



Juneau Economic Development Council

JUNEAU ECONOMIC OVERVIEW—AUGUST 2007

The Juneau Economic Development Council (JEDC) is proud to be celebrating the 20th anniversary of its formation by the City and Borough and the Juneau Chamber of Commerce. JEDC has grown by helping Juneau prosper and having a statewide presence. Today, JEDC supports local, regional and statewide economic development projects through a regional loan program, and statewide programs addressing entrepreneurship, wood utilization and technology transfer. JEDC’s programs also directly support science and math education, professional development and mentoring for young Alaskans. In 2006, JEDC executed a multi-year partnership with the US Department of Defense (DoD) for SpringBoard, to transfer technology from DoD labs to Alaska’s private sector. Through the work of all JEDC programs, we will have a positive impact on Juneau and the state for years to come.

The JEDC is pleased to present its annual Economic Indicators Report, researched by the McDowell Group Inc., in an effort to bring a better understanding of the local, regional and statewide economy to all residents. Please visit our website, www.jedc.org for news and updated information about projects JEDC is working on to benefit Juneau, our region and all of Alaska. This report and earlier editions are posted there as well.

Thanks to our sponsors, this annual report is in its 15th edition!

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Juneau's key indicators highlight disturbing trends in Juneau's economy:

- **A flat to declining population over the last six years.** According to the State Demographer, Juneau's population has experienced no growth since 2000. From 2000 to 2006, there was a net out-migration — more than 1,600 people left Juneau than arrived — a loss only replaced by natural increase (births/deaths). From 2005 to 2006 there was a population loss of 1.6% (more than 500 people), a year in which the state population increased by 1%.
- **The increase of employment in Juneau during 2000-2006 was less than half that of the state (4.3% compared to 8.9%).**
- **An aging population.** In 1980 34% of Juneau's population was over 35 compared to 55% of the population in 2006.
- **A declining public school enrollment, down 10% since 1999.**
- **A deteriorating personal income average.** Since 1995 Juneau's per capita income has risen 23% while statewide and nationwide per capita incomes have risen 39%. Juneau's lack of personal income growth indicates a real decline relative to the nation as a whole.
- **A steep increase in real estate inventories of homes for sale.**

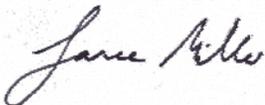
Fears of Capital creep, concerns about the re-location of the legislature, recent disclosures by federal officials that more government jobs may migrate out of Juneau and the many lost jobs with the potential delay of the opening of the Kensington Mine, all combine to create a disquieting scenario.

There are some positive indicators. Juneau's economy has been steady by some measures, with a low unemployment rate compared to statewide (4.7% to 6.7% in 2006) aided in part to the many local construction projects such as the NOAA lab, Thunder Mountain High School, Bartlett Hospital expansion and renovation, Lake Dorothy power project, Kensington Mine and road reconstruction, all of which are nearing completion. Few, if any, major projects are likely to start anytime soon, and the Kensington Mine, which would create approximately 375 new jobs, appears to be delayed for several years due to litigation.

The average personal income is just still higher than the state (9%) but we are quickly losing ground. And although the housing market has trended toward buyers over the last year, this may be a healthy correction.

Overall, Juneau's economic indicators send up a warning flag we hope will inspire the community to inject renewed effort into business development, diversifying our job base, increasing opportunities for young adults and building on Juneau's role as the hub of the Southeast region and the Capital of Alaska. We welcome your ideas and comments.

Sincerely,



Lance Miller, Ph.D.
Executive Director, JEDC
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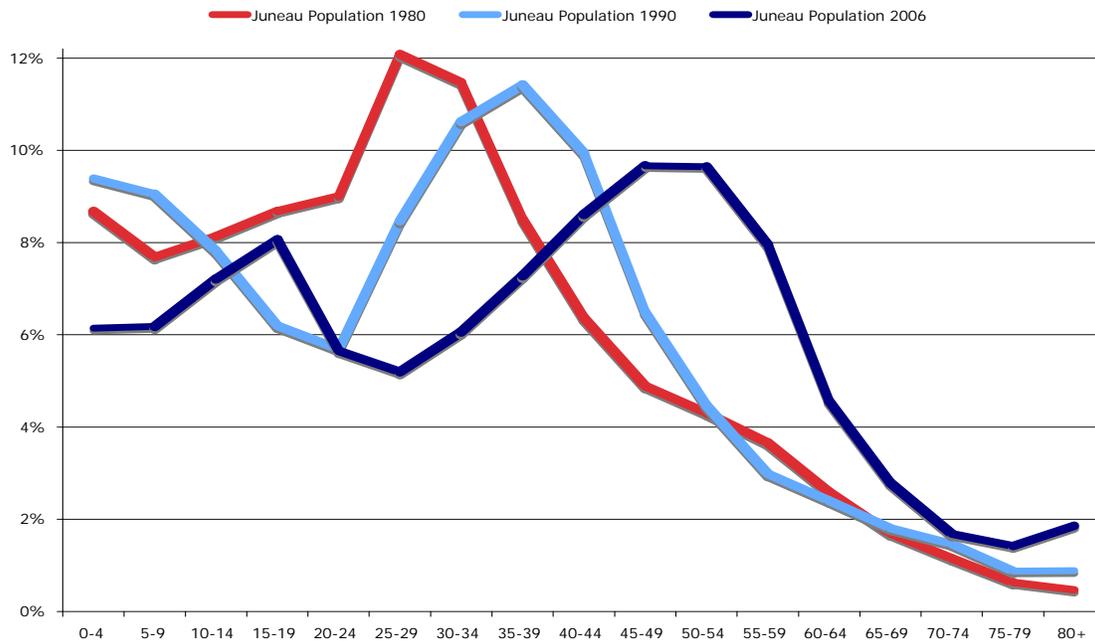


Chuck Collins
Chairman, JEDC

Juneau Population Trends

City and Borough of Juneau population decreased to 30,650 in 2006, down 532 residents from 2005. Juneau's median age of 38.8 years (up from 31.7 years in 1990) is generally older than the statewide and U.S. populations. The statewide median age is 33.5 years. Attracting and retaining residents 19-35 years of age will be critical to Juneau's economic well-being in the next decade.

Age Distribution - City and Borough of Juneau Comparing 1980, 1990, and 2006



Juneau Population, 2000-2006

2000	2001	2002	2003	2004	2005	2006	Change 2005-2006	Change 2000-2006
30,711	30,453	30,991	31,286	31,094	31,182	30,650	-1.7%	-0.2%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Components of Juneau Population Change, 2000-2006

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2000-2006
Natural Increase (Births-Deaths)	+277	+261	+258	+253	+253	+260	+1,622
Net Migrants (In-Out)	-504	+277	+37	-445	-165	-792	-1,683

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Between 2003 and 2006, there were 766 more births than deaths in Juneau, and 1,402 more people moved away than moved to Juneau, resulting in a net loss of 636 residents in the last three years.

Regional Population Trends

The Southeast Alaska regional population decreased to 70,053 in 2006, down 751 residents from 2005. The population in Southeast Alaska has declined every year for the past nine years, except one (the region grew by 148 persons in 2002).

Southeast Alaska Population, 2000-2006

2000	2001	2002	2003	2004	2005	2006	Change 2005-2006	Change 2000-2006
73,082	71,772	71,920	71,788	70,856	70,804	70,053	-1.1%	-4.1%

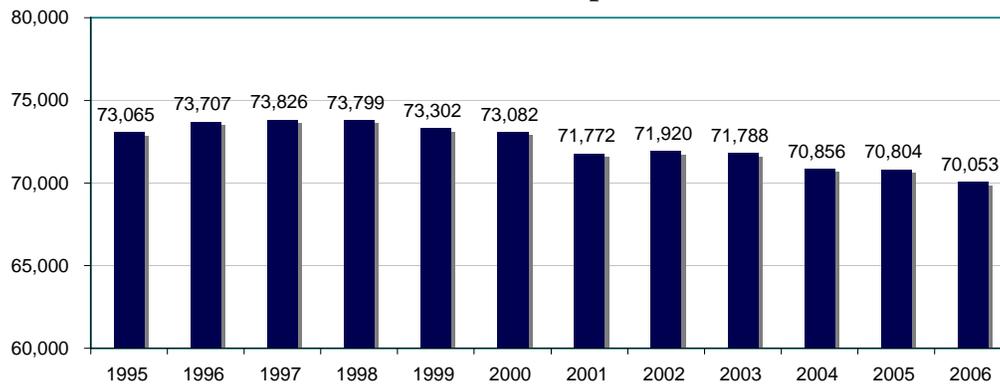
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

All major communities in the region lost population between 2000 and 2006. Between 1995 and 2006, only the communities of Juneau and Skagway saw population increases, including a more than 10 percent increase in Skagway. In that time, Wrangell lost nearly a third of its population, while Prince of Wales Island lost nearly a fifth. In 2006, the populations of several communities grew, albeit slightly. Ketchikan, Haines, Prince of Wales Island and Skagway experienced a combined population increase of 121 persons from 2005.

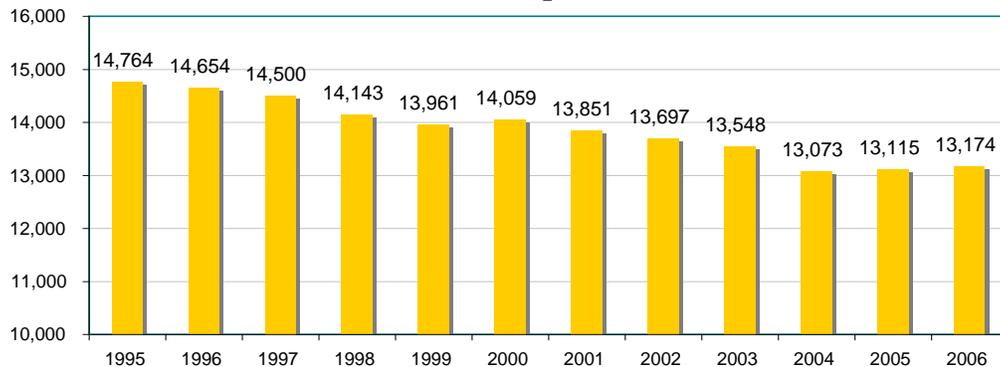
Southeast Alaska Community Population Change, 1995-2006

Community	Change 2005-2006	Change 2000-2006	Change 1995-2006
Juneau	-1.7%	-0.2%	6.8%
Ketchikan	0.4%	-6.3%	-10.8%
Sitka	-1.2%	0.0%	-0.4%
Petersburg	-0.7%	-2.9%	-5.5%
Wrangell	-3.2%	-17.2%	-29.2%
Haines	1.6%	-6.3%	-1.7%
Prince of Wales Island	0.2%	-12.9%	-19.6%
Skagway	2.5%	-0.9%	10.2%
Southeast Alaska	-1.1%	-4.1%	-4.1%

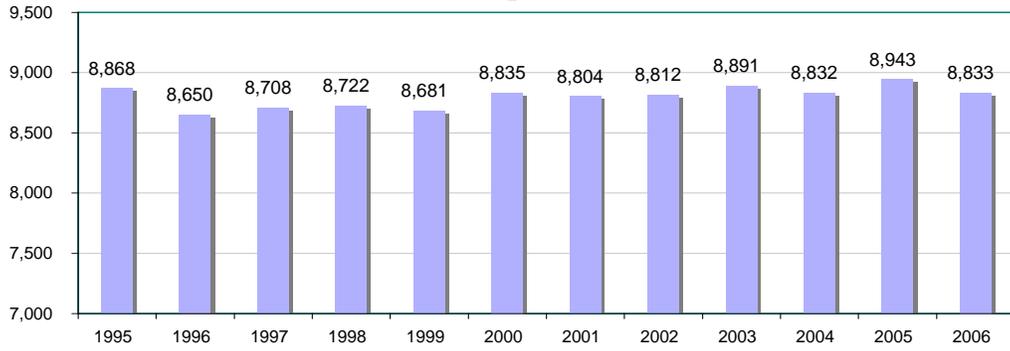
Southeast Alaska Population



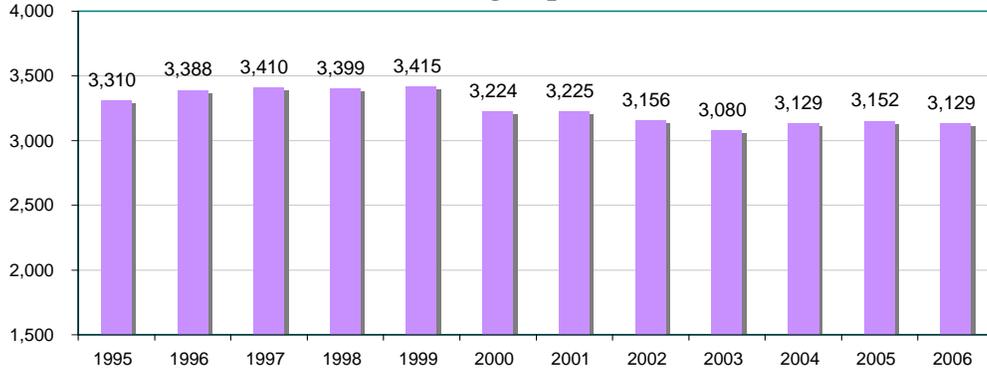
Ketchikan Population



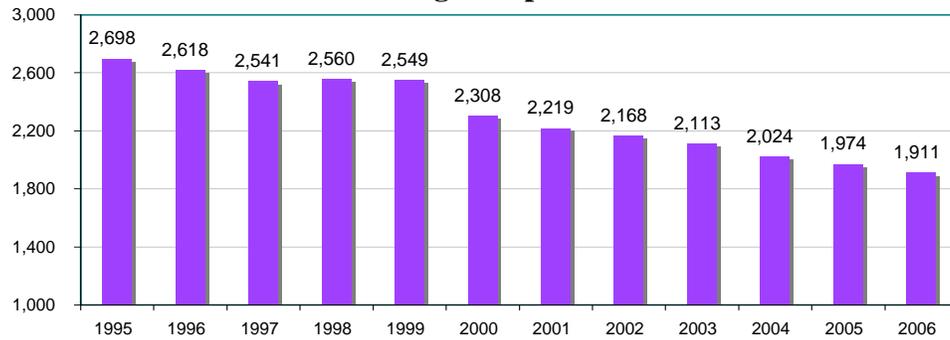
Sitka Population



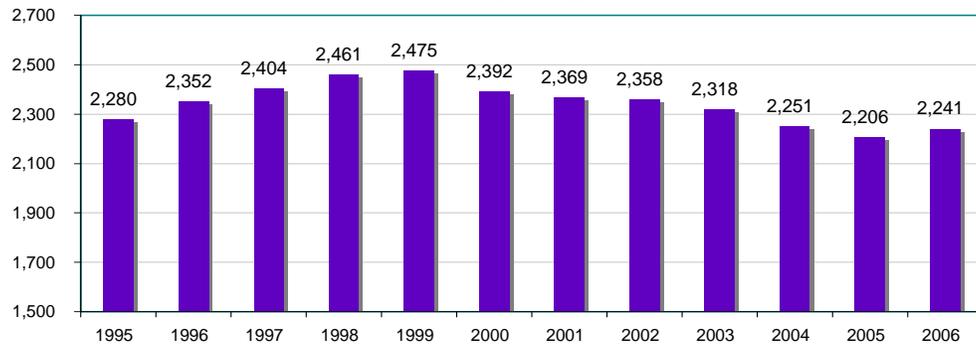
Petersburg Population



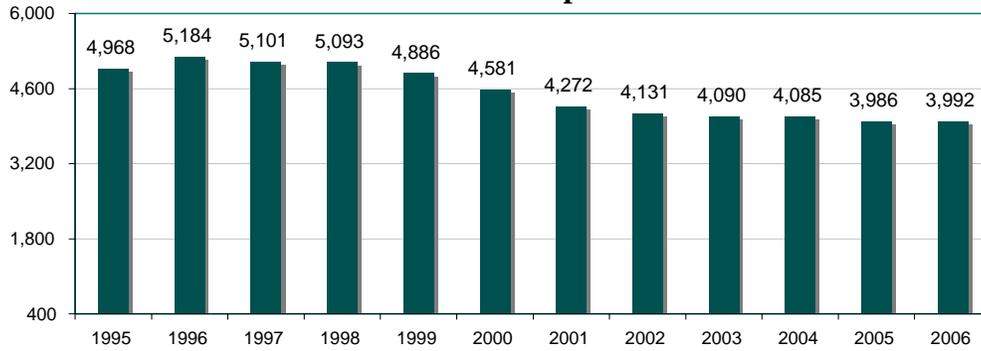
Wrangell Population



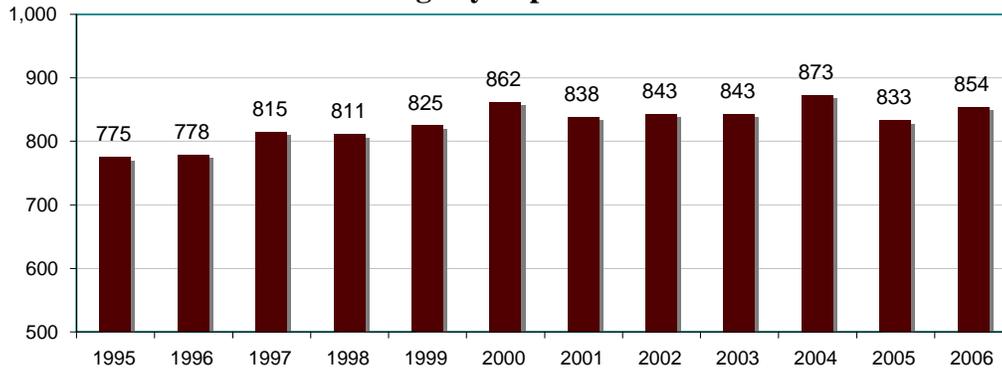
Haines Borough Population



Prince of Wales Population



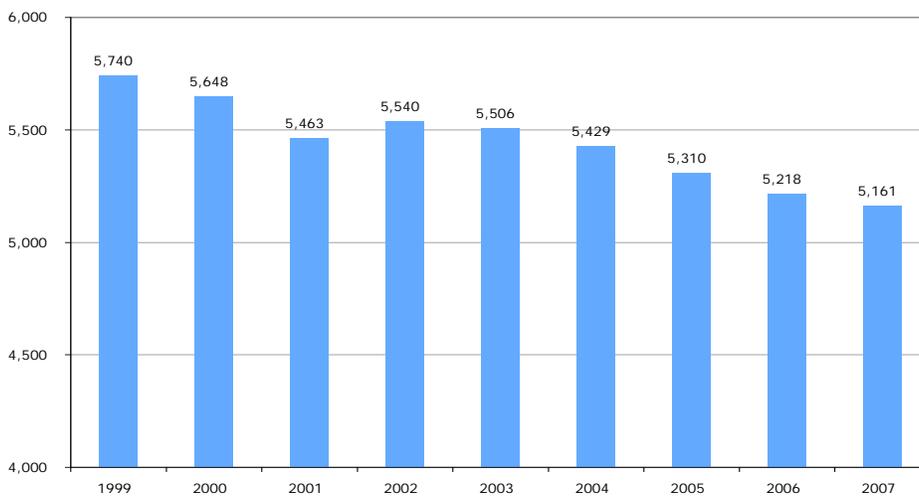
Skagway Population



School Enrollment

Juneau public school enrollment declined to 5,161 students in 2007 down 57 students from 2006. Since peaking in 1999, Juneau public school enrollment has declined by more than 10 percent (579 students). Looking at Juneau’s demographic age distribution, this downward trend may continue.

Juneau School District Enrollment, 1999 to 2007



Source: State of Alaska Department of Education and Early Development.

There are fewer Juneau students in grade school and middle school in 2007, than in past years, but slightly more students in the Juneau high school population. Comparing 2007 to the peak student population of 1999, there are 452 fewer grade school students and 156 fewer middle school students, but 29 more high school students. So, while the high school student population is slightly larger than it has been in past years, the grade school and middle school populations that will ultimately feed the high school numbers are down significantly. University of

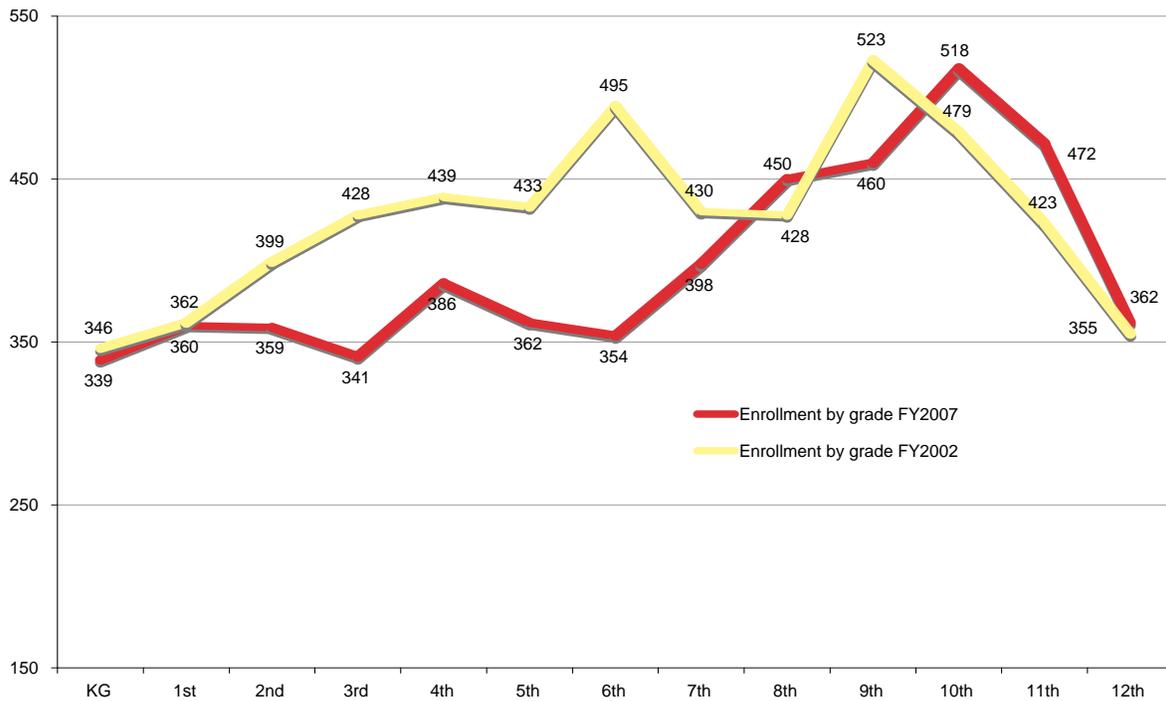
Alaska Southeast (Juneau campus) enrollment increased by 8.4 percent from 2006 to 2007, while the statewide UA enrollment increased by 1.1 percent for the same time.

Change in Enrollment per Grade, Selected Years

Grade	Change 2007-2005	Change 2007-2002	Change 2007-2000	Change 2007-1999
Grade School (K-5 th)	-45	-260	-408	-452
Middle School	-114	-151	-120	-156
High School	10	32	41	29

Source: State of Alaska Department of Education and Early Development.

Juneau School District Enrollment By Grade, 2002 and 2007



Source: State of Alaska Department of Education and Early Development.

Juneau and Alaska School Enrollment, FY2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007	Change 2006-2007	Change 1999-2007
Public School Enrollment K-12 ¹										
Juneau	5,648	5,463	5,540	5,506	5,429	5,310	5,218	5,161	-1.1%	-8.6%
Alaska	133,047	132,146	133,105	132,973	131,210	131,210	131,374	130,776	-0.5%	-1.7%
University of Alaska Enrollment - Includes full and part time ²										
Juneau campus	2,515	2,754	2,758	3,044	2,781	2,878	2,740	2,969	+8.4%	+18.1%
Statewide	30,249	30,480	30,625	33,516	33,900	32,711	32,491	32,836	+1.1%	+8.6%

1. Enrollment as of October 1 of the school fiscal year. (i.e. 2007 is enrollment on October 1, 2006)

2. Fall semester enrollment for the fiscal year. (i.e. 2007 is Fall 2006) Enrollment includes full-time and part-time students.

Source: State of Alaska Department of Education and Early Development for public school enrollment and University of Alaska Statewide Office of Budget and Institutional Research for University enrollment. University of Alaska enrollment reporting level is the unduplicated headcount and includes part-time, full-time students, and students auditing credit courses.

Employment

Following an increase in 2005, employment in Juneau rose again in 2006 to 18,037, according to preliminary ADOLWD data (an increase of 393 workers). Employment grew by 1.2 percent in the state and 1.4 percent in the region. This employment increase is an interesting contrast to Juneau's declining population. Apparently, more non-residents are participating in Juneau's labor force.

Total Employment, 2001-2006

	2001	2002	2003	2004	2005	2006	Change 2005- 2006	Change 2001- 2006
Juneau	17,288	17,332	17,464	17,255	17,644	18,037	2.2%	4.3%
Southeast	35,950	35,800	36,350	35,950	36,550	37,059	1.4%	3.1%
Alaska	287,941	292,286	296,877	304,200	309,900	313,622	1.2%	8.9%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section. Note: Employment represents a count of jobs as opposed to individual workers.

In 2006, State, Federal and local government combined accounted for 7,470 Juneau jobs, or 41.4 percent of all Juneau employment. The private sector accounted for 10,567 jobs or 58.6 percent of all employment. Statewide, approximately three-quarters of jobs are in the private sector, along with five out of every six jobs nationally.

Juneau's Top Private Employers, 2006

Rank	Employer	Average Number of Employees
1	Fred Meyer Stores Inc.	292
2	Greens Creek Mining Co.	278
3	Central Council of the Tlingit and Haida Indian Tribes of Alaska	235
4	Reach Inc.	205
5	SE Alaska Regional Health Corp.	178
6	Juneau Youth Services	169
7	Alaska Airlines Inc.	144
8	Athletic Clubs Inc.	129
9	Safeway Inc/Carrs	127
10	Catholic Community Svc Inc.	116
11	Alaska Travel Adventures Inc.	106
12	Tlingit Haida Regional Housing Authority	106
13	Costco Wholesale Corp.	104
14	Northland Services Inc.	98
15	Williams Inc. (Juneau A&P)	86
16	Heritage Northwest	84

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section. Note that no differentiation is made between full time and part time employees.

Payroll

Juneau's 2006 average monthly wage of \$3,249 was 6 percent lower than the statewide average monthly wage of \$3,444. Private sector wages were 21 percent lower in Juneau than statewide. In the professional business service sector, the Juneau average wage was 34 percent below the statewide average. Government jobs in Juneau paid 6 percent more than the statewide average, and federal jobs paid 15 percent more. In 2006, the average monthly wage for Juneau increased 3.9 percent from the 2005 average.

Employment by Industry, 2006

Employment Sector	JUNEAU			ALASKA		
	Employment	Empl. Change 2005-2006	Avg. Monthly Wage	Employment	Empl. Change 2005-2006	Avg. Monthly Wage
Private Sector	10,567	3.2%	\$2,782	234,116	2.5%	\$3,366
Natural Resource & Mining	457	31.3%	\$6,877	13,192	14.0%	\$7,902
Construction	899	4.8%	\$4,486	17,990	-2.6%	\$4,864
Manufacturing	292	5.8%	\$2,537	13,203	4.8%	\$2,960
Trade, Transportation, and Utilities	3,267	3.6%	\$2,400	63,892	0.9%	\$3,022
Information	301	-0.3%	\$3,479	6,944	0.6%	\$4,166
Financial Activities	625	8.3%	\$3,725	14,865	9.1%	\$3,741
Professional Business Services	896	-2.9%	\$2,891	24,341	2.0%	\$3,865
Educational & Health Services	1,726	4.4%	\$2,533	37,055	3.8%	\$3,087
Leisure & Hospitality	1,518	-1.7%	\$1,335	31,381	1.2%	\$1,509
Other Services	586	-2.2%	\$2,166	11,253	-1.0%	\$2,135
Government	7,470	0.8%	\$3,911	79,506	0.2%	\$3,675
Federal Government	897	-4.4%	\$5,945	16,694	-1.6%	\$5,066
State Government	4,356	1.0%	\$3,799	24,522	1.4%	\$3,653
Local Government	2,217	2.8%	\$3,310	38,290	0.3%	\$3,083
Total Employment	18,037	2.2%	\$3,249	313,622	1.9%	\$3,444

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section. The 2006 data is preliminary data only and subject to revision.

Unemployment

In 2006, Juneau's unemployment rate was 4.9 percent, compared to the statewide average of 6.7 percent. Peak Juneau unemployment for 2005 occurred in February when the rate reached 6.2 percent. The unemployment low for the year was in October at 4.3 percent.

The unemployment rate is likely to decrease again 2007. The unemployment rate for the month of May 2007 was 3.7 percent. Since 2000 there have been only two months (July 2001 and July 2000) that the rate dipped below 4 percent, and this is the first time it has gone as low as 3.7 percent. (Prior to 2000, the labor force statistics were calculated in a different way, so we cannot compare unemployment data before that time.)

Average Annual Unemployment Rates, 2002-2007

	2002	2003	2004	2005	2006	2007 Jan - May	Change 2005-2006
Juneau	5.3%	5.7%	5.8%	5.3%	4.9%	4.7%	-0.4%
Alaska	7.1	7.7	7.4	6.9	6.7	6.7	-0.2
United States	5.8	6.0	5.5	5.1	4.6	4.5	-0.5

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the U.S. Bureau of Labor Statistics.

Per Capita Income

Juneau's average per capita personal income grew to \$38,702 in 2005, an increase of \$2,192 from 2004. Juneau area per capita personal income for 2005 was 9 percent higher than the statewide average and 12 percent higher than the nation as a whole. Regionally, both Ketchikan and Haines had higher average per capita personal income levels than Juneau in 2005.

Per Capita Personal Income, 2000-2005

Borough or Census Area	2000	2001	2002	2003	2004	2005	Change 2004-2005	Change 2000-2005
Juneau	\$34,762	\$35,393	\$34,746	\$35,467	\$36,510	\$38,702	6.0%	11.3%
Ketchikan	34,384	36,576	36,018	36,922	38,337	40,291	5.1%	17.2%
Sitka	29,071	30,676	29,549	30,298	31,707	33,115	4.4%	13.9%
Wrangell- Petersburg	27,856	30,107	30,156	31,381	31,778	33,446	5.2%	20.1%
Skagway- Hoonah- Angoon	29,104	30,734	31,529	32,929	31,877	34,265	7.5%	17.7%
Haines	31,750	34,664	35,316	34,224	38,111	40,185	5.4%	26.6%
POW-Outer Ketchikan	20,956	20,160	20,553	21,132	21,791	23,305	6.9%	11.2%
Alaska	29,865	31,712	32,351	32,705	33,889	35,564	4.9%	19.1%
United States	29,843	30,562	30,795	31,466	33,090	34,471	4.2%	15.5%

Source: U.S. Bureau of Economic Analysis

Total Personal Income

Total personal income in Juneau climbed to nearly \$1.2 billion in 2005, up 5.4 percent from 2004. Regionally, the Skagway-Hoonah-Angoon Census Area had the highest personal income percentage increase from 2004 to 2005, at 7.5 percent. Total personal income grew by 6 percent in Alaska and 5.2 percent nationally.

Total Personal Income (Millions of dollars)

Borough or Census Area	2000	2001	2002	2003	2004	2005	Change 2004-2005	Change 2000-2005
Juneau	\$1,067	\$1,082	\$1,069	\$1,099	\$1,134	\$1,195	5.4%	12.1%
Ketchikan	481	505	489	493	506	534	5.6%	11.1%
Sitka	257	267	261	268	281	295	5.1%	14.9%
Wrangell- Petersburg	186	199	194	197	200	208	4.2%	11.8%
Skagway- Hoonah- Angoon	100	104	103	104	100	107	7.5%	7.6%
Haines	76	80	81	79	85	90	5.5%	18.3%
POW-Outer Ketchikan	129	119	118	122	125	132	5.1%	2.5%
Alaska	18,741	20,050	20,722	21,184	22,259	23,588	6.0%	25.9%
United States (in billions)	8,422	8,717	8,873	9,150	9,716	10,221	5.2%	21.4%

Source: U.S. Bureau of Economic Analysis

Growth in per capita and total personal income in Juneau has been lagging behind Alaska and the rest of the country. When the effects of inflation are considered, it is evident that income in Juneau is declining. In nominal dollars, total personal income in Juneau increased by 12.1 percent between 2000 and 2005. However, after adjusting for inflation, total “real” personal income actually decreased by 1.9 percent. Similarly, nominal per capita income increased by 11.3 percent between 2000 and 2005. However, real per capita income increased by only 2.5 percent.

Cost of Living

ACCRA cost-of-living data is a price index that compares 300 U.S. cities. According to the ACCRA 2007 report, it costs 34.5 percent more to live in Juneau than the average U.S. city, and housing costs are 50 percent higher.

ACCRA Cost of Living Index 1st Quarter 2007

Percentage of Total Living Cost	Juneau	Anchorage	Fairbanks
28% Housing	150.0	143.8	147.6
13% Grocery	135.8	124.7	122.1
10% Utilities	137.8	94.0	165.6
10% Transportation	127.1	110.2	113.6
4% Healthcare	144.6	131.7	140.2
35% Misc. Goods and Service	121.7	125.4	120.2
100% Composite	134.5	126.1	132.8

Source: ACCRA Cost of Living Index. Louisville, KY: ACCRA, Quarterly.

Housing Costs

Housing costs are key in measuring the affordability of a community. Juneau housing costs are among the highest in the state in both sales and rentals. The Alaska Housing Finance Corporation calculated that, in the second half of 2006, 1.94 wage earners were required per household to buy an average house in Juneau, compared to the statewide average of 1.66 wage earners. (This compares to 1.7 for Juneau and 1.5 statewide in 2005.)

According to the Alaska Housing Market Indicators, the average sale price for a single-family home for the first quarter of 2007 in Juneau was \$302,079 or 11.4 percent more than the statewide average. In 2005, Juneau’s average single-family home prices were 21 percent higher than the statewide average.

Average Juneau Rental and Home Purchase Prices 2007

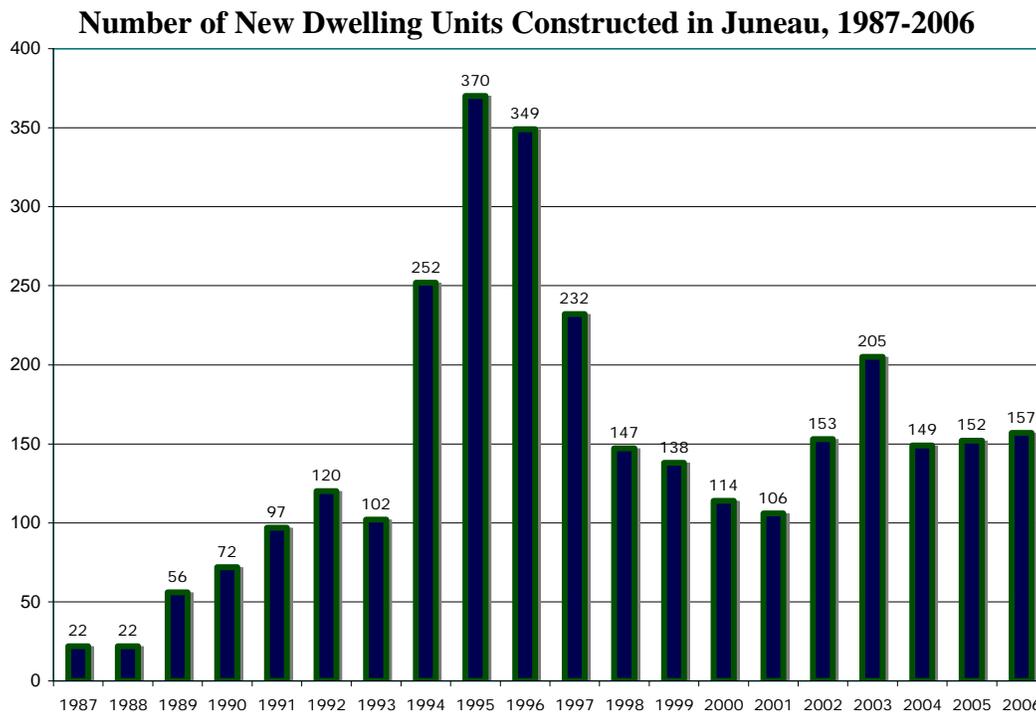
City	Average Rent	Average Single Family Home Price
Juneau	\$1,076	\$302,079
Anchorage	\$ 906	\$317,576
Fairbanks	\$ 953	\$237,198
Ketchikan	\$ 935	\$207,191
Alaska average	\$ 928	\$271,122

Source: Alaska Housing Market Indicators 1st Qtr 2007; Rental Market Survey 2007. Rent figures are “adjusted rent” averages.

Lack of rental availability contributes to the high prices. Only 4.7 percent of the more than 4,000 rentals were available in Juneau in 2007, a decrease from the 2005 vacancy rate of 6.0 percent. The state survey average is 7.2 percent vacancy rate and the national average is 9.9 percent.

Residential Construction

The number of new residential dwelling units constructed in Juneau increased from 152 units in 2005 to 157 units in 2006. This level of construction activity is well below the 1995 peak, when nearly 400 residential dwelling units were permitted for construction.



Source: City and Borough of Juneau – Juneau Permit Center.

Traffic

Cruise ship passenger traffic increased by less than 1 percent (3,205 passengers) from 2005 to 2006, rising to 951,431 passengers. The number of deplaning air passengers increased by 1.5 percent (4,276 passengers) from 2005 to 2006. The number of disembarking ferry passengers decreased by less than 1 percent from 2005 to 2006, and remains 9.3 percent below 2002.

Juneau Cruise, Air and Ferry Traffic, 2002-2006

	2002	2003	2004	2005	2006	Change 2005-2006	Change 2002-2006
Ferry	72,782	67,640	68,009	66,618	66,038	-0.9%	-9.3%
Air	264,710	265,236	273,696	282,679	286,955	+1.5%	+8.4%
Cruise	741,512	777,805	884,406	948,226	951,431	+0.3%	+28.3%

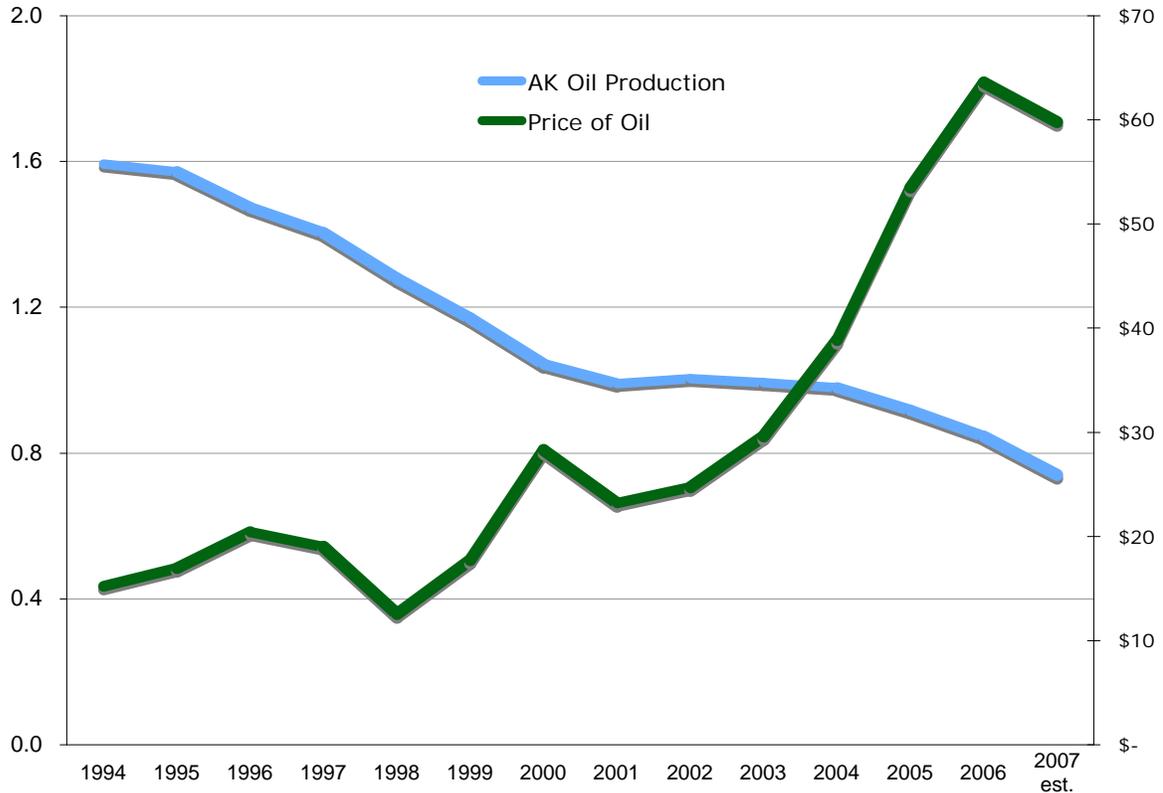
Source: Ferry traffic is disembarking passengers in Juneau from the Alaska Marine Highway System. Air passengers are deplanements obtained from Juneau International Airport manager's office, includes Alaska Airlines only. Cruise line traffic obtained from Cruise Line Agencies of Alaska.

Oil Prices

Oil revenues fuel much of Juneau's state government-dependent economy. North Slope oil production has been declining in recent years. Production in 2006 was down 50 percent from 1993 and 19 percent from 2000.

Oil prices, however, are at historically high levels. The Alaska North Slope West Coast average crude oil price for 2006 was \$63.59, a more than four-fold increase from 1998 levels. The Alaska Department of Revenue estimated the price for 2007 is \$59.81, representing a slight decrease.

**Alaska North Slope Crude Average Oil Prices (Dollars per barrel)
Alaska North Slope Crude Oil Production (Million barrels per day)**



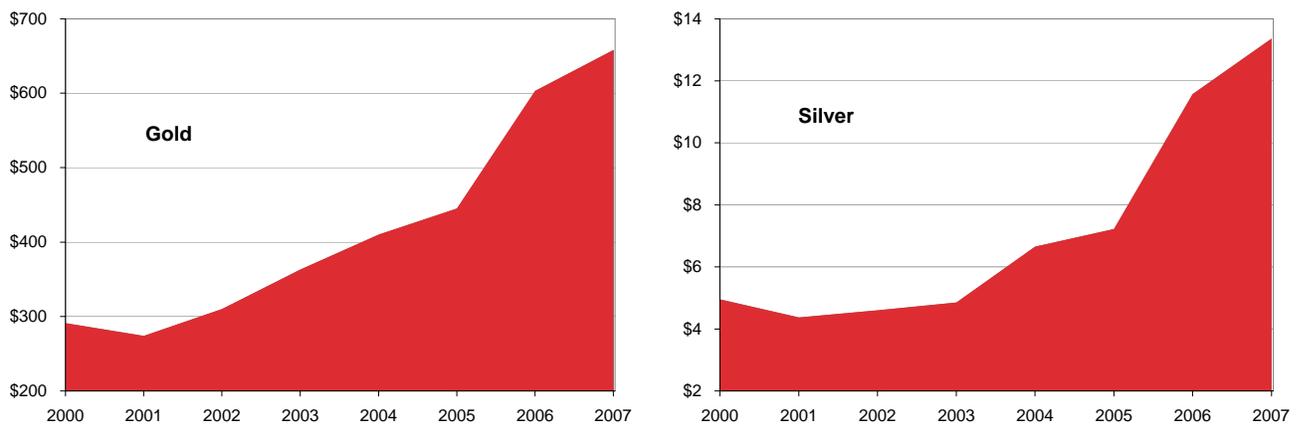
AK Oil Production	1.593	1.572	1.474	1.404	1.279	1.17	1.044	0.991	1.004	0.993	0.98	0.917	0.845	0.74
Price of Oil	\$15.20	\$16.93	\$20.44	\$18.98	\$12.55	\$17.73	\$28.28	\$23.20	\$24.72	\$29.64	\$38.84	\$53.48	\$63.59	\$59.81

Source: State of Alaska Department of Revenue Tax Division. Prices based on average ANS West Coast sales for calendar years. 2007 numbers are Department of Revenue estimates.

Gold and Silver Prices

The average price of gold for the first five months of 2007 was \$658, and the average price of silver was \$13.36. This represents a more than doubling in price of gold from 2002 figures and a nearly tripling increase in silver prices over that same period. Silver and gold are major products of the Greens Creek Mine, and gold will be the primary product of the Kensington Mine.

Average Annual Gold and Silver Prices (dollars per ounce), 2000 to 2006



Source: The Gold Institute. 2006-7 prices from Kitco Inc. 2007 gold prices are the average through June 2007. The Silver Institute. 2007 silver prices are the average through June 2007.