



ALEKNAGIK LODGE FEASIBILITY STUDY

Prepared for:
THE CITY OF ALEKNAGIK

JUNE 2005

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This Community Plan was produced in part with Mini-Grant Assistance funds made available through the Department of Commerce, Community and Economic Development and the Denali Commission.

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I. EXECUTIVE SUMMARY

The purpose of this study is to determine the feasibility of a lodge in Aleknagik. An analysis of recommended lodge types, markets, competitive facilities, management, ownership, operational personnel, and financial review are included. This study is in direct response to the City of Aleknagik's desire to provide economic development and job opportunities in the community of Aleknagik.

The following is a discussion of the proposed Aleknagik lodge and an overview of considerations that will assist the City of Aleknagik management in their decision making. This study is also meant to be a tool to encourage others to discuss how to move forward in developing an Aleknagik tourism product.

This feasibility study has been organized into sections according to the following major developmental issues:

- ❖ Introduction to the Aleknagik area, location, history, economy, and infrastructure
- ❖ Overview of the proposed Aleknagik lodge business
- ❖ Description of the visitor industry, competing entities, and potential partnership entities as well as estimation of visitor demand for a lodge
- ❖ Situational analysis of the factors that will impact the success or failure of an Aleknagik lodge
- ❖ Review and discussion of ownership and management structures, as well as, staffing and management issues
- ❖ Analysis of financial and funding considerations
- ❖ Recommendations and implementation strategies

It is the intent of the researcher to provide a broad range of information to enable the City of Aleknagik to make an informed decision on whether to move forward with a lodge as a visitor attraction and, if so, based on what overriding issues. Of the approaches considered it is believed that the 5-room lodge offers the benefit of a relatively lower cost and comparatively easier entry into the lodging industry, if development is decided upon. This approach is preferable because the lodge can become a reality without as large of a capital investment and thus, may be easier to seek grant funding for. It will also enable the residents of Aleknagik an opportunity to “test the waters” to determine if a lodge is the correct fit socially and economically for the community. Given the small size of the potential market, the competitiveness of the industry and the operational challenges that will likely be incurred the researcher believes that the proposed Aleknagik lodge will be a challenging undertaking for Aleknagik. Additionally, a developer will need to plan financially for the fact that the lodge will not likely achieve sufficient occupancy levels to sustain positive cashflows for at least three to five years.

II. ALEKNAGIK COMMUNITY

A. Location

Aleknagik is located in the Bristol Bay Region of Southwest Alaska. The Aleknagik village site is located at the head of Wood River on the southeast end of Lake Aleknagik, in the Wood River drainage system. Aleknagik is 16 air miles northwest of Dillingham and approximately 300 miles southwest of Anchorage, Alaska. Lake Aleknagik is connected to Dillingham via a 22-mile road, however north-shore Aleknagik is accessible only by boat or plane. In the winter, the north-shore is also accessible by snowmachine and occasionally by vehicle on a City maintained ice road. It lies at approximately 59.27° North Latitude and 158.62° West Longitude; encompasses 11.6 sq. miles of land and 7.2 sq. miles of water; and, is located in the Bristol Bay Recording District.

Aleknagik is one of the gateways to the Wood Tikchik State Park, which is Alaska's most remote State park and, at 1.6 million acres, is the largest state park in the nation. The park was created in 1978 for the purpose of protecting the area's fish and wildlife breeding and support systems and preserving continued subsistence and recreational activities. Access to the park is by air or water.

B. History

Wood River and Aleknagik Lake have been used historically as summer fish camps. Aleknagik means "Wrong Way Home" because Natives returning to their homes along the Nushagak River would sometimes become lost in the fog and find themselves swept up the Wood River with the tide - inadvertently arriving at Aleknagik Lake. The 1929 U.S. Census found 55 people living in the "Wood River village" area to the south. During 1930 there were five families living on the shores of the lake year-round. A log cabin territorial school was built on the south shore of the lake in 1933. Within a few years a number of families from Goodnews, Togiak, and Kulukak area relocated to Aleknagik, attracted by the school, other facilities, and plentiful fish, game and timber. A post office was established in 1937 and a two-story framed school with a teacher apartment was constructed in 1938. By 1939 Aleknagik had 78 residents, over 30 buildings, and a small sawmill. In the late 1940s a Seventh - day Adventist Mission and School was established on the north-shore, and during the 1950s a Moravian Church and a Russian Orthodox Church were built. In 1959 the State constructed a 25-mile road connecting the south-shore to Dillingham, which was passable only during the summer months until the late 1980s, when it was upgraded and maintained year-round. The City was incorporated in 1973 and over 24 additional square miles were annexed to the City in April 2000.

C. Culture

Aleknagik is a traditional Yup'ik/Aleut village, with historical influences from the Seventh-Day Adventists, Russian Orthodox and Moravian churches. Fishing and subsistence activities are important for food purposes, as well as, a way of life.

Today, the population of Aleknagik is approximately 221 persons. Of this, the vast majority, 85 percent, report being all or part Alaskan Native/Indian. The population is nearly evenly split between male (55%) and female (45%). Based on U.S. Census Bureau, Census 2000

data, 43 percent of the population is between birth and 19 years of age, 33 percent of the population is between 20 and 44 years of age, 16 percent of the population is between 45 and 64 years of age, and 8 percent of the population is 65 years or older.

D. Economy

The economic base of the community is small, seasonal and concentrated on Bristol Bay sockeye salmon. Many residents participate in commercial fishing within the Bristol Bay Region – and an estimated 33 residents hold commercial fishing permits. In addition to commercial fishing, the retail and service sectors offer some employment. Most of the full-time and private sector jobs are located in the City of Dillingham, 22 miles away.

Dillingham's primary economic activities include commercial fishing, fish processing, cold storage and support of the fishing industry. Trapping is also an important means of income. The proposed future construction of a bridge connecting the north-shore and south-shore should bring some short-term construction work to the community. Since 1997 poor fish returns and low prices have significantly affected the economy of the Southwest Region and the subsistence activities of Aleknagik.

A subsistence lifestyle plays an important economic role for both employed and the unemployed. Most families depend to some extent on subsistence activities to supplement their livelihoods - salmon, freshwater fish, moose, caribou, and berries are harvested. The land and water throughout the local area are traditional grounds for subsistence fishing, hunting and gathering.

Visitor industry-based businesses have been on the rise and predominantly include sport fishing and hunting guide businesses as well as lodge developments, which for the most part are owned and operated by persons other than Aleknagik residents. In the late 1990's the City imposed a 5 percent accommodations and a 5 percent sales tax.

E. Facilities

The majority of resident homes (49) have household plumbing and individual wells. Twelve homes do not have water or sewer service - some haul water from the community center, and a few are served by a spring water catchment system. Septic tanks, leechate fields and public sewage lagoons are used for sewage disposal. The north-shore homes use eleven shared residential effluent pumps which discharge into a piped system. There are three landfill sites - the north-shore landfill is being relocated; the south-shore landfill has an incinerator but is unfenced; and, a third landfill is located two miles from the south-shore, on the west side of the Aleknagik-Dillingham road. Nushagak Electric in Dillingham provides electricity to Aleknagik.

F. Transportation

Aleknagik is the only village in the region with a road link to Dillingham, a 22-mile road which connects the south-shore. The new Aleknagik airport is a State-owned 2,070' gravel airstrip located on the north-shore, and regular flights are scheduled through Dillingham. The north-shore of the lake is not road accessible; residents use skiffs to travel to town on the south-shore. Moody's Aleknagik Seaplane Base, also on the north-shore, accommodates float planes. There are two additional airstrips, the public Tripod Airport, a 1,250' turf-

gravel airstrip located 2 miles southeast of Aleknagik, and the Seventh - day Adventist's Mission School Airport, a 1,200' gravel/dirt airstrip with a crosswind runway.

The State owns and operates a 100' dock on the north-shore of Lake Aleknagik. A breakwater, barge landing, boat launch ramp and boatlift are also available on the north-shore. Vehicles, skiffs, ATVs and snowmachines are the most frequent means of local transportation. The local rivers and the coast serve as a regional transportation network.

In 1996 a land exchange was completed at the south end of Lake Aleknagik in which the State acquired land to provide public access to the lake, and major improvements were completed within the recreation site in 2000. The Lake Aleknagik State Recreational Site offers an asphalt boat launch, two parking areas, lake viewing area, picnic shelter, vault toilets, kiosks, sign, street lights, ranger station, equipment shed and a fenced storage area. The boat launch is the jumping off point for water travel to and from the north-shore and south-shore of Lake Aleknagik.

G. Climate

Aleknagik is in a transitional climate zone. The primary influence is maritime, although a continental climate does affect the weather. The weather is generally cool and moist with relatively persistent cloud cover and occasional fog. Average summer temperatures range from 30 to 66 degrees Fahrenheit and average winter temperatures range from 4 to 30 degrees Fahrenheit. Annual precipitation is 20 to 35 inches and annual snowfall is 93 inches. Fog and low clouds are common during July and August, and may preclude access. The lake and river are ice-free from June through mid-November. Winds throughout the area are usually moderate, prevailing from the southwest in summer and from the north and east in winter.

III. BUSINESS DESCRIPTION

A. Business “Product” Concept

The product to be developed consists of a small-scale lodge and restaurant facility to be located on the south-shore of Lake Aleknagik. It is anticipated that the lodge would have 10 rooms initially and would operate seasonally. The restaurant would provide a casual dining experience and, potentially, operate year-round depending on local demand. Ideally, incorporated into the initial design of the facility would be some additional space for offices and meetings/conferences. The additional office and meeting room space would be leased or rented to generate additional revenues. The lodge would operate between spring and fall or between the months of May and September. It is anticipated that a fee of \$150 per night per room would be charged.

The initial lodge structure and design would allow for future enlargement once lodge clientele became firmly established. Ultimately, the site would incorporate several elements and serve as the community visitor center. The final phases of development would provide space for meetings, events, trainings, cultural activities, artifact display and storage as well as visitor information. In addition, a walk-in freezer for the storage of fresh fish and a steam house for local residents and lodge guest use are desired elements. The vision is to develop an anchor attraction that provides a reason for Aleknagik area visitors to stop and spend a night or two in the community – thereby, financially benefiting the community of Aleknagik.

Visitors to the Aleknagik lodge would travel from Anchorage to Dillingham and then by shuttle van or rental car to the Aleknagik lodge. Alaska Airlines and Peninsula Air provide regular flights from Anchorage to Dillingham. The cost of travel roundtrip from Anchorage to Dillingham is estimated at \$480 per person - based upon two weeks advance purchase. The cost of travel would be covered separately by lodge guests.

B. Service and Market Description

Initially, the lodge would focus solely on overnight accommodations, but once that service was firmly established other elements are planned for future inclusion, such as:

- ❖ Special interest tours – cultural/historic and/or educational interpretative tours
- ❖ Specialized activities - flightseeing, wildlife or bird watching, and local area 4-wheeler tours
- ❖ Rentals – canoe/kayak, 4-wheeler

The development of specialty tours and activities would only occur once the lodge becomes established and sufficient staff has been developed to provide tours and activities. The establishment of a guiding partner or partners may be explored to begin offering services to guests. This partnership may serve as a means of mentoring staff into providing visitor related services.

The primary target market would be lodging for those fishers utilizing the services of a private guide, which does not include lodging within the guiding package. The secondary market would be lodging to those guests in route to or returning from other local area

lodges. This market segment consists of those individuals requiring additional night lodging outside of their packaged experience. In addition, the lodge would strive to attract local area business travelers, visiting friends and family and Alaskan resident visitors.

The accommodation market is highly competitive throughout the Southwest Region including Aleknagik. In Dillingham an established hotel, the Bristol Inn, is striving to already attract the local area business travelers and conference/meeting clientele willing to travel out to the Southwest Region. Additionally, the bed and breakfast lodging segment has been growing steadily over the past five to ten years targeting independent travelers to the area. Furthermore, many established and profitable lodge facilities operate throughout the Wood-Tikchik State Park and maintain nearly a 100 percent occupancy rate during their visitor season. A critical consideration in breaking into this market is being prepared to provide a consistent, high quality product at a competitive price. In a lodge operation, a number of critical elements make up a high quality product including:

- ❖ reliable, productive fishery, preferably near or adjacent to the lodge site;
- ❖ aesthetically pleasing setting that provides visitors a remote and natural environment;
- ❖ facility that addresses the safety, comfort and convenience of the visitor;
- ❖ level of service and amenities that meet or exceed the expectations of the visitor;
- ❖ and, a level of marketability that addresses factors, such as, transportation and appropriate cost for the experience being sold.

Aleknagik has as its advantage a reliable and productive fishery just outside its doorstep. An additional advantage for an Aleknagik lodge is its aesthetically pleasing setting. The ultimate lodge design and site development, including adjacent properties, will determine whether guests feel that their safety, comfort and convenience needs are adequately met. Likewise, the management and staffing of the facility will determine whether the level of services and amenities meet the expectations of visitors. The management and staffing of the facility is a critically important factor that will be addressed in more detail below.

C. Key Production Factors

The success of the Aleknagik lodge and restaurant facility will depend heavily on its trained, professional and dedicated staff. The management and staff are ultimately responsible for the quality and consistency of the lodge/restaurant service and the resulting experience that visitors take away. In particular, an experienced, effective and professional manager is essential to the operation's success. A successful manager will be able to provide leadership to staff, coordinate the details of the entire operation, and maintain a warm and hospitable relationship with guests.

The importance of having an experienced manager will be a key element to the lodge/restaurant success. Successful lodge and restaurant facilities in rural Alaska have carefully crafted a "personality" for their product. "Personality" is defined as management and staff having commitment to a particular way of life that lead to the operation of a high quality facility. Factors that lead to success are the commitment to work as necessary, even seven days a week, 24 hours a day, during the lodging season; to provide a consistently high

quality product; and, to market and handle other administrative details in the off-season. It will be difficult to attract and retain employees with this level of dedication.

A community survey of Aleknagik residents was conducted to determine the level of interest that exists among residents to work as staff at the lodge/restaurant. It was learned that the majority of respondents preferred only part-time work, were over 50 years old and had limited prior lodging or food service work experience. Prior to undertaking a lodge/restaurant endeavor the community will need to identify a capable and dedicated lodge manager as well as individuals willing to fill staff positions.

D. Location and Physical Facilities

The proposed lodge site is on the south-shore of Lake Aleknagik, near the proposed float plane dock area. The site slopes gradually down to the lake and has been partially cleared of foliage and debris in recent years. A road is currently being cut through to the site that will tie in to the main road that connects Aleknagik to Dillingham. Also proposed adjacent to the site is a vessel haul-out and storage facility. No utilities currently run to the site.

E. Tribal, Local and Regional Benefits

This lodge feasibility study is being undertaken to spur economic growth, to provide on-the-job training opportunities, and to generate a means to financially benefit from existing visitation occurring at and around the community of Aleknagik. The lodge is envisioned as an initial hub that will result in the development of other support visitor industry businesses. Once the lodge is established, it is hoped that local entrepreneurs will develop tourism support businesses that target the guests of the lodge. Likewise, few local opportunities exist for Aleknagik residents to obtain job skill training. The lodge is anticipated to serve as a training ground for job and customer service skills. It is the ultimate goal that the lodge and restaurant facility result in, minimally, five to six full-time year round employment positions. As the lodge becomes profitable it is hoped that profits can be utilized for further lodge expansion and development and to assist with funding other infrastructure development projects.

F. Relationship to Regional Development Strategy

Southwest Alaska does possess many of the attractions that draw people to Alaska, including: diverse landscapes, State and national parks, wildlife refuges, abundant fish and wildlife, and a rich cultural history. Recognizing these attributes, many communities within the Southwest Region are seeking tourism as an economic development tool. The level of tourism development and capacity of communities to benefit economically from tourism varies significantly from community to community. The development of the tourism industry within the Southwest Region is still in an infancy stage when compared to the State as a whole. This is largely due to factors which limit tourism growth including: high transportation costs, complicated transportation logistics, limited transportation infrastructure, and lack of trained locals to provide visitor related services.

Both regional development organizations and State entities recognize the potential that the Southwest Region has for tourism development and some efforts have been made to begin addressing the key barriers to development. Both hospitality and business development

training classes and trainings have been offered throughout the region, primarily in hub communities. The U.S. Economic Development Administration has funded the development of multipurpose visitor centers in Dillingham and Iliamna. In addition, a few communities have experimented with collaborating together in developing multi-day tours between hub communities.

Regionally, only a few tourism development organizations exist. The Bristol Bay Visitors Council and the Dillingham Chamber of Commerce have worked to produce some destination marketing materials for the Dillingham area and surrounding villages. The Kodiak Island Borough and the City of Unalaska have ongoing tourism development organizations - the Kodiak Island Convention and Visitors Bureau and the Unalaska/Port of Dutch Harbor Convention and Visitors Bureau respectively. Additionally, the Southwest Alaska Municipal Conference (SWAMC), the regional development organization, places an emphasis on expanding and diversifying the regional tourism sector. SWAMC began serving as the regional marketing entity in 1992 following receipt of a United States Travel and Tourism Association (USTTA) grant for tourism marketing purposes. Today, SWAMC is continuing to assist with regional tourism marketing efforts, development of niche markets, and partnerships with public lands agencies.

IV. VISITOR MARKET ANALYSIS

Tourism is the world's fastest growing industry. In the United States, tourism employs approximately 6.6 million people and indirectly creates jobs for another 8.9 million with total payrolls of \$116 billion. In Alaska, tourism is the third largest industry in terms of economic impact, after the oil and gas and seafood industries and is the second largest private sector employer. Furthermore, tourism contributes approximately \$2 billion to the Alaskan economy.

The most noticeable and marketed forms of tourism are those that focus on a special feature that may be historical, cultural, natural or adventure-based. Nearly every community has a tourism industry, but often it goes unrecognized. Visitors enter a community and make purchases such as food, lodging, souvenirs, and clothing; and, the businesses they make purchases from often do not realize they are contributing to the tourism industry. It is important for businesses to identify visitors and make a conscious decision whether to benefit economically from those persons.

Eco-tourism is a relatively new segment of the tourism industry and is the focus of many rural communities seeking economic diversification through tourism. It teaches visitors how to minimize their impacts; while at the same time provides economic benefits to the host community. The primary difference between environmental or natural tourism and eco-tourism is that eco-tourism goes beyond the bounds of environmental or natural tourism and focuses on teaching environmental preservation values and practices. Environmental or natural tourism on the other hand, does not typically have an educational or preservation component intertwined within the outdoor experience.

As might be expected, there are many issues that influence and impact the successful operation of a rural lodge, such as that proposed by the City of Aleknagik. These issues include external factors, such as visitor market size and characteristics, visitor spending habits, and buying motivations, as well as, internal factors, such as management, staffing and organization and commitment level of the City of Aleknagik. An analysis of the key factors faced by the City of Aleknagik follows. This section will take into consideration external factors impacting overall operations.

A. Statewide Visitation, Spending & Trends

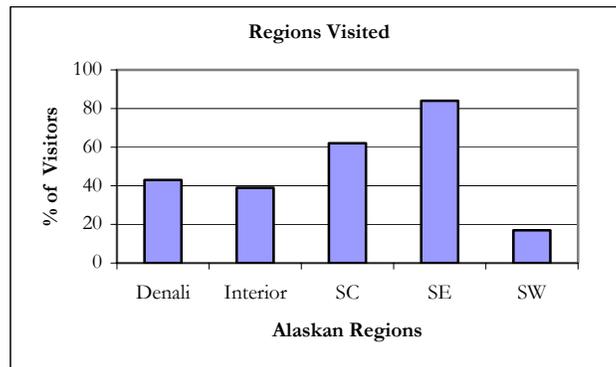
The fairly healthy growth rate of non-resident Alaska visitors in the 1980s and early 1990s began slowing in 1995, and all but stopped in 2001. Following the economic consequences of 9/11 most Alaska visitor industry businesses cut staff as well as product offerings. There was, however, some rebound experienced in 2003 with an estimated 1.3 million non-resident visitor arrivals to the State reported for the summer. This reflects an increase of nearly 3 percent over the summer arrivals of 2002, and of these 1.3 million, 75 percent are vacation/pleasure travelers and 15 percent are business only travelers. The primary means of arrival for the majority of non-resident Alaska visitors is domestic air followed by cruise ship and then highway. Visitors primarily travel from: the West Coast (California, and Washington), the South (Florida), the Midwest, and the East (New York). Internationally, Canada generates approximately 10 percent of Alaska's non-resident visitors, while overseas

visitors typically comprise approximately 20 percent of visitors. (Alaska Visitor Statistics Program)

The demographics of the typical non-resident Alaskan visitor provide interesting and useful information. Non-resident visitors to Alaska are predominantly:

- ❖ Between 41 and older
- ❖ Well-educated
- ❖ Employed full-time
- ❖ 30 percent have made a previous trip to Alaska
- ❖ Come from all over the world with the highest concentrations from the Western U.S

Below is a graph of the regions of Alaska and the percentage of non-resident visitors to travel there. Please note that the percentages add up to more than 100 percent because many visitors travel to more than one region.



Thirty-five percent of non-resident visitors in 2003 had been to Alaska once before and according to the Alaska Visitors Statistics Program IV (State of Alaska, 2003) the top five destinations identified by previous visitors as locations they would like to visit during the next Alaska trip are:

- ❖ Mt. McKinley/Denali National Park
- ❖ Kenai Peninsula
- ❖ Inside Passage
- ❖ Arctic (Nome/Kotzebue)
- ❖ Aleutian Islands

Non-resident Alaska Visitor Spending Patterns

According to the Alaska Visitor Statistics Program (AVSP), the overall visitor expenditures within Alaska by non-resident visitors have nearly tripled since 1993, growing from \$598 million to \$1,513 million in the summer of 2001. If expenditures in Southwest increased by the same percentage then Southwest expenditures in 2001 would have been \$45.29 million.

The following table compares the expenditure growth of the Southwest Region as compared to the State of Alaska.

**Non-resident Visitor Expenditures 1989, 1993 and 2001
(In Millions)**

	1989	1993	2001	Percent
Alaska	\$304.1	\$597.9	\$1,512.6	153%
Southwest	14.5	17.9	\$ 45.29+	na

na = data not available in 2001 AVSP

+ = estimate based upon total expenditure increase

Non-resident visitors most likely to spend the largest percent of dollars are those traveling for vacation/pleasure and business/pleasure.

**Non-resident Alaska Visitor Type Spending
Summer 2001**

2001 Summer Visitor Type	Purchases In Millions of Dollars	Total Per Person In-State Spending
Vacation/Pleasure	\$ 1,319.7	\$2,175
Visiting Friends & Relatives	73.8	1,877
Business/Pleasure	94.5	3,088
Business	24.5	1,704

During the summer of 2001, non-resident Alaskan visitors spent a total of \$1,512.6 million in-State, with spending on lodging totaling \$421 million. Spending on lodging per person by all non-resident Alaskan summer visitors in 2001 was \$421. The following table shows the total expenditures of non-resident Alaskan visitors by lodging, food & beverage, and gifts/souvenirs/clothing categories during the summer of 2001.

**Non-resident Alaska Summer Visitors
Category of Spending
Summer 2001**

Gifts/Souvenirs Category	Purchases In Millions of Dollars	Purchases Per Person Per Trip
Lodging	\$505.9	\$421
Food & Beverage	147.5	123
Gifts/Souvenirs/Clothing/Crafts	\$ 323.3	\$ 269

B. Regional Visitation, Spending & Trends by Non-resident Alaska Visitors

More critical to the Aleknagik market than non-resident visitor trends at the State level are Southwest Alaska non-resident visitor trends, and how they differ. The most current, statistically significant information available on the Southwest Region is found in the 2001 and 1993 Alaska Visitors Statistics Program (AVSP). Data from the 1989 AVSP has been provided for comparison purposes to reflect growth, decline and visitor trends. This statewide research effort tabulates non-resident Alaskan visitor arrivals, expenditure patterns, opinions and planning of out-of-state visitors only.

In 2001, it is estimated that only 17 percent of all non-resident visitors to Alaska came to the Southwest Region. Given an estimated 1.3 million non-resident visitors to the State in 2002, and assuming an estimated 17 percent have continued to travel to the Southwest Region, an estimated 221,000 total non-resident visitors would have traveled to the Southwest Region. This number of total Southwest non-resident visitors is an estimate and the exact number of non-resident visitors to the region is unknown.

Non-resident visitors who travel to the Southwest are often resort/lodge sports persons who spend well, but are few in numbers. There is also an increase in wilderness/adventure packages to the area, with some involving a cruise portion. The following table shows the communities included in the AVSP's tabulations for the Southwest Region and a breakdown of their visitation in 1989 and 1993. The number of non-resident visitors to each community when totaled is greater than the total number of visitors due to more than one community being visited.

**AVSP Breakdown of Southwest Alaska
Total Non-Resident Visitors – Summer 1989 and 1993**

	1989	Percent	1993	Percent
Southwest Visitors	42,000		47,100	
Aleutian Islands	5,000	12%	13,200	28%
Kodiak	10,500	25%	10,800	23%
King Salmon	18,000	43%	10,300	22%
Iliamna	2,100	5%	7,100	15%
Katmai	3,400	8%	6,600	14%
Pribilofs	N/A	N/A	3,300	7%
Dillingham	3,800	9%	3,300	7%
Bethel	5,000	12%	1,400	3%
Wilderness Areas	N/A	N/A	3,700	8%
Other Southwest Communities	10,000	24%	9,900	21%

Overall expenditures within the State of Alaska by non-resident visitors have grown with expenditures in the Southwest Region also on the rise. It is important to note however, that expenditures as a percentage have declined in both Anchorage and the Southwest. The

following table compares the expenditure growth of the Southwest Region as compared to Anchorage and the State of Alaska.

**VISITOR EXPENDITURES 1989 AND 1993
(IN MILLIONS)**

	1989	Percent	1993	Percent
Alaska	\$304.1		\$597.9	
Anchorage	87.8	29%	162.5	27%
Southwest	14.5	5%	23.5	4%

The Southwest Region attracts the biggest individual spenders as compared to other destinations within the State. In 1989 the total average spent by each visitor per trip was \$605. In 1993 the trend continued with an average of \$839 being spent per person in the Southwest Region. These dollars are spent largely on sport fishing packages.

Visitor Characteristics

Based on AVSP data compiled in 1993, a “snapshot” of the typical Southwest non-resident visitor is possible. Most (86 percent) of Southwest non-resident visitors depend on domestic air service to enter the State. International air services account for five percent, highway access accounts for four percent, cruise ships account for two percent, and ferry services account for two percent. Of those who continued on to the Southwest Region, the majority traveled via air and a predominant 74 percent were independent travelers, meaning they were not traveling on a pre-arranged package trip.

Non-resident visitors to the Southwest, on average, stayed the longest, more than two weeks in the State with almost a full week in the region. In contrast, the average length of stay for all non-resident visitors to the State was 9.8 nights. The following table outlines the average length of visitor stay for various Southwest communities. Southwest non-resident visitors spend little time in the towns (Dillingham, Kodiak, Bethel, and King Salmon) and more time in remote locations, which is likely a reflection of visitors traveling to fishing or hunting lodges.

Length of Stay by Community (In Days)
All Non-Resident Visitors – Summer 1989 and 1993

Location	Length of Alaska Stay (1989)	Length of Alaska Stay (1993)
Southwest	6.8	6.6
Lodges/Wilderness	.9	2.3
Aleutian Islands	1.3	2.3
Kodiak	1.2	1.4
Iliamna	-	.8
Other Southwest Areas	1.6	.6
King Salmon	1.1	.4
Katmai	.4	.3
Pribilofs	-	.1
Dillingham	-	-

Most non-resident visitors gave high marks to the activities available in the Southwest, including excellent ratings for rafting and hunting, and high marks for saltwater fishing and wildlife viewing. Hunting received the highest overall satisfaction rating, followed by rafting, photography, hiking, and saltwater fishing. Furthermore, two-thirds, or 68 percent, of non-resident visitors to the Southwest stated a high probability of returning to Alaska for another vacation, while 86 percent stated that they would recommend Alaska as a vacation destination to others.

The following table shows that more than one-third of Southwest Region (37 percent) non-resident visitors used hotels/motels and 23 percent used resorts/lodges. The third most popular form of lodging (19 percent) was a wilderness site, such as, a camping site or cabin. A number of non-resident visitors (15 percent) also stayed in private homes.

Lodging Type Use – Southwest Region
All Non-Resident Visitors – Summer 1989 and 1993

Lodging Type	Southwest %
Hotel/Motel	37%
Resort/Lodge	23%
Bed & Breakfast	5%
Private Home	15%
RV/Campground	7%
Cruise Ship	-
Ferry	3%
Wilderness Other	19%

Southwest Non-Resident Visitor Demographics

The demographics of the typical Southwest non-resident visitor provide interesting and useful knowledge. Non-resident visitors to the Southwest Region are predominantly:

- ❖ male,
- ❖ college graduates,
- ❖ employed,
- ❖ from the Western United States,
- ❖ age 46, and
- ❖ earn an average of \$63,600 annually.

Non-resident visitors to Alaska on the whole tend to be well-educated, with the Southwest non-resident visitor being the most highly educated. Nearly one-half of all non-resident visitors to the region have graduated from college and another 25 percent have completed at least some graduate work. Consistent with being well-educated, non-resident visitors to the Southwest Region also reported a higher-than-average household income of \$63,600, with nearly one-third exceeding \$75,000.

Interestingly, the Southwest non-resident visitor had the lowest average age (46 years) as compared to visitors to other regions. In fact, 40 percent of non-resident visitors to the Southwest were between the ages of 25 and 44 years. A majority of non-resident visitors to the Southwest were male (73 percent), while the ratio of males to females was nearly one-to-one for visitors to all other regions.

The majority of non-resident visitors to the Southwest (89 percent) came from the United States, primarily California and Washington. The following table provides a demographic overview of all non-resident visitors to the Southwest Region for summer of 1993.

Visitor Demographics
All Non-Resident Visitors to Southwest Alaska

<i>Visitor Education</i>	
Not High School Graduates	4%
High School Graduates	11%
One to 3 years of College	23%
College Graduate	37%
Attended or Completed Graduate School	25%
<i>Visitor Household Income - Average</i>	
	\$63,600
Under \$25,000	5%
\$25,000 - \$34,999	15%
\$35,000 - \$49,999	25%
\$50,000 - \$74,999	20%
\$75,000 - \$99,999	19%
\$100,000 and over	15%
<i>Visitor Age - Average</i>	
	46 years
Under 18 years	3%
18 – 24 years	2%
25 – 34 years	17%
35 – 44 years	23%
45 – 54 years	24%
55 – 64 years	8%
65 + years	24%
<i>Visitor Gender</i>	
Male	73%
Female	27%
<i>Visitor Origin</i>	
West	51%
California	19%
Washington	19%
Midwest	12%
South	19%
East	7%
Canada	3%
Overseas	7%
Germany/Switzerland Austria	4%
Japan	3%

C. Regional Visitation, Spending & Trends by Resident Alaska Visitors

An analysis of resident Alaska visitation to Southwest Alaska, the Bristol Bay Region and/or the vicinity of Aleknagik is even more problematic than visitation of non-residents.

Although the AVSP data cited above for non-resident visitors to Southwest and Bristol Bay is dated and uneven – it at least provides a hint of the numbers of non-resident visitors, non-resident visitor demographics and non-resident visitor expenditures. No such database of information for Alaska resident visitation exists.

Alaska residents visiting the Aleknagik area are more than likely traveling to the area to visit the Wood-Tikchik State Park. These visitors are using the park for a variety of activities including fishing, hunting and recreational activities. Recreational activities include river floating, paddling, sightseeing and hiking. Most visitors to the park are visiting primarily for fishing or hunting purposes, but often are just as interested in camping, seeing the park, viewing wildlife, photographing and exploring a new part of the State. Unfortunately, no exact estimate of resident visitors to the park is available.

D. Aleknagik Area Visitation Estimates

As discussed earlier, in 2001, an estimated 17 percent of all non-resident visitors to Alaska came to the Southwest Region. Given an estimated 1.3 million total non-resident visitors to the State in 2002, and assuming an estimated 17 percent have continued to travel to the Southwest Region, an estimated 221,000 total non-resident visitors would have traveled to the Southwest Region. These visitors traveled throughout all Southwest communities including Kodiak, King Salmon, Iliamna, Katmai, Pribilofs, Bethel and Dillingham. In 1989 and 1993, an estimated nine and seven percent of the total Southwest visitors traveled to Dillingham. If these percentages have held, and eight percent of the total non-resident Southwest Region visitors traveled to Dillingham, then an estimated 17,680 persons visited the area in 2003 – and, a small percentage of those would have visited the Aleknagik area.

Dillingham Enplanement Activity

Given the preceding visitor estimates, it is useful to review Dillingham enplanement data as one measure of the number of total individuals traveling to Dillingham via aircraft. In the following table, large certified air carriers are those planes traveling with greater than 30 seats - such as Alaska Airlines. Similarly, small certified carriers are those planes traveling with a seating capacity that is greater than 11, but less than 30 seats - such as Peninsula Airways. Air taxi/commercial operators are not restricted by the number of passenger seats, but instead are those carriers that typically operate charters or provide unscheduled air service. In all of these categories reporting is not required, which explains some of the passenger variability between years. In the case of large and small certified carriers, most companies provide reporting to the FAA as a requirement for airport funding. In contrast, air taxi/commercial operators tend to not report passenger numbers, which explains the passenger variability between years within that enplanement classification.

Dillingham	Large Certified	Small Certified	Air Taxi & Commercial	Total
2000	11,966	31,512	1,920	45,398
2001	7,924	29,527	94	37,545
2002	9,276	25,422	48	34,746
2003	8,266	27,598	12,304	48,168
Average over these Years	9,358	28,515	NA	41,464

These numbers reflect all passenger enplanements including local area and In-State residents, as well, as out-of-state visitors to the area. There is no way to ascertain what percent of these enplanements comprise a potential market segment, of out of region visitors, versus area local residents. If the total number of Dillingham enplanements is split evenly between the region’s resident and non-resident travelers – then roughly 20,000 visitors from outside the region are traveling to Dillingham to visit each year. And, again, a very small percentage of these travelers likely would be traveling on Aleknagik.

Lodge Visitation

When considering only the 13 lodges that are discussed within the competitive lodge analysis section of this report, it is known that approximately 198 lodging beds are available in the local area. If we assume that these beds are booked on a weekly basis and that the primary lodge season is between May and September - then a total of 151 visitor days or a conservative estimate of 21 weeks are available for booking. Given this assumption, an estimated 4,000 persons are utilizing local area lodging.

There may be some opportunity to tap into this market segment through the partnering with a wilderness lodge and incorporating into that lodge’s package a stay at the Aleknagik lodge. In reality, however, this likely will be a hard strategy to implement. The majority of the fishing and hunting lodges in the area are not locally owned, and few local residents are employed by these operations. The National Park Service estimates that less than 15 percent of the commercial use permits required to operate in the region’s three national parks are held by local residents. As a result, strong relationship strategies will need to be employed to tap into this market segment. And, realistically, in the early years of operation of the Aleknagik lodge a very small percentage of this market can be counted on as potential customers.

Wood-Tikchik State Park Visitation

No figures are available which directly measure the number of individual persons that visit the Wood-Tikchik State Park. Local residents of Dillingham and Aleknagik use the park heavily year-round, while other Alaska residents and fishers from the Lower 48 and around the world visit the park during the summer fishing season. The park receives its heaviest use between June 15th and September 30th – for primarily the fishing and hunting season. It is generally agreed, by local representatives, that the park is witnessing annual increases in visitation.

Freshwater sport fish are generally abundant throughout the area. Rainbow trout, grayling, lake trout, Arctic char, and Dolly Varden are prolific. Additionally, northern pike of good size offer fishing variety in several of the lakes. Present angling pressure is estimated to be on the order of 1,800 to 2,400 angler days annually in the Tikchik-Nuyakuk Lakes system and 5,600 to 11,500 angler days annually in the Wood River Lakes system. The following table summarizes the estimated sport fishing effort in angler days for these drainages.

Drainage	1999	2000	2001	2002	2003
Wood River Lakes System	5,678	8,885	6,685	6,710	11,566
Tikchik-Nuyakuk Lakes	<u>1,899</u>	<u>1,826</u>	<u>2,619</u>	<u>1,745</u>	<u>2,433</u>
Combined Total	7,577	10,711	9,304	8,455	13,999

Source: ADF&G Dillingham Sport Fish Division

Most anglers traveling between Dillingham and Aleknagik and into the park would be fishing the Wood River Lakes system as this system is accessible at the end of the Aleknagik Lake Road. The Tikchik-Nuyakuk Lakes system is generally only accessible by aircraft as there are no roads to the major outlet river, Nuyakuk River. Anglers visiting these systems are typically staying at a local area lodge, at a temporary tent camp maintained by their guide or camping via their own tents and equipment as they portage a system. These visitors may demand Aleknagik lodging if it were made available at the beginning or end of their Wood-Tikchik State Park stay. However, what is unknown is the exact number of persons represented by the above angler days. Conservatively, if each angler is spending two days per visit – then approximately 5,500 persons are angling each year in the Wood River Lakes System. And, if two-thirds of that number are non resident visitors – then, approximately 3,666 anglers would be overnighing in camps or lodging per year. Again, the percentage of those anglers that are potential customers for the Aleknagik lodge is probably small because most of the anglers will be staying at other lodge facilities within the region.

E. Market Analysis Summary

The preceding market analysis identifies the key factors faced by the City of Aleknagik regarding the development of a lodge facility. Following is a summary of visitor trends:

- ❖ The national and international travel market is increasingly seeking and willing to pay for tourism that is adventurous, educational, and environmentally sensitive.
- ❖ Visitors as a whole are also demanding shorter trips and more activities at a lower cost.
- ❖ Alaska’s visitor industry has been growing steadily since 1993, although the overall percentage of growth has declined in recent years.
- ❖ The Southwest Region’s total visitation has also been growing since 1993 and is anticipated to continue growing.

- ❖ The Southwest Region offers unique attractions - fishing, hunting, Native culture, wildlife viewing and adventure opportunities not as readily available in other parts of the State.
- ❖ Based on a review of more recent visitor numbers and visitor characteristics, the number of visitors to the Southwest Region should grow steadily over the next few years. There should be tourism opportunities among:
 - sportsmen coming to Alaska seeking new fishing and hunting experiences;
 - adventurous travelers looking to experience remote wilderness areas
 - business travelers extending their visit for pleasure; and
 - international visitors.
- ❖ The competition for lodging customers within the Aleknagik area is intense – and, although the total market size is difficult to measure, it is clear that the number of potential customers for the Aleknagik lodge is a relatively small percentage of total visitors to the area. At best, it seems that the total number of potential visitors is not more than 4,000 and, more likely, is considerably less than that number.

V. COMPETITIVE FACILITY ANALYSIS

All facilities offering accommodations throughout Alaska are potential competitors for the proposed lodge facility. Many substitute products exist including upper scale lodges, a growing market of lower scale lodging options, motels and hotels throughout the region, and various bed and breakfast facilities. The following is an overview of lodge facilities considered to be most competitive to the proposed Aleknagik lodge. Below is an overview of the competitive facilities, their locations, fees, number of rooms and services provided. Based on conversations with lodge owners and collective experience, a review of the key ingredients found in successful fishing lodges is provided.

In general, throughout Alaska, sportsfishing and hunting lodges provide a high value experience for their exclusive market. These lodges are typically open between early June and late September with some opening as early as mid-May and staying open into October. Based on conversations with lodge owners/operators, many experience occupancy rates approaching nearly 100 percent. On average these lodges are able to charge in excess of \$6,000 per person for 7 night/6 day stay by providing world-class fishing and hunting experiences. In addition, these lodges typically provide air taxi services, guides, boats, and high quality luxury accommodations. Most visitors stay a full week at the lodge and a high percent of the lodge occupancy is attributable to repeat visitation. The typical visitor is wealthy, well-traveled and has high expectations. Historically, these lodges have marketed their experience as a package that includes airfare from Anchorage. More recently packages have not included airfare as part of the package price due to airline liability and fluctuations in airfares.

Aleknagik Island Lodge

The Aleknagik Island Lodge is located on Lake Aleknagik, approximately 25 miles north of Dillingham, Alaska. The lodge is primarily a fishing lodge. The lodge is a 2400 sq. ft. home with five guest rooms and two beds per room. There are three full baths that are shared by the guests. The lodge consists of a lounging and dining area, and a laundry facility. The lodge can accommodate up to ten guests. Services include transportation from Dillingham, Alaska, guides, lodging, meals, boat and fishing equipment use, one day air fly out to fish, and packing and freezing of fish. The lodge is open from June through September. The lodge charges \$3,195 per person for a 6-night/5-day package.

Bear Bay Lodge

The Bear Bay Lodge is located 25 miles north of Dillingham, Alaska, on the southwest shore of Lake Aleknagik. The lodge is primarily a fishing lodge. The main chalet consists of a lounging and dining area, and three bedrooms with two beds and private baths. The chalet can accommodate up to eight guests. The lodge also has three cabins available that sleep up to four visitors and includes private baths. The lodge offers transportation from Dillingham, Alaska, a 2:1 guide ratio, lodging, meals, air-taxi's to fishing sites, boat and rod/reel use, and a hot tub. The lodge charges \$5,750 per person for a 7-night/6-day stay. In addition to the chalets, the lodge offers the remote Nushagak Salmon Camp. The Nushagak Salmon Camp is a tent camp with wooden floors, comfortable beds, heaters, hearty meals and a 2:1 guide

ratio. The camp can accommodate up to 12 visitors. The camp charges \$2,795 per person for a 5-night/4-day stay. The lodge is open from early-June to mid-September.

Bear Claw Fishing Lodge

The Bear Claw Fishing Lodge is located on the shore of Lake Aleknagik approximately 35 miles south of Dillingham, Alaska. The lodge is primarily a fishing lodge with only a small portion of visitors coming strictly for scenic and wildlife viewing. The lodge consists of one main building with four private bedrooms and baths. The lodge can accommodate up to 12 visitors. Packages include transportation from Dillingham, Alaska, guides, lodging, meals, boat use, and packing and freezing of fish. In 2003, the lodge charges \$2,585 per person for a 4-night stay, \$3,015 per person for a 5-night stay, and \$3,565 per person for 6-night stay. The lodge is open from early-June to mid-September.

Bristol Bay Lodge

The Bristol Bay Lodge is located on Lake Aleknagik, 40 air miles north of Dillingham, Alaska. The lodge is primarily a fishing lodge. The lodge has one main building with eight bedrooms and private baths plus three separate cabins with private baths. Bedrooms offer a choice of single or double occupancy. The cabins offer a choice of two to four guests. The lodge can accommodate up to 24 visitors. The lodge is open from mid-May to mid-September and has been in operation since 1972. The average length of stay per visitor is one week. The lodge currently conducts no advertising or marketing other than the Internet and relies completely on repeat visitation (60 percent repeat visitor rate) and “word of mouth” advertising. The lodge experiences a 98 percent occupancy rate, which took ten years to obtain. Service to visitors includes air transportation from Dillingham, Alaska, guides, meals, air fly out to fish, overnight out-camps, boat and rods/reels use, and packing and freezing of fish. The lodge charges \$4,995 to \$6,500 per person per week depending on low or peak fish runs.

Crystal Creek Lodge

The Crystal Creek Lodge is located 25 miles northwest of Dillingham, Alaska, on Lake Nunavaugaluk. The lodge is primarily a fishing lodge. The lodge has one main building with 14 guest rooms and private baths. The lodge can accommodate up to 14 individual visitors and private groups up to 24 visitors. The lodge is open from June to early October and has been in operation since 1988. Service to visitors includes transportation from Dillingham, Alaska, a 2:1 guide ratio, lodging, meals, air fly out to fish, boat and fishing equipment use, and packing and freezing of fish. The lodge charges \$6,570 per person for a 7-night/6-day package from June 6 through July 31 and \$7,250 per person for a 7-night/6-day package from July 31 to October 3. And, the lodge offers a \$3,650 per person for a 4-night/3-day package from June 12 through July 10.

Island Lodge

The Island Lodge is located on a 45-acre island in Lake Clark. The lodge offers a variety of activities including fishing, kayaking and scenic and wildlife viewing. The lodge has one guest cabin with a living room, bedroom for two guests and a private bath. Additionally, the lodge has two duplex guest cabins that sleep four guests and includes a private bath. The lodge can accommodate up to ten visitors. Service to visitors includes lodging, meals and

water transportation activities. The lodge charges \$1,816 per person for a 4-night/3 day stay, \$2,424 per person for a 6-night/5 day stay, and \$3,032 per person for an 8-night/7-day stay.

Kniktuk Outfitters and Renew, Inc.

The Kniktuk Outfitters and Renew, Inc. offers a full service hunting and fishing camp located on the upper Nushagak River near Dillingham, Alaska. The camp consists of a 16' x 24' kitchen tent with wood floor, range, wood heat, tables, chairs, cooking equipment, two cots and two coolers. There are two 12' x 12' sleeping tents with wood floors and three cots in each tent. Hot water shower and outhouse are shared by guests. Two boats and motors with 50 gallons of gas are included with the camp. The camp is open from May through September. The camp can be rented for \$5,495 for a week.

Mission Lodge

The Mission Lodge is located near on confluence of Lake Aleknagik and the Wood River. The lodge is primarily a fishing lodge. The lodge accepts 22 guests and offers rooms with private baths. The lodge includes a large lounge with big screen TV, dining room, private meeting room, sauna and hot tub. Services includes transportation from Dillingham, Alaska, a 3:1 guide ratio, lodging, meals, air fly out to fish, overnight out-camps, boat and fishing equipment use, and packing and freezing of fish. The lodge operates from June through early-October. The lodge charges \$6,400 per person for a 7-night/6-day stay.

Nushagak Paradise Lodge

The Nushagak Paradise Lodge is located on the Nushagak River, approximately 30 miles from Dillingham, Alaska. The lodge is primarily a fishing lodge. The lodge is a yurt (tent) camp with dining and kitchen facilities and sleeping yurts for guests. The bath/shower facility is shared. The lodge can accommodate 10-12 guests. Services include transportation from Dillingham, Alaska, guides, lodging, meals, and boat and fishing equipment use. The lodge is open from June through August. The lodge charges \$3,350 per person for 6 night/7 day packages during June through mid-July and \$3,100 per person for 6-night/7-day package during mid-July through August.

Reel Wilderness Adventures

The Reel Wilderness Adventures is a fishing lodge alternative. The campsite lodge is located in the Wood-Tikchik State Park in the Bristol Bay Region. The lodge is primarily a fishing lodge. The lodge is a campsite with 8'x10' Weatherports on plywood platforms that accommodates two guests. The bath/shower facility is shared. The campsite can accommodate up to 8 visitors. The campsite includes a large platform for lounging and dining. Services includes air transportation from Dillingham, Alaska, a 2:1 guide ratio, lodging, meals, air fly out to fish, and boat and fishing equipment use. The lodge is open from June to September and has been in operation since 1995. The lodge charges \$3,600 per person for a 6-night/6-day stay.

Royal Coachman Lodge

The Royal Coachman Lodge is located 65 miles north of Dillingham, Alaska on the Nuyakuk River. The lodge is primarily a fishing lodge. The main lodge houses the kitchen, dining room and lounge, library corner, fly-tying bench and two bedrooms. There are four guest cottages with living rooms, one and two bedrooms and private baths. The lodge can accommodate up to eight visitors. Services includes air transportation from Dillingham, Alaska, guides, lodging, meals, air fly out to fish, and boat and fishing equipment use. The lodge is open from June to September and has been in operation since 1970. The lodge charges \$5,900 per person for a 7-night/6-day stay.

Tikchik Narrows Lodge

The Tikchik Narrows Lodge is located on the tip of a narrow peninsula which separates Tikchik and Nuyukuk Lakes (Tikchik Narrows). The lodge is primarily a fishing lodge. The main lodge has large lounging areas and dining room. Guests are accommodated in separate cabins with two large rooms that sleep up to four guests and a private bath. The lodge can accommodate up to 24 visitors. Services includes air transportation from Dillingham, Alaska, guides, lodging, meals, air fly out to fish, and boat and fishing equipment use. The lodge is open from June to September and has been in operation since 1969. The lodge charges \$6,400 per person for a 7-night/6-day stay.

Wood River Lodge

The Wood River Lodge is located on the Agulowak River in the Bristol Bay Region. The lodge is primarily a fishing lodge. The lodge has been purchased by GCI and may no longer be available to the public. The main lodge has lounging, dining and bar areas, and a small fly tying area. Guests are accommodated in four separate cabins with two rooms that sleep up to four guests and a private bath. The lodge can accommodate up to 16 visitors. Services includes air transportation from Dillingham, Alaska, guides, lodging, meals, air fly out to fish, and boat and fishing equipment use. The lodge is open from June to September and has been in operation since 1983. No fees were listed on the website.

Profile of Area Lodges

Name	Location	Fees	# of Rooms & Guests	Services
Aleknagik Island Lodge	Lake Aleknagik	\$3195 per person for 6 night/5 day	5 guest rooms 10 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging ◆ Shared Bath ◆ 1-Day Air Fly Out ◆ Boat Use ◆ Fishing Equipment ◆ Packing & Freezing
Bear Bay Lodge	Lake Aleknagik	\$5750 per person for 7 night/6 day	1 main w/ 3 rooms w/8 guests 3 cabins w/12 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging ◆ Private Bath ◆ Boat Use ◆ Rod & Reel ◆ Air Fly Outs
Bear Claw Lodge	Lake Aleknagik	(2003) \$3565 per person for 6 night/6 day	1 main w/4 rooms w/ 12 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging ◆ Private Bath ◆ Boat Use ◆ Packing & Freezing
Bristol Bay Lodge	Lake Aleknagik	\$6,500 per/person per/week	1 main w/8 rooms w/ 12 guests 3 cabins w/ 12 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging ◆ Private Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fish Equipment ◆ Packing &Freezing
Crystal Creek Lodge	Lake Nunavaugaluk	\$7250 per person for 7 night/6 day	1 main w/ 14 guest rooms	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging ◆ Private Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fish Equipment ◆ Packing & Freezing
Island Lodge	Lake Clark	\$3032 per person for 8 night/7 day	1 main w/ 2 guests 2 cabins w/ 8 guests	<ul style="list-style-type: none"> ◆ Meals ◆ Lodging ◆ Private Bath ◆ Boat & Kayak Use

Name	Location	Fees	# of Rooms & Guests	Services
Kniktuk Outfitters and Renew, Inc.	Nushagak River	\$5496 per week	Two tent w/4 cots plus 2 cots in kitchen tent 6 guests	<ul style="list-style-type: none"> ◆ Lodging ◆ Shower & Outhouse ◆ Boat Use
Mission Lodge	Lake Aleknagik	\$6400 per person for 7 night/6 day	22 guest rooms	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging w/Bath ◆ Air Fly Outs ◆ Camp Outs ◆ Boat Use ◆ Fishing Equipment ◆ Packing & Freezing
Nushagak Paradise Lodge	Nushagak River	\$3350 to \$3100 per person for 6 night/7 day	Yurt (tents) for guests 10-12 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Tent Camp Lodging ◆ Shared Bath ◆ Boat Use ◆ Fishing Equipment
Reel Wilderness Adventures	Wood-Tikchik State Park	\$3,600 per person for 6 night/6 day	4 tents camps w/8 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Tent Camp Lodging ◆ Shared Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fishing Equipment
Royal Coachman Lodge	Nuyakuk River	\$5900 per person for 7 night/6 day	1 main w/2 rooms 4 guest cottages 8 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging w/Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fishing Equipment
Tikchik Narrows Lodge	Tikchik and Nuyukuk Lakes	\$6400 per person for 7 night/6 day	6 guest cabins that sleep up to 4 24 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging w/Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fish Equipment ◆ Packing & Freezing
Wood River Lodge	Agulowak River	\$7250 per person for 7 night/6 day	4 guest cabins 16 guests	<ul style="list-style-type: none"> ◆ Guides ◆ Meals ◆ Lodging w/Bath ◆ Air Fly Outs ◆ Boat Use ◆ Fish Equipment

VI. MARKETING STRATEGIES

There are critical challenges facing the Alaska visitor industry. First, Alaska must concern itself with the quality of the overall visitor experience - both in terms of maintaining the quality of existing product as well as continuing to develop new products to help meet demand. Second, Alaska must continue to effectively market to potential visitors. Statewide marketing has become increasingly difficult largely because of insufficient funds to adequately market and the competition put forth by other national and international destinations that employ significantly greater marketing efforts. Regionally, marketing is inadequate as well. This is further complicated by the fact that the Southwest Region is currently not visited by any of the large tour companies that dominate Alaska travel. The Southwest Region is, therefore, missing the widespread exposure that would come from being a part of a larger tour package.

For the purposes of outlining a basic marketing strategy for the Aleknagik lodge product the primary target markets must first be better understood. The Aleknagik marketplace can be broken into three primary market segments: package tour visitors, independent visitors and independent-package visitors. It is assumed that local marketing for the primary segments will also reach secondary markets and that secondary market segments will be primarily reached via word of mouth. Existing visitors are those visitors that are already traveling to Aleknagik - either visiting friends or relatives, traveling for business, or myriad other possible activities. By contrast, the other visitor segments have not yet determined what they will do on their trip and thus, these visitors must be communicated with during their travel planning phases and must become “convinced” to purchase the Aleknagik lodge product. The primary marketing job with existing visitors is to get them to stay at the Aleknagik lodge instead of their current lodge of choice or at least add a day to their stay that includes the Aleknagik lodge.

A. Advertising, Public Relations & Promotional Strategies

No single marketing campaign will effectively reach all of the desired market segments; therefore, a separate strategy should be developed for each market segment. Ultimately a formal marketing plan should be developed. One of the first steps of that plan should be to more formally define the Aleknagik lodge customer to better understand their purchasing habits, preferences and accommodation needs, and identify specific market segments. One strategy is to conduct a survey of potential and existing lodge guests to seek first hand information regarding preferences and purchasing habits. Another strategy is to seek the services of an individual or firm to assist the Aleknagik lodge in developing and establishing its marketing plan and advertising/promotional materials.

Following is a snapshot of what is known regarding package, independent and independent-package visitor segments.

1. Package Tour Visitors

Package tour visitors represent the largest potential market segment for the Wood-Tikchik State Park area, but in this case, lodging has more than likely already been included into the potential markets package. Package tour visitors pay travel agents or tour operators, in advance, for some or all of their trip components. The itineraries of package tour visitors are controlled largely by tour operators within the Wood-Tikchik State Park. Reaching these operators, understanding their clientele, and developing a program whereby the operators' client spend one night at the lodge may provide some bookings for the lodge during the summer tour season. This market segment will likely play a critical role in the lodge's success as it appears visitors to the park often purchase a package from a local lodge operator. Specific marketing to reach this market segment should be focused on raising product awareness and developing relationships with the operators that are developing local area tour packages. A lodge "open house" or "familiarization tour" where local operators are provided a free night stay may serve as means of reaching operators.

2. Independent Visitors

Independent visitors are those potential guests not traveling on a pre-arranged package trip and making tour decisions without utilizing the services of travel agents or tour operators. This portion of the Aleknagik market is very small, potentially only a few hundred individuals a year. As such, specific marketing to this segment may be too cost prohibitive. In order to successfully market to the independent traveler a variety of promotional and advertising activities will be necessary. A common message and design will need to be developed that is consistent throughout all marketing pieces. This effort will serve to generate greater product awareness. Once awareness is developed and visitors travel to the Aleknagik lodge site, word-of-mouth advertising is recognized as vital to the facility's ultimate success.

3. Independent-Package Visitors

Independent -package visitor segment typically arranges their basic trip independently, although part of their Alaska experience includes purchasing a package component. As such, the independent-package segment should largely be reached via the marketing strategies developed for the independent or package visitors. Of significant importance though, is the fact that the purchasing practices of this segment are heavily influenced by a handful of tour operators.

The Aleknagik lodge should take efforts to build from already developed statewide, regional and local visitor marketing campaigns specifically directed to the same market segments identified above. From a statewide perspective, marketing of Alaska as a travel destination is led by the Alaska Travel Industry Association (ATIA), which targets the primary markets of the U.S. and Canada, and the key international markets. The ATIA produces the Alaska State Vacation Planner, carries out media advertising, conducts special niche programs including eco-adventure tourism, provides public relations, and conducts market research. From a local and regional perspective the marketing efforts of the Dillingham Chamber of Commerce and the Southwest Alaska Municipal Conference (SWAMC) as well as other

regional convention and visitors bureaus may have marketing pieces already in place and these may serve as an additional marketing tools.

Promotional strategies include:

- ❖ Relationship building
- ❖ Personal selling
- ❖ Public relations

The old adage “it’s not what you know, it’s who you know” holds true here. The vast majority of successful tour promotion is developed through conscious, deliberate and ongoing relationship-building efforts. Promoters of the Aleknagik lodge must develop relationships with and gain the support of the tour operators that deliver package tour visitors to the Aleknagik area (i.e. local area lodges, fishing, hunting and specialized guides, and even air taxi operators). This relationship-building is not likely to happen overnight. It will take time - potentially several operating seasons - to fully establish a solid reputation for the Aleknagik lodge and strong operator awareness.

In order to develop product awareness and begin the relationship-building process, the Aleknagik lodge manager should make oral presentations to the most influential tourism operators/product developers. These oral presentations should begin as phone introductions, to be followed by face-to-face meetings to share the product and generate conversation around ways to involve the product within existing tour packages.

A mix of the following advertising activities and strategies should be used as a comprehensive strategy to attract the various visitor market segments, including:

- ❖ Internet website presence
- ❖ Advertising through a variety of print media
- ❖ Brochures, flyers, and rack cards strategically placed

Nearly all successful statewide tour products have established a presence on the Internet and have utilized their sites to provide valuable information to visitors. The Internet is an important marketing tool for reaching visitors as they are making tour decisions. As visitors are making trip decisions, it is useful for them to have an opportunity to review potential lodging sites. A planned and strategic Internet website will be a basic necessity. Attention will need to be placed on managing search engines so that the Aleknagik lodge is high on the list of potential client searches.

Print media will be an effective advertising tool if careful consideration is given to what print materials the intended target audience is most likely to read. For instance, an ad in a sportsmen’s magazine may provide results. Given the small size of this target audience print media may be too cost prohibitive for the return the effort will likely generate.

Brochures, notices, flyers, and rack cards should be posted on bulletin/informational boards at targeted locations both in Anchorage and the surrounding hub communities. This effort

is anticipated to draw some attention to the Aleknagik lodge site. This is also considered as a low cost method of reaching the intended market and will be a means of generating additional product awareness. In utilizing this strategy it is recognized that bulletin/informational boards can become cluttered and marketing pieces can become lost when placed within a rack. Thus, the developed advertising piece will need to be eye-catching and attention will need to be given to repositioning and/or replacing marketing pieces as necessary.

B. Marketing Themes and Logos

Customers can be created through advertising, public relations and sales promotions, but in reality, unless the delivered message was developed with origination, imagination, sales appeal and hospitality in mind, it's likely to be missed. At each step in the development of the Aleknagik lodge themes, message, logos, materials and signage, it will be critical for the lodge management to "test" their concepts prior to investing money into implementation. The business landscape is littered with "good ideas" that ultimately did not "work for customers". It is extremely important for the development of the Aleknagik lodge, and all of its elements, to be developed with the market in mind – development must be market-driven if long-term success is to be achieved.

It is also critically important that all advertising and promotional efforts generate a favorable image in the potential customer's mind. To prospective guests, your advertising will be their first introduction to the Aleknagik lodge. The success of the introduction will depend upon the impression and image made. To insure that this impression is favorable, all advertising should be high quality, dignified and contain a convincing message. Likewise, all marketing should be distinctive, interesting and compelling. In order to stand-up to the local competition - marketing efforts must stand out as superior. Once a client is attracted to the Aleknagik lodge the level of service provided will largely determine how that client will communicate their experience back to others. Even a successfully implemented marketing strategy will not have as much impact as positive word-of-mouth and repeat visits.

C. Service Strategies

It can't be said enough - good service is recognized as critical to the success of the Aleknagik lodge. Once a customer has been attracted to the Aleknagik lodge through promotional strategies, value pricing and good service will dictate whether the customer returns and, potentially more important, whether he or she recommends the tour product to others. Visitors may be willing to visit the Aleknagik lodge, but will only revisit the facility if their experience is pleasant, welcoming, safe and comparatively of good value. All village site facilities and services will need to be well-maintained, and staff will need to have exceptional customer service skills. It is recognized that word-of-mouth referrals will be the lodges most effective and least costly advertising tool.

Key service delivery elements should include:

- ❖ Consistent availability of product and promised services
 - Lodge and grounds adequately developed and maintained
 - Food, if provided, consistently available and of a consistent quality level

- ❖ Consistent months and hours of operation
 - Convenient to visitor schedules
 - Always maintained as published

- ❖ Friendly and welcoming environment
 - Staff welcoming and courteous
 - Guests leave with a feeling that their money and time was well spent

The importance of consistently exceptional customer service and experience cannot be stressed enough. In order to be successful, the Aleknagik lodge will likely need to develop partnerships with other area lodges, hosting their clients for a night while the lodge is changing over guests. The clientele that these lodges draw have high expectations when it comes to customer service. The bottom line for the Aleknagik lodge is – *potential customers have other choices* thus, the Aleknagik lodge product must be well planned and delivered with consistent high levels of quality in order to generate the enthusiasm necessary to become recognized and then to continue attracting visitors.

D. RESTAURANT MARKETING STRATEGIES

The most powerful marketing tool for any restaurant is word-of-mouth. However, before word-of-mouth marketing is effective a few important factors should be effectively managed, including:

- ❖ Ensuring customers know about the restaurant
 - Prior to the restaurant opening, and into the first year or two of operation, concerted effort should be made to raise restaurant awareness
 - Direct mail to Aleknagik and Dillingham area residents may generate excitement and interest in the restaurant

- ❖ Planning for ease of access to the restaurant
 - Signage may need to be a consideration both from the highway and dock
 - Parking should be adequate
 - Boat and plane tie-ups should be convenient and easily accessible
 - Handicap accessible considerations should be made

- ❖ Developing something that will enable the restaurant to stand out and give customers a “story” to share about the restaurant
 - For example – “excellent service”, “great desserts”, “best cinnamon rolls in Alaska”

- ❖ Focusing on the details so that customers leave with a positive experience and good feelings to share with others
 - Service was speedy without being rushed and efficient
 - Staff were friendly, knowledgeable and attentive
 - Atmosphere was attractive, clean, inviting and hospitable
 - Food was fresh, served as requested, well prepared and presented, and of reasonable value

Once word-of-mouth marketing has become established, strategies should be developed to encourage the ongoing patronage of at least the local area residents to further encourage restaurant sales and generate additional word-of-mouth marketing. Ways to encourage local patronage include:

- ❖ Direct mail to local area residents to make announcements or offer a special promotion
- ❖ Work on obtaining a restaurant review to run in the local newspaper
- ❖ Offer a Frequent Diner Program for regular customers that provides a discount or free item for a certain level of dining
- ❖ Have themed activities at least once a month to generate enthusiasm for dining out
- ❖ Try hosting a specialty food, wine or beer tasting

VII. OWNERSHIP, MANAGEMENT AND STAFFING

The success of the Aleknagik lodge will depend heavily on its trained, professional and dedicated staff. The management and staff are ultimately responsible for the quality and consistency of the lodge services. In particular, an experienced, effective and professional manager is essential to the operation's success. A successful manager will provide leadership to staff, coordinate the details of the entire operation, and maintain a warm and hospitable relationship with guests. A key component to having content staff is to have an ownership structure that provides a solid foundation while also developing systems to encourage and reward staff.

A. Ownership

The City of Aleknagik has taken leadership in exploring the feasibility of an Aleknagik lodge, but has not expressed desire in serving as the ultimate owner of the lodge if development is pursued. As proposed, the Aleknagik lodge will likely be developed as a joint venture between the City of Aleknagik and the Aleknagik Tribal Council. If a joint venture is undertaken, it will be beneficial to the lodge to have a separate legal entity formed to lead the Aleknagik lodge development. This separate business enterprise would be best served if it was governed by a three to five person board of directors. Directors should be chosen based upon their business development, tourism industry and local area understanding skill sets.

B. Development Partner

Seeking a development partner to become an equal, or partial owner, of the Aleknagik lodge may also be beneficial. While local ownership is the most desired alternative, having an experienced development partner as an owner/operator responsible for the initial lodge development and startup years of operation may provide faster and greater returns in the long run. It may also be a viable alternative to hire an operator to get the lodge product launched - without making that entity an owner.

An experienced lodge development partner could share their knowledge of how to minimize costs while seeking out ways to maximize profits; provide training to the lodge manager and employees; and, have the capacity to assist the lodge in creating a lodge environment that provides consistent high-levels of customer service. Key to any successful lodge is providing a lodging environment that meets and exceeds discerning visitor expectations. This environment does not just happen – it is created. Any development partner pursued should be able to point to prior successful endeavors and be able to provide solid references. If a development partner is not pursued, then seeking out the expertise of a well established lodge manager will be essential.

C. Management and Staffing Plan

Recruiting and hiring a competent and experienced lodge manager will be the most critical task for the Aleknagik lodge. The success of the lodge will depend more on the manager than on any other individual-particularly if a development partner is not pursued. Successful lodge operations have a strong manager who is committed to the mission, vision and long-term plan of the lodge. Additionally, successful managers have the capacity to show

enthusiasm for the day-to-day activities that occur and are passionate in accomplishing them. A successful manager will provide leadership to other staff, coordinate the details of the day-to-day operations, and participate fully in fundraising and marketing activities. When selecting a manager it is important that the prospective individual have experience to teach and mentor employees in the skills required in high levels of customer service. The managers should inspire other employees to succeed and, in turn, ensure the success of the lodge. Management must be willing to step in and fill in if staff members miss work or leave their job unexpectedly. Management serves not only in the job function, but also as a role model.

Obtaining and retaining staff are major challenges for many enterprises and are a particular challenge for a rural Alaska lodge operation. Most lodge employees prefer full-time year-round work. Therefore, it is recommended that as much as possible, duties be combined so that full-time employment can be achieved. For example, a lodge manager may initially perform all lodge functions until lodging demand warrants the employment of additional staff.

It is vital that lodge employees work together as a team. A group, or groups, of employees not getting along will ultimately impact your customers; therefore, ensuring that your employees are harmonious should be the most important consideration of all. Working together as a team will allow your employee groups to be “cross-utilized.” Training employees means any employee should be able to step in and perform many of the tasks of another employee group. This is not only invaluable as a team builder and keeps employees from boredom, but makes good financial sense as you have the ability to maximize employee output.

It is anticipated that the following staff functions will be required for lodge operations. These functions may not require a full-time dedicated staff person. Functions include:

- ❖ Lodge manager
- ❖ Bookkeeper
- ❖ Housekeeper
- ❖ Van driver
- ❖ Maintenance grounds keeper

Additionally, the following staff functions will be required for restaurant operations:

- ❖ Restaurant manager
- ❖ Cook
- ❖ Kitchen staff - serving and cleanup

Currently, the pay ranges for workers in the tourism industry follow industry standards. Pay offered to workers in an area must compete with other offerings in your local area. This is especially true if your seasonal workers look to earn income from commercial fishing. Also, to retain employees, other Alaska Native projects have found that wages need to be at

market rates or above. Likewise, full-time employment usually means benefits need to be extended. Pay rates without benefits are generally as follows:

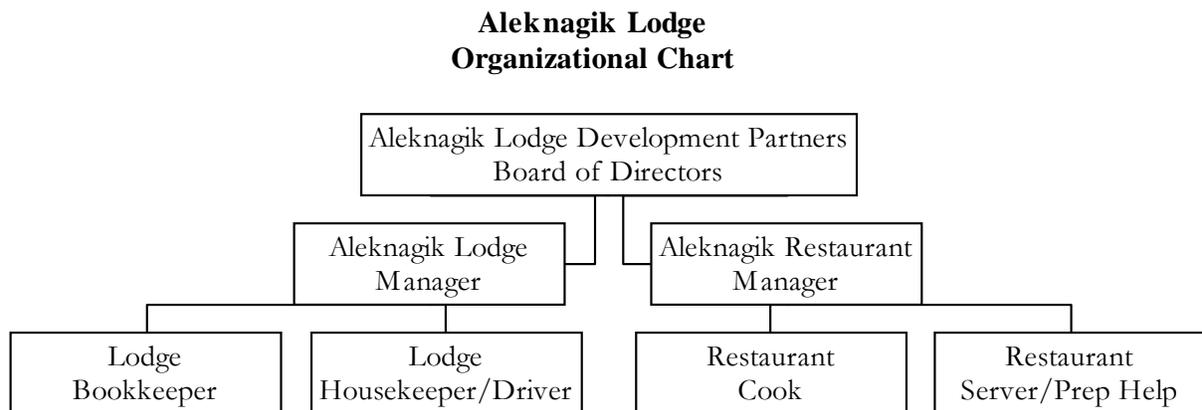
- ❖ All staff \$10 per hour to start and during training
 \$12-14 per hour for ongoing employment
 \$16-20 per hour for management positions

D. Training Plan

Based on a review of survey responses from local residents it was learned that few of the local Aleknagik residents have the necessary skills and experience to step right in to a tourism lodge operation and contribute to its success. Management and staff training will largely depend on the management and staff hired and their experience levels. At a minimum, staff will require training on lodge operations and long-term plan of the Aleknagik lodge. Regardless of an individual’s job title and responsibilities, every manager and staff should have a clear picture of how all the services, programs and job functions of the lodge inter-relate. When the long-term plan is modified and updated by the lodge owners/directors, managers and staff should be provided updated information. Additionally, management and staff should be trained in hospitality and customer service on a regular basis. The success of the Aleknagik lodge will depend on repeat visitor and visitors’ recommendations to family and friends – recommendations that will only come from consistently high levels of customer service.

E. Organizational Chart

The organizational chart will ultimately depend on management and staffing decisions made by the lodge development partners. It will be critical to the financial success of the lodge that employees be “cross-utilized” to maximize employee output. For instance, one person may serve as both the lodge and restaurant manager. Likewise, other staff may serve more than one primary function. The following organizational chart serves as a starting point for business planning purposes.



F. Potential Employee Survey

A survey of Aleknagik residents was conducted to determine local level of interest in working in the proposed Aleknagik. Of the residents that responded to the survey, the vast majority expressed interest in only working part-time, had limited skills relating to visitor industry service positions, and were nearing retirement age. Given these responses it is still unclear if local Aleknagik residents will be willing and able to staff the proposed lodge. However, the lack of desire for full-time work may be beneficial in the early years of operation when full-time positions may not be cost feasible. Additionally, training can be provided to prepare staff adequately for positions.

The researcher has a few concerns given the responses provided and general history of tourism development projects in rural Alaska. Of uppermost concern, is that Aleknagik youth did not respond and express interest in working in the lodge. It is unknown if they do not have an interest or if the survey instrument did not reach this population. Visitor industry positions are often physically demanding, require full-time attention and are best filled by youthful individuals having an outgoing, enthusiastic work attitude. If the Aleknagik lodge is pursued it will be important to survey residents again to seek more serious interest in employment. Of additional concern, is the seasonal conflict between opportunities to earn money commercial fishing as well as the opportunities to participate in subsistence activities, and the primary window for operating a lodge operation in Aleknagik - all three tend to peak between the months of June through August. However, with declines in commercial fishing, local residents may be more inclined to take positions in the visitor industry over commercial fishing. The competition between subsistence activities and employment within the lodge should be fully explored and discussed with potential employees prior to hire.

VIII. FINANCIAL ANALYSIS

Prior to investing in a lodge facility it is useful to review estimated revenue and cost projections. If the development of an Aleknagik lodge is pursued, the developers will likely demand some return on their investment. The following annual budget assumptions and anticipated cash flows are a prediction of the type of returns available from making the proposed improvements and investments as previously discussed. These budget assumptions have been based on business experience and on discussion with owners of similar lodge businesses.

This information will also be useful if financing is necessary to develop the lodge. Lenders will ask to review estimated revenue and cost projections prior to making a loan. Securing financing will be one of the most difficult problems facing development of the proposed lodge. Financial institutions and venture capitalists typically demand a minimum of 20 percent owner/operator investment prior to considering an investment. The financial projections that follow assume a 20 percent initial investment made by the Aleknagik lodge developers.

A financial feasibility assessment for the proposed Aleknagik lodge follows this section. First, estimated annual revenues are reviewed; next, startup cost and annual budget costs are outlined; and then, a year one cash flow statement is presented. The projected financial statements are for both a five-room and ten-room lodge – each with various levels of occupation so that the impacts of low occupancy rates can be fully understood. Additionally, a break-even point has been determined in each of these scenarios.

A. Revenues

The success of this lodge operation will rely heavily on attracting new visitors. Due to the highly competitive lodge market and the habit of visitors to return year after year to the same lodge, it is unrealistic to expect that the new lodge will attract any measurable percent of the existing Alaskan lodge market. It is realistic to assume that some percent of the current Aleknagik fishing and visitor market will be attracted. It is also realistic to assume that new clients can be established through extensive marketing efforts, effective communication, and partnering with existing lodge and tour operators.

For purposes of this analysis, it is assumed that the effectiveness of the new lodge's marketing and promotions will ultimately determine the percent of occupancy it is able to obtain. Given the following information, an estimate of total revenues is made. The estimated average daily room rate of \$150 was reached after reviewing the rates of various hotel lodging facilities throughout the Southwest Region and the Aleknagik area.

Based on the product as described in this analysis, it is the researcher's opinion that the \$150 average daily room rate is achievable. The management of the Aleknagik lodge will need to be prepared to enter the market with a competitive price while at the same time being prepared to provide a high quality product that exceeds the visitor's expectations. Unless the level of quality to be provided can be documented as being superior to other comparable facilities, a greater package fee is not recommended. Likewise, the average daily room rate

utilized reflects today's market. Additional market research may be necessary prior to the lodge opening to determine if fluctuations in pricing occurred in the interim.

Gross revenues were determined by multiplying the available room nights at various occupancy levels by a room charge of \$150, assuming double occupancy.

B. Estimated Startup Costs

Startup costs for the proposed Aleknagik lodge are those one-time-only costs for equipment, deposits, licenses, down payments and miscellaneous fees that occur when undergoing a development project. Many of these items will not be readily funded through a grant or will need to be covered prior to a grant being received. These items will likely be paid prior the lodge startup and are not included within the following cash flow statements. The estimates below are based on interviews with insurance agents, business owners and researcher's experience.

Building Down Payment	\$240,000 (20 percent of 1.2 million)
Business License	\$ 200
Furnishings for Offices	\$ 2,500
Furnishings for Rooms	\$ 10,000
Restaurant Equipment	\$ 15,000
Startup Training	\$ 7,500
Accounting Set-up	\$ 5,000
Utility Set-up	\$ 5,000
Liability Insurance	\$ 1,600 (20 percent of policy)
<u>Early Promotions</u>	<u>\$ 10,000</u>
Estimated Total Cost	\$296,800

Each of these items has been estimated. Final development decisions will dictate actual costs. It may be possible to seek out grant funding for certain cost items. For instance, startup training of staff prior to operations may be funded individually.

C. Estimated Operating Costs

The estimated annual operating costs have been broken out into four categories: cost of sales; administration; maintenance and utility; and marketing.

Cost of Sales

Credit Card Discount @ 2.5 percent: For the convenience of visitors it is suggested that a payment option for credit cards be established. This expense is estimated at 2.5 percent of total revenues. It will vary based on the percent of visitors that utilize this form of payment. This analysis assumes 100 percent of payment will be via credit card.

Food Costs and Operational Expenses: Food service has been estimated based on typical restaurant expenses and returns. A six percent profit margin has been utilized. This level of profit margin will only be achievable if costs, menus, food purchasing and staffing expenses are all tightly managed.

Food Costs	36%
Labor	35%
Laundry	3%
Expendables	2%
Utilities	3%
Supplies	1.5%
Advertising	2%
Phone	1%
Insurance	2.5%
Credit Discounts	3%
Accounting/Legal	1%
Rent	4%

Administrative Expenses

Loan Payment: A loan may be necessary to cover the cost of building the lodge and startup. The cost of the lodge construction has been estimated based on experience and will need to be firmly established by an architect/building contractor prior to relying on this assumption. This expense is included to reflect the estimated cost of a loan including interest.

In scenario one, the construction of a 5-room lodge has been estimated at \$750,000. Assuming a minimum investment of 20 percent a loan of \$600,000 at 5.5 percent interest for 25 years, an annual loan repayment expense of \$44,729 was estimated.

In scenario two, the building of a 10-room lodge has been estimated at \$1,200,000. Assuming a minimum investment of 20 percent, a loan of \$960,000 at 5.5 percent for 25 years, an annual loan repayment expense of \$52,800 was estimated.

Management: The salary for a lodge manager has been estimated at \$46,592 annually, including taxes and workers compensation. The manager will work for the lodge throughout the year, focusing on marketing efforts in the off-season. It will be important that the chosen manager be able to cover other positions such as front-desk clerk during the startup phase of the facility to keep operating costs to a minimum. It may even be beneficial to provide the manager an option to live on-site.

The manager will be responsible for the day to day operations of the facility including supervision of the front desk and maid staff, preparation of daily reports, cash control, cleanliness of all rooms and common areas as well as contracting out of maintenance projects. The manager will be expected to be on call for desk personnel during off duty hours to address any issues that arise and manage emergency situations.

Staff Salaries: It is assumed that the lodge will operate with minimal staff in all scenarios. One person in addition to the manager should be able to handle marketing, bookings and visitor check-ins. One to two additional staff may be necessary to conduct housekeeping duties. Total staff requirements will depend largely on the selected manager, level of service to be provided and staff efficiency.

Front Desk Staff: The front desk staff will be responsible for telephone coverage, reservations, check-in and check-out of guests, customer service coordination (assisting guests with needs and questions), security of facility, audit of cash and receipts, cleanliness of lobby and central areas such as entry/exit areas, and airport shuttle service.

Ideally the front desk will be staffed by one person each shift. It will likely be necessary to have the facility manager step in to cover a shift to keep staff numbers and costs to a minimum. It is assumed that the front desk will be open round the clock during the busy summer season and operated only part-time during the off-season.

Housekeeping Staff: The housekeeping staff primarily will be responsible for the cleaning of guest rooms. This includes the changing of linens, window washing, dusting, vacuuming, cleaning of bathroom facilities and removing all trash. In addition, it is expected maid staff will vacuum and clean hallways, do laundry, including the folding, ironing and storing of linens, and assist with cleaning the exterior of the building including sweeping of porches, picking up trash, and washing windows, etc.

Accounting and Bookkeeping: Accounting and bookkeeping functions will be the responsibility of the onsite accountant. It is assumed that this position could be kept to $\frac{1}{2}$ or $\frac{3}{4}$ time. Duties will include tracking of daily deposits, accounts receivable/payable information and preparation of monthly payroll and financial statements. The lodge manager will work closely with the accountant to insure accurate reporting and timely preparation of financial records.

Maintenance: Facility maintenance may be best contracted out within the community of Aleknagik. Once the facility becomes firmly established, and can afford to maintain its own facility maintenance staff, subcontracting this service out may be more cost effective than paying an employee.

Property and Liability Insurance: Property and liability coverage will be essential. Property coverage includes insurance of buildings and other property in the event of fire, theft and other losses. Liability insurance protects against claims of injury or property loss. This cost may vary depending on the specific needs of the facility once developed. Cost of insurance has been estimated based on the size of the property.

License, Permits & Registration: A standard State of Alaska business license will be required. A license will cost \$200 for two years. In addition, the lodge will need to comply with all local, State and Federal regulations. It will be important to contact the Department of Environmental Conservation (DEC) at a minimum. This expense was included within the startup and estimated at \$100 per year.

Consultant/Professional Fees: Every enterprise requires some assistance from accountants, lawyers, and consultants throughout the course of business. An estimate was made based on the size of the facility and weeks of operation.

Dues and Membership Fees: It is suggested that the Aleknagik lodge become a members of such organizations as the Alaska Travel Industry Association and the Anchorage Convention and Visitors Bureau. The lodge would benefit from these affiliations through training opportunities, reduced rate marketing opportunities, visitor demographic information, and leads regarding new markets. This expense was estimated at \$700 annually.

Employee Training: This expense will be most critical during the startup phase of the lodge. Existing lodge operators in small rural Alaskan communities have found training to be fundamental to their operations success. It may also be necessary to train other members of the community so that skilled labor is available to work at the lodge when absences occur. The initial training of employees has been estimated at \$1,000 per employee annually.

Maintenance and Utility Expenses

Fuel: This expense will vary greatly depending on development decisions and the local, regional and national economy at the time of development. An estimate has been made based on conversations with business owners and utility operators given today's environment. The cost of fuel has been noted as a significant expense that often times impacts the feasibility of lodging facilities in other rural locations. It will be important to access this expense in greater detail if a decision is made to proceed with the development of a lodge in Aleknagik. Currently, the cost of fuel is estimated at \$3.00/gallon.

Water and Septic System: The lodge will likely be served by a well and septic system. As such, no cost for water would result other than well maintenance and upkeep. Similarly, a septic fee will result for pumping and if the lodge is hooked to community systems. This expense was estimated based on lodge size.

Electricity: An estimate has been made based on conversations with business owners and utility operators given today's environment. This expense is tied closely to going fuel rates. Electricity is currently charged at a rate of (\$0.21) per kilowatt-hour.

Telephone/Fax: Telephone and fax expenses were estimated based upon projected weeks of operation.

Repairs and Maintenance: The lodge will require ongoing maintenance to maintain appearance and keep the facility in a safe operable condition. It will be important to address maintenance issues regularly. Deferring maintenance needs will ultimately impact the facilities value and impact the ability of the lodge to charge for services. As previously discussed, the expense for personnel to perform repair and maintenance functions may be best contracted out. This estimated expense assumes a contractor.

Delivery and Freight: Regular freight shipments of supplies will be required. The estimated cost is \$0.30 per pound. It was estimated that this expense would range between \$2,000 and \$4,000 annually depending on the size of the lodge and occupancy.

Supplies, Office Expense, Postage: This expense will also vary depending on the business' needs and operation decisions. An estimate of \$550 and \$750 annually was utilized.

Laundry and Cleaning: It is assumed that the lodge will have an industrial washer and dryer available for use. This expense is for the cost of supplies and occasional dry cleaning of bed and/or window coverings. An estimate of between \$550 and \$1,000 annually was utilized.

Marketing Expenses

Advertising and Printing: This will be a critical element in the lodge's ultimate success. This expense includes items such as brochure design, distribution of brochures, attendance at various sportsman shows, market research, public relations, press releases, and advertising in appropriate publications. This additional marketing will be necessary due to the competitive nature of the high-end lodging market and the need to maintain lodge occupancy levels at their maximum.

Commissions: In order to encourage travel agents and tour companies to sell the Aleknagik lodge product, a commission is typically paid throughout the industry. Travel agents are usually paid a 10 percent commission and tour companies receive a 20 percent commission. This information has been provided for informational purposes, no commissions have been included for either travel agents or tour operators. This expense may be necessary if additional occupancy levels are required to reach desired profit levels.

Non-Cash Expense

Depreciation/Amortization: The depreciation or amortization of the lodge facilities has been estimated utilizing a straight-line calculation over 25 years.

IX. FINANCIAL SUMMARY

The cash flow analysis considers various potential revenues and estimated expenses. These estimates were based on experience, conversations with similar types of lodge operations, and other available data. Each of the estimates could arguably be adjusted up or down, but it is believed that the resultant profit/loss would not vary significantly unless the fee charged to visitors was increased or decreased. It is unrealistic to assume that an increase in revenues will be obtainable until the lodge has become firmly established – this will take several years.

The 5-room approach is feasible at a 70 percent occupancy level, or 1,278 room nights, unless development costs are fully grant-funded. And, then, a break-even point is reached at approximately 50 percent occupancy. The Aleknagik lodge developers will need to be prepared to sustain losses for the first few years of operation. The 10-room lodge approach is projected to be profitable if operated year-round at 45 percent occupancy or greater. In reality, given the current visitation to Aleknagik, it is unrealistic to assume that a 45 percent occupancy level on a 10-room facility can be maintained day-after-day because it will require an estimated 1,643 room nights to be sold annually.

In each of these proposed scenarios the primary concern for the long-term sustainability of the lodge is the size of the potential market. While it is not possible to state with certainty the exact size of the market, it is possible to ascertain that the market size is relatively small compared to the total number of visitors to the Southwest Region. It seems that the total potential market is between 1,000 and 4,000 visitors – and, in the early years of operation it is not reasonable to assume that the lodge will be able to capture more than 20 percent of the total available market. That means that the total number of visitors would range between 200 and 800 visitors – staying on average one to two nights.

Of these approaches it is believed that the 5-room approach offers the benefit of a relatively low cost and comparatively easy entry into the lodging industry, if development is decided upon. This approach is preferable because the lodge can become a reality without a large capital investment. It will also enable the residents of Aleknagik an opportunity to “test the waters” to determine if a lodge is the correct fit economically for the community. This approach also provides additional time for planning a lodge, obtaining grant funding or traditional financing, and developing staff capacities. The lodge could be designed so that it could be easily added to if the initial market test was positive.

One of the greatest obstacles in pursuing development is funding. Both traditional financing and grant funding will take time to obtain. A review of funding sources is provided in section VIII.

OVERALL CONCLUSION: Given the size of the potential market, the competitiveness of the industry and the operational challenges the researcher believes that the proposed Aleknagik lodge will not achieve sufficient occupancy levels to sustain positive cashflows for at least three to five years without significant financial subsidy.

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**Aleknagik - 5 Room Lodge
Cashflow Projection**

**5 - Room Lodge Cashflow
Year-Round Operations**

	<i>Low</i> 30%	<i>Modest</i> 50%	<i>Unlikely</i> 65%	<i>Break-Even</i> 70%
<u>Room Nights</u>	548	913	1,186	1,278
Revenues				
Room Night Sales (Open All Year)	\$ 82,125	\$ 136,875	\$ 177,938	\$191,625
Restaurant Sales - Lodging Guests	\$ 13,688	\$ 22,813	\$ 29,656	\$ 31,938
Restaurant Sales - Local Residents	\$ 74,952	\$ 74,952	\$ 74,952	\$ 74,952
Conference Room Rental	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Estimated Total Revenues	\$ 171,965	\$ 235,840	\$ 283,746	\$299,715
Cost of Sales				
Credit Card Purchase Fees	\$ 2,053	\$ 3,422	\$ 4,448	\$ 4,791
Food Costs & Operational Expenses	\$ 83,321	\$ 91,899	\$ 98,332	\$100,476
Total Cost of Sales	\$ 85,374	\$ 95,321	\$ 102,780	\$105,267
Estimated Adjusted Revenues	\$ 86,590	\$ 140,519	\$ 180,966	\$194,448
General and Administrative Expenses				
Mortgage Payment	\$ 44,729	\$ 44,729	\$ 44,729	\$ 44,729
Management Salaries, Taxes & Benefits	\$ 46,592	\$ 46,592	\$ 46,592	\$ 46,592
Staff Salaries, Taxes & Benefits	\$ 34,278	\$ 34,278	\$ 34,278	\$ 34,278
Property and Liability Insurance	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
License, Permits & Registration	\$ 100	\$ 100	\$ 100	\$ 100
Consultant/Professional Fees	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Dues and Membership Fees	\$ 700	\$ 700	\$ 700	\$ 700
Employee Training	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Estimated Total Administrative Expenses	\$ 134,399	\$ 134,399	\$ 134,399	\$134,399
Maintenance and Utility Expenses				
Fuel	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Propane Gas	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Water and Septic Systems	\$ 500	\$ 500	\$ 500	\$ 500
Electricity	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Telephone/Fax	\$ 600	\$ 800	\$ 1,000	\$ 1,000
Repairs and Maintenance	\$ 1,500	\$ 2,500	\$ 3,500	\$ 3,500
Delivery and Freight	\$ 1,500	\$ 2,000	\$ 2,500	\$ 2,500
Vehicle Maintenance and Fuel	\$ 2,800	\$ 3,800	\$ 4,800	\$ 4,800
Supplies, Office Expense, Postage	\$ 300	\$ 400	\$ 500	\$ 500
Laundry and Cleaning	\$ 350	\$ 550	\$ 750	\$ 750
Total Maintenance and Utility Expenses	\$ 22,050	\$ 25,050	\$ 28,050	\$ 28,050
Marketing Expenses				
Advertising and Promotion	\$ 17,196	\$ 23,584	\$ 28,375	\$ 29,971
Estimated Total Marketing Expense	\$ 17,196	\$ 23,584	\$ 28,375	\$ 29,971
Estimated Total Annual Expenses	\$ 173,646	\$ 183,033	\$ 190,824	\$192,421
Net Cashflow at Various Occupancy	\$ (87,056)	\$ (42,514)	\$ (9,858)	\$ 2,027
Non Cash Items				
Building, Furnishing, Equipment Depreciation	\$ 29,143	\$ 29,143	\$ 29,143	\$ 29,143

Revenue Assumptions
Year-Round Operations

Number of Rooms	5	
Occupancy Potential per Day	10	
Average Daily Rate - Double Occupancy	\$150	
		Room Nights
100 Percent Occupancy	\$273,750	1,825
90 Percent Occupancy	\$246,375	1,643
80 Percent Occupancy	\$219,000	1,460
70 Percent Occupancy	\$191,625	1,278
65 Percent Occupancy	\$177,938	1,186
60 Percent Occupancy	\$164,250	1,095
50 Percent Occupancy	\$136,875	913
40 Percent Occupancy	\$109,500	730
30 Percent Occupancy	\$82,125	548
Alaska Total Visitation - 2003	1,300,000	
Southwest Estimated Visitation @ 17%	221000	
Dillingham Attracts 8% of Southwest Total	17680	

Food Cost Assumptions
Year-Round Operation

Occupancy Levels		90%	80%	70%	65%	60%	50%	40%	30%
Avg. Revenue/Day/Person	\$25								
Occupancy Persons/Day									
5 Room	5	\$ 41,063	\$ 36,500	\$ 31,938	\$ 29,656	\$ 27,375	\$ 22,813	\$ 18,250	\$ 13,688
Local	Population Aleknagik 219	Avg. 6 meals per year at \$12 per meal			\$ 15,768				
	Population Dillingham 2,466	Avg. 2 meals per year at \$12 per meal			\$ 59,184				

COGS

Food Stock	36%
Labor	35%
Laundry	3%
Expendables	2%
Utilities	3%
Supplies	1.5%
Advertising	2%
Phone	1%
Insurance	2.5%
Credit Discount	3%
Accounting	1%
Rent	4%
Total Cogs before Taxes	94%

Depreciation/Amortization Assumptions

Lodge Size	Estimated Construction Cost	Life	Depreciation	Down Payment	Loan Amount	Annual Payment
5 Room - (3,500 square foot)	\$ 750,000	30	\$ 25,000	\$ 150,000	\$ 600,000	\$ 44,729
Furnishing Depreciation		10	\$ 2,000			
Restaurant Equipment Depreciation		7	\$ 2,143			

25 - Year Lodge Construction Loan -City

Principal	\$ 600,000
Term	25 Years
Rate	5.5%
Payment	\$ (44,730)

Year	Beginning Balance	Interest	Payment	Principal Payment	Ending Balance
1	\$ 600,000.00	\$ 33,000.00	\$ (44,729.61)	\$ 11,729.61	\$ 588,270.39
2	\$ 588,270.39	\$ 32,354.87	\$ (44,729.61)	\$ 12,374.74	\$ 575,895.65
3	\$ 575,895.65	\$ 31,674.26	\$ (44,729.61)	\$ 13,055.35	\$ 562,840.30
4	\$ 562,840.30	\$ 30,956.22	\$ (44,729.61)	\$ 13,773.40	\$ 549,066.90
5	\$ 549,066.90	\$ 30,198.68	\$ (44,729.61)	\$ 14,530.93	\$ 534,535.97
6	\$ 534,535.97	\$ 29,399.48	\$ (44,729.61)	\$ 15,330.13	\$ 519,205.84
7	\$ 519,205.84	\$ 28,556.32	\$ (44,729.61)	\$ 16,173.29	\$ 503,032.54
8	\$ 503,032.54	\$ 27,666.79	\$ (44,729.61)	\$ 17,062.82	\$ 485,969.72
9	\$ 485,969.72	\$ 26,728.33	\$ (44,729.61)	\$ 18,001.28	\$ 467,968.45
10	\$ 467,968.45	\$ 25,738.26	\$ (44,729.61)	\$ 18,991.35	\$ 448,977.10
11	\$ 448,977.10	\$ 24,693.74	\$ (44,729.61)	\$ 20,035.87	\$ 428,941.23
12	\$ 428,941.23	\$ 23,591.77	\$ (44,729.61)	\$ 21,137.84	\$ 407,803.38
13	\$ 407,803.38	\$ 22,429.19	\$ (44,729.61)	\$ 22,300.43	\$ 385,502.96
14	\$ 385,502.96	\$ 21,202.66	\$ (44,729.61)	\$ 23,526.95	\$ 361,976.01
15	\$ 361,976.01	\$ 19,908.68	\$ (44,729.61)	\$ 24,820.93	\$ 337,155.08
16	\$ 337,155.08	\$ 18,543.53	\$ (44,729.61)	\$ 26,186.08	\$ 310,968.99
17	\$ 310,968.99	\$ 17,103.29	\$ (44,729.61)	\$ 27,626.32	\$ 283,342.68
18	\$ 283,342.68	\$ 15,583.85	\$ (44,729.61)	\$ 29,145.76	\$ 254,196.91
19	\$ 254,196.91	\$ 13,980.83	\$ (44,729.61)	\$ 30,748.78	\$ 223,448.13
20	\$ 223,448.13	\$ 12,289.65	\$ (44,729.61)	\$ 32,439.96	\$ 191,008.17
		\$ 485,600.40	\$ (894,592.24)	\$ 408,991.83	

Salary Assumptions
Year-Round Operation

Aleknagik Lodge Staffing

<u>Position</u>	Number of Employees	Average Hourly Wage	Annual Salary	Salary plus Benefits
Administration				
Lodge Manager	1	\$ 17.50	\$ 36,400	\$ 46,592
Total Management				\$ 46,592
Lodge Staff				
Bookkeeper	0.5	\$ 13.50	\$ 14,040	\$ 17,971
Housekeeper	0.5	\$ 12.25	\$ 12,740	\$ 16,307
Total Staff				\$ 34,278
 Lodge Rooms				
	5		2 = Manager, 1/2 FTE Bookkeeper and 1/2 FTE Housekeeper	\$ 80,870

**Aleknagik - 10 Room Lodge
Cashflow Projection**

**10 - Room Lodge Cashflow
Year-Round Operations**

	<i>Low</i> 30%	<i>Modest</i> 40%	<i>Break-Even</i> 45%	<i>Unlikely</i> 65%
<u>Room Nights</u>	1,095	1,460	1,643	2,373
Revenues				
Room Night Sales (Open All Year)	\$ 164,250	\$ 219,000	\$ 246,375	\$ 355,875
Restaurant Sales - Lodging Guests	\$ 27,375	\$ 36,500	\$ 41,063	\$ 59,313
Restaurant Sales - Local Residents	\$ 74,952	\$ 74,952	\$ 74,952	\$ 74,952
Conference Room Rental	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Estimated Total Revenues	\$ 269,077	\$ 332,952	\$ 364,890	\$ 492,640
Cost of Sales				
Credit Card Purchase Fees	\$ 4,106	\$ 5,475	\$ 6,159	\$ 8,897
Food Costs & Operational Expenses	\$ 96,187	\$ 104,765	\$ 109,054	\$ 126,209
Total Cost of Sales	\$ 100,294	\$ 110,240	\$ 115,213	\$ 135,106
Estimated Adjusted Revenues	\$ 168,783	\$ 222,712	\$ 249,676	\$ 357,534
General and Administrative Expenses				
Mortgage Payment	\$ 71,567	\$ 71,567	\$ 71,567	\$ 71,567
Management Salaries, Taxes & Benefits	\$ 46,592	\$ 46,592	\$ 46,592	\$ 46,592
Staff Salaries, Taxes & Benefits	\$ 42,432	\$ 42,432	\$ 42,432	\$ 42,432
Property and Liability Insurance	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
License, Permits & Registration	\$ 100	\$ 100	\$ 100	\$ 100
Consultant/Professional Fees	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Dues and Membership Fees	\$ 700	\$ 700	\$ 700	\$ 700
Employee Training	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Estimated Total Administrative Expenses	\$ 173,391	\$ 173,391	\$ 173,391	\$ 173,391
Maintenance and Utility Expenses				
Fuel	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Propane Gas	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250
Water and Septic Systems	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Electricity	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Telephone/Fax	\$ 1,000	\$ 1,200	\$ 1,300	\$ 1,500
Repairs and Maintenance	\$ 1,500	\$ 2,200	\$ 2,500	\$ 3,500
Delivery and Freight	\$ 2,000	\$ 2,500	\$ 3,000	\$ 4,000
Vehicle Maintenance and Fuel	\$ 2,800	\$ 3,200	\$ 3,800	\$ 4,800
Supplies, Office Expense, Postage	\$ 550	\$ 600	\$ 650	\$ 750
Laundry and Cleaning	\$ 550	\$ 650	\$ 750	\$ 1,000
Total Maintenance and Utility Expenses	\$ 32,150	\$ 34,100	\$ 35,750	\$ 39,300
Marketing Expenses				
Advertising and Promotion	\$ 26,908	\$ 33,295	\$ 36,489	\$ 49,264
Estimated Total Marketing Expense	\$ 26,908	\$ 33,295	\$ 36,489	\$ 49,264
Estimated Total Annual Expenses	\$ 232,449	\$ 240,786	\$ 245,630	\$ 261,955
Net Cashflow at Various Occupancy	\$ (63,665)	\$ (18,074)	\$ 4,047	\$ 95,579
Non Cash Items				
Building, Furnishing, Equipment Depreciation	\$ 44,143	\$ 44,143	\$ 44,143	\$ 44,143

Revenue Assumptions
Year-Round Operations

Number of Rooms	10	
Occupancy Potential per Day	20	
Average Daily Rate - Double Occupancy	\$150	
		Room Nights
100 Percent Occupancy	\$547,500	3,650
90 Percent Occupancy	\$492,750	3,285
80 Percent Occupancy	\$438,000	2,920
70 Percent Occupancy	\$383,250	2,555
65 Percent Occupancy	\$355,875	2,373
60 Percent Occupancy	\$328,500	2,190
45 Percent Occupancy	\$246,375	1,643
40 Percent Occupancy	\$219,000	1,460
30 Percent Occupancy	\$164,250	1,095
Alaska Total Visitation - 2003	1,300,000	
Southwest Estimated Visitation @ 17%	221000	
Dillingham Attracts 8% of Southwest Total	17680	

Food Cost Assumptions
Year-Round Operation

Occupancy Levels		90%	80%	70%	65%	60%	45%	40%	30%
Avg. Revenue/Day/Person	\$25								
Occupancy Persons/Day									
10 Room	10	\$ 82,125	\$ 73,000	\$ 63,875	\$ 59,313	\$ 54,750	\$ 41,063	\$ 36,500	\$ 27,375

Local	Population Aleknagik 219	Avg. 6 meals per year at \$12 per meal	\$ 15,768
	Population Dillingham 2,466	Avg. 2 meals per year at \$12 per meal	\$ 59,184

COGS

Food Stock	36%
Labor	35%
Laundry	3%
Expendables	2%
Utilities	3%
Supplies	1.5%
Advertising	2%
Phone	1%
Insurance	2.5%
Credit Discount	3%
Accounting	1%
Rent	4%
Total Cogs before Taxes	94%

Depreciation/Amortization Assumptions

Lodge Size	Estimated Construction Cost	Life	Depreciation	Down Payment	Loan Amount	Annual Payment
10 Room - (5,500 square foot)	\$ 1,200,000	30	\$ 40,000	\$ 240,000	\$ 960,000	\$ 71,567
Furnishing Depreciation		10	\$ 2,000			
Restaurant Equipment Depreciation		7	\$ 2,143			

25 - Year Lodge Construction Loan -City

Principal	\$ 960,000
Term	25 Years
Rate	5.5%
Payment	\$ (71,567)

Year	Beginning Balance	Interest	Payment	Principal Payment	Ending Balance
1	\$ 960,000.00	\$ 52,800.00	\$ (71,567.38)	\$ 18,767.38	\$ 941,232.62
2	\$ 941,232.62	\$ 51,767.79	\$ (71,567.38)	\$ 19,799.58	\$ 921,433.04
3	\$ 921,433.04	\$ 50,678.82	\$ (71,567.38)	\$ 20,888.56	\$ 900,544.47
4	\$ 900,544.47	\$ 49,529.95	\$ (71,567.38)	\$ 22,037.43	\$ 878,507.04
5	\$ 878,507.04	\$ 48,317.89	\$ (71,567.38)	\$ 23,249.49	\$ 855,257.55
6	\$ 855,257.55	\$ 47,039.17	\$ (71,567.38)	\$ 24,528.21	\$ 830,729.34
7	\$ 830,729.34	\$ 45,690.11	\$ (71,567.38)	\$ 25,877.27	\$ 804,852.07
8	\$ 804,852.07	\$ 44,266.86	\$ (71,567.38)	\$ 27,300.51	\$ 777,551.56
9	\$ 777,551.56	\$ 42,765.34	\$ (71,567.38)	\$ 28,802.04	\$ 748,749.51
10	\$ 748,749.51	\$ 41,181.22	\$ (71,567.38)	\$ 30,386.16	\$ 718,363.36
11	\$ 718,363.36	\$ 39,509.98	\$ (71,567.38)	\$ 32,057.39	\$ 686,305.96
12	\$ 686,305.96	\$ 37,746.83	\$ (71,567.38)	\$ 33,820.55	\$ 652,485.41
13	\$ 652,485.41	\$ 35,886.70	\$ (71,567.38)	\$ 35,680.68	\$ 616,804.73
14	\$ 616,804.73	\$ 33,924.26	\$ (71,567.38)	\$ 37,643.12	\$ 579,161.61
15	\$ 579,161.61	\$ 31,853.89	\$ (71,567.38)	\$ 39,713.49	\$ 539,448.12
16	\$ 539,448.12	\$ 29,669.65	\$ (71,567.38)	\$ 41,897.73	\$ 497,550.39
17	\$ 497,550.39	\$ 27,365.27	\$ (71,567.38)	\$ 44,202.11	\$ 453,348.28
18	\$ 453,348.28	\$ 24,934.16	\$ (71,567.38)	\$ 46,633.22	\$ 406,715.06
19	\$ 406,715.06	\$ 22,369.33	\$ (71,567.38)	\$ 49,198.05	\$ 357,517.01
20	\$ 357,517.01	\$ 19,663.44	\$ (71,567.38)	\$ 51,903.94	\$ 305,613.07
		\$ 776,960.64	\$ (1,431,347.58)	\$ 654,386.93	

Salary Assumptions
Year-Round Operation

For greater than 75 percent occupancy

Aleknagik Lodge Staffing

<u>Position</u>	Number of Employees	Average Hourly Wage	Annual Salary	Salary plus Benefits
Administration				
Lodge Manager	1	\$ 17.50	\$ 36,400	\$ 46,592
Total Management				\$ 46,592
Lodge Staff				
Bookkeeper	0.5	\$ 13.50	\$ 14,040	\$ 17,971
Housekeeper	1	\$ 12.25	\$ 19,110	\$ 24,461
Total Staff				\$ 42,432
 Lodge Rooms				
10	2.5 = Manager, 1/2 FTE Bookkeeper and 1 FTE Housekeeper			\$ 89,024

X. FUNDING SOURCES

Funding for a lodging facility in Alaska consists of a variety of private, local, State and Federal sources. All estimates are based on today's market conditions with a low prime rate. Significant changes to these lending options can occur.

Private and Local Funding

Traditional bank funding is always an option, but unlikely unless the participants contribute a minimum of 20 percent of their own resources to the project initially. In all likelihood the funding source will require 50 percent of the development and all startup costs to be covered by the developer. Additionally, anticipated cash flow projections would need to cover at least twice the amount of anticipated debt service. Due to the historically high failure rate of lodging operations, particularly in Alaska, banks have become very cautious to lend.

State Sources for Funding

Alaska Industrial Development Export Authority, (AIDEA): Provides loans similar to a private bank except the rates are more favorable because they are tax-exempt. AIDEA can carry the loan itself (for small projects) or sell bonds (for large projects). Typical rates are between 7 and 8 percent with a term of 10 to 15 years.

Federal Sources for Funding

Bureau of Indian Affairs Loan Guaranty Program: The BIA will offer to guarantee a commercial loan for 80 – 90 percent of the loan amount. Eligible applicants include Alaska Native or American Indian individuals, tribes, or ANCSA Corporations. The maximum loan guaranty request cannot exceed \$500,000 for an individual, or \$5.5 million for tribes or corporations. These guarantees are based upon availability of appropriations and need.

Eligible applicants must: (a) secure financing from a commercial bank; (b) own a minimum of 51 percent of the enterprise and actively operate the for-profit business on a day-to-day basis and make all key decisions; (c) invest a minimum of 20 percent of their own resources (cash or equity) into the business; and (d) furnish information regarding the number of jobs that will be created and/or sustained.

Small Business Administration 504 Program: The U.S. Small Business Administration's (SBA) 504 program provides below-market interest rate loans to business ventures for fixed-asset acquisitions or business expansions. This program was designed for those businesses that cannot qualify for complete project financing from a private bank. The 504 loan is put in place as a second deed of trust behind the private bank's first trust deed. The private lender typically has less than a 50 percent loan to value. These loans are favorable to business developers because they require a low down payment, below market interest rates, 10 to 20 year fixed rates and no balloon payments.

Economic Development Administration (EDA): Provides grants for projects that will create jobs within a community. These grants are highly competitive and will require matching funds.

Rural Economic Community Development Block Grants: These grants are appropriated through the Federal Housing and Urban Development agency and administered by the U.S. Department of Community and Regional Affairs. Grants are typically in the \$500,000 range. Low-income documentation is required for these grants and the process is typically one to two years.

Administration for Native Americans: These grants are given to support social and economic development projects for Alaskan Natives. The funds may be used for training and operations, but not for the purchase of real estate or construction. The granting process typically takes about one year. Two sources of funds are available, a national fund and a State of Alaska fund. The national fund is larger, but more applicants apply, making the fund more competitive than the Alaska fund. Only one of the funds may be applied to at a time per project. Grants awarded can be as high as \$150,000 and all require a 25 percent match. Projects that show strong community planning and support have historically been granted awards. Village corporations and tribes are both eligible, with projects showing cooperation more likely to be funded.