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TO: Rod Swope, City & Borough of Juneau Manager

FROM: Joe Geldhof

DATE: February 13, 2011

RE: Draft FY 12 Marine Passenger Fee (MPF) Proceeds Spending Recommendations

I have reviewed the recommendations with regard to the proposed FY 12 allocations as set out in the Memorandum of the CBJ Manager dated January 15, 2011. My comments use the format adopted by the Manager, as follows:

OPERATIONS -- Utilization of passenger fee proceeds to support ongoing and unspecified CBJ operational expenses is inherently suspect according to standards contained in federal law and applicable to the MPF fees collected by the CBJ. My point is not that funding general operations of CBJ staff with passenger fees is illegal, *per se*, but that there must be a sufficient nexus between the cruise passengers impact on operations of the CBJ and resources devoted by CBJ staff to offset or mitigate the impact.

General Support -- The adoption by the CBJ Assembly of a "formula" to pay for some of the costs allegedly associated with cruise passenger impacts is used to justify the expenditure of \$1,400,000. Whether the formula is truly fair and accurate is probably subject to interpretation and should be reviewed by the CBJ Finance Committee. Since the adoption of the cruise passenger fee via initiative in the late 1990's, the arguments for allocating fee proceeds for general government support and other seemingly worthy activities have been relentless and creative. It is past time to revisit the "formula" issue, and to consider ramping back on using the MPF for only general support items that are clearly proper under federal law.

CCFR Air Medevac Support -- If 50% of air medevacs involve cruise ship passengers and crew, and CCFR is only recovering 36% of those total costs from patient billings, then obviously the CBJ needs an MOU with the cruise lines on how to treat emergency crew medical needs and those of their paying passengers.

Non-Profit Air Medevac Support -- Whatever the justification for using public funds to reimburse a public entity for transporting passengers and crew (see CCFR Air Medevac Support issue, above), why should the CBJ should be using public funds to reimburse Airlift Northwest for the unrecoverable costs related to transport cruise passengers and crew? This is an item where either an easy, creative solution or else a hard-nosed approach before flying should be adopted.

Bartlett Regional Hospital Support -- Our community hospital should not turn away a passenger or crew member in need of medical services, but clearly the crew should be cared for by their employers. The fact that the great majority of cruise lines operating in Juneau may not have the same standard of care owed to their crew, a duty sometimes referred to as "maintenance and cure" should not stop the CBJ from entering into a

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genuine cost containment and cost reimbursement agreement for at least the care of cruise passenger crew.

Tourism Best Management Practices Support -- The amount allocated for this activity is not a budget buster but some thought should be given to whether or not this particular program is still viable and adding value to Juneau's overall tourism activities. There is nothing in the CBJ Charter or ordinances that require funding of this program. I believe we should de-fund this program for a year and see if anyone actually misses the activities associated with this expenditure of public funds.

Crossing Guards -- This program appears to be consistent with the safe and efficient movement of cruise passengers and is justified. There have been some expressions of concern in the community about the manner in which the program is managed and how the guards are procured, but in general this is a first-rate concept and the execution of this program has been sound.

Downtown Foot/Bike Patrol -- Deploying more police officers downtown during the height of the cruise season makes sense, particularly if the police officers are additions to the normal compliment of police engaged in patrol work downtown. The analysis provided by the City Manager indicates many of the officers involved in summer patrolling are volunteers, but that funding for a new full-time downtown officer is paid for with MPF dollars. The cost for this FT item appears very high and additional discussion about the basis for support in the amount of \$181,000 is warranted.

Downtown Restroom Maintenance -- There is a whole lot of cleaning going on for \$75,000, if the public restrooms in 3 locations are cleaned 6 times a day, 7 days a week for 5 months. The math works out to 2700 cleanings and payment by the CBJ of \$27.77 for each cleaning. That is \$500/day for cleaning

Downtown Cleaning -- Juneau should be clean and inviting to cruise passengers and locals alike. Clean streets and sidewalks are one of the best uses for MPF dollars. I will note that on an annualized basis this activity would cost \$235,200.

Transit Public Bus Service -- This seems like a bargain, all things considered.

JCVB -- The irony is the JCVB was in the vanguard of those opposing enactment of cruise passenger fees, and has been a steady voice of doom and gloom related to cruise passenger regulation. This probably has more to do with the mix of individuals associated with JCVB operations. In any event, providing summer visitors with information, directions and assistance provided by volunteers is a worthy endeavor and should be continued by the CBJ using funding from the MPF.

Seasonal EMS Transport Program -- At least here there is a plausible rationale for using the MPF revenue and one that illustrates a clear nexus between cruise passenger safety, the efficient movement of cruise passengers and use of the funds. Some consideration should be given to increasing cost recovery for these activities as outlined above.

Downtown Ambassador Program -- Downtown Juneau has a problem with chronic inebriates, and this program is apparently designed to address this downtown problem. But does it work better than the JPD? And can it really be justified under federal law?

Docks and Harbors General Operations -- A totally justified and appropriate project.

Airport General Operations -- The airport's annual request to reach into the MPF cookie jar apparently never goes away. For all the reasons articulated nicely by former CBJ Assembly member Randy Wanamaker, this request should be denied.

CAPITAL PROJECTS

Statter Harbor Passenger for Hire Facility -- At last, a project that is fully and totally justified under federal law and consistent with the intent of the Juneau electorate when they passed the cruise passenger fee. The CBJ should be funding more of these kinds of projects with the MPF.

Dock Maintenance - AJ Juneau Dock, LLC -- Absent a legitimate public purpose, this instance of corporate welfare is arguably illegal. From a political perspective, at least based on the information available in the memorandum from the Manager, this request doesn't pass the red-face test.

Dock Maintenance - Franklin Dock Enterprises -- A legitimate public purpose for this request, e.g. maintenance of restrooms available to the public, etc., then such funding might be worthy of consideration. However, if the request is simply a way of subsidizing a private entity with public funds in the MPF, then this project should be dumped.

Copy: CBJ Assembly Members