



Municipality of Skagway

GATEWAY TO THE KLONDIKE

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February 23, 2016

Mr. John Finlayson, President
White Pass and Yukon Route
P.O. Box 435
Skagway, AK 99840-0435

Mr. Finlayson:

Thank you for meeting with the Municipal Assembly on February 15th to discuss, in detail, issues related to the Port of Skagway. The Municipality of Skagway (MOS) desires to work collaboratively with White Pass.

The Municipality appreciates your willingness to consider a path forward following October's failed ratification vote. You requested specifics in order to properly present the matter to your board of directors. This letter is intended to respond to your request.

As you are aware, the Municipality of Skagway has long desired to improve its year-round economy to smooth the disparity between winter and summer economic seasonality. Core to this effort is full utilization of our waterfront port facilities, both through improvements to dock facilities for berthing cruise passengers, and accommodating anticipated increase in inbound resupply cargo to the Yukon and bulk commodity shipments from the Yukon, as well as expanded rail service and local manufacturing jobs. Any planned development issues in the Ore Basin, and at the Ore Docks, requires that we address the contamination in the Ore Basin and beneath the Ore Dock.

In preparation for advancing the Gateway Port Improvement development plans, the municipality contracted with a professional environmental engineering firm to assess the condition of the Ore Basin specifically addressing the legacy contamination. We have that data.

Despite the failure of the proposed MOS-White Pass lease extension, we recognize that there remains potential for the Municipality, White Pass and sub tenants to resolve environmental issues within the Port that inhibit development opportunities. Although implementation of this project requires financial contributions from White Pass and White Pass' tenant at the Skagway Ore Terminal, the Municipality is willing to consider dedicating substantial grant funding resources to this project that will create mutually beneficial results for all parties. As a long term tenant of the property, we respectfully encourage your engagement on this approach.

As per your request, please consider this a formal proposal for a project that the Municipality has identified as critically important.

Project Proposal:

I. Ore Basin Legacy Contamination cleanup.

The Municipality has identified cleanup of the Ore Basin as the paramount goal in regard to Skagway's future port development. The Municipality conducted a base line study to characterize the physical conditions within the harbor. Subsequent studies and sampling have been conducted to further identify the scope and scale of legacy contamination, expending \$1,530,000 up to this date. Working with regulatory agencies, the Municipality has identified project parameters. In addition to costs of the scientific assessments to establish the scope of the legacy contamination, the Municipality has available funding identified that we would consider pledging toward a remediation project in concert with your company and your tenant at the Skagway Ore Terminal. The Municipality cannot complete this project without participation from White Pass and your tenant at the Skagway Ore Terminal.

We would respectfully request that White Pass consider and agree to proceed on the following:

- Regulatory approved remediation plan for Ore Basin (attached).
- Mutually agreed to project cost share between Municipality, White Pass, and White Pass tenant at the Skagway Ore Terminal.
- Subtenant partnership participation.
- Scope and scale agreement May 2016.
- Construction fall 2016 – spring 2017.

Attached please find the supporting documentation for this project and cost estimates.

The Municipality feels that this is a public health and safety issue that inhibits the port's ability to develop economic opportunities in Skagway.

Successful cleanup of the basin allows the Municipality and White Pass to explore future port development partnerships.

Thank you for your consideration; please feel free to ask for additional information. We look forward to a response by Tuesday, March 15, 2016.



Mark Schaefer
Borough Mayor