

**June 13, 2022**  
***Via e-mail to [Manager@skagway.org](mailto:Manager@skagway.org)***

Municipality of Skagway  
700 Spring Street  
P.O. Box 415  
Skagway, AK 99840

Re: Skagway Dahl Memorial Clinic Appraisal

Dear Mayor Cremata and Members of the Assembly:

I write on behalf of Southeast Alaska Regional Health Consortium (“SEARHC”) in regard to the April 26, 2022 appraisal of the Dahl Memorial Clinic (the “Clinic”) completed by Reliant, LLC. Skagway Borough Manager Brad Ryan shared a copy of the appraisal with SEARHC on May 24. Upon receipt, we completed a detailed review of the appraisal and wish to respond with our thoughts so that our position on the appraisal’s findings is known prior to the upcoming July 12 vote on the sale of the Clinic to SEARHC.

As you are aware, SEARHC has been consistently engaged and interested in discussions regarding the purchase of the Clinic with Municipality leadership over the past year since we were first invited by Mr. Ryan to present to the Borough Assembly on June 21, 2021. We firmly believe that SEARHC has the capability to not only stabilize the operations of the Clinic but to expand the healthcare services currently available to the residents of Skagway in a meaningful way.

That said, to do so, the transaction must be structured such that SEARHC may reasonably achieve a sufficient source of funding necessary to stabilize Clinic operations, continue to provide high quality healthcare and best position the Clinic to expand services to the community. With the appraisal as a starting point, and adjusting for outside grants, we have our basis for value. To move forward with the purchase of the Clinic, SEARHC will need the following considerations to be approved by the Assembly to ensure our ability to fund and stabilize staffing and operations:

<b>Reliant, LLC Appraisal Amount</b>	<b>\$9,500,000</b>	
Deduction for Grant Obligations	(\$3,430,667)	Provided by Deputy Borough Manager
<b>Adjusted Appraisal Amount</b>	<b>\$6,069,333</b>	<b>Purchase Price</b>
Municipality Transitional Support	(\$3,000,000)	SEARHC Proposal

**Net After Transition Support Payment      \$3,069,333**

SEARHC leadership and the Borough Manager have discussed the proposed deduction for grant obligations. Our collective understanding is that these grants can be transferred to SEARHC upon closing of the transaction provided SEARHC continues to provide medical services at the Clinic. We also understand that this is the direction that the Municipality leadership would like to pursue with SEARHC to ensure that we continue to provide ongoing medical services to the residents of Skagway.

The proposed \$3 million in transitional support will be necessary to ensure our ability to transition and stabilize healthcare delivery at the Clinic should the July 12 vote authorize the transaction to move forward. This transitional support amount will help fund the needed changes, to a point where the clinic can operate on its own. Having this initial transitional support, either as a lump sum or split over three years, will provide SEARHC the time needed to stabilize the Clinic from its current state and ensure its future success. After this initial transitional support, no further funding from the Municipality would be requested by SEARHC regardless of the financial performance of the Clinic. We understand the commitment is significant, but it assures the Municipality the ongoing annual support currently needed will then be eliminated.

We understand there is a Borough Assembly meeting scheduled for this Wednesday, June 16. We ask that this letter be included in the packet for discussion at that meeting. Thank you.

Sincerely,



Charles Clement  
SEARHC President and CEO