



City of Homer

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Port and Harbor

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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 ADJUST 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 RESERVE 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 KPBA 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 OCTOBER 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 motion May 23, 2016.