
MEMORANDUM

To: Mayor Westover and Assembly Members
Jim Dinley, Municipal Administrator

From: Michael Harmon, P.E., Public Works Director *MH*
Dan Tadic, P.E., Senior Engineer *DMT*

Reviewed: Jay Sweeney, Finance Director *JS*
Mellissa Cervera, Executive Assistant *MC*

Cc: Stan Eliason, Harbormaster

Date: July 18, 2012

Subject: Ordinance 2012-21 - Increase in Moorage Charges and Fees

Background

The Sitka Harbor System supports a large commercial fishing fleet as well as recreational and charter vessels. The City and Borough of Sitka (CBS) operates and maintains five (5) boat harbors with 1,325 stalls and a total of 41,763 linear feet of moorage to include: Crescent Harbor, Sealing Cove Harbor, ANB Harbor, Thomsen Harbor, and Eliason Harbor. Additional harbor infrastructure includes the Fisherman's Work Float, Marine Service Center Bulkhead, two (2) boat launch ramps, two (2) cruise ship lightering floats, a fish cleaning float, tidal grids, a seaplane base, and associated parking (over 320,000 square feet of asphalt) and uplands improvements (office building, restrooms, etc.) at each facility.

The majority of Sitka's harbor infrastructure was originally designed and constructed by the Alaska Department of Transportation and Public Facilities (ADOT&PF). This infrastructure was subsequently deeded to the CBS when ADOT&PF was divesting itself of harbor assets. The last transfer occurred in 2004 when Sealing Cove Harbor, Thomsen Harbor and the remainder of Crescent Harbor were deeded to CBS. Since that time, CBS moorage rates/fees have not increased commensurate with the millions of dollars of additional infrastructure that CBS is now responsible for operating, maintaining, and eventually replacing in its entirety.

On October 25, 2011 the Assembly approved award of a professional services contract to PND Engineers, Inc. to complete the Sitka Harbor System Master Plan. The purpose of this study is to serve as a guideline to help prioritize and budget for upgrading and/or reconstructing the harbor infrastructure. The Master Plan will also be used as a factual basis for securing local, state, and federal funding for the required improvements.

Now completed, the Harbor Master Plan provides an engineering assessment of the existing condition of all Sitka harbor infrastructure, provides budgetary cost estimates for the necessary improvements, and organizes the projects into a Capital Improvement Projects (CIP) Plan. The Master Plan also recommends a moorage rate structure to provide the necessary capital funding to implement the CIP Plan.

Analysis

The proposed moorage rate/fee increases are necessary to ensure that there is sufficient cash flow to fund operations and debt service associated with the Harbor System CIP Plan. The CIP within the Harbor System Master Plan identifies the full life-cycle cost of all Sitka harbor system infrastructure at nearly \$118M in 2012 dollars. Current moorage rates do not cover annual operating costs within the Harbor Department, let alone provide the additional required capital funding to replace facilities when they exceed their safe and useable life.

A significant portion of the Sitka harbor system has very nearly exceeded its safe and useable life and is in need of replacement in the near term. ANB Harbor, Crescent Harbor (1965 Era), Sitka Transient Float (i.e. Thomsen Harbor Breakwater Float), Marine Service Center Bulkhead, Seaplane Float, and Eliason Harbor Electrical Replacement are all identified within the Harbor Master Plan as facilities that should be replaced within 5 years. The estimated replacement cost of these facilities alone is over \$38M. Grant funding has been secured for ANB Harbor (50% of project estimated cost = \$4.25M) and is also available for a new Seaplane Float (96.25% of project estimated cost = \$10.78M), however future grant funding is uncertain.

The State of Alaska Municipal Harbor Facility 50/50 Grant Program is competitively scored and includes a scoring criterion which takes into account whether a community can maintain and operate the facility in the future without State aid. CBS is at a distinct disadvantage under this criterion under the current harbor rate/fee structure in which rates/fees do not even cover the cost of operations. As a part of the Harbor Master Plan, a scenario was developed which included very generous grant funding assumptions built into the model. The results of this analysis indicated that future rate/fee increases (to keep up with inflation) could possibly be lowered with generous grant funding; however it did nothing to lower the rates/fees within the first 5 years.

It is impossible to pinpoint an exact date when a particular piece of harbor infrastructure might fail completely. In some cases, facilities may exceed their remaining safe and useable life projections identified in the Master Plan, however they may just as likely fail earlier than projected. In either event, the risk associated with such a failure should not be lost. Untold millions of dollars worth of privately-owned vessels are tied to CBS-owned harbor infrastructure. Consideration should be given to who would be responsible in the event that damage to private vessels should occur due to failure of all or part of a CBS-owned harbor. Additionally, one must consider what the loss of infrastructure might mean to the harbor system as a whole. Staff feels it is important to plan and budget for necessary infrastructure improvements, rather than reacting to a failure after it has occurred.

The Port and Harbors (P&H) Commission unanimously approved draft Ordinance 2012-21 at a special meeting on May 11, 2012 with a recommended effective date of October 1, 2012. A Port and Harbors Development Fee is included in the permanent and wait list moorage rate in order to allow the ordinance to become effective this year. The proposed rate/fee increase is spread over a five-year implementation at the recommendation of the P&H Commission to mitigate the impact of the necessary increases and also to allow time for the CBS to gauge the effect of the increases on demand.

Fiscal Note

A thorough and comprehensive analysis of the condition of the Sitka Municipal Harbor System has been accomplished. The results of the analysis have identified essential repairs and replacements of harbor infrastructure, time frames in which the repairs need to be accomplished, and projected costs for the repairs.

The current working capital of the Harbor Fund is insufficient to fund even a portion of the required repairs, despite State of Alaska providing a grant to pay for half of the cost of replacing ANB Harbor. This is because moorage rates have been insufficient in past years to build up the necessary working capital.

To pay for near-term repairs (ANB Harbor, the Marine Service Center Bulkhead, and the Transient Float), the most fiscally prudent course of action is to 1) issue revenue bonds through the Alaska Municipal Bond Bank to finance the improvements and 2) increase moorage rates to provide additional cash flow from operations to pay for the debt service. Both activities are complimentary and exclusive; bonding can't be accomplished without increased cash flow from moorage, and revenue raised from moorage itself will not accumulate fast enough to pay for the needed repairs in a timely fashion.

Avoiding or reducing the recommended moorage rate increases, in the opinion of Municipal Staff, would be imprudent and risky due to the physical degradation of several of the worst-off facilities. Delays in providing a funding source would delay repairs, and delay in the most critical repairs will put property and the safety of our citizens at risk.

Recommendation:

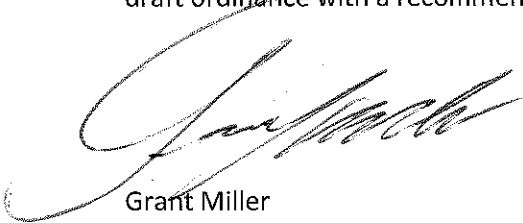
Approve Ordinance 2012-21 amending Sitka General Code Section 13.06.010 entitled "Moorage Charges and Fees" in accordance with the recommendations of the Harbor System Master Plan to fund the Harbor Capital Improvement Project Plan.

MEMORANDUM

To: Jim Dinley, Administrator
From: Grant Miller, Chairman, Port and Harbors Commission
Date: July 11, 2012

Subject: Moorage charges/fees

The consultant team, Public Works and Harbor staff presented the final recommendations of the Sitka Harbor System Master Plan to the Port and Harbors Commission on May 24, 2012. The attached draft ordinance was also presented which includes moorage charge/rate increases for both permanent and transient moorage over a 5-year implementation period. The Commission unanimously approved the draft ordinance with a recommended effective date of October 1, 2012.



Grant Miller
Chairman
Port and Harbors Commission

Colleen Ingman

From: Stan Johnson ~~stan.j@sitka.ak.us~~
Sent: Thursday, July 26, 2012 4:18 PM
To: assembly@cityofsitka.com
Subject: Harbor Rate Thank You

Dear Assembly Members,

Thank you for amending and supporting the amendment to the proposed harbor rate structure on Tuesday evening. As was discussed at the assembly meeting, a rate increase is needed and the first year increase is necessary from most any point of view that I have heard from. It is imperative that harbor users cooperatively work with the Ports & Harbors commission and the Assembly to find practical solutions that will mitigate some of the proposed future increases recommended in the harbor master plan.

As I mentioned in a previous email, a local pile driver informed me that he could replace ANB harbor, including all electrical and mechanical components for less than 4 million dollars. My understanding of the situation is that the engineering firm, PND Engineering, stands to earn 15% of the total project cost in addition to whatever percentage that the city public works department plans to charge for contract compliance, inspection and administration. The state of Alaska typically contracts with A & E firms for 10 -15 percent of total project cost. Negotiating a 10% rate with the engineering firm selected under the current structure would result in a \$400,000 savings to the city on an 8 million dollar dock project.

In order to keep the city fees as well as design fees to a minimum I would like to propose that the city consider an approach where contractor's are allowed to submit proposals to design and build replacement harbor infrastructure, such as ANB harbor. A panel including representatives from the assembly, public works department, and the ports & harbors commission can then select a contractor for the project based on previously developed criteria that will present the best value to the city of Sitka. PND Engineering could be hired as a consultant to help evaluate the proposals in a non-voting capacity and the city would likely save millions if we just stick to the basic amenities that meet code requirements.

The companies that actually build and repair harbors in Alaska know better than anyone else what works and what doesn't. As a result we are likely to receive a good end product at a reduced cost.

Best Regards,

Stan Johnson

Colleen Ingman

From: Mim McConnell <assemblymcconnell@cityofsitka.com>
Sent: Thursday, July 19, 2012 3:25 PM
To: Colleen Ingman
Cc: Mike Reif; assemblyhackett@cityofsitka.com; ~~colleen@cityofsitka.com~~; assemblywestover@cityofsitka.com
Subject: Harbor Rates

Hi Colleen,

Is the Harbor Rates vote going to be delayed till fall? The following is from Linda Behnken, ALFA:

My members have asked me to request that the Assembly delay consideration of the moorage rate increase until a few more commercial fishermen are in town and can participate. We believe there are other options for funding the harbors and would like to work with the city to identify what those might be. A fall meeting would provide fishermen to share their concerns and ideas.

Mim

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Mim McConnell, Assembly Member

~~215 Smith St., Apt 6~~

Sitka, Alaska 99835

~~907-747-2800~~

Colleen Ingman

From: Marie Murray and John Murray [mailto:marie@murray.com] >
Sent: Wednesday, June 27, 2012 9:19 PM
To: assembly@cityofsitka.com
Subject: harbor ordinance

Assembly folks

I'm getting ready to start the summer salmon season, as well as many others so I won't be able to attend the Assembly meeting coming in July dealing with Harbor rate increases in all likelihood. So I'd like to comment on the Ordinance passed by Ports and Harbor Commission last month.

I implore you to table this Ordinance until the fall when Harbor users as well as others can sit down and try to come up with a plan which can gain a consensus on needed revenue as well as other means to come up with funds for the Harbors.

The proposed rate increase is in the ball park of 300% within 5 years, it's a big hit. As a small boat fisherman it's another cost which is making certain fisheries questionable as a way to make a living. Please realize this isn't the only cost coming down the pike, there are a number of them for the Sitka fishing fleet.

I sincerely believe Sitka can come up with a better plan for Harbor users if we work with our legislative reps, other Cities which are facing the very similar circumstances, the Governor and the users.

Please consider postponing voting on this Ordinance until some of us can roll up our shirt sleeves and try to come up with something that works. It will be a good civic exercise which could have better results than this huge increase.

I am not trying to kick the can down the road something needs to be done it's how it's done that matters.

Thanks for your consideration. John Murray [mailto:john@murray.com]

2012 HARBOR RATE COMPARISONS – PERMANENT MOORAGE

SITKA - Current

\$22.80/LF/YR

SITKA - Proposed

Year 1: \$31.68/LF/YR

Year 2: \$40.44/LF/YR

Year 3: \$49.20/LF/YR

Year 4: \$57.96/LF/YR

Year 5: \$66.72/LF/YR

JUNEAU

\$46.80/LF/YR (Douglas, Harris, Aurora) *Adjusted Annually, Anchorage CPI*

\$78.00/LF/YR (Statter, Deharts)

PETERSBURG

\$34.08/LF/YR

HOMER

\$34.19/LF/YR

KETCHIKAN

\$22.80/LF/YR (INNER HARBOR) *7% proposed increase going to Assembly* *\$24.39/LF/YR

\$27.58/LF/YR (OUTER HARBOR) *7% proposed increase going to Assembly* *\$29.51/LF/YR

WRANGELL

\$25.00/LF/YR *Rate Increased 7/1/2012, (from \$22.00/LF/YR)

KODIAK

0-40FT \$29.00/LF/YR

41-60FT \$40.00/LF/YR

61-80FT \$60.00/LF/YR

81-100FT \$70.00/LF/YR

101-120FT \$80.00/LF/YR

121-150FT \$87.00/LF/YR

HAINES

0-39FT \$17.00/LF/YR *Rates will increase Oct 1, 2013* 0-39FT *\$18.00/LF/YR

40-150FT \$22.00/LF/YR 40-150FT *\$24.00/LF/YR