

**MINUTES
NOME PORT COMMISSION
REGULAR MEETING
April 19th, 2018**

The Regular Meeting of the Nome Port Commission was called to order at 7:05 pm by Vice-Chairman Lean in Council Chambers at City Hall, located at 102 Division Street.

ADMINISTRATION OF OATH OF OFFICE

Commission Seat "F" Gay Sheffield was sworn in by Harbormaster Stotts.

ROLL CALL

Members Present: C. Smithhisler, C. Lean, C. Henderson; C. Sheffield; C. McLarty;

Absent: C. West, C. Rowe

Also Present: Tom Moran, City Manager; Lucas Stotts, Harbormaster; Joy Baker, Port Director (telephonically);

In the audience: Zoe Grueskin, KNOM; Sandra Medearis, Arctic News;

APPROVAL OF AGENDA

Vice-Chairman Lean asked for a motion to approve the agenda:

A motion was made by Smithhisler and seconded by Henderson.

At the Roll Call:

Ayes: Lean, Henderson, Sheffield, McLarty, Smithhisler

Nays:

Abstain:

The motion **CARRIED**.

APPROVAL OF MINUTES

March 8, 2018 Regular Meeting

Vice-Chairman Lean asked for a motion to approve the minutes:

A motion was made by Sheffield, seconded by McLarty to approve the minutes.

At the Roll Call:

Ayes: Henderson, Sheffield, McLarty, Smithhisler, Lean

Nays:

Abstain:

The motion **CARRIED**.

CITIZENS' COMMENTS

None

COMMUNICATIONS

- 18-03-13 Alaska DOT letter to Mayor re: Port Rd Reconstruction
- 18-04-02 USCG Nome Front Range Light Land Lease Renewal
- 18-04-06 Alaska DHS letter to Manager re: Cape Nome PW17(4) Amendment
- 2018 Port of Nome Ship Schedule

Discussion:

PD Baker explained the renewal on the USCG Front Range Light was an annual event, that also takes place for the rear light near the cemetery.

CITY MANAGER'S REPORT (18-04-16 Report)

CM Moran touched on the port-related items in his report, namely; the City Admin's meeting with USCG Admiral McAllister and Admiral Bell regarding their upcoming Change of Command, and the Mayor's and Port Director's scheduled attendance at the Arctic Encounter Symposium on 19-20 April 2018. He relayed a few important facts regarding the ongoing F19 budget process currently underway with the Council, with specific attention to the Nome Public Schools request, and how that impacts the City's budget. As an FYI, he advised the group to let all port users they encounter, that they should be reviewing their assessed tax notices and if any appeal is needed, they MUST be filed by early next week 23-24 April 2018.

Discussion:

Sheffield inquired as to why the USCG leadership didn't visit in summer; put simply, their command changes over in springtime, but their leadership has been in Nome during summer months.

HARBORMASTER'S REPORT (Verbal)

HM Stotts started back full-time on 1 April and began performing various maintenance tasks in preparation for the 2018 season. Seasonal staff hiring has been initiated, with Caitlin LeClair hired as Office Manager. This leaves just the Dock Watch position to be filled as Chris Schuneman is returning from Public Works in the role of Assistant Harbormaster. Vessels continue to schedule on the calendar for dock space at the Port, and work is ongoing with collections, office cleaning/organizing, 2018 documents prep, etc. There are frequent requests for snow removal in and around the storage areas, with the significant amount of snowfall – these are being responded to in a timely fashion as weather permits.

Discussion:

Lean inquired about the vessel on Belmont Beach that is slowly being uncovered with the snow melt. Henderson inquired whether dock reservations were in line with previous years – haven't received any for fuel/cargo barges, but it's really too early to tell. Further, Henderson asked about homeported numbers in 2011-2017 vessel tracking stats, and how they've dropped significantly. HM Stotts replied that the number of dredges has declined, but the size of the vessels has increased so utilization of harbor space is higher. Henderson requested whether we could isolate annual revenue by user group; PD Baker replied that the data is in the system, but it will take staff time to extract it correctly – we can look into it. Baker added that the sailboats are NOT included in the homeported stats, and there are frequently many in the harbor. These are considered transient vessels and accounted for as such. Henderson also inquired as to what percentage of the sales tax revenue received into the general fund is port-generated or port-related. CM Moran replied that while we can isolate what companies report what each month, it's difficult to determine how much of those dollars are a result of port activity. There are records that reflect what the port charges for taxable services, but that's all we could clearly identify. Henderson reiterated that basing fiscal decisions on the operating revenue and expenses, without having the data on what sales tax is generated by the port, is not a clear picture. Lean added that there is also the fishery processing that generates revenue outside of tariff fees, but is specifically port-related. CM Moran indicated that as an

enterprise fund, the port is supposed to sustain itself, and whether that allows a subsidy from the general fund, would have to be investigated. Sheffield mentioned this year's lack of ice and how that has allowed the research vessel activity to occur in the region – the NOAA vessel *Oscar Dyson* is operating off of Emmonak, which is extremely unusual this time of year.

PORT DIRECTOR REPORT (Projects Update)_(18-04-16 Report)

PD Baker touched on the AOOS buoy mentioned in the report that has been loaded onto the NOAA Ship *Fairweather* for transit to Nome. An AOOS technician will travel to Nome in July and assist Port staff in activating and launching the buoy (with the Port's vessel *Guardian*). This will provide real-time current and wave data.

Q Trucking has completed the dredging excavation in the Snake River – we await the bathymetric survey to be done in June, when the surveyor is in town for the federal dredging contract. Dredge spoils have all been hauled the project site (near the old state trailers).

The USAF has reversed their position on the City paying for a 2nd EBS survey – and AF staff will now be sending someone up in early June to perform the survey. Once complete, the report will be submitted for approval with a request for immediate property conveyance to the City.

Cameras are all installed and operational – I will be working with the finance office to submit the final grant closeout reports.

Discussion:

None

OLD BUSINESS There was none

NEW BUSINESS

Draft Port & Harbor F19 Budget

Discussion:

Lean opened the discussion on the draft budget – suggesting maybe more ratcheting could be done to reduce expenses further? PD Baker replied that had already been done through two previous iterations, and the next option would likely affect staff and annual maintenance. Henderson asked for a mile high view of the general changes from the previous year. CM Moran deferred to PD Baker, who indicated the revenue is typically comparable to previous years unless there is a specific source anticipated that will significantly increase a revenue stream (not currently foreseen in F19). Expenses are done in a similar fashion, but have many more components that drive forecasting, such as capital improvements, repairs, and maintenance, along with operating expenses that typically see annual increases, like, fuel, insurance, labor and materials. Hence, the deficit forecasted for F19 as several of the deferred maintenance projects are now coming due.

Henderson asked if it was correct to assume if revenue was covering operating expenses; PD Baker said in general terms and most years, yes. However, capital expenses and maintenance projects frequently put us in a deficit. Henderson stated he was still confused, as there was a surplus at the end of the F17 fiscal year, so where did that go? PD Baker reiterated points from the tariff discussions that the F17 surplus was used to reduce the existing balance owed to the City's General Fund on previous debt. Henderson reiterated, in his opinion, the general fund sales tax monies and significant surplus the City is sitting on is better used to cover Port capital costs and deferred maintenance when needed, instead of raising tariff rates. CM Moran

acknowledged the point, but reiterated that as an enterprise fund, it will need to be determined if there are restrictions as to how long the City can or will fund the Port, open-ended. It's possible we can run diagnostics to speculate on how much sales reported are generated at the port but there's no way to determine accuracy unless the information is reported in such a manner.

Lean added to the conversation that he did not agree with that approach, as the City has a number of demands on it for services, such as education, to name a big one. The City is making quality of life decisions in Nome about other services as well, and he doesn't think it's reasonable for the Port to achieve all of its goals as desired. And it's up to the Port Commission to provide a sustainable maintenance schedule and give sound recommendations and advice to the Council on budgetary issues, but to say that sales tax wouldn't happen without the port, I'm not ready to go that far. I think we do contribute more than the average person sees it, but I think we're right in there wrestling for the City's general fund with other competing interests, so I voted to raise the tariff and that is why. Sheffield asked for verification if the sales tax was not included in the revenue used at the Port. PD Baker clarified that all revenue generated through tariff fees is received into a separate bank account under the Port of Nome, but all expenses are paid by the general fund, and then reimbursed by the Port on a revolving basis as funds arrive. All of the sales tax generated at the Port goes directly into the general fund as City revenue, and is never counted as Port. CM Moran stated that the crux of the matter is isolating what tax revenue is generated by the port across all services is a difficult task, but the sales tax generated by taxable port services might be a discussion item as that is a clear number that is reported and paid monthly to the City.

McLarty asked if the amount of sales tax generated by the Port can be determined, then couldn't there be some type of donation made by the City to the Port? Anything down that road would require investigation and discussion with Council.

After additional back and forth on the draft budget before the group, the conclusion was reached to remove the cost-share match for the Garco project;

Motion:

The following motion was moved by Henderson and seconded by McLarty:

Recommend the Nome Common Council adopt the draft F19 Port of Nome Operating & Capital Budgets with removal of the \$180,000 cost-share match for the Garco Building Renovation Project (as the federal grant application was not awarded).

At the Roll Call:

Ayes: Henderson, Sheffield, McLarty, Smithhisler, Lean

Nays:

Abstain:

The motion **CARRIED**.

USCG Commercial Vessel Regulations – Nome Offshore Mining Fleet

Discussion:

McLarty asked if a consensus was reached to put a request on City letterhead to the USCG to support some type of action. Lean stated he doesn't think a conclusion was reached but he has a few ideas; 1/no action or support, 2/petition Congress to relocate the boundary line, 3/request a review for a special ruling for a hybrid regulation for what was required on those vessels, specific to this unique fleet at Nome. Lean said in

the USCG work session, there appeared to be some reception to a potential review for considering the uniqueness of this fleet. McLarty added that both options 2 and 3 would take some time to achieve, but he is in hopes that an effort can be made to address the issue without compromising safety or adding liability.

Lean understood there to be an incredible long shot to get the boundary line moved, as Congress will give significant credibility to the USCG's position on that issue. So the question is, how much time and political capital should we devote for this, and it is certainly not without risk. However, it is less than it is in Cook Inlet where the line has been moved. Sheffield asked if there was an element of decreased safety for vessels not meeting the load line requirement. Lean replied that it hasn't really been enforced so I don't think there is a change. HM Stotts added that the USCG Sector has been advising the stricter regulations were coming for the larger mining vessels, and official notice was given in the fall of 2017 for enforcement in the 2018 season. He added that the USCG advised if the boundary line was pushed further off the beach, none of these requirements (load line, survey or certificate of inspection) would be required from large vessels working inside that boundary. McLarty clarified that you still have to be surveyed to be insured, which he thinks must be fairly safe if they're willing to insure you for millions of dollars.

Henderson made comments about the amount of money the miners indicated they were spending in Nome, while we are agonizing over the economic challenges, this could be part of the answer. PD Baker commented that putting the Port/City weight behind a boundary change may likely be a wasted effort, but there does seem to be room for discussion for this unique fleet to be given a review for some type of modified regulation specific to their location and operation. Therefore, a suggestion would be to have staff approach Alaska Delegation staff on an informal basis – to vet the potential path of modified regulations.

Lean stated he believes the best option to pursue would be to request consideration be given to adopting some alternative compliance for this fleet. McLarty stated he felt we have an obligation to try and help the users of the Port as they spend a lot of money to use the facility and even if there isn't a likely positive outcome, that we should show our support by taking this action. McLarty further inquired as to whether Dave Young, one of the owners of Arctic Sea Mining, actually gave the Port of Nome some money to show their support and their future investments into the Port? PD Baker replied, they have not given any cash, but they did sign a document that if the City received the Tiger grant for \$13M, they would contribute a certain amount in exchange for dolphins along their property - so they were getting something in exchange for their money, but only if we received the Tiger funds, which we did not. McLarty added, "So they offered?" to which Baker responded, "Yes, they did".

After a little further discussion, it was agreed that PD Baker would make an informal inquiry to the delegation staff, and report back to the Commission.

CITIZENS' COMMENTS

Mark Johnson, speaking as a private citizen, echoed McLarty statement regarding the insurance requirement for the large mining vessels; for insurance companies to insure them, they spend \$300-500K to get into compliance in order to qualify for coverage. In his opinion, these insurance companies aren't going to cover these vessels if unsafe.

Mark's additional comments were budget related – he feels the earlier discussion were more conceptual related in talking about economic conditions. Realistically the overall health of the Port, although cyclical, is showing periods of significant cost savings and good management of expenses – good job to Port staff.

COMMISSIONERS' COMMENTS

C. McLarty – thought work session and meeting were informative and welcome to Gay.

C. Henderson – welcome to Gay. Your experience will make the team that much better. I think the work session was very productive and the meeting, although long and my apologies, was very beneficial. I think pursuit of the incinerator and funding options are great ideas and shows creativity is on the table down the road. I think it's great that we're getting to know our customers and make our products more attractive with long term solutions to our fiscal challenges.

C. Smithhisler – welcome to Gay, I don't weigh in very much, especially when we do have differing opinions, as it makes me think a little bit more.

C. Sheffield – thanks for having me and being patient while I stumble around and figure out the issues you guys have been working with – thank you.

C. Lean – I think this was an excellent meeting, and very happy that Gay is here. I've talked too much tonight, so that's my comment.

SCHEDULE OF NEXT MEETING

The next meeting is RESCHEDULED to May 17, 2018

ADJOURNMENT

Motion was made by Smithhisler for adjournment – meeting adjourned at 8:55 PM.

APPROVED and **SIGNED** this ~~17th~~ day of ~~May~~ 2018.
14th June



Charlie Lean, Vice-Chairman

ATTEST:


Joy Baker, Port Director