



MEMORANDUM

DATE: May 4, 2023
TO: Assembly Finance Committee
FROM: Alexandra Pierce, Tourism Manager
SUBJECT: Marine Passenger Fee Proposal

This memo discusses my proposal for the expenditure of passenger fees (CBJ \$5 Marine Passenger Fee, \$3 Port Development Fee and \$5 State Commercial Passenger Vessel Fee). This proposal is made in accordance with the settlement that was reached with CLIA in March of 2019 and is designed to provide services and solve community issues related to cruise ship tourism.

The cruise industry holds a consensus view that Southeast Alaska sailings will exceed pre-pandemic levels in the summer of 2023. The scheduled lower berth capacity is estimated to be 1.65 million visitors for the summer 2023 season.

Here is how that forecast for visitation translates to passenger fee revenue in FY23 and FY24:

			PAX	MPF	PDF	State CPV*	Total
CY2022 Jul/Aug/Sept	FY2023		600,000	\$ 3,000,000	\$ 1,800,000	\$ 5,000,000	\$ 9,800,000
CY2023 April/May/June	FY2023		660,000	\$ 3,300,000	\$ 1,980,000		\$ 5,280,000
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

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

FY23 Passenger Fee Total \$ 15,080,000
FY24 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 is eliminated for FY24 and we can expect to carry a positive fund balance into FY25. Additionally, new U.S. Coast Guard security requirements translate to increased security expenses of approximately \$150,000 per dock. This was new for FY23 but will continue indefinitely.

FY24 Passenger Fee Proposal			
	Direct Cost	Overhead	Total
Debt Service: Juneau Cruise Terminal Docks	\$ 2,026,500	\$ -	\$ 2,026,500
CBJ Municipal Services			
Police Support	\$ 1,289,600	\$ 47,800	\$ 1,337,400
Ambulance/EMS Support	\$ 591,500	\$ 21,900	\$ 613,400
Seawalk, Open Space and Restroom Maintenance	\$ 426,100	\$ 15,800	\$ 441,900
Street Cleaning/Repair	\$ 192,900	\$ 7,100	\$ 200,000
D&H - Port Management	\$ 275,000	\$ 10,200	\$ 285,200
D&H - Port Customs Office Building Maintenance	\$ 142,000	\$ 5,300	\$ 147,300
D&H - Access Control Security	\$ 300,000	\$ 11,100	\$ 311,100
Tourism Management	\$ 229,000	\$ 8,500	\$ 237,500
CBJ Resident Tourism Survey	\$ 35,000	\$ 1,300	\$ 36,300
Cruise Ship Passenger Survey	\$ 35,000	\$ 1,300	\$ 36,300
General Economic Analysis	\$ 40,000	\$ 1,500	\$ 41,500
Total City Services	\$ 3,556,100	\$ 132,700	\$ 3,688,800
Third-Party Visitor Services by Assembly Grant			
Travel Juneau - Crossing guard program	\$ 294,200	\$ -	\$ 294,200
Travel Juneau - Visitor services program	\$ 165,200	\$ -	\$ 165,200
Tourism Best Management Practices (TBMP)	\$ 26,000	\$ -	\$ 26,000
Downtown Business Association Ambassador Program	\$ 90,000	\$ -	\$ 90,000
AJ Dock - Access Control Security	\$ 130,000	\$ -	\$ 130,000
AJ Dock - Restroom Maintenance	\$ 30,000	\$ -	\$ 30,000
Franklin Dock - Access Control Security	\$ 130,000	\$ -	\$ 130,000
Franklin Dock - Restroom Maintenance	\$ 30,000	\$ -	\$ 30,000
Seasonal Workforce Housing Planning	\$ 50,000	\$ -	\$ 50,000
Total 3rd Party Services	\$ 945,400	\$ -	\$ 945,400
Capital Investments			
Capital Civic Center	\$ 1,000,000	\$ -	\$ 1,000,000
Marine Park Improvements	\$ 2,000,000	\$ -	\$ 2,000,000
Homestead Park Improvements	\$ 1,000,000	\$ -	\$ 1,000,000
Wastewater Improvements	\$ 950,000	\$ -	\$ 950,000
Informational Signage	\$ 75,000	\$ -	\$ 75,000
Circulator Plan	\$ 20,000	\$ -	\$ 20,000
Seawalk Expansion	\$ 10,000,000	\$ -	\$ 10,000,000
Total Capital Investments	\$ 15,045,000	\$ -	\$ 15,045,000
Total Proposed FY24 Passenger Fee Expenditures	\$ 21,573,000	\$ 132,700	\$ 21,705,700

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. Of note, CLIA is supportive of funding for a study on the visitor industry's impact on Juneau's housing market.

Capital Investments:

Capital investments were previously limited by the negative fund balance carried forward from fiscal year 2022 and the likelihood of a slower than scheduled cruise season. At the time, CBJ received a number of worthy requests and we have budgeted funds to start some of the proposed projects, anticipating more funding in the coming years. Attachment A shows CBJ's long-term visitor infrastructure needs.

Notably, this year's budget dedicates \$10,000,000 to the Seawalk, anticipating agreement on a Franklin to AJ Dock connection. Other recommended infrastructure funding includes funding for reconstruction of Marine and Homestead Parks, \$1 million towards the Capital Civic Center, wastewater improvements that were originally funded for FY21, improved signage, and extra funds to finish the circulator study. Note that dock electrification is being funded separately with a separate passenger fee-backed bond package.

The above proposal represents a conservative approach that meets our debt and negative fund balance obligations, and lays the groundwork for future infrastructure priorities.

Attachments:

Attachment A – Passenger Fee Infrastructure Needs FY24-28

Attachment B – Combined Passenger Fee Requests Table

Attachment C – Consolidated FY24 Passenger Fee Requests