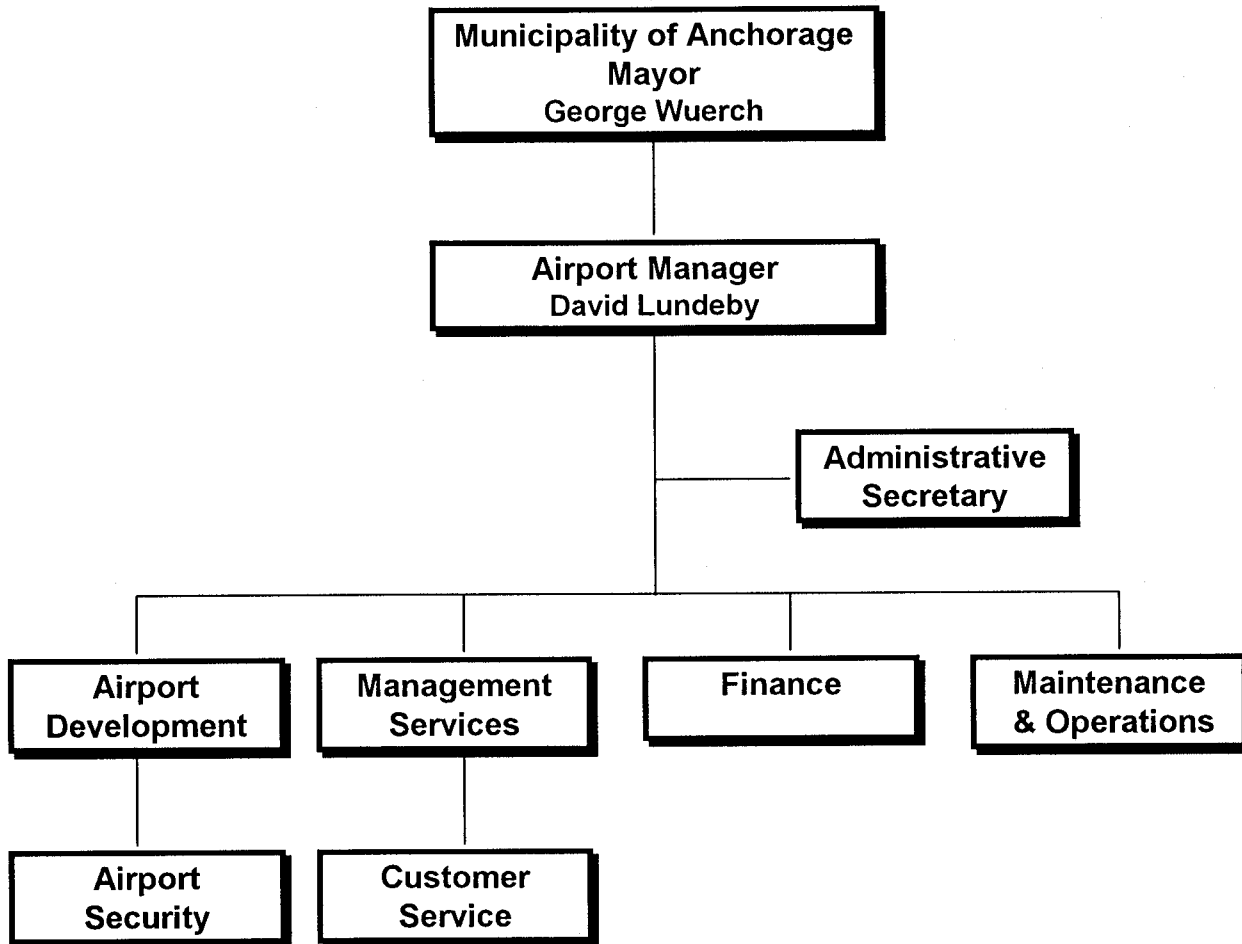


**MERRILL FIELD AIRPORT
ORGANIZATION CHART
2002**



MERRILL FIELD AIRPORT

MERRILL FIELD AIRPORT

UTILITY PROFILE

2002

ORGANIZATION

Six office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel provide maintenance for 17 airport buildings and property. The maintenance function includes all operating surfaces of the airport - runways, taxiways, roads and aircraft tiedown areas that are not on leased property. This includes snow removal, sanding, resurfacing, and maintenance of facilities and equipment.

HISTORY

Merrill Field, established in 1930 and located one mile east of downtown Anchorage on 436 acres of land, was the first real airport in the city. The airport bears the name of Russel Hyde Merrill, an early Alaskan aviator who disappeared in September 1929 on a flight to Bethel. The first aviation beacon in the Territory of Alaska was located at Merrill Field and was dedicated on September 25, 1932 to honor Russ Merrill. Merrill Field is a "General Aviation Airport" and is restricted to aircraft that weigh 12,500 pounds or less.

In 1984 Merrill Field experienced a record year with 384,314 aircraft operations, ranked as the 15th busiest airport in the nation and had 1,019 based aircraft. Merrill Field continues to be an integral part of Alaska's transportation network. Over the past six years aircraft operations have varied between 175,000 and 210,000 and based aircraft varied between 900 and 950.

SERVICE

Merrill Field serves as the general aviation link between Southcentral Alaskan communities, including the rural areas, and Anchorage. Intrastate air traffic to and from Anchorage is increasing with many passengers destined for the downtown/midtown areas which are conveniently reached from Merrill Field.

Some of the many services provided at Merrill Field are: sale of aircraft fuel; hangar rental; flightseeing; flight and ground school instruction; aircraft maintenance and repair; sale of parts, supplies, equipment and accessories; aerial photography; propeller repair; aviation electronics; aircraft sales, rentals and charters; power plant and airframe training; and college courses for aviation degree-seeking students.

REGULATION

Merrill Field, unlike most other Municipal utilities, is not regulated by the Alaska Public Utilities Commission. Rather, it is required to meet Federal Aviation Administration, Alaska Department of Transportation and Public Facilities, and Municipal regulations. Additionally, the Municipal Airports Aviation Advisory Commission advises and makes recommendations to the Administration and Assembly on all matters pertaining to the operating budget, rules, regulations and administrative guidelines at Merrill Field.

ENVIRONMENTAL MANDATES

There are many federally mandated programs which have had a direct impact on the Airport's operating costs. The Clean Water Act, Americans With Disabilities Act, Community Right To Know, Underground Storage Tank Regulations and Clean Air Act are some of the current laws which have and will continue to impact the Airport.

PHYSICAL PLANT

General Aviation Airport

Restricted to aircraft weighing 12,500 pounds or less.
436 acre land area; elevation 136 feet; fee simple title.
1,282 tiedown spaces; leaseholders manage 701;
Municipality manages 514, plus 60 for transient aircraft.
Runway 6/24 length is 4,000 feet; Runway 15/33 length is 2,650 feet.
Five taxiways; 102 acres of tiedown aprons.
New Control Tower owned and operated by Federal Aviation Administration.

One Hundred Fourth (104th) Busiest Airport in the Nation

Hub for intra-Alaska travel.
Located one mile from downtown Anchorage.
Reliever airport to Anchorage International's general aviation aircraft.
190,508 flight operations in calendar year 2000.
9,847 general aviation aircraft in Alaska; 888 based at Merrill.
9,246 private pilots in Alaska; 4,366 reside in Anchorage.

Economic Stimulus

25 leaseholders lease 2,717,302 square feet.
17 rental properties.
Approximately 53 aviation related businesses operate on the airport.
819 transient aircraft stayed a total of 2,944 days last year.
Approximately 646,000 gallons of fuel were sold in 2000.

Airport Plant (net of accumulated depreciation) is \$29,718,326.

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2002

Below are the general budget assumptions/guidelines provided by the Office of Management and Budget and specific Merrill Field assumptions used in the preparation of Merrill Field Airport's 2002 Operating and Capital Budgets.

REGULATION

Assume continued operation oversight by the Federal Aviation Administration (FAA).

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2002.

RATE INCREASES

No rate increases should be proposed in 2002 unless all possible budget reductions have been first been fully considered and if one or more of the following conditions can be demonstrated:

- Debt service coverage not adequate.
- Projected cash reserves for working capital not adequate on a sustained basis to cover operating costs during 2001/02. (NOTE: a 45-day reserve of working capital should not be a deciding factor in judging the adequacy of your reserve cash since utilities can temporarily borrow from the general fund cash pool for unforeseen events.)
- Debt/equity ratio projected to fall below criteria established by the regulatory body authorized to oversee the utility.
- Increased rate revenue is determined to be the most prudent funding source for maintaining the utility's plant in a cost-effective working condition.

MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)

MUSA (in lieu of taxes) currently does not apply to Merrill Field.

REVENUE DISTRIBUTIONS

None.

INTEREST

Assume debt service for new insured 20-year G.O. bonds as well as new insured revenue bonds to be 5.50% - 6.00%. Interest income should be calculated assuming a rate of 3.75% - 4.50%.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 261,000 in 2001 and 262,000 in 2002.

INFLATION

In general, inflation (i.e., CPI - all urban consumers) is anticipated to approximate 1.5% in 2002. Each utility, however, may apply applicable inflation rates to particular commodities purchased, if necessary.

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2002 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO MERRILL FIELD AIRPORT

Merrill Field continues to remain debt free by pursuing federal airport grant funds for all grant-eligible capital improvement projects. By working with the federal and state grant managers, we will continue to secure a reasonable portion of the grant funding as it becomes available.

Merrill Field continues to develop its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities. Two new T-hangar projects have recently been constructed on the Airport, and continued improvement of taxiway access and utility infrastructure along the west side of the Airport will allow for additional development there as well. These new aviation improvements will have a positive impact on the Airport budget by providing a broader revenue base.

MERRILL FIELD AIRPORT HIGHLIGHTS AND FUTURE EVENTS 2002

Merrill Field recently completed a new Airport Master Plan, which includes a phased, 20-year, \$27 million Capital Improvement Program. Funding for the improvement program is based upon receipt of Federal and State grants.

Merrill Field is constructing a new gravel runway which will provide a gravel operating surface for "tundra tire"-equipped aircraft in the summer and a snow operating surface for ski-equipped aircraft in the winter. The new runway will provide better winter access to Anchorage from outlying areas.

Merrill Field continues to encourage private development of airport lands through new long-term lease agreements. These agreements have provided an economically feasible opportunity for private enterprise that has resulted in three new aircraft hangar developments and the rehabilitation of an existing airport leasehold. The continuation of these proactive leasing policies will foster future private redevelopment of existing facilities and also encourage new development at Merrill Field for years to come.

Numerous security improvements are planned for Merrill Field that will enhance the safety of Merrill Field's air operation areas. These improvements are recommended in the new Merrill Field Airport Master Plan and are federally funded through the FAA Airport Improvement Program.

**MERRILL FIELD AIRPORT
2002 11-YEAR OPERATING BUDGET SUMMARY (\$000'S)**

FINANCIAL OVERVIEW	Actual					Proforma		Budget					Forecast				
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	
Total Revenues	\$1,136	\$1,090	\$1,070	\$1,191	\$1,111	\$1,096	\$1,110	\$1,124	\$1,138	\$1,153	\$1,168	\$1,110	\$1,124	\$1,138	\$1,153	\$1,168	
Total Expenses	\$809	\$762	\$942	\$864	\$954	\$1,024	\$1,034	\$1,044	\$1,054	\$1,065	\$1,076	\$1,034	\$1,044	\$1,054	\$1,065	\$1,076	
Net Income Regulatory	\$327	\$328	\$128	\$327	\$157	\$72	\$76	\$80	\$84	\$88	\$92	\$76	\$80	\$84	\$88	\$92	
Budgeted Positions	10	10	10	11	11	11	11	11	11	11	11	11	11	11	11	11	
Capital Program	\$3,359	\$2,411	\$2,091	\$667	\$4,365	\$2,480	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Plant (12/31)	\$28,219	\$28,014	\$27,142	\$29,718	\$33,057	\$34,282	\$35,869	\$37,207	\$37,954	\$38,877	\$40,072	\$35,869	\$37,207	\$37,954	\$38,877	\$40,072	
Utility Revenue Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Retained Earnings (12/31)	\$3,482	\$3,809	\$3,937	\$4,270	\$4,427	\$4,499	\$4,575	\$4,655	\$4,739	\$4,827	\$4,919	\$4,575	\$4,655	\$4,739	\$4,827	\$4,919	
General Cash Pool	(\$115)	(\$64)	(\$391)	\$111	\$268	\$340	\$416	\$496	\$580	\$668	\$760	\$416	\$496	\$580	\$668	\$760	
Construction Cash Pool	\$1,293	\$291	\$1,392	\$1,357	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	
Bond Redemption Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Cash (12/31)	\$1,178	\$227	\$1,001	\$1,468	\$1,568	\$1,640	\$1,716	\$1,796	\$1,880	\$1,968	\$2,060	\$1,716	\$1,796	\$1,880	\$1,968	\$2,060	
IGCs from General Government	\$64	\$74	\$108	\$87	\$91	\$123	\$124	\$125	\$126	\$127	\$128	\$124	\$125	\$126	\$127	\$128	
MUSA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	
Rate Change Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	0.0%	3.2%	0.0%	3.1%	3.3%	0.0%	3.2%	0.0%	3.1%	
Lease Rate/Square Foot Per Year	\$0.150	\$0.150	\$0.150	\$0.150	\$0.150	\$0.150	\$0.155	\$0.155	\$0.160	\$0.160	\$0.165	\$0.155	\$0.155	\$0.160	\$0.160	\$0.165	
Tail-In Space Per Month	\$40	\$40	\$40	\$40	\$40	\$40	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	
Drive-Through Space Per Month	\$50	\$50	\$50	\$50	\$50	\$50	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	
PERFORMANCE TRENDS																	
Based Aircraft	907	880	884	888	910	940	970	990	1,020	1,050	1,070	970	990	1,020	1,050	1,070	
Municipal Tiedowns	591	567	567	574	610	610	742	742	742	742	742	742	742	742	742	742	
Flight Operations Per Calendar Year	187,190	207,028	201,057	190,527	199,200	207,900	216,600	225,200	233,900	242,600	251,200	216,600	225,200	233,900	242,600	251,200	
National Airport Ranking by Calendar Year	94th	89th	102nd	104th	98th	91st	84th	78th	73rd	67th	62nd	84th	78th	73rd	67th	62nd	

Notes: 1997-2000 represents actual; 2001-2007 represents projected. Rate increases shown in future years are for purposes of projections only and have not been approved for implementation. It is intended that the need for rate increases be reviewed closely each year in conjunction with established operating budgets. Merrill Field Airport will continue to strive to find ways to avoid projected rate increases.

MERRILL FIELD AIRPORT WORK FORCE PROJECTIONS

CATEGORY	2001	2002	2003	2004	2005	2006	2007
Airport Manager	1	1	1	1	1	1	1
Assistant Airport Manager	1	1	1	1	1	1	1
Security Programs Manager	1	1	1	1	1	1	1
Financial Administration	1	1	1	1	1	1	1
Office Operations	3	3	3	3	3	3	3
Airport Maintenance Techincians	4	4	4	4	4	4	4
Subtotal	11	11	11	11	11	11	11
Part-time/Temporary	5	5	5	5	5	5	5
Total	16	16	16	16	16	16	16

MERRILL FIELD AIRPORT
2002 STATEMENT OF REVENUES AND EXPENSES

	2000 Actual Data	2001 Pro- Forma	2002 Budget Request
OPERATING REVENUE			
Airport Lease Fees	415,226	430,000	433,000
Airport Property Rental	259,312	259,000	233,000
Permanent Parking Fees	192,211	219,000	247,000
Transient Parking Fees	10,514	9,000	11,000
Vehicle Parking	14,919	18,000	16,000
MOA Aviation Fuel Fees	31,340	28,000	32,000
FAA Service Fees and Rent	17,218	14,000	0
SOA Aviation Fuel Fees	16,675	17,000	18,000
Medivac Taxiway Fees	30,562	25,000	32,000
Other Revenue	6,817	2,000	5,000
TOTAL OPERATING REVENUE	994,794	1,021,000	1,027,000
OPERATING EXPENSE			
Labor	616,408	755,000	810,000
Supplies	68,421	67,000	71,000
Charges To Others	(297,286)	(351,000)	(388,000)
Charges From Others	86,740	91,000	123,000
Other Services	171,298	173,000	186,000
Other Expenses	18,881	20,000	28,000
Depreciation (a)	199,304	199,000	194,000
TOTAL OPERATING EXPENSE	863,766	954,000	1,024,000
OPERATING INCOME (LOSS)	131,028	67,000	3,000
NON-OPERATING REVENUE			
Interest Income	83,233	83,000	60,000
Other Revenue	112,475	7,000	9,000
TOTAL NON-OPER REVENUE	195,708	90,000	69,000
NON-OPERATING EXPENSE	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME (LOSS)	195,708	90,000	69,000
NET INCOME (REGULATORY)	326,736	157,000	72,000

(a) Excludes Contributed Plant

Note: Generally Accepted Accounting Principles (GAAP) require Merrill Field Airport to depreciate items purchased with its own funds as well as those items purchased with funds contributed by the FAA in the form of AIP grants. The revenue received from the FAA is not reflected in the above financial statement, nor is the related depreciation on the items purchased with such revenue. If the depreciation on the contributed items were included in this financial statement, it would have the effect shown below:

ADJUSTMENTS FOR GAAP	(826,524)	(827,000)	(1,061,000)
NET INCOME (LOSS) GAAP	(499,788)	(670,000)	(989,000)

MERRILL FIELD AIRPORT
2002 STATEMENT OF SOURCES AND USES OF CASH

	2000 Actual Data	2001 Pro- forma	2002 Budget Request
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	(499,788)	(670,000)	(989,000)
Total Depreciation	1,025,828	1,026,000	1,255,000
Grants	90,989	4,364,815	2,480,000
Net Effect of Changes in Balance Sheet Accounts Which Affect Cash	3,451,956	2,031,683	751,060
TOTAL SOURCES OF CASH	4,068,985	6,752,498	3,497,060
USES OF CASH FUNDS:			
Additions to Plant	3,602,426	2,287,073	945,060
Additions to Construction Work in Progress	0	4,364,815	2,480,000
Other	0	0	0
TOTAL USES OF CASH	3,602,426	6,651,888	3,425,060
NET INCREASE (DECREASE)	466,559	100,610	72,000
CASH BALANCE, JANUARY 1	1,000,831	1,467,390	1,568,000
CASH BALANCE, DECEMBER 31	\$1,467,390	\$1,568,000	\$1,640,000
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	110,620	268,000	340,000
Equity in Construction Cash Pool	1,356,770	1,300,000	1,300,000
TOTAL CASH, DECEMBER 31	\$1,467,390	\$1,568,000	\$1,640,000

MERRILL FIELD AIRPORT
2002 OPERATING BUDGET DETAIL

	2000 Actual Data	2001 Pro- forma	2002 Budget Request
LABOR			
Wages	433,872	525,000	584,000
Overtime	7,884	14,000	21,000
Benefits	174,652	216,000	205,000
Subtotal	616,408	755,000	810,000
SUPPLIES			
Office Supplies	6,037	7,000	7,000
Operating Supplies	43,086	42,000	45,000
Repair and Maintenance Supplies	19,298	18,000	19,000
Subtotal	68,421	67,000	71,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(297,286)	(351,000)	(388,000)
Charges From Others	86,740	91,000	123,000
Subtotal	(210,546)	(260,000)	(265,000)
OTHER SERVICES			
Professional Services	40,347	39,000	43,000
Other Contractual Services	23,082	16,000	23,000
Utilities	107,869	118,000	120,000
Subtotal	171,298	173,000	186,000
OTHER EXPENSES			
Depreciation/Amortization	1,025,828	1,026,000	1,255,000
Other	18,881	20,000	28,000
Subtotal	1,044,709	1,046,000	1,283,000
TOTAL EXPENSES	1,690,290	1,781,000	2,085,000

MERRILL FIELD AIRPORT
2002-2007 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
(IN 000's)

PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	TOTALS
Apron Improvements	100	800	100	0	0	0	1,000
Runways and Taxiways	700	1,100	1,500	0	900	800	5,000
Buildings and Equipment	380	450	350	900	0	0	2,080
Land Improvements	800	300	0	0	1,200	0	2,300
Land Acquisition	500	0	500	1,000	0	1,600	3,600
TOTAL CIP PROGRAM	\$2,480	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	\$13,980

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	TOTALS
Bonds	0	0	0	0	0	0	0
Operations	371	447	200	728	131	150	2,027
State Grants	0	0	0	0	0	0	0
Federal Grants	2,109	2,203	2,250	1,172	1,969	2,250	11,953
TOTAL FUNDING	\$2,480	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	\$13,980