McDowell Group

• Multidisciplinary research and consulting firm since 1972
  • Visitor industry, Seafood, Mining, Education, Health & Social Services, Transportation
  • Market research, feasibility studies, survey research, economic development, benefit/cost studies, program evaluations

• 18 professional staff in Juneau, Anchorage, and Washington
• 30 years of Sitka-related research
• 2018 Alaska Chamber Small Business of the Year
Today’s Presentation

- Demographics
- Economics
- Industry trends
- Business survey results
- Questions/discussion
Demographic Trends
Sitka Population

8,652
2018

5% decline
Since 2014
(down 414)

Source: AKDOLWD

ADOL Projection:
8,300 by 2030
7,800 by 2040
## Population: Migration

### 2017 to 2018

- **621 entered Sitka**
- **768 left Sitka**
- **Net 147 people leaving**

### Entering Sitka

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>5-Yr Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchorage</td>
<td>42</td>
<td>30</td>
<td>47</td>
<td>42</td>
</tr>
<tr>
<td>Juneau</td>
<td>48</td>
<td>51</td>
<td>38</td>
<td>43</td>
</tr>
<tr>
<td>Other Southeast</td>
<td>94</td>
<td>93</td>
<td>59</td>
<td>86</td>
</tr>
<tr>
<td>Other AK</td>
<td>18</td>
<td>8</td>
<td>31</td>
<td>23</td>
</tr>
<tr>
<td><strong>From Outside Alaska</strong></td>
<td>508</td>
<td>443</td>
<td>446</td>
<td>499</td>
</tr>
</tbody>
</table>

### Leaving Sitka

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>5-Yr Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juneau</td>
<td>77</td>
<td>50</td>
<td>59</td>
<td>67</td>
</tr>
<tr>
<td>Anchorage</td>
<td>60</td>
<td>45</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>Other Southeast</td>
<td>19</td>
<td>64</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Other AK</td>
<td>68</td>
<td>64</td>
<td>41</td>
<td>53</td>
</tr>
<tr>
<td><strong>Leaving Alaska</strong></td>
<td>529</td>
<td>579</td>
<td>581</td>
<td>570</td>
</tr>
</tbody>
</table>

Source: AKDOLWD; McDowell Group Calculations.
Births and Deaths, 2014-2018

Average “natural increase”: +22 people

Source: AKDOLWD; McDowell Group Calculations.
Sitka median age in 2018: 39.8

Alaska median: 35.2

Population over 65
11.4% in 2010
15.8% in 2018
22.5% by 2030

Source: AKDOLWD
Economic Trends
Sitka’s Economic Footprint

Total Output
$958 million

Total Value-added
$528 million

Total Personal Income
$571 million

Total Gross Sales
$411 million
Employment Trends

2017-2018:
Down 33 jobs

Gains (+33):
- Social Services (+11)
- Prof./Bus. Services (+10)

Losses (-66):
- Government (-17)
- Manufacturing (-19)
- Trade/Transp. (-13)

Source: QCEW, AKDOLWD
*2018 data are preliminary
Wage Trends

Source: AKDOLWD, QCEW.

Average Monthly Wages, 2017

- Anchorage $4,660
- Alaska $4,434
- Juneau $4,253
- Ketchikan $3,819
- Petersburg $3,588
- Wrangell $3,193

2018
Govt.: $4,738
TOTAL: $3,868
Private: $3,559
Sitka $3,624

Source: AKDOLWD, QCEW.
Wage/Salary Employment & Self-Employment

Sitka

- Wage/salary: 31% (4,449)
- Self-employed: 69% (2,208)

Alaska

- Wage/salary: 21% (2,208)
- Self-employed: 79% (4,449)

Total (2017): 6,527

Self-employment in Sitka up 250 since 2013

Source: BEA
Labor Force

Source: QCEW, AKDOLWD

Unemployment Rate

Alaska
Rest of Southeast
Sitka: 4.2% in 2018

4.8% in March 2019

Source: QCEW, AKDOLWD
Nonresidents in the Sitka Workforce

- 34% of the Sitka workforce is non-resident
- 40% of the private sector workforce is NR

<table>
<thead>
<tr>
<th>Region</th>
<th>Nonresident</th>
<th>Local resident</th>
<th>Other AK resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sitka</td>
<td>2,017</td>
<td>3,695</td>
<td>296</td>
</tr>
<tr>
<td>Ketchikan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Juneau</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ADOLWD, Nonresidents Working in Alaska
Share of Nonresidents in the Sitka Workforce

2010: 28%  
2011: 28%  
2012: 27%  
2013: 29%  
2014: 30%  
2015: 32%  
2016: 32%  
2017: 34%

Source: ADOLWD, Nonresidents Working in Alaska
Seasonality
Preliminary 2018 data

Source: QCEW, AKDOLWD

Difference between January and August: ~1,550 jobs (40%)
Sitka Personal Income

Source: BEA; ADOLWD CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.
Sitka Personal Income

Per-Capita Personal Income

Source: BEA; ADOLWD CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.
Sitka Personal Income Sources, 2017

Transfer Receipts: $79 million
23%

Investment Earnings: $133 million
14%

Earnings: $359 million
63%

Total PI: $571 million

Source BEA.
Industry Trends
Seafood Industry

Source: CFEC, ADF&G

2008-2017 Change

Estimated Landings Value
+56%

Sitka Fishermen Earnings
+25%

Estimated Landings Value (Millions)


$86.5 $48.5

Resident Earnings


$75.4 $47.8

Source: CFEC, ADF&G

57% Salmon
Sitka Fishermen Earnings, by Permit (2017, in millions)

<table>
<thead>
<tr>
<th>Fishery</th>
<th>Earnings (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salmon Power Troll</td>
<td>$12.1</td>
</tr>
<tr>
<td>Sablefish Longline</td>
<td>$10.9</td>
</tr>
<tr>
<td>Salmon Southeast Purse Seine</td>
<td>$8.3</td>
</tr>
<tr>
<td>Halibut Longline</td>
<td>$6.6</td>
</tr>
<tr>
<td>All others</td>
<td>$9.9</td>
</tr>
</tbody>
</table>

Source: CFEC
Seafood Processing

• Annual average employment of 403 in 2018
  • *Peak of 889, low of 156*
  • *Total annual wages: $14.3 million*
• $1.3 million in raw fish tax
• 3 of the top 6 property tax payers are seafood processors
  • *Over $18 million in assessed valuation*
Hatchery Impacts

- **Statewide**, hatchery salmon accounted for:
  - $120 million in ex-vessel value, 22% of total salmon value (2012-17)
  - $361 million in first wholesale value, 24% of AK total

- **SE hatcheries** accounted for 2,000 jobs & $90 million in annual labor income

- **NSRAA** generates approx. 30% of the regional economic impact

Visitor Industry

2016 visitors: 158,000
Avg. Spending:
$353\text{ per person}$

$56$ million in total 2016 Spending

Visitor Industry Economic Impacts

SE Regional Economic Impact

• $705 million in visitor spending
  • 11,925 jobs
  • $445 million in labor income

• 8% of regional visitor spending was in Sitka (2016)
<table>
<thead>
<tr>
<th>Year</th>
<th>Visitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>289,753</td>
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<tr>
<td>2009</td>
<td>224,335</td>
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<tr>
<td>2010</td>
<td>224,400</td>
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<tr>
<td>2011</td>
<td>210,400</td>
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<tr>
<td>2012</td>
<td>158,400</td>
</tr>
<tr>
<td>2013</td>
<td>90,182</td>
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<tr>
<td>2014</td>
<td>177,800</td>
</tr>
<tr>
<td>2015</td>
<td>158,400</td>
</tr>
<tr>
<td>2016</td>
<td>177,800</td>
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<tr>
<td>2017</td>
<td>158,400</td>
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<tr>
<td>2018</td>
<td>224,400</td>
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<tr>
<td>2019</td>
<td>210,400</td>
</tr>
<tr>
<td>2020</td>
<td>224,400</td>
</tr>
</tbody>
</table>

Source: CLAA
Health Care & Social Services

610 private health care, social asst. jobs

$37.6 million in wages (20% of total)
Average monthly wages: $5,141

Low seasonality: just 10 percent difference between high/low months

Key employers
SEARHC
Sitka Community Hospital
Pioneer Home

Source: AKDOLWD, QCEW.
Note: 2018 data are preliminary.
Federal Government

Uniformed Military (Coast Guard)
- 243 active duty or reservists
- $21 million in wages & benefits
- 188 active duty with 290 dependents

Civilian Federal Government
- 121 full- and part-time
- $13.9 million in wages & benefits
- Average monthly wages: $7,000

Source: BEA.
Other Economic Activity in Sitka

• Alaska Native affairs
  • STA, Shee Atika
• Manufacturing (other than fish)
  • 75 jobs and $3 million in wages
• Professional Services, Science & Technology
  • 70 jobs, $2 million in wages
• Retail
  • 449 jobs, $12 million in wages
• Construction
  • 165 jobs, $11 million in wages
The Role of State Spending in Sitka

• 323 State jobs & $15 million in wages in Sitka
  • MEHS
  • Pioneer Home
  • UAS-Sitka Campus
  • Other State agencies
• K12 funding
• Medicaid funding
• AMHS
• Other grants and program funding
• Capital project funding
Sitka Business Survey Results
Online Survey of Sitka Businesses/Organizations

• Purpose
  • To gauge perceptions about the current economic and business climate in Sitka
• Conducted March/April 2019
• 109 respondents
  • 66% for-profit
  • 24% private non-profit
  • 10% gov’t/other
Current Condition of the Sitka Economy

AVERAGE: 4.7

<table>
<thead>
<tr>
<th>Rating</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Very weak</td>
<td>4%</td>
<td>5%</td>
<td>22%</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>16%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
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<tr>
<td>2 - Weak</td>
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<td>3 - Fair</td>
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<td>4 - Good</td>
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<td>5 - Very good</td>
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<td>6 - Excellent</td>
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<td>7 - Strong</td>
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<td>8 - Very strong</td>
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<td>9 - Strong</td>
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<tr>
<td>10 - Strong</td>
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</tbody>
</table>
Overall Business Climate in Sitka

AVERAGE: 4.4

1 - Very poor 2 3 4 5 6 7 8 9 10 - Very good

- 8% 7% 13% 21% 25% 8% 10% 6% 0% 0%
Business Climate in *Your* Sector

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Very poor</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>17%</td>
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<tr>
<td>6</td>
<td>8%</td>
</tr>
<tr>
<td>7</td>
<td>16%</td>
</tr>
<tr>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>10 - Very good</td>
<td>3%</td>
</tr>
</tbody>
</table>

AVERAGE: 5.0
Barriers to Growth

- **Cost of living**: 56% Significant Barrier, 36% Moderate Barrier
- **Availability of emp. housing**: 47% Significant Barrier, 32% Moderate Barrier
- **Condition of state’s economy**: 45% Significant Barrier, 46% Moderate Barrier
- **Shipping costs**: 42% Significant Barrier, 41% Moderate Barrier
- **Health insurance costs**: 41% Significant Barrier, 21% Moderate Barrier
- **Energy prices**: 40% Significant Barrier, 41% Moderate Barrier
Least Significant Barriers to Growth

- Availability of Capital (significant barrier for 11%)
- Quality of telecommunications (13%)
- Federal regs (17%)
- Availability of child care (17%)
- Local taxes (18%)
Government Support for Business

**Federal**
- Very Supportive: 9%
- Somewhat Supportive: 52%
- Not Supportive: 26%
- DK/NA: 13%

**State**
- Very Supportive: 9%
- Somewhat Supportive: 49%
- Not Supportive: 31%
- DK/NA: 11%

**Local**
- Very Supportive: 12%
- Somewhat Supportive: 41%
- Not Supportive: 41%
- DK/NA: 6%
Ratings of the City’s Permitting Process

• Overall customer service (55% good/34% poor)
• Timeliness of inspections
• Cost of the process
• Clarity of the application process
• Communications
• Clarity of application requirements
• Clarity of the review/approval process
• Turn-around time (43%/52%)
Expectations for the Local Economy (next 5 years)

- Decline, 57%
- Improve, 14%
- Stay about the same, 25%
- Don't know, 5%
Final Thoughts
Takeaways

Diverse and stable economy
• Economic resilience, income growth

Trends to watch
• Population decline
• Shrinking resident labor force
• Increased reliance on nonresident labor

Concern for the future
• State spending is critical
• Little optimism about the near-term
Questions/Discussion

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