

AO 2002-1

CLERK'S OFFICE

APPROVED

Date: 1-29-02

Submitted by: Chairman of the Assembly
at the request of the Mayor

Prepared by: Port Director

For reading: January 8, 2002

ANCHORAGE, ALASKA

AO NO. 2002-1

AN ORDINANCE AUTHORIZING THE THIRD RENEWAL OPTION OF THE PREFERENTIAL USAGE AGREEMENT WHICH PROVIDES FOR CSX LINES LLC'S PREFERENTIAL BERTHING PRIVILEGES AND USE OF 920 FEET OF THE PORT OF ANCHORAGE'S PIER, THE EXCLUSIVE USE OF PORT TRANSIT AREA "B" LOT, TOTALING APPROXIMATELY 278,784 SQUARE FEET, THE EXCLUSIVE USE OF TERMINAL #2 STEVEDORE BUILDING, TOTALING APPROXIMATELY 1,600 SQUARE FEET, AND THE EXCLUSIVE USE OF THE PORT TRANSIT WAREHOUSE CRANE MAINTENANCE SPACE, TOTALING APPROXIMATELY 1,524 SQUARE FEET.

WHEREAS, the Preferential Usage Agreement, dated December 1, 1985, between the Municipality of Anchorage and CSX Lines LLC (CSXL), previously Sea-Land Service, Inc., for CSXL's preferential berthing privileges and use of 920 feet of the Port of Anchorage's pier and the exclusive use of Port Transit Area "B" lot, provides for an initial five (5) year term ending on December 31, 1990 and provides for 5 five-year renewal options by CSXL; and,

WHEREAS, CSXL has elected to exercise their option to renew for the third five-year option period commencing on January 1, 2001; and,

WHEREAS, the Port of Anchorage and CSXL have negotiated new dockage and wharfage fees and other changes in terms to the Agreement to be in effect for the third five-year renewal period; and,

WHEREAS, AMC 11.50.030 states that the Anchorage Port Commission approves rates and charges applicable at the Port subject to approval of the Assembly and filing with the Federal Maritime Commission; and,

WHEREAS, the Anchorage Port Commission, at its meeting on November 14, 2001, approved the fees and changes in terms to the Agreement to be in effect for the third five-year renewal period; and,

WHEREAS, AMC 25.30.020 states that disposal of Municipal land shall be by ordinance only.

NOW, THEREFORE, the Municipal Assembly ordains that:

Section 1. The Municipality of Anchorage is authorized to extend the Preferential Usage Agreement which provides for preferential berthing privileges and use of 920 feet of the Port of Anchorage pier, the exclusive use of Port Transit Area "B" lot, totaling approximately 278,784 square feet, the exclusive use of the Terminal #2 Stevedore Building,

AM 8-2002

1 totaling approximately 1,600 square feet, and exclusive use of the Port Transit Warehouse
2 Crane Maintenance Space, totaling approximately 1,524 square feet, all located within the
3 Anchorage Recording District of the Third Judicial District, to CSX Lines LLC for the third five-
4 year renewal period beginning January 1, 2001, upon the terms and conditions summarized
5 in the Assembly Memorandum No. 8-2002 submitted to the Assembly in conjunction with this
6 ordinance and attached hereto.

7
8 Section 2. This ordinance shall take effect immediately upon passage and approval.
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10 PASSED AND APPROVED by the Anchorage Assembly this 29th day of January,
11 2002
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18 Chairman

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21 ATTEST:

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28 Municipal Clerk
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MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects - Utilities

AO Number: 2002-1 Title: Third Five Year Renewal Option of the Preferential Usage Agreement With CSX Lines LLC

Sponsor: William J. Sheffield

Preparing Agency: Port of Anchorage Others Affected: _____

CHANGES IN REVENUES AND EXPENSES (Thousands of Dollars)

Operating Revenues:	FY 01	FY 02	FY 03	FY 04	FY 05
Dockage & Wharfage	126	126	126	126	126
Terminal Lease/Rent and Storage	(31.5)	(63)	(63)	(63)	(63)
Dunnage Settlement	33.6	0	0	0	0
TOTAL OPERATING REVENUES	128.1	63	63	63	63

Operating Expenses					
TOTAL OPERATING EXPENSES					

Non Operating Revenues:					
TOTAL NON OPER. REVENUES					

Non Operating Expenses:					
TOTAL NON OPER. EXPENSES					

NET INCOME (REGULATED):					
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POSITIONS: FT/PT/and Temp.					

Impact on General Government (Yes or No) NO (If yes, attach S.E.E. for General Government agency impacted.)

Public Sector Economic Effects:

This negotiated rate adjustment will provide the Port of Anchorage with net additional revenue of \$63,000 per year, from increases annual Dockage and Wharfage revenue offset by decreases in Terminal Lease/Rent and Storage revenue, during the last four years of the Third Renewal Option period, from January 1, 2001 to December 31, 2005, of CSX Lines LLC's contractual Preferential Usage Agreement. For the first year (2001) of the renewal option period, the additional revenue amount will be \$128,500 due to the decreases in Terminal Lease/Rent and Storage revenue being effective July 1, 2001 and additional revenue of \$33,600 from the dunnage settlement which was invoiced in 2001.

Private Sector Economic Effects:

The net effect of this negotiated five year rate adjustment is an approximate 4% overall increase in CSXL's PUA expenses over the level of their year 2000 PUA expenses (for 4% calculation purposes only, the reimbursement is averaged over the 5 year PUA option period). Since the majority of CSXL's business is conducted under proprietary contracts, it is difficult to estimate the impact of this 5 year rate adjustment on CSXL's pricing of services to its customers. However, it has been estimated that CSXL's total expenses with the Port of Anchorage, including PUA charges and land leases, represent less than 3% of their overall expenses in the Tacoma to Anchorage trade. Therefore, the impact of the PUA 5 year rate adjustment is anticipated to have a minor impact on CSXL's pricing of services to its customers.

If further explanation is necessary, a separate page may be attached.

Prepared by: Harry P. Finch
Port Manager of Finance & Admin.
(Name, Title)

Validated: Cheryl Fraser
By OMB/Date 12/12/01

Telephone: 343-6200

Approved by: Ben Sheppard
Director, Preparing Agency

Date: 12-11-01

Concurred by: _____
Director, Impacted Agency

Date: _____

Approved by: _____

Date: _____



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 8-2002

Meeting Date: January 8, 2002

From: Mayor

Subject: CSX Lines LLC Preferential Usage Agreement, Third 5-Year Option
New Fee Schedule And Other Changes In Terms

The Municipality of Anchorage and CSX Lines LLC (CSXL), previously Sea-Land Service, Inc., entered into a Preferential Usage Agreement (PUA) on December 1, 1985. The PUA has an initial five (5) year term, ending December 31, 1990, with five (5) renewal option periods of five (5) years each. The agreement also provides for PUA fee adjustments at the beginning of each 5-year renewal option period.

CSXL, then in its second PUA 5-year renewal option period, formally notified the Port, on September 7, 2000, that CSXL wished to exercise its option to renew the PUA for the third option period, January 1, 2001 to December 31, 2005. Thereafter, the Port, acting for the Municipality, and CSXL entered negotiations on fee adjustments for CSXL's preferential berthing privileges and use of the Port's facilities. The net effect of the negotiations was an approximate 4% overall increase over year 2000 revenues for the following items: increases in dockage and wharfage fees; offset by the elimination of charges for the use of Transit Area A during PUA periods and eliminating rental of the Transit Building crane maintenance area; and, a \$33,598.80 reimbursement by CSXL to the Port to reconcile southbound dunnage over/under reporting (for 4% calculation purposes only, this reimbursement is averaged over the 5 year PUA option period).

The negotiations resulted in agreement on the following changes to CSXL's PUA for the third option period:

1. Dockage Fee: \$1,113.00 per 12 hour period, or portion thereof, regardless of any change in tariff dockage rates.
2. Wharfage Fee: \$25.99 per Revenue Load.
Wharfage fees were previously based on tonnage. Due to reconciliation problems, the Municipal Internal Auditor recommended considering another methodology for determining wharfage fees. The new unit of measurement developed by the parties is a revenue load. A revenue load is defined as: Any container passing over the Port of Anchorage's dock which either originates or terminates in the Alaska railbelt for which CSXL receives compensation. The revenue load rate was determined by dividing the 2001 Annual Wharfage Charge (2000 Annual Wharfage Charge adjusted by 7.76% plus \$17,136 for Terminal #2 Stevedore Building annual rental revenue) by the number of CSXL's revenue loads in the year 2000.
3. Annual Wharfage Charge Adjustment.
The Annual Wharfage Charge for the next year, paid in twelve (12) equal monthly payments, will be adjusted to the total of the number of CSXL's revenue loads for the previous year multiplied by revenue load rate of \$25.99. (Example: The 2002 Annual Wharfage Charge will be determined by multiplying the number of 2001 revenue loads by \$25.99.)

- 1 4. Terminal #2 Stevedore Building.
2 CSXL will be granted exclusive use of the Terminal #2 Stevedore Building in the PUA. The
3 present annual rental amount of \$17,136 will be added to the Adjusted 2000 Annual
4 Wharfage Charge to determine the total 2001 Annual Wharfage Charge.
5
- 6 5. Transit Building Crane Maintenance Space.
7
8 CSXL will be granted exclusive use of the Transit Building Crane Maintenance space in the
9 PUA. Effective July 1, 2001 there will be no charge for CSXL's occupancy of the space.
10 CSXL's use of the space will terminate, with no liability to the Port, in the event the Transit
11 Building is destroyed or demolished.
12
- 13 6. Crane Turnout Trestle.
14 If the Port is not utilizing or renting/leasing the Crane Turnout Trestle, the trestle shall be
15 available to CSXL to provide parking for its employees during PUA periods.
16
- 17 7. Crane Tie-downs.
18 Effective July 1, 2001 the Port will be responsible for maintenance of the crane tie-downs.
19
- 20 8. Maintenance responsibility for the crane busbar and appurtenances.
21 The Port will regularly inspect and maintain in good operating condition the cable connection
22 between the switch cabinet and the busbar. CSXL will regularly inspect and maintain in good
23 operating condition the switch cabinet, the switches therein, the busbar, and the busbar
24 support structures.
25
- 26 9. Transit Area A.
27 If the Port is not utilizing or renting/leasing Transit Area A, Transit Area A shall be available to
28 CSXL for staging containers during PUA periods. Effective July 1, 2001 there will be no
29 charge for CSXL's utilization of Transit Area A during PUA periods.
30
- 31 10. Reconciliation of Southbound Dunnage Over/Under Reporting.
32 Pursuant to an audit by the Municipal Internal Auditor, it was determined that CSXL had been
33 underreporting Southbound dunnage for wharfage purposes. This item was independent of,
34 but closely related to, PUA negotiations. Representatives of the Port and CSXL reviewed the
35 audit findings and agreed on a settlement amount to the Port from CSXL of \$33,598.80.
36 CSXL is in the process of remitting the settlement amount to the Port.
37
- 38 11. Except as specifically noted above, all terms and conditions of the Preferential Use
39 Agreement between the parties, dated December 1, 1985 and as previously amended, shall
40 remain in full force and effect for the period January 1, 2001 through December 31, 2005.
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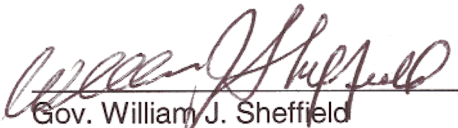
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45 Preferential usage agreements are subject to approval by the Anchorage Port Commission and
46 the Municipal Assembly. These agreements are then also filed with the Federal Maritime
47 Commission. The Anchorage Port Commission, at its meeting of November 14, 2001, approved
48 the new fees and changes in terms to CSX Lines LLC's Preferential Usage Agreement to be in
49 effect for the third 5-year option period.
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The Administration requests authority to execute this preferential usage agreement renewal containing the above terms and conditions pursuant to Assembly Ordinance No. 2002-1.


Concur:

Prepared by:


Harry J. Kieling, Jr.
Municipal Manager


Gov. William J. Sheffield
Port Director

Respectfully submitted


George P. Wuerch
Mayor



PORT COMMISSION MEMORANDUM

NO : 01-03

DATE:
FROM:
SUBJECT:

November 14, 2001

Port Director

CSX Lines LLC Preferential Usage Agreement - Five Year Renewal
Option and Rate Adjustment

The Port of Anchorage (Port) and Sea-Land Service, Inc., now CSX Lines LLC (CSXL), entered into a Preferential Usage Agreement (PUA) on December 1, 1985. The PUA has an initial five (5) year term, ending December 31, 1990, with five (5) renewal option periods of five (5) years each. The agreement also provides for PUA fee adjustments at the beginning of each five (5) year option period.

CSXL, then in its second PUA option period, formally notified the Port on September 7, 2000 that CSXL wished to exercise its option to renew the PUA for the third option period, January 1, 2001 to December 31, 2005. Thereafter, the Port and CSXL entered negotiations on fee adjustments for their usage of the Port's facilities. The net effect of the negotiations was an approximate 4% overall increase over year 2000 revenues for the following items: increases in dockage and wharfage fees; offset by the elimination of charges for the use of Transit Area "A" during PUA periods and eliminating rental of the Transit Building crane maintenance area; and, a \$33,598.80 reimbursement by CSXL to the Port to reconcile southbound dunnage over/under reporting (for 4% calculation purposes only, this reimbursement is averaged over the 5 year PUA option period).

The negotiations resulted in agreement on the following changes to CSXL's PUA for the third option period:

INVOICE PROCEDURES:

PUA Wharfage (wharfage plus Terminal #2 Stevedore Building rental) payments will be spread equally over twelve months. PUA Wharfage payments shall now be due on the first of each month. PUA Dockage will continue to be invoiced at the end of each month. The monthly invoice amounts will be retroactive to January 1, 2001, unless noted below.

REPORTING

CSXL will routinely furnish the Port with reports adequate to determine tonnage, revenue loads (loads) and total boxes (containers) passing over the Port of Anchorage dock.

PUA SPECIFIC

1. Dockage Fee: \$1,113.00 per 12 hour period, or portion thereof, regardless of any change in tariff dockage rates.
2. Wharfage Fee: \$25.99 per Revenue Load.
Wharfage fees were previously based on tonnage. Due to reconciliation problems, the Municipal Internal Auditor recommended considering another methodology for determining wharfage fees. The new unit of measurement developed by the parties is a "revenue load". A revenue load is defined as: Any container passing over the Port of Anchorage's dock which either originates or terminates in the Alaska railbelt for which CSXL receives compensation, including ALPAR loads. The revenue load rate was determined by dividing the 2001 Annual Wharfage Charge (2000 Annual Wharfage Charge adjusted by 7.76% plus \$17,136 for Terminal #2 Stevedore Building annual rental revenue) by the number of CSXL's revenue loads in the year 2000.
3. Annual Wharfage Charge Adjustment.
The Annual Wharfage Charge for the next year will be adjusted to the total of the number of CSXL's revenue loads for the previous year multiplied by revenue load rate of \$25.99. (Example: The 2002 Annual Wharfage Charge will be determined by multiplying the number of 2001 revenue loads by \$25.99.)
4. Terminal #2 Stevedore Building.
CSXL will be granted exclusive use of the Terminal #2 Stevedore Building in the PUA. With the exception of the "month-to-month" provision, terms and conditions will remain the same as those in current Revocable Use Permit. The annual rent amount of \$17,136 will be added to the Adjusted 2000 Annual Wharfage Charge to determine the total 2001 Annual Wharfage Charge.
5. Transit Building Crane Maintenance Space.
CSXL will be granted exclusive use of the Transit Building Crane Maintenance space in the PUA. With the exception of the "month-to-month" and "rental rate" provisions, terms and conditions will remain the same as those in current Revocable Use Permit. Effective July 1, 2001 there will be no charge for CSXL's occupancy of the space. CSXL's use of the space will terminate, with no liability to the Port, in the event the Transit Building is destroyed or demolished.

CSX Lines LLC Preferential Usage Agreement - Five Year Renewal Option and Rate Adjustment

November 14, 2001

Page 3

6 Crane Turnout Trestle.

If the Port is not utilizing or renting/leasing the Crane Turnout Trestle, the trestle shall be available to CSXL to provide parking for its employees during PUA periods.

7 Crane Tie-downs.

Effective July 1, 2001 the Port will be responsible for maintenance of the crane tie-downs.

8 Maintenance responsibility for the crane busbar and appurtenances.

The Port will regularly inspect and maintain in good operating condition the cable connection between the switch cabinet and the busbar. CSXL will regularly inspect and maintain in good operating condition the switch cabinet, the switches therein, the busbar, and the busbar support structures.

9 Transit Area A.

If the Port is not utilizing or renting/leasing Transit Area A, Transit Area A shall be available to CSXL for staging containers during PUA periods. CSXL's use of Transit Area A shall not interfere with Port Maintenance activities. Effective July 1, 2001 there will be no charge for CSXL's utilization of Transit Area A during PUA periods. This item will be reviewed by the parties after the pending Port replat.

10. Reconciliation of Southbound Dunnage Over/Under Reporting.

Pursuant to an audit by the Municipal Internal Auditor, it was determined that CSXL had been underreporting Southbound dunnage for wharfage purposes. This item was independent of, but closely related to, PUA negotiations. Representatives of the Port and CSXL reviewed the audit findings and agreed on a settlement amount to the Port from CSXL of \$33,598.80. CSXL is in the process of remitting the settlement amount to the Port.

11 Except as specifically noted above, all terms and conditions of the Preferential Use Agreement between the parties, dated December 1, 1985 and as previously amended, shall remain in full force and effect for the period January 1, 2001 through December 31 2005.

The concurrence and approval by the Anchorage Port Commission to these negotiated changes to CSX Lines LLC's Preferential Usage Agreement are recommend.


Gov. William Sheffield
Port Director

Municipality of Anchorage
MUNICIPAL CLERK'S OFFICE
Agenda Document Control Sheet

Ad 2002 -

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

1	SUBJECT OF AGENDA DOCUMENT CSX Lines LLC Preferential Usage Agreement, Third 5-Year Option - New Fee Schedule and Other Changes in Terms	DATE PREPARED 	
2	DEPARTMENT NAME Port of Anchorage	Indicate Documents Attached <input checked="" type="checkbox"/> AO <input checked="" type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input checked="" type="checkbox"/> AIM DIRECTOR'S NAME <p style="text-align: center;">William J. Sheffield</p>	
3	THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY Harry P. Finch	HIS/HER PHONE NUMBER <p style="text-align: center;">343-6204</p>	
4	COORDINATED WITH AND REVIEWED BY	INITIALS	DATE
X	Mayor		
	Heritage Land Bank		
	Merrill Field Airport		
	Municipal Light & Power		
X	Port of Anchorage	<i>let</i>	<i>11/30/01</i>
	Solid Waste Services		
	Water & Wastewater Utility		
X	Municipal Manager	<i>m</i>	<i>(18)</i>
	Cultural & Recreational Services		
	Employee Relations		
	Finance, Chief Fiscal Officer		
	Fire		
	Health & Human Services		
X	Office of Management and Budget	<i>for</i> <i>CF</i>	<i>12/12/01</i>
	Management Information Services		
	Police		
	Planning, Development & Public Works		
	Development Services		
	Facility Management		
	Planning		
	Project Management & Engineering		
	Street Maintenance		
	Traffic		
	Public Transportation Department		
	Purchasing		
X	Municipal Attorney	<i>WJD</i>	<i>12/06/01</i>
	Municipal Clerk		
	Other		
5	Special Instructions/Comments		
6	ASSEMBLY HEARING DATE REQUESTED	PUBLIC HEARING DATE REQUESTED	
	JAN 8 2002	7	<i>1/29/02</i>

2001 DEC 20 AM 10:08
 M.D.A.
 CLERK'S OFFICE