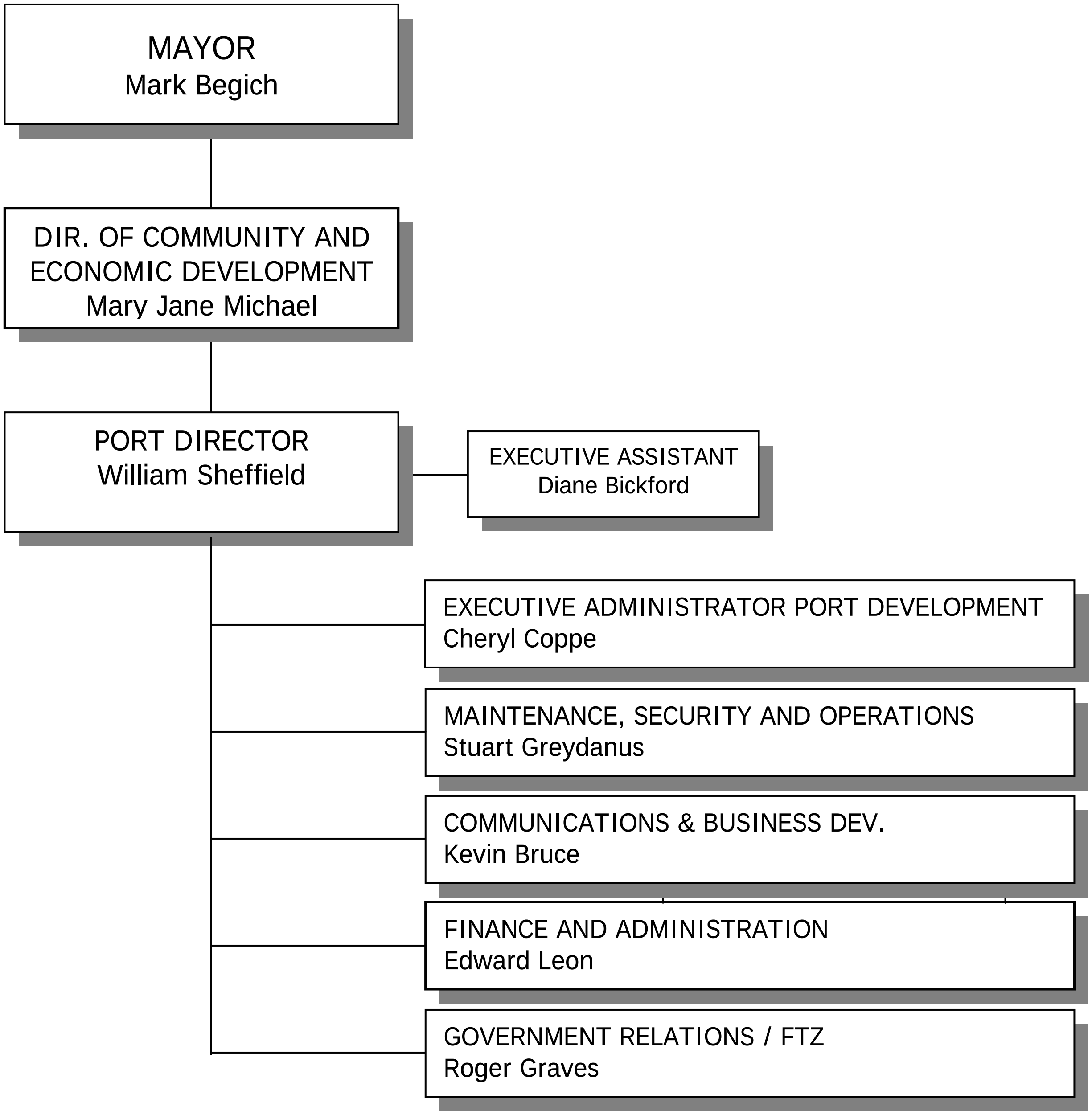
PORT OF ANCHORAGE
ORGANIZATION CHART



PORT OF ANCHORAGE
PROFILE

ORGANIZATION

The Port of Anchorage is organized into three functional areas: Port Administration, Port Development and Port Operations & Maintenance. The Administrative responsibility entails day-to-day business functions, construction management/engineering and real estate management. The Port Development involves marketing, planning, permitting, environmental issues and public and intergovernmental affairs tasks. Current Operations & Maintenance functions include management of vessel movements and dockside activities, general upkeep and operation of the facilities, equipment, and security.

HISTORY

The Port of Anchorage commenced operation in September 1961, with a single berth. 38,000 tons of cargo crossed the dock of the Port that first year. In 2002, 3,950,667 tons crossed the dock. The Port was ranked 17th among United States container ports, including San Juan and Honolulu, in 2000 for the movement of container TEUs (twenty-foot equivalent units). The Port of Anchorage is a major economic factor and one of the strongest links in the Alaska transportation chain. This chain enables residents statewide from Juneau to Barrow to take full advantage of the benefits of inexpensive waterborne commerce through this regional serving Port. The Port of Anchorage contributes an estimated $725 million annually to Alaska's economy. The Port and its customers have maintained a notable safety record throughout the four (4) decades the Port has been in operation.

SERVICES

Approximately 90% of the consumer goods and foodstuffs sold within the Railbelt and beyond move through the Port of Anchorage on a year-round basis. Container service is available twice a week from Puget Sound by two domestic ocean carriers and increases seasonally by one additional container vessel per week. Bulk shipments are both domestic and foreign, and involve imports of basic commodities such as cement, refined petroleum products, automobiles and construction materials. The Port of Anchorage, due to its strategic global position and close proximity to neighboring major military commands, Elmendorf Air Force Base and Fort Richardson, is a key component for Department of Defense strategic activities concerning mobilization planning and the shipping/transport of jet fuel and other related petroleum products and bulk cargo for military use. The Port serves as the primary export facility for the state's largest petroleum refinery in North Pole, and as the major export terminal for frozen and canned seafood products that are packed in Anchorage, Valdez and on the Kenai Peninsula.

The Municipality of Anchorage is the Grantee of Anchorage Foreign Trade Zone (FTZ) No. 160, the only activated FTZ in the State of Alaska. The Port of Anchorage is the Municipal department responsible for the administration of the FTZ program in Anchorage. At the present time FTZ No. 160 is comprised of seven sites totaling some 1,000 acres located at the Port of Anchorage, Anchorage International Airport and at five private sites throughout the Municipality. An application for subzone status for the Tesoro Petroleum refinery in Kenai was approved by the United States Department of Commerce, Foreign Trade Zones Board in May 2001.

REGULATION

Dock Revenue rates for the Port of Anchorage are established in the Port of Anchorage Terminal Tariff No. 5 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the five (5) year term Preferential Usage Agreements' charges require approval by the Anchorage Port Commission, subject to approval by the Anchorage Municipal Assembly and the Federal Maritime Commission.

Port Industrial Park Revenue is derived from long-term leases of properties in the Port Industrial Park. The leases provide for five-year rate adjustments that are performed in accordance with Anchorage Municipal Code provisions. Leases and lease options are subject to Municipal Assembly approval.

ENVIRONMENTAL MANDATES

The Port complies with a broad range of local, state and federal environmental standards, including all provisions of the National Environmental Policy Act (NEPA), Clean Water Act, Clean Air Act, National Pollution Discharge Elimination System (NPDES), Endangered Species Act and Coastal Zone Management Plan.

PHYSICAL PLANT

Real Estate:

128	acres of developed uplands
400	acres of economically developable tidelands to the north and south of the existing Industrial Park and dock area
1,000	acres of submerged lands offshore from tidelands holdings
1,528	total acres

Terminals:

- Three General Cargo Terminals, 2,109 ft. of dock face, container, roll on\roll off, bulk cement and break bulk capabilities
- Two Bulk Petroleum Product Terminals with 600 feet each of berthing space with four 2,000-bbl./hr.-product pipelines each
- Operating depth at all facilities: dredged to -35Y MLLW
- Maximum vessel tonnage: 60,000 DWT
- Maximum length and breadth: No limit
- On-dock Transit Shed with 27,000 square foot heated storage/office space

Cargo Handling Equipment:

- Rail mounted, electric Container Cranes:
  - (2) 30 ton
  - (1) 40 ton
- Portable Cranes to 150 tons available
- Forklifts to 30 tons available
- Bulk Petroleum Valve Yard capable of accommodating multiple simultaneous marine/shore and/or inter-user shore side transfers.

U.S. Port of Entry: Foreign Trade Zone service available

PORT OF ANCHORAGE
2004
OPERATING AND CAPITAL BUDGET ASSUMPTIONS

Below are the general budget assumptions for the Port of Anchorage's 2004 Operating and Capital Budgets.

REGULATION

Assumed continued economic regulation by the Federal Maritime Commission (FMC).

UTILITY OWNERSHIP

Assumed continued Municipal ownership in 2004.

RATE INCREASES

The Port Commission promulgated a major revision to the Port's tariff in 2001 which was subsequently approved by the Anchorage Municipal Assembly, AM 208-2001(A), and the FMC. As part of the revision, which effectively created Port of Anchorage Tariff No. 5, wharfage rates were increased incrementally over a three (3) year period for: Cement, Bulk Pipeline; Petroleum, Inbound/Outbound; and, Petroleum, Transfers. Port debt service coverage and cash reserves are anticipated to remain adequate and, other than the scheduled incremental increases noted above for wharfage items, no new rate increases are assumed for 2004.

LEASE AGREEMENTS

The Port is in the process of vacating several right of ways within the Port area and consolidating multiple leases with TOTE. Once the process is complete, TOTE's total acreage under lease will increase for subsequent years.

MUNICIPAL ENTERPRISE SERVICE ASSESSMENT (MESA)

Assumed 2003 Tax District No. 1 mill rate and 1.25% MESA for MESA (in lieu of taxes) calculations.

INTRAGOVERNMENTAL CHARGES (IGCs)

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

POPULATION

Assumed a population of 273,779 for 2004.

INFLATION

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

2004 IMPACTS/ASSUMPTIONS SPECIFIC TO THE PORT OF ANCHORAGE

1. Port revenues are anticipated to increase in 2004 as the net result of increased Port revenue items including, but not limited to, Dockage, Wharfage and Lease Income.

2. 2004 Expenses are anticipated to be slightly higher to 2003 expenses primarily due to increased activity at the facility.

3. The Port's 2004-2009 Capital Improvement Program reflects a major Port expansion program, the Port Intermodal Expansion Program (PIEP). The Port bases its budget assumptions for the PIEP on a combination of local, state and federal funding streams. The current estimated overall capital cost for this program is $236 million.

   Currently, several project design alternatives are under consideration for development. For this reason, the following budget assumptions remain contingent upon the alternative that becomes the actual PIEP project design. The choice of design alternative depends on the results of an impartial, third-party technical and constructability analyses combined with preliminary engineering, environmental review and public involvement processes as required under the National Environmental Policy Act (NEPA) for federally funded transportation projects.

   Local financial resources required for the PIEP include an issuance of $30 million in Port Revenue Bonds in year 2006 and an allocation of $19.9 million in Port retained earnings over the life of the project depending on the design selected.

   As part of the match for federal funds, the Port has requested and been allocated $14.5 million in state reimbursable capital funding for the PIEP.

   At the federal level, FY 2004 congressional appropriations requests for PIEP total $16.5 million. The Port anticipates additional federal appropriations requests for FY 2004-2009 will total $140 million.

PORT OF ANCHORAGE
HIGHLIGHTS AND FUTURE EVENTS

During 2003, the Port experienced an upsurge of marine traffic at its facility. Cruise West's Spirit of Oceanus made its inaugural call at the Port of Anchorage in May of 2002, and made six port calls during 2003. Cruise West specializes in small ship adventure cruises that visit smaller Alaska Ports as well as Siberia. Beginning in April, CP Ships, through its subsidiary, Lykes Lines, begin weekly service between Vancouver and four ports of call in Asia. This service established the first scheduled direct maritime trade route between Alaska and Asia. CP Ships has committed to serving the route for one year as it builds a customer base in-state. Dry bulk cement deliveries are at an all time high with six ships scheduled to visit during 2003. Petroleum activity at the Port has also increased, primarily due to the exportation of Naphtha product to Asia.

Following recommendations highlighted in the Port's new Master Plan which was adopted for inclusion in the Anchorage 2020 Comprehensive Plan, the Port defined a new major Capital Improvement Program (CIP) for Port infrastructure and intermodal capability expansion, the Port Intermodal Expansion Program (PIEP). During 2001, the Port Director instituted a program of ongoing, extensive efforts that will secure project funding through a combination of federal, state and local financial resources. It is anticipated that this future Port expansion will occur incrementally over a 5 to 8 year period. The CIP provides for flexibility in sequencing for the PIEP as funding becomes available for project development and construction activities.

The PIEP has three primary objectives: 1) accommodate existing customer requirements; 2) accommodate growth and demand for Port services, especially with respect to potential new customers and the new generation of vessels anticipated to call at the Port; and 3) stimulate economic development for the Municipality and the region by providing marine and landside transportation system improvements. The U.S. Maritime Administration (MARAD) has been assigned as the Federal Lead Agency for Port development. MARAD has selected an 8(a) subcontractor, Koniag Services Inc, (KSI) to help provide project management services for the expansion project.

Two Federal FY 2002 congressional appropriations bills contained funding for the PIEP. The FY 2002 Department of Defense Appropriations amended the Transportation Equity Act for the 21st Century (TEA-21) and re-allocated $9.4 million dollars in Federal Highway Administration (FHWA) National Highway System (NHS) funds for the PIEP project. Additionally, the FY 2002 Transportation Appropriations yielded a FTA capital projects allocation of $2.95 million for the PIEP. During FY 2003, the Port secured an additional $21.2 million in federal appropriations through various sources.

The Port anticipates additional PIEP project funding requests for the fiscal years 2004 – 2008 will total an additional $123.2 million.

In March 2002, the Economic Development Administration (EDA) of the U.S. Department of Commerce accepted the Port's pre-application for Federal Assistance. This documentation is the first step in an EDA grant application process that will provide approximately $5 million toward total project costs for the PIEP project. With the adoption of the Municipality's Comprehensive Economic Development Program (CEDS) in June of 2003, the Port is now eligible to apply for those funds.

State and local funding will fulfill the matching requirements for Federal Aid and Grants-in-Aid resources used for the PIEP, where applicable. Additionally, the Port will prepare a Letter of Interest and a draft credit application for the Transportation Infrastructure Finance Innovation Act (TIFIA) program. This program provides credit assistance to major transportation infrastructure projects with total costs of $100 million or more. In the event that project development requirements mandate greater financing flexibility, a TIFIA credit instrument would provide the near-term funding necessary to realize significant time and/or cost savings.

The State Legislature, through the Department of Transportation and Public Facilities (DOT&PF) provided a $5.8 million grant for PIEP activities in its FY 2002 appropriations. Additionally in 2002, the Legislature passed a major capital projects debt-repayment bill. DOT&PF administers this multiple year program, which is subject to support through the annual appropriations process. This program will provide $14.5 million of debt reimbursement for the PIEP.

The Port anticipates it will request additional funding for the PIEP project from the state legislature for fiscal years 2004 – 2007. These requests will total $15 million.

The Port has a close working relationship with the ARRC and DOT&PF, as well as other transportation agencies. This collaboration will improve intermodal connections to the highway and rail systems as part of the PIEP project. As part of the PIEP, the Port anticipates constructing a road and rail line with two sidings around the Eastern Port perimeter. The rail line will terminate in the North Tidelands and provide for barge off-load service to a Trailer On Flat Car (TOFC) yard. This road/rail development will also provide access to develop additional areas in the North Tidelands in support of mega-module assembly and load out activities.

Totem Ocean Trailer Express, Inc. (TOTE), one of the major general cargo/container carriers calling at the Port of Anchorage, made a significant decision in 1999 to design and construct new ships for its Alaska trade. These new 839 foot Orca Class roll on/roll off Vessels will easily accommodate trailers 53 feet or greater in length and provide dedicated vehicle stowage. These two new vessels, the Midnight Sun and the North Star, are both in service as of August 2003. In order to accomplish the majority of cargo load out during a 9-hour longshore period, TOTE constructed a new trestle between Terminal No. 3 and Transit Area D that supports an additional roll on/roll off ramp for these new TOTE vessels. Also in support of new vessel operations, TOTE and the Port are initiating a major development project which will reconfigure and renovate Port real estate used by TOTE. Construction activities will consist of vacating Tidewater Road adjacent to TOTE leaseholds, relocating all underground utilities, and realigning existing fencing. This will result in one contiguous staging area for TOTE operations.

In conjunction with the TOTE development project above, in preparation for the impacts of the PIEP and to better utilize Port managed property and roadway systems, the Port of Anchorage is in the process of vacating the public rights-of-way of Terminal Road, Tidewater Road, Gull Avenue and two fire alleys. The right-of-way vacation and new designation as internal roads will enhance both Port security and traffic safety. The replatting action will cause improved cargo access and an increase in customer operating efficiencies. Several small parcels of property will be eliminated, creating a large single tract of land. This will bring about a better functional use of all Port cargo staging and storage areas and allows greater flexibility to meet current and future Port business needs.

PORT OF ANCHORAGE

11 - YEAR SUMMARY

UTILITY FORMAT - 2004 OPERATING BUDGET ($ in Thousand's)

	Actual				**Proforma**	**Budget**	**Forecast**				
Financial Overview	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues	8,726	9,245	10,028	9,602	9,728	9,810	10,026	10,246	10,472	10,702	10,938
Expenses	6,609	6,510	6,270	7,359	6,599	6,725	7,018	7,172	7,330	7,492	7,656
Net Income (Regulatory)	2,117	2,735	3,758	2,243	3,129	3,085	3,008	3,074	3,142	3,211	3,281
Budgeted Positions	21	21	21	21	21	21	21	21	21	21	21
Capital Program	2,554	793	1,686	3,711	-	21,910	51,252	44,102	44,032	38,822	37,082
Bond Sales	-	-	-	-	-	-	-	30,000	-	-	-
Net Plant (12/31)	56,068	56,137	53,747	56,252	53,947	51,742	49,757	47,642	45,457	236,000	188,800
MESA	576	551	570	602	571	571	571	571	571	571	571
Retained Earnings (12/31) (*)	47,903	50,638	54,395	37,674	40,803	43,888	46,896	49,970	53,111	56,322	59,603
General Cash Pool	1,593	5,465	4,023	7,291	8,355	9,021	9,000	9,000	9,000	9,000	9,000
Construction Cash Pool	8,721	9,706	20,322	19,262	22,494	24,287	22,500	18,000	13,500	9,000	10,000
Bond & TIFIA Reserve Cash	990	990	1,000	1,000	1,000	1,193	1,781	2,594	3,452	4,357	5,000
Total Cash (12/31)	11,304	16,161	25,345	27,553	32,134	34,696	33,281	29,594	25,952	22,357	24,000
IGC's - General Government	242	213	265	279	306	306	306	306	306	306	306
Total Outstanding Debt (12/31)	7,845	6,910	5,920	4,740	3,760	2,740	1,450	30,030	29,030	28,015	27,000
Total Annual Debt Service	1,352	1,348	1,345	1,375	1,348	1,278	2,267	2,309	1,780	1,720	1,660
Debt Service Coverage (Rev Bonds)	4.05	4.57	5.30	5.54	4.84	5.14	2.96	2.97	3.94	4.17	4.41
Debt/Equity Ratio (12/31)	8 / 92	6 / 94	6 / 94	4 / 96	4 / 96	3 / 97	2 / 98	0 / 100	10 / 90	8 / 92	7 / 93
Tariff Wharfage Rates (7/1):											
Containers/Ton (**)	$2.00	$2.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Petroleum, Bulk/Barrel (**)	$0.10	$0.10	$0.10833	$0.11666	$0.125	$0.125	$0.125	$0.125	$0.125	$0.125	$0.125
Cement, Bulk/Ton (**)	$1.00	$1.00	$1.0433	$1.0866	$1.13	$1.13	$1.13	$1.13	$1.13	$1.13	$1.13
Statistical/Performance Trends:											
Tonnage (in thousands) (***)	2,647	2,793	2,974	2,880	4,000	4,150	4,250	4,360	4,470	4,580	4,690
Revenue/Ton	$2.88	$2.85	$2.93	$3.00	$ 2.43	$ 2.36	$ 2.36	$ 2.35	$ 2.34	$ 2.34	$ 2.33

(*) GASB 33 capital grant revenue not included

(**) Port of Anchorage Tariff revisions per AM 208-2001(A) approved June 5, 2001

(***) Petroleum Rail Rack data was incorporated into Tonnage beginning 2003.

PORT OF ANCHORAGE
WORKFORCE PROJECTIONS

	2003	2004	2005	2006	2007	2008	2009
DIVISION							
Administrative / Engineering	7	7	7	7	7	7	7
Operations / Maintenance	12	12	12	12	12	12	12
Port Development	2	2	2	2	2	2	2
Subtotal	**21**	**21**	**21**	**21**	**21**	**21**	**21**
Part Time / Temporary	0	0	0	0	0	0	0
Total	**21**	**21**	**21**	**21**	**21**	**21**	**21**

PORT OF ANCHORAGE
STATEMENT OF REVENUES AND EXPENSES

	2002 ACTUAL	2003 PRO-FORMA	2004 BUDGET
OPERATING REVENUE			
Dock Revenue	5,928,352	5,931,193	6,522,500
Industrial Park Revenue	2,471,221	2,446,540	2,508,500
Other Operating Revenue	242,654	196,000	108,100
TOTAL OPERATING REVENUE	8,642,227	8,573,733	9,139,100
OPERATING EXPENSE			
Labor	1,407,219	1,535,000	1,691,906
Supplies	109,086	154,000	139,800
Other Services & Charges	1,392,254	1,303,000	1,286,100
IGC"s	279,231	306,300	306,300
Depreciation / Amorization (*)	3,214,741	2,415,000	2,415,000
Municipal Enteprise Service Assessment	601,722	571,000	571,000
TOTAL OPERATING EXPENSE	7,004,253	6,284,300	6,410,106
OPERATING INCOME	1,637,974	2,289,433	2,728,994
NON-OPERATING REVENUE (**)			
Interest Income	95,236	801,000	300,000
Pipeline Right-Of-Way Fee	141,599	130,000	130,000
Gain / Loss - Disposal of Property	0		
Other Non-Operating Revenue	722,837	223,000	241,000
TOTAL NON-OPERATING REVENUE	959,672	1,154,000	671,000
NON-OPERATING EXPENSE			
Interest on Long-Term Debt	302,163	259,000	259,000
Other Non-Operating Expense	52,600	56,000	56,000
TOTAL NON-OPERATING REVENUE	354,763	315,000	315,000
NON-OPERATING INCOME	604,909	839,000	356,000
NET INCOME (REGULATORY)	2,242,883	3,128,433	3,084,994
ADJUSTMENTS FOR GAAP	0	(1,007,000)	(1,007,000)
NET INCOME GAAP	2,242,883	2,121,433	2,077,994

(*) Contributed plant depreciation not included

(**) GASB 33 capital grant revenue no included

PORT OF ANCHORAGE
STATEMENT OF SOURCES AND USES OF CASH

	2002 ACTUAL	2003 PRO-FORMA	2004 BUDGET
SOURCES OF CASH FUNDS:			
Net Income GAAP	3,049,416	3,128,433	3,084,994
Depreciation / Amortization	3,214,741	2,415,000	2,415,000
Grants	244,000	0	20,142,000
Bonds	0	0	0
Amortization of Debt Discount			
Principal Payments, Financing Leases			
Disposition of Assets			
State Debt Repayment (*)			3,625,000
TOTAL SOURCES OF FUNDS	6,508,157	5,543,433	29,266,994
USES OF CASH FUNDS:			
Additions to Plant	3,711,000	0	24,440,000
Bond Principal Payments	1,050,000	1,110,000	1,180,000
Net Effect of Changes on Balance Sheet Which Affect Cash			
TOTAL USES OF FUNDS	4,761,000	1,110,000	25,620,000
NET INCREASE (DECREASE) IN CASH FUNDS	1,747,157	4,433,433	3,646,994
CASH BALANCE JANUARY 1,	25,344,881	27,700,698	32,134,131
CASH BALANCE DECEMBER 31,	27,700,698	32,134,131	35,781,125
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	7,291,274	8,354,874	9,303,093
Equity in Construction Cash Pool	19,262,026	22,493,892	25,046,788
Revenue Bond Maintenance Reserve	1,147,398	1,285,365	1,431,245
TOTAL CASH DECEMBER 31,	27,700,698	32,134,131	35,781,125

(*) AS 29.60.700 - Reimbursement for Cost of Municipal Capital Projects

PORT OF ANCHORAGE
OPERATING BUDGET DETAIL

	2002 ACTUAL	2003 PRO-FORMA	2004 BUDGET
LABOR			
Wages	967,553	1,023,000	1,192,382
Overtime	22,917	30,000	
Benefits	290,786	323,000	330,572
Other	125,963	159,000	168,952
Subtotal	1,407,219	1,535,000	1,691,906
SUPPLIES			
Office & Operating Supplies	20,967	32,000	22,000
Fuel	9,860	14,000	14,000
Repair & Maintenance Supplies	73,479	98,000	99,000
Other	4,780	10,000	4,800
Subtotal	109,086	154,000	139,800
INTRAGOVERNMENTAL CHARGES			
IGC's From Others	279,231	306,300	306,300
IGC's To Others	0	0	0
Subtotal	279,231	306,300	306,300
OTHER SERVICES			
Professional Services	248,874	281,000	237,000
Contributions to Outside Organizations	41,000	43,000	41,000
Repairs & Maintenance - Contracted	113,543	108,000	118,500
Municipal Enterprise Service Assessment	601,722	571,000	571,000
Contract Services	386,716	366,000	394,000
Rentals / Leases	7,305	16,000	11,500
Utilities	224,743	240,000	240,000
Other	353,440	249,000	244,100
Subtotal	1,977,343	1,874,000	1,857,100
OTHER EXPENSES			
Depreciation / Amortization	3,214,741	2,415,000	2,415,000
Interest on Long Term Debt	300,223	259,000	259,000
Other	71,173	56,000	56,000
Subtotal	3,586,137	2,730,000	2,730,000
TOTAL EXPENSES	7,359,016	6,599,300	6,725,106

PORT OF ANCHORAGE

2004 - 2009 CAPITAL IMPROVEMENT BUDGETS FINANCIAL SUMMARY

(shown in $000s)

PROJECT CATEGORY	2004	2005	2006	2007	2008	2009	TOTAL
Land Development							
Terminal Development	24,230	53,006	74,476	36,906	33,051	14,331	236,000
Harbor Development							0
Repairs & Renovations	200	200	200	200			800
Equipment	10	230	100	30		30	400
TOTAL	**24,440**	**53,436**	**74,776**	**37,136**	**33,051**	**14,361**	**237,200**

SOURCE OF FUNDING	2004	2005	2006	2007	2008	2009	TOTAL
Revenue Bonds			30,000				30,000
Equity/Operations	4,298	5,744	3,084	2,944	2,484	2,544	21,100
State Grant		7,500	7,500				15,000
Federal Grant	16,517	36,567	30,567	30,567	30,567	11,817	156,600
State Debt Repayment	3,625	3,625	3,625	3,625			14,500
TOTAL	**24,440**	**53,436**	**74,776**	**37,136**	**33,051**	**14,361**	**237,200**