



329 Harbor Drive, Suite 202  
Sitka, AK 99835  
Phone: 907-747-2660

Monday, November 6, 2023

## MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors

From: Garry White, GPIP Director

Subject: GPIP Haul Out Operations Discussion

### **Introduction**

The GPIP Board and the CBS have been working on vessel haul out development concepts since the GPIP properties were acquired. The CBS is now moving forward with the development of a haul out facility and shipyard at the GPIP.

The GPIP Board will need to make a recommendation on how the haul out facility will be operated. One option is for the haul out to be operated by the CBS as similar communities, such as Wrangell. Another option is for various operations at the haul out to be contracted out to a third party, such as the Kodiak facility.

The first part of this memo will look at potential revenues and expenses of a GPIP Haul Out operation. Potential cash flow should be part of the analysis.

The second part of the memo will discuss different operational models from other haul out facilities.

### **Background**

The GPIP Board and CBS have been working on vessel haul out development concepts since the GPIP properties were acquired. The CBS has repeatedly included marine haul out infrastructure requests in both its Federal and State Legislative Priorities. The CBS applied for a USDOT Grant in 2020, 2021, 2022 and plan to apply for future grant opportunities. The CBS was awarded a Denali Commission Grant in 2023.

The CBS has released multiple Request for Proposals (RFP) for private sector development of a haul out at the GPIP since 2009. None of the private sector development proposals moved forward due to multiple reasons, including cost of construction.

On October 4th, 2022, the citizens of Sitka voted to appropriate ~\$8.18 million dollars from the Sitka Permanent Fund for the development of a haul out and shipyard at the Gary Paxton Industrial Park (GPIP).

### **Construction Fiscal Note**

Total funding allocated for this project is \$9,281,040 (\$8,181,040 from the proceeds of the sale of the Sitka Community Hospital property, \$100,000 appropriated towards the development in 2021, and \$1 million dollar grant from Denali Commission). The Assembly approved an

appropriation for Phase I estimated costs of the based bid items in the amount of \$8,187,000) at its July 2023 meeting.

The GPIIP Board will be discussing additive alternates to the base bid at their November 13, 2023 meeting to add back into the base bid with the award of the Denali Commission grant funds.

**Potential Haul Out Revenue**

The following is a basic analysis of potential revenues for a GPIIP haul out based off data from similar haul out facilities.

**Sitka Historic Haul Out Revenues**

Halibut Point Marine Services LLC (HPM) was the main local haul out facility in Sitka from the 1980’s until March 31, 2022. The GPIIP Director contacted HPM and obtained historic haul out revenues for their operation for the years 2015-2019.

- Average haul out revenues was ~\$165,000 annually. (\*Rate is based on \$18 per foot for round trip haul out)
- Average work area storage was ~\$55,600 annually. (\*Rate is based on \$1.95 per foot per day)
- Average long term storage was ~ \$35,700 annually (\*Rate based on \$12 per foot per month)

Total Average Revenue = ~\$256,300 from haul outs, work area, and long-term storage.

**Wrangell Historic Haul Out Revenues**

The following revenues came from the City of Wrangell budget reports on their website.

	2018	2019	2020	2021	2022	2023
Travel Lift Fees	\$199,161	\$178,457	\$136,503	\$201,349	\$204,193	\$161,537
Environmental Fees	\$4,110	\$4,020	\$2,865	\$2,094	\$2,010	\$9,388
Long Term Storage	\$55,220	\$63,711	\$93,783	\$111,698	\$92,562	\$112,604
Work Area Storage	\$115,449	\$79,875	\$91,538	\$64,975	\$93,113	\$135,433
<u>yard leases</u>	<u>\$54,789</u>	<u>\$42,994</u>	<u>\$55,198</u>	<u>\$59,695</u>	<u>\$61,081</u>	<u>\$59,915</u>
<b>Total Revenue</b>	<b>\$428,729</b>	<b>\$369,057</b>	<b>\$379,887</b>	<b>\$439,811</b>	<b>\$452,959</b>	<b>\$478,877</b>

Wrangell published haul out fees.

V. Marine Service Center Rates and Fees	Travel Lift Haul Out Rate (per foot)	0 - 40 feet	\$ 13.64	\$ 13.92	\$ 15.46		
		41 - 58 feet	\$ 15.00	\$ 15.30	\$ 17.00		
		59 - 75 feet	\$ 16.26	\$ 16.59	\$ 18.43		
		76 - 90 feet	\$ 18.76	\$ 19.14	\$ 21.26		
		91 - 120 feet	\$ 21.26	\$ 21.68	\$ 24.09		
		121 - 140 feet	\$ 23.78	\$ 24.25	\$ 26.94		
		141 feet and up	\$ 25.91	\$ 26.43	\$ 29.36		
		Travel Lift Minimum (Hourly Rate)	150-ton per hour use	\$ 360.00	\$ 367.20	\$ 407.96	
		300-ton per hour use	\$ 600.00	\$ 612.00	\$ 679.93		
		Environmental Fee	Per foot	\$ 1.00	\$ 1.02	\$ 1.13	
		Short Term Monthly Storage	Per square foot/per month	\$ 0.59	\$ 0.80	\$ 0.89	
		Long Term Monthly Storage	Per square foot/per month	\$ 0.37	\$ 0.55	\$ 0.61	
		Long Term Monthly Storage After 12 Consecutive Months	Per square foot/per month	\$ 0.74	\$ 1.10	\$ 1.22	
		Inspection Hoist Fee	First 2-hours; 60 percent of haul out rate				
		Hydraulic Trailer Fee	Round trip	\$ 10.46	\$ 10.67	\$ 11.85	
			One-way (per foot)	\$ 5.23	\$ 5.33	\$ 5.93	
			Minimum Fee	\$ 250.00	\$ 255.00	\$ 283.31	
			Off-site Transportation	one-way fee plus travel time at \$350/hour			
			Long-term Storage Reservation Fee	\$ 100.00	\$ 102.00	\$ 113.32	
		Business Lease Rates	***The marine service center business lease rates are not included in this fee and rate schedule as each lease agreement and its terms operate independent of any rates/fees presented in this schedule.				

In January 2022 had the Wrangell Marine Service Center 30-year Cost-Benefit Analysis completed. <https://www.raincoastdata.com/wp-content/uploads/2022/06/Wrangell-Marine-Service-Center-Business-Assessment.pdf?dc6de5&dc6de5>

The report suggest that Wrangell will need to raise its fees to meet operational costs.

### **GPIP Haul Out Estimate Revenues**

*\*The analysis below is a very rough estimate based off data from similar haul out facilities. A more in-depth study could be completed with detailed market analysis. This estimate is for discussion purposes only.*

The following analysis considers the following assumptions:

- Lift Fees
  - Haul out fee = \$18/foot
  - 9,168 feet of vessels hauled annually
    - 5 year average feet hauled annually at the HPM facility
  - Environmental fee = \$1/foot

Based off the assumptions above, estimated lift fees could earn \$165,024 in haul out fees and \$9,168 in Environmental fees for a total of \$174,192 in total lift fees.

- Work Area Storage fee
  - Daily fee = \$1.95/foot
  - 55,008 feet of vessels stored annually in working area storage
    - Estimated 9,168 feet of vessels hauled annually with vessels staying in yard 6 days.

Based off the assumptions above, estimated work area storage fees could earn \$107,266 in storage fees.

- Long Term Storage
  - Monthly fee = \$12/foot
  - Estimated 400 feet of vessels stored monthly in long term storage
  - Long term storage for 5 months

Based off the assumptions above, estimated long tern storage fees could earn \$24,000

Total estimate revenues for the GPIP haul out facility is \$305,458.

### **Estimated Haul Out Operational Costs**

The following is a basic analysis of potential operational costs for a GPIP haul out based off data from similar haul out facilities.

### **Wrangell Historic Haul Out Operational Costs**

The following operational costs came from the City of Wrangell budget reports on their website.

	2018	2019	2020	2021	2022	2023
Salaries	\$74,555	\$70,957	\$66,484	\$58,940	\$67,568	\$107,871
Benefits	\$49,538	\$52,044	\$55,330	\$29,496	\$31,217	\$31,285

Supplies	\$4,796	\$3,545	\$2,057	\$1,877
Facility Maintenance	\$11,184	\$12,736	\$12,305	\$2,091
Equipment Maintenance	\$16,883	\$1,847	\$40,498	\$27,949
Lift insurance			\$18,721	\$20,593
Fuel	\$3,988	\$6,074	\$9,560	\$7,460
<u>Utilities</u>	<u>\$15,350</u>	<u>\$15,626</u>	<u>\$12,121</u>	<u>\$14,270</u>
<b>Total Expense</b>	<b>\$174,015</b>	<b>\$128,264</b>	<b>\$194,047</b>	<b>\$213,396</b>

Reported cash flow from Wrangell Marine Center

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total Revenue</b>	\$428,729	\$369,057	\$379,887	\$439,811	\$452,959	\$478,877
<b><u>Total Expense</u></b>			<u>\$174,015</u>	<u>\$128,264</u>	<u>\$194,047</u>	<u>\$213,396</u>
<b>Net Profit</b>			\$205,872	\$311,547	\$258,912	\$265,481

### **GPIP Estimated Operational Costs**

*\*The analysis below is a very rough estimate based off data from similar haul out facilities. A more in-depth study could be completed with detailed market analysis. This estimate is for discussion purposes only.*

The following basic estimate was derived from researching HPM and Wrangell operational costs.

*(Costs to manage environmental reporting and actions were not considered in analysis, as historic data is not available. Additional costs for environmental management will increase operational costs.)*

Salaries & Benefits	\$160,000
Liability Insurance	\$25,000
Lift and Pier Insurance	\$20,000
Equipment Maint	\$25,000
Yard Maint	\$10,000
Supplies	\$5,000
Fuel	\$15,000
Garbage	\$15,000
<u>Utilities</u>	<u>\$25,000</u>
<b>Total Expense</b>	<b>\$300,000</b>

Estimate cash flow from the future GPIP Haul Out.

<b>Total Revenue</b>	\$305,458
<b><u>Total Expense</u></b>	<u>\$300,000</u>
<b>Net Profit</b>	\$5,458

### **Haul Out Operational Models**

#### **Wrangell Marine Service Center**

The Wrangell Marine Service Center is operated by the City of Wrangell.

The following issues were discussed by commissions and city councils that lead Wrangell to choose a city operated haul out instead of contracting operations out to a third party:

1. Oversight of public haul out.
  - A city operated haul out allows for governance of operations via Boards and Assembly
  - Public oversight allows for fair and equitable use of the facilities of all users
    - No gear class or customer is favored or another.
    - Potential Subleases are done competitively via a bid process.
  - Haul out user fees are regulated by municipal bodies and not decided by a third party.
  - Facility reputation
    - City oversight allows agreements to be crafted to allow the city to terminate agreements with marine service providers that are not providing quality work or not providing services as advertised.
    - Ability to ban bad actors in the marine service providers.
  - Public funds were used to fund construction of haul out. Public should have oversight of operations of facility they funded to develop.
  - Public oversight ensures that facility operates as a public haul out.
2. Environmental Risk
  - A city run facility has a better ability to control environmental risks
  - Citizen's investment is better protected.
3. Safety Risks
  - A city run facility allows for better safety regulations.
  - Multiple other tenants of the GPIIP have adjacent property to the haul out yard; a city run yard allows a forum for other tenants to address issues in a public forum.
  - Wear and tear on CBS owned infrastructure is controlled better by city run facility

## **Kodiak Shipyard**

Highmark Marine Fabrication via a Marine Travel Lift Operator Agreement operates the Kodiak Shipyard for the City of Kodiak. *(Please see attached agreement)*

Kodiak Shipyard started out as a city operated facility and switched to a contracted operation.

The Ports and Harbors Director of Kodiak suggests that the contracted operation is working well for the city and the haul out is busy. This model has public oversight and private operation.

Contract agreement terms:

- Term is for 5 years with annual review by the city.
- The city provides the equipment and facility to the operator.
- The contractor has non-exclusive right to all of the shipyard facilities.
- Operator is responsible for haul out and shipyard haul out services.
  - Shipyard services are detailed in Exhibit A of the agreement
- City sets the rates for shipyard haul out services via city council.
  - Shipyard rates are detailed in Exhibit B of the agreement.
- Contractor pays the City \$5,000 per month plus 15% gross receipts.

Pros of this model:

- Contractor is incentivized to conduct more business.

- City does not need to staff or perform shipyard services, including billing.
- Other business can use the yard outside of defined shipyard services.
- A public oversight board sets rates.

Cons of this model:

- Current shipyard haul out services fees are set much higher than the average costs in Sitka and Southeast Alaska.
- City is still responsible for oversight management and various other facility operations.
- City is still responsible for environmental issues at the facility and environmental management and reporting.

**Action**

- GPIIP Board discussion on GPIIP Haul Out operations.