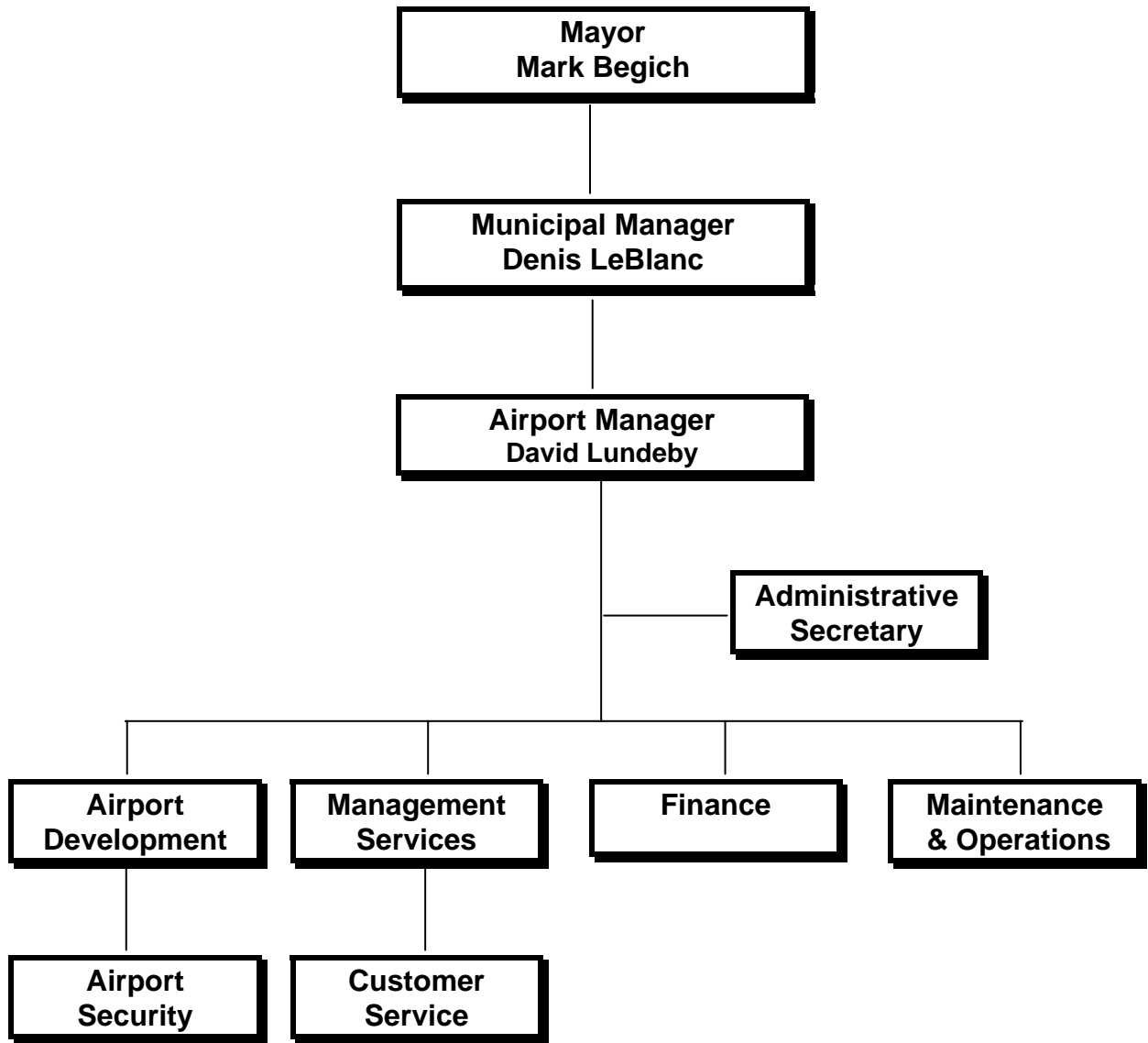


**MERRILL FIELD AIRPORT
ORGANIZATION CHART
2004**



MERRILL FIELD AIRPORT

UTILITY PROFILE

2004

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 "Primary Commercial Service Airport" and serves as a general aviation reliever airport to Ted Stevens Anchorage International Airport. Merrill Field is restricted to aircraft that weigh 12,500 pounds or less.

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 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

Primary Commercial Service Airport

Restricted to aircraft weighing 12,500 pounds or less
436 acre land area; elevation 136 feet; fee simple title
1,310 tiedown spaces; leaseholders manage 700;
Municipality manages 558, plus 52 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
Control Tower owned and operated by FAA

Ninety Ninth (99th) Busiest Airport in the Nation

Hub for intra-Alaska travel
Located one mile from downtown Anchorage
Reliever airport to Ted Stevens Anchorage International's general aviation aircraft
184,670 flight operations in calendar year 2002
10,526 registered aircraft in Alaska; 913 based at Merrill
11,136 certificated pilots in Alaska; 4,425 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
873 transient aircraft stayed a total of 3,371 days last year
Approximately 742,000 gallons of fuel were sold in 2002

Airport Plant (net of accumulated depreciation) is \$29,194,142

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2004

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 2004 Operating and Capital Budgets.

REGULATION

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

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2004.

RATE INCREASES

No rate increases should be proposed in 2004 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 2003/04. (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 5.00% - 5.50%. Short-term interest income should be calculated assuming a rate of 1.00% - 1.50%.

INTRAGOVERNMENTAL CHARGES (IGCS)

Assume no change in IGCs from General Government over that level contained in the Revised 2003 General Government Operating Budget.

The only IGC *increases* which utilities may budget in 2004 are those that relate to special projects or other work engagements specifically requested (or known) by the utility to occur in 2004. Any IGC *increases* proposed by utilities must be tangible and justified.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 269,070 in 2003 and 273,779 in 2004.

INFLATION

In general, inflation (CPI - all urban consumers) is anticipated to approximate 2.0% in 2004. 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.

* * * * *

2004 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO MERRILL FIELD AIRPORT

Increased expenses make it necessary to adjust rates at Merrill Field Airport for the first time in over a decade. Airport lease and property rental fees, along with airplane parking and vehicle storage fees are proposed to increase in 2004. These increases will allow the Airport to continue to provide services at the current levels, and to remain self-supporting. The Municipal Airports Aviation Advisory Commission is in support of the proposed rate increases and has passed a resolution recommending approval of the Merrill Field Airport 2004 Proposed Budget which includes the proposed rate increases.

Historically, there has been a demand for aircraft hangar space at Merrill Field. Continued taxiway access and utility infrastructure improvements along the west side of the Airport will provide a new location for the development of new aircraft hangars. There will be a decrease in airport revenue as existing revenue-producing non-aviation use properties are converted to aviation use (aircraft hangars). The properties that are utilized for aviation have use restrictions upon them which decrease the property value and in turn decrease their revenue-producing ability.

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 AIRPORT

HIGHLIGHTS AND FUTURE EVENTS

2004

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

11-YEAR SUMMARY

UTILITY FORMAT 2004 OPERATING BUDGET (\$ in Thousands)

Financial Overview (1)	Actual				Proforma 2003	Budget 2004	Forecast				
	1999	2000	2001	2002			2005	2006	2007	2008	2009
Total Revenues (2)	\$1,070	\$1,191	\$1,102	\$1,037	\$1,048	\$1,169	\$1,169	\$1,198	\$1,222	\$1,251	\$1,251
Total Expenses (3)	\$942	\$864	\$976	\$1,047	\$1,009	\$1,057	\$1,078	\$1,100	\$1,122	\$1,144	\$1,167
Net Income Regulatory	\$128	\$327	\$126	(\$10)	\$39	\$112	\$91	\$98	\$100	\$107	\$84
Budgeted Positions	10	11	11	11	11	11	11	11	11	11	11
Capital Program	\$2,090	\$667	\$4,504	\$3,245	\$1,572	\$2,130	\$2,850	\$2,400	\$2,100	\$2,450	\$2,700
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Plant (12/31)	\$27,142	\$29,718	\$30,569	\$29,194	\$29,468	\$30,121	\$31,950	\$33,267	\$34,239	\$35,528	\$37,024
Utility Revenue Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings (12/31) (4)	\$3,937	\$4,270	\$8,663	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted Net Assets (12/31) (5)	N/A	N/A	N/A	\$923	\$1,037	\$1,078	\$959	\$1,072	\$1,025	\$1,015	\$1,021
General Cash Pool	(\$391)	\$111	\$225	48	\$163	\$205	\$86	\$200	\$153	\$143	\$148
Construction Cash Pool	\$1,392	\$1,357	(\$2,162)	623	\$1,206	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Bond Redemption Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash (12/31)	\$1,001	\$1,468	(\$1,937)	\$671	\$1,369	\$1,405	\$1,286	\$1,400	\$1,353	\$1,343	\$1,348
IGCs from General Government	\$129	\$103	\$121	\$154	\$154	\$154	\$157	\$160	\$163	\$166	\$169
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 (6)	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%	0.0%	6.3%	9.1%	5.9%	0.0%
Lease Rate/Square Foot Per Year	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.16	\$0.16	\$0.17	\$0.17	\$0.18	\$0.18
Tail-In Space Per Month	\$40	\$40	\$40	\$40	\$40	\$45	\$45	\$45	\$50	\$50	\$50
Drive-Through Space Per Month	\$50	\$50	\$50	\$50	\$50	\$55	\$55	\$55	\$60	\$60	\$60
PERFORMANCE TRENDS (1)											
Based Aircraft	884	888	918	913	930	950	970	980	990	1,000	1,010
Municipal Tiedowns	567	574	605	610	610	610	649	649	649	649	649
Flight Operations Per Calendar Year	201,057	190,527	179,217	184,670	189,500	194,400	199,200	202,200	205,100	208,000	211,000
National Airport Ranking by Calendar Year	102nd	104th	106th	99th	96th	93rd	89th	88th	84th	81st	81st

Notes:

- (1): 1999-2002 represents actual; 2003-2009 represents projected.
- (2): Revenues shown are regulatory in nature and do not include capital grant revenue.
- (3): Expenses shown are regulatory in nature and do not include depreciation on assets purchased with funds contributed by other agencies.
- (4): With the release of two major accounting pronouncements in the past few years, the manner in which Retained Earnings is reported has been significantly revised. Governmental Accounting Standards Board (GASB) pronouncement 33 required capital grant revenue received to flow into Retained Earnings, hence our substantial increase from 2000 to 2001. GASB 34 then did away with the concept of contributed versus non-contributed capital, which effectively eliminated the account "Retained Earnings" altogether. Note there are no amounts reported for years 2002 forward. See the new "Net Assets" account at note 5.
- (5): As required by GASB 34, the new account "Net Assets" is established, which, in accordance with Generally Accepted Accounting Principles (GAAP), includes the effects of non-regulatory items capital grant revenue received and depreciation on contributed assets. For the Airport, Net Assets is comprised of two classifications: "Invested in Capital Assets" and "Unrestricted". For 2002, the amount in "Invested in Capital Assets" was \$40,369,000. The "Unrestricted" amount is shown above.
- (6): Proposed rate increases for 2004 are included in the budgeted figures above. 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	2003	2004	2005	2006	2007	2008	2009
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
2004 STATEMENT OF REVENUES AND EXPENSES

	2002 Actual Data	2003 Pro- Forma	2004 Budget Request
OPERATING REVENUE			
Airport Lease Fees	426,592	427,000	462,000
Airport Property Rental	236,282	245,000	273,000
Permanent Parking Fees	217,105	244,000	258,000
Transient Parking Fees	9,168	9,000	15,000
Vehicle Parking	15,463	16,000	33,000
MOA Aviation Fuel Fees	37,691	37,000	37,000
FAA Service Fees and Rent	0	0	0
SOA Aviation Fuel Fees	18,481	20,000	20,000
Medivac Taxiway Fees	41,813	28,000	50,000
Other Revenue	4,635	7,000	4,000
TOTAL OPERATING REVENUE	1,007,230	1,033,000	1,152,000
OPERATING EXPENSE			
Labor	654,846	703,000	766,000
Supplies	88,752	85,000	66,000
Charges To Others	(319,840)	(388,000)	(395,000)
Charges From Others	153,910	154,000	154,000
Other Services	193,069	184,000	166,000
Other Expenses	72,653	79,000	69,000
Depreciation (see Note)	203,447	192,000	231,000
TOTAL OPERATING EXPENSE	1,046,837	1,009,000	1,057,000
OPERATING INCOME/(LOSS)	(39,607)	24,000	95,000
NON-OPERATING REVENUE			
Interest Income	4,359	9,000	8,000
Other Revenue	25,012	6,000	9,000
TOTAL NON-OPER REVENUE	29,371	15,000	17,000
NON-OPERATING EXPENSE	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME/(LOSS)	29,371	15,000	17,000
NET INCOME (REGULATORY)	(10,236)	39,000	112,000
<p>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. Recently enacted Governmental Accounting Standards Board (GASB) Statement 33 now also requires the recognition of such capital grant revenue in these statements. However, neither the capital grant revenue received nor the depreciation of the items purchased with such revenue is reflected in the above financial statement. If these items were included, they would have the effect shown below:</p>			
ADJUSTMENTS FOR GAAP			
Capital Grant Revenue	2,653,752	1,455,000	1,828,125
Depreciation of Contributed Assets	(1,171,776)	(1,106,000)	(1,246,000)
TOTAL GAAP ADJUSTMENTS	1,481,976	349,000	582,125
NET INCOME/(LOSS) GAAP	1,471,740	388,000	694,125

MERRILL FIELD AIRPORT
2004 STATEMENT OF CASH FLOWS

	2002 Actual Data	2003 Pro- Forma	2004 Budget Request
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	1,011,226	1,034,000	1,153,000
Cash Paid to Suppliers	(374,397)	(114,000)	(60,000)
Cash Paid to Employees	(656,171)	(703,000)	(766,000)
Net Cash Provided/(Used) by Operating Activities	<u>(19,342)</u>	<u>217,000</u>	<u>327,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(6,030,533)	(1,572,122)	(2,130,000)
Grant Proceeds	5,843,314	1,455,117	1,828,125
Cash Received from Customers - Non-Operating	25,012	6,000	9,000
Net Cash Provided/(Used) by Capital and Financing Activities	<u>(162,207)</u>	<u>(111,005)</u>	<u>(292,875)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	4,382	9,000	8,000
Net Cash Provided/(Used) by Investing Activities	<u>4,382</u>	<u>9,000</u>	<u>8,000</u>
Net Increase/(Decrease) in Cash	(177,167)	114,995	42,125
Cash, Beginning of Year	225,472	48,305	163,300
Cash, End of Year	<u>\$48,305</u>	<u>\$163,300</u>	<u>\$205,425</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:			
Operating Income/(Loss)	(1,211,383)	(1,082,000)	(1,151,000)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Depreciation Expense	1,375,223	1,298,000	1,477,000
Changes in Assets and Liabilities Which Increase/ (Decrease) Cash			
Accounts Receivable	4,115		
Intergovernmental Receivables			
Allowance for Uncollectible Accounts			
Notes Receivable	2,331	1,000	1,000
Accounts Payable	(194,365)		
Deferred Revenue	6,063		
Compensated Absences Payable	(1,326)		
Net Cash Provided/(Used) by Operating Activities	<u>(\$19,342)</u>	<u>\$217,000</u>	<u>\$327,000</u>

MERRILL FIELD AIRPORT
2004 OPERATING BUDGET DETAIL

	2002 Actual Data	2003 Pro- forma	2004 Budget Request
LABOR			
Wages	435,100	482,000	534,000
Overtime	22,900	21,000	22,000
Benefits	196,846	200,000	210,000
Subtotal	654,846	703,000	766,000
SUPPLIES			
Office Supplies	9,965	9,000	7,000
Operating Supplies	56,886	57,000	43,000
Repair and Maintenance Supplies	21,901	19,000	16,000
Subtotal	88,752	85,000	66,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(319,840)	(388,000)	(395,000)
Charges From Others	153,910	154,000	154,000
Subtotal	(165,930)	(234,000)	(241,000)
OTHER SERVICES			
Professional Services	48,268	39,000	30,000
Other Contractual Services	33,718	32,000	25,000
Utilities	111,083	113,000	111,000
Subtotal	193,069	184,000	166,000
OTHER EXPENSES			
Depreciation/Amortization	1,375,223	1,298,000	1,477,000
Other	72,653	79,000	69,000
Subtotal	1,447,876	1,377,000	1,546,000
TOTAL EXPENSES	2,218,613	2,115,000	2,303,000

MERRILL FIELD AIRPORT
2004-2009 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
(IN 000's)

PROJECT CATEGORY	2004	2005	2006	2007	2008	2009	TOTALS
Apron Improvements	1,200	0	100	500	400	0	2,200
Runways and Taxiways	0	2,000	1,000	0	0	800	3,800
Buildings and Equipment	430	350	0	500	450	400	2,130
Land Improvements	500	0	800	0	0	300	1,600
Land Acquisition	0	500	500	1,100	1,600	1,200	4,900
TOTAL CIP PROGRAM	\$2,130	\$2,850	\$2,400	\$2,100	\$2,450	\$2,700	\$14,630

SOURCE OF FUNDING	2004	2005	2006	2007	2008	2009	TOTALS
Bonds	0	0	0	0	0	0	0
Operations	302	366	150	319	294	262	1,693
State Grants	0	0	0	0	0	0	0
Federal Grants	1,828	2,484	2,250	1,781	2,156	2,438	12,937
TOTAL FUNDING	\$2,130	\$2,850	\$2,400	\$2,100	\$2,450	\$2,700	\$14,630