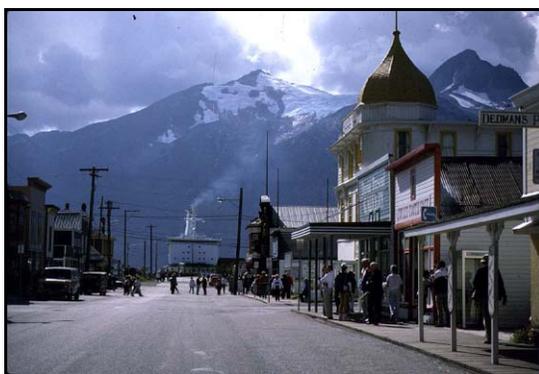


Skagway Economic Impact Study

February 23, 2000



prepared for the

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PREFACE

The purpose of this study is to document of the economic impact of the visitor industry in Skagway, Alaska. These findings show the level of travel spending and the impact this spending has on Skagway's economy in terms of expenditures, payroll, employment, and tax revenue. The report also provides an overview of all economic activity associated with Skagway businesses and residents, showing the flow of dollars from visitors, and how it impacts Skagway businesses, residents and City government.

This study was prepared for the City of Skagway. Special thanks are due to Robert W. Ward, City Manager for Skagway and the liaison for this project, for his support and assistance.

Many individuals and agencies have contributed information and insights to this project, and we express our thanks. In particular, we are grateful to Buckwheat Donahue, Skagway's Tourism Director, and his staff. In addition, we would like to thank Tom Cochran of Cruiseline Agencies of Alaska, Crystal Ford, Skagway City Treasurer, Rachel Baker, Economist with the Alaska Department of Labor, Kirby Day of Princess Cruise Lines, and Al Parrish of Holland-America Cruiselines.

A special thank you goes out to our survey crew of Nan Saldi, Laura Moscatello, Dorothy Widner, and Natasha Nalan, as well as the kind and cooperative business operators and residents of Skagway. Without the assistance of these people, this effort would not have been possible.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
I. INTRODUCTION.....	5
Objectives	6
Data Collection and Sample.....	6
Report Contents	7
Visitor Impact Measurement Methodology	7
Direct Impact Categories	8
Visitor Types.....	8
Business Type.....	9
II. DIRECT ECONOMIC IMPACTS OF SKAGWAY VISITORS.....	10
Direct Travel Impacts	10
Direct Travel Impacts by Visitor Type	11
Tax Revenues Generated by Travel Spending.....	11
Direct Travel Impacts by Business Type	12
III. INDIRECT AND INDUCED ECONOMIC IMPACTS OF SKAGWAY VISITORS.....	16
Methodology	17
Indirect and Induced Travel Impacts	18
Output Multiplier.....	18
Expenditure Multiplier	18
Employment Multiplier	19
Overall Impact for Skagway	20
IV. SKAGWAY BUSINESS PROFILE.....	21
Objectives and Methodology	21
Business Profile	21
Employment	22
Employee Housing	23
Business Expenditures	23
Location of Business Expenditures	25
Expenditures by Category.....	26
Manufactured Goods for Retail Sale	26
Wholesale Food and Beverages for Retail Sale.....	27
Business Services	27
Durable Goods.....	28
Business Supplies	28
Shipping Services	29
Building and Equipment Maintenance and Repair.....	29
Fuel.....	29
V. PROFILE OF SKAGWAY RESIDENTS.....	30
Demographics	30
Resident Spending Patterns.....	31
Location of Expenditures.....	32
Spending by Resident Type.....	33
Flow of Dollars to Skagway’s Economy (Capture/Leakage Analysis)	35
Capture/Leakage Analysis by Resident Type.....	37

VI. INFRASTRUCTURE AND PUBLIC SERVICE IMPACTS.....	39
Methodology.....	39
Public Service Revenues.....	41
Public Service Costs	43
Police Services	43
Fire, Rescue and Emergency Medical Services	44
Health Services.....	44
Water, Sewer, Garbage, and Public Works Services.....	45
Harbor Facilities.....	45
Library and Museum Services.....	46
Telephone and Electric Utility	46
Alaska Department of Transportation and Public Facilities – Road and Airport Maintenance Services	47
Government Administrative Costs.....	47
Other Impacts	47
Visitor-Related Revenues and Costs Reflected in the City Budget.....	48
VII. OVERALL ECONOMIC IMPACT	50
Gross Business Revenue in Skagway	51
APPENDICES.....	53
APPENDIX A.....	54
<i>Surveys: Visitor, Business, Resident</i>	<i>54</i>
APPENDIX B.....	63
<i>Skagway Survey Methodology and Visitor Profile.....</i>	<i>63</i>
Methodology.....	63
Skagway Visitors.....	64
Origin	64
Previous Travel to Skagway.....	66
Purpose of Visit.....	67
Overnight Visitation.....	68
Travel Party Size	68
Age	69
Retirement Status	69
Trip Planning Information Sources	70
APPENDIX C.....	71
<i>Regional Travel Impact Model (RTIM).....</i>	<i>71</i>
<i>Travel Impact Estimation Procedures</i>	<i>71</i>
APPENDIX D.....	73
<i>IMPLAN Modeling System.....</i>	<i>73</i>
APPENDIX E.....	75
<i>Business Profile Tables.....</i>	<i>75</i>
APPENDIX F.....	77
<i>Resident Profile Tables</i>	<i>77</i>
APPENDIX G.....	81
<i>Sources for Visitor-Related Cost and Revenue Estimates.....</i>	<i>81</i>

EXECUTIVE SUMMARY

Skagway, Alaska, the historic gateway for the Klondike Gold Rush, serves as a primary destination for many of Alaska's visitors each year. Skagway has attracted visitors since it was founded as a gateway to the Klondike gold fields in 1898. As the visitor industry in Alaska has grown, Skagway has become one of its prime attractions. The volume of visitors to Skagway has increased dramatically over the past 15 years. In 1983, summer visits to Skagway numbered about 164,000. During the summer of 1999, Skagway hosted nearly 700,000 visitors who arrived via cruise ship, highway, state ferry, train and air taxi.

In 1999, Skagway visitors exhibited the following spending characteristics:

- Visitors spent a total of \$59.5 million;
- Cruise passengers spent the most, a total of 44.0 million;
- Overnight visitors other than cruise passengers spent \$8.0 million;
- Visitors directly supported about 900 summer season jobs, with a payroll of over \$7.7 million;
- Visitors generated over \$2.1 million in local tax revenues;
- Travelers in Skagway during the peak season spent \$316 per party per day;
- Travelers in Skagway during the shoulder season spent \$244 per party per day; and
- The average party size for visitors to Skagway in 1999 was 2.6 persons.

The travel industry is the most important segment of Skagway's economy, providing business opportunities, employment and government revenue for the City.

As a result of heavy visitor volumes between May and September, many successful seasonal businesses have developed and thrived in Skagway. About 250 businesses operate in Skagway during the summer season, of which 213 sell goods and services to visitors. Because of the small labor pool in Skagway, many out-of-area seasonal workers are attracted to Skagway to fill the available seasonal jobs. About 62% of summer season workers in Skagway are seasonal residents. Approximately 51% of visitor-related businesses are owned by seasonal Skagway residents. For 1999, visitor-related employment (including full and part time jobs) consisted of:

- 340 jobs in retail establishments;
- 239 jobs in eating and drinking establishments;
- 151 jobs in recreation and tour businesses; and
- 168 jobs in accommodations, food stores, and air & ground transportation.

In addition, many proprietors run small retail establishments and provide tour/guide services to Skagway visitors, but are not included in the above job count.

The \$59.5 million in visitor-related spending was distributed by business type as follows:

- \$22 million (36.9%) to retail sales stores;
- just under \$22 million (36.4%) to recreation and tour businesses;

- \$7.1 million (11.9%) to eating and drinking establishments;
- \$2.3 million (3.9%) to accommodations including campgrounds; and
- the remaining \$6.1 million to food store purchases, ground transportation (gasoline and services for private motor vehicles), and air transportation to and from Skagway

Indirect economic impacts are generated through purchases made by travel-related business (indirect impacts) and household purchases made by the employees who work in those businesses (induced impacts). Direct travel spending in Skagway generates a relatively small number of indirect and induced impacts. However, direct impacts provide about two-thirds of all employment in Skagway.

Indirect impacts are greater within larger, more self-sufficient economic areas. For a relatively small and isolated Alaskan community such as Skagway, both businesses and residents have fairly limited options to make purchases of goods and services – many of the industries from which residents and businesses typically purchase goods and services simply do not exist or are quite limited in Skagway. In addition, many of the goods and services that are purchased by businesses and residents in Skagway were produced outside the community, thus generating only the impacts associated with the retail trade activity.

This report analyzes three different types of economic multipliers for the Skagway area:

- Output (business production originating in Skagway) multiplier is 1.34;
- Employment multiplier is 1.12; and
- Expenditure multiplier is 1.09.

Businesses located in Skagway spend the \$59.5 million generated by visitor expenditures in the following manner.

Distribution of Visitor Expenditures in Skagway, 1999

Visitor Expenditures	\$59,580,721
Visitor-related Revenues Captured in Skagway:	
Sales/hotel Taxes to City	\$2,128,830
Other Visitor Industry Taxes and Fees ¹	\$2,316,643
Business Expenditures Made in Skagway	\$1,219,578
Visitor-generated Payroll ²	<u>\$3,082,084</u>
Total Captured in Skagway	\$8,747,135
Business Expenditures Leaking from Skagway (includes business profits) ³	\$50,833,586

Notes:

1. The dollar figure for “Other Visitor Taxes and Fees” is the estimate of “Other Visitor Revenue” as shown on pg. // of this report.
2. This represents the 39.9% of the \$7.7 million in payroll that is re-spent in Skagway. 60.1% will leak through payroll deductions, savings, and expenditures made outside of Skagway.
3. It is uncertain what portion of business owner profits might be re-spent in Skagway.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

In general, 27% of business expenditures are made in Skagway, and 73% are made outside of Skagway. Much of the expenditure in the *Business services* and *Manufactured goods for retail sales* comprises a large portion of the business spending outside of Skagway. Purchases that businesses tend to make in Skagway include business supplies, shipping services, and fuel.

Business expenditures differ between full-year resident and seasonal resident business owners. Compared to seasonal resident business owners, full-year resident business owners make more expenditures in Skagway.

During the 1999 summer season, about 900 seasonal residents joined the 825 full-year resident population. Of these 1,725 residents, about 1,200 were working. An analysis of resident spending patterns reveals the following:

- Residents earned about \$21.3 million in wages and Permanent Fund Dividends;
- Payroll deductions of \$4.8 million (22.4% of gross wages) in the form of taxes and employee benefits were unavailable to be spent in Skagway;
- Residents saved \$4.4 million (20.7% of gross wages), some of which may be spent in Skagway in the future;
- Residents spent \$8.5 million (39.9% of gross wages) in Skagway; and
- Residents spent \$3.6 million (17.1% of gross wages) outside of Skagway.

Spending outside of Skagway occurred most frequently in Whitehorse (10.7%), and in all locations other than Whitehorse, Juneau, and mail order (10.9%). Overall spending patterns did not vary significantly by resident type. Items that tended to be purchased outside of Skagway were items of limited availability through local businesses, such as clothing and furniture.

Due to the seasonality of the visitor industry in Alaska, there is a great disparity in the number of winter residents and the number of visitors and summer residents that the existing infrastructure must serve. While the 1999 year-round population is estimated at 825, the summer seasonal resident population is about 1,725. The general influx of visitors and seasonal residents changes the entire character of the town from winter to summer season. With visitor volumes sometimes reaching a peak of 12,000 people or more per day, roadways, water, sewer, telephone, electric and solid waste disposal systems receive a disproportional amount of use during the summer season. At the same time, full-year residents benefit from the increased job opportunities and availability of goods and services that would not be present were it not for the visitor industry.

Based on an analysis of the City of Skagway budget and/or judgments made by public managers, City of Skagway revenues and costs were attributed to either 1) visitors and seasonal residents or 2) full-year residents. Since revenues were far easier to quantify, the estimates of average cost of City services were developed as a range, considering the overhead costs that are related to the visitor industry to be between 50% and 73%. The estimates of net visitor-related revenues to the City of Skagway range between \$61,833 and -\$426,260.

The overall analysis of Skagway's economy indicates the following:

- Total earnings to Skagway businesses of about \$69.3 million;
- Earnings to Skagway businesses from visitor spending of about \$59.5 million;
- Earnings to Skagway businesses from resident spending of about \$8.5 million;
- Earnings to Skagway businesses from business spending of at least \$1.2 million;
- Visitor generated payroll of about \$7.7 million;
- About \$12.8 million of residents' gross wages leak from the local economy;
- About \$46.2 million in business earnings, some of which may leave the local economy;
and
- Revenues to the City of Skagway from the visitor industry are estimated at \$4.7 million.

I. INTRODUCTION

Historically, the Southeast Alaska region has been economically dependent on the production of furs, minerals, fish and timber products. In recent years, the visitor industry has grown to stand as a basic industry in the region beside these resource-based industries. Although Skagway was born of the gold rush, the actual minerals are located hundreds of miles to the north in the interior of Alaska and Yukon Territory, Canada. The area around Skagway contains no harvestable timber, nor forest products processing businesses. Although two Skagway residents hold commercial fishing permits, the fishing occurs away from Skagway, and no fish processing businesses are located in Skagway.

The community at Skagway was born because of its strategic position at tidewater at the southern end of a natural transportation corridor that leads to the interior Alaska and Yukon Territory gold fields. Initially traveled by foot, boat, and pack animals, the Yukon and White Pass Railroad opened the corridor to train travel in the early 1900s. Travel through that corridor was augmented in the 1970s, when a road connection (the Klondike Highway) was established between Skagway and the Al Can highway about 100 miles to the north in Yukon Territory, Canada. Skagway is one of only three communities in Southeast Alaska with road connections to the continental road system.

The travel industry is the most important segment of Skagway's economy, providing most of the business income, employment and government revenue for the city. The economy of Skagway is robust from May through September – the period during which Skagway receives most of its visitors. Unlike other communities in the Southeast Alaska region, virtually no other basic economic sectors exist in Skagway. As this seasonal visitor volume has steadily risen, many successful seasonal businesses have developed and thrived in Skagway, attracting seasonal resident business owners. In addition to employing most full-year residents, Skagway businesses attract many out-of-area seasonal workers to fill a variety of summer jobs necessary to support Skagway's visitors. As a result, the population of Skagway more than doubles during the visitor season.

Visitors have been coming to Skagway since before the turn of the century. As the visitor industry in Alaska has grown, Skagway has become one of its prime attractions. The volume of visitors to Skagway has increased dramatically over the past 15 years. In 1983, summer visits to Skagway numbered about 164,000. During the summer of 1999, Skagway hosted nearly 700,000 visitors who arrived via cruise ship, highway, state ferry, train, and air taxi. 1997 and 1998 marked the hundredth year anniversary of the discovery of gold in the Klondike region, and the gold rush respectively, and some of the recent growth in visitation to Skagway may be attributable to those events.

In addition to the visitor industry, a small transportation sector in Skagway provides some economic life. In past years, lead/zinc ore was shipped down the Klondike Highway to tidewater, and barged south, however the mines producing that ore have closed in recent years. Some fuel and freight is also transshipped from tidewater to interior Canada.

Objectives

The overall objective of this study is to describe and quantify the role that the visitor industry plays in the Skagway economy, and in particular, to document important aspects of Skagway's population and economy that may affect the community's ability to retain these economic benefits.

The specific objectives of the project are as follows:

- Describe tourism in Skagway in terms of visitor volumes and spending;
- Describe business activity related to tourism, including the number of businesses and their characteristics, receipts, ownership and expenditure patterns;
- Describe resident participation in the visitor industry, including income and expenditure patterns pertaining to both permanent and seasonal residents;
- Measure the direct economic impacts of tourism in Skagway, including sales, payroll, employment and tax receipts;
- Estimate the indirect economic impacts for Skagway, including the extent of visitor expenditure leakage and the magnitude of economic multipliers;
- Assess the impact of visitors on the service costs and revenues of the City of Skagway; and
- Interpret these findings in terms of the complete, year-round impact of the visitor industry on the economy of Skagway, and discuss the implications to the community.

Data Collection and Sample

The bulk of the findings presented in this report are based on a survey of visitors, businesses, and residents in Skagway conducted in August and September of 1999. The visitor survey was conducted using self-administered questionnaires that were distributed to visitors at a variety of visitor exit sites around Skagway. Full-year resident surveys were conducted by self-administered questionnaires that were mailed to the full-year residents of Skagway. Seasonal resident questionnaires were handed out at various locations in Skagway. Business surveys were conducted by personal interviews with owners and managers of Skagway businesses. The primary purpose of these surveys was to gather information on the expenditures of visitors, businesses, and residents that were made in Skagway and the locations of those expenditures made outside. A copy of each of each questionnaire can be found in Appendix A.

Any findings based on survey data are approximations to some degree. They are based on a sample of visitors and influenced by a number of potential sources of error, including the limited portion of the visitor season from which the visitor sample was drawn. Research of this type attempts to minimize this potential error by designing the survey sample as carefully as possible, achieving a high response rate, and by sizing the sample to provide as large a database as possible. Table 1-1, below, describes the various samples that represent the findings in this report.

Table 1-1
Skagway Survey Samples

Sample Type	Number of Completed Questionnaires
Visitors	421
<i>Peak</i>	304
<i>Shoulder</i>	117
Businesses*	92
Residents	407
<i>Full-year</i>	199
<i>Seasonal</i>	208

Note: Completed business questionnaires represent 125 businesses.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Report Contents

Following the introductory chapter, Chapter II provides an analysis of the direct economic impacts of visitor spending. Chapter III examines indirect or “multiplier” impacts generated through the direct visitor spending. Chapter IV provides a profile of Skagway businesses, in particular those businesses that serve visitors. Chapter V provides a profile of residents including the types and locations of expenditures made by these residents. Chapter VI examines the benefits of the visitor industry in terms of revenues to the City, as well as the costs of infrastructure and services required to support the visitor industry. Chapter VII provides a comprehensive overview of Skagway’s economy. Copies of the surveys, explanations of methodology and a comprehensive visitor profile follow in Appendices A - G.

Visitor Impact Measurement Methodology

The terms “traveler” and “visitor” are used interchangeably throughout this section. Both terms represent a person who is traveling away from his or her home, on a trip during which they visit Skagway. The purpose of such travel can be for business, pleasure or for personal reasons.

The estimates of the direct impacts associated with traveler spending in Skagway were produced using the Regional Travel Impact Model (RTIM) developed by Dean Runyan Associates. The input data used to detail the direct economic impacts were derived from various local, state, and federal sources as well as visitor survey data collected in Skagway. A description of the RTIM methodology is included in Appendix C.

Following the direct impacts, indirect or “multiplier” effects are considered separately in Chapter 4. IMPLAN models provide the basis for the analysis of indirect economic impacts. IMPLAN is a widely used, nationally recognized economic impact model first developed by the U.S. Forest Service. Further discussion of the IMPLAN methodology can be found in Appendix D.

Direct Impact Categories

The specific categories of travel impacts included in this analysis are as follows:

<i>Impact Category</i>	<i>Description</i>
Expenditures or Travel Spending	Purchases by travelers during their trip, including lodging taxes and other applicable local and state taxes paid by the traveler at the point of sale.
Payroll	Payments to wage and salary workers by the businesses that receive travel expenditures.
Employment	Employment associated with the above payroll; this includes both full- and part-time positions. May also include employment of working proprietors.
Local Tax Receipts	Tax receipts collected by local jurisdictions, as levied on applicable travel-related purchases. For Skagway, consists of hotel taxes and sales taxes.
State Tax Receipts	State gasoline taxes attributable to travel expenditures. State sales, and personal income taxes do not apply in Alaska. State corporate taxes are not considered in this study.

Visitor Types

Travelers are classified according to the following types of visitors:

<i>Visitor Type</i>	<i>Description</i>
Cruise Ship	Travelers who visit Skagway and arrive or depart by cruise ship, and cruise ship crew members who visit Skagway.
Hotel/Motel	Travelers staying in hotels, motels and bed & breakfast establishments.

Camper	Travelers staying in a privately owned or publicly managed campground.
Day Travel	A traveler whose trip does not include an overnight stay in Skagway and did not arrive/depart by cruise ship.

Business Type

Travel spending is also distinguished by the type of product or service that visitors spend their money on. These business spending categories are:

<i>Business Type</i>	<i>Description</i>
Accommodations	Hotels, motels, bed & breakfasts, inns and public/private campgrounds.
Eating, Drinking	Food and beverages in restaurants and bars.
Ground Transportation	Gasoline and motor vehicle services, auto rentals, buses and other local ground transportation.
Recreation	Any event or activity classified as entertainment or recreation. Includes the White Pass train tour, helicopter tours, museum admissions and guided fishing trips.
Retail Sales	Gift shops, jewelry stores and other retail goods, including food and beverages for off-premises consumption.
Air Transportation	Air transportation related to visitors traveling to and from Skagway.

Note: Visitor spending for water transportation was not considered as a direct economic impact for Skagway. Although Skagway visitors do spend money to travel on cruise ships and ferry boats, most of this spending does not occur in Skagway. Also, the jobs and payroll associated with this spending occur, for the most part, outside of Skagway.

II. DIRECT ECONOMIC IMPACTS OF SKAGWAY VISITORS

Skagway, the historic gateway for the Klondike Gold Rush, serves as a primary destination for many of Alaska's visitors each year. This section of the report describes the direct economic impacts of travel to and through Skagway, Alaska. Direct economic impacts consist of estimates of travel spending and the employment, wage and salary income (payroll), and state and local tax revenues generated by this spending. These estimates are broken out by visitor type (e.g., cruise ship, hotel/motel, campground, and day travel) and by the business type (e.g., accommodation, food stores, recreation) in which the expenditures occur.

Direct Travel Impacts

Direct travel impacts are measured using the Regional Travel Impact Model (RTIM). The model uses the Skagway visitor survey data collected as part of this study as well as various other sources of information including sales and room tax receipts, cruise ship passenger counts, and payroll and employment data. A review of the model's methodological procedures is included in Appendix C.

Using data collected through the Visitor Survey, estimates of average daily spending per party were made for each of the visitor types considered in this analysis. These survey results are based on a visitor sample that was taken during the end of the summer season and were divided into a peak and shoulder period. As shown in Table 2-1, average daily spending per party ranged from \$160 to \$325 and was highest for those spending a night in a hotel, motel or bed & breakfast. In addition, average daily per party spending was higher for each of the visitor types surveyed during the peak period.

Table 2-1
Skagway Visitor Spending, 1999

Traveler Type	Average Daily Spending (per party)			Ave. Party Size
	Peak	Shoulder	Combined	
Cruise Ship	\$328	\$253	\$308	2.5
Hotel, Motel, B&B	\$367	\$271	\$325	2.8
Campground	\$288	\$176	\$243	2.6
Day Travel	\$164	\$153	\$160	3.1
All Groups	\$316	\$244	\$294	2.6

Source: Southeast Strategies and Dean Runyan Associates, 1999.

These visitor survey results are the most recent and comprehensive visitor expenditure data available for Skagway; however, the results are based only on a sample of visitors taken during part of the 1999 summer season and do not represent a statistically valid sample for the year. For cruise ship passengers, these estimates do appear fairly consistent with a 1997 estimate of \$103 *per passenger per visit* (prepared for Southeast Conference by the McDowell

Group). No other recent data is available that provides estimates of visitor spending in Skagway.

Visitors spent approximately \$59.5 million in Skagway in 1999. Spending on all travel directly supported about 900 jobs (represents summer season) with a payroll of more than \$7.7 million, and generated over \$2.1 million in local tax revenues. Table 2-2 shows a summary of the direct travel spending as well as the payroll, employment and tax revenues generated by this spending. A detailed view of travel spending and employment by visitor type and business type appears in Table 2-3 at the end of this section.

Table 2-2
Direct Travel Impacts, 1999

<i>Travel Generated Spending (\$)</i>	59,580,721
<i>Travel Generated Payroll (\$)</i>	7,733,632
<i>Travel Generated Employment (Jobs)</i>	898
<i>Travel Generated Tax Receipts (\$)</i>	
Local Sales Tax	2,128,830
State Gasoline Tax	23,183
Total Tax Receipts	2,152,013

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Direct Travel Impacts by Visitor Type

Figure 2-1 *Travel Spending by Visitor Type* shows this spending for Skagway. Those visitors that traveled by cruise ship accounted for the largest proportion (approximately two-thirds) of travel spending in Skagway, which amounted to over \$44 million. This amount is similar to a 1997 estimate of \$40.4 million for cruise ship passenger spending in Skagway (prepared for Southeast Conference by the McDowell Group).

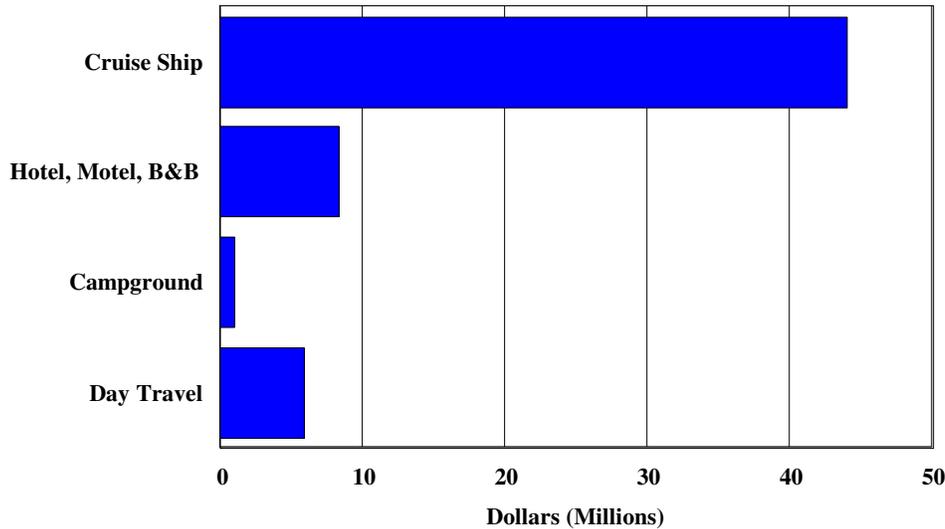
The next highest category, travelers that stayed in hotels, motels and bed & breakfasts, spent more than \$8 million. Day visitors that did not travel by cruise ship spent almost \$6 million. Those that stayed overnight in campgrounds comprised a relatively small portion of travel spending, which amounted to just over \$1 million.

Tax Revenues Generated by Travel Spending

Visitor spending directly generated \$2.1 million in local tax revenues. The local tax receipts represent sales taxes on accommodations, retail purchases and tours. The State tax receipts of approximately \$23,000 represent the State motor fuel tax for gasoline purchases made in

Skagway by visitors. The estimates of tax revenue do not include property tax payments or corporate tax payments made by travel industry businesses.

Figure 2-1
Travel Spending by Visitor Type
1999



Source: Southeast Strategies and Dean Runyan Associates, 1999.

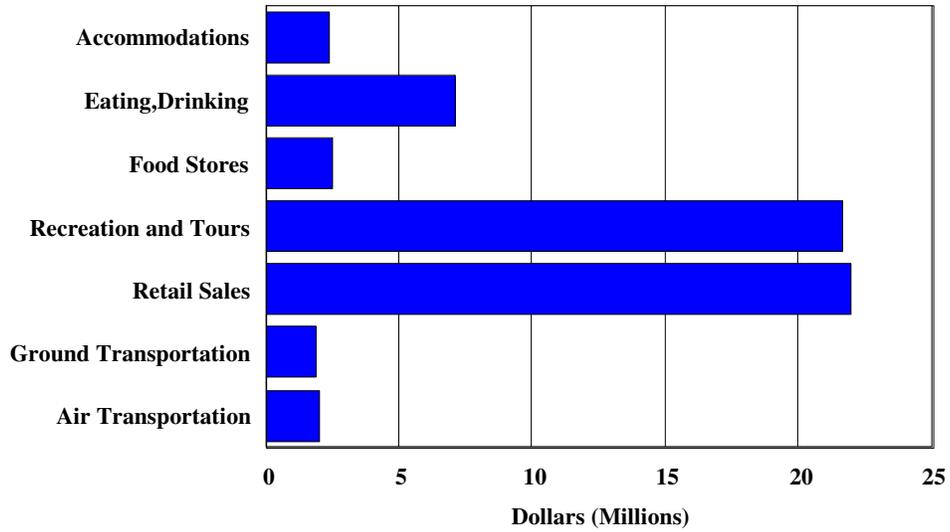
Direct Travel Impacts by Business Type

Figure 2-2, *Travel Spending by Business Type* shows the types of businesses in which Skagway visitors make their purchases. Retail Sales, the highest category, accounts for 36.9% or almost \$22 million of direct travel spending. Recreation spending, which also represents a major segment, comprises about 36.4% or close to \$22 million. Spending on recreation and tours includes a wide variety of activities such as museum admissions, guided fishing trips, helicopter tours and the White Pass train tour. Skagway visitors spent about \$7.1 million on eating and drinking in restaurants and bars. Spending on accommodations, which includes hotels, motels and bed & breakfasts as well as campgrounds, accounts for \$2.3 million or roughly 4% of travel spending in Skagway. Food store purchases as well as ground transportation, which includes gasoline and services for private motor vehicles, and air transportation to and from Skagway make up the remainder of direct traveler spending.

Visitor spending by travelers in Skagway directly generates approximately 900 jobs during the five-month visitor season with a payroll of over \$7.7 million. As shown in Figure 2-3, retail establishments employ the most (340), followed by eating and drinking establishments (239), and recreation businesses (151). The remainder of the traveler-generated jobs can be found in accommodations, food stores, and air and ground transportation. In addition, visitor

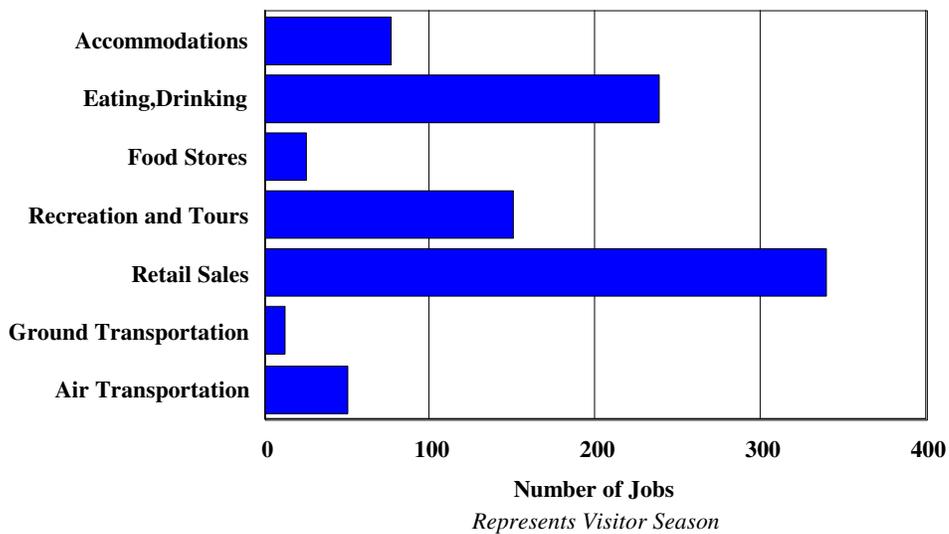
spending supports a number of proprietors, who are not included in these employment estimates.

Figure 2-2
**Direct Travel Spending by Business Type
 1999**



Source: Southeast Strategies and Dean Runyan Associates, 1999.

Figure 2-3
**Direct Employment Generated by Travel Spending
 1999**



Source: Southeast Strategies and Dean Runyan Associates, 1999.

Jobs generated through direct visitor spending in Skagway support a payroll of over \$7.7 million or about half of the Alaska Department of Labor 1999 annual payroll estimate of \$15.5 million. In addition to payroll generated through visitor spending, other sources of payroll in Skagway include employment activity in government (\$4.6 million), transportation, communication and utilities (\$3.0 million), and construction (\$1.1 million). Although government services and these other types of private employers do support the visitor industry in Skagway, they are not viewed as visitor-related in the context of direct visitor impacts.

Table 2-3
City of Skagway
Visitor Impacts, 1999

Travel Spending by Visitor Type (\$)

Cruise Ship	44,116,256
Hotel, Motel, B&B	8,443,097
Campground	1,068,720
Day Travel	5,952,647
Total Spending	59,580,721

Travel Spending by Business Type (\$)

Accommodations	2,372,118
Eating, Drinking	7,100,122
Food Stores	2,520,082
Recreation and Tours	21,691,467
Retail Sales	21,975,846
Ground Transportation	1,892,156
Air Transportation	2,028,930
Total Spending	59,580,721

Payroll Generated by Travel Spending (\$)

Total Payroll	7,733,632
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Employment Generated by Travel Spending (# of jobs)

	<i>Summer Season</i>	<i>Winter Season</i>	<i>Average Annual</i>
Accommodations	77	2	34
Eating, Drinking	239	36	115
Food Stores	26	17	19
Recreation and Tours	151	23	85
Retail Sales	340	20	160
Ground Transportation	13	11	13
Air Transportation	51	10	28
Total Employment	898	119	453

Tax Revenues Generated by Travel Spending (\$)

Local Taxes	2,128,830
State Taxes	23,183

III. INDIRECT AND INDUCED ECONOMIC IMPACTS OF SKAGWAY VISITORS

Spending by travelers within Skagway provides revenue to many Skagway businesses. In turn, these travel-related businesses spend a portion of this revenue in Skagway for labor and supplies, generating what are known as indirect impacts. In addition, employees who work in the travel-related businesses spend a portion of their wages and salaries in Skagway to purchase household goods and services, creating what are known as induced impacts.

This chapter describes the indirect and induced impacts of travel-related spending for three study areas: the City of Skagway, the City and Borough of Juneau, and the State of Alaska. While the City of Skagway remains the primary focus of this report, comparing results across different sized economic areas helps to illustrate how the indirect and induced impacts are likely to change as the size of the economic area increases. This analysis helps to further quantify the role of travel and tourism for the Skagway economy.

Before proceeding it is useful to further clarify a few of the terms that appear in this discussion.

Travel-related spending is the money spent by visitors to Skagway for goods and services in Skagway.

Travel-related businesses are the businesses that produce goods and services to sell directly to Skagway visitors.

Direct Economic Impacts are the economic impacts that result from the purchases made by visitors to Skagway for goods and services produced by Skagway's travel-related businesses.

Indirect Economic Impacts are the impacts that result from the purchases of supplies and services made in Skagway by travel-related businesses. Many of these purchases are made from businesses not directly connected to the travel industry such as manufacturing, financial services and computer services.

Induced Economic Impacts are the impacts generated by the purchases made in Skagway by the employees who work in travel-related businesses. This includes purchases made for food, housing, transportation, recreation, and all other goods and services.

Output is an economic measurement of production stated as the dollar value of the total production of an industry or group of industries. The value of that production includes only the value of the production added by the retailer or service provider, and does not include the wholesale value of the goods and services sold. With retail goods, the IMPLAN model divides the output (and all associated impacts) into the portions that go to the retailer, the wholesaler, transportation and the manufacturer.

A Multiplier is a number calculated for a specific economic area that explains the relationship between direct economic impacts and the combination of indirect and induced economic

impacts. For example, an output multiplier of 1.34 was calculated for travel-related businesses located in the City of Skagway. An output multiplier of 1.34 means every \$1.00 of direct output will generate an additional 34 cents of output within Skagway's local economy. This additional 34 cents is generated both indirectly through the re-spending in Skagway by travel-related businesses and induced through the household purchases made in Skagway by the employees who work for these businesses.

Methodology

With the use of IMPLAN, economic models were developed for three geographic areas: the City of Skagway, the City and Borough of Juneau, and the State of Alaska. IMPLAN is a widely used, nationally recognized economic impact model, first developed by the U.S. Forest Service for the primary purpose of examining local and regional economic impacts. These economic models, were constructed by the Minnesota IMPLAN Group, Inc. (MIG), and are the basis for this analysis of the indirect economic impacts associated with Skagway visitors. Additional discussion of the IMPLAN methodology can be found in Appendix D.

The analysis for the City of Skagway, the City and Borough of Juneau, and the State of Alaska, makes use of a data set representing economic conditions in 1996, the most recent year for which data are available. The findings were adjusted and expressed in 1999 dollars using IMPLAN deflators based on the U.S. Bureau of Labor Statistics' Consumer Price Index.

Although the IMPLAN model represents Skagway's entire economy (i.e., includes all industries), for the purpose of this analysis, specific industries were selected to analyze the indirect impacts associated with those businesses that directly serve travelers. The following IMPLAN sectors were selected to define the travel industry:

- Air Transportation
- Amusement and Recreation Services
- Apparel and Accessory Stores
- Arrangement of Passenger Transportation
- Automobile Rental and Leasing
- Automotive Dealers and Service Stations
- Eating and Drinking Establishments
- Food Stores
- General Merchandise Stores
- Hotels and Lodging Places
- Local, Interurban Passenger Transit
- Miscellaneous Retail Stores
- Water Transportation

Indirect and Induced Travel Impacts

Output Multiplier

The measurement of output (the dollar value of goods and services produced) is useful to estimate the value of the goods and services that are produced inside of Skagway. Output is expressed in terms of direct, indirect, and induced impacts. Output estimates are not comparable with estimates of travel spending because they do not include the value of goods produced outside of, yet sold in Skagway. The wholesale cost of any manufactured goods produced outside of Skagway would not be included in output. For this analysis, output estimates were calculated with industry data obtained from IMPLAN models using 1996 data, adjusted for 1999.

As shown in Table 3-1, the output multiplier for travel-related businesses in Skagway is approximately 1.34. Both the City and Borough of Juneau and the State of Alaska have larger multipliers at 1.77 and 2.10 respectively. This means that for every \$1.00 in output to serve the visitor industry, total output increases by \$1.77 and \$2.10, respectively. In general, larger and more economically self-sufficient economic areas will have larger multipliers. Within larger geographic areas, there are more opportunities for dollars to be re-spent within the economy. In contrast, for smaller and more isolated localities, business and consumer options are more limited, and individuals purchase a larger portion of their goods and services outside of the local area. For example, Juneau has a wholesale grocery/general merchandise store, but wholesale goods are not available for purchase in Skagway.

Table 3-1
TRAVEL INDUSTRY OUTPUT IMPACTS AND MULTIPLIERS, 1999

	City of Skagway	City and Borough of Juneau	State of Alaska
Direct Output	\$15,133,688	\$235,503,156	\$4,615,811,697
Indirect Output	\$1,219,578	\$46,204,699	\$1,220,830,649
Induced Output	\$3,974,146	\$134,050,908	\$3,834,907,710
Total Output	\$20,327,411	\$415,758,764	\$9,671,550,055
Output Multiplier	1.34	1.77	2.10

SOURCE: SOUTHEAST STRATEGIES AND DEAN RUNYAN ASSOCIATES, 1999.

Expenditure Multiplier

The estimates of indirect and induced output provide a useful estimate of the additional spending in Skagway that is related to the direct spending of visitors. Although these output estimates are not intended to represent the value of sales or expenditures, the expenditures would not be any lower than the output that represents the value the goods and services produced. In order to estimate an expenditure multiplier, we combine the direct visitor expenditures with the indirect and induced output. Using the direct visitor expenditures from the previous section and the indirect and induced output estimates as shown above, one could calculate a visitor expenditure multiplier for Skagway, as shown in Table 3-2 below.

TABLE 3-2
VISITOR-RELATED EXPENDITURES AND MULTIPLIER, 1999

Expenditures	City of Skagway
Direct	\$59,580,271
Indirect	\$1,219,578
Induced	\$3,974,146
Total	<u>\$64,773,995</u>
Expenditure Multiplier	1.09

SOURCE: SOUTHEAST STRATEGIES AND DEAN RUNYAN ASSOCIATES, 1999.

Employment Multiplier

Employment impacts are described for the travel industry in terms of direct, indirect, and induced employment. Employment estimates represent the *average annual* number of full and part-time jobs for the travel industry. For Skagway, the direct employment estimate reflects the *average annual* number of jobs directly generated through travel spending made in Skagway as discussed in the previous section of this report. For the City and Borough of Juneau and the State of Alaska, the employment estimates reflect all jobs in the travel industry, which includes the job impacts associated with the spending of residents as well as by visitors.

The employment multiplier provides a measure of the additional employment generated through both the purchases made by travel industry businesses and the purchases made by the employees who work in those businesses. As shown in Table 3-3, Skagway has an employment multiplier of 1.12, which implies that a direct travel industry job generates an additional .12 of a job in Skagway. In other words, it takes approximately nine direct jobs to generate one additional job through indirect and induced impacts.

As was the case with output impacts, as the size of the economic area increases, the employment multiplier becomes larger. Both the City and Borough of Juneau and the State of Alaska, with multipliers of 1.57 and 1.80 respectively, have significantly more total employment generated through a direct travel industry job.

TABLE 3-3
TRAVEL INDUSTRY EMPLOYMENT IMPACTS AND MULTIPLIERS, 1999

	City of Skagway	City and Borough of Juneau	State of Alaska
Direct Employment	453	4,425	82,598
Indirect Employment	24	589	13,261
Induced Employment	28	1,944	52,947
Total Employment	<u>505</u>	<u>6,958</u>	<u>148,806</u>
Employment Multiplier	1.12	1.57	1.80

NOTE: EMPLOYMENT ESTIMATES SHOWN ABOVE REPRESENT AVERAGE ANNUAL EMPLOYMENT

SOURCE: SOUTHEAST STRATEGIES AND DEAN RUNYAN ASSOCIATES, 1999.

Overall Impact for Skagway

The overall findings for Skagway indicate that direct travel spending generates a relatively small number of indirect and induced economic impacts for the City of Skagway. These findings are supported in part by the expenditure analyses discussed in the Resident Profile and the Business Profile, that reveal the extent to which residents and businesses purchase goods and services outside Skagway.

Indirect and induced economic impacts will vary substantially with the size of an economic area. For a relatively small and isolated Alaskan community such as Skagway, both businesses and residents have fairly limited options to make purchases of goods and services – many of the industries from which residents and businesses typically purchase goods and services simply do not exist or are quite limited in Skagway. For example, Skagway has only one retail grocery store and one retail hardware/general store, both with limited availability of goods. There are virtually no wholesale goods available for purchase in Skagway. In contrast, Juneau has several grocery stores, several hardware stores, and a wholesale grocery/general merchandise store. In addition, many of the goods and services that are purchased by businesses and residents in Skagway were produced outside the community, thus generating only the impacts associated with the retail trade activity.

Although the indirect and induced economic impacts associated with travel spending are relatively small in Skagway, it is note worthy that a very large portion of Skagway’s jobs – approximately two-thirds of all employment – is already directly connected to the travel industry. Other jobs and economic impacts in Skagway may be associated with activities related to the visitor industry, but not necessarily generated through visitor spending. These kinds of jobs or impacts would include construction jobs generated through National Park Service funds for building maintenance or State of Alaska revenue sharing for visitor-related infrastructure. While related to Skagway’s visitor industry, these types of economic impacts are not included in this analysis.

IV. SKAGWAY BUSINESS PROFILE

This section describes characteristics of visitor-related businesses in Skagway. Patterns of employment, length of operation, residence of owners and employees, and business expenditure are discussed here, with expenditure patterns being of most interest to this study. The spending patterns of these businesses are described in terms of purchases made within specific expenditure categories, and the location of these purchases. Information that describes business spending by location is used to examine the extent to which Skagway businesses make purchases of goods and services within Skagway, and the degree and type of business spending that typically occurs outside of Skagway. In addition, these characteristics were examined in light of the residence status of business owners.

Objectives and Methodology

The majority of the information used in this analysis comes from a survey of business owners or managers operating in Skagway during the summer of 1999. The business surveys were designed to reveal spending patterns in specific expenditure categories, as well as to provide information about the business owners and employees. Businesses were selected for interviews from a list of Skagway business licenses provided by the City of Skagway. About 213 businesses that make sales directly to visitors were targeted for interviews, and efforts were aimed at surveying those businesses earning the highest gross revenues in particular categories. The surveys were administered in person and were completed by 92 business owners or managers (representing 125 businesses) located in Skagway during the summer season. About 90 of the smallest businesses were not surveyed. A copy of the business questionnaire is provided in Appendix A.

Although many of the smallest business were not contacted, the results of the survey provide a good representation of the type of business spending made in Skagway, as well as the type and location of business expenditures made elsewhere. The businesses surveyed represent approximately 80% of the gross earnings for all visitor-related businesses operating in Skagway in 1999. Three government entities were also included in this survey — the National Park Service, the Alaska Marine Highway System, and the City of Skagway. Detailed results of the business survey can be found in Table E-1 of Appendix E.

Business Profile

About 250 businesses operate in Skagway during the summer season. 213 of these businesses have been identified by the City of Skagway as selling goods and services to Skagway visitors. According to the Alaska Department of Labor, about 41% of all businesses operating in the peak season in Skagway are classified as trade (mostly retail trade), about 26% are classified as services (e.g., hotels, restaurants, tours), and about 13% are classified as transportation, communication and utilities. Trade also has the highest percent of employees during summer, followed by services, and then transportation, communication and utilities. The Alaska

Department of Labor reports that businesses in Skagway paid an annual average of \$2,022 per month to their employees. In general, average monthly wages are higher in the winter season, with the exception of businesses reporting under the services and government categories, which pay higher average monthly wages in the summer.

Results of the Skagway Business Survey indicate that the majority of visitor-related businesses are open for 7 months or less per year. Only 27 of the surveyed businesses reported staying open for 12 months of the year. Skagway businesses reported that on average, 37.6% of their employees were full-year Skagway residents, and 40 of the 82 businesses identified in this category had owners who were full-year Skagway residents. The visitor-related businesses surveyed reported that 94% of their sales went to Skagway visitors, as opposed to Skagway residents. A reported 21% of gross business revenues was paid out in wages, salaries and employee benefits.

Businesses with owners who reside in Skagway all year tend to operate more lodging establishments and restaurants than seasonal resident business owners. Seasonal resident business owners tend to have more recreation and tour businesses, and retail establishments as compared to full-year resident owners. Full-year resident owners hire more full-year residents as employees (54.4%) than seasonal resident owners (20.2%). On average, full-year resident businesses have fewer employees, and bring in less gross revenue than seasonal resident businesses. Full-year resident business also tend to sell more goods and services to the local population, reporting that only 79.3% of their sales goes to Skagway visitors as compared to seasonal businesses which reported 96.0 % of their sales to visitors. Additional information about the characteristics of full-year resident and seasonal resident business owners is available in Table E-2 of Appendix E.

Employment

An estimated 1,469 jobs were available in Skagway during the peak of the summer season of 1999. The estimates were developed using employment data reported in the business survey and estimates of covered employment¹ made by the Alaska Department of Labor. As shown in Table 4-1, total employment derived from survey results includes full and part-time wage and salary workers, as well as proprietors working full and part-time and unpaid family members. The estimate of total Skagway employment differs from the Alaska Department of Labor's estimates of covered employment for the following reasons:

- Self-employed persons (business owners classified as sole proprietorships or partnerships) are not eligible for unemployment insurance, are not required to report to the unemployment insurance program, and are not included in the ADOL job count.
- Business owners classified as corporations who do not have paid employees may elect to participate in the unemployment insurance program, and are not required to report to that program unless they elect coverage. Those who forego unemployment insurance coverage are not included in the ADOL job count.

¹ "Covered employment" refers to a count of employees covered by, and reported under the federal Unemployment Insurance Program.

- Businesses that operate in more than one city are encouraged to, but are not required to report employment to the unemployment insurance program by location. Thus businesses that operate in Skagway during the tourist season may report their Skagway employment in another city where they also maintain a business location.

Table 4-1
Total Skagway Employment by Season, 1999

	Summer (May-Sep.)	Winter (Oct.-Apr.)
Full-time Employees	1,071	275
Part-time Employees	190	37
Owners Working Full Time	147	49
Owners Working Part Time	56	41
Unpaid Family Members Working	5	4
Totals	1,469	406

Source: Southeast Strategies and Dean Runyan Associates, 1999.

The disparity between the number of jobs in summer and in winter indicates the extent to which the seasonal economy expands to serve visitors during the five-month summer season. While some of these jobs are taken by full-year Skagway residents who are under-employed in the winter season, many are filled by seasonal workers who migrate to Skagway to take advantage of the employment opportunities. The results of the business survey show the average Skagway business operated for about seven months centered around the summer season (only 27 reported they were open all year), providing further evidence of the seasonal differences in availability of economic opportunities.

Employee Housing

Accommodating this influx of seasonal workers, who comprise about two thirds of the summer population of Skagway, puts a heavy seasonal demand on the inventory of available housing. Many seasonal businesses find it necessary to provide housing in order to attract employees to fill the open positions. Of the businesses interviewed, about half provided some summer housing for their employees. In 1999, 46 businesses provided housing for approximately 470 seasonal employees.

Business Expenditures

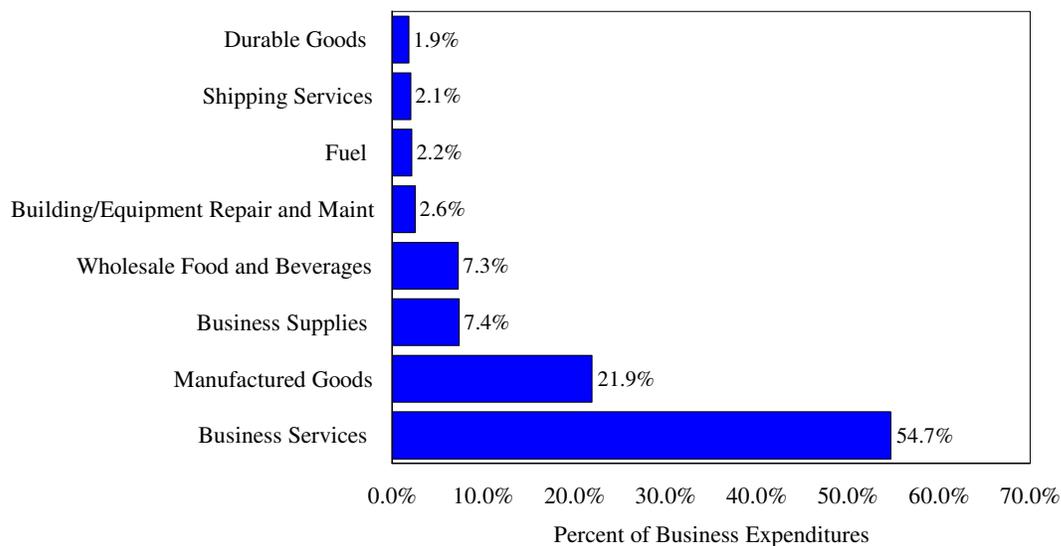
Business expenditures were identified and divided into the eight categories with an attempt to include all significant goods and services that might be purchased by Skagway businesses. Business owners and managers were asked about the following categories of expenditure:

- Manufactured goods for retail sale;
- Wholesale food and beverage products for retail sale;
- Business services (e.g., insurance, accounting, legal services);
- Durable goods (e.g., furniture, fixtures, office equipment, building materials);
- Business supplies (e.g., paper products, cleaning products, miscellaneous items);
- Shipping services;
- Buildings and equipment maintenance and repair services; and
- Fuel (automotive, marine, aviation, heating).

Wages, salaries and employee benefits, taxes and fees, rent, lease or mortgage payments, utilities, owner profits, and other expenditures were not included as part of the analysis.

With two exceptions, manufactured goods for retail sale and wholesale food and beverage products for retail sale, most Skagway businesses reported expenditures in each of the above categories. Within these expenditure categories, business services garnered the highest portion of spending (54.7%), followed by manufactured goods for retail sale (21.9%). Figure 4-1 shows the percent of expenditures in each category as a proportion of the total combined expenditures made by all Skagway businesses.

Figure 4-1
Skagway Business Spending by Category, 1999



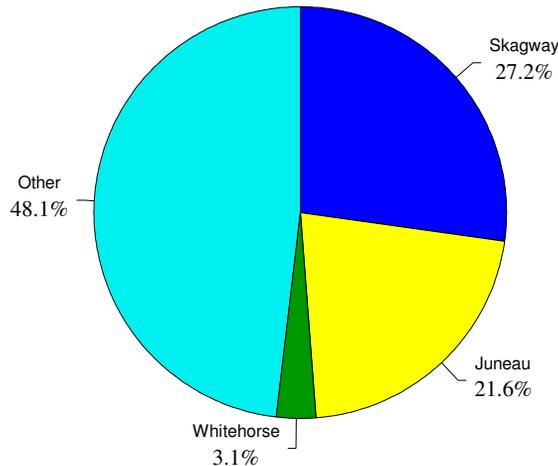
Source: Southeast Strategies and Dean Runyan Associates, 1999

Note: This expenditure distribution was estimated with the use of business data from an economic model of Skagway that was developed by Minnesota IMPLAN Group. This economic impact model was constructed for the analysis of the indirect economic impacts associated with visitors presented later in this report (see Appendix A for a complete description of the model).

Location of Business Expenditures

The Skagway Business Survey asked for the location where businesses expenditures were made. In general, 27.2% of these expenditures were made in Skagway, 24.7% were made in two nearby locations (Whitehorse and Juneau), and 48% were made in other locations. The proportion of business expenditures made in each location is very much influenced by the amount of business spending in each of the expenditure categories. In particular, with business services and manufactured goods – the two highest expenditure categories – most of the purchases were made outside of Skagway. The categories in which businesses reported making substantial purchases in Skagway (i.e., business supplies, shipping services, and fuel) represent a relatively small portion of total business spending. Figure 4-2 shows the overall division of business spending by location.

Figure 4-2
Skagway Business Spending by Location, 1999

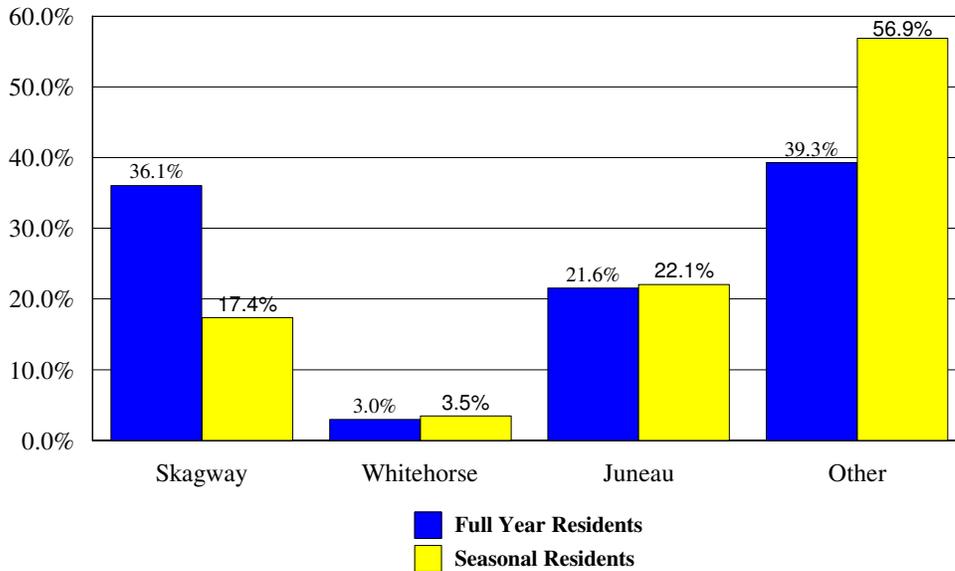


Source: Southeast Strategies and Dean Runyan Associates, 1999.

Survey results also show how location of business expenditure differs between full-year resident and seasonal resident business owners. Although business expenditures made in Whitehorse and Juneau are similar for both resident types, full-year resident owners make more expenditures (36.1%) in Skagway compared to seasonal resident business owners (17.4%).

For business services – the largest expenditure category – there is a significant location of spending difference between the two types of business owners. Full-year resident owners reported making the majority of their expenditures for business services in Skagway, while seasonal businesses owners made most of those purchases outside the city. Figure 4-3 shows the location of business expenditures by owner resident type.

Figure 4-3
Skagway Business Spending by Location and Resident Type, 1999



Source: Southeast Strategies and Dean Runyan Associates, 1999.

Expenditures by Category

The following sections describe in detail the survey results of each of the eight business expenditure categories. Following selected highlights of the survey results, Table 4-2 provides an overall summary of this detail.

Manufactured Goods for Retail Sale

The majority of businesses in Skagway engage in retail trade (mostly gift and souvenir shops). Fifty-eight of the businesses surveyed made expenditures on manufactured goods for retail sale. This category is generally a large expense item for the businesses that sell retail goods. Since there is very little manufacturing in Skagway, the majority of expenditures in this category are made outside of Skagway.

- In general, only 13% of manufactured goods for retail sale were purchased in Skagway.
- The majority (80%) was purchased outside of Skagway in other than Whitehorse (which received 2% expenditures) and Juneau (which received 5% of expenditures).
- 39 businesses bought no manufactured goods for retail sale in Skagway.
- 3 businesses bought 100% of their manufactured goods in Skagway.
- Only 6 of the 58 businesses bought more that 40% of manufactured goods in Skagway.

Wholesale Food and Beverages for Retail Sale

This category of spending pertains mainly to eating and drinking establishments, and food and liquor retail stores. Only 39 of the businesses surveyed reported purchasing wholesale food and beverages. Wholesale food and beverages generally constitute a large expense to the businesses that make these kinds of purchases. Skagway has one grocery store, one liquor store and one commercial vegetable garden, so it is understandable that the majority of wholesale food and beverages for retail sale are bought outside of Skagway.

- 20 of the 39 businesses made none of these purchases in Skagway.
- Only 6 of these businesses made over 50% of these purchases in Skagway, and none made 100% of their purchases locally.
- 17 businesses bought wholesale food and beverages in Whitehorse (14% total); 23 made these purchases in Juneau.
- 6 of the 39 businesses bought all their wholesale food and beverages in Juneau, and 10 bought more than half there.
- Of the 19 businesses buying these products outside of Skagway, Whitehorse and Juneau (average of 80% of these purchases), three made 100% of their expenditures in this category outside (mostly from Seattle), and 13 businesses purchased 50% or more of their wholesale food and beverages outside Alaska and Canada.

Business Services

Similarly, business services such as insurance, accounting and legal services are not abundantly available in Skagway. One insurance broker and two or three accountants have businesses in town, and many of the businesses surveyed perform their own accounting services. This category receives the largest proportion of all business spending; eighty-nine of the businesses surveyed reported spending in this category.

- On average, 25% of business services were purchased in Skagway, 1% in Whitehorse, 28% in Juneau and 46% outside of those three communities.
- 57 businesses purchased no business services in Skagway.
- 28 businesses purchased 50% or more of these services in Skagway, and 11 of those bought all their business services in Skagway.
- Only one business went to Whitehorse for these services (50% of their purchases in that category).
- 28 businesses bought 50% or more of their business services in Juneau, with 14 of those purchasing all their business services from that community.
- 47 businesses purchased at least 50% of their business services from outside of the 3 identified communities.
- 29 businesses surveyed bought 100% of their business services outside of the identified communities.

Durable Goods

Durable goods such as furniture, fixtures, office equipment and building materials are purchased by most businesses. Only three of the businesses surveyed did not report any expenditures in this category. Availability of goods in this category is limited in Skagway.

- In general, the businesses surveyed purchased 35% of these goods in Skagway, 13% in Whitehorse, 11% in Juneau and 41% outside of those three communities.
- 35 businesses surveyed made 50% or more of these expenditures in Skagway, including 13 that made 100% of their purchases locally.
- Only 10 businesses bought 50% or more of their durable goods in Whitehorse, but 29 Skagway businesses made some (5% to 40%) of these purchases in Whitehorse.
- 7 businesses made 50% or more of these purchases in Juneau, but the majority of businesses made at least some purchases outside of the identified communities.
- 37 Skagway businesses made at least 50% of their expenditures in this category outside the identified communities, including 16 businesses that made 100% of these purchases outside of Alaska and Canada.
- 25 Skagway businesses purchased between 1% and 45% of their durable goods outside of the identified communities.

Business Supplies

Purchases of business supplies such as paper products, cleaning products and miscellaneous items were relatively evenly spread between the locations examined.

- In general, 35% were purchased in Skagway, 13% in Whitehorse, 28% in Juneau and 24% outside of those communities.
- 31 surveyed businesses purchased none of these items in Skagway, and 35 bought at least 50% of these goods locally (including 14 who purchased 100% of these goods in Skagway).
- 11 businesses bought at least 50% of these goods in Whitehorse, with 3 buying 100% there. 18 businesses bought from 3% to 40% in Whitehorse.
- Juneau received at least 50% of the expenditures from 28 Skagway businesses in this category, with 11 businesses making 100% of these purchases there. Another 22 businesses spent 2% to 40% of business supply purchases in Juneau.
- 24 Skagway businesses spent at least 50% of their money in this category outside the identified communities, including 7 businesses that made 100% of these purchases outside Alaska and Canada.
- Another 13 businesses purchased between 1% and 40% of their business supplies outside of the identified communities.

Shipping Services

Purchases in the category include shipment by local carriers or the postal service of goods for retail sale, and shipment by businesses of goods purchased by visitors.

- 95% of shipping services are purchased locally, with Whitehorse and Juneau getting 1% each, and 3% going outside the identified communities.
- Some businesses reported purchasing goods and wholesale food and beverages from Canada, and hiring Canadian shipping companies to truck them down the Klondike Highway to Skagway.

Building and Equipment Maintenance and Repair

Goods and services in this category are also mainly purchased in Skagway. Repair services usually need to be done immediately, and generally the costs outweigh the benefits of importing repair personnel for all but the most intricate and complicated equipment repair. Skagway has two car repair businesses, and several general repair and maintenance businesses.

- 51 businesses reported that they have 100% of these services performed by local companies.
- Many businesses undertake their own maintenance and minor repair services, but only 4 local businesses claimed no expenditures in this category.
- In general, 75% of purchases for maintenance and repair services happen in Skagway, with 4% in Whitehorse, 9% in Juneau and 12% outside of these three communities.

Fuel

Fuel (including automotive, marine, aviation and heating fuel) is another category that experiences nearly 100% local patronage.

- In general, 95% of fuel purchases made by the businesses surveyed were made in Skagway, with 2% made in Whitehorse, 2% made in Juneau, and 1% made outside Skagway, Juneau and Whitehorse.

V. PROFILE OF SKAGWAY RESIDENTS

A primary purpose of this study is to determine how money flows through Skagway's economy. This section examines expenditures made by Skagway residents, where those expenditures are made, and the differences in spending patterns between full-year and seasonal residents. These findings form a picture of dollars captured by the Skagway economy as well as dollars that are not re-spent in Skagway. Spending patterns are described in terms of purchases of specific household expenditure categories and are further analyzed by resident type, and by the locations where each type of expenditure occurs.

The majority of the information used in this analysis comes from the Residents Survey taken in the summer of 1999. Usable data were received from 208 seasonal residents and 199 full-year residents. Residents were asked about their expenditure and savings patterns. A copy of the resident questionnaire is provided in Appendix A.

Demographics

The Alaska Department of Labor's State Demographer estimates the 1999 year-round population of the City of Skagway at 825. In addition to the year-round population, an estimated 900 seasonal residents moved to Skagway in the summer of 1999, and about 750 of these worked for the visitor industry. The number of summer season jobs to be filled requires over 750 seasonal workers, however, anecdotal evidence indicates that many seasonal workers work more than one job. An additional 150 seasonal residents are estimated to be non-working household members (0.2 persons per household) of the 750 seasonal workers. This data suggests a 1999 summer population of 1,725 in Skagway.

A community as small as Skagway does not warrant detailed estimates of population makeup by the Alaska Department of Labor. Consequently, the most recent detailed population data for Skagway comes from the 1990 U.S. Census. The economy in Skagway has changed considerably since 1990, so the census data are only partially representative of current conditions. In 1990, 52.5 % of Skagway's population was male, and 93.4% was Caucasian. A large portion of the 1990 population (41%) was between the ages 25 and 44, nearly the same for Alaska as a whole. Skagway residents were somewhat a little older than the population of the state, as Skagway has a smaller percentage of children and a larger percentage of residents over 45 years of age.

Resident Spending Patterns

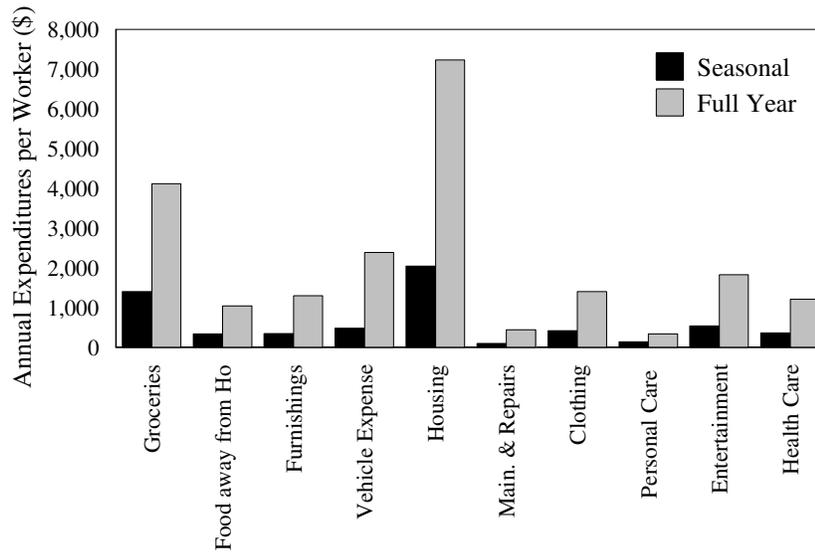
The Skagway resident survey asked residents for the percentage of their expenditures made in Skagway, in other communities such as Whitehorse and Juneau, and through mail order or the Internet. Goods and services that residents could purchase in Skagway were identified, grouped into categories, and included as questions on the survey. The following list of expenditures were considered:

- Groceries, snacks and other food from a store (includes alcohol and tobacco);
- Food away from home (restaurants, fast food);
- Household furnishings and equipment (e.g., appliances, linens, computers, tools);
- Vehicle expenses (e.g., gasoline, insurance, tires, maintenance);
- Housing (e.g., rent or mortgage, property taxes, insurance);
- Maintenance and repair supplies and services (e.g., paint, roofing, landscape maintenance, building materials);
- Clothing and accessories (e.g., clothing, shoes, jewelry, laundry);
- Personal care (e.g., haircuts, personal care items);
- Entertainment, recreation and sports equipment (e.g., TV, sound equipment, fishing, guns, cameras, toys, games); and
- Health care (e.g., physician services, glasses, dental, drugs).

Although people typically make purchases of other goods and services, such as new cars and vacations, these categories were not considered because, most likely, Skagway residents would not purchase them in Skagway.

Figure 5-1 shows annual expenditures per worker by resident type in each of the ten spending categories. Resident expenditure categories were weighted according to typical spending patterns presented in U.S. Census Bureau income distribution table. Full-year resident expenditures were based on a gross annual income of \$30,285, and seasonal resident expenditures were based on a gross annual income of \$17,246 (many seasonal workers are college students and have little other income than what they earn in Skagway).

Figure 5-1
Annual Expenditures per Worker, 1999



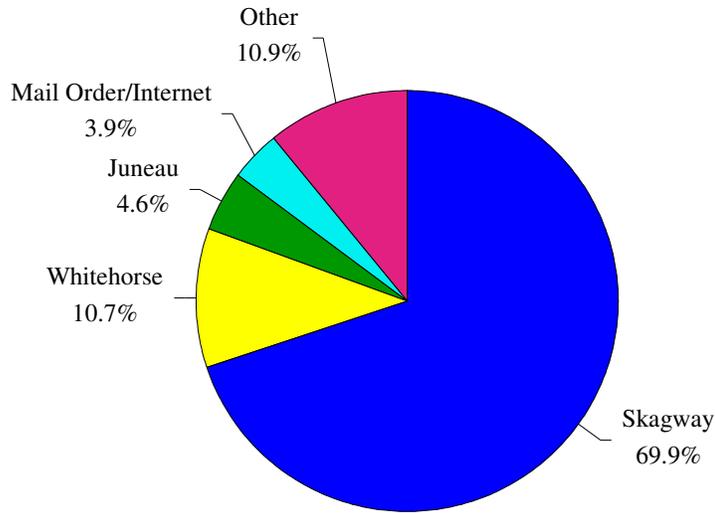
Source: Southeast Strategies and Dean Runyan Associates, 1999.

Full-year residents spend more in each of the categories because they earn more; average annual spending per worker is \$17,362. This analysis considers full-year resident spending over the course of the entire year. For seasonal residents, this analysis considers spending only for the time that the seasonal residents reside in Skagway. Average annual spending per seasonal resident is \$5,735. For both full-year and seasonal residents, spending for housing, groceries, and vehicle expenses are the categories with the highest amount of spending. Further detail on percent and dollar amounts of expenditures can be found in Table F-1 of Appendix F.

Location of Expenditures

Skagway residents were asked where they made expenditures in each of the ten categories. Locations for purchases included Skagway, Whitehorse, Juneau, mail order/Internet, and all other locations. Overall, Skagway residents purchased about 70% of goods and services in Skagway. Groceries and housing, two of the largest expenditure categories, account for a large portion of the purchases made by residents in Skagway. Residents also purchased a significant portion of groceries outside of Skagway in Whitehorse (108 miles north on the Klondike Highway) and Juneau (85 miles south by State ferry).

Figure 5-2
Skagway Resident Spending by Location



Source: Southeast Strategies and Dean Runyan Associates, 1999.

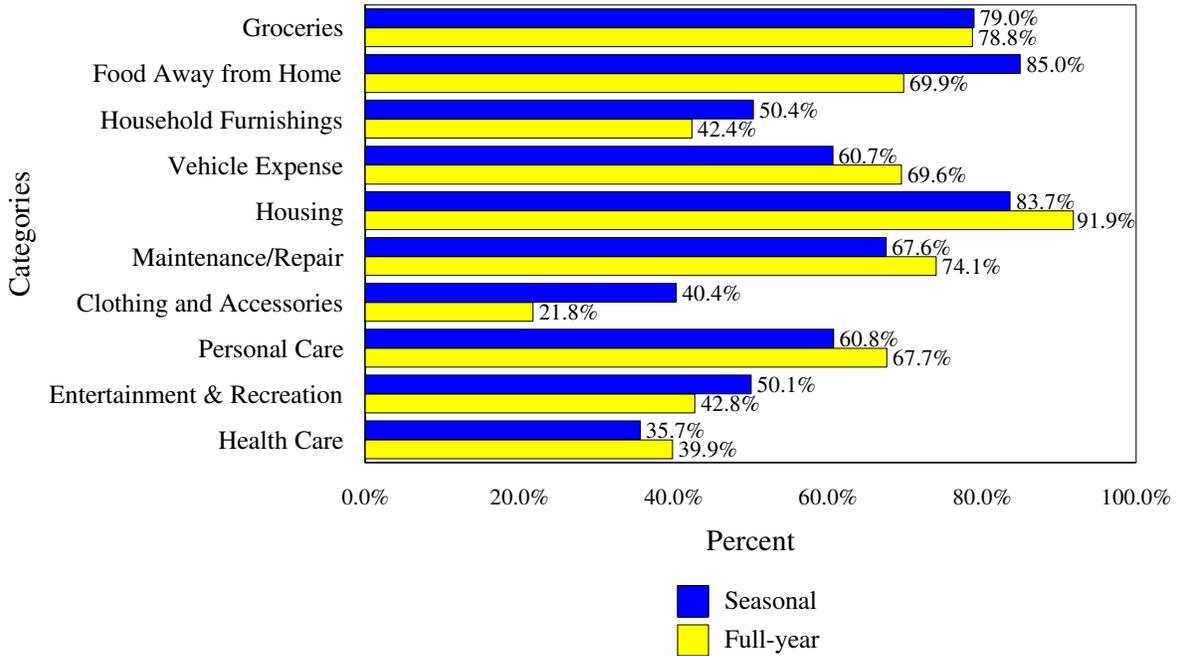
Generally, expenditure categories with greater proportions of spending outside of Skagway are those items and services that are either not available in Skagway, or only available in limited quantities. Expenditure categories with significant purchases made outside of Skagway include entertainment, clothing and accessories, and health care. Figure 5-2 shows the percentage of goods and services purchased by Skagway residents in each location. Detailed proportions are shown for each expenditure category in Table F-2 of Appendix F.

Spending by Resident Type

Overall spending in Skagway is similar for both seasonal and full-year residents, with seasonal residents making 69.5% of their expenditures in Skagway, and full year residents making 70.2% of their expenditures locally. Seasonal residents may have purchased a slightly larger percent of their goods in Skagway because they are less likely to have private autos to travel to Whitehorse for purchases, and little time off of work to travel to Juneau or elsewhere to shop. Perhaps due to their short duration in Skagway, seasonal residents were less likely to make large purchases of items such as clothing and accessories, and household furnishings.

Full-year residents tend to purchase large percentages of household furnishings, clothing and accessories, entertainment and recreation, and health care outside of Skagway. Most of these items are not available in Skagway or are only available in limited quantities, with limited choices. Both seasonal and full-year residents purchased about 80% of their groceries in Skagway. Figure 5-3 shows spending in Skagway for each of the spending categories by resident type.

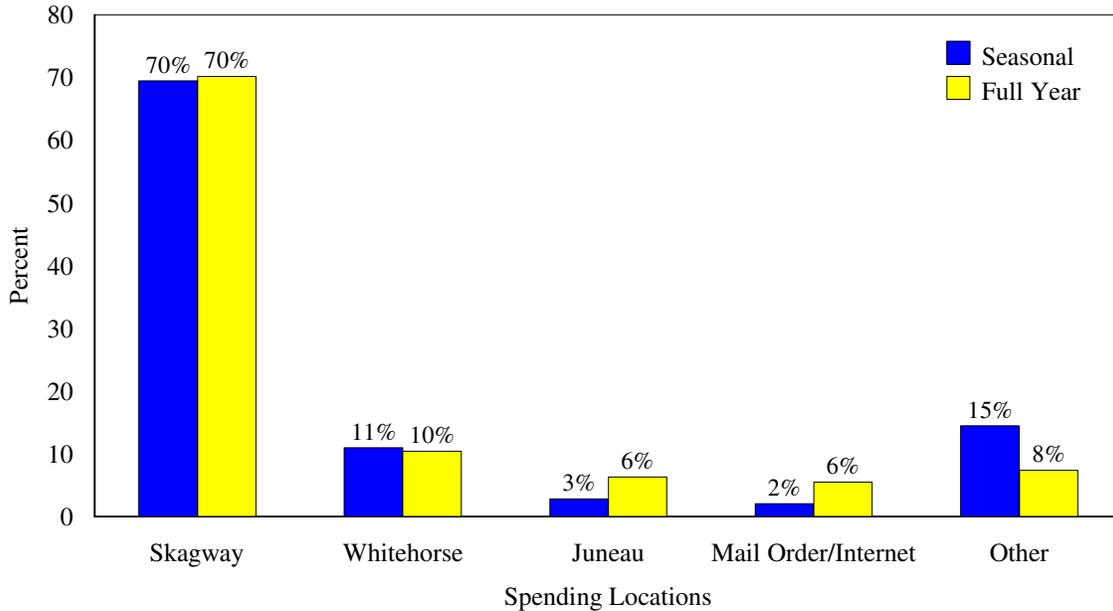
**Figure 5-3
Skagway Expenditures by Resident Type**



Source: Southeast Strategies and Dean Runyan Associates, 1999.

While the majority of the expenditures occur in Skagway, amounts spent in other communities differ somewhat by resident type. Seasonal residents tend to do their out of town shopping in Whitehorse and “other”, which probably represents the location of their main residence. Full-year Skagway residents tend to spend a larger portion of their out of town dollars in Juneau, and through mail order or Internet sales. Figure 5-4 shows spending by location for each of the resident types.

Figure 5-4
Spending Location by Resident Type



Source: Southeast Strategies and Dean Runyan Associates, 1999

Flow of Dollars to Skagway’s Economy (Capture/Leakage Analysis)

The following section examines the flow of dollars from resident wage and salary earnings into and out of Skagway’s economy. As examined in the previous section, the expenditures made by residents in Skagway represent dollars that are captured by the local economy. Expenditures made outside of Skagway are not captured locally and are considered a leakage of Skagway’s economy.

Further investigation of Skagway’s economy reveals that expenditures made outside of Skagway are just one element of the money not captured locally. Other elements not captured by Skagway would include payroll deductions for federal tax payments (including social security) and employee benefits, as well as savings. Although these elements are not likely to be subject to the influence of local policies, they do represent dollars earned by residents that do not re-circulate within the local economy.

For this expenditure analysis, wage and salary earnings are considered, as well as resident earnings from the State of Alaska Permanent Fund Dividend. Earnings that are not considered include income from rental property, income from investments, and various transfer payments such as pension benefits, insurance benefits and welfare payments. Portions of this wage and salary income captured in Skagway’s economy consist of expenditures made in Skagway by residents. Elements of this income that leak out, or are not captured in Skagway’s economy include:

- Deductions from gross wages for federal taxes, social security, health care premiums, retirement programs, etc.;
- Estimated amount of expenditures made outside of Skagway; and
- Savings.

In 1999, Skagway residents will earn about \$21.3 million in wages and salaries, as well as dividend payments from the Alaska Permanent Fund (PFDs). This amount includes both full-year and seasonal residents of Skagway. Table 5-1 summarizes the components of wage and salary income that may be captured or may leak out of Skagway's economy. As shown below, residents spend nearly \$8.5 million within Skagway's economy. Money that leaks out or is not spent in Skagway equals about \$12.8 million.

Table 5-1
**Capture/Leakage of Wage and Salary Earnings
by Skagway Residents, 1999**

	All Skagway Residents
Annual Gross Wages in Skagway + PFD	\$21,270,000
Total Payroll Deductions	\$4,759,800
Total Savings	\$4,394,490
Available to Spend	\$12,115,710
Spent in Skagway	\$8,475,431
Spent Outside of Skagway	\$3,638,988
Leakage from Deductions %	22.4%
Leakage from Savings %	20.7%
Leakage from Outside Spending %	17.1%
Total Leakage \$	\$12,793,278
Total Leakage %	60.1%
Total Capture %	39.9%

Note: In addition to wage and salary earnings, Alaska Permanent Fund Dividend shares were included for all full-year Skagway resident workers counted in this analysis.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

From the expenditure categories previously examined, approximately \$3.6 million of wage and salary earnings was spent outside of Skagway, which represents approximately 17% of annual gross wages plus PFD. Total expenditures made outside of Skagway are quantified based on the resident survey results and average wage and worker data provided by the Alaska Department of Labor. The resident survey data does not include spending in some categories that were not readily available in Skagway, such as new cars or vacations.

Although residents were asked how much they saved, they were not asked where or how they would ultimately spend those savings. Savings of residents may be considered a leakage

depending on how it is ultimately spent. The largest possible leakage from the savings category in 1999 was about 20.7% of gross wage and salary earnings (about \$4.4 million), which was considered in this analysis.

Capture/Leakage Analysis by Resident Type

This section examines capture within and leakage from the economy of Skagway by resident type. This portion of the analysis highlights the differences between the spending and savings patterns of full-year and seasonal residents. Table 5-2 summarizes the total capture and leakage from wage and salary earnings of Skagway residents, by resident type. Tables F-3 and F-4 of Appendix F indicate in detail how this leakage was calculated. Assumptions made in this analysis are also listed in the Appendix.

Table 5-2
Aggregate Capture and Leakage by Resident Type
(1999 \$)

	All Skagway Residents	Full-Year Residents	Seasonal Residents
Annual Gross Wages in Skagway + PFD	\$21,270,000	\$12,645,000	\$8,625,000
Total Payroll Deductions	\$4,759,800	\$3,034,800	\$1,725,000
Total Savings	\$4,394,490	\$1,797,107	\$2,597,383
Available to Spend	\$12,115,710	\$7,813,093	\$4,302,617
Spent in Skagway	\$8,475,431	\$5,486,492	\$2,988,940
Spent Outside of Skagway	\$3,638,988	\$2,326,601	\$1,312,387
Leakage from Deductions %	22.4%	24.0%	20.0%
Leakage from Savings %	20.7%	14.2%	30.1%
Leakage from Outside Spending %	17.1%	18.4%	15.2%
Total Leakage \$	\$12,793,278	\$7,158,508	\$5,634,770
Total Leakage %	60.1%	56.6%	65.3%
Total Capture %	39.9%	43.4%	34.7%

Source: Southeast Strategies and Dean Runyan Associates, 1999.

In the summer of 1999, an estimated 750 seasonal residents earned an average of \$11,500 gross wages each in Skagway. Total gross earnings in Skagway for all seasonal residents were about \$8.6 million. Of those wages, about \$4.3 million was available to spend. Approximately \$3.0 million was spent in Skagway and \$1.3 million spent outside Skagway. After considering payroll deductions, savings and expenditures made outside of Skagway, 65.3% of the gross earnings of *seasonal* residents will leave Skagway's economy.

An estimated 450 full-year Skagway residents will earn an average of \$28,100 in gross wages and PFDs in 1999. Total gross earnings for all full-year residents will be about \$12.6 million. Of that income, about \$7.8 million is available to spend. Approximately \$5.5 million is spent in Skagway and \$2.3 spent outside Skagway. After considering payroll deductions, savings and expenditures made outside of Skagway, 56.6% of the gross earnings of full-year residents

will leave Skagway's economy. Because expenditures for some items such as new cars and vacations were not examined, expenditures made outside the local economy may be higher; however, residents may use a large portion of their savings (considered as leakage) to cover such expenditures.

With respect to seasonal residents, savings is the largest element of leakage out of Skagway, which is consistent with the large number seasonal residents that are students. With respect to full-year residents, leakage from spending out of Skagway is greater than the highest possible leakage from savings.

VI. INFRASTRUCTURE AND PUBLIC SERVICE IMPACTS

Due to the seasonality of the visitor industry in Alaska, there is a great disparity in the number of winter residents and the number of visitors and summer residents that the existing infrastructure must serve. While the 1999 year-round population is estimated at 825, the summer seasonal resident population is about 1,725. With visitor volumes sometimes reaching a peak of 12,000 people or more per day, roadways, water, sewer, telephone, electric and solid waste disposal systems receive a disproportional amount of use during the summer season. This section examines the benefits of the visitor industry in terms of revenues to the City, as well as the costs of infrastructure and services required to support seasonal residents and the influx of summer visitors.

Methodology

Based on an analysis of the City of Skagway budget and/or judgments made by public managers, City of Skagway revenues and costs were attributed to either 1) visitors and seasonal residents or 2) full-year residents. Revenues that the City of Skagway derives from the visitor industry were estimated primarily from taxes, fees, leases and other payments. All budget categories that include visitor-related costs and revenues are considered in this analysis. The sources for the visitor-related cost and revenue estimates are listed in Appendix G.

Costs to the City that are associated with travel to and through the community and to the visitor industry are not as easy to quantify. Two methods of attributing public sector costs to a flow of visitors consist of a marginal cost method and an average cost method. The Marginal Cost method attributes additional costs of staff or equipment needed to support visitors and the visitor industry on the basis of what additional services are necessary beyond a base amount of some sort. This approach recognizes that a certain portion of government is necessary for Skagway irrespective of the level of visitation it receives. Analysis of this type focuses on what additional government costs occur – on the margin – as generated by a given flow of visitors.

The Average Cost method prorates total costs of government services according to some form of average share of overall demand. An example of this approach is determining the overall proportion of visitors and residents in the community during a given year and attributing government service costs accordingly.

The two approaches vary with respect to ease of implementation, and the approach selected can have a substantial effect of the outcome of the analysis. Determining average costs involves attributing the cost of services to visitors and to residents on the basis of budget analysis and/or judgements by public managers. A fair amount of detail may be involved with this analysis, but the results can be fairly reliable.

Estimating marginal costs is inherently more difficult in that a baseline must be established for each cost category that represents a “no impact” situation, then the service cost increase

associated with a given visitor volume is estimated. It is not possible to establish a baseline budget, based on actual budget documents, that represents no visitation to Skagway.

Conceivably such a baseline could be defined on a service-by-service basis, but judgements would always be necessary. The situation is most difficult for overhead administrative costs, where certain government services are necessary no matter what the size and nature of the local economy.

This report relies on the Average Cost methodology to quantify public service and infrastructure attributable to the visitor industry, with the estimates based on an extensive survey of government representatives for each service cost category. Budget limitations dictated this methodology choice. In certain cases the City and utility contacts reported how much staff or capacity would be unnecessary if the visitor industry were not present in Skagway, and in so doing introducing some marginal cost considerations in their estimates. Overall, however, we feel that these cost figures are good estimates of the extent to which visitors generate costs, on the average, for the City of Skagway.

The choice of utilizing average costs influences the outcome of the study to the extent that average costs are higher than marginal costs, if these marginal costs were determined. Typically average costs for a given service are higher than marginal costs because the latter does not include the portion of government infrastructure and staffing that is fixed and does not vary with respect of service levels. In government, as in business, there are certain cost advantages with larger size, and this factor results in a higher average cost estimate than a corresponding marginal cost estimate.

In February 1998, the McDowell Group performed a study for Southeast Conference assessing the effects of the cruise industry on local government revenues and expenditures in Southeast Alaska. That study and its results differ from this one for several reasons, outlined in Table 6-1 below.

Table 6-1
**Differences in Study Methodology
 for Expenditures on Visitor Impacts by the City of Skagway
 between the McDowell Group and Southeast Strategies**

	McDowell Group Study	Southeast Strategies Study
Cost Methodology:	Marginal Cost	Average Cost
Population Considered:	Cruise Ship Passengers & Crew	All Visitors & Industry Workers
Impacts Considered:	Direct	Direct & Indirect

The McDowell Group used the marginal cost method for quantifying direct costs to the City of Skagway to support cruise ship passengers and crew. As staff of the departments that

provide City services are small, and direct impacts of the cruise industry constitute only a portion of the impacts the City addresses, the marginal or incremental increases in direct costs associated with visitors were found to be small.

This analysis considers the average costs of all visitor-related impacts. Through interviews with City department managers and an examination of City documents, estimates of the revenues and costs associated with all the visitor-related impacts were developed.

Public Service Revenues

Revenues from visitors and the visitor industry accrue to the City of Skagway in a number of ways, most often associated with taxes on sales or service transactions. For this analysis we interviewed government managers associated with each revenue source, and as necessary, inspected corresponding budget and other documents. Table 6-2 shows the revenue by source for the City of Skagway for FY 2000, plus the proportion of each revenue category that is attributable to visitors and the corresponding total visitor revenue amount.

Table 6-2
Visitor-related Revenues to the City of Skagway
(using FY00 City of Skagway Budget Estimates, 1999 \$)

Tax or Fee	FY00 Estimate	% Visitor	\$ Visitor
Sales Tax Revenue			
Sales/Hotel Tax Revenue	\$3,199,300	74%	\$2,355,430
Other Revenue			
Service Charges - Garbage	\$198,200	75%	\$148,650
Dumpster Leases	\$10,500	80%	\$8,400
Service Charges - Water/Sewer	\$298,000	65%	\$193,700
Connection Charges - Water/Sewer	\$17,400	95%	\$16,530
User Fees - Commercial Port Activity	\$18,000	90%	\$16,200
Freight Charges - Port	\$25,000	75%	\$18,750
Annual Moorage - Port	\$31,000	44%	\$13,640
Transient Moorage - Port	\$30,000	85%	\$25,500
Wharf Fees - Barges and Cruise Ships	\$15,000	65%	\$9,750
Boat Dry Storage Rental - Port	\$20,000	90%	\$18,000
Boat Wash - Port	\$3,000	75%	\$2,250
Showers - Port	\$3,000	75%	\$2,250
Port Interest & Reserves	\$321,450	73%	\$234,659
Property Taxes	\$932,700	60%	\$559,620
Interest Income	\$179,500	95%	\$170,525
Leases - WPYR	\$51,400	100%	\$51,400
Leases - other	\$17,700	50%	\$8,850
Licenses/Permit	\$68,000	75%	\$51,000
Museum Revenue	\$71,400	95%	\$67,830
Parks Lease	\$21,375	100%	\$21,375
Ambulance	\$25,000	78%	\$19,443
Administration & Misc.	\$1,097,204	60%	\$658,322
Subtotal	\$3,454,829	67%	\$2,316,643
TOTAL	\$6,654,129	70%	\$4,672,073

Source: City of Skagway FY00 Budget estimates and conversations with City officials.

These revenue figures show that of the approximately \$6.7 million Skagway services budget, about \$4.7 million, or 70%, is generated by visitors and/or through the visitor industry. These figures do not include any revenue from state or federal funds.

Public Service Costs

This section presents the results of discussions with City officials and utility managers regarding the average cost portion of each category of direct service that is attributable to visitors. Overhead costs for city administration are discussed separately further below.

Table 6-3 shows the costs, by service category that is attributed to visitors and seasonal residents. The findings show that, on the average, 76% of government service costs are visitor-related.

Table 6-3
Visitor-Related Direct Service Costs to the City of Skagway
(using FY00 City of Skagway Budget Estimates, 1999 \$)

Department	FY00 Estimate	% Visitor	\$ Visitor
Fire Department	\$447,454	78%	\$347,985
Police Department	\$447,025	65%	\$290,566
Civic Center	\$22,500	40%	\$9,000
Health Center	\$202,400	56%	\$113,344
Public Works	\$923,550	70%	\$648,886
Incinerator/Garbage Service	\$476,634	75%	\$357,476
Water and Sewer	\$474,050	67%	\$317,614
Museum	\$895,275	95%	\$850,511
Library	\$94,595	50%	\$47,298
Economic Development	\$170,000	67%	\$113,900
Visitors' Bureau	\$275,475	100%	\$275,475
Port	\$408,100	73%	\$299,545
Total Direct Services	\$4,837,058	76%	\$3,671,600

Source: City of Skagway FY00 Budget estimates and conversations with City officials.

As part of the conversations with City service managers a number of examples of how visitors affect service costs were discussed, as well as occasional references to effects on revenue generation. The following sections review these findings as a way to illustrate how departments cope with the large variations associated with a highly seasonal visitor industry.

Police Services

Staffing for the Skagway Police Department includes four full-time, full-year police officers. In 1999, the department added two summer seasonal full-time officers to cope with the increase in visitor-related incidents and the effect seasonal residents. The following list indicates the percent of 1998 activities that occurred during the five-month summer season, according to Skagway Police Department records:

- 69% percent of annual arrests,
- 64% of annual calls,
- 65% of annual reports, and
- increased traffic violations and accident investigations.

In addition, department personnel took time in 1998 to attend a training seminar entitled “visitor-oriented policing skills.” Without the impact of the visitor industry, the department would likely be staffed by only one or two police officers year around, according to the Skagway Police Chief.

Fire, Rescue and Emergency Medical Services

The Skagway Fire Department has four fire trucks, two ambulances, two full-time full-year paid staff members and 20-25 full-year volunteers. During the summer season, an additional half-time paid staff member is employed, and 55-60 additional volunteers are utilized to handle the significant increase in calls.

The majority of calls during the summer season are for Emergency Medical Services (EMS) to visitors - usually passengers from cruise ships. In 1998, the department had 135 EMS calls; more than 100 of these calls occurred during the summer. The volume of calls has increased dramatically in recent years (in 1987, the fire department received only about 30 to 40 EMS calls per year).

Fires keep the department busy all year, although the characteristics of the fires vary by season. During the summer, fires are more frequent and less severe, generally taking the form of car or camper fires, dumpster fires, and out of control campfires. The winter season is when less frequent, but more serious, structure fires tend to occur. Without the additional load generated by the visitor industry, the department would only support two fire trucks and one ambulance.

Health Services

Year-round clinic staffing includes two mid-level practitioners, one medical assistant, one receptionist/billing clerk, and one administrative/financial manager. The clinic serves at least twice as many patients during the summer as compared to the winter. In 1998, the summer patient level was 54% higher than that of the winter season, and July, the peak month of the year was 168% higher than the low month (February).

In addition to the increased workload, funding is a problem for the clinic. Most visitors who use the clinic have health insurance or personally pay for services when rendered, however, the rate of unpaid bills among seasonal residents is approximately 60%-70%. Full-year residents have high receivables at the clinic, but eventually pay their bills.

The City of Skagway subsidizes the clinic to cover budget shortfalls. The subsidy in 1999 was \$173,833, approximately one third of the clinic budget. The City of Skagway pays an additional \$10,000 per year for maintenance, repairs, and utilities for the clinic building.

Without the additional load from visitors and seasonal workers, the additional cost to the City would be reduced significantly.

Water, Sewer, Garbage, and Public Works Services

The Skagway Public Works Department has a full-year staff of four, and adds four staff members during the summer season. The department provides water and sewer services, trash disposal, and parks and road maintenance.

Water and Sewer Services

During the summer season, average potable water usage is approximately 4.5 times higher than in winter months. Summer potable water usage peaks at 1.2 million gallons per day, or 6.7 times that of the average winter daily use. The City sold 34 million gallons of potable water to cruise lines in the summer of 1999.

Cruise ships do not unload wastewater in Skagway, so while the increase in wastewater processed daily is not as great as that for potable water usage, it is still almost double that of the winter months. The water system occasionally reaches its peak capacity during the summer season.

Garbage Services:

During the winter months, the City of Skagway leases 15 dumpsters, which are emptied once per week, to dispose of garbage generated by its residents. In the summer months, an additional 51 dumpsters are leased, and are emptied three times per week. The increase comes from visitor use, as well as disposal by seasonal businesses and residents. The City handles very little trash directly from cruise ships.

In 1998, the City of Skagway built an incinerator to handle the increased seasonal volume of solid waste. The incinerator burns one load per week in winter, and five loads per week in summer. During the four months of the main visitor season, the incinerator occasionally reaches its capacity, with a load waiting on the floor as the previous load is burned

Harbor Facilities

Both small and large cruise ships, state ferries, barges, water taxis, small commercial tours and charters, and private watercraft use the harbor at Skagway. Most of the large cruise ships tie up to private docks, but the City manages the small boat harbor and the City Dock adjacent to the ferry terminal. Staffing for the harbor includes only the harbormaster in winter. In summer, the harbor hires an additional full-time staff person and receives staff support from the public works and the administrative departments of the City.

The small boat harbor provides moorage for about 140 boats and also provides boat washes, showers, and dry storage rental for boats and other vehicles. Non-residents of Skagway use the majority of these services during the summer season. Residents of the Yukon Territory's capital of Whitehorse, Canada make up the largest non-resident group utilizing the harbor on

a year-round basis. Because Whitehorse is landlocked, many Canadians use the port of Skagway to moor their boats.

- In the summer, the harbor is full and has a waiting list. In the winter, there are generally 40 to 45 boats moored in the harbor.
- Annual moorage is 56% local and 44% Whitehorse. Summer transient moorage is 10% local, 50% visitors and 40% Whitehorse.
- The small boat harbor is the base for commercial charters, the Haines water taxi, and kayak and other tours. Commercial tours and charters pay a \$.50 per person fee, with visitors generating about 90% of the revenue from that fee.

Small cruise ships and barges use the City Dock adjacent to the state ferry terminal. Wharf fees for this dock generate about \$15,000 in revenue per year. Year-round traffic at the City Dock is about 35% barges and 65% is small cruise ships.

Library and Museum Services

The library is staffed at the same level year-round, although patronage increases about 40% during summer. Approximately 1,300 library cards have been issued to local users, many of whom are seasonal residents.

The Skagway Museum is open only during the summer season. The FY2000 budget for the museum is 28% higher than expected revenues. Consequently, the City will provide a subsidy to cover the difference. In addition, both City Hall and the Museum are temporarily displaced while the McCabe Building where they reside is being restored through a capital project, at a cost of over \$1 million.

Telephone and Electric Utility

Company staffing is 11 full-time positions in winter months, and 15 full-time positions in summer months. The summer staffing level is inadequate to supply demand for phone service during the summer. Often during the peak season, long distance lines are in such demand that circuits become overloaded and calls cannot be placed.

- In July of 1999, 1,855 telephone lines were active in Skagway.
- In December of 1998, 1,290 telephone lines were connected (although some were not fully active, but were on a “hot standby” vacation rate).

Peak power usage occurs during August and September. Demand by each user is low during that time of year since the weather is warm and there are many hours of daylight. The high demand results from increased number of users.

- About 760 power meters are active during winter, while about 850 are active during summer.
- The average daily power usage for all of 1998 was about 3,200 KwH. The average daily power usage in December of 1998 was about 2,200 KwH.

Without the impact of the visitor industry, the utility would be staffed with six full-time positions in the winter, and seven or eight in the summer. It also would likely have delayed the construction of the new Goat Lake hydroelectric plant (which came on line in December, 1997) for an additional three years. Alaska Power and Telephone would only need a capacity of about 3-megawatts (current capacity is 7-megawatts) in Skagway without the visitor industry's impact on services.

Alaska Department of Transportation and Public Facilities – Road and Airport Maintenance Services

The highest staffing and greatest workload for this department is in winter months, for snow removal on the Klondike Highway and the Skagway Airport runway. The Skagway Airport was the only airport in Alaska considered to be over capacity due to summer traffic. The airport was redesigned and is currently being reconstructed (including moving the runway out into part of the Skagway River) to increase its capacity. The current airport design does not include a full-length taxiway for planes to safely enter and exit the runway. Because of the frequency of planes landing and taking off, other planes wishing to use the runway are delayed as they wait in the air or in the parking areas for the runway to be cleared. A new full parallel taxiway will decrease landing and take off delays.

Government Administrative Costs

Administrative costs are considered separately in that it is inherently difficult to attribute cost portions to visitors given that extent to which many administrative functions cover all aspects of government and its services. The magnitude of these costs is substantial, however, as is evident from the figures in Table 6-4 (see following page). Overall, the City spends nearly \$1.9 million on administration. The portion of these expenses allocated as visitor-related strongly affects the extent to which government service costs are attributed to visitors, as discussed further below.

Other Impacts

Because Skagway is located in a narrow valley between high mountains and the sea, land area for expansion and development is limited. The existing development is more than adequate for the year round population of 825. However, some aspects of the community are stressed from the expansion of the resident population, and the volume of visitation during the summer season.

Table 6-4
City of Skagway Administrative Costs
(using FY00 City of Skagway Budget Estimates, 1999 \$)

Department	FY00 Estimate
Administration	
City Hall	\$840,620
City Manager	\$132,310
City Council	\$110,350
General Administration	\$495,450
City Janitorial	\$35,000
Contractual	\$70,650
Equipment	\$192,900
Total Administrative Costs	\$1,877,280

Source: City of Skagway FY00 Budget estimates and
conversations with City officials.

During the summer, housing and business space is in demand. Market forces work to mitigate the demand, resulting in high rental and lease costs. Seasonal residents own about 60% (by value) of the real estate property in Skagway. As property values rise, due to high demand, the City of Skagway has attempted to keep the property tax rate low, as it must be borne year around by full-year residents with few economic opportunities during winter. Higher property values have both costs and benefits to residents. Costs occur because taxes will increase even with a constant tax rate, and benefits occur as property values grow.

The general influx of visitors and seasonal residents changes the entire character of the town from winter to summer season. During the summer, streets and pathways become crowded and the downtown area is difficult to navigate. At the same time, full-year residents benefit from the increased job opportunities and availability of goods and services that would not be present were it not for the visitor industry.

Visitor-Related Revenues and Costs Reflected in the City Budget

The balance of visitor-oriented revenue and costs cannot be established with certainty with the figures available, but a good estimate of the range within which this balance lies can be made. Table 6-5 shows the estimate of visitor-generated City revenues, compared to three levels of visitor-generated costs to the City of Skagway. Revenues and costs to individuals, businesses and agencies other than the government of the City of Skagway are not included in this estimate. Direct service costs appear on the top line and are the same in all three columns. The second line shows three estimates of overhead costs, each representing a particular allocation of these overhead costs to visitors. The first amount, 76%, represents the same proportion as estimated for direct service costs. This amount corresponds to the assumption that, proportionally, overhead costs associated with visitors and the visitor industry is the

same as for direct service costs. This allocation method shows that visitor-associated costs exceed revenues by about \$400,000 per year, representing about 6% of the city's \$6.7 million budget.

Table 6-5
**Estimated Visitor-Generated Revenues and Costs to the City of Skagway
 By Administrative Cost Allocation, FY2000 Budget**

	Annual Amount		
	At 76%	At 63%	At 50%
Direct Costs	\$3,671,600	\$3,671,600	\$3,671,600
Overhead	\$1,426,733	\$1,182,686	\$938,640
Total Visitor-Generated Costs	\$5,098,333	\$4,854,286	\$4,610,240
Sales Tax Revenue	\$2,355,430	\$2,355,430	\$2,355,430
Other Revenue	\$2,316,643	\$2,316,643	\$2,316,643
Total Visitor-Generated Revenue	\$4,672,073	\$4,672,073	\$4,672,073
Net Visitor-Generated Revenue	-\$426,260	-\$182,213	\$61,833

Sources: City of Skagway Fiscal Year 2000 budget and discussions with City service managers.

Notes:

1. Direct costs include the costs of City of Skagway services provided directly to the visitor industry.
2. Overhead costs include all other City of Skagway services that are indirectly impacted by the visitor industry.
3. Sales Tax Revenue includes the estimate of the direct sales tax and hotel tax impact of visitors from the RTIM model, as well as an estimate sales taxes paid by seasonal employees in Skagway.
4. Other revenue includes all revenue to the City of Skagway from the visitor industry except sales tax and hotel tax.

The third column shows overhead costs allocated at 50%, resulting in visitor revenue somewhat exceeding costs by about \$62,000.

The estimated amount of visitor-related taxes, fees and payment for services was \$4.7 million in 1999. Expenditures by the City for services to visitors and the visitor industry range from \$5.1 million to \$4.6 million depending upon how you calculate overhead costs. These findings indicate that, overall, visitor-generated revenues to the City of Skagway are approximately equal to the associated average costs if one assigns about 53% of administrative costs to visitors and the visitor industry. However, if one were to repeat this calculation using marginal costs rather than average costs – where these marginal costs would be lower – then the assumption would be that no overhead costs are attributable to the visitor industry, and the revenue advantage to the city would be far greater.

VII. OVERALL ECONOMIC IMPACT

This section summarizes the economic impact of the visitor industry in Skagway, following the flow of dollars through the economy of Skagway from initial expenditures by visitors, through Skagway businesses and residents, and generating tax dollars to the City of Skagway. The analysis will attempt to track and quantify this flow of money, particularly showing the portion that leaves the economy and the portion that is re-spent in Skagway. The information in this section was developed from the previous analyses of direct and indirect impacts of visitor spending in Skagway, as well as the findings of the business and resident surveys. Figure 7-1 presents a flow chart that illustrates the flow of visitor spending through Skagway's economy.

Nearly 700,000 visitors arrived in Skagway during 1999. These visitors spent approximately \$59.5 million on goods and services from Skagway businesses. As part of this amount, visitors paid an estimated \$2.1 million in sales and hotel taxes to the City of Skagway in 1999.

Of about 250 businesses operating in Skagway during the summer season, about 213 provide goods and services to visitors. Through these businesses, travel spending created about 900 jobs during the visitor season (since some residents work more than one job, this figure does not translate directly to number of workers), which generated a payroll of about \$7.7 million.

In addition to paying wages and salaries to their workers, businesses make expenditures for goods and services used in their operations. Some of that money is spent in Skagway, although the majority (72.8%) is spent outside of Skagway. Businesses also pay income, property and other taxes, and take profits from their revenues. Table 7-1 outlines the primary elements of visitor and business expenditures that are captured in Skagway, and that leak from the local economy.

Table 7-1
Distribution of Visitor Expenditures in Skagway, 1999

Visitor Expenditures	\$59,580,721
Visitor-related Revenues Captured in Skagway:	
Sales/hotel Taxes to City	\$2,128,830
Other Visitor Industry Taxes and Fees ¹	\$2,316,643
Business Expenditures Made in Skagway	\$1,219,578
Visitor-generated Payroll ²	\$3,082,084
Total Captured in Skagway	\$8,747,135
Business Expenditures Leaking from Skagway (includes business profits) ³	\$50,833,586

Notes:

1. The dollar figure for "Other Visitor Taxes and Fees" is the estimate of "Other Visitor Revenue" as shown on pg. // of this report.
2. This represents the 39.9% of the \$7.7 million in payroll that is re-spent in Skagway. 60.1% will leak through payroll deductions, savings, and expenditures made outside of Skagway.
3. It is uncertain what portion of business owner profits might be re-spent in Skagway.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

This analysis shows that of the \$59.5 million in visitor spending, about \$4.4 million goes to the City of Skagway in the form of sales taxes and other visitor industry generated revenue. An additional \$1.2 million of business expenditures are made in Skagway. Visitors also generate about \$7.7 million in payroll, about 60% of which leaves Skagway in the form of payroll taxes, savings, and expenditures made outside the City. The remaining \$50.8 million includes visitor expenditures that are not re-spent within the City and business profits, a portion of which may be spent in Skagway.

In addition to the portion of visitor expenditures that is not re-spent in Skagway, a large share of Skagway resident's gross earnings also leaves the local economy. About 60% of residents' gross wages leave the local economy in the form of payroll deductions, savings and expenditures made outside of Skagway. As shown in Table 7-2, this amounts to an additional \$12.8 million that leaves Skagway's local economy. This estimate includes the \$7.7 million in payroll derived directly from visitor spending discussed earlier.

Table 7-2
Portions of Resident Wages not Captured in Skagway, 1999

Seasonal Residents:	
Payroll Deductions	\$1,725,000
Savings	\$2,597,383
Intentional Spending Outside	\$1,312,387
Full-year Residents:	
Payroll Deductions	\$3,034,800
Savings	\$1,797,107
Intentional Spending Outside	<u>\$2,326,601</u>
Total	\$12,793,278

Note: Gross wages includes income from the Alaska Permanent Fund Dividend.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Gross Business Revenue in Skagway

In 1999, the City of Skagway reported sales tax revenue on an estimated \$69.3 million in sales. As shown in Table 7-3, the estimates taken from various sections of this report are consistent with the City's reported sales. Seasonal residents spent about \$3.0 million, and full-year residents spent about \$5.5 million in Skagway. Businesses also spent at least \$1.2 million in Skagway, as previously discussed in the Indirect Impacts section of this report. Based on these estimates, approximately 90% of total spending (\$62.2 million) is generated by visitors and seasonal residents, and thus attributed to the visitor industry.

Table 7-3
Total Gross Business Revenue in Skagway, 1999

Visitor Spending	\$59,580,721
Seasonal Resident Spending	\$2,988,940
Full-year Resident Spending	\$5,486,492
Business Spending ¹	<u>\$1,219,578</u>
Total Expenditures in Skagway	\$69,275,731

¹ Indirect output developed in the IMPLAN model is used as an estimate of business spending in Skagway.

Source: Southeast Strategies and Dean Runyan Associates, 1999.

APPENDICES

Appendix A

Surveys: Visitor, Business, Resident

Note: Resident surveys are identical for full-year and seasonal residents.

**City of Skagway
P.O. Box 415
Skagway, AK 99840**

Dear Traveler:

As a traveler to Skagway, you can help us by completing this questionnaire. The City of Skagway is sponsoring this study to gather information that is not available from any other source. The answers you supply will be used for statistical purposes only and will be kept **strictly confidential**.

WIN U.S. SAVINGS BONDS

Two winners will be randomly selected who will each receive:

\$100 in U.S. Savings Bonds

Winners will be selected by random drawing from completed surveys and notified by 1 December 1999.

TO SKAGWAY

1. Is this your first trip to Skagway? yes no 5
2. How did you travel to Skagway on this trip? ? (Check **all that apply**) 6 7 8 9
 cruise ship tour bus/motorcoach airline other (please specify) 10 11 12
 private auto or RV state or private ferry train _____
3. How will you travel from Skagway on this trip? ? (Check **all that apply**) 13 14 15 16
 cruise ship tour bus/motorcoach airline other (please specify) 17 18 19
 private auto or RV state or private ferry train _____ 20-25
4. What is the Zip Code or postal code of your home address? _____ 26
5. What is the primary purpose of this visit to Skagway? (Check **one answer only**) 27
 vacation/pleasure both business & pleasure traveling to another destination
 visit friends or relatives conference or convention other (please specify)
 business _____
6. Are you staying overnight in Skagway? 28-29
 No
 Yes → **How many nights in total will you stay in Skagway?** _____ Number of nights
- What type of accommodations will you use while in Skagway?** (Check **all that apply**) 30 31 32
 hotel , motel, B&B campground other (please specify)
 cruise ship home of friends/relatives _____ 33 34
7. How many people are in your immediate traveling party? (Please count the number of people traveling together and sharing expenses) 35-36 37-38
_____ # of **Adults** (age 18 or older) _____ # of **Children** (age 17 or under)
8. Did you travel to Skagway as part of a cruise or organized tour? 39
 No
 Yes → **When you paid for this tour, what costs were included?** (Check **all that apply**) 40 41 42
 lodging (inc. cruise) food & beverage other (please specify)
 gifts, other retail on-shore tour in Skagway _____ 43 44
9. While in Skagway, how much will you and your immediate traveling party spend for the following items? (Please estimate the amount as closely as possible; Check **"No Expenses"** if you had no expenses for an item. Please do not include prepaid tour and other non-Skagway purchases) 45
- | | | |
|--|--------------------|---|
| | No Expenses | Expenses for your party in Skagway |
| | _____ | _____ |

Accommodations

- hotel, motel, other room rental \$ _____ 45-47
- campground fees \$ _____ 48-50

Tours and Recreation

- White Pass train tour \$ _____ 51-53
- other guided tours (city, fishing, rafting, hiking, etc.) \$ _____ 54-56
- other recreation (rental fees, admissions, etc.) \$ _____ 57-59

Transportation

- car rental \$ _____ 60-62
- local ground transportation (taxi, shuttle, etc.) \$ _____ 63-65
- passenger ferry to Haines \$ _____ 66-68
- private auto, truck, or RV (fuel, parking, repairs, etc.) \$ _____ 69-71

Food and Beverage

- food & drink in restaurants & bars, fast food \$ _____ 72-74
- groceries, liquor, snacks \$ _____ 75-77

Retail

- shopping for gifts, clothing, souvenirs \$ _____ 78-80

All Other

- other items (please specify) _____ \$ _____ 81-83

10. Did you make any purchases today outside Skagway?

- No Yes → What is the total amount of these expenditures? \$ _____ 84

11. In planning this trip to Skagway, did you use information from any of the following sources? (Check *all that apply*)

- | | | | | | |
|---|--|---|----|----|----|
| <input type="checkbox"/> commercial guidebook | <input type="checkbox"/> automobile/travel club | <input type="checkbox"/> friends/relatives | 85 | 86 | 87 |
| <input type="checkbox"/> printed ad in magazine or newspaper | <input type="checkbox"/> Alaska Division of Tourism | <input type="checkbox"/> personal knowledge | 88 | 89 | 90 |
| <input type="checkbox"/> feature article in magazine or newspaper | <input type="checkbox"/> Cruise company literature | <input type="checkbox"/> Internet | 91 | 92 | 93 |
| <input type="checkbox"/> Skagway Visitor Bureau | <input type="checkbox"/> travel agent or tour operator | <input type="checkbox"/> other (please specify) _____ | 94 | 95 | 96 |

BACKGROUND INFORMATION

- 12. What is your age?** _____ (years) **Are you retired?** yes no 97-99

THANK YOU FOR YOUR ASSISTANCE

Please fill in your name and address if you wish to be entered in the random drawing.

Name: _____

Address: _____ Phone: () _____

City: _____ State/Province: _____ ZIP/Postal Code: _____

Skagway Economic Impact Study

The City of Skagway is trying to understand and improve the local economy. Please help us by filling this questionnaire out and returning it. This information is not available from any other source.

The answers you supply will be used for statistical purposes only and will be kept **strictly confidential**.

ABOUT YOUR BUSINESS

1. What is your **primary** business? (Check \checkmark one answer only) 5

- | | |
|---|--|
| <input type="checkbox"/> hotel, motel, B&B
<input type="checkbox"/> campground/RV park
<input type="checkbox"/> recreation or tour business (e.g., shuttle, fishing, adventure tours, golf)
<input type="checkbox"/> eating/drinking establishment | <input type="checkbox"/> inter-community transportation (air, boat, etc.)
<input type="checkbox"/> retail trade (e.g., jewelry, gift, florist, general mdse.)
<input type="checkbox"/> other (please specify) _____ |
|---|--|

2. How long has your **Skagway business** been in operation? _____ years 6-7

3. How many months per year is your **Skagway business** open? _____ months 8-9

4. What portion of your **paid employees** are year-round residents of Skagway? _____ percent 10-12

5. What is the **average number of paid employees** for each season of the year?

	Summer (May-Sept)	Fall/Winter (Oct-Apr)		
Full-time employees	_____	_____	(employees working 35 hours or more per week, but not business owners ; enter "0" if you have none)	13-15 16-18
Part-time	_____	_____	(employees working fewer than 35 hours per week ; enter "0" if you have none)	19-21 22-24

6. How many **business owners** regularly work in the business?

	Summer (May-Sept)	Fall/Winter (Oct-Apr)		
Full-time	_____	_____	(business owners working 35 hours or more per week ; enter "0" if you have none)	25-26 27-28
Part-time	_____	_____	(business owners working fewer than 35 hours per week ; enter "0" if you have none)	29-30 31-32
Unpaid	_____	_____	Include children, relatives	33-34 35-36 37

7. Does your business provide housing **in Skagway** for any employees? 38-40

- no
- yes → How many employees? _____ (number)

YOUR BUSINESS EXPENDITURES

8. Where does your **Skagway business** typically make each of the following types of business-related purchases? (Please estimate the percentages for the most recent year as closely as possible)

Manufactured goods for retail sale

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

Wholesale food and beverage products for retail sale

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

41-43
44-46
47-49
50-52
53-55
56-58
59-61
62-64

Business services (e.g. insurance, accounting, legal services)

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

Durable goods (e.g. furniture, fixtures, office equipment, building materials)

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

65-67
68-70
71-73
74-76
77-79
80-82
83-85
86-88

Business supplies (e.g. paper products, cleaning products, miscellaneous items)

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

Shipping Services (please report based on the location of shipping company's home office)

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

89-91
92-94
95-97
98-100
101-103
104-106
107-109
110-112

Building and Equipment Maintenance and Repair

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

Fuel (automotive, marine, aviation, heating)

Location	Percent
• Skagway	_____%
• Whitehorse	_____%
• Juneau	_____%
• all other	_____%
Total	100%

113-115
116-118
119-121
122-124
125-127
128-130
131-133
134-136

9. Approximately what proportion of your total sales is to Skagway **visitors** (that is, not local residents)? _____ percent

137-139

10. What amount of gross revenue did your Skagway business generate in 1998? (please estimate)

140

- | | | |
|--|--|--|
| <input type="checkbox"/> under \$20,000 | <input type="checkbox"/> \$200,000-\$499,999 | <input type="checkbox"/> \$2,000,000 - \$2,499,999 |
| <input type="checkbox"/> \$20,000-\$49,999 | <input type="checkbox"/> \$500,000-\$999,999 | <input type="checkbox"/> \$2,500,000-2,999,999 |
| <input type="checkbox"/> \$50,000-\$99,999 | <input type="checkbox"/> \$1,000,000-1,499,999 | <input type="checkbox"/> \$3,000,000-\$3,499,999 |
| <input type="checkbox"/> \$100,000-\$199,999 | <input type="checkbox"/> \$1,500,000-\$1,999,999 | <input type="checkbox"/> over \$3,500,000 |

11. Approximately what proportion of your gross revenue does your Skagway business pay out for wages, salaries, and benefits (including housing)? _____ percent

141-143

Thank you for your help.

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City of Skagway
P.O. Box 415
Skagway, AK 99840
(907) 983-2297

Dear Skagway resident:

The City of Skagway is trying to understand and improve the local economy. Please help us by filling this questionnaire out and returning it. This information is not available from any other source.

The answers you supply will be used for statistical purposes only and will be kept **strictly confidential**.

<p style="text-align: center;">WIN U.S. SAVINGS BONDS</p> <p style="text-align: center;">Two winners will be randomly selected who will <u>each</u> receive:</p> <p style="text-align: center;">\$100 in U.S. Savings Bonds</p> <p style="text-align: center;">Winners will be selected by random drawing from completed surveys and notified by 1 December 1999.</p>

To be eligible for the prize drawing you must mail the completed questionnaire by 8 October 1999.

LIVING IN SKAGWAY

1. Are you a year-around resident of Skagway or living here just for the summer? (Check \checkmark *one answer only*) 5

- year-around
- summer only
- other period _____

2. How many people live in your household?

_____ # of **Adults** (18 or older) _____ # of **Children** (17 or under) 6-7 8-9

3. Do any members of your household work in the visitor industry in Skagway? (businesses that directly serve visitors, such as restaurants, tour companies, hotels, etc.) 10

- no
- yes → How many household members? _____ (number) 11-12

YOUR HOUSEHOLD EXPENDITURES

4. Where do you typically make each of the following types of purchases? (Please estimate the percentages for the most recent year or period during which you lived in Skagway as closely as possible)

Groceries, snacks and other food from a store (includes alcohol and tobacco)

<u>Location</u>	<u>Percent</u>	<u>Location</u>	<u>Percent</u>	
Skagway	_____ %	Skagway	_____ %	13-15
Whitehorse	_____ %	Whitehorse	_____ %	16-18
Juneau	_____ %	Juneau	_____ %	19-21
mail order, internet	_____ %	mail order, internet	_____ %	22-24
other	_____ %	other	_____ %	25-27
Total	100%	Total	100%	

Food away from home (restaurants, fast food)

Household furnishings and equipment (e.g. appliances, linens, computers, tools)

<u>Location</u>	<u>Percent</u>	<u>Location</u>	<u>Percent</u>	
• Skagway	_____ %	• Skagway	_____ %	28-30
• Whitehorse	_____ %	• Whitehorse	_____ %	31-33
• Juneau	_____ %	• Juneau	_____ %	34-36
• mail order, internet	_____ %	• mail order, internet	_____ %	37-39
• other	_____ %	• other	_____ %	40-42
Total	100%	Total	100%	

Vehicle expenses (e.g. gasoline insurance, tires, maintenance)

Your home (e.g. rent or mortgage, insurance)

<u>Location</u>	<u>Percent</u>	<u>Location</u>	<u>Percent</u>	
• Skagway	_____ %	• Skagway	_____ %	43-45
• Whitehorse	_____ %	• Whitehorse	_____ %	46-48
• Juneau	_____ %	• Juneau	_____ %	49-51
• mail order, internet	_____ %	• mail order, internet	_____ %	52-54
• other	_____ %	• other	_____ %	55-57
Total	100%	Total	100%	

Maintenance and repair supplies and services (e.g. paint, roofing, landscape maintenance, building materials)

**Clothing and accessories
(includes clothes, shoes,
jewelry, laundry)**

Location	Percent
• Skagway	_____ %
• Whitehorse	_____ %
• Juneau	_____ %
• mail order, internet	_____ %
• other	_____ %
Total	100%

**Personal care (e.g. haircuts,
personal care items)**

Location	Percent	
• Skagway	_____ %	58-60
• Whitehorse	_____ %	61-63
• Juneau	_____ %	64-66
• mail order, internet	_____ %	67-69
• other	_____ %	70-72
Total	100%	

**Entertainment, recreation, and
sports equipment (e.g. TV,
sound equipment,
photography, toys, guns,
fishing, games)**

Location	Percent
• Skagway	_____ %
• Whitehorse	_____ %
• Juneau	_____ %
• mail order, internet	_____ %
• other	_____ %
Total	100%

**Health care (e.g. physician
services, glasses, dental,
drugs)**

Location	Percent	
• Skagway	_____ %	73-75
• Whitehorse	_____ %	76-78
• Juneau	_____ %	79-81
• mail order, internet	_____ %	82-84
• other	_____ %	85-87
Total	100%	

**5. What portion of your income that you earned in Skagway
did you save? (savings account in a bank, stock or bond
purchases, money market accounts)**

- none 1% - 4% 5% - 9% 10% - 14% 88 89 90 91
 15% -19% 20% - 24% 25% or more 92 93 94

6. For your savings, what portion do you put into an account in Skagway? 93

- none (all in accounts elsewhere) 1% - 24% 25%— 49% 95 96 97
 50% - 74% 75% - 100% 98 99

Thank you for your help.

Appendix B

Skagway Survey Methodology and Visitor Profile

Methodology

Data were gathered from a sample of Skagway visitors in order to measure their expenditures, party size and other characteristics as required for the economic analysis. In addition, other questions were included to gather additional information that can be useful for product development and marketing purposes.

The survey made use of a self-administered questionnaire that was handed to visitors who were intercepted at various locations throughout Skagway. Respondents were asked to complete the instrument at that time and return it to the field staff person. A copy of the questionnaire appears in Appendix A.

The following are the locations used for conducting these intercepts:

- Cruise Ship and Ferry docks
- Railroad platform
- General gathering places
- Highway border exits
- Airline Offices

In most cases, visitor sampling made use of a cluster technique whereby all visitors passing by the survey location during the time when a location was staffed, were asked to complete a questionnaire. This was subject to the staff's ability to make contact with those who were passing by. Sampling was conducted late in the day to intercept visitors just prior to departure as they have made all of their expenditures, and on weekends as well as weekdays. The distribution of respondents by season appears in Table B-1. A total of 421 questionnaires were completed and available for analysis.

Table B-1
**Survey Respondent Distribution
Skagway, 1999**

Number of Respondents		
Peak (August)	Shoulder (September)	Total
304	117	421

Source: Southeast Strategies, DRA

For purposes of analysis, survey data were weighted to represent the distribution of Skagway visitors with respect to entry mode. This mode distribution was generated from data made available by the Skagway Visitor Bureau and appears in Table B-2, along with the associated unadjusted survey distribution and the weights used for data analysis. The auto/ferry entry mode represents ferry passengers with and without autos as well as visitors driving autos that did not take a ferry. These two modes were combined because each made up such a small proportion of the sample.

Table B-2
Visitor Distribution by Entry Mode

Category	Percent of Visitors or Respondents		
	Visitors	Unadjusted Survey Data	Weight
Cruise	82%	58.0%	1.41
Auto/Ferry	15%	36.1%	0.42
Other	3%	5.9%	0.51
Total	100%	100.0%	NA

Source: Southeast Strategies, DRA

Skagway Visitors

The visitor survey conducted as part of this project provided important information for the economic analysis, but also offers visitor profile findings that may be useful for business development and visitor-oriented marketing. The following section reviews these findings.

In reviewing these findings it is important to keep in mind that the survey was conducted during August and September 1999, and accordingly does not necessarily represent visitors during the entire 1999 season. While there is no reason to assume that visitors during this period were substantially different from those in the area during early and mid- summer, some difference could exist that would not be represented by this sample.

In order to increase the extent to which the data represent Skagway visitors overall, the data are weighted to represent the known proportions of auto/ferry and cruise visitors who visit Skagway. The figures in the “All Respondents” column in the tables below are produced with this weighting in effect. Weighting does not affect the figures in each of the breakout columns of the table.

Origin

Somewhat over a third of Skagway visitors live in the West, either in the Pacific Region of the US or in Canada. Other primary sources of visitors include heavily populated regions in the Atlantic and the upper Midwest. Auto/Ferry visitors are more likely to be from the west

and from Canada, locations that are easier to access by motor vehicle. Eastern and Midwestern locations are stronger markets for cruise visitors.

Foreign visitors represent nearly 10% of all visitors, with the proportion somewhat lower for auto/ferry visitors.

Among states (and Canada), California provides the largest portion of visitors overall with 13%. Canada is a very close second, however, with just under 13%. The next closest state is Washington at about 6%, followed by New York at about 5%.

Canada is a much more important market for auto/ferry travelers, representing the residence of over one in four. Alaska is the next most significant residence of auto/ferry visitors, representing either Southeast residents arriving by ferry or others arriving by road.

Table B-3
**US Region or Country of Origin, Skagway Visitors
 By Type of Visitor, 1999**

Region	Percent of Respondents			All Respondents
	Cruise	Auto/ Ferry	Other	
New England	4.2%	3.1%	6.7%	4.1%
Middle Atlantic	14.0%	3.1%	0.0%	11.8%
South Atlantic	10.4%	6.3%	26.7%	10.4%
East North Central	10.4%	3.1%	6.7%	9.2%
East South Central	3.3%	3.1%	6.7%	3.4%
West South Central	3.9%	3.1%	0.0%	3.6%
West North Central	4.8%	3.1%	6.7%	4.6%
Mountain	7.2%	9.4%	6.7%	7.5%
Pacific	22.1%	32.8%	20.0%	23.7%
Canada	10.4%	26.6%	0.0%	12.6%
Other Foreign	9.3%	6.3%	20.0%	9.2%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

Relatively high proportions of cruise passengers are from either warm locations (Florida, Arizona, Texas) or from large metro areas (New York, New Jersey, Pennsylvania). Washington state is also an important market for this travel segment.

Table B-4
**State or Country of Origin, Skagway Visitors, Top 20
 By Type of Visitor, 1999**

Origin	Percent of Respondents			
	Cruise	Auto/ Ferry	Other	All Respondents
California	14.2%	8.8%	5.3%	13.0%
Canada	10.6%	29.8%	0.0%	12.8%
Other Foreign	9.4%	7.0%	15.8%	9.3%
Washington	6.0%	7.0%	5.3%	6.1%
New York	6.0%	0.0%	0.0%	4.9%
Florida	4.2%	3.5%	5.3%	4.2%
New Jersey	4.2%	0.0%	0.0%	3.4%
Pennsylvania	3.9%	1.8%	0.0%	3.4%
Ohio	3.0%	0.0%	5.3%	2.7%
Michigan	3.3%	0.0%	0.0%	2.7%
Alaska	0.0%	17.5%	5.3%	2.7%
Arizona	2.4%	1.8%	5.3%	2.5%
Texas	2.4%	1.8%	0.0%	2.2%
Massachusetts	2.1%	0.0%	5.3%	2.0%
North Carolina	2.1%	0.0%	5.3%	2.0%
Illinois	2.1%	1.8%	0.0%	2.0%
Missouri	1.8%	1.8%	5.3%	2.0%
Oregon	1.8%	3.5%	0.0%	2.0%
Minnesota	1.8%	0.0%	5.3%	1.7%
Georgia	1.2%	1.8%	5.3%	1.5%
Total top 20	82.8%	87.7%	73.7%	83.0%
Remaining states	17.2%	12.3%	26.3%	17.0%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

Previous Travel to Skagway

Most Skagway visitors, about nine in ten, are visiting Skagway for the first time. This is particularly true among cruise visitors, only about 5% of whom have been to the community previously. Auto/ferry visitors are much more likely to have been to the community previously, with about a third reporting having been there before.

Table B-5
**Previous Travel to Skagway, Skagway Visitors
 By Type of Visitor, 1999**

Category	Percent of Respondents			All Respondents
	Cruise	Auto/ Ferry	Other	
First trip	95.3%	62.9%	84.6%	90.1%
Previously visited	4.7%	37.1%	15.4%	9.9%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

Purpose of Visit

As one would expect, essentially all cruise visitors are on a pleasure trip, although none among the respondents reports visiting a friend or relative in Skagway. Most auto/ferry visitors are also on a pleasure trip, with about 5% reporting either business or a combination of business and pleasure. These findings illustrate the extent to which Skagway is specialized as a recreation destination, and the limited other business that occurs within the community.

Table B-6
**Primary Purpose of Visit, Skagway Visitors
 By Type of Visitor, 1999**

Purpose	Percent of Respondents			All Respondents
	Cruise	Auto/ Ferry	Other	
Vacation/Pleasure	99.7%	82.8%	76.9%	96.4%
Visit friends/relatives		4.7%		0.7%
Business		3.1%	7.7%	.7%
Business/Pleasure		1.6%		.2%
Passing through	.3%	7.8%	15.4%	1.9%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

Overnight Visitation

While nearly all cruise visitors report staying overnight in Skagway – or at least near Skagway – as they either arrive or depart, only about two in five auto/ferry visitors stay in the community. The remaining three in five, as well as a majority of “other” visitors, are day visitors, departing either by road, ferry or air.

Table B-7
**Overnight Visitation, Skagway Visitors
By Type of Visitor, 1999**

Category	Percent of Respondents			All Respondents
	Cruise	Auto/Ferry	Other	
Overnight*	95.9%	40.3%	30.8%	85.5%
Day	4.1%	59.7%	69.2%	14.5%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

*Although Cruise visitors reported that they spent the night in Skagway, in reality, they spent the night on the cruise ship at sea.

Travel Party Size

Most Skagway visitors are traveling as part of a two-person party, with another quarter traveling as part of a three- or four-person group. A portion of the latter parties includes children; overall about 13% of travel parties include at least one child. The overall average party size is approximately 2.6 people.

Table B-8
**Party Size, Skagway Visitors
By Type of Visitor, 1999**

Party Size	Percent of Respondents			All Respondents
	Cruise	Auto/Ferry	Other	
One	4.4%	11.9%	8.3%	5.6%
Two	67.5%	54.2%	58.3%	65.2%
3 or 4	22.5%	23.7%	33.3%	23.0%
5 or more	5.6%	10.2%		6.1%
Total	100.0%	100.0%	100.0%	100.0%
Average	2.6	2.6	2.5	2.6

Source: Southeast Strategies, DRA

Age

Skagway visitors are relatively old, averaging 50 for cruise visitors and 52 overall. Only 11% are 35 or under. Auto/ferry visitors are most often in their empty-nest years of 50-65, as are the majority of cruise visitors.

Table B-9
**Age, Skagway Visitors
 By Type of Visitor, 1999**

Category	Percent of Respondents			
	Cruise	Auto/ Ferry	Other	All Respondents
Under 35	10.1%	14.8%	25.0%	11.3%
35-49	30.7%	27.9%	25.0%	30.1%
50-64	36.5%	42.6%	25.0%	37.1%
65+	22.7%	14.8%	25.0%	21.6%
Total	100.0%	100.0%	100.0%	100.0%
Average	53	50	49	52

Source: Southeast Strategies, DRA

Retirement Status

A high proportion of Skagway visitors is comprised of retirees: amounting to a third overall, and nearly two in five for auto/ferry travelers. This pattern is consistent with the age of these visitors, and with the extent to which they are traveling with children.

Table B-10
**Retirement Status, Skagway Visitors
 By Type of Visitor, 1999**

Status	Percent of Respondents			All Respondents
	Cruise	Auto/ Ferry	Other	
Retired	33.8%	38.3%	46.2%	34.9%
Not Retired	66.2%	61.7%	53.8%	65.1%
Total	100.0%	100.0%	100.0%	100.0%

Source: Southeast Strategies, DRA

Trip Planning Information Sources

Skagway visitors use a wide variety of information when planning their trips, with any one person often using several sources. Overall the literature provided by cruise companies is most commonly used, a pattern consistent with the preponderance of these visitors in Skagway. Other common sources are travel agents/tour operators, commercial guidebooks or friends/relatives.

Although cruise passengers rely heavily on information provided by cruise companies, they also use many other sources of information, presumably for planning on-shore itineraries and other ancillary activities. They are as likely to use the internet as the American Automobile Association or another travel club. Commercial guidebooks, as well as the advice of friends and relatives, are particularly popular among auto/ferry visitors. These visitors are also much more likely to rely on their own knowledge (presumably from previous trips) and to obtain information from the Skagway Visitor Bureau and from the Alaska Division of Tourism.

Table B-11
**Trip Planning Information Sources, Skagway Visitors
 By Type of Visitor, 1999**

Information Source	Percent of Respondents			
	Cruise	Auto/ Ferry	Other	All Respondents
Cruise company literature	71.5	4.5	17.4	59.1
Travel agent, tour operator	29.5	9	30.4	26.3
Commercial guidebook	21	44.4	34.8	25.2
Friends/Relatives	21	41.4	21.7	24.2
Internet	14.5	21.1	26.1	15.9
Automobile/Travel club	14.5	15	13	14.5
Skagway Visitor Bureau	8	22.6	21.7	10.8
Alaska Division of Tourism	6.5	28.6	21.7	10.5
Newspaper/Magazine ad	9	11.3	17.4	9.6
Personal knowledge	2.5	31.6	13	7.4
Magazine/Newspaper article	3	8.3	0	3.7
Other	0.5	5.3	4.3	1.4
Total	100.0%	100.0%	100.0%	100.0%

Note: Multiple response item; percentages add to more than 100%.

Source: Southeast Strategies, DRA

Appendix C

Regional Travel Impact Model (RTIM) Travel Impact Estimation Procedures

VISITOR SPENDING

Cruise. Spending by cruise visitors in Skagway is estimated using the spending distributions reported in the visitor survey data. Visitors counts were estimated using visitor count data from the Skagway CVB, with adjustments made for visitors that do not get off the ships. Spending estimates also reflect adjustments for cruise ship crew spending in Skagway, and reflect crew counts reported by the cruise ship industry.

Hotel, Motel, B&B. Spending on commercial accommodations by hotel and motel guests is estimated from Hotel/Bed Tax collections reported by the City of Skagway. Spending by hotel and motel guests in other business categories, such as food and transportation, is estimated using spending distributions reported in the visitor survey data. The spending distribution shows how travelers divide their spending between lodging and other purchases.

Campground. Spending by campers is estimated from the number of campsites available in Skagway, an estimated occupancy rate of these campsites, and the average daily expenditures of visitor camp parties reported in survey data.

Day Travel. The share of day visits as a percentage of total travel is estimated from visitor survey data and applied to average daily spending estimates to produce day visitor spending.

Air Transportation. Airline employment data was obtained from the Alaska

Department of Labor. A payroll-to-receipts ratio obtained from the U.S. Census Bureau is used to estimate airline spending, with the portion allocated to visitors based on business survey data collected in Skagway.

RELATED TRAVEL IMPACTS

Spending by travelers generates jobs, payroll, and state and local tax revenue.

Payroll generated directly from traveler expenditures is estimated from the payroll-to-receipts ratio obtained from data published in the *Alaska Census of Service Industries* and *Census of Retail Trade* published by the U.S. Census Bureau.

Employment in each business category is calculated from average wage data derived from data supplied by the Alaska Department of Labor.

Local Taxes consist of local sales and hotel/bed taxes applicable to visitor purchases.

State Taxes consist of gasoline taxes attributable to travel expenditures.

Property tax revenues that may be associated with visitor spending are not included in this analysis.

Appendix D

IMPLAN Modeling System

IMPLAN is a widely used, nationally recognized economic impact model, first developed by the U.S. Forest Service. IMPLAN provides estimates of the additional economic activity associated with a sale of a good or service to a traveler. This methodology has been packaged, along with the necessary data files, as IMPLAN Pro by the Minnesota IMPLAN Group, Inc. (MIG) of Stillwater, Minnesota, and is the basis for the indirect and induced economic impact analysis in this report.

The following are some of the conventions used by IMPLAN.

Database Components

The IMPLAN databases consist of two major parts: 1) national-level matrices and tables and 2) economic and physical data at the county and/or state level. The national matrices are combined with regional data to create a regional model that can be edited to reflect local conditions. For Skagway, a custom data file created to represent the local economy. Skagway business data comes from the Bureau of Census County Business Patterns (CBP), a program run by the U.S. Department of Census, which is a zip-code area based. All economic impact amounts were adjusted to 1999 dollars using IMPLAN deflators based on the U.S. Bureau of Labor Statistics' Consumer Price Index.

IMPLAN data described in this report includes:

1. Industry Output
2. Employment

Industry Output represents the dollar value of an industry's total production. The data is derived from a number of sources including Bureau of Census economic censuses and the BLS employment projections.

Employment is listed as a single number of jobs for each industry. The data is derived from ES202 employment security data supplemented by county business patterns and Regional Economic Information System (REIS) data. All IMPLAN databases, after 1985, include both full-time and part-time workers in employment estimates.

Trade Flows

Trade flows describe the movement of goods and services between a defined region and the outside world (imports and exports into and out of the study region). To estimate how much of the local production of a commodity will be used to supply local demand, IMPLAN uses what are known as Regional Purchase Coefficients (RPC's), which represent the portion of local demand purchased from local producers. IMPLAN software automatically generates RPC's for each commodity with a set of econometrically based equations.

Multipliers

Input-output models are driven by final consumption (or final demand). Industries respond to meet demands directly or indirectly (by supplying goods and services to industries responding directly). Each industry that produces goods and services generates demands for other goods and services. These other producers, in turn, purchase goods and services. These indirect purchases (indirect effects) continue until “leakage” from the region (imports, wages, profits, etc.) stop the cycle. These iterations are described by multipliers.

IMPLAN models can generate two basic types of multipliers, “Type I”, and “Type SAM”. A Type I multiplier measures the direct and indirect effects of a change in economic activity. It captures the effect of industries buying from other local industries. A Type SAM multiplier measures the direct and indirect effects and also takes into account the income and expenditures of households employed in both the direct and indirect businesses, known as the induced effect.

The output and employment multipliers described in this report, are “Type SAM” and represent an average multiplier for those industries identified as traveler-related..

Output Multipliers

Output multipliers are derived by dividing the total (direct, indirect, and induced) output effects by the direct output. An output multiplier provides an indicator of the total output created (direct, indirect and induced) for each dollar of direct output.

Employment Multipliers

The employment multiplier is created in the same manner as the income multiplier, but using employment rather than income. An employment multiplier provides an indicator of the total jobs (direct, indirect and induced) for each direct job.

Appendix E
Business Profile Tables

Table E-1
Skagway Business Statistics by Resident Type, 1999

Survey Question	All Residents	Seasonal Residents	Full-Year Residents
Primary Business			
Hotel/Motel/B&B	9.8%	7.1%	15.0%
Campgrounds	2.2%	2.4%	2.5%
Recreation/Tours	16.3%	23.8%	12.5%
Eating and Drinking Establishments	13.0%	7.1%	20.0%
Transportation	4.4%	4.8%	2.5%
Retail	48.9%	52.4%	45.0%
Other	5.4%	2.4%	2.5%
 Years in Operation - Mean	 15.2	 13.6	 16.9
 Months open per year - Mean	 7.3	 5.5	 8.7
 % Employees that are full year residents	 37.6%	 20.2%	 54.4%
Full time summer workers	824	633	191
Full time winter workers	76	22	54
Part time summer worker	163	62	101
Part time winter workers	20	3	17
Full time summer owners	89	39	50
Full time winter owners	31	8	23
Part time summer owners	6	3	3
Part time winter owners	11	1	10
Unpaid summer owners	4	2	2
Unpaid winter owners	3	1	2
Total employees & owners (paid or not)	1227	774	453
 Number of businesses providing housing	 46	 27	 14
 Number of housing units	 470	 387	 59
 Portion of sales to Skagway visitors	 94.0%	 96.0%	 79.3%
Estimated gross revenue in 1998	\$46,790,000	\$27,330,000	\$18,025,000
Average revenue per business	\$632,297.30	\$803,824	\$500,694
Percent paid in salaries/benefits	21.0%	21.7%	20.3%

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Table E-2
Business Spending in Skagway by Location And Resident Type, 1999

Expenditure Categories	Percent in Skagway	Percent in Whitehorse	Percent in Juneau	Percent in Other	Percent out of Skagway
Manufactured Goods:					
Full Year Resident Owners	4.8%	0.2%	1.3%	15.8%	17.2%
Seasonal or Nonresident Owners	0.7%	0.3%	1.2%	19.8%	21.2%
Wholesale Food & Beverages:					
Full Year Resident Owners	1.6%	0.7%	2.4%	2.6%	5.7%
Seasonal or Nonresident Owners	1.6%	2.0%	2.8%	0.9%	5.7%
Business Services:					
Full Year Resident Owners	20.1%	0.7%	15.2%	18.7%	34.6%
Seasonal or Nonresident Owners	6.0%	0.0%	15.9%	32.8%	48.7%
Durable Goods:					
Full Year Resident Owners	0.6%	0.3%	0.2%	0.7%	1.3%
Seasonal or Nonresident Owners	0.8%	0.2%	0.1%	0.8%	1.1%
Business Supplies:					
Full Year Resident Owners	2.7%	1.1%	2.4%	1.3%	4.7%
Seasonal or Nonresident Owners	2.5%	0.9%	1.7%	2.3%	4.9%
Shipping Services:					
Full Year Resident Owners	2.1%	0.0%	0.0%	0.0%	0.0%
Seasonal or Nonresident Owners	1.9%	0.1%	0.0%	0.1%	0.2%
Building/Equipment Repair & Maint:					
Full Year Resident Owners	2.1%	0.1%	0.1%	0.3%	0.5%
Seasonal or Nonresident Owners	1.9%	0.0%	0.3%	0.4%	0.7%
Fuel:					
Full Year Resident Owners	2.2%	0.0%	0.0%	0.0%	0.0%
Seasonal or Nonresident Owners	2.1%	0.0%	0.1%	0.0%	0.1%
Average of all Expenditures					
Full Year Resident Owners	36.1%	3.0%	21.6%	39.3%	63.9%
Seasonal or Nonresident Owners	17.4%	3.5%	22.2%	56.9%	82.6%

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Note: Survey responses were aggregated, and then weighted according to the average expenditures in each category by all Skagway businesses.

Appendix F
Resident Profile Tables

Table F-1
Skagway Resident Expenditures by Location and Category, 1999
(weighted by U.S. Census Bureau Income Distribution Tables)

Expenditure Categories	Skagway	Whitehorse	Juneau	Mail Order/ Internet	Other	Out of Skagway
Groceries	16.9%	2.9%	1.0%	0.2%	0.5%	4.5%
Food Away From Home	4.1%	0.7%	0.1%	0.0%	0.4%	1.2%
Household Furnishings	2.7%	1.1%	0.5%	0.7%	0.8%	3.1%
Vehicle Expense	6.0%	1.5%	0.4%	0.1%	1.1%	3.1%
Housing	29.3%	0.0%	0.5%	0.1%	3.3%	4.0%
Maintenance/Repair	1.3%	0.3%	0.0%	0.0%	0.2%	0.5%
Clothing & Accessories	2.1%	1.2%	0.5%	1.5%	1.3%	4.6%
Personal Care	1.3%	0.4%	0.1%	0.0%	0.2%	0.7%
Entertainment	4.0%	1.5%	0.7%	1.1%	1.4%	4.7%
Health Care	2.2%	1.3%	0.7%	0.1%	1.5%	3.6%
Total	69.9%	10.7%	4.6%	3.8%	10.9%	30.1%

Sources: Southeast Strategies and Dean Runyan Associates, 1999.

Note: The expenditure categories were weighted by the proportion each category captured of all expenditures for similar income groups, taken from U.S. Bureau of the Census income distribution tables.

Table F-2
Resident Expenditures by Category and Location

Expenditure Categories	Percent Spent in					Percent out of Skagway
	Skagway	Whitehorse	Juneau	Mail Order/ Internet	Other	
Groceries:						
Full Year Residents	78.8%	11.8%	7.3%	0.9%	1.1%	21.2%
Seasonal Residents	79.0%	14.8%	1.8%	0.6%	3.8%	21.0%
Food Away From Home:						
Full Year Residents	69.9%	16.6%	4.4%	0.2%	8.9%	30.1%
Seasonal Residents	85.0%	8.6%	1.0%	0.0%	5.4%	15.0%
Household Furnishings:						
Full Year Residents	42.4%	17.8%	11.3%	18.3%	10.2%	57.6%
Seasonal Residents	50.4%	18.9%	4.8%	6.4%	19.6%	49.6%
Vehicle Expense:						
Full Year Residents	69.6%	17.1%	4.7%	1.5%	7.0%	30.4%
Seasonal Residents	60.7%	15.8%	3.1%	1.6%	18.8%	39.3%
Housing:						
Full Year Residents	91.9%	0.0%	1.3%	0.3%	6.5%	8.1%
Seasonal Residents	83.7%	0.2%	2.0%	0.1%	13.9%	16.3%
Maintenance/Repair:						
Full Year Residents	74.1%	19.8%	2.9%	0.8%	2.5%	25.9%
Seasonal Residents	67.6%	12.0%	1.6%	0.4%	18.4%	32.4%
Clothing & Accessories:						
Full Year Residents	21.8%	14.7%	12.2%	34.4%	16.9%	78.2%
Seasonal Residents	40.4%	21.6%	4.2%	11.1%	22.7%	59.6%
Personal Care:						
Full Year Residents	67.7%	17.1%	5.5%	2.2%	7.6%	32.4%
Seasonal Residents	60.8%	18.0%	3.0%	2.3%	15.9%	39.2%
Entertainment & Recreation:						
Full Year Residents	42.8%	15.2%	11.3%	18.8%	11.9%	57.2%
Seasonal Residents	50.1%	18.2%	5.1%	5.8%	20.8%	49.9%
Health Care:						
Full Year Residents	39.9%	24.3%	17.9%	0.5%	17.3%	60.1%
Seasonal Residents	35.7%	18.8%	6.8%	2.1%	36.6%	64.3%

Source: Southeast Strategies and Dean Runyan Associates, 1999.

Table F-3
Skagway Seasonal Resident Expenditure Analysis
(1999 \$)

Expenditure Categories	% of Total Expenditure	\$ Per Worker	% Spent In Skagway	\$ Spent In Skagway	% Spent Out of Skagway	\$ Spent Out of Skagway
Groceries	22.6%	\$1,297	79.0%	\$1,024	21.0%	\$272
Food Away from Home	5.5%	\$316	85.0%	\$268	15.0%	\$47
Furnishings	5.7%	\$327	50.4%	\$165	49.6%	\$162
Vehicle Expense	7.9%	\$453	60.7%	\$275	39.3%	\$178
Housing	32.9%	\$1,887	83.7%	\$1,580	16.3%	\$307
Maintenance & Repairs	1.6%	\$92	67.6%	\$62	32.4%	\$30
Clothing	6.8%	\$390	40.4%	\$157	59.6%	\$233
Personal Care	2.3%	\$132	60.8%	\$80	39.2%	\$52
Entertainment	8.8%	\$503	50.1%	\$252	49.9%	\$251
Health Care	5.9%	\$338	35.7%	\$121	64.3%	\$218
Totals per Worker	100.0%	\$5,735	69.5%	\$3,985	30.5%	\$1,750
Totals for All Workers		\$4,301,326		\$2,988,940		\$1,312,387
Average Monthly Earnings \$	\$2,300		Total Earnings in Skagway \$			\$8,625,000
Number of Months Worked	5		Total Deductions \$			\$1,725,000
Average Gross Wages \$	\$11,500		Total Savings \$			\$2,597,383
Average Deductions %	20.0%		Total Spent in Skagway \$			\$2,988,940
Average Deductions \$	\$2,300		Total Spent Out of Skagway \$			\$1,312,387
Average Net Wages \$	\$9,200		Leakage from Deductions %			20.0%
Average Summer Savings %	37.6%		Leakage from Savings %			30.1%
Average Summer Savings \$	\$3,463		Leakage from Spending Outside %			
Average Summer Spending \$	\$5,737		Total Leakage \$			\$ 5,634,770
Number of Workers	750		Total Leakage %			65.3%

Sources: U.S. Census Bureau Income Distribution Tables and Skagway resident survey results, Southeast Strategies and Dean Runyan Associates, 1999.

Notes:

1. Although the average summer wage is a little over \$2,000 per month, many seasonal workers have two or more jobs, which would bring each worker's average wage up.
2. The only forms of income considered in this analysis are wages, salaries and employee benefits. Income from transfer payments, rental properties and investments are not included.
3. Some types of expenditures were not examined in this analysis. Specifically, spending on inter-community transportation, and the purchase of automobiles was not included here.

Table F-4
Skagway Full-Year Resident Expenditure Analysis
(1999 \$)

Expenditure Categories	% of Total Expenditures	\$ Per Worker	% Spent In Skagway	\$ Spent In Skagway	% Spent Out of Skagway	\$ Spent Out of Skagway
Groceries	19.3%	\$3,351	78.8%	\$2,641	21.2%	\$710
Food Away from Home	4.9%	\$851	69.9%	\$595	30.1%	\$256
Furnishings	6.1%	\$1,059	42.4%	\$449	57.6%	\$610
Vehicle Expense	11.2%	\$1,945	69.6%	\$1,354	30.4%	\$591
Housing	33.9%	\$5,886	91.9%	\$5,412	8.1%	\$474
Maintenance & Repairs	2.1%	\$365	74.1%	\$270	25.9%	\$95
Clothing	6.6%	\$1,146	21.8%	\$250	78.2%	\$896
Personal Care	1.6%	\$278	67.6%	\$188	32.4%	\$90
Entertainment	8.6%	\$1,493	42.8%	\$639	57.2%	\$854
Health Care	5.7%	\$990	39.9%	\$395	60.1%	\$595
Totals per Worker	100.0%	\$17,362	70.2%	\$12,192	29.8%	\$5,170
Totals for All Workers		\$ 7,813,093		\$ 5,486,492		\$ 2,326,601
Average Monthly Earnings \$	\$2,200		Total Earnings \$			\$12,645,000
Number of Months Worked	12		Total Deductions \$			\$3,034,800
Permanent Fund Dividend \$	\$1,700		Total Savings \$			\$1,797,107
Average Gross Wages \$	\$28,100		Total Spent In Skagway \$			\$5,486,492
Average Deductions %	24.0%		Total Spent Out of Skagway \$			\$2,326,601
Average Deductions \$	\$6,744		Leakage from Deductions %			24.0%
Average Net Wages + PFD \$	\$21,356		Leakage from Savings %			14.2%
Average Savings %	18.7%		Leakage from Spending Outside %			18.4%
Average Savings \$	\$3,994		Total Leakage \$			\$7,158,508
Average Spending \$	\$17,362		Total Leakage %			56.6%
Number of Workers	450					

Sources: U.S. Census Bureau Income Distribution Tables and Skagway resident survey results, Southeast Strategies and Dean Runyan Associates, 1999.

Notes:

1. Although the average summer wage is a little over \$2,000 per month, many seasonal workers have two or more jobs, which would bring each worker's average wage up.
2. The only forms of income considered in this analysis are wages, salaries and employee benefits, and transfer payments in terms of Alaska Permanent Fund Dividends for only the worker, not the workers household members who are not working. Income from other transfer payments, rental properties and investments are not included.
3. Some types of expenditures were not examined in this analysis. Specifically, spending on inter-community transportation, and the purchase of automobiles was not included here.

Appendix G

Sources for Visitor-Related Cost and Revenue Estimates

The information used in the Infrastructure and Public Services Impacts section was obtained from the following sources.

- *Police Services - Personal communications with Skagway Police Chief Scott Eddy, and examination of the Skagway Police Department Annual Report for 1998.*
- *Fire, Rescue and Emergency Medical Services - Personal communications with Bob Dill of the Skagway Fire Department.*
- *Health Services - Personal communications with Lori Kasler, financial manager for the Skagway Medical Clinic, and a report entitled An Evaluation of Services and Operations, Skagway Medical Clinic, 1998.*
- *Water, Sewer, Garbage, and Public Works Services - Personal communications with Grant Lawson, Director of the City of Skagway Public Works Department, Tim Gladen of the City Water and Sewer Utility, and Crystal Ford, Skagway City Treasurer.*
- *Harbor Facilities - Personal communications with Skagway Harbormaster, Ken Russo.*
- *Telephone and Electric Utility - Personal communications with Stan Selmer and Dave Vogel of Alaska Power and Telephone, the private company that owns the electric and telephone utilities in Skagway.*
- *Alaska Department of Transportation and Public Facilities, Road and Airport Maintenance Services - Personal communications with Keith Knorr, Skagway manager of the Alaska Department of Transportation and Public Facilities.*
- *Library and Museum Services - Personal communications with Julene Fairbanks of the Skagway City Library, and from examination of the City budget and the Skagway Comprehensive Plan Update, 1999.*
- *Housing – Personal communications with Jim Corak, Skagway City tax assessor.*