

**PORT & HARBORS ADVISORY BOARD
MEETING MINUTES
DATE: 11/09/2021**

CALL TO ORDER:

The Port & Harbors Advisory Board regular meeting was called to order at 7:00 P.M., at Fire Station 1, in Ketchikan, Alaska.

ROLL CALL:

MEMBERS PRESENT:

| | | |
|-------------------------------------|-------------------|------------------|
| <input type="checkbox"/> | Mr. Eric Lunde | (Chairman) |
| <input checked="" type="checkbox"/> | Mr. Rod Bray | (Vice-Chairman) |
| <input checked="" type="checkbox"/> | Mr. Mark Flora | (Council member) |
| <input checked="" type="checkbox"/> | Mr. Steve Wilsie | |
| <input checked="" type="checkbox"/> | Mr. Andrew Mulder | |
| <input type="checkbox"/> | Mr. Rick Collins | |
| <input checked="" type="checkbox"/> | Mr. Jim Castle | |
| <input checked="" type="checkbox"/> | Mr. Tim Hemme | |
| <input checked="" type="checkbox"/> | Mr. Eric Collis | |

MEMBERS ABSENT:

Excused

| | | |
|-------------------------------------|-------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | Mr. Eric Lunde | <input checked="" type="checkbox"/> |
| <input type="checkbox"/> | Mr. Rod Bray | <input type="checkbox"/> |
| <input type="checkbox"/> | Mr. Mark Flora | <input type="checkbox"/> |
| <input type="checkbox"/> | Mr. Steve Wilsie | <input type="checkbox"/> |
| <input type="checkbox"/> | Mr. Andrew Mulder | <input type="checkbox"/> |
| <input checked="" type="checkbox"/> | Mr. Rick Collins | <input checked="" type="checkbox"/> |
| <input type="checkbox"/> | Mr. Jim Castle | <input type="checkbox"/> |
| <input type="checkbox"/> | Mr. Tim Hemme | <input type="checkbox"/> |
| <input type="checkbox"/> | Mr. Eric Collins | <input type="checkbox"/> |

Harbor Staff Present:

| | |
|-------------------------------------|--------------------|
| <input checked="" type="checkbox"/> | Mr. Mark Hilson |
| <input checked="" type="checkbox"/> | Mr. Dan Berg |
| <input checked="" type="checkbox"/> | Ms. Angel Holbrook |

MINUTES:

MOTION was made by Mulder to accept the minutes of the regular meeting of the Port and Harbors Advisory Board from October 12th, 2021. **MOTION SECONDED** by Castle. **MOTION PASSED UNANIMOUSLY.**

COMMUNICATIONS:

Vice Chairman Bray submitted 3 documents and one email correspondence for the Board to review:

1. Power Point Presentation from Sitka Port and Harbors
2. City and Borough of Juneau Docks and Harbors Transient Moorage Registration
3. City of Seward Harbor Department Transient Moorage Registration
4. Email Communication with Bill Troupe of Davies-Berry Insurance

PERSONS TO BE HEARD:

Mr. John Holstrom, M/V Scrimshaw, Bar Harbor South Float 8 Stall 33 was present at the meeting to address the board in regards to old business agenda item 2: Revisiting Requiring Insurance or Salvage Fee in the Harbors. Mr. Holstrom spoke to the fact that he is a long time harbor user and that he pays \$200 per month in vessel insurance. He noted his concerns with the absence of an insurance requirement in the harbors and stated he fully supports the creation and implementation of a vessel insurance requirement program in Ketchikan's harbor system.

OLD BUSINESS:

1. Future Port Operations—Chairman Lunde

Item deferred to next meeting.

2. Revisiting Requiring Insurance or Salvage Fee In The Harbors—Vice Chairman Bray

Vice Chairman Bray spoke to his concern for the harbors because of the lack of a required insurance program and says he feels that it is the advisory board's job to look out for the harbor and harbor users. He noted that according to his calculations the harbors have absorbed a large amount of expenses associated with the salvage and disposal of derelict vessels in the harbor this year.

Vice Chairman contacted other harbors in Southeast Alaska and inquired about their insurance programs. His takeaways are as follows:

- Wrangell is looking to implement a program at an estimated \$1/foot surcharge for uninsured vessels, as well as a bond for the uninsured vessels who use the department owned haul out.
- Petersburg does not have a program and indicated that they keep moorage rates high to prevent derelict vessels from entering the harbor.
- Sitka is in the draft ordinance stage of implementing an insurance requirement.

- Juneau has had an insurance requirement program for 15 years. They indicated the program is functioning, but does not generate enough revenue to cover the expenses incurred. Their surcharge rate is \$0.25/foot/month for uninsured vessels.
- Seward has insurance requirement for all vessels and it is required to get a stall in their harbor.

Vice chairman Bray also spoke with the City's insurance provider, Davies-Berry. The representative indicated that it is not true that all wooden boats are uninsurable; that with a favorable survey wooden boats can be insured.

Acting Director Mark Hilson asked to address the board and Vice Chairman Bray invited him to speak. Acting Director Hilson stated he had some key points he would like the board to consider when discussing this issue:

- Every harbor is unique.
- Government structures vary vastly between different harbors.
- Staffing levels are vastly different between different harbors.
- The vessel types and user groups are vastly different between harbors.
- The number of transient vessels that use Ketchikan harbors is higher than anywhere in the state.
- Maneuverability regulations are vastly different between different harbors.
- The financial status of harbors is vastly different between different harbors.

Other points Acting Director Hilson asked the board to think about are:

- The harbor reserve account is at only \$600,000.
- The harbor expenditures are predicted to exceed harbor revenue.
- Revenue is up this year, but this is not something we can count on consistently for future years because transient moorage was way up.
- Ketchikan has a robust maneuver program that has removed a large number of derelict vessels from the system, and that our derelict problem is not reflective of some of the other harbors that were referenced tonight.
- While there has been two sunken derelict vessels this year, previously only three times in the last 12 years has the harbor had to incur the cost of salvaging and disposing of vessels.

Acting Director Hilson cautioned the board to make sure they clearly define the problem they are trying to solve, citing the following possibilities:

- Should the cost causer be the cost payer?
- Protecting the city from future expenses from derelict vessels?
- Protect the city from future harbor expenses, in general?
- Funding a capital improvement project program rather than addressing the

much less costly derelict vessel program?

Acting Director Hilson noted that the current rate structure doesn't generate enough revenue to put any funds into the harbor reserves or harbor construction funds. As a result the City can not take advantage of the State's 50/50 matching grant program. He also asked the board to consider who isn't paying into the harbor system currently: Ward Cove Group is not subsidizing the harbors like the City of Ketchikan Port is. Ketchikan Gateway Borough is not subsidizing the harbors like the City of Ketchikan Port is. He noted that the port contributes approximately \$800,000 to the harbors, mostly in shared personnel costs. He also suggested that harbor rates be taken out of municipal code and put into a resolution, so it is easier to address rate structures in the future. Another point he would like to bring up is that all of the rate structures and programs that are in place are pre-Ward Cove dock. He noted that taking out another bond to cover rising costs is not realistic, feasible, or a good idea.

Another point Acting Director Hilson wants to make sure the board is aware of is that by creating this program, the city can become the de facto insurer for these vessels; meaning that when the vessel sinks it is then our responsibility, solely, to salvage and dispose of the vessel and that city cannot then charge the owner for the costs because they have already paid their fee in advance, essentially prepaying for the salvage. Another question to consider is: is the cost to fix the problem greater than the historical cost of the problem? A program of this nature is not impossible, but must be carefully considered and structured.

Acting Director Hilson emphasized that the amount of time and effort for staff to create, implement, and operate a program of this nature is much more than what the board is assuming. A program of this nature will cost a great deal in staff time and that this cost is anticipated to be greater than the revenue that will be generated. Ketchikan Port and Harbors already operates with low staff levels that are shouldering large workloads. Of the harbors referenced earlier in the meeting some have a much larger number of staff while all other harbors referenced have smaller harbors and reserved and transient moorage usage.

Discussion followed:

Board member Hemme is concerned we will price users out of the harbor, but does acknowledge that a rate increase is needed, and that there shouldn't necessarily be a formal title on the increase to allow the revenue to be used as needed.

Vice Chairman Bray is a staunch supporter of implementing the program and feels that the responsible harbor users should not be covering any costs associated with sinking vessels. He thinks that there can't be that much of a difference between Ketchikan and other harbors that their programs could not be easily implemented in our harbor system. Vice Chairman Bray noted that the uninsured would pay an additional fee, while those providing proof of insurance would not.

Council Member Flora feels that more information is needed and noted that this is on the City Council agenda for a future meeting. He requests that the minutes from this PHAB meeting be available prior to the City Council meeting, Ms. Holbrook acknowledged this request. He also suggested that as other members talk to community members, they encourage them to come to the council meeting and speak in public comment.

Board Member Mulder stated he wants to have more information and see numbers before making any decisions.

Board Member E. Collins is a supporter of the program and acknowledges a rate increase will need to be implemented eventually. He also feels that naming the program too specifically could prevent the harbor from using the funds generated if needed elsewhere. He requests that staff gather more information and history, and get that to the board.

The board directed staff to gather more information on other harbors and their programs and rates, the history associated with this agenda item within the City of Ketchikan, and prepare projections on the cost of the program, revenue generated, and the implications to staff.

NEW BUSINESS:

1. Derelict Vessel Action Plan—Board Member R. Collins & Chairman Lunde

Item deferred to next meeting.

2. Chairman and Vice-Chairman Elections

a. Chairman

Vice Chairman Bray nominated Chairman Lunde for another term. Chairman Lunde indicated in an earlier conversation with Vice Chairman Bray he accepts the nomination. Board Member Mulder seconds. All in favor.

b. Vice Chairman

Vice Chairman Bray nominated Board Member Mulder for Vice Chairman. Board Member Mulder accepts the nomination. Council Member Flora seconds. All in favor.

Director's Report:

In addition to the Director's Report, Acting Director Hilson noted that Survey Point Holdings is working on the 2022 Cruise Ship Calendar and that passenger

numbers are down for the city berths because of the new port at Ward Cove. He noted that, so far, there will be an estimated 1.4 million passengers in 2022, with over 900,000 at the city berths and over 400,000 at Ward Cove. This is a fluid process and is ongoing. Staff is evaluating the potential impacts of the reduced passenger counts at city berths.

Acting Director Hilson spoke to the bussing operation of Ward Cove passengers to downtown. He stated that he is working on presentation for the PHAB and that there are challenges to the operation, but that he plans to present two options with one recommendation. Council Member Flora informed that this, too, is on a future City Council agenda and suggested that all board members start thinking about what they think is a fair fee to charge Ward Cove for allowing them to bus passengers onto city infrastructure. Acting Director Hilson noted that this year was considered a learning year and no fee was assessed, but that this cannot continue into future years.

Acting Director Hilson also informed that funds received from the American Rescue Plan Act of 2021 have been appropriated to the Port Enterprise Fund. The amount of these funds are reflective of CPV funds that are usually received from the state annually. Also appropriated to the Port Enterprise Fund is approximately \$2 million in gifted money from Norwegian Cruise Lines. These funds are only enough to cover the operating costs of the port to June 2022.

FUTURE AGENDA ITEMS:

BOARD MEMBER COMMENT

Mr. Tim Hemme: Always good working with you guys and I appreciate everyone's insight and thank you for being willing to give ball park numbers. Welcome Eric, I look forward to working with you.

Mr. Eric Lunde:

Mr. Rod Bray: This was a good meeting. Sometimes I get a little hot and I am sorry for that. Andrew thanks for taking the Vice Chairman seat.

Mr. Jim Castle: Welcome Eric, good to see you. I appreciate all the research and time put in, it made for a productive meeting. Things move along pretty quickly when everything is in line. I appreciate that.

Mr. Mark Flora: Thanks everybody.

Mr. Andrew Mulder: Thanks for all the good conversation tonight and the info that was given. Thank you [Rod] for your contribution to the research and contacting other harbors. Welcome Eric.

Mr. Rick Collins:

Mr. Steve Wilsie: Good meeting, thanks for all the information and we have lots of reading to do.

Mr. Eric Collins: I enjoyed my first meeting. I appreciate it and I look forward to more.

ADJOURNMENT:

MOTION TO ADJOURN was made by Flora at 8:50 p.m. **MOTION SECONDED** by Castle. **MOTION PASSED UNANIMOUSLY.**



12-14-2021

Chair/Vice Chair Signature

Date