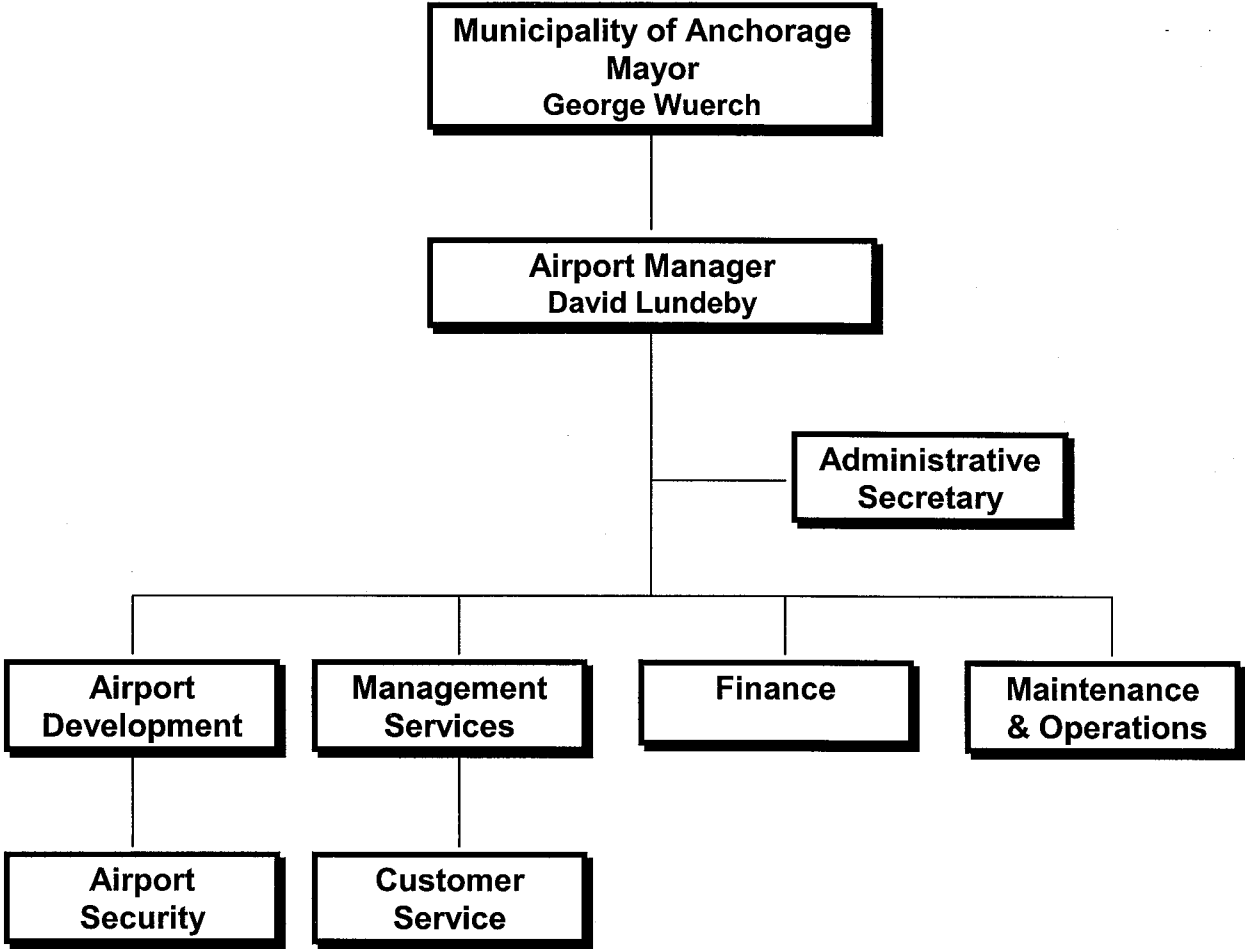


MERRILL FIELD AIRPORT

**MERRILL FIELD AIRPORT
ORGANIZATION CHART
2003**



MERRILL FIELD AIRPORT

UTILITY PROFILE

2003

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 five years aircraft operations have varied between 180,000 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.
1,305 tiedown spaces; leaseholders manage 700;
Municipality manages 558, plus 47 for transient aircraft.
Runway 6/24 length is 4,000 feet; Runway 15/33 length is 2,650 feet;
Gravel/Ski Runway 3/21 length is 2,000 feet.
Six taxiways; 102 acres of tiedown aprons.
New Control Tower owned and operated by FAA

One Hundred Sixth (106th) 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.
179,217 flight operations in calendar year 2001.
10,112 registered aircraft in Alaska; 918 based at Merrill.
8,582 registered pilots in Alaska; 4,324 reside in Anchorage.

Economic Stimulus

25 leaseholders lease 2,717,302 square feet.
16 rental properties.
Approximately 46 aviation related businesses operate on the airport.
1,061 transient aircraft stayed a total of 3,253 days last year.
Approximately 702,000 gallons of fuel were sold in 2001.

Airport Plant (net of accumulated depreciation) is \$30,569,365.

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2003

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 2003 Operating and Capital Budgets.

REGULATION

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

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2003.

RATE INCREASES

No rate increases should be proposed in 2003 unless all possible budget reductions have 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 2002/03. (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%. Short-term interest income should be calculated assuming a rate of 1.75% - 2.50%.

INTRAGOVERNMENTAL CHARGES (IGCS)

Assume no change in IGCs from General Government over that level contained in the Revised 2002 General Government Operating Budget.

The only IGC *increases* which utilities may budget in 2003 are those that relate to special projects or other work engagements specifically requested (or known) by the utility to occur in 2003. Any IGC *increases* proposed by utilities must be tangible and justified.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 261,500 in 2002 and 262,500 in 2003.

INFLATION

In general, inflation (CPI - all urban consumers) is anticipated to approximate 2.5% in 2003. Each utility, however, may apply applicable inflation rates to particular commodities purchased, if necessary.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes assume increases for JCC, IBEW, and AMEA per contract requirements. NON-REPs, assume the same as for AMEA and EXECs, assume no increase.

* * * * *

2003 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 2003

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 has constructed a new gravel runway which provides 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 provides improved 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
2003 11-YEAR OPERATING BUDGET SUMMARY (\$000'S)

| | Actual | | | | | Forecast | | | | | |
|---|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|----------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| FINANCIAL OVERVIEW (1) | | | | | | | | | | | |
| Total Revenues (2) | \$1,090 | \$1,070 | \$1,191 | \$1,102 | \$1,063 | \$1,067 | \$1,081 | \$1,095 | \$1,110 | \$1,125 | \$1,140 |
| Total Expenses (3) | \$762 | \$942 | \$864 | \$976 | \$986 | \$985 | \$995 | \$1,005 | \$1,015 | \$1,025 | \$1,035 |
| Net Income Regulatory | \$328 | \$128 | \$327 | \$126 | \$77 | \$82 | \$86 | \$90 | \$95 | \$100 | \$105 |
| Budgeted Positions | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Capital Program | \$2,411 | \$2,090 | \$667 | \$4,504 | \$3,709 | \$3,030 | \$2,850 | \$2,150 | \$2,400 | \$2,400 | \$2,450 |
| Bond Sales | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Plant (1/2/31) | \$28,014 | \$27,142 | \$29,718 | \$30,569 | \$32,947 | \$34,615 | \$36,343 | \$37,315 | \$38,506 | \$39,658 | \$40,823 |
| Utility Revenue Distribution | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retained Earnings (12/31) (4) | \$3,809 | \$3,937 | \$4,270 | \$8,663 | \$10,854 | \$12,528 | \$14,325 | \$15,636 | \$17,184 | \$18,704 | \$20,249 |
| General Cash Pool | (\$64) | (\$391) | \$111 | \$225 | \$302 | \$384 | \$470 | \$560 | \$655 | \$755 | \$860 |
| Construction Cash Pool | \$291 | \$1,392 | \$1,357 | (\$2,162) | \$1,289 | \$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 |
| Total Cash (12/31) | \$227 | \$1,001 | \$1,468 | (\$1,937) | \$1,591 | \$1,684 | \$1,770 | \$1,860 | \$1,955 | \$2,055 | \$2,160 |
| IGCs from General Government | \$89 | \$129 | \$103 | \$121 | \$123 | \$123 | \$124 | \$125 | \$126 | \$127 | \$128 |
| MUSA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Debt | \$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 |
| Rate Change Percent (5) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 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 |
| Tail-in Space Per Month | \$40 | \$40 | \$40 | \$40 | \$40 | \$40 | \$45 | \$45 | \$45 | \$45 | \$45 |
| Drive-Through Space Per Month | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$55 | \$55 | \$55 | \$55 | \$55 |
| PERFORMANCE TRENDS (1) | | | | | | | | | | | |
| Based Aircraft | 880 | 884 | 888 | 918 | 930 | 950 | 960 | 980 | 1,000 | 1,010 | 1,030 |
| Municipal Tiedowns | 567 | 567 | 574 | 605 | 605 | 737 | 737 | 737 | 737 | 737 | 737 |
| Flight Operations Per Calendar Year | 207,028 | 201,057 | 190,527 | 179,217 | 188,700 | 198,100 | 207,600 | 217,000 | 226,400 | 235,900 | 245,300 |
| National Airport Ranking by Calendar Year | 89th | 102nd | 104th | 106th | 98th | 94th | 85th | 76th | 71st | 64th | 59th |

Notes:

- (1): 1998-2001 represents actual; 2002-2008 represents projected.
- (2): Revenues shown are regulatory in nature and do not include GASB 33 capital grant revenue.
- (3): Expenses shown are regulatory in nature and do not include depreciation on contributed assets.
- (4): In accordance with Generally Accepted Accounting Principles (GAAP), Retained earnings include the effects of depreciation expense on contributed assets, as well as capital grant revenue received, as required by the recently enacted Governmental Accounting Standards Board (GASB) 33 pronouncement. The effective date for GASB 33 was for years beginning after June 15, 2000.
- (5): 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 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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
2003 STATEMENT OF REVENUES AND EXPENSES

| | 2001 Actual Data | 2002 Pro- Forma | 2003 Budget Request |
|------------------------------------|---------------------------------|--------------------------------|------------------------------------|
| OPERATING REVENUE | | | |
| Airport Lease Fees | 442,723 | 431,000 | 433,000 |
| Airport Property Rental | 250,513 | 251,000 | 249,000 |
| Permanent Parking Fees | 202,822 | 217,000 | 233,000 |
| Transient Parking Fees | 10,773 | 11,000 | 11,000 |
| Vehicle Parking | 15,872 | 16,000 | 17,000 |
| MOA Aviation Fuel Fees | 35,163 | 33,000 | 35,000 |
| FAA Service Fees and Rent | 20,890 | 0 | 0 |
| SOA Aviation Fuel Fees | 18,142 | 18,000 | 19,000 |
| Medivac Taxiway Fees | 33,000 | 34,000 | 35,000 |
| Other Revenue | 1,812 | 3,000 | 4,000 |
| TOTAL OPERATING REVENUE | 1,031,710 | 1,014,000 | 1,036,000 |
| OPERATING EXPENSE | | | |
| Labor | 650,346 | 670,000 | 736,000 |
| Supplies | 83,541 | 74,000 | 78,000 |
| Charges To Others | (338,325) | (337,000) | (392,000) |
| Charges From Others | 121,067 | 123,000 | 123,000 |
| Other Services | 221,254 | 181,000 | 181,000 |
| Other Expenses | 31,640 | 69,000 | 66,000 |
| Depreciation (see Note) | 206,109 | 206,000 | 193,000 |
| TOTAL OPERATING EXPENSE | 975,632 | 986,000 | 985,000 |
| OPERATING INCOME/(LOSS) | 56,078 | 28,000 | 51,000 |
| NON-OPERATING REVENUE | | | |
| Interest Income | 62,731 | 28,000 | 22,000 |
| Other Revenue (see Note) | 7,426 | 21,000 | 9,000 |
| TOTAL NON-OPER REVENUE | 70,157 | 49,000 | 31,000 |
| NON-OPERATING EXPENSE | 0 | 0 | 0 |
| TOTAL NON-OPER EXPENSE | 0 | 0 | 0 |
| NON-OPERATING INCOME/(LOSS) | 70,157 | 49,000 | 31,000 |
| NET INCOME (REGULATORY) | 126,235 | 77,000 | 82,000 |

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 State and Federal agencies in the form of grants.

MERRILL FIELD AIRPORT
2003 STATEMENT OF SOURCES AND USES OF CASH

| | 2001 Actual Data | 2002 Pro- forma | 2003 Budget Request |
|--|---------------------------------|--------------------------------|------------------------------------|
| SOURCES OF CASH FUNDS: | | | |
| Net Income (Loss) GAAP | 3,267,503 | 2,191,000 | 1,674,000 |
| Total Depreciation | 1,331,394 | 1,331,000 | 1,362,000 |
| Grants | 4,266,553 | 3,239,000 | 2,761,000 |
| Net Effect of Changes in Balance | | | |
| Sheet Accounts Which Affect Cash | (7,764,183) | 3,620,791 | 6,053,151 |
| TOTAL SOURCES OF CASH | 1,101,268 | 10,381,791 | 11,850,151 |
| USES OF CASH FUNDS: | | | |
| Additions to Plant | 2,182,433 | 3,144,623 | 8,727,151 |
| Additions to Construction Work in Progress | 2,323,368 | 3,709,025 | 3,030,000 |
| Other | 0 | 0 | 0 |
| TOTAL USES OF CASH | 4,505,801 | 6,853,648 | 11,757,151 |
| NET INCREASE (DECREASE) | (3,404,533) | 3,528,143 | 93,000 |
| CASH BALANCE, JANUARY 1 | 1,467,390 | (1,937,143) | 1,591,000 |
| CASH BALANCE, DECEMBER 31 | (\$1,937,143) | \$1,591,000 | \$1,684,000 |
| DETAIL OF CASH BALANCE | | | |
| Equity in General Cash Pool | 225,272 | 302,000 | 384,000 |
| Equity in Construction Cash Pool | (2,162,415) | 1,289,000 | 1,300,000 |
| TOTAL CASH, DECEMBER 31 | (\$1,937,143) | \$1,591,000 | \$1,684,000 |

MERRILL FIELD AIRPORT
2003 OPERATING BUDGET DETAIL

| | 2001 Actual Data | 2002 Pro- forma | 2003 Budget Request |
|----------------------------------|------------------------|-----------------------|---------------------------|
| LABOR | | | |
| Wages | 440,437 | 474,000 | 529,000 |
| Overtime | 16,739 | 19,000 | 21,000 |
| Benefits | 193,170 | 177,000 | 186,000 |
| Subtotal | 650,346 | 670,000 | 736,000 |
| SUPPLIES | | | |
| Office Supplies | 6,392 | 6,000 | 7,000 |
| Operating Supplies | 63,728 | 52,000 | 55,000 |
| Repair and Maintenance Supplies | 13,421 | 16,000 | 16,000 |
| Subtotal | 83,541 | 74,000 | 78,000 |
| INTRAGOVERNMENTAL CHARGES | | | |
| Charges To Others | (338,325) | (337,000) | (392,000) |
| Charges From Others | 121,067 | 123,000 | 123,000 |
| Subtotal | (217,258) | (214,000) | (269,000) |
| OTHER SERVICES | | | |
| Professional Services | 83,428 | 37,000 | 40,000 |
| Other Contractual Services | 23,533 | 26,000 | 24,000 |
| Utilities | 114,293 | 118,000 | 117,000 |
| Subtotal | 221,254 | 181,000 | 181,000 |
| OTHER EXPENSES | | | |
| Depreciation/Amortization | 1,331,394 | 1,331,000 | 1,362,000 |
| Other | 31,640 | 69,000 | 66,000 |
| Subtotal | 1,363,034 | 1,400,000 | 1,428,000 |
| TOTAL EXPENSES | 2,100,917 | 2,111,000 | 2,154,000 |

MERRILL FIELD AIRPORT
2003-2008 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
(IN 000's)

| PROJECT CATEGORY | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | TOTALS |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Apron Improvements | 1,100 | 100 | 0 | 100 | 0 | 100 | 1,400 |
| Runways and Taxiways | 1,200 | 1,700 | 1,000 | 0 | 800 | 0 | 4,700 |
| Buildings and Equipment | 430 | 250 | 650 | 400 | 0 | 850 | 2,580 |
| Land Improvements | 300 | 300 | 0 | 800 | 0 | 300 | 1,700 |
| Land Acquisition | 0 | 500 | 500 | 1,100 | 1,600 | 1,200 | 4,900 |
| TOTAL CIP PROGRAM | \$3,030 | \$2,850 | \$2,150 | \$2,400 | \$2,400 | \$2,450 | \$15,280 |

| SOURCE OF FUNDING | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | TOTALS |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operations | 358 | 272 | 744 | 244 | 150 | 387 | 2,155 |
| State Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Grants | 2,672 | 2,578 | 1,406 | 2,156 | 2,250 | 2,063 | 13,125 |
| TOTAL FUNDING | \$3,030 | \$2,850 | \$2,150 | \$2,400 | \$2,400 | \$2,450 | \$15,280 |

Merrill Field Airport

Our Mission: To operate and maintain Merrill Field Airport to meet the aviation and business needs of our customers, without the support of tax dollars

Core Services

- Maintain runways, taxiways and tie-downs in a safe and secure condition
- Provide space to operate and tie-down aircraft
- Provide lease space for private enterprises to support air transportation

Direct Services

Direct Services Provided by Divisions

Focus Areas

- Expeditiously remove snow from all runways, taxiways and tie-downs
- To reduce the number of "surface incidents" (runway incursions)
- Provide sufficient aircraft tie-down and business lease space to meet public demand

We will measure our success by:

- Number aircraft operating surface incidents (unauthorized entry into restricted areas, etc.)

| 2000 | 2001 | Q1-2002 | Q2-2002 | Q3-2002 | Q4-2002 |
|------|------|---------|---------|---------|---------|
| 23 | 14 | 2 | 9 | | |

- Average man-hours to remove snow from Airport operating surfaces after a snowfall:

| Q4-2001 | Q1-2002 | Q2-2002 | Q3-2002 | Q4-2002 |
|---------|---------|---------|---------|---------|
| 105 | 122 | N/A | | |

- Average labor cost per snow removal

| Q4-2001 | Q1-2002 | Q2-2002 | Q3-2002 | Q4-2002 |
|---------|---------|---------|---------|---------|
| \$3,342 | \$3,991 | N/A | | |

- Number of customers on the waiting list for ski aircraft parking space (indicates ability to accommodate requests for parking space)

| Q4-2001 | Q1-2002 | Q2-2002 | Q3-2002 | Q4-2002 |
|---------|---------|---------|---------|---------|
| 53 | 61 | 69 | | |

-