

# Petersburg Waterfront Master Plan: Rate Study and Financial Considerations

A presentation by Mike Fisher

Alaska Association of Harbormasters and Port Administrators  
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# Background

2015: Update of Petersburg Borough Comprehensive Plan and **Waterfront Master Plan**

Team lead by Agnew::Beck, with Moffatt & Nichol and Northern Economics

**WMP** included capital planning for maintenance and new facilities, plus a **rate study** and **financial considerations**

The rate study and financial component looked at revenue requirements to fund the life cycle costs of port and harbor facilities

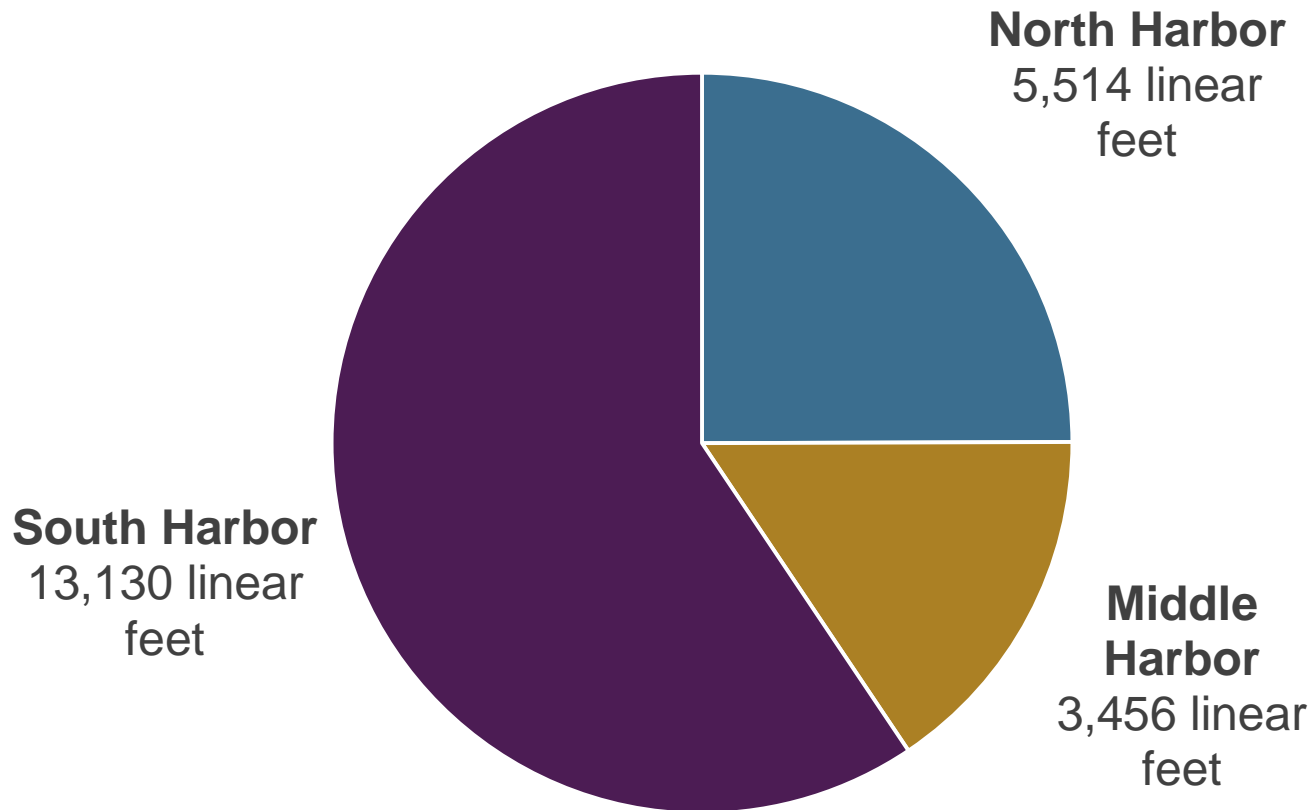


# Overview of Facilities

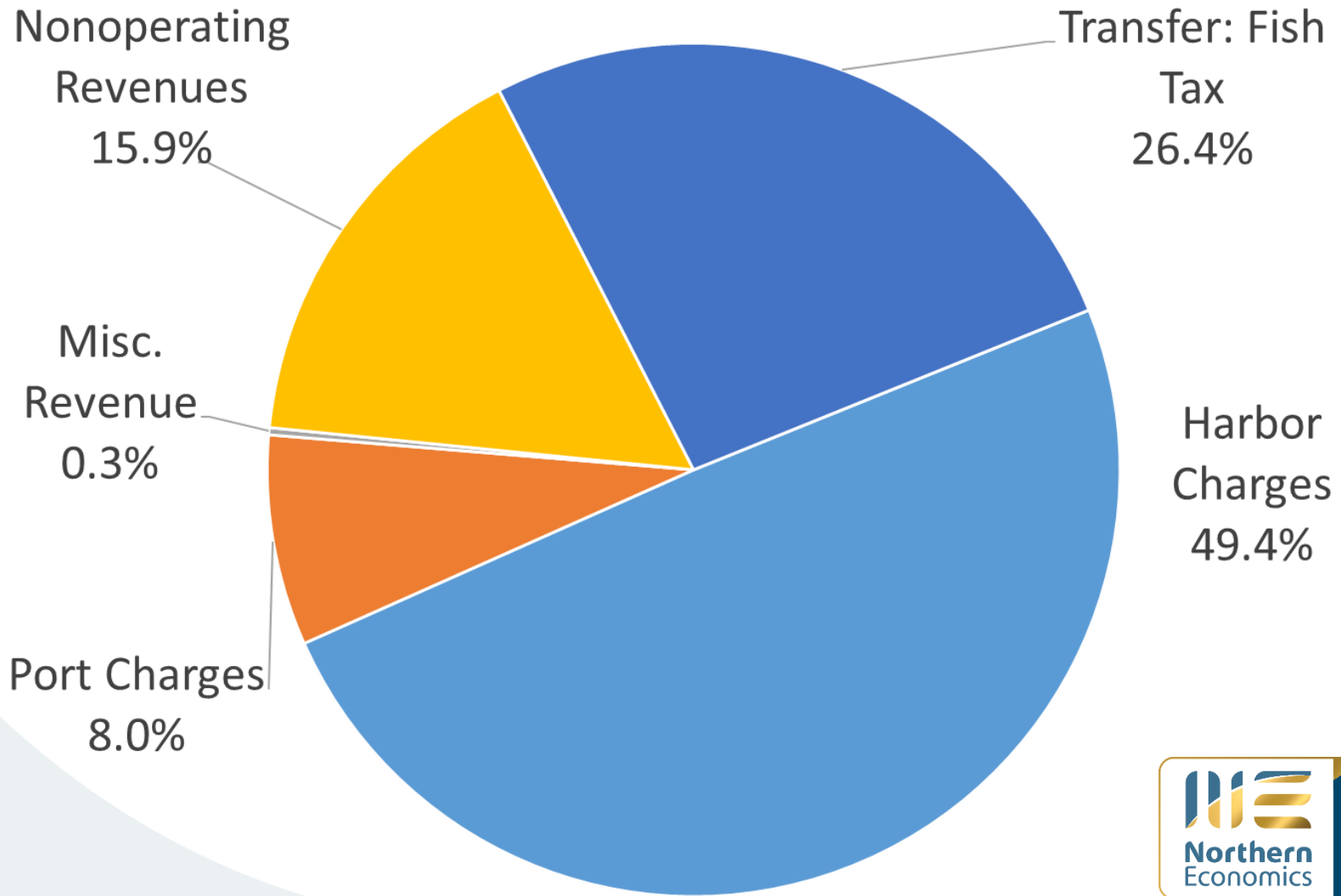
Harbors:           North Harbor  
                      Middle Harbor  
                      South Harbor

Other Facilities: Crane Dock  
                      Drive Down Float & Ramp  
                      Fish Cleaning Float  
                      Harbor Office  
                      Port Dock

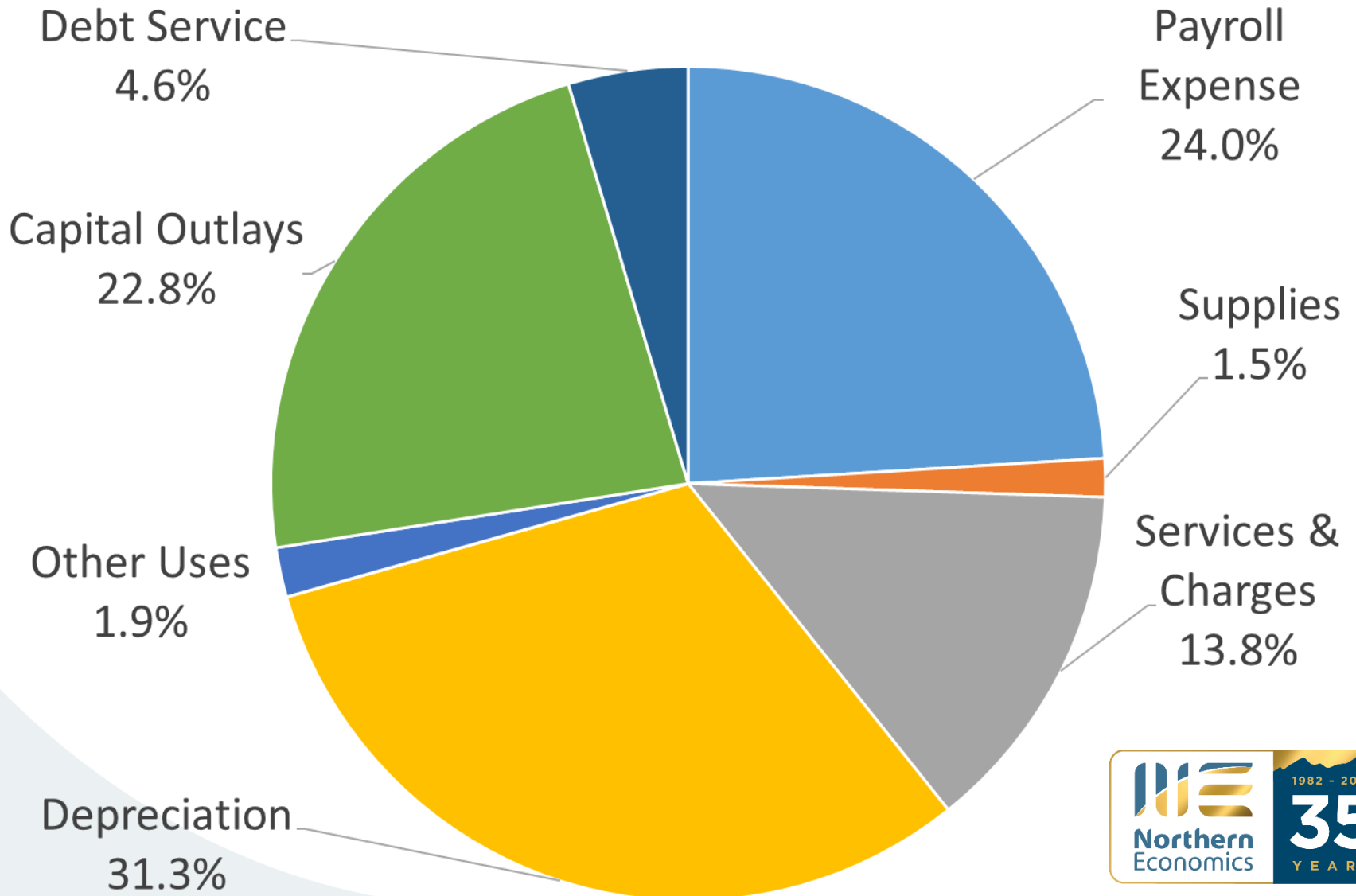
# Harbors: 22,100 linear feet



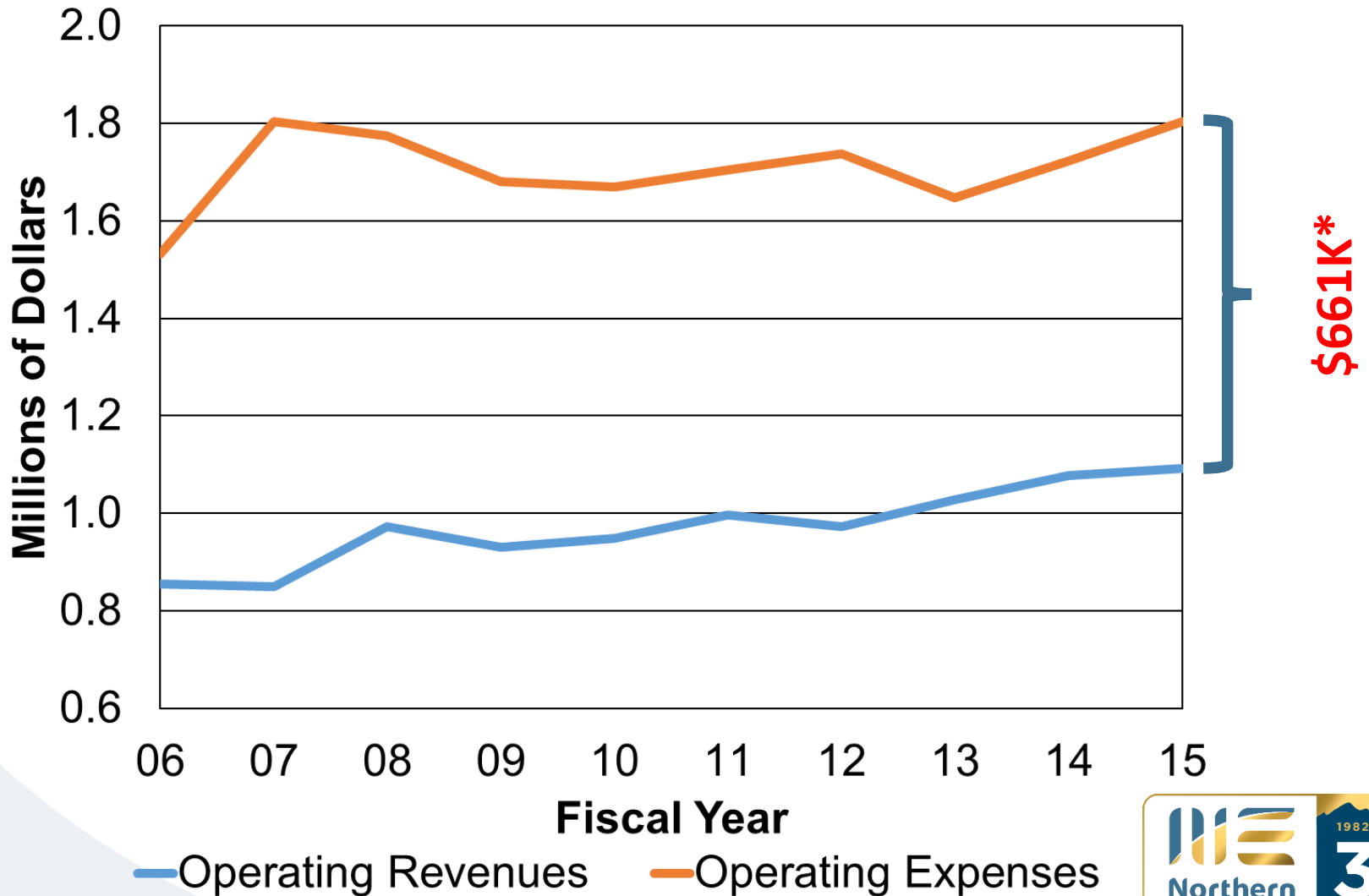
# Revenues, 2015: \$1,892,000



# Expenses, 2015: \$2,553,000



# Operating Income



# Rate Study

We conducted a rate study for **existing facilities** using a life cycle cost analysis (**LCCA**).

Due to the nature of capital projects and land acquisitions identified in the WMP, we suggested that each be considered individually as opportunities arise.



# LCCA Assumptions

**Discount Rate:** 1.4% real discount rate (U.S. OMB, 2014)

**Capital Cost Inflation Rate:** 3.8% annually for capital costs (PPI for Port and Harbor Operations, 2015)

**Percent of Costs Supported by Rates:** 100% of O&M, capital costs

**Offsetting Revenues:** Maintain non-operating revenues and fish tax

**Useful Life of Facilities:** 50-year useful life and replacement schedule

**Major Maintenance Costs:** 1.5% of original capital cost every 5 years and 2.22% of original capital cost every 15 years

**Operations Costs:** Based on 2015 budget, constant in real terms



# Facilities Included in LCCA

<b>Project Description</b>	<b>Total Cost (2015\$)</b>	<b>Year Built</b>	<b>Estimated Funding (\$)</b>	<b>Cost to Borough (2015\$)</b>
<b>Current Facilities</b>				
Drive Down Float & Ramp	9,500,000	2015	0	9,500,000
North Harbor	8,507,896	2014	4,760,000	3,747,896
Crane Dock Addition	834,189	2014	0	834,189
Fish Cleaning Float	214,590	2014	206,824	7,766
Middle Harbor	6,966,982	2006	5,000,000	1,966,982
South Harbor	14,700,000	2004	8,150,000	6,550,000
South Harbor	9,405,425	1984	8,150,000	1,255,425
Harbor Office	1,687,500	1982	0	1,687,500
Port Dock	1,937,711	2013	0	1,937,711
<b>Facility Replacement</b>				
North Harbor	8,507,896	2064	0	8,507,896
Crane Dock Addition	834,189	2064	0	834,189
Fish Cleaning Float	214,590	2064	0	214,590
Middle Harbor	6,966,982	2056	5,000,000	1,966,982
South Harbor	14,700,000	2054	8,150,000	6,550,000
South Harbor	9,405,425	2034	8,150,000	1,255,425
Harbor Office	1,687,500	2032	0	1,687,499
Port Dock	1,937,711	2063	0	1,937,711

# Annualized Costs of Facilities

<b>Cost Category</b>	<b>Present Value (\$)</b>	<b>Annualized Amount (\$)</b>	
		<b>50 years</b>	<b>40 years</b>
Capital and Major Maintenance	20,374,253	569,343	668,685
Operations and Routine Maintenance	39,550,659	1,105,212	1,298,056
<b>Total, Existing Facilities</b>	<b>59,924,912</b>	<b>1,674,555</b>	<b>1,966,740</b>

# Offsetting Revenues

Revenue Item	Source of Estimate	Amount (\$)
<b>Operating Expenses</b>		
Harbor charges	FY2015 Budget	935,274
Port charges	FY2015 Budget	151,000
Miscellaneous revenue	FY2015 Budget	5,100
<b><i>Subtotal, Operating Expenses</i></b>		<b>1,091,374</b>
<b>Nonoperating Revenues</b>		
Nonoperating revenue (not including grants)	FY2015 Budget	49,500
Fish Tax	Estimate	400,000
<b><i>Subtotal, Nonoperating Expenses</i></b>		<b>449,500</b>
<b><i>Total</i></b>		<b>1,540,874</b>

# Revenue Requirements

	Period Over Which to Spread Costs	
	50 Years	40 Years
Revenue requirement (\$)	1,674,555	1,966,740
Less nonoperating revenues (\$)	-455,793	-535,322
Operating revenue required (\$)	1,218,762	1,431,418
Current operating revenues (\$)	1,091,374	1,091,374
Required increase in operating revenues (\$)	127,388	340,044
Required increase in operating revenues (%)	11.7	31.2

# Financial Considerations: Rate Adjustments

## **Useful life of 50 versus 40 years:**

- 11.7 percent increase recommended
- Hedge against unknown useful life with 20 percent

## **Regular inflation increases:**

- PPI for Port and Harbor Operations (~3.8 percent)
- CPI for Anchorage (~2.6 percent)
- U.S. Office of Management and Budget (~2.0 percent)

# Financial Considerations: Replacement Fund

LCCA assumes excess funds stored in an account for later use

- Downside: funds can accumulate, especially in advance of major projects
- Alternative: replacement fund balance target

Bridging the gap:

- Private investment and P3s
- State and federal grants
- Deferral of expenses (scheduling projects over years)
- Debt issuance

# Financial Considerations: Setting a Fund Target

## **Method 1: Rolling five-year average of capital costs**

- Target of \$4.2 million
- 41 percent of projected costs of any given year

## **Method 2: Average each year's capital and major maintenance costs and set target of five times this amount**

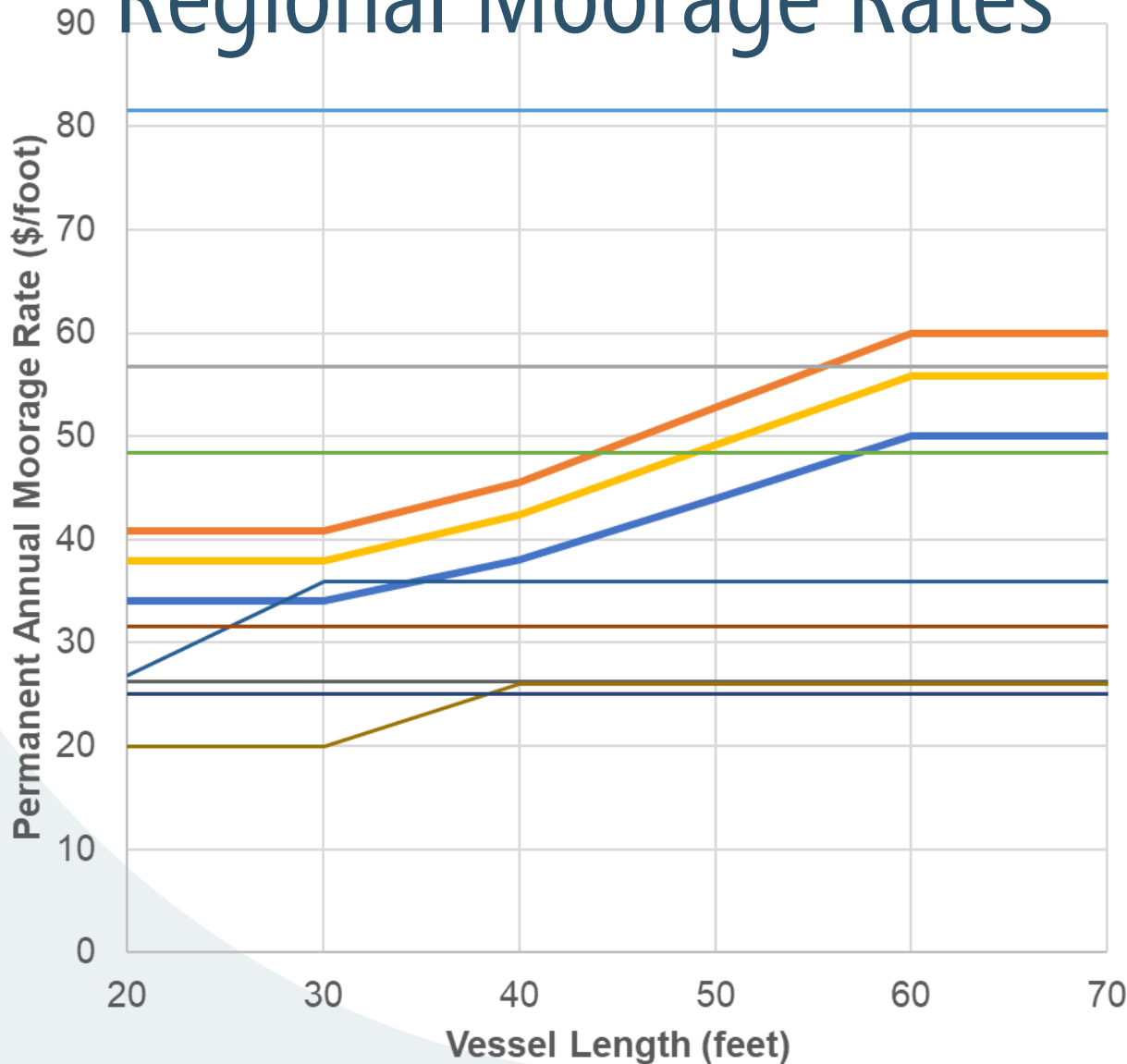
- Target of \$3.9 million
- 39 percent of projected costs of any given year

**Recommendation: \$4 target balance, adjusted for inflation**





# Financial Considerations: Regional Moorage Rates



- Juneau Statter Harbor
- Petersburg with 20 Percent Increase
- Sitka 2012 Harbor Master Plan Recommendation
- Petersburg with 11.7 Percent Increase
- Petersburg Current Rates (2015)
- Juneau Douglas, Harris, and Aurora Harbors
- Sitka Current Rates (2015)
- Ketchikan Outside City Limits
- Ketchikan Inside City Limits
- Haines
- Wrangell



# The Headlines

Petersburg is doing a good job of covering its costs with a combination of port and harbor revenues as well as a share of the fish taxes received from the borough.

An across-the-board increase of 12 percent would “balance” the port and harbors budget.

The borough needs to save for the repair and replacement the vital facilities – existing and new. A gradual annual rate increase of an additional two percent over the next 10 years would provide additional revenues to fund a repair/replacement fund.

Facilities and acquisitions to support the Waterfront Master Plan will require more than \$10 million, funds that could come from a mix of public investment and partnerships with the private sector.



# Thank you!

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