



Port of Juneau

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From: Port Director
To: Docks & Harbors Board
Date: September xxth, 2023
Re: Public Comments – 9% Rate Increase

I was asked to provide written general comments to public input received to the proposed rate increase.

- 1) Fiscally treat the two enterprises separately and raise only the Docks Enterprise rates:
 - a. Historically, Docks & Harbors has fire-walled the two enterprises to ensure revenues collected from cruise ships paid expenditures relating to serving only that industry. Similarly, harbor revenues were never used in direct support of cruise ships. Over the years, legitimate ledger balances were moved from the Docks revenue to Harbors revenue (i.e., vendor booth sales, tide land leases and downtown yacht moorage). In general terms, the Harbor Enterprise annual operating budget is twice that of the Docks Enterprise.
 - b. The Board debated the efficacy of combining the two enterprises (Docks & Harbors) into a single fiscal balance sheet. At one time, it was believed that it was legally necessary to maintain two accounting systems to comply with federal law (i.e., Tonnage Clause of the Constitution). It is now generally accepted that the funds could be comingled into one account; however, the Board saw value in operating the two enterprises separate from each other.
 - c. It was presented that the pandemic required the Docks Enterprise to withdraw ~\$1M from its fund balance where the Harbor Enterprise ran in the black, in part to austerity measures. Had the enterprises been combined, it would have appeared that the Harbors Enterprise was subsidizing cruise ship operations. Additionally, the recent Title 85 memo drafted by the City Manager suggests that future Board actions will not have “rate setting responsibilities” for municipal cruise ship docks.
 - d. The Board in the 9% rate setting process reasoned it was equitable to treat each enterprise separately but increase the rates the same.
 - e. The cruise industry would counter that the passenger fees collected by CBJ (\$22M in CY23) is already an order of magnitude greater than what is currently collected by the Docks Enterprise for dockage and port maintenance fees (~\$2M in CY23). This industry would argue any increase is too much as cruise ships continue to recover from the two years of the federal government shutdown.
 - f. The argument to pass along fees to faceless international corporations is a rational human response. Harbor users are also prone to increases which are market driven in which the customer must make financial decisions. These increases include: vessel operating costs, fuel, manufactured equipment,

insurance and if a commercial fisherman, bait, permits and crew costs. Rate increases (i.e., moorage, storage, cranes, etc) proposed by a municipal entity are the only expenditures which a patron can reasonably appeal.

- 2) Juneau Harbor system is already operating in the black and doesn't require additional revenues:
 - a. The Harbor Fund balance is less than \$2M as of June 30th, 2023
 - b. The Harbor Enterprise has extraordinary costs for patron needs, for example:
 - \$1.5M shortfall to complete Aurora Phase IV (even with \$5M ADOT grant)
 - \$1.5M total need for Statter Breakwater study (only \$500K local match for FY24)
 - \$500K local match if successful for MARAD PIDP grant for Aurora drive down float
 - \$400K/year increase in FY24 (from FY22) to the CBJ insurance pool
 - \$300K potential offer to purchase Ketchikan breakwater as net float
 - \$100K/annually for UAS lease
 - \$50K for lighting Douglas Harbor parking lot
 - \$50K for Harris Harbor security gate
- 3) Juneau is already too expensive of a harbor system:
 - a. No evidence of rates driving away small business – healthy waitlist for downtown & Statter
 - b. Comparing Sitka “permanent moorage” [rates](#):
 - \$4.64/LF per month (July 2022) vs \$4.97/LF per month (July 2023) for Juneau downtown harbors;
 - If patron would pay 12 months in advance the rate would be \$4.47/LF in Juneau downtown;
 - \$8.28/LF per month (July 2023) for Statter Harbor with multiyear waitlist.
 - c. Comparing Sitka “transient moorage” [rates](#):
 - \$1.44/LF per day (0'-80') in Sitka (July 2022) vs \$0.66/LF per day at all Juneau Harbors
- 4) Juneau Harbors are an affordable housing alternative:
 - a. Citing: 85.10.030 - Policy and intent; use of harbor. *It is hereby declared to be the intent of this title to favor the use of the facilities of the boat harbor by commercial fishermen, government vessels, commercial vessels in trade and commerce, and pleasure craft, and by the general public at large. It is further the intent of this title to prevent and discourage the use of the facilities of the boat harbor by boats which have been abandoned by their owners to the point of becoming derelicts as defined in chapter 85.05 or becoming a charge and nuisance to the City and Borough, the port director, and the general public, or which are unsafe, or which are not used, or are not fit to be used, regularly for transportation on the water.* No where in Title 85 is the Board directed to prioritize live aboard vessels over vessels engaged in transportation.
 - b. Sitka live aboards pay the resident charges for refuse, water & sewer (>\$160/month)
 - c. Haines allows live aboards only April through October for \$75/month
 - d. Skagway's Harbormaster is directed, in code, to discourage live aboard but assesses \$60/month fee
 - e. Homer does not assess a live aboard fee but limits live aboards to 3 months per year
 - f. It was the Port Director, not the Harbor Board, who proposed a 100% increase to Juneau Harbor live aboards in 2021. The Board voted down the proposed increase by the Port Director. Additionally, it is the Port Director's opinion that live aboards should be dissuaded from use of all transient harbor facilities.
- 5) Saving Money vs Raising Rates
 - a. Staff executes the fiscal priorities of the Board.
 - b. The Board could decide to close facilities; however, it is unlikely there would be substantial savings to

the Harbor Enterprise. For example, closing Douglas Harbors would be a net revenue loss or closing Amalga Harbor would not yield great savings to the Enterprise.

c. Docks & Harbors does manage Taku Harbor but does not receive revenue. Additionally, we do not budget significant harbor operations funds into maintenance. We have leveraged federal grant money for repairs in 2017 and are planning to use 1% Sales Tax money with federal grant money in 2024.

d. The Harbor Enterprise has been solvent for the past 12 years with revenues exceeding expenditures. The largest expenditure is staffing, which has not appreciably changed over the past decade. There has been perhaps one Administrative Assistant position and a nighttime security Harbor Officer added in the past 10 years.

6) Statter Harbor is Chaotic (euphemism)

a. Docks & Harbors has made significant, positive community infrastructure improvements at Auke Bay. Statter Harbors is the largest generator of revenue when compared to other CBJ harbors. Its producing 40% of all small boat harbor income, not including \$500K in passenger-for-hire this CY.

b. In 2009, Statter Harbor supported a very small footprint: transient moorage, DeHarts Marina, a boatyard, bus drop-off for whale watching charters, landing craft for regional transportation, launch ramp with a dozen truck & trailer parking spots.

c. In 2023, Statter Harbor is easily the busiest harbor in Alaska supporting: new reserved moorage, a boatyard move to ABLF, exclusive ABLF facilities for landing craft, expanded moorage exclusively for charter vessel, bus drop off, a launch ramp with 100 truck & trailer spots and 84 vehicle spots. It is a safe and well-coordinated harbor and we continue to take steps for improvements such as creating additional moorage at the ABMS, year-round bathrooms for all patrons, engaged loading zone oversight and discouraging kayakers from paddling through the heart of the harbor.

d. Docks & Harbors manages public infrastructure for community use and invests in projects which have a propensity to be funded using our fund balance as leverage for grant opportunities. Whether Docks & Harbors should be picking moorage winners & losers, that would be a policy decision to favor one group over another (commercial fishermen over charter operators over live aboards over recreational users).

e. The criticism that Statter Harbor is chaotic because someone can't find moorage (or is unwilling to pay for a reservation) is not defensible. Docks & Harbors inherited a transient harbor from the 1980's that doesn't meet the current demand in Auke Bay. We do have a vision to expand Statter Harbor and have been diligently working with the Army Corps for breakwater recapitalization since 2018. There are no short-term solutions to meet the increase in mooring demand in Auke Bay. The suggestion that Statter Harbors is "chaotic" because space is limited is nonsensical.