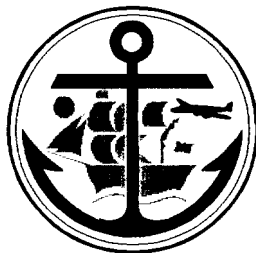


MUNICIPAL UTILITIES

2002 APPROVED OPERATING AND CAPITAL IMPROVEMENT BUDGETS

2002 – 2007 APPROVED CAPITAL IMPROVEMENT PROGRAM



**Municipality of Anchorage
George P. Wuerch, Mayor**

Municipality
of
Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499
<http://www.ci.anchorage.ak.us>
George P. Wuerch, Mayor

OFFICE OF THE MAYOR

January 24, 2002

Dear Residents of Anchorage:

Enclosed are the Approved 2002 Municipal Utilities' Operating Budget and 2002-2007 Utility Capital Budget/Program for all seven of our municipal utilities.

Consistent with the development of the Municipality's General Government Operating Budget, this year's utility budgets were developed using our "Investing for Results" initiative of strategic frameworks by which the citizens of Anchorage can better assess how well the utilities are being managed. The utility strategic frameworks included in this document and are also available at our website, www.muni.org.

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 plants in good working condition.

Our utilities are well managed and financially sound and the 2002 budgets reflect 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.


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 black ink, appearing to read "George P. Wuerch", is written over a horizontal line.

George P. Wuerch
Mayor

CLERK'S OFFICE
AMENDED AND APPROVED
Date: 11-21-01

Submitted by: Chairman of the Assembly at the
Request of the Mayor
Prepared by: Office of Management and Budget
For Reading: October 16, 2001 

ANCHORAGE, ALASKA
AO NO. 2001-163

AN ORDINANCE ADOPTING AND APPROPRIATING FUNDS FOR THE 2002 MUNICIPAL UTILITIES OPERATING AND CAPITAL BUDGETS FOR THE MUNICIPALITY OF ANCHORAGE

WHEREAS, the Mayor has presented a recommended 2002 Municipal Utilities/ Enterprise Activities Operating Budget and Capital Improvement Budgets for the Municipality of Anchorage to the Assembly in accordance with Article XIII of the Municipal Charter; and

WHEREAS, the Assembly reviewed the budgets as presented; and

WHEREAS, on October 30, 2001 and November 13, 2001 duly advertised public hearings were held in accordance with Article XIII, Section 13.04 of the Municipal Charter; and

WHEREAS, the 2002 funds are now ready for appropriation by ordinance; now therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. That the 2002 fiscal year Municipal Utilities/Enterprise Activities Operating and Capital Improvement Budgets are hereby adopted.

Section 2. The 2002 fiscal year appropriations for Municipal Enterprise/Enterprise Activities Operating Budget are:


Fund No.		Amount
530	Municipal Light and Power	\$ 84,446,000 84,470,000
540	Anchorage Water Utility	33,285,000
550	Anchorage Wastewater Utility	28,532,000
560	Refuse Collections	5,708,120
562	Solid Waste Disposal	13,002,610
570	Port of Anchorage	8,033,000
580	Merrill Field	<u>2,085,000</u>
	Total Utility Operating Funds	<u>\$175,091,730</u> 175,115,730

Section 3. The 2002 fiscal year appropriations for Municipal Enterprise/Enterprise Activities Capital Improvement Funds are:

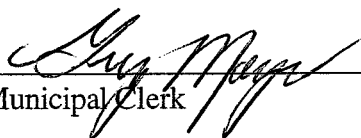
Fund No.		Amount
531	Municipal Light and Power	\$40,000,000
541	Anchorage Water Utility	21,350,000
551	Anchorage Wastewater Utility	13,620,000
561	Refuse Collections	459,000
563	Solid Waste Disposal	1,402,000
571	Port of Anchorage	22,605,000
581	Merrill Field	<u>2,480,000</u>
Total Utility Capital Funds		<u>\$101,916,000</u>

Section 4. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 21st day of November, 2001.


Chair

ATTEST:


Municipal Clerk

CLERK'S OFFICE

APPROVED

Date: 11-21-01

Submitted by:

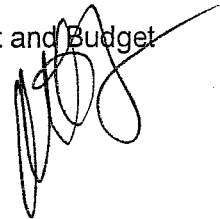
Chairman of the Assembly at the
Request of the Mayor

Prepared by:

Office of Management and Budget

For Reading:

October 16, 2001



ANCHORAGE, ALASKA
AR NO. 2001-275

A RESOLUTION APPROVING THE 2002-2007 MUNICIPAL UTILITIES CAPITAL IMPROVEMENT
PROGRAM

WHEREAS, the Assembly has reviewed the 2002-2007 Municipal Utilities Capital Improvement
Program submitted by the Mayor; and

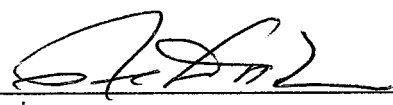
WHEREAS, on October 30, 2001 and November 13, 2001 duly advertised public hearings were held
on the 2002-2007 Municipal Utilities Capital Improvement Program; now therefore,

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. That the 2002-2007 Municipal Utilities Capital Improvement Program, as summarized in
the attached table, is hereby approved.

Section 2. That this resolution shall be effective immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 21st day of
November, 2001.


Chair

ATTEST:


Municipal Clerk

MUNICIPAL UTILITIES
2002-2007 CAPITAL IMPROVEMENT PROGRAMS
(000's)

MUNICIPAL UTILITY	2002	2003	2004	2005	2006	2007	TOTAL
AWU (Water)	\$21,350	\$23,248	\$15,811	\$15,417	\$15,041	\$15,199	\$106,066
AWU (Sewer)	13,620	12,638	8,586	13,892	17,742	10,349	76,827
Merrill Field	2,480	2,650	2,450	1,900	2,100	2,400	13,980
Municipal Light & Power	40,000	29,801	24,462	28,785	30,678	42,933,	196,659
Port of Anchorage	22,605	30,670	27,585	40,560	40,580	4.0,645	202,645
Refuse Collections	459	471	478	463	469	491	2,831
Solid Waste Disposal	1,402	5,103	6,904	9,309	1,211	1,578	25,508
TOTAL	\$101,916	\$104,581	\$86,276	\$110,326	\$107,821	\$113,595	\$624,516

MUNICIPAL UTILITIES

**2002 APPROVED
OPERATING AND
CAPITAL IMPROVEMENT BUDGETS**

**2002 – 2007 APPROVED
CAPITAL IMPROVEMENT PROGRAM**

George P. Wuerch, Mayor

ASSEMBLY

Dick Traini, Chair	Janice Shamberg	Dick Tremaine
Cheryl Clementson	Dan Sullivan	Doug Van Etten
Anna Fairclough	Melinda Taylor	Fay Von Gemmingen
Dan Kendall	Allen Tesche	

ADMINISTRATION

Harry Kieling Municipal Manager

Cheryl FrascaDirector, Office of Management & Budget

**MUNICIPAL UTILITIES
APPROVED
2002 OPERATING AND CAPITAL BUDGETS**

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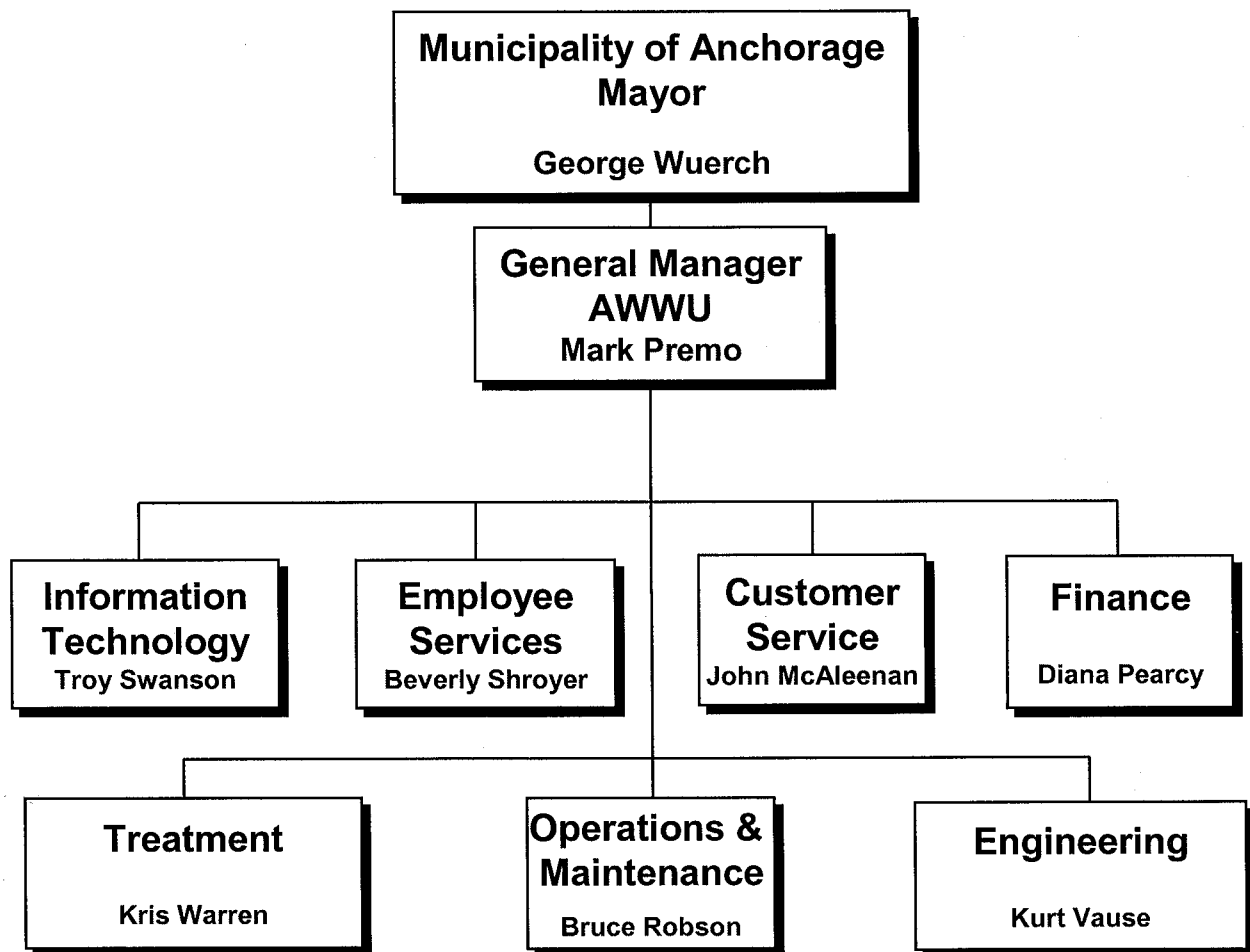
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ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



ANCHORAGE WATER & WASTEWATER UTILITY PROFILE

ORGANIZATION: The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska and serves 125 square miles of metropolitan Anchorage from Eklutna to Girdwood. The Utility collects water from two major surface watersheds and many deep underground wells and distributes it to approximately 51,200 residential, commercial, military, and industrial accounts throughout the urban areas of Anchorage. The Utility's wastewater facilities serve 51,500 residential, commercial and military accounts. This represents an estimated population base of 215,000 residents who receive water service and 223,000 residents who receive sewer service. 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 approximately \$850 million. More than 260 employees operate the system, and the Utility spends approximately \$60 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 and regulated 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: Anchorage's water supply originates from two sources – Eklutna Lake and Ship Creek, with several deep wells used as supplementary sources. Until mid 2000 the Ship Creek Water Treatment Plant was the main water production plant. 24 hour operations were moved from Ship Creek to the Eklutna Plant to make better use of the higher-pressure water provided by Eklutna and to make better use of personnel. 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.

Ship Creek has been an important water source from the Tent City days of Anchorage, and from spring thru fall, the headwaters of Ship Creek are available to provide up to 24 million gallons of water per day.

The Girdwood community is served from a system of wells.

During 2001 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 continues with construction of the Anchorage Loop Water Transmission Main. Phase IV will connect Phases I - III of the Loop to the new Service High Reservoir and represent the final phase of the Loop project. This project began in 2001 with the formation of a Mayor appointed Task Force to gather public input and select a final route. AWU also completed an \$8 million expansion of the water system in Eagle River. A new 3 million-gallon reservoir, two new booster stations, and new transmission main provide improved water service and fire protection to residents of the lower Eagle River Valley.

AWU is also planning to expand its service area in Girdwood Valley. An application is being made to expand AWU's service area to include all areas of the Valley, including Old Girdwood Townsite.

REGULATION: Since December 1970, AWU has been economically regulated by the Alaska Public Utilities Commission (APUC), and effective July 1, 1999 by the Regulatory Commission of Alaska (RCA). AWU holds a Certificate of Convenience and Necessity for serving portions of 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 RCA is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the RCA, 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. Daily average water production is 26,000,000 gallons per day (gpd). AWU has capacity to provide up to 59,000,000 gpd. Average well production is 5,600,000 gpd. The transmission system has approximately 800 miles of

mains and 6,000 fire hydrants. Plant in Service, at cost as of December 2000: \$470,685,000.

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 27 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.

REGULATION: Since 1971, the Anchorage Wastewater Utility has been economically regulated by the Alaska Public Utilities Commission (APUC), and effective July 1, 1999 by the Regulatory Commission of Alaska (RCA), the APUC's successor. The Utility 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 RCA is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the RCA, 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 Asplund 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 has recently been granted renewed discharge permits for all three of its wastewater treatment facilities.

PHYSICAL PLANT: The Wastewater Utility operates three treatment plants. Average flow was 30,000,000 gallons per day (gpd) in 2000. Treatment plant capacity is 61,500,000 gpd. The collection system has approximately 700 miles of lines. Plant in Service, at cost as of December 2000: \$378,523,000. 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 2010. The Girdwood Plant upgrades were completed in 1998, which provided an additional 20 years of sufficient capacity for the resort community.

The Asplund Treatment Plant, built in 1972, is Alaska's largest wastewater treatment plant. As wastewater treatment technology and the demands of community growth have developed over the last two decades, utility operators and engineers have kept pace. The Asplund plant 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.

In conjunction with the permit renewal process, a facilities plan update was prepared in 1999. The facilities plan evaluated the existing condition of facilities and improvements needed to meet capacity requirements of the WWTF. The facilities plan identified \$15 million worth of improvements to the solids handling, headworks, administration, incineration, and thickening process areas of the facility. Beginning in 2000, AWWU is commencing construction of nearly \$6 million of improvements identified in the facilities plan, consisting of construction of new gravity thickener, solids holding and transfer facilities. When complete in 2001, AWWU will have truck loading and storage facilities to expedite transfer of processed solids to haul vehicles to supplement existing incinerator operations.

ANCHORAGE WATER & WASTEWATER 2002 OPERATING & CAPITAL BUDGET ASSUMPTIONS

Below are the general budget assumptions provided by the Office of Management and Budget, plus specific AWWU assumptions, used in the preparation of the Anchorage Water Utility and Anchorage Wastewater Utility 2002 Operating and Capital Budgets.

REGULATION

Assume continued economic regulation by the Regulatory Commission of Alaska.

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2002.

RATE INCREASES

No rate increases should be proposed in 2002 unless all possible budget reductions have been first 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 2001/02. (NOTE: a 45-day reserve of working capital should not be a deciding factor in judging the adequacy of the reserve cash since the Utility may 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/MESA to be the same as 2001 mill rates.

REVENUE DISTRIBUTIONS

None.

INTEREST

Assume debt service for new insured 20-year GO bonds as well as new insured revenue bonds to be 5.5% - 6.00%. Interest income should be calculated assuming a rate of 3.75% - 4.5%.

INTRAGOVERNMENTAL CHARGES (IGCs)

Assume no change in IGCs from General Government over that level contained in the Revised 2001 General Government Operating Budget. The only IGC *increases* which utilities may budget in 2002 are those that relate to special projects or other work engagements specifically requested (or known) by the utility to occur in 2002.

IGC methodology is currently under review. If any material changes are made, affected utilities will be notified.

POPULATION

Assume that Anchorage's population will be approximately 261,000 in 2001 and 262,000 in 2002.

INFLATION

AWWU used inflation rates of 1.5%-2.0%, based on particular commodities purchases, with the higher figure used for energy costs.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes assume increases in JCC per contract requirements. For AMEA, NON-REPS and EXECs, assume no increase at this time as negotiations are underway regarding AMEA's contract.

* * * * *

2002 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO AWWU

- Operating efficiencies have also been investigated and incorporated into the 2002 Operating Budgets as defined by the goals and objectives of the AWWU Strategic Plan, and the AWWU Excellence Adventure.
- AWWU has concluded the IGCs provided to the Utility by OMB were substantially in error, due to either methodology and/or process issues, and has adjusted to 2002 budgeted AWWU IGCs to an amount that follows historical trends, as adjusted by known changes.
- The Utility's capital budgets continue to require significant amounts of long-term debt to finance the programs. A small portion is funded through current operating revenues, but the majority will come from the issuance of revenue bonds and/or State of Alaska Revolving Loan programs. The Water Utility anticipates issuing \$20,000,000 in new debt in 2002, and the Wastewater Utility will incur \$22,000,000 in new debt in 2002. Future rate increases will be necessary to pay the debt service on these long-term debt instruments.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

AWWU'S EXCELLENCE ADVENTURE

AWWU has initiated a process to reduce operating costs by increasing employee involvement and by improving AWWU's culture of continuous improvement. The Utility formed a Competitive Steering Team, which follows a process developed for the U.S. Water and Wastewater industry. Working together successfully, the employees and managers of AWWU are developing a more efficient and competitive business operation. A consultant, Brown and Caldwell, Inc. has recently been hired to assist in moving the efforts to the next higher level. The process has already proven successful in reducing operating costs. The combined water and sewer operating costs decreased in 2000, \$663,000 or 2.33% from 1999, due primarily to our increased focus on efficiency.

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 within the bowl. The Loop is a multi-phase project, with all phases to be operational by the end of 2004.

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 scheduled for 2001. Phase V was completed this summer and a 10 million gallon reservoir adjacent to Service High School will be completed by October 2001. Estimated total project cost for Phase V and the reservoir is approximately \$14 million.

Phase VII (also referred to as Airport Phase IB) connects new water lines in Sand Lake to the existing system. Surface restoration was finished in summer 2000. Total project cost for Phase VII was \$5 million. Phase VI of the Loop, connects Phase VII with an existing transmission main at Dimond Boulevard. Total cost of this phase is nearly \$6 million and is scheduled for completion by fall 2001.

SANITARY SEWER TRUNK REHABILITATION

AWWU has several large sanitary sewer trunks that were constructed in the 1960s and 1970s. 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

creek 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 have capacity problems, the upcoming 2002-wastewater master plan update will focus on these aging trunk lines with a bent toward cost effective rehabilitation using no-dig solutions where practical. 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.

Fish Creek Sewer Trunk has been designed, with construction slated to commence in 2001. Improvements in Chester Creek Sewer began in fall 2000 with predesign studies that will lead to construction beginning in 2002. Further, Campbell Creek Trunk sewer improvements began in 2001 with predesign studies of the C-5-7 sewer located along the south shore of Campbell Lake with construction to follow by 2004.

SYSTEM EXPANSIONS – NORTHERN COMMUNITIES AND GIRDWOOD

Expansion of the existing AWWU water system in the Northern Communities of Peters Creek and Chugiak is planned, with route selection and preliminary design to begin in 2001. Sewer improvements are planned for portions of North Eagle River (north of Fire Lake) and Chugiak also. These improvements will be coordinated with water system extensions and preliminary design and route selection will begin in 2001, followed by design and construction starting in 2002.

In addition, water system improvements in Girdwood are planned to include improvements to the existing Girdwood Water Well House, transmission main improvements to extend service to the New Girdwood Townsite area, and site selection of a new Reservoir for the west side of Girdwood Valley. This project will begin with design in 2001, followed by construction over the period 2002-2006.

Inclusive of local match, total funding for the projects is nearly \$7 million for the Northern Communities, and over \$3 million for Girdwood Valley. Federal grants provide 55 percent of the project's funds.

WATER TREATMENT FACILITY DISINFECTION IMPROVEMENTS

Starting in 1999, AWWU undertook a comprehensive evaluation of its disinfection methods for Anchorage's municipal water supply. This evaluation considered existing chlorination processes as well as alternative technologies. Based on life-cycle comparisons, AWWU decided to implement process improvements at its two Surface Water Treatment Facilities, the Eklutna and Ship Creek Water Treatment Facilities. The new disinfection process selected for each facility employs on-site generation of disinfectant using a salt as feedstock, which replaces gaseous chlorine. The new processes will provide long-term savings over the existing systems and reduce the handling of chlorine gas by the Utility.

Projects were designed in 2000, and will be completed in 2001, installing new on-site generation equipment, new salt storage facilities, and removal of existing gaseous chlorine feed equipment at both facilities. Future projects over the next six years at other AWWU well sites in Anchorage and Girdwood will also be converted from gaseous chlorine to on-site disinfectant generation systems.

NPDES WASTEWATER DISCHARGE PERMITS

All three of AWWU's wastewater discharge permits were renewed last year. The Asplund, Eagle River and Girdwood wastewater treatment facilities that operate under these permits have met all requirements since the permits were renewed. The permits are each good for five years so they will all expire in 2005. Renewal applications will be submitted six months prior to their expiration date.

ASPLUND WWTF

A solids handling upgrade project is currently nearing completion at the Asplund WWTF, which enhances the facility's capability of dealing with the increased solids loading from the community. The new equipment consists primarily of additional solids dewatering capacity and storage as well as a truck loading station. In the event that the facility's primary solids disposal method, incineration, is out of service or overloaded, the excess solids will be dewatered and hauled to the municipal landfill. This approach provides a long term, effective back up to the solids incinerator, which is approaching its design capacity as well as its useful life. This project is estimated to cost \$6 million.

Future projects are planned over the next five years to renovate the WWTF's headworks; implement new sludge and scum handling systems; install additional plant automation and controls; and, construct building and laboratory improvements. These projects are estimated to cost approximately \$12 million.

SEPTAGE RECEIVING STATION UPGRADES

AWWU has two septage receiving stations, one in South Anchorage, the other in Northeast Anchorage. Each serves an important function to Southcentral Alaska residents who utilize on-site septic systems. Septage from the Anchorage Bowl, Northern communities and Matanuska-Susitna Borough is disposed of at these sites, as well as other permitted wastes from the Anchorage Regional Landfill and AWWU's Eagle River and Girdwood WWTF's. The sites are currently without proper security, fencing, site access and control, and other required modifications.

AWWU implemented a project starting in late 1999 to construct additions and improvements. Construction will commence in summer 2001, with final improvements completed by spring 2002. When complete, AWWU will have added capability to monitor, control and regulate the disposal of septage wastes at each site. Site work will also include provisions for future improvements including odor control, improved sampling and measurement systems to be installed in later phases. The project is estimated to cost nearly \$2 million to construct improvements in 2001/2002.

WATER PRODUCTION

AWWU has moved its 24-hour per day water treatment operation from Ship Creek to the Eklutna Water Treatment Facility. This will allow the utility to make better use of the higher-pressure water provided by Eklutna and to make better use of personnel. Eklutna can produce nearly twice as much water as the Ship Creek facility with the same size staff. The Ship Creek facility is only utilized on occasions when hot weather creates demands of over 45 MGD.

INFORMATION TECHNOLOGY APPLICATIONS

The IT Division will continue to integrate the implementation of the Utility's Relational Database Management System (RDBMS) and other relational databases with the MOA People Soft modules in 2001/2002. The RDBMS conceptual design model will be used to provide a basic data structure and document the actual implementation of integrated systems.

The Operations & Maintenance Division is the primary sponsor for the Utility's Work Management System (WMS) from MRO with the product name of Maximo. Maximo is a full-featured maintenance management software product, and a major AWWU system that became fully operational in the year 2001. In 2002 the system will be upgraded to the Java version to retain the Utility's license agreement with MRO and receive continued administration and maintenance support.

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 project to develop a design specification base was awarded in 2001. Construction and implementation of replacement SCADA and telemetry systems will begin in 2002 and continue through 2005. Construction and implementation of a replacement SCADA system for the water distribution system will be a priority.

Each year AWWU updates its IT Master Plan, and that effort will be initiated again during the second half of 2001. The AWWU IT Master Plan is updated annually to reassess priorities and evaluate the applicability of technological advances to AWWU's business. The purpose of the Utility's information technology strategic plan is to provide a long-range strategy and a 6-year planning horizon to incorporate information technologies into the Utility's business processes in a cost-effective manner. The objective is to provide a strategy to transform AWWU into a Utility whose information technologies are seamlessly integrated, and to maintain the most appropriate level of information technology utilization within the Utility. The ultimate goal is to provide effective information management services and facilities that provide a long-term benefit to our customers at the most reasonable cost.

The IT Division will promote the use of Internet technology within the Utility in the continued development and implementation of Intranet/Internet applications along with Geospatial enabling technologies in 2001 and through 2002. These applications and data will be used to enhance communication and electronic reporting by allowing real-time access to dynamic data through the use of browser technology, creating an

Intranet/Internet portal to the Utility's electronic information. This will reduce training time due to the ability to access data from different systems and present it in a straightforward manner through easy to use browser screens.

CUSTOMER SERVICE

The Customer Service Division will be engaging in the replacement of the Customer Information and Billing System (CIS) in 2002. The current system and the technology used to administer and maintain it are aging. Not only is the existing system using older technology that is not compatible with the Utility's other systems, it has become expensive to operate with regard to service charges, contract support, and internal labor. The Utility will engage in a selection and implementation process beginning in early 2002, with the goal of completing the replacement effort by the end of 2003. The new system will provide a tremendous number of opportunities in areas such as bill presentment on the Internet, integration with other Utility applications, and current technology user interfaces.

The Customer Service Division will also be engaging in an Automated Meter Reading project beginning in 2002 and finishing up in 2003. The implementation of this project will encompass the selection of technology, the acquisition of new remotes using radio technology, and the mobile receiving equipment necessary to "read" the meters under a "drive by" environment. The Utility will be able to read meters more efficiently, thus providing the metered ratepayer with more timely and accurate billing information.

WASTEWATER RATE DECREASE

The Wastewater Utility was able to implement a first ever across the board rate decrease of 2.75% in 2000. The Utility is able to provide this decrease in rates through a combination of controlling expenses, investing in technology and managing long term debt.

ANCHORAGE WATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2002 OPERATING BUDGET (\$ in Thousand's)

	Actual					Proforma		Budget		Forecast				
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007			
Financial Overview														
Revenues	29,072	29,604	30,382	31,068	30,403	30,540	30,883	31,964	34,403	35,857	36,345			
Expenses	25,232	25,648	26,101	25,097	25,888	28,083	28,575	29,219	31,754	32,453	33,127			
Net Income (Regulatory)	3,840	3,956	4,281	5,971	4,515	2,457	2,308	2,745	2,649	3,404	3,218			
Workforce Authorized per Budget	271.5	269.5	269.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5			
Capital Improvement Program *	16,234	6,255	13,717	17,661	15,353	21,350	23,248	15,811	15,417	15,041	15,199			
New Debt	0	9,337	15,000	8,402	10,875	20,000	25,000	20,000	7,000	10,000	14,000			
Net Plant (12/31)	318,827	317,602	327,999	332,615	338,918	353,800	374,269	383,894	383,641	387,018	392,090			
Retained Earnings (12/31)	33,008	36,964	41,245	47,216	51,731	54,188	56,495	59,240	61,890	65,294	68,512			
Operating Cash	6,525	9,961	12,624	9,778	12,964	12,556	11,204	10,418	9,152	6,782	6,345			
Construction Cash Pool	(5,541)	4,221	5,500	534	133	991	(1,527)	475	(483)	(1,101)	(1,015)			
Restricted Cash	18,387	17,005	8,751	10,000	10,000	10,600	20,977	23,193	21,669	19,381	19,580			
Total Cash	19,371	31,187	26,875	20,312	23,097	24,147	20,977	23,193	21,669	19,381	19,580			
IGC's - General Government	1,226	1,036	1,400	1,447	1,626	1,899	1,937	1,996	2,016	2,076	2,118			
MUSA - Regular	1,433	1,564	1,561	1,568	1,662	1,712	1,729	1,746	1,790	1,826	1,871			
Total Outstanding Debt	101,428	109,383	113,865	112,098	118,606	133,679	152,572	165,565	164,772	166,186	172,570			
Total Annual Debt Service	8,345	9,055	11,644	19,464	9,984	11,541	13,843	15,405	16,632	17,825	17,125			
Debt Service Coverage (overall)	1.76	1.73	1.33	1.00	1.55	1.25	1.13	1.10	1.04	1.03	1.08			
Debt/Equity Ratio	75 / 25	75 / 25	73 / 27	70 / 30	70 / 30	71 / 29	73 / 27	74 / 26	73 / 27	72 / 28	71 / 29			
Rate Change Percent								9.00%		3.00%				
Single Family Rate	\$25.80	\$25.80	\$25.80	\$25.80	\$25.80	\$25.80	\$25.80	\$28.12	\$28.12	\$28.97	\$28.97			
Statistical/Performance Trends:														
Number of Customers	47,150	47,152	50,257	50,952	51,716	52,492	53,279	54,078	54,889	55,712	56,535			
Average Treatment (GPD) (000)	25,900	25,900	26,100	25,900	26,500	27,000	27,500	28,000	28,500	29,000	29,500			
Miles of Water Lines	761	770	791	802	810	817	828	834	842	848	854			
Number of Hydrants	5,700	5,757	5,907	5,963	6,039	6,087	6,143	6,190	6,252	6,300	6,351			
*1997-2000 reflect actual expenditures.														
NOTE: Rate increases shown in the out years are projections, and have not been approved for implementation. The need for rate increases will be reviewed each year in conjunction with annual operating budgets. Present customer trends indicate that the Single Family rate will also be impacted (increase) by future Cost of Service Studies (COSS). COSS are revenue neutral overall, but each revenue class may see significant increases or decreases.														

ANCHORAGE WASTEWATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2002 OPERATING BUDGET (\$ in Thousand's)

	Actual				Proforma		Budget		Forecast			
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Financial Overview												
Revenues	24,670	24,765	25,450	25,720	25,126	25,353	25,521	26,325	28,174	29,789	30,080	
Expenses	21,338	21,570	21,390	21,012	22,308	23,418	24,183	24,330	24,882	25,378	26,303	
Net Income (Regulatory)	3,332	3,195	4,060	4,707	2,818	1,935	1,338	1,995	3,292	4,411	3,777	
Workforce Authorized per Budget	271.5	269.5	269.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5	
Capital Improvement Program *	4,058	4,589	4,368	7,143	15,646	13,620	12,638	8,536	13,017	16,742	10,349	
New Debt (Bonds, Loan Fund)	1,090	1,745	5,286	1,138	11,398	22,000	14,000	8,000	9,500	12,500	13,500	
Net Plant (12/31)	242,373	239,667	242,701	238,306	245,364	259,388	264,209	262,832	264,433	269,481	274,990	
Retained Earnings (12/31)	15,550	18,745	22,806	27,513	30,331	32,266	33,604	35,599	38,891	43,302	47,079	
Operating Cash	7,133	6,904	5,978	7,164	7,244	5,606	3,648	2,846	1,953	2,904	5,416	
Construction Cash Pool	377	1,065	3,851	152	(2,005)	(1,183)	(446)	(78)	(157)	(745)	(452)	
Restricted Cash	288	298	445	386	386	986	1,586	1,786	1,986	2,186	2,486	
Total Cash	7,798	8,268	10,174	7,702	5,625	5,409	4,789	4,554	3,782	4,345	7,450	
IGC's - General Government	1,361	1,133	1,056	998	1,783	1,956	1,995	2,055	2,076	2,138	2,181	
MUSA - Regular	1,156	1,140	1,120	1,085	1,158	1,181	1,193	1,205	1,235	1,260	1,291	
Total Outstanding Debt	61,989	58,024	57,206	52,203	57,532	72,885	79,521	79,816	81,084	86,115	95,340	
Total Annual Debt Service	9,014	8,779	9,249	9,293	8,709	9,792	10,822	11,009	11,573	10,962	8,032	
Debt Service Coverage (overall)	1.26	1.25	1.26	1.37	1.24	1.05	1.00	1.00	1.02	1.18	1.58	
Debt/Equity Ratio	73 / 27	69 / 31	66 / 34	60 / 40	61 / 39	65 / 35	66 / 34	65 / 35	64 / 36	63 / 37	64 / 36	
Rate Change Percent				-2.75%				9.00%		5.00%		
Single Family Rate	\$21.80	\$21.80	\$21.80	\$21.20	\$21.20	\$21.20	\$21.20	\$23.11	\$23.11	\$24.26	\$24.26	
Statistical/Performance Trends:												
Number of Customers	48,748	49,643	50,560	51,343	52,113	52,947	53,740	54,546	55,364	56,194	57,024	
Average Treatment (GPD) (000)	30,500	30,500	30,400	31,350	31,000	31,500	32,000	32,500	33,000	33,500	34,000	
Miles of Wastewater Lines	687	692	700	702	708	713	719	724	731	737	742	
*1997-2000 reflect actual expenditures.												
NOTE: Rate increases shown in the out years are projections, and have not been approved for implementation. The need for rate increases will be reviewed each year in conjunction with annual operating budgets. Present customer trends indicate that the Single Family rate will also be impacted (increase) by future Cost of Service Studies (COSS). COSS are revenue neutral overall, but each revenue class may see significant increases or decreases.												

ANCHORAGE WATER & WASTEWATER UTILITY WORK FORCE PROJECTIONS

DIVISIONS	2000	2001	2002	2003	2004	2005	2006	2007
MANAGER	4	5	5	5	5	5	5	5
EMPLOYEE SERVICES	7	7	7	7	7	7	7	7
INFORMATION TECH	15	16	16	16	16	16	16	16
OP & MAINTENANCE	80	81	81	81	81	81	81	81
TREATMENT	62	59	59	59	59	59	59	59
FINANCE	17	18	18	18	18	18	18	18
ENGINEERING	32	31	31	31	31	31	31	31
CUSTOMER SERV	43	43	43	43	43	43	43	43
TOTAL FULL TIME	260	260	260	260	260	260	260	260
TEMPORARY FTE'S	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
TOTAL FTE'S	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5

ANCHORAGE WATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
OPERATING REVENUE			
RESIDENTIAL SALES	19,585,502	19,793,000	20,090,000
COMMERCIAL SALES	6,038,318	5,989,000	6,079,000
PUBLIC FIRE PROTECTION	2,475,000	2,475,000	2,475,000
HYDRANT USE CHARGE	150,447	140,000	140,000
MISCELLANEOUS	441,770	250,000	250,000
TOTAL OPERATING REVENUE	28,691,037	28,647,000	29,034,000
OPERATING EXPENSES			
SOURCE OF SUPPLY	2,405,907	2,305,000	2,565,000
TREATMENT	2,651,287	2,856,000	2,687,000
TRANSMISSION	3,224,682	2,828,000	3,115,000
CUSTOMER ACCOUNTS	1,810,145	1,555,000	2,224,000
GENERAL & ADMINISTRATIVE	4,194,960	4,961,000	5,501,000
DEPRECIATION *	3,125,190	3,900,000	4,017,000
MUSA	1,567,803	1,662,000	1,712,000
TOTAL OPERATING EXPENSE	18,979,974	20,067,000	21,821,000
OPERATING INCOME	9,711,063	8,580,000	7,213,000

* Depreciation of contributed plant not included.

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	609,385	606,000	606,000
INTEREST - INCOME	1,768,000	1,150,000	900,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	2,377,375	1,756,000	1,506,000
 NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	933,799	850,000	850,000
INTEREST - BOND	6,031,711	5,510,000	6,212,000
INTEREST - SRF LOANS	237,556	161,000	399,000
CAPITALIZED INTEREST	(1,085,862)	(700,000)	(1,200,000)
TOTAL NON-OPERATING EXPENSE	6,117,204	5,821,000	6,261,000
NON-OPERATING INCOME	(3,739,829)	(4,065,000)	(4,755,000)
 NET INCOME (REGULATORY)	5,971,234	4,515,000	2,458,000
 ADJUSTMENT FOR GAAP	5,105,037	5,150,000	5,202,000
NET INCOME (LOSS) GAAP	866,197	(635,000)	(2,744,000)

ANCHORAGE WATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	866,197	(635,000)	(2,745,000)
DEPRECIATION	8,230,227	9,050,000	9,219,000
BOND PROCEEDS	0	0	15,000,000
STATE LOANS	8,401,608	10,875,000	5,000,000
AMORT/DEFERRED DEBITS/DISCOUNTS	933,799	850,000	850,000
GRANTS	3,364,990	1,811,000	2,256,000
CONTRIBUTIONS FROM OTHERS	544,581	500,000	500,000
OTHER	631,171	54,000	(3,000)
TOTAL SOURCES OF CASH FUNDS	22,972,573	22,505,118	30,077,000
USES OF CASH:			
ADDITIONS TO PLANT	17,661,477	15,353,000	24,101,000
DEBT PRINCIPAL PAYMENT	11,873,896	4,367,000	4,926,000
TOTAL USES OF CASH FUNDS	29,535,373	19,720,000	29,027,000
 NET INCREASE(DECREASE) IN CASH FUNDS	 (6,562,800)	 2,785,000	 1,050,000
 CASH BALANCE JANUARY 1	 26,875,220	 20,312,000	 23,097,000
CASH BALANCE DECEMBER 31	20,312,420	23,097,000	24,147,000
 DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	533,841	133,000	991,000
RESTRICTED CASH ACCOUNTS	10,000,119	10,000,119	10,600,119
EQUITY IN GENERAL CASH POOL	9,778,460	12,964,000	12,556,000
TOTAL CASH DECEMBER 31	20,312,000	23,097,000	24,147,000

ANCHORAGE WATER UTILITY

2002 OPERATING BUDGET DETAIL

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
LABOR			
Wages	5,333,000	5,573,000	6,187,000
Benefits	2,833,000	2,622,000	3,001,000
Subtotal	8,166,000	8,195,000	9,188,000
SUPPLIES			
Chemicals	265,000	250,000	268,000
Plant, Shop, & Office Expense	955,000	861,000	893,000
Subtotal	1,220,000	1,111,000	1,161,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	378,000	550,000	340,000
Mgmt Information Systems Dept	321,000	700,000	775,000
Employee Relations Dept	147,000	115,000	120,000
Other	601,000	261,000	664,000
Subtotal	1,447,000	1,626,000	1,899,000
OTHER SERVICES			
Contingency	0	350,000	350,000
Professional Services	313,000	550,000	337,000
Rent/Leases	703,000	705,000	700,000
Utilities	1,752,000	1,700,000	1,864,000
Contracted Mtnce/Repair	495,000	500,000	460,000
Operating Expense Transfer to CWIP	(393,000)	(400,000)	(400,000)
Other	584,000	168,000	533,000
Subtotal	3,454,000	3,573,000	3,844,000
OTHER EXPENSES			
Depreciation & Amortization	8,230,000	9,050,000	9,219,000
MUSA	1,568,000	1,662,000	1,712,000
Interest on Long-Term Debt	6,269,000	5,671,000	6,612,000
Capitalized Interest	(1,086,000)	(700,000)	(1,200,000)
Amort Deferred Debits/Discounts	934,000	850,000	850,000
Subtotal	15,915,000	16,533,000	17,193,000
TOTAL EXPENSES	30,202,000	31,038,000	33,285,000

ANCHORAGE WATER UTILITY 2002-2007 CAPITAL IMPROVEMENT PROGRAM FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	Six Year Total
GENERAL PLANT	8,500	5,848	3,011	6,742	6,391	6,549	37,041
REPAIR & REHABILITATION	1,750	1,750	2,000	3,500	4,000	4,000	17,000
TRANSMISSION/DISTRIBUTION	10,600	15,150	10,300	4,675	4,150	4,150	49,025
IMPROVEMENT DISTRICTS	500	500	500	500	500	500	3,000
TOTAL	21,350	23,248	15,811	15,417	15,041	15,199	106,066

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	Six Year Total
DEBT	16,460	21,948	14,649	13,701	13,256	13,914	93,928
EQUITY	1,355	1,300	1,135	1,235	1,235	1,285	7,545
FED/STATE GRANT	3,535	0	27	481	550	0	4,593
TOTAL	21,350	23,248	15,811	15,417	15,041	15,199	106,066

*Approximately \$700,000 of in-house labor will be spent on capital projects in 2002

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
OPERATING REVENUES			
RESIDENTIAL SALES	18,582,216	18,026,000	18,206,000
COMMERCIAL SALES	4,509,054	4,720,000	4,767,000
PUBLIC AUTHORITIES	818,096	770,000	770,000
MISCELLANEOUS	280,837	275,000	275,000
TOTAL OPERATING REVENUE	24,190,203	23,791,000	24,018,000
OPERATING EXPENSES			
COLLECTION	2,479,628	2,471,000	2,417,000
TREATMENT	5,269,618	5,498,000	5,408,000
CUSTOMER ACCOUNTS	1,583,749	1,405,000	1,911,000
GENERAL & ADMINISTRATIVE	4,128,591	5,315,000	5,762,000
DEPRECIATION *	3,406,522	3,574,000	3,610,000
MUSA	1,085,477	1,158,000	1,181,000
TOTAL OPERATING EXPENSES	17,953,585	19,421,000	20,289,000
OPERATING INCOME	6,236,618	4,370,000	3,729,000

* Depreciation of contributed plant not included.

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	853,735	835,000	835,000
INTEREST - GENERAL CASH POOL	493,886	300,000	300,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	0	50,000	50,000
INTEREST & PENALTY ON ASSESSMENTS	181,925	150,000	150,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	1,529,546	1,335,000	1,335,000
 NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	594,395	750,000	750,000
INTEREST - LONG TERM DEBT	2,352,307	2,052,000	2,474,000
INTEREST - OTHER	572,847	585,000	655,000
CAPITALIZED INTEREST	(460,785)	(500,000)	(750,000)
TOTAL NON-OPERATING EXPENSE	3,058,764	2,887,000	3,129,000
 NON-OPERATING INCOME	(1,529,218)	(1,552,000)	(1,794,000)
 NET INCOME (REGULATORY)	4,707,400	2,818,000	1,935,000
 ADJUSTMENT FOR GAAP	5,030,143	5,014,000	5,114,000
NET INCOME (LOSS) GAAP	(322,743)	(2,196,000)	(3,179,000)

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(322,743)	(2,196,000)	(3,179,000)
DEPRECIATION	8,436,665	8,588,000	8,724,000
BOND PROCEEDS	0	0	13,000,000
STATE LOANS	1,138,248	11,398,000	9,000,000
AMORT/DEFERRED DEBITS/DISCOUNTS	594,395	750,000	750,000
GRANTS	85,074	100,000	0
CONTRIBUTIONS FROM OTHERS	1,131,036	1,000,000	900,000
OTHER	(349,180)	(2,489)	(15,000)
TOTAL SOURCES OF CASH FUNDS	10,713,495	19,637,511	29,180,000
USES OF CASH:			
ADDITIONS TO PLANT	7,143,009	15,646,000	22,748,000
DEBT PRINCIPAL PAYMENT	6,141,418	6,069,172	6,647,000
TOTAL USES OF CASH FUNDS	13,284,427	21,715,172	29,395,000
 NET INCREASE(DECREASE) IN CASH FUNDS	 (2,570,932)	 (2,077,661)	 (215,000)
 CASH BALANCE JANUARY 1	 10,273,244	 7,702,312	 5,625,000
CASH BALANCE DECEMBER 31	7,702,312	5,624,651	5,409,000
 DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	152,174	(2,004,826)	(1,183,000)
RESTRICTED CASH ACCOUNTS	385,855	385,855	986,000
EQUITY IN GENERAL CASH POOL	7,164,283	7,243,622	5,606,000
TOTAL CASH DECEMBER 31	7,702,312	5,624,651	5,409,000

ANCHORAGE WASTEWATER UTILITY

2002 OPERATING BUDGET DETAIL

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
LABOR			
Wages	5,139,000	5,273,000	5,884,000
Benefits	2,699,000	2,482,000	2,851,000
Subtotal	7,838,000	7,755,000	8,735,000
SUPPLIES			
Chemicals	397,000	420,000	254,000
Plant, Shop, & Office Expense	1,079,000	1,268,000	1,172,000
Subtotal	1,476,000	1,688,000	1,426,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	328,000	450,000	312,000
Mgmt Information Systems Dept	295,000	787,000	654,000
Employee Relations Dept	138,000	120,000	104,000
Other	237,000	426,000	886,000
Subtotal	998,000	1,783,000	1,956,000
OTHER SERVICES			
Contingency	0	350,000	350,000
Professional Services	621,000	700,000	555,000
Rent/Leases	617,000	627,000	620,000
Utilities	1,171,000	1,115,000	1,254,000
Contracted Mtnce/Repair	291,000	400,000	380,000
Operating Expense Transfer to CWIP	(499,000)	(260,000)	(400,000)
Other	948,000	531,000	622,000
Subtotal	3,149,000	3,463,000	3,381,000
OTHER EXPENSES			
Depreciation & Amortization	8,437,000	8,588,000	8,724,000
MUSA	1,085,000	1,158,000	1,181,000
Interest on Long-Term Debt	2,925,000	2,637,000	3,129,000
Capitalized Interest	(461,000)	(500,000)	(750,000)
Amort Deferred Debits/Discounts	594,000	750,000	750,000
Subtotal	12,581,000	12,633,000	13,034,000
TOTAL EXPENSES	26,042,000	27,322,000	28,532,000

ANCHORAGE WASTEWATER UTILITY 2002-2007 CAPITAL IMPROVEMENT PROGRAM FINANCIAL SUMMARY

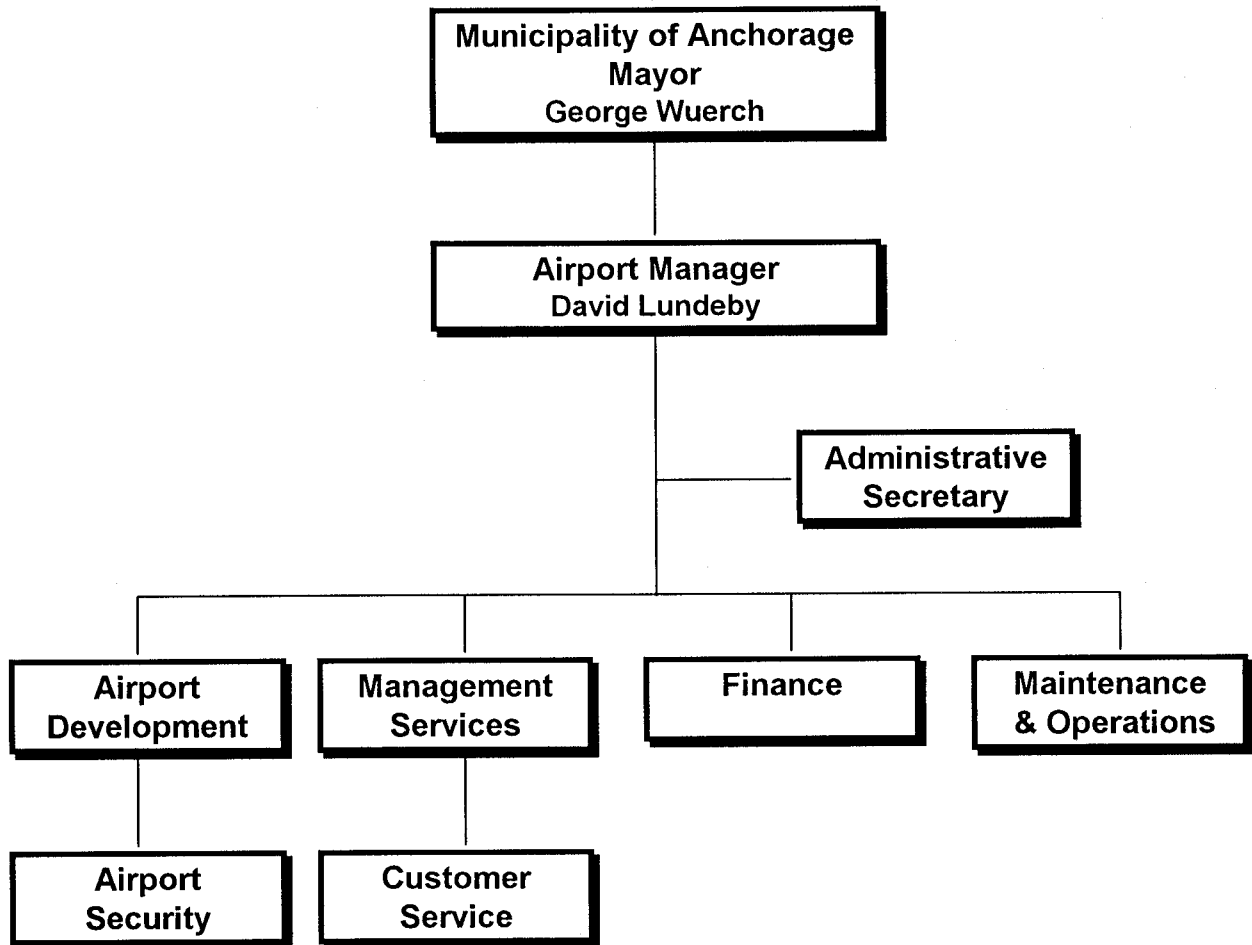
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PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	Six Year Total
GENERAL PLANT	8,970	10,538	2,986	6,517	8,092	3,149	40,252
REPAIR & REHABILITATION	2,250	1,500	4,950	2,400	4,050	2,100	17,250
TRUNK/INTERCEPTOR	1,900	100	150	4,475	5,100	4,600	16,325
IMPROVEMENT DISTRICTS	500	500	500	500	500	500	3,000
TOTAL	13,620	12,638	8,586	13,892	17,742	10,349	76,827

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	Six Year Total
DEBT	11,400	11,643	7,724	12,526	16,332	9,464	69,089
EQUITY	1,070	995	835	885	860	885	5,530
FED/STATE GRANT	1,150	0	27	481	550	0	2,208
TOTAL	13,620	12,638	8,586	13,892	17,742	10,349	76,827

*Approximately \$430,000 of in-house labor will be spent on capital projects in 2002

MERRILL FIELD AIRPORT
ORGANIZATION CHART
2002



MERRILL FIELD AIRPORT

UTILITY PROFILE

2002

ORGANIZATION

Six office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel provide maintenance for 17 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 210,000 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

There are 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.
- 1,282 tiedown spaces; leaseholders manage 701;
 - Municipality manages 514, plus 60 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.

One Hundred Fourth (104th) 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.
- 190,508 flight operations in calendar year 2000.
- 9,847 general aviation aircraft in Alaska; 888 based at Merrill.
- 9,246 private pilots in Alaska; 4,366 reside in Anchorage.

Economic Stimulus

- 25 leaseholders lease 2,717,302 square feet.
- 17 rental properties.
- Approximately 53 aviation related businesses operate on the airport.
- 819 transient aircraft stayed a total of 2,944 days last year.
- Approximately 646,000 gallons of fuel were sold in 2000.

Airport Plant (net of accumulated depreciation) is \$29,718,326.

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2002

Below are the general budget assumptions/guidelines provided by the Office of Management and Budget and specific Merrill Field assumptions used in the preparation of Merrill Field Airport's 2002 Operating and Capital Budgets.

REGULATION

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

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2002.

RATE INCREASES

No rate increases should be proposed in 2002 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 2001/02. (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)

MUSA (in lieu of taxes) currently does not apply to Merrill Field.

REVENUE DISTRIBUTIONS

None.

INTEREST

Assume debt service for new insured 20-year G.O. bonds as well as new insured revenue bonds to be 5.50% - 6.00%. Interest income should be calculated assuming a rate of 3.75% - 4.50%.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 261,000 in 2001 and 262,000 in 2002.

INFLATION

In general, inflation (i.e., CPI - all urban consumers) is anticipated to approximate 1.5% in 2002. Each utility, however, may apply applicable inflation rates to particular commodities purchased, if necessary.

* * * * *

2002 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO MERRILL FIELD AIRPORT

Merrill Field continues to remain debt free by pursuing federal airport grant funds for all grant-eligible capital improvement projects. By working with the federal and state grant managers, we 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. Two new T-hangar projects have recently been constructed on the Airport, and continued improvement of taxiway access and utility infrastructure along the west side of the Airport will allow for additional development there as well. These new aviation improvements will have a positive impact on the Airport budget by providing a broader revenue base.

MERRILL FIELD AIRPORT

HIGHLIGHTS AND FUTURE EVENTS

2002

Merrill Field recently completed a new Airport Master Plan, which includes a phased, 20-year, \$27 million Capital Improvement Program. Funding for the improvement program is based upon receipt of Federal and State grants.

Merrill Field is constructing a new gravel runway which will provide a gravel operating surface for "tundra tire"-equipped aircraft in the summer and a snow operating surface for ski-equipped aircraft in the winter. The new runway will provide better winter access to Anchorage from outlying areas.

Merrill Field continues to encourage private development of airport lands through new long-term lease agreements. These agreements have provided an economically feasible opportunity for private enterprise that has resulted in three new aircraft hangar developments and the rehabilitation of an existing airport leasehold. The continuation of these proactive leasing policies will foster future private redevelopment of existing facilities and also encourage new development at Merrill Field for years to come.

Numerous security improvements are planned for Merrill Field that will enhance the safety of Merrill Field's air operation areas. These improvements are recommended in the new Merrill Field Airport Master Plan and are federally funded through the FAA Airport Improvement Program.

MERRILL FIELD AIRPORT

2002 11-YEAR OPERATING BUDGET SUMMARY (\$000'S)

	Actual				Proforma		Budget	Forecast				
	1997	1998	1999	2000	2001	2002		2003	2004	2005	2006	2007
FINANCIAL OVERVIEW												
Total Revenues	\$1,136	\$1,090	\$1,070	\$1,191	\$1,111	\$1,096		\$1,110	\$1,124	\$1,138	\$1,153	\$1,168
Total Expenses	\$809	\$762	\$942	\$864	\$954	\$1,024		\$1,034	\$1,044	\$1,054	\$1,065	\$1,076
Net Income Regulatory	\$327	\$328	\$128	\$327	\$157	\$72		\$76	\$80	\$84	\$88	\$92
Budgeted Positions	10	10	10	11	11	11		11	11	11	11	11
Capital Program	\$3,359	\$2,411	\$2,091	\$667	\$4,365	\$2,480		\$2,650	\$2,450	\$1,900	\$2,100	\$2,400
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Net Plant (12/31)	\$28,219	\$28,014	\$27,142	\$29,718	\$33,057	\$34,282		\$35,869	\$37,207	\$37,954	\$38,877	\$40,072
Utility Revenue Distribution	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Retained Earnings (12/31)	\$3,482	\$3,809	\$3,937	\$4,270	\$4,427	\$4,499		\$4,575	\$4,655	\$4,739	\$4,827	\$4,919
General Cash Pool	(\$115)	(\$64)	(\$391)	\$111	\$268	\$340		\$416	\$496	\$580	\$668	\$760
Construction Cash Pool	\$1,293	\$291	\$1,392	\$1,357	\$1,300	\$1,300		\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
Bond Redemption Cash	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Total Cash (12/31)	\$1,178	\$227	\$1,001	\$1,468	\$1,568	\$1,640		\$1,716	\$1,796	\$1,880	\$1,968	\$2,060
IGCs from General Government	\$64	\$74	\$108	\$87	\$91	\$123		\$124	\$125	\$126	\$127	\$128
MUSA	\$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%		3.3%	0.0%	3.2%	0.0%	3.1%
Lease Rate/Square Foot Per Year	\$0.150	\$0.150	\$0.150	\$0.150	\$0.150	\$0.150		\$0.155	\$0.155	\$0.160	\$0.160	\$0.165
Tail-In Space Per Month	\$40	\$40	\$40	\$40	\$40	\$40		\$45	\$45	\$45	\$45	\$45
Drive-Through Space Per Month	\$50	\$50	\$50	\$50	\$50	\$50		\$55	\$55	\$55	\$55	\$55
PERFORMANCE TRENDS												
Based Aircraft	907	880	884	888	910	940		970	990	1,020	1,050	1,070
Municipal Tiedowns	591	567	567	574	610	610		742	742	742	742	742
Flight Operations Per Calendar Year	187,190	207,028	201,057	190,527	199,200	207,900		216,600	225,200	233,900	242,600	251,200
National Airport Ranking by Calendar Year	94th	89th	102nd	104th	98th	91st		84th	78th	73rd	67th	62nd

Notes: 1997-2000 represents actual; 2001-2007 represents projected. Rate increases shown in future years are 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 established operating budgets. Merrill Field Airport will continue to strive to find ways to avoid projected rate increases.

MERRILL FIELD AIRPORT WORK FORCE PROJECTIONS

CATEGORY	2001	2002	2003	2004	2005	2006	2007
Airport Manager	1	1	1	1	1	1	1
Assistant Airport Manager	1	1	1	1	1	1	1
Security Programs 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 Techincians	4	4	4	4	4	4	4
Subtotal	11	11	11	11	11	11	11
Part-time/Temporary	5	5	5	5	5	5	5
Total	16	16	16	16	16	16	16

MERRILL FIELD AIRPORT
2002 STATEMENT OF REVENUES AND EXPENSES

	2000 Actual Data	2001 Pro- Forma	2002 Budget Request
OPERATING REVENUE			
Airport Lease Fees	415,226	430,000	433,000
Airport Property Rental	259,312	259,000	233,000
Permanent Parking Fees	192,211	219,000	247,000
Transient Parking Fees	10,514	9,000	11,000
Vehicle Parking	14,919	18,000	16,000
MOA Aviation Fuel Fees	31,340	28,000	32,000
FAA Service Fees and Rent	17,218	14,000	0
SOA Aviation Fuel Fees	16,675	17,000	18,000
Medivac Taxiway Fees	30,562	25,000	32,000
Other Revenue	6,817	2,000	5,000
TOTAL OPERATING REVENUE	994,794	1,021,000	1,027,000
OPERATING EXPENSE			
Labor	616,408	755,000	810,000
Supplies	68,421	67,000	71,000
Charges To Others	(297,286)	(351,000)	(388,000)
Charges From Others	86,740	91,000	123,000
Other Services	171,298	173,000	186,000
Other Expenses	18,881	20,000	28,000
Depreciation (a)	199,304	199,000	194,000
TOTAL OPERATING EXPENSE	863,766	954,000	1,024,000
OPERATING INCOME (LOSS)	131,028	67,000	3,000
NON-OPERATING REVENUE			
Interest Income	83,233	83,000	60,000
Other Revenue	112,475	7,000	9,000
TOTAL NON-OPER REVENUE	195,708	90,000	69,000
NON-OPERATING EXPENSE	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME (LOSS)	195,708	90,000	69,000
NET INCOME (REGULATORY)	326,736	157,000	72,000

(a) Excludes Contributed Plant

Note: Generally Accepted Accounting Principles (GAAP) require Merrill Field Airport to depreciate items purchased with its own funds as well as those items purchased with funds contributed by the FAA in the form of AIP grants. The revenue received from the FAA is not reflected in the above financial statement, nor is the related depreciation on the items purchased with such revenue. If the depreciation on the contributed items were included in this financial statement, it would have the effect shown below:

ADJUSTMENTS FOR GAAP	(826,524)	(827,000)	(1,061,000)
NET INCOME (LOSS) GAAP	(499,788)	(670,000)	(989,000)

MERRILL FIELD AIRPORT
2002 STATEMENT OF SOURCES AND USES OF CASH

	2000 Actual Data	2001 Pro- forma	2002 Budget Request
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	(499,788)	(670,000)	(989,000)
Total Depreciation	1,025,828	1,026,000	1,255,000
Grants	90,989	4,364,815	2,480,000
Net Effect of Changes in Balance Sheet Accounts Which Affect Cash	3,451,956	2,031,683	751,060
TOTAL SOURCES OF CASH	4,068,985	6,752,498	3,497,060
USES OF CASH FUNDS:			
Additions to Plant	3,602,426	2,287,073	945,060
Additions to Construction Work in Progress	0	4,364,815	2,480,000
Other	0	0	0
TOTAL USES OF CASH	3,602,426	6,651,888	3,425,060
NET INCREASE (DECREASE)	466,559	100,610	72,000
CASH BALANCE, JANUARY 1	1,000,831	1,467,390	1,568,000
CASH BALANCE, DECEMBER 31	\$1,467,390	\$1,568,000	\$1,640,000
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	110,620	268,000	340,000
Equity in Construction Cash Pool	1,356,770	1,300,000	1,300,000
TOTAL CASH, DECEMBER 31	\$1,467,390	\$1,568,000	\$1,640,000

MERRILL FIELD AIRPORT
2002 OPERATING BUDGET DETAIL

	2000 Actual Data	2001 Pro- forma	2002 Budget Request
LABOR			
Wages	433,872	525,000	584,000
Overtime	7,884	14,000	21,000
Benefits	174,652	216,000	205,000
Subtotal	616,408	755,000	810,000
SUPPLIES			
Office Supplies	6,037	7,000	7,000
Operating Supplies	43,086	42,000	45,000
Repair and Maintenance Supplies	19,298	18,000	19,000
Subtotal	68,421	67,000	71,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(297,286)	(351,000)	(388,000)
Charges From Others	86,740	91,000	123,000
Subtotal	(210,546)	(260,000)	(265,000)
OTHER SERVICES			
Professional Services	40,347	39,000	43,000
Other Contractual Services	23,082	16,000	23,000
Utilities	107,869	118,000	120,000
Subtotal	171,298	173,000	186,000
OTHER EXPENSES			
Depreciation/Amortization	1,025,828	1,026,000	1,255,000
Other	18,881	20,000	28,000
Subtotal	1,044,709	1,046,000	1,283,000
TOTAL EXPENSES	1,690,290	1,781,000	2,085,000

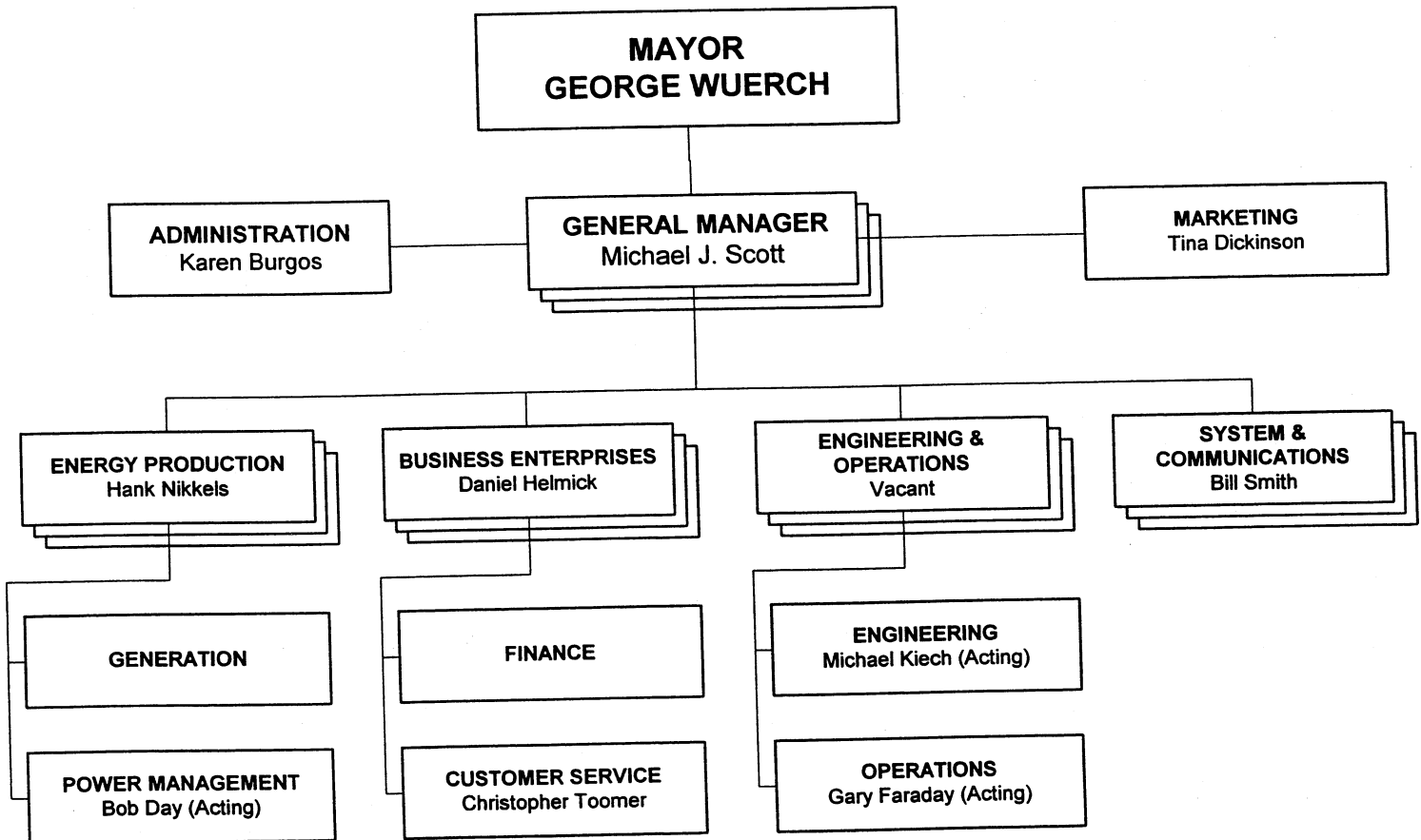
MERRILL FIELD AIRPORT
2002-2007 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
 (IN 000's)

PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	TOTALS
Apron Improvements	100	800	100	0	0	0	1,000
Runways and Taxiways	700	1,100	1,500	0	900	800	5,000
Buildings and Equipment	380	450	350	900	0	0	2,080
Land Improvements	800	300	0	0	1,200	0	2,300
Land Acquisition	500	0	500	1,000	0	1,600	3,600
TOTAL CIP PROGRAM	\$2,480	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	\$13,980

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	TOTALS
Bonds	0	0	0	0	0	0	0
Operations	371	447	200	728	131	150	2,027
State Grants	0	0	0	0	0	0	0
Federal Grants	2,109	2,203	2,250	1,172	1,969	2,250	11,953
TOTAL FUNDING	\$2,480	\$2,650	\$2,450	\$1,900	\$2,100	\$2,400	\$13,980

Municipal Light & Power

2002 Organization Chart



Municipal Light & Power

2002 Utility Profile

Organization

In 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 established three core business units, Energy Production, Engineering & Operations, and Business Enterprises, under the direction of the General Manager. The reorganization enhanced internal efficiency, facilitated more rapid and effective decision making, and integrated better workflow between divisions - all with the goal of assuring that customer service remains a primary focus.

ML&P had 211 employees as of December 31, 2000 and a 2000 total labor and benefit cost of approximately \$22.3 million. Of these employees, 150 were covered by a labor agreement with IBEW and 61 were non-represented (covered by the Municipal Personnel Rules).

History

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

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

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

Between 1962 and 1984, ML&P installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit. Each of the seven turbines has 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 twenty 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 and serves as a means to stabilize fuel prices for years to come. In 1997, ML&P in association with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project from the federal government.

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 2000, the average number of residential and commercial customers was 23,726 and 5,913 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output.

In 2000, electric retail sales totaled 865,280 MWh and earned revenues of \$67,243,961. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Water Diversion Compensation was \$73,284,920. Total gas operating revenues totaled \$7,328,299. ML&P also 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 Regulatory Commission of Alaska (RCA) which is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. RCA regulation encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and charges.

The Utility is also advised 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 also reviews the budget and operations of ML&P. From these reviews, the Commission 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.

- Power Generated/Purchased in 2000 **1,075,715 MWh**
 - ML&P Generated 892,512 MWh 82.97%
 - Purchased:
 - Eklutna Hydroelectric Project 93,977 MWh 8.74%
 - Bradley Lake Project 89,226 MWh 8.29%
- Total Generation capacity in 2000 **328 Megawatts (MW)**
 - Power Plant Number One (4 Turbines) 85 MW 25.91%
 - Power Plant Number Two (4 Turbines) 243 MW 74.09%
 - Seven Gas-Fired Turbines
 - One Heat Recovery Turbine
 - All equipped to use No. 2 fuel oil as an alternate fuel
- Reserve Capacity Margin in 2000 **150 Megawatts (MW)**
- Transmission/Distribution System in 2000 **351 Miles**
 - Underground Cable 207 Miles 58.97%
 - Overhead Line 144 Miles 41.03%
 - 20 Total Substations
- Net Electric Plant as of December 31, 2000 **\$167,667,865**
- Net Gas Plant as of December 31, 2000 **\$105,028,553**
- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44 MW of installed capacity.
- Pursuant to the Power Sales Agreement with the Alaska Energy Authority, ML&P is required to purchase 25.9% of the output of the Bradley Lake Project, which has 126 MW of installed capacity.

Municipal Light & Power

2002 Budget Assumptions

The 2002 contract price of gas is established by the average price of 2001 third quarter Light Sweet Crude Oil futures. It is estimated that the 2002 contract price of gas, per thousand cubic feet (MCF), will increase approximately 28% over the 2001 contract price. ML&P will buy its fuel from Chevron U.S.A. and Phillips Petroleum at a higher contract price than last year, but will sell to Chugach Electric Association, Inc. (CEA) and ENSTAR at a lower contract price. This will result in ML&P's Gas Revenue decreasing by \$1.8 million due to the lower contract price and a decrease in net volume sales.

The transfer price of gas from the Gas Division to the Electric Division will increase in 2002 from \$1.50 per MCF, plus any taxes and royalties to 93.3% of the contract price. This proposal is before the Regulatory Commission of Alaska (RCA) and is scheduled for hearing in November 2001.

Municipal Light & Power

2002 Highlights and Future Events

Management Organization

ML&P's functional organizational structure is tailored to facilitate business mobility in a dynamic electric industry environment and consists of three core business units: Energy Production, Engineering and Operations, and Business Enterprises, all under the direction of the General Manager. This organizational structure has proven itself appropriate by enhancing internal efficiency, facilitating more rapid and effective decision making, and better integrating work flow between divisions – all with the goal of assuring that customer service and satisfaction remains a primary focus.

Rate Stability

ML&P has had no general rate increase for the last seven years and 2002's proposed budget again seeks no increase in rates. In real dollar terms, after adjusting for inflation during this period of time, ML&P's cost of service to its customers has decreased by nine percent.

Integrated Resource Planning

ML&P is at a point from a life cycle perspective where it must give consideration to making significant generation and transmission capital additions over the next few years. Consequently, ML&P will, during 2002, devote a considerable amount of time engaging in Integrated Resource Planning. Matters for consideration will include: 1) how much and what types of generation improvements or additions to make, 2) how best to meet ML&P's spinning reserve and black start obligation for the Railbelt, 3) how to most effectively utilize our hydro-electric resources, 4) what level of SCADA (Supervisory Control and Data Acquisition) is necessary to insure a high degree of system reliability, 5) what improvements must be made to the transmission and distribution system to increase redundancy and system reliability, and 6) how best to incorporate the benefits associated with modern Geographic Information System and Power Outage Management Systems into our business practices.

Enterprise Resource Planning (ERP)

Following in the footsteps of a successful implementation of a new financial information and human resource management system (PFISHER), ML&P will continue during 2002 to take this implementation of the PeopleSoft system to its next logical step – implementation of the Enterprise Resource Planning (ERP) concept. ERP is the process of defining architectures (data, application, and technology) for the use of information in support of the business, with the intended goal of improving efficiency. ML&P feels this effort will not only further its ability to adapt to changing business needs but will also enhance its ability to contain costs, thus delivering more value to its customers.

E-commerce

ML&P's new web site has proven to be a communication source that has helped to streamline the Utility's business processes. This site, developed internally, offers a comprehensive on-line customer service center, important safety and efficiency information, news briefs on the electric industry, general utility information, and a convenient pay on-line option.

In the spring of 2001 ML&P continued enhancing its customer service center by offering new e-commerce services. These services are available to customers 24-hours a day, 7 days a week. They include:

- On-line bill presentment
- On-line payment options
- Account history information
- Direct e-mail access to our customer service center

While providing more convenience to our customers these services also provide ML&P further savings on day-to-day customer accounts costs. In relation to this effort, ML&P now provides customers with the ability to pay their monthly utility bill at any one of the ten First National Bank locations throughout Anchorage and Eagle River.

Commercial Key Accounts Program

ML&P administers a Key Accounts Program, which provides our commercial customers with an increased level of customer service and satisfaction by providing the customer with a single point of contact, account history analyses and assistance with specific energy needs.

Community Service

ML&P continues to support the Anchorage community through sponsorships, participation in special events and employee donations. Some of these activities include:

- Anchorage Chamber of Commerce
- Military appreciation events
- Anchorage Fur Rendezvous
- Adopt a Flowerbed Program
- Alaska Iditarod Race
- Municipal Employee Fundraising Campaign
- City Wide Clean-Up Week
- The Imaginarium
- KAKM
- Big Brothers Big Sisters
- Trick or Treat Town
- City of Lights
- Anchorage School District "Power In Pictures" Contest
- Anchorage Home Builders Assoc.

Municipal Light & Power

11-Year Summary

Utility Format - 2002 Operating Budget (in 000's)

Financial Overview:		Actuals				Proforma	Budget	Forecast				
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues		\$85,873	\$84,582	\$82,155	\$84,569	\$85,542	\$90,263	\$91,834	\$91,917	\$90,899	\$91,501	\$92,301
Expenses (1)		80,232	78,499	73,783	76,098	77,199	83,686	85,056	83,217	82,469	80,845	86,685
Net Income (Regulatory)		5,641	6,083	8,372	8,470	8,343	6,577	6,779	8,700	8,430	10,656	5,616
Work Force Authorized per Budget		229	229	230	230	234	234	235	235	235	235	235
Capital Improvements		14,029	12,429	11,076	13,927	15,694	17,245	21,235	19,594	21,401	26,205	42,734
Bond Sales		-	-	-	-	-	-	58,620	-	-	-	58,620
Net Non-Contributed Plant (12/31) (REG)		272,194	261,373	263,651	260,416	258,569	258,501	262,319	263,870	266,580	270,383	289,475
Net Contributed Plant (12/31)		10,912	11,300	11,235	12,280	14,033	14,733	14,415	14,080	13,728	13,358	12,971
Net Electric Plant (12/31) (GAAP)		283,106	272,673	274,886	272,696	272,601	273,234	276,734	277,950	280,308	283,742	302,446
Retained Earnings (12/31)		67,138	73,308	81,683	90,916	99,258	105,835	112,614	121,314	129,744	140,400	146,016
General Cash		20,266	25,265	24,703	25,185	22,272	18,568	19,808	28,933	36,217	33,443	43,968
Bond Construction Cash		4,998	-	-	-	-	-	40,804	22,187	3,473	-	19,110
Bond Redemption Investment		25,794	25,472	24,721	24,337	24,729	24,729	29,005	29,005	29,005	28,986	31,796
Debt Service Account		6,201	7,281	6,571	6,899	6,625	6,427	7,549	7,852	7,730	7,727	7,779
Operating Fund Investment & Customer Deposits		6,561	6,505	6,493	6,373	6,722	6,525	7,630	7,480	7,387	7,843	8,031
Total Cash & Investments (12/31)		63,820	64,523	62,488	62,794	60,349	56,249	104,797	95,457	83,813	77,998	110,684
IGC's - General Government		1,510	1,732	2,042	2,542	2,375	3,000	3,145	3,293	3,447	3,609	3,783
MUSA		2,245	2,296	2,186	2,153	2,184	2,229	2,293	2,361	2,420	2,565	2,901
Total Outstanding Debt		309,348	300,028	290,145	279,815	268,525	257,230	304,656	291,022	276,859	261,940	305,963
Total Annual Debt Service		25,941	26,966	26,554	26,159	26,990	26,435	30,079	31,076	30,930	30,923	34,324
Debt Service Coverage		1.65	1.60	1.66	1.65	1.57	1.53	1.45	1.49	1.48	1.64	1.42
LT Debt/Equity Ratio		82.2/17.8	80.4/19.6	78.0/22.0	75.5/24.5	73.0/27.0	70.8/29.2	73.0/27.0	70.6/29.4	68.1/31.9	65.1/34.9	67.7/32.3
Rate Change Percent		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.00%	0.00%	0.00%	4.00%	0.00%
Electric Statistical/Performance Trends:												
Residential Customer (500 kWh) (2)		\$49.08	\$47.91	\$47.96	\$47.99	\$47.50	\$50.78	\$53.01	\$52.35	\$51.87	\$54.29	\$54.65
Total Residential Sales (kWh)		144,108	144,719	150,492	148,289	148,300	148,597	148,894	149,192	149,788	150,388	150,989
Commercial & Industrial Sales (kWh)		687,804	692,411	710,778	709,163	713,558	718,553	722,864	725,756	728,659	731,573	734,500
Total Kilowatt Hour Sales (kWh)		831,912	837,131	861,270	857,452	861,858	867,150	871,758	874,947	878,447	881,961	885,489
Total Sales Revenue (in Dollars)		\$67,999	\$68,647	\$69,329	\$66,987	\$68,123	\$74,773	\$78,030	\$77,122	\$76,553	\$80,555	\$81,524

- (1) The transfer price of gas to ML&P's Electric Division is \$1.50/MCF for the years 1997 through 2001. The transfer price of gas per MCF increases to 93.3% of contract price from 2002 until full recovery of the deferred asset.
- (2) Rates for Electric Residential customers as of March 31 each year using 500 kWh and including Cost of Power Adjustment.

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

Municipal Light & Power
2002 Work Force Projections

<u>Division:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Administration	12	12	12	12	12	12	12
Marketing	2	3	3	3	3	3	3
Systems & Communications	21	21	21	21	21	21	21
Energy Production							
Generation	52	52	52	52	52	52	52
Power Management	16	16	16	16	16	16	16
Engineering & Operations							
Engineering	23	23	24	24	24	24	24
Operations	53	52	52	52	52	52	52
Business Enterprises							
Customer Service	28	28	28	28	28	28	28
Finance	27	27	27	27	27	27	27
Subtotal	<u>234</u>	<u>234</u>	<u>235</u>	<u>235</u>	<u>235</u>	<u>235</u>	<u>235</u>
Part-Time/Temporary Positions	<u>23</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>
Total	<u>257</u>	<u>258</u>	<u>259</u>	<u>259</u>	<u>259</u>	<u>259</u>	<u>259</u>

Municipal Light & Power

2002 Proposed Operating Budget

Statement of Revenue and Expenses

	2000	2001	2002
	Actual	Proforma	Budget
Operating Revenue			
Residential	\$13,890,822	\$14,020,000	\$15,092,000
Commercial & Industrial	59,160,521	62,890,000	66,576,000
Public Highway & Street Lighting	1,114,511	1,127,000	1,163,000
Public Authority	149,256	246,000	277,000
Sales for Resale	5,032,632	2,307,000	2,714,000
Miscellaneous Service Revenue	404,945	390,000	420,000
Rent from Electric Property	144,472	150,000	150,000
Miscellaneous Revenue	433,233	420,000	420,000
Total Operating Revenue	80,330,391	81,550,000	86,812,000
Operating Expense			
Production Expense	23,734,736	24,411,000	29,702,000
Transmission Expense	546,277	550,000	564,000
Distribution Expense	5,396,128	5,866,000	6,442,000
Customer Account Expense	2,584,170	2,414,000	2,475,000
Customer Service & Information	231,937	379,000	482,000
Administrative & General Expense	5,083,668	5,247,000	6,189,000
Regulatory Compliance	798,264	866,000	724,000
Depreciation Electric Plant (1)	15,558,429	15,357,000	15,737,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	112,000	112,000
Municipal Utility Service Assessment	2,153,418	2,184,000	2,229,000
Taxes Other than Income	930,759	1,191,000	1,223,000
Total Operating Expense	57,532,772	58,981,000	66,283,000
Operating Income	\$22,797,620	\$22,569,000	20,529,000

(1) Excludes Contributed Plant

2001 Proforma as of 6/30/01

Municipal Light & Power

2002 Operating Budget

Statement of Revenue and Expenses

	2000	2001	2002
	Actual	Proforma	Budget
Non-Operating Revenue			
Interest from Operating Reserve	\$319,008	\$329,000	\$334,000
Interest from Bond Redemption Cash	1,347,654	1,361,000	1,369,000
Interest from General Cash Pool	1,967,911	1,700,000	1,139,000
Interest from Debt Service Account	488,999	512,000	519,000
Miscellaneous Non-Operating Revenue	114,664	90,000	90,000
Total Non-Operating Revenue	4,238,236	3,992,000	3,451,000
Non-Operating Expense			
Community Promotion	267,700	300,000	374,000
Interest on Bonded Debt	15,789,539	15,676,000	15,039,000
Amortization of Bond Discount/Premium	(608,785)	(583,000)	(570,000)
Amortization of Bond Sale Cost & Insurance	330,082	313,000	295,000
Amortization of Loss on Refunded Debt	3,066,950	2,882,000	2,679,000
Other Interest Expense	76,528	10,000	10,000
Interest During Construction	(356,616)	(380,000)	(400,000)
Total Non-Operating Expense	18,565,398	18,218,000	17,427,000
Net Income (Regulatory)	<u>\$9,231,767</u>	<u>\$8,343,001</u>	<u>6,553,000</u>
Adjustments for GAAP			
Depreciation of Contributed Plant	(660,290)	(680,000)	(760,000)
Restricted Interest Income	447	0	0
Net Income (GAAP)	<u>\$8,571,924</u>	<u>\$7,663,001</u>	<u>5,793,000</u>

2001 Proforma as of 6/30/01

Municipal Light & Power

2002 Operating Budget

Statement of Cash Sources and Cash Uses

	2000 Actual	2001 Proforma	2002 Budget
Sources of Cash Funds			
Net Income GAAP	\$8,571,924	\$7,663,000	\$5,793,000
Depreciation/Depletion	16,733,705	16,553,000	17,013,000
Amortized Bond Discount/Premium	(608,785)	(583,000)	(584,000)
Amortization of Bond Sale Costs	330,082	313,000	296,000
Amortization of Refunded Debt	3,066,950	2,882,000	2,679,000
Bond Proceeds	-	-	-
Deferred Charges and Other Assets	(3,649,514)	(3,244,000)	(1,803,000)
Contributions	1,705,683	2,500,000	1,500,000
Changes in Assets and Liabilities	(1,587,134)	(782,761)	(480,918)
Total Sources of Cash Funds	24,562,911	25,301,239	24,413,083
Uses of Cash Funds			
Additions to Plant	13,926,843	15,695,000	17,245,000
Debt Retirement Long-Term	10,330,000	11,290,000	11,295,000
Bond Refunding	-	-	-
Total Uses of Cash Funds	24,256,843	26,985,000	28,540,000
Net Increase (Decrease) in Cash Funds	306,067	(1,683,761)	(4,126,917)
Cash Balance January 1	62,488,417	62,794,484	61,110,722
Cash Balance December 31	\$62,794,484	\$61,110,722	\$56,983,805
Detail of Cash & Investment Balance			
General Cash Less Customer Deposits	\$25,185,449	\$23,129,438	\$19,303,012
Bond Cash	-	-	-
Bond Investment	31,236,009	31,354,074	31,156,146
Special Investment	6,373,026	6,627,210	6,524,647
Cash Balance December 31	\$62,794,484	\$61,110,722	\$56,983,805

2001 Proforma as of 6/30/01

Municipal Light & Power

2002 Operating Budget

2002 Operating Budget Detail

	<u>2000 Actual</u>	<u>2001 Proforma</u>	<u>2002 Budget</u>
Labor Expenses			
Personnel Costs	\$11,218,017	\$11,250,000	\$12,200,000
Benefit Costs	<u>5,942,728</u>	<u>6,000,000</u>	<u>6,600,000</u>
Subtotal	17,160,745	17,250,000	18,800,000
Intergovernmental Expenses			
MIS Operations	636,031	285,000	65,000
Financial Information Systems	341,874	287,000	410,000
Mayor	319,323	352,000	850,000
Self-Insurance-General Liability	228,512	299,000	325,000
Self-Insurance-Worker's Compensation	135,328	152,000	150,000
Purchasing	120,191	77,000	-
Payroll	113,239	116,000	120,000
Other Intergovernmental Charges	<u>647,954</u>	<u>807,000</u>	<u>1,080,000</u>
Subtotal	2,542,452	2,375,000	3,000,000
Other Expenses			
Depreciation, Depletion & Amortization	19,521,952	19,165,000	19,418,000
Interest on Long-Term Debt	15,789,539	15,676,000	15,039,000
Natural Gas Purchases & Transportation	14,107,398	14,370,000	17,955,000
Purchased Power	3,330,556	3,500,000	3,600,000
MUSA	2,153,418	2,184,000	2,229,000
Gas Non-Fuel Production Expense	1,160,597	1,354,000	1,492,000
Taxes Other than Income	930,759	1,191,000	1,223,000
Regulatory Compliance	582,951	646,000	504,000
Professional Services	548,011	689,000	679,000
Deferred Regulatory Cost	(3,509,552)	(3,104,000)	(1,803,000)
Interest During Construction	(356,616)	(380,000)	(400,000)
Materials & Other Expenses	<u>2,034,941</u>	<u>2,963,000</u>	<u>2,734,000</u>
Subtotal	<u>56,293,954</u>	<u>58,254,000</u>	<u>62,670,000</u>
Total Expenses	<u><u>\$75,997,151</u></u>	<u><u>\$77,879,000</u></u>	<u><u>\$84,470,000</u></u>

2001 Proforma as of 6/30/01

Municipal Light & Power

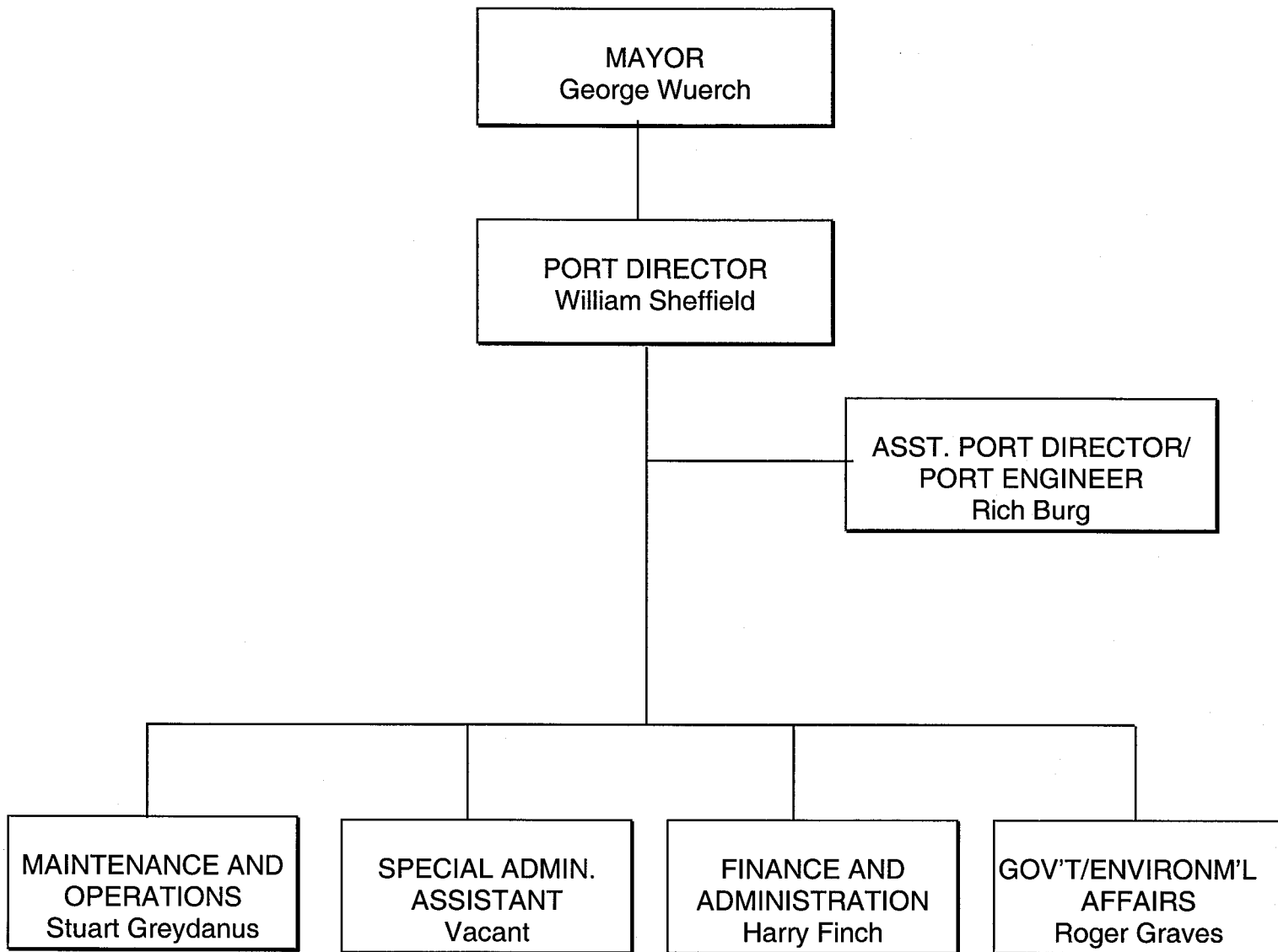
2002 - 2007 Capital Improvement Budget (\$000)

<u>Project Category:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Production	\$5,935	\$11,638	\$10,488	\$12,365	\$10,240	\$25,565	\$76,231
Transmission	25,060	1,010	615	615	4,665	1,065	33,030
Distribution	5,057	7,745	8,043	7,830	8,840	7,970	45,485
General Plant	3,048	5,858	4,266	5,175	5,883	4,983	29,213
Regulatory Compliance	50	50	50	50	50	50	300
Beluga River Gas Field	850	3,500	1,000	2,750	1,000	3,300	12,400
Total Capital Budget	<u>\$40,000</u>	<u>\$29,801</u>	<u>\$24,462</u>	<u>\$28,785</u>	<u>\$30,678</u>	<u>\$42,933</u>	<u>\$196,659</u>

<u>Source of Funding</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
G.O. Bonds	-	-	-	-	-	-	-
Revenue Bonds	-	26,301	23,462	10,237	-	39,633	99,633
Loans	-	-	-	-	-	-	-
Equity/Operations	14,150	-	-	15,798	29,678	-	59,626
Beluga Operations	850	3,500	1,000	2,750	1,000	3,300	12,400
State Grant	25,000	-	-	-	-	-	25,000
Federal Grant	-	-	-	-	-	-	-
Direct Appropriation	-	-	-	-	-	-	-
Total Capital Budget	<u>\$40,000</u>	<u>\$29,801</u>	<u>\$24,462</u>	<u>\$28,785</u>	<u>\$30,678</u>	<u>\$42,933</u>	<u>\$196,659</u>

*Approximately \$5 million in personnel costs will be spent on capital projects during 2002.

PORT OF ANCHORAGE ORGANIZATION CHART



PORT OF ANCHORAGE PROFILE

ORGANIZATION

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

HISTORY

The Port of Anchorage commenced operation in September 1961, with a single berth. 38,000 tons of cargo crossed the dock of the Port that first year. In 2000, 2,793,270 tons crossed the dock. The Port was ranked 17th among United States container ports, including San Juan and Honolulu, in 2000 for the movement of container TEUs (twenty-foot equivalent units). The Port of Anchorage is a major economic factor and one of the strongest links in the Alaska transportation chain. This chain enables residents statewide from Juneau to Barrow to take full advantage of the benefits of inexpensive waterborne commerce through this regional serving Port. The Port of Anchorage contributes an estimated \$725 million annually to Alaska's economy. The Port and its customers have maintained an notable safety record throughout the four (4) decades the Port has been in operation.

SERVICES

Approximately 90% of the consumer goods and foodstuffs sold within the Railbelt and beyond move through the Port of Anchorage on a year-round basis. Container service is available twice a week from Puget Sound by two domestic ocean carriers and increases seasonally by one additional container vessel per week. Bulk shipments are both domestic and foreign, and involve imports of basic commodities such as cement, refined petroleum products, automobiles and construction materials. The Port of Anchorage, due to its strategic global position and close proximity to neighboring major military commands, Elmendorf Air Force Base and Fort Richardson, is a key component for Department of Defense strategic activities concerning mobilization planning and the shipping/transport of jet fuel and other related petroleum products and bulk cargo for military use. The Port serves as the primary export facility for the state's largest petroleum refinery in North Pole, and as the major export terminal for frozen and canned seafood products that are packed in Anchorage, Valdez and on the Kenai Peninsula.

The Municipality of Anchorage is the Grantee of Anchorage Foreign Trade Zone (FTZ) No. 160, the only activated FTZ in the State of Alaska. The Port of Anchorage is the Municipal department responsible for the administration of the FTZ program in Anchorage. At the present time FTZ No. 160 is comprised of seven sites totaling some 1,000 acres located at the Port of Anchorage, Anchorage International Airport and at five private sites throughout the Municipality. An application for subzone status for the Tesoro Petroleum refinery in Kenai was approved by the United States Department of Commerce, Foreign Trade Zones Board in May 2001.

REGULATION

Dock Revenue rates for the Port of Anchorage are established in the Port of Anchorage Terminal Tariff No. 5 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the five (5) year term Preferential Usage Agreements' charges require approval by the Anchorage Port Commission, subject to approval by the Anchorage Municipal Assembly and the Federal Maritime Commission.

Port Industrial Park Revenue is derived from long-term leases of properties in the Port Industrial Park. The leases provide for five-year rate adjustments that are performed in accordance with Anchorage Municipal Code provisions. Leases and lease options are subject to Municipal Assembly approval.

ENVIRONMENTAL MANDATES

The Port complies with a broad range of local, state and federal environmental standards, including all provisions of the 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:
 - (2) 30 ton
 - (1) 40 ton
- Portable Cranes to 150 tons available
- Forklifts to 30 tons available
- Bulk Petroleum Valve Yard capable of accommodating multiple simultaneous marine/shore and/or inter-user shore side transfers.

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

PORT OF ANCHORAGE

2002

OPERATING AND CAPITAL BUDGET ASSUMPTIONS

Below are the general budget assumptions for the Port of Anchorage's 2002 Operating and Capital Budgets.

REGULATION

Assumed continued economic regulation by the Federal Maritime Commission (FMC).

UTILITY OWNERSHIP

Assumed continued Municipal ownership in 2002.

RATE INCREASES

The Port Commission promulgated a major revision to the Port's tariff in 2001 which was subsequently approved by the Anchorage Municipal Assembly and the FMC. As part of the revision, which effectively created Port of Anchorage Tariff No. 5, wharfage rates were increased incrementally over a three (3) year period for: Cement, Bulk Pipeline; Petroleum, Inbound/Outbound; and, Petroleum, Transfers. Port debt service coverage and cash reserves are anticipated to remain adequate and, other than the scheduled incremental increases noted above for wharfage items, no new rate increases are assumed for 2002.

MUNICIPAL ENTERPRISE SERVICE ASSESSMENT (MESA)

Assumed 2001 Tax District No. 1 mill rate and 1.25% MESA for MESA (in lieu of taxes) calculations.

INTEREST

The Port assumed a rate of 6.00% in 2002 for debt service on \$2,000,000 of new revenue bonds anticipated to be sold in late 2001. Interest income was calculated assuming a rate of 4.50%.

INTRAGOVERNMENTAL CHARGES (IGCs)

Assumed no change in IGCs from General Government over that level contained in the Revised 2001 General Government Operating Budget.

POPULATION

Assumed no increase in population significant to the Port of Anchorage in 2001 or 2002.

INFLATION

In general, inflation (i.e., CPI - all urban consumers) was anticipated to approximate 1.5% in 2002.

2002 IMPACTS/ASSUMPTIONS SPECIFIC TO THE PORT OF ANCHORAGE

1. Port revenues are anticipated to increase slightly in 2002 as the net result of several Port business items. Projected increases in General Cargo, Cement and Petroleum wharfage revenues combined with a increase in interest income are forecast to be offset by a reduction in Terminal Rental revenue in 2002. The storage, at the Port, of steel for new construction at Ted Stevens International Airport is scheduled to end in late 2001 resulting in the decline in Terminal Rental revenue in 2002.
2. Expenses are anticipated to increase primarily as a result of: 1) increased depreciation due to booking new Port facility plant in-service in 2001 and 2002, 2) an increase in Compensation Costs due to projected whole staffing levels, and 3) an increase in Bond Interest expense.
3. The Port's 2002-2007 Capital Improvement Budget reflects a major expansion program of the Port's Terminal plant, which was highlighted in recommendations of the Port's Master Plan, with an emphasis on securing Federal funding. Primary near term development projects include: 1) the Intermodal Marine Facility (IMF) Phase 1, which upgrades and expands the existing Petroleum Dock No. 2 into an intermodal, multi-purpose cargo and passenger facility; 2) the IMF Phase 2 (Link), which would connect the IMF to the main dock to provide additional intermodal, multi-purpose cargo and passenger movement; 3) the IMF Backlands, which would develop approximately 40 acres of backlands to support the new IMF on property previously utilized by the Defense Fuels Agency; and 4) participation as the Local Sponsor with the U.S. Army Corps of Engineers on Dock Stability and Deepening projects which would ensure dock seismic stability/dock support and increase the authorized depth for the Port's harbor from -35 feet to -45 feet. Other future projects include: a major Dock and Pile Renovation project and a Dock Widening project of the four terminals which comprise the Port's main dock facility. These projects will allow the next generation of larger vessels to call at the Port and provide larger cranes to accommodate the new vessels' increased container width capacity.

PORT OF ANCHORAGE HIGHLIGHTS AND FUTURE EVENTS

Congressional legislation, under Public Law No. 106-65 signed October 5, 1999, authorized the Secretaries of the Air Force and the Department of the Interior to convey without consideration, two parcels of real property, approximately 14.22 acres to the Municipality/Port of Anchorage. These Federal land parcels, known as Tracts A & EE, will be used for container storage. Tract A was conveyed to the Port via land patent on December 4, 2000. Tract EE is currently leased from the U.S. Air Force and indications are that final conveyance action on this parcel should occur before the end of 2001.

The Port of Anchorage is the Municipal department responsible for the administration of Anchorage Foreign Trade Zone (FTZ) No. 160. An application for subzone to FTZ No. 160 for the Tesoro Petroleum refinery in Kenai was approved by the United States Department of Commerce, Foreign Trade Zones Board in May, 2001.

Bulk Petroleum tonnage crossing the Port's dock declined significantly in 1998/1999. This resulted in a substantial reduction in the Port's Petroleum Dockage and Wharfage revenues. Petroleum activity improved in 2000, primarily due to increased refinery bi-product generation. The level of Petroleum tonnage across the dock has continued to increase in 2001. However, attaining a level of Petroleum activity equal to that of 1997 is not anticipated in the near future.

Totem Ocean Trailer Express, Inc. (TOTE), one of the major general cargo/container carriers calling at the Port of Anchorage, made a significant decision in 1999 to design and construct new ships for its Alaska trade. These new 839 foot Orca Class Ro/Ro Vessels will easily accommodate 53-foot and larger length trailers and will provide dedicated vehicle stowage. The first of these two new vessels is scheduled to enter service in 2002. In order to accomplish the majority of cargo load out during a 9-hour longshore period, TOTE has constructed a new trestle between Terminal No. 3 and Transit Area D to support an additional Ro/Ro ramp to these new TOTE vessels. The Port will reimburse TOTE for the construction of Trestle 3C utilizing Port revenue bonds and TOTE will lease the trestle for an initial 20 year term at an amount that would include the debt service on the revenue bonds.

The Port is assisting and coordinating with the Alaska Railroad Corporation (ARRC) and Williams Alaska Petroleum on a rail loop project into the South Tidelands, a portion of which will be on property leased back to ARRC by the Port. This project will significantly improve the delivery of Williams' petroleum products to the Anchorage area. Although the revenues to the Port from this lease will be minimal, this project should benefit other Port users and the public by relieving traffic congestion on Ocean Dock Road and within the Port area. The project should commence in 2001 with completion targeted for the latter part of the 2002 construction season.

The update of the Port's Master Plan to address anticipated 20 year growth projections of the Port and connections to the area wide transportation system was completed in the spring of 2000. It includes a Port Strategic Marketing Plan, a Port Facilities Plan, a Port

Access Plan, and an Implementation Plan. This new Port Master Plan has been presented to the Anchorage Assembly for adoption and for inclusion in the Anchorage Comprehensive Plan.

Following recommendations highlighted in the Port's new Master Plan, the Port has defined a new major Capital Improvement Program to expand the Port's Terminal Plant and has also initiated extensive efforts to secure funding for the projects. These future development projects will occur incrementally over a 7 to 10 year period and the program provides for flexibility in project sequencing. This new development program has three primary objectives: 1) to accommodate existing customer requirements; 2) to accommodate growth and demand for Port services, especially with respect to potential new customers and the new generation vessels anticipated to call at the Port; and, 3) to stimulate economic development for the Municipality and the region by providing marine and landslide transportation system improvements. Federal funding, and/or actual project management in some cases, will be critical to accomplishing these future Port development projects.

The Port is also working closely with the ARRC and the Alaska Department of Transportation and Public Facilities (DOTPF), as well as other transportation agencies, to improve its intermodal connections to the highway and rail systems. It is anticipated that this will result in a road and rail line around the Eastern perimeter of the Port into the North Tidelands. This would include development of a Trailer On Flat Car (TOFC) yard on Port property and would provide potential connections to a future Knik Arm Crossing. It would also provide access for land development North of the Port in support of mega-module assembly and load out activities.

PORT OF ANCHORAGE

11-YEAR SUMMARY

UTILITY FORMAT - 2002 OPERATING BUDGET (000's)

	Actual				Proforma		Budget		Forecast						
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007				
Financial Overview															
Revenues	\$7,964	\$8,872	\$8,726	\$9,245	\$10,004	\$10,095	\$10,070	\$10,065	\$10,119	\$10,268	\$10,422				
Expenses	\$5,772	\$5,922	\$6,609	\$6,510	\$6,689	\$6,977	\$6,994	\$7,004	\$7,180	\$7,234	\$7,490				
Net Income (Regulatory)	\$2,192	\$2,950	\$2,117	\$2,735	\$3,315	\$3,118	\$3,076	\$3,061	\$2,939	\$3,034	\$2,932				
Budgeted Positions	21	21	21	21	21	21	21	21	21	21	21				
Capital Program	\$3,466	\$4,140	\$2,554	\$793	\$2,593	\$22,605	\$30,670	\$27,585	\$40,560	\$40,580	\$40,645				
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$2,000	\$0	\$0	\$0	\$0	\$0				
Net Plant (12/31)	\$57,410	\$55,070	\$56,068	\$56,137	\$53,746	\$55,436	\$52,609	\$49,675	\$77,062	\$101,882	\$152,282				
Utility Revenue Distribution	\$696	\$0													
MESA		\$0	\$576	\$551	\$570	\$602	\$586	\$570	\$544	\$517	\$583				
Retained Earnings (12/31)	\$42,836	\$45,786	\$47,903	\$50,638	\$53,687	\$56,805	\$59,881	\$62,942	\$65,881	\$68,915	\$71,847				
General Cash Pool	\$2,704	\$3,502	\$1,593	\$5,465	\$4,646	\$8,780	\$9,230	\$10,293	\$8,476	\$11,736	\$14,698				
Construction Cash Pool	\$5,607	\$5,911	\$8,721	\$9,706	\$18,596	\$12,721	\$9,750	\$9,500	\$9,250	\$9,000	\$8,750				
Bond Redemption Cash	\$999	\$999	\$990	\$990	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0	\$0				
Total Cash (12/31)	\$9,310	\$10,412	\$11,304	\$16,161	\$24,242	\$22,501	\$19,980	\$20,793	\$18,726	\$20,736	\$23,448				
IGC's - General Government	\$198	\$202	\$242	\$213	\$297	\$297	\$300	\$303	\$306	\$309	\$312				
Total Outstanding Debt (12/31)	\$9,735	\$8,735	\$7,845	\$6,910	\$5,920	\$6,816	\$5,649	\$4,409	\$3,095	\$1,697	\$1,625				
Total Annual Debt Service	\$1,663	\$1,528	\$1,352	\$1,348	\$1,370	\$1,723	\$1,541	\$1,542	\$1,539	\$1,542	\$172				
Debt Service Coverage (Rev Bonds)	3.74	4.29	3.62	4.10	4.49	3.93	3.90	3.87	3.89	3.97	35.79				
Debt/Equity Ratio (12/31)	10/90	9/91	8/92	6/94	6/94	6/94	5/95	4/96	2/98	1/99	1/99				
Tariff Wharfage Rates (7/1):															
Containers/Ton (*)	\$2.00	\$2.00	\$2.00	\$2.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00				
Petroleum, Bulk/Barrel (*)	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10833	\$0.11666	\$0.125	\$0.125	\$0.125	\$0.125	\$0.125				
Cement, Bulk/Ton (*)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.0433	\$1.0866	\$1.13	\$1.13	\$1.13	\$1.13	\$1.13				
Statistical/Performance Trends:															
Tonnage (in thousands)	3,316	2,948	2,647	2,793	2,956	3,023	3,084	3,138	3,186	3,225	3,266				
Revenue/Ton	\$2.36	\$2.61	\$2.88	\$2.85	\$2.90	\$2.81	\$2.80	\$2.80	\$2.78	\$2.85	\$2.83				

(*) Port of Anchorage Tariff revisions per AM 208-2001(A) approved June 5, 2001

PORT OF ANCHORAGE WORKFORCE PROJECTIONS

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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

STATEMENT OF REVENUES AND EXPENSES

	2000 <u>ACTUAL</u>	2001 <u>PRO-FORMA</u>	2002 <u>BUDGET</u>
OPERATING REVENUE			
Dock Revenue	5,768,919	6,082,000	6,003,000
Industrial Park Revenue	2,159,033	2,446,000	2,461,000
Other Operating Revenue	<u>37,827</u>	<u>40,000</u>	<u>40,000</u>
TOTAL OPERATING REVENUE	7,965,779	8,568,000	8,504,000
OPERATING EXPENSE			
Labor	1,373,630	1,400,000	1,532,000
Supplies	158,235	151,000	152,000
Other Services & Charges	1,333,055	1,441,000	1,446,000
IGC's	213,340	297,000	297,000
Depreciation/Amortization	2,413,671	2,394,000	2,401,000
Municipal Enterprise Service Assessment	<u>550,818</u>	<u>570,000</u>	<u>602,000</u>
TOTAL OPERATING EXPENSE	6,042,749	6,253,000	6,430,000
OPERATING INCOME	1,923,030	2,315,000	2,074,000
NON-OPERATING REVENUE			
Interest Income	1,143,749	1,308,000	1,463,000
Pipeline Right-Of-Way Fee	128,367	128,000	128,000
Gain/Loss-Disposal of Property	6,553	0	0
Other Non-Operating Revenue	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING REVENUE	1,278,669	1,436,000	1,591,000
NON-OPERATING EXPENSE			
Interest on Long-Term Debt	467,235	436,000	547,000
Other Non-Operating Expense	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING EXPENSE	467,235	436,000	547,000
NON-OPERATING INCOME	811,434	1,000,000	1,044,000
NET INCOME (REGULATORY)	2,734,464	3,315,000	3,118,000
ADJUSTMENTS FOR GAAP	(957,687)	(942,000)	(1,056,000)
NET INCOME GAAP	<u><u>1,776,777</u></u>	<u><u>2,373,000</u></u>	<u><u>2,062,000</u></u>

PORT OF ANCHORAGE

STATEMENT OF SOURCES AND USES OF CASH

	2000 <u>ACTUAL</u>	2001 <u>PRO-FORMA</u>	2002 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	1,776,777	2,373,000	2,062,000
Depreciation/Amortization	3,371,358	3,336,000	3,457,000
Grants	1,186,400	5,853,000	10,000,000
Bonds	0	0	2,000,000
Amortization of Debt Discount	52,600	53,000	53,000
Principal Payments, Financing Leases	297,582	315,000	399,000
Disposition of Assets	0	0	0
Other	0	0	0
TOTAL SOURCES OF FUNDS	<u>6,684,717</u>	<u>11,930,000</u>	<u>17,971,000</u>
USES OF CASH FUNDS:			
Additions to Plant	792,612	2,593,000	18,480,000
Bond Principal Payments	935,000	990,000	1,232,000
Net Effect of Changes on Balance Sheet Which Affect Cash	100,023	266,000	0
TOTAL USES OF FUNDS	<u>1,827,635</u>	<u>3,849,000</u>	<u>19,712,000</u>
NET INCREASE/(DECREASE) IN CASH FUNDS	4,857,082	8,081,000	(1,741,000)
CASH BALANCE JANUARY 1,	<u>11,303,682</u>	<u>16,161,000</u>	<u>24,242,000</u>
CASH BALANCE DECEMBER 31,	<u><u>16,160,764</u></u>	<u><u>24,242,000</u></u>	<u><u>22,501,000</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	5,464,555	4,646,000	8,780,000
Equity In Construction Cash Pool	9,706,369	18,596,000	12,721,000
Revenue Bond Maintenance Reserve	989,840	1,000,000	1,000,000
TOTAL CASH DECEMBER 31,	<u><u>16,160,764</u></u>	<u><u>24,242,000</u></u>	<u><u>22,501,000</u></u>

PORT OF ANCHORAGE OPERATING BUDGET DETAIL

	2000 <u>ACTUAL</u>	2001 <u>PRO-FORMA</u>	2002 <u>BUDGET</u>
LABOR			
Wages	923,864	931,000	1,021,000
Overtime	21,606	31,000	31,000
Benefits	424,251	434,000	476,000
Other	<u>3,909</u>	<u>4,000</u>	<u>4,000</u>
Subtotal	1,373,630	1,400,000	1,532,000
SUPPLIES			
Office & Operating Supplies	29,714	31,000	31,000
Fuel	11,574	12,000	12,000
Repair & Maintenance Supplies	109,876	100,000	101,000
Other	<u>7,071</u>	<u>8,000</u>	<u>8,000</u>
Subtotal	158,235	151,000	152,000
INTRAGOVERNMENTAL CHARGES			
IGC's From Others	213,340	297,000	297,000
IGC's To Others	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	213,340	297,000	297,000
OTHER SERVICES			
Professional Services	339,981	352,000	358,000
Contributions to Outside Organizations	28,000	43,000	43,000
Repairs & Maintenance-Contracted	97,246	125,000	125,000
Municipal Enterprise Service Assessment	550,818	570,000	602,000
Contract Services	401,343	396,000	396,000
Rentals/Leases	69,622	50,000	50,000
Utilities	220,174	240,000	240,000
Other	<u>176,689</u>	<u>235,000</u>	<u>234,000</u>
Subtotal	1,883,873	2,011,000	2,048,000
OTHER EXPENSES			
Depreciation/Amortization	3,371,358	3,336,000	3,457,000
Interest on Long Term Debt	467,235	436,000	547,000
Other	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	3,838,593	3,772,000	4,004,000
TOTAL EXPENSES	<u><u>7,467,671</u></u>	<u><u>7,631,000</u></u>	<u><u>8,033,000</u></u>

PORT OF ANCHORAGE

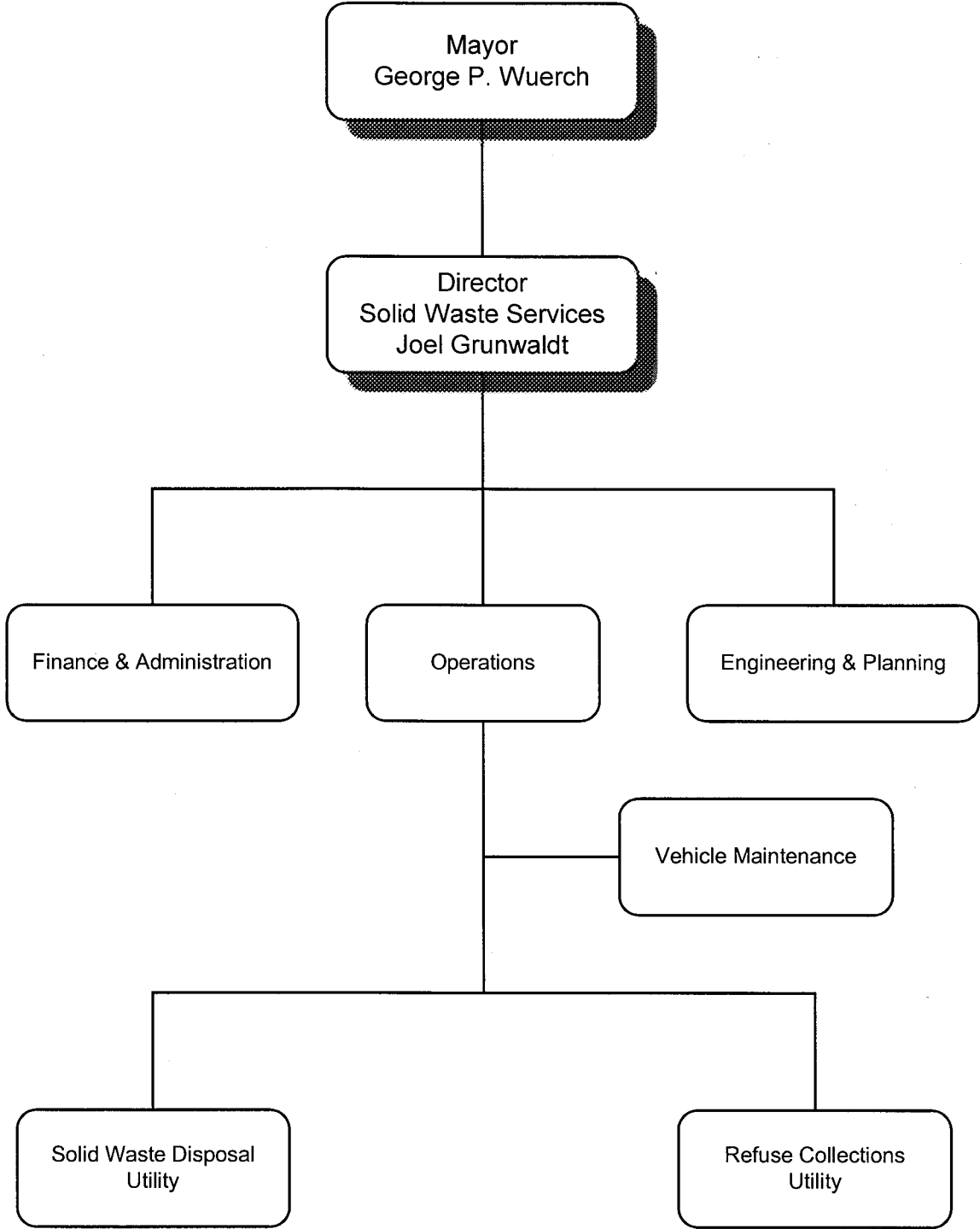
2002-2007 CAPITAL IMPROVEMENT BUDGETS FINANCIAL SUMMARY (000)

<u>PROJECT CATEGORY</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
LAND DEVELOPMENT			20,000				20,000
TERMINAL DEVELOPMENT	22,020	30,000		30,000	40,000	40,000	162,020
HARBOR DEVELOPMENT			7,000	10,000			17,000
REPAIRS & RENOVATIONS	500	500	500	500	500	500	3,000
EQUIPMENT	85	170	85	60	80	145	625
TOTAL	22,605	30,670	27,585	40,560	40,580	40,645	202,645

<u>SOURCE OF FUNDING</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
G.O. BONDS							0
REVENUE BONDS	2,000						2,000
EQUITY/OPERATIONS	605	2,670	5,585	5,560	3,580	3,645	21,645
STATE GRANT		3,000	7,000	10,000	3,000	3,000	26,000
FEDERAL GRANT	20,000	25,000	15,000	25,000	34,000	34,000	153,000
LOAN							0
PVT INDUST PARTICIPATE							0
TOTAL	22,605	30,670	27,585	40,560	40,580	40,645	202,645

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 20% 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 4,660 dumpsters per week, and 12,125 can/bag pickups per week. Refuse Collections 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 Regulatory Commission of Alaska 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: The Solid Waste Disposal Utility serves the entire MOA. The 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 Utility to ARL for final disposal.

The ARL has a total land area of approximately 275 acres and is being developed in phases called cells. Currently 6 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 2000, 348,807 tons were deposited in ARL.

Solid Waste Disposal Utility also operates four transfer stations. They are located at Girdwood, midtown Anchorage (Central Transfer Station-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 235,040 tons in 2000 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. In March 2000 a new program that allows citizens to take good, usable hazardous materials at no cost to them was successfully implemented. More than 8,000 items, totaling 3,114 gallons of waste were diverted from being disposed.

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 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 2000 the facility has collected a total of 11.22 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 Solid Waste Disposal Utility is not economically regulated by any non-municipal agencies. However, the Utility operates under numerous permits and many EPA regulations. ARL is operated under a permit issued by the Alaska Department of Environmental 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 Solid Waste 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 Utility.

ENVIRONMENTAL MANDATES: The Solid Waste 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 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 (Super Fund), 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 through the year 2043
- 43 million cubic yard capacity
- Phased construction of cells lasting four to five years each
- Currently have constructed six of the twelve base cells
- Located on municipal land
- Scalehouse and 22,000 square foot 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, 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 the only "System Excellence Award" in North America from Solid Waste Association of North America

SOLID WASTE SERVICES 2002 OPERATING AND CAPITAL BUDGET ASSUMPTIONS

Below are general and specific budget assumptions/guidelines provided to Refuse Collections and Solid Waste Disposal for preparation of the 2002 Operating and Capital Budgets.

- Refuse Collections Utility will continue to hold the Alaska Regulatory Commission Certificate for collecting in the City Service Area.
- Refuse Collections and Solid Waste Disposal Utilities will continue under Municipal ownership in 2002.
- No rate increases should be proposed in 2002 unless all possible budget reductions have been first 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 2001/02.
 - 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.
- The mill rates for MUSA (in lieu of taxes) will be the same as 2001 mill rates. The 1.25% MUSA applies only to the Solid Waste Disposal Utility.
- There will be no revenue distributions.
- New debt service interest on revenue bonds assumed to be 6.0%. Interest income calculated assuming a rate of 5.0%.
- The IGC's from General Government are based on the 2002 Preliminary Operating Budget.
- Anchorage's population will be approximately 261,000 in 2001 and 262,000 in 2002.
- In general, inflation (i.e., CPI – all urban consumers) is anticipated to approximate 2.0% in 2002.
- No account specific inflation multipliers were used by Solid Waste Services. For future years (2003-2007), Solid Waste Services assumed inflation to be 2.0% per year.

SOLID WASTE SERVICES

Highlights and Future Events

REFUSE COLLECTIONS UTILITY

The Refuse Collections Utility historically has been a very stable utility with respect to its customer base, operating expense and revenues. Overall the 2002 Refuse Collections budget expense will increase by 1.9% from the 2001 budget. Revenues are projected to remain about the same. The last rate change occurred in 1990 and none are projected for the near term future. In 2002 the utility will continue to make available to commercial customers, the use of larger sized dumpsters, a program initiated in mid-2000.

Funding to determine a variable (volume based) rate for the residential customers as recommended in the Waste Reduction and Recycling Management Plan has been included in the 2002 Operating budget.

The Refuse Collections Utility capital budget will remain stable only replacing vehicles and containers as needed.

SOLID WASTE DISPOSAL UTILITY

In 2000 the amount of solid waste (348,807 tons) handled by the Solid Waste Disposal Utility increased by 2.28% over 1999. Most of the significant increase is attributable to waste originating from construction and demolition activities on Fort Richardson, for which the utility receives no revenue. Solid Waste Services believes the annual waste quantity will remain at this high level for a number of years yet.

Overall the Solid Waste Disposal Utility's 2002 budgeted expense is projected to decrease by 0.26% from the 2001 budget and revenues will increase by 3.07%. One new position for hauling waste from the Central Transfer Station to the landfill has been added. In spite of some inflationary increases in certain expense accounts, the increases have been largely offset by a \$275,760 reduction interest expense for Federal Clean Water Loan Funds used to construct the last two Landfill Cells.

Funding for the recycle grants program and increased materials recovery at the Anchorage Regional Landfill and Central Transfer Station is again included in the 2002 Operating budget.

In the spring of 2000, landfill gases along the northwesterly edge of the former Merrill Field Landfill facility were noted to increase slightly. The existing extraction system was originally installed so it could be extended to the area. At this time there is insufficient

information to know if an extension is necessary, but if it does, an amendment to the 2002 Operating budget may be required.

The Solid Waste Disposal Capital budget for 2002 includes funding primarily for replacement vehicles and equipment, which continues throughout the five projection years. The 2002 Capital budget includes funds to begin the planning necessary for designing a Landfill Closure Plan and construction is anticipated to begin in 2003. It is anticipated an active gas extraction system will be required by regulation in 2003 and funds for it have been budgeted in the 2003 and 2004 period. Beginning in 2004, the utility will design the next cell (#7) for Anchorage Regional Landfill and construct in 2005. The funding source for these projects is expected to be existing Landfill Closure Funds being expensed annually and the Alaska Clean Water Loan funds, which have a low interest rate, compared to other funding sources.

Budget Impacts

SOLID WASTE SERVICES – REFUSE COLLECTIONS

Overall the Refuse Collections 2002 operating budget is projected to increase 1.9% compared to the 2001 approved budget. No single account changes significantly.

SOLID WASTE SERVICES – DISPOSAL UTILITY

Overall the Solid Waste Disposal 2002 operating budget is projected to increase 0.26% compared to the 2001 approved budget. A significant reduction in interest rate for the Federal Clean Water Loan Funds used to construct Cells 4/5 and 6 at the Anchorage Regional is nearly offsetting other projected inflationary increases.

SOLID WASTE SERVICES - REFUSE COLLECTIONS

REFUSE COLLECTIONS	Financial Overview										Forecast 2007	
	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Proforma 2001	Budget 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2007
Revenues	5,787	5,795	5,762	5,915	5,903	5,859	5,879	5,928	5,957	6,046	6,119	6,119
Expenses	5,381	5,382	5,303	5,268	5,692	5,708	5,751	5,774	5,797	5,812	5,852	5,852
Net Income (Regulatory)	406	413	459	647	211	151	128	155	160	234	267	267
Workforce Authorized per Budget (FT)*	20	20	20	20	20	20	20	20	20	20	20	20
Capital Improvement Program	397	562	366	704	402	459	471	478	463	469	491	491
Bond Sales	0	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	2,921	2,994	2,963	3,102	2,971	2,895	2,820	2,740	2,662	2,607	2,566	2,566
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)	6,631	7,040	7,502	8,149	8,360	8,510	8,640	8,790	8,950	9,180	9,450	9,450
General Cash Pool	4,899	4,893	5,101	5,474	5,519	5,441	5,324	5,229	5,816	6,104	6,413	6,413
Construction Cash Pool	324	333	440	193	200	200	200	200	200	200	200	200
Bond Redemption Cash	351	351	351	350	350	350	350	350	0	0	0	0
Total Cash (12/31)	5,574	5,577	5,891	6,017	6,069	5,991	5,874	5,779	6,016	6,304	6,613	6,613
IGC's - General Government	1,175	127	177	218	199	178	182	185	189	193	197	197
MUSA - 1.25%	0	0	0	0	0	0	0	0	0	0	0	0
MUSA - Regular	53	54	54	53	56	55	53	52	50	49	48	48
Total Outstanding Debt	2,045	1,790	1,525	1,245	955	650	330	0	0	0	0	0
Total Annual Debt Service	359	357	354	355	352	351	348	339	0	0	0	0
Debt Service Coverage	2.81	2.75	3.03	3.57	2.45	2.24	2.17	2.28	N.A.	N.A.	N.A.	N.A.
Debt/Equity Ratio	23/77	20/80	17/83	13/87	10/90	7/93	4/96	0/100	0/100	0/100	0/100	0/100
Rate Change Percent**												
Residential Cost (\$15.00/Mo)**												
Commercial (3Yd-1x/Wk) (\$50.50/Mo)**												
Statistical/Performance Trends												
Waste Collected (Tons)	45,611	45,382	44,287	44,668	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Average Residential Services	12,111	12,102	12,121	12,116	12,118	12,118	12,142	12,167	12,191	12,215	12,240	12,240
Average Dumpsters Services	4,810	4,743	4,789	4,776	4,775	4,660	4,683	4,707	4,730	4,754	4,778	4,778

* Excludes budgeted positions for SWS Admin (18) and Vehicle Maintenance (8)

** Last rate increase was in 1990

SOLID WASTE SERVICES - SOLID WASTE DISPOSAL

SOLID WASTE DISPOSAL		Actual 1997	Actual 1998	Actual 1999	Actual 2000	Proforma 2001	Budget 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Financial Overview												
Revenues		14,275	14,245	14,799	15,513	15,251	15,363	15,513	15,472	15,344	15,454	15,602
Expenses		12,612	11,395	11,160	12,417	12,838	13,003	13,191	13,376	13,690	13,952	14,019
Net Income (Regulatory)		1,663	2,850	3,639	3,096	2,414	2,360	2,322	2,096	1,654	1,502	1,583
Workforce Authorized per Budget (FT)*		32	32	32	32	32	33	33	33	33	33	33
Capital Improvement Program		347	5,162	5,564	1,599	1,195	1,402	5,103	6,904	9,309	1,211	1,578
Bond Sales/ New Debt		0	0	7,425	905	73	0	0	500	7,682	0	0
Net Plant (12/31)		40,662	39,886	38,673	46,689	45,532	44,434	46,913	50,994	57,267	55,136	53,392
Utility Revenue Distribution		0	200	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31)		11,821	14,470	18,430	21,526	23,940	26,300	28,621	30,717	32,371	33,873	35,456
General Cash Pool		3,540	4,377	5,356	7,491	11,074	11,139	7,463	2,313	1,557	1,506	3,445
Future Landfill Closure Cash Reserve		5,753	6,562	7,292	8,038	8,783	9,522	10,267	11,018	11,774	12,536	13,303
Construction Cash Pool		1,677	(1,039)	2,952	3,384	300	300	300	300	300	300	300
Bond Redemption Cash		371	371	371	370	370	370	370	370	370	370	370
Total Cash (12/31)		11,341	10,271	15,971	19,283	20,527	21,331	18,400	14,001	14,001	14,712	17,418
IGC's - General Government		147	180	281	373	319	304	310	317	323	329	336
MUSA - 1.25%		149	164	160	166	172	173	171	173	174	175	177
MUSA - Regular		423	526	515	489	587	571	671	798	960	1,015	1,078
Total Outstanding Debt		30,603	28,273	33,274	31,638	28,553	25,352	22,027	18,556	22,612	18,738	17,158
Total Annual Debt Service		3,919	3,904	3,879	3,877	4,485	4,283	4,257	4,244	4,226	3,904	1,502
Revenue Bond Coverage		5.50	5.76	6.49	6.34	3.77	4.07	4.14	4.14	4.02	4.07	4.16
Debt/Equity Ratio		64/36	59/41	59/41	55/45	50/50	45/55	39/61	34/66	37/63	32/68	29/71
Rate Change Percent												
User Rate/Ton (\$45.00/Ton)**												
Pickup Rate (\$10.00/Load)***												
Car Rate (\$5.00/Load)**												
Statistical/Performance Trends												
Tons Disposed		309,267	303,618	341,017	348,807	348,110	345,500	348,090	350,700	353,330	355,980	358,650
Vehicle Count		200,742	211,280	236,817	242,227	241,743	239,931	241,729	243,542	245,368	247,208	249,063

* Excludes budgeted positions for SWS Admin (18) and Vehicle Maintenance (8)

** Last rate increase was in 1989

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

SOLID WASTE SERVICES WORK FORCE PROJECTIONS

<u>BUDGET UNIT</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
ADMINISTRATION:							
Regular Fulltime	18	18	18	18	18	18	18
REFUSE COLLECTIONS:							
Regular Fulltime	20	20	20	20	20	20	20
Regular Parttime	0	0	0	0	0	0	0
Temporary	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Budgeted Positions Subtotal	22	22	22	22	22	22	22
SOLID WASTE DISPOSAL							
Regular Fulltime	32	33	33	33	33	33	33
Regular Parttime	5	5	5	5	5	5	5
Temporary	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Budgeted Positions Subtotal	44	45	45	45	45	45	45
VEHICLE MAINTENANCE							
Regular Fulltime	8	8	8	8	8	8	8
TOTAL SOLID WASTE SERVICES							
Regular Fulltime	78	79	79	79	79	79	79
Regular Parttime	5	5	5	5	5	5	5
Temporary	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
TOTAL	<u>92</u>	<u>93</u>	<u>93</u>	<u>93</u>	<u>93</u>	<u>93</u>	<u>93</u>

REFUSE COLLECTIONS UTILITY

STATEMENT OF REVENUE AND EXPENSES

	2000 <u>ACTUAL</u>	2001 <u>PROFORMA</u>	2002 <u>BUDGET</u>
OPERATING REVENUE			
Commercial Collections	3,036,464	3,014,600	3,021,130
Residential Collections	2,175,147	2,183,470	2,183,470
Other Collections	33,789	35,000	35,000
Container Rental Fees	241,090	239,400	240,540
TOTAL OPERATING REVENUE	<u>5,486,490</u>	<u>5,472,470</u>	<u>5,480,140</u>
OPERATING EXPENSE			
Labor	1,173,565	1,288,200	1,356,390
Supplies	22,526	43,860	43,860
Contracted Services	62,805	176,070	160,640
Utilities	38,141	46,000	46,000
Other Expenses	99,843	122,340	125,030
Depreciation	490,784	533,090	534,660
MUSA	52,569	55,840	54,560
SWS Disposal Fees	2,010,047	2,025,000	2,025,000
IGC'S	1,243,400	1,339,310	1,316,370
TOTAL OPERATING EXPENSE	<u>5,193,680</u>	<u>5,629,710</u>	<u>5,662,510</u>
OPERATING INCOME	292,810	(157,240)	(182,370)
NON-OPERATING REVENUE			
Sale of Assets	30,136	0	0
Interest Income	375,060	407,650	356,060
Other Revenue	23,089	22,500	22,500
TOTAL NON-OPERATING REVENUE	<u>428,285</u>	<u>430,150</u>	<u>378,560</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	74,587	62,210	45,610
TOTAL NON-OPERATING EXPENSE	<u>74,587</u>	<u>62,210</u>	<u>45,610</u>
NET INCOME (REGULATORY)	646,508	210,700	150,580
ADJUSTMENTS FOR GAAP	0	0	0
NET INCOME GAAP	<u><u>646,508</u></u>	<u><u>210,700</u></u>	<u><u>150,580</u></u>

REFUSE COLLECTIONS UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	2000 <u>ACTUAL</u>	2001 <u>PROFORMA</u>	2002 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income GAAP	646,508	210,700	150,580
Depreciation	490,784	533,090	534,660
Grants	0	0	0
Bonds	0	0	0
Other	0	0	0
TOTAL SOURCES OF CASH FUNDS	<u>1,137,292</u>	<u>743,790</u>	<u>685,240</u>
USES OF CASH FUNDS:			
Additions to Plant	704,447	401,800	458,740
Bond Principal Payment	280,000	290,000	305,000
Other	27,040	0	0
TOTAL USES OF CASH FUNDS	<u>1,011,487</u>	<u>691,800</u>	<u>763,740</u>
NET INCREASE (DECREASE) IN CASH FUNDS	125,805	51,990	(78,500)
CASH BALANCE JANUARY 1,	5,891,358	6,017,160	6,069,150
CASH BALANCE DECEMBER 31,	<u><u>6,017,163</u></u>	<u><u>6,069,150</u></u>	<u><u>5,990,650</u></u>
DETAIL OF CASH BALANCE			
Equity In General Cash Pool	5,473,582	5,519,150	5,440,650
Equity In Construction Cash Pool	193,395	200,000	200,000
Bond Redemption Cash	350,186	350,000	350,000
TOTAL CASH DECEMBER 31,	<u><u>6,017,163</u></u>	<u><u>6,069,150</u></u>	<u><u>5,990,650</u></u>

REFUSE COLLECTIONS UTILITY 2002 OPERATING BUDGET DETAIL

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
Labor			
Wages	778,351	860,620	896,140
Overtime	57,341	66,070	67,610
Benefits	337,873	361,510	392,640
Other	0	0	0
Subtotal	<u>1,173,565</u>	<u>1,288,200</u>	<u>1,356,390</u>
Supplies			
Office supplies	2,841	3,060	3,060
Operating Supplies	16,388	25,500	25,500
Repair and Maintenance Supplies	3,297	15,300	15,300
Subtotal	<u>22,526</u>	<u>43,860</u>	<u>43,860</u>
Other Expenses			
Professional Services	11,089	74,060	45,000
Contractual Services	51,716	102,010	115,640
Utilities	38,141	46,000	46,000
Other Expenses	99,843	122,340	125,030
Depreciation	490,784	533,090	534,660
MUSA	52,569	55,840	54,560
SWS Disposal Charges	2,010,047	2,025,000	2,025,000
Subtotal	<u>2,754,189</u>	<u>2,958,340</u>	<u>2,945,890</u>
Intergovernmental Charges			
Solid Waste Administration	592,009	654,280	660,120
Solid Waste Vehicle Maintenance	419,181	473,000	465,000
Solid Waste Disposal	39,115	38,100	38,100
General Government IGC's	218,094	198,930	178,150
Charges to Others	(25,000)	(25,000)	(25,000)
Subtotal	<u>1,243,400</u>	<u>1,339,310</u>	<u>1,316,370</u>
Interest on Long-term Debt	74,587	62,210	45,610
TOTAL EXPENSES	<u><u>5,268,267</u></u>	<u><u>5,691,920</u></u>	<u><u>5,708,120</u></u>

**REFUSE COLLECTIONS UTILITY
2002-2007 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
VEHICLE REPLACEMENT	344	356	363	348	354	376	2,141
CONTAINERS	100	100	100	100	100	100	600
EQUIPMENT	0	0	0	0	0	0	0
OFFICE EQUIPMENT	5	5	5	5	5	5	30
DATA PROCESSING	10	10	10	10	10	10	60
BUILDING IMPROVEMENTS	0	0	0	0	0	0	0
TOTAL	<u>459</u>	<u>471</u>	<u>478</u>	<u>463</u>	<u>469</u>	<u>491</u>	<u>2,831</u>

SOURCE OF FUNDING	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
G.O. BONDS							
REVENUE BONDS							
LOAN							
EQUITY/OPERATIONS	459	471	478	463	469	491	2,831
STATE GRANT							
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	<u>459</u>	<u>471</u>	<u>478</u>	<u>463</u>	<u>469</u>	<u>491</u>	<u>2,831</u>

SOLID WASTE DISPOSAL UTILITY

STATEMENT OF REVENUE AND EXPENSES

	2000 <u>ACTUAL</u>	2001 <u>PROFORMA</u>	2002 <u>BUDGET</u>
OPERATING REVENUE			
Reimbursed Costs	198,704	200,000	200,000
Disposal Fees	13,783,749	13,717,830	13,567,500
Hazardous Waste Fees	147,525	150,000	150,000
TOTAL OPERATING REVENUE	<u>14,129,978</u>	<u>14,067,830</u>	<u>13,917,500</u>
OPERATING EXPENSE			
Labor	2,498,867	2,620,880	2,788,920
Supplies	57,661	61,650	61,650
Contracted Services	1,732,464	1,692,060	1,745,270
Utilities	329,273	380,000	380,100
Other Expenses	176,386	363,080	373,510
Depreciation (1)	2,220,447	2,158,650	2,306,490
MUSA	655,357	759,590	743,880
Landfill Closure Cost	746,446	744,960	739,370
IGC'S	2,078,946	2,274,350	2,426,340
TOTAL OPERATING EXPENSE	<u>10,495,847</u>	<u>11,055,220</u>	<u>11,565,530</u>
OPERATING INCOME (LOSS)	3,634,131	3,012,610	2,351,970
NON-OPERATING REVENUE			
Sale of Assets	138,089	75,000	90,000
Interest Income	1,018,013	841,000	1,083,320
Other Revenue	63,257	74,100	78,900
TOTAL NON-OPERATING REVENUE	<u>1,219,359</u>	<u>990,100</u>	<u>1,252,220</u>
NON-OPERATING EXPENSE			
Interest on Long-term Debt	1,757,354	1,589,080	1,243,880
TOTAL NON-OPERATING EXPENSE	<u>1,757,354</u>	<u>1,589,080</u>	<u>1,243,880</u>
NET INCOME (REGULATORY)	3,096,136	2,413,630	2,360,310
ADJUSTMENTS FOR GAAP	(164,050)	(193,200)	(193,200)
NET INCOME (LOSS) GAAP	<u><u>2,932,086</u></u>	<u><u>2,220,430</u></u>	<u><u>2,167,110</u></u>

(1) Excludes Amortization of Contributed Plant

SOLID WASTE DISPOSAL UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	2000 <u>ACTUAL</u>	2001 <u>PROFORMA</u>	2002 <u>BUDGET</u>
SOURCES OF CASH FUNDS:			
Net Income (Loss) GAAP	2,932,086	2,220,430	2,167,110
Depreciation (Includes Contributed Plant)	2,384,498	2,351,850	2,499,690
Future Landfill Closure Costs	746,446	744,960	739,370
Grants	377,833	134,450	0
New Debt	904,732	73,080	0
Other	105,407	0	0
TOTAL SOURCES OF CASH FUNDS	<u>7,451,002</u>	<u>5,524,770</u>	<u>5,406,170</u>
USES OF CASH FUNDS:			
Additions to Plant (CWIP)	1,599,104	1,194,800	1,401,960
Bond Principal Payment	2,080,000	2,195,000	2,325,000
Loan Principal Payment	459,908	890,230	875,670
Other Uses of Cash	0	0	0
Utility Revenue Distribution	0	0	0
TOTAL USES OF CASH FUNDS	<u>4,139,012</u>	<u>4,280,030</u>	<u>4,602,630</u>
NET INCREASE (DECREASE) IN CASH FUNDS	3,311,990	1,244,740	803,540
CASH BALANCE JANUARY 1,	15,971,166	19,283,160	20,527,900
CASH BALANCE DECEMBER 31,	<u><u>19,283,156</u></u>	<u><u>20,527,900</u></u>	<u><u>21,331,440</u></u>
 DETAIL OF CASH BALANCE			
Equity In General Cash Pool	7,490,579	11,074,370	11,138,540
Future Landfill Closure Cash Reserve	8,038,573	8,783,530	9,522,900
Equity In Construction Cash Pool	3,383,807	300,000	300,000
Bond Redemption Cash	370,197	370,000	370,000
TOTAL CASH DECEMBER 31,	<u><u>19,283,156</u></u>	<u><u>20,527,900</u></u>	<u><u>21,331,440</u></u>

SOLID WASTE DISPOSAL UTILITY 2002 OPERATING BUDGET DETAIL

	2000 <u>ACTUAL</u>	20001 <u>PROFORMA</u>	2002 <u>BUDGET</u>
Labor			
Wages	1,565,227	1,661,850	1,733,950
Overtime	220,477	205,370	214,260
Benefits	705,356	746,560	832,710
Other	7,807	7,100	8,000
Subtotal	<u>2,498,867</u>	<u>2,620,880</u>	<u>2,788,920</u>
Supplies			
Office Supplies	2,263	2,000	2,000
Operating Supplies	30,741	30,000	30,000
Fuel(Kerosene)	0	350	350
Repair and Maintenance Supplies	24,657	29,300	29,300
Subtotal	<u>57,661</u>	<u>61,650</u>	<u>61,650</u>
Other Expenses			
Professional Services	106,056	162,040	164,000
Utilities	329,273	380,000	380,100
Contractual Services	1,626,408	1,530,020	1,581,270
Other	176,386	363,080	373,510
Depreciation	2,384,498	2,351,850	2,499,690
MUSA, Gross Receipts Tax	655,357	759,590	743,880
Landfill Closure Costs	746,446	744,960	739,370
Subtotal	<u>6,024,424</u>	<u>6,291,540</u>	<u>6,481,820</u>
Interest on Long-term Debt	1,757,354	1,589,080	1,243,880
Intergovernmental Charges			
Solid Waste Administration	781,243	799,680	990,180
Solid Waste Vehicle Maintenance	1,167,996	1,418,990	1,395,000
Other IGC's	372,866	318,780	304,260
Charges to Others	(243,159)	(263,100)	(263,100)
Subtotal	<u>2,078,946</u>	<u>2,274,350</u>	<u>2,426,340</u>
Total Expenses	<u><u>12,417,252</u></u>	<u><u>12,837,500</u></u>	<u><u>13,002,610</u></u>

**SOLID WASTE DISPOSAL UTILITY
2001-2007 CAPITAL IMPROVEMENT BUDGETS
FINANCIAL SUMMARY (000)**

PROJECT CATEGORY	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
EQUIPMENT	1,232	1,438	1,389	1,612	1,166	1,563	8,401
ARL IMPROVEMENTS	155	3,650	5,500	7,682	30	0	17,017
OFFICE /DP EQUIPMENT	15	15	15	15	15	15	90
TOTAL	<u>1,402</u>	<u>5,103</u>	<u>6,904</u>	<u>9,309</u>	<u>1,211</u>	<u>1,578</u>	<u>25,508</u>

SOURCE OF FUNDING	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>TOTAL</u>
G.O. BONDS							
REVENUE BONDS							
LOAN	0	0	500	7,682	0	0	8,182
EQUITY/OPERATIONS	1,402	5,103	6,404	1,627	1,211	1,578	17,326
STATE GRANT							0
FEDERAL GRANT							
DIRECT APPROPRIATION							
TOTAL	<u>1,402</u>	<u>5,103</u>	<u>6,904</u>	<u>9,309</u>	<u>1,211</u>	<u>1,578</u>	<u>25,508</u>