

Session 11-02, a Regular Meeting of the Port and Harbor Improvement Committee was called to order by Chair Howard at 5:23 on August 25, 2011 at the City Hall West Conference Room located at 450 Sterling Highway, Homer, Alaska.

**PRESENT:** Hartley, Hawkins, Howard, Howard, Lewis, Wythe

**STAFF:** City Manager Wrede  
Deputy City Clerk Jacobsen

### **AGENDA APPROVAL**

The agenda was approved by consensus of the Committee.

### **PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**

There were no public comments.

### **RECONSIDERATION**

There were no items for reconsideration.

### **APPROVAL OF SYNOPSIS**

A. Approval of the August 18, 2011 Meeting Synopsis

The synopsis was approved by consensus of the Commission.

### **VISITOR/PRESENTATIONS**

No visitors were scheduled.

### **STAFF & COUNCIL REPORTS**

There were no staff or council reports.

### **PUBLIC HEARING**

No public hearings were scheduled.

### **PENDING BUSINESS**

No pending business items were scheduled.

### **NEW BUSINESS**

A. Review of Port and Harbor Finances

Finance Director Mauras showed a power point presentation to review the Port and Harbor Enterprise fund. Paper copies were provided for the record. As of 12/31/10 the Depreciation Reserves has a fund balance of \$1,652,816.31 and vehicle reserves have \$68,796.40. These reserves are set up and used for the repair and replacement of equipment and infrastructure.

As of the same date, total assets for the Port are \$41,762, 236, excluding land which equals \$26,508,195. Total reserves are \$1,721,612.71, or 6.5% of the Ports depreciable fixed assets set aside for repair or replacement. 40% of depreciable capital assets is to be maintained in depreciation reserves, and the Port and Harbor has fallen short of this goal. She summarized that the auditors were happy to see the Port is debt free. Six months of expenses should be maintained in case of emergencies. Net assets (retained earnings) represent accumulated earnings that are not reserved. Net assets available for expenses are \$41,472,133.70 less fixed assets of \$41,762,236 leaves a deficit of \$290,102, available for debt repayment and preparedness.

Mrs. Mauras commented that debt polices could be considered. A common provision is a policy that places limits on the amount of debt that can occur. The limits assume two dimensions:

- A limit on the percentage of operating revenue spent for debt service, and
- A limit on the amount of outstanding direct debt as a percentage of the full value of assessed properties.

She summarized a discussion with Deven Mitchell of the Alaska Bond Bank. He advised that the Port and Harbor would have to demonstrate the ability to pay back the bond and generate enough revenue to sufficiently add to net assets. A risk assessment would need to be done to see if is reasonable for the Port to take on the debt. A plan of revenue generation needs to be in place, and insurance and general upkeep of the port would be required. A year of bond payments would need to be placed in reserves. Mr. Mitchell indicated that the bond would have to be approved by the voters. He also said the City of Seward was in a similar situation and they imposed a small head tax that was dedicated to payback of the bonds.

Mr. Hawkins explained that the Seward head tax is for passengers on tour boats. It is a fee that Homer has in their tariff but it hasn't been collected in the past. It is set up for vessels larger than 12 passengers. He isn't sure what the financial benefit would be if they charged the fee and expects the concept would meet resistance as it targets a specific user group. It was suggested that they may have some incentive knowing the funds will produce a better facility and attract more users to their business. Mr. Hawkins added that Seward is concerned because their ridership is lower and as a result are concerned about bond repayment. He does not know how much Seward bonded.

Mrs. Mauras reviewed the cash flow statement. Mr. Hawkins commented about the reserves, noting it is separate from the cash flow information. The contribution to reserves was increased from \$320,000 last year to \$500,000 this year. The Port is at \$1.4 million in reserve account but should have \$10 million with annual contributions maintaining that number.

Chair Howard expressed concern that the Port can't afford a bond right now and that increasing fees to a level to pay back a bond wouldn't be tolerated by users.

The group discussed present fee, revenue, and amenities provided for commercial fishing and how they compare to other area harbors. The general consensus was that they would like to continue to meet and discuss ways to move forward on the bonding concept.

Mrs. Wythe expressed that she is more inclined to focus the on cash flow statement. In order to pay the bond, having cash flow that is increasing is more important. The depreciation amount is a soft number in the statement and not cash in the bank. How it would impact the building of the reserve would be different and the 40% is an ideal goal of an amount that would allow an ability to replace a substantial amount of the infrastructure. She wants to

think about it and digest the information provided at the meeting tonight. She would like to know more information about why Mr. Mitchell indicated this would have to go to the voters.

Mrs. Mauras said if the committee could provide some scenarios she could create a model to show how much harbor fees would need to be increased to meet bond payments and increase the reserves balance.

Scenario 1 is the list on the resolution, the cost to bond, and what the payment would be. According to the numbers in the CIP it totals about \$10 million. The costs in the CIP may need to be updated.

Scenario 2 is the Harbor building, and a project that would produce revenue. The Harbormaster could assist Mrs. Mauras could work on numbers for that scenario.

The Committee asked to see a projection of potential revenue from fee increases and implementation of a head tax. They agreed to look at this new information at the September 8 meeting. They asked City Manager Wrede to try to schedule Mr. Mitchell for their September 1 meeting.

#### **INFORMATIONAL ITEMS**

#### **COMMENTS OF THE AUDIENCE**

Cathy Ulmer, city resident, expressed her appreciation to the Committee for taking this forward step.

#### **COMMENTS OF STAFF**

There were no staff comments.

#### **COMMENTS OF THE CHAIR**

Chair Howard thanked Regina and asked the Committee to take tonight's information home and review it for the next meeting.

#### **COMMENTS OF THE COMMITTEE MEMBERS**

There were no Committee member comments.

#### **ADJOURN**

There being no further business to come before the Committee the meeting adjourned at 6:25. The next meeting is scheduled for September 1, 2011 at 5:30 at the City Hall West Conference Room.

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Melissa Jacobsen, CMC, Deputy City Clerk

Approved: \_\_\_\_\_