

Oil and gas jobs, tourism and retirees

The Kenai Peninsula Borough is home to 8 percent of Alaska's population and 6 percent of its employment. The borough's economic activity revolves around government, oil and gas production and refining, the visitor industry and fishing. Other secondary industries such as health care, retail trade and construction also contribute jobs and dollars to the economy.

More than 53,500 people live in the borough. About 19,300 live within the four largest incorporated cities – Kenai, Soldotna, Homer and Seward. Both Kachemak (pop. 430) and Seldovia (pop. 407) also have city status. Soldotna is the borough seat of government.

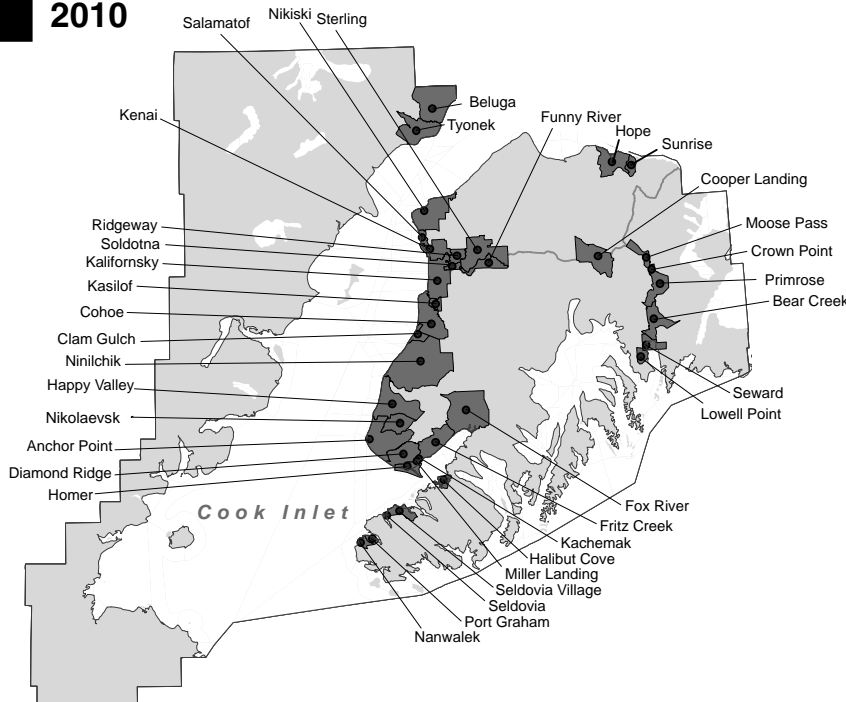
Nearly all the remaining residents live in 30 unincorporated communities with no governing

body. Seven of those – Beluga, Tyonek, Halibut Cove, Seldovia Village, Seldovia, Port Graham and Nanwalek, which range from 407 in population to 24 – are off the road system and are accessible by boat or floatplane. (See Exhibits 1 and 2.)

Employment is diverse

For a relatively small economy, the Kenai Peninsula Borough has a broad range of jobs and there's no dominant industry. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and health care. Together, they represented only 58 percent of the borough's employment in 2008. That diversity allows the borough to be more resilient to declines in any one industry. (See Exhibits 3 and 4.)

1 The Kenai Peninsula Borough 2010



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

The borough's three main areas

The geography of the borough can be broken into three general areas: Kenai/Soldotna, Homer and Seward.

The Kenai/Soldotna area, which encompasses most of the borough's central, northern and western areas, has 12,500 jobs, 67 percent of the borough's total. The jobs, buoyed by the oil and gas industry in the Kenai and Nikiski areas, tend to have higher wages. The average annual wage in 2008 was \$41,000 versus the borough average of \$38,850. (See Exhibit 5.)

Government accounts for about 22 percent of the Kenai/Soldotna area's jobs; health care accounts for 11 percent and retail trade, 14 percent. Some of the larger employers are the Kenai Peninsula Borough

2 Inconsistent Population Growth Kenai Peninsula Borough, 2000 and 2009

	Population		Population	
	Census 2000	Estimate 2009	Census 2000	Estimate 2009
Kenai Peninsula Borough	49,691	53,578		
Anchor Point	1,845	1,772	Lowell Point	92 76
Bear Creek	1,748	2,009	Miller Landing ¹	74 0
Beluga	32	24	Moose Pass	206 189
Clam Gulch	173	166	Nanwalek	177 226
Cohoe	1,168	1,332	Nikiski	4,327 4,465
Cooper Landing	369	344	Nikolaevsk	345 315
Crown Point	75	77	Ninilchik	772 824
Diamond Ridge ¹	1,802	860	Port Graham	171 137
Fox River	616	604	Primrose	93 65
Fritz Creek	1,603	1,818	Ridgeway	1,932 2,050
Funny River	636	796	Salamatof	954 855
Halibut Cove	35	27	Seldovia	430 407
Happy Valley	489	561	Seward city	2,830 2,609
Homer city ¹	3,946	5,551	Soldotna city	3,759 4,021
Hope	137	151	Sterling	4,705 5,348
Kachemak city	431	430	Sunrise	18 19
Kalifornsky	5,846	7,495	Tyonek	193 166
Kasilof	471	536	Balance of borough	249 138
Kenai city	6,942	7,115		

¹ Homer annexed part of Diamond Ridge and all of Miller Landing in March 2002.

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

3 Wage and Salary Employment Kenai Peninsula Borough, 2008

	Average Monthly Employment	Average Annual Wage	Percentage of Total
Total	18,663	\$38,858	100.0%
Natural Resources and Mining	1,200	\$84,592	6.4%
Oil and Gas, and Mining Support Activities	1,151	\$86,690	6.2%
Balance of Mining and Logging	49	\$35,289	0.3%
Construction	985	\$51,390	5.4%
Manufacturing	1,022	\$49,222	5.4%
Trade, Transportation and Utilities	3,777	\$33,730	20.4%
Wholesale Trade	227	\$41,173	1.3%
Retail Trade	2,500	\$25,897	13.4%
Transportation and Warehousing	794	\$40,690	4.3%
Utilities	256	\$82,033	1.3%
Information	259	\$40,174	1.3%
Financial Activities	529	\$44,921	2.9%
Professional and Business Services	518	\$35,978	2.7%
Educational ¹ and Health Services	2,884	\$33,332	15.5%
Leisure and Hospitality	2,476	\$17,619	13.4%
Other Services	808	\$20,008	4.3%
Government	4,187	\$44,466	22.5%
Federal ²	404	\$64,991	2.1%
State ³	1,212	\$45,698	6.4%
Local ⁴	2,571	\$40,659	13.9%

¹ Private education only

² Excludes the uniformed military

³ Includes the University of Alaska

⁴ Includes public school systems

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Quarterly Census of Employment and Wages; U.S. Department of Labor, Bureau of Labor Statistics

School District, Central Peninsula General Hospital, Fred Meyer, Safeway, State of Alaska and ASRC Energy Services.

The Homer area, which covers from Ninilchik southward to Homer and Seldovia, has 20 percent of the borough's employment – about 3,800 jobs. Those jobs average \$34,300 a year, compared to the borough's \$38,850. The top employers are government (21 percent), health care (16 percent), leisure and hospitality (15 percent) and retail trade (14 percent).

The Homer area's largest employers are the Kenai Peninsula Borough School District, South Peninsula Hospital, Safeway and South Peninsula Behavioral Health Services.

The Seward area – from Crown Point south to Lowell Point – has 2,300 jobs. The top employers are government (29 percent of the jobs), leisure and hospitality (22 percent) and health care (6 percent). The largest employers are Spring Creek Correctional Facility, Icicle Seafoods and the Seward Association for the Advancement of Marine Science.

Many people don't know that the borough's western border runs across Cook Inlet and on to the mainland, so the borough includes more than just the Kenai Peninsula. Except for three people on Kalgin Island and a few seasonal lodges, people live in Beluga (pop. 24) and Tyonek (pop. 166) on the mainland.

Government jobs are important

About 23 percent of the borough's wage and salary jobs are in local, state or federal government. Five of the borough's top-10 largest employers are government entities, and most of those are in local government.

Government jobs are typically important to smaller economies such as the borough's because they provide stability and have relatively high pay and comprehensive benefits.

The Kenai Peninsula Borough School District is the largest single government employer. It oversees the education of 9,368 students in 44

facilities.¹ Though the borough owns Soldotna's 46-bed Central Peninsula Hospital and Homer's 22-bed South Peninsula Hospital, the hospitals are operated by nonprofit corporations.

The Alaska Department of Corrections operates two prisons in the borough. The 500-inmate Spring Creek Correctional Center, across Resurrection Bay from Seward, has about 200 employees. The 360-inmate Wildwood Correctional Complex, three miles north of Kenai, has about 100 employees.

The borough's state government jobs are also in post-secondary institutions – the Alaska Vocational Technical Center, or AVTEC, in Seward, which is operated by the State of Alaska, and the Kenai Peninsula College system. The latter is part of the University of Alaska Anchorage and has three campuses: the Kenai River Campus in Soldotna, Kachemak Bay Campus in Homer and the Resurrection Bay Extension Site at Seward High School.

The federal government has a much smaller presence in the borough than both local and state government. The Federal Aviation Administration and federal natural resource agencies employ most of the borough's federal workers.

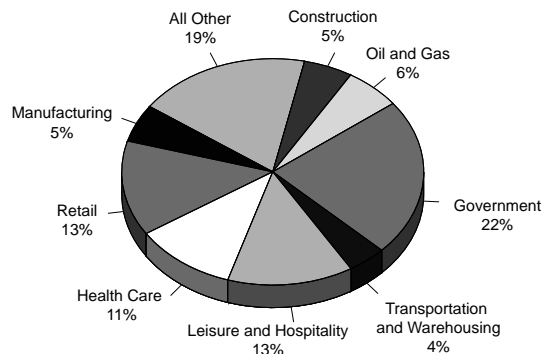
High wages and hydrocarbons

Almost all natural resources jobs are in the oil and gas industry, and most of those earn high wages and are in the Kenai/Soldotna area. Oil and gas jobs accounted for about 6 percent of the borough's employment in 2008 and 14 percent of its wages. The average annual wage was \$86,700 in 2008, far above the borough's average of \$38,850.

Most producing oil and gas fields in the Cook Inlet Basin are mature fields past their expected peak production volumes. Oil production has declined since the 1970s, when Cook Inlet produced 140,000 barrels a day. The decline was fairly consistent until 1991 when the last major oil discoveries, the McArthur River and Sunfish oil fields, were made. Production stabilized until

¹ According to the Alaska Department of Education and Early Development, as of Oct. 1

The Borough's Jobs are Diverse **4**

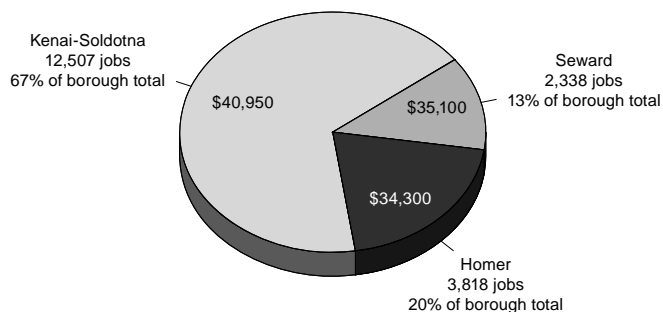


¹ This exhibit shows wage and salary workers only; it doesn't include the self-employed, fishermen and other agricultural workers, and private household workers.

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

Where the Jobs Are **5**

Average Annual Employment and Wages by Region



¹ This exhibit shows wage and salary workers only; it doesn't include the self-employed, fishermen and other agricultural workers, and private household workers.

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

1996, then began declining again. From 1978 to 2008, oil production declined by 129,000 barrels a day.

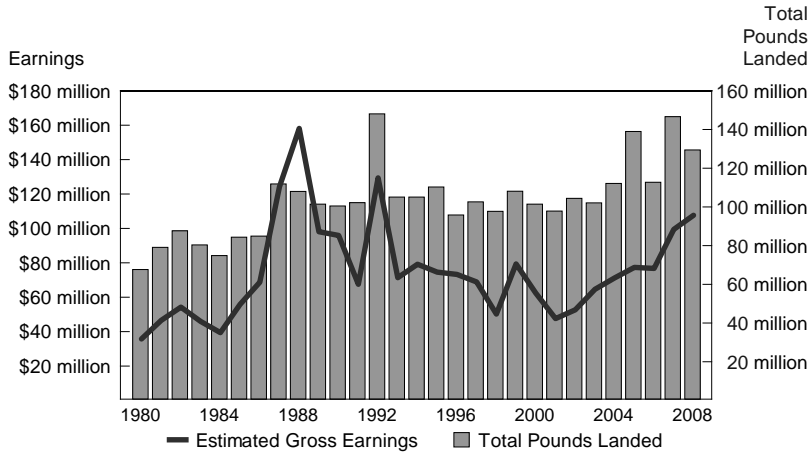
Gas production hit a peak of 270 million cubic feet per day in 2005 and it has declined since. The 270 million cubic feet was the highest level since at least 1990, when production reached 203.9 million cubic feet a day.

The slowdown in activity is reflected in the employment numbers. The oil and gas industry lost 150 jobs from 2002 to 2008 – it went from 1,350 jobs to 1,200.

Although 150 jobs isn't a large number in the greater scheme of things, those jobs support other high-paying jobs in the borough's economy. A

6 Commercial Fishing in the Borough

Earnings and pounds landed, 1980 to 2008



Source: Alaska Department of Fish and Game, Commercial Fisheries Entry Commission

significant portion of Cook Inlet’s unprocessed oil and gas goes to Tesoro’s oil refinery, which produces jet fuel, gasoline and other products, and to ConocoPhillips’ LNG² plant. Both are large employers.

The March eruption of the Mt. Redoubt volcano closed several oil platforms and temporarily stopped oil production on the west side of Cook Inlet. Despite those setbacks, the oil and gas industry lost only a few jobs through the third quarter of 2009 compared to third quarter 2008.

Visitors are important to the economy

The borough, famous for its scenic beauty and outdoor recreation, attracts both out-of-state and in-state visitors throughout the year. It’s relatively close to Anchorage, where 42 percent of the state’s population lives. The drive to Seward is roughly 2½ hours; to Homer it’s about 4½.

Like most of Alaska, summer is the main tourist season. August 2008 peaked at nearly 5,000 jobs above the seasonal low in January.

The Kenai River, renowned for its world-record king salmon, is a very popular destination. Fishing of all types – independent, sport fishing and

commercial – brings thousands of people to the Kenai Peninsula every year.

Seward has the Alaska SeaLife Center, the state’s only public aquarium and ocean wildlife rescue center. Nearly 163,000 people visited the center in 2008. The \$56 million center opened to the public in 1998; it focuses on research, rehabilitation, education and exhibits.

The out-of-state visitors are both independent travelers and cruise ship passengers. Independent travelers typically come from Anchorage. Cruise ship passengers embark or disembark at the Port of Seward. As part of their trip, they often travel to or from Anchorage, Denali National Park and Fairbanks via tour bus or the Alaska Railroad.

Summer employment can be twice as high or more than winter levels. Looking at 2008, for instance, the winter low in the leisure and hospitality sector was 1,790 jobs; the high point that summer was 3,700. Average annual employment for the sector from 2004 to 2008 was consistently about 2,500 – 13 percent of the borough’s total employment.

For the second quarter 2009, the Kenai Peninsula Borough reported that both gross sales and sales tax revenue were down compared the same time the year before. The decline in gross sales indicates that the recession is having a negative impact on sales. And a nine-month tax exemption for non-prepared food caused part of the decline in sales tax revenue.

The most noticeable effect of the recession outside of sales was in the decrease in tourism. There were 2,900 fewer cruise ship passengers in 2009 compared to 2008.³

Tourism impacts most sectors of the economy either directly or indirectly. The leisure and hospitality, transportation and retail sectors are directly impacted by tourism. But some less obvious sectors are indirectly affected – construction, local government, utilities and others – sectors that accommodate tourists, but not exclusively.

² Liquefied natural gas

³ According to the Cruise Line Agencies of Alaska

Commercial fishing keeps on going

The Kenai Peninsula Borough has a long history of commercial fishing and seafood processing.

Nearly 1,400 borough residents hold commercial fishing permits. Most of the permits are for salmon and most of the permit holders live in the Kenai/Soldotna and Homer areas.

Most of the permits in the Homer area are for halibut, herring and groundfish (primarily Pacific cod and pollock). In Seward, the number of permits for halibut and salmon are almost equal.

During the 1990s, the number of permit holders in the borough decreased by 28 percent, but since then the number has been relatively stable.

The borough's commercial fishing harvest value peaked in 1988⁴ at \$158.1 million. Since then, conditions haven't always been good. There were rocky years of low harvest values in 1980, 1984, 1998 and 2001. Harvest values, though, have grown since 2002; earnings pushed past the \$100 million mark in 2008. (See Exhibit 6.)

As expected, high levels of commercial fishing usually coincide with high levels of fish processing. Fish processing occurs in Nikiski, Kenai, Soldotna, Sterling, Kasilof, Ninilchik, Homer, Seldova and Seward. Processing employment made up 52 percent of the borough's manufacturing jobs in 2008.

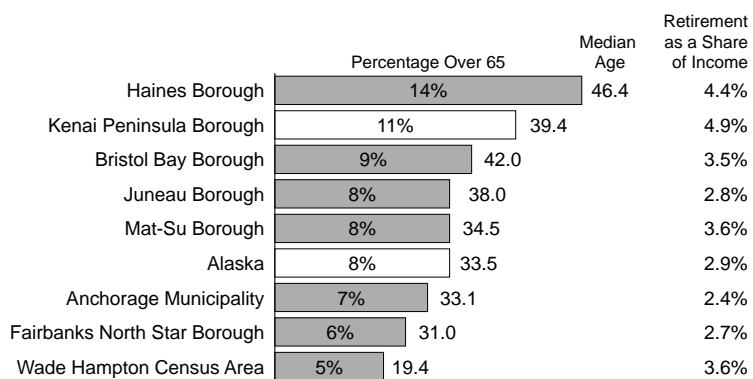
An older population with less diversity

The borough's population was older than the state's as a whole and considerably less racially diverse.

The borough's median age was 39.4 in residents in 2009, versus 33.5 for the state overall. (See Exhibit 7.) The borough's median age was the eighth oldest out of the state's 27 borough and census areas. Eleven percent of the borough's residents were over 65 in 2009, compared to 8 percent statewide.

⁴The earliest year for which data are available is 1980.

An Older Population Alaska



Notes:

The percentage over 65 and median age use 2009 data.

The retirement as a share of income uses 2007 data (the most recent available). It is the percentage of the total income that is from retirement or disability income payments.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Commerce, Bureau of Economic Analysis

As far as race, 86.5 percent of borough residents are white, compared to 72.0 percent statewide, and 10.0 percent are Alaska Natives and American Indians, versus 17.9 percent statewide, according to 2008 estimates.

Only 64.8 percent of the borough's population was in the labor force in 2009 – working at a paid job or looking for work – compared to 70.1 percent statewide.

The Florida of Alaska

Kenai Peninsula Borough residents get the highest percentage of their income from retirement and disability insurance benefits – 4.9 percent in 2007 – out of all Alaska's boroughs and census areas. The Haines Borough, which also has a reputation as an Alaska retirement haven, had 4.4 percent.

The Kenai Peninsula Borough's Homer is also attractive for retirees, as more than 10 percent of residents there were over 65 in 2000.⁵

⁵The most recent year for which census data at this level are available