



THE CITY OF KEY WEST

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EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
CC: Greg Veliz, Assistant City Manager
FROM: Doug Bradshaw, Port and Marine Services Director
DATE: August 21, 2018
SUBJECT: Cruise Ship Fee Adjustments.

ACTION STATEMENT

Approving the proposed fee adjustments for Cruise Ships.

PROJECT ISSUE

As part of its 2018-19 budget process, the City tasked its consultant Raftelis Financial Consultants, Inc. ("Raftelis") to evaluate current cruise ship fees including passenger disembarkation and docking. Raftelis determined that the fees were not adequately covering the direct and indirect cost of providing security, safety, and transportation for cruise passengers nor sufficient for maintaining the City of Key West cruise ship facilities and infrastructure. The City last adjusted its fees in 2004. Raftelis evaluated fees by comparing the City's fees with select ports of call in the Caribbean and also on a basis to more fully recover City expenses associated with cruise ships. Based on that analysis Raftelis recommended that only dockage fees be adjusted as follows:

- Dockage: Tonnage 0-30,000 increase from \$0.55 to \$2.43 per linear ft
30-40,000 increase from \$0.01 to \$0.0441 per ton
40-50,000 increase from \$0.009 to \$0.0397 per ton
50-60,000 increase from \$0.008 to \$0.0353 per ton
60-70,000 increase from \$0.007 to \$0.0309 per ton
>70,000 increase from \$0.0065 to \$0.0287 per ton

Increasing the fees as recommended above would generate approximately \$288,000 in additional revenue. Raftelis did not recommend raising the Passenger Disembarkation but did suggest that the if the City were to increase its disembarkment fee from \$10 per passenger to \$11 per passenger, it would remain competitive with most of the current fees charged by other Florida ports, but would continue to be considerably higher than the disembarkment fees charged by other ports in the Caribbean

The City meet with cruise line executives (Carnival and Royal Caribbean) and the president of

Florida Caribbean Cruise Association on July 17, 2018 to discuss the fee adjustments. As expected there was resistance to any increases but an understanding that since the City had held its rates constant since 2004, an adjustment was justified.

Based on the discussions with the cruise line executives, the recommendation by Raftelis, the understanding that Historic Tours of American would be increasing their transportation fee from \$3.66 to \$5.00 per passenger/crew, and taking into consideration that the cruise lines need time to adjust their fees, the City, beginning October 1, 2018 will implement the following initial fee adjustments:

- Passenger Disembarkation will increase from \$10.00 to \$10.50 per passenger
- Dockage: Tonnage 0-30,000 will increase from \$0.55 to \$3.00 per linear ft
 - 30-40,000 will increase from \$0.01 to \$0.0475 per ton
 - 40-50,000 will increase from \$0.009 to \$0.0425 per ton
 - 50-60,000 will increase from \$0.008 to \$0.0375 per ton
 - 60-70,000 will increase from \$0.007 to \$0.0325 per ton
 - >70,000 will increase from \$0.0065 to \$0.0300 per ton
- For ships docking at the Outer Mole, a \$1.34 per passenger/crew transportation surcharge will be imposed. The charge will be based on the manifest and apply to 80% of the passengers and 50% of the crew regardless if they disembark or not.

It is anticipated that the adjustments will increase revenue by \$828,480. Part of the discussion with the cruise line executives included developing a plan for future and more consistent fee adjustments. Staff will develop that plan and bring to City Commission for approval

OPTIONS

There are two options:

1. Approve the staff recommended fee adjustments.
2. Disapprove the staff recommended fee adjustments.

Staff has notified all cruise lines of the new fee schedule that will be implemented October 1. No feedback has been received. While staff does not anticipate losing any port calls because of the fee adjustments that is always a possibility as cruise lines evaluate port calls and financial implications of fee increases to their business.

FINANCIAL ISSUES

This initial adjustments will increase revenue by \$828,480 and has been factored into the 2018-2019 budget.

RECOMMENDATION

Staff recommends approving the proposed fee adjustments.