

2010

Petersburg Economic
Development Council

Economic Trends

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Introduction

The Petersburg Economic Development Council is pleased to publish its second economic trends report for the City of Petersburg. The goal of the report is to improve our community's understanding of the local, regional, and statewide economy. Readers should note the data contained in the report was obtained from secondary sources; the notes section at the end of the report addresses limitations of the data.

Summary

The report indicates Petersburg is facing many of the same challenges as other small communities in the region, particularly among key Indicators.

- Decline in population.
- Decline in school enrollment.
- Employment growing slower than the statewide average.
- Lack of real growth in most commercial sectors and employee wages.

While we saw some positive numbers in 2008, particularly in gross commercial sales and fishermen's gross earnings, those trends were reversed in 2009 and showed marked declines. In addition, a decline in air and ferry passenger arrivals to the community led to a corresponding decrease in gross sales in visitor-related businesses. On the positive side, Petersburg saw a slight increase in average annual employment from the previous year, which ran counter to both regional and statewide employment figures.

We hope the information contained in this report will prove useful and it will encourage the community to continue efforts to support local business, diversify the economy, and invest in our future. PEDC welcomes your ideas and comments.

2010 PEDC Board of Directors

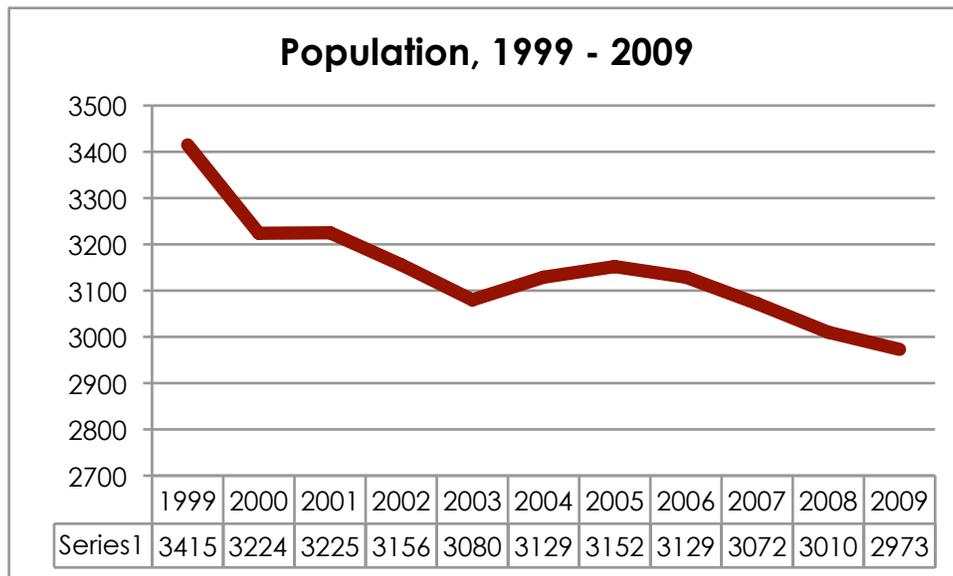
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Population¹

- The 2009 population estimate indicates a decrease in local population from 3,010 in 2008 to an estimated 2,973 in 2009.
- This continues the general downward population trend, which began in 2000, and is consistent with population trends throughout much of the region.



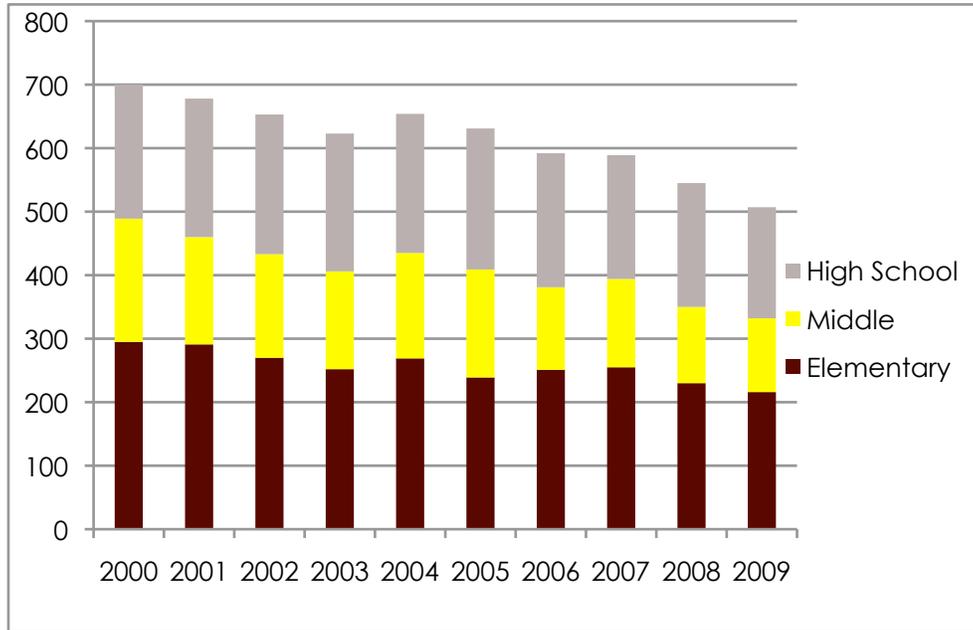
Regional Population Trends

While the State of Alaska as a whole has shown steady population increase, most communities in Southeast Alaska have been experiencing a decline in population going back to the 1990's. Petersburg hasn't experienced the sudden sharp declines seen in other small communities, but the downward trend does not appear to be flattening or reversing.

| Community | 2009 Population | Change 2008-2009 | Change 2000-2009 |
|-------------------|-----------------|------------------|------------------|
| Juneau | 30,661 | -0.84% | -0.16% |
| Ketchikan | 12,984 | -0.03% | -7.65% |
| Petersburg | 2,973 | -1.23% | -7.79% |
| Prince of Wales | 3,920 | 0.67% | -14.43% |
| Sitka | 8,627 | -0.16% | 2.35% |
| Wrangell | 2,058 | -2.48% | -16.03% |
| Alaska | 692,314 | 1.49% | 10.43% |

School Enrollment²

- K-12 enrollment in the Petersburg Public Schools declined to 507 students in 2009 from 545 in 2008. Enrollment at all three schools decreased from the previous year.



Regional and Statewide Comparisons

- While school enrollment is declining across the region, smaller communities like Petersburg and Wrangell are seeing much steeper declines than urban areas.

| | 2000 | 2008 | 2009 | Change 2008- 2009 | Change 2000- 2009 |
|-------------------|---------|---------|---------|-------------------------|-------------------------|
| Juneau | 5,463 | 4,930 | 4,953 | .5% | -9.3% |
| Sitka | 1,615 | 1,386 | 1,339 | -3.4% | -17.1% |
| Petersburg | 700 | 545 | 507 | -7.0% | -27.6% |
| Wrangell | 491 | 345 | 315 | -8.7% | -35.8% |
| Alaska | 132,046 | 131,029 | 131,662 | -0.5% | -1.7% |

Business Establishments³

- Total number of establishments with at least one employee has declined since 2000 from 173 to 155 in 2007 (most recent data available). Greatest declines during that period were in construction, and retail trade.
- Sectors with new establishments include professional services, transportation and warehousing, and other services (personal care).

| | 2000 | 2006 | 2007 | % of Total |
|--|------------|------------|------------|------------|
| Total | 173 | 166 | 155 | 100% |
| Forestry, fishing | 21 | 23 | 21 | 13.5% |
| Mining | 0 | 1 | - | 0.0% |
| Construction | 18 | 14 | 9 | 5.8% |
| Manufacturing | 7 | 8 | 8 | 5.2% |
| Wholesale trade | 4 | 7 | 7 | 4.5% |
| Retail trade | 34 | 32 | 28 | 18.1% |
| Transportation & warehousing | 14 | 12 | 13 | 8.4% |
| Information | 2 | 5 | 4 | 3.0% |
| Finance & insurance | 3 | 3 | 3 | 1.9% |
| Real estate & rental & leasing | 5 | 4 | 5 | 3.2% |
| Professional, scientific & technical | 9 | 5 | 6 | 3.9% |
| Admin, support, waste mgt, remediation | 3 | 5 | 4 | 3.0% |
| Educational services | 1 | 1 | 2 | 1.3% |
| Health care and social assistance | 10 | 12 | 9 | 7.2% |
| Arts, entertainment & recreation | 4 | 5 | 5 | 5.89% |
| Accommodation & food services | 15 | 16 | 16 | 10.3% |
| Other services (except public administration) | 13 | 13 | 15 | 9.7% |
| Unclassified establishments | 10 | - | - | - |

Employment and Payroll⁴

- Propelled by an increase in seafood processing jobs over the previous year, average annual employment in 2009 grew by 1.6%. Petersburg surpassed both state and regional employment figures, which both showed a decrease from the previous year. Nationally, employment declined by -5.3% between 2008 and 2009.
- Industry sectors showing increases are: Natural Resources/Mining, Seafood Processing (not including harvesting sector), and Trade, Transportation and Utilities; sectors showing employment declines include Financial Activities, Federal Government, and Health Care.

Average Annual Employment, 2000 – 2009

| | 2000 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | Change 2008-09 | Change 2000-09 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|----------------|
| Petersburg | 1,442 | 1,518 | 1,522 | 1,533 | 1,521 | 1,535 | 1,479 | 1,502 | 1.6% | 4.2% |
| Southeast | 36,250 | 36,350 | 35,950 | 36,700 | 36,900 | 36,950 | 36,850 | 36,000 | -2.3% | -0.7% |
| Alaska | 280664 | - | - | - | 314800 | 317600 | 323400 | 321500 | -0.6% | 14.5% |

Average Annual Wages by Industry

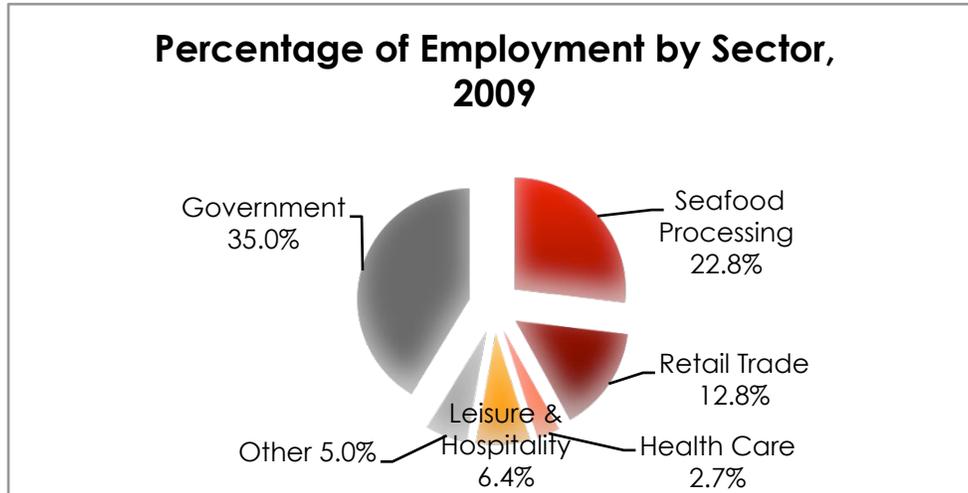
- Federal jobs and Natural Resources/Mining jobs paid out the highest average annual wages at \$65,220 and \$60,201, respectively.

| Industry | 2000 | 2008 | 2009 | % Change from 2008 |
|--------------------------------------|--------|--------|--------|--------------------|
| Natural Resources and Mining | * | * | 60,201 | |
| Construction | 31,247 | 31,924 | 36,386 | 13.98% |
| Manufacturing | 26,841 | 31,869 | 30,873 | -3.12% |
| Seafood Processing | 26,860 | 32,043 | 31,079 | -3.01% |
| Trade, Transportation, and Utilities | 22,208 | 24,290 | 25,754 | 6.03% |
| Retail Trade | 20,285 | 21,433 | 21,080 | -1.65% |
| Information | 24,686 | 23,559 | 25,391 | 7.78% |
| Financial Activities | 23,663 | 29,593 | 36,578 | 23.60% |
| Professional and Business Services | 27,091 | 32,025 | 32,620 | 1.86% |
| Education and Health Services | 16,494 | 19,608 | 21,709 | 10.72% |
| Health Care | 16,494 | 19,608 | 22,239 | 13.42% |
| Leisure and Hospitality | 11,180 | 14,398 | 15,866 | 10.19% |
| Other Services | 10,296 | 9,095 | 9,328 | 2.56% |
| Federal Government | * | 65,368 | 65,220 | -0.23% |
| State Government | 39,770 | 47,140 | 47,490 | 0.74% |
| Local Government | * | 34,464 | 36,819 | 6.83% |

Average annual employment data captured by the Department of Labor does not take into account seafood harvesting jobs, self-employed, and uniformed military, including the US Coast Guard.

Total Employment By Sector

In 2009, Federal, State and local government combined accounted for 526 jobs or 35% of total employment, while seafood processing employment accounted for an estimated 342 or 22.8% of average annual jobs. Retail trade accounts for 12.8% of total employment. The Leisure/Hospitality does not have a single large employer, but as a sector it accounts for 6.4% of average annual employment.



Top Employers (ranked by number of employees), 2009⁵

| | |
|---|----------------------------------|
| 1. Petersburg School District | 6. Hammer & Wikan, Inc. |
| 2. Icicle Seafoods Inc. | 7. The Trading Union, Inc. |
| 3. City of Petersburg | 8. Petersburg Indian Association |
| 4. Petersburg Medical Center | 9. Petersburg Rexall Drug |
| 5. State of Alaska (excluding University of Alaska) | 10. Trident Seafoods Corp. |

Unemployment Claims, 2007-2009⁶

■ In 2009, 233 individuals filed claims for and received unemployment benefits in Petersburg.

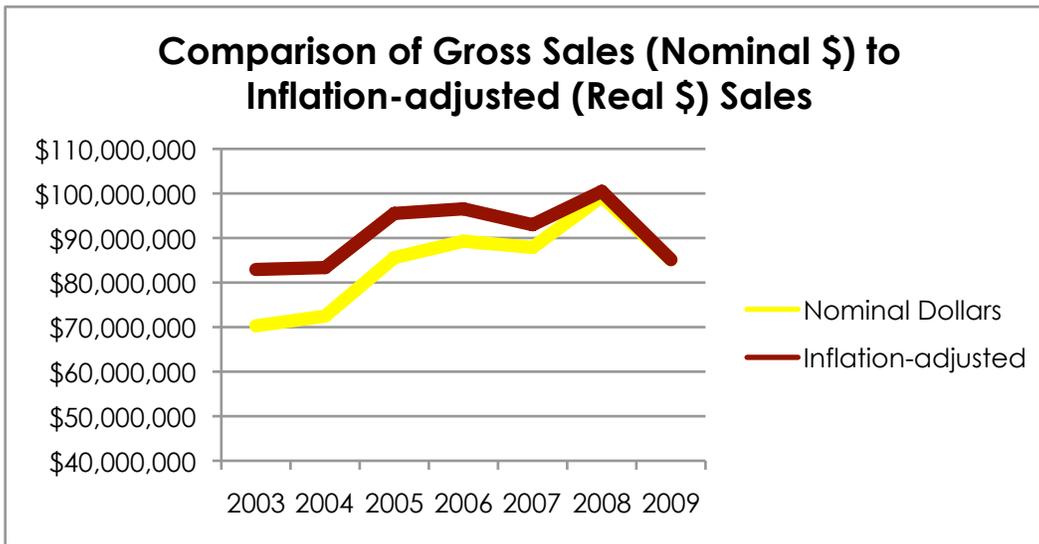
| Year | Number of Claimants | Total Benefits Paid |
|------|---------------------|---------------------|
| 2007 | 231 | \$464,158 |
| 2008 | 200 | \$490,325 |
| 2009 | 233 | \$541,331 |

Commercial Activity

Gross Business Sales^{7,8}

Business sales are a useful indicator of total commercial activity in our community. Gross sales figures represent all commercial activity occurring within the City, and include sales for businesses that are not located here, but conduct commerce here, such as car rental agencies, XM radio, and nonlocal businesses.

When comparing gross sales figures from year to year, one must recognize inflation has increased price levels for goods and services. Year to year increases in sales reflect these inflationary prices. To compensate for the effect of inflation, the consumer price index for Anchorage was used to inflate all sales to 2009 dollars for comparison.



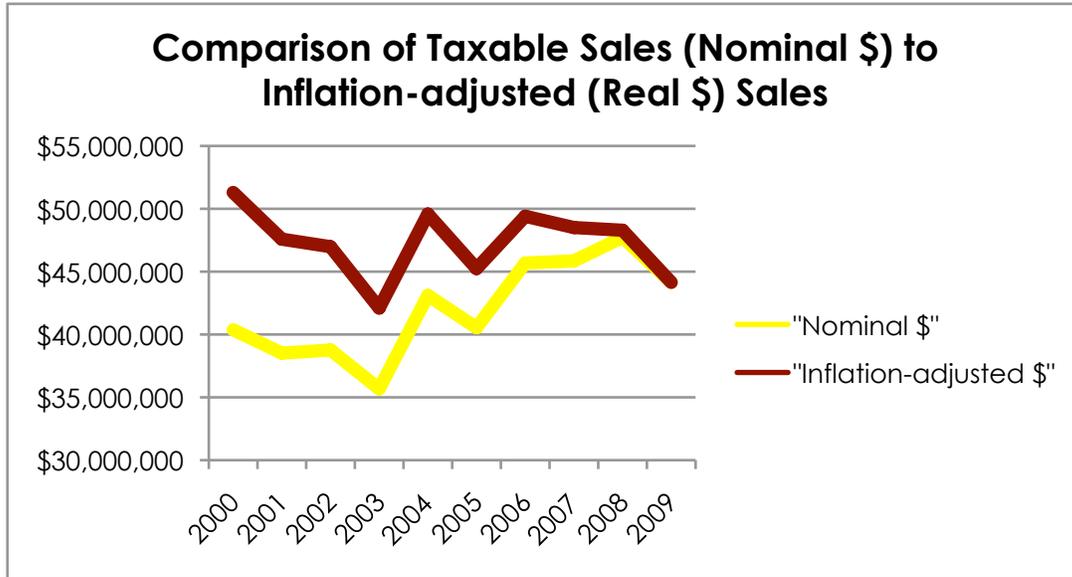
- After record high sales in 2008, gross sales decreased both in nominal dollars, and in inflation-adjusted dollars in 2009.

Changes in Gross Sales

| | % Change 2008 – 2009 | % Change 2003 – 2009 |
|---|----------------------|----------------------|
| Gross Sales (nominal dollars) | -14.25% | 21.12% |
| Gross Sales (inflation-adjusted) | -15.25% | 2.65% |

Taxable Sales^{7,8}

City sales tax is probably a better indicator of commercial activity for Petersburg-based sales. Sales tax figures are not representative of all sales, but rather 'taxable sales'. Sales to residents over the age of 65, fees for medical services, purchases made for resale, rental charges, and purchases in excess of \$1,200 are all exempt from the City's 6% sales tax.



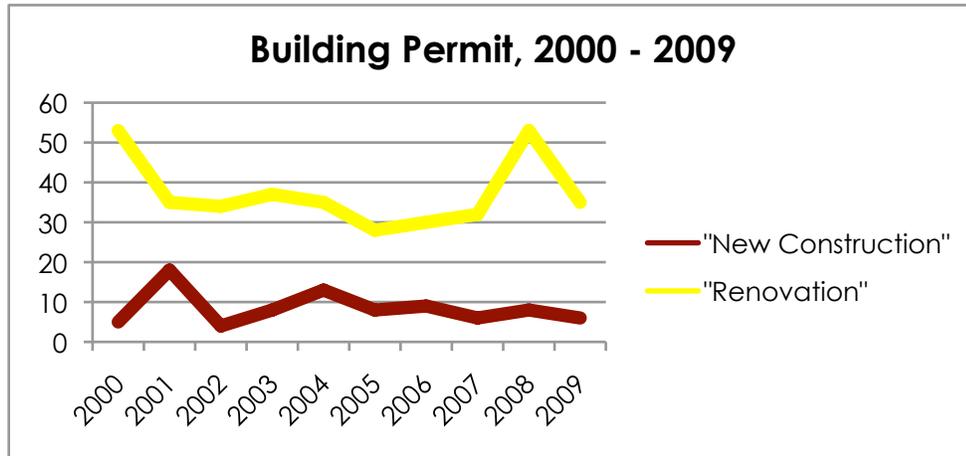
- In the last year, taxable sales decreased in both nominal and inflation-adjusted dollars.
- The longer-term trend, between 2003 and 2009, shows taxable sales increasing in both nominal and inflation-adjusted dollars.

Changes in Taxable Sales

| | % Change 2008 – 2009 | % Change 2003 – 2009 |
|---|----------------------|----------------------|
| Taxable Sales (nominal dollars) | -7.51% | 23.72% |
| Taxable Sales (inflation-adjusted) | -8.59% | 4.85% |

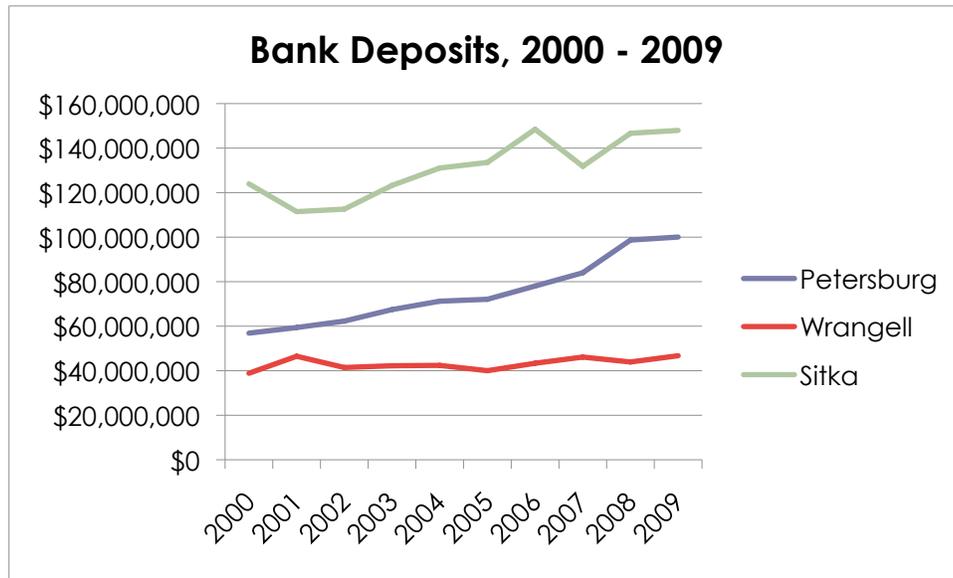
Residential Construction⁹

- In 2009, with only 6 new building permits issued, the pace of new residential housing is slightly below the five-year average of 7 permits per year.
- Permits for residential remodeling and additions (including accessory buildings) have been on a slight upward trend since 2005, though the 26 permits issued in 2009 remain below the five-year running average of 37.



Bank Deposits¹⁰

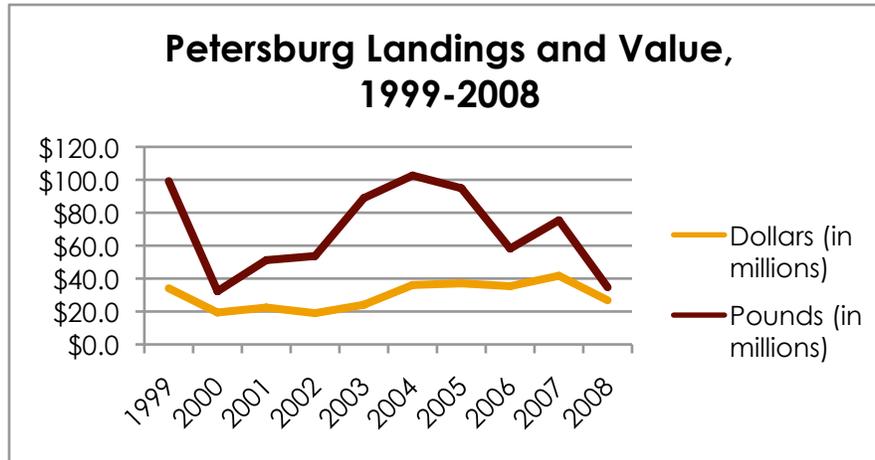
- Individual and commercial deposits in Petersburg based banks show a steady increase over many years.
- In 2009, deposits topped \$100 million though there was only a slight increase over the previous years total.



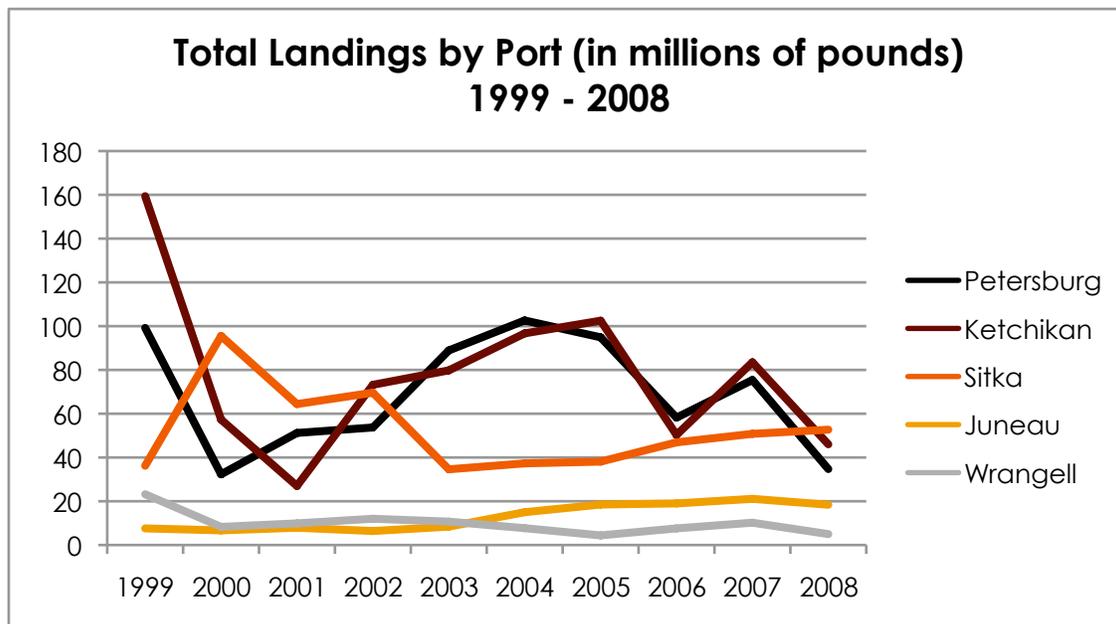
Industry Sectors

Seafood Industry¹¹

- Petersburg landings are dominated by high-volume/low value species, which is reflected in the relatively flat dollar value.



- Despite low salmon returns and reductions in IFQ quotas throughout the region, Sitka was the only community to increase their total landings over the previous year.

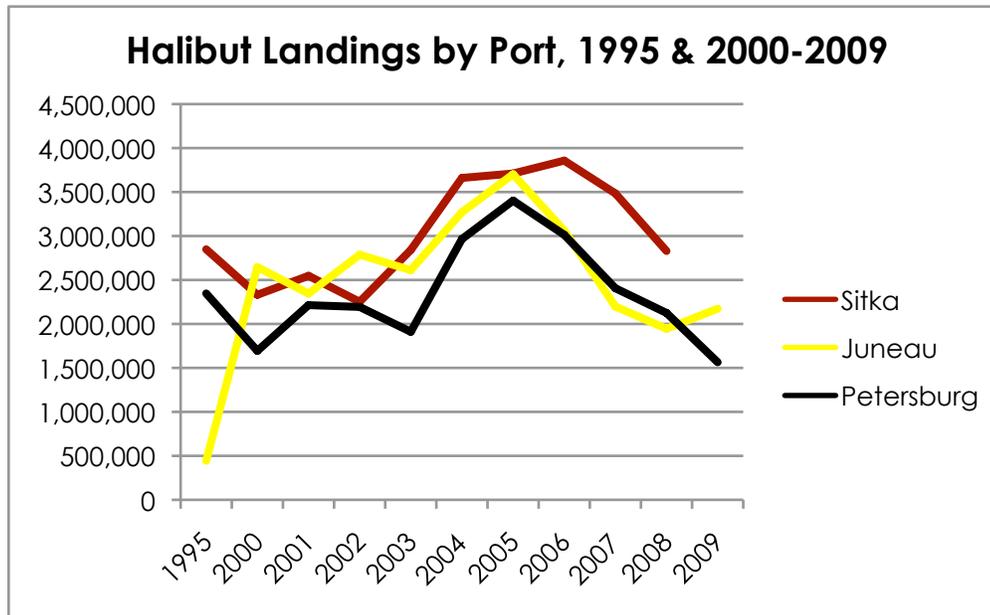


Total Landings and Value by Port, 2008¹¹

| Port | Landings (in millions) | Dollars (in millions) |
|------------|---------------------------|--------------------------|
| Juneau | 18.4 | \$16.4 |
| Wrangell | 5.0 | \$7.1 |
| Petersburg | 34.7 | \$26.8 |
| Sitka | 52.7 | \$48.2 |
| Ketchikan | 46.0 | \$26.1 |

Halibut and Sablefish¹²

- In the initial year of the IFQ program (1995), 6.2% of the halibut quota, and 4.23% of the sablefish quota was landed in Petersburg. There were 519 halibut landings and 186 black cod landings in Petersburg. With substantial cuts occurring in both the federal halibut and black cod fisheries, 2009 landings decreased significantly.
- Black cod landings declined to a total of 60, accounting for 3.8% of the total quota; while halibut landings declined to 407, or 3.6% of the total allowable catch.



Residential Permits/Crew Licenses and Earnings¹³

- After several years of steady increase through 2006, the number of permit holders and crewmembers residing in Petersburg continues its recent downward trend.⁵
- The number of permit holders declined by -3.8% between 2008 and 2009, and the number of crewmembers declined by -4.8% during the same time period.

| Year | Permit Holders | Crewmembers | Total |
|-------------|----------------|-------------|-------|
| 2000 | 467 | 440 | 907 |
| 2003 | 467 | 370 | 837 |
| 2004 | 472 | 391 | 863 |
| 2005 | 478 | 410 | 888 |
| 2006 | 481 | 430 | 911 |
| 2007 | 470 | 425 | 895 |
| 2008 | 473 | 419 | 892 |
| 2009 | 455 | 399 | 854 |

- While pounds landed in Petersburg declined in 2009, the amount landed by Petersburg resident fisherman increased in 2009.
- After hitting an all-time high in 2008, gross earnings for Petersburg fisherman declined by 25.6% in 2009 from the previous year.

Pounds Landed and Gross Earnings by Petersburg residents, all Ports, 2000-2009¹³

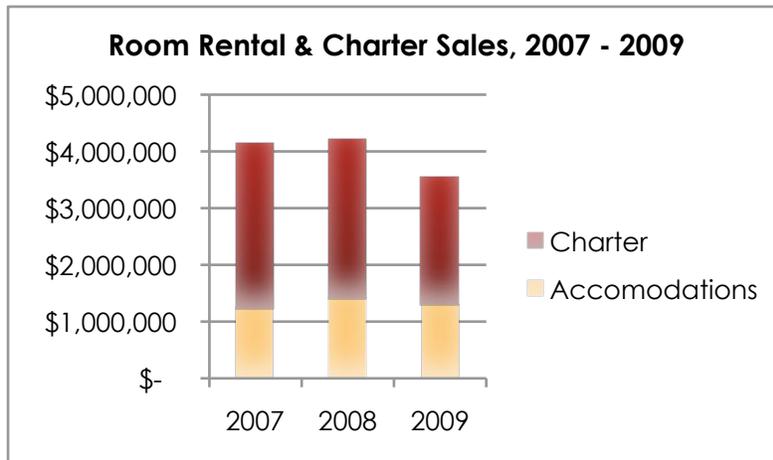
| Year | Pounds Landed | Gross Earnings | Inflation-Adjusted Earnings (2009 Dollars) |
|-------------|---------------|----------------|--|
| 2000 | 41,628,649 | | \$41,756,088 |
| 2003 | 70,931,297 | \$36,166,618 | \$42,675,274 |
| 2004 | 71,775,365 | \$40,644,700 | \$46,750,914 |
| 2005 | 71,879,416 | \$40,936,622 | \$45,688,892 |
| 2006 | 47,883,784 | \$45,167,922 | \$48,847,591 |
| 2007 | 66,479,157 | \$52,761,853 | \$55,820,659 |
| 2008 | 46,727,085 | \$55,398,642 | \$56,055,543 |
| 2009 | 54,831,944 | \$41,222,967 | \$41,222,967 |

Visitor Industry

2009 was a difficult year for the visitor industry. The national recession and high cost of travel kept many vacationers close to home.

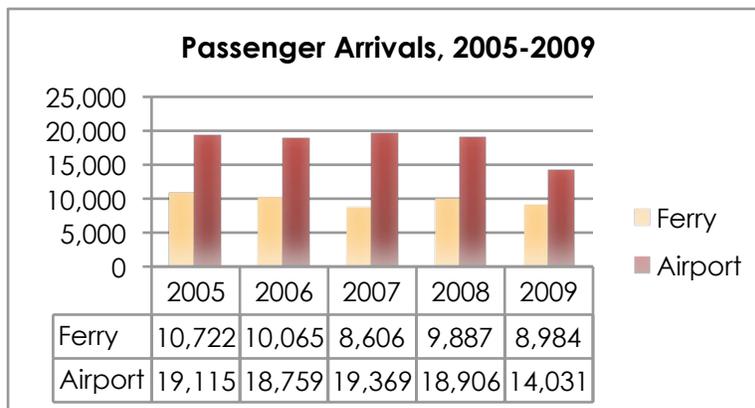
Transient Room Rentals and Charter Services⁷

- The City of Petersburg charges a 4% transient room tax on hotel, inn, and bed and breakfast room rentals. The City also levies a 6% sales tax on charter and travel services.
- Based on tax returns submitted to the City, 2009 hotel, inn and bed and breakfast sales were down by 7% from the previous year, and charter/travel services sales declined by 20% from the prior year.



Passenger Disembarkment¹⁴

- Passenger arrivals by Ferry declined by 9% from the previous year, while arrivals by air dropped by 25%.



Cost of Living

Food¹⁵

- Food costs in Petersburg are comparable to other small urban communities, but significantly higher than larger communities in Alaska, such as Anchorage or Fairbanks.
- In December 2009, weekly food costs for a family of four averaged \$161.72 in Petersburg, which is approximately 31% higher than Anchorage.

Weekly Cost of Food for a Family of Four (2 adults, 2 children aged 6-11)

| Community | Jun-90 | Jun-95 | Jun-00 | Dec-07 | Dec-08 | Dec-09 | Change 2008-2009 |
|-------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|------------------|
| Anchorage | \$98.91 | \$88.85 | \$101.27 | \$121.31 | \$131.66 | \$123.08 | -6.5% |
| Haines | - | - | \$127.95 | \$172.10 | \$173.93 | \$179.62 | 3.3% |
| Juneau | 98.83 | 97.83 | 111.19 | \$140.79 | \$142.53 | \$146.46 | 2.8% |
| Ketchikan | 95.90 | 98.51 | 105.16 | \$134.73 | \$146.92 | \$142.63 | -2.9% |
| Petersburg | 112.03 | 107.28 | 116.96 | \$160.50 | \$175.23 | \$161.72 | -7.7% |
| Sitka | 109.72 | 109.95 | 123.23 | \$152.00 | \$173.78 | \$166.38 | -4.0% |

Electricity¹⁵

- Petersburg's electric rates are quite competitive even when compared to rates in larger communities.

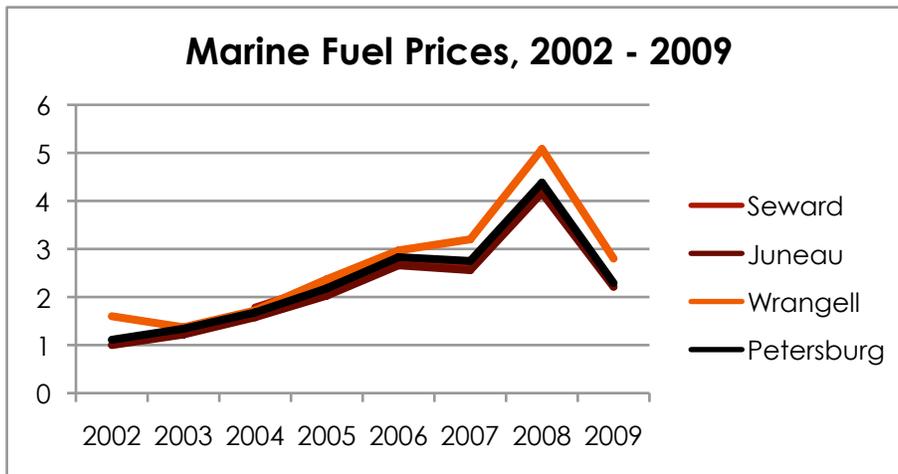
| Community | Cost of 1000 kWh (Dec 2007) | Cost of 1000 kWh (Dec 2009) |
|-------------------|-----------------------------|-----------------------------|
| Anchorage | \$134.04 | \$140.82 |
| Haines | \$196.67 | \$215.49 |
| Juneau | \$112.19 | \$107.06 |
| Ketchikan | \$100.50 | \$102.20 |
| Petersburg | \$108.90 | \$108.90 |
| Sitka | \$97.04 | \$97.04 |
| Portland, OR | \$102.74 | \$105.61 |

Heating Oil¹⁵

| Community | Cost per Gallon (Dec 2007) | Cost per Gallon (Dec 2009) | % Change 2007 to 2009 |
|-------------------|----------------------------|----------------------------|-----------------------|
| Anchorage | \$3.26 | \$2.84 | -13% |
| Haines | \$3.67 | \$3.16 | -14% |
| Juneau | \$3.52 | \$3.04 | -14% |
| Ketchikan | \$3.58 | \$2.92 | -18% |
| Petersburg | \$3.64 | \$3.02 | -17% |
| Sitka | \$3.57 | \$2.69 | -25% |
| Portland, OR | \$3.52 | \$3.17 | -10% |

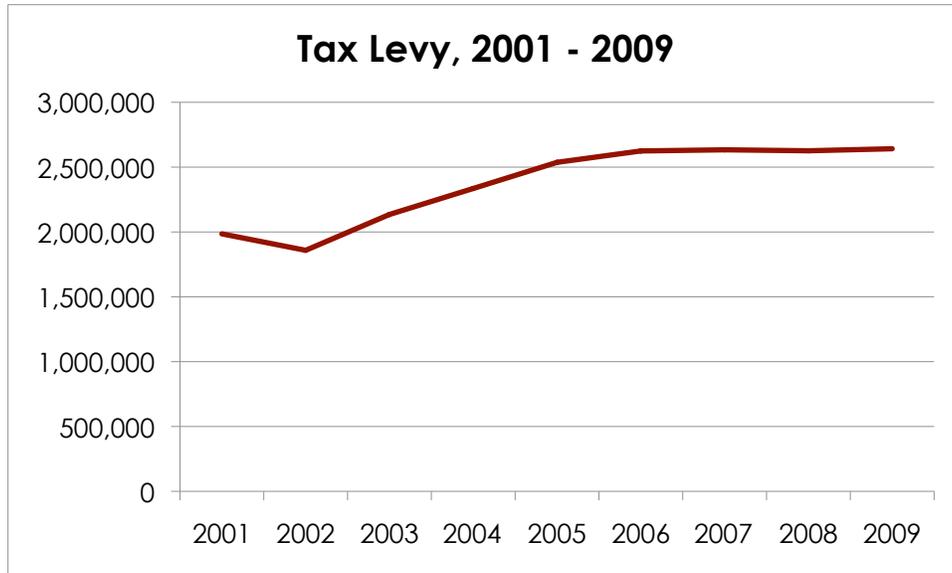
Marine Fuel¹⁶

- The price of marine diesel fuel at the dock decreased by almost 50% between 2008 and 2009.



Property Tax ⁷

- The tax levy is the amount of revenue the City of Petersburg raises through property tax.
- Between 2000-2009, the city tax levy increased 33%. The levy increased slightly from 2008-2009 by .59%.



Notes

1. 2009 population has not yet been certified by the State of Alaska. The figure being used is an estimate. Source: Alaska Department of Labor, Research and Analysis Division, 2010.
2. School enrollment data is based on the number of students enrolled in October 2009, at the beginning of the school year, and reported to the Alaska Dept. of Education. Source: Alaska Department of Education. (n.d.). Statistics and Reports. In State of Alaska Web Site. Retrieved May 10, 2010, from <http://www.eed.state.ak.us/stats/>.
3. Source: US Census Bureau. (n.d.). Zip Business Patterns. In US Census Bureau Web Site. Retrieved May 10, 2010, from http://www.census.gov/epcd/www/zbp_base.html.
4. Employment data provided by the Department of Labor is 'average annual employment', i.e. the number of jobs, not necessarily the number of workers. This data makes no distinction between full-time and part-time employment, so if an individual holds two part-time jobs, both jobs would be counted. Source: Alaska Department of Labor, Research and Analysis Section. (n.d.). Quarterly Census of Employment and Wages Data for Petersburg, AK. 2009.
5. Source: Alaska Department of Labor, Research and Analysis Section. (nd). Alaska Local and Regional Information - Petersburg. In State of Alaska Web Site. Retrieved June 10, 2010, from http://labor.alaska.gov/research/alari/5_20_243.htm.
6. Source: Alaska Department of Labor, Research & Analysis Section, Unemployment Insurance Claims for Petersburg, 2007-2009.
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16. Fisheries Economics Data Program. (nd). EFIN Monthly Fuel Prices. In Pacific States Marine Fisheries Council Web Site. Retrieved May 10, 2010, from <http://www.psmfc.org/efin/data/fuel.html#Data>.