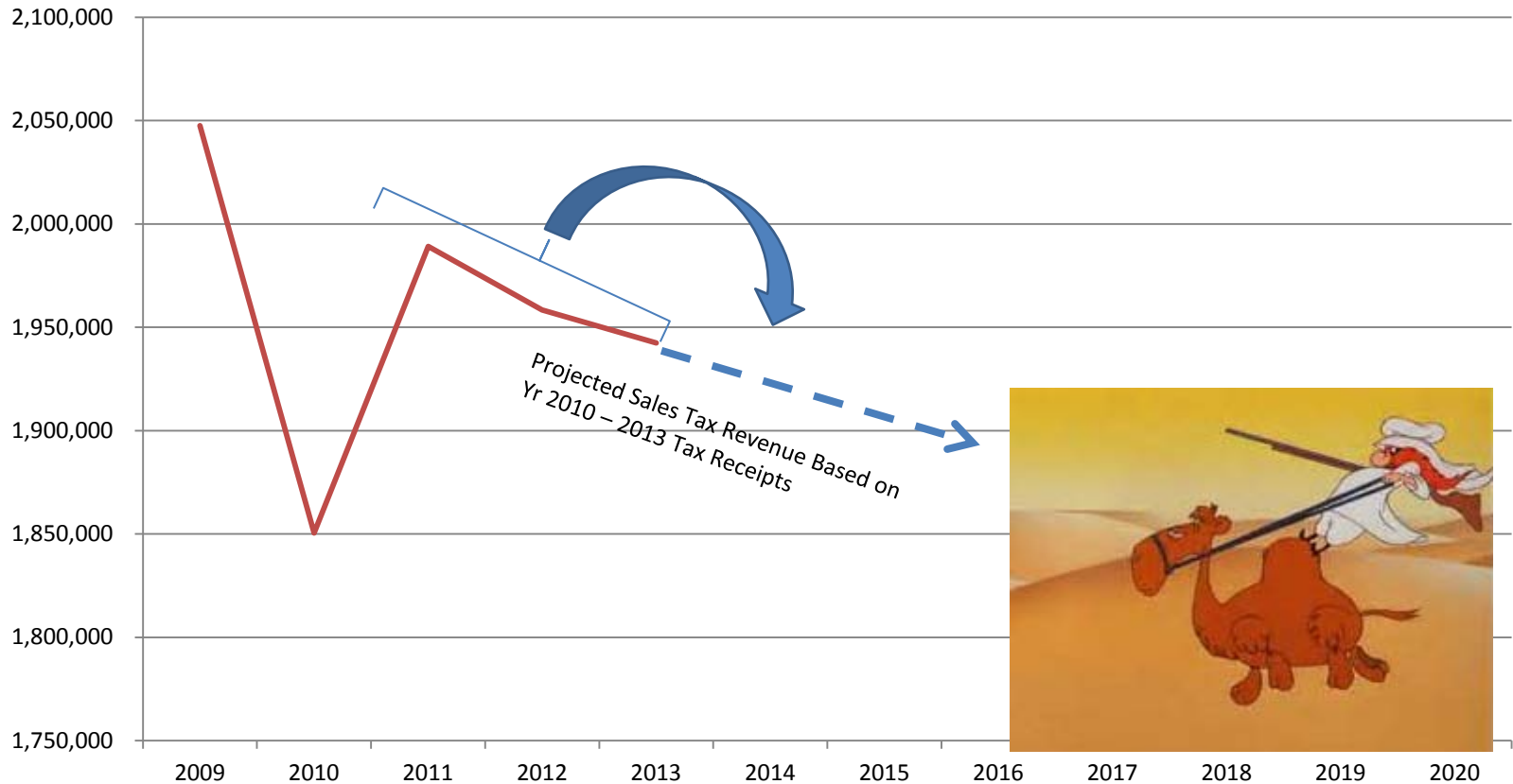


How To Build On TAB's Success

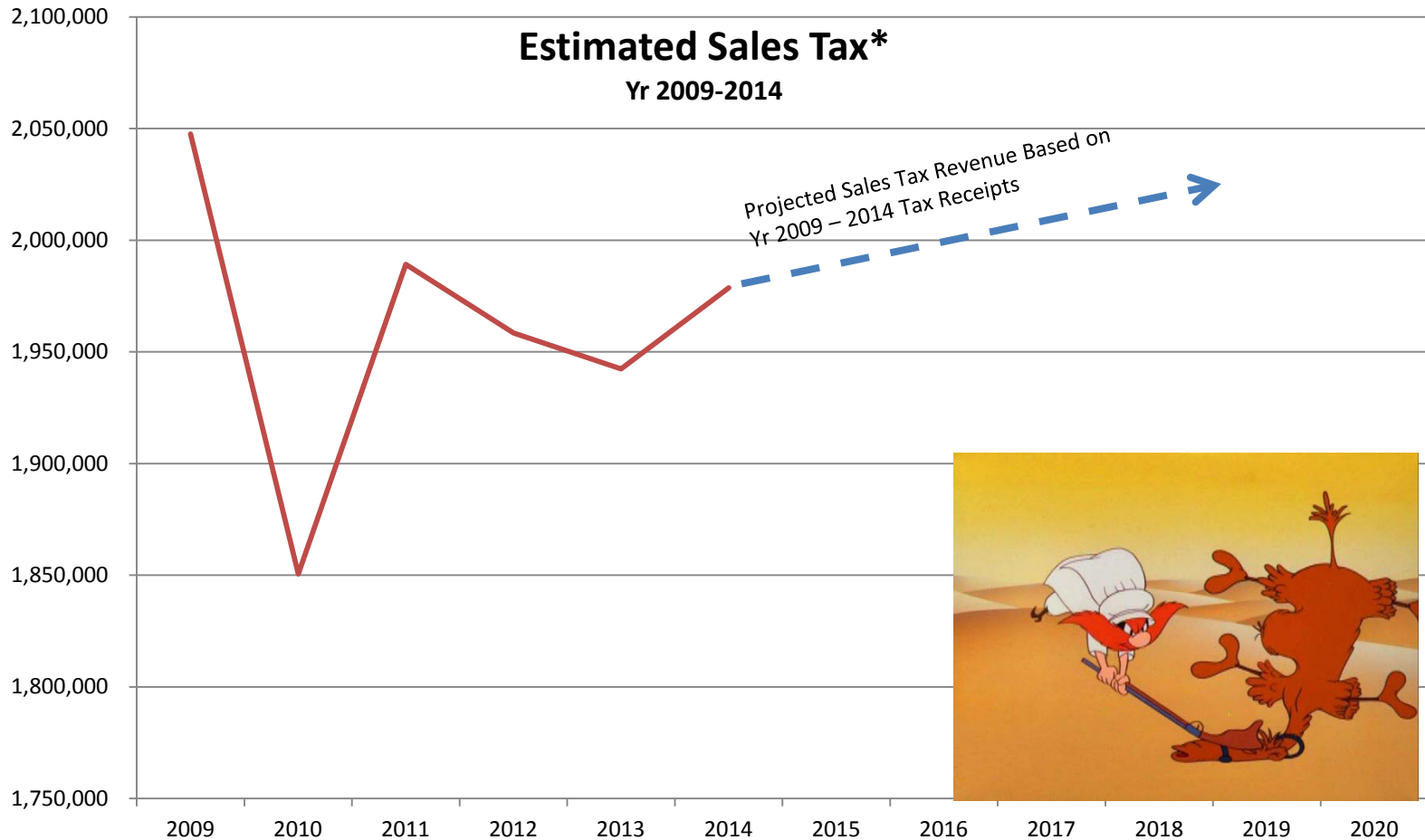
Whoa ! When I Says Whoa !!

Estimated Sales Tax*



* Total Sales Tax Revenue were discounted by subtracting out the estimated payment of sales tax by Haines residents using the IRS standard deduction for sale tax payments for the Yr 2013 median income of a typical Haines household.

Difference Some Good Years Make



* Total Sales Tax Revenue were discounted by subtracting out the estimated payment of sales tax by Haines residents using the IRS standard deduction for sale tax payments for the Yr 2013 median income of a typical Haines household.

2014 Fee Waiver

A Resolution of the Haines Borough Assembly supporting waived port fees for the adopted "Alaska Backroads" marketing concept for both Celebrity and Princess committed cruise ship dockings in FY 15.

WHEREAS, the Haines Borough is supportive of cooperative efforts based on a partnership involving second tier ports of Southeast Alaska working in unison to provide a new cruise marketing itinerary, known as "Alaska Backroads"; and

WHEREAS, due to the downward drop of cruise passengers and severe economic loss in the Southeast region, the second tier ports will work to increase visitation by offering this exclusive cruise as "Alaska Backroads" to enhance the local economies and improve visitation to the communities; and

WHEREAS, this new marketing itinerary was presented by a delegation to cruise lines representative to market this itinerary to their repeat passengers to return to Alaska with a new cruise itinerary option and for new passengers looking to visit less crowded ports; and

WHEREAS, two cruise lines, Celebrity (Royal Caribbean Cruises, Ltd.) and Princess (Princess Cruise Lines, Ltd.), were "the first to sign" on to "Alaska Backroads" marketing concept; and

WHEREAS, therefore, both companies are eligible for waived port fees due to the Port Chilkoot Dock fund with this adopted Resolution #11-05-279 adopted on May 24th, 2011; and

WHEREAS, Haines is uniquely positioned to participate in this weekly cruise itinerary to showcase Haines' well-known attractions, history, tours, activities, natural qualities, services and products to passengers and crew; and

WHEREAS, the "Alaska Backroads" itinerary will make a strong statement of continuing to further a successful relationship with a cruise line and enhance Haines' community for visitors and residents; and

WHEREAS, the "Alaska Backroads" itinerary will make a strong statement of continuing to further a successful relationship with a cruise line and enhance Haines' community for visitors and residents; and

WHEREAS, Celebrity has committed to two dockings of their 965 foot ship, The Infinity, in FY 15 which will constitute an estimated \$6,755.00 in dockage fees; and

WHEREAS, Princess has committed to two dockings of their 951 foot ship, The Crown, in FY 15 which will constitute an estimated \$6,657.00 in dockage fees; and

NOW, THEREFORE, BE IT RESOLVED that the Haines Borough Assembly will officially waive the dockage fees of \$13,412.00 for the first year for the committed dockings of both the Celebrity and Princess cruise ship lines, who have both accepted this itinerary first as a part of the "Alaska Backroads" program.

Adopted by a duly-constituted quorum of the Haines Borough Assembly on this 22nd day of April, 2014.

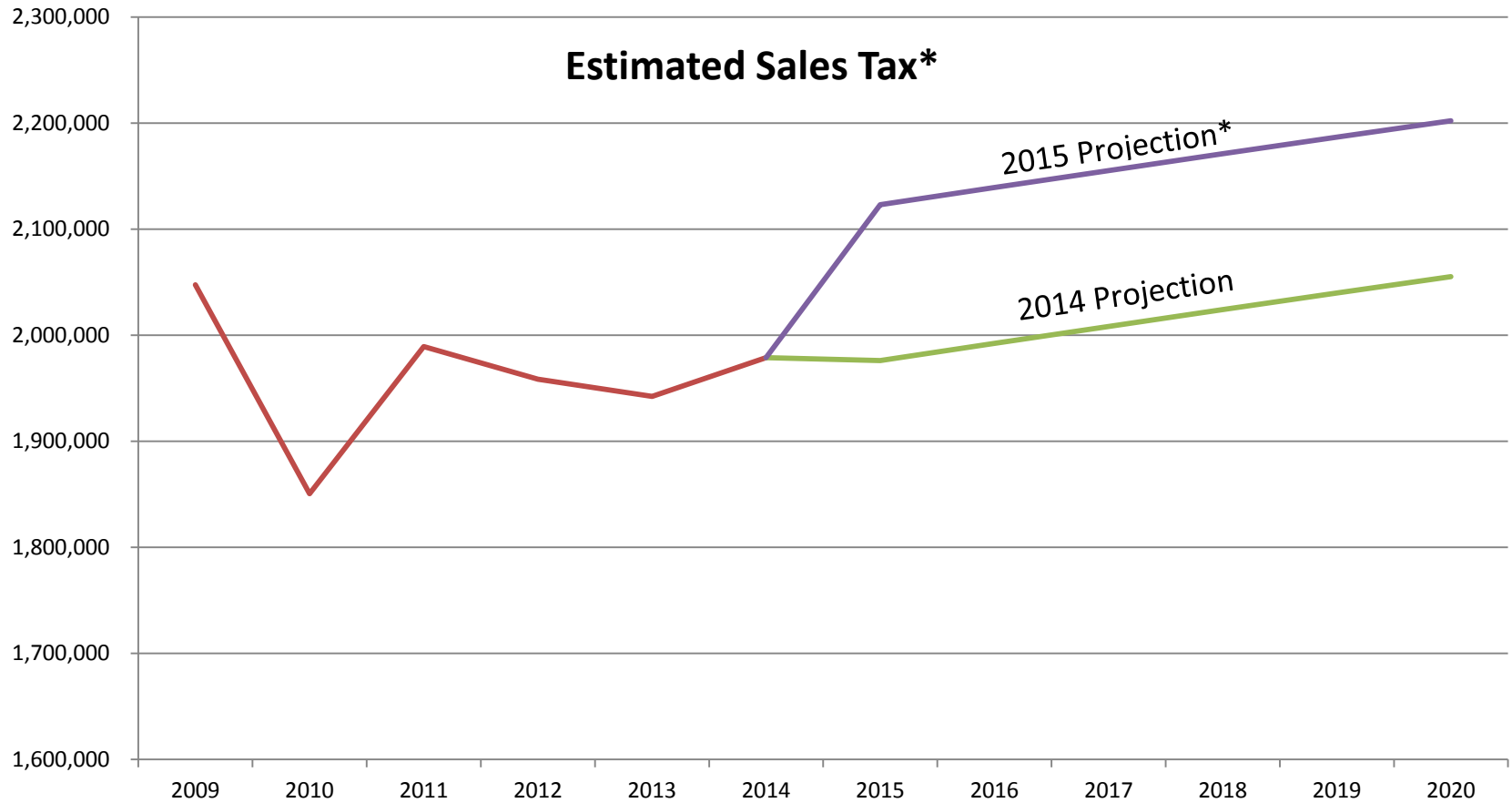
2015 Impact of Waiver

<u>Cruise Boat*</u>	<u>Length</u>	<u>Passengers</u>	<u>Crew</u>	<u>Total</u>
The Infinity	965 Feet	2,170	999	3,169
Grand Princess	951 Feet	3,080	1,201	4,281
		5,250	2,200	7,450
	Number of Dockings	x 2	x 2	x 2
	Total Passengers and Crew	10,500	4,400	14,900
	Estimated Sales Tax Per Visitor	x \$14 {Topic at next TAB meeting}		

Estimated Increase in Sales Tax \$147,000

* Based on the 2015 ship schedule prepared in March 2014. The estimated number of dockings may have changed since then.

SUCCESS !!!!



* Assumes the same number of 900 ft cruise ships continue to dock in Haines over the next six years.

Going Forward



Crown Princess



The Infinity



What About Other Cruise Ships?

Lessons Learned & Future Questions:

1. Waivers, among other factors (e.g., drop in price of gasoline), seems connected to an increase in 900 + foot cruise ships, visitors and a general increase in sales tax revenues.
2. The increase in sales tax revenues greatly exceeds the costs of the waivers.
3. Do the number of waivers need to be increased?
4. How can gauge how much and how often to grant waivers?
5. What should we measure the success of these waivers?

Building On Success

Rate of Return

Maximum Rate of Return

Average Actual & Projected Sales Tax

Prior to Yr 2015	\$1,990,695
Plus Estimated Increase in Sales Tax	\$147,000
<hr/>	
After Yr 2015	\$2,137,695

Weighted Average Cost of Investment (WACI)

Cost Factors	2014	2015
Depreciation	241,839	241,839
Operating Costs	71,344	71,344
Targeted Incentives		13,412
STDEV	56,055	56,055
<hr/>	<hr/>	<hr/>
Total Costs	369,238	382,650

< Yr 2015 > Yr 2015

Rate of Return 5.39 5.59

Discounted Cash Flow Approach

Minimum Rate of Return

Weighted Average Cost of Investment (WACI)

Cost Factors	2015
Depreciation	241,839
Operating Costs	71,344
Targeted Incentives	13,412
STDEV	56,055
<hr/>	<hr/>
Total Costs	382,650

Projected Average Sales Tax 2,137,695
WACI 18%

Discounted Cash Flow Analysis

Projected Average Sales Tax	2,137,695
Divided by Sum(1+WACI)	18%
<hr/>	
Est PV of 2020 Sales Tax	\$1,813,140.91
Difference	\$324,554.09
Difference Per Year	\$54,092.35
Existing Marginal Increase	\$15,643.00

Minimum Rate of Return 3.46

NOTICE: The development of a reasonable rate of return is still under development. These figures may eventually change.

Analyzing Additional Waivers

ASSUMPTIONS

Assume an 900 ft cruise ship

Assume a tariff of \$3.50 per linear foot

Assume a rate of return of \$4.50 per \$1 waived

Assume average sales tax of \$2 million per year

SUGGESTIONS

- Request for waivers should take the format of a business proposal.
- It should specify the desired rate of return the Borough wants to achieve.
- The resolution should have a sunset clause or termination date so you can, after analyzing it, adjust the waiver or terminate it if its not getting the desired rate of return that you want.
- Might want to consider giving the waiver to all 900+ foot cruise ships.

How It Works

# Arrivals	Fee/Visit	Waiver	X \$4.50 RoR	Est Sales Tax
2	\$ 3,329	\$6,657	\$29,957	2.03 million
4	\$ 3,329	\$13,314	\$59,913	2.06 million
6	\$ 3,329	\$19,971	\$89,870	2.09 million
8	\$ 3,329	\$26,628	\$119,826	2.12 million
10	\$ 3,329	\$33,285	\$149,783	2.15 million
12	\$ 3,329	\$39,942	\$179,739	2.18 million

Coming Up

Next TAB Meeting:

- Haines Borough Capture Rate
- FY 2015-2016 Budget Proposal
 - Schedule of Events
 - Marketing Strategies
 - 2016 Waiver

Capture Rate

Assumptions	Spending Per Visitor: 2011 Visitor Statistics, McDowell Group:						\$	485.00	
Estimated Visitors: (Yr 2011)	2009	2010	2011	2012	2013	2014	Totals	Median	
-- Cruise Passengers	41,304	30,850	27,263	30,991	33,021	30,429	193858	30920.5	
-- Cruise Crew	17,953	13,408	11,930	13,388	19,544	12,357	88580	13398	
-- Inbound Air	5,899	9,598	8,324	10,203	9,501	8,705	52230	9103	
-- Fast Ferry	25,440	28,317	28,465	25,289	32,531	37,669	177711	28391	
-- Inbound AMHS Passengers	30,944	32,996	33,284	33,575	33,811	32,922	197532	33140	
-- Outbound AMHS Passengers	33,931	36,806	32,603	33,040	31,631	33,026	201037	33033	
	155,471	151,975	141,869	146,486	160,039	155,108	910,948	147,986	
Adjustments									
-- Less Inbound Air	-5899	-9598	-8324	-10203	-9501	-8705	-52230	-9103	
-- Less Difference btw In/Out AMHS	-2987	-3810	-681	-535	-2180	-104	3505	107	
Adjusted Visitors	146,585	138,567	132,864	135,748	148,358	146,299	862,223	138,990	
CAPTURE RATE									
Total 2011 Sales Tax Receipts	2,708,063	2,543,070	2,724,105	2,699,741	2,744,162	2,792,477	16,211,618	2,716,084	
Less Residents	660,478	692,577	734,945	741,327	801,780	813,807	4,444,913	738,136	
Sales Taxes from Visitors	2,047,585	1,850,493	1,989,160	1,958,414	1,942,382	1,978,670	11,766,705	1,968,542	
Estimated Sales (Sales Tax / 5.5%)	37,228,818	33,645,333	36,166,547	35,607,524	35,316,036	35,975,824	32,423,236	35,791,674	
Spending Per Visitor	253.97	242.81	272.21	262.31	238.05	245.91		257.51	
Est Standard Spending Per Visitor	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00		\$ 485.00	
Capture Rate	52%	50%	56%	54%	49%	51%		53%	
Sales Tax Per Visitor									

ASSUMPTIONS						
Haines Households: (US Census (2013)):				966		
Haines Median Income: (US Census (2013)):				\$ 54,267		
1. Resident Sales Tax: IRS Est for HH Earning BTW \$50K-\$60K				830		
-- Total Est Resident Sales Tax				Avg ST	x HH	= Total Res ST
	2013	\$	830	966	\$	801,780
	2012	\$	816	909	\$	741,327
	2011	\$	798	921	\$	734,945
	2010	\$	781	887	\$	692,577
	2009	\$	764	865	\$	660,478
2. Sales Tax						
Total Sales Tax						
YEAR	Actual	Projected	Less Resident	Visitor ST	Difference	Running Bal
2009	2,708,063		\$ 660,478	2,047,585		
2010	2,543,070		\$ 692,577	1,850,493	(197,092)	(197,092)
2011	2,724,105		\$ 734,945	1,989,160	138,667	(58,425)
2012	2,699,741		\$ 741,327	1,958,414	(30,746)	(89,171)
2013	2,744,162		\$ 801,780	1,942,382	(16,032)	(105,203)
2014	2,792,477		\$ 813,807	1,978,670	36,288	(68,915)
2015		2,802,035	\$ 826,014	1,976,021	(2,650)	(71,564)
2016		2,830,634	\$ 838,404	1,992,230	16,209	(55,355)
2017		2,859,234	\$ 850,980	2,008,253	16,023	(39,332)
2018		2,887,833	\$ 863,745	2,024,088	15,835	(23,497)
2019		2,916,432	\$ 876,701	2,039,732	15,643	(7,853)
2020		2,945,032	\$ 889,851	2,055,181	15,449	7,596
		Median	819,910	1,990,695	15,643	
		STDEV	74,856	56,055		
3. Weighted Average Cost of Investment						
			2014	2015	+ Oosterdam	
		Depreciation	241,839	241,839	241,839	
		Operating Costs	71,344	71,344	71,344	
		Targeted Incentives		13,412	43,337	
		STDEV	56,055	56,055	56,055	
		Total Costs	369,238	382,650	412,575	
			1,990,695	2,137,695	2,370,543	
		WACI	19%	18%	17%	
4. Discounted Cash Flow Analysis						
			Net Present Value = (Average Net Cash Flow) / (WACI)			
		Avg Net Tax	Est Increase	Est Sales	Est PV	
	FY2014	1,990,695		1,990,695		
	FY2015 Incentive	1,990,695	147,000	2,137,695	1,813,141	
	+Oosterdam	1,990,695	379,848	2,370,543	2,026,105	
		Difference	Difference /Yr	Rate of Return	Life Invstmt (6 yrs)	Annual Increase
			15,643	1.00		
		324,554	54,092	3.46	508,305	84,717
		344,438	57,406	3.67	1,393,929	232,322