

**PORT & HARBORS ADVISORY BOARD SPECIAL MEETING  
MEETING MINUTES**

**Redevelopment of Port of Ketchikan Berths I, II, III and IV and other Infrastructure  
Within The City of Ketchikan, Contract 19-36**

**DATE: 08/26/2020**

**CALL TO ORDER:**

The Port & Harbors Advisory Board special meeting was called to order at 6:00 P.M., at The Ted Ferry Civic Center, 888 Venetia Ave, Ketchikan, Alaska.

**ROLL CALL:**

**MEMBERS PRESENT:**

<input checked="" type="checkbox"/>	Mr. Rod Bray	(Chairman)
<input checked="" type="checkbox"/>	Mr. Timothy Walker	(Vice-Chairman)
<input checked="" type="checkbox"/>	Mr. Mark Flora	(Council member)
<input checked="" type="checkbox"/>	Mr. Andrew Mulder	
<input checked="" type="checkbox"/>	Mr. Rick Collins	
<input checked="" type="checkbox"/>	Mr. Eric Lunde	
<input checked="" type="checkbox"/>	Mr. Jim Castle	
<input type="checkbox"/>	Vacant	
<input type="checkbox"/>	Vacant	

**MEMBERS ABSENT:**

**Excused**

<input type="checkbox"/>	Mr. Rod Bray	<input type="checkbox"/>
<input type="checkbox"/>	Mr. Timothy Walker	<input type="checkbox"/>
<input type="checkbox"/>	Mr. Mark Flora	<input type="checkbox"/>
<input type="checkbox"/>	Mr. Andrew Mulder	<input type="checkbox"/>
<input type="checkbox"/>	Mr. Rick Collins	<input type="checkbox"/>
<input type="checkbox"/>	Mr. Eric Lunde	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Mr. Jim Castle	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Vacant	<input type="checkbox"/>
<input type="checkbox"/>	Vacant	<input type="checkbox"/>

**Port and Harbors Staff Present:**

<input checked="" type="checkbox"/>	Mr. Steve Corporon
<input checked="" type="checkbox"/>	Mr. Dan Berg
<input checked="" type="checkbox"/>	Ms. Angel Holbrook

### **INTRODUCTION:**

Chairman Rod Bray welcomed all to the Special Meeting of the Port and Harbors Advisory Board. He informed that Ketchikan Port Solutions, LLC (KPS) will be presenting their vision for Contract 19-36. Chairman Bray then opened the floor to Mr. Colin Murphy.

### **PROPONENT PRESENTATION OF VISION FOR CONTRACT 19-36:**

Mr. Colin Murphy, Mr. Mark Pfeffer, and Ms. Amy Slinker were present representing KPS.

Mr. Murphy explained the collaboration between the two parent companies of KPS, Global Port Holdings (GPH) and Conrac Solutions (CS), which is a 50/50 partnership. Mr. Murphy reviewed GPH expertise and involvement in the global cruise industry and port management. Mr. Pfeffer reviewed CS involvement in the national transportation infrastructure industry. Lastly, Mr. Murphy introduced Welsh Whiteley Architects, a Ketchikan based architectural firm involved in developing the proposal.

Mr. Murphy broke down the financial aspect of KPS proposal:

1. \$40 million payment to the City upfront.
2. \$33 million assumption of City debt.
3. \$19 million Dock improvements
  - a. ~\$15 million on cathodic protection
  - b. \$3 million Berth III dolphins
  - c. \$1 million dock upgrades, such as weather shelters and increased number of restrooms
4. \$62 million Berth VI lease payments over term
5. \$10 million absorption of overhead
6. \$20 million maintenance to infrastructure over term
7. \$20 million revenue share

Totaling \$204 million

Commitments from KPH were then reviewed:

1. No job losses
2. 100% local team, with global support
3. Will work with local businesses, including Survey Point Holdings and Southeast Stevedores, etc.
4. No change to public access
5. KPH wouldn't own the dock, but instead would be tenants holding a lease
6. Strong community engagement
7. Focus on traffic mitigation, the environment, and responsible tourism

Mr. Murphy then briefly explained the draft phase I and phase II Upland Development proposals.

Mr. Murphy reviewed key points as to why KPS feels the City should accept the

proposal:

1. Global marketing research
2. Community focus
  - a. Stakeholder engagement
  - b. Transportation
  - c. Development and success of Ketchikan
  - d. Environmental value
  - e. Business Continuity Fund: a fund to help small businesses by providing grants, consulting, and a Local Skill Development Program.
3. 100% local employment
  - a. All current employees retained
  - b. No international staff
  - c. Local team trained and supported by GPH
  - d. Opportunities for advancement
  - e. Equal opportunity employer
  - f. Upgraded technology
  - g. Opportunities for international team involvement for leaders
4. Global Network with history of success
  - a. World's largest cruise port operator
  - b. GPH manages some of the world's most popular cruise ports
  - c. Proven track record of growth
  - d. One destination can struggle to get industry attention
  - e. Global team supporting local team and community
  - f. Significant financial resources
  - g. Established operating standards

Mr. Murphy briefly discussed the current berthing policy Ketchikan operates under and the drawbacks, explained there are alternatives and that a balance needs to be reached between the industry and the needs of the City.

Mr. Murphy discussed the impact of COVID-19 and the cruise industry. Mr. Murphy explained that KPS feels the industry will recover, it is just a matter of when, and if Ketchikan will be ready for the industry when it does recover. Thinking points include:

1. Robust health and safety protocol
2. Reassurance cruises can safely resume
3. Transportation, tours, and attraction shops operating safely
4. Passengers assurance they will get the value for their money

Mr. Murphy also spoke about the unknowns for the 2021 season, and what cruise lines and ports are projecting.

#### **BOARD MEMBER QUESTIONS & COMMENTS:**

Chairman Bray informed that board member questions would come first, and that then the floor would be open to public questions.

**Council member Mark Flora:**

Council member Flora thanked the presenters for being there, and then questioned how with the major financial investment KPS would be making, how KPS would structure a fee process that doesn't drive customers away from Ketchikan's port? Mr. Murphy explained that a reasonable increase and time to implement is the answer. Fee increases should be slow and steady, mindful, and be effectively communicated with the industry. Mr. Pfeffer elaborated and stated that this a long term, 20 year plan. He also stated that the funds will be used to improve facilities over the length of the lease, encouraging cruise lines making port of calls to Ketchikan.

Council member Flora noted that our port and uplands are a very finite space, and questioned how KPS plans to manage the ceiling as to the number of passengers our infrastructure can handle. Mr. Murphy recognized that there is a carrying capacity, but stated that with effective management this can be mitigated, and have minimal impact on the community.

**Mr. Timothy Walker:**

Board member Walker noted that KPS had an impressive presentation. Board member Walker then noted that it appears their business model is based on growth, and that there is a limited uplands, resulting in congestion issues. Board member Walker also noted the density of souvenir shops in other ports around the world. Board member Walker stated that as a community member, growth may not be the answer for Ketchikan.

Mr. Murphy explained that GPH has lengthy experience managing the demand versus what is acceptable for the community, and they understand it will take a team of experts to make the growth as painless as they can.

Board member Walker questioned the future of the harbor if the port was to be leased out since the port and harbors share costs on many employees and assets. Mr. Murphy acknowledged that this is an issue that needs addressed, but that KPS would be more than happy to work with the departments to make everything work. Mr. Pfeffer also noted that the \$40 million payment can be used as desired by the City.

Board member Walker questioned what happens if the cruise industry crashes or KPS walks away, what would the City be left with? Mr. Murphy noted that no matter what, at the end of the contract the infrastructure still belongs to the City, and it is the City's choice to assume the responsibility of the port or extend the contract. Mr. Murphy and Mr. Pfeffer also noted that if there is another crash, it would be their responsibility to mitigate the crash, and not the City's.

Board member Walker questioned if KPS plans on using grant funding as a source of funding, and if they currently employ a grant writer. Mr. Pfeffer and Mr. Murphy both stated they don't have a solid answer for that, but that they would be willing to look into

grant funding further.

**Mr. Eric Lunde:**

Board member Lunde questioned exactly how KPS would make their revenue. Mr. Murphy replied that under this scenario, the City would forfeit their revenue to KPS but that the City would not have the debt or lease payments the City currently has, and would have income from the revenue sharing outlined in the proposal. Mr. Murphy also elaborated more on the outline of how the revenue sharing will work with under the current proposal.

Board member Lunde questioned how KPS defines local, when speaking of hiring 100% local. Mr. Murphy explained that they will start at a Ketchikan level for hiring, and move on from there: state, national, and so on; if there is no one qualified at a local level they can bring someone in to train the right local person.

Board member Lunde asked what Mr. Murphy thinks of the school of thought that all the smaller ships in the market now will be replaced with bigger ships. Mr. Murphy explained that the trend is for bigger ships because of the efficiency of these ships. Mr. Murphy also noted that "expedition cruises" are becoming very popular and are very small ships.

Board member Lunde questioned how KPS plans on making sure that our facilities are adequate to accommodate the shifts in the market and size of ships, beyond what is in the proposal. Mr. Murphy explained the KPS is prepared to examine the trends and make timely decisions that benefit Ketchikan. Mr. Pfeffer further elaborated on the steps it takes to improve infrastructure, and how CS handles projects of that nature.

Board member Lunde questioned if KPS is aware of the interactions of the various user groups on the port and if they are prepared to handle violations or confrontations that arise quite often on the port. Mr. Murphy responded that they are aware of the issues that can arise on the port and that these are very common issues in all of their ports, and that they plan on dealing with any issues through a fair, collaborative effort.

Board member Lunde questioned the impacts of COVID-19 procedures on small business owners and tour operators. Mr. Murphy acknowledged this impact, and noted that this is all so new with so many unknowns that the methodology will have to be examined as time goes on.

**Mr. Andrew Mulder:**

Board member Mulder stated he has no questions for the presenters at this time.

**Mr. Jim Castle:**

Board member Castle asked Mr. Murphy to elaborate on the community engagement

aspect of the proposal. Mr. Murphy explained that they start with a wide audience, accept feedback, and then move toward smaller, focused groups. The information gathered and considered is then taken back to the community at large.

Board member Castle thank the presenters for their time and presentation.

**Mr. Rick Collins:**

Board member Collins questioned how it could be lucrative for KPS to lease the port, and why the City should want to lease the port out to KPS. Mr. Murphy explained that by renting the port out to an entity that can make more money, it can relieve the owner of maintenance, stress, etc. while still generating revenue. Mr. Pfeffer also elaborated on this concept in relation to their operations in airports. Board member Collins asked for clarification that maintenance would be part of the contract, and Mr. Murphy confirmed that it would be.

Board member Collins asked for clarification that the commitments being promised in the presentation would be included in the contract, and Mr. Murphy confirmed they would be.

Board member Collins asked what KPS vision is for a growth goal for Ketchikan. Mr. Murphy explained that a goal is a great unknown. Mr. Murphy indicated that the current growth model may not be the direction KPS will take, and that there are other options for growth throughout Southeast Alaska.

Board member Collins asked for Mr. Murphy to elaborate on how much of their financial model is rate increases, versus making cuts, such as staffing, etc. Mr. Murphy explained making cuts is not what the focus is, but that growth is the main focus.

Board member Collins asked for clarification on the plans for phase I and phase II of improvements. Mr. Murphy explained that there is money available for infrastructure improvements such as berth III dolphin improvements and an increased number of bathrooms, as well as transportation, beautification, etc. Board member Collins than asked for confirmation that there will not be an increased number of shops seen on the port if the proposal is accepted and Mr. Murphy confirmed this.

Board member Collins inquired as to if they plan on keeping the current berthing assignment structure that calls for 25% of the berthing to be at berth IV and the rest being distributed between the other three berths, as evenly as possible. Mr. Murphy stated that KPS would want to play a role in assigning berths, and that KPS would work cooperatively with Cruise Line Agencies of Alaska to abide by the current contractual agreements on berthing assignments.

Board member Collins asked for elaboration on the expedition cruises that Mr. Murphy spoke of earlier, and how that would look in Ketchikan. Mr. Murphy explained that these small cruise ships are becoming more popular and they are a specialized industry. Mr.

Murphy stated as far as regulating these ships outside of the port is out of KPS jurisdiction. Mr. Murphy also acknowledged that the current rate structure and operating procedures may not accommodate the smaller ships and that this will have to be addressed when it becomes an issue.

Board member Collins asked for confirmation that current port employees that move to KPS would not experience a loss of hourly wages, and Mr. Murphy confirmed this.

**Mr. Rod Bray:**

Chairman Bray asked if any board members have any more questions, and was met with no response.

**PUBLIC COMMENT:**

Chairman Bray opened the floor for public comment and informed there would be a three minute limit to comments.

Mr. Norman Arriola, a lifelong resident, questioned how KPS plans on recouping their investment and what the timeframe is. Mr. Murphy explained that all tax and fee revenue will be coming to KPS and that KPS is looking at the long term investment. Mr. Arriola then questioned KPS intention on assuming the Commercial Passenger Vessel Excise tax money generated, and Mr. Murphy explained they have no rights or access to these funds.

Ms. Abby Bradberry voiced her concerns over the uplands in relation to management and the foundation of growth for KPS proposal. Ms. Bradberry voiced concern over the impact of COVID-19 on the local area in relation to the cruise industry, and Mr. Murphy explained KPS will always be compliant with any mandates, local or otherwise. Ms. Bradberry voiced her concern over environmental impacts, and that this was not addressed in the presentation. Mr. Murphy explained as best he could that the environmental impacts will absolutely be considered and addressed, and that they have a team of experts to work on this, that couldn't be present today due to travel restrictions. Ms. Bradberry noted that she sees what appears to be an issue with some of the cruise companies and voiced her concern over this. Mr. Murphy explained that there are always going to be disagreements, but in the end everything is about professionalism and business, and all the companies noted are currently working together well. Ms. Bradberry voiced her concerns over KPS approach to growth and fee schedules, and emphasized how important it is to work collaboratively.

Mr. Jay Mahtani explained he is a long term member of the cruising industry, and noted that he has seen failed management of the industry. Mr. Mahtani questioned how KPS would be able to give \$40 million upfront to the City and not violate maritime law. Mr. Murphy explained the upfront payment was in the RFP and they were fulfilling the RFP by including it in the proposal, and what the City does with that money is the City's

responsibility. Mr. Mahtani noted his concerns about the \$40 million payment, as well as environmental issues, and job and general sustainability concerns.

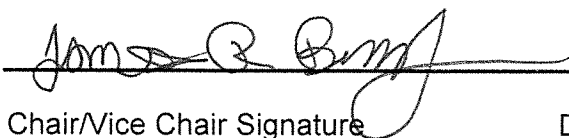
Mr. Ali Hussein, a jewelry store owner, expressed his concern over what he had inferred was an increase in the excursion cruise industry, and how that would impact Ketchikan and Ketchikan residents. Mr. Murphy explained that KPS has no intention of trying to increase the number of expedition cruises, thus replacing larger ships, and that he was just noting that this was a facet of the cruise industry that is growing. Mr. Hussein also expressed his concerns about the COVID-19 regulations on the industry that could be put in place in the future. Mr. Hussein asked for clarification as to if the City will have to repay KPS for the investments made in the port at the end of the contract, and Mr. Murphy stated no, this is not the case. Mr. Hussein also asked for clarification if KPS plans on creating any rental space for vendors on the port, and Mr. Murphy stated no, there will be no creation of rental spaces on the port for vendors.

Mr. Jacob Mensurian, a real estate owner, tenant, and business owner, apologized for other's being upset with them for completing the RFP and fulfilling the requirements of the RFP. Mr. Mensurian stated that he feels that if we can trust KPS, this is an amazing opportunity for Ketchikan, and that as a community we need the help being offered by KPS.

Chairman Bray thanked the presenters for being there, as well as the public.

**ADJOURNMENT:**

**MEETING ADJOURNED** by Chairman Bray at 8:59 p.m.

 10-27-20  
Chair/Vice Chair Signature Date