

BUDGET OVERVIEW

Note: In an effort to conserve time and expenses, we have not filled in the column entitled "1987 Approved." In all cases where that column is not completed, the Assembly approved the numbers listed in the "1987 Proposed" column. Only changes from the proposed column are shown in the approved column.

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
1987 Proposed Operating Budget Summary
(in thousands)

	Anchorage Telephone Utility	Municipal Light & Power	Anchorage		Solid Waste Services		Port of Anchorage	Merrill Field Airport
			Water Utility	Wastewater Utility	Refuse Collection	Processing & Disposal		
Operating Revenue	\$124,657	\$74,150	\$20,767	\$22,542	\$6,215	\$7,273	\$4,507	\$ 901
Non-Operating Revenue ^a	<u>7,500</u>	<u>3,593</u>	<u>6,265</u>	<u>6,144</u>	<u>120</u>	<u>1,020</u>	<u>3,169</u>	<u>66</u>
Total Revenues	\$132,157	\$77,743	\$27,032	\$28,686	\$6,335	\$8,293	\$7,676	\$ 967
Operating Expenses	\$102,487	\$58,596	\$20,306	\$21,432	\$5,762	\$5,498	\$4,659	\$1,310
Non-Operating Expenses ^b	<u>14,670</u>	<u>18,010</u>	<u>9,019</u>	<u>8,624</u>	<u>231</u>	<u>1,956</u>	<u>2,837</u>	<u>1</u>
Total Expenses	\$117,157	\$76,606	\$29,325	\$30,056	\$5,993	\$7,454	\$7,496	\$1,311
Net Income GAAP ^c	\$ 15,000	\$ 1,137	\$(2,293)	\$(1,370)	\$ 342	\$ 839	\$ 180	\$ (344)
Adj. for Regulatory ^d	-0-	(7) ^e	3,365	2,825	-0-	83	705	373
Net Income Regulatory	\$ 15,000	\$ 1,130	\$ 1,072	\$ 1,455	\$ 342	\$ 922	\$ 885	\$ 29

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 Principles.

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

1987 Proposed Capital Improvement Program Budget Summary
By Funding Source
(in thousands)

	Anchorage Telephone Utility	Municipal Light & Power	Anchorage		Solid Waste Services		Port of Anchorage	Merrill Field Airport	Total Funding Requirement
			Water Utility	Wastewater Utility	Refuse Collection	Processing & Disposal			
Revenue Bonds	\$10,000	\$12,622	\$11,030	\$ -0-	\$-0-	\$ -0-	\$6,500	\$ -0-	\$ 40,152
Operations	27,845	3,890	1,527	1,136	541	462	90	624	36,115
State Grants	-0-	-0-	1,400	2,730	-0-	375	-0-	83	4,588
Federal Grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,539	2,539
G.O. Bonds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>23,000^a</u>	<u>-0-</u>	<u>700</u>	<u>-0-</u>	<u>-0-</u>	<u>23,700</u>
Total Utility Capital Budget	\$37,845	\$16,512	\$13,957	\$26,866	\$541	\$1,537	\$6,590	\$3,246	\$107,094

a Includes \$2,110,000 for water quality projects. These projects are not included in the water quality program administered by the Departments of Health and Human Services and Public Works.

1987-1992 PUBLIC UTILITIES
PROPOSED CAPITAL IMPROVEMENT PROGRAM BY UTILITY
(in thousands)

Title	1987	1988	1989	1990	1991	1992	Total
Anchorage Telephone Utility	\$ 37,845	\$ 47,840	\$ 38,370	\$37,272	\$39,215	\$41,353	\$241,895
Municipal Light and Power	16,512	19,489	17,938	17,540	14,289	13,672	99,440
Anchorage Water Utility	13,957	23,898	13,431	11,346	10,667	12,414	85,713
Anchorage Wastewater Utility	26,866 ^a	16,524	17,813	16,475	10,704	9,813	98,195
Solid Waste Refuse Collection	541	640	708	697	901	653	4,140
Solid Waste Processing and Disposal	1,537	1,855	1,723	1,545	1,282	1,437	9,379
Port of Anchorage	6,590	7,100	8,000	4,500	4,000	12,000	42,190
Merrill Field Airport	<u>3,246</u>	<u>4,730</u>	<u>2,700</u>	<u>1,369</u>	<u>2,150</u>	<u>1,900</u>	<u>16,095</u>
Total	\$107,094	\$122,076	\$100,683	\$90,744	\$83,208	\$93,242	\$597,047

a Includes \$2,110,000 for water quality projects. These projects are not included in the water quality program administered by the Departments of Health and Human Services and Public Works.

1987-1992 PUBLIC UTILITIES
 PROPOSED CAPITAL IMPROVEMENT PROGRAM BY FUNDING SOURCE
 (in thousands)

<u>Funding Source</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
Revenue Bond	\$ 40,152	\$ 67,611	\$ 42,744	\$41,799	\$38,378	\$48,015	\$278,699
General Obligation Bonds	23,700 ^a	13,839	15,508	14,444	8,723	7,631	83,845
Operations	36,115	36,073	37,342	31,072	31,825	33,396	205,823
State Grants	4,588	3,052	2,558	2,239	2,266	2,419	17,122
Federal Grants	<u>2,539</u>	<u>1,501</u>	<u>2,531</u>	<u>1,190</u>	<u>2,016</u>	<u>1,781</u>	<u>11,558</u>
Total	\$107,094	\$122,076	\$100,683	\$90,744	\$83,208	\$93,242	\$597,047

a Includes \$2,110,000 for water quality projects. These projects are not included in the water quality program administered by the Departments of Health and Human Services and Public Works.

Anchorage Telephone Utility

In 1915, the Alaska Engineering Commission purchased and installed a magneto switchboard and 300 telephones at the Anchorage construction base of the Alaska Railroad. In 1932 the system was acquired by the City of Anchorage. The telephone system has since evolved from a 200-line manual switchboard into a modern and sophisticated telecommunications network, providing over 115,524 business and residential access lines in 1985. ATU employed 859 personnel as of December 31, 1985, including 656 members of the International Brotherhood of Electrical Workers.

In the telephone industry in the United States, ATU is ranked 20th in revenue and 22nd in the number of access lines according to comparative statistics for 1985 prepared by the United States Telephone Association. The Telephone Utility provides telephone service in the Anchorage Bowl, Turnagain Arm and the town of Hope, south of Anchorage. It is the largest local operating telephone system (not affiliated with a holding company) in Alaska and the largest municipally-owned local operating system in the United States.

Operating Budget - Anchorage Telephone Utility

ATU has experienced unusually rapid growth and substantial profits over the last few years. The income projected for 1986 and 1987 tracks closely with the contraction of the Alaskan economy. To meet the new and expanding opportunities presented by deregulation, ATU is aggressively entering this segment of the industry by offering a variety of custom tailored communication systems including the new technologies of Cellular Radio and Integrated Business Services (IBS). ATU marketing has been organized to meet the challenges of a very competitive market, at the same time realizing that smaller margins require more efficient operations.

As the Alaskan economy slows and the telephone industry becomes more competitive, profit margins at ATU will stabilize at lower but more consistent levels. This should provide a good foundation for steady performance in future years.

Workforce expansion to a level of 1,098 in 1987 can be attributed to directly hiring employees to perform services that were formerly interfunded from Utility Customer Services. Customer service and billing functions will use the Distributed Customer Record Information System (DCRIS) and accounting functions will utilize the new Financial Management System (FMS).

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$123,842,000	\$125,828,000	\$132,157,000
Operating and Non-Operating Expense	<u>104,120,000</u>	<u>109,328,000</u>	<u>117,157,000</u>
Net Income	<u>\$ 19,722,000</u>	<u>\$ 16,500,000</u>	<u>\$ 15,000,000</u>

Personnel

859

1,070

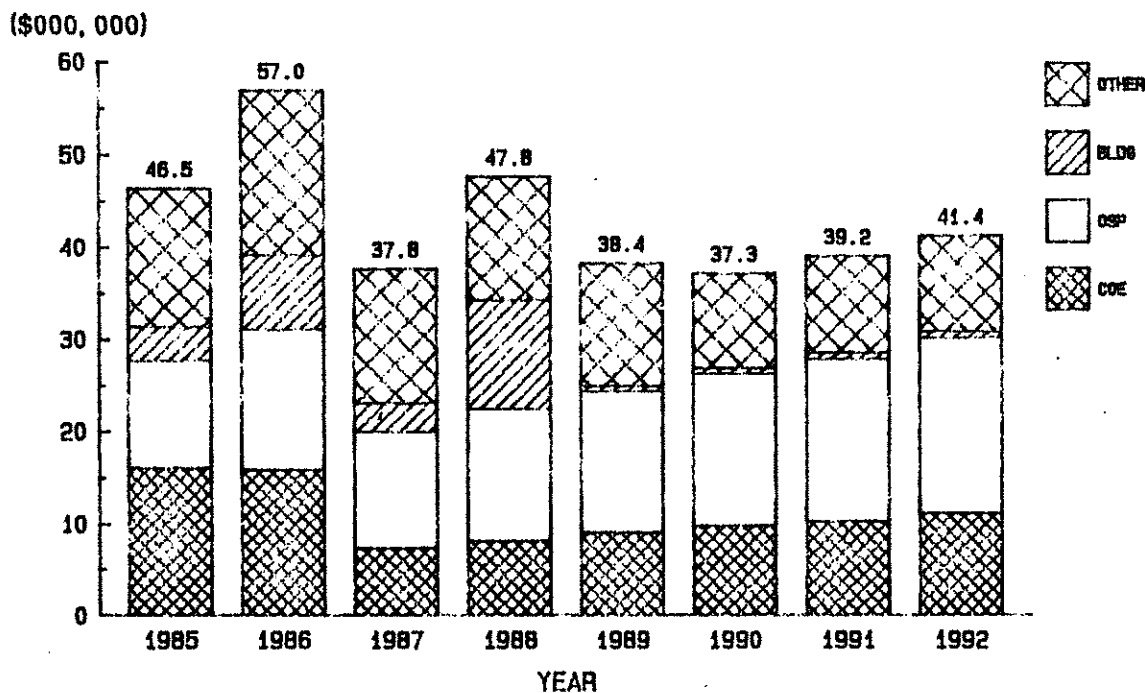
1,098

Capital Budget - Telephone Utility

Capital expenditures during the last few years have provided ATU with a fully digital switching system interconnected by fiber optics, making it one of the most modern exchange telephone companies in the nation. This will allow ATU to reduce the 1987 capital budget while continuing to provide a state of the art network.

Major items in the 1987 budget include the Integrated Business Services (IBS) switching system for \$3.1 million, Automated Mapping for \$1.8 million, Cellular Radio system for \$1.2 million and fiber optics conversion for \$4 million. These projects are designed to ensure ATU keeps pace with the industry and continues to provide its customers the most current communication technology available.

CAPITAL BUDGET AND PROGRAM
1985 - 1992
(\$000,000)



	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
COE	\$16.2	\$16.0	\$ 7.5	\$ 8.3	\$ 9.2	\$ 9.9	\$10.4	\$11.3
OSP	11.6	15.2	12.6	14.3	15.3	16.5	17.6	19.0
BLDG	3.7	8.1	3.1	11.8	.6	.6	.7	.7
OTHER	<u>15.0</u>	<u>17.7</u>	<u>14.6</u>	<u>13.4</u>	<u>13.3</u>	<u>10.3</u>	<u>10.5</u>	<u>10.4</u>
TOTAL	<u>\$46.5</u>	<u>\$57.0</u>	<u>\$37.8</u>	<u>\$47.8</u>	<u>\$38.4</u>	<u>\$37.3</u>	<u>\$39.2</u>	<u>\$41.4</u>

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 1987.

Operating Budget - Water Utility

The polyphosphate treatment program for control of manganese in our deep wells will be fully in place by 1987. This program will result in higher operation and maintenance costs because of the intricate mechanical monitoring requirements and chemical costs. The completion of the Ship Creek Water Treatment Facility expansion will result in higher operation and maintenance costs since the project will more than double the amount of mechanical, process, and control equipment presently in service.

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$18,209,330	\$20,493,700	\$27,031,890*
Operating and Non-Operating Expense	<u>16,290,690</u>	<u>21,693,480</u>	<u>25,960,370</u>
Net Income Regulatory	1,918,640	(1,199,780)	1,071,520
Less Depreciation of Contributed Plant	<u>2,989,990</u>	<u>3,690,190</u>	<u>3,364,650</u>
Net Income for Governmental Financial Reporting	\$(1,071,350)	\$(4,889,970)	\$(2,293,130)

* Includes 30% rate change - see Wastewater Capital Budget page.

<u>Personnel</u>		304	327	338
Combined Water and Wastewater				

Capital Budget - Water Utility

Construction of the Eklutna Water Project is projected to remain as AWWU's largest funding requirement during 1987. This phase is providing for construction of the Water Treatment Plant, Clearwell, Tunnel, P-4 and Energy Recovery Station. Continued construction of the South Anchorage large diameter transmission main will take place during 1987. Phases III and IV will provide the major transmission main across the Seward Highway to connect the southwest portion. Southwest Anchorage 30-inch design construction will take place in 1987. This line will serve southwest Anchorage with 17 MGD of water. Phases III and IV of the Abbott 30-inch project must be constructed before the Southwest 30-inch can become operational. Site acquisition and design will occur in 1987 (\$800,000) and construction in 1988 (\$1,400,000) of a .3 million gallon reservoir to serve the 178-foot pressure zone in Eagle River. This reservoir will provide adequate operational, fire, and emergency storage for the Eagle River Area. Design in 1987 (\$2,900,000) and construction in 1988 (\$8,300,000) of a 48" transmission main from Ship Creek ERS to the Reservoir on Tudor Road. This project is needed to transport an adequate supply to serve projected demands south and west of the Tudor Road Reservoir and the higher elevation areas of Muldoon.

Capital Budget and Program - (000)
1987-1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Resource Development	\$ 20	\$ 0	\$ 220	\$ 1,000	\$ 200	\$ 0
Treatment	950	550	550	550	550	550
Distribution Reservoirs	1,550	3,950	300	300	800	4,300
Transmission	5,900	13,676	4,815	4,065	3,850	1,750
Distribution	2,670	2,118	2,100	2,350	2,350	2,750
Upgrade Transmission	337	506	890	50	50	50
Repair/Rehabilitation	1,223	1,398	1,396	1,426	1,387	1,309
New Equipment	1,307	1,580	3,080	1,605	1,480	1,705
Buildings	<u>0</u>	<u>120</u>	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$13,957	\$23,898	\$13,431	\$11,346	\$10,667	\$12,414

Operating Budget - Wastewater

Substantial completion of the Point Woronzof facility will result in higher operation and maintenance costs since the project will double the amount of mechanical equipment presently in service. Industrial wastewater sampling and site inspections will be significantly increased as the EPA mandated Industrial Pretreatment Program and Accidental Spill Prevention Program are implemented.

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$22,421,775	\$21,606,390	\$28,685,640*
Operating and Non-Operating Expense	<u>20,959,159</u>	<u>24,490,125</u>	<u>27,230,680</u>
Net Income Regulatory	1,462,616	(2,883,735)	1,454,960
Less Depreciation of Contributed Plant	<u>3,389,677</u>	<u>3,099,085</u>	<u>2,825,380</u>
Net Income for Governmental Financial Reporting	\$(1,927,061)	\$(5,982,820)	\$(1,370,420)
<u>Personnel</u>			
Combined Water & Wastewater	304	327	338

* Includes 20% rate change - see Wastewater Capital Budget page.

Capital Budget - Wastewater

Expansion of the Point Woronzof Treatment Plant will continue during 1987 with non-process building construction. This project will increase capacity from 22 MGD to more than 58 MGD. The design phase of the Eagle River Treatment Plant expansion will be completed in 1987. This \$14 million project will satisfy the wastewater treatment requirements of the Eagle River, Chugiak, and Eklutna communities through the year 2010. The C-5-7 Sanitary Sewer Trunk construction (\$1,250,000) will replace an existing trunk facility located along the south shores of Campbell Lake, and in some locations, under the lake. The existing trunk line is a very deteriorated asbestos cement line characterized by infiltration, joint displacement and separation protruding services, differential settlement, cracks and breaks.

Capital Budget and Program - (000)

<u>Category</u>	1987-1992					
	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Treatment	\$12,251	\$ 3,164	\$ 570	\$ 0	\$ 140	\$ 50
Pump Stations/Force Mains	0	642	4,986	9,090	360	0
Trunks & Interceptors	1,201	2,086	5,799	1,788	4,330	3,880
Laterals	6,000	4,385	4,000	3,500	3,500	3,500
Repair/Rehabilitation	6,028	5,207	1,473	1,211	1,613	1,471
New Equipment	1,286	1,040	970	886	711	912
Buildings	100	0	15	0	50	0
TOTAL	\$26,866	\$16,524	\$17,813	\$16,475	\$10,704	\$9,813

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

Water	30%/\$4.70	55%/\$11.10	8%/\$1.40	20%/\$6.55	4%/\$1.55	
Wastewater	20%/\$3.40	0	18%/\$3.40	4%/\$.90	10%/\$2.35	2%/\$.50

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 and Light Company began supplying the community with electricity from a hydroelectric 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 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.

Operating Budget - Electric Utility

Municipal Light and Power's 1987 Operating Budget is projected to increase 6.8% over 1986. The largest areas of increase are 4.2% in fuel and 1.1% in interest expense. The low increase reflects the leveling of growth as the economy adjusts to lower state revenues, and reflects mainly fixed expense increases.

	<u>1985 Actual</u>	<u>1986 Pro Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$59,816,267	\$69,528,470	\$77,406,000*
Operating and Non-Operating Expense	<u>60,405,935</u>	<u>71,366,186</u>	<u>76,276,500</u>
Net Income Regulatory	\$ (989,668)	\$(1,837,716)	\$ 1,129,500
Less Depreciation of Contributed Plant	(238,733)	(327,000)	(330,000)
Add Interest Income Restricted for Bond Construction	<u>2,000,731</u>	<u>994,600</u>	<u>337,000</u>
Net Income Governmental Financial Reporting	<u>\$ 772,331</u>	<u>\$(1,170,116)</u>	<u>\$ 1,136,500</u>

* Includes 3.2% rate increase January 1, 1987.

Personnel

206

252

237

Capital Budget - Electric Utility

Municipal Light and Power's Capital Budget reflects the trend in the current economic condition due to the decrease in oil prices, and shows a significant reduction in expenditures from previous plans.

The numbers shown are for appropriation purposes and are consistent with the high load growth forecast. Medium or low growth will result in actual expenditures lower than those shown.

Capital Budget and Program - (000)
1987-1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Production	\$ 3,434	\$ 3,238	\$ 3,732	\$ 2,282	\$ 3,278	\$ 1,933
Transmission	794	1,260	1,633	1,494	255	268
Distribution	9,970	11,955	10,915	12,191	9,143	9,736
General Plant	<u>2,314</u>	<u>3,036</u>	<u>1,658</u>	<u>1,573</u>	<u>1,613</u>	<u>1,735</u>
Total	<u>\$16,512</u>	<u>\$19,489</u>	<u>\$17,938</u>	<u>\$17,540</u>	<u>\$14,289</u>	<u>\$13,672</u>

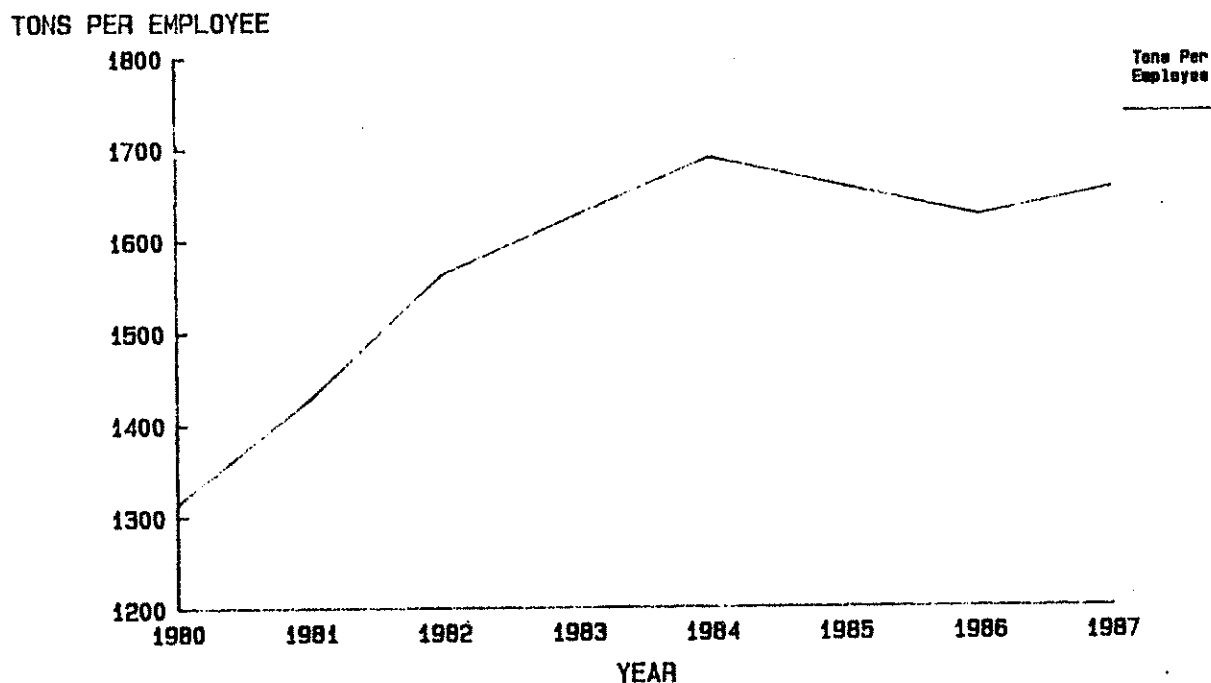
Solid Waste Services

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 curbside service utilizing rear load, side 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 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 1987 will mark the beginning of a new way of doing business for the utility with the modification of all facilities.

REFUSE COLLECTION

The geographic service area for Municipal refuse collection is regulated by the Alaska Public Utility Commission and has remained constant since 1972. Because of this, the number of customers has increased by only 3 percent since 1980. However, during this same time period the quantity of waste collected by the Refuse Utility has increased by over 26 percent. The challenge to the utility has been to find ways to more efficiently collect the increasing quantity of refuse generated by the average customer. The following table illustrates the average quantity collected per employee since 1980.

TONS COLLECTED PER EMPLOYEE 1980 - 1987



A pilot program was initiated in mid-1985 to test the efficiency of side-load collection vehicles. The results appear to be positive. Refuse Collections will expand the use of side-load collection vehicles in 1987.

Operating Budget - Refuse Collection

The Refuse Collections Operating Budget is projected to increase by 8 percent in 1987. Approximately 6 percent is a result of the increased cost of solid waste disposal. The remaining 2 percent is a result of inflationary impacts.

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$5,249,117	\$5,966,500	\$6,334,700*
Operating and Non-Operating Expense	<u>4,876,992</u>	<u>5,539,100</u>	<u>5,992,500</u>
Net Income	<u>\$ 372,125</u>	<u>\$ 427,400</u>	<u>\$ 342,200</u>

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 hardware and software to implement the decentralization of solid waste customer billing. All capital acquisitions will be funded from operating revenue.

Capital Budget and Program - (000)
1987-1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Equipment	<u>\$541,000</u>	<u>\$640,000</u>	<u>\$708,000</u>	<u>\$697,000</u>	<u>\$901,000</u>	<u>\$653,000</u>

* User Fees

A rate increase of 20 percent is planned to be effective September 1, 1987. This corresponds with the increased costs of solid waste disposal anticipated with the opening of the Anchorage Regional Landfill.

PROCESSING AND DISPOSAL

The Merrill Field and Peters Creek landfills will be closed on or about September 1, 1987, and be replaced by the new Anchorage Regional Landfill located on Ft. Richardson. The Municipal Shredder will be closed for modification on January 1, 1987, and be reopened by September 1, 1987, as a waste transfer facility. The new or modified facilities will reflect the current technology in environmental protection and facility operations. Processing and disposal will continue its lead role in litter reduction through enforcement of the covered load ordinance and participation in spring clean-up.

Operating Budget - Processing and Disposal

Processing and Disposal expenditures are expected to increase by 22 percent in 1987. Approximately 19 percent consists of increased depreciation and debt service associated with the construction of the new Anchorage Regional Landfill and modifications to the Municipal Shredder Plant. Other operating expenses will increase 3 percent. This is primarily due to the increased equipment cost associated with transporting waste to the new Regional Landfill.

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Budget</u>
Operating and Non-Operating Revenue	\$6,195,852	\$6,675,500	\$8,292,700
Operating and Non-Operating Expense	<u>5,462,671</u>	<u>6,047,200</u>	<u>7,371,000</u>
Net Income Regulatory	<u>\$ 733,181</u>	<u>\$ 628,300</u>	<u>\$ 921,700</u>

Personnel

30FT 2T	40FT 10T	38FT 10T
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Capital Budget - Processing and Disposal

Capital expenditures planned for 1987 consist of \$1,075,000 to construct a hazardous waste storage/transfer facility and \$462,000 for equipment replacement. Funding for the hazardous waste facility consists of \$375,000 from a State of Alaska DEC Grant and \$700,000 in general obligation bonds included on the October, 1986, ballot. Funding for the scheduled equipment replacement will come from operational sources.

Capital Budget and Program - (000) 1987-1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Improvements	\$1,075	\$ 945	\$1,148	\$1,048	\$1,032	\$1,064
Equipment	462	485	575	497	250	373
Other	<u>0</u>	<u>425</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$1,537</u>	<u>\$1,855</u>	<u>\$1,723</u>	<u>\$1,545</u>	<u>\$1,282</u>	<u>\$1,437</u>

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 1987. 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 \$45/ton (114%) is recommended to take place concurrently with the opening of the Anchorage Regional Landfill planned for September, 1987.

Port of Anchorage

The Port of Anchorage celebrated its silver anniversary in 1986. In 1961, the first year of operation, 38,000 tons of marine cargo moved across its single berth. The Port has since expanded to a four-berth terminal providing facilities for the movement of containerized freight, iron and steel products, bulk petroleum and cement. Approximately 1.6 million tons of various commodities are expected to cross the docks in 1986.

Anchorage is served regularly by two major carriers which bring four 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-four acres of the Park are under long-term lease to various Port users. Additionally, thirty-five acres are available for the staging and storage of marine cargo in transit.

Port revenue bonds totaling \$27.1 million were sold in late 1985 to finance capital improvements at the Port. Projects intended for funding using bond sale proceeds include two new container cranes, modifications to existing cranes, and dock modifications to enhance Sea-Land Service, Inc. Port activities; an intermodal freight yard for loading ocean-borne cargo to rail cars; and creation of a public waterfront area in the Ship Creek Tidelands adjacent to downtown Anchorage.

Operating Budget - Port

The tonnage totals for 1987 are projected to equal those of 1986 and increase by 1% each year thereafter. A 3% increase in operating revenue is anticipated due to scheduled Industrial Park rental adjustments. Controllable operating expenditures, excluding depreciation and intragovernmental charges are expected to increase 14% over the 1986 pro forma reflecting a 7.6% increase in personnel costs, an 80% increase in supplies due to a biennial purchase of sacrificial anodes for use in the Port's cathodic protection system and increased rental expenses attributable to the lease of government and ARR property. Interest on long-term debt has increased substantially due to a December 1985 sale of \$27,190,000 of Port Revenue Bonds.

	<u>1985 Actual</u>	<u>1986 Pro-Forma</u>	<u>1987 Proposed</u>
Operating and non-operating revenue	\$5,881,708	\$7,426,000	\$7,676,000
Operating and non-operating expense	<u>3,078,441</u>	<u>5,724,000</u>	<u>6,791,000</u>
Net Income Regulatory	2,803,267	1,702,000	885,000
Less Depreciation contributed plant	<u>477,300</u>	<u>567,000</u>	<u>705,000</u>
Net Income for Government Financial Reporting	\$2,325,967	\$1,135,000	\$ 180,000

Personnel

17FT

18FT

19FT

Capital Budget - Port

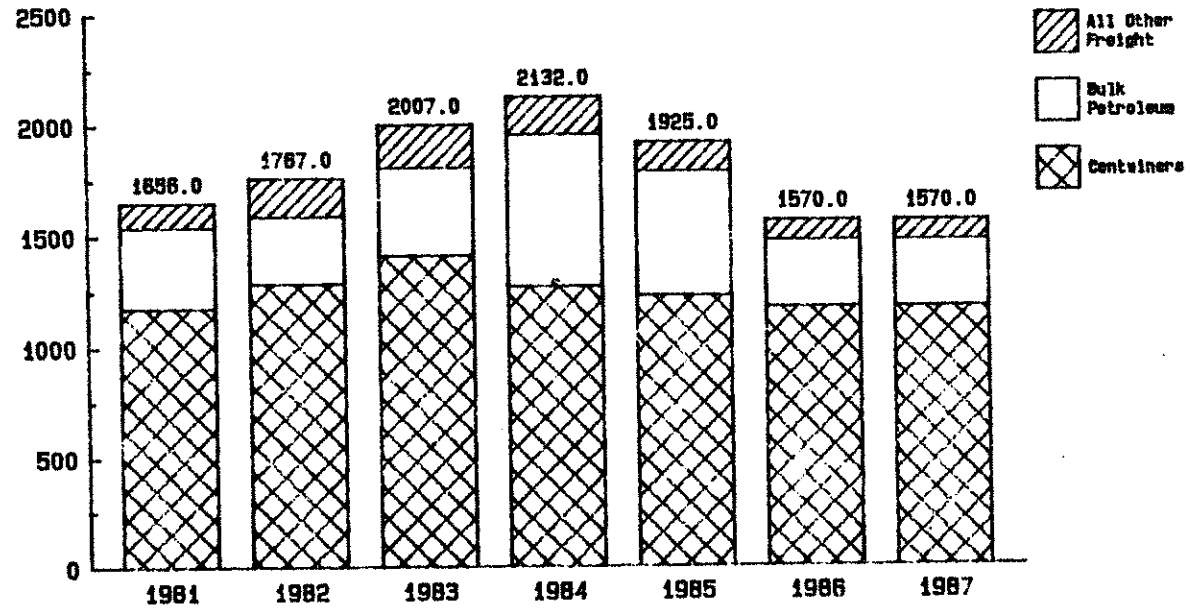
Development of an intermodal facility to enable the Port's users to handle rail-belt shipments more efficiently is scheduled for 1987. Development of public recreation areas and commercial marine enterprises in an area fronting on Ship Creek is receiving increased emphasis. Land acquisition and development remain a high capital priority.

Capital Budget and Program - (000)

1987 - 1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Terminal Development	\$3,520	\$7,100	\$3,000	\$	\$	\$
Land Development			5,000			5,000
Harbor Development	3,000			4,500	4,000	7,000
Repair & Rehabilitation	20					
New Equipment	50					
	<u>\$6,590</u>	<u>\$7,100</u>	<u>\$8,000</u>	<u>\$4,500</u>	<u>\$4,000</u>	<u>\$12,000</u>

TONNAGE BY CARGO MODE
1981 - 1987
Tons (000)



Merrill Field Airport

Merrill Field has continuously served Anchorage since 1931. Our airport was the 25th busiest controlled airfield in the nation with 334,367 operations recorded in Federal Year 1985. (Anchorage International Airport ranked 64th 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 many commercial air operations. Six staff members manage 40 leases, monitor sub-leases and conduct the financial affairs of Merrill Field.

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

Operating Budget - Airport

Revenue has fluctuated slightly downward due to reduced revenue sharing and lower interest rates, both indicative of the general economic condition. Expenses have increased primarily due to substantial escalation of depreciation of contributed plant. Net income regulatory, one of the lowest ever for the airport, is a direct result of the depreciation associated with recent capital improvements on the airfield.

	1985 Actual	1986 Pro-Forma	1987 Budget
Operating and Non-Operating Revenue	\$909,000	\$ 978,000	\$ 967,000*
Operating and Non-Operating Expense	683,000	845,000	938,000
Net Income Regulatory	226,000	133,000	29,000
Less Depreciation Contributed Plant	250,000	291,000	373,000
Net Income (Loss) For Governmental Financial Reporting	\$(24,000)	\$(158,000)	\$(344,000)

* Includes proposed 3.7% increase in lease rates effective July 1, 1987.

<u>Personnel</u>	9FT	9FT	9FT
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* 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 1987. Funding from this grant program will be approximately \$2.5 million for 1987. State funding for the construction of the Public Aviation Facility is not anticipated in the near future.

Capital Budget and Program - (000)
1987-1992

<u>Category</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Apron Improvements	\$ 0	\$ 0	\$1,100	\$ 600	\$2,050	\$1,900
Runways/Taxiways	0	1,000	1,200	669	0	0
Buildings & Equipment	413	3,130	0	100	0	0
Miscellaneous Improvements	13	0	0	0	0	0
Project Plan/Design Costs	500	0	0	0	0	0
Road Improvements	0	600	400	0	100	0
Land Acquisition	<u>2,320</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$3,246	\$4,730	\$2,700	\$1,369	\$2,150	\$1,900

PUBLIC UTILITY AFFAIRS

The Municipality of Anchorage provides one of the largest publicly owned and operated utility systems in the United States. Public Utility Affairs provides management and public relations services to the Anchorage Public Utilities as they modernize and expand their facilities. Staff seeks to provide public awareness and participation in bringing about changes which will best benefit our community.

Operating Budget

Customer service functions were decentralized during the past year. This has resulted in a decrease in operating expenses charged by Public Utility Affairs because these services are now being performed directly by the utilities. Development of technology for an automated billing and service record system left only the need for a centralized remittance processing. This function has been assumed by Public Utility Affairs. Utility growth has slowed but the regulatory environment is changing along with the economy. There is a growing opportunity for joint projects with other utilities in the area. Public Utility Affairs will participate in and coordinate these activities.

	1985 Actual	1986 Pro forma	1987 Proposed
Operating Expenses	\$9,672,000	\$9,846,000	\$945,538
Intragovernmental Revenue	9,672,000	9,846,000	945,538
Personnel			
Technical Services	12	8	6
Utility Collection Services*	139	126	8

*Decentralization of most utility customer service functions and placement of these people in various utilities accomplished cost savings with better customer access to each utility.

Capital Budget

Public Utility Affairs has no capital budget.

Personnel Resources

Five technical staff work with the Municipal utilities and the community. Staff occasionally coordinates trouble shooting problems involving several utilities while the main focus of staff time is on developing longer range projects on behalf of specific utilities. These activities include: participation in regulatory and legislative proceedings at the state and national levels, e.g., weighing the cost effectiveness of deregulation vs. regulation involving the overlap of customer safeguards provided by the Municipal Assembly vis-a-vis the Alaska Public Utilities Commission; coordination of joint utility agreements, e.g., studies of railbelt utility organizational options or joint contracting to coordinate cable protection against service interruptions; participation in energy coordination and conservation projects; e.g., developing standards for electrical and heating efficiency while concurrently changing the home mortgage financing procedures to encourage compliance with the standards; engineering assessments of capital projects and existing facilities, e.g., value engineering to reduce construction costs and application of third party financing options for utility conservation projects; assessments of business technology changes and economic trends, e.g., coordinating new utility business and revenue development options and participation in regulatory and legislative matters impacting the utility business environment.