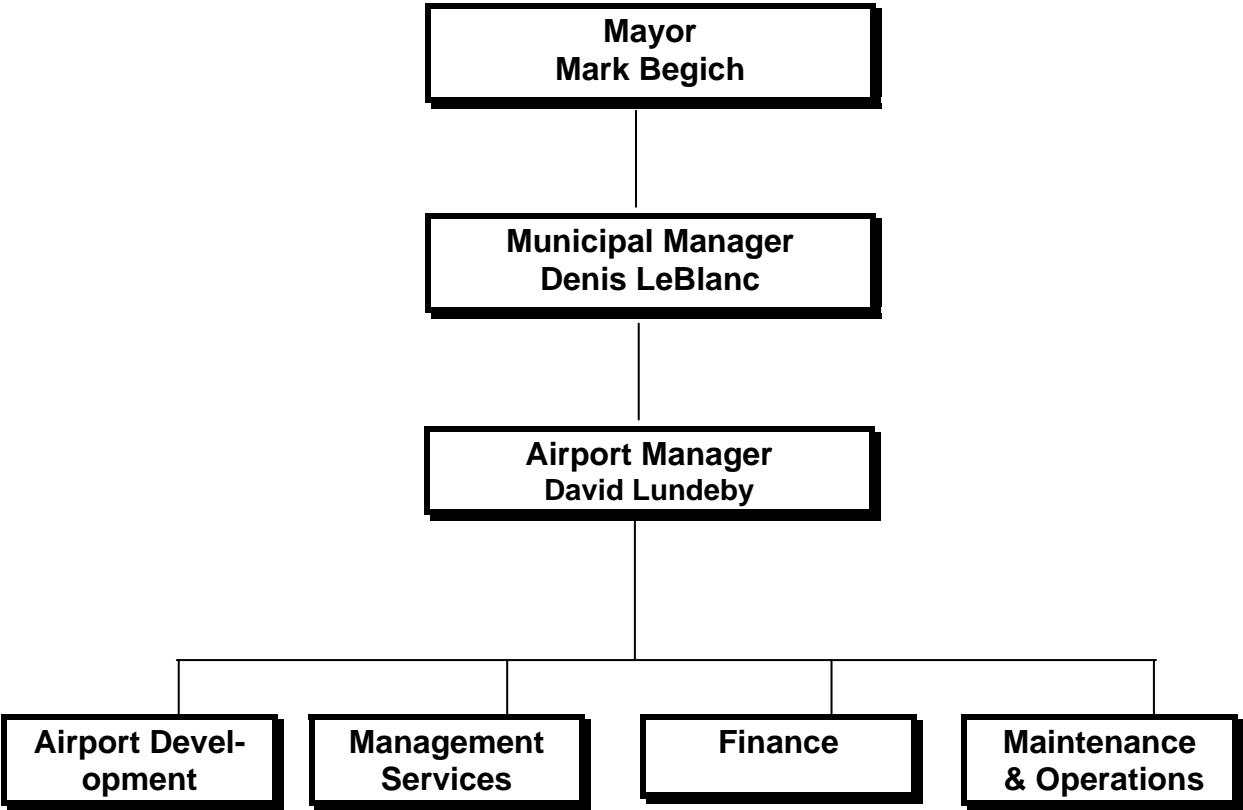


MERRILL FIELD AIRPORT
ORGANIZATION CHART
2006 - 2007



MERRILL FIELD AIRPORT

UTILITY PROFILE

2006 - 2007

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 200,000 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, with many passengers destined for the downtown and midtown areas, are conveniently served by 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 137 feet; fee simple title
- 1,310 tiedown spaces; leaseholders manage 700;
 - Municipality manages 558, plus 52 for transient aircraft
- Runway 7/25 length is 4,000 feet; Runway 16/34 length is 2,640 feet;
 - Gravel/Ski Runway 4/22 length is 2,000 feet
- Six taxiways; 102 acres of tiedown aprons
- Control Tower owned and operated by FAA

Eighty Sixth (86th) Busiest Airport in the Nation in 2004

- Hub for intra-Alaska travel
- Located one mile from downtown Anchorage
- General Aviation reliever airport to Ted Stevens Anchorage International Airport
- 970,154 flight operations in Alaska; 191,516 operations (20%) at Merrill Field
- 395,948 General Aviation flight operations in Alaska; 176,625 operations (45%) at Merrill Field
- 9,819 registered aircraft in Alaska; 933 (10%) based at Merrill Field
- 8,711 certificated pilots in Alaska; 3,098 (36%) reside in Anchorage

Economic Stimulus

- 31 leaseholders lease 2,852,579 square feet
- 16 rental properties
- Approximately 46 aviation related businesses operate on the airport
- 868 transient aircraft stayed a total of 2,646 days last year
- Approximately 832,000 gallons of fuel were sold in 2004

Airport Plant (net of accumulated depreciation) is \$26,612,556

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2006 - 2007

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 2006 and 2007 Operating and Capital Budgets.

REGULATION

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

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2006 and 2007.

RATE INCREASES

Any rate increase proposals must be pre-approved by the Mayor prior to budget submittal to OMB.

MUNICIPAL UTILITY/ENTERPRISE SERVICE ASSESSMENT (MUSA/MESA)

Follow applicable MUSA/MESA ordinance. For example, Merrill Field will be in the second year of phasing in the MESA.

REVENUE DISTRIBUTIONS

Individual guidelines will be provided to utilities that are not prohibited from making revenue distributions.

INTRAGOVERNMENTAL CHARGES (IGCs)

Assume an increase of 5% in IGCs from General Government over that level contained in the Revised 2005 General Government Operating Budget.

INTEREST

Assume debt service for new insured 20-30 year G.O. bonds as well as new insured revenue bonds to be 5.25% - 5.75%. Short-term interest income should be calculated assuming a rate of 2.75% - 3.25%. Short-term interfund borrowing rate should be assumed to be 3.25% - 3.75%.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 277,498 in 2005 and 281,300 in 2006.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes assume wage increases in accordance with current or negotiated labor agreements for Laborers, Teamsters, Machinists, Operating Engineers, IBEW and AMEA. For Plumbers and Pipefitters assume 3.3%; for NON-REPS, 3.3% increase.

* * * * *

2006/2007 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. New aircraft hangar projects have recently been constructed on the Airport which have provided business and employment opportunities to the local community and also expanded the existing tax base for General Government.

Merrill Field began making Municipal Enterprise Service Assessment (MESA) payments in 2005 in accordance to the three year phase-in schedule outlined in AO 2004-154 (50% for 2005, 75% for 2006 and 100% for 2007). Merrill Field's estimated MESA payments for 2006 is \$80,000 (75%) and for 2007 is \$105,000 (100%).

Since its beginning in the 1930's when it was built on the outskirts of town, Merrill Field has become surrounded by residential and commercial development. Individuals not associated with the airport consistently enter restricted areas (trespass across runways) when transiting the airport because they are not familiar with the airport layout. Our Runway Safety Program has implemented operational procedures and provided numerous capital improvements in an effort to curb this trespass problem. Through cooperative efforts of Airport leaseholders and implementation of our Driver Training Program, there has been a major decrease in trespass incidents, a total of 19 incidents in 2004 down to 5 incidents in 2005 (through August). The Federal Aviation Administration has recommended Merrill Field provide physical security as a viable option to further reduce the level of trespass (the national FAA goal is zero trespass incidents). Physical security would be an additional operating cost for which we are not currently budgeted. Our goal is to increase Airport security through the continued

support of the Airport leaseholders and businesses, the Municipality of Anchorage and the Federal Aviation Administration.

The State of Alaska and the Municipality are currently in the process of determining which of the recommended roadway improvement options will be utilized for the reconstruction of the Glenn Highway corridor between Gambell Street and McCarrey Street. Expansion of the existing Glenn Highway ROW (the current option of choice) would require a release of Municipal Airport lands to be utilized as public right of way. Replatting, new land leases, property acquisitions, and relocation assistance are some of the issues that will need to be addressed if airport lands are taken for public right of way.

Merrill Field anticipates the 2007 budget will have increased expenses which will make it necessary to adjust rates at Merrill Field Airport in 2007. The Airport land rental rates and aircraft parking fees are proposed to increase approximately 6% in 2007. These increases will allow the Airport to continue to provide services at the current levels, and to remain self-supporting. There are no proposed rate increases for the 2006 budget.

MERRILL FIELD AIRPORT

HIGHLIGHTS AND FUTURE EVENTS

2006 - 2007

On July 16, 2005 Merrill Field hosted an aviation open house to celebrate 75 years of service to Anchorage and the State of Alaska. In recognition of Merrill Field's historic value airport businesses "opened their doors" to create an awareness and connection between general aviation and the Alaskan way of life. The event featured a pancake breakfast, tower tours, vendor exhibits, historical memorabilia, vintage aircraft and static displays. A Commemorative Ceremony paid tribute to the Pioneers of Merrill Field which included the presence of Mr. Robert Merrill MacLean, the son of Russell Hyde Merrill whom Merrill Field was named after.

Today, with over 200,000 take offs and landing per year, Merrill Field serves as a reliever airport to Ted Stevens Anchorage International Airport and also as the major general aviation link between Anchorage and our surrounding rural communities. With over 40 aviation businesses and 900 based aircraft, Merrill Field provides a positive economic impact to Anchorage.

Merrill Field is one of the few airports in the nation that has a taxiway link directly to a hospital. Medevac aircraft land and taxi directly to the hospital, the patient is transferred from the aircraft onto a gurney and wheeled into the hospital. This service saves those valuable minutes in critical situations and is utilized almost daily.

An expansion to the existing Whiskey aircraft apron has recently been completed which adds 49 new aircraft parking spaces (for a total of 84 spaces) with electrical power for engine preheating and area lighting. This aircraft apron 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 Merrill Field Airport Leasing Program encourages private development of airport lands. Over the past five years private development has invested approximately \$10 million in constructing over 100 new aircraft hangars and 3 new office/retail facilities on Municipal Airport leased property. The Administration recently conducted an extensive review of Merrill Field's lease terms which resulted in a summary report recommending changes to the lease terms that would provide more benefits to the airport leaseholders and would make Merrill Field's leases more competitive with State airport leases. Future Assembly actions will be required to implement the recommended lease term revisions.

Numerous security enhancements have already been implemented and new programs are planned for Merrill Field that will enhance the safety and security of Merrill Field's air operation areas. These improvements are focused on eliminating unauthorized entry into the aircraft movement areas (taxiways and runways). Security improvements already in place include; new perimeter fencing, increases to existing fence heights, installation of taxiway barrier gates, relocation of the mid-field taxiway on runway 6-24,

vehicle and pedestrian gate access controls, improvements to the public address system, a guided walking trail, area lighting, signage, and a recently implemented Driver Training Program. Proposed projects include a new Closed Circuit TV security camera system and continuing educational programs on airport safety. A coordinated effort between the FAA Airports Division, FAA Runway Safety Office, FAA Air Traffic Control, Merrill Field Management, Anchorage Police Department and Merrill Field Airport Businesses will continue to increase safety.

A major runway rehabilitation project is currently underway. Complete reconstruction of Merrill Field's main runway will be completed in 2005. The project also includes new pavement markings and signage, and the renaming all three of Merrill Field's runways due to the changes in the magnetic declination. The new runway designations will change as follows: Runway 6-24 to 7-25, Runway 15-33 to 16-34 and Runway 3-21 to 4-22.

**MERRILL FIELD AIRPORT
2006 11-YEAR OPERATING BUDGET SUMMARY (\$000'S)**

	Actual				Proforma	Budget	Forecast				
FINANCIAL OVERVIEW (1)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Revenues (2)	\$1,102	\$1,037	\$1,024	\$1,158	\$1,196	\$1,277	\$1,355	\$1,355	\$1,433	\$1,433	\$1,511
Total Expenses (3)	\$976	\$1,047	\$936	\$1,068	\$1,158	\$1,222	\$1,316	\$1,315	\$1,339	\$1,385	\$1,422
Net Income Regulatory	\$126	(\$10)	\$88	\$90	\$38	\$55	\$39	\$40	\$94	\$48	\$89
Budgeted Positions	10	10	10	10	10	10	10	10	10	10	10
Capital Program	\$4,504	\$3,245	\$1,765	\$2,552	\$3,473	\$4,030	\$4,640	\$5,100	\$4,010	\$3,040	\$3,010
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Plant (12/31)	\$30,569	\$29,194	\$27,897	\$26,613	\$33,067	\$35,092	\$37,528	\$41,142	\$43,523	\$44,839	\$46,073
Utility Revenue Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings (12/31) (4)	\$8,663	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted Net Assets (12/31) (5)	N/A	\$923	\$911	\$807	\$747	\$734	\$710	\$735	\$722	\$867	\$920
General Cash Pool	\$225	\$48	(\$310)	(\$319)	\$97	\$68	\$20	\$20	\$7	\$152	\$205
Construction Cash Pool	(\$2,162)	\$623	\$1,162	\$957	\$477	\$477	\$477	\$477	\$477	\$477	\$477
Bond Redemption Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash (12/31)	(\$1,937)	\$671	\$852	\$638	\$574	\$545	\$497	\$497	\$484	\$629	\$682
IGCs from General Government	\$121	\$154	\$133	\$121	\$122	\$127	\$133	\$140	\$147	\$154	\$162
Municipal Enterprise Service Assessment	\$0	\$0	\$0	\$0	\$52	\$78	\$123	\$128	\$137	\$150	\$159
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%	6.7%	11.1%	0.0%	6.3%	0.0%	5.9%	0.0%	5.6%
Lease Rate/Square Foot Per Year	\$0.150	\$0.150	\$0.150	\$0.160	\$0.160	\$0.160	\$0.170	\$0.170	\$0.180	\$0.180	\$0.190
Tail-In Space Per Month	\$40	\$40	\$40	\$45	\$50	\$50	\$55	\$55	\$60	\$60	\$65
Drive-Through Space Per Month	\$50	\$50	\$50	\$55	\$60	\$60	\$65	\$65	\$70	\$70	\$75
PERFORMANCE TRENDS (1)											
Based Aircraft	918	913	910	933	950	960	970	980	990	1,000	1,010
Municipal Tiedowns	605	610	610	644	644	644	644	644	644	644	644
Flight Operations Per Calendar Year	179,217	184,670	202,278	191,516	212,600	215,800	218,900	222,000	225,200	228,300	232,800
National Airport Ranking by Calendar Year	106th	99th	77th	86th	69th	65th	64th	63rd	60th	58th	56th

Notes:

(1): 2001-2004 represents actual; 2005-2011 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. 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 instead the "Net Assets" account at note 5.

(5): As required by GASB 34, the account "Net Assets" was established for years beginning after 2001, which, in accordance with Generally Accepted Accounting Principles (GAAP), includes the effects of such non-regulatory items as 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 2004, the amount in "Invested in Capital Assets" was \$42,104,403. For all years, the "Unrestricted" amount is shown above.

(6): 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

DIVISION	2005	2006	2007	2008	2009	2010	2011
Airport Manager	1	1	1	1	1	1	1
Airport Development	1	1	1	1	1	1	1
Finance	1	1	1	1	1	1	1
Management Services	3	3	3	3	3	3	3
Airport Maintenance Technicians	4	4	4	4	4	4	4
Subtotal	10	10	10	10	10	10	10
Part-time/Temporary	3	3	3	3	3	3	3
Total	13	13	13	13	13	13	13

MERRILL FIELD AIRPORT

2006 - 2007 STATEMENT OF REVENUES AND EXPENSES

	2004 Actual Data	2005 Pro- Forma	2006 Budget Request	2007 Budget Request
OPERATING REVENUE				
Airport Lease Fees	453,936	459,000	489,000	519,000
Airport Property Rental	258,541	231,000	235,000	243,000
Permanent Parking Fees	275,146	321,000	348,000	376,000
Transient Parking Fees	12,170	13,000	15,000	16,000
Vehicle Parking	26,150	28,000	35,000	38,000
MOA Aviation Fuel Fees	41,938	45,000	50,000	55,000
SOA Aviation Fuel Fees	19,208	21,000	22,000	22,000
Medivac Taxiway Fees	46,559	48,000	48,000	51,000
Other Revenue	6,893	6,000	5,000	5,000
TOTAL OPERATING REVENUE	1,140,541	1,172,000	1,247,000	1,325,000
OPERATING EXPENSE				
Labor	760,691	798,000	838,000	883,000
Supplies	111,642	91,000	89,000	93,000
Charges To Others	(424,666)	(402,000)	(463,000)	(464,000)
Charges From Others	120,857	122,000	127,000	133,000
Other Services	220,820	202,000	200,000	206,000
Other Expenses	78,161	89,000	77,000	78,000
Municipal Enterprise Service Assessment	0	52,000	78,000	123,000
Depreciation (see Note)	200,821	195,000	260,000	240,000
TOTAL OPERATING EXPENSE	1,068,326	1,147,000	1,206,000	1,292,000
OPERATING INCOME/(LOSS)	72,215	25,000	41,000	33,000
NON-OPERATING REVENUE				
Interest Income	11,167	19,000	23,000	23,000
Other Revenue	6,948	5,000	7,000	7,000
TOTAL NON-OPER REVENUE	18,115	24,000	30,000	30,000
NON-OPERATING EXPENSE	0	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0	0
NON-OPERATING INCOME/(LOSS)	18,115	24,000	30,000	30,000
NET INCOME (REGULATORY)	90,330	49,000	71,000	63,000
Note: The section of the financial statement above reports only regulatory activity. However, Generally Accepted Accounting Principles (GAAP) require Merrill Field Airport to depreciate not only items purchased with its own funds, but also those items purchased with funds contributed by State and Federal agencies in the form of grants. Also required to be reported in this statement is the receipt of such capital grant revenue. However, neither the capital grant revenue received nor the depreciation on the items purchased with such revenue is reflected above. If these items were included, they would have the effect shown below:				
ADJUSTMENTS FOR GAAP				
Capital Grant Revenue	2,149,548	3,176,000	3,686,000	4,313,000
Depreciation of Contributed Assets	(1,083,218)	(1,089,000)	(1,745,000)	(1,964,000)
TOTAL GAAP ADJUSTMENTS	1,066,330	2,087,000	1,941,000	2,349,000
NET INCOME/(LOSS) GAAP	1,156,660	2,136,000	2,012,000	2,412,000

MERRILL FIELD AIRPORT

2006 - 2007 STATEMENT OF SOURCES AND USES OF CASH

	2004 Actual Data	2005 Pro- forma	2006 Budget Request	2007 Budget Request
SOURCES OF CASH FUNDS:				
Regulatory net in- come/(loss)	90,330	49,000	71,000	63,000
Non-contributed de- preciation	200,821	195,000	260,000	240,000
Grants	2,149,548	3,176,000	3,686,000	4,313,000
Other	0	0	0	0
TOTAL SOURCES OF CASH	2,440,699	3,420,000	4,017,000	4,616,000
USES OF CASH FUNDS:				
Additions to Plant	2,551,711	3,473,000	4,030,000	4,640,000
Other	0	0	0	0
TOTAL USES OF CASH	2,551,711	3,473,000	4,030,000	4,640,000
NET INCREASE (DECREASE)	(111,012)	(53,000)	(13,000)	(24,000)
CASH BALANCE, JANUARY 1	748,761	637,749	584,749	571,749
CASH BALANCE, DECEM- BER 31	\$637,749	\$584,749	\$571,749	\$547,749
DETAIL OF CASH BALANCE				
Equity in General Cash Pool	(319,489)	77,511	64,511	40,511
Equity in Construction Cash Pool	957,238	507,238	507,238	507,238
TOTAL CASH, DECEMBER 31	\$637,749	\$584,749	\$571,749	\$547,749

MERRILL FIELD AIRPORT
2006 - 2007 OPERATING BUDGET DETAIL

	2004 Actual Data	2005 Pro- forma	2006 Budget Request	2007 Budget Request
LABOR				
Wages	486,578	514,000	572,000	600,000
Overtime	20,473	21,000	21,000	22,000
Benefits	253,640	274,000	261,000	285,000
Subtotal	760,691	809,000	854,000	907,000
SUPPLIES				
Office Supplies	8,227	8,000	8,000	8,000
Operating Supplies	71,779	56,000	61,000	64,000
Repair and Maintenance Sup- plies	31,636	27,000	20,000	21,000
Subtotal	111,642	91,000	89,000	93,000
INTRAGOVERNMENTAL CHARGES				
Charges To Others	(424,666)	(402,000)	(463,000)	(464,000)
Charges From Others	120,857	122,000	127,000	133,000
Subtotal	(303,809)	(280,000)	(336,000)	(331,000)
OTHER SERVICES				
Professional Services	49,339	36,000	33,000	34,000
Other Contractual Services	31,660	21,000	27,000	28,000
Utilities	139,821	145,000	140,000	144,000
Subtotal	220,820	202,000	200,000	206,000
OTHER EXPENSES				
Depreciation/Amortization	1,284,039	1,284,000	2,005,000	2,204,000
Municipal Enterprise Service Assessment	0	52,000	78,000	123,000
Other	78,161	89,000	77,000	78,000
Subtotal	1,362,200	1,425,000	2,160,000	2,405,000
TOTAL EXPENSES	2,151,544	2,247,000	2,967,000	3,280,000

MERRILL FIELD AIRPORT
Proposed 2006-2011
CAPITAL IMPROVEMENT BUDGET/PROGRAM
(000's)

PROJECT CATEGORY	2006	2007	2008	2009	2010	2011	TOTALS
Apron Improvements	2,120	1,500	3,300	1,600	600	600	9,720
Runways and Taxiways	240	240	1,100	260	260	260	2,360
Buildings and Equipment	1,070	100	700	150	900	150	3,070
Land Improvements	600	800	0	0	1,280	0	2,680
Land Acquisition	0	2,000	0	2,000	0	2,000	6,000
TOTAL CIP PROGRAM	\$4,030	\$4,640	\$5,100	\$4,010	\$3,040	\$3,010	\$23,830

SOURCE OF FUNDING	2006	2007	2008	2009	2010	2011	TOTALS
Bonds	0	0	0	0	0	0	0
Operations	344	327	255	343	152	293	1,714
State Grants	0	0	0	0	0	0	0
Federal Grants	3,686	4,313	4,845	3,667	2,888	2,717	22,116
TOTAL FUNDING	\$4,030	\$4,640	\$5,100	\$4,010	\$3,040	\$3,010	\$23,830