



City and Borough of Sitka

HARBOR DEPARTMENT

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SITKA HARBOR SYSTEM MASTER PLAN

The Sitka Harbor System Master Plan is complete and available on the City and Borough of Sitka website at:

<http://www.cityofsitka.com/government/departments/harbor/documents/SitkaHarborSystemMasterPlanConditionInventoryandMoorageRateRecommendations-May2012.pdf>

The Harbor System Master Plan consists of two parts: the Condition Inventory and the Rate Study. The Condition Inventory provides an assessment of the existing condition of Sitka harbor infrastructure to include remaining safe and useable service life, provides budgetary cost estimates for the necessary improvements, and organizes the projects into a Capital Improvement Projects (CIP) Plan. The Rate Study recommends a moorage rate structure to provide the necessary capital funding to support the CIP Plan. The following rate structure was approved by the Port & Harbors Commission with an effective date of October 1, 2012. A rate increase ordinance will be brought before the Assembly for approval at a future date to be determined.

Moorage Type	Current Rates	Moorage Rates and Charges (per foot)				
		FY2013	FY2014	FY2015	FY2016	FY2017
Permanent Monthly (includes moorage and development fee)	\$1.90	\$2.64	\$3.37	\$4.10	\$4.83	\$5.56
Transient Daily, 0-80 feet	\$0.35	\$0.87	\$0.91	\$0.96	\$1.01	\$1.06
Transient Daily, 81-150 feet	\$0.60	\$1.49	\$1.56	\$1.64	\$1.72	\$1.81
Transient Daily, 151 feet or longer	\$0.90	\$2.24	\$2.35	\$2.47	\$2.59	\$2.72
Transient Monthly, 0-150 feet	\$6.00	\$14.94	\$15.69	\$16.47	\$17.30	\$18.16
Transient Monthly, 151 feet of longer	\$9.00	\$22.41	\$23.53	\$24.71	\$25.94	\$27.24
Large Vessel Daily Reservation, End-Tie	\$1.50	\$2.50	\$2.63	\$2.76	\$2.89	\$3.04
Large Vessel Daily Reservation, O'Connell	\$2.00	\$3.00	\$3.15	\$3.31	\$3.47	\$3.65

BACKGROUND

On October 25, 2011 the Assembly approved award of a professional services contract in the amount of \$131,507 to PND Engineers, Inc. for the Sitka Harbor System Master Plan. The Harbor Master Plan was needed as a guideline to help prioritize and budget for upgrading and/or reconstructing the harbor infrastructure. The plan will also serve as a factual basis for securing local, state, and federal funding for the required improvements.

During the development of this document, the consultants and staff had a number of public meetings with the Port & Harbors Commission (P&H) and the Assembly to receive feedback and incorporate them into the recommendations.

- March 7 - the consultants and staff presented the preliminary findings to P&H.
- March 22 - staff met with P&H again, where P&H recommended a fixed rate for all vessel lengths and a 5-year implementation of rate increases.
- March 27 - the consultants and staff presented preliminary recommendations to the Assembly.
- May 24 – the consultants presented the final recommendations to P&H. The meeting was well advertized and public testimony was heard. P&H voted 7-0 in support of the recommended 5-year implementation.

FREQUENTLY ASKED QUESTIONS & ANSWERS

Q: What can the revenue generated by the proposed rate increases go toward?

A: The revenue generated by moorage rate increases can only go toward the Capital Improvement Project plan identified in the Harbor Master Plan and the Harbor Fund. The Harbor Fund is an enterprise fund meaning that the fund provides services to the public for a fee that makes it self-supporting. The money will not go toward road improvements, hospital roof replacement or other municipal infrastructure needs outside of the harbor system.

Q: Isn't it true that the current moorage rates cover operating costs?

A: No. Sitka currently would have a net operating loss were it not for the Raw Fish Tax contribution to the Harbor Fund.

Q: How did we get in this situation? Why are the required rates so high?

A: Our predecessors did not grasp the magnitude of the situation. When Sitka inherited ANB Harbor, Crescent Harbor, Sealing Cove and Thomsen Harbor from the State rates were not increased commensurate with the millions of dollars of additional infrastructure that would need to be replaced down the road. On October 17, 2005 the P&H Commission recommended an increase in moorage rates of 25 cents/foot/month every year for a period of five years to cover the debt for the rebuild of Old Thomsen Harbor. The Assembly at that time approved a one-time increase of 15 cents/foot/month. Had that recommendation been codified, the current permanent moorage rate would be \$3/foot/month and the Harbor Fund would have sufficient working capital to cover the 50% match for ANB Harbor.

Q: Why does the Harbor Master Plan focus on projects that are far into the future? Would it be better to just look at our needs in the next five years?

A: The Harbor Master Plan looks at the harbor system life cycle to ensure there is sufficient cash flow to pay the operations and the debt associated to the large capital projects. The rate payers are not paying forward for projects out into the future. In terms of the capital project expenses, the rates pay the debt service associated to the projects as they are completed with a payback over a 20-year period. Debt service is used throughout the lifecycle to spread the cost and avoid major increases in the rates. To take these expenses in five year increments would precipitate much higher rates given the fact the fund would not be in a position to fund the bonds necessary to spread the costs over 20-years. Utilizing financing to help reduce sudden increases in the rates is effective, but requires a full life cycle analysis to ensure sufficient cash flow is available to fund operations and the debt service as the capital projects come online. A rate structure sufficient to avoid going into debt would be significantly higher and unattainable due to the fact that higher rates were not put into place at the beginning of the infrastructure lifecycle. The longer rate increases are delayed the shorter the remaining lifecycle becomes, resulting in expedient increases in necessary debt to fund major maintenance and replacement.

Q: Are the replacement cost estimates presented in today's or future dollars?

A: All estimates are presented in 2012 dollars; however cost inflation has been built into the financial model to account for the relative time value of money.

Q: Why isn't there a reduced rate for skiff size stalls?

A: A scenario was run which looked at rates based on demand (i.e. wait list). Under this scenario, the smaller vessels did see a reduction in the rate increase; however the larger vessels subsequently had to pay even higher rates to offset the lost revenue. The P&H Commission did not recommend this approach and felt that all users should pay the same rate, regardless of overall vessel length.

Q: Can Marine Passenger Fee funds be used to pay for some of these projects?

A: Marine Passenger Fee funding can certainly be used for the lightering facilities and adjacent restrooms. However, PW and Harbor staff do not control the allocation of Marine Passenger Fee funds so those projects are left to be covered by the Harbor Fund in the analysis. Furthermore, the uncertainty of future Marine Passenger Fee funds makes any funding assumptions based on this source risky. The use of Marine Passenger Fee funds for these facilities would not change the recommended rates aside from possibly a reduction in the required 5% annual increase after the 5-year implementation. The consultants cautioned that any grant funding should be used to lower debt burden rather than reducing rate increases.

Q: How is the State of Alaska Municipal Harbor Facility 50/50 Grant Program scored and administered?

A: Currently, applications are competitively scored based on 9 weighted criteria (see attached). Applications are divided into two groups: Tier I and Tier II. Tier I applications are for facilities that were formerly State-owned and have not previously received Tier I funding. Tier II applications are typically for major maintenance and/or facilities that have previously received Tier I funding. Tier I applications are given priority over Tier II projects. Funding is limited to \$5M per facility and/or community per year. Once a harbor facility receives Tier I funding, it is no longer eligible to receive Tier I funding for that facility in the future. For example Sitka's Thomsen Harbor received Tier I funds so is no longer eligible for Tier I funding. Prior to FY2013, one Tier I project was typically funded per year. This year, the Governor decided to fully fund the program, meaning all applicants received 50% funding including ANB Harbor. There are no indications that this will become the rule rather than a one-time exception. CBS had applied for funding for ANB Harbor several times previously; however did not score well enough to receive funding. One specific reason that Sitka's application for a grant for ANB Harbor was given a lower priority by the State of Alaska was that moorage fees are too low to generate money for adequate harbor maintenance. To receive the maximum scoring for this criterion, the applicant must show that they have sufficient revenues to operate and maintain the harbor facility in the future without State aid.

Q: Won't the state contribute funding for these infrastructure needs?

A: The State is divesting itself of its harbors. The Municipal Harbor Facility 50/50 Grant Program is intended to help municipalities pay for maintenance and replacement of harbor facilities, however future program funding is uncertain since it is funded at the discretion of the legislature and Governor each year. Grants that are certain or near certain were included in the current rate study analysis. In order to gauge the effect of grants on the rate recommendations, the economic model was run with optimistic Tier I and Tier II funding assumptions for Sitka. The results of the analysis were that the recommended rates did not change aside from possibly a reduction in the required 5% annual increase after the 5-year implementation. However, the consultants cautioned that any grant funding should be used to lower the debt burden rather than reducing rate increases.

Q: Why does the first \$100K from the Raw Fish Tax go to the General Fund as opposed to the Harbor Fund?

A: Previous Assemblies determined this allocation.

Q: Does all of the Fish Box Tax go to the General Fund?

A: No, 30% of the Fish Box Tax goes to the Harbor Fund to cover remediation of the fish carcasses.

Q: How can Sitka raise rates per the recommendations of the Master Plan when neighboring communities' rates are so low?

A: The rate recommendations are based solely on Sitka's Harbor System and situation. Most other communities across SE Alaska have likely not gone through a similar master planning effort to determine what rates they need to charge to be able to operate, maintain and replace their facilities when necessary to do so. Many communities set rates based solely on what neighboring communities charge. This has likely created a regional rate structure that has been suppressed below the cost of doing business for some time. Some communities may also have additional revenue sources they can rely on to fund their harbors. Juneau appears to be the most proactive harbor in the region and they increase their moorage rates each year based on the Anchorage CPI. Sitka has not increased rates since 2006.

While any rate increase will likely affect demand, there is no way of guessing what affect this might have. One positive aspect about a 5-year implementation of rate increases is it will allow CBS time to gauge the affect of rate increases on demand for moorage while it will give harbor users time to prepare and budget for future rate increases. Presumably, other communities will need to raise their rates over the next 5 years to cover inflation making Sitka's relative rate increase less dramatic.

Q: Why aren't rate/fee increases also proposed for other services to include lightering, seaplanes, RV parking, charging for liveaboards, etc.?

A: These sources of revenue provide very minor contributions to the overall harbor fund and would therefore have little to no effect on the overall rate recommendations. The P&H Commission may very well look at broader fee increases once they reconvene in the fall, but that was not included in the analysis. The consultants noted that there is insufficient data available in many instances to make a determination of what fees and charges should be for various services and facilities provided by the Harbor Department. The implementation of the new harbor management software will aid with data collection and help P&H evaluate rates and costs and make better decisions about facility and service management.

Harbor Facility Grant Program - Scoring Criteria

HARBOR GRANT CRITERIA			Scoring Criteria			
STANDARDS	Weight	(5)	(4)	(3)	(2)	(1)
1 Does the applicant have sufficient revenues to operate and maintain the harbor facility in the future without state aid. [Ref: AS 29.60.820(c)(1)]	5	Project has solid financial plan and preventive maintenance plan with secure source of revenues for facility operation and maintenance.	N/A	Project has marginally acceptable financial plan and preventive maintenance plan with identified source of revenues for facility operation and maintenance.	N/A	Financial or preventive maintenance plan is incomplete. Plans could be dependent on pending actions/decisions.
2 Safety or Emergency factors - Primary purpose is to improve operational safety, to respond to an emergency situation or change in safety guidelines (for example, ADA or electrical code compliance). [Ref: AS 29.60.820(c)(2)]	5	Project improves critical safety features and/or corrects hazards and deficiencies; or project is considered an emergency and is required to bring the existing facility up to minimum safety standards; or project is urgently needed to preserve an existing facility in imminent risk of failure.	N/A	Reduces potential hazards, corrects a situation which could become a safety hazard, or preserves an existing facility that is expected to fail in near future.		No impact on safety or potential loss of facility.
3 Tier I applicants only. Annual average amount spent on maintenance of the harbor facility by the applicant. Harbor facility replacement cost will be determined by DOT&PF. [Ref: AS 29.60.820(c)(3)]	5	Equal or greater than 5% of harbor facility replacement cost	Equal or greater than 3% and less than 5% of harbor facility replacement cost	Equal or greater than 1% and less than 3% of harbor facility replacement cost	Less than 1% of harbor facility replacement cost	Zero funds spent on maintenance
4 Other options that would reduce or eliminate the need for the proposed project. [Ref: AS 29.60.820(c)(4)]	5	Applicant determined a preferred engineering alternative as part of a comprehensive harbor plan or engineering report.	N/A	Applicant considered some alternative means of achieving project goals as part of an engineering report. Project replaces in-kind an existing harbor.	N/A	No alternatives were considered in the formulation of the project.

Harbor Facility Grant Program - Scoring Criteria

	STANDARDS	Weight	(5)	(4)	(3)	(2)	(1)
5	Project serves the best public interest -Each Harbor Panel member rates the one project which serves the best public interest with a rating of "5", all other projects receive a rating of "0". [Ref: AS 29.60.820(c)(5)]	5	Serves best public interest.	N/A	N/A	N/A	N/A
6	Maintenance - Reduce maintenance costs	4	Harbor facility needing major repair or maintenance that substantially reduces maintenance costs to local government.	Harbor facility needing major repair or maintenance that moderately reduces maintenance costs to local government.	Project does not increase or reduce maintenance costs to local government.	Project results in moderate increase in maintenance costs to local government.	Project results in significant increase in local government maintenance costs without offsetting economic or safety benefits.
7	Operational Importance -harbor component to be repaired or rehabilitated as related to function.	3	Repair or replacement of deficient harbor facility components of a safety or emergency nature.	Component critical to operation of harbor facility such as pilings, floats, approach structures, and safety lighting.	Important, but not critical components such as launch ramps, grids, water and sewer utilities. Improvements that change function and provide more capacity.	Upland facilities and other appurtenances necessary for the basic harbor operation. Improvements that change the function but do not add moorage capacity.	Project involves only new construction.
8	Importance of the applicant's harbor facility	3	Applicant has one harbor facility but is not connected by road to another community. AMHS or public ferry service is not available.	Applicant has one harbor facility but is not connected by road to another community. It may have AMHS or public ferry service.	Applicant has more than one harbor facility but is not connected by road to another community.	Applicant has one harbor facility. Road connection to another community with a harbor facility(s).	Applicant has one or more harbor facilities. Road connection to another community with a harbor facility(s).
9	Local resolution of support	1	Applicant has a resolution of support for the project. Resolution must be signed and dated before the application deadline.	N/A	N/A	N/A	N/A

Total Weight 36