

DOCKS & HARBORS BOARD STRATEGIC RETREAT

Meeting Minutes

December 7th & 8th, 2022

CBJ Room 224 and via Zoom

- A. Call to Order** – Mr. Etheridge called the Board Retreat to order at 5:00 p.m. on December 7th and at 5:00 p.m. on December 8th in room 224 and via Zoom.
- B. Roll Call** – The following members attended in person in CBJ Room 224 or via Zoom: Paul Grant, Debbie Hart, Matthew Leither, Mark Ridgway, Annette Smith, Lacey Derr and Don Etheridge.

Absent – James Becker and David Larkin.

Also in Attendance – Carl Uchtyl – Port Director, Matthew Creswell – Harbormaster, Teena Larson – Administrative Officer and Benjamin Brown – City Attorney (December 7th).

- C. Port Director Request for Agenda Changes** – None
- D. Public Participation on Non-Agenda Items** – None
- E. Items for Information/Discussion**

1. Strategic Retreat
 - a. HDR Port of Juneau – Docks & Harbors Rate Setting Project.

The Board discussed the rate study and why there are two enterprises separating Docks business and Harbors business. Mr. Brown spoke about the legal implications of combining the two enterprises and why they were initially split in the budget. He said it would not be a legal problem to combine them but more of a political one. Mr. Uchtyl said he thought Docks & Harbors (D&H) has benefited by having the enterprises separate. It helps to see where expenditures go and how personnel costs are allocated. He said the challenge with this study is it combined everything, as if D&H was one company. It will be hard to separate them back out to see where increases are needed. The majority of revenue is already with the Harbor Enterprise. All Vender Booth Permits, Loading Zone Permits, parking, yacht revenue and lease revenue is going to the Harbor Enterprise. The only revenue going into the Dock Enterprise is lightering fees, port development fees and dockage for cruise ships. Mr. Etheridge said we never wanted the Harbors to financially support cruise ship docks. The Board's consensus was not to combine the two enterprises.

The Board discussed Marine Passenger Fees and how they are used per the settlement agreement. There was a lawsuit regarding how Marine Passenger Fees were used to build Overstreet Park. Cruise Lines International Association Alaska (CLIAA) settled the lawsuit with the City and Borough of Juneau in 2016. A large portion of the Marine Passenger Fees goes to the Juneau Police Department, Capital City Fire and Rescue, Parks & Recreation and the city's general fund. Mr. Uchytel said the Docks Enterprise typically receive \$400K a year from Marine Passenger Fees, which covers about 25% of the dock expenses. The Board also discussed the State of Alaska head tax.

Mr. Brown spoke about the insurance needed by D&H to cover spill liability and how boat owners are not required to obtain their own coverage. He has been working with the Risk Department and D&H pays a considerable amount for this coverage. Mr. Uchytel discussed the Vessel Disposal Fee charged to each boat owner that cannot provide proof of insurance. D&H receives about \$18K per year from this fee. The fee is meant to compel boat owners to purchase their own coverage and give us a small fund in case a vessel sinks or a spill occurs. Mr. Creswell said the U.S. Coast Guard or Department of Environmental Conservation usually provide assistance with spills and D&H normally does not receive a bill.

The HDR study suggested a nine percent increase on all fees to keep the infrastructure in a state of good repair. The Board discussed why the Docks Enterprise might not need as much of an increase as the Harbor Enterprise. Ms. Smith said even though the harbors are older and require the majority of repairs, when a cruise ship dock needs something repaired or replaced the cost would be significantly higher. Mr. Uchytel thinks the average age of the harbor infrastructure is twenty years old.

The Board discussed whether there was a better tool for rate adjustment other than the Alaska Consumer Price Index (CPI). The Board also discussed whether it might be best to phase-in rate increases over time. The Board would like to keep deferred maintenance costs and capital improvements separate. Mr. Uchytel reviewed the fund balances for Docks and Harbors. The nine percent increase would not support improvements, only keep infrastructure in a state of good repair.

Mr. Uchytel shared the budget and revenue streams for each of the enterprises going back ten years. He explained which revenue streams were consistent and which he expected to go up and down. Mr. Uchytel spoke about deferred maintenance and how the harbors are usually run until failure and then replaced. The maintenance needs are usually replacing a power pedestal or water spigot and other small repairs. The Assembly has been kind to Docks & Harbors over the last year. D&H received money from the 1% sales tax and money for multiple other projects.

The Board discussed the approach they want to take for public outreach to make sure community members are heard. They discussed public forums, mailers and town hall meetings. Fairness was discussed at great length about which rates will be increased. Ms. Derr discussed the Public Meetings Act and asked if the Board receives emails or correspondence from the public it is best to bring it to the Board for review and reply. The Board discussed the timeline for implementing the rate increases. Mr. Ridgway would like the public to understand that D&H is run by an empowered Board and is a fee based enterprise.

Mr. Grant would like a one-time rate increase of ten percent across the board for all rates. Nine percent would be just enough to keep the facilities in a state of good repair. Adding the additional one percent would give a cushion and help build the fund balances. Many of the grants we apply for require match money making a fund balance crucial. Mr. Grant thinks when the docks need to be replaced in thirty or forty years it will be a significant expense and we should have some money set aside for that. He thinks waiting twelve months to implement the rate increase would give plenty of time for users to prepare. The ten percent increase is a bare minimum needed and is incredibly fair. Mr. Grant also brought up the fact that Juneau has some of the lowest rates in the state of Alaska. He would like to see the public process wrapped up by early summer 2023.

Mr. Ridgway liked the nine percent across the board for all rates and users. He feels that is the fairest way to handle the information learned from the rate study. He would like to phase-in this rate increase over two years. Mr. Ridgway is interested in setting aside some money in a separate account for new infrastructure and improvements. When we add new infrastructure it also costs us more long-term for maintenance. Mr. Ridgway thinks the message is key and there needs to be a replacement analysis available for everyone to review. He would like to see D&H receive more Marine Passenger Fees to help offset costs. Cruise ship passengers contribute a large portion of the use at Statter Harbor with whale watching tours. Mr. Ridgway said we started this process a couple of years ago and with current inflation not increasing the rates has really come back to bite us. Docks & Harbors is seeing inflation just like everyone else. Many of our rates have not changed in a decade. He would like the message to be this increase is to maintain the infrastructure we already have.

Mr. Etheridge agrees we need to raise all rates across the board by nine percent. He said a year ago we were discussing doubling some rates, now we are only talking about raising them nine percent. He also said if we do a smaller rate increase to start, hoping to do another down the line it will never get done. He would like to see a one-time nine percent rate increase. Mr. Etheridge does not think this increase will be hard to get through the Assembly. He feels the increase is completely justified and it is easy to prove that. He would like this discussed at multiple Operations/Planning

Committee meetings and at Special Board meetings to make sure the public is made aware of the increases. Mr. Etheridge said the fund balances will be used to help us come up with match money for grants when replacement is needed for infrastructure.

Ms. Smith would like to see all rates increased nine percent. She also likes that the CPI was added to certain rates as a cost of living balancer. She supports the separate enterprises and thinks the Board has been flexible when money needs to be moved between the Enterprises. Ms. Smith does not think justifying the increase is a difficult task. Rate increases are needed and we have not raised most rates in many years. She does not like the idea of phasing-in the rate increases. The Board has wanted to make improvements to our Harbors by adding lights and gates, yet we do not have the money to make important improvements that would help with safety.

Mr. Leither is concerned the study shows a nine percent increase to keep all facilities in a state of good repair, but a huge majority of the added revenue will be spent on the Harbors. The Docks are newer so maintenance is not as much of an issue and there is less of them. He does not think the rate study shows enough granularity but he is happy it was completed. He is afraid the nine percent increase for the Harbors might not be enough. He said he thinks waiting a year to impose the increase is a smart idea. He is hopeful the CPI will also be lower by then. He acknowledged the Assembly has been generous but we cannot count on that continuing each year. We can only count on and spend what we take in. Even if we do have \$1M in our fund balance, one float could need replacement and that would be gone. The fund balance will never be enough to fund new projects.

Ms. Hart asked about the cost associated with Docks maintenance and if they do need a rate increase. Mr. Uchytel said there are always planks that need replacement due to tripping hazards. At some point, the Port Field Office and Visitor's Center will need new roofs. There are also costs associated with keeping the power and water functional. Ms. Hart brought up the idea of a phased approach to get feedback and share the rate study. She would like to see a five percent increase this year when rates change on July 1st. She likes the idea of keeping maintenance costs and improvement costs separate. The nine percent increase is significant but only for keeping things in a state of good repair. Ms. Hart asked if HDR would be on hand to answer questions regarding the rate study during the public process. Mr. Uchytel thinks it would cost additional money for them to go beyond updating this Board.

Ms. Derr had a hard time increasing all fees but has come to realize it is necessary. With dock electrification looming, there will be maintenance costs associated with its upkeep. We recently tried to get a rate increase through the Assembly for the Docks Enterprise but that was shot down. Now we have all the evidence to prove rate increases are needed. She would also like to see this rate increase phased-in over two years. The cruise ship rates were not raised last year with the rest of the rates. She is

comfortable increasing the Docks rates by nine percent. She feels the increase should happen on January 1st of 2024. That would give everyone time to prepare for the increases. She would like a narrative out to the community explaining the decision and giving them plenty of time to be heard. Ms. Derr said D&H money goes back into the Harbors, even though it is not always bright and shiny new things. She has noticed there is not the normal amount of maintenance happening like in previous years.

The Board discussed the last time rates were increased and the process getting it through the Assembly. Mr. Etheridge said the meeting was packed with patrons complaining about the increases. D&H manages \$440M in assets and barely has a million dollars in each enterprise fund balance.

The Board discussed when rates change per user group. The launch ramp permits are by calendar year and change by CPI in April. The yearly skiff fee is also set by calendar year. All harbor moorage changes by CPI at the beginning of the fiscal year on July 1st. D&H keeps rates associated with the cruise ships and tourism the same for the entire tour season. Ms. Larson said this is how it has always been and works well for admin staff. The only difficulty she sees is we do not know the CPI until February so for calendar year rates, they do not change until April. Ms. Larson feels it works well for budget purposes and she would like it to stay the same.

Ms. Smith also mentioned the Harris Harbor restrooms and their closure. It was due to needles being flushed and will be costly to repair. Mr. Creswell said it was needles, sanitary items and other foreign objects being flushed. These items caused the pumps to break and they need to be replaced. The Harris Harbor restrooms are on a key fob system. Some of the issues with the key fob system is if someone is inside the bathroom and has the deadbolt locked other users will come up and scan the fob trying to get in, yet they never get a chance to use the facility. This makes it incredibly difficult to figure out who has actually used the facility when damage occurs. Mr. Creswell ordered a 360 degree camera to help monitor the situation. He feels the restrooms have required twenty staff hours in the last two months. Ms. Smith would like to put out a statement showing the amount of money and staff time needed to keep the restrooms at Harris Harbor operational. She also wanted to know if we needed additional security for the harbors.

Mr. Ridgway is interested in a firewall that would keep money for maintenance and money for new projects separated. The increase in fees is not meant to be saved up to build new infrastructure but that is also needed.

Mr. Uchytel said it looks like D&H did very well in FY22, which we did. The balance will go down another \$200K for investments and \$500K for the Aurora

Harbor Phase III. In FY23, we expect the fund balance to be much smaller. D&H is responsible for \$440M in assets and has under \$1.5M in the fund balances today.

Ms. Derr would like to start on public outreach and adding the discussion to the next Operations/Planning Committee meeting agenda. She would also like to take the lead on drafting the Board's narrative for this process. At the upcoming Operations/Planning Committee meeting we can get the opinions of missing Board members Mr. Larkin and Mr. Becker. Mr. Grant spoke about the public process and asked how many people subscribe to the Tideline. Mr. Etheridge thought sharing it on the D&H Facebook page would be a great method to reach people. Ms. Larson spoke about the new SMS system allowing for opt-in text messaging. Ms. Derr would like the narrative completed and a formal motion by the January Regular Board meeting and it forwarded on for public process and outreach. Mr. Ridgway wanted to know the amount of additional revenue generated if we raised all rates by nine percent. Mr. Uchtyl said the only fees that wouldn't go up would be the tideland leases.

Mr. Uchtyl reviewed the legislative priorities list and the six-year CIP list. These will be on the agenda for the December Regular Board meeting.

Public Comment

Kirby Day – Juneau, Alaska

Mr. Day said his concern is the HDR study did not separate needs between the two enterprises. He has testified in prior Harbor Board meetings that he thinks you would be charging cruise ships a nine percent increase to offset the Harbor Enterprise needs. He believes the repair, maintenance and replacement costs needed for the Docks Enterprise would at least be partially covered by Marine Passenger Fees. He said he feels the Harbors would probably need closer to a twelve percent increase and Docks a four or five percent increase. He feels the state of the art cruise ship docks will not need significant repair or replacement for 50 years. He thinks the Board is on the right track. He realizes the difficult situation the Board is in and appreciates the hard work they are doing.

Martin Stepetin – Douglas, Alaska

Mr. Steptetin said he appreciates the conversation he has heard so far at the December 7th, 2022 meeting.

F. Staff Committee and Member Reports – None

G. Board Administrative Matters – Next Operations/Planning Committee meeting is on December 21st, 2022.

H. Adjournment –

The Strategic Retreat meeting adjourned on Wednesday, December 7th at 7:52 p.m.

The Strategic Retreat meeting adjourned on Thursday, December 8th at 7:35 p.m.