

Session 11-06, a Regular Meeting of the Port and Harbor Improvement Committee was called to order at 5:30 p.m. by Chair Barbara Howard on October 6, 2011 at the City Hall West Campus Conference Room located at 450 Sterling Highway, Homer, Alaska.

PRESENT: HARTLEY, HOWARD, LEWIS, HOWARD, WYTHE

STAFF: CITY MANAGER WALT WREDE
HARBORMASTER BRYAN HAWKINS
DEPUTY CITY CLERK RENEE KRAUSE

APPROVAL OF THE AGENDA

Chair Howard requested a motion to approve the agenda.

LEWIS/HARTLEY - MOVED TO APPROVE THE AGENDA.

There was no discussion.

The agenda was approved by consensus of the committee.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA *(3 Minute Time Limit)*

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES

A. September 22, 2011 Meeting Synopsis

Chair Howard requested a motion to approve.

LEWIS/HAWKINS – MOVED TO APPROVE THE SYNOPSIS OF SEPTEMBER 22, 2011.

There was no discussion.

The synopsis was approved by consensus of the committee.

VISITORS

There were no visitors scheduled.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

(Chair set time limit not to exceed 5 minutes)

There were no staff reports or council reports.

PUBLIC HEARING *(3 minute time limit)*

There were no public hearings scheduled.

PENDING BUSINESS

A. Review of Port and Harbor Finances

Chair Howard introduced the item and opened the floor for discussion. She noted for clarification that two resolutions will be brought before Council on Monday, October 10, 2011 regarding the Port & Harbor Fees and the Tariff and there are no increases requested.

The committee had a discussion that included the following points on the proposed 2012 Port & Harbor Budget:

- ❖ Collection of Head Tax and what additional costs that would incur
 - Preference to charging across the board fee increase
 - City cannot do anything that the Borough does regarding taxes
 - A tax could be charged but the City would actually have to collect those monies.
 - There was no information on how the City of Seward collects a tax.
 - There is enough traffic across the Homer docks to make upwards of \$200,000 when charter traffic is included however it does have overhead cost.
 - Caution should be exercised in charging one user group a fee
- ❖ this would be an investment
- ❖ revenues are down, depreciation reserves are not adequate
- ❖ there are businesses too to consider that brings in sales tax
- ❖ 12.5% would be the amount to service a bond
 - Charge for all parking
 - Hire additional staff
 - Increase Load & Launch Ramp Fees
 - The amount of money needed is known so calculate the fees to charge
 - 1.25 rule = fees should be 1.25 times the amount to make the bond payment
 - Can cut something else to dedicate those funds
 - One month payment can be taken from the reserves account and dedicated as such
- ❖ The budget is balanced
 - The auditors recommended showing the PERS revenue in budget
 - The council can amend the budget between now and the December 12, 2011
 - The proposed resolutions on the Harbor Fee Schedule and the Tariff are for introduction they will not be approved until the Budget is approved.
 - This budget is balanced by allocating 30,000 less to reserves

Discussion evolved into various happenings in the port such as the arrival of the drill rig and repairs to various floats. It was noted that the drill rig received numerous contentious comments and the owner commented that he would look elsewhere for an ice free winter port.

Discussion refocused on the proposed budget and the fish tax was a great concern being forecasted to be further reduced by \$30,000. The probable results is the changes in market and the expanded corridor with the salmon, it was easier for the boats to go out to Kasilof or Kenai. Ice sales are down from 2010 and is forecasted less for 2011. Mr. Wrede informed the committee that the lobbyist is trying to create a coalition of the communities and groups, the bill as it stands now everyone shares. A concern was expressed that once council reviews the budget and sees that there will be less revenue potential they are going to balk at increasing rates and performing all these upgrades and projects so the committee needs to be able to respond to those concerns from the start. It was noted that the response should be that 25% of the facilities can be shut down and which should they be; the bottom-line is the matching funds cannot be lost, this is an investment and that investment must be protected. Smart investments-improvements will one replace infrastructure that is all but unusable and two – investing in things that will bring in more revenue, three if the projects are postponed then costs to perform the projects will

definitely increase as will the bonding costs. The projects will generate revenue and some projects if they have federal funds they cannot contain a local preference.

Chair Howard inquired if there were additional concerns on the subject of money and not enough of it. She also asked if there were any additional requests for information needed from staff.

Mr. Wrede inquired if the committee wanted the fee increase to show the 12.5% across the board in response to Mr. Hartley's statement on nailing down the fees and address the Load and Launch Ramp separately. Mr. Howard stated that the project is estimated at \$4 million dollars and their share would be \$500,000. He stated that they should be able to figure what the ramp fees over ten years to come up with that number rounded up. It was commented that non-ramp users would then not be paying for the repairs. Mr. Lewis commented that they shouldn't have to justify improvements since the improvements are for the benefit of all harbor users. Further discussion included the improvements to System 5 and how they could explain the overall benefit to all users.

Using Mr. Howard's formula if agreeable can be used for each project. A brief comment on how it would benefit the harbor overall not individual users. It was commented that if they do things like this may cause some friction between the commercial and pleasure user groups. Discussion continued on the benefits that improvements to the harbor will benefit everyone in the harbor and the projects are based on need. One additional consideration for the Load & Launch Ramp, on the revenues establishing a separate reserve account for the eventual repair of the facility after 30 years. They do not want to be in the same position in thirty years. It was noted that the Fish & Game has sent a grant agreement already to the City that says they will pay for the engineering and design with no match requirement, clarification was requested due the way it was written since it could be interpreted to mean Fish & Game will pay for the whole thing. The city will be required to run the job.

Mr. Howard requested clarification on the projected costs for the Load & Launch Ramp and the Federal Aid in Sport Fish Restoration since they were shown in the document as the same amount. Mr. Hawkins reported that this was a number that was provided by Fish & Game.

The committee confirmed that this combined projects reflected as Harbor Improvements/Revenue Bond Projects.

There was no further discussion.

NEW BUSINESS

A. Harbor Project Ranking

Chair Howard read the Scoring Criteria and Projects into the record. Chair Howard expressed the desire to record each member's scores for the project. Mr. Wrede gave some clarification on the table.

Mr. Howard did rate the new projects but had more questions on the criteria as applied to those projects. He offered an example and stated that the committee is deficit information in order to properly rate these new projects in his opinion. He did not feel comfortable making a decision with so many unknowns. He would like to have discussion on these after ranking.

Chair Howard commented that some of the criteria did not quite apply to the projects such as, the harbor office doesn't produce revenue, but you cannot set a value on a proper working environment for employees.

The committee members each offered their opinion on how the criteria applied to the individual projects and how it affected the scoring. Chair Howard opined that they should separate out the Harbor Office especially from the other projects. It was agreed that some of these projects could pay for themselves

and the top projects listed are included on the enabling resolution. There was a brief discussion on possibility of loaning the money from the City Permanent Fund Account and the resulting savings to the city.

Ms. Wythe arrived at 6:27 p.m. The committee took a brief break to allow those present to finish ranking the projects. The Projects were listed and rated as follows:

Questions	Total Points Possible	Bob Hartley	Bob Howard	Barb Howard	Bryan Hawkins	Beth Wythe	David Lewis	OVERALL RANKING
Harbor Office	100	80	35	100	37	55	75	69
Harbor Entrance Erosion Control	100	37	20		27	20	90	46
Ramp Three Gangway	100	80	60		90	60	90	80
Harbor Float Replacement	100	80	60		85	45	80	70
System Five Upgrades	100	100	65		85	50	90	75
Load & Launch Ramp	100	100	80		80	75	95	83
TOTALS	100	477	320	100	404	305	520	318
Harbor Sheet Pile Loading Dock/Pier	100	75	NR	NR	NR	NR	NR	
Truck Loading Facility/ Fish Dock	100	50	NR	NR	NR	NR	NR	
HH Float Improvements	100	45	NR	NR	NR	NR	NR	
Barge Mooring Facility	100	50	NR	NR	NR	NR	NR	
Marine Ways Large Vessel Haul Out	100	50	NR	NR	NR	NR	NR	
Ice Plant Upgrades	100	55	NR	NR	NR	NR	NR	
TOTALS	100	325						

Mr. Howard added the ratings given and declared the following results:

1. Load & Launch Ramp
2. System 5 Upgrades
3. Ramp 3 Gangway
4. Harbor Float Replacement
5. Harbor Office
6. Harbor Entrance Erosion Control

Chair Howard asked if there were any additional comments or concerns regarding this ranking process.

There was no further discussion.

B. Development of Recommendation to Council

Chair Howard introduced the topic for discussion and posed the following questions to the committee:

1. What is the purpose for making a presentation to Council?
Response: Focusing on Economic Development and Improvement of the Harbor
 - Enterprise Fund
 - No steps taken to encourage development or progress
2. Why is the committee going before Council on October 24, 2011?
Response: Initially undertaken to get the Harbor Office replaced to office a better working environment for the employees.
3. What do we want Council to do?
Response: Council to Approve Bonding the Projects
 - Directing the committee to develop a plan and timeline for bonding for construction

Chair Howard noted that part of the presentation will also include an overall increase in fees of 12.5%. It was noted that the entire 12.5% was not required up front, however the expense and process of bonding was only desired to be done once. Mr. Howard commented that the projects will be staged and a call will be made on the Bond money and the question will be how much interest they can make on this money. Staff will confirm that process can be done. Question was raised on the cost to issue a bond; Mr. Wrede clarified that there will be only one bond sale which can be drawn upon as needed.

Further discussion developed on the requirement of reallocating \$500,000 or the necessary amount into a segregated bond account from the reserves. Mr. Wrede recommended having a draft report from the committee containing the recommendations and findings and a draft resolution that the committee can review at the next meeting. A brief discussion was held that the next meeting is the Thursday before the next council meeting and it would miss the packet deadline. It was determine to schedule a Special Meeting on Monday, October 17, 2011 at 4:30 p.m. Additional comments were that they will present to council that this was what they would like to do and getting Council to approve and direct them to continue. Staff noted all the information that could be contained in the report and resolution. Staff was not sure if Finance could have the information ready in time for their meeting on Monday. It was noted that Council would also have to include the projects on the Capital Improvement Plan but as new projects. In the presentation it should be noted that the Load & Launch Ramp Project had some funding options. It was opined that the match was a key and one of the reasons for going through with this project. The interest rates are also favorable and they are bringing the money back to the residents.

Chair Howard updated Ms. Wythe on some of the items that she missed in the beginning of the meeting. There was a brief discussion and Staff explained how the Load & Launch Ramp Project came about in the first place.

INFORMATIONAL MATERIALS

There were no informational items.

COMMENTS OF THE AUDIENCE

There was no audience present.

COMMENTS OF THE CITY STAFF

There were no staff comments.

COMMENTS OF THE CHAIR

Chair Howard commented that as they have learned a lesson on the water/sewer rates as a comparison. Chair Howard confirmed that the committee will still meet on October 20, 2011 and requested the Making of the Presentation, such as how it will play out, what visuals are we going to use, which member will make the presentation to be on the agenda along with review of the report and draft resolution.

COMMENTS OF THE COMMITTEE MEMBERS

Mr. Hawkins commented on the rate increases and it is a difficult decision for him because they need to raise the rates 12.5% anyway to just feed the reserves.

Mr. Howard added that he agreed and the increase in the rates will go beyond what is needed to service the bond and they may have to increase the rates 20% over a period of time for the sustainability of the harbor and build up the reserves because right now they are going in the hole.

Mr. Hartley commented that an increase of 20% could be conducted over a 5-6 year period. The initial part is devoted to the bonding.

Ms. Wythe commented that even if you raise the rates you have two sellable points when you start moving forward but if you do not move forward then you zero sellable points because why should I pay you more when you do nothing with what I already give you. Ms. Wythe volunteered to make the presentation to council assuring all members that she could make an unbiased presentation. She related a previous experience on another committee.

Mr. Lewis had no comments.

ADJOURN

There being no more business before the Committee the meeting was adjourned by Chair Howard at 7:15 p.m. The next meeting is scheduled for October 17, 2011 at 4:30 p.m. in the City Hall Cowles Council Chambers.

RENEE KRAUSE, CMC, DEPUTY CITY CLERK I

Approved: _____