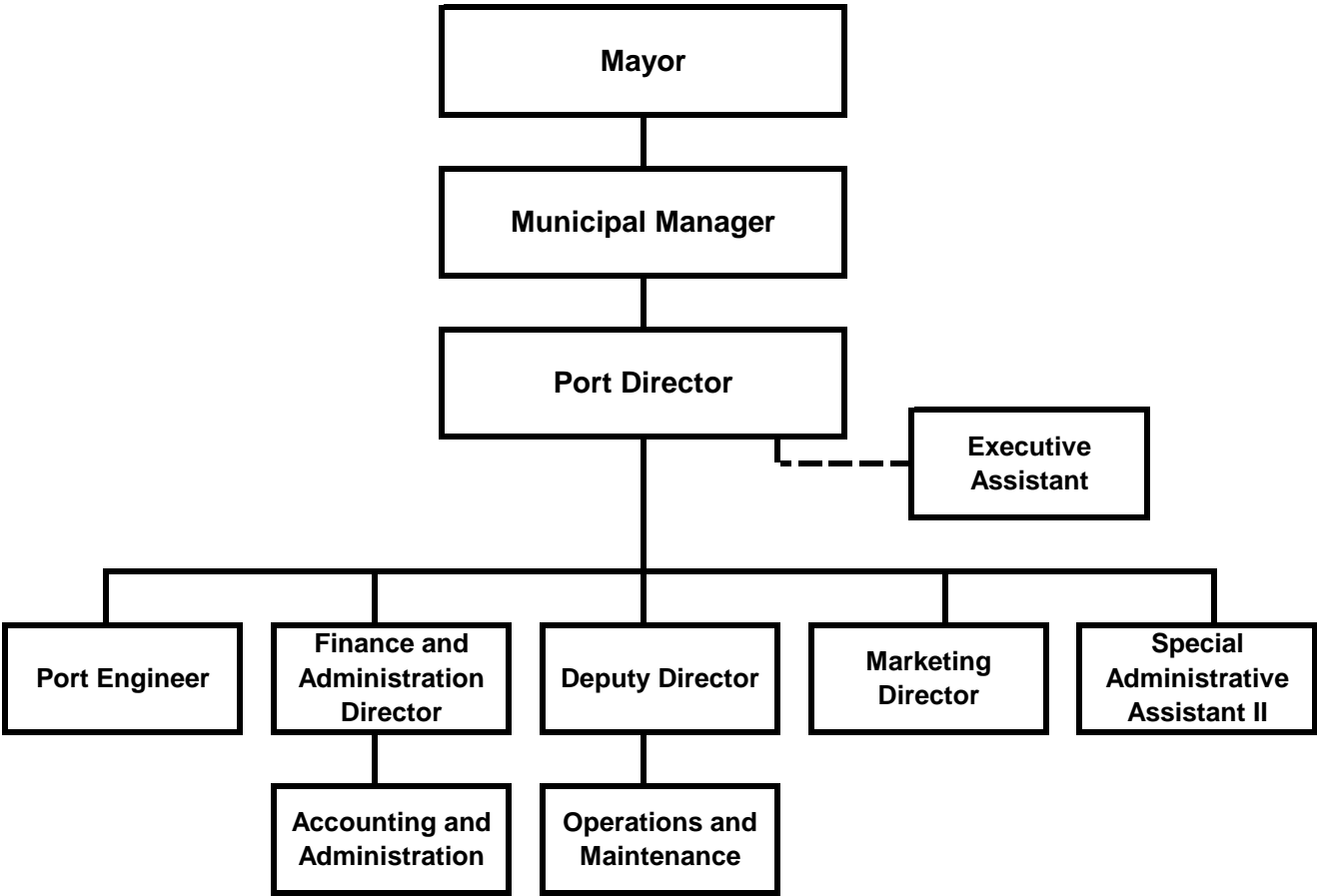


Port of Anchorage



Port of Anchorage
8 Year Summary
(\$ in thousands)

Financial Overview	2012 Actuals	2013 Proforma	2014 Budget	2015	2016	2017	2018	2019
				Forecast				
Revenues	12,063	12,116	12,288	12,595	13,910	14,119	14,331	14,545
Expenses	12,374	16,786	14,504	14,084	14,648	15,087	15,389	15,543
Net Income(Loss)	(311)	(4,670)	(2,216)	(1,489)	(737)	(968)	(1,058)	(997)
Depreciation	3,994	4,516	4,516	4,516	4,607	5,250	7,350	7,450
Available to Service Debt	3,683	(154)	2,300	3,027	3,870	4,282	6,292	6,453
Budgeted Positions	23	23	23	23	23	23	23	23
Capital Program	79,810	54,550	255,172	5,298	5,430	5,568	5,710	5,858
Short Term Debt (**)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Net Plant (12/31)	25,771	25,796	27,796	29,796	30,551	30,551	30,551	30,551
MESA	516	673	673	675	710	746	776	779
Total Net Assets	74,747	79,200	81,200	83,200	83,955	83,955	83,955	83,955
General Cash Pool	10,466	10,312	8,912	5,939	4,809	3,090	382	10,000
Construction Cash Pool	7,882	12,755	10,755	8,755	8,000	8,000	8,000	8,000
Bond & Other Loan Reserve Cash	-	-	-	-	-	-	-	-
Total Cash	18,348	23,067	19,667	14,694	12,809	11,090	8,382	18,000
IGC's - General Government	398	708	793	556	456	479	503	528
Total Outstanding Debt 12/31 - (Short Term Debt)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Debt Service - Cm'l Paper Cost - Capitalized	-	-	-	-	-	-	-	-
Debt Service Coverage (Short Term Note Interest)	745	788	456	456	456	456	456	456
Debt/Equity Ratio (12/31)	0.20	0.20	0.21	0.21	0.21	0.22	0.22	0.22
Tariff Wharfage Rates (01/11):**								
1250 Petroleum, Bulk / Barrel	\$0.135	\$0.135	\$0.135	\$0.135	\$0.135	\$0.149	\$0.149	\$0.149
1250 Cement, Bulk / Ton	\$1.37	\$1.37	\$1.37	\$1.37	\$1.37	\$1.51	\$1.51	\$1.51
Statistical/Performance Trends								
Tonnage (in thousands)	3,754	3,407	3,458	3,510	3,676	3,731	3,787	3,844
Operating Revenue/Ton	3.08	3.53	3.56	3.37	3.35	3.41	3.43	3.41

**Tariff Review to be completed in Fall 2013 and tariff rates may change in 2014 upon Commission and Assembly approval.

Port of Anchorage

2014 Statement of Revenues and Expenses

	2012 Actuals	2013 Proforma	2013 Revised	2014 Proposed	14 v 13 % Change
Operating revenue					
Dock Revenue	5,382,979	5,780,898	5,780,898	5,791,810	0.2%
Industrial Park Revenue	4,138,599	4,142,836	4,142,836	4,242,599	2.4%
Other Operating Revenue	693,289	805,824	805,824	550,204	-31.7%
Total Operating Revenue	10,214,867	10,729,558	10,729,558	10,584,613	-1.4%
Non Operating Revenue					
Interest Income (Loss)	361,027	(116,850)	342,292	200,000	-41.6%
Pipeline Right-of-Way Fee	146,599	134,000	134,000	134,000	0.0%
Gain / Loss - Disposal of Property	-	-	-	-	0.0%
Miscellaneous Non-Operating Revenue	1,340,280	1,369,725	1,369,725	1,369,725	0.0%
Other Non-Operating Revenue	-	-	-	-	0.0%
Total Non Operating Revenue	1,847,906	1,386,875	1,846,017	1,703,725	-7.7%
Total Revenue	12,062,773	12,116,433	12,575,575	12,288,338	-2.3%
Operating Expenses					
Labor					
Labor and Benefits	2,349,225	2,664,220	2,652,382	2,733,624	3.1%
Overtime	90,740	87,182	68,040	68,040	0.0%
Total Labor	2,439,965	2,751,402	2,720,422	2,801,664	3.0%
Non Labor					
Non Labor	4,268,219	7,319,069	5,600,049	5,234,047	-6.5%
Travel	12,231	30,000	30,000	30,000	0.0%
Transfers (MUSA and gross receipts)	516,409	672,974	672,975	672,975	0.0%
Depreciation and Amortization	3,994,110	4,515,597	4,515,597	4,515,598	0.0%
Total Non Labor	8,790,969	12,537,640	10,818,621	10,452,620	-3.4%
Total Direct Cost	11,230,934	15,289,042	13,539,043	13,254,284	-2.1%
Charges from other departments	398,176	708,584	708,585	793,488	12.0%
Total Operating Expense	11,629,110	15,997,626	14,247,628	14,047,772	-1.4%
Non Operating Expense					
Financing Costs on Short-Term Obligations	744,704	788,560	788,560	456,400	-42.1%
Other Non-operating Expense	-	-	-	-	0.0%
Total Non Operating Expense	744,704	788,560	788,560	456,400	-42.1%
Total Expenses (Function Cost)	12,373,814	16,786,186	15,036,188	14,504,172	-3.5%
Net Income	(311,041)	(4,669,753)	(2,460,613)	(2,215,834)	-9.9%
Appropriation					
Total Expenses				14,504,172	
Less: Non Cash items					
Depreciation and Amortization				4,515,598	
Other Non-operating Expense				-	
Total Non-Cash				4,515,598	
Amount to be Appropriated (Cash Expenses)				9,988,574	

Port of Anchorage Reconciliation from 2013 Revised Budget to 2014 Proposed Budget

		Positions		
	Appropriation	FT	PT	T
2013 Revised Budget	10,520,589	21	2	-
Transfers (to)/from Other Agencies				
- Transfers to/from others	84,903	-	-	-
Changes in Existing Programs/Funding for 2014				
- Salary and benefits adjustments	81,242	-	-	-
2014 Continuation Level	10,686,734	21	2	-
2014 Proposed Budget Changes				
- Reduction to Repairs & Maintenance Contracted and Advertising	(160,000)	-	-	-
- Reduction to Professional Services	(242,000)	-	-	-
- Increase to Utility Services	36,000	-	-	-
- Financing Costs on short-term debt	(332,160)	-	-	-
2014 Proposed Budget	9,988,574	21	2	-

Port of Anchorage
2014 - 2019 Capital Improvement Program
(in thousands)

Project Category	2014	2015	2016	2017	2018	2019	Total
Port Expansion	251,500	2,000	2,000	2,000	2,000	2,000	261,500
Port Security	500	-	-	-	-	-	500
Wharf Pile Enhancements	3,172	3,298	3,430	3,568	3,710	3,858	21,036
Total	255,172	5,298	5,430	5,568	5,710	5,858	283,036

Funding Source	2014	2015	2016	2017	2018	2019	Total
State/Fed Grants	252,000	2,000	2,000	2,000	2,000	2,000	262,000
Equity/Operations	3,172	3,298	3,430	3,568	3,710	3,858	21,036
Total	255,172	5,298	5,430	5,568	5,710	5,858	283,036

Port of Anchorage
2014 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
Port Expansion	-	251,500	-	251,500
Port Security	-	500	-	500
Wharf Pile Enhancements	-	-	3,172	3,172
Total	-	252,000	3,172	255,172

Port of Anchorage Statement of Cash Sources and Uses

	2012 Actual	2013 Proforma	2014 Budget
Sources of Cash Funds			
Net Cash by Operating Activities	4,746,714	2,054,584	2,389,599
Bonds and Commercial Paper	-	-	-
Interest	372,653	(116,850)	116,850
Grant Proceeds/Capital Contributions	1,828,362	1,828,362	1,828,362
Principal Payments, Financing Leases	-	-	-
Total Sources of Cash Funds	6,947,729	3,766,096	4,334,811
Uses of Cash Funds			
Additions to Plant	3,223,388	3,310,823	2,310,823
Contributions to other Funds/MESA	516,409	672,974	672,974
Financing Costs	744,704	744,704	456,400
Total Uses of Cash Funds	4,484,501	4,728,501	3,440,197
Net Increase (Decrease) in Cash Funds	2,463,228	(962,405)	894,614
Cash Balance, January 1	15,884,616	18,347,844	17,385,439
Cash Balance, December 31	18,347,844	17,385,439	18,280,053
Detail of Cash and Investment Funds			
Equity in General Cash Pool	10,465,695	5,630,038	7,430,038
Equity in Construction Cash Pool	7,882,149	11,755,401	10,850,015
Revenue Bond Maintenance Reserve	-	-	-
Cash Balance, December 31	18,347,844	17,385,439	18,280,053

Port of Anchorage Workforce Projections

Division	2012	2013	2014	2015	2016	2017	2018	2019
Administrative / Engineering	10	9	9	9	9	9	9	9
Operations / Maintenance	12	12	12	12	12	12	12	12
Total full time	22	21	21	21	21	21	21	21
Part Time / Temporary	1	2	2	2	2	2	2	2
Total Positions	23	23	23	23	23	23	23	23
Total FTE	22.5	22.0	22.0	22.0	22.0	22.0	22.0	22.0

About Port of Anchorage

History

The Port of Anchorage commenced operation in September 1961, with a single berth. In its first year of operation, 38,000 tons of cargo crossed the Port's dock. On average, around four (4) million tons passes over the dock every year, equating to about 250,000 commercial truck trips through Port property. The Port of Anchorage is a major economic engine and one of the strongest links in the Alaska transportation chain. This chain enables residents statewide from Cordova to Barrow to take full advantage of the benefits of inexpensive waterborne commerce through this regional Port. The Port and its stakeholder's have maintained a notable safety record throughout the five (5) decades the Port has been in operation. The Port is one (1) of only 19 nationally designated Department of Defense strategic seaports.

The Port of Anchorage's Port Intermodal Expansion Project (PIEP) was started in 2003 to address the congestion and constraints that demand has placed on this important transportation and freight facility, and to replace the deteriorating dock structures that have reached their original design life and are not built to current engineering standards for operational and seismic performance.

The Project was revised to focus on the North Extension in 2011. The overarching goal of the PIEP is to cost effectively complete the expansion and construction of facilities to meet projected facility requirements and without interruption of commercial operations. Completion of the North Extension is critical to achieving this goal. Once completed, container ships, break bulk vessels, cruise ships, and barges will be able to use the North Extension facilities, which will allow the Port of Anchorage to replace or redevelop the current berthing facilities.

Physical Plant

Real Estate: 128 acres of developed uplands
 65 acres currently under construction
 48 acres of newly acquired land from JBER
 400 acres of economically developable tidelands to the north and south of
 the existing Industrial Park and dock area
 1,000 acres of submerged lands offshore from tidelands holdings
 1,641 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 feet 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
- One dry barge berth, available Spring through Fall, and 15 acres of uplands for any type commodity movement

Cargo Handling Equipment:

- Rail mounted, electric Container Cranes:

- (2) 30 ton and (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.

Services

Approximately 90% of the merchandise goods and foodstuffs sold within the Railbelt and beyond (85% of the State's population) move through the Port of Anchorage on an annual basis. Container service is available twice a week from the Port of Tacoma through two domestic ocean carriers. Bulk shipments, both domestic and foreign, involve imports of basic commodities such as cement, refined petroleum products and construction materials. The Port of Anchorage, due to its strategic global position and close proximity to neighboring military bases, Joint Base Elmendorf-Richardson and Fort Wainwright are key transportation nodes for Department of Defense concerning mobilization planning, shipping/transporting of jet fuel and other related petroleum products and bulk cargo for military use. The Port serves as the primary export facility for the largest petroleum refinery in Alaska, located in North Pole, and facilitates in the delivery of refined petroleum products from the State's other refineries.

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 (7) sites totaling some 1,000 acres located at the Port of Anchorage, Anchorage International Airport and at five (5) 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. 7 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the five (5) year Preferential Usage Agreements' charges require initial approval by the Anchorage Port Commission, and are subject to final approval by the Anchorage Municipal Assembly.

Port Industrial Park Revenue is derived from long-term leases of properties in the 220-acre 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 National Environmental Policy Act (NEPA), Clean Water Act, Clean Air Act, National Pollution Discharge Elimination System (NPDES), The Marine Mammal Protection Act (MMPA), Endangered Species Act and Coastal Zone Management Plan.

Port Safety Security and Emergency Preparedness

Because the Port is a lifeline to the state of Alaska, safety, security and emergency preparedness are key parts of Port operations. Threats of natural disasters, accidents, or

terrorist potentially disrupting the commerce and fuel supplies for 85% of the state is not taken lightly, the Port is continuing its efforts to prevent and minimize these threats as well as establishing recovery procedures. These efforts are done in conjunction with the Port Stakeholders, MOA, state and federal agencies. The Port is currently undergoing security upgrades via a federal port security grant, continues to work with its stakeholders on action plans and upgrades to reduce accident rates along with drilling for disasters with that could potentially shut down Port operations for a time.

Port of Anchorage Organizational Overview

The Port of Anchorage is organized into the following functional areas: Administration, Finance, Port Operations and Maintenance, Engineering, Marketing & Public Affairs. The head of each functional area reports directly to the Port Director. The Special Assistant for Grants and Special Projects (currently vacant) also reports to the Port Director.

Administration and Finance

Under the direction of the Finance and Administration Director, this responsibility entails day-to-day business functions and support to the Port Director and other Port staff. Functions carried out by the Administrative and Finance section include: telephone switchboard/receptionist duties, accounts payable & receivable, financial management and analysis of reports and budgets to Port staff, Commission, the Administration, Assembly, State Legislature and financial agencies. The finance section also is responsible for real estate management, grant management, financial forecasting and modeling, yearly operating and Capital Improvement Plan budget submissions and ensuring compliance, as well as other situational fiscal analysis as required.

Port Operations and Maintenance

Under the direction of the Deputy Port Director, Operations and Maintenance functions include management of vessel scheduling, movements and dockside activities, general upkeep and operation of the facilities, infrastructure, equipment and security. This includes the upkeep and day-to-day management of all municipally-owned infrastructure, roads, and docks. Maintenance is also responsible for the dredging and upkeep of the Ship Creek Boat Launch. Further, the Port's Operations Manager also serves in the role of Facility Security Officer, in which he oversees the contract for port security forces.

Engineering

Under the direction of the Port Engineer, Engineering is responsible for the capital improvement program, to include managing the Port's engineering services contract, and for execution of all FEMA port security grant program funds. Recently, the Port Engineer has been given responsibility to serve as the Port's technical representative for all matters related to the ongoing Intermodal expansion project.

Marketing & Public Affairs

The Marketing & Public Affairs Director is responsible for all media advertising, coordinating public outreach and media/press relations and any major events involving public participation. Functions include management of website and social media presence, coordinating all public speaking engagements, coordinating all port tours for both businesses and the public, and interfacing with the public and all media for information inquiries and public comments.

Port of Anchorage Business Plan

Mission

Provide a modern, safe and efficient facility to support the movement of goods throughout the State of Alaska.

Core Services

The Port of Anchorage is a landlord port committed to providing safe, efficient, and dependable facilities and support services to our private and public sector customers. We are responsible for maintaining and operating all of the land, docks and municipal buildings that encompass the Port of Anchorage.

Direct Services

- Provide year round access to suitable terminals and docks for movement of containers, dry bulk cargo and liquid bulk cargo to include petroleum products.
- Plan, develop and operate facilities to accommodate market growth and modernization.
- Schedule all vessels that call on the Port.
- Provide centralized Port and tenant security services and emergency management leadership.
- As a landlord port, manage short term permits (revocable use permits) and long term leases of land, buildings.
- Maintain and ensure uninterrupted 24/7/365 availability of Port owned facilities.
- Ensure environmental quality of the land within the Port boundaries
- Assess and manage the collection of all tariffs and user fees associated with vessels calling on the Port and land tenant operations.
- Manage the Foreign Trade Zone (FTZ) and all FTZ applicants.
- Coordinate U.S. Army Corps of Engineers dredging of channel, turning basin and dock face dredging to provide for safe commerce.
- Host official U.S. Navy, U.S. Coast Guard, NOAA, foreign navy and arctic research vessels on behalf of the Municipality of Anchorage.

Goals

- Provide Port operating expertise and management to the Port Intermodal Expansion Project (PIEP) with the Port Director serving on the PIEP Executive Committee and the Port Engineer serving as Project Administrator.
- Plan for future facility and service needs of business and public entity customers.
- Conduct periodic facility condition surveys to anticipate age-related challenges and to ensure uninterrupted operations and safety.
- Maintain affordable and competitive tariff rates sufficient to cover operating and capital requirements.
- Provide a safe work environment for both employees and tenants.
- Maintain financially sound operating ratios.
- Deliver accurate and timely billing of tenants and customers.

- Provide required level of Port Security under US Coast Guard/Homeland Security directives through a consortium of private tenants and the Port.

Performance Measures

Progress in achieving goals will be measured by:

Measure #1: Over time hours and pay compared to base compensation for current vs prior year.

Measure #2: Operating Net Income YTD for current vs prior year.

Measure #3: Reportable incidents for current vs prior year (# of incidents, loss of time & cost).

Port of Anchorage

Anchorage: Performance. Value. Results.

Mission

Maintain the quality of the Port's infrastructure to meet the needs of our customers and ensure safe and modern infrastructure for the timely delivery of consumer goods and commercial cargo.

Core Services

- Provide Port users with marine terminals and staging yards free of defects.
- Provide Port petroleum terminal operators with an operable and efficient valve yard and petroleum docks.
- Provide clean and safe roads and transfer yards for use by commercial and port-based vehicles.

Accomplishment Goals

- Repair and replace damaged fender panels and repair deteriorated dock piles.
- Maintain valve yard valves and piping through scheduled inspections and timely maintenance.
- Inspect dock surface and common areas to ensure cranes, equipment and personnel can operate with minimal threat of damage.
- Effectively oversee management of the cost and schedule associated with the Port of Anchorage Intermodal Expansion Project (PIEP).

Performance Measures

Progress in achieving goals will be measured by the following:

Measure #1: Over time hours and pay compared to base compensation for current vs prior year.

	<u>2012</u>	<u>2013</u>
Total Hours	1,625	1,154
Total Cost	\$63,438	\$41,058

Measures #2: Operating Net Income YTD for current vs prior year.

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>%Growth</u>
Net Operating Income	\$ 276,019	\$ 629,686	128%
Total Cash Flow	\$2,529,284	\$2,315,870	-8%

Measures #3: Reportable incidents for current vs prior year (# of incidents, loss of time & cost)

	<u>2012</u>	<u>2013</u>
# of Incidents	1	0
Loss of Time	45 Days	0
Cost	\$20,938	\$ 0

Port of Anchorage Highlights and Future Events

Port Intermodal Expansion Program (PIEP)

The Port of Anchorage's Port Intermodal Expansion Project (PIEP) was started in 2003 to address the congestion and constraints that demand has placed on this important transportation and freight facility, and to replace the deteriorating dock structures that have reached their original design life and are not built to current engineering standards for operational and seismic performance.

As a consequence of reduced availability of federal grant funds, the Project was revised in 2011 to focus on the North Extension, and recently reconfigured to include consideration of general cargo docks. The overarching goal of the PIEP is to cost effectively complete the expansion and construction of facilities to meet projected facility requirements and without interruption of commercial operations. Completion of the Project is critical to achieving this goal. Once completed, container ships, break bulk vessels, cruise ships, and barges will be able to operate with right sized and modern facilities.

Port of Anchorage Business Plan

The Port of Anchorage **Business Plan**, scheduled for completion in December, 2013 will define and update forecasted business opportunities for Port of Anchorage facilities in 2014-2024. The Plan will identify what infrastructure the Port needs to complete to accommodate forecasted new business.

Ongoing Facility Maintenance

To ensure the Port can meet its commitment to offer continued operational capacity for Port customers while new facilities are in design and construction and for those facilities not included in early phases of long range improvements, the Port's engineering analyses indicate the need to accelerate dock repair and preservation in 2014.

Fuel Farm and Leasehold Expansion

In 2014 a planned fuel farm is anticipated to be designed and permitted for a site leased in 2013 by a new private lessee. Completion of construction is planned by 2015.

Existing tenants are anticipated to require larger footprints to accommodate expanding market requirements.

Negotiations are anticipated to be completed for a lease of adjacent Joint Base Elmendorf Richardson property if needed for future lay down area.

Port of Anchorage External Impacts

Port Intermodal Expansion Program (PIEP)

The Port has initiated a program of ongoing, extensive efforts to secure project funding through a combination of federal, state, and local government funding as well as public private financial partnerships. Started in 2003, this Port expansion will occur incrementally over several periods. The Capital Improvement project provides for flexibility in sequencing for the PIEP as funding becomes available for project development and construction activities.

The PIEP has four primary objectives: 1) replace or rehabilitate deteriorated infrastructure; 2) stimulate economic development for the Municipality and the region by providing new marine and landside transportation system improvements; 3) fully accommodate existing customer requirements without interruption; and 4), accommodate growth and demand for Port services, especially with respect to potential new customers and the new generation of vessels anticipated to call at the Port.

The PIEP has received the support of Congress in receiving funds through the Department of Defense, the Federal Highway Administration and the Federal Transportation Administration in the total amount of \$138.6 million dollars. In addition to federal funds the Port has received \$151.2 million in grant funds from the State of Alaska and has set aside or contributed \$72 million in Port earnings as contributory / matching funds for federal appropriations.

External Factors

1. Continued development and infrastructure replacement at North Slope, offshore, and Cook Inlet oil and gas fields, including potential construction of a pipeline to tidewater for LNG export.
2. Emergence of a market for LNG/CNG fueling to serve natural gas powered vessels due to environmental regulation and increased supply of natural gas in Cook Inlet.
3. Use of the Port of Anchorage as a hub to serve Alaskan communities and industrial activity that were formerly served by Puget Sound hubs.
4. Unpredictable petroleum activity from Alaskan refineries.
5. Increased jet fuel requirements from Ted Stevens Anchorage International Airport and increasing fuel deliveries by tanker from interstate and foreign sources.
6. Demand for newly developed Port industrial land.
7. Designation of the Port of Anchorage as one of 19 Department of Defense National Strategic Seaports, resulting in higher utilization of the Port for military deployments and logistics
8. Utilization of a new wet barge berth and a new dry barge berth.
9. Landside and waterside access to the Port, including road access associated with the proposed Cook Inlet crossing.
10. Declining availability of Federal funding sources and availability of State funding.
11. Unpredictable terrorist events affecting implementation of Department of Homeland Security laws and regulations.
12. Climate change and the impacts from new polar shipping lanes.

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