ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
209 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

3. Education and Experience Brought to CEDC - Employees Earning $15,000 or more per year

NAME	CURRENT POSITION	YEARS OF EXPERIENCE PRIOR TO CEDC	TIME WITH CEDC	LAST POSITION HELD ORGANIZATION	LAST POSITION HELD TITLE	TOTAL YRS. OF EDUCATION	EDUCATIONAL SPECIALIZATION	FUNCTIONAL SKILLS
Hyoung Kim	Development Specialist	5	January, 1976	Airport Lodge	Manager	19	B.A Public Admin. B.S.Accounting	Business, Accounting Management
John Evans	Development Specialist	4	November, 1975	Municipality of Anchorage	Appraiser	16	B.S. Economics	Business, Accounting Appraising
Dennis Freeman	Development Specialist	5	April, 1976	Saga Food Services, Inc.	Manager	18	M.B.A Finance	Business, Finance Management
James Reid	Development Specialist	3	April, 1976	Waukesha Alaska Corporation	Assistant Manager, Const Equip. Sales	18	M.B.A. Marketing	Economic Development Market Analysis
Walter Johnson	Fisheries Specialist	27	June, 1975	Alaska Federation of Natives	Job Placement Officer	12	General Studies	Fishing Administration
John Bailey	Fisheries Specialist	15	September, 1975	Peter Pan Fisheries	Fish Processing Specialist	12	General Studies	Fish Production
Rodney Price	Fisheries Specialist	5	March, 1976	U.S. Civil Service	Manager Recreation Area	12	General Studies	Fishing Management
Kieth Loan	Development Specialist	8	April, 1976	Elmendorf Air Force Base	Administration Officer	10	M.B.A. Finance	Business Management
Richard Bigsby	Field Accountant	3	April, 1976	Richard Bigsby Acctg. Bkpng.Ser.	Owner/ Manager/Acct.	14	B.S. Accounting	Accounting
Robert Bohnert	Field Accountant	4	March, 1976	Coopers & Lybrand CPAs.	Tax Specialist	16	B.A. Economics & Accounting	Accounting tax law

3. Education and Experience Brought to CEDC - Employees Earning $15,000 or more per year

NAME	CURRENT POSITION	YEARS OF EXPERIENCE PRIOR TO CEDC	TIME WITH CEDC	LAST POSITION HELD ORGANIZATION	LAST POSITION HELD TITLE	TOTAL YRS. OF EDUCATION	EDUCATIONAL SPECIALIZATION	FUNCTIONAL SKILLS
Celestino Ranon	Field Accountant	12	December, 1975	H. Serafica & Sons	Assistant Manager	14	C.P.A. B.S. Commerce	Accounting, Business
Mary Clemens	Field Accountant	2	May, 1976	Great Northern Airlines	Accounts Payable Supervisor	17	B.S. Business Administration & Economics	Bookkeeping, Accounting Secretarial Skills, Data Processing
Spencer Lorton	Field Accountant	20	May, 1976	Aleyeska Pipeline Service	Control Accountant	21	C.P.A. Ordained Minister Lt. Cmdr. US Navy	Accounting Business Public Speaking
Robert McCleave	Field Accountant	2	May, 1976	Duke Power Company	Office Assis.	16	B.S. Financial Management	Accounting, Business
Diane Lund	Expediter	6	August, 1973	CEDC	Operations Admin. Assis.	12	General Studies	Bookkeeping, Purchasing Marketing, Office Skills

Effective May 31, 1976

Owners of CEDC who exercise control of the corporation are those member ventures and regional corporations that have petitioned and been accepted by the full board of directors. Members must also be in good standing (not be in arrears on debt service for more than 12 months) to be eligible to vote or hold office. Details of this ownership are provided in section IV 1.

During the current grant period, CEDC has taken equity positions with three ventures: Ahtna Lodge in Glennallen, Golovin Fish Processing Co-op, Inc., in Golovin, and Yakutat Gulf Fishing Company in Yakutat. CEDC participated as a limited partner with the Ahtna Development Corporation and the Tazlina Village Corporation. CEDC purchased preferred stock in the Golovin cooperative, and common stock in the Yakutat venture.

CEDC has a number of control provisions with varying influence on its equity investments. It has the general right to review venture financial statements and monitor overall operations. CEDC's powers are strictly delineated on the Ahtna project as outlined in the partnership agreement. Being the major owner of common stock in the Yakutat venture, CEDC has full control control of its activities.

2. Proposed Changes

In the past, CEDC considered changing its structure from a 501 (c) (4) to a 501 (c) (3) structure to procure the necessary tax exemption to obtain foundation monies. CEDC has also investigated the establishment of a for-profit holding company to accomodate its equity investments. Both changes will be delayed indefinitely until the advantages of these changes outweigh the disadvantages; or until CEDC is forced to make such a move by regulatory agencies such as the Internal Revenue Service.

CEDC initiated its investigation into the 501 (c) (3) corporation structure with plans to obtain funds from foundations and its own revenue producing activities. CEDC instituted an extensive search for foundation monies but without success. The corporation was also advised that it would continue its income generating activities without losing its nonprofit status, as long as the revenues generated did not meet CEDC's administrative outflow. Therefore, the change to a 501 (c) (3), at this point in time, would not serve a useful purpose and would require amendments to corporate documents and other undesirable consequences.

To accommodate its equity investments, CEDC considered the establishment of a wholly owned, for-profit holding company. The reasoning was that CEDC would protect its nonprofit status, "expense" administrative costs, and be eligible for consolidated tax return filing. However, CEDC has learned that these advantages may not be achieved through the holding company. Community development corporations already have recognized nonprofit status with the Internal Revenue Service; a holding company may make it more difficult to monitor and assist investment projects. CEDC administrative funds used in venture operations cannot be written off to offset profits by other ventures as consolidated tax statements cannot be formulated to include CEDC and its assisted ventures. In addition, holding companies may result in greater costs for CEDC.

E. DESCRIPTION OF CEDC'S DECISION-MAKING PROCESS

A community desiring assistance from CEDC first submits a letter to the president stating the type of business desired, and the kind of assistance needed. The president and the development department then investigate the request to determine if the proposed enterprise qualifies for CEDC assistance under the general policy guidelines set by the board of directors. The president makes preliminary decisions on these requests, based on policies adopted by the CEDC board of directors.

If an in-depth study for financial or technical assistance is indicated, the president submits the results of the preliminary research to the grant and loan review committee. This committee must be composed of a quorum of the executive committee, and is headed by the board chairperson. Currently serving on the grant and loan review committee are the board chairperson, vice chairperson, treasurer, corresponding secretary, two members-at-large from the executive committee, and the three representatives from the business community. Staff members present at the grant and loan review committee meetings include the president, attorney, controller, and director of development.

The grant and loan review committee reviews the preliminary information and makes its recommendations to the executive committee. The executive committee decides whether or not to continue with the project, and if approval is given, it authorizes the staff to complete a proposal for establishing the enterprise.

The proposal is completed through the cooperation of the staff, members of the community, and outside organizations, who work together in researching, planning, and identifying the financial need. The completed proposal is first presented

to the community for its approval. If accepted by the community, and if CEDC venture capital or technical assistance is involved, the president then submits it to the grant and loan review committee for consideration. This committee reviews the proposal and makes its recommendations to the executive committee.

The executive committee subsequently meets with the president of the corporation and decides whether to approve or reject CEDC assistance to the community. This decision is based on the proposal itself and on input from the community, staff, and grant and loan review committee. Those proposals accepted by the executive committee, when required, are forwarded to CSA for concurrence prior to the disbursement of funds.

All decisions made by the executive committee are subject to ratification by the board of directors which is charged with the responsibility of the management of the corporation.

The final decision-making and policy-making body of the corporation is the membership, which reviews all actions taken by the board of directors through an annual report submitted to the membership at the December annual meeting.

CEDC Impact Statement

A. FINANCIAL IMPACT

Community Enterprise Development Corporation's (CEDC) financial impact is quantifiable in several areas. The changes of 1975 sales, profits, wages/salaries, book credits and dividends over the previous year provide the direction and amount of change of CEDC's impact. As stipulated by Community Services Adminstration (CSA) regulations, CEDC can work only with those community owned businesses that can not obtain financing from regular funding institutions.

During 1975, CEDC invested $2,065,175 in loans, grants and equity investments in 20 community ventures. This is 2.82 times larger than the 1974 commitment of $733,550. In addition to increasing the total dollars invested, CEDC was able to leverage other funding. The leverage of new CEDC investments was a ratio of 1:1.36. The total investment financing impact resulting from CEDC investments and leverage was $3,621,998. The sources of funds and commitment amounts are provided in Table I.

CEDC assisted community ventures generated $5,975,962 in gross sales during 1975. This represents a 47 percent increase over 1974 figures.

Salaries and wages paid by CEDC assisted community ventures totaled $999,963. This is a 35 percent increase over 1974 and closely follows the change in sales. The number of full and part-time jobs created by CEDC assisted ventures increased to 506 in 1975. The number of full-time positions increased nine percent over the previous year. The net effect on personal income was positive and the average income per person of CEDC assisted venture employees rose $498.37 from the previous funding period. These figures do not include construction employment or casual labor.

Venture profits in 1975 were $119,833. The total net profit for assisted community ventures during 1975 was two percent of gross sales. The overall effect was positive and a step towards self-sufficiency for many of the CEDC assisted ventures. Net losses did occur, however, in 11 of the 26 ventures. Of the cooperative store losses, $9,461 is directly attributed to Alaska Consumer Federation failure.

Distributed reported dividends amounted to $7,115 while book credits (retained earnings of cooperatives) reached $474,758. The increase in book credits is nine percent over 1974.

Increased purchasing power is harder to determine due to different markup rates over landed cost for the same commodity, transportation costs, and the competition structure. (Landed cost is the wholesale price of a commodity in Anchorage.)

Private stores directly in competition with CEDC cooperatives generally have average discount structures for all items marketed in the store ranging from 46 percent as in King Salmon to as high as 50 percent. This means that if a store sells an item for $1.85 and has a 46 percent discount, the landed wholesale cost is $1.00. Cooperative community stores are operating with a 35 percent discount schedule. Taking the same wholesale item with a landed cost of $1.00, the cooperative store price would be $1.54.

The resulting savings of $.31 is a direct increase in spending power of 20 percent. Based on 1975 cooperative store gross sales of $1,462,322, the increased purchasing power is $303,308. This amount may vary depending upon the exact discount structure of competitive private stores. Additional purchasing power in the form of dividends and owner's equity will also raise the purchasing power of cooperative store members.

The general trend of all financial indicators is positive overall. The impact for the refunding period, May 1975 to September 1976, can be determined by projecting adjusted yearly figures through September 1976. Total wages and salaries and gross sales are calculated and shown in Table II. Based on the current percentage of sales, pro forma profit will total $261,081 during the funding period and purchase power from savings in cooperative community stores would increase $126,479 to total $429,787.

B. TRAINING AND TECHNICAL ASSISTANCE

The impact of CEDC's technical and training assistance is an increase in knowledge and skills within the communities. No quantifiable effect can be measured as no testing program has been developed at this time.

The trips taken by CEDC for technical and training assistance are listed by month. These include board training, accounting, retail store operations, fisheries, business management, and business development. The information is for the period of May 1975 to April 1976. The data was obtained from CEDC's travel records.

Month	Trips	Month	Trips
May 1975	35	November	6
June	23	December	21
July	36	January 1976	26
August	39	February	18
September	25	March	24
October	39	April	25
		Total	307

TABLE I
SOURCE OF FINANCING
FOR CEDC SPONSORED VENTURES
JANUARY 1, 1975 to JUNE 1, 1976

NEW VENTURES	CEDC LOAN	CEDC GRANT	CEDC INVESTMENT	SBA	BIA	REGIONAL CORPORATION	COMMUNITY	BANKS	STATE	OTHER
Ahtna*			$230,000			$282,000	$50,000	$195,251	$781,005	
Angoon Lodge*	$ 125,000	$ 60,000				26,000				
Bering Strait Federal Credit Union*		11,700	20,000			20,000	55,000			
Elim Fish Processing*	525,000						2,000		25,000	
Golovin Fish Processing	460,000		220,000	$83,566		22,000	500			$50,000
Kaltag	25,948	5,000					285			150
Kasigluk	15,000						693			5,000
Kiana	45,000	15,776					7,174			
Kotzebue	15,000	4,000					N/A			N/A
Kuskokwim	78,293	31,014					N/A			N/A
Kvichak-Naknek Aquatic*	30,000						6,000			
Manokotak	15,000						300			12,708
Nelson Lagoon*	44,000	22,244								
Norton Sound	15,000									
Northwest Skin Sewers		12,200			$4,680		93			700
Tanana Chiefs			20,000							
Togiak	5,000						1,718		18,624	
Yakutat Gulf Fishing Co.	15,000									
Total	$1,413,241	$161,934	$490,000	$83,566	$4,680	$330,000	$68,763	$195,241	$806,005	$65,558

CEDC Total - $2,065,175

Other Financing Total - $1,556,823

Leverage Ratio for New Ventures - 1:1.36

Total - $3,621,998

*New Ventures Which Have Not Had Previous Affiliation With CEDC.

TABLE II
CEDC ASSISTED VENTURE
CHARACTERISTICS FOR 1975

VENTURE	YEAR END	JOBS (1)	SALARIES & WAGES	GROSS SALES	PROFIT	PERCENT OF SALES	BOOK CREDITS	AMOUNT OF DIVIDENDS	SALARIES & WAGES	GROSS SALES
Ahtna	N/A	15	174,000	628,789	4,820	1	N/A	N/A	174,000	628,789
Akiachak	9/30/75	2	12,399	85,047	10,088	11.9	0	0	17,565	120,511
Aleknagik	10/30/75	2	13,255	94,722	1,273	1.3	811	203	18,778	134,221
Angoon Lodge (2)	N/A	1	7,743	N/A	N/A		N/A	N/A	9,028	N/A
Chaninik	11/30/75	2	3,766	30,373	(906)	3	0	0	5,336	43,038
Elim (3)	N/A	1 full 22 part	51,500	N/A	N/A	N/A	N/A	N/A	51,500	N/A
Golovin	12/31/75	1 full 32 part	67,485	421,320	(25,960)	6	(25,960)	0	65,023	597,010
Goodnews Bay	12/31/75	2	6,069	53,233	1,898	3.6	1,982	277	8,599	75,431
Innuit	8/31/75	2	10,307	57,991	(4,438)	7.7	(4,438)		14,605	82,173
Kaltag	2/28/76	2	4,988	53,975	2,718	5	2,175	128	7,068	76,482
Kasigluk	3/31/76	2	12,056	122,451	11,749	10	23,629	2,257	17,083	173,513
Kash Kash	6/30/75	2	4,731	35,495	(5,067)	14.3	225		6,704	50,296
Kiana	12/31/75	2	141	30,799	(3,257)	11		743	200	43,642
Koliganek	8/31/75	2	10,693	72,863	(1,193)	1.6	9,859		15,028	103,246
Kotzebue (4)	9/30/74	3 full 280 seasonal	135,652	1,338,696	(91,774)	6.6	232,324		192,219	1,896,932
Kuskokwim	2/28/74	N/A	26,289	79,414	(4,425)	5.6			104,155	125,529
Manokotak	4/30/75	2	7,334	46,912	1,586	3.4	13,884		10,393	66,473
Nelson Lagoon (5)	12/31/75	1	2,340	24,975	2,522	10.1			6,632	70,779
New Stuyahok	8/31/75	2	22,738	120,120	(1,917)	1.6	3,462		32,220	170,210
Nondalton	1/31/75	2	6,783	95,840	8,393	8.8	5,708	1,427	9,871	135,805
Northwest Skin	12/31/75	1 full 20 part	0	6,809	(417)	6.1	0	0	0	9,790
Togiak	12/31/75	2	24,794	174,454	9,993	2.2	7,264	1,824	33,859	247,216
Toksook Bay	12/31/75	1	2,039	18,252	1,020	5.6	(5,336)	206	2,889	25,863
Wildwood Village	9/31/75	5	42,416	442,264	1,183					626,688
Yakutat Gulf	12/31/75	4		93,951	(36,840)	4.0	(56,152)		52,680	133,129
Yukon Delta Fish (4)	12/31/74	10 full 80 seasonal	350,445	1,847,217	238,784	12.9	265,121		49,658	2,617,506
TOTAL		506	999,963	5,975,962	119,833	2.5	474,758	7,115	1,412,119	8,254,272

1. Only jobs created for daily and continued operation of the venture are included.

2. Figures are based on pro-forma calculations from venture feasibility analysis.

3. Wages are based on pro-forma requirements ending September 1976.

4. Financial information included was from 1974 reports. Current information is not available at this date.

5. Figures represent six month reporting period.

The average length of training and technical trips is three days. Using an eight hour day, these visits represent 7,368 hours of training input. Projecting the average number of trips per month, the total time spent for training and technical assistance during the funding period amounts to 7,493 hours. Trips to communities were low during November due to in-house travel restrictions during the month.

Additional training was provided to board members in Anchorage. Training provided included such topics as: the role of the board, by-laws, parliamentary procedure, responsibilities of board committee functions, how to read financial statements, and how to read feasibility studies.

C. INDIVIDUAL DEVELOPMENT AND SOCIAL IMPACT

Community members gain not only from the economic impact, direct training, and technical assistance of CEDC assisted ventures, but also from experiencing ownership opportunity and individual assistance.

Individuals involved with CEDC assisted ventures have increased awareness of business and the world outside their community. New abilities have been developed and the developers have become leaders and assets to their communities. The regional corporations created by the Alaska Native Claims Settlement Act of 1971 are among the largest corporations within the United States. The regional leaders and the corporations will have a profound influence on the future of Alaska.

There are also intangible benefits. The accomplishment of a project is a positive influence. It is a source of pride and confidence building for the community. The knowledge gained from the development of a project is also carried into other projects. While this kind of eternality is very nebulous and cannot be measured, it is a very important by-product of a CEDC assisted venture.

D. CHANGING TRENDS IN PUBLIC ASSISTANCE

CEDC's objective of appreciable impact is measured by a variety of CSA indicators as defined in CSA Instruction 6158-1. Several of the indicators, changes in employment, income, net inflow into a community, and increased skills for managers and workers, have been used to demonstrate CEDC impact. Further impact can be shown by reduction of public assistance rolls in communities with CEDC ventures.

For analysis, only changes in Aid to Dependent Children (ADC) were used for comparison between areas receiving CEDC assistance and those not receiving assistance within the state of Alaska. The other public assistance areas, Old Age Assistance, Aid to the Blind, and Aid to the Disabled, were not used because they are not direct targets of CEDC type assistance, although benefits to people receiving assistance from these programs may be positive.

Two examples of CEDC impact in reduction of public assistance are provided in Graph I. The number of ADC cases for the communities of Golovin and Angoon are plotted from 1969 through 1975. The implementation of CEDC assisted community ventures is noted with an asterisk for both communities. The upward trend in ADC cases was reversed and the number of cases reduced.

The amount of reduction of cases will vary in relation to the total number of ADC cases within the community and the type of CEDC assisted venture. In some communities, CEDC assisted fishing ventures have decreased the number of ADC cases by as much as 40 percent. This was due to the large number of employees required for the fish processing facility operation.

The general change in ADC trends in CEDC assisted communities can be evaluated by comparison of the average spending per case between those communities and the state. Measurable changes will indicate impact.

The average dollar payments per ADC case was calculated for 1969 through 1975 for a sample of CEDC assisted communities. These averages are provided in Table III. The average ADC payments for the State of Alaska was determined for the same time period. The averages are also shown in Table III.

AVERAGE ANNUAL ADC
PAYMENTS PER CASE
TABLE III

Year	State Average	CEDC Assisted Community Average
1975	$275.90	$271.25
1974	262.35	235.99
1973	206.57	182.65
1972	209.98	189.12
1971	219.10	193.09
1970	229.24	217.71
1969	157.26	144.13

Source: Annual Reports 1969-1975; Department of Health and Social Services, Division of Family and Children Services, State of Alaska.

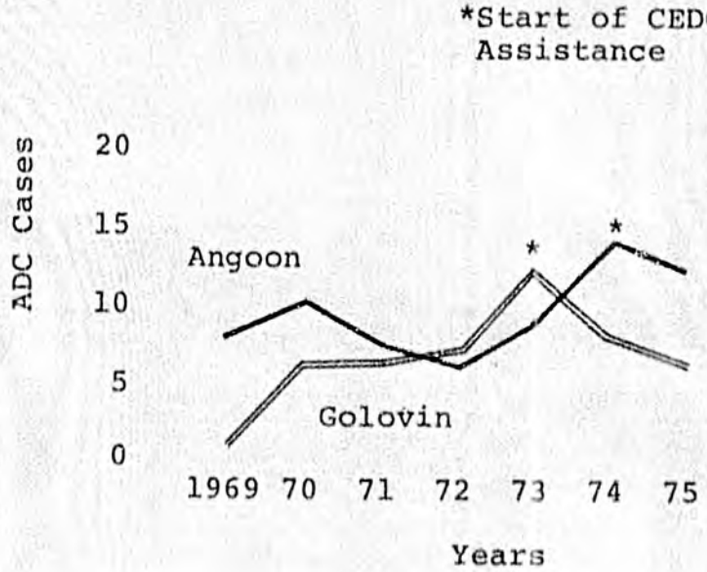
Linear regression equations using the least squares method of fit for both sets of averages were determined. The regression line used for trend analysis of ADC payments for communities with CEDC assisted ventures is provided in Graph II. Linear estimates were determined using the current spending trends. Communities in which CEDC assisted ventures are located will be spending an average of $5.86 less per case in 1980.

The trend of total state spending for ADC was also determined using linear regression. The graph of State spending is included in Graph II. The trend of total spending for Aid to Dependent Children is rising much faster than the average payments in CEDC assisted communities. Favorable impact upon reduction of ADC payments is measurable in areas where CEDC has become involved in community ventures.

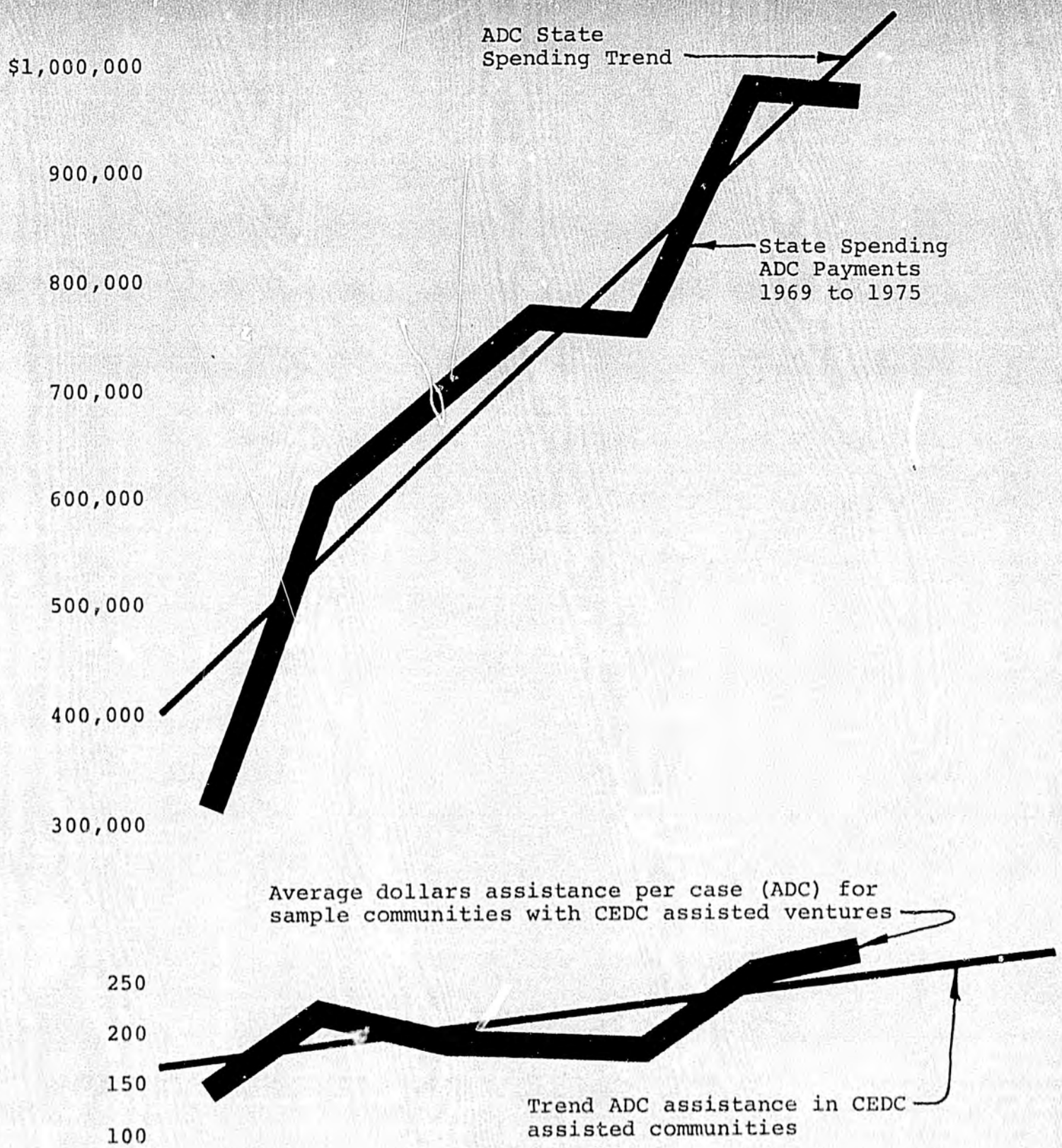
GRAPH I

EXAMPLES OF TREND CHANGES
IN ADC CASES IN COMMUNITIES
WITH CEDC ASSISTED VENTURES

(1969-1975)



GRAPH 2


ADC State
Spending Trend
$1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
State Spending
ADC Payments
1969 to 1975
Average dollars assistance per case (ADC) for
sample communities with CEDC assisted ventures
250
200
150
100
Trend ADC assistance in CEDC
assisted communities
1969
1970
1971
1972
1973
1974
1975

Review of Present Funding Period

A. ACCOMPLISHMENTS IN RELATION TO GOALS

In January of 1975 Community Enterprise Development Corporation of Alaska (CEDC) requested a grant from the Community Services Administration (CSA) in the amount of $10 million. The goals that the corporation set for itself in its proposal were based on this funding level. In reviewing these goals and accomplishments one must keep in mind that CEDC did not receive this amount of funding and therefore encountered difficulties in attempting to accomplish everything it had originally planned.

The following is a discussion of the accomplishments which CEDC made during this funding period in relation to the goals that it had set in its last refunding proposal. These goals are separated into three categories for ease of reference. They include long range goals, venture development goals, and corporate development goals. In addition, the venture development category has been divided into separate sections for each different type of development project. The corporate development category has been divided into income producing activities, membership and board of directors development program, staff development, and development of corporate assets.

1. Long Range Goals

In order to establish CEDC as a self-sufficient corporation, devoting its resources to the low-income, rural communities of Alaska, the corporation has begun to take equity positions in many of the ventures it has financed. This lowers the debt structure for the venture, and in addition, increases the return on CEDC's investment. The policy of taking an equity position in high risk high return investments is one that will continue during the next funding period.

CEDC attempted to develop a long range plan for the corporation through the hiring of a planner. However, due to many problems encountered this goal was never realized. The first problem was that the salary was too low to attract the type of individual that was needed to accomplish this tremendous task. Perhaps an additional problem was the fact that due to the shortened grant period and shortage of personnel, more time was devoted to tackling day-to-day problems instead of focusing on the overall planning for the corporation. However, the need for this type of planning is recognized by the corporation and is now beginning to be dealt with. CEDC is hiring a consultant during the summer to aid the management in identifying long range goals and planning the strategy necessary to attain these goals.

2. Venture Development Goals

a. General

CEDC desired to fund new ventures that would create jobs for rural, low-income people by increasing the venture capital from $610,000 to $7,000,000. Although the venture capital was not increased this substantially, new jobs for the rural low-income people were still created as evidenced by the impact statement which is included in this refunding proposal.

In an attempt to build CEDC's revolving fund through a positive program of collection on delinquent loans or refinancing ventures that are viable but unable to meet current obligations, CEDC began reviewing its delinquent accounts and determining the ventures' ability to repay their outstanding balance. Through the rewriting of loans, refinancing of ventures, the writing off of uncollectible sums, and the collecting of many past due accounts CEDC was able to decrease its outstanding loans in arrears from $143,731 in January of 1975 to $8,688 in May of 1976. As a result, CEDC's revolving fund has increased from $225,000 to $820,000.

In the past proposal it was suggested that CEDC's professional staff be increased in the areas of expediting, field accounting, fishing, training, internal accounting, special services, development, and planning. Due to the decrease in the amount of the administrative budget, CEDC was unable to increase its staff in all of these departments. However, increases were made in expediting, fisheries, and operations in an attempt to better respond to the demand for assistance from CEDC ventures.

CEDC has joint ventured with the regional and village corporations on occasions, such as on the Ahtna and Angoon lodge projects, but not to the degree that was originally anticipated in the last refunding proposal. However, representatives from the regional corporations are now eligible for membership in CEDC and several regional representatives are currently serving on the board of directors and executive committee. In this way, CEDC hopes to create a better working relationship with the regional corporation and begin to coordinate business development efforts.

b. Consumer Stores and Bulk Fuel Facilities

After reviewing several of the existing ventures CEDC began to realize that the goal of bringing all of these ventures to a state of self-sufficiency within 24 months was perhaps too idealistic. It was discovered that CEDC simply did not have the staff or the time required to review all of the existing ventures as well as develop and provide assistance to the new ventures. However, the corporation has made an attempt to review these enterprises and to evaluate their needs.

Based on these reviews, an intermediary loan fund was established, as suggested by the staff and approved by the board of directors. The purpose of this fund is to refinance those ventures that were undercapitalized from the beginning and are therefore experiencing financial difficulties. It is hoped that by consolidating all of the venture's debts and introducing additional working capital the venture will begin to operate successfully. Under this plan four stores were reviewed, and through the use of short term and revolving loan funds, additional capital was introduced into these stores. Of the four stores that were reviewed and refinanced in this manner, three are showing an increased profit. CEDC is continuing to review its existing ventures with the hope of assisting all of them to become more profitable and more capable of handling day-to-day matters on their own.

In conjunction with this endeavor, the corporation is to assist the venture in the development of a comprehensive plan for the upgrading of its store. This plan includes at least: land needed for expansion; facility (store, building, warehouse); energy (electricity, heat); inventory; management training; membership and board training; and short range and long range financing needs. In an attempt to implement the development of such a plan, a reporting system for the field accounting and expediting personnel was established. Each time a venture is visited by one of these individuals, a venture analysis form is completed. This analysis covers such items as general office management, the bookkeeping system, a budget evaluation, a management/personnel evaluation, the amount of participation by the board of directors and membership, and the relationship of the management to the board of directors. An analysis of the facility includes such items as the condition and type of shelves, space utilization, traffic pattern, condition of storeroom, overall heating capabilities of the building, and the general overall appearance of the store.

A report on the amount and type of training that should be provided to the venture is also completed. Although an effort has been made to follow up on each of the recommendations contained in these reports, there simply was not sufficient staff or time in which to act on all of the recommendations. Therefore, only the more immediate and pressing problems were dealt with.

At the time the refunding proposal was submitted, CEDC felt it was necessary to develop more bulk fuel facilities at already existing store locations. This was to be accomplished through the undertaking of three feasibility studies for bulk fuel storage at rural locations that already had a consumer store that was satisfactory to the consumer needs

of the community. In addition, CEDC was going to include, as a standard part of each feasibility study undertaken on behalf of a new consumer store, a section on the feasibility of establishing bulk fuel storage at the co-op location. After reviewing and researching several requests for bulk fuel facilities, it was determined that the majority of these projects just were not feasible. This was generally due to the high cost of constructing such a facility and the expense of purchasing and storing the fuel in large quantities with an inventory turnover occurring only once a year. CEDC realizes the rural communities' need for this type of facility and is therefore encouraging the establishment of a state program which would coordinate the creation of bulk fuel facilities in the rural locations.

Due to the decreased amount of funding, the establishment of fishing ventures as a priority, and the shortening of the grant period, only three new stores were developed during the present funding period instead of the proposed eight.

c. Fishing Ventures

Since fisheries were designated as the priority for this past funding period, much of the staff's time and efforts was directed toward this area of development.

The main goal relating to the fishing ventures that was established was that of better accommodating the needs of these ventures by: providing 90 day short term loans (maximum of $200,000 per venture) to each fishing venture that was current in its obligations to CEDC which was to be repaid on a percentage of gross sales until it was paid in full; providing longer repayment terms (15 to 20 years depending on the size of the loan); increasing the total loan amount to more than $300,000 to any one fishing venture; reviewing existing ventures for refinancing needs and providing technical assistance to enable ventures to become self-sufficient which would include the hiring of additional staff and consultants in engineering or architectural areas.

To accomplish all of this, CEDC established a separate department for all fishery related ventures. Additional staff was hired to better meet the needs and demands of these ventures. Through the combined efforts of this department and the entire staff much of this has been done. Short term loans were provided to Golovin, Unalakleet, and Elim for use as working capital during the fishing season. In addition, the Golovin Co-op was recently refinanced and improved. CEDC was successful in increasing the amount of money loaned to a single venture, but unsuccessful in attempting to increase the repayment terms.

CEDC indicated in the last refunding proposal that five fishing cooperatives that were existing at the time of the proposal would be self-sufficient at the end of 24 months. It appears that although this has been accomplished to some degree, perhaps this prediction was too idealistic. Of the fishing ventures now in existence, three can be considered to be independent from CEDC. These are: Kuskokwim Fishermen's Cooperative, which employs a professional manager to assist in directing the affairs of the co-op; Yukon Delta Fish Marketing Co-op, which has competent local managers and to which only accounting assistance is provided upon request; and Unalakleet, which has repaid all of its outstanding loans to CEDC and operates successfully. The Kotzebue Sound Area Fishermen Co-op could possibly be considered self-sufficient from the standpoint that it is current on its repayment of its outstanding debt to CEDC and that the venture is managing to at least break even. However, this venture is experiencing serious difficulties which are complicated by political conflicts and pressures. CEDC will continue to work with this venture in an attempt to resolve its problems if possible.

It was also suggested in the last refunding proposal that the two fishing ventures at Yakutat and Hydaburg would be operational above the break even point at the end of 24 months. Due to unforeseen problems, this was not accomplished. Although the Yakutat venture is operational, it is currently experiencing difficulties due to the late delivery of its boat and the subsequent king crab strike in Cook Inlet during the 1974 season. CEDC is continuing to work with this venture in an attempt to resolve its problems and turn the venture into a profit making business. The Hydaburg venture is not operational due to complications encountered with the feasiblity study.

It was the desire of the corporation to establish two new fishing ventures or substantially expand two existing fishing ventures during the next 24 months. This was accomplished by the expansion of the plant facility at Golovin and the investment in the Elim and Naknek-Kvichak Aquatic Co-op project. In addition, several other projects are contemplated for the near future.

d. Lodges and Hotels

The goal of funding two lodge/motel complexes within the next 24 months was realized through the Ahtna and Angoon projects.

Although it was suggested in the last refunding proposal that CEDC fund six village guesthouses, it was later determined that not only did CEDC have inadequate funds for these types of projects due to the decrease in venture capital, but the need for this type of facility had decreased. Instead, CEDC

began receiving an increasing number of requests for the lodge/motel complex which requires substantially more investment capital.

e. Credit Unions

Due to the success CEDC had experienced in establishing credit unions, it was proposed that $20,000 be invested in five new credit unions and that a grant of $10,000 be given to each of these credit unions. The funds would be utilized in the promotion of the credit union activities and an educational training program would be arranged for village credit union members. However, due to the decrease in venture capital funds and the subsequent establishment of this area as a low priority item, there were not sufficient funds to invest in these type of projects. In addition, the Alaska USA Federal Credit Union has since that time begun making their services available to various regional and village corporations. Therefore, the needs of the rural people are currently being met by this one large credit union.

f. Catalytic and Social Projects.

In the last refunding proposal there were several goals that were directed towards the investment in catalytic or social projects that would have a direct benefit to a specific CEDC assisted venture, existing or proposed. However, due to the decrease in venture capital funds, no affirmative action was taken on these projects. CEDC continues to coordinate its efforts with state agencies in an attempt to guarantee that the village has the neccesary facilities for a proposed venture, but no CEDC investment capital is being utilized for this purpose.

3. Corporate Development Goals

a. Formation of 501 (c) (3) Corporation

In the last refunding proposal it was recommended that CEDC receive IRS recognition as a 501 (c) (3) charitable, non-profit corporation by amending its articles of incorporation and by-laws to meet the technical requirements of the Internal Revenue Service (IRS). After contacting the Berkeley Law Project and the Center for Community Economic Development and discussing this possibility at length with their attorneys, it was the consensus of opinion that CEDC should retain its present tax status for as long as possible. It was felt that it would not be advantageous for CEDC to change its tax status unless it had a large commitment of funds from a private foundation, or until such time as our proposed income producing activities (expediting and field accounting) began to actually show a substantial profit.

Before determining whether or not to change the tax status of the corporation, an attempt was made to obtain funds from the various foundations throughout the nation. Each foundation which had shown an inclination in the past to fund organizations similar to CEDC or whose requirements could be met was contacted either by letter or, when possible, in person. The foundations were hesitant to invest in CEDC due in part to the condition of the general economy of the nation at the time, but mostly because of the remoteness and inaccessibility of CEDC to the foundations. CEDC is continuing to attempt to obtain foundation funds for its ventures and has been successful on three separate occasions.

A comprehensive listing of all of the foundations which could provide funds for the new ventures has been compiled and is kept for use by the development specialists when funding is being identified for the new enterprise.

b. Income Producing Activities

The establishment of a for-profit accounting service was postponed due to a number of complications. Perhaps the most critical was the high turnover (100 percent) of field accountants. This hampered any attempt to establish field accounting as a for-profit business, and because of this more time was devoted to the expediting service and less to the accounting service. However, preliminary research was completed and several alternative methods of computing fees and costs have been suggested. These will now be reviewed by management and work on this project will proceed.

After much research and the preparation of a preliminary study, it was determined that before an expediting for-profit service could be established the current operation would have to be upgraded and improved. To this end, a consultant was hired to review the expediting service and make suggestions for improvements. It was noted in the consultant's report that the problems that are presently being encountered by the expediting service were created by the rapid expansion of the services provided by that department. It is the consensus of opinion that establishment of this department as a for-profit service should be postponed until such time as the department is stronger and until the ventures it services are also stronger and more capable of paying for the cost of the services.

The establishment of a marketing division to act as a medium to direct and promote the flow of goods from the producer to the user of fish products was not possible due to the lack of sufficient venture capital and administrative funds. However, the creation of such a position is contemplated for the 1976-78 funding period.

c. Membership and Board of Directors Development Program

The training of CEDC's membership, board of directors and executive committee in a wide assortment of topics was stressed in the last refunding proposal. To this end, CEDC held a total of five training sessions during the last funding period. General training in the areas of responsibilities, duties, and function was provided to the membership and board of directors. More specialized training in the areas of financial statements and feasibility studies, parliamentary procedure, and responsibility of officers was provided for the executive committee members. In addition, members of the executive committee were given the opportunity to travel to various meetings and training sessions throughout the United States. The effects of these training programs are evidenced by the more professional and businesslike manner in which the meetings are now conducted.

d. CEDC Staff Development

The idea of having a high level of skills and knowledge among the staff of CEDC through the institution of a program for in-house staff training and development through workshops, seminars, and other activities was discussed but never implemented to any great degree. It was determined that the greatest amount of importance lay with providing the necessary assistance to the ventures and since there was such a tremendous amount of work to be done with a small staff in a short period of time, most staff members found little or no time to attend training seminars. One or two guest speakers gave presentations to the staff during the fall of 1975, but no further in-house training and development has been instituted.

In order to have enough staff members to extend technical and training assistance to all ventures CEDC attempted to increase its staff to accommodate the quality assistance to the present and new ventures. However, many difficulties were encountered due to the cut in the administrative budget and the deletion of two trainers from the staff. The current staff members are being utilized to their utmost and in some cases are being overtaxed. Because of the lack of trainers, insufficient staff, and high turnover in staff, the quality of assistance provided to the ventures has not improved substantially over the past year.

It was proposed in the last refunding proposal that the fringe benefit program be studied and a new program implemented that would encourage employees to remain with the corporation so that there would be a relatively low turnover of staff. A study of the benefit program was completed, but because of the decrease in the administrative budget, the only addition was dental coverage. Due to several factors, including the non-competiveness of CEDC's salaries to those of state and local government, the turnover of the CEDC staff was very high. A study has been completed recently which evaluates the cause and effect of this turnover and measures are being taken to prevent such a reoccurrence.

In an attempt to increase the number of employees from CEDC's target area, all vacancies were advertised on a statewide basis. As a result, seven individuals from CEDC's target area were hired during this grant period.

e. Development of CEDC Corporate Assets: Land and Office Building

In the last refunding proposal, it was suggested that CEDC should increase its corporate assets through the purchase of an office building. A review of the existing office buildings available in Anchorage was completed and a feasibility study prepared by Mr. Stuart Lichtman of the Rockville Consulting Group. This study has been submitted to CSA. However, due to unforeseen problems, this project has temporarily been delayed. It is the intent of this corporation to continue to pursue the purchase of an office building in order to increase its corporate assets.

f. Expansion of Services to Individuals and Other Organizations

CEDC was to develop an assistance project in loan packaging for minority individuals from urban and rural communities. This project was not developed and has now been terminated. The reason for the termination is that the Alaska Federation of Natives, with the support of CEDC, has been successful in obtaining an OMBE grant and has established an Alaska Economic Development Office in Anchorage to assist minority entrepreneurs.

Except for the area of CEDC's expediting service, CEDC does not plan to provide technical or training assistance to individuals or groups that fall outside of CEDC's assistance guidelines. In the past, it was proposed that CEDC sell its services on the open market in the area of accounting, training, fish marketing, and retail store development. CEDC's short term goal is to strenghten its assistance capability to existing and developing ventures and to charge for these services based on the venture's ability to pay. CEDC will evaluate the expansion of services after it is able to assist an existing venture reach a more stable performance curve. Although expansion of services for sale is not contemplated during the next two years, CEDC will continue to collect cost accounting information to be used as a data base in the event that CEDC decides to market its services.

B. EVOLUTION OF GOALS AND STRATEGY DURING PRESENT FUNDING PERIOD

In the last refunding proposal, CEDC established numerous goals and objectives to be met by the staff during that funding period. Due to the decrease in the amount of venture capital that was requested and the shortened grant

period, the staff was hard pressed to achieve these goals. In addition, several changes occurred within the corporation which changed and altered some of those goals and which provided the staff with improved ways of attaining other goals.

One of these major changes was in the composition of the membership, board of directors, and executive committee of CEDC. In the past the board of directors and executive committee has shown a tendency to lean more toward social projects instead of sound business investments. However, with the inclusion of the business and regional corporation represenatives, this trend appears to be changing. Now when a proposal is reviewed, it is first analyzed on its business potential and then its social impact is taken into consideration. This is resulting in the investment of capital in stronger, more viable businesses.

Perhaps the most emphasis this grant period was placed on the development and operation of fishing ventures. Since fishing was established as the priority area and since it requires a tremendous amount of time and effort, most of the staff's time and energies were directed toward these ventures. In order to help eliminate the duplication of effort of staff members and to improve the quality of technical assistance that is provided to the fishing ventures, a separate fisheries department was created midway through the grant. This department is responsible for both the development and operational phases of the fishery related ventures. Having one group of people coordinating all of the effort for these ventures has eliminated many of the difficulties encountered in the past.

In addition to creating the fisheries department, CEDC also expanded its expediting department. Prior to this time the only service this department provided was the purchasing of grocery inventory for the stores. This has now been expanded to include outboard motors, snow machines, motorcycles, hardware tools, electrical and household applicances, and a myriad of other items. In order to keep pace with the work created by this expansion, four new employees were added to this department during the grant period. Although this department is experiencing difficulties resulting from its rapid growth, corrective measures are being taken and changes implemented.

During the entire period of the last grant CEDC has attempted to continue to provide quality technical and financial assistance to its ventures. At times, this has been impeded by lack of personnel and investment capital, but for the most part the corporation has improved the services it provides and through the changes in the composition of its board of directors, the creation of a fisheries department, and the expansion of the expediting service it will hopefully continue to improve in the future.

C. PROBLEMS ENCOUNTERED DURING PRESENT FUNDING PERIOD

1. Venture Staff Turnover

a. Problem

Within the past funding period eight bookkeepers and five managers have left CEDC assisted ventures or have been replaced, thus requiring additional CEDC technical assistance. The level of self-sufficiency of these ventures is then set back.

b. Solution

Ventures have been encouraged to pay better salaries and provide more policy guidance to the manager. CEDC is informing the venture board of directors as to what information to expect from the manager and bookkeepers and how to analyze this information. This enables the venture to become more self-sufficient.

2. Limited Venture Capital

a. Problem

In the past budget CEDC requested $7,000,000 in venture capital and was granted $1,800,000; thus fewer projects resulted. Fishery ventures which require larger investments are CEDC's highest priority and the lack of venture capital inhibits this economic growth.

b. Solution

CEDC is requesting $13,000,000 in venture capital to enhance the fisheries development as well as fulfill other economic development goals.

3. CEDC Staff Turnover

a. Problem

Staff turnover and lack of experienced personnel have resulted in magnifying existing problems and creating numerous other problems. A lack of available experienced personnel in the field accounting division and a 100 percent turnover in the year ending May 1, 1976 has upset the consistent and systematic delivery of technical assistance to CEDC assisted ventures. New employees can generally be hired; however, the overload on the existing staff while positions are advertised, prospective applicants interviewed, hired and finally orientated to our unique program lends to less effectiveness and efficiency. The personnel remaining have put up with poor physical office conditions and salaries below the state salary schedule. Both of these conditions lower employee morale.

b. Solution

A two step salary increase for personnel presently underpaid is being implemented. CEDC is also seeking more suitable office space and has set August 1976 as a target date to move. The field accounting division is now fully staffed and another position created to help fill the gap left by a totally new staff. This gap is largely the result of the extensive orientation and directly a result of the complexities of hiring professional staff members.

4. Planner

a. Problem

The budgeted salary in the last refunding proposal was not sufficient to attract an experienced planner.

b. Solution

The necessity to develop long range plans has been recognized and at present is being administered by the president and the board. During the last 12 months of the 1976-1978 grant period, a formal overall economic development plan will be drafted.

5. Retail Training

a. Problem

Another problem area was in providing training to store managers, bookkeepers and venture board of directors. Expediting was to provide manager training, however due to their rapid growth, most of their time was spent expediting. Due to high turnover in CEDC field accounting staff and venture staff, training in general was adversely affected.

b. Solution

Additional expediting staff have now been hired and the management training function is again being performed on a time available basis. CEDC is proposing that one more person be hired in expediting to allow for an increase in retail management training.

6. Board Training

a. Problem

This last year CEDC's trainer primarily worked with the board of directors of the Golovin and Elim fishing ventures, where a majority of CEDC's venture capital has been invested. Other than making the board aware of the financial state of the venture and problem solving in crisis situations, board training for non-fishing ventures has been minimal.

b. Solution

CEDC is requesting two trainers to conduct the board training and coordinate training throughout our total venture assistance project.

7. Community Services Administration

a. Problem

CSA's intervention into the day to day transactions of CEDC has caused organizational problems and loss of credibility and dependability in dealings between CEDC and other agencies, institutions, and individuals. CEDC must have mobility to respond to venture and community needs.

b. Solution

CEDC has tried to maintain good rapport with all CSA personnel in the present funding period and will continue to do so. CEDC will continue to earn the respect and confidence of CSA to enable the corporation to operate more independently and with greater mobility. CEDC would support increases in OED professional and clerical staff to respond to CEDC's needs more readily until full autonomy is reached.

D. UNMET NEEDS

1. Board of Directors

The CEDC Board of directors has had extensive training during the past funding period. Considering the positive impact this training has had, the board feels a continued effort in this area is needed.

The board still relies heavily on the executive committee and the staff in decisions regarding corporate affairs. The board of directors also realizes the importance of business experience, and realizes training cannot fulfill the need for actual business experience.

2. Staff

An in-house staff two hour training session was conducted by Al Fleming after he had given a three day session to the CEDC board. Also, a two day staff retreat was conducted by Mr. Fleming in June. More sessions of this kind are of utmost importance to allow the staff to be informed and to understand the CEDC organization, thus having more pride in their work and knowledge of CEDC's objectives and goals.

Each professional person providing services to the rural areas should be sent to training sessions annually. This provides the employees time to regroup their energies and stimulate the thought processes. Alaskans are isolated and new developments in every professional field are taking place quickly. Therefore, if these sessions were outside the state, it would provide even greater exposure and possible greater impact at the venture level.

CEDC has determined staff training and development is a higher priority and it is our feeling that the target areas will directly benefit.

Due to the historically high turnover, and the lateral growth that CEDC hopes to experience in the near future, an office procedures manual would be helpful and meaningful (to new and remaining employees as well). This manual would include orientation material, data processing procedures, and guidelines to be used in dealing with ventures.

The office building CEDC has utilized since 1968 has not been adequately maintained and is in desperate need of repair. The unsatisfactory working environment has had a detrimental impact on the staff, and problems in attaining new office space have adversely affected employee morale and professionalism.

3. Ventures

In identifying the ventures' needs, the overpowering response is the lack of technical assistance. Specifically, board and manager training is needed by the existing ventures. Requests for this training are relayed by the ventures as well as other agencies and native corporations in the rural areas. CEDC would have the materials and expertise to accommodate these needs with additional trainers and a full experienced staff. There are other agencies with which CEDC can coordinate and compliment, given the personnel to administer the programs.

4. Community

The unmet needs of the communities served by CEDC include health education, housing, transportation, communication, sanitation and water. Because a majority of these communities have an average per capita income below the poverty level, they cannot provide the above services or facilities. Their limited incomes are further taxed by the extremely high cost of living in rural Alaska. The community's ability to collect sufficient revenues for these services is precluded by the village's small population base.

The absence of some of these services may hinder business development. Without a water or sanitation system, fish processing plants cannot be operated; while the business may attempt to construct them, the costs of the venture would cause a severe financial strain.

It has been CEDC's policy to seek these catalytic funds from other sources, thus enabling economic development.

There is also a need for business education for rural people in Alaska. By recognizing this need and relating it to the community college in the economic centers, CEDC can provide some assistance in this area. CEDC also encourages the ventures to coordinate these training sessions (which are given at minimal cost) for their membership.

5. Community Services Administration

CEDC has experienced delays in project approvals which have caused unanticipated problems in putting the proposals into operation. Because of the highly seasonal nature of business in Alaska, due solely to climatic conditions, a delay in project approval can result in delaying implementation of new ventures a full season or a year. The delays necessitate budget revisions resulting in increased costs and under-capitalization. CEDC would support an increase in CSA professional and clerical staff.

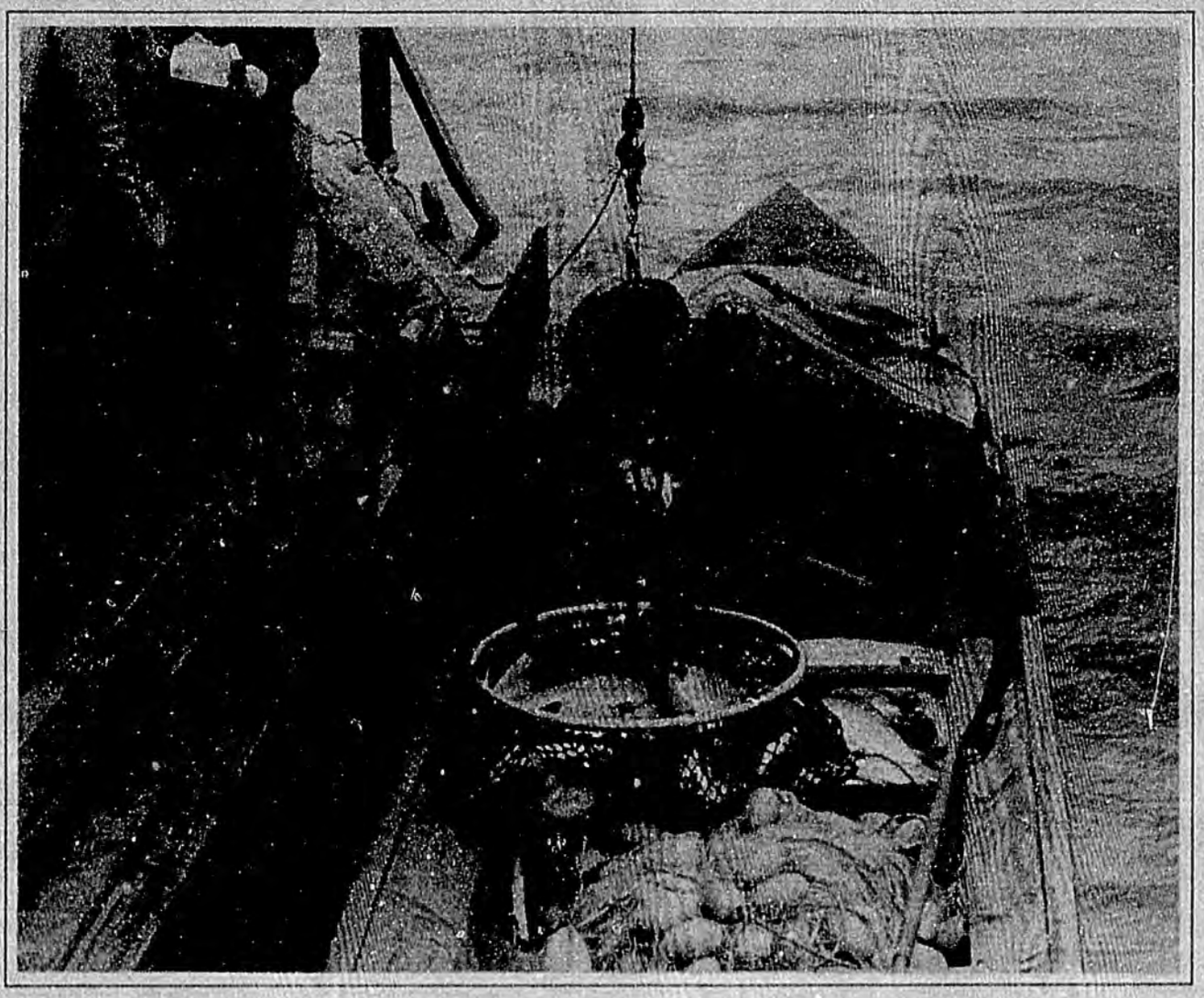
There is need for a clarified and consistent level of autonomy from CSA in day to day transactions.

In dealing with financial institutions, government agencies, and native corporations, CEDC must demand respect and maintain a good rapport to have a positive impact in the target areas. The lack of mobility in day to day transactions has and will apparently continue hindering CEDC's dependability and credibility.

CSA's involvement in staffing of CEDC, salary increases, travel and other day to day corporate transactions has caused varied organizational problems. An apparent mistrust or doubt of professionalism and performance has discouraged and frustrated employees.

In order for CEDC to have the greatest impact in Alaska, it must command respect from the people of Alaska. Alaskans have historically been independent, thus indications of lack of control and independence shed doubt on the abilities of CEDC and create dissatisfaction with its assistance and programs.

Overall Development Plan for Proposed Funding Period



Introduction

To implement its two major programs, venture and corporate development, Community Enterprise Development Corporation (CEDC) is requesting a $17 million grant from Community Services Administration (CSA). Two-thirds of this total is allocated for the new venture development. About one-tenth of this total is earmarked for existing venture programs. Twenty-four percent of the $17 million budget is for administrative costs; of the $4 million administrative budget, 68 percent is directly related to venture support.

The priorities over the next two years were established by input from the CEDC membership, Alaska Native Claims Settlement Act (ANCSA) regional and village corporations, and RurAL CAP corporations. Individuals such as the governor, congressional delegates for Alaska, and executive directors of programs such as SBA, EDA, and State of Alaska Department of Commerce were also asked to provide their thoughts on CEDC activities. Generally the CEDC membership stated their need as the expansion of technical assistance and funding programs for existing CEDC assisted ventures. ANCSA corporations were more concerned with the development of new ventures. They also cited the need for CEDC to conduct greater outreach activities.

In response to CSA instructions, CEDC has taken positive steps toward its long term goal of self-sufficiency from CSA. CEDC will continue to increase its assets and investment portfolio. CEDC will increase its loan interest rate from 4½ to 7½ percent to increase its return on funds. CEDC will become more involved with equity investments. And it will consider the charge back of development consulting fees, on a project by project basis, to ensure more utilization of consulting funds by other projects. CEDC will fulfill its ten percent non-federal share obligation.

As its short term objective, CEDC has taken steps to assist its ventures to become more autonomous. CEDC will increase its staff by six in October 1976 to provide more technical assistance to its ventures. CEDC has recommended the implementation of funding programs designed to enable ventures to begin establishing their track record with commercial lending institutions.

CEDC will continue to provide board training activities over the next two years. It will concentrate on the executive committee and the grant and loan review committee. One training session each quarter is planned on relevant topics. More opportunities for training sessions will also be given to CEDC management.

To cut down on the extensive staff turnover, the board has recommended a more competative salary fringe benefit schedule. CEDC also is in support of increasing the professional and clerical staff of the Office of Economic Development within CSA to enable that office to respond to CEDC needs in a more timely manner.

A. CORPORATE DEVELOPMENT

Introduction

The corporate development program is the foundation for all of CEDC's activities -- its administration, venture development, and support functions. The underlying goal of the 1976-1978 corporate development program is the continuing effort to build a permanent statewide community development corporation that has the ability to creatively foster rural business development.

CEDC will continue to remain a statewide corporation, providing assistance to low-income, rural communities that want business development. CEDC, with its professional staff, travel budget, consulting capability, and venture capital, is the only central statewide program that can immediately and directly respond to a request for business development from any rural Alaskan village. In addition, CEDC coordinates and utilizes other federal, state, and private programs. Rural isolation and lack of business experience limit the ability of many communities to independently marshal all the available resources that any small business depends upon for its survival and growth.

CEDC is entering its eighth year, and can reflect on a relatively stable succession of management, maturing membership, and board of directors, and a professional staff. CEDC will continue to encourage board development, to ensure that it takes an active role in the policy and planning functions of the corporation. CEDC will continue to strengthen the internal administration of the program. And the corporation will promote the development of CEDC as an institution as outlined in CSA instructions.

CEDC has identified five major corporate development component plans to be instituted over the next two years. The first that is outlined in the proceding section is the board and committee development activities. This will ensure the continuing development of the CEDC board of directors. The second program deals with rural outreach, a new component based upon requests by rural communities that wish to learn more about CEDC and its assistance programs. Program three is the internal corporate development which addresses CEDC's long range self-sufficiency plans. Internal administration plans are covered in section four, and institutional development activities are outlined in section five.

1. Board and Committee Development Introduction

CEDC is owned by a membership that represents distinct ethnic, cultural, educational, and geographic backgrounds. The three major groups that determine the goals for the corporation are: representatives from the statewide Rural Alaska Community Action Program's regional development corporations; representatives from the Alaska Native Claims Settlement Act regional corporations; and representatives from the ventures that have received financial assistance from CEDC and have petitioned and been accepted for membership by the CEDC board of directors. In addition, three individuals from the Alaska business community serve on the membership and board.

From the membership, 30 directors are elected with seven seats reserved for regional representatives, 20 seats reserved for venture representatives, and the remaining three seats for the business community representatives. Each year about one-third of the board members are new to the CEDC corporation.

The board and its internal executive committee acts on all major issues and questions regarding long term planning corporate policy, and financial assistance to ventures. The board has responsibility for the hiring and delineation of the duties of the corporate president, review of the president's annual budget, determination of the corporate organizational structure, and acquiring funds for operation of the corporation.

Community Need

Rural communities need to feel confident that their applications for financial assistance will receive a fair and impartial review by the CEDC board of directors or its committees.

Member organizations of CEDC need to be assured that the assets of the corporation will be safeguarded, wisely invested, and that the corporate by-laws will be followed.

The Community Service Administration requires that the board members understand the CDC concept and will abide by all conditions and instructions attached to the CSA grant.

The individual board members need the knowledge and skills necessary to properly exercise their corporate responsibilities and duties.

Also, the CEDC staff needs to feel that the board is taking an active interest in the corporation and will ensure that the staff is managed in a professional and equitable manner.

Because the executive committee and the grant and loan review committee are the "working" groups within the board structure, they will receive a major portion of the formal and informal training related to corporate management, feasibility studies, and the concept of the Community Development Corporation as outlined in CSA Instructions 6158-1 and 6402-2.

Goals

(1) To have a representative membership that is knowledgeable about:

- (a) the history of CEDC;
- (b) the articles of incorporation;
- (c) the by-laws;
- (d) long range planning concepts;
- (e) the CDC concept.

(2) In addition to the above to have a board of directors that is knowledgeable about:

- (a) responsibility and liability of a board of directors;
- (b) how to set goals and measurable objectives;
- (c) management evaluation techniques;
- (d) board/staff relationship;
- (e) all conditions and instructions that apply to the grant from CSA;
- (f) refunding requirements.

(3) In addition to the above to have an executive committee and a grant and loan review committee knowledgeable about:

- (a) review of feasibility studies and financial statements;
- (b) financing concepts;
- (c) management principles and budgeting;
- (d) CSA organizational structure;
- (e) support organizations (NCCED, CCED, etc.)

Strategies

(1) To hold a one day orientation session for the full membership each December.

(2) To hold a one day training session for the full board of directors in March and October of each year.

(3) To hold a one day training session each quarter for the full executive committee.

(4) To hold a one day training session each quarter for the full grant and loan review committee.

(5) To provide a three day orientation program at the CEDC Anchorage office for each new member of the executive committee in February of each year.

(6) To arrange for the chairperson to attend the annual meeting of NCCED and quarterly meetings of NCCED if elected to the NCCED board of directors.

(7) To arrange for two members of the executive committee to accompany the chairperson on each visit to NCCED.

(8) To arrange for the chairperson, vice chairperson, and treasurer to visit the CSA office once each year.

(9) To arrange for the chairperson and three members of the executive committee to visit two different CDCs each year.

(10) To arrange the rotation of the location of the executive committee meeting to different ACSA regions, except when an executive committee meeting will coincide with a full board or membership meeting scheduled in Anchorage.

(11) To continue to encourage people from the Alaska business community to apply for the three available seats on the CEDC membership and board of directors.

(12) To continue to place all three members of the business community on the grant and loan review committee with full voting powers.

(13) To develop a two year training plan based on these strategies.

Estimated Cost and Sources of Funds

Cost: See CSA budget form 325 and 325a.

Source: Community Service Administration.

2. Rural Outreach

Introduction

Prior to each refunding period, CEDC sends a questionnaire to each regional and village corporation (see appendix).

This year many of the returned questionnaires suggested that CEDC expend more effort on providing villages and regions with information on the CEDC venture development program.

In the past years CEDC has been reluctant to administer a formal informational program directed at the rural communities. The major reason for this attitude was the belief that CEDC should only respond to a written request to visit a community and that the corporation should not be encouraging business development unless such development was already a "a felt need" and a priority at the local level. This viewpoint was supported by a continuing back log of applications for assistance, and also by the broad geographic structure of the CEDC membership and board of directors.

Until December of 1975, one representative from each of the ten RurAL CAP regional development corporations was guaranteed a seat on the board of directors. It was assumed that each regional representative would, at the conclusion of the March, October, and December board meetings, share with their regional low-income constituents the updated information they had received about CEDC and its venture development program. Even though CEDC has been incorporated since 1968, it has now become apparent that the corporation is at times misunderstood at the regional level and often unknown to many low-income villages.

At the December 1975 annual meeting CEDC's by-laws were amended to include representatives from the newly formed 12 ANSCA regional corporations. This amendment brought new geographical areas within the CEDC membership that were not included under the RurAl CAP regional program and doubled CEDC exposure to many existing regional areas*. At the same time the by-laws were also amended to reduce the seats available on the board of directors for regional representatives from ten seats to seven seats, and the ten RurAl CAP regions were no longer guaranteed a seat on the board, but had to stand for election with the ANCSA regions.

The effect of having 22 regions competing for seven board seats, coupled with the extensive overlapping of regional boundaries, provides a high probability that as many as eight regions (more than half of the state) may not be potentially represented on the CEDC board. Therefore, even less information about CEDC may flow from the regional representatives to the villages in the region and perhaps even less coordination of regional economic activities with CEDC development activities will occur. The outreach project will attempt to overcome this communication barrier.

(*The boundaries of the ANCSA regions often parallel the boundaries of the RurAL CAP regions for election along with the new 12 ANCSA regional corporations.)

Community Need

All rural low-income communities have the right to information concerning economic development programs funded by the federal government which are available to their community. Many communities have requested that CEDC provide them with detailed information about the corporation and the venture application process.

Goals

(1) For CEDC to be a visible corporation in rural Alaska.

(2) At the end of the 1976-1978 refunding period less than 15 percent of returned refunding questionnaires will cite lack of knowledge about CEDC as a major concern.

Strategies

(1) Prepare a list of communities that have received CEDC assistance, communities that have requested CEDC assistance and communities that have not contacted CEDC.

(2) Prepare literature and an audio visual presentation on the history of CEDC and its present programs.

(3) Arrange for the president of CEDC to visit each RurAL CAP and ANCSA regional office during the next two years.

(4) Arrange during the next two years for the president or a CEDC staff member or a CEDC board member to visit each community within the ANCSA regions for the purpose of showing the audio visual presentation and answering any questions that low-income residents may have regarding CEDC, venture development, etc.

(5) To develop a series of mailings to each village that will include CEDC annual report, impact statement, and a quarterly newsletter.

(6) To encourage all CEDC board members to share with their local communities the information they receive at the March, October, and December board meetings.

(7) To actively work with all regional organizations and statewide organizations and to keep regional corporations informed about the progress of ventures within their region.

(8) To actively seek input from regions, villages, and individuals concerning changes and improvements that could be made by CEDC and benefit rural, low-income people.

Estimated Cost and Sources of Funds

Cost: See CSA form 325 and 325a.

Source: Community Service Administration

3. Internal Corporate Development

Introduction

CEDC's major long term goal is to be an established Alaskan business development corporation that can exist with or without substantial government funding. This goal, which is consistent with CSA instruction 6158-1, is not possible for the next few years due to CEDC's administrative budget and the lack of major revenue producing ventures owned by CEDC.

Because self-sufficiency is not a short term goal does not preclude CEDC from reviewing the strengths and weaknesses of the corporation, and striving to improve CEDC's position in relation to other corporations within the Alaskan financial community. Although self-sufficiency may be years away, it will be directly related to the type and quality of decisions and policies made in previous years. It is for this reason that internal corporate development will be considered as an identifiable project during the 1976-1978 refunding period. The key to this project is receiving enough funds to have a real impact on CEDC's venture and corporate development program.

The main emphasis will be the development of CEDC's capital asset and investment position on our corporate balance sheet, and the increase of the corporation's net worth. These activities will be based on milestone charts, work plans, board action, and the development of a long range plan during the last 12 months of the 1976-1978 grant period.

Community Need

Existing and developing ventures are making initial business decisions based on the assumption that CEDC will be able during the next few years to provide a stream of technical, training, and financial assistance.

At the present time CEDC, and the ventures dependent on CEDC, are in an extremely vulnerable situation. The corporation is completely dependent on CSA grant funds for the administrative and venture capital budget. The corporation does not have title to any land or buildings, nor does the corporation have an investment portfolio that could be traded for cash in the event CSA funds were discontinued. CSA and its Office of Economic Development have been fortunate to survive the volatile politics of Washington, D.C. But nothing is

absolute, and CSA is not immune from changes in federal policy. A recent decision of the U.S. Treasury Department to change from direct grants to a letter of credit is an excellent example of the negative impact a decision at the highest level of government can have on a small corporation (like CEDC) that is dependent on government funds.

Community ventures have a need for a dependable source of business assistance. Consequently CEDC has an obligation to its member ventures to strive to lay the base for eventual self-sufficiency.

Goals

(1) To obtain 17 million dollars for 1976-1978 refunding period.

(2) To develop an investment plan aimed at increasing CEDC's capital assets.

(3) To own and occupy a first-class office building in the Anchorage area.

(4) To begin to have a stream of revenue flowing into CEDC by the beginning of 1978.

Strategies

(1) Submitting refunding proposal to CSA/OED by June 30, 1976.

(2) Purchase or construct a corporate headquarters in the Anchorage area by 1978.

(3) Purchase real estate in the Anchorage area or other areas of the state if such a purchase would have direct benefit to CEDC or a low-income owned venture.

(4) Continue to develop information (cost accounting data) and plan for the selective charging for services to ventures with the ability to pay. (This project was covered extensively in the May 1975 refunding proposal pages 110 to 117).

(5) By mid-1977 to have 50 percent of all venture capital invested in equity positions; by mid-1978 to have 75 percent of all venture capital invested in equity positions.

(6) To increase CEDC interest charges on loans from 4½ to 7½ percent on October 1, 1976.

(7) To review all new venture development activities and determine if a venture shall repay CEDC for consultants and professional fees paid for by CEDC. (Such payments to CEDC would be contingent on the venture being able to secure financing as a direct result of CEDC assistance.)

(8) To seek refinancing of selected ventures by other traditional financial institutions thereby releasing CEDC funds for new venture development.

(9) To continue to be aware of additional sources of funds for rural economic development, and to aggressively pursue the securing of federal, state, and private funds for corporate and venture programs.

Estimated Cost and Sources of Funds

Cost: $17 million (venture and administration). See CSA budget forms 325 and 325a.

Sources: Community Service Administration.

4. Internal Administration

Introduction

a. Overview

It is a generally recognized axiom that the key to any successful business is directly dependent on the quality of management and the attitude, knowledge, and skills of staff.

This concept is as valid for a nonprofit corporation (CEDC) as it is for the top ten U.S. corporations. CEDC, like any business, functions on the basis of a written set of goals and objectives. CEDC management develops programs based on these objectives, follows a framework of policies formulated by the board (and CSA), designs a budget, hires staff, and reports back to the board. This is the procedure CEDC has followed since 1968.

b. Management Function

CEDC, since its incorporation, has been managed by a succession of four individuals:

1968 - 1970	Harold Wolff, Executive Director
1970 - 1972	Joseph E. Smith, Executive Director
1972 - 1973	Ronald Haines, President
1973 - Present	Jerry H. Nelson, President

The president is employed by the board and receives authority from the board to hire a staff. The main function of the president is to advise the board on all matters relating to the corporation and to carry out the directive and policy of the board (providing it is in agreement with CEDC by-laws and CSA grant conditions.)

During the last two years, the relationship of the board to the staff has seen a very positive change. The board, once a "rubber stamp" of staff action, has now gained most of the knowledge and skills needed to set policy, goals, and objectives. Consequently the management of CEDC has been able to develop and follow a realistic budget, and move away from "management by crisis" to a more orderly and planned day to day administrative program.

c. Organizational Structure

The board is responsible for the organizational structure of the corporation. During the 1976-1978 refunding period the corporation will expand the department structure of CEDC. This expansion has already started during the present grant period.

In the past, CEDC has been organized into four departments: executive, administration, development, and operations. On March 2, 1976, in response to a previous board recommendations, the president created a fisheries department.

The fisheries department was charged with the responsibility of developing and supporting all CEDC assisted fishery ventures. This includes plant and facility planning, processing techniques, production methods, marketing and feasibility studies. The department is currently staffed by a department director, three fishery specialists, and a business development specialist. The refunding proposal is requesting additional administrative funds to add a marketing specialist and a secretary to this department. If this department is successful it will then spin off after 1978 into a CEDC owned venture and charge a fee for marketing services.

Within the department of operations is the CEDC expediting service. This service provides a central point of contact between CEDC assisted rural stores and Anchorage and Seattle wholesale warehouses. The expediting service, in addition to handling grocery orders from the co-op stores, also is the second largest distributor in Alaska of Johnson outboard motors. The total purchase volume that passes through expediting averages $100,000 a month. This figure temporarily increased to $250,000 a month due to the Golovin and Elim Fish marketing co-op's purchase of supplies and equipment through the expediting service in April and May. The refunding proposal is requesting one additional expediting assistant position.

In October 1976, the expediting service will be transferred from a division within operations to full department status with the expediting manager reporting directly to the president.

Cost accounting data is also being collected on the expediting service. During 1976-1978 a plan will be implemented charging a percentage fee for the service to ventures with the ability to pay. If expediting remains successful it also will spin off as a venture owned by CEDC by the end of 1978.

d. Program Administration

Personnel

During the present grant period, CEDC has experienced a high percentage of staff turnover. Fifteen people left CEDC from November 1975 to April 1976.

The major problem has been CEDC's inability to keep pace with Alaska's cost of living, the salaries and benefits offered by oil companies, state and federal agencies. For example, a member of the CEDC staff can transfer to the State of Alaska for an automatic salary increase from 12 to 30 percent.

The cost of living over the last ten years in Alaska has increased an average of 60 percent with many specific items such as housing increasing over 100 percent. According to the U.S. Labor Department Cost of Living Index of Jaunary 1976, the cost in PERCENTAGE TERMS, with 1967 as the base year, was essentially no different from any west coast city. However, in 1967, according to the Review of Business and Economic Corditions, University of Alaska, September, 1970, the cost of living in Anchorage as compared to Seattle was 40 percent higher. Thus an increase of 60 units in the cost of living index is, in actuality, an increase from $1.00 in 1967 to $2.24 today.

Pipeline related companies have had a profound impact on salaries and available personnel by offering extremely high salaries and employing many people. These companies have further compounded problems by accelerating the cost of living. This influence is expected to continue with future petroleum development.

The State of Alaska, federal agencies and private companies have kept pace with pipeline salaries and benefits. The State of Alaska employees have a strong union which has instituted automatic cost of living increases, merit increases, pension plan, and other fringe benefits. Federal employees have a 25 percent, tax free cost of living allowance over base salaries. Some regional and village corporation provide housing to its employees as another benefit.

Many problems are created by the turnover at CEDC. The process of 'filling in' until replacements are found causes hardships on remaining personnel. Without adequate manpower, project development can easily require double the amount of time required to complete projects. Or, work such as financial statements are not completed. As a result, ventures become unstable and lose confidence in CEDC.

In terms of dollars and cents, CEDC must spend $2,500 for ads, interviews, testing and training for each position to be filled. Over the past funding period, this represents $37,500 in expenses and staff time. This figure represents a minimun as other costs are incurred in terms of loss of venture sales, increased venture development costs, et cetera.

As CEDC gets further and further behind the salary structure, its future development potential and impact is severely threatened. Recognizing staff importance, CEDC is recommending a number of salary and benefit changes. In terms of salary, CEDC is recommending the adoption of the State of Alaska schedule, including cost of living and merit step increases. Benefits would be expanded to include a retirement plan and educational expenses, in addition to the already existing annual/sick leave and insurance coverage.

Salaries would be automatically increased to reflect State of Alaska wages for comparable positions, effective upon refunding. The salary policies would include a five percent merit increase at the end of the 90 day probationary period when and if the person becomes a permanent employee. Employees that earn $12,500 or less will receive a merit salary review every six months from their date of hire. Employees that earn more than $12,500 would receive a merit salary review every twelve months from their date of hire. All employees will receive, after completion of their probationary period, a cost of living increase to be computed semi-annually on June 30 and December 31 to be effective on July 1 and January 1. The cost of living shall be based point for point on the Anchorage cost of living index as determined by the State Department of Labor.

Fringe benefits would include the existing annual/sick leave three weeks accumulated for the first two years of employment; four weeks accummulated after the second year), life insurance, and medical coverage. A retirement plan would be instituted based on employee salary and longevity with CEDC. An educational benefit (75 percent of tuition upon completion with a passing grade) would be included to encourage staff development; plus a conference expense (one conference, workshop, or seminar related to the skill area of the professional employees per year) to encourage maintenance of necessary skills.

In addition to a restructing of the CEDC salary and fringe benefit program CEDC will annually review job descriptions, personnel policies, and internal office procedures. An affirmative action plan will be drafted and presented to the board for approval. CEDC also plans to develop an employee handbook that will serve as an orientation and reference document.

Of major concern to management are the physical working conditions provided for employees. CEDC's present office on Northern Lights Boulevard is rented and sub-standard: the roof leaks, carpets are torn, heating in the winter is poor, and the general condition of the building is run down. This has a negative effect on employee productivity and morale. CEDC plans to move to newly constructed office space by the fall of 1976.

CEDC will also continue to pursue the purchase or construction of a CEDC corporate headquarters in the Anchorage area during 1976-1978.

A staff training program on safety will be presented during the 1976-1978 grant period. Not only will office safety be covered, but an emphasis on survival and first aid will be stressed. A majority of CEDC employees must travel across vast wilderness areas during winter when a small careless act (not taking gloves, for example) may prove fatal.

Property

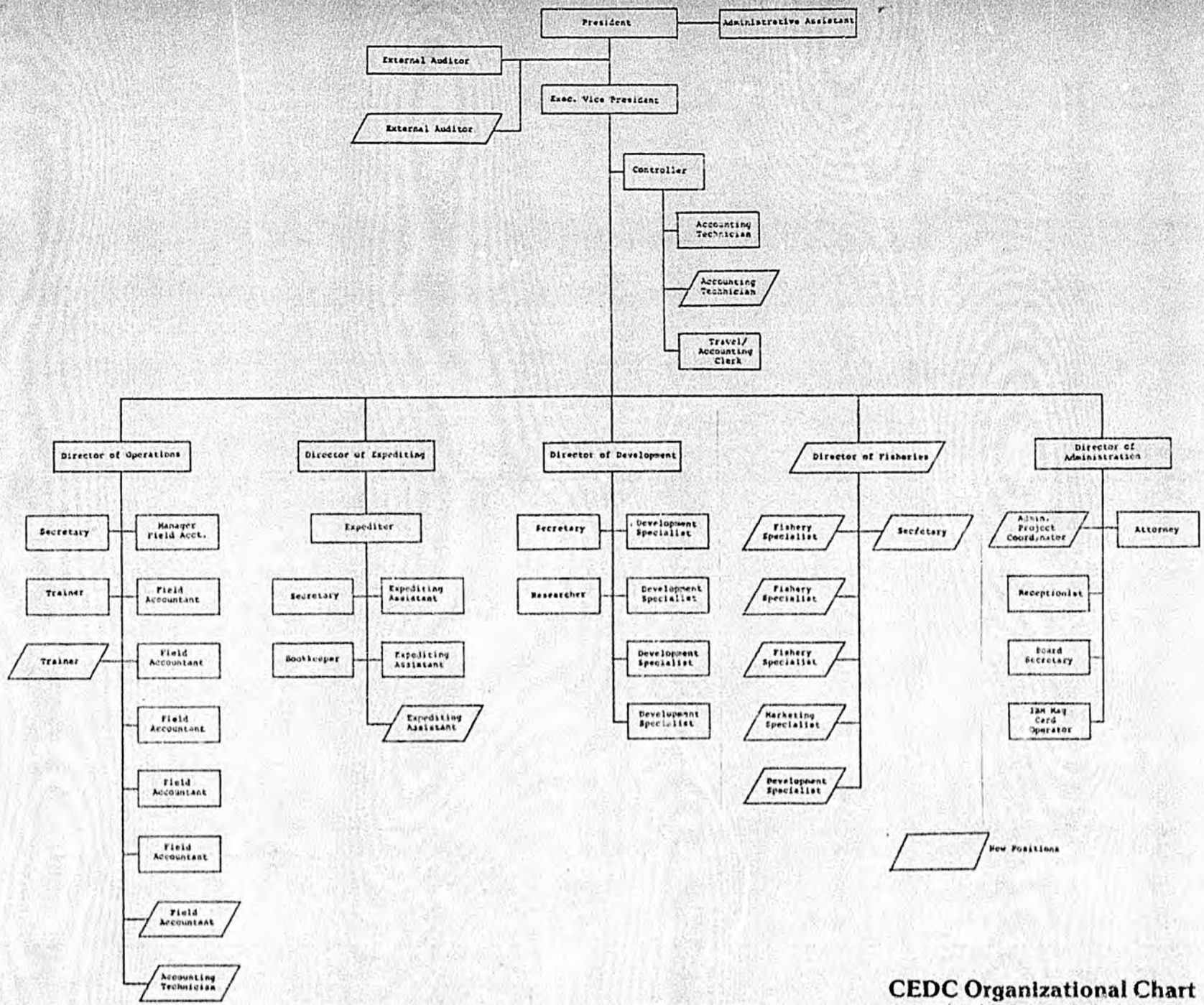
CEDC will seek whenever possible to utilize GSA excess property for the corporation and when requested, for the use of a venture.

Internal Accounting

CEDC's internal accounting section, which is managed by the controller, is responsible for control of the CSA grant, CEDC's administrative budget, monitoring of loan repayments, monthly corporate financial statements, quarterly financial report to CSA, and annual preparation for the audit of CEDC by an outside accounting firm.

During the 1976-1978 grant period, the internal accounting department will review and streamline CEDC internal accounting procedures. This will be done in consultation with the auditor.

Also an extensive search of CEDC grant records from 1968 to the present will be conducted in order to ensure that all administrative and venture capital has been properly accounted for and applied against the proper account.



CEDC Organizational Chart
11/1/76 to 10/30/78

The internal accounting section will also assume the accounting work load generated by the expediting department. The transferring of expediting accounting to internal accounting will provide a check and balance (control) over the flow of cash through that department, and will enable CEDC to keep more detailed cost accounting information on the expediting service.

The current bookkeeping position in expediting will not be eliminated due to the high volume of record keeping still required for the ordering of food, non-food items, and outboard motors.

Legal Services

CEDC will continue to provide legal assistance to developing and existing ventures. A staff attorney will handle the daily legal work load generated by the ventures. Complex or time consuming legal issues will be referred to private law firms.

Clerical Services

Clerical support to the staff will continue to be handled by department secretaries and the IBM mag card operator and leased copying equipment.

CEDC also provides clerical service to the CEDC membership, board of directors, and board committees. This is a full time job and requires a person skilled in taking dictation, typing, research, filing, and the ability to schedule and arrange meetings, plus monitor travel plans. In addition this person writes news releases and other public relations material for the corporation.

Data Processing

CEDC is at a point in its administrative development that demands consideration of alternative systems for storage, computation, and retrieval of information.

CEDC development specialists are engaged in writing development programs that are becoming increasingly more complex, require numerous calculations and pro forma statements that must project financial conditions two to three years in the future.

Field accounting personnel are responsible for completing quarterly financial statements for over 30 ventures. Each statement must also contain a ratio analysis and comparison with past reporting periods.

Expediting personnel purchase over $100,000 worth of inventory each month for approximately 20 stores and maintain records on over 200 Johnson outboard motors.

Internal accounting must monitor the monthly loan repayment schedule for 33 ventures with an outstanding balance of over $1,500,000.

The travel section of internal accounting makes all travel arrangements for the CEDC staff, membership, board, and committees. This averages out to 100 individual trips a month using commercial and private air transportation.

During 1976-1978 CEDC will review these functions and prepare a function/cost/benefit study aimed at determining what function would be more appropriate for data processing equipment.

Administrative Budget

The drafting of an administrative budget is always a difficult task. This is especially true when the funds requested represent hard earned tax dollars during a period of high unemployment and economic instability. CEDC would like to say the administrative budget will be less than the last refunding period. Unfortunately, this is not true. CEDC is requesting an administrative budget that is two and a half times more than the budget received in May 1975.

There are many factors that contribute to the need to increase CEDC's administrative funds: the cost of all goods and services have increased rapidly during the last refunding period; and the previous budget was for 18 months, while the requested budget is for 24 months. CEDC also needs to increase staff and provide a new salary and fringe benefit program.

The following is a brief review of the administrative budget.

(1) Salaries $2,128,352

This represents a 24 month period, an increase in the staff and an adjustment of salaries to bring them to competitive levels with state salaries. The salaries detailed on CSA form 325a are the minimum comparable state salary levels with a $2,500 increase for the second year. This increase represents the amount of funds needed to provide for the merit and cost of living increases discussed in this section.

The new positions are:

fishery department staff (6 positions)
1 trainer
2 accounting technicians
1 administrative project coordinator
1 expediting assistant
1 external auditor
1 field accountant

(2) Fringe Benefits $425,323

This represents the same fringe benefits as before, plus the development of a retirement program. The new fringe is an increase of five percent.

(3) Consultants and Contract Services

2 audits of CEDC	$17,000	
legal fees	20,000	
board training	20,000	
fisheries ventures	25,000	
other ventures	72,000	
staff training	10,000	
subtotal consultants		$164,000

(4) Travel $801,091

Travel includes per diem (see budget support sheet Part II for a detailed breakdown of travel).

(5) Space $335,000

At the present time, CEDC is paying 65¢ a square foot. The building is run down and working conditions are unsafe. The current Anchorage market is 85¢ to $1.40 a square foot. CEDC needs approximately 11,000 square feet to house the CEDC staff, a small warehouse and a maintenance room for the warranty work on outboard motors.

(6) Consumable Supplies $51,080

Due to an increase in staff and rising cost of paper, etc.

(7) Lease and purchase of equipment $88,800

Office equipment for additional staff members (desks, chairs, calculators, etc.) and IBM dictation system, Xerox copier, additional truck for expediting and fisheries.

(8) Other

recruitment (newspaper)	$ 3,600
postage	10,800
insurance	25,200
telephone	57,600
staff training (workshops, seminars)	5,000
gas and oil (one car and three trucks)	8,000
truck/auto repair	3,600
office equipment repair	2,400

professional fees	15,000	
NCCED fees	10,000	
publications and memberships	1,500	
miscellaneous	6,000	
subtotal other	$148,700	
Grand Total		$4,420,346

Community Need

Communities need to be assured that their tax dollars are having the maximum benefit possible within the CEDC program.

Ventures have the need for a professional business assistance staff with a complete and available range of business skills.

Staff members have a right and a need for a fair and efficient administration, just compensation and a safe working facility.

Goals

(1) To provide management and administration that is professional and knowledgeable concerning the goals and objectives of the program.

(2) To have a corporate structure that can respond to target area needs.

(3) To spin off department functions into profitable ventures when possible.

(4) To reduce personnel turnover to 30 percent by mid-1977 and 20 percent by mid-1978;

(5) To adopt when practical better methods of processing and utilizing information.

(6) Obtain adequate financing for the administrative support program.

Strategies

(1) Develop detailed milestone charts, work plans and an Overall Economic Development Plan (OEDP).

(2) To provide training to all levels of management and administration personnel.

(3) To seek a contractual relationship between the board and president;

(4) To develop an affirmative action plan, new salary structure, and retirement program.

(5) To annually review CEDC personnel policies, organizational structure, and administrative budget.

(6) To move to better office space and pursue the construction or purchase of a corporate headquarters utilizing interest earned funds and venture capital.

(7) To review office procedures and data processing systems and draft a proposal for board review.

(8) To obtain adequate funds for program administration.

Estimated Cost and Services of Funds

Cost: $4,142,346

Source: Community Service Administration.

5. Institutional Development

Introduction

In accordance with CSA Instruction 6158-1, Special Impact Program Policies and Priorities, Part 6: Institution Building, CEDC allocates a part of the administrative budget and staff time to development of the CEDC corporation as a professional and permanent institution in the state of Alaska. This has not prevented CEDC from also continuing to influence other federal, state, and private organizations to participate in rural economic development.

During the current grant period CEDC assisted ventures have received financial and technical assistance from 18 federal agencies, nine state agencies, and four nonprofit organizations. From January 1975 to June 1976, CEDC has been instrumental in developing $1,556,823 worth of investment capital from government organizations and banks (this is in addition to CEDC venture capital).

CEDC's main emphasis during 1976-1978 will be transferring the refinancing responsibility for existing ventures from CEDC to the traditional financial institutions. This project will require the coordination of all CEDC technical and training resources in order to bring existing ventures to a point of financial stability and profit that will make the refinancing attractive to the banking community.

As CEDC existing ventures establish a positive track record with the banking community CEDC will then encourage the financing of new ventures by banking institutions.

One of the primary institutions that CEDC will continue to support is the Office Economic Development with the Community Service Administration. CEDC's future is dependent on the viability of CSA/OED as an independent agency that can directly respond and provide assistance to the rural Alaskan CDC. An increase of the professional and clerical staff of OED would be very beneficial to CEDC.

Community Needs

Ventures need to be able to obtain normal bank financing, and banks need to be less conservative when reviewing a proposal from a small, isolated rural community.

CEDC needs to have CSA improve its processing time of new venture proposals.

Goals

(1) To refinance five existing ventures through banks or other institutions by 1978.

(2) To obtain initial financing for four small to medium ventures from banks by 1978.

(3) To develop $2 million dollars of outside venture development capital.

(4) To obtain the required ten percent non-federal share.

(5) To receive a written response to venture proposals sent to CSA/OED within four weeks, as opposed to the current eight to sixteen weeks.

Strategies

(1) To bring five ventures to a point of self-sufficiency during 1977.*

(2) To develop four new ventures financing packages that will be acceptable by a bank by the end of 1977.

(3) To continue to work with all federal, state, and private organizations.

(*Note: Self-sufficiency when used by CEDC refers to more than a venture breaking even or making a profit. The term represents all the knowledge, skill, and attitude areas that a business needs in order to be completely independent of government assistance. For example, the ability of a venture manager to discuss (unaided) a loan with a bank loan officer would be a part of self-sufficiency.)

(4) To continue to support such organizations as Rural Alaska Community Action Program, Alaska Federation of Natives, Alaska Native Foundation, Rural Development Council, and Alaska Native Claims Settlement Act regional corporations.

(5) To visit CSA once each quarter in order to keep CSA informed of the progress that CEDC is making and to speed up the review process of CEDC venture proposals.

(6) To continue to have business community representatives on CEDC membership and the board.

Cost and Sources of Funds

Cost: See CSA for 325 and 325a for travel budget to CSA, Washington, D.C. and visit to regional corporations. Other costs are a part of the normal day to day administrative budget, i.e., phone, postage, staff time, etc.

Source: Community Services Administration

B. VENTURE DEVELOPMENT PROGRAM

Introduction

CEDC is requesting $13 million in venture capital for the period October 1, 1976 to September 30, 1978. The major emphasis of CEDC's venture development program is again the financing of new rural businesses, and $11.5 million has been allocated for this purpose. CEDC is also recommending $1.5 million to fund programs designed to meet the financing needs of CEDC assisted ventures and to move them toward more automony from CEDC.

Various policy changes have been determined for the next funding period. One major change is the increase in interest rate of CEDC loans from 4 1/2 to 7 1/2 percent. Another modification is the movement toward more equity positions in CEDC assisted ventures in the future. CEDC will also consider, on a project by project basis, the charge back of consulting fees utilized in the development of new ventures.

The increase in funding is also necessitated by the unavailability of money from other sources. Alaska has always been a capital poor state due to its low population and limited economic base. It has had to attract money from outside the state. Its need for funds, however, is tremendous, due to the large development projects and high cost of operation in Alaska.

Rural areas of Alaska have an aggravated lack of capital situation. Because of the extremely high risk nature of rural businesses, inaccessibility of the collateral, and limited management expertise, commercial banks rarely provide funds to rural businesses. With the state usury law which restricts interest rates, banks also require extensive compensating balances to offset the added risk of rural businesses.

As a consequence, there is great demand for available special programs for small businesses. Small Business Administration (SBA) has limited funds for its Loan Guarantee Program and its Economic Opportunity Program. These funds are quickly allocated at the beginning of each fiscal year. Likewise, Economic Development Administration (EDA) funds are already allocated for the next two year funding cycle.

Over the past grant period, CEDC has received an increase in the number of sound business requests from groups eligible for assistance. From January 1975 to May 1976, CEDC received over 50 requests for assistance in developing various types of businesses. If CEDC had the necessary staff and financing capability to respond to those applicants within CEDC's priority areas, venture capital requirements would have been about $10 million in additional funds.

Due to the necessity to use a majority of CEDC funds in financing fishing ventures, $4 million would have been allocated for the development of four fishing ventures. Assuming an 80 percent financing requirement, $700,000 would have covered ten retail requests. Office building complexes would have required $2 million, assuming a leverage base from CEDC funding of one-third of the total financing requirements. With a 50 percent leverage base, CEDC would have utilized $3 million for lodge requests. Bulk fuel projects would have consumed $250,000 in venture capital.

CEDC anticipates an increase in the number of requests for business assistance in the next two years. Alaska Native Claims Settlement Act (ANCSA) regional and village corporations have begun planning the development of their resources. Most of these corporations do not have the expertise or the resources needed for acquiring professional assistance to analyze business possibilities, obtain financing, or operate a business.

The following is a description of CEDC's venture development program. Part one deals with the general policy changes that have been adopted by CEDC. Part two covers the major priority areas of the new venture development programs. Part three details the programs available to CEDC member ventures.

1. Venture Development Policy Changes

CEDC has begun to effect changes designed to move the corporation more toward its long range goal of self-sufficiency from CSA. The policies discussed below represent changes substantially different from past practices. Each represents a way by which CEDC will be more effectively utilizing its limited resources.

One major change is the increase in CEDC loan interest rate from 4½ to 7½ percent, compounded simple. When CEDC was first established, interest rates were set at 4½ percent to be comparable with other funding sources such as Farmer's Home Administration (FHA) and SBA. Although their rates fluctuated, CEDC interest rates remained at that level. Now with the great disparity that exists and the need to return more money to the corporation, CEDC will increase its interest rates to 7½ percent, effective October 1, 1976. This rate will apply to all CEDC loan programs.

Effective October 1976, CEDC will concentrate more on equity financing than in the past. Equity financing will be utilized with high risk, high return projects. This will enable CEDC to reduce the fixed obligations of the venture, thereby increasing the chances of venture survival during its early years of operation. Equity participation will also allow CEDC to realize a greater rate of return on its monies. A great deal of flexibility exists for CEDC in the structuring of its equity participation, depending on venture needs. It could, for example, purchase preferred stock in cases where various loan characteristics are favorable. Each equity investment must return to CEDC its opportunity cost, the minimum standard being interest rates earned on deposit.

On a project by project basis, CEDC will consider the charge back of consulting fees used in the development of new ventures. This will enable more ventures to have the use of these funds for architectural, engineering, and legal fees. Consulting fees will be returned to the consulting budget upon receipt of venture financing. Ventures that will experience undue hardship by payment of consulting fees will obtain a waiver from the CEDC executive committee.

CEDC is also moving away from providing grants for catalytic and social projects, as it did in the past. CEDC, however, still retains the right to provide grants in its new venture development projects from venture capital, revolving fund, or other monies. This option is retained because of unusual circumstances that may cause hardships for the business. One such situation is the installation of water and sewer systems for fishing ventures where available systems are not adequate.

2. New Venture Development

New business venture capital will be allocated among the following industry priorities: fisheries, retail, tourism-real estate, and timber. Venture capital funds will be allocated according to the following schedule:

fisheries (4 small, 1 large project)	$ 7,550,000
retail (6 ventures)	600,000
tourism - real estate (4 projects)	2,000,000
timber (1 - 2 projects)	750,000
other (1 - 2 projects)	560,000
total	$11,460,000

A brief description of each industry component follows.

a. Fisheries

Introduction

The Alaskan commercial fishing industry will continue to be one of the mainstays of the state's economy for years to come. A "renewable resource fund" was established in 1974 which will receive not less than five percent of the receipts paid to the state from mineral (includes oil and gas) lease and rental bonuses. This fund will begin to receive at least $50 million per year beginning in mid-1977 from expected gas and oil development efforts. Large portions of these monies are expected to be spent in commercial fishery enhancement programs.

Expansions in the state operated salmon hatchery program are expected in the near future. Programs to improve salmon spawning maturation areas that have been disrupted by logging activity or by natural causes such as the 1964 earthquake are being developed. The end goal of these programs is to reverse the long term decline in salmon runs that has been occuring for the past 30 years. They represent a very positive effort to expand and improve the renewable resource base of the state.

Commercial fishing is of tremendous importance to many rural Alaskan communities. Many coastal and inland river village residents rely on this industry for the majority of their annual incomes. The residents benefit primarily from the industry through their fishing efforts. Very few benefit from profits generated by processing and marketing activities; these benefits normally are gained by outside investors.

During the past few years, several rural communities have attempted to gain more control over the fishing resources near them. Two years ago, five commercial fishing ventures owned by low-income rural residents were functioning in the communities of Kotzebue, Golovin, Unalakleet, Emmonak, and Bethel. Since that time, two other villages have organized at Elim and Yakutat. Several other communities are organizing to operate similar ventures.

The economic impact of these ventures has been quite significant from increased local employment and increased price levels enjoyed by fishermen for their harvests. Many of the ventures have generated ancillary projects that have created local sanitation, water, fuel, and electrical supplies for both processing facilities and the communities.

CEDC has and will continue to aid rural communities develop fishery-related enterprises which will allow them to obtain a larger share of the $200-$300 million annual wholesale value of this industry's sales.

Community Needs

Rural communities in commercially important areas that wish to engage in processing and marketing ventures require assistance in several areas. They each require extensive technical, financing, marketing, and logistical assistance. CEDC endeavors to provide such assistance whenever possible, but has experienced severe limitations in its ability to provide the large amounts of financing required to construct or modify facilities and provide working capital.

The following table reflects approximate levels of the capital required to construct a small and medium size processing facility in a rural area. The small processing facility would have the ability to generate some 500,000 to 700,000 pounds of frozen salmon products during a typically short run cycle of approximately three months.

The medium size plant would be capable of producing two to three million pounds of fish and shell fish products in an area where both types of fisheries existed.

	SMALL	MEDIUM
Buildings	$400,000	$900,000
Equipment	$400,000	$1,750,000
Working Capital	$200,000	$600,000

The medium size plant will require a significantly larger working capital fund to obtain the large volume of raw products expected.

A small facility can be housed in a structure of approximately 60' X 100' that contains processing, freezing, and packaging areas. This portion of the plant can be expected to cost some $60 per square foot to construct. Also required are auxiliary structural areas to provide office, dock, restroom, shower, gear storage, and clothes drying areas. Approximately 3,500 square feet are required for such areas at costs of

approximately $40 per square foot. The complex refrigeration and power generating equipment necessary to efficiently blast freeze the large quantities of raw product delivered by fishermen during the relatively short salmon runs is quite costly. Some $317,000 have been expended by the Golovin Fish Processing Cooperative for this type of equipment. In addition, other equipment items required to package, handle, weigh, and transport products as well as dispose of processing wastes can easily be expected to cost $80,000 to $90,000.

Much greater expenses are incurred in constructing larger facilities because of the requirements to process other types of products and store larger volumes of packaged goods. The medium size cold storage facility projected will frequently be engaged in processing salmon, crab, and bottom fish simultaneously. Crab processing requires a separate equipment layout because the crab must be kept alive until processed, then frozen and packaged immediately after a cooking cycle. Normally, this size facility must service larger vessels than does a small plant, and significantly more dock space is required.

The working capital required for these plants provides the funds necessary to purchase the supplies required for processing each year, such as fuel, boxes, liners, sanitation materials, tools, knives, stones, steels, and protective clothing articles for employees. It also includes funds for gear and commissary items required by fishermen and their families during the fishing season. Working capital is also required to obtain raw products for processing. Experience with the rural plants at Golovin and Elim in Norton Sound reveals that annual capital requirements will average $232,000 for Golovin and $189,000 for Elim. These amounts will be required to fund the following expenses:

	GOLOVIN	ELIM
Labor	$ 47,000	$ 44,000
Boxes	8,000	3,000
Fuel	34,000	12,000
Plant Supplies	3,000	3,000
Licenses & Taxes	3,000	2,000
Fish Purchases	72,000	65,000
Commissary Items	65,000	60,000
Total	$232,000	$189,000

Funding institutions of all types view new fishing ventures in rural communities as extremely high risk endeavors. For this reason, CEDC has found it necessary to act as the primary lending source for the fishing ventures it has assisted.

Rural commercial fishing ventures have a need for marketing and transportation assistance to permit them to realize maximum profits from their products. Both services are costly to obtain. Regularly scheduled means of transportation are usually unavailable to rural communities and as a result, ventures experience high costs for transportation services and/or the untimely receipt of goods and merchandise. High cost "bare-boat" or air carrier charters are frequently required to meet their needs.

CEDC intends to complete a study during the intial months of this grant period that will provide the information required to consumate the purchase of a vessel that can be operated to satisfy the transportation needs of rural fishing ventures. The vessel will be capable to carrying fuel and cargo from the Seattle, Washington area to ventures located as far north as Kotzebue, and be configured to provide transportation of frozen fish products produced by the ventures back to the Seattle area for sale.

Marketing services available for commercial fishing ventures are costly to employ. Typical brokerage sales service fees are five percent of sales in addition to all handling charges. Brokering sales normally results in high sales prices, but also results in lengthly delays between the production of products and cash receipts from sales.

CEDC intends to provide these services in a manner that will provide an expense savings to ventures assisted and sufficient income to the corporation to offset all operating and maintenance expenses. Preliminary evaluations of this proposal indicate that if such services are provided to Golovin next year, the cooperative should realize a savings in product transportation expense of some two to five cents per pound shipped to the Seattle area.

The board of directors has directed that the staff provide marketing services to the fishing ventures assisted. Toward that end, a marketing specialist will be employed and a marketing plan developed that will best meet the needs of the customers of these ventures. Customers will be identified, their needs cataloged, and the information will be provided to ventures in order that the needs may be met. Initially, the marketing service will be brokerage oriented and will attempt to bring buyers and sellers together for mutual benefit. It is CEDC's intention to permit ventures to generate a higher profit and receive from them income sufficient to defray the costs of providing the service.

In summary, communities desiring to operate their own fish processing facilities require large infusions of high risk capital, technical assistance, marketing, and transportation services. CEDC will endeavor to aid rural communities develop their fishing resources by providing for all of the above needs because of the very positive economic and social impacts that accrue from such assistance.

Goals

(1) To provide a complete range of financial and technical assistance to new or developing fishing ventures.

(2) To aid four small commercial fishing ventures through the development, construction, and initial operation phases.

(3) To aid one medium (or larger) size venture through the development and construction phases.

(4) To aid all existing fishery ventures become more self-sufficient by providing extensive technical assistance and training during this grant period.

(5) To develop the ability to provide surface transportation and marketing services to fishery ventures at significantly lower costs than they currently experience.

Strategies

(1) To provide new ventures with adequate financing through combinations of equity investments, long-term, and short-term loans.

(2) To obtain refinancing assistance from other financial sources for ventures that have proven to be properly managed and operate in a solvent manner.

(3) To provide adequate technical assistance to enable ventures to operate successfully.

(4) To provide adequate surface transportation services using a CEDC-owned vessel.

(5) To provide marketing services to ventures at a lesser rate than normally experienced.

Estimated Costs and Sources of Funds

(1)	Facility construction (4 small size)	$3,200,000
(2)	Facility construction (one medium size)	2,650,000
(3)	Working capital for above	1,400,000
(4)	Vessel for transportation service	500,000
		$7,550,000

CEDC has experienced a great reluctance on the part of federal and commercial agencies to participate in the financing of new commercial fishing ventures in rural areas. Concerted efforts to obtain funds from other sources for the Golovin and Elim Fish Processing Cooperative projects currently under construction, generated less than one-tenth of CEDC's contribution. This limited participation rate is expected to prevail during this funding period. However, efforts to obtain assistance from other funding sources as required to aid ventures initially or expand their scopes of operation will continue. CEDC will also attempt to cultivate the interest of commercial lenders in refinancing ventures that have proven to be competently managed and profitable. Such refinancing efforts could return substantial portions of CEDC's venture capital contributions for use in the new enterprise development.

As other funding institutions have the ability to witness successful results from CEDC's efforts to aid new fishery ventures, they are expected to begin to participate at greater expenditure levels. One commercial lender has expressed a strong interest in providing refinancing assistance for ventures that have demonstrated ability to operate profitably. CEDC does not expect any groups currently being assisted to be in such a position until the end of this grant period.

For this grant period, the primary source of funds will be the Community Services Administration.

b. Retail Venture

Introduction

Many villages in rural Alaska do not have retail stores and more have inadequate ventures with poor merchandise selection, no services, excessive prices, et cetera. And without an outlet for necessary supplies, population and economic growth do not occur. Retail businesses also result in savings for rural residents, allowing more funds for other necessities.

CEDC has recognized this relationship and has fostered retail development since 1968. Early retail projects were very basic. With minimal funds, stores were established in available village structures, with little equipment, inventory, and working capital. Some training was given in board functions, basic bookkeeping, and business management.

To better respond to the supply needs of these ventures, CEDC assisted in the development of a wholesale business in 1972. Due to a myriad of problems, the venture failed. An expediting division within CEDC was formed to fulfill the purchasing and expediting needs of CEDC assisted retail ventures. The expediting division expanded its services to include suggested retail prices in order to maintain adequate operating margins. An expediter was hired to assist the consumer stores with proper display of goods, product introduction, and ordering techniques. The division also expanded its product line from groceries to include hardware, outboard motors, snowmachines, tools, and other products.

Community Needs

Those communities that request retail store development assistance usually do not have the capability of evaluating whether their business idea is feasible for obtaining financing and maintaining the business once operational. Presently CEDC provides all of these services at no cost, though a nominal cost to the applicant may be instituted.

Although only three out of 18 retail ventures have failed since 1968, these consumer outlets have not operated at their full capacity. The sales volume can be increased substantially in each venture by improving ordering skills, product introduction, and promotion. Much improvement can be made in general bookkeeping and managerial skills.

Retail ventures recognize these areas for improvement and have requested more technical assistance from CEDC. They realize that their skills in board function, bookkeeping, and business management must improve if they are to become more autonomous from CEDC.

In addition, CEDC recognizes its obligations to these ventures. CEDC will continue to provide technical assistance to these businesses. To introduce more self-monitoring by the ventures, CEDC will institute a monthly income statement system maintained by venture managers; this will also enable CEDC to more effectively monitor the ventures. CEDC will reevaluate the financing needs of each venture during the next grant period. Whenever possible, CEDC will obtain commercial loans for these ventures to develop their credit track record. Otherwise, CEDC will finance venture needs with one of its funding programs.

Although CEDC has an emergency short term loan program, this fund does not adequately fill the needs of existing CEDC assisted ventures. A business may require $30,000 for building materials or inventory which exceeds the short term limit of $15,000. While a venture has a reliable history of loan repayments, it may not have the ability to repay a loan in six months without depleting its inventory or cash. The long term financing available through CEDC may also be unsuitable, due to the critical timing needs of CEDC assisted ventures; therefore, CEDC is pursuing the establishment of an intermediary loan revolving fund. (See Section 3.)

CEDC has always wanted to provide mechanisms by which it could enable its ventures to become more autonomous. To do so, CEDC is recommending the institution of a loan guarantee program for CEDC member ventures. A loan guarantee program will enable ventures to establish credit track records with commercial lending institutions. After a member venture has participated in this program, it will hopefully be able to obtain loans on its own merit. (See Section 3.)

Goals

(1) Develop three new retail ventures each year for the next two years;

(2) Provide technical assistance to these ventures from the development stage through the operational stage;

(3) Provide formal bookkeeping training sessions to CEDC assisted ventures, with positions open to interested village and regional corporations;

(4) Provide formal management/retail training to CEDC assisted ventures, with attendance open to interested village and regional corporations;

(5) Refinance existing ventures with CEDC and other financing sources, as needed;

(6) Institute the use of venture budgets on the village level, with village ventures assuming more self-monitoring responsibility.

Strategy

(1) Development department will develop three retail requests annually as received;

(2) Operations and expediting will provide technical assistance to these ventures as they are developed;

(3) Hold annual bookkeeping training sessions in Anchorage in April for CEDC assisted ventures and interested village or regional corporations; funds from other agencies will be coordinated by CEDC;

(4) Retail store managers will be brought into Anchorage in groups of four or five to receive specialized management/retail training in October; funds from other agencies will be sought by CEDC;

(5) CEDC will introduce the use of budgets and monthly income statements to five ventures during the first year of the upcoming grant period; an additional five will be added during the second year.

Costs and Resources Required

(1) Approximately three to six months are required to develop one retail venture. Investment costs for a small store are about $70,000; a large store can exceed $1.5 million. Development costs fall in the $5,000 to $15,000 range which includes salaries, legal fees, travel, and per diem, architectural and other costs. CEDC will provide these funds, though consulting fees may be repaid by the venture at the discretion of the CEDC board of directors on a project by project basis, upon disbursement of funds to the venture.

(2) Operations department will concentrate its efforts on providing the bookkeeping and managerial foundation to the new venture during its first year of operation. Expediting will provide two weeks of retail management training at the venture site during its set-up phase. CEDC administrative funds will cover travel and salaries involved.

(3) Travel and per diem for participating bookkeepers will be approximately $11,000 for two years. This will be assumed by CEDC if no other agency participates in the funding. Training personnel will be sought by the University of Alaska and other sources.

(4) Travel and per diem for participating retail managers will be about $13,000 for two years. This cost will be covered by CEDC if no other agency participates in the funding. Training personnel will be provided by operations and expediting.

(5) Development and operations staff will reevaluate CEDC assisted ventures for refinancing, seek outside financing, and make arrangements with the village. Costs will be assumed by the CEDC administrative budget.

(6) Budget and monthly income statement training will be conducted by operations' personnel. Costs for implementing this program will be included in the CEDC administrative budget.

c. Tourism - Real Estate

Introduction

Alaska has always had a magnetic appeal for tourists due to its natural beauty, history, and challenge. According to the Alaska State Division of Economic Enterprise, 215,000 tourists spent approximately $72 million in Alaska during 1975. Tourists stay an average of 13 days in Alaska, spending $360 each. These figures are expected to double by 1980. Future investment opportunities are excellent, especially for year round facilities.

In addition, with regional population growth and business development, real estate development in rural Alaska is becoming an increasingly recognized need with excellent investment potential, as property values appreciate more rapidly than in the past. Housing needs, especially apartment and transient facilities, have increased appreciably with little accommodation thus far, especially in regional centers where population has grown substantially. Lodge requests to CEDC have increased due to their natural local development, investment potential and labor intensity.

Community Needs

Most villages, while they have the scenic beauty, tradition, and other attractions, do not have the financial and technical background required to develop their local resources. Village residents do not have the experience to determine what type of facility can best fulfill their needs, nor to develop plans for construction, financing, and operation. CEDC has these services available at no cost, or nominal cost to the applicant.

Tourism facilities provide many jobs to local people. Local people can be employed during the construction phase of the project. Many people can be employed to operate the facility and in its maintenance and service to patrons. Secondary employment can also be realized by other local residents to fulfill needs not provided by the tourist facility; a local laundry can cater to tourists, for example.

Goals

(1) Assist four villages with tourism-real estate projects over the next two years;

(2) Leverage CEDC funds with other sources as much as possible.

Strategy

(1) Development department will respond to tourism-real estate requests as they are received.

(2) Development department will pursue outside sources of funds from all agencies with assistance monies available.

Costs and Sources of Funds

(1) Two million dollars in venture capital is required for tourism-real estate development projects. A small lodge project, such as the Raven-Beaver lodge in Angoon, requires a minimum of $250,000 in initial funds. A large lodge or apartment project such as the Ahtna lodge in Glenallen can exceed $1.5 million in funds. CEDC will make every attempt to utilize its funds as seed capital to attract other funds.

(2) Development department will require two staff persons' efforts to evaluate projects, obtain financing, and establish ventures. These costs will be assumed by CEDC. Some consulting money will be required to develop these projects; venture pay back of these fees will be considered by the CEDC board of directors on a project by project basis.

d. Timber

Introduction

Within Alaska, there are 28.2 million acres of commercial timber resource (capable of producing 20 cubic feet of industrial wood per acre annually); 13.2 million board feet is in coastal areas. In 1973, 685 million board feet of timber was harvested, according to the Alaska State Division of Economic Enterprise. End product value of cants and wood pulp exceeded $134 million. More than 3,000 persons with earnings of $52 million annually are employed in the Alaska timber industry.

Ownership and developmental plans are being formulated by the State of Alaska and ANSCA corporations. Comprehensive environmental impact analyses are being concluded. Extensive timber development may occur in Southeast, Kodiak Island, Cook Inlet, Tanana, Yukon and Kuskokwim Rivers, and other interior locations.

Community Needs

The needs of each area differ with the resource, accessibility, market and other factors. Areas such as Southeast, Kodiak Island and Cook Inlet have high yield, high quality timber stands that are relatively accessible. These resources are available for extensive development for the pulp mills or cant market. Interior and western stands are less accessible, smaller, and of lower quality and yield.

Any substantial industrial timber development in Alaska must be tied to the export market. In 1962, the average per capita consumption of wood was 200 board feet. One modern, efficient sawmill would fulfill all of Alaska's needs. Timber developers must cope with the problems of a small, local market or competition with lower '48 suppliers.

Many other problems complicate timber development. High production and marketing costs exist. Transportation problems of bringing in equipment and supplies, logging and transport of the product to market areas must be resolved. Current information on available resources must be increased. Other reasons for high venture failure in this industry include poor management, lack of experience, and undercapitalization.

The potential returns from timber related businesses are many. Since timber is a renewable resource, it is a lasting economic base. Some ANCSA corporations own land with extensive timber resource; timber development by these groups reverses the trend for outside groups to benefit solely from its exploitation. Being a labor intensive industry, many people are employed in all phases of its production. Local development of the timber resource can also reduce the high cost of construction.

Because of these inherent difficulties and the great need for capital and specialized expertise, CEDC will work closely with the Alaska State Division of Lands, State Forester, and the U.S. Forestry Service in evaluating CEDC's role in Alaska timber development.

Goals

(1) Evaluate CEDC's role in rural Alaska timber development by the end of the first year under the 1976 - 1978 grant period;

(2) Assist in one or two rural timber development projects eligible for CEDC assistance.

Strategy

(1) Work with the Alaska State Division of Lands, State Forester and the U.S. Forestry Service in evaluating CEDC's role in timber development by utilizing a project as the basis for evaluation;

(2) Utilize CEDC venture capital in the development of one or two timber related projects, if feasible.

Costs and Sources of Funds

(1) One development specialist's time can be utilized in the evaluation of CEDC's involvement within the timber industry. This will be assumed by CEDC.

(2) Costs of timber development projects can vary greatly. One small sawmill project (including a portable sawmill, minimal logging and transportation equipment) can represent a $300,000 investment. More extensive operations can easily run into the millions of dollars. While some CEDC monies can be utilized extensively for small projects, larger projects will require joint ventures or the use of CEDC monies as seed capital. Timber ventures will require professional management to oversee the operations. Operations department will provide accounting training where necessary, and monitor the operation.

e. Other Projects

Introduction and Community Needs

CEDC has reserved $560,000 in venture capital funds for "other" projects. Primarily this category is intended to cover those projects that are of positive benefit to the communities eligible for CEDC assistance, but do not fall in the priority areas discussed thus far. These projects in the past have included bulk fuel, construction, credit unions, air charter services, and other industry areas. Another possible use of these funds is the purchase of an office building by CEDC. Without this category of funds, these projects may not be accommodated due to the limited venture capital funds.

Goals

Develop one to four "other" projects over the next two years.

Strategy

Development will respond to these "other" applicants as the requests are received.

Costs and Sources of Funds

Developmental and investment costs can vary greatly depending on the type of project. For example, a bulk fuel project can cost $50,000 while construction firm bonding can run to $200,000; or a building down payment might be $500,000. CEDC will utilize its funds as seed capital, and will leverage as much funding from other sources as possible. Developmental costs will be borne by CEDC administrative monies, though consulting fees may be reimbursed upon the discretion of the CEDC board of directors.

3. Existing Venture Development

During the 1975 fiscal year, one-half of CEDC assisted ventures lost money. This was primarily due to the fact that ventures were not closely monitored and problems were not addressed quickly, due to the shortage of CEDC personnel. Some businesses were underfinanced from their inception and have experienced difficulties throughout their life. Others encountered unusual problems during the year. Still others require funds for the expansion of physical plant, equipment, and inventory.

CEDC's goal for existing ventures over the next two years is the reevaluation of venture viability, refinancing and the movement toward autonomy from CEDC. Included in this effort is a greater level of bookkeeping and management training. Financing will be the vehicle to enable ventures to realize their full potential.

A variety of CEDC funding programs are available to CEDC member ventures. Each financing program has been formulated to fulfill different venture needs. Some are more suited to long term needs such as physical plant construction, while others are designed for seasonal working capital needs. Each program, therefore, has its own criteria for eligibility, procedures, terms and conditions.

CEDC is recommending the funding of the following programs for existing CEDC ventures.

Short Term Revolving Fund	90,000
Intermediary Revolving Loan Fund	200,000
Fisheries Revolving Loan Fund	750,000
Loan Guarantee Program	500,000
	$1,540,000

A description of these programs follows.

a. Short Term Revolving Fund

(1) Recipient

The short term revolving fund is available to all members in good standing with CEDC.

(2) Total Fund

The total fund will be obtained from the CEDC venture capital in the amount of $90,000 each year.

Any interest earned on these funds will be returned to the CEDC revolving fund.

(3) Term

Each venture will be able to obtain no more than $15,000, with a term not to exceed six months at 7½ percent simple interest.

The $15,000 limit has been imposed because of the difficulty in repaying a larger loan without depleting the cash or inventory of the venture.

(4) Procedures

Requests for short term loans will be made by the venture to the CEDC president. If he feels that a request merits further consideration, he will instruct the CEDC staff finance committee to evaluate the venture's need and ability to pay back the loan and to establish a strict budget that the venture must follow during the term of the loan. The staff recommendation will be given to the CEDC president who will make a decision considering the data but independent of the staff committee.

If the decision is positive, the loan will be issued with standard legal documentation attaching the venture's assets as collateral. If the decision is not favorable, the request will be rejected. A report of the proceedings will be made by the president to the grant and loan review committee. CSA will be notified when copies of the loan documents are forwarded to them. The venture will be monitored closely during the life of the loan.

(5) CEDC Staff Finance Committee

The CEDC staff finance committee will be composed of the executive vice president (chairperson), director of operations, director of development, manager of field accounting, controller, and president who serves as an ex-officio member. The CEDC executive committee treasurer will also serve on the staff finance committee.

These committee members will ensure that an objective analysis of the venture's need and ability to pay back a loan is completed. The committee will take into consideration such factors as the business' history of loan payments, current operations, and projected sales volume. With these facts, the committee will establish a rigid budget for the venture to follow during the term of the loan.

(6) Loan Documentation

Loan documentation will include the CEDC staff finance committee findings and the standard legal documents.

Staff findings will include, but are not limited to, an evaluation of the venture's actual need, ability to pay back a loan, and a budget that the venture must follow during the term of the loan.

Legal documentation will include a promissory note, loan and security agreement, and a management contract if one is not already in effect. Venture assets will be attached as collateral for the loan.

(7) CEDC Recourse

CEDC will reserve the right to retain a manager, at the venture's expense, if the manager does not follow terms of the loan documents and budget.

Any controversies or claims arising out of or relating to this agreement will be settled in arbitration in Anchorage in accordance with the rules of the American Arbitration Association and judgment upon award rendered will be entered in any court having jurisdiction.

b. Intermediary Revolving Loan Fund

(1) Recipient

The intermediary revolving loan program will be available to all non-fisheries ventures, including, but not limited to, retail stores, bulk fuel businesses, credit unions, arts and crafts, and other ventures currently members in good standing with CEDC.

(2) Total Fund

The total fund will be obtained initially from CEDC venture capital in the amount of $200,000. This will ensure sufficient capital to respond to the immediate demand for this type of financing by CEDC assisted ventures and future needs of other ventures.

Any interest earned on these funds will be returned to the CEDC revolving fund.

(3) Term

A single venture will not be able to obtain more than $30,000, with a term not to exceed five years at 7 1/2 percent simple interest.

The $30,000 limit has been imposed because loans greater than that amount result in great difficulty in payback, especially when a venture has a substantial long term loan outstanding.

(4) Procedures

Requests for intermediary loans will be made by the ventures to the CEDC president. If he feels that a request merits further consideration, he will instruct the CEDC staff finance committee to evaluate the venture's need and ability to pay back the loan and to establish a strict budget that the venture must follow during the term of the loan. The staff recommendation will be given to the CEDC president who will make a decision considering the data but independent of the staff committee.

If his decision is positive, the loan will be issued with standard legal documentation attaching the venture's assets as collateral. If the president's decision is not favorable, the request will be rejected. A report of the proceedings will be made by the president to the grant and loan review committee. CSA will be notified when copies of the loan documents are forwarded to them. The venture will be monitored closely during the life of the loan.

(5) CEDC Staff Finance Committee

The CEDC staff finance committee will be composed of the executive vice president (chairperson), director of operations, director of development, manager of field accounting, controller, and president who serves as an ex-officio member. The CEDC executive committee treasurer will also serve on the staff finance committee.

These committee members will ensure that an objective analysis is completed on the venture's need and ability to pay back a loan. The committee will take into consideration such factors as the business' history of loan payments, current operations, and projected sales volume. With these facts, the committee will establish a rigid budget for the venture to follow during the term of the loan.

(6) Loan Documentation

Loan documentation will include the CEDC staff finance committee findings and the standard legal documents.

Staff findings will include, but are not limited to, an evaluation of the venture's actual need, ability to pay back a loan, and a budget that the venture must follow during the term of the loan.

Legal documentation will include a promissory note, loan and security agreement, and a management contract if one is not already in effect. Venture assets will be attached as collateral for the loan.

(7) CEDC Recourse

CEDC will reserve the right to retain a manager, at the venture's expense, if the manager does not follow terms of the loan documents and budget.

Any controversies or claims arising out of or relating to this agreement will be settled in arbitration in Anchorage in accordance with the rules of the American Arbitration Association and judgment upon award rendered will be entered in any court having jurisdiction.

c. Fisheries Revolving Loan Program

(1) Recipient

The fisheries revolving loan program will be available to all CEDC assisted fishing ventures, currently members in good standing with CEDC.

(2) Total Fund

The total fisheries revolving loan fund will be established from CEDC's venture capital fund up to $750,000. This amount is necessary because of the extreme working capital requirements of the fisheries.

Any interest earned will be put back into the CEDC revolving fund.

(3) Use of Funds

The funds will be used for, but not limited to, cash flow requirements, equipment breakdown, purchase of additional equipment and supplies, transportation costs, et cetera.

(4) Term

A single fishing enterprise will not be able to obtain more than $250,000, with a term not to exceed six months at 7½ percent simple interest.

(5) Procedures

Requests for monies from the fisheries revolving loan fund will be made by written request and submission of a budget by the venture to the CEDC president. If he feels that the request is warranted, he will instruct the CEDC staff finance committee to evaluate the venture's need and ability to pay back the loan. The staff recommendation will be given to the CEDC president who will make a final decision.

If this decision is positive, the loan will be issued with standard legal documents. The loan will be secured against the venture's product, inventory, equipment, and accounts receivable.

A report of the proceedings will be made by the president to the CEDC grant and loan review committee. CSA will be notified of the transaction when copies of the loan documents are sent to them. CEDC will audit the expenditure of the funds at its discretion during the season and at the end of the term of the loan.

(6) Staff Finance Committee

The CEDC staff finance committee will be composed of the executive vice president (chairperson), director of operations, director of development, manager of field accounting, controller, and president who serves as an ex-officio member. The CEDC executive committee treasurer will also serve on the staff finance committee.

These committee members will ensure that an objective analysis of the venture's need and ability to pay back a loan is completed. The committee will take into consideration such factors as the business' history of loan payments, current operations, and projected sales volume. With these facts, the committee will establish a rigid budget for the venture to follow during the term of the loan.

(7) Loan Documentation

Legal documentation of the loan will include a promissory note, loan and security agreement, and a management contract if one is not already in existence. CEDC will have first lien on business' product, inventory, equipment, and accounts receivable.

(8) CEDC Recourse

In the event of loan default, CEDC will have the right to retain a manager, at cost to the fishery, if terms of the agreement are not followed.

Any controversies or claims arising out of or relating to this agreement will be settled in arbitration in Anchorage in accordance with the rules of the American Arbitration Association and judgment upon award rendered will be entered in any court having jurisdiction.

d. Loan Guarantee Program

(1) Recipients

The loan guarantee program will be available to all ventures currently members in good standing with CEDC.

(2) Total Fund

The total fund will be obtained initially from CEDC venture capital in the amount of $500,000. This will ensure sufficient capital to respond to immediate demand for this type of financing by CEDC assisted ventures.

(3) Term

A venture will not be able to obtain more than $50,000, with a term not to exceed ten years, at those interest rates charged by commercial lending institutions. Loan guarantees will not exceed 90 percent of the total commercial loan.

(4) Procedures

Requests for loan guarantees will be made to the CEDC president. If he feels that a request merits further consideration, he will instruct the CEDC staff finance committee to evaluate the venture's needs and ability to pay back a commercial loan. The staff recommendation will be given to the CEDC president who will make a decision considering the data but independent of the staff committee.

If this decision is positive, the development department will complete a formal financing proposal to be presented to the participating lending institution. If the president's decision is not favorable, the request will be rejected.

A report of the proceedings will be made by the president to the grant and loan review committee. CSA will be notified when copies of the loan documents are forwarded to them. The venture will be monitored closely during the life of the loan.

(5) CEDC Staff Finance Committee

The CEDC staff finance committee will be composed of the executive vice president (chairperson), director of operations, director of development, manager of field accounting, controller and president who serves as an ex-officio member. The CEDC executive committee treasurer will also serve on the staff finance committee.

These committee members will ensure that an objective analysis is completed on the venture's need and ability to pay back a loan. The committee will take into account such factors as the business' history of loan payments, current operations, and projected sales volume. With these facts, the committee will establish a rigid budget for the venture to follow during the term of the loan.

(6) Loan Guarantee Documentation

Loan documentation will conform to the requirements of the commercial lending institutions, in addition to the standard documentation required by CEDC.

CEDC legal documentation will include a promissory note, a loan and security agreement, and a management contract if one is not already in effect.

(7) CEDC Recourse

CEDC will reserve the right to retain a manager, at the venture's expense, if the manager does not follow the terms of the loan documents and budget.

Any controversies or claims arising out of or relating to this agreement will be settled in arbitration in Anchorage in accordance with the rules of the American Arbitration Association and judgment upon award rendered will be entered in any court having jurisdiction.

C. MECHANISMS FOR EVALUATING CEDC'S OVERALL DEVELOPMENT PLAN, ITS COMPONENT PROJECTS AND ACTIVITIES

CEDC's evaluation process is quite complex, utilizing a number of participants, tools and mechanisms. The basic foundation of the evaluation process is a series of checks and balances. Included as participants of this process are the CEDC membership, board of directors, executive committee, and staff; Office of Economic Development (OED) program and business analysts also play major roles. They utilize a number of reporting tools such as audits, special reports, and formal evaluation sessions.

1. Evaluation Participants

a. CEDC Membership

The membership of CEDC is primarily concerned with ensuring that the corporation follows its overall intent and goals established for the period. To do so, it selects a board of directors to review the progress of the corporation and to provide direction to the staff during the course of the year. The membership receives copies of the minutes of each board meeting held during the year. During its annual membership meeting, the body hears reports by the board and staff. Major policy or program decisions are reviewed and acted upon.

b. CEDC Board of Directors

The board of directors is primarily concerned with whether or not the corporation follows its priorities and goals. This body elects nine members to the executive committee to ensure that its directives are followed. The full board reviews and ratifies all actions taken by the executive committee and staff.

c. CEDC Executive Committee

The executive committee is concerned with the management of the corporation. It meets every four to eight weeks with the president of the corporation. The executive committee reviews and determines the specific operations of the corporation. This body reviews the corporation's budget, project progress, and other functions. The executive committee has many tools available to use in assessing CEDC's performance. It can, for example, hire an outsid audit firm, retain legal counsel, or direct the staff to investigate areas of interest. The staff also provides the committee with documents such as feasibility studies, CSA correspondence, status reports, et cetera.

In turn, the executive committee must be evaluated by the full board of directors during its biannual meeting. All actions of of the executive committee are reported to OED to ensure that they are in compliance with the special impact stipulations. The executive committee frequently calls upon legal counsel and the president of CEDC to ensure that these special conditions, laws, and regulations are followed.

d. CEDC Staff

The staff of CEDC is concerned with the proper administration of the program, some evaluation processes, but mostly with providing the necessary information through which the board or OED can make an evaluation of its operations. The staff,

therefore, has developed many tools to be used in the evaluation process. These tools and mechanisms are discussed in greater detail in the following section.

While the direction and goals of the corporation are determined first by the membership, full board, and then the executive committee, the staff reporting system and evaluation process works in reverse. Staff members report to department heads who are responsible to the president. The president reports to the chairperson of the executive committee.

e. Office of Economic Development

Within the Office of Economic Development, the positions of program analyst and business analyst have been formulated to ensure that CEDC follow CSA regulations and procedures. OED personnel receive copies of CEDC monitoring report, budgets, feasibility studies, et cetera. OED personnel also conduct periodic on-site visits to CEDC's office and to various CEDC assisted ventures. A formal evaluation is conducted prior to CEDC refunding.

2. Reporting Tools

a. Internal Control of CEDC

The corporation must comply with all State of Alaska and U.S. federal government laws. In addition, it must meet all of the special conditions and legislation as specified by CSA. The following is a discussion of those policies and procedures designed to protect its assets, regulate corporate activities, and provide guidance to the staff.

CEDC's articles of incorporation and by-laws specify the corporation's purpose and how to conduct its business. These documents are reviewed annually. Any proposed changes are submitted to the CEDC membership at least 30 days prior to the annual membership meeting. Those changes approved by the membership are sent to OED for concurrence.

CEDC bases its administration and operation on an OED approved budget. Attached to this budget are a number of special conditions that regulate expenditures of OED approved administrative and venture capital funds. The approved budget and special conditions form the basis for the public audit of CEDC, OED inspections and CEDC's daily expenditures. The corporation utilizes the standard double entry bookkeeping system for its internal accounting. Vouchers, purchase orders and trip reports are obtained before any expenditures are made to ensure that corporate spending remains within the budgeted amounts. Monthly financial statements are made by CEDC's internal accounting department. These statements are sent to CEDC's executive committee, president, and

department heads. These statements are also summarized on CEDC's monitoring report that is submitted quarterly to OED. Annual audits including inventory of CEDC property, are forwarded to the CEDC membership, president, and to OED via the Region X office in Seattle, Washington.

In addition to these business regulations, the corporation meets all labor laws, health regulations, and other requirements. Because of the large staff, detailed personnel policies have been outlined, based upon state and federal labor laws.

The primary reporting tool utilized by OED is the quarterly monitoring report submitted by CEDC. This report includes OEO form 315 and 315a (budget forms), loan receivable schedule, revolving fund expenditures, consulting monies, and reports from the departments of CEDC regarding their activities and venture status reports. The venture status reports include a brief narrative of the business, loan status, and financial statements.

OED also receives feasibility studies on proposed business ventures that require monies from CEDC's venture capital funds. CEDC also compiles information for OED when making any changes in its operation. CEDC seeks permission to make these changes, and provides justification and back-up materials.

b. Venture Reporting Tools

The initial venture reporting tool is its feasibility study. The study first determines if the venture is feasible and outlines the perimeter of its operations. The study also ensures that the venture meets all of the state and federal regulations. The venture is properly incorporated as outlined in its articles of incorporation and by-laws. The study also outlines how the business meets health codes and other requirements.

Once the business is operational, the main evaluation tool is the venture's financial statement. These statements are compiled quarterly by CEDC field accountants. Each venture board of directors and manager are provided copies for their evaluation and institution of changes, if needed. Copies of financial statements are also provided to the CEDC president and department heads for their suggestions. A yearly audit by CEDC or an independent firm is conducted. In addition, CEDC will be instituting a monthly income statement system to improve venture monitoring. Other visits by CEDC industry specialists also result in venture evaluation, with emphasis on technical operations.

Conclusion

Introduction

In 1968, Community Enterprise Development Corporation of Alaska (CEDC) was incorporated and received a one year research and demonstration grant of less than $800,000 of administration and venture capital. Utilizing a staff of six persons, CEDC provided assistance to four ventures: the Kotzebue Fishing Co-op, the Yukon Delta Fishing Co-op, the Kuskokwim Fishing Co-op, and the Manokotak Residents Co-op Store.

Between 1968 and 1976, the corporation increased its staff to 38 persons, established 60 ventures, and is currently providing technical assistance to 30 active enterprises. In 1975, these enterprises had gross sales of $5,975,962, and paid out $999,963 in wages to 506 low-income rural residents.

During this same year, CEDC was able to leverage $1,556,823 for a combined investment in rural businesses of $3,621,998. This leverage ratio (1:1.36) was made possible through CEDC's success in encouraging other institutions to participate in the task of providing capital to remote, low-income communities.

CEDC has not only survived during the last eight years, but has created a positive track record. This record is the result of the support of Community Services Administration (CSA) and its Office of Economic Development, the dedication of the CEDC board of directors, and the proven ability of rural people to own and manage complex businesses.

CEDC has a loan portfolio of over $1,500,000 with a loan repayment delinquency rate of less than one-half of one percent (.45 percent). The corporation also has been fortunate in receiving a 100 percent vote of confidence from the governor of Alaska, the Honorable Jay Hammond, and from Alaska's congressional delegation: Senator Ted Stevens, Senator Mike Gravel, and Congressman Don Young.

In addition, a wide variety of statewide regional and village organizations have voiced support for the past record of CEDC and for its future continuation. (See appendix.)

The next two years may well be the corporation's most critical time period. It will be during these two years that CEDC will complete the planning and separation of the fisheries department and the expediting department into wholly owned, for-profit subsidiaries. This action is predicated on CEDC receiving $17 million for the 1976-1978 refunding period.

A. FISHING

The strategy for fisheries development is to assist communities in gaining control of their renewable fishing resource; presently many of the traditional fish processing companies are totally or partially owned by foreign corporations.

This is a very expensive undertaking that will require $7,550,000 to establish one large and four small fisheries during the next two years. The goal is to enable communities to share in the $200 to $300 million annual wholesale value of the fishing industry by developing a series of modern installations owned jointly by coastal communities and CEDC. CEDC expects a monetary benefit by maintaining an equity position in these enterprises and selling marketing and transportation services back to the enterprises.

The impact of fisheries development on the local community is measurable in terms of increased employment, higher prices paid to fishermen, and the ownership of capital assets by the community. In addition, water, sanitation, electricity, and bulk fuel facilities available to the community are often direct by-products of the implementation of a fishing venture.

The Norton Sound area will serve as an excellent example of the impact that CFDC can have utilizing its venture capital and technical support services. Except for a futile effort in 1969, Norton Sound has lacked a community-owned fishing industry. Outside corporations would purchase fish only at the peak of the seasonal run and then would quite often offer low prices and at times issue worthless checks. Fishing was done using outdated methods and gear, and unsafe vessels.

Today there are modern facilities at Golovin, Elim, and Unalakleet. These facilities are owned by the respective communities, employ community residents in the plant, and have assisted fishermen in purchasing modern nets and gear, and in building new boats. Shore based freezer facilities provide a means for extending the fishing season and for harvesting species of fish that do not run during the traditional peak salmon period.

B. CO-OP STORES

The same concept of community ownership will be applied to the development of village cooperative stores. CEDC is requesting $600,000 of investment capital for six new stores. At the present time, the 15 current stores are purchasing over $100,000 of merchandise monthly through CEDC's expediting department. The addition of six new ventures will generate at least $1,680,000 of annual purchases through the expediting department. This will form the initial market for the expediting department's transition to a for-profit corporation.

C. TOURISM

Two million dollars of venture capital is requested for CEDC's continuing program of tourist related enterprises. These projects tend to be located in communities that are adjacent to state highways or inland marine waterways, but do not have access to Alaska fishing or timber resources. This is a gradual program of assisting one or two communities a year to build and operate a motel or lodge facility. The goal of this program is to help low-income communities obtain a share of the 72 million tourist dollars that are spent each year in Alaska, and to generate employment in the community during the construction phase, and permanent jobs upon completion of the facility.

D. TIMBER

Next to fishing, timber harvesting is the second major industry in Alaska and is the most labor intensive. Over 3,000 people a year with earnings of $52 million produce timber products having an annual value of $134 million.

The harvesting and conservation of timber are complex activities that require high capital equipment budgets. Because this is a new priority area, CEDC's approach will be one of caution, research, and limited investment.

E. OTHER VENTURES

Fisheries, grocery stores, lodges/tourism, and timber have been identified by CEDC as the first four priority areas for new venture development during 1976-1978. CEDC is also requesting $560,000 in venture capital for small projects that are of a direct benefit to the community, require little staff time, but fall outside of the four major priority areas. Examples include construction of a bulk fuel facility, equity investment in an air taxi service, and partial funding for the purchase or construction of an office building for the corporation (CEDC).

F. ADMINISTRATION

The administration of the venture development program will require $4,142,346. Sixty-eight percent of the administrative budget is directly related to existing venture support and new venture development, i.e., accounting assistance, legal advice, fishery assistance, consulting services, training, et cetera.

G. RECOMMENDATIONS

In conclusion, CEDC seeks to provide business opportunities to 165,000 rural residents spread out over 586,412 square miles. In addition, CEDC seeks to develop a long range program which will guarantee that the corporation will eventually be able to perform without total federal support.