



Port of Juneau

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From: Port Director

To: Docks & Harbors Board

Date: October 12th, 2022

Re: SUMMARY OF RATE SETTING PROJECT REPORT

1. At the September 29th, 2022 regular Board meeting, I was directed to provide a summary of the HDR Rate Setting Project report dated September 1st, 2022. To provide context to the requested summary, it may be helpful to review the process. Early in 2021, Docks & Harbors staff proposed increases to certain fees in anticipation of significant future lease expenditure from the UAS property. Staff's recommendations included rate increases for resident surcharge which apply to live aboards and dockage charges which assesses fees to vessels for berthing at the Steamship Wharf, the Cruise Ship Terminal, the Intermediate Vessel Float, the Port Field Office Float, and the Inside of the Cruise Ship Terminal. The genesis to pursue an outside consultant was due, partially, from the Board not advancing fee increase recommendations as well as the Assembly failing to adopt recommended fee increase regulations.

2. Key chronological timeline of the project include:

- April-September, 2021 – Board, Committee & Sub-Committee discuss merits of outside consultant for harbor rate study
- September 30th, 2021 – Board Approval for solicitation of RFP for Rate Study
- November 9th, 2021 – Three consulting companies submitted RFP for consideration
- November 18th, 2021 – Board approval of Docks & Harbor Rate Setting Policy
- November 24th, 2021 – Selection Team short-lists two consultants for oral interviews
- December 9th, 2021 – Selection Team completes oral interviews
- December 9th, 2021 – Posting Notice issued selecting HDR as the successful proposer
- December 13th, 2021 – Port Director begins contract negotiation with HDR
- January 14th, 2022 – Port Director/HDR sign contractual agreement
- January 27th, 2022 – Board approves contract execution with HDR-Alaska, Inc with requirement for HDR representation at Board meetings to answer questions
- February 24th, 2022 – HDR representative at regular Board meeting
- March 31th, 2022 - HDR representative at regular Board meeting
- April 5th, 7th & 8th – HDR Conducts interviews with seven port/harbor user groups

- April 28th, 2022 - HDR representative at regular Board meeting
- May 26th, 2022 - HDR representative at regular Board meeting
- June 3rd, 2022 – First Rate Study iteration submitted
- August 5th, 2022 – Second Rate Study iteration submitted
- September 1st, 2022 – Third Rate Study iteration submitted
- September 21st, 2022 – Port of Juneau – Docks & Harbors Rate Setting Project posted on Operations-Planning Committee Agenda

3. The intended purpose of the study, as stated in the Request for Proposal (RFP) was:

The purpose of this document is to solicit proposals from qualified consultants to enter into a contract to conduct a study of the Docks & Harbors rate fee structure. The intent is to determine a sustainable, equitable rate structure based on the existing facility infrastructural and services to support commercial and recreational users of the harbor facilities. In addition to validating the financial planning for the Harbor Enterprise, the consultant will conduct a market study for the fees associated with the CBJ owned cruise ship docks.

The HDR/CBJ agreement signed on January 14th, 2022 agreed to a contract for \$36,169.

CONTRACTUAL RELATIONSHIP. *The parties intend that an independent Consultant/City relationship will be created by this Contract. City is interested only in the results to be achieved, and the conduct and control of the work will lie solely with the Consultant. Consultant is not considered an agent or employee of City for any purpose, and the employees of Consultant are not entitled to any benefits that City provides for City's employees.*

4. Specific Consultant tasks include:

TASK	DESCRIPTION	STATUS
Task 1 Project Management	Consultant will provide general project management activities. This includes allocating and coordinating appropriate labor resources, maintaining project financials and scheduling, and preparing monthly invoices.	On going
Task 2 Stakeholder Interviews	Consultant will conduct up to eight interviews with City general management, tenants/ user groups, and other key stakeholders (e.g., cruise lines) as identified by City. These interviews will provide stakeholder input for subsequent tasks such as the tariff review (i.e., CBJ Docks and Harbors fees and rates recognizing that CBJ does not have a formal tariff document) and proposed adjustments to tariffs.	Complete
Task 3 Document Review	Consultant will conduct a review of applicable documents related to current tariffs, facilities, users, and City budget. This task will assist in the review of the tariff structure and recommendation of types of adjustments in later tasks.	Complete

Task 4 Tariff Review	Consultant will conduct a review of City's current tariff structure, including rates and provisions. HDR will give special emphasis to comparisons to general industry standards. Based on this analysis, Consultant will recommend adjustments in Task 5 to benefit City and meet their objectives.	Complete
Task 5 Rate Methodology	Consultant will recommend types of adjustments to tariffs. This will provide a basis for determining what essential changes should be made to meet City's financial objectives (revenues and to recoup costs). Targets will include meeting desired annual operating expenses to support Enterprise budgets. Special consideration will be given to market rates that cruise lines can pay	
Task 6 Draft Report and Review	Consultant will prepare a draft report for review by CBJ officials and key stakeholders selected by them. Consultant will respond to comments on the written draft and to those provided during the presentation. As part of this task, consultant will develop key messaging and talking points to explain the methodology, findings, and recommendations. Consultant will also provide handouts and a PowerPoint presentation to the Board and the Port Director and prepare staff for meetings.	Report received for review; Pending Consultant PowerPoint Presentation
Task 7 Final Report	Consultant will address comments on the draft report and produce a final report within seven days following receipt of comments.	Pending
Task 8 As-Needed Tasks	Consultant will provide as-needed tasks to support additional requests from CBJ such as facilitation of conversations with applicable Municipal leadership and during presentations to the Board and coaching to CBJ staff to present and in preparation to answer all potential questions related to the report and recommendations. Work under this task will be invoiced as Time and Materials and will only be performed with written approval from City. Consultant shall be compensated a lump sum amount of Amount for satisfactory performance of professional services described in this contract and in accordance with the Consultant's Fee Proposal.	This includes HDR representation at Docks & Harbors regular Board meeting.

4. The Executive Summary provides the consultant's findings. Based on those comments, I make the following observations:

- a. The consultant's interviews with seven user groups revealed that Juneau stakeholders would not be sensitive to modest rate increases. Broadly speaking, this seems accurate as Juneauites are dependent on marine access whether for recreation or for small business operations. The facilities which Docks & Harbors manages, although not a monopoly within the Borough, does provide maritime services which are typically better maintained and at a lower cost to user groups when compared to private like-facilities. Certainly, it makes sense that those individuals interviewed would be willing to pay more when compared with alternatives including the private Juneau marinas or other SE Alaska community options.
- b. Harbor rates are a small fraction of vessel ownership is indeed a true statement. This could have been made stronger with examples but the contractor is not obligated to do so. Whether it be commercial fishermen with costs associated with vessel loans, fish permits, fuel, gear, crew, insurance, bait, maintenance & operating costs, moorage is a relatively small component. The same would be true for charter operators or recreational launch ramp users. In 2022, fuel costs most likely drove the vessel ownership costs over any other expenditure. From a rational mind (or public policy perspective), harbor rates will generally yield contentious public discussion. This is due to other operating costs generally being discretionary whereas harbor rates are known to be influenced by the local voting citizens.
- c. The identification that enacting CPI will not result in a sustainable revenue over time is correct. As salaries are half of all annual operating costs, adjusting fees simply for inflation will not keep pace with raising personnel costs. This is primarily due to longevity pay and triannual wage negotiations which typically outstrip CPI.
- d. Funding should be allocated to ensure Docks & Harbors assets are maintained in state of good repair. Over the past decade, emphasis has been placed on recapitalization of facilities which exceeded 50 years and were well-past useful life. With the future completion of Aurora Harbor, a majority of all small boat harbor floats will be have recently replaced. Next in line for replacement will be old Statter floats at 35-years in service with Harris Harbor and old Douglas Harbor floats at both at 20-years in service. During this past decade efforts have been made to extend the useful life of facilities: increasing the freeboard of floats, high quality material and installation of sacrificial zinc anodes will all contribute to a durable and long-lasting product. When Aurora Harbor is finished, the Harbor Enterprise should consider a healthy maintenance fund to keep harbor floats from falling into disrepair as well as upland needs such as parking lot lighting and paving.
- e. The magnitude of rate increase is proportionate to the desired capital expansion. As long as there are ideas for expanding new/repurposed marine infrastructure there will be projects. Future "new-start" projects do not necessitate having full funding availability as there currently are grant opportunities for municipalities. It is always helpful to have, say 10% of an estimated new CIP available for planning, permitting and design as well as demonstrating commitment with local grant match.

- f. Maintaining Replacement Reserve Analysis (RRA). The study encourages \$1.9M per year as a benchmark, collectively for Docks Enterprise and Harbors Enterprise. This number is derived from 40 years of annual replacement of existing infrastructure, estimated at \$195M and assuming availability of grant or passenger fee for recapitalization. This reserve would provide a capital plan to assist in the maintenance and future investment requirements. The report acknowledges that Docks & Harbors currently does not generate sufficient revenue to reach that benchmark and suggests increasing rated or additional funding from CBJ. As an Enterprise operations, Docks & Harbors should not expect to receive additional fiscal support from the Assembly.
- g. The consultant proposes a 9% increase across all fees could be obtained without user impact. This modest fee increase could increase revenues approximately \$700K. The consultants reviewed pre-COVID revenues which suggested \$1.2M as the net positive income flow. Although it may have been beneficial to have recommendations for specific, individual fees from the consultant, the contractual language of the agreement is met. From a pragmatic perspective, an increase of all fees managed by Docks & Harbors is cumbersome. Perhaps increasing the largest of our fees should be increased (moorage, dockage, launch ramp, residential surcharges) with the smaller generated revenues (vessel salvage, passenger for hire, electrical fees, etc) be raised to effect public policy goals.

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Encl: Port of Juneau – Docks & Harbors Rate Setting Project dated September 1, 2022