

PORTS AND HARBOR COMMISSION  
Minutes for Regular Meeting  
December 20, 2011

I. CALL TO ORDER

Chairman Bruce Painter called the regular meeting of the Ports and Harbor Commission to order at 7:01 p.m. in the Valdez City Council Chambers.

II. ROLL CALL

Commissioners Present: Bruce Painter, Laura Meadors, Bernie Culbertson, Steve Cotter, Mark Swanson and Jeff Johnson.

Commissioner Colleen Stephens was absent and excused.

Also present: Diane Kinney, Ports & Harbor Director; Steve Waller, Harbormaster; Karen Feero, Recording Secretary; and 1 member of the audience.

III. APPROVAL OF MINUTES – November 15, 2011

The minutes for the November 15, 2011 meeting were approved as presented.

IV. PUBLIC BUSINESS FROM THE FLOOR

There was no business from the floor.

V. STAFF REPORTS

Steve Waller, Harbormaster reported the harbor staff is keeping busy with the snow. He reported that 2 vessels have sunk in the Harbor. The H-K Docks electrical project is ongoing at the harbor. It has been very difficult with all the snow. The contractors will be leaving on the 22<sup>nd</sup> or 23<sup>rd</sup> and will be back after parts have been received. Mr. Waller also reported the launch ramp dock bid went out and the bids are due back on January 4<sup>th</sup>. The Capital Facilities Department plans to have the majority of the work completed by May 1<sup>st</sup> with completion by May 18, 2012.

Diane Kinney, Ports & Harbor Director reported that Capital Facilities is moving along with the airport renovation project. The paint and carpet project should start around mid-January and the company plans on completing the renovation within a 10 day time frame. The seating for the commons area, Era Aviation and Grant Aviation waiting areas will be ordered separately after the renovation.

Ms. Kinney stated the VCT landing craft ramp project is going forward with the design phase.

Ms. Kinney also mentioned the mayor received a letter from Governor Parnell informing him that \$5 million had been included in the Governor's Budget for the Valdez Harbor Expansion Project. That budget will be forwarded on to the legislature for approval. Also the City Manager recently signed an agreement with the Corps of Engineers to work on the design phase of the harbor expansion.

Commissioner Swanson asked how far the \$5 million would take us toward the Harbor. Mr. Sorum and Ms. Kinney thought the total for the expansion project was \$48-\$50 million.

Ms. Kinney said the city offices will be closing at noon on Friday and will be closed Monday for the Christmas holiday.

#### VI. UNFINISHED BUSINESS

##### A. Discussion Item: Port Tariff & Fees Review

Ms. Kinney said there were only four commissioners at the last meeting so this item was back on the agenda for discussion. She included information in the agenda statement on the cell sites that was requested at the last meeting. Ms. Kinney mentioned since the city no longer has cruise ships using the Container Terminal the Port vendor fees have been eliminated from the resolution. The policies were specific to the Container Terminal.

Ms. Kinney said that Appraisal Company of Alaska, LLC reported the fair market rental rate for the Communication Site Agreements would be in the \$700 to \$800 per month range. The resolution rate would be for a new company coming in. She did note that there isn't much more room on the steel structure that currently houses the antennas.

Commissioner Cotter questioned whether the city would increase the existing agreements to \$700 or wait until the agreements are to be renewed.

Ms. Kinney responded that the existing companies are in the middle of their agreement terms, so at this time the increase would not affect the existing customers. They have 5 year agreements with options for 5 year extensions. Right now they have a 3% annual increase built into their agreements.

Commissioner Meadors felt the rate structure penalized older customers who have had agreements with the city longer. Commissioner Meadors would like to see a rate structure similar to the Small Boat Harbor.

Ms. Kinney stated the last time the cell site agreements were reviewed was in 2003 when the fair market value was lower and the 3% increase was built in at

that time. When the latest customer came in, they started out at the 2003 rate, which made their rate lower than the existing customers.

Commissioner Meadors asked if the city has the ability to change the terms of the contract during the renewal process. Ms. Kinney said the city does have the ability to change the terms of the contract with each extension.

Ms. Kinney said the last time this was reviewed the 3% increase had been added to at least keep up with inflation.

Commissioner Swanson asked if the \$500 rental amount was the fair market value in 2003. Ms. Kinney confirmed that in 2003 the fair market value was \$500. Ms. Kinney said the fair market value needs to be reviewed more frequently.

Ms. Kinney said the newest customer would not see the new rate until their agreement expires in 2014. Commissioner Swanson said this would put everyone on equal footing when their agreements expire.

Commissioners agreed to increase the rate to \$750/month and to set the rate by the year with a 3% increase.

Ms. Kinney said the Kelsey Dock upland fees were set in 2010 and she recommends no change to the fees at this time.

Commissioner Meadors said the whole waterfront had been transformed with the improvements there.

Commissioner Culbertson questioned if fees for vessels 60 feet and under were changed. Ms. Kinney said she had compared 60 and 80 foot vessels for examples.

Commissioner Culbertson said he felt there should be a rate for vessels that are 60 foot and under. The larger vessels are commercial vessels.

Commissioner Swanson asked what the thought was on the original rate structure. He said it discouraged small vessels. Ms. Kinney pointed out the rate structure at the Container Terminal and Kelsey Dock was aimed towards larger vessels such as barges, tankers, and cruise ships.

Commissioner Swanson suggested setting the rate at the Kelsey Dock the same as it is for the daily transient billed fee at the Small Boat Harbor.

Ms. Kinney asked if the Commission wanted to set a rate at 0-60 foot and 60-100 foot for smaller vessels. Commissioner Culbertson agreed with the vessel size break in the rate structure.

Ms. Kinney provided the electrical usage history for the Container Terminal which was requested from the last commission meeting. Ms. Kinney reminded the commission at the last meeting there were concerns on the cost of electricity for the reefer units. Ms. Kinney reported that the electricity used on the reefer units has a variety of variables, such as age and size of the unit. Ms. Kinney contacted a local electrician to see what was needed to establish the electrical use of reefers. The electrician suggested hooking up a sub-meter in the electrical room that is actually hooked up to a reefer unit. The estimated cost would be \$1,000 for the portable sub-meter.

Commissioner Cotter suggested contacting the manufacturer for the information on the reefer units.

Commissioner Swanson agreed that the cost of running a reefer unit is extremely high and the city is subsidizing the cost of the electricity.

Ms. Kinney referred to the VCT Electrical Usage spreadsheet, which showed that for the month of July 2011, after North Star, GCI, AT&T, Copper Valley Telephone, and the reefer units were billed the city made money on electricity. Ms. Kinney informed the commission the electrical bill for the Container Terminal includes the power pedestals, maintenance shop, electrical building, winches on the dock and the high mast lights on the dock, causeway and in the yard.

Commissioner Meadors recommended the portable sub-meter to estimate the power being used for the reefer units.

Ms. Kinney will check with the Building Maintenance Department and Public Works Department to see if the city has a portable sub-meter to borrow or if one needs to be purchased.

Ms. Kinney said staff would be looking at a rate increase to the cell sites electricity bill based on the cost of power charged to the Port. She mentioned that the increase to the cell site customers for the electricity does not need to be written in the resolution.

Ms. Kinney asked the commission to review the dockage rates comparison spreadsheet. She noted that the City of Valdez dockage rates are in the mid-range compared to other ports.

Commissioner Meadors thought the larger vessel cost was higher than the other ports. Ms. Kinney agreed the city is high on larger vessels only, but not compared to Anchorage port costs. Commissioner Meadors didn't feel Valdez was comparable to Anchorage.

Ms. Kinney mentioned the city cost is higher for larger vessels probably due to the tanker traffic at the Valdez Container Terminal. And with regards to cruise ship traffic, the city does not charge a passenger tax, sales tax, or a cruise ship surcharge like the other ports. Ms. Kinney said she would not recommend lowering the dockage fees.

Commissioner Cotter pointed out that if the city is trying to attract cruise ships maybe the city needs to lower the dockage rate for two years. Commissioner Cotter felt the city would be making a statement by lowering the fees.

Commissioner Swanson referred to the dock comparison spreadsheet under Seward fees; the difference for a large vessel is \$464 in Seward versus \$2,483 for a large vessel in Valdez which seems very discouraging.

Commissioner Cotter stressed that the city is not receiving cruise ships at this time, so the city can decrease the fees for two years to see if the city gains cruise ship traffic, indicating the city isn't losing money from the cruise industry.

Commissioner Meadors asked if there was a different rate for cruise ships and tankers. Ms. Kinney responded the larger vessels pay the same rate according to our tariff.

Commissioner Cotter suggested having a different rate for cruise ships and tankers.

Ms. Kinney informed the commission the city currently does offer a discount rate of 20% for substantial users of the facilities. She said this discounted rate is part of the tariff and was used by the cruise ship companies.

Commissioner Swanson suggested giving a discount or rebate to companies for multiple uses of the Port facilities.

Chairman Painter understood this discounted rate is already in the tariff under "substantial users of the facilities".

Ms. Kinney responded yes, this discount is written in the tariff. Ms. Kinney informed the commission that Samson Tug & Barge Co. and SERVS currently have the discounted rate for dockage and wharfage.

Commissioner Swanson questioned if the commission needed to make suggestions for the changes.

Ms. Kinney said if there are any changes the commission would like to see made, they can add that information now and the commission will vote on the changes when the item is on the agenda as an action item. She has noted to address the change in dockage rates for the smaller vessels.

VII. NEW BUSINESS

There was no new business.

VIII. REPORTS

A. Community Strategic Planning Report

Ms. Kinney and Commissioner Swanson have been attending the Community Strategic Planning meetings and 5 goals have been chosen to focus on for the Valdez community.

Commissioner Swanson discussed the goal for Valdez to become the preferred hub for the region. Commissioner Swanson said the goal of having Valdez as a main transportation and communication hub for the region goes along with being competitive and attracting business for the Port.

Ms. Kinney announced the Strategic Planning Committee is planning an open house on February 7, 2012 to show the community what the goals and objectives are for Valdez.

IX. INFORMATION

- A. *Marine Log* Editorial
- B. *Marine Log* Article "Harvey Gulf to Build First LNG PSVs for GoM"
- C. Valdez City Council Minutes of 11-2-11 and 11-21-11

There was no discussion on these items.

X. COMMISSION BUSINESS FROM THE FLOOR

Commissioner Cotter thanked staff for the spreadsheet on the electrical rates.

Commissioner Swanson commented that the city is not far off on the established electrical and dockage rates.

Commissioner Meadors thanked the harbor crew for a great job on the snow removal efforts at the small boat harbor.

Chairman Painter wished to thank the harbor crew for their snow removal efforts as well.

XI. ADJOURNMENT

There being no further business, the meeting adjourned at 8:30 p.m.

CITY OF VALDEZ, ALASKA  
PORTS AND HARBOR COMMISSION

---

Bruce Painter, Chairman

ATTEST:

---

Karen Feero, Recording Secretary