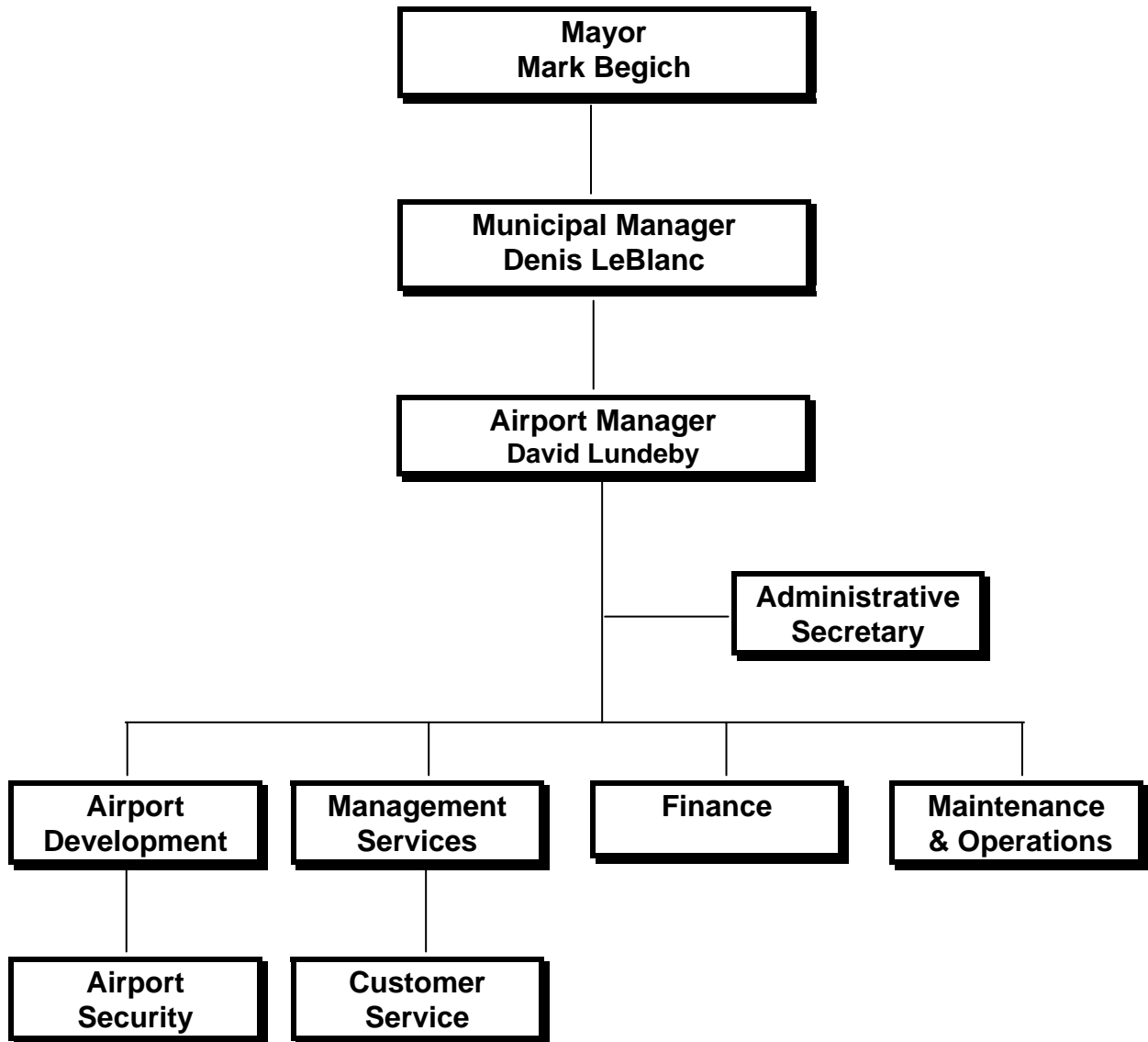


MERRILL FIELD AIRPORT
ORGANIZATION CHART
2005



MERRILL FIELD AIRPORT

UTILITY PROFILE

2005

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 "Primary Commercial Service Airport" and serves as a general aviation reliever airport to Ted Stevens Anchorage International Airport. Merrill Field is restricted to aircraft that weigh 12,500 pounds or less.

Merrill Field continues to be an integral part of Alaska's transportation network. Over the past five years aircraft operations have varied between 180,000 and 200,000 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 is required to meet Federal Aviation Administration, Alaska Department of Transportation and Public Facilities, and Municipal regulations. Addi-

tionally, 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

Primary Commercial Service Airport

Restricted to aircraft weighing 12,500 pounds or less

436 acre land area; elevation 137 feet; fee simple title

1,310 tiedown spaces; leaseholders manage 700;

Municipality manages 558, plus 52 for transient aircraft

Runway 6/24 length is 4,000 feet; Runway 15/33 length is 2,640 feet;

Gravel/Ski Runway 3/21 length is 2,000 feet

Six taxiways; 102 acres of tiedown aprons

Control Tower owned and operated by FAA

Seventy Seventh (77th) Busiest Airport in the Nation

Hub for intra-Alaska travel

Located one mile from downtown Anchorage

General Aviation reliever airport to Ted Stevens Anchorage International Airport

990,762 flight operations in Alaska; 202,278 operations (21%) at Merrill Field

434,832 GA flight operations in Alaska; 189,227 operations (44%) at Merrill Field

10,582 registered aircraft in Alaska; 910 (9%) based at Merrill Field

8,136 certificated pilots in Alaska; 3,507 (44%) reside in Anchorage

Economic Stimulus

25 leaseholders lease 2,717,302 square feet

16 rental properties

Approximately 46 aviation related businesses operate on the airport

857 transient aircraft stayed a total of 2,989 days last year

Approximately 831,000 gallons of fuel were sold in 2003

Airport Plant (net of accumulated depreciation) is \$27,896,596

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2005

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 2005 Operating and Capital Budgets.

REGULATION

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

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2005.

RATE INCREASES

Utilities should not expect the above-referenced budget assumptions to be used as the sole basis for proposing rate increases.

MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)

Assume rates for MUSA/MESA (in lieu of taxes) will be the same as 2004 and continued gross revenue assessment.

REVENUE DISTRIBUTIONS

Dividends should be budgeted at 5% of gross receipts budget (operating and non-operating), unless prohibited by the Regulatory Commission of Alaska or FAA grant terms.

INTEREST

Assume debt service for new insured 20-30 year G.O. bonds as well as new insured revenue bonds to be 5.25% - 5.75%. Short-term interest income should be calculated assuming a rate of 1.00% - 1.50%. Short-term interfund borrowing rate should be assumed to be 1.50% - 2.00%.

INTRAGOVERNMENTAL CHARGES (IGCs)

Use a preliminary estimate of 10% over 2004 budgeted IGCs. Utilities will be allowed to adjust budgets prior to official submission to Assembly once better estimates are known.

POPULATION

For budgetary purposes, assume that Anchorage's population will be approximately 278,000 in 2004 and 282,000 in 2005.

INFLATION

Utilities should consider appropriate inflationary increase in developing their 2005 budget.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes assume wage increases in accordance with current or soon-to-be negotiated labor agreements for Plumbers and Pipefitters, Laborers, Teamsters, Machinists, Operating Engineers, and IBEW. For AMEA, assume 3.3%; for NON-REPS, 3.3% increase.

* * * * *

2005 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. New aircraft hangar projects have recently been constructed on the Airport which have provided business and employment opportunities to the local community and also expanded the existing tax base for General Government.

Historically exempt from the Municipal Enterprise Service Assessment (MESA), Merrill Field will for the first time in 2005 join the other Municipally-owned utilities in making such a payment to the Municipality of Anchorage's general fund.

Since its beginning in the 1930's when it was built on the outskirts of town, Merrill Field has become surrounded by residential and commercial development. Individuals not associated with the airport consistently enter restricted areas (trespass across runways) when transiting the airport because they are not familiar with the airport layout. Our Runway Safety Program has implemented operational procedures and provided numerous capital improvements in an effort to curb this trespass problem. However, even

with all of these efforts, there has been a recent increase to this trespass problem, from 7 incidents in all of 2003 up to 15 incidents in 2004 through August alone. The Federal Aviation Administration is strongly recommending Merrill Field provide physical security as a viable option to reduce the unusually high level of trespass. Physical security would be an additional operating cost that we are not currently budgeted. Our goal is to increase Airport security through the continued support of the Municipality of Anchorage and Federal Aviation Administration.

The State of Alaska and the Municipality are currently in the process of determining which of the recommended roadway improvement options will be utilized for the reconstruction of the Glenn Highway corridor between Gambell Street and McCarrey Street. Expansion of the existing Glenn Highway ROW would require a release of Municipal Airport lands to be utilized as public right of way. Replatting, new land leases, property acquisitions, and relocation assistance are some of the issues that will need to be addressed if airport lands are taken for public right of way.

Increased expenses make it necessary to adjust rates at Merrill Field Airport in 2005. Airport leases and property rental fees, along with airplane parking fees are proposed to increase. These increases will allow the Airport to continue to provide services at the current levels, and to remain self-supporting.

MERRILL FIELD AIRPORT

HIGHLIGHTS AND FUTURE EVENTS

2005

Today, with over 200,000 take offs and landing per year, Merrill Field serves as a reliever airport to Ted Stevens Anchorage International Airport and also as the major general aviation link between Anchorage and our surrounding rural communities. With over 40 aviation businesses and 900 based aircraft, Merrill Field provides a positive economic impact to Anchorage.

Merrill Field is one of the few airports in the nation that has a taxiway link directly to a hospital. Medevac aircraft land and taxi directly to the hospital, the patient is transferred from the aircraft onto a gurney and wheeled into the hospital. This service saves those valuable minutes in critical situations and is utilized almost daily.

Merrill Field played a vital role in World War II's Aleutian Campaign as a base for the 11th Air Force. Recently, a new memorial monument has been placed at Merrill Field to recognize the Eleventh Air Force veterans.

An expansion to the existing Whiskey aircraft apron has recently been completed which adds 35 new aircraft parking spaces (for a total of 76 spaces) with electrical power for engine preheating and area lighting. This aircraft apron provides 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 Merrill Field Airport Leasing Program encourages private development of airport lands. Over the past three years private development has invested over \$4 million in constructing 40 new aircraft hangars on airport lease property. During the 2004/2005 construction season, private development is planning to invest an additional \$3 million for the construction of 30 additional aircraft hangars.

Numerous security enhancements have already been implemented and new programs are planned for Merrill Field that will enhance the safety and security of Merrill Field's air operation areas. These improvements are focused on eliminating unauthorized entry into the aircraft movement areas (taxiways and runways). Security improvements already in place include new perimeter fencing, increases to existing fence heights, installing taxiway barrier gates, relocation of the mid-field taxiway on runway 6-24, improvements to the vehicle and pedestrian gate access controls, and improvements to the public address system. Proposed projects include a new Closed Circuit TV security camera system, a guided walking trail, area lighting, signage, a driver training program, and educational programs on airport safety. A coordinated effort between the FAA Airports Division, FAA Runway Safety Office, FAA Air Traffic Control, Merrill Field Management, Anchorage Police Department and Merrill Field Airport Businesses will continue to increase safety.

Merrill Field Airport
2005 11-Year Operating Budget Summary (\$000's)

Financial Overview (1)	Actual				Proforma	Budget	Forecast				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Revenues (2)	1,191	1,102	1,037	1,024	1,139	1,267	1,267	1,307	1,324	1,364	1,364
Total Expenses (3)	864	976	1,047	936	1,020	1,192	1,216	1,240	1,265	1,290	1,316
Net Income Regulatory	327	126	(10)	88	119	75	51	67	59	74	48
Budgeted Positions	11	11	11	11	11	11	11	11	11	11	11
Capital Program	667	4,504	3,245	1,765	2,951	4,310	4,341	4,570	4,376	4,300	3,925
Bond Sales	0	0	0	0	0	0	0	0	0	0	0
Net Plant (12/31)	29,718	30,569	29,194	27,897	29,564	32,159	35,374	38,706	41,727	44,567	46,932
Utility Revenue Distribution	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (12/31) (4)	4,270	8,663	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted Net Assets (12/31) (5)	N/A	N/A	923	912	942	987	944	945	870	914	871
General Cash Pool	111	225	48	(310)	119	163	120	146	97	178	172
Construction Cash Pool	1,357	(2,162)	623	1,162	762	762	762	762	762	762	762
Bond Redemption Cash	0	0	0	0	0	0	0	0	0	0	0
Total Cash (12/31)	1,468	(1,937)	671	852	881	925	882	908	859	940	934
IGCs from General Government	103	121	154	133	137	144	147	150	153	156	159
MUSA	0	0	0	0	0	60	63	98	66	69	71
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 (6)	0.0%	0.0%	0.0%	0.0%	6.7%	3.1%	0.0%	6.1%	5.3%	5.7%	0.0%
Lease Rate/Square Foot Per Year	0.150	0.150	0.150	0.150	0.160	0.165	0.165	0.175	0.175	0.185	0.185
Tail-In Space Per Month	40	40	40	40	45	47	47	47	50	50	50
Drive-Through Space Per Month	50	50	50	50	55	57	57	57	60	60	60
Performance Trends (1)											
Based Aircraft	888	918	913	910	930	950	960	970	980	980	990
Municipal Tiedowns	574	605	610	610	647	647	647	647	647	647	647
Flight Operations Per Calendar Year	190,527	179,217	184,670	202,278	207,500	212,600	215,800	218,900	222,000	225,200	228,300
National Airport Ranking by Calendar Year	104th	106th	99th	77th	74th	71st	68th	64th	60th	58th	56th

Notes:

(1): 2000-2003 represents actual; 2004-2010 represents projected.

(2): Revenues shown are regulatory in nature and do not include capital grant revenue.

(3): Expenses shown are regulatory in nature and do not include depreciation on assets purchased with funds contributed by other agencies.

(4): With the release of two major accounting pronouncements in the past few years, the manner in which Retained Earnings is reported has been significantly revised. Governmental Accounting Standards Board (GASB) pronouncement 33 required capital grant revenue received to flow into Retained Earnings, hence our substantial increase from 2000 to 2001. GASB 34 then did away with the concept of contributed versus non-contributed capital, which effectively eliminated the account "Retained Earnings" altogether. Note there are no amounts reported for years 2002 forward. See instead the "Net Assets" account at note 5.

(5): As required by GASB 34, the account "Net Assets" was established for years beginning after 2001, which, in accordance with Generally Accepted Accounting Principles (GAAP), includes the effects of such non-regulatory items as capital grant revenue received and depreciation on contributed assets. For the Airport, Net Assets is comprised of two classifications: "Invested in Capital Assets" and "Unrestricted". For 2003, the amount in "Invested in Capital Assets" was \$40,836,732. For all years, the "Unrestricted" amount is shown above.

(6): 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	2004	2005	2006	2007	2008	2009	2010
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

2005 Statement of Revenues and Expenses

	2003 Actual	2004 Proforma	2005 Budget
Operating Revenue			
Airport Lease Fees	430,998	455,000	477,000
Airport Property Rental	236,922	264,000	279,000
Permanent Parking Fees	232,228	259,000	325,000
Transient Parking Fees	9,562	12,000	14,000
Vehicle Parking	15,391	28,000	31,000
MOA Aviation Fuel Fees	36,764	38,000	50,000
FAA Service Fees and Rent	0	0	0
SOA Aviation Fuel Fees	19,086	21,000	22,000
Medivac Taxiway Fees	27,563	46,000	48,000
Other Revenue	4,363	5,000	4,000
Total Operating Revenue	1,012,877	1,128,000	1,250,000
Operating Expense			
Labor	711,635	734,000	810,000
Supplies	85,255	75,000	71,000
Charges To Others	(413,208)	(386,000)	(401,000)
Charges From Others	133,345	137,000	144,000
Other Services	179,073	187,000	171,000
Other Expenses	48,157	72,000	76,000
Municipal Enterprise Service Assessment	0	0	60,000
Depreciation (see Note)	191,956	201,000	261,000
Total Operating Expense	936,213	1,020,000	1,192,000
Operating Income/(Loss)	76,664	108,000	58,000
Non-Operating Revenue			
Interest Income	7,924	7,000	11,000
Other Revenue	3,424	4,000	6,000
Total Non-Operating Revenue	11,348	11,000	17,000
Non-Operating Expense	0	0	0
Total Non-Operating Expense	0	0	0
Non-Operating Income/(Loss)	11,348	11,000	17,000
Net Income (Regulatory)	88,012	119,000	75,000
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 State and Federal agencies in the form of grants. Also required to be reported in these statements is the receipt of such capital grant Revenue. However, neither the capital grant Revenue received nor the depreciation on the items purchased with such Revenue is reflected in the above financial statement. If these items were included, they would have the effect shown below:			
Adjustments for GAAP			
Capital Grant Revenue	1,475,224	2,700,000	4,000,000
Depreciation of Contributed Assets	(1,105,591)	(1,083,000)	(1,454,000)
Total GAAP Adjustments	369,633	1,617,000	2,546,000
Net Income/(Loss) GAAP	457,645	1,736,000	2,621,000

Merrill Field Airport
2005 Statement of Sources and Uses of Cash

	2003 Actual	2004 Proforma	2005 Budget
Sources of Cash Funds:			
Regulatory net income/(loss)	88,012	119,000	75,000
Non-contributed depreciation	191,956	201,000	261,000
Grants	1,665,622	2,660,000	4,018,500
Other	0	0	0
Total Sources of Cash	1,945,590	2,980,000	4,354,500
Uses of Cash Funds:			
Additions to Plant	1,764,834	2,951,000	4,310,000
Other	0	0	0
Total Uses of Cash	1,764,834	2,951,000	4,310,000
Net Increase (Decrease)	180,756	29,000	44,500
Cash Balance, January 1	670,917	851,673	880,673
Cash Balance, December 31	851,673	880,673	925,173
Detail of Cash Balance			
Equity in General Cash Pool	(310,132)	118,868	163,368
Equity in Construction Cash Pool	1,161,805	761,805	761,805
Total Cash, December 31	851,673	880,673	925,173

Merrill Field Airport

2005 Operating Budget Detail

	2003 Actual	2004 Proforma	2005 Budget
Labor			
Wages	468,146	485,000	555,000
Overtime	21,110	21,000	19,000
Benefits	222,379	228,000	236,000
Subtotal	711,635	734,000	810,000
Supplies			
Office Supplies	9,689	7,000	6,000
Operating Supplies	56,999	51,000	51,000
Repair and Maintenance Supplies	18,567	17,000	14,000
Subtotal	85,255	75,000	71,000
Intragovernmental Charges			
Charges To Others	(413,208)	(386,000)	(401,000)
Charges From Others	133,345	137,000	144,000
Subtotal	(279,863)	(249,000)	(257,000)
Other Services			
Professional Services	31,205	37,000	28,000
Other Contractual Services	25,703	32,000	22,000
Utilities	122,165	118,000	121,000
Subtotal	179,073	187,000	171,000
Other Expenses			
Depreciation/Amortization	1,297,547	1,284,000	1,715,000
Municipal Enterprise Service Assessment	0	0	60,000
Other	48,157	72,000	76,000
Subtotal	1,345,704	1,356,000	1,851,000
Total Expenses	2,041,804	2,103,000	2,646,000

Merrill Field Airport
2005 - 2010 Capital Improvement Budget Financial Summary
(IN 000's)

Project Category	2005	2006	2007	2008	2009	2010	Totals
Apron Improvements	0	100	0	0	100	0	200
Runways and Taxiways	3,805	1,841	0	0	0	0	5,646
Buildings and Equipment	505	50	300	100	4,000	3,725	8,680
Land Improvements	0	0	2,100	0	0	0	2,100
Land Acquisition	0	2,350	2,170	4,276	200	200	9,196
Total CIP Program	\$4,310	\$4,341	\$4,570	\$4,376	\$4,300	\$3,925	\$25,822

Source of Funding	2005	2006	2007	2008	2009	2010	Totals
Bonds	0	0	0	0	0	0	0
Operations	291	265	229	314	215	291	1,605
State Grants	0	0	0	0	0	0	0
Federal Grants	4,019	4,076	4,341	4,062	4,085	3,634	24,217
Total Funding	\$4,310	\$4,341	\$4,570	\$4,376	\$4,300	\$3,925	\$25,822