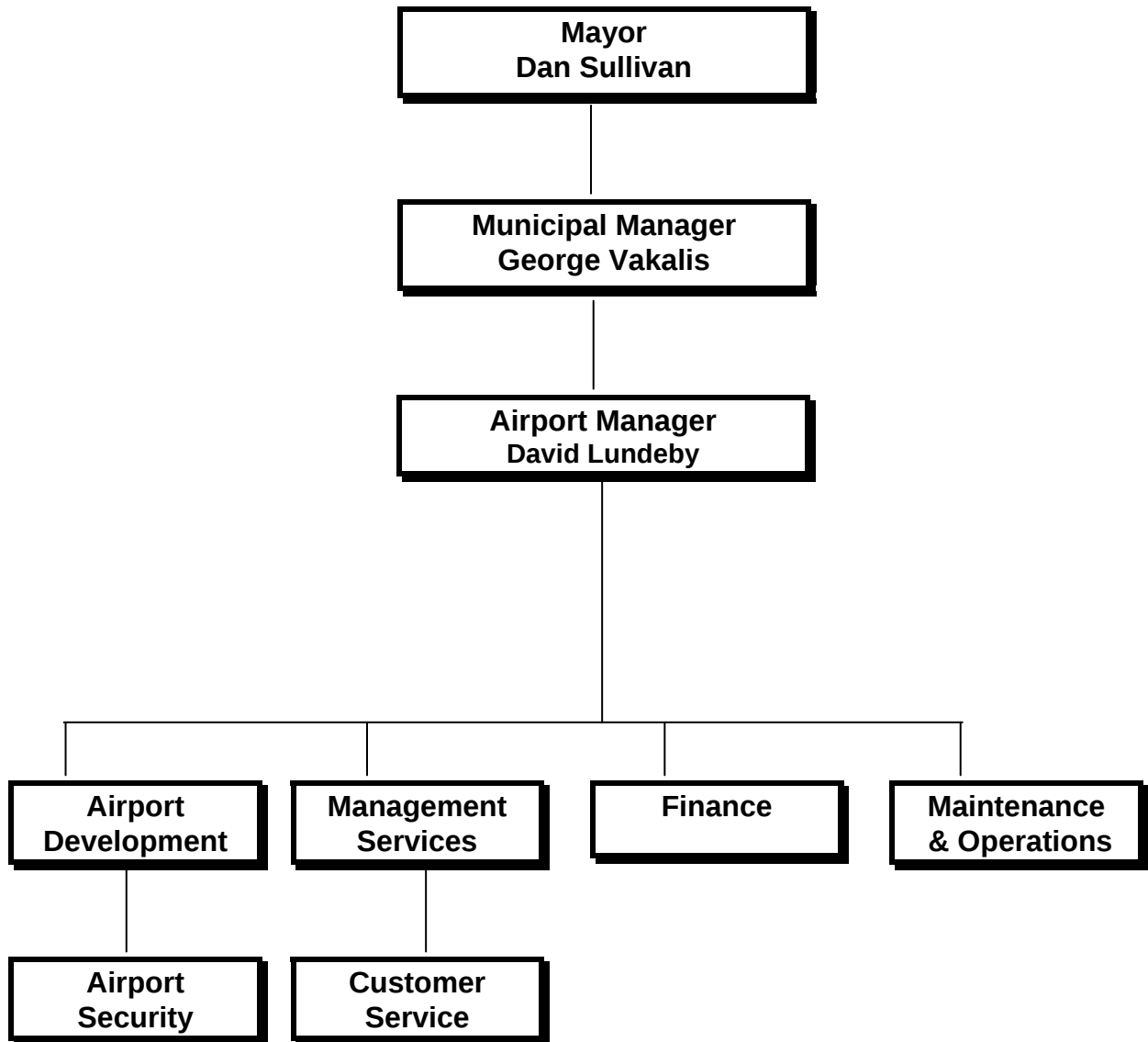


MERRILL FIELD AIRPORT

MERRILL FIELD AIRPORT
ORGANIZATION CHART
2010



MERRILL FIELD AIRPORT

UTILITY PROFILE

2010

ORGANIZATION

Six office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel provide maintenance for 8 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 170,000 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, with many passengers destined for the downtown and mid-town areas, are conveniently served by 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; college courses for aviation degree-seeking students; and direct taxiway connection to local hospital.

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
- 1,243 tiedown spaces; leaseholders manage 648;
 - Municipality manages 544, plus 51 for transient aircraft
- Runway 7/25 length is 4,000 feet; Runway 16/34 length is 2,640 feet;
 - Gravel/Ski Runway 4/22 length is 2,000 feet
- Six taxiways; 102 acres of tiedown aprons
- Control Tower owned and operated by FAA

Eighty Sixth (86th) Busiest Airport in the Nation in 2008

- Hub for intra-Alaska travel
- Located one mile from downtown Anchorage
- General Aviation reliever airport to Ted Stevens Anchorage International Airport
- 865,315 flight operations in Alaska; 171,634 operations (20%) at Merrill Field
- 10,812 registered aircraft in Alaska; 902 (8.4%) based at Merrill Field
- 8,377 certificated pilots in Alaska

Economic Stimulus

- 36 leaseholders lease 3,105,000 square feet of airport property with tenant improvements assessed at \$20,886,119.00
- 12 rental properties
- Approximately 46 aviation related businesses operate on the airport
- 589 transient aircraft stayed a total of 2,737 days last year
- Approximately 618,000 gallons of fuel were sold in 2008

Airport Plant (net of accumulated depreciation) at December 31, 2008 was \$43,908,687.

MERRILL FIELD AIRPORT

BUDGET ASSUMPTIONS

2010

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 2010 Operating and Capital Budgets.

WAGES

Assume wage increases of 2.8% unless a higher minimum is required by labor agreements.

Include a 2.8% increase for Non-Reps as well.

For Executive employees, use the reduced salary numbers that took effect August 17, 2009.

IGCs

Assume no increase for 2010.

INTEREST

For interest income, use 0.25% (one fourth of one percent).

BENEFITS

PERS - Assume a rate of 22% for Executive employees, Non-Reps, and AMEA. For Operating Engineers, use 18%.

Social Security (FICA) - 6.2%

Unemployment Compensation - 0.20%

Leave Cash-Out - 6.69%

Health Benefits

Employee Group	Budget Cost	Monthly Cost
AMEA	\$17,300	\$1,442
Non-Rep/Execs	\$17,300	\$1,442
Operating Engineers	\$13,862	\$1,155

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2010 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.

Since its beginning in the 1930s 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 occasionally 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. Through cooperative efforts of Airport leaseholders and implementation of our Driver Training Program, there has been a dramatic decrease in trespass incidents, from a total of 19 incidents in 2004 down to 4 incidents in 2008. The Federal Aviation Administration has recommended Merrill Field provide physical security as an option to further reduce the level of trespass (the national FAA goal is zero trespass incidents). Physical security would be an additional operating cost for which we are not currently budgeted. Our goal is to increase Airport security through the continued support of the Airport leaseholders and businesses, the Municipality of Anchorage, and the Federal Aviation Administration.

The Glenn Highway expansion project has been and will continue to be a major focus for Merrill Field (construction began summer of 2008 and scheduled for completion summer 2009). The State DOT&PF and the Municipality have executed a Land Exchange Agreement to address the right of way needs for the highway project. As part of the Project, the State DOT&PF needs to acquire Municipal lands that are located adjacent to the Glenn Highway. Merrill Field Airport and Parks & Recreation Department have management authority over the Municipal lands to be acquired. In addition, the Anchorage Fire Department has lands that are to be acquired and transferred to the Airport as part of the Land Exchange Agreement. The State DOT&PF has appraised the value of acquisition and the cost to cure to be \$7,500,000. Approvals to be obtained (over the next 6 months): FAA & FHWA approve the functional replacement of Merrill Field land; FAA approve the release of Merrill Field land; Anchorage Assembly approve the release of Merrill Field land and Parks & Recreation land to the State of Alaska and the transfer of management authority of Anchorage Fire Department land to Merrill Field Airport; Anchorage Assembly approve the acceptance of funds from the State of Alaska.

Merrill Field anticipates the 2011 budget will have increased expenses which will make it necessary to adjust rates at Merrill Field Airport in 2011. Even with lease rates and aircraft parking fees being proposed to increase approximately 6%, regulatory net income would remain below the level necessary to adequately fund the Airport's matching share of its capital program, presenting a challenge which needs to be addressed. The increases would, however, allow the Airport to continue to provide services at the current levels. There are no proposed rate increases for the 2010 budget.

MERRILL FIELD AIRPORT

HIGHLIGHTS AND FUTURE EVENTS

2010

Today, with approximately 170,000 take offs and landings 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 valuable minutes in critical situations and is utilized almost daily.

Merrill Field continues to develop its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities. Over the past five years private development has invested approximately \$15 million in constructing over 150 new aircraft hangars and 3 new office/retail facilities on Municipal Airport leased property. The Administration recently updated Merrill Field's lease terms which resulted in more benefits to the airport leaseholders and makes Merrill Field's leases more competitive with State airport leases.

Federally funded capital improvement projects for 2010 include the reconstruction of the north south runway, aircraft parking apron rehabilitation, and the reconstruction of a major taxiway located on the south side of the airport.

Over the past 20 years, Merrill Field has had a Land Acquisition Program in place to prioritize land acquisitions and building demolitions along the west side of the airport. The primary purpose of this program is to eliminate deviations from Airport design standards within Runway and Taxiway Object Free Areas and Runway Protection Zones and to ensure airport compatible land use. The FAA and the State of Alaska have consistently supported these land purchases to provide the airport the authority to remove existing obstructions and to make available new property for aviation development.

Numerous security improvements 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, taxiway barrier gates, relocation of the mid-field taxiway on runway 7-25, vehicle and pedestrian gate access controls, a public address system, a guided walking trail, area lighting, signage, a closed circuit TV security camera system, a Driver Training Program, and continuing 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 has been a major contributing factor in decreasing unauthorized entries into the aircraft movement areas.

MERRILL FIELD AIRPORT

WORK FORCE PROJECTIONS

DIVISION	2010	2011	2012	2013	2014	2015
Airport Manager	1	1	1	1	1	1
Airport Development	1	1	1	1	1	1
Finance	1	1	1	1	1	1
Management Services	3	3	3	3	3	3
Airport Maintenance Technicians	4	4	4	4	4	4
Subtotal	10	10	10	10	10	10
Part-time/Temporary	3	3	3	3	3	3
Total	13	13	13	13	13	13

MERRILL FIELD AIRPORT

2010 11-YEAR OPERATING BUDGET SUMMARY (\$000s)

	Actual				Proforma		Budget	Forecast				
	2005	2006	2007	2008	2009	2010		2011	2012	2013	2014	2015
FINANCIAL OVERVIEW(1)												
Total Revenues(2)	\$1,218	\$1,359	\$1,383	\$1,493	\$1,397	\$1,410		\$1,467	\$1,467	\$1,467	\$1,524	\$1,524
Total Expenses(3)	\$1,182	\$1,377	\$1,403	\$1,453	\$1,350	\$1,389		\$1,427	\$1,442	\$1,456	\$1,471	\$1,485
Net Income Regulatory	\$36	(\$18)	(\$20)	\$40	\$47	\$21		\$40	\$25	\$11	\$53	\$39
Budgeted Positions	10	10	10	10	10	10		10	10	10	10	10
Capital Program	\$3,535	\$959	\$5,451	\$2,805	\$7,999	\$4,730		\$4,240	\$4,420	\$4,330	\$4,380	\$4,950
Bond Sales	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Net Plant (12/31)	\$36,000	\$38,618	\$45,361	\$43,909	\$49,856	\$52,491		\$54,379	\$56,363	\$58,168	\$59,942	\$62,207
Utility Revenue Distribution	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Unrestricted Net Assets (12/31)(4)	\$1,048	\$1,423	\$751	\$1,238	\$1,145	\$970		\$929	\$967	\$862	\$947	\$854
General Cash Pool	(\$277)	(\$383)	(\$474)	(\$691)	(\$785)	(\$960)		(\$1,001)	(\$742)	(\$709)	(\$405)	(\$467)
Construction Cash Pool	(\$507)	\$1,550	\$1,574	\$1,794	\$1,794	\$1,794		\$1,794	\$1,794	\$1,794	\$1,794	\$1,794
Bond Redemption Cash	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Total Cash (12/31)	(\$784)	\$1,167	\$1,100	\$1,103	\$1,009	\$834		\$793	\$1,052	\$1,085	\$1,389	\$1,327
IGCs from General Government	\$142	\$154	\$193	\$188	\$197	\$197		\$201	\$206	\$211	\$216	\$221
Municipal Enterprise Service Assessment	\$11	\$14	\$24	\$35	\$36	\$39		\$39	\$41	\$42	\$44	\$45
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(5)	11.1%	0.0%	6.3%	0.0%	0.0%	0.0%		5.9%	0.0%	0.0%	5.6%	0.0%
Lease Rate/Square Foot Per Year	\$0.160	\$0.160	\$0.170	\$0.170	\$0.170	\$0.170		\$0.180	\$0.180	\$0.180	\$0.190	\$0.190
Tail-In Space Per Month	\$50	\$50	\$55	\$55	\$55	\$55		\$60	\$60	\$60	\$65	\$65
Drive-Through Space Per Month	\$60	\$60	\$65	\$65	\$65	\$65		\$70	\$70	\$70	\$75	\$75
PERFORMANCE TRENDS (1)												
Based Aircraft	933	943	910	892	902	904		906	908	910	912	914
Municipal Tiedowns	607	607	644	587	587	587		587	587	587	587	587
Flight Operations Per Calendar Year	190,816	187,798	174,848	171,634	175,067	178,568		182,139	185,782	189,498	193,288	197,154
National Airport Ranking by Calendar Year	84th	86th	91st	86th	85th	83rd		82nd	80th	79th	77th	76th

Notes:

- (1): 2005-2008 represents actual; 2009-2015 represents projected.
- (2): Revenues shown are regulatory in nature. Capital grant revenue is not included.
- (3): Expenses shown are regulatory in nature. Depreciation on assets purchased with funds contributed by other agencies is not included here, but is included in the annual budget appropriation. For 2010, the budgeted expense appropriation is \$3,301,000.
- (4): For the Airport, Net Assets is comprised of two classifications: "Invested in Capital Assets" and "Unrestricted". Only the "Unrestricted" amount is shown above.
- (5): 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
2010 STATEMENT OF REVENUES AND EXPENSES

	2008 Actual Data	2009 Pro- Forma	2010 Budget Request
OPERATING REVENUE			
Airport Lease Fees	523,671	550,000	550,000
Airport Property Rental	403,183	403,000	409,000
Permanent Parking Fees	285,334	295,000	305,000
Transient Parking Fees	13,984	14,000	14,000
Vehicle Parking	20,716	20,000	20,000
MOA Aviation Fuel Fees	38,861	38,000	38,000
SOA Aviation Fuel Fees	15,475	16,000	16,000
Medivac Taxiway Fees	47,520	48,000	48,000
Other Revenue	1,418	2,000	4,000
TOTAL OPERATING REVENUE	1,350,162	1,386,000	1,404,000
OPERATING EXPENSE			
Labor	1,039,879	1,069,000	1,085,000
Supplies	102,289	102,000	110,000
Charges To Others	(419,816)	(457,000)	(487,000)
Charges From Others	187,992	197,000	197,000
Other Services	60,509	61,000	66,000
Other Expenses	251,411	192,000	196,000
Municipal Enterprise Service Assessment	34,503	36,000	39,000
Depreciation (see Note)	2,015,427	2,052,000	2,095,000
TOTAL OPERATING EXPENSE	3,272,194	3,252,000	3,301,000
OPERATING INCOME/(LOSS)	(1,922,032)	(1,866,000)	(1,897,000)
NON-OPERATING REVENUE			
Capital Grant Revenue (see Note)	3,056,212	7,709,000	4,351,000
Interest Income	17,917	2,000	2,000
Other Revenue	124,423	9,000	4,000
TOTAL NON-OPER REVENUE	3,198,552	7,720,000	4,357,000
NON-OPERATING EXPENSE	0	0	0
TOTAL NON-OPER EXPENSE	0	0	0
NON-OPERATING INCOME/(LOSS)	3,198,552	7,720,000	4,357,000
NET INCOME/(LOSS)	1,276,520	5,854,000	2,460,000
Note: The section of the financial statement above reports all activity of the Airport as required by Generally Accepted Accounting Principles (GAAP). As such, it includes depreciation not only on items purchased with its own funds, but also on those items purchased with funds contributed by State and Federal agencies in the form of grants. Also Included is the receipt of such capital grant revenue. However, neither the capital grant revenue received nor the depreciation on the items purchased with this revenue is considered "regulatory" activity. If these items were excluded, they would have the effect shown below:			
ADJUSTMENTS FOR GAAP			
Capital Grant Revenue	(3,056,212)	(7,709,000)	(4,351,000)
Depreciation of Contributed Assets	1,819,682	1,902,000	1,912,000
TOTAL GAAP ADJUSTMENTS	(1,236,530)	(5,807,000)	(2,439,000)
REGULATORY NET INCOME/(LOSS)	39,990	47,000	21,000

MERRILL FIELD AIRPORT
2010 STATEMENT OF SOURCES AND USES OF CASH

	2008 Actual Data	2009 Pro- forma	2010 Budget Request
SOURCES OF CASH FUNDS:			
Regulatory net income/(loss)	39,990	47,000	21,000
Non-contributed depreciation	195,745	150,000	183,000
Grants	3,204,234	7,709,000	4,351,000
TOTAL SOURCES OF CASH	3,439,969	7,906,000	4,555,000
USES OF CASH FUNDS:			
Additions to Plant/CWIP	3,020,084	7,999,468	4,730,000
Investment and Other Non-Oper Losses	90,626	-	-
TOTAL USES OF CASH	3,110,710	7,999,468	4,730,000
NET INCREASE (DECREASE)	329,259	(93,468)	(175,000)
CASH BALANCE, JANUARY 1	773,602	1,102,861	1,009,393
CASH BALANCE, DECEMBER 31	\$ 1,102,861	\$ 1,009,393	\$ 834,393
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	(691,489)	(784,957)	(959,957)
Equity in Construction Cash Pool	1,794,350	1,794,350	1,794,350
TOTAL CASH, DECEMBER 31	\$ 1,102,861	\$ 1,009,393	\$ 834,393

MERRILL FIELD AIRPORT
2010 OPERATING BUDGET DETAIL

	2008 Actual Data	2009 Pro- forma	2010 Budget Request
LABOR			
Wages	598,367	615,000	624,000
Overtime	18,158	19,000	19,000
Leave	86,920	88,000	90,000
Benefits	336,434	347,000	352,000
Subtotal	1,039,879	1,069,000	1,085,000
SUPPLIES			
Office Supplies	6,260	7,000	7,000
Operating Supplies	75,647	75,000	83,000
Repair and Maintenance Supplies	20,382	20,000	20,000
Subtotal	102,289	102,000	110,000
INTRAGOVERNMENTAL CHARGES			
Charges To Others	(419,816)	(457,000)	(487,000)
Charges From Others	187,992	197,000	197,000
Subtotal	(231,824)	(260,000)	(290,000)
OTHER SERVICES			
Professional Services	37,557	33,000	33,000
Other Contractual Services	22,952	28,000	33,000
Subtotal	60,509	61,000	66,000
OTHER EXPENSES			
Depreciation/Amortization	2,015,427	2,052,000	2,095,000
Utilities	173,552	123,000	129,000
Municipal Enterprise Service Assessment	34,503	36,000	39,000
Other	77,859	69,000	67,000
Subtotal	2,301,341	2,280,000	2,330,000
TOTAL EXPENSES	3,272,194	3,252,000	3,301,000

MERRILL FIELD AIRPORT
2010 - 2015 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY
 (IN 000s)

PROJECT CATEGORY	2010	2011	2012	2013	2014	2015	TOTALS
Apron Improvements	0	0	0	3,400	1,800	0	5,200
Runways and Taxiways	3,900	1,960	1,960	0	0	3,380	11,200
Buildings and Equipment	830	880	680	930	0	150	3,470
Land Improvements	0	1,400	1,780	0	2,580	1,420	7,180
Land Acquisition	0	0	0	0	0	0	0
TOTAL CIP PROGRAM	\$4,730	\$4,240	\$4,420	\$4,330	\$4,380	\$4,950	\$27,050

SOURCE OF FUNDING	2010	2011	2012	2013	2014	2015	TOTALS
Bonds	0	0	0	0	0	0	0
Operations	379	307	221	359	219	390	1,875
State Grants	0	0	0	0	0	0	0
Federal Grants	4,351	3,933	4,199	3,971	4,161	4,560	25,175
TOTAL FUNDING	\$4,730	\$4,240	\$4,420	\$4,330	\$4,380	\$4,950	\$27,050