

## Harbor Improvement Committee: 2012 Facts & Information



### **Committee Q&A**

#### **What was the reason for establishing the Harbor Improvement Committee?**

Homer City Council is very aware of the Port and Harbor's importance to this community and that as an enterprise we cannot continue to allow the facilities to fall into a further state of disrepair. All of the harbor facilities have an expected life span and we are falling further and further behind every year that we don't act. The Improvement Committee was formed to address this issue. The goals were to prioritize the projects from the Capital Improvement Plan (CIP) list and then work to find the best options possible for funding. The Improvements Committee was directed to work collaboratively with the Port and Harbor Advisory Commission and bring recommendations to City Council.

#### **How were the projects selected?**

The committee and commission selected projects from the Port and Harbor CIP list. The goal was to select projects that benefit as wide a range of the harbor users as possible and not focus on just one user group or the other.

#### **How do matching funds tie in?**

Most grants, either State or Federal, will not fund projects 100%. They most often call for 25% or even 50% in matching funds. In some cases cities are able to use State grant money to match Federal grant money or vice versa. This of course helps to lower the local contributions needed to fund the projects.

#### **What does revenue bonding mean?**

Revenue bonding means the act of securing a loan to do improvement work to capital facilities that add real value to the Enterprise assets. Revenue bonds are secured by the value of the asset and a cash flow (income) that assures repayment of the borrowed money including interest. The Harbor Enterprise will dedicate funds in its budget to make the bond loan payments.

#### **What would the money be used for?**

Bond money will be used to pay the local share of any grant agreements that partially fund a project, and can be used to pay for projects where grant funds are not available. The bond funds will not be used for day to day maintenance and operations of the harbor.

## A Work in Progress

The Improvement Committee and staff will continue searching for funding sources that will help to lower the costs of these projects. Likely there will be changes to the plan as we move ahead. These changes will be done with full transparency and vetted through the public process. However, it is important that the Committee have the flexibility to search out all funding avenues in order to get the biggest bang for the Enterprise buck.

The Harbor Enterprise has a simple mission: provide safe port and harbor for all customers, collect fees for services to pay operating costs, and to fund reserves for maintenance and/or future replacement of all port and harbor facilities. The Federal and State government does not own Homer Harbor, we do. The message coming down loud and clear from the government is that we must be proactive in our maintenance programs. In the grant applications we are required to show our commitment to maintaining the facilities now and when replacement becomes necessary, and that we have the funds in our reserves to cover those costs.

## What is a Sustainable Rate?

What is the value of existing infrastructure, the life expectancy, and its maintenance costs? What will it cost to replace these facilities when they are simply worn out? The challenge for the Enterprise is to set rates that can be applied fairly and equitably to all Port and Harbor users. The rates need to be competitive yet still meet our mission of operating and maintaining all the Port and Harbor facilities. *Easy right!*

## Asset Values Compared to Reserve Funds

The estimated asset value of the Enterprise infrastructure and facilities on the Homer Spit is \$44 million. You can see by the chart below that the projected ending balance of 2012 is \$1,285,027. Independent auditors recommend that our reserves balance should be at approximately \$10 million; and our annual transfer to our reserves from our operating budget should be about \$1.4 million instead of \$440,000.

### CITY OF HOMER 2012 OPERATING BUDGET

**Port & Harbor Reserves  
456 - 380**

Acct #	2009 Actual	2010 Actual	2011 Budget	2012 Budget
Beginning Balance	1,219,265	1,383,836	1,652,816	1,675,027
4992 Annual Transfer	324,530	324,530	470,000	440,000
4801 Interest Income	11,050	35,752		
4610 Plans & Specs	320			
Loan Repayment for Energy Projects  11-02(S)(A)				See Note *
5990 Energy Fund Transfer (Fund 620)		(48,620)	(131,335)	
5990 Bond Reserve Fund (456-382) Budget				(500,000)
Expenditures	(171,329)	(42,682)	(186,311)	
Subtotal	1,383,836	1,652,816	1,805,170	1,615,027
Encumbered			(130,143)	(330,000)
<b>Ending Balance</b>	<b>1,383,836</b>	<b>1,652,816</b>	<b>1,675,027</b>	<b>1,285,027</b>

## **Port & Harbor Projects on the CIP List**

A capital improvement plan (CIP) is a long-term guide for capital project expenditures. The CIP includes a list of capital projects, the community envisions for the future, and a plan that integrates timing of expenditures with the City's annual budget. A capital improvement project is one that warrants special attention in the municipal budget. Normally, public funds are not expended if the project is not listed in the CIP. Projects specifically related to the Port and Harbor, plus how long they have been on the CIP list, are listed below:

- Barge Mooring Facility - 2011
- Deep Water/Cruise Ship Dock Expansion, Ph. I - 1989
- East Boat Harbor - 2004
- End of the Road Wayside, Ph. I - 2008
- Fish Dock Restrooms - 2001
- Fishing Lagoon Improvements - 2009
- Harbor Entrance Erosion Control - 1998
- **Harbor Float Replacement - 2003**
- Harbor Sheet Pile Loading Dock - 2011
- HH Float Replacements - 2011
- Homer Spit Dredged Material Beneficial Use - 2010
- Ice Plat Upgrade - 2011
- **Load and Launch Ramp - 2012**
- Marine Ways Large Vessel Haulout Facility - 2011
- Mariner Park Restrooms - 2004
- Port and Harbor Building - 1985
- **Ramp 3 Gangway and Approach - 2003**
- Truck Loading Facility Upgrades at Fish Dock - 2012
- **Upgrade System 5 – Vessel Shore Power - 2010**

## **Selected Projects for Bond Funding**

These projects were selected by the Improvement Committee and Port and Harbor Commission. After receiving public testimony the Harbor Improvements Committee revised the list of projects selected for funding by removing the Harbor Office and the Harbor Entrance Erosion Control projects. The Load and Launch Ramp project was added back to the list as we will be seeking State Municipal Harbors grant monies for our required local match to the federally funded Load and Launch Ramp Renovation project.

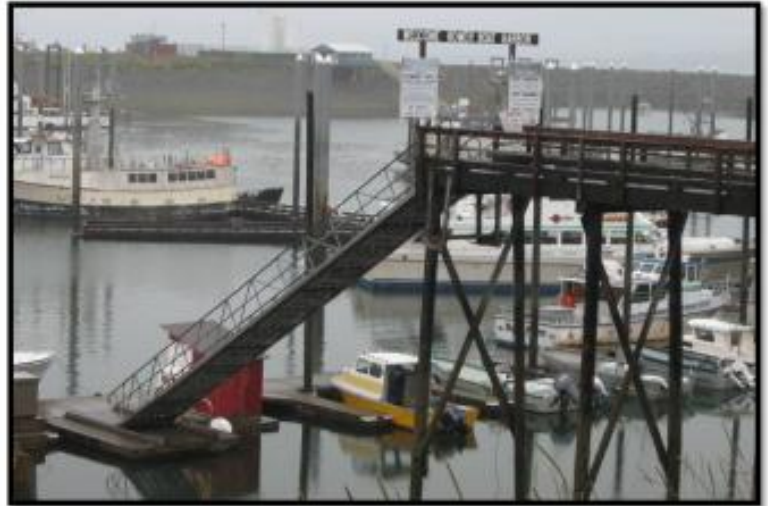
<b>Item No.</b>	<b>Description</b>	<b>Total Cost</b>
1	Ramp 3 Gangway & Approach	\$795,000
2	Harbor Float Replacement	\$6,783,000
3	Upgrade System 5 – Vessel Shore Power	\$971,000
4	Load and Launch Ramp	\$875,000
<b>Homer Harbor Capital Improvements Total</b>		<b>\$9,424,000</b>

### **Ramp 3 Gangway & Approach:**



This project replaces the existing ramp, which dates back to the mid-1960's. It's the steepest ramp in the harbor and is identified as a serious safety issue. Ramp 3 & A float were passed over during our 2002 TORA (Transfer of Responsibilities Agreement) project.

PND Engineers Conceptual Design estimate: \$795,000



**Harbor Float Replacement:**

This project would replace some of the oldest & most badly damaged floats in the harbor.



Issues include irregular walking surfaces, loss of buoyancy, racking, severe spalling, and compromised pilings.

← R float piling era 1986, non-industry standard piling worn through & causing a safety hazard.

**PND Engineers Conceptual Design estimate: \$6,783,000**

**System 5 Shore Power Upgrade & Water:**



This project would construct additional power pedestals and a year-round water supply would meet the needs of this large vessel fleet.

System 5 consists of 1,500 feet of float yet only 10 power pedestals are available.

**PND Engineers Conceptual Design estimate: \$971,000**



**Load and Launch Ramp:**

This project will reconstruct the entire ramp, replacing all five lanes along with the floats and piles. The existing ramp is suffering from age-related wear and tear and has been judged by the Alaska Dept. of Fish and Game to be in need of replacement.



**Local Match Eligible for Grant Funding: \$875,000**

**Grants & Matching Funds Needed**

The following graph shows a breakdown of the project costs, the grant funding, and the local matching requirements as to date. Staff and the Improvement Committee are striving to find additional funding sources that will lower the cost to the Enterprise. The Municipal Grant Program requires a 50/50 match with a five million dollar maximum. The Homer Harbor Enterprise does not have the match monies in reserves for its match requirement. The projects totaled, minus the Denali Commission grant that was received in 2011, comes to \$9,094,000. Half of this amount, plus the local matches not covered under the grant program, totals to how much would need to be bonded for.

The following projects were approved by Homer City Council at their [May 14, 2012 regular meeting](#). Staff is currently in the process of applying for the applicable grants and purchasing the necessary bonds.

<b>Project Description</b>	<b>Grant Funding</b>	<b>Local Funding</b>
Ramp 3 Gangway & Approach	\$795,000	
Harbor Float Replacement	\$6,783,000	
Upgrade System 5 – Vessel Shore Power	\$971,000	
Load & Launch Ramp (local match covered by grant funding)	<u>\$875,000</u>	
	\$9,424,000	
Denali Grant Monies (25% matching required)	<u>- \$330,000</u>	\$110,000
	\$9,094,000	
50/50 Match (half of total)		<u>\$4,547,000</u>
<b>Total amount needed</b>		<b>\$4,657,00</b>
<b>Annual Bond Payment</b> (\$70,361 per million)		<b>\$327,672</b>

**Terminal Tariff Rate Increases**

With the rate research done by the Improvement's sub-committee, the Harbor Improvements Committee compiled their recommendations at their [March 22, 2012 Special meeting](#). These were reviewed at the Port and Harbor Commission's [March 28, 2012 Regular meeting](#). After reviewing public testimony at their [May 3, 2012 meeting](#), the Committee removed the proposed passenger fee and established that all additional monies gathered from the ice fee increase will go towards Fish Dock and Ice Plant maintenance, NOT bond payments.

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2012 & 2013 Proposed Homer Port & Harbor Rate Increases	2011 Actual Revenue	2012 Increase	2013 Increase
*All rates implemented over a two year period.			
<b>Fuel Wharfage:</b> Increase from \$0.0103 per gallon to \$0.02 per gallon.	\$141,176	\$66,477	\$132,953
<b>Moorage:</b> Increase 15% from current rate of \$35.22 per linear foot per year.	\$1,589,214	\$119,191	\$238,382
<b>Ice:</b> Increase 10% from current rate of \$119.00 per ton. (Monies gained from ice rate increase will go towards Fish Dock & Ice Plant maintenance, <u>NOT</u> for bond payments.)	\$372,722	\$18,636	\$37,272
<b>Dockage:</b> Change docking rate from per linear foot rate to a graduated rate schedule, 100% similar to Anchorage's.	\$157,848	\$48,422	\$87,983
	<b>Total 2012 Increases from 2011</b>	<b>\$252,726</b>	
	<b>Total 2013 Increases from 2011</b>		<b>\$496,590</b>

### Increase Schedule

Homer City Council passed and adopted these proposed increases at their [May 29, 2012](#) and [June 11, 2012](#) regular meeting via Resolution [12-037\(S\)](#), [12-038\(S\)](#). These increases will be implemented over a two year period, the first increase taking effect July 2, 2012 and the second January 1, 2013.

See attached increase schedule to see amounts.

### Supporting Documents



[Tariff Rate Increase Schedule for 2012 & 2013](#)

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