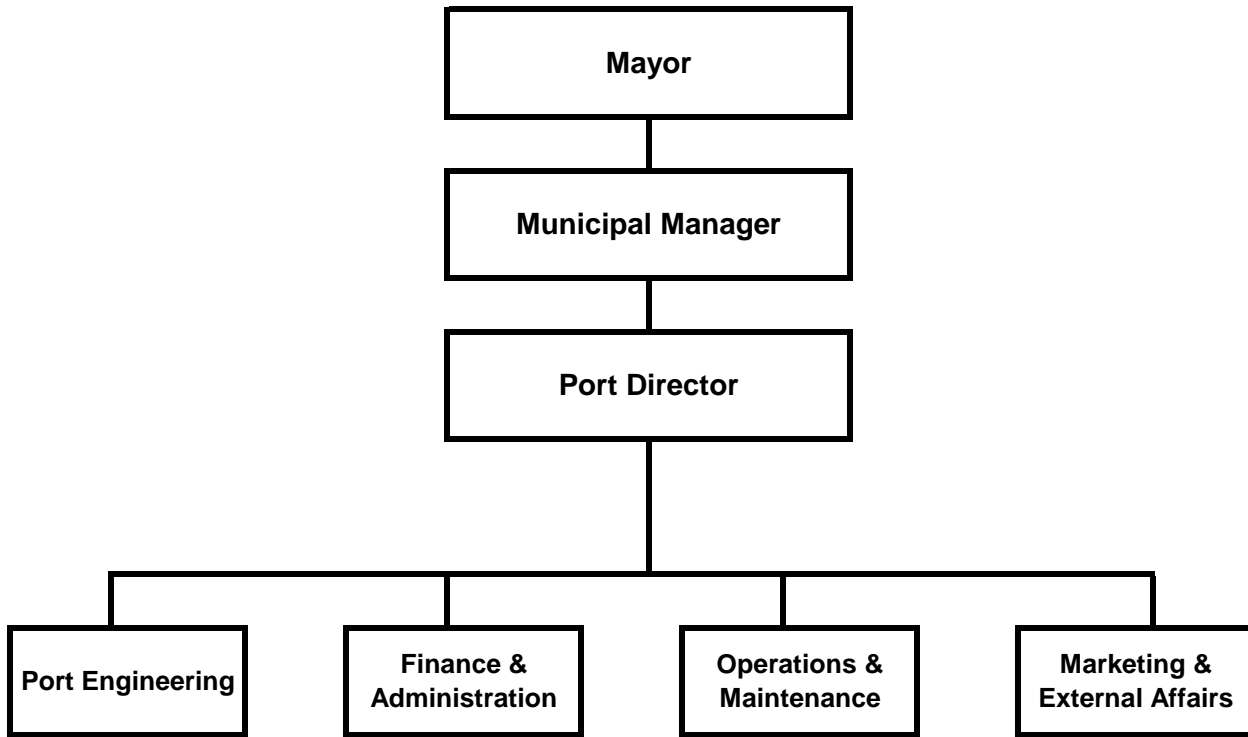


Port of Anchorage



Port of Anchorage Organizational Overview

The Port of Anchorage is an enterprise function of the Municipality.

The Port Director oversees all Port operations, which include: maintenance, safety functions, management of vessel scheduling, movements and dockside activities, general upkeep and operation of the facilities, infrastructure, equipment, and security. This also includes the upkeep and day-to-day management of all municipally-owned infrastructure, roads, and docks. The Maintenance Section is also responsible for the dredging and upkeep of the Ship Creek Boat Launch and Dry Barge Berth. Further, the Port's Operations Manager also serves in the role of Facility Security Officer, wherein he oversees the contract for Port security forces. Additionally, the Port's Safety Coordinator is in this section. The Deputy Port Director not only acts for the Director in his absence, but is now responsible for overseeing the Port's Capital Improvement Program (CIP), to include managing the Port's engineering services contract, and execution of all FEMA port security grant program funds. While managing these programs, the Deputy Port Director will coordinate, as necessary, with the Port Engineer. The Port Engineer has overall responsibility to serve as the contract technical representative for all matters related to the ongoing Port modernization project.

Under the Finance & Administration Section, responsibilities include performing the day-to-day business functions that support to the Port Director and other Port staff. Functions carried out by the staff of this section include: telephone switchboard/receptionist duties, accounts payable and receivable, financial management, and analysis of reports and budgets. Reporting updates are provided to Port staff, Port Commission, the Administration, Assembly, State Legislature, and financial agencies. The finance section is also responsible for real estate management, grant management, financial forecasting and modeling, yearly operating and CIP budgeting and ensuring compliance, as well as other situational fiscal analysis as required.

The External Affairs section is responsible for: all media advertising, coordinating public outreach and media/press relations, legislative relations coordination, any major events involving public participation, and business development. Additional duties include management of website and social media presence, coordinating all public speaking engagements, coordinating all port tours for businesses, the public and Alaska federal, state and local legislative representatives; interfacing with the public and all media for information inquires and public comments, and writing press releases. This position's incumbent's time and payroll are shared with Municipal Light and Power.

Port of Anchorage Business Plan

Mission

The Port of Anchorage is committed to provide a modern, safe, and efficient facility to support the movement of goods throughout the State of Alaska.

Services

The Port of Anchorage is a landlord port committed to providing safe, efficient, and dependable facilities and support services to our private and public sector customers. The staff of the Port is responsible for maintaining all of the land, docks, and municipal buildings that encompass the Port of Anchorage.

Business Goals

- Provide Port operating expertise and management to the Anchorage Port Modernization Program (APMP) with the Port Engineer serving as Project Administrator.
- Plan for future facility and service needs of business and public entity customers.
- Conduct periodic facility condition surveys to anticipate age-related challenges and to ensure uninterrupted operations and safety.
- Maintain affordable and competitive tariff rates sufficient to cover operating and capital requirements.
- Provide a safe work environment for both employees and tenants.
- Maintain financially sound operating ratios.
- Deliver accurate and timely billings to tenants and customers; demand timely payments from all users.
- Provide required level of Port security under U.S. Coast Guard/Homeland Security directives through a consortium of private tenants and the Port.

Strategies to Achieve Goals

1. Provide year-round access to suitable terminals and docks for movement of containers, dry bulk cargo, and liquid bulk cargo to include petroleum products.
2. Provide seasonal maintenance of and access to the Small Boat Launch.
3. Plan, develop, and operate facilities to accommodate market growth and modernization.
4. Schedule all vessels that call on the Port.
5. Provide centralized Port and tenant security services and emergency management leadership.
6. As a landlord port, manage short-term permits (revocable use permits) and long-term leases of land and buildings.
7. Maintain and ensure uninterrupted 24/7/365 availability of Port owned facilities.
8. Ensure environmental quality of the land within the Port boundaries
9. Assess and manage the collection of all tariffs and user fees associated with vessels calling on the Port and land tenant operations.
10. Manage the Foreign Trade Zone (FTZ) and all FTZ applicants.
11. Coordinate U.S. Army Corps of Engineers dredging of channel, turning basin, and dock face dredging to provide for safe commerce.
12. Host official U.S. Navy, U.S. Coast Guard, NOAA, foreign navy and Arctic research vessels on behalf of the Municipality of Anchorage, as needed.

Performance Measures to Track Progress in Achieving Goals

Progress in achieving goals will be measured by:

1. Overtime hours and pay compared to base compensation for current vs prior year.
2. Operating Net Income YTD for current vs prior year.
3. Reportable incidents for current vs prior year (# of incidents, loss of time & cost).

Port of Anchorage

Anchorage: Performance. Value. Results.

Mission

Develop and maintain the quality of the Port's infrastructure to meet the needs of our stakeholders and ensure safe and modern infrastructure for the timely delivery of consumer goods and commercial cargo.

Core Services

- Provide all Port users with marine terminals and staging yards free of defects.
- Provide Port petroleum terminal operators with an operable and efficient valve yard and petroleum docks.
- Provide clean and safe roads and transfer yards for use by commercial and port-related vehicles.

Accomplishment Goals

- Ongoing repair and enhancement of deteriorated dock pile.
- Continued maintenance of valve yard valves and piping through scheduled inspections and timely maintenance.
- Continued maintenance and repair of storm drain systems and Ship Creek Boat Launch.
- Inspect dock surface and common areas to ensure cranes, equipment and personnel can operate with minimal threat of damage.
- Assist the Municipality of Anchorage effectively oversee management of the cost and schedule associated with the Port of Anchorage Port Modernization Project (APMP).

Performance Measures

Progress in achieving goals will be measured by the following:

Measure #1: Over time hours and pay compared to base compensation for current vs prior year.

	<u>2016</u>	<u>2017 (YTD)</u>
Total Hours	1,533	1,147
Total Cost	\$ 59,706	\$ 55,641

Measures #2: Operating Net Income YTD for current vs prior year.

	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>%Growth/(Loss)</u>
*Net Operating Income	\$ (2,174,419)	\$ (554,913)	74%
Total Cash Flow	\$ 983,067	\$ 9,330,653**	849%

* Unaudited

* Net Operating Income includes Depreciation (non-cash item).

** Includes PIEP Lawsuit Settlement payments – one time payments

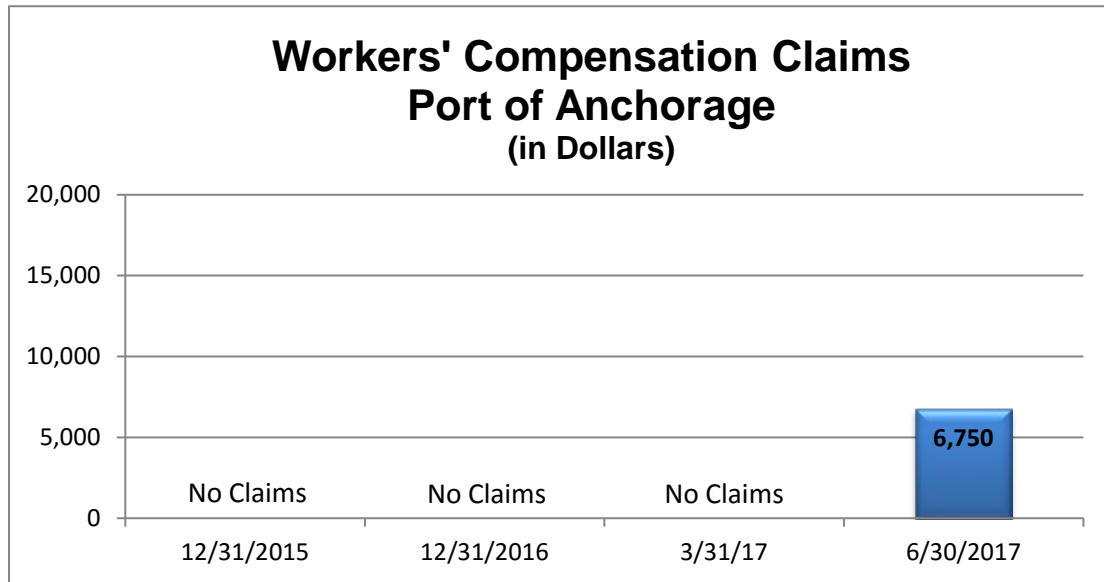
Measures #3: OSHA Recordable incidents for current vs prior year (# of incidents, loss of time & cost)

	<u>2016</u>	<u>2017 (YTD)</u>
# of Incidents	0	1
Loss of Time	0	0
Cost	\$ 0	\$ 0

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Port of Anchorage Highlights and Future Events

Anchorage Port Modernization Program (APMP)

The Port's existing marine terminals have reached the end of their life span and suffer from severe corrosion on the wharf piling. The APMP will replace two general cargo terminals and two petroleum terminals to ensure infrastructure resilience over a 75-year life cycle. To maintain Port operations during construction, the program will be completed in steps. Phase 1, includes construction of a new Petroleum/Cement Dock and a partial cut-back and stabilization of the north extension area to preserve usable land while improving hydraulics for reduced maintenance dredging and safer navigation. Phases 2 through 4 complete the marine terminal construction and final stabilization of the north extension.

The program will enable the Port to accommodate deeper draft vessels by allowing for a harbor depth increase from 35 feet to 45 feet when needed. New ship-to-shore container cranes will increase reach for wider vessels. Completion of this program is critically important for the Port to continue to serve 87% of Alaska's population and to maintain its role as one of 17 designated Department of Defense Commercial Strategic Seaports.

Based on an overall 15%-complete program design, assuming full up-front funding, and assuming timely permit issuance, the program is estimated to be completed in 2024 at a total cost of \$800M. State capital grant and general obligation bond funding available to the program totals approximately \$126.8M.

Ongoing Facility Maintenance

The Port continues to work diligently to meet its commitment to offer continued operational capability for Port customers while new facilities are in design and construction. Aging facilities not included in the early phases of infrastructure improvements continue to be managed and maintained to the highest standards possible with great attention being paid to the highest priorities addressed first. The recommendations in the Port's Capital Improvement Budget address items needing immediate attention outside of the APMP. Those include, but are not limited to, Wharf Pile Enhancements and a project that supports the GIS mapping of the Port.

Port of Anchorage External Impacts

External Factors

Continued development and infrastructure replacement at North Slope, offshore, and Cook Inlet oil and gas fields, including potential construction of a pipeline to tidewater for LNG export.

Catching up with the changing equipment and infrastructure needs of the maritime shipping community so as not to lose relevance, to keep port users competitive, and to keep the cost of goods to the consumer reasonable.

Sustaining the response to jet fuel requirements from Ted Stevens Anchorage International Airport and Joint Base Elmendorf-Richardson.

Designation of the Port of Anchorage as one of 19 Department of Defense National Commercial Strategic Seaports.

Declining availability of State and Federal funding.

Unpredictable terrorist events affecting implementation of Department of Homeland Security laws and regulations.

Port of Anchorage Workforce Projections

Division	2016*	2017	2018	2019	2020	2021	2022
Administrative / Engineering	6	6	6	6	6	6	6
Operations / Maintenance	13	13	13	13	13	13	13
Total Full Time	19	19	19	19	19	19	19
Part Time / Temporary	13	9	3	3	3	3	3
Total Positions	32	28	22	22	22	22	22
Total FTE	26	23.5	20.5	20.5	20.5	20.5	20.5

*Per AO 2015-107 (S), Assemblymember Flynn amendment, PCN 6600 reduced to 0.5 FTE (PT).

Port of Anchorage
8 Year Summary
(\$ in thousands)

Financial Overview	2016	2017	2018	2019	2020	2021	2022	2023
	Actuals	Proforma	Proposed	Forecast				
Revenues	40,288	20,022	13,429	13,765	14,109	14,462	14,823	15,194
Expenses	23,843	21,223	21,918	19,795	20,587	21,204	21,628	21,844
Net Income(Loss)	16,445	(1,201)	(8,489)	(6,030)	(6,478)	(6,743)	(6,805)	(6,651)
Budgeted Positions	32	28	22	22	22	22	22	22
Capital Improvement Program	4,026	5,100	1,750	1,500	-	-	-	-
Long Term Debt**	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Net Plant (12/31)	134,846	83,796	81,685	83,185	83,185	83,185	83,185	83,185
Total Net Assets	171,317	176,417	178,167	179,667	260,305	260,305	260,305	260,305
General Cash Pool	18,376	24,998	23,530	25,323	26,668	27,749	28,767	29,939
Construction Cash Pool	5,598	10,698	12,448	13,948	13,948	13,948	13,948	13,948
Total Cash	23,974	35,696	35,978	39,271	40,616	41,697	42,715	43,887
IGCs - General Government	951	767	856	856	856	856	856	856
MESA	2,114	2,020	2,084	2,136	2,190	2,244	2,300	2,358
Total Outstanding Debt 12/31 - (Long Term Debt)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Debt Service Coverage (Short Term Note Interest)	542	605	675	675	675	675	675	675
Debt/Equity Ratio (12/31)	21/72	28/72	29/71	29/71	30/70	30/70	31/69	31/69
Tariff Wharfage Rates (01/15):								
1250 Petroleum, Bulk / Barrel	\$0.135	\$0.141	\$0.146	\$0.152	\$0.158	\$0.164	\$0.171	\$0.178
1250 Cement, Bulk / Ton	\$1.49	\$1.55	\$1.61	\$1.67	\$1.74	\$1.81	\$1.88	\$1.95
Statistical/Performance Trends:								
Tonnage (in thousands)	3,498	3,255	3,345	3,395	3,446	3,498	3,550	3,604
Operating Revenue/Ton	3.54	3.54	3.40	3.41	3.40	3.41	3.45	3.50

** Note renewed in June 2016 - 3yr term

Port of Anchorage
Statement of Revenues and Expenses

	2016 Actuals	2017 Proforma	2017 Revised	18 v 17 \$ Change	2018 Proposed	18 v 17 % Change
Operating revenue						
Dock Revenue	6,371,530	6,210,376	6,302,487	-	6,302,487	0.0%
Industrial Park Revenue	5,765,982	4,860,108	4,923,852	84,070	5,007,922	1.7%
Other Operating Revenue	249,201	206,500	280,500	-	280,500	0.0%
Total Operating Revenue	12,386,713	11,276,984	11,506,839	84,070	11,590,909	0.7%
Non Operating Revenue						
Interest Income (Loss)	344,945	296,688	200,000	-	200,000	0.0%
Pipeline Right-of-Way Fee	167,849	165,750	160,000	-	160,000	0.0%
Miscellaneous Non-Operating Revenue	27,388,340	8,282,675	1,449,180	28,795	1,477,975	2.0%
Total Non Operating Revenue	27,901,134	8,745,113	1,809,180	28,795	1,837,975	1.6%
Total Revenue	40,287,847	20,022,097	13,316,019	112,865	13,428,884	0.8%
Operating Expenses						
Labor						
Labor and Benefits	2,768,683	2,777,650	2,990,637	(196,127)	2,794,510	-6.6%
Overtime	59,707	104,365	68,040	36,325	104,365	53.4%
Total Labor	2,828,390	2,882,015	3,058,677	(159,802)	2,898,875	-5.2%
Non Labor						
Non Labor	9,657,250	7,095,177	7,236,923	1,105,767	8,342,690	15.3%
Travel	34,827	31,240	40,000	-	40,000	0.0%
Transfers (MESA and Gross Receipts)	2,114,268	2,020,104	2,632,056	(548,034)	2,084,022	-20.8%
Depreciation and Amortization	7,715,345	7,822,938	7,822,938	(801,555)	7,021,383	-10.2%
Total Non Labor	19,521,690	16,969,459	17,731,917	(243,822)	17,488,095	-1.4%
Total Direct Cost	22,350,080	19,851,474	20,790,594	(403,624)	20,386,970	-1.9%
Charges from other departments	951,146	766,928	766,928	89,075	856,003	11.6%
Total Operating Expense	23,301,226	20,618,402	21,557,522	(314,549)	21,242,973	-1.5%
Non Operating Expense						
Financing Costs on Short-Term Obligations	541,719	605,000	456,400	218,600	675,000	47.9%
Total Non Operating Expense	541,719	605,000	456,400	218,600	675,000	47.9%
Total Expenses (Function Cost)	23,842,945	21,223,402	22,013,922	(95,949)	21,917,973	-0.4%
Net Income	16,444,902	(1,201,305)	(8,697,903)	208,814	(8,489,089)	-2.4%
Appropriation						
Total Expenses			22,013,922	(95,949)	21,917,973	
Less: Non Cash items				-		
Depreciation and Amortization			7,822,938	(801,555)	7,021,383	
Total Non-Cash			7,822,938	(801,555)	7,021,383	
Amount to be Appropriated (Cash Expenses)			14,190,984	705,606	14,896,590	

Port of Anchorage Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions		
		FT	PT	T
2017 Revised Budget	22,013,922	19	3	6
Transfers (to)/from Other Agencies				
- MESA and Gross Receipts	(548,034)	-	-	-
- Charges by/from others	89,075			
Debt Service Charges				
- LOC Interest	218,600	-	-	-
Changes in Existing Programs/Funding for 2018				
- Depreciation	(801,555)	-	-	-
- Rent increase on Port leased property (JBER)	150,000	-	-	-
- Salary and benefits adjustments - reduction of temporary DiRT positions	(159,802)	-	-	(6)
2018 Continuation Level	20,962,206	19	3	-
2018 Proposed Budget Changes				
- Legal Services	711,267	-	-	-
- Boards & Commission expenses	3,500			
- Reduce Non Labor to actuals (tires, tuition, equipment purchases)	(9,000)	-	-	-
- Professional Services to accommodate Temp employee for litigation	250,000	-	-	-
2018 Proposed Budget	21,917,973	19	3	-
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation	(7,021,383)	-	-	-
2018 Proposed Budget (Appropriation)	14,896,590	19	3	-

Port of Anchorage
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Anchorage Port GIS Mapping	250	-	-	-	-	-	250
Anchorage Port Modernization Project	-	-	-	-	-	-	-
Wharf Pile Enhancements	1,500	1,500	-	-	-	-	3,000
Total	1,750	1,500	-	-	-	-	3,250

Funding Source	2018	2019	2020	2021	2022	2023	Total
Equity/Operations	1,750	1,500	-	-	-	-	3,250
State/Fed Grants	-	-	-	-	-	-	-
Total	1,750	1,500	-	-	-	-	3,250

Port of Anchorage
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
Anchorage Port GIS Mapping	-	-	250	250
Anchorage Port Modernization Project	-	-	-	-
Wharf Pile Enhancements	-	-	1,500	1,500
Total	-	-	1,750	1,750

Port of Anchorage Statement of Cash Sources and Uses

	2016 Actuals	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Net Cash by Operating Activities	2,089,071	1,268,552	(1,774,678)
Interest	307,518	296,688	200,000
Grant Proceeds/Capital Contributions	12,697,946	5,788,722	1,750,000
Total Sources of Cash Funds	15,094,535	7,353,962	175,322
Uses of Cash Funds			
Additions to Plant	15,502,488	5,788,722	1,750,000
Total Uses of Cash Funds	15,502,488	5,788,722	1,750,000
Net Increase (Decrease) in Cash Funds	9,630,841	11,721,924	282,294
Cash Balance, January 1	14,343,146	23,973,987	35,695,911
Cash Balance, December 31	23,973,987	35,695,911	35,978,205
Detail of Cash and Investment Funds			
Equity in General Cash Pool	18,376,278	24,997,911	23,530,205
Equity in Construction Cash Pool	5,597,709	10,698,000	12,448,000
Cash Balance, December 31	23,973,987	35,695,911	35,978,205

About Port of Anchorage

History

The Port of Anchorage commenced operation in September 1961, with a single berth. In its first year of operation, 38,000 tons of cargo crossed the Port's dock. On average, around four million tons passes over the dock every year, equating to about 250,000 commercial truck trips through Port property. The Port of Anchorage is a major economic engine 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 and its stakeholders have maintained a notable safety record throughout the five decades the Port has been in operation. The Port is one of 21 nationally designated Department of Defense strategic seaports.

The Anchorage Port Modernization Project (APMP) began in 2003 as the Port Intermodal Expansion Project (PIEP). What started as an expansion effort, is now solely focused on replacing the deteriorating dock structures that have reached their original design life and were not built to current engineering standards for operational and seismic performance.

Physical Plant

Real Estate: 128 acres of developed uplands
 65 acres currently under construction
 48 acres of newly acquired land from JBER
 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
 1,641 total acres

Terminals:

- Three General Cargo Terminals, 2,109 ft. of dock face, container, bulk cement, dry bulk 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 feet 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
- One dry barge berth, available spring through fall, and 15 acres of uplands for any type commodity movement

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.

Services

Approximately 50% of all waterborne freight entering the State, and 90% of all refined petroleum products sold within the Railbelt and beyond (87% of the State's population) move through the Port of Anchorage on an annual basis. Container service is available twice a week from the Port of Tacoma through two domestic ocean carriers. Bulk shipments, both domestic and foreign, 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 military bases, Joint Base Elmendorf-Richardson and Fort Wainwright are key transportation nodes for Department of Defense concerning mobilization planning, shipping/transporting of jet fuel and other related petroleum products and bulk cargo for military use.

The Municipality of Anchorage is the Grantee of 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. 8.1 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the Preferential Usage Agreements' charges require initial approval by the Anchorage Port Commission, and are subject to final approval by the Anchorage Municipal Assembly.

Port Industrial Park Revenue is derived from long-term leases of properties in the 220-acre 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), the Marine Mammal Protection Act (MMPA), Endangered Species Act and Coastal Zone Management Plan. The Port area was also granted a categorical exclusion from Cook Inlet Beluga Whale critical habitat for reasons of its strategic importance to the Department of Defense and the State of Alaska.

Port Safety Security and Emergency Preparedness

Because the Port is a lifeline to the State of Alaska, safety, security and emergency preparedness are key parts of Port operations. Threats of natural disasters, accidents, or terrorist potentially disrupting the commerce and fuel supply for 87% of the state's population is of utmost importance. Efforts will continue to prevent and minimize these threats as well as establishing recovery procedures. These efforts are done in conjunction with the Port stakeholders, Municipal, State, and Federal agencies. The Port continues to undergo security upgrades via Federal Port Security Grant applications and awards. Emergency preparedness planning and drills continue to be held to establish up to date disaster action and mitigation plans.