Municipality of Anchorage

2018 Proposed
Municipal Utilities / Enterprise Activity
Anchorage Community Development Authority
Operating and Capital Budgets

Ethan Berkowitz, Mayor
Anchorage, Alaska

Municipality of Anchorage

Office of the Mayor

Ethan Berkowitz, Mayor

September 30, 2017

Dear Residents:

Enclosed are the proposed 2018 Municipal Utilities and Enterprise Departments Operating Budgets and their respective 2018-2023 Capital Budgets and Program.

Municipal owned utilities provide residents and businesses safe water, dependable electricity, and the collection and disposal of waste. Their efforts to provide outstanding and efficient services and infrastructure at affordable rates will continue.

Utilities are subject to both oversight from the Regulatory Commission of Alaska and review from the Assembly Utility and Enterprise Committee.

These proceedings are open to the public and we encourage community members to participate in these discussions.

Regards,

Ethan Berkowitz

P.O. Box 196650 | Anchorage, Alaska 99519-6650 | http://www.muni.org | Phone: 907-343-7100 | FAX: 907-343-7180

MUNICIPALITY OF ANCHORAGE

ETHAN BERKOWITZ, MAYOR

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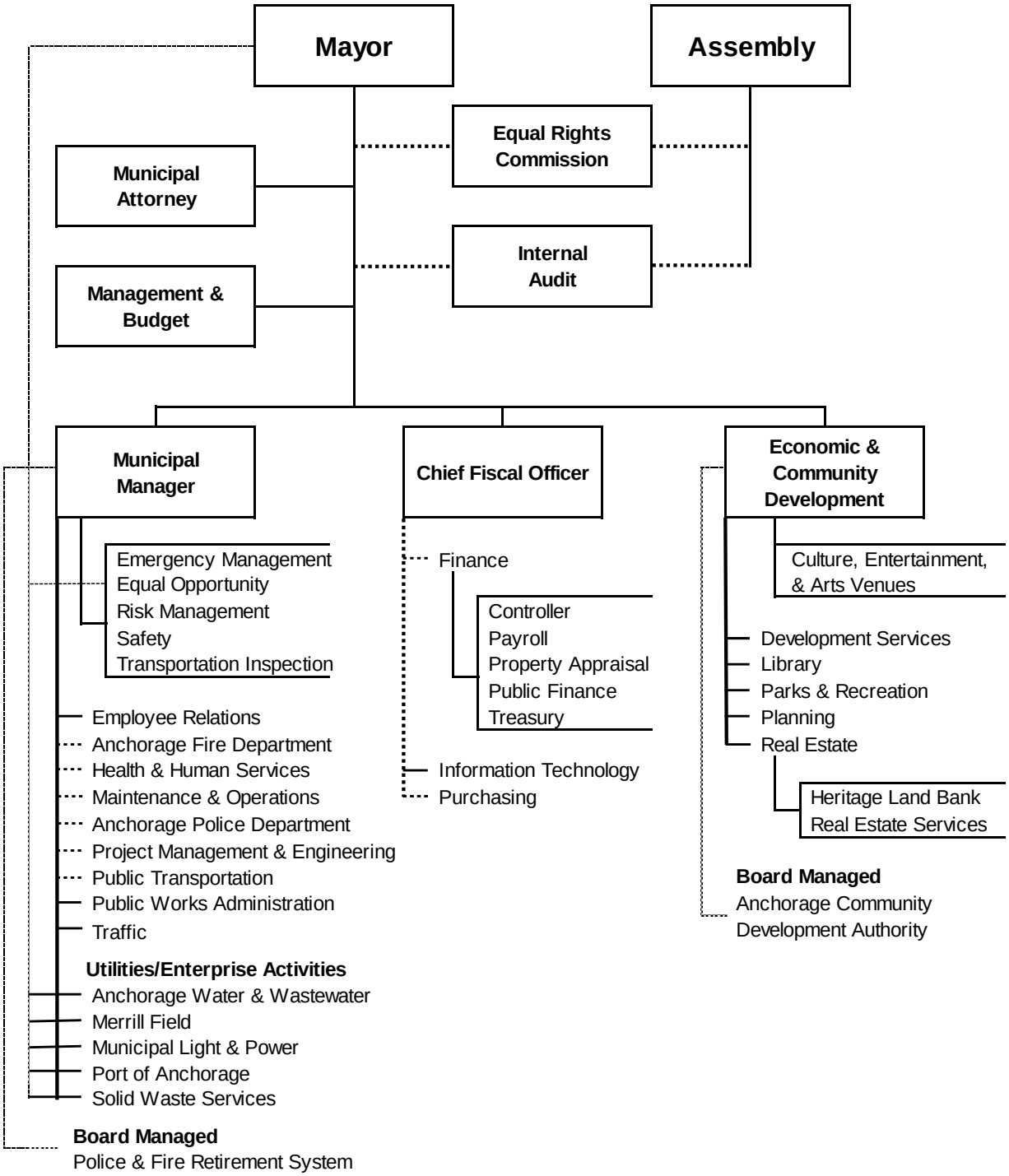
MUNICIPALITY OF ANCHORAGE



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Utility/Enterprise Budget Process and Procedures

Utility/Enterprise Departments

Anchorage Water & Wastewater (AWWU), Municipal Light & Power (ML&P), and Solid Waste Services (SWS) are utility departments; Merrill Field Airport and the Port of Anchorage are enterprise departments. Many of the basic services Anchorage residents rely on daily: safe water, reliable electricity, safe and efficient delivery of goods, come from municipal-owned utilities and enterprise departments.

The goal of the utilities/enterprise departments is to continue to provide quality service at reasonable rates. These departments continue to meet debt service requirements, prudently increase equity, adequately maintain cash reserves, and generate sufficient revenue to maintain their plants in good working condition. The primary source of revenue required to support the operating and capital budget comes from rate payers or users of their respective services. The budget is presented for a calendar year, in line with the Municipality's fiscal year.

Governance

The authority for operation and management of the utility/enterprise departments is under the control of the Mayor.

ML&P, Port, and SWS established a commission to provide guidance to the Mayor and Assembly in regards to each entity's strategic plan, budget, policies, economic impacts, expansions, and improvements. (AMC 4.70.10).

AWWU established a Board of Directors to provide guidance to the Mayor and Assembly in regards to AWWU's strategic plan, long term fiscal plan, budget, tariff rates, and fees. (AMC 4.80.020).

Merrill Field Airport established Municipal Airports Aviation Advisory Commission to provide recommendations to the Mayor and Assembly on all matters pertaining to the annual operating budget, rules, regulations, and administrative guidelines (AMC 4.60.160).

The Regulatory Commission of Alaska (RCA) regulates AWWU and ML&P by approving all rates and tariffs prior to implementation. They also regulate service areas and quality.

Utility/Enterprise Accounting

The accrual basis of accounting is used for utility/enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

The direct cost budget allocates spending among several categories: labor (salaries and benefits); non-labor (supplies, travel, contracts, etc); contributions; debt service; and non-cash accounts such as depreciation and amortization, which are not appropriated. Each department is responsible for managing and monitoring their respective budget at these category levels. The function cost budget includes interfund charges for general government services to the total direct cost budget. Actual expenses may not exceed function cost budget appropriations at the enterprise and utility fund levels (AMC 6.10.036).

The Assembly may, by resolution, reduce or increase appropriations during the course of the fiscal year. A resolution reducing or increasing appropriations by an amount in excess of $100,000 shall be subject to a public hearing (AMC 6.10.085).

The Budget Office is authorized to transfer budget amounts within the appropriated departments and funds. Revisions that change the total expenditures of any department or fund must be approved by the Assembly. Operating appropriations that are not expended, encumbered, or designated to be carried over, lapse at the end of the fiscal year.

Municipal Utility/Enterprise Service Assessment (MUSA/MESA)
Each year, payments-in-lieu of taxes are included in the operating budgets for the utility/enterprise departments to cover the cost of tax supported services they receive, other than services received on a contract or interfund basis. It is the public policy to require the utilities (AWWU, ML&P, and SWS) to pay a municipal utility service assessment (MUSA). Merrill Field and the Port are required to pay a municipal enterprise service assessment (MESA).

The MUSA shall be calculated by applying the millage rate established annually for each service area by the assembly to the net classified plant in service as of January 1 of the current year of each utility. Net book value of plant will be the MUSA basis for the refuse collection utility and solid waste disposal utility. The millage rate so established will be that rate assessed other owners of real, personal and business property in each service area. Payment must be made on or before July 15th of each calendar year. (AMC 26.10.025)

The MESA shall be calculated by applying the value of adjusted plant in service multiplied by the annual mill rate. Adjusted plant in service means the final, year-end, audited net classified non-contributed plant in service value, less exclusions specified, for the calendar year preceding the mill rate year. Payment shall be made on the first business day of July of each calendar year. (AMC 11.50.280)

Utility/Enterprise Revenues
Utility/enterprise departments are operated in a manner as to provide a reasonable profit in accordance with applicable regulatory provisions and law. Surplus revenues from operations are to be reinvested in the department. If a municipal utility has or is anticipated to have net income accruing from its operations in any year, a portion of the net income may be pledged by inclusion in the respective municipal utility and general government budgets for the subsequent year. The pledged amount shall be described as “Utility Revenue Distribution.”

The Assembly shall hold a public hearing as part of the annual budget process on the proposed Utility Revenue Distribution and use of funds. Payment of any approved and budgeted Utility Revenue Distribution shall be made in two equal payments on or before the 15th calendar day of August and October of such subsequent year only after the income has been collected by the municipality pursuant to lawful authority and the annual audit has been completed. (AMC 26.10.065).

Operating revenues are collected from rate payers for operating activities and services provided. Examples of some of the services provided from rate collections include: electricity, clean water, airport tie-downs, recycling collections, and dock revenue. Non-Operating revenues are earned from activities such as: operating grants, interest income, and unrealized gains/losses.

Utility/Enterprise Capital

The Municipality has two documents that govern planning and funding of capital projects:

- Capital Improvement Budget (CIB) – identifies projects and funding sources for the upcoming fiscal year; and
- Capital Improvement Program (CIP) – a longer-term outlook that identifies projects for the next six years, including the upcoming fiscal year.

Once approved by the Assembly, the amount of specific appropriations, project descriptions, and budget years for individual projects within the CIB/CIP are considered permanent legislative actions of the Assembly and may be altered in subsequent years only by majority vote of the Assembly (AMC 6.10.045).

The funding sources that are obtained for the capital projects could be: debt, State/Federal grants, and/or equity. Most utility/enterprise department capital projects are funded by equity, but can be funded by multiple sources.

Budget Planning and Timeline

The Mayor is required to submit the proposed enterprise/utilities operating and capital budgets to the Assembly 90 days prior to the end of the fiscal year (October 2st) (AMC 13.03).

Prior to that (120 days prior to the end of the fiscal year), the Administration is required to provide preliminary information on the capital budget/capital program, business plans, update to utility/enterprise strategic plans, and major reorganizations (AMC 6.10.040).

Key Dates in Budget Process

Summer	Preliminary budget information gathered
September 2	Preliminary budget information to Assembly
October 2	Mayor proposed budgets
October, November	Assembly deliberates, holds public hearings
December	Deadline for Assembly approval
April	First Quarter budget revisions

Preparation of the budget starts much earlier. A preliminary planning phase gets underway in the summer. The Office of Management & Budget (OMB) works with departments in reviewing their programs and responsibilities, assessing what is being done during the current year, and assisting in making plans for the next budget year in line with Administration goals. Some considerations during this phase are:

- Contractually obligated increases, such as labor contracts and health insurance premiums;
- New facilities that will open during the next fiscal year that will require staff, supplies, and other operating expenses;
- New responsibilities or programs required by Federal, State, or local laws;
- New or changed programs to meet community needs or interests;
- Programs that can be eliminated because they are ineffective, no longer required, or desired; and/or
- Efficiencies and savings that can be achieved through organizational management.

During this period of time, OMB also reviews projected revenue information in order to get an early indication of the Municipality's ability to afford current spending levels and/or the potential need for reductions.

Mayor Proposes/Assembly Appropriates
The Mayor submits the proposed operating and capital budgets to the Assembly in early October, the Assembly holds public work sessions at which the Administration and department directors discuss the Mayor's proposal.

Public Comment
The budget books are available on the Office and Management and Budget's website, as well as the Mayor's website, for the public to view. The Assembly is required to hold two public hearings on the Mayor's proposed budget, which is the official opportunity for the public to comment and for the Assembly to consider amendments. These are usually held during October and November. The Anchorage Charter requires that the Assembly approve the budget 21 days before the end of the year (by December 10). But if for some reason they still have not reached agreement, the Charter was amended to allow the Assembly and Mayor to continue to work. Once agreement is reached, that budget is known as the "Approved Budget."

Veto Process
The Mayor has the ability to strike or reduce an appropriation in the operating or capital budget within 7 days from Assembly action. The Assembly then has 21 days from the Mayor's veto to override his/her action and must have a super-majority of 8 Assembly members to be successful. If a veto is sustained, the Mayor's action is implemented (AMC 5.02.c).

First Quarter Budget Amendments
During the spring following the budget's approval, the Administration finalizes the prior year's spending numbers and firms up revenues available to support the current year budget. This process, called "First Quarter Budget Amendments," takes place in April and May and results in the Assembly's approval of a "Revised Budget."

Unlike the proposed budget process in the fall that requires two public hearings, the first quarter amendment process only requires one public hearing and usually is at the Assembly meeting that follows the Mayor's introduction of the proposed amendments.

Based on these final spending decisions for general government, the Assembly then sets the tax rates for each service area.

Budget Monitoring, Controls, and Reporting
Each utility/enterprise department is responsible for managing and monitoring their respective budget at the spending category levels. Department managers also monitor their program performance measures throughout the year to ascertain if goals are being met.

Actual expenditures in a fiscal year that consume operating budgets may not exceed the function level budget appropriations by fund; which is all spending categories within a fund. At the end of the fiscal year, actual expenditures less revenues fall to fund balance. Some of the fund balance (equity) is transferred to the capital fund to support capital projects. There are also other requirements on minimum fund balance reserves that are defined in the annual financial statements. The capital budget is controlled by fund, division, and project.

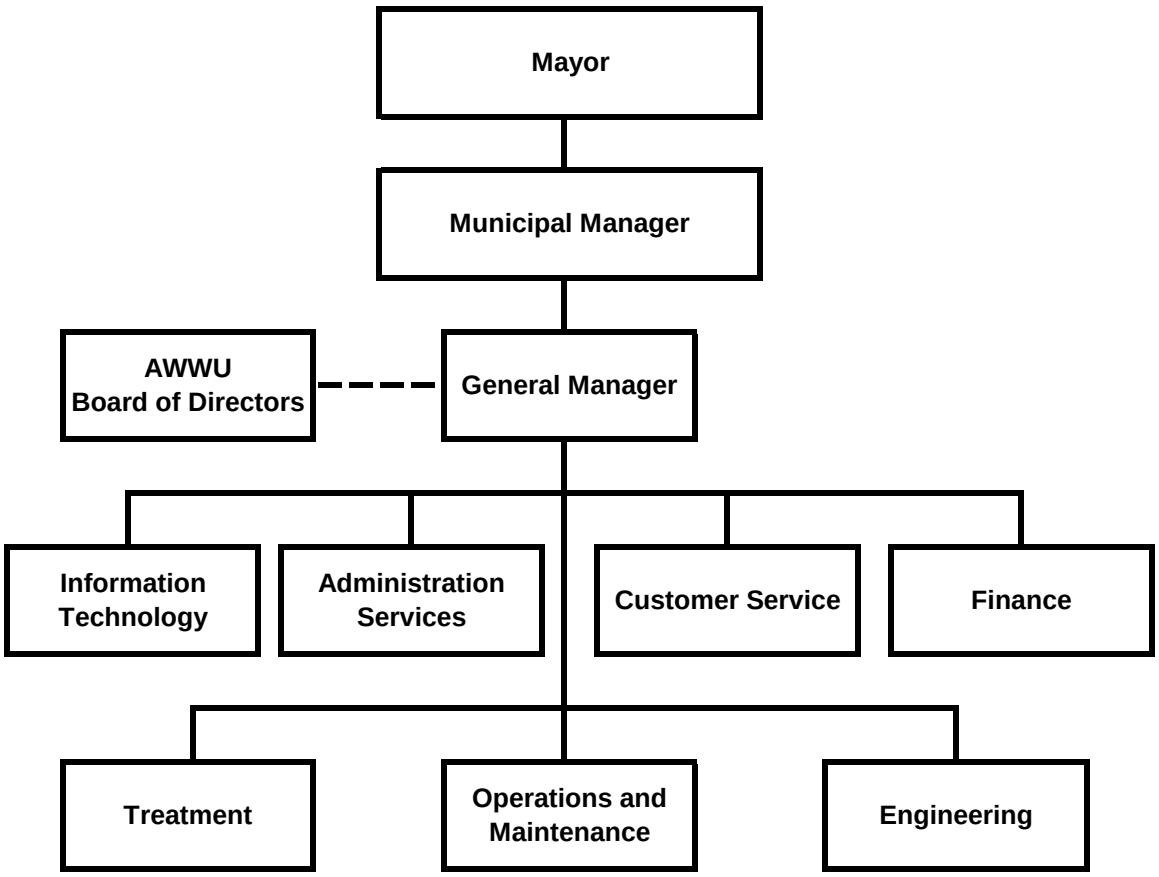
P.V.R. – Performance.Values.Results. Performance measures and corresponding data for each program, as identified by each department, are reported quarterly to communicate and demonstrate the results and effectiveness of the program in achieving its stated purpose and to accurately capture the costs to deliver the intended results (AMC 6.40.016).

The last assembly meeting prior to June 30 of each year, the Mayor provides a memorandum to the assembly identifying the frequency, data, and format of the reporting requirements (AMC 6.40.015).

Currently, spending reports are provided quarterly to the assembly by spending category; labor, overtime, non-labor expenditures, and revenues compared to budget. A budget to actuals report for travel and the contributions to nonprofit organizations are provided to the Assembly, separately (AMC 6.10.034).

The accounting records at AWWU must conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). ML&P is responsible for financial analysis and reporting in the manner prescribed by Federal Energy Regulatory Commission (FERC).

Anchorage Water & Wastewater Utility



Anchorage Water & Wastewater
Organizational Overview

Overview
The Anchorage Water & Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

System Description
To provide water and sewer services, AWWU owns and operates five Treatment Facilities (2 water and 3 wastewater), approximately 1,600 miles of pipe, and over 325,000 square feet of facility space distributed throughout the Municipality. The certificated water service area covers 130.4 square miles in three distinct geographic areas, Northern Communities, the Anchorage Bowl, and Girdwood Valley. Estimates place the water service population at approximately 240,000 people via nearly 56,000 customer accounts. The certificated sewer service area is larger, encompassing nearly all of the Municipality. ASU currently provides sewer service to approximately 250,000 people via approximately 57,000 customer accounts. Additionally, AWWU receives septage pumped from on-site wastewater systems on lots in areas not directly connected to the sewer system.

AWU's three sources of water are Eklutna Lake, Ship Creek, and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl, and Girdwood Valley. Eklutna Water Treatment Facility (WTF) and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the Anchorage and Girdwood water systems. The Ship Creek Water Treatment Facility and the remainder of the water wells are used to augment the primary water supply, mainly in times of peak demand, as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl. Of these sources, the Eklutna Water Treatment Facility now provides approximately 86% of total water production for the Northern Communities/Eagle River and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU's total water production, all water produced and distributed is from two municipally-owned and managed wells.

ASU operates three wastewater treatment facilities to treat wastewater collected in three geographically separate but commonly managed sewer systems. The largest of these is the John M. Asplund Wastewater Treatment Facility (WWTF) located at Point Woronzof. The Asplund WWTF was constructed in the early 1970's when Anchorage eliminated direct ocean discharges. It services the wastewater treatment needs of the Anchorage Bowl. The Asplund facility has received silver, gold, and platinum awards from the National Association of Clean Water Agencies for efficiency and environmental compliance. ASU is continually at work to maintain and enhance the facility. The Asplund facility operates in accordance with a National Pollution Discharge Elimination System (NPDES) permit administered by the U.S. Environmental Protection Agency (EPA). The permit, which expired in 2005 but has been administratively extended by EPA, allows discharge of effluent receiving primary treatment, in accordance with Section 301(h) of the Clean Water Act.

The Eagle River WWTF was originally built in the 1960's and upgraded several times. It services the public wastewater treatment and disposal needs within Eagle River and Chugiak.

The Eagle River facility provides biological secondary treatment and discharges treated effluent to Eagle River in accordance with a permit recently reauthorized by the Alaska Department of Environmental Conservation (ADEC), which has assumed primacy from EPA over permits for wastewater discharge to fresh water.

The third facility is Girdwood WWTF. It was originally constructed in the 1970's and also has undergone several process modifications and upgrades. The Girdwood facility provides biological secondary treatment and discharges treated effluent to Glacier Creek under an administratively extended NPDES permit administered by the ADEC. The core facility is now at the end of its useful life. Phase 1 of plant replacement and upgrades was completed in 2014. Phase 2 of the plant replacement and upgrade is being planned to conform to discharge requirements of a new permit.

Over the past two decades, investments in physical infrastructure have resulted in an increase in the value of AWU. From 1990 to present, plant in service has increased by 134% from $355.2 million to $831 million. This growth is primarily a result of an increasing amount of investment in transmission and distribution assets (pipelines), with lesser investments in general plant assets (e.g., structures and intangible assets).

From 1990 to present, ASU's plant in service has increased by 119% from $301.5 million to $660 million. This growth is primarily a result of an increasing investment in sewer collection pipeline network, followed by upgrades in sewer treatment facilities, and modest investment in pumping plant (sewage lift or pump stations), general plant (structures), and intangible assets.

Organization

The General Manager's office is responsible for overall operation of AWWU that is organized into 7 divisions:

- Administrative Services Division – provides for training, safety, and internal and external communications.
- Customer Service Division – responsible for responding to customer inquiries, billing, and collections for both utilities, issuing of permits, and field service functions.
- Engineering Division – responsible for development and execution of AWWU's capital program and for system planning.
- Finance Division – responsible for all general ledger and plant accounting, preparation of utility budgets and financial statements, and regulatory filings.
- Information Technology Division – provides support for all of AWWU's computers, network, and software systems.
- Operations and Maintenance (O&M) Division – maintains the treatment facilities and repairs all water and sewer piping and lift stations. The O&M Division also operates the wastewater collection system and is responsible for AWWU's supervisory control and data acquisition (SCADA) system.
- Treatment Division – responsible for day-to-day operation of the treatment facilities and water distribution system and for maintaining compliance with all state and federal regulations.

Anchorage Water & Wastewater Utility
Business Plan

Vision
Excellence through innovation.

Mission
Providing safe and reliable water and wastewater service today and into the future.

Message
Anchorage Water & Wastewater Utility (AWWU) is investing to ensure reliable service, safeguard public health, and protect the environment, long into the future.

Services
AWWU is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

Business Goals
AWWU prepared an updated strategic plan in 2016. The plan includes the following goals:

- Be responsive to the needs of the community
- Be the model of innovation and efficiency in service to the public
- Be a responsible steward of ratepayer funds
- Be the employer of choice for existing and future staff

Commitments to Customers
AWWU has identified the following customer commitments which represent the outcomes or accomplishments of the Utilities' activities as viewed by the customer:

1. Provide safe drinking water that meets or exceeds all standards.
2. Protect the environment through appropriate wastewater collection, treatment, and disposal.
3. Provide reliable service.
4. Have timely, professional, and courteous interactions with customers.
5. Manage finances responsibly and transparently.
6. Set rates that fairly reflect the cost of providing service and maintaining infrastructure.
7. Deliver services affordably to promote a strong Anchorage economy.
8. Invest wisely to minimize risk and maintain service levels.
9. Continuously improve the efficiency of our operations.
10. Anticipate change and prepare for the future.

Performance Measures to Track Progress in Achieving Goals
AWWU measures progress in achieving these customer commitments using quantifiable performance measures, including the following:

1. Compliance with all State and Federal drinking water, wastewater and air standards.
2. Number of planned and unplanned water outages.
3. Sanitary sewer overflows.
4. Recordable incident rate (of lost-time injuries and accidents).
5. Execution of capital improvement budget.
6. Debt to equity ratio.

Anchorage Water & Wastewater Utility

Anchorage: Performance. Value. Results.

Mission

Supporting the public health, safety, and economic interests of the community by providing quality water and wastewater services in a responsible, efficient, and sustainable manner.

Core Services

- Reliably treat and distribute potable water for domestic, commercial, and firefighting uses throughout the certificated service area.
- Reliably collect, treat and dispose of wastewater in accordance with laws and regulations that protect public health and the environment.

Accomplishment Goals

- Provide reliable service
- Provide safe drinking water that meets or exceeds all standards
- Protect the environment through appropriate wastewater collection, treatment, and disposal.
- Fiscal responsibility and transparency with utility finances.
- Timely, professional, and courteous interactions with customers.
- Rates that fairly reflect the cost of providing service and maintaining infrastructure
- Continuous improvement in the efficiency of our operations
- Anticipate change and be prepared for the future.

Performance Measures

Progress in achieving goals shall be measured by:

1. Compliance with all State and Federal drinking water standards /wastewater standards /Clean Air Act standards
2. Number of planned and unplanned water outages
3. Sanitary sewer overflows
4. Recordable incident rate (as compared to the standard incident rate for water and wastewater utilities)
5. Execution of capital improvement budget
6. Debt to equity ratio

Measure #1: Compliance with all state and Federal drinking water, wastewater, and clean air standards.

	Goal	2017		Past Years					
		Q2	Q1	2016	2015	2014	2013	2012	2011
Safe Drinking Water Act Compliance (%)	100	100	100	100	100	100	100	100	100
Clean Water Act (NPDES permit) Compliance (%)	100			100	100				100
-Asplund		100	100	100	100	100	99.8	100	
-Eagle River		100	100	99.7	100	100	100	99.5	
-Girdwood		100	100	99.7	99.5	99.8	99.3	97.5	
Clean Air Act Compliance (%) (Asplund Incinerator)	100	100	100	99.99	99.998	100	99.998	99.99	99.99

Measure #2: Number of planned and unplanned water outages

Measure 2: Number of planned and unplanned water outages (customers per month)	Goal (Affected customers per month)	2017 (monthly average)	4th Q 2017 (monthly average)	3rd Q 2017 (monthly average)	2nd Q 2017 (monthly average)	1st Q 2017 * (monthly average)	Historical monthly average				
							2016	2015	2014	2013	2012
Planned Outages											
<4 hours	<20	**5**			10	0	5	18	27	25	18
4-12 hours	<20	**94**			174	13	8	23	37	86	47
>12 hours	0	**0**			0	0	0.2	0.2	0.6	0.3	0.2
Unplanned Outages											
<4 hours	<20	**17**			23	10	92	41	40	27	46
4-12 hours	<50	**41**			24	58	22	33	44	33	38
>12 hours	0	**3.5**			0	7	5	0.2	3	8	4

* 1st Quarter 2017 was originally reported using an incomplete data set.

Measure #3: Sanitary Sewer Overflows (monthly)

Goal	2017				Historical monthly average					
	Q4	Q3	Q2	Q1	2016	2015	2014	2013	2012	2011
<1.5			0.33	1.3	1.48	1.58	1.75	2.25	1.83	1.91

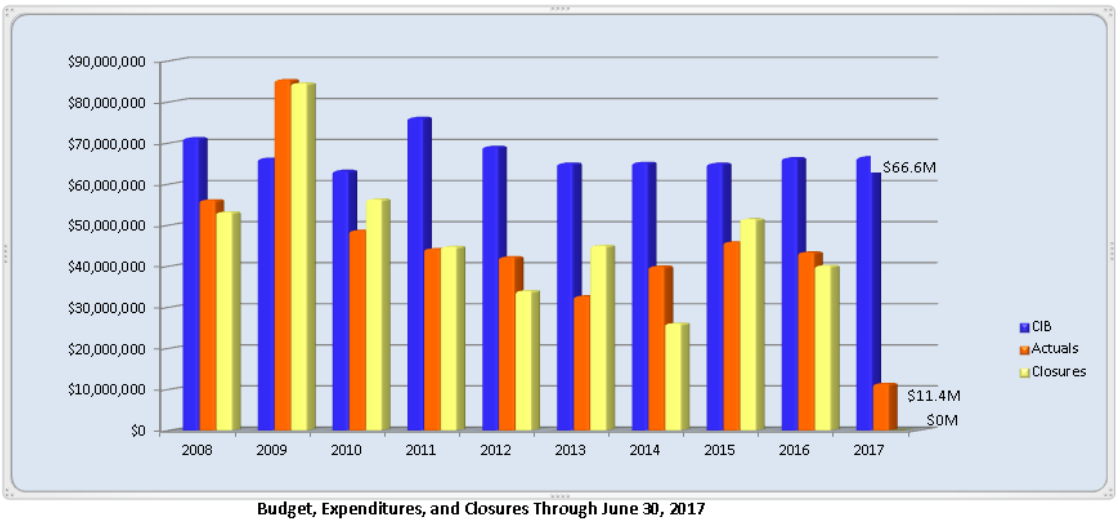
Measure #4: Number of reportable injuries and accidents

Goal	2016	2015	2014	2013	2012	2011	2010
<4.60		6.08	5.91	4.47	5.2	4.4	1.72

Note: Bureau of Labor Statistics (BLS) will normally post the previous year's incidence rate during the months of June or July. AWWU falls within the utilities sector of electric power generation, transmission and distribution; natural gas distribution; and water, sewer, and other systems.

Measure #5: Execution of Capital Improvement Budget

Goal	2017	Historical Information					
		2016	2015	2014	2013	2012	2011
75%	17%	65%	71%	61%	56%	65%	61%



Budget, Expenditures, and Closures Through June 30, 2017

Measure #6: Debt to Equity Ratio

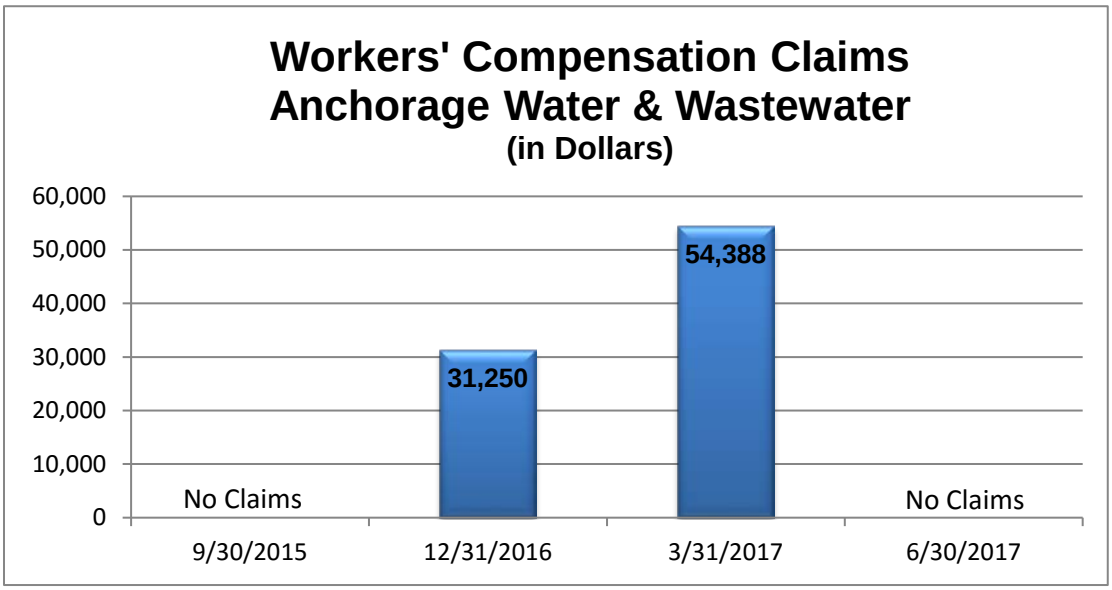
	Goal	2016 *	2015	2014	2013	2012	2011	2010
Water Utility	67/33	62/38	63/37	62/38	65/35	67/33	70/30	70/30
Wastewater Utility	67/33	67/33	67/33	65/35	67/33	66/34	68/32	69/31

*2016 is un-audited draft.

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.



Anchorage Water & Wastewater
Highlights and Future Events

Aging Infrastructure
At the current time, AWWU provides best-in-class service as measured against industry benchmarks such as drinking water compliance rate, water quality complaints, water pipeline breaks, unplanned service disruptions, compliance with discharge permits, collection system failures, and sewer overflows. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

In aggregate, AWU's physical assets are considered to have about one-half of their useful lives consumed. The water transmission and distribution system pipe network consists of over 845 miles of pipe, has a weighted average age of over 35 years. Other AWU assets including treatment facilities, reservoirs, wells, booster stations, and major valve vaults are of varying age, but in aggregate, have reached just over one-half of their useful lives and have undergone or have been scheduled for major re-investment over the next 5-10 years.

ASU's sewer pipe network consists of over 759 miles of pipe and has a weighted average age of 36 years, again reflecting just over one-half of the estimated useful lives of pipe and approximately three-fifths of the estimated useful lives of other sewer plant. Unlike the water system however, some treatment facility assets are new. Within the Anchorage Bowl, more than $40 million of treatment plant investment occurred over the past decade, much of that for new assets (e.g., new headworks, solids handling, building improvements and liquid process improvements) at the Asplund WWTF. In Eagle River, new process improvements and support systems (UV disinfection, mechanical and HVAC systems) worth over $3 million were built over the last five years. The exception is the Girdwood WWTF, which is now over 30 years old and reaching the end of its useful life as documented by multiple studies performed since 2006.

AWWU has advanced its asset management program to manage the Utility's aging infrastructure. The primary components of AWWU's asset management program include:

- Risk based approach that categorizes AWWU's assets and evaluates each asset's class on the basis of consequence and likelihood of failure.
- Robust analysis of system performance and maintenance data to predict service lives of different asset classes.
- Business case analysis of major projects to determine solutions yielding lowest overall lifecycle costs.
- Use of state-of-the-art repair and rehabilitation technologies to reduce service disruption and reduce costs.
- Condition assessment monitoring and evaluation using both AWWU staff and specialized contractors.

Limited Customer Growth
The Anchorage economy and land-use development patterns and restrictions are such that AWWU does not anticipate significant customer growth rate for the foreseeable future. Limited customer growth represents a significant challenge for AWWU because there are few new customers to help cover the cost of maintaining infrastructure. Exacerbating the lack of customer growth is the repair and replacement of contributed plant. In the 1990's, over 70% of the plant in-service was contributed (i.e., given to AWWU or paid for by grants). Today that percentage is about 50% and decreasing steadily. Contributed plant is not included in rates for calculating depreciation costs and earning a return. However, repair and replacement of this considerable portion of our plant-in-service must be borne wholly by customers. With a very slow growth of the customer base, cost of this repair and replacement will increase over time for each customer.

There is very little AWWU can do to encourage significant customer growth without major changes in policy and community desires. Most of AWWU's customer growth will come from redevelopment of existing properties in the MOA, expansion in outlying areas (which require significant expenditures to extend infrastructure) and limited infill. Redevelopment and infill must comply with current codes and utility tariffs, which may require upgrades to existing utility service.

Aging Workforce
AWWU is typical of the industry in that we have an aging workforce. Over half of AWWU's workforce is 45 years old or more. Many of these individuals can be expected to retire in the next few years. Many of these individuals are the experienced and licensed professionals required to operate AWWU's facilities in compliance with Alaska regulations. Alaska's oil industry and the boom in oil and gas development in the lower 48 represents a significant threat to retaining water and wastewater professionals. The oil industry typically pays significantly higher wages than AWWU.

Debt
At the end of 2016, AWWU was carrying approximately $402.7 million in total net debt. AWWU can easily service this debt and the Utility maintains healthy operating margins and debt service coverage ratios. However, compared to peer utilities, AWWU has a significant amount of debt and finances much less of its capital program with equity.

Two major factors have contributed to AWWU's current debt/equity position. First, during the 1990's, AWWU did not have rate increases and had a very modest capital improvement budget (CIB). During these years, reductions in workforce levels and improvements in worker productivity as a result of investments in appropriate technology allowed the Utility to operate effectively, but not accumulate equity.

Rate Increases Calculated, Requested, and Approved
AWWU 2004-2017

	Calculated Rate Increase in RRS		Requested Permanent Rate Increase		Approved/Stipulated Permanent Rate Increase		
Rate Year	AWU	ASU	AWU	ASU	AWU	ASU	Reason For Requesting Increases Less Than The Calculated Increases
2004	14.20%	8.10%	14.20%	8.10%	13.60%	8.10%	The calculated increases were requested due to the change in the MUSA calculation.
2005	7.20%	6.80%	7.20%	6.80%	7.80%	3.00%	The calculated increases were requested due to the change in the MUSA calculation.
2006	12.40%	15.00%	8.90%	10.60%	6.50%	10.60%	Policy direction to limit rate increases requested to reduce impact on customers.
2007	15.00%	17.80%	14.50%	13.00%	7.00%	9.50%	Policy direction to limit rate increases requested to reduce impact on customers.
2008	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2008.
2009	8.70%	8.00%	7.00%	6.50%	5.60%	6.50%	Policy direction to limit rate increases requested to reduce impact on customers.
2010	7.00%	9.50%	2.50%	2.50%	2.50%	2.50%	Policy direction to limit rate increases requested to reduce impact on customers.
2011	18.50%	26.20%	8.00%	15.00%	8.00%	15.00%	Policy direction to limit rate increases requested to reduce impact on customers.
2012	13.00%	16.60%	6.00%	11.00%	6.00%	11.00%	Policy direction to limit rate increases requested to reduce impact on customers.
2013	9.10%	6.80%	6.00%	4.50%	6.00%	4.50%	Policy direction to limit rate increases requested to reduce impact on customers.
2014	5.60%	6.70%	4.00%	5.50%	2.26%	4.34%	Policy direction to limit rate increases requested to reduce impact on customers. AWWU stipulated to permanent rates lower than the rates requested.
2015	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2015.
2016	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2016.
2017	-	11.90%	-	9.50%	-	9.50%	Policy direction to limit rate increases requested to reduce impact on customers.

To improve its debt position, AWWU must continue to request reasonable rates and at the same time control expenses. The budget provided in this package provides just such a balance.

Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit was reissued reissuance by ADEC in 2014. The Girdwood WWTF permit is administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the Utility's application for reauthorization of the permit. The renewal process includes an evaluation by EPA to determine whether Asplund continues to meet the Clean Water Act criteria necessary to reissue a permit with a 301(h) modification allowing only primary treatment. Subsequent to a positive determination, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to-date suggest that such a finding is unlikely.

Anchorage Water & Wastewater Utility
External Impacts

Wastewater Treatment Facilities Discharge Permits
The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit was reissued by ADEC in 2014, and will be valid for at least five years. The Girdwood WWTF permit is administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF remains under the auspices of the U.S. Environmental Protection Agency (EPA). The EPA is currently evaluating the Utility's application for reauthorization of the permit allowing only primary treatment, in accordance with criteria set out in Section 301(h) of the Clean Water Act. Subsequent to the agency's determination that the Asplund discharge meets the 301(h) criteria, EPA will consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to-date suggest that such a finding is unlikely.

Aging Infrastructure
At the current time, AWWU provides best-in-class service as measured against industry benchmarks. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

AWWU has advanced its asset management program to optimize spending on the Utility's aging infrastructure. We are performing business case analyses of major issues to determine solutions that lead to lowest overall life cycle costs, as well as extensive condition assessment monitoring and evaluation using both AWWU staff and specialized contractors. This work is expected to provide best value to ratepayers in the long term.

Anchorage Water & Wastewater Utility
Workforce Projections

Division	2016	2017	2018	2019	2020	2021	2022	2023
General Manager	2	2	2	2	2	2	2	2
Administrative Services	5	5	5	5	5	5	5	5
Customer Service	41	41	41	41	41	41	41	41
Engineering	41	41	41	41	41	41	41	41
Finance	21	21	21	21	21	21	21	21
Information Technology	18	18	18	18	18	18	18	18
Operations and Maintenance	91	91	91	91	91	91	91	91
Treatment	63	64	64	64	64	64	64	64
Total Full Time	**282**	**283**	**283**	**283**	**283**	**283**	**283**	**283**
Part time	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Seasonal Temporary	4	4	4	4	4	4	4	4
Interns	7	7	7	7	7	7	7	7
Total Temporary	**11**	**11**	**11**	**11**	**11**	**11**	**11**	**11**
Total Positions	**294**	**295**	**295**	**295**	**295**	**295**	**295**	**295**

Anchorage Water Utility
8 Year Summary
($ in thousands)

Financial Overview	2016 Actuals	2017 Proforma	2018 Proposed	2019	2020	2021	2022	2023
				Forecast				
Revenues	62,375	60,349	62,163	65,506	69,576	73,506	77,716	81,456
Expenses and Transfers	52,879	52,941	56,539	59,460	60,840	62,480	64,120	68,340
Net Income (Loss) - Regulatory	**9,496**	**7,408**	**5,624**	**6,046**	**8,736**	**11,026**	**13,596**	**13,116**
Dividend to General Government	-	-	-	1,860	2,000	2,880	3,640	4,490
Increase in Net Assets	**9,496**	**7,408**	**5,624**	**4,186**	**6,736**	**8,146**	**9,956**	**8,626**
Budgeted Positions*	294	295	295	295	295	295	295	295
Capital Improvement Program	32,226	32,963	32,620	32,860	34,000	34,755	35,755	37,000
New Debt	15,498	18,700	18,900	51,000	10,300	10,500	10,800	77,200
Net Capital Assets (12/31)	543,017	557,387	572,332	586,966	602,177	617,359	632,844	648,740
Net Position (12/31)	139,886	147,294	152,918	157,104	163,840	171,986	181,942	190,568
Operating Cash	36,343	34,750	32,877	29,603	27,143	26,124	27,709	25,734
Construction Cash Pool	4,223	4,455	268	28,119	14,444	142	-	35,665
Restricted Cash	362	362	362	362	362	362	362	362
Total Cash	**40,928**	**39,567**	**33,507**	**58,084**	**41,949**	**26,628**	**28,071**	**61,761**
IGCs - General Government	1,105	1,834	2,597	2,597	2,597	2,597	2,597	2,597
MUSA	7,315	7,991	8,280	8,510	8,730	8,960	9,190	9,420
CCP Borrowings from Gen'l Govt.	-	-	-	-	-	-	-	-
Total Outstanding LT Debt	227,119	214,163	222,190	261,400	257,545	253,269	249,468	309,097
Total Annual Debt Service	16,140	16,169	18,110	20,841	22,831	23,285	22,958	28,235
Debt Service Coverage (Bond)	3.22	2.71	2.64	2.35	2.24	2.47	2.72	2.15
Debt Service Coverage (Total)	1.85	1.55	1.35	1.28	1.30	1.39	1.54	1.34
Debt/Equity Ratio	62 / 38	59 / 41	59 / 41	63 / 37	61 / 39	60 / 40	58 / 42	62 / 38
Rate Change Percent	0.0%	0.0%	3.0%	5.0%	6.0%	6.0%	6.0%	4.2%
Single Family Rate	49.70	49.70	51.19	53.75	56.97	60.39	64.02	66.71
Statistical/Performance Trends								
Number of Accounts	56,294	56,435	56,576	56,717	56,859	57,001	57,144	57,287
Average Treatment (MGD)	22.7	22.8	22.8	22.9	22.9	23.0	23.0	23.1
Miles of Water Lines	845	847	849	851	853	856	858	860
Number of Public Hydrants	6,027	6,042	6,057	6,072	6,087	6,103	6,118	6,133

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Water Utility
Statement of Revenues and Expenses

	2016 Actuals	2017 Proforma	2017 Revised	18 v 17 $ Change	2018 Proposed	18 v 17 % Change
Operating Revenue						
Charges for services	59,940,423	58,464,000	59,700,000	517,000	60,217,000	0.9%
Miscellaneous	1,325,422	1,230,000	1,188,000	73,000	1,261,000	6.1%
Total Operating Revenue	**61,265,845**	**59,694,000**	**60,888,000**	**590,000**	**61,478,000**	1.0%
Non Operating Revenue						
Investment Income	690,983	655,000	610,000	70,000	680,000	11.5%
Other Income	418,388	-	150,000	(145,000)	5,000	-96.7%
Total Non Operating Revenue	**1,109,371**	**655,000**	**760,000**	**(75,000)**	**685,000**	**-9.9%**
Total Revenue	**62,375,216**	**60,349,000**	**61,648,000**	**515,000**	**62,163,000**	**0.8%**
Operating Expenses						
Labor						
Labor and Benefits	19,084,688	15,960,000	16,420,727	915,845	17,336,572	5.6%
Overtime	561,431	705,000	453,000		453,000	0.0%
Total Labor	19,646,119	16,665,000	16,873,727	915,845	17,789,572	5.4%
Non Labor						
Non Labor	8,632,876	8,921,000	9,141,716	(2,900)	9,138,816	0.0%
Travel	52,296	80,000	82,500	2,900	85,400	3.5%
Transfers (MUSA and gross receipts)	7,314,997	7,991,023	7,991,023	288,977	8,280,000	3.6%
Depreciation and Amortization	10,838,760	11,260,000	11,510,000	210,000	11,720,000	1.8%
Total Non Labor	26,838,929	28,252,023	28,725,239	498,977	29,224,216	1.7%
Total Direct Cost	**46,485,048**	**44,917,023**	**45,598,966**	**1,414,822**	**47,013,788**	**3.1%**
Charges from other departments	1,480,296	1,834,000	2,140,605	456,188	2,596,793	21.3%
Charges to other departments	(375,000)	-	-		-	0.0%
Total Operating Expense	**47,590,344**	**46,751,023**	**47,739,571**	**1,871,010**	**49,610,581**	**3.9%**
Non Operating Expense						
Interest on bonded debt	5,217,686	5,120,000	6,097,000	(599,000)	5,498,000	-9.8%
Amortization of debt expense	141,357	200,000	345,000		345,000	0.0%
Other interest expense	1,496,100	1,800,000	1,678,000	307,000	1,985,000	18.3%
Interest during construction	(1,566,014)	(930,000)	(930,000)	30,000	(900,000)	-3.2%
Total Non Operating Expense	**5,289,129**	**6,190,000**	**7,190,000**	**(262,000)**	**6,928,000**	**-3.6%**
Total Expenses (Function Cost)	**52,879,473**	**52,941,023**	**54,929,571**	**1,609,010**	**56,538,581**	**2.9%**
Net Income	**9,495,743**	**7,407,977**	**6,718,429**	**(1,094,010)**	**5,624,419**	**-16.3%**
Appropriation:						
Total Expenses			**54,929,571**	**1,609,010**	**56,538,581**	
Less: Non Cash items						
Depreciation and amortization			11,510,000	210,000	11,720,000	
Amortization of debt expense			345,000	-	345,000	
Interest during construction			(930,000)	30,000	(900,000)	
Total Non-Cash			10,925,000	240,000	11,165,000	
Amount to be Appropriated (cash expenses)			**44,004,571**	**1,369,010**	**45,373,581**	

Anchorage Water Utility
Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions FT	PT	T
2017 Revised Budget	54,929,571	283	1	11
Transfers (to)/from Other Agencies				
- Charges from other departments	456,188	-	-	-
Debt Service Charges				
- Interest	(292,000)	-	-	-
- AFUDC	30,000			
Changes in Existing Programs/Funding for 2018				
- Salary and benefits adjustments	915,845	-	-	-
- Depreciation	210,000	-	-	-
- MUSA	288,977			
2018 Continuation Level	**56,538,581**	**283**	**1**	**11**
2018 Proposed Budget Changes				
- Travel	2,900	-	-	-
- Other non labor	(2,900)	-	-	-
2018 Proposed Budget	**56,538,581**	**283**	**1**	**11**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(11,720,000)	-	-	-
- Amortization of debt expense	(345,000)	-	-	-
- Interest during construction	900,000	-	-	-
2018 Proposed Budget (Appropriation)	**45,373,581**	**283**	**1**	**11**

Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Water Utility
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
ADOT-MOA-Emergency	3,371	2,627	3,625	4,110	4,037	4,000	21,770
Facility Master Plan	-	650	-	50	-	250	950
IT Hardware/Software	2,075	1,350	1,450	1,450	1,475	1,450	9,250
Miscellaneous Equipment	850	850	850	850	850	850	5,100
Other Plant & Facilities	-	-	250	-	650	-	900
Transmission/Distribution	21,754	20,478	23,975	22,695	25,993	27,950	142,845
Vehicles	1,000	1,055	1,000	1,000	1,000	1,000	6,055
Water Plant	3,570	5,850	2,850	4,600	1,750	1,500	20,120
Total	**32,620**	**32,860**	**34,000**	**34,755**	**35,755**	**37,000**	**206,990**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Debt	24,620	24,860	26,000	26,755	27,755	29,000	158,990
Equity/Operations	8,000	8,000	8,000	8,000	8,000	8,000	48,000
Total	**32,620**	**32,860**	**34,000**	**34,755**	**35,755**	**37,000**	**206,990**

Anchorage Water Utility
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt *	State/Fed Grant	Equity/ Operations *	Total
ADOT-MOA Emergency				
ADOT-MOA-Emergency -Water	366	-	3,005	3,371
ADOT-MOA Emergency	**366**	**-**	**3,005**	**3,371**
IT Hardware/Software				
Customer Information System Enhancements	-	-	1,000	1,000
Geographic Information System Application Development	-	-	50	50
Hydraulic Model Upgrades	-	-	50	50
Information Technology Infrastructure	-	-	600	600
Miscellaneous Information Technology Systems	-	-	250	250
Work Management Software	-	-	125	125
IT Hardware/Software	**-**	**-**	**2,075**	**2,075**
Miscellaneous Equipment				
Facility Equipment - Water	-	-	100	100
SCADA Equipment	-	-	750	750
Miscellaneous Equipment	**-**	**-**	**850**	**850**
Transmission/Distribution				
4255_Debar_Road_Wtr_Upgrade	300	-	-	300
92nd Ave Intertie Zone Conversion	750	-	-	750
Becharof-Rakof-chirkoff Rehab	1,710	-	-	1,710
Boston_Street_Water_Rehab	896	-	-	896
E_42nd_LO_to_Piper_Water_Rehab	1,650	-	-	1,650
E_7th_Lane_to_Pine_Water_Rehab	458	-	-	458
ENLB_Augustine_Wtr_Upgr	450	-	-	450
Inlet_Place_Water_Rehab	567	-	-	567
Jewel Lake Intertie	1,100	-	-	1,100
Plant Oversize Improvement-Water	25	-	-	25
Powder Reserve WTID	3,400	-	-	3,400
Res 03/04 Circulation Line	1,000	-	-	1,000
San_Antonio_Camila_San_Rob_Water_Rehab	1,630	-	-	1,630
SW 260 Zone Capacity Improvements	5,000	-	-	5,000
TBird_Grandview_Subd_Wtr_Upgrade	2,000	-	-	2,000
W_43rd _Aero_to_Constellation_Water_Rehab	818	-	-	818
Transmission/Distribution	**21,754**	**-**	**-**	**21,754**
Vehicles				
FB Tanker (94555), Vactor Truck Exc. (94947)	-	-	650	650
Vehicles - Water	-	-	350	350
Vehicles	**-**	**-**	**1,000**	**1,000**
Water Plant				
Chlorine Analyzer Upgrade	-	-	500	500
ER Well Rehab - Norfolk, Well #8	500	-	-	500
EWTF Facility Plan Recommendations	2,000	-	-	2,000
EWTF FTW Turbidimeter Upgrade	-	-	70	70
Facility Plant - Water	-	-	500	500
Water Plant	**2,500**	**-**	**1,070**	**3,570**
Total	**24,620**	**-**	**8,000**	**32,620**

* Debt and Equity/Operations funding amounts by category are estimates and subject to change as actual loans are awarded by the State of Alaska.

Anchorage Water Utility
Statement of Cash Sources and Uses

	2016 Actual	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Operating Income	20,997,884	20,934,000	20,147,419
Depreciation, net of amortization	10,838,760	11,260,000	11,720,000
Special Assessment Proceeds	532,065	300,000	300,000
State of Alaska Loan Proceeds	9,998,202	9,700,000	9,900,000
Bond/Other Loan Proceeds	5,500,000	9,000,000	9,000,000
Miscellaneous Non-Operating Revenues	(5,207)	-	-
Interest Received	588,253	655,000	680,000
Changes in Assets and Liabilities	2,182,133	629,655	1,115,581
Total Sources of Cash Funds	**50,632,090**	**52,478,655**	**52,863,000**
Uses of Cash Funds			
Capital Construction	22,698,092	29,467,700	31,087,000
Debt Principal Payment	9,241,407	9,261,000	11,728,000
Debt Interest Payments	6,607,235	7,120,000	7,828,000
MUSA	7,314,997	7,991,023	8,280,000
Total Uses of Cash Funds	**45,861,731**	**53,839,723**	**58,923,000**
Net Increase (Decrease) in Cash Funds	4,770,359	(1,361,068)	(6,060,000)
Cash Balance, January 1	36,157,709	40,928,068	39,567,000
Cash Balance, December 31	**40,928,068**	**39,567,000**	**33,507,000**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	36,343,020	34,750,000	32,877,000
Construction Cash	4,222,552	4,455,000	268,000
Operating Fund Investment & Customer Deposits	362,496	362,000	362,000
Cash Balance, December 31	**40,928,068**	**39,567,000**	**33,507,000**

** This budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and thus the revenues and expenses presented in this schedule differ from AWWU's GAAP basis financial statements.*

Anchorage Wastewater Utility
8 Year Summary
($ in thousands)

Financial Overview	2016 Actuals	2017 Proforma	2018 Proposed	2019	2020	2021	2022	2023
				Forecast				
Revenues	52,906	56,250	57,550	61,330	65,170	68,690	73,220	77,290
Expenses and Transfers	48,306	49,789	52,553	56,870	58,270	60,020	65,750	67,280
Net Income (Loss) - Regulatory	**4,600**	**6,461**	**4,997**	**4,460**	**6,900**	**8,670**	**7,470**	**10,010**
Dividend to General Government	-	-	-	-	-	-	-	-
Increase in Net Assets	**4,600**	**6,461**	**4,997**	**4,460**	**6,900**	**8,670**	**7,470**	**10,010**
Budgeted Positions*	294	295	295	295	295	295	295	295
Capital Improvement Program	34,200	33,650	36,362	36,710	36,900	37,000	37,000	38,000
New Debt	12,815	16,000	15,000	64,000	6,000	6,000	109,000	6,000
Net Capital Assets (12/31)	407,185	422,264	436,793	454,958	474,058	487,477	503,105	521,330
Net Position (12/31)	86,052	92,513	97,509	101,960	108,840	117,510	124,980	134,990
Operating Cash	29,458	28,604	24,313	19,767	16,454	15,230	14,084	13,331
Construction Cash Pool	1,792	106	-	41,511	21,352	-	61,509	25,579
Restricted Cash	267	267	267	267	267	267	267	267
Total Cash	**31,517**	**28,977**	**24,580**	**61,545**	**38,073**	**15,497**	**75,860**	**39,177**
IGCs - General Government	1,501	1,973	2,597	2,597	2,597	2,597	2,597	2,597
MUSA	5,704	6,004	6,230	6,440	6,710	7,010	7,210	7,450
CCP Borrowings from Gen'l Govt.	-	-	-	-	-	6,755	-	-
Total Outstanding LT Debt	173,318	170,685	176,927	231,861	225,928	219,663	316,058	305,625
Total Annual Debt Service	10,470	11,147	14,456	17,522	19,947	20,049	24,260	27,682
Debt Service Coverage (Bond)	5.05	4.55	2.91	2.29	2.06	2.27	1.88	1.70
Debt Service Coverage (Total)	1.94	1.80	1.37	1.28	1.25	1.36	1.26	1.20
Debt/Equity Ratio	67 / 33	65 / 35	64 / 36	69 / 31	67 / 33	65 / 35	72 / 28	69 / 31
Rate Change Percent	0.00%	9.50%	2.50%	6.00%	6.00%	6.00%	6.00%	5.00%
Single Family Rate	40.72	44.59	45.70	48.44	51.35	54.43	57.70	60.58
Statistical/Performance Trends								
Number of Accounts	57,163	57,306	57,449	57,593	56,816	56,958	57,100	57,243
Average Treatment (MGD)	27.70	27.77	27.84	27.91	27.98	28.05	28.12	28.19
Miles of Wastewater Lines	759	761	763	765	767	769	770	772

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Wastewater Utility
Statement of Revenues and Expenses

	2016 Actuals	2017 Proforma	2017 Revised	18 v 17 $ Change	2018 Proposed	18 v 17 % Change
Operating Revenue						
Charges for Services	51,034,547	54,750,000	55,300,000	820,000	56,120,000	1.5%
Miscellaneous	966,107	900,000	970,000	(45,000)	925,000	-4.6%
Total Operating Revenue	**52,000,654**	**55,650,000**	**56,270,000**	**775,000**	**57,045,000**	1.4%
Non Operating Revenue						
Investment Income	494,810	600,000	480,000	20,000	500,000	4.2%
Other Income	410,414	-	15,000	(10,000)	5,000	-66.7%
Total Non Operating Revenue	**905,224**	**600,000**	**495,000**	**10,000**	**505,000**	**2.0%**
Total Revenue	**52,905,878**	**56,250,000**	**56,765,000**	**785,000**	**57,550,000**	**1.4%**
Operating Expenses						
Labor						
Labor and Benefits	18,140,841	16,615,000	16,817,090	376,105	17,193,195	2.2%
Overtime	393,744	420,000	419,500		419,500	0.0%
Total Labor	18,534,585	17,035,000	17,236,590	376,105	17,612,695	2.2%
Non Labor						
Non Labor	9,866,290	11,412,000	11,559,030	(8,300)	11,550,730	-0.1%
Travel	46,175	80,000	82,500	8,300	90,800	10.1%
Transfers (MUSA and gross receipts)	5,704,269	6,003,654	6,003,654	226,346	6,230,000	3.8%
Depreciation and Amortization	8,750,021	8,950,000	9,650,000	(80,000)	9,570,000	-0.8%
Total Non Labor	24,366,755	26,445,654	27,295,184	146,346	27,441,530	0.5%
Total Direct Cost	**42,901,340**	**43,480,654**	**44,531,774**	**522,451**	**45,054,225**	1.2%
Charges from other departments	1,501,283	1,973,000	2,123,003	474,248	2,597,251	22.3%
Total Operating Expense	**44,402,623**	**45,453,654**	**46,654,777**	**996,699**	**47,651,476**	2.1%
Non Operating Expense						
Interest on bonded debt	2,996,719	3,000,000	4,024,000	(452,000)	3,572,000	-11.2%
Amortization of debt expense	25,448	60,000	62,000	38,000	100,000	61.3%
Other interest expense	1,500,941	1,875,000	1,604,000	206,000	1,810,000	12.8%
Interest during construction	(620,094)	(600,000)	(510,000)	(70,000)	(580,000)	13.7%
Total Non Operating Expense	**3,903,014**	**4,335,000**	**5,180,000**	**(278,000)**	**4,902,000**	-5.4%
Total Expenses (Function Cost)	**48,305,637**	**49,788,654**	**51,834,777**	**718,699**	**52,553,476**	1.4%
Net Income	**4,600,241**	**6,461,346**	**4,930,223**	**66,301**	**4,996,524**	1.3%
Appropriation						
Total Expenses			**51,834,777**	**718,699**	**52,553,476**	
Less: Non Cash items						
Depreciation and amortization			9,650,000	(80,000)	9,570,000	
Amortization of debt expense			62,000	38,000	100,000	
Interest during construction			(510,000)	(70,000)	(580,000)	
Total Non-Cash			9,202,000	(112,000)	9,090,000	
Amount to be Appropriated (cash expenses)			**42,632,777**	**830,699**	**43,463,476**	

Anchorage Wastewater Utility
Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions FT	PT	T
2017 Revised Budget	51,834,777	283	1	11
Transfers (to)/from Other Agencies				
- Charges from other departments	474,248	-	-	-
Debt Service Charges				
- Interest	(246,000)	-	-	-
- Amortization of Debt Expense	38,000			
- AFUDC	(70,000)			
Changes in Existing Programs/Funding for 2018				
- Salary and benefits adjustments	376,105	-	-	-
- Depreciation	(80,000)	-	-	-
- MUSA	226,346	-	-	-
2018 Continuation Level	**52,553,476**	**283**	**1**	**11**
2018 Proposed Budget Changes				
- Travel	8,300	-	-	-
- Other non labor	(8,300)	-	-	-
2018 Proposed Budget	**52,553,476**	**283**	**1**	**11**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(9,570,000)	-	-	-
- Amortization of debt expense	(100,000)	-	-	-
- Interest during construction	580,000	-	-	-
2018 Proposed Budget (Appropriation)	**43,463,476**	**283**	**1**	**11**

Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Wastewater Utility
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
ADOT-MOA-Emergency	3,009	2,340	3,551	2,566	3,910	3,435	18,811
Collection System	15,536	17,650	14,029	20,189	22,500	24,500	114,404
Facility Master Plan	-	-	-	700	500	250	1,450
IT Hardware/Software	2,100	1,360	1,465	1,440	1,465	1,440	9,270
Miscellaneous Equipment	950	850	850	850	850	850	5,200
Other Plant & Facilities	1,650	-	-	-	-	-	1,650
Vehicles	1,050	755	1,000	1,000	1,000	1,000	5,805
Wastewater Plant	12,067	13,755	16,005	10,255	6,775	6,525	65,382
Total	**36,362**	**36,710**	**36,900**	**37,000**	**37,000**	**38,000**	**221,972**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Debt	26,362	26,710	27,900	28,000	28,000	30,000	166,972
Equity/Operations	10,000	10,000	9,000	9,000	9,000	8,000	55,000
Total	**36,362**	**36,710**	**36,900**	**37,000**	**37,000**	**38,000**	**221,972**

Anchorage Wastewater Utility
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt *	State/Fed Grant	Equity/ Operations *	Total
ADOT-MOA Emergency				
ADOT-MOA-Emergency - Sewer	-	-	3,009	3,009
ADOT-MOA Emergency	**-**	**-**	**3,009**	**3,009**
Collection System				
616 W. 12th Ave_1202 F St Sewer Service	100	-	-	100
C & D St Sewer	320	-	-	320
D & E St Sewer	-	-	325	325
Farm Ave Swr Rehab	1,160	-	285	1,445
H & I St Sewer	-	-	345	345
Large Diameter Sewer Manholes	2,400	-	-	2,400
M St Sewer	300	-	-	300
Mills Dr SWR Rehab	1,875	-	-	1,875
N, Hoyt & Bunn Alley Sewer	495	-	-	495
Nathan Cir Sewer Upgrade	500	-	-	500
Pawn Place Sewer Upgrade	300	-	-	300
Powder Reserve TID	1,600	-	-	1,600
PS 17	-	-	250	250
PS 58 Improvments	1,000	-	-	1,000
Pump & Lift Station Improvements	1,000	-	-	1,000
Seppala W30th NLB Reconstruction SWR	600	-	-	600
Ship Creek Inverted Siphon Rehab	200	-	-	200
Spenard Sewer Upgr	300	-	-	300
Turpin Septage Receiving Station	-	-	1,436	1,436
W. 2nd Ave Sewer	-	-	250	250
W. 8th, N - P St Sewer	495	-	-	495
Collection System	**12,645**	**-**	**2,891**	**15,536**
IT Hardware/Software				
Customer Information System Enhancements	-	-	1,000	1,000
Geographic Information Systems Application Development	-	-	50	50
Hydraulic Model Upgrades	-	-	50	50
Information Technology Infrastructure	-	-	600	600
Miscellaneous Information Technology Systems	-	-	250	250
Water Qual. Mgmt and Environmental Compliance Monitoring	-	-		25
Reporting			25	
Work Management System	-	-	125	125
IT Hardware/Software	**-**	**-**	**2,100**	**2,100**
Miscellaneous Equipment				
Facility Equipment - Sewer	-	-	200	200
SCADA Equipment	-	-	750	750
Miscellaneous Equipment	**-**	**-**	**950**	**950**
Other Plant & Facilities				
King Street Warm Storage	1,650	-	-	1,650
Other Plant & Facilities	**1,650**	**-**	**-**	**1,650**

Anchorage Wastewater Utility
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt *	State/Fed Grant	Equity/ Operations *	Total
Vehicles				
Large Diameter CCTV Truck	-	-	200	200
Vactor/Combinationi Cleaner (94807)	-	-	500	500
Vehicles - Sewer	-	-	350	350
Vehicles	**-**	**-**	**1,050**	**1,050**
Wastewater Plant				
AWWTF Fence and Main Gate Access Improvements	200	-	-	200
AWWTF Grit Rehab	3,500	-	-	3,500
AWWTF Reroof	100	-	-	100
AWWTF Resource Recovery	750	-	-	750
AWWTF Scum Pump & Inline Grinder	2,292	-	-	2,292
AWWTF Slope Beach Tower	1,500	-	-	1,500
AWWTF Storage	2,250	-	-	2,250
AWWTF Surface Drainage & Stormwater System Improvements	200	-	-	200
Facility Plant - Sewer	1,000	-	-	1,000
Plant Oversize and Betterments - Sewer	25	-	-	25
Security Improvements - Sewer	250	-	-	250
Wastewater Plant	**12,067**	**-**	**-**	**12,067**
Total	**26,362**	**-**	**10,000**	**36,362**

* Debt and Equity/Operations funding amounts by category are estimates and subject to change as actual loans are awarded by the State of Alaska.

Anchorage Wastewater Utility
Statement of Cash Sources and Uses

	2016 Actual	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Operating Income	13,303,713	16,200,000	15,623,524
Depreciation, net of amortization	8,750,021	8,950,000	9,570,000
Special Assessment Proceeds	574,187	300,000	300,000
State of Alaska Loan Proceeds	8,815,244	7,000,000	6,000,000
Bond/Other Loan Proceeds	4,000,000	9,000,000	9,000,000
Miscellaneous Non-Operating Revenues	7,693	-	5,000
Interest Received	492,902	600,000	500,000
Changes in Assets and Liabilities	(2,408,775)	50,550	1,499,076
Total Sources of Cash Funds	**33,534,985**	**42,100,550**	**42,497,600**
Uses of Cash Funds			
Capital Construction	15,066,412	27,436,500	26,269,600
Debt Principal Payment	5,894,889	6,264,760	8,913,000
Debt Interest Payments	4,407,729	4,935,000	5,482,000
MUSA	5,704,269	6,003,654	6,230,000
Total Uses of Cash Funds	**31,073,299**	**44,639,914**	**46,894,600**
Net Increase (Decrease) in Cash Funds	2,461,686	(2,539,364)	(4,397,000)
Cash Balance, January 1	29,054,678	31,516,364	28,977,000
Cash Balance, December 31	**31,516,364**	**28,977,000**	**24,580,000**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	29,457,679	28,604,000	24,313,000
Construction Cash	1,792,062	106,000	-
Operating Fund Investment & Customer Deposits	266,623	267,000	267,000
Cash Balance, December 31	**31,516,364**	**28,977,000**	**24,580,000**

** This budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and thus the revenues and expenses presented in this schedule differ from AWWU's GAAP basis financial statements.*

About Anchorage Water & Wastewater

Anchorage Water Utility History
From the first intake of water at Lower Ship Creek, and a few miles of woodstave water lines downtown more than 90 years ago, Anchorage's public water utility has grown into an enterprise with a net plant in service of approximately $527 million that delivers nearly 23 million gallons of water to customers each day. The original water system for Anchorage was installed by the Alaska Railroad in 1917. In 1921, the City purchased the water system and associated water rights from the Alaska Engineering Commission. As the City expanded by annexation, the water system was extended into new areas and independent water systems previously serving the annexed areas were acquired by the City. In the 1950's, an aqueduct was drilled through the mountains north of Anchorage to supply water from Eklutna Lake to the Eklutna hydroelectric power plant along the Knik River. In 1985, AWWU tapped this aqueduct and connected a 7.8 mile long transmission main (intake portal) to provide water from the Lake to the Eklutna Water Treatment Facility. A 2.6 mile raw water line to Ship Creek was built in 1980 to replace an earlier raw water main originally constructed in 1962 for the Ship Creek Water Treatment Facility (WTF).

Anchorage Wastewater Utility History
The Alaska Engineering Commission first installed sewers in downtown Anchorage in 1916 along the lower bluff near the Alaska Railroad Depot. As Anchorage grew, construction of sewers continued and by the end of World War II, sewers were available to much of the area between Ship Creek and Chester Creek, west of Cordova Street. Greater Anchorage Area Borough (GAAB) was created in 1964, and was granted area wide sewer authority. The last major private sewer utility was acquired by the GAAB in 1972. The wastewater utility is now owned and governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the GAAB on September 15, 1975. Anchorage's public wastewater utility has grown into an enterprise with a net plant in service of approximately $392 million.

Service
Anchorage's enjoyment of drinking water is just one part of the AWWU system. After the day's water is used, it must be treated before it is returned to the environment. The creeks and inlets downstream from Anchorage's wastewater treatment facilities are not adversely impacted by treated effluent, which is AWWU's principal measure of success. The Anchorage community benefits from the superior operation of the three wastewater treatment plants that serve its growing population.

Governance
AWWU has a seven-member Board of Directors as codified in Anchorage Municipal Code section 4.80.020. The Board is appointed by the Mayor to staggered 3-year terms, with nominees subject to Assembly approval. The Board, by code, makes recommendations to the Mayor, establishes procedures for customer complaints, and recommends changes in code to the Assembly that the Board deems necessary or desirable for the efficient operation of the Utility or for the benefit of its customers. The authority for operation and management of the Utility is under the control of the Mayor. The Board members are very experienced professionals in the fields of law, accounting, engineering, and public health, in addition to 2 at-large citizen members. Regular meetings are held monthly and are open to the public. Board meetings focus on Utility operations and highlights.

Economic Regulation and Accounting

Since 1970, both the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU) have been regulated by the Alaska Public Utilities Commission (APUC), which was renamed the Regulatory Commission of Alaska (RCA) on July 1, 1999. AWU and ASU each hold a Certificate of Public Convenience and Necessity for serving portions of the Anchorage Bowl, Eagle River and Girdwood. This commission must approve all rates and tariffs prior to implementation. They also regulate service areas and service quality. The RCA is composed of five members appointed to six-year staggered terms by the Governor of the State of Alaska and confirmed by the State Legislature.

AWWU is an Enterprise Fund. Enterprise Funds are used to account for operations where costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

AWWU applies all applicable provisions of the Governmental Accounting Standards Board (GASB) which has authority for setting accounting standards for governmental entities. The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The accrual basis of accounting is used for Enterprise Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Environmental Regulation

AWWU's activities are dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. Potable water produced by AWU must comply with the regulations promulgated under the Safe Drinking Water Act (SDWA). The SDWA is the main federal law governing the quality of drinking water in the United States. The ADEC has authority (primacy) to administer the SDWA regulations for the EPA. The SDWA sets standards for the chemical and microbial quality of drinking water and establishes requirements for informing the public.

ASU's activities are also dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. All wastewater discharges must comply with the regulations promulgated under the Clean Water Act (CWA). The CWA is the main federal law governing discharges into the waters of the United States. The CWA requires that each treatment facility have a unique National Pollution Discharge Elimination System (NPDES) permit that specifies the discharge limits from each facility for a wide variety of chemical and biological constituents. The ADEC has authority (primacy) to issue and administer the NPDES permits for ASU's Eagle River and Girdwood WWTFs. Authority to issue and administer the 301(h) modification for the Asplund WWTF has been retained by EPA, due to the special conditions of this discharge as outlined in section 301(h) of the CWA. In addition to the CWA laws, ASU's sewage sludge incinerator must also comply with the provisions specified in Title V of the Clean Air Act (CAA). ADEC has primacy for the CAA and administers the permit for EPA.

Failure to comply with the regulations promulgated under the SDWA, CWA and CAA can result in fines and/or compliance orders and criminal charges.

Physical Plant

The John M. Asplund Wastewater Treatment Facility is one of the few facilities in the nation operating as a primary treatment facility under Section 301(h) of the Clean Water Act. The primary treatment provided by this facility removes up to 46% of the biological oxygen demand (BOD) and 80% of the solids from the influent wastewater meeting the criteria necessary for discharge to the marine waters of Cook Inlet.

The smaller Eagle River and Girdwood Wastewater Treatment facilities provide advanced secondary treatment prior to discharge to Eagle River and Glacier Creek respectively. These facilities remove up to 99% of the pollutants from the incoming wastewater prior to discharge.

In 2016, the Asplund Wastewater Treatment Facility treated an average of 26 million gallons per day (mgd). The Eagle River Wastewater Treatment Facility treated an average 1.3 mgd and the Girdwood Wastewater Treatment Facility treated 0.4 mgd. The three facilities have a combined design capacity of 61.1 mgd. The wastewater collection system has approximately 759 miles of pipes.

The Asplund Facility, built in 1972, is Alaska's largest wastewater treatment plant. As wastewater treatment technology and the demands of community growth have developed over the last two decades, utility operators and engineers have kept pace. The Asplund plant underwent major renovations in 1982, and expanded and upgraded again in 1989.

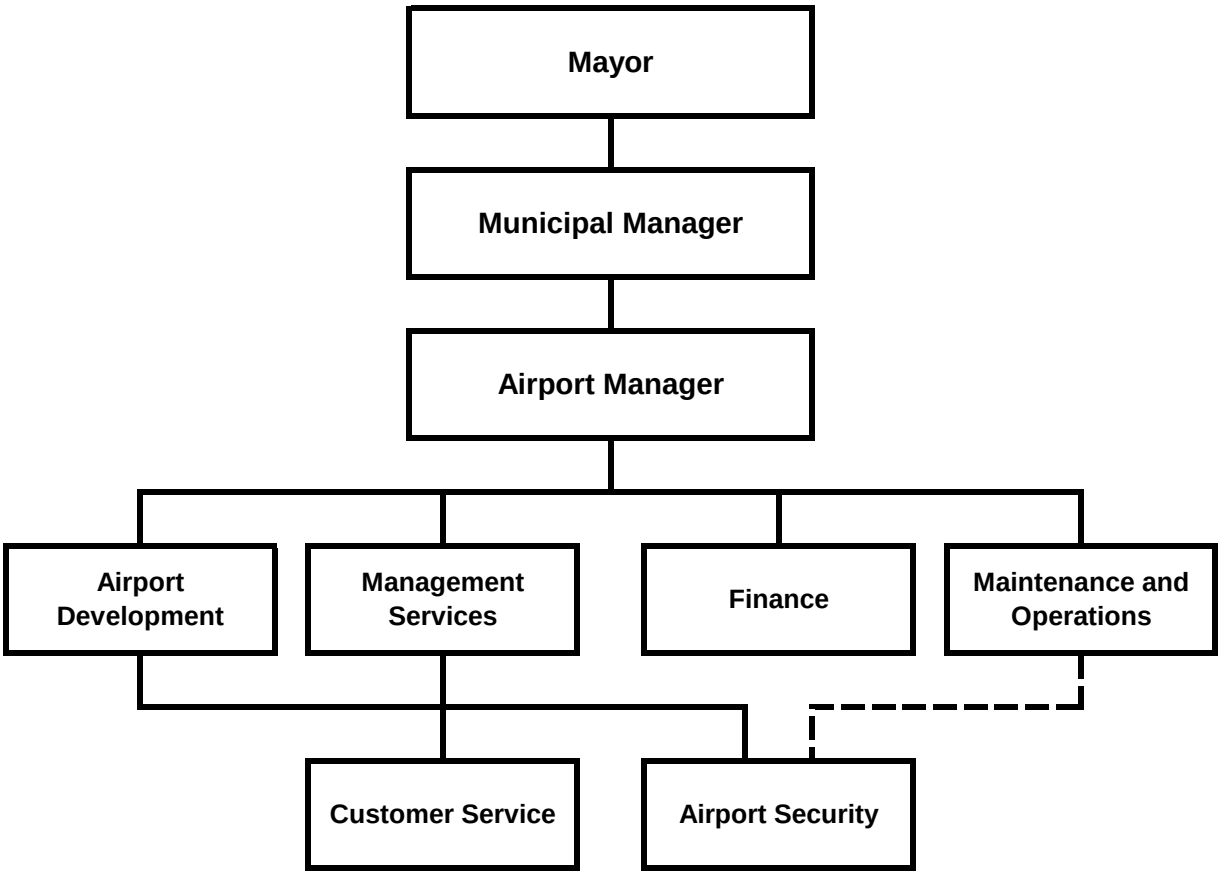
A facilities plan update was prepared in 1999. The 1999 facilities plan evaluated the existing condition of the Asplund facility and identified improvements necessary to meet the future needs of the community. The facilities plan identified over $40 million worth of improvements to the solids handling, headworks, administration, laboratory, incineration, and thickening processes and control and power systems. AWWU undertook a majority of the recommended Asplund projects. These projects, along with careful operation, have made Asplund a modern, state-of-the-art treatment facility. In 2014, an updated Facilities plan was prepared for Asplund. The plan recommends over $17M of additional investment in Asplund over ten years' time to rehabilitate and maintain aging infrastructure. ASU continues to maintain its smaller treatment plants. Additional projects at Eagle River and Girdwood are underway, all designed to replace, rehabilitate and provide for the near-term needs of the areas being serviced.

AWU's three sources of water are Eklutna Lake, Ship Creek and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl and Girdwood Valley. Eklutna Water Treatment Facility and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the two water systems. The Ship Creek Water Treatment Facility and the remainder of water wells are used to augment the primary water supply as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl.

Of these sources, the Eklutna Water Treatment Facility (WTF) now provides, on average, 86 percent of total water production for the Northern Communities and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU's total water production, all water produced and distributed is from two wells.

Projects to maintain the surface water plants and AWU's wells are on-going. The purpose of these projects is multiple fold: to rehabilitate and upgrade facilities where equipment has reached the end of its useful life; to automate and increase operational efficiency of facilities; to increase yield from existing well sites; and to meet stricter federal and state regulations regarding water quality.

Merrill Field Airport



Merrill Field Airport
Organizational Overview

Merrill Field Airport is functionally structured as a single department. Department personnel include the Airport Manager and five (four presently) office staff, plus four maintenance personnel.

The Airport Manager is responsible for overall management, airport operations, risk mitigation and operational tone/policies/direction of the Airport. The Airport Manager is also the primary point of contact with the FAA regarding capital and airport planning, operations, and capital development, as well as the MRI spokesman in representations to the media.

The Administrative staff conducts the day-to-day operation of the Airport, including property management and servicing of leasehold and tie-down customers, as well as oversight/ coordination of planning, design, and oversight of Airport infrastructure construction. All office staff are one deep and specialized, per job duties. An additional staff person was added in 2016 in anticipation of the retirement of both our Office Manager and Leasing Specialist. This new staff person presently fills undermet demands and cross trains to become familiar with Office Manager and Leasing Specialist duties.

Maintenance personnel provide maintenance and operation of Airport facilities and equipment, as well as maintenance of all operating surfaces on the airport - runways, taxiways, roads, and aircraft tiedown areas that are not on leased property. Such responsibilities include snow removal, sanding, airfield maintenance, including coordination of Notices to Airmen (NOTAMs) and currency of the regularly updated and continuously broadcast Air Traffic Information Service (ATIS).

Merrill Field Airport
Business Plan

Background
Merrill Field Airport (MRI) is a municipally owned and operated enterprise. It is operated as a MOA Enterprise Fund department under the direction of the Municipal Manager.

Services
Merrill Field is a primary commercial service airport and serves as a general aviation reliever for Anchorage International Airport. Home base to ~8.8% of all aircraft registered in Alaska, Merrill Field was the 96th busiest airport in the nation in 2016.

Mission
Merrill Field Airport is committed to operating and maintaining a safe and efficient airport that meets the aviation and business needs of the community.

Business Goals
- Enhance the Airport's role as the major general aviation transportation facility serving Anchorage and outlying areas within Alaska by providing services that promote and encourage use of the Airport by the general aviation community.
- Develop an overall Airport strategy, including leasing policies and pricing that attracts aviation support services and related businesses to Merrill Field and encourages long and short term private sector investments.
- Practice sound fiscal management to enable Merrill Field to increase its value, both to its customers and to its owner, the Municipality of Anchorage.
- Take advantage of new technologies to maximize the use and efficiency of available resources.
- Understand and be responsive to our customers to better meet their needs by providing the services and facilities they desire. This includes maintaining those facilities in a fully functional, efficient and safe condition by continually improving their utility, quality, and appearance.
- Maximize the use of Federal Airport Improvement Program (AIP) grants to provide facilities that will safely and adequately meet the needs of general aviation.
- Meet requisite FAA sponsor assurances resultant from AIP grant acceptance.

Strategies to Achieve Goals
Merrill Field's strategic plan provides a framework to achieve results for the customer:
1. Maintain a pro-active anti-noise policy, asking pilots to follow established noise-reducing practice, including implementation of a late night 'Quiet Hours' protocol that restricts Touch & Go operations to one take-off and one landing per pilot *at MRI* between the hours of 10PM and 7AM (local). Maintain a close working relationship and coordinate with the MRI FAA ATCT.
2. Maintain positive relations with neighboring Community Councils by encouraging their comments and actively addressing their concerns.
3. Work in close coordination with the Municipal Airports Aviation Advisory Commission, Fixed Based Operators, and Airport users.
4. Continue to aggressively seek and obtain both FAA and State grant funding for the MRI Airport Capital Improvement Program.
5. Provide infrastructure to meet customer demand.
6. Maintain revenues at a level adequate to cover inflation, fund MOA and FAA mandated costs, and meet airport objectives by:

   a. increasing facility productivity.
   b. adjusting user fees and/or lease rates annually.
7. Minimize expenses by:
   a. Reducing or eliminating services where the impact is minimal.
   b. Employing economies of scale whenever possible.
   c. Deferring expenses, within practical limits.
   d. Performing functions in-house when cost-efficient to do so and workloads permit.
8. Take advantage of new technology:
   a. Continue refinement and enhancement of existing programs to facilitate better data resource management, including enabling fiber optic cabling and surveillance cameras airport-wide.
   b. Continue replacing computer hardware, as required, to ensure the efficient processing of data.
9. Maintain database and management reporting capabilities.
10. Maintain runways, taxiways, and tie-down aprons in a safe and secure condition.
11. Expeditiously and systematically remove snow from airport surfaces. Ensure NOTAMs (Notices to Airmen) and ATIS (Air Traffic Information Service) are both proactive, accurate and current.
12. Continue long term planning, development, and construction of quality airport facilities through the Airport Master Plan process.
13. Provide technical assistance to lessees on issues associated with federally mandated environmental programs.
14. Endeavor to reduce the number of runway incursions (Vehicle/Pedestrian Deviations or VPDs).
15. Manage and develop Orca St properties to maintain and maximize lease rental revenue.
16. Pursue development of new lease lots and encourage development of commercial aviation facilities on current leaseholds.
17. Perform asphalt crack sealing of runways/taxiways/apron areas to extend the life expectancy of these surfaces.
18. Fund pre-grant expenses for engineering services on grant-eligible projects.
19. Enhance the utility of existing tiedown aprons, taxiways, and roadways.
20. Expand aircraft aprons and taxiways as needed to meet demand.
21. Actively market Airport facilities and services.
22. Acquire planned acquisition of identified parcels southwest of the Runway 16/34 safety area to ensure compatible land use.
23. Identify high priority projects to be included in the FAA 5-Year Airport Capital Improvement Plan (ACIP), thereby helping Merrill Field to more effectively compete nationally for AIP grant funds.
24. Secure engineering services for project preliminary design, final design, contract specifications, bid award, and construction supervision.

Performance Measures to Track Progress in Achieving Goals

Merrill Field measures progress in achieving these customer commitments using the following set of quantifiable performance measures.

1. Number of Vehicle-Pedestrian Deviations (VPDs)
2. Number of unfulfilled requests for aircraft parking space – Electrical Drive-Through
3. Percentage of lease spaces currently leased
4. Percent of runway pavement above the minimum PCI value of 70
5. Percent of apron pavement above the minimum PCI value of 60
6. Percent of taxiway pavement above the minimum PCI value of 60

Merrill Field Airport

Anchorage: Performance. Value. Results.

Mission

Safely operate and maintain Merrill Field Airport to meet the aviation and business needs of our customers.

Core Services

- Maintain runways, taxiways, and aircraft parking aprons in a safe and secure condition.
- Provide space to operate and park aircraft.
- Provide lease space for private enterprises to support air transportation.

Accomplishment Goals

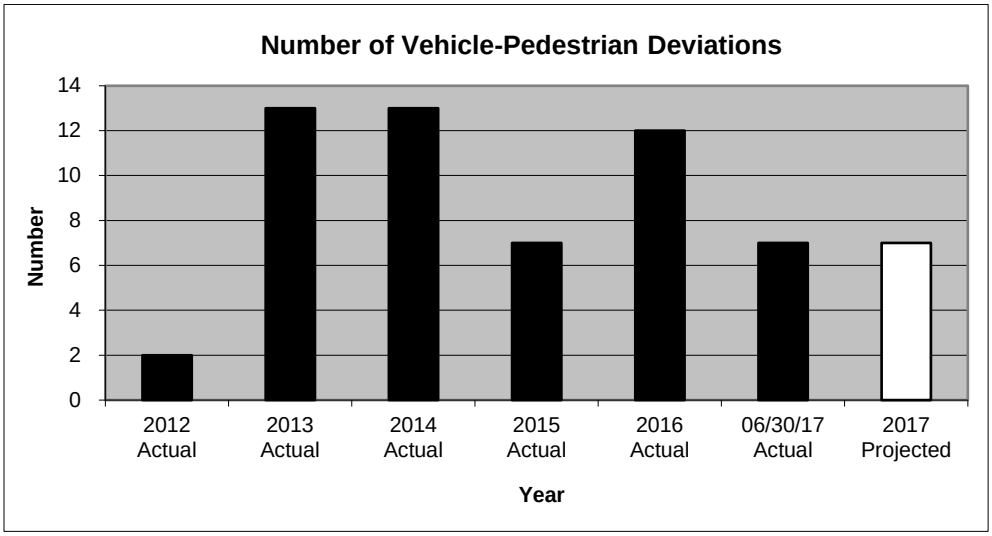
- Reduce the number of vehicle-pedestrian deviations (VPDs) - unauthorized entry into restricted areas.
- Provide sufficient aircraft parking area and business lease space to meet public demand.
- Repair and improve surface conditions on all Runway operating surfaces with a Pavement Condition Index (PCI) below 70 and all Taxiway, Apron & Roadway operating surfaces with a PCI below 60 (on a scale of 1 – 100 with 100 being the best condition).

Performance Measures

Progress in achieving goals will be measured by:

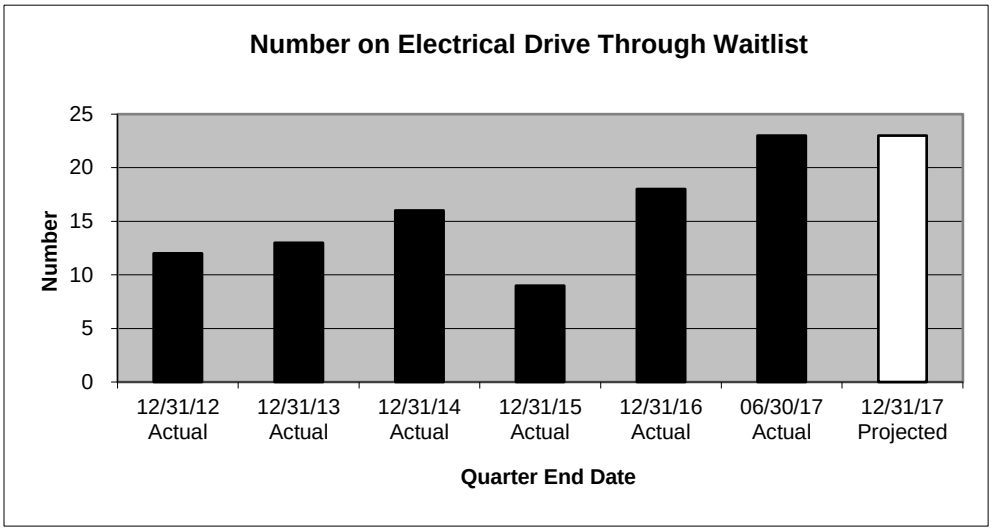
Measure #1: Number of Vehicle-Pedestrian Deviations (VPDs)

2016 Actual	06/30/17 Actual	2017 Projected
12	7	7



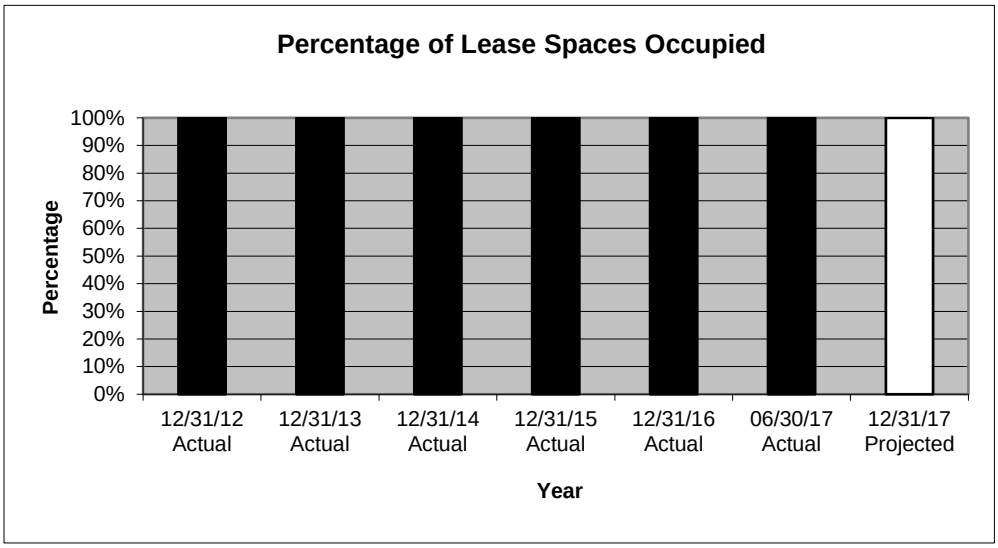
Measure #2: Number of unfulfilled requests for aircraft parking space – Electrical Drive Through

12/31/16 Actual	06/30/17 Actual	12/31/17 Projected
18	23	23



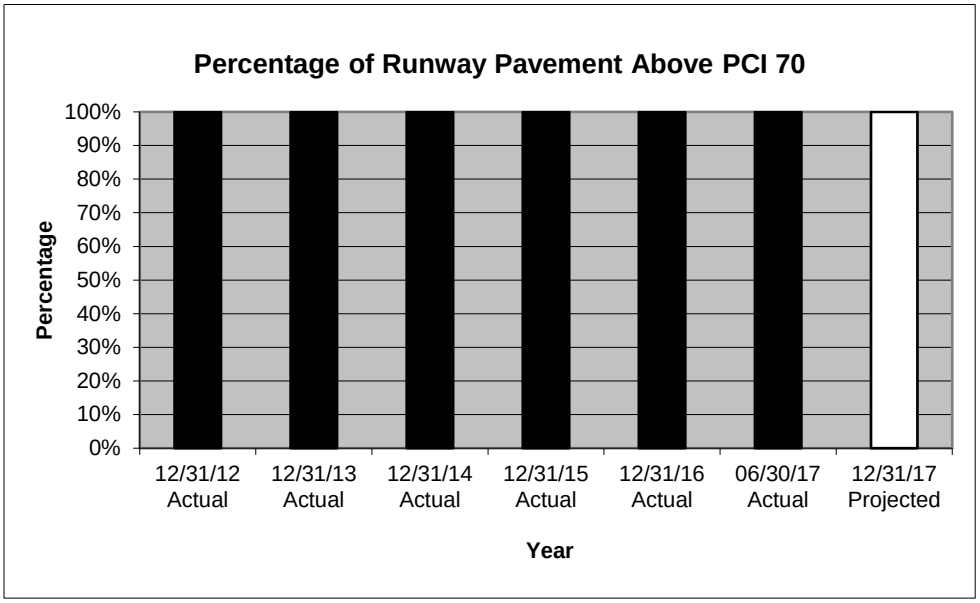
Measure #3: Percentage of lease spaces currently leased

12/31/16 Actual	06/30/17 Actual	12/31/17 Projected
(54/54)	(54/54)	(54/54)
100.00%	100.00%	100.00%



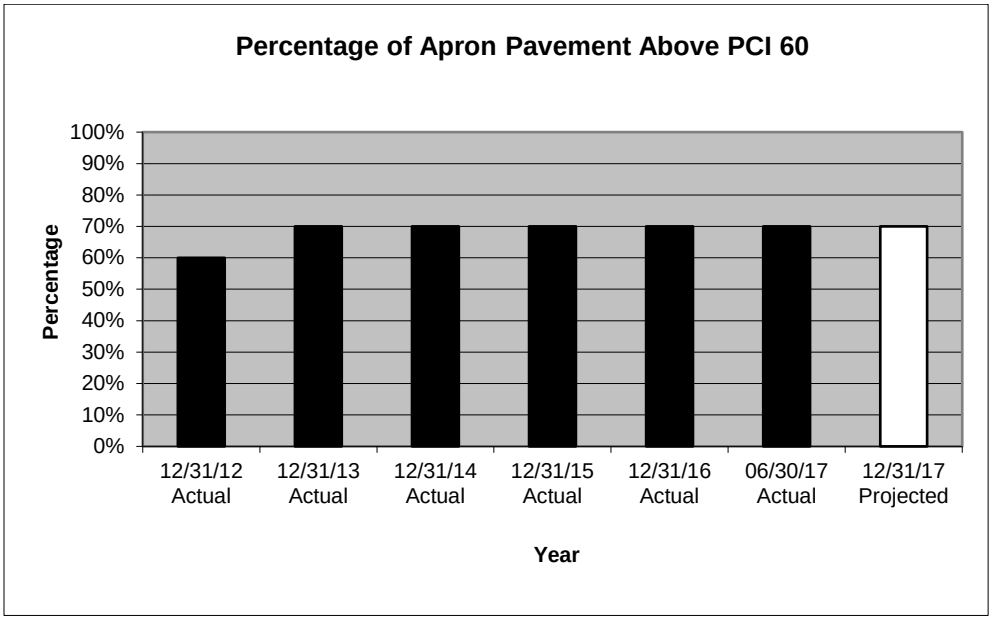
Measure #4: Percent of runway pavement above the minimum PCI value of 70

12/31/16 Actual	06/30/17 Actual	12/31/17 Projected
100%	100%	100%



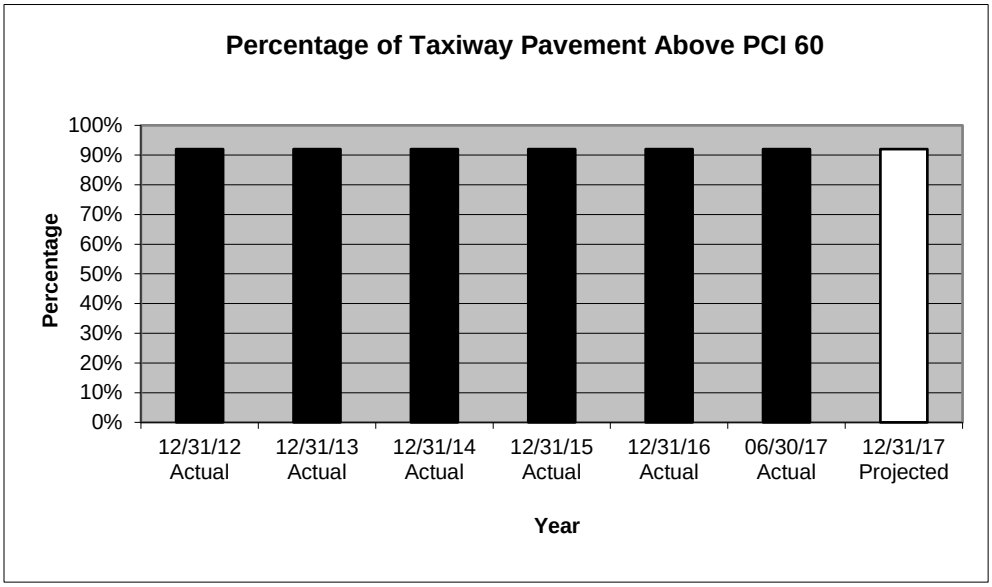
Measure #5: Percent of apron pavement above the minimum PCI value of 60

12/31/16 Actual	06/30/17 Actual	12/31/17 Projected
70%	70%	70%



Measure #6: Percent of taxiway pavement above the minimum PCI value of 60

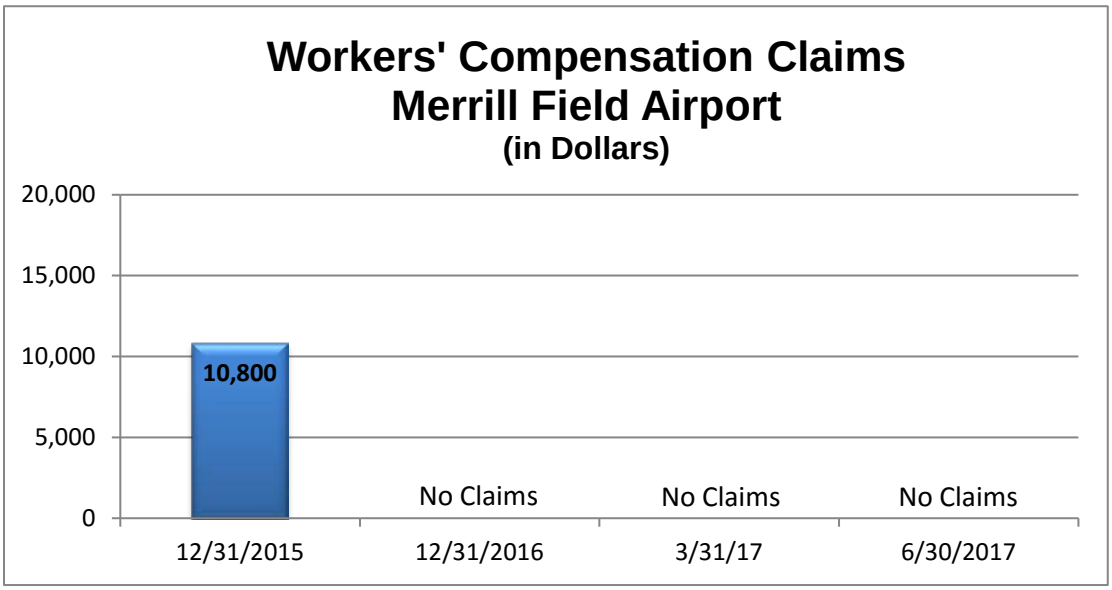
12/31/16 Actual	06/30/17 Actual	12/31/17 Projected
92%	92%	92%



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.



Merrill Field Airport
Highlights and Future Events

Merrill Field (MRI) continues to develop its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities. Over the past 2.5 years, 2015-2016-2017 to date, private development has invested over $17 million in constructing twenty-one new aviation related facilities plus remodeling existing hangars, parts facilities, and renovations, substantially adding to MOA tax revenues. The Administration updated its Merrill Field lease terms in 2016, which included incorporation of Anchorage Consumer Price Index (ACPI) based proactive annual rate adjustments rather than historic multi-year-in-arrear reactive adjustments, and this resulted in benefits to both MRI and the airport leaseholders, makes Merrill Field leases more competitive with State airport leases, and provides leasing stability by tying lease rate adjustment to the Anchorage Consumer Price Index. In concert with these proactive annual rate adjustments rather than historic multi-year-in-arrear reactive adjustments, the proposed rate adjustment for the 2018 budget will increase MRI airfield lease rates by 1/10th of one cent (this followed the first ever reduction - 1/10th of one cent/sf - MRI airfield lease rates in 2017). This predictability in MRI lease rates has spurred economic development on the airfield.

CY2017 projects include Phase 6 Dynamic Compaction of a portion of Taxiway Quebec at $7.5 million, completion of Phase 4 of the Airfield Security Camera, Ramp Lighting and Fiber Optic Cable installation on Orca St and Whiskey areas of the airfield to include Airfield Gate Operator refurbishments/replacements, fiber optic cable and additional camera installations. Installation of runway lights and a lighted windsock on MRI's gravel/ski 05/23 runway will be completed by month-end September 2017. The Airport Master Plan Phase 2, started in 2015, was completed at year-end 2016 and accepted by the MOA in early 2017. Acquisition of a private parcel 12,000sf lot with a '50's vintage house on it in the RWY 16-34 approach/departure corridor, identified in the MRI AMP and purchased with FAA AIP grant under a willing seller-willing buyer basis, was completed in 2017 and will be razed in 2018.

Also in 2017, airfield projects included construction completion of a first-in-Alaska certified aircraft paint hangar facility - large enough to accommodate Dash 8/DC-3/Saab 340 size aircraft or four smaller aircraft concurrently; and is now open for business. Additionally, JayHawk Helicopters completed its 60'x80' hangar and AeroTwin completed its 70'x90' hangar construction. Re-roofing projects were completed in 2016 on MRI owned rental buildings at 1025 and 1209 Orca Street, and 1570 E. 12th Avenue which eliminated chronic maintenance issues. MRI has also used an MRI Economic Impact brochure, completed as part of the ongoing Airport Master Plan, which brochure highlighted the economic and community benefits of the Airport. Statistics that were notable therein were that MRI is responsible for approximately 600 direct, indirect, and induced in-state jobs, and that four air taxi operators are based here, including one that provides non-stop service from MRI to Prudhoe Bay!

CY2018 private sector investments on MRI are anticipated to include a significant hangar expansion by Alaska Airframes of the Reeve Air Motive business/hangar they purchased, and D&D Airpark (AeroTech) is planning multiple hangar construction/re-development of the former Aero Tech Flight Training leasehold on the east side of Runway 16/34, if they can get FAA construction approvals now held up by FAA ATCT Line of Sight obstruction concerns. The former 'Quonset Hut' leasehold (north of Merrill Field Drive, west of Txy G) for a commercial site will be developed by Alaska Air Transit, where they plan construction of a multi-million hangar on that site in 2018. Two additional hangar lease sites are also being promoted for 2018 development.

Merrill Field Airport
External Impacts

Merrill Field Airport (MRI) is classified as a Primary Non-Hub airport that also serves as a general aviation reliever airport to Ted Stevens Anchorage International Airport (ANC). With approximately 130,000 take offs and landings per year, MRI is the major general aviation link between Anchorage and surrounding rural communities. With over 50 aviation businesses and 830+ based aircraft, MRI provides a positive economic impact to Anchorage. Approximately 16% of all flight operations in Alaska are at or out of MRI; MRI also has more Touch & Go operations than any other airport in the nation.

The MRI Economic Impact brochure, completed as part of the ongoing Airport Master Plan, highlighted the economic and community benefits of the Airport, which noted that MRI is responsible for approximately 600 direct, indirect, and induced in-state jobs, and that four air taxi operators are based here, including one that provides non-stop service from MRI to Prudhoe Bay! There are two rotorcraft flights schools and now five fixed wing flight schools on MRI.

MRI is one of the few airports in the nation that has a taxiway link connecting directly to a hospital (Alaska Regional). Medevac aircraft land and taxi directly to the hospital and the patient is literally transferred from the aircraft onto a gurney and wheeled into the hospital emergency room. This service saves valuable minutes in critical situations and it is regularly utilized.

MRI continues to remain debt-free by pursuing federal airport grant funds for all grant-eligible capital improvement projects by working with federal grant managers to secure all available grant funding as it becomes available. These funds are used to develop/continue its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities.

Since its beginning in 1930 when MRI was built on the outskirts of Anchorage, MRI has become encroached by residential and commercial development. As a result, the airfield layout is geometrically constrained without taxiway separation from individual leasehold apron areas, which effectively makes MRI taxiways apron edge taxi-lines. This apron-edge taxi-lane configuration easily enables vehicles to inadvertently trespass onto the adjacent taxiway thereby creating a Vehicle Pedestrian Deviation (VPD).

To address this, in our MRI Runway Safety Program we have implemented operational procedures and provided numerous capital improvements in an effort to curb this trespass problem. Further, reconfiguration of apron-edge taxi-lanes (better delineation and the installation of taxiway lighting) has been proposed to FAA and will be pursued for north side Taxiway Alpha. Through cooperative efforts of Airport leaseholders and implementation of our Driver Training Program, there has been a dramatic decrease in trespass incidents, from the historic number in the hundreds to 19-or-less per year over the past decade. Our ongoing goal is to improve Airport fencing and perimeter/gate security, continue education of and utilize support of the Airport leaseholders and businesses to make VPDs the exception rather than a periodic occurrence.

MRI noise complaints have also dramatically decreased since implementing a “Fly Friendly” program that includes a revised standard protocol for all rotorcraft Touch & Go operations,

emphasizing the use of Runway 34 only when the wind is out of the north or south; landing long (further down the runway); using steeper ascent and descent angles, to the degree practicable; and using Bryant Army Airfield (on JBER) for rotorcraft training, when it is available. A "Quiet Hours" program that allows only one take off and one landing per aircraft at MRI between the hours of 10PM and 7AM (local) is also being implemented to discourage repetitive Touch & Go ops during these hours, which operations have significant noise impacts on neighboring communities. (If an operator wants to conduct Tough & Go's during these times, they can do so elsewhere at other southcentral airports, such as ANC, LHD, Wasilla, Palmer, etc.)

Merrill Field Airport
Workforce Projections

Division	2016	2017	2018	2019	2020	2021	2022	2023
Airport Manager	1	1	1	1	1	1	1	1
Airport Development	1	1	1	1	1	1	1	1
Finance	1	1	1	1	1	1	1	1
Management Services	3	3	2	2	2	2	2	2
Maintenance Technicians	4	4	4	4	4	4	4	4
Total Full Time	**10**	**10**	**9**	**9**	**9**	**9**	**9**	**9**
Part-time/Temporary	2	2	2	2	2	2	2	2
Total Part Time	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Positions	**12**	**12**	**11**	**11**	**11**	**11**	**11**	**11**
Total FTE	**10.50**	**10.50**	**9.50**	**9.50**	**9.50**	**9.50**	**9.50**	**9.50**

Merrill Field will hire up to three temporary seasonal employees for 3 months each summer, depending upon the impact of the previous winter's ops expenses experienced.

Merrill Field Airport
8 Year Summary

($ in thousands)

Financial Overview	2016 Actuals	2017 Proforma	2018 Proposed	2019	2020	2021	2022	2023
				Forecast				
Operating Revenues (1)	2,435	1,749	1,788	1,790	1,792	1,793	1,795	1,797
Operating Expenses (2)	4,337	4,329	4,480	4,484	4,489	4,493	4,498	4,502
Net Operating Income (Loss)	**(1,902)**	**(2,580)**	**(2,692)**	**(2,695)**	**(2,697)**	**(2,700)**	**(2,703)**	**(2,705)**

(1): Revenues are projected to change at the rate of the Consumer Price Index (CPI). Capital grant revenue is not included.

(2): Expenses shown include all depreciation, including depreciation on assets purchased with grant funds.

Budgeted Positions	12	12	11	11	11	11	11	11
Capital Program	9,822	8,932	4,312	6,204	5,208	4,600	6,808	4,600
Bond Sales	-	-	-	-	-	-	-	-
Net Plant (12/31)	68,203	74,430	75,971	78,706	80,121	80,892	83,736	84,343
Utility Revenue Distribution	-	-	-	-	-	-	-	-
Net Assets (12/31)	72,061	78,413	80,033	83,542	86,053	87,953	92,058	93,953
Cash and Cash Equivalents	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Construction Cash Pool	-	-	-	-	-	-	-	-
Bond Redemption Cash	-	-	-	-	-	-	-	-
Total Cash	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IGCs from General Government	360	406	540	551	562	573	584	596
MESA	38	39	45	50	51	52	53	54
Total Debt	-	-	-	-	-	-	-	-
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100
Rate Change Percent (3)	0.0%	-0.5%	0.5%	0.0%	0.0%	0.5%	0.5%	0.5%

(3): Rate increases shown in future years are for purposes of projections only and have not been approved for implementation. The intent is to reflect CPI coverage to maintain established operating budgets. Merrill Field Airport will continue to strive to find ways to avoid projected rate increases.

Lease Rate/Square Foot/Year	$0.208	$0.207	$0.208	$0.208	$0.208	$0.209	$0.210	$0.211
Tail-In Space Per Month	$60	$60	$60	$60	$60	$60	$60	$60
Drive-Through Space Per Month	$70	$70	$70	$70	$70	$70	$70	$70
Statistical/Performance Trends								
Based Aircraft	826	826	826	826	826	826	826	826
Municipal Tiedowns	529	529	529	529	529	529	529	529
Flight Operations/Calendar Year	130,423	130,000	130,000	130,000	130,000	130,000	130,000	130,000
National Airport Ranking by Calendar Year	96th	96th	96th	96th	96th	96th	96th	96th

Merrill Field Airport
Statement of Revenues and Expenses

	2016 Actuals	2017 Proforma	2017 Revised	18 v 17 $ Change	2018 Proposed	18 v 17 % Change
Operating Revenue						
Airport Lease Fees	664,759	687,000	684,000	19,000	703,000	2.8%
Airport Property Rental	488,231	488,000	486,000	42,000	528,000	8.6%
Permanent Parking Fees	277,526	280,000	270,000	8,000	278,000	3.0%
Transient Parking Fees	9,213	9,000	8,000	1,000	9,000	12.5%
Vehicle Parking	49,387	53,000	60,000	(11,000)	49,000	-18.3%
MOA Aviation Fuel Fees	67,581	59,000	68,000	-	68,000	0.0%
SOA Aviation Fuel Fees	18,158	15,000	19,000	(1,000)	18,000	-5.3%
Medevac Taxiway Fees	51,888	52,000	52,000	-	52,000	0.0%
Other Revenue	19,333	9,000	15,000	(5,000)	10,000	-33.3%
Total Operating Revenue	**1,646,076**	**1,652,000**	**1,662,000**	**53,000**	**1,715,000**	**3.2%**
Non Operating Revenue						
Operating Grant Revenue	721,201	-	-	-	-	0.0%
Unrealized Gain/(Loss) on Investments	19,988	15,000	6,000	14,000	20,000	233.3%
Interest Income	40,375	30,000	60,000	(20,000)	40,000	-33.3%
Other Revenue	7,466	52,000	4,000	9,000	13,000	225.0%
Total Non Operating Revenue	**789,030**	**97,000**	**70,000**	**3,000**	**73,000**	**4.3%**
Total Revenue	**2,435,106**	**1,749,000**	**1,732,000**	**56,000**	**1,788,000**	**3.2%**
Operating Expenses						
Labor						
Labor and Benefits	1,264,422	1,219,000	1,257,336	(94,564)	1,162,772	-7.5%
Overtime	4,594	14,000	12,000	-	12,000	0.0%
Total Labor	1,269,016	1,233,000	1,269,336	(94,564)	1,174,772	-7.4%
Non Labor						
Supplies	141,142	107,000	105,000	13,000	118,000	12.4%
Travel	-	-	-	-	-	0.0%
Other Services	222,577	117,000	114,000	41,000	155,000	36.0%
Other Expenses	291,627	272,000	267,000	46,000	313,000	17.2%
Depreciation and Amortization	2,542,398	2,705,000	2,689,000	82,000	2,771,000	3.0%
Transfers (MESA and Gross Receipts)	37,622	38,900	45,278	-	45,278	0.0%
Total Non Labor	**3,235,366**	**3,239,900**	**3,220,278**	**182,000**	**3,402,278**	**5.7%**
Total Direct Cost	**4,504,382**	**4,472,900**	**4,489,614**	**87,436**	**4,577,050**	**1.9%**
Charges to Other Departments	(553,100)	(587,000)	(736,960)	100,000	(636,960)	-13.6%
Charges from Other Departments	360,256	406,247	406,247	133,323	539,570	32.8%
Total Operating Expense	**4,311,538**	**4,292,147**	**4,158,901**	**320,759**	**4,479,660**	**7.7%**
Non Operating Expense						
Master Plan Study	25,467	37,000	-	-	-	0.0%
Total Non Operating Expense	**25,467**	**37,000**	**-**	**-**	**-**	**0.0%**
Total Expenses (Function Cost)	**4,337,005**	**4,329,147**	**4,158,901**	**320,759**	**4,479,660**	**7.7%**
Net Income	**(1,901,899)**	**(2,580,147)**	**(2,426,901)**	**(264,759)**	**(2,691,660)**	**10.9%**
Appropriation:						
Total Expenses			**4,158,901**	**320,759**	**4,479,660**	
Less: Non Cash items						
Depreciation and Amortization			2,689,000	82,000	2,771,000	
Total Non-Cash			2,689,000	82,000	2,771,000	
Amount to be Appropriated (Cash Expenses)			**1,469,901**	**238,759**	**1,708,660**	

Merrill Field
Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions FT	PT	T
2017 Revised Budget	4,158,900	10	2	-
Transfers (to)/from Other Agencies				
- Transfers (MESA)	-	-	-	-
- Charges to others - adjustment of IGC charges to grants	100,000	-	-	-
- Charges from others - adjustment of IGC charges from General Government (GG)	133,323			
Changes in Existing Programs/Funding for 2018				
- Salary and benefits adjustments	27,099	-	-	-
- Depreciation and Amortization	82,000	-	-	-
2018 Continuation Level	**4,501,322**	**10**	**2**	**-**
2018 Proposed Budget Changes				
- Increase supplies and other services	100,000	-	-	-
- Salary savings - reduction of one vacant position	(121,662)	(1)	-	-
2018 Proposed Budget	**4,479,660**	**9**	**2**	**-**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and Amortization	(2,771,000)	-	-	-
2018 Proposed Budget (Appropriation)	**1,708,660**	**9**	**2**	**-**

Merrill Field Airport
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Buildings and Equipment	-	-	500	-	-	-	500
Land Acquisition	512	-	2,704	-	2,208	-	5,424
Land Improvements	1,800	-	1,000	-	1,000	-	3,800
Runways and Taxiways	2,000	-	2,000	-	2,000	-	6,000
Total	**4,312**	**-**	**6,204**	**-**	**5,208**	**-**	**15,724**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Federal Grants	4,080	-	5,854	-	4,920	-	14,854
State Grants	-	-	-	-	-	-	-
Equity/Operations	232	-	350	-	288	-	870
Total	**4,312**	**-**	**6,204**	**-**	**5,208**	**-**	**15,724**

Merrill Field Airport
2018 Capital Improvement Budget
(in thousands)

Project Title	Federal Grants	State Grants	Equity/ Operations	Total
Rehabilitate Taxiway Quebec and Apron, Phase 7	1,900	-	100	2,000
Security Upgrades, Phase 5	950	-	50	1,000
Property Acquisition - Obstacle Removal	480	-	32	512
Install Taxiway Lighting and Signage - RIMP	750	-	50	800
Total	**4,080**	**-**	**232**	**4,312**

Merrill Field Airport
Statement of Cash Sources and Uses

	2016 Actual	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Net Income/(Loss)	(1,904,652)	(2,571,247)	(2,428,000)
Depreciation	2,542,398	2,705,000	2,771,000
Capital Contributions	7,054,638	9,428,199	3,672,000
Proceeds from Disposal of Capital Assets	117,951	-	-
Interest Received	40,375	30,000	40,000
Transfers From Other Funds	1,714,663	-	-
Total Sources of Cash Funds	**9,565,373**	**9,591,952**	**4,055,000**
Uses of Cash Funds			
Additions to Plant/Construction Work in Progress	9,821,591	8,931,978	3,478,737
Transfers To Other Funds	-	659,974	576,263
Total Uses of Cash Funds	**9,821,591**	**9,591,952**	**4,055,000**
Net Increase (Decrease) in Cash Funds	(256,218)	-	-
Cash Balance, January 1	256,418	200	200
Cash Balance, December 31	**200**	**200**	**200**
Detail of Cash and Investment Funds			
Cash and Cash Equivalents	200	200	200
Equity in Construction Cash Pool	-	-	-
Cash Balance, December 31	**200**	**200**	**200**

About Merrill Field Airport

Organization
Five office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel, with two summer temps, provide maintenance for 8 airport buildings and 437 acres of 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 Airport (MRI), established in 1930 and located one mile east of downtown Anchorage, was the first real airport in Alaska and in Anchorage, and served as the primary airport for South Central Alaska until Anchorage International Airport opened in 1954. 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.

Today, MRI is classified as a "Non-Hub Primary Commercial Service Airport" and effectively serves as a general aviation reliever airport to Ted Stevens Anchorage International Airport. MRI is presently restricted to aircraft weighing 12,500 pounds or less.

MRI continues to be an integral part of Alaska's transportation network. Over the past several years aircraft operations have varied between 125,000 and 130,000 and based aircraft varied between 800 and 900; 2016’s based aircraft numbered 826.

Service
Merrill Field serves as the general aviation link between Southcentral Alaskan communities, rural areas, and Anchorage. Intrastate air traffic to and from Anchorage, with many passengers destined for the downtown and midtown areas, is conveniently served by MRI.

Some of the many services provided at MRI 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; a fully accredited University of Alaska Aviation Technology Division campus offering Baccalaureate/Associate degree and A&P License programs in piloting and aviation management; and direct Medevac taxiway connection to Alaska Regional Hospital.

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 and Other Mandates
There are many federally mandated programs which have a direct impact on the Airport's operating costs. The Clean Water Act, Civil Rights 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 affect the Airport. Approximately 40%

of the MRI airfield land mass is atop the former Anchorage Municipal landfill, which was closed in 1987. As a result of this residual underlying trash mass, significant environmental challenges and additional development costs exist for airfield development and construction.

Physical Plant

Primary Commercial Service Airport

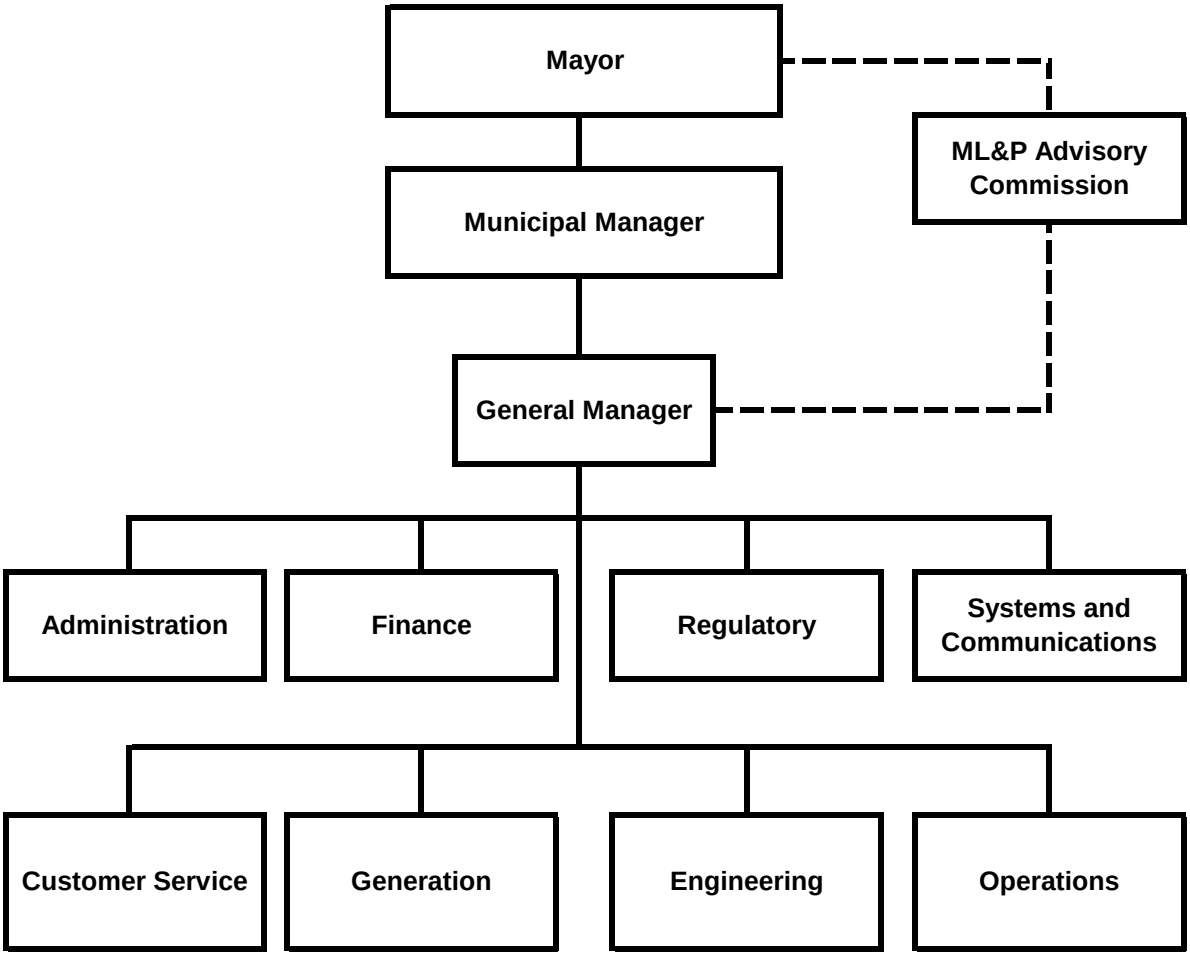
- Hub for intra-Alaska air travel
- Located one mile from downtown Anchorage
- General Aviation reliever for Ted Stevens Anchorage International Airport
- Restricted to aircraft weighing 12,500 pounds or less
- 437 acre land area; elevation 137 feet; fee simple title
- 1,193 tiedown spaces; leaseholders manage 664; Municipality manages 529, including 53 for transient aircraft
- Runway 7/25 length/width is 4,000' x 100'; Runway 16/34 is 2,640' x 75'; Gravel/Ski Runway 5/23 is 2,000' x 60'
- Six taxiways; 102 acres of tiedown aprons
- Air Traffic Control Tower owned, operated, and staffed by FAA

Merrill Field Airport Statistics for 2016

- 96th Busiest Airport in the Nation
- 130,423 flight operations at MRI, 15.93% of the 818,707 total flight ops in Alaska
- 826 registered aircraft based at MRI, 8.79% of the 9,401 total in Alaska
- 7,933 certificated pilots in Alaska; UNK at MRI
- 54 leaseholders lease 3,379,984 square feet of airport property with tenant improvments assessed at $28,694,197
- 25 rental properties
- Approximately 49 aviation related businesses operate on the airport
- 451 transient aircraft stayed a total of 2,115 days in 2016
- Approximately 851,564 gallons of fuel were sold in 2016
- Five fixed wing and two rotorcraft flight schools at MRI

Airport Plant (net of accumulated depreciation) at December 31, 2016 was $68,203,459

Municipal Light & Power



Municipal Light & Power
Organizational Overview

General Manager's Office

The General Manager is responsible for the overall management of Municipal Light & Power (ML&P). ML&P is functionally structured into eight operating divisions: Administration, Generation and Power Management, Engineering, Operations, Finance, Customer Service, Regulatory Affairs, and Systems and Communications. Each division manager reports directly to the General Manager. The General Manager and Division Managers are responsible for coordinating both the strategic planning efforts and the efficient application of resources necessary to achieve ML&P's mission.

Administration Division

The Administration Division provides support to the General Manager. Functions carried out by the Administration Division include: human resources, labor relations, safety, security, public relations, environmental, telephone switchboard/receptionist duties, and courier/mailroom operations.

Generation and Power Management Division

The Generation and Power Management Division is responsible for the production and dispatch of all thermal electricity at ML&P and the dispatch of the Eklutna Hydroelectric plant.

This includes operation, maintenance, engineering, and installation of equipment used in conjunction with the two Municipally-owned electric power plants. The division also provides full spectrum maintenance and support for the Eklutna Hydroelectric Power Plant (ML&P owns 53%), the Southcentral Power Plant (SPP) (ML&P owns 30%).

The **Generation Plant Operators** operate the turbines as required by the dispatch center. The operator's primary function is to monitor and respond to equipment alarms and trips. This is done on a 24-hour basis. The operators coordinate lock-out/tag-out safety procedures in the plant when equipment is taken out of service for maintenance.

The **Heavy Mechanical** crew performs overhauls and major maintenance of power production equipment. This experienced crew is trained to disassemble large industrial turbines, evaluate their condition and make necessary repairs.

The **Electric/Electronic** section provides maintenance and installation of all instrumentation, which includes generation control and protective systems, supervisory control and data acquisition systems (SCADA), general plant electrical systems, and other related plant and construction work.

The **Eklutna** hydroelectric plant is managed by a ML&P Superintendent but operated by a CEA Operator. Plant electrical production and costs are shared between ML&P, CEA, and Matanuska Electric Association (MEA) based on a predetermined percentage of ownership.

The **Generation Warehouse** section maintains an inventory of critical spare parts for the generation division. There is also an economic advantage to purchasing parts that have a long lead time; a 25% savings on parts (which can cost several million dollars) can be realized by doing this.

The **Power Management** section performs studies and analyses to determine the optimal operation of ML&P's Generation and Hydroelectric resources and conducts a variety of power pooling and marketing studies to identify power sales opportunities between ML&P and other Railbelt utilities. The three major functions of the Power Management section are as follows:

Power Dispatch is responsible for the safe and efficient control and dispatch of ML&P's interconnected electrical system, including the Eklutna Hydroelectric Project and the southern portion of the Alaskan Intertie. This section responds to emergencies or unscheduled outages on the Interconnected System, ML&P Transmission System, and/or ML&P Power Plants and directs outage restoration procedures.

Distribution Dispatch operates the ML&P distribution system in a safe and reliable manner, responds to distribution system emergencies and unscheduled outages, directs restoration procedures to restore service as soon as practicable, and directs switching and tagging of scheduled maintenance, new services, and system improvements.

The **Gas Controller** works closely with Power Dispatch to establish daily gas requirements and nominates those requirements to gas field operators and pipeline transmission/distribution operators using day-ahead nomination procedures. The Gas Controller monitors daily natural gas usage to develop trends, forecasting models, and reports.

Engineering Division

The Engineering Division is responsible for the planning, budgeting, design, coordination, and construction of transmission and distribution facilities that are required to provide consumers with safe and reliable electrical power.

The **Engineering Support** section is responsible for ML&P's Geographic Information System (GIS), rights-of-way acquisition of easements/permits/lands and record keeping, land surveying and project staking, underground locates, support, administration, and Autodesk utility design (AUD) encompassing ML&P's electronic engineering design workflow. The section is also responsible for the continuing property/facility records, computer aided drafting (CAD), mapping, and the professional services contract administration as related to these responsibilities.

This section is also responsible to provide and develop tools to maintain the GIS, streamline engineering business processes using workflows and technology to increase efficiency, and maintain the integrity and accuracy of ML&P's design and asset data.

The **Station Design, System Protection and System Planning** section prepares complete substation and switchyard design packages, implements all the distribution and transmission system protection, conducts transmission and distribution load flow studies, performs distribution system fault and failure analyses, purchases substation equipment, and is responsible for the annual transformer distribution order, prepares specifications and contract documents, and procures construction contracts.

Additionally conducts distribution system normal studies and transmission system load flow studies, prepares substation construction standards and provides technical support to other sections and divisions for system upgrades; performs distribution system fault analyses, protective devices coordination and coordinates with other intertie utilities for transmission protection and transmission line improvements.

The **Transmission/Distribution Line Design and Customer Engineering** sections are responsible for the design of major system improvements, relocations, undergrounding, and line extensions of the transmission and distribution systems. These sections also provides engineering services to new customers, including new service line extension design, minor customer service, and non-ML&P construction project reviews. They perform NESC safety compliance assessments, update material specifications, prepare new and update construction standards and construction methods, develop standards and maintenance methods, evaluate material bids, prepare and administer the "unit price" construction contract and other project construction contracts, and do other special projects. They coordinate with other Municipal departments, governmental agencies, community organizations and other utilities.

Operations Division

The Operations Division oversees the construction, maintenance, and operation of the transmission and distribution systems, administration of contracts and contractors, facility maintenance, fleet and equipment maintenance, and warehousing of required material.

The **Line** section is responsible for the construction and maintenance of the transmission and distribution systems. This section also provides cut-in/cut-out assistance for the Customer Service Division and switching services as directed by the Generation and Power Management Division.

The **Technical Services** section provides services associated with electrical metering and substation maintenance including installation, calibration and testing of circuit breakers, relays, meters, transformers, and SCADA equipment.

The **Fleet Services** section provides pre-purchase technical specifications, preventive and nonscheduled maintenance of all utility rolling stock, miscellaneous equipment, and hot line tools.

The **Electrical Services** section provides testing, repairs and tracking of transformers, facility maintenance and associated contract administration, as well as management of ML&P's PCB/Hazardous materials testing and disposal program.

The **Warehouse** section is responsible for receipt, storage and issuance of construction and maintenance material for Engineering and Operations. They also provide support to other divisions in processing purchase requisitions, including change orders and receiving goods.

The **Radio Shop** section is responsible to support process control and internal communications for all ML&P divisions. They work closely with MOA general government communications shop to provide adequate and interoperable two-way radio communications for ML&P and fulfill service contracts in support of wireless communications for Municipal Enterprise Activities (AWWU, SWS, and Port of Anchorage).

Finance Division

The Finance Division provides financial management, financial reporting, budgeting and analysis to the Municipal Administration, Assembly, ML&P's Advisory Commission and staff. The Finance Division is responsible for long-range resource planning, forecasts, financial support for ML&P's interest in the Beluga River Unit (BRU) gas field, and pursuit of initiatives necessary to support the utility's financial health and competitive position.

The **Accounting** section is responsible for general and plant accounting, and financial reporting according to regulatory requirements and Generally Accepted Accounting Principles (GAAP). The Accounting section is also responsible for meeting accounting and tax compliance requirement for ML&P's gas field operations.

The **Budgeting** section is responsible for financial forecasting, financial modeling, bond sale support, yearly operating and Capital Improvement Plan budget submissions, developing budgeting standards, ensuring budget compliance, and providing other situational fiscal analysis as required.

The **Payroll** section is responsible for collection and submission of employee time sheets for accurate payroll processing and preparation of monthly health, welfare, pension and benefits reporting in compliance with collective bargaining agreements.

Customer Service Division

The Customer Service Division provides a full line of customer services for ML&P's electric customers.

The **Customer Service** section is responsible for any customer contact necessary to establish, maintain, and terminate electrical service and landlord contracts. This section explains rates and tariff applications as required, responds to residential and commercial service requests and bill inquiries, and processes cash receipts, while maintaining security of customer records. Customer Service is the focus for customer contact in the utility.

The **Credit and Collections** section is a primary function of the division as it is responsible for negotiating payment schedules in accordance with ML&P's tariff, Alaska Statutes, and accepted Fair Credit Act practices, as well as providing anti-identity theft measures demanded by Federal statutes and practices. This section is also responsible for maintaining a low percentage of write-offs, coordinating all customer refunds and reviews, as well as preparation of accounts for legal referral.

Billing, another key section of the division, receives the read data collected by the meter readers and processes, records, and renders billing statements to clearly inform the customer of their energy consumption.

The **Meter Reading** section is responsible for accurate and timely scheduled monthly meter reads, timely reads on customer connects and disconnects, and delinquent door hanger notices. This section also investigates customer energy usage patterns, high bill complaints, customer equipment access issues and power theft incidents.

Regulatory Affairs Division

The Regulatory Affairs Division is responsible for participation in all regulatory proceedings affecting ML&P's ability to perform its mission, maintenance of ML&P's tariff, special contracts, COPA filings, rate studies and oversight of ML&P's 56.67% interest in the Beluga River Unit (BRU). The BRU, a gas field located in the Kenai Peninsula Borough, produces gas used in ML&P turbines resulting in cost saving for ML&P customers.

Systems and Communication Division

The Systems and Communication Division provides internal communications, business systems installation and process control support for all ML&P Divisions and the General Manager. In addition, this division provides recommendations for communication system upgrades, improvements and replacements ensuring equipment compatibility and cost efficiency.

The **Programming Section** is responsible to ensure business practices and methodologies are applied through easy to use electronic products, applications, software, and/or hardware products for all employees of ML&P from their first day of employment forward. This applies to commercial off-the-shelf products, applications created in-house, and MOA applications.

The **Network Services Section** is responsible for 24/7 Business LAN connectivity and support, server support, and telephone/voicemail services to all of ML&P. Network Services is also responsible to provide an efficient and reliable means for ML&P employees to communicate both internally and externally to ML&P customers, vendors, and other outside agencies.

The **Energy Management System (EMS) Section** provides configuration, maintenance and technical support for the ML&P SCADA/EMS system infrastructure and user computer consoles used to manage and control power generation, transmission and distribution systems.

The **IT Support Section** supports and administrates the desktop PCs for all ML&P divisions. They provide help desk support for ML&P computer users, provide disaster recovery planning and implementation to assure the availability of critical data, provide security and software update service for all desktop PCs.

The **Document Control and Records Management Section** is responsible for establishing and maintaining utility wide document management and retrieval technologies.

Municipal Light & Power
Business Plan

Mission
Provide energy at competitive rates that is safe and reliable.

Services
Municipal Light and Power's (ML&P) service area is roughly 20-square-miles. ML&P has approximately 31,000 residential and commercial customers. The utility provides service to the Municipal's economic drivers including: commercial, industrial (Ship Creek area and the Port of Anchorage), Universities, Major Medical Campuses, the Downtown and Midtown business districts. ML&P also serves Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities. The utility has a 56.67 percent working interest in the Beluga River Unit gas field, making it one of the only vertically integrated utilities on the West Coast. ML&P is subject to economic regulation by the Regulatory Commission of Alaska.

Business Goals
- Provide electricity on demand to ML&P customers 24 hours a day, 365 days a year
- Meet the needs and expectations of our customers by providing:
  - Competitive rates and reliable service for all customer classes
  - Prompt, reliable and courteous customer assistance
  - Support and assistance to the military bases
  - Support and assistance to wholesale power customers
- Maintain equity and earn net income at a level sufficient to continue to pay annual dividends to the Municipality of Anchorage
- Operate the electrical system with optimum economic efficiency and strict adherence to environmental standards
- Provide for the safety of both the public and our employees in the operation of the electrical system
- Recruit and retain a highly skilled, diverse workforce dedicated to serving the Anchorage community
- Improve system reliability by incorporating new equipment and technology.
- Provide educational programs to school children and the community on electrical safety. Communicate factual information to customers and the public at large on issues affecting ML&P and the utility industry
- Foster teamwork and an integrated approach to decision-making within the utility

Strategies to Achieve Goals
- Attain the financial objectives established in the Equity Management Plan
- Replace old generation with more efficient, state-of-the-art fuel efficient generation
- Implement industry best practices and streamline business processes to ensure the financial and operational integrity of the utility
- Cooperate with other Railbelt utilities to implement Economic Dispatch of generating resources
- Implement operational and financial procedures to maintain the highest bond rating
- Implement predictive maintenance program to reduce or eliminate outages and interruptions

Performance Measures to Track Progress in Achieving Goals

1. Maintain competitive residential and commercial rates as measured in revenue per kilowatt-hour (kWh) sold
2. Maintain Total Recordable Incident Rates (TRIR) below industry average
3. Maintain Days Away Restricted Transferred (DART) rate below industry standard
4. Achieve 80% of bills that go out within 1day of meter read date
5. At a minimum, maintain an A bond rating
6. Maintain Customer Average Interruption Duration Index (CAIDI) below industry average
7. Maintain System Average Interruption Duration Index (SAIDI) below industry average
8. Maintain System Average Interruption Frequency Index (SAIFI) below industry average
9. Manage workers' compensation claims

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Provide service with competitive, safe, reliable energy.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

Direct services provided by divisions

- See: Customer Service, Finance, Regulatory and Systems & Communications
- See: Energy Production
- See: Engineering & Operations

Accomplishment Goals

- Affordable and competitive rates
- Safe work environment
- Safe service
- Reliable service

Performance Measures

Progress in achieving goals will be measured by:

Measure #1: Maintain competitive residential service rates as measured in cents per kilowatt hour

	2013	2014	2015	2016	2Q-2017
Municipal Light & Power	12.92	15.69	16.55	16.93	23.35
Chugach Elec. Assoc.	14.30	15.94	17.47	17.95	18.87
Matanuska Elec. Assoc.	15.29	16.90	19.88	19.68	19.88
Homer Elec. Assoc.	19.84	23.26	24.84	23.89	24.47
Golden Valley Electric Assoc.	22.54	22.60	21.77	21.76	24.89

Note: Customer charge is $6.56/month and energy usage is 750 kWh/month. Energy Charge effective 2/15/17 is 14.738 cents/kWh. The Cost of Power Adjustment (COPA) effective 4/1/17 is 7.666 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0675 cents/kWh.

Measure #2: Maintain Total Recordable Incident Rates (TRIR) below industry average

2013	2014	2015	2016	2Q-2017
3.29	1.41	6.32	3.94	5.18

Measure #3: Maintain Days Away Restricted Transferred (DART) rate below industry standard

2013	2014	2015	2016	2Q-2017
1.41	.47	2.26	3.07	4.32

Note:
Industry Average TRIR 2012 - 2015 6.8, 4.5, 2.4 and 6.2 respectively.
Industry Average DART 2012 – 2015 3.3, 3.8, 1.3 and 3.6 respectively

Customer Service, Administration, Systems & Communications
Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Ensure Municipal Light and Power's (ML&P) business process requirements are efficiently and effectively conducted, while also meeting ML&P's stewardship obligations to the citizens of Anchorage.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

- Financial services that maintain and protect the financial integrity of the utility
- Service all residential and commercial customer account needs
- Support utility wide communications and technical/business application needs of the utility

Accomplishment Goals

- Accurate and timely reporting of financial data
- Maintain sound key financial ratios
- Maintain optional business systems uptime
- Accurate and timely meter reading and customer billing

Performance Measures

Progress in achieving goals will be measured by:

Measure #4: Achieve 80% percent of bills that go out within 1 day of meter read date

2013	2014	2015	2016	2Q-2017
84%	84%	83%	86%	84.5%

Measure #5: Maintain positive Income Before Dividend

2013	2014	2015	2016	2Q-2017
$5,820,381	$13,450,177	$9,608,914	$11,806,466	$9,516,027

Note: Cumulative Income Before Dividend

Measure #6: At a minimum, maintain an A bond rating

Standard & Poor's Rating Services				
2013	2014	2015	2016	2017
A+	A+	A+	A+	A+

Fitch Ratings				
2013	2014	2015	2016	2017
A+	A+	A+	A+	A+

Note: Rates the level of risk involved in investing in ML&P bonds; "A+" indicates the least amount of risk and is in the highest rating category.

Engineering & Operations
Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Design, construct, operate and maintain generation, transmission and distribution facilities to serve anticipated electric power needs within ML&P's service area at the lowest reasonable cost.

Core Services

- Energy generation
- Energy distribution
- Customer service

Direct Services

- Design reliable and cost effective electrical systems
- Construct reliable and cost effective electrical systems in accordance with design standards
- Provide electrical system maintenance that insures continuity of a vital utility
- Maintain the Continuing Property Records (CPR) system to record equipment type and location

Accomplishment Goals

- Maintain voltages under normal conditions within plus or minus 5 percent (%) of nominal voltage
- Adhere to safety and construction standards
- Proactive preventative maintenance service
- Maintain an outage reporting database system in accordance with industry standards
- Restore power outage conditions in an expeditious and economical manner

Performance Measures

Progress in achieving goals will be measured by:

Measure #7: Maintain Customer Average Interruption Duration Index (CAIDI) below industry average

2013	2014	2015	2016	2Q-2017
1.35	1.98	1.502	.603	.374

Note: Data compiled from 2015 data collected by EIA indicates an average CAIDI of 2.31 hours.

Measure #8: Maintain System Average Interruption Duration Index (SAIDI) below industry average

2013	2014	2015	2016	2Q-2017
1.28	1.377	1.563	.605	.139

Note: Data compiled from 2015 data collected by EIA indicates an average SAIDI of 3.0 hours.

Measure #9: Maintain System Average Interruption Frequency Index (SAIFI) below industry average

2013	2014	2015	2016	2Q-2017
.953	.695	1.04	1.004	.371

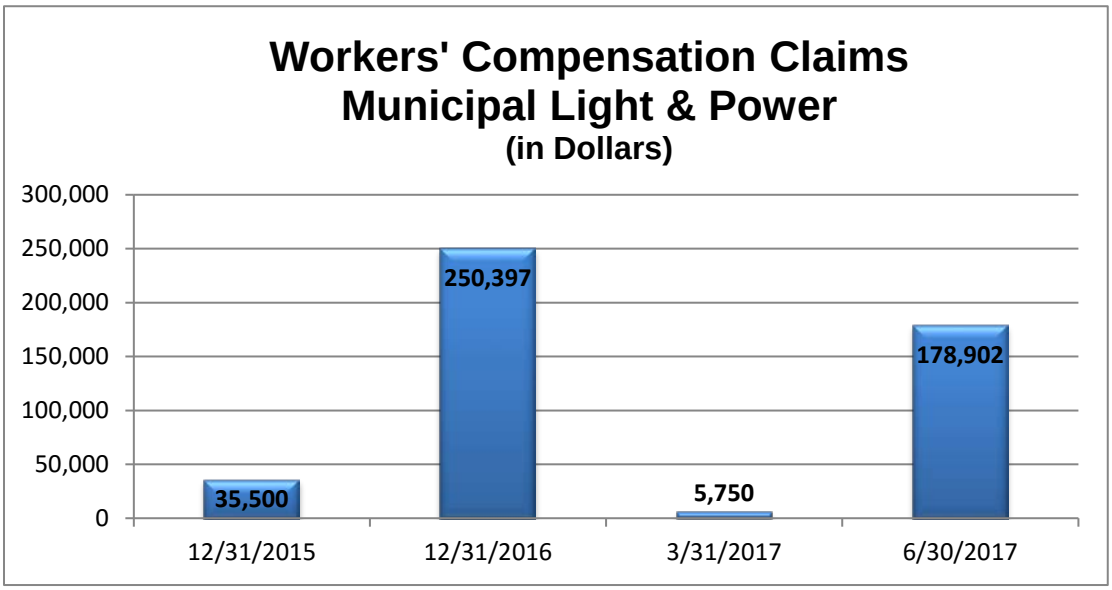
Note: Data compiled from 2015 data collected by EIA indicates an average SAIFI of 1.17 interruptions per customer.

EIA is the U.S. Energy Information Administration

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.



Municipal Light & Power
Highlights and Future Events

New Generation
ML&P began a life cycle generation asset replacement in 2013 with the commissioning of SPP and continued it with Plant 2A commissioning in 2016. These replacements required ML&P to make significant capital investments. ML&P invested approximately $306 million with Plant 2A to replace aging generation infrastructure. The new generation units are much more efficient, allowing ML&P to deliver more energy for the same amount of fuel. The new plant produces over 90% less NOX and CO emissions. At peak construction there have been approximately 250 workers on site. The Plant will use low value "waste" heat to heat AWWU's city drinking water (15 degrees average). Plant 2A was placed in-service on November 7, 2016.

Acquisition of ConocoPhillips Alaska Incorporated's (CPAI) interest in the Beluga River Unit (BRU) gas field
In Order U-16-012(14), dated April 22, 2016, the RCA affirmed a bench ruling the day earlier granting a joint petition filed by the Utility and Chugach Electric Association (CEA) requesting approval of a purchase and sale agreement for the acquisition of CPAI's one-third interest in the BRU. Hearing was held on an expedited basis April 18 through 20, 2016. The total purchase price is $152 million, with the Utility acquiring 70% of that interest for $106.4 million and CEA the remaining 30% for $45.6 million. The Utility funded its share of the acquisition with DRLGS and Future Natural Gas Purchases Account funds, cumulative underlift proceeds owed to it by CPAI, and unrestricted gas fund cash. This purchase gives the Utility a total 56.67% interest in the BRU, and it will seek Commission approval of accounting and ratemaking treatment for this interest.

ML&P filed TA350-121 on July 1, 2016, to change its gas fund revenue requirement through inclusion of depletion expense on new non-contributed, equity funded plant in the Gas Transfer Price (GTP). ML&P also proposed the use of a rate base/rate of return methodology after the retirement of BRU's current debt in 2018. The RCA suspended the TA into Docket U-16-060. The RCA approved on an interim and refundable basis a GTP on June 17, 2016 pending a final decision in U-16-060. The RCA then consolidated dockets U-16-060 and U-16-073. A final order will be issued no later than September 24, 2017.

Rate Relief
On December 30, 2016, ML&P filed TA357-121 requesting approval for an increase to current base rates on both an interim and a permanent basis. The filing was based on a December 31, 2015 test year. ML&P also proposed a rate stabilization plan (RSP) that would defer to later years the recovery of a portion of $12.9 million of ML&P's capital investment in Plant 2A. The RCA suspended TA357-121 into Docket U-17-008. ML&P requested a rate increase of 29.49% to current demand and energy charges if a RSP is approved. Alternatively, if the RSP is not approved, MLL&P requested a rate increase of 42.92%. The RCA approved an interim and refundable rate of 37.5%. The RCA also consolidated Docket U-16-094 (ML&P's depreciation filing) into Docket U-17-008.

In Order U-17-008(5) the RCA approved the intervention of Providence Health & Services, the Federal Executive Agencies, JL Properties, Enstar Natural Gas Company, and Alaska Native Tribal Health Consortium. The hearing is scheduled to begin on November 17, 2017 and continue through December 22, 2017. A final order will be issued no later than March 25, 2018.

Municipal Light & Power
External Impacts

On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was $152 million. The utility now owns 56.67 percent of the field.

The transfer price of gas from the Gas Division to the Electric Division is comprised of costs necessary to produce gas. The transfer price, including the ARO surcharge is budgeted to increase from $3.47/MCF in 2017 to $4.47/MCF in 2018. Beginning in the summer of 2012 ML&P also incurs additional costs due to fees paid to Cook Inlet Natural Gas Storage Alaska, Inc. for seasonal gas storage.

ML&P filed a request for rate relief with the Regulatory Commission of Alaska (RCA) in the fourth quarter 2016 (Docket U-17-008). The requests included rate increases using two different methodologies, traditional ratemaking and a rate stabilization plan (RSP). ML&P's request using traditional ratemaking would increase rates by 43.77%, under the RSP the rate increase would initially be 29.49%. The RCA suspended ML&P's request with a hearing scheduled for fourth quarter 2017. A decision is required by March 25, 2018.

Revenue reductions in 2019 thru 2021 that are caused by the maturity of the Beluga River Unit (BRU) bond debt in 2018. ML&P requested a change to the ratemaking methodology for the BRU in Docket U-16-060/U-16-073. The hearing took place the week of July 24, 2017. A decision on the ratemaking and accounting should be issued by the RCA in the next 90 days.

Municipal Light & Power
Workforce Projections

Division	2016*	2017	2018	2019	2020	2021	2022	2023
Administration	13***	12	13	13	13	13	13	13
Customer Service	25	25	25	25	25	25	25	25
Engineering	31	31	32	32	32	32	32	32
Finance	21	21	20	20	20	20	20	20
Generation	62	66	64	64	64	64	64	64
Operations	61	62	65	65	65	65	65	65
Power Management	15	16	12	12	12	12	12	12
Regulatory *	5	5	7	7	7	7	7	7
Systems & Communications	22	24	25	25	25	25	25	25
Total Full Time	**255**	**262**	**263**	**263**	**263**	**263**	**263**	**263**
Part-Time/Temporary	22**	19	20	20	20	20	20	20
Total Positions	**277**	**281**	**283**	**283**	**283**	**283**	**283**	**283**
Total FTE	**266.5**	**272**	**273**	**273**	**273**	**273**	**273**	**273**

* In March 2016 MOA administration approved an ML&P organizational change to form Regulatory Affairs Division with five Finance FTEs.

** 2017 Power Management moved from Generation to Operations.

*** Per AO 2015-107 (S), Assemblymember Flynn amendment, PCN 6211 reduced to 0.5 FTE (PT).

Municipal Light & Power
8 Year Summary
($ in thousands)

Financial Overview	2016 ** Actuals*	2017 Proforma *	2018 Proposed *	2019	2020	2021	2022	2023
				Forecast*				
Revenues	170,418	210,596	208,538	219,054	211,911	190,826	182,295	188,495
Expenses	162,023	194,119	188,847	201,225	182,298	180,301	179,676	181,302
Net Income (Loss) - Regulatory	**8,395**	**16,477**	**19,691**	**17,829**	**29,613**	**10,525**	**2,619**	**7,193**
Budgeted Positions	277	281	283	283	283	283	283	283
Capital Improvement Program	39,759	38,263	57,105	44,215	38,698	37,018	45,590	36,300
Bond Sales/ Commercial Paper	66,700	192,000	-	-	25,000	-	-	-
Net Non-Contributed Plant (12/31) (REG)	718,916	716,758	728,570	727,231	730,716	732,148	741,528	741,155
Net Contributed Plant (12/31)	177,321	169,749	176,886	187,093	185,904	182,099	178,644	175,496
Net Plant (12/31) (GAAP)	896,237	886,507	905,455	914,324	916,619	914,247	920,172	916,651
Retained Earnings (12/31)	254,566	270,826	290,926	309,272	339,555	350,490	353,682	361,710
General and Restricted Cash	79,968	88,760	76,812	84,861	125,901	128,004	116,792	117,726
Bond Construction Cash	2,526	-	-	-	-	-	-	-
Bond Redemption Investment	23,144	38,167	38,173	31,830	34,237	34,229	34,231	34,224
Debt Service Account	2,098	2,291	2,847	2,875	2,876	2,876	2,876	2,876
Operating Fund Investment & Customer Deposits	14,371	16,971	17,171	16,471	13,471	13,571	13,671	13,671
Total Cash & Investments (12/31)	**122,106**	**146,189**	**135,003**	**136,036**	**176,485**	**178,680**	**167,570**	**168,497**
IGCs - General Government	2,466	3,882	4,718	4,718	4,718	4,718	4,718	4,718
MUSA	5,984	9,332	9,410	9,617	9,653	9,612	9,552	9,600
Total Outstanding Debt	330,890	515,370	507,505	499,775	515,541	505,915	495,878	485,336
Total Annual Debt Service	23,027	23,540	32,327	31,831	34,238	34,237	34,229	34,231
Debt Service Coverage	2.19	2.94	2.31	2.30	2.53	1.97	1.75	1.89
LT Debt/Equity Ratio	67/33	66/34	64/36	62/38	60/40	59/41	58/42	57/43
Rate Change Percent	0.00%	32.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Statistical/Performance Trends:								
Residential Customer (500 kWh)	$87.05	$102.47	$113.17	$114.57	$105.81	$100.20	$98.05	$99.69
Total Residential Sales (kWh)	127,732	130,346	125,647	125,642	125,628	125,618	125,607	125,597
Commercial & Industrial Sales (kWh)	712,232	701,099	692,871	693,389	693,915	694,433	694,951	695,493
Total Residential, Commercial and Industrial kWh Sales	839,963	831,445	818,518	819,030	819,542	820,051	820,558	821,090
Total Retail Sales Revenue	$150,938	$164,943	$182,025	$184,822	167,600	$156,579	$152,381	$155,648

NOTE: Rate increases are shown in the out years for purposes of projections only and have not been approved for implementation. It is intended that they be reviewed closely each year in conjunction with establishing operating budgets. Utilities will continue to strive to find ways to avoid projected rate increases.

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

**Prior to 2017, ML&P's budget was presented as consolidated, net of inter-fund revenues and expenses. Due to the implementation of SAP, total revenues and expenses are presented at gross amounts in 2017 and forward.

Municipal Light & Power

Statement of Revenues and Expenses - Electric

	2016 Actuals *	2017 Proforma *	2017 Revised *	18 v 17 $ Change	2018 Proposed *	18 v 17 % Change
Operating Revenue						
Residential	22,260,329	26,712,000	28,478,000	(39,000)	28,439,000	-0.1%
Commercial	106,258,841	119,244,000	132,613,000	(572,000)	132,041,000	-0.4%
Military	15,437,345	16,892,000	18,892,000	423,000	19,315,000	2.2%
Sales for Resale	15,343,153	22,500,000	-	-	-	n/a
Other	7,852,729	2,832,000	10,006,000	(29,000)	9,977,000	-0.3%
Total Operating Revenue	**167,152,397**	**188,180,000**	**189,989,000**	**(217,000)**	**189,772,000**	**-0.1%**
Non Operating Revenue						
Interest Income	50,290	818,000	861,000	1,000	862,000	0.1%
Other	2,444,873	2,421,000	2,421,000	-	2,421,000	0.0%
Total Non Operating Revenue	2,495,163	**3,239,000**	3,282,000	1,000	**3,283,000**	0.0%
Total Revenue	**169,647,560**	**191,419,000**	**193,271,000**	**(216,000)**	**193,055,000**	**-0.1%**
Operating Expense						
Labor:						
Labor and Benefits	28,242,164	31,908,000	31,936,000	1,226,000	33,162,000	3.8%
Overtime	2,318,313	2,221,000	2,221,000	(47,000)	2,174,000	-2.1%
Total Labor	30,560,477	34,129,000	34,157,000	1,179,000	35,336,000	3.5%
Non Labor:						
Material & Supplies	10,852,600	12,054,000	11,671,000	2,877,999	14,548,999	24.7%
Travel	75,262	150,000	150,000	-	150,000	0.0%
Natural Gas Purchases & Transportation	68,683,139	59,160,000	60,985,000	(7,647,000)	53,338,000	-12.5%
Gas Production Expense	-	-	-	-	-	n/a
Southcentral Power Project	3,430,722	4,325,000	4,325,000	(725,000)	3,600,000	-16.8%
Purchased Power & Wheeling	5,361,433	6,125,000	6,098,000	(98,000)	6,000,000	-1.6%
Regulatory Debit/Credit	-	-	-	-	-	n/a
Depreciation, Depletion & Amortization	22,065,278	29,693,000	30,106,000	(315,000)	29,791,000	-1.0%
Transfers (MUSA)	5,983,574	9,332,000	9,338,552	71,448	9,410,000	0.8%
Transfers to Gen Gov't-SAP	8,456	-	-	-	-	n/a
Total Non Labor	116,460,464	120,839,000	122,673,552	(5,835,553)	116,837,999	-4.8%
Total Direct Costs	**147,020,941**	**154,968,000**	**156,830,552**	**(4,656,553)**	**152,173,999**	-3.0%
Charges from Other Departments	2,414,781	3,802,000	3,880,433	755,672	4,636,105	19.5%
Total Operating Expense	**149,435,722**	**158,770,000**	**160,710,985**	**(3,900,881)**	**156,810,104**	**-2.4%**
Non Operating Expense						
Interest on Bonded Debt	17,175,719	17,905,000	24,305,000	2,321,000	26,626,000	9.5%
Other Interest Expense	1,985,257	2,771,000	1,296,000	(633,000)	663,000	-48.8%
Allowance for Funds Used During Construction	(12,599,561)	(353,000)	(1,371,000)	910,000	(461,000)	-66.4%
Amortization of Debt Expense	(1,026,882)	(1,020,000)	(980,000)	24,000	(956,000)	-2.4%
Loss on Disposal of Property	8,978,130	1,500,000	-	-	-	n/a
Other	123,039	119,000	119,000	-	119,000	0.0%
Total Non Operating Expense	**14,635,701**	**20,922,000**	**23,369,000**	**2,622,000**	**25,991,000**	**11.2%**
Total Expenses (Function Cost)	**164,071,424**	**179,692,000**	**184,079,985**	**(1,278,881)**	**182,801,104**	**-0.7%**
Net Income	**5,576,136**	**11,727,000**	**9,191,015**	**1,062,881**	**10,253,896**	**11.6%**
Appropriation						
Total Expenses	**164,071,424**	**179,692,000**	**184,079,985**	**(1,278,881)**	**182,801,104**	-0.7%
Less: Non Cash items						
Depreciation, Depletion & Amortization	22,065,278	29,693,000	30,106,000	(315,000)	29,791,000	-1.0%
Regulatory Debits/Credits	-	-	-	-	-	n/a
Allowance for Funds Used During Construction	(12,599,561)	(353,000)	(1,371,000)	910,000	(461,000)	-66.4%
Amortization of Bonds	(1,026,882)	(1,020,000)	(980,000)	24,000	(956,000)	-2.4%
Loss on Disposal of Property	8,978,130	1,500,000	-	-	-	n/a
Total Non Cash	17,416,965	29,820,000	27,755,000	619,000	28,374,000	2.2%
Amount to be Appropriated (Cash Expenses)	**$146,654,459**	**$149,872,000**	**156,324,985****	**(1,897,881)**	**$154,427,104**	**-1.2%**

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

**In 2017 Revised supplemental budget of $570,183 for MUSA was added per AR2017-242 approved on 7/11/17.

Municipal Light & Power

Electric - Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions FT	PT	T
2017 Revised Budget	184,079,985	262	1	18
Transfers (to)/from Other Agencies				
- Intragovernmental Charges	755,672	-	-	-
- MUSA	71,448	-	-	-
Debt Service Changes				
- Interest Expense	1,688,000	-	-	-
Changes in Existing Programs/Funding for 2018				
- Depreciation, Depletion & Amortization	(315,000)	-	-	-
- Allowance for Funds Used During Construction	910,000	-	-	-
- Purchased Power & Wheeling	(98,000)	-	-	-
- Natural Gas Purchases and Transportation	(7,647,000)	-	-	-
- Amortization of Debt Expense	24,000	-	-	-
- Southcentral Power Project	(725,000)	-	-	-
2018 Continuation Level	**178,744,105**	**262**	**1**	**18**
2018 Proposed Budget Changes				
- Salary and benefit adjustment	1,179,000	1	-	1
- Material and Supplies	2,877,999	-	-	-
2018 Proposed Operating Budget	**182,801,104**	**263**	**1**	**19**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation, Depletion & Amortization	29,791,000	-	-	-
- Allowance for Funds Used During Construction	(461,000)	-	-	-
- Amortization of Bonds	(956,000)	-	-	-
2018 Proposed Budget (Appropriation)	**154,427,104**	**263**	**1**	**19**

Municipal Light & Power

Statement of Revenues and Expenses - Gas

	2016 Actuals *	2017 Proforma *	2017 Revised *	18 v 17 $ Change	2018 Proposed *	18 v 17 % Change
Operating Revenue						
Residential	-	-	-	-	-	n/a
Commercial	-	-	-	-	-	n/a
Military	-	-	-	-	-	n/a
Sales for Resale	-	-	-	-	-	n/a
Other	30,223,507	18,355,000	18,757,000	(4,041,000)	14,716,000	-21.5%
Total Operating Revenue	**30,223,507**	**18,355,000**	**18,757,000**	**(4,041,000)**	**14,716,000**	**-21.5%**
Non Operating Revenue						
Interest Income	771,231	822,000	585,000	182,000	767,000	31.1%
Other	-	-	-	-	-	n/a
Total Non Operating Revenue	771,231	**822,000**	585,000	182,000	**767,000**	31.1%
Total Revenue	**30,994,738**	**19,177,000**	**19,342,000**	**(3,859,000)**	**15,483,000**	**-20.0%**
Operating Expense						
Labor:						
Labor and Benefits	181,210	184,000	156,000	2,000	158,000	1.3%
Overtime	-	-	-	-	-	n/a
Total Labor	181,210	184,000	156,000	2,000	158,000	1.3%
Non Labor:						
Material & Supplies	529,698	553,000	697,000	(242,000)	455,000	-34.7%
Travel	-	-	-	-	-	n/a
Natural Gas Purchases & Transportation	-	-	-	-	-	n/a
Gas Production Expense	11,776,928	14,061,000	22,585,000	(8,500,000)	14,085,000	-37.6%
Southcentral Power Project	-	-	-	-	-	n/a
Purchased Power & Wheeling	-	-	-	-	-	n/a
Regulatory Debit/Credit	6,359,769	(5,113,000)	(14,587,000)	4,566,000	(10,021,000)	-31.3%
Depreciation, Depletion & Amortization	9,569,361	4,063,000	3,359,000	(2,360,000)	999,000	-70.3%
Transfers (MUSA)	-	-	-	-	-	n/a
Transfers to Gen Gov't-SAP	-	-	-	-	-	n/a
Total Non Labor	28,235,756	13,564,000	12,054,000	(6,536,000)	5,518,000	-54.2%
Total Direct Costs	**28,416,966**	**13,748,000**	**12,210,000**	**(6,534,000)**	**5,676,000**	-53.5%
Charges from Other Departments	51,109	80,000	2,040	80,000	82,040	3921.6%
Total Operating Expense	**28,468,075**	**13,828,000**	**12,212,040**	**(6,454,000)**	**5,758,040**	**-52.8%**
Non Operating Expense						
Interest on Bonded Debt	781,695	536,000	526,000	(269,000)	257,000	-51.1%
Other Interest Expense	141	-	-	-	-	n/a
Allowance for Funds Used During Construction	-	-	-	-	-	n/a
Amortization of Debt Expense	89,822	63,000	63,000	(32,000)	31,000	-50.8%
Loss on Disposal of Property	-	-	-	-	-	n/a
Other	-	-	-	-	-	n/a
Total Non Operating Expense	**871,657**	**599,000**	**589,000**	**(301,000)**	**288,000**	**-51.1%**
Total Expenses (Function Cost)	**29,339,733**	**14,427,000**	**12,801,040**	**(6,755,000)**	**6,046,040**	**-52.8%**
Net Income	**1,655,006**	**4,750,000**	**6,540,960**	**2,896,000**	**9,436,960**	**44.3%**
Appropriation						
Total Expenses	**29,339,733**	**14,427,000**	**12,801,040**	**(6,755,000)**	**6,046,040**	-52.8%
Less: Non Cash items						
Depreciation, Depletion & Amortization	9,569,361	4,063,000	3,359,000	(2,360,000)	999,000	-70.3%
Regulatory Debits/Credits	6,359,769	(5,113,000)	(14,587,000)	4,566,000	(10,021,000)	-31.3%
Allowance for Funds Used During Construction	-	-	-	-	-	n/a
Amortization of Bonds	89,822	63,000	63,000	(32,000)	31,000	-50.8%
Loss on Disposal of Property	-	-	-	-	-	n/a
Total Non Cash	16,018,952	**(987,000)**	(11,165,000)	2,174,000	**(8,991,000)**	-19.5%
Amount to be Appropriated (Cash Expenses)	**$13,320,781**	**$15,414,000**	**$23,966,040**	**(8,929,000)**	**$15,037,040**	**-37.3%**

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

Municipal Light & Power

Gas - Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

	Appropriation	Positions FT	PT	T
2017 Revised Budget	12,801,040	-	-	-
Transfers (to)/from Other Agencies				
- Intragovernmental Charges	80,000	-	-	-
Debt Service Changes				
- Interest Expense	(269,000)	-	-	-
Changes in Existing Programs/Funding for 2018				
- Depreciation, Depletion & Amortization	(2,360,000)	-	-	-
- Gas Production Expense	(8,500,000)	-	-	-
- Regulatory Debits/Credits	4,566,000	-	-	-
- Amortization of Debt Expense	(32,000)	-	-	-
2018 Continuation Level	**6,286,040**	**-**	**-**	**-**
2018 Proposed Budget Changes				
- Salary and benefit adjustment	2,000	-	-	-
- Material and Supplies	(242,000)	-	-	-
2018 Proposed Operating Budget	**6,046,040**	**-**	**-**	**-**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation, Depletion & Amortization	999,000	-	-	-
- Regulatory Debits/Credits	(10,021,000)	-	-	-
- Amortization of Bonds	31,000	-	-	-
2018 Proposed Budget (Appropriation)	**15,037,040**	**-**	**-**	**-**

Municipal Light & Power
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Beluga River Gas Field	11,000	10,800	10,800	10,800	10,800	10,800	65,000
Distribution	21,425	20,425	18,980	18,040	25,040	18,630	122,540
General Plant	3,810	3,840	2,180	2,915	3,310	3,230	19,285
Production	18,280	2,910	398	1,823	400	350	24,161
Transmission	2,590	6,240	6,340	3,440	6,040	3,290	27,940
Total	**57,105**	**44,215**	**38,698**	**37,018**	**45,590**	**36,300**	**258,926**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Equity/Operations	43,655	30,915	25,348	23,618	32,140	33,600	189,276
Revenue Bond/Commercial Paper	-	-	10,800	10,800	10,800	-	32,400
Contribution in Aid of Construction	2,450	2,500	2,550	2,600	2,650	2,700	15,450
Beluga Contributed	11,000	10,800	-	-	-	-	21,800
Total	**57,105**	**44,215**	**38,698**	**37,018**	**45,590**	**36,300**	**258,926**

Municipal Light & Power
2018 - 2023 Deferred & Reimbursable Projects Budget
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Beluga River Gas Field	300	-	-	-	-	-	300
Electric	7,000	7,000	7,000	7,000	7,000	7,000	42,000
Total	**7,300**	**7,000**	**7,000**	**7,000**	**7,000**	**7,000**	**42,300**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Deferred/Reimbursable	7,300	7,000	7,000	7,000	7,000	7,000	42,300
Total	**7,300**	**7,000**	**7,000**	**7,000**	**7,000**	**7,000**	**42,300**

Municipal Light & Power
2018 Capital Improvement Budget
(in thousands)

Project Title	Equity/ Operations	Revenue Bond/ Commercial Paper	Contribution in Aid of Construction	Beluga Contributed	Total
Beluga River Gas Field	-	-	-	11,000	11,000
Communications	1,805	-	-	-	1,805
Distribution Equipment	3,655	-	-	-	3,655
Eklutna Power Plant	3,100	-	-	-	3,100
Land & Land Rights-Transmission & Distribution	60		-	-	60
Meters	750	-	-	-	750
Overhead Lines	2,310	-	-	-	2,310
Stores/Tools/Lab	155	-	-	-	155
Street Lighting	300	-	-	-	300
Structures & Improvements - General Plant	650	-	-	-	650
Structures & Improvements - Plant 1/Plant 2	3,875	-	-	-	3,875
Transformer Services	3,550	-	-	-	3,550
Transmission Lines	70	-	-	-	70
Transmission Stations	2,500	-	-	-	2,500
Transportation	1,200	-	-	-	1,200
Turbines & Generators	11,305	-	-	-	11,305
Underground Lines	8,370	-	2,450	-	10,820
ML&P TOTAL	**$ 43,655**	**$ -**	**$ 2,450**	**$ 11,000**	**$ 57,105**

Municipal Light & Power
2018 Deferred & Reimbursable Projects Budget
(in thousands)

Project Title	Deferred/ Reimbursable				Total
Beluga River Gas Field	300				300
Electric	7,000				7,000
ML&P TOTAL	**$ 7,300**	**$ -**	**$ -**	**$ -**	**$ 7,300**

Municipal Light & Power
Statement of Cash Sources and Uses

	2016 Actual*	2017 Proforma *	2018 Proposed *
Sources of Cash Funds			
Net Income	8,395,476	16,261,000	20,131,000
Depreciation/Depletion/Amortization	31,634,639	33,756,000	30,790,000
Amortization of Bonds	(937,060)	(957,000)	(925,000)
Bond Proceeds / Commercial Paper	66,700,000	192,000,000	-
Deferred Charges and Other Assets	(2,551,914)	(1,999,381)	7,533,210
Contribution in Aid of Construction	85,295,633	(7,572,433)	7,137,063
Changes in Assets and Liabilities	(53,168,795)	(174,712,207)	(18,709,825)
Total Sources of Cash Funds	**135,367,979**	**56,775,979**	**45,956,448**
Uses of Cash Funds			
Additions to Plant	167,187,153	25,173,067	49,277,380
Debt Principal Payment	7,465,000	7,520,000	7,865,000
Total Uses of Cash Funds	**174,652,153**	**32,693,067**	**57,142,380**
Net Increase (Decrease) in Cash Funds	(39,284,174)	24,082,912	(11,185,932)
Cash Balance, January 1	161,390,274	122,106,100	146,189,012
Cash Balance, December 31	**122,106,100**	**146,189,012**	**135,003,080**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	47,336,491	40,928,400	35,889,378
Bond Cash	2,525,855	-	-
BRU Reg Liability, Future Gas Purchases & ARO	32,631,111	47,831,835	40,922,818
Bond Investment	23,143,622	38,166,554	38,172,922
Debt Service	2,098,292	2,291,495	2,847,238
Operating Fund Investment & Customer Deposits	14,370,729	16,970,729	17,170,729
Cash Balance, December 31	**122,106,100**	**146,189,012**	**135,003,080**

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About Municipal Light & Power

Organization
ML&P is functionally structured into seven operating divisions: Generation, Engineering, Operations, Finance, Customer Service, Administration, Regulatory Affairs, and Systems. Each division manager reports directly to the General Manager.

As of December 31, 2016, ML&P had 236 employees and total labor and benefit costs of approximately $47.9 million, which includes operating and capital labor expenditures. Of these 236 employees, 176 were covered by a labor agreement with the IBEW and 60 were non-represented (covered by the Municipal Personnel Rules).

History
The history of ML&P is closely linked with the history and development of Anchorage itself. ML&P has emerged to serve a city with approximately half the population of the state at rates which are among the lowest in Alaska and that compare favorably with those of many metropolitan areas in the Lower 48 states. ML&P has evolved into an acknowledged energy leader by being customer oriented, innovative, and responsive to customers' needs for safe, economical, and reliable electrical service.

When the Alaska Engineering Commission (AEC) initiated electrical service in Anchorage in 1916, Anchorage was just a small tent city in the wilderness. The City operated the electrical distribution system under a lease agreement, first with the AEC and later with the Alaska Railroad. This lease agreement continued until 1932 when the citizens of the young city bought the electrical distribution system for $11,351.

A small steam plant and diesel power generators supplied Anchorage with electricity until 1929 when the private Anchorage Power & Light Company began supplying the community with electricity from a hydroelectric power plant on the Eklutna River, 40 miles northeast of Anchorage. The City acquired the Eklutna Plant from the Anchorage Power & Light Company in 1943. In 1955, the City contracted for 16,000 kilowatts (kW) of the generating capacity of a new Eklutna Hydroelectric power project of the U.S. Bureau of Reclamation and transferred "Little Eklutna" to that federal agency.

Between 1962 and 1984, ML&P installed seven turbine-generating units fired by natural gas and one heat recovery steam turbine generating unit. Unit 3, which was purchased in 1968 and remained in service for 36 years, was retired in 2004. Unit 3's replacement, which is the first new generating unit for ML&P in more than 20 years, began commercial operation August 16, 2007. The 30MW simple-cycle gas turbine is a GE LM2500+ and cost $27.5 million to purchase and install. Two units have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas supply. ML&P operates nineteen modern substations and is the south-end controller of the Alaska Intertie from Anchorage to Fairbanks.

In late 1996, the Municipality purchased a one-third working interest in the Beluga River Gas Field, which established a guaranteed fuel supply and serves as a means to stabilize fuel prices for years to come. In 1997, ML&P in association with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project from the federal government.

On August 28, 2008 ML&P entered into an agreement with Chugach Electric Association for a dedicated 30% share of the output of the Southcentral Power Project (SPP) plant, varying in electrical output from 45 MW to 54 MW depending on season and temperature. It is a 3 X 1 LM6000 combined cycle project. The plant entered into commercial operation January 31, 2013.

On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was $152 million. The utility now owns 56.67 percent of the field.

On November 7, 2016 Plant 2A was placed in service. The new combined cycle plant is adjacent to the existing Plant 2. Two (2) LM6000 combustion turbines (unit 9 & 10) and one steam turbine (unit 11) are housed in 2A. The 120 MW plant uses less natural gas and reduces Nox and CO emissions. Some of those efficiencies are achieved through the Plant's collocation with AWWU's drinking water infrastructure. The collocation provides cooling to ML&P's infrastructure while simultaneously warming AWWU's infrastructure. The total cost of the plant is just over $304.9 million.

Services

ML&P service area encompasses 19.9 contiguous square miles including a large portion of the commercial and high-density residential areas of the Municipality. In 2016, the average number of residential and commercial customers was 24,678 and 6,398 respectively. In 2016, electric retail sales totaled 1,006,572 MWh resulting in revenues of $150,937,842. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were $167,152,398. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical service.

Regulation

ML&P is subject to economic regulation by the Regulatory Commission of Alaska (RCA), which is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. RCA regulation encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and charges.

ML&P budgets are submitted to the Administration before submittal to the Municipal Assembly for approval.

Electric and Gas Plant

ML&P generates, transmits, distributes, and purchases electric power and has a working interest in the Beluga River Unit Gas Field.

- Power Generated/Purchased in 2016 — 1,184,780 MWh
  - ML&P Generated — 651,005 MWh — 54.95%
    - Southcentral Power Plant — 373,982 MWh — 31.56%
    - Eklutna Hydroelectric Project — 69,403 MWh — 5.86%
  - Purchased:
    - Bradley Lake Project — 90,390 MWh — 7.63%
- Total Thermal Generation capacity in 2016 — 420.6 Megawatts (MW) at 30°F
  - Power Plant One (2 Turbines) — 66.5 MW — 16%
  - Power Plant Two (2 Turbines) — 166.8 MW — 40%

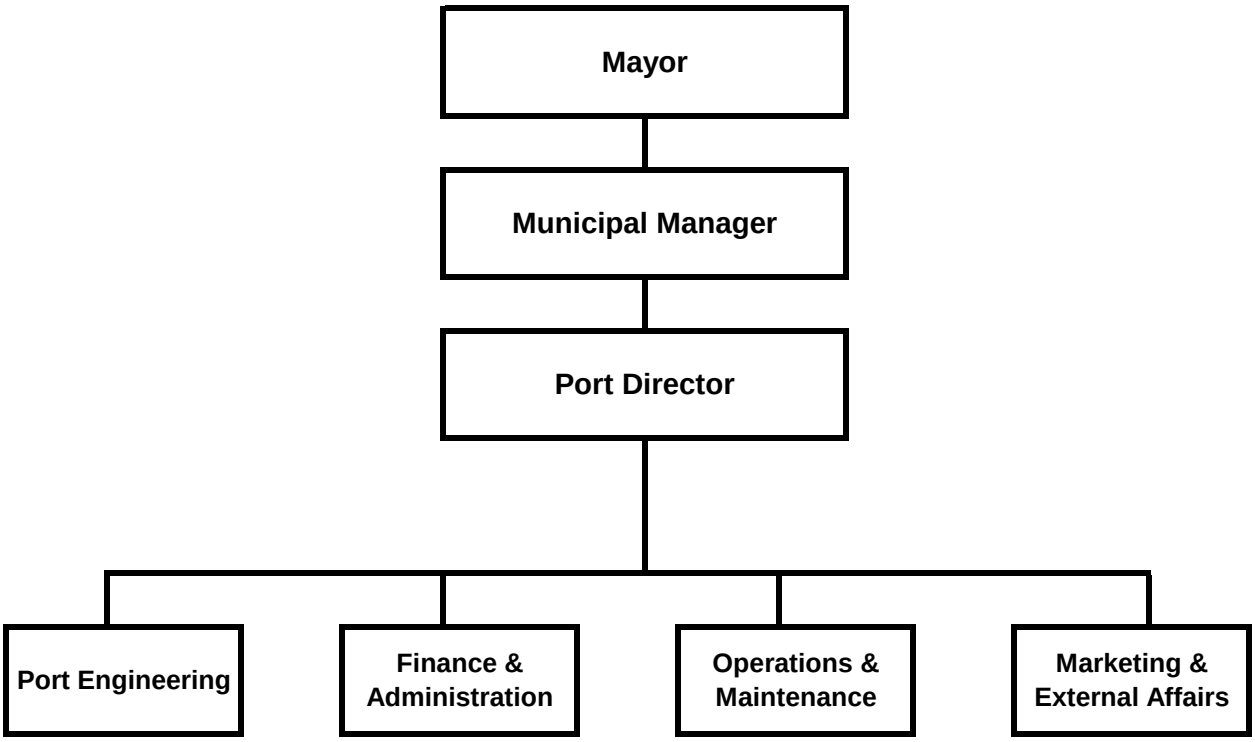
- Power Plant Two A (3 Turbines) 127.2 MW 30%

- Southcentral Power Plant (4 Turbines) 60.1 MW (ML&P 30%) 14%
- Six Gas Fired Turbines (ML&P Plant 1, 2 & 2A)
- One Heat Recovery Turbine (ML&P Plant 2A)
- Two of the six gas fired turbines are equipped to use liquid fuel/diesel as an alternate fuel
- Southcentral Power Plant – Three Gas Fired Turbines and one Heat Recovery Turbine

- Distribution System in 2016 371 Miles
  - Underground Cable 253 Miles 68.19%
  - Overhead Line 118 Miles 31.81%
  - 19 Substations

- Total Electric Plant as of December 31, 2016 $733,981,055
- Total Gas Plant as of December 31, 2016 $162,255,960
- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44.4 MW of installed capacity.
- ML&P is a 30% owner of the Southcentral Power Plant
- Pursuant to a Power Sales Agreement with the Alaska Energy Authority, ML&P is required to purchase 25.9% of the output of the Bradley Lake Project, which has 126 MW of installed capacity.

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.

	2016	2017 (YTD)
Total Hours	1,533	1,147
Total Cost	$ 59,706	$ 55,641

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

	6/30/2016	6/30/2017	%Growth/(Loss)
***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

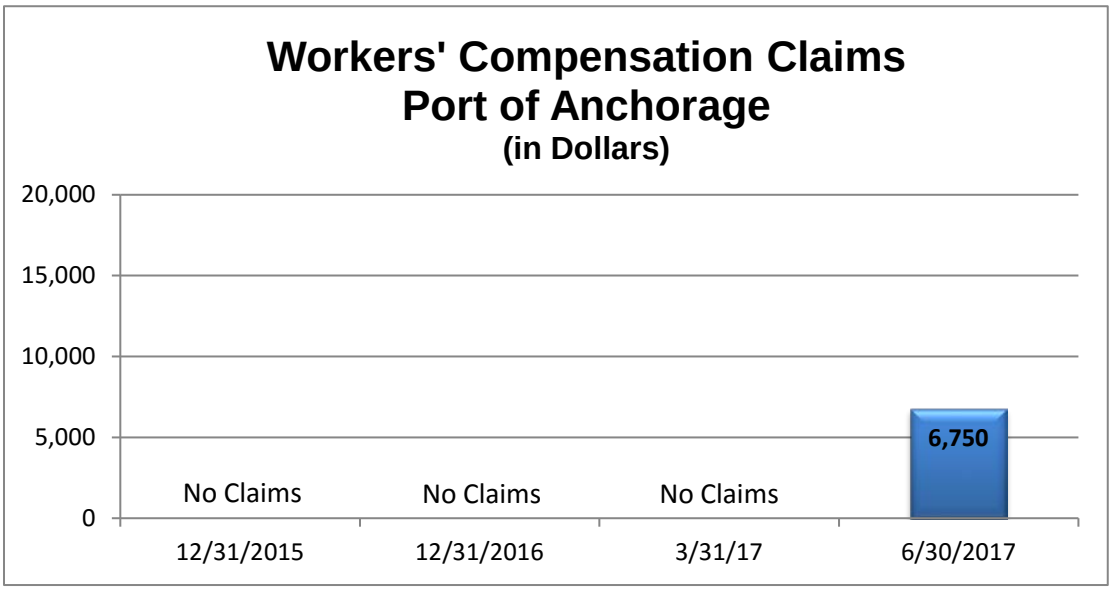
Measures #3: OSHA Recordable incidents for current vs prior year (# of incidents, loss of time & cost)

	2016	2017 (YTD)
# 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 Actuals	2017 Proforma	2018 Proposed	2019	2020	2021	2022	2023
				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.

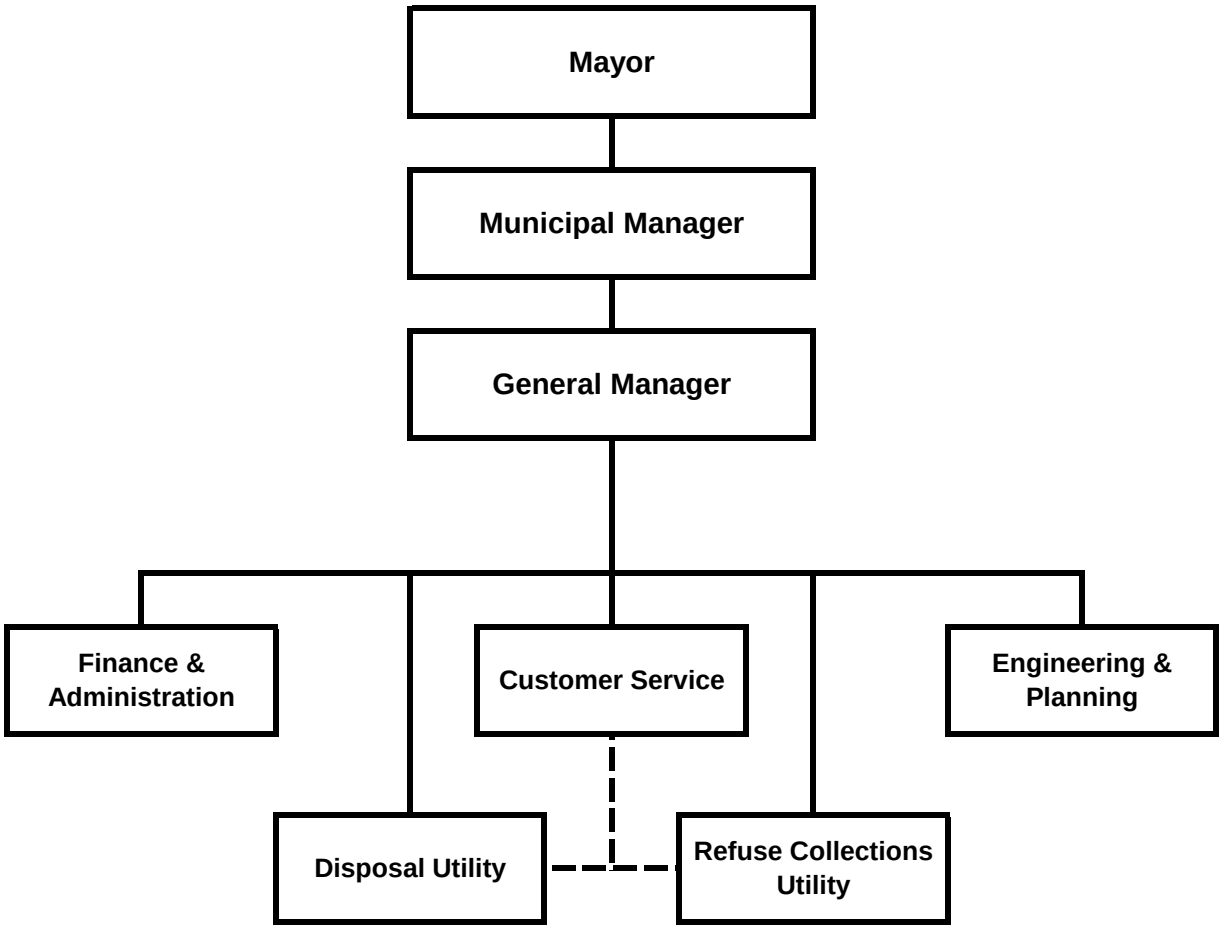
Regulation
Dock revenue rates for the Port of Anchorage are established in the Port of Anchorage Terminal Tariff No. 8.1 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the Preferential Usage Agreements' charges require initial approval by the 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.

Solid Waste Services



Solid Waste Services
Organizational Overview

The Municipality of Anchorage's (MOA) Department of Solid Waste Services (SWS), comprised of the Refuse Collection Utility (RCU) and Solid Waste Disposal Utility (SWDU), is defined as a municipal utility by Anchorage Municipal Code (AMC 26.10.015). The Utilities are self-funded and self-supporting by revenues derived from operations; primarily customer fees for services. No tax dollars are used by SWS operations. By Code and Municipal Charter, each utility is required to operate in accordance with general business standards common to the solid waste industry (Charter Article 16.01) and to provide a reasonable profit in accordance with industry standards (AMC 26.10.060).

To support the RCU and SWDU, SWS has three additional operating divisions: Engineering & Planning; Customer Service; and, Administration. Each SWS supervisor reports to the General Manager.

General Manager
The General Manager is responsible for the overall management of SWS. The General Manager oversees operational decisions, with the Solid Waste and Recycling Advisory Commission (SWRAC) providing an overview of strategies, operating plans and budgets, along with offering input on solid waste issues, ordinances and policies.

Refuse Collection Utility (RCU)
The RCU provides both residential and commercial service to the former City of Anchorage service area. The RCU has converted 99% of its customers to automated operations. There are approximately 150 customers which still receive manual can and bag pickup. SWS is currently analyzing the best possible solution to automate all of its customers.

Commercial refuse collection consists of seven routes serviced Monday through Friday and four additional routes serviced on Saturdays. This equates to the servicing of over 5,000 dumpsters on a weekly basis. All commercial refuse collected is unloaded at the Central Transfer Station (CTS).

Residential refuse collection consists of 11 routes serviced Monday through Friday for over 10,000 customers. All residential refuse is collected and unloaded at CTS. Curbside Recycling is performed by two routes that service over 9,500 customers weekly. Mixed paper and cardboard recycling collection is also provided to more than 50 municipal offices on a weekly, bi-weekly, and monthly basis. All recycling is transported and unloaded at the Anchorage Recycling Center (ARC) and pays a recycling tipping fee.

All refuse and recycling collection activities are currently performed by 27 full time employees. The RCU fleet consists of: ten 40 cubic yard commercial frontload vehicles; nine 27 cubic yard automated sideload vehicles; one 25 cubic yard rear loader; six light-duty support vehicles; and one forklift. RCU vehicle maintenance employees repair and maintain this fleet within a warm storage facility located at the CTS. Residential and Commercial collection operators are members of the local Teamster's union with the vehicle maintenance employees being part of the International Brotherhood of Electrical Workers. All operators are required to participate in a pre-route safety-operations briefing, and daily Department of Transportation (DOT) required pre-shift and post-shift vehicle inspections.

Solid Waste Disposal Utility (SWDU)
The main function of the SWDU is to dispose of household and commercial refuse generated within the MOA. The refuse is brought to three locations: Girdwood Transfer Station (GTS); CTS; and, the Anchorage Regional Landfill (ARL). The SWDU has an extensive fleet of specialized equipment for the disposal of refuse that is maintained, operated and supported by highly skilled and trained staff.

GTS receives 750 tons of refuse annually. GTS has a paved area where solid waste is discarded into an enclosure containing a 120 cubic yard trailer for transfer to CTS. GTS accepts used oil and batteries from customers and these items are picked up by SWS's Household Hazardous Waste (HHW) contractors for proper disposal, recycling, or for reuse.

CTS is located between the old and new Seward Highways on 56th Avenue. Solid waste disposed of at CTS is transferred by SWS tractors pulling 120 cubic yard open top trailers to ARL. An average of 800 tons per day of solid waste is transferred from CTS to ARL. CTS also has an HHW disposal location and accepts residential used oil, batteries and appliances that are picked up by contractors for proper disposal, recycling, or for reuse. Customers can drop off small quantities (less than 220 pounds per month) of unregulated hazardous waste which is not allowed to be disposed at ARL. A total of 25 SWS operators perform the various duties and operations associated with CTS.

ARL is located near the intersection of the Glenn Highway and Hiland Road near Eagle River. It is a 275-acre, award-winning, subtitle D landfill that typically processes approximately 1,200 tons of refuse daily. Currently, nine cells are constructed, with a total of 12 cells to be developed. Every day solid waste is compacted and then covered with soil using bulldozers. The cover material comes from the excavation of future cells. Each landfill cell is lined and contains a leachate (water) collection system. Leachate is collected and transported in pipelines at the bottom of the landfill to collection lagoons for pre-treatment by aeration to increase the oxygen levels at ARL. On average, three specially designed leachate tankers transport and dispose of 25M-gallons per year at the Anchorage Water & Wastewater Utility's Turpin Road dump station. ARL employees are responsible for the daily disposal of all of the MOA's refuse, the excavation and hauling of daily cover material, the installation and maintenance of landfill gas recovery wells and lines, the hauling of leachate, the building and maintaining of roads, snow removal, dust control and equipment repair. Located within a warm storage facility located at ARL, vehicle maintenance employees repair and maintain heavy equipment and SWDU vehicles. A total of 26 SWS operators and mechanics perform the various duties and operations associated with ARL. The main HHW facility is located at ARL and is operated by a contractor that serves the residential and small business customers.

City-wide recycling has increased and trash disposed at the landfill has gone down which has resulted in extending the life of the landfill. Funded from a recycling surcharge, the program promotes recycling and the recycling industry. One fulltime recycling coordinator answers public inquiries, and, in coordination with private and non-profit partners, prepares educational media (including social media) campaigns and events related to recycling throughout the MOA. The surcharge has funded the development of an expanded paved public recycling drop-off site at the landfill. ARL currently accepts aluminum cans, paper, plastic, and cardboard. The materials are then transported to the Anchorage Recycling Center.

The program also provides support for public space recycling and to the Anchorage School District (ASD) by collecting mixed paper from all their facilities. Recycling within the MOA is further supported through a grant for Christmas tree recycling, and a grant to offset the Port of

Anchorage wharfage fees that the ARC pays to ship recyclables out of state. A large, but less visible effort is economic and business development grants. These funds are given to local recycling businesses for developing ideas for reusing materials in-state, such as glass, tires, construction and demolition debris, and organics.

Engineering and Planning

The Engineering and Planning Division consists of one engineer/manager, one civil engineer, and two engineering technicians. The group has the following main tasks:

- Planning, design and construction of new facilities;
- Major facility upgrades and repairs;
- Technical landfill operations;
- Landfill gas (LFG) collection system operation; and,
- Regulatory compliance.

The division is responsible for the planning, design and management of construction activities related to landfill expansion, LFG collection system expansion and maintenance, and landfill closure projects. The division relies on contracted engineering services for major design and construction projects. As the landfill development progresses, engineering efforts will turn more toward closure and reclamation projects such as capping, re-vegetation and storm water management. The current closure cost includes $56M of closure construction work, and $28M (both in 2015 dollars) of post closure care costs that will be conducted over a period of 30 years following the closure of ARL.

As SWS facilities age (many are over 30-years old), the division is responsible for the procurement of services for major repair and maintenance activities. These activities include periodic reconstruction of the CTS tipping floor, paving of roads and work areas at ARL, and rehabilitation of landfill gas and leachate wells and piping systems.

The division provides technical support to the SWDU ARL staff to improve landfill operations and maximize airspace utilization. The division helps re-engineer outer landfill slopes which recovers valuable landfill airspace and regularly monitors waste compaction and daily cover quantities in order to re-evaluate these estimates. The division provides support for planning fill operations, developing access roads, and efficiently mining cover materials from the site. As an example, the landfill crew, in addition to processing solid waste, can also mine gravel for current and future cover operations.

The LFG collection system currently supplies Doyon Utilities (DU) with gas to power a 7 MW electrical generating plant which provides power to Joint Base Elmendorf-Richardson. LFG activities at ARL include daily checks of key operating parameters, as well as routine maintenance of LFG well heads and monitoring equipment. The system currently requires a bi-weekly check and rebalancing of over 68 gas collection points to optimize the efficiency of the gas collection system while maximizing the gas output delivered to DU.

The division is responsible for compliance with environmental regulations at ARL as well as three closed landfill sites. All sites have groundwater monitoring and reporting requirements, as well as solid waste permit compliance relating to operation or post-closure monitoring. The Merrill Field landfill site has active landfill gas and leachate management systems which have both operational and regulatory reporting requirements. ARL operates under an active Class I landfill operating permit, as well as a Title V Air Quality operating permit, both issued by the Alaska Department of Environmental Conservation (ADEC). In addition to specific operating

requirements, these permits require numerous inspections, as well as documentation and reporting requirements. Because ARL accepts asbestos wastes, it is regulated under National Emissions Standards for Hazardous Air Pollutants which requires inspection and documentation of every load of regulated material received. Both ARL and CTS have Storm Water Pollution Prevention Plans approved by ADEC which have regular inspection, monitoring, sampling, and reporting requirements.

Customer Service

The Customer Service Division has two work groups; the Customer Service Administration and Call Center and the Scale House/Cash Booth. Both work groups, totaling 18 employees, are managed by one Senior Administrative Officer.

Customer Service Administration and Call Center

This work group is based out of the SWS Administration Building located at 1111 East 54th Avenue. This office is staffed with one Senior Administrative Officer, one Junior Administrative Officer, one Collector, one Code Enforcement Officer and three Account Representative III's. The SWS call center staff answer up to 160 calls per day and also maintain the SWS customer information system, which allows the invoicing of up to 12,350 customers monthly. These customers account on average more than $2.1M in payments monthly to their accounts.

The SWS Code Enforcement officer ensures compliance within the SWS mandatory service area by actively facilitating corrective action in accordance to AMC's 14, 15, 21.07 and 26; while handling all in-house collections efforts for accounts that are 31 to 90 days past due. Once these accounts reach 90 days past due, they are transferred to the MOA third party collections company for further collective action.

Scale House and Cash Booth

The 12 employees of the Scale House and Cash Booth work group operate both the scale houses and cash booths at CTS, ARL, and GTS. Operating hours and days of operation vary by location, but overall this work group operates 363 days a year, including all MOA holidays except Christmas and New Year's Day. Opening shifts begin as early as 6 A.M. for the staff opening CTS, closers are often on duty until approximately 6 P.M.

This group is the smiling face that greets both the residential and commercial disposal customers as they visit our disposal locations. These employees screen the customer's load prior to disposal, kindly educate many on safe disposal practices, enforce compliance with AMC and State Laws regarding litter prevention and the assessing of fees, and help monitor safety compliance. These team members assist over a quarter of a million customers that visit our facilities each year.

Administration

The Administration division provides support to all SWS employees. It is responsible for key performance indicator monitoring, IT assistance, Safety, Finance & Accounting, Purchasing, Accounts Payable, as well as human resources, labor relations, security, code enforcement, facility maintenance, and vehicle parts inventory functions.

SWS has one FTE involved in the monitoring and reporting of key performance indicators. This employee also researches, evaluates, and implements existing and emerging technologies when deemed necessary, fiscally responsible, and/or becomes critical to operations.

The SWS Safety Manager ensures that all operations are conducted in a safe manner. The Safety Manager is responsible for compliance with OSHA safety standards by ensuring that the work environment is safe, as well as identifying and mitigating potential hazards for SWS employees and the public long before the hazard becomes an accident statistic. The Safety Manager inspects buildings, projects, equipment, operating practices and working conditions for compliance with various MOA, State and Federal safety codes and regulatory requirements. The Safety Manager coordinates safety programs in training, personal protective equipment, clothing and devices, as well as organizes and conducting seminars on first aid and OSHA required safety training. The Safety Manager prepares reports and makes recommendations for improvement. By analyzing data on accident rates and compensation claims, the Safety Manager develops methods to reduce costs, loss time, and personnel suffering.

The Finance and Accounting section manages the financial matters of SWS, including the accounting for revenues and expenses, the preparation of budgets, asset management, capital expenditures, as well as providing financial reports. The Purchasing and Accounts Payable section is responsible for the procurement of and the payment for all equipment, supplies, and contracts, in coordination with other MOA departments. Two employees process all accounts payable for SWS. Invoices are received, checked, account coded, approved, and entered into PeopleSoft for payment. Purchase orders are initiated at SWS: verifying proper account codes and funding, attaching all supporting documentation, obtaining proper department approval and then forwarding the packets to MOA Purchasing Department for final approval. Over 100 SWS timecards are processed each week into the PeopleSoft system from the Kronos timekeeping system to ensure proper pay and cost of service coding. Other support duties include: ordering office supplies; processing travel authorizations; expense reports; incoming and outgoing mail; maintaining files; providing administrative support to supervisors; and to the SWRAC.

The SWS philosophy is to retain a small staff, while encouraging safety and dedication to a job well done.

Solid Waste Services
Business Plan

Mission
Providing safe, efficient and innovative solid waste management for the Municipality of Anchorage (MOA).

Services
The Refuse Collection Utility (RCU) provides garbage and recycling collection to the former City of Anchorage service area, which is approximately 20% of the population of the MOA. Since at least 1952, there has been mandatory service for all customers of the RCU service area. The RCU provides four types of service: commercial dumpster; commercial recycling; automated garbage and recycling roll cart service; and, limited can and bag service.

The Solid Waste Disposal Utility (SWDU) serves the entire MOA. The services include the disposal of solid waste, the collection of household hazardous waste, and the promotion of community recycling. Municipal solid waste is received at three transfer stations located within the MOA. Waste generated in the community of Girdwood is transported from the Girdwood Transfer Station (GTS) to the Central Transfer Station (CTS) in Anchorage. All waste from the CTS is transported to the Anchorage Regional Landfill (ARL) for final disposal.

Business Goals and Guiding Principles
- Increase overall customer satisfaction rating.
- Reduce number of missed pick-ups by SWS.
- Decrease the per capita amount of trash disposed at ARL.
- Expand the lifespan of ARL and maximize airspace utilization.
- Fully maximize existing collection and transfer truck routes through the leveraging of technology.
- Reduce time loss accidents and workman compensation claims.
- Create opportunities for employee development via training opportunities.

Strategies to Achieve Goals
- Leverage SWS on-board vehicle computer systems.
- Install web-cams to provide real-time customer wait information.
- Streamline and improve CTS and ARL site traffic patterns.
- Invest in modernizing fleet and fuel technologies.
- Utilize alternative daily cover material and improve waste compaction.
- Communicate more effectively with employees about training opportunities and make them available.
- Promote the diversion of food waste, yard waste, metals, plastics, paper and cardboard.
- Improve recycling options for businesses and apartment buildings within the SWS service area.
- Standardize recycling outreach and labeling.

Performance Measures to Track Progress in Achieving Goals
- Decreased SWS at fault missed stops.
- Reduced wait times at SWS disposal facilities.
- Track vehicle miles per gallon.
- Monitor landfill waste to cover waste ratio.
- Employee annual hours of training.
- Average per capita waste generation.
- SWS collection area recycling rate.

Solid Waste Disposal Utility

Anchorage: Performance. Value. Results.

Mission

Dispose of municipal solid waste generated within the Municipality in compliance with state and federal regulations.

Core Services

- Operate the Anchorage Regional Landfill (ARL)
- Operate the solid waste transfer stations and transfer fleet
- Promote community recycling efforts

Accomplishment Goals

Optimize solid waste transfer truck utilization

Performance Measures

- Solid waste transfer truck payload weight
- Transfer loads per driver shift

The following graph provides actual average payloads by month from January 2012 through December 2016.

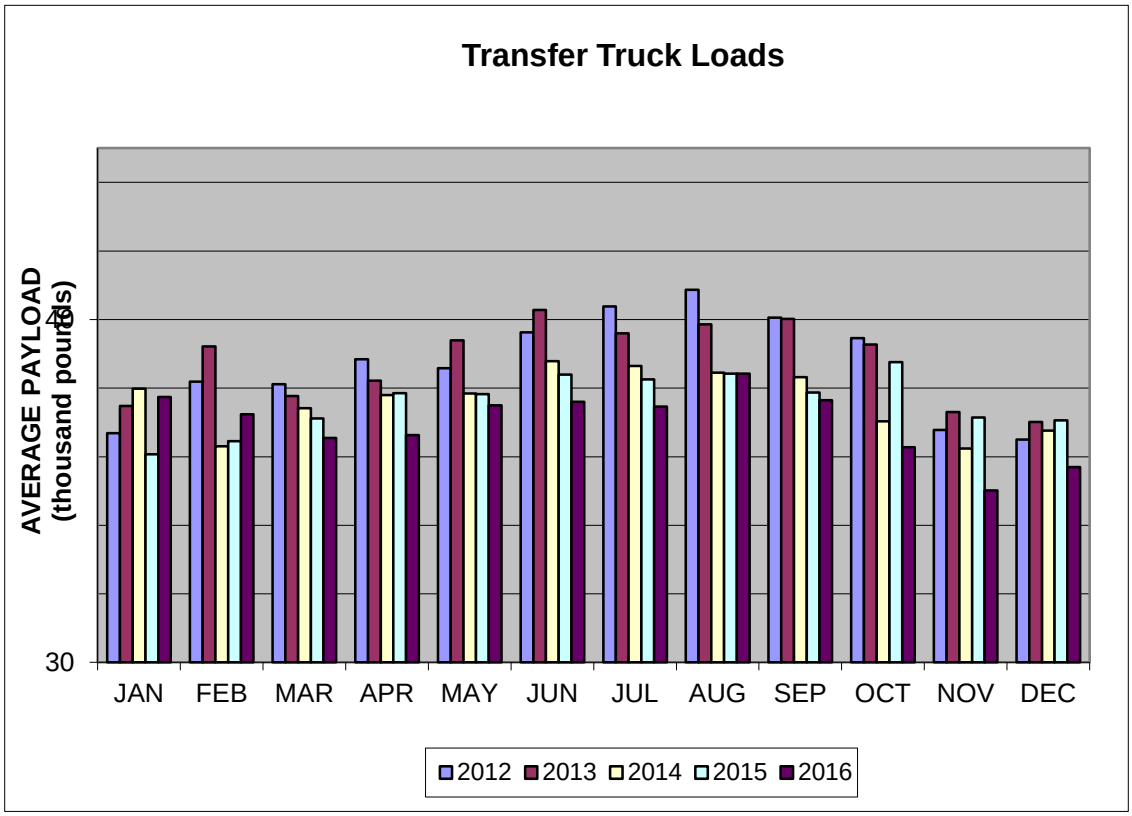


Table 1. Payload Data 2015 – 2016

MONTH	AVERAGE WEIGHT	EXCEEDING TARGET	EXCEEDING TARGET (+/- 5%)
OCT-15	38,756	67%	89%
NOV-15	37,148	69%	87%
DEC-15	37,062	66%	87%
JAN-16	37,742	77%	92%
FEB-16	37,233	72%	88%
MAR-16	36,549	61%	86%
APR-16	36,628	79%	85%
MAY-16	37,502	45%	76%
JUN-16	37,605	45%	78%
JUL-16	37,459	41%	76%
AUG-16	38,426	57%	87%
SEP-16	37,647	46%	74%
OCT-16	36,280	60%	83%
NOV-16	35,019	48%	72%
DEC-16	35,697	60%	75%

Table 2. Loads per Driver Shift Data 2015 – 2016

MONTH	SHIFTS ≥ 5 LOADS	SHIFTS ≥ 4 LOADS
OCT-15	63%	93%
NOV-15	36%	86%
DEC-15	36%	91%
JAN-16	26%	81%
FEB-16	23%	80%
MAR-16	30%	85%
APR-16	70%	97%
MAY-16	80%	96%
JUN-16	72%	92%
JUL-16	65%	92%
AUG-16	81%	90%
SEP-16	73%	95%
OCT-16	50%	88%
NOV-16	26%	66%
DEC-16	29%	86%

Measure: Average transfer payload rate.

Type

Efficiency

Accomplishment Goal Supported

Maximization of fleet utilization by ensuring that all transfer loads meet load targets (38,000 lbs in summer; 36,000 lbs in winter) whenever possible and that drivers ideally make 5 trips per day to the landfill.

Definition

This measure will improve utilization of the transfer fleet. Significant deviation from this measure may be an indication that the fleet is under-utilized or over-staffed.

Data Collection Method

All transfer trucks are weighed upon arrival at ARL. Truck number, driver identification, load weight and origin are recorded into our automated scale house database for each truck.

Frequency

Measurement is made for every truckload hauled to ARL. A summary report is produced on a weekly basis showing each load, by driver, by day.

Measured By

Weights are measured by the commercial scales at ARL which are certified for commerce by the State of Alaska. Truck number and driver identification are entered by the scale house staff, but weights are recorded directly from the scale to the database.

Reporting

A weekly report is prepared by the SWS IT group which summarizing the loads by driver, weight and day. Total loads and truck count are recorded in an Excel spread sheet which summarizes the sources of all loads entering the landfill by day, day of week, month and year.

Used

Data is used by the Director and Disposal Superintendent and Transfer Station General Foreman to schedule staffing and shifts and make decisions on fleet size and vehicle replacement.

Explanatory Information

Approximately 70 percent of all solid waste processed by the Disposal Utility is received at the Central Transfer Station (CTS) and then transported by our transfer fleet to ARL. Operation of our transfer fleet is one of the more costly operational activities of the utility. Each day, SWS processes an average of 800 tons of garbage through CTS. SWS operates a fleet of transfer trailers, each with a capacity of 120 cubic yards (cy). A trailer can carry a maximum payload of between 38,000 and 42,000 pounds depending on the vehicle weight. Actual payloads are often less than that, and depend on the amount, type and condition

of garbage received. Payloads are also further reduced when load restrictions are in force during spring thaw.

There are no national standards for transfer operations as each transfer station represents a unique combination of transfer equipment, haul distance and local garbage characteristics. SWS has tracked transfer operations since the inception of ARL. Our general goal for weekday operations is 38,000 pounds of payload per trailer in summer and 36,000 pounds in winter (November through April).

The optimal material for waste transfer operations is municipal solid waste from commercially collected residential and commercial garbage routes. These loads are soft, compressible and generally free of oversized materials. Loads of this material only could exceed the allowable axle load limits before reaching the volume capacity of the trailer. When frozen, the efficiency of packing these materials is reduced as the garbage tends to take on a more rigid structure.

Loads containing construction and demolition debris, fabrication and warehouse wastes and loads hauled by individual homeowners and businesses tend to contain bulky objects and materials which do not pack well into the transfer trailers. Refuse received on Saturdays generally contains a much higher percentage of these less-optimal wastes due to the large number of residential users. Consequently load efficiencies on these days are significantly decreased and highly variable.

The time to load, unload and travel round trip between the Central Transfer Station and landfill is approximately 105 minutes. On an ideal shift, a driver can make five round trips, including vehicle fueling, safety inspections and contract defined breaks. Traffic, tire maintenance, mechanical maintenance, wait times entering the landfill and timing of garbage arrival can reduce the number of trips per shift. While 5 trips is the optimal goal, 4 trips are considered common.

Solid Waste Refuse Collections Utility

Anchorage: Performance. Value. Results.

Mission

Provide solid waste collection and disposal service to rate-paying customers within our defined service area.

Core Services

- Provide dumpster service to commercial and multifamily residential customers.
- Provide automated garbage and curbside recycle collection and disposal to residential customers.
- Provide manual garbage collection to residential customers not serviced by automated routes

Accomplishment Goals

- Reduce refuse disposal volumes by promoting waste reduction and increased curbside recycling diversion.
- Reduce injuries associated with residential refuse collection.

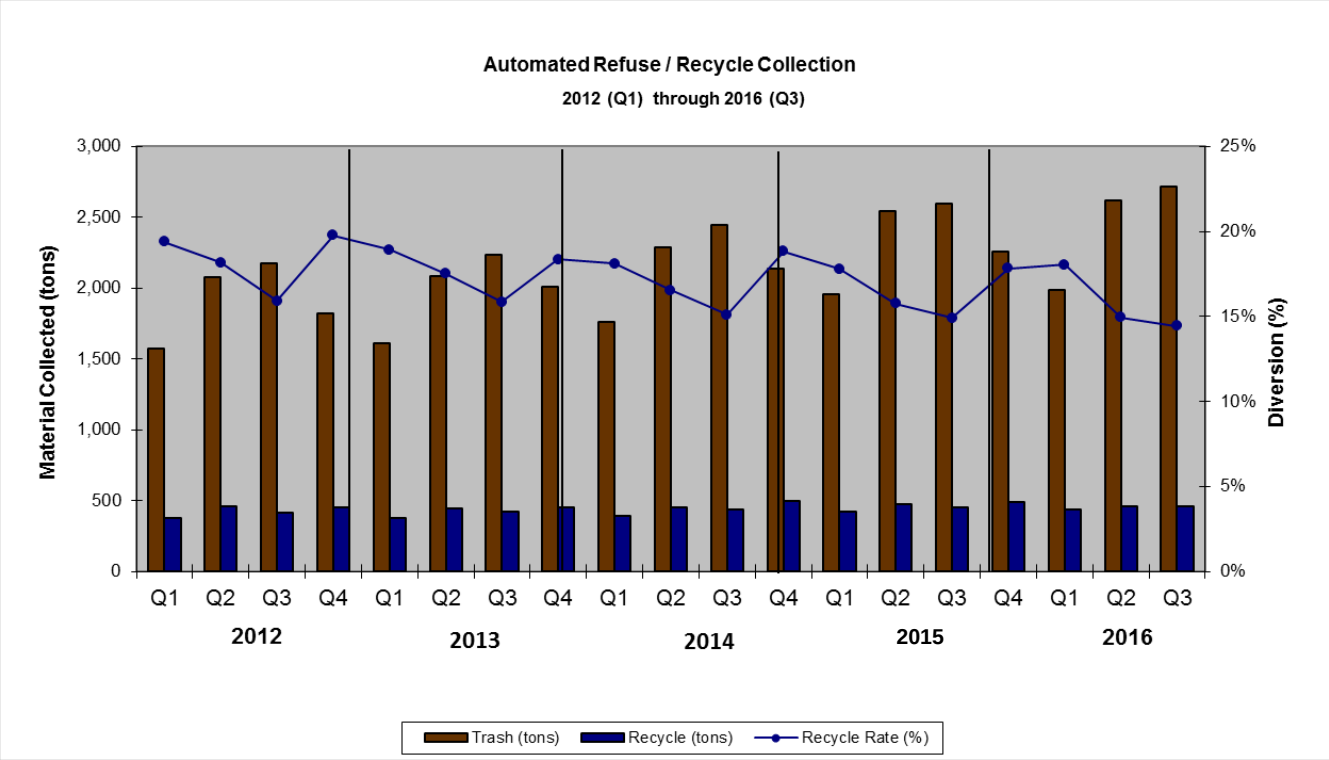
Performance Measures

Progress in achieving these goals will be measured by:

- Percent change in recyclable material diversion from the residential waste stream.
- Percent change in worker injuries

The following provides actual data from previous years which quantify these measures:

Waste and Recycle Tonnage



Workers Comp Losses 2011 - 2016
Municipal Refuse Collection Utility

As of 30 September 2016

Service Type	Injury Type	2012		2013		2014		2015		2016	
		Incidents	Losses	Incidents	Losses	Incidents	Losses	Incidents	Losses	Incidents	Losses
Manual Residential	TLI	3	$126,687	0	$0	1	$1,802	0	$0	0	$0
	MO / RO	3	$2,426	2	$81	1	$173	0	$0	0	$0
Automated Residential	TLI	0	$0	3	$52,992	0	$0	0	$0	0	$0
	MO / RO	0	$0	0	$0	0	$0	1	$0	1	$0
Commercial	TLI	0	$0	0	$0	1	$3,490	0	$0	0	$0
	MO / RO	7	$3,246	2	$154	1	$552	1	$0	0	$0
Vehicle Maintenance	TLI	0	$0	1	$5,473	0	$0	0	$0	0	$0
	MO / RO	0	$0	0	$0	0	$0	1	$0	0	$0
Other	TLI	0	$0	0	$0	0	$0	0	$0	1	$102,422
	MO / RO	0	$0	1	$1,379	1	$0	1	$0	0	$0
Total	TLI	3	$126,687	4	$58,465	2	$5,292	0	$0	1	$0
	MO / RO	10	$5,672	5	$1,614	3	$725	4	$0	1	$0
										Total:	$102,422

TLI = Time lost incident
MO = Incident required medical attention but no lost time
RO = Incident required no medical attention or lost time

Performance Measures Methodology Sheet
Refuse Collection Utility

Measure: Improved safety for Refuse Collection Workers

Type

Effectiveness

Accomplishment Goal Supported

Reduce injuries for Refuse Collection Workers

Definition

SWS will provide fleet improvements and training to all Refuse Collection staff to improve operational safety of this group. We will track costs and lost time associated with worker injuries by operational activity.

Data Collection Method

All accident and injury related data is reported to and compiled by the Municipal Risk Manager's office in accordance with Municipal policies and procedures and Occupational Health and Safety Administration (OSHA) requirements.

Frequency

Data is collected on a per incident basis.

Measured By

Injuries and incidents are measured and reported per OSHA standard reporting requirements.

Reporting

The Municipal Risk Management department provides monthly reports which detail losses by month and year-to-date. The SWS Safety Officer attributes incidents to job-specific activities.

Used

Data is used by the SWS Safety Officer and Director to identify high risk activities, perform job safety analyses, and develop training and safety system adjustments to focus on reducing incidents.

Explanatory Information

From 2002 through 2006, the Refuse Collection Utility incurred approximately $860,000 in Worker's Compensation medical claims. In 2008 SWS began implementation of automated refuse collection for residential customers. Currently 90% of all residential trash is collected by automated equipment.

Performance Measures Methodology Sheet
Refuse Collection Utility

Measure: Increase curbside recycle diversion

Type

Effectiveness

Accomplishment Goal Supported

Achieve an overall recycle diversion rate of 20 percent for all residential customers.

Definition

Refuse Collections currently diverts between 16 percent and 20 percent of the waste stream from residential customers to recycle markets. We currently service greater than 98 percent of our customers on automated routes, with all residential refuse collection routes automated. Increasing diversion of recyclables reduces our operating costs.

Data Collection Method

All refuse and recycle loads are weighed by commercial scales at the Central Transfer Station. The diversion rate is calculated as the percentage of materials delivered to the recycle center out of all materials collected by the residential collection trucks. Customer participation is currently measured solely by subscription rate. SWS is evaluating means of estimating actual household participation by other measures, such as lift arm cycles on the recycle collection vehicles.

Frequency

All vehicles are weighed prior to unloading. Weights are automatically entered into our load management system, with scale house staff entering vehicle numbers on the weight transaction. Lift arms have an on-board cycle counter. Route drivers would record the beginning and ending count on the cycle counter for every shift.

Measured By

Weights are measured using the SWS commercial scales. Load counter data are recorded by route drivers on their daily route sheets. Diversion rate is calculated as the ration of tonnage diverted to total tonnage collected.

Reporting

Weight and arm cycle data are provided to the SWS Recycling Coordinator who reviews the data and calculates the diversion rates and household participation.

Used

Data is used by SWS to budget for disposal and recycle processing costs. Diversion and participation rates can be used to focus educational materials and customer outreach to better promote the program.

Explanatory Information

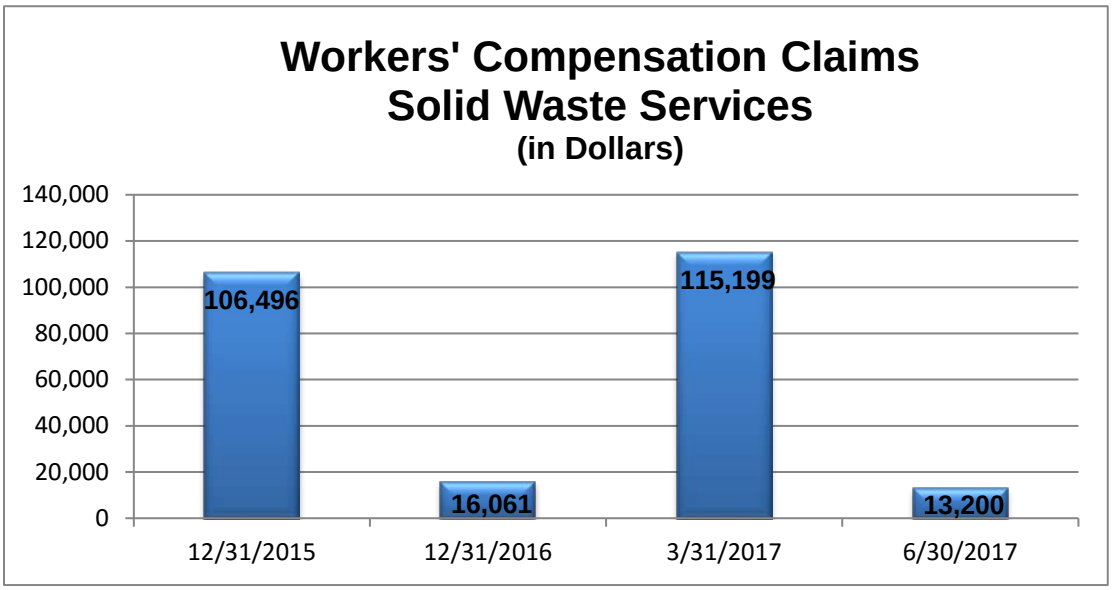
The automated refuse collection program includes a voluntary curbside recycling program which is provided to the customers at no additional charge. Source reduction and diversion of recyclables extends the life of the landfill. The Collection Utility realizes a savings for each ton of recyclable materials diverted. The cost to dispose of refuse delivered to the Transfer Station is $68/ton whereas the cost to process recycled materials is currently $60/ton.

Approximately 13 percent of customers refused to have a recycling roll cart when they selected their automated service level. There are many other customers who have a recycling roll cart but do not use it.

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.



Solid Waste Services
Highlights and Future Events

Disposal Utility
To compare prior years to the 2018 budget, the Disposal Utility 2018 total budget is projected at $24,233,350 compared to the 2017 Revised Budget of $23,922,239 and the 2017 Pro-forma of $23,137,930. The 2018 budget is 1.3% higher than the 2017 Revised Budget. This increase is primarily due to the increase in the budgeted Municipal Utility Services Assessment.

The two items in the budget that are not appropriated by the Assembly are the non-cash items, depreciation and landfill closure expenses, totaling $5,950,000. Depreciation expense is projected at $4,650,000 and the estimated landfill closure cost is $1,300,000. Although the budget appropriation excludes non-cash items, both depreciation and landfill closure costs are included in the utility's financial statements.

Removing the $5,950,000 of non-cash items from the total budget of $24,233,350, results in a 2018 appropriation budget of $18,283,350, a 0.8% increase over the 2017 Revised Budget (without non-cash items). This shows a straight-line budget which reflects the prediction similar to the Anchorage Economic Development Corporation (AEDC) projections.

Total revenue for 2018 is projected at $22,772,605, compared to the 2017 Revised Budget revenue of $22,751,080. It is 0.1% higher and also reflects the Anchorage Economic Development Corporation's forecast of a stagnant growth in the economy.

Net income of <$1,460,745> is forecast for 2018. With the higher anticipated expenses and the same amount of tonnage being received, an additional rate increase will likely be required in the very near future.

With a capital budget of $8.18 million, the 2018 capital projects include several ARL replacement items with new technologies, and landfill equipment as well as replacing infrastructure.

Refuse Collection
To compare prior years to the Refuse Collection 2018 budget, the Refuse Collection's total operating budget is $11,930,480. The 2017 pro forma is $10,009,528, and the 2017 Revised Budget is $10,694,907. The 2018 budget is 11.55% higher than the 2017 Revised Budget. There are two major areas effecting the Refuse Collection Budget. There is a major increase in both the dividends to be paid to the Municipality of Anchorage, and the Intra-Government Cost Transfers from Other Departments. Refuse Collection has purchased several new trucks which will increase the amount of depreciation.

The Refuse Collection 2018 Proposed Budget authorization figure will exclude $1,017,000 of depreciation, a non-cash item. Although the budget appropriation excludes non-cash items, depreciation will be included in the utility's financial statements.

Removing the $1,017,000 of depreciation from the total budget of $11,930,480 results in a 2018 appropriation budget of $10,913,480, 12.6% more than the 2017 Revised Budget (without depreciation).

Total revenue for 2018 is projected at $11,445,000, compared to the 2017 Revised Revenue of $11,290,500, a 1.37% increase. Refuse Collections is able to recognize additional Other Collection Revenues through its use of an On-Board Computer (OBC). This system allows a more accurate tracking of additional services. Additionally, Refuse Collections has instituted a new commercial recycling program. Without a rate increase revenues are expected to be relatively stable into the future.

The estimated Refuse Collection 2018 Proposed Budgeted net income is <$485,480> and a capital budget of $2.39 million is proposed. Capital expenses include the purchase of a compact front-loader, a side-loader, building improvements, as well as dumpsters and roll-off cans for solid waste customers. Refuse Collections is also requesting funding for additional bear carts and an electrical refuse vehicle.

Solid Waste Services
External Impacts

Disposal
SWS is scheduled to construct two new landfill cells at the ARL before the end of 2020. SWS anticipates using State of Alaska Clean Water Loans with a low interest rate and 20-year term, whenever possible. It is unknown if the program will be funded in the future; if the eligible expenses related to landfill construction will further limit use of these funds for construction; or if SWS will be awarded loans based on the program scoring criteria. Currently, the total cost of the landfill expansion is over $22M, with potential loan amounts estimated at $21M to cover those costs.

The landfill gas (LFG) to Energy project came into commercial operation in 2013. Revenue to the Solid Waste Disposal Utility (SWDU) derived from the sale of landfill gas to Doyon Utilities (DU) is based upon the purchase price for natural gas as reported by Chugach Electric to the Regulatory Commission of Alaska. Future revenues anticipated from this project will be based upon gas price projections by Chugach Electric and other area utilities. As a result the actual revenue generated by the LFG project will fluctuate dependent upon market price of natural gas in Southcentral Alaska.

Currently DU Inc. holds an air quality permit which will allow continuous operation of up to six generating units at the LFG power plant on Joint Base Elmendorf-Richardson (JBER). The power plant currently operates five generating units, producing approximately seven (7) MW of power. In the summer months, power usage at Fort Richardson decreases below this capacity in off-peak hours. Because of the lower demand, one generating unit is shut down on evenings and weekends, resulting in decreased landfill gas consumption, seasonally. Currently, there is no energy integration between the Fort Richardson and Elmendorf sides of JBER. This limits the amount of revenue that can be generated by the project. A project is currently in the final phases of design to interconnect the Fort Richardson and Elemendorf electrical grids.

The current tonnage received at the landfill is dependent upon all refuse providers servicing the MOA. SWS is in the process of implementing a Recycling Education Program as well as recycling incentives. As a result, there is an expected decrease in the amount of refuse received by ARL.

Since 1994 SWS has stored gravel generated from cell development activities on leased land from Fort Richardson. SWS currently has over 4M-cy of material stored at this location which will all be used in the normal operation of the landfill. An extension of this lease needs to be negotiated prior to expiration in 2019 to ensure continued use of this property until the gravel is expended.

Leachate from the ARL is disposed of to Anchorage Water & Wastewater Utility’s (AWWU) wastewater collection system. SWS hauls the leachate from ARL to AWWU's Turpin Street septic hauler station. SWS has hauls over 25 million gallons annually to this facility. The cost for this activity is driven by labor, fuel and vehicle O&M costs as well as AWWU disposal rates, all of which are continuously rising. SWS is in the process of initiating design activities for a pipeline to allow direct discharge to the AWWU system.

ARL and CTS facilities were all constructed in 1987. Consequently, many mechanical, electrical and structural components of these facilities are rapidly approaching or have exceeded their

useful lives. Many of these systems are either life safety issues or critical to the continued operation of the facilities. SWS has and will continue to incur significant capital and maintenance costs as these facilities and components are upgraded or replaced.

Solid Waste Services
Workforce Projections

Division	2016	2017	2018	2019	2020	2021	2022	2023
Refuse Collection	26	26	26	26	26	26	26	26
Disposal	53	51	49	48	48	48	48	48
Administration	20	20	23	23	23	23	23	23
Total Full Time	**99**	**97**	**98**	**97**	**97**	**97**	**97**	**97**
Part time/Temp	4	6	6	6	6	6	6	6
Seasonal	7	7	6	7	7	7	7	7
Total Positions	**110**	**110**	**110**	**110**	**110**	**110**	**110**	**110**
Total FTE	**108**	**107.6**	**105.3**	**105.3**	**105.3**	**105.3**	**105.3**	**105.3**

2016 values stated are historical budgeted positions and FTEs.

Solid Waste Services - Disposal
8 Year Summary
($ in thousands)

Financial Overview	2016 Actuals	2017 Proforma	2018 Proposed	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Revenues	23,600	23,967	22,773	23,228	23,693	24,167	24,650	25,143
Expenses	20,709	23,138	24,233	24,475	24,720	24,967	25,217	25,469
Net Income (Loss)	**2,891**	**829**	**(1,460)**	**(1,247)**	**(1,027)**	**(800)**	**(567)**	**(326)**
Budgeted Positions	63(83)	56(83)	54(83)	54(83)	54(83)	54(83)	54(83)	54(83)
Capital Improvement Program	3,180	5,475	8,176	4,735	14,847	11,315	7,340	2,340
Bond Sales/ New Debt	-	-	-	11,807	-	-	10,872	-
Net Plant (12/31)	66,325	64,203	67,892	65,260	62,627	83,132	86,802	89,142
Dividend	-	1,144	750	665	650	700	700	700
Net Assets (12/31)	55,745	56,574	55,114	53,867	52,840	52,040	51,473	51,147
Unrestricted Net Assets	55,745	56,574	55,114	53,867	52,840	52,040	51,473	51,147
Future Landfill Closure Liability	31,101	33,045	33,945	34,845	35,745	36,645	37,545	38,445
General /Construction Cash Pool	9,936	11,723	7,575	12,469	2,834	(12,231)	(9,418)	(12,749)
Landfill Closure Cash Reserve**	32,408	33,552	34,302	34,845	35,745	36,645	37,545	38,445
Total Cash	**42,344**	**45,275**	**41,877**	**47,314**	**38,579**	**24,414**	**28,127**	**25,696**
IGCs - General Government	2,146	2,362	3,479	3,618	3,763	3,913	4,070	4,233
Utility Revenue Distribution	295	300	285	290	296	302	308	314
MUSA	810	1,347	1,372	979	939	1,247	1,302	1,337
Total Outstanding Debt	15,741	14,491	13,004	13,004	24,363	22,193	20,893	31,765
Total Annual Debt Service	2,311	1,729	1,690	1,650	2,178	2,178	2,156	2,658
Debt Coverage	1.25	0.48	(0.86)	(0.76)	(0.47)	(0.37)	(0.26)	(0.12)
Debt/Equity Ratio	19/67	18/67	16/67	16/67	31/67	29/67	27/67	42/67
Rate Percentage Change (CTS /ARL)								
Tipping Fee Rate per Ton (ARL / CTS)	$58/$68	$58/$68	$58/$68	$58/$68	$58/$68	$58/$68	$58/$69	$58/$68
Pickup Rate per Load	$16	$16	$16	$16	$16	$16	$16	$16
Car Rate per Load	$6	$6	$6	$6	$6	$6	$6	$6
Statistical/Performance Trends								
Tons Disposed	330,805	310,052	305,000	305,000	305,000	305,000	305,000	305,000
Vehicle Count	240,328	239,840	240,000	240,000	240,000	240,000	240,000	240,000

**In 2008, a restricted account to fund landfill closure & post-closure was approved by the MOA Assembly.

Certain actual financial figures above will not match the Comprehensive Annual Financial Report; the CAFR combines Disposal with Administrative and Vehicle Maintenance cost centers.

Solid Waste Services - Disposal
Statement of Revenues and Expenses

	2016 Actuals	2017 Proforma	2017 Revised	18 v 17 $ Change	2018 Proposed	18 v 17 % Change
Operating Revenue						
Landfill Disposal Fees	19,467,740	19,476,565	19,220,405	-	19,220,405	0.0%
Hazardous Waste Fees	752,825	289,675	400,000	(100,000)	300,000	-25.0%
Community Recycling Residential	168,269	165,304	165,000	-	165,000	0.0%
Community Recycling Comercial	441,242	431,257	400,000	10,000	410,000	2.5%
Landfill Methane Gas Sales	1,671,692	1,820,180	1,700,000	150,000	1,850,000	8.8%
Recycle Rebate	90,650	-	-	-	-	0.0%
Reimbursed Costs	56,153	149,694	60,000	40,000	100,000	66.7%
Unsecured Loads	14,580	13,685	15,000	-	15,000	0.0%
Other	233,957	207,273	103,000	39,200	142,200	38.1%
Total Operating Revenue	**22,897,108**	**22,553,633**	**22,063,405**	**139,200**	**22,202,605**	**0.6%**
Non Operating Revenue						
Misc. non-operating Revenue	140,000	16,133	140,000	(120,000)	20,000	0.0%
Interest from cash pool	422,675	678,821	422,675	(22,675)	400,000	-5.4%
Unrealized Gains/Losses	100,000	411,465	100,000	-	100,000	0.0%
Other Property Sales/Diposition of Assets	40,000	307,393	25,000	25,000	50,000	100.0%
Capital Contributions/Grant Revenue	-	-	-	-	-	-
Total Non Operating Revenue	**702,675**	**1,413,812**	**687,675**	**(117,675)**	**570,000**	**-17.1%**
Total Revenue	**23,599,783**	**23,967,445**	**22,751,080**	**21,525**	**22,772,605**	**0.1%**
Operating Expenses						
Labor						
Labor and Benefits	6,206,085	5,839,144	6,019,563	(166,956)	5,852,607	-2.8%
Overtime	430,236	508,889	415,000	125,966	540,966	30.4%
Total Labor	**6,636,321**	**6,348,033**	**6,434,564**	**(40,991)**	**6,393,573**	**-0.6%**
Non Labor						
Non Labor	4,983,148	5,936,700	5,932,570	(204,170)	5,728,400	-3.4%
Travel	1,456	10,199	6,700	8,300	15,000	123.9%
Landfill Closure Costs	1,307,255	907,982	1,300,000	-	1,300,000	0.0%
Debt Service	258,033	258,033	258,000	2,000	260,000	0.8%
Depreciation and Amoritization	4,271,662	4,523,269	4,487,910	162,090	4,650,000	3.6%
Dividend Distribution	-	1,143,934	1,142,839	(392,839)	750,000	100.0%
MUSA	1,105,279	1,647,448	1,396,367	260,633	1,657,000	18.7%
Total Non Labor	**11,926,833**	**14,427,565**	**14,524,386**	**(163,986)**	**14,360,400**	**-1.1%**
Total Direct Cost	**18,563,154**	**20,775,598**	**20,958,950**	**(204,977)**	**20,753,973**	**-1.0%**
Charges from other departments	2,145,520	2,362,332	2,963,289	516,088	3,479,377	17.4%
Total Operating Expense	**20,708,674**	**23,137,930**	**23,922,239**	**311,111**	**24,233,350**	**1.3%**
Interest during Construction						0.0%
Total Non Operating Expense	-	-	-	-	-	0.0%
Total Expenses (Function Cost)	**20,708,674**	**23,137,930**	**23,922,239**	**311,111**	**24,233,350**	**1.3%**
Net Income	**2,891,109**	**829,515**	**(1,171,158)**	**(289,587)**	**(1,460,745)**	**24.7%**
Appropriation						
Total Expenses			**23,922,239**	**311,111**	**24,233,350**	
Less: Non Cash items						
Landfill Care and Closure			1,300,000	-	1,300,000	
Depreciation and Amortization			4,487,910	162,090	4,650,000	
Total Non Cash			5,787,910	162,090	5,950,000	
Amount to be Appropriated (Cash Expenses)			**18,134,329**	**149,021**	**18,283,350**	

Solid Waste Services - Disposal
Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2017 Revised Budget	23,922,239	51	-	5
Changes in Existing Programs/Funding for 2018				
- Non labor - reduction on payment of landfill settlement	(204,170)	-	-	-
- Additional Travel for Training in new Landfill Technologies and Closures	8,300	-	-	-
- Adjust Debt Service	2,000	-	-	-
- Depreciation and amortization	162,090	-	-	-
- Dividend Distribution	(392,839)	-	-	-
- Adjust MUSA	260,633	-	-	-
- Charges from Other Departments	516,088	-	-	-
2018 Continuation Level	**24,274,341**	**51**	**-**	**5**
2018 Proposed Budget Changes				
- Salary and benefits adjustments	(40,991)	(2)	-	-
2018 Proposed Budget	**24,233,350**	**49**	**-**	**5**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(4,650,000)	-	-	-
- Landfill Care and Closure	(1,300,000)	-	-	-
2018 Proposed Budget (Appropriation)	**18,283,350**	**49**	**-**	**5**

Solid Waste Services - Disposal
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Anchorage Regional Landfill Improvements	3,160	2,775	9,082	7,275	5,275	275	27,842
Central Transfer Station Improvements	1,850	-	-	-	-	-	1,850
Equipment & Vehicles	2,886	1,930	5,735	4,010	2,035	2,035	18,631
Girdwood Improvements	-	-	-	-	-	-	-
Office Equipment & Technology	280	30	30	30	30	30	430
Total	**8,176**	**4,735**	**14,847**	**11,315**	**7,340**	**2,340**	**48,753**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Clean Water Loan	-	1,000	8,807	7,000	5,000	-	21,807
Commercial Loan	-	-	-	-	-	-	-
Equity/Operations	8,176	3,735	6,040	4,315	2,340	2,340	26,946
Total	**8,176**	**4,735**	**14,847**	**11,315**	**7,340**	**2,340**	**48,753**

Solid Waste Services - Disposal
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
175 cfm Air Compressor	-	-	20	20
Alarm Panel Replacement	-	-	50	50
Anchorage Regional Landfill (ARL) Gas Emissions Monitoring Device	-	-	16	16
Annual Additional Gas Wells and Piping	-	-	175	175
ARL Energy Efficiency	-	-	100	100
ARL Scalehouse Scales	-	-	250	250
Central Transfer Station (CTS) Roof and Floor Upgrade	-	-	1,400	1,400
CTS Scalehouse Scales	-	-	250	250
D9 Dozer/Cat	-	-	1,200	1,200
Emergent Equipment Contingency	-	-	50	50
Engineering Design Contract	-	-	100	100
Fleet Focus	-	-	250	250
Gravel Processor Plant (Grizzly)	-	-	75	75
Leachate Force Main Construction	-	-	1,500	1,500
Leachate Pipeline Design	-	-	450	450
Leachate Pond Rebuild	-	-	450	450
Leachate Tankers (2)	-	-	290	290
Office Equipment and technology purchase	-	-	30	30
Pickup Truck (2)	-	-	90	90
Ramp Heating System	-	-	200	200
Reconstruct Fueling Island Pump	-	-	40	40
Scrap Metal Roll Off Containers (2)	-	-	30	30
Tractors (3)	-	-	525	525
Trailers (4)	-	-	540	540
Warm Storage Heating	-	-	45	45
White Water Truck	-	-	50	50
Total	**-**	**-**	**8,176**	**8,176**

Solid Waste Services - Disposal Utility
Statement of Cash Sources and Uses

	2016 Actual	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Operating Income[1]	3,551,746	4,160,697	244,147
Depreciation, net of amortization	4,271,662	4,523,269	4,650,000
Amortization of Landfill Liability	1,307,255	907,982	1,300,000
Deferred Revenue	(146,753)	-	-
Capital Contribution	-	-	-
Interest Received	422,675	687,633	422,675
State of Alaska Loan Proceeds	-	-	-
Changes in Assets and Liability	1,373,937	-	-
Total Sources of Cash Funds	**10,780,522**	**10,279,581**	**6,616,822**
Uses of Cash Funds			
Capital Construction	2,522,706	3,180,000	5,440,000
Debt Principal Payment	1,913,205	1,356,135	1,356,500
Debt Interest Payments	258,033	258,033	260,000
Landfill Post Closure Cash Reserve Transfer	1,307,255	907,982	1,300,000
MUSA	1,105,279	1,647,448	1,657,000
Dividend Distribution	-	1,143,934	750,000
Total Uses of Cash Funds	**7,106,478**	**8,493,532**	**10,763,500**
Net Increase (Decrease) in Cash Funds	3,674,044	1,786,049	(4,146,678)
Cash Balance, January 1	6,261,575	9,935,619	11,721,668
Cash Balance, December 31	**9,935,619**	**11,721,668**	**7,574,990**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	8,037,137	11,721,668	7,574,990
Construction Cash	1,898,482	-	-
Cash Balance, December 31	**9,935,619**	**11,721,668**	**7,574,990**
Landfill Post Closure Cash Reserve	32,408,183	33,552,117	34,302,117

[1] Operating Income less Functional Costs plus Debt Interest, MUSA, and Dividends.

Solid Waste Services - Refuse Collection
8 Year Summary
($ in thousands)

Financial Overview	2016 Actuals	2017 Proforma	2018 Proposed	2019	2020	2021	2022	2023
				Forecast				
Revenues	11,290	11,640	11,445	11,500	11,500	11,500	11,500	11,500
Expenses	9,854	10,010	11,930	12,169	12,412	12,660	12,913	13,172
Net Income (Loss)	**1,436**	**1,630**	**(485)**	**(669)**	**(912)**	**(1,160)**	**(1,413)**	**(1,672)**
Budgeted Positions	27	27	27	27	27	27	27	27
Capital Improvement Program	1,595	2,180	2,385	1,780	1,805	1,535	1,495	1,405
Bond Sales	-	-	-	-	-	-	-	-
Net Plant (12/31)	3,521	2,891	4,176	4,556	4,961	5,096	5,191	5,196
Dividend	500	556	1,270	750	600	625	630	630
Net Assets (12/31)	10,202	11,832	11,347	10,678	9,766	8,606	7,193	5,521
General/Construction Cash Pool	8,929	8,145	6,715	5,366	3,749	2,154	346	(1,631)
IGCs - General Government	1,435	1,483	2,560	2,611	2,663	2,717	2,771	2,826
Utility Revenue Distribution	-	-	-	-	-	-	-	-
MUSA	40	36	37	57	62	64	65	65
Total Outstanding Debt	-	-	-	-	-	-	-	-
Total Annual Debt Service	-	-	-	-	-	-	-	-
Debt Service Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100
Residential Rate per month			$14.10 - $36.50 pay as you throw variable residential rates					
Commercial Rate (3Yd-1 per wk)	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00
Statistical/Performance Trends								
Waste Collected (Tons)	36,026	36,747	36,500	36,500	36,500	36,500	36,500	36,500
Average Residential Services	12,230	12,230	12,230	12,230	12,230	12,230	12,230	12,230
Average Dumpsters Services	4,378	4,378	4,378	4,378	4,378	4,378	4,378	4,378

Solid Waste Services - Refuse Collection
Statement of Revenues and Expenses

	2016 Actual	2017 Proforma	2017 Revised	18 v 17 $ Change	2018 Proposed	18 v 17 % Change
Operating Revenue						
Commercial	7,112,349	7,115,447	7,230,000	70,000	7,300,000	0.97%
Residential	3,429,052	3,617,397	3,413,500	36,500	3,450,000	1.07%
Dumpster Container Rental	474,691	476,289	470,000	5,000	475,000	1.06%
Other Collection Revenues	48,865	146,157	85,000	45,000	130,000	52.94%
Total Operating Revenue	**11,064,957**	**11,355,290**	**11,198,500**	**156,500**	**11,355,000**	**1.40%**
Non Operating Revenue						
Interest from Cash Pool	173,206	169,427	82,000	(2,000)	80,000	-2.44%
Unrealized Gains & Losses	42,035	104,405	-	-	-	-
Misc. non-operating Revenue	9,662	11,131	10,000	-	10,000	0.00%
Total Non Operating Revenue	**224,903**	**284,963**	**92,000**	**(2,000)**	**90,000**	**-2.17%**
Total Revenue	**11,289,860**	**11,640,253**	**11,290,500**	**154,500**	**11,445,000**	**1.37%**
Operating Expenses					-	
Labor and Benefits						
Labor and Benefits	2,905,625	2,992,644	3,132,745	46,821	3,179,566	1.49%
Overtime	93,661	124,944	113,000	12,000	125,000	10.62%
Total Labor	2,999,286	3,117,588	3,245,745	58,821	3,304,566	1.81%
Non Labor						
Non Labor	3,917,067	3,834,944	3,696,620	35,380	3,732,000	0.96%
Travel	4,514	11,018	6,000	4,000	10,000	66.67%
MUSA	39,785	35,927	35,927	1,073	37,000	2.99%
Dividends	500,000	555,629	570,000	700,000	1,270,000	122.81%
Depreciation and Amortization	958,156	971,256	1,004,500	12,500	1,017,000	1.24%
Total Non Labor	5,419,522	5,408,774	5,313,047	752,953	6,066,000	14.17%
Total Direct Cost	**8,418,808**	**8,526,362**	**8,558,792**	**811,774**	**9,370,566**	**9.48%**
Charges from Other Departments	1,435,300	1,483,166	2,136,115	423,799	2,559,914	19.84%
Total Operating Expense	**9,854,108**	**10,009,528**	**10,694,907**	**1,235,573**	**11,930,480**	**11.55%**
Non Operating Expense						
Total Non Operating Expense	-	-	-	-	-	0.00%
Total Expenses (Function Cost)	**9,854,108**	**10,009,528**	**10,694,907**	**1,235,573**	**11,930,480**	**11.55%**
Net Income	**1,435,752**	**1,630,725**	**595,593**	**(1,081,073)**	**(485,480)**	**-181.51%**
Appropriation						
Total Expenses			**10,694,907**	**1,235,573**	**11,930,480**	
Less: Non Cash items						
Depreciation and Amortization			1,004,500	12,500	1,017,000	
Total Non-Cash			1,004,500	12,500	1,017,000	
Amount to be Appropriated (Cash Expenses)			**9,690,407**	**1,223,073**	**10,913,480**	

Solid Waste Services - Refuse Collection
Reconciliation from 2017 Revised Budget to 2018 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2017 Revised Budget	10,694,907	26	-	1
Changes in Existing Programs/Funding for 2018				
- Salary and benefits adjustments	58,821	-	-	-
- Non-Labor Adjustments (increase in contracted services for Hybrid vehicle)	35,380	-	-	-
- Travel (Additional leadership training)	4,000	-	-	-
- Depreciation	12,500	-	-	-
- Adjust MUSA, Gross Receipts, Contributions	701,073			
- Charges from other Departments	423,799	-	-	-
2018 Continuation Level	**11,930,480**	**26**	**-**	**1**
2018 Proposed Budget Changes				
- None	-	-	-	-
2018 Proposed Budget	**11,930,480**	**26**	**-**	**1**
2018 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(1,017,000)	-	-	-
2018 Proposed Budget (Appropriation)	**10,913,480**	**26**	**-**	**1**

Solid Waste Services - Refuse Collection
2018 - 2023 Capital Improvement Program
(in thousands)

Project Category	2018	2019	2020	2021	2022	2023	Total
Building Improvements	420	80	-	-	-	-	500
Containers/Dumpsters/Roll-offs & Lids	360	360	360	360	360	360	2,160
Data Processing	135	30	30	30	30	30	285
Office Equipment	5	5	5	5	5	5	30
Vehicle Replacement	1,465	1,055	1,410	1,140	1,100	1,010	7,180
Total	**2,385**	**1,530**	**1,805**	**1,535**	**1,495**	**1,405**	**10,155**

Funding Source	2018	2019	2020	2021	2022	2023	Total
Equity/Operations	2,385	1,530	1,805	1,535	1,495	1,405	10,155
Total	**2,385**	**1,530**	**1,805**	**1,535**	**1,495**	**1,405**	**10,155**

Solid Waste Services - Refuse Collection
2018 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
Additional OBC Change Orders	-	-	40	40
Central Transfer Station (CTS) Building Carpet Replacement	-	-	60	60
Compact Frontloader	-	-	250	250
CTS Building Heating System/Chillers	-	-	190	190
Dumpsters	-	-	275	275
Electric Sideloader and charging system	-	-	600	600
Emergent Equipment Purchase	-	-	50	50
Energy Efficiency Improvements	-	-	120	120
Fleet Focus	-	-	75	75
Lids	-	-	75	75
Mechanic's Truck	-	-	65	65
Mobile Cart Washer	-	-	125	125
Pickup Dump Truck	-	-	70	70
Replace Data Processing Equipment	-	-	20	20
Replace Office Equipment	-	-	5	5
Residential Roll Carts	-	-	10	10
Side loaders	-	-	355	355
Total	**-**	**-**	**2,385**	**2,385**

Solid Waste Services - Refuse Collection
Statement of Cash Sources and Uses

	2016 Actual	2017 Proforma	2018 Proposed
Sources of Cash Funds			
Operating Income	1,750,634	826,060	1,155,319
Depreciation, net of amortization	958,156	971,256	1,017,000
Interest Received	173,206	169,427	80,000
Misc Non-Operating Revenue	9,662	11,131	10,000
Changes in Assets and Liabilities	(523,177)	-	-
Total Sources of Cash Funds	**2,368,481**	**1,977,874**	**2,262,319**
Uses of Cash Funds			
Capital Construction	1,819,733	2,180,000	2,385,000
MUSA	39,785	35,927	37,000
Dividends	500,000	555,629	1,270,000
Total Uses of Cash Funds	**2,359,518**	**2,771,556**	**3,692,000**
Net Increase (Decrease) in Cash Funds	8,963	(793,682)	(1,429,681)
Cash Balance, January 1	8,929,644	8,938,607	8,144,925
Cash Balance, December 31	**8,938,607**	**8,144,925**	**6,715,244**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	6,976,630	8,144,925	6,715,244
Construction Cash	1,961,977	-	-
Cash Balance, December 31	**8,938,607**	**8,144,925**	**6,715,244**

About Solid Waste Services

The Department of Solid Waste Services (SWS) is composed of two utilities, the Refuse Collections Utility (RCU) and the Solid Waste Disposal Utility (SWDU). The RCU provides refuse collection service to residential and commercial customers in the old "City of Anchorage" Service Area and the SWDU operates three transfer stations and the Anchorage Regional Landfill (ARL) providing affordable and environmentally responsible municipal solid waste disposal services for the entire Municipality of Anchorage (MOA). SWS is divided into three organizations: Refuse Collections; Solid Waste Disposal; and Administration (which is a support organization that fully charges out expenses to both Refuse Collections and Disposal Utilities).

Refuse Collections Utility

History
The RCU was originally a function of the former City of Anchorage Public Works Department. When the City and Borough merged in 1975, the RCU became an enterprise activity of the MOA.

Service
The RCU provides refuse collection to the service area of the former City of Anchorage, which is approximately 20% of the population of the MOA. Since 1952, there has been mandatory service for all occupants of the RCU service area. The RCU has four types of services: commercial dumpsters; automated roll cart service; can and bag service; and curbside recycling. The RCU services over 5,000 dumpsters per week with six daily dumpster routes, and two Saturday routes to serve its commercial and multi-family residential customers.

As a result of an automated trash and recycling collection service that began in the fall of 2009, most SWS residential customers are serviced using automated vehicles and roll carts. In 2017, the final phase of automated collection rollout will be completed and the RCU will be servicing eight automated collection routes. Approximately 150 commercial customers remain on can/bag service and will remain on that service until a rate is established for commercial roll-cart service.

Regulation
The fees charged by the RCU are overseen by the Anchorage Municipal Assembly. The RCU is granted the exclusive right to collect solid waste within its defined service area by a Certificate of Public Convenience and Necessity which is issued by the Regulatory Commission of Alaska.

Environmental Mandates
Although there is no specific state or federal regulations governing refuse collection, the RCU must comply with a number of mandated regulations. These regulations include, but are not limited to: the Federal Clean Air Act; the Clean Water Act; and, the Occupational Safety and Health Administration. These regulations have and will continue to impact the economics and operations of the RCU.

Physical Plant
The RCU's truck fleet assets include:

- 11 commercial refuse collection vehicles;
- 10 residential refuse and recycling vehicles (automated and can/bag); 8 automated / 2 Tomcats

- One rear load vehicle for MOA paper collection and recycling; and,
- 7 support vehicles (General Foreman Vehicle, Refuse Collections Leadman Vehicle, Expeditor Vehicle, Mechanics' Truck, 1 ton tilt Flatbed with lift gate, Box Van, and a 2 ton Flatbed)

Currently, there is an average of 24,773 roll-carts and 1,977 dumpsters in service. The RCU maintains a 27,000 square foot building that contains vehicle maintenance, warm storage space, and administrative offices and it is located at the Central Transfer Station (CTS).

Future Planning Efforts
In December 2016 the RCU began utilizing an Automated Refuse Route Management System (ARRMS) to provide real time route information and GPS vehicle locations to make customer service and operations more efficient and cost effective. Specifically, this system provides real-time information to management and customer service staff such as: photo-documented waste containers that are overfull; not placed on curbside; out of compliance in some manner; a method for drivers to document extra charges; provide automated communication between refuse collection vehicles and the back office systems; provide updated route information to refuse collection vehicle operators; track vehicle progress on route; integrate with SWS existing billing system; and provide moving map displays for drivers that show customer and navigation information.

Solid Waste Disposal Utility

History
Municipal solid waste disposal was originally a function of the City Public Works Department, which operated the city landfill at Merrill Field. Under unification, the MOA acquired responsibility for five waste disposal sites from Peters Creek to Girdwood. The SWDU was formed to operate and maintain these sites, while managing solid waste disposal matters throughout the MOA. The five sites were ultimately closed and waste disposal was consolidated at ARL. ARL, is an award winning, state-of-the-art, fully engineered landfill. The facility was opened in 1987 and is the only operating municipal solid waste landfill within the MOA.

Service
The SWDU serves the entire MOA. The services include the disposal of solid waste and collection of household hazardous waste. Municipal solid waste is received at three transfer stations located within MOA. The waste is then transported by the SWDU to ARL for final disposal.

The ARL has a total land area of approximately 275-acres and is being developed in phases called cells. Currently, cells 1 through 7, 8a, 8b, 10 - 12 have been constructed. There are two remaining cells that will begin development in about 2020 with preliminary design starting in 2019. ARL is projected to have a total capacity in excess of 45.1 million cubic yards and should reach its capacity in 2050, dependent upon population growth, waste compaction, diversion of more recyclables and construction activities. In 2016, approximately 330,000 tons were deposited in ARL, which represents approximately 46,000 tons more than in 2015. This increase was due to some major construction projects which required extensive hazardous soils disposal. SWDU currently expects an average of approximately 300,000 tons in 2017 and 2018.

The transfer stations located at Girdwood, midtown Anchorage (CTS), and ARL allow the SWDU to reduce traffic flow to the landfill and restrict access to the working face. CTS receives the largest amount of solid waste, having received over 223,000 tons in 2016 from almost 161,000 customers. This facility has an operating capacity of 1,600 tons per day. The 2016 quantity was 7,473 tons more than 2015. The SWDU operates a fleet of 29 transfer tractor and trailers that transport the solid waste from CTS with a capacity of 120 cubic yards each.

The SWDU is responsible for post closure care and monitoring of former landfill sites at Merrill Field, Peters Creek (Loretta French Park), and International Airport Road (Javier de la Vega Park). At each of these sites, SWS must perform annual groundwater and landfill gas (LFG) migration monitoring. The SDWU operates an active LFG collection system at Merrill Field to mitigate migration of LFG to commercial buildings constructed along Merrill Field Drive. The SWDU also operates and maintains a leachate collection system along 15th Avenue to mitigate potential migration of groundwater contaminants to the Chester Creek system. Since no closure funds were ever designated for these sites, all post closure care activities must be funded out of the SDWU's annual operating budget.

The SWDU operates a 6,000 square foot hazardous waste collection facility built in 1989 at ARL. Through 2015, the facility has collected nearly 24 million pounds of hazardous waste that otherwise may have been improperly disposed of at ARL, the storm drain system, or citizens' backyards.

Household hazardous waste can be dropped off at CTS (on Tuesday, Thursday and Saturday) or the Hazardous Waste Facility located at ARL (Tuesday through Saturday). The hazardous waste is then handled by a contractor that sorts and processes the waste into proper containers. Hazardous products are shipped out of state to federally approved hazardous waste disposal sites. Other materials are rendered inert and landfilled, processed locally, or recycled. Anchorage residents bring household items such as paints, cleaners, and solvents to Reuse Centers at CTS or at ARL. The items are then stocked for other Anchorage residents to take home for reuse on household projects. SWS is also exploring the option of using waste oil collected from collection and transfer vehicles to use as fuel in heaters that will provide heat for warm storage locations at CTS and ARL.

Regulation

The SWDU is not economically regulated by any non-municipal agencies but is overseen by the Anchorage Municipal Assembly. SDWU operates under numerous permits and many EPA regulations. ARL is operated under a Solid Waste operating permit issued by the Alaska Department of Environmental Conservation (ADEC). This permit must be renewed every five years. ARL construction and certain operations must comply with the EPA Resource Conservation and Recovery Act (RCRA) subtitle D. The facility is also regulated under a Title V air emissions operating permit issued by ADEC. SWDU operates under two permits from AWWU for industrial water discharge, one for disposal of leachate from ARL and one for discharge of leachate contaminated groundwater at Merrill Field. ARL has permits from the U.S. Department of Fish and Wildlife and the Alaska Department of Fish and Game for bird management.

Environmental Mandates

SWDU must operate under, and comply with, numerous environmental mandates. These mandates have a significant economic impact on the cost of operations and construction for the Utility. The main environmental mandates that have a significant impact on the SWDU are RCRA subtitle D, the Clean Air Act, New Source Performance Standards (NSPS), the Clean

Water Act, SARA Title 3 (Super Fund), NESAP (asbestos), and NPDES (storm water discharge). In 2010, EPA added greenhouse gas monitoring and reporting requirements that affect both active and closed landfill sites. It is projected that the environmental mandates regarding operating and constructing a landfill will become even more stringent in the future.

Physical Plant
The SWDU's assets include:

Anchorage Regional Landfill
- 275 acres, estimated to last through the year 2050.
- 45.1 million cubic yard capacity.
- Phased construction of cells lasting four to five years each.
- Ten of the 12 landfill cells are constructed.
- Located on municipal land.
- Scale house and a 22,000 square-foot shop with an adjoining storage facility.
- Heavy equipment fleet: dozers, loaders, dump trucks, water truck, leachate trucks, tankers, lube trucks, grader, excavator and solid waste compactor.
- Two leachate storage and treatment lagoons with a 2.9 million gallon capacity.
- Gas collection facility with 700 square foot blower and flare station with a 2,000 cubic feet per minute capacity enclosed flare.
- Gas processing facility processes gas to fuel quality and transports it by pipeline to Doyon Utility's power generation system to produce electricity on adjacent military lands. MOA is currently in a 20-year agreement with Doyon, in which Doyon will generate electricity from methane gas to sell to military customers on Joint Base Elmendorf Richardson (JBER).

Three transfer stations provide intermediate disposal, easy access for public
- Cash booths at Girdwood, CTS, and the ARL public site.
- Two scale houses, one each at CTS and ARL.
- 29 transfer tractor and trailers haul from stations to landfill.

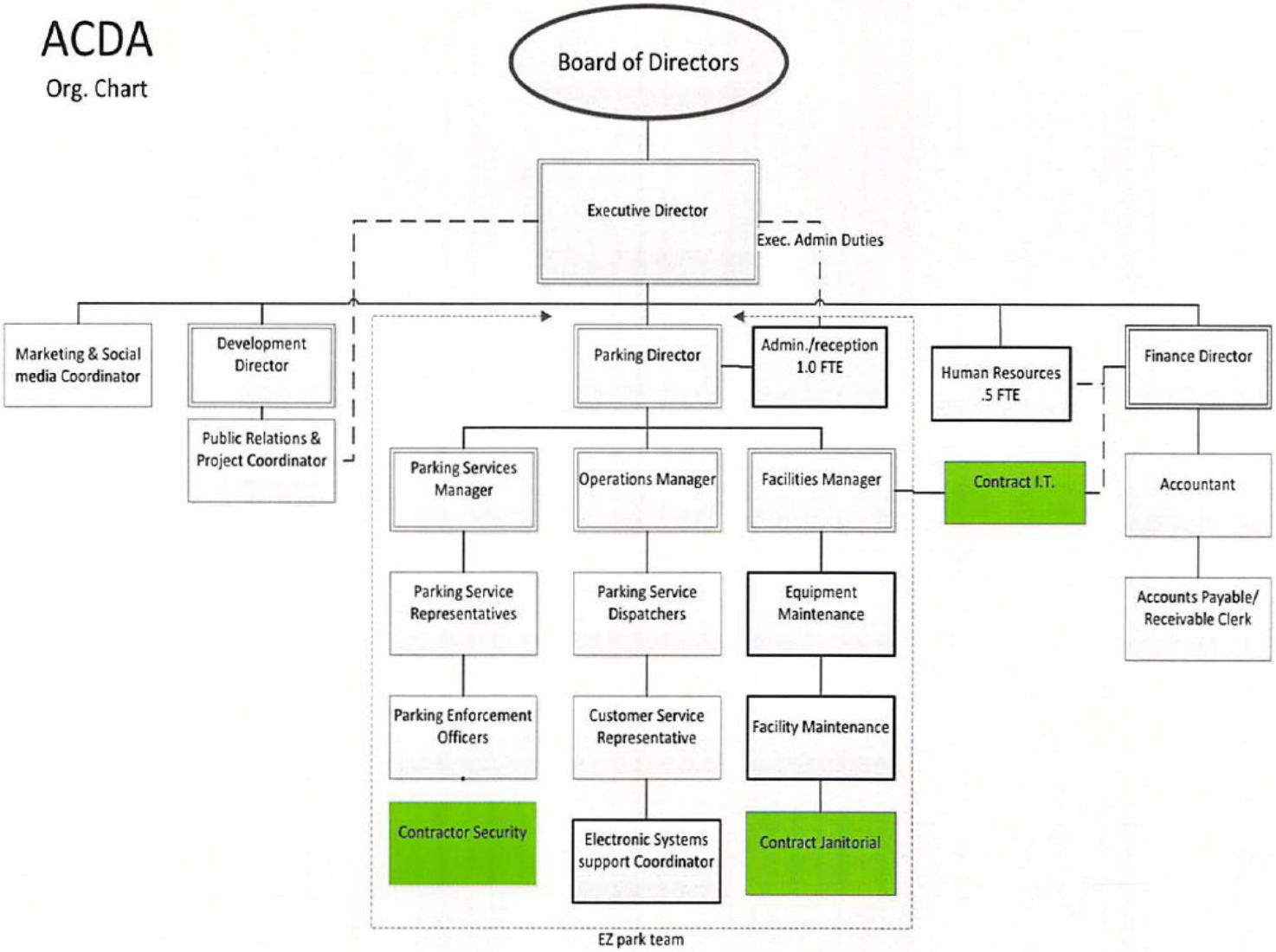
Hazardous waste management
- 6,000 square foot collection facility for household hazardous waste.

Merrill Field
- LFG collection system and leachate/groundwater collection system.

Future Planning Efforts
Future projects include:
- Development of remaining cells (cell 8c and 9) will occur by 2020 with an estimated cost of $22.3 million.
- Slope closure and storm water run off development is on-going.
- Expansion of gas collection system into cells 10, 11 and 12 by 2020.
- Construction of pipeline to mitigate growing expense of hauling leachate.
- Master Planning for the development and growth of SWS.
- Strategic Planning for SWS.
- CTS Upgrade and Expansion.

ACDA

Org. Chart



The Anchorage Community Development Authority
2018

Organization
Pursuant to Municipal Code, AMC 25.35.010(A), the Anchorage Community Development Authority (ACDA) is "an instrument of the municipality, but exists independently of and separately from the municipality." ACDA is governed by a nine-member board of directors appointed by the mayor and approved by the assembly. Two of the nine members are executive employees of the municipality. In addition, two assembly members serve as *ex officio* members of the board. The management team of ACDA reports to the Board of Directors. The Executive Director is appointed by and serves at the pleasure of the Mayor.

ACDA has an operational staff of 48 employees. These employees operate all municipal parking facilities, maintain and clean public garages and parking lots, maintain on-street parking meters, manage Anchorage Police Department's parking citation system, plan and develop public projects, and manage property in the ACDA's inventory. ACDA's planning and development staff work on projects and property transferred from the Municipality to ACDA, along with other redevelopment projects, both in the public as well as the private sectors.

History
The predecessor of ACDA, the Anchorage Parking Authority, was originally created as a separate public authority on February 28, 1984. That authority was created "to create an environment in the Anchorage area such that parking and parking policies are a position of influence for the community as a whole." Within four years, the Anchorage Parking Authority operated three public garages (two of which were new), six surface lots and the on-street spaces are within the Central Business District (CBD). Total parking operated by the Anchorage Parking Authority was approximately 5,800 spaces. Revenues from parking operations were used to help pay debt service on the parking garages built in the 1980s.

In 2004, the municipality began considering creation of a community development authority that could aid in developing public lands identified for their development potential and redevelopment of deteriorated or demised areas or properties, as well as affording housing projects. On January 18, 2005, the assembly adopted an amendment to the Anchorage Parking Authority Ordinance that created the ACDA.

In June of 2011, the Anchorage Assembly delegated ACDA authority to enforce parking violations with the area bounded by Ship Creek on the north, Gambell Street on the east, 10th Avenue on the south, and M street on the west. The Assembly amended Anchorage Municipal Code chapter 25.35.

Mission & Vision
In the fall of 2015, ACDA held a board strategy session to re-align our mission and vision, and to adopt a strong set of guiding principles anchored in our core values such as honesty, innovation and a commitment to our community.

The mission of ACDA is to deliver quality development and public parking services within the Municipality of Anchorage.

The vision of ACDA is to create a vibrant and prosperous Municipality of Anchorage facilitated by innovative community development and public parking.

Budget Assumptions
The 5th, 6th & 7th Avenue Garages along with JC Penny Garage have hourly public parking available on a 24/7 basis. Effective July 1, 2016 rates were adjusted to $1.25 per hour from $1.00 per hour, as well as the expansion of the 1st hour free program to include 5th Avenue Garage in addition to JC Penny Garage.

Employer contributions for the most significant employee benefit expenses (Public Employees' Retirement System (PERS) and medical insurance) will continue to increase. Medical insurance is expected to increase by approximately 5.0% while 2017 employer contribution for PERS is 28.35%. Salary for staff is budgeted to increase by 1% creating a pool to support pay for performance incentive plan. This plan is subject to any budget shortfalls.

Effective July 1, 2016 monthly parking permits range from $95 to $110 per month depending on facility. Also effective July 1, 2016 monthly parking permits in surface lots and on-street permit zones range from $50 to $80 per month depending on location. Parking meter rates increased July 1, 2016 – (2 hour meters at $1.75/hr. and 10 hour meters at $1.25/hr.) There had been no meter increases in 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017.

Lease revenue is generated by leases with small businesses in the 6th Ave Transit Mall, first floor area and the retail spaces in the 5th Avenue Garage. Revenue projections are based on current leases in effect.

Executive Director's Message

2016 was a transformative year for ACDA and its Easy Park Division. Under an aggressive strategic plan established by the Board of Directors, the organization has begun to reimagine its role in developing Anchorage. By combining innovative thinking with existing assets, the organization has begun to evolve into a true development authority.

We moved forward to address the thirty year old problems at the downtown transit center. The building owned by ACDA, is planned to undergo major renovations in 2018 with proposed housing, retail and a dramatically re-configured public transit space. To address safety concerns we launched our "Safety First" program with the Anchorage Downtown Partnership, and to attract new downtown visitors we created the K Street Eats food truck pod and The Rooftop recreation area on the top of our 5th Avenue garage.

2016 also brought some challenges. A softening economy, combined with a decline in downtown employment has kept downward pressure on parking revenues. The loss of corporate accounts and the decline in daily parkers, bookended with escalating depreciation expense due to significant capital repairs has negatively impacted the bottom line. As we move into the future, we view the key to reversing the current revenue trends rests in the aggressive development of our assets. New housing, retail and parking amenities will all play a part in ACDA's future to build Anchorage.

This year for the first time our annual report to the Anchorage Assembly will not only review our prior year highlights, but look into the future to see the initiatives that ACDA/Easy Park is undertaking to meet our vision of a vibrant and prosperous Municipality of Anchorage facilitated by innovative development and public parking.

On behalf of the staff at ACDA and Easy Park, we are pleased to share our highlights from 2016, and look forward to continue serving the Anchorage Community.

Andrew Halcro

Anchorage Community Development Authority
Statement of Revenues and Expenses

	2017 Approved Budget	2018 Proposed Budget
Operating Revenue		
Parking Revenue	8,572,828	8,159,102
Leased Space Revenue	672,480	572,184
Other Operating Revenue	215,000	131,564
Real Estate Sales - Development	427,350	-
Total Operating Revenue	**9,887,658**	**8,862,850**
Non-Operating Revenue		
Non-Operating Revenue	37,786	37,064
Total Non-Operating Revenue	37,786	37,064
Total Revenue	**9,925,444**	**8,899,914**
Operating Expenses		
Labor	3,896,429	3,608,796
Professional Fees	255,000	185,000
Contract Services	1,045,600	1,087,260
Information Services	426,800	434,800
Direct Maintenance Costs	205,000	197,000
Facility Maint. Contract Services	476,000	467,000
Utility Expenses	479,000	519,000
General Expenses	732,400	735,300
Transfers (MESA)	505,500	483,900
Office Expenses	60,600	60,600
Employee Expenses	80,000	75,000
Real Estate Costs - Northpointe	404,707	-
Depreciation	2,210,500	2,700,000
Total Operating Expenses	**10,777,536**	**10,553,656**
Total Net Income	**(852,092)**	**(1,653,742)**
Appropriation		
Total Expenses	10,777,536	10,553,656
Less: Non-Cash Items		
Depreciation	(2,210,500)	(2,700,000)
Amount to be Appropriated (Cash Expenses)	**8,567,036**	**7,853,656**

Anchorage Community Development Authority
2018 Capital Improvement Budget

Project Title	Total
Closed Circuit TV System	50,000
Garage Structural Improvements	750,000
General Development/Tenant Improvements	75,000
IT Upgrades	50,000
Total	**925,000**

Anchorage Community Development Authority
Statement of Cash Sources and Uses

	2016 Actual	2017 Estimated	2018 Proposed Budget
Sources of Cash Funds			
Parking Revenue	6,548,501	8,572,828	8,159,102
Leased Space Revenue	603,889	672,480	572,184
Other Operating Revenue	170,000	178,000	131,564
Development Services	910,439	427,350	-
Other Non-Operating Revenue	-	37,000	37,064
Total Sources of Cash Funds	**8,232,829**	**9,887,658**	**8,899,914**
Uses of Cash Funds			
Parking Operations	6,119,031	7,496,729	7,369,756
Development Operations	464,054	564,807	-
Payment in Lieu of Taxes (MESA)	481,160	505,500	483,900
Capital Investment-Parking Operations	2,499,346	1,930,000	850,000
Capital Investment-Development Operations	81,020	200,000	75,000
Other Uses of Cash Funds	-	-	-
Total Uses of Cash Funds	**9,644,611**	**10,697,036**	**8,778,656**
Net Increase (Decrease) In Cash Funds	(1,411,782)	(809,378)	121,258
Cash Balance January 1,	6,441,287	5,029,505	4,220,127
Cash Balance December 31	**5,029,505**	**4,220,127**	**4,341,385**