



PORT OF NOME

Port Director's Office
P.O. Box 281
Nome, Alaska 99762
907.443.6619
jbaker@nomealaska.org

AGENDA STATEMENT

Meeting Date: October 6, 2023
From: Joy Baker, Port Director *JLB*
Subject: Awarding PON Tariff Rate Study & Analysis to Northern Economics for \$58,200

Background & Justification:

The City of Nome received a single proposal in response to the RFP issued for the Port of Nome Tariff Rate Study & Analysis, which was submitted by Northern Economics. After review of the proposal, I contacted Mike Fisher, who serves as their Vice-President, to discuss potential adjustments to the proposal fee. Based on our call, Northern Economics has proposed a 12% fee reduction as shown in the attached, bringing their lump sum fee down to \$58,200 for the work.

F24 funds are budgeted in Admin line item 80.6711.1870 in the amount of \$30K, with an additional \$30K in line item 80.6711.1820 that can be reallocated to 1870 to fund this rate study.

Also attached is a supporting motion for award, passed by the Port Commission at their Special Meeting held on Thursday, 5 October 2023.

Recommendation:

That the Nome Common Council pass Resolution R-23-10-03 authorizing the City Manager to execute a contract with Northern Economics for \$58, 200 to perform work known as the PON Tariff Rate Study & Analysis.

Memo

TO: Mayor John Handeland & Nome Common Council
FROM: Jim West - Chairman, Nome Port Commission *JW*
THRU: Glenn Steckman - City Manager
DATE: 10/06/2022
RE: Support Council Award Tariff Rate Study to Northern Economics at \$58,200

The following motion was passed by the Nome Port Commission at their Special Meeting on Thursday October 5, 2023.

1. Moved by **C. Lean**, and seconded by **C. Rowe**, the following motion be approved as written:
 - **MOTION:** Recommend Common Council award the Port of Nome Tariff Rate Study & Analysis to the sole proposer, Northern Economics, at the revised fee of \$58,200.

AT THE ROLL CALL:

Ayes: Rowe; McLarty; Smithhisler; Lean; West
Nays:
Abstain:

The motion **CARRIED** unanimously.

Discussion reflected in the minutes from the October 5, 2023 Special Meeting.



October 3, 2023

Port Director
City of Nome
P.O. Box 281
Nome, AK 99762
JBaker@nomealaska.org

Dear Joy:

Thank you for the opportunity to discuss our proposal to conduct a Tariff Rate Study & Analysis for the Port of Nome.

Based on our discussion, we have reduced our proposed cost to a lump sum of \$58,200, down \$8,200 (12 percent) from the \$66,400 budget given in our proposal. We have made the following assumptions to support this reduction:

- The City of Nome will provide historical information it has collected in a spreadsheet, which will reduce our need to collect and enter that information.
- The City of Nome will provide a vehicle for our use during our trips in Tasks 1 and 11.
- The City of Nome will provide two apartment units for our staff members to stay overnight for the review meeting in Task 11.

We have also made modest cuts to the estimated hours on selected tasks to reduce the budget further.

We hope these assumptions and the proposed cost of \$58,200 are acceptable.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mike Fisher'.

Mike Fisher
Vice President



September 21, 2023

Port Director
City of Nome
P.O. Box 281
Nome, AK 99762
JBaker@nomealaska.org

Re: Port of Nome Tariff Rate Study & Analysis

Dear Ms. Baker and Members of the Review Committee:

Northern Economics is pleased to submit this proposal to assist the Port of Nome with its Tariff Rate Study & Analysis. We also acknowledge receipt of Addendum 1 to the RFP #2023-02 package.

We understand the need for ports to ensure their tariffs and rates remain competitive and sufficient to provide for maintenance and upkeep. And in this case, the review is particularly necessary in light of the Port of Nome's port modification project. Founded in Anchorage in 1982, Northern Economics has unmatched experience with Alaska port and harbor economics. The following pages provide:

1. A description of our firm qualifications, experience and technical staff;
2. A summary of our understanding of the required services;
3. A lump sum cost to provide the required tasks.

We believe our approach outlined in this proposal will best meet the Port of Nome's needs and welcome the opportunity to discuss it further and make any modifications required.

Sincerely,

A handwritten signature in blue ink that reads 'Michael Fisher'.

Michael Fisher
Vice President
michael.fisher@norecon.com

Firm qualifications, experience and technical staff



Founded in Anchorage, Alaska in 1982 and incorporated in 1998, Northern Economics serves a wide clientele in both the private and public sectors. We specialize in developing practical, cost-effective solutions for clients in areas that include port and harbor development, business and economic development planning, socioeconomic and demographic profiles, environmental impact statements, resource economics, ecological economics, fishing industry projects, utility industry planning, and tourism.

Northern Economics has conducted numerous studies for port and harbor facilities, including rate and tariff studies, feasibility analysis for expansion and conversions of docks, market demand analysis, benefit-cost analysis, fiscal impact analysis, and surveys of vessel owners and other potential users of proposed harbor facilities.

Governmental entities frequently rely on Northern Economics' expertise in transportation and maritime infrastructure planning—expertise that has been demonstrated in numerous major projects throughout coastal Alaska and the Lower 48. Our firm is uniquely qualified to evaluate complex issues related to waterfront planning, not only because of our particular experience in port development, but because of our vast experience advising industries that rely on ports, including transportation; commercial fishing; and oil, gas, and mining.

Our purpose is to provide our clients with economic analysis of the highest quality so that clients and society benefit from informed decisions; we strive to provide this service in a manner that reflects our commitment to excellence, and our reputation for integrity. We interact closely with our clients to define project needs, implement project components, and provide clear, useful documentation of analytical results.

Project experience

- **Port of Corpus Christi Tariff Review, 2023.** Northern Economics completed a comprehensive update to the 2020 tariff review, including additional commodities of interest, additional ports, additional fees provided by the marine support industry (tugs, pilots, and line handling), and an overall gateway cost analysis of the Port of Corpus Christi, TX and five comparison ports. The resulting report and Excel workbook contain extensive analysis and benchmarking, recommendations, and comprehensive data.
- **Corpus Christi Pilot Rate Study, 2021.** Northern Economics conducted a rate study to determine if Aransas-Corpus Christi Pilots (ACPP) tariff rates were competitive with other ports of

comparable structure for pilot services. The impetus for the study was a December 2020 proposal, later withdrawn, by ACCP to update its tariff. The analysis compared ACCP's tariff with those of Houston Pilots, Sabine Bank Pilots, Brazos Pilots, Brazos Santiago Pilots, and LC Pilot Association.

- **Port of Corpus Christi Tariff Rate Study, 2020.** This study was an update of the prior 2017 study, with the addition of four other comparison ports, one Gulf Coast port as well as three ports in Washington and California.
- **Port of Corpus Christi Tariff Review, 2017.** The Port of Corpus Christi commissioned a tariff review to better understand how the wharfage and dockage rates in place at the Port of Corpus Christi compare to rates levied at similar ports on the Gulf Coast of the United States. In addition to comparing dockage and wharfage rates, the market analysis also took into consideration port facilities and attributes, and the commodities and cargo volumes being handled at the 14 Gulf Coast ports included in the sample. This effort had a specific focus on liquid bulk wharfage rates, which account for 90 percent of the Port of Corpus Christi's revenue. The ultimate goal of this study was to provide rate recommendations for specific petrochemicals and refined petroleum products of interest to the Port of Corpus Christi. In the absence of commodity-specific wharfage rate comparisons, the study team analyzed the relationship between the values of commodities of interest and used those relationships to develop wharfage rate adjustments.
- **Cordova Harbor Rate and Cash Flow Study, 2022.** Northern Economics conducted a rate study for the City of Cordova's harbor system, including development of three rate scenarios (baseline, annual inflation adjustments, and stepped increases plus annual inflation adjustments) to meet cash flow needs over the next fifty years. The study considered the impact of debt and grant funds on major planned replacements and improvements to inform debt issuance, rate setting, and budgeting activities.
- **City of Emmonak Port Tariff, 2021.** Northern Economics assisted with the creation of a tariff document for the port and a spreadsheet to help city staff calculate charges based on the tariff. These tools were part of the city's effort to build a new website to communicate tariff changes to the public and to those who use its new facility.
- **Emmonak Port Tariff Rate Study, 2019.** Northern Economics conducted a review of tariffs for selected ports in Alaska in order to develop an updated tariff for the City of Emmonak. The City won a federal grant to support construction of a new dock and barge landing facility, to which the updated tariff will apply. In addition to reviewing the contents of the tariff, Northern Economics used a life cycle cost approach to recommend rate updates and provided an accompanying memo with additional recommendations, including regular rate increases.

- **Rate Study for Petersburg Comprehensive Plan Update and Harbor Master Plan, 2015.** Northern Economics was part of a team updating Petersburg Borough's Comprehensive Plan and creating a Harbor Master Plan. Northern Economics' work was focused on a rate study for Petersburg's harbor system and used a life cycle costing approach to determine the annual revenue required to support operation, maintenance, and replacement of the community's harbor facilities.
- **Port of Nome Rate Analysis, 2013.** In this small study for the City of Nome, Northern Economics used a life cycle costing approach to evaluate the need for adjustments to rates charged for use of the Port of Nome's facilities. The analysis considered three scenarios with different growth rates for its user base, rates, and expenses, as well as two levels of funding, to determine a range of rate increases that could be required for the Port to be financially sustainable.
- **Sitka Harbor System Master Plan, 2012.** Working as a subcontractor to an engineering firm, Northern Economics contributed to the economic analysis and rate setting portion of a master planning effort for the City and Borough of Sitka's harbor system. The rate setting portion utilized a life cycle costing approach for each of the facilities to determine the level of moorage revenue needed. The cost was then used to determine an appropriate rate plan to address future needs.
- **Port of Corpus Christi Wharfage Rate Study, 2011.** Northern Economics conducted an independent, third-party analysis of the wharfage rate at the public oil docks on liquid bulk cargo payable by the crude oil refiners at the Port of Corpus Christi, TX. Tasks included creation of a life-cycle cost model to estimate the revenues that would be necessary to compensate the port for the facilities and services it provides; a market analysis comparing the port's recommended and current wharfage rate to other ports; and a benefits analysis of the port's franchise structure.
- **Carl E Moses Boat Harbor Rate Study, 2011.** Northern Economics developed moorage and other rates for the new Carl E. Moses harbor in Unalaska.
- **Haines Tariff Study, 2011.** In this study for the Haines Borough, Northern Economics conducted a multi-phase review of current fuel wharfage/transfer fees and fuel volumes for ports and harbors around the state and an analysis of the fuel tariff rate charged in Haines. Phase 1 reviewed the tariffs at ports around the state. Phase 2 used a life cycle costing approach to develop a rate recommendation for fuel. Phase 3 used a life cycle costing approach to develop a rate recommendation for cargo.

- **Kodiak Fuel Tariff Analysis, 2010.** Northern Economics reviewed the current fuel tariffs charged at Port of Kodiak facilities and developed recommendations for updating the tariff structures and rates.
- **Alaska Regional Ports Phase I, 2009–2011.** In this project for the U.S. Army Corps of Engineers Alaska Division, Northern Economics conducted a comprehensive study on port and harbor infrastructure needs in Alaska for the 2010 to 2030 period. The project was divided into multiple tasks, include a strategic trends white paper, baseline assessment of port and harbor infrastructure in the state, development of criteria for and identification of regional and subregional hubs, policy and plan development, conducting a regional ports and harbors conference, and developing a final plan.
- **Whittier Economic Rate Study, 2009–2010.** Northern Economics conducted a rate study for the City of Whittier’s harbor facilities to identify the true cost of providing marine access and recommend harbor rates that cover that cost. The study’s outcome provided recommendations for the rates necessary for the harbor to be self-supporting and sustainable, including operations, necessary maintenance, and the eventual capital replacement of facilities that serve the boating community. The study also developed information to support issuance of a revenue bond and application for a state Municipal Harbor Grant.
- **Unalaska Port and Harbor Ten-Year Development Plan and Update, 2003 and 2009.** Northern Economics put together a ten-year development plan for the Port of Dutch Harbor. The 2003 portion of the plan provided an analysis of current conditions, factors affecting future marine activities in Unalaska, and an analysis of historical demand. The 2009 study consisted of an update to the information contained in the 2003 study and an expansion of the plan to include an evaluation of future infrastructure needs and their costs, benchmarking of the Port of Dutch Harbor’s tariff, analysis of Dutch Harbor’s tariff with respect to future needs, and identification of funding mechanisms.
- **Statewide Harbor Rate Study, 2008.** In this study for the Alaska Department of Transportation & Public Facilities (DOT&PF), Northern Economics conducted a study of harbor moorage rates for harbors owned by state-owned and other entities. The findings of the study were used to recommend new rates for DOT&PF harbors and provide issues for further study.
- **Sand Point Harbor Rate Study, 2008.** Northern Economics conducted a study of harbor moorage rates and other fees in southwest Alaska and provided rate recommendations for the Sand Point Harbor to ensure sustainability and consistency with rates charged by other harbors in the region.

- **King Cove Studies, 2007–2008.** Northern Economics conducted a variety of harbor-related analyses to support harbor planning efforts for the City of King Cove. The primary work products included memoranda on:
 - Moorage and other harbor fee increases to cover debt service associated with harbor development.
 - Debt service for varying loan amounts to support infrastructure updates.
 - A plan for raising harbor moorage fees and other rates to achieve sustainability and the ability of the City to fund the replacement of harbor facilities at the end of their useful life.
- **Port of Bethel Economic Analysis and Long-Range Development Plan, 2007, 2009–2010.** The Port of Bethel’s dock was in need of replacement, and the purpose of this study was to determine the appropriate replacement and maintenance of port infrastructure, including cargo, fuel, and storage facilities, based on projected population in the region and the potential for use of Bethel to support development and operations of a mine at Donlin Creek.
- **Little South America Harbor Revenue Model, 2005–2006.** In this project for the City of Unalaska, Northern Economics developed a user-friendly spreadsheet model for planning the allocation of vessel slip sizes in the planning process for the proposed Little South America harbor. The model provided the user with estimates of the revenues generated and capital cost of various designs based on rough order of magnitude costs and estimates of the space required to accommodate vessels of various sizes.

Technical staff



Mike Fisher, MBA, MSPM, PMP

Mike Fisher is Northern Economics’ Vice President and Principal Consultant and is our ports and harbors and transportation lead. His work focuses on financial and market analyses, business and strategic planning, and feasibility studies. Mr. Fisher has worked on dozens of port and harbor development projects, including infrastructure feasibility studies, harbor rate studies, and long-term harbor development plans. His recent work includes rate studies for Kodiak and Cordova, tariff studies for the Port of Corpus Christi, TX and Emmonak, a feasibility study for improvements to St. Paul’s harbor, and a vessel traffic and navigational risk assessment for an offshore wind development project on the East Coast.

His experience in Nome and its surrounding region includes the 2013 Port of Nome Rate Analysis, for which he used a life cycle costing approach to evaluate the need for adjustments to rates charged

for use of the Port of Nome’s facilities. In 2020 he was project manager for Northern Economics’ tasks assisting with DOT&PF’s Northwest Alaska Transportation Plan Phase II Update, which considered regional transportation needs such as movements between communities both within and outside of the study area. Northern Economics’ role was to develop the economic and population forecasts, conduct research and industry interviews to develop scenarios for economic activities that could affect the region’s population, and prepare a chapter on private funding mechanisms for mining, oil and gas, and other industry projects the region might experience. He also was on the team that developed the Nome Airport Master Plan, completed in 2012 for DOT&PF. His work included development of a socioeconomic baseline and population projection, as well as the financial portion of that plan to address revenues, funding, and financing.

Mr. Fisher has given fifteen presentations at conferences of the Alaska Association of Harbormasters and Port Administrators (AAHPA) since 2004, as well as port and harbor related presentations to other groups.



Joey Lima, MBA

Joey joined Northern Economics in April of 2023, with an academic background in Economics and over a decade of sourcing and internal consulting experience serving clients at Fortune 100 companies. He is skilled in conducting research and analysis to support project needs and has extensive experience assessing market conditions, conducting interviews, data gathering, and analysis.

Joey was the lead analyst for the 2023 Port of Corpus Christi Tariff Review, a comprehensive update to our 2020 tariff review, which included commodities of interest, 22 comparison ports, fees provided by the marine support industry, and an overall gateway cost analysis of the Port of Corpus Christi and five comparison ports. He has also recently completed Benefit-Cost Analyses (BCA) for a land planning unit in the Kenai Peninsula Borough and for a federal grant application for runway, airport, and wildlife protection in American Samoa.

Joey is currently leading the data gathering and financial analysis efforts as part of an ongoing project assessing the Economic, Fiscal, and Functional Impacts of the Alaska Industrial Development Authority.

Understanding of required services

We understand the City of Nome is interested in validating past assumptions, updating information from past studies, and ensuring it has sustainable rates with anticipated changes to revenues and expenditures from the Port of Nome Modification project. The study is to look at both outer port and inner harbor activities and rates.

We have developed an approach to address your needs, based on the scope items included in the RFP, the previous rate analysis, and our experience in working on tariff rate analysis and benchmarking studies for other ports. The scope comprises the following twelve project tasks. We are happy to modify our approach as needed to meet your needs for the process and deliverables.

Task 1. Hold kick-off meeting

We will begin our study with an in-person kick-off meeting in Nome. The purpose of the kick-off meeting will be to introduce staff, confirm study goals and objectives, review available data, discuss additional data needs, review the schedule for meetings and deliverables, and establish communication channels. Outside of the kick-off meeting, we will meet with other City/Port staff as needed and request a brief port tour to view facilities and identify specific aspects of interest for the study. Our two key staff members, Mike Fisher and Joey Lima, will participate in the trip.

Task 2. Hold regular progress report meetings

Throughout the duration of this study, we will hold periodic meetings with the Port Director on Teams. These meetings will follow the schedule we develop during the kick-off meeting and be focused on progress, needs, and next steps. As needed, we will provide brief reports to be given to the Port Commission at their monthly meetings.

Task 3. Collect and update historical information from previous studies

Our first analytical task will be to collect information from previous studies. We will update the information from those reports to include historical information up to the present. We will capture this information in spreadsheets for use in this study's analysis as well as to support future planning. We will collect information as noted in the RFP (revenue, expenses, and graphics; vessel traffic and vessel classes; commodity movements; rate structure changes; and maintenance, repairs, and capital costs), along with any other key information we anticipate will be valuable to the tariff analysis.

Task 4. Review and evaluate Port Modification Feasibility Study

Next, we will review sections of the Port Modification Feasibility Study to evaluate and validate the assumptions and projections. While we will do further analysis of historical data and conduct interviews in the next task, this task will help to identify aspects of the feasibility study that could be different under current conditions. We will evaluate assumptions about economic trends, vessel traffic growth projections, and commodity load factors.

Task 5. Analyze economic trends

Following a review of historical information and the Port Modification Feasibility Study, we will conduct an independent analysis of economic trends, including vessel classes, marine industries, potential development activities that could affect the port, and the port's operations. This task will consist of data analysis, research, and key informant interviews.

Task 6. Forecast demand and growth

Based on the preceding analysis, we will develop a forecast of demand for the port's facilities, driven by commodity movements and vessel traffic, and the impacts that demand will have on the port's financial situation under the existing tariff and rates. We will develop a spreadsheet model with clear and easily modifiable assumptions to develop the forecast, to facilitate scenario analysis in the next task.

Task 7. Develop and analyze scenarios

Using the model developed in the prior task, we will work with City staff, Port Commission, and representatives of the consultant team conducting the Port Strategic Development Plan Update to develop three scenarios for future growth. These scenarios may include different growth rates and/or discrete single shocks to the system. The analysis will look at the financial outcomes of each scenario over the forecast period.

Task 8. Develop recommendations for sustainable rate structure

Based on the results of the scenario analysis, we will evaluate and develop recommendations for changes to the tariff and its rates to provide financial sustainability for the port under each scenario.

Task 9. Develop recommendations for capital replacement strategies

Our final analytical task will be to develop strategic recommendations for replacement of capital infrastructure and facilities. These recommendations will be driven by our analysis of demand growth, anticipated changes to user types, financial trends, and funding and financing alternatives.

Task 10. Develop and submit draft report

Based on the findings of the preceding tasks, we will develop a draft report for the Port Director and Port Commission's review and comment. We will submit the draft report electronically in PDF format. For scheduling purposes, we anticipate sending the draft report in early January.

Task 11. Conduct draft report review meeting

Shortly after the draft report has been submitted, our key staff will travel to Nome to present the report to the Port Commission at its regular monthly meeting. For scheduling purposes, we anticipate this will be at the commission's mid-January meeting. This will be a two-day, one-night trip for two staff. We will meet with the Port Director during the day, followed by our presentation to the Port Commission, in which we will present the report and solicit initial comments.

Task 12. Finalize report and submit final deliverables

After the Port Director and Port Commission have had sufficient time to review the draft report and develop comments, we will collect a set of adjudicated comments to address in the final report.

We will submit the final report electronically in PDF format, accompanied by an Excel workbook containing historical data, all assumptions collected and developed during the course of the study, and the analytical model used to evaluate the outcome of each scenario. Our work will conclude upon acceptance of these final deliverables.

Assumptions and limitations

Our scope of work and budget is based on the following assumptions and limitations:

- Two staff members will travel to Nome for a day trip to conduct the kick-off meeting. Two staff members will travel to Nome for a two-day, one-night trip to present the draft report to the Port Commission. All other meetings will be conducted via Teams or phone, and all other work will be conducted as a desktop study.
- No engineering work or cost estimating is included in this proposal, notwithstanding analysis of cost trends or existing data. Future infrastructure needs and their costs will be available from the Port Strategic Development Plan Update and/or its consultant.
- The City will provide data as noted in the RFP: historical vessel traffic, historical commodity movements, previous rate analysis (Cordova Consulting April 2017; provided in Addendum 1), 5-year history of revenues and expenses by category, and March 2020 approved Corps of Engineers Feasibility Study.

Proposed cost

We propose to complete this study for a lump sum of \$66,400.