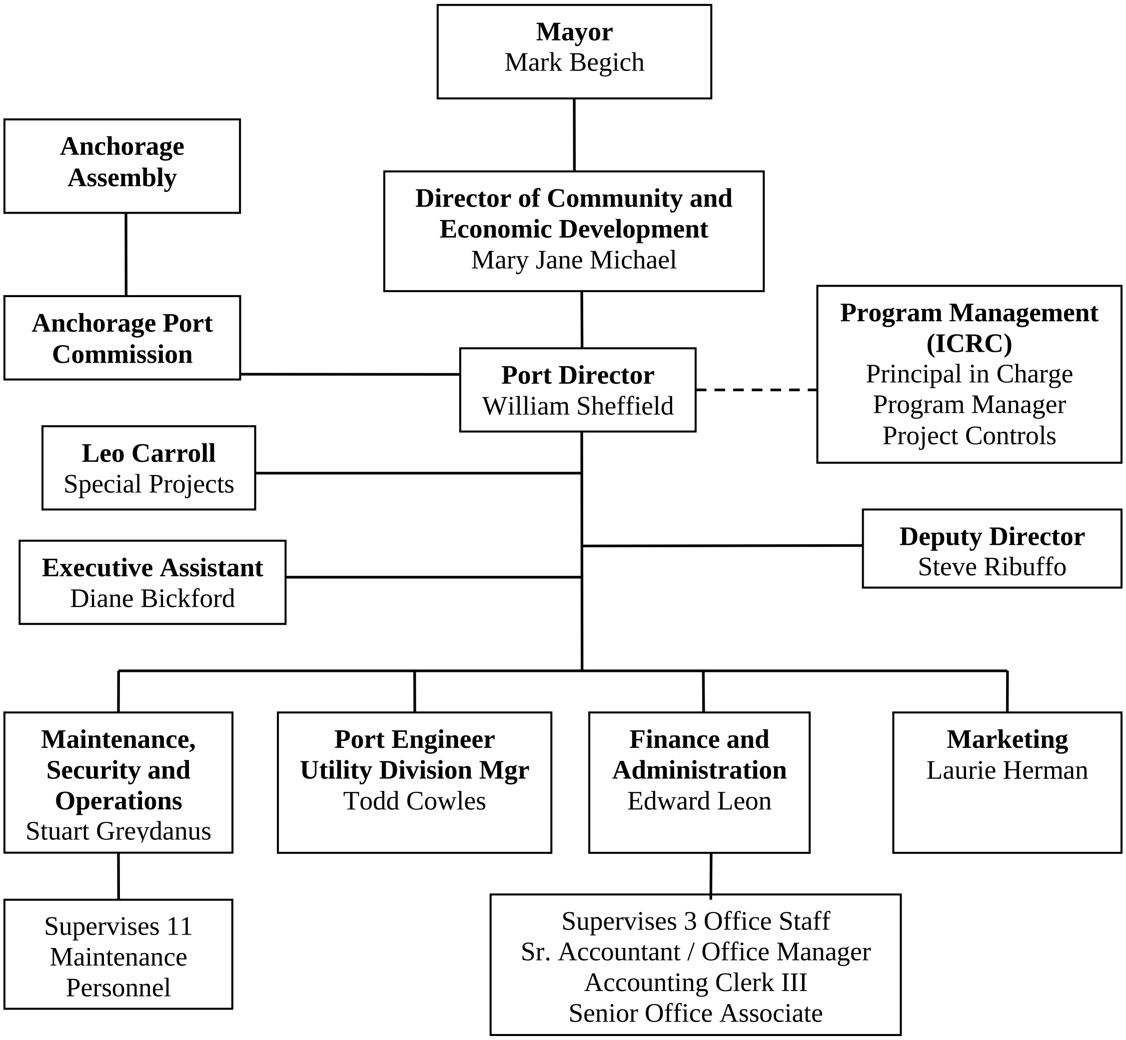
Port of Anchorage
Organization Chart



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 2004, 4.6 million tons crossed the dock. The Port was ranked 21st among United States container ports in 2004 for the movement of container TEU's (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 Cordova to Barrow to take full advantage of the benefits of inexpensive waterborne commerce through this regional 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. In 2004, Anchorage was named as the Nation's 15th Strategic Seaport.

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 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.

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. 6 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 -35 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 and (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
OPERATING AND CAPITAL BUDGET ASSUMPTIONS

2008 IMPACTS/ASSUMPTIONS SPECIFIC TO THE PORT OF ANCHORAGE

1. To comply with Federal Coast Guard regulations, the Port Commission recommended approval of a tariff increase to allow recovery of most of the increased costs from Port Stakeholders to pay for a facility security plan. The Anchorage Assembly approved the tariff on November 22, 2005 via Assembly Ordinance 2005-168. The Port security surcharge tariff rate remains in effect for 2008.

2. The Port assumes MUSA/MESA (in lieu of taxes) to be 1.25% of operating revenues beginning with Fiscal Year 2008.

3. The Port vacated several right-of-ways within the Port area and is in the process of establishing Fragmented Lot Lines to allow the consolidation of multiple leases with TOTE, Horizon Lines and other Port users. Future lease negotiations for additional land by Port tenants may occur as a result of the Port expansion project.

4. 2008 Expenses are anticipated slightly higher to 2007 primarily due to an increase in facility improvements resulting from repairs and maintenance as opposed to renovating in anticipation of complete replacement in the near future; and, an increase in marine traffic as a result of the recent Strategic Port designation.

5. The Port has embarked on an eight-year Port Intermodal Expansion Program that will double the acreage and triple berthing capability. Federal agency and State grants, Revenue Bonds and Port matching monies will combine to fund construction costs. Grant matching fund amounts have been estimated based on current grant requirements. Local financial resources required for the expansion include an allocation of $41 million in Port retained earnings over the life of the project.

   As part of the match for federal funds, the Port has requested state reimbursable capital funding for the Port's Intermodal Expansion Program.

   At the federal level, Department of Defense, Federal Highway Administration and the Federal Transportation Administration have committed to assist the Port's expansion project. The Port anticipates additional federal appropriations requests for FY 2008-2012.

PORT OF ANCHORAGE
HIGHLIGHTS AND FUTURE EVENTS

MARINE ACTIVITY:

- The Port's two primary container ship companies, Horizon Lines of Alaska and Totem Ocean Trailer Express, indicate stability in containerized traffic for 2008.

- Dry bulk cement deliveries; continue to increase due to construction increasing throughout Alaska. The Docksider pump Alaska Basic Industries installed has increased efficiencies and increase volume capabilities.

- Petroleum activity at the Port decreased as a result of decreased exports of Naphtha product to Asia. Demand for jet fuel however, has increased.

- The deployment of a U.S. Coast Guard Marine Safety and Security Team to the Port of Anchorage in 2004 added new waterside security for the facility, and provided a new revenue stream from long-term leases to the federal government. The Port completed a new floating dock facility in 2005 in order to serve this unit.

PORT INTERMODAL EXPANSION PROGRAM:

Having defined the Port's major Capital Improvement Program (CIP) for Port infrastructure and intermodal capability expansion, the Port continues to 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 an 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) stimulate economic development for the Municipality and the region by providing marine and landside transportation system improvements; 2) accommodate existing customer requirements; and 3), 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. The U.S. Maritime Administration (MARAD) has been assigned as the Federal Lead Agency for Port development. MARAD has selected an 8(a) subcontractor, Integrated Concepts and Research Corporation (ICRC) to help provide project management services for the expansion project.

The PIEP has been appropriated funds through the Department of Defense, the Federal Highway Administration and the Federal Transportation Administration. The Port anticipates additional PIEP project funding requests for the fiscal years 2008 – 2012 to these and other federal and state agencies.

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 funds toward total project costs for the PIEP project. With the adoption of the Municipality's Comprehensive Economic Development Program (CEDS), the Port is eligible to apply for those funds.

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 is constructing a road and rail line with two sidings around the Eastern Port perimeter. The rail line will eventually terminate in the North Tidelands and provide for barge off-load service as well as a Trailer On Flat Car (TOFC) yard.

In preparation for the impacts of the PIEP, and to better utilize Port managed property and roadway systems, the Port of Anchorage vacated the public rights-of-way of Terminal Road, Gull Avenue and two fire alleys. The right-of-way vacation and new designation as internal roads have enhanced 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 allow greater flexibility to meet current and future Port business needs.

PORT OF ANCHORAGE
WORKFORCE PROJECTIONS

	2007	2008	2009	2010	2011	2012	2013	2014
DIVISION								
Administrative / Engineering	11	11	11	11	11	11	11	11
Operations / Maintenance	10	12	13	13	14	15	15	15
Port Development	0	0	0	0	0	0	0	0
Subtotal	**21**	**23**	**24**	**24**	**25**	**26**	**26**	**26**
Part Time / Temporary	0	0	0	0	0	0	0	0
Total	**21**	**23**	**24**	**24**	**25**	**26**	**26**	**26**

PORT OF ANCHORAGE

11 - YEAR SUMMARY

UTILITY FORMAT - 2008 OPERATING BUDGET (000's Omitted)

				Proforma	**Budget**	Forecast					
Financial Overview	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues	$10,601	$12,702	$13,397	$13,112	$14,105	$14,048	$13,693	$15,610	$16,116	$16,574	$17,234
Expenses	$6,815	$9,054	$10,185	$10,614	$12,819	$12,057	$15,850	$16,103	$19,192	$19,405	$21,090
Net Income (Regulatory)	$3,786	$3,648	$3,211	$2,498	$1,286	$1,990	($2,157)	($493)	($3,075)	($2,831)	($3,856)
Budgeted Positions	21	21	21	21	23	24	24	25	26	26	26
Capital Program	$210	$5,725	$6,120	$12,500	$48,515	$82,307	$7,307	$7,310	$4,400	$4,400	$400
Bond Sales and Other Loans (*)	$0	$0	$0	$0	$23,850	$75,000	$0	$0	$0	$0	0
Net Plant (12/31)	$50,735	$51,250	$54,088	$55,000	$51,538	$52,450	$49,900	$47,350	$131,857	$125,063	$118,270
MESA	$545	$538	$525	$495	$960	$932	$1,097	$1,111	$1,081	$1,078	$2,540
Retained Earnings (12/31) (**)	$46,078	$49,727	$52,938	$55,435	$56,722	$58,712	$56,555	$56,062	$52,987	$50,156	$46,300
General Cash Pool	$6,990	$13,358	$17,332	$21,884	$26,359	$26,359	$26,359	$9,000	$9,000	$9,000	$9,000
Construction Cash Pool	$34,408	$32,696	$30,301	$27,859	$26,351	$20,000	$22,000	$22,000	$22,000	$22,000	$22,000
Bond & Other Loan Reserve Cash	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Total Cash (12/31)	$42,398	$47,054	$48,633	$50,743	$53,710	$47,359	$49,359	$32,000	$32,000	$32,000	$32,000
IGC's - General Government	$348	$351	$341	$445	$440	$462	$485	$509	$535	$561	$589
Total Outstanding Debt (12/31)	$2,580	$1,330	$0	$0	$0	$75,000	$73,814	$72,572	$71,271	$69,909	$68,483
Total Annual Debt Service	$1,370	$1,367	$1,369	$0	$0	$0	$1,186	$1,242	$1,301	$1,362	$1,426
Debt Service Coverage (Rev Bond	4.84	4.22	4.27	0.00	0.00	0.00	0.34	0.69	0.79	0.84	0.62
Debt/Equity Ratio (12/31)	2 / 98	1 / 99	1 / 99	0 / 100	0 / 100	40 / 60	35 / 65	34 / 66	34 / 66	33 / 67	33 / 67
Tariff Wharfage Rates (7/1):											
1250 Containers/Ton (***)	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.15	$3.15	$3.15	$3.15
1250 Petroleum, Bulk/Barrel (***)	$0.13	$0.13	$0.13	$0.13	$0.13	$0.13	$0.14	$0.14	$0.14	$0.14	$0.14
1250 Cement, Bulk/Ton (***)	$1.10	$1.20	$1.10	$1.20	$1.30	$1.30	$1.30	$1.37	$1.37	$1.43	$1.43
Statistical/Performance Trends:											
Tonnage (in thousands) (****)	4,628	4,834	2,926	3,100	3,200	4,969	5,069	5,170	5,274	5,379	5,486
Revenue/Ton	2.22	2.15	3.66	3.54	3.50	2.67	2.72	3.02	3.06	3.08	3.14

(*) Other Loan funds will be remitted to the Maritime Administration for Port Intermodal Expansion Program Matching Funds credit.
2008 Bond / Other Loans is projected with an interest rate of 4.71%.
(**) GASB 33 capital grant revenue not included.
(***) Port of Anchorage Tariff revisions sumbitted for approval per AO 2006-109 before the Assembly August 15, 2006.
(****) Petroleum Rail Rack data was incorporated into Tonnage beginning 2003. Tonnage for 2002 was adjusted for comparative purposes.

PORT OF ANCHORAGE
2006 - 2009
STATEMENT OF REVENUES AND EXPENSES

	2006 Actual	2007 Proforma	2008 Budget	2009 Budget
OPERATING REVENUE				
Dock Revenue	5,959,352	5,712,212	5,841,350	6,071,350
Industrial Park Revenue	3,803,549	4,341,167	4,338,370	4,338,370
Other Operating Revenue	493,190	342,895	526,000	551,000
TOTAL OPERATING REVENUE	10,256,091	10,396,274	10,705,720	10,960,720
OPERATING EXPENSES				
Labor	1,845,190	2,083,090	2,487,061	2,678,238
Supplies	159,546	185,202	177,820	179,540
Other Services & Charge	2,023,115	2,135,671	2,819,253	2,059,151
IGC's	378,040	335,246	439,791	461,780
Depreciation / Amortization	3,749,944	3,749,944	3,750,000	3,750,000
Municipal Enterprise Service Assessment	525,030	494,718	959,923	932,245
TOTAL OPERATING EXPENSE	8,680,864	8,983,871	10,633,848	10,060,954
OPERATING INCOME	1,575,227	1,412,403	71,872	899,766
NON-OPERATING REVENUE (*)				
Interest Income	1,323,589	952,355	335,790	311,190
Pipeline Right-of-Way Fee	117,344	117,344	145,000	145,000
Gain / Loss - Disposal of Property	22,450	0	0	0
Other Non-Operating Revenue	1,677,080	1,145,807	1,648,230	1,730,640
TOTAL NON-OPERATING REVENUE	3,140,463	2,215,506	2,129,020	2,186,830
NON-OPERATING EXPENSE				
Interest on Long-Term Debt	0	0	0	1,123
Other Non-operating Expense	1,504,622	1,630,093	2,184,690	1,996,503
TOTAL NON-OPERATING EXPENSE	1,504,622	1,630,093	2,184,690	1,997,627
NON-OPERATING INCOME	1,635,841	585,413	(55,670)	189,203
NET INCOME (REGULATORY)	3,211,068	1,997,816	16,202	1,088,969
ADJUSTMENTS FOR GAAP	0	0	0	0
NET INCOME GAAP	3,211,068	1,997,816	16,202	1,088,969

(*) GASB 33 capital grant revenue not included

PORT OF ANCHORAGE
STATEMENT OF SOURCES AND USES OF CASH

	2006 ACTUAL	2007 PRO-FORMA	2008 BUDGET	2009 BUDGET
SOURCES OF CASH FUNDS:				
Net Income GAAP	3,211,068	1,997,816	16,202	1,088,969
Depreciation / Amortization	3,749,944	3,749,944	3,750,000	3,750,000
Equity / Operations (*)	4,000,000	5,400,000	13,919,000	5,407,000
Grants	0	0	7,666	0
Bonds and Other Loans	0	0	23,850	75,000,000
Amortization of Debt Discount	0	0	0	0
Principal Payments, Financing Leases	101,058	103,927	35,790	11,190
Disposition of Assets	22,450	0	0.00	0.00
State Debt Repayment	0	0	0	0
TOTAL SOURCES OF FUNDS	11,084,520	11,251,687	17,752,508	85,257,159
USES OF CASH FUNDS:				
Additions to Plant	1,500,000	1,720,000	2,500,000	1,500,000
Bond Principal Payments	1,330,000	0	0	377
Matching Funds to MARAD (**)	4,000,000	5,400,000	6,300,000	4,000,000
Net Effect of Changes on Balance Sheet Which Affect Cash				
TOTAL USES OF FUNDS	6,830,000	7,120,000	8,800,000	5,500,377
NET INCREASE (DECREASE) IN CASH FUNI	4,254,520	4,131,687	8,952,508	79,756,782
CASH BALANCE JANUARY 1,	31,057,346	35,311,866	39,443,552	48,396,061
CASH BALANCE DECEMBER 31,	35,311,866	39,443,552	48,396,061	128,152,842
DETAIL OF CASH BALANCE				
Equity in General Cash Pool	6,990,000	17,332,000	17,332,000	17,332,000
Equity in Construction Cash Pool	34,408,000	30,301,000	30,301,000	30,301,000
Revenue Bond Maintenance Reserve	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL CASH DECEMBER 31,	42,398,000	48,633,000	48,633,000	48,633,000

(*) Federal Grant Matching Funds

(**) Matching Funds Disbursed to Maritime Administration (MARAD) - Port Intermodal Expansion Program

PORT OF ANCHORAGE
OPERATING BUDGET DETAIL

	2006 ACTUAL	2007 PRO-FORMA	2008 BUDGET	2009 BUDGET
LABOR				
Wages	1,115,129	1,235,600	1,460,392	1,511,506
Overtime	32,247	64,620	72,345	70,285
Benefits	566,235	686,500	825,815	963,887
Other	131,580	96,370	128,509	132,559
Subtotal	1,845,190	2,083,090	2,487,061	2,678,238
SUPPLIES				
Office & Operating Supplies	34,399	45,713	47,620	48,570
Fuel	20,128	33,706	38,700	39,470
Repair & Maintenance Supplies	105,019	104,004	90,000	90,000.00
Other	0	0	0	0
Subtotal	159,546	183,422	176,320	178,040
INTRAGOVERNMENTAL CHARGES				
IGC's From Others	0	0	0	0
IGC's To Others	378,040	335,246	439,791	461,780
Subtotal	378,040	335,246	439,791	461,780
OTHER SERVICES				
Professional Services	1,000,758	1,015,536	1,630,620	749,230
Contributions to Outside Organizations	42,000	41,000	41,000	41,000
Repairs & Maintenance - Contracted	86,986	79,766	83,000	85,000
Municipal Enterprise Service Assessment	525,030	494,718	959,923	932,245
Contract Services	214,716	231,387	242,843	254,871
Rentals / Leases	25,957	42,332	20,700	160,000
Utilities	261,840	325,715	350,000	360,000
Other	1,877,946	1,978,796	2,336,280	2,388,430
Subtotal	4,035,233	4,209,251	5,664,366	4,970,776
OTHER EXPENSES				
Depreciation / Amortization	3,749,944	3,749,944	3,750,000	3,750,000
Interest on Long Term Debt	0	0	0	1,123
Other	17,533	52,599	1,000	17,500
Subtotal	3,767,477	3,802,543	3,751,000	3,768,623
TOTAL EXPENSES	10,185,486	10,613,552	12,518,538	12,057,458

PORT OF ANCHORAGE
2008-2014 CAPITAL IMPROVEMENT PROGRAM SUMMARY
(000's Omitted)

PROJECT CATEGORY	2008	2009	2010	2011	2012	2013	2014	TOTAL
Port Intermodal Expansion Program (*)	7,707	5,407	5,407	5,410	4,000	4,000	0	31,931
Terminal Development	37,778	75,000	0	0	0	0	0	112,778
Repairs & Renovations	2,500	1,500	1,500	1,500	0	0	0	7,000
Equipment	530	400	400	400	400	400	400	2,930
TOTAL	**48,515**	**82,307**	**7,307**	**7,310**	**4,400**	**4,400**	**400**	**154,639**

SOURCE OF FUNDING	2008	2009	2010	2011	2012	2013	2014	TOTAL
Revenue Bonds		75,000						75,000
Lease/Revenue Bonds	23,850							23,850
Equity / Matching Funds (**)	13,919	5,407	5,407	5,410	4,000	4,000	0	38,143
Grants	7,666							7,666
Equity / Operations	3,080	1,900	1,900	1,900	400	400	400	9,980
TOTAL	**48,515**	**82,307**	**7,307**	**7,310**	**4,400**	**4,400**	**400**	**154,639**

(*) Federal Grant Matching Portion Remitted and Controlled by MARAD (Maritime Administration) for Port Expansion. Federal Funds received directly, if any, or MARAD expansion components will be reflected as Work In Progress. Port Asset Value will be reflected upon completion of the expansion program currently slated for 2012.

(**) Federal Grant Matching Fund Portion - Estimated to be Remitted to MARAD (Maritime Administration).