

Iliamna Lake Contractors

Iliamna Lake Contractors (ILC) is a subsidiary of the tribal government. Early on, the company was contracted to replace all the electrical and phone lines in Igiugig for the local electric company. This experience enabled ILC to secure additional contracts to provide similar services in other villages. Today the net value of the company is estimated at \$11 million dollars. Last year the business grossed \$6 million in contracts. Profits go to the village council. Since the owner is a tribal government, the company's profits are not taxed.

Community

Igiugig is located in southwest Alaska on the south shore of the Kvichak River at the southwest end of Lake Iliamna. It is 220 miles southwest of Anchorage, 48 miles southwest of Iliamna, and 50 miles northeast of King Salmon. Igiugig is home to 53 people and is accessible by water and air. Charter flights are available from Anchorage, Iliamna, and King Salmon. Lake Iliamna is the second largest lake entirely within U.S. borders. Its trophy rainbow trout attract sport fishermen, and seven commercial lodges near Igiugig serve seasonal sport fishermen and hunters.

Business History

The Igiugig Village Council formed ILC as a subsidiary of the tribal government in 1998. The council wanted to create more economic opportunities for local residents because the community was not selected to be included in the Community Development Quota program. That decision placed Igiugig at a severe economic disadvantage in relation to other fishing communities in the region. Many Igiugig residents had salmon permits, but all have since been sold. Additionally, community members could no longer participate in the halibut fishery. They also lost access to loan programs and other community assistance programs because they were not a CDQ village. The tribe had to develop other strategies to provide local economic opportunities, and decided to establish a construction company.

The council believed it could train and use local talent to obtain construction jobs in the Lake Iliamna region. The company is certified as an 8(a) firm under the U.S. Small



Igiugig, Alaska

Population:	53
Major Employers:	Fishing, tribal operation, subsistence
Location:	South shore of Lake Iliamna
Ethnicity:	85% Alutiiq and Yupik
Median Income:	\$21,750

Business Administration, which allows it to receive sole-source contracts from certain federal clients.

The first contract ILC completed was serving as a subcontractor to repair and replace telephone lines at the nearby distance early warning system (DEWS) managed by the Air Force. Next they were hired to replace all the electrical and phone lines in Igiugig for the local electric company. With this experience, the company was able to secure other contracts to provide similar services in other villages. The next type of construction work they engaged in was building and expanding bulk fuel storage facilities for communities throughout the region. A contract with the Lake and Peninsula School District provided opportunities to build or upgrade bulk fuel facilities in several nearby communities.



In 2000 ILC moved into road construction. After two years of experience and a great deal of persuasion, the company secured a contract with the Bureau of Indian Affairs and Alaska Department of Transportation to develop a road in Igiugig to the site of a proposed landfill. Since then, ILC has successfully completed many road construction and airstrip improvement projects. In 2002, the company secured the contract to build the 5.3 acre landfill. They also expanded their services to include land surveying and were able to increase their equipment fleet. With the additional machinery, the business established a base of operations in Homer, Alaska, where they maintain an office and much of their equipment. From Homer, ILC rents equipment and bids on construction projects located on the Kenai Peninsula and in Anchorage.

The largest project the company is working on is the demolition and clean up of an abandoned communications facility for the U.S. Air Force near Igiugig on Lake Iliamna. This is an old “white Alice” site, a segment of the U.S. Department of Defense’s cold war communications system. It has since been replaced with modern satellite communication systems. The multi-phase and multi-year project consists of the demolition and disposal of buildings, communication equipment, and diesel fuel tanks, as well as the resurfacing of a 4,000 foot runway for emergency use by the U.S. Air Force. After demolition, the soil must be cleaned and the site restored to pre-construction conditions. The project is located near the village at Big Mountain and is called “Clean Sweep”.

In previous summers, ILC crews have worked at the Big Mountain site where the company established a self-contained remote camp. This past summer, the company focused on soil remediation activities near Port Heiden on the Aleutian chain.

Economic and Community Impact

Iliamna Lake Contractors has trained six to eight local people every year for the past nine years. On average, depending on the volume of work under contract, ILC employs between 10 and 25 people during the construction season. Of those, about 50% come from Igiugig or nearby villages. ILC was established as a union shop, so employees are members of trade unions. This was done so that local workers would be eligible for pensions upon retirement. The wage structure is set by union contracts and is usually higher than non-union shops.

Iliamna Lake Contractors	
Employment:	4 full-time, 10-25 seasonal
Percent Local:	50%
Percent Native:	50%
Ownership:	Igiugig Tribal Council
Legal Status:	Tribal Council subsidiary, 8(a) firm
Years in Operation:	9 years

The net value of the tribe and all its subsidiaries is estimated at \$11 million dollars. Last year the business grossed \$6 million in contracts. Profits go to the village council, and, since the owner is a tribal government, the profits of the company are not taxable. To celebrate their success, the village council authorized an annual dividend to be paid to the tribe. The company provides 30% of its net profits as the dividend, which amounted to \$344,000 over the past three years. The tribe set up a permanent fund with a portion of the dividend, which is invested in educational programs for the youth. Another portion of the dividend is set aside for the community to use as local match for capital projects. The tribe also works with the village corporation to underwrite the village school to encourage academic excellence for the next generation of leaders.

Business Management

The company is administered by a general manager and staffed with a comptroller and a certified land surveyor. The operations manager of the company is Dan Salmon, who resides in Igiugig and who also serves as the tribal administrator. The village council works closely with the ANCSA village corporation. For example, when there is a need to borrow funds, the village council borrows from the village corporation, instead of a bank.

When the community was trying to decide what type of economic activity to pursue, the Tribe received a planning grant from the Administration for Native Americans, which was unusual for a tribal organization. These funds provided the impetus to initiate the construction company and to pursue environmental remediation work. The village council has also benefited from planning grants from the U.S. Department of Agriculture. The company is continuously looking for opportunities to bid on construction contracts and conducts extensive outreach with potential public clients.

ILC has taken on a partnership with the Village Council of Port Heiden. Salmon and other managers have mentored the tribal government in Port Heiden to establish a tribally owned company that is conducting environmental remediation as well as engaged in construction projects. ILC has replicated its structure in another community on the Aleutian chain. The two companies partnered this summer in a PCB removal program for the Air Force on lands adjacent to the village.

Challenges and Lessons Learned

Iliamna Lake Contractors started small and learned how to manage one contract at a time, doing the work themselves. They took advantage of every opportunity for local people to be trained in all aspects of electric distribution upgrading, site preparation, heavy equipment operations, and maintenance. They acquired a few pieces of equipment with each job and learned how to lease them out, so the machinery could generate income.

One of their significant business challenges was getting bonded by an insurance company, which is required to perform U.S. government contracts. Normally, a company pledges its assets in order to get a construction bond, but it was more difficult for ILC, because the tribal government owns the company. Eventually, bonding was provided because of the company's successful track record in its first two years of activity.

Salmon believes a strong community work ethic has contributed to ILC's success. People are willing to work hard, and they take pride in completing projects in their own village and region. This is underscored by how well they take care of the infrastructure of the village, such as the airport terminal, the bulk fuel storage facility, and the school.