

Port of Nome Tariff Rate Study & Analysis

Presented by Joey Lima

City of Nome

January 18, 2024



Working Session Agenda

Presentation Overview

We'll review the latest findings from the tariff and rate study, including a historical analysis (and initial forecasts) of Port revenue and expenses, vessel traffic, and commodity volumes. We also explore recent trends in industries that impact the Port of Nome.

Stakeholder Input Needed

We seek the Port Commission's feedback on preliminary scenarios for demand forecasting.

- Commodity (Fuel/Gravel/Cargo) forecasts
- Supply or Demand shocks
- Assumptions for Financial Model

Next Steps (after this meeting)

After incorporating your feedback, we'll finalize demand forecasts, develop a sustainable rate structure, and outline capital replacement strategies to support the Port's growth and financial health.

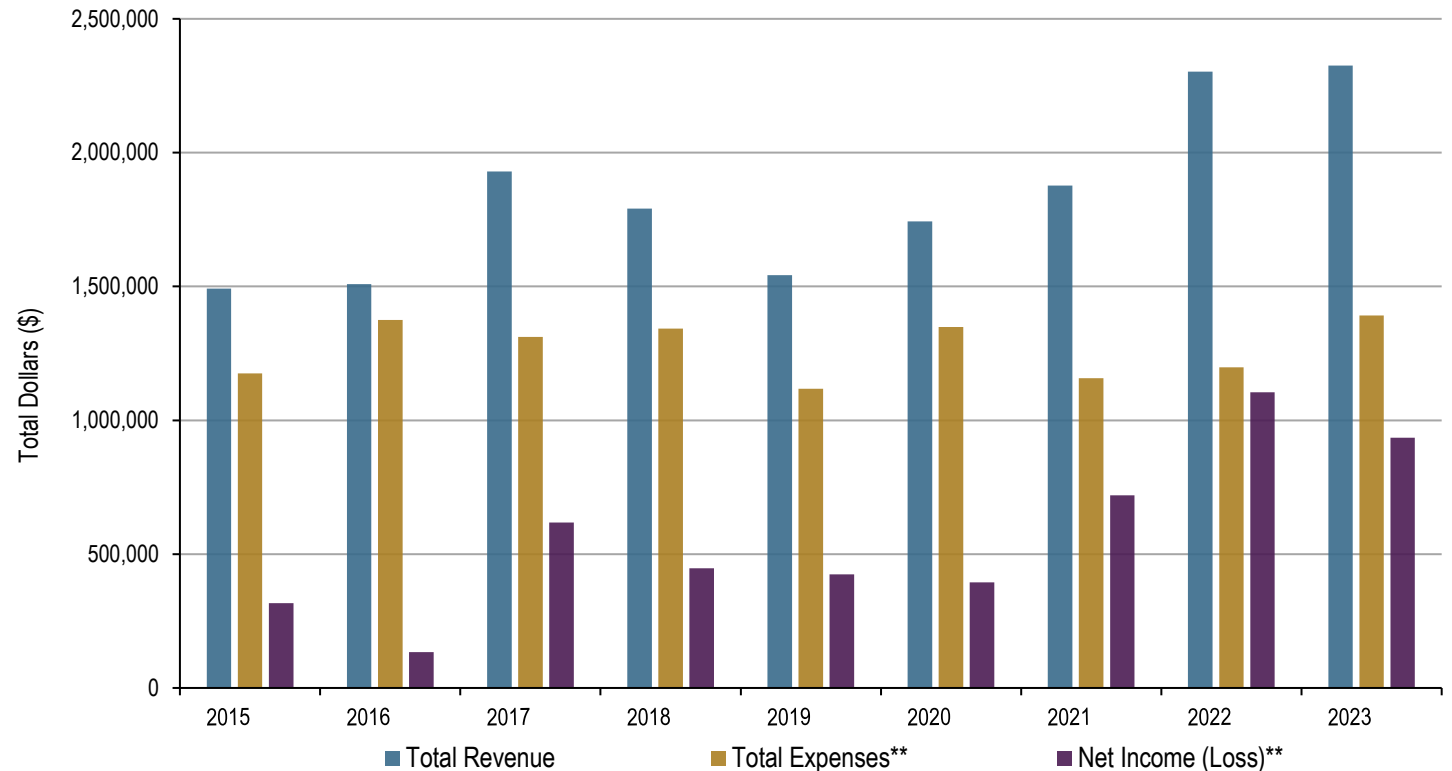
Activity/Task	Status
Historical Data Collection: Updated and expanded historical data from past reports to inform current analysis and support future planning.	Review Today
Economic Trend Analysis: Conducted independent analysis of economic trends affecting vessel traffic, marine industries, and potential developments impacting the port.	Review Today
Demand Forecasting: Created a demand forecast model considering commodity movements and vessel traffic	Review Today
Scenario Development: Collaborate with stakeholders to construct scenarios for future growth, assessing financial implications for each.	Discuss Today
Rate Structure Recommendations: Provide recommendations for tariff adjustments to ensure the port's financial sustainability.	Next meeting
Capital Strategy Recommendations: Offer strategic advice for capital infrastructure replacement, based on demand projections and financial trends.	Next meeting

Historical Revenues & Expenses

Historical Revenues & Expenses (2015-2023)

Port Operating Fund

- Performance of the Port Operating Fund was assessed by excluding Depreciation and Transfers Out.
- Over the nine-year period, total revenue exhibited an upward trend, peaking in 2023, despite a slight dip in 2019.
- Operating income was positive each year since 2015.



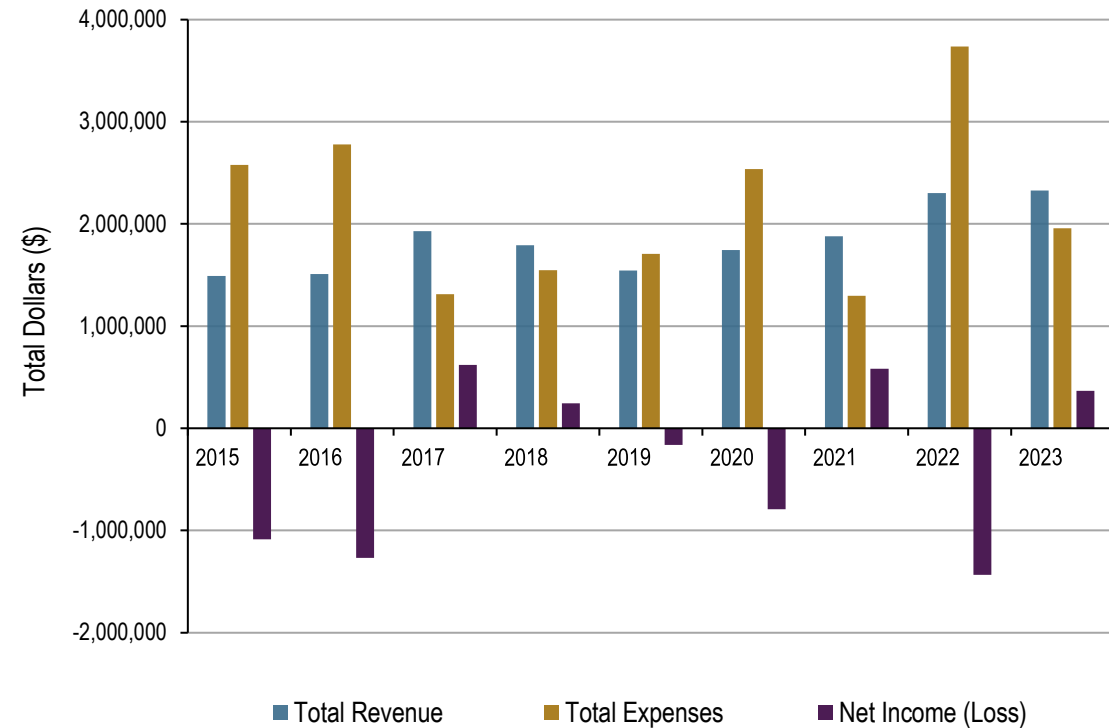
*Net Income (Loss) Net of Depreciation and Fund Transfers Out

Charts developed by Northern Economics based on data from the City of Nome.

Historical Revenues & Expenses (2015-2023)

Port Operating Fund

- Net income for the PON varied, with five of the last nine years showing losses when accounting factors like depreciation and fund allocations are considered. capabilities.
- Financial dip in 2022 attributed to a fund transfer to fund planning design and engineering costs for local services facilities at 100% city cost, bridging gap in timing of grant funds
- Despite these fluctuations, the port was profitable in four years, showcasing its operational strength and financial recovery



Charts developed by Northern Economics based on data from the City of Nome.

Historical Revenues (2015-2023)

Port Operating Fund

- **Wharfage/Cargo Upsurge:** Cargo Wharfage revenue saw a significant rise, with an increase of 68% from 2015 to 2023.
- **Storage Rental Growth:** Storage rental revenues grew by 56% over the same period, indicating an expanding need for storage facilities.
- **Docking Permits Surge:** Revenue from docking permits experienced an increase of 72% from 2020 to 2023, marking a spike in vessel dockings and port utilization.
- **Gravel:** Revenue remains variable based on construction project needs in the region.

Category	Historical Revenues								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wharfage/Cargo	277,249	252,243	232,950	288,245	274,786	314,541	317,450	384,960	466,070
Storage Rental	227,463	227,990	246,984	282,836	299,327	257,537	299,756	295,280	355,198
Wharfage/Fuel	319,647	259,306	321,187	364,891	280,348	326,270	344,689	322,665	352,958
Wharfage/Gravel	70,067	75,956	241,752	111,772	95,609	166,950	257,606	669,089	256,969
Docking permits	133,967	119,163	109,447	125,371	94,537	113,340	123,270	138,147	230,677
Land leases	244,472	237,725	238,203	204,620	223,568	230,532	260,332	225,597	218,868
Misc revenue	77,210	149,604	305,095	184,062	105,735	135,872	64,252	29,860	214,067
Dockage	95,942	126,503	162,469	174,162	124,047	148,515	149,683	151,169	151,642
Interest earnings	7,311	5,872	6,821	7,603	4,461	10,432	16,011	42,283	50,142
Utility Sales	16,533	20,288	49,890	31,833	19,495	13,866	16,041	15,637	15,348
STAK PERS	18,527	28,730	13,133	12,356	18,332	22,406	27,336	26,857	10,765
reimbursement	3,827	5,662	2,108	2,801	2,558	3,405	1,266	1,078	3,334
Total Revenue	1,492,215	1,509,042	1,930,039	1,790,553	1,542,803	1,743,667	1,877,691	2,302,621	2,326,037

Table developed based on data from the City of Nome.

Historical Expenses (2015-2023)

Port Operating Fund

- Expenses, Net Transfers & Depreciation, have remained relatively flat between 2015-2023
- Insurance, Labor and Benefits, Professional Services, Supplies, and Utilities have all seen increased expenses
- Interest and Bad Debt Expenses have decreased significantly
- Repairs & Maintenance saw major swings over the years

Category	Type	Historical								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Labor and benefits	Expense	489,217	562,046	630,752	600,661	439,114	501,066	455,570	482,746	559,990
Insurance	Expense	88,417	85,372	99,604	116,351	102,168	105,452	112,323	113,897	123,764
Other/Misc expense	Expense	25,511	136,805	144,563	108,702	130,876	134,435	113,062	143,204	152,955
Professional services	Expense	98,994	155,716	136,995	171,854	86,248	122,364	140,547	153,659	130,254
Supplies	Expense	38,376	24,630	23,175	26,250	23,047	20,274	17,250	19,623	94,281
Repairs and Maintenance	Expense	128,419	91,500	56,899	10,759	47,561	114,030	36,204	12,774	71,807
Principal/Interest expense	Expense	189,370	194,505	157,798	153,128	156,551	159,877	149,319	142,540	136,532
Utilities	Expense	33,452	38,349	50,823	50,679	34,232	35,863	33,133	33,746	42,651
Equipment Rental	Expense	20,234	48,732	5,946	40,235	22,984	62,488	15,481	6,628	19,669
Payment in Lieu of Tax	Expense	37,032	33,947	32,834	55,625	61,187	72,312	72,312	66,767	66,749
Bad debt expense	Expense	25,914	3,077	-28,013	8,745	14,133	20,429	12,565	22,527	-7,310
Transfers Out - Other Funds	Expense	0	0	0	204,218	588,357	1,188,175	138,022	2,539,228	566,852
Depreciation	Expense	1,404,055	1,403,425	0	0	0	0	0	0	0
Total Expenses		2,578,990	2,778,104	1,311,376	1,547,206	1,706,456	2,536,764	1,295,788	3,737,338	1,958,196
Expenses Net Transfers & Depreciation		1,174,935	1,374,679	1,311,376	1,342,988	1,118,099	1,348,589	1,157,765	1,198,111	1,391,344

Top 10 Historical Expenses (2015-2023)

Port Operating Fund

The significant fluctuations in 'Transfers Out' highlight strategic financial decisions impacting the Port's net expenses, especially in 2020 and 2021.

Port Admin expenses continue to rise, reflecting inflationary pressures on wages

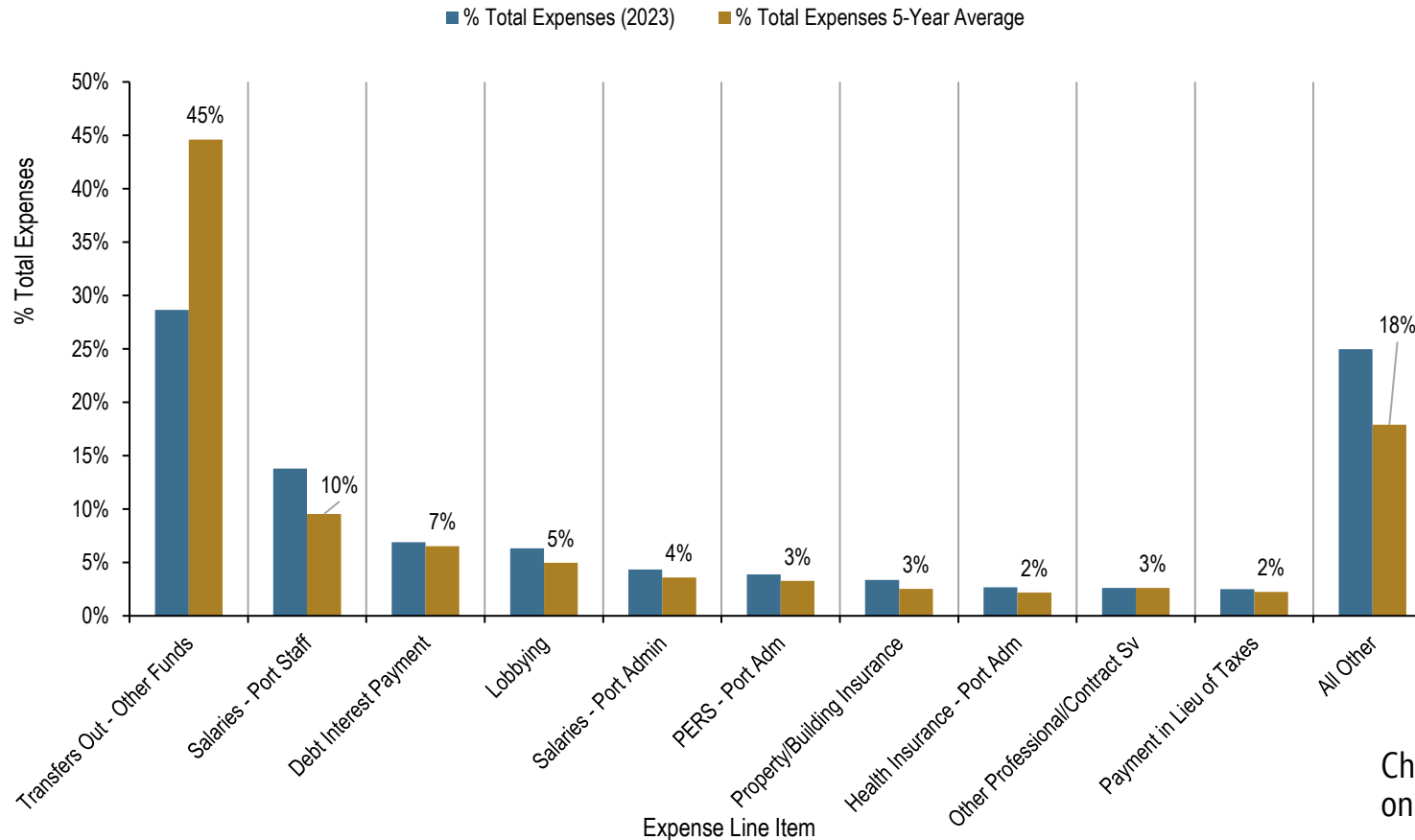


Chart developed by Northern Economics based on data from the City of Nome.

Historical Revenues & Expenses (2016-2023)

Port Capital Projects Fund

- Port Grants & Awards have been obtained by the PON to provide consecutive funding spanning each year since 2001
- Since 2016, a total of \$17 Million in Grants & Awards was expended
- Recent awards from the State are allocated to cover most of Phase 1 construction for the Port Expansion project
- From 2018-2023, a total of \$4.6 Million was transferred from the Port Operating Fund when annual capital expenditures were greater than grant and award amounts.
- Required for 6 of last 8 years.

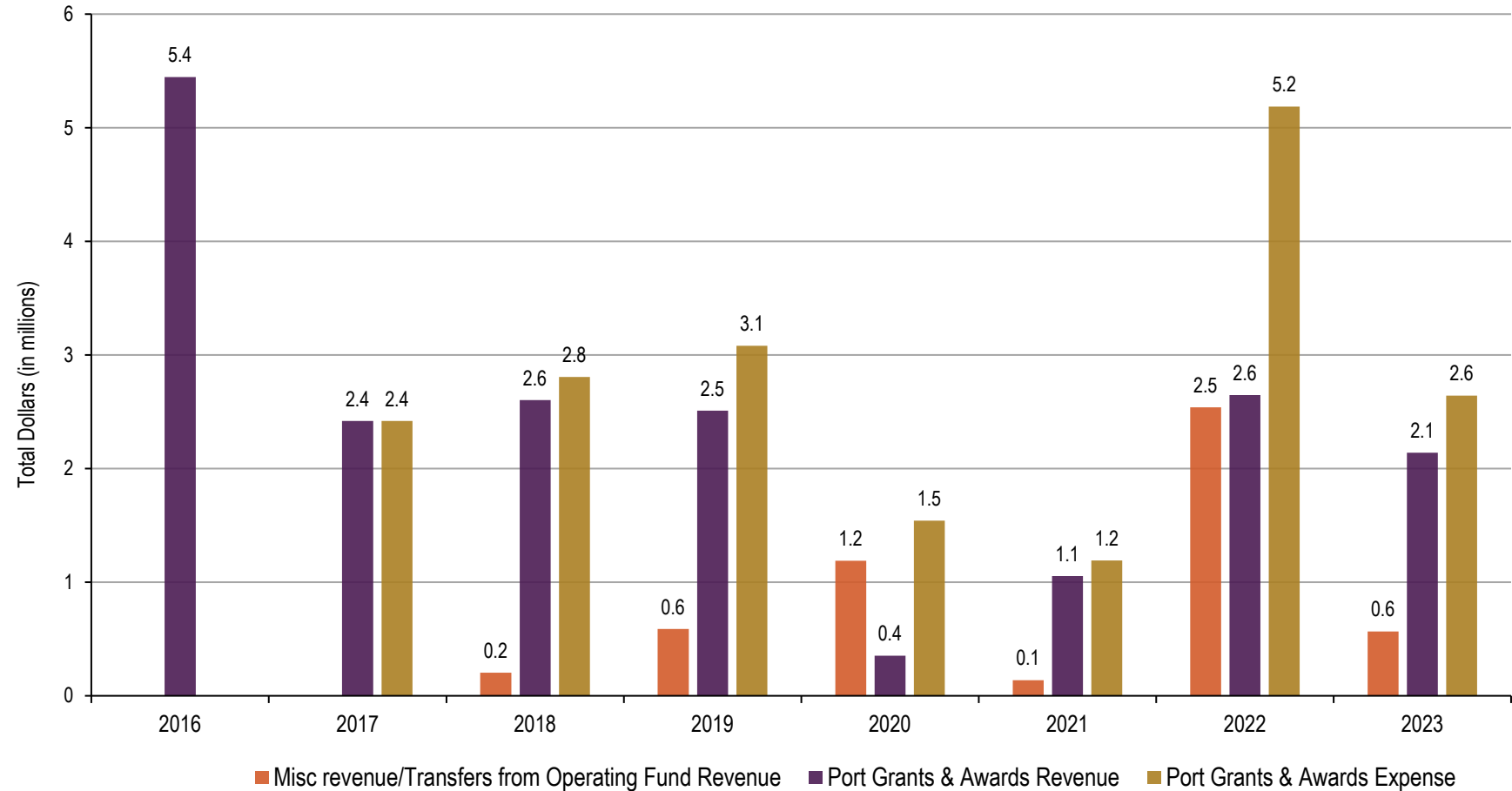
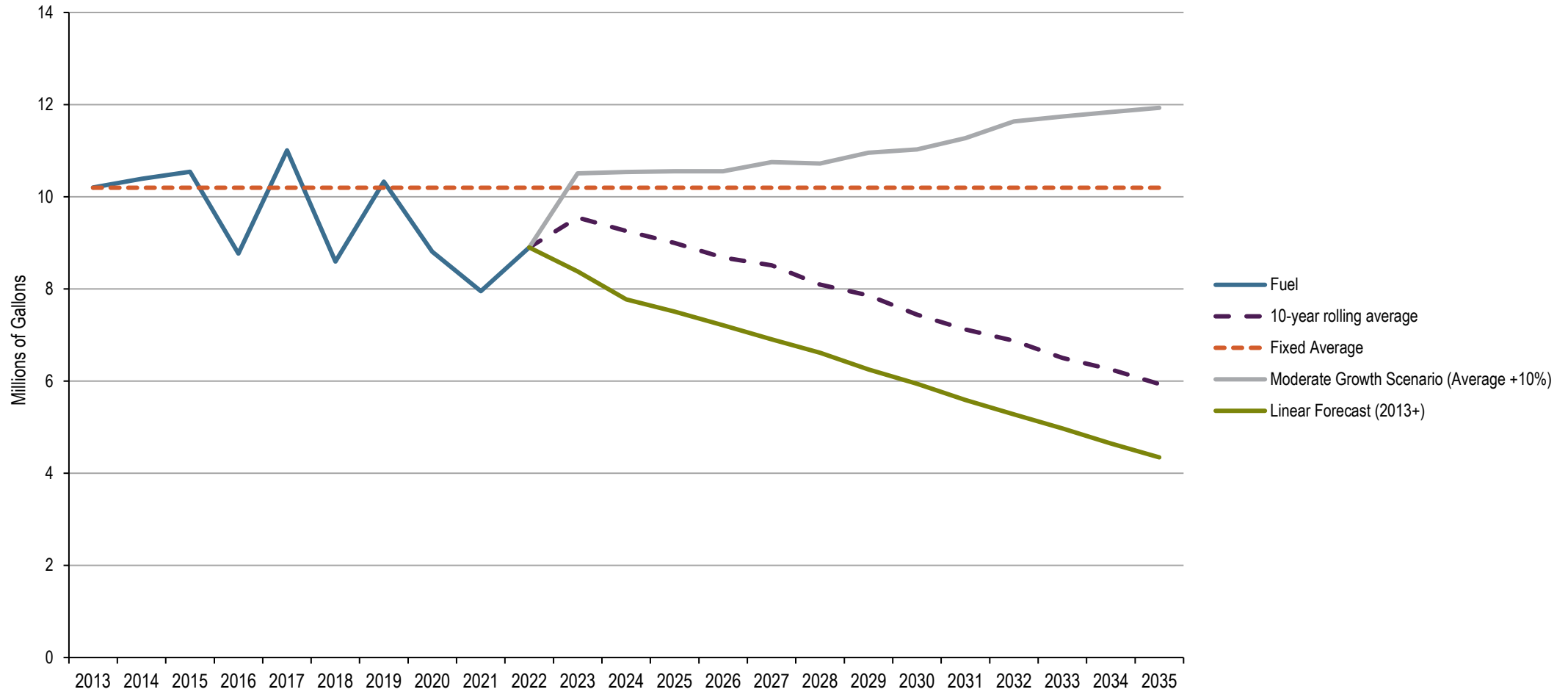


Table developed by Northern Economics based on data from the City of Nome.

Historical Commodity Volumes & Baseline Forecasts

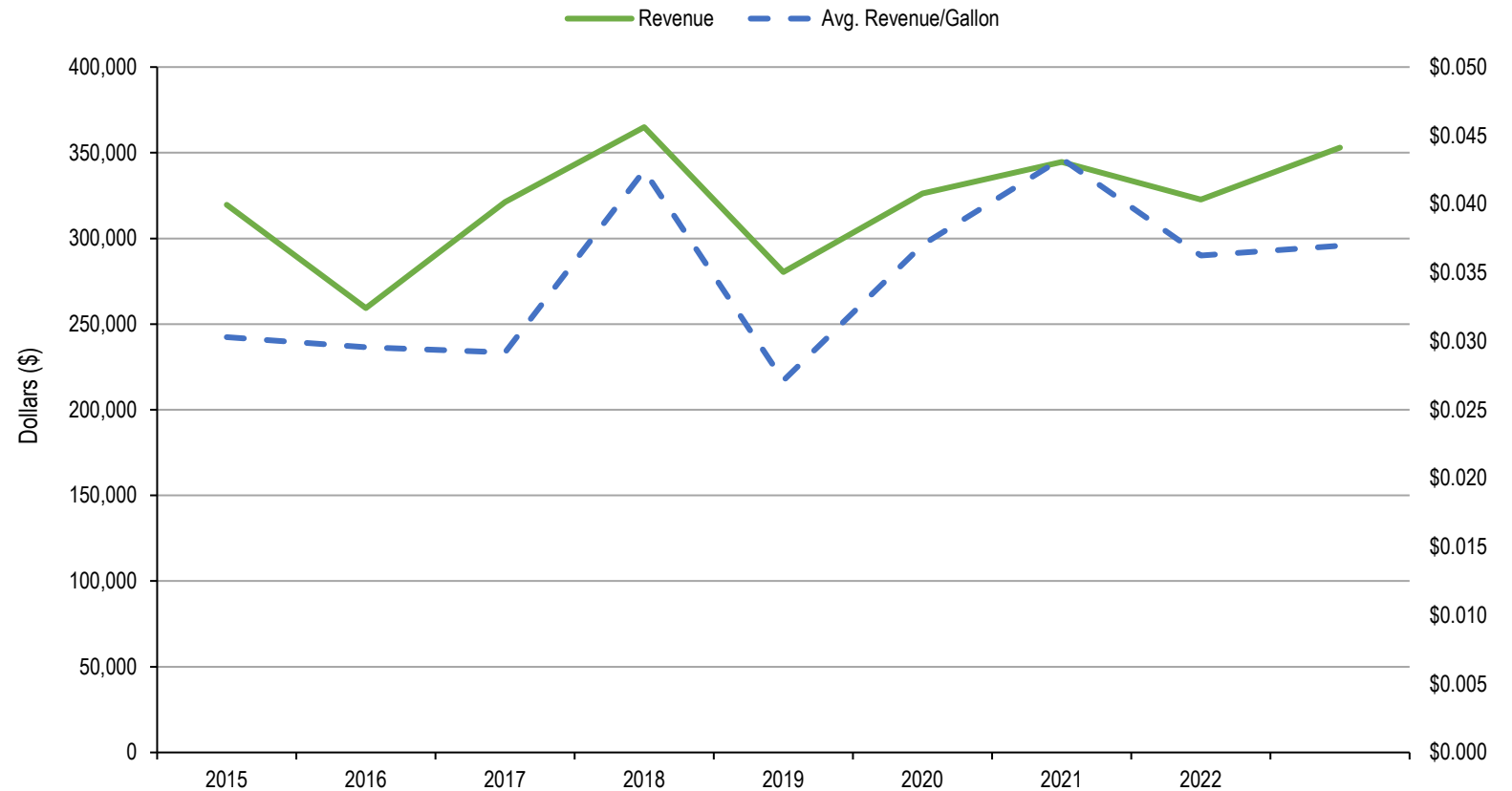
Port of Nome Commodity Volume – Fuel (2012-2035)



Charts developed by Northern Economics based on data from ADOLWD.

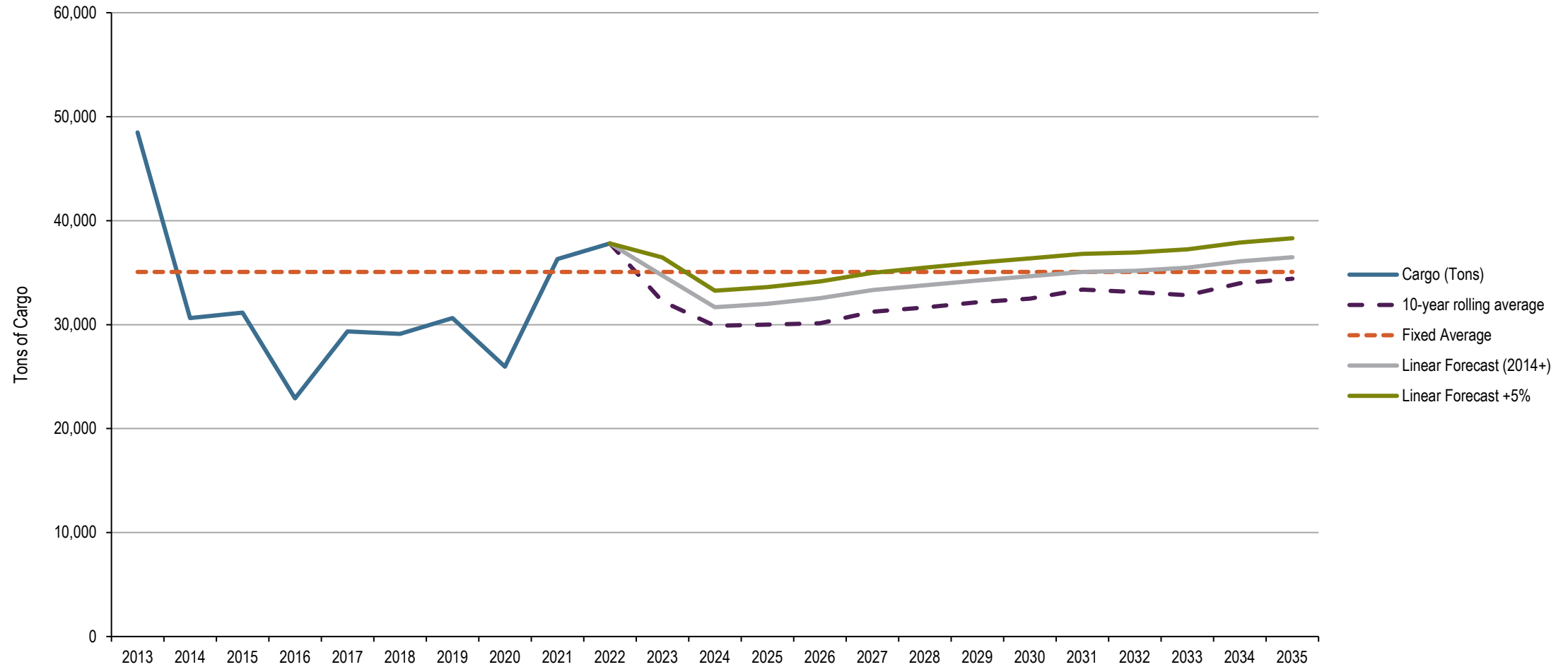
Port of Nome Fuel Wharfage Revenue by Year (2015-2022)

- Correlation coefficient of -0.25 between fuel wharfage revenue and fuel volume between 2015-2022.
 - Tariff rate changes and variable rates for Inbound/Outbound/Over-side/Inter-facility
- Annual average revenue of \$321K (\$0.34/gal)
 - 9.4 million gallons of fuel



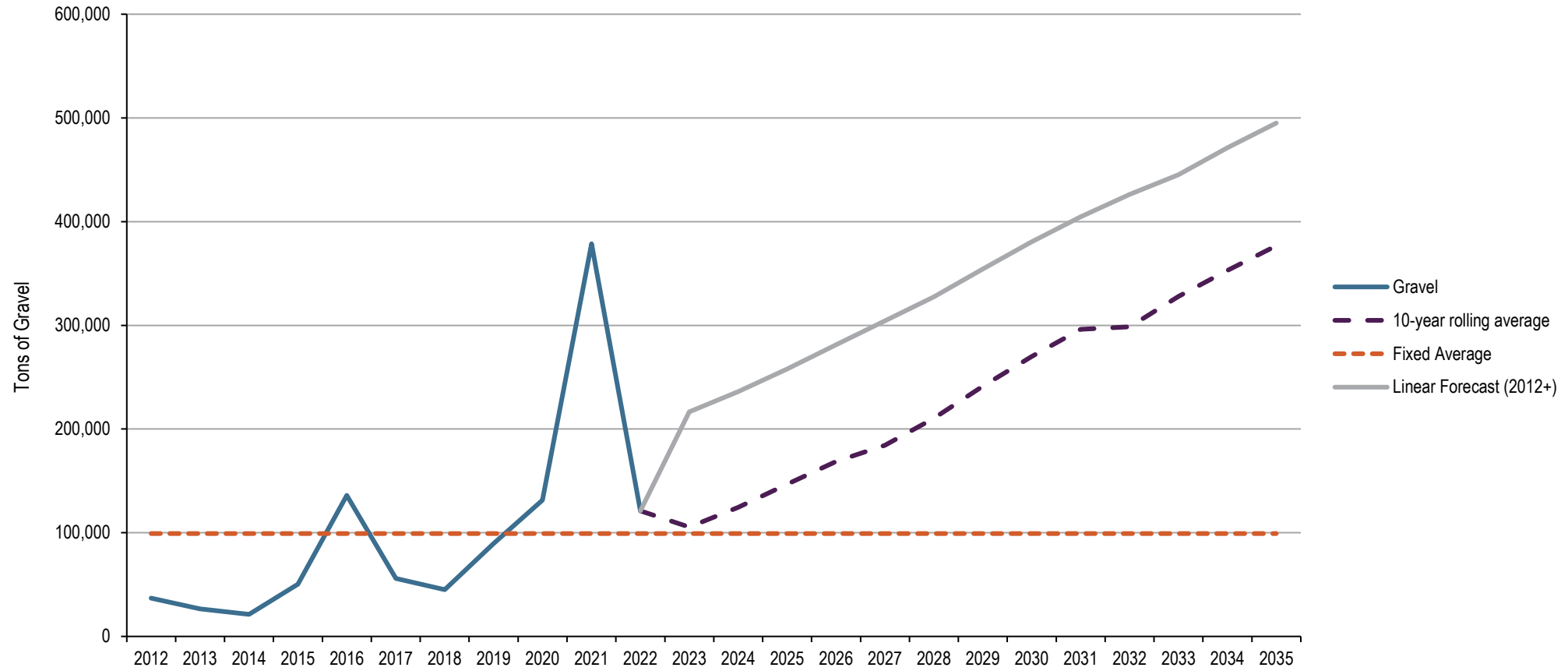
Charts developed by Northern Economics based on data from ADOLWD.

Port of Nome Commodity Volume – Cargo



Charts developed by Northern Economics based on data from Port of Nome and USACE Waterborne Commerce Statistics Center

Port of Nome Commodity Volume – Gravel



Charts developed by Northern Economics based on data from Port of Nome and USACE Waterborne Commerce Statistics Center

Port of Nome – Vessel Traffic

Unique transient vessel calls have decrease 39% from 93 to 56 between 2012 and 2022.

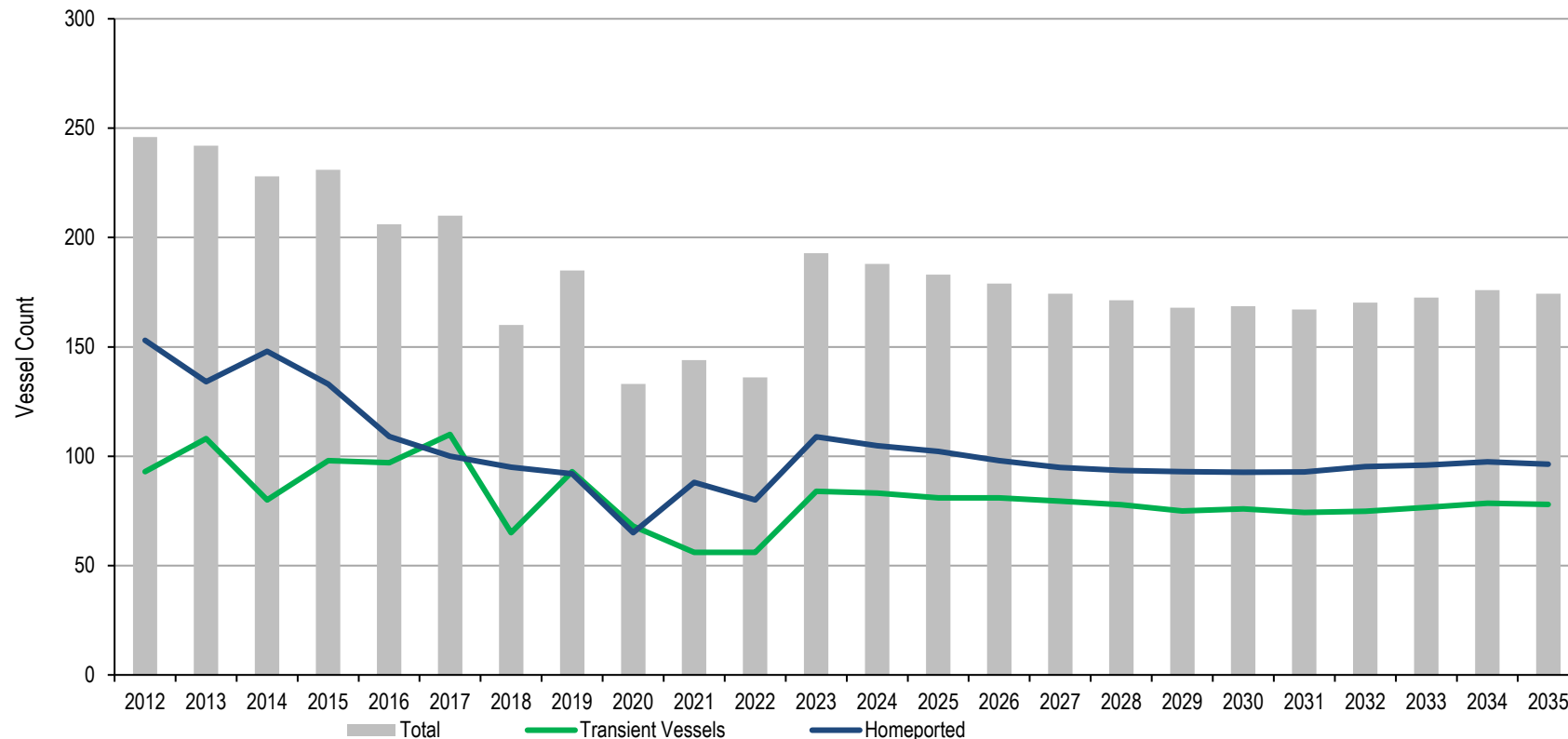
Homeported vessels decreased 47% during the same period from 153 to 80, large driven by a consolidation of operations in the years after a large [Offshore Mining Lease Sale](#) in 2011.

Vessel Type	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bulk Cargo	14	19	12	14	15	16	16	24	11	11	11
Bulk Fuel	14	17	20	19	17	17	17	15	20	15	15
Gravel/Equipment	6	13	9	14	13	13	9	11	25	14	14
Research	12	9	7	9	5	9	11	7	4	5	5
Miscellaneous	16	9	7	9	19	9	0	9	3	9	9
Pleasure - Cruise	2	3	3	5	5	4	2	10	0	0	0
Pleasure - S/V	20	21	13	15	14	26	4	13	2	1	1
Government	9	12	7	13	7	14	6	4	3	1	1
Sub-Total (Unique Transient Vessels)	93	103	78	98	95	108	65	93	68	56	56
Homeported	153	134	148	133	109	100	95	92	65	88	80
Total Vessel Calls (Homeported + Transient)	246	237	226	231	204	208	160	185	133	144	136

Compiled by Northern Economics based on data from the City of Nome.

Port of Nome – Vessel Traffic Baseline Forecast

Based on the 10-year rolling average, vessel traffic is forecasted to increase 28% from 2022-2035, driven by a 40% increase in transient vessels (from 56 to 78), and a 20% increase in homeported vessels (from 80 to 96).



Compiled by Northern Economics based on data from the City of Nome.

Discuss: Supply & Demand Shocks

Opportunities

1. Additional Cruise Ships and Visitors
2. Construction projects in the region
3. Graphite One Mine
4. Increase in Arctic research activities
5. Increased vessel traffic through Bering Strait

Potential Impact

1. X additional cruise ships per year
2. X additional construction projects in region over X time period, requiring up to ~Y tons of gravel
3. Graphite One Mine – construction, transportation of graphite
4. X additional research vessels per year
5. % increase in vessel traffic through Bering Strait, potential % to Port of Nome

Discuss: Financial Model Assumptions – Revenue

Revenue Source	Flat	Moderate	High
Docking Permits	10-year rolling average	+5%	+10%
Graphite One Mine	-	100,000 tons of product beginning in 2027	100,000 tons of product beginning in 2029
Storage Rentals	10-year rolling average	+5%	+10%
Land Leases	10-year rolling average	+5%	+10%
Utility Sales	10-year rolling average	10-year rolling average	10-year rolling average
Misc. Revenues	10-year rolling average	10-year rolling average	10-year rolling average
Interest Earnings	10-year rolling average	10-year rolling average	10-year rolling average

Discuss: Financial Model Assumptions – Expenses

Expense	Flat Growth Scenario	Moderate Growth Scenario	High Growth Scenario
Labor and Benefits	1% increases to the total to cover COLA for existing employees	+1 FTE in 2025, salary of [X], and overhead factor of 1.8	+1 FTE in 2025, salary of [X]; +` FTE in 2027, salary of [X]; and overhead factor of 1.8
Utilities	10-year rolling average	+2%	+5%
Supplies	10-year rolling average	+2%	+5%
Insurance	10-year rolling average	10-year rolling average	10-year rolling average
Professional Services	10-year rolling average	+5%	+10%
Repairs & Maintenance	10-year rolling average + 5%	10-year rolling average + 10%	10-year rolling average + 15%
Equipment Rental	10-year rolling average	10-year rolling average	10-year rolling average
Principal and Interest Expense	10-year rolling average	10-year rolling average	10-year rolling average
Other/Misc	10-year rolling average	+5%	+10%
Payment in Lieu of Taxes (PILT)	10-year rolling average	10-year rolling average	10-year rolling average

Next Steps

- Incorporate growth scenarios (3) into financial model
- Amend financial model per feedback and recommended assumptions
- Add future expenses based on current R&M schedule, Port Expansion, and Strategic Development Plan project priorities (*after meetings conclude on 1/25/2024*)
- Review projected Revenues & Expenses and recommend tariff rate or structure changes as applicable
- Submit report for review

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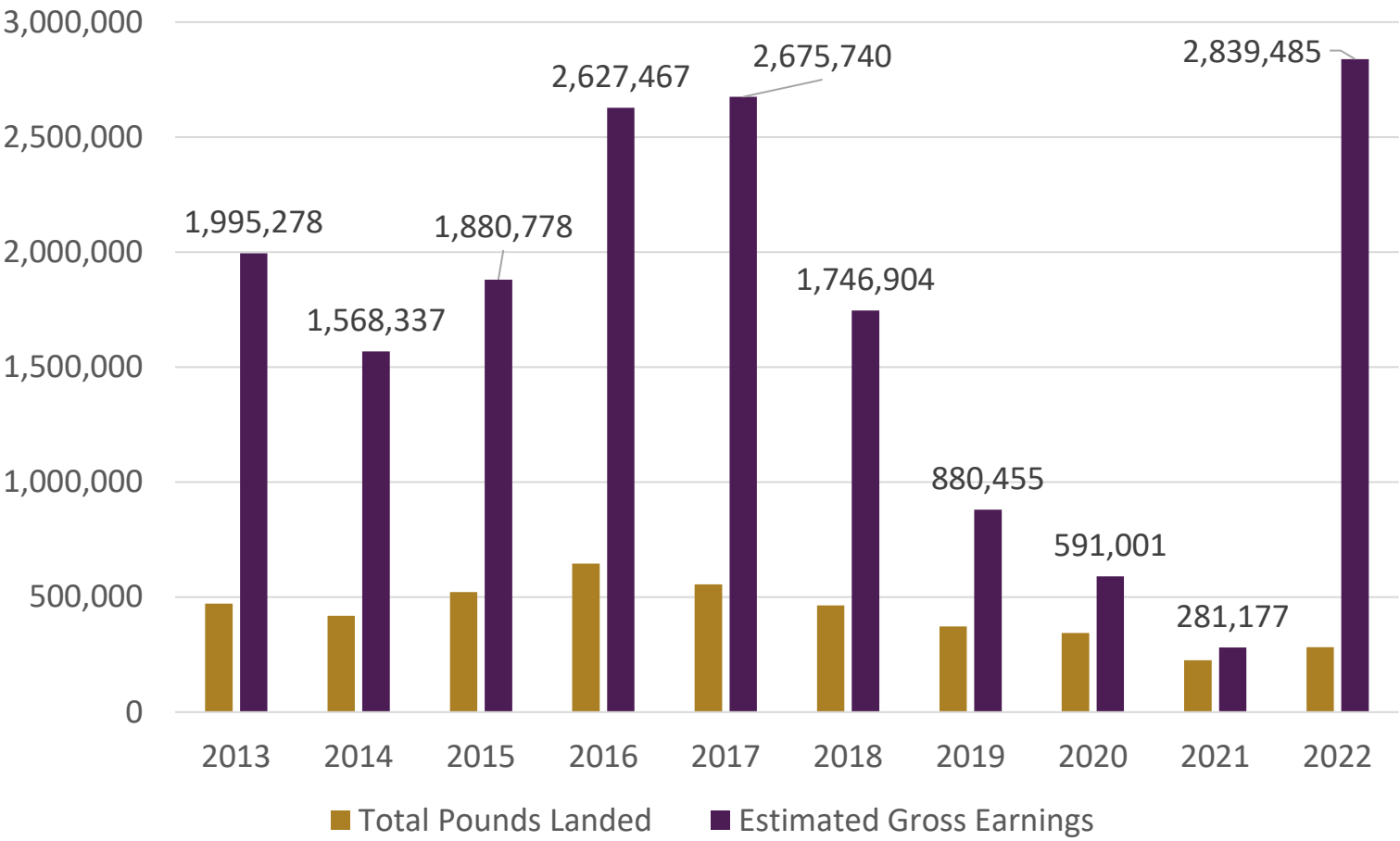


Appendix

Overview of Industries & Opportunities for the Port of Nome

Appendix: Commercial Fishing & Seafood

Permit and Fishing Activity by Year – Nome Census Area



- The average ratio of estimated gross earnings to total pounds landed is approximately 3.96 dollars per pound over the 10-year period.
- Estimated gross earnings saw a 34.10% increase in the first 5-year period, a 62.54% increase in the second 5-year period, and overall, despite the significant downturn from 2018-2021, there was a 42.31% increase when comparing 2013 to 2022.

Charts developed by Northern Economics based on data from the Commercial Fisheries Entry Commission

Appendix: Commercial Fishing & Seafood

Permit and Fishing Activity by Year – Nome Census Area

Year	# of Fishermen Who Fished	Total Pounds Landed	Estimated Gross Earnings	Largest Share of Gross Earnings
2013	32	472,112	1,995,278	Crab
2014	31	418,911	1,568,337	Crab
2015	44	521,913	1,880,778	Crab
2016	38	646,321	2,627,467	Crab
2017	54	555,038	2,675,740	Crab
2018	40	463,967	1,746,904	Crab
2019	25	372,090	880,455	Halibut
2020	18	344,629	591,001	Halibut
2021	14	225,507	281,177	Share of Earnings Not Reported
2022	22	282,532	2,839,485	Crab

Charts developed by Northern Economics based on data from the Commercial Fisheries Entry Commission

Appendix: Recreation & Tourism

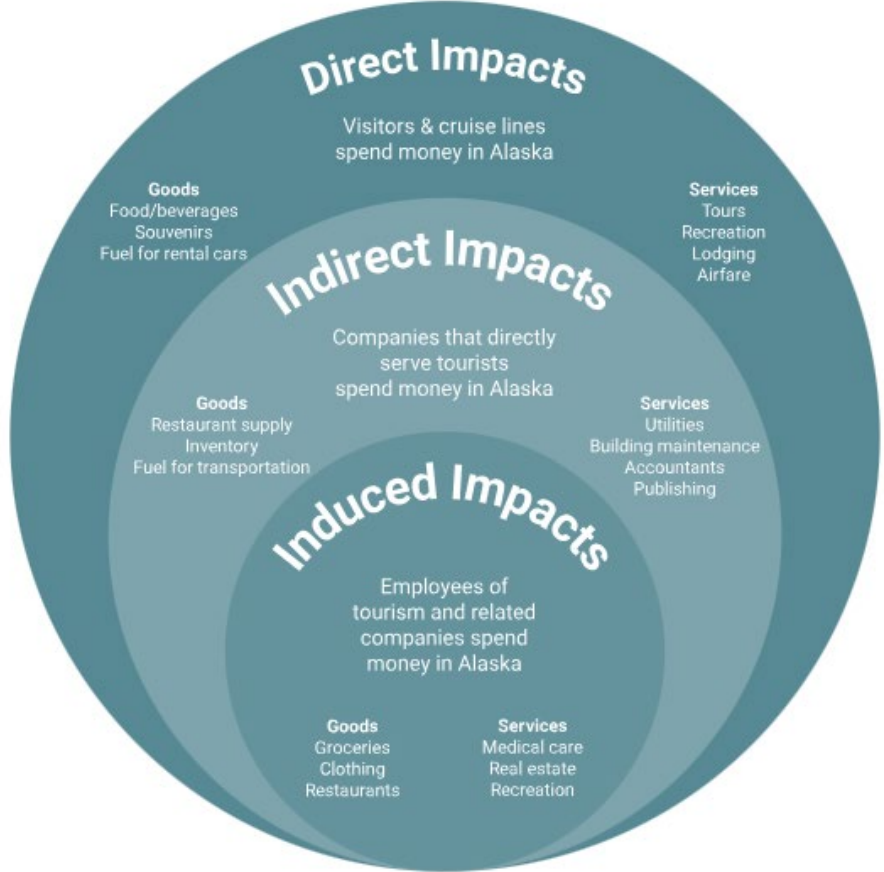
- 7% of visitors surveyed for the 2022-2023 ATIA Alaska Visitor Profile visited Southwest Alaska, with ~1% visiting Nome
- Passenger fees increased revenue by \$9,366 in 2023
- Cruise ship traffic at the Port of Nome is predominantly expedition cruise size, with 150-300 passengers and associated crew members
- The Western, a 2,500 passenger, 1000 crewmember cruise ship is expected during the 2024 season (Western Passengers must lighter ashore)

Cruise Ship Traffic (2023)*	Capacity
Scenic Eclipse (cancelled)	228
Roald Amundson	530
Scenic Eclipse*	228
NG Resolution	183
Roald Amundson	530
Hanseatic Nature	230
Nansen	530
Silver Wind*	274
Seaborne Venture*	528
L'Austral	264
Sylvia Earle	132
Le Boreal	264
Le Commandant Charcot*	245
2023 Total	4,166

*Ship anchored, passengers to lighter ashore

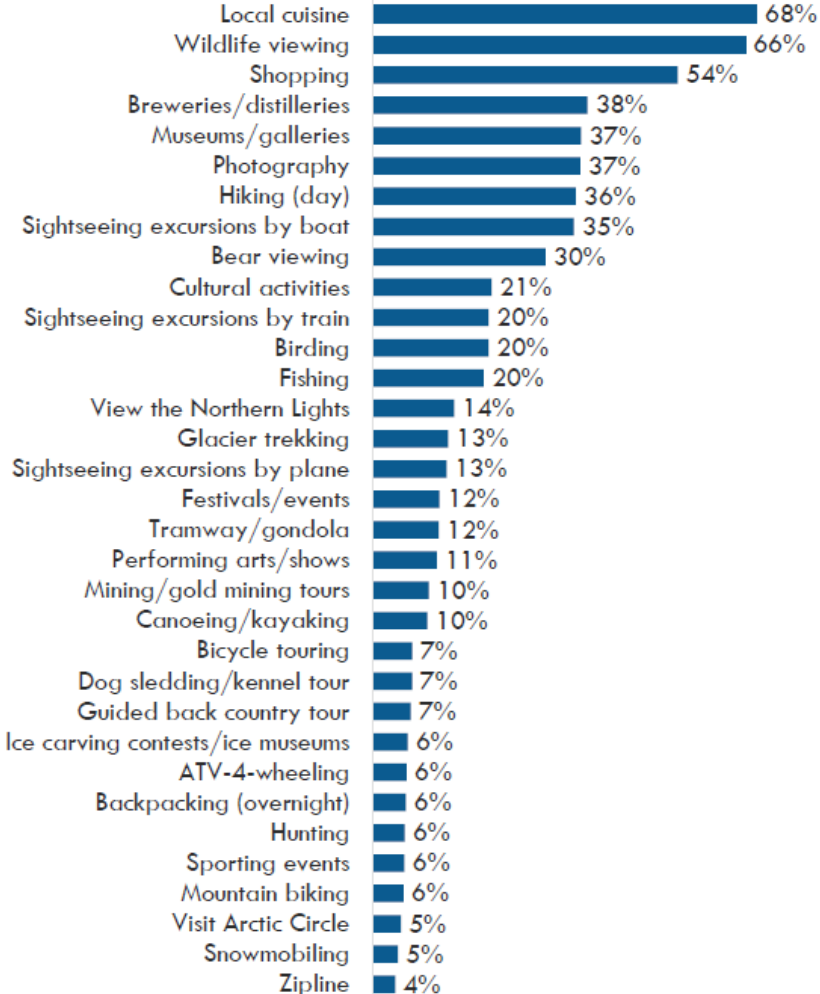
Appendix: Recreation & Tourism

Visitor Industry Impacts Overview



Source: <https://akcruise.org/economy/alaska-at-a-glance/>

In-Destination Activities



Appendix: Marine Service

Appendix: 2011 Nome Offshore Mining Lease Sale

