

Session 12-04 a Regular Meeting of the Port and Harbor Advisory Commission was called to order by Chair Ulmer at 5:00 p.m. on April 25, 2012 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONERS CARROLL, HARTLEY, HOWARD, STOCKBURGER, ULMER, WEDIN, ZIMMERMAN

STAFF: PORT AND HARBOR DIRECTOR HAWKINS
DEPUTY CITY CLERK JACOBSEN

AGENDA APPROVAL

The agenda was approved by consensus of the Commission.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

RECONSIDERATION

There was no reconsideration scheduled.

APPROVAL OF MINUTES

A. March 28, 2012 Regular Meeting Minutes

The minutes were approved as presented by consensus of the Commission.

VISITORS

No visitors scheduled

STAFF AND COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

A. Port and Harbor Director's Report for April 2012

Harbormaster Hawkins reviewed his staff report and answered questions from Commissioners regarding removal of old piping on the Faulkner lease and clarifying the area of the spit trail.

PUBLIC HEARING

A. Amendments to the Port and Harbor Terminal Tariff No. 600 for the purpose of Repaying a Revenue Bond in the Amount of \$6 Million

Tim Cashman, non city resident who does business on the spit as Alaska Coastal Marine, commented in opposition of the head tax rule. He has done business for 25 years out of Homer and all small business owners are getting squeezed in a lot of direction. He recognizes most of the Commissioners as business owners and asked them to think about adding \$2 to everyone who comes through their door and realize it isn't simply a pass through tax. \$2 makes a big difference, and then his administrative cost will be

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another dollar or two. He questions the city's administrative cost to administer it and the enforcement of who pays and who doesn't. In this particular situation the honest guy always pays more and those who have slips and paid property taxes in the harbor will be the ones most affected. Between the price of fuel, raft inspections, and aging fleet, almost every penny of ticket sales goes back into fleet maintenance. Mr. Cashman explained the money to pay this tax at the end of the year just doesn't exist. He further commented that adding this to the other fees that get passed on to the end user can change what a family of four is able to do. When the recreational sales tax went through it affected them in a big negative way, and he expects this head tax will as well.

Rick Swenson, city resident, said Mr. Cashman makes a good point in that the \$2 will be charged to the clients. There is a \$4 fee for the state park, \$2 to the city, and 7.5 percent in sales tax, just in water taxi fees. It will cost the businesses that much to administrate the fees, it isn't so much the \$2 as it is the cost of having to pay someone to chase all the fees. He wishes he had a solution to offer, but he doesn't. He recognizes the needs are great in the harbor. They have great staff, a great location, and a pretty good facility. He questioned why Homer's harbor didn't get any of the millions of dollars that the state recently coughed up for port and harbor improvements around the state. Instead of putting the costs on his back, why don't we get together and collectively find out why we don't have a legislative mission. We have great need and no one asked for us. Mr. Swenson said he doesn't mind paying his share but the tax is bottomless and the more he makes, the more he gives. A family of 4 going across the bay pays \$60 in taxes and fees to do it. It's like renting a car in Seattle where the tax can be more than the rental. He urged the Commission to work with the state.

Greg Sutter, non resident and owner of Captain Greg's Charter, commented in opposition to the head tax. It would create major inequities between different users and puts the biggest burden on passenger vessels for hire. About 10% of the users in the harbor represent for hire businesses and this places the burden on top of them. Right now they are one of the largest economic engines in the harbor. He believes the head tax should be repealed and taken off the books. 10% of the boats would be subsidizing the remaining 90%. He questioned the administrative costs to the city and if another person will need to be hired to collect the \$80,000 that is projected, how the city will deal with the paper work, and how the city will enforce it. He suggested increasing the fuel surcharge and moorage fees to make it more equitable for all users.

Leah Jenkins, city resident with Seaflight Charters, agrees that this charge is inequitable. She expressed her concern with all the bureaucracy involved in their industry. She gave an overview of the costs to run her business noting that she didn't really make anything last year. In their business they support local business with jobs, deliver charters to 250 sport fishermen, who also spend money at our local businesses. These are the people who will be discouraged with the tariff increases, specifically the head tax.

Sean Martin, non resident and owner of North Country Charters, said he opposes the head tax as it is a targeted tax and an unfair charge to users of the harbor. Fishing charters are already taxed at 100% of their revenue; they don't have a maximum sales tax like other businesses do. Seward has a head tax and has a lower city tax at 4%. Their head tax was supposed to be sunsetted out, but the administration changed and they have it forever. If there will be taxes to raise money for improvements to the harbor he thinks it should be an equitable tax for all the people who benefit from the harbor. The harbor generates a lot of excess dollars that flow into the city. If there needs to be a targeted tax then he wants to see a bed tax, a tax for the hydraulic guy to haul his hoses down to the harbor, and deck hands who use the carts that are falling apart and don't even fit on the ramps. As a side note, if they ever do raise

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enough money for improvements, he would like to have enough water to go everywhere in the harbor at all the floats. They all need to use water.

Gary Ault, non resident with Inlet Charters, echoes what has already been said. He opposes the targeted tax and it seems unworkable to him in relation to the time and effort it will take to administer the fee. For him, it is another burden for his office to track it. It isn't as simple as it seems when you have a package tour, paid in segments. The nightmare of tracking these individual targeted taxes and fees is going to be time consuming and there is a lot of room for error. The whole harbor needs additional revenue and for it to happen efficiently he thinks all users need to be in it together. It benefits everyone and everyone can chip in.

Gerri Martin, non resident and owner of North Country Charters, opposes the head tax. She echoes what others have said. \$80,000 as a proposed income from the fee seems pretty nominal considering the administrative costs that will be incurred. She believes it will be a very unfriendly message to our visitors, with the parking fees, and they already pay the highest sales tax in the state here in Homer. If a family of four takes multiple trips from the harbor, they will have to pay the fee every time. They are taxed at 100% for charters, as well as the tax at other businesses. She believes the entire town benefits from the sales tax they collect on the spit, she feels that the town should be paying as well in some other form than targeting visitors.

Mako Haggerty, non resident of Mako's Water Taxi, said the head tax is arbitrary and capricious. Business owners are doing everything they can to hold their prices down as the park across the bay is getting more and more exclusive. Nothing hurts him more than to have to turn people away, especially young families, because they can't afford the cost of a water taxi. \$2 may not seem like a lot, but adding it to the per client fee at the park and sales tax adds up fast, and they are living in the margins right now. He ditto's what everyone else has said, and emphasized the book keeping alone is another burden that he resents having put on his office staff. On another subject, he would like to park his trailers at the top of the ramp and if he pays an annual fee to get a sticker for his trailers.

Michael Kennedy, city resident, thanked the Commission for their time. He recognizes it is a thankless job, especially when they are affecting people's livelihood. He stated he is opposed to any spending in the harbor that isn't maintenance or safety related. With the way things are going right now he thinks it is elitist to spend millions of dollars in the harbor for the benefit of the rich, because those are the only people who will be able to afford to use the harbor with all these fees increase to pay for the so called improvements that don't need to be made. Safety and maintenance are things that are on going in the harbor. We should cater to the working young people, as that is who we are driving out the town with more and more taxes and fees. It's not fair that the retired rich are the only ones who can live and play in Homer. We're killing the charter fleet and the water taxi people. He noted a good point was raised in questioning why Homer didn't get any money from the state rather than putting this on the backs of harbor users. He expressed that the harbor office is out of the question and it will be voted down, just like city hall, if it is put to the voters. The head tax is a bad idea from the start.

Chelsea Horn, non resident and water taxi operator, expressed her opposition to the head tax. With all the other fees operators have to pay, including park fees, fuel costs, stall fees, insurance and maintenance fees, and taxes, the bookkeeping is overwhelming. She echoes the other speakers concerns.

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Daniel Donich, city resident with Daniel's Guide Service, commented in opposition of the head tax. He agrees with the inequities and concerns about costs and ability to audit and enforce the tax. Not everyone maintains log books, and for the ones that do, the logs are not public documents, so it won't be the same across the board as it is for sales tax and slip fees. He gets questions from his customers who wonder where all the tax money goes that they are paying. He is not opposed to paying more for slip fees. He understands slip fees here are lower than others and they get a lot. He isn't opposed to that option if they have to do something.

Tammy Jones ditto's what others have said and stressed that a lot of the business down there are going to add a fuel charge to their fees. She is across the bay so she has to charge 3% for the Borough to leave from Halibut Cove and charge 7.5% to leave from Homer. It is a bookkeeping nightmare. The city and state with their nickel and diming are going to start looking bad to visitors to Homer. Just put a toll gate at the base of the spit, it would be easier than all of them collecting and giving it back.

Kate Mitchell, non resident and business owner in Homer, commented as a business owner she is proud of what our community has done and how far we have come since homesteaders dug the first hole for their boats. She recognizes how they are struggling with how to finance this and sees them choosing to use the head tax as a way to keep the moorage fees down and pass the cost around. She has heard tonight that adjusting the moorage fees is a better way to do it. She participates with the Homer Marine Trades Association and they count on a healthy harbor and look forward to a healthy harbor and more business coming. The harbor is diverse and it does represent the whole community. She hasn't heard an answer yet as to how we missed the state boat. She hopes they have listened to the speakers tonight and find an equitable way to complete the harbor improvements.

There were no further comments and the public hearing was closed.

WEDIN/HOWARD MOVED THAT THE PORT AND HARBOR ADVISORY COMMISSION RECOMMEND TO THE CITY COUNCIL THAT THEY AMEND THE TERMINAL TARIFF NO. 600 TO STRIKE RULE 34.26 THE PASSENGER FEES FROM THE TARIFF.

Comment was made that this rule was put in the books back in 1999 as a way to bring in money from vessels bringing passengers in from the cruise ships. Based on the way it was written it wasn't targeted at the fleet we have now. It hasn't been enforced and there is probably a good reason for it. Point was raised that this tax impacts 12 to 13% of the slips in the harbor and 87% of the vessels will be riding the coat tails. We are obligated to try to spread the tax more equitably across the harbor.

VOTE: YES: HOWARD, STOCKBURGER, ULMER, WEDIN, CARROLL, HARTLEY, ZIMMERMAN

Motion carried.

HOWARD/WEDIN MOVED TO REMOVE THE ICE TARIFF INCREASE AS GENERATING FUNDS TO PAY FOR THE BOND.

There was discussion that the use of ice is for a specific group of users who use the system, and part of what motivated the increase is that the ice plant is running at a deficit. That is an operation and maintenance issue, not a bond issue. Any increased fees to the ice plant should go to the o&m fund. Other comments included that long-liners have said our ice is better than anyone and they like to come

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to Homer. We used to be the number one halibut port for years and have slipped from that. Increasing ice fees would make that matter worse; this might be a small way to encourage that.

VOTE: YES: STOCKBURGER, ULMER, WEDIN, CARROLL, HARTLEY, ZIMMERMAN, HOWARD

Motion carried.

HOWARD/HARTLEY MOVED TO APPROVE THE RECOMMENDED DOCKAGE FEES THAT THE COMMITTEE PUT FORTH TO SUPPORT THE BOND PAYMENT.

Harbormaster Hawkins explained this will change dockage rate from a per lineal foot rate to a graduated rate schedule, the same as Anchorage's rate schedule. He explained Homer's current rates are not consistent with the way larger ports are charging. Larger vessels have a bigger impact on the facility so they charge a graduated schedule and as you go up in size, it is a higher fee for dockage. An example is when they are doing repair so the fenders, they have to be engineered to accommodate the highest potential usage, in our case, an 800 foot cruise ship. In the lower 48 smaller ports are priced equal to or more than larger ports as they provide the same services with lower volume than larger ports. He does not believe the harbor will lose business because of this change.

Commissioner Carroll expressed his opposition to this and the upcoming recommendations. He believes it is time to think about where the money in the harbor is coming from and where it's going. He is of the opinion this whole scheme of adding on the cost and maintenance and everything in the harbor is real. He thinks they need to look at the budget to see if there is enough income to be doing this out of pocket. With the fuel tax and sales tax it appears the city is siphoning money off the top of the boat harbor at the rate of 20%, and now for a capital expenditure for maintenance, the stall owner has to pay for that. He thinks they need to look at things like what is happening with the funds when harbor maintenance when from Public Works to the Harbor. In his mind he likens it to his own business and when the harbor has a really good year they should have sufficient money to do maintenance and capital projects for the next year. He would like an independent review or training regarding the city budget so they all know what is going on. The budget is extremely complicated and he thinks it is done intentionally so. He questions if any of the tax money goes back into the harbor.

VOTE: YES: ULMER, WEDIN, HARTLEY, ZIMMERMAN, HOWARD, STOCKBURGER

NO: CARROLL

Motion carried.

HOWARD/HARTLEY MOVED TO ADJUST THE FUEL WHARFAGE FROM \$.0103 TO \$.025 PER GALLON IMPLEMENTED OVER A TWO YEAR PERIOD.

Commissioner Howard reiterated the purpose of the increases is to make up the deferred maintenance that we have failed to do over the years for whatever reason. Reality is we have a problem and we need to fix it. The amount in the packet is shown as an increase of \$.02 per gallon. He is proposing \$.025 to offset loss of revenue from removing the head tax and ice fees. The current fee has been in place over 20 years.

In response to questioning, Harbormaster Hawkins commented that most harbors in our area are between half of a cent to one cent per gallon. Anchorage is 1.7 cents per gallon and they transport a

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tremendous amount of fuel when you consider the airports and everything they have. Cost to the city includes having staff on site for landings and departures of barges, security, and so forth. It's wharfage for what comes across our docks and piers.

It was noted that this will raise fuel costs to everyone in town.

VOTE: YES: HARTLEY, HOWARD

NO: WEDIN, CARROLL, ZIMMERMAN, STOCKBURGER, ULMER

Motion failed.

HOWARD/HARTLEY MOVED TO ADJUST THE FUEL WHARFAGE RATE FROM EXISTING \$.0103 PER GALLON TO \$.02 PER GALLON.

It was questioned if there is a way to fix this to where the fuel gets charged wharfage coming in but not going out. It seems like the fuel in the harbor is being paid when it comes in and then when it goes out to the fuel floats so boat owners pay it twice, but people in town pay once. Harbormaster Hawkins said there probably is a way, but he is unsure what that would be.

VOTE: YES: HARTLEY, STOCKBURGER, HOWARD, ULMER

NO: CARROLL, ZIMMERMAN, WEDIN

Motion carried.

HOWARD/HARTLEY MOVED TO INCREASE MOORAGE FROM \$35.22 PER FOOT PER YEAR TO \$42.50 PER LINEAL FOOT PER YEAR TO BE APPLIED OVER THE NEXT TWO YEARS.

Comment was made that a 20% increase is out of the question. An aspect of moorage that hasn't been considered is for wider boats. They need extra room and are harder on the docks. We could consider a more complicated formula but raise the same revenue without putting the entire burden on the small boats. There were comments in favor of looking at the overall fee structure to establish what is reasonable. It was suggested that there are people in the harbor who have stalls and don't create the wear and tear on the harbor, the parking, or the restrooms that the charter fleet generates, there ought to be some allowance for that. The point was raised that all users impact the harbor in different ways.

Question was raised as to how we compare with our neighbors. Harbormaster Hawkins reviewed increases since 2009. He said Seward charges \$45 per foot for lessees and more for transient vessels. Kodiak has a graduate rate.

VOTE: YES: HARTLEY, HOWARD, ULMER

NO: ZIMMERMAN, STOCKBURGER, WEDIN, CARROLL

Motion failed.

WEDIN/HOWARD MOVED TO INCREASE THE MOORAGE 15% FROM THE CURRENT RATE.

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There was discussion that it would be helpful to have a rate study to determine if a graduated rate scale could be imposed and net the same income. The Commission agreed to include consideration of a rate study on another agenda for further discussion.

VOTE: YES: HOWARD, STOCKBURGER, ULMER, WEDIN, HARTLEY, ZIMMERMAN
NO: CARROLL

Motion carried.

PENDING BUSINESS

None

NEW BUSINESS

- A. Memo to Port and Harbor Commission from Bryan Hawkins, Port Director/Harbormaster Re: Harbor Improvement Committee Report of April 19, 2012 Meeting dated April 20, 2012
 - a. Memo to Harbor Improvement Committee from Bryan Hawkins, Port Director/Harbormaster Re: Grant Money & Matching Funds dated April 13, 2012
 - b. Revised Grants & Matching Funds Needed Spreadsheet as of April 19, 2012

Harbormaster Hawkins reviewed his information regarding grant money and matching funds for the recommended projects.

ZIMMERMAN/WEDIN MOVED TO RECOMMEND TO COUNCIL TO HAVE THE HARBOR IMPROVEMENT COMMITTEE CHANGE THE CAPITAL IMPROVEMENT BOND INCLUDE ONLY SYSTEM 5 UPGRADE, RAMP 3 GANGWAY, AND PORTIONS OF THE FLOAT REPLACEMENT TO A MAXIMUM BOND OF \$4 MILLION.

There was discussion that the necessary work on the floats could be done now, fixing pilings and replacing A float to replace ramp 3, and the rest of the float work out spread to be done as reserve funding allows. It is a good compromise. Concern was expressed that relying on reserve funds to grow and be able to spend as you go could take about 5 years based on the proposed tariff increases. By that time inflation will have increased the cost but if we can bond and set the cost in today's dollars and pay with future income is the more economical way to get the work done. 5 years from now there will be more problems that need to be addressed. Bonding rates are really low right. It looks good on paper to put it off and maybe we can get by without someone getting hurt or a float failing, but taking care of these things presently will help us see our way clear.

Other comments included recommending the harbor office be address separately through a general obligation bond that would be paid back by the city as a whole since there is a significant amount of sales tax generated by the harbor that goes in to the general fund.

The Commission agreed to include discussion of a general obligation bond process at their next meeting.

VOTE: YES: STOCKBURGER, ULMER, WEDIN, ZIMMERMAN
NO: CARROLL, HARTLEY, HOWARD

Motion carried.

INFORMATIONAL ITEMS

- A. Monthly Statistical & Performance Report March 2012
- B. Weekly Crane and Ice Report
- C. Deep Water Dock Report
- D. Pioneer Dock Report & Ferry Landings Report
- E. Letter from Homer Chamber of Commerce Re: Winter King Salmon Derby Results dated March 30, 2012
- F. Memorandum 12-055 Appointment of Michael Stockburger to the Port and Harbor Advisory Commission
- G. Resolutions 12-023 & 12-024 re: Long Term Parking Fees
- H. Commissioner Attendance Schedule for City Council Meetings 2012

Chair Ulmer welcomed Mr. Stockburger to the Commission. He commented that he appreciates the opportunity; he does quite a bit at the harbor and is concerned with how it operates. He appreciates the harbor staff, what they do down there, their assistance to his customers and to him when it is time to get boats in and out. He is ready to put in some effort in help with the harbor, what it looks like, who we can attract, keeping costs down, but keeping it maintained and safe as well.

COMMENTS OF THE AUDIENCE

Michael Kennedy, city resident, commented that tonight's actions were confusing in that they seemed to go backwards. They voted on the revenue before they knew what the revenue was going to be used for. They should establish the bond money then figure what they need. He thinks that is where Mr. Carroll's no votes came from. He thinks the compromise got no votes from both directions. He questions the whole bonded indebtedness that the Commission can make with out a vote of the people. With the harbor borrowing money from the city on their own bond, and with the harbor enterprise fund and sales tax going in all direction, and double taxing makes it more complicated than it needs to be. He questions the harbor being a separate enterprise fund as it's all one city and it shows out there when you have public works having their own staff out there and harbor having their staff out there working doing maintenance. There is a division of labor and it seems it that it should be a city function. Apparently the tax money is going in to the general fund and being distributed back out, and the harbor is trying to capture it before it goes to the general fund. It's like the enterprise fund is fighting the city. He thinks they need to look at the basics of the economy and how the city works so everyone can be on the same page.

Cecil Cheatwood, of C&C Aquatics, commented that he knows with any business you have to continue to put money into it. His company does dive work and maintenance and he has seen a part of the harbor that most individuals don't get to see. It is obvious that some of the structure that have been put in were neglected and that will come back and effect the city. In some cases when you look at the cost of the structures when they were put in, the cost has probably tripled or up to 10 times for replacement. He stressed that the harbor is a business, it takes in funds, and they should be able to use some of that to keep their business functioning properly.

Scott Adams commented that he agrees with Commissioner Zimmerman about the building. For the system 5 upgrade he agrees with putting in a few more power outlets as there are several guys who winter over in Homer. He believes the general harbor should get water before the system 5 side. The

loading ramp is having work done, but those rates haven't changed so he wonders about adjusting that. They are trying to get the work done on the backs of the people of Homer, and some aren't doing that great or just staying afloat. He is against the head tax.

COMMENTS OF CITY STAFF

Harbormaster Hawkins thanked the Commission for their work tonight.

COMMENTS OF THE COUNCILMEMBER

None.

COMMENTS OF THE CHAIR

Chair Ulmer said she appreciates everyone's effort for this proposal and the people who came to testify.

COMMENTS OF THE COMMISSION

Commissioner Carroll wanted to clarify that he is not opposed to necessary improvements. He isn't sure about spending \$3 million on the load launch ramp, but did not speak against necessary repairs to make it useful and serviceable. The same is true with the projects tonight. He is not against doing maintenance in the harbor, the things that are necessary need to be done. He explained that what he feels railroaded about is that in December or January he recalls being told that this isn't being fast tracked and they are looking at the bond possibilities. It has been on a fast track and he feels like he is on a rocket ship heading toward a \$6 million obligation to the City and he is not in favor of that. He doesn't feel that we have looked at the proper ways of financing this.

Commissioner Wedin welcomed Mr. Stockburger to the Commission. He thanked the Harbor Improvement Committee for their 13 meetings, and probably more to come and he recalls seeing in the paper that some of the members have volunteered to be on a water and sewer task force. He wished them luck and thanked them for their work.

Commissioner Zimmerman thanked the committee for their work also; he recognizes they have put a lot of work into putting these numbers together. He isn't trying to gut this, but make it a reasonable thing. He feels this proposal works out and puts more money in the reserves for harbor repairs than in the original proposal. He welcomed Mr. Stockburger.

Commissioner Howard thanked Mr. Stockburger and said not every night will be this much fun. He thanked the public for their participation, that what this is all about. Democracy is not a spectator sport, you need to get up and participate. The Commission did good work tonight and he really appreciates everyone's input and the outcome. It really sets the tone for a better harbor in the future.

Commissioner Hartley welcomed Mr. Stockburger. He agrees with Mr. Howard that we went through a lot of things tonight and he thinks in the future there will be more to go over before the process is done.

Commissioner Stockburger said he is looking forward to working with everyone. It was interesting tonight. Even in your personal life it is easy to spend money and tough to raise it. He is here to help do the best we can to keep the harbor a nice, safe, and friendly place to play and work.

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ADJOURN

There being no further business to come before the Commission the meeting adjourned at 7:17 p.m. The next regular meeting is scheduled for Wednesday, May 23, 2012 at 6:00 p.m. at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____