

Contract No. 19-36 Questions Issued by Proponents: updated 01/13/2020

The City will update questions issued by proponents regarding the RFP on an ongoing basis and will issue an updated document as questions are received and answered. All questions should be submitted via the project email: ktn.port.rfp@ktn-ak.us. Final questions must be received by January 8, 2020 and a response will be issued approximately January 10, 2020.

All documents referenced here are available on the City's bid site for this project listed under "Misc. Info" or "Bid Documents."

1. Please provide last three years' call number and passenger volume by berth including Berth IV.

Please see "Port of Ketchikan Berthing and Passenger Statistics_2017, 2018, 2019".

2. Please share last three years' financial statements (BS, PL and CF) exc. Berth IV.

Please see "Port Enterprise Fund Audited Financial Statements_2016, 2017, 2018" for audited financial statements for the Port Enterprise Fund for the years 2018, 2017 and 2016. The statements were taken from the City's audited comprehensive annual financial reports (CAFR). The City does not have separate financial statements that exclude Berth IV. As an alternative, below is information that identifies the major costs associated with Berth IV that have been included in the referenced financial statements.

Lease Payments:

2018 - \$2,641,514

2017 - \$2,537,515

2016 - \$2,484,463

Taxes:

2018 - \$164,415

2017 - \$165,419

2016 - \$165,385

Insurance:

2018 - \$28,166

2017 - \$28,674

2016 - \$31,283

3. What is the total headcount and annual salary expense of the cruise operation?

Please see "Draft 2020 Port of Ketchikan Operating Budget Summary" for the draft 2020 Budget for the Port that includes a listing of personnel and their salaries. Please note that the list does not include \$578,000 for temporary salaries, equivalent to approximately 36 FTE. These temporary employees are responsible for providing

security services for the four cruise ship berths and crossing guard services at several cross walks on State Highway 7 (Tongass Highway corridor) immediately adjacent to the cruise ship berths. In addition, the reader should be aware that many of the Port's year-round personnel are shared with the Harbors Division. Between the two operations, there are a total of 10 FTE regular employees. The Port funds 4.80 FTEs and Harbors funds 5.20 FTEs. The cost shown in the attachment is for the 4.80 FTEs charged to the Port.

4. Please list all the services that the Proponent will generate revenue other than passenger fee including their tariffs.

The Port of Ketchikan currently generates revenue from the following activities:

- 6 vendor booths
- 2 food vendor booths
- The 2 visitor center locations at Berth II and III occupied by the Ketchikan Visitors Bureau
- Port Access Vehicle Permits
- Off-season vessel use per Question 9
- Port loading zone permits for tour and charter vessel operators loading and unloading passengers at small vessel floats attached or immediately adjacent to the four cruise ship berths. 67 monthly permits and 15 seasonal permits were sold in 2019.

Proponents are free to propose other potential revenue sources as long as they are within the limitations listed in the RFP.

5. What is the average dockage duration in terms of days?

The average cruise vessel dockage duration is approximately 7.5 hours, which equates to 0.31 days.

6. What is the length / capacity of Berth IV?

Berth IV has an overall length of 1,100 feet (335 m), though it was designed to accommodate vessels up to a maximum of 1,000 feet (305 m) and a displacement of 65,000 tons (143,300 kips).

7. Would the Proponent propose to pay the Annual Lease payment per passenger basis subject to CPI escalation? Is it acceptable for the City?

Subject to negotiation.

8. Please share the list of existing tenant with their key contract terms (validity date, annual lease per sqm etc.).

There is currently no tenant or operator for the Port of Ketchikan. The Port is operated by the City of Ketchikan via the Port & Harbors Department. The Port of Ketchikan holds two contracts for tenants at the Port: The Ketchikan Visitors Bureau and the dock

vending lease program (6 vendor and 2 food vendor booths). Please see agreements “City-Ketchikan Visitors Bureau Lease Agreement_2018” and “City of Ketchikan 2018-2020 Dock Vendor Program Agreement_sample.”

9. As per the overall goals, the City would like to maintain the residents access to the waterfront. Please identify the existing access /usage area and for what purposes it is being used.

The City wishes to retain open, year-round access to the Port for the purposes of community enjoyment and off-season vessel use providing economic benefit opportunities. Current use includes but is not limited to:

- General community access for walking, running, bike riding, etc.
- Community and non-profit events (community concerts as an example)
- Alaska Marine Highway System ferry layup
- Navy and United States Coast Guard vessel use
- USDA Forest Service winter berthing for crew residential barges
- Vigor Ketchikan Shipyard vessel berthing and staging for dry dock and shipyard work
- Berthing for local major maritime construction, not necessarily connected with the Port
- Transient moorage for fishing vessels when there is no room in the small boat harbors or the fishing vessels are too large for any of the small boat harbors.

As stated in the RFP, public access at the Port is subject to US Coast Guard regulations which may change over the period of the agreement.

10. Please share % breakdown of cruise passengers by activity / excursion in Ketchikan.

The information available is detailed in the 2018 Ketchikan Summer Visitor Profile and Economic Impact Analysis conducted by McDowell Group for the Ketchikan Visitors Bureau.

https://www.mcdowellgroup.net/wp-content/uploads/2018/07/kvb-visitor-profile-and-impacts-6_10_18.pdf

11. Please define the criteria of concession period extension (10 year) as the duration will directly affect the Proponent’s financial offer.

No criteria have been established and will be subject to future negotiations.

12. Per Section 6.7.1.vii of the RFP, the Proponent has the option to pay the Upfront Fee in seven years. Please confirm that timing of the first installment. Should it be paid at the Financial Closing or first anniversary of the Financial Closing?

The upfront payment made for the improvements outside of the lease/operated or preferential berthing premises should be made upon financial closing of the executed agreement.

13. Can the Proponent propose a new fee structure for services such as dockage, water etc. as well, or the City expects proposal for Passenger Wharfage Fee only that will be added on top of US\$7 that the City would like to collect?

Subject to negotiation. Proponents should be aware that all changes to Port fees must be approved by the Ketchikan City Council via an ordinance in two readings and a 30-day effective period. In addition, the effective date of Port fee changes is often delayed to accommodate the booking practices of the industry and to give cruise lines ample advanced notice.

14. What is the Proponent's tariff adjustment mechanism throughout the contract period? US CPI only or the Proponent has to amend the new passenger fee time to time subject to the City's approval.

Subject to negotiation. Proponents should be aware that all changes to Port fees must be approved by the Ketchikan City Council via an ordinance in two readings and a 30-day effective period. In Addenda No. 1 to this RFP issued on December 5, 2019 the City has provided the proposed specimen agreements (Appendixes J and K) that provide clarification on this issue.

15. Per the RFP, the City intends to keep collecting the Passenger Wharfage Fee of US\$7 to be able to repay the existing debt. What is the level of debt? Would the City accept alternative financial proposals like retaining all or certain portion of the US\$7 in return of assuming the subject debt?

A \$38.5 million revenue bond was issued in 2006 to finance the construction of Berth III, the waterfront promenade between Berth III and Berth IV, a covered shelter with restrooms adjacent to Berth III, the reconfiguration of Casey Moran Harbor, and renovations to the ground transportation areas between Dock Street and Berth III.

In 2016, the revenue bond was refunded, resulting in debt service savings of \$6.6 million. The amount outstanding as of December 31, 2019 will be \$24.22 million. Average annual debt service is \$2.235 million. Interest is due semi-annually on June 1 and December 1 and a principal payment is due on December 1. The coupon rate of interest is 5.0%, but the effective interest rate is 3.51%. Final maturity is December 1, 2035. The City has pledged the revenues of the Port Enterprise Fund as security for the bond. The City is also required to maintain debt service coverage of no less than 1.25 times annual net revenues.

The 2016 revenue refunding bond was issued through the Alaska Municipal Bond Bank. The bond cannot be assumed by another party and cannot be called until 2026. It is possible to defease the bond by funding an escrow account until the bond can be called in 2026. The City has yet to conduct an analysis to determine if a defeasance would be financially feasible.

The document "City of Ketchikan 2016 Port Refunding Bond Debt Service Schedule" is for the 2016 revenue bond. The 2006 bond was called in 2016 using the proceeds from the 2016 revenue bond. Copies of the bond ordinance and the loan agreement between the City of Ketchikan and the Alaska Municipal Bond Bank are available upon request. The City has no other revenue bond debt for which it has pledged the revenues of the Port Enterprise Fund.

Alternative financial proposals including retaining all or a portion of the City's passenger wharfage and dockage fees or assuming the City's debt when callable are subject to negotiation.

16. Who is responsible from tugging and pilotage? Will these services be within the scope of the Proponents post-tender?

The Port of Ketchikan does not provide nor is it responsible for tugging services, pilotage, or stevedoring nor does the City have agreements with service providers. Vessels enter into their own contract arrangements for these services with the appropriate entities.

17. In Section 5.3 of the RFP, it is stated that "... are "CONFIDENTIAL" which will be subject to the guidelines as provided in Section 7.3 of this RFP", however Section 7.3 is related to Addenda, not confidentiality. Please clarify.

This should refer to Section 7.11, not Section 7.3 as stated.

18. Please confirm that the letter of credit in an aggregate amount equal to US\$ 1 Million will be returned to the Proponent in case the City decides to proceed with another Proponent or if the City decides to proceed with the subject Proponent and receive the second letter of credit in an aggregate amount equal to US\$ 2 Million for the period from Commercial Close to Financial Close.

Should the City decide to not proceed with a Proponent, the City will return to the Proponent the initial \$1 million that was received upon proposal submission ("Proposal Security"). The City will subsequently return the \$1 million Proposal Security to the selected Proponent upon receipt of the \$2 million Commercial Close to Financial Close letter of credit ("Closing Letter of Credit") and the fully executed Agreement.

19. In Section 6.7.1 (iii), it says "For any assumed debt funding, describe in detail the mechanism for such funding and document all committed funding for the Project." Please note that none of the financial institutions would give committed financing in such a short period without conducting due diligence. Would support letters from lenders suffice? Please advise.

Yes, this is acceptable.

20. Does City provide office space, terminal facility to Proponent in the existing upland area?

The space currently available for Proponent use pending agreed use is the Port Security Guard building located on Berth II, which has approximately 270 sf of interior space.

21. Could proponent offer ancillary retail services in the existing concession area?

At this time the City does not wish for Proponents to propose additional commercial development or activity within the Concession Area. The reason for this restriction is so that the Port Operator does not compete with local businesses located adjacent to the Port. Commercial development is primarily defined as retail and food and beverage offerings.

Currently the Ketchikan Municipal Code allows for 6 vendor booths and 2 food vendor booths within the Port. The 6 booth vendors may only sell tours including charter fishing excursions. No goods or other services may be sold from the booths. The 2 food vendors may only sell food prepared for immediate consumption. Additionally, the City has a lease agreement with the Ketchikan Visitors Bureau to occupy the visitor centers on Berths II and III. Please see the answer to Question 8 for more information.

22. Please provide any additional information on Ward Cove Project (number of berth, length etc.)

The City has limited information on the Ward Cove Project. The facility will have two 500 feet floating barges. The permit application filed with the US Army Corps of Engineers as well as the website for the project may contain relevant information:

- <https://www.poa.usace.army.mil/LinkClick.aspx?fileticket=VGaKy7xHp3M%3d&portalid=34>
- <http://www.wardcoveak.com/>

23. Will the City permit cruise lines other than NCL to utilize Ward Cove Project?

The Ward Cove Project is located outside the City limits and is therefore outside the City's jurisdiction. The City currently has no berthing agreements in place for Norwegian Cruise Lines or any other cruise line, and therefore cannot prevent a cruise line from no longer docking at the Port of Ketchikan.

24. Does the City have any right to introduce minimum tariff mechanism to Ward Cove Project as it will directly compete with the existing cruise port?

As the Ward Cove Project is outside the City limits, Port of Ketchikan fees or tariffs cannot be assessed on this commercial passenger enterprise.

25. Please clarify the source of construction budgets differences between the Appendix G (Option A – US\$39.5m and Option B – US\$37m) and Schematic Design Estimate (US\$94m) for the Berth I & II expansion.

The construction cost estimates in Appendix G were planning estimates developed by Moffatt & Nichol (M&N) in December 2016 for conceptual alternatives A and B. No design work had been performed prior to these estimates being prepared by M&N. No contingencies were included and no start date of construction was proposed; therefore, no escalations were included either.

The Schematic Design Estimate was prepared in May 2019 by Rider Levett Buchnell (RLB), an independent construction cost estimating firm. It was based on the 35% design of Option B prepared by M&N in June 2018. It should be noted that the base construction cost estimates from this estimate by RLB were \$35.6 million for Berth I and \$29.9 million for Berth II for a total of \$65.5 million (see page 4). Significant contingencies and other adjustments were then added by RLB along with escalators to account for construction being performed in two phases over the winters of 2021/2022 and 2022/2023 (see pages 4 and 5 of “Rider Levett Buchnell Berth I and II Expansion Schematic Design Estimate”). These contingencies, escalators and other items totaled \$28.6 million which brought the grand total for RLB’s estimate for Berths I and II to \$94.1 million.

26. How many vehicles in the three classes (three vehicle sizes) actually applied for permits (Port Access Passes) in 2019?

Number of 2019 Port vehicle access permits sold broken down by category (size) and type (monthly or entire season)

Monthly Up to 20’ – 27
Monthly 20’ to 30’ – 33
Monthly Over 30’ – 148

Season Up to 20’ – 73
Season 20’ to 30’ – 12
Season Over 30’ – 47

Please see Ketchikan Municipal Code Chapter 13.08.155 Motor Vehicle Port Access Passes for rates and information.

<https://www.codepublishing.com/AK/Ketchikan/#!/Ketchikan13/Ketchikan1308.html#13.08.155>

27. What are the current vendor rates for the tour booths and food vendor booths located on the Port?

The six dock vendor leases are currently operating under their initial three years leases which expire at the end of the 2020 season. The current lease amounts are based on

the bids received, not an established rate. The contracts allow up to a three year extension if both the City and the vendor agree. The current **monthly** lease amounts are as follows:

| | |
|----------------------------------|-------------|
| 1. Northern Tours | \$19,310.00 |
| 2. Sourdough Tours | \$12,251.00 |
| 3. Dolly's Enterprises | \$12,200.00 |
| 4. Ketchitour | \$11,650.00 |
| 5. Alaska Amphibious Tours | \$10,525.00 |
| 6. Venture Travel dba Taquan Air | \$10,200.00 |

The two food vendor leases are currently operating under their three year extensions which expire at the end of the 2020 season. The current lease amounts are based on the bids received, not an established rate. There are no provisions for additional extensions. The current **monthly** lease amounts are as follows:

| | |
|-------------------------|------------|
| 1. Oceanview Resaurante | \$4,000.00 |
| 2. Lili's Bubble Tea | \$4,000.00 |

Please see Ketchikan Municipal Code Chapter 13.09.025 Lease of Dock Vending Locations for more information on this program.

<https://www.codepublishing.com/AK/Ketchikan/#!/Ketchikan13/Ketchikan1309.html#13.09.025>

28. Can the City provide information on existing tours / attractions and percent of guests taking them?

Please see answer to Question 10.

29. Request of copies for any underlying leases within the concession area, in particularly those with KVB and the tour booths.

Please see answer to Question 8.

30. Information on timing of rock pinnacle removal.

Please see November 7, 2019 Ketchikan City Council agenda item:

<https://ketchikan.primegov.com/Portal/viewer?id=542&type=2>

31. Information on other marine work approaches explored to reduce costs:

a. gangway/jetway approach developed by B&A

Bermello Ajamil & Partners conceptually explored a jetway or telescoping gangway system to service Berths I and II. This design concept was developed as a lower cost solution to expand berthing capacity instead of floating barges. The City Council ultimately did not support this approach due to the structures

affecting the viewshed along the waterfront and further reducing the uplands areas immediately adjacent to the berth faces used for vehicle staging.

Please see “Ketchikan Cruise Development City Council 01.10.19_small.”

b. Berth 1 extension south by SPH

During the development of the Port RFP, Survey Point Holdings requested the City Council review a design concept they developed to extend Berth I south and create more berthing capacity for a reduced cost. Bermello Ajamil & Partners reviewed the concept and provided a comparative analysis. Members of the City Council and community expressed safety concerns with the concept further restricting access to Thomas Basin harbor, which is heavily transited by fishing vessels and personal watercraft. The US Army Corps of Engineers has also expressed concerns with the ability to dredge the entrance should it become narrower. The City Council elected to not pursue this concept but would allow for similar alternative concepts to be proposed as part of the RFP.

Please see document “August 15, 2019_LOT 7a1” and the below links:

Original August 15, 2019 Agenda Statement:

<https://ketchikan.primegov.com/Portal/viewer?id=310&type=2>

32. Berth 3 design drawings.

Please see the below link for the complete original drawings for Berth III:

https://prod1.evo.cloud/k/portal/bids/bid_upload/1860/

33. Link to Marine Exchange’s monitoring of current in Thomas Basin Harbor.

<https://www.mxak.org/services/mda/weather/port-of-ketchikan/>

34. Berth 4 expansion design/ACOE permit.

Please see file “Ketchikan Dock Co Berth IV extension permit POA-2006-01418-M7”

35. GIS map link to show City limits and property ownership along the Port

<https://ketchikan.connectgis.com/Map.aspx>

36. Copy of latest security plan

For security reasons, the Port of Ketchikan Facilities Security Plan cannot be shared publicly. If proponents have specific questions, the City will attempt to respond accordingly provided the information does not compromise the Port’s security restrictions.

37. Downtown zoning (height restrictions)

The Ketchikan Gateway Borough is responsible for planning and zoning for the entire community including for areas within the City limits. Please see Ketchikan Gateway Borough information on zoning:

<https://www.codepublishing.com/AK/KetchikanGatewayBorough/#!/KetchikanGatewayBorough18/KetchikanGatewayBorough1825.html#18.25.030>

38. Current debt on Berth 3 and annual payments, when expire

Please see answer to Question 15.

39. Most recent lease and other payments to Berth 4 (statement). How much is currently in the R&R account? What is the annual payment? Can this be used for expansion/capital improvement?

Please see answer to Question 2. There is currently \$1,564,731.22 in the Berth IV R&R account. The City makes an annual deposit of \$132,354 into the fund. In addition to this payment, the City also pays \$20,833 directly to Ketchikan Dock Company (KDC). Originally, the \$20,833 was deposited into the City managed Berth IV R&R account. Addendum No. 1 to the lease agreement between the City and KDC changed this to require a direct payment to KDC. These funds are for maintenance and major repairs, not expansions, upgrades, or reconfigurations to increase capacity.

40. PND report on Berth III and its future needs to be neo-Panamax capable

Please see "Berth III Expansion Report_PND Engineers, 2018."

41. Any reports/analysis on traffic patterns and other solutions for vehicles entering/exiting the Port

Please see "Moffatt & Nichol Upland Planning Report."

42. Who is responsible for any off-site work such as traffic or utility improvements?

The City is responsible for traffic improvements on City-owned streets. Water Street and Front Street immediately outside of the Port are part of the Tongass Highway corridor right of way and traffic improvements are the responsibility of the State of Alaska Division of Transportation and Public Facilities.

The water and sewer mains located within the Tongass Highway corridor right of way are the responsibility of the City or Ketchikan Public Utilities. The service connections for water and sewer within the Tongass Highway corridor right of way are the responsibility of the owners that benefit from the service connection. All utilities located on private property are the responsibility of the property owner. For ownership of existing properties, roads, and right of ways, please see the link listed under Question 35.

43. Information on existing debt and any proposal by the City to allow it to be retired early

Please see answer to Question 15.

44. How is the cathodic protection project to be executed – does the Proponent give a check for \$15 m to the City and the City will execute, and if so, what happens if the project cost more or less. Or does the City ask the Proponent to build the project and take the cost risk?

For the Concession approach to the RFP, the cathodic protection has been addressed in Section 17 of the Specimen Draft Concession and Lease Agreement, noted as Appendix J to Addenda No. 1 to this RFP issued on December 5, 2019. For the Preferential Berthing approach, the costs of the cathodic protection are addressed in Section 2 of the Specimen Draft Preferential Berthing Agreement, noted as Appendix K in the above mentioned Addenda.

45. What happens with any grants the City applies for? Is the City open to sharing grant awards or the proponent seeking grants on City's behalf? Can CPV funds be used to pay for improvements like cathodic protection?

All grants received by the City on behalf of the Port of Ketchikan will be deposited into the Port Enterprise Fund. Proponents seeking grants on behalf of the City is subject to negotiation. Grant use is subject to the City Council's discretion as the funds and grant terms will be approved by the City, not the proponent. Grant use may also be dictated by the terms set by the grantor. Cruise Passenger Vessel Excise Tax (CPV) funds are remitted to the City of Ketchikan from the State of Alaska and are deposited into the Port Enterprise Fund. Use of these funds is at the sole discretion of the City Council.

46. The prohibition of commercial development in the Concession area will that include tours operations?

Please see answer to Question 22.

47. What happens if the concessionaire needs to make an improvement in the later years of the concession? Does an unforeseen investment, particularly later in the agreement life, restart the agreement or extend it in anyway?

This has been addressed in Section 18 of the Specimen Draft Concession and Lease Agreement, noted as Appendix J to Addenda No. 1 to this RFP issued on December 5, 2019.

48. Items for general clarification:

- a. Operating responsibilities, including winter time maintenance, crossing guards, issuing port security passes to tour operators

Subject to negotiation including the City continuing to provide some of these services.

- b. The limits of the concession including the floats and demarcation of utilities servicing the Port?

The concession area will include all floats associated with the Port: Daly Float inside Berth I, Ryus Float between Berths II and III, Hansen Float and Ramp I

inside Berth III in City Float , and the Berth IV tender float. A revised Figure 5 in Section 2.5 of the RFP will be released as an addenda item (See “Addenda 2_City of Ketchikan Cruise Partner RFP, 01.13.2020”).

The valves for supplying water to Berth I are located in a hotbox at the intersection of Spruce Mill Way and Main Street. The valves for supplying water to Berth II are located in a hotbox on the street side of the KVB building. The valves for supplying water to Berth III are located in the mechanical room of the Berth III restroom building. The valves for supplying water to Berth IV are located in a hotbox across from the top of the transfer bridge near the entrance to the Talbot’s property.

The electrical switchgear serving Berths I & II is located in between the KVB building and the statues. The electrical switchgear serving Berth III is located in between the Berth III bus staging lane and the adjacent Tongass Dock Store parking lot. The electrical switchgear serving Berth IV is located in the mechanical room of the Berth IV restroom building.

c. Responsibility for damage to facility from non-cruise uses

If the use that caused the damage was authorized by the Port Operator/Concessionaire, the damage will be the responsibility of the Operator to remedy. If the use was authorized by the City, the damage will be the responsibility of the City to remedy.

d. The ownership of existing dockage and other fees from cruise operations, which fees will the City retain. What happens if the City has paid all debt/leases, does the City still retain Port revenues or are they conceded to the partner?

Subject to negotiation. Currently the City will retain all Port fees established in the Ketchikan Municipal Code.

e. The ability to resell water, or charge a hook up fee.

Subject to negotiation. At present, Ketchikan Municipal Code Chapters 11.16.065 and 13.08.180 provide for the following water sale mechanisms at the Port:

<https://www.codepublishing.com/AK/Ketchikan/#!/Ketchikan11/Ketchikan1116.html#11.16.065>

<https://www.codepublishing.com/AK/Ketchikan/#!/Ketchikan13/Ketchikan1308.html#13.08.180>

Changes to fees or revenue sharing may require an ordinance change and approval of the City Council.

f. The ability for the City to raise their rates in the future vs the concessionaire

The City wishes to retain some level of oversight with respect to the concessionaire raising Port fees; terms and mechanisms subject to negotiation. The City would like to ensure the Port remains competitive, that steep and sudden fee increases are avoided, and that the fee planning process is fair and transparent. The City wishes to apply a CPI to its current Port fees. This has yet to be approved by the City Council and will be discussed in early 2020 with a 2022 effective date. The mechanism for future rate increases and adjustments are also addressed in Section 11 of the draft specimen Concession and Lease Agreement.

g. The services of the port operator vs the stevedores

Please see Section 8 of the Specimen Draft Concession and Lease Agreement, noted as Appendix J to Addenda No. 1 to this RFP, issued December 5, 2019.

h. \$35M in lump sum vs. 7 annual payments of \$5M – does the City have a preference?

The present worth of 7 annual payments will be compared to any proposal(s) that provide a lump sum up front payment; subject to negotiations.

49. Is the City open to an agreement longer than 20+10 years?

Subject to negotiation.

50. Can the proponents suggest/pay for uplands improvements with City input and take out of the City's responsibility?

Subject to negotiation.

51. Does the market analysis include Ward Cove projections?

The market analysis pertains to cruise vessel traffic projections at Ketchikan as a destination. The analysis predates the Ward Cove announcement and any assumptions on vessels that may divert to Ward Cove. The analysis was completed January 4, 2019. The announcement of Norwegian Cruise Line's preferential berthing agreement in Ward Cove was made June 11, 2019. The City anticipates an annualized diversion of 287,411 Norwegian Cruise Lines and affiliate lines passengers from the Port of Ketchikan to the Ward Cove Facility. At this time it is unknown what if any other cruise lines will elect to call at the Ward Cove Facility.

52. Is the City open to proposals that include sharing or use of City's collected Port revenues? Use of current or future Port reserves?

Subject to negotiation.

53. Can proponent send team members to Ketchikan for further tours and information during RFP open period?

Yes, provided proponent understands that all questions asked will be answered and posted publicly.

54. Is there extra weight or bonus points given to local proponent proposals (define local), minority-owned enterprises, etc.?

All proposals regardless of proponent's locality, ownership, etc. will be given equal consideration.

55. More information on Committee – who, how/when appointed, role vs. Council's role

A Screening Committee will be appointed by the City of Ketchikan Mayor following the deadline for RFP submissions. The Mayor is currently considering the following City individuals to seat the committee: Mayor, 2 or more Councilmembers (TBD), City Manager, Assistant City Manager, Finance Director, Port & Harbors Director, Public Works Director, City Attorney or other legal advisor.

The Committee will review proposals and make a recommendation(s) to the City Council for short-listed proponents to begin negotiations. The City Council will authorize negotiations to take place with proponent(s). If mutually agreeable contract terms can be reached, the final agreement and successful proponent will be considered by the City Council, who will ultimately authorize the contract and chosen partner.

56. Will Berth 4 be inspected prior to a lease/operation agreement taking effect?

The City has no plans at this time to inspect Berth IV prior to a concession agreement taking effect. The original Berth IV lease signed in 2006 does not contain any provisions regarding required inspections. Addendum 1 to the lease signed in 2008 established that Ketchikan Dock Company (KDC) will have the barge surveyed at least once every five years with KDC and the City sharing the cost of the survey. The barge was last surveyed in 2018. Addendum 1 also established a requirement for KDC to conduct an annual dive survey of the steel bulkhead to check for scour. The latest dive survey occurred April 20, 2018, and another survey is anticipated to be performed before the 2020 cruise season. Per the terms of the Berth IV lease agreement, the City is responsible for maintenance of the facility with respect to the majority of the structures.

57. Please provide drawings of waterfront, Berths and Berth I Expansion in dwg format, if available.

Please see the file share link "Moffatt & Nichol Berths I and II Reconfiguration CAD Files X.zip" listed under the "Download Available" section of the bid site for this project.

58. Please clarify whether City of Ketchikan charges dockage fee of \$2.54 per foot (+700' vessels) even the vessel stays less than 24h or the City applies hour base charge.

All dockage fees are daily fees. There is no hourly dockage fee. If a vessel stays longer than 24 hours they are charged another dockage fee for every additional 24 hour period.

59. Please clarify the City's consideration for the personnel employment and division between Cruise Port and Harbour operations. Please clarify the approximate amount

that the Concessionaire will assume. Please confirm that all the temporary workers (\$578k) are cruise port related and will have to be assumed by the Concessionaire.

The \$578,000 in temporary wages included in the Port Department's 2020 budget exclusively funds Port employees including port harbormasters, port security and crossing guards. The job functions funded by the \$578,000 in temporary wages as well as the portion of the Port wages for employees who are currently funded by both the Port and the Harbors are subject to negotiation depending on which functions the City and the Operator agree will be conducted by each.

60. Please clarify the City's following comment on question 15 of Contract No. 19-36 Questions by Proponents_12.17.2019 doc.

"The City is also required to maintain debt service coverage of no less than 1.25 times annual net revenues."

The lender for the 2006 Port revenue bond required a certain level of debt service coverage before purchasing the City's bond. The amount typically required has been 1.5, but the City has successfully negotiated a lower coverage ratio.

61. Please clarify City's expectation from the Proponent for alternative vehicle parking and off-site staging and marshaling.

The Port of Ketchikan currently lacks adequate uplands areas adjacent to the berths for bus staging and marshaling for cruise passenger tours. Correspondingly, off-site public parking for industry support personnel is limited in and in high demand during the visitor season. The City expects the Port Operator to work collaboratively with the City to develop solutions to meet the vehicle needs of cruise passengers and support industry personnel and not further congest City and State roadways, sidewalks and other thoroughfares and public parking areas. These solutions may be located on or off the Port and may require the resources of both parties to execute successfully and equitably. The implementation of such solutions will be subject to negotiation. Ideas offered that help address this issue as part of a Proponent's submission will be seriously considered.

62. Are proponents able to meet with other local groups? Chamber of commerce etc?

The RFP does not prevent proponents from meeting with local groups or agencies. Per Section 7.4.15 of the RFP, proponents are prohibited from direct communication with City of Ketchikan elected officials (Mayor and Councilmembers) or City employees aside from the project contact via the project email. Unauthorized communication may result in the rejection of that proponent's RFP submission.

63. We would like to review the "2016 Port Revenue bond agreement". We would appreciate if you could upload it to your website.

Please see "2006 Port Revenue Bond Loan Agreement, Section 09" and "2006 Port Revenue Bond Amendatory Loan Agreement, Section 12."

64. Can the City please clarify in the RFP when the Proposal Security will be returned to the unsuccessful Proponent? We believe this should be upon the earlier to occur of (i) the

successful Proponent achieving Commercial Close and (ii) the expiration of the Proposal Validity Period.

The proposal security received by the City from an unsuccessful proponent will be returned to the proponent upon achieving Commercial Close between the selected/successful proponent and the City or upon expiration of the 180-day proposal validity period, whichever occurs first.

65. Can the City please clarify what qualifies as an “eligible financial institution” for purposes of the issuer of a Letter of Credit?

Eligible financial institution means (i), a commercial bank or financial institution organized under the laws of the United States, or any State thereof or the District of Columbia (i) with a credit rating on its long-term senior unsecured debt of either (a) “AA-” or better from S&P or (b) “Aa3” or better from Moody’s; and (ii) having shareholders' equity of not less than \$5,000,000,000.

66. Can the City confirm whether a combination of Letter of Credit and Cash Deposit may be used to satisfy the Proposal Security requirement so long as the aggregate of the two meets the required threshold?

Yes, a combination of letter(s) of credit and cash deposit(s) is acceptable provided the total sum satisfies the security requirements as outlined in Section 6.12 of the RFP.

67. Can the City please confirm where the Cash Deposit should be submitted? Will this be to an escrow account and subject to an escrow agreement?

The City prefers cash deposits be in the form of a certified check or wire transfer directed to the City of Ketchikan at 334 Front Street, Ketchikan, AK 99901 due January 21, 2020 by 2:00 pm Alaska Standard Time (proposal submission deadline). Proponents wishing to submit certified checks or wire transfers should contact the City via the project email address (ktn.port.rfp@ktn-ak.us) to arrange. The deposit will not be placed in an escrow account or subject to an escrow agreement.

Proponents wishing to submit a letter of credit may do so directed to Bob Newell, City of Ketchikan Finance Director, at the above address.

68. In Section 6.12.3 and Section 6.12.4, can the City please clarify that it is not the City’s intent to draw on the Proposal Security if the City and the preferred Proponent are not able to reach agreement regarding issues raised by the preferred Proponent with respect to the Contract in its comments submitted in accordance with Section 6.9?

If mutually agreeable contract terms as specified in the current form of the specimen draft contract at the time of proposal submission and/or as specified as contract

exceptions by the proponent upon the proposal submission are not met, the City does not intend to draw on the Proposal Security during the contract negotiation phase with the selected proponent.

69. Are there any existing easements or liens on the concession areas? If so, can you please share details on how they will be resolved and how they would affect the City's ability to award the Concession to a Proponent or the Proponent's ability to operate unencumbered by any liens or easements?

There are no liens on the Concession Area but there are various easements and agreements as follows:

Berth IV Non-Exclusive Pedestrian Access Easement and Restrictive Covenants.

This agreement provides for pedestrian access from Berth IV to Talbots. It is the City's intention to have the proponent honor the terms of the agreement, and it is not believed it will adversely affect Concession operations. See document "2009 Non-Exclusive Pedestrian Access Easement_KDC, SPH, City, and Talbots Inc."

Ketchikan Visitors Bureau (KVB) Lease. This agreement provides for the use of the visitor center buildings on Berths II and III. Please see the answer to Question 8.

Tour and Food Vendor Leases. The City of Ketchikan holds leases with 6 tour operators and 2 food vendors. Please see the answers to Questions 8 and 27.

Easement To Construct Non-Exclusive Public Walkway Agreement to Permit Mutual Pedestrian Access. This agreement provided for the commercial building commonly known as Sockeye Sams to have pedestrian access to the Promenade located waterside of Water Street between Berth III and IV. Please see "1997 Easement to Construct Non-Exclusive Public Walkway_City-Hansen Bay Co."

The following easements are for subsurface or below deck stormwater and utility facilities:

Easement, Sewer and Storm Sewer. This 15 Foot wide easement at Berth II (see "1975 Sanitary and Storm Sewer Easement_City-Skinner Corp") is opposite Mission Street and provides for City of Ketchikan wastewater facilities below the deck, with hatch access at deck level.

Drainage Easements, and Non-exclusive Pedestrian Access Easement to lot 3, vicinity of Berth IV. Various easements were created as shown on the Berth IV subdivision plan. Please see "2008_Berth IV Subdivision."

In addition the City of Ketchikan including Ketchikan Public Utilities may operate utilities (electric facilities, water lines, etc.) within the area of the concession. These utilities do

not have easements associated with them because the utility facilities and the property is in common ownership. These facilities are primarily below deck, accessed from below and are used to facilitate port operations. It is not anticipated that the presence of these facilities will affect operations, but if a Proponent would like to address these facilities in more detail the City is willing to include this matter in the negotiation process.

As stated in the RFP and draft specimen agreements, a legal description of the Concession area and title report will be furnished in advance of the execution of the final agreement.

70. Can you confirm that any improvements made by the Operator will be owned by the Operator and can be depreciated over the Term such that the sentence in Section 2 (of the draft specimen Concession and Lease Agreement), "All improvements to be constructed on the Leased Premises shall be the property of and owned by the City during the term..." can be modified to conform to sections 37 and 52?

Sections 2, 37, and 52 of the draft specimen Concession and Lease Agreement specify that any improvements made by the Operator during the term of the agreement will be owned by the City and will remain under the City's ownership upon termination or expiration of the agreement. As the improvements to the Port within the Leased area will be made by the Operator on the City's behalf for the purposes of improving the Port, a publicly-held and City-owned asset, all improvements are to be owned by the City. All improvements will be mutually agreed upon between the City and the Operator. At this time, the City does not wish to transfer ownership of any improvements made by the Operator to the Operator during the term of the lease or upon termination or expiration.

71. The RFP indicates that a \$35 million project cost will be paid to the City "in trust ... and used as part of the City's Capital Program through its normal process." The Specimen Concession and Lease Agreement defines this payment as "City Project Funds" and does not address the trust or uses allowable for payment as a Capital Program. Can you describe how the City Project Funds would be placed in trust and the last five significant projects funded from the Capital Program?

The uses allowable for the minimum \$35 million payment to the City by the Operator for specific projects outside of the leased and operated premises as described in the RFP and specimen agreements will be determined in partnership with the Operator on an ongoing basis in response to changing needs and priorities to mitigate issues and to improve the passenger and resident experience.

The Capital Program referenced in the RFP does not yet exist specifically for these Port and tourism-related projects but indicates the City's ongoing capital improvement program. A preliminary list of project concepts identified by City staff has been developed but not designed or fully cost estimated nor approved by the City Council.

The list as presented to the City Council at the August 6, 2019 City Council meeting is available here: <https://ketchikan.primegov.com/Portal/viewer?id=302&type=2>

As required by generally accepted accounting principles, these funds will be accounted for in a trust fund (to be created) in accordance with the terms and conditions of the trust agreement. Appropriations from the trust fund must be approved by the City Council and are subject to a public hearing prior to City Council approval. The funds will be invested in accordance with the terms and conditions of the trust agreement or the City's investment policy. As the fund has not been created, no projects have been funded by such a program or trust fund.

72. Given the decision in Cruise Lines International Association Alaska v. The City and Borough of Juneau (the "Juneau Case") if a Proposal provides for an alternative methodology for the City to obtain the City Project Funds, so long as the City is paid this amount, would the City consider accepting an alternative payment methodology?

The City is open to reviewing any and all proposal alternatives and will be subject to contract negotiation.

73. Is the financing proposal for the \$35,000,000 listed under Section 7 of the Concession Agreement considered debt to the City?

The minimum \$35 million payment to the City by the Operator is a payment to the City and will not be classified as debt.

74. Section 7 of the Concession Agreement also states, "Operator shall be responsible for collecting and remitting to the City the City's Passenger Wharfage, Dockage and other City Fees under the current City Code..." It is my understanding that passenger vehicle and charter boat vessel access passes are part of City Code. Should we assume the city still intends to collect these particular fees in addition to the aforementioned Passenger and Dockage Fees? Are the Vendor Booths also covered under City Code?

The collection and remittance of additional or other Port-related fees as outlined in the City of Ketchikan Municipal Code will be the responsibility of the Operator. Which fees are to be collected and remitted to the City is subject to negotiation.

The Port vehicle access pass program and the Port vendor booth program are subject to the City of Ketchikan Municipal Code (see answers to Question 26 and 27). Charter vessel loading zone passes are also subject to the Ketchikan Municipal Code:

<https://www.codepublishing.com/AK/Ketchikan/#!/Ketchikan13/Ketchikan1308.html#13.08.035>

75. Sections 5.1.6 ii and 5.1.7 (of the RFP) seem to be in conflict - if the Proponent is responsible for assigning berths and maximizing their usage, why wouldn't a preferential berth be allowed given the commitment that is provided in exchange for such a preference?

Section 5.1.6 (ii) of the RFP states that "No preferential berthing will be allowed for any cruise company without the prior approval of the City Council." Preferential berthing agreements may be allowed with the consent and approval of the City Council. A stated goal of the RFP and further reflected in Section 12 of the in the draft specimen Concession and Lease Agreement is to market the Port and solicit new business for the Port. This marketing plan is to be collaborative between the City and the Operator with the intent of attracting more, new and diverse cruise business. City Council approval for preferential berthing, marketing and scheduling at the Port is necessary to ensure all and new lines are given the opportunity to call at the Port of Ketchikan.

76. Please describe the berthing allocation process the City envisions the Operator would need to comply with in order to conform with the requirements of the Ketchikan Municipal Code 13.08.045, the City, and as to Berth IV Section 13.10.19 of the Berth IV Lease?

Section 5.1.7 of the RFP makes clear that the Operator will be responsible for assigning berths and the City reserves the right to participate in this process when scheduling conflicts occur. An equitable distribution of the 75% of passengers between Berths I, II and III is also attempted but historically difficult to achieve. The Port and Harbors Director has traditionally provided a copy of the draft berth assignments to the City Manager for review and comment by the City Council prior to final approval by the Director. It is anticipated that the Operator will consult the City prior to the finalization of the draft berthing assignments and that any applicable provisions from an approved Concession and Lease Agreement would be required to be considered or followed.

77. The Specimen Concession and Lease Agreement refer to both "City" and "City Council." When the term "City" is used, how will the decision, approval or action be decided?

At this time it is difficult to determine which contract administration powers will be exercised by the City Manager or designated staff without approval or oversight of the City Council. The term "City" indicates the City of Ketchikan and could imply staff, the City Manager or his/her designee or the City Council. The decision or approval process necessary will be entirely dependent upon the individual situation under discussion, existing City policies and procedures, and any specific contract terms negotiated and mutually agreed upon by the City and the Operator.

78. Has the City secured any approvals necessary from Ketchikan Dock Company to enter into the Concession Agreement as to Berth IV?

As the City is not assigning or transferring its interest in the Berth IV lease agreement to a third party, approval from Ketchikan Dock Company is not necessary. Ketchikan Dock Company is aware of the City's intent to have a third party Operator operate and manage Berth IV on behalf of the City in a manner consistent with the 2006 lease provisions between the City and Ketchikan Dock Company.

79. Are there any preferential use agreements that would supersede the Operator's right under the Concession and Lease Agreement to use the Berths in the Leased Premises and the Berth IV Concession Area during the cruise season?

There are no preferential use or berthing agreements between the City and any cruise line, company or other entity for use at the Port of Ketchikan.

80. "Description of the Project" (Section 4) versus "The Project" (Section 6.6) - Section 4 describes the Project in 4 parts, of which Part 3 describes Cathodic Protection; however in 6.6.2, the Project is described in 3 parts, where the Proponent is asked to describe Cathodic Protection in Part 2. Also, it is unclear if the Part 2 Port Upland Improvements ("...additional restroom Facilities, signage and any improvements to safety (sic.) assure the flows of passengers and crew.") are included within or in addition to the Part 4 \$35M Off-Site Improvements that "...will mitigate impacts from the project and will improve passenger and resident experience". Does the City prefer we follow the Section 6.6 or the Section 4 project Part breakdown?

The four-part project as described in Section 4 of the RFP describes the RFP project in its entirety, including the projects for which the Operator will be responsible under a concession agreement (Part 1 Marine Works, Part 2 Port Upland Improvements, and Part 3 Improvements to Current Infrastructure) and the projects for which the City will be responsible (Part 4 Off-site Improvements). For the purposes of the RFP submission, proponents must define their plans and vision for accomplishing Parts 1, 2 and 3 in Section 4 of the RFP as well as the funding approach for the minimum \$35 million upfront payment for Part 4 Off-site Improvements. Proponents selecting the Concession Approach should submit proposals per Section 6.7.1 of the RFP.

81. The Respondent is instructed to provide one original and seven copies of the proposal plus an electronic copy in searchable PDF format on a compact disc. Is a USB thumb drive an acceptable alternative to a compact disc? Related, Section 6.7.1 instructs that a cash flow spreadsheet be provided "in Excel format. The Excel document shall not count toward the general page limitation for this submittal". Is it the intent that we include the spreadsheet within the proposal hardcopy, or can/should that electronic document (Excel spreadsheet) be included on the thumb drive (or compact disk, if a thumb drive is not allowed)?

A thumb drive is an acceptable digital alternative to a compact disc for an electronic copy of the proposal submission. Please include all proposal submission materials

including the cash flow spreadsheet in the proposal hardcopy as well as on the electronic copy format.

82. Could you please let us know on the maintenance dredging requirement at the port? Is there such a need, how often do you dredge?

There has been no need for maintenance dredging of the four existing cruise ship docks in the past. The City does not anticipate any maintenance dredging being required in the future.

Please see the answer to Question 31b regarding the expressed concerns of the US Army Corps of Engineers regarding the decreased ability to dredge Thomas Basin Harbor a result of improvements to Berth I and related narrowing of the approach to the Harbor.