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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178

## AGENDA

### EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL MEETING

**April 24, 2000 @ 10:30 a.m.**

Federal Building, Room 445C, Juneau

**4/19/00**

**1:16 pm**

**DRAFT**

**DRAFT**

#### Trustee Council Members:

**BRUCE BOTELHO/CRAIG TILLERY**  
Attorney General/Trustee  
State of Alaska/Representative

**MICHELE BROWN**  
Commissioner  
Alaska Department of Environmental  
Conservation

**MARILYN HEIMAN**  
Special Assistant to the Secretary  
for Alaska  
U.S. Department of the Interior

**DAVE GIBBONS**  
Trustee Representative  
U.S. Department of Agriculture  
Forest Service

**STEVE PENNOYER**  
Director, Alaska Region  
National Marine Fisheries Service

**FRANK RUE**  
Commissioner  
Alaska Department of Fish & Game

Teleconferenced in Anchorage, Restoration Office, 645 G Street  
State Chair

1. Call to Order 10:30 a.m.
  - Approval of Agenda
  - Approval of March 16, and April 7, 2000, meeting notes.
2. Public Comment Period - 10:45 a.m.
3. Archaeology Repository Business Plan - 11 a.m.
  - Molly McCammon, Veronica Christman, Patrick Burden, Northern Economics
4. Investments - 12 p.m.
  - Trust Fund Asset Allocation Plan
  - Trust Fund Payout Schedule
5. Possible Executive Session on Habitat Protection.

\* indicates tentative action items

**Adjourn - 1:30 p.m.**

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U.S. Department of the Interior  
U.S. Department of Agriculture  
National Oceanic and Atmospheric Administration

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Alaska Department of Fish and Game  
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Alaska Department of Law

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## TRUSTEE COUNCIL MEETING ACTIONS

**March 16, 2000 @ 10:30 a.m.**

By Molly McCammon  
Executive Director

**DRAFT**

### Trustee Council Members Present:

Dave Gibbons, USFS  
\*Marilyn Heiman, USDO  
●Bruce Wright, NMFS

●Geron Bruce, ADF&G  
●Michele Brown, ADEC  
●Craig Tillery, ADOL

\* Chair

In Anchorage: Rue

In Juneau: Gibbons, Heiman, Wright, Bruce, Brown, and Tillery

#### ● Alternates:

Bruce Wright served as an alternate for Steve Pennoyer until 1:25 p.m.

Geron Bruce served as an alternate for Frank Rue after 1:30 p.m.

Marianne See served as an alternate for Michele Brown after 3:18 p.m.

Craig Tillery served as an alternate for Bruce Botelho for the entire meeting.

Meeting convened at 10:30 a.m.

#### 1. Approval of the Agenda

**APPROVED MOTION:** Approved the Agenda. Unanimously passed.

#### 2. Approval of the Meeting Minutes

**APPROVED MOTION:** Approved January 31 and March 2, 2000 Trustee Council meeting notes. Motion by Tillery, second by Brown.

Off Record for lunch (12:15 p.m.)

On Record (1 p.m.)

**Public comments received from 3 individuals from Anchorage, Cordova and Maryland.**

#### 3. Habitat Protection Program

**APPROVED MOTION:** The Council directs the Executive Director to develop, for

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consideration by the Council, a proposal to create a permanent habitat protection program to be administered by a non-profit organization. The proposal should include the following elements: 1) process for transfer of fund to a non-profit, 2) administrative structure and cost, 3) Trustee Council role, 4) process for solicitation and nomination of parcels, 5) criteria for prioritizing parcels for protection, 6) process for meeting agency appraisal, title, and other standards, 7) public involvement, 8) financial management of funds, 9) requirement of matching funds. Motion by Gibbons, second by Bruce.

D R A F T

4. Karluk River Appraisal

**APPROVED MOTION:** That the Alaska Department of Natural Resources move forward with an appraisal, hazardous materials survey, and title search of approximately 1,850 acres of Karluk Village Council lands. Funds (an estimated \$23,000) will come from the funds already approved under Project 00126/Habitat Protection Support. Motion by Bruce, second by Pennoyer.

5. Archaeological Repository Project

**APPROVED MOTION:** Approve support costs for the Alaska Department of Natural Resources in the amount of \$23,500 for the Local Display Facilities component of Project 99154, Archaeological Repository, Local Display Facilities, and Traveling Exhibits for Prince William Sound and Lower Cook Inlet. Motion by Pennoyer, second by Tillery.

6. Alaska SeaLife Center

**APPROVED MOTION:** Authorized the Executive Director to execute a consent form or other appropriate release waiving the Trustee Council from being included as a loss payee with respect to \$88,000 in insurance proceeds to be paid by the Greenwich Insurance Company and Affiliated FM Insurance Company on claims made pursuant to builders all risk insurance policies issued in connection with the construction of the Alaska SeaLife Center. Motion by Tillery, second by Pennoyer.

Meeting recessed at 4:00 p.m.

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## TRUSTEE COUNCIL MEETING ACTIONS

**April 7, 2000 @ 3:30 p.m.**

By Molly McCammon  
Executive Director

**DRAFT**

### Trustee Council Members Present:

\*Dave Gibbons, USFS  
●Barry Roth, USDO  
●Bruce Wright, NMFS

Frank Rue, ADF&G  
Michele Brown, ADEC  
●Craig Tillery, ADOL

#### \* Chair

In Anchorage: Rue, Gibbons, Brown, and Tillery

In Juneau: Wright

In Washington D.C.: Roth

#### ● Alternates:

Bruce Wright served as an alternate for Steve Pennoyer for the entire meeting.

Barry Roth served as an alternate for Marilyn Heiman for the entire meeting.

Craig Tillery served as an alternate for Bruce Botelho for the entire meeting.

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Meeting convened at 3:46 p.m.

### 1. Approval of the Draft Gulf Ecosystem Monitoring Program

**APPROVED MOTION:** Approved the April 5, 2000 draft of the Gulf Ecosystem Monitoring Program, with minor edits, to be sent to the National Research Council for review. Motion by Wright, second by Brown.

Meeting adjourned at 3:57 p.m.

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

**TO:** Trustee Council Members

**FROM:** Molly McCammon  
Executive Director

**DATE:** April 19, 2000

**RE:** Archaeological Repository

On March 30, Chugachmiut submitted a business plan for the Chugach Repository and Museum. Northern Economics, Inc. and the architectural firm of Livingston Slone have completed a third-party review of the plan under contract with the Alaska Department of Natural Resources (DNR). Attached are copies both of the Repository Business Plan and the third-party review. Both documents are stamped "Confidential." The purpose of this memorandum is to give you a status report on the project as a whole and my recommendations with regard to the repository.

### Status Report

On October 14, 1999, DNR entered into a grant agreement with Chugachmiut to establish a regional archaeological repository, seven local display facilities and traveling exhibits. The grant agreement was based on a proposal Chugachmiut had submitted in response to an RFP. After considering initial analyses in development of the draft business plan, Chugachmiut proposed a modified plan. The modified plan envisions a repository and small display area in the Orca building in Seward and eliminates the proposed display area in the Railroad Depot. Funding for the repository would be reduced from \$1 million to \$770,000, with the remaining \$230,000 to be allocated to a separate local display facility in Seward. The Repository Business Plan is based on the modified plan. Implementation of the modified plan requires the Trustee Council's approval and an amendment to the grant agreement.

The schedule for the repository has been delayed by about four months. The grant agreement called for the repository business plan to be submitted on December 13, 2000. Chugachmiut has placed the repository on hold pending the Trustee Council's decision with regard to the grant and the outcome of several other funding requests. The additional funding requests are for

contributions to an endowment for long-term operation and maintenance of the repository. Chugachmiut expects word about pending funding requests in May.

During this period, Chugachmiut has made progress on local display facilities. Chugachmiut plans to issue an RFP for local display facilities by the end of April. Letters of intent to submit a proposal will be due by May 12 and a preproposal meeting will be held on May 25.

### Concerns

Northern Economics' review of the modified plan raised concerns about overly optimistic revenue assumptions (pages 1 and 3-6 of the review memo) and the adequacy of the physical facilities proposed for the repository (pages 3 and 6-8 of the review memo). The changes suggested by Northern Economics are likely to result in lower revenues and higher costs than those projected in the repository business plan. The space constraints described in Northern Economics' report may require that the repository use the display area or sublease space for repository purposes and such changes could significantly affect costs and revenues.

Northern Economics' review also questions whether the proposed prepaid lease arrangement is the best use of grant funds and encourages exploration of alternatives. One alternative is to deposit grant funds in an escrow account from which rent would be paid under a traditional lease arrangement. Another would be to contractually commit to making the lease payments for a given period. At your April 24 meeting, staff from Northern Economics will be on hand to discuss this issue and answer questions about their review.

I am concerned about any debt financing that may affect the ability of Chugachmiut to operate and maintain the repository over the long term. The repository business plan mentions a three-year \$150,000 loan to cover start-up costs and revenue shortfalls. The repository business plan shows this loan as a "Note payable" with repayments of principal only, but does not identify the source of the loan. It appears as though the note would be secured from Chugachmiut or Chugach Alaska Corporation rather than a commercial lender, but it is important to confirm the source of the loan and the conditions of repayment and consequences of default.

The grant agreement requires that the repository business plan include satisfactory current financial guarantees from Chugachmiut and Chugach Alaska Corporation. I understand that the Boards of Directors of these organizations have been briefed about this project. However, the Repository Business Plan does not include current financial guarantees or endorsements from the Boards. The only mention of potential financial participation by these organizations is found on page 62 of the Repository Business Plan, which states, "The owners

have expressed the possibility of contributing up to half the goal amount." The goal amount for the endowment is \$400 to \$500 thousand.

Recommendation:

Before deciding whether to continue funding the repository, I recommend that the Trustee Council ask Chugachmiut for the following information:

- 1) new pro forma cash flow estimates with modifications to both revenues and expenses, as well as revised building plans, as recommended in Northern Economics' review of the repository business plan, dated April 14, 2000;
- 2) greater detail about the proposed method of financing the repository, in particular, the source of the \$150,000 start-up loan mentioned in the repository business plan and the proposed method of investing and disbursing grant funds allocated for building acquisition; and
- 3) resolutions from the Boards of Directors of Chugachmiut and Chugach Alaska Corporation endorsing the repository as described in the repository business plan and committing the financial or in-kind support necessary to develop and maintain the repository as indicated in new pro forma cash flow estimates.

I have attached a draft motion for your consideration.

Attachments (3)



**DRAFT MOTION**  
**Archaeological Repository**

Move that the Trustee Council ask Chugachmiut for the following information relative to the Chugach Repository and Museum:

- 1) new pro forma cash flow estimates with modifications to both revenues and expenses, as well as revised building plans, as recommended in Northern Economics' review of the repository business plan, dated April 14, 2000;
- 2) greater detail about the proposed method of financing the repository, in particular, the source of the \$150,000 start-up loan mentioned in the repository business plan and the proposed method of investing and disbursing grant funds allocated for building acquisition; and
- 3) resolutions from the Boards of Directors of Chugachmiut and Chugach Alaska Corporation endorsing the repository as described in the repository business plan and committing the financial or in-kind support necessary to develop and maintain the repository as indicated in new pro forma cash flow estimates.

## Memorandum

**To:** Veronica Christman  
Project Coordinator  
Exxon Valdez Oil Spill Trustee Council

**From:** Hart Hodges  
Northern Economics

**Date:** April 14, 2000

**Re:** Review of Chugach Repository and Museum Business Plan

The Alaska Department of Natural Resources, Division of Parks and Outdoor Recreation, History and Archeology, contracted with Northern Economics, Inc. to conduct an independent, third party review of the Chugach Repository and Museum Business Plan (the Plan), prepared by MicroLab, Ltd., with assistance from Chugachmiut. To ensure proper review of issues related to the proposed physical space, as well as economic and financial items, Northern Economics, Inc. teamed with Livingston Slone, Inc. to conduct the review.

We are submitting this memorandum to you and the Exxon Valdez Oil Spill Trustee Council (the Council) on behalf of the Alaska Department of Natural Resources. The memorandum represents our review of the plan.

After reviewing the plan, Northern Economics, Inc. and Livingston Slone, Inc. recommend that the Council request new pro forma cash flow estimates with modifications to both revenues and expenses, as well as revised building plans.

Much of the discussion in the Plan is thoughtful and informative. However, some revenue assumptions may be overly optimistic and potentially important design issues need further consideration.

**Revised pro forma cash flow estimates should include the following elements:**

- More conservative growth rates for attendance and outside support, such as grants and corporate sponsorship. Growth rates in the Plan include 9 percent each year for the first 7 years in attendance, and 7 percent each year in grant support, corporate sponsorship, and special events fundraising. These rates suggest that revenues from admissions and other sources will grow faster at the Chugach Repository and Museum than at other tourist attractions and museums in Alaska. (Some tourism-based organizations are expecting visitation growth closer to 5 percent. Museums and other facilities are expecting lower rates that are consistent with growth rates for tourism to the state as a whole.)

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- More conservative estimates for return on investment. Revenue projections in the Plan include a 12 percent annual return on endowment funds. Staff at the Anchorage Museum of History and Art said that a nominal rate of 8 – 10 percent (5 – 7 percent after adjusting for inflation) would be more realistic.
- An alternative to a prepaid lease arrangement. Other strategies such as a traditional lease arrangement might be more attractive to the Council.

**Revised building plans and cost estimates should include the following elements:**

- Changes to comply with relevant regulations. As described in the Plan, the physical facilities do not include items such as a fire detection and suppression system and do not address items such as visible light, UV radiation, and dust (especially in storage, curatorial, and exhibit areas). These items should be addressed and incorporated into the plans.
- Modifications to meet access needs and requirements. Current building plans do not appear to provide adequate doorway openings and spaces for moving display material, crates, and other items. In addition, spaces may need to be modified to comply with Americans with Disabilities Act guidelines.
- Consideration of isolation and decontamination room.

Because the Chugach Repository and Museum is still in the conceptual stage of development, all of the recommended changes to building plans can be made, and new pro forma cash flow estimates can be prepared. However, the recommended changes will result in lower revenues and higher costs than those identified in the Plan. The net effect of the changes could be significant.

The attached pages provide detailed comments on the items in the Plan that we believe merit particular attention from the Council. The comments provide details of the analysis that we conducted as the foundation for our recommendations.

## Discussion

### Revenues and Expenses

Northern Economics reviewed the Chugachmiut, Inc., Repository Business Plan, with particular emphasis on financial issues and discussions related to the overall market.

#### **Reference: pages 5, 27, 63, and 65—Visitation / Attendance Figures**

The number of expected visitors each year is identified as "between 5 and 10 percent of an estimated total pool of 150,000 to 200,000 visitors..." (Executive Summary, page 5). This range is equivalent to 7,500 to 20,000 visitors each year—a considerably broad range in terms of the potential revenues that might be expected.

The Plan states that the SeaLife Center in Seward reported 190,000 admissions in 1999 (page 27, Subsection A-1), and implies that this pool can be used to estimate potential visitorship to the Repository. However, this figure is highly dependent on contracts with cruise lines and the ability of the SeaLife Center to handle large groups at one time. This volume of visitors does not represent a potential audience for the Chugach Repository and Museum, given the small size of the facility.

The high end of the range posited for potential visitors is of the greatest concern. Most of the visits will occur during summer. If total visitation for the year is expected to be 20,000 people, perhaps 90 percent—or 18,000—might visit the museum during summer. Considering a 115-day summer season (6 days per week from mid-May through late-September), 18,000 visitors suggests a daily volume of more than 155 visitors per day during summer. It is not clear that it is reasonable to expect 155 visitors per day, given the size of the planned facility.

The annual operating budget detail for Year 2 (table on page 63, Subsection D-2) calls for total summer attendance of 13,260 (excluding members) by Year 2, with a 26-week summer season. The budget shows 85 adults per day in summer, with the 26-week season.

In actuality, the summer tourist season is closer to 16 or 17 weeks. The same total of 13,260 spread over 17 weeks rather than 26 (with the museum open 6 days per week) suggests a daily volume of 130 adults during summer. It is not clear whether this volume is reasonable or possible, given the size of the planned facility.

Income projections (table on page 65, Subsection E-1) for the facility assume 9 percent annual growth in admissions for the first 7 years, followed by 5 percent annual growth for years 8 through 20.

These rates exceed the expected growth rates for population and for visitors arriving in Seward. The number of cruise passengers arriving in Seward could be significantly higher in 2000 than in 1999, but long-term growth rates for both population and visitation are expected to be less than 5 percent (consistent with growth in visitation to the state as a whole). Income projections should use more conservative estimates for growth in admissions.<sup>1</sup>

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<sup>1</sup> Growth forecasts for cruise passengers arriving in Seward from market study prepared by Northern Economics, Inc. in 1999 for the Alaska Railroad Corporation's airport rail station, as well as from Klugherz and Associates (a consulting firm specializing in tour industry analyses). Population forecasts prepared by the Institute for Social and

**Reference: page 28, Subsection A-2—Other Items Related to Building Space**

Growth assumptions for visitors also present a problem in terms of space requirements. Projected expenses do not include expansion or relocation to a larger facility.

The projected growth in visitors to the museum will require that the space be expanded in the near future. Such expansion would require that revenues from subleasing space in the building decline. The plan currently shows sublease revenues increasing at 3 percent per year throughout the study period.

The description of the market and potential audience (page 28) states that over time the Repository will develop specialized educational programming and have special tours.

The planned 800-square-foot Chugach Repository and Museum would not be able to accommodate most tour groups and school groups, which arrive by motorcoach in groups of 30 to 45 people. Experiences at other facilities that cannot accommodate such groups, including the Alaska Museum of Natural History in Eagle River, suggest that the Repository would need to be larger than described in the business plan.

Building space was one of the factors mentioned in the Initial Proposal (included in the Plan as Appendix A) that resulted in significant changes to the project. The gallery and display area in the Initial Proposal was only 950 square feet. The revised proposal calls for a museum of similar size. While the Orca Building is described as being able to accommodate growth, specific plans and cost estimates for growth are not presented clearly in the budget.

**Reference: pages 6, 44, 61, 63, and 65—Operational and Budget Issues**

Most revenue figures in the Plan are fully developed for the second year of operation. First-year figures are one-half the second year figures. For example, the expectation that the museum can attract 53,040 visitors per year does not start until Year 2. First-year visitation is assumed to be 26,520 (or one-half of 53,040).

We presume that the assumption to make first-year revenue estimates equal to 50 percent of second-year estimates allows for lower revenues in the first year while the Chugach Repository and Museum develops a reputation. However, this 50 percent split invites several questions, including the following:

- If the derived first-year figures are plausible, then perhaps a more modest level of growth should be employed and the figures that now appear in the second year should be pushed back a few years (100 percent growth from Year 1 to Year 2 seems high).
- Alternatively, if the second-year figures are plausible, then perhaps the first-year figures should not be so low.

The Plan calls for an initial operating budget of approximately \$350,000. It also describes a startup loan of \$150,000 to be paid off in 3 years and a substantial fundraising effort to raise \$500,000 for initial operations (page 6).

Expenses are expected to grow at a fixed rate of 5 percent per year. These loans and fundraising efforts are necessary to cover costs until growth allows revenues to equal or exceed costs in the future.

Several issues need to be addressed with regard to the structure of costs and expected growth in revenues.

Revenue growth projected in the Plan is based on aggressive growth assumptions for attendance, merchandise sales, membership, corporate sponsorship, and other factors.

All of these items potentially overstate future revenues:

- The budget (page 63, Subsection D-2) shows 650 square feet of office space leased at \$2.20 per square foot per month) and a growth rate for lease revenues of 3 percent per year. Realtors at Seward Realty stated that \$2.20 might be realistic for the Orca Building. However, the 3 percent per year increase in lease revenues seems high. (Very long-term leases must account for inflation and might include an annual increase, but most leases do not include such annual adjustments.)
- Corporate sponsorship is assumed to be \$60,000 in year two and to increase at 7 percent per year.
- Future revenues include a successful fundraising campaign to support significant revenue from endowments, with ongoing revenues of \$120,000 per year (based on a 12 percent annual return).

Revenue calculations include an admission fee of \$4.00 per adult (page 61). The Plan states that this fee is competitive with alternatives in the Seward summer tourist market.

This fee is comparable to fees at similar attractions in the Anchorage and Matanuska-Susitna Valley areas.

The Plan calls for a grant of \$431,200 to prepay a 20-year lease for the "acquisition" of repository and museum space in the Orca Building. (For reference, \$431,200 for 2,700 square feet over 20 years is equal to \$7.99 per square foot per year or \$0.67 per square foot per month, without taking into consideration discounting and other factors.)

While the implied lease rate of \$0.67 per square foot per month is attractive, the prepay strategy invites a series of questions, including the following:

- What happens if the Chugach Repository and Museum fails? Would the Council receive a refund?
- What alternatives to the prepay arrangement did Chugachmiut consider?

If Chugachmiut earns 8 percent per year on the \$431,200 (either through investments or avoided interest by lowering existing debt), then they earn an additional \$1.00 per square foot per month—making the effective lease rate \$1.67 per square foot per month.

The budget includes \$24,000 in the second year for gift shop, Internet, and mail order sales. This revenue estimate suggests sales of \$2.40 to \$3.20 per visitor (based on second-year attendance of 7,500 to 20,000 people).

- In comparison, the Alaska Museum of Natural History in Eagle River receives approximately \$0.64 in gift shop revenues per visitor, but hopes to reach the \$2.00 level with significant improvements to the museum—including the addition of a café.
- The Anchorage Museum of History and Art receives \$3.00 to \$3.50 per visitor in gift shop revenues. It is not clear that the Chugach Repository and Museum in Seward should expect to do as well as the Anchorage Museum of History and Art, especially given the proposed size of the gift shop in Seward.

It might be better to plan for gift shop revenues that are more consistent with those at other small museums. Having a presence on the Worldwide Web might help to boost sales, but should not be

expected to make sales immediately so much higher at the Chugach Repository and Museum in Seward than at similar facilities.

The endowment goal of \$1 million (page 44) is assumed to give an annual return of 12 percent (or \$120,000). The Plan does state that such a high return would require that the money be "invested shrewdly," but does not state that the chances of achieving a 12 percent return each year would be quite low or that the degree of risk would be quite high. Staff at the Anchorage Museum of History and Art said that a nominal rate of 8 – 10 percent (5 – 7 percent after adjusting for inflation) would be more realistic.

A 12 percent return is high for planning purposes. We recommend using a planning rate of 8 percent for long-term investments such as the endowment.

Grant support is important to the overall financial success of the Chugach Repository and Museum, at least with the budget presented in the Plan. The income projections include at least \$50,000 in program grants and special event fundraising by the second year, then increasing at 7 percent.

It is not clear whether the Chugach Repository and Museum could secure this level of funding on a regular basis.

- There will be competition from other museums in the state (such as the Pratt Museum in Homer, Alaska Museum of Natural History in Eagle River, Anchorage Museum of History and Art, and many more).
- The Plan identifies several potential sources for grant funds, but more work needs to be done to determine the likelihood of receiving funding from these sources.

There is no line item for future expenses related to furniture and other furnishings.

A 20-year budget should allow for new furnishings and related space improvements.

There is no discussion about the cost of expanding the facility into what has been proposed as leased space.

## **Physical Facilities**

Livingston Slone, Inc. reviewed the Chugachmiut, Inc., Repository Business Plan, with particular emphasis on the proposed "Physical Facilities." The criteria used as a basis for the review are in Title 36 of the Code of Federal Regulations, Chapter 1, Part 79, Section 79.9, revised July 1, 1999, (36 CFR 79.9). The Alaska Department of Natural Resources had informed the review team that the state would use these regulations as the criteria for acceptability of the proposed repository. Good practice for preservation, storage, and exhibition of artifacts dictate that these regulations be followed as a minimum standard. Additionally, any traveling exhibits and any repatriated artifacts will require that the facilities meet these regulations.

### **Reference: page 19, Subsection C.1—Location**

The third sentence of the third paragraph states, "The storage area would be under special environmental control and furnished for secure storage and curation according to federal guidelines for approved repository collections (36 CFR Part 79)."

In Section 79.9 (5) (ii), the referenced federal standards require that special environmental control be provided not only in storage areas but also in exhibit areas and areas where the items are cleaned,

handled, and conserved, such as the laboratory and possibly the multipurpose room. The Plan addresses humidity control only and not the other environmental concerns listed in the regulations such as temperature, visible light, UV radiation, and dust, among others. Standalone equipment as proposed in the Plan may not be capable of providing the controlled air quality required for these environments.

**Reference: page 21, Subsection C.3—Concept Plans and Estimates**

The Display / Gallery area is required by 36 CFR 79.9 (3) to provide the same level of security as the Secure Storage and Laboratory. The walls of the Display / Gallery area should extend to the floor deck above, similar to the notation for Laboratory and Secure Storage.

**Reference: page 22—C.3 Concept Plans and Estimates**

General Note 2 states that the quality of construction is less than commercial grade.

The requirements for environmental control (CFR 79.9 [5] (ii)) seem to be in contradiction to this statement. Temperature and humidity control alone will require that a vapor retarder be installed above the ceilings, below the floor and in all interior and exterior partitions of the Secure Storage, Laboratory, and Exhibit space as well any other areas intended for handling of artifacts. No provisions for this are noted in the attributes listed on page 21.

Assumption 8 and Code Information 7 both indicate that the building is not equipped with a fire suppression system.

36 CFR 79.9 (3) (ii) requires an "appropriate and operational fire detection and suppression system". It would seem that the entire building would need to be retrofitted with a fire suppression system (automatic sprinklers) to meet the intention of the regulations.

Assumption 1 should be clarified to verify if the no-cost building system improvements provided by the owner will include; the fire suppression system for the building (36 CFR 79.9 [3] (iii)); temperature, humidification, and filtration upgrades for the buildings HVAC system as may be appropriate to meet 36 CFR 79.9 (3) (vii) and 36 CFR 79.9 (5) (ii); and provisions for emergency power as appropriate per 36 CFR 79.9 (3) (iv).

Code Information 5 seems to indicate that the offices and multipurpose room would exit through the laboratory to the rear exit door.

The laboratory is required to be a secure space per 36 CFR 79.9 (3). The building code will not allow an emergency exit to be locked from the direction of travel. Thus, the laboratory is not secure, and could be accessed by individuals meeting with staff or visiting the fund raising staff (per the Repository Business Plan fundraising staff will use the multipurpose room as an office).

Based on the limited detail of work listed on pages 21 and 22 and the size of the facility the bottom-line construction budget of \$90,000 would seem to be within a reasonable range (exclusive of fire suppression and environmental systems upgrades).

However, we suggest that a request be made to Chugachmiut, Inc., for copies of the detailed cost estimate mentioned at the bottom of page 22 and a more in-depth analysis be performed.

The furnishings and equipment costs listed on page 23 are also within a reasonable range for the limited items indicated (provided that the in-kind contributions fill in the gaps as stated in the plan).

An item not included in the equipment list that typically is used in preservation and curation laboratories is a fume hood with filtered exhaust and make-up air systems and an associated chemical cabinet. The fume hood alone would add about \$6,000 in equipment cost.



**Reference: pages 24, and 25—Concept Plans**

The conceptual layout raises concerns about several operational and functional points:

Rear access to the facility passing through the Laboratory space: The requirements of 36 CFR 79.9 (2) state, "Space used for storage, study, conservation and, if exhibited, any exhibition must not be used for non-curatorial purposes that would endanger or damage the collection." Typical conservation and preservation techniques take time and can put an artifact in a delicate state until the process is completed. It seems most likely that staff members would use the more direct route through the lab to access the toilet facilities and to come and go from the parking lot, rather than pass through the gallery space. This traffic through the laboratory would impact the operation of an environmental control system and as stated previously create a security issue, potentially putting any artifacts being worked on at risk.

Inability to move items larger than a single 3-foot wide door into the space: If it is anticipated that traveling exhibits are to come in from other facilities (page 15, paragraph 3) there would need to be adequately sized access into the facility for proper handling of typical shipping crates.

Conditions that do not meet federal accessibility standards: Half of the lab space is too tight to access and maneuver in a wheelchair. The arrangement of the rear doors (passing through the stairwell to the corridor) would require an additional 4 feet of separation in the direction of travel to meet ADA guidelines.

The south-facing windows in the gallery space will need to be addressed in some way to control possible damage to the artifacts from visible light and ultraviolet radiation from direct sunlight as required by 36 CFR 79.9 (5) (ii). Special light fixtures, lamps, and/or lenses are required in the storage, laboratory, and gallery spaces to meet the referenced regulations.

Isolation and Decontamination Room: to protect artifacts in collections from contamination (36 CFR 79.9 [5] (iii)) it is customary in facilities of this type to provide a room for the temporary storage of incoming items. These spaces are environmentally and physically separated from the main artifact storage, curation, and exhibit spaces, and serve to quarantine items for inspection. Artifacts that are field collected or shipped in from other facilities may contain insects, fungus, or other contaminants that could infest and or damage existing collections. The inclusion of this type of isolated space would be a prudent addition to the facility.

The plan is in a conceptual stage of development, and these deficiencies could be resolved through a rearrangement of the spaces. However, this rearrangement may increase the square footage required for the facility, affecting leasing and construction costs.



# Chugachmiut

March 30, 2000

Re: '00 EVOS/Chugachmiut Grant  
Submittal of Repository Business Plan

Department of Natural Resources  
Division of Parks and Outdoor Recreation  
Judith E. Bittner, State Historic Preservation Officer  
550 W 7<sup>th</sup> Ave., Suite 1310  
Anchorage, Alaska 99503-3565  
Fax: 9907) 269-8908

Dear Ms. Bittner:

Attached is the final Business Plan for the Chugach Repository and Museum as developed under contract with the University of Alaska – Anchorage, Institute of Social and Economic Research. We believe that the business plan meets the obligations under Section 2.1.1 (a) through (e) of Appendix B of the grant agreement.

If there are any questions, concerns, or issues that need clarification concerning the project, please call me at 562-4155, or write at the address below. Thank you.

Sincerely,

Dr. Lora Johnson, Executive Director

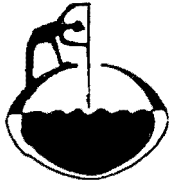
Cc: Veronica Christman, EVOS

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MAR 30 2000

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JUSTICE COURT





INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

College of Business and Public Policy

3211 Providence Drive • Anchorage, Alaska 99508-8180


March 30, 2000

Lora Johnson, Executive Director  
Gerald Pilot, Project Director  
Chugachmiut  
4201 Tudor Centre Drive, Suite 210  
Anchorage, Alaska 99508

Dear Lora Johnson and Gerald Pilot:

Attached is a business plan for the Chugach Repository and Museum, which ISER prepared for Chugachmiut in collaboration with Stephen Rae of MicroLab. This business plan fulfills the terms of the Memorandum of Understanding between ISER and Chugachmiut, associated with the '00 *EVOS/Chugachmiut Grant Agreement*.

We're including here an original and the additional copies you requested. It's been a pleasure working with you. Please call us if you have any questions.



G. Williamson McDiarmid  
Director

# CHUGACH REPOSITORY AND MUSEUM

## BUSINESS PLAN

March 2000

### Not-for-profit members:

Chugach Alaska Heritage Foundation  
(Subsidiary of Chugach Alaska Corp.)  
560 E. 34<sup>th</sup> Ave, Suite 200  
Anchorage, Alaska, 99503-4196

Chugachmiut  
4201 Tudor Centre Dr., Suite 210  
Anchorage, Alaska, 99508

Contact: Gerald Pilot  
Regional Repository Project Manager  
Chugachmiut  
Tel: (907) 562-4155

Prepared by: Stephen Rae, MicroLab, Ltd.

For: Institute of Social and Economic Research  
University of Alaska Anchorage  
3211 Providence Dr.  
Anchorage, Alaska, 99508

## I. EXECUTIVE SUMMARY

### Introduction

In 1999, the Exxon Valdez Oil Spill (EVOS) Trustee Council awarded Chugachmiut a conditional grant to establish a Chugach regional repository and museum in Seward. Chugachmiut, a not-for-profit Native corporation that provides services in the Chugach region, had proposed establishment of the facility in response to an EVOS request for proposals (RFP #10-98-071). The grant agreement required Chugachmiut to first prepare this business plan, describing how it will develop and operate the facility.

Chugachmiut and Chugach Heritage Foundation (a not-for-profit subsidiary of Chugach Alaska Corporation) plan to form a joint not-for-profit entity, the *Chugach Repository and Museum*—also referred to as the *Repository*—to operate the facility. Chugach Alaska Corporation is a Native regional corporation established under the Alaska Native Claims Settlement Act. It represents Native peoples in the Prince William Sound area of south-central Alaska, where in 1989 the tanker *Exxon Valdez* spilled millions of gallons of oil.

The mission of the *Repository* will be to manage, operate, and maintain a Chugach regional archaeological repository and museum, including its facilities, archeological collections, and related business ventures and assets. The core collection will be made up of about 1,500 artifacts and cultural materials identified during the massive cleanup of the 1989 oil spill. Once the repository and museum are established, artifacts from other sources will be added.

The *Repository* will work cooperatively with other regional and local organizations and communities to develop areawide programs related to archeological research; survey, excavation, and site stewardship; public education; and other aspects of the Native cultures of the Chugach region. These programs, as well as exhibits, displays, and other attractions, will be of wide interest to both regional residents and visitors.

### NEED FOR REPOSITORY AND MUSEUM

The planned facility will address a number of cultural and historical concerns of Native peoples in the Chugach region. It will:

- Meet the need for a central regional facility where cultural materials and archeological artifacts of the Chugach Native peoples can be repatriated, studied, and displayed. There is no other such facility in the region.
- Provide a single, permanent location within the region where artifacts recovered during oil-spill cleanup can be preserved, restored, and displayed. Currently, they are scattered among various locations.
- Ameliorate the further loss of regional artifacts through an artifact procurement program, curation and preservation programs, and archeological research.
- Develop educational and other programs for regional Native peoples and visitors.
- Offer professional expertise to other organizations doing archeological or related work at sites in the region.

#### IMPORTANCE OF EVOS GRANT

The initial proposal to EVOS and subsequent grant agreement included the establishment of both a repository and a local display facility component in Seward. The awarded amount was \$1,000,000. After reevaluating updated costs and market conditions, Chugachmiut discussed a revised proposal with EVOS. The revised proposal is the basis for this business plan. The revised plan locates the repository in one facility and removes the local display component from the budget. The revised budget is thus reduced to \$770,000. Most of the EVOS grant will be used to pay for a 20-year lease of 2,700 square feet in the Orca Building and for remodeling and furnishing that leased space. The EVOS grant award is critical to establishment of the *Repository*. It will:

- Enable the *Repository* to begin operations essentially debt-free.
- Provide for a custom-designed facility with the necessary furnishings and equipment to properly store, preserve, and display artifacts and cultural materials.
- Make the project more cost-effective, by enabling the not-for-profit *Repository* to apply its resources to start-up costs (expected to be substantial) and to ongoing operations and program development.

#### SIZE OF PLANNED FACILITY

Recognizing the financial difficulties similar organizations have faced, this business plan describes a modest facility that is designed for efficiency and simplicity. Both the project budget and the size of the repository and museum have been reduced from levels initially proposed, enhancing the probability that the *Chugach Repository and Museum* can be self-sustaining over the long run. (Appendix A provides details on the original proposal and subsequent revisions.)

In general, the plan describes an operating scenario for the *Chugach Repository and Museum* where the financial variables are reasonably projected with conservative constraints. Its projected expenses and earned revenues are typical for a facility of this size. Its long-term success will depend mostly on the staff's ability to raise substantial and ongoing grants, donations, and contributions in kind.

Initially, the *Repository* plans to lease 2,700 square feet in the Orca Building in Seward. The building offers several advantages:

- A modern, secure structure with room for future expansion
- Architecture that allows for flexibility in design and use
- A central location and proximity to the SeaLife Center, a major visitor attraction

The space will be divided into:

- 610 square feet for a climate-controlled repository area
- 800 square feet for museum and display area
- 620 square feet for offices and a fundraising multi-purpose room
- 650 square feet subleased at the outset, but available for later expansion

### Start-Up and Permanent Staff

Although the permanent staff will be quite small, the *Repository* will need the help of a number of people during remodeling of the Orca building and at the start of operations.

- Staff from Chugachmiut and Chugach Alaska Corporation will oversee building remodeling, and a subcontractor will provide technical assistance for NEPA compliance, facility designs, and other remodeling activities.
- A repository planning team will also be established to include a broader representation of the sponsoring organizations. This team will likely consist of the project director, board members of the two parent organizations, and the chief executive officers of Chugach Alaska Corporation and Chugachmiut.
- A business/marketing expert will be needed to provide technical assistance with developing business aspects of the *Repository*.
- The project will also likely enlist the services of a consultant curator or professional archaeologist knowledgeable about museum design.
- An exhibit design consultant may be selected to provide expertise in object display, multimedia presentations, interactive kiosks, Web page development, and computer-based integration of exhibits.

The *Repository* will have an initial permanent staff of just four, who will be expected to perform multiple tasks and to have broad knowledge of repository and museum functions. Whenever possible, the *Repository* will hire local residents associated with the member organizations. We also expect that volunteers will lend substantial help. The initial permanent staff will consist of:

- An executive director, responsible for day-to-day operations, business planning, financial management, policy and program development, fund raising and marketing.
- A part-time fundraiser, who will coordinate annual fundraising activities and assist other staff members in obtaining grants in aid and kind.
- A curator and program developer, responsible for research and acquisitions, development of a collections strategy, care of all objects owned or borrowed, and development of education and exhibition programs.
- A gallery admission clerk, who will have various responsibilities, perhaps including supervision of volunteers during the busiest season.

### INITIAL ACTIVITIES

The *Repository* will have two core components generating revenue: the repository and the museum. Each component should be viewed as operating within a separate market. The *Repository* plans to take advantage of both its physical location and the Internet, which will allow it to reach a far broader market and help hold down operating costs.

The repository will have curatorial and program development functions and will be a service-oriented cost center. It will have limited public exposure, with revenue primarily in the form of grants, donations, and other unearned income. The museum component will include gallery exhibits, an online store, and other visitor attractions. It will garner earned revenue from admissions and sales to a larger audience. An initial admission fee of \$4 is planned. Planned activities cover a wide range.

- Archeological and cultural specimens in a variety of media will be the focus of the *Repository's* exhibits. The core asset of the *Repository* will be its collection of 1,500 artifacts identified during oil-spill cleanup.
- Digitally photographing the collection will allow business ventures that take advantage of Web-based information delivery, which is a new and growing media choice in the museum industry.
- A Web site will be established as an extension of the *Repository's* exhibits. The *Repository* plans to extend its collection not only through acquiring additional artifacts themselves but through acquiring rights to digital images of artifacts. Planned exhibits on the Web site will be based not just on items from the physical collection but rather will offer "virtual" experiences visitors could not have in a museum—perhaps, for instance, a tour of an archeological dig.
- A Web-based museum store is also included as an important element in the *Repository's* overall program offerings. Reproductions of museum artifacts could be offered over the Internet, reaching literally a worldwide market and eliminating many traditional costs of brick-and-mortar stores. Such reproductions might conceivably be made on demand by local artisans, reducing the need for costly inventories.
- The *Repository* intends to provide exhibit programming that will be of interest to a wide variety of adult audiences—including both visitors to Seward and regional residents—with differing educations, cultural backgrounds, and interests. These programs will include broad community involvement, with quarterly workshops, elder gatherings, and development of lesson plans.
- Professional curatorial services will be provided by the *Repository*, through professional staffing in the organization and through cooperative agreements with other museums or organizations with professional staff. The curator will provide professional services for both the permanent collections and display gallery in Seward, as well as the eight local display facilities in other communities (funded under a separate EVOS grant).
- Joint marketing and program development efforts will be proposed with such concerns at the Seward SeaLife Center, the Alaska Native Heritage Center in Anchorage, and other museums around the state.

#### **Market Size and Potential Competition**

We conservatively estimate that the Chugach Repository and Museum will attract between 5 and 10 percent of an estimated pool of 150,000 to 200,000 visitors and residents each year. Seward is a port community located at the terminus of the Alaska Railroad and of a highway system that connects it with much of the rest of the state's



population. Because of its transportation links and scenic attractions, Seward draws an impressive number of visitors, arriving by highway, rail, and cruise ship. The *Repository* has the potential to reach an even larger audience through programming and sales via the Internet, without the need to add additional space or staff.

There is no other regional facility offering the exact mix of services planned for the *Repository*, but there are a number of museums, gift shops, and visitor attractions locally and statewide. We anticipate that such organizations will compete with the *Repository* not so much for visitors as for grant monies and donations. This competition for limited resources poses the greatest challenge for the *Repository*.

#### REPOSITORY START-UP AND OPERATIONS

Two financially strong Native corporations, Chugachmiut and Chugach Heritage Foundation, have the ability and commitment to support and lead the *Repository* to become self-sustaining. The initial stages of the project are being guided by the project manager, Gerald Pilot, and the project advisor, Lora Johnson. These two project personnel are crucial to its success. Each has extensive experience with the project and enthusiasm about its vision and mission.

The *Repository* intends to insure that it is in a strong capital position when operations start and as they continue in later years.

- The design for the facility is a modest one that can readily be supported with the proposed budget but still accommodate the staff and the support space needed to perform the *Repository's* mission. In contrast to many other museum or repository facilities, the *Repository* will not be burdened with debt service or an inflated operational budget. Instead, only a little over \$2,000 a month will be required for utilities and maintenance.
- A startup loan of \$150,000 to be paid off in three years will cover the organizational costs and an initial cash flow shortfall as revenue sources are established.
- Initial operating capital for program and exhibit development will be provided by a major fundraising campaign in the start-up year. A fundraising consultant will be hired and charged with the task of raising \$500,000 of startup funds for the initial operation of the facility and the establishment of an endowment.
- Projected business and program expenses are proportional to those of other small facilities, with an initial operating budget of less than \$350,000. The cost for the core permanent staff of an executive director, a curator/program developer and a fundraiser make up about 50 percent of the operational budget, after the start-up phase. This figure is typical of museums and other not-for-profit organizations. Expenses are expected to grow at a fixed rate of three to five percent a year.
- Ongoing revenue categories are projected to be split between unearned and earned income at a ratio of almost two to one. The substantial fundraising effort in the first three years will be critical to building a cash reserve the *Repository* can draw on until there is sufficient growth in the various sources of income.

- It is assumed the staff will operate efficiently and successfully promote the facility, with a net result that revenues will exceed expenses on an average of at least five percent. It is this growth that assures the overall viability of the *Repository*.

#### REPOSITORY DEVELOPMENT

Looking to the future, the *Repository* has drawn up a preliminary development plan. It will establish a Board of Directors with ultimate trustee responsibility, setting fiscal policies and controls and reviewing and approving operating policies and procedures. Together, the board and the *Repository's* parent organizations will build a competent, committed, and powerful management team.

But aside from strong management, the *Repository* will also need very substantial grants and contributions. Since the *Repository's* parent organizations represent and advocate regional interests, it should be able to secure a broad base of support from individuals, businesses, and communities outside Seward. The *Repository* will depend heavily on charitable contributions and must maintain Federal IRS 501(c) (3) status.

The *Repository's* development plan is intended to (1) establish traditional support systems allowing for the greater community to support programs and operations through philanthropy, membership, and subsidy; and (2) begin to lay the groundwork for revenue sources that would provide long-term support without annual fundraising. The plan will:

- Establish a volunteer Development Advisory Board, recruited from the entire spectrum of constituents in the region. It will be responsible for the *Repository's* promotion and fundraising efforts, for helping identify and evaluate donor prospects, and for helping provide the leadership to solicit funds.
- Establish an annual giving program, with an annual fundraising campaign (including direct mail solicitation), an annual membership support group, and several special event fundraising events during the course of the year.
- Develop relationships with individuals, businesses and organizations that may be interested in contributing major gifts, at a level above that of the annual gift program. This includes identifying and evaluating prospective sources, cultivating prospects, soliciting the gifts, and following up with continuing acknowledgement and recognition of major gift donors.
- Establish the Chugach Repository and Museum Partners program, a support group whose members would make annual donations and receive (for example) invitations to special receptions, discounts on purchases, or multiple admissions to the facility.
- Develop sponsorship opportunities, including (for example) sponsorship of programs, exhibits, or fellowships. In return, the *Repository* would provide full recognition of the sponsor in all public announcements, printed materials, and communications.
- Solicit in-kind donations of equipment, supplies, property, and services. Many businesses would benefit by giving in-kind gifts that reduce inventory, provide pro bono community service, or create tax savings.

- Investigate and apply for a wide range of government and foundation grants. The *Repository* will not, however, rely on such sources for fundraising. They are unpredictable, highly political, and uneven.
- Build a legacy program through contributions from donors' assets—bequests in wills or establishment of trusts, for instance. This is a promising long-term strategy that demands face-to-face asking and educating donors about how to make such gifts. It typically requires interactions between the donors, their professional advisors, and the not-for-profit organization.
- Develop a source or multiple sources of continued, consistent, and permanent funding. This would be a long-term solution to funding *Repository* operations. One example is an endowment fund—an asset pool invested diversely and conservatively to maintain a consistent return on investment, usually 8 to 12 percent. An endowment provides a continued source of revenue from the annual earned interest from the principal, but the principal can only be spent under restrictive conditions. Developing such an endowment at the necessary level (about \$1 million) will require sustained efforts over a long period.

In summary, this business plan provides details and commentary on the development and ongoing operation of the *Chugach Repository and Museum*. The scenario described is a self-sustaining one that enables the facility to successfully meet its mission and make full use of the EVOS grant. While the facility will require a substantial initial fundraising effort, the modest scope and focused orientation should allow it to serve regional needs and secure a strong financial position.

## II. TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	2
II. TABLE OF CONTENTS	9
III. DESCRIPTION OF BUSINESS	11
A. Introduction	11
B. Repository and Museum Concept and Description	12
1. Concept	12
2. Programs of the Chugach Repository and Museum	13
3. The Gallery	14
4. Virtual Museum / Web Access	15
5. The Collection	18
6. Hours of operation	18
C. Location and Physical Facilities	19
1. Location	19
2. Facility Requirements	19
3. Conceptual Plans and Estimates	20
4. Storage Requirements	26
D. Tribal, Local, Regional Benefits	26
IV. MARKET ANALYSIS	27
A. Museum Market Description and Size	27
1. The Setting	27
2. The Audience	28
3. Admission Fee	28
B. General Market Trends	29
C. Competition	30
D. Market Strategy and Projections	31
V. FUNDRAISING	33
A. Initial Objectives	33
B. Development Advisory Board	34
C. Annual Giving Program	36
D. Major Gifts	37
E. Support Group Program – Partners	39
F. Special Events	40
G. Sponsorship Opportunities	41
H. Government and Foundation Grants	41
I. Planned Giving Campaign – The Legacy Program	42
J. Endowment	43
VI. ORGANIZATION AND MANAGEMENT	46
A. Form of Organization	46

B.	Management Plan	46
1.	Board of Directors	47
2.	Management and Staff	47
3.	Organizational Chart	48
4.	Project Startup Staffing and Advisors	48
5.	Other Key Project Staff	49
6.	Consultants	50
C.	Relationships with Other Organizations	50
1.	Museum Memberships and Accreditation	50
2.	Cooperative Agreements	50
VII.	FINANCIAL ANALYSIS	52
A.	Budget Overview	52
B.	Structure of Financing (Sources of Funding)	53
1.	Accounting of EVOS Funds	53
2.	Startup Loan	56
3.	Fundraising	56
C.	Project Budget (Application of Funding)	57
1.	Details of Phases I and II	57
2.	Details of Phase III	58
3.	Details on Startup Phase.	58
D.	Annual Operations Budget	58
1.	Details Concerning the 1 <sup>st</sup> Year (year 2) of Ongoing Operations - Expenses	58
2.	Details Concerning the 1 <sup>st</sup> Year (year 2) of Ongoing Operations - Income	61
E.	Financial Statements	64
1.	Income Projections – Revenue & Expenses Summary	65
2.	Pro-Forma Cash Flow	66
3.	Balance Sheet	67
4.	Cash Trends	68
5.	Deviation and Sensitivity Analyses	69
F.	Financial Summary	72
VIII.	TIMETABLE	74
IX.	SUPPORTING DOCUMENTS & NOTES	75
A.	Notes	75
X.	APPENDIX A – INITIAL PROPOSAL	76
A.	Evaluation of Chugachmiut's Initial Proposal to EVOS	76
1.	The Depot Building	76
2.	Building Costs	76
3.	Historical site limitations	77
4.	Limited display space	77
5.	The Orca Building	77
6.	The difficulties with two locations	77
7.	Financing – Fundraising	78
8.	A separated local display facility	78
9.	Annual budget	78
10.	Conclusion	85
XI.	APPENDIX B – RESUMES	85

### III. DESCRIPTION OF BUSINESS

#### A. Introduction

In response to the Exxon Valdez Oil Spill (EVOS) Trustee Council's RFP #10-98-071 Chugachmiut submitted a proposal in August 1998 titled *Chugach Regional Archaeological Restoration Project* that would establish the *Chugach Repository and Museum* in Seward, Alaska. Subsequently EVOS accepted the proposal and made a Grant Agreement in the fall of 1999. The grant agreement requires the preparation of a business plan that considers the development and ongoing operation of a regional archaeological repository and display facility in Seward. The repository and display facility would be contained in the Orca and the Seward Railway Depot buildings.

However, the initial proposal stated the need to review, and possibly modify, the amount and types of space utilized by the facility in light of updated economic or market costs for the Orca and Railway Depot buildings. Recently such a review indicated that the expected revenues of the *Chugach Repository and Museum* are insufficient to support the use of both buildings.

Thus a revised scope proposal was made to EVOS in which only the Orca building is utilized for the repository and limited display functions, and the local display facility component of the grant was removed. It was also proposed that just Chugachmiut and Chugach Heritage Foundation form the entity *Chugach Repository and Museum*. This revised scope forms the basis upon which this business plan is developed.

This business plan describes the establishment of the *Chugach Repository and Museum* in Seward. Most notably only the Orca building is utilized and the facility's space is reduced to coincide with the available EVOS funds. Thus, this revised scope has both the repository and limited display functions of this facility contained in the Orca building. The choice of the Orca building was based on many factors. The Orca building possesses numerous advantages for the repository: its size can accommodate growth of the facility, its architecture allows for flexibility in design and utilization, it is modern and secure, and it is well located. Whereas the Depot building is an excellent display venue, the use or alterations to this structure must comply with numerous restrictions associated with its listed historical site classification.

This revised scope reduces the repository space utilized in the Orca building to approximately twenty seven hundred square feet. Part of the reduction is due to the removal of the local display function from the facility. However, it has also been determined that a reduction in size will promote the economic health of the *Chugach Repository and Museum* and emphasize its focus on repository functions and program development. As the facility's activities and incomes grow, additional space may be acquired in the Orca building.

Additional details concerning the evaluation of the initial proposal and the decision to forgo the Railway Depot building are contained in Appendix A.

The mission of the *Chugach Repository and Museum* remains unchanged from that written in the proposal. Similarly, community support services, educational and cultural programs, curatorial activities and archeological studies to be performed by the *Chugach Repository and Museum* follow the initial proposal. As the local display element has been

separated from the repository the significance of the museum or display function of the facility is reduced and only maintained to the extent necessary to enhance its mission or provide needed revenue.

Utilizing the EVOS funds in this manner makes for a more cost effective project, allows the owner's resources to be applied to ongoing operations and program development, and provides the opportunity to create a separate local display facility in Seward. Such a scheme enhances the probability of successfully fulfilling the *Chugach Repository and Museum's* mission in a self-sustainable manner.

The advantages of this scheme include:

- The *Chugach Repository and Museum* is quickly established and able to start fulfilling its mission.
- With concerns of the facility building costs addressed, Chugachmiut and Chugach Alaska Corp. can more easily contribute to the endowment and operation costs of the facility.
- The reduced budget and size of the repository and museum will increase its chances for self-sustainability. Specifically, the scheme reduces the amount of required unearned income.
- The revised scope separates the local display function from the repository, allowing Chugachmiut and Chugach Alaska Corp. to focus on the repository mission and Qutekcak Native Tribe to focus on the local display facility.

Note: The term *Chugach Repository and Museum* is also abbreviated to the *Repository* within this document.

## **B. Repository and Museum Concept and Description**

### **1. Concept**

Chugachmiut and Chugach Heritage Foundation (a not-for-profit subsidiary of Chugach Alaska Corp.) will join together to establish the *Chugach Repository and Museum*. The facility will be housed in the first floor of Chugachmiut's Orca building which is located on the northwest corner of 4<sup>th</sup> Ave. and Washington Street, in Seward, Alaska.

The mission of the *Chugach Repository and Museum* is to manage, operate and maintain a Chugach regional archaeological repository and museum, including its facilities, archeological collections and related business ventures and assets. This organization will work cooperatively with other regional and local organizations and the local communities to develop area wide programs pertaining to archeological research, survey, excavation and site stewardship, public education and other cultural programs for the Native peoples of the Chugach region.

The *Repository* meets the regional need for a central facility where historic cultural materials and archeological artifacts can be repatriated, studied and displayed in an educational and celebratory manner.

Initially some revenue will be generated by admission to a gallery or display area, as well as the off-site sales of related educational materials, artwork, etc. However, most of the income necessary to operate the facility will be from fundraising activities, program grants, service contracts and investments. Chugachmiut is currently pursuing other funding and cooperative agreements with State and Federal agencies as well as educational institutions. Joint marketing and program development efforts will be proposed with such concerns as the Seward SeaLife Center, the Alaska Native Heritage Center in Anchorage and a number of museums within the state.

The majority of the EVOS grant will be used to acquire, remodel and furnish the *Repository's* space in the Orca building. Tenancy in the space is secured by prepayment of a 20-year lease. This use of the grant monies is deemed the cost-effective use of the funds for such an allocation allows the facility to start essentially debt free. The *Repository* will also require substantial start up funds to meet initial cash flow concerns.

## **2. Programs of the Chugach Repository and Museum**

In the wake of the Exxon Valdez oil spill, the massive clean up effort that ensued led to the discovery and collection of numerous artifacts of cultural and archeological significance to the peoples of the Prince William Sound area. The *Chugach Repository and Museum* will provide a state of the art facility for the storage, restoration, scholastic study and public display of these cultural and archeological treasures, and any others that come under its management. Indeed, the collection recovered from the oil spill will be the catalyst for the further acquisition of historic and cultural materials currently dispersed throughout the region and beyond. In addition, the *Chugach Repository and Museum* will work to provide to the local communities a series of educational programs that will raise the awareness of the cultural heritage of the area and its effect on the local peoples. The *Chugach Repository and Museum* will develop a variety of programs that center on the preservation and restoration of cultural and archeological artifacts and sites that were damaged during and in the wake of the Exxon Valdez oil spill. These programs include, but are not limited to, the following:

### **a) Site Stewardship Program**

It is of critical importance to the preservation of the cultural identity of the area that the sites that reflect the heritage of the community be protected from damage. To this end, the *Chugach Repository and Museum* will establish programs aimed at protecting both regional historic and cemetery sites from environmental dangers and vandalism. The programs initiated will augment and extend a pilot program funded by EVOS (Project 96149) to other communities of Prince William Sound and the Kenai Peninsula.

### **b) Archaeological Research, Survey and Excavation Program**

The ability to conduct a careful, scientifically valid survey of an important historical site is of paramount importance to the collection of accurate data. The science of site analysis is complex and requires great patience and care. It is of great interest to the *Chugach Repository and Museum* to continue to introduce the youth of the area to these techniques through existing and future programs, building on such investigations as the Nuuciq Spirit Camp (1995 - 1998) at Nuchek Island. Site findings and reports will also be used to develop educational material and displays geared towards increasing the local communities' understanding and appreciation of their heritage.

### **c) Public Education Program**

Community involvement in the celebration of cultural heritage is critical to the *Chugach Repository and Museum*. To this end, the *Repository* will work closely with its sponsoring



organizations to develop and extend public education programs pertaining to the cultural heritage of the Chugach region. An excellent example of the type of program anticipated is the three-year program initiated by Chugachmiut and funded by the Department of Education to develop a region-wide curriculum on the Native heritage of the Chugach region for the use of public schools. The program includes broad community involvement including quarterly workshops, elder gatherings and the development of lesson plans. With the close tie between archeological artifacts and Native history, it is anticipated that the *Chugach Repository and Museum* will greatly aid this program and others like it through the provision of archeological expertise and display materials.

**d) Regional Cultural Program**

The *Chugach Repository and Museum* will work with its sponsoring organizations to continue the development of regional cultural programs. An anticipated example of this type of program is the development of a regional historic preservation plan, aimed at raising the awareness of the public to the techniques of site preservation and care. Programs included in this plan may include courses in Collections Management and Administration, Care for Collections, or Facilities Management, Operations and Maintenance of Repositories and Display Facilities as outlined in the *Comprehensive Community Plan* (1996, Part I, pages 97-98).<sup>1</sup>

**e) Technical Assistance**

The availability of a centrally located source of technical expertise in the field of archeological preservation and collections management will be of a great value to the local communities. These programs may include the development of workshops to facilitate the training of local managers in community display. It may also include sponsorship for community members to attend existing training programs, depending on funding availability.

Professional curatorial services will be provided the *Repository*, through professional staffing in the organization and through cooperative agreements with existing museums and/or organizations with professional staff. The intent is to have a curator / collections manager on staff and located on site in the Orca building. The curator will provide professional services for both the permanent collections and display gallery in Seward, as well as provide professional services to the eight community display facilities funded under a separate EVOS grant. Cooperative agreements for providing curatorial services will also be explored.

**3. The Gallery**

The *Chugach Repository and Museum* will utilize a small gallery within the Orca building to showcase its collection and provide a venue for special exhibits on loan. The size of the space is approximately eight hundred square feet.

Within the gallery, visitors will explore permanent and changing exhibitions related to the archeological and native cultural history of peoples from the Chugach region. Visitors will be shown examples of artifacts discovered in the area and presented within interpretative and engaging displays. Attendees will be challenged to appreciate and understand the importance and richness of the region's cultural and archeological history.

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<sup>1</sup> Comprehensive Community Plan for the Restoration of Archeological Resources in Prince William Sound Lower Cook Inlet, Part I. Cultural Resources and Restoration Options. Chugach Development Corporation, November 1996.

The content of the exhibits may be organized in modules or exhibit areas. A combination of both permanent and temporary exhibits is envisioned. Permanent themes where displays and exhibits change within the themes rather than sole reliance on a permanent collection are proposed. The module format provides an opportunity to make large or small changes to content in "permanent exhibits" to reflect or enhance content in a temporary exhibit. Exhibits will be complemented by educational programs, workshops, lectures and temporary shows, and tied into the local display facilities.

Many museums are focused on the interpretation of a particular collection. The initial size of the *Repository's* collection will be relatively small and of limited interest to the general public. Thus, initially the displays will not be devoted so much to interpreting specific objects in the collection but rather will be exhibit-driven, articulating carefully selected concepts meant to inform the visitor of the general context of the collection.

Special exhibits will be a key promotional component of the *Chugach Repository and Museum*. These exhibits will usually be on loan from another museum or organization, e.g. Smithsonian Traveling Exhibit Service (SITES). Special exhibits will also be an important adjunct for revenue generation and enhancing the public's view of the *Repository*.

#### 4. Virtual Museum / Web Access

Archeological and cultural specimens in a variety of media will be the focus of the *Repository's* exhibits. Using computer technology to also display this content can achieve integration of ideas originally presented in very different media and support a high level of interactive programming.

During the last few years, the increase in computational power, display resolution and Internet access have created a new and exciting method for museum displays. What was once an assemblage of artifacts posed in a static display within the museum can now be rendered as dynamic multimedia presentations available to the World Wide Web (WWW). Where exposure is synonymous with marketability, the WWW creates an exciting opportunity for businesses to participate in commerce on an international scale.

More importantly, the concentration of museums on the display of historical artifacts is particularly suited to the visual nature of the WWW. There is already a marked presence of museums on the WWW, and the opportunities exist to partner with established businesses and thus reach a larger audience.

Examples of archeological artifacts and cultural history in all media can be integrated digitally for distribution in a variety of formats such as multimedia presentations, CD-ROM, and as a digital collection. Acquisition or borrowing of original designs and physical representations is an important part of a collection and display strategy. But ultimately, it is expected that the *Repository* will create its own high-quality digital archive.

The core asset of the *Repository* is its collection. Deriving value from this collection can come in many different ways. The traditional approach would be to display the collection and charge people to view it. This business model requires that people be in the vicinity of the collection, that ample space is available to house the exhibits and that professionals are involved with the design and creation of the displays. To a limited extent the *Repository* will follow this tried and true path. Another traditional activity would be the photographing of the collection's artifacts and then licensing those images for postcards,

book covers, advertisements and other media. With the WWW, this activity becomes more compelling as a venture.

With the rapid improvement in storage and display technologies in the computer market, the home personal computer has become a viable platform for educational and entertainment presentations. Digitally photographing the repository collection will allow business ventures that take advantage of these systems.

A digital technology plan, needed for archival storage of exhibit content, will be used to extend the Museum's reach beyond its physical setting in the Orca building. CD-ROM and Internet technology can be used to create experiences that are not possible in the *Repository* itself - such as simulating the appearance of an artifact lying exposed on a beach. The web site, as an extension of the *Repository's* exhibits will explore Web-based information delivery, a new and growing media choice for the museum industry.

The nature of the *Repository's* content and desire to design a highly interactive visitor experience requires that a digital technology plan be developed for the repository. The plan will help to clarify many issues as they relate to *Chugach Repository and Museum's* information technology systems and staffing areas.

Some key points included in the plan:

- linkage to *Chugach Repository and Museum's* administrative network
- intranet for museum exhibits and digital collections database
- linkage to web site/firewall
- staff development
- ongoing maintenance of web site
- ongoing in-house production of multimedia content
- integration of video and audio clips into digital archive

**a) Digital Collection**

It is anticipated that the *Repository* will build a collection of visual images from donations and from its collection. These will be catalogued for archival purposes within a digital imaging and image management software, and made available to visitors and a larger audience through a *Virtual Repository* web site and CD-ROM. Images from the collection may also be reproduced in the form of postcards, posters or publications and sold online or wholesale to other outlets.

**b) Web Site**

The *Chugach Repository and Museum's* web site will be a "virtual gallery" or electronic extension of the facility itself. Main sections of the site are a web exhibit gallery, a calendar of future exhibits, an overview of current exhibits and the collection, general information and an interactive storefront. Future offerings might include a simulated tour through an exhibit. The objectives of the web site include:

- Create exhibits that reflect the nature of what is physically presented in the *Repository*.
- Communicate the major programming themes of the Museum as they are illustrated through exhibitions.
- Provide promotion and a central point of reference for local display Facilities.
- Support a marketing objective to establish a brand/image of the *Repository*.
- Support a marketing objective to increase awareness beyond the local community.

Web Exhibits:

The expectation is to develop exhibits specifically for the Internet. Content will be organized around a curatorial theme and may or may not be taken from an exhibition featured in the *Repository*. We distinguish this from a collection of images taken from an actual exhibit, or from a virtual tour of a "gallery". The goal is to present an on-line experience that you couldn't actually experience in the museum itself. Content format will include text, digital images, video and audio. This section will be a site-within-the-site.

Overview of Current Exhibits:

This section will be a snapshot of what is currently exhibited in the *Repository's* gallery. It may be changed twice or more a year. This could be a combination of sample images, a narrative outline of a particular exhibit and suggested readings.

Overview of Upcoming Exhibits:

Much like above, these are descriptions of exhibits 6 months to a year prior to opening, and would be described in less detailed.

c) *Possible uses of Digital Media*

By exposing a subset of the repository to the WWW in a digital form, individuals with an interest in Native artifacts and culture can view a "teaser" of the collection. This contact may stimulate an interest in perusing a greater set of information available at set rates either over the web or in another media form (such as CDROM). Using web technologies, it is possible to track the number of individuals viewing the site and use this information to provide advertising space to corporations. Such advertising can be selected using criteria important to the *Repository* mission, for example, companies providing Alaskan experiences or services that improve local standards of living.

The *Repository* WWW site will also provide the ability to purchase reproductions of artifacts from the collection at an online store. By carefully selecting local artisans to create these reproductions and offering them for sale over the WWW, the global market can be exploited to offer individuals, corporations and educational entities pieces of cultural interest while providing a revenue stream for the *Repository*. Depending on the length of time needed to create such reproductions, contracting the artist at the time the order is made may minimize the inventory, thus eliminating storage costs usually associated with this form of business.

The educational market will be explored using CDROM based multimedia presentations of the local cultural heritage. Using a combination of presentation techniques (including still images and video and audio clips), the interaction of the local peoples with nature and each other through their tools and art can be brought to life and into the classroom. By providing a well-indexed and annotated collection, the *Repository* CDROM can also be used for research by institutes of higher learning.

Licensing of digital images will provide another revenue stream. A portion of the WWW site will be used to provide "thumbnail" images (smaller non-production grade pictures) that will be open to perusal. Companies interested in reproducing these images in magazines, books or other media will then be able to purchase limited rights to the high resolution, production grade images.

Within the museum proper, there should exist at least one "display station" or kiosk with a connection to the museum web site. This can be used as an exploration tool (for example,

a more in depth look at the collection in reference to the displays) or as alternate revenue generation. For example, the customer could send an email from the site that features an image from the *Repository's* digital gallery. For a small cost (perhaps a coin slot accepting a twenty-five cent coin), the user could send this electronic postcard to friends. Depending on the interest raised by a low cost web kiosk, the museum could easily add more features.

#### d) *Museum Store*

A museum store has been identified as an important element in the *Repository's* overall program offerings. However, rather than allocating precious physical space in the Orca building for retail sales, an internet web based and mail order catalog store would be established.

An exact description of inventory for such a store has not been finalized. It is thought that items for sale in the store or catalog might include souvenirs of the museum experience, books written in the broad topics of Alaskan Native arts and culture, gifts, reproductions of cultural items and art, etc. Art and crafts from Native artists in the region and sold on consignment could also be featured.

Pricing for items sold through the store to a retail customer would be price to yield a net profit on sales of forty-to-fifty percent. There is also a potential for substantial revenue selling store items to other museums, wholesale merchandisers and gift shops. The *Repository* could also use other popular web sites to market its store offerings and advertise its mission.<sup>2</sup> Though the margin would be lower on such items, the *Repository* should promote and market original items from the region and reproductions from its collection.

### 5. The Collection

Materials recovered from the clean up activities within the Exxon Valdez oil spill area will be returned to the facility to initiate the collection. The EVOS collection is documented in the *Comprehensive Community Plan*.<sup>3</sup> The collection consists of approximately fifteen hundred artifacts, scientific samples, and associated materials. The facility will safely house these and other items of archaeological interest. Items from this collection and other materials that can help convey information about the cultural heritage of the peoples of the spill area will be displayed in an educational and interesting manner.

It is expected that other artifacts and other items of cultural and historical significance will be donated or loaned to the *Repository*. An artifact purchase program is will also help enlarge the collection.

Storage requirements for the collection are described in the Facilities section.

### 6. Hours of operation

The repository offices of the *Chugach Repository and Museum* would be open during regular business hours throughout the year. Such would be the work schedule of the professional staff. In addition, the display area would be open six days a week, for

<sup>2</sup> e.g. [www.museumshop.com](http://www.museumshop.com)

<sup>3</sup> Comprehensive Community Plan for the Restoration of Archeological Resources in Prince William Sound Lower Cook Inlet, Part I. Cultural Resources and Restoration Options. Chugach Development Corporation, November 1996.

approximately half the year centered about the summer, to coincide with the local tourist season.

This schedule of exhibition of objects to the public, along with its organizational structure and programs, is sufficient to allow the *Repository* to be eligible for Federal funds from the Institute of Museum and Library Services (IMLS).

### **C. Location and Physical Facilities**

#### **1. Location**

The *Chugach Repository and Museum* will be situated in the first floor of the Orca building. The Orca building is located on the northwest corner of 4<sup>th</sup> Avenue and Washington Street (Lots 16 & 17, Block 11, Seward Original Townsite and Lot 18A, Block 11, Seward Original Townsite, Scoby Replat T01WS10SW960005). The facility will consist of administrative offices, a gallery, a multipurpose area, a laboratory and permanent secure storage areas for the artifacts.

The Orca building has a centralized location in downtown Seward, next to the new SeaLife Center. Visitors to Seward will have ready access to the *Repository* by virtue of its location being near the downtown city center and at the end of a main road into Seward. The building has ample parking onsite and along adjoining streets. The building is among the newest commercial office sites in town and shows features of good construction and upkeep. The location, construction, capacity to provide additional space and its amenities makes the Orca building an ideal location for the *Repository*.

The total space of the facility is estimated to be approximately 2,700 square feet plus common area. Approximately 600 square feet would be utilized as a laboratory and secured storage area. The storage area would be under special environmental control and furnished for secure storage and curation according to federal guidelines for approved repository collections (36 CFR Part 79). About 620 square feet of the Orca space would be used for general record storage, administrative offices, and communal spaces. Additional office space of about 650 square feet would be sublet until the repository demonstrated the need and resources to support this area. The remainder of the space, approximately 800 square feet would be used as a gallery or display area. Maintenance, utility, public restrooms and other storage space are provided for in the common space of the Orca building (18% of total leased space).

#### **2. Facility Requirements**

A number of facility requirements have been identified for the *Repository*:

It will need to provide functional space for the following activities –

- Curatorial Services.
- Secure Storage of collections.
- Permanent display area for public access.
- Space for travelling displays and community programs that facilitate public access to the collections.
- Staff work area for administration of the collections. This includes space for administrative and management records.

- Staff work area to provide access to the collections. Activities may include general management, display preparation, conservation and research.

Additional support space for the operation and maintenance is also required -

- Area for the administration and management of the facility.
- Separate storage for general facility needs.
- Area for equipment to run the facility (heat, electric etc.).
- Public restrooms.

The *Repository's* space may need to support other proposed activities as well -

- Cultural, educational and protection programs.
- Programs which might include meetings, presentations and informal gatherings.
- Emphasis should be on programs that enhance public access to the collections.

A number of general, architectural, and design requirements are to be considered -

General Requirements -

- State and local building codes.
- Standard utilities (electric, heat, telephone, sewer, garbage etc.).
- Rest rooms and wheelchair access.
- Safety considerations.

Special Requirements for Repositories -

- Enhanced fire detection and suppression system.
- Environmental system (temperature, air quality and humidity control).
- Security system to detect intrusion.
- Additional security system for fragile or valuable items. This may be accomplished using a secure storage area.
- Backup for utility systems to ensure protection of the collections.
- Separate storage and work areas for non-curatorial activities, i.e. custodial services.

Finally, the remodeling and furnishing of the *Repository* space should enhance aesthetic considerations that will make the building inviting to the public.

### **3. Conceptual Plans and Estimates**

To develop a conceptual plan of the *Repository* space, along with a preliminary remodeling and furnishing estimate, USKH, Inc. (USKH), Anchorage, Alaska was consulted. *Repository* requirements were discussed and a report was requested which would outline the expenditures for which EVOS funds are sought. The goal of the design was to describe a facility which would at a minimum meet applicable codes and the requirements of approved repositories detailed in federal guidelines (36 CFR Part 79).

USKH, Inc. (USKH) has prepared the following assessment of costs associated with improving the existing tenant space on the south side of the first floor of the Orca Building

in Seward, Alaska. As directed, USKH reviewed the floor plan and offered a schematic or conceptual floor plan, determined a range of building materials that could be supplied within a specified budget for the following spaces and attributes (see plan for additional information):

- Subleased office Space 650 sq. ft.
  - Class "A" office space on SE corner of building with private entrance.
  - Roughed-in security system.
  - Painted gypsum board (PGB) walls, suspended acoustical ceiling, and direct glue down commercial grade carpet.
  - Lay-in, troffer fluorescent lighting providing 50 foot candles at desk height.
  
- Laboratory / Secure Storage Space 610 sq. ft. +/-
  - Secure Storage (repository) room has built-in counter top with inexpensive shelves below and above, and is alarmed with motion and entry type alarms (450 sq. ft.).
  - Laboratory space with sink, built-in counter, and cabinets (160 sq. ft.).
  - Walls of Secure Storage shall extend (10') to the bottom of floor deck, above.
  - Lab and Secure Storage finish flooring shall be heavy-duty residential sheet vinyl and ceiling shall be suspended acoustical tile.
  - Humidification and dehumidification will be provided in Secure Storage by portable tenant-supplied appliance – not in construction Contract.
  - Laboratory base and wall cabinets will be residential grade, with pre-finished interior surfaces.
  - Laboratory counter tops will be pre-formed plastic laminate-covered residential quality, in a standard color.
  - General ceiling lighting provide shall deliver approximately 80 foot candles at countertop level. Task lighting below wall cabinets is not included.
  - Outlets will be provided at 36" on center on open wall areas, and plug-mold strip behind cabinets.
  - Secure Storage will have inexpensive wall storage shelving. Cabinets for Curatorial storage are not included.
  
- Display / Gallery Space and Reception 800 sq. ft. +/-
  - Walls shall be PGB with simple 12" lighting cove at top of walls.
  - Floor finish will be Vinyl Composition Tile (VCT) with loose walk-off mat.
  - Ceiling finish will be PGB with a mixture of recessed can lighting and mini halogen spot lighting.
  - Display cabinets will be provided with separate funding – not in construction contract.
  - No built-in displays will be provided.
  - A small reception desk with power, data and phone is required.
  
- Repository Offices and Multi-Purpose Room 620 sq. ft. +/-
  - 140 sq. ft. offices for the Director and Curator.
  - 340 sq. ft. multi-purpose and lockable storage space including Fundraisers' area.
  - Furniture for these spaces is not included. The cost for a reasonable set of office furniture is in the range of \$2,500 to \$3,500 and would include office chair, desk, credenza, and file cabinets. Chairs and a small table for visitors may be approximately \$750 to \$1,000 additional per office.

Total Space available in Orca Building (sq. ft.) 2,680 sq. ft. +/-

**General Notes:**

1. All tenant improvements (including the Subleased space) shall have Category 5 data and voice cabling.



2. General construction quality is presumed to be acceptable, but not commercial (bidding contractor and qualified sub-contractor) quality.

**Assumptions:**

1. That all required building improvements to meet tenant needs are provided at no cost by the building Owner. These include exterior door and window security hardware, mechanical HVAC changes to provide adequate heat and air circulation, adequate circuits to allow for tenant-supplied lighting, equipment, and misc. electrical needs, etc.
2. All labor except electrical subcontracting will be provided by the Owner's own staff approx. \$25.00 per hour, including benefits.
3. Tenant and Guest amenities are provided. These include full use of the ADA-compliant restrooms in the public areas of the building, parking spaces, etc.
4. All building maintenance, including exterior doors, lobby doors, and windows, heating, electrical, and other building systems, will be provided by the building Owner.
5. The security system will not be rendered non-operational by actions of the building Owner, and will be provided and installed by the Tenant.
6. The Tenant will provide all labor and materials for the non-electrical tenant improvements indicated above.
7. The Subleased space shall not have furnishings (desk, table, chairs, etc.) provided by tenant, but the other spaces will.
8. The building does not have a sprinkler system, but does have an operational fire alarm.
9. The Lab./Storage Space will have specialty cabinets for artifact storage paid for from separate funds. The offices will have furniture provided with separate funds.
10. The finished ceiling heights are 9'-0".

**Code Information:**

1. The basis of information for this review is based on floor plans and code information from Porath Architects' plans.
2. The facility does not have a sprinkler system.
3. The building construction is Type V – non-rated. Generally, this means wood construction. A note on the plans indicates the presence of one-hour rated wall construction surrounding the core area of the building. The new partitions will also be of one-hour construction.
4. Any revisions to the door to the Lobby must maintain the integrity of the one-hour assembly that presumably exists.
5. The occupant load of the Display/Gallery is less than 50. Therefore, only one exit is required from this space. It is generally not permissible to exit through an adjoining room to satisfy the intent of the building codes. The Office, Storage and Lab areas can use the rear exit for a fire escape. The Lease space is provided with its own exit.
6. Emergency exit lighting and signage will be installed.
7. Fire extinguishers will be provided and the buildings' fire alarm will be connected to detectors to be installed under this construction.
8. Ground Fault Circuit Interrupting (GFCI) outlets will be provided near the sink.
9. Any other code-related items would be reviewed during the normal design process and go beyond the scope of this document.

An alternative conceptual floor plan (or option) is also provided. The difference in remodeling costs for such a modification is considered insignificant.

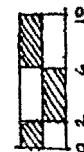
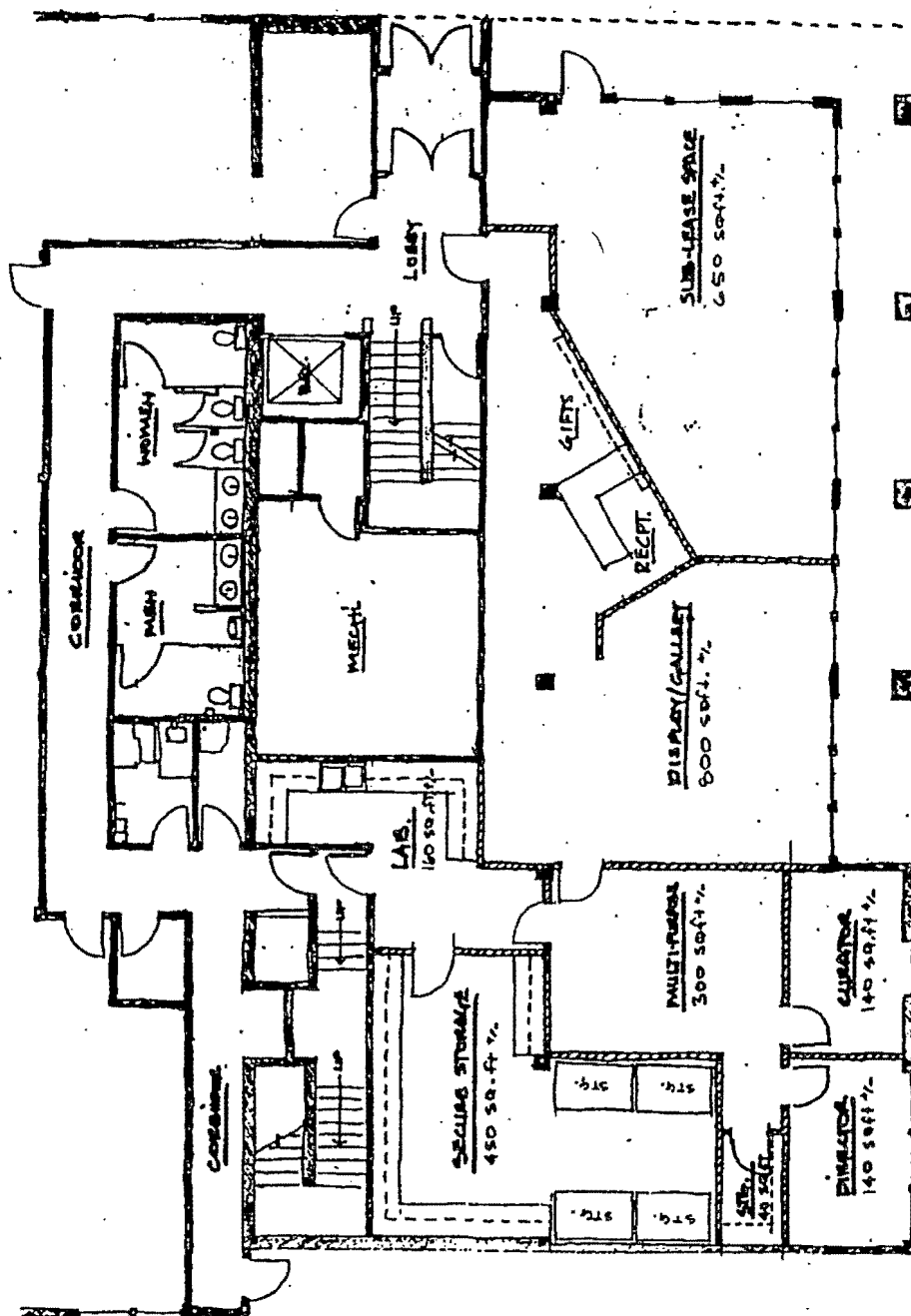
With the aforementioned assumptions and floor plan, the remodeling cost is estimated to be \$90,000. USKH and Porath Architects performed a detailed estimate describing these costs.

Furnishing costs are estimated as follows:

Office Furniture	\$8,000
Humidification & Environ. Monitoring System	\$3,000
Computer System & Digital Imaging	\$20,000
Secure Storage & Display Cabinets	\$15,000
Miscellaneous	<u>\$2,000</u>
Total:	\$48,000

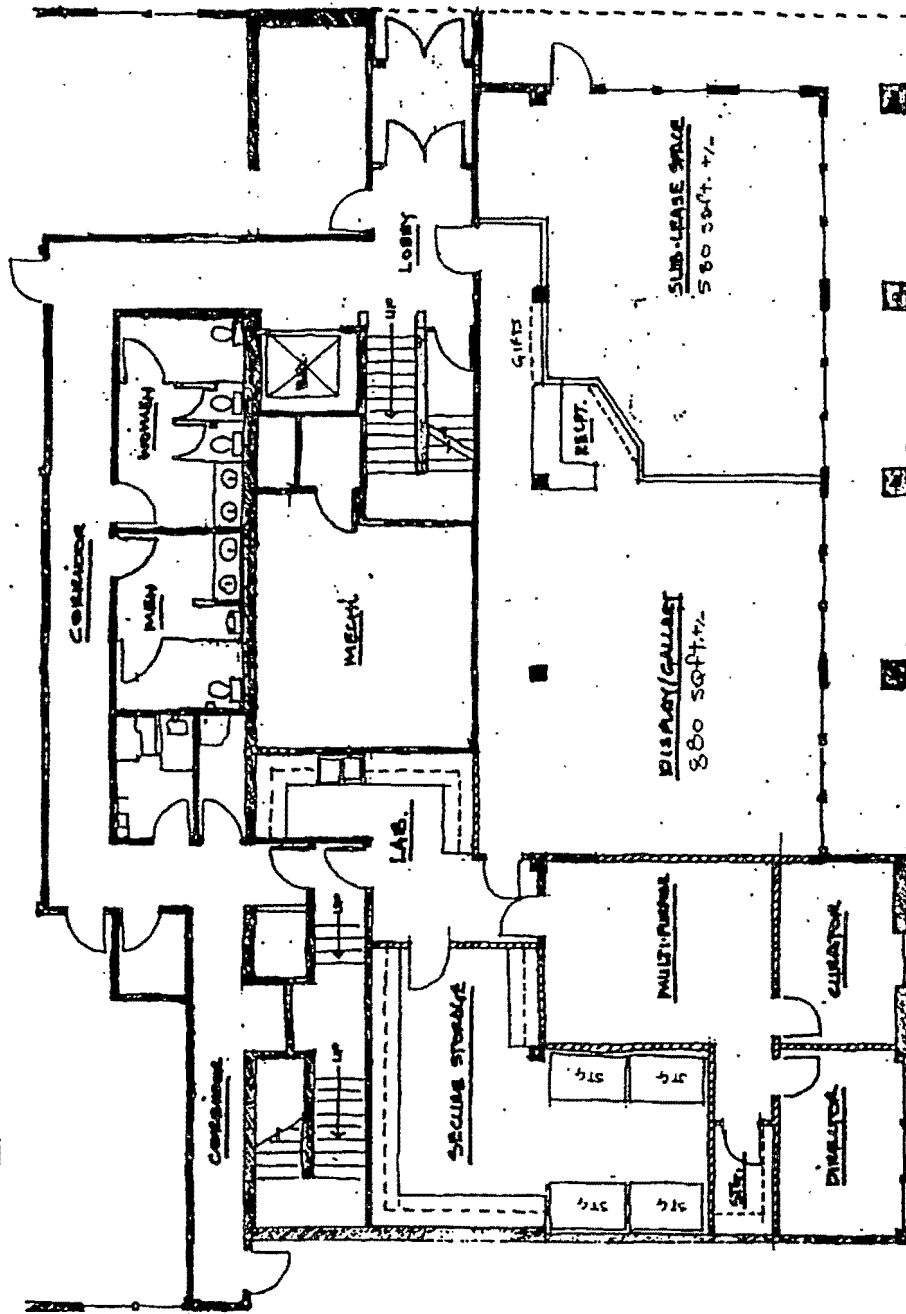
It is expected the facility will receive additional furnishings (e.g., office furniture) as in-kind contributions from the member organizations.

# Chugach Repository and Museum Conceptual Plan



**CONCEPT PLAN**  
USKH 2/22/00

# Chugach Repository and Museum Conceptual Plan – Option



**CONCEPT PLAN - OPTION**  
**USKH** 2/22/00

#### 4. Storage Requirements

The EVOS collection has been described in the *Comprehensive Community Plan*.<sup>4</sup> The collection consists of approximately 1,500 artifacts, scientific samples, and associated materials and requires at least 200 cubic feet of storage space. The facility will safely house these and other items of archaeological interest in a secure storage room. The building's HVAC system and a stand-alone humidification/dehumidification unit will maintain environmental control. Environmental control will be independently monitored with recording instruments. A variety of storage shelves and cabinets will be available to house a growing collection.

#### D. Tribal, Local, Regional Benefits

The establishment of the *Chugach Repository and Museum* addresses a number of cultural and historical concerns of native peoples in the region. Importantly, the *Repository* will allow the return of valuable artifacts and culturally relevant materials to the region and provide a means for local control and ready access. The *Repository* will ameliorate the further loss of artifacts with an artifact procurement program, curation and preservation programs and archeological research. Public education programs will enhance the awareness of the importance and possibilities for preserving and protecting cultural materials. It will provide the region with a professionally operated facility to receive gifts of artifacts and archives. The facility will also provide for the secure and appropriate storage of sacred and sensitive materials. Its professional staff will facilitate the documentation of archeological and culturally significant sites in the region.

The *Repository* will provide additional economic and sociological benefits to the region. Three or more professional jobs are created by the facility. Besides the financial contribution the facility will make to the region, its staff will contribute to the collective knowledge base and activity concerning native issues in the area. The *Repository* requires trained professionals, so it may provide study opportunities and encouragement for local youths to continue their education through the college level and possibly return to settle in the region. There are also opportunities of seasonal employment in the facility – which for some could be quite an attractive alternative to other more commercial concerns in Seward.

The *Chugach Repository and Museum* addresses the need for the restoration of archaeological resources impacted as a result of the Exxon Valdez oil spill through the support of facilities that house and display the artifacts in the local communities. The *Repository* also addresses the communities' needs to have an active involvement in both the identification and long term preservation of these resources. In general, the *Chugach Repository and Museum* will promote the protection, enhancement and public enjoyment of archaeological and cultural resources of Prince William Sound and Lower Kenai Peninsula.

<sup>4</sup> Comprehensive Community Plan for the Restoration of Archeological Resources in Prince William Sound Lower Cook Inlet, Part I. Cultural Resources and Restoration Options. Chugach Development Corporation, November 1996.

## IV. MARKET ANALYSIS

Initially the *Chugach Repository and Museum* will be composed of essentially two core activities or components that generate revenue. The repository component of the facility with its curatorial and program development functions is a service oriented cost center, with somewhat limited public exposure, which will primarily attract revenue in the form of grants, donations and other unearned income. The museum component of the facility, which includes gallery exhibits, the online store and other visitor attractions, garners earned revenue from admissions and sales to a larger audience. Each component should be viewed as operating within a separate market.

### A. Museum Market Description and Size

#### 1. The Setting

In order for a museum to be financially viable it must have visibility and be located in an area that receives enough people willing to explore it. The proposed location of the *Chugach Repository and Museum* satisfies these criteria with an excellent placement within the township of Seward. Seward was chosen due to its accessibility to the local communities, the greater population of Anchorage and to the tourists flowing through Alaska by way of tour boats and the Alaska Railroad. The location within Seward was also carefully selected based upon the need to maximize exposure to the potential visitor while still providing the required size for the storage and display of the collection. One of the most popular new tourist destinations within Seward is the new SeaLife Center, the *Repository* will be located next to this exciting visitor's location.

The *Chugach Repository and Museum* will maintain a gallery space with an ongoing exhibition program to serve the Seward community and visitors to the area. The gallery will be maintained for scheduled exhibitions, receptions, lectures and performance art by visiting artists and educators. The *Repository* intends to provide exhibit programming that will attract visitors to Seward as well as local residents. The content of exhibits will include local and regional, national, and international examples of native cultural archeological materials and art.

Thus the *Chugach Repository and Museum* will service a region larger than only the town of Seward and will involve an audience of visitors and supporters consisting of both local residents and tourists.

The population of greater Seward is between 3,000 and 4,000 and the population of the encompassing Kenai Borough region is approximately ten times that figure. Seward is located at the terminus of the Alaska Railroad and a highway system that connects it with Anchorage, Fairbanks and other popular destinations in the state. Due to the adjacent scenic attractions and its location on a transportation thoroughfare the small community is host to an impressive number of visitors.

The potential local resident and visitor population accessible to the *Repository* is estimated to be between 150,000 and 200,000. The SeaLife center reported approximately 190,000 admissions in 1999. In that year approximately 125,000 cruise ship passengers pass through Seward and over 50,000 visitors were registered by the local Visitor Center.

The museum has the potential to reach an even larger audience through programming and sales via the Internet. Specifically it is hoped that schools, libraries, museums and scholars on-line can access the museum's growing collection and archived exhibits. Most importantly the on-line store possesses great potential to add substantial revenue without a proportional growth in staff or facility space.

## **2. The Audience**

The *Chugach Repository and Museum* is dedicated to provide exhibit programming that will be of interest to the general public. For the most part, content of exhibitions in the Museum will be presented to an adult audience. Also educational programming will be targeted to the middle school (grade 6) and up. It is the intent of the *Repository* not to focus on any one group but to strike a balance by offering elements of interest for different segments of the public.

Based on discussions with Alaskan museum directors, visitors to the *Repository's* gallery will tend to match an average profile with a bias toward older retired individuals visiting Seward with a tour group. Museums overall tend to attract visitors and members disproportionately from middle to middle-upper-income and highly educated populations.

Occasional visitors tend to be middle class with average income and education. In attitudes toward leisure activity, they value group activity, entertainment and active forms of entertainment.

People who attend museums frequently tend to be highly educated, upper income and professionals. One study has shown that frequent users value learning, challenging experiences and doing something worthwhile for leisure activities.

The *Repository* will develop exhibits that are attractive to a wide variety of adult audiences with differing educations, cultural backgrounds and interests.

A variety of special interest groups will prove invaluable in the support and promotion of the *Chugach Repository and Museum*. Professionals and lay persons interested in archeology, native culture and history, museum studies and ethnic art and crafts will be interested in attending the facility and marketing its value in the community at large.

Over time the *Repository* will develop specialized educational programming directed toward educators of grades 6 through 12. As soon as possible the *Repository* will collaborate in projects with schools throughout the Kenai Peninsula. Special tours and lectures could be provided in conjunction with otherwise arranged visits to the SeaLife Center and the Chugach Heritage Center.

## **3. Admission Fee**

Gallery admission at the *Chugach Repository and Museum* is well priced in consideration of the limited display area, the intrinsic interest of the subject matter, the convenient downtown location and the limited number of alternatives or similar venues. An adult admission fee of \$4.00 should fairly denote the quality and education value of the exhibits, yet seem affordable to many of the seasonal visitors keen to gain a unique experience.

## B. General Market Trends

Since the 1990s Alaska's overall economic growth slowed to a rate of between one and three percent.<sup>5</sup> Certainly a number of specific areas have witnessed much greater swings in economic activity, but the overall trend seems quite clear as the economy shifts to lower wage industries and as governmental expenditures are constrained. The south-central region largely parallels the state average. In part this is due to the larger population base and also the diversified nature of economic activity along the southern railbelt. Projections for Alaska and the southern railbelt show a steady average growth of a similar rate for the next decade. Tourism projections for the region indicate a higher rate of growth, perhaps up to five per cent annually in the next few years, but it too is expected to follow more closely the overall rate in another five years.<sup>6</sup> Alaska, and the tourism industry in general, represents a very large market, both in terms of potential visitors, donors and supporters. That this market should remain stable with prospects of growth is good for the *Repository*

The current economic and business climate of Seward is also quite encouraging compared to other small communities in Alaska. Much of the associated optimism is based on the strong intrastate and interstate tourism market. The strong general economic climate has enabled the size of resident population to remain quite stable over the past ten years and support a growing visitor trade. According to Kenai Peninsula Borough<sup>7</sup> and Alaska Dept. of Labor reports<sup>8</sup> the steady average growth seen in the last decade in a number of tourist related economic indicators for the town and region seems to be leveling off, e.g., Visitor Center counts (50-60,000/yr) and cruise ship dockings (approx. 100/yr). However, anecdotal analysis suggests that now many visitors are better informed of local opportunities and bypass the Seward Visitor Center. Similarly, only noting cruise ship dockings underestimates tourist traffic through Seward as now many cruisers use the port only to enter or exit the state. This fact is supported by the increased railroad rider-ship between Seward and northern destinations, an increase which continues to grow between five and ten percent per year. The visitor service industry expectation is that the tourism activity in Seward will remain robust for the foreseeable future and will provide a good market for the *Repository* and its offerings.

Of greater importance to the *Chugach Repository and Museum* are the overall size of the potential audience for the gallery and the local stability of the economy to help support the repository through donations in aid and kind.

This plan assumes the potential museum market for the *Repository* to be between approximately 150,000 and 200,000 visitors and residents. The visitation forecasts for the *Repository* are an order of magnitude below those predicted or achieved by such larger facilities as the SeaLife Center in Seward or the Alaska Native Cultural Center in Anchorage. With forecasts that require attendance of so much of the potential market, small errors in implementation are magnified greatly and expectations may not be met. In contrast, the *Repository* plans to be of a more modest and efficient scale. It is planned

<sup>5</sup> Report: Economic Projections for Alaska and the Southern Railbelt, 1999-2000, Scott Goldsmith, Institute of Social and Economic Research, University of Alaska Anchorage, 1999.

<sup>6</sup> Report: Alaska's Economy and Population, 1959-2020, Scott Goldsmith and Alexandra Hill, Institute of Social and Economic Research, University of Alaska Anchorage, 1997

<sup>7</sup> Report: Situations and Prospects of the Kenai Peninsula Borough, 1998, Jeanne Camp, Kenai Peninsula Borough Planning Dept., 1999

<sup>8</sup> Handout: Economic Trends: Seward, Seward Chamber of Commerce Meeting, Brigitta Windisch-Cole, Labor Economist, Alaska Dept. of Labor, 1999



according to a scale whereby even if it operates its gallery to capacity then it needs only a modest portion of the available market.

### C. Competition

A variety of ongoing concerns may be viewed as potential competition to the *Chugach Repository and Museum*. On a local and statewide basis there is potential competition both in terms of earned and unearned income.

Locally, there is little direct competition in terms of the *Repository's* display offerings. A number of gift shops and tourist-oriented businesses show or sell more contemporary examples of regional Native arts and crafts. However these displays are not interpretive in nature nor are they focused on cultural history or archeological materials. The Alaska SeaLife Center and the Resurrection Bay Historical Society Museum would be considered the two other functioning museums in Seward.

The SeaLife Center is a large multipurpose research and public education facility located on Seward's waterfront. In addition to ongoing scientific and conservation research it houses a number of exhibits and galleries. These feature a variety of marine animals shown in natural habitats with excellent interpretive and education displays. The SeaLife facility is not viewed as competition, rather it is seen as a complementary attraction which will bring many potential visitors of the *Repository* to the area. The scale of the facility, over 175,00 admissions per year, and their admission fee, \$12.50 per adult, also makes the SeaLife Center a substantially different visitor experience than proposed for the *Repository*.

The Resurrection Bay Historical Society Museum is a small summertime museum that features Seward's history through photographs, memorabilia and a limited selection of artifacts. It has a small store and charges a minimal admission fee of \$1.00. This museum may be construed as direct competition to the *Repository's* gallery. However, the *Repository's* offerings are expected to have a greater cultural emphasis and be quite distinguishable from this museum. Thus the two entities should not be substitutable from the potential visitor's perspective. It is expected that the two entities will adjust and emphasize their displays and marketing effort to complement each other.

Another important local attraction is the Chugach Heritage Center (which currently houses a gift shop and offers dance performances) located on the waterfront adjacent to the SeaLife center. Potentially it could house the local display facility (LDF) which was separated from the initial proposal. The extent that the center will be competition to the *Repository's* gallery should be minimal. Its owner is a member of the *Chugach Repository and Museum* and would be expected to coordinate its use with the activities of the *Repository*.

Potentially there could be more direct competition for the *Repository's* gallery if another entity operates the LDF in Seward in a less complementary fashion. However, this possibility may also be minimized by the repository - LDF relationship detailed in the EVOS grant agreements.

At least four other museums and cultural centers in nearby regions will be competing for visitors and unearned funding. The Alutiq Museum in Kodiak, the Pratt Museum in Homer, the Cordova Historical Society Museum and the Valdez Museum all display cultural and historical related materials that would be of interest to locals and visitors alike. Venues

outside of Seward are not viewed as significant competition to the *Repository* in terms of potential admissions. Indeed, experience shows that the Alaskan museum and cultural center community is a supportive one and for the most part is committed to helping one another and improving the total spectrum of possible visitor experiences.

Rather, the aforementioned organizations will compete with the *Chugach Repository and Museum* for grant monies and donations. This competition for limited resources poses the greatest challenge for the *Repository*.

Museums Alaska, the statewide museum association, recognizes over sixty museums and cultural centers in Alaska. Many of these emphasize Native cultural, historic and archeological themes and have a mission similar to the *Chugach Repository and Museum*. Most serve constituencies that do not necessarily overlap with the *Repository* and so will not provide direct competition to most local and regional donors. However, many of these organizations have well established grant writing and fund raising or development programs in place and will provide real competition in obtaining funds from large business donors, foundations, agencies and patrons with statewide or national interests.

#### **D. Market Strategy and Projections**

The implementation phase preceding the opening of the *Chugach Repository and Museum* will focus on generating a positive image and heightened awareness of the facility in support of fund raising efforts. The goal will be to make the *Repository* a known destination in the Alaskan tourist market. The opening of the *Repository* will be marketed throughout the state and in the travel industry using press coverage and direct contacts. The facility's mission and message will be also promoted by mail, electronic media, including the Internet, and through mutual marketing agreements with other museums and cultural centers in the state.

In general, building audience awareness and getting high impact from all communications is a priority for the first year of operations. A limited marketing budget will make media choice difficult. Timing of multimedia advertising to maximize impact would be the primary strategy. Scheduling possibilities include a concentrated burst just before and through the opening of a new exhibit and an intermittent schedule linked to changing display.

Donations in kind or pro bono services for creative and media fees will be needed to support a full plan. The initial priority will be to develop a campaign theme that can be taken through all media, but is first developed in print – direct mail, newspaper and magazines.

The launch of the web site will be a cost effective venue through which to introduce a much larger audience to the *Repository*. Email addresses will be collected through the site and information conveyed through all other media will be considered for concurrent display on the site. At minimum this would include: Email announcements of changing exhibits, notification of a new edition of an on-line newsletter and various press releases about other programs.

In the larger scope, the promotions will be focused on establishing the *Repository* with a reputation as a leading authority in Alaskan regional cultural and archeological knowledge and stewardship.

Most importantly the *Repository* will prepare and follow a marketing plan. This plan will initially involve an assessment or internal analysis of the strengths and weaknesses of the collection, the staff, the available physical and financial resources as well as the current market. This marketing audit can only be performed when a candid appraisal of the *Repository's* actual position with respect to potential markets and the external environment can be made. It will involve substantial consultation with the organization's members, staff and supporters. The analysis of the *Repository* strengths and weaknesses with regard to its assets will provide information necessary to maximize opportunities and minimize potential threats.

The current EVOS collection is believed to be without "blockbuster" pieces. However, if the presentation and curation of the collection is promoted with the right professional staff, and with the necessary funding, then an apparent deficiency may be overcome. Thus the success of the marketing effort is highly dependent on hiring competent and enthusiastic management.

Another most critical marketing focus will be developing mutually beneficial strategies with the SeaLife Center, Chugach Heritage Center and other museums in the region. The SeaLife Center already promotes its facility with ticket packages and advertising with includes other organizations. Their management has indicated a willingness to include the *Chugach Repository and Museum* in these relationships. There are plans being considered by museums in the region to offer a multi-facility admission pass. These and other marketing techniques shared with like minded concerns will undoubtedly enhance the *Repository's* attendance figures. It is expected that the *Repository's* market share will initially be between approximately five and ten percent of the museum going visitors in Seward.

## V. FUNDRAISING

The *Chugach Repository and Museum* will create and follow a development plan.<sup>9</sup> The plan, which is summarized here, will have at least two goals:

- Establish traditional support systems allowing for the greater community to support programs and the operation through its philanthropy, membership, and subsidy. (Short term solution)
- Begin to lay the groundwork for conventional and innovative revenue sources that endow long-term support but are not based on annual fundraising. (long-term solution)

The greater portion of this Development Plan deals with the first (short-term) solution, and how traditional programs of support can be quickly implemented to provide the immediate support necessary to begin operations and provide the time to build and endow the long-term plan. Each area is defined and outlined. The last portion of this plan begins to address the long-term solutions involving a Legacy Program and an Endowment. Each and every element to this plan is an essential step by step process to eventually becoming self-sufficient and financially secure.

The market products of the *Chugach Repository and Museum* are a display gallery, educational and service programs, a repository with curatorship and stewardship, as well as support for other entities and local display Facilities. It is a product that is important to the region. Therefore it is essential that the *Repository* recognize its role within the community, be proud of the product it takes to market, and in turn expect a certain value perception and respect from its consumers.

The development plan needs to address each area of potential funding, seeking all solutions short and long term. But equally important, the plan should be able to serve as a blueprint for a thrilling new design for arts funding in the 2000s. Rather than be passive to the dramatic changes imminent in the next few years, the development plan will allow the *Repository* to take a leadership role, be an innovator, and to serve as a model. It requires a blending of private and public interests to allow the *Repository* to achieve its mission and develop the support and management expertise necessary to endow the facility with a permanence and longevity. This structure will allow for implementation of fundraising innovations and traditional methods as outlined in the plan.

### A. Initial Objectives

Objectives of the Development Plan include:

- The plan establishes a productive development office and systems for annual and long-term fundraising.
- The plan will initiate a three-year half a million-dollar endowment and start up campaign. The campaign will establish an endowment fund as well as allow the

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<sup>9</sup> Funding for Museums, Archives and Special Collections, Denise Wallen & Karen Cantrell, Oryx Press, 1988

facility to begin operations with a positive net cash flow. Such a campaign will have the long-range permanence of the *Repository* as its mission.

- Build a Development Advisory Board that will participate exclusively as a fundraising advisor and volunteer force that will help identify and evaluate donor prospects, and help provide the leadership to make the solicitations to benefit the Endowment Campaign, Legacy Program, and all annual giving programs and events.
- Create private investment opportunities to support exhibits, programs and other developments that will ultimately support the operation of the *Repository*.
- Identify, cultivate, and solicit private individuals, corporations, and foundations to provide support, sponsorship, or other means of involvement in the *Repository*. By doing so, build a strong bond between the facility and the community.
- Create a multi-level annual giving program that will build upon itself to sustain and increase annual unearned income revenues.
- Initiate a support group system to serve as a simple mechanism to attract annual donor members.
- Plan annual fundraising/social events that will attract current subscribers and donors as well as potential new supporters and provide a fun, classy, and well-managed event that showcases the support shown by the community for the *Repository*.
- Begin the process of education, marketing, and cultivation of bequests, trusts, and deferred gifts through a Legacy Program.
- Establish an in-house database for prospect identification, evaluation, cultivation, solicitation, and stewardship.

#### **B. Development Advisory Board**

It is recommended that the *Chugach Repository and Museum* create a Development Advisory Board. Board members would be recruited to provide executive-level advice, broaden the base of community contacts, provide opportunities for direct volunteer involvement in the overall development process, and generate helpful cultivation and solicitation networking.

This Development Advisory Board shall have only one purpose, and that is to help identify, cultivate, and solicit funds to benefit the objectives and goals of the *Chugach Repository and Museum*.

Representatives from the member organizations and from communities throughout the region must be well represented on the facility's board.

The goal would be to recruit 20-25 members for the Development Advisory Board, and once established, implement an Executive committee of key leadership. Each selection should be carefully made, evaluating influence and contact that each selection would bring, and making sure each segment of potential support and each division of the community is represented.

Most important, however, is not the weight behind the name, but the level of commitment and willingness to provide leadership that includes the work necessary leading up to and including the solicitation of gifts. It is far better to have five very committed leaders than a board of thirty elite members of the community who are hesitant about using their contacts.

The *Repository's* Development Advisory Board would work toward the campaign goal and toward the satisfaction that it is only through their service that the *Repository's* mission will benefit the community. This group needs to be the catalyst to initiate major support from within the community and it is critical that they understand the priority and the mission.

### Recruitment

A target list of potential Development Advisory Board members will be compiled and reviewed. Selection will be drawn from a wide spectrum of supporters of the *Repository's* mission, including those new to the *Repository* who might consider such an invitation to be a challenge and an honor.

Recruitment will be done with the goal of naming the Development Advisory Board within four months after the formal organization of the *Repository*.

Initially, the primary task for the Development Advisory Board will be the planning and implementation of the Endowment and Startup Campaign. This campaign will be a three year effort that will require many high level solicitations of individuals, Alaskan corporations, and foundations. The objective for recruitment of this board will be to find key individuals that will provide access to many facets of the community and to important decision making boards and corporate committees.

It is essential to have key volunteers and advisors that will make the commitment to serve on such a board and who will also make the commitment to use their position and community access to make contacts and direct the course of gift solicitations. Indeed, if the *Repository* is to ask for a gift, it is best done through a volunteer or motivated by a volunteer who is a peer of the prospective individual, corporation, or foundation. Again, gifts are given when they are asked for, and most successfully when asked for by a friend, colleague/peer, or someone of influence.

Candidates for the Board should display the following traits:

- Commitment to the project
- Understanding of our fundraising objectives
- Involvement in the Endowment Campaign planning and solicitations
- Ability to attend two meetings and follow through on assignments
- Willingness to recruit additional board members and influential volunteers.

Recognition for such service will include placement of name on letterhead for the Endowment campaign and special social recognition through periodic Endowment campaign events.

It is anticipated that most who serve on such a Development Advisory Board will not only be involved during the actual Endowment Campaign process, but will engage in volunteer service and support of other programs and efforts of the *Repository*

### **C. Annual Giving Program**

One of the most important aspects of any development program is its annual giving operation. This area of fundraising is responsible for annual revenues upon which the annual budget process is critically dependent. It is also the area in which the most individual donors are involved and therefore the most public part of your fundraising program.

A good annual giving program includes finding ways of identifying new donors, moving existing donors to higher levels of giving, and providing donors new and continuous opportunities to participate in the fundraising effort.

Keys to any annual solicitation are clarity of need, simplicity in response, and continued and persistent solicitation. All successful not-for-profit organizations have a well defined, carefully planned system of annual solicitation and most use multiple approaches that include direct mail, telemarketing, and social oriented membership support groups.

It is recommended that the *Repository's* Annual Giving Program include three elements: an annual fund campaign, an annual membership support group, and several classy special event fundraisers during the course of a year.

#### **Annual Direct Mail Program**

This program will have two basic components: the yearly subscription renewal solicitation and the direct mail annual fund solicitations.

##### Subscription Renewal Solicitation

All members who renew their memberships will be asked to give a "gift" toward the annual fund while sending in their season renewal check. This option allows for one check to fund both the membership as well as an annual gift.

##### Annual Fund Direct Mail Campaign

This campaign will be initiated using a direct mail brochure, letter, and a simple reply mechanism that solicits an annual fund gift. The plan could send two solicitations per year, one for end-of-year gifts (November) and the next in the spring (May or June) in advance of the new exhibits announcement.

Various external lists will be used to increase the donor base. These lists are selected through consideration of location, demographics, interests, and capabilities. An effort is made to exclude from these outside lists all duplications of current donors or other solicited subscribers.

The objectives of all annual fund mail solicitations will be to:

- Ask for a gift - private support.
- Communicate the need for private support.

- Communicate the success of the *Repository*.
- Increase awareness within the community of the *Repository's* programs.

One aspect of direct mail that is considered to be a key element is that of testing. Necessary to test are the various approaches, solicitation letters, packaging, tone of the appeal, signator of appeal, etc. Through repeated testing a successful pattern and approach will be clearly the most successful and therefore most efficient and cost effective. Appeals will differ from year to year.

It is recommended that a telemarketing approach be avoided initially. While there is statistical evidence that a phone solicitation is far more effective than a direct mail solicitation, it is best to use telemarketing only as a measure of impact in a do-or-die solicitation where the financial feasibility of the operation is at stake. This approach is currently viewed as unnecessary in the near future, and once a successful development program is underway, very unlikely to be necessary in the future and so is not included in the budget.

The direct mail component will grow in direct proportion to its ability to generate revenues.

Costs for this program include: printing, postage, list rentals, and a low cost acknowledgment letter and gift. Certainly this program could be underwritten and sponsored, thereby allowing for 100% fundraising revenue on each appeal. Important too would be the inclusion of matching gifts and challenge grant participation to help stimulate additional gifts through this program.

#### **D. Major Gifts**

A number of individuals, businesses and organizations will be interested in contributing to the *Repository* at a level exceeding that of the routine annual gift program. This expression of their level of commitment with a major gift of consequence requires special attention and recognition. Most often the relationships facilitating these gifts are "developed" and will entail a significant amount of effort on the part of the development team. Components of this endeavor include:

- |                |   |
|----------------|---|
| Identification | Simply finding out who is interested within the spectrum of donor prospects.  |
| Research       | Becoming familiar with the background of each prospect.   |
| Evaluation     | Determining the financial capability and available resources that would be used in making a gift.   |
| Cultivation    | The process of interesting the donor in your program, and allowing that prospect to become familiar with the organization and knowledgeable of its needs and goals. |
| Solicitation   | The process of asking for a gift and in proposing the level of commitment, term of commitment, and the recognition involved.  |
| Stewardship    | The acknowledgment, recognition, and continued care and thoughtful consideration of the donor following the making of the gift.                                     |



All these steps are necessary to obtain any gift, but most important in obtaining major gifts and sponsorships. In some instances the process is very rapid, and with others the process will be long term.

The systems that will be implemented at the *Chugach Repository and Museum* to initiate major gift solicitations include the following:

Development of a Donor Data Base - The *Repository* Development Office will begin to record all information on gift histories, keep a data profile on donors, prospects identified as potential donors. It will also begin to research and log information that will assist the *Repository*, its volunteers, and staff in cultivation of the prospect for an eventual solicitation.

Prospect Evaluation - A system of evaluating interest in the *Repository* and assessing the capability of making gifts will be initiated through the communications, and information gathering within the core *Repository* volunteers and board members. Periodically volunteers will meet to evaluate names from within the community and begin to match these prospects with levels of program support.

Cultivation Techniques - The Development Office will have an ongoing process of inviting prospects to visit the *Repository* for a private tour, and one-on-one dialogue concerning our goals. Other prospects will be invited as guests of the *Repository* to attend the productions and participate in special events. Through this process we hope to develop closer relationships and begin establishing networks of contacts that will, either directly participate in a gift or provide the introduction and access to potential avenues of support.

Proposals - Most major gifts are solicited through a formal proposal drafted to include the specifics of the need, the amount of gift requested, the options in making the gift and the determined level of recognition that the *Repository* can offer. Usually proposals are presented through a volunteer that is involved with the prospect and who has been directly involved with the cultivation.

Coordination of all these ongoing elements is vital. Each prospect for solicitation has to have a formal plan itemizing each "action step." Timing for each step is critical and therefore all elements of a solicitation need to be managed and coordinated by the Development staff who is aware of ongoing communications and concerns that need to be addressed.

Part of the evaluation and planning for each prospect is designation of an area of support that would most interest the prospect. For example, while one prospect might feel a major gift should sponsor some very public aspect (sponsorship of an exhibit, a scholarship, etc.), another prospect might feel that their support would be best used toward the endowment where such a gift will continue providing benefit to the *Repository* in perpetuity and is not concerned with great public recognition. This kind of information is usually provided by the donor prospect through some expressed concern or specific interest, otherwise many times a volunteer who is a friend, colleague or contact of the prospect will assist in making this determination.

Major gifts or sponsorship are usually considered to be any gift of \$5,000 or greater that addresses a major area of need.

Stewardship - Once a gift has been made, especially a large gift; \$500, \$1,000, and more, the best way to lead to another gift of equal or greater size is through stewardship of the donor.

Donors like to know how their gift was used, how their support contributed to the overall health and success of the *Repository*. They should be told and reminded of how appreciative the *Repository* is of their support. A letter that, for example, reviews the success of the specific exhibit or program and details the number of individuals that attended should be sent to all specific program sponsors. This formula of following and repeated follow-up, even if it is simply a personal note, is essential to maintaining good relationships, renewing continued support and in increasing the donor's level of interest and therefore level of gift and support in the future. A major gift will also warrant special attention for recognition, e.g., a gift could be of sufficient magnitude that the gallery could be so named.

### **E. Support Group Program – Partners**

The *Repository's* Development Plan also includes the establishment of an efficient and simple mechanism to involve the community and to ask for an annual membership donation that benefits the facility and provides a direct sense of involvement and commitment -- essentially a partnership.

The *Chugach Repository and Museum Partners* program is a membership or support group whose single purpose is to raise funds on an annual basis for operation of the *Repository*.

The term partner was specifically chosen because of what it clearly defines. A partner is someone who shares in the responsibility of support and shares in the benefits and success of the organization. Partner implies a clear and very distinguished affiliation, and certainly a position to which one can aspire. Many of the key supporters and ideal candidates for membership will be young professionals who aspire to becoming partners within their own firms and they already are aware of the prestige, perks, and overall responsibility that a partnership implies.

A *Repository Partner* provides an annual membership donation in support of the facility's operation. In return each *Partner* receives multiple admissions to the facility, perhaps discounts on purchases made through the *Repository* store, easier access the staff, newsletter, invitation to special receptions, and other priority treatment, etc.

Partnership is for a one-year term. Annual renewals will be sent on an ongoing basis. An aggressive membership recruitment campaign will play a prominent role through volunteers and throughout the *Repository* publications.

Full Partner	\$20 annual gift
Senior Partner	\$200 annual gift for an individual \$2000 annual gift for a corporation
Junior Partner	\$10 annual gift (age 18 and under, and for fixed income seniors)

### Recruitment

Recruitment for the *Chugach Repository and Museum Partners* would be done in several ways:

Mailing of brochure to our subscribers and other friends.

Promotion in the local newspaper and within the repository's newsletter.

Periodic receptions and recruitment functions at the *Repository*.

Promotion through outside sources such as: Chamber of Commerce, The Rotary, Jaycees, etc.

Most important, however, is individual face-to-face recruitment. Utilizing a handsome membership brochure that clearly outlines the "partnership" objectives and benefits, staff, board members, *Repository* friends and advocates, and current Partners can simply pass along the brochure and ask their colleagues and friends to support the *Repository* by becoming fellow partners. The brochure will also be routinely mailed to those showing interest in the facility.

Another objective for recruitment would be to build a volunteer committee of partners that would plan means and ways to recruit new members. All support groups build upon the enthusiasm of their membership.

Expenses for such a support group would include: printing (brochure, membership recognition card or certificate), mailing and postage costs, and minor recruitment functions such as receptions and other announcements.

#### **F. Special Events**

Special events are important to any not-for-profit organization in that they provide opportunities for social interaction with supporters, a public celebration and therefore creating awareness and identity within the community, as well as raising funds. Special events, however, should only be the "exclamation point" to a development program and should not be seen as critical to the overall fundraising goals. Events, by nature, require a great deal of staff and volunteer time and effort. Their value should be scrutinized and be weighed against the value of alternative means of fundraising.

However, there are certain times when a special event and celebration are in order and carry with them the necessary impact and social prestige that will cultivate long term relationships and major gift opportunities.

Possible examples include:

**NEW SEASON ANNOUNCEMENT / OPENING** – This event would provide a special event for key supporters and invited guests and create excitement around the season announcement of new exhibits to stimulate renewals and such. Such an event would be an annual tradition.

**ENDOWMENT CAMPAIGN KICKOFF** – A special celebration that would announce some of the pre-campaign gift pledges and launch publicly the Endowment and Startup Campaign, its goals, and help begin the solicitation period.

**RECOGNITION NIGHT** - This could be a social event that would annually recognize supporters, large donors, and sponsors. This annual event could also

be a fundraiser and of interest to the community, press and media, and the *Repository* supporters.

The *Repository* would help staff all events and provide underwriting, but it is recommended that the Development Advisory Board actively budgets and pursues sponsors and underwriting for all elements of the special events.

It is recommended that a fundraiser event not be considered unless there is a reasonable chance that the event would show a net profit of at least \$8,000. Events with a primarily social focus and not with fundraising intent should aim at a break even bottom line.

### **G. Sponsorship Opportunities**

Another form of private sponsorship and support that would carry with it prestigious name recognition value are certain annual programs and events. In return for a gift from an individual or corporation the *Repository* would provide full recognition to the sponsor in all public announcements, printed materials, and communications. Such sponsorship opportunities would include specific resident and traveling programs and exhibits, summer fellowships and sponsorships, etc.

### **In-Kind Opportunities**

An area of support that could be very productive for the *Repository* and reduce many of the normal and annual operational expenditures would be solicitation of gifts from the area corporations and certain businesses and individuals. Basically it is a matter of making known the needs of your organization to the private sector. Donations of equipment, supplies, property, and services are tax deductible to the full allowance of the law. Many would benefit by an in-kind gift that would help reduce inventory, provide pro bono community service or initiate tax savings by such a gift without any direct cash support involved.

Examples of such in-kind opportunities that may be applicable to certain prospective donors would include:

- Transportation
- Computers and support services
- Furnishings & display Materials
- Printing and advertising
- Space usage for fundraising and social events
- Office equipment and supplies

This is but a short list to provide examples of such opportunities. It is recommended that a full list of in-kind gift needs be compiled and sent with an introductory letter to a number of identified businesses, corporations, and key individuals.

### **H. Government and Foundation Grants**

Sources of funding are also found through governmental and foundation grants. The application process to request these funds is specific to each funding source but usually requires concise communication of need, financial history, program, collection, managerial, and board information, and budgets. Of over \$300 million dollars in grants tracked by the Foundation Center in 1997, approximately 4% went to museums, with about one third of this amount associated with specialized museums emphasizing cultural

arts and humanities, much like the *Repository*.<sup>10</sup> A trend started in the early 1990s where natural history, science and specialized museums receive increasingly larger share of the support is expected to continue.<sup>11</sup>

In the near term, the *Repository* may not be eligible for some governmental funding sources because an organization needs to display two and in some cases three or four years of operation before it is eligible.

There are numerous foundation grants available on the state and national level. The majority of grants recently received by Alaskan museums and galleries are for amounts less than \$50,000. However, larger grants are certainly possible. For example in 1996 the Anchorage Museum Foundation received a \$200,000 grant from the Kreielsheimer Foundation Trust of Washington and the Alaska Native Heritage Center received a \$100,000 grant from the AT&T Foundation in New York.<sup>12</sup> It is recommended that the promoters of the *Repository* begin intensive research into the various grant and foundation sources available to the facility and determine what preliminary activities could facilitate the needed applications once the *Repository* becomes established.

Funding from governmental and foundation sources should not be the basis on which a fundraising program is built. These sources are unpredictable, highly political, and uneven. The goal is to request on a regular basis, research all sources, target certain programmatic and operational needs, and hope for the best.

### ***I. Planned Giving Campaign – The Legacy Program***

Perhaps the most promising long-term method of fundraising is through a planned giving campaign. Planned giving is a form of solicitation that demands face-to-face asking, requires initial education of the donor to the varied means of making such a gift, it usually involves interaction between the donor, their professional advisors, and the not-for-profit organization. The gift concentrates on contributions from the donor's capital (accumulated assets), rather than from cash flow and available liquid resources. The planned gift or deferred gift can be made in a number of ways, through a bequest in a will, through establishment of a trust, or by outright gift.

Ultimately very few donors, no matter how much they may support the facility, can write a check for \$100,000, or even \$10,000. But how many more of these donors own real estate or securities with a value of \$10,000 or \$100,000?

The key to receiving these gifts is asking for them and providing the potential donors with information on how to make such gifts.

Several elements are important to a planned giving program:

- A clear action plan - and professional help,
- Continued education of the types and benefits of planned gifts,

<sup>10</sup> Foundation Giving, 1999, The Foundation Center, New York, N.Y.

<sup>11</sup> Renz, L. & S. Lawrence, Arts Funding: An Update on Foundation Trends, 3<sup>rd</sup> ed., New York Foundation Center, New York

<sup>12</sup> 1999 Grants Database, The Foundation Center, New York

- Continued evaluation of the known donor base and identification of those most likely to consider making a planned gift.
- Continuous search and acquisition of new potential donors through marketing your program benefits within the community and among local estate planning attorneys, probate counselors, and other financial advisors.

### The Legacy Program

Gifts that come to the *Chugach Repository and Museum* through a bequest or other deferred giving options will be considered part of the "Legacy Program." This program will attract donors, educate them, assist them in planning a gift, and recognize and acknowledge them at the point of the gift inclusion and upon receivership of the gift.

The plan includes:

- Publication of a Legacy Gift brochure that will outline planned giving opportunities.
- Direct Mail marketing of this program throughout the subscriber and donor mailing lists and throughout the community.
- Identification of pro bono professional assistance in preparing codicils, trust agreements, etc.
- Development of a cash reserve to help pay for unforeseen fees in establishing large bequests or trusts.
- Preparation of specific proposals for sponsorships and endowment opportunities to show the donor how such a gift will be used to benefit the *Repository*.
- Planning and hosting an estate planning and educational resources seminar, using guest speakers at the *Repository*, thus bringing those most interested in this information to our theatre and helping couple the estate planning process with the *Repository* needs directly.
- Preparing sample bequests or codicils to simplify the process of adding the *Repository* as a beneficiary of an estate gift; providing these samples to attorneys, financial planners, etc.
- Preparing options for a deferred gift including a financial prospectus on various trusts and life insurance gift opportunities.
- Helping to provide professional assistance, appraisals, and coordination of these services.

### J. Endowment

The long-term solution to providing funding for the operations of the *Chugach Repository and Museum* is to develop a source or multiple sources of continued, consistent, and permanent funding. One source of this type of funding would be from an endowment fund.

An endowment fund is an asset pool that is invested diversely and conservatively to maintain a consistent return on investment, usually 8-12%. An endowment provides a continued source of revenue from the annual earned interest from the principal, but the principal can only under restrictive conditions be spent.

Therefore, an endowment provides a stable, continuous, and permanent source of annual revenue for an organization. Once the endowment principal has been raised, and is managed, it produces annual yields as well as incremental increases in the principal itself. Many institutions never have the opportunity to establish an endowment. That all great institutions do have an endowment is a tribute to their leadership's wise long-term vision. Unfortunately, not all constituencies will support an endowment, nor appreciate its value to the future generations of the community.

Funds required for the routine *Repository* activity can be raised through "traditional" means of memberships, mail campaigns, special events, etc. But this activity is annual and ongoing. It relies on the private support, good will, and generosity of the community and corporate sector each and every year. However, the *Repository* would like to eventually escape the annual fundraising cycles and dependency upon annual solicitation and put into place a secure, continued, and unfailing source of annual funding - an endowment.

#### Endowment goal and objective:

Therefore, it is recommended that an endowment goal be set at \$1 million. Such an endowment would provide, once raised and invested shrewdly, an annual interest return of about 12% (on average) or \$120,000. If the endowment provided 8% annual return toward operational expenses, and 4% re-investment to the principal growth, such a fund would provide \$80,000 or nearly half of the total unearned need, and double the principal in less than 20 years, thus doubling the support available on an annual basis.

#### Feasibility:

A community or region is capable of supporting many institutions simultaneously. But it is always beneficial to research the competitive factors for the philanthropic dollar. From the *Repository's* perspective there are a few key longstanding institutions that are well supported and represent a direct competition. There are also other organizations that do represent a competitive factor to some degree. These too will need to be identified.

Other known organizations that have active fundraising programs are also a drain away from fundraising potential, but most represent a small challenge and are not direct competition.

#### Positioning:

What is, however, important to any fundraising campaign is timing. Positioning within the agenda of community support and hierarchy of community leadership is all-important. If, for example, the SeaLife Center or another museum has just announced a capital campaign and their board and campaign leadership are motivated to the task, certainly it will set the pace and steal the show. What is necessary is to find the window of opportunity to seize the community focus and attention of the community leadership. The *Repository* must find this window, be prepared to seek the top leadership, and have its development machine ready to motivate and support the leaders who make the commitment to become involved. It is also essential that the mission and goal be clear, deadlines and timetables set, and the necessary research and prospecting completed before it can justifiably enter into a major effort such as an Endowment Campaign.

Preparation:

Key ingredients in an Endowment Campaign:

1. Mission statement.
2. Enthusiastic support of the board and advisory leadership.
3. A leadership that leads the way with personal advance pledges and commitments.
4. Game plan, timetables, and deadlines.
5. Action agenda for each identified and evaluated prospect.
6. Coordination of effort with all other aspects of the organization and development program, including public relations support, volunteers, and program emphasis.
7. Window of opportunity to allow full access to the community.



ORGANIZATION

## VI. ORGANIZATION AND MANAGEMENT

### A. Form of Organization

The *Chugach Repository and Museum* will be a new Alaskan not-for-profit corporation and will be responsible for its own governance and administration as well as the management, operation and maintenance of repository facilities, archaeological collections and other corporate business assets. Chugachmiut and Chugach Heritage Foundation (a not-for-profit subsidiary of Chugach Alaska Corp.) will join together equally to establish the *Repository*. Its corporate assets will include a long term prepaid lease, in addition to tenant's improvements and furnishings.

This structure brings together two financially strong native corporations that have the ability and commitment to support and lead the *Chugach Repository and Museum* as it achieves a self-sustaining status. As the two members of the corporation represent and advocate regional interests, the *Repository* should secure a broader base of support from individuals, businesses and communities outside Seward.

The *Repository* will be quite dependent on charitable contributions so it must quickly qualify for Federal IRS 501(c) (3) status. The *Repository* must also be operated with such integrity and commitment to its constituency and the community at large that a number of donors and supporters will feel comfortable and motivated to give. It is anticipated that the annual contributions will be from a diverse selection of individuals, businesses and organizations and so avoiding the classification as a foundation.

Further details regarding the organization of the *Chugach Repository and Museum* will be documented after consulting the representatives of each member corporation. It is suggested two boards be formed. One board, the Board of Directors, will have the ultimate trustee responsibility and supervise the overall management of the *Repository*. A separate, much larger board, perhaps titled, the Development Advisory Board, will represent the spectrum of constituents in the region and be responsible for the promotion and fundraising efforts associated with the *Repository*.

As the *Repository* is so dependent on unearned income, the potential importance of the endowment will parallel its growth in value. The management and use of the endowment should be specified in the corporate bylaws.

### B. Management Plan

One of the most important challenges facing the *Chugach Repository and Museum* is building a competent, committed and powerful management team. Such a management team is required to insure the financial, programmatic and administrative integrity of the *Repository*. The team must be capable of leading the organization in the transition from inception to a mature self-sustaining entity. Undoubtedly a diverse collection of individuals with varied skills and contributions will be needed along the way. The success of the *Repository* is ultimately dependent on the selection of a dedicated, qualified and tenacious Board of Directors and Executive Director who can work together with a shared vision and desire for success.

## 1. Board of Directors

The Board of Directors acts foremost as trustees or fiduciaries for the *Repository*. The board is ultimately accountable for the responsible and prudent use of its money and assets. It will decide the organization's fiscal policies and controls. The board will work with the management to develop strategic and annual plans. The board will review and approve the *Repository's* operating policies and procedures. Similarly it will hire the Executive Director and approve other key positions.

The leadership of the Board of Directors is essential to securing the long term financial security of the *Chugach Repository and Museum*. The boards of successful museums and art and cultural organizations lead all not-for-profits in their relative contributions and participation. Leadership will be demonstrated by board member's personal giving and most importantly by their assistance in arranging support from other sources. Charitable giving is a very personal matter, and there will naturally be a wide variation in the capacity for financial support from a larger diverse board. However, the directors would be expected to make substantial annual contributions to the *Repository*, commensurate with their financial capabilities. Contributions by corporations, foundations and other organizations with which directors are affiliated are encouraged and will be recognized as partial fulfillment of the director's personal commitment. For the *Repository* to be financially viable and self-sustaining the board must assume responsibility for attracting funding resources.

## 2. Management and Staff

Important changes from the initial proposal regarding personnel and staff include making the Director and Curator full time positions and the addition to the professional staff of a part-time fundraiser and grant writer. These changes reflect the importance of unearned income, grants and contracts in making the facility a self-sustaining concern. Similarly the quality required of the programs and curatorial duties demands a full time curator/program developer. Substantial growth in the collection and programs is expected so an assistant curator is included in the budget at the start of the fifth year of operation. It is also assumed that the initial size of the facility will require the personnel to perform multiple functions and possess substantial cross training in repository and museum functions. Additional staffing and temporary positions may be otherwise funded through in kind support by project sponsors and participating organizations. Consultants in the area of fundraising, curatorial services and exhibit planning and design may also be needed to accomplish the start up of operations. It is also expected that a volunteer/docent program will make a substantial contribution in labor and administrative support.

The sequence of staff hiring for the developing *Repository* is described in the Timetable section. Position summaries are provided separately.

The **Executive Director** is responsible for day to day operations, business planning, financial management, policy development, program development, fund raising and marketing. The Executive Director serves as the liaison between the *Repository* staff, the volunteers and the advisory board, *Chugach Repository and Museum's* Board of Directors.

The **Curator / Programs Developer** will play a key role in establishing the interpretive direction and long term exhibition program of the Museum. The Curator will arrange the development of the *Repository's* initial exhibits and serve as Project Manager to work with a consultant to develop master exhibition plan. Responsibilities include research and

acquisitions; development of a collections strategy; care and handling of all objects owned or loaned to the *Repository*, development of education programs and a long range exhibitions program.

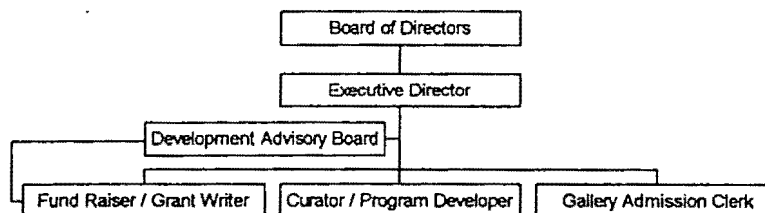
A part time **Fundraiser / Grant Writer** will be a most important member of the staff. This individual will coordinate the annual fundraising activities and assist other staff members in obtaining grants in aid and kind. This position will also support the board in their efforts at development.

An **Assistant Curator** with an emphasis on Educational Programming/Multimedia will be added in the fifth budget year. This position will be responsible to develop programs directed at both adult and youth audiences. Implementation of these programs will not be immediate but will need substantial lead time to allow for collaborations with the Seward Public School District, other educational institutions, and other museums and organizations. Skills in multimedia projects will be one requirement of this position.

A **Gallery Admissions Clerk** will provide support for the gallery during summer time. During this busier period the clerk could also act as the *Repository's* receptionist and supervise volunteer workers.

It will be a stated policy of the *Repository* to encourage the employment and attempt to hire, when possible, individuals associated with the member organizations and residing in the region.

### 3. Organizational Chart



### 4. Project Startup Staffing and Advisors

Currently two experienced individuals, Lora Johnson and Gerald Pilot, both with Chugachmiut, are coordinating the preliminary activities necessary to evaluate the feasibility of the proposed *Chugach Repository and Museum*.

#### Project Advisor

Ms. Johnson is now the Executive Director of Chugachmiut and earlier was instrumental in performing archeological research in the Chugach region and in the preparation of the many reports and proposals that preceded the EVOS grant award. She was the primary author of the document titled *Comprehensive Community Plan for the Restoration of Archaeological Resources in Prince William Sound and Lower Cook Inlet*, which formed a

crucial basis for the EVOS proposal.<sup>13</sup> Her professional experience with the archeological and cultural history of the region and her current role within Chugachmiut makes her a key leader in the development of the *Repository*.

### **Project Manager**

The project manager responsible for oversight of Phase I through Phase III as identified in the EVOS proposal is Gerald Pilot, the Regional Repository Project Manager with Chugachmiut. Mr. Pilot has extensive experience pertaining to this project through experience managing Chugachmiut's economic development programs. Mr. Pilot has detailed knowledge of both regional and tribal programs in the Chugach region and a good working relationship with the tribal councils and communities. His experience also includes knowledge of strategic plans for community development and tribal capacities for long term operation and maintenance of tribal programs and facilities.

### **Advisory Board**

It is expected that a project Advisory Board will also be established for the *Chugach Repository and Museum* through the development of the governance aspect of the repository. This Advisory Board will provide a broader range of direct community participation in fundraising and the governance of the repository.

Resumes for Lora Johnson and Gerald Pilot are included in Appendix B. The proposed staffing includes positions funded in part through the *Chugach Repository and Museum* project as well as in kind support by the *Repository's* members and associated communities.

## **5. Other Key Project Staff**

Other key project staff for the *Repository* project will include consultants or facility contacts at Chugachmiut and Chugach Alaska Corporation. Individuals will soon be identified who will be responsible for all aspects pertaining to the remodeling of the Orca building. Key project staff will also be provided through a subcontract with one or more architectural firms to provide services including National Environmental Policy Act (NEPA) compliance, facility designs, remodeling activities, and other technical assistance as needed. USKH provided the enclosed conceptual plan and cost estimates, however, other architectural firms and construction companies may also be considered to make the remodeling and furnishing of the *Repository* most cost effective.

A repository planning team will also be established to include a broader representation of the sponsoring organizations. It is expected that this team will consist of the project director, board members of the two parent member organizations and the chief executive officers of both Chugach Alaska Corporation and Chugachmiut. The make up of this group is similar to the current committee that has assisted in the development and review of the project proposal. This repository planning team will serve as an advisory and review committee to insure that the project develops as outlined in the proposal.

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<sup>13</sup> Comprehensive Community Plan for the Restoration of Archeological Resources in Prince William Sound Lower Cook Inlet, Part I. Cultural Resources and Restoration Options. Chugach Development Corporation, November 1996.

Business / marketing support will also be required for project start up. This individual will provide significant technical assistance with developing the business aspect of the *Chugach Repository and Museum*. Existing personnel on staff at Chugachmiut and Chugach Alaska Corporation and possibly other applicants will be considered for filling this position as needed.

These positions may be filled through the newly formed *Chugach Repository and Museum* or more likely through Chugachmiut or Chugach Heritage Foundation and stationed in the new repository facilities in Seward as soon as possible to aid in the transition. These professional and management level staff members will become responsible for the operation and management of the *Repository*.

## **6. Consultants**

It is also expected that the project will enlist the services of a consultant curator or professional archaeologist who is knowledgeable of museum design and other requirements of the *Repository*. Potential subcontractors might include professional staff at the Pratt Museum in Homer and professional staff at the University of Alaska Museum in Fairbanks. However, other qualified consultants may also be considered.

An exhibit design consultant may be selected for the project to bring expertise in object display, multimedia presentations, interactive kiosks, web page development, computer-based integration of exhibits, and oversee the planning of an exciting and memorable visitor experience.

The opening of the Museum will require a team of skilled professionals to research, develop content, design and fabricate multiple temporary exhibits. It is imperative that the Museum develops a master plan to maintain an excellent exhibition schedule after the Museum opening. The exhibit consultant will assist in developing this long-range plan.

## **C. Relationships with Other Organizations**

### **1. Museum Memberships and Accreditation**

The *Chugach Repository and Museum* will join relevant trade, professional and cultural organizations. Relevant organizations include the Alaska State Museums, the Western Museum Association, American Association of Museums, and the National Institute for the Conservation of Cultural Property.

Accreditation by the American Association of Museums is a lengthy process and rewards established museums. The *Repository* is organized to be accredited and will apply to participate in the accreditation program when it is eligible.

### **2. Cooperative Agreements**

The *Repository* will initiate cooperative agreements with the Alaska Dept. of Natural Resources, the National Park Service, the National Forest Service, the Bureau of Land Management, and local tribes to curate archaeological and natural science collections generated from excavations required by these agencies. Included in the curation contracts would be the preparation of Native American Graves Protection and Repatriation Act (NAGPRA) compliance reports specifying potential objects of patrimony

that may be of concern to respective tribal groups of ancestral descent. The *Repository* will hope to expand on these agreements to create and incorporate educational, interpretive and economic opportunities that will lead to greater multicultural understanding and cooperation.

The *Repository* expects to foster ongoing relationships and specific project agreements with a number of other federal, state and private museum organizations that have supported collection, exhibit and program development within Alaskan museums, e.g., Smithsonian Institution and the Alaska State Museum.

## VII. FINANCIAL ANALYSIS

### A. Budget Overview

In conjunction with the EVOS proposal and grant agreement the development of the repository/museum was proposed to occur in three phases. Subsequent to these developmental phases and prior to the beginning of ongoing operation is a year long Startup Phase. The figures listed below are those listed in the EVOS grant agreement. The Local Display Facility (LDF) proportion is considered here as twenty-three per cent (23%).

**Phase I:** The first phase involved preliminary organization of a project team within Chugachmiut, selection of consultants and the preparation of a business plan. Completion Date: March 2000.

Budgeted at **\$80,000**. LDF portion debited in Phase III  
Gerald Pilot, Regional Repository Project Manager, Chugachmiut.  
Business Plan Consultant, ISER, Univ. of Alaska Anchorage.

**Phase II:** The second phase involves the delivery to EVOS of a number of documents and reports associated with NEPA compliance, design and options for the regional repository facility. These documents are required for further funding and commitment to project construction. Scheduled May 2000.

Budgeted at \$25,000 less LDF component. = **\$19,250**  
Documents to be submitted by Chugachmiut.  
Gerald Pilot, Regional Repository Project Manager, Chugachmiut  
Documents include: Option to purchase/lease, Design, Relocation of  
Collection report, and NEPA Compliance statement.

**Phase III:** The third phase encompasses the delivery of documents and the actual acquisition, remodeling and furnishing of the repository/museum space. Scheduled June – Dec. 2000.

Budgeted at \$895,000 less LDF component. = **\$670,750**  
Documents to be submitted by Chugachmiut.  
Details outlined in next section.

**Start Up Phase:** This transition year (year 1) provides a period for the design, preparation and introduction of the initial museum displays and the relocation of materials to the repository. Other important activities include the initial major fundraising campaign, grant writing, etc. This year has reduced expectations for revenue. Scheduled Jan. – Dec. 2001.

Expenses budgeted at approx. \$380,000.  
Details outlined in next section and subsequent spreadsheets.

**Ongoing Operation:** Repository and Museum fully staffed and operating

Expenses budgeted at approx. \$340,000. (year 2 of operation)  
Details outlined in next section and subsequent spreadsheets.



## B. Structure of Financing (Sources of Funding)

Sources of funding for the *Chugach Repository and Museum* are varied. The EVOS grant award of \$770,000 is critical to the development of the *Repository*. This funding enables the *Repository* to begin operation without significant debt service, in a newly remodeled custom designed facility with necessary furnishings and equipment. This position is critical for the facility to continue on in a self-sustaining manner. Initial operating capital for program and exhibit development is provided by a major fundraising campaign in the startup year; a \$500,000 goal. The magnitude of funds sought in this campaign, together with the initiation of a strong annual fundraising program, provide the *Repository* with a strong capital position to begin operations. A variety of earned and unearned revenues provide additional funds necessary to support the level of service needed to fulfill the *Repository's* mission.

### 1. Accounting of EVOS Funds

As the Local Display Facility (LDF) component of the *Chugach Repository and Museum* proposal is removed from the proposal in this scheme, the EVOS grant agreement awards should be adjusted downward by approximately twenty-three percent (23%). This figure is based on the independent LDF proposal where seven communities are budgeted at a total of \$1.6 million. As the repository grant agreement is \$1 million, the proportional cost for the Seward LDF component is approximately \$229,000.

#### EVOS Payment Schedule:

Thus, the payment schedule from the Grant Agreement would be adjusted to reflect the removal of the LDF component. Specifically:

Component / Phase	Requirement / Deliverable	Deadline	Sum
Repository / Phase I	2.1.1 Repository Business Plan	Nov.24, 1999	\$80,000
Repository / Phase II	2.2.1 Option to Purchase / documents	Sept.30, 1999	\$0
	2.2.2 Design / design documents	May 1, 2000	\$15,000
	2.2.3 Relocation of Collections / report	May 1, 2000	\$5,000
	2.2.4 NEPA Compliance / documents	May 31, 2000	\$5,000
Less LDF component			(\$5,750)
Repository / Phase III	2.3.2 Building Acquisition / documents	June 30, 2000	\$560,000
	2.3.3 Remodeling / report	Sept.29, 2000	\$195,000
	Acquisition & Remodeling - Orca Bldg.		
Less LDF component			(\$173,650)
	2.3.4 Equipment and Furnishings / report	Nov.30, 2000	\$90,000
	Equipment / Furnishings Orca Bldg.		
Less LDF component			(\$20,700)
	2.3.5 Transition to Operations / plans, reports	Dec.29, 2000	\$50,000
Less LDF component (plus Business Plan share)			(\$29,900)
Repository Subtotal:			\$770,000
Seward LDF Subtotal:			\$230,000

*Confidential*

The resultant adjustment and additional reallocation of Phase III EVOS funds are show on the following table. The table indicates the specific funds included in the subsequent financial statements.

Confidential

**Accounting of EVOS Grant Funds for  
Phase III Property Acquisition, Remodeling, Furnishings, and Transition**

EVOS Grant Amount for acquisition:	\$560,000
EVOS Grant Amount for remodeling:	\$195,000
EVOS Grant Amount for furnishings:	\$90,000
EVOS Grant Amount for transition:	\$50,000
Less Seward LDF portion (23%)	(\$205,850)
Less LDF portion of Business Plan	(\$18,400)
EVOS funds avail. for Orca Bldg.	\$670,750

**EVOS Budgeted Property Acquisition Costs:** \$431,200

<b>EVOS Budgeted Remodeling Costs:</b>	\$150,150	
Less Estimated Remodeling Costs	(\$90,000)	
Additional Funds Available for Acquisition:		\$60,150

<b>EVOS Budgeted Furnishing Costs:</b>	\$69,300	
Less Estimated Furnishing Costs	(\$48,000)	
Additional Funds Available for Acquisition:		\$21,300

<b>EVOS Budgeted Transition Costs:</b>	\$38,500	
Less LDF Portion of Business Plan	(\$18,400)	
Additional Funds Available for Acquisition:		\$20,100

Total Funds Available for Property Acquisition: \$532,750

**Reported To Revenue & Expense Sheets:**

Total Property Acquisition Costs	\$532,750
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Remodeling Costs	\$90,000
Furnishing Costs	\$48,000

Total Leasehold Improvements & Furnishings	\$138,000
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Total:	<u>\$670,750</u>
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## 2. Startup Loan

The *Repository* will incur organizational and operational expenses during the period between the acceptance of the business plan and the startup of the facility when additional revenues are available to supplement the EVOS funds. It is proposed that a startup loan be obtained within the first year to repay advanced costs and to cover the projected negative cash flow during the first year of operation. The budgeted amount is \$150,000, which is repaid by the fourth year of operation. Approximately \$70,000 would be designated as organizational expense and is amortized over twenty years in the budget.

## 3. Fundraising

The importance of unearned income and its acquisition through fundraising, grant writing and other development efforts should be emphasized. Comments on a variety of schemes to garner these funds were summarized in an earlier section. Two specific individuals who will initially be responsible for supervising the development efforts are budgeted in this plan.

### MAJOR GIFT FUNDRAISING

Goal: Secure start up support through major foundation underwriting, corporate sponsorship, and private philanthropy. The 12-month goal would be to raise \$500,000 in support to launch the project and to create a small endowment for contingency.

The *Repository* would hire a fundraising consultant for a term of 6-8 months to achieve these fundraising objectives. One such recommended certified fund raising consultant is referenced below.<sup>14</sup> Critical to this step would be: (a) securing not-for-profit 501(c)(3) status before fundraising could begin, (b) formation of a Board of Directors and (c) approved financial goals for the institution. Direct cost is budgeted at \$35,000.

Fundraising Consultant would:

- a) create fundraising mission statement.
- b) prepare necessary background, budgets and proposal materials.
- c) research fundraising resources.
- d) assess and target fundraising objectives.
- e) initiate communications with fundraising sources.
- f) prepare solicitations and fundraising discussion appointments.
- g) serve as professional resource for the Board and staff of the project.

Specifically the Fundraising Consultant would:

Provide a Fundraising Audit: This audit would test the feasibility of raising funds, identify where funds might be available, and the potentials that could be raised. Often start-up organizations find fundraising difficult through the normal channels since most foundations

<sup>14</sup> Mr. Ken Ott, CFRE, 919 S. Albany St., Los Angeles, Calif. 90015

require financial statements and track records. Therefore, an audit to test potentials and suggest strategies would be helpful.

**Train Solicitation Team:** The consultant would prepare members of the Board and organizers to meet with funding resources such as corporate sponsors. This preparation would include scripting and defining the mission and request and the role of each participant in a funding request meeting.

**Prepare Formal Proposals:** The consultant would draft the formal proposals used for corporate sponsorships, foundation requests, and individual solicitations. The proposal would be packaged along with the appropriate background information, budgets, and endorsements.

### **ANNUAL GIVING FUNDRAISING:**

**Goal:** Create an ongoing program to annually raise the necessary sustaining unearned revenues through a variety of fundraising techniques and programs.

The *Repository* would also hire a part time staff position responsible for building and sustaining annual fundraising programs. The Director of Development or Fundraiser position would be responsible for the following:

- a) liaison with the Board and the fundraising community.
- b) establish an annual support group or membership base of individuals who support the project.
- c) create informational materials promoting the project, citing membership benefits, etc.
- d) plan special events that would raise funds.
- e) submit fundraising proposals involving corporations and foundations in the ongoing programs and needs of the project.
- f) develop an annual giving plan of public solicitation, business sponsorships, and other efforts using direct mail, phone solicitation, and grant solicitation.

Directs costs would be a \$25,000 salary plus an ongoing supporting budget of \$8,000 for expenses.

### **C. Project Budget (Application of Funding)**

Summaries of the financial details regarding this proposal are included in the attached spreadsheets. The initial scenario outlined is a typical one that demonstrates conditions of self-sustainability and shows reasonable cash reserve for contingency. Self-sustainability is defined here to be conditions such that after a short start up period the facility operates with a net positive cash flow. Subsequent spreadsheets show alternative scenarios, a better and worse case.

#### **1. Details of Phases I and II**

Costs of Phase I, the preparation of a business plan, are currently covered in an agreement with EVOS and Chugachmiut. The preparation and delivery of reports for Phase II will be prepared by Chugachmiut's staff and covered by a separate agreement.

## **2. Details of Phase III**

### **a) Building Acquisition and Remodeling**

Chugachmiut has purchased the Orca building. It is proposed that the EVOS grant agreement award of \$431,200 (\$560,00 less 23%) for the acquisition of repository and museum space is used to prepay a 20-year lease for the facility's space within the Orca building. The cost of space in the Orca building necessitates the repository initially utilizing a reduced space. The leased space is also constrained by available EVOS grant monies for remodeling. Improvements within the Orca building and this reduction in space lessens the cost of remodeling. The remaining balance from the Grant Award of \$150,150 (\$195,000 less 23%) for remodeling would also be applied to the lease to increase the size of the repository. Using lease costs supplied by Chugachmiut and updated architectural costs for remodeling, the amount of space utilized is optimized to make full use of the EVOS funds. In this way the EVOS funds will provide the most cost effective and functional space for the repository.

### **b) Furnishings**

The EVOS grant agreement amount of \$69,300 (\$90,000 less 23%) for furnishing and equipment covers the estimated expenses. Additional furnishings and equipment will be provided by grants in kind from the *Repository* members. A portion of this amount is reallocated to supplement the property acquisition costs.

### **c) Transition**

The LDF portion of the Business Plan award was not considered in the initial accounting associated with the grant agreement, as the agreement was arranged prior to the revised scope proposal. This amount of \$18,400 (23% of \$80,000) will be deducted from the Transition category of the grant agreement.

Thus, the EVOS grant agreement amount of \$38,500 (\$50,000 less 23%) for transition costs to cover final plans, reports, etc. is further reduced to equal \$20,100. This sum is also reallocated to supplement the acquisition costs. Chugachmiut will provide final documents, miscellaneous plans and reports through an in-kind contribution.

## **3. Details on Startup Phase.**

Most of the expenses in the start up year would be equal to those described below for the first year of ongoing operations, year 2 in the spreadsheets and graph. The one exception is the program category. It is reduced by half on the assumption that expected low attendance in the display area and many other competing demands on the curator's time in the startup year would not warrant the need for funding a second exhibit or program. A number of income categories are also halved in acknowledgement of delays in obtaining grant funding, making service contracts, soliciting memberships and marketing for exhibit attendance.

## **D. Annual Operations Budget**

### **1. Details Concerning the 1<sup>st</sup> Year (year 2) of Ongoing Operations - Expenses**

The first year of ongoing operations represents the baseline on which the budgets of subsequent years are based. Thus it is important that the initial budget is a fair and justifiable representation of the expected operation. Assumptions made in constructing

this initial budget are based on the best available information with a leaning toward conservative estimates when possible. The following spreadsheet lists these expenses.

**a) Personnel**

The cadre of professional personnel was described earlier. The salaries and job functions appear to be analogous and competitive with other postings in Alaska. There is quite a demand for seasonal labor in Seward during the summer so a relatively high rate is listed for the gallery admissions clerk and aid. Because an onsite gift shop is not included in this proposal and the display area would be mainly active in the summer, a single part time clerk is budgeted here.

**b) Business Expenses**

The itemized business expense categories follow those of the initial proposal and most are slightly higher. Importantly, sums were added to support the fundraising efforts and the development of an Internet presence. An insurance carrier active in the state provided a collections quote at a premium much lower than originally thought. Also, the owners of the Orca building would cover other general insurance costs.

**c) Facility Expenses**

Utilizing only the Orca building, the ongoing facility expenses are reduced from that initially proposed: they include utilities, insurance, maintenance, janitorial services and general improvements.

**d) Program Expenses**

This general figure was deduced from consultation with directors and program administrators at other museums and repositories of similar size. It represents an average cost of implementing an exhibit or interactive program that utilizes the limited space of the *Repository's* display area.

**e) Curatorship Expenses**

Supplies and equipment associated with the curation of the EVOS collection is what directors and professional archeologists felt was sufficient.

**f) Organizational Expenses**

A variety of contractual, consulting, support, salary and overhead expenses will be incurred during the interim period between the submission of the Business Plan at the conclusion of Phase I and the startup phase. These expenses will be advanced by Chugachmiut and repaid by a short-term loan after the *Repository* is established.

# Annual Operation Budget Details (Year 2)

## EXPENSES

### Personnel - Salaries:

Director / Business Manager	1 FTE @	\$55,000	
Curator / Program Development	1 FTE @	\$45,000	
Asst. Curator / Program Manager (yr 6+)	.5 FTE @		\$18,000
Fund Raiser / Grant Writer	.5 FTE @	\$25,000	
Gallery Admissions Clerk & Ald	.7 FTE @	\$17,000	

PR Taxes & Benefits (%) = 18% \$25,560

Total Salaries & Wages \$167,560

### Business Expenses:

Travel & Per Diem	\$6,000
Board Travel & Per Diem	\$3,000
Office Supplies	\$4,000
Reproduction / Copier	\$1,200
Postage and Shipping	\$1,300
Equipment	\$2,000
Short Term Contracts	\$1,000
Legal	\$1,500
Accounting / Bookkeeping Audit	\$5,000
Telephone / Internet	\$3,000
Training & Tuition	\$1,500
Meetings and Conferences	\$1,000
Dues / Subscriptions	\$500
Moving	\$800
Insurance	\$2,000
Bank Fees	\$200
Advertising and Promotion	\$10,000
Web Site Development & Maintenance	\$4,000
General Fund Raising Expenses	\$8,000
Computer Maintenance	\$1,500
Miscellaneous	\$1,000

Total Business Expenses: \$58,500

### Facility Expenses:

Operations & Maintenance	\$22,000
Orca Bldg. Tenant Improvements	\$2,000
Misc.	\$500
Total Facility Expenses:	\$24,500

CONTINUED

### Program Expenses:

No. of New Exhibits or Programs / yr :	2	
Exhibit Development Cost		\$9,000
Total Program Expenses		\$18,000

### Curatorship Expenses:

Curatorial Supplies	\$2,000
Specialized Equipment	\$3,000
Repair & Replacement	\$2,000
Artifact Procurement Program	\$1,000
Miscellaneous	\$2,000
Total Curatorial Expenses	\$10,000

Organizational Expenses: \$70,000

### Amortization & Depreciation:

Property Lease Prepayment	20 yr, Straight Line	\$26,638
Organizational Expenses	20 yr, Straight Line	\$3,500
Improvements & Furnishings	20 yr, Straight Line	\$6,900
Interest on Start Up Loan		\$8,205

Contingency: 5% \$16,190

Total Year Two Expenses: \$339,993

### Start Up Expenses:

Start Up Fundraising Consultant (1st yr):	\$35,000
Start Up Planning Consultants (1st yr):	\$20,000
Start Up Debt Service :	Loan = \$150,000
payback yrs	3
interest rate	8%
	principal \$58,205
	interest portion \$8,205



## **2. Details Concerning the 1<sup>st</sup> Year (year 2) of Ongoing Operations - Income**

The *Chugach Repository and Museum* will require a variety of sources of income and funding. Use of EVOS funds in the earlier phases of the project was discussed above. Other sources are listed in the following spreadsheet.

### **a) Admission Revenue**

A small gallery or exhibit area is planned for the facility. Initially it will be used to introduce the public to the mission of the repository and garner funds needed as the facility becomes established. After five years it is projected this source of revenue would decline as the repository's collection is exhibited elsewhere. An admission price of \$4.00 is used in the revenue calculations. It is midrange for museum charges in the state and seems quite competitive with alternatives in the summer Seward tourist market. Cooperative marketing agreements have been discussed with the adjacent SeaLife Center and other visitor destinations along the rail line. The total annual attendance projected for the *Repository* is less than 10% of the SeaLife Center recent admissions. We believe this figure is quite conservative and with the proper marketing activities many more individuals could visit the facility. For both institutions, the dependence on prearranged group visits by the larger tour operators is minor.

### **b) Special Events / Education/ Rentals / Misc. Income**

This category includes a number of other possible sources of revenue. The \$12,000 figure could be easily generated by a variety of combinations of outreach, educational and other program uses of the repository space. The business plan will detail a few of these possibilities - what is the best mix will ultimately be chosen by the management.

### **c) Subleased Office Rental**

Approximately 650 square feet of office space included in the lease will initially be subleased. This keeps the space under the control of the repository, provides revenue and allows the option for expansion to be included in the initial design and remodeling. Governmental and private organizations involved in programs associated with the repository's mission are considered potential tenants.

### **d) Sales Revenue**

Space constraints and labor costs preclude an onsite gift shop within the facility. However, it is expected the repository will have an active Internet presence along with a strong traditional advertising and marketing plan. This strategic position would allow it to sell to individuals and other retail outlets items associated with the collection or the cultural, education and archaeological nature of its mission. Figures used in the revenue calculation were deduced from sales of other similar museums.

### **e) Ongoing Programs Grants & Services**

Program grants and services are an important component of the repository's revenues. A number of potential sources for ongoing grants and service contracts have been identified and summarized earlier.

### **f) Annual Fund Raising**

The annual fund raising effort is critical to the self-sustainability of the facility. It represents a large portion of the total annual revenue and exemplifies the active involvement of the stakeholders and the repository's constituents in the facility. A dedicated half-time position is budgeted to manage this effort.

**g) Startup Loan**

A loan to reimburse advanced organizational costs and to cover initial cash flow needs.

**h) Startup Gifts & Subsidy**

A substantial startup contribution to the *Chugach Repository and Museum* is required to ensure its self-sustainable status. After discussion with development consultants and the *Repository* members it is expected that \$400 to \$500 thousand could be initially raised to cover initial operating expenses and to initiate an endowment. An experienced fund raising consultant would be hired to plan and oversee the collection of these key initial unearned funds. The owners have expressed the possibility of contributing up to half of the goal amount.

**i) Endowment**

The general accounting of the endowment is shown in the scheme outlined in Revenues and Expenses summary. It is expected the annual amount contributed would be increased as the *Repository* meets its financial goals. While a million-dollar goal is mentioned, and the fundraising consultant is tasked with obtaining at least \$500,000 in startup funding, the base case scenario described here starts the endowment with a fraction of these figures. A substantial cash reserve is deemed more desirable in the initial years than a modest endowment.

## Annual Operation Budget Details (Year 2)

## INCOME

Attendance:		summer	
Daily Attendance	Adult	85	
Days per week open		6	
Weeks per season		26	
Total Attendance =		13,260	(excluding members)
Admissions:			
Admission Fee:	Adult	\$4.00	
Admission Revenue		\$53,040	
Total			\$53,040
Special Events / Education/ Rentals / Misc. Income:			\$12,000
Sublease Office Rental: 650 sq ft @ \$2.20			\$17,160
Sales Revenue:			
Museum, Web Site & Mail Order:	\$24,000		
Average Sale	\$30		
Net profit margin	0.6		
Number of orders per year	800		
Est. net revenue		\$14,400	
Total Earned Revenue:			\$14,400
Ongoing Program Grants & Services:			\$40,000
Annual Fund Raising			
Partner / Membership Count	300		
Av. Membership Dues	\$25	\$7,500	
Corp. and Community Sponsors	30	\$2,000	\$60,000
Fund Raising Events:			
Number of Events	2		
Revenue per Event	\$8,000	\$16,000	
Board Participation		\$30,000	
Special Gifts and Other Donations		\$15,000	
Total Dues /Fundraising:			\$128,500
Total Ongoing Revenue:			<u>\$265,100</u>
Start Up Loan - Organizational & 1st yr Expenses		\$140,000	
Start Up Gifts and Subsidy:			\$150,000
Total: \$450,000	3	yrs	
Return On Endowment Investment	8%		\$346
Total Year Two Revenue:			<u>\$415,446</u>

### **E. Financial Statements**

Many of the key assumption are outlined in the preceding notes discussing the annual operational budget and the revenue and expense figures. Monthly statements are not provided here. At this point in the project most revenues and expenses are projected as stable throughout the year. The one exception is admission revenue and the associated expense of a clerk/attendant, which are relatively small and should not create a cash flow difficulty.

The Revenue and Expense Summary or profit and loss statement summarizes the financial expectations for the *Chugach Repository and Museum* over a twenty-year period. It represents the general conditions required for the self-sustainability with a reasonable allowance for error. Assumptions regarding growth, interest rates and returns on financial assets are listed. The listed growth rates are linear for the specified duration. The startup year shows reduced income. Special startup costs and proceeds from the initial fund raising effort are separated. The accumulation within an operational cash account and the endowment are also listed.

The Balance Sheet and Cash Flow pro forma are relatively simple as, apart from the major fund raising campaign, the only significant nonoperating revenues and liabilities are the EVOS grant and a start up loan which covers organizational cost and the reduced revenue during the first year.

A cash trends chart summarizes the financial position of the *Repository* over time. Importantly, it illustrates that while the facility operates for a number of years with an annual negative net balance, the net cash flow and overall cash position is quite positive.

Expenses incurred in Phases I and II are not capitalized nor included in the following financial statements.

# 1. Income Projections – Revenue & Expenses Summary

			Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20
			Assumptions	0.5						
<b>Revenue and support</b>										
Admissions	1st 7yr	9%		26,520	53,040	57,814	63,017	68,688	69,969	41,893
	2nd 13yr	-5%								
Misc. income, facility rental		7%		6,000	12,000	12,840	13,739	14,701	20,618	40,559
Sublease rental		3%		8,580	17,160	17,675	18,205	18,751	21,738	29,214
Merchandise sales		11%		7,200	14,400	15,984	17,742	19,694	33,185	94,227
Program grants and services	1st 5yr	7%		20,000	40,000	42,800	45,796	49,002	62,540	101,871
	2nd 15yr	5%								
Membership dues	1st 5yr	5%		3,750	7,500	7,875	8,269	8,682	12,177	23,954
	2nd 15yr	7%								
Corporate annual sponsorships		7%		30,000	60,000	64,200	68,694	73,503	103,091	202,796
Special events fundraising		7%		8,000	16,000	17,120	18,318	19,601	27,491	54,079
Other contributions		7%		45,000	45,000	48,150	51,521	55,127	77,318	152,097
Major Start Up Fundraising				150,000	150,000	150,000	-	-		
Property Acquisition Grant				532,750						
Remodeling & Furnishing Grant				138,000						
Endowment Revenue				320	346	1,932	3,688	4,432	10,201	43,030
Cash Balance Revenue										
Other revenue										
Total revenue and support				976,120	415,446	436,389	308,988	332,180	438,329	783,720
<b>Functional expenses</b>										
Salaries	1st 5yr	2%		142,000	142,000	144,840	147,737	150,692	204,397	302,557
	2nd 15yr	4%								
Payroll taxes and benefits		2%		25,560	25,560	26,593	27,124	27,667	37,527	55,549
Business Expenses		3%		58,500	58,500	60,255	62,063	63,925	74,106	99,592
Consultants				55,000						
Utilities and maintenance		4%		24,500	24,500	25,480	26,499	27,559	33,530	49,633
Exhibit and Program development		5%		9,000	18,000	18,900	19,845	20,837	26,594	43,319
Curatorship expenses		3%		10,000	10,000	10,300	10,609	10,927	12,668	17,024
Amortization expense				30,138	30,138	30,138	30,138	30,138	30,138	30,138
Depreciation expense				6,900	6,900	6,900	6,900	6,900	6,900	6,900
Interest on Start Up Loan					8,205	8,205	8,205			
Other										
Contingency	5%			16,190	16,190	16,581	16,956	16,932	21,293	30,236
Total functional expenses				377,788	339,993	348,191	356,076	355,576	447,152	634,948
<b>Net revenue over (under) expenses</b>				598,332	75,453	-88,198	(47,087)	(23,396)	(8,823)	148,772

## Endowment Summary:

Major Startup Gifts				15,000	15,000					
Annual Contribution - yearly increase =	12%		4,000	4,480	5,018	5,620	6,294	11,092	34,451	
Sub Total:			4,000	19,480	20,018	5,620	6,294	11,092	34,451	
Return on Investment:			320	346	1,932	3,688	4,432	10,201	43,030	
Yearly Total:			4,320	19,826	21,949	9,307	10,726	21,293	77,481	
Cumulative:			4,320	24,146	46,095	55,402	66,128	148,803	615,355	

## 2. Pro-Forma Cash Flow

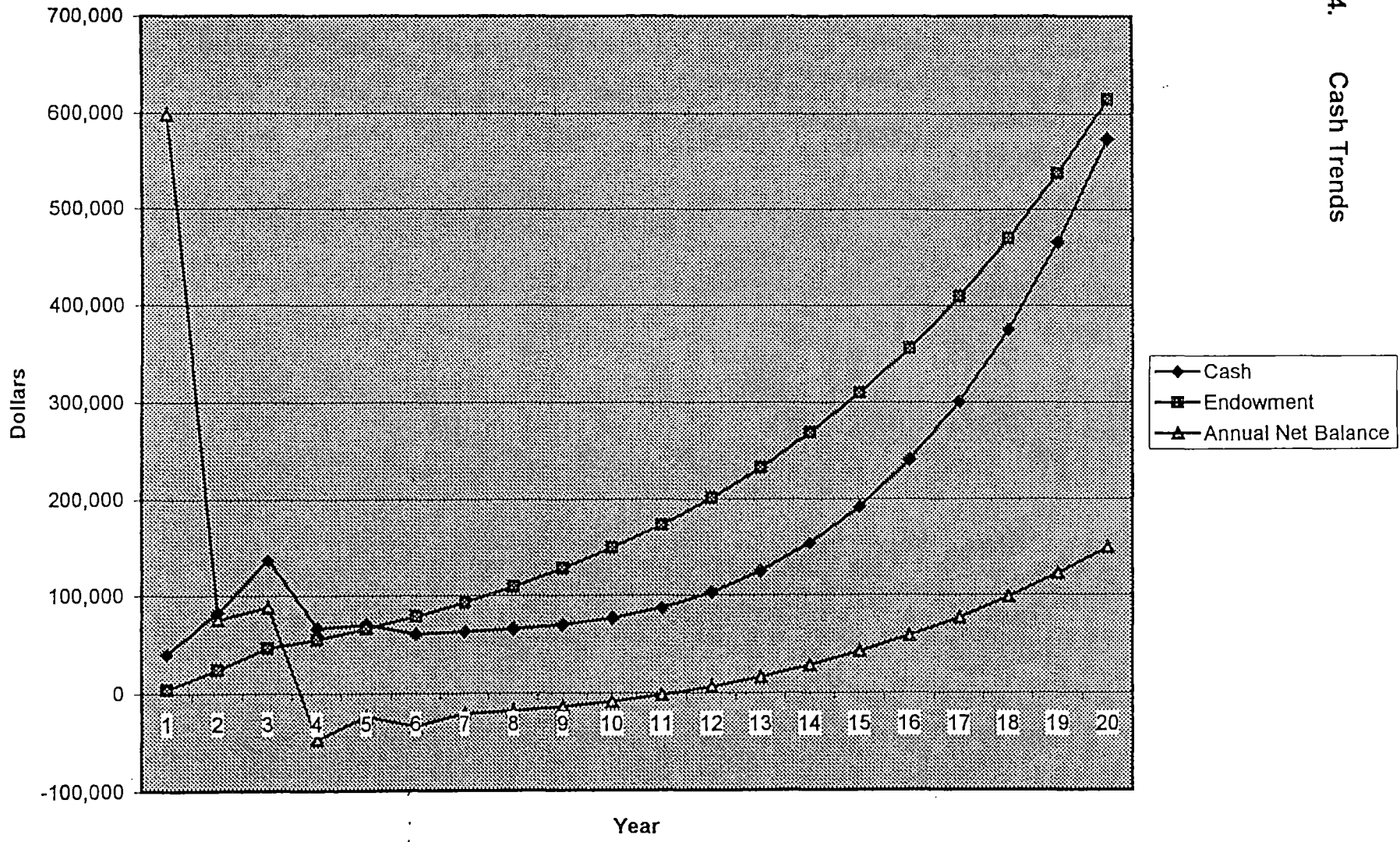
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20
<b>Cash flows from operating activities</b>							
Net revenue over (under) expenses	598,332	75,453	88,198	(47,087)	(23,396)	(8,823)	148,772
Add back non cash expenses:							
Amortization	30,138	30,138	30,138	30,138	30,138	30,138	30,138
Depreciation	6,900	6,900	6,900	6,900	6,900	6,900	6,900
Subtract income from EVOS grant	(670,750)						
Subtract income restricted to endowment	(4,320)	(19,826)	(21,949)	(9,307)	(10,726)	(21,293)	(77,481)
Net cash flow from operating activities	<u>(39,700)</u>	<u>92,665</u>	<u>103,287</u>	<u>(19,357)</u>	<u>2,915</u>	<u>6,921</u>	<u>108,329</u>
<b>Cash flows from investing activities</b>							
Proceeds for capital improvements	670,750						
Cash utilized in construction	(670,750)						
Cash utilized in organizing	(70,000)						
Net cash flow from investing activities	<u>(70,000)</u>						
<b>Cash Flows from financing activities</b>							
Proceeds from loans received	150,000						
Repayment of principal		(50,000)	(50,000)	(50,000)			
Net cash flow from financing activities	<u>150,000</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>			
Other cash flow items							
Net change in cash	<u>40,300</u>	<u>42,665</u>	<u>53,287</u>	<u>(69,357)</u>	<u>2,915</u>	<u>6,921</u>	<u>108,329</u>
Cash at beginning of year	<u>40,300</u>	<u>82,965</u>	<u>136,251</u>	<u>66,894</u>	<u>69,625</u>	<u>466,069</u>	
Cash at end of year	<u>40,300</u>	<u>82,965</u>	<u>136,251</u>	<u>66,894</u>	<u>69,809</u>	<u>76,546</u>	<u>574,398</u>

### 3. Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20
<b><u>Assets</u></b>							
Cash	40,300	82,965	136,251	66,894	69,809	76,546	574,398
Endowment investments	4,320	24,146	46,095	55,402	66,128	148,803	615,355
Other assets							
Lease Prepayment	532,750	532,750	532,750	532,750	532,750	532,750	532,750
Amort. Lease Prepayment	(26,638)	(53,275)	(79,913)	(106,550)	(133,188)	(266,375)	(532,750)
Organizational Costs	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Amort. Organizational Costs	(3,500)	(7,000)	(10,500)	(14,000)	(17,500)	(35,000)	(70,000)
Fixed Assets:							
Leasehold improvements	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Equipment & Furnishings	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Less accumulated depreciation	(6,900)	(13,800)	(20,700)	(27,600)	(34,500)	(69,000)	(138,000)
Artifacts							
	<u>748,332</u>	<u>773,785</u>	<u>811,984</u>	<u>714,896</u>	<u>691,500</u>	<u>595,725</u>	<u>1,189,753</u>
<b><u>Liabilities</u></b>							
Note payable	150,000	100,000	50,000				
<b><u>Net Assets</u></b>							
Net Assets unrestricted	594,012	649,640	715,889	659,494	625,372	446,921	574,398
Net Assets restricted	4,320	24,146	46,095	55,402	66,128	148,803	615,355
Total Liabilities and Net Assets	<u>748,332</u>	<u>773,785</u>	<u>811,984</u>	<u>714,896</u>	<u>691,500</u>	<u>595,725</u>	<u>1,189,753</u>

# Cash Trends

## 4. Cash Trends





## 5. Deviation and Sensitivity Analyses

The budgeted scenario or base case is a fair and justifiable representation of the expected operation. Assumptions made in constructing this initial budget are based on the best available information with a leaning toward conservative estimates when possible. However, the budget assumes substantial unearned income. As the *Repository* is a new concern it is difficult to accurately project the success of the fund raising efforts. Traditionally the success of these efforts is highly dependent on the experience and contacts of the individuals involved. Unfortunately, in the case of the *Repository* these individuals have not been identified yet.

The budget was evaluated for its sensitivity to changes in revenues and expenses. The substantial cash reserve mitigates most foreseeable shortfalls and financial difficulties of a brief nature. While the *Repository* starts operation with little debt, it is quite dependent on a successful start up fundraising effort. Thus two key variables can be used to summarize the budget's sensitivity to changes in the revenues and expenses. Changes in ongoing expenses and revenues can be reflected in the amount of contingency expense. The contingency expense is calculated from total operating expenses and so could reflect a change in a number of subcategories. The other key variable is the amount of the start up gifts and subsidies obtained the initial major fund raising campaign. This initial contribution is critical to the development and maintenance of a cash reserve.

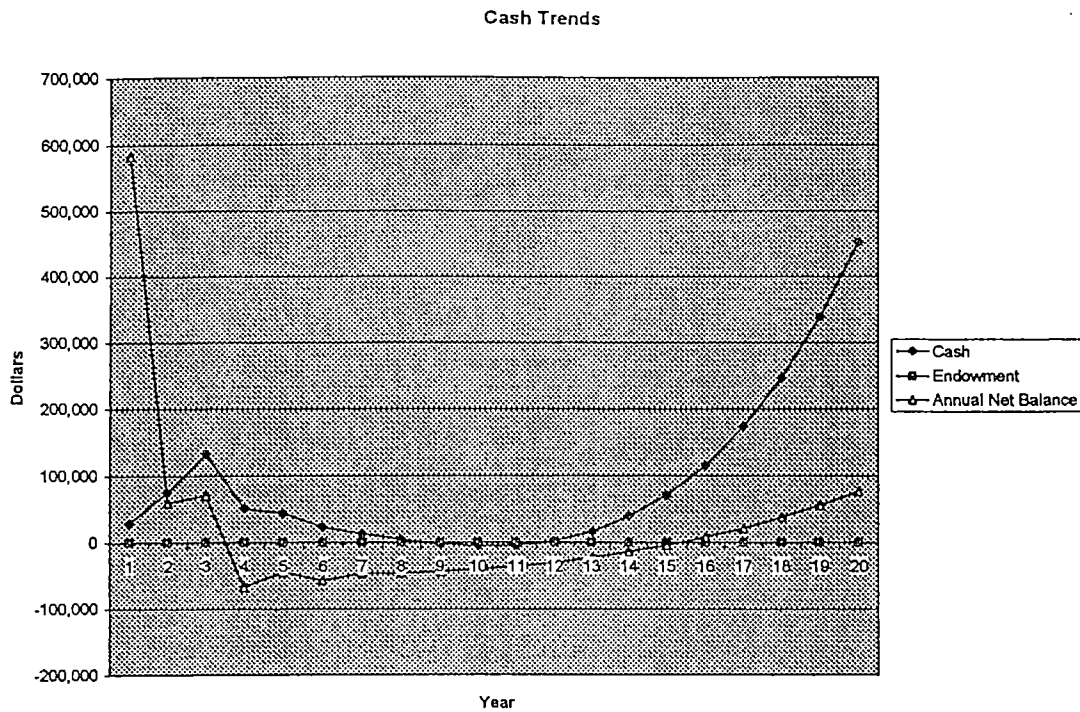
A worse case scenario is identified here when the net cash position approaches zero after the start up period. In this analysis the endowment and cash are considered as one. The two key variable are linked, so equivalent worse case scenarios are possible under the following conditions or a combination thereof:

If start up gift total remains at \$450,000 - when the contingency expenses rise to 11%.  
If the contingency expenses remain at 5% - when the gift total drops to \$275,000.

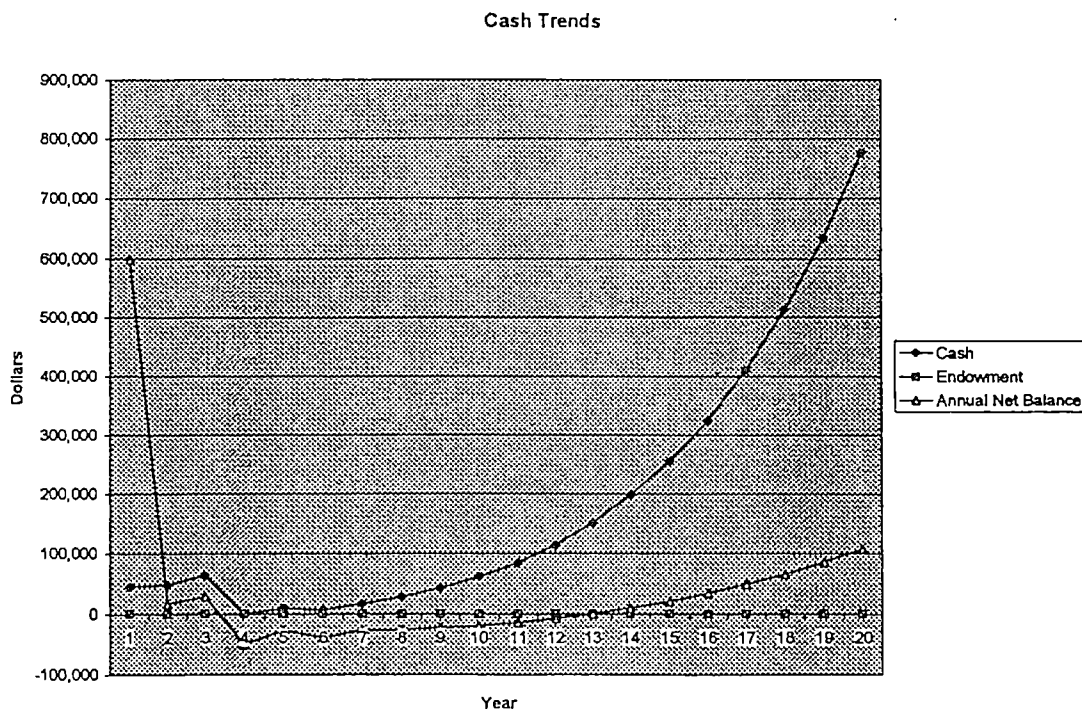
A better case scenario is presented where the contingency expense is not included in the budget and a start up gift total of \$500,000 is raised.

These scenarios represent only a simple change in the operating budget. Certainly the management would be expected to make adjustments to a number of the budget parameters when it became apparent that financial goals were not being met, or times are better than projected.

# Worse Case Scenarios - Cash Trends Charts

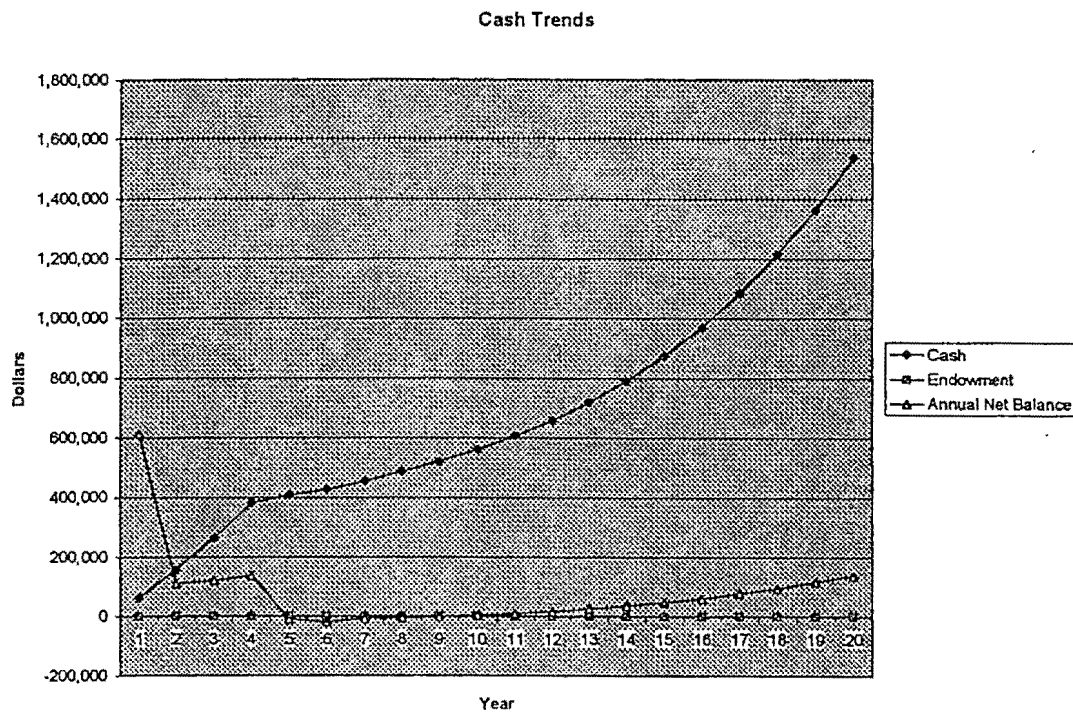


If start up gift total remains at \$450,000, and the contingency expense rises to 10%.



If the contingency expense remains at 5%, and the gift total drops to \$275,000.

# Better Case Scenario - Cash Trends Chart



If the contingency expense is 0%, and the gift total rises to \$500,000.

## **F. Financial Summary**

This plan documents a scenario of self-sustainability for the *Chugach Repository and Museum*.

The plan makes full use of the \$770,000 EVOS grant award for the acquisition of a long-term lease in the Orca building, as well as the remodeling and furnishing of the facility's space. With limited space and resources dedicated to generating earned revenue, the *Repository* relies much upon unearned income from donations and grants. The hiring of a fundraising consultant shows the importance of obtaining substantial unearned funding in the early stages of the facility's development. The consultant is charged with the task of raising \$500,000 of additional startup funds for the initial operation of the facility and the establishment of an endowment. Also a part-time grant writer / fundraiser position is budgeted as a permanent position. A startup loan of \$150,000 to be paid off in three years covers the organizational costs and an initial cash flow shortfall as revenue sources are established. These initial funds place the *Repository* in a strong cash position as it initiates programs, opens exhibits and generally fulfills its mission.

The design for the facility is a modest one that can readily be supported with the proposed budget. Its size and characteristics are such that it can accommodate the staff and the support space needed to perform the *Repository's* mission. In contrast to many other museum or repository facilities, debt service or an inflated operational budget does not burden the *Repository*. Instead, only a little over \$2,000 a month is required for utilities and maintenance.

The cost for the core permanent staff of an Executive Director, a Curator / Program Developer and the Fundraiser make up a significant share of the operational budget, approximately fifty percent after the start up phase. This figure is typical of museums and other not-for-profit organizations. Other business and program expenses are similarly proportional for a small facility with an initial operational budget of less than \$350,000. Expenses are expected to grow at a rate of three to five percent a year.

Ongoing revenue categories are split between unearned and earned income at a ratio of almost two to one. The substantial fundraising effort in the first three years is critical to building a cash reserve which may be drawn upon until there is sufficient growth in the various sources of income to an positive annual net balance as shown in the profit and loss statement. It is assumed the staff will operate efficiently and successfully promote the facility with a net result that revenues will exceed expenses on an average of at least five percent. It is this growth that assures the overall viability of the *Repository*. For the base case scenario presented here, the Balance Sheet and the Cash Trends chart clearly shows the magnitude of the cash reserve in the form of cash and endowment. After the startup year this balance always exceeds \$100,000 and provides a reasonable reserve for unplanned difficulties. As the *Repository* grows it is expected a greater portion of unearned revenue would be restricted to the endowment. The Balance Sheet also shows the net assets holding value during the startup years and eventually growing to a point where the endowment could contribute considerably to the operating budget. An endowment contribution is not budgeted in this scenario.

In general, the plan describes an operating scenario for the *Chugach Repository and Museum* where the financial variables are reasonably projected with conservative constraints. Its expenses and earned revenues are typical for a facility of its size. Its

success depends most upon the staff's ability to implement a substantial ongoing fundraising program involving grants, donations and contributions in kind and aid.

## VIII. TIMETABLE

		months												
		2000						2001						
Task #	Task Description	A	M	J	J	A	S	O	N	D	J	F	M	A
1	Negotiate additional grant details, revised payment schedule, etc	x												
2	Sign Award	x												
3	Finalize financing / contract documents for repository	x												
4	Overview meeting with staff on Phase II		x	x										
5	Consultation regarding relocation of collections		x	x										
6	Prepare documents for relocation collections		x	x										
7	Draft agreement regarding relocation of collections		x	x										
8	NEPA compliance meeting with agencies		x	x										
9	NEPA compliance - draft EAEIS documents		x	x										
10	NEPA compliance - final documents signed off		x	x										
11	Prepare preliminary documents for organizing corporation		x											
12	Hold preliminary organizational meeting		x											
13	Prepare final documents for incorporation		x	x										
14	Finalize incorporation -			x										
15	First Annual Meeting - select Board of Directors, adopt Bylaws			x										
16	File for IRS nonprofit determination			x	x									
17	Develop staffing plan for facility		x	x										
18	Submit plan to EVOS			x										
19	Designate project manager for Phase III		x											
20	Contract with qualified & experienced architectural firm			x										
21	Hold meetings on facility design			x	x									
22	Draft detailed design documents for facility			x	x									
23	Finalize detailed design documents for facility				x	x								
24	Remodel / renovate facility according to design						x	x	x	x	x			
25	Prepare monthly progress reports on construction						x	x	x	x	x			
26	Prepare final completion report on construction										x			
27	Purchase equipment and furnishings						x	x	x	x				
28	Ship and install equipment and furnishings							x	x	x				
29	Prepare final completion report on furnishings										x			
30	Hire Executive Director (initially part-time)		x											
31	Hire Curator and Fund Raiser						x							
32	Arrange professional curatorial services						x	x	x	x				
33	Prepare and implement fundraising plan						x	x	x	x	x	x	x	
34	Hire Fundraising consultant							x	x	x	x	x	x	
35	Develop plans for education programs						x	x	x	x				
36	Develop plans for archeological programs						x	x	x	x				
37	Develop plans for stewardship programs						x	x	x	x				
38	Develop plans for other restoration programs						x	x	x	x				
39	Meet with agencies on relocation of collections								x	x				
40	Repository facility ready for occupancy										x			
41	Develop standard operation procedures							x	x	x	x	x	x	
42	Develop policies							x	x	x	x	x	x	
43	Develop plans for initial exhibit and programs										x	x	x	
44	Submit program plans to EVOS										x	x		
45	Draft documents for relocation of collections							x						
46	Finalize documents for relocation of collections								x	x				
47	Complete artifact inventory, accession, labeling and catalog									x	x			
48	Identify, evaluate and document collection							x	x	x	x			
49	Transfer collection to secure storage											x	x	x
50	Prepare Final Report												x	x
51	Submit Final Report to EVOS												x	x

## **IX. SUPPORTING DOCUMENTS & NOTES**

### **A. Notes**

Supporting Documents – Pertinent technical specifications, letters of intent, copies of leases, contracts, legal documents, agreements with other organizations, additional personal resumes, job descriptions, guarantees and financial statements, letters of reference, governmental licenses, approvals and/or waivers, and other documents and suggestions of relevance to the business plan are on file with Chugachmiut.

## **X. Appendix A – Initial Proposal**

### **A. Evaluation of Chugachmiut's Initial Proposal to EVOS**

In response to the Exxon Valdez Oil Spill (EVOS) Trustee Council's RFP #10-98-071, Chugachmiut submitted a proposal in August 1998 titled Chugach Regional Archaeological Restoration Project which would establish the *Chugach Repository and Museum* in Seward. Subsequently EVOS accepted the proposal and made a Grant Agreement in the fall of 1999. The grant agreement requires the preparation of a business plan that considers the development and ongoing operation of a regional archaeological repository and a local display facility in Seward. The repository and display facility would be contained in the Orca and the Seward Railway Depot buildings.

The initial proposal stated the need to review, and possibly modify, the amount and types of space utilized by the facility in light of updated economic or market costs for the Orca and Railway Depot buildings. Recently such a review indicated that the expected revenues of the *Chugach Repository and Museum* are insufficient to support the use of both buildings. Thus a revised scope proposal was made and is described separately. It will form the basis upon which the business plan is developed.

The following comments summarize the evaluation of the initial proposal considering updated costs and business strategies. The choice to place both the repository and limited display functions in only the Orca building is based on a variety of interrelated factors. No single factor by itself would prohibit the use of the Railway Depot building. Rather, it is the sum of various detractions associated with the Depot building, coupled with advantages of focusing only on the repository role of the facility, which would reside in the Orca building, that prompts the revised scope proposal.

#### **1. The Depot Building**

In the initial proposal the Railway Depot building would house the museum's two main sources of earned revenue, an exhibit or display area and a gift shop. The proposed scheme would have sufficient revenues garnered from these two sources to pay for the costs associated with the use of the building, as well as the activities within the facility. These costs would include the production, promotion and implementation of its exhibits/programs and the gift shop overhead expenses. There would also need to be sufficient additional revenues to subsidize the unearned contributions from fundraising, grants, etc., which must cover the repository and support functions residing in the Orca building.

Difficulties with effectively utilizing the Depot building in the *Chugach Repository and Museum* include the costs associated with the building and limitations on the income generating activities within the building.

#### **2. Building Costs**

When the initial proposal was submitted to EVOS, Chugachmiut had not completed the purchase of the Orca building nor had Chugach Alaska Corp. purchased the Railway Depot building. Only now after the respective purchases and recent experience in operating the buildings are the actual costs and current market value of the space known.



The debt service plus operation and maintenance costs for the buildings are a significant ongoing expense. Each of these buildings is in excellent condition with superb locations and benefit from recent upgrades and remodeling. It is estimated the lease cost of the Depot building to the *Chugach Repository and Museum* could be in excess of \$10,000 a month. Should all the proposed space in the Orca building be utilized then that building's lease would also be of similar magnitude. Paying for the real cost of space within these two buildings represents a substantial challenge to the operational expense of the *Chugach Repository and Museum*.

### **3. Historical site limitations**

The Depot building would undoubtedly afford the *Chugach Repository and Museum* an outstanding waterfront location and its architecture and history significance is a potent attraction. However, the use or alterations to this structure must comply with a number of requirements and restrictive covenants associated with maintaining its listing on the National Register of Historic Places. These requirements impose extra costs and limitations in how the facility might be used to generate additional revenue. For instance, the display area and gift shop could not profitably be integrated with a food and beverage service.

### **4. Limited display space**

The initial proposal requires substantial revenue from the existing gift shop to make the *Chugach Repository and Museum* self-sustaining. Using almost half of the building's functional space for such retail activities leaves only the remaining large room (approx. 950 sq. ft) available for a gallery or display area. This limited space coupled with the building's confined hallways and exits further restricts the number of possible visitors that may be accommodated at one time. While for much of the year the significance of this limitation is minimal, it does hinder potential relationships with the larger tour operators and a more equal exchange of visitors with the SeaLife Center. The amount of display space also limits the potential revenue by constraining the admission fee. Certainly the facility could occasionally have a "block buster" display; but the general perception of the building's size and limited display area will justify to most a considerably lower admission fee than its nearest neighbor – the substantial SeaLife Center complex. The net effect is that the *Chugach Repository and Museum* will need to charge a moderate admission fee and spread out its visitor load over a longer day, a longer week and a longer season. The extended operating hours means greater overhead and staffing costs.

### **5. The Orca Building**

In contrast to the Railway Depot building, the Orca building possesses numerous advantages for the repository. Its size can accommodate growth of the facility, its architecture allows for flexibility in design and utilization, it is modern and secure, and it is similarly well located in the city center. Further benefits and uses of the Orca building for just the repository component, with limited display capabilities, is elaborated in the business plan.

### **6. The difficulties with two locations**

The initial proposal had the display and repository functions of the *Chugach Repository and Museum* split between two buildings. As the Railway Depot building is not large enough to house the repository function and its space is relatively expensive, the cost of the Depot building may be viewed as exacerbating the expense of utilizing two buildings. The dual location scheme causes a variety of overhead expenses to be duplicated, e.g., telephones, office equipment, furnishings, security, etc. Of particular concern is the need

for ongoing staffing at the Depot building. The building must be manned during open hours and during slow times it would be difficult to share this personnel with repository related activities occurring in the Orca building.

Whereas the repository and program support functions occurring in the Orca building are of a year-round nature, manning the display and gift shop activities can probably only be justified during the tourist season, and by special arrangement. Thus, the cost of maintaining the Depot building when it does not generate revenue will be an additional burden to the operation of the *Chugach Repository and Museum*.

## **7. Financing – Fundraising**

The repository mission of the *Chugach Repository and Museum*, which includes educational and archeological support functions, are more akin to not-for-profit services than a gift shop and tourist display facility, which to some extent would compete with other businesses in Seward. These activities must be supported to a great extent by unearned income in the form of grants, donations and other fundraising efforts. We believe greater charitable support for the facility will be available if it minimizes its space costs and is forced to rely less on earned revenues and competition with local concerns. The requirements for unearned income are too great if the capitalization and operational budget needed to support the two buildings is not reduced.

The substantial costs of the acquisition, remodeling and furnishing of both buildings greatly exceeds that budgeted in the EVOS grant. If the *Chugach Repository and Museum* utilizes only the Orca building, then the budgeted amount covers the majority of the initial property costs associated with the repository and program function. The remaining developmental costs and ongoing operational and maintenance expenses can then be covered by the proposed budget.

## **8. A separated local display facility**

The Railway Depot building functions as the local display facility (LDF) component in the initial proposal. The space and ongoing costs of this facility are such that it is difficult to justify an operational budget that can do more than be self-supporting for this building or facility. It is also quite possible that this facility might fare better if operated in a for-profit status, which could include other non-museum activities. To ask that this LDF also provide substantial support toward another facility jeopardizes the credibility of a business plan based on the initial proposal.

## **9. Annual budget**

A summary revenue and expense statement, cash flow projection and balance sheet for a possible operational budget based on the initial proposal are included here.

The annual budget is based on a number of assumptions that are considered most probable or average. To aid the comparison with the revised scope proposal similar values are used where possible. While one item or category could certainly be increased or decreased it is quite likely that an offsetting income or expense would balance the adjustment. Indeed, this budget is typical of many that were considered during the recent updated review or feasibility study of Chugachmiut's initial proposal. In each case the net result was an ongoing cash deficit which is incompatible with the requirement of self-sufficiency.

The difficulty with including the Depot building is illustrated by considering the revenue and expense statement. Despite admissions income being almost three times that of the revised scope proposal, and optimistic earned income from shop sales being more than five times the revised scope, the ongoing revenue is insufficient to compensate for the large facility costs. Whether the acquisition grant is considered a prepayment for a lease or to acquire ownership by paying down debt makes little difference to the analysis. In this scenario the leased square footage was even reduced in both buildings from the initial proposal to minimize the annual burden.

Initial Proposal Evaluation  
Annual Operation Budget Details (Year 2)

EXPENSES

Personnel - Salaries:

Director / Business Manager	1 FTE @	\$55,000
Curator / Program Development	1 FTE @	\$45,000
Asst. Curator / Program Manager	.5 FTE @	\$25,000
Fund Raiser / Grant Writer	.5 FTE @	\$25,000
Gallery Admissions Clerks	2 FTE @	\$48,000

PR Taxes & Benefits ( 18%

Total Salaries & Wages \$173,000

Business Expenses:

Travel & Per Diem	\$8,000
Board Travel & Per Diem	\$2,000
Office Supplies	\$4,000
Reproduction / Copier	\$1,200
Postage and Shipping	\$1,300
Equipment	\$2,000
Short Term Contracts	\$1,000
Legal	\$1,500
Accounting / Bookkeeping Audit	\$5,000
Telephone / Internet	\$3,000
Training & Tuition	\$1,500
Meetings and Conferences	\$1,000
Dues / Subscriptions	\$500
Moving	\$800
Insurance	\$2,000
Bank Fees	\$200
Advertising and Promotion	\$10,000
Web Site Development & Maintenance	\$4,000
General Fund Raising Expenses	\$8,000
Computer Maintenance	\$1,500
Miscellaneous	\$1,000

Additional business costs associated with duplicate facilities \$10,000

Total Business Expenses: \$67,500

Expenses Continued:

Facility Expenses:

Depot Building:	3,000 sq ft @ \$2.25	
Lease including		
Operations & Maintenance		\$81,000
Orca Bldg. Tenant Improvements		\$2,000
Misc.		\$500

Orca Building:	2,811 sq ft @ \$2.25	
Lease including		
Operations & Maintenance		\$75,897
Orca Bldg. Tenant Improvements		\$2,000
Misc.		\$500

Total Facility Expenses: \$161,897

Program Expenses:

No. of New Exhibits	2	
Exhibit Development Cost		\$12,000

Total Program Expenses \$24,000

Curatorship Expenses:

Curatorial Supplies	\$2,000
Specialized Equipment	\$3,000
Repair & Replacement	\$2,000
Artifact Procurement Program	\$1,000
Miscellaneous	\$2,000

Total Curatorial Expenses \$10,000

Depreciation:

Orca & Depot Prep	30 yr. Straight Line	\$18,667
Remodeling and Furn	20 yr. Straight Line	\$14,250

Total Depreciation: \$32,917

Total Ongoing Expenses: \$240,500  
exclusive of contingency & startup

Contingency: 5% \$12,238

Start Up Expenses:

Start Up Fundraising Consultant (1st yr): \$35,000

Start Up Planning Consultants (1st yr): \$15,000

Start Up Debt Serv	Loan = \$70,000	principal	\$39,254
payback 2		interest portion	\$35,000
interest rate 8%			\$4,254

Total Year Two Expenses: \$256,992

Initial Proposal Evaluation  
Annual Operation Budget Details (Year 2)

INCOME

		summer	winter	
Attendance:				
Daily Attendance	Adult	135	10	Winter 7 hr/day Summer 10 hr/day
Days per week open		7	4	
Weeks per season		26	26	
Total Attendance =	25,610	24,570	1,040	
Admissions:				
Admission Fee:	Adult	\$5		
Admission Revenue		\$128,050		
Total				\$128,050
Special Events / Education/ Rentals / Misc. Income:				\$12,000
Sublease Office Rental:				\$17,160
650 sq ft @ \$2.20				
Earned Revenue:				
Museum Shop Sales	\$98,280			
Average Sale per visitor	\$4			
Net profit margin	0.6			
Est. net revenue	\$58,968			
Mail Order:	\$24,000			
Average Purchase per visitor	\$30			
Net profit margin	0.6			
Number of orders per year	800			
Est. net revenue	\$14,400			
Café / Vending Machine:	\$17,199			
Average Purchase per visitor	\$0.7			
Net profit margin	0.4			
Est. net revenue	\$6,880			
Total Earned Revenue:				\$80,248
Ongoing Program Grants & Services:				\$45,000
Annual Fund Raising				
Member Count	300			
Av. Membership Dues	\$20	\$6,000		
Corp. and Community Sponsors	30 \$2,000	\$60,000		
Fund Raising Events:				
Number of Events	2			
Revenue per Event	\$8,000	\$16,000		
Board Participation		\$25,000		
Special Gifts and Other Donations		\$20,000		
Total Dues / Fundraising:				\$127,000
Start Up Loan (1st yr):		\$70,000		
Start Up Gifts and Subsidy:				\$150,000
Total: \$450,000	3 yrs			
Return On Endowment Investment	8%			\$0
EVOS Grant Award:				
Property Acquisition	\$560,000			
Property Remodeling	\$185,000			
Facility Furnishings	\$90,000			
Total EVOS Grant Award:	\$845,000			
Total Ongoing Revenue:				\$559,458

Initial Proposal Evaluation  
Revenues and Expenses

		Growth Assumption	Year 1 0.5	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20
<b>Revenue and support</b>										
Admissions		5%	64,025	128,050	134,453	141,175	148,234	178,582	207,026	239,999
		3%								
Misc. income, facility rental		3%	6,000	12,000	12,360	12,731	13,113	15,201	17,622	20,429
Sublease rental		3%	8,580	17,160	17,675	18,205	18,751	21,738	25,200	29,214
Merchandise sales		11%	40,124	80,248	89,075	98,873	109,749	184,934	311,624	525,104
Program grants and services	1st 5yr	7%	22,500	45,000	48,150	51,521	55,127	70,357	89,796	114,605
	2nd 15yr	5%								
Membership dues	1st 5yr	9%	3,000	6,000	6,540	7,129	7,770	10,898	15,285	21,438
	2nd 15yr	7%								
Corporate annual sponsorships		7%	30,000	60,000	64,200	68,694	73,503	103,091	144,591	202,796
Special events fundraising		7%	8,000	16,000	17,120	18,318	19,601	27,491	38,558	54,079
Other contributions		7%	22,500	45,000	48,150	51,521	55,127	77,318	108,443	152,097
Major Start Up Fundraising			150,000	150,000	150,000	-	-			
EVOS Grant			845,000							
Endowment Revenue			0	0	0	0	0	0	0	0
Cash Balance Revenue										
Other revenue										
Total revenue and support			1,199,729	559,458	587,722	468,166	500,974	689,611	958,144	1,359,762
<b>Functional expenses</b>										
Salaries	1st 5yr	2%	173,000	173,000	176,460	179,989	183,589	244,422	297,376	361,804
	2nd 15yr	4%								
Payroll taxes and benefits		2%	31,140	31,140	32,398	33,046	33,707	44,876	54,598	66,427
Business Expenses		3%	67,500	67,500	69,525	71,611	73,759	85,507	99,126	114,914
Consultants			50,000							
Utilities and maintenance		4%	161,897	161,897	168,373	175,108	182,112	221,567	269,570	327,974
Exhibit and Program development		5%	12,000	24,000	25,200	26,460	27,783	35,459	45,256	57,759
Curatorship expenses		3%	10,000	10,000	10,300	10,609	10,927	12,668	14,685	17,024
Depreciation expense			32,917	32,917	32,917	32,917	32,917	32,917	32,917	32,917
Interest on Start Up Loan			4,254	4,254						
Other										
Contingency	5%		25,235	25,235	25,759	26,487	27,240	33,871	40,676	48,941
Total functional expenses			567,943	529,943	540,931	556,226	572,034	711,286	854,205	1,027,759
Net revenue over (under) expenses			631,786	29,515	46,791	(88,060)	(71,060)	(21,675)	103,939	332,002

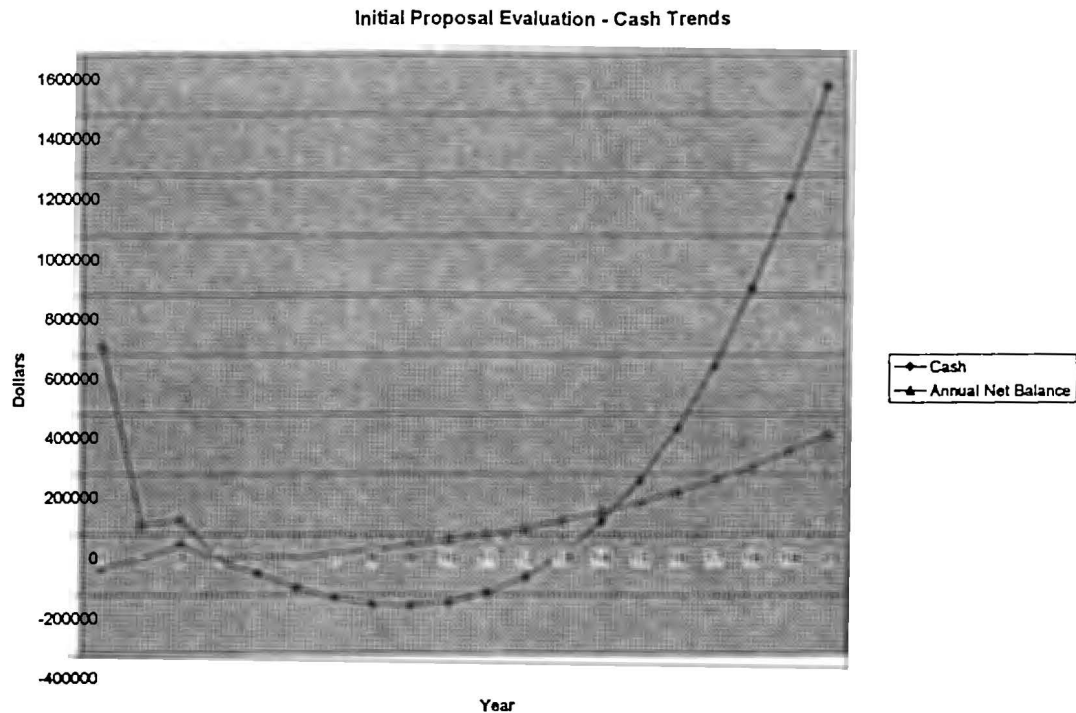
**Initial Proposal Evaluation  
Balance Sheet**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20
<b><u>Assets</u></b>							
Cash	(110,297)	(82,866)	(38,158)	(93,302)	(131,445)	(226,646)	1,491,507
Endowment investments	0	-	-	-	-	-	-
Other assets -							
EVOS Property Acquisition - Lease Pre	560,000	560,000	560,000	560,000	560,000	560,000	560,000
<b>Fixed Assets:</b>							
Leasehold improvements	195,000	195,000	195,000	195,000	195,000	195,000	195,000
Equipment & Furnishings	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Less accumulated depreciation	(32,917)	(65,833)	(98,750)	(131,667)	(164,583)	(329,167)	(658,333)
Artifacts							
	701,786	696,301	708,092	620,031	548,972	289,188	1,678,174
<b><u>Liabilities</u></b>							
Note payable	70,000	35,000					
<b><u>Net Assets</u></b>							
Net Assets unrestricted	631,786	661,301	708,092	620,031	548,972	289,188	1,678,174
Net Assets restricted	-	-	-	-	-	-	-
<b>Total Liabilities and Net Assets</b>	<b>701,786</b>	<b>696,301</b>	<b>708,092</b>	<b>620,031</b>	<b>548,972</b>	<b>289,188</b>	<b>1,678,174</b>
	-	-	-	-	-	-	-

Initial Proposal Evaluation  
Cash Flow

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20
<b>Cash flows from operating activities</b>								
Net revenue over (under) expenses	631,786	29,515	46,791	(88,060)	(71,060)	(21,675)	103,939	332,002
Add back non cash expenses:								
Depreciation	32,917	32,917	32,917	32,917	32,917	32,917	32,917	32,917
Subtract income from EVOS gr grant	(845,000)							
Subtract income restricted to en	-	-	-	-	-	-	-	-
Net cash flow from operating ac	(180,297)	62,431	79,708	(55,144)	(38,143)	11,242	136,856	364,919
<b>Cash flows from investing activities</b>								
Proceeds for capital improvements	845,000							
Cash utilized in construction	(845,000)							
Net cash flow from investing act	-							
<b>Cash Flows from financing activities</b>								
Proceeds from loans received	70,000							
Repayment of principal		(35,000)	(35,000)					
Net cash flow from financing act	70,000	(35,000)	(35,000)					
Other cash flow items								
Net change in cash	(110,297)	27,431	44,708	(55,144)	(38,143)	11,242	136,856	364,919
Cash at beginning of year	(110,297)	(82,866)	(38,158)	(93,302)	(237,887)	38,496	1,126,588	
Cash at end of year	(110,297)	(82,866)	(38,158)	(93,302)	(131,445)	(226,646)	175,352	1,491,507





## 10. Conclusion

A variety of development and operational scenarios in which the *Chugach Repository and Museum* occupied both the Railway Depot building and the Orca buildings were evaluated in preparation of a business plan. Unfortunately, given the current costs associated with the two buildings, a justifiable self-sustaining scheme was not found. Instead, an alternative revised scope proposal is made which utilizes only the Orca building and removes the local display facility component from the *Chugach Repository and Museum*. This alternative makes the best use of the EVOS grant and optimizes the probability that both the local display facility and the repository/museum will become self-sustaining and fulfill their respective missions.

## XI. Appendix B – Resumes

GERALD PILOT  
8321 Nordale St.  
Anchorage, Alaska 99502  
(907) 248-3499 (home)  
562-4155 (work) Fax: 563-2891  
E-mail: Gerald@Chugachmiut.org

### EDUCATION:

Bachelors of Business Administration - Business Management, University of Alaska - Fairbanks;  
Graduated May 1991; Attended Jan. 87 - May 91.

### WORK EXPERIENCE:

Regional Repository Project Manager – Chugachmiut. Project Manager for Phase I of the EVOS Repository Project, which is a comprehensive, multi-year \$2.8 million project. Primary responsibility is to manage the ADNR/EVOS grant agreement consistent with the goals established for the EVOS Repository Project. Specific duties include negotiation, coordination and administration of the professional services contract for development of the feasibility study/business plan for the Regional Repository; Provide detailed written reports to ADNR/EVOS pertaining to the project; Provide periodic written and oral reports to the Chugachmiut Board of Directors on the status of the project; Manage, administer and control the budget for the project. *October 99 – Present.*

Economic Development Planner - Chugachmiut, 4201 Tudor Centre Dr., Ste. 210, Anchorage, Alaska 99508 - telephone: (907) 562-4155. Established under the Tribal Development and Operations Department, this exempt-level position coordinates and directs economic development planning activities for Chugachmiut under the guidance of the seven Native Communities of the Chugach Region. Major duties include providing technical assistance in the form of research, project analysis, feasibility studies, business plan preparation, loan packaging, grants-writing, income tax assistance, new business development, and conducting workshops and seminars. Conducted grants administration and management for specific projects and programs. Supervised employees on occasion for projects. Major accomplishments included secured grant funds to conduct business planning workshops in the Chugach Region communities; Secured start-up funds for a retail business subsidiary for Chugachmiut; Directed planning efforts to secure long-term office space needs for Chugachmiut; Assisted with strategic planning for Chugachmiut and communities; Conducted economic development workshops and Training seminars; Assisted with the planning, development and implementation for the EVOS Regional Repository and related activities; And, provided technical assistance to numerous community clients with small business and financing needs. *January 96 to November 99.*

Credit and Finance Specialist - Association of Village Council Presidents, Inc., P.O. Box 219, Bethel, Alaska 99559 - Telephone: (907) 543-3521. Under the Tribal Services Division, this exempt-level position was responsible for development and implementation of the regional Credit and Finance Program. Major duties included providing assistance and counseling to Native businesses on all matters involving private-sector economic development. Work included developing feasibility studies, business plans, loan analysis, financial applications, grants-writing, grants management, and loan packaging. Often acted as intermediary between borrowers and lenders to facilitate financing needs. Secured funding to establish a \$1 million Revolving Loan Fund. Other duties included project administration, management, and implementation for numerous economic development projects and programs. Provided supervision for numerous employees for various projects and programs. *December 91 to January 96.*

Fish and Wildlife Technician - State of Alaska, Department of Fish and Game, Sportfish Division, 1300 College Rd., Fairbanks, Alaska 99701. Worked in field throughout Fairbanks area with assignments to various teams for sampling, documenting, and tagging various species of sport fish. Seasonal work included catching and tagging of fish through electro-fishing operations, in addition to computer data entry for project samples. *June – September 91.*

Environmental Field Worker - URS Consultants, Anchorage, Alaska. Worked with hazardous materials clean-up team at St. Lawrence island, Alaska. Job involved removal of 55-gallon barrels, and other contaminants from abandoned military site at remote location. Specifically assigned to sling-load operations with helicopters. *June – August 90.*

Painter - University of Alaska - Fairbanks. Painted both interior and exterior surfaces throughout campus area. Periodically in-charge of five person painting crew. *Summer 89.*

Other Employment - Previous experience include generator maintenance, laborer/carpenter, plumber, forestry technician, emergency fire-fighter, and trapper.

#### **OTHER ACTIVITIES:**

Mayor, City of Koyukuk, six years; President, Koyukuk Tribal Council, seven years; President, Koyukuk Native Corporation, five years; Director, Koyukuk Native Corporation, seven years; Non-Commissioned-Officer-in-Charge, Alaska Army National Guard, six years.

#### **AWARDS:**

AVCP Employee of the Year - 1995, AVCP Program of the Year - 1995; Army Commendation Medal - 1984; And Sergeant Major's Award – 1983; Honor Graduate, Alaska Military Academy – 1982.

#### **SPECIAL SKILLS:**

Computers: Program and software literate, Windows 98, Lotus 123, Excel, MS Word, PowerPoint, MS Works, MS Office, Professional Write, Internet use (research and E-mail). Specialized training for Microsoft Powerpoint Version 8.0 for Office 97. Certificates: Forty-hour OSHA Health and Safety Training (Hazmat); First Aid and CPR Training.

#### **REFERENCES:**

Available on Request

Lora L. Johnson, Ph.D.  
P.O. Box 91652  
Anchorage, Alaska 99509

#### Summary of Experience

- Program development, project management and supervision.
- Experience with budgets, accounting and grants.
- Archaeological research, survey, excavation, reports and preservation plans.
- Educational programs associated with Chugach history and heritage.
- Research and writing; desk-top publishing and graphics.
- Work with local communities, educational / non-profit organizations, agency personnel and environmental / development contractors.

#### Employment History

##### 1996 - 1997 Chugachmiut

- Chugachmiut Self-Governance Program: Self-Governance Coordinator for Chugachmiut's DOI/BIA Compact which involves a consortium of tribes in the Chugach region. Responsibilities include compact negotiations and oversight, budget formation and oversight, coordination of various programs, and development of related educational materials for the Board of Directors and consortium tribes.
- Chugachmiut Cultural and Archaeology Program: Chugach Regional Archaeologist and Project Coordinator for Chugachmiut's ANA Language Preservation Project. The focus of the program includes the development of community museums and local heritage programs, archaeological field work, the promotion of contemporary Native arts and crafts, and Native language preservation and education.

##### 1995 - 1997 Cultural Resources Preservation, Contract Archaeologist, self-employed.

Contract Archaeologist for Chugach Heritage Foundation and Chugach Development Corporation, 1995 - 1996.

- Archaeologist for Chugachmiut's tribal compacting program in archaeology.
- Produced the *Comprehensive Community Plan for the Restoration of Archaeological Resources in Prince William Sound and Lower Cook Inlet*, 1996. The project included working with over forty participant organizations (including cities, museums, tribal councils and associations, regional and village corporations and government agencies), as well as architectural, archaeological and financial research for the development of the plan.
- Inspected archaeological sites on Nuchek Island in Prince William Sound which was the location of the Nuuciq Spirit Camp. Participated in curriculum development for the spirit camp and taught archaeological field methods to youth during the camp. Investigated and documented a notable prehistoric site on Nuchek Island.

Contract Archaeologist for Eyak Corporation, 1995 - 1996.

- Conducted archaeological surveys and wrote reports for potential timber harvest areas on Eyak lands.

Contract Archaeologist for Kijak Corporation, 1994 - 1995.

- Historical Archaeological Preservation Planner responsible for the production of a historical plan for the Kijak Site. Project included interviews with elders, survey of site, document review and preparation of final preservation plan, 1994 - 1995. Other archaeological research, 1995.

Contract Archaeologist for Chugach Alaska Corporation, various times between 1989 - 1997.

- Archaeological consultant on impacts to CAC cultural and archaeological sites as a result of the *Exxon- Valdez* oil spill, including expert testimony, 1992 - 1994. Surveyed CAC ANCSA 14(h)1 sites in Prince William Sound, 1994.. Surveyed CAC ANCSA 14(h)1 sites in Prince William Sound and Controller Bay, 1990. Excavated burial locations for the repatriation of human remains at three sites in Prince William Sound,

1989, 1990, 1993. Test excavation at SEL-188 on the Kenai Peninsula, 1990. Member of the CAC Oil Spill Response Team. Participated in interagency meetings, conducted emergency response surveys of cultural sites in Prince William Sound and monitored cleanup activities in the Chugach region, 1989-1991.

- Archaeological consultant for the Carbon Mountain Road Project including research, field survey and reporting, 1997.

Contract Archaeologist for Chenega Corporation, English Bay Corporation and Port Graham Corporation, 1993 -1994.

- Conducted archaeological reconnaissance surveys of sites in Prince William Sound and the Kenai Peninsula, 1994. Archaeological consultant on impact to village cultural and archaeological sites as a result of the *Exxon- Valdez* oil spill, including expert testimony, 1993 - 1994.

Contract Archaeologist for Chenega Corporation, 1993 - 1994.

- Conducted excavations at two sites on Evans Island, Prince William Sound, Alaska and wrote final report for archaeological activities associated with the Chenega Bay airport road construction, 1993 -1994.

Project Director for the Land Use Impact Study for Chugach Alaska Corporation, The Eyak Corporation and the Tatitlek Corporation, 1992.

- Responsible for the overall planning and completion of the study including field studies, review of existing documents and preparation of a final report.

Contract Archaeologist for Timber Trading Company, 1992.

- Conducted archaeological surveys of borrow pits and reroutes for the road on Montague Island, Prince William Sound, Alaska.

Visiting Instructor at the University of Washington, 1992.

- Taught course on Roman Archaeology and Art, Summer Quarter.

1987 - 1988

**Visiting Assistant Professor at Clark University, Worcester, Massachusetts.**

- Taught six semester courses (Classics and Classical Archaeology and Art) for the Department of Foreign Languages and Literature and the Department of Visual and Performing Arts.

1985 - 1987

**Executive Assistant to the Secretary-Treasurer (University Officer), American Philological Association, Columbia University, New York, New York.**

- Supervised office staff. Responsible for upkeep of financial accounts including bookkeeping to yearly financial reports and reports for grants. Produced quarterly Newsletter of the association. Organized APA annual meeting in conjunction with the Archaeological Institute of America.

1978 - 1984

**Graduate Student, Brown University, Center for Old World Archaeology and Art, Providence, Rhode Island.**

- Teaching Assistant: taught sections for course on Roman Civilization, 1981.
- Research Assistant: served as curator of the study collection at the Center for Old World Archaeology and Art; organized the Greek and Roman coin collection for instructional use, 1980.
- Assistant: organized and catalogued the center's library on the computer, 1984.
- Research Assistant: assisted in the preparation of publications, including the verification of citations, 1979.

#### Other Archaeological Experience

1979 Field archaeologist at the Ortona Excavations, Ortona, Italy, (Summer).

1980 Field archaeologist at the Agora Excavations, Athens, Greece, Field school, (Summer).

1982-83, 1986 Archaeological research in Turkey pertaining to Hellenistic and Roman architectural remains (4th C. B.C. to the 2nd c. A.D.), (Academic year 1982, Summer 1986).

#### Education and Degrees

1974 - 1978 University of Washington, Seattle, Washington B.A. in Classics (Classical Greek), 1978  
1976 - 1977 College Year in Athens, Athens, Greece  
1978 - 1984 Brown University, Providence, Rhode Island Studied at the Center for Old World Archaeology and Art. Ph.D. in Classics (Classical Archaeology), 1984  
1985 - 1987 Columbia University, New York, New York Various language courses.  
1988 - 1993 University of Washington, Seattle, Washington  
Over 80 quarterly credits in Anthropology and Archaeology, Math, Statistics and Chemistry. (These included graduate courses in archaeological theory, faunal analysis, physical anthropology, tools and materials, anthropology and a reading course on the archaeology of the Chugach Region.)

#### Fellowships and Honors

1975 - 1978 Bureau of Indian Affairs Scholarship, University of Washington  
1978 - 1979 First Year Fellowship, Brown University  
1981 - 1982 University Fellowship, Brown University  
1982 - 1983 Fulbright Grant and Turkish Government Grant  
1983 - 1984 Dorothy Danforth Compton Fellowship, Brown University.  
1992 - 1993 Olson Fellowship, University of Washington

#### Other

Member of the Alaska Anthropological Association since about 1991.  
Member of the Archaeological Institute between about 1984 - 1993.  
Chugach Heritage Foundation, Trustee 1990 - 1996, Secretary - Treasurer 1994 - 1996.  
Member of the Community Advisory Board at the Thomas Burke Memorial Washington State Museum at the University of Washington, 1991 - 1996.  
Member of the Advisory Committee for the *Looking Both Ways Exhibit*, Arctic Studies Center, Anchorage, 1995-1996.

#### References

References are available upon request.

#### Reports

Numerous reports pertaining to archaeological survey and excavation work, damage assessment, and preservation plans associated with the Chugach Region. Various project reports and teaching tools associated with Chugachmiut's ANA Language Preservation Project. Various reports for Chugachmiut's DOI Self-Governance Compact programs.

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

**TO:** Trustee Council Members

**FROM:** Molly McGammon  
Executive Director

**DATE:** April 19, 2000

**RE:** Investment of the Joint Trust Fund

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The following timeline has been updated. The timeline continues to assume that the funds will be transferred in June 2000.

January 31, 2000 Trustee Council discusses the Draft Investment Policies of the Joint Trust Fund. **COMPLETED**

February 29, 2000 Trustee Council adopts Investment Policies. **COMPLETED**

March 16, 2000 Trustee Council discusses income producing obligations and other instruments and securities for purposes of developing an Asset Allocation Plan. In addition, the Trustee Council discusses the role of the investment consultant and investment managers.  
**COMPLETED**

April 24, 2000 Trustee Council adopts an Asset Allocation Plan. Trustee Council adopts a motion requesting that the Alaska Department of Law and the U.S. Department of Justice amend the Order for Deposit and submit to the court, allowing for transfer of the funds. Trustee Council discusses long-term payout rule and methodology for developing it.

May 2000 Trustee Council adopts a long-term payout methodology and rule. Council hears from consultant Bill Wurts on his evaluation of the Alaska Department of Revenue's ability to manage the Joint Trust Funds. Trustee Council discusses options for custodian, investment consultant and investment manager.

June Trustee Council selects a custodian, investment consultant and investment manager. Transfer Joint Trust Funds and implement the Asset Allocation Plan.

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**DRAFT**

**RESOLUTION OF THE *EXXON VALDEZ* OIL SPILL TRUSTEE COUNCIL  
PERTAINING TO THE ASSET ALLOCATION GOALS FOR THE  
PERIOD 2000-2003**

The *Exxon Valdez* Oil Spill Trustee Council (the "Council") is responsible for the management and investment of the *Exxon Valdez* Oil Spill Joint Trust Fund (the "Joint Trust Fund"). The Joint Trust Fund is used by the governments for purposes of restoring, replacing, enhancing, rehabilitating or acquiring the equivalent of natural resources and services lost or injured as a result of the oil spill.

Public Law 106-113 allows investment of the Joint Trust Funds outside the United States Treasury but limits investments to "income-producing asset classes, including debt obligations, equity securities, and other instruments or securities that have been determined by unanimous vote of the Council to have a high degree of reliability and security". The investment objective for the Joint Trust Fund as described in the Investment Policies adopted by the Trustee Council on February 29, 2000, is to provide adequate liquidity for ongoing restoration purposes and preserve the inflation-adjusted value of the principal while realizing competitive, total rates of return. In order to meet this investment objective the Trustee Council unanimously agreed on this date that Joint Trust Fund monies shall be invested outside the Federal Court Registry under the authority of Public Law 106-113.

The Council reviewed income producing obligations and other instruments and securities at a meeting on March 16, 2000. At that time, the Council also reviewed capital market returns and risk assumptions developed by the Alaska Department of Revenue, Division of Treasury's consultant, Callan Associates (dated January 2000).



**DRAFT**

THEREFORE, BE IT RESOLVED THAT, the Council adopts the following asset allocation effective, through September 30, 2003:

**ASSET ALLOCATION**

Domestic Equities (Broad Market)	41% $\pm$ 7%
International Equities	<u>17% <math>\pm</math> 5%</u>
<b>Total Equities</b>	<b>58%</b>

Domestic Fixed Income	42% (+ 7%/-7%)
<b>Total Fixed Income</b>	<b>42%</b>

AND FURTHER THAT the council determines that a portfolio of domestic equities comprised of those equities in the Russell 3000 Index, international equities comprised of some or all of those equities in the EAFE Index and domestic fixed income debt obligations comprised of securities in the Lehman Aggregate Index allocated in the manner described above has a high degree of reliability and security.

Approved by the Council at its meeting of April 24, 2000 as affirmed by our signatures affixed below.

\_\_\_\_\_  
DAVE GIBBONS  
Trustee Representative  
Alaska Region  
USDA Forest Service

Dated \_\_\_\_\_

\_\_\_\_\_  
BRUCE M. BOTELHO  
Attorney General  
State of Alaska

Dated \_\_\_\_\_

\_\_\_\_\_  
MARILYN HEIMAN  
Special Assistant to the  
Secretary for Alaska

Dated \_\_\_\_\_

\_\_\_\_\_  
STEVEN PENNOYER  
Director, Alaska Region  
National Marine Fisheries Service

Dated \_\_\_\_\_

U.S. Department of the Interior

DRAFT

\_\_\_\_\_ Dated \_\_\_\_\_  
FRANK RUE  
Commissioner  
Alaska Department of Fish and Game

\_\_\_\_\_ Dated \_\_\_\_\_  
MICHELE BROWN  
Commissioner  
Alaska Department of Fish and Game

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

**TO:** Trustee Council Members

**FROM:** Molly McCammon  
Executive Director

**DATE:** April 19, 2000

**RE:** Market Indexes

The purpose of this memorandum is to provide a brief description of the Russell 3000 Index, the EAFE Index and the Lehman Aggregate Index, which were included as performance benchmarks in the Investment Policies adopted by the Trustee Council in February. For your information, I have also included the five year annualized returns for each of these indexes and the capital market assumptions for the upcoming year for each of the appropriate asset classes.

An Index is an analytical tool used to measure performance of an asset class. Indexes are constructed like the markets that they measure and serve as a reference point to help evaluate performance. In theory, a portfolio constructed like the indexes will replicate its performance quite closely.

The **Russell 3000 Index** contains the largest 3,000 companies domiciled (incorporated) in the United States and its territories. All companies listed on a U.S. exchange or the NASDAQ are considered for inclusion in the Russell 3000 Index. The Russell 3000 Index is reconstructed annually to reflect changes in the marketplace. The Russell 3000 Index is commonly used to measure performance of Domestic Equities.

The **EAFE Index** is comprised of stocks traded in the developed markets of Europe, Asia and the Far East. Currently the EAFE Index consists of stocks from the following markets: 52% European, 21% United Kingdom, 21% Japan and 6% Pacific Rim. The EAFE Index is commonly used to measure performance of International Equities.

The **Lehman Aggregate Index** includes fixed rate debt issues that are rated investment grade or higher by Moody's Investors Service, Standard & Poor's or Fitch Investor's Service, in that order. All issues must have at least one year until maturity and an outstanding par value of at least \$100 million. The Lehman Aggregate consists of Government Debt, Corporate Debt, Mortgage Backed-Securities, and Asset-Backed

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Securities. The Lehman Aggregate Index is commonly used to measure performance of Domestic Fixed Income.

Annualized Returns over the last five calendar years (Source: State Street Bank):

	1yr	2yr	3yr	4yr	5yr
Russell 3000	20.90%	22.51%	25.53%	24.59%	26.94%
EAFE	26.96%	23.43%	15.74%	13.24%	12.83%
Lehman	-0.83%	3.81%	5.73%	5.20%	7.73%

Capital Market Assumptions for calendar year 2000 (Source: Callan Associates):

Equity - Broad Market (Benchmark: Russell 3000)	9.20%
Equity - International (Benchmark: EAFE)	9.75%
Bonds - Aggregate (Benchmark: Lehman Aggregate)	6.70%

### Asset Mix Alternatives

#### Asset Classes:

	1	2	3	4	5	6	7	8	9	10
Equity - Broad Market	10.64%	12.14%	14.42%	21.14%	27.85%	34.57%	41.29%	48.00%	57.60%	67.60%
Equity - Large Cap	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity - Small Cap	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity - International	4.83%	5.36%	6.21%	8.90%	11.60%	14.29%	16.98%	19.67%	20.00%	20.00%
Bonds - Gov/Corp	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bonds - Aggregate	63.15%	72.66%	79.37%	69.96%	60.55%	51.14%	41.74%	32.33%	22.40%	12.40%
Bonds - Gov 1-5	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bonds - International	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TIPS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash Equivalents	21.38%	9.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

#### Projected Return:

Total Return	6.750%	7.000%	7.250%	7.500%	7.750%	8.000%	8.250%	8.500%	8.750%	9.000%
Estimated Rate of Inflation	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%
Real Return	3.500%	3.750%	4.000%	4.250%	4.500%	4.750%	5.000%	5.250%	5.500%	5.750%

#### Volatility of Returns over 1 Year

4.969%	5.665%	6.365%	7.212%	8.233%	9.372%	10.590%	11.863%	13.180%	14.538%
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#### Probability of Loss:

Over 1 Year	8.717%	10.830%	12.735%	14.919%	17.327%	19.665%	21.797%	23.683%	25.339%	26.794%
Over 5 Years	0.119%	0.286%	0.543%	1.003%	1.765%	2.814%	4.075%	5.455%	6.884%	8.314%

Target Spread Over Inflation (%):

5

Target Return

8.25%

**Capital Market Assumptions (\*)**

			<b>Optimizer Inputs</b>		
	<b>Total Return</b>	<b>Yield</b>	<b>Standard Deviation</b>	<b>Minimum Allocation</b>	<b>Maximum Allocation</b>
1 <b>Equity - Broad Market</b>	9.20%	1.20%	16.20%	0.00%	100.00%
2 <b>Equity - Large Cap</b>	8.90%	1.30%	15.00%	0.00%	0.00%
3 <b>Equity - Small Cap</b>	10.40%	1.00%	25.00%	0.00%	0.00%
4 <b>Equity - International</b>	9.75%	1.40%	21.50%	0.00%	20.00%
5 <b>Bonds - Gov/Corp</b>	6.60%	6.60%	6.00%	0.00%	0.00%
6 <b>Bonds - Aggregate</b>	6.70%	6.70%	5.50%	0.00%	100.00%
7 <b>Bonds - Gov 1-5</b>	5.60%	5.60%	4.10%	0.00%	100.00%
8 <b>Bonds - International</b>	6.50%	6.50%	10.00%	0.00%	0.00%
9 <b>Real Estate</b>	8.30%	6.50%	16.50%	0.00%	0.00%
10 <b>TIPS</b>	6.30%	6.30%	7.00%	0.00%	0.00%
11 <b>Cash Equivalents</b>	5.00%	5.00%	0.70%	0.00%	100.00%

**INPUT AREA**

(input % numbers as .XX)

Deposits (\$ thousands)

2000	2001	2002	2003	2004
\$600.0	\$0.0	\$0.0	\$0.0	\$0.0

Asset Allocation

\$0

Equity - Broad Market

2000	2001	2002	2003	2004
41.29%	41.29%	41.29%	41.29%	41.29%

Equity - Large Cap

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Equity - Small Cap

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Equity - International

2000	2001	2002	2003	2004
16.98%	16.98%	16.98%	16.98%	16.98%

Bonds - Gov/Corp

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Bonds - Aggregate

2000	2001	2002	2003	2004
41.74%	41.74%	41.74%	41.74%	41.74%

Bonds - Gov 1-5

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Bonds - International

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Real Estate

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

TIPS

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

Cash Equivalents

2000	2001	2002	2003	2004
0.00%	0.00%	0.00%	0.00%	0.00%

% Assets Invested

2000	2001	2002	2003	2004
100.00%	100.00%	100.00%	100.00%	100.00%

Target Return

2000	2001	2002	2003	2004
8.25%	8.25%	8.25%	8.25%	8.25%

Estimated Inflation Rate

2000	2001	2002	2003	2004
3.25%	3.25%	3.25%	3.25%	3.25%

**Calculations**

	2000	2001	2002	2003	2004
1 Yr Portfolio Expected Total Return	8.25%	8.25%	8.25%	8.25%	8.25%
1 Yr Portfolio Expected Yield	3.53%	3.53%	3.53%	3.53%	3.53%
1 Yr Portfolio Expected Standard Deviation	10.59%	10.59%	10.59%	10.59%	10.59%
5 Yr Portfolio Expected Total Return	8.25%	8.25%	8.25%	8.25%	8.25%
5 Yr Portfolio Expected Standard Deviation	4.74%	4.74%	4.74%	4.74%	4.74%

## One Year Expected Return Distribution

Top Decile	21.82%	21.82%	21.82%	21.82%	21.82%
Top Quartile	15.39%	15.39%	15.39%	15.39%	15.39%
Mean expected	8.25%	8.25%	8.25%	8.25%	8.25%
Bottom Quartile	1.11%	1.11%	1.11%	1.11%	1.11%
Bottom Decile	-5.32%	-5.32%	-5.32%	-5.32%	-5.32%
Probability of a Return Below Target	50.00%	50.00%	50.00%	50.00%	50.00%
Probability of a Return Below Inflation	31.84%	31.84%	31.84%	31.84%	31.84%
Probability of a Negative Return	21.80%	21.80%	21.80%	21.80%	21.80%

## Five Year Expected Return Distribution

Top Decile	14.32%	14.32%	14.32%	14.32%	14.32%
Top Quartile	11.44%	11.44%	11.44%	11.44%	11.44%
Mean expected	8.25%	8.25%	8.25%	8.25%	8.25%
Bottom Quartile	5.06%	5.06%	5.06%	5.06%	5.06%
Bottom Decile	2.18%	2.18%	2.18%	2.18%	2.18%
Probability of a Return Below Target	50.00%	50.00%	50.00%	50.00%	50.00%
Probability of a Return Below Inflation	14.55%	14.55%	14.55%	14.55%	14.55%
Probability of a Negative Return	4.07%	4.07%	4.07%	4.07%	4.07%

(\$ Millions)

	2000	2001	2002	2003	2004
Beginning Principal Balance	\$600.0	\$628.3	\$658.0	\$689.0	\$721.6
Total Expected Return - Portfolio	\$49.5	\$51.8	\$54.3	\$56.8	\$59.5
Inflation Proofing (Add to Fund)	\$19.5	\$20.4	\$21.4	\$22.4	\$23.5
Desired Additional Real Return	\$30.0	\$31.4	\$32.9	\$34.5	\$36.1
Expendable Income	\$21.2	\$22.2	\$23.2	\$24.3	\$25.5
Capital Appreciation Excess of Target	(\$21.2)	(\$22.2)	(\$23.2)	(\$24.3)	(\$25.5)
Ending Principal Balance	\$628.3	\$658.0	\$689.0	\$721.6	\$755.6

DRAFT

RESOLUTION OF THE  
EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

We, the undersigned, duly authorized members of the *Exxon Valdez* Oil Spill Trustee Council hereby request the Attorney General of the State of Alaska and the Assistant Attorney General of the Environmental and Natural Resources Division of the United States Department of Justice to petition the United States District Court for the District of Alaska to amend the Order for Deposit and Transfer of Settlement Proceeds to allow for the deposit of the Joint Trust Fund, or any portion thereof, including any interest accrued thereon, previously received or to be received by the United States and the State of Alaska pursuant to the Agreement and Consent Decree issued in United States v. Exxon Corporation, et al. (No. A91-082 CIV) and State of Alaska v. Exxon Corporation, et al. (No. 91-083 CIV) in the Natural Resource Damage Assessment and Restoration Fund or accounts outside the United States Treasury.

\_\_\_\_\_  
DAVE GIBBONS  
Trustee Representative  
Alaska Region  
USDA Forest Service

Dated \_\_\_\_\_

\_\_\_\_\_  
BRUCE M. BOTELHO  
Attorney General  
State of Alaska

Dated \_\_\_\_\_

\_\_\_\_\_  
MARILYN HEIMAN  
Special Assistant to the  
Secretary for Alaska  
U.S. Department of the Interior

Dated \_\_\_\_\_

\_\_\_\_\_  
STEVEN PENNOYER  
Director, Alaska Region  
National Marine Fisheries Service

Dated \_\_\_\_\_

DRAFT

\_\_\_\_\_ Dated \_\_\_\_\_  
FRANK RUE  
Commissioner  
Alaska Department of Fish and Game

\_\_\_\_\_ Dated \_\_\_\_\_  
MICHELE BROWN  
Commissioner  
Alaska Department of Fish and Game



# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

TO: Trustee Council Members

FROM: Molly McCammon  
Executive Director

DATE: April 19, 2000

RE: Reserve Payout Rule

Each year an endowment disburses funds to support programs and pay investment management costs. The disbursement of funds commonly is referred to as a payout. Endowments often adopt a payout rule that limits spending each year to a fixed percentage of a fund's assets. The value of the assets is typically based on the market value as averaged over a number of years, commonly five, to bring stability to the amount of annual spending.

At the March 2000 meeting, the Trustee Council was presented information regarding payout rules used by a broad selection of university endowments. The information was compiled by the National Association of College and University Business Officers and presented by Peter Bushre. The following is a summary of typical endowment funding:

- On average, total withdrawals from the endowments surveyed amounted to 5.4% of total assets in fiscal 1999. Of this, 4.2% consisted of endowment payout, which corresponds to what most institutions label as "spending." Of the remainder, 0.5% was used to pay investment management and custody fees and 0.7% for "other distributions," including non-recurring capital expenditures funded from the endowment.
- On average, endowments less than \$75 million reported the highest rate of withdrawals (5.8%), while endowments over \$1 billion reported the lowest (4.5%). Public institutions reported the same rate as those in the private sector (5.4%).

The proposed resolution pertaining to the Trustee Council's asset allocation goals projects a total return of 8.25%. After taking into account inflation at 3.25%, the projected long-term real rate of return is 5.00%. In order to preserve the real value of the fund, the payout rate should permit spending of **no more** than the projected long-term real income, or in this case, 5.00%. This would, over time, keep spending within the real income of the fund. Earnings in excess of the payout rate would be retained in

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the fund. Years with good investment performance will, over time, balance out years with poor investment performance, and more than fully inflation-proof the fund.

Typically, the payout rate is applied to the three-five year rolling average of the total value of the fund. This is difficult to do with the Joint Trust Fund because payments from Exxon and large land payments are only short-term, but skew the fund's total value. Additionally, the fund will not be fully capitalized until September 2001.

The Investment Working Group will meet on Thursday, April 20<sup>th</sup> to discuss the payout methodology and rule. I am hopeful that I will have a recommendation to present at the April 24<sup>th</sup> meeting for discussion.

attachments

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

**TO:** Trustee Council

**THROUGH:** Molly McCammon  
Executive Director

**FROM:** *Traci Cramer*  
Traci Cramer  
Administrative Officer

**DATE:** April 18, 2000

**RE:** Financial Report as of March 31, 2000

Attached is the Statement of Revenue, Disbursements and Fees, and accompanying notes for the *Exxon Valdez* Joint Trust Fund for the settlement period ending September 30, 2002, as of March 31, 2000. The following is a summary of the information incorporated in the notes and contained on the statement.

Liquidity Account Balance	\$58,895,984	
Plus: Other Adjustments (Note 5)	8,430,561	
Less: Restoration Reserve Adjustment (Note 6)	<u>-58,345,960</u>	
Liquidity Fund Balance		\$8,980,585
Restoration Reserve Accrued Value	\$39,305,337	
Plus: Liquidity Fund Adjustment (Note 6)	<u>58,345,960</u>	
Restoration Reserve Balance		\$97,651,297
<b>Joint Trust Fund as of March 31, 2000</b>		<b>\$106,631,882</b>
Plus: Future Exxon Payments (Note 1)	\$140,000,000	
Less: Reimbursements (Note 3)	-7,500,000	
Less: Commitments (Note 7)	<u>-80,166,867</u>	
Uncommitted Balance		\$52,333,133
<b>Joint Trust Fund as of September 30, 2002</b>		<b>\$158,965,015</b>

## Attachments

cc: Agency Liaisons  
Bob Baldauf

### Federal Trustees

U.S. Department of the Interior  
U.S. Department of Agriculture  
National Oceanic and Atmospheric Administration

### State Trustees

Alaska Department of Fish and Game  
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NOTES TO THE STATEMENT OF REVENUE, DISBURSEMENTS AND FEES  
FOR THE EXXON VALDEZ JOINT TRUST FUND  
FOR THE SETTLEMENT PERIOD ENDING SEPTEMBER 30, 2002  
As of March 31, 2000

1. Contributions - Pursuant to the agreement Exxon is to pay a total of \$900,000,000.

Received to Date	\$760,000,000
Future Payments	\$140,000,000

2. Interest Income - In accordance with the MOA, the funds are deposited in the United States District Court, Court Registry Investment System (CRIS). All deposits with CRIS are maintained in United States government treasury securities with maturities of 100 days or less. Total earned since the last report is \$234,474.
3. Reimbursement of Past Costs - Under the terms of the agreement, the United States and the State are reimbursed for expenses associated with the spill. The remaining reimbursements represent that amount due the State of Alaska.
4. Fees - CRIS charges a fee of 5% of earnings for cash management services. Total paid since the last report is \$11,724.
5. Other Adjustments - Under terms of the Agreement, both interest earned on previous disbursements and prior years unobligated funding or lapse are deducted from future court requests. Unreported interest and estimated lapse is summarized below.

	Interest	Lapse
United States	\$811,906	\$3,128,914
State of Alaska	\$2,151,884	\$2,337,857

6. Restoration Reserve/Liquidity Fund Adjustment - Includes the \$12,000,000 transfer approved for Fiscal Year 1998, plus \$1,525,000 in interest accrued since September 15, 1997, the \$12,000,000 transfer approved for Fiscal Year 1999, plus \$925,000 in interest accrued since September 15, 1998, and \$12,000,000 transfer approved for Fiscal Year 2000, plus \$325,000 in interest accrued since September 15, 1999. The proceeds from the securities that matured on November 15, 1998 and November 15, 1999 were deposited to the Liquidity Fund have also been included. This includes \$18,627,865, plus \$704,362 in interest, less \$45,355 in fees. Also included is \$284,088 for fees that were assessed against the Restoration Reserve prematurely and deposited in the Liquidity Fund.
7. Commitments - Includes \$2,711,000 for the Archaeological Repository, \$23,500 for project management/GA associated with the Repository, \$100,800 for the Fiscal Year 2000 Work Plan and the following land payments.

<u>Seller</u>	<u>Amount</u>	<u>Due</u>
Afognak Joint Venture	\$23,025,833	October 2000
Eyak	\$18,000,000	September 2000 through 2002
Shuyak	\$8,000,000	October 2000 through 2001
Shuyak	\$11,805,734	October 2002
Koniag, Incorporated	\$16,500,000	September 2002

**STATEMENT OF REVENUE, DISBURSEMENT, AND FEES**  
**EXXON VALDEZ OIL SPILL JOINT TRUST FUND**  
As of March 31, 2000

	1997	1998	1999	To Date 2000	Cumulative Total
<b>REVENUE:</b>					
Contributions: (Note 1)					
Contributions from Exxon Corporation	70,000,000	70,000,000	70,000,000	0	760,000,000
Less: Credit to Exxon Corporation for Deposit of Maturing Securities			9,095,002	9,532,863	(39,913,688)
Total Contributions	70,000,000	70,000,000	79,095,002	9,532,863	18,627,865
Interest Income: (Note 2)					
Exxon Corporation escrow account					831,233
Joint Trust Fund Account	2,971,070	2,673,585	2,124,921	1,338,041	24,487,356
Total Interest	2,971,070	2,673,585	2,124,921	1,338,041	25,318,589
<b>Total Revenue</b>	<b>72,971,070</b>	<b>72,673,585</b>	<b>81,219,923</b>	<b>10,870,904</b>	<b>764,032,766</b>
<b>DISBURSEMENTS:</b>					
Reimbursement of Past Costs: (Note 3)					
State of Alaska	5,000,000	3,750,000	3,750,000	0	99,059,288
United States	0	0	0	0	69,812,045
Total Reimbursements	5,000,000	3,750,000	3,750,000	0	168,871,333
Disbursements from Liquidity Account:					
State of Alaska	17,846,130	15,686,600	62,457,990	1,312,600	252,248,518
United States	60,101,802	39,468,461	32,676,850	525,754	233,275,387
Transfer to the Restoration Reserve	12,449,552				48,445,783
Total Disbursements	90,397,484	55,155,061	95,134,840	1,838,354	533,969,688
<b>FEES:</b>					
U.S. Court Fees - Liquidity Account (Note 4)	254,221	199,946	250,528	66,902	2,295,761
<b>Total Disbursements and Fees</b>	<b>95,651,705</b>	<b>59,105,007</b>	<b>99,135,368</b>	<b>1,905,256</b>	<b>705,136,782</b>
<b>Increase (decrease) in Liquidity Account</b>	<b>(22,680,635)</b>	<b>13,568,578</b>	<b>(17,915,445)</b>	<b>8,965,648</b>	<b>58,895,984</b>
Liquidity Account Balance, beginning balance	76,957,839	54,277,204	67,845,782	49,930,337	
Liquidity Account Balance, end of period	54,277,204	67,845,782	49,930,337	58,895,984	
Other Adjustments: (Note 5)					8,430,561
Restoration Reserve Adjustment: (Note 6)					(58,345,960)
Liquidity Fund Balance					8,980,585
Restoration Reserve Balance					97,651,297
<b>Joint Trust Fund as of June 30, 1999</b>					<b>106,631,882</b>
Future Exxon Payments (Note 1)					140,000,000
Reimbursements (Note 3)					(7,500,000)
Commitments: (Note 7)					(80,166,867)
<b>Joint Trust Fund as of September 30, 2002</b>					<b>158,965,015</b>

Payout at 4.00%

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	Oct. 1, 1999	Oct. 1, 2000	* Oct. 1, 2001	Oct. 1, 2002	Oct. 1, 2003	Oct. 1, 2004	Oct. 1, 2005	Oct. 1, 2006
Joint Settlement Fund	104,703,290	130,215,799	170,262,815	180,174,485	189,937,945	201,093,941	213,071,222	225,939,031
Research Program	49,703,290	75,215,799	115,262,815	125,174,485	130,276,024	136,373,043	142,860,473	149,770,861
Habitat Program	55,000,000	55,000,000	55,000,000	55,000,000	59,661,921	64,720,898	70,210,749	76,168,171
Annual Work Plan & Administrative Costs:			Projected Payout	Years				
Fiscal Year 2000	10,500,000		Actual					
Fiscal Year 2001	7,500,000		Fixed					
Fiscal Year 2002	6,500,000		Fixed					
Fiscal Year 2003	6,000,000		Fixed					
Fiscal Year 2004	5,500,000		Fixed					
Fiscal Year 2005	4,942,844		4.00% over 3 years	2001 - 2003				
Fiscal Year 2006	5,070,864		4.00% over 4 years	2001 - 2004				
Fiscal Year 2007	5,199,575		4.00% over 5 years	2001 - 2005				

## Assumptions:

Earnings at 8.25% - Beginning July 1, 2000

\* The October 1, 2001 balance has been adjusted to reflect the final land payment that is due September 1, 2002. Total adjustment is \$18,805,700.

Percentage of Market Value - POMV

OPTIONAL FORM 99 (7-90)

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# of pages 3

# Payout at 4.50%

	Oct. 1, 1999	Oct. 1, 2000	* Oct. 1, 2001	Oct. 1, 2002	Oct. 1, 2003	Oct. 1, 2004	Oct. 1, 2005	Oct. 1, 2006
Joint Settlement Fund	104,703,290	130,215,799	170,262,815	180,174,485	189,937,945	200,471,863	211,765,014	223,884,662
Research Program	49,703,290	75,215,799	115,262,815	125,174,485	130,276,024	135,750,964	141,554,265	147,716,491
Habitat Program	55,000,000	55,000,000	55,000,000	55,000,000	59,661,921	64,720,898	70,210,749	76,168,170
Annual Work Plan & Administrative Costs:			Projected Payout	Years				
Fiscal Year 2000	10,500,000		Actual					
Fiscal Year 2001	7,500,000		Fixed					
Fiscal Year 2002	6,500,000		Fixed					
Fiscal Year 2003	6,000,000		Fixed					
Fiscal Year 2004	5,500,000		Fixed					
Fiscal Year 2005	5,560,700		4.50% over 3 years	2001 - 2003				
Fiscal Year 2006	5,697,723		4.50% over 4 years	2001 - 2004				
Fiscal Year 2007	5,832,167		4.50% over 5 years	2001 - 2005				

## Assumptions:

Earnings at 8.25% - Beginning July 1, 2000

\* The October 1, 2001 balance has been adjusted to reflect the final land payment that is due September 1, 2002. Total adjustment is \$18,805,700.

Percentage of Market Value - POMV

Payout at 5.00%

	Oct. 1, 1999	Oct. 1, 2000	* Oct. 1, 2001	Oct. 1, 2002	Oct. 1, 2003	Oct. 1, 2004	Oct. 1, 2005	Oct. 1, 2006
Joint Settlement Fund	104,703,290	130,215,799	170,262,815	180,174,485	189,937,945	199,849,784	210,460,373	221,835,850
Research Program	49,703,290	75,215,799	115,262,815	125,174,485	130,276,024	135,128,886	140,249,624	145,667,680
Habitat Program	55,000,000	55,000,000	55,000,000	55,000,000	59,661,921	64,720,898	70,210,749	76,168,170
Annual Work Plan & Administrative Costs:								
			Projected Payout	Years				
Fiscal Year 2000	10,500,000		Actual					
Fiscal Year 2001	7,500,000		Fixed					
Fiscal Year 2002	6,500,000		Fixed					
Fiscal Year 2003	6,000,000		Fixed					
Fiscal Year 2004	5,500,000		Fixed					
Fiscal Year 2005	6,178,555		5.00% over 3 years	2001 - 2003				
Fiscal Year 2006	6,323,028		5.00% over 4 years	2001 - 2004				
Fiscal Year 2007	6,460,918		5.00% over 5 years	2001 - 2005				

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Assumptions:

Earnings at 8.25% - Beginning July 1, 2000

\* The October 1, 2001 balance has been adjusted to reflect the final land payment that is due September 1, 2002. Total adjustment is \$18,805,700.

Percentage of Market Value - POMV