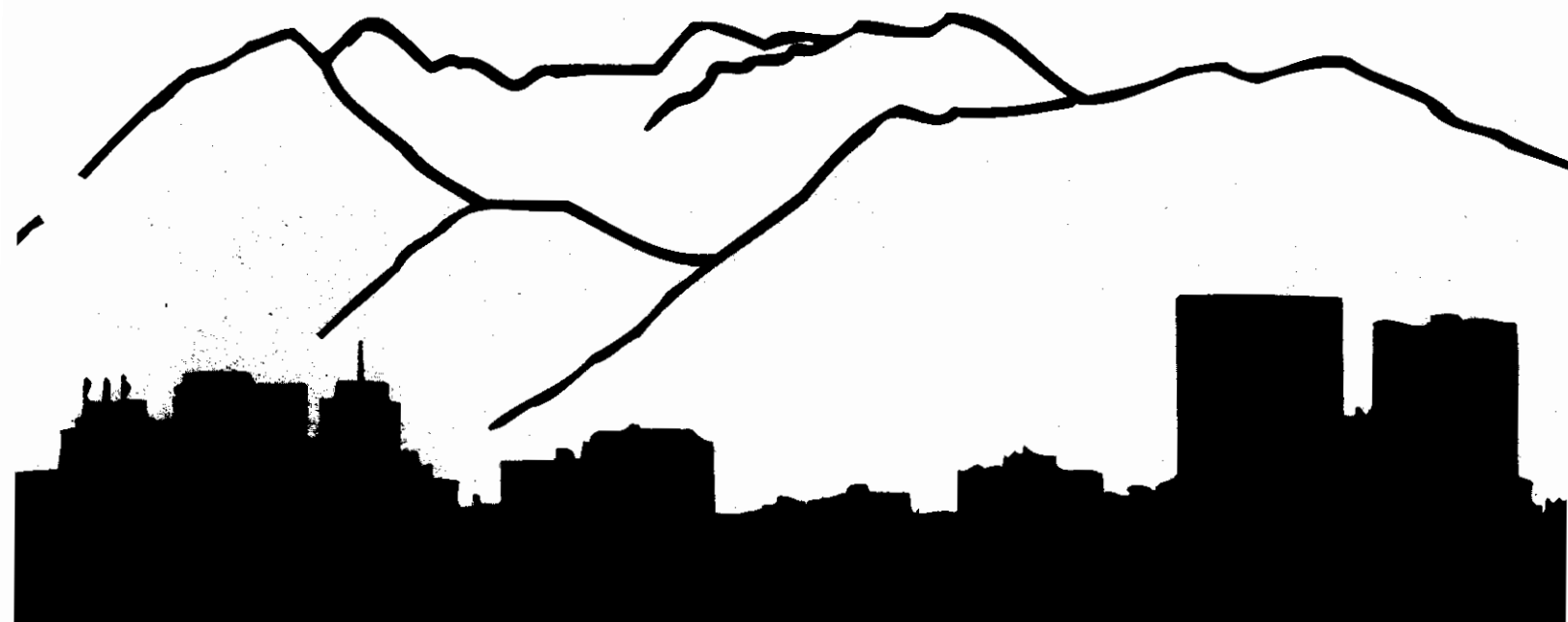


*Dan's
copy*

Municipality of Anchorage



Rick Mystrom
Mayor



1998 Proposed Public Utilities Operating and Capital Budgets

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE MAYOR

September 30, 1997

Dear Residents of Anchorage:

Enclosed herein is my Proposed 1998 Public Utilities' Operating Budget and 1998-2003 Capital Improvement Budget/Program (CIB/CIP), which includes seven municipally-owned utilities, not including the Anchorage Telephone Utility (ATU).

I am pleased to inform you that no rate increases are proposed for 1998. Furthermore, the seven utilities continue to exhibit solid financial performance and the 1998 budget document reflects a continued positive direction.

Each utility's budget was prepared following consistent planning assumptions and guidelines. The administration reviewed each of the Utilities Operating and Capital budgets concentrating on key areas such as revenues, expenses, net income, workforce projections, and rate increase projections.

The primary goal of our utilities is to provide quality service at reasonable rates. By offering competitive rates while maintaining and upgrading infrastructure, our utilities can encourage further economic development in Anchorage.

Our utilities will continue to meet debt service requirements, prudently increase equity, adequately maintain cash reserves and generate sufficient revenues to maintain their plant in good working condition.

Sincerely,

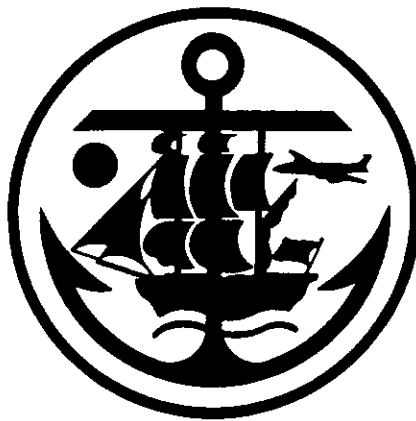
Rick Mystrom

"City of Lights and Flowers"

PUBLIC UTILITIES

1998 PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS

1998-2003 PROPOSED CAPITAL IMPROVEMENT PROGRAM



**Municipality of Anchorage
Rick Mystrom, Mayor**

PUBLIC UTILITIES

1998 PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS

1998 - 2003 PROPOSED CAPITAL IMPROVEMENT PROGRAM

Rick Mystrom, Mayor

ASSEMBLY

Pat Abney
Mark Begich, Chair
Bob Bell
Ted Carlson

Cheryl Clementson
Dan Kendall
Kevin Meyer
Joe Murdy

Fay Von Gemmingen
Charles Wohlforth
George Wuerch

ADMINISTRATION

Larry D. Crawford..... Municipal Manager
Mary K. HughesMunicipal Attorney
Thomas C. TierneyEmployee Relations Director
George J. Vakalis Operations Manager

**PUBLIC UTILITIES
PROPOSED
1998 OPERATING AND CAPITAL BUDGETS**

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BUDGET ASSUMPTIONS

PUBLIC UTILITIES

1998

OPERATING AND CAPITAL BUDGET ASSUMPTIONS

Below are general and specific budget assumptions/guidelines provided to utilities for preparation of their 1998 Operating and Capital Budgets.

REGULATION

Assume continued economic regulation by Alaska Public Utilities Commission (APUC) for AWWU and ML&P.

Assume continued economic regulation by the Federal Maritime Commission (FMC) for the Port.

Assume continued operation oversight by the Federal Aviation Administration (FAA) for Merrill Field.

UTILITY OWNERSHIP

Assume continued Municipal ownership in 1998.

RATE INCREASES

No rate increases should be proposed in 1998 except if all possible budget reductions have been first been fully considered and if one or more of the following conditions have been satisfactorily demonstrated:

- Debt service coverage not adequate.
- Projected cash reserves for working capital not adequate on a sustained basis to cover operating costs during 1997/98. (NOTE: a 45-day reserve of working capital should not be a deciding factor in judging the adequacy of your reserve cash since utilities can temporarily borrow from the general fund cash pool for unforeseen events.)
- Debt/equity ratio projected to fall below criteria established by the regulatory body authorized to oversee the utility.
- Increased rate revenue is determined to be the most prudent funding source for maintaining the utility's plant in a cost-effective working condition.

MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)

Assume mill rates for MUSA (in lieu of taxes) to be same as 1997 mill rates. MUSA (in lieu of taxes) currently does not apply to the Port or Merrill Field. 1.25% MUSA currently applies only to Solid Waste disposal (and ATU).

REVENUE DISTRIBUTIONS

The Port and Solid Waste Disposal will provide a revenue distribution to General Government. The Port's 1998 revenue distribution is proposed for \$675,000. Solid Waste Disposal's 1998 revenue distribution is proposed for \$200,000.

INTEREST

Assume debt service for new insured 20-year G.O. bonds to be 5.50% - 6.00%. For new insured Revenue bonds assume 5.75% - 6.25%. Interest income should be calculated assuming a rate of 5.25% - 5.50%.

INTRAGOVERNMENTAL CHARGES (IGCs)

IGCs from general government to municipal utilities will increase over the rates established first quarter 1997 due to the following reasons: (1) less applied self-insurance fund balance, (2) first year charges related to the cost of the Year 2000 project and the FIS/HRIS/Payroll System project, (3) other MISD supported projects benefiting utilities.

POPULATION

For budgetary purposes, assume (per the City's demographer) that Anchorage's population will be approximately 255,000 in 1997 and 256,000 in 1998.

INFLATION

In general, inflation (i.e., CPI - all urban consumers) is anticipated to approximate 1.5% in 1998. Each utility, however, may apply applicable inflation rates to the commodities they use.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes, assume a cost of living adjustment not-to-exceed 1.5% effective 3/1/98 for all labor groups except IBEW and JCC. Assume a 1.6% cost of

living adjustment for IBEW effective 1/1/98. JCC may or may not receive a wage increase in 1998 depending on the outcome of labor contract renegotiations.

* * * * *

1998 BUDGET IMPACTS (specific to individual utilities)--

MUNICIPAL LIGHT AND POWER

ML&P purchased a one-third working interest in the Beluga River Gas Field in 1996. The Utility also has contracts with the other two owners of the field until the year 2005. The contract price per thousand cubic feet ("MCF") on fuel purchased from the other two owners of the Beluga River Gas Field is established during the third quarter of each year.

It is determined by the average price of third quarter light sweet crude oil futures. It is estimated that the price, as verified with ARCO, will decrease approximately 6.2% per MCF for 1998. The cost of gas is a flow through for ML&P Electric Division, which means that as fuel costs decrease, revenues decrease correspondingly. ML&P Electric Division income will therefore not be affected by the decrease in fuel costs. The cost of fuel being charged to the ML&P Electric Division is being held constant at \$1.50 per MCF plus taxes and royalties. Any additional cost above or below this price will be offset by a deferral to the Gas Division and adjusted via a cost of service adjustment.

ANCHORAGE WATER AND WASTEWATER

The Water Utility intends to borrow \$9.5 million in new debt in 1998. Of this total, \$7.5 million is intended to be from the State loan program. Additionally, the Wastewater Utility intends to borrow \$4.2 million in 1998 from the State loan program. AWWU's capital program will be funded with a mixture of debt and equity, which is necessary to offset the decline in State capital appropriations.

SOLID WASTE SERVICES

No major budget impacts are projected for either the Refuse Collections Utility or Solid Waste Disposal Utility for 1998. Both utilities should remain fiscally healthy and not need any user rate adjustments during the next five-year period if the assumptions prove to be correct that inflation will average 2.5% per year, the customer base in Refuse Collections will remain fairly stable and landfill revenue tons will grow annually at 1.0% per year.

PORT OF ANCHORAGE

Revenues are anticipated to be stable or increase only slightly. This is the result of the net effect of increased wharfage revenues from higher petroleum tonnage levels being offset by a decrease in Terminal Rental revenues for a full year period in 1998.

Expenses are anticipated to increase as a result of increased depreciation due to booking new plant in-service in 1998.

The Port's 1998-2003 Capital Improvement Budget anticipates major projects in following areas: Land Development, Lot 4A Upgrade Project construction in 1998-1999; Terminal Development, North Access Corridor -- Environmental Impact Study in 1998-1999; and Harbor Development, Knik Arm Shoal Dredging in 1998 and Petroleum Terminal #2 Expansion in 1998-2001.

The North Access Corridor -- The next phase, Environmental Impact Study, is dependent on a grant request of \$700,000 in 1998.

MERRILL FIELD AIRPORT

Merrill Field will continue to remain debt free by actively pursuing federal and state airport grant funds for all grant-eligible capital improvement projects. Over \$1.0 million is expected to be received during Federal Fiscal Year 1997. Current proposals before Congress, however, indicate a possible reduction in the Airport Improvement Program, especially in the out years. By working with the federal and state grant managers, Merrill Field should be able to secure a reasonable portion of future grant funding made available.

Merrill Field continues to develop its economic revitalization program through cooperative effort between the business owners and airport management. One result has been the completion of the airport leasing policy manual which has increased interest in leasing airport property for development. For the first time in over ten years, new lease lots have been developed which will have a positive fiscal impact on Merrill Field by providing a broader revenue base.

HIGHLIGHTS AND FUTURE EVENTS

MUNICIPAL LIGHT AND POWER HIGHLIGHTS AND FUTURE EVENTS

Beluga River Gas Field

ML&P finalized the purchase of the one third working interest in the Beluga River Gas Field in December of 1996. This cumulated nearly eighteen months of negotiations with Shell Western E&P's Inc. Purchase of the gas supply will provide all the gas requirements for the Electric Division until the year 2016 and partially meet its needs from 2017 until 2026. This will stabilize fuel cost for the Electric Division over the next 30 years.

Eklutna Hydro-electric Project

In May of 1996, representatives from ML&P, Chugach Electric Association, Matanuska Electric Association and the Alaska Power Association signed the Eklutna Transition Plan formalizing the ownership transfer. This is the first contractual step taken by the Utilities to formally acquire ownership of the federal facility. ML&P is to acquire a 3/5 ownership in the 30-megawatt Eklutna Project which lies north of Anchorage. The Eklutna Plant is currently undergoing major turbine refurbishment, which when completed will increase its capacity to nearly 40 megawatts. Work will be completed on turbine #1 before any work is started on Turbine #2, in order to maintain an average of approximately 50% production for the year. The project will be operated with only one turbine in service for most of the production year 1997.

Cable Replacement

During 1996, ML&P successfully used state-of-the-art horizontal boring technology to replace over 23,000 feet of failing underground power cable without the use of open-ditch trenching and the inevitable destruction of asphalt and landscaping.

New Services

Residential and commercial growth in Anchorage made line extensions and new service connections the primary focus during 1996. A total of 143 commercial customers requested electric service. New customers included the Snow Goose Restaurant, Glacier Brewhouse, Railway Brewing Company, Ernie Turner Recovery Center, CIRI RV Park, New Sagaya Oriental Market, two First National Bank of Anchorage office buildings and Barnes and Noble Booksellers. A long-time customer, the Alaska Native Medical Center, moved into a newly completed 376,000 square-foot 150 bed hospital complex and a 59 bed Hostel in early 1997. A contractual agreement has been entered into with Elmendorf Air Force Base to design, construct and interface ML&P facilities to supply power to the new Central Medical Facility being built on the Base. The new medical facility is scheduled for completion in July of 1998.

New Customers

ML&P continues to look for additional customers both in Retail and Wholesale sales. Currently under negotiation is a contract to deliver firm power to GVEA. The stability of fuel costs will enable the Utility to become more competitive and provide customers with reasonable rates for many years to come. Retail and Wholesale Wheeling is part of the changing scene for electric utilities. ML&P continues to position themselves to take advantage of Retail and Wholesale Wheeling opportunities whenever they become available in Alaska.

In order to utilize the Electric Plant to its full potential, ML&P intends to continue to pursue the avenue of Power Sales Agreements with neighboring utilities in the State of Alaska whenever possible.

Supervisory Control and Data Acquisition (SCADA) System

ML&P has joined with Chugach Electric Association and Golden Valley Electric Association in a joint contract with Siemens Energy & Automation, Inc. The new SCADA system will provide ML&P with a new customized system including hardware, software, and startup systems. Included are software applications for an Energy Management System for transmission and a Distribution Management System for distribution. It is estimated that the project will require three years to complete.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

ANCHORAGE LOOP WATER TRANSMISSION MAIN

The "Loop" will supply water from the Eklutna Water Treatment Facility through a system of large diameter, high pressure water transmission mains to be constructed in the Anchorage Bowl. When completed, the Loop will eliminate areas without water or with low water pressure during periods of high water demand. The "Loop" is an eight phase project, scheduled to be complete during the year 2002.

Phase I (northeast Anchorage to DeBarr Rd.), Phase II (DeBarr Rd. to Northern Lights Blvd.), and Phase III (Northern Lights to 32nd Ave. to Muldoon to Tudor/Patterson reservoirs) are nearly complete and should be final by the end of 1997. This will immediately increase water delivery to Muldoon and Tudor & Patterson Reservoirs. Phases I-III total project cost is projected to be approximately \$21 million.

Phases IV and V have initiated the pre-design phase to determine the final alignments of a transmission main from the Tudor reservoirs southwest to Abbott Road and then to the future Service High reservoirs site (just west of Service Pool). Phase IV will be delayed in selection of the final route until 1998 or later due to environmental constraints and public concerns. Phase V will have the alignment selection completed by the end of 1997.

Phase VII (also known as the Airport Phase 1B) is presently under route selection and design. This phase will connect the existing system at Dimond Blvd. & Jewel Lake to the Kincaid Reservoir. Construction is to proceed in 1998 with completion scheduled for 1999. Total project cost for this phase is estimated at approximately \$7 million.

EAGLE RIVER RESERVOIR

This reservoir and associated piping will significantly improve fire flow capacities to areas east of Eagle River Loop Road, and both sides of Eagle River Road. AWWU has involved the Eagle River community and general public in the site selection process, and, as a result, has chosen a site for the first of potentially four new reservoirs over the next 20 years.

The new reservoir and associated booster station are proposed to be located at AWWU's existing Meadow Creek Reservoir site, near East Eagle River Loop Road and West Skyline Drive. Design is presently underway. Other facilities associated with this reservoir include a transmission main along Eagle River Road, then both north and south along Eagle River Lane. A high pressure booster station along Eagle River Lane Road (just north of Eagle River Road) will service areas north to include Eagle Crest, Preuss, Heritage Estates East & West, and Hylen Crest subdivisions. Construction of the reservoir is tentatively scheduled to start in 1998 and be completed by fall 1999. The transmission facilities are also to start construction in early 1998 with completion tentatively projected for early 1999. The total project costs for these facilities is approximately \$6 million.

GIRDWOOD WWTF UPGRADE

The Girdwood Wastewater Treatment Facility is a tertiary treatment plant constructed in 1978. The facility has a maximum treatment capacity of 0.45 million gallons per day (MGD). The plant routinely exceeds its capacity, with record flows recorded the spring of 1995 equal to 200% of its capacity. With the addition of the Alyeska Prince Hotel, the expansion of service to Old Girdwood Townsite public area, and other new developments, this plant's capacity will be exceeded on a daily basis within the coming years. Therefore, phased upgrades have been initiated as follows:

- Phase I (increase capacity to 0.6 MGD) \$ 3,360,000 Complete 1998
- Phase II (increase capacity to 1.2 MGD) \$15,000,000 Complete 2007

Phase I construction is scheduled to begin in the 3rd quarter of 1997. The upgrade, in addition to handling the higher influent volume, will produce denser sludge, thereby reducing the volume and resulting in fewer sludge haul trips to Anchorage. Phase II is a major upgrade to the treatment plant, and will be necessary in the next decade.

SANITARY SEWER TRUNK REHABILITATION

AWWU has several large sanitary sewer trunks that were constructed in the early 1960's. Many of these were constructed of corrugated metal pipe and locally manufactured concrete pipe. These trunks generally follow the natural drainage topography. This means that the trunks are located within or along many of the major creeks drainage of the Anchorage Bowl, such as Fish Creek, Chester Creek, Campbell Creek, etc. These drainage areas present subsurface environments which are both chemically and physically corrosive to these trunks. The 1995 Wastewater Master Plan identified many of these trunks that are subject to deterioration and that have capacity problems, most being nearly forty years in age. AWWU has incorporated a capital improvements program to address the need to upgrade these sewer trunks. The location of these trunks presents many challenges due to environmental constraints, difficult construction requirements and public impacts. AWWU is investigating and utilizing alternative construction approaches to address these constraints including slip lining, no dig solutions, and spot replacements. It is expected that these trunks will be upgraded over the next five years.

PT. WORONZOF WWTF SECONDARY TREATMENT 301(H) WAIVER

EPA Region 10 has not yet indicated any interest in reviewing the renewal application for this facility's NPDES discharge permit which contains the secondary treatment waiver. The permit expired October 1990. Until the EPA makes a decision, the facility will continue to operate under the requirements of the expired permit.

INFORMATION SYSTEMS APPLICATIONS

The Engineering Division's Assessments process, to create an assessment roll, levy costs against properties and manage a project, is a priority application that will look at workflow, re-engineering, and methods of automating the entire process.

The Operations & Maintenance Division will initiate a PC-based Maintenance Management System (MMS) in 1997/98 to support field maintenance activities. This program will tie maintenance histories and field inspection and audit information to converted Continuing Property Records (CPR) system information and the Geographic Information System (GIS).

The Continuing Property Records (CPR) system manages and tracks all units of AWWU fixed assets. New GIS and MMS features will replace many CPR functions. Upgrades making this program an effective accounting tool and interfacing with Customer Information System (CIS), GIS and MMS should be complete by the first quarter of 1998.

The IS Division should complete the Relational Database Management System (RDBMS) conceptual design by the end of 1997. This provides an overall data model for the Utility, identifies interfaces between major systems, and provides a basic data structure on which future applications may be built. Implementation of RDBMS will occur in 1998.

Ensuring all applications are Year 2000 compliant will be a major IS effort in 1997/98. All Utility applications will be inventoried, reviewed for compliance, and corrected, as needed.

CUSTOMER SERVICE

The Customer Service Division is in the process of completing major enhancements to the Customer Information System (CIS). This enhancement will allow us to estimate meter reads on all test meters plus make overall improvements to the system. During the remainder of 1997 and during 1998, we will be working on changes to the billing system that will correct the Year 2000 problems. We will start billing Eklutna Utility customers for water service in 1997.

SOLID WASTE SERVICES

Highlights and Future Events

No major fiscal changes for the Refuse Collections Utility or the Solid Waste Disposal Utility are anticipated in 1998 or the foreseeable future.

In 1996, the federal government passed amendments to the Clean Air Act that will require extensive monitoring of non-methane organic compounds and methane at the Anchorage Regional Landfill. If these gas compounds exceed certain standards, the Utility may be required to control their emissions by installation of an active gas control/removal system similar to what was previously installed at the former Merrill Field Landfill.

Planning and design of the next development phase of the Anchorage Regional Landfill was initiated in 1997. Solid Waste Services anticipates the next cell will be constructed during 1998 and 1999 and financed via a low interest bearing loan from the Alaska Clean Water Loan Program.

PORT OF ANCHORAGE HIGHLIGHTS AND FUTURE EVENTS

JANUARY 1996

Completion of the multiple year, \$6.3 million, Tracts "A" & "EE" 13.5 acre Port Land Development Project.

MAY 1996

Completion of the multiple year, \$6.5 million, New Dock Fendering System Project.

AUGUST 1996

The Port of Anchorage received two grants from the State of Alaska: \$881,300 for the Knik Arm Shoal Navigation Improvement Project; and, \$280,000 for the Port of Anchorage North Corridor Access Feasibility Study.

1996

The Port of Anchorage achieved its highest tonnage year in 35 years of operation with 3,088,268 tons of cargo crossing the Port's dock in 1996. Also, in 1996, the Port was ranked as 17th among United States container ports, including Puerto Rico and Hawaii, in TEU (twenty foot equivalent units) throughput.

JUNE 1997

Began the Port of Anchorage North Corridor Access Feasibility Study. Estimated study completion is February, 1999.

AUGUST 1997

Complete construction on the Port of Anchorage \$4 million Petroleum Valve Yard Upgrade Project.

MARCH 1998

Begin design portion of Petroleum Dock #2 Expansion Project. The construction phase of this estimated \$6 million project should occur in 1999 and 2000.

MAY 1998

Begin the multiple year construction phase on the Lot 4A Port Land Development Project. Estimated project completion is Fall, 1999.

OCTOBER 1998

Final local sponsor funding portion, estimated at \$700,000, to be provided to the Corps of Engineers for the Knik Arm Shoal Navigation Improvement Project. Estimated project completion is 1999.

MERRILL FIELD AIRPORT

1998

HIGHLIGHTS AND FUTURE EVENTS

The University of Alaska Anchorage (UAA) multi-million dollar addition to the Merrill Field Aviation Technology Center has been completed. What is promoted as the most sophisticated aviation training center in the nation now has the ability to offer educational courses in Aviation Management, Air Traffic Control, Airport Operations, Aircraft Maintenance and Aviation Safety at one location. As this major addition on the airport further develops its student base, additional aviation activities on the airport should follow.

Merrill Field continues to operate as a General Aviation Reliever Airport for Anchorage International Airport, based on its ability to effectively provide aviation services and facilities to accommodate their general aviation aircraft.

Obstruction removal from the Runway 15/33 object free area and runway protection zones continues. The acquisition and replatting of these lots will provide aviation use areas once the demolition of existing structures is completed.

The new Merrill Field Air Traffic Control Tower is currently under construction with commissioning of the new tower scheduled for early 1999. FAA and the Municipality have agreed to incorporate the "City of Lights" theme in the tower design. Current tower renditions reflect a positive addition to this theme.

Reconstruction of Echo 2 & Echo 3 tiedown aprons, including Echo Taxiway and Merrill Field Drive, is ahead of schedule and is receiving positive feedback from our customers.

The new Merrill Field Airport Master Plan is about to get underway. The Master Plan, funded by the FAA, will provide updated long-term planning for the airport.

Through a coordinated effort with the U. S. Department of Agriculture, Animal Damage Control, a Wildlife Control Plan was developed and instituted for the purpose of minimizing potential aircraft bird strikes. With the Anchorage bowl airports working together, this program has proven very effective.

Of significant importance to Merrill Field and the Municipality of Anchorage is the FAA funded Anchorage Area Airspace Study which will evaluate the Anchorage bowl airports, their flight paths, effects and will develop recommendations. This study will directly involve Merrill Field, Anchorage International, Lake Hood and Elmendorf Air Force Base. Other local small airports will be considered as well. Merrill Field has a representative on this study team.

BUDGET OVERVIEW

MUNICIPAL LIGHT & POWER

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$ in Thousands)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	\$71,431	\$70,606	\$73,766	\$73,014	\$87,484	\$89,814	\$88,817	\$90,465	\$93,476	\$96,161	\$100,529
Expenses (1)	69,747	66,852	67,951	67,873	82,689	83,409	83,282	82,038	82,585	85,280	86,693
Net Income (Regulatory)	1,684	3,754	5,815	5,141	4,795	6,405	5,535	8,427	10,891	10,881	13,836
Work Force Authorized per Budget (FT)	216	220	229	229	229	229	229	229	230	231	231
Capital Improvements (2)	15,290	12,051	16,180	20,165	20,566	23,600	28,941	20,653	23,161	20,238	21,063
Bond Sales (3)	67,715	1,500	0	199,630	0	0	0	0	0	0	0
Net Non-Contributed Plant (12/31)(REG)	142,329	144,630	148,889	274,828	277,537	278,014	282,030	280,830	282,799	281,212	281,816
Net Contributed Plant (12/31)	11,165	11,341	11,174	10,812	10,451	10,089	9,727	9,365	9,003	8,642	0
Net Electric Plant (12/31)(GAAP)	153,494	155,971	160,063	285,640	287,988	288,103	291,757	290,195	291,802	289,854	281,816
Retained Earnings (12/31)	45,118	48,885	54,750	60,578	66,123	72,642	78,177	86,603	97,494	108,377	122,213
General Cash Pool	10,955	12,078	8,204	2,860	17,630	20,916	18,175	17,364	13,957	14,265	14,811
General Cash Pool/Eklutna	5,100	5,100	5,100	0	0	0	0	0	0	0	0
Construction Cash Pool	0	0	596	23,697	4,282	0	0	0	0	0	0
Revenue Bond Reserve Investment	17,282	17,358	17,480	25,681	25,250	25,250	25,227	25,214	25,191	25,179	25,168
Debt Service Cash Account	3,116	3,216	3,340	5,222	5,125	5,587	5,748	5,919	6,111	6,317	6,542
Operating Reserve Cash	5,448	5,318	5,157	5,570	7,333	7,302	7,268	7,207	7,300	7,641	7,857
Total Cash (12/31)	41,901	43,070	39,877	63,030	59,620	59,055	56,418	55,704	52,559	53,402	54,378
IGCs - General Government	1,480	1,362	1,434	1,612	1,850	2,100	2,175	2,250	2,325	2,400	2,475
MUSA - Regular (4)	1,706	1,881	1,999	2,137	2,237	2,298	2,410	2,461	2,509	2,557	2,618
Total Outstanding Debt	186,165	182,465	176,970	316,995	308,890	300,050	290,215	280,335	269,370	258,265	246,475
Total Annual Debt Service	16,950	17,182	17,148	18,662	26,548	26,859	27,337	26,825	27,305	26,792	26,776
Senior Debt Service Coverage	1.64	1.66	1.78	1.68	1.77	1.83	1.81	1.90	1.99	2.00	2.11
LT Debt/Equity Ratio	80.0/20.0	78.9/21.1	75.4/24.6	84.2/15.8	82.6/17.4	80.8/19.2	79.1/20.9	76.7/23.3	73.7/26.3	70.7/29.3	67.1/32.9
Rate Change Percent (5)	0.00%	3.48%	(0.33%)	0.00%	0.00%	0.00%	0.00%	3.00%	3.00%	0.00%	3.00%
Statistical/Performance Trends:											
Resident. Customer (500 kWh) (6)	\$48.22	\$47.26	\$49.42	\$49.40	\$49.08	\$49.08	\$49.08	\$50.55	\$52.07	\$52.07	\$53.63
Total Residential Sales (kWh)	145,354	147,067	147,408	148,023	149,947	151,746	152,808	153,572	154,493	155,574	156,352
Commercial & Industr. Sales (kWh)	648,579	659,666	664,331	676,835	684,280	695,913	705,656	716,946	729,851	745,178	760,082
Total Kilowatt-Hour Sales	825,831	856,579	880,847	877,025	941,307	1,004,689	1,015,444	1,027,448	1,041,224	1,057,582	1,073,214
Total Sales Revenue (in Dollars)	\$67,251	\$67,447	\$69,014	\$69,381	\$71,434	\$74,032	\$74,874	\$77,945	\$81,148	\$82,367	\$86,023

- (1) Fuel rates per MCF for sales to ML&P Electric Division are being held constant at \$1.50 plus taxes & royalties.
- (2) Capital Expenditures are actuals through 1996 and Capital Improvement Budget/Plan for 1997 through 2003.
- (3) The 1986 Series A bonds were refinanced in 1993. 1996 reflects the refinancing of the 1986 Series B Electric Bonds, a new issue of \$42.530 million for Electric Capital, and a new Senior issue of \$78.245 million and a new Junior issue of \$30,000 million for the purchase of Beluga River Gas Field.
- (4) Assumes no payment of the 1.25% gross receipts portion of MUSA as a dividend.
- (5) All rate increases reflect the effect on Total Electric Retail Operating Revenues. 1991 was an interim rate increase. 1992 was a permanent rate increase. The APUC granted an interim and refundable rate increase of 3.48% effective 9/1/94. The APUC granted a permanent 3.15% rate increase effective 1/1/95 which resulted in a refund of .33%.

- (6) Rate charged to Electrical Residential customers as of March 31 each year on 500 kWh of power; includes Cost of Power Adjustment.

NOTE: Rate increases are shown in the outyears 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.

ANCHORAGE WATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	27,369	27,434	28,117	28,448	28,988	29,272	30,344	30,965	33,473	34,208	35,435
Expenses	26,076	26,040	26,340	25,040	26,327	26,862	28,273	29,256	30,355	31,557	31,815
Net Income (Regulatory)	1,293	1,394	1,777	3,408	2,661	2,410	2,071	1,709	3,118	2,651	3,620
Work Force Authorized per Budget (FT)	275	270	269	268	268	265	265	265	265	265	265
Capital Improvement Program *	9,123	9,603	4,220	13,608	16,281	16,070	21,075	11,404	24,963	11,224	17,219
New Debt	3,000	0	0	0	7,500	9,500	20,500	15,000	18,000	17,000	13,000
Net Plant (12/31)	295,193	303,338	302,902	299,805	303,553	312,347	326,252	330,330	354,459	358,890	373,376
Retained Earnings (12/31)	22,589	23,983	25,760	29,168	31,829	34,239	36,310	38,019	41,137	43,788	47,407
Operating Cash	6,488	6,321	3,055	2,157	4,651	5,818	5,548	3,524	4,354	3,894	4,227
Construction Cash Pool	5,977	4,858	7,315	4,112	2,895	802	782	638	1,349	1,150	828
Cash Reserves	9,671	12,083	13,982	15,887	17,922	19,967	22,162	24,777	25,676	26,661	27,646
Total Cash 12/31	22,136	23,262	24,353	22,156	25,467	26,587	28,491	28,938	31,378	31,705	32,701
IGCs - General Government	1,296	1,291	1,274	1,306	1,406	1,553	1,600	1,648	1,714	1,782	1,854
MUSA - Regular	1,273	1,419	1,502	1,434	1,433	1,476	1,520	1,566	1,644	1,726	1,813
Total Outstanding Debt	108,996	107,386	105,605	103,364	108,943	116,381	134,051	144,615	157,418	168,449	174,977
Total Annual Debt Service	8,844	8,547	8,920	8,764	8,676	8,850	10,777	13,133	14,640	16,049	16,423
Debt Service Coverage (overall)	1.47	1.51	1.51	1.67	1.57	1.51	1.32	1.13	1.23	1.14	1.17
Debt/Equity Ratio	83 / 17	82 / 18	80 / 20	78 / 22	77 / 23	77 / 23	79 / 21	79 / 21	79 / 21	79 / 21	79 / 21
Rate Change Percent							4.00%		9.00%		5.00%
Single Family Rate **	\$24.75	\$24.75	\$25.80	\$25.80	\$25.80	\$25.80	\$26.83	\$26.83	\$29.25	\$29.25	\$30.71
Statistical/Performance Trends:											
Number of Customers	43,222	44,085	44,712	45,166	45,846	47,483	47,958	48,318	48,680	49,045	49,413
Average Treatment (GPD) (000)	24,000	25,600	24,600	25,100	26,000	26,500	27,000	27,500	28,000	28,500	29,000
Miles of Water Lines	674	680	743	748	759	773	777	782	787	791	794
Number of Hydrants	5,440	5,487	5,534	5,581	5,673	5,804	5,844	5,874	5,909	5,934	5,974

* 1993-1996 reflect actual expenditures.

** Cost-of-Service adjustment in 1995.

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

Cost of Service Study will be conducted in conjunction with Revenue Requirements Study.

ANCHORAGE WASTEWATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	23,600	23,730	23,975	24,498	24,535	24,764	25,548	25,868	26,377	26,859	27,377
Expenses	21,861	22,026	21,483	21,428	22,222	23,100	23,035	23,096	23,732	24,164	24,364
Net Income (Regulatory)	1,739	1,704	2,492	3,070	2,313	1,664	2,513	2,772	2,645	2,695	3,013
Work Force Authorized per Budget (FT)	275	270	269	268	268	265	265	265	265	265	265
Capital Improvement Program *	2,473	5,212	5,536	5,907	4,237	7,340 7,340	7,665	8,569	7,448	10,909	13,119
New Debt (Bonds, Loan Fund)	3,433	2,443	106	3,555	2,491	4,200	6,000	7,000	6,800	7,700	9,300
Net Plant (12/31)	250,368	247,772	247,238	245,585	248,655	251,763	254,910	258,097	261,323	264,590	270,897
Retained Earnings (12/31)	4,952	6,656	9,148	12,218	14,531	16,195	18,709	21,481	24,126	26,821	29,835
Operating Cash	7,591	5,527	3,805	5,174	5,846	5,239	5,418	5,602	5,614	5,249	4,566
Construction Cash Pool	1,974	3,381	1,887	1,414	2,000	2,158	2,242	2,165	2,073	2,340	2,163
Cash Reserves	263	192	334	361	361	361	361	361	361	361	361
Total Cash 12/31	9,828	9,100	6,026	6,948	8,206	7,758	8,021	8,127	8,047	7,950	7,089
IGCs - General Government	1,653	1,509	1,507	1,487	1,630	1,762	1,815	1,869	1,944	2,022	2,103
MUSA - Regular	1,051	1,110	1,130	1,113	1,156	1,191	1,226	1,263	1,326	1,393	1,462
Total Outstanding Debt	79,148	73,862	68,855	66,719	63,350	61,713	61,551	62,316	62,762	63,727	66,006
Total Annual Debt Service	7,728	9,355	9,077	9,040	9,161	9,029	9,197	9,170	9,235	9,592	9,827
Debt Service Coverage (overall)	1.37	1.15	1.24	1.24	1.16	1.10	1.15	1.14	1.14	1.11	1.08
Debt/Equity Ratio	87 / 13	85 / 15	81 / 19	78 / 22	75 / 25	73 / 27	71 / 29	69 / 31	67 / 33	65 / 35	64 / 36
Rate Change Percent							3.00%		2.00%		2.00%
Single Family Rate **	\$21.65	\$21.65	\$ 21.80	\$ 21.80	\$ 21.80	\$ 21.80	\$ 22.45	\$ 22.45	\$ 22.90	\$ 22.90	\$ 23.36
Statistical/Performance Trends											
Number of Customers	44,000	46,782	47,374	47,714	48,256	48,739	49,226	49,718	50,215	50,718	51,225
Average Treatment (GPD) (000)	30,000	31,000	30,600	30,700	32,000	32,500	33,000	33,500	34,000	34,500	35,000
Miles of Wastewater Lines	670	676	677	678	681	686	690	695	698	703	708

* 1993-1996 reflect actual expenditures.

** Cost-of-Service adjustment in 1995.

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

Cost of Service Study will be conducted in conjunction with Revenue Requirements Study.

REFUSE COLLECTIONS

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$ in Thousands)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	5,676	5,665	5,779	5,844	5,810	5,810	5,865	5,920	5,976	6,032	6,089
Expenses	5,378	5,153	5,307	5,316	5,533	5,588	5,712	5,787	5,876	5,945	5,985
Net Income (Regulatory)	298	512	472	528	277	222	153	133	100	87	104
Work Force Authorized per Budget (FT)*	16	16	16	16	16	16	16	16	16	16	16
Capital Improvement Program	494	448	377	272	710	476	442	441	425	453	430
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	2,968	2,853	3,027	2,826	3,104	3,130	3,061	2,976	2,850	2,744	2,641
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)	4,714	5,226	5,700	6,230	6,510	6,730	6,880	7,010	7,110	7,200	7,300
General Cash Pool	3,292	3,831	4,170	4,660	4,598	4,537	4,494	4,432	4,368	4,256	4,144
Construction Cash Pool	790	586	510	384	199	199	199	199	199	199	199
Bond Redemption Cash	366	360	353	352	352	352	352	352	352	352	352
Total Cash (12/31)	4,448	4,777	5,033	5,396	5,150	5,089	5,046	4,984	4,920	4,808	4,696
IGCs - General Government	141	86	81	85	121	127	129	129	132	132	135
MUSA - 1.25%	0	0	0	0	0	0	0	0	0	0	0
MUSA - Regular	48	53	52	57	53	66	68	69	71	73	75
Total Outstanding Debt	2,800	2,615	2,520	2,290	2,045	1,790	1,525	1,245	955	650	330
Total Annual Debt Service	339	329	347	356	352	351	350	352	348	348	347
Debt Service Coverage	2.70	3.34	3.05	3.06	2.47	2.37	2.34	2.27	2.24	2.19	2.13
Debt/Equity Ratio	37/63	33/67	30/70	26/74	24/76	21/79	18/82	15/85	12/88	8/92	4/96
Rate Change Percent**											
Residential Cost/month** [\$15.00/mo]											
Commercial (3Yd-1x/Wk)/Month** [\$50.50/mo]											
Statistical/Performance Trends											
Waste Collected (Tons)	45,277	44,721	45,821	43,714	45,250	45,250	45,250	45,250	45,250	45,250	45,250
Average Residential Services	11,968	12,139	12,105	12,082	12,112	12,142	12,173	12,203	12,234	12,264	12,295
Average Dumpsters Services	4,745	4,740	4,699	4,732	4,756	4,779	4,803	4,827	4,851	4,876	4,900

* Excludes budgeted positions for SWS Admin (17) and Vehicle Maintenance (9).

** Last rate increase was in 1990

SOLID WASTE DISPOSAL

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$ in Thousands)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	12,347	12,694	13,431	13,742	13,449	13,487	13,589	13,658	13,764	13,860	13,957
Expenses	10,478	10,747	11,487	15,699	11,852	11,917	12,365	12,624	12,540	12,672	12,749
Net Income (Regulatory)	1,869	1,947	1,944	(1,958)	1,597	1,570	1,224	1,031	1,224	1,189	1,208
Work Force Authorized per Budget (FT)*	32	32	32	32	32	32	32	32	32	32	32
Capital Improvement Program	1,297	2,108	9,743	1,790	996	8,136	1,128	1,430	1,244	1,258	1,272
Bond Sales/ New Debt	0	0	7,634	1,564	0	2,900	3,500	0	0	0	0
Net Plant (12/31)	34,387	33,917	33,439	42,753	41,500	47,316	45,868	44,679	43,417	42,052	40,640
Utility Revenue Distribution	0	0	0	200	0	200	200	200	200	200	200
Retained Earnings (12/31)	9,192	10,371	12,315	10,157	11,755	13,124	14,148	14,980	16,003	16,992	18,000
General Cash Pool	5,400	5,408	6,724	4,840	4,818	4,453	7,680	6,841	6,152	5,401	4,591
Future Landfill Closure Cash Reserve	1,493	2,918	3,383	3,901	4,367	4,834	5,304	5,778	6,256	6,737	7,221
Construction Cash Pool	25	(395)	(965)	583	1,012	1,012	1,012	1,012	1,012	1,012	1,012
Bond Redemption Cash	409	410	373	373	373	373	373	373	373	373	373
Total Cash (12/31)	7,327	8,341	9,515	9,696	10,570	10,672	14,369	14,003	13,792	13,521	13,196
IGCs - General Government	201	133	127	121	179	190	195	199	204	210	215
MUSA - 1.25%	131	143	146	153	149	153	157	161	165	169	173
MUSA - Regular	274	324	319	323	423	430	441	452	463	474	486
Total Outstanding Debt	27,910	26,480	32,984	32,848	30,603	34,673	31,928	29,069	26,094	22,989	19,759
Total Annual Debt Service	3,295	3,295	3,234	3,451	3,919	3,896	4,330	4,455	4,419	4,383	4,343
Revenue Bond Coverage	15.86	16.07	16.04	11.54	4.96	4.99	3.64	3.31	3.33	3.34	3.35
Debt/Equity Ratio	63/37	62/38	65/35	68/32	65/35	66/34	63/37	60/40	56/44	52/48	47/53
Rate Change Percent											
User Rate/Ton** [\$45.00/ton]											
Pickup Rate***	\$10										
Car Rate** [\$5.00/ton]											
Statistical/Performance Trends											
Tons Disposed	275,540	285,250	292,650	325,668	293,145	293,630	295,830	298,050	300,290	302,540	304,810
Vehicle Count	205,007	188,843	196,498	187,517	196,740	197,070	198,540	200,030	201,540	203,050	204,570

* Excludes budgeted positions for SWS Admin (17) and Vehicle Maintenance (9).

** Last rate increase was in 1989.

*** Rate was increased from \$5 to \$10 as an equity adjustment.

PORT OF ANCHORAGE

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$ in Thousands)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	\$7,123	\$7,712	\$8,197	\$8,885	\$8,711	\$8,769	\$8,810	\$8,716	\$9,136	\$9,526	\$9,822
Expenses	5,678	6,177	5,663	5,696	6,089	6,265	6,412	6,569	6,845	6,880	6,884
Net Income (Regulatory)	1,445	1,535	2,534	3,189	2,622	2,504	2,398	2,147	2,291	2,646	2,938
Work Force Authorized per Budget (FT)	21	21	21	21	21	21	21	21	21	21	21
Capital Program	2,533	9,202	5,000	3,243	3,455	7,628	2,306	2,695	166	20	1,020
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	51,713	49,933	48,020	59,170	57,927	59,011	58,878	60,901	63,290	61,252	57,064
Utility Revenue Distribution	179	179	358	601	696	675	674	734	708	740	840
Retained Earnings (12/31)	35,219	36,575	38,752	41,340	43,266	45,095	46,346	47,258	48,425	49,847	51,375
General Cash Pool	2,921	3,279	1,794	3,583	2,766	2,768	2,111	3,318	3,669	6,042	8,329
Construction Cash Pool	6,702	4,579	5,516	4,517	5,467	4,477	2,467	1,240	2,420	4,060	4,252
Bond Redemption Cash	2,916	2,916	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Cash (12/31)	12,539	10,774	8,310	9,100	9,233	8,245	4,785	5,909	8,462	10,389	13,514
IGC's - General Government	151	170	172	188	242	243	248	253	258	263	268
Total Outstanding Debt	16,386	15,063	11,100	10,828	9,735	8,735	7,730	7,840	6,755	5,534	4,533
Total Annual Debt Service	2,969	2,690	4,552	725	1,663	1,528	1,374	1,369	1,370	1,371	1,369
Debt Service Coverage (Rev Bonds)	2.43	2.52	3.24	10.53	4.03	4.08	4.06	3.70	3.93	4.45	4.29
Debt/Equity Ratio	17/83	16/84	12/88	10/90	9/91	8/92	7/93	6/94	5/95	4/96	3/97
Rate Change % - Tariff						9/91					
Containers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Petroleum, Bulk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cement, Bulk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Change - Pref. Use Agree.	0.0%	0.0%	0.0%	17.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%
Statistical/Performance Trends:											
Tonnage (in thousands)	2,623	2,716	3,027	3,088	3,350	3,541	3,695	3,834	3,968	4,094	4,209
Revenue/Ton	\$2.30	\$2.41	\$2.27	\$2.57	\$2.34	\$2.23	\$2.17	\$2.12	\$2.14	\$2.14	\$2.11

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

MERRILL FIELD AIRPORT

11-YEAR SUMMARY

UTILITY FORMAT - 1998 OPERATING BUDGET (\$ In Thousands)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Revenues	1,097	1,080	1,084	1,064	1,107	1,127	1,241	1,329	1,386	1,476	1,544
Total Expenses	1,018	938	873	892	1,000	1,048	1,110	1,175	1,220	1,288	1,329
Net Income Regulatory	79	142	211	172	107	79	131	154	166	188	215
Work Force Authorized per Budget (FT)	9	10	10	10	10	10	10	10	10	10	10
Capital Program *	1,868	2,124	85	370	1,044	2,940	1,495	2,650	1,800	1,200	1,000
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	29,643	30,747	29,828	29,198	30,242	33,182	34,677	37,327	39,127	40,327	41,327
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)	2,630	2,772	2,983	3,155	3,262	3,341	3,472	3,626	3,792	3,980	4,195
General Cash Pool	(3,033)	(984)	(656)	(356)	(249)	(170)	(39)	115	281	469	684
Construction Cash Pool	2,012	1,807	1,456	1,282	1,622	1,225	1,014	966	866	805	745
Bond Redemption Cash	0	0	0	0	0	0	0	0	0	0	0
Total Cash (12/31)	(1,021)	823	800	926	1,373	1,055	975	1,081	1,147	1,274	1,429
IGCs General Government	62	63	77	72	92	105	113	118	122	128	134
M U S A	0	0	0	0	0	0	0	0	0	0	0
Total Debt	0	0	0	0	0	0	0	0	0	0	0
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100
Rate Change Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%	3.3%	0.0%	3.2%	3.1%
Lease Rate/S.F. Per Year	\$.150	\$.150	\$.150	\$.150	\$.150	\$.150	\$.150	\$.155	\$.155	\$.160	\$.165
Tail-In Space/Month	40	40	40	40	40	40	40	40	45	45	45
Drive-Thru Space/Month	50	50	50	50	50	50	50	50	55	55	55
PERFORMANCE TRENDS											
Based Aircraft	916	905	907	901	915	940	970	1,010	1,040	1,080	1,100
Municipal Tiedowns	632	632	660	660	560	560	560	560	560	752	752
Flight Ops/Federal Year	230,156	210,257	177,959	181,011	199,000	202,000	206,000	212,000	219,000	227,000	233,000
National Airport Ranking	57th	74th	108th	99th	76th	73rd	71st	69th	66th	61st	57th

*1993-1996 represent actuals; 1997-2003 represent projected.

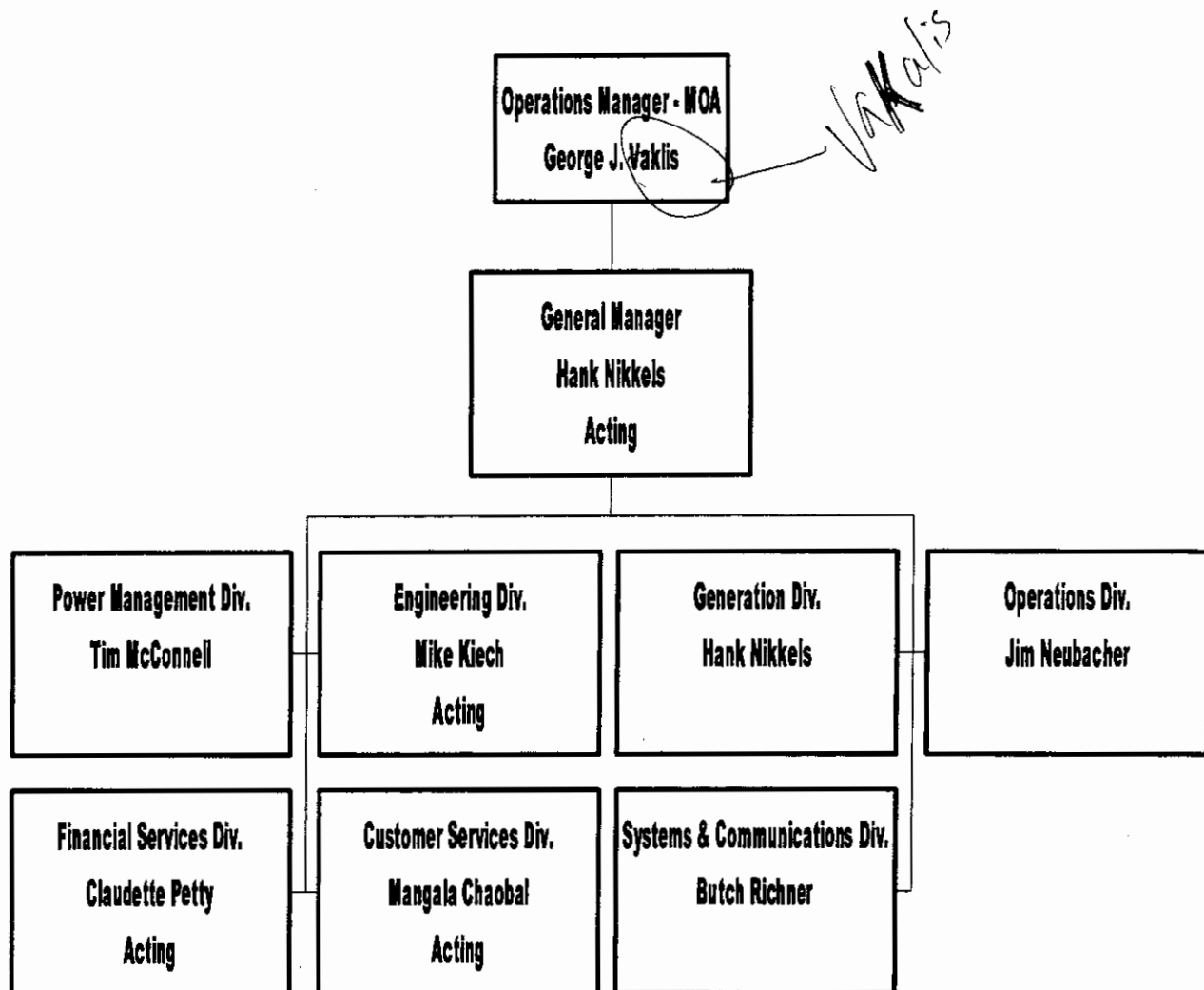
NOTE: Rate increases are shown in the outyears for purposes of projections only and have not been approved for implementation. It is intended that the need for rate increases be reviewed closely each year in conjunction with establishing operating budgets. Utilities will continue to strive to find ways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

**MUNICIPAL LIGHT
AND POWER**



Municipal Light & Power

Organizational Chart



MUNICIPAL LIGHT & POWER

UTILITY PROFILE

ORGANIZATION

Municipal Light & Power (ML&P) is divided into seven divisions under the direction of the General Manager. The divisions include Generation, Engineering, Operations, Power Management (Dispatch), Customer Service, Systems, and Finance.

ML&P had 224 employees as of December 31, 1996 and a 1996 operating payroll cost of approximately \$12.7 million. Of these employees, 155 were covered by a labor agreement with IBEW and 69 were non-represented (i.e., covered by the Municipal Personnel Rules).

HISTORY

The first electric system serving Anchorage was installed in 1916 by the Alaska Engineering Commission, the agency of the U.S. Department of the Interior which constructed the Alaska Railroad. 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, 25 miles northeast of downtown Anchorage.

The City purchased the Alaska Engineering Commission distribution system in 1932 and 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 its Eklutna Plant to that federal agency. Since then, beginning in 1962, ML&P has installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit.

The City purchased a one third working interest in the Beluga River Gas Field in 1996 thereby establishing a guaranteed fuel supply for the Utility and a means to stabilize fuel prices for years to come.

SERVICES

ML&P's service area encompasses 19.9 contiguous square miles including a large portion of the commercial and high density residential areas of the Municipality. In 1996, the average number of residential and commercial customers was 23,418 and 5,748 respectively. One-sixth of ML&P's customer base consumes four-sixths of its output. 1996 sales totaled 877,025 MWh and earned revenues of \$69,144,667.

ML&P has agreements to supply the Fort Richardson Army Base and the Elmendorf Air Force Base with interruptible wholesale electric service.

REGULATION

ML&P is subject to economic regulation by the Alaska Public Utilities Commission (APUC). The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. The APUC regulation covers service areas, service quality, tariff rules and regulations, monthly rates and charges and certain other utility charges.

The Utility is also subject to advisement by the ML&P Commission which was created in 1963 and is composed of seven members appointed to staggered three-year terms by the Mayor with the approval of the Assembly. The General Manager of ML&P serves ex officio as Executive Secretary of the Commission.

The Commission reviews electric service policies and practices and reviews the budget and operations of ML&P and annually submits recommendations to the Mayor. It conducts public hearings on matters pertaining to electric rates, regulations and related matters and makes recommendations to the Mayor and Assembly. It normally holds one meeting per month and calls special meetings as the need arises.

ENVIRONMENTAL MANDATES

Mandates from the Federal and State Governments continue to have a large impact on ML&P. The Federal Clean Air Act and the Oil Pollution Act add to the financial burden by significantly increasing the cost of power plant operating permits and by adding requirements covering spill prevention and control of ML&P's emergency fuel oil supply. It is anticipated that over the next few years an estimated \$1.5 million in modifications to electric plant will be necessary to meet spill prevention requirements.

ELECTRIC PLANT

ML&P generates, purchases, transmits and distributes electric power.

Power Generated/Purchased in 1996

• ML&P Generated	749,161 MWh	81.6%
• Purchased:		
Eklutna Hydroelectric Project -	76,483 MWh	8.4%
Bradley Lake Project -	90,333 MWh	9.9%
Other	92 MWh	.1%

- Generation capacity is 328 Megawatts (MW)
 - Seven gas-fired turbines
 - One heat recovery turbine
 - All equipped to use No. 2 fuel oil as an alternate fuel
- Power Plant No. One: four turbines, capacity 85 MW
- Power Plant No. Two: four turbines, capacity 243 MW
- Reserve Capacity Margin is 150 MW
- Transmission/Distribution System
 - 203 miles underground cable
 - 146 miles overhead lines and cable
 - 19 substations
- Assets as of December 31, 1996
 - Net Plant in Service: \$293,794,268

MUNICIPAL LIGHT & POWER

WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ADMINISTRATION	16	16	16	16	16	16	16
SYSTEMS & COMMUNICATIONS	19	19	19	19	19	19	19
PRODUCTION (GENERATION)	54	54	54	54	54	55	55
CUSTOMER SERVICE	35	35	34	34	34	34	34
FINANCIAL SERVICES	23	23	23	23	23	23	23
POWER MANAGEMENT	12	12	12	12	12	12	12
OPERATIONS	48	48	49	49	50	50	50
ENGINEERING	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
SUBTOTAL	<u>229</u>	<u>229</u>	<u>229</u>	<u>229</u>	<u>230</u>	<u>231</u>	<u>231</u>
PART-TIME/TEMPORARY POSITIONS	<u>28</u>	<u>28</u>	<u>32</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>
TOTAL	<u>257</u>	<u>257</u>	<u>261</u>	<u>262</u>	<u>263</u>	<u>264</u>	<u>264</u>

**Municipal Light
and Power**

**1998
Operating Budget**

**MUNICIPAL LIGHT & POWER - COMBINED
RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA**

	1997 BUDGET	1997 PROFORMA	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUE	88,026,000	84,540,000	(3,486,000) A/B
OPERATING EXPENSE			
Operations	44,129,000	41,931,000	2,198,000
Depreciation(1)	16,667,000	17,418,000	(751,000) C
MUSA	2,302,000	2,237,000	65,000
SUBTOTAL	<u>63,098,000</u>	<u>61,586,000</u>	<u>1,512,000</u>
NON-OPERATING REVENUE	4,253,000	2,944,000	(1,309,000) D
NON-OPERATING EXPENSE	<u>21,084,000</u>	<u>21,103,000</u>	<u>(19,000)</u>
NET INCOME (REGULATORY)	8,097,000	4,795,000	(3,302,000)
ADJUSTMENTS FOR GAAP	<u>442,000</u>	<u>200,000</u>	<u>(242,000)</u>
NET INCOME GAAP	<u><u>8,539,000</u></u>	<u><u>4,995,000</u></u>	<u><u>(3,544,000)</u></u>

1997 Proforma as of 6/30/97

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Gas - 1997 Budget was appropriated before accounting procedures for the gas were established.
- B. Electric - Retail Electric Sales are down approximately 750 MWh over 1996.
- C. Electric - Depreciation expense has increased at a higher rate than anticipated due to a larger amount of assets added to plant than anticipated plus a change in the mix of assets being placed into service.
- D. Electric - Invested \$23.7 Million in Beluga Gas Field which reduced interest income.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

**MUNICIPAL LIGHT & POWER - COMBINED
RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET**

	1997 PROFORMA	1998 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUE	84,540,000	86,278,000	1,738,000 A/B
OPERATING EXPENSE			
Operations	41,931,000	41,979,000	(48,000)
Depreciation(1)	17,418,000	18,446,000	(1,028,000) C
MUSA	2,237,000	2,298,000	(61,000)
SUBTOTAL	<u>61,586,000</u>	<u>62,723,000</u>	<u>(1,137,000)</u>
NON-OPERATING REVENUE	2,944,000	3,536,000	592,000
NON-OPERATING EXPENSE	<u>21,103,000</u>	<u>20,686,000</u>	<u>417,000</u>
NET INCOME (REGULATORY)	4,795,000	6,405,000	1,610,000
ADJUSTMENTS FOR GAAP	<u>200,000</u>	<u>(435,000)</u>	<u>(635,000)</u>
NET INCOME GAAP	<u><u>4,995,000</u></u>	<u><u>5,970,000</u></u>	<u><u>975,000</u></u>

1997 Proforma as of 6/30/97

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Gas - Contract prices for gas are projected to decrease per SOA.
- B. Electric - Increase in sales as projected by R.W. Beck 1996 load forecast and anticipated increased Sales for Resale to GVEA.
- C. Electric - Depreciation and MUSA increase as additional plant is placed into service.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

**MUNICIPAL LIGHT & POWER - COMBINED
STATEMENT OF REVENUE AND EXPENSES**

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
OPERATING REVENUE			
Residential Sales	14,297,143	14,483,000	14,664,000
Commercial & Industrial	52,096,163	64,707,000	64,746,000
Public Highway & Street Lighting	1,172,982	1,173,000	1,162,000
Public Authority	290,831	109,000	109,000
Sales for Resale	977,187	3,000,000	4,500,000
Misc. Service Revenue	409,799	537,000	551,000
Rent from Electric Property	106,930	140,000	144,000
Miscellaneous Revenue	298,372	391,000	402,000
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUE	69,649,407	84,540,000	86,278,000
OPERATING EXPENSE			
Production Expense	26,646,764	28,353,000	27,731,000
Transmission Expense	574,399	623,000	647,000
Distribution Expense	5,278,065	5,350,000	5,628,000
Customer Account Expense	2,869,455	2,717,000	2,716,000
Customer Service & Information	163,950	167,000	190,000
Administrative & General Expense	3,438,327	3,381,000	3,652,000
Regulatory Compliance	750,075	825,000	900,000
Depreciation(1)	10,909,869	17,418,000	18,446,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	2,136,973	2,237,000	2,298,000
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSE	53,282,863	61,586,000	62,723,000
OPERATING INCOME	16,366,544	22,954,000	23,555,000

(1) Excludes Contributed Plant

1997 Proforma as of 6/30/97

**MUNICIPAL LIGHT & POWER - COMBINED
STATEMENT OF REVENUE AND EXPENSES**

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
NON-OPERATING REVENUE			
Interest Income	694,579	1,005,000	1,321,000
Interest From Operating Reserve	84,973	61,000	69,000
Interest From Bond Redemption Cash	1,693,419	1,238,000	1,418,000
Interest From General Cash Pool	456,746	328,000	373,000
Interest From Debt Service Account	364,958	262,000	298,000
Misc. Non-Operating Revenue	70,266	50,000	57,000
TOTAL NON-OPERATING REVENUE	<u>3,364,941</u>	<u>2,944,000</u>	<u>3,536,000</u>
NON-OPERATING EXPENSE			
Community	74,695	75,000	75,000
Interest on Bonded Debt	12,556,907	18,442,000	18,018,000
Amortization of Bond Discount/Premium	(659,125)	(469,000)	(457,000)
Amortization of Bond Sale Cost & Ins.	277,194	375,000	364,000
Amortization of Loss on Refunded Debt	3,292,189	3,137,000	3,025,000
Other Interest Expense	986	20,000	20,000
Interest During Construction	(952,422)	(477,000)	(359,000)
TOTAL NON-OPERATING EXPENSE	<u>14,590,424</u>	<u>21,103,000</u>	<u>20,686,000</u>
NET INCOME (REGULATORY)	5,141,061	4,795,000	6,405,000
ADJUSTMENTS FOR GAAP			
Depreciation of Contributed Plant	(544,259)	(550,000)	(550,000)
Restricted Interest Income	687,150	750,000	115,000
NET INCOME GAAP	<u>5,283,952</u>	<u>4,995,000</u>	<u>5,970,000</u>

1997 Proforma as of 6/30/97

MUNICIPAL LIGHT & POWER - COMBINED STATEMENT OF SOURCES AND USES OF CASH

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
SOURCES OF CASH FUNDS			
Net Income GAAP	5,283,952	4,995,000	5,970,000
Depreciation	11,454,128	17,968,000	18,996,000
Amortized Bond Discount/Premium	(659,125)	(469,000)	(457,000)
Amortization & Acquisition Adjustment	514,986	515,000	515,000
Amortization of Bond Sale Costs	277,194	375,000	364,000
Amortization on Refunded Debt	3,292,189	3,137,000	3,025,000
Bond Proceeds (A)	197,841,563	0	0
Contributions	<u>378,632</u>	<u>500,000</u>	<u>500,000</u>
TOTAL SOURCES OF CASH FUNDS	218,383,519	27,021,000	28,913,000
USES OF CASH FUNDS			
Additions to Plant	136,847,954	20,667,000	19,471,000
Debt Retirement Long Term	6,105,000	8,105,000	8,840,000
Bond Refunding (A)	54,037,064	0	0
Other	<u>(1,759,486)</u>	<u>1,659,000</u>	<u>1,167,000</u>
TOTAL USES OF CASH FUNDS	195,230,532	30,431,000	29,478,000
NET INCREASE (DECREASE) IN CASH FUNDS	23,152,987	(3,410,000)	(565,000)
CASH BALANCE JANUARY 1,	<u>39,876,714</u>	<u>63,030,000</u>	<u>59,620,000</u>
CASH BALANCE DECEMBER 31,	<u>63,029,701</u>	<u>59,620,000</u>	<u>59,055,000</u>
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	8,430,898	24,964,000	28,219,000
Bond Restricted Cash	<u>54,598,803</u>	<u>34,656,000</u>	<u>30,836,000</u>
CASH BALANCE DECEMBER 31,	<u>63,029,701</u>	<u>59,620,000</u>	<u>59,055,000</u>

1997 Proforma as of 6/30/97

(A) 1996 reflects the refinancing of the 1986 Series "B" Electric Bonds, a new issue of \$42.530 Million for Electric Capital, and a new Senior issue of \$78.245 Million and a new Junior issue of \$30.000 Million for the purchase of Beluga River Gas Field.

**MUNICIPAL LIGHT & POWER - COMBINED
1997 OPERATING BUDGET DETAIL**

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
<u>Labor</u>			
Personnel Costs	9,112,672	9,166,000	9,587,000
Benefit Costs	<u>3,610,441</u>	<u>3,632,000</u>	<u>3,798,000</u>
Subtotal	12,723,113	12,798,000	13,385,000
<u>Intergovernmental Charges</u>			
Finance Department	263,535	261,000	260,000
MIS/FIS	263,727	272,000	480,000
Human Resources Department	215,268	244,000	290,000
Other IGC Charges	<u>869,830</u>	<u>1,073,000</u>	<u>1,070,000</u>
Subtotal	<u>1,612,360</u>	<u>1,850,000</u>	<u>2,100,000</u>
<u>Other Expenses</u>			
Professional Services	339,620	600,000	600,000
Depreciation & Amortization	14,879,372	15,906,000	16,676,000
MUSA	2,136,973	2,237,000	2,298,000
Interest on Long-term Debt	12,556,907	18,443,000	18,019,000
Interest During Construction	(952,422)	(477,000)	(359,000)
Purchased Power	4,799,303	4,400,000	3,888,000
Fuel	15,971,385	3,953,000	3,931,000
Gas Division Operating Expenses	0	13,351,000	12,961,000
Gas Division Depletion & Depreciation	0	5,619,000	5,766,000
Regulatory Compliance	750,075	825,000	900,000
Other Expenses	<u>3,600,860</u>	<u>3,734,000</u>	<u>3,794,000</u>
Subtotal	<u>54,082,073</u>	<u>68,591,000</u>	<u>68,474,000</u>
TOTAL EXPENSES	<u><u>68,417,546</u></u>	<u><u>83,239,000</u></u>	<u><u>83,959,000</u></u>

1997 Proforma as of 6/30/97

**Municipal Light
and Power**

**1998-2003
Capital Improvement
Budget/Program**

MUNICIPAL LIGHT & POWER
1998 - 2003 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)

PROJECT CATEGORY:	1998	1999	2000	2001	2002	2003	TOTAL
PRODUCTION (GENERATION)	6,131	6,744	6,459	5,878	7,048	6,901	39,161
TRANSMISSION	430	515	510	425	480	370	2,730
DISTRIBUTION	6,155	8,945	9,430	9,100	9,145	9,225	52,000
GENERAL PLANT	7,219	4,182	3,349	3,193	3,235	2,787	23,965
REGULATORY COMPLIANCE	715	555	905	1,380	330	505	4,390
INTERTIES	0	8,000	0	0	0	0	8,000
BELUGA RIVER GAS FIELD	2,950	0	0	3,185	0	1,275	7,410
TOTAL BUDGET	<u>23,600</u>	<u>28,941</u>	<u>20,653</u>	<u>23,161</u>	<u>20,238</u>	<u>21,063</u>	<u>137,656</u>

SOURCE OF FUNDING:	1997	1998	1999	2000	2001	2002	TOTAL
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	0	0	0	0	0	0	0
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	23,600	28,941	20,653	23,161	20,238	21,063	137,656
STATE GRANT	0	0	0	0	0	0	0
FEDERAL GRANT	0	0	0	0	0	0	0
DIRECT APPROPRIATION	0	0	0	0	0	0	0
TOTAL BUDGET	<u>23,600</u>	<u>28,941</u>	<u>20,653</u>	<u>23,161</u>	<u>20,238</u>	<u>21,063</u>	<u>137,656</u>

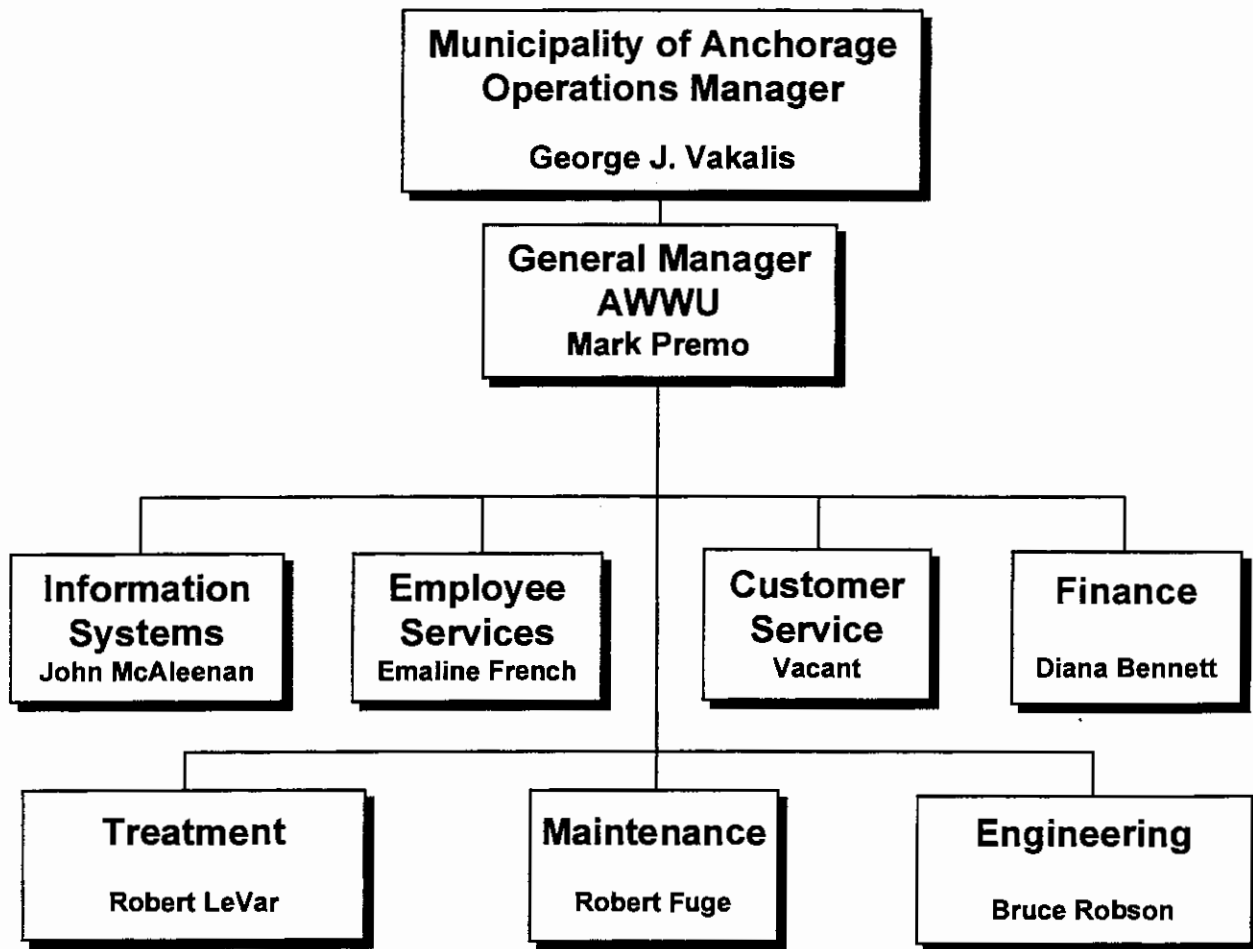
Approximately \$6.4 Million in personnel costs will be spent on Capital Projects during 1998.

800 - Bradley Lake

**ANCHORAGE WATER AND
WASTEWATER UTILITY**

ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



ANCHORAGE WATER & WASTEWATER UTILITY PROFILE

ORGANIZATION: The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska and serves 125 square miles of metropolitan Anchorage from Eklutna to Girdwood. The Utility collects water from two major surface watersheds and many deep underground wells and distributes it to approximately 46,000 residential, commercial, military, and industrial customers throughout the urban areas of Anchorage. The Utility's wastewater facilities serve 48,300 residential, commercial and military customers. As water is consumed and used, treatment plants operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The public investment in these systems -- for treatment plants, mains and sewers, laboratories, and reservoirs -- totals over \$750 million. More than 265 employees operate the system, and the Utility spends approximately \$50 million annually to ensure that the water and wastewater systems perform efficiently. Through education, training, certification programs, field experience and longevity of service, the people who run the system are a dedicated team: Treatment plant operators, engineers, laboratory technicians, maintenance craftsmen, accountants, customer service representatives and field personnel working together, ensure that the water and wastewater systems perform efficiently.

Although they share one workforce, the utilities are separate economic entities. A profile of each utility is shown below:

ANCHORAGE WATER UTILITY

HISTORY: From the first water intake in Lower Ship Creek (and a few miles of woodstave water mains downtown) more than 75 years ago, Anchorage's public water utility has grown to a third-of-a-billion-dollar enterprise that delivers nearly 26 million gallons of water to its customers each day, for less than \$1 per household. 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. The entire service area is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough on September 15, 1975.

SERVICE: In the Tent City days of Anchorage, Ship Creek supplied water for Anchorage's first settlers, conveyed with buckets. Today, Ship Creek remains an important water source, captured up-stream in the Chugach foothills for treatment and distribution. From spring through fall, the headwaters of Ship Creek provide up to 24 million gallons of water each day. When stream flow is low during the winter, the Eklutna

Water Treatment Plant and deep wells are relied upon to supplement the Ship Creek water supply. The 35 million gallon Eklutna Plant north of Eagle River, completed in 1988, will supply Anchorage's water needs into the next century. The Eklutna water supply originates at Eklutna Lake, a body of water that is a drought-resistant natural reservoir. Fed by the runoff from Eklutna Glacier and the annual snow-pack, the eight mile long lake can supply up to 100 million gallons of water each day. The Girdwood community is served from a system of wells.

During 1998 the Anchorage Water Utility (AWU) proposes a construction program that will continue to emphasize repair and rehabilitation of the existing system and resources as well as the efforts to maximize water availability to South and West Anchorage. To meet our goals on the latter objective, AWU is continuing with the construction of the Anchorage Loop Water Transmission Main, phase VII and is initiating continued design of Phases IV and V and the Service High Reservoir. Phases I - III, which involved construction of the transmission main from the Ship Creek Water Treatment Plant to the reservoirs at Tudor Road and Patterson Street have been completed. Phases IV and V will connect those reservoirs to the planned Service High Reservoir and our existing Spruce Street system.

REGULATION: Since December 1970, the Anchorage Water Utility has been economically regulated by the Alaska Public Utilities Commission (APUC). All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the APUC, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Water Utility's operating costs. The Safe Drinking Water Act, Americans with Disabilities Act, and Community Right-to-Know are some of the current and ongoing laws that impact the Utility.

PHYSICAL PLANT: AWU operates two treatment plants and has seventeen wells that are operated on an as-needed basis. Only two wells are operated full-time. Average treatment plant production is 25,091,000 gallons per day (gpd). Treatment plant capacity is 59,000,000 gpd. Average well production is 6,000,000 gpd. The transmission system has approximately 690 miles of mains and 5,600 fire hydrants. Net Plant value as of December 1996: \$300,000,000.

ANCHORAGE WASTEWATER UTILITY

HISTORY: Sewers were first installed in Anchorage during 1916 along the lower bluff from the Alaska Railroad Depot, west to the inlet, by the Alaska Engineering Commission. As Anchorage grew, construction of sewers continued and, by the end of World War II, sewers were available to most of the area between Ship Creek and Chester Creek to the West of Cordova Street. The Greater Anchorage Area Borough (GAAB) was created in 1964, and soon after was granted areawide sewer powers. The last major private sewer utility was acquired by the GAAB in 1972. The Utility is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough on September 15, 1975.

SERVICE: Anchorage's enjoyment of drinking water is just one part of the AWWU system. After the day's 26 million gallons of water is used, it must be treated for its return to the environment. The creeks and inlets downstream from Anchorage's wastewater treatment plants are not adversely impacted by treated effluent, which is the principal measure of success. The Anchorage community benefits from the superior operation of the three wastewater treatment plants that serve its growing population.

For every contaminant that finds its way into the water from the activities of man or natural forces, there is a process to remove it, although some processes are so costly that the contaminants must be controlled at the source. Toxic chemical compounds -- Floating sediments and particles -- Human waste -- Grease and oils -- Debris -- Bacteria. None are acceptable in public waters.

Like thousands of utilities across the nation, the Anchorage Wastewater Utility is achieving higher levels of treatment more efficiently and more effectively than was possible even 10 years ago. While the technology of screening the waste, employing "specialized" bacteria to absorb dissolved solids, and disinfecting the "final product" remains the same, treatment standards have become more stringent.

At Eagle River, Girdwood and Point Woronzof, the utility has continued to invest in the highest and most reliable technology practicable. Anchorage in the 1990's is assured that the city's wastewater treatment plant output protects the receiving water to which it is returned.

REGULATION: Since 1971, the Anchorage Wastewater Utility has been economically regulated by the Alaska Public Utilities Commission (APUC) and holds a Certificate of Convenience and Necessity for serving the Anchorage Bowl, Eagle River, and Girdwood. All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the APUC, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Wastewater Utility's operating costs. The Clean Water Act, Americans with Disabilities Act, Community Right-to-Know, and the Clean Air Act are some of the current and on-going laws that impact the Utility.

The Point Woronzof Wastewater Treatment Plant uses primary treatment techniques. The extreme tides and natural water flow of Cook Inlet enable these wastewater discharges to be diluted with no adverse effect to the environment. The dynamics of Cook Inlet's currents and tides – coupled with primary treatment and chlorination – have enabled Anchorage to receive a waiver from secondary treatment standards from the U.S. Environmental Protection Agency (EPA). To continue operating under the waiver, AWWU maintains an extensive marine monitoring program that makes certain that there are no negative environmental impacts to the receiving waters of Cook Inlet.

PHYSICAL PLANT: The Wastewater Utility operates three treatment plants. Average flow was 32,000,000 gallons per day (gpd) in 1997. Treatment plant capacity is 61,500,000 gpd. The collection system has approximately 681 miles of lines. Net plant value as of December 1996: \$245,585,000. In Girdwood and Eagle River, the wastewater utility's plants are modern, tertiary (three-stage) plants that discharge effluent of virtual drinking water quality into Glacier Creek and Eagle River. With its expansion in 1991, the Eagle River Plant has the capacity to provide for growth to the year 2005. The Girdwood Plant is scheduled for upgrades to be completed in 1998.

The Point Woronzof Treatment Plant, built in 1972, is Alaska's largest. 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 Point Woronzof plant was upgraded in 1982, and expanded and upgraded again in 1989. Ingenuity and vigilant maintenance have consistently enabled the Utility to operate this facility at its optimum level.

ANCHORAGE WATER AND WASTEWATER UTILITY WORK FORCE PROJECTIONS

DIVISIONS	1997	1998	1999	2000	2001	2002	2003
MANAGER	4	4	4	4	4	4	4
EMPLOYEE SERVICES	7	7	7	7	7	7	7
INFORMATION SYSTEMS	14	14	14	14	14	14	14
MAINTENANCE	84	82	82	82	82	82	82
TREATMENT	62	62	62	62	62	62	62
FINANCE	15	19	19	19	19	19	19
REGULATORY AFFAIRS	4	0	0	0	0	0	0
ENGINEERING	32	32	32	32	32	32	32
CUSTOMER SERVICE	46	45	45	45	45	45	45
TOTAL POSITIONS	268	265	265	265	265	265	265
PART-TIME/TEMPORARY	7	9	9	9	9	9	9
TOTAL ALL POSITIONS	275	274	274	274	274	274	274

Anchorage Water Utility

**1998
Operating Budget**

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA

	1997 BUDGET	1997 PROFORMA	VARIANCE	
OPERATING REVENUE	26,560,000	26,816,000	256,000	A
OPERATING EXPENSE				
OPERATIONS	14,624,000	14,594,000	(30,000)	B
DEPRECIATION	3,861,000	2,500,000	(1,361,000)	C
MUSA	1,477,000	1,433,000	(44,000)	D
TOTAL OPERATING EXPENSE	19,962,000	18,527,000	(1,435,000)	
OPERATING INCOME	6,598,000	8,289,000	1,691,000	
NON-OPERATING REVENUE	2,028,000	2,172,000	144,000	E
NON-OPERATING EXPENSE	8,125,000	7,800,000	(325,000)	F
NET INCOME REGULATORY	501,000	2,661,000	2,160,000	
ADJUSTMENT FOR GAAP METHOD	(4,767,000)	(4,650,000)	117,000	
NET INCOME GAAP	(4,266,000)	(1,989,000)	2,277,000	

Explanation of Significant Variances:

- A: Customer growth .2% over bgt, +237k; other +19k.
- B: Labor (14k); supplies +71k; other services (21k); IGC's (65k).
- C: Depreciation adjustment on General Plant.
- D: Reconciliation to actual mill rates.
- E: Increase in interest income +144k.
- F: Decrease in interest expense (325k).

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET

	1997 PROFORMA	1998 BUDGET	VARIANCE	
OPERATING REVENUE	26,816,000	27,056,000	240,000	A
OPERATING EXPENSE				
OPERATIONS	14,594,000	14,931,000	337,000	B
DEPRECIATION	2,500,000	2,563,000	63,000	C
MUSA	1,433,000	1,476,000	43,000	D
TOTAL OPERATING EXPENSE	18,527,000	18,970,000	443,000	
OPERATING INCOME	8,289,000	8,086,000	(203,000)	
NON-OPERATING REVENUE	2,172,000	2,216,000	44,000	E
NON-OPERATING EXPENSE	7,800,000	7,892,000	92,000	F
NET INCOME REGULATORY	2,661,000	2,410,000	(251,000)	
ADJUSTMENT FOR GAAP METHOD	(4,650,000)	(4,766,000)	(116,000)	D
NET INCOME GAAP	(1,989,000)	(2,356,000)	(367,000)	

Explanation of Significant Variances:

A: Customer growth 1.0%.

B: Labor (54k); supplies +81k; other services +161k; IGC's +147k.

C: Function of the capital construction program.

D: Function of the capital construction program.

E: Increase in rental income +4k; increase in interest income +40k.

F: Increase in interest expense +142k; increase in capitalized interest (50k).

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
OPERATING REVENUE			
RESIDENTIAL SALES	17,964,712	18,193,000	18,375,000
COMMERCIAL SALES	5,696,333	5,768,000	5,826,000
PUBLIC FIRE PROTECTION	2,475,000	2,475,000	2,475,000
HYDRANT USE CHARGE	134,505	150,000	150,000
MISCELLANEOUS	245,026	230,000	230,000
TOTAL OPERATING REVENUE	26,515,576	26,816,000	27,056,000
OPERATING EXPENSES			
SOURCE OF SUPPLY	2,323,918	2,354,000	2,460,000
TREATMENT	2,368,928	2,503,000	2,452,000
TRANSMISSION	3,544,702	3,380,000	3,403,000
CUSTOMER ACCOUNTS	1,662,392	1,703,000	1,755,000
GENERAL & ADMINISTRATIVE	3,938,324	4,654,000	4,861,000
DEPRECIATION *	2,276,788	2,500,000	2,563,000
MUSA	1,434,022	1,433,000	1,476,000
TOTAL OPERATING EXPENSE	17,549,074	18,527,000	18,970,000
OPERATING INCOME	8,966,502	8,289,000	8,086,000

* DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	399,115	602,000	606,000
INTEREST - GENERAL CASH POOL	229,460	200,000	200,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	258,871	200,000	190,000
INTEREST - BOND REDEMPT RESERVE	192,932	230,000	230,000
INTEREST - BOND SINKING FUND	113,310	110,000	110,000
INTEREST - EKLUTNA RESERVE	556,823	650,000	700,000
INTEREST & PENALTY ON ASSESSMENTS	181,874	180,000	180,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	1,932,385	2,172,000	2,216,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	818,872	850,000	850,000
INTEREST - LONG TERM DEBT	6,813,097	7,100,000	6,786,000
INTEREST - OTHER	0	0	456,000
CAPITALIZED INTEREST	(141,090)	(150,000)	(200,000)
TOTAL NON-OPERATING EXPENSE	7,490,879	7,800,000	7,892,000
NON-OPERATING INCOME	(5,558,494)	(5,628,000)	(5,676,000)
NET INCOME (REGULATORY)	3,408,008	2,661,000	2,410,000
ADJUSTMENT FOR GAAP	4,625,543	4,650,000	4,766,000
NET INCOME (LOSS) GAAP	(1,217,535)	(1,989,000)	(2,356,000)

ANCHORAGE WATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(1,217,535)	(1,989,000)	(2,356,000)
DEPRECIATION	6,902,331	7,150,000	7,329,000
BOND PROCEEDS	0	0	2,000,000
STATE LOANS	0	7,500,000	7,500,000
ASSESSMENT BONDS	0	0	0
AMORT/DEFERRED DEBITS/DISCOUNTS	818,872	850,000	850,000
GRANTS	6,427,979	7,158,000	3,600,000
CONTRIBUTIONS FROM OTHERS	1,307,929	500,000	300,000
EKLUTNA RESERVE	0	0	0
OTHER	(767,167)	344,000	455,000
TOTAL SOURCES OF CASH FUNDS	13,472,409	21,513,000	19,678,000
USES OF CASH:			
ADDITIONS TO PLANT	13,608,036	16,281,000	16,496,000
BOND PRINCIPAL PAYMENT	2,060,942	1,921,000	2,062,000
TOTAL USES OF CASH FUNDS	15,668,978	18,202,000	18,558,000
NET INCREASE(DECREASE) IN CASH FUNDS	(2,196,569)	3,311,000	1,120,000
CASH BALANCE JANUARY 1	24,352,654	22,156,000	25,467,000
CASH BALANCE DECEMBER 31	22,156,085	25,467,000	26,587,000
DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	4,111,523	2,895,000	802,000
RESTRICTED CASH ACCOUNTS	15,887,116	17,922,000	19,967,000
EQUITY IN GENERAL CASH POOL	2,157,446	4,651,000	5,818,000
TOTAL CASH DECEMBER 31	22,156,085	25,467,000	26,587,000

ANCHORAGE WATER UTILITY

1998 OPERATING BUDGET DETAIL

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
LABOR			
Wages	5,402,490	5,405,000	5,404,000
Overtime	324,488	315,000	285,000
Benefits	2,726,500	2,703,000	2,680,000
Subtotal	8,453,478	8,423,000	8,369,000
SUPPLIES			
Chemicals	130,687	270,000	203,000
Plant, Shop, & Office Expense	849,071	983,000	1,132,000
Subtotal	979,758	1,253,000	1,335,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	268,596	281,000	283,000
Mgmt Information Systems Dept	335,639	408,000	541,000
Employee Relations Dept	143,332	167,000	151,000
Other	558,208	550,000	578,000
Subtotal	1,305,775	1,406,000	1,553,000
OTHER SERVICES			
Professional Services	204,350	475,000	512,000
Rent/Leases	703,270	725,000	738,000
Utilities	1,545,489	1,680,000	1,718,000
Vehicles	262,454	0	0
Contracted Mtnce/Repair	593,473	578,000	563,000
Operating Expense Transfer to CWIP	(431,728)	(246,000)	(500,000)
Other	221,945	301,000	643,000
Subtotal	3,099,253	3,513,000	3,674,000
OTHER EXPENSES			
Depreciation & Amortization	6,902,331	7,150,000	7,329,000
MUSA	1,434,022	1,433,000	1,476,000
Interest on Long-Term Debt	6,813,097	7,100,000	7,242,000
Capitalized Interest	(141,090)	(150,000)	(200,000)
Amort Deferred Debits/Discounts	818,872	850,000	850,000
Subtotal	15,827,232	16,383,000	16,697,000
TOTAL EXPENSES	<u>29,665,496</u>	<u>30,978,000</u>	<u>31,628,000</u>

Anchorage Water Utility

**1998-2003
Capital Improvement
Budget/Program**

ANCHORAGE WATER UTILITY 1998-2003 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
GENERAL PLANT	3,310	4,225	2,654	2,713	4,624	11,669	29,195
REPAIR & REHABILITATION	1,610	1,800	1,300	1,300	1,300	1,300	8,610
TRANSMISSION/DISTRIBUTION	10,350	10,000	6,400	20,100	4,400	3,700	54,950
WELL, TANK, PRV	800	4,800	800	600	650	300	7,950
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	16,070	21,075	11,404	24,963	11,224	17,219	101,955

SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
DEBT	14,767	19,549	10,334	23,318	9,504	15,729	93,201
EQUITY	1,303	1,526	1,070	1,645	1,720	1,490	8,754
STATE GRANT	0	0	0	0	0	0	0
TOTAL	16,070	21,075	11,404	24,963	11,224	17,219	101,955

*Approximately \$.7 million of in-house labor will be spent on capital projects in 1998

Anchorage Wastewater Utility

**1998
Operating Budget**

ANCHORAGE WASTEWATER UTILITY

RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA

	1997 BUDGET	1997 PROFORMA	VARIANCE	
OPERATING REVENUE	22,881,000	23,172,000	291,000	A
OPERATING EXPENSE				
OPERATIONS	14,040,000	13,770,000	(270,000)	B
DEPRECIATION	3,365,000	3,000,000	(365,000)	C
MUSA	1,146,000	1,156,000	10,000	D
TOTAL OPERATING EXPENSE	18,551,000	17,926,000	(625,000)	
OPERATING INCOME	4,330,000	5,246,000	916,000	
NON-OPERATING REVENUE	1,330,000	1,363,000	33,000	E
NON-OPERATING EXPENSE	4,290,000	4,296,000	6,000	F
NET INCOME REGULATORY	1,370,000	2,313,000	943,000	
ADJUSTMENT FOR GAAP METHOD	(5,125,000)	(5,125,000)	0	
NET INCOME GAAP	(3,755,000)	(2,812,000)	943,000	

Explanation of Significant Variances:

A: Customer growth 1.1% over bgt, +192k; Public Authorities +75k; Other +24k.

B: Labor (285k); supplies +52k; other svc +36k; IGC's (72k).

C: Depreciation adjustment on General Plant.

D: Reconciliation to actual mill rates.

E: Increase in interest income +33k.

F: Increase in interest expense +6k.

ANCHORAGE WASTEWATER UTILITY

RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET

	1997 PROFORMA	1998 BUDGET	VARIANCE	
OPERATING REVENUE	23,172,000	23,395,000	223,000	A
OPERATING EXPENSE				
OPERATIONS	13,770,000	14,563,000	793,000	B
DEPRECIATION	3,000,000	3,075,000	75,000	C
MUSA	1,156,000	1,191,000	35,000	D
TOTAL OPERATING EXPENSE	<u>17,926,000</u>	<u>18,829,000</u>	<u>903,000</u>	
OPERATING INCOME	5,246,000	4,566,000	(680,000)	
NON-OPERATING REVENUE	1,363,000	1,369,000	6,000	E
NON-OPERATING EXPENSE	<u>4,296,000</u>	<u>4,271,000</u>	<u>(25,000)</u>	F
NET INCOME REGULATORY	<u>2,313,000</u>	<u>1,664,000</u>	<u>(649,000)</u>	
ADJUSTMENT FOR GAAP METHOD	(5,125,000)	(5,253,000)	(128,000)	D
NET INCOME GAAP	(2,812,000)	(3,589,000)	(777,000)	

Explanation of Significant Variances:

A: Customer growth 1.0%.

B: Labor (66k); supplies +296k; other services +431k; IGC's +131k.

C: Function of capital construction program.

D: Function of capital construction program.

E: Decrease in interest income (13k); increase in rental income +19k.

F: Decrease in interest expense (25k).

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
OPERATING REVENUES			
RESIDENTIAL SALES	17,546,291	17,769,000	17,947,000
COMMERCIAL SALES	4,471,301	4,528,000	4,573,000
PUBLIC AUTHORITIES	771,055	590,000	590,000
MISCELLANEOUS	284,901	285,000	285,000
TOTAL OPERATING REVENUE	23,073,548	23,172,000	23,395,000
OPERATING EXPENSES			
COLLECTION	2,409,880	2,435,000	2,448,000
TREATMENT	5,216,320	5,224,000	5,208,000
CUSTOMER ACCOUNTS	1,399,263	1,455,000	1,497,000
GENL & ADMINISTRATIVE	4,183,325	4,656,000	5,410,000
DEPRECIATION *	2,780,461	3,000,000	3,075,000
MUSA	1,113,299	1,156,000	1,191,000
TOTAL OPERATING EXPENSES	17,102,548	17,926,000	18,829,000
OPERATING INCOME	5,971,000	5,246,000	4,566,000

*DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	860,686	815,000	834,000
INTEREST - GENERAL CASH POOL	233,416	250,000	250,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	82,778	68,000	60,000
INTEREST & PENALTY ON ASSESSMENTS	229,098	230,000	225,000
MISC INCOME	19,029	0	0
TOTAL NON-OPERATING REVENUE	1,425,007	1,363,000	1,369,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	921,685	1,000,000	1,000,000
INTEREST - LONG TERM DEBT	3,124,614	2,851,000	2,609,000
INTEREST - OTHER	459,059	510,000	727,000
CAPITALIZED INTEREST	(179,589)	(65,000)	(65,000)
TOTAL NON-OPERATING EXPENSE	4,325,769	4,296,000	4,271,000
NON-OPERATING INCOME	(2,900,762)	(2,933,000)	(2,902,000)
NET INCOME (REGULATORY)	3,070,238	2,313,000	1,664,000
ADJUSTMENT FOR GAAP	5,061,847	5,125,000	5,253,000
NET INCOME (LOSS) GAAP	(1,991,609)	(2,812,000)	(3,589,000)

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(1,991,609)	(2,812,000)	(3,589,000)
DEPRECIATION	7,842,308	8,125,000	8,328,000
BOND PROCEEDS	0	0	0
STATE LOANS	2,851,722	2,491,000	4,200,000
AMORT/DEFERRED DEBITS/DISCOUNTS	921,685	1,000,000	1,000,000
GRANTS	1,809,583	1,541,000	800,000
CONTRIBUTIONS FROM OTHERS	896,421	950,000	900,000
OTHER	190,227	60,000	145,000
TOTAL SOURCES OF CASH FUNDS	12,520,337	11,355,000	11,784,000
USES OF CASH:			
ADDITIONS TO PLANT	5,906,767	4,237,000	6,395,000
BOND PRINCIPAL PAYMENT	5,691,287	5,860,000	5,837,000
TOTAL USES OF CASH FUNDS	11,598,054	10,097,000	12,232,000
 NET INCREASE(DECREASE) IN CASH FUNDS	 922,283	 1,258,000	 (448,000)
 CASH BALANCE JANUARY 1	 6,026,065	 6,948,000	 8,206,000
CASH BALANCE DECEMBER 31	6,948,348	8,206,000	7,758,000
 DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	1,413,671	2,000,000	2,158,000
RESTRICTED CASH ACCOUNTS	360,618	361,000	361,000
EQUITY IN GENERAL CASH POOL	5,174,059	5,846,000	5,239,000
TOTAL CASH DECEMBER 31	6,948,348	8,206,000	7,758,000

ANCHORAGE WASTEWATER UTILITY

1998 OPERATING BUDGET DETAIL

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
LABOR			
Wages	5,137,028	5,179,000	5,072,000
Overtime	121,913	123,000	124,000
Benefits	2,484,099	2,524,000	2,564,000
Subtotal	7,743,040	7,826,000	7,760,000
SUPPLIES			
Chemicals	376,588	389,000	402,000
Plant, Shop, & Office Expense	907,024	936,000	1,219,000
Subtotal	1,283,612	1,325,000	1,621,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	244,187	262,000	258,000
Mgmt Information Systems Dept	335,589	409,000	540,000
Employee Relations Dept	139,473	146,000	147,000
Other	767,792	813,000	817,000
Subtotal	1,487,041	1,630,000	1,762,000
OTHER SERVICES			
Professional Services	648,577	969,000	1,059,000
Rent/Leases	412,748	616,000	620,000
Utilities	1,077,082	1,084,000	1,091,000
Vehicles	343,877	0	0
Contracted Mtnce/Repair	241,355	240,000	238,000
Operating Expense Transfer to CWIP	(217,072)	(292,000)	(250,000)
Other	188,528	372,000	662,000
Subtotal	2,695,095	2,989,000	3,420,000
OTHER EXPENSES			
Depreciation & Amortization	7,842,308	8,125,000	8,328,000
MUSA	1,113,299	1,156,000	1,191,000
Interest on Long-Term Debt	3,583,673	3,361,000	3,336,000
Capitalized Interest	(179,589)	(65,000)	(65,000)
Amort Deferred Debits/Discounts	921,685	1,000,000	1,000,000
Subtotal	13,281,376	13,577,000	13,790,000
TOTAL EXPENSES	26,490,164	27,347,000	28,353,000

Anchorage Wastewater Utility

1998-2003

**Capital Improvement
Budget/Program**

ANCHORAGE WASTEWATER UTILITY 1998-2003 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
GENERAL PLANT	4,895	3,905	3,814	2,598	2,259	6,709	24,180
REPAIR & REHABILITATION	1,345	3,410	4,180	4,500	8,300	1,700	23,435
TRUNK/INTERCEPTOR	1,100	100	325	100	100	4,460	6,185
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	7,340	7,665	8,569	7,448	10,909	13,119	55,050

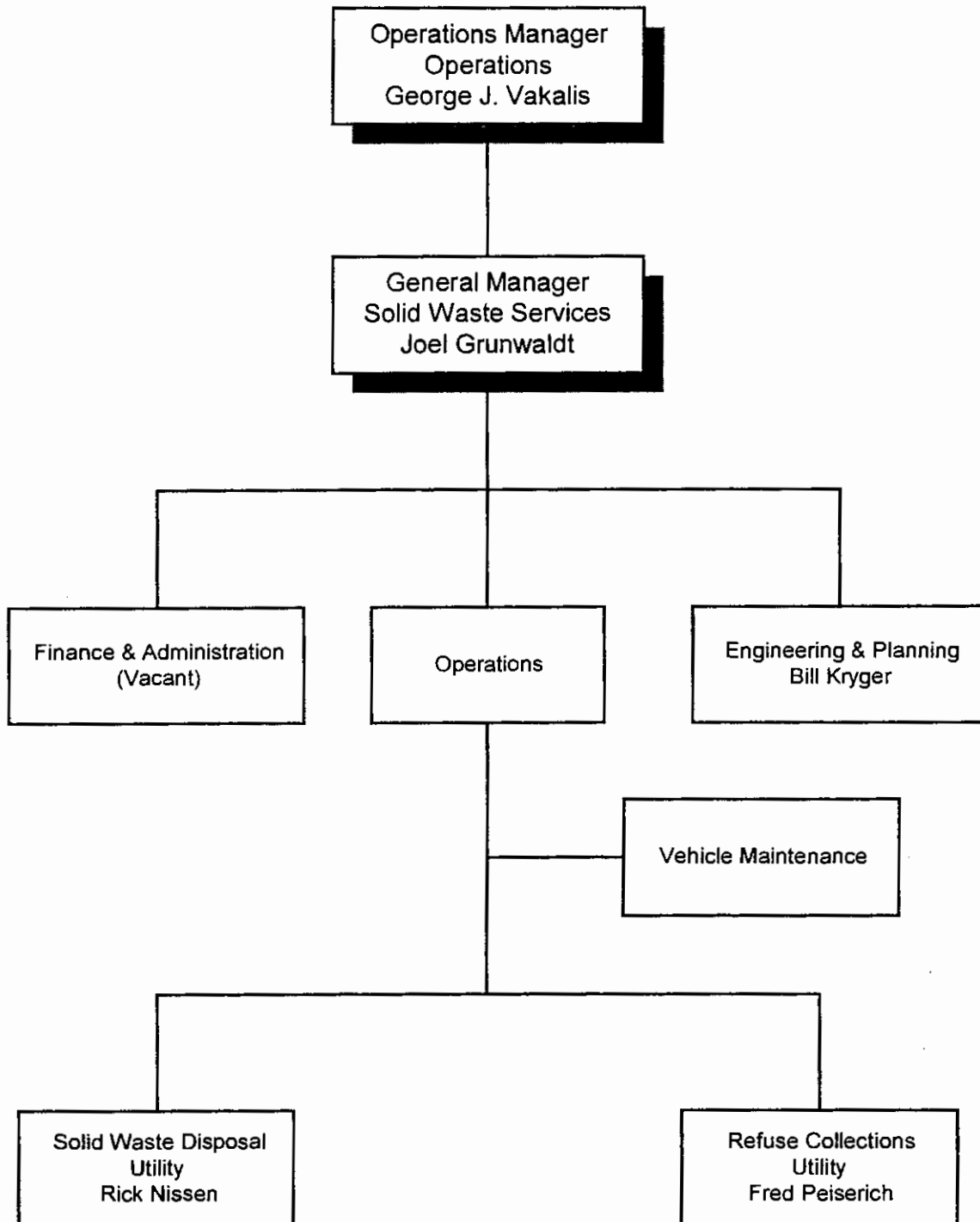
SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
DEBT	5,727	6,484	7,514	6,168	9,504	11,639	47,036
EQUITY	1,613	1,181	1,055	1,280	1,405	1,480	8,014
STATE GRANT	0	0	0	0	0	0	0
TOTAL	7,340	7,665	8,569	7,448	10,909	13,119	55,050

*Approximately \$.3 million of in-house labor will be spent on capital projects in 1998

SOLID WASTE SERVICES

SOLID WASTE SERVICES

Organizational Chart



SOLID WASTE SERVICES UTILITY PROFILE

ORGANIZATION: Solid Waste Services (SWS) is composed of two separate utilities. The Refuse Collections Utility provides refuse collection service to residential and commercial customers in the City of Anchorage Service Area. The Solid Waste Disposal Utility operates multiple transfer stations and a regional landfill providing affordable and environmentally responsible services for the entire Municipality. SWS is divided into four organizations. The organizations include Refuse Collections and Solid Waste Disposal, which are separate operating utilities, and Vehicle Maintenance and Administration, which are support organizations that fully charge out to Refuse Collections and Disposal Utilities.

The profile for both Refuse Collections Utility and Solid Waste Disposal are shown separately below:

REFUSE COLLECTIONS UTILITY

HISTORY: Refuse Collections Utility was originally owned by the former City of Anchorage. When the City and Borough merged in 1975 the Municipality of Anchorage became the new owner. Since at least 1952 there has been mandatory service for all residents who live in the Refuse Collections Utility service area.

SERVICE: Refuse Collections Utility serves the service area of the former City of Anchorage, which is approximately 25% of the population of the Municipality of Anchorage. The Refuse Collections Utility has three main types of collection vehicles. They are frontload, rearload, and sideload. The frontload vehicles are used to empty dumpsters and normally handle commercial or multifamily residential. Rearload vehicles service mainly can/bag residential and a few two-yard dumpsters. Sideload vehicles service residential can/bag only. Refuse Collections Utility services approximately 4,700 dumpsters per week, and 12,100 can/bag pickups per week. Refuse Collection Utility operates six dumpster routes per day M-F and two routes on Saturday, five sideload routes per day M-F, one rearload route per day M-F, and one-half rearload route on Saturday.

REGULATION: Refuse Collections Utility is regulated by the Alaska Public Utilities as having the right to collect solid waste, but is not economically regulated.

Refuse Collections Utility as a part of Solid Waste Services also has a seven member advisory commission. The members are appointed by the mayor and confirmed by the assembly. The commission normally meets monthly and when necessary holds special meetings. The advisory commission advises and makes recommendations to the administration and assembly on matters pertaining to the operating budget, capital

budget, rules, regulations, and administrative guidelines for the Refuse Collections Utility.

ENVIRONMENTAL MANDATES: Although there are no specific state or federally mandated regulations for refuse collections there are a number of federal and state mandated regulations that the Refuse Collections Utility must comply with. These regulations include but are not limited to the Federal Clean Air Act, The Clean Water Act and OSHA. These regulations have and will continue to have an economic and operational impact on Refuse Collections Utility.

PHYSICAL PLANT:

Specialized truck fleet

- 8 frontload trucks for dumpster collection
- 2 rearload trucks for curbside pickup and small dumpsters
- 7 sideload trucks for curbside pickup only

Refuse Collections warm storage building, a 27,000 square foot building that contains vehicle maintenance and storage space and administrative offices.

SOLID WASTE DISPOSAL

HISTORY: The Municipal landfill at Merrill Field was closed during 1987 following approximately 50 years of usage. This brings the total of closed, official landfill sites within the Municipality of Anchorage to five. The Anchorage Regional Landfill (ARL), an award winning "state-of-the-art" fully lined modern landfill, was built in 1987 and is the only operating landfill in MOA.

SERVICE: ARL services the entire MOA. These services include the disposal of solid waste and collection of household hazardous waste. Normal solid waste is received at any of the four transfer stations located within MOA. The waste is then transported by the Disposal Utility to ARL for final disposal.

ARL has a total land area of approximately 275 acres and is being developed in phases called cells. Currently 5 out of a total of 20 cells have been constructed. ARL is projected to have a total capacity in excess of 48 million cubic yards. It is estimated that ARL will reach full capacity in the year 2050. In 1996, 325,668 tons were deposited in ARL. This included 26,148 tons hauled from the former Merrill Field Landfill.

Solid Waste Disposal Utility also operates four transfer stations. They are located at Girdwood, Midtown Anchorage (CTS), next to Fort Richardson, and ARL. They allow Solid Waste Disposal Utility to restrict access to the face of the landfill. CTS, by far, receives the largest amount of solid waste, having received over 211,399 tons in 1996. CTS has a total capacity of 1,600 tons per day. The Solid Waste Disposal Utility

operates a fleet of 20 transfer tractor and trailers that transport the solid waste from CTS. The trailers have a capacity of 120 yards each.

Household hazardous waste can be dropped off at CTS or the Hazardous Waste Facility located at ARL. The hazardous waste is then handled by a contractor who puts the hazardous waste in proper containers and safely ships the containers out of state to federally approved hazardous waste disposal sites.

Solid Waste Disposal Utility had a 6,000 square foot household hazardous waste collection facility built in 1989. The facility located at ARL is operated by a private contractor. In 1990 the facility collected the same amount of hazardous waste as the city of San Francisco, which has approximately three times the population. In 1992 the facility was the only Hazardous Waste facility in North America to receive Solid Waste Association of North America's "System Excellence" award. Through 1996 the facility has collected a total of 6.852 million pounds of hazardous waste that otherwise may have been improperly disposed of in the landfill, storm drain system or people's backyards.

REGULATION: The Disposal Utility is not economically regulated by any non municipal agencies. However the Disposal Utility operates under numerous permits and many EPA regulations. ARL is operated under a permit issued by the Alaska Department of Conservation. This permit must be renewed every five years. The Disposal Utility operates under two permits from AWWU for industrial water discharge. ARL has permits from the US Department of Fish and Wildlife and the Alaska Department of Fish and Game for bird predation. ARL construction and certain operations must comply with the EPA Resource Conservation and Recovery Act (RCRA) subtitle D.

The Disposal Utility, as a part of Solid Waste Services, also has a seven member advisory commission. The members are appointed by the mayor and confirmed by the assembly. The commission normally meets monthly and when necessary holds special meetings. The advisory commission advises and makes recommendations to the administration and assembly on matters pertaining to the operating budget, capital budget, rules, regulations, and administrative guidelines for the Disposal Utility.

ENVIRONMENTAL MANDATES: The Disposal Utility 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 Disposal Utility. The main environmental mandates that have a significant impact on the Disposal Utility are RCRA subtitle D, Clean Air Act, Clean Water Act, SARA Title 3, NESAP (asbestos), and NPDES (storm water discharge). It is projected that in the future the environmental mandates regarding operating and constructing a landfill will become even more stringent.

PHYSICAL PLANT:

Anchorage Regional Landfill

- 275 acres, estimated to last thru the year 2050
- 48 million cubic yard capacity
- Phased construction of cells lasting three to four years each
- Currently have constructed a total of five cells
- Located on municipal land
- Scalehouse and 22,000 sq. ft shop and storage facility
- Heavy equipment fleet: dozers, loaders, dump trucks, boom truck, water truck, leachate trucks, tankers, lube trucks, grader and compactors
- Two leachate storage, treatment lagoons with a 2.9 million gallon capacity

Four transfer stations provide intermediate disposal, easy access for public

- Girdwood, Central midtown, Ft. Richardson and ARL
- 20 transfer tractor and trailers haul from stations to landfill

Hazardous waste management

- 6000 sq. ft collection facility for household hazardous waste
- Opened in 1989, operated by private contractor
- Received only "System Excellence Award" in North America from Solid Waste Association of North America

SOLID WASTE SERVICES WORK FORCE PROJECTIONS

<u>BUDGET UNIT</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
ADMINISTRATION:							
Regular Fulltime	17	17	17	17	17	17	17
REFUSE COLLECTIONS:							
Regular Fulltime	16	16	16	16	16	16	16
SOLID WASTE DISPOSAL							
Regular Fulltime	32	32	32	32	32	32	32
VEHICLE MAINTENANCE							
Regular Fulltime	9	9	9	9	9	9	9
SUBTOTAL	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>
PARTTIME/TEMPS	18	18	18	18	18	18	18
TOTAL	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>

Refuse Collections

**1998
Operating Budget**

REFUSE COLLECTIONS UTILITY

RECONCILIATION OF 1997 BUDGET TO 1997 PRO-FORMA

	<u>1997 BUDGET</u>	<u>1997 PRO-FORMA</u>	<u>VARIANCE</u>
OPERATING REVENUE	5,439,350	5,452,460	13,110
OPERATING EXPENSE			
Labor	1,379,200	1,341,840	(37,360) (A)
Supplies	43,500	38,500	(5,000)
IGC'S	1,302,040	1,304,490	2,450
Other Services	123,350	123,760	410
Other Expenses	2,598,460	2,618,120	19,660
OPERATING EXPENSE	<u>5,446,550</u>	<u>5,426,710</u>	<u>(19,840)</u>
NON-OPERATING REVENUE	275,800	357,690	81,890 (B)
NON-OPERATING EXPENSE	<u>106,760</u>	<u>106,760</u>	<u>0</u>
NET INCOME (REGULATORY)	161,840	276,680	114,840
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>161,840</u></u>	<u><u>276,680</u></u>	<u><u>114,840</u></u>

Explanation of Significant Variances:

A) Savings due to reduced PERS cost.

B) Interest Earnings higher than projected.

REFUSE COLLECTIONS UTILITY

RECONCILIATION OF 1997 PRO-FORMA TO 1998 BUDGET

	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUE	5,452,460	5,452,460	0
OPERATING EXPENSE			
Labor	1,341,840	1,344,520	2,680
Supplies	38,500	39,000	500
IGC'S	1,304,490	1,321,150	16,660
Other Services	123,760	129,570	5,810
Other Expenses	2,618,120	2,658,110	39,990
OPERATING EXPENSE	<u>5,426,710</u>	<u>5,492,350</u>	<u>65,640</u>
NON-OPERATING REVENUE	357,690	357,690	0
NON-OPERATING EXPENSE	<u>106,760</u>	<u>96,090</u>	<u>(10,670)</u>
NET INCOME (REGULATORY)	276,680	221,710	(54,970)
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>276,680</u></u>	<u><u>221,710</u></u>	<u><u>(54,970)</u></u>

Explanation of Significant Variances:

A) No significant changes, other than inflation.

REFUSE COLLECTIONS UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
OPERATING REVENUE			
Commercial Collections	3,046,697	3,003,550	3,003,550
Residential Collections	2,181,185	2,184,360	2,184,360
Other Collections	24,787	28,000	28,000
Container Rental Fees	238,468	236,550	236,550
TOTAL OPERATING REVENUE	<u>5,491,137</u>	<u>5,452,460</u>	<u>5,452,460</u>
OPERATING EXPENSE			
Labor	1,322,998	1,341,840	1,344,520
Supplies	38,453	38,500	39,000
IGC'S	1,159,547	1,304,490	1,321,150
Other Services	143,966	123,760	129,570
Other Expenses	2,525,327	2,618,120	2,658,110
TOTAL OPERATING EXPENSE	<u>5,190,291</u>	<u>5,426,710</u>	<u>5,492,350</u>
OPERATING INCOME	300,846	25,750	(39,890)
NON-OPERATING REVENUE			
Sale of Assets	21,704	0	0
Interest Income	307,220	335,000	335,000
Other Revenue	23,706	22,690	22,690
TOTAL NON-OPERATING REVENUE	<u>352,630</u>	<u>357,690</u>	<u>357,690</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	125,967	106,760	96,090
TOTAL NON-OPERATING EXPENSE	<u>125,967</u>	<u>106,760</u>	<u>96,090</u>
NET INCOME (REGULATORY)	527,508	276,680	221,710
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>527,508</u></u>	<u><u>276,680</u></u>	<u><u>221,710</u></u>

REFUSE COLLECTIONS UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	527,508	276,680	221,710
Depreciation	378,047	432,160	449,930
Grants	0	0	0
Bonds	0	0	0
Other	0	0	0
TOTAL SOURCES OF CASH FUNDS	<u>905,555</u>	<u>708,840</u>	<u>671,640</u>
USES OF CASH FUNDS:			
Additions to Plant	271,577	710,380	477,770
Bond Principal Payment	230,000	245,000	255,000
Other	41,314	0	0
TOTAL USES OF CASH FUNDS	<u>542,891</u>	<u>955,380</u>	<u>732,770</u>
NET INCREASE (DECREASE) IN CASH FUNDS	362,664	(246,540)	(61,130)
CASH BALANCE JANUARY 1,	5,033,519	5,396,180	5,149,640
CASH BALANCE DECEMBER 31,	<u><u>5,396,182</u></u>	<u><u>5,149,640</u></u>	<u><u>5,088,510</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	4,659,808	4,597,794	4,536,664
Equity In Construction Cash Pool	383,969	199,440	199,440
Bond Redemption Cash	352,406	352,406	352,406
TOTAL CASH DECEMBER 31,	<u><u>5,396,183</u></u>	<u><u>5,149,640</u></u>	<u><u>5,088,510</u></u>

REFUSE COLLECTIONS UTILITY

1998 OPERATING BUDGET DETAIL

	1996 ACTUAL	1997 PRO-FORMA	1998 BUDGET
Labor			
Wages	860,445	875,840	895,230
Overtime	61,078	68,070	69,310
Benefits	401,475	397,930	379,980
Other	0	0	0
Subtotal	1,322,998	1,341,840	1,344,520
Supplies			
Office supplies	3,112	3,500	4,000
Operating Supplies	31,696	30,000	30,000
Repair and Maintenance Supplies	3,645	5,000	5,000
Subtotal	38,453	38,500	39,000
Intragovernmental Charges			
Solid Waste Administration	557,552	651,660	648,310
Solid Waste Vehicle Maintenance	503,877	518,570	532,930
Solid Waste Disposal	38,100	38,100	38,100
Other IGC's	85,018	121,160	126,810
Charges to Others	(25,000)	(25,000)	(25,000)
Subtotal	1,159,547	1,304,490	1,321,150
Other Services			
Professional Services	3,038	5,000	5,000
Contractual Services	95,714	71,410	76,120
Utilities	45,214	47,350	48,450
Subtotal	143,966	123,760	129,570
Other Expenses			
Depreciation	378,047	432,160	449,930
MUSA	56,871	52,770	66,020
Interest on Long-term Debt	125,967	106,760	96,090
SWS Disposal Charges	1,967,141	2,036,250	2,036,250
Other	123,268	96,940	105,910
Subtotal	2,651,294	2,724,880	2,754,200
TOTAL EXPENSES	5,316,258	5,533,470	5,588,440

Refuse Collections

**1998-2003
Capital Improvement
Budget/Program**

**REFUSE COLLECTIONS UTILITY
1998-2003 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
VEHICLE REPLACEMENT	356	324	325	309	337	309	1,960
CONTAINERS	91	91	91	91	91	91	546
EQUIPMENT	5	5	5	5	5	5	30
OFFICE EQUIPMENT	10	10	10	10	10	10	60
DATA PROCESSING	14	12	10	10	10	15	71
TOTAL	476	442	441	425	453	430	2,667

SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
G.O. BONDS							
REVENUE BONDS							
LOAN							
EQUITY/OPERATIONS	476	442	441	425	453	430	2,667
STATE GRANT							
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	476	442	441	425	453	430	2,667

Solid Waste Disposal

1998

Operating Budget

SOLID WASTE DISPOSAL UTILITY RECONCILIATION OF 1997 BUDGET TO 1997 PRO-FORMA

	<u>1997 BUDGET</u>	<u>1997 PRO-FORMA</u>	<u>VARIANCE</u>
OPERATING REVENUE	12,763,750	12,720,850	(42,900) (A)
OPERATING EXPENSE			
Labor	2,457,720	2,444,320	(13,400)
Supplies	86,700	63,700	(23,000) (B)
IGC'S	1,746,240	1,727,400	(18,840)
Other Services	2,826,070	2,281,840	(544,230) (C)
Other Expenses (1)	3,320,820	3,182,230	(138,590) (D)
OPERATING EXPENSE	<u>10,437,550</u>	<u>9,699,490</u>	<u>(738,060)</u>
NON-OPERATING REVENUE	481,960	530,000	48,040
NON-OPERATING EXPENSE	2,001,260	1,954,330	(46,930)
NET INCOME (REGULATORY)	<u>806,900</u>	<u>1,597,030</u>	<u>790,130</u>
ADJUSTMENTS FOR GAAP	(189,120)	(197,680)	(8,560)
NET INCOME (LOSS) GAAP	<u>617,780</u>	<u>1,399,350</u>	<u>781,570</u>
(1) Excludes Amortization of Contributed Plant			

Explanation of Significant Variances:

- A) Reduction due to decreased contract costs.
- B) Less sand filter material than expected.
- C) Reduced contract costs and utility costs less than projected.
- D) Mainly due to reduced Depreciation costs.

SOLID WASTE DISPOSAL UTILITY

RECONCILIATION OF 1997 PRO-FORMA TO 1998 BUDGET

	<u>1997</u> <u>PRO-FORMA</u>	<u>1998</u> <u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUE	12,720,850	12,771,850	51,000
OPERATING EXPENSE			
Labor	2,444,320	2,422,640	(21,680)
Supplies	63,700	48,700	(15,000)
IGC'S	1,727,400	1,740,310	12,910
Other Services	2,281,840	2,415,990	134,150 (A)
Other Expenses (1)	3,182,230	3,265,480	83,250 (B)
OPERATING EXPENSE	<u>9,699,490</u>	<u>9,893,120</u>	<u>193,630</u>
NON-OPERATING REVENUE	530,000	517,500	(12,500)
NON-OPERATING EXPENSE	1,954,330	1,826,250	(128,080)
NET INCOME (REGULATORY)	<u>1,597,030</u>	<u>1,569,980</u>	<u>(27,050)</u>
ADJUSTMENTS FOR GAAP	(197,680)	(197,680)	0
NET INCOME (LOSS) GAAP	<u><u>1,399,350</u></u>	<u><u>1,372,300</u></u>	<u><u>(27,050)</u></u>
(1) Excludes Amortization of Contributed Plant			

Explanation of Significant Variances:

A) Increase in Other Contract costs.

B) Mainly due to increased Depreciation costs.

SOLID WASTE DISPOSAL UTILITY STATEMENT OF REVENUE AND EXPENSES

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
OPERATING REVENUE			
Reimbursed Costs	302,153	287,000	297,500
Disposal Fees	11,950,366	12,305,850	12,346,350
Hazardous Waste Fees	129,383	128,000	128,000
TOTAL OPERATING REVENUE	<u>12,381,902</u>	<u>12,720,850</u>	<u>12,771,850</u>
OPERATING EXPENSE			
Labor	2,344,795	2,444,320	2,422,640
Supplies	103,765	63,700	48,700
IGC'S	1,548,665	1,727,400	1,740,310
Other Services	6,413,105	2,281,840	2,415,990
Other Expenses (1)	3,082,676	3,182,230	3,265,480
TOTAL OPERATING EXPENSE	<u>13,493,006</u>	<u>9,699,490</u>	<u>9,893,120</u>
OPERATING INCOME (LOSS)	(1,111,104)	3,021,360	2,878,730
NON-OPERATING REVENUE			
Sale of Assets	188,402	20,000	0
Interest Income	550,893	468,200	505,700
Other Revenue	421,797	41,800	11,800
TOTAL NON-OPERATING REVENUE	<u>1,161,092</u>	<u>530,000</u>	<u>517,500</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	2,007,511	1,954,330	1,826,250
TOTAL NON-OPERATING EXPENSE	<u>2,007,511</u>	<u>1,954,330</u>	<u>1,826,250</u>
NET INCOME (REGULATORY)	(1,957,522)	1,597,030	1,569,980
ADJUSTMENTS FOR GAAP	(198,673)	(197,680)	(197,680)
NET INCOME (LOSS) GAAP	<u>(2,156,195)</u>	<u>1,399,350</u>	<u>1,372,300</u>

(1) Excludes Amortization of Contributed Plant

SOLID WASTE DISPOSAL UTILITY STATEMENT OF SOURCES AND USES OF CASH

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	(2,156,195)	1,399,350	1,372,300
Depreciation (Includes Contributed Plant)	2,176,415	2,248,940	2,319,980
Future Landfill Closure Costs	517,813	466,100	466,870
Grants	222,200	0	0
New Debt	1,564,397	0	2,900,000
Other	1,494,401		
TOTAL SOURCES OF CASH FUNDS	<u>3,819,031</u>	<u>4,114,390</u>	<u>7,059,150</u>
USES OF CASH FUNDS:			
Additions to Plant (CWIP)	1,737,363	996,210	4,427,400
Bond Principal Payment	1,700,000	2,244,910	2,329,910
Utility Revenue Distribution	200,000	0	200,000
TOTAL USES OF CASH FUNDS	<u>3,637,363</u>	<u>3,241,120</u>	<u>6,957,310</u>
NET INCREASE (DECREASE) IN CASH FUNDS	181,668	873,270	101,840
CASH BALANCE JANUARY 1,	9,515,224	9,696,890	10,570,160
CASH BALANCE DECEMBER 31,	<u>9,696,892</u>	<u>10,570,160</u>	<u>10,672,000</u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	4,840,464	4,818,480	4,453,450
Future Landfill Closure Cash Reserve	3,901,277	4,367,380	4,834,250
Equity In Construction Cash Pool	582,607	1,011,760	1,011,760
Bond Redemption Cash	372,544	372,540	372,540
TOTAL CASH DECEMBER 31,	<u>9,696,892</u>	<u>10,570,160</u>	<u>10,672,000</u>

SOLID WASTE DISPOSAL UTILITY 1998 OPERATING BUDGET DETAIL

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
Labor			
Wages	1,513,151	1,591,590	1,614,250
Overtime	97,805	126,050	119,430
Benefits	733,824	726,610	688,890
Other	15	70	70
Subtotal	<u>2,344,796</u>	<u>2,444,320</u>	<u>2,422,640</u>
Supplies			
Office Supplies	1,326	2,500	2,500
Operating Supplies	100,005	45,000	30,000
Fuel(Kerosine)	157	1,200	1,200
Repair and Maintenance Supplies	2,278	15,000	15,000
Subtotal	<u>103,764</u>	<u>63,700</u>	<u>48,700</u>
Intragovernmental Charges			
Solid Waste Administration	652,501	693,360	681,070
Solid Waste Vehicle Maintenance	998,210	1,101,970	1,132,490
Other IGC's	120,535	178,570	189,850
Charges to Others	(222,582)	(246,500)	(263,100)
Subtotal	<u>1,548,665</u>	<u>1,727,400</u>	<u>1,740,310</u>
Other Services			
Professional Services	451,400	236,000	235,000
Utilities	295,568	348,580	350,070
Contractual Services	5,666,137	1,697,260	1,830,920
Subtotal	<u>6,413,105</u>	<u>2,281,840</u>	<u>2,415,990</u>
Other Expenses			
Depreciation	2,176,415	2,248,940	2,319,980
MUSA	323,385	422,840	429,830
Gross Receipts Tax	153,468	148,960	153,020
Landfill Closure Costs	517,813	466,100	466,870
Other	110,268	93,070	93,460
Interest on Long-term Debt	2,007,511	1,954,330	1,826,250
Subtotal	<u>5,288,860</u>	<u>5,334,240</u>	<u>5,289,410</u>
Total Expenses	<u><u>15,699,190</u></u>	<u><u>11,851,500</u></u>	<u><u>11,917,050</u></u>

Solid Waste Disposal

1998-2003

**Capital Improvement
Budget/Program**

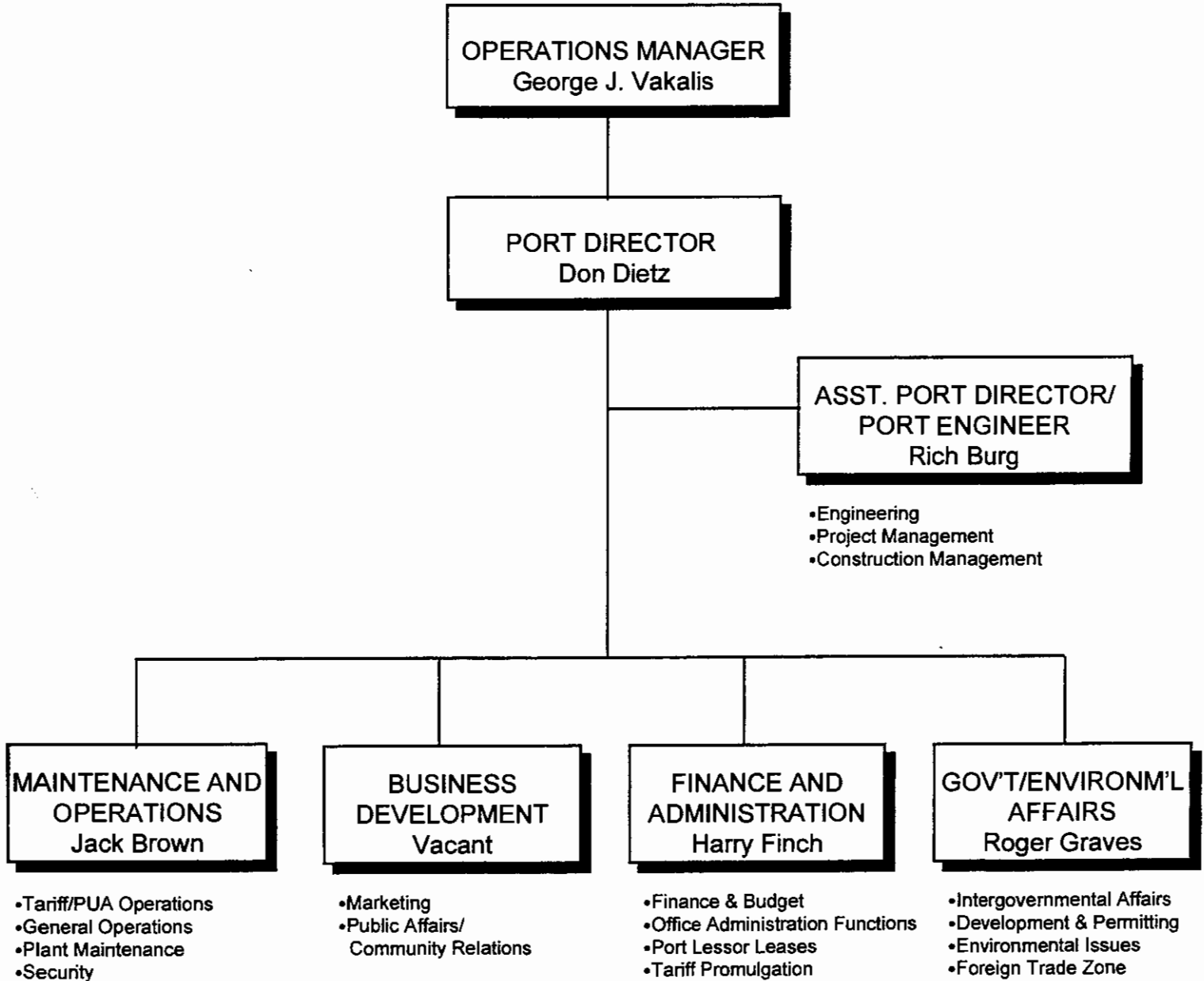
**SOLID WASTE DISPOSAL UTILITY
1998-2003 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
EQUIPMENT	1,463	1,066	1,410	1,224	1,238	1,242	7,643
ARL IMPROVEMENTS	6,659	50	15	15	15	15	6,769
OFFICE /DP EQUIPMENT	14	12	5	5	5	15	56
TOTAL	8,136	1,128	1,430	1,244	1,258	1,272	14,468

SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
G.O. BONDS							
REVENUE BONDS							
LOAN	6,400						6,400
EQUITY/OPERATIONS	1,736	1,128	1,430	1,244	1,258	1,272	8,068
STATE GRANT							
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	8,136	1,128	1,430	1,244	1,258	1,272	14,468

PORT OF ANCHORAGE

PORT OF ANCHORAGE ORGANIZATION CHART



PORT OF ANCHORAGE UTILITY PROFILE

ORGANIZATION

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

HISTORY

The Port of Anchorage commenced operation in September 1961 with a single berth. 38,000 tons of cargo crossed the Port's dock that first year. 3,088,268 tons crossed the dock in 1996, the highest annual tonnage level achieved in the history of the Port. The Port was ranked 17th among United States container ports, including San Juan and Honolulu, in 1996 for the movement of container TEUs (twenty foot equivalent units). The Port of Anchorage is a major economic factor and the strongest link in the transportation chain which enables Alaskan residents from Juneau to Barrow to take full advantage of the benefits of inexpensive waterborne commerce through this Port.

SERVICES

Approximately 90% of the consumer goods and foodstuffs sold within the Railbelt and beyond move through this facility on a year-round basis. Container service is provided twice weekly from Puget Sound by two domestic ocean carriers and is augmented seasonally by one additional container vessel per week and barge activities. Bulk shipments are both domestic and international, involving imports of basic commodities such as cement, refined petroleum products, automobiles and construction materials. The Port serves as the primary export facility for the state's largest petroleum refinery in North Pole and as the major export terminal for frozen and canned seafood products that are packed in Anchorage, Valdez and on the Kenai Peninsula.

REGULATION

Per Anchorage Municipal Code 11.50.030 (B) " . . . The port commission shall regulate the operation of terminal and transportation facilities at the port by promulgating a terminal tariff containing rates, charges, rules and regulations applicable at the port and subject to the approval of the assembly and the Federal Maritime Commission."

Port Industrial Park Revenue is derived from long-term leases of properties in the Port Industrial Park. The leases provide for five-year rate adjustments. 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 Clean Water Act, Clean Air Act, National Pollution Discharge Elimination System (NPDES), Endangered Species Act and Coastal Zone Management Plan.

PHYSICAL PLANT

Real Estate:

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

Terminals:

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

Cargo Handling Equipment:

- Rail mounted, electric Container Cranes:
 - 30 ton (2)
 - 40 ton (1)
- Portable Cranes to 150 tons available
- Forklifts to 30 tons available

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

**PORT OF ANCHORAGE
WORKFORCE PROJECTIONS**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>DIVISION</u>							
Administration/Engineering	7	7	7	7	7	7	7
Operations/Maintenance	12	12	12	12	12	12	12
Port Development	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
Part Time/Temporary	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>

Port of Anchorage

1998

Operating Budget

PORT OF ANCHORAGE RECONCILIATION OF 1997 BUDGET TO 1997 PRO-FORMA

	1997 <u>BUDGET</u>	1997 <u>PRO-FORMA</u>	<u>VARIANCE</u>	
OPERATING REVENUE	7,999,000	7,827,000	(172,000)	A
OPERATING EXPENSE				
Labor	1,523,000	1,463,000	(60,000)	B
Supplies	116,000	144,000	28,000	C
Other Services & Charges	1,503,000	1,338,000	(165,000)	D
IGC's	247,000	242,000	(5,000)	
Depreciation/Amortization	2,337,000	2,295,000	(42,000)	E
Subtotal	5,726,000	5,482,000	(244,000)	
NON-OPERATING REVENUE	903,000	884,000	(19,000)	
NON-OPERATING EXPENSE	627,000	607,000	(20,000)	
NET INCOME (REGULATORY)	<u>2,549,000</u>	<u>2,622,000</u>	<u>73,000</u>	
ADJUSTMENTS FOR GAAP	(950,000)	(952,000)	(2,000)	
NET INCOME GAAP	<u><u>1,599,000</u></u>	<u><u>1,670,000</u></u>	<u><u>71,000</u></u>	

Explanation of Significant Variances:

- A) General Cargo Wharfage revenue is now able to be based on year-to-date figures. Wharfage is anticipated to be lower in 1997 than originally projected at preliminary budget planning time last year. This variance also depicts unanticipated reductions in revenues from vacated Terminal Rentals and Valve Yard Transfer User Fees in 1997.
- B) 1997 Labor expense reduced by personnel turn-over.
- C) Unanticipated acquisition of dock fendering system replacement parts due to damage.
- D) Professional and Legal Services actually used in 1997 and 1997 Public Utility expense are now anticipated to be less than originally projected.
- E) Depreciation adjusted to reflect anticipated plant in-service.

PORT OF ANCHORAGE RECONCILIATION OF 1997 PRO-FORMA TO 1998 BUDGET

	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUE	7,827,000	7,883,000	56,000 A
OPERATING EXPENSE			
Labor	1,463,000	1,501,000	38,000 B
Supplies	144,000	145,000	1,000
Other Services & Charges	1,338,000	1,292,000	(46,000)C
IGC's	242,000	243,000	1,000
Depreciation/Amortization	<u>2,295,000</u>	<u>2,516,000</u>	<u>221,000 D</u>
Subtotal	5,482,000	5,697,000	215,000
NON-OPERATING REVENUE	884,000	886,000	2,000
NON-OPERATING EXPENSE	607,000	568,000	(39,000)E
NET INCOME (REGULATORY)	<u>2,622,000</u>	<u>2,504,000</u>	<u>(118,000)</u>
ADJUSTMENTS FOR GAAP	(952,000)	(952,000)	0
NET INCOME GAAP	<u><u>1,670,000</u></u>	<u><u>1,552,000</u></u>	<u><u>(118,000)</u></u>

Explanation of Significant Variances:

- A) This increase is the net effect of an increase in wharfage revenues as a result of anticipated higher tonnage levels, combined with a decrease in Terminal Rental revenues for a full year period.
- B) For budgetary purposes, a wage increase not-to-exceed 1.5% was assumed for all labor groups except JCC effective 3/1/98. This wage increase is slightly offset by anticipated personnel turn-over in 1998.
- C) A combination of a reduction in Repair & Maintenance contracts offset by an anticipated increased requirement for engineering services.
- D) Depreciation has been adjusted to reflect anticipated booking of new plant in-service.
- E) Decrease in interest portion of debt service payments.

PORT OF ANCHORAGE

STATEMENT OF REVENUE AND EXPENSES

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
OPERATING REVENUE			
Dock Revenue	5,767,689	5,754,000	5,857,000
Industrial Park Revenue	2,086,404	2,021,000	2,021,000
Crane Lease/Rental Revenue	78,728	16,000	0
Other Operating Revenue	<u>3,357</u>	<u>36,000</u>	<u>5,000</u>
TOTAL OPERATING REVENUE	7,936,178	7,827,000	7,883,000
OPERATING EXPENSE			
Labor	1,459,897	1,463,000	1,501,000
Supplies	120,418	144,000	145,000
Other Services & Charges	1,079,421	1,338,000	1,292,000
IGC's	188,344	242,000	243,000
Depreciation/Amortization	<u>2,201,859</u>	<u>2,295,000</u>	<u>2,516,000</u>
TOTAL OPERATING EXPENSE	5,049,939	5,482,000	5,697,000
OPERATING INCOME	2,886,239	2,345,000	2,186,000
NON-OPERATING REVENUE			
Interest Income	836,033	864,000	866,000
Pipeline Right-Of-Way Fee	98,912	20,000	20,000
Gain of Sale of Investment	0	0	0
Other Non-Operating Revenue	0	0	0
Prior Year Expense Recovery	<u>13,590</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING REVENUE	948,535	884,000	886,000
NON-OPERATING EXPENSE			
Interest on Long-Term Debt	645,840	607,000	568,000
Other Non-Operating Expense	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING EXPENSE	645,840	607,000	568,000
NON-OPERATING INCOME	302,695	277,000	318,000
NET INCOME (REGULATORY)	3,188,934	2,622,000	2,504,000
ADJUSTMENTS FOR GAAP	(730,080)	(952,000)	(952,000)
NET INCOME GAAP	<u><u>2,458,854</u></u>	<u><u>1,670,000</u></u>	<u><u>1,552,000</u></u>

PORT OF ANCHORAGE

STATEMENT OF SOURCES AND USES OF CASH

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	2,458,854	1,670,000	1,552,000
Depreciation/Amortization	2,931,939	3,247,000	3,468,000
Grants	232,302	76,000	943,000
Bonds	0	0	0
Amortization of Debt Discount	50,897	52,000	52,000
Principal Payments, Financing Leases	307,151	332,000	268,000
Other	87,568	0	0
TOTAL SOURCES OF FUNDS	<u>6,068,711</u>	<u>5,377,000</u>	<u>6,283,000</u>
USES OF CASH FUNDS:			
Additions to Plant	3,243,099	3,455,000	5,596,000
Bond Principal Payments	272,718	1,093,000	1,000,000
Enterprise Fund Dividend	601,000	696,000	675,000
Net Effect of Changes on Balance Sheet Which Affect Cash	1,162,033	0	0
TOTAL USES OF FUNDS	<u>5,278,850</u>	<u>5,244,000</u>	<u>7,271,000</u>
NET INCREASE/(DECREASE) IN CASH FUNDS	789,861	133,000	(988,000)
CASH BALANCE JANUARY 1,	<u>8,310,006</u>	<u>9,100,000</u>	<u>9,233,000</u>
CASH BALANCE DECEMBER 31,	<u><u>9,099,867</u></u>	<u><u>9,233,000</u></u>	<u><u>8,245,000</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	3,582,828	2,766,000	2,768,000
Equity In Construction Cash Pool	4,516,785	5,467,000	4,477,000
Revenue Bond Maintenance Reserve	1,000,254	1,000,000	1,000,000
TOTAL CASH DECEMBER 31,	<u><u>9,099,867</u></u>	<u><u>9,233,000</u></u>	<u><u>8,245,000</u></u>

PORT OF ANCHORAGE OPERATING BUDGET DETAIL

	1996 <u>ACTUAL</u>	1997 <u>PRO-FORMA</u>	1998 <u>BUDGET</u>
LABOR			
Wages	949,042	948,000	974,000
Overtime	40,232	40,000	40,000
Benefits	461,641	465,000	477,000
Other	8,982	10,000	10,000
Subtotal	1,459,897	1,463,000	1,501,000
SUPPLIES			
Office & Operating Supplies	27,939	27,000	28,000
Fuel	10,324	10,000	11,000
Repair & Maintenance Supplies	78,989	100,000	98,000
Other	3,166	7,000	8,000
Subtotal	120,418	144,000	145,000
INTRAGOVERNMENTAL CHARGES			
IGC's From Others	198,124	243,000	248,000
IGC's To Others	(9,780)	(1,000)	(5,000)
Subtotal	188,344	242,000	243,000
OTHER SERVICES			
Professional Services	186,546	199,000	219,000
Legal Services	3,878	15,000	15,000
Repairs & Maintenance-Contracted	99,076	318,000	238,000
Advertising/Marketing	61,334	36,500	43,500
Contract Services	174,153	200,000	207,000
Rentals/Leases	96,977	100,000	105,000
Utilities	291,357	305,000	305,000
Other	166,100	164,500	159,500
Subtotal	1,079,421	1,338,000	1,292,000
OTHER EXPENSES			
Depreciation/Amortization	2,931,939	3,247,000	3,468,000
Interest on Long Term Debt	645,840	607,000	568,000
Other	0	0	0
Subtotal	3,577,779	3,854,000	4,036,000
TOTAL EXPENSES	<u><u>6,425,859</u></u>	<u><u>7,041,000</u></u>	<u><u>7,217,000</u></u>

Port of Anchorage
1998-2003
Capital Improvement
Budget/Program

PORT OF ANCHORAGE

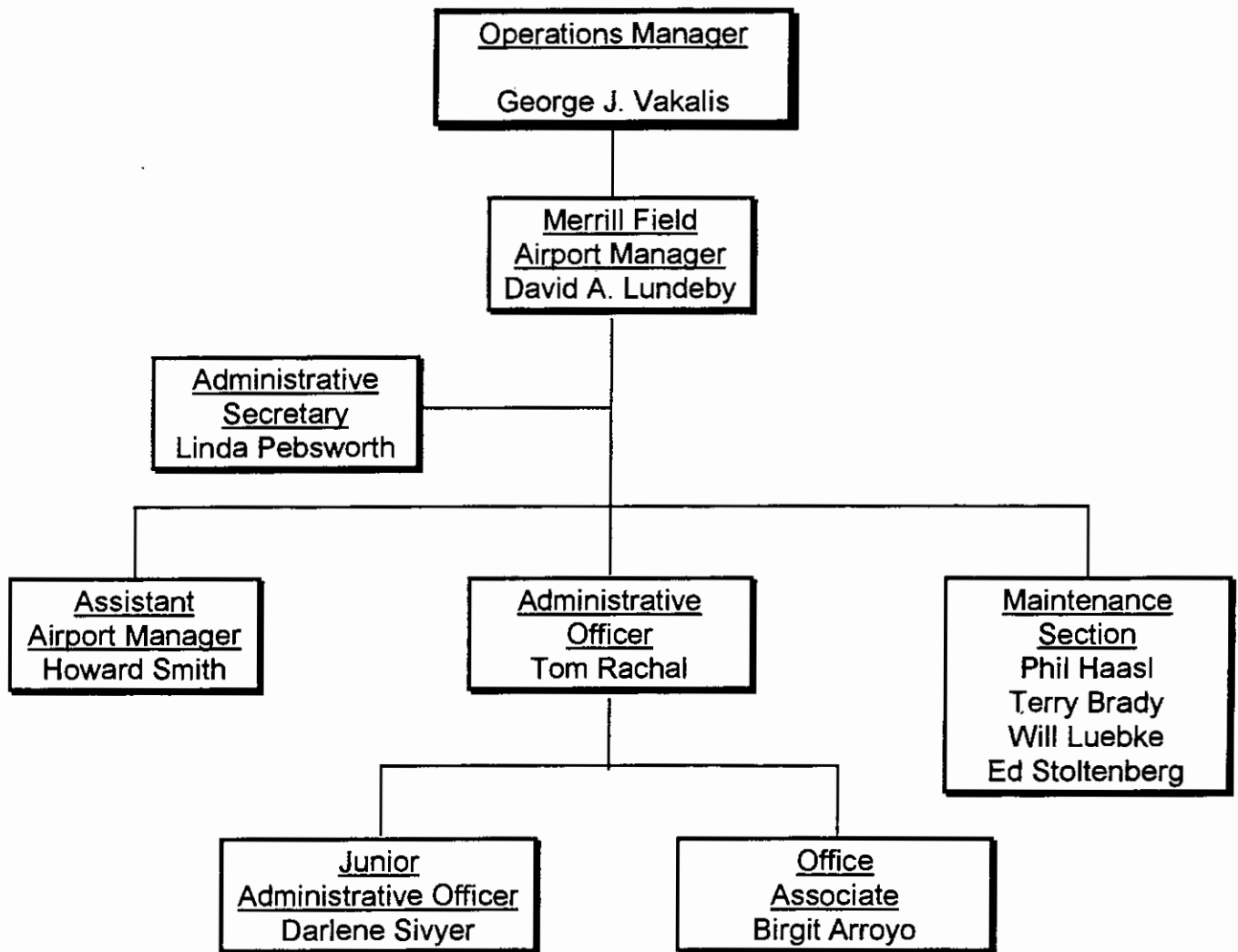
1998-2003 CAPITAL IMPROVEMENT BUDGETS FINANCIAL SUMMARY (000)

<u>PROJECT CATEGORY</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>TOTAL</u>
LAND DEVELOPMENT							0
TERMINAL DEVELOPMENT	1,100	2050	2000			1,000	6,150
HARBOR DEVELOPMENT	6,000						6,000
REPAIRS & RENOVATIONS	253	10	400				663
EQUIPMENT	275	246	295	166	20	20	1,022
TOTAL	<u>7,628</u>	<u>2,306</u>	<u>2,695</u>	<u>166</u>	<u>20</u>	<u>1,020</u>	<u>13,835</u>

<u>SOURCE OF FUNDING</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>TOTAL</u>
G.O. BONDS							0
REVENUE BONDS							0
EQUITY/OPERATIONS	6,928	2,306	995	166	20	1,020	11,435
STATE GRANT	700		300				1,000
FEDERAL GRANT			1,400				1,400
LOAN							0
DIRECT APPROPRIATION							0
PVT INDUST PARTICIPATION							0
TOTAL	<u>7,628</u>	<u>2,306</u>	<u>2,695</u>	<u>166</u>	<u>20</u>	<u>1,020</u>	<u>13,835</u>

MERRILL FIELD AIRPORT

MERRILL FIELD AIRPORT ORGANIZATION CHART



MERRILL FIELD AIRPORT

UTILITY PROFILE

ORGANIZATION

Six office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel provide maintenance for 19 airport buildings and property. The maintenance function includes all operating surfaces of the airport - runways, taxiways, roads and aircraft tiedown areas that are not on leased property. This includes snow removal, sanding, resurfacing, and maintenance of facilities and equipment.

HISTORY

Merrill Field, established in 1930 and located one mile east of downtown Anchorage on 436 acres of land, was the first real airport in the city. The airport bears the name of Russel Hyde Merrill, an early Alaskan aviator who disappeared in September 1929 on a flight to Bethel. The first aviation beacon in the Territory of Alaska was located at Merrill Field and was dedicated on September 25, 1932 to honor Russ Merrill. Merrill Field is a "General Aviation Airport" and is restricted to aircraft that weigh 12,500 pounds or less.

In 1984 Merrill Field experienced a record year with 384,314 aircraft operations, ranked as the 15th busiest airport in the nation and had 1,019 based aircraft. Merrill Field continues to be an integral part of Alaska's transportation network. Over the past six years aircraft operations have varied between 173,000 and 250,000 and based aircraft varied between 901 and 943.

SERVICE

Merrill Field serves as the general aviation link between Southcentral Alaskan communities, including the rural areas, and Anchorage. Intrastate air traffic to and from Anchorage is increasing with many passengers destined for the downtown/midtown areas which are conveniently reached from Merrill Field.

Some of the many services provided at Merrill Field are: sale of aircraft fuel; hangar rental; flightseeing; flight and ground school instruction; aircraft maintenance and repair; sale of parts, supplies, equipment and accessories; aerial photography; propeller repair; aviation electronics; aircraft sales, rentals and charters; power plant and airframe training; and college courses for aviation degree-seeking students.

REGULATION

Merrill Field, unlike most other Municipal utilities, is not regulated by the Alaska Public Utilities Commission. Rather, it is required to meet Federal Aviation Administration, Alaska Department of Transportation and Public Facilities, and Municipal regulations. Additionally, the Municipal Airports Aviation Advisory Commission advises and makes recommendations to the Administration and Assembly on all matters pertaining to the operating budget, rules, regulations and administrative guidelines at Merrill Field.

ENVIRONMENTAL MANDATES

In recent years there have been many federally mandated programs which have had a direct impact on the Airport's operating costs. The Clean Water Act, Americans With Disabilities Act, Community Right To Know, Underground Storage Tank Regulations and Clean Air Act are some of the current laws which have and will continue to impact the Airport.

PHYSICAL PLANT

General Aviation Airport

Restricted to aircraft weighing 12,500 pounds or less.
436 acre land area; elevation 136 feet; fee simple title.
1,284 tiedown spaces; leaseholders have 724; Municipality has 498
plus 62 for transient aircraft.
Runway 6/24 is 4,000 feet; Runway 15/33 is 2,650 feet.
Five taxiways; 102 acres of tiedown aprons.
Control Tower leased to Federal Aviation Administration.

Ninety-ninth Busiest Airport in Nation

Hub for intra-Alaska travel.
Located one mile from downtown Anchorage.
Reliever airport to Anchorage International's general aviation aircraft.
181,011 flight operations in Federal Fiscal Year 1996.
9,752 general aviation aircraft in Alaska; 901 based at Merrill.
9,399 private pilots in Alaska; 4,364 reside in Anchorage.

Economic Stimulus

23 leaseholders lease 2,841,950 square feet.
25 fair market value rental properties.
52 aviation related businesses operate on the airport.
927 transient aircraft stayed a total of 3,610 days last year.
Approximately 701,000 gallons of fuel were sold in 1996.

Net Airport Plant is \$29,197,533

MERRILL FIELD AIRPORT WORK FORCE PROJECTIONS

<u>CATEGORY</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Airport Manager	1	1	1	1	1	1	1
Assistant Airport Manager	1	1	1	1	1	1	1
Financial Administration	1	1	1	1	1	1	1
Office Operations	3	3	3	3	3	3	3
Airport Maintenance Tech	2	2	2	2	2	2	2
Light Equipment Operator	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Part-time/Temporary	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>

Merrill Field Airport

**1998
Operating Budget**

MERRILL FIELD AIRPORT

RECONCILIATION OF 1997 BUDGET TO 1997 PRO FORMA

	<u>1997 Budget</u>	<u>1997 Pro Forma</u>	<u>Variance</u>
OPERATING REVENUE	<u>1,083,000</u>	<u>994,000</u>	<u>(89,000)</u>
OPERATING EXPENSE			
Labor	753,000	708,000	(45,000) ^(a)
Supplies	83,000	72,000	(11,000) ^(b)
Charges To Others	(278,000)	(274,000)	4,000
Charges From Others	98,000	92,000	(6,000) ^(c)
Other Services	256,000	240,000	(16,000) ^(d)
Other Expenses	160,000	162,000	2,000
SUBTOTAL	<u>1,072,000</u>	<u>1,000,000</u>	<u>(72,000)</u>
NON-OPERATING REVENUE	<u>62,000</u>	<u>113,000</u>	<u>51,000</u>
NON-OPERATING EXPENSE	0	0	0
NET INCOME (REGULATORY)	<u>73,000</u>	<u>107,000</u>	<u>34,000</u>
ADJUSTMENTS FOR GAAP	(895,000)	(880,000)	15,000
NET INCOME (LOSS) GAAP	<u>(822,000)</u>	<u>(773,000)</u>	<u>49,000</u>

Explanation of Significant Variances (5% or more):

- a) Reduction due to a combination of snow removal and fringe benefit savings.
- b) Orca Street maintenance supplies are being postponed to 1998.
- c) A slight reduction in Intragovernmental charges is anticipated.
- d) Legal and computer programming services are higher than anticipated.

MERRILL FIELD AIRPORT

RECONCILIATION OF 1997 PRO FORMA TO 1998 BUDGET

	<u>1997 Pro Forma</u>	<u>1998 Budget</u>	<u>Variance</u>
OPERATING REVENUE	<u>994,000</u>	<u>1,025,000</u>	<u>31,000</u>
OPERATING EXPENSE			
Labor	708,000	738,000	30,000
Supplies	72,000	83,000	11,000 (a)
Charges To Others	(274,000)	(288,000)	(14,000) (b)
Charges From Others	92,000	105,000	13,000 (c)
Other Services	240,000	240,000	0
Other Expenses	162,000	170,000	8,000
SUBTOTAL	<u>1,000,000</u>	<u>1,048,000</u>	<u>48,000</u>
NON-OPERATING REVENUE	<u>113,000</u>	<u>102,000</u>	<u>(11,000)</u>
NON-OPERATING EXPENSE	0	0	0
NET INCOME (REGULATORY)	<u>107,000</u>	<u>79,000</u>	<u>(28,000)</u>
ADJUSTMENTS FOR GAAP	(880,000)	(895,000)	(15,000)
NET INCOME (LOSS) GAAP	<u>(773,000)</u>	<u>(816,000)</u>	<u>(43,000)</u>

Explanation of Significant Variances (5% or more):

- a) Orca Street maintenance expenses postponed from 1997.
- b) FAA grants increase substantially.
- c) Increases in Intragovernmental charges are anticipated.

MERRILL FIELD AIRPORT

1998 STATEMENT OF REVENUES AND EXPENSES

	1996 <u>Actual</u>	1997 <u>Pro Forma</u>	1998 <u>Budget</u>
OPERATING REVENUE			
Airport Lease Fees	401,791	409,000	427,000
Airport Property Rental	301,783	258,000	253,000
Permanent Parking Fees	189,539	194,000	200,000
Transient Parking Fees	12,442	12,000	13,000
Parking Garages & Lots	14,682	18,000	20,000
MOA Aviation Fuel Fees	35,865	37,000	39,000
FAA Service Fees & Rent	21,112	21,000	21,000
SOA Aviation Fuel Fees	19,728	20,000	22,000
Medevac Taxiway Fees	18,745	21,000	25,000
Other Revenue	3,060	4,000	5,000
TTL OPERATING REVENUE	1,018,747	994,000	1,025,000
OPERATING EXPENSE			
Labor	640,359	708,000	738,000
Supplies	54,433	72,000	83,000
Charges To Others	(251,539)	(274,000)	(288,000)
Charges From Others	71,800	92,000	105,000
Other Services	224,122	240,000	240,000
Other Expenses	17,690	32,000	40,000
Depreciation (a)	135,206	130,000	130,000
TTL OPERATING EXPENSE	892,071	1,000,000	1,048,000
OPERATING INCOME (LOSS)	126,676	(6,000)	(23,000)
NON-OPERATING REVENUE			
Interest Income	33,675	47,000	55,000
Other Revenue	11,650	66,000	47,000
TTL NON-OPER REVENUE	45,325	113,000	102,000
NON-OPERATING EXPENSE	0	0	0
TTL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME	45,325	113,000	102,000
NET INCOME (REGULATORY)	172,001	107,000	79,000
ADJUSTMENTS FOR GAAP	(865,675)	(880,000)	(895,000)
NET INCOME (LOSS) GAAP	(693,674)	(773,000)	(816,000)

(a) Excludes Contributed Plant

MERRILL FIELD AIRPORT

1998 STATEMENT OF SOURCES AND USES OF CASH

	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Pro Forma</u>	<u>1998</u> <u>Budget</u>
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	(693,673)	(773,000)	(816,000)
Total Depreciation	1,000,881	1,010,000	1,025,000
Grants	1,326,493	1,044,000	2,940,000
Net Effect of Changes In Balance Sheet Which Affect Cash	(1,137,060)	1,791,000	(137,000)
TOTAL SOURCES OF CASH	<u>496,641</u>	<u>3,072,000</u>	<u>3,012,000</u>
USES OF CASH FUNDS:			
Additions to Plant	370,190	2,625,000	3,330,000
Other	0	0	0
TOTAL USES OF CASH	<u>370,190</u>	<u>2,625,000</u>	<u>3,330,000</u>
NET INCREASE (DECREASE)	<u>126,451</u>	<u>447,000</u>	<u>(318,000)</u>
CASH BALANCE, JANUARY 1,	<u>799,574</u>	<u>926,000</u>	<u>1,373,000</u>
CASH BALANCE, DECEMBER 31,	<u>926,025</u>	<u>1,373,000</u>	<u>1,055,000</u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	(355,751)	(249,000)	(170,000)
Equity In Construction Cash Pool	1,281,776	1,622,000	1,225,000
TOTAL CASH, DECEMBER 31,	<u>926,025</u>	<u>1,373,000</u>	<u>1,055,000</u>

MERRILL FIELD AIRPORT

1998 OPERATING BUDGET DETAIL

	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Pro Forma</u>	<u>1998</u> <u>Budget</u>
LABOR			
Wages	417,790	472,000	492,000
Overtime	27,698	27,000	27,000
Benefits	194,871	209,000	219,000
Subtotal	640,359	708,000	738,000
SUPPLIES			
Office Supplies	4,614	5,000	6,000
Operating Supplies	34,696	42,000	47,000
Repair & Maint Supplies	15,123	25,000	30,000
Subtotal	54,433	72,000	83,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(251,539)	(274,000)	(288,000)
Charges From Others	71,800	92,000	105,000
Subtotal	(179,739)	(182,000)	(183,000)
OTHER SERVICES			
Professional Services	68,132	55,000	43,000
Other Contractual Services	33,446	49,000	57,000
Utilities	122,544	136,000	140,000
Subtotal	224,122	240,000	240,000
OTHER EXPENSES			
Depreciation/Amortization	1,000,881	1,010,000	1,025,000
Other	17,690	32,000	40,000
Subtotal	1,018,571	1,042,000	1,065,000
TOTAL EXPENSES	1,757,746	1,880,000	1,943,000

Merrill Field Airport
1998-2003
Capital Improvement
Budget/Program

MERRILL FIELD AIRPORT
1998-2003 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
(000)

<u>PROJECT CATEGORY</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>TOTAL</u>
Apron Improvements	---	---	---	---	1,200	---	1,200
Runways/Taxiways	2,000	600	2,000	800	---	1,000	6,400
Buildings & Equipment	390	195	150	---	---	---	735
Land Improvements	50	200	---	---	---	---	250
Land Acquisition	<u>500</u>	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>---</u>	<u>---</u>	<u>2,500</u>
TOTAL CIP PROGRAM	<u>2,940</u>	<u>1,495</u>	<u>2,650</u>	<u>1,800</u>	<u>1,200</u>	<u>1,000</u>	<u>11,085</u>

<u>SOURCE OF FUNDING</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>TOTAL</u>
Revenue Bonds	---	---	---	---	---	---	---
General Bonds	---	---	---	---	---	---	---
Operations	296	154	166	112	75	62	865
State Grants	---	---	---	---	---	---	---
Federal Grants	<u>2,644</u>	<u>1,341</u>	<u>2,484</u>	<u>1,688</u>	<u>1,125</u>	<u>938</u>	<u>10,220</u>
TOTAL FUNDING	<u>2,940</u>	<u>1,495</u>	<u>2,650</u>	<u>1,800</u>	<u>1,200</u>	<u>1,000</u>	<u>11,085</u>