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GARY PAXTON INDUSTRIAL PARK
MARINE SHIPYARD FINANCIAL ANALYSIS
EXECUTIVE SUMMARY

ALASKA TACTICAL SOLUTIONS
SITKA, ALASKA

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Introduction

Alaska Tactical Solutions is pleased to present its financial analysis of the potential Municipal operation of the Marine Shipyard at the Gary Paxton Industrial Park in Sitka, Alaska.

The directed scope of this analysis was to utilize relevant data from CBS records, comparable shipyard operations and publicly available financial reports from similar facilities in Alaska to prepare a comprehensive financial analysis addressing the operational and financial requirements for CBS to internally manage the marine shipyard and haul-out facility.

This analysis contains two key deliverables, which are a projected base scenario pro forma financial forecast for three years and a breakeven analysis. The pro forma financial forecast is composed of a base scenario sales forecast and forecasted profit and loss statements, balance sheets, and cash flow statements. The breakeven analysis is composed of a breakeven sales forecast and breakeven profit and loss statement.

Base Scenario

The Base Scenario in our analysis is a Marine Shipyard (Shipyard) located at the Gary Paxton Industrial Park which is operated by the City and Borough of Sitka as an enterprise fund.

As an enterprise fund, the Marine Shipyard could operate as either a stand-alone enterprise or as a portion of another existing City and Borough of Sitka Enterprise Fund, such as the Harbor Fund or the Gary Paxton Industrial Park Fund. It could also be combined with an existing enterprise into a new merged enterprise. For purposes of this analysis and in order to provide a straight comparison with other stand-alone marine shipyards, we have modeled the Shipyard as a stand-alone enterprise.

As a stand-alone enterprise fund, the financial operation of the Shipyard will be accounted similarly to, and subject to, other enterprise funds. Operations will be accounted for on an accrual accounting basis and many general and administrative functions (accounting, legal, central treasury, risk management, etc.) will be performed by the main government of the City and Borough of Sitka. The enterprise fund will be charged inter-governmental charges for services provided by other segments of the City and Borough of Sitka government.

The base scenario is comprised of three successive fiscal years of four fiscal quarters each. The scenario begins with the Spring Quarter of fiscal year one. In the base scenario, importantly, marine haul-out rates are held constant at $17.50 per linear foot over the course of the three years, to give a comparison with competing facilities. Likewise, shore-side yard rent is also held stead at $0.50 per linear foot per day over the three years. The effect of holding these rates constant is to give readers a specific financial result driven by holding these rates steady and as a result of the other critical assumptions outlined in this analysis.

The base scenario envisions that operation of the facility will involve using the new 150-ton marine travel lift and the 29 shore-side stalls outlined in Phase 1 of the Gary Paxton Industrial Park Shipyard Master Plan. Importantly, daily haul-outs (or put-ins) with the travel lift will be capped at three per day. As a result of this constraint, all available shore-side stall space will not be used, due to the daily capacity limit of the travel lift.

Base Scenario Modeling Process

The base scenario modeling process we used involved the following steps

- Defining critical assumptions;
- Determining financial drivers and constraints attributable to those assumptions;
- Developing a sales forecast to provide critical financial inputs into profit and loss;
- Developing direct labor and fixed asset depreciation schedules;
- Developing a Pro Forma Profit and Loss Statement for each year;
- Developing year-end balance sheet statements for each of the years, and
- Developing annual cash flow statements for each of the three years.

The modeling was done using Microsoft Excel with multiple spreadsheets contained within two workbooks, with cells linked by dynamic cell reference linkages.

To model the balance sheets, net income or loss from the profit and loss statement was assumed to transpire in cash (other current assets and liabilities are held steady) and advances from the Central Treasury was used as the balancing account. The notion is that, as the enterprise operates under the base scenario at a loss and with a cash flow deficit, the enterprise would require sizeable ongoing advances from the Central Treasury. Interest expense on cash advances was modeled as a non-operating expense.

To recap, assumptions flow into the sales forecast, which creates revenue which flows into the profit and loss statement. Profit or loss flows into retained earnings in the balance sheet and either produces or uses cash. The balance sheet is kept in balance by varying the advances from the Central Treasury account as needed.

Assumptions

The following assumptions and cost constraints are used in preparing this analysis. These assumptions were obtained in three different manners:

- Through conversations with CBS management personnel;
- Through analysis of available information for competing facilities; and
- Through conversations with non-CBS personnel with marine shipyard operating experience.

Assumptions are divided into 5 categories:

- City and Borough of Sitka cost allocations and inter-departmental charges
- Insurance
- Expense inflation
- Direct labor and benefits
- Fixed assets and depreciation.

City and Borough of Sitka cost allocations and inter-departmental charges

The new enterprise will incur inter-departmental charges similar to those incurred by other enterprise funds. These include a management fee, information technology services charge, building maintenance service charge, and central garage vehicle charge. The marine Shipyard is anticipated to need one full-size pickup truck. Inter-departmental charges were estimated in conjunction with the CBS Finance Director. Interdepartmental charges are forecast to rise annually by either 2% or 3%.

Insurance

Insurance is assumed to be provided under the Municipality's comprehensive insurance program and allocated to the enterprise in the same fashion as other enterprise funds. In its insurance program, general liability insurance is determined as a function of payroll and a rate of 8 and ½ cents per direct labor hour was used. Property and machinery and auto insurance was forecast at set rates. Insurance costs are expected to grow by 5% annually.

Expense inflation

Expense inflation was forecasted at 4% annually for equipment repair and maintenance, 3% for contracted services, 2% for other indirect expenses and 2% for general and administrative expenses.

Direct labor and benefits

Staffing of the new enterprise is forecasted with a manager earning $40.00 per hour, a lead operator earning $30.00 per hour and a second operator earning $27.00 per hour. All employees are assumed to work full-time at 2,080 direct labor hours per year. All employees will receive standard CBS benefits including health insurance and PERS. Health insurance is assumed to be provided for employees and family members, per the City and Borough of Sitka benefits package. Workers compensation insurance is modeled as USL&H due to the dock and a rate of 5% of gross wages is used. Wages are forecasted to grow 3% per year and health insurance is forecasted to grow at 4% per year.

Fixed assets and depreciation

It is assumed that the Municipality will capitalize the new enterprise by general government bearing the cost of initial facility improvements and equipment acquisitions. These acquisitions include the new dock, the 150-ton travel lift, shore-side land improvements, and boat stands. Fixed assets are depreciated on a straight-line basis over terms of 10 to 35 years with only the travel lift assumed to have salvage value.

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro Forma Financial Forecast
Assumptions

1. City and Borough of Sitka Internal Cost Allocations and Inter-Departmental Charges

Estimates determined through conversation with City and Borough of Sitka Finance Director

Management Fee	$ 85,000	per fiscal year
Annual Charge Inflationary Increase	2.0%	
Information Technology Services Charge	$ 30,000	per fiscal year
Annual Charge Inflationary Increase	3.0%	
Building Maintenance Services Charge	$ 10,000	per fiscal year
Central Garage Vehicle Services Charge	$ 12,500	per fiscal year
Annual Charge Inflationary Increase	2.0%	
(full size pick-up truck)		

2. Insurance

Liability - Based off Payroll	$ 0.085	per dollar payroll
Property and Machinery	$ 30,000	per fiscal year
Auto and Truck	$ 3,000	per fiscal year
Property and Auto Annual Premium Increase	5.0%	

3. Expense Inflation

Equipment Repair and Maintenance	4.0%
Contracted Services	3.0%
Other Indirect Expenses	2.0%
Other General and Administrative Expenses	2.0%

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro Forma Financial Forecast
Direct Labor Assumptions and Expense Schedule

	Year 1			Year 2			Year 2		
	Manager	Operator	Operator	Manager	Operator	Operator	Manager	Operator	Operator
Wage Per Hour	$ 40.00	$ 30.00	$ 27.00	$ 41.20	$ 30.90	$ 27.81	$ 42.44	$ 31.83	$ 28.64
Hours	2080	2080	2080	2080	2080	2080	2080	2080	2080
Wages Earned	$ 83,200	$ 62,400	$ 56,160	$ 85,696	$ 64,272	$ 57,845	$ 88,267	$ 66,200	$ 59,580
FICA	$ 1,206	$ 905	$ 814	$ 1,243	$ 932	$ 839	$ 1,280	$ 960	$ 864
SBS	$ 5,158	$ 3,869	$ 3,482	$ 5,313	$ 3,985	$ 3,586	$ 5,473	$ 4,104	$ 3,694
PERS	$ 18,304	$ 13,728	$ 12,355	$ 18,853	$ 14,140	$ 12,726	$ 19,419	$ 14,564	$ 13,108
Health Insurance	$ 34,400	$ 34,400	$ 34,400	$ 35,776	$ 35,776	$ 35,776	$ 37,207	$ 37,207	$ 37,207
Vacation	$ 3,200	$ 2,400	$ 2,160	$ 3,296	$ 2,472	$ 2,225	$ 3,395	$ 2,546	$ 2,292
Sick Leave	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50
Workers Comp	$ 4,160	$ 3,120	$ 2,808	$ 4,285	$ 3,214	$ 2,892	$ 4,413	$ 3,310	$ 2,979
Annual Labor Expense	**$ 149,679**	**$ 120,872**	**$ 112,229**	**$ 154,512**	**$ 124,840**	**$ 115,939**	**$ 159,503**	**$ 128,942**	**$ 119,773**
Total Annual Labor Expense			**$ 382,780**			**$ 395,291**			**$ 408,218**
Fully Loaded Hourly Rate	$ 71.96	$ 58.11	$ 53.96	$ 74.28	$ 60.02	$ 55.74	$ 76.68	$ 61.99	$ 57.58

Annual Wage Increase	3%
Annual Health Insurance Increase	4%

(Health Insurance is Employee + Family)

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro Forma Financial Forecast
Infrastructure and Heavy Equipment Depreciation

Total Capital Investment in Land, Buildings, Dock and Travel Lift

Total Investment	$ 11,450,000			
Land	$ 779,000			
Building	$ 521,000	Straight Line Depreciation		
		Useful Life	10	Years
		Salvage Value	$ -	
Dock	$ 8,750,000	Straight Line Depreciation		
		Useful Life	35	Years
		Salvage Value $0	$ -	
150 Ton Travel Lift	$ 1,400,000	Straight Line Depreciation		
		Useful Life	30	Years
		Salvage Value $0	$ 50,000.00	
Boat Stands	$ 50,000	Straight Line Depreciation		
		Useful Life	10	Years
		Salvage Value $0	$ -	

Quarterly Depreciation Expense

Building	$ 13,025
Dock	$ 62,500
Travel Lift	$ 11,250
Boat Stands	$ 1,250
	$ 86,775

Sales Forecast

Our sales forecast is an integral part of the model and pro forma financial statements. It incorporates assumptions as to sales volume and pricing, then generates quarterly revenue totals for haul-out revenue, shore-side boat storage revenue and skilled trades permit revenue. These revenue totals are linked to the sales revenue line in the profit and loss statement.

Haul-out revenue is a function of the number of haul-outs times mean linear feet hauled per lift times lift rate per linear foot. The haul-out rate per linear foot is held steady at $17.50 per linear foot hauled. This rate is comparable with competing facilities. The mean linear foot per haul-out was set at 42 feet through conversation with private sector managers with Marine Shipyard experience.

The linear footage hauled is based on an estimate of the number of haul-outs per quarter, which is a critical limiting constraint. Experts have suggested that the average sustainable number of haul-outs per day is three. Sometimes more can be obtained on given days but this is countered by lift down-town for maintenance and complicated picks. Experts have opined that marine shipyard business is very seasonal, with the spring quarter the busiest.

Opinions gathered indicate that many commercial vessels desire a spring haul-out with shoreside storage time of just 1-2 days, for zinc replacement and painting. Thus, the spring quarter will operate all-out, perhaps operating weekends. In a 13-week period, operating 5 days a week with three lifts a day, the maximum capacity is 13 x 3 x 5 = 195 haul-outs. Our sales forecast thus includes 200 spring haul-outs, assuming some overtime is spent for weekend haul-outs.

Summer and fall haul-outs are forecast to be at 33% of the spring volume, reflecting the desire of boat owners to be on the water in these seasons. Shoreside storage time is increased for these quarters to 7 days per lift, however, to reflect longer and more complicated repair jobs.

Winter haul-outs are forecast to drop to 1 a week, based on expert advice that this is the lull season for marine shipyards. Shoreside storage time is increased to 21 days per lift in the winter, reflective of the belief that winter repairs are long and complicated.

For every lift, an environmental fee of $1.16 per linear foot hauled out is charged. This rate is commensurate with similar rates charged at competing facilities.

Finally, a nominal stream of revenue from skilled trades operating permits is forecast.

In summary, revenue is primarily a function of the number of haul-outs, which is the constraining factor. The available storage capacity of the Phase 1 boat yard is greater than the capacity of one travel lift to completely fill it. Maximum storage capacity in the Phase 1 boat yard is 1,470 linear feet per day. Times 6 days a week for thirteen weeks (assuming storage is not charged for haul-out days but for nights in the yard), maximum quarterly storage capacity is 123,900 linear feet. Spring storage is forecast at 16,800 linear feet, reflecting the significant travel lift capacity places upon the operation.

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro Forma Financial Forecast
Sales Forecast

	Year 1				Year 2				Year 3			
	Spring	Summer	Fall	Winter	Spring	Summer	Fall	Winter	Spring	Summer	Fall	Winter
Number Of Haul-Outs	200	65	65	15	200	65	65	15	200	65	65	15
Mean Linear Feet	42	42	42	42	42	42	42	42	42	42	42	42
Linear Feet Hauled Out	8,400	2,730	2,730	630	8,400	2,730	2,730	630	8,400	2,730	2,730	630
Rate per Linear Foot	$ 17.50	$ 17.50	$ 17.50	$ 17.50	$ 18.03	$ 18.03	$ 18.03	$ 18.03	$ 18.57	$ 18.57	$ 18.57	$ 18.57
Environmental Fee per Linear Foot	$ 1.16	$ 1.16	$ 1.16	$ 1.16	$ 1.19	$ 1.19	$ 1.19	$ 1.19	$ 1.23	$ 1.23	$ 1.23	$ 1.23
Haul-Out Revenue	**$ 156,744**	**$ 50,942**	**$ 50,942**	**$ 11,756**	**$ 161,446**	**$ 52,470**	**$ 52,470**	**$ 12,108**	**$ 166,291**	**$ 54,045**	**$ 54,045**	**$ 12,472**
Annual Haul-out Revenue				**$ 270,383**				**$ 278,495**				**$ 286,853**
Inflationary Rate Increase 3%/Yr												
Average # Days/Boat Occupied	3	7	7	21	3	7	7	21	3	7	7	21
Mean Linear Foot per Day Occupied	16,800	5,460	5,460	1,260	16,800	5,460	5,460	1,260	16,800	5,460	5,460	1,260
Rate Linear Foot per Day	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.500
Vessel Storage Revenue	**$ 25,200**	**$ 19,110**	**$ 19,110**	**$ 13,230**	**$ 25,200**	**$ 19,110**	**$ 19,110**	**$ 13,230**	**$ 25,200**	**$ 19,110**	**$ 19,110**	**$ 13,230**
Annual Vessel Storage Revenue				**$ 76,650**				**$ 76,650**				**$ 76,650**
Skilled Trades Permit Revenue	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Total Quarterly Revenue	**$ 182,944**	**$ 71,052**	**$ 71,052**	**$ 25,986**	**$ 187,646**	**$ 72,580**	**$ 72,580**	**$ 26,338**	**$ 192,491**	**$ 74,155**	**$ 74,155**	**$ 26,702**
Total Annual Revenue				**$ 351,033**				**$ 359,145**				**$ 367,503**

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro-Forma Profit and Loss Statements
For Twelve Successive Fiscal Quarters

	Year 1				Year 2				Year 3			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross Sales	$ 182,944	$ 71,052	$ 71,052	$ 25,986	$ 187,646	$ 72,580	$ 72,580	$ 26,338	$ 192,491	$ 74,155	$ 74,155	$ 26,702
Direct Costs of Sales												
Direct Labor & Benefits	95,695	95,695	95,695	95,695	98,823	98,823	98,823	98,823	102,055	102,055	102,055	102,055
Other Direct Costs	8,920	20,000	4,000	10,152	8,920	20,000	4,000	10,152	8,920	20,000	4,000	10,152
Total Direct Costs of Sales	104,615	115,695	99,695	105,847	107,743	118,823	102,823	108,975	110,975	122,055	106,055	112,207
Gross Margin	78,329	(44,643)	(28,643)	(79,861)	79,904	(46,243)	(30,243)	(82,636)	81,517	(47,900)	(31,900)	(85,505)
Gross Profit Percentage	42.8%	-62.8%	-40.3%	-307.3%	42.6%	-63.7%	-41.7%	-313.7%	42.3%	-64.6%	-43.0%	-320.2%
Indirect Costs of Sales												
Utilities and Communications	5,000	5,025	5,050	5,075	5,101	5,126	5,152	5,178	5,204	5,230	5,256	5,282
Small Tools and Supplies	9,000	9,045	9,090	9,136	9,181	9,227	9,273	9,320	9,366	9,413	9,460	9,508
Equipment Repair and Maintenance	10,000	10,075	10,151	10,227	10,303	10,381	10,459	10,537	22,616	10,696	10,776	10,857
Contracted Services	2,500	2,525	2,550	2,576	2,602	2,628	2,654	2,680	2,707	2,734	2,762	2,789
Information Technology Expenses (IT ISF Charges)	7,500	7,500	7,500	7,500	7,725	7,725	7,725	7,725	7,957	7,957	7,957	7,957
Vehicle Expenses (CG ISF Charges)	3,125	3,125	3,125	3,125	3,188	3,188	3,188	3,188	3,251	3,251	3,251	3,251
Building Maintenance (BM ISF Charges)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Inter-Department Services (Water Department-Washdown Runoff)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Other Indirect Costs of Sales	2,500	2,519	2,538	2,557	2,576	2,595	2,615	2,634	2,654	2,674	2,694	2,714
Total Indirect Costs of Sales	43,625	43,814	44,004	44,195	44,675	44,869	45,065	45,261	57,755	45,954	46,155	46,358
General and Administrative Costs												
Management Fee	21,250	21,250	21,250	21,250	21,675	21,675	21,675	21,675	22,109	22,109	22,109	22,109
Insurance	12,537	12,537	12,537	12,537	13,079	13,079	13,079	13,079	11,553	11,553	11,553	11,553
Marketing/Advertising	1,000	1,000	1,000	1,000	1,020	1,020	1,020	1,020	1,040	1,040	1,040	1,040
Professional Fees	55,000	5,000	5,000	5,000	5,100	5,100	5,100	5,100	5,202	5,202	5,202	5,202
Travel	1,000	1,000	1,000	1,000	1,020	1,020	1,020	1,020	1,040	1,040	1,040	1,040
Other General and Administrative Costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total General and Administrative Costs	95,787	45,787	45,787	45,787	46,894	46,894	46,894	46,894	45,944	45,944	45,944	45,944
Earnings Before Interest, Depreciation and Amortization EBIDA	(61,083)	(134,244)	(118,434)	(169,844)	(11,665)	(138,006)	(122,201)	(174,791)	(22,182)	(139,799)	(123,999)	(177,807)
EBIDA Percentage	-33.4%	-188.9%	-166.7%	-653.6%	-6.2%	-190.1%	-168.4%	-663.6%	-11.5%	-188.5%	-167.2%	-665.9%
Depreciation and Amortization	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775
Net Income From Operations	(147,858)	(221,019)	(205,209)	(256,619)	(98,440)	(224,781)	(208,976)	(261,566)	(108,957)	(226,574)	(210,774)	(264,582)
Non-Operating Revenue and Expenses												
Interest Income/(Interest Expense) - Central Treasury	-	(458)	(1,465)	(2,353)	(3,627)	(3,715)	(4,750)	(5,666)	(6,977)	(7,143)	(8,192)	(9,122)
Other Non-Operating Revenue & (Expenses)	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Revenue and Expenses	-	(458)	(1,465)	(2,353)	(3,627)	(3,715)	(4,750)	(5,666)	(6,977)	(7,143)	(8,192)	(9,122)
Net Income	$ (147,858)	$ (221,477)	$ (206,674)	$ (258,972)	$ (102,067)	$ (228,495)	$ (213,725)	$ (267,232)	$ (115,935)	$ (233,717)	$ (218,966)	$ (273,703)
Net Income Percentage	-80.82%	-311.71%	-290.88%	-996.59%	-54.39%	-314.82%	-294.47%	-1014.61%	-60.23%	-315.17%	-295.28%	-1025.04%

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro-Forma Balance Sheets
Quarter Ending, For Twelve Successive Fiscal Quarters

	Year 1				Year 2				Year 3			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
ASSETS												
Current Assets												
Balance In Central Treasury	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Accounts Receivable	5,000	10,000	2,500	5,000	5,000	10,000	2,500	5,000	5,000	10,000	2,500	5,000
Prepaid Expenses	60,000	40,000	20,000	-	63,000	42,000	21,000	-	66,150	44,100	22,050	-
Other Current Assets	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Current Assets	**66,000**	**51,000**	**23,500**	**6,000**	**69,000**	**53,000**	**24,500**	**6,000**	**72,150**	**55,100**	**25,550**	**6,000**
Property, Plant and Equipment												
Marine Dock	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000
Travel Lift	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Building	521,000	521,000	521,000	521,000	521,000	521,000	521,000	521,000	521,000	521,000	521,000	521,000
Land	779,000	779,000	779,000	779,000	779,000	779,000	779,000	779,000	779,000	779,000	779,000	779,000
Boat Blocks	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Accumulated Depreciation	(86,775)	(173,550)	(260,325)	(347,100)	(433,875)	(520,650)	(607,425)	(694,200)	(780,975)	(867,750)	(954,525)	(1,041,300)
Total Property, Plant and Equipment	**11,413,225**	**11,326,450**	**11,239,675**	**11,152,900**	**11,066,125**	**10,979,350**	**10,892,575**	**10,805,800**	**10,719,025**	**10,632,250**	**10,545,475**	**10,458,700**
Total Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**11,479,225**	**11,377,450**	**11,263,175**	**11,158,900**	**11,135,125**	**11,032,350**	**10,917,075**	**10,811,800**	**10,791,175**	**10,687,350**	**10,571,025**	**10,464,700**
LIABILITIES												
Current Liabilities												
Accounts Payable	3,600	3,600	3,600	3,600	3,650	3,650	3,650	3,650	3,700	3,700	3,700	3,700
Wages Payable												
Payroll Liabilities	11,000	11,000	11,000	11,000	11,100	11,100	11,100	11,100	11,200	11,200	11,200	11,200
Balance Owed Central Treasury	162,483	282,186	374,585	529,282	607,424	733,144	831,595	993,552	1,088,712	1,218,604	1,321,245	1,488,623
Total Current Liabilities	177,083	296,786	389,185	543,882	622,174	747,894	846,345	1,008,302	1,103,612	1,233,504	1,336,145	1,503,523
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	**177,083**	**296,786**	**389,185**	**543,882**	**622,174**	**747,894**	**846,345**	**1,008,302**	**1,103,612**	**1,233,504**	**1,336,145**	**1,503,523**
EQUITY												
Paid In Capital	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000	11,450,000
Retained Earnings (Loss)	-	(147,858)	(369,336)	(576,010)	(834,982)	(937,049)	(1,165,544)	(1,379,270)	(1,646,502)	(1,762,437)	(1,996,154)	(2,215,120)
Current Period Net Income (Loss)	(147,858)	(221,477)	(206,674)	(258,972)	(102,067)	(228,495)	(213,725)	(267,232)	(115,935)	(233,717)	(218,966)	(273,703)
TOTAL EQUITY	**11,302,142**	**11,080,664**	**10,873,990**	**10,615,018**	**10,512,951**	**10,284,456**	**10,070,730**	**9,803,498**	**9,687,563**	**9,453,846**	**9,234,880**	**8,961,177**
TOTAL LIABILITIES AND EQUITY	**$ 11,479,225**	**$ 11,377,450**	**$ 11,263,175**	**$ 11,158,900**	**$ 11,135,125**	**$ 11,032,350**	**$ 10,917,075**	**$ 10,811,800**	**$ 10,791,175**	**$ 10,687,350**	**$ 10,571,025**	**$ 10,464,700**

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro-Forma Cash Flow Statements
Quarter Ending, For Twelve Successive Fiscal Quarters

Net Income:	$ (147,858)	$ (221,477)	$ (206,674)	$ (258,972)	$ (102,067)	$ (228,495)	$ (213,725)	$ (267,232)	$ (115,935)	$ (233,717)	$ (218,966)	$ (273,703)
Cash Flows From Operating Activities												
Depreciation	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775
Changes in Accounts Receivable	(5,000)	(5,000)	7,500	(2,500)	-	(5,000)	7,500	(2,500)	-	(5,000)	7,500	(2,500)
Changes in Accounts Payable	3,600	-	-	-	50	-	-	-	50	-	-	-
Changes in Other Current Liabilities	11,000	-	-	-	100	-	-	-	100	-	-	-
Changes in Other Current Assets	(61,000)	20,000	20,000	20,000	(63,000)	21,000	21,000	21,000	(66,150)	22,050	22,050	22,050
Net Cash Flows From Operating Activities	**35,375**	**101,775**	**114,275**	**104,275**	**23,925**	**102,775**	**115,275**	**105,275**	**20,775**	**103,825**	**116,325**	**106,325**
Cash Flows From Investing Activities												
Net Purchases of Property & Equipment	(11,500,000)	-	-	-	-	-	-	-	-	-	-	-
Paid In Capital, City and Borough of Sitka	11,500,000	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flows From Investing Activities	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flows From Financing Activities												
Proceeds from Long-Term Debt Financing	-	-	-	-	-	-	-	-	-	-	-	-
Repayments of Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flows From Financing Activities	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in Cash	$ (112,483)	$ (119,702)	$ (92,399)	$ (154,697)	$ (78,142)	$ (125,720)	$ (98,450)	$ (161,957)	$ (95,160)	$ (129,892)	$ (102,641)	$ (167,378)
Balance in Central Treasury, Beginning of Period	$ -	$ (112,483)	$ (232,186)	$ (324,585)	$ (479,282)	$ (557,424)	$ (683,144)	$ (781,595)	$ (943,552)	$ (1,038,712)	$ (1,168,604)	$ (1,271,245)
Balance in Central Treasury, End of Period	$ (112,483)	$ (232,186)	$ (324,585)	$ (479,282)	$ (557,424)	$ (683,144)	$ (781,595)	$ (943,552)	$ (1,038,712)	$ (1,168,604)	$ (1,271,245)	$ (1,438,623)

Base Scenario Conclusions

In the base scenario, given the stated assumptions and by holding the haul-out rate steady at $17.50 per linear foot, the environmental charge steady at $1.16 per linear foot, at the vessel shoreside storage charge steady at $0.50 per linear foot per day (based on nights in the storage yard), a Municipally-operated Marine Shipyard would incur a cumulative net loss of ($2,488,823) over three years and a cumulative cash flow deficit of ($1,447,523).

The difference between the cumulative net loss and cumulative cash flow deficit is attributable to depreciation expense. As infrastructure and equipment is assumed to be contributed to the enterprise at its outset by the City and Borough of Sitka General Government, there is no cash outlay by the enterprise for these capital items. It is important to point out, however, that in the base case, a Municipally-operated Marine Shipyard does not generate positive cash flow and, therefore, there is NO accumulation of a cash sinking fund for eventual maintenance or replacement of fixed assets, equipment and infrastructure.

By making internal decisions regarding the expense structure stated in the assumptions, in particular by lowering or eliminating inter-governmental charges and/or staffing levels, the financial results could be marginally improved. Such extreme expense reductions, however, while generating positive cash flow, would still not provide for a profitable enterprise. For example, if all general and administrative charges were eliminated, all inter-governmental charges were eliminated, and direct labor was reduced by half, EBIDA would be $138,100 before depreciation expense in year 3 and the enterprise would still incur a net loss from operations in year three of ($209,087).

It is clear that the critical constraint in the base scenario is the haul-out capacity of the travel lift. With an average of three picks per day at an average length of 42 feet and the haul-out rate set at $17.50 per linear foot, the boat yard is not filled while there is likely a waiting list of customers in the spring quarter desiring haul-outs. To make the enterprise pencil out either on a profit/loss basis or a positive cash flow basis, the rates charged must be significantly above those contained in the base scenario.

Breakeven Scenario

In the breakeven scenario, the underlying model has been modified to allow for what-if scenarios by varying either the haul-out rate per linear foot, the shoreside storage charge per linear foot. By utilizing the back-solving capability of Microsoft Excel, the haul-out rate per linear foot necessary to cause the enterprise to either break even profit-wise, or break-even cash flow-wise, can be calculated.

The following spreadsheet titled "Breakeven Analysis Parameters and Results" (Page 19) provides a dash board where either a what-if haul-out rate per linear foot, or the storage rate per linear foot, or a combination of both can be entered (in the green-shaded blocks) to produce a resulting net income/(loss), cashflow surplus/(deficit) and depreciation expense coverage amount. The values entered into the dashboard transfer into the Breakeven Sales Forecast (Page 20) and its revenue totals transfer into the Breakeven Profit and Loss Statement (Page 21) by dynamic spreadsheet linkages.

At the bottom right-hand corner of the Breakeven Profit and Loss Statement (Page 21) are three blue shaded cells titled Annual Net income, Annual Cash Flow, and Cumulative Cash Flow Coverage of Depreciation. By using the Microsoft Excel back-solving function (What-If Analysis/Goal Seek), setting the desired result value to zero in any one of these three blue-shaded cells, and back-solving for the necessary haul-out rate per square foot, breakeven analyses can be performed.

Gary Paxton Industrial Park Maurine Haul-Out Facility
Break-Even Analysis Parameters and Results
At The End Of Twelve Successive Fiscal Quarters

Vary These Parameters (What-If):

Variable Parameters	
Haul-Out Rate Per Linear Foot	$ 65.17
Storage Rate Per Linear Foot	$ 0.500

To Produce These Results:

Results at End of Year 3	
Net Income	$ -
Cash Flow	$ 347,100
Depreciation Coverage	$ (103,759)

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro-Forma Break-Even Sales Forecast
For Twelve Successive Fiscal Quarters

	Year 1				Year 2				Year 3			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number Of Haul-Outs	200	65	65	15	200	65	65	15	200	65	65	15
Mean Linear Feet	42	42	42	42	42	42	42	42	42	42	42	42
Linear Feet Hauled Out	8,400	2,730	2,730	630	8,400	2,730	2,730	630	8,400	2,730	2,730	630
Rate per Linear Foot	$ 65.17	$ 65.17	$ 65.17	$ 65.17	$ 67.12	$ 67.12	$ 67.12	$ 67.12	$ 69.14	$ 69.14	$ 69.14	$ 69.14
Environmental Fee per Linear Foot	$ 1.16	$ 1.16	$ 1.16	$ 1.16	$ 1.19	$ 1.19	$ 1.19	$ 1.19	$ 1.23	$ 1.23	$ 1.23	$ 1.23
Haul-Out Revenue	**$ 557,168**	**$ 181,080**	**$ 181,080**	**$ 41,788**	**$ 573,883**	**$ 186,512**	**$ 186,512**	**$ 43,041**	**$ 591,058**	**$ 192,094**	**$ 192,094**	**$ 44,329**
Annual Haul-out Revenue				**$ 961,115**				**$ 989,949**				**$ 1,019,576**
Inflationary Rate Increase 3%/Yr												
Average # Days/Boat Occupied	3	7	7	21	3	7	7	21	3	7	7	21
Mean Linear Foot per Day Occupied	16,800	5,460	5,460	1,260	16,800	5,460	5,460	1,260	16,800	5,460	5,460	1,260
Rate Linear Foot per Day	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.515	$ 0.515	$ 0.515	$ 0.515	$ 0.530	$ 0.530	$ 0.530	$ 0.530
Vessel Storage Revenue	**$ 25,200**	**$ 19,110**	**$ 19,110**	**$ 13,230**	**$ 25,956**	**$ 19,683**	**$ 19,683**	**$ 13,627**	**$ 26,735**	**$ 20,274**	**$ 20,274**	**$ 14,036**
Annual Vessel Storage Revenue				**$ 76,650**				**$ 78,950**				**$ 81,318**
Skilled Trades Permit Revenue	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Total Quarterly Revenue	**$ 583,368**	**$ 201,190**	**$ 201,190**	**$ 56,018**	**$ 600,839**	**$ 207,195**	**$ 207,195**	**$ 57,668**	**$ 618,793**	**$ 213,368**	**$ 213,368**	**$ 59,365**
Total Annual Revenue				**$ 1,041,765**				**$ 1,072,898**				**$ 1,104,894**

Gary Paxton Industrial Park Maurine Haul-Out Facility
Pro-Forma Break-Even Profit and Loss Statement
For Twelve Successive Fiscal Quarters

	Year 1				Year 2				Year 3			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross Sales	$ 583,368	$ 201,190	$ 201,190	$ 56,018	$ 600,839	$ 207,195	$ 207,195	$ 57,668	$ 618,793	$ 213,368	$ 213,368	$ 59,365
Direct Costs of Sales												
Direct Labor & Benefits	95,695	95,695	95,695	95,695	98,823	98,823	98,823	98,823	102,055	102,055	102,055	102,055
Other Direct Costs	8,920	20,000	4,000	10,152	8,920	20,000	4,000	10,152	8,920	20,000	4,000	10,152
Total Direct Costs of Sales	104,615	115,695	99,695	105,847	107,743	118,823	102,823	108,975	110,975	122,055	106,055	112,207
Gross Margin	478,753	85,495	101,495	(49,829)	493,097	88,373	104,373	(51,307)	507,819	91,313	107,313	(52,841)
Gross Profit Percentage	82.1%	42.5%	50.4%	-89.0%	82.1%	42.7%	50.4%	-89.0%	82.1%	42.8%	50.3%	-89.0%
Indirect Costs of Sales												
Utilities and Communications	5,000	5,025	5,050	5,075	5,101	5,126	5,152	5,178	5,204	5,230	5,256	5,282
Small Tools and Supplies	9,000	9,045	9,090	9,136	9,181	9,227	9,273	9,320	9,366	9,413	9,460	9,508
Equipment Repair and Maintenance	10,000	10,075	10,151	10,227	10,303	10,381	10,459	10,537	22,616	10,696	10,776	10,857
Contracted Services	2,500	2,525	2,550	2,576	2,602	2,628	2,654	2,680	2,707	2,734	2,762	2,789
Information Technology Expenses (IT ISF Charges)	7,500	7,500	7,500	7,500	7,725	7,725	7,725	7,725	7,957	7,957	7,957	7,957
Vehicle Expenses (CG ISF Charges)	3,125	3,125	3,125	3,125	3,188	3,188	3,188	3,188	3,251	3,251	3,251	3,251
Building Maintenance (BM ISF Charges)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Inter-Department Services (Water Department-Washdown Runoff)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Other Indirect Costs of Sales	2,500	2,519	2,538	2,557	2,576	2,595	2,615	2,634	2,654	2,674	2,694	2,714
Total Indirect Costs of Sales	43,625	43,814	44,004	44,195	44,675	44,869	45,065	45,261	57,755	45,954	46,155	46,358
General and Administrative Costs												
Management Fee	10,000	10,000	10,000	10,000	10,200	10,200	10,200	10,200	10,404	10,404	10,404	10,404
Insurance	12,537	12,537	12,537	12,537	13,079	13,079	13,079	13,079	11,553	11,553	11,553	11,553
Marketing/Advertising	1,000	1,000	1,000	1,000	1,020	1,020	1,020	1,020	1,040	1,040	1,040	1,040
Professional Fees	55,000	5,000	5,000	5,000	5,100	5,100	5,100	5,100	5,202	5,202	5,202	5,202
Travel	1,000	1,000	1,000	1,000	1,020	1,020	1,020	1,020	1,040	1,040	1,040	1,040
Other General and Administrative Costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total General and Administrative Costs	84,537	34,537	34,537	34,537	35,419	35,419	35,419	35,419	34,240	34,240	34,240	34,240
Earnings Before Interest, Depreciation and Amortization EBIDA	350,591	7,144	22,954	(128,562)	413,003	8,085	23,889	(131,986)	415,824	11,119	26,918	(133,439)
EBIDA Percentage	60.1%	3.6%	11.4%	-229.5%	68.7%	3.9%	11.5%	-228.9%	67.2%	5.2%	12.6%	-224.8%
Depreciation and Amortization	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775	86,775
Net Income From Operations	263,816	(79,631)	(63,821)	(215,337)	326,228	(78,690)	(62,886)	(218,761)	329,049	(75,656)	(59,857)	(220,214)
Non-Operating Revenue and Expenses												
Interest Income/(Interest Expense) - Central treasury	-	2,629	2,683	2,855	1,891	4,988	5,049	5,228	4,238	7,357	7,440	7,642
Other Non-Operating Revenue & (Expenses)	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Revenue and Expenses	-	2,629	2,683	2,855	1,891	4,988	5,049	5,228	4,238	7,357	7,440	7,642
Net Income	$ 263,816	$ (77,002)	$ (61,138)	$ (212,482)	$ 328,119	$ (73,702)	$ (57,836)	$ (213,533)	$ 333,287	$ (68,299)	$ (52,416)	$ (212,572)
Net Income Percentage	45.22%	-38.27%	-30.39%	-379.31%	54.61%	-35.57%	-27.91%	-370.28%	53.86%	-32.01%	-24.57%	-358.07%
Annual Net Income			$ (86,806)		**Annual Net Income**	$ (16,953)			**Annual Net Income**	$ -		
Annual Cash Flow			260,294		**Annual Cash Flow**	330,147			**Annual Cash Flow**	347,100		
Cumulative Cash Flow Covrage of Depreciation			(86,806)		**Cumulative Cash Flow Coverage of Depreciation**	(103,759)			**Cumulative Cash Flow Coverage of Depreciation**	(103,759)		

Breakeven Scenario Conclusions

Using the original assumptions and only varying the haul-out rate per linear foot, it is possible to achieve break-even profit/(loss) of $0 by charging a haul-out rate of $65.17 per linear foot hauled-out. Such a rate provides a positive cash flow in year 3 of $347,100 and total positive cash flow over three years of $927,061 and 89% coverage of depreciation expense with positive cash flow over the three-year period.

Break-even cash flow of $0 in year 3 can be achieved with a haul-out rate of $44.16 per linear foot hauled out. Such a rate results in a net loss in year 3 of ($347,100) and 0% (no) coverage of depreciation expense with positive cash flow over the three-year period.