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Subject: Harbor
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Dear Assembly members,

Please make an informed decision on the Harbor, not one of emotion. I have included some economic discussions to show some thoughts on the financial outcome of construction. There are no accurate numbers of economic impacts from sport users and visitors that could increase with a better facility; I believe there will be some increased use from Canadians with the larger harbor.

I have heard that we have enough boats on the waiting list to fill the additional stalls designed; if that is so, how would we attract new boats/families to town if the facility will already be full? With no new families, but only a change from transient numbers to stall numbers, how will the harbor see any increased or new revenue? Can or will the current users afford increased moorage rates needed to pay for the expanded facility?

In your discussion about the harbor, there is some historical facts that should be remembered. One is that at the time the Assembly three years ago voted for the 'Steel Wave Barrier', PN&D presented the case for the wave barrier as an economical option because if we used the 'Rubble Mound' like existing, we "would not have any funding for docks and other stuff". It was a full six weeks or more later that it was finally disclosed that even the economical option would not leave money for docks.

Second, at no time in the discussion was it disclosed that the patent owner for the 'Steel Wave Barrier' was our consultant: PN&D. This was discovered in a conversation with other engineers during a Lutak Dock meeting weeks later.

Most of the summer the vehicle parking at the harbor is terrible. We do lose some visitor traffic from Canada because of this, I have been told this directly from Canadians. There are a few weeks when boats need to raft out because all stalls are full- agreed, but for probably 90% or more of the time, there are plenty of berths available.

My concern though is not the construction, but the cost of operations. Many times I have stated that money coming into the Borough funds from the state and federal governments are decreasing, and will continue to do so. That is a reality. How we spend and build now will determine our financial situation in five or ten years from now.

Economic Discussion:

United Fishermen of Alaska did a study in 2014, (<http://www.ufafish.org/wp-content/uploads/2016/10/13.-Haines-Borough-2014-v5.1.pdf>), discussing the economic impact of the fishing community in our Borough. Here are some specific numbers:

Number of individuals that held permits and fished: 91

Ex-vessel income: \$7.3 million

McDowell Group recently told me that the economic multiplier for Alaska is only 1.5, which means that for every million earned by a group, \$1.5 million will be spent locally. Using that we can expect to see the economy of Haines receive the following:

\$7,300,000 x 1.5: \$10,950,000

Rounded to \$11 million into our economy will bring in a total in sales tax at 5.5% of:
\$605,000.

Property tax is another place fishermen contribute to the funding of the Borough; if each permit holder pays an average of \$2,500 in property taxes, (10 mills for \$250,000 in property owned), that results in an additional \$227,500.

Total tax contribution from the fishermen's earnings- (not including Raw Fish Tax)

\$605,000

\$227,500

\$832,500

The \$832,500, plus the raw fish tax is the contribution fishermen make to the operations of the borough.

Harbor users do pay moorage and other fees towards operations of the facility- from the FY 17 budget:

Revenue: \$435,000

Expenditures: \$578,020 (This does not include allocations from elsewhere shown in the budget that decrease the expenditure total)

But to see the entire picture of expenses, the repairs and equipment paid through CIP and Economic Development funds need to be added, as well as depreciation:

CIP Funds: \$44,000

Economic Development: \$15,000 (The budget number is larger but includes funding for future construction, not operating costs)

The harbor is currently operating in a CASH deficit of \$202,020 per year, not including depreciation. With 50% more dock to maintain Phil Benner stated it would take an additional 50 employee hours per week to operate the additional space.

For simple math, if we add 50% more stalls, but add extra docks for drive down, loading and such, we can factor 50% more cost in operations and deficit: or \$100,000 + more in the red.

Now lets factor in additional expenses that the new project will introduce to the budget: wave barrier anodes (\$50,000/year) and snow plowing (Who knows???), and Wave Barrier

Depreciation.

PN&D has quoted anode installations at \$300,000 for the wall, and will be required every 5-6 years. Replacement of these anodes is vital to maintaining the steel, (please research the Lutak Dock history and failure for support of this statement). This can not be considered a depreciation cost, but must be budgeted yearly to ensure they get replaced in a timely manner.

The parking lot will need the snow removed. Some say it will not need snow removal because there will be plenty of parking, however, the actual use of the facility will prove that snow removal will be required all winter. When we get our big snows in the early part of the year, the longline season is closing down. By attracting new boats, we will see operations later into the year; to keep access to the new drive down facility and large vessel stalls we will need snow removed when they come home and remove their gear for the winter. During the winter, some of these boats will be doing repairs and upgrades, snow will need to be out of their way.

With the big snows also comes the deer hunters wanting to head down the canal. Our new launch ramp will need to be free of snow for folks wanting to launch in the morning, and pull back out in the evening. Once launched, their pickup and trailer will need room to park. These guys will hunting into January.

February brings Tanner fishing, and the need for fishermen to bring pots to their boats. Longline again opens in march, as I believe Shrimp. By the time April rolls around we have the small boat fleet gearing up for their IFQ trips... you get the picture.

The total operating deficit will likely be close to \$350,030, plus the depreciation- currently \$316,000, plus an additional \$50,000 for the wave barrier and unknown amount for the future docks.

The \$350,030 deficit includes:

Current \$202,020 deficit

Future \$50,000 yearly anode cost

Future \$101,010 estimated operating deficit

Future Snow plowing: ???

To operate the harbor with the addition the Borough will be committing more than 42% of all tax dollars derived from the fishermen to the operations of the harbor, leaving 58% of that revenue to pay for roads, schools, library, pool, museum, CVP building and all the other activities desired by them and their families.

Also note that the \$151,010 deficit represents an additional 30% of our current budget deficit.

While there is no visitor economic impact included in this, sport and private boats are included through the current budget.

The question becomes: can the Borough attract enough maritime dollars through the harbor expansion to make it viable? Can we attract another 45 families with fishing permits, or will current boats fill the stalls leaving no increase in tax revenue?

Thank you for your time, please make an informed decision for the long term economic health of our community.

George Campbell