

Municipality of Anchorage



Rick Mystrom
Mayor



1999 Proposed Public Utilities Operating and Capital Budgets

PUBLIC UTILITIES

1999 PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS

1999 - 2004 PROPOSED CAPITAL IMPROVEMENT PROGRAM



**Municipality of Anchorage
Rick Mystrom, Mayor**

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE MAYOR

September 29, 1998

Dear Residents of Anchorage:

I am pleased to provide you and the Assembly with the Proposed 1999 Public Utilities' Operating Budget and 1999-2004 Utility Capital Budget/Program for all seven of our Municipally-owned utilities, not including ATU which is by Charter under control of the Municipal Assembly.

I am also pleased to inform you that no rate increases are proposed for 1999. Over the past four years none of our utilities have filed for a rate increase. This stable utility rate environment coupled with the focus of our utilities on maintaining and modernizing their plant is a driving force in encouraging new businesses to locate in Anchorage.

During this past summer the U.S. Conference of Mayors selected the Anchorage Water Utility's drinking water as "the best tasting in the Nation". In addition, the Solid Waste Disposal Utility recently received the gold medal for best overall landfill operation in America.

Our utilities are well managed and financially sound and the 1999 budget 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 continues to be providing quality service at reasonable rates. 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.

I am proud of the management and performance of our utilities and I intend to continue to encourage each utility to achieve greater efficiencies while maintaining quality service.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick Mystrom". The signature is fluid and cursive, with the first name "Rick" being more prominent than the last name "Mystrom".

Rick Mystrom

"City of Lights and Flowers"

PUBLIC UTILITIES

1999
PROPOSED
OPERATING AND
CAPITAL IMPROVEMENT BUDGETS

1999 - 2004
PROPOSED
CAPITAL IMPROVEMENT PROGRAM

Rick Mystrom, Mayor

ASSEMBLY

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George J. Vakalis.....	Municipal Manager
Mary K. Hughes	Municipal Attorney
Thomas C. Tierney	Employee Relations Director
Elaine A. Christian	Executive Manager

**PUBLIC UTILITIES
PROPOSED
1999 OPERATING AND CAPITAL BUDGETS**

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BUDGET ASSUMPTIONS

PUBLIC UTILITIES 1999 OPERATING AND CAPITAL BUDGET ASSUMPTIONS

Below are general and specific budget assumptions/guidelines provided to utilities for preparation of their 1999 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 1999.

RATE INCREASES

No rate increases should be proposed in 1999 unless all possible budget reductions have been first been fully considered and if one or more of the following conditions can be demonstrated:

- Debt service coverage not adequate.
- Projected cash reserves for working capital not adequate on a sustained basis to cover operating costs during 1998/99. (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 1998 mill rates. MUSA (in lieu of taxes) currently does not apply to Merrill Field. 1.25% MUSA applies to Solid Waste Disposal. The Port of Anchorage should budget for a 1999 Municipal Enterprise Service Assessment (MESA) payment.

INTEREST

Assume debt service for new insured 20-year G.O. bonds to be 5.25% - 5.75%. For new insured Revenue bonds assume 5.30% - 5.80%. Interest income should be calculated assuming a rate of 5.50% - 5.75%.

INTRAGOVERNMENTAL CHARGES (IGCs)

Assume IGCs from general government to municipal utilities will increase over the rates established first quarter 1998 due to the following primary reasons: (1) reallocation of MISD/ATU charges, (2) no self-insurance fund balance applied, and (3) additional PFISHR project costs.

For all other IGCs, assume no significant change over that level contained in the first quarter revised 1998 general government operating budget revision approved by the Assembly.

POPULATION

For budgetary purposes, assume (per the City's demographer) that Anchorage's population will be approximately 258,800 in 1998 and 260,000 in 1999.

INFLATION

In general, inflation (i.e., CPI - all urban consumers) is anticipated to approximate 2.0% in 1999. Each utility, however, may apply applicable inflation rates to the commodities they use.

COMPENSATION COSTS (Salaries and Benefits)

All labor contracts are up for renegotiation in 1998. IBEW's re-negotiated contract calls for a wage freeze in 1999 while the re-negotiated JCC contract authorizes a wage increase in 1999 of 1.0-3.5% depending on CPI figures to be received February 1999.

1999 BUDGET IMPACTS (specific to individual utilities)--

MUNICIPAL LIGHT AND POWER

The 1999 contract price of gas is determined by the average price of 1998 third quarter Light Sweet Crude Oil futures. It is estimated that the 1999 contract price of gas, per thousand cubic feet (MCF), will decrease approximately 25% over the 1998 contract price. ML&P will buy its fuel from ARCO and Chevron at a lower contract price than last year, but will also sell to Chugach Electric Association, Inc., ENSTAR and the Department of Defense at a lower contract price. The transfer price of gas from the Gas Division to the Electric Division is held constant at \$1.50 per MCF plus taxes and royalties. The effect on the budget will be lower Operating Revenue and lower Operating Expense.

ANCHORAGE WATER AND WASTEWATER

The Water Utility intends to issue \$15 million in revenue bonds in 1999 to fund a portion of its capital improvement program. Additionally, the Wastewater Utility anticipates borrowing \$5.2 million in 1999 from the State of Alaska Clean Water Fund, which is the state's revolving loan fund, providing low-interest loans to finance sewerage, solid waste and other non-point source pollution projects. AWWU's capital program will be funded with a mixture of debt and equity.

SOLID WASTE SERVICES

The Solid Waste Disposal 1999 budget is projected to increase 9.7% over the 1998 approved budget. The increase is attributable to labor contract cost increases, recycling program costs and increases in depreciation costs, future landfill closure costs, MUSA and IGCs. Solid Waste Services' budget assumes a \$1 per revenue ton set aside to fund recycling efforts in Anchorage. Future landfill closure costs have increased as a result of a recalculation required by GASB-18.

PORT OF ANCHORAGE

Revenues are anticipated to be flat or increase only slightly. Absent a \$100,000+ user reimbursement for new improved security services, 1999 Revenues would be below the 1998 level. Petroleum Wharfage Revenues are anticipated to remain below the 1998 level in the outyears due to the increased production and rail delivery of North Pole refinery jet fuel to Anchorage.

Expenses are anticipated to increase as a result of increased depreciation due to booking new plant in-service in 1999 and the net impact of the new Port MESA payment in 1999.

The Port's 1999-2004 Capital Improvement Budget anticipates major projects in following areas: Land Development, Lot 4A Upgrade Project construction in 1998-1999; Terminal Development, Port/Elmendorf Emergency Access Road 1999-2001; and, Harbor Development, Knik Arm Shoal Dredging in 1999-2000 and South Terminal Expansion Project construction in 2001-2002.

Increased costs of the Knik Arm Shoal Dredging Project could require an additional \$2.3 million in local sponsor participation. Funding of the additional local sponsor share is dependent on a State of Alaska grant of \$1.15 million in 1999, combined with a 50% local match using Port funds.

MERRILL FIELD AIRPORT

Merrill Field continues to remain debt free by actively pursuing federal and state airport grant funds for all grant-eligible capital improvement projects. Merrill Field received over \$2.0 million dollars during Federal Fiscal Year 1998. By working with the federal and state grant managers, Merrill Field will continue to secure a reasonable portion of the grant funding as it becomes available.

Merrill Field continues to develop its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities. Recent Airport Improvement Projects now provide taxiway access and utility infrastructure along the west side of the airport for hangar development. These new aviation developments will have a positive impact upon the airport budget by providing a broader revenue base.

HIGHLIGHTS AND FUTURE EVENTS

MUNICIPAL LIGHT AND POWER

Highlights and Future Events

Management Reorganization

On July 1, 1998, ML&P reorganized its management team and functional structure in order to meet the challenges and opportunities of possible electric industry restructuring. ML&P's reorganization establishes three core business units under the direction of the General Manager. The first of these business units is an Energy Production Business Unit which includes the previous Generation and Power Management Divisions. The second Business Unit blends the previous Operation and Engineering Divisions to form the Engineering & Operations Business Unit. Lastly, the Business Enterprise Unit includes the previous Systems & Communication, Customer Service and Finance Divisions and the newly formed Marketing Division. The reorganization is expected to enhance internal efficiency, facilitate more rapid and effective decision making, and better integrate work flow between divisions - all with the goal of assuring that customer service remains a primary focus.

New Business Office

ML&P is intensifying its focus on customer service with a new full-service business office scheduled to open at the University Center Mall during the fall of 1998. The new satellite office will offer customers all the services they currently enjoy at ML&P's 1200 East First Ave. location, as well as offer Saturday service and have a drop box for bill payments.

PFISHR Project

This project entails implementation of new software in the areas of Financial Information Systems including Purchasing, Accounts Payable, Payroll, Human Resources, Inventory, Projects and General Ledger. Targeted "cutover" date is January 1, 1999.

New Company Logo

In June of 1998, ML&P introduced its new logo as a means of strengthening its name recognition and market position in the community. The logo will initially appear on ML&P's letterhead, envelopes, business cards and signage.

IBEW Contract Extension

On May 8, 1998, a four year extension of the contract between the Municipality of Anchorage and the International Brotherhood of Electrical Workers Local Union 1547 was approved. This extension was ratified by the Anchorage Assembly on July 14, 1998.

Eklutna Hydro-electric Project

ML&P, in conjunction with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project on October 2, 1997. This culminated a multi-year effort to acquire the formerly federally owned and operated project. ML&P pays operating and maintenance expense in proportion to its 53.3% ownership interest in the project and records these payments as a purchased power expense. ML&P has contractual responsibility to provide all maintenance for this project.

Customer Service

Customer Service has recently introduced a variety of new payment options including Electronic Fund Transfer, Debit card payment and payment by Visa or MasterCard. In late 1997, Customer Service also introduced "Gift of Power" Gift Certificates for sale to the general public. Later this year, ML&P will offer a consolidated bill for those customers with multiple meters at one location or meters at multiple locations.

New Services

During the 1997 construction season, three new residential subdivisions and a new University of Alaska-Anchorage student housing complex were constructed and energized. Also, new commercial installations included three hotels, four new service stations, two banking facilities, two dining establishments and a new FAA Control Tower and flight service facility.

Cable Replacement

In 1997, approximately 100,000 feet of primary underground distribution cable was installed to replace aging conductors. ML&P has successfully used state-of-the-art directional drilling technology over the past five years, which alleviates having to use open-trenching and avoids destruction of asphalt and landscaping.

Awards

In 1997, ML&P was the recipient of the Electric Power Research Institute/American Public Power Association Technology Achievement Award by demonstrating technical leadership, advanced environmental technology and benefit to the electric utility industry for work performed in conjunction with the Power Plant #1 and Plant #2 fuel spills.

ML&P also received the Air & Waste Management Association Environmental Achievement Award for its work in developing demonstration kits to assist local teachers in use with A&WMA's Environmental Resources Guides in the classroom.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

BEST TASTING WATER IN AMERICA

Anchorage's drinking water was selected as the "Best Tasting Water" in the United States at the United States Conference of Mayors USA City Water Taste Test in Reno, Nevada. Anchorage Water & Wastewater Utility's "Glacier Brew" was bottled just for this competition and also won first place for best water bottle design. AWWU thanks Alaska Glacier Refreshments, Inc. for their assistance and bottling material. Anchorage Municipal Manager, George J. Vakalis, represented Anchorage Mayor Rick Mystrom at the USA City Water Taste Test.

COMPETITIVENESS ASSESSMENT, THE CHALLENGE

AWWU is initiating a process to become more competitive. The three to five year process we are following was recently developed for the U.S. water and wastewater industry and focuses on the best management practices of large private international water utilities. The end goal is to improve operations and customer service while simultaneously reducing costs.

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 completed in 2002.

Phases I – III are complete, at a cost of \$21 million. Approximately 60% of the financing for these phases came from State of Alaska grants.

For Phases IV and V, design study and predesign was initiated to determine the final alignments of a transmission main from the Tudor/Patterson reservoirs southwest to Abbott Road and then to the future Service High site. Selection of the final route for Phase IV is delayed until 2000 or later due to environmental constraints and public concerns. Phase V and a Service High Reservoir are under design with construction to proceed in 1999. Estimated total project cost for Phase V and the reservoir is approximately \$14 million.

Phase VII is designed, and will connect the existing system in Dimond Blvd. at Jewel Lake to the Kincaid Reservoir. Construction is slated for 1999. Total project cost for Phase VII is estimated at \$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.

Design for the new reservoir located at the existing Meadow Creek Reservoir site is underway. Other facilities associated with this reservoir include a transmission main and two high pressure booster stations. Construction of the reservoir is scheduled to start in 1999 and be completed in fall 2000. Estimated total project cost for these facilities is approximately \$8 million.

SANITARY SEWER TRUNK REHABILITATION

AWWU has several large sanitary sewer trunks that were constructed in the early 1960s. 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 40 years in age. The location of these trunks presents many challenges due to environmental constraints, difficult construction requirements and public impacts. It is expected that these trunks will be upgraded over the next five years.

PT. WORONZOF NPDES PERMIT RENEWAL

During the last three years, the Pt. Woronzof WWTF has experienced increasing biochemical oxygen demand (BOD) discharge violations. In 1999, Alaska Seafoods International, a large fish processor, is scheduled to come on line. Their discharge of fish wastes to AWWU is projected to cause a large increase in the number of BOD violations. As a result, AWWU requested the U.S. Environmental Protection Agency (EPA) to revise the BOD discharge limit for the Pt. Woronzof WWTF.

EPA informed AWWU, in late 1997, that they decided to issue a new NPDES (National Pollution Discharge Elimination System) discharge permit in 1999 for the PT. Woronzof WWTF. The existing permit expired in October, 1990. The firm of CH2M Hill prepared a revised application for a new NPDES discharge permit, which was sent to EPA in 1998.

INFORMATION TECHNOLOGY APPLICATIONS

AWWU will be working with the Municipality of Anchorage (MOA) to implement PeopleSoft Financial and HR (PFISHR) systems in 1998 and 1999. These new systems will replace MOA and AWWU legacy Cobol systems as part of the solution to Year 2000 problems.

The IT Division will work to integrate the implementation of the Utility's Relational Database Management System (RDBMS) with the MOA PeopleSoft modules in 1998/1999. Having completed the RDBMS conceptual design in 1998, an overall data model for the Utility exists that identifies interfaces between major systems including the PFISHR project. This model will be used to provide a basic data structure on which present and future applications may be built and integrated.

The Operations & Maintenance Division will begin implementation of a client/server Work Management System (WMS) starting in 1998 and finishing in early 2000. This system will support field maintenance activities and tie maintenance histories, field inspections, and audit information together. This system will also have extensive interfaces into other major systems including the PFISHR project.

The Continuing Property Records (CPR) system will be incorporated into the MOA's PeopleSoft Asset Module and AWWU's WMS Asset system. This new system of tools will allow the Utility to manage and track all units of AWWU fixed assets. Integration of the financial asset model and data into the PeopleSoft Asset module will occur in 1999. Interfaces for asset management in WMS will also be designed and implemented in 1999.

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 Treatment Division will continue a series of projects that will replace several aging Supervisory Control and Data Acquisition (SCADA) systems originally installed in the late 1980s. The SCADA and Telemetry needs assessment project is near completion, and a project to develop a design specification base is budgeted for 1999. Construction of replacement SCADA and telemetry systems will begin in 1999 and continue through 2001. SCADA systems for Pt. Woronzof WWTF and the Girdwood WWTF, which currently operate without SCADA systems, are programmed for 2001.

YEAR 2000

Working to bring all computer applications up to Year 2000 capability will continue to be a major IT effort in 1998/1999. Utility applications have been inventoried, analyzed for compliance and needed corrections identified. For those systems being upgraded to Year 2000 capability, work started in 1997 will continue through 1998 and into 1999.

For those non-Year 2000 capable systems being replaced, implementation of the replacement systems will continue through 1998 and 1999.

The Year 2000 project is a significant undertaking. With the exceptions of a few systems developed in recent years, the Utility's business systems needed major upgrades or replacement to make them Year 2000 capable. Much of the Utility's process monitoring and control equipment required mitigating action to enable it to operate into the next century. The Utility will also need to take mitigating action to buffer against problems with suppliers upon which the Utility is dependent for operation.

CUSTOMER SERVICE

The Customer Service Division is preparing for Year 2000. All Customer Information System (CIS) programs, such as automated billing, collection functions, service orders, etc, are being examined, rewritten, tested and certified as being Year 2000 compatible. This project is being accomplished through contract support and is due to be completed in the first quarter of 1999.

This Division is also responsible for reading approximately 9,500 water meters in the system. These accounts reflect approximately 45% of the Utility's monthly revenue. In order to maintain the current schedule of reading each meter monthly, a new automated meter reading system will be implemented in the last half of 1998.

Internet technology is everywhere and in order for the Utility to stay competitive, interactive voice response and interactive Internet communication capabilities will be added to CIS in 1999. These technologies will improve customer service as routine inquiries concerning customer accounts will be available 24 hours a day and additional payment methods, such as Internet billing and electronic funds transfers, will be available to customers.

SOLID WASTE SERVICES

Highlights and Future Events

Solid Waste Services completed the design of the Anchorage Regional Landfill Cell 6 Project which will be constructed by September 1999. This project will ensure adequate space is available for Anchorage's waste until the year 2006. Design of Cell 7 should be initiated in 2004 and be constructed in 2005.

During 1998 Solid Waste Services completed an assessment of the methane and nonmethane organic compound emissions from the landfill in accordance with federal and state regulations. The assessment found gas emissions are well below the standards and no further action is required until the Year 2003, at which time another assessment will be required. When the gas emissions exceed the regulatory standards, installation of an active gas extraction system at the landfill will be required.

A citizens task force appointed by the Assembly and Mayor is presently evaluating the potential for recycling opportunities in Anchorage. The task force will complete its work early in 1999 and present its findings and recommendations. In anticipation of some recommended changes, Solid Waste Services has budgeted \$278,650 for recycling programs in 1999.

It is anticipated that the issue of deregulation by the APUC of the Refuse Collections industry or perhaps statute changes by the Alaska Legislature will again surface during 1999. Deregulation could have a significant impact upon the Refuse Collection Utility customers specifically, and all municipal residents and businesses. Solid Waste Services is preparing to address the issues relating to the possible change.

PORT OF ANCHORAGE HIGHLIGHTS AND FUTURE EVENTS

JUNE 1997

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

November 1997

Construction completed on a major upgrade to the Port's Petroleum Valve Yard Facility which provides a central pipe and manifold network system to petroleum companies for their use in receiving and distributing fuel throughout Alaska.

1997

The Port of Anchorage achieved its highest tonnage year in 36 years of operation with 3.3 million tons of cargo crossing the Port's dock in 1997.

February, 1998

Signed Project Cooperation Agreement with the U.S. Army Corps of Engineers for the Knik Arm Shoal Navigation Improvement Project. Due to initial high dredging operation bids on the project, it is now estimated by the Corps that the local sponsor share could potentially reach \$4.4 million. Construction on the project should begin in 1999 with completion now scheduled for 2000.

March 1998

Began preliminary planning for the South Terminal Expansion Project. This project will effectively transform a "petroleum only" dock into a multipurpose dock. The design is scheduled for 1999 and the construction phase of this estimated \$12 million project should occur in 2000 and 2001.

May 1998

Began the multiple year construction phase on the \$2.1 million Lot 4A Port Land Development Project. Estimated project completion is Fall, 1999.

Summer 1998

Cruise vessels are scheduled to make 11 calls at the Port of Anchorage during the 1998 cruise season. This is the highest annual number of cruise vessel calls in the 36 year history of the Port.

July 1998

Began the update of the Port's Master Plan to address anticipated growth of the Port and connections to the area wide transportation system. The Master Plan, which is anticipated to be completed in the spring of 2000, will be suitable for inclusion in the Anchorage Comprehensive Plan and it will include a Strategic Marketing Plan, a Facilities Plan, and an Access Plan.

MERRILL FIELD AIRPORT

1999

HIGHLIGHTS AND FUTURE EVENTS

The University of Alaska Anchorage (UAA) multi-million dollar addition to the Merrill Field Aviation Technology Center has completed its first year since opening the new facility. This facility is promoted as the most sophisticated aviation training center in the nation and now offers 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.

The new Merrill Field Air Traffic Control Tower is nearing building completion 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. The new tower reflects a positive addition to this theme.

Reconstruction of Quebec 2 and 3 tiedown aprons, including Quebec Taxiway and Merrill Field Drive has been completed and is receiving positive feedback from our customers. Approximately 26 of these tie-down locations were electrified for preheating customer aircraft. An additional 21 tie-downs will be electrified this summer.

Work on the new Merrill Field Airport Master Plan began in January, 1998 and is due to be completed in late 1999. The Master Plan, funded by the FAA, will provide updated long-term planning for the airport.

Of significant importance to Merrill Field and the Municipality of Anchorage is the FAA-funded Anchorage Area Airspace Study which is evaluating the Anchorage bowl airports, their flight paths and 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.

The new Merrill Field Airport Global Positioning System (GPS) Instrument Approach has been flight checked with publication to follow this fall. This will be the airport's first GPS approach.

One of the most significant highlights for Merrill Field is the completion of the "T" Hangar Relocation Project. By a cooperative effort of all 20 hangar owners, numerous MOA Departments and the Assembly, this project will result in a positive addition for the airport and owners.

The Airport has completed the design work for the development of snow shelters to protect parked aircraft during the winter months. Construction is planned for the 1999 construction season.

BUDGET OVERVIEW

MUNICIPAL LIGHT & POWER

SUMMARY

UTILITY FORMAT - 1999 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget
	1994	1995	1996	1997	1998	1999
Revenues	\$70,606	\$73,766	\$73,014	\$85,873	\$85,091	\$84,082
Expenses (1)	66,852	67,951	67,873	80,232	81,177	79,661
Net Income (Regulatory)	3,754	5,815	5,141	5,641	3,914	4,421
Work Force Authorized per Budget (F1)	220	229	229	229	229	230
Capital Improvements (2)	12,051	16,180	20,165	14,029	23,600	13,012
Bond Sales (3)	1,500	0	199,630	0	0	0
Net Non-Contributed Plant (12/31)(REG)	144,630	148,889	274,828	272,194	272,143	269,626
Net Contributed Plant (12/31)	11,341	11,174	10,812	10,912	11,012	11,113
Net Electric Plant (12/31)(GAAP)	155,971	160,063	285,640	283,106	283,155	280,739
Retained Earnings (12/31)	48,885	54,750	60,578	67,138	71,132	75,554
General Cash	9,780	6,901	1,799	15,662	17,979	16,162
Bond Construction Cash	965	596	23,697	4,998	0	0
Bond Redemption Investment	17,358	17,480	25,681	25,794	25,250	25,228
Debt Service Account	3,216	3,340	5,222	6,201	5,624	5,588
Investment in Eklutna	5,100	5,100	0	4,604	4,604	4,604
Operating Fund Invsmt. & Customer Deposit	6,651	6,460	6,631	6,561	6,601	6,682
Total Cash (12/31)	43,070	39,877	63,030	63,820	60,058	58,264
IGCs - General Government	1,362	1,434	1,612	1,510	2,100	2,700
MUSA - Regular (4)	1,881	1,999	2,137	2,245	2,286	2,320
Total Outstanding Debt	182,465	176,970	316,995	309,348	300,048	290,213
Total Annual Debt Service	17,182	17,148	18,662	25,941	27,319	27,337
Senior Debt Service Coverage	1.66	1.78	2.58	1.68	1.62	1.69
LT Deb/Equity Ratio	79/21	75/25	84/16	78/22	76/24	75/25
Rate Change Percent (5)	3.48%	(0.33%)	0.00%	0.00%	0.00%	0.00%
Statistical/Performance Trends:						
Resident. Customer (500 kWh) (6)	\$47.26	\$49.42	\$49.40	\$49.08	\$47.91	\$47.91
Total Residential Sales (kWh)	147,067	147,408	148,022	144,108	147,577	148,610
Commercial & Industr. Sales (kWh)	659,666	664,331	676,835	687,804	690,250	699,914
Total Kilowatt-Hour Sales	856,579	880,847	877,025	905,820	884,474	889,183
Total Sales Revenue (in Dollars)	\$67,447	\$69,014	\$69,381	\$70,892	\$69,771	\$70,432

- (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 1997 and Capital Improvement Budget/Plan for 1998 through 2004.
- (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 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: Due to the potential restructuring of the electric industry, Forecast years 2000-2004 have been omitted to preserve the integrity of sensitive utility information.

ANCHORAGE WATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 1999 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	27,434	28,117	28,448	29,072	29,653	30,094	30,710	33,403	34,281	35,664	36,715
Expenses	26,040	26,340	25,040	25,232	25,960	27,577	28,373	29,522	30,589	31,446	31,238
Net Income (Regulatory)	1,394	1,777	3,408	3,840	3,693	2,517	2,337	3,881	3,692	4,218	5,477
Work Force Authorized per Budget (FT)	270	269	268	268	265	263	263	260	255	250	250
Capital Improvement Program *	9,603	4,220	13,608	16,234	6,954	23,545	16,567	25,514	5,318	12,027	17,017
New Debt	0	0	0	0	11,000	15,000	17,000	19,000	14,000	6,500	12,500
Net Plant (12/31)	303,338	302,902	299,805	318,827	313,135	313,624	318,445	312,599	325,893	318,504	320,017
Retained Earnings (12/31)	23,983	25,760	29,168	33,008	36,701	39,219	41,555	45,436	49,128	53,346	58,823
Operating Cash	6,321	3,055	2,157	6,525	5,190	5,839	5,510	5,867	5,318	5,066	4,603
Construction Cash Pool	4,858	7,315	2,845	(5,541)	7,331	2,877	1,644	1,403	1,734	1,291	979
Cash Reserves	12,083	13,982	15,887	18,387	20,178	21,678	22,561	23,710	24,945	26,030	27,040
Total Cash 12/31	23,262	24,353	20,889	19,371	32,698	30,394	29,715	30,980	31,996	32,387	32,621
IGCs - General Government	1,291	1,274	1,306	1,226	1,193	1,866	1,922	1,980	2,059	2,142	2,227
MUSA - Regular	1,419	1,502	1,434	1,433	1,476	1,520	1,566	1,613	1,693	1,778	1,867
Total Outstanding Debt	107,386	105,605	103,364	101,428	110,023	122,103	134,312	147,764	155,555	155,348	160,445
Total Annual Debt Service	8,547	8,920	8,764	8,345	8,510	9,960	12,798	14,363	15,513	16,148	17,079
Debt Service Coverage (overall)	1.51	1.51	1.67	1.76	1.69	1.38	1.19	1.22	1.16	1.16	1.13
Debt/Equity Ratio	82 / 18	80 / 20	78 / 22	75 / 25	75 / 25	76 / 24	76 / 24	76 / 24	76 / 24	74 / 26	73 / 27
Rate Change Percent								9.00%		5.00%	
Single Family Rate **	\$24.75	\$25.80	\$25.80	\$25.80	\$25.80	\$25.80	\$25.80	\$28.12	\$28.12	\$29.53	\$29.53
Statistical/Performance Trends:											
Number of Customers	44,085	44,712	45,166	47,152	47,525	49,474	50,216	50,969	51,737	52,510	53,298
Average Treatment (GPD) (000)	25,600	24,600	25,100	25,900	26,000	26,500	26,500	27,000	27,000	27,000	27,500
Miles of Water Lines	680	743	748	761	767	770	777	782	787	791	796
Number of Hydrants	5,487	5,534	5,581	5,700	5,770	5,858	5,916	5,975	6,035	6,095	6,155

* 1994-1998 reflect actual expenditures.

** Cost-of-Service adjustment in 1995. A new Cost-of-Svc Study will be conducted in conjunction with Revenue Requirements Study.

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.

ANCHORAGE WASTEWATER UTILITY

11-YEAR SUMMARY

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

Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	23,730	23,975	24,498	24,670	24,799	25,005	25,157	26,317	26,850	28,042	28,646
Expenses	22,026	21,483	21,428	21,338	22,013	23,862	23,661	23,668	24,287	24,711	25,038
Net Income (Regulatory)	1,704	2,492	3,070	3,332	2,786	1,143	1,496	2,649	2,563	3,331	3,608
Work Force Authorized per Budget (FT)	270	269	268	268	265	263	263	260	255	250	250
Capital Improvement Program *	5,212	5,536	5,907	4,058	6,377	9,800	9,227	7,969	8,103	8,027	19,167
New Debt (Bonds, Loan Fund)	2,443	106	3,555	1,090	2,200	5,200	6,500	7,700	7,000	6,700	10,300
Net Plant (12/31)	247,772	247,238	245,585	242,373	238,563	233,668	228,122	221,870	214,858	207,024	198,304
Retained Earnings (12/31)	6,656	9,148	12,218	15,550	18,336	19,479	20,976	23,625	26,188	29,519	33,128
Operating Cash	5,527	3,805	5,174	7,133	6,440	5,004	3,919	3,922	3,754	4,029	4,441
Construction Cash Pool	3,381	1,887	1,414	377	(87)	323	372	410	447	401	397
Cash Reserves	192	334	361	288	288	288	288	288	288	288	288
Total Cash 12/31	9,100	6,026	6,948	7,798	6,641	5,615	4,579	4,620	4,489	4,718	5,126
IGCs - General Government	1,509	1,507	1,487	1,361	1,352	2,037	2,098	2,161	2,247	2,337	2,431
MUSA - Regular	1,110	1,130	1,113	1,156	1,191	1,226	1,263	1,301	1,366	1,434	1,506
Total Outstanding Debt	73,862	68,855	66,719	61,989	58,479	57,567	57,957	59,447	59,864	59,658	62,845
Total Annual Debt Service	9,355	9,077	9,040	9,014	8,756	9,076	8,850	8,826	9,112	9,377	9,489
Debt Service Coverage (overall)	1.15	1.24	1.24	1.26	1.21	1.01	1.02	1.13	1.10	1.13	1.15
Debt/Equity Ratio	85 / 15	81 / 19	78 / 22	73 / 27	70 / 30	69 / 31	68 / 32	66 / 34	64 / 36	62 / 38	61 / 39
Rate Change Percent								5.00%		5.00%	
Single Family Rate **	\$21.65	\$ 21.80	\$ 21.80	\$ 21.80	\$ 21.80	\$ 21.80	\$ 21.80	\$ 22.89	\$ 22.89	\$ 24.03	\$ 24.03
Statistical/Performance Trends											
Number of Customers	46,782	47,374	47,714	48,748	49,098	49,588	50,084	50,585	51,091	51,602	52,118
Average Treatment (GPD) (000)	31,000	30,600	30,700	30,500	30,400	32,500	32,800	33,100	33,300	33,500	33,700
Miles of Wastewater Lines	676	680	683	687	690	694	696	698	700	703	708

* 1994-1998 reflect actual expenditures.

** Cost-of-Service adjustment in 1995. A new Cost-of-Service Study will be conducted in conjunction with Revenue Requirements Study.

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.

REFUSE COLLECTIONS

11-YEAR SUMMARY

UTILITY FORMAT - 1999 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	5,665	5,779	5,844	5,787	5,776	5,767	5,818	5,873	5,928	5,984	6,041
Expenses	5,153	5,307	5,316	5,381	5,564	5,748	5,778	5,863	5,928	5,981	6,022
Net Income (Regulatory)	512	472	528	406	212	18	40	10	0	3	18
Work Force Authorized per Budget (FT)*	16	16	16	16	16	16	16	16	16	16	16
Capital Improvement Program	448	377	272	397	652	470	450	450	481	455	480
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	2,853	3,027	2,826	2,921	3,124	3,115	3,062	2,987	2,917	2,831	2,769
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)	5,226	5,700	6,230	6,631	6,840	6,860	6,900	6,910	6,910	6,910	6,930
General Cash Pool	3,831	4,170	4,660	4,899	4,679	4,615	4,428	4,224	3,989	3,758	3,858
Construction Cash Pool	586	510	384	324	372	200	200	200	200	200	200
Bond Redemption Cash	360	353	352	351	352	350	350	350	350	350	0
Total Cash (12/31)	4,777	5,033	5,396	5,574	5,403	5,165	4,978	4,774	4,539	4,308	4,058
IGCs - General Government	86	81	85	98	126	185	189	194	199	204	209
MUSA - 1.25%	0	0	0	0	0	0	0	0	0	0	0
MUSA - Regular	53	52	57	53	54	57	57	58	60	61	63
Total Outstanding Debt	2,615	2,520	2,290	2,045	1,790	1,525	1,245	955	650	330	0
Total Annual Debt Service	329	347	356	359	360	357	359	353	352	349	340
Debt Service Coverage	3.34	3.05	3.06	2.81	2.28	1.81	1.89	1.86	1.87	1.82	1.86
Debt/Equity Ratio	33/67	30/70	26/74	23 / 77	20 / 80	18 / 82	15 / 85	12 / 88	8 / 92	4 / 96	0 / 100
Rate Change Percent**											
Residential Cost/month** [\$15.00/mo]											
Commercial (3Yd-1x/Wk)/Month** [\$50.50/mo]											
Statistical/Performance Trends											
Waste Collected (Tons)	44,721	45,821	43,714	45,611	45,148	45,150	40,635	40,635	40,635	40,635	40,635
Average Residential Services	12,139	12,105	12,082	12,111	12,115	12,166	12,191	12,215	12,239	12,264	12,288
Average Dumpster Services	4,740	4,699	4,732	4,684	4,770	4,803	4,827	4,851	4,875	4,900	4,924

* Excludes budgeted positions for SWS Admin (16) and Vehicle Maintenance (9).

** Last rate increase was in 1990.

SOLID WASTE DISPOSAL

11-YEAR SUMMARY

UTILITY FORMAT - 1999 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	12,694	13,431	13,742	14,275	13,675	13,673	13,802	13,933	14,077	14,222	14,369
Expenses	10,747	11,487	15,699	12,612	12,484	13,099	13,857	13,977	14,008	13,951	13,843
Net Income (Regulatory)	1,947	1,944	(1,957)	1,663	1,191	574	(55)	(44)	69	271	526
Work Force Authorized per Budget (FT)*	32	32	32	32	32	32	32	32	32	32	32
Capital Improvement Program	2,108	9,743	1,790	347	6,777	5,351	1,474	1,384	1,348	1,346	1,862
Bond Sales/ New Debt	0	7,634	1,564	0	2,900	6,100	0	0	0	0	0
Net Plant (12/31)	33,917	33,439	42,753	40,662	39,789	47,920	46,514	44,934	43,246	41,637	40,555
Utility Revenue Distribution	0	0	200	0	200	0	0	0	0	0	0
Retained Earnings (12/31)	10,371	12,315	10,158	11,821	12,812	13,386	13,330	13,286	13,356	13,626	14,152
General Cash Pool ****	5,408	6,724	4,840	3,540	1,262	3,422	382	(1,385)	(3,061)	(4,738)	(6,833)
Future Landfill Closure Cash Reserve	2,918	3,383	3,901	5,753	6,552	7,195	7,843	8,496	9,153	9,816	10,483
Construction Cash Pool	(395)	(965)	583	1,677	900	300	300	300	300	300	300
Bond Redemption Cash	410	373	373	371	370	370	370	370	370	370	370
Total Cash (12/31)	8,341	9,515	9,697	11,341	9,084	11,287	8,895	7,781	6,763	5,748	4,320
IGCs - General Government	133	127	121	147	190	294	301	309	316	324	332
MUSA - 1.25%	143	146	153	149	164	158	159	160	161	162	163
MUSA - Regular	324	319	323	423	526	531	641	657	674	691	708
Total Outstanding Debt	26,480	32,984	32,848	30,603	31,173	34,848	31,859	28,754	25,519	22,159	18,654
Total Annual Debt Service	3,295	3,234	3,451	3,919	3,904	3,964	4,653	4,614	4,576	4,533	4,504
Revenue Bond Coverage	16.07	16.04	11.54	5.50	5.37	4.08	2.66	2.68	2.73	2.76	2.85
Debt/Equity Ratio	62/38	65/35	68/32	64 / 36	64 / 36	66 / 34	64 / 36	62 / 48	59 / 41	56 / 44	51 / 49
Rate Change Percent											
User Rate/Ton** [\$45.00/ton]											
Pickup Rate***											
Car Rate** [\$5.00/ton]											
Statistical/Performance Trends											
Tons Disposed	285,250	292,650	325,668	309,267	298,831	300,490	302,740	305,010	307,300	309,600	311,920
Vehicle Count	188,843	196,498	187,517	200,742	194,046	195,123	196,584	198,058	199,545	201,039	202,545

* Excludes budgeted positions for SWS Admin (16) and Vehicle Maintenance (9).

** Last rate increase was in 1989.

*** Rate was increased from \$5 to \$10 as an equity adjustment in 1993.

**** Solid Waste Disposal will explore alternatives to mitigate negative cash flow projected in the outyears.

PORT OF ANCHORAGE

11-YEAR SUMMARY

UTILITY FORMAT - 1999 OPERATING BUDGET (\$000'S)

Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	\$7,712	\$8,197	\$8,885	\$7,964	\$8,711	\$8,755	\$8,955	\$9,447	\$9,299	\$9,317	\$9,518
Expenses	6,177	5,663	5,696	5,772	6,410	7,096	7,167	7,355	7,548	7,834	7,840
Net Income (Regulatory)	1,535	2,534	3,189	2,192	2,301	1,659	1,788	2,092	1,751	1,483	1,678
Budgeted Positions	21	21	21	21	21	21	21	21	21	21	21
Capital Program	9,202	5,000	3,243	3,466	4,493	5,165	5,205	883	1,065	1,045	2,855
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	49,933	48,020	59,170	57,410	55,069	56,709	56,105	57,797	58,347	63,166	59,889
Utility Revenue Distribution	179	358	601	696	0	0	0	0	0	0	0
MESA	0	0	0	0	0	576	540	585	598	578	569
Retained Earnings (12/31)	36,575	38,752	41,340	42,836	45,137	46,796	48,584	50,676	52,427	53,910	55,588
General Cash Pool	3,279	1,794	3,583	2,704	2,718	2,248	2,046	2,668	5,405	8,291	9,988
Construction Cash Pool	4,579	5,516	4,517	5,607	5,671	7,527	9,633	5,455	2,405	2,695	3,855
Bond Redemption Cash	2,916	1,000	1,000	999	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Cash (12/31)	10,774	8,310	9,100	9,310	9,389	10,775	12,679	9,123	8,810	11,986	14,843
IGCs - General Government	170	172	188	198	246	292	295	298	301	304	307
Total Outstanding Debt	15,063	11,100	10,828	9,735	8,735	7,845	6,910	5,920	4,870	3,760	2,580
Total Annual Debt Service	2,690	5,672	727	1,663	1,784	1,371	1,369	1,370	1,371	1,369	1,370
Debt Service Coverage (Rev Bonds)	2.52	3.24	10.53	3.74	3.78	3.41	3.54	3.83	3.67	3.66	3.77
Debt/Equity Ratio	16 / 84	12 / 88	10 / 90	10 / 90	9 / 91	7 / 93	6 / 94	5 / 95	4 / 96	3 / 97	2 / 98
Rate Change % - Tariff											
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%	17.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%
Statistical/Performance Trends:											
Tonnage (in thousands)	2,716	3,027	3,088	3,316	3,084	3,030	3,061	3,092	3,123	3,155	3,188
Revenue/Ton	\$2.41	\$2.27	\$2.57	\$2.36	\$2.50	\$2.56	\$2.60	\$2.71	\$2.70	\$2.70	\$2.69

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 - 1999 OPERATING BUDGET (\$000'S)

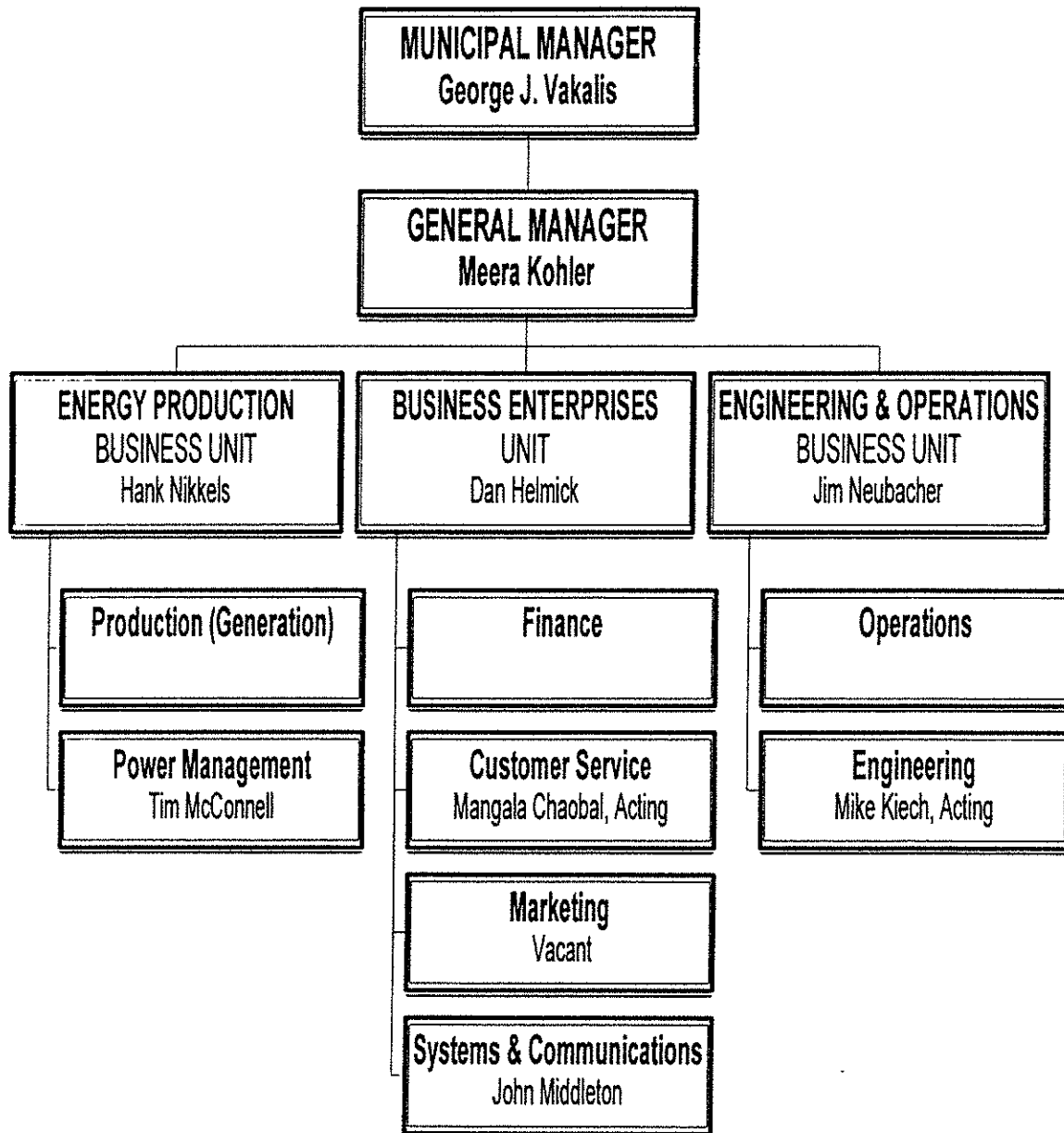
Financial Overview	Actual				Proforma	Budget	Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Revenues	1,080	1,084	1,064	1,136	1,129	1,155	1,269	1,357	1,414	1,504	1,572
Total Expenses	938	873	892	809	1,024	1,033	1,095	1,160	1,205	1,273	1,314
Net Income (Regulatory)	142	211	172	327	105	122	174	197	209	231	258
Work Force Authorized per Budget (FT)	10	10	10	10	10	10	10	10	10	10	10
Capital Program *	281	572	1,366	3,359	2,740	1,803	2,060	2,530	1,440	1,640	1,000
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	30,747	29,828	29,198	28,219	30,959	32,762	34,822	37,352	38,792	40,432	41,432
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)	2,772	2,983	3,155	3,482	3,587	3,709	3,883	4,080	4,289	4,520	4,778
General Cash Pool	(984)	(656)	(356)	(115)	(10)	112	172	191	212	338	364
Construction Cash Pool	1,807	1,456	1,282	1,293	1,260	1,179	1,132	1,171	1,199	1,145	1,141
Bond Redemption Cash	0	0	0	0	0	0	0	0	0	0	0
Total Cash (12/31)	823	800	926	1,178	1,250	1,291	1,304	1,362	1,411	1,483	1,505
IGCs General Government	63	77	72	64	106	114	122	127	131	137	143
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%	3.2%	3.1%	3.0%
Lease Rate/S.F. Per Year	\$.150	\$.150	\$.150	\$.150	\$.150	\$.150	\$.150	\$.155	\$.160	\$.165	\$.170
Tail-In Space/Month	40	40	40	40	40	40	40	45	45	45	45
Drive-Thru Space/Month	50	50	50	50	50	50	50	55	55	55	55
PERFORMANCE TRENDS											
Based Aircraft	905	907	901	907	915	940	970	1,010	1,040	1,080	1,100
Municipal Tiedowns	632	660	660	591	591	591	591	766	766	766	766
Flight Ops/Calendar Year	204,029	184,759	173,711	187,190	192,702	195,702	199,702	205,702	212,702	220,702	226,702
National Airport Ranking (FFY)	74th	108th	99th	94th	87th	87th	84th	82nd	71st	66th	63rd

* 1994-1997 represent actuals; 1998-2004 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

1999 Utility Profile

ORGANIZATION

On July 1, 1998, Municipal Light & Power (ML&P) reorganized its management team and functional structure in order to meet the challenges and opportunities of possible electric industry restructuring. ML&P's reorganization establishes three core business units under the direction of the General Manager. The first of these business units is an Energy Production Business Unit which includes the previous Generation and Power Management Divisions. The second Business Unit blends the previous Operation and Engineering Divisions to form the Engineering & Operation Business Unit. Lastly, the Business Enterprise Unit includes the previous Systems & Communication, Customer Service and Finance Divisions as well as the newly formed Marketing Division. The reorganization is expected to enhance internal efficiency, facilitate more rapid and effective decision making, and better integrate work flow between divisions - all with the goal of assuring that customer service remains a primary focus.

ML&P had 225 employees as of December 31, 1997 and a 1997 total labor and benefit cost of approximately \$22 million. Of these employees, 158 were covered by a labor agreement with IBEW and 67 were non-represented (i.e., covered by the Municipal Personnel Rules).

HISTORY

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

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

A small steam plant and diesel power generators supplied Anchorage with electricity until 1929 when the private Anchorage Power & Light Company began supplying the community with electricity from a hydroelectric power plant on the Eklutna River, 40 miles northeast of Anchorage. The City acquired the Eklutna Plant from the Anchorage Power & Light Company in 1943. In 1955, the City contracted for 16,000 kilowatts (kW) of the generating capacity of a new Eklutna Hydroelectric power project of the U.S. Bureau of Reclamation and transferred "Little Eklutna" to that federal agency. Between 1962 and 1984, ML&P installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit. Each of the seven turbines have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas transportation system. In addition to its two power plants, ML&P operates nineteen modern substations, and is the south-end controller of the Anchorage-Fairbanks Intertie. In late 1996, the Municipality purchased a one third working interest in the Beluga River Gas Field which establishes a guaranteed fuel supply for the Utility and a means to

HISTORY CONTINUED

stabilize fuel prices for years to come. In 1997, ML&P in association with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project from the federal government.

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 1997, the average number of residential and commercial customers was 23,393 and 5,775 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output. 1997 electric retail sales totaled 838,533 MWh and earned revenues of \$68,459,536. Total electric operating revenues including Sales for Resale and Water Diversion Compensation is \$70,891,659. Total gas operating revenues totaled \$11,552,440. ML&P has agreements to supply Fort Richardson Army Base and 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 encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and 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 Anchorage Assembly. The General Manager of ML&P serves in an ex officio capacity 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 Amendments of 1990 continue to be implemented, with significant impact to the cost of power plant operating permits, as well as costs associated with compliance assurance. Recent changes to State contaminated site cleanup regulations provide greater flexibility in the way such areas receive closure, but will increase the number of sites for which closure will need to be obtained. Recent revisions to PCB regulations will add to the cost of training and compliance determination. Oil spill prevention regulations continue to add costs to ML&P's operations.

ELECTRIC AND GAS PLANT

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

ELECTRIC AND GAS PLANT CONTINUED

Power Generated/Purchased in 1997	950,902 MWh	
• ML&P Generated	810,689 MWh	85.25%
• Purchased:		
Eklutna Hydroelectric Project	68,275 MWh	7.18%
Bradley Lake Project	71,783 MWh	7.55%
Other	155 MWh	0.02%
- Total Generation capacity is 328 Megawatts (MW)		
• Power Plant Number One: four turbines, capacity 85 MW		
• Power Plant Number Two: four turbines, capacity 243 MW		
• Seven gas-fired turbines		
• One heat recovery turbine		
• All equipped to use No. 2 fuel oil as an alternate fuel		
- Reserve Capacity Margin is 150 MW		
- Transmission/Distribution System		
• 207 miles underground cable		
• 144 miles overhead line		
• 19 substations		
- Net Electric Plant as of December 31, 1997 totaled \$167,767,856		
- Net Gas Plant as of December 31, 1997 totaled \$115,338,202		

MUNICIPAL LIGHT & POWER
WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Administration	16	13	13	13	13	13	13
Energy Production							
Production (Generation)	54	55	55	55	55	56	56
Power Management	12	12	12	12	12	12	12
Engineering & Operations							
Engineering	22	22	22	22	22	22	22
Operations	49	48	48	48	49	49	49
Business Enterprises							
Customer Service	34	34	34	34	34	34	34
Marketing	0	1	1	1	1	1	1
Finance	23	25	25	25	25	25	25
Systems & Communications	19	20	20	20	20	20	20
SUBTOTAL	<u>229</u>	<u>230</u>	<u>230</u>	<u>230</u>	<u>231</u>	<u>232</u>	<u>232</u>
Part-Time/Temporary Positions	<u>32</u>	<u>31</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>
TOTAL	<u>261</u>	<u>261</u>	<u>262</u>	<u>262</u>	<u>263</u>	<u>264</u>	<u>264</u>

**Municipal Light
and Power**

**1999
Operating Budget**

MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	<u>1998 BUDGET</u>	<u>1998 PROFORMA</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE	86,278,000	81,552,000	(4,726,000) A/B
OPERATING EXPENSE			
Operations	41,979,000	41,122,000	857,000
Depreciation(1)	18,446,000	17,138,000	1,308,000
MUSA	2,298,000	2,286,000	12,000
SUBTOTAL	<u>62,723,000</u>	<u>60,546,000</u>	<u>2,177,000</u>
NON-OPERATING REVENUE	3,536,000	3,539,000	3,000
NON-OPERATING EXPENSE	<u>20,686,000</u>	<u>20,631,000</u>	<u>55,000</u>
NET INCOME (REGULATORY)	6,405,000	3,914,000	(2,491,000)
ADJUSTMENTS FOR GAAP	<u>(435,000)</u>	<u>(470,000)</u>	<u>(35,000)</u>
NET INCOME GAAP	<u><u>5,970,000</u></u>	<u><u>3,444,000</u></u>	<u><u>(2,526,000)</u></u>

1998 Proforma as of 6/30/98

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Electric - Projected Sales for Resale to Golden Valley
Electric Association (GVEA) did not materialize.
- B. Gas - As electrical sales decrease, corresponding gas sales decrease.

Explanation of parenthesis:

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

MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	<u>1998 PROFORMA</u>	<u>1999 BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	81,552,000	80,217,000	(1,335,000)	A
OPERATING EXPENSE				
Operations	41,122,000	39,744,000	1,378,000	A
Depreciation(1)	17,138,000	17,503,000	(365,000)	
MUSA	2,286,000	2,320,000	(34,000)	
SUBTOTAL	<u>60,546,000</u>	<u>59,567,000</u>	<u>979,000</u>	
NON-OPERATING REVENUE	3,539,000	3,865,000	326,000	
NON-OPERATING EXPENSE	<u>20,631,000</u>	<u>20,094,000</u>	<u>537,000</u>	
NET INCOME (REGULATORY)	3,914,000	4,421,000	507,000	
ADJUSTMENTS FOR GAAP	<u>(470,000)</u>	<u>(550,000)</u>	<u>(80,000)</u>	
NET INCOME GAAP	<u><u>3,444,000</u></u>	<u><u>3,871,000</u></u>	<u><u>427,000</u></u>	

1998 Proforma as of 6/30/98

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Gas - 1999 contract prices for gas are projected to decrease per Third Quarter Light Sweet Crude Oil Futures.

Explanation of parenthesis:

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

MUNICIPAL LIGHT & POWER STATEMENT OF REVENUE AND EXPENSES

	<u>1997</u> <u>ACTUAL</u>	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>
OPERATING REVENUE			
Residential Sales	13,915,197	14,250,000	14,350,000
Commercial & Industrial	64,390,049	63,639,000	62,382,000
Public Highway & Street Lighting	1,167,771	1,175,000	1,214,000
Public Authority	78,036	220,000	100,000
Sales for Resale	2,131,402	1,100,000	1,000,000
Misc. Service Revenue	416,179	545,000	546,000
Rent from Electric Property	128,392	168,000	168,000
Miscellaneous Revenue	348,115	455,000	457,000
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUE	82,575,141	81,552,000	80,217,000
OPERATING EXPENSE			
Production Expense	24,832,353	24,884,000	23,209,000
Transmission Expense	773,160	832,000	863,000
Distribution Expense	5,497,624	5,542,000	5,716,000
Customer Account Expense	2,684,576	2,729,000	2,846,000
Customer Service & Information	145,489	152,000	161,000
Administrative & General Expense	5,496,168	5,608,000	5,684,000
Regulatory Compliance	671,190	860,000	750,000
Depreciation(1)	16,698,643	17,138,000	17,503,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	2,245,379	2,286,000	2,320,000
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSE	59,559,568	60,546,000	59,567,000
OPERATING INCOME	23,015,573	21,006,000	20,650,000

(1) Excludes Contributed Plant

1998 Proforma as of 6/30/98

MUNICIPAL LIGHT & POWER

STATEMENT OF REVENUE AND EXPENSES

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
NON-OPERATING REVENUE			
Interest From Operating Reserve	384,020	406,000	443,000
Interest From Bond Redemption Cash	1,719,037	1,722,000	1,775,000
Interest From General Cash Pool	565,467	973,000	1,083,000
Interest From Debt Service Account	421,964	373,000	425,000
Misc. Non-Operating Revenue	<u>207,285</u>	<u>65,000</u>	<u>139,000</u>
TOTAL NON-OPERATING REVENUE	3,297,773	3,539,000	3,865,000
NON-OPERATING EXPENSE			
Community	75,343	75,000	75,000
Interest on Bonded Debt	18,295,752	18,019,000	17,502,000
Amortization of Bond Discount/Premium	(470,035)	(455,000)	(451,000)
Amortization of Bond Sale Cost & Ins.	369,138	370,000	344,000
Amortization of Loss on Refunded Debt	3,136,636	3,137,000	2,904,000
Other Interest Expense	13,799	20,000	20,000
Interest During Construction	<u>(747,720)</u>	<u>(535,000)</u>	<u>(300,000)</u>
TOTAL NON-OPERATING EXPENSE	<u>20,672,913</u>	<u>20,631,000</u>	<u>20,094,000</u>
NET INCOME (REGULATORY)	5,640,433	3,914,000	4,421,000
ADJUSTMENTS FOR GAAP			
Depreciation of Contributed Plant	(556,832)	(550,000)	(550,000)
Restricted Interest Income	<u>920,174</u>	<u>80,000</u>	<u>0</u>
NET INCOME GAAP	<u><u>6,003,775</u></u>	<u><u>3,444,000</u></u>	<u><u>3,871,000</u></u>

1998 Proforma as of 6/30/98

MUNICIPAL LIGHT & POWER
STATEMENT OF SOURCES AND USES OF CASH

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
SOURCES OF CASH FUNDS			
Net Income GAAP	6,003,775	3,444,000	3,871,000
Depreciation	17,255,475	17,688,000	18,053,000
Amortized Bond Discount/Premium	(470,035)	(455,000)	(451,000)
Amortization & Acquisition Adjustment	514,986	515,000	515,000
Amortization of Bond Sale Costs	369,138	370,000	344,000
Amortization on Refunded Debt	3,136,636	3,137,000	2,904,000
Contributions	557,233	500,000	500,000
Other	<u>(4,974,090)</u>	<u>(2,094,000)</u>	<u>(1,997,000)</u>
TOTAL SOURCES OF CASH FUNDS	22,393,118	23,105,000	23,739,000
USES OF CASH FUNDS			
Additions to Plant	13,957,678	17,567,000	15,698,000
Debt Retirement Long Term	<u>7,645,000</u>	<u>9,300,000</u>	<u>9,835,000</u>
TOTAL USES OF CASH FUNDS	<u>21,602,678</u>	<u>26,867,000</u>	<u>25,533,000</u>
NET INCREASE (DECREASE) IN CASH FUNDS	790,440	(3,762,000)	(1,794,000)
CASH BALANCE JANUARY 1,	<u>63,029,701</u>	<u>63,820,000</u>	<u>60,058,000</u>
CASH BALANCE DECEMBER 31,	<u><u>63,820,141</u></u>	<u><u>60,058,000</u></u>	<u><u>58,264,000</u></u>
DETAIL OF CASH & INVESTMENT BALANCE			
General Cash	15,661,616	17,979,000	16,162,000
Bond Cash	4,998,293	0	0
Bond Investment	31,994,386	30,874,000	30,816,000
Special Investment	<u>11,165,846</u>	<u>11,205,000</u>	<u>11,286,000</u>
CASH BALANCE DECEMBER 31,	<u><u>63,820,141</u></u>	<u><u>60,058,000</u></u>	<u><u>58,264,000</u></u>

1998 Proforma as of 6/30/98

MUNICIPAL LIGHT & POWER
1999 OPERATING BUDGET DETAIL

	<u>1997</u> <u>ACTUAL</u>	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>
<u>Labor</u>			
Personnel Costs	9,342,245	9,690,000	9,856,000
Benefit Costs	<u>5,490,764</u>	<u>5,681,000</u>	<u>5,778,000</u>
Subtotal	14,833,009	15,371,000	15,634,000
<u>Intergovernmental Charges</u>			
Finance Department	271,666	260,000	350,000
MIS/FIS	161,186	480,000	700,000
Human Resources Department	225,754	290,000	300,000
Other IGC Charges	<u>850,987</u>	<u>1,070,000</u>	<u>1,350,000</u>
Subtotal	<u>1,509,593</u>	<u>2,100,000</u>	<u>2,700,000</u>
<u>Other Expenses</u>			
Professional Services	675,520	800,000	850,000
Depreciation & Amortization	15,529,415	15,934,000	16,019,000
MUSA	2,245,379	2,286,000	2,320,000
Interest on Long-term Debt	18,295,752	18,019,000	17,502,000
Interest During Construction	(747,720)	(535,000)	(300,000)
Purchased Power	4,218,444	4,162,000	4,194,000
Fuel Transportation	3,643,095	3,573,000	3,588,000
Gas Division Operating Expenses	11,990,749	10,820,000	8,906,000
Gas Division Depletion & Depreciation	5,277,000	5,321,000	5,346,000
Regulatory Compliance	671,190	860,000	750,000
Other Expenses	<u>2,647,887</u>	<u>3,016,000</u>	<u>2,702,000</u>
Subtotal	<u>64,446,711</u>	<u>64,256,000</u>	<u>61,877,000</u>
TOTAL EXPENSES	<u><u>80,789,313</u></u>	<u><u>81,727,000</u></u>	<u><u>80,211,000</u></u>

1998 Proforma as of 6/30/98

**Municipal Light
and Power**

**1999-2004
Capital Improvement
Budget/Program**

MUNICIPAL LIGHT & POWER

1999 - 2004 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)

<u>PROJECT CATEGORY:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
PRODUCTION (GENERATION)	4,816	5,179	5,574	5,156	6,376	7,316	34,417
TRANSMISSION	120	245	470	520	530	560	2,445
DISTRIBUTION	3,105	5,555	5,915	5,575	5,950	6,250	32,350
GENERAL PLANT	3,416	3,106	2,695	2,168	1,556	1,379	14,320
REGULATORY COMPLIANCE	655	231	241	486	936	351	2,900
INTERTIES	0	0	0	0	0	0	0
BELUGA RIVER GAS FIELD	900	1,000	800	3,300	2,000	1,700	9,700
TOTAL BUDGET	<u>13,012</u>	<u>15,316</u>	<u>15,695</u>	<u>17,205</u>	<u>17,348</u>	<u>17,556</u>	<u>96,132</u>

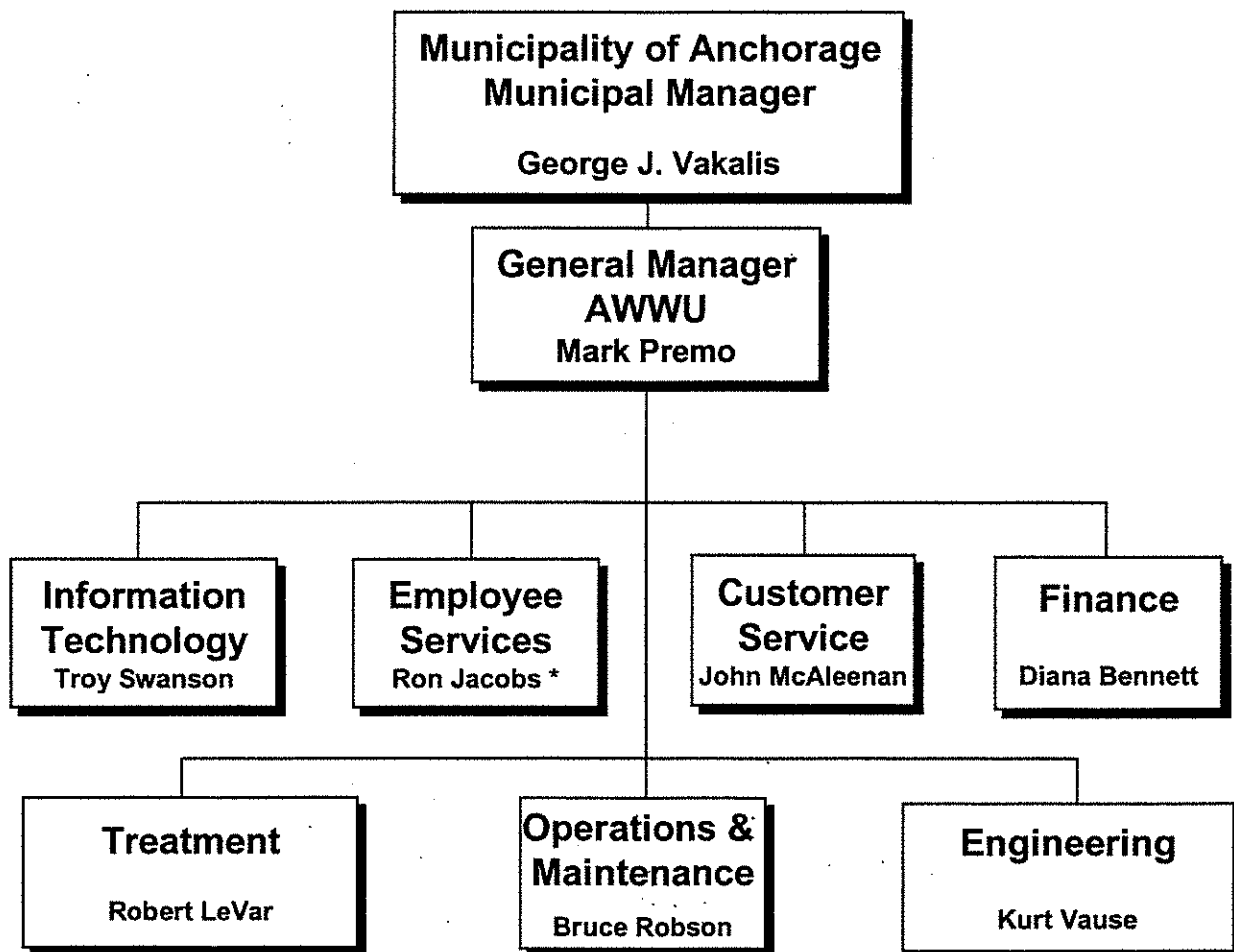
<u>SOURCE OF FUNDING:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	0	0	14,895	800	15,348	1,652	32,695
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	12,112	14,316	0	13,105	0	14,204	53,737
BELUGA OPERATIONS	900	1,000	800	3,300	2,000	1,700	9,700
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>13,012</u>	<u>15,316</u>	<u>15,695</u>	<u>17,205</u>	<u>17,348</u>	<u>17,556</u>	<u>96,132</u>

Approximately \$6.7 Million in personnel costs will be spent on Capital Projects during 1999.

**ANCHORAGE WATER AND
WASTEWATER UTILITY**

ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



* Acting Assignment

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 49,500 residential, commercial, military, and industrial customers throughout the urban areas of Anchorage. The Utility's wastewater facilities serve 49,600 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 260 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 27 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 1999 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, 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 26,000,000 gallons per day (gpd). Treatment plant capacity is 59,000,000 gpd. Average well production is 5,600,000 gpd. The transmission system has approximately 690 miles of mains and 5,600 fire hydrants. Net Plant value as of December 1997: \$319,000,000.

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. The Utility is currently in the process of obtaining a renewal of the discharge permit and expects it to be in place in 1999.

PHYSICAL PLANT: The Wastewater Utility operates three treatment plants. Average flow was 32,000,000 gallons per day (gpd) in 1998. Treatment plant capacity is 61,500,000 gpd. The collection system has approximately 681 miles of lines. Net plant value as of December 1997: \$242,000,000. 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 upgrades were 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	1998	1999	2000	2001	2002	2003	2004
MANAGER	4	4					
EMPLOYEE SERVICES	7	7					
INFORMATION TECHNOLOGY	14	14					
OPERATIONS & MAINTENANCE	82	82					
TREATMENT	62	62					
FINANCE	19	17					
ENGINEERING	32	32					
CUSTOMER SERVICE	45	45					
*TOTAL POSITIONS	265	263	263	260	255	250	250
PART-TIME/TEMPORARY	9	13	9	9	9	9	9
TOTAL ALL POSITIONS	274	276	272	269	264	259	259

*NOTE: The competitive assessment process is anticipated to result in efficiencies that will reduce staffing requirements through attrition.

Anchorage Water Utility

1999 Operating Budget

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	1998 BUDGET	1998 PROFORMA	VARIANCE	
OPERATING REVENUE	27,056,000	27,497,000	441,000	A
OPERATING EXPENSE				
OPERATIONS	14,931,000	14,571,000	(360,000)	B
DEPRECIATION	2,563,000	2,563,000	0	
MUSA	1,476,000	1,476,000	0	
TOTAL OPERATING EXPENSE	18,970,000	18,610,000	(360,000)	
OPERATING INCOME	8,086,000	8,887,000	801,000	
NON-OPERATING REVENUE	2,216,000	2,156,000	(60,000)	C
NON-OPERATING EXPENSE	7,892,000	7,350,000	(542,000)	D
NET INCOME REGULATORY	2,410,000	3,693,000	1,283,000	
ADJUSTMENT FOR GAAP METHOD	(4,766,000)	(4,766,000)	0	
NET INCOME GAAP	(2,356,000)	(1,073,000)	1,283,000	

Explanation of Significant Variances:

A: Customer growth 1.6% over bgt, +441k.

B: Labor (174k); supplies (144k); other services +133k; IGC's (175k).

C: Decrease in interest income (60k).

D Decrease in interest expense (542k).

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	1998 PROFORMA	1999 BUDGET	VARIANCE	
OPERATING REVENUE	27,497,000	27,965,000	468,000	A
OPERATING EXPENSE				
OPERATIONS	14,571,000	15,869,000	1,298,000	B
DEPRECIATION	2,563,000	2,627,000	64,000	C
MUSA	1,476,000	1,520,000	44,000	
TOTAL OPERATING EXPENSE	18,610,000	20,016,000	1,406,000	
OPERATING INCOME	8,887,000	7,949,000	(938,000)	
NON-OPERATING REVENUE	2,156,000	2,129,000	(27,000)	
NON-OPERATING EXPENSE	7,350,000	7,561,000	211,000	D
NET INCOME REGULATORY	3,693,000	2,517,000	(1,176,000)	
ADJUSTMENT FOR GAAP METHOD	(4,766,000)	(4,885,000)	(119,000)	
NET INCOME GAAP	(1,073,000)	(2,368,000)	(1,295,000)	

Explanation of Significant Variances:

A: Customer growth 1.7%.

B: Labor +113k; supplies +222k; other services +289k; IGC's +674k.

C: Function of the capital construction program.

D Increase in interest expense +211k.

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
OPERATING REVENUE			
RESIDENTIAL SALES	18,320,530	18,681,000	19,036,000
COMMERCIAL SALES	5,861,690	5,961,000	6,074,000
PUBLIC FIRE PROTECTION	2,475,000	2,475,000	2,475,000
HYDRANT USE CHARGE	148,968	150,000	150,000
MISCELLANEOUS	252,315	230,000	230,000
TOTAL OPERATING REVENUE	27,058,503	27,497,000	27,965,000
OPERATING EXPENSES			
SOURCE OF SUPPLY	2,621,939	2,460,000	2,701,000
TREATMENT	2,475,222	2,552,000	2,500,000
TRANSMISSION	3,212,950	2,803,000	2,751,000
CUSTOMER ACCOUNTS	1,678,011	1,755,000	1,932,000
GENERAL & ADMINISTRATIVE	4,072,625	5,001,000	5,985,000
DEPRECIATION *	2,557,537	2,563,000	2,627,000
MUSA	1,432,910	1,476,000	1,520,000
TOTAL OPERATING EXPENSE	18,051,194	18,610,000	20,016,000
OPERATING INCOME	9,007,309	8,887,000	7,949,000

* DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	604,374	606,000	606,000
INTEREST - GENERAL CASH POOL	333,748	200,000	200,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	(129,699)	190,000	100,000
INTEREST - BOND REDEMPT RESERVE	305,529	230,000	260,000
INTEREST - BOND SINKING FUND	80,959	110,000	110,000
INTEREST - EKLUTNA RESERVE	633,985	700,000	723,000
INTEREST & PENALTY ON ASSESSMENTS	184,851	120,000	130,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	2,013,747	2,156,000	2,129,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	811,417	780,000	850,000
INTEREST - BOND	6,718,993	6,620,000	7,011,000
INTEREST - SRF LOANS	0	0	200,000
CAPITALIZED INTEREST	(349,748)	(50,000)	(500,000)
TOTAL NON-OPERATING EXPENSE	7,180,662	7,350,000	7,561,000
NON-OPERATING INCOME	(5,166,915)	(5,194,000)	(5,432,000)
NET INCOME (REGULATORY)	3,840,394	3,693,000	2,517,000
 ADJUSTMENT FOR GAAP	 4,808,023	 4,766,000	 4,885,000
NET INCOME (LOSS) GAAP	(967,629)	(1,073,000)	(2,368,000)

ANCHORAGE WATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(967,629)	(1,073,000)	(2,368,000)
DEPRECIATION	7,365,560	7,329,000	7,512,000
BOND PROCEEDS	0	3,500,000	15,000,000
STATE LOANS	0	7,500,000	0
ASSESSMENT BONDS	0	0	0
AMORT/DEFERRED DEBITS/DISCOUNTS	811,417	780,000	850,000
GRANTS	7,847,619	3,623,000	2,133,000
CONTRIBUTIONS FROM OTHERS	720,203	750,000	500,000
EKLUTNA RESERVE	0	0	0
OTHER	860,368	515,000	172,000
TOTAL SOURCES OF CASH FUNDS	16,637,538	22,924,000	23,799,000
USES OF CASH:			
ADDITIONS TO PLANT	16,234,114	6,954,000	23,183,000
BOND PRINCIPAL PAYMENT	1,920,942	2,405,000	2,920,000
TOTAL USES OF CASH FUNDS	18,155,056	9,359,000	26,103,000
 NET INCREASE(DECREASE) IN CASH FUNDS	 (1,517,518)	 13,565,000	 (2,304,000)
 CASH BALANCE JANUARY 1	 20,650,550	 19,133,000	 32,698,000
CASH BALANCE DECEMBER 31	19,133,032	32,698,000	30,394,000
 DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	(5,541,214)	7,331,000	2,877,000
RESTRICTED CASH ACCOUNTS	18,148,785	20,178,000	21,678,000
EQUITY IN GENERAL CASH POOL	6,525,461	5,190,000	5,839,000
TOTAL CASH DECEMBER 31	19,133,032	32,698,000	30,394,000

ANCHORAGE WATER UTILITY

1999 OPERATING BUDGET DETAIL

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
LABOR			
Wages	5,594,406	5,406,000	5,562,000
Overtime	284,576	285,000	324,000
Benefits	2,481,070	2,678,000	2,597,000
Subtotal	8,360,052	8,369,000	8,482,000
SUPPLIES			
Chemicals	205,141	260,000	315,000
Plant, Shop, & Office Expense	1,066,571	1,075,000	1,242,000
Subtotal	1,271,712	1,335,000	1,557,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	243,256	277,000	280,000
Mgmt Information Systems Dept	290,553	412,000	804,000
Employee Relations Dept	152,122	117,000	143,000
Other	540,164	387,000	641,000
Subtotal	1,226,095	1,193,000	1,867,000
OTHER SERVICES			
Professional Services	317,969	490,000	462,000
Rent/Leases	692,025	700,000	684,000
Utilities	1,714,682	1,691,000	1,767,000
Contracted Mnnc/Repair	615,976	585,000	677,000
Operating Expense Transfer to CWIP	(417,922)	(500,000)	(437,000)
Other	280,158	708,000	810,000
Subtotal	3,202,888	3,674,000	3,963,000
OTHER EXPENSES			
Depreciation & Amortization	7,365,560	7,329,000	7,512,000
MUSA	1,432,910	1,476,000	1,520,000
Interest on Long-Term Debt	6,718,993	6,620,000	7,211,000
Capitalized Interest	(349,748)	(50,000)	(500,000)
Amort Deferred Debits/Discounts	811,417	780,000	850,000
Subtotal	15,979,132	16,155,000	16,593,000
TOTAL EXPENSES	<u>30,039,879</u>	<u>30,726,000</u>	<u>32,462,000</u>

Anchorage Water Utility

**1999-2004
Capital Improvement
Budget Program**

ANCHORAGE WATER UTILITY 1999-2004 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1999	2000	2001	2002	2003	2004	Six Year Total
GENERAL PLANT	7,345	5,717	2,964	1,818	5,077	11,867	34,788
REPAIR & REHABILITATION	1,800	1,300	1,550	1,300	1,300	1,300	8,550
TRANSMISSION/DISTRIBUTION	9,300	8,700	20,150	1,250	5,200	2,900	47,500
WELL, TANK, PRV	5,100	600	600	700	200	700	7,900
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	23,545	16,567	25,514	5,318	12,027	17,017	99,988

SOURCE OF FUNDING	1999	2000	2001	2002	2003	2004	Six Year Total
DEBT	21,949	14,692	23,789	3,548	10,337	15,287	89,602
EQUITY	1,596	1,875	1,725	1,770	1,690	1,730	10,386
STATE GRANT	0	0	0	0	0	0	0
TOTAL	23,545	16,567	25,514	5,318	12,027	17,017	99,988

*Approximately \$.6 million of in-house labor will be spent on capital projects in 1999

Anchorage Wastewater Utility

1999 Operating Budget

ANCHORAGE WASTEWATER UTILITY

RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	1998 BUDGET	1998 PROFORMA	VARIANCE	
OPERATING REVENUE	23,395,000	23,420,000	25,000	A
OPERATING EXPENSE				
OPERATIONS	14,563,000	14,153,000	(410,000)	B
DEPRECIATION	3,075,000	3,075,000	0	
MUSA	1,191,000	1,191,000	0	
TOTAL OPERATING EXPENSE	18,829,000	18,419,000	(410,000)	
OPERATING INCOME	4,566,000	5,001,000	435,000	
NON-OPERATING REVENUE	1,369,000	1,379,000	10,000	
NON-OPERATING EXPENSE	4,271,000	3,594,000	(677,000)	C
NET INCOME REGULATORY	1,664,000	2,786,000	1,122,000	
ADJUSTMENT FOR GAAP METHOD	(5,253,000)	(5,125,000)	128,000	
NET INCOME GAAP	(3,589,000)	(2,339,000)	1,250,000	

Explanation of Significant Variances:

A: Customer growth .1% over bgt, +25k.

B: Labor (44k); supplies (41k); other svc (172k); IGC's (153k).

C Decrease in interest expense (677k).

ANCHORAGE WASTEWATER UTILITY RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	1998 PROFORMA	1999 BUDGET	VARIANCE	
OPERATING REVENUE	23,420,000	23,646,000	226,000	A
OPERATING EXPENSE				
OPERATIONS	14,153,000	15,616,000	1,463,000	B
DEPRECIATION	3,075,000	3,152,000	77,000	
MUSA	1,191,000	1,226,000	35,000	
TOTAL OPERATING EXPENSE	<u>18,419,000</u>	<u>19,994,000</u>	<u>1,575,000</u>	
OPERATING INCOME	5,001,000	3,652,000	(1,349,000)	
NON-OPERATING REVENUE	1,379,000	1,359,000	(20,000)	
NON-OPERATING EXPENSE	<u>3,594,000</u>	<u>3,868,000</u>	<u>274,000</u>	C
NET INCOME REGULATORY	<u>2,786,000</u>	<u>1,143,000</u>	<u>(1,643,000)</u>	
ADJUSTMENT FOR GAAP METHOD	(5,125,000)	(5,253,000)	(128,000)	
NET INCOME GAAP	(2,339,000)	(4,110,000)	(1,771,000)	

Explanation of Significant Variances:

A: Customer growth 1.0%.

B: Labor +287k; supplies +89k; other services +403k; IGC's +685k.

C Increase in interest expense +274k.

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
OPERATING REVENUES			
RESIDENTIAL SALES	17,977,597	17,983,000	18,163,000
COMMERCIAL SALES	4,391,737	4,593,000	4,639,000
PUBLIC AUTHORITIES	519,750	507,000	507,000
MISCELLANEOUS	366,444	337,000	337,000
TOTAL OPERATING REVENUE	23,255,528	23,420,000	23,646,000
OPERATING EXPENSES			
COLLECTION	2,273,145	2,448,000	2,573,000
TREATMENT	5,187,755	5,308,000	5,562,000
CUSTOMER ACCOUNTS	1,437,571	1,397,000	1,678,000
GENL & ADMINISTRATIVE	4,466,334	5,000,000	5,803,000
DEPRECIATION *	2,889,542	3,075,000	3,152,000
MUSA	1,156,397	1,191,000	1,226,000
TOTAL OPERATING EXPENSES	17,410,744	18,419,000	19,994,000
OPERATING INCOME	5,844,784	5,001,000	3,652,000

*DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	814,530	813,000	834,000
INTEREST - GENERAL CASH POOL	324,923	320,000	300,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	50,142	70,000	50,000
INTEREST & PENALTY ON ASSESSMENTS	203,573	175,000	175,000
MISC INCOME	21,241	1,000	0
TOTAL NON-OPERATING REVENUE	1,414,409	1,379,000	1,359,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	866,234	792,000	850,000
INTEREST - LONG TERM DEBT	2,850,820	2,609,000	2,609,000
INTEREST - OTHER	313,052	313,000	494,000
CAPITALIZED INTEREST	(102,802)	(120,000)	(85,000)
TOTAL NON-OPERATING EXPENSE	3,927,304	3,594,000	3,868,000
NON-OPERATING INCOME	(2,512,895)	(2,215,000)	(2,509,000)
NET INCOME (REGULATORY)	3,331,889	2,786,000	1,143,000
ADJUSTMENT FOR GAAP	4,979,028	5,125,000	5,253,000
NET INCOME (LOSS) GAAP	(1,647,139)	(2,339,000)	(4,110,000)

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(1,647,139)	(2,339,000)	(4,110,000)
DEPRECIATION	7,868,570	8,200,000	8,405,000
BOND PROCEEDS	0	0	0
STATE LOANS	1,069,371	2,200,000	5,200,000
AMORT/DEFERRED DEBITS/DISCOUNTS	866,234	792,000	850,000
GRANTS	812,377	1,200,000	420,000
CONTRIBUTIONS FROM OTHERS	1,080,673	1,000,000	900,000
OTHER	677,813	(123,000)	138,000
TOTAL SOURCES OF CASH FUNDS	10,727,899	10,930,000	11,803,000
USES OF CASH:			
ADDITIONS TO PLANT	4,058,460	6,377,000	6,716,000
BOND PRINCIPAL PAYMENT	5,820,179	5,710,000	6,112,000
TOTAL USES OF CASH FUNDS	9,878,639	12,087,000	12,828,000
NET INCREASE(DECREASE) IN CASH FUNDS	849,260	(1,157,000)	(1,025,000)
CASH BALANCE JANUARY 1	6,948,348	7,798,000	6,641,000
CASH BALANCE DECEMBER 31	7,797,608	6,641,000	5,615,000
DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	376,809	(87,000)	323,000
RESTRICTED CASH ACCOUNTS	288,231	288,000	288,000
EQUITY IN GENERAL CASH POOL	7,132,568	6,440,000	5,004,000
TOTAL CASH DECEMBER 31	7,797,608	6,641,000	5,615,000

ANCHORAGE WASTEWATER UTILITY

1999 OPERATING BUDGET DETAIL

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
LABOR			
Wages	5,358,203	5,075,000	5,416,000
Overtime	119,446	124,000	150,000
Benefits	2,342,509	2,561,000	2,481,000
Subtotal	7,820,158	7,760,000	8,047,000
SUPPLIES			
Chemicals	402,826	353,000	428,000
Plant, Shop, & Office Expense	1,096,110	1,268,000	1,282,000
Subtotal	1,498,936	1,621,000	1,710,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	227,222	224,000	261,000
Mgmt Information Systems Dept	281,635	436,000	787,000
Employee Relations Dept	131,411	120,000	120,000
Other	720,351	572,000	869,000
Subtotal	1,360,619	1,352,000	2,037,000
OTHER SERVICES			
Professional Services	510,808	1,090,000	1,000,000
Rent/Leases	620,898	616,000	610,000
Utilities	1,145,047	1,187,000	1,196,000
Contracted Mtnc/Repair	235,927	444,000	430,000
Operating Expense Transfer to CWIP	(196,980)	(250,000)	(197,000)
Other	369,392	333,000	785,000
Subtotal	2,685,092	3,420,000	3,823,000
OTHER EXPENSES			
Depreciation & Amortization	7,868,570	8,200,000	8,405,000
MUSA	1,156,397	1,191,000	1,226,000
Interest on Long-Term Debt	3,163,872	2,922,000	3,103,000
Capitalized Interest	(102,802)	(120,000)	(85,000)
Amort Deferred Debits/Discounts	866,234	792,000	850,000
Subtotal	12,952,271	12,985,000	13,499,000
TOTAL EXPENSES	<u>26,317,076</u>	<u>27,138,000</u>	<u>29,116,000</u>

Anchorage Wastewater Utility

**1999-2004
Capital Improvement
Budget/Program**

ANCHORAGE WASTEWATER UTILITY 1999-2004 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1999	2000	2001	2002	2003	2004	Six Year Total
GENERAL PLANT	5,830	4,322	2,769	2,553	2,117	6,517	24,108
REPAIR & REHABILITATION	3,270	4,330	4,850	5,200	4,700	8,800	31,150
TRUNK/INTERCEPTOR	700	325	100	100	960	3,600	5,785
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	9,800	9,227	7,969	8,103	8,027	19,167	62,293

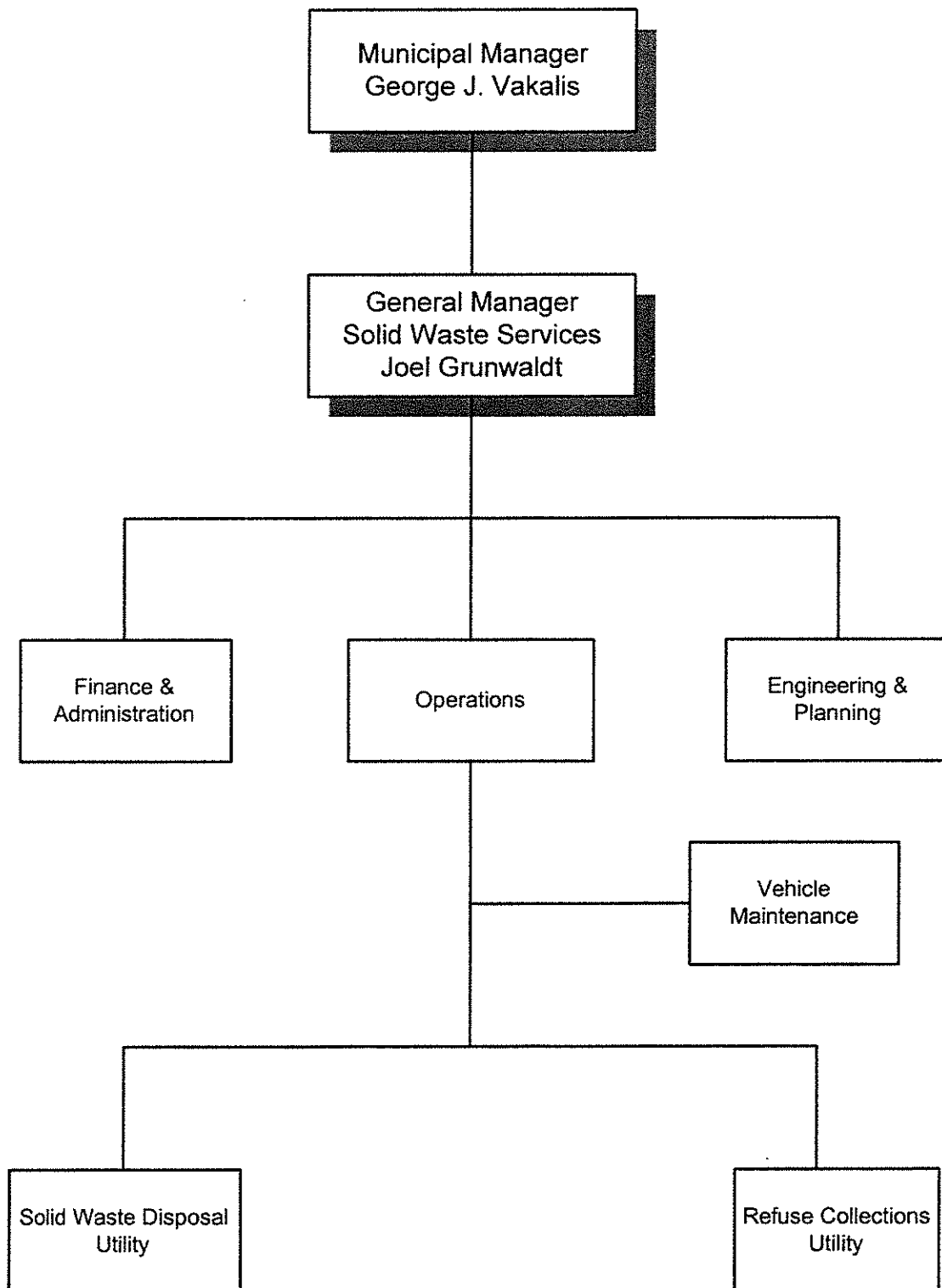
SOURCE OF FUNDING	1999	2000	2001	2002	2003	2004	Six Year Total
DEBT	8,294	7,972	6,839	6,998	7,097	18,187	55,387
EQUITY	1,506	1,255	1,130	1,105	930	980	6,906
STATE GRANT	0	0	0	0	0	0	0
TOTAL	9,800	9,227	7,969	8,103	8,027	19,167	62,293

*Approximately \$.5 million of in-house labor will be spent on capital projects in 1999

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 4,650 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, six 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
- 8 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 12 base cells have been constructed. ARL is projected to have a total capacity in excess of 42.3 million cubic yards. It is estimated that ARL will reach full capacity in the year 2043. In 1997, 309,267 tons were deposited in ARL.

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 225,298 tons in 1997. 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 7.874 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 2043
- 43 million cubic yard capacity
- Phased construction of cells lasting four to five 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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
ADMINISTRATION:							
Regular Fulltime	16	16	16	16	16	16	16
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>73</u>	<u>73</u>	<u>73</u>	<u>73</u>	<u>73</u>	<u>73</u>	<u>73</u>
PARTTIME/TEMPS	18	18	18	18	18	18	18
TOTAL	<u>91</u>	<u>91</u>	<u>91</u>	<u>91</u>	<u>91</u>	<u>91</u>	<u>91</u>

Refuse Collections

1999

Operating Budget

REFUSE COLLECTIONS UTILITY

RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	1998 <u>BUDGET</u>	1998 <u>PROFORMA</u>	<u>VARIANCE</u>
OPERATING REVENUE	5,452,460	5,402,530	(49,930) (A)
OPERATING EXPENSE			
Labor	1,344,520	1,344,520	0
Supplies	39,000	39,000	0
IGC'S	1,320,860	1,264,630	(56,230) (B)
Other Services	129,570	172,120	42,550 (C)
Other Expenses	2,657,960	2,638,880	(19,080)
OPERATING EXPENSE	<u>5,491,910</u>	<u>5,459,150</u>	<u>(32,760)</u>
NON-OPERATING REVENUE	357,690	373,860	16,170
NON-OPERATING EXPENSE	<u>96,090</u>	<u>105,210</u>	<u>9,120</u>
NET INCOME (REGULATORY)	222,150	212,030	(10,120)
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>222,150</u></u>	<u><u>212,030</u></u>	<u><u>(10,120)</u></u>

Explanation of Significant Variances:

- A) Dumpsters serviced less the projected.
- B) Charges from Solid Waste Administration reduced.
- C) Other Expense cost increase due to replacement of waste oil separator in Refuse Warm Storage building.

REFUSE COLLECTIONS UTILITY

RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUE	5,402,530	5,406,010	3,480
OPERATING EXPENSE			
Labor	1,344,520	1,359,590	15,070
Supplies	39,000	39,000	0
IGC'S	1,264,630	1,404,370	139,740 (A)
Other Services	172,120	170,650	(1,470)
Other Expenses	2,638,880	2,682,300	43,420
OPERATING EXPENSE	<u>5,459,150</u>	<u>5,655,910</u>	<u>196,760</u>
NON-OPERATING REVENUE	373,860	360,550	(13,310)
NON-OPERATING EXPENSE	<u>105,210</u>	<u>92,490</u>	<u>(12,720)</u>
NET INCOME (REGULATORY)	212,030	18,160	(193,870)
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>212,030</u></u>	<u><u>18,160</u></u>	<u><u>(193,870)</u></u>

Explanation of Significant Variances:

A) All IGC's projected to increase. Mostly due to insurance costs.

REFUSE COLLECTIONS UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
OPERATING REVENUE			
Commercial Collections	3,005,082	2,955,710	2,955,710
Residential Collections	2,174,663	2,182,840	2,182,320
Other Collections	35,398	28,000	32,000
Container Rental Fees	238,212	235,980	235,980
TOTAL OPERATING REVENUE	<u>5,453,355</u>	<u>5,402,530</u>	<u>5,406,010</u>
OPERATING EXPENSE			
Labor	1,324,512	1,344,520	1,359,590
Supplies	29,506	39,000	39,000
IGC'S	1,150,487	1,264,630	1,404,370
Other Services	116,816	172,120	170,650
Other Expenses	2,645,669	2,638,880	2,682,300
TOTAL OPERATING EXPENSE	<u>5,266,990</u>	<u>5,459,150</u>	<u>5,655,910</u>
OPERATING INCOME	186,365	(56,620)	(249,900)
NON-OPERATING REVENUE			
Sale of Assets	0	14,900	0
Interest Income	310,720	335,000	337,800
Other Revenue	22,648	23,960	22,750
TOTAL NON-OPERATING REVENUE	<u>333,368</u>	<u>373,860</u>	<u>360,550</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	113,706	105,210	92,490
TOTAL NON-OPERATING EXPENSE	<u>113,706</u>	<u>105,210</u>	<u>92,490</u>
NET INCOME (REGULATORY)	406,027	212,030	18,160
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>406,027</u></u>	<u><u>212,030</u></u>	<u><u>18,160</u></u>

REFUSE COLLECTIONS UTILITY STATEMENT OF SOURCES AND USES OF CASH

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	406,027	212,030	18,160
Depreciation	434,428	449,110	478,790
Grants	0	0	0
Bonds	0	0	0
Other	0	0	0
TOTAL SOURCES OF CASH FUNDS	<u>840,455</u>	<u>661,140</u>	<u>496,950</u>
USES OF CASH FUNDS:			
Additions to Plant	397,160	577,210	470,240
Bond Principal Payment	245,000	255,000	265,000
Other	20,539	0	0
TOTAL USES OF CASH FUNDS	<u>662,699</u>	<u>832,210</u>	<u>735,240</u>
NET INCREASE (DECREASE) IN CASH FUNDS	177,756	(171,070)	(238,290)
CASH BALANCE JANUARY 1,	5,396,182	5,573,940	5,402,870
CASH BALANCE DECEMBER 31,	<u><u>5,573,939</u></u>	<u><u>5,402,870</u></u>	<u><u>5,164,580</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	4,898,881	4,678,510	4,614,580
Equity In Construction Cash Pool	324,293	371,960	200,000
Bond Redemption Cash	350,765	352,400	350,000
TOTAL CASH DECEMBER 31,	<u><u>5,573,939</u></u>	<u><u>5,402,870</u></u>	<u><u>5,164,580</u></u>

REFUSE COLLECTIONS UTILITY 1999 OPERATING BUDGET DETAIL

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
Labor			
Wages	879,125	895,230	901,910
Overtime	59,382	69,310	68,750
Benefits	386,005	379,980	388,930
Other	0	0	0
Subtotal	1,324,512	1,344,520	1,359,590
Supplies			
Office supplies	3,925	4,000	4,000
Operating Supplies	20,989	20,000	20,000
Repair and Maintenance Supplies	4,592	15,000	15,000
Subtotal	29,506	39,000	39,000
Intergovernmental Charges			
Solid Waste Administration	562,745	592,570	641,350
Solid Waste Vehicle Maintenance	476,226	532,710	565,180
Solid Waste Disposal	38,100	38,100	38,100
Other IGC's	98,416	126,250	184,740
Charges to Others	(25,000)	(25,000)	(25,000)
Subtotal	1,150,487	1,264,630	1,404,370
Other Services			
Professional Services	8,182	5,000	5,000
Contractual Services	62,428	121,120	118,500
Utilities	46,206	46,000	47,150
Subtotal	116,816	172,120	170,650
Other Expenses			
Depreciation	434,428	449,110	478,790
MUSA	52,764	54,000	57,010
Interest on Long-term Debt	113,706	105,210	92,490
SWS Disposal Charges	2,052,493	2,031,660	2,031,750
Other	105,984	104,110	114,750
Subtotal	2,759,375	2,744,090	2,774,790
TOTAL EXPENSES	5,380,696	5,564,360	5,748,400

Refuse Collections

**1999-2004
Capital Improvement
Budget/Program**

**REFUSE COLLECTIONS UTILITY
1999-2004 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
VEHICLE REPLACEMENT	342	324	324	355	324	349	2,018
CONTAINERS	101	101	101	101	101	101	606
EQUIPMENT	5	5	5	5	5	5	30
OFFICE EQUIPMENT	10	10	10	10	10	10	60
DATA PROCESSING	12	10	10	10	15	15	72
BUILDING IMPROVEMENTS	0	0	0	0	0	0	0
TOTAL	<u>470</u>	<u>450</u>	<u>450</u>	<u>481</u>	<u>455</u>	<u>480</u>	<u>2,786</u>

SOURCE OF FUNDING	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
G.O. BONDS							
REVENUE BONDS							
LOAN							
EQUITY/OPERATIONS	470	450	450	481	455	480	2,786
STATE GRANT							
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	<u>470</u>	<u>450</u>	<u>450</u>	<u>481</u>	<u>455</u>	<u>480</u>	<u>2,786</u>

Solid Waste Disposal

**1999
Operating Budget**

SOLID WASTE DISPOSAL UTILITY

RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	<u>1998 BUDGET</u>	<u>1998 PROFORMA</u>	<u>VARIANCE</u>
OPERATING REVENUE	12,771,850	12,888,400	116,550
OPERATING EXPENSE			
Labor	2,422,640	2,481,580	58,940
Supplies	48,700	48,700	0
IGC'S	1,740,150	1,759,150	19,000
Other Services	2,415,990	2,421,620	5,630
Other Expenses (1)	3,265,590	3,741,110	475,520 (A)
OPERATING EXPENSE	<u>9,893,070</u>	<u>10,452,160</u>	<u>559,090</u>
NON-OPERATING REVENUE	517,500	589,210	71,710 (B)
NON-OPERATING EXPENSE	1,826,250	1,834,160	7,910
NET INCOME (REGULATORY)	<u>1,570,030</u>	<u>1,191,290</u>	<u>(378,740)</u>
ADJUSTMENTS FOR GAAP	(197,680)	(197,680)	0
NET INCOME (LOSS) GAAP	<u><u>1,372,350</u></u>	<u><u>993,610</u></u>	<u><u>(378,740)</u></u>
(1) Excludes Amortization of Contributed Plant			

Explanation of Significant Variances:

A) Increase due to recalculation of future landfill closure costs and increased MUSA cost.

B) Increase due primarily to receipt of Other Property Sales.

SOLID WASTE DISPOSAL UTILITY

RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUE	12,888,400	12,974,830	86,430
OPERATING EXPENSE			
Labor	2,481,580	2,634,730	153,150 (A)
Supplies	48,700	57,300	8,600
IGC'S	1,759,150	1,934,590	175,440 (B)
Other Services	2,421,620	2,475,700	54,080
Other Expenses (1)	3,741,110	4,020,510	279,400 (C)
OPERATING EXPENSE	<u>10,452,160</u>	<u>11,122,830</u>	<u>670,670</u>
NON-OPERATING REVENUE	589,210	500,250	(88,960) (D)
NON-OPERATING EXPENSE	1,834,160	1,778,740	(55,420) (E)
NET INCOME (REGULATORY)	<u>1,191,290</u>	<u>573,510</u>	<u>(617,780)</u>
ADJUSTMENTS FOR GAAP	(197,680)	(197,680)	0
NET INCOME (LOSS) GAAP	<u>993,610</u>	<u>375,830</u>	<u>(617,780)</u>
(1) Excludes Amortization of Contributed Plant			

Explanation of Significant Variances:

- A) Due to increased labor costs.
- B) All IGC's expected to increase.
- C) Increase due to funding for recycling program.
- D) Decrease due to less "Other Property Sales".
- E) Decrease in debt interest expense.

SOLID WASTE DISPOSAL UTILITY STATEMENT OF REVENUE AND EXPENSES

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
OPERATING REVENUE			
Reimbursed Costs	247,916	256,030	264,780
Disposal Fees	13,091,899	12,472,870	12,547,550
Hazardous Waste Fees	160,408	159,500	162,500
TOTAL OPERATING REVENUE	<u>13,500,223</u>	<u>12,888,400</u>	<u>12,974,830</u>
OPERATING EXPENSE			
Labor	2,479,477	2,481,580	2,634,730
Supplies	63,750	48,700	57,300
IGC'S	1,692,942	1,759,150	1,934,590
Other Services	1,764,042	2,421,620	2,475,700
Other Expenses (1)	4,500,827	3,741,110	4,020,510
TOTAL OPERATING EXPENSE	<u>10,501,038</u>	<u>10,452,160</u>	<u>11,122,830</u>
OPERATING INCOME (LOSS)	2,999,185	2,436,240	1,852,000
NON-OPERATING REVENUE			
Sale of Assets	1,275	105,000	55,000
Interest Income	518,509	477,560	439,400
Other Revenue	57,464	6,650	5,850
TOTAL NON-OPERATING REVENUE	<u>577,248</u>	<u>589,210</u>	<u>500,250</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	1,913,384	1,834,160	1,778,740
TOTAL NON-OPERATING EXPENSE	<u>1,913,384</u>	<u>1,834,160</u>	<u>1,778,740</u>
NET INCOME (REGULATORY)	1,663,049	1,191,290	573,510
ADJUSTMENTS FOR GAAP	(197,680)	(197,680)	(197,680)
NET INCOME (LOSS) GAAP	<u><u>1,465,369</u></u>	<u><u>993,610</u></u>	<u><u>375,830</u></u>

(1) Excludes Amortization of Contributed Plant

SOLID WASTE DISPOSAL UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	1,465,369	993,610	375,830
Depreciation (Includes Contributed Plant)	2,209,202	2,357,640	2,512,700
Future Landfill Closure Costs	1,851,832	799,000	643,050
Grants	0	0	347,172
New Debt	0	2,900,000	6,100,000
Other	0	0	0
TOTAL SOURCES OF CASH FUNDS	<u>5,526,402</u>	<u>7,050,250</u>	<u>9,978,752</u>
USES OF CASH FUNDS:			
Additions to Plant (CWIP)	347,095	6,776,900	5,351,000
Bond Principal Payment	1,785,000	1,870,000	1,965,000
Loan Principal Payment	459,908	459,910	459,910
Other Uses of Cash	1,290,368	0	0
Utility Revenue Distribution	0	200,000	0
TOTAL USES OF CASH FUNDS	<u>3,882,371</u>	<u>9,306,810</u>	<u>7,775,910</u>
NET INCREASE (DECREASE) IN CASH FUNDS	1,644,031	(2,256,560)	2,202,842
CASH BALANCE JANUARY 1,	9,696,892	11,340,920	9,084,360
CASH BALANCE DECEMBER 31,	<u><u>11,340,923</u></u>	<u><u>9,084,360</u></u>	<u><u>11,287,202</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	3,540,275	1,262,250	3,422,042
Future Landfill Closure Cash Reserve	5,753,110	6,552,110	7,195,160
Equity In Construction Cash Pool	1,676,729	900,000	300,000
Bond Redemption Cash	370,809	370,000	370,000
TOTAL CASH DECEMBER 31,	<u><u>11,340,923</u></u>	<u><u>9,084,360</u></u>	<u><u>11,287,202</u></u>

SOLID WASTE DISPOSAL UTILITY 1999 OPERATING BUDGET DETAIL

	1997 <u>ACTUAL</u>	1998 <u>PROFORMA</u>	1999 <u>BUDGET</u>
Labor			
Wages	1,550,474	1,614,250	1,714,830
Overtime	183,417	171,650	162,220
Benefits	742,568	688,890	750,630
Other	3,018	6,790	7,050
Subtotal	<u>2,479,479</u>	<u>2,481,580</u>	<u>2,634,730</u>
Supplies			
Office Supplies	1,919	1,500	1,800
Operating Supplies	55,988	22,000	28,000
Fuel(Kerosene)	349	500	500
Repair and Maintenance Supplies	5,494	24,700	27,000
Subtotal	<u>63,748</u>	<u>48,700</u>	<u>57,300</u>
Intergovernmental Charges			
Solid Waste Administration	646,960	645,630	702,890
Solid Waste Vehicle Maintenance	1,145,860	1,132,000	1,201,020
Other IGC's	146,656	189,620	293,780
Charges to Others	(246,535)	(208,100)	(263,100)
Subtotal	<u>1,692,942</u>	<u>1,759,150</u>	<u>1,934,590</u>
Other Services			
Professional Services	74,060	235,000	225,000
Utilities	353,813	355,700	375,700
Contractual Services	1,336,169	1,830,920	1,875,000
Subtotal	<u>1,764,042</u>	<u>2,421,620</u>	<u>2,475,700</u>
Other Expenses			
Depreciation	2,209,202	2,357,640	2,512,700
MUSA	422,839	526,230	531,380
Gross Receipts Tax	148,958	163,650	157,570
Landfill Closure Costs	1,851,832	799,000	643,050
Other	65,677	92,270	373,490
Interest on Long-term Debt	1,913,384	1,834,160	1,778,740
Subtotal	<u>6,611,892</u>	<u>5,772,950</u>	<u>5,996,930</u>
Total Expenses	<u><u>12,612,102</u></u>	<u><u>12,484,000</u></u>	<u><u>13,099,250</u></u>

Solid Waste Disposal

1999-2004

**Capital Improvement
Budget/Program**

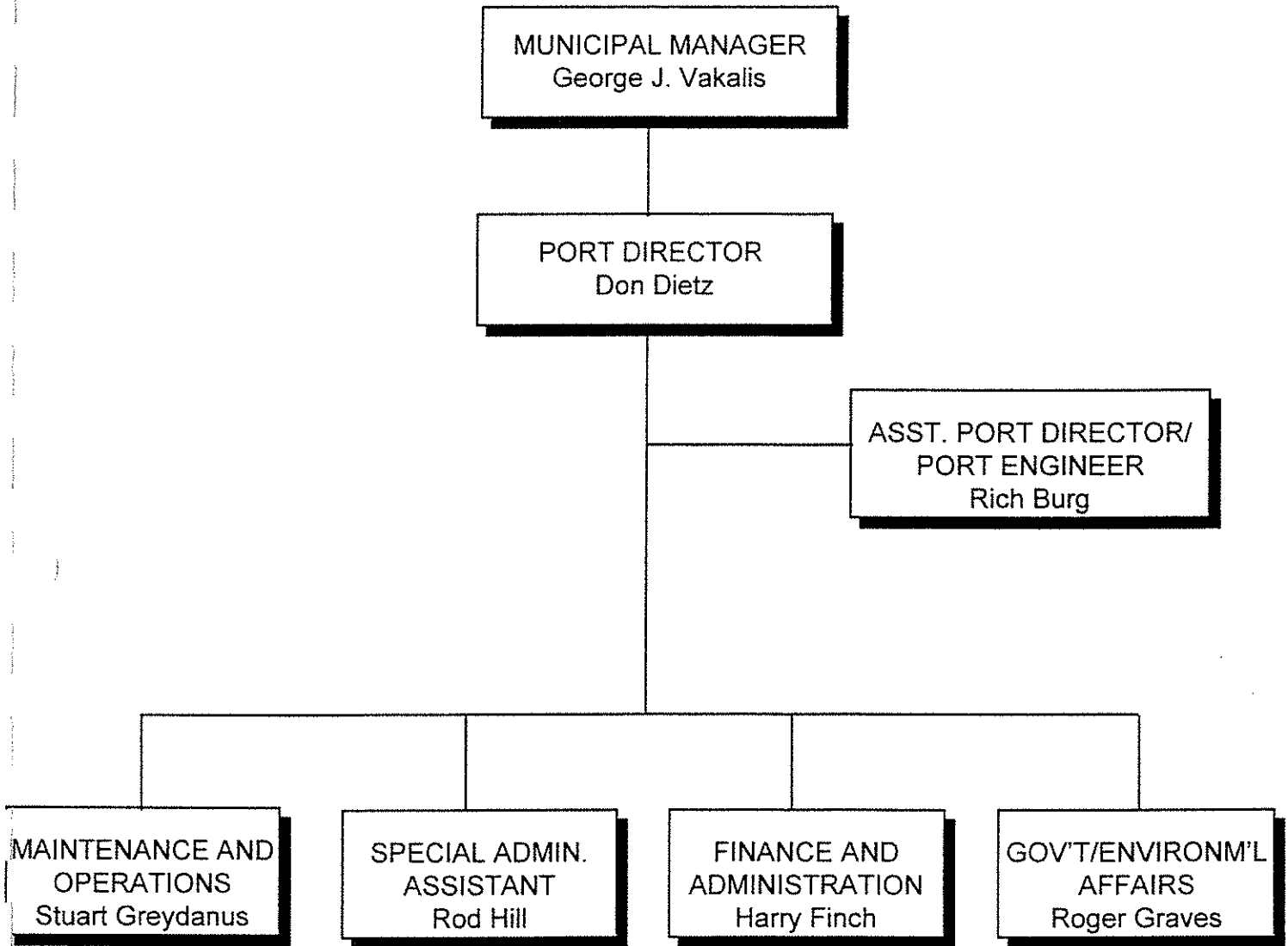
**SOLID WASTE DISPOSAL UTILITY
1999-2004 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	1999	2000	2001	2002	2003	2004	TOTAL
EQUIPMENT	1,064	1,469	1,379	1,343	1,331	1,397	7,983
ARL IMPROVEMENTS	4,275	0	0	0	0	450	4,725
OFFICE /DP EQUIPMENT	12	5	5	5	15	15	57
TOTAL	5,351	1,474	1,384	1,348	1,346	1,862	12,765

SOURCE OF FUNDING	1999	2000	2001	2002	2003	2004	TOTAL
G.O. BONDS							
REVENUE BONDS							
LOAN	2,600						2,600
EQUITY/OPERATIONS	2,404	1,474	1,384	1,348	1,346	1,862	9,818
STATE GRANT	347						347
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	5,351	1,474	1,384	1,348	1,346	1,862	12,765

PORT OF ANCHORAGE

PORT OF ANCHORAGE ORGANIZATION CHART



PORT OF ANCHORAGE PROFILE

ORGANIZATION

The Port of Anchorage is organized into three functional areas: Port Administration, Port Development and Port Operations & Maintenance. The Administrative responsibility entails day-to-day business functions, construction management/engineering, and real estate management. The Port Development involves marketing, planning, permitting, environmental issues and public and intergovernmental affairs tasks. Current Operations & Maintenance functions include 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. 3,315,892 tons crossed the dock in 1997, 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 1997 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

Port of Anchorage Dock Revenue rates are established in the Port of Anchorage Terminal Tariff #4 and Terminal Preferential Use Agreements. Changes to the tariff and adjustments to the Preferential Usage Agreements' charges require approval by the Anchorage Port Commission subject to approval by the Anchorage Municipal Assembly and the Federal Maritime Commission.

Port Industrial Park Revenue is derived from long-term leases of properties in the Port Industrial Park. The leases provide for five-year rate adjustments. 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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</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

1999

Operating Budget

PORT OF ANCHORAGE

RECONCILIATION OF 1998 BUDGET TO 1998 PRO-FORMA

	1998 BUDGET	1998 PRO-FORMA	VARIANCE	
OPERATING REVENUE	7,883,000	7,709,000	(174,000)	A
OPERATING EXPENSE				
Labor	1,501,000	1,459,000	(42,000)	B
Supplies	145,000	149,000	4,000	
Other Services & Charges	1,665,500	1,669,000	3,500	
IGC's	243,000	246,000	3,000	
Depreciation/Amortization	2,516,000	2,221,000	(295,000)	C
Subtotal	6,070,500	5,744,000	(326,500)	
NON-OPERATING REVENUE	886,000	1,002,000	116,000	D
NON-OPERATING EXPENSE	825,440	666,000	(159,440)	E
NET INCOME (REGULATORY)	1,873,060	2,301,000	427,940	
ADJUSTMENTS FOR GAAP	(952,000)	(902,000)	50,000	C
NET INCOME GAAP	921,060	1,399,000	477,940	

Explanation of Significant Variances:

- A) Wharfage revenues are now able to be based on year-to-date figures. Petroleum Wharfage is anticipated to be lower in 1998. This reduction is being partially offset by 1998 General Cargo Wharfage being greater than originally anticipated.
- B) 1998 Labor expense reduced by personnel turn-over/vacancies.
- C) Depreciation adjusted to reflect anticipated plant in-service.
- D) Correction to an originally projected reduction in the 1998 Tesoro Right-Of-Way Fee.
- E) Principal portion of the 1998 Ship Creek G.O. Bond debt payment is not recognized as an expense by generally accepted accounting principals for enterprise activities and was paid from fund balance. This Assembly mandated Bond debt payment by the Port is not anticipated in the future.

PORT OF ANCHORAGE

RECONCILIATION OF 1998 PRO-FORMA TO 1999 BUDGET

	1998 <u>PRO-FORMA</u>	1999 <u>BUDGET</u>	<u>VARIANCE</u>	
OPERATING REVENUE	7,709,000	7,744,000	35,000	A
OPERATING EXPENSE				
Labor	1,459,000	1,483,000	24,000	
Supplies	149,000	145,000	(4,000)	
Other Services & Charges	1,669,000	2,167,000	498,000	B
IGC's	246,000	292,000	46,000	
Depreciation/Amortization	<u>2,221,000</u>	<u>2,473,000</u>	<u>252,000</u>	C
Subtotal	5,744,000	6,560,000	816,000	
NON-OPERATING REVENUE	1,002,000	1,011,000	9,000	
NON-OPERATING EXPENSE	666,000	536,000	(130,000)	D
NET INCOME (REGULATORY)	<u>2,301,000</u>	<u>1,659,000</u>	<u>(642,000)</u>	
ADJUSTMENTS FOR GAAP	(902,000)	(923,000)	(21,000)	
NET INCOME GAAP	<u><u>1,399,000</u></u>	<u><u>736,000</u></u>	<u><u>(663,000)</u></u>	B

Explanation of Significant Variances:

- A) Reimbursement by major Port tenants for shared expenses associated with a new consolidated Port Security Services contract offset by reduced petroleum and cruise vessel revenues.
- B) This increase, which also results in a decrease in Net Income, is the net impact of the new Port MESA payment in 1999 being offset by the one-time payment of General Government items by the Port in 1998.
- C) Depreciation has been adjusted to reflect anticipated booking of new plant in-service.
- D) Reduction in the interest portion of debt service payments in 1999.

PORT OF ANCHORAGE STATEMENT OF REVENUE AND EXPENSES

	1997 <u>ACTUAL</u>	1998 <u>PRO-FORMA</u>	1999 <u>BUDGET</u>
OPERATING REVENUE			
Dock Revenue	5,762,838	5,658,000	5,617,000
Industrial Park Revenue	2,016,906	2,031,000	2,001,000
Crane Lease/Rental Revenue	17,813	15,000	15,000
Other Operating Revenue	<u>36,036</u>	<u>5,000</u>	<u>111,000</u>
TOTAL OPERATING REVENUE	7,833,593	7,709,000	7,744,000
OPERATING EXPENSE			
Labor	1,377,467	1,459,000	1,483,000
Supplies	164,929	149,000	145,000
Other Services & Charges	1,141,034	1,669,000	2,167,000
IGC's	197,602	246,000	292,000
Depreciation/Amortization	<u>2,284,841</u>	<u>2,221,000</u>	<u>2,473,000</u>
TOTAL OPERATING EXPENSE	5,165,873	5,744,000	6,560,000
OPERATING INCOME	2,667,720	1,965,000	1,184,000
NON-OPERATING REVENUE			
Interest Income	935,549	897,000	906,000
Pipeline Right-Of-Way Fee	107,934	105,000	105,000
Gain/Loss-Disposal of Property	(913,676)	0	0
Other Non-Operating Revenue	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING REVENUE	129,807	1,002,000	1,011,000
NON-OPERATING EXPENSE			
Interest on Long-Term Debt	605,475	666,000	536,000
Other Non-Operating Expense	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING EXPENSE	605,475	666,000	536,000
NON-OPERATING INCOME	(475,668)	336,000	475,000
NET INCOME (REGULATORY)	2,192,052	2,301,000	1,659,000
ADJUSTMENTS FOR GAAP	(951,863)	(902,000)	(923,000)
NET INCOME GAAP	<u><u>1,240,189</u></u>	<u><u>1,399,000</u></u>	<u><u>736,000</u></u>

PORT OF ANCHORAGE

STATEMENT OF SOURCES AND USES OF CASH

	1997 <u>ACTUAL</u>	1998 <u>PRO-FORMA</u>	1999 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	1,240,189	1,399,000	736,000
Depreciation/Amortization	3,236,704	3,123,000	3,396,000
Grants	0	905,000	1,150,000
Bonds	0	0	0
Amortization of Debt Discount	51,421	52,000	52,000
Principal Payments, Financing Leases	333,474	268,000	262,000
Disposition of Assets	923,123	0	0
Other	0	0	0
TOTAL SOURCES OF FUNDS	<u>5,784,911</u>	<u>5,747,000</u>	<u>5,596,000</u>
USES OF CASH FUNDS:			
Additions to Plant	3,465,969	4,493,000	3,320,000
Bond Principal Payments	1,092,718	1,175,000	890,000
Enterprise Fund Dividend	696,000	0	0
Net Effect of Changes on Balance Sheet Which Affect Cash	320,449	0	0
TOTAL USES OF FUNDS	<u>5,575,136</u>	<u>5,668,000</u>	<u>4,210,000</u>
NET INCREASE/(DECREASE) IN CASH FUNDS	209,775	79,000	1,386,000
CASH BALANCE JANUARY 1,	<u>9,099,867</u>	<u>9,310,000</u>	<u>9,389,000</u>
CASH BALANCE DECEMBER 31,	<u><u>9,309,642</u></u>	<u><u>9,389,000</u></u>	<u><u>10,775,000</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	2,703,531	2,718,000	2,248,000
Equity In Construction Cash Pool	5,607,107	5,671,000	7,527,000
Revenue Bond Maintenance Reserve	999,004	1,000,000	1,000,000
TOTAL CASH DECEMBER 31,	<u><u>9,309,642</u></u>	<u><u>9,389,000</u></u>	<u><u>10,775,000</u></u>

PORT OF ANCHORAGE OPERATING BUDGET DETAIL

	1997 <u>ACTUAL</u>	1998 <u>PRO-FORMA</u>	1999 <u>BUDGET</u>
LABOR			
Wages	913,297	949,000	965,000
Overtime	25,420	35,000	35,000
Benefits	432,487	465,000	473,000
Other	6,263	10,000	10,000
Subtotal	1,377,467	1,459,000	1,483,000
SUPPLIES			
Office & Operating Supplies	26,772	28,000	28,000
Fuel	8,638	11,000	11,000
Repair & Maintenance Supplies	127,468	98,000	95,000
Other	2,051	12,000	11,000
Subtotal	164,929	149,000	145,000
INTRAGOVERNMENTAL CHARGES			
IGC's From Others	197,816	249,000	295,000
IGC's To Others	(214)	(3,000)	(3,000)
Subtotal	197,602	246,000	292,000
OTHER SERVICES			
Professional Services	189,521	319,000	423,000
Contributions to Outside Organizations	21,000	296,000	30,000
Repairs & Maintenance-Contracted	268,899	238,000	226,000
Municipal Enterprise Service Assessment	0	0	576,000
Contract Services	206,442	206,000	313,000
Rentals/Leases	86,798	170,000	170,000
Utilities	236,801	250,000	250,000
Other	131,573	190,000	179,000
Subtotal	1,141,034	1,669,000	2,167,000
OTHER EXPENSES			
Depreciation/Amortization	3,236,704	3,123,000	3,396,000
Interest on Long Term Debt	605,475	666,000	536,000
Other	0	0	0
Subtotal	3,842,179	3,789,000	3,932,000
TOTAL EXPENSES	<u><u>6,723,211</u></u>	<u><u>7,312,000</u></u>	<u><u>8,019,000</u></u>

Port of Anchorage

1999-2004

**Capital Improvement
Budget/Program**

PORT OF ANCHORAGE

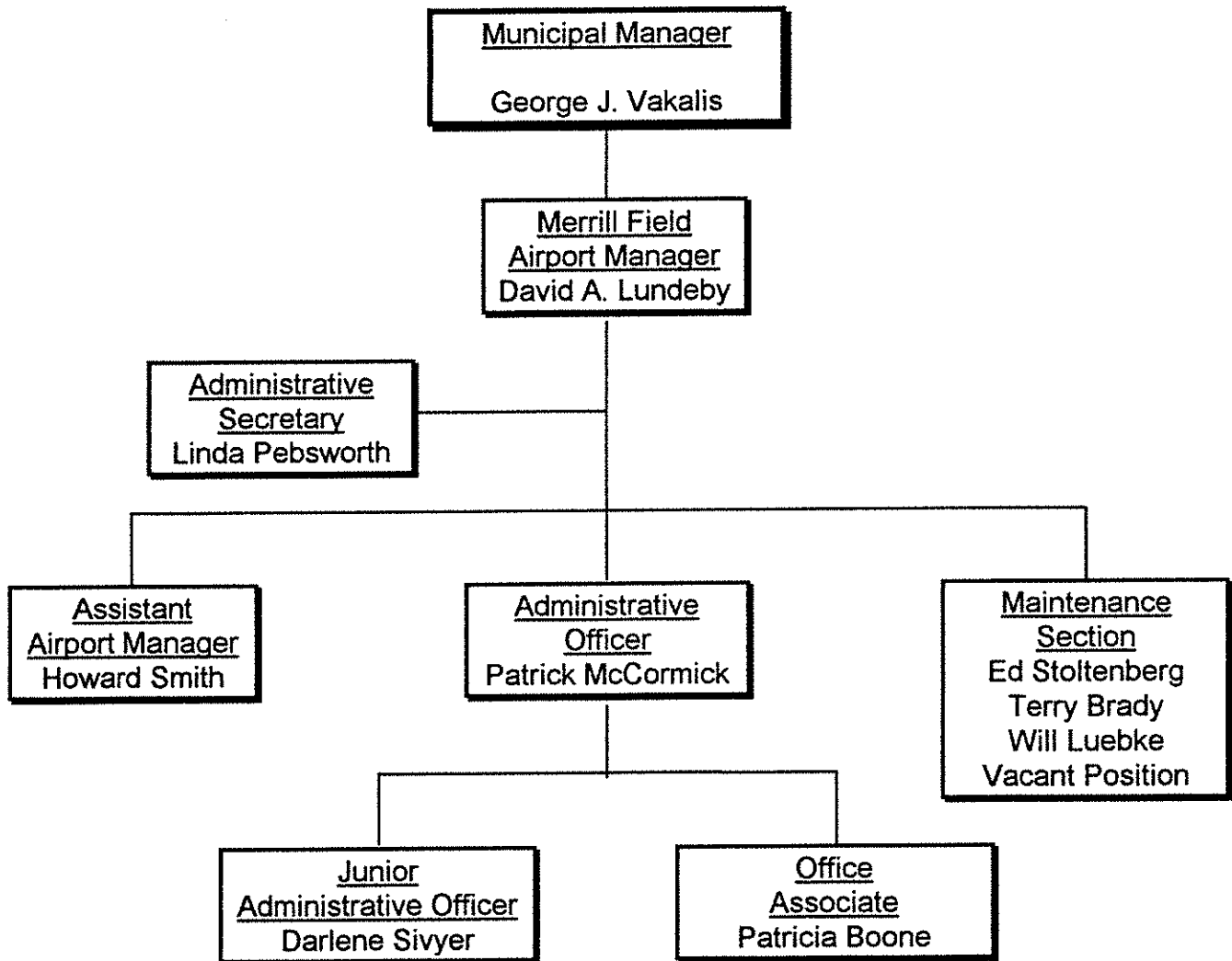
1999-2004 CAPITAL IMPROVEMENT BUDGETS FINANCIAL SUMMARY (000)

<u>PROJECT CATEGORY</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
LAND DEVELOPMENT							0
TERMINAL DEVELOPMENT	2,050	1,500	500	1,000	1,000	2,000	8,050
HARBOR DEVELOPMENT	2,300	3,000					5,300
REPAIRS & RENOVATIONS	390	400	200				990
EQUIPMENT	425	305	183	65	45	855	1,878
TOTAL	<u>5,165</u>	<u>5,205</u>	<u>883</u>	<u>1,065</u>	<u>1,045</u>	<u>2,855</u>	<u>16,218</u>

<u>SOURCE OF FUNDING</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
G.O. BONDS							0
REVENUE BONDS							0
EQUITY/OPERATIONS	4,015	5,205	883	365	1,045	1,155	12,668
STATE GRANT	1,150			700		300	2,150
FEDERAL GRANT						1,400	1,400
LOAN							0
DIRECT APPROPRIATION							0
PVT INDUST PARTICIPATION							0
TOTAL	<u>5,165</u>	<u>5,205</u>	<u>883</u>	<u>1,065</u>	<u>1,045</u>	<u>2,855</u>	<u>16,218</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 175,000 and 250,000 and based aircraft varied between 900 and 950.

SERVICE

Merrill Field serves as the general aviation link between Southcentral Alaskan communities, including the rural areas, and Anchorage. Intrastate air traffic to and from Anchorage 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.
1,292 tiedown spaces; leaseholders manage 701;
Municipality manages 526, plus 65 for transient aircraft.
Runway 6/24 length is 4,000 feet; Runway 15/33 length is 2,650 feet.
Five taxiways; 102 acres of tiedown aprons.
New Control Tower owned and operated by Federal Aviation Administration.

Ninety-sixth Busiest Airport in the Nation

Hub for intra-Alaska travel.
Located one mile from downtown Anchorage.
Reliever airport to Anchorage International's general aviation aircraft.
187,190 flight operations in calendar year 1997.
9,806 general aviation aircraft in Alaska; 907 based at Merrill.
9,386 private pilots in Alaska; 4,432 reside in Anchorage.

Economic Stimulus

24 leaseholders lease 2,782,079 square feet.
18 fair market value rental properties.
Approximately 62 aviation related businesses operate on the airport.
980 transient aircraft stayed a total of 3,482 days last year.
Approximately 710,000 gallons of fuel were sold in 1997.

Airport Plant (net of accumulated depreciation) is \$28,218,571

MERRILL FIELD AIRPORT WORK FORCE PROJECTIONS

<u>CATEGORY</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</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

1999 Operating Budget

MERRILL FIELD AIRPORT

RECONCILIATION OF 1998 BUDGET TO 1998 PRO FORMA

	<u>1998 Budget</u>	<u>1998 Pro Forma</u>	<u>Variance</u>
OPERATING REVENUE	<u>1,025,000</u>	<u>1,014,000</u>	<u>(11,000)</u>
OPERATING EXPENSE			
Labor	738,000	737,000	(1,000)
Supplies	83,000	87,000	4,000
Charges To Others	(288,000)	(295,000)	(7,000)
Charges From Others	105,000	106,000	1,000
Other Services	240,000	235,000	(5,000)
Other Expenses	170,000	154,000	(16,000) (a)
SUBTOTAL	<u>1,048,000</u>	<u>1,024,000</u>	<u>(24,000)</u>
NON-OPERATING REVENUE	<u>102,000</u>	<u>115,000</u>	<u>13,000</u> (b)
NON-OPERATING EXPENSE	0	0	0
NET INCOME (REGULATORY)	<u>79,000</u>	<u>105,000</u>	<u>26,000</u>
ADJUSTMENTS FOR GAAP	(895,000)	(908,000)	(13,000)
NET INCOME (LOSS) GAAP	<u>(816,000)</u>	<u>(803,000)</u>	<u>13,000</u>

Explanation of Significant Variances (5% or more):

- a) Advertising banners previously scheduled for 1998 have been deferred to 1999.
- b) The sale of surplus heavy equipment was not anticipated in the 1998 budget.

MERRILL FIELD AIRPORT

RECONCILIATION OF 1998 PRO FORMA TO 1999 BUDGET

	<u>1998</u> <u>Pro Forma</u>	<u>1999</u> <u>Budget</u>	<u>Variance</u>
OPERATING REVENUE	<u>1,014,000</u>	<u>1,069,000</u>	<u>55,000</u> ^(a)
OPERATING EXPENSE			
Labor	737,000	743,000	6,000
Supplies	87,000	73,000	(14,000) ^(b)
Charges To Others	(295,000)	(291,000)	4,000 ^(c)
Charges From Others	106,000	114,000	8,000 ^(d)
Other Services	235,000	192,000	(43,000) ^(e)
Other Expenses	154,000	202,000	48,000
SUBTOTAL	<u>1,024,000</u>	<u>1,033,000</u>	<u>9,000</u>
NON-OPERATING REVENUE	<u>115,000</u>	<u>86,000</u>	<u>(29,000)</u> ^(f)
NON-OPERATING EXPENSE	0	0	0
NET INCOME (REGULATORY)	<u>105,000</u>	<u>122,000</u>	<u>17,000</u>
ADJUSTMENTS FOR GAAP	(908,000)	(905,000)	3,000
NET INCOME (LOSS) GAAP	<u>(803,000)</u>	<u>(783,000)</u>	<u>20,000</u>

Explanation of Significant Variances (5% or more):

- a) In 1999 Merrill Field anticipates leasing property vacant in 1998.
- b) Orca Street repairs performed in 1998 will not need to be done in 1999.
- c) Increases in IGCs are anticipated in 1999.
- d) Contractual services and public utility services incurred in 1998 are expected to decrease in 1999.
- e) Non-contributed depreciation and advertising banners will increase other expenses in 1999.
- f) Merrill Field sold surplus heavy equipment in 1998, but does not anticipate selling any additional equipment in 1999.

MERRILL FIELD AIRPORT

1999 STATEMENT OF REVENUES AND EXPENSES

	<u>1997</u> <u>Actual</u>	<u>1998</u> <u>Pro Forma</u>	<u>1999</u> <u>Budget</u>
OPERATING REVENUE			
Airport Lease Fees	400,597	428,000	431,000
Airport Property Rental	276,949	252,000	293,000
Permanent Parking Fees	196,747	204,000	208,000
Transient Parking Fees	11,220	11,000	12,000
Parking Garages & Lots	9,480	13,000	17,000
MOA Aviation Fuel Fees	35,834	37,000	37,000
FAA Service Fees & Rent	22,753	21,000	18,000
SOA Aviation Fuel Fees	16,756	21,000	21,000
Medevac Taxiway Fees	24,000	25,000	28,000
Other Revenue	(2,527)	2,000	4,000
TOTAL OPER REVENUE	991,809	1,014,000	1,069,000
OPERATING EXPENSE			
Labor	627,837	737,000	743,000
Supplies	59,961	87,000	73,000
Charges To Others	(262,751)	(295,000)	(291,000)
Charges From Others	63,702	106,000	114,000
Other Services	168,880	235,000	192,000
Other Expenses	14,775	22,000	32,000
Depreciation (a)	136,647	132,000	170,000
TOTAL OPER EXPENSE	809,051	1,024,000	1,033,000
OPERATING INCOME (LOSS)	182,758	(10,000)	36,000
NON-OPERATING REVENUE			
Interest Income	63,020	65,000	71,000
Other Revenue	80,791	50,000	15,000
TOTAL NON-OPER REVENUE	143,811	115,000	86,000
NON-OPERATING EXPENSE	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME	143,811	115,000	86,000
NET INCOME (REGULATORY)	326,569	105,000	122,000
ADJUSTMENTS FOR GAAP	(859,728)	(908,000)	(905,000)
NET INCOME (LOSS) GAAP	(533,159)	(803,000)	(783,000)

(a) Excludes Contributed Plant

MERRILL FIELD AIRPORT

1999 STATEMENT OF SOURCES AND USES OF CASH

	<u>1997</u> <u>Actual</u>	<u>1998</u> <u>Pro Forma</u>	<u>1999</u> <u>Budget</u>
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	(533,158)	(803,000)	(783,000)
Total Depreciation	996,374	1,040,000	1,075,000
Grants	3,114,015	2,131,000	1,519,000
Net Effect of Changes In Balance Sheet Which Affect Cash	(3,307,882)	(344,000)	2,109,000
TOTAL SOURCES OF CASH	269,349	2,024,000	3,920,000
USES OF CASH FUNDS:			
Additions to Plant	17,413	1,952,000	3,879,000
Other	0	0	0
TOTAL USES OF CASH	17,413	1,952,000	3,879,000
NET INCREASE (DECREASE)	<u>251,936</u>	<u>72,000</u>	<u>41,000</u>
CASH BALANCE, JANUARY 1	926,025	1,178,000	1,250,000
CASH BALANCE, DECEMBER 31	<u>1,177,961</u>	<u>1,250,000</u>	<u>1,291,000</u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	(114,861)	(10,000)	112,000
Equity In Construction Cash Pool	1,292,822	1,260,000	1,179,000
TOTAL CASH, DECEMBER 31	<u>1,177,961</u>	<u>1,250,000</u>	<u>1,291,000</u>

MERRILL FIELD AIRPORT

1999 OPERATING BUDGET DETAIL

	<u>1997</u> <u>Actual</u>	<u>1998</u> <u>Pro Forma</u>	<u>1999</u> <u>Budget</u>
LABOR			
Wages	415,908	500,000	505,000
Overtime	23,838	28,000	26,000
Benefits	188,091	209,000	212,000
Subtotal	627,837	737,000	743,000
SUPPLIES			
Office Supplies	4,177	7,000	6,000
Operating Supplies	29,889	45,000	36,000
Repair & Maint Supplies	25,895	35,000	31,000
Subtotal	59,961	87,000	73,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(262,751)	(295,000)	(291,000)
Charges From Others	63,702	106,000	114,000
Subtotal	(199,049)	(189,000)	(177,000)
OTHER SERVICES			
Professional Services	35,344	48,000	36,000
Other Contractual Services	20,465	49,000	36,000
Utilities	113,071	138,000	120,000
Subtotal	168,880	235,000	192,000
OTHER EXPENSES			
Depreciation/Amortization	996,375	1,040,000	1,075,000
Other	14,775	22,000	32,000
Subtotal	1,011,150	1,062,000	1,107,000
TOTAL EXPENSES	1,668,779	1,932,000	1,938,000

Merrill Field Airport

**1999-2004
Capital Improvement
Budget/Program**

MERRILL FIELD AIRPORT
1999-2004 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
(000's)

<u>PROJECT CATEGORY</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
Apron Improvements	---	---	1,280	---	---	---	1,280
Runways/Taxiways	1,368	1,280	600	1,440	640	1,000	6,328
Buildings and Equipment	235	280	150	---	---	---	665
Land Improvements	200	---	---	---	---	---	200
Land Acquisition	---	<u>500</u>	<u>500</u>	---	<u>1,000</u>	---	<u>2,000</u>
TOTAL CIP PROGRAM	<u>1,803</u>	<u>2,060</u>	<u>2,530</u>	<u>1,440</u>	<u>1,640</u>	<u>1,000</u>	<u>10,473</u>

<u>SOURCE OF FUNDING</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
Revenue Bonds	---	---	---	---	---	---	---
General Bonds	---	---	---	---	---	---	---
Operations	333	269	158	90	102	63	1,015
State Grants	---	---	---	---	---	---	---
Federal Grants	<u>1,470</u>	<u>1,791</u>	<u>2,372</u>	<u>1,350</u>	<u>1,538</u>	<u>937</u>	<u>9,458</u>
TOTAL FUNDING	<u>1,803</u>	<u>2,060</u>	<u>2,530</u>	<u>1,440</u>	<u>1,640</u>	<u>1,000</u>	<u>10,473</u>