



Skagway Development Corporation

2003 Annual Report

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MISSION AND PURPOSE

MISSION

The Skagway Development Corporation shall serve the business community of Skagway as an advisory, administrative and technical resource for the purpose of creating ideas, developing initiatives, and/or enhancing existing business activities that benefit the economic environment in Skagway, Alaska. Furthermore the SDC endeavors that the quality of living for residents of Skagway taken as a whole may be fundamentally improved by its work. Its efforts may be in conjunction with various other groups, entities, or individuals of undefined origins or nature to obtain stated economic goals and objectives. The SDC shall not provide assistance to any person(s) that may result in an unconscionable competitive advantage over an existing entity conducting business in Skagway that may be competing for the same resources or within the same market.

PURPOSE

The SDC strives to become an effective economic planning and development organization. In the future the Corporation aspires to become known as the organization, in Skagway, to seek out when you want to start a business, expand an existing business, or desire assistance in writing a grant proposal.

The goals of the SDC are:

- To create an effective and competitive program to recruit new business investment;
- To implement a community-managed process designed to strengthen and expand Skagway's existing business base;
- To create an effective team approach for economic growth and expansion that targets the needs of the community; and
- To focus local and state attention and effort on the problems of the unemployed and underemployed.

The following Annual Report will expand, in detail, how these goals are being sought and the successes SDC has had in 2003.

FROM THE PRESIDENT

SDC saw a lot of change and accomplishments in 2003. We were able to hire Mike Catsi as our executive director and set up a “main street” office. Mike has proven to be the catalyst we knew he would be. He has been instrumental in seeing that we are on our way to meeting our goals and being an effective and productive force in Skagway. His ability to network with business people, elected officials at the local, state and federal level, and community leaders in Southeast Alaska is unsurpassed.

We are fortunate to live in an area that has a growing and innovative economy. This did not happen by chance. The entrepreneurial spirit has been present in Skagway since its inception. SDC is working with businesses that wish to grow and thrive in Skagway. In 2003, we held business seminars that included one-on-one sessions with local residents who wish to fulfill their dream of having their own business. We were able to make loans through our revolving loan fund that helped new business start-ups, as well as existing businesses. By this time next year, we plan on being able to offer training and development opportunities to those businesses we assist with finding funding. We were also successful in re-establishing the tri-cities economic development cooperative between Skagway, Haines and Juneau.

Although we have set lofty goals for the coming years, they are all attainable. In 2004, we hope to establish a Small Business Resource Center and an “Incubator Without Walls”. We plan on further developing our business recruitment program, to promote the area’s attractive business climate. We are applying for more revolving loan funds in order to build the fund of accessible financing for new businesses. Another goal is to commission a much-needed study to develop a Strategic Economic Development Plan for Skagway, which will map out economic development in Skagway for many years to come.

The purpose of SDC is to make Skagway the best that it can be; now, and in the future. We will get there with the help of our elected officials, public and private investors, and our committed board of directors.

Stuart Brown

FROM THE EXECUTIVE DIRECTOR

This year has been filled with many exciting prospects and forward progression towards developing an organization that is not only innovative but successful in its long term goals. These steps forward are not “giant leaps for mankind” but small and consistent in nature. I’ve likened this position and the SDC program to working on several 1000 piece puzzles at once with all of the pieces in one pile. It is sometimes very difficult to see where you are progressing but you know that the pile of pieces is getting smaller and that the pictures are beginning to emerge.

Once I began to get a sense of where SDC was moving as an organization the pieces fell together more easily. The progress made this year is significant and will be the foundation for all of SDC’s work in the future. Getting physically established with a full-time office has been helpful in allowing people a place to identify with entrepreneurial and economic development. This has also allowed the organization to expand its community development arm to assist with the building of a community infrastructure.

Coming into this position with an open mind and experience in so many of Skagway’s economic sectors has allowed me to identify where I believe the most successful paths lie. The history of economic development efforts in Skagway has centered on the traditional methods of recruitment and these have tended to be marginally successful. This is not a problem limited to Skagway but one that most rural communities in Southeast and all around Alaska are facing. An inspiring read of Ernesto Sirolli’s *“Ripples from the Zambezi”*, led me to believe that the most successful strategy was going to be one that diversified our approach in looking at entrepreneurial and economic development.

In response to this a five pronged strategy evolved to promote a vital year round economy:

1. Recruitment –whereby we are actively pursuing businesses from outside of the community to relocate or to have a presence in Skagway;
2. Conducting business feasibility studies and research to determine whether new industry and business types will be practical and marketable in Skagway e.g. shellfish farming;
3. Conduct market research studies to determine whether products from Skagway have a wider opportunity or if there is room for products to be produced here that already have an established distribution;

4. “Enterprise facilitation” is a process of promoting, assisting and supporting the entrepreneurial capital within the community. This is a vital part of the program as it is working and developing resources that already exist in the community; and
5. Providing an alternative source of funding through our revolving loan fund to enhance opportunities that may otherwise go unfulfilled.

This coming year should continue to bear fruit as we build on the past successes of the organization. With any form of economic and entrepreneurial development, programs must be based on long term goals and objectives. The year round economy is not going to change overnight; the conditions necessary for this change need to be nurtured and established for real change to occur. Short term gains such as the possibility of constructing a road or a gas pipeline are not to be shunned but the overall goal is to create a sustainable, vital community with a thriving and healthy economy.

SDC and I will continue exploring any and all ideas that we see having a certain amount of potential for success in Skagway. Being open to all ideas also leaves us open to following one idea and coming up with another. This is an exciting job with amazing potential for economic well being. I feel that the goals and objectives that SDC has developed are worth pursuing and at the same time, being cognizant that this is a long term project.

Michael Catsi

ADMINISTRATION AND ORGANIZATION

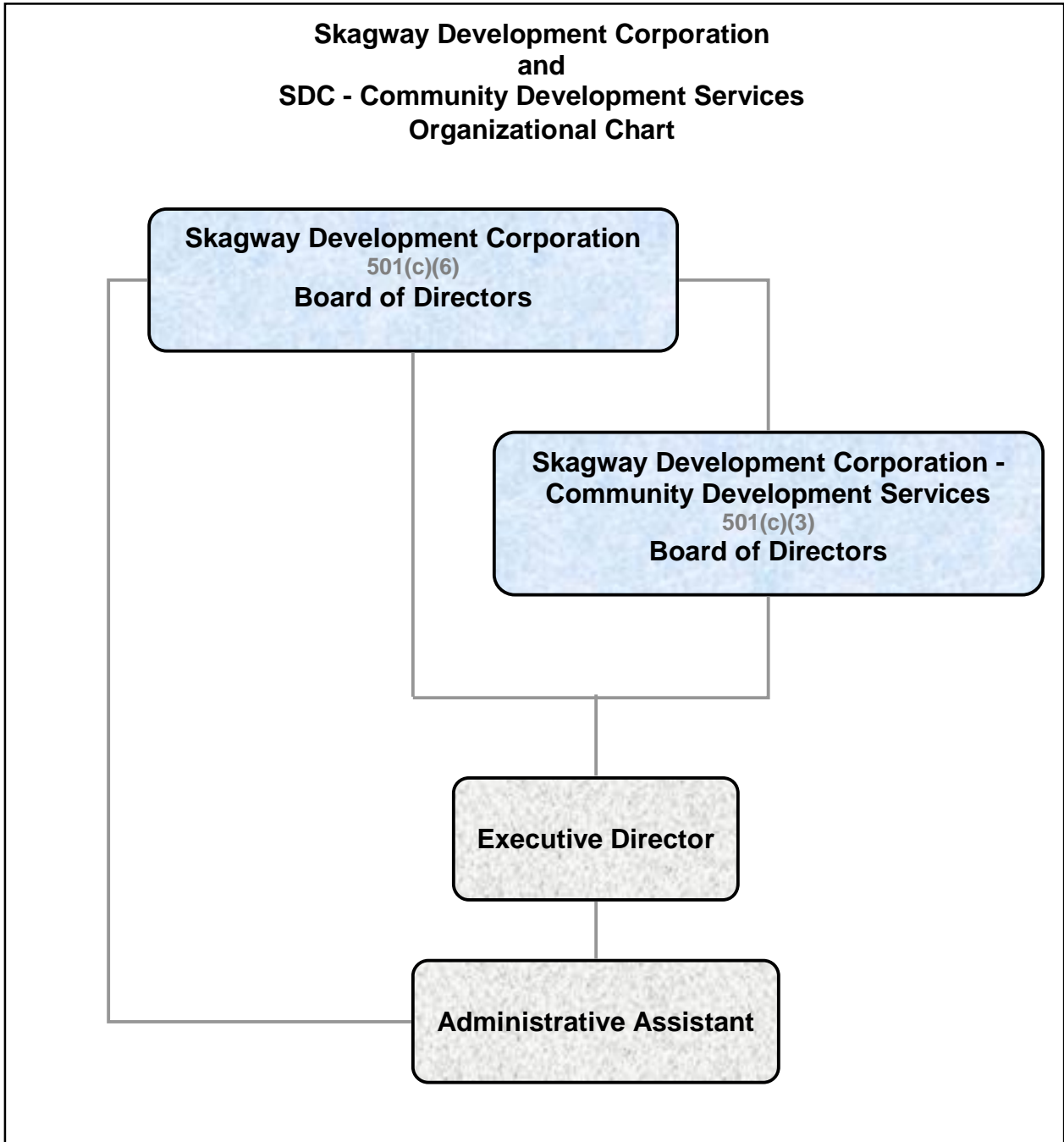
2003 was a busy one for SDC in terms of organizational development, and administrative activity. The biggest change was hiring an Executive Director to take charge of the corporation's mission and day to day activities. After an extensive nation wide search with less than stellar success, it was decided to refocus the search back on a local level and re-assess the resources available in our own community. After another lengthy recruitment process the Board of Directors decided to hire Skagway resident Michael Catsi.

Michael began work April 15th 2003, and quickly took on the responsibilities given to him. One of the first orders of business was to locate and establish functional office space. After this was completed the next phase was to develop a work plan and set of priorities to focus the efforts of the corporation in pursuing its goals.

The Board has also been very proactive in searching for additional board members for added depth of expertise and experience. After actively pursuing numerous candidates the board elected Kristin Wilkinson a member-at-large at the SDC Annual Meeting in December. The board has expressed some frustration in looking for additional members because of the workload most people have in Skagway and because of the requirement in SDC's Bylaws that board members be year round residents of Skagway. Changes to the Bylaws will be discussed in 2004 in order to explore easing the requirements for board membership. The result may reflect more on a candidate's expertise rather than their full-time residency.

Due to the ever increasing complexity of the SDC financial reporting requirements and the workload from projects, programs and grant writing it was decided to hire a part-time bookkeeper/administrative assistant. This will ensure the timely completion of grant proposals, reporting requirements, and will also assist in keeping accounts payable and other financial responsibilities current. It is anticipated that this position will be filled in February 2004 and will be a year round position. (This position was filled before going to press by Angie Cremata, February 16, 2004).

ORGANIZATIONAL CHART



**Skagway Development Corporation
Board of Directors**

President – Stuart Brown
Vice-President – Lynn Herbig
Secretary – Janilyn Heger
Treasurer – Curt Dodd
Member-at-Large – Kristin Wilkinson

**Skagway Development Corporation – Community Development Services
Board of Directors**

SDC Board of Directors
Member-at-Large – John Warder

Executive Director
Michael Catsi

Administrative Assistant
Angela Cremata

BOARD OF DIRECTORS' RESUMES

PRESIDENT: Stuart Brown
Managing Partner: S.M.A.R.T.

Stuart's first season in Skagway was in 1997. He and his wife joined his father-in-law in the independent shuttle and tour business. After owning and operating Eagle Tour Co. of Skagway and Leo's Shuttle Co., the three partners were successful in their bid for the City of Skagway's transit contract. They now operate the S.M.A.R.T. city transit. Stuart was a member of the City's Economic Development commission in 2000-01.

Prior to coming to Skagway, he had experience in business ownership and management, including a marketing position with Mountain Bell and as the general manager of a major Montana Chamber of Commerce. He was co-founder and member of the Northcentral Montana Small Business Development Center, Hi-Line Service Corps of Retired Executives (SCORE), the Taskforce for

Urban Reforestation (TURF), and the Ft. Assinniboine Preservation Association; all non-profit organizations.

Stuart has experience in grant writing ranging from a small business revolving loan program to a community wide effort to build a veteran's nursing home. He also has experience as a small business consultant, as well as legislative lobbying in the areas of business and community development, transportation, education and military affairs.

VICE-PRESIDENT **Lynn Herbig**
Port Agent: Cruise Line Services

Lynn has lived in Skagway since 1988. She worked for TEMSCO Helicopters, Inc for 12 years; starting as a dock representative involved in public relations with the cruise ship representatives and the passengers; ending as tour manager responsible for all dock operations. Lynn worked for two years as a caregiver for the Little Dippers Day Care and also served as an officer for eight years of the Skagway Child Care Council. Lynn is employed by Cruise Line Agencies as a Port Agent coordinating operations between the cruise ships and the port facilities.

She is currently Past Madam President of the *Eagles Auxiliary* after serving two years as President. She is Chairwoman of the *Fran DeLisle Breast Cancer Fund*, an organization established to help financially the citizens of Skagway diagnosed with cancer. Lynn's marketing and management skills, and community involvement will be valuable assets in SDC's efforts to encourage new year round businesses in Skagway. Lynn was recently elected to the Board of Directors for the Skagway Chamber of Commerce.

TREASURER: **Curt Dodd**
CFO: White Pass & Yukon Route Railroad

Curt arrived in Skagway in January 1995 and has been working for WP&YR Railroad as their Chief Financial Officer since then. In this role he has had the opportunity to learn about tourism and more specifically the cruise industry and its impact on Skagway. Furthermore, he has been involved in many business management decisions affecting the operations of the railroad in the promotion of growth and expansion. Prior to coming to Skagway he worked in other positions which developed his skills in management and business and include Director of Administration and Finance for a non-profit in Barrow, Alaska, General Manager for an ANSCA corporation on the North Slope, and he worked for a public accounting firm in Anchorage serving a host of diversified clients.

Curt graduated from the University of Alaska Fairbanks in 1987 with a Bachelors degree in Business Administration. Curt's experience in business and administration, especially while working for non-profit organizations where he was instrumental in writing small grants and assisting with larger grants is of great benefit to the Skagway Development Corporation.

SECRETARY: **Janilyn Heger**
 Partner: Heger Construction, and Alaska Sojourn
 Hostel

Janilyn has lived in Skagway since 1999. She has worked for the Skagway Street Car Company, and White Pass & Yukon Route Railroad. She and her husband own Heger Construction Inc., with 35 years experience in commercial and residential projects. Janilyn has also opened a year round hostel Alaskan Sojourn Hostel and Guesthouse which she operates concurrently with the construction company.

Prior to moving to Skagway she was co-owner of a small restaurant in Portland, Oregon. Janilyn has written one grant for the Community Education Program at the Skagway City School and recently attended a class in grant writing. She is interested in Skagway's business development outside the tourism industry and will work to build a stronger year round economy.

MEMBER-AT-LARGE: **Kristin Wilkinson**
 Tour Operations Manager, Red Onion Saloon
 and
 Liarsville Gold Rush Trail Camp

Kristin first came to Skagway in 1993 and worked for 2 years as a seasonal employee for Holland America Line on board the M/V Fairweather. She graduated in 1994 with degrees in Psychology and Social Work from Miami University. In 1995 she began working for the White Pass & Yukon Route Railway as a tour guide and ticket agent. In 1997 when the Railroad expanded their retail operations she was hired as the Retail Manager of The Train Shoppe. She continued in this position until 2002 while she pursued and completed her Masters in Business Administration from Seattle University. Currently Kristin is the Tour Operations Manager for the Red Onion Saloon and Liarsville Gold Rush Trail Camp.

While she has been a member of the Skagway community for nearly 11 years she is excited to now have Skagway as her permanent year-round home and be involved in the community on a deeper level. She feels that her business

experience combined with her interests in working with the business and local community will help towards the strengthening of Skagway's growing and changing economy.

MEMBER-AT-LARGE: John Warder
Retired: National Park Service (Chief of
Maintenance) and
Dahl Memorial Clinic (Board Member)

John has lived in Skagway for more than 20 years and recently retired from the National Park Service. John was the Chief of Maintenance and has extensive experience with budget development, project management and organizational administration. John is currently very busy working on his home and becoming involved in community organizations. John's continued work on the Dahl Memorial Clinic Board of Directors has been appreciated by the Clinic and the other Board members.

EXECUTIVE DIRECTOR Michael Catsi

Michael first came to Skagway in 1990 and has experienced work in all of the economic sectors Skagway has to offer. His previous position with a local non-profit allowed him to gain experience in project development and management, grant writing and first hand experience in the difficulties facing non-profits. Michael's time in Skagway has been well spent networking and understanding what the community desires. He was elected to the Skagway City Council in 2002 and is very involved in the community's affairs. Michael's interest in economic development led him to become involved in the Alaska Municipal League's Legislative Committee and is Co-Chair of the sub-committee on Land Use, Resources and Economic Development. He has also recently joined the Southeast Conference Economic Development Committee.

MEMBERSHIPS

- Skagway Chamber of Commerce
- Southeast Conference – Economic Development Committee
- Foraker Group
- Grant Station

PARTNERSHIPS AND COLLABORATIONS

- City of Skagway
- Skagway City School
- Dahl Memorial Clinic, Skagway
- USDA Rural Development Center for Community & Business Programs, Palmer
- Juneau Economic Development Council (JEDC)
- Haines Borough Dept. of Economic Development
- Sitka Business Resource Center
- Alaska Small Business Development Center, Juneau.
- Alaska Municipal League Legislative Committee; Michael Catsi is Co-Chair Landuse, Resources & Economic Development Sub-Committee.

GRANT ACTIVITY - 2003

- **Grants Awarded**
 - USFS 2004 Western State Wildland Urban Interface Grant (\$8,750)
 - National Rifle Association (\$3000)
- **Grants Pending**
 - DNR 2004 Recreational Trails Grant (\$19,750)
 - USDA Rural Business Opportunity Grant (\$47,500)
 - USDA Intermediary Re-Lending Program (\$150,000)
- **Grants Denied**
 - Fisheries Economic Development Grant (\$984,828)
 - DCED FY04 Mini-Grant (\$10,861)

BUSINESS DEVELOPMENT

The year has been very busy in terms of developing and implementing a strategy concerning business development in Skagway. A lot of effort has been spent on developing the small business resource center idea coupled with alternative funding sources for business enterprises. It is these two projects that have seen the most success in 2003. The promotion of entrepreneurial activity and being in a position to fund some of these projects has injected \$65,000 into businesses this year alone. As this program develops, SDC expects this amount to increase with a corresponding growth in entrepreneurial mentorship and assistance.

Below are described some of the major business development projects that SDC conducted this year. Most of these projects are ongoing concerns and this year was instrumental in transforming these from ideas into on the ground projects which will continue to be built upon in the up coming year.

Revolving Loan Fund

The RLF has been very successful with SDC entering into the second round of loans from its original funds from the USDA Rural Business Enterprise Grant of \$118,600. So far there have been seven loans made totaling \$133,500. This represents two start-up businesses, three expansions of existing businesses, and two loans for working capital to keep year round businesses operating in the winter. As far as jobs are concerned there was the creation or retention of the equivalent of 5 year round jobs and 5 seasonal jobs due to these loans. The seasonal positions are both summer and winter.

One of the great frustrations that SDC has had this year is the lack of money to fund all the loans for which we have had inquiries. This has resulted in some projects being put on hold or other sources having to be found. At present the RLF is accumulating funds at approximately \$1800 per month and this will increase to \$2200 in 2004. This is not fast enough to fund larger projects on a consistent basis, but has been helpful for smaller projects.

SDC currently has applied for another \$150,000 in funds for loans to businesses and business start-ups that are not eligible for commercial loans. It is hoped that this will be granted as early as February 2004.

Business Resource Center

Over the many years that the City of Skagway has supported economic development groups, these entities have generally used the traditional economic development methods of recruitment as their main focus and this has not been very effective. As previously mentioned on page 4, SDC has developed a program that contains five different elements in its efforts to strengthen the year round economy of Skagway. These are:

1. Recruitment –whereby we are actively pursuing businesses from out side of the community to relocate or to have a presence in Skagway;
2. Conducting business feasibility studies and research to determine whether new industry and business types e.g. shellfish farming, will be practical and marketable in Skagway;
3. Conduct market research studies to determine whether products from Skagway have a wider opportunity or if there is room for products to be produced here that already have an established distribution;
4. “Enterprise facilitation” is a process of promoting, assisting and supporting the entrepreneurial capital within the community and will be conducted through a business resource center. This is a vital part of the development program as it is working with resources that already exist in the community; and
5. Providing an alternative source of funding through SDC’s revolving loan fund or other affordable loan sources to enhance economic opportunities that may otherwise go unfulfilled.

By diversifying the methods by which SDC explores economic and business development and being an independent entity, the greatest flexibility is gained in responding to opportunities. A major part of this strategy is the expansion of business assistance and support services to better serve the business community in Skagway. By establishing a Business Resource Center in Skagway, the business community in Skagway will have the same services available as do towns such as Juneau, Sitka and Ketchikan. These services will include:

- Providing a central depository for written and online business development and management resources.
- Providing assistance to women and low-income earners wanting to take an active role in the economic activity of the community.

- Provide technical assistance services to help start-ups and existing businesses with evaluating their business opportunities. These include:
 - Business Plans
 - Market Analyses and Plans
 - Mission Statements
 - Break-Even Analyses
 - help with licensing, permitting and loan applications

- Providing a support center where classes, workshops and seminars can be held on different aspects of owning and running a business such as:
 - Finances and bookkeeping
 - Marketing
 - Personnel management
 - Legal issues
 - Tax issues
 - Business management
 - Trends in the business community
 - Merchandising

This will require bringing experts to Skagway from other parts of Alaska who will give seminars and provide one-to-one consulting services. We have already begun this program working with Juneau Economic Development Center and look forward to working with others including Alaska Small Business Development Center in Juneau, Sitka Workforce Development Center.

- Provide a center where conferences and teleconferences can be held for the members of the business and non-profit communities.

- Offer start-up businesses subsidized office support by allowing them some use of the center's equipment and supplies at reduced and affordable prices.

A smaller component of this project will be to promote entrepreneurial education in the upper grades of the Skagway City School. The intent is to utilize the experts coming to Skagway and incorporating an educational aspect to their program. This will include short but informative seminars aimed at exposing students to the concepts of entrepreneurship, business start up information and general business practices. Planting the seeds of entrepreneurship in students will enable them to make educated decisions concerning their future career paths.

Grants have been applied for and SDC is continuing its search for funds to establish this resource center and hopes are high to get up and running in the near future.

“Evaluating Business Opportunities” Workshop

In partnership with the Juneau Economic Development Council (JEDC) SDC held a workshop entitled “Evaluating Business Opportunities”. This workshop was very successful with thirteen (13) people in attendance and was equally divided between existing business owners and those wanting to start their own business. In conjunction with the workshop Brian Johnson, Director JEDC Business Assistance Center, held six one-on-one sessions with the participants to discuss individual business concerns and questions.

This workshop was the first in a series to be planned for 2004 to cover a variety of topics related to business operations e.g. bookkeeping, taxes, personnel management, merchandizing, and the tools of business analysis. These workshops will be conducted again by JEDC and SDC will continue to look for other sources for workshop presentations. The feedback received from the participants will be used to better focus the workshops in the future. Funding is currently being applied for to continue these workshops and to further educate the business community in Skagway.

Export Market/Transportation Hub

Skagway’s position as a transportation hub has weakened over the years and although goods still move through Skagway’s port there is potential for more. SDC in cooperation with the City has been exploring and developing the concept of Skagway being a trans-shipment port for goods utilizing the airport in Whitehorse for distribution to export markets. Direct flights to Frankfurt, Germany from Whitehorse in the summer raise the question of whether there is opportunity to move products such as roe, fish, seafood products, and water to Europe using Frankfurt as the gateway. Europe already imports a significant quantity of Alaskan fish products and it appears that water is also being exported to Germany from Sitka.

When discussing this concept at regional and statewide meetings there has been a positive response from a wide variety of groups. The Congressional Delegation’s representatives have been briefed and the concept has been passed on to Washington D.C. Just spreading the word about these flights to Germany has put the focus on Skagway, and has generated a lot of interest in further exploring this as an export market opportunity.

SDC and City officials held talks with the Yukon Government's economic development representatives and they were interested in exploring the potential of this idea. There is still much to do and planning ahead but with continued effort and perseverance there is a good chance that the pieces will come together. The economic benefits to Skagway would include potential for a small processing facility, increased cargo traffic, transportation opportunities, warehousing, cold storage, ice making plant and the employees required to operate these facilities and links. These facilities as well as the new sea wall are being pursued through grants, contributions, state agencies and the Congressional Delegation.

Independent Ferry Authority

Although SDC has not taken a position on the Juneau Access debate the question about access remains. There have been informal talks between groups in Haines and Skagway discussing the concept of establishing an independent ferry authority, based on the Inter-Island Ferry Authority, to operate ferry services between Skagway, Haines and Juneau. The next issue to address is developing a business plan to determine whether this project is economically viable. There has been little progress since August on this project, but SDC will remain involved in these discussions to determine if there will be economic development opportunities for Skagway.

Mariculture (Shellfish Farming)

The State of Alaska has been very proactive in developing the mariculture industry throughout the state and especially in Southeast Alaska. The state has conducted an extensive survey and tests to identify almost 400 sites deemed suitable for shellfish farming. With the interest generated in mariculture the time was right to explore the idea of Skagway possibly being suitable for this type of aquaculture. SDC contacted Rodger Painter of the Alaska Shellfish Farmers Association to find out more about this industry. After initial contact was made SDC invited Rodger to come to Skagway and conduct simple, preliminary tests to determine suitability.

On August 9th Mr. Painter came to Skagway and conducted tests in Dyea and Long Bay. Dyea was deemed too silty for shellfish but Long Bay showed potential in terms of water temperature, water clarity and salinity. One of the

problems that Mr. Painter identified was exposure to south winds possibly causing difficulties in operations. Although these tests are not conclusive they do open the door for further exploration.

SDC has also contacted Ray RaLonde asking him to include Skagway in his search for further sites suitable for mariculture. Mr. RaLonde leads the aquaculture mission for the Alaska Sea Grant Marine Advisory Program (MAP). With nearly 20 years' experience in Alaska aquaculture, Ray provides a range of expertise in salmon and shellfish aquaculture to the University of Alaska and to the industry.

Alaska's shellfish industry is young and growing, concentrating on Pacific oyster farming. Ray's applied research is focused on development of shellfish hatchery and nursery culture technology, and expansion of shellfish farming to scallops and clams native to Alaska. Aquaculture is multidisciplinary, and requires Ray to address issues of water quality, toxic algae, seafood quality control, business plan development for the shellfish farm, and marketing Alaska shellfish products.

SDC is currently waiting to hear from Ray RaLonde regarding the completion of this assessment.

Regional Economic Development Participation

In August SDC organized and facilitated a meeting of the economic development organizations and the Chambers of Commerce from Skagway, Haines and Juneau. This meeting was instigated to further the dialogue between the three communities in order to find common ground that would benefit from us all working together. Gathering the necessary support and leveraging funds tends to be more successful if can be shown that there is some regional significance to a project beyond the local boundaries. The meeting was well attended with thirty participants from all three communities. This meeting was intended to be an initial networking opportunity and to determine where future efforts should be focused. The participants recognized that there needs to be regular meetings and dialogue between our communities to recognize and work towards regionally significant opportunities when they arise.

SDC is a member of Southeast Conference and the Executive Director is on the Economic Development Committee and attended several committee meetings in person or teleconference. The main purpose of belonging to this organization is to ensure that Skagway remains in the forefront of regional economic development issues and that Skagway's wants and needs are heard at this level.

The Executive Director is also a member of the Alaska Municipal League's Legislative Committee and is currently Co-Chair of the Landuse, Resources and Economic Development sub-committee. Although he is in this position as a City

Councilmember it is of great benefit to SDC to have access to and influence on a statewide economic development forum such as this.

The Executive Director was invited to speak at the Skagway Chamber of Commerce luncheon in July and the Haines Chamber luncheon in October. These opportunities were well received and further publicized the mission of SDC and the ways in which it can help entrepreneurs in Skagway. The Haines lunch generated much interest in what the business community in Haines could do to jump start its economy.

SDC – COMMUNITY DEVELOPMENT SERVICES (SDC-CDS)

This community development arm of SDC was incorporated in order to separate the two main purposes of SDC. In doing this it will be beneficial to concentrate on community services and infrastructure in a separate context to economic and business development. SDC–CDS has a 501(c)(3) Tax-Exempt Status and will allow for the greatest opportunity for grant funding.

The mission of SDC-CDS is to develop and promote community services, infrastructure, and organizations for the benefit of the entire community. Groups and services which can benefit from this organization are The Dahl Memorial Clinic, Skagway City School, Skagway Child Care Council, Taiya Inlet Watershed Council, senior services, youth activities, and community events such as Yuletide.

The structure of this organization is that its board is made up of the SDC Board of Directors and a minimum of one member-at-large, although it is preferable to have more. The SDC Officers will hold the same Offices on the SDC-CDS Board. At present the Member-at-Large is John Warder and the board is continuing its search for additional members. It is hoped that two more members will be found in the near future.

COMMUNITY DEVELOPMENT PROJECTS

Skagway Rifle Range Relocation Project

This project has been an ongoing venture since 2001 and continues to be a thorn in the side of the community. A new site had been located on the Klondike Highway six miles north of Skagway. The City approached Department of Natural Resources (DNR) in April 2003, and discovered that a permit application for a conflicting land use has been submitted by an out of town commercial recreation tour company for the same site. This has led to a protracted application process as now the two entities must competitively bid for a lease agreement. During this process SDC assisted the City in putting together the lease application and upgrading the project to include sound abatement enclosures. This has added a provisional cost of \$40,000 to the project bring the estimated cost to \$143,000. As of 31 December there was still no decision from DNR.

During the application process SDC had accepted a \$3000 grant from the National Rifle Association (NRA) to offset some of the costs of re-location.

Throughout the entire re-location process, SDC has been in constant contact with the US Customs, as well as US Immigration and Naturalization Service to assist with the cost as both of these agencies utilize the local shooting range for their professional training. The situation became more complicated with the establishment of the Department of Homeland Security (DHS). The contacts that SDC had been dealing with vanished and picking up the paper trail was difficult. Only by writing to Congressman Young was there some response from DHS. This contact assured SDC that they would move ahead with the request. Again, the contact has vanished. SDC will continue to work with Congressman Young's office in looking for financial assistance from DHS and other federal agencies for the project.

Residential Vo-Tech/Regional Learning Center

This project has been an ongoing concern for SDC for some time. The idea has slowly evolved from discussions with the Superintendent into a residential vo-tech concept very similar to that which is operating in Galena, Alaska. SDC has been in contact with the Galena principal and are waiting for a reply. The school in Galena is a small residential operation specializing in motor mechanics, aviation and aviation mechanics, culinary arts, and cosmetology. The school's website can be seen at <http://pers.galenaalaska.org>. These courses are a sample of the potential within a residential school in Skagway.

House Bill 257, passed in January 2000, encourages communities to develop such specialized schools and had made funding available. Since the start of the Murkowski Administration this money is no longer available. Conversations with Cheryl Frasca, Director Office of Management and Budget, have indicated that although these regional learning centers are a good idea, at this time the Administration is not willing to fund them. Therefore, in conjunction with the school, SDC has been moving ahead slowly to determine what is desirable in this concept for the community to pursue.

This is a great opportunity for year round development, not only for jobs and added educational opportunities but for the regional significance of such a center. Skagway already has one of the best school districts in the state and this would be an appropriate project for the community.

Taiya Inlet Watershed Council

The watershed council is a newly formed organization which has received funding from Southeast Conference to address issues relating to watershed

health and salmon habitat restoration and enhancement. A permanent board of directors has been established and an office opened. SDC has been coordinating with the new Program Coordinator in finding funding sources, as well as organizational and program development. SDC is continuing to work with TIWC to assist in any way possible.

AB Hall Restoration

The City of Skagway appropriated \$70,000 in their FY04 Budget for a Conditional Assessment for the AB Hall prior to restoration of the building's façade. SDC recognized that the AB Hall was a central part of Skagway's Historic District and character. As a result SDC took the initiative to begin talks with Grant Crosby, National Park Service Preservation Architect in Anchorage, to see what could be done to preserve the façade.

After a site visit Grant Crosby was able to work with SDC in developing a work plan to conduct a condition assessment on the building with a Request For Proposal (RFP) ready document being the result. The work was negotiated between SDC, Grant Crosby, and Harrison Goodall (Preservation Expert) for approximately \$10,000. Although this does not necessarily represent a \$60,000 savings to the City, this project was prepared without additional City funds or the use of valuable City time. The condition assessment will be conducted in early February 2004 and the City should have the report by April. After the site visit, SDC will be submitting a Project Development grant application (Office of History and Archeology) in order to offset some of the restoration costs.

FINANCIAL REPORT

The Skagway Development Corporation (SDC) took a big step forward in 2003 by opening a business office and hiring an executive director, whereby solidifying its existence and creating a real presence in Skagway. This catalyst for growth has breathed life into the financial well being of the organization.

For the first time in its existence SDC underwent an independent audit of its financial statements for the year ended December 31, 2003, which is available for examination at our offices. The result was a “clean opinion” where the auditors found the records to be in conformity with general accepted accounting standards in the U.S.

Total revenue for the year was \$121,756, which included \$56,427 from a United States Department of Agriculture grant to fund SDC’s revolving loan program, City of Skagway funding of \$59,743, a grant of \$3,000 from the National Rifle Association, and interest totaling \$2,586. This compares with \$65,813 in revenue recorded in the prior year for an increase of 85%. This growth in funding is the direct result of hiring a director and issuing additional loans under SDC’s revolving loan program.

Early in the spring of the year SDC was able to garner continued support from the City of Skagway and again received administrative funding for general operations. During the twelve months ended December 31, 2003 the City issued a grant of \$82,000, and when combined with a prior year carryover, provided \$96,861 in funding. However, due to slow yet progressive beginnings in 2003, and cautious spending, SDC only expended \$58,021 of the proceeds, generating a positive variance in operating expenses of 40.1%, or \$38,840. In addition, SDC utilized \$1,722 of these proceeds to fund capital asset acquisitions, in accordance with their budget.

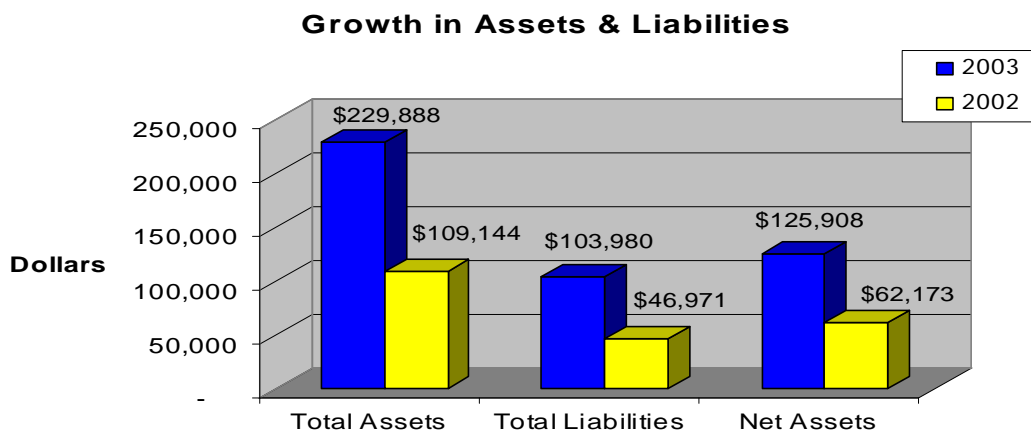
The organization’s net assets (total assets minus total liabilities) were \$125,908 at December 31, 2003 compared with \$62,173 a year ago for an increase of 103%. Net assets consist mostly of both short and long term amounts due from loan recipients under SDC’s revolving loan program. Cash on hand at 12/31/03 was \$114,471, which represent cash advances from City of Skagway grant awards and repayments received from outstanding loans. SDC’s balance in deferred revenue, or unused grant proceeds, was \$101,100 at year end. Cash and deferred revenue were both high due to the fact that the City issues its grants on a fiscal period basis ending June 30th, and thus much of the award issued in 2003 will be utilized in the first half of 2004.

SDC is presently working on strengthening its financial status by acquiring more funding for additional small business loans and applying for grants to support

other programs as well as to fund general and administrative costs. It is SDC's intention to further expand its resource base in order to achieve its operational goals by hiring a part-time assistant and increasing its office space, which have been budgeted in 2004. SDC fully expects costs to rise in the coming year by 30% - 50%, but it also anticipates that revenues will increase at an even greater rate. This pattern of growth will likely continue for the next few years as SDC continues to pursue and implement strategies designed to nurture the local economy.

Condensed Balance Sheet

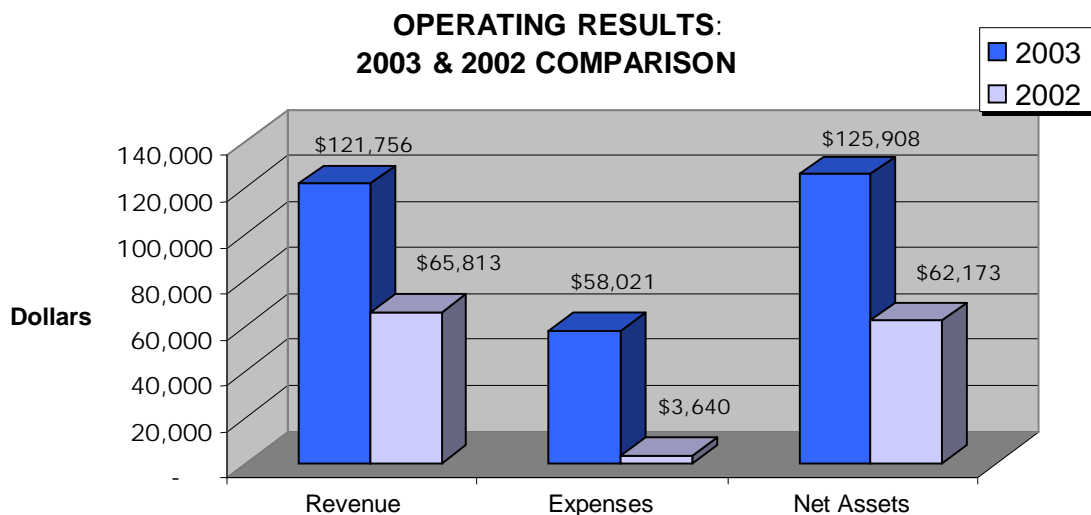
	2003	2002	Change	%
ASSETS				
Current Assets	\$ 139,617	\$ 46,971	\$ 92,646	197%
Long-term Assets	90,271	62,173	28,098	45%
Total Assets	\$229,888	\$109,144	\$120,744	111%
LIABILITIES & NET ASSETS				
Current Liabilities	\$ 2,880	\$ 2,751	\$ 129	5%
Deferred Revenue	101,100	44,220	56,880	129%
Total Liabilities	103,980	46,971	57,009	121%
Net Assets	125,908	62,173	63,735	103%
Total Liabilities & Net Assets	\$229,888	\$109,144	\$120,744	111%



Statement of Activities

Year Ending December 31, 2003

	Actual 2003	Actual 2002	Variance	%
REVENUE				
Grants	\$ 119,170	\$ 65,813	\$ 53,357	81.1%
Interest	2,586	-	2,586	
<i>Total Funding</i>	121,756	65,813	55,943	85.0%
OPERATING EXPENSES				
	58,021	3,640	54,381	1494.0%
Net change in fund balance	63,735	62,173	1,562	2.5%
NET ASSETS- beginning of year	62,173	-	62,173	
NET ASSETS- end of year	\$ 125,908	\$ 62,173	\$ 63,735	102.5%



OPERATING EXPENSES- 2003

	ACTUAL	BUDGET	VARIANCE	%
Wages & Related Benefits	\$ 38,197	\$ 46,245	\$ (8,048)	-17.4%
Rent & Utilities	6,864	14,662	(7,798)	-53.2%
Equipment & Supplies	5,043	7,654	(2,611)	-34.1%
Professional Fees	1,150	13,614	(12,464)	-91.6%
All Other	6,767	14,686	(7,919)	-53.9%
TOTAL	\$ 58,021	\$ 96,861	\$ (38,840)	40.1%

Operating Expenses

