Municipality of Skagway: Strategic Planning & Execution of Cruise-Related Facilities

Waterfront Strategic Vision Draft Plan

February 22, 2020
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1. EXECUTIVE SUMMARY

Recommendation

As outlined in the study, the Municipality of Skagway has the opportunity to design an operating model based upon the needs of the community. Thus, it would be in the best interest of the community to control the waterfront asset moving forward to a greater degree and reap the financial rewards and risk to the major waterfront asset. The Municipality of Skagway should Own and Operate its Waterfront into the long-term.

This provides control of the waterfront vision long-term for community access and use; and, provides control of primary business development - cruise, cargo, commercial. This pathway offers the MOS the ability to craft the operating structure to meet the needs of the community and set the precedent for the management of the waterfront. By example, this pathway would also allow for potential partnerships to be formed if they are in the best interest of the MOS community. They may include the New Cruise Pier either via direct investment or preferential berthing agreement for guarantees of traffic throughput or a PPP for a new cargo Ro Ro berth and upland cargo facility; as well as potential mining and commercial ventures. This venture will support investment through cruise passenger throughput (proven track record), thus limiting the overall risk moving forward.

Overview

In March 1968 the City of Skagway leased a ~66.5-acre portion of the Skagway tidelands to the Pacific and Arctic Railway and Navigation Company (White Pass and Yukon Route Railroad (WPYR) until March 2023 - a 55-year lease term. In July 2018 the railroad was sold to Ketchikan-based Survey Point Holdings, its affiliates Rail Management Services, shareholders of the transportation company Camix and Holland America Group (HAG) as part of the Carnival Corporation.

In anticipation of the lease expiration in 2023 a number of issues must be addressed including future ownership / operations of the MOS waterfront; upgrades and restoration to the docks and adjacent uplands to support not only the increasing cruise tourism passengers and increasing vessel sizes, but to meet the needs of the cargo, mining and commercial ventures that provide for the community of Skagway and Yukon year-round; access to the water’s edge for citizens and visitors alike in order to link the downtown core with the port area for improved and safer vehicular and pedestrian traffic flows; infrastructure - inclusive of roads, sidewalks, sewer & water, energy, etc. that support the community and are impacted by the large influx of cruise visitors in the peak summer months; critical environmental remediation of the ore dock area including underlying soil to prevent further damages prior to the expiration of the current lease; expansion of the small boat harbour to accommodate increased demand for slips; collapsing AMHS ferry service to Skagway; and, providing for a primary cargo/fuel berth into the future to accommodate the needs of the community and Yukon territories mining potential.
Key Port of Skagway goals and objectives are outlined as follows:

- Environmental remediation of the Ore Basin;
- Enhancing and improving docks and upland tourism and commercial infrastructure, to accommodate larger cruise vessels in the immediate future (as early as 2022) and allow for a prioritized Ro/Ro cargo, ore and fuel berth / consolidated upland area to meet the needs of the community;
- Retain and improve waterfront areas for industrial purposes;
- Provide for pedestrian corridors linking the waterfront to the downtown core for guests, residents, and users to enjoy the waterfront;
- Improve traffic corridors linking the main thoroughfares to the Ore, Broadway, and Railroad Docks, as well as the upland cargo and commercial areas;
- Develop new, comprehensive signage and wayfinding program to better communicate pathways and improve the overall visitor experience;
- Integrate greenways, open spaces and parks along the waterfront;
- Develop an Ownership / Operator structure for the Port of Skagway that is efficient and well-functioning, increases revenue opportunities and provides for control of the waterfront to the MOS community; and,
- Define a long-term Waterfront Vision Plan for the Port that can be supported by the residents of Skagway and maintain opportunities for diversified economic activity that are conducted in an environmentally sound manner by and for the needs of the users and stakeholders.

Waterfront Vision Plan
The Municipality of Skagway's Long-term Waterfront Vision Plan provides for the needs of the community into the future from a physical and financial perspective. As a marquee Alaska cruise destination, Skagway will need to provide for an additional two large berths to allow for cruise traffic increases over the next 20-years. Based on berth demand estimates there is a need to provide a total of 5 berths from 2022 to allow for the mid-point cruise projection model, of which at least four should accommodate large cruise vessels of some 1,200-ft. In addition, it has been recognized that the Ore Dock should provide for the primary cargo/fuel/mining berth into the future and not allow for the regular displacement of these vessels due to the need of the berth for cruise ships.

A long-term waterfront vision plan for the Port of Skagway must serve the needs of the residents of Skagway and the inland Yukon into the future. The Port serves not only as a critical access way by providing flexibility for growth of a diverse set of waterfront businesses including cargo, mining, fuel, commercial, small boat harbor, ferry and cruise; but also can create revenues via direct tariffs, lease agreements and indirect taxes to allow the Municipality of Skagway to address and support resident needs and infrastructure required to support cruise tourism and the industrial activities of the Port. Through the small boat harbor expansion, and further development of park open spaces and greenways the vision plan can also provide for recreational access to the water’s edge and connectivity to the downtown core for residents, cruise and ferry visitors.

The Vision plan for the Skagway waterfront and management/operations combined, should illustrate a path forward that facilitates sustainable and responsible growth. It should be reflective of the unique nature of the Port and its attributes including the provision for cruise tourism; mining; fuel supplies; cargo; recreational; and, commercial elements. The historical character of the port, community and surrounds must be preserved, while also recognizing the necessity for enhancing critical dock, uplands and roadway access infrastructure to support future needs.

Capital Plan

Skagway represents one of three marquee Alaska ports that serve to draw cruise passengers to the region throughout the summer months. Figure 10 shows Skagway’s historical passenger and projected growth from 2010 through the 2039. A conservative capture rate of 76.2%, which is the 10-year trend for Skagway was used to show the projection range growing to between 1.634 and 2.044-million in 2039. Based upon the market assessment there is demand for 5 berths in 2022 under the mid scenario above. The Ore Dock would be used as an optional 6th cruise berth to allow for priority berthing to go to cargo/fuel operations on key days. Additional waterfront commodities include Mining Products; Fuel; General cargo; and, Ferry traffic. These commodities move through the Ore Dock with the primary operators being Petro Marine and Alaska Marine Lines.

1 See Cruise Market Assessment Appendix A.
As part of the evaluation exercise to determine the potential ownership / operating / non-operating model and provide the MOS with a recommendation on moving forward the CIP elements were broken down into two specific options: Option A – No new Pier and Option B – New Pier.

Under Option A – No new Pier, the CIP items included in the overall build out totalling some $28.5-million in overall investment ($30.5 with inflation) over the period.

Under Option B that develops a New Pier for use in 2022 there is some $96.0-million in capital expenditures in the five year period from 2021 to 2026 ($100.8-million with inflation).

A major element in understanding the potential revenue flow for MOS under either scenario outlined above is the distribution of cruise traffic. Option A most likely traffic split from 2022 – 2039 based upon the above modelling with the majority of cruise passenger traffic flowing through the Railroad Docks and capping at some 1.2-million per annum in 2039, while the Broadway / Ore Dock berths would see a substantially smaller share at 581,473-passengers in 2039. Option B passenger traffic split from 2022 – 2039 with a New Pier (2 new berths) dedicated to the MOS would be Railroad Docks at 40% (763,000 in 2039) and the remaining 4 berths at 60% per annum (1.0-million in 2039).

Two Models were tested: MODEL 1 - MOS OWNS AND OPERATES; and, MODEL 2 - MOS OWNS AND MANAGES THE PORT OPERATOR with an Option of No New Pier OR a New Pier.

Model 1A – No New Pier
- MOS is the Owner/ Facility Manager
  - Leads marketing (with city tourism) and scheduling (with CLAA / Cruise Lines)
  - Security & stevedoring contract (either 3rd party or cruise line direct choice)
- CAPEX – $28.5 M
  - Includes small Boat Harbor expansion, Port Offices, OASIS Items, Ore Terminal & loader Demo., Cargo Move (No RORO), Berth rehabs and Commercial Village.
- Gross revenues to the MOS move from ~$541,660 in 2019 to ~$4.7-million in 2023 and ~$9.7-million in 2039.
- Expenses begin at ~$430,000 in 2021 as staffing is assembled and growsto ~$4.5-million in 2039. The largest share of annual expenses are salaries and maintenance.
- Model 1A provides positive net income for the MOS in 2028 (without CPV) at ~$74,000 and by 2039 produces ~$3.25-million. With CPV this moves to ~$12.3-million in 2039.

Model 1B – New Pier 2022
- MOS is the Owner and Facility Manager
  - Leads marketing (with city tourism) and scheduling (with CLAA / Cruise Lines)
  - Shares maintenance (contract out major items)
  - Janitorial (with city services/ 3rd party)
  - Security & stevedoring (either 3rd party contract or cruise line choice)
Begin assembling staff in 2021 with GM & Staff (pier ops in 2022 / overall startup spring 2023)

- CAPEX – $96.0 M
  - Includes Broadway Ferry Cruise Pier (2 ship berths), Small Boat Harbor expansion, Port Offices, OASIS Items, Ore Terminal / loader Demo., Cargo Move (with RORO), Berth rehabs, Commercial Village, Ferry move & new terminal.
  - Potential PPP with cargo for Ro Ro berth and uplands.

- Gross revenues to the MOS move from ~$541,660 in 2019 to ~$10.4-million in 2023 and ~$21.2-million in 2039.
- Expenses begin at ~$700,000 in 2021 as staffing is assembled and grow to ~$4.5-million in 2039.
- Model 1B provides positive net income for the MOS in 2023 (without CPV) at ~$960,000 and by 2039 produces ~$10.2-million. With CPV this moves to ~$19.2-million in 2039.

**Model 2A or 2B**

Under Model 2A and 2B the MOS continues to own the waterfront, but manages a separate Port Operator under a lease agreement. As there are numerous paths forward under this alignment, translating this into a financial model for comparison purposes is a difficult task that does not produce a result that could be effective in this exercise. For discussion purposes we assume the following related to the Model:

The ramifications to the MOS under the lease model are clearly known as this has been in practice for the past 50 plus years. There has been less control and reward over the period. This could be adjusted to some degree in moving forward with a new lease model, but the MOS would likely be giving up substantial revenues in return for a port operator’s investment in new development whether it be a New Pier to meet the demands of the cruise industry or the other CAPEX items outlined in the Vision Plan.

**Observations**

Model 1A – Owner / Operator (No New Pier)
- This model could produce additional revenues with new tariffs and lease schedules.
- There were no new tariffs introduced as part of this model as no berth infrastructure was developed.

Model 1B – Owner / Operator (New Pier)
- Produces the highest revenues for the MOS.
- There is a higher level of risk as the MOS is taking on all operations and financing of major projects.
- However, financing risks can be mitigated through -
  - Non-recourse revenue bonds / Traffic or revenue guarantee agreements.
  - MOS has the most control over the waterfront in this model.
  - This option could support ~$100- million in major port development projects.

Model 2a or 2b – MOS Owns and Manages the Port Operator (Lease model)
- Has numerous paths forward for a final financial model.
- Least financial risk to MOS, but loss of upside potential.
Less control of the waterfront business elements/ community drivers (parks, pathways, etc.).

**Action Plan**

There are two critical dates that must be considered in the action plan:

- **March 2023** Waterfront lease Expiration for which a number of key items must be addressed and prepared to coordinate a smooth transition. The MOS been in discussions internally and have experienced some pre-transition issues with respect to the Ore Dock Environmental cleanup, infrastructure claims, etc.

- **April/May 2022** for the opening of a new potential Broadway Pier for 2 large cruise vessels. This drives a number of other timelines and decisions related to the ferry dock, acquisition, movement (temp. / perm.) Financing, design/engineering, scheduling, etc. This element could be opened later (2023) but there are substantial advantages for the MOS to move this effort forward and be prepared for a 2022 opening allowing for additional flexibility on the waterfront and gaining direct cruise revenues prior to the lease expiration in 2023.

Below are a list of some of the major plan items to be addressed as part of the MOS plan recommendation to move forward with MOS Ownership / Operation of the Waterfront.

- **Assembly passes resolution on the Management / Operations of the Waterfront**
- **Communicate the direction:**
  - To the community and waterfront / port users stakeholders via outreach – simple and clear messaging to prepare for next steps
  - Cruise line, cargo lines, ferry,
    - Organize Cruise line meetings during SeaTrade (April 2020)
- **Definition and resolution of major items related to the Lease Expiration**
  - Ore Dock Remediation
  - Infrastructure exchange
  - Existing Lease transitions, renewals
  - Cargo Dock transition process / timing – Ro Ro Ramp, PPP Option, etc.
- **Waterfront Plan Finalization**
  - Timeline for implementation of plan elements
  - CAPEX for plan elements - funding
    - Major decisions on rail access
    - Ore Dock terminal demo / cargo movement
    - Temsco relocation
    - Small Boat Harbor expansion
    - OASIS trail system final options
- **Management & Operations Plan** – Prepare the management plan for the waterfront including:
- Identify reporting system to MOS
- Identify full chain of command / decision-making roles
- Identify key Management positions – job descriptions, salary, dates of hire.
- GM/Port Director hire to assist with the assembly of organization and hiring.
- Budget Preparation - identification of revenue / expense items.
- Business and finance plan
- **Cruise Operating Plan (specifics)**
  - Complete the Port Manual with tariffs and rules
    - Tariff development
    - Define tariffs
    - Communicate to users
      - Cruise – provide Minimum 12 to 18 month window for changes
  - Establish berth scheduling methodology
  - ISPS development & approvals by USCG
  - Establish process for 3rd Party service providers – security, stevedoring, etc.
  - Marketing Plan – interaction with White Pass, Skagway Tourism, CLIA, ATIA, etc.
- **With New Pier (12 – 18 month design / build)**
  - Acquisition, finalization of ferry terminal, dock
    - Relocation plan – temporary / permanent
  - Master plan and budget
  - Business plan
  - Technical studies – EIA, navigation, geotechnical
  - Pier design / upland design work – reception facility, GTA, ingress / egress
  - Permitting
  - Construction / Oversight
2. **Overview**

Along with the other key marquee ports in Alaska (Juneau and Ketchikan), the destination of Skagway has seen remarkable success with its increasing cruise tourism business over the past 30 years. This booming business combined with its deep water that allows for providing goods & services to the community of Skagway and into the Yukon (mining, fuel, commercial goods) makes the Port/Waterfront of Skagway a strategic key asset moving forward.

Located in the upper Lynn Canal and considered the northermmost point in Southeast Alaska, the Municipality of Skagway is 80 air miles from the City and Borough of Juneau, Alaska, and 110 miles by road from Whitehorse, Yukon Territory, Canada. The Port of Skagway is the northernmost ice free, deep-water port in North America and serves as a year-round transportation hub between Alaska, the Yukon Territory, Northern British Columbia, the Northwest Territories and Europe.

The Port of Skagway is the community’s primary economic development resource and includes three deep-water docks (two within the MOS tidelands lease boundary), a barge cargo facility and storage yard, the State of Alaska’s ferry terminal and dock, and a small boat harbour, as well as small commercial ventures. Cruise ships arriving in the summer months (primarily May - September), ore and fuel barges are served on the main docks of Skagway. The current ferry dock accommodates ferries managed by the Alaska Marine Highway System, small cruise ships and commercial vessels. The small boat harbor provides for recreation and commercial vessels for citizens from Skagway and into the Yukon.

In March 1968 the City of Skagway leased a ~66.5-acre portion of the Skagway tidelands to the Pacific and Arctic Railway and Navigation Company (White Pass and Yukon Route Railroad (WPYR) until March 2023 – a 55-year lease term. In July 2018 the railroad was sold to Ketchikan-based Survey Point Holdings, its affiliates Rail Management Services, shareholders of the transportation company Camix and Holland America Group (HAG) as part of the Carnival Corporation.

In anticipation of the lease expiration in 2023 a number of issues must be addressed including future ownership / operations of the MOS waterfront; upgrades and restoration to the docks and adjacent uplands to support not only the increasing cruise tourism passengers and increasing vessel sizes, but to meet the needs of the cargo, mining and commercial ventures that provide for the community of Skagway and Yukon year-round; access to the water’s edge for citizens and visitors alike in order to link the downtown core with the port area for improved and safer vehicular and pedestrian traffic flows; infrastructure - inclusive of roads, sidewalks, sewer & water, energy, etc. that support the community and are impacted by the large influx of cruise visitors in the peak summer months; critical environmental remediation of the ore dock area including underlying soils to prevent further damages prior to the expiration of the current lease; expansion of the small boat harbour to accommodate increased demand for slips; collapsing AMHS ferry service to Skagway; and, providing for a primary
cargo/fuel berth into the future to accommodate the needs of the community and Yukon territories mining potential.

For some time the MOS has recognized the need to push forward with an understanding as to how best to deal with its waterfront given the circumstances presented by the current ownership/lease model; coming expiration of the lease; and the underlying leases and port infrastructure issues presented. This study is a result of the need of the MOS to evaluate its options and garner guidance as to the approach moving forward that is in the best interest of the community residents, MOS, waterfront users and stakeholders. The study is intended to evaluate the current ownership/operating options and provide a recommendation for moving forward. The following steps were undertaken as part of the process:

- Identifying the potential future cruise, freight, fuel and mining markets
- Evaluate the existing marine facilities
- Develop a waterfront vision plan based upon the market assessments, stakeholder and community input
- Define the cost to implement the vision plan
- Provide for a viable business structure (ownership/operations relationship) to meet the needs of the MOS into the long-term
- Outline an implementation strategy (Action Plan) to fulfil the recommendations

Along with the Bermello Ajamil & Partners, Inc. (B&A) Team, we also brought the Juneau-based McDowell Group to support us on this project due to their extensive experience in Alaska port and marine freight-related research, as well as 40-plus years of tourism and mining industry research and consulting. B&A has worked with the McDowell Group in the past and conducted the freight, fuel and mining market assessments for the study. The work done by the McDowell Group is included as an Appendix to the report.

As part of the process, B&A met with and collected input from a series of users and port stakeholders, community groups, and direct community input by more than 175 residents and non-residents. Feedback from the community is provided as an Appendix to the report.

This effort as well as other recent waterfront planning efforts by the Municipality garnered considerable public input outlining many priorities for the future development of the Waterfront/Port of Skagway. Thus, several Port of Skagway goals and objectives are outlined as follows:

- Environmental remediation of the Ore Basin;
- Enhancing and improving docks and upland tourism and commercial infrastructure, to accommodate larger cruise vessels in the immediate future (as early as 2022) and allow for a prioritized Ro/Ro cargo, ore and fuel berth / consolidated upland area to meet the needs of the community;
- Retain and improve waterfront areas for industrial purposes including the separation of tourism from these activities;
• Pedestrian corridors linking the waterfront to the downtown core and maintaining a safe, welcoming pathway for guests, residents, and users to enjoy the waterfront and access the downtown area and surrounds;

• Improved traffic corridors linking the main thoroughfares to the Ore, Broadway, and Railroad Docks, as well as the upland cargo and commercial areas;

• Development of a new, comprehensive signage and wayfinding program to better communicate pathways and improve the overall visitor experience;

• Integration of greenways, open spaces and parks along the water’s edge to enhance resident and visitor experiences;

• Developing an Ownership / Operator structure for the Port of Skagway that is efficient and well-functioning, increases revenue opportunities and provides for control of the waterfront to the MOS community at the end of the current lease in 2023; and,

• Defining a long-term Waterfront Vision Plan for the Port that can be supported by the residents of Skagway and maintains opportunities for diversified economic activity that are conducted in an environmentally sound manner by and for the needs of the users and stakeholders.
3. **Future Waterfront Vision Plan**

**Skagway Waterfront Vision Plan**

A long-term waterfront vision plan for the Port of Skagway must serve the needs of the residents of Skagway and the inland Yukon into the future. The Port serves not only as a critical access way by providing flexibility for growth of a diverse set of waterfront businesses including cargo, mining, fuel, commercial, small boat harbor, ferry and cruise; but also can create revenues via direct tariffs, lease agreements and indirect taxes to allow the Municipality of Skagway to address and support resident needs and infrastructure required to support cruise tourism and the industrial activities of the Port. Through the small boat harbor expansion, and further development of park open spaces and greenways the vision plan can also provide for recreational access to the water’s edge and connectivity to the downtown core for residents, cruise and ferry visitors.

Based upon the cruise market assessment, berth demand analysis and design vessel conditions for Alaska, specifically Skagway there is a clear need to address required cruise berths in the short to long-term, while also providing a primary Industrial cargo berth and uplands to support MOS and inland Yukon business activities on a year round basis. Thus, the Vision plan for the Skagway waterfront and management / operations combined, should illustrate a path forward that facilitates sustainable and responsible growth.

**Great Waterfronts**
In assembling a great waterfront there must be an awareness of the specific place. Each waterfront and destination is unique based upon geography, history, and related port activities. There are a number of guiding principles that can assist in defining and developing a vision for a great waterfront space including the following elements:

- **Look first at the public spaces**: Provide for a network of well-connected multi-use public spaces. Address how any new construction will enhance existing destinations. Meeting public goals are the primary objective that should be defined through community engagement. Any type of redevelopment plan should adhere to the notion that the waterfront is inherently a public asset. In the context of Skagway this holds absolute.

- **Build on existing assets and context**: There is a locally grounded identity in Skagway that should be reflected in the development and operations of the waterfront. The existing industrial uses should be preserved when they are compatible with surrounding land uses and upland needs to support economic development.

- **Shared community vision**: Looking out over the long-term the vision should provide initiatives to achieve new possibilities and enhancements to serve the community. Small steps can become powerful public changes by the mere enhancement of linkage and access to the waterfront via trail systems and scenic overviews.

- **Create multiple-use destinations**: Within and adjacent to the waterfront that exist separately, but provide for a series of opportunities to explore for the residents and visitors. Each destination is interactive such as the small boat harbor and surrounding retail outlets and trails; or the ferry facility and adjacent waterfront structures providing new commercial activity options and encouraging longer use patterns whether they be extending the day or seasonality along the Skagway waterfront.

- **Connect destinations along the waterfront**: Make the beautiful Skagway waterfront walkable with a variety of activities that draw people to and from each for different reasons. While ensuring the commercial activities of the Port are meeting the needs of the users and stakeholders and providing for the required functions today and into the future, the focus of the vision should be to maximize opportunities for public access and allow for interaction with the water’s edge through a variety of means.

Finally, the development of the Vision Plan for the Skagway Waterfront should be reflective of the unique nature of the Port and its attributes including the provision for cruise tourism; mining; fuel supplies; cargo; recreational; and, commercial elements. The historical character of the port, community and surrounds must be preserved, while also recognizing the necessity for enhancing critical dock, uplands and roadway access infrastructure to support future needs.

Figure 1 provides an overview of the key ingress/egress points linking the waterfront with the downtown core and Yukon Highway. These are heavily used for vehicular traffic to support
cruise tourism the industrial capacity of the port. Broadway is the main thoroughfare and for moving in and out of the port for thousands of cruise tourists daily during the summer months. Main and State Streets provide for the most direct access ways to the Yukon Highway own business community from the primary industrial areas of the Port. In the mid- to long-term the continued enhancement of these roadways to provide for traffic to and from the port is crucial.

Figure 1: Vehicular Access

There are two distinct elements at the Port of Skagway. They include the working waterfront that consists of the cruise and cargo docks and their upland ground transportation areas, warehousing, boat storage and cargo laydown areas and the recreational waterfront that could provide for year round activities for the residents of Skagway through the continued development of pedestrian trails, scenic overlooks to Lynn Canal, mountains and wetlands.

Figure 2 illustrates the current OASIS committees suggested plan for shoreline trails and parks along and adjacent to the waterfront. Some trails already exist while others are proposed. As part of the future vision of the waterfront there should be safe wide pedestrian access ways connecting the cruise tourism berths with the downtown core designed to lead visitors to and from the downtown and provide an overall sense of the historical and natural atmosphere of Skagway. This will likely include widening of some sidewalks over time and the addition of appropriate signage for wayfinding, information and ambience of the community. Safe pedestrian and vehicular access across the heavily used railroad tracks along the port perimeter should be a priority. The White Pass Railroad, amongst other tourism activities are the cornerstone of the cruise tourism product of Skagway, thus access to the cruise ground transportation areas and the supporting ingress/egress should be provided for accordingly.
Figure 3 shows the existing and proposed green spaces that could be added to the waterfront to soften the edges and provide for relaxing areas for residents and visitors. Additional restrooms are also proposed to meet the demand of visitors into the future.
As outlined above, access ways for the White Pass Railroad, servicing the cruise tourism industry should be provided due to the unique experience and relationship that is a part of Skagway. Close coordination with the operations of rail will be essential to allow for safe flows and use of crossings for other key cruise tourism vehicular access to the GTAs and industrial access for cargo, fuel and other commercial entities.

Figure 4: Railway Access Alternatives

Long Term Waterfront Vision Plan

The Municipality of Skagway’s Long-term Waterfront Vision Plan provides for the needs of the community into the future from a physical and financial perspective. The key market assessments and user outreach efforts illustrated the need for an expanded small boat harbor; the addition of a New Cruise Pier to accommodate 2 large cruise vessels (Ferry Pier); the need for a primary industrial Ro/Ro and cargo/fuel/mining berth (Ore Dock) and uplands area (Ore Terminal) to serve the community and interior; and, the development of a new ferry berth and terminal (due to the age of the current facilities, AMHS operational issues, and displacement for a new cruise pier); enhanced pedestrian access and waterfront trails and overlooks; and, the potential for commercial areas adjacent to the port area and waterfront. The plan also moves the Temsco facility from its existing location to the airport following the lease expiration.

Figure 5 also identifies several commercial parcels that could be used for future development to further tie the waterfront to the downtown core. However, these areas should provide for the right type and sized venues to allow for the movement of cruise tourists to and from the entirety of the downtown core.
Figure 6 provides for an overview of the small boat harbor expansion that the MOS had already contemplated prior to this study allowing for an additional ~40 plus new slips as well as an enhanced upland support area for boat repair, storage, club, and other elements that complement the harbor and surroundings.

Figure 6: Small Boat Harbor Expansion
The marina support area and adjacent roadway and GTA should also be enhanced to provide for landscaping that is indicative of the Skagway area.

**Ferry Pier Alternative – 2 NEW cruise berths**

As a marquee Alaska cruise destination, Skagway will need to provide for an additional two large berths to allow for cruise traffic increases over the next 20-years. Based on berth demand estimates there is a need to provide a total of 5 berths from 2022 to allow for the mid-point cruise projection model\(^2\), of which at least four should accommodate large cruise vessels of some 1,200-ft. In addition, it has been recognized that the Ore Dock should provide for the primary cargo/fuel/mining berth into the future and not allow for the regular displacement of these vessels due to the need of the berth for cruise ships. Thus, the development of a floating pier for 2 large vessels where the ferry pier currently exists would provide for this requirement – meeting the needs for cruise and cargo. See Figure 7.

**Figure 7: Ferry Pier Alternative – New Cruise Berths**

Both the Ore and Broadway Docks will also likely require upgrades/renovations from 2023 to replace fenders, bollards, and support structures. The Ore Dock loader would be dismantled and the upland Ore Terminal demolished or used for other industrial purposes dependent upon a final inspection, environmental mitigation and identified industrial uses.

While Broadway Dock would remain for small to mid-size vessels the adjacent Ground Transportation Area (GTA) would undergo major enhancements to service the New Ferry Pier which could add some 9,000-plus passenger daily (2 vessels) moving into the center of the Skagway waterfront.

\(^2\) See Cruise Market Assessment Appendix A.
Figure 8 illustrates the simple use of the space for a wide lot to allow for a variety of vehicle types and carry over theme from existing structures along the waterfront. The area would provide for shelter, reception with restrooms, green buffers and be passenger and tourism provider friendly. Simple signage / striping would allow for easy changes.

Figure 8: Broadway Dock Transportation Concepts

Figure 9 shows the potential permanent location for a new ferry facility. The adjacent areas would also provide for a GTA and parking area, as well as a commercial area with Chalet style out buildings that could provide commercial opportunities catering to ferry, cruise visitors, crew and residents. Once again the existing building theming would be carried over to this area. The green space and river access trail would be tied into the waterfront trail running throughout the port area. It would provide a unique mix of industrial and natural tourism elements.

The current tank farm and ore terminal area would be designated industrial and would provide the base for Ro/Ro cargo operations as well. This assemblage of area and berth may also provide an opportunity for the MOS and Operators to form a PPP to ensure the right infrastructure (Ro/Ro Berth / Fuel Headers) and operations are in place to meet long-term business requirements.
Figure 9: Ferry Terminal, Commercial Uplands and Industrial Area
Overview

Skagway represents one of three marquee Alaska ports that serve to draw cruise passengers to the region throughout the summer months. Figure 10 shows Skagway’s historical passenger and projected growth from 2010 through the 2039. A conservative capture rate of 76.2%, which is the 10-year trend for Skagway was used to show the projection range growing to between 1.634 and 2.044-million in 2039. Growth is 2.6% - 3.7% per annum over the period. This growth is attributable to the desire of existing and new cruise brands serving a variety of demographics to deploy vessels and increase their capacity in Alaska.

Due to trends towards larger cruise ships and more cruise visitors, the MOS can expect the average vessel to increase in physical size and passenger capacity over time as well, growing from some 2,268-passengers per call on average in 2020, to more than 3,798 per call in 2039. Thus, existing port facilities and upland tourism infrastructure must be built to accommodate these increasing capacities. Overall it is estimated that cruise calls will grow from 452 to between 430 and 538 in 2039 as a majority of the passenger growth occurs through larger vessels and not strictly a higher volume of ships calling in Skagway.

**Figure 10: Skagway Cruise Passenger Projections, 2010 - 2039**

Berth Demand Conclusions

Based upon the market assessment there is demand for 5 berths in 2022 under the mid scenario above. The Ore Dock would be used as an optional 6th cruise berth to allow for priority berthing to go to cargo/fuel operations on key days.
It is also likely as the region continues to expand that berth calls will spread into weekend days due to the global Alaska berth demand issue and the needs for additional homeport berth options in Vancouver, Seattle and to a lesser degree Seward. The deployment of larger ships into the region will essentially stabilize berth utilization rates in the mid- to long-term; but also will place more pressure on the upland soft tourism infrastructure to deliver a wide variety of products and services to a large audience on a daily basis during the Alaska cruise season. Berth infrastructure also needs to support larger vessels and passenger capacities.

Under the high scenario there would be a need for 6 berths over the long-term. However, our recommendation is to plan now for 5 key berths into the future (mid-term) and then revisit demand every 5-years due to push / pull factors of the region marketplaces. There is a possible 6th berth required from 2027 in the high scenario.

As outlined above and as part of a business opportunity the MOS could provide a single pier with 2 large berths located in the mid port area (ferry terminal) in 2022 under the direct auspice of the MOS, prior to the expiration of the waterfront lease in 2023. Coordination for the necessary marine and geotech studies, design, financing, construction, permitting, berth scheduling, operations, tariff regulation development/communication, etc. would need to begin immediately to allow for the berth to be ready for spring 2022.

**Waterfront Commodities**

Additional waterfront commodities include Mining Products; Fuel; General cargo; and, Ferry traffic. These commodities move through the Ore Dock with the primary operators being Petro Marine and Alaska Marine Lines. Appendix C: Skagway Freight & Ferry Traffic Analysis provides further details on the historical and projected capacities for each of the primary commodities listed above.

Petro Alaska Marine Services (Petro 49) serves Southeast Alaska with seven bulk fuel plants and marine fuel docks including the port of Skagway. A significant volume of fuel arriving in Skagway is transported to Yukon. Fuel is barged to Skagway from U.S. ports with barges arriving in Skagway about every 20 days carrying about 1.4 to 1.6 million gallons of fuel products. Total fuel storage capacity at the Port of Skagway is about 4 million gallons in 14 tanks that hold various combinations of jet fuel (ULSD #1), #1 and #2 diesel, aviation gas, regular unleaded gas and super premium unleaded gas. Aviation and unleaded gasoline are only sold in the local Skagway market. The vast majority of #1 and #2 diesel and all the jet fuel is sold into the Yukon market.

Alaska Marine Lines, a subsidiary of Lynden, Inc. provides weekly year-round barge service to Southeast Alaska communities including Skagway, carrying groceries, vehicles, construction materials, equipment, household goods, and other types of freight in container load, less than container load, reefer container, dry container, and bulk
container. A Canadian Lynden company provides trucking services between Skagway and Yukon.

The barge typically arrives in Skagway between Monday afternoon and Tuesday afternoon, depending on several factors such as tides, weather, loads, etc. Offloading the barge involves a pass-pass procedure off the stern of the barge, where a forklift on the barge places a container, and a forklift on the dock picks the container, backs off the dock, and places the container within the yard. The Skagway dock can support roll-on/roll-off, however, the deck height of the barge and dock must be equal, either through timing of the tide cycle or use of barge ballast. Three to five hours are usually required to unload and load the barge in Skagway. Scheduling adjustments are occasionally required due to conflicts in dock access.

AML’s yard is on subleased land. The 3-acre facility is appropriately sized for current freight volumes, according to a company representative. Though on leased land, all of the investment in the barge facility is AML’s, including the existing dock, yard fencing, lighting, an office, and an enclosed cargo handling/equipment maintenance area.

Approximately 10,000 to 15,000 tons of freight are barged to Skagway annually for local consumption. In-bound tonnages destined for Yukon are highly variable from year to year but often exceed local volumes.

There is a need for future safe, reliable and affordable marine facilities. Barge requirements are for a 468-ft. LOA, 77-ft. beam, 22-ft. draft barge. This also requires maneuvering, tug assist, with marine fuel header for a variety of products tied to the tank farm. AML needs at least two days per week for barge operations (12 – 18 hours), and this is challenging during the summer season due to volume and new pilotage restrictions limiting cruise operations in proximity to fuel barges.

In 2018, 23,777 passengers and 8,163 vehicles boarded AMHS ferries in Skagway. That same year, 26,074 passengers disembarked in Skagway, along with 9,335 vehicles. AMHS traffic had been trending up since 2015, however 2019 looks to be well below 2018 due to budget cut-driven service reductions and a nine-day ferry workers’ strike. The outlook for ferry service in Lynn Canal and elsewhere in Alaska is uncertain, due to State budget cuts. That notwithstanding, the demand for ferry travel, including resident and non-resident travellers, is expected to be steady or trending up slightly. Thus, it is important for the MOS to strategically include ferry operations in the waterfront planning process.

**Capital Plan**

As part of the Waterfront Vision Plan development and to provide for budgetary items to be used within a Port Financial Model a series of order of magnitude cost estimates were developed for implementation between 2021 and 2026 based upon the needs of the Skagway waterfront from an infrastructure, management and operations perspective.
The following is a list of Capital Expenditure items identified as part of the overall vision plan:

- **Small Boat Marina Expansion**
  - Uplands support area redevelopment
- **Broadway Floating Pier**
  - Movement of ferry float
  - Temporary ferry operations area
  - Refurbish reception facility
  - GTA build-out
- **Broadway Dock Rehab**
  - Deck, fenders, bollards
  - Dredging
- **Ore Dock Rehab**
  - Deck, fenders, bollards
  - Dredging (environmental mitigation / clean-up)
- **Ore Loader Demo**
- **Ore Terminal Demo**
  - Site paving and laydown area development
  - Cargo area relocation
- **Final Ferry Pier Relocation (2023)**
  - Upland terminal and GTA development
  - Commercial Chalet Village Development
- **Waterfront Pedestrian Trail / Overlook Development**
  - Crosswalks
  - Fencing
  - Landscaping
- **MOS Port Office / Maintenance Area Development**
  - Temp to permanent option (is there an existing option?)
  - Parking
- **Equipment**
- **Gangways (TBD)**
- **Security Barriers / Fencing**
- **Vehicles (port staff / maintenance)**
- **Commercial Lot Development (longer term)**
- **Others to be Identified**
Table 1 provides an overall listing of the key Capital Improvement Projects identified for the MOS waterfront for potential implementation from 2021 to 2026. The sum total is ~$100,000,000 over the period.

**Table 1: Capital Plan Elements and Cost Estimates**

<table>
<thead>
<tr>
<th>CAPEX Item</th>
<th>Years Used</th>
<th>Projected Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore terminal Demo / Cargo Project</td>
<td>2024/25</td>
<td>$9,800,000</td>
</tr>
<tr>
<td>Chalet Village Development</td>
<td>2025/26</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>Ferry Terminal Development</td>
<td>2023/24</td>
<td>$11,270,000</td>
</tr>
<tr>
<td>Oasis Trail Development</td>
<td>2023</td>
<td>$178,000</td>
</tr>
<tr>
<td>Oasis Overlook Development</td>
<td>2024</td>
<td>$250,000</td>
</tr>
<tr>
<td>Port Office</td>
<td>2023</td>
<td>$500,000</td>
</tr>
<tr>
<td>Equipment (new purchase)</td>
<td>2023</td>
<td>$240,000</td>
</tr>
<tr>
<td>Cruise Facility w/upland &amp; pier</td>
<td>2021/22</td>
<td>$52,870,000</td>
</tr>
<tr>
<td>Ore Dock Rehab w/Loader Demo</td>
<td>2024/25</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Broadway Dock Rehab</td>
<td>2023/24</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Marina Expansion</td>
<td>2021/22</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Misc. Site Works</td>
<td>2023-26</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>

Additionally, as part of the evaluation exercise to determine the potential ownership / operating / non-operating model and provide the MOS with a recommendation on moving forward the CIP elements were broken down into two specific options:

- Option A – No new Pier
- Option B – New Pier

Under Option A – No new Pier, the CIP items included in the overall build out include those items shown in Figure 11 totalling some $28.5-million in overall investment ($30.5 with inflation) over the period. The largest projects are the Ore Terminal demolition and Cargo project which develops a Ro/Ro Ramp and new upland cargo facility in the current Ore Terminal area, while also addressing the needed upgrades of the Ore Dock inclusive of fuel headers as well $13.8-million). This does not include a floating pier extension for cruise vessels. The small boat harbour marina expansion ($8-million), Broadway Dock rehabilitation ($1.5-million), and miscellaneous site works for roadway improvements, equipment acquisition, signage, etc. ($4-million).
Under Option B that develops a New Pier for use in 2022 there is some $96.0-million in capital expenditures in the five year period from 2021 to 2026 ($100.8-million with inflation). See Figure 12.
The largest additional items under Option B are the Chalet Village Development ($3,400,000); Ferry Terminal Development with new floating pier ($11,270,000); and, the Cruise Facility w/upland & pier ($52,870,000).

**Cruise Traffic Split**

A major element in understanding the potential revenue flow for MOS under either scenario outlined above is the distribution of cruise traffic, specifically passengers due to the relevant tariffs associated with each option. Thus, Figure 13 shows the average passenger traffic split from 2016 to 2019 for the current berths at the Port of Skagway. Two berths are owned and operated by the White Pass Railroad (RRF and RRA) and are able to accommodate the largest cruise vessels calling Skagway. Under the current lease model the Ore Dock (ORE) and Broadway Pier (BRD) are also used for cruise operations with Broadway supporting mid-size ships and the Ore Dock being used for larger ships, but in need of enhancements to accept a wider variety of vessel types based upon past studies performed for the MOS.

**Figure 13: Traffic Split Scenario, Avg. 2016-2019, Scenarios A & B**

Combined the Railroad Dock berths accommodate ~68% of cruise passenger traffic with 32% being driven to the Broadway and Ore Dock under Option A - No New Pier. If the MOS builds out a New Pier as illustrated in Option B for use in 2022 then it is estimated that the balance of cruise passenger traffic would change to allow for more flexibility to use the new large berths by brands not specifically part of the Carnival Corporation brands. Thus, the traffic split contemplated under this option would be 40% passenger traffic at the Railroad Docks; 45% at the New Pier Berths; 10% at Broadway - a natural reduction as this would be more likely used for smaller to mid size ships; and 5% at the Ore Dock as
this berth would now be the primary cargo / fuel berth and used for scheduling cruise vessels only as a secondary option.

Figure 14 illustrates the Option A most likely traffic split from 2022 – 2039 based upon the above modelling with the majority of cruise passenger traffic flowing through the Railroad Docks and capping at some 1.2-million per annum in 2039, while the Broadway / Ore Dock berths would see a substantially smaller share at 581,473-passengers in 2039.

Figure 14: Option A Cruise Passenger Split – without New Pier, 2022 - 2039

Figure 15 shows the Option B passenger traffic split from 2022 – 2039 with a New Pier (2 new berths) dedicated to the MOS. Under this scenario the split would be Railroad Docks at 40% (763,000 in 2039) and the remaining 4 berths at 60% per annum (1.0-million in 2039).

Figure 15: Option B Cruise Passenger Split – WITH New Pier, 2022 - 2039
5. **Port Operations and Waterfront Development Models**

**Overview**

There are many port operation and management models being used worldwide. One size does not fit all and most models are born from historical practices, such as the current Skagway lease model born from an agreement signed in 1968, well before the advent and substantial growth of Alaska cruise tourism that provides millions of dollars in revenues to cruise lines, tourism entities and communities throughout the region. However, it is clear that the MOS does not get a fair share of direct revenues through the current model based upon a simple examination of the current annual lease payment ($127,200 per annum) v. potential cruise wharfage/dockage revenues that could well exceed $10-million in Gross revenues per annum, not including the Alaska CPV fund that goes directly to the City on an annual basis.

The Municipality of Skagway has a clean slate and can take this opportunity to design and implement an ownership / management / operating model that is in the best interest of the residents of Skagway and responds to the community with a long-term vision and a strategic fit specifically to your needs.

The three major drivers of assembling a port operating and development model are shown in the adjacent graphic:

- **Operations:** This can vary from a singular entity providing all tasks in a port environment to an entity that provides limited functions with some being contracted out to third parties to supply the services such as housekeeping, stevedoring and line handling.
- **Investment:** What party or parties are willing to be responsible for the development and investment risk for the port infrastructure that is required to meet the needs of the users/stakeholders and thereby provides a return on investment.
- **Ownership:** This can vary greatly from port to port dependent upon a wide variety of factors including historic precedent; governmental model (city, private entity, county department, or port authority). As with any business model, each provides a different level of opportunities and challenges, risks and rewards.
As illustrated in Table 2 there are a wide variety of operating model combinations that are dependent upon how relationships are established and circumstances of the primary ownership as to their ability to fund projects or want to control the management and operations of the facility. There is no right or wrong operating methodology, only what is best for the principle that has ownership of the port.

**Table 2: Operating Model Combinations**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Investment</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>PORT</td>
<td>PORT</td>
<td>PORT</td>
</tr>
<tr>
<td>CRUISE LINE v1</td>
<td>PORT</td>
<td>CRUISE LINE</td>
</tr>
<tr>
<td>CRUISE LINE v2</td>
<td>PORT</td>
<td>CRUISE LINE</td>
</tr>
<tr>
<td>OPERATOR</td>
<td>PORT</td>
<td>OPERATOR</td>
</tr>
<tr>
<td>PRIVATE</td>
<td>PRIVATE ENTITY</td>
<td>PRIVATE ENTITY</td>
</tr>
</tbody>
</table>

Table 3 provides a series of port operational examples. As shown there is no singular model that is preferred within the port realm, but rather a combination of operational elements that is formed in the best interest of the ownership of the port property. Thus, in the case of the MOS, the operating model should be based upon the desired level for control of the major asset that provides for commerce, revenues and economic impact to the community. To what degree the MOS participates in the many elements of the port operational mix is dependent upon past experience, an assessment of each operating element (revenue v. expense) and the direct impacts on operations such as investment, marketing and scheduling.

**Table 3: Port Operational Mixes**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Investment</th>
<th>Marketing</th>
<th>Scheduling</th>
<th>Line relationship</th>
<th>Fiscal agent</th>
<th>Housekeeping</th>
<th>Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional East US</td>
<td>New York</td>
<td>Los Angeles</td>
<td>Barcelona</td>
<td>Seattle</td>
<td>Singapore</td>
<td>Miami A</td>
<td></td>
</tr>
</tbody>
</table>

[Table images and content continue as shown in the original document.]
Another way that communities assess the future of a waterfront is to determine whether it is a singular asset of the community? The waterfront is viewed by many as something to be held in the public trust that provides for public access and waterfront integration into the community. This has been discussed extensively in Skagway and much of the feedback provided via surveys and meetings speaks directly to this point.

Are the private and public sector goals aligned? Typically private entities look for a profit and return on investment, while the Public looks more at economic and social (job creation/service) impacts. The MOS wants to provide for access to the waterfront for the residents of the community and ensure that over the long-term the Port works for the community overall in terms of providing positive impacts and allowing for revenues to fund infrastructure within the Port and City that is required to meet the needs of the residents and visitors.

How will the customers (lines and port users) react to the MOS operating the waterfront? The long-term impacts should be considered relative to the establishment of an entity to manage and operate the port including the risk associated with port investments and the rewards for controlling the future of the waterfront. Skagway has a proven cruise tourism track record that can provide for the base revenues to fund multiple important projects moving forward and limit the overall risk to the City. Other ports in the US and regionally, such as Ketchikan, have specifically funded cruise port projects (non-recourse bonds through the Alaska Bond Bank) based solely upon cruise market assessments. Upland support infrastructure must also be addressed that will be in need of upgrade and replacement to support the visitor tourism industry and other year round residential needs.
Table 4 provides an outline of two port operating models for Skagway. Model 1 – MOS owns and operates the Skagway Waterfront from 2023. The MOS would take on the primary responsibility of Facility Manager (staffing accordingly); Marketing (imperative that cruise, cargo and other aspects are lead by the facility manager); and, Berth scheduling in coordination with facility users, and in the case of cruise coordinating directly with cruise lines, CLAA and White Pass. Maintenance requirements would be divided into major (typically bid to third parties dependent upon the project) and routine maintenance (taken care of by Port Staff hired accordingly). Janitorial services could either be bid out to a third party or kept within the Port. Since entities exist within Alaska and the Port of Skagway, it would be recommended to allow for bidding out of security services (cruise vessel related) and Stevedoring including line handling, gangway movement and vessel servicing. The MOS could license companies and either allow cruise lines to choose a provider directly or the services could go through the MOS.

<table>
<thead>
<tr>
<th></th>
<th>MODEL 1 – MOS OWNS AND OPERATES</th>
<th>MODEL 2 – MOS OWNS AND MANAGES OPERATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OWNER</strong></td>
<td>MOS</td>
<td>MOS</td>
</tr>
<tr>
<td><strong>FACILITY MANAGER</strong></td>
<td>PORT OPERATOR 3rd PARTY</td>
<td>PORT OPERATOR 3rd PARTY</td>
</tr>
<tr>
<td><strong>MARKETING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BERTH SCHEDULING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MAINTENANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SECURITY SERVICES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>JANITORIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STEVEDORING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NOTES</strong></td>
<td>MOS hires mgmt. staff; operates all facets of port operations with exception of stevedoring / ISPS security. Uses police for overall port security. Contracts with 3rd party or allows cruise lines to choose. Option out some heavy maintenance, and janitorial services (unless part city dept.) Moderate risk / Higher reward</td>
<td>MOS is owner. RFP for operator based upon lease mechanism. MOS involved in marketing / scheduling with operator / CLAA. Operator has rights to security and stevedoring. (May also allow for cruise line choice) Low risk / Moderate reward</td>
</tr>
</tbody>
</table>

This model provides for moderate risk as the MOS must hire staff, conduct oversight of the operations, invest and stimulate market growth to be successful. However, this model also
provides for a greater reward to the MOS and residents through the control of the waterfront allowing for continuity with the direction of the community and direct revenue at a much greater rate than seen today to allow for direct economic and social impacts.

Model 2 - MOS owns and manages/oversees a Port Operator for the Skagway Waterfront from 2023. The MOS would oversee a Facility Manager; Marketing would be a shared venture due to the critical impact this has on the Port and community as well as Berth scheduling in coordination with the Operator, facility users, and in the case of cruise coordinating directly with cruise lines, CLAA and White Pass. Maintenance, Janitorial, Security services and Stevedoring would all be handled by the Port Operator with the approval of the MOS.

Under this scenario the MOS has less overall risk, but gives up more control of the waterfront development and operations. The actual level of reward is much more dependent upon contractual conditions and the ability to oversee and direct the port operating entity. However, moving forward in both cases, the MOS has the ability to set the specific parameters that are in the best interest of the City.

**Skagway Port Operations**

Table 5 outlines the Skagway Port Operations options.

**Table 5: Skagway Port Options**

<table>
<thead>
<tr>
<th></th>
<th><strong>OPTION A</strong> NO NEW PIER</th>
<th><strong>OPTION B</strong> NEW PIER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MODEL 1 – MOS OWNS AND OPERATES</strong></td>
<td>1A</td>
<td>1B</td>
</tr>
<tr>
<td><strong>MODEL 2 – MOS OWNS AND MANAGES THE OPERATOR</strong></td>
<td>2A</td>
<td>2B</td>
</tr>
</tbody>
</table>

**Model 1A – No New Pier**

- MOS is the Owner/Facility Manager
  - Leads marketing (with city tourism) and scheduling (with CLAA / Cruise Lines)
  - Security & stevedoring contract (either 3rd party or cruise line direct choice)
- Begin assembling staff in 2022 with GM & Staff (startup spring 2023)
- Cruise Financials
  - Use existing SPH tariff rates as baseline moving forward
  - No tariff increase from 2022/23
  - Use a 2% escalator or CPI from 2023
  - Traffic split based upon existing percentage splits (RR / Broadway / Ore)
- Cargo & Petroleum Financials
  - Use existing lease models
- Ferry continues as presently done

**Commercial Financials**
- Use existing lease models (under City & WP)
- White Pass, Temsco & AIDEA sub leases end in 2023 (not renewed)
- New commercial lease options NOT included in model
  - These would be additional land lease items

- **CAPEX – $28.5 M**
  - Includes small Boat Harbor expansion, Port Offices, OASIS Items, Ore Terminal & loader Demo., Cargo Move (No RORO), Berth rehabs and Commercial Village.

**Model 1B - New Pier 2022**

- MOS is the Owner and Facility Manager
  - Leads marketing (with city tourism) and scheduling (with CLAA / Cruise Lines)
  - Shares maintenance (contract out major items)
  - Janitorial (with city services / 3rd party)
  - Security & stevedoring (either 3rd party contract or cruise line choice)
  - Begin assembling staff in 2021 with GM & Staff (pier ops in 2022 / overall startup spring 2023)

- **Cruise Financials**
  - From 2022 - adds $3.00 per passenger additional wharfage and GTA access fees $1.00 per passenger (rail pax and vehicles)
  - Use a 2% escalator or CPI from 2024
  - Use existing SPH tariff rates as baseline moving forward
  - Traffic split based upon existing percentages with 2 New city berths (RR / Broadway / Ferry Pier / Ore - now a secondary Cruise berth)

- **Cargo & Petroleum Financials**
  - Use existing lease models
  - Ferry moves (Temsco move to airport)

- **Commercial Financials**
  - Use existing lease models (under City & WP)
  - White Pass, Temsco & AIDEA sub leases end in 2023 (not renewed)
  - New commercial lease options NOT included in model
    - These would be additional land lease items

- **CAPEX – $96.0 M**
  - Includes Broadway Ferry Cruise Pier (2 ship berths), Small Boat Harbor expansion, Port Offices, OASIS Items, Ore Terminal / loader Demo., Cargo Move (with RORO), Berth rehabs, Commercial Village, Ferry move & new terminal.
  - Potential PPP with cargo for Ro Ro berth and uplands.

**Revenues**

The revenue models are shown below based upon the above outlined models. The models show the existing revenues based on historical information through the end of the MOS Waterfront Lease including passenger wharfage, dockage, water, etc. In 2023, the model calculated for 3 months of passenger revenues the City would capture once the lease expires. In 2024, 100% of passenger fees are reflected in the model from MOS facilities (not
including passenger throughput for the Railroad Docks). The model used the existing subleases and updated lease values based on market value appraisals (2023+). Thus, the existing MOS Leases currently reflected per agreement have not been changed / extended at this point. Figures 16 and 17 do not reflect the Commercial Vessel Passenger Excise Tax (CPV) received from the State of Alaska.

Under Model 1A gross revenues to the MOS move from ~$541,660 in 2019 to ~$4.7-million in 2023 and ~$9.7-million in 2039. Capex is $28.5-million. See Figure 16.

**Figure 16: Model 1A - Gross Revenues**

Under Figure 17 – Model 1B the biggest financial impact is the addition of a new pier providing for substantially more direct revenues to the MOS from 2022. There is also additional development funds required to build the pier, but the long-term revenues support this investment and provide for a substantial return. Figure 17 also adds $3.00 from 2022 and GTA access fees $1.00 per passenger (rail pax and vehicles) for MOS Piers Only to further address the investment and subsequent annual payback.

Thus, under Model 1B gross revenues to the MOS move from ~$541,660 in 2019 to ~$10.4-million in 2023 and ~$21.2-million in 2039. Capex is $96.0-million.
Key expenses to the MOS that have been added to the Model 1A and 1B figures are outlined below. Again, the MOS has the ability to define and build the Port Management Team and Operations in a way that best meet the goals & objectives set forth. Thus, expenses include:

- **Management Team**
  - General Manager – from 2021
  - Secretary – from 2021
  - Asst. Manager – from 2022
  - MIS Manager/ Support/Web - from 2023
  - Billing Clerk – from 2023
  - Maintenance Manager  - from 2022
  - Asst. Maintenance Manager – from 2023
  - Technical Staff (2) – from 2022

- **Other Expense Items**
  - Outsourced services (housekeeping, maintenance, security)
  - Administration
  - Travel & Training
  - Insurance

- Other line item expenses based on historical small boat harbor expenses, increasing with CPI.

Under Figure 18 expenses begin at ~$430,000 in 2021 as staffing is assembled and grows to ~$4.5-million in 2039. The largest share of annual expenses are salaries and maintenance.
Under Figure 19 expenses begin at ~$700,000 in 2021 as staffing is assembled and grows to ~$4.5-million in 2039. The largest share of annual expenses are salaries and maintenance.
Figure 20 provides a model comparison between 1A and 1B illustrating net income after debt (before depreciation) with full port operations beginning from March 2023. Both models are also shown with and without CPV which is a reflection of the overall passenger volume to the MOS including all berths whether they be under the auspice of the MOS or owned by White Pass.

- In 2020 both models produce a negative -$222,273 without the benefit of the CPV. This is ~$4.9-million with the CPV.

- Model 1A provides positive net income for the MOS in 2028 (without CPV) at ~$74,000 and by 2039 produces ~$3.25-million. With CPV this moves to ~$12.3-million in 2039.

- Model 1B provides positive net income for the MOS in 2023 (without CPV) at ~$960,000 and by 2039 produces ~$10.2-million. With CPV this moves to ~$19.2-million in 2039.

**Figure 20: Model 1A and 1B Net Income After Debt (Before Depreciation)**

---

### Model 2A or 2B

Under Model 2A and 2B the MOS continues to own the waterfront, but manages a separate Port Operator under a lease agreement. As there are numerous paths forward under this alignment, translating this into a financial model for comparison purposes is a difficult task that does not produce a result that could be effective in this exercise. For discussion purposes we assume the following related to the Model:

While managing the Port Operator the MOS shares in marketing due to its importance for the port operations, specifically cruise. In addition, the MOS would approve ALL tariff rates annually. The MOS may or may not share in major CAPEX & Maintenance items. Financially, it is assumed that all collected tariffs would go to the Port Operator and then the MOS would collect the CPV and a Port Operator Annual Lease payment to be negotiated accordingly.
Cargo, fuel, commercial and ferry operations would likely continue as is, unless cargo could be carved out for a separate joint venture / PPP with the Operator. For any new commercial lease options within the port they would need to be decided upon accordingly. From a CAPEX perspective it is likely the Port Operator would pay 100% of port development limiting front end risk in this regard. Thus, based upon the level of investment, revenues, etc. final payments to the MOS would be negotiated accordingly.

The ramifications to the MOS under the lease model are clearly known as this has been in practice for the past 50 plus years. There has been less control and reward over the period. This could be adjusted to some degree in moving forward with a new lease model, but the MOS would likely be giving up substantial revenues in return for a port operator’s investment in new development whether it be a New Pier to meet the demands of the cruise industry or the other CAPEX items outlined in the Vision Plan.

**Observations**

Model 1A – Owner / Operator (No New Pier)
- This model could produce additional revenues with new tariffs and lease schedules.
- There were no new tariffs introduced as part of this model as no berth infrastructure was developed.

Model 1B – Owner / Operator (New Pier)
- Produces the highest revenues for the MOS.
- There is a higher level of risk as the MOS is taking on all operations and financing of major projects.
- However, financing risks can be mitigated through -
  - Non-recourse revenue bonds.
  - Traffic or revenue guarantee agreements.
- MOS has the most control over the waterfront in this model.
- This option could support ~$100- million in major port development projects.

Model 2a or 2b – MOS Owns and Manages the Port Operator (Lease model)
- Has numerous paths forward for a final financial model.
- Least financial risk to MOS, but loss of upside potential.
- How would the MOS participate in the major projects?
- Less control of the waterfront business elements / community drivers (parks, pathways, etc.).

**Recommendations**

As outlined, the MOS has the opportunity to design an operating model based upon the needs of the community. Based upon our assessment of the current situation for the MOS it would be in the best interest of the community to control the waterfront asset moving forward to a greater degree and reap the financial rewards and risk to the major waterfront asset. Thus the Municipality of Skagway Owns and Operates its Waterfront into the long-term. This provides control of the waterfront vision long-term for community access and use; and, provides control of primary business development - cruise, cargo, commercial. This path
forward offers the MOS the ability to craft the operating structure to meet the needs of the community and set the precedent for the management of the waterfront. By example, this pathway would also allow for potential partnerships to be formed if they are in the best interest of the MOS community. They may include the New Cruise Pier either via direct investment or preferential berthing agreement for guarantees of traffic throughput or a PPP for a new cargo Ro Ro berth and upland cargo facility; as well as potential mining and commercial ventures. This venture will support investment through cruise passenger throughput (proven track record), thus limiting the overall risk moving forward.

**Action Plan**

For planning purposes there are a two critical dates that must be considered in the action plan:

- **March 2023** Waterfront lease Expiration for which a number of key items must be addressed and prepared to coordinate a smooth transition. The MOS been in discussions internally and have experienced some pre-transition issues with respect to the Ore Dock Environmental cleanup, infrastructure claims, etc.

- **April/May 2022** for the opening of a new potential Broadway Pier for 2 large cruise vessels. This drives a number of other timelines and decisions related to the ferry dock, acquisition, movement (temp. / perm.) Financing, design/engineering, scheduling, etc. This element could be opened later (2023) but there are substantial advantages for the MOS to move this effort forward and be prepared for a 2022 opening allowing for additional flexibility on the waterfront and gaining direct cruise revenues prior to the lease expiration in 2023.

**Plan Items**

Below are a list of some of the major plan items to be addressed as part of the MOS plan recommendation to move forward with MOS Ownership / Operation of the Waterfront.

- Assembly passes resolution on the Management / Operations of the Waterfront
- Communicate the direction:
  - To the community and waterfront / port users stakeholders via outreach - simple and clear messaging to prepare for next steps
  - Cruise line, cargo lines, ferry,
    - Organize Cruise line meetings during SeaTrade (April 2020)
- Definition and resolution of major items related to the Lease Expiration
  - Ore Dock Remediation
  - Infrastructure exchange
  - Existing Lease transitions, renewals
  - Cargo Dock transition process / timing – Ro Ro Ramp, PPP Option, etc.
• Waterfront Plan Finalization
  o Timeline for implementation of plan elements
  o CAPEX for plan elements - funding
    ▪ Major decisions on rail access
    ▪ Ore Dock terminal demo / cargo movement
    ▪ Temsco relocation
    ▪ Small Boat Harbor expansion
    ▪ OASIS trail system final options
• Management & Operations Plan – Prepare the management plan for the waterfront including:
  o Identify reporting system to MOS
  o Identify full chain of command / decision-making roles
  o Identify key Management positions - job descriptions, salary, dates of hire.
  o GM/Port Director hire to assist with the assembly of organization and hiring.
  o Budget Preparation - identification of revenue / expense items.
  o Business and finance plan
• Cruise Operating Plan (specifics)
  o Complete the Port Manual with tariffs and rules
    ▪ Tariff development
    ▪ Define tariffs
    ▪ Communicate to users
      ▪ Cruise - provide Minimum 12 to 18 month window for changes
  o Establish berth scheduling methodology
  o ISPS development & approvals by USCG
  o Establish process for 3rd Party service providers - security, stevedoring, etc.
  o Marketing Plan - interaction with White Pass, Skagway Tourism, CLIA, ATIA, etc.
• With New Pier (12 – 18 month design / build)
  o Acquisition, finalization of ferry terminal, dock
    ▪ Relocation plan - temporary / permanent
  o Master plan and budget
  o Business plan
  o Technical studies - EIA, navigation, geotechnical
  o Pier design / upland design work - reception facility, GTA, ingress / egress
  o Permitting
  o Construction / Oversight

There will be many other items that will need to be specifically outlined at some point as this moves forward, but these are key items presently identified.
6. **Existing Conditions**

**Existing Waterfront Facilities**

No physical engineering inspection / assessment was conducted as part of the study. Our Team did a visual inspection of the docks and upland areas of the port property and based upon our observations it is likely that there will be some specific rehabilitation of the major Ore and Broadway Docks, as well as the issue currently being examined as to the replacement of the floating ferry pier and walkway. A rehabilitation budget and an annual maintenance budget have been included in the expenses / capital improvements for the Port. This does not take into consideration the environmental remediation of the Ore Dock basin as this should be completed prior to the end of the Waterfront Lease in March 2023.

The primary deep-water docks at the Port of Skagway include the Ore Dock, Broadway Dock, and the Railroad Dock, all of which are owned by the White Pass & Yukon Railroad. As part of the 1968 MOS Lease agreement, the Ore and Broadway Docks are located on the municipal tidelands until March of 2023. Today, the ferry dock is owned by the State of Alaska and is jointly utilized by AMHS and MOS. The small boat harbor is owned and managed by the Municipality. See Figure 21 showing the pier structures and upland areas associated with the Skagway Waterfront.

**Figure 21: Existing Waterfront Conditions**

Figure 22 shows the three cruise docks of which the Railroad Dock (WPYR Ownership) is outside of the Lease agreement; and the Broadway and Ore Dock are within the MOS tidelands lease agreement.
The Ore Dock was built in 1969 for the bulk loading of ore and has been modified to handle cruise ships, as well as fuel barges and cargo vessel berthing. The Ore Dock is older wood pile platform construction and has limited load restrictions. The ship Ore Loading Tower, located near the mid-point of the dock, prevents cruise ships from using the full-face length of the dock due to hull and lifeboat overhangs. Ore Dock specifics are as follows:

- 1600 feet (1800 feet long with dolphins)
- 64,000 LB (29,000 Kg) GVW vehicle ramp
- 1,000 ton (907 metric tons) per hour loading spout
- Dock side fuel headers

Petro Marine Services operates the marine fuel depot located near the mid-point of the Ore Dock. They service Skagway and the Yukon from this site. All of the fuel arrives in Skagway on barges. Alaska Marine Lines (AML) constructed a container barge facility at the head of the Ore Dock in 2001. The approach dock forming the AML ramp is constructed to a high standard for loaded forklifts.

Based upon past studies, the Ore Terminal located north of the Ore Dock had been operating intermittently until 1998, when soft base metal prices forced the mines to shut down. The terminal had not been in operation after that time until the first shipment of concentrate from Sherwood Copper Corporation in October 2007. The Alaska Industrial Development and Export Authority (AIDEA) currently controls the terminal site and facilities. White Pass controls the Ore Dock and thus it is used today for berthing cruise ships during the summer season. The area underneath the ship loader in the Ore Basin has been identified by the State of
Alaska as a contaminated area, and remediation of the site is a top priority for the community of Skagway. The MOS and White Pass Ownership, as part of the existing lease agreement, are in discussions as to the methodology and timeline for the remediation effort that must be completed prior to the March 2023 lease expiration.

Broadway Dock is located on the peninsula to the east of the Ore Dock and used primarily as a cruise ship berth. Modifications were completed in 2006, allowing for the dock to accommodate a 970-ft. LOA cruise vessel. It is of primarily wood pile construction and will require some rehabilitation work due to the construction type. Broadway Dock specifics are as follows:

- Single berth with a dock length of 650 ft.
- Capable of accommodating vessels up to 970 ft. LOA.
- Dock has been used in the past to transship timber

WPYR owns the Railroad Dock and leases the underlying tidelands under the Railroad Dock from the State of Alaska. The Railroad Dock is 1,825 feet long with additional breasting dolphins that provide for berthing of two cruise ships. The Railroad Dock is made up of two distinct docks joined by a short steel plate. Figure 23 illustrates the industrial elements of the Skagway Waterfront made up of the AML, AIDEA and Petro Marine operations.

Figure 23: Industrial Operations

Figure 24 shows the AIDEA Ore Terminal including warehouse and fuel facility that was purchased by the State Corporation.
Alaska Marine Highway System (AMHS) Ferry Dock

AMHS provides an important link for communities such as Skagway. This is particularly critical for Skagway, where flights are often cancelled due to inclement weather. The MOS is currently in discussions with the State as to the opportunity associated with the ferry dock due to state budgetary considerations and the need for ferry service for the community of Skagway moving forward. See Figure 25.
The Alaska Marine Highway System (AMHS) budget has been reduced dramatically (by over $40 million) compared to last fiscal year resulting in reduced service to many communities and the suspension of service during winter months for others. Governor Dunleavy has produced two recent directives (Alaska Marine Highway Directive and the Property Disposal Directive; Figure 1 & 2) aimed at reducing the operating costs of the AMHS which could negatively impact ferry service to Skagway. In response to the Governor’s actions the Municipality of Skagway (MOS) has made a commitment to maintaining ferry service for its community members and is currently pursuing several ways to maintain ferry service in Skagway.

There are also several commercial waterfront commercial properties that fall under leases directly with the MOS or as part of sub leases through the Waterfront Tidelands Lease of 1968. These would therefore expire as of March 2023. Figure 26 illustrates some of the leased commercial properties.

**Figure 26: Waterfront Commercial Properties**

Table 6 shows the existing MOS commercial lease agreements tied to the waterfront either as part of the main lease agreement or smaller commercial and industrial lease arrangements. The beginning and end dates, as well as the land area are provided in the table.

It would be assumed that as part of the transition each lease would be examined and a determination made as to the continuation and subsequent value and time extension of the lease moving forward. As noted, no lease option was provided for the Taiya Marine Services, which expired in July 2019. The Skagway Terminal Company refers to the primary MOS Tidelands Lease.
Table 6: Existing Municipality of Skagway Lease Agreements
Source: MOS

<table>
<thead>
<tr>
<th>Business Name</th>
<th>Start Date</th>
<th>End Date</th>
<th>Land (sq. ft)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiya Marine Services</td>
<td>April 2016</td>
<td>July 2019</td>
<td>within the small boat harbor</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>Skagway Terminal Company</td>
<td>April 1968</td>
<td>April 2023</td>
<td>2,896,304</td>
<td>Lease provided / confirmed</td>
</tr>
<tr>
<td>Petro Marine Services</td>
<td>January 1996</td>
<td>December 2022</td>
<td>1,600</td>
<td>Lease provided / confirmed</td>
</tr>
<tr>
<td>Ocean Raft Alaska</td>
<td>September 2016</td>
<td>September 2021</td>
<td>2,000</td>
<td>within the small boat harbor</td>
</tr>
<tr>
<td>Skagway Smokehouse</td>
<td>May 1993</td>
<td>December 2032</td>
<td>5,500</td>
<td>within the small boat harbor</td>
</tr>
<tr>
<td>Skagway Fish Company</td>
<td>December 1996</td>
<td>December 2031</td>
<td>5,400</td>
<td>Lease provided / confirmed</td>
</tr>
</tbody>
</table>

Table 7 provides an illustration of the existing White Pass sub lease agreements under the MOS Tideland Lease. For several of them shown there was no lease agreement provided. All of the sub leases would expire in March 2023 and each would need to be examined as to the value for continuation of the lease agreement. Based upon the Waterfront Vision Plan it is anticipated that the Temsco Helicopters site would need to be relocated to provide for the movement of the ferry terminal / floating berth and construction of the Ferry Cruise Pier.

Table 7: Existing White Pass Sub Lease Agreements
Source: MOS

<table>
<thead>
<tr>
<th>Business Name</th>
<th>Start Date</th>
<th>End Date</th>
<th>Land (Sq. Ft)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petro Marine Services</td>
<td>January 1995</td>
<td>March 2023</td>
<td>86,205</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>National Oceanic and Atmospheric Admin.</td>
<td></td>
<td></td>
<td></td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>Cruise Line Agencies of Alaska</td>
<td></td>
<td></td>
<td>81,400</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>Land Area North of Petro &amp; West of AIDEA</td>
<td></td>
<td></td>
<td>34,500</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>Ore Dock Staging Area &amp; Walkway</td>
<td></td>
<td></td>
<td>59,500</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>Broadway Dock Staging Area</td>
<td></td>
<td></td>
<td>110,380</td>
<td>No Lease Provided</td>
</tr>
<tr>
<td>AIDEA / Skagway Ore Terminal</td>
<td>July 1990</td>
<td>March 2023</td>
<td>307,969</td>
<td>purchased land $14,274,063 from PARN 1990</td>
</tr>
<tr>
<td>Alaska Marine Lines (AML)</td>
<td>January 2001</td>
<td>March 2023</td>
<td>112,500</td>
<td>Lease provided / confirmed</td>
</tr>
<tr>
<td>TEMSCO Helicopters</td>
<td>January 2001</td>
<td>March 2023</td>
<td>69,696</td>
<td>Lease provided / confirmed</td>
</tr>
<tr>
<td>M&amp;M Tour Sales</td>
<td>January 2001</td>
<td>March 2023</td>
<td>n/a</td>
<td>Lease provided / confirmed</td>
</tr>
</tbody>
</table>
Small Boat Harbor

The Skagway Small Boat Harbor is a full-service marina with moorage for pleasure and commercial vessels up to 150 feet. Harbor amenities include seasonal potable water on all docks, restrooms and showers. There is a pump-out facility for holding tanks and garbage receptacles at each ramp as well as 20-amp power at all docks. A harbor crane with a two-ton capacity is available on the ferry float. Haul-outs for shallow draft vessels up to 20 tons and 40 ft. are possible with a hydraulic trailer, and there is a tidal grid for larger vessels. Upland storage is available adjacent to the harbor, with power and water in some areas.
7. **Tariff Assessment**

**Overview**

To determine future tariff ranges to consider for the Port of Skagway an assessment of existing Southeast Alaska cruise tariffs were initiated comparing Skagway, Juneau and Ketchikan. No agreements between cruise brands and destinations were considered as part of the assessment. Table 8 provides a summary of the Port Tariffs by destination for the primary tariff categories. Both Ketchikan and Juneau provide for a port development fee to cover cruise related projects and Juneau also includes a port maintenance fee. The methodology of charging is similar in all cases for dockage and wharfage (Pax fee).

**Table 8: Southeast Alaska Key Marquee Port Tariffs**

<table>
<thead>
<tr>
<th>Port</th>
<th>Dockage</th>
<th>Head Tax (wharfage)</th>
<th>Port Development Fee</th>
<th>Port Maintenance Fee</th>
<th>Potable Water</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type</td>
<td>Rate</td>
<td>Type</td>
<td>Rate</td>
<td>Type</td>
</tr>
<tr>
<td>Juneau</td>
<td>200’+</td>
<td>$3.00 per ft/day</td>
<td>Docking $5.00 per pax</td>
<td>$3.00 per pax</td>
<td>$0.06 per ton</td>
</tr>
<tr>
<td></td>
<td>700’+</td>
<td>$2.54 per ft/day</td>
<td>Docking $7.00 per pax</td>
<td>$1.90 per ft/service</td>
<td>900’-1,100’</td>
</tr>
<tr>
<td></td>
<td>400’+</td>
<td>$2.10 per ft/day</td>
<td>Docking $8.51* per pax</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Electricity Supply: Non-revenue generating fees
- Juneau: Fees for electricity will be assessed in accordance with the fees and charges in effect at the time the electricity is consumed
- Skagway: Vessels using dock shall enter into own contract arrangements with commercial companies for the provision of electrical power, telephone and fuel services.
- Alaska CPV Excise Tax: Municipality of Skagway along with other Alaska ports receives $5.00 per passenger. However these funds are restricted to cruise vessel related investments.

Table 9 provides a tariff summary based upon the variety of vessels that berth at each port. A weighted average based upon the pct. Of vessels is also shown for comparison purposes. This is further broken down on a per call and per passenger basis. As shown Skagway has a weighted average of approx. $9.50 per passenger, while Juneau is $13.15 and Ketchikan is at $9.01 currently. Based upon current events at the Port of Ketchikan it is likely this rate will increase and fall more in line of that shown for Juneau.

**Table 9: Tariff Summary**

<table>
<thead>
<tr>
<th>Port</th>
<th>Large Ship</th>
<th>Medium Ship</th>
<th>Small Ship</th>
<th>Weighted Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Ships in Port</td>
<td>25%</td>
<td>60%</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary of Revenues per Call</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUNEAU</td>
</tr>
<tr>
<td>KETCHIKAN</td>
</tr>
<tr>
<td>SKAGWAY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary of Revenues per Pax</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUNEAU</td>
</tr>
<tr>
<td>KETCHIKAN</td>
</tr>
<tr>
<td>SKAGWAY</td>
</tr>
</tbody>
</table>

Scenario Assumptions: 1. Calculations presented are based on one vessel visit; 2. Vessel makes seasonal call; 3. Vessel operations occur on a weekday, between 8:00 am and 5:00 pm; 4. Vessel spends 8 hours at the same berth during the visit; 5. No discounts / reductions based on number of visits / agreements considered; 6. All visits are assumed to be docked (no tendering); 7. Utility Charges such as Electricity and Water are not included.
Figure 27 shows the tariff charges per cruise call for each of the ports.

**Figure 27: Tariff Charges per Cruise Call**

![Bar chart showing tariff charges per cruise call for large, medium, and small vessels in Juneau, Ketchikan, and Skagway, with weighted average.]  

Tables 10 through 12 show the tariff summaries by specific vessels in the large, mid and small categories to show the variance of tariff costs to different vessels deployed to the region, specifically Skagway. Note that smaller vessels pay more on a per passenger basis.

**Table 10: Tariff Summary, Large Cruise Vessel**

<table>
<thead>
<tr>
<th>Port</th>
<th>Dockage</th>
<th>Passenger Wharfage</th>
<th>Port Development Fee</th>
<th>Port Maintenance Fee</th>
<th>Total Charges per Call</th>
<th>Total Charges per Pax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>USD</td>
<td>Rate</td>
<td>USD</td>
<td>Rate</td>
<td>USD</td>
</tr>
<tr>
<td><strong>Large Sample Ship - Norwegian Bliss (4,004 pax; 168,000 GT)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Juneau</td>
<td>$3.00</td>
<td>$3,248</td>
<td>$5.00</td>
<td>$20,020</td>
<td>$3.00</td>
<td>$12,012</td>
</tr>
<tr>
<td>Ketchikan</td>
<td>$2.54</td>
<td>$2,750</td>
<td>$7.00</td>
<td>$28,028</td>
<td>$1.90</td>
<td>$2,057</td>
</tr>
<tr>
<td>Skagway</td>
<td>$2.10</td>
<td>$2,274</td>
<td>$8.51</td>
<td>$34,074</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
Table 11: Tariff Summary, Medium Cruise Vessel

<table>
<thead>
<tr>
<th>Port</th>
<th>Dockage Rate</th>
<th>Dockage USD</th>
<th>Passenger Wharfage Rate</th>
<th>Passenger Wharfage USD</th>
<th>Port Development Fee Rate</th>
<th>Port Development Fee USD</th>
<th>Port Maintenance Fee Rate</th>
<th>Port Maintenance Fee USD</th>
<th>Total Charges per Call</th>
<th>Total Charges per Pax</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUNEAU</td>
<td>$3.00</td>
<td>$2,879</td>
<td>$5.00</td>
<td>$10,620</td>
<td>$3.00</td>
<td>$6,372</td>
<td>$0.06</td>
<td>$4,868</td>
<td>$24,738</td>
<td>$11.65</td>
</tr>
<tr>
<td>KETCHIKAN</td>
<td>$2.54</td>
<td>$2,438</td>
<td>$7.00</td>
<td>$14,868</td>
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<td>$19,129</td>
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<td>$2,015</td>
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<td>$20,090</td>
<td>$9.46</td>
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</tbody>
</table>

Table 12: Tariff Summary, Small Cruise Vessel

<table>
<thead>
<tr>
<th>Port</th>
<th>Dockage Rate</th>
<th>Dockage USD</th>
<th>Passenger Wharfage Rate</th>
<th>Passenger Wharfage USD</th>
<th>Port Development Fee Rate</th>
<th>Port Development Fee USD</th>
<th>Port Maintenance Fee Rate</th>
<th>Port Maintenance Fee USD</th>
<th>Total Charges per Call</th>
<th>Total Charges per Pax</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUNEAU</td>
<td>$3.00</td>
<td>$1,776</td>
<td>$5.00</td>
<td>$3,340</td>
<td>$3.00</td>
<td>$2,004</td>
<td>$0.06</td>
<td>$1,665</td>
<td>$8,785</td>
<td>$13.15</td>
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<tr>
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<td>$10.40</td>
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<tr>
<td>SKAGWAY</td>
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<td>$8.51</td>
<td>$5,685</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>$6,928</td>
<td>$10.37</td>
</tr>
</tbody>
</table>

Conclusions

A Tariff Strategy should be tied to the consideration of MOS Ownership / Operator and the subsequent investment level required to support cruise operations. The MOS will need to Develop Rates, Charges, Rules and Regulations and provide for separate fees, - dockage, wharfage, water, etc. As part of the process the MOS may want to consider an allowance for a Bundling option for fees.

MOS Tariffs should be set based upon what the market can bare / competition, an assessment of MOS port and upland infrastructure support needs and development costs for future cruise berths, etc. If a new berth is considered then the New Tariff structure should be ready for implementation as of April 2022. The tariffs can either be published online in conjunction with the existing Small Boat Harbor Fee Table OR New set of Tariffs developed independently and thus they could be filed with FMC. The MOS must advise cruise lines, cargo operators, leaseholders and Port Agents to allow for them to make any
pricing changes. For cruise lines the MOS should allow for 18 – 24 months to implement the new tariffs and pass them through to the consumer via tax.

A Passenger Fee breakdown could provide as follows:

- Increase Wharfage from 2022 by $3.00 over existing tariff for New Pier (approx. $12.00)
- Current $5.00 CPV Excise Tax (on all pax throughput)
- Passenger Port Development Fee / Infrastructure Fee / Port Maintenance Fee
  - Development Fee - Provides for funding of new Broadway Cruise Pier
  - Infrastructure Fee – Provides for port and upland cruise tourism area requirements
    - Roadway, sidewalk, GTAs, walking trails, restrooms, power supply, garbage incinerator, etc.
- Port Maintenance Fee – Provides for 2023 and beyond repair/rebuild of Ore, Broadway Docks and uplands and annual maintenance moving forward
- Identify any new associated cargo / cruise tourism fees
- Vehicle access, rail access, parking fees
  - May be substitute for or in addition to Infrastructure / Maintenance Fees

Additional income for the Port may also include off-season uses, ore and containerized ore hauls, rentals, transportation fees, concessions and others to be identified.