U T I L I T Y

G O A L S A N D O B J E C T I V E S

ANCHORAGE TELEPHONE UTILITY	Provide prompt efficient service to customers at the least possible cost. Maintain modern and technologically sophisticated switching and transmission systems to meet customer requirements.
MUNICIPAL LIGHT & POWER	Provide future energy needs to customers while maintaining fair and equitable rates. Deliver prompt and reliable service and continue to operate and maintain the electrical system with optimum economic efficiency.
ANCHORAGE WATER and WASTEWATER UTILITY	Provide quality water supply and wastewater disposal to all Municipal residents at a reasonable cost. Maintain sound fiscal and financial controls to provide a stable utility while meeting the demands of customer growth.
SOLID WASTE SERVICES	Provide a high level of refuse collection and disposal service at a reasonable cost while meeting or exceeding federal, state and local environmental regulations and expectations.
PORT	Provide facilities for direct water transportation of commercial cargo to Anchorage, the Railbelt and the rest of Alaska. Promote the movement of cargos that encourage sound economic development. Manage the Port facilities in a manner that enables carriers to operate efficiently.
MERRILL FIELD	Maintain a fully functional and safe Airport facility for public use. Enhance the Airport's role as an aviation transportation facility serving Anchorage and the outlying areas within Alaska.

ANCHORAGE

PUBLIC UTILITIES

1986 Approved Operating Budget Summary
(in thousands)

	Anchorage Telephone Utility	Municipal Light & Power	Anchorage Water Utility	Anchorage Wastewater Utility	Solid Waste Services Refuse Collection	Solid Waste Services Processing & Disposal	Port of Anchorage	Merrill Field Airport
Operating Revenue	$127,042	$62,211	$16,991	$19,701	$6,033	$6,836	$5,432	$ 896
Non-Operating Revenue[a]	6,495	4,314	4,609	5,570	120	990	1,654	78
Total Revenues	$133,537	$66,525	$21,600	$25,271	$6,153	$7,826	$7,086	$ 974
Operating Expenses	101,620	45,730	19,374	21,857	5,747	6,013	5,354	1,389
Non-Operating Expenses[b]	14,646	17,898	5,783	7,015	236	1,730	560	2
Total Expenses	$116,266	$63,628	$25,157	$28,872	$5,983	$7,743	$5,914	$1,391
Net Income GAAP[c]	$ 17,271	$ 2,897	$(3,557)	$(3,601)	$ 170	$ 83	$1,172	$ (417)
Adj. for Regulatory[d]	0	(810)[e]	4,043	4,192	0	74	567	484
Net Income Regulatory	$ 17,271	$ 2,087	$ 486	$ 591	$ 170	$ 157	$1,739	$ 67

a Non-Operating Revenue is that portion of revenue derived from sources other than the actual operation of the Utility, predominantly earned interest on investments.

b Non-Operating Expense is an expense incurred not relevant to the operation of the Utility, principally interest on debt.

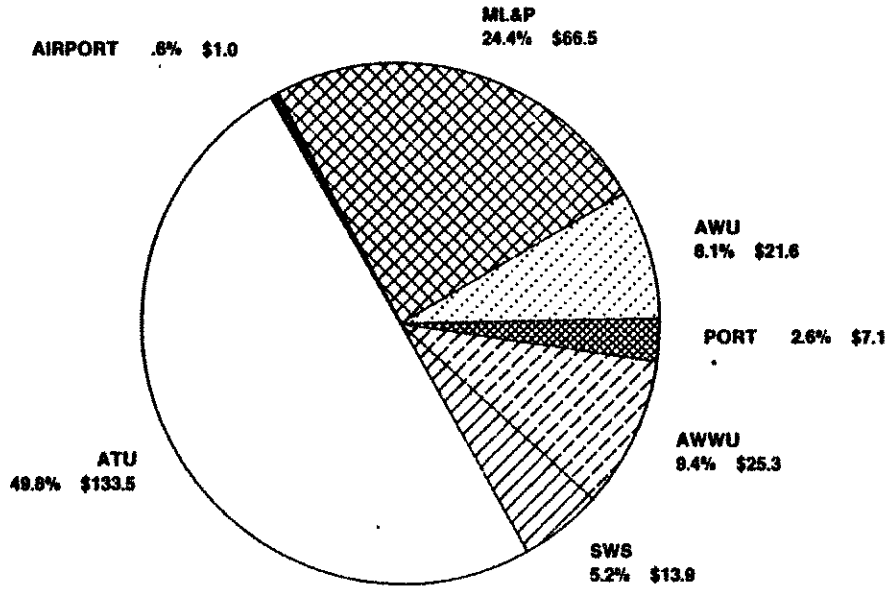
c Accounting term meaning Generally Accepted Accounting Principals.

d In contrast with Governmental Financial Reporting basis, the Regulatory Reporting basis requires that depreciation on Contributed Plant be excluded in determining net income for rate-making purposes.

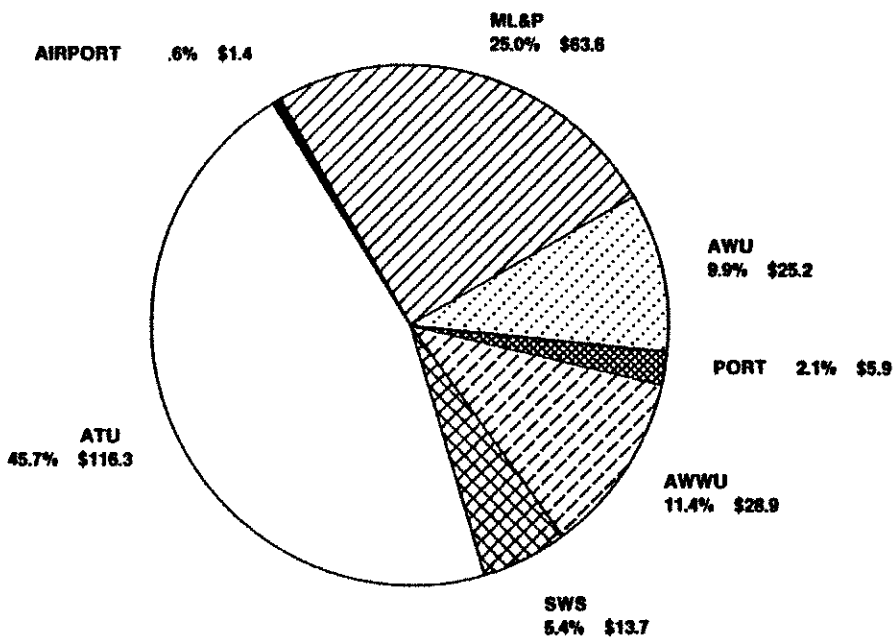
e For regulated reporting purposes, Municipal Light and Power is required by its bond ordinance to restrict interest earning on bond construction funds for construction purposes.

ANCHORAGE PUBLIC UTILITIES
1986 Approved Operating Budget

1986 PROJECTED REVENUE
IN MILLIONS $

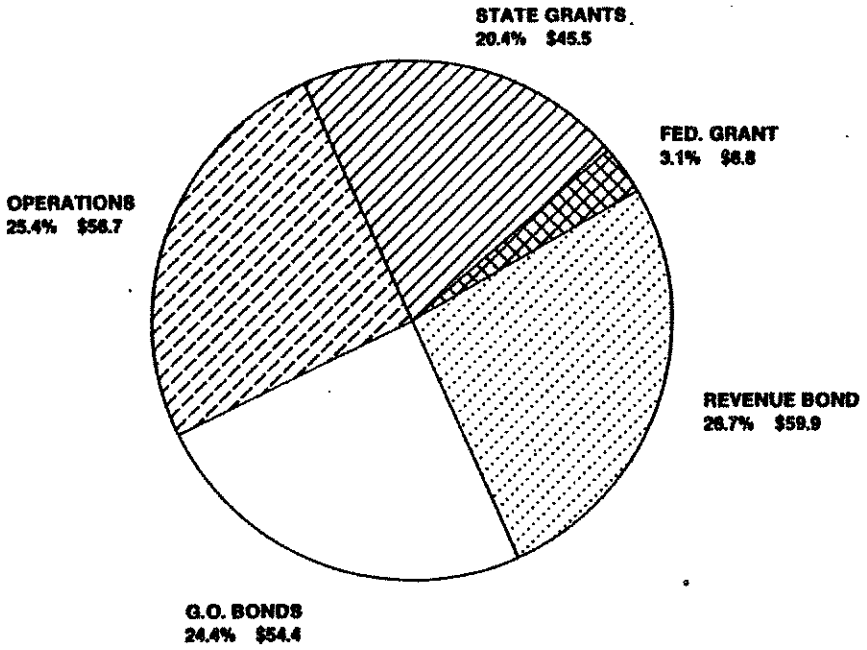


1986 APPROVED EXPENDITURES
IN MILLIONS $

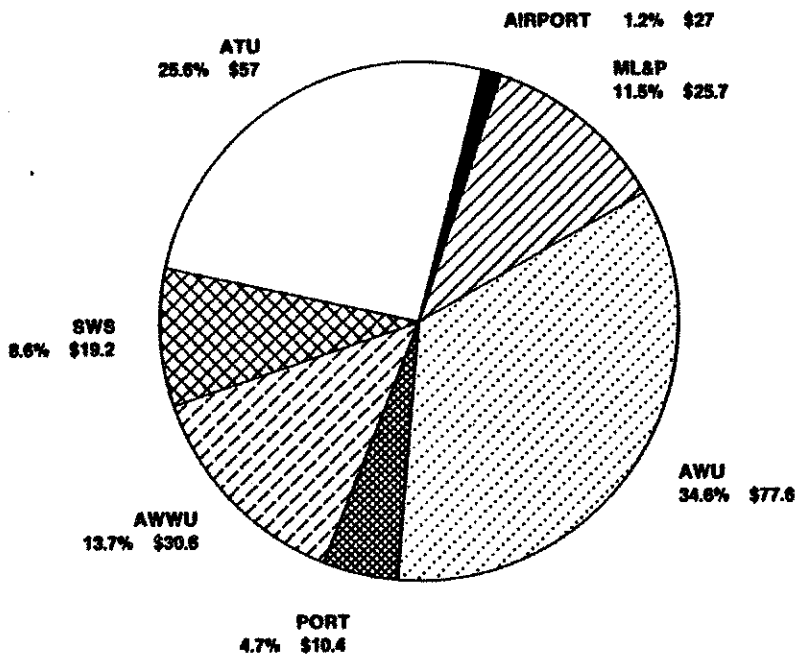


ANCHORAGE PUBLIC UTILITIES
1986 Approved Capital Improvement Budget

PROJECTED CAPITAL REVENUES BY SOURCE
IN MILLIONS $



APPROVED CAPITAL EXPENDITURES
IN MILLIONS $



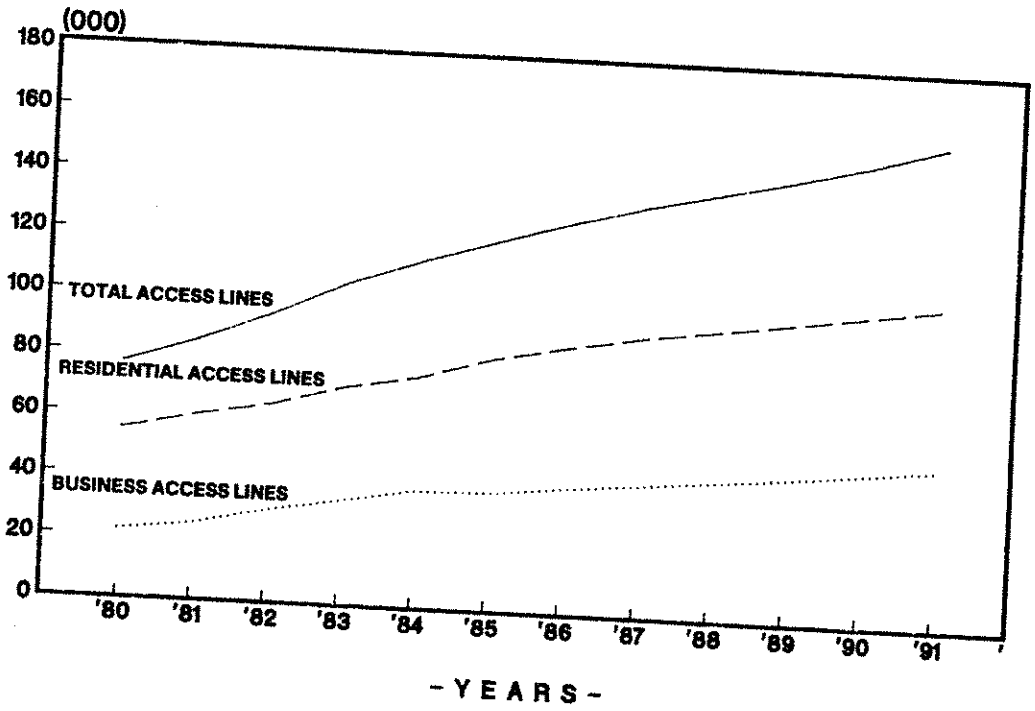
Anchorage Telephone Utility

The Anchorage Telephone Utility has been serving the citizens of Anchorage and the communities of Bird, Indian, Girdwood and Hope for over fifty years. The Utility has grown from a 200-line manually switched system to a state of the art digital switching network providing over 120,000 business and residential customer "access lines" in 1985. The Utility offers a wide range of telecommunications services including the sale and service of business communications equipment recently deregulated by the Federal Communications Commission. Approximately 900 people are employed by ATU, about one quarter of the total Municipality of Anchorage workforce. Over $200 million has been invested in the plant and equipment of the Utility to meet the telecommunications needs of Anchorage customers.

Growth Trend

The principal indicator of service demand on a local telephone switching system is the number of "access lines" the telephone utility is expected to serve. An access line is the facility required to connect customers to the local communications switching network, providing them "access" to the local network and the long distance network beyond. Access lines growth is dependent upon a variety of factors including the level of population growth, formation of living units, and the level of commercial activity. The graph displays the actual and estimated access line demand from 1980 through our forecast horizon of 1991. From 1980 through 1984, access lines have increased at an average annual rate of over 10 percent. This rate of growth will slow to 7 percent in 1985, 6 percent in 1986 and attain an annual level of approximately 4 percent from 1987 forward. This forecast is based upon a stabilization of the Anchorage population growth and economic activity.

1980-1991 Access Line Growth (000)



Operating Budget - Telephone Utility

Revenues, expenses and income for the years 1984 through 1986 are shown below. A downward pressure is expected in the rate of revenue growth when compared to historical trends. This is due to changes in the methodology of determining these revenues brought about by deregulation. The areas of greatest impact are the unbundling of basic service rates and interstate toll access charges. Expenses are expected to increase slightly faster than the increase in revenues for 1986 reflecting the need to expand resources to maintain acceptable service levels. This period of adjustment is expected to last for the next one to two years as the effects of deregulation are felt in the industry. However, it must be noted that the earnings potential of ATU is extremely good throughout the forecast period.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$118,908,000	$125,942,000	$133,537,000
Operating and Non-Operating Expense	96,380,000	103,931,000	116,266,000
Net Income	$ 22,528,000	$ 22,011,000	$ 17,271,000
Personnel	864	880	918

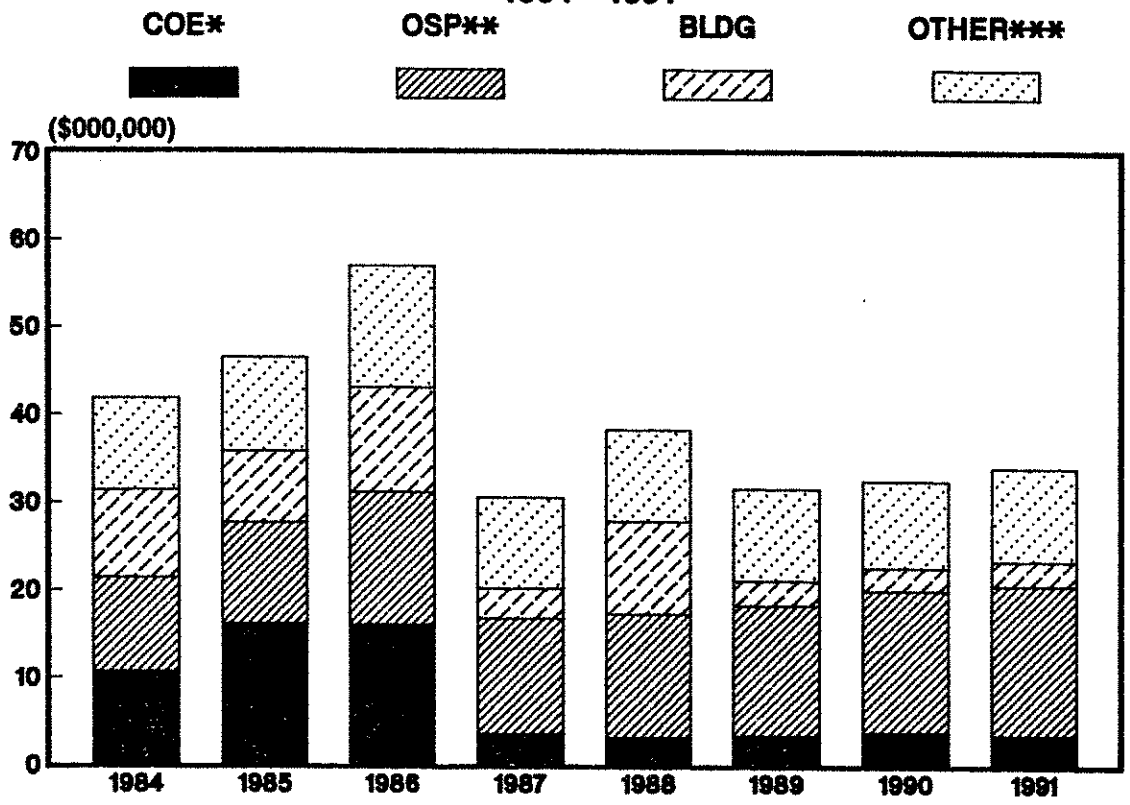
Personnel Resources

Technological advances in the telecommunications industry are allowing opportunities for telephone companies to more effectively manage the cost of personnel services. The level of personnel required by the Utility over the next several years will actually be declining even though service levels are increasing. These efficiencies are due to automation in the areas of directory service and service order processing and the enhancement in reliability of switching equipment. In addition to effectively managing the level and cost of the workforce, substantial commitment has been made to enhancing the quality of our employees through training and incentive programs.

Capital Budget - Telephone Utility

The capital program for the next six years, as outlined below, reflects the continued commitment to provide modern equipment and facilities to meet expected service demands. Expenditures for outside cabling and distribution systems will continue as a large item throughout the forecast period. Reductions in expenditures in the areas of Central Office Switching Equipment and Building Facilities are forecast since the significant expenditures to provide digital switching and modernize housing facilities will be accomplished in the 1985-86 timeframe. A larger percentage of the 1987-1991 capital budget will be dedicated to new technologies such as cellular radio communication, fiber optics, and data processing enhancements as shown in the "Other" category.

Capital Budget and Program - ($000,000)
1984 - 1991



	1984	1985	1986	1987	1988	1989	1990	1991
COE	10.7	16.1	16.0	3.6	3.2	3.4	3.8	3.5
OSP	10.7	11.6	15.2	13.2	14.1	14.9	16.2	17.1
BLDG	10.0	8.1	11.9	3.4	10.6	2.8	2.6	2.8
OTHER	10.4	10.7	13.9	10.4	10.4	10.5	9.9	10.6
TOTAL	$41.8	$46.5	$57.0	$30.6	$38.3	$31.6	$32.5	$34.0

*COE - Central Office Switching/ Line Additions

**OSP - Outside Plant Distribution Systems

BLDG - Buildings & Grounds

***OTHER - New Technology/ Data Processing

Anchorage Water & Wastewater Utility

The Anchorage Water and Wastewater Utility is committed to providing quality water and wastewater disposal services to all Municipal residents, at a reasonable cost, consistent with: a demonstrated public need; community health and safety standards; regulatory requirements; and sound management practices.

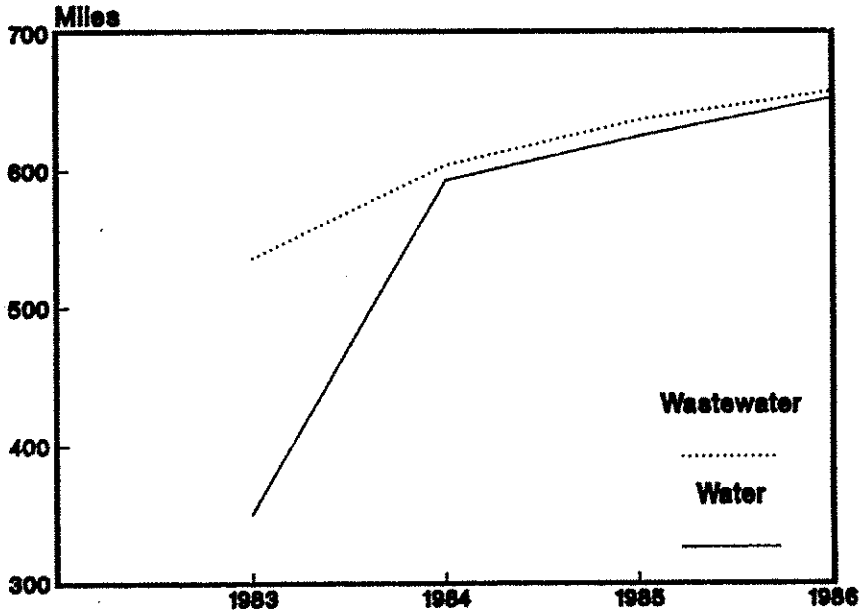
Water Utility

The original water system for Anchorage was installed by the Alaska Railroad in 1917. In 1921, the City purchased that system and associated water rights from the Alaska Engineering Commission. As the city expanded, the water system was extended into new areas. Independent water systems previously serving annexed areas were acquired by the City. Since December 1970, the Anchorage Water Utility has been regulated by the Alaska Public Utilities Commission. The last major private water utility in the Anchorage Bowl was acquired in 1983, with subsequent acquisition of several smaller utilities in Eagle River during 1984 and 1985. The Anchorage Water Utility now has over 40,000 customers. A study is currently underway to determine the water needs of the Girdwood community.

Wastewater Utility

During 1916, the Alaska Engineering Commission installed the first sewers in Anchorage along the lower bluff from the Alaska Railroad Depot west to the inlet. By the end of World War II, sewers were available to most of the area between Ship Creek and Chester Creek to the west of Cordova Street. The last major private sewer utility was acquired by the Greater Anchorage Area Borough in 1972. The Wastewater Utility has been regulated since 1971 by the Alaska Public Utilities Commission and holds a Certificate of Convenience and Necessity for serving the Anchorage Bowl, Eagle River and Girdwood. The Utility will service in excess of 45,000 customers during 1986.

Miles of Water Mains & Wastewater Lines



Operating Budget - Water Utility

Private development construction combined with the Utility's large capital construction program continues to push a requirement for increased personnel to operate, maintain, and inspect this additional plant. There will also be emphasis on the maintenance and repair of newly acquired Utilities in Eagle River and wells in the Anchorage Bowl.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$15,894,000	$18,371,000	$21,600,000*
Operating and Non-Operating Expense	13,200,000	17,921,000	21,114,000
Net Income Regulatory	2,694,000	450,000	486,000
Less Depreciation of Contributed Plant	2,439,000	3,365,000	4,043,000
Net Income for Governmental Financial Reporting	$ 255,000	$(2,915,000)	$(3,557,000)

* Includes 22% rate change - see Wastewater Capital Budget page.

Personnel — Combined with Anchorage Wastewater-see Wastewater Operating Budget Page.

Capital Budget - Water Utility

Construction of the Eklutna Water Project is AWWU's largest funding requirement during 1986. Estimated to cost $53.8 million, it is the principal item shown under Resource Development below. This phase will provide for construction of the Water Treatment Plant. Expansion of the Ship Creek Water Treatment Plant from 10 to 24 million gallons per day (MGD) will continue into 1986. This project is vital for the short-term growth of Anchorage. Continued extension of the South Anchorage 30-inch transmission main will take place during 1986 by crossing the Seward Highway to connect the southeast and southwest portions of the system. Design of a Southwest Anchorage 30-inch main to carry 17 MGD will start in 1986, with construction in 1987. The Abbott 30-inch project must be completed before the southwest 30-inch main can be built.

Capital Budget and Program - (000)
1986-1991

Category	1986	1987	1988	1989	1990	1991
Resource Development	$55,200	$ 1,220	$ 1,090	$ 20	$ 0	$ 0
Treatment	750	550	550	550	550	550
Distribution Reservoirs	2,655	10,750	7,900	5,100	4,300	300
Transmission	8,463	7,440	6,515	4,055	5,205	3,700
Distribution	2,119	1,750	1,950	2,250	2,500	2,700
Upgrade Transmission	950	1,160	1,545	50	50	0
Repair/Rehabilitation	4,060	1,740	1,855	1,830	1,870	1,900
New Equipment	3,122	3,615	2,125	1,885	1,870	1,680
Buildings	300	75	75	50	50	50
TOTAL	$77,619	$28,300	$23,605	$15,790	$16,395	$10,880

Operating Budget - Wastewater

Private construction growth and the Utility extensive capital construction requirements create a continuing need for increasing personnel to operate, maintain and inspect the larger plant operations. Development and implementation of the EPA mandated Industrial Pretreatment Program along with meeting additional monitoring requirements of the Pt. Woronzof 301(h) waiver will continue through 1986.

		1984 Actual	1985 Pro-Forma	1986 Proposed
	Operating and Non-Operating Revenue	$19,583,000	$21,602,000	$25,271,000*
	Operating and Non-Operating Expense	17,966,000	20,151,000	24,680,000
	Net Income Regulatory	1,617,000	1,451,000	591,000
	Less Depreciation of Contributed Plant	2,805,000	3,379,000	4,193,000
	Net Income for Governmental Financial Reporting	$(1,188,000)	$(1,928,000)	$(3,602,000)
Personnel	Combined Water & Wastewater	282	299	315

Capital Budget - Wastewater

Expansion of the Pt. Woronzof Treatment Plant will continue during 1986 with site work, construction of clarifiers No. 4 & 5, grit removal facilities, and incineration processes. The non-processing and thickener building will be bid in 1986. This project will increase capacity from 22 MGD to more than 58 MGD.

The design phase of the Eagle River Treatment Plant expansion will begin in 1986. This $12 million project will satisfy the wastewater treatment requirements of the Eagle River, Chugiak, and Eklutna communities through the year 2005.

The Chester Creek Force Main Project includes construction of approximately 7,350 feet of 42-inch main between the existing Chester Creek Pump Station and the intersection of Northern Lights Blvd. and Turnagain St.

Capital Budget and Program - (000)
1986-1991

Category	1986	1987	1988	1989	1990	1991
Treatment	$ 7,560	$18,500	$ 365	$ 110	$ 500	$ 190
Pump Stations/Force Mains	1,090	5,510	6,655	0	75	300
Trunks & Interceptors	3,220	6,015	5,370	2,000	2,550	4,000
Laterals	11,553	3,600	3,800	4,000	3,500	3,500
Repair/Rehabilitation	1,938	1,940	15,495	1,680	1,645	1,815
New Equipment	2,589	1,620	1,500	1,275	1,225	1,020
Buildings	70	165	10	15	0	70
TOTAL	$28,020	$37,350	$33,195	$9,080	$9,495	$10,895

Projected Rate Increases
Single-Family Residence - ($/mo.)

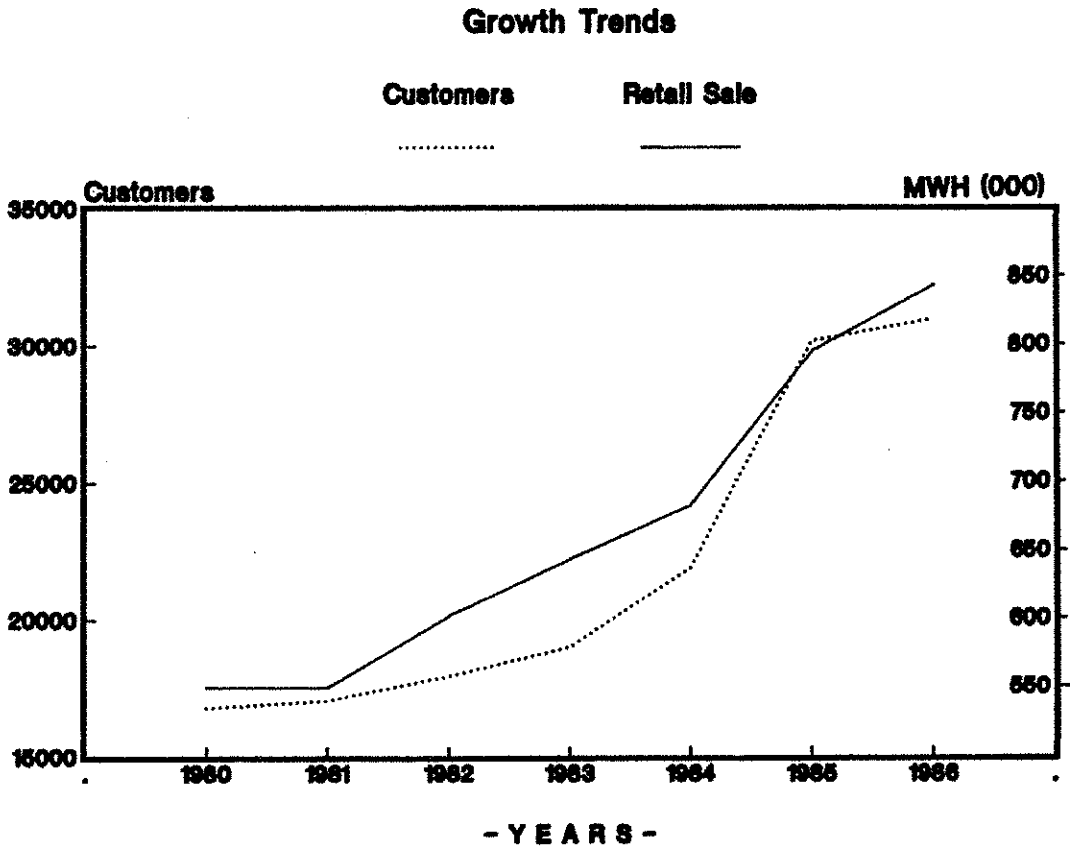
Water	22%/$2.99		24%/$3.98		18%/$3.70
Wastewater		28%/$4.37		20%/$3.99	11%/$2.64

Municipal Light and Power

The first electric system serving Anchorage was installed in 1916 by the Alaska Engineering Commission. A small steam plant and diesel power generator supplied Anchorage with electricity until 1929 when the private Anchorage Power & Light Company began supplying the community with electricity from a hydroelectric power plant on the Eklutna River 25 miles northeast of Anchorage. The City of Anchorage purchased the Alaska Engineering Commission's distribution system in 1932. In 1955, the City contracted for 16,000 kilowatts ("kW") of the generating capacity of a new Eklutna River hydroelectric power project. Since then, beginning in 1962, ML&P has installed seven turbine generating units fired by natural gas and one waste-heat turbine generating unit.

Growth Trend

The service area of Municipal Light and Power is undergoing a substantial transition due to the 1984 settlement of a longstanding boundary dispute with the Chugach Electric Association (CEA). Historically, ML&P has served the principal commercial and high density residential areas, accounting for approximately 40 percent of the retail energy sales within the Municipality. ML&P's total service area was approximately 27 square miles. Under the boundary settlement with CEA, the new service area of ML&P encompasses 19.9 contiguous square miles and includes a larger portion of the commercial and high-density residential areas of the Municipality. Although the new service area is geographically smaller, ML&P expects that its service area will account for approximately 50 percent of the retail energy sales within the Municipality. In addition to the Service area transfer, ML&P entered into a power sales agreement with CEA on February 8, 1984. The Power Sales Agreement sets forth the terms and conditions under which ML&P will sell to CEA and CEA will purchase from ML&P, a portion of the planned output of turbine generator No. 8, beginning with 50 megawatts (mw) in 1985 and declining to 10mw in 1989. Upon the expiration of the agreement in 1990, ML&P will be entitled to utilize the full capacity of turbine generator No. 8.



Operating Budget - Electric Utility

Municipal Light and Power's 1986 Operating Budget is projecting an increase of 12.2% over 1985. The largest areas of increase are 3.85% in fuel and 3.3% in interest expense. The increases reflect the projected growth in the Service area as new customers energy needs are satisfied.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$43,673,000	$55,880,000	$65,445,000*
Operating and Non-Operating Expense	43,067,000	56,443,000	63,358,000**
Net Income Regulatory	$ 606,000	$ (563,000)	$ 2,087,000
Less Depreciation of Contributed Plant	(211,000)	(250,000)	(270,000)
Add Interest Income Restricted for Bond Construction	2,131,000	1,200,000	1,080,000
Net Income Governmental Financial Reporting	$ 2,526,000	$ 387,000	$ 2,897,000
Personnel	182	210	237

* Includes 16% Proposed Rate Increase, which provides debt service coverage consistent with business plans.

** Does not include any impact of possible Union Oil Company of California Kenai gas settlement.

Capital Budget - Electric Utility

Municipal Light & Power's capital budget reflects a continuous, healthy growth pattern. Over the six-year period the expenditures for distribution plant reflect this growth. These improvements will allow the integration and upgrade of facilities obtained from Chugach Electric in the boundary settlement and will assure new and existing customer needs are satisfied.

The recently completed 10-year Systems Planning Study confirms the anticipated growth and acts as a guide for meeting that growth. The capital plan reflects this need by budgeting a large production expenditure in 1989 for an additional generation unit.

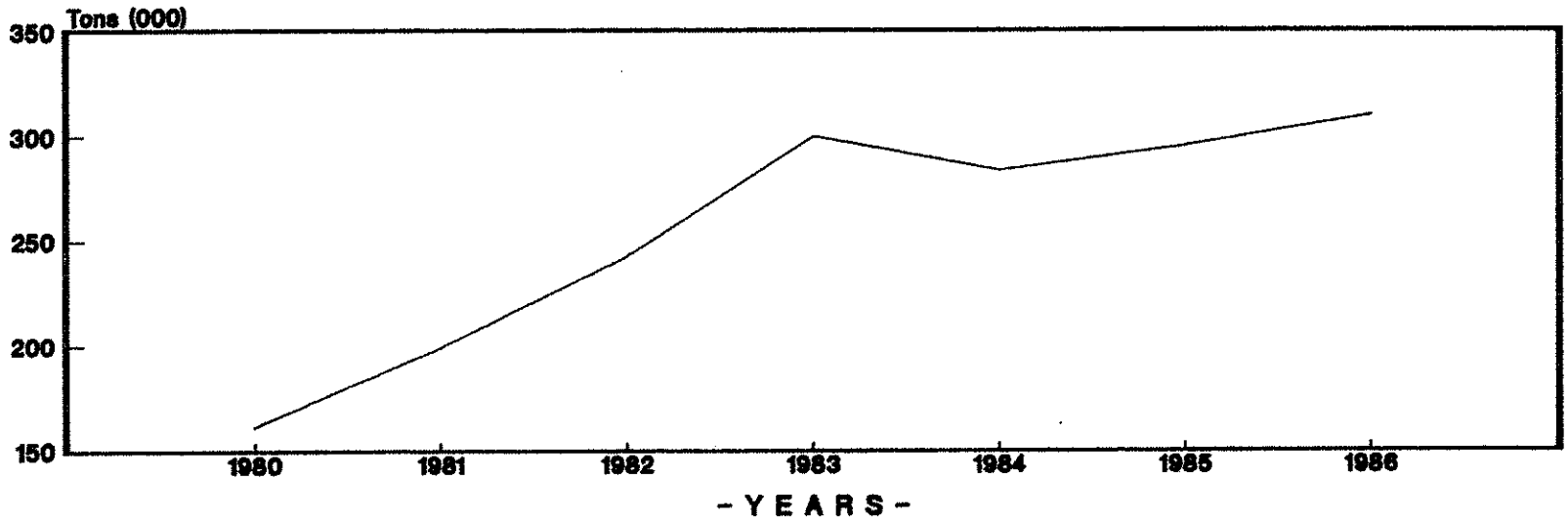
Capital Budget and Program - (000)
1986-1991

Category	1986	1987	1988	1989	1990	1991
Production	$ 6,113	$ 7,118	$ 4,071	$23,029	$ 1,702	$ 5,282
Transmission	1,725	3,301	1,657	2,375	1,131	6,307
Distribution	14,255	10,403	13,952	12,126	12,500	11,658
General Plant	3,654	2,816	2,434	1,744	1,798	1,868
Total	$25,747	$23,638	$22,114	$39,274	$17,131	$25,115

Solid Waste Services
Processing and Disposal

The Merrill Field and Peters Creek landfills will be closed on or about October 1, 1986 and be replaced by the new Anchorage Regional Landfill located on Ft. Richardson. The Municipal Shredder will be closed for modification on April 1, 1986 and be reopened by October 1, 1986 as a waste transfer facility. The Girdwood Transfer Facility will be upgraded to accommodate waste oil disposal and recycling. The new or modified facilities will reflect the the current technology in the areas of environmental protection and facility operations. The concerns and needs of Municipal residents will be addressed through the expansion of recycling programs and public education about the identification and safe disposal of hazardous wastes. Processing and disposal will continue its lead role in litter reduction through enforcement of the covered load ordinance and participation in spring clean-up. Table 'B' illustrates the trend in solid waste disposal requirements.

TABLE B
Tons Disposed - 1980-1986



Operating Budget - Refuse Collection

The Refuse Collections Operating Budget is projected to increase by 11 percent in 1986. Approximately 5 percent is associated with the start-up costs of decentralized solid waste customer billing and approximately 3 percent is a result of the increased cost of solid waste disposal. The remaining 3 percent is a result of inflationary impacts.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$ 5,211,300	$ 5,440,100	$ 6,153,400*
Operating and Non-Operating Expense	4,719,300	5,397,400	5,983,400
Net Income	$ 492,000	$ 42,700	$ 170,000
Personnel	28FT,2T	28FT,2T	28FT,2T

Capital Budget - Refuse Collection

The Refuse Collection's Capital Budget reflects the scheduled replacement of refuse equipment, the continued retrofitting of refuse containers with light-weight plastic lids and the purchase of computer equipment to implement the decentralization of solid waste customer billing. All capital acquisitions will be funded from operating revenue.

Category	1986	1987	1988	1989	1990	1991
Equipment	$945,000	$541,000	$590,000	$702,000	$697,000	$863,000

* User Fees

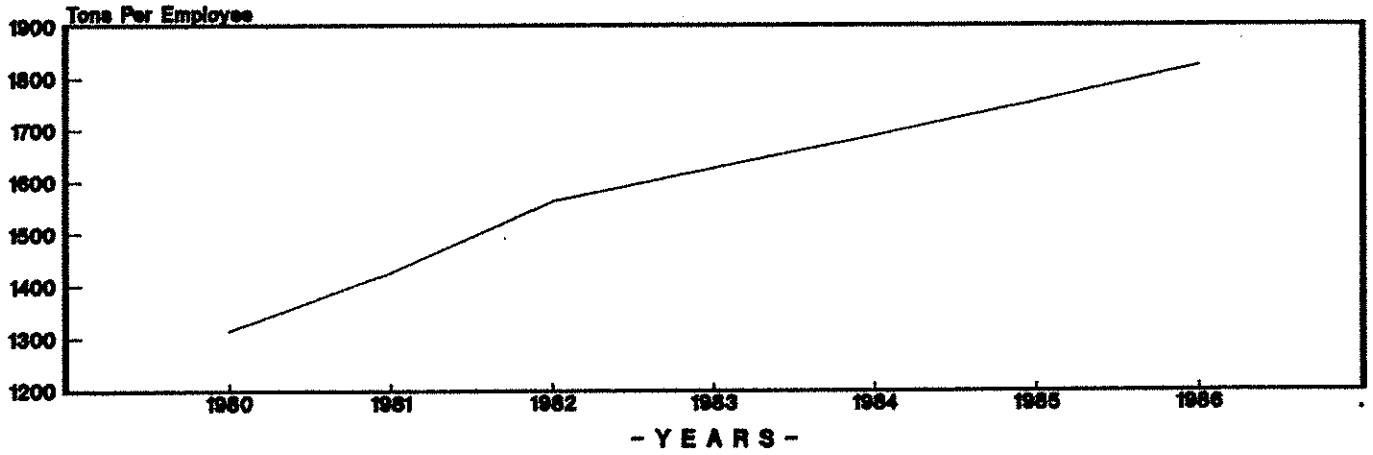
A rate increase of 12 percent was originally planned as part of the 1985 budget. This increase was delayed and is included in a rate increase of 15 percent requested to be effective January, 1986.

Solid Waste Services
Refuse Collection

Solid Waste Services is comprised of two individual utilities. The Municipal Refuse Collection Utility is responsible for the collection of solid waste within the area that was formerly the City of Anchorage. Private refuse firms provide refuse collection service for the rest of the Municipality. Single-family and small multi-family dwellings are provided once a week curb-side service utilizing rear load and satellite vehicles. Larger multi-family dwellings and commercial customers are generally provided service utilizing dumpsters and front load vehicles, with pickup frequency ranging from a minimum of once a week to twice a day. The Solid Waste Processing and Disposal Utility is responsible for providing solid waste disposal facilities on an areawide basis. Current facilities include the Merrill Field Landfill, the Peters Creek Landfill, the Municipal Shredder Plant and the Girdwood Transfer Facility. Fiscal year 1986 will mark the beginning of a new way of doing business for the utility with the modification of all facilities.

The geographic area for Municipal refuse collection is regulated by the Alaska Public Utility Commission and has remained constant since the mid-70's. Because this limits utility growth, the number of customers has increased by only 8 percent since 1980. However, during this same time period the quantity of waste collected by the Refuse Utility has increased by over 33 percent. The challenge to the utility has been to find ways to more efficiently collect the increased quantities of refuse generated by the average customer. Table 'A' illustrates improvements in the quantities collected per employee since 1980.

TABLE A
Tons Collected Per Employee - 1980-1986



To continue this productivity increase, a pilot program was initiated in mid-1985 to test and evaluate the use of side-load collection vehicles. Should the results prove positive, refuse collections will implement this method of curb-side collection where possible and further increase the quantities collected per employee.

Operating Budget - Processing and Disposal

Processing and Disposal expenditures are expected to increase by 24.4 percent in 1986. Seventy-one percent of the overall increase is due to a $1,059,000 increase in bond interest expense associated with constructing the new Anchorage Regional Landfill and modifications to the Municipal Shredder Plant. Direct operating expenses will increase 7.9%. This is primarily due to the increased operating cost associated with transporting waste to the new Regional Landfill and includes an inflationary adjustment of approximately 2.5%.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$ 5,018,700	$ 6,267,000	$ 7,826,400
Operating and Non-Operating Expense	4,969,900	6,176,000	7,669,300
Net Income Regulatory	$ 48,800	$ 91,000	$ 157,100
Personnel	30FT/2T	30FT/2T	40FT/10T

Capital Budget - Processing and Disposal

The Processing and Disposal Capital Improvement Budget for 1986 includes $11,254,000 to supply the balance of the funding necessary for phase one of the new Anchorage Regional Landfill, $6,746,000 to convert the shredder into a transfer station and $245,000 to fund the scheduled replacement of solid waste equipment. Funding for the landfill and transfer station is planned to come from general obligation bonds. Funding for the equipment replacement will be supplied from operational sources.

Capital Budget and Program (000)
1986-1991

Category	1986	1987	1988	1989	1990	1991
Improvements	$18,000	$ 0	$4,722	$4,883	$1,279	$1,401
Equipment	245	457	485	575	262	250
Other	0	425	0	0	0	0
TOTAL	$18,245	$882	$5,207	$5,458	$1,541	$1,651

User Fees

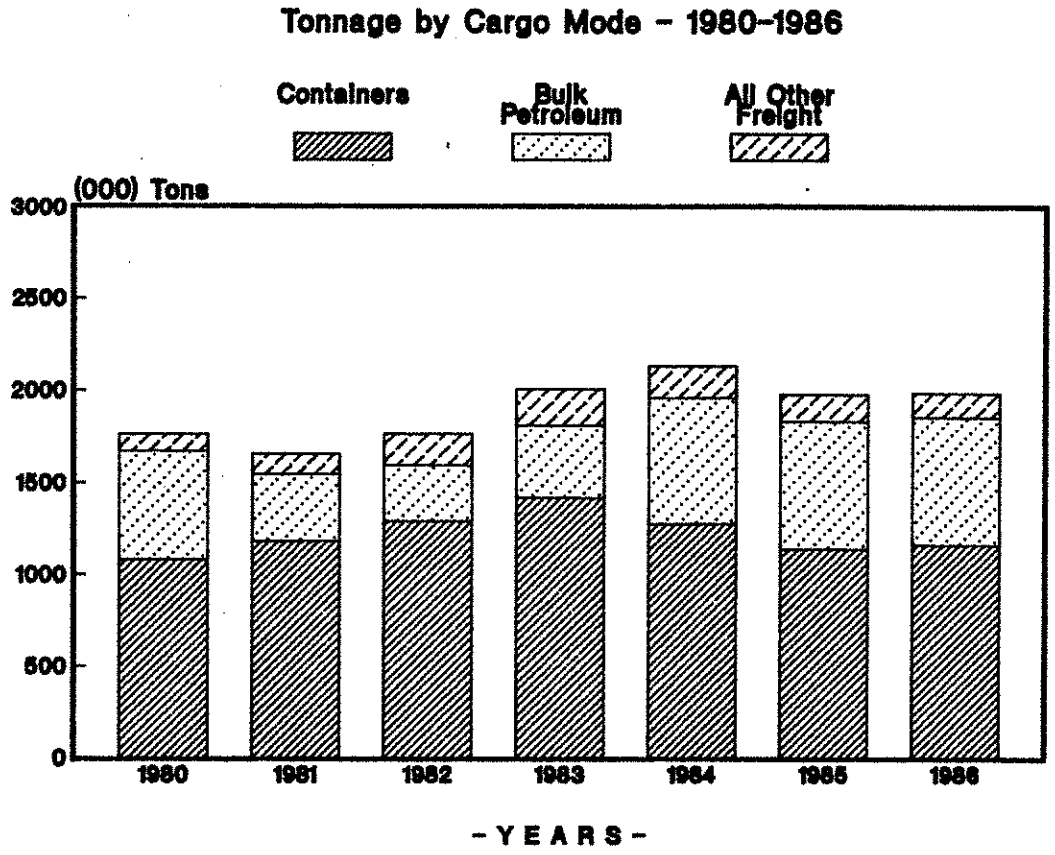
The user fees for Processing and Disposal are different for residential and commercial customers. Residential customers consist of cash paying customers driving vehicles no larger than a pickup truck. A flat fee of $2/car and $5/pickup is paid by these users. It is recommended that residential fees remain the same during 1986. Commercial customers consist of cash paying customers driving vehicles larger than a pickup or permit customers driving any size vehicle. A fee increase for commercial users from $21/ton to $36/ton (71%) is recommended to take place concurrently with the opening of the Anchorage Regional Landfill planned for October, 1986.

Port of Anchorage

The Municipal Port of Anchorage will celebrate its silver anniversary in 1986. In 1961, the first year of operation, 38,000 tons of marine cargo moved across its single berth. By 1984, the Port had expanded to a four-berth facility and over 2,000,000 tons moved across the dock to provide approximately 75% of the Alaskan population with consumer commodities, iron and steel products, bulk petroleum and cement.

Anchorage is served regularly by two major carriers which bring five ships weekly from the Pacific Northwest. Petroleum tankers supply jet fuel for airport operations and ships from Japan and Korea call frequently transporting pipe, construction materials and automobiles.

A sixty-eight acre Industrial Park adjoins the Port to the east. Approximately sixty acres of the Park are under long-term lease to various Port users. Additionally, twenty-six acres are available for the staging and storage of marine cargo in transit.



Operating Budget - Port

1986 tonnage totals are projected to increase by 2% over those of 1985. A 14% increase in operating revenues is anticipated due to a pending tariff revision and renegotiations of Preferential Usage Agreement rates which are subject to review at five year intervals. Controllable operating expense, excluding depreciation and possible dredging costs, are proposed to decrease by 14% in 1986 primarily because $500,000 budgeted in 1985 to purchase cathodic protection anodes will not be required in 1986.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$ 5,974,000	$ 5,457,000	$ 7,086,000*
Operating and Non-Operating Expense	2,815,000	4,352,000	5,347,000
Net Income	$ 3,159,000	$1,105,000	$1,739,000
Personnel	16 FT	17 FT	18 FT

* User Fees - Includes proposed increases in tariff and usage agreement rates.

Capital Budget - Port

The Port's Master Plan recommends that land acquisition and development be given the highest capital priority. The South Transit Area was completed in 1984. Transit Area D and Parcel 1-E, scheduled for completion in November 1985, will add 10.1 acres to the Port's land inventory. Development of an additional 15 acres of leased U.S. government land is scheduled for 1986-87. Increased emphasis has been placed on the possibility of developing an area fronting on Ship Creek to provide public recreation areas and commercial marine development.

Capital Budget and Program - (000)
1986-1991

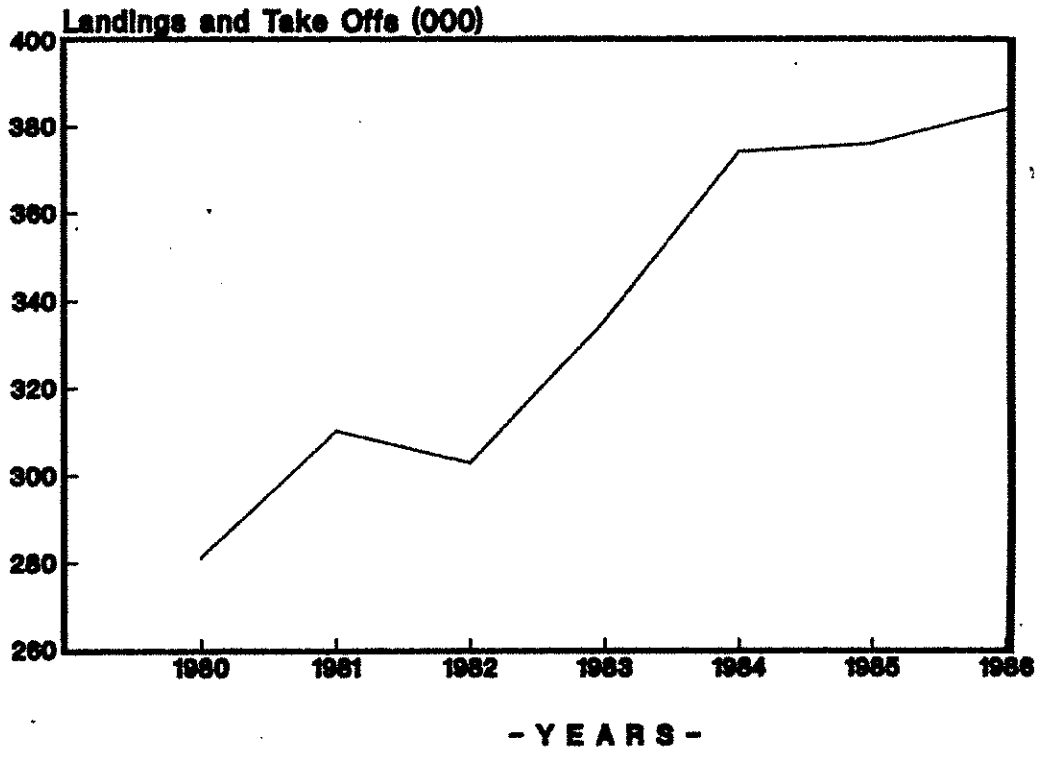
Category	1986	1987	1988	1989	1990	1991
Terminal Development	$ 310	$10,600	$ 440	$3,000	$	$
Land Development	9,700		5,000			5,000
Harbor Development		3,000		4,500	4,000	7,000
Repair & Rehabilitation	380					
New Equipment	40					
Total	$10,430	$13,600	$5,440	$7,500	$4,000	$12,000

Merrill Field Airport

Merrill Field has continuously served Anchorage since 1931. Our airport was the 15th busiest controlled airfield in the nation with 374,141 operations recorded in Federal Year 1984. (Anchorage International Airport ranked #47 that year.) Merrill Field is operated as a public service. Approximately 15% of the municipal land is leased such as the control tower (leased to the Federal government and staffed by the Federal Aviation Administration), and the commercial air operations. Six staff members manage 40 leases, monitor sub-leases and conduct the financial affairs of Merrill Field.

Three permanent staff members are responsible for the maintenance of the operating surfaces of the airport - runways, taxiways, roads and aircraft tie-downs that are not on leased property. (Of the approximately 1,100 aircraft that are tied down at Merrill Field, half are on leased property.) Staff performs snow removal, sanding, resurfacing, and maintenance of equipment on the field for quick response.

Air Traffic Operations - 1980 - 1986



Operating Budget - Airport

Increased revenue from tiedowns added in 1985 will partially offset additional expenses associated with the $44.3 million in improvements constructed during 1985. There has been a substantial loss of operating revenue from leases no longer in effect with the Big Timber Motel, Airparts Inc., and Jolley Electric. The decrease in lease revenue is partially offset by an increase of $.01 per square foot per year in the lease rates. High occupancy factors, along with slight increases in other revenue categories due to a continuing high level of flight operations, will enable the airport to continue a positive regulatory net income.

	1984 Actual	1985 Pro-Forma	1986 Proposed
Operating and Non-Operating Revenue	$ 838,000	$ 1,034,000	$ 974,000*
Operating and Non-Operating Expense	630,000	770,000	907,000
Net Income Regulatory	208,000	264,000	67,000
Less Depreciation Contributed Plant	$ 174,000	$ 242,000	$ 484,000
Net Income (Loss) For Governmental Financial Reporting	$ 34,000	$ 22,000	$ (417,000)
Personnel	6FT	9FT	9FT

* User Fees

Includes Proposed increase in lease rates.

Capital Budget - Airport

The Federal Aviation Administration Airport Improvement Program will continue to be the principal source of capital funding for Merrill Field in 1986. Funding from this grant program will be approximately $2.3 million for 1986. State funding for the construction of the Public Aviation Facility will be requested over a three-year period, at approximately $1 million per year beginning in 1987.

Capital Budget and Program - (000)
1986-1991

Category	1986	1987	1988	1989	1990	1991
Tiedown Aprons	$1,139	$1,990	$2,094	$1,130	$ -0-	$3,590
Runways/Taxiways	685	-0-	669	1,140	4,741	-0-
Buildings & Equipment	630	1,220	1,000	1,120	-0-	-0-
Road Improvements	-0-	-0-	-0-	938	-0-	-0-
CIP Plan/Design Costs	250	-0-	-0-	-0-	-0-	-0-
TOTAL	$2,704	$3,210	$3,763	$4,328	$4,741	$3,590