HARBOR MOORAGE RATES

Homer City Council

Worksession

Monday, October 17, 2016

5:00 p.m.

City Hall
Cowles Council Chambers
491 E. Pioneer Avenue
Homer, Alaska

HOMER CITY COUNCIL
491 E. PIONEER AVENUE
HOMER, ALASKA
www.cityofhomer-ak.gov

WORKSESSION
5:00 P.M. MONDAY
OCTOBER 17, 2016
COWLES COUNCIL CHAMBERS

MAYOR BRYAN ZAK
COUNCIL MEMBER DAVID LEWIS
COUNCIL MEMBER CATRIONA REYNOLDS
COUNCIL MEMBER DONNA ADERHOLD
COUNCIL MEMBER HEATH SMITH
COUNCIL MEMBER TOM STROOZAS
COUNCIL MEMBER SHELLY ERICKSON
CITY ATTORNEY HOLLY WELLS
CITY MANAGER KATIE KOESTER
CITY CLERK JO JOHNSON

WORKSESSION AGENDA

1. CALL TO ORDER, 5:00 P.M.

Councilmember Aderhold has requested telephonic participation or excusal.

2. AGENDA APPROVAL (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 5)

3. HARBOR RATES – NORTHERN ECONOMICS Page 5

Resolution 16-054, A Resolution of the City Council of Homer, Alaska, Amending the City of Homer Fee Schedule to Implement a New Graduated Harbor Moorage Rate Structure. Port and Harbor Director/Port and Harbor Advisory Commission. Public Hearings June 13 and September 26, 2016. Page 21

Memorandums 16-084 and 16-101 from Port and Harbor Director as backup. Pages 31/59

Memorandum 16-152 from City Clerk as backup. Page 69

4. COMMENTS OF THE AUDIENCE

5. ADJOURNMENT

Next Regular Meeting is Monday, October 24, 2016 at 6:00 p.m. and Committee of the Whole 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Harbor Rate Structure Alternatives

A Presentation to the Homer City Council

A presentation by Mike Fisher

October 17, 2016

Northern Economics

Agenda

Approach

Findings

Initial options considered

Recommendations

Commission input and decisions

Approach

Evaluate alternative rate structures for the Homer Harbor

- Gather and review rate sheets from 45 harbors in Alaska, British Columbia, Oregon, and Washington.
- Identify common rate structure trends
- Present recommendations to the Port and Harbor Commission for feedback

Northern Economics

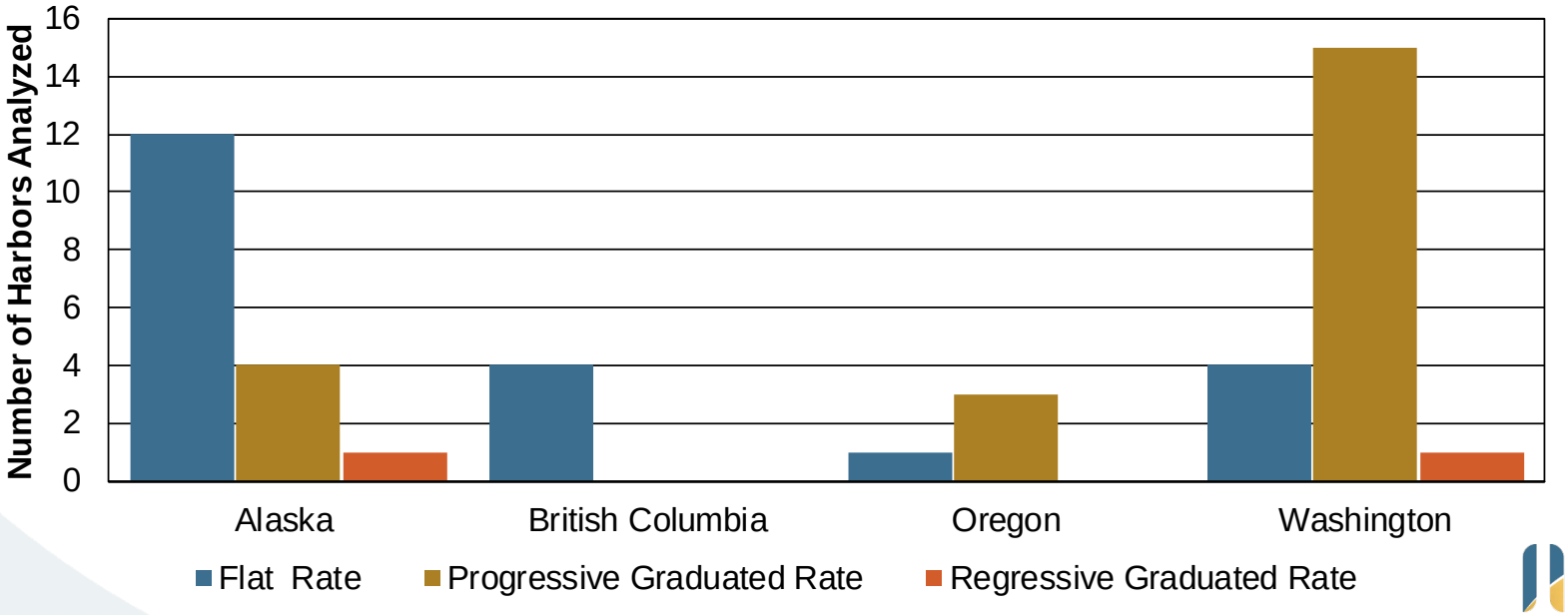
Findings: Rate Structure Review & Analysis

Three common rate structures

Flat: moorage per foot is constant

Progressive Graduated: rate increases with vessel size

Regressive Graduated: rate decreases with vessel size



Northern Economics

Findings: Graduated Rate Structures

Two main variables

- Size and number of tiers
- Rate change between tiers

These can be uniform or varied

- Infrastructure
- Fleet characteristics
- Demand

Northern Economics

Initial Options Considered

Option 1: A progressive graduated rate structure in which the tiers correspond to the slip sizes available in Homer Harbor. The rate increase for each tier ranges from 2 to 5 percent and increases at a decreasing rate.

Option 2: A progressive graduated rate structure with smaller tiers set at a constant interval of 4 feet. The rate increase for each tier ranges from 2 to 8.5 percent and increases at a decreasing rate.

Option 3: A progressive graduated rate structure with fewer tiers set at a constant interval of 20 feet. The rate increase for each tier ranges from 4 to 10 percent and increases at an increasing rate.

Initial Options Considered

Option 4: A regressive graduated rate structure with tiers set at a constant interval of 9 feet. The rate decrease for each tier ranges from 1 to 4 percent and decreases at an increasing rate.

Option 5: A progressive continuous rate structure in which the annual moorage rate is calculated using the following equation:

$$Permanent\ Moorage\ Rate\ \left(\frac{\$}{foot}\right) = \frac{\$39.95 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

Northern Economics

Initial Options Considered

Rate Structure	Pros	Cons
Option #1	Tiers are directly tied to the infrastructure used (slip size)	Larger tiers and bigger rate jumps between tiers
Option #2	Smaller tiers and rate increases, facilitating a smoother transition between tiers	Incentivizes vessel owner to try to fit into the lowest tier possible
Option #3	Simple rate structure with few tiers	Large tiers and big rate jumps between tiers
Option #4	Reduces rates for larger vessels	Does not reflect the cost of accommodating larger vs. smaller vessels
Option #5	Logical and justifiable rates charged per foot of vessel length	Very detailed rate sheets needed for successful implementation

Initial Options Considered

The Commission was interested in:

- A progressive rate
- Smaller tiers
- Either graduated or continuous rate structure
- Maintaining current revenues to the extent possible

Options 2 and 5 were considered further, as Alternative A and Alternative B.

Option 5's parameters (base rate and increment) were modified over time, eventually set to closely match Option 2.

Northern Economics

Recommendations

Progressive rate structure

- Larger vessels require more space and stronger facilities
- No mechanism for harbor to benefit from economic activity

Small tier sizes

- Avoids major jumps in rates

Small rate increases

- Gradual change from flat rate
- Minimize budget impact

Northern Economics

Recommendations: Rate Structure Alternatives

Alternative A:

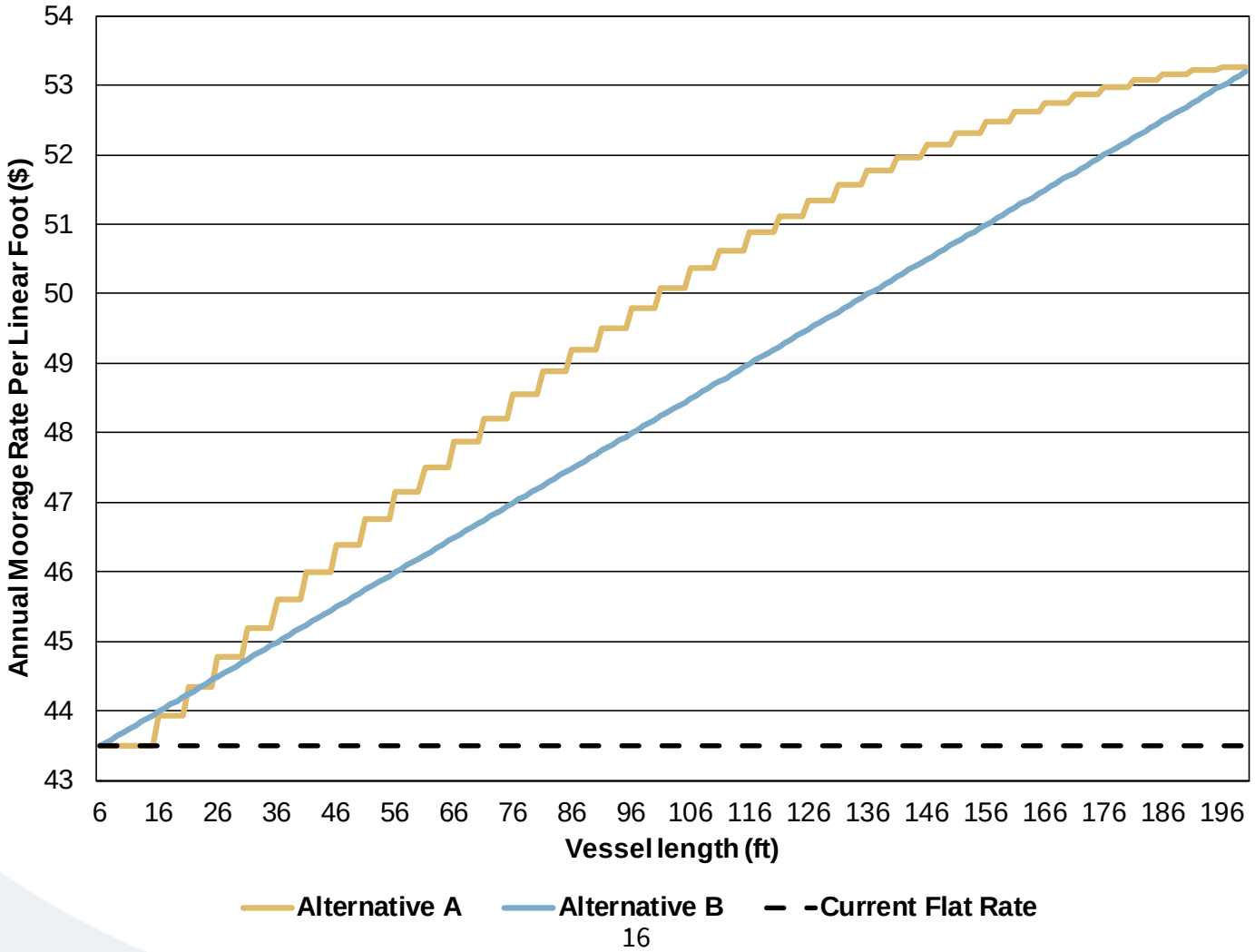
- Progressive graduated rate structure
- Constant tiers of 5 feet
- Rate increase starts at 1 percent
- Rate change decreases with vessel size

Alternative B:

- Progressive continuous rate structure
- Base rate starts at the current flat rate
- Rate increases by 5 cents per foot

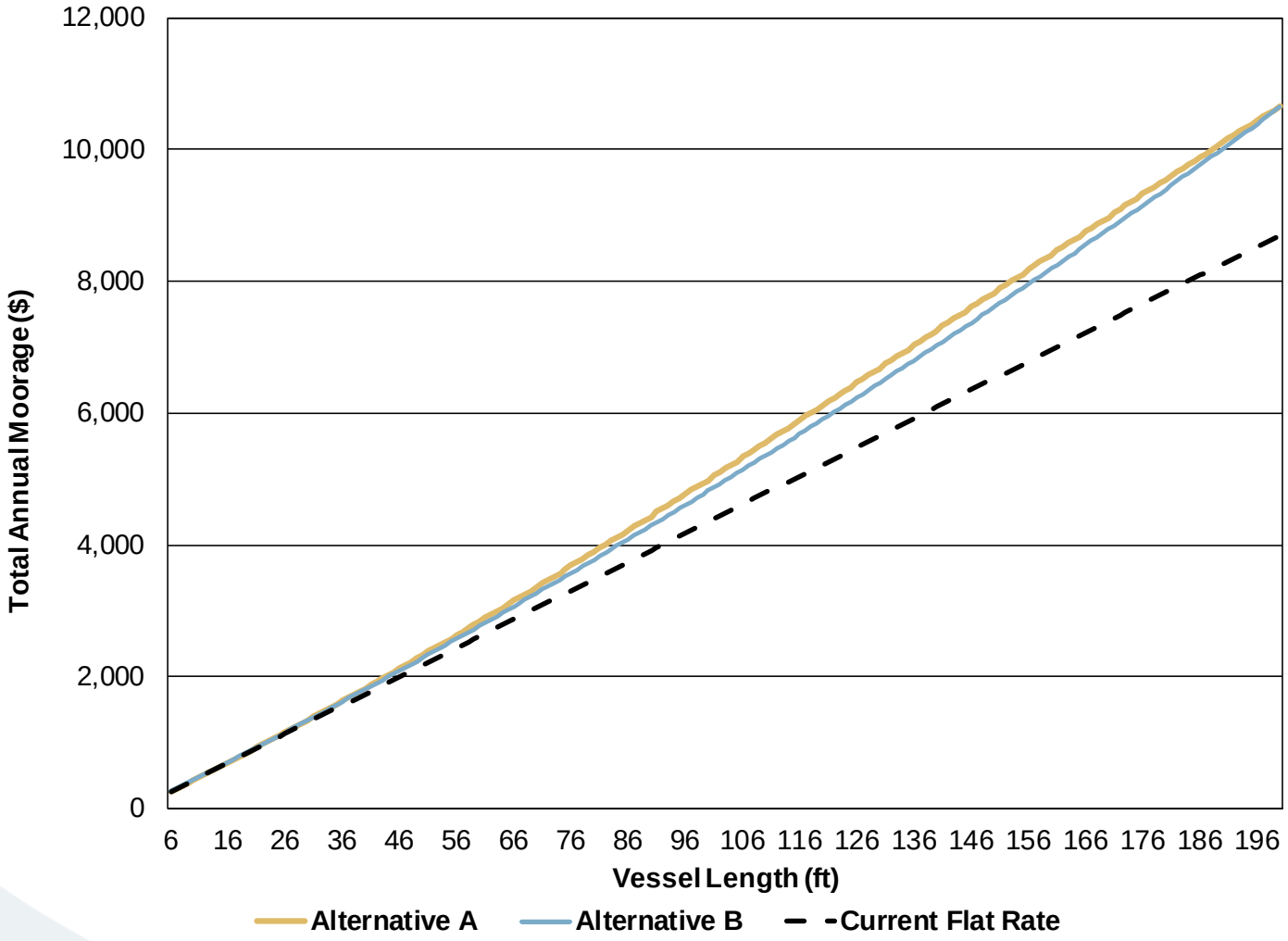
Northern Economics

Comparison of Alternatives



Northern Economics

Comparison of Alternatives



Northern Economics

Adjustment Options for Alternatives

We sought Commission input on:	Choice:
Graduated or continuous	Continuous (Alt B)
Rate of increase	5 cents per foot
Start at current rate or lower	Current rate, $43.49
Total increase over current revenues	Minimized
Impacted user groups	Not singling out any one group
Rate cap at specified length offered	86 feet, due to services
Other exemptions	None

Northern Economics

Commission Recommendations

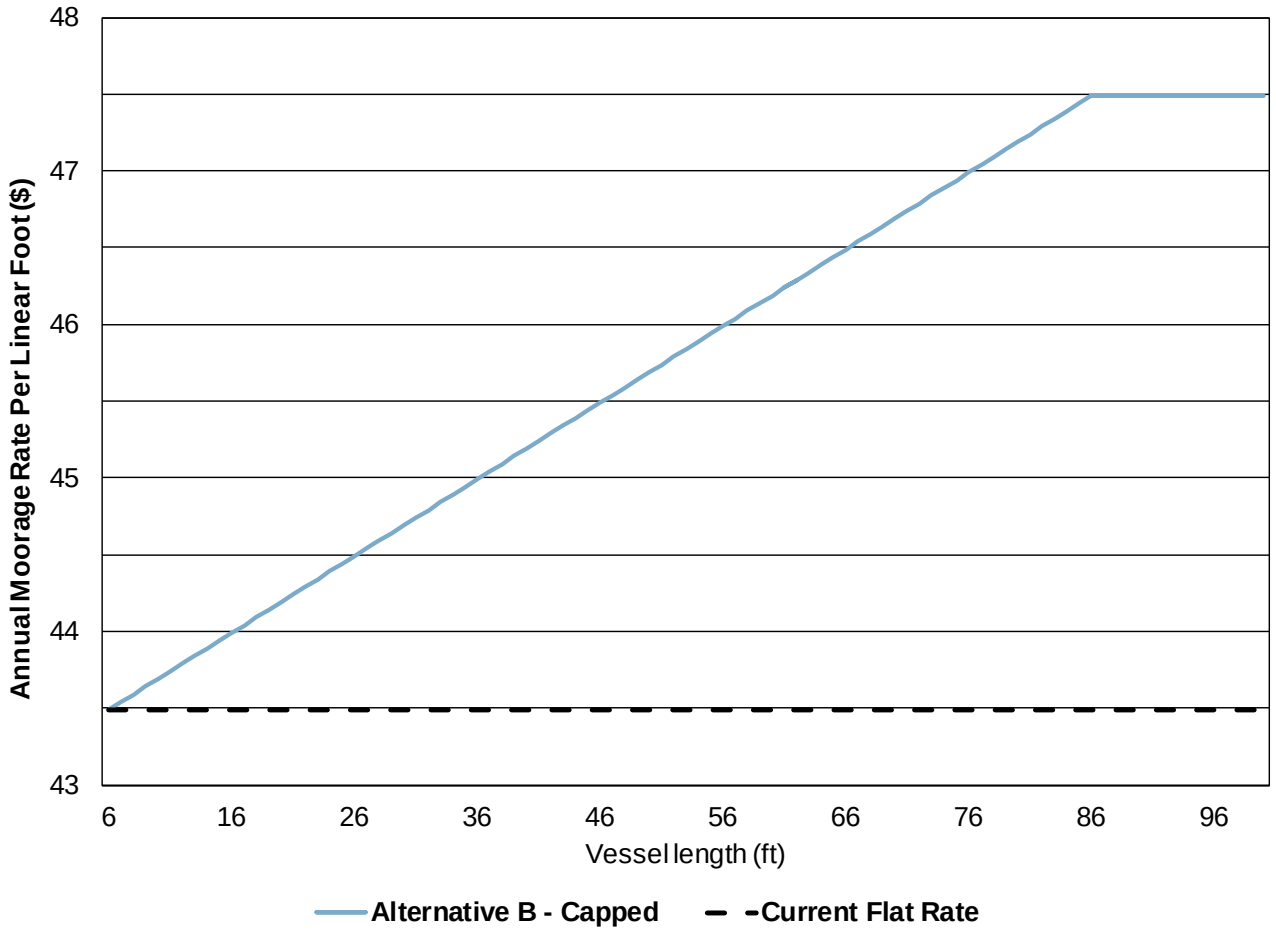
Moorage rate based on the following equation:

$$Permanent\ Moorage\ Rate\left(\frac{\$}{foot}\right) = \frac{\$43.49 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

with a cap set at 86 feet ($47.79/foot).

Northern Economics

Commission Recommendations



$$Permanent\ Moorage\ Rate\ \left(\frac{\$}{foot}\right) = \frac{\$43.49 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

Northern Economics

CITY OF HOMER
HOMER, ALASKA

Port and Harbor Director/
Port & Harbor Advisory Commission

RESOLUTION 16-054

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING THE CITY OF HOMER FEE SCHEDULE TO IMPLEMENT A NEW GRADUATED HARBOR MOORAGE RATE STRUCTURE.

WHEREAS, The Port Director/Harbormaster established how harbor moorage fees are structured and implemented, and are to be included in the City of Homer Fee Schedule; and

WHEREAS, The City of Homer Fee Schedule to amend the harbor moorage rate structure is effective January 1, 2017.

WHEREAS, The Port and Harbor Advisory Commission discussed and unanimously supported the recommendation by the Port Director/Harbormaster to implement a new graduated harbor moorage rate structure of $0.05 increase per linear foot, based on the following equation,

$$\text{Permanent Moorage Rate} \left(\frac{\$}{\text{foot}} \right) \frac{\$43.49 + (\$0.05 \times \text{foot}) \times \text{vessel length per foot}}{\text{foot}}$$

and cap the increases at the 86 foot vessel size.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby amends the City of Homer Fee Schedule to include the graduated harbor moorage rate structure effective January 1, 2017 as follows:

PORT AND HARBOR DEPARTMENT

Harbor Office - 235-3160
Fish Dock - 235-3162

(The following fees have been set by legislative enactments to HCC 10, Ord. 95-18(A) and Resolutions 14-114, 12-037(S), 12-023, 10-89, 06-52, 06-04, 05-123, 04-96, 03-154(S), 03-104, 03-88, 00-39, 99-118(A), 99-101, 99-78(S), 99-30(A), 95-69 (Port/Harbor Tariff No. 600), Resolution 95-19, Resolution 01-84(S)(A), Resolution 02-81(A), Resolution 07-121, Resolution 08-123, Resolution 15-091)

All rates except load and launch ramp fees and parking fees for Ramps 1 - 4, which are inclusive of sales tax, will have sales tax applied. The resulting figure will be rounded to the nearest half dollar for billing purposes.

BOAT CHANGE FEE:
$25.00 administrative fee

STALL WAIT LIST:
A $30.00 per year charge will be assessed for a listing on a permanent reserved stall assignment.
Large quantity waste oil disposal (with Harbor Master approval) - $3.25 gallon

PARKING FEES:
Parking fees to be collected at Ramp 1, Ramp 2, Ramp 3 and Ramp 4 seasonally (Memorial Day through Labor Day). Parking fee is $5 per calendar day. Posted parking time limits will be established and enforced as per Homer city code 10.04.100.

Seasonal permits for day use parking (Ramps 1-4): $250.00.
Long Term parking permits required for Vehicles 20' or less parked in excess of seven (7) consecutive 24-hour days.

Long Term Parking annual permit (January 1st through December 31st): fee $200.00.

Long Term Parking annual permit fee for vessel owners paying annual moorage in the Homer Harbor: fee $100.00.

Vehicles over 20' and trailers are not eligible for long term parking permits.

Monthly parking permit for vehicles less than 20': fee $70.00 for 30 consecutive days.

Monthly parking permit for vehicles over 20': fee $85.00 for 30 consecutive days in a portion of Lot 9 only.

Long term parking will be enforced year around.

Parking lot restrictions for long term parking, May 1 through October 1, as depicted on attached map (Attachment A).

Existing code definitions for restricted parking, vehicles, junk vehicles, and fines for violations apply.
Fines, $25.00 per calendar day, limited to $250.00 fine per calendar year, with $200.00 of the fine credited towards the long term parking annual permit.

ANNUAL HARBOR MOORAGE FEES:

$43.49 per linear foot **with an increase of $0.05 per foot based on the following equation**, plus $50.00 administrative charge:

Permanent Moorage Rate	($ / foot)	$43.49 + ($0.05 x foot) x vessel length per foot / foot

The graduated increases shall cap at the 86 foot vessel size.

Reserved Stall - length of the float stall assigned, or overall length of vessel whichever is greater, plus $50.00 administrative charge.

Float Plane Fee - daily moorage rate of (2) 24' vessels shall be assessed on a daily basis for float planes or a monthly rate equal to the monthly rate for (2) 24' vessels.

PORT DOCKAGE FEES:

Dockage charges will be assessed based on lineal foot per calendar day or portion thereof as follows:

0' to 100'	$338.00	**451' to 475'**	$1,604.00	**651' to 675'**	$3,917.00
101' to 200'	$506.00	**476' to 500'**	$1,762.00	**676' to 700'**	$4,420.00
201' to 300'	$788.00	**501' to 525'**	$1,996.00	**701' to 725'**	$5,119.00
301' to 350'	$1,005.00	**526' to 550'**	$2,154.00	**726' to 750'**	$5,858.00
351' to 375'	$1,098.00	**551' to 575'**	$2,334.00	**751' to 775'**	$6,644.00
376' to 400'	$1,206.00	**576' to 600'**	$2,582.00	**776' to 800'**	$7,459.00
401' to 425'	$1,337.00	**601' to 625'**	$2,957.00		
426' to 450'	$1,490.00	**626' to 650'**	$3,443.00		

A service charge of $52 will be assessed to each vessel.

These charges are applicable to the “outer face” and “trestle berth” of Deep Water Dock and to all berthing locations on Pioneer Dock. The “inside berth” (berth No.2) of Deep Water Dock will have a 4-hour minimum dockage charge of 1/6 the daily rate, and a half day (up to 12 hours) docking charge of ½ the daily rate, with no service charge applicable.

WHARFAGE:

Minimum wharfage on any shipment will be ten dollars ($10). Except as otherwise specifically provided, rates are in dollars per short ton of 2,000 lbs. or per 40 cu. ft.

COMMODITY	WHARFAGE RATE
Freight N.O.S. (Not Otherwise Specified)	$7.96
Freight at barge ramp	$5.14
Poles, logs, cants or cut finished lumber per M.M.	$3.95/thousand board ft.

(Note: Industry standard conversion formulas shall be used in converting pounds to board feet measure.)

Logs that are unloaded at Port of Homer barge beaching site will be charged 50% of the wharfage rate applicable to outbound (export) shipment. However if these cargoes are not exported over Deep Water Dock with full payment of outbound wharfage within 60 days of unloading at the barge beaching site, then the additional 50% of wharfage will be owed and paid for inbound products.

Petroleum products (inbound and outbound)	$0.84/barrel $0.02 per gallon
Wood Chips (all grades)	$ as per contract
Seafood/fish product	Setting a tariff of $4.76 per ton of seafood/fish product across the dock, regardless of species.
Livestock: Horses, mules, cattle, hogs, sheep, goats, all other livestock	$10.12 per head
Fowl: Any kind, crated	$10.12 per crate

Boats:	Up to and including twenty (20) feet LOA	$15.66 each
	Over twenty (20) feet LOA	$1.60 per lineal ft.

(Fishing boats, pleasure craft, skiffs, dinghies and other boats moved over the docks.)

Demurrage: 0.09/sq. ft.

UPLANDS STORAGE:

Land for Gear Storage:

First come-first served basis; approved by Harbormaster; primarily for fishing related gear.

Open areas, fishing gear	0.12/ sq. ft.
Open areas, non-fishing gear	0.17/ sq. ft.

Boat Trailers:

Short term storage, up to 7 days - space available basis - no fee.

Long term storage, 8 days or more - not available May 1 to Oct 1

Up to 30 feet	$ 75.00/month Oct 1 to May 1

Over 30 feet $100.00/month Oct 1 to May 1

TIDAL GRIDS:

The City of Homer operates two tidal grids. The wooden grid is for vessels of less than 60 feet in length. The steel grid is only for use by vessels of 60 feet or greater in length. Vessels that remain on either grid after their scheduled tide may be assessed a 50% surcharge for each unscheduled tide. Use of the steel grid shall be charged at the minimum rate applicable for a 60' boat if a boat of less length is allowed to use this grid.

The rate per foot per tide is $1.05 for vessels 0' - 59'
The rate per foot per tide is $2.55 for vessels 60' - 80'
The rate per foot per tide is $3.25 for vessels 81' - 100'
The rate per foot per tide is $3.82 for vessels 101' - 120'
The rate per foot per tide is $4.24 for vessels 121' - 140'

WATER:

Potable water furnished to vessels at the Deep Water Dock and Main Dock:
Quantity charge - $38.81 per one thousand gallons (minimum five thousand gallons).
Scheduled deliveries will have a minimum charge of one hundred and two ($102.00) dollars for combined connection and disconnection.
Unscheduled deliveries will have a minimum charge of one hundred thirty nine dollars and thirty two cents ($139.32) for combined connection and disconnection.

ELECTRICITY (per kilowatt):

Reserved stalls having a meter base at the berth shall be charged a meter availability fee.
The meter availability fee - $23.95 per month
Connect/disconnect fee - $28.80

Metered transient vessels will be charged a meter availability fee of $28.80 per month with a one month minimum charge to be applied for shorter connection periods.
Connect/Disconnect fee 28.80. Unless other arrangements have been made in writing with the Harbormaster, transient vessels shall be charged the following rates (where metered power is unavailable).

	110 volt	220 volt	208 volt/3-phase
Daily (or part thereof)	$ 10.20	$ 20.12	$42.50
Monthly	$152.67	$341.70	available meter only

* Vessels requiring conversion plugs may purchase them from the Harbormaster's office for a nominal fee.

208 volt/3-phase electrical power is available at System 5 on a first come first served basis, for vessels will be charged the following rates:

1. There will be an electrical usage charge per kilowatt hour as determined by the local public utility:

2. Vessels will be charged a meter availability fee of $28.80 per month with a one month minimum charge to be applied for shorter connection periods.
3. There will be a $28.80 connect/disconnect fee.

TOWING:
Inside small boat harbor: Skiff with operator – 1/2 hour $68.00, Skiff with operator - 1 hour $102.00. Any additional personnel required will be charged at rate of $102.00 per hour each.

PUMPING VESSEL:
$40.79 per day or portion thereof for electrical pumps.
$69.97 per hour or portion thereof for gas pumps.

LABOR/PERSONNEL:
All labor provided by City personnel shall be charged at $102.00 per hour (1/2 hour minimum at $51.00). Work requiring callouts shall be charged at a minimum of two hours.

SPECIAL SERVICES:
Special services, including waste, bulk oil, or garbage disposal shall be billed at the City's actual cost plus 125% of city costs for services arranged for by the City but provided by others. Waste oil in quantities greater than 5 gallons, shall be charged a $3.35 per gallon handling and disposal fee.

REGULATED GARBAGE HANDLING FEE:
Contact the Homer Harbormaster office for a list of contractors certified to handle regulated garbage at the Port of Homer. Fees will be negotiated between the contractor and vessel managers.

SEARCH AND RESCUE FEES:
When the City utilizes city equipment and personnel to provide search and rescue assistance to vessels outside of the Homer Port and Harbor, such as towing and rescue, the Harbormaster will charge users of those services $102.00 per hour for skiff and operator for the first hour and for additional search and rescue assistance beyond one hour. Additional personnel will be charged at the rate of $102.00 per man per hour.

PUBLIC LAUNCH RAMPS:
Vessels shall be charged $13.00 per day to launch from the public launch ramps from April 1 through October 15. (Reserved stall lessees exempt for the boat assigned to and registered to the reserved stall only, not for other boats owned by the same individual.)

Vessel owners or operators may obtain a seasonal permit for $130.00 entitling a specific vessel and owner to launch from April 1 through October 15. (Reserved stall lessees exempt for the boat assigned to and registered to the reserved stall only, not for other boats owned by the same individual.)

BEACHES AND BARGE RAMP:

The use of beaches and barge ramp under the City ownership or control for commercial barge vessel repair, equipment loading or similar purposes, must be approved by the Harbormaster. A beach use agreement will be filled out and signed by the user and Harbormaster prior to use of the beach.

The Harbormaster shall charge a fee of $1.50 per foot based on the overall length of the vessel, for vessels landing or parking on the beaches under City ownership or control. This same rate shall apply to vessels using the barge ramp.

Charges for extended beach or barge ramp use may be adjusted by the Harbormaster under appropriate circumstances.

The user of any beach area or the barge ramp must repair any damage to the beach or ramp and remove all debris. Failure to make such repairs and removal will result in repairs and cleanup by the harbor staff. The costs incurred by the harbor staff will be fully charged to the beach user. Labor rate for the harbor staff will be one hundred and two dollars ($102.00) per hour per person, plus appropriate equipment rental and material costs.

Sandblasting of vessel hull is not permitted on City beaches or barge ramp; water blasting using pressures that result in removal of paint is also prohibited. No paint chips or other paint materials are to be put into the water as a result of any maintenance done on the beach or ramp.

FISH DOCK:

The Fish Dock is to be used primarily for the loading and unloading of fish, fish products and fishing gear.

Cranes located onboard the vessel moored at Fish Dock may be utilized for loading/unloading the vessel only with prior approval granted by the Harbor Officer on duty.

Every person using a crane on the Fish Dock shall first obtain a license from the City.

Blocking access to cranes	$150.00/hour
Unattended vessels	$150.00/hour

Failure to obtain prior approval for a use other than loading and unloading fish, fish products or fishing gear will result in the imposition of a surcharge of thirty ($30.00) dollars per hour in addition to the regular fee.

ITEM	FEE
Annual access	$52.00 per year
Card (private license)	(annual renewal fee)

Card replacement fee	$15.00 per occurrence
Cold Storage	$334.75/month
(Cold storage rate structure	$309/per month for two (2) consecutive months
is for storage area of eight (8) feet	
by ten (10) feet	$283.25/per month for three (3)
consecutive	
	months
	$275.50/per month for nine (9) month season
	Minimum one month rental
	Inspection $50/per hour
Bait Storage Fee (4x4x4)	
Per Day	$5.15
Per Week	$25.75
Per Month	$77.25
Ice Plant Bin Storage	$200/per month, minimum two (2) months
(Roofed over, open sided	
storage bins at west end of	
of ice plant building sixteen (16) feet	
by twelve (12) feet)	
Fish Dock crane	$90.64/per hour
Minimum charge per hour for crane	Fifteen minutes
Ice	$130.90/per ton
Seafood Wharfage/Fish product	Setting a tariff of $4.76 per ton of seafood/fish product across the docks. Regardless of species bait in quantities greater than one ton that is loaded onto a vessel at Fish Dock, shall be charged seafood wharfage.
Freight NOS, Nonfish Cargo	$14.50/per ton for cargo going over the Fish Dock.
Fish Waste Disposal Fees/Fish Grinder	$5.00/Tub
	$30.00/Tote

Fishing gear is free from wharfage, except as otherwise provided under a lease agreement, contract or operating agreement with the City of Homer, ice brought onto Fish Dock to be loaded into totes or transferred to boats at the dock, shall be charged wharfage at the Freight NOS rate, unless this is ice that was purchased from the City Ice Plant.

Minimum per hour charge for the cranes and cold storage inspection will be one quarter hour (fifteen minutes). All additional charges will be in one-quarter hour (fifteen minutes) increments.

MARINE REPAIR FACILITY:

User fees and vendor fees to be collected for use of the Homer Marine Repair Facility are as follows:

(1) Upland Dry Dockage use Fee per Month: $ 0.17 per square foot/ for vessels paying annual moorage in Homer harbor 0.20 per square foot for transient daily, monthly, semiannual moorage vessels
(2) Administration Fee per month of Dry Dockage uplands usage: $50.00
(3) Beach Landing Fee per calendar day: $1.50 per foot
(4) Vendor Fee per calendar year: $150.00
(5) Harbor Labor Fee: $102.00 per hour/$51.00 minimum

PASSED AND ADOPTED by the Homer City Council this 23rd day of May, 2016.

CITY OF HOMER

_____
MARY E. WYTHE, MAYOR

ATTEST:

_____
JO JOHNSON, MMC, CITY CLERK

Fiscal Impact: To be determined.

City of Homer
www.cityofhomer-ak.gov

Port and Harbor
4311 Freight Dock Road
Homer, AK 99603
port@cityofhomer-ak.gov
(p) 907-235-3160
(f) 907-235-3152

Memorandum 16-084

TO: MAYOR BETH WYTHE & HOMER CITY COUNCIL

FROM: PORT & HARBOR ADVISORY COMMISSION

THROUGH: BRYAN HAWKINS, PORT DIRECTOR/HARBORMASTER

DATE: MAY 13, 2016

SUBJECT: NEW MOORAGE RATE STRUCTURE

Background

As you know, the Port and Harbor Advisory Commission and Port and Harbor staff has been hard at work since 2011 on the subject of harbor moorage rate increases and fee structure changes with the goal of making Homer Harbor's moorage rates sustainable and equitable. The commission's first goal of rate increases and sustainability was completed by amending the Terminal Tariff with Resolution 14-115, annually increasing moorage rates to be consistent with the Consumer Price Index, and Resolution 15-072, have moorage fees increased 3.2% per year for ten consecutive years, both taking effect January 1, 2016.

The secondary goal regarding equitability and the application of the fee structure to harbor users was first studied in 2014 and a square foot model was discussed, but after much input from large vessel owners that a square foot model was unfair, they ultimately decided against it. The commission then began looking into a graduated liner method for applying the rates to harbor users. Resolution 15-073 was adopted by City Council on August 15, 2015, allowing the Port and Harbor to contact with Northern Economics to assist the Port and Harbor Commission and staff in developing a graduated moorage rate structure, accompanied by a linear method version for comparison.

Northern Economics prepared a final study on January 12, 2016 and presented their findings to staff and the commission at their regular meeting on January 27, 2016. They recommended two rate structures and different approaches to applying each option. The first recommended alternative, Alternative A, was a progressive graduated rate structure with tiers set at a constant interval of 5 feet and a rate increase between tiers starting at 1.0 percent and decreasing to 0.1 percent with larger vessel sizes. The second recommended alterative, Alternative B, was a progressive continuous rate structure in which the annual moorage rate is calculated using the following equation:

$$\text{Permanent Moorage Rate} \left(\frac{\$}{\text{foot}} \right) \frac{\$43.49 + (\$0.05 \times \text{foot}) \times \text{vessel length per foot}}{\text{foot}}$$

Two more discussions ~~and public hearings~~[1] were held on this topic and the commission came to a final consensus at their March 23, 2016 meeting and voted a unanimous yes to the following motion:

[1] Removed by Clerk Johnson 10/11/16

STOCKBURGER/DONICH MOVED TO ADOPT ALTERNATIVE B AT FIVE CENTS PER FOOT INCREASE AND CAP THE VESSEL SIZE AT 86 FEET.

As stated previously, the current Marina billing software cannot support a different billing method. This software is out of date and falling further and further behind in supplying our needs; Harbor Staff has been working on finding a replacement software program, so far realizing that there is not a program currently on the market that fits our needs and we will have to have a custom program made. Staff is still hoping to resolve this issue before the end of the year so a new rate structure can be implemented by January 1, 2017.

Recommendation

Approve Resolution 16-054 amending the City of Homer Fee Schedule and Resolution 16-055 amending the Port of Homer Terminal Tariff No. 600 to change from the standard per linear foot moorage rate structure to a graduated rate structure of $0.05 increase per linear foot, based on the given equation, and cap the increases at the 86 foot vessel size. This new rate structure shall take effect January 1, 2017. An extension will be requested by Port and Harbor staff if there is a delay in implementing the new Marina billing software.

Attached: Resolution 14-115 Amending Terminal Tariff to Include Annual CPI Moorage Rate Increases
Resolution 15-072 Amending Terminal Tariff to Include 3.2% Moorage Rate Increases for 10 Years
Resolution 15-073 Approving the 3.2% Moorage Rate Increase & to Contract with Northern Economics for a Harbor Rate Structure Study
Northern Economics Moorage Rate Structure Study dated January 12, 2016
Port & Harbor Advisory Commission Meeting Minutes dated March 23, 2016 Re: Pending Business – Harbor Rates

CITY OF HOMER
HOMER, ALASKA

City Clerk

RESOLUTION 14-115

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING THE PORT OF HOMER TERMINAL TARIFF NO. 600 MOORAGE RATES.

WHEREAS, Fees are reviewed annually during the budget cycle; and

WHEREAS, The Port and Harbor Advisory Commission discussed and recommended that the harbor moorage rates should be increased to the Port of Homer Terminal Tariff No. 600, consistent with the Consumer Price Index.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby amends the Port of Homer Terminal Tariff No. 600 as follows:

RULE: 34.18 - HARBOR MOORAGE RATES (A)
EFF: 01JAN2013
SUBSECTION 200

(a) CALCULATION OF MOORAGE RATES:

Mooring charges shall commence when a vessel is made fast to a wharf, pier, harbor float or other facility, or when a vessel is moored to another vessel so berthed (rafting). Charges shall continue until such vessel is completely free from and has vacated the port and harbor facilities.

A vessel moored at any time between 12:01 A.M. and 10:00 A.M. shall be charged a full day's moorage. The Harbormaster may, in his discretion and with proper and appropriate advance notice, waive a daily rate for a vessel that will occupy mooring space for a minimum time and, provided that the Harbormaster determines the use of the public facilities by others will not be congested or adversely affected.

Mooring charges shall be calculated on the length of the vessel, or in the case of a reserved stall, the length of the float stall assigned, whichever is greater.

Length shall be construed to mean the distance expressed in feet from the most forward point at the stem to the aftermost part of the stern of the vessel, measured parallel to the base line of the vessel. The length shall include all hull attachments such as bowsprits, dinghies, davits, etc.

PORT AND HARBOR OF HOMER 4350 HOMER SPIT ROAD HOMER, ALASKA 99603 PHONE: 907.235.3160 TERMINAL TARIFF NO. 600	FMC NO. 600	PAGE	35
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RULE: 34.18 - HARBOR MOORAGE RATES
(continued)

For billing purposes, when the actual length of the vessel is not immediately available, length of the vessel as published in "Lloyd's Register of Shipping" may be used. The City of Homer reserves the right to: (1) obtained the length from the vessel's register, or (2) measure the vessel.

All vessels in the harbor are subject to these rates, except properly registered seine skiffs or work skiffs attached to the mother vessel. Work skiff is defined as a boat that is usually carried on the deck or super structure of the mother vessel and is regularly used in the commercial enterprise of the mother vessel.

(b) ANNUAL MOORAGE FEE:

The annual moorage fee for reserved moorage and transient moorage privileges shall be ~~forty dollars and fifty cents~~ **forty-one dollars and seventy cents** (~~$40.50~~ **$41.70**) per lineal foot based on the overall length of the vessel (including all hull attachments such as bowsprits, davits, dinghies, swimsteps etc.) plus a fifty dollar ($50.00) administration charge; or for a reserved stall, the length of the finger float stall assigned, or the overall length of the vessel, whichever is greater plus a fifty dollar ($50.00) administration charge.

Any reproduction in the moorage fee due to a substituted or amended moorage agreement is not applied retroactively and the owner or operator is not entitled to a refund or a pro-rata adjustment of the moorage fees already due or paid. Any moorage agreement that expires will, after five days, automatically be charged a monthly rate retroactive to the expiration date. Unregistered vessels will also, after 5 days, automatically be charged a monthly rate retroactively to the date the vessel entered the harbor.

(1) All reserved stall assignments are on an annual basis beginning October 1 and ending September 30 of the following year. Prepayment of a full year's moorage is due on or before October 1 of each year. Payment for reserved moorage will only be accepted from the individual assigned the reserved stall. The reserved stall payment shall be paid in full at the time the reserved stall/moorage agreement is executed to the satisfaction of the Harbormaster. Any other arrangements are at the discretion of the Harbormaster and must be

made in advance.

PORT AND HARBOR OF HOMER 4350 HOMER SPIT ROAD HOMER, ALASKA 99603 PHONE: 907.235.3160 TERMINAL TARIFF NO. 600	FMC NO. 600	PAGE	36
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RULE: 34.18 - HARBOR MOORAGE RATES
(continued)

(2) A reserved stall assignment granted after October 1 will be charged a fee based on the number of months (including the month which it is granted regardless of the day of the month) left in the fiscal year ending September 30.

(c) A semiannual transient rate is available on a prepaid basis only for transient vessels mooring in the Small Boat Harbor for a period of six consecutive months. The transient semiannual rate is 67% of the annual rate. Vessels that to not renew will automatically be charged the monthly rate.

(d) The monthly transient rate will be 17% of the annual rate. Vessels that are properly registered and pay all moorage fees in advance may deduct fifty cents($.50) per foot per month.

(e) The daily transient rates are: 3% of the annual rate.
Vessels that properly register and pay all moorage fees in advance may deduct five dollars per day from the daily rate.

(f) FLOAT PLANE FEES:
With proper registration and specific permission from the Harbormaster, float planes may arrange for short-term moorage in the Small Boat Harbor. This is only allowed when ice and weather conditions prevent float planes from landing on Beluga Lake.

A fee in the amount equal to the daily rate for moorage of two (2) 24' vessels shall be assessed on a daily basis for float planes mooring within the confines of the Small Boat Harbor. A monthly rate in the amount equal to the monthly rate for two 24' vessels shall be assessed for float plane moorage for longer periods, and the moorage charge computed for a float plane's stay in the harbor shall be the lowest total charge resulting from the application of either the daily or the monthly rate indicated.

PASSED AND ADOPTED by the City Council of Homer, Alaska, this 8th day of December, 2014.

CITY OF HOMER

MARY E. WYTHE, MAYOR

ATTEST:

JO JOHNSON, MMC, CITY CLERK

Fiscal Note: N/A

CITY OF HOMER
HOMER, ALASKA

Lewis/
Port and Harbor Advisory Commission

RESOLUTION 15-072

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING THE PORT OF HOMER TERMINAL TARIFF NO. 600 AND THE CITY OF HOMER FEE SCHEDULE ANNUAL MOORAGE RATES.

WHEREAS, City Council Resolution 06-100 resolves to establish a goal of gradually, over ten years, attaining a cash balance in depreciation reserve accounts equal to 40% of depreciable capital assets (excluding land); and

WHEREAS, In November 2012, the Homer City Council allocated $20,000 for the purpose of a port and harbor fee and tariff rate study; and

WHEREAS, In May 2013 an RFP was issued requesting proposals from qualified firms to enter into a contract to conduct the study; and

WHEREAS, The contract was awarded to Northern Economics who completed the work in November 2013; and

WHEREAS, Northern Economics presented the report to the City Council in December, 2013 and forward the report to the Port and Harbor Commission with the direction to review and implement; and

WHEREAS, The Commission determined to focus on the harbor rates as its first priority of recommendations of the report; and

WHEREAS, Northern Economics recommended either a square foot method or a graduated linear foot method (the per foot moorage rate increases as vessels become longer) to achieve a fair and equitable distribution of moorage fees; and

WHEREAS, The Commission considered and rejected a square foot method to achieve the rate increase over a ten year period; and

WHEREAS, The Commission has selected the graduated linear foot method as its preferred alternative to achieve a fair and equitable rate distribution; and

WHEREAS, The Commission has determined it necessary to increase rates at 3.2% per year for the next ten years, plus the annual consumer price index (CPI) to achieve the financial goal; and

WHEREAS, The Commission held an open house on April 22 and a public hearing on June 24 to receive testimony.

NOW, THEREFORE, BE IT RESOLVED that the Homer City Council hereby amends the Port of Homer Terminal Tariff No. 600 and the City of Homer Fee Schedule for annual moorage fees to include a 3.2% moorage fee increase per year in addition to the annual CPI increase effective January 1, 2016 and;

BE IT FURTHER RESOLVED that a graduated linear foot rate structure be developed, along with its implementation schedule in time for its use in assessing moorage rates effective January 1, 2017.

PASSED AND ADOPTED by the Homer City Council on this ~~10th~~ 24th day of August, 2015.

CITY OF HOMER

Mary E. Wythe

MARY E. WYTHE, MAYOR

ATTEST:

Melissa Jacobsen Acting City Clerk

JO JOHNSON, MMC, CITY CLERK

Fiscal Note: N/A

CITY OF HOMER
HOMER, ALASKA

Lewis/
Port and Harbor Director

RESOLUTION 15-073

A RESOLUTION OF THE HOMER CITY COUNCIL AWARDING A CONTRACT IN AN AMOUNT NOT TO EXCEED $20,000 TO NORTHERN ECONOMICS TO PREPARE A GRADUATED RATE STRUCTURE, AND ALSO LINEAR RATE STRUCTURE FOR COMPARISON, AMENDING THE PORT OF HOMER TERMINAL TARIFF MOORAGE RATES TO INCORPORATE A 32% RATE INCREASE OVER TEN YEARS TO FUND THE PORT AND HARBOR RESERVES AS RECOMMENDED IN THE NORTHERN ECONOMICS NOVEMBER 2013 RATE STUDY; AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE APPROPRIATE DOCUMENTS.

WHEREAS, The Port and Harbor Advisory Commission held a worksession on April 8, 2014 to review and discuss the Port and Harbor Rate Study prepared by Northern Economics; and

WHEREAS, The Commission has addressed the Port and Harbor Rate Study at each of their regular meetings since then, considering a square foot methodology of assessing rates and also a straight linear method; and

WHEREAS, The Commission received input from large vessel owners that the square foot methodology put an unfair burden on their class of vessel; and

WHEREAS, The Commission brought forward a linear rate increase and received input from small vessel owners that supported considering a graduated methodology that would spread the cost more fairly among vessel classes; and

WHEREAS, Harbor staff suggested and the Commission agreed they have done as much as they can developing a rate structure that is perceived as fair and equitable and that Northern Economics has the experience to develop a graduated rate structure for the Commission to consider.

NOW, THEREFORE, BE IT RESOLVED that the Homer City Council hereby awards a contract in an amount not to exceed $20,000 to Northern Economics to prepare a graduated rate structure, and also linear rate structure for comparison, amending the Port of Homer Terminal Tariff Moorage Rates to incorporate a 32% rate increase over ten years to fund the Port and Harbor Reserves as recommended in the Northern Economics November 2013 Rate Study and authorizing the City Manager to execute the appropriate documents.

PASSED AND ADOPTED by the Homer City Council on this 10th day of August, 2015.

CITY OF HOMER

MARY E. WYTHE, MAYOR

ATTEST:

JO JOHNSON, MMC, CITY CLERK

Fiscal Note: $20,000 funded under account 400.600

Northern Economics

Memorandum

Date: January 12, 2016

To: Bryan Hawkins, Port Director, City of Homer

From: Northern Economics, Inc.

Re: Homer Harbor Rate Structure

This memo evaluates alternative rate structures for the Homer Harbor. Homer's current moorage rate structure is a flat fee charged per linear foot of vessel length or stall length, whichever is greater. The City of Homer is interested in investigating graduated rate structures in which the rate charged per foot would vary by vessel size. The purpose of this study is to provide an objective analysis of alternative rate structures and options for Homer Harbor.

Recommendations

Based on the findings of this rate structure analysis, Northern Economics makes the following recommendations to be considered by the Port and Harbor Commission.

Recommended alternatives

Northern Economics recommends two rate structure alternatives to be moved forward for further discussion and evaluation by the Port and Harbor Commission. The first recommended alternative, Alternative A, is a progressive graduated rate structure with tiers set at a constant interval of 5 feet and a rate increase between tiers starting at 1.0 percent and decreasing to 0.1 percent with larger vessel sizes. The second recommended alterative, Alternative B, is a progressive continuous rate structure in which the annual moorage rate is calculated using the following equation:

$$Permanent\ Moorage\ Rate\ \left(\frac{\$}{foot}\right) = \frac{\$43.19 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

The recommended alternatives were selected from a list of five rate structure options that exemplify the most common trends found throughout the rate structures sampled for this study.

Two different approaches to applying the recommended alternatives have also been identified. The first approach is a rate structure that starts at a minimum vessel length of 6 feet and progresses consistently out to 200 feet, the maximum vessel length serviced by the harbor, similar to the current flat rate structure. The second approach is to place a cap on the rate structure for vessels that are too large to fit into a stall and instead must side tie to a transit raft. This second approach would result in a progressive rate for vessels up to 86 feet in length and a flat rate for larger vessels that are required to use a transient raft instead of a stall. The second approach is aimed at adjusting the rate structure for the different level of service provided to vessels that use a stall compared to vessels using the transient raft.

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User group differentiation

Some of the harbors sampled in the rate structure review charge different rates based on the user type, typically differentiating between recreational and commercial users. The harbors that implemented different user-based rate structures typically catered strongly to a single user group, most commonly commercial fishing, unlike Homer's harbor which accommodates a variety of user groups. Reduced rates for commercial users are often subsidized by other local government departments through transfers and are used as a tool to increase sales tax revenues and job creation within the community or a specific industry. Northern Economics does not recommend that Homer adopt a user-based rate structure at this time since the harbor serves a diverse group of users and does not receive any financial benefits from the city for sales tax revenues its users generate

Continue to offer discounts for longer reserved moorage

Homer Harbor currently offers discounts for yearly, semi-annual, and monthly billing cycles for reserved moorage. These discounts help to reduce administrative costs associated with billing and collecting reserved moorage fees and assist in managing cash flows within the harbor. Northern Economics recommends maintaining this practice under the selected rate structure.

Transition over multiple years

Northern Economics recommends transitioning to the selected rate structure over multiple years to mitigate steep increases in moorage rates that could potentially shock the market and negatively impact demand. Continued annual increases based on the change in the Anchorage Consumer Price Index (CPI), as well as the 3.2 percent annual increased established by Resolution 15-072, should also be factored into the transition plan. Due to the progressive nature of the recommended alternative rate structures, vessels with longer lengths may require a longer transition period than smaller vessels. Table 1 illustrates an example of a transition plan for the two recommended alternatives. This example uses the average annual increase in CPI between 2010 and 2014, 2.3 percent, as a proxy for future annual CPI-based rate adjustments. The columns for years 1 through 7 show the annual percentage increase in moorage rates during the example transition plans. The shaded cells indicate years in which an additional rate increase is added to the annual CPI and Resolution 15-072 rate adjustment to bring the current flat rate structure in line with the recommended alternatives.

Table 1. Example Transition Plan: Percent Increase in Moorage Rate by Year

Alternative	Vessel Length (ft)	% Change From Flat	Res. 15-072 Increase	Average Increase in CPI (%)	Moorage Rate Increase (%) by Year						
					1	2	3	4	5	6	7
Alternative A	18	1.0	3.2	2.3	6.5	5.5	5.5	5.5	5.5	5.5	5.5
	32	3.9	3.2	2.3	7.5	7.5	5.5	5.5	5.5	5.5	5.5
	54	7.5	3.2	2.3	8.0	8.0	8.0	5.5	5.5	5.5	5.5
	86	13.1	3.2	2.3	8.1	8.1	8.1	8.1	8.1	5.5	5.5
	112	16.4	3.2	2.3	8.2	8.2	8.2	8.2	8.2	8.2	5.5
Alternative B	18	1.4	3.2	2.3	6.9	5.5	5.5	5.5	5.5	5.5	5.5
	32	3.0	3.2	2.3	7.0	7.0	5.5	5.5	5.5	5.5	5.5
	54	5.5	3.2	2.3	7.3	7.3	7.3	5.5	5.5	5.5	5.5
	86	9.2	3.2	2.3	7.8	7.8	7.8	7.8	5.5	5.5	5.5
	112	12.2	3.2	2.3	7.9	7.9	7.9	7.9	7.9	5.5	5.5
Current Structure	18	-	3.2	2.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	32	-	3.2	2.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	54	-	3.2	2.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	86	-	3.2	2.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	112	-	3.2	2.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5

Table 2 shows the annual moorage fees that would result from the transition plan illustrated in Table 1. The transition plan takes place over six years for Alternative A and five years for Alternative B with a maximum annual increase in annual moorage rates of 8.2 percent when the annual CPI-based adjustments and Resolution 15-072 annual increases are factored in.

Table 2. Example Transition Plan- Annual Moorage by Year

Alternative	Vessel Length (ft)	Annual Moorage Fee ($) by Year							
		Current	1	2	3	4	5	6	7
Alternative A	18	782.82	833.70	879.56	927.93	978.97	1,032.81	1,089.62	1,149.55
	32	1,391.68	1,495.40	1,606.85	1,695.23	1,788.47	1,886.83	1,990.61	2,100.09
	54	2,348.46	2,536.63	2,739.87	2,959.41	3,122.17	3,293.89	3,475.06	3,666.18
	86	3,740.14	4,043.95	4,372.44	4,727.61	5,111.63	5,526.85	5,830.83	6,151.52
	112	4,870.88	5,271.95	5,706.05	6,175.89	6,684.42	7,234.82	7,830.54	8,261.22
Alternative B	18	782.82	836.68	882.69	931.24	982.46	1,036.49	1,093.50	1,153.64
	32	1,391.68	1,489.02	1,593.17	1,680.80	1,773.24	1,870.77	1,973.66	2,082.21
	54	2,348.46	2,520.83	2,705.84	2,904.44	3,064.18	3,232.71	3,410.51	3,598.09
	86	3,740.14	4,031.85	4,346.31	4,685.29	5,050.72	5,328.50	5,621.57	5,930.76
	112	4,870.88	5,257.50	5,674.80	6,125.23	6,611.41	7,136.18	7,528.67	7,942.75
Current Structure	18	782.82	825.88	871.30	919.22	969.78	1,023.11	1,079.39	1,138.75
	32	1,391.68	1,468.22	1,548.97	1,634.17	1,724.05	1,818.87	1,918.91	2,024.45
	54	2,348.46	2,477.63	2,613.89	2,757.66	2,909.33	3,069.34	3,238.16	3,416.26
	86	3,740.14	3,945.85	4,162.87	4,391.83	4,633.38	4,888.21	5,157.07	5,440.70
	112	4,870.88	5,138.78	5,421.41	5,719.59	6,034.17	6,366.05	6,716.18	7,085.57

Once a transition plan is developed, Northern Economics recommends publishing planned rate increases a few year in advance to allow vessel owners to plan ahead and make necessary adjustments to absorb the moorage rate increases.

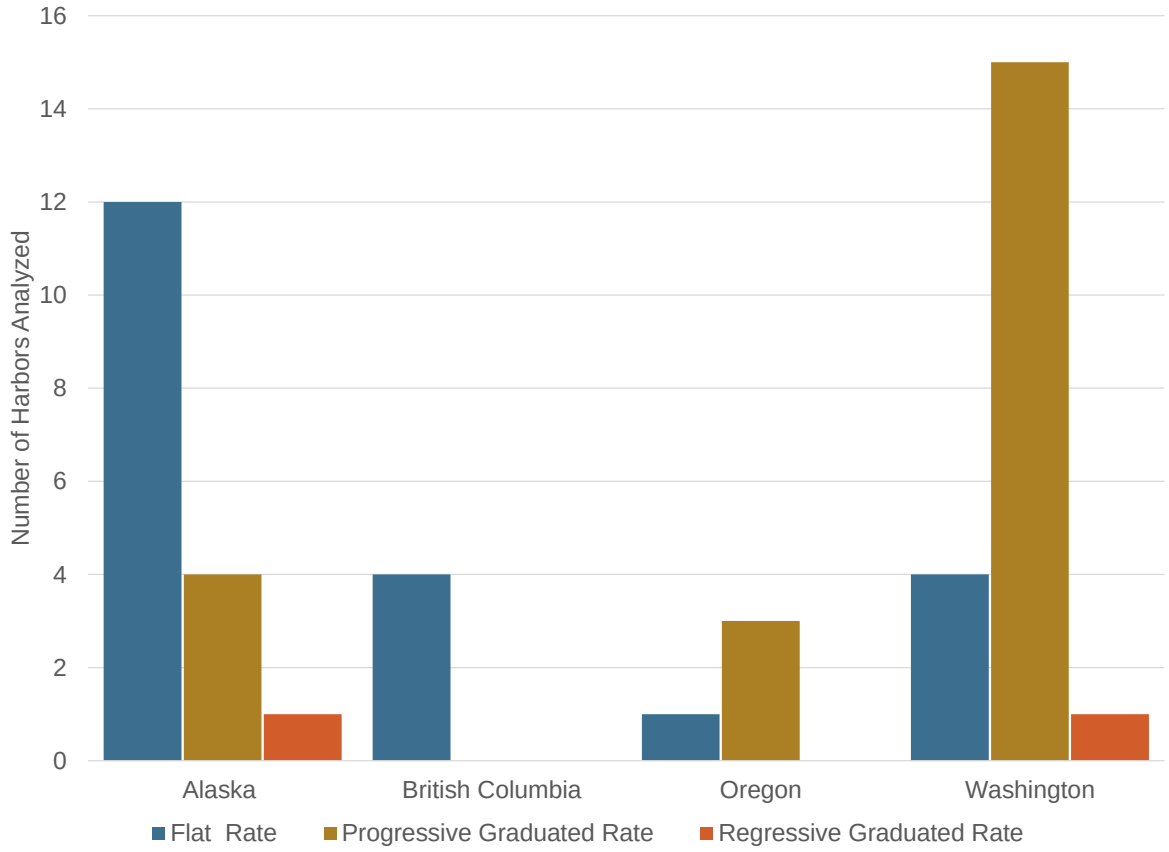
Rate Structure Review

Northern Economics analyzed the permanent moorage rate structures of 45 harbors across Alaska, British Columbia, Washington, and Oregon. Three distinct rate structures were identified within these harbors:

- **Flat Rate:** moorage rate per foot is constant, regardless of vessel or slip size.
- **Progressive Graduated Rates:** moorage rate per foot increases with the vessel or slip size.
- **Regressive Graduated Rates:** moorage rate per foot decreases with the vessel or slip size.

Of the 45 rate structures analyzed, 22 had flat rates and 23 had graduated rates. Of those with graduated rates, 21 were progressive and 2 were regressive. Figure 1 illustrates the distribution of the harbors analyzed by location and rate structure type. While flat rate structures are most common among Alaska harbors, both progressive and regressive rate structures are also being used in the state. Graduated rate structures are prevalent in Oregon and Washington.

Figure 1. Frequency of Rate Structure Types by Location



Source: websites and rate sheets collected from harbors

Table 3 lists the harbors analyzed in this study with the details about their graduated rate structures. These data were used as the basis for the five rate structure options and resulting recommended alternatives presented in this report.

Table 3. Graduated Rate Structures by Port

Port[a]	State	Graduation	Tier Size (ft)	Rate Change per Tier (%)	Transient Structure
Astoria	OR	Progressive	9	3-10	Graduated
Bainbridge	WA	Progressive	8	6-9	Graduated
Ballard Mill	WA	Progressive	2-8	6-9	Only offer Monthly
Bandon	OR	Progressive	various	$0.01[b]	Graduated
Bellingham	WA	Progressive	3-11	2-17	Graduated
Blaine	WA	Progressive	3-14	1-16	Flat Rate
Bremerton	WA	Progressive	4	2-9	Flat Rate
Dana Point	OR	Progressive	5	2-22	Flat Rate
Elliot Bay	WA	Progressive	2-10	2-9	Flat Rate
Everett	WA	Progressive	2-5	5-22	Permanent + Flat Fee
Fishermen's Terminal	WA	Progressive	10	1-9	Graduated
Friday Harbor	WA	Progressive	2-10	1-2	Graduated
Haines	AK	Progressive	40	$6[c]	Flat Rate
Kennewick	WA	Regressive	5-20	1-25	Flat Rate
Kodiak	AK	Progressive	20	7-20	1/60 of Annual
Olympia	WA	Progressive	8	4-13	Flat Rate
Petersburg	AK	Progressive	8-12	11-15	Flat Rate
Port Angeles	WA	Progressive	10	6-9	Graduated
Port Townsend	WA	Progressive	2-5	1-8	Flat Rate
Shilshole Bay	WA	Progressive	2-10	1-16	Graduated
Tacoma	WA	Progressive	2	various	Only offer Monthly
Thorne Bay	AK	Regressive	5-13	1-2	Graduated
Unalaska	AK	Progressive	10	7-23	Graduated

Notes:
[a] Harbors with flat rate structures are not included in the table. These harbors included Brentwood Bay (BC), Chenega Bay, Comox (BC), Cordova, Dillingham, Grays Harbor (WA), Juneau, Kalama (WA), Ketchikan, Kingston (WA), Nanaimo (BC), Nome, Poulsbo (WA), Seward, Sitka, Skagway, Toledo (OR), Valdez, Whittier, and Wrangell.
[b] Rate structure uses a $0.01 increase between tiers instead of a consistent percent change between tiers
[c] Rate structure uses a $6 increase between tiers instead of a consistent percent change between tiers
Source: Websites and rate sheets collected from harbors.

Separate rate structures for transient and permanent moorage were common throughout the rate structures sampled, but the structure of transient moorage and premium over the permanent rate varied significantly between ports. In all cases, daily transient moorage rates were higher than the permanent moorage rates. Some harbors apply a separate graduated rate structure for transient moorage, but there were also a number of harbors that use a flat rate structure for transient moorage.

Rate Structure Options for Homer

Within graduated rate structures there are two main variables that can be manipulated to produce a customized rate structure. The first is the size and number of tiers within the graduated scale. These tiers can be set to a single uniform size or vary based on vessel size, slip size, or demand. Often tiers are matched with fleet or infrastructure characteristics, such as slip sizes, popular recreational vessels, or species-specific commercial fishing vessel lengths. The second variable is the extent of change

between tiers. The degree of change between tiers may be constant or vary across tiers. Often the rate change is proportional to the size of the tiers.

Based on the rate structure review, Northern Economics developed five rate structure options that illustrate the most common attributes found in the graduated rate structures sampled. These structure options illustrate how a graduated rate structure could be applied to Homer.

Option 1: A progressive graduated rate structure in which the tiers correspond to the slip sizes available in Homer Harbor. The rate increase for each tier ranges from 2 to 5 percent and increases at a decreasing rate.

Option 2: A progressive graduated rate structure with smaller tiers set at a constant interval of 5 feet. The rate increase for each tier ranges from 1.0 to 0.1 percent and increases at a decreasing rate.

Option 3: A progressive graduated rate structure with fewer tiers set at a constant interval of 20 feet. The rate increase for each tier ranges from 4 to 10 percent and increases at an increasing rate

Option 4: A regressive graduated rate structure with tiers set at a constant interval of 10 feet. The rate decrease for each tier ranges from 1 to 4 percent and decreases at an increasing rate.

Option 5: A progressive continuous rate structure in which the annual moorage rate is calculated using the following equation:

$$Permanent\ Moorage\ Rate\ \left(\frac{\$}{foot}\right) = \frac{\$43.19 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

To narrow down the five options presented above, Northern Economics considered the pros and cons of each rate structure and how well each option could be adapted to fit Homer Harbor. Table 4 summarizes the pros and cons identified for each rate structure option.

Table 4. Rate Structure Options Pros and Cons

Rate Structure	Pros	Cons
Option #1	Tiers are directly tied to the infrastructure used (slip size)	Larger tiers and bigger rate jumps between tiers
Option #2	Smaller tiers and rate increases, facilitating a smoother transition between tiers	Incentivizes vessel owner to try to fit into the lowest tier possible
Option #3	Simple rate structure with few tiers	Large tiers and big rate jumps between tiers
Option #4	Reduces rates for larger vessels	Does not reflect the cost of accommodating larger vs. smaller vessels
Option #5	Logical and justifiable rates charged per foot of vessel length	Very detailed rate sheets needed for successful implementation

Tier Size

One of the main differentiating factors between the five rate structure options presented above is tier size. Option 3 has the largest tiers (20 feet), followed by Option 1 (corresponding with slip size, ranging from 2 to 25 feet) and Option 4 (10 foot). Option 2 has the smallest tier size (5 feet). Option 5 employs a continuous rate that effectively has a tier size of 1 foot.

Transitioning from a flat rate structure to a graduated rate structure that uses fewer but larger tiers may be seen as a drastic change and cause some dissention among customers whose vessels are close to the transition points between tiers. Larger rate increases between tiers may also been seen as biased towards smaller vessel sizes or a specific user group. For these reasons, Northern Economics recommends implementing a rate structure that uses smaller tier sizes.

Regressive vs Progressive

The majority of the graduated rate structures sampled are progressive, meaning that they employ an increasing rate change between tiers. Progressive rates reflect the logic that larger vessels requiring larger turning basins and exert more force on harbor infrastructure, resulting in decreased utilization of the harbor basin and more wear and tear on facilities than smaller vessels. Larger vessel owners are thus charged a higher rate per foot to account for the increased costs associated with infrastructure designed to accommodate their vessels.

Regressive graduated structures were the least common structure found within the sample. Regressive structures are often used at harbors that want to attract larger vessels to fill available capacity or attract commercial vessels that bring in additional revenue to local governments through other taxes or fees. Homer Harbor currently has a waiting list, attracts a diverse range of harbor users and vessels sizes, and does not receive a financial benefit from the City of Homer's tax revenues. For these reasons Northern Economics does not recommend a regressive rate structure for Homer Harbor.

Recommended Alternative Rate Structures for Homer

Based on the criteria discussed above, Northern Economics recommends Options 2 and 5 as potential alternative rate structures for Homer Harbor. Moving forward, Option 2, a progressive rate structure with smaller tiers and rate increases, will be referred to as Alternative A and Option 5, the continuous progressive rate structure, will be referred to as Alternative B.

Northern Economics developed rate tables for each alternative, shown in Table 5 and Table 6, using the 2016 flat rate of $43.49 per foot as the starting point for each structure.

Table 5 contains the rate structure for Alternative A, a progressive graduated structure using consistent 5-foot tiers. The rate changes between tiers increases incrementally at a decreasing rate between 1.0 percent and 0.1 percent. Under Alternative A, annual moorage for a 30 foot vessel would be $1,343.24, which is 53 percent more than the annual moorage for a 20 foot vessel. Compared to the 2016 flat rate structure, the annual moorage under alternative A for a 30 foot vessel would increase by just over 3 percent.

Table 5. Rate Table, Alternative A

Vessel Size	% Increase in Tier	Annual Rate ($/foot)
0-15	-	43.49
16-20	1.00	43.92
21-25	0.98	44.35
26-30	0.95	44.77
31-35	0.93	45.19
36-40	0.90	45.60
41-45	0.88	45.99
46-50	0.85	46.39
51-55	0.83	46.77
56-60	0.80	47.14
61-65	0.78	47.51
66-70	0.75	47.86
71-75	0.73	48.21
76-80	0.70	48.55
81-85	0.68	48.88
86-90	0.65	49.19
91-95	0.63	49.50
96-100	0.60	49.80
101-105	0.58	50.08
106-110	0.55	50.36
111-115	0.53	50.62
116-120	0.50	50.88
121-125	0.48	51.12
126-130	0.45	51.35
131-135	0.42	51.57
136-140	0.40	51.77
141-145	0.37	51.97
146-150	0.35	52.15
151-155	0.32	52.32
156-160	0.30	52.48
161-165	0.27	52.62
166-170	0.25	52.75
171-175	0.22	52.87
176-180	0.20	52.98
181-185	0.17	53.07
186-190	0.15	53.15
191-195	0.12	53.22
196-200	0.10	53.27

Alternative B is a progressive continuous rate structure in which the annual moorage rate per foot increases consistently by $0.05 per foot. The rate is calculated according to the formula:

$$Permanent\ Moorage\ Rate\ \left(\frac{\$}{foot}\right) = \frac{\$43.19 + \frac{\$0.05}{foot} \times vessel\ length\ (feet)}{foot}$$

Table 6 displays the calculated annual moorage rates under Alternative B. The rate increase per foot for this alternative was developed to mirror the rates presented in Alternative A.

Table 6. Rate Table, Alternative B

Vessel Length (ft)	Annual Rate ($/ft)	Vessel Length (ft)	Annual Rate ($/ft)	Vessel Length (ft)	Annual Rate ($/ft)	Vessel Length (ft)	Annual Rate ($/ft)	Vessel Length (ft)	Annual Rate ($/ft)	Vessel Length (ft)	Annual Rate ($/ft)
6	43.49	40	45.19	74	46.89	108	48.59	142	50.29	176	51.99
7	43.54	41	45.24	75	46.94	109	48.64	143	50.34	177	52.04
8	43.59	42	45.29	76	46.99	110	48.69	144	50.39	178	52.09
9	43.64	43	45.34	77	47.04	111	48.74	145	50.44	179	52.14
10	43.69	44	45.39	78	47.09	112	48.79	146	50.49	180	52.19
11	43.74	45	45.44	79	47.14	113	48.84	147	50.54	181	52.24
12	43.79	46	45.49	80	47.19	114	48.89	148	50.59	182	52.29
13	43.84	47	45.54	81	47.24	115	48.94	149	50.64	183	52.34
14	43.89	48	45.59	82	47.29	116	48.99	150	50.69	184	52.39
15	43.94	49	45.64	83	47.34	117	49.04	151	50.74	185	52.44
16	43.99	50	45.69	84	47.39	118	49.09	152	50.79	186	52.49
17	44.04	51	45.74	85	47.44	119	49.14	153	50.84	187	52.54
18	44.09	52	45.79	86	47.49	120	49.19	154	50.89	188	52.59
19	44.14	53	45.84	87	47.54	121	49.24	155	50.94	189	52.64
20	44.19	54	45.89	88	47.59	122	49.29	156	50.99	190	52.69
21	44.24	55	45.94	89	47.64	123	49.34	157	51.04	191	52.74
22	44.29	56	45.99	90	47.69	124	49.39	158	51.09	192	52.79
23	44.34	57	46.04	91	47.74	125	49.44	159	51.14	193	52.84
24	44.39	58	46.09	92	47.79	126	49.49	160	51.19	194	52.89
25	44.44	59	46.14	93	47.84	127	49.54	161	51.24	195	52.94
26	44.49	60	46.19	94	47.89	128	49.59	162	51.29	196	52.99
27	44.54	61	46.24	95	47.94	129	49.64	163	51.34	197	53.04
28	44.59	62	46.29	96	47.99	130	49.69	164	51.39	198	53.09
29	44.64	63	46.34	97	48.04	131	49.74	165	51.44	199	53.14
30	44.69	64	46.39	98	48.09	132	49.79	166	51.49	200	53.19
31	44.74	65	46.44	99	48.14	133	49.84	167	51.54		
32	44.79	66	46.49	100	48.19	134	49.89	168	51.59		
33	44.84	67	46.54	101	48.24	135	49.94	169	51.64		
34	44.89	68	46.59	102	48.29	136	49.99	170	51.69		
35	44.94	69	46.64	103	48.34	137	50.04	171	51.74		
36	44.99	70	46.69	104	48.39	138	50.09	172	51.79		
37	45.04	71	46.74	105	48.44	139	50.14	173	51.84		
38	45.09	72	46.79	106	48.49	140	50.19	174	51.89		
39	45.14	73	46.84	107	48.54	141	50.24	175	51.94		

Effect of Rate Structures on Moorage Fees Paid by Vessel Owners

To demonstrate the impact of the alternative rate structures on vessel owners, Table 7 shows the annual moorage payment (not including sales tax and the administrative fee) for vessels ranging from 18 to 80 feet in length under the alternative rate structures and the 2016 flat rate of $43.49 per foot. The table also shows the percent change in moorage payments relative to the 2016 flat rate.

Table 7. Annual Moorage Revenue and Change by Alternative and Vessel Length

	Vessel Length (ft.)						
Rate Structure	**18**	**24**	**32**	**42**	**54**	**68**	**80**
				Annual Moorage Payment ($)			
Alternative A	790.65	1,064.48	1,446.04	1,931.76	2,525.47	3,254.74	3,883.86
Alternative B	793.62	1,065.36	1,433.28	1,902.18	2,478.06	3,168.12	3,775.20
2016 Flat Rate	782.82	1,043.76	1,391.68	1,826.58	2,348.46	2,957.32	3,479.20
				Change From 2016 Flat Rate (%)			
Alternative A	1.0	2.0	3.9	5.8	7.5	10.1	11.6
Alternative B	1.4	2.1	3.0	4.1	5.5	7.1	8.5

Figure 2 compares the 2016 annual flat rate per foot with the two recommended alternative rate structures.

Figure 2. Comparison of Alternative Rate Structures by Vessel Length

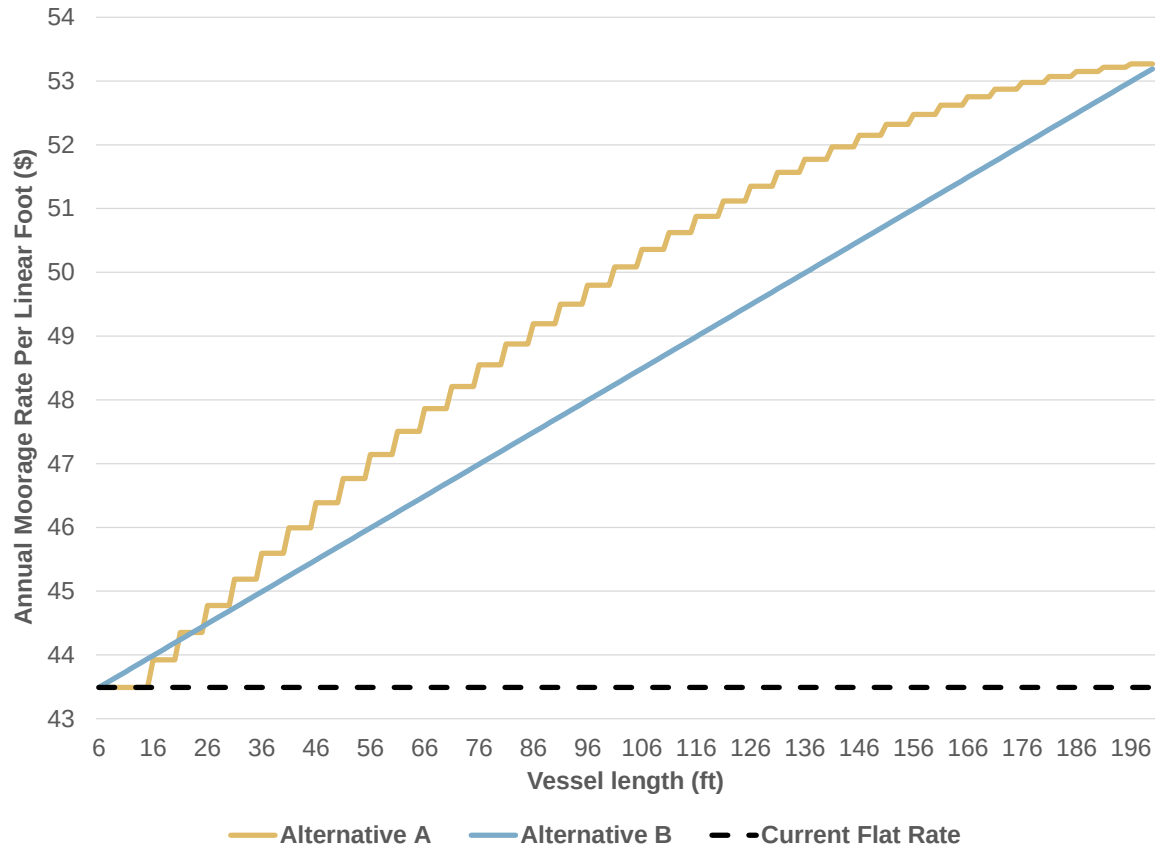
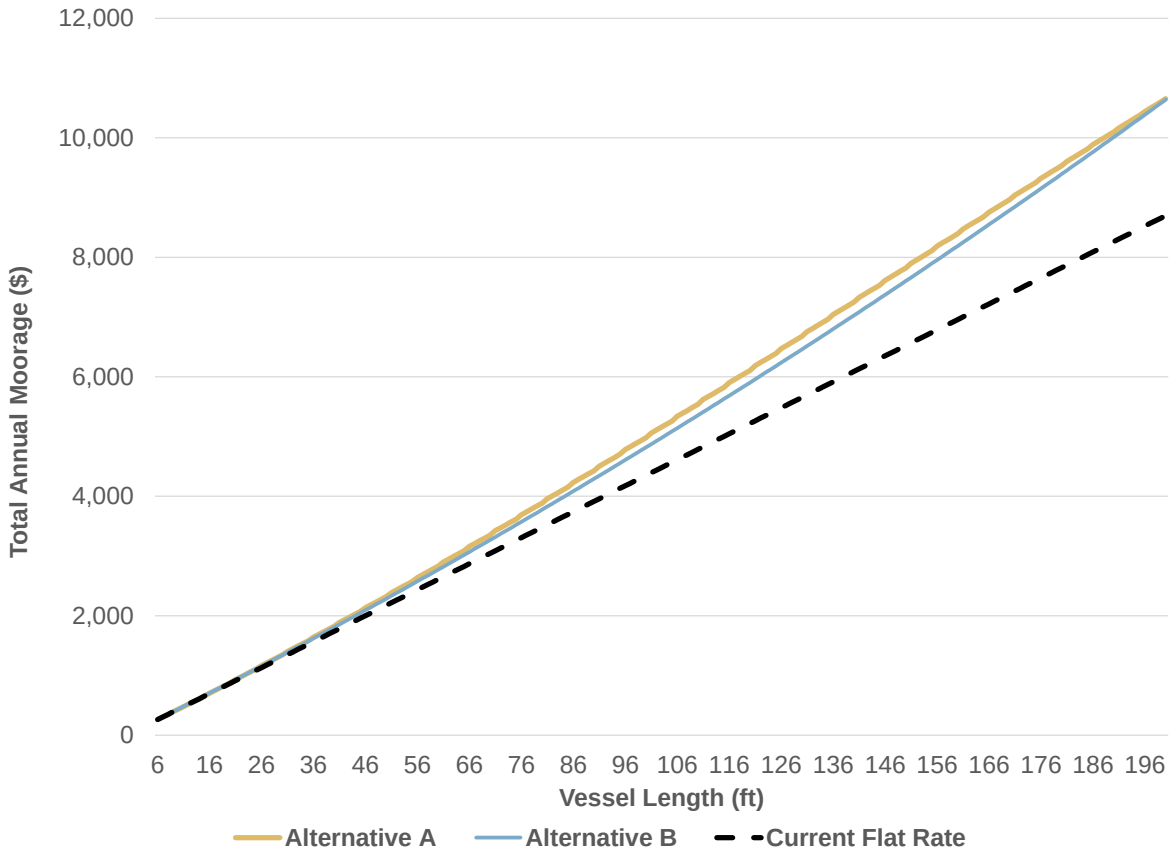


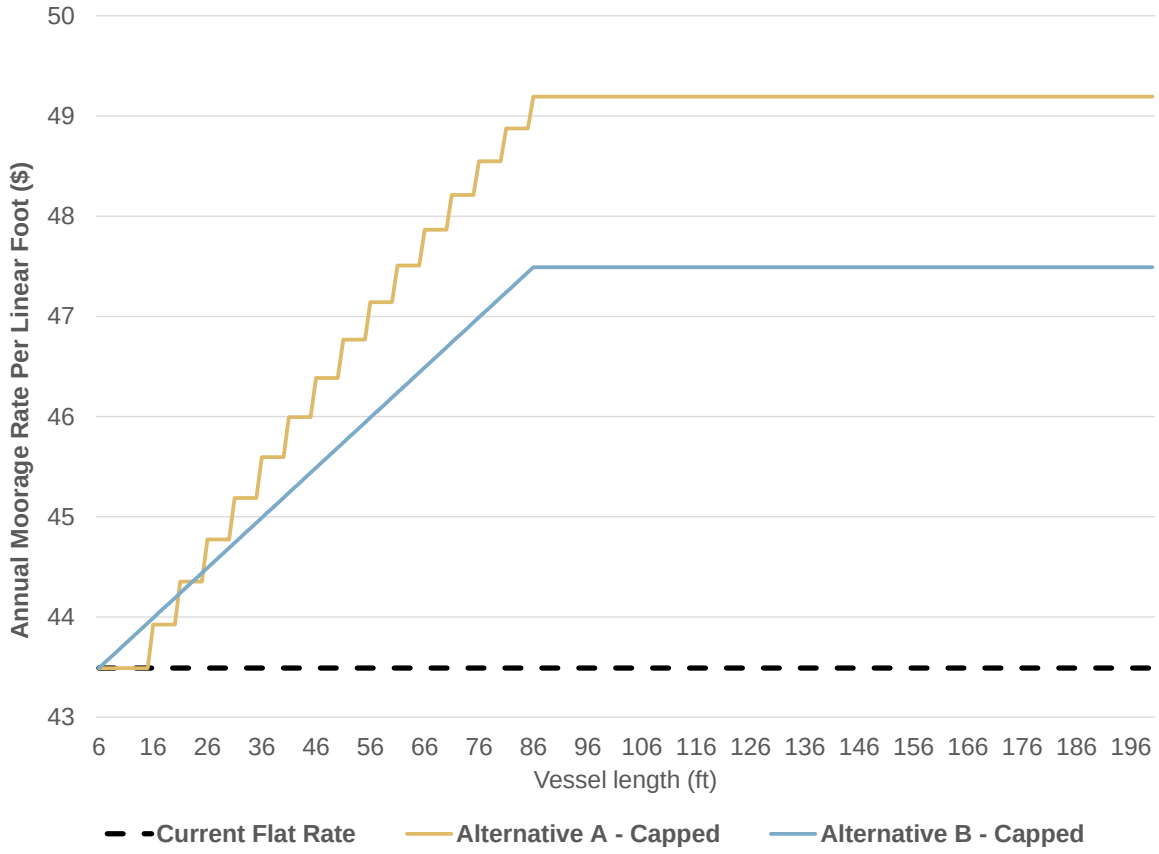
Figure 3 shows the total annual moorage by vessel length for the two recommended alternatives as well as the 2016 flat rate structure. Sales tax and administration fees are not included in the rates.

Figure 3. Comparison of Annual Moorage under Recommended Alternatives by Vessel Length



Homer Harbor has 883 stalls ranging from 18 feet to 75 feet and can accommodate vessels up to 86 feet in length. Vessels longer than 86 feet use the harbor by side tying to transit rafts. Due to the lower level of service offered to vessels at the transit rafts, one modification could be to add a cap on the annual rate for vessels over 86 feet in length. Figure 4 shows the two recommended alternatives with the rate cap.

Figure 4. Annual Moorage Rate under Recommended Alternatives with Cap



Differentiation by User Type

In addition to length-based rate structures, some harbors charge different rates based on the user type. Four harbors within the sample have class-based divisions, all of which are divided into recreational vessels and commercial vessels. Fishermen's Terminal in Seattle and Blaine Harbor in Bellingham each apply separate graduated rate structures for commercial and recreational vessels. In both cases, the monthly moorage rate per foot is significantly less, between 13 and 39 percent at Fishermen's Terminal and between 28 and 35 percent at Blaine Harbor for commercial vessels. The tiers used in the graduated rate structure for commercial vessels are also much larger than those used for recreational vessels. Commercial-specific rate structures are also set to accommodate larger vessels, with the first tiers ending at 80 feet under both rate structures.

The Port of Nanaimo and Comox Valley Harbor in British Columbia also charge separate moorage rates for commercial and recreational vessels. Both of these harbors use separate flat rate structures for each user type. Moorage for commercial vessels is 32 to 35 percent less than the moorage for recreational vessels at both of these harbors.

Table 8. Commercial Moorage Discounts by Harbor

Harbor	Rate Structure	Discount for Commercial Relative to Recreational (%)
Blaine	Graduated-Progressive	28-35
Comox	Flat Rate	34
Fishermen's Terminal	Graduated–Progressive	13-39
Nanaimo	Flat Rate	32-35

Source: Websites and rate sheets collected from harbors.

Both Fishermen's Terminal and Blaine Harbor require proof of active commercial fishing in order to qualify for the commercial rates. Fish tickets, landing permits, or fishing permits from the current or previous season are acceptable as proof of active commercial fishing. Both harbors emphasize that the vessel must be actively participating in commercial fishing activities and require that these documents be submitted every two years for long term tenants.

Blaine Harbor implemented a reduced rate structure for commercial vessels in 2011 in an effort to promote the local fishing and maritime trade community. Commercial users are subsidized through the Economic Development Fund. Blaine Harbor's goal in offering reduced commercial moorage is to attract vessels from other harbors, increase taxes paid to Whatcom County, and promote job creation within the community. After a review of its active commercial fishing rate structure in 2014, Blaine's Port Commission approved a two percent increase in commercial rates starting in 2017 in an attempt to reduce the amount of subsidy provided by the Economic Development Fund.

Fishermen's Terminal has a long history of supporting the commercial fishing industry, and for its first 88 years in operation this facility was exclusively for commercial fishing vessels. Fishermen's Terminal is part of the larger Port of Seattle system, which includes Sea-Tac Airport, cargo terminals, cruise ship terminals, Bell Harbor Marina, and Shilshole Bay Marina. The facilities within this port system are focused on specific user groups and Fishermen's Terminal, as the name suggests, caters primarily to commercial fishermen. The reduced rate structure for active commercial vessels, like Blaine Harbor, was implemented to encourage commercial fishing activities within the community. Fishermen's Terminal does not operate as an enterprise and is not expected to break even, but instead is used as an economic driver that results in increased revenues through other tax structures in King County. While this program is not directly subsidized, the Port of Seattle receives a portion of the revenues collected through King County property taxes and the Port Authority then distributes a portion of the transferred revenues to Fishermen's Terminal.

In the case of both Blaine Harbor and Fishermen's Terminal, user-specific rate structures are used as an economic stimulant with the goal of generating additional revenues through other local tax structures. Subsidies or transfers from local governments allow for the ports implementing these rate structures to be compensated for the increased economic activity they are encouraging.

Annual Moorage Rates Comparison

rev 3/12/2015

RESERVED MOORAGE
Based on Homer Harbor Stall Sizes*

Harbor	Rate Formula	20'	24'	32'	40'	50'	60'	75'
Homer	$41.70 x length + fee	$884.00	$1,050.80	$1,384.40	$1,718.00	$2,135.00	$2,552.00	$3,177.50
Kodiak	0-40 ft: $30.00 x length 40-60 ft: $41.00 x length 61-80 ft: $61.00 x length 81-100 ft: $71.50 x length	$600.00	$720.00	$960.00	$1,200.00	$2,050.00	$2,460.00	$4,575.00
Seward	$47.47 x length + fee	$1,009.40	$1,259.28	$1,639.04	$2,018.80	$2,553.50	$3,028.20	$3,740.25
Valdez	$34.46 x length	$689.20	$827.04	$1,102.72	$1,288.80	$1,378.40	$2,067.60	$2,584.50
	Tour Boats: $69.46 x length	-	-	-	-	-	$4,167.60	$5,209.50
Whittier	$64.20 x length	$1,284.00	$1,540.80	$2,054.40	$2,568.00	$3,210.00	$3,852.00	$4,815.00

TRANSIENT MOORAGE
Based on Varied Boat Sizes

Harbor	Rate Formula	18'	24'	32'	45'	58'	70'	85'
Homer	$41.70 x length + admin fee	$800.60	$1,050.80	$1,384.40	$1,926.50	$2,468.60	$2,969.00	$3,594.50
Kodiak	0-40 ft: $30.00 x length 40-60 ft: $41.00 x length 61-80 ft: $61.00 x length 81-100 ft: $71.50 x length	$540.00	$720.00	$960.00	$1,845.00	$2,378.00	$4,270.00	$6,077.50
Seward	$52.23 x length + fee	$1,000.14	$1,373.52	$1,791.36	$2,530.35	$3,209.34	$3,836.10	$4,679.55
Valdez	$39.63 x length	$713.34	$951.12	$1,268.16	$1,482.40	$1,783.35	$2,774.10	$3,368.55
Whittier	$64.20 x length***	$1,155.60	$1,540.80	$2,054.40	$2,889.00	$3,723.60	$4,494.00	$5,457.00

* Not all harbor have stalls that are comparable. Because of this, costs are estimated on how much it would be if that size of vessel moored in a Homer slip at a different harbor's rate. This ensures accurate comparisons.

**Kodiak's rates are based on a Graduated Linear Method

***At this time, no annual transient passes are being given in Whittier

Daily moorage rates by vessel length (dollars per foot)

26'		36'		44'		56'		60'	
Skagway	$0.35	Skagway	$0.35	Skagway	$0.35	Skagway	$0.35	Skagway	$0.35
Wrangell (Prepaid)	$0.40	**Wrangell** (Prepaid)	$0.40	**Wrangell** (Prepaid)	$0.40	**Wrangell** (Prepaid)	$0.40	**Wrangell** (Prepaid)	$0.40
Hoonah	$0.50	Hoonah	$0.50	Hoonah	$0.50	Hoonah	$0.50	Hoonah	$0.50
Kodiak	$0.50	Kodiak	$0.50	Craig	$0.50	Craig	$0.50	Craig	$0.50
Craig	$0.50	Craig	$0.50	Haines	$0.50	Haines	$0.50	Haines	$0.50
Haines	$0.50	Haines	$0.50	Petersburg	$0.50	Petersburg	$0.50	Petersburg	$0.50
Petersburg	$0.50	Petersburg	$0.50	**Bellingham** (Nov-Mar)	$0.50	**Bellingham** (Nov-Mar)	$0.50	**Bellingham** (Nov-Mar)	$0.50
Bellingham (Nov-Mar)	$0.50	**Bellingham** (Nov-Mar)	$0.50	Juneau	$0.54	Juneau	$0.54	Juneau	$0.54
Juneau	$0.54	Juneau	$0.54	Juneau- Auke Bay	$0.54	Juneau- Auke Bay	$0.54	Juneau- Auke Bay	$0.54
Juneau- Auke Bay	$0.54	Juneau- Auke Bay	$0.54	**Seattle** (Active C. Fishing)	$0.62	**Seattle** (Active C. Fishing)	$0.62	**Seattle** (Active C. Fishing)	$0.62
Seattle (Active C. Fishing)	$0.62	**Seattle** (Active C. Fishing)	$0.62	**Seward** (Tenant)	$0.64	**Seward** (Tenant)	$0.64	**Seward** (Tenant)	$0.64
Seward (Tenant)	$0.64	**Seward** (Tenant)	$0.64	Ketchikan	$0.68	Ketchikan	$0.68	Ketchikan	$0.68
Ketchikan	$0.68	Ketchikan	$0.68	Kodiak	$0.69	Kodiak	$0.69	Kodiak	$0.69
Seward (Transient)	$0.70	**Seward** (Transient)	$0.70	**Seward** (Transient)	$0.70	**Seward** (Transient)	$0.70	**Seward** (Transient)	$0.70
Bellingham (Apr-Oct)	$0.75	**Bellingham** (Apr-Oct)	$0.75	**Bellingham** (Apr-Oct)	$0.75	**Bellingham** (Apr-Oct)	$0.75	**Bellingham** (Apr-Oct)	$0.75
Wrangell (Invoiced)	$0.80	**Wrangell** (Invoiced)	$0.80	**Wrangell** (Invoiced)	$0.80	**Wrangell** (Invoiced)	$0.80	**Wrangell** (Invoiced)	$0.80
Seattle (Recreational)	$0.80	**Seattle** (Recreational)	$0.80	**Seattle** (Recreational)	$0.80	**Seattle** (Recreational)	$0.80	**Seattle** (Recreational)	$0.80
Sitka	$0.87	Sitka	$0.87	Sitka	$0.87	Sitka	$0.87	Sitka	$0.87
Homer	$1.22	Homer	$1.22	Homer	$1.22	Homer	$1.22	Homer	$1.22

NOTES:

***Bold** = multiple **daily** rate categories

*Whittier not included due to lack of **daily** rate data available

Monthly moorage rates by vessel length (dollars per foot)

26'		36'		44'		56'		60'	
Wrangell Summer Floats	$0.65	**Wrangell Summer Floats**	$0.65	**Wrangell Summer Floats**	$0.65	**Wrangell Summer Floats**	$0.65	**Wrangell Summer Floats**	$0.65
Hoonah	$2.77	Hoonah	$2.50	Hoonah	$2.73	Hoonah	$2.58	Hoonah	$3.09
Wrangell	$3.50	**Wrangell**	$3.50	**Wrangell**	$3.50	**Wrangell**	$3.50	**Wrangell**	$3.50
Skagway	$3.50	Skagway	$3.50	Skagway	$3.50	Skagway	$3.50	Skagway	$3.50
Craig	$4.00	Craig	$4.00	Craig	$4.00	Craig	$4.00	Craig	$4.00
Juneau	$4.20	Juneau	$4.20	Juneau	$4.20	Juneau	$4.20	Juneau	$4.20
Haines	$5.00	Haines	$5.00	Haines	$5.00	Haines	$5.00	Haines	$5.00
Bellingham (Active C. Fish)	$5.90	**Seattle** (Active C. Fishing)	$5.83	**Seattle** (Active C. Fishing)	$5.83	**Seattle** (Active C. Fishing)	$5.83	**Seattle** (Active C. Fishing)	$5.83
Petersburg	$6.00	**Bellingham** (Active C. Fish)	$5.90	**Bellingham** (Active C. Fish)	$5.90	**Bellingham** (Active C. Fish)	$5.90	**Bellingham** (Active C. Fish)	$5.90
Homer	$6.39	Petersburg	$6.00	Petersburg	$6.00	Petersburg	$6.00	Petersburg	$6.00
Bellingham (Recreational)	$6.92	Homer	$6.39	Homer	$6.39	Homer	$6.39	Homer	$6.39
Juneau- Auke Bay	$7.05	Juneau- Auke Bay	$7.05	Juneau- Auke Bay	$7.05	Juneau- Auke Bay	$7.05	Juneau- Auke Bay	$7.05
Ketchikan	$7.10	Ketchikan	$7.10	Ketchikan	$7.10	Ketchikan	$7.10	Ketchikan	$7.10
Seward (Reserved)	$8.55	**Bellingham** (Recreational)	$7.13	**Bellingham** (Recreational)	$7.56	**Seattle** (Commercial)	$7.82	**Seattle** (Commercial)	$7.82
Seattle (Recreational)	$8.81	**Seattle** (Commercial)	$7.82	**Seattle** (Commercial)	$7.82	**Bellingham** (Recreational)	$7.86	**Seward** (Reserved)	$8.55
Seward (Transient)	$9.40	**Seward** (Reserved)	$8.55	**Seward** (Reserved)	$8.55	**Seward** (Reserved)	$8.55	**Bellingham** (Recreational)	$9.16
Sitka	$14.94	**Seattle** (Recreational)	$8.94	**Seward** (Transient)	$9.40	**Seward** (Transient)	$9.40	**Seward** (Transient)	$9.40
Seattle (Active C. Fishing)	*min. 30'*	**Seward** (Transient)	$9.40	**Seattle** (Recreational)	$9.73	**Seattle** (Recreational)	$9.76	**Seattle** (Recreational)	$9.76
Seattle (Commercial)	*min. 30'*	Sitka	$14.94	Sitka	$14.94	Sitka	$14.94	Sitka	$14.94

NOTES:

***Bold** = multiple **monthly** rate categories

*Whittier and Kodiak not included due to lack of **monthly** rate data available

***Hoonah monthly rates based on stall length. For this comparison, the most appropriate stall size for the vessels above was chosen, and that monthly rate was divided by the length of the vessel for $ per foot.**

Annual moorage rates by vessel length (dollars per foot)

26'		36'		44'		56'		60'	
Skagway	$13.00	Skagway	$13.00	Skagway	$13.00	Skagway	$13.00	Skagway	$13.00
Craig	$15.75	Craig	$15.75	Craig	$15.75	Craig	$15.75	Craig	$15.75
Haines	$20.00	Haines	$20.00	Hoonah	$24.00	Hoonah	$24.00	Hoonah	$24.00
Hoonah	$24.00	Hoonah	$24.00	**Wrangell**	$25.00	**Wrangell**	$25.00	**Wrangell**	$25.00
Wrangell	$25.00	**Wrangell**	$25.00	Haines	$26.00	Haines	$26.00	Haines	$26.00
Ketchikan (Inside City)	$26.30	**Ketchikan** (Inside City)	$26.30	**Ketchikan** (Inside City)	$26.30	**Ketchikan** (Inside City)	$26.30	**Ketchikan** (Inside City)	$26.30
Kodiak	$30.00	Kodiak	$30.00	**Ketchikan** (Outside City)	$31.58	**Ketchikan** (Outside City)	$31.58	**Ketchikan** (Outside City)	$31.58
Ketchikan (Outside City)	$31.58	**Ketchikan** (Outside City)	$31.58	Sitka	$33.60	Sitka	$33.60	Sitka	$33.60
Sitka	$33.60	Sitka	$33.60	Petersburg	$38.00	Homer	$40.50	Homer	$40.50
Petersburg	$34.00	Petersburg	$34.00	Homer	$40.50	Kodiak	$41.00	Kodiak	$41.00
Homer	$40.50	Homer	$40.50	Kodiak	$41.00	Petersburg	$44.00	Petersburg	$44.00
Seward (Tenant)	$47.47	**Seward** (Tenant)	$47.47	**Seward** (Tenant)	$47.47	**Seward** (Tenant)	$47.47	**Seward** (Tenant)	$47.47
Juneau	$47.88	Juneau	$47.88	Juneau	$47.88	Juneau	$47.88	Juneau	$47.88
Seward (Transient)	$52.23	**Seward** (Transient)	$52.23	**Seward** (Transient)	$52.23	**Seward** (Transient)	$52.23	**Seward** (Transient)	$52.23
Bellingham (Active C. Fish)	$69.03	**Bellingham** (Active C. Fish)	$69.03	**Bellingham** (Active C. Fish)	$69.03	**Bellingham** (Active C. Fish)	$69.03	**Bellingham** (Active C. Fish)	$69.03
Juneau- Auke Bay	$80.37	**Seattle** (Active C. Fishing)	$69.96	**Seattle** (Active C. Fishing)	$69.96	**Seattle** (Active C. Fishing)	$69.96	**Seattle** (Active C. Fishing)	$69.96
Bellingham (Recreational)	$80.97	Juneau- Auke Bay	$80.37	Juneau- Auke Bay	$80.37	Juneau- Auke Bay	$80.37	Juneau- Auke Bay	$80.37
Seattle (Recreational)	$105.72	**Bellingham** (Recreational)	$83.43	**Bellingham** (Recreational)	$88.46	**Bellingham** (Recreational)	$91.97	**Seattle** (Commercial)	$93.84
Seattle (Active C. Fishing)	*min. 30'*	**Seattle** (Commercial)	$93.84	**Seattle** (Commercial)	$93.84	**Seattle** (Commercial)	$93.84	**Bellingham** (Recreational)	$107.18
Seattle (Commercial)	*min. 30'*	**Seattle** (Recreational)	$107.28	**Seattle** (Recreational)	$116.76	**Seattle** (Recreational)	$117.12	**Seattle** (Recreational)	$117.12

NOTES:

***Bold** = multiple **annual** rate categories

*Whittier not included due to lack of **annual** rate data available

  - Opportunities- Project based cargo, marine maintenance and repair hub, tug/support vessel base, small scale regional freight distribution, winter moorage services
  - Threats- Anchorage based distribution center cost savings, Kenai/Nikiski based project docks and services, community perspective-unfriendly to industry, competing with Seward for marine services
- Summary of interviews to date
  - Big carriers aren't interested (no benefit)
  - Retailers like it (could save money)
  - At least two smaller carriers may be interested
  - Besides container cargo there is a market for marine support (moorage maintenance, etc.)
- Infrastructure improvements
  - New trestle, new buoys, berth 2 fenders, uplands yard fencing and security, barge berth alternatives, dock extension and mobile crane alternatives
- Where do we go from here
  - Development options will be outlined in Phase 2
  - Economics point to the need for an anchor tenant

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/ BOROUGH REPORTS

A. Port and Harbor Director's Report for March 2016

Harbormaster Hawkins reviewed his staff report.

PUBLIC HEARING

PENDING BUSINESS

A. Harbor Rates
   i. Memo to Port & Harbor Commission from Port Director Re: Northern Economics Rate Study & Presentation dated 1/20/2016, and Rate Comparison Attachments
   ii. 2016 Northern Economics Rate Study
   iii. 2016 Presentation of Northern Economics Rate Study

The Commission reviewed alternatives A and B in the January 2016 draft schedule from Northern Economics. They acknowledged that there isn't a lot of difference in the alternatives and noted on alternative B the difference between a 75 foot boat and a 20 foot boat is about $400 per year. They also touched on ideas of the economic benefit of small boats versus large boats and that ultimately, all sizes bring an economic benefit to the harbor and the city.

STOCKBURGER/DONICH MOVED TO ADOPT ALTERNATIVE B AT FIVE CENTS PER FOOT INCREASE AND CAP THE VESSEL SIZE AT 86 FEET.

Commissioner Stockburger commented that the argument is over the idea of perception. He leans toward alternative B because it goes by the foot, similar to the straight rate with a slight increase as boats get longer. Capping it at 86 feet recognizes the big boats in the harbor that are paying big bucks and are rafted out, but have no chance of getting a berth.

Commissioner Hartley agrees and thinks this will allow for flexibility when we build the new harbor.

Commissioner Carroll still agrees with a straight linear rate, its one harbor and everyone should pay the same.

Commissioner Stockburger added that we have a small boat harbor with some big boats in it and it's been hard to find a number that will work with all the vessel sizes. When we have a new harbor this formula can be used, possibly with a different number, when considering moorage and costs for the new harbor.

Commissioner Zimmerman clarified that this will be going up five cents per foot yearly along with the 3.2% plus the CPI that has already been adopted.

VOTE: YES: DONICH, ZIMMERMAN, ULMER, CARROLL, HARTLEY, STOCKBURGER

Motion carried.

B. Head Tax for Passenger Vessels

Harbormaster Hawkins reviewed that the enterprise budget is currently based on moorage. Seeing trends that business is increasing because this is a great place to recreate results in some forward thinking to implement a way to collect something from other user groups to help offset operations costs and spread the burden among a wider community.

Commissioner Zimmerman commented that after listening to the comments last meeting about the additional paperwork that would be included with a head tax, he's now thinking it targets a user group more than it should. He thinks it might be better to find something that's already in place and work to modify it.

Commissioner Donich said at the Homer Charter Association meeting a suggestion was brought up to have the spit designated as a separate district and collect an additional half a percent or so of sales tax to go to the enterprise fund. That would really broaden the reach and everyone who uses the spit would put in to the fund.

Chair Ulmer said she would rather see a toll bridge. She recently heard Cruise Construction cut spending in Homer because of the7.5%. People can get what they want in Anchorage and ship it down. The tax on this end of the peninsula is driving people away.

Commissioner Stockburger agrees that some kind of service area tax for the spit, not a property tax but a sales tax. He doesn't think 7.5% is keeping people from coming to Homer. If a company has a job here they will come, but comparing the cost of gas to drive to Anchorage is more than $37.50, which is the sales tax cap.

STOCKBURGER/HARTLEY MOVED TO EXPLORE THE POSSIBILITY OF USING A SERVICE AREA SALES TAX AS A MEANS OF COLLECTING FUNDS AS A MEANS TO COLLECT FROM OTHER USERS IN THE SERVICE AREA.

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Memorandum 16-101

TO: MAYOR BETH WYTHE & HOMER CITY COUNCIL

FROM: BRYAN HAWKINS, PORT DIRECTOR/HARBORMASTER

DATE: JUNE 7, 2016

SUBJECT: HISTORY OF PORT & HARBOR MOORAGE RATE INCREASE & RATE STRUCTURE WORK

At their last regular meeting on May 23, 2016, City Council postponed Resolution 16-054, amending the Port and Harbor fee schedule to change the moorage rate structure to a graduated method, and 16-055, amending the Terminal Tariff, failed due to lack of a motion. The Port and Harbor Advisory Commission voiced their disappointment at their last meeting on May 25, 2016 and agreed that it was necessary for the group to meet with the Council at their next worksession to present their findings regarding the rate structure issue.

The original motion made by the Port and Harbor Advisory Commission was to adopt Alternative B (per Northern Economics' 2016 Rate Structure Study) at five cents per foot increase and cap the vessel size at 86 feet, and calculate the moorage using the following equation:

$$\text{Permanent Moorage Rate} \left(\frac{\$}{\text{foot}} \right) \frac{\$43.49 + (\$0.05 \times \text{foot}) \times \text{vessel length per foot}}{\text{foot}}$$

To express to the Council the large amount of work that the Port and Harbor Advisory Commission and City staff has put into the moorage rate increase and structure issues, Port and Harbor staff has compiled a chronological history of all the commission's meetings, public hearings conducted, and resolutions passed by City Council that are directly related to rates since 2010 when this work began. The list includes PHC meetings where the topic was discussed, a summary of the commission's discussion at that meeting, the motions made, public comments taken, the worksessions conducted, and adopted resolutions by City Council.

Additionally, two rate studies have been conducted by Northern Economics. The 2013 study, titled Port and Harbor Rate Fee Structure and the Economic Impact of Mooring a MODU (Mobile Offshore Drilling Unit) at the Port of Homer's Deep Water Dock, totaled $9,628.48 in costs. The 2016 study, focusing on a Graduated Linear Method with Linear Method Comparison to Incorporate a 32% Rate Increase over 10 Years to Fund Port and Harbor Reserves, cost $15,300. Overall expenditures from Northern Economics have been $24,928.48 for their assistance in helping the City create a fair and equitable rate structure and a plan on how to implement the increases over time.

Recommendation

Informational Purposes

Attached: Memo 16-084 to Homer City Council from Bryan Hawkins, Port Director/Harbormaster Re: History of New Moorage Rate Structure dated June 1, 2016

Chronological History of Staff & the Port & Harbor Advisory Commission's Work

PHC Regular Meeting, NOVEMBER 17, 2010 – Memorandum from Port & Harbor Advisory Commission to City Council Re: 2011 Preliminary Budget and Proposed 3% Rate Increase: Discussed concerns over credit cards fees and looking for options to find additional revenue.

PHC Regular Meeting, APRIL 27, 2011 – Memo to Port and Harbor Advisory Commission from Port Director Re: Proposed Port of Homer Projects for Bond Funding dated April 7, 2011: Proposed Port of Homer Projects for Bond Funding and expressing goals to reinvest funds into the harbor to keep it supporting itself; not enough money is going into the harbor reserves even with the 3% increase done in 2010.

RESOLUTION 11-060: Establishing a Committee to Develop a Port and Harbor Improvement Revenue Bonding Plan and Provide Committee Review and Oversight Throughout the Implementation and Completion of any Approved Plan; adopted June 13, 2011.

PHC Regular Meeting, OCTOBER 26, 2011 – Port and Harbor Improvement Committee Report: Overview of presentation that was given to City Council regarding chosen CIP projects, plus the new harbor office, and further discussion of establishing a bond. Additional discussion ensued regarding pro/cons of raising rates, services the harbor staff offers, and concerns on how fees are applied.

PHC Special Meeting, NOVEMBER 9, 2011 – Port and Harbor Improvement Committee Project Ranking and Bonding Process: Further discussion regarding the bonding process and the improvements that should be included.

RESOLUTION 11-099: Authorizing the City Manager to Draft and Submit a Revenue Bond Sale Application and Take Other Steps Necessary to Prepare for a Possible Bond Sale to Finance Construction of Six Top Priority Capital Projects Within the Homer Harbor; effective date October 24, 2011, adopted November 28, 2011.

PHC Regular Meeting, DECEMBER 14, 2011 – Capital Improvement Plan List Port and Harbor Projects: Bond sale recommendation from Improvement Committee and which projects are feasible.

PHC Regular Meeting, JANUARY 25, 2012 – Capital Improvement Plan List Port and Harbor Projects: Commissioners ranked their preferred harbor projects for funding. MOVED TO FORWARD THE RANKINGS OF THE SIX PROJECTS TO THE PORT AND HARBOR IMPROVEMENT COMMITTEE. Motion carried.

PHC Regular Meeting, FEBRUARY 22, 2012 – Harbor Improvement Cost Estimate Summary: Presentation by the Harbor Improvement Committee of their work to-date, engineer's estimated costs, and percentage of user fee increase to support bonding and options for implementation. MOVED THAT THE COMMISSION RECOMMEND TO THE COMMITTEE TO PROCEED WITH THE PREPARATION OF THE REVENUE BOND APPLICATION THAT INCLUDES ALL FIVE PROJECTS AND THAT THE APPLICATION IS PREPARED TO REQUEST $6,000,000 FUNDING. Motion carried.

PHC Regular Meeting, MARCH 28, 2012 – Memo to Port and Harbor Advisory Commission from Community and Economic Development Coordinator Re: Harbor Improvement Projects: Need for the Projects & Consequences of Not Going Through with Proposed Projects dated March 16, 2012: Economic Development Coordinator reported what was needed for the Municipal Harbor Grant Program. MOVED THAT THE STATE GRANT REQUIREMENTS FOR THE FOUR PROJECTS BE PLACED ON THE NEXT AGENDA TO SET THE RECORD ON THE FINDINGS THAT THIS COMMISSION WOULD MAKE RELEVANT TO WHETHER OR NOT THEY ARE FEASIBLE PROJECTS OR TO BE DONE, OR SCRAPPED. Motion failed. Comments regarding the Load and Launch Ramp improvements included that there will be monies from Fish & Game. MOVED THAT WE NEED TO PROGRESS WITH THIS PROJECT BECAUSE OF SAFETY CONCERNS. IF WE

DON'T THERE WILL BE A BAD ACCIDENT OR THE RAMP WILL DETERIORATE. Motion carried. Discussed further each of the final chosen projects.

PHC Regular Meeting, APRIL 25, 2012 – Amendments to the Port and Harbor Terminal Tariff No. 600 for the purpose of Repaying a Revenue Bond in the Amount of $6 Million: The Commission reviewed various revenue options to help pay for the bond. There was public testimony against the harbor head tax; 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. Motion carried. MOVED TO REMOVE THE ICE TARIFF INCREASE AS GENERATING FUNDS TO PAY FOR THE BOND. Motion carried. MOVED TO APPROVE THE RECOMMENDED DOCKAGE FEES THAT THE COMMITTEE PUT FORTH TO SUPPORT THE BOND PAYMENT. This would change the port dockage fees from a linear foot to a graduated rate schedule, same as Anchorage's port. Motion carried. ADJUST THE FUEL WHARFAGE FROM $.0103 TO $.025 PER GALLON IMPLEMENTED OVER A TWO YEAR PERIOD. Motion failed. MOVED TO ADJUST THE FUEL WHARFAGE RATE FROM EXISTING $ .0103 PER GALLON TO $ .02 PER GALLON. Motion carried. 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. The discussion began about the differences between smaller and larger vessels, the different impacts they have on the harbor, and how each one provides revenue to the harbor. Comparisons to other harbors were reviewed. Motion failed. MOVED TO INCREASE THE MOORAGE 15% FROM THE CURRENT RATE. Motion carried.

PHC Regular Meeting, APRIL 25, 2012 – Memo to Port and Harbor Advisory Commission from Bryan Hawkins, Port Director/Harbormaster Re: Harbor Improvement Committee Report of April 19, 2012 Meeting dated April 20, 2012: 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. Motion carried.

RESOLUTION 12-043: Accepting and Approving Recommendations Submitted by the Port and Harbor Improvement Committee Regarding Capital Improvements in the Harbor and the Funding Thereof and Authorizing the City Manager to Prepare the Documents Necessary for Grant Funding, a Revenue Bond Sale, and the Fee Adjustments Necessary to Service the Bonds; effective May 14, 2012.

RESOLUTIONS 12-037(S) & 12-038(S): Amending the City of Homer Fee Schedule for Port and Harbor Fees and the Terminal Tariff No. 600 for the Purpose of Repaying a Revenue Bond and Contributing to the Port and Harbor Enterprise Reserves; effective June 11, 2012.

RESOLUTION 12-064: Expressing Support for a Municipal Harbor Facility Grant Application to the State of Alaska, Department of Transportation and Public Facilities (DOT&PF) in the Amount of $4,206,000 for Ramp 3 Gangway and Approach, Harbor Floats Replacement and Upgrades to Electrical and Potable Water at System 5 and Authorizing the City Manager to Submit the Appropriate Documents; effective July 23, 2012.

RESOLUTION 12-065: Expanding the Scope of Work for the Port and Harbor Improvement Committee to Develop a Plan to Resource Funds from Various Sources for the Purpose of Upgrading the Port and Harbor Building; effective July 23, 2012.

RESOLUTION 12-093: Support of Full Funding for the State of Alaska Municipal Harbor Facility Grant Program in the FY2014 Capital Budget; effective October 22, 2012.

PHC Regular Meeting, DECEMBER 19, 2012 – Memo to Port and Harbor Advisory Commission from Port Director/Harbormaster Hawkins Re: Harbor Rate Study dated December 11, 2012: The commission began discussion

with history on how rates are configured and square foot vs. linear footage and the variety of vessel sizes and uses of the harbor. Harbormaster recommended hiring Northern Economics to conduct rate study.

RESOLUTION 13-046: Awarding the Contract to Conduct a Study on the Port and Harbor Rate Fee Structure and the Economic Impact of Mooring a MODU (Mobile Offshore Drilling Unit) at the Port of Homer's Deep Water Dock to the Firm of Northern Economics of Anchorage, Alaska, in the Amount of $19,878.00 and Authorizing the City Manager to Execute the Appropriate Documents; effective May 13, 2013.

ORDINANCE 13-15: Authorizing Harbor Revenue Bonds of the City to be Issued in Series to Finance Harbor Improvements; Creating a Lien Upon Net Revenue of the Harbor for the Payment of the Bonds; and Establishing Covenants of the City Related to the Bonds; introduction April 22, 2013, effective May 14, 2013.

ORDINANCE 13-16: Authorizing the Issuance and Sale of a Series of Harbor Revenue Bonds by the City in the Principal Amount Not to Exceed $4,200,000 for the Purpose of Financing the Design, Construction, and Acquisition of Harbor and Related Capital Improvements; Establishing the Terms of the Bonds; and Authorizing the Sale of the Bonds; introduction April 22, 2013, effective May 14, 2013.

Northern Economics Rate Study, SEPTEMBER 25, 2013 – The first draft of this study organized how the study is conducted and gave preliminary percentage increases for the commission and staff to review.

PHC Special Meeting, OCTOBER 9, 2013 – Memorandum from Port Director/Harbormaster Hawkins Re: Port of Homer Rate Study: Northern Economics Rate Study presentation to the commission; it details out each harbor facility's expense and an estimate of how much it would cost to replace that facility using a lifecycle approach. The end results covered how much rates needed to be increased to be sustainable, and to help with harbor reserves and facility depreciation costs.

Northern Economics Rate Study, NOVEMBER 7, 2013 – The focus of this final draft study was to use a life cycle approach to calculating rates and find overall percentage increases that would cover all operations, maintenance, and replacement costs for each facility in the Homer Port and Harbor. It was concluded from this study that the Small Boat Harbor would require a 31.85% (rounded to 32%) rate increase to become sustainable.

RESOLUTION 13-112: Confirming that the City will Provide Local Matching Funds in an Amount Up to $800,000 for Repair, Replacement, and Rehabilitation of Infrastructure and Facilities at the Homer Small Boat Harbor Load and Launch Ramp; effective November 25, 2013.

ORDINANCE 14-05: Amending the FY 2014 Operating Budget by Appropriating $500,000 from the Port and Harbor Enterprise Fund Depreciation Reserves for the Purpose of Providing the City's 25% Local Match for the New Port and Harbor Building; introduction January 27, 2014, effective date February 11, 2014.

ORDINANCE 14-06(A): Amending the FY 2014 Operating Budget by Appropriating Up to $300,000 from the General Fund Balance for the Purpose of Providing a Loan to the Port and Harbor Enterprise Fund to Complete the Financing Package for the New Port and Harbor Building; introduction January 27, 2014, effective date February 11, 2014.

PHC Regular Meeting, FEBRUARY 26, 2014 – Worksession of Harbor Rate Study Review: Setting date for worksession to do thorough review.

PHC Worksession, APRIL 8, 2014 – Review and discuss the Northern Economics 2013 Rate Study

PHC Regular Meeting, APRIL 23, 2014 – Harbor Rate Increase Proposal: Point was made that if the port and harbor had a rate structure that was sustainable, we wouldn't have had to bond for the matching funds for the grant for the harbor improvements. A draft rate proposal prepared by staff was presented to the commission; the three methods suggested in the worksession for comparison was the existing linear method, a square foot method, and a graduated linear method. It included an EXTENSIVE comparison of the rate increases over a 5 or 10 year period including CPI increases. The suggested 32% increase comes from the Northern Economics' rate study. Discussed differences between transient moorage and reserved, costs related to vessel size and the stall size, what type of methods are being used in other harbors (including comparisons), and **the ultimate goal to find an equitable, sustainable rate for all harbor users** since there is a strong argument that large boats bring more money, jobs, and business to the harbor, with the counter argument from small vessel owners that smaller boats have to bear the costs for bigger boats when they have less damage, require less space, etc.) than bigger boats. It was determined that this discussion must continue for the next few meetings and include public input.

PHC Regular Meeting, MAY 28, 2014 – Harbor Rate Increase Proposal: There was talk of the gradual linear method and how it could be broken down into different size classes. They further discussed the reasoning behind a rate increase and where the money raised will be used. MOVED TO ADOPT THE 10 YEAR PROGRAM FOR INCREASING COSTS. Motion carried. The CPI increases will happen every year from here on out, while the 32% moorage rate increases will take place over the course of a 10 year period. It was suggested that the square foot method was the most fair and equitable way to distribute costs in the harbor than the current linear method. MOVED TO APPLY THE SQUARE FOOT METHOD IN DEVELOPING THE RATE STRUCTURE. Motion carried. It was suggested by staff that we may need to hire a consultant to help develop the final plan. Public comments were in agreement with the square foot method instead of the linear method.

PHC Regular Meeting, JUNE 25, 2014 – Harbor Rate Increase Proposal: Staff consolidated all the comparison worksheets down to the square foot rate model implemented over a 10 year schedule. Discussion on how this would be applied to transient vessels vs. reserved stall lessees and how the rates would be broken down at the transient daily, monthly, semi-annual, and annual rates. All commissioners agreed that getting word out to boat owners ASAP is important. MOVED THAT THE COMMISSION PRESENT THIS RATE STUDY AS THE NEW FORMAT FOR CHARGING FOR MOORAGE IN THE HARBOR, WITH THE CAVEAT THAT WE WILL LOOK AT THE TRANSIENT ELEMENT, WHICH MAY CHANGE, BUT EVERYTHING ELSE STANDS AS PRESENTED. Motion carried.

PHC Regular Meeting, JULY 23, 2014 – Harbor Rate Increase Proposal: Staff prepared a moorage rate comparison between 2004 through 2014 and a square foot rate schedule comparison for transient moorage. Commissioners discussed the varied increases depending on vessel sizes over periods of time. Per the square foot, the bigger boats would see the brunt of the change. They agreed that the CPI increases could begin for the 2015 year, but they need more time to set the new rates, get info out to vessel owners, and receive feedback. MOVED THAT THIS COMMISSION RECOMMENDS TO THE CITY COUNCIL THAT WE ADJUECT OUR HARBOR MOORAGE RATES AS A MINIMUM OF THE CPI EACH YEAR. Motion carried.

PHC Regular Meeting, AUGUST 27, 2014 – Harbor Rate Increase Proposal: There was further discussion about the disparity/fairness of the 32 foot stall class. The commission agreed that staff could work with Northern Economics in preparing another rate study to compare different rate methods.

PHC Regular Meeting, SEPTEMBER 24, 2014 – Harbor Rate Increase Proposal: Public comments from several large vessel owners were unanimously against implementing the square foot method, stating that their large boats bring more jobs, business, and revenue to the harbor and the new method would unfairly increase their moorage fees. They cited that it's the smaller vessels that utilize more space in the harbor, and that if the harbor increases rates it's going to drive away the big boats that are generating the most revenue/jobs in Homer. The large vessel owners also pointed out the lack of stalls and amenities available yet they would still have to pay more. They feel the linear

method is fine the way it is and no changes should be made. One of the commissioners provided a presentation he prepared on the square foot model to help achieve equitable rates for all vessels including transient. MOVED TO CALCULATE SQUARE FOOT ASSESSMENTS BASED ON CLASS SIZE LENGTH AND WIDTH FOR RESEREVE MOORAGE BERTHS WITH THAT SQUARE FOOT COST APPLIED TO OVERAGE ON A VESSEL THAT EXCEEDS THAT CLASS SIZE LENGTH AND/OR WIDTH, AND THAT ANNUAL TRANSIENT MOORAGE BE ASSESSED AT 75% OF THE RESERVED MOORAGE RATE, APPLIED TO THE LENGTH TIMES THE WIDTH OF THE TRANSIENT VESSEL. Revised: MOVED TO AMEND THE MOTION TO DIRECT STAFF TO PREPARE A NEW RATE SCHEDULE USING THE MOTION AS GUIDANCE FOR THE RATE SCHEDULE. Motion carried. Main motion as amended carried.

PHC Regular Meeting, OCTOBER 22, 2014 – Harbor Rate Increase Proposal: More public comments from large vessel owners reiterated their stance against the square foot method. They strongly believe it will cost them an excessive amount in moorage fees, drive business away, and is a direct attack to the commercial fleet. Ensued a lengthy commission discussion regarding what method to go with, even calling for a recess to think it over. MOVED TO REVERSE THE COMMISSION SUPPORT FOR CHANGING THE RATE STRUCTURE FROM LINEAR TO SQUARE FOOT AND STAY WITH THE CURRENT METHODS OF CALCULATING FEES. Motion carried. MOVED TO TAKE THE ORIGINAL RECOMMENDATION OF THE NORTHERN ECONOMICS STUDY AND SPREAD THE REQUIREMENTS TO BUILD THE RESERVE FUND THROUGHOUT ALL THE PORT AND HARBOR USERS AND REVENUE STREAMS. Motion failed. MOVED THAT 50% OF THE SALES TAX FROM BUSINESSES THAT ARE AROUND AND DEPEND ON THE HARBOR BE CREDITED TO THE PORT AND HARBOR RESERVE ACCOUNT. Motion carried. Further public comments from large vessel owners pertained to how the rate increases should be spread across the board for all users of the harbor, and how a square foot method, plus increase, was unfair to them, the commercial fishermen.

RESOLUTION 14-115: Amending the Port of Homer Terminal Tariff No. 600 (annual CPI Increase); public hearings held on October 27, 2014 and November 24, 2014, effective December 8, 2014.

PHC Regular Meeting, DECEMBER 17, 2014 – Harbor Rate Increase Proposal: Public comments agree with the CPI increase. The commission recognized the 3% CPI increase that was added to the 2015 budget and noted their action to move away from the square foot method. It will be brought up again at the next meeting and to schedule an open house to get more feedback from vessel owners.

PHC Regular Meeting & Worksession, JANUARY 28, 2015 – Harbor Rate Increase Proposal: **The commission has received good feedback and they recognize the linear rate schedule isn't the most equitable method, but the square foot method is not acceptable to other harbor users.** It was agreed to bring in an expert to evaluate the situation and propose a graduated linear rate schedule (which is used in other harbors in southeast and Kodiak), and to help the commission make a rational decision. Some commissioners questioned why we not just leave it as-is and increase it overall? It was reiterated that bigger boats, especially wider ones that are being built recently, are not equal in their need for space compared to smaller or narrower boats. The rates need to be applied to all harbor users in an EQUITABLE way. Big boat owners are saying make the smaller boats pay more, and the smaller boats are saying make the big boats pay more. Meanwhile, the harbor is in need of more revenue to support our infrastructure and build up the harbor reserves. Hiring a professional will help the group crunch all the numbers and the different scenarios. The commission was divided on whether it was worth the money or if we could do it ourselves. MOVED TO DIRECT STAFF TO ENGAGE NORTHERN ECONOMICS TO PREPARE A LINEAR GRADUATED RATE SCHEDULE FOR THE HARBOR. Motion failed.

PHC Regular Meeting, FEBRUARY 25, 2015 – Harbor Rate Increase Proposal: Public comments varied from being against increases all together, why hasn't there been opportunities for public input, and corrections from the commission and staff explained that there have been public hearings and that they didn't pass anything yet. Northern Economics provided a scope of work and quote to the commission for a rate study. The commission asked

staff to come back with further direction to the commission and what it would take for Northern Economics to conduct this study.

RESOLUTION 15-018: – Requesting the Kenai Peninsula Borough Transfer Their Portion of the Fisheries Business Tax Allocated by the State of Alaska to the Port and Harbor Enterprise Fund for the Purpose of Increasing and Maintaining the Port and Harbor Depreciation Reserves; effective March 23, 2015. (PHC's attempt to find additional revenues, which failed to be presented to the KPB Assembly)

PHC Regular Meeting, MARCH 25, 2015 – Harbor Rate Increase Proposal: Staff prepared revenue goal calculations and stated that we have tried finding other revenue sources in the passenger head tax, which charter boaters didn't like; we talked about rate increases by the square foot, which boat owners directly affected didn't like; then we talked to the City about giving back some sales tax they collect from the Spit, which hasn't gone anywhere. Now talking to the borough about getting money back from the fish tax is in progress. MOVED TO PROPOSE A 2% RATE INCREASE EFFECTIVE OCTOVER FOR DISCUSSION AT AN OPEN HOUSE AND PUBLIC HEARING. Motion carried.

PHC Regular Meeting, APRIL 22, 2015 – Harbor Rate Increase Proposal: Public comments were in agreement with the flat rate increase in addition to the annual CPI increase. Although they dislike their rates going up, they understand the need. It was announced a public hearing will be held at the next meeting. One commissioner reviewed information he provided on how the linear rate isn't fair and equitable across all classes of vessels when looking at how much area is used by various classes.

PHC Regular Meeting, MAY 27, 2015 – Harbor Rate Increase Proposal: It was agreed that the public consensus agreed with the need of an increase to help with the harbor improvements. A draft resolution will be presented for a 4.5% increase.

PHC Regular Meeting, JUNE 24, 2015 – Public Hearing on Harbor Rate Increase Proposal: Public comments during the hearing conveyed an overall agreement with the moorage increases and a change to a graduated rate structure. Some were just hearing about the commission's work on rates for the first time. They didn't agree that smaller boats should be paying the same rate as larger vessel owners as their boats have less of an impact on the harbor. Others commented that they disagreed with the changes and increases, and how the small vessel owners are only talking during the summer while the big boats are out fishing and can't come to the meetings. MOVED TO ADOPT DRAFT RESOLUTION 15-0XX & MOVED TO SUBSTITUTE DRAFT RESOLUTION 15-0XXS FOR THE DRAFT RESOLUTION 15-0XX. Extensive discussion ensued on how rates should be applied, who is affected by what fees, how much the increases should be for, and the course of the increase implementations. Motion carried. MOVED TO AMEND TO DROP THE SQUARE FOOT SLIDING METHOD AND LOWER IT DOWN TO 2.5% INCREASE INSTEAD OF 3.2%. Motion failed.

PHC Regular Meeting, JULY 22, 2015 – Harbor Rate Increase Proposal: MOVED TO HIRE NORTHERN ECONOMICS TO PREPARE A GRADUATED RATE STRUCTURE FOR THE HARBOR AT A COST NOT TO EXCEED $20,000 AND THAT THE STUDY BE COMPLETED NO LATER THAN NOVEMBER 1, 2015 AND REQUEST HARBORMASTER HAWKINS PREPARE THE NECESSARY DOCUMENTS FOR THIS CONTRACT. The commission further discussed alternative revenue sources besides rate increases and the overall need for additional monies for the harbor and its reserves. They outlined the guidelines for the study with the clear point that rates should not decrease for any class of vessel. Motion carried. MOVED TO AMEND TO ALSO HAVE THEM LOOK AT A STRAIGHT ACROSS THE BOARD INCREASE TO COMPARE THE TWO RATES. Motion carried.

RESOLUTION 15-072: Amending the Port of Homer Terminal Tariff No. 600 and the City of Homer Fee Schedule Annual Moorage Rates to include a 3.2% moorage fee increase per year in addition to the annual CPI increase effective January 1, 2016 and; be it further resolved **that a graduated linear foot rate structure be developed along with its**

implementation schedule in time for its use in assessing moorage rates effective January 1, 2017; adopted August 24, 2015.

RESOLUTION 15-073: Awarding a Contract in an Amount Not to Exceed $20,000 to Northern Economics to Prepare a Graduated Rate Structure, and Also Linear Rate Structure for Comparison, Amending the Port of Homer Terminal Tariff Moorage Rates to Incorporate a 32% Rate Increase Over Ten Years to Fund the Port and Harbor Reserves as Recommended in the Northern Economics November 2013 Rate Study; and Authorizing the City Manager to Execute the Appropriate Documents; effective August 10, 2015.

PHC Regular Meeting, SEPTEMBER 22, 2015 – Harbor Rate Increase Proposal: Public comments from multiple large vessel owners were questioning why the commission was back to raising the rates and discussing changing from the linear method. There was extensive clarification from the commission and staff on the work that they had been doing, that they can't break up the sales tax from the Spit, and why they need to increase the rates. Some of the large vessel owners were saying it was going to drive the commercial business away from Homer that supports this harbor. The commission chair wanted to clarify that they have this item as a continuous agenda item to ensure we get public's input on the matter until they get the final rate study back from Northern Economics. One commissioner presented his rate calculations and it was discussed how to share this information with Northern Economics.

Northern Economics Rate Structure Study, OCTOBER 27, 2015 – The first draft of the rate structure study was presented to Port and Harbor staff and one commissioner, which included multiple options and did not fully adhere to the Port and Harbor Commission's goals for a rate structure change. A meeting with staff and Northern Economics worked out the issues through additional drafts until a final one was created.

RESOLUTION 16-007: Support of Full Funding for the State of Alaska Harbor Facility Grant Program in the FY 2017 State Capital Budget; effective January 11, 2016.

Northern Economics Rate Structure Study, JANUARY 12, 2016 – This FINAL study investigated a graduated rate structure in which the moorage rate charged per foot would increase the bigger the boat became, and to compare that with the harbor's current flat, per-foot linear rate. The findings and recommendations provided by Northern Economics was two alternative rate structures: ALTERNATIVE A – based on tiers set at a constant interval of 5 feet and a rate increase between tiers starting at 1.0 percent and decreasing to 0.1 percent with larger vessel sizes; ALTERNATIVE B – a continuous rate structure in which the annual moorage rate is calculated using the following equation:

$$\text{Permanent Moorage Rate} \left(\frac{\$}{\text{foot}} \right) \frac{\$43.49 + (\$0.05 \times \text{foot}) \times \text{vessel length per foot}}{\text{foot}}$$

PHC Regular Meeting, JANUARY 27, 2016 – Mike Fischer, Northern Economics Rate Study Presentation: The Rate Structure Study dated January 12, 2016 was presented to the commission, including a comparison between the graduated linear method and the currently used linear method, and two alternative options the City could adopt if they chose to go with a graduated rate structure. It was reiterated that no vessel would see a reduction in their rates. There was extensive questions from the commissioners and discussion from staff and Northern Economics. Public comments were allowed during the agenda topic, one city resident stating that the graduated rate structure was a better alternative than the square foot method, even if he feels the flat rate method is fine. There was further discussion from the commission, the public, and staff regarding vessel sizes and who contributes what to the harbor. It was agreed to keep the item on the agenda so they could further discuss the study's findings.

PHC Regular Meeting, FEBRUARY 24, 2016 – Harbor Rates: The commission discussed the Council approving the 3.2% and annual CPI moorage increases. They then returned to the Rate Structure Study and hashed out all the points, details, and work that they have either accomplished or still need to do regarding the rate structure issue.

PHC Regular Meeting, MARCH 23, 2016 – Harbor Rates: Public comments from one city resident provided lay-down copies of the rate structure drafts and a letter to the commission explaining his opinion on which alternative method should be approved of, along with capping it at the largest vessel size that can fit in the largest berth, and how transient vessels should receive a reduction in their rate. The commission reviewed the alternatives A and B listed in the study from Northern Economics and discussed in details how each option would affect harbor users, how in the future it could be applied to the harbor expansion project, and how staff can effectively implement it. **MOVED TO ADOPT ALTERNATIVE B AT FIVE CENTS PER FOOT INCREASE AND CAP THE VESSEL SIZE AT 86 FEET. Motion carried.**

RESOLUTION 16-054: Amending the Port and Harbor fee schedule to implement a new graduated harbor moorage rate structure; **postponed** May 23, 2016.

RESOLUTION 16-055: Amending the Terminal Tariff to implement a new graduated harbor moorage rate structure; **failed** due to lack of a otion May 23, 2016.

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Memorandum 16-152

TO: MAYOR WYTHE AND CITY COUNCIL

FROM: JO JOHNSON, CITY CLERK

DATE: SEPTEMBER 21, 2016

SUBJECT: RESOLUTION 16-054 - NEW GRADUATED HARBOR MOORAGE RATE STRUCTURE

Resolution 16-054 first appeared before the Council on May 23, 2016. On that date it was postponed to June 13, 2016 for public testimony. Council scheduled a second public hearing for September 26, 2016 to allow the commercial fishing fleet to return and offer public comment on the proposed moorage rates.

Council then approved the scheduling of a Worksession on October 17, 2016 for a presentation by Northern Economics on the proposed graduated harbor moorage rate structure.

RECOMMENDATION:
Postpone Resolution 16-054 to October 24, 2016 after the presentation by Northern Economics.