



Skagway
Development
Corporation

SKAGWAY DEVELOPMENT CORP.

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Skagway Development Corporation

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MISSION

SDC endeavors to enhance and diversify the year round economy of Skagway Alaska. Furthermore, SDC maintains that the quality of life for the residents of Skagway should be fundamentally improved by its work.

What Does SDC Do?

The Skagway Development Corporation serves the business community of Skagway as an advisory, administrative, and technical resource for the purpose of creating ideas and developing initiatives that allow the year-round economy of Skagway to grow and develop into a sustainable process that creates wealth for the community at large. (See Chart of Services, page 38)

How Can SDC Help?

The Corporation has become an effective economic planning and development organization. SDC is 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 business plans, exploring alternative financing options, site selection, developing marketing strategies, and with writing grant proposals.

GOALS

To create an effective team approach for economic growth and expansion that targets the needs of the community. This is accomplished by utilizing a multi-faceted approach to economic development. This approach allows the Board and staff to draw from a wide range of tools and allows for greater success. Some of these tools include:

- marketing the community, its facilities, and assets;
- assisting the business community with its funding needs;
- encouraging the development of local entrepreneurial capital;
- actively recruiting firms and helping them to make informed business location decisions;
- advocating on behalf of the business community and its individual members;
- creating an environment which cultivates and nurtures the entrepreneurial spirit; and
- providing the technical assistance that the business community requires to enhance and expand the existing business base.



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FROM THE PRESIDENT

The corporation experienced many changes in 2006. Our biggest changes came in the way of personnel. We lost board members Kristin Wilkinson and Curt Dodd, both who pursued new career opportunities in the Anchorage area. We also saw the addition of a new board member – local businessman, Mike Healy. Mike has been a great addition to SDC and brings with him a wealth of experience and many new ideas.

I owe a debt of gratitude to the board members for the countless volunteer hours they donate to SDC's effort. Without such devoted board members, the corporation would not be able to achieve its many accomplishments throughout the years.

We saw continued success with our business assistance program and our revolving loan fund is still going strong. SDC stepped up its effort in marketing Skagway's port and community over the past year. We took part in a statewide program to partner up with a Russian city and Mike Healy and Mike Catsi were fortunate enough to travel to Russia to explore more economic opportunities in that part of the world.

SDC again took part in Buckwheat's Heartbeat Trail, the community's annual Yuletide celebration, and the Junior Achievement program in the local school. We were able to stay in line with our budget and we were very successful in writing \$550,000 in local grants. I am looking forward to even more successes in 2007.

Cordially,
Stuart Brown



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FROM THE EXECUTIVE DIRECTOR

At the beginning of this, my fifth year as ED, I found myself reflecting on just how far SDC as an organization has come. From its humble roots as a volunteer board looking to resurrect an economic development program and transform it into a viable, broad-based, and comprehensive program. With their early success of securing a grant to create a revolving loan fund for Skagway businesses the board was off to a flying start. In just over a year of volunteer operations the board decided that it was now time for the organization to go the next step and hire a full-time individual to carry out the board's vision of an economic development program as well as expand the services available.

I was fortunate to be the one chosen for the position and I looked forward to the challenge of turning the organization's single focus program into one that encompassed the varied aspects of a comprehensive economic development program. The road to developing such a program is long, full of many twists and turns, and of course many pleasant and not-so-pleasant surprises. With a solid, hard working board behind me and a level of commitment by all, this program has flourished into a comprehensive effort that includes marketing, recruitment, business development and assistance, grant writing, and advocacy (see Chart of Services, page 38). Over this period SDC has been fortunate to have secured over \$865,000 in grant funding that directly benefits the City and community. A \$500,000 grant from the Denali Commission has been selected for award but because Congress has yet to pass several appropriation bills the final decision on the award will be made in 2007. This amounts to a 245% return on the City's contributions to SDC since 2002.

As has been quoted many times before SDC had to learn to crawl before it could walk and walk before it could run. It appears that 2006 was the year that SDC learned to walk. As a child grows into a teenager before becoming an adult SDC is maturing and with it comes wisdom and of course the inevitable question of where are we going and what are we doing? These questions are asked from a position of strength rather than doubt and imply that SDC needs to reassess what more it can do and how it can be achieved more effectively and efficiently.

SDC has over these years been a strong advocate for a holistic approach to development, where not just jobs and wealth are created but where the quality of life must be taken into consideration and not be compromised by growth. This entails being an advocate for and a participant in community development: not just of the community's organizations and residents but also ensuring that its infrastructure development continues to keep pace with growth which allows for the maximum potential for future growth.

This approach led to the creation of SDC-Community Development Services in 2004 whose role was to help improve the community's quality of life and to access grants and



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services not available to SDC. While we have been successful in several areas we have not fully explored the potential of this group and this is an area where more efforts will be expended in the near future. As SDC is such a small organization it is difficult and counter-productive to stretch too thinly the group's efforts.

SDC continues to look for new and innovative ways in which to enhance and diversify the year round economy here in Skagway. Some of the good news stories in 2006 included the continued growth in winter employment numbers since 2000; the announcement that the Skagway Ore Terminal would be re-commissioned for copper shipments by July 2007; the approval of the Skagway Borough Petition; and the passing of legislation for Low Speed Vehicles which SDC played a major role and which has resulted in several inquiries regarding business start ups using this form of transportation.

Some of the successes for SDC in 2006 include:

- The Revolving Loan Fund which continues to provide a valuable source of alternative funding for start ups;
- The SDC website was modified to update its image and usability;
- As SDC increases its exposure to statewide institutions and agencies its influence is reaching all corners of the state. SDC is slowly becoming a leader in economic development programming throughout Alaska. Our grassroots approach is drawing lots of attention and questions regarding how we accomplish our goals;
- Continued marketing efforts for the Port of Skagway included sending the brochure out to many stakeholders and potential users;
- Updating the Skagway Economic Inventory and Profile;
- Attending the Real estate Development and Reuse course enabled me to have a better understanding of property development tools and mechanisms;
- Successfully providing computer training classes for over 65 people in Microsoft Word, Excel, and Outlook;
- Securing over \$1,000 in sponsorship from the Alaska Seafood Marketing Institute for Duppy Ticaro for his James Beard House appearance;
- This year saw the end of the Heartbeat Trail walk yet money continues to trickle in for the clinic equipment fund; and
- SDC-Community Development Services continues to provide a meaningful service to local community organizations and events.

The chronic frustrations that SDC is confronted with are the limitations placed upon it due to funding, staffing, and the inherent nature of the Skagway economy. After four years of observing and following the economy it is painfully obvious that many of the strategies and tools used by other economic development programs are unsuitable or inadequate for developing Skagway's year round economy. This does not imply that there is nothing that



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can be done but the effect of having some of these tools unavailable means that we need to look harder and deeper at other tools and mechanisms for development. This provides a

interesting challenge for the staff and board members but the more education and training we receive we find that there are other tools out there that may be available to expand our current efforts. As such, SDC will continue to pursue new and innovative ways to complete our mission.

SDC staff and board members are committed to continuing this mission and doing what we can to provide economic opportunity to those in Skagway and those wishing to call Skagway home.

Michael Catsi

“Economic development can be described in terms of objectives. These are most commonly described as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community ...”

International Economic Development Council



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ADMINISTRATION AND ORGANIZATION

The board underwent several changes in its membership during 2006. We were very sorry to lose Kristin Wilkinson and Curt Dodd, both of whom left Skagway to further their careers elsewhere. Curt was a founding board member and the organization's Chief Financial Officer: his commitment and expertise will be sorely missed as he was a tireless board member whose contributions will be difficult to match. Kristin was a board member for two years and her expertise in marketing and business management helped round out the board's many skills and expertise. Fortunately, Skagway has a depth of skilled personnel and the board was fortunate to recruit Mike Healy to fill in one of the board vacancies. Mike is the quintessential entrepreneur who is co-owner of Glacial Smoothies, owner of the Skagway Land Company, and the Skagway Brewing Company. Mike has been a valuable contributor and we look forward to utilizing his expertise in the future.

The corporation continues to fund its operations through a generous administrative grant awarded each year from the City of Skagway. The City continues to be a partner and collaborator in SDC's efforts to enhance and diversify the year round economy. Efforts by the City and its officials, working with SDC and in other official capacities, to implement an efficient and effective development program have added considerable breadth to the community's economic development program. This collaboration ensures that ideas, conceptual plans, and leads are evaluated on more than one level and from different perspectives.

Board of Directors

This year the Board continued with its weekly work sessions during the winter months; both at the beginning and at the end of the year. These meetings are where the nuts and bolts of SDC's work are discussed and work plans developed. The board's commitment to these meetings as well as the corporation's mission is to be commended and has enabled the staff to focus efforts on what is important and effective. The board's breadth of experience is an asset not only to the corporation but to the community as a whole.

Efforts are ongoing to recruit new board members because the workload on individual board members is becoming overwhelming. The search for suitably qualified individuals is a difficult process because of the workload that many people have and their current voluntary commitments are often overwhelming.

The organization continues to grow in complexity and with that goes the increase in the administrative and regulatory requirements that need to be met. This is all still being done



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with a staff of two employees: one full-time and one part-time. There have been no increases in staff levels because the board believes that until SDC finds the additional funding for any such expansion it will continue to work within the bare bones budget that it has established. With the current funding restraints SDC will further decrease its budget in FY2008 to maintain its current fiscal requests to the City of Skagway.

Board Retreat

The 2006 Retreat was held in Atlin over a one and a half day period. Most of the time was spent in work and planning sessions which culminated in the basic outline for the 2006 work plan. Going into retreat away from family and responsibilities allows for the level of focus required to accomplish so much over such a short time frame. By scheduling these events in February it better accommodates people's work and vacation schedules – freeing people's minds for the task at hand. This continues to be an effective means of planning and program development and is one of the reasons that SDC has succeeded in achieving its goals.

Training

The Executive Director attended the International Economic Development Council's class on *Real Estate Development and Reuse* in September. This course was an excellent run opportunity to learn of the many real estate development tools used around the nation. This is particularly useful as Skagway has many upcoming situations that may require different mechanisms to encourage development. This course is one of the core topics that make up the IEDC professional development program that leads to the certification of Certified Economic Developer (CEcD).

“A successful economic development strategy must focus on improving the skills of the area's workforce, reducing the cost of doing business and making available the resources business needs to compete and thrive in today's global economy.”

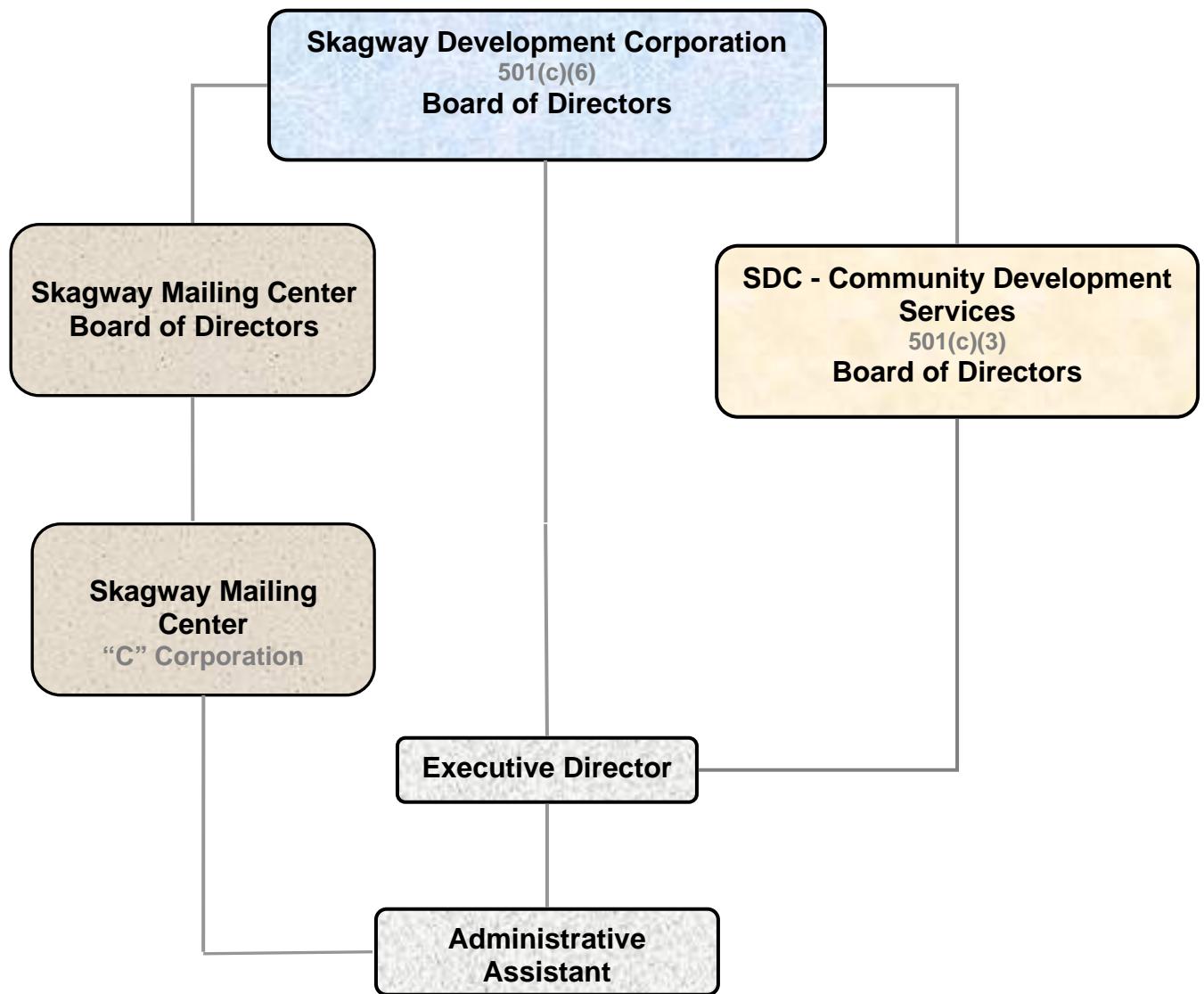
Rod Blagojevich



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Organizational Chart

Skagway Development Corporation & Subsidiaries





Skagway Development Corporation

Board of Directors & Staff

Skagway Development Corporation Board of Directors

President – Stuart Brown
Vice-President – Lynn Herbig
Secretary – Kristin Wilkinson (resigned May)
Secretary – Nola Cole
Treasurer – Curt Dodd
Member-at-Large – Jim Jewell
Member-at-Large – Michael Healy

SDC – Community Development Services Board of Directors

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

Executive Director
Michael Catsi

Administrative Assistant
Angelia Cremata



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Directors' Resumes

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

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. Assiniboine 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 past 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, as well as her community involvement are valuable assets in SDC's efforts to encourage new year round businesses in Skagway.



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Lynn has previously served on the Board of Directors for the Skagway Chamber of Commerce.

TREASURER: **Curt Dodd CPA**
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. Curt was certified as a CPA in 2005. Curt resigned his post in December 2006.

SECRETARY: **Nola Cole**
Retired Small Business Owner

Nola first came to Skagway in the summer of 1980 and returned in 1981 and 1982, after which Nola decided to stay in Skagway year around. In 1983, she purchased the "Popcorn Wagon", a Skagway landmark, and operated that business successfully until she sold it in 1986. Nola used the proceeds from that sale and purchased the historic City Library building. In 1989, Nola opened her retail store "Mabel G. Smith's" on a part time basis. In 1992, she expanded her store to include an espresso and bakery counter, and opened on a full-time basis. She ran the business successfully for 9 more years until she sold it in 2000.

After taking one year off, Nola went to work at Go-Go Greenhouse where she worked two seasons. In 2004 she purchased the business, renaming it Dirty Girls Gardening. Nola's success as a businesswoman and experience in different sectors of the Skagway economy makes her a valuable asset to the Board.



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MEMBER-AT-LARGE Jim Jewell
Owner: Jewell Construction

Jim has been a long time resident of Skagway working for almost 30 years in the construction industry. Jim is the owner operator of Jewell Construction and has been active in both the commercial and residential construction market. Jim originally came to Skagway to work on the National Park Service's restoration crew in their historic buildings restoration program. Jim and his wife also own several commercial and residential buildings which they lease and are also owners of Jewell Gardens which is a popular tourist stop for visitors to Skagway.

MEMBER-AT-LARGE Michael Healy
Owner: Glacial Smoothies; Skagway Land Company;
and Skagway Brewing Company.

Prior to coming to Skagway, Mike was a general manager for a medium sized hotel chain in the Midwest. He also has worked as a bookkeeper for several smaller motels. Mike graduated from Black Hills State University in 2004 with a degree in Business Administration, specializing in Small Business Management.

Mike came to Skagway in 2003 when he and his partners opened Glacial Smoothies & Espresso, serving hot and cold beverages. The business has expanded and is now a year-round operation now serving food & beverages. Mike also owns commercial lease properties in the heart of downtown. Mike's latest endeavor is the purchase of the Skagway Brewing Co. which he is re-opening in 2007. Along the way he has been employed as a tour guide and construction worker in Skagway.

MEMBER-AT-LARGE (CDS): 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 work on the Dahl Memorial Clinic Board of Directors (Vice President) has been appreciated by the Clinic, Board members, and the City Council.



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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 again in 2005 and continues to be very involved in the community's affairs. Michael's interest in economic development and local government led him to become involved in the Alaska Municipal League as a Board member and as the Co-Chair of Legislative Committee. Michael was until recently the Co-Chair of the sub-committee on Land Use, Resources, and Economic Development. Michael is currently volunteering in the CityLinks Program administered by ICMA and funded by USAID to provide technical assistance in local governance and economic development to communities in the Russia Far East.



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PARTNERSHIPS AND COLLABORATIONS

- City of Skagway
- Skagway City School
- Dahl Memorial Clinic, Skagway
- Representative Bill Thomas
- Denali Commission
- Juneau Economic Development Council
- US Small Business Administration
- Yukon Territory Government, Department of Economic Development
- Yukon Territory Government, Port Access Study Group
- Alaska Seafood Marketing Institute
- Alaska InvestNet
- Yukon, British Columbia Chamber of Mines
- AIDEA
- International City/County Managers Association CityLinks Program
- Junior Achievement, Alaska
- Stranded Gas Development Act – Municipal Advisory Group
- Alaska Economic Development Group
- Community Waste Solutions, Inc.
- Taiya Inlet Watershed Council
- SEAttrails
- Skagway Yuletide Committee
- Heartbeat Trail

Memberships

- Skagway Chamber of Commerce
- Foraker Group
- Grantstation



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GRANT ACTIVITY - 2006

SDC wrote many grants in 2006 and did not realize the success that we had hoped in terms of the number of grants awarded. Several grants were looked at for people but all decided that they would wait for a more suitable time.

Grant Title	Written For	Amount Requested (\$)	Date Submitted	Status
Douglas-Dornan Foundation (assisted)	Skagway Child Care Council	4,009	May 31, 2006	Denied
DCCED Mini-Grant	City of Skagway	30,000	July 21, 2006	Awarded
Municipal Matching Grant (Pre-App)	City of Skagway	330,000	August 17, 2006	Denied
Alaska Marine Highway System	Yuletide Committee	510	Sept 21, 2006	Awarded
Denali Commission – Solid Waste Grant	City of Skagway	48,896	Nov. 15, 2006	Denied
Denali Commission – Waterfront Development	City of Skagway	500,000	Dec 1, 2006	Awarded
2007 Recreational Trails Grant	City of Skagway	18,852	Dec 1, 2006	Awarded

SDC is very aware of the importance of writing only those grants that have the greatest chance of success. Grant writing, in general, is a time consuming practice that more often than not sees applications denied rather than awarded. To this end it is vital that this energy be spent on grants that will have the greatest impact on the community and meet the stringent criteria of the grant proposal.

SDC is continually looking for grants that will meet community needs and also looking for community needs that may be met by existing grants. This is becoming more confined to capital projects and equipment purchases because of the dearth of funding available for programming and operating expenses.



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BUSINESS AND ECONOMIC DEVELOPMENT

Research into economic indicators for Skagway show a steady improvement of economic conditions and economic opportunity. Property assessments, sales tax receipts, winter employment numbers, commercial and residential construction, visitor numbers, and total personal income are all on the rise; while the only major indicator decreasing is the student enrolment numbers at the school. These add up to a solid economic foundation increasing the potential for continued economic growth.

This solid economic foundation will positively influence upcoming events in the City's calendar. In 2007 we will see the completion of the Taiya Inlet Subdivision and the subsequent sale of these lots. There will also be the reconstruction and reopening of the Skagway Ore Terminal; finalization of Skagway's Borough status; new revenues from the newly instigated state head tax which will be used for port and harbor infrastructure development; preparations will be underway for construction of the new clinic; and the update of the City's Comprehensive Plan.

This bright economic picture coupled with infrastructure development places Skagway in a strong position over the next few years for additional growth, not just in summer but in the shoulder seasons and winter. This medium term focus on capital projects will bring Skagway's infrastructure up to a level where it needs to be for it to compete equitably with other regional communities. Skagway has a bright future and is destined to thrive, in contrast to some public perception that Skagway continues to be a dying community.

SDC has been actively pursuing recruitment opportunities while still placing an emphasis on developing home grown business ventures. As Robert Shively states "The entrepreneurial spirit is alive and well in small towns"¹ and SDC continues to expend energy on ensuring that this spirit has an opportunity to flourish in Skagway. Our capacity building efforts for local entrepreneurs continues to be well received by those who utilize our services.

As the SDC program matures over time it has endeavored to tune its efforts to those that will have the greatest opportunity of success. This is a trial and error effort that changes over time: something that did not work before may now be a useful tool. As we undertake further training and conduct additional research we find that the tools available to economic development organizations are many and varied in nature. Choosing those that we are able to use and those that are useful in Skagway's circumstances is at times a difficult process.

¹ Shively, R. W. 2004. *Economic Development for Small Communities*.



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SDC has implemented a multi-faceted approach to economic development in Skagway for four years and results prove out this method. By diversifying the community's development tools we have been able to garner results in many different areas whereas a single approach may not have reaped as many results. The aim is to continue diversifying the tools that we use to better capture results in areas not currently being pursued. The greatest challenge to this is the lack of resources available to SDC, and in some respects, the community as a whole.

Revolving Loan Fund

The Revolving Loan Fund (RLF) has now completed its fifth year of providing an alternative financing option for high risk start-ups and other business expansions in Skagway. The fund provided financing of another start-up business opened in 2006 by a year round resident. The fund now is fully dedicated and most borrowers are meeting their obligations.

Flexibility again remains the key to successful funding of high risk start-ups, especially in a highly volatile seasonal economy such as Skagway's. While most start-ups are fortunate to be located in year round economies the businesses here in Skagway have little more than twenty weeks to find a niche, establish themselves, and generate enough revenue to fulfill their financial obligations and meet their living expenses throughout the winter months. To this end SDC has restructured its loan payment system for new borrowers so that they are making payments during the five months of summer when their cash flow is high and we have eliminated winter payments. As a result we expect to see less difficulty with payments for these higher risk entities than we have seen before.

Loan difficulties in the past have been mostly resolved through restructuring loan payments and working with clients to find appropriate solutions to their difficulties and as the fund has yet to see any of its loans default. This is vital for the fund and because SDC's main focus with the RLF is to work with entrepreneurs that are unable to secure business loans from regular commercial lenders. This requires that additional due diligence is conducted on each loan applicant to ensure a reasonable amount of success. Other integral factors that are considered include:

- whether the business is or will be a year round business
- is owned and operated by a year round resident
- whether the business idea has a reasonable chance of success in Skagway's economy, and
- the borrower's credit history and rating.

This careful management of the fund means the fund will continue to be a micro-lender in the Skagway economy for years to come.



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Skagway Business Resources (Rural Entrepreneurship)

The importance of small businesses can be quickly summarized as follows:

- *Represent 99.7% of all employer firms;*
- *Employ half of all private sector employees;*
- *Pay more than 45% of total US private payroll;*
- *Have created 60-80% of net new jobs over the past decade; and*
- *Create more than 50% of non-farm private GDP.*

SDC's program of providing the business community technical assistance and capacity building for those budding entrepreneurs has been one of the more fruitful aspects of the SDC work program. People requesting assistance are recognizing that the resources SDC makes available here in Skagway are invaluable to their business ventures. They understand that these and other services are available through the Small Business Development Center and Small Business Administration offices in Juneau, but to have those resources here in Skagway often means the difference between utilizing them or not. It is important to note that while the SBDC and SBA are excellent resources for general business principles they lack an intimate knowledge of the Skagway economy and business climate.

SDC does its best to ensure that the information and services available are those that best fit the needs of the business community in Skagway. It is important to recognize that SDC is but one partner in regard to our clients. We refer our clients to other entities when we feel our clients are better served by them. We continue to work with them on the more specific local issues and provide an opportunity for them to come face to face with their questions which are usually answered immediately. SDC continues to base its assistance on the "Enterprise Facilitation" model created by Ernesto Sirolli. This model is a one-on-one approach to business development which provides free, confidential, business management, and networking advice to aspiring entrepreneurs and existing businesses.

This is done by linking clients to programs and resources offered by development organizations and professionals; testing the personal motivation and skill of the client; and developing the client's capacity to assess their own management strengths and weaknesses. The service is available for free, and in confidence to any local individual with an idea for starting or expanding a business.² This model is particularly suitable to small, rural communities such as Skagway because of the inherent 'closeness' of the client base and as such has proven to be a successful model in Skagway. The role that the facilitator plays is one of steering the boat rather than rowing it.

² Sirolli Institute website, www.sirolli.com 2005



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“Entrepreneurship development is about more than building a support system for entrepreneurs; it is a transformation. It is about creating entrepreneurial communities, about changing the culture of rural places and people so that they embrace the potential of entrepreneurship. It also includes fostering public policy that invests in entrepreneurship development and is embraced by public and civic organizations and leaders.

Embracing entrepreneurship requires looking at economic development in a new way, one that holds the community responsible for creating development from within. In searching for new sources of competitive advantage, communities and regions ...must take a proactive approach to determining their future.

This approach suggests that there is no “best” model for entrepreneurship development. In some ways, local communities ... are akin to start-up enterprises, discovering and testing the products and approaches to entrepreneurship development that fit well with local realities.”

Deborah Markely Ph. D.

Economic Development America – Winter 2006

Computer Workshops

During the week of April 17-21, 2006 SDC was fortunate to be able to offer a range of computer classes with the aim of providing professionally instructed work skills development at a price affordable to most people in Skagway. Approximately 38 people, from both the private and public sectors, attended one or more of the four separate topics taught over the five days for a total of 58 certificates awarded.

SDC was able to work with CompUSA to bring a trainer, computers, and software to town and spread the cost of the project across the number of users. The \$150 charged per person was less than the cost of round trip airfare to Juneau and allowed people to stay in town and minimize any disruption to their work and families. The success of the program means that SDC will be working in the future to provide similar work development projects.

Business Advocacy

SDC’s role as an advocate for local businesses and organizations is one of our greatest pleasures. It is an enjoyable role yet one that is vital to ensuring that the voice of Skagway’s business community is heard in the places that make the decisions affecting



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them. These places include the legislature, financial institutions, and other business related entities.

Many people do not have the time, skills, or resources to effectively advocate on their own behalf. When SDC sees an opportunity that does not conflict with its core mission then it is our duty to support our community in the most effective means possible.

As businesses interact with institutions outside of Skagway they often need help in explaining the economic base and business climate here because many outside of Skagway do not fully understand the mechanics of our economy. Skagway businesses are often discounted because of this and SDC tries to bridge the gap between the two parties.

Advocacy efforts for 2006 included:

- SDC proposing legislation and assisting Rep. Bill Thomas's office in drafting HB403 to legalize the use of Low-Speed Vehicles (LSV) in the state of Alaska. Letters to legislators and testimony before House and Senate committees ensured that the bill passed and allowed our client (a year round resident) to begin exploring a new business utilizing LSV's.
- SDC assisting Duppy Ticarro with the organization of his appearance at the James Beard House in New York City as the guest chief. SDC helped with identifying suppliers of Alaska seafood and arranging a meeting with the Alaska Seafood Marketing Institute to solicit sponsorship for the event. ASMI agreed to provide sponsorship by paying for some of the seafood supplies (between \$1,000 -\$1,500).
- A letter of support was once again written for a grant written by the Skagway Child Care Council's to the Douglas-Dornan Foundation.
- Attempting to facilitate a trade between a local business and the Dept. of Transportation for a surplus building. The trade was not made due to changes in plans by DOT.
- Publicly supporting the cruise line industry in their opposition to the Cruise Ship Initiative.
- Requesting the 2006 gubernatorial candidates ensure that their economic development platforms contained policies that promoted the development and growth of the small business sector in Alaska.
- A letter of support was written supporting the Dahl Memorial Clinic's application for the Community Health Center Grant

Types of Assistance Provided

One of the greatest pleasures that that this program offers me is the opportunity to meet and assist local and outside entrepreneurs work though the myriad aspects of starting, operating, and/or expanding their businesses. Opportunities also present themselves to sell



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outside businesses on the benefits of starting or bringing their business to Skagway. The presence of a local entity to fulfill this need should not be underestimated.

The range of requests from people is broad and includes, but is not limited to, assistance in naming businesses; state and local business license assistance, general discussions on ideas for new businesses; help with writing business plans; grant writing; help with securing commercial and non-commercial financing; and firms requesting relocation assistance in locating retail and commercial leases, as well as housing. There have been other instances for assistance but these tend to be the most common.

Most of the requests regard specific questions regarding Skagway and there is a distinct advantage of having these inquiries addressed by a local entity. Many outside of Skagway do not fully understand the structure of the economy in Skagway and the stakeholders involved. Assisting these clients would be very difficult for an outside entity to do well. The demand for such services indicates the need for a local entity to provide the types of assistance that the business community is requesting.

Below is listed the types of assistance provided and from where it was generated. For the purposes of recording – only the first visit or request for assistance by a client is recorded all subsequent visits related to the initial request were not recorded.

Stage of Business	Number of Inquiries
Pre-Venture	14
Business Enhancement	1
Business Expansion	2
Buying a Business	5
Selling a Business	2
Web Inquiries	27
Grant Writing Assistance	6
TOTAL	51

Economic Profile & Inventory

In 2005 SDC compiled the first economic profile and inventory developed for Skagway in some time. This document provides in depth economic and community information. Marketing Skagway's attributes to a wider audience requires making detailed information readily available, especially in the current technological climate. This information should include details about infrastructure, demographics, utilities, education, economy, health



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care facilities, housing, transportation facilities and services, recreational opportunities, communications etc. This is vital to site selection consultants, business owners and entrepreneurs considering locating or re-locating to Skagway.

The other important role of economic inventories and profiles is that they help local development, business and government agencies identify strengths, weaknesses, opportunities, and threats to further development. Armed with this information the City, Chamber, SDC, and other interested entities will be better able to develop appropriate strategies to encourage future develop in line with the community's wishes. The inventory underwent a major edit in 2006 and was re-formatted for easier navigation. This 2nd edition has been posted to the SDC website and continues to receive a considerable number of hits.

Port Marketing

The port and waterfront of Skagway have traditionally been the lifeblood of the community from earliest days. Skagway's economic activity and development is centered on the waterfront. With that in mind it is vital to market the port and its facilities to stimulate additional economic activity especially that which provides year round jobs and other value-added opportunities.

SDC continued to distribute the new port marketing brochure to as many potential stakeholders as possible. The pursuit of additional stakeholders continues and while distributing the brochures is important it is only one aspect of marketing. There are two inherent strategies that must be applied to port marketing and they are 1/ transshipments of products from the port to outside markets, and 2/ utilization of the port for transshipments through Canada. The stakeholders in these two strategies are very different.

The first strategy remains focused on efforts to targeting Yukon and BC resource based producers and organizations. These tend to be mining companies and organizations including mining related trade shows, individual mining companies and logistics firms, and the inclusion in the Yukon Chamber of Mines "2007 Yukon Mining and Exploration Directory" of a section for the port facility owners and operators. As mining activity increases in this region Skagway is well placed to be a major transshipment port.

The second strategy focuses on targeting Southeast fishing entities including gill-netters, aquaculturists, fishermen's organizations, southeast dive fisheries, seafood marketing organizations, as well as fishing and seafood consultants. Skagway is already part of the southeast Alaska fishing distribution network but our route is generally underutilized. The goal to increase the current one million pounds of fish transshipped through Skagway



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annually should be a one that can easily be attained. Efforts to promote the benefits of this route continue.

These efforts remain focused on promoting the use of Whitehorse International Airport (WIA) for direct flights to Germany and therefore the European market in general. Southeast harvesters and processors have the opportunity to expand and enhance fresh and value-added seafood markets in the European region by utilizing Condors summer flights to Frankfurt, which are already shipping fresh fish from Anchorage. The aim is to open the Whitehorse–Frankfurt run to the same opportunity. In 2006 SDC stepped up its efforts to work with the Yukon Government and the Airport management to develop a plan that would increase and enhance the WIA capacity to better handle freight especially the addition of cold storage for fresh fish etc. Letters of introduction were sent to the Assistant Deputy Minister of Transportation, WIA Manager, and the Director of Aviation of the Dept. of Highways to open a dialogue regarding the capacity of the airport to become a future regional freight hub. The response centered mostly on the airport's "*Vision 2020 Development Plan*" which I believe fell short of seriously addressing the freight issue.

Ore Shipments

2006 provided hope and good news in terms of reigniting ore shipment activity and reconstruction of the Skagway Ore Terminal. SDC has continued to be actively involved with the City of Skagway, AIDEA, mining companies, and the Yukon Territory Government (YTG) to discuss Skagway's role in shipping ore and the overall future of Skagway's port. An important part of this is to ensure that the YTG, mining companies, and others interested in using the port, understand that the community is very interested in seeing increased industrial use of the port.

This is being achieved by distributing the new port brochures to mining organizations, companies and government agencies to keep Skagway port in the spotlight. SDC also submitted information on the port to the Yukon & BC Chamber of Mines to be placed in their 2007 Mining Directory. This will provide mining companies and their agents direct contact information to the stakeholders that manage and operate Skagway's port facilities.

AIDEA signed an MOU with Sherwood Copper late in the year and this defines the relationship between the parties for use of the ore terminal is rebuilt. Skagway's ore terminal reconstruction will be based on the concept of several expandable storage facilities to accommodate multiple users and several different ore types. Construction is scheduled to be completed in time for the first expected shipments of copper ore from the Minto mine in July 2007.



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SDC received inquiries from several mining companies and a logistics company about the ore terminal and Skagway in general. These included:

- SDC was contacted by Robert Cotton, President of Cotton & Western Mining regarding the shipment of iron concentrates out of Skagway. We met with him and his representatives in July and unfortunately we were unable to help him find solutions to his transshipment problems. His problems stemmed from the price that AIDEA was charging to move ore through its loader. We looked at several alternatives sites and loading options including the Long Bay site which the Yukon
- Government wanted to buy in 2001. We worked with the City, and AIDEA to find those solutions but none were found.
- SDC was also contacted by Erling Hecht of IceCorp Inc, inquiring about the port and it facilities for zinc shipments. We worked with him and AIDEA to find out more of his needs and unfortunately the conversation stopped before it even got going.

Of course no efforts to promote export shipments through Skagway or increased port usage can have any meaning without the involvement and cooperation of the White Pass & Yukon Route Railroad. At this point it is vitally important that the City, Yukon Government, the State of Alaska, SDC, and the community as a whole begin a meaningful dialogue with WP&YR to determine the future extent of transshipments and the logistics of scheduling and dock usage. These efforts need to begin as soon as possible to avoid future conflicts.

Yukon Mining Update: Ken Galambos, YTG Economic Development Department, was contacted to get an update of mining activity in the Yukon and its potential impact on Skagway. Understanding the current state of affairs in the Yukon is vital if Skagway wants to ensure that the port's infrastructure and operations will be ready to meet the needs of expected mining activity. It's also vital to identify which companies are planning to ship through Skagway and begin developing working relationships with them so that we can assist them and be actively involved in determining the character of development in Skagway.

I have summarized the activity in the Yukon, that is or may be, relevant to Skagway's economy:

- **Minto Copper:** Work is almost finished on clearing the top non-ore producing soil to expose the ore body underneath and on completing construction of the site. They have conducted exploratory drilling in Area 2 and it appears likely that this area will contain enough bankable ore which may be the equivalent of 50% of the main ore body currently being worked. This could lead to a considerable extension in the



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mine's life and add several years to shipments out of Skagway. Currently, Sherwood Copper is planning on commencing ore shipments to Skagway in July 2007 and are expecting a seven year mine life based on Area 1 which could be extended another seven years if Area 2 proves viable.

- **Cash Minerals:** Their Division Mountain property has received a favorable report in terms of feasibility. The feasibility study finds that it is technically and economically feasible to develop an open pit mine producing 240,000 tonnes of unwashed coal per year over a 20 year period, with the product being sold to a potential 50 MW (net) mine-mouth power station located adjacent to the Division Mountain property. The feasibility study does not support the development of the mine to serve the export coal market, although it does identify potential developments which could lead to an increased project value. These include:
 - More cost effective operations as a result of more detailed information and detailed mine planning.
 - Increase in production to meet increased industrial demand in the region.
 - Discovery of further reserves of PCI and/or metallurgical grade coal. This could lead to additional markets.

Source: CCN Matthews Press Release November 15, 2006

Unless these criteria are met it would appear that Skagway will not be facilitating coal shipments in the foreseeable future.

- **Ruby Creek:** Is a molybdenum property 38 km NE of Atlin and has shown excellent results from test drilling. Adanac Moly Corporation is currently conducting a feasibility study. Their website states that they are expecting to begin construction in May 2007 with an expected production start date of October 2008. A letter was sent to the president of Adanac Moly Corp regarding Skagway's strategic shipping position and information on the port's facilities. No response has been received.
- **Tulsequah Chief:** This is 95km south of Atlin and its minerals include gold, copper, silver, lead, and zinc with a 12 year life span. Redfern Resources have completed permitting and is currently building its resources. It is expected that most of the shipping would be done through Skagway and if all goes as planned, mine officials hope to have the mine operational by the end of 2008.
- **Wolverine, Howard's Pass, and Cantung:** These mines look as if they are going to ship their products through Stewart – the reason for this being scheduling conflicts in Skagway. Wolverine is three years away from production and Howard's Pass is closer to 10 years away. Cantung has only three years of reserves left so will not have a significant impact on Skagway anyway.



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- **Mactung:** Looks as if it might be able to ship through Skagway. MacTung holds enough tungsten to produce 350,000 tonnes a year for 30 years. In 2005 additional drilling was conducted and the results were encouraging. A new resource estimate will be made for the deposit during the coming winter after all assay results are received. A revised feasibility study will follow after the end of the 2007 summer field season. Skagway should be proactive with this mine to ensure we are on the top of the list when they choose their preferred shipping port.

These properties should provide Skagway long term, positive year round employment prospects, especially with good paying jobs that pay a living wage. The community should not take for granted that these resources will be shipped through Skagway, I believe that we need to be pro-active and engage these companies to show that we not only want their business but will work with them and assist them in whatever way possible.

Port Feasibility Study Groups

Two groups have been formed to study improving the transportation infrastructure in the north. These groups are funded by consortiums of US Federal, State of Alaska, Canadian Federal; and Yukon Territory governments.

The US-Canada Rail Link Study Group's mission is to study the feasibility of linking the Canadian and Alaskan rail systems. Studying the components of this system has led them to look at Skagway as an integral part of the system, both before and after the completion of the link. The plan has been completed but has not been publicly released as yet.

Conceptual plans have been reviewed by SDC and City officials and they involve simultaneously developing the industrial side of the port to accommodate more tourist and industrial activity with the aim of eliminating scheduling conflicts. This plan is extensive and would provide a solution to the current issue of scheduling conflicts between cruise vessels and potential bulk carrier. The concept would also tie Skagway's port facilities to the proposed main rail link in Whitehorse restarting the railroad in to a year round carrier of commercial goods.

This concept will require a significant financial commitment from all of the local stakeholders but for it to be truly viable there will need to be significant federal and state appropriations for construction of the new facility. This is a grandiose plan that has many positive attributes but is one that will have a difficult time receiving the funding it needs to get off the ground.

A separate Yukon Port Access Committee was formed under the same management umbrella as that of the Rail Link Feasibility Group, and involves primarily government stakeholders from the Yukon, State of Alaska, and Skagway. This group has also finished



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their study but has not yet released it to the public. Their conceptual plan is less grandiose than that of the Rail Link Study Group and also remedies the scheduling conflicts that have limited the port's development. The financial commitment to this plan would be considerably less than that of the other plan but would require constructing a new cruise ship dock and would require this dock to be exchanged for the Ore Dock from WP&YR. It is not known if discussions with White Pass have been held on this concept. It is hoped that the study will be released soon so that planning can begin for future development of the port.

Website

The SDC website (www.skagwaydevelopment.org) continues to receive considerable traffic. The website is constantly being updated and changed to ensure the most up to date information is available and to increase ease of use. This work is still being done in-house which allows the organization to swiftly adapt the website to changes. The website is also used to promote the Yuletide Weekend, while links to the Heartbeat Trail, Cruise Ship Schedule, and local organizations are popular with visitors.

Winter Employment and Community Vitality

Skagway's winter economy is showing continued growth in wage and salary earners for the winter months of October through April. This is an encouraging sign although most of this may be directly related to the summer season. Without a sector analysis being performed, it does seem apparent that the increase in winter numbers may be attributed to the growing construction sector. Commercial construction continues unabated and much of this work is done during the winter while residential construction appears to dominate summer construction.

One possible explanation for the perception that Skagway is a dying community is that although more people are working during the winter there is not as much community involvement. There has been a dramatic shift in the demographics of the community with a lot of twenty/thirty-somethings staying year round but they are generally single or don't have children. Their social patterns are different to those generations before them and there is less volunteerism from them and less involvement in community events and functions. Of course, that does not indicate a dying community but rather one that is doing well but not in the way it has been measured in the past.

SDC compiled a response to the Local Boundary Commission's Supplemental response and found that many of their claims of a declining community to be false. SDC research showed that the LBC's claims that the community was dying because of its declining school enrolments was misleading in that it was not presented in a larger context. Data



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from the Dept. of Education & Early Development³ shows that 33 school districts out of 54 have all seen a decrease in their school enrollments since FY92; only 21 districts showed any increase since that time, and a couple of them have seen decreases since reaching later highs in their enrollment. If one looks at enrollment data comparing FY2001 and FY2006 figures there are only 14 school districts in the state that have seen increases in enrollment.

Another demographic criterion used by the LBC staff to show that Skagway is shrinking or unable to be viable in the future is the number of child recipients of the Alaska Permanent Fund Dividend. While this data is absolutely true, its truth is masked when taken out of the greater context of trends across the state. Staff failed to mention that the state, as a whole, has also seen a similar decrease in child applications over the same period as well as fewer overall PFD payments - *“2,773 fewer dividends were paid in 2005 than 2004...1,645 fewer child applications in 2005 than in 2003”*⁴ This may reflect national birthrates rather than any attributes applicable only to Skagway.

Skagway’s population was also said to be declining yet when one looks at the historical data it is obvious that since the 1920 Census Skagway has shown an overall increase in actual population not a decrease as is misquoted by LBC staff. The other point that is obvious is that Skagway’s population has remained, essentially, unchanged since the 1910 Census, although some natural fluctuations are evident. For the past 100 years in terms of stability and viability it is noticeable that Skagway’s population, albeit under 1,000, has produced one of the wealthiest per capita communities in the state of Alaska.

The numbers below indicate quite clearly just how vibrant Skagway’s winter economy is. These numbers do not include those self-employed individuals only those receiving a wage or a salary. It does not take a large increase in numbers to make a difference in a community the size of Skagway.

Winter Employment Numbers 2000-2005/2006

MONTH	2000	2005	2006	Increase (%)
January	379	453	481	27*
February	341	446	477	40*
March	410	483	492	20*
April	494	603	579	17*
October	528	664	▪	19
November	429	525	▪	18
December	418	519	▪	15

³ Dept. of Education & Early Development: Foundation Program FY88-FY06 Average Daily Memberships

⁴ Permanent Fund Dividend: 2005 Annual Report, p. 6



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Source: AK Dept. of Labor ■ - Not available * - 2000-2006

	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	Winter AVE
Total, All Industries	664	525	519	481	477	492	579	534
Construction	51	52	48	39	49	49	54	49
Manufacturing	9	8	10	9	8	9	11	9
Trade, Transportation, & Utilities	282	193	188	195	174	179	249	209
Information	16	14	15	14	14	16	19	15
Financial Activities	8	6	5	5	7	6	7	6
Professional & Business Services	1	0	0	0	0	1	4	1
Education and Health Services	5	4	4	4	5	4	5	4
Leisure and Hospitality	101	53	64	41	36	40	56	56
Other Services	23	24	23	24	23	25	25	24
Unclassified	1	1	1	2	2	2	2	2
Federal Government	47	45	44	40	41	42	48	44
State Government	13	13	10	10	11	12	10	11
Local Government	107	112	107	98	107	107	89	104

Source: AK Dept. of Labor

ICMA CityLinks Project

This program provides technical assistance in areas essential to local governance such as:

- Improved government openness and transparency at the local level;
- Enhanced citizen involvement in government decision-making; and
- Local economic development projects tailored to meet the specific needs of the partner community.

The Russia Far East-Alaska Partnership Program establishes technical partnerships between communities in the RFE and cities and organizations in Alaska to provide access to hands on technical assistance. The aim of the program is to share knowledge in the area of economic development to build the capacity of the Russian partner and to implement programs that will grow businesses and jobs and/or attract and sustain businesses/investment/tourism etc.

The City of Skagway, in collaboration with its technical partner SDC, is partnered with the District of Vyazemsky (pop. 25,000). Mike Catsi and Mike Healy conducted a site visit,



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Dec 4-8, as part of the initial diagnostic week which allowed us to evaluate the district's strengths, weaknesses, opportunities, and threats; meet with municipal officials, tour plants

and factories, conduct interviews with the business community, and to get the general lay of the land. This allows us to determine how we can most effectively be a technical support resource and to develop a workplan to guide our efforts over the next nine months.

Towards the end of the week and in close consultation with our Russian counterparts a tentative workplan was agreed upon:

- Assist them in developing a business plan for a vegetable processing plant that will lead to an increase in the vegetable production in the district;
- Provide assistance with the development of a long term tourism plan;
- Educate them on brand marketing and help them create a marketable image for themselves;
- Assist with the creation and development of a marketing and business development office within the existing municipal structure.

This workplan will be the focus for the next nine months and will include two visits to Skagway by our partner community, the first of which is tentatively scheduled for March 4-9, 2007. The municipal staff in Vyazemsky was very hospitable and eager to learn how our local governments function and they were very pro-business and proactive in planning for their economic future. Our job will be to guide their efforts and provide the technical expertise so they may accomplish their goals.



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SDC-COMMUNITY DEVELOPMENT SERVICES (SDC-CDS)

It is a major goal of SDC-CDS to improve the quality of life for Skagway's residents, both year round and seasonal, and for our visitors. This can be achieved in many different ways and one of them is to provide support services for the other non-profits in Skagway and to help develop community infrastructure. The goal is to ensure that the community has the facilities and programs in place to make Skagway a desirable community for people to live, work, play, and raise a family.

Making Skagway a desirable location will ensure that there will be the critical mass required for economic growth and development. As the winter work population continues to increase this will also place added demands on the community's programs and facilities that are currently in place. It is vital that their growth matches that of the community and meets the demands of the residents. SDC-CDS is working with several community groups and events to assist with the continued development of this infrastructure.

One important role that SDC-CDS plays is to provide legal and organizational support for non-profits. In 2006 we were once again able to assist other non-profits on organizational and legal matters to resolve issues that they were facing. Our knowledge of non-profit organizational matters has been an excellent resource for groups trying to organize as non-profits, and for non-profits looking to increase their group's organizational efficiencies.

Junior Achievement

SDC-CDS partnered with Junior Achievement, Alaska (JA) to once again present the program to the Skagway school for the 2006-07 school year which will be presented in March 2007. JA is an internationally recognized program that *“educates and inspires young people to value free enterprise, business, and economics to improve the quality of their lives.”* After the first presentation of the JA program at the school in 2005 the program received many positive responses from teachers, students and the presenters. Based on this feedback it was decided to continue with annual presentations of JA in the elementary school. Currently JA is only offered in the elementary school but there are plans to expand this into the middle school as funding and organizational resources allow.

“Entrepreneurship education is of critical importance. It is important to realize that entrepreneurship education is not a class on “how you run a business”. That is small business management. Entrepreneurship is a way of thinking, tied



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to creativity, idea generation, and opportunity recognition.”

Erik Page – Entreworks Consulting

Thanks must go to the School Administration for allowing JA to be presented in the school; the elementary teaching staff who are very supportive of the program; and the volunteer instructors who give of their valuable time to help educate our children. The volunteers for the program are picked (when possible) from the business community as these people are best place to speak from experience and to relate these experiences to our students in a manner that they understand.

Of course the program would not be possible without the support and generous contributions of businesses that donate funding for the program and materials. The program currently costs \$1,800 (for 4 elementary programs) each year to buy the materials, curricula, and the training required to successfully implement the program. The following businesses have donated for the March presentation: AP&T, ATIA Skagway Chapter, Holland America Lines, and Petro Marine Services.

SDC-CDS has taken on the responsibility for administering the program, secure funding, recruiting and training the volunteers, and liaising between JA and the school to ensure the smooth operation of the program. SDC-CDS is committed to continuing this all important addition to our children's education.

Yuletide Weekend 2006

The growing success of the resurgent Yuletide Weekend in the past four years has turned it into one of the premier events of the Skagway social calendar. It hit a low around five years ago and was slated for being scraped but a dedicated group of volunteers refused to say no and have worked diligently to revive it and give it new life. From the start it was realized that the committee needed to concentrate on organizing the events and not get bogged down with forming a new non-profit, opening accounts, and finding someone to accept financial management of the funds. SDC-CDS suggested that it take on those responsibilities and the committee organize the weekend. This arrangement has worked extremely well and has streamlined the committee's efforts to work efficiently and effectively.

This year's event was the most financially successful due to the generosity of the community's businesses and the increased number of people who attended the ball and the wine tasting. Numbers in general continue to increase and this can be best defined by the number of extra cars that are added each year by the WP&YR to the Santa Train. SDC-CDS was again awarded a marketing grant from the Marine Highway System to advertise the event in Juneau and Haines. Efforts were also made to increase advertising in Whitehorse which has the greatest chance of success.



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Buckwheat's "Heartbeat Trail"

SDC-CDS continues to financially manage the heartbeat Trail Funds and as of December 31, 2006 those funded totaled \$71,000. These funds and those that continue to trickle in will be placed in a higher interest bearing CD until the funds are needed. It is highly recommended that these funds and the interest they accrue be used as a match to leverage these monies so that more equipment can be bought for the new clinic. This will give the clinic a bigger bang for its buck and could leverage up to four times the fund total. Now that the fundraiser is over the MOA signed between Buckwheat and SDC-CDS will be terminated early in 2007.



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SKAGWAY MAILING CENTER

As the 2006 summer season approached, the board worked diligently to assess the strengths and weaknesses of the Mailing Center's first season. The 2005 season encountered more hiccups than was expected but in hindsight it was no more than what many start-up businesses face. In evaluating the season, location was identified to be the number one issue that needed resolution. Fortunately, at the same time the opportunity to move on to 3rd Avenue arose and the Board moved quickly to secure the location.

The new location, larger floor space, returning management and staff, and the second year in operation proved to be the right combination for a better year in 2006. All of these combined showed that with continued efforts the mailing center concept and business plan were not only viable but as a business it would show considerable growth over time. Unfortunately, due to under capitalization there was not enough time to realize these potentials and after the season the Board of Directors decided to sell the business.

As of December 31 efforts are continuing to close with a buyer. These efforts will continue until the business is sold or dissolved. Interest has been strong and there is a positive feeling as to where this will lead.

The Board is very grateful for an excellent management team and staff and without their efforts the company would not have grown as much as it did. Their ability to network in the business community and develop a strong clientele was a real strength for the company. The Board looks forward to seeing this business continue because it does fill a much needed niche in the community.



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FINANCIAL REPORT

The outcome from operations for the year ended December 31, 2006 produced positive results. Administrative costs were consistent with previous years and in line with the budget. These costs were kept within range by a combination of cost-cutting and increased efficiencies in conducting business. The slight rise in operating expenses is due to the \$7,800 SDC paid to host the computer classes in April.

SDC saw growth in its Community Development Services (CDS) funds and realized an increase in total assets of \$43,311 over last year. CDS manages The Heartbeat Walk, Yuletide, and Junior Achievement for local groups on a growing scale. SDC also continues to manage the Revolving Loan Fund with six loans currently under management, all of which are in good standing. Since the programs inception three loans have been retired and fully repaid without loss or expense.

At year end SDC held \$82,381 in net unrestricted assets, which is represented by our investment in SMC, business loans, and cash. These assets (equity) are carefully utilized to gain the fullest potential for the company and its subsidiaries; balancing growth, budgetary needs, and investment.

As previously mentioned, it has been necessary during 2005 to cut costs in light of funding restraints. However the Corporation endeavors to develop its resources, which requires further spending. The SDC Board of Directors fully understands the fiscal constraints on the City of Skagway and is sensitive to this especially as to how it may affect potential funding to SDC.

In light of this, the Board and staff are developing an aggressive budget cutting strategy for FY08. SDC looks forward to continuing its partnership with the City and other community organizations. This can only be achieved with a strong commitment from the City to continue supporting economic development in Skagway.

The SDC program has now completed of five years of operations in the community and has shown its value to the city many times over. The Board and staff are committed to this process and the results that it has achieved. With continued financial support from the City this program will continue to be the positive influence that it has been over the past five years.



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Operating Expenses

For the Year Ending December 31, 2006

Wages & Related Expenses	65,530
Professional Fees	14,773
Rent & Utilities	9,625
Supplies & Equipment	1,880
Travel & Training	4,526
Depreciation	738
Insurance	3,099
Other Expenses	2,022
TOTAL	<u>102,193</u>

SDC 2006 Operating Expenses

