

## **City of Ketchikan Response to OURPORT**

On October 10, 2019, the City Council approved the release of the final Request for Proposals (RFP) for Contract No. 19-36, Redevelopment of Port of Ketchikan Berths I, II, and III and Other Infrastructure within the City as a potential means to accomplish infrastructure needs at the Port of Ketchikan through a public-private partnership. Within the last few months, a group comprised of community residents and businesses known as [OURPORT](#) has engaged community members regarding the City of Ketchikan's decision to move forward with the RFP process. While the City appreciates the growing interest in this project to ensure the decisions made best serve the community, some of the information presented on this topic is factually incorrect and requires further clarification. The City of Ketchikan offers the following additional information for consideration.

### What is the Port RFP?

The Request for Proposals (RFP) issued by the City for Contract No. 19-36, Redevelopment of Port of Ketchikan Berths I, II, and III and Other Infrastructure within the City is an alternative the City is exploring to see what financial resources may be available to invest in Port infrastructure and better accommodate larger vessels through a reconfiguration of existing facilities. The RFP allows for proponents to submit proposals with a preferential berthing or concession approach to a public-private partnership. A partnership of the nature outlined in the RFP would supply the necessary capital to reconfigure the Port and undertake needed uplands improvements. The City is open to considering any and all solutions that may allow for the Port to remain a viable, competitive enterprise without burdening the community with additional debt or impeding the City's ability to seek bonding for other critical infrastructure needs.

### Existing Debt and the Need for a Funding Solution

The City has traditionally financed Port infrastructure improvements by issuing revenue bonds. The City of Ketchikan Charter requires that all bonded debt must be ratified at an election by a majority of those qualified to vote. The estimated cost for a Port reconfiguration as designed by Moffat & Nichol with community input is approximately \$94 million. The City's current debt obligations exceed \$160 million through bond maturity in 2044. Of this debt amount, \$38 million is attributable to the Port of Ketchikan. Due to the City's existing debt obligations as well as the growing number of residents who believe the community has reached its cruise passenger visitation capacity, the City Council has concluded that securing voter approval for a \$94 million Port revenue bond would be difficult. As the City Council has heard from the community and cruise industry that time is of the essence and the berths must be reconfigured promptly to meet the impending berthing needs of larger vessels calling at Ketchikan, the City Council elected to explore how a public-private partnership might create a means by which high cost Port and uplands improvements can be achieved.

### Process

The City Council will undertake a deliberative process to evaluate RFP submissions and any alternatives submitted. The RFP allows for proponents to propose a preferential berthing or concession approach, and neither approach has been pre-selected or preferred by the City Council. The City Council will review both approaches and any alternatives that may be submitted with equal measure.

After the January 21, 2020 RFP submission deadline, the Ketchikan City Mayor will appoint a screening committee to review proposals and make recommendations to the City Council on which proposals should be short-listed for negotiations. During the negotiation phase, proponents will be required to

give a public presentation so that the community will have the opportunity to better understand the approach and vision for the Port as conceived by the RFP proponents. The mechanism and persons to negotiate on behalf of the City have yet to be determined as do the final terms of an arrangement. As is dictated in the Ketchikan Municipal Code, agreements will be presented to the City Council for review prior to finalization and authorization. As with any solicitation, the City of Ketchikan always retains the right to reject all proposals and not select a proponent.

As of December 18, 2019, the City has not received any proposals in response to the RFP. Six entities registered for mandatory pre-bid conferences, but it remains to be seen which will submit proposals or if entities will form consortiums. Once proposals are received, the City will disclose the identities of the proponents, basic information on the proponent firms, as well the selected agreement approach (concession or preferential berthing). Due to the highly confidential aspects of the proposals and the sensitive nature of negotiations, the proposal contents including bid amounts and specific contributions will not be revealed until negotiations have concluded. To disclose such information during the negotiation phase would jeopardize the ability of the City to receive the best value for a collaborative arrangement and may cause proponents to withdraw their submission.

#### Public-Private Partnership Terms

Per the terms set forth in the RFP, the City will retain ownership, control, and oversight of the Port of Ketchikan, including the City-owned Berths I, II and III as well as operation of privately-owned Berth IV per the terms and conditions of the 2006 lease agreement with the Ketchikan Dock Company. The Port of Ketchikan will not be sold, transferred or otherwise disposed of to a third or private party. The Port will remain a publicly held asset and public access at current levels will continue, provided this is in line with US Coast Guard security mandates. The City Council will continue to approve Port rates, use, access, and improvements and will retain ultimate oversight of the Port and its operations.

The RFP does not allow for commercial development on the Port. The City Council is sensitive to the needs of the business community adjacent to the Port and wishes to ensure these businesses continue to prosper. There is nothing within the RFP to suggest that employment of residents in connection with the Port will be shifted to non-residents or that the success of local businesses will be compromised. The goals of the RFP state that the partnership will “support participation and access to the economic opportunity benefits of cruise development to the residents of the City by promoting locally owned businesses” and “support neighboring businesses ability to benefit from cruise development.” Proposals and any future partnership will be evaluated upon a demonstrated commitment to the City’s objectives.

The RFP as well as Addenda No. 1 to the RFP issued on December 5, 2019 including the draft specimen agreements for either approach all reference the continued 75%/25% distribution of passengers among the City-owned Berths I, II and III and privately owned Berth IV per the Ketchikan Municipal Code and the 2006 Berth IV lease agreement with the Ketchikan Dock Company. The City will continue to ensure this distribution as long as the berths are capable of accommodating cruise vessels of the sizes sufficient to honor this distribution.

In addition to port infrastructure improvements, the City Council recognizes that enhancements to the uplands areas adjacent to the Port and within the downtown core are necessary. A preliminary list of projects has been developed to address uplands needs in connection with increased cruise passenger visitation. These projects focus on passenger dispersal and wayfinding, traffic and congestion improvements, amenities for passengers and residents, and enhancement measures to make downtown Ketchikan an attractive port of call. None of the conceptual projects have been designed, fully cost

estimated, or approved by the City Council. Given the recent litigation and settlement between Cruise Lines International Association of Alaska (CLIA) and the City and Borough of Juneau as well as the stipulations outlined in the City of Ketchikan Charter and the Ketchikan Municipal Code, there are restrictions on how Port revenues can be spent on non-Port projects typically financed by the General Fund. Lacking partnership financing, the referenced uplands projects would likely be borne by tax payers and possibly via a general obligation bond requiring voter approval.

#### Collaboration with Cruise Lines and Third Parties

While the City of Ketchikan owns the Port of Ketchikan, provides security, and pays for all infrastructure and maintenance needs, independent third parties have provided vessel scheduling, stevedoring, and cruise line agency services since the Port began serving cruise vessels. Neither the City nor the Port has agreements or contracts with these entities nor does the City or the Port give or receive any remuneration for these services. Cruise Line Agencies of Alaska (CLAA) and also Cruise Lines International Alaska (CLIA) act as agents for the City and communicate directly with cruise lines regarding scheduling, berthing needs, and capital improvements requests. These services are delivered with little oversight or involvement on the part of the City. In order for the Port to remain competitive and successful, the City believes it is imperative that it have increased involvement and oversight in the above mentioned services.

The City was recently approached by Cruise Lines International Association of Alaska (CLIA) to discuss how the cruise industry and City can work together to address local needs and the impacts of the cruise industry. It was suggested that CLIA meet with the City Council as a whole in a public setting to begin these discussions. The City remains open to discussing what role CLIA might play in finding solutions for the needs of the Port and community as a parallel track to the RFP process.

The Request for Proposals and related information are available on the City's bid site: <https://www.ktn-ak.us/bids>. Users must register and login to the Ketchikan Customer Portal to view, download and respond to all posted bids. Alternatively, the Request for Proposals issued October 21, 2019 as well as Addenda No. 1 to the RFP issued December 5, 2019 are available here:

[RFP for Redevelopment of Port of Ketchikan Berths I, II, and III  
and Other Infrastructure within the City](#)

[Addenda No. 1 to RFP](#)

RFP exhibits and related information is also available by contacting the City Manager's Office at (907) 228-5603.