| D&H - Port Management | \$ 275,000 | \$ 2,500 | \$ 277,500 | \$ - |
| D&H - Port Customs Office Building Maintenance | \$ 142,000 | \$ 1,300 | \$ 143,300 | \$ - |
| D&H - Access Control Security | \$ 300,000 | \$ 2,800 | \$ 302,800 | \$ - |
| Tourism Management | \$ 342,000 | \$ 3,100 | \$ 345,100 | \$ - |
| Total City Services | \$ 4,954,000 | \$ 45,500 | \$ 4,999,500 | \$ - |
| Third-Party Visitor Services by Assembly Grant | | | | |
| Travel Juneau - Downtown Visitor Info Centers | \$ 171,000 | \$ - | \$ 171,000 | \$ - |
| Travel Juneau - Crossing guard program | \$ 358,800 | \$ - | \$ 358,800 | \$ - |
| Tourism Best Management Practices (TBMP) | \$ 44,200 | \$ - | \$ 44,200 | \$ - |
| Downtown Business Association | \$ 90,000 | \$ - | \$ 90,000 | \$ - |
| AJ Dock - Access Control Security | \$ 150,000 | \$ - | \$ 150,000 | \$ - |
| AJ Dock - Restroom Maintenance | \$ 30,000 | \$ - | \$ 30,000 | \$ - |
| Franklin Dock - Access Control Security | \$ 150,000 | \$ - | \$ 150,000 | \$ - |
| Franklin Dock - Restroom Maintenance | \$ 30,000 | \$ - | \$ 30,000 | \$ - |
| Mobile Data Purchase (Partner TBD) | \$ 100,000 | \$ - | \$ 100,000 | \$ - |
| University of Alaska - Whale HEALTH Study | \$ 160,000 | \$ - | \$ 160,000 | \$ - |
| NOAA - Statter Harbor Signage | \$ 25,000 | \$ - | \$ 25,000 | \$ - |
| Revolving Loan Program | \$ 1,000,000 | \$ - | \$ 1,000,000 | \$ - |
| Total 3rd Party Services | \$ 2,219,000 | \$ - | \$ 2,219,000 | \$ - |
| Capital Investments | | | | |
| Shore Power | \$ 5,000,000 | \$ - | \$ 5,000,000 | \$ 5,379,500 |
| Overstreet Park and Canoe Statue Lighting | \$ 550,000 | \$ - | \$ 550,000 | \$ - |
| Downtown Bearproof Garbage Cans | \$ 100,000 | \$ - | \$ 100,000 | \$ - |
| Marine Park Improvements | \$ 2,000,000 | \$ - | \$ 2,000,000 | \$ 1,695,700 |
| Triangle Project (Claw Back) | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ - |
| South Franklin Seawalk Connection Improvements | \$ 200,000 | \$ - | \$ 200,000 | \$ - |
| Public Wi-Fi | \$ 1,000,000 | \$ - | \$ 1,000,000 | \$ - |
| Archipelago Museum | \$ 500,000 | \$ - | \$ 500,000 | \$ 500,000 |
| Total Capital Investments | \$ 11,850,000 | \$ - | \$ 11,850,000 | \$ 7,575,200 |
| Total Proposed FY24 Passenger Fee Expenditures | \$21,049,600 | \$ 45,500 | \$21,095,100 | \$ 7,575,200 |

Using Passenger Fees:

Passenger fee funding for all CBJ municipal services and the related overhead is calculated by a third-party cost allocation consultant (Matrix Consulting) in compliance with applicable federal standards and industry best practices. Third-party visitor services are funded based on the settlement agreement and on discussions with CLIA as described therein.

Third-Party Visitor Services Highlights:

University of Alaska/NOAA: the blubber cortisol study will use baseline data collected during COVID to assess the effects of boat traffic on whales. NOAA has also requested funding for interpretive signage at Statter Harbor.

Revolving Loan Program: this program would establish a low interest loan for tourism operators to invest in cleaner energy equipment. Examples include low emission bus or boat engine conversions. CBJ successfully implemented a similar program in the early 2000s to convert to quieter float plane engines. This project reimagines that program to help tour operators adopt cleaner technologies. The loans would be administered by a third party like JEDC or Southeast Conference.

Capital Transit: there are two requests for bus service. One to formalize and fund what Capital Transit is currently doing and enhance service to the Valley. This request is included in the budget before the Committee. The second request is for a downtown circulator pilot project. The Assembly has directed staff not to pursue that option.

Capital Investments Highlights:

Shore Power: Staff is recommending \$5 million for shore power. This money may be used to purchase transformers for the 16B docks or may be used as a match for a grant.

Marine Park: We completed design of the Marine Park renovation this summer. This funds construction, the project and funding will be spread over two fiscal years, so the Assembly can expect to see another line item for FY26.

Overstreet Lighting: Parks & Recreation has a project planned to improve lighting along the Overstreet Park Seawalk. The artist who built the canoe sculpture put in a request to light the sculpture; this can be incorporated into the existing Parks & Recreation project.

Triangle Project: This is a passenger fee funded project that was completed using General Funds during the pandemic. The "claw back" makes the general fund whole.

South Franklin Seawalk Connection: This is a simple upgrade project for the Warner's Wharf alleyway. Warner's Wharf (next to Pier 49) is a key connection to the Seawalk.

Public Wi-fi: We received many complaints about the issues with internet service with cruise ships in town. Wi-fi throughout downtown is an effort to address those issues and take some of the load off our local network. There is still work to do with the providers, but this is something that CBJ can do quickly to address the problem. There is a memo in your packet from Chris Murray with further details on the project.

Waterfront Museum: Under the current plan, the museum would include public restrooms and some visitor amenities. This line item provides initial funding for the visitor services and restroom component.

Long-Term Projects:

Seawalk: Staff is working with Petro Marine, Franklin Dock Enterprises, and the A.J. Dock on securing easements and agreements for the Franklin to A.J. Seawalk. Staff will approach the Assembly with debt financing options that include this construction, filling of Seawalk “holes” and needed major maintenance once the project has progressed to the stage where we have agreements executed and reasonable cost estimates for all work. The north Seawalk connection is currently on hold pending decisions on the Subport and Coast Guard property.

Shore Power: Staff is currently working with AEL&P on design and seeking external funding through grants. We will come back to the Assembly with debt financing options if these efforts are unsuccessful.

Waterfront Museum: This project has \$500,000 attached to it, and staff is researching other funding sources to develop concepts and estimates for a facility that could include visitor services, restrooms, and port facilities as well as a museum.

Public Wi-fi: This is anticipated to be a two-year project.

Capital Transit: We will need to continue to supplement Capital Transit going forward.

Marine Park: This funds construction for Marine Park. This may be a two year project, or may require a transfer from the Seawalk CIP depending on the final construction cost estimate.

Wake Study:

At the April 6 Assembly Finance Committee Meeting, the Committee discussed adding a line item for a wake study for cruise ships in Gastineau Channel and the impacts to Thane properties. Several years ago, TBMP met with Thane residents and discussed ship speed reductions in Gastineau Channel as a proposed solution. Unfortunately, the pandemic stalled these efforts. In response to the request for a wake study, the Marine Safety Task Force (cruise and marine industry, USCG, pilots) has agreed to commit to these reduced speeds and add them to the Southeast Alaska Voluntary Waterway Guide, which provides navigational guidance throughout Southeast Alaska including speed restricted areas, anchorages, and other navigational direction. Ships will slow down as follows:

- Between Marmion Island and DuPont Dock 16 knots
- Between DuPont Dock and Sheep Creek 12 knots
- Between Sheep Creek and Juneau Harbor 7 knots

I recommend that we implement the reduced speeds for this year and re-evaluate whether they solve the problem or whether we need a study.

Capital Civic Center:

Your packet contains a request for \$4 million for the Capital Civic Center. This will require most of the available MPF fund balance. This is not currently included in the budget but can be added if the Assembly decides to fulfill this request.

Attachments:

Attachment A – FY25 Passenger Fee Funding Breakdown

Attachment B – Combined Passenger Fee Requests Table

Attachment C – Consolidated FY25 Passenger Fee Requests

Attachment D – Memorandum of Agreement (Amendment 1) – settlement agreement between CBJ and cruise lines

Attachment E – Maritime Industry Zones map

Attachment F – Consolidated Passenger Fee Budget Comments

Attachment G – Memo Regarding Public Wi-Fi

Attachment H – Correspondence between CLIA and CBJ Regarding the MPF Budget

Attachment I – Email from Lalanya Downs Confirming Reduced Ship Speeds