

# **BUDGET OVERVIEW**

*Approved*  
1989 ~~Proposed~~ Public Utilities Operating and Capital Budgets

Overview

Introduction

The transition year of 1988 has afforded the Municipal Utilities the opportunity to review, re-think, re-plan and position for the challenges to be faced in 1989 and beyond. Programs, priorities and organizational structures have all undergone scrutiny and adjustment in an attempt to effect cost containment and thereby hold rate increases to a minimum, while not adversely impacting service levels.

As reflected in the financial plans contained herein, the Utilities *WPA* enter 1989 with more clear direction and more precise benchmarks for executing their operating and capital plans. Major rate proceedings for ATU and ML&P before the Alaska Public Utilities Commission ~~will be complete by the close of 1988,~~ <sup>will</sup> providing more stable revenue forecasts and regulatory guidance. Staffing levels <sup>can</sup> be adjusted during 1989 to more properly reflect our needs. The attributes of the Anchorage economy can be more readily quantified and their impact on the utilities more readily measured and applied.

As presented, the Utility financial plans for 1989 incorporate a thoughtful assessment of customer needs, analysis of external factors which affect each utility and guidance which furthers the stated goals of the Administration. Operating budgets are rate-payer oriented and provide for acceptable levels of service at the lowest possible rates. Capital programs are structured to minimize major plant additions and acquisitions and thereby reduce the requirement for new debt. The minimum acceptable levels of facility maintenance and required enhancements have been included in the capital programs.

*Approved*  
The ~~Proposed~~ 1989 <sup>1</sup> Utility Operating and Capital Budgets provide for balanced and efficient programs while maintaining the financial stability of the operating entities.

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**UTILITY**  
**GOALS AND OBJECTIVES**

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- 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 service.
- 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.

## HOW TO USE THIS BUDGET DOCUMENT

This budget document is designed to provide concise and readable information about the 1989 Budget for Public Utilities. It summarizes anticipated revenues and expenses and displays the major business plans and capital programs for 1989 which forecasts for years 1990-1994.

The document is divided by utility, with each having nine major sections:

- **Business Plans** highlight the utility's mission, goals, objectives and planning assumptions.
- \* - **1989 Budget Assumptions** include benefit rates, inflation factors, interest rates, and intragovernmental charges used in the financial statements.
- **Resource and Workforce Impacts** are forecast for a six-year period. Performance trends and key ratios indicate the utility's performance.
- \* - **Reconciliations** summarize major programmatic and functional changes from the 1988 revised budget to the 1989 proposed budget.
- \* - **Projected Rate Adjustments** forecast rates for five years with major reasons for those adjustments.
- **Current Year Operating Budgets** summarize anticipated revenues and expenses for 1989 with pro forma comparisons for 1988 and actual data for 1987. Statement of Changes in Fund Equity, Statement of Sources and Uses of Cash, Debt Service Coverage and Net Profit Margin are also included.
- \* - **Annual Operating Budget Expense Comparisons** summarize changes in operating budget expenses such as personnel, professional services, travel, and other expense categories.
- **Current Year Capital Improvement Budgets** summarize projects by category and funding source followed by a detailed report of individual projects.
- **Long-Range Capital Improvement Programs** summarize projects for 1990-94. Details of individual projects give a long-range perspective of capital requirements.

A separate document, the 1989 Fiscal Trends Report, also has information pertaining to Public Utilities.

\*New budget sections added in 1989 to provide more management information and assist in budget review.

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ANNUAL UTILITY OPERATING BUDGET COMPARISON  
(in thousands)

	1988 Approved Budget	1988 Revised Budget	1989 Proposed Budget
Anchorage Telephone Utility	\$100,941	\$ 96,852	\$ 99,091 <del>99,001</del>
Municipal Light and Power	65,847	<del>70,551</del> 70,836	71,329 70,949
Anchorage Water Utility	24,840	23,599	28,853 28,915
Anchorage Wastewater Utility	29,473	25,580	26,327 26,379
Refuse Collection	5,829	5,306	5,634
Solid Waste Disposal	10,111	8,336	10,429
Port of Anchorage	6,589	5,814	6,037
Merrill Field Airport	1,620	1,498	1,700
Total	\$245,250	<del>\$237,821</del> 237,536	<del>\$249,310</del> 249,134

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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	1989	1990	1991	1992	1993	1994
Anchorage Telephone Utility	\$10.02 <sup>2</sup>	33%-\$13.34	0	25%-\$16.68	0	25%	0
Municipal Light and Power	\$38.64 <sup>10</sup>	7.94% <sup>0</sup> - \$43.69	0	1.5% <sup>0</sup>	46.8% <sup>0</sup>	0	0
Anchorage Water Utility	\$18.25	36.8%-\$25.00	3.5%-\$25.90			4.5%-\$27.10	0
Anchorage Wastewater Utility	\$18.85	10.5%-\$20.85	0	0	5%-\$21.90		0
<b>Solid Waste Services</b>							
<b>Solid Waste Disposal</b>							
Residential <sup>4</sup>	\$ 5.00	0	0	0	0	0	0
Commercial	\$39.00	15%-\$45.00	0		0	0	0
<b>Refuse Collection</b>							
Residential <sup>4</sup>	\$13.60	5%-\$14.30		5%-\$15.00	0	5%-\$15.75	0
Commercial	\$43.30	5%-\$45.50		5%-\$47.80		5%-\$50.20	0
<b>Hazardous Waste</b>							
Solid Waste Surcharge <sup>5</sup> (per ton rate)	0	0	\$2.00				
<b>Collection Fee<sup>6</sup></b>							
Residential		\$10.00					
Commercial		\$25.00					
<b>Disposal Fee<sup>7</sup></b>							
Commercial		FULL COST					
<b>Port of Anchorage</b>							
Preferential Use Agreements		0	0	0	0	0	0
Port Industrial Park		0	(16.6%)	(1.3%)	0	0	0
<b>Merrill Field</b>							
Lease Access		0	3.4%	3.3%	3.2%	3.1%	3.0%
Transient Parking	\$ 3.00	0	0	0	33.3%	0	0
Permanent Parking - Tail End	\$40.00	0	0	0	11.3%	0	0
- Drive Thru	\$50.00	0	0				

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- <sup>1</sup>The projected rate increases are estimates. Detailed 1989 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. 1989 projected rate increases may not necessarily take effect January 1, 1989.
- <sup>2</sup>This 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 charge.
- <sup>3</sup>The 5% increase planned for January 1989 is a result of increased disposal costs incurred in 1987, 1988 and 1989. The 1989 projected cost for the disposal of collected refuse is \$1,144,000 more than the 1986 cost for the same quantity. This increase alone accounts for a 23% increase in total refuse collection expenditures. Cost reductions in other areas has enabled SMS to limit the projected rate increase to 5%.
- <sup>4</sup>The 5% rate increases for 1991 and 1993 are primarily due to inflationary impacts currently projected at 3% per year.
- <sup>5</sup>The \$2.00 per ton hazardous waste surcharge is projected for January, 1990. It is one of several sources that will be used to fund the hazardous waste program. Other revenue sources include direct user fees and a similar surcharge collected by ANNU.
- <sup>6</sup>The \$10.00 fee will be charged for the pickup of hazardous waste from residential users. The \$25.00 fee will be charged to all commercial users of the pickup service. These fees were recommended by the Hazardous Waste Task Force as part of the Hazardous Waste Plan adopted by the Assembly in 1986.
- <sup>7</sup>Conditionally exempt small quantity generators will be charged the full cost for transfer and disposal of hazardous wastes.
- <sup>8</sup>Agreements are negotiated every five years to reflect changes in Port operations/maintenance costs and capital improvement expenditures. Rates are expected to remain the same or decline slightly due to current economic conditions and decrease in general cargo tonnage.
- <sup>9</sup>The 15% increase was approved in March of 1987 for implementation in January 1989. It is the final step of a three step increase necessary to fund the new Anchorage Regional Landfill and Central Transfer Facility.
10. Based on residential customer usage of 500 KWH/month, including cost of power adjustments for December 1988 and a permanent rate increase of 7.94% across the board effective 11/3/88. An additional rate increase of 6.2% is being considered for the last six months of 1989.

**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>	<u>1994</u>
Anchorage Telephone Utility	1,007	837	732	<del>700</del> <sup>696</sup>	<del>700</del> <sup>681</sup>	<del>700</del> <sup>681</sup>	<del>700</del> <sup>681</sup>	<del>700</del> <sup>681</sup>
Municipal Light and Power	231	215 <sup>1</sup>	219	221	223	225	228	230
Anchorage Water and Wastewater Utility	330	312	285	285	286	286	287	287
Solid Waste Services	106	93	93	93	93	93	93	93
Port of Anchorage	19	19	19	20	21	21	21	21
Merrill Field Airport	14	15	15	15	16	16	17	17
Total	<u>1,707</u>	<u>1,491</u>	<u>1,363</u>	<u>1,334</u> 1,330	<u>1,339</u> 1,320	<u>1,341</u> 1,322	<u>1,346</u> 1,327	<u>1,348</u> 1,329

<sup>1</sup> Includes 21 NECA summer temporaries in years 1988 through 1994.

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ANCHORAGE  
PUBLIC UTILITIES

1989 Operating Budget Summary  
(in thousands)

	Anchorage Telephone Utility	Municipal Light & Power	Anchorage Water Utility Wastewater Utility		Solid Waste Services Refuse Collection Solid Waste Disposal	Port of Anchorage	Merrill Field Airport	
Operating Revenue	\$100,363	\$67,742	\$24,499	\$20,837	\$5,139	\$ 9,954	\$4,700	\$1,081
Non-Operating Revenue <sup>a</sup>	2,300	3,501	1,518	2,140	199	551	1,979	23
Total Revenues	\$102,663	\$71,243	\$26,017	\$22,977	\$5,338	\$10,505	\$6,679	\$1,104
Operating Expenses	\$ 86,930	\$53,883	\$16,687	\$16,477	\$5,417	\$ 8,089	\$3,665	\$1,056
Non-Operating Expenses <sup>b</sup>	12,071	17,446	8,074	5,875	217	2,222	1,891	38
Total Expenses	\$ 99,001	\$71,329	\$24,761	\$22,352	\$5,634	\$10,311	\$5,556	\$1,094
Net Income Regulatory <sup>d</sup>	\$ 3,662	\$ 294	\$ 1,256	\$ 625	\$ (296)	\$ 194	\$1,123	\$ 10
Adj. for Regulatory		(230) <sup>c</sup>	\$(4,092)	\$(3,975)	0	(118)	(481)	(606)
Net Income GAAP <sup>e</sup>	\$ 3,662	\$ 64	\$(2,836)	\$(3,350)	\$ (296)	\$ 76	\$ 642	\$ (596)

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

<sup>b</sup> Non-Operating Expense is an expense incurred not directly related to the operation of the Utility, principally interest on debt.

<sup>c</sup> For regulated reporting purposes, Municipal Light and Power is required by its bond ordinance to restrict interest earnings on bond construction funds for construction purposes. ~~the~~ <sup>the</sup> ~~(230,000)~~ is difference between interest income \$150,000 and depreciation on contributed plant (\$380,000).

<sup>d</sup> 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.

<sup>e</sup> Accounting term meaning Generally Accepted Accounting Principles.

## 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 114,700 business and residential access lines on the average for 1987.

In the telephone industry, ATU is ranked 22nd in the number of access lines according to comparative statistics for 1987 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 such as 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.

ATU is responding aggressively to these challenges and has implemented a plan to adjust to this transition period. Material and supply purchases continue to be critically reviewed. Workforce levels have been reduced from 865 in 1987 to 837 total positions in 1988. In addition to reducing expenses, ATU is seeking alternative sources of revenue.

	1987 <u>Actual</u>	1988 <u>Pro Forma</u>	1989 <u>Budget</u>
Operating and Non-Operating Revenue	\$104,632,590	\$ 96,945,000	\$102,663,000
Operating and Non-Operating Expense	105,138,038	96,851,917	99,091,032
Net Income (Loss)	<u>\$ (505,448)</u>	<u>\$ 93,083</u>	<u>\$ 3,571,968</u>
Personnel	865	837	732

## 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. ATU is in a maintenance mode instead of construction mode and this has allowed ATU to reduce its capital budget in 1989 to \$9,783,000 a decrease of 56% from 1988.

	1987	1988 Pro Forma	1989	1990	1991	1992	1993	1994
COE	<u>7.5</u>	<u>4.9</u>	<u>3.0</u>	<u>5.0</u>	<u>4.4</u>	<u>5.6</u>	<u>5.2</u>	<u>6.2</u>
OSP	12.6	4.9	2.5	5.8	6.0	6.1	6.4	6.6
BLDG	3.1	2.4	1.0	4.7	3.0	2.5	2.5	2.5
OTHER	14.6	5.0	3.3	4.3	3.4	5.7	3.5	3.5
TOTAL	<u>37.8</u>	<u>17.2</u>	<u>9.8</u>	<u>19.8</u>	<u>16.8</u>	<u>19.9</u>	<u>17.6</u>	<u>18.8</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 38,500 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 43,000 customers during 1989.

Operating Budget - Water Utility

Cost reduction measures begun in 1987 are being carried over into 1989. Budgeted positions are down from 330 in 1987, to 312 in 1988, to 285 in 1989. Completion of the Eklutna Water Project will increase operating costs for labor, supplies, chemicals, depreciation expense, and MUSA. These increases will be mitigated by reductions made in other across-the-board areas of operations.

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Operating and Non-Operating Revenue	\$21,303,585	\$20,322,270	<del>\$28,002,457</del> * 26,017,574
Operating and Non-Operating Expense	20,912,524	20,605,840	<del>26,746,440</del> 24,822,339
Net Income Regulatory	<u>\$ 391,061</u>	<u>\$ (283,570)</u>	<u>\$ 1,256,017</u> 1,195,235
Less Depreciation of Contributed Plant	2,684,025	2,992,680	4,092,320
Net Income for Governmental Financial Reporting	<u>\$(2,292,964)</u>	<u>\$(3,276,250)</u>	<u>\$(2,836,303)</u> <2,897,085>

\*Includes 48% rate change - see Wastewater Capital Budget Page.

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<u>Personnel</u>	Combined Water and Wastewater	330	312	285
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Capital Budget - Water Utility

The Eklutna Water Project was completed in 1988. We have no major projects scheduled for 1989.

A 48" transmission main from Ship Creek to the Reservoirs on Tudor Road, will transport an adequate supply of water to serve projected demands south and west of the Tudor Road Reservoirs and the higher elevation of Muldoon. Preliminary design in 1988 and 1989 of Phases IA, IB, II; final design and construction of Phase IA in 1990; final design of Phase II in 1991 with construction in 1992 of the Eklutna Water Project/South Anchorage Transmission Main is scheduled.

Capital Budget and Program - (\$000)

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Resource Development	0	0	280	150	0	0
Treatment	0	0	0	125	100	100
Distribution Reservoirs	0	300	300	0	400	900
Transmission	966	5,870	2,235	4,275	1,680	3,650
Distribution	500	1,154	260	610	350	350
Upgrade Transmission	0	20	150	0	550	50
Repair-Rehabilitation	688	1,425	1,333	1,294	1,508	1,769
New Equipment	718	1,390	983	1,210	1,240	1,500
Buildings	0	15	0	0	0	0
Total	<u>2,872</u>	<u>10,174</u>	<u>5,261</u>	<u>7,664</u>	<u>5,828</u>	<u>8,319</u>

Operating Budget - Wastewater Utility

Cost reduction measures begun in 1987 are being carried over into 1989. Budgeted positions are down from 330 in 1987, to 312 in 1988, to 285 in 1989. Completion of the Pt. Woronzof Treatment Plant expansion has increased operating costs for depreciation expense and MUSA and the hazardous waste program has added \$350,000 to our costs. These increases will be mitigated by reductions made in other across-the-board areas of operations.

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Operating and Non-Operating Revenue	\$20,871,761	\$21,227,150	<del>\$25,326,903</del> * 22,977,127
Operating and Non-Operating Expense	22,159,951	21,837,220	<del>24,701,790</del> 22,403,970
Net Income Regulatory	<u>\$(1,288,190)</u>	<u>\$ (610,070)</u>	<u>\$ <del>625,113</del> 573,157</u>
Less Depreciation of Contributed Plant	3,275,267	3,743,050	3,975,070
Net Income for Governmental Financial Reporting	<u>\$(4,563,457)</u>	<u>\$(4,353,120)</u>	<u>\$(<del>3,349,957</del>) &lt; 3,401,913 &gt;</u>

\*Includes 24% rate change - see Wastewater Capital Budget Page.

<u>Personnel</u>	Combined Water and Wastewater	330	312	285
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Capital Budget - Wastewater Utility

The construction phase of the Eagle River Treatment Plant expansion will begin in 1988. This project will satisfy the wastewater treatment requirements of the Eagle River, Chugiak, and Eklutna communities through the year 2005. The Eagle River-Chugiak-Eklutna Wastewater Facilities Plan projected an increase from the 1983 served population of 4,150 to 43,050 in the year 2005. The existing Eagle River WWTF has insufficient capacity to satisfy the current needs of Eagle River. The 1983 Facilities Plan recommended expansion of the plant in 1986 to satisfy the treatment needs of Eagle River, Chugiak and Eklutna through the year 2005. This project has been divided into two phases, one of which will constitute an expansion of the existing treatment facility to accommodate anticipated wastewater flows until the year 1996. A second phase expansion will occur in the year 1996 to accommodate projected wastewater flows until the year 2005. The option of treating additional wastewater flows beyond the year 1996 at a new additional treatment facility or pumping the excess sewage to the Pt. Woronzof WWTF will be considered prior to proceeding with the Phase II expansion. If the project is not completed in the budget year, growth in the service areas would be inhibited and failing septic systems could create a health hazard. Life expectancy of the buildings is 50 years; process equipment - 20 years. Cost of construction for this project is \$20,579,500 with construction costs (including inspection, etc.) \$14,444,300.

Construction of the C-5-7 Sanitary Sewer Trunk will begin in 1989 with completion scheduled for 1990. The existing trunk is badly deteriorated asbestos cement line characterized by infiltration, joint displacement and separation, protruding gaskets and service connections, differential settlement, cracks and breaks, and frost jacked manholes.

Middle Fish Creek Truck rehabilitation has been delayed until 1991 and 1993.

The C-5 Campbell Creek Truck Reline construction will begin in 1989 for \$4.4 million and will continue in 1990 for \$2.4 million. This facility parallels the north side of Campbell Creek from the ARR to Campbell Lake, parallels the north shore of the lake and crosses the lake to the Campbell Creek Pump Station. The existing CMP is badly deteriorated in places which allows a high amount of infiltration into the system.

The design of the Hiland Drive Pump Station, Force Main, and Interceptor will begin in 1989 with construction of the force main in 1991, the pump station in 1990 and the interceptor in 1991. These projects will provide service to the South side of Eagle River, east of the Glenn Highway.

The GA-2-2/GA-2-3 Trunks along with the GA-2-4 Force Main and Pump Station will be constructed in 1989 and will provide sanitary sewer service to the Old Girdwood Townsite.



Capital Budget and Program - (\$000)  
1989-1994

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Treatment	\$ 0	\$ 560	\$ 2,900	\$ 8,040	\$ 700	\$ 0
Pump Stations-Force Mains	488	900	555	0	0	0
Trunks and Interceptors	97	185	1,888	1,036	4,352	7,247
Laterals	200	1,219	0	0	0	0
Repair-Rehabilitation	6,820	3,114	1,865	459	2,802	1,621
New Equipment	425	894	590	890	1,098	1,348
Buildings	0	15	0	35	0	15
<b>Total</b>	<b>\$8,030</b>	<b>\$ 6,887</b>	<b>\$ 7,798</b>	<b>\$10,460</b>	<b>\$ 8,952</b>	<b>\$10,231</b>

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

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Water	<i>36.8% - \$6.70</i> 48%-\$8.80	7.5%-\$2.05	0	0	4.5%-\$1.30	0
Wastewater	<i>10.5% - 2.00</i> 24%-\$4.55	0.0%-\$0	0	5.0%-\$1.20	0	0

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 1989 Operating Budget is projected to decrease slightly when compared to 1988. Increases in fuel cost for production, MUSA and depreciation are offset by the reduction in sales for resale.

	1987 <u>Actual</u>	1988 <u>Pro Forma</u>	1989 <u>Budget</u>
Operating and Non-Operating Revenue	\$65,207,310	70,194,000 <del>\$69,864,000</del>	69,783,000 <del>\$71,243,000*</del>
Operating and Non-Operating Expense	66,784,613	70,287,000 70,551,000	70,949,000 69,494,000
Net Income Regulatory	<u>\$(1,577,303)</u>	<u>\$ (423,000)</u>	<u>\$ 1,749,000</u>
Less Depreciation of Contributed Plant	(367,604)	(330,000)	(380,000)
Add Interest Income Restricted for Bond Construction	782,124	540,000	150,000
Net Income Governmental Financial Reporting	<u><u>\$(1,162,783)**</u></u>	<u><u>\$ (213,000)</u></u>	<u><u>\$ 1,519,000</u></u>
		<147,000>	<1,461,000>

\* Includes interim rate increase of 6.41% effective January 1988  
\*\*Does not include \$1.5 million gain due to early extinguishment of debt.

<u>Personnel</u>	213	215	219
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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 current oil prices, and shows a continuing maintenance level for construction activity.

The number shown are for appropriation purposes and are consistent with a low growth forecast.

Capital Budget and Program - (000)  
1989-1994

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Production	\$ 4,414	\$ 6,897	\$ 6,994	\$ 6,782	\$ 4,078	\$ 5,091
Transmission	4,400	120	120	740	440	140
Distribution	5,744	4,740	6,249	6,240	7,055	6,870
General Plant	3,355	2,223	1,690	1,575	1,566	2,212
Total	<u>\$17,913</u>	<u>\$13,980</u>	<u>\$15,053</u>	<u>\$15,337</u>	<u>\$13,139</u>	<u>\$14,313</u>

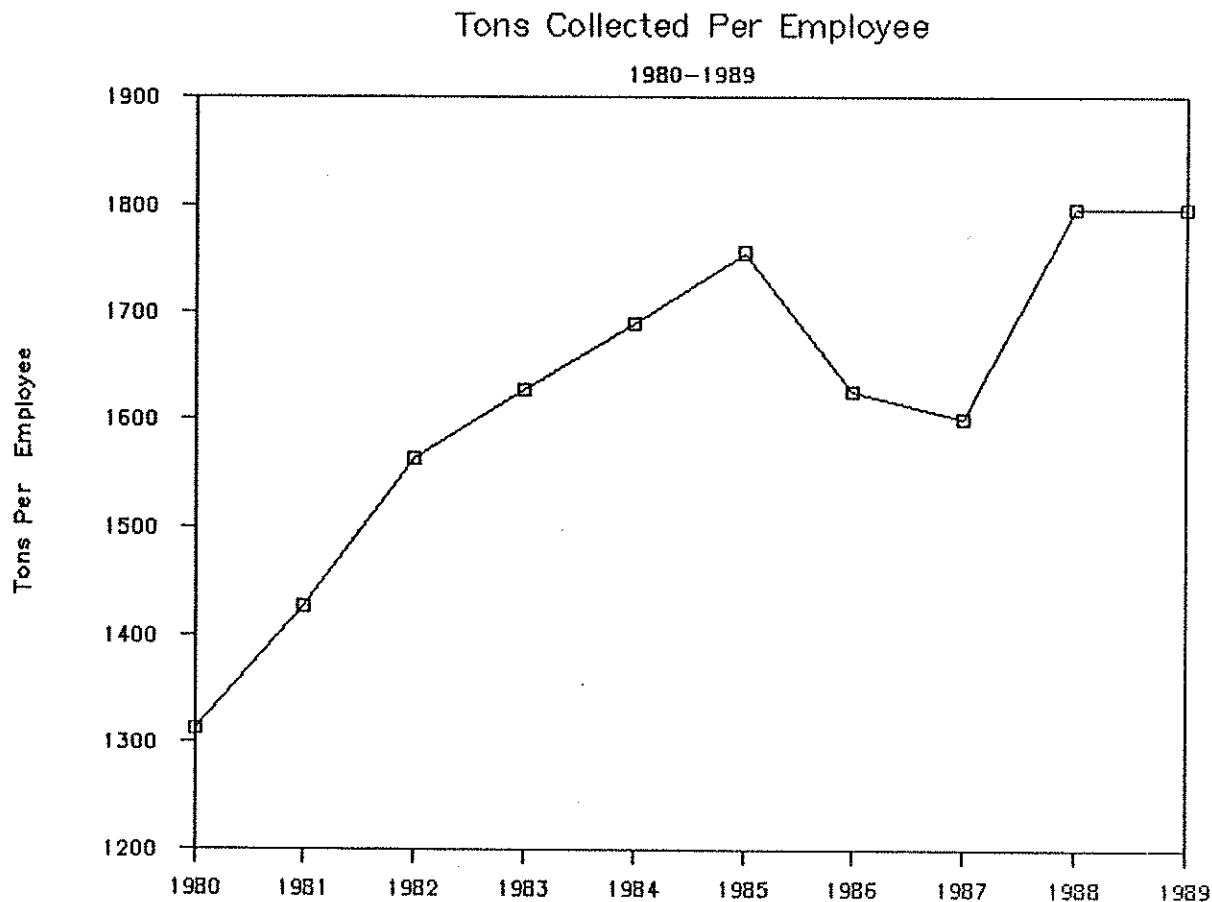
## SOLID WASTE SERVICES

Solid Waste Services is comprised of two separate 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 services on an areawide basis. Facilities operated by the Solid Waste Disposal Utility include the new Anchorage Regional Landfill that will serve Anchorage's garbage disposal needs for the next 40 years; the Girdwood Transfer Station and the Central Transfer Station. Materials for recycling such as newsprint, glass and aluminum are also received at all three facilities. Beginning in 1989, household hazardous wastes will also be received at the Central Transfer Station and Hazardous Waste Collection Storage Facility site at the Anchorage Regional Landfill.

## REFUSE COLLECTION UTILITY

The geographic service area for the Municipal Refuse Collection Utility which is regulated by the Alaska Public Utility Commission and has remained constant since 1972. Because of this, the number of billed customers has changed very little since 1980. However, during this same time period the quantity of waste collected by the Refuse Utility has increased. The challenge to the Utility has been to find ways to more efficiently collect the increasing quantity of refuse generated by the average customer. Today, fewer employees are used to collect more waste than their predecessors did. This is accomplished by improvements in the collection equipment used and employing improved routing techniques. The following table illustrates the average quantity of garbage collected per employee since 1980. Today, Anchorage ranks among the Nation's best.



Operating Budget - Refuse Collection

The Refuse Collection Operating Budget is projected to increase about 7 percent in 1989. The increase is a result of increased disposal costs incurred in 1987, 1988 and 1989. The 1989 projected cost for the disposal of collected refuse is \$1,144,000 more than the 1986 cost for the same quantity. This increase alone accounts for a 23 percent increase in total refuse collection expenditures. Cost reductions in other areas has enabled Solid Waste Services to limit the projected impact upon the user fee increase required to 10 percent.

	<u>1987 Actual</u>	<u>1988 Pro Forma</u>	<u>1989 Budget</u>
Operating and Non-Operating Revenue	\$5,491,750	\$5,336,200	\$5,729,900*
Operating and Non-Operating Expense	<u>5,578,785</u>	<u>5,305,700</u>	<u>5,672,400</u>
Net Income	<u>\$ (87,035)</u>	<u>\$ 30,500</u>	<u>\$ 57,500</u>

\*Includes 1/1/89 user fee increase.

<u>Personnel</u>	28FT/2T	24FT/1STC	24FT/1STC
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Capital Budget - Refuse Collection

Refuse Collections' Capital Improvement Program reflects the scheduled replacement of refuse equipment, the continued retrofiting of refuse containers with lightweight plastic lids and the purchase of computer hardware and software. All capital acquisitions will be funded from operating revenue.

Capital Budget and Program  
1989-1994

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Equipment	<u>\$ 61,000</u>	<u>\$330,000</u>	<u>\$595,000</u>	<u>\$478,009</u>	<u>\$509,000</u>	<u>\$366,000</u>

User Fees

A rate increase of 10 percent is planned to be effective January 1, 1989. This is primarily a result of increased costs of solid waste disposal.

## SOLID WASTE DISPOSAL UTILITY

The Solid Waste Disposal Utility serves the waste disposal needs of all municipal citizens. Garbage received from residents and commercial haulers at the transfer stations is transported to the Anchorage Regional Landfill where it is disposed of in a state-of-the-art facility designed and operated to comply with all local, state, and federal environmental regulations. Additionally the Utility participates in providing recycling services and new for 1989, operation of the Hazardous Waste Disposal Program. The Utility also will continue its lead role in litter reduction through enforcement of the covered load ordinance and participation in the Spring Cleanup Program.

### Operating Budget - Solid Waste Disposal

Solid Waste Disposal expenditures are projected to increase by 19 percent in 1989. The increases are due to the full year operational expense (\$982,700) associated with the hazardous waste program, increased debt service (\$200,100) from the revenue bond sale to fund expansion of the Anchorage Regional Landfill, and an increase (\$355,000) associated with complying with the regulatory requirements for groundwater and methane gas monitoring of the current and past landfills. To help offset some of the impact associated with these increases, significant personnel reductions were made during 1988.

	<u>1987 Actual</u>	<u>1988 Pro Forma</u>	<u>1989 Budget</u>
Operating and Non-Operating Revenue	\$7,587,231	\$8,758,300	\$10,907,700
Operating and Non-Operating Expense	<u>5,950,080</u>	<u>8,335,600</u>	<u>9,956,800</u>
Net Income Regulatory	<u>\$1,737,630</u>	<u>\$ 532,700</u>	<u>\$ 1,068,600</u>
<u>Personnel</u>	40FT/10T	34FT/6T/2STC	34FT/6T/2STC

### Capital Budget - Solid Waste Disposal

Capital expenditures planned for 1989 consist of \$4,482,000 to expand the liner-leachate collection system making room for future waste disposal operations; \$1,500,000 to construct a leachate treatment facility at the Anchorage Regional Landfill; \$1,300,000 for the design and implementation of environmentally sound closure plans for current and previously operated landfills; and \$114,000 for equipment replacement. Funding will come from operational sources and revenue bonds.

Capital Improvement Program  
1989-1994

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Improvements	\$7,282	\$ 918	\$1,845	\$ 974	\$1,003	\$2,016
Equipment	<u>114</u>	<u>686</u>	<u>515</u>	<u>1,001</u>	<u>1,030</u>	<u>1,005</u>
Total	\$7,396	\$1,604	\$2,360	\$1,975	\$2,033	\$3,021

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 \$39/ton to \$45/ton has been approved for implementation in January 1989. In addition, a surcharge of \$2/ton is proposed for implementation in November 1988 to fund the hazardous waste program.



## Port of Anchorage

The Port of Anchorage began operations in September, 1961. 38,000 tons of marine cargo moved across its single berth during that first year. The Port has since expanded to a four-berth terminal providing facilities for the movement of containerized freight, iron and steel products, wood products, bulk petroleum and cement. Approximately 1.75 million tons of various commodities are expected to cross the docks in 1988.

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, barges on-load petroleum products for western Alaska 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.

The Port is one of the lead action agencies for the Municipality's economic development/recovery program. Early in 1988, a contract was negotiated for the lease of the Transit Shed and 6 acres of the South Transit Area. This lease provided incentives to initiate modular construction at the Port. There is an increased emphasis on land development to promote new marine related industry. The modified Phase II of the Ship Creek Waterfront Development project was increased by approximately 5 acres to accommodate future commercial/industrial uses. Also, property expansion to the north and east of existing Port facilities is being negotiated with state and federal agencies. This would fulfil future acreage requirements anticipated by major carriers located at the Port. Upper Cook Inlet fishermen are being encouraged to utilize Anchorage as terminal point for off-loading their catches. A marine receiving area with a sheet pile dock is being constructed at Ship Creek to accommodate this activity. The Port is currently participating in regional efforts to develop industries in southcentral and western Alaska ports which have traditionally been associated with west coast ports.

### Operating Budget - Port

The tonnage totals for 1989 are projected to increase slightly over those of 1988. This is primarily the result of increased petroleum tonnage. A 1% increase in operating revenue is anticipated due to the slight tonnage increase and 3 new rental/lease agreements developed in 1988. Controllable operating expenses, excluding intragovernmental charges and depreciation expense, are expected to decrease 3% over the 1988 proforma. Non-operating revenue is anticipated to decrease 10.5% in 1989 resulting from the funding of capital projects.

	1987 <u>Actual</u>	1988 <u>Pro-Forma</u>	1989 <u>Proposed</u>
Operating and non-operating revenue	\$7,644,004	\$6,872,000	\$6,679,000
Operating and non-operating expense	<u>6,574,122*</u>	<u>5,814,000</u>	<u>5,666,000</u>
Net Income for Government Financial Reporting	1,069,882	1,058,000	1,013,000
Depreciation contributed plant	<u>484,095</u>	<u>484,000</u>	<u>481,000</u>
Net Income Regulatory	\$1,553,977	\$1,542,000	\$1,494,000

\*Includes Extraordinary Expense of \$403,041 on Early Extinguishment of Debt

<u>Personnel</u>	19 FT	17FT 2PT	19 FT
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Capital Budget - Port

Development of the initial 14 acre pad at Ship Creek will be completed in 1988 to facilitate greater access to Cook Inlet for public recreation activities and commercial marine enterprises. The design and engineering for the multipurpose dock will begin in 1988 with initial construction anticipated for 1989. The multipurpose dock should be in operation in late 1990 or early 1991. A major dock pile renovation project may be required in 1989. The extent of this project will be determined by the results of a pile weld inspection study undertaken in 1988. An upgrade of either Terminal Road or Tidewater Road and land development are other projects scheduled for 1989.

Capital Budget and Program - (000)  
1989 - 1994

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Terminal Development	\$ 1,550	\$	\$		\$3,500	
Land Development	4,250	2,000		1,500		
Harbor Development	3,500	3,000	1,000			1,000
Repair & Rehabilitation	1,231					
New Equipment	65	100				
	<u>\$10,596</u>	<u>\$5,100</u>	<u>\$1,000</u>	<u>\$1,500</u>	<u>\$3,500</u>	<u>\$1,000</u>

## MERRILL FIELD AIRPORT

Merrill Field has continuously served Anchorage since 1931. Our airport was the 38th busiest controlled airfield in the nation with 280,546 operations recorded in Federal Year 1987. (Anchorage International Airport ranked 73rd 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 those properties recently acquired on Orca Street. 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 previous years, will be sufficient to maintain a viable financial position in 1989.

	1987 <u>Actual</u>	1988 <u>Pro-Forma</u>	1989 <u>Budget</u>
Operating and Non-Operating Revenue	\$927,000	\$1,042,000	\$1,104,000
Operating and Non-Operating Expense	759,000	940,000	1,094,000
Net Income Regulatory	168,000	102,000	10,000
Less Depreciation Contributed Plant	288,000	558,000	606,000
Net Income (Loss) For Governmental Financial Reporting	\$(120,000)	\$(456,000)	\$(596,000)

### Personnel

8FT                      9FT                      9FT

Capital Budget - Airport

The Federal Aviation Administration Airport Improvement Program will continue to be a principal source of capital funding for Merrill Field in 1989. Funding from this grant program will be approximately \$1.7 million for 1989. Proposed funding for the construction of the Public Aviation Facility will be \$3 million state grant and the issuance of \$1 million in revenue bonds. 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 tie-down fees are not anticipated to be increased because of the revenue bonds.

Capital Budget and Program - (000)  
1989-1994

<u>Category</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Apron Improvements	\$ 0	\$ 125	\$ 0	\$ 30	\$1,200	\$ 0
Runways/Taxiways	0	0	700	0	0	1,200
Buildings & Equipment	4,015	0	0	0	100	0
Project Plan/Design Costs	300	0	0	0	0	0
Land Acquisition	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>\$5,815</b>	<b>\$1,625</b>	<b>\$2,200</b>	<b>\$1,530</b>	<b>\$1,300</b>	<b>\$1,200</b>