

May 15, 2024

Deb Potter, Vice-Mayor  
City of Skagway  
Sent via email: [d.potter@skagway.org](mailto:d.potter@skagway.org)

Dear Deb,

McKinley Research Group (MRG) is pleased to submit this professional services proposal to prepare a *Skagway Cruise Passenger Impacts on Municipal Services* for the City of Skagway. Along with other port communities in Southeast Alaska, Skagway experienced large surges in cruise ship volume in 2022 and 2023. The rapid growth has increased the need for understanding how the cruise industry is impacting municipal budgets and operations.

The goals of this study are twofold:

- Develop a tool for the City of Skagway to demonstrate the financial impacts of cruise visitors on municipal services, and
- Map passenger disbursement within the City of Skagway, providing a way to evaluate applicability of capital projects to cruise visitors.

Our firm has a history of successfully completing similar projects, most recently for the City and Borough of Sitka. We are underway on a similar study for the City of Ketchikan. Our proposed research methods and timeline follow.

## Scope of Work

### KICK-OFF MEETING

Our team will schedule a virtual kick-off meeting to review the scope of work and project schedule, and plan for data requests and communications.

### COST MODELING

The MRG team will review City of Skagway budget and annual financial report documents to gather initial insights and information related to services intersecting with the cruise industry and cruise passengers. Following this initial financial review, our team will interview staff from each



city department to further develop our understanding of costs. Interviews will be followed by detailed data requests provided to the city regarding actual and budgeted expenditures.

### ***Interview Research***

Input from City of Skagway staff will be integral to developing a cost study that captures routine operating costs and one-time capital costs associated with cruise passenger visitation. Our team will conduct interviews with staff to gather insights into services provided by various departments that are required to manage cruise visitor traffic or use of public spaces. Interviews will include, but not necessarily be limited to, the following:

- Public Works Department to assess street maintenance, solid waste disposal, and other functions required to mitigate the impacts of cruise passengers;
- Public Utilities to assess data related to unmetered water and wastewater use by zones, services provided directly to cruise ships (if any), and other aspects of passenger utility use that is not paid for by business ratepayers;
- Port of Skagway Terminal Facilities to explore operating or capitalized maintenance or upgrades required at Port facilities related to cruise ship visitation;
- Fire and Police departments to understand emergency medical services used by visitors, patrol requirements, and other incidents or investigations involving cruise passengers;
- Museums, Public Library, or other City-owned facility managers to understand cruise passenger use of these facilities, services provided to cruisers, and cost implications of these services;
- Skagway Visitor Department to estimate costs of communications with cruise lines and services provided to cruise passengers.

We expect to work closely with the City to identify appropriate contacts in each department.

### ***Data Requests***

Our team will develop data requests related to department-level financial information required to quantify the costs identified through budget document and interview research. These data requests will include staff-level payroll for select city staff, goods and services purchases, equipment use, and other financial information. Data requested will likely include monthly water and wastewater flow information with as much granularity by area as possible.

### ***Modeling***

Our team will prepare an Excel-based cost model using this financial information to produce per passenger costs. Our cost model will incorporate the percentage of passengers that disembark, as this can vary depending on the weather, time of year, vessel, and dock. The model will include all cruise ship passengers visiting Skagway regardless of dock. Our team will be prepared to provide instruction to designated city personnel in the use and application of the model.

## PASSENGER DISPERSION MAP

The MRG team will develop a map of Skagway showing the areas of highest use by cruise passengers. Mapping will be based on interviews with visitor industry businesses and transportation providers and team observation during a visit to Skagway.

### *Site Visit*

We anticipate one trip to Skagway during the cruise season to observe cruise passenger circulation in and around the community, and conduct interviews with municipal staff if feasible. We will work with the city to determine the optimal timing of this visit.

## Additional Considerations

Use of unmetered water and wastewater services by cruise passengers is a common question asked by municipal governments. These costs are difficult to allocate to cruise passengers as any seasonal increase may be significantly related to water use by other intensive, seasonal industries such as commercial seafood processing. While we will review all available data related to water and wastewater use, we cannot guarantee that costs will be definitively linked to cruise passenger visitation.

## Deliverables, Timeline, and Budget

We can begin work on this project in July 2024. We anticipate conducting a site visit in July. With 2024 as the study period, much of our data collection will need to occur in October and November to ensure that the entire season is accounted for. We can deliver a draft report in January 2025. We can discuss the timeline further if this doesn't meet your needs.

Our firm anticipates delivery of the following by January 15, 2025.

- Draft Cost Allocation Study report for City of Skagway review,
- Excel-based cost allocation model, and
- Map highlighting cruise passenger dispersion and destinations within the city.

Our proposed budget for this project is \$49,000, including travel costs associated with one site visit. We propose invoicing for 50% of project costs (\$24,500) at the time of project kick-off and the remaining 50% (\$24,500) upon completion of all deliverables.

We appreciate this opportunity to offer our services to the City of Skagway. Please feel free to call me at 907-351-6328 if you have any questions or concerns about our proposal.

Sincerely,



Heather Haugland