

Rate Studies for Ports and Harbors

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Agenda

- What Rate Studies Are
- Perspectives / Focus
- Market vs. Cost-Based Studies
- Some Examples
- Why Do a Rate Study

What Rate Studies Are

Two kinds of rate studies, broadly speaking:

- **Market study:** compares rates to other harbors. Are we cost-competitive?
- **Cost-based study:** looks at the harbor's uniqueness and financial situation.

Two levels of focus:

- **External:** financial sustainability of the harbor
- **Internal:** cost allocation and revenues by users

Externally-Focused Studies

- Ensure the harbor meets its operations and maintenance needs
- Cover some portion of repair and major maintenance costs and/or capital replacement costs

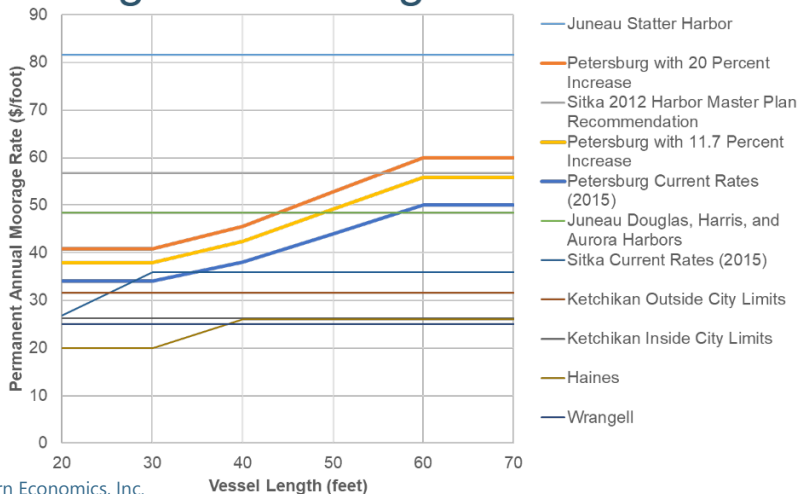
Internally-Focused Studies

- Evaluate how costs are generated
- Evaluate how revenues are generated
- Look at how different user groups or types of activities drives costs and revenues
- Evaluate the allocation of shared costs

How We Do Rate Studies: Market-Based Studies

- Gather fees from comparable ports and harbors
 - Comparisons could be based on *geography* or *function*
- Determine how to make comparisons
 - Standard vessel sizes for moorage or dockage
 - Units for services, utilities, or wharfage
- Compare the study harbor/port with its peers

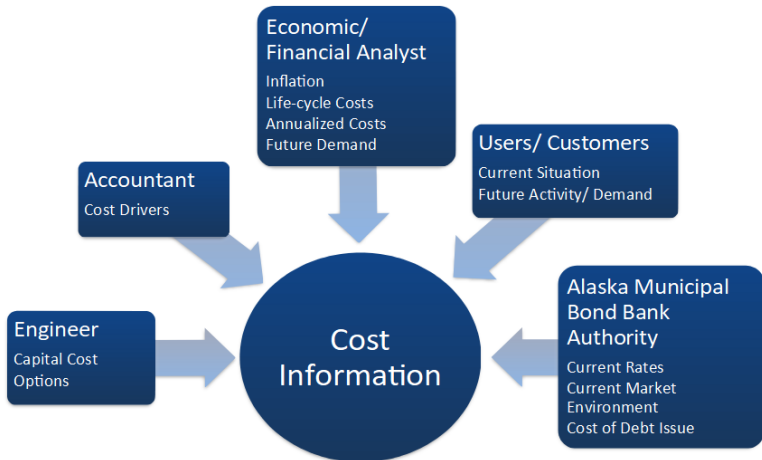
Financial Considerations: Regional Moorage Rates



How We Do Rate Studies: Cost-Based Studies

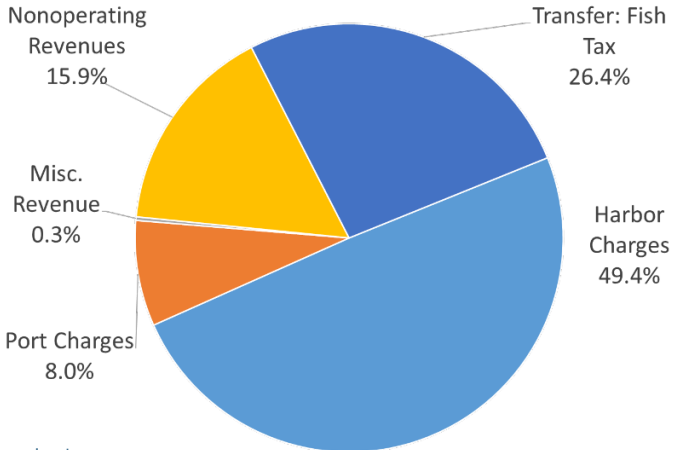
- Gather information about
 - Capital and O&M costs
 - Users
 - Size information (number of stalls, feet of dock face)
 - Rates
 - Revenues by source
- Build a cost model that looks at the life-cycle cost of a facility
- Develop an annualized cost based on the cost of
 - Day-to-day operations
 - Periodic upkeep / major maintenance and repair
 - Replacement
- Work with policy makers on policy decisions/levers:
 - Percentage of longer-term costs to cover
 - Minimum fund balance to cover unexpected costs
 - Extent to which grants will cover capital costs

Sources of Cost Information (2009)

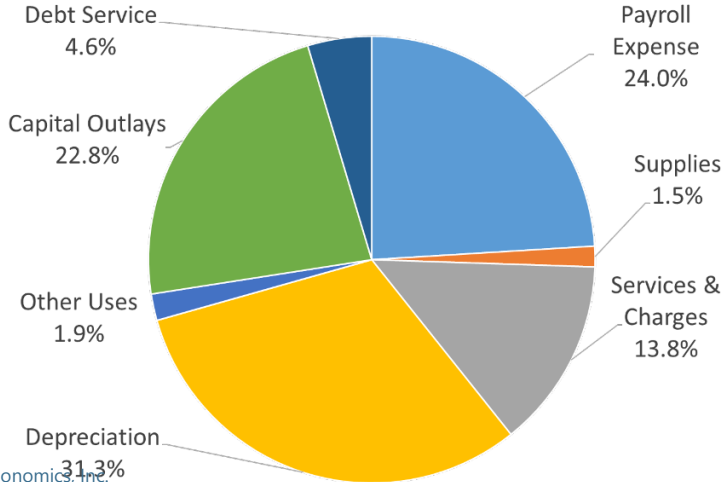


Source: Northern Economics' presentation to 2009 AAHPA Conference

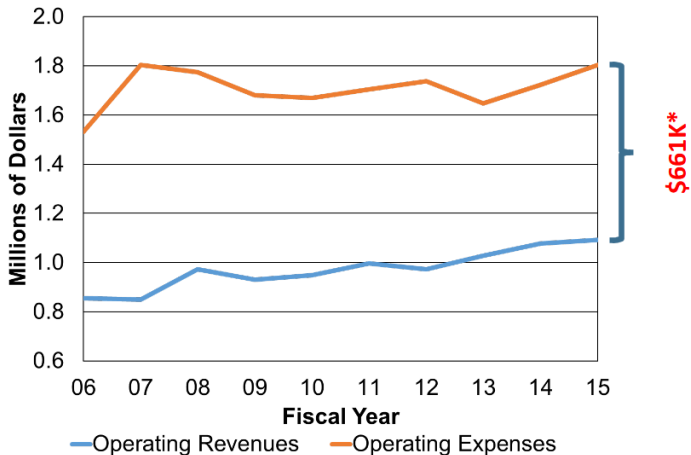
Revenues, 2015: \$1,892,000



Expenses, 2015: \$2,553,000



Operating Income



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 |

Why We Do Rate Studies

- **Financial sustainability:** ensure funds are available to keep the facility viable over time
- **Operational sustainability:** ensure sufficient funds for fitness for use and to meet operational and safety needs
- **Granting agencies:** demonstrate financial sustainability to justify outside investment in the facility
- **Equity issues:** determine how costs are allocated among users
 - Sometimes we look at community impacts in setting harbor rates
 - Commercial fishing vessels generate fish taxes, processing employment, etc.
 - Recreational-focused harbors generate tourism and sales tax revenues



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