

White Paper – Propose Docks & Harbors Rate Increase

Background: Docks & Harbors Enterprise Funds are operated and financed in a manner similar to private business. The intent of the governing body is to provide goods and services to the general public on a continuing basis and be financed or recovered primarily through user charges. Docks & Harbors fees are set in regulation and broadly speaking have not increased in 17 years. Within the Docks Enterprise, 83% of all revenues collected are from cruise ships (> 200 feet) though dockage and port maintenance charges, which haven't been adjusted since 2005. In the Harbors budget, more than half of revenues are labeled "charges for services" which 67% comes from small boat moorage fees. Although, small boat moorage fees have been subject to an annual CPI adjustment since 2008, the regulation up until 2022 required a rounding up to the nearest nickel. In the ten years prior to 2022 (2012-21), the annual Urban Alaska CPI was only 1.65% which resulted in many years of no inflation adjustment because the \$0.05 threshold was not met. The regulation changes in 2022 not only made most all Docks & Harbors fees subject to annual CPI adjustments but also removed the threshold requirement. One challenge in an enterprise operated department that that approximately 50% of all expenditures are salaries. For organizations with low attrition, like Docks & Harbors, municipal employee costs will outpace inflation due to incentivizing regular step increases and collective bargaining agreements. Staff manages budgetary pressures to expenditures by innovation and expanding business opportunities. The Harbor Enterprise is less elastic than the Docks Enterprise to increased operating costs and during the pandemic, austerity measures were adopted. For Docks Enterprise some budgetary challenges can be mitigated with the Assembly appropriating additional Marine Passenger Fees to the operating budget, which was done in FY23 to offset unfunded new federal security requirements for cruise ships. Other new expenditures include contribution into the cooperative CBJ Insurance pool, which increased from \$138K in FY22 to \$426K in FY23; and potentially an order of magnitude increase to \$100K for leasing the UAS property to provide a downtown boatyard and access to cranes for commercial fishing vessels. Should the lease with UAS be continued, there will be a \$1M investment need to update and modernize the boatyard haul-out and existing cranes. Over the past dozen years, it is estimated that Docks & Harbors has managed, including partnerships with the Army Corps of Engineers, excess of \$200M in infrastructure projects, nearly divided between harbors and docks projects. There remains many significant projects which Docks & Harbors has envisioned to be necessary for the Juneau community to grow and provide a high quality of life. The approximate value of facilities managed by Docks & Harbors is \$250M. The diverse geographic location of our assets (Echo Cove to Taku Harbor) results in high annual operating costs, perhaps highest in the state. Our funds balance for each enterprise is only ~\$1.5M and although the recent deliberative action to link fees to CPI will be helpful, the unwillingness to raise rates over the past 15 years has hampered our ability to pursue future infrastructure improvements. In 2022, Docks & Harbors contracted with HDR-Alaska to conduct a harbor rate study. The study validated observations that our rates have not kept pace with the economic influences and that the harbor patrons served are not generally willing to accept less facilities or reduction in services. A Replacement Reserve Analysis recommended \$1.9M in annual savings to ensure facilities are maintained a state of good repair. The Board has considered the results and concurs to take the necessary actions to raise fees 9% in both the Docks Enterprise and Harbor Enterprise.