

BUDGET OVERVIEW

Municipality of Anchorage
Public Utilities

Overview
INTRODUCTION

After years of significant growth, 1987 was unique for Anchorage's public utilities. All municipal utilities reduced their budgets during the year to reflect the declining consumer demand which was prevalent in Anchorage's economy and, in some cases, to cope with regulatory changes. One of the first budget-cutting measures was to eliminate vacant positions. Cost-cutting measures have continued throughout the year as utilities reduced expenses further in response to declining revenue forecasts.

The 1988 operating budget expenditure levels reflect a continuation of what was begun in 1987. In planning further budget and staff reductions for 1988, the primary goals are to keep required rate increases as low as possible while maintaining essential public services. All utilities have budgeted for a wage rollback in 1988. This rollback is a 5% reduction from the total wages and benefits which had been planned for next year. Costs have also been reduced by dissolving the Public Utilities Affairs Office (assigning its functions directly to the utilities) and by other cost-cutting measures such as automation of manual functions.

The capital program has also been significantly reduced for 1988. Generally, the utilities are structuring capital programs to maintain, repair, and enhance existing facilities. New facility construction has been kept to a minimum in response to declining demand and in an effort to minimize rate impacts which would result from capital project debt service.

UTILITY
GOALS AND OBJECTIVES

ANCHORAGE TELEPHONE UTILITY

Provide prompt efficient telecommunication service to customers at a reasonable cost. Maintain modern and technologically sophisticated switching and transmission systems to meet customer requirements.

MUNICIPAL LIGHT AND 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.

ANNUAL UTILITY BUDGET COMPARISON

	<u>1987 Approved Budget</u>	<u>1987 Revised Budget</u>	<u>1988 Budget</u>
Anchorage Telephone Utility	\$117,157,000	\$110,825,000	\$100,941,000
Municipal Light and Power	76,606,500	66,028,000	65,847,000
Anchorage Water Utility	29,325,020	28,424,970	29,712,100*
Anchorage Wastewater Utility	30,056,060	29,243,400	30,239,420*
Refuse Collection	5,992,500	5,716,600	5,829,100*
Solid Waste Disposal	7,454,400	7,235,100	10,111,100*
Port of Anchorage	7,496,000	6,672,950	6,589,000
Merrill Field Airport	1,311,000	1,243,600	1,620,000*
Total	<u>\$275,398,480</u>	<u>\$255,389,620</u>	<u>\$250,888,720</u>

*Budget increases in several utilities are due to increases in depreciation expenses and municipal utility service assessment taxes: Wastewater - \$1.9 million; Water - \$1.4 million; and Merrill Field Airport - \$386,000. The increases in Solid Waste Services budgets are primarily due to the new landfill facilities.

Anchorage Municipal Utilities
Projected Rate Adjustments

(More detail and reasons for projected rate adjustments
are provided in each utility section)

	Average Monthly Billing Based on Current Rates	1988	1989	1990	1991	1992
Anchorage Telephone Utility	\$10.02 ²	0	33%-\$13.34	0	25%-\$16.68	0
Municipal Light and Power ³	\$37.82	11.6%-\$41.20	6.4%-\$43.84	7.4%-\$47.08	3.4%-\$48.68	3.8%-\$50.53
Anchorage Water Utility	\$19.60	9.6%-\$21.48	31.6%-\$28.27	0	7.9%-\$30.50	8.8%-\$33.18
Anchorage Wastewater Utility	\$15.85	24.3%-\$19.70	11.5%-\$21.97	0	11.2%-\$24.42	8.3%-\$26.46
Solid Waste Services						
Solid Waste Disposal						
Residential ⁴	\$ 5.00	0	0	0	0	0
Commercial	\$33.00	18%-\$39.00	15%-\$45.00	0	0	0
Refuse Collection						
Residential	\$13.60	15%-\$15.60	0	5%-\$16.40	0	0
Commercial	\$43.40	15%-\$49.80		5%-\$52.30		
Port of Anchorage						
Preferential Use Agreements ⁵		0	0	0	15%	0
Port Industrial Park ⁶		(.1%)	0	0	15%	2%
Merrill Field⁷						
Lease Access		0	3.4%	3.3%	3.2%	3.1%
Transient Parking	\$ 3.00	0	0	0	33.3%-\$ 4.00	0
Permanent Parking - Tail End	\$40.00	0	0	0	12.5%-\$45.00	0
- Drive Thru	\$50.00	0	0	0	10%-\$55.00	

¹The projected rate increases are estimates. Detailed 1988 rate cases are currently being prepared by the utilities. In some cases, the increase shown here may differ from the interim and final increases sought in the rate case. The final rate increase requests will be presented to the Assembly when rate case preparation is complete. 1988 projected rate increases may not necessarily take effect January 1, 1988.

²This is the average residential access line charge which includes central office charge for push button calling but does not include federally mandated subscriber line charge, taxes, or optional customer premise equipment change.

³Based on residential customer useage of 500 KWH/month, including cost of power adjustments.

⁴Increases for 1988 and 1989 were approved by the Assembly in 3/87 as phased rate increase to cover development of new landfill facilities.

⁵Agreements are negotiated every five years to reflect changes in Port operations/maintenance costs and capital improvement expenditures.

⁶Lease rates based on appraised land value and current market lease ratios.

⁷Increase anticipated to be 1-2¢ per sq. ft./year.

Utility Workforce Projection Summary
(includes temporaries)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Anchorage Telephone Utility	1,007	885	835	819	773	759	716
Municipal Light and Power	231	238 ¹	248	255	257	264	266
Anchorage Water and Wastewater Utility	330	312	314	315	318	318	318
Solid Waste Services	106	99	99	99	99	99	99
Port of Anchorage	19	19	19	20	21	21	21
Merrill Field Airport	14	15 ²	17	17	17	17	17
Total	<u>1,707</u>	<u>1,568</u>	<u>1,532</u>	<u>1,525</u>	<u>1,485</u>	<u>1,478</u>	<u>1,437</u>
Executive	55	51					
Non-Represented	346	331					
AMEA	113	105					
JCC	258	242					
IBEW	935	853					
Other	0	(14) ³					
Total	<u>1,707</u>	<u>1,568</u>					

¹Includes the addition of 21 temporaries in 1988 to perform work which is currently contracted.

²Increased position is FAA grant funded.

³The labor group allocations for 14 positions to be eliminated in Municipal Light and Power has not yet been determined.

ANCHORAGE
PUBLIC UTILITIES

1988 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	Solid Waste Disposal		
Operating Revenue	\$ 97,493	\$63,863	\$19,894	\$22,485	\$6,231	\$ 8,943	\$4,426	\$1,087
Non-Operating Revenue ^a	3,600	3,170	6,697	2,455	120	300	2,368	26
Total Revenues	<u>\$101,093</u>	<u>\$67,033</u>	<u>\$26,591</u>	<u>\$24,940</u>	<u>\$6,351</u>	<u>\$ 9,243</u>	<u>\$6,794</u>	<u>\$1,113</u>
Operating Expenses	\$ 88,039	\$48,210	\$20,392	\$22,551	\$5,606	\$ 8,131	\$3,858	\$1,012
Non-Operating Expenses ^b	12,902	17,637	9,320	7,688	223	1,980	2,731	1
Total Expenses	<u>\$100,941</u>	<u>\$65,497</u>	<u>\$29,712</u>	<u>\$30,239</u>	<u>\$5,829</u>	<u>\$10,111</u>	<u>\$6,589</u>	<u>\$1,013</u>
Net Income GAAP ^c	\$ 152	\$ 1,536	\$(3,121)	\$(5,299)	\$ 522	\$ (868)	\$ 205	\$(507)
Adj. for Regulatory ^d		(20) ^e	\$ 3,231	\$ 3,755	0	166	667	607
Net Income Regulatory	\$ 152	\$ 1,516	\$ 110	\$(1,544)	\$ 522	\$ (702)	\$ 872	\$ 100

^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 directly related 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. \$20,000 is difference between interest income (\$350,000) and depreciation on contributed plant (\$330,000).

ANCHORAGE
PUBLIC UTILITIES
1988 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 Requirements
			Water Utility	Wastewater Utility	Refuse Collection	Solid Waste Disposal			
Revenue Bonds	\$10,000	\$ 2,760	\$4,192	\$ -0-	\$-0-	\$-0-	\$5,700 ¹	\$ -0-	\$22,652
Operations	16,859	9,700	450	615	576	896	600	298	29,994
State Grants	-0-	-0-	1,000	500	-0-	-0-	-0-	2,000	3,500
Federal Grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,133	2,133
G.O. Bonds	-0-	-0-	-0-	5,946 ²	-0-	-0-	1,000 ^{2/3}	2,000 ²	8,946
Total Utility Capital Budget ⁴	<u>\$26,859</u>	<u>\$12,460</u>	<u>\$5,642</u>	<u>\$7,061</u>	<u>\$576</u>	<u>\$896</u>	<u>\$7,300</u>	<u>\$6,431</u>	<u>\$67,225</u>

¹Issued 12/85

²Airport bonds were not approved on October 1987 ballot. Port of Anchorage bonds were approved on October 1987 ballot.

³\$1 million of the total \$7.5M bond issue. Expenditure of \$6.5M balance scheduled for 1989 and 1990.

⁴At time of publication, utilities are downscaling capital programs further in response to declining demand. Final capital budget programs will be available during 1st quarter, 1988.

1988-1993 PUBLIC UTILITIES
CAPITAL IMPROVEMENT PROGRAM BY UTILITY
(in thousands)

<u>Title</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Total</u>
Anchorage Telephone Utility	\$26,859	\$26,016	\$22,962	\$23,417	\$24,604	\$24,392	\$148,250
Municipal Light and Power	12,460	16,178	13,293	12,345	11,328	10,263	75,867
Anchorage Water Utility	5,642	7,129	11,234	16,995	18,209	17,430	76,639
Anchorage Wastewater Utility	7,061	8,394	11,663	13,495	16,326	14,702	71,641
Refuse Collection	576	535	533	886	715	570	3,815
Solid Waste Disposal	896	1,227	1,613	1,405	1,569	2,307	9,017
Port of Anchorage	7,300	3,500	3,000	3,800	5,000	4,000	26,600
Merrill Field Airport	6,431	900	1,900	1,300	1,600	800	12,931
Total	<u>\$67,225</u>	<u>\$63,879</u>	<u>\$66,198</u>	<u>\$73,643</u>	<u>\$79,351</u>	<u>\$74,464</u>	<u>\$424,760</u>

1988-1993 PUBLIC UTILITIES
CAPITAL IMPROVEMENT PROGRAM BY FUNDING SOURCE
(in thousands)

<u>Funding Source</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Total</u>
Revenue Bond	\$22,652	\$27,510	\$30,241	\$38,661	\$38,811	\$35,753	\$193,628
General Obligation Bonds	8,946	10,879	13,398	11,230	14,061	12,237	70,751
Operations	29,994	23,846	19,828	20,887	22,079	23,164	139,798
State Grants	3,500	800	950	1,740	2,900	2,560	12,450
Federal Grants	2,133	844	1,781	1,125	1,500	750	8,133
Total	<u>\$67,225</u>	<u>\$63,879</u>	<u>\$66,198</u>	<u>\$73,643</u>	<u>\$79,351</u>	<u>\$74,464</u>	<u>\$424,760</u>

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 approximately 115,200 business and residential access lines on the average for 1986.

In the telephone industry, ATU is ranked 22nd in the number of access lines according to comparative statistics for 1986 prepared by the United States Telephone Association. ATU provides service in the Anchorage Bowl, Turnagain Arm and the town of Hope. 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

ATU is affected by industry deregulation, as are all telecommunications companies. The FCC has deregulated telecommunication areas like customer premise equipment and inside wiring; detariffed billing and collection; re-allocated commercial expense; and modified the allocation factors (SPF and COE) used in the separations procedure to determine the relative cost of long-distance and local service. These regulatory changes are forecasted to reduce toll revenues by \$15 - \$20 million between 1985 and 1993.

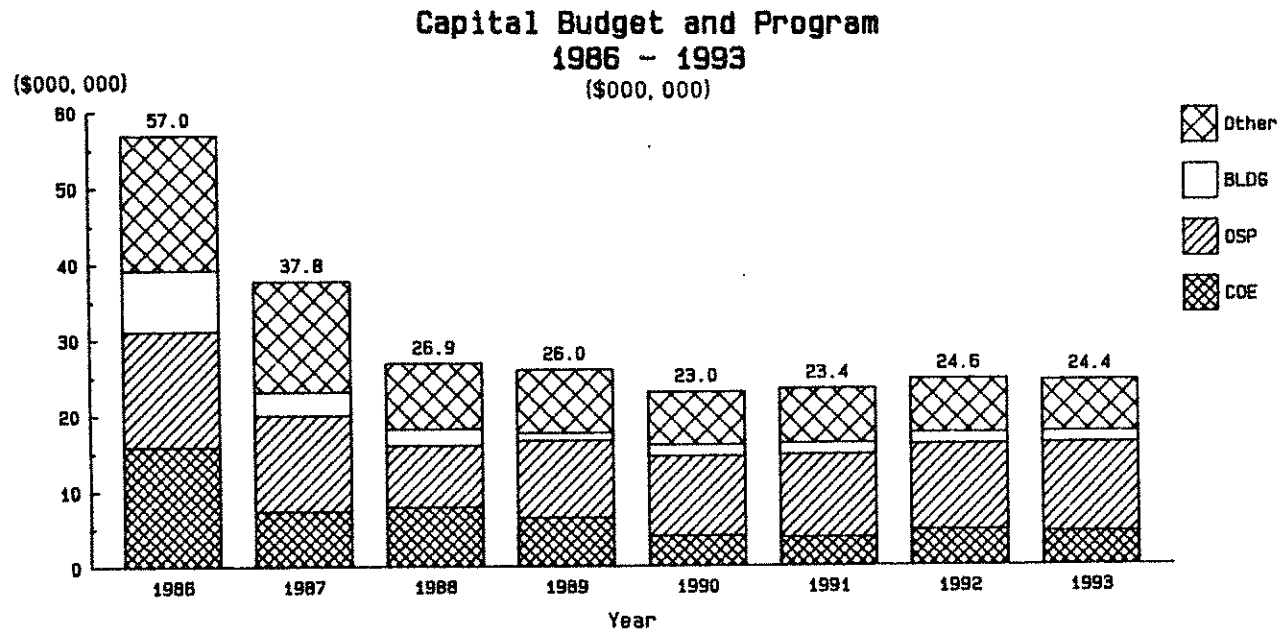
ATU is responding aggressively to these challenges and has implemented a plan to adjust to this transition period. Cost containment policies which will decrease material and supply purchases in 1988 to the 1986 levels are currently in place. Workforce levels have been reduced from 1,047 in 1986 to 885 total positions in 1988; another 5% reduction in labor costs will be necessary as well. However, these reductions cannot fully offset the impacts of these federally mandated changes in the rate levels for long distance and local telephone service. A rate case will have to be filed in the near future asking for rate relief for local services and the reconsideration of the APUC plans to reduce current rates for the amortization of inside wiring.

	<u>1986 Actual</u>	<u>1987 Pro Forma</u>	<u>1988 Budget</u>
Operating and Non-Operating Revenue	\$116,897,000	\$108,860,000	\$101,093,000
Operating and Non-Operating Expense	107,645,000	109,697,000	100,941,000
Net Income (Loss)	<u>\$ 9,252,000*</u>	<u>\$ (837,000)</u>	<u>\$ 152,000</u>
Personnel	859	1,007	885

*Does not include refunding loss of approximately \$12 million.

Capital Budget

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 its capital budget in 1987 to \$37,845,000, a decrease of 34% from 1986.



	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
COE	\$16.0	\$ 7.5	\$ 8.0	\$ 6.6	\$ 4.1	\$ 3.9	\$ 4.8	\$ 4.5
OSP	15.2	12.6	8.1	10.1	10.5	10.9	11.3	11.7
BLDG	8.1	3.1	2.2	1.0	1.5	1.5	1.5	1.5
OTHER	17.7	14.6	8.6	8.3	6.9	7.1	7.0	6.7
TOTAL	<u><u>\$57.0</u></u>	<u><u>\$37.8</u></u>	<u><u>\$26.9</u></u>	<u><u>\$26.0</u></u>	<u><u>\$23.0</u></u>	<u><u>\$23.4</u></u>	<u><u>\$24.6</u></u>	<u><u>\$24.4</u></u>

COE - Central Office Switching/Line Additions
OSP - Outside Plant Distribution Systems

BLDG - Buildings and Grounds
OTHER - New Technology/Data Processing

ANCHORAGE WATER AND 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 40,320 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 50,291 customers during 1988.

Operating Budget - Water Utility

The completion of Eklutna Water Project is scheduled for late 1988. Eklutna will provide 70 million gallons per day to the residents of Anchorage. The total project includes an intake structure and six-foot-diameter 8,500 foot long tunnel; a gravity flow 60-inch to 42-inch underground pipeline 33 miles in length; 2 energy recovery facilities; a 35 mgd treatment facility and a 15 million gallon clearwell.

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Operating and Non-Operating Revenue	\$21,868,740	\$24,068,414	\$26,591,220*
Operating and Non-Operating Expense	20,407,635	24,649,590	26,480,990
Net Income Regulatory	<u>\$ 1,461,105</u>	<u>\$ (581,176)</u>	<u>\$ 110,230</u>
Less Depreciation of Contributed Plant	2,450,120	2,619,630	3,231,110
Net Income for Governmental Financial Reporting	<u>\$ (989,015)</u>	<u>\$(3,200,806)</u>	<u>\$(3,120,880)</u>

*Includes 9.57% rate change - see Wastewater Capital Budget Page.

<u>Personnel</u>	Combined Water and Wastewater	337	330	312
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Capital Budget - Water Utility

Phases III and IV of the Abbott Transmission Main have been completed.

Site acquisition and design will occur in 1989 (\$400,000) and construction in 1991 (\$2,000,000) of a 5 million gallon reservoir to serve the 780/880-foot pressure zone in Eagle River.

Regarding the ERS to Tudor Tanks project - the name has been changed along with construction dates, etc. The project has also been phased: Design and construction of Phase IA, preliminary design of Phase IB (\$2,500,000), and final design of Phase II (\$300,000) in 1989; final design and construction of Phase IB in 1990 (\$2,500,000); and construction of Phase II (\$3,300,000) of Eklutna-Tudor Intertie, a 48" transmission main from Ship Creek ERS to the Reservoir on Tudor Road, will be needed to transport an adequate supply of water to serve projected demands south and west of the Tudor Road Reservoir and the higher elevation areas of Muldoon.

Capital Budget and Program - (\$000)

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Resource Development	0	0	0	280	20	200
Treatment	175	100	100	550	550	550
Distribution Reservoirs	50	500	220	3,100	2,550	4,600
Transmission	891	3,125	4,165	6,400	7,250	6,650
Distribution	2,300	1,450	1,350	2,233	4,350	2,750
Upgrade Transmission	0	50	150	890	50	0
Repair-Rehabilitation	1,101	869	1,969	2,037	1,909	1,150
New Equipment	880	955	1,580	1,505	1,530	1,530
Buildings	245	80	1,700	0	0	0
Total	<u>5,642</u>	<u>7,129</u>	<u>11,234</u>	<u>16,995</u>	<u>18,209</u>	<u>17,430</u>

Operating Budget - Wastewater Utility

Substantial completion of the Point Woronzof facility in 1988 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. In 1988, completion of the septic "pumper dump" stations will occur.

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Operating and Non-Operating Revenue	\$21,934,496	\$21,302,650	\$24,940,120*
Operating and Non-Operating Expense	22,996,126	23,528,490	26,484,040
Net Income Regulatory	<u>\$(1,061,630)</u>	<u>\$(2,225,840)</u>	<u>\$(1,543,920)</u>
Less Depreciation of Contributed Plant	2,992,443	3,247,780	3,755,380
Net Income for Governmental Financial Reporting	<u>\$(4,054,073)</u>	<u>\$(5,473,620)</u>	<u>\$(5,299,300)</u>

*Includes 24.31% rate change - see Wastewater Capital Budget Page.

<u>Personnel</u>	Combined Water and Wastewater	337	330	312
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Capital Budget - Wastewater Utility

Expansion of the Point Woronzof Treatment Plant will continue during 1988 construction. This project will increase capacity from 22 MGD to more than 58 MGD. The construction phase of the Eagle River Treatment Plant expansion will be started in 1988. This \$18.9 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 Truck construction (1,250,000) has been delayed until 1991. Middle Fish Creek construction has been scheduled in two phases. Phase I in 1989 (\$1M) and Phase II in 1990 (\$1M).

Capital Budget and Program - (\$000)
1988-1993

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Treatment	1,700	1,600	500	1,440	7,800	0
Public Stations-Force Mains	671	0	1,455	0	1,380	4,170
Trunks and Interceptors	1,106	230	1,259	2,416	3,711	11,306
Laterals	1,250	1,400	1,400	3,835	3,500	4,000
Repair-Rehabilitation	1,099	4,254	5,169	4,641	1,217	1,343
New Equipment	1,115	895	1,130	1,128	1,128	1,128
Buildings	120	15	750	35	0	15
Total	\$7,061	\$8,394	\$11,663	\$13,495	\$18,736	\$21,962

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

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Water	9.6%-\$1.88	31.6%-\$6.77	0%-\$0	7.9%-\$2.24	8.8%-\$2.71	8.3%-\$2.76
Wastewater	24.3%-\$3.85	11.5%-\$2.26	0%-\$0	11.2%-\$2.45	8.3%-\$2.02	7.5%-\$1.98

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 of the generating capacity of a new Eklutna hydroelectric power project. Since then, beginning in 1962, ML&P has installed seven combustion turbine generating units fired by natural gas and one waste-heat turbine generating unit.

Operating Budget - Electric Utility

Municipal Light and Power's 1988 Operating Budget is projected to decrease slightly when compared to 1987. Increases in fixed expenses, such as depreciation and MUSA, are offset by projected decreases in labor and benefits. These decreases reflect the general economy.

	<u>1986 Actual</u>	<u>1987 Pro Forma</u>	<u>1988 Budget</u>
Operating and Non-Operating Revenue	\$67,083,319	\$63,761,764	\$67,033,000*
Operating and Non-Operating Expense	68,614,171	66,358,000	65,517,000
Net Income Regulatory	<u>\$(1,028,280)</u>	<u>\$(1,936,236)</u>	<u>\$ 1,516,000</u>
Less Depreciation of Contributed Plant	(251,286)	(330,000)	(330,000)
Add Interest Income Restricted for Bond Construction	1,108,932	600,000	350,000
Net Income Governmental Financial Reporting	<u><u>\$(170,634)**</u></u>	<u><u>\$(1,666,236)</u></u>	<u><u>\$ 1,536,000</u></u>

* Includes 11.6% rate increase January 1, 1988.

**Does not include \$19.7 million loss due to early extinguishment of debt.

<u>Personnel</u>	213	231	238
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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 number shown are for appropriation purposes and are consistent with a low growth forecast.

Capital Budget and Program - (000)
1988-1993

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Production	\$ 2,739	\$ 3,880	\$ 5,000	\$ 6,051	\$ 2,634	\$ 3,265
Transmission	100	1,000	120	120	140	140
Distribution	6,451	8,133	6,555	4,430	6,890	4,510
General Plant	3,170	3,165	1,618	1,744	1,664	2,348
Total	<u>\$12,460</u>	<u>\$16,178</u>	<u>\$13,293</u>	<u>\$12,345</u>	<u>\$11,328</u>	<u>\$10,263</u>

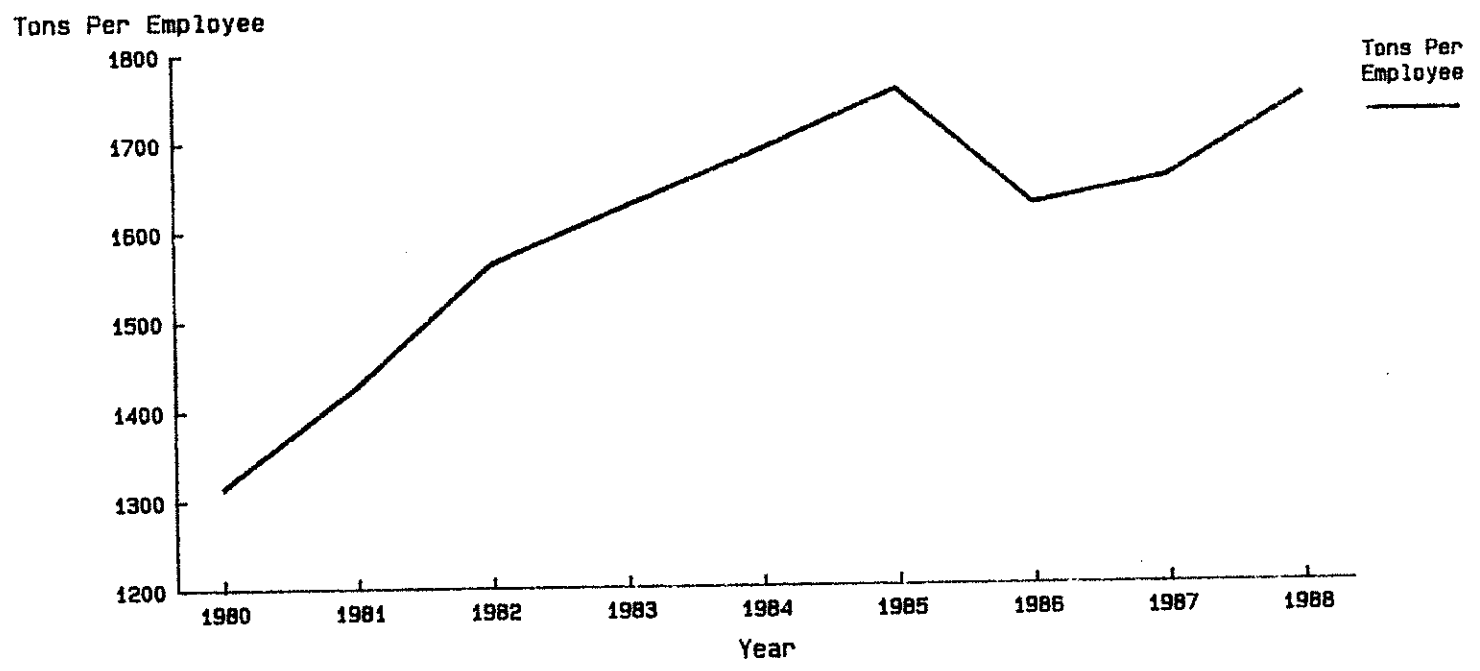
SOLID WASTE SERVICES

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 weekly 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 weekly to twice daily. The Solid Waste Disposal Utility is responsible for providing solid waste disposal facilities on an areawide basis. The new Anchorage Regional Landfill will open this fall. Current facilities include the Merrill Field Landfill, the Peters Creek Landfill, and the Girdwood Transfer Facility. Fiscal year 1987 marked 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 the Municipal Refuse Collection Utility 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 - 1988



Operating Budget - Refuse Collection

The Refuse Collection Operating Budget is projected to increase by 8 percent in 1988. The entire 8 percent is a result of the increased cost of solid waste disposal.

	<u>1986 Actual</u>	<u>1987 Pro-Forma</u>	<u>1988 Budget</u>
Operating and Non-Operating Revenue	\$5,947,900	\$5,914,700	\$6,350,600*
Operating and Non-Operating Expense	5,039,800	5,416,100	5,829,100
Net Income	<u>\$ 908,100</u>	<u>\$ 498,600</u>	<u>\$ 521,500</u>

*Includes 1-1-88 user fee increase.

<u>Personnel</u>	28FT 2T	28FT 2T	26FT 3T
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Capital Budget - Refuse Collection

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. All capital acquisitions will be funded from operating revenue.

<u>Capital Budget and Program 1988-1993</u>						
<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Equipment	<u>\$576,000</u>	<u>\$535,000</u>	<u>\$533,000</u>	<u>\$886,000</u>	<u>\$715,000</u>	<u>\$570,000</u>

User Fees

A rate increase of 15 percent is planned to be effective January 1, 1988. This is primarily a result of increased costs of solid waste disposal.

SOLID WASTE DISPOSAL

The Merrill Field and Peters Creek landfills will be closed in late 1987, and will be replaced by the new Anchorage Regional Landfill located on Ft. Richardson. The Municipal Shredder was closed for modification in December 1986 and will be reopened in 1987 as a waste transfer facility. The new facilities will reflect the current technology in environmental protection and facility operations. Solid Waste Disposal will continue its lead role in litter reduction through enforcement of the covered load ordinance and participation in spring clean-up. Hazardous waste collection and disposal will begin on a full-year basis with the opening of the hazardous waste transfer and storage facility in late 1988.

Operating Budget - Solid Waste Disposal

Solid Waste Disposal expenditures are expected to increase by 44 percent in 1988. Approximately 37 percent is due to the opening of the Anchorage Regional Landfill and Central Transfer Station. The other 7 percent is due to implementation of the hazardous waste management plan.

	<u>1986 Actual</u>	<u>1987 Pro-Forma</u>	<u>1988 Budget</u>
Operating and Non-Operating Revenue	\$ 6,115,000	\$8,107,800	\$9,243,300
Operating and Non-Operating Expense	7,671,700	6,924,600	9,944,900
Net Income Regulatory	<u><u>\$(1,556,700)</u></u>	<u><u>\$1,183,200</u></u>	<u><u>\$ (701,600)</u></u>

Personnel

40FT 10T	40FT 10T	34FT 11T
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Capital Budget - Solid Waste Disposal

Capital expenditures planned for 1988 consist of \$865,000 to extend the liner-leachate system at the Anchorage Regional Landfill and \$31,000 for equipment replacement. Funding will come from operational sources.

<u>Category</u>	<u>Capital Improvement Program</u>					
	<u>1988-1993</u>					
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Improvements	\$ 865	\$ 891	\$1,068	\$ 945	\$ 974	\$1,003
Equipment	31	336	545	460	595	1,304
Total	<u>\$ 896</u>	<u>\$1,227</u>	<u>\$1,613</u>	<u>\$1,405</u>	<u>\$1,569</u>	<u>\$2,307</u>

User Fees

The user fees for Solid Waste 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 \$5 is paid by these users. 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 \$33/ton to \$39/ton is scheduled for January 1988 and an increase to \$45 in January 1989. In addition, a surcharge of \$2 per ton is proposed for September 1988 to help fund the hazardous waste program.

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 1.53 million tons of various commodities are expected to cross the docks in 1987.

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 which have been funded thus far include purchase of a new Mitsubishi 40-ton container crane to facilitate Sea-Land, Inc. operations. Dock modifications and renovation of two other container cranes are in progress. Anticipated projects to be funded in late 1987 and 1988 include portions of the Ship Creek Landing development. The current economic climate has necessitated rescheduling of the Intermodal Yard and Land Development projects until the early 1990's.

Operating Budget - Port

The tonnage totals for 1988 are projected to increase very slightly over those of 1987 and increase an average of 1% each year thereafter. A 1.5% increase in operating revenue is anticipated due to the slight tonnage increase, tariff changes with respect to cruise vessels and redesignation of revenues from one of the container cranes upon retirement of debt service requirements. Controllable operating expenses, excluding intragovernmental charges and depreciation expense, are expected to increase only .3% over the 1987 pro forma. Non-operating revenue is anticipated to decrease 15% in 1988 resulting from lower interest rates and funding of capital projects.

	<u>1986 Actual</u>	<u>1987 Pro-Forma</u>	<u>1988 Proposed</u>
Operating and Non-Operating Revenue	\$7,843,556	\$7,144,000	\$6,794,000
Operating and Non-Operating Expense	5,432,231	6,032,000	5,922,000
Net Income Regulatory	<u>\$2,411,325</u>	<u>\$1,112,000</u>	<u>\$ 872,000</u>
Less Depreciation of Contributed Plant	484,094	591,000	667,000
Net Income for Governmental Financial Reporting	<u>\$1,927,231</u>	<u>\$ 521,000</u>	<u>\$ 205,000</u>
<u>Personnel</u>	19FT	19FT	19FT

Capital Budget - Port

Development of the initial 10-acre pad at Ship Creek will be completed by mid 1988 providing greater access to Cook Inlet for public recreation activities and commercial marine enterprises. The design and engineering for a multipurpose dock and related facilities, at the Ship Creek site, will commence in 1988. The multipurpose dock should be in operation by 1990. Intermodal yard design and Tidewater Road improvements are other projects scheduled for 1988.

Capital Budget and Program - (000)
1988-1993

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Terminal Development	\$ 500	\$	\$	\$3,500	\$	\$
Land Development	5,200			300	5,000	4,000
Harbor Development	1,000	3,500	3,000			
Repair and Rehabilitation	500					
New Equipment	100					
Total	<u>\$7,300</u>	<u>\$3,500</u>	<u>\$3,000</u>	<u>\$3,800</u>	<u>\$5,000</u>	<u>\$4,000</u>

MERRILL FIELD AIRPORT

Merrill Field Airport has continually served Anchorage since 1931. Our airport was the 33rd busiest controlled airfield in the nation with 301,258 operations recorded in Federal Year 1986. (Anchorage International Airport ranked 59th 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 1,000 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 continues to increase, despite the general economic condition, due primarily to the income we receive from properties recently acquired on Orca Street. Total expenses have increased due primarily to substantial increases in depreciation of non-contributed plant, public utility costs and maintenance expenses. As a result of these factors, net income regulatory, while lower than projected for 1987, will be higher than that experienced in 1986.

	<u>1986 Actual</u>	<u>1987 Pro-Forma</u>	<u>1988 Budget</u>
Operating and Non-Operating Revenue	\$ 781,000	\$ 850,000	\$1,113,000
Operating and Non-Operating Expense	691,000	701,000	1,013,000
Net Income Regulatory	90,000	149,000	100,000
Less Depreciation Contributed Plant	266,000	282,000	607,000
Net Income (Loss) For Governmental Financial Reporting	\$(176,000)	\$(133,000)	\$ (507,000)
<u>Personnel</u>	9FT	8FT	9FT*

*Increase is FAA grant funded.

Capital Budget - Airport*

The Federal Aviation Administration Airport Improvement Program will continue to be a principal source of capital funding for Merrill Field in 1988. Funding from this grant program will be approximately \$2.1 million for 1988. Proposed funding for the construction of the Public Aviation Facility is \$2 million in local general obligation bonds and a matching \$2 million state grant. The debt service and operation and maintenance costs are expected to be paid from revenues derived from the facility and other airport lands, buildings, and concessionaire fees. Airport tiedown fees are not anticipated to be increased because of the bond issue.

Capital Budget and Program - (000)
1988-1993

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Apron Improvements	\$ 500	\$ 0	\$1,200	\$1,200	\$ 0	\$ 800
Runways-Taxiways	1,275	0	700	0	1,200	0
Buildings & Equipment	4,056	0	0	100	0	0
Project Plan-Design Costs	100	0	0	0	0	0
Road Improvements	0	900	0	0	400	0
Land Acquisition	500	0	0	0	0	0
Total	<u>\$6,431</u>	<u>\$ 900</u>	<u>\$1,900</u>	<u>\$1,300</u>	<u>\$1,600</u>	<u>\$ 800</u>

*This section was prepared before the 1987 airport bond ballot failed.