Municipality of Anchorage

2016 Proposed
Municipal Utilities / Enterprise Activity
Anchorage Community Development Authority
Operating and Capital Budgets

Ethan Berkowitz, Mayor
Anchorage, Alaska

Municipality of Anchorage

Office of the Mayor

Ethan Berkowitz, Mayor

October 2, 2015

Dear Residents:

Enclosed are the proposed 2016 Municipal Utilities and Enterprise Departments Operating Budgets and their respective 2016-2021 Capital Budgets and Program.

Municipal owned utilities provide residents and businesses safe water, dependable electricity, and the collection and disposal of waste. Their efforts to provide outstanding and efficient services will continue.

These services are subject to both regulatory oversight and regular review from the Assembly's Utility and Enterprise Committee.

We encourage community members to participate in these discussions.

Regards,

Ethan Berkowitz

Mayor

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ETHAN BERKOWITZ, MAYOR

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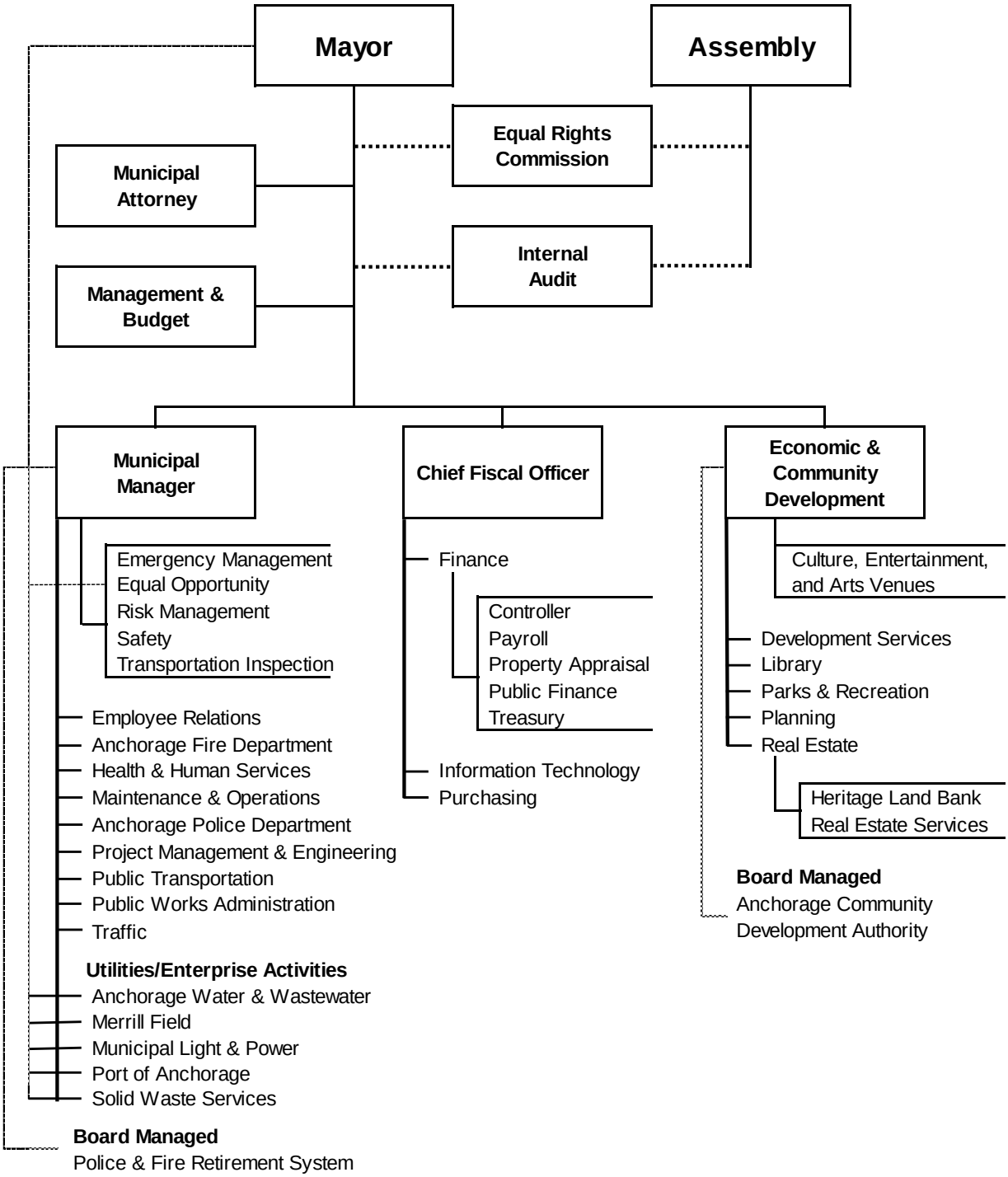


Table of Contents

Table of Contents

Table of Contents

Utility/Enterprise Budget Process and Procedures

Utility/Enterprise Departments

Anchorage Water and Wastewater (AWWU), Municipal Light & Power (ML&P), and Solid Waste Services (SWS) are utility departments; Merrill Field Airport and the Port of Anchorage are enterprise departments. Many of the basic services Anchorage residents rely on daily: safe water, reliable electricity, safe and efficient delivery of goods, come from municipal-owned utilities and enterprise departments.

The goal of the utilities is to continue to provide quality service at reasonable rates. The utilities continue to meet debt service requirements, prudently increase equity, adequately maintain cash reserves, and generate sufficient revenue to maintain their plants in good working condition. The primary source of revenue required to support the operating and capital budget comes from rate payers or users of their respective services. The budget is presented for a calendar year, in line with the Municipality's fiscal year.

Governance

The authority for operation and management of the utility/enterprise departments is under the control of the Mayor.

ML&P, Port, and SWS established a commission to provide guidance to the Mayor and Assembly in regards to each entity's strategic plan, budget, policies, economical impacts, expansions, and improvements. (AMC 4.70.10).

AWWU established a Board of Directors to provide guidance to the Mayor and Assembly in regards to AWWU's strategic plan, long term fiscal plan, budget, tariff rates, and fees. (AMC 4.80.020).

Merrill Field Airport established Municipal Airports Aviation Advisory Commission to provide recommendations to the Mayor and Assembly on all matters pertaining to the annual operating budget, rules, regulations, and administrative guidelines (AMC 4.60.160).

The Regulatory Commission of Alaska (RCA) regulates AWWU and ML&P by approving all rates and tariffs prior to implementation. They also regulate service areas and quality.

Utility/Enterprise Accounting

The accrual basis of accounting is used for utility/enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

The direct cost budget allocates spending among several categories: labor (salaries and benefits); non-labor (supplies, travel, contracts, etc); contributions; debt service; and non-cash accounts such as depreciation and amortization, which are not appropriated. Each department is responsible for managing and monitoring their respective budget at these category levels. The function cost budget includes interfund charges for general government services to the total direct cost budget. Actual expenses may not exceed function cost budget appropriations at the enterprise and utility fund levels (AMC 6.10.036).

The Assembly may, by resolution, reduce or increase appropriations during the course of the fiscal year. A resolution reducing or increasing appropriations by an amount in excess of $100,000 shall be subject to a public hearing (AMC 6.10.085).

The Budget Office is authorized to transfer budget amounts within the appropriated departments and funds. Revisions that change the total expenditures of any department or fund must be approved by the Assembly. Operating appropriations that are not expended, encumbered, or designated to be carried over, lapse at the end of the fiscal year.

Municipal Utility/Enterprise Service Assessment (MUSA/MESA)
Each year, payments-in-lieu of taxes are included in the operating budgets for the utility/enterprise departments to cover the cost of tax supported services they receive, other than services received on a contract or interfund basis. It is the public policy to require the utilities (AWWU, ML&P, and SWS) to pay a municipal utility service assessment (MUSA). Merrill Field and the Port are required to pay a municipal enterprise service assessment (MESA). Payment must be made on or before July 15th of each calendar year. In addition, depending on the entity, a percentage of 1.25 may be applied to the actual gross operating revenues presented in the prior year's annual financial report (AMC 26.10.025, 11.50.280).

The following is the formula to calculate MUSA/MESA:

(2015 net book value of plant in service x 2015 mill rate)
+ (1.25% x actual gross operating revenues 2015)
= 2016 ***MUSA***

(2014 adjusted plant in service x 2015 mill rate)
+ (1.25% x actual gross operating revenues 2015)
= 2016 ***MESA***

Utility/Enterprise Revenues
Utility/enterprise departments are operated in a manner as to provide a reasonable profit in accordance with applicable regulatory provisions and law. Surplus revenues from operations are to be reinvested in the department. Although, if there is a surplus in revenues, a portion (not to exceed 5% of the gross revenues of prior year) of those surplus revenues, may be pledged to general government (AMC 26.10.065).

Operating revenues are collected from rate payers for operating activities and services provided. Examples of some of the services provided from rate collections include: electricity, clean water, airport tie-downs, recycling collections, and dock revenue. Non Operating revenues are earned from activities such as: operating grants, interest income, and unrealized gains/losses.

Utility/Enterprise Capital
The Municipality has two documents that govern planning and funding of capital projects:

- Capital Improvement Budget (CIB) – identifies projects and funding sources for the upcoming fiscal year; and
- Capital Improvement Program (CIP) – a longer-term outlook that identifies projects for the next six years, including the upcoming fiscal year.

Once approved by the Assembly, the amount of specific appropriations, project descriptions, and budget years for individual projects within the CIB/CIP are considered permanent legislative

actions of the Assembly and may be altered in subsequent years only by majority vote of the Assembly (AMC 6.10.045).

The funding sources that are obtained for the capital projects could be: debt, State/Federal grants, and/or equity. Most utility/enterprise department capital projects are funded by equity, but can be funded by multiple sources.

Budget Planning and Timeline

The Mayor is required to submit the proposed enterprise/utilities operating and capital budgets to the Assembly 90 days prior to the end of the fiscal year (October 2st) (AMC 13.03).

Prior to that (120 days prior to the end of the fiscal year), the Administration is required to provide preliminary information on the capital budget/capital program, business plans, update to utility/enterprise strategic plans, and major reorganizations (AMC 6.10.040).

Key Dates in Budget Process

Summer	Preliminary budget information gathered
September 2	Preliminary budget information to Assembly
October 2	Mayor proposed budgets
October, November	Assembly deliberates, holds public hearings
December	Deadline for Assembly approval
April	First Quarter budget revisions

Preparation of the budget starts much earlier. A preliminary planning phase gets underway in the summer. The Office of Management & Budget (OMB) works with departments in reviewing their programs and responsibilities, assessing what is being done during the current year, and assisting in making plans for the next budget year in line with Administration goals. Some considerations during this phase are:

- Contractually obligated increases, such as labor contracts and health insurance premiums;
- New facilities that will open during the next fiscal year that will require staff, supplies, and other operating expenses;
- New responsibilities or programs required by Federal, State, or local laws;
- New or changed programs to meet community needs or interests;
- Programs that can be eliminated because they are ineffective, no longer required, or desired; and/or
- Efficiencies and savings that can be achieved through organizational management.

During this period of time, OMB also reviews projected revenue information in order to get an early indication of the Municipality's ability to afford current spending levels and/or the potential need for reductions.

Mayor Proposes/Assembly Appropriates

The Mayor submits the proposed operating and capital budgets to the Assembly in early October, the Assembly holds public work sessions at which the Administration and department directors discuss the Mayor's proposal.

Public Comment

The budget books are available on the Office and Management and Budget's website, as well as the Mayor's website, for the public to view. The Assembly is required to hold two public hearings on the Mayor's proposed budget, which is the official opportunity for the public to comment and for the Assembly to consider amendments. These are usually held during

October and November. The Anchorage Charter requires that the Assembly approve the budget 21 days before the end of the year (by December 10). But if for some reason they still have not reached agreement, the Charter was amended to allow the Assembly and Mayor to continue to work. Once agreement is reached, that budget is known as the "Approved Budget."

Veto Process
The Mayor has the ability to strike or reduce an appropriation in the operating or capital budget within 7 days from Assembly action. The Assembly then has 21 days from the Mayor's veto to override his/her action and must have a super-majority of 8 Assembly members to be successful. If a veto is sustained, the Mayor's action is implemented (AMC 5.02.c).

First Quarter Budget Amendments
During the spring following the budget's approval, the Administration finalizes the prior year's spending numbers and firms up revenues available to support the current year budget. This process, called "First Quarter Budget Amendments," takes place in April and May and results in the Assembly's approval of a "Revised Budget."

Unlike the proposed budget process in the fall that requires two public hearings, the first quarter amendment process only requires one public hearing and usually is at the Assembly meeting that follows the Mayor's introduction of the proposed amendments.

Based on these final spending decisions for general government, the Assembly then sets the tax rates for each service area.

Budget Monitoring, Controls, and Reporting
Each utility/enterprise department is responsible for managing and monitoring their respective budget at the spending category levels. Department managers also monitor their program performance measures throughout the year to ascertain if goals are being met.

Actual expenditures in a fiscal year that consume operating budgets may not exceed the function level budget appropriations by fund; which is all spending categories within a fund. At the end of the fiscal year, actual expenditures less revenues fall to fund balance. Some of the fund balance (equity) is transferred to the capital fund to support capital projects. There are also other requirements on minimum fund balance reserves that are defined in the annual financial statements. The capital budget is controlled by fund, division, and project.

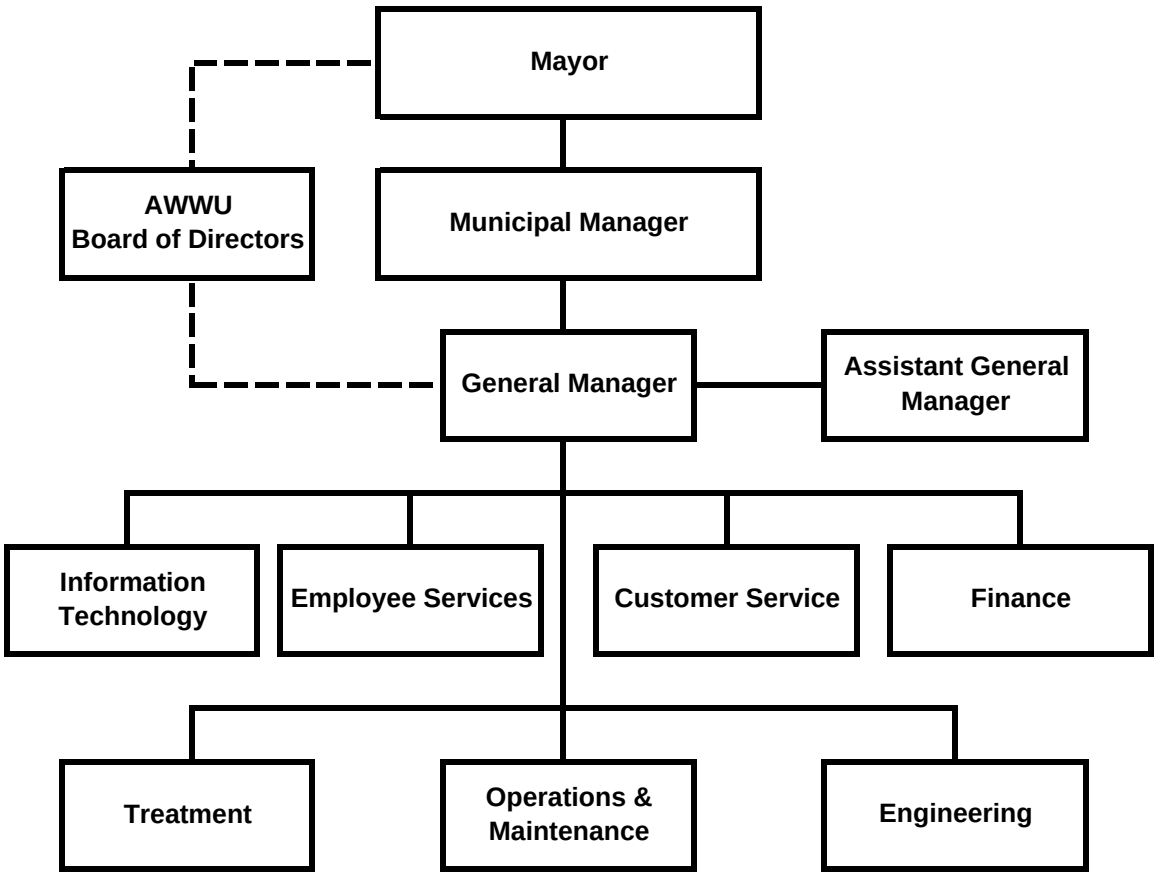
P.V.R. – Performance.Values.Results. Performance measures and corresponding data for each program, as identified by each department, are reported quarterly to communicate and demonstrate the results and effectiveness of the program in achieving its stated purpose and to accurately capture the costs to deliver the intended results (AMC 6.40.016).

The last assembly meeting prior to June 30 of each year, the Mayor provides a memorandum to the assembly identifying the frequency, data, and format of the reporting requirements (AMC 6.40.015).

Currently, spending reports are provided quarterly to the assembly by spending category; labor, overtime, non labor expenditures, and revenues compared to budget. A budget to actuals report for travel and the contributions to non profit organizations are provided to the Assembly, separately (AMC 6.10.034).

The accounting records at AWWU must conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). ML&P is responsible for financial analysis and reporting in the manner prescribed by Federal Energy Regulatory Commission (FERC).

Anchorage Water & Wastewater Utility



Anchorage Water & Wastewater
Organizational Overview

Overview
The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

System Description
To provide water and sewer services, AWWU owns and operates five Treatment Facilities (2 water and 3 wastewater), over 1,600 miles of pipe, and over 325,000 square feet of facility space distributed throughout the Municipality. The certificated water service area covers 130.4 square miles in three distinct geographic areas, Northern Communities, the Anchorage Bowl, and Girdwood Valley. Estimates place the water service population at approximately 240,000 people via nearly 55,000 customer accounts. The certificated sewer service area is larger, encompassing nearly all of the Municipality. ASU currently provides sewer service to approximately 250,000 people via approximately 56,000 customer accounts. Additionally, AWWU receives septage pumped from on-site wastewater systems on lots in areas not directly connected to the sewer system.

AWU's three sources of water are Eklutna Lake, Ship Creek, and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl, and Girdwood Valley. Eklutna Water Treatment Facility (WTF) and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the Anchorage and Girdwood water systems. The Ship Creek Water Treatment Facility and the remainder of the water wells are used to augment the primary water supply, mainly in times of peak demand, as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl. Of these sources, the Eklutna Water Treatment Facility now provides approximately 90% of total water production for the Northern Communities/Eagle River and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU's total water production, all water produced and distributed is from two municipally-owned and managed wells.

ASU operates three wastewater treatment facilities to treat wastewater collected in three geographically separate but commonly managed sewer systems. The largest of these is the John M. Asplund Wastewater Treatment Facility (WWTF) located at Point Woronzof. The Asplund WWTF was constructed in the early 1970's when Anchorage eliminated direct ocean discharges. It services the wastewater treatment needs of the Anchorage Bowl. The Asplund facility has received silver, gold, and platinum awards from the National Association of Clean Water Agencies for efficiency and environmental compliance. ASU is continually at work to maintain and enhance the facility. Currently, work is underway to replace the aging chlorine gas disinfection system with the modern technology of on-site hypochlorite generation for disinfection. The Asplund facility operates in accordance with a National Pollution Discharge Elimination System (NPDES) permit administered by the U.S. Environmental Protection Agency (EPA). The permit, which expired in 2005 but has been administratively extended by EPA, allows discharge of effluent receiving primary treatment, in accordance with Section 301(h) of the Clean Water Act.

The Eagle River WWTF was originally built in the 1960's and upgraded several times. It services the public wastewater treatment and disposal needs within Eagle River and Chugiak. The Eagle River facility provides biological secondary treatment and discharges treated effluent to Eagle River in accordance with a permit recently reauthorized by the Alaska Department of Environmental Conservation (ADEC), which has assumed primacy from EPA over permits for wastewater discharge to fresh water.

The third facility is Girdwood WWTF. It was originally constructed in the 1970's and also has undergone several process modifications and upgrades. The Girdwood facility provides biological secondary treatment and discharges treated effluent to Glacier Creek under an administratively extended NPDES permit administered by the ADEC. The core facility is now at the end of its useful life. Phase 1 of plant replacement and upgrades was completed in 2014. Phase 2 of the plant replacement and upgrade is being planned to conform to discharge requirements of a new permit.

Over the past two decades, investments in physical infrastructure have resulted in an increase in the value of AWU. From 1990 to present, plant in service has increased by 118% from $355.2 million to $776 million. This growth is primarily a result of an increasing amount of investment in transmission and distribution assets (pipelines), with lesser investments in general plant assets (e.g., structures and intangible assets).

From 1990 to present, ASU's plant in service has increased by 104% from $301.5 million to $615.7 million. This growth is primarily a result of an increasing investment in sewer collection pipeline network, followed by upgrades in sewer treatment facilities, and modest investment in pumping plant (sewage lift or pump stations), general plant (structures), and intangible assets.

Organization

AWWU is organized into 7 divisions. The General Manager's office is responsible for overall operation of AWWU. The Engineering Division is responsible for development and execution of AWWU's capital program and for system planning. The Treatment Division is responsible for day-to-day operation of the treatment facilities and water distribution system and for maintaining compliance with all state and federal regulations. The Operations and Maintenance (O&M) Division maintains the treatment facilities and repairs all water and sewer piping and lift stations. The O&M Division also operates the wastewater collection system and is responsible for AWWU's SCADA system. The Customer Service Division is responsible for responding to customer inquiries, billing and collections for both utilities, issuing of permits, and field service functions. The Information Technology Division provides support for all of AWWU's computers, network, and software systems. The Administrative Services Division provides for training, safety, and internal and external communications. The Finance Division is responsible for all general ledger and plant accounting, preparation of utility budgets and financial statements, and regulatory filings.

Anchorage Water & Wastewater Utility
Business Plan

Mission
Supporting the public health, safety and economic interests of the community by providing quality water and wastewater services in a responsible, efficient and sustainable manner.

Services
The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

Business Goals
AWWU's strategic plan for 2014-2016, as recommended by the Utility Board of Directors on August 6, 2014, calls for the focus on the following goals:

- Build a customer relationship that recognizes and advocates for our core purpose.
- Enhance focus on environmental compliance.
- Provide robust infrastructure that meets customer needs.
- Maintain fair and affordable rates.
- Make sound business decisions.
- Improve human capital management.
- Develop a knowledge management strategy plan.
- Become hazard response ready.
- Ensure effective organizational communication.

Commitments to Customers
AWWU has identified the following customer commitments which represent the outcomes or accomplishments of the Utilities' activities as viewed by the customer:

1. Provide safe drinking water that meets or exceeds all standards.
2. Protect the environment through appropriate wastewater collection, treatment, and disposal.
3. Provide reliable service.
4. Have timely, professional, and courteous interactions with customers.
5. Manage finances responsibly and transparently.
6. Set rates that fairly reflect the cost of providing service and maintaining infrastructure.
7. Deliver services affordably to promote a strong Anchorage economy.
8. Invest wisely to minimize risk and maintain service levels.
9. Continuously improve the efficiency of our operations.
10. Anticipate change and prepare for the future.

Performance Measures to Track Progress in Achieving Goals
AWWU measures progress in achieving these customer commitments using quantifiable performance measures, including the following:

1. Compliance with all State and Federal drinking water, wastewater and air standards.
2. Number of planned and unplanned water outages.
3. Sanitary sewer overflows.
4. Recordable incident rate (of lost-time injuries and accidents).
5. Execution of capital improvement budget.

6. Debt to equity ratio.
7. Manage workers' compensation claims.

Anchorage Water & Wastewater Utility

Anchorage: Performance. Value. Results.

Mission

Supporting the public health, safety, and economic interests of the community by providing quality water and wastewater services in a responsible, efficient, and sustainable manner.

Core Services

- Reliably treat and distribute potable water for domestic, commercial, and firefighting uses throughout the certificated service area.
- Reliably collect, treat and dispose of wastewater in accordance with laws and regulations that protect public health and the environment.

Accomplishment Goals

- Provide reliable service
- Provide safe drinking water that meets or exceeds all standards
- Protect the environment through appropriate wastewater collection, treatment, and disposal.
- Fiscal responsibility and transparency with utility finances.
- Timely, professional, and courteous interactions with customers.
- Rates that fairly reflect the cost of providing service and maintaining infrastructure
- Continuous improvement in the efficiency of our operations
- Anticipate change and be prepared for the future.

Performance Measures

Progress in achieving goals shall be measured by:

1. Compliance with all State and Federal drinking water standards /wastewater standards /Clean Air Act standards
2. Number of planned and unplanned water outages
3. Sanitary sewer overflows
4. Recordable incident rate (as compared to the standard incident rate for water and wastewater utilities)
5. Execution of capital improvement budget
6. Debt to equity ratio

Measure #1: Compliance with all State and Federal drinking water, wastewater, and clean air standards

	Goal	Q2	Q1	2014	2013	2012	2011	2010
Safe Drinking Water Act Compliance	100%	100%	100%	100%	100%	100%	100%	100%
Clean Water Act (NPDES permit) Compliance	100%						100%	99.99%
-Asplund		100%	100%	100%	99.8%	100%		
-Eagle River		100%	100%	100%	100%	99.5%		
-Girdwood		98.9%	100%	99.8%	99.3%	97.5%		
Clean Air Act Compliance (Asplund Incinerator)	100%	100%	100%	100%	99.998%	99.99%	99.99%	99.99%

Measure #2: Number of planned and unplanned water outages (customers per month).

Measure 2: Number of planned and unplanned water outages (customers per month)	Goal (Affected customers per month)	2015 (monthly average)	4th Q 2015 (monthly average)	3rd Q 2015 (monthly average)	2nd Q 2015 (monthly average)	1st Q 2015 (monthly average)	Historical monthly average			
							2014	2013	2012	2011
Planned Outages										
<4 hours	<20	**22**			44	0	27	25	18	12
4-12 hours	<20	**10**			19	0	37	86	47	23
>12 hours	0	**0.4**			0.7	0	0.6	0.3	0.2	0.1
Unplanned Outages										
<4 hours	<20	**41**			31	51	40	27	46	23
4-12 hours	<50	**48**			39	57	44	33	38	51
>12 hours	0	**0.4**			0	0.7	3	8	4	9

Measure #3: Sanitary Sewer Overflows (monthly)

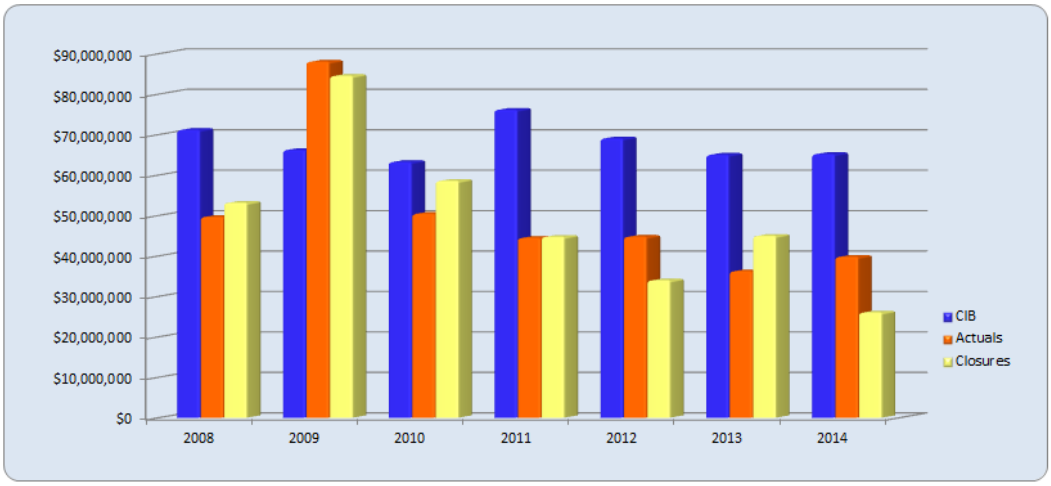
	Historical monthly average								
Goal	Q2	Q1	2014	2013	2012	2011	2010	2009	2008
<1.5	1.33	1.00	1.75	2.25	1.83	1.91	1.33	1.58	1

Measure #4: Number of reportable injuries and accidents (annual)

Goal	2014	Historical Information					
		2013	2012	2011	2010	2009	2008
<4.60	5.91	4.47	5.2	4.4	1.72	4.10	4.00

Measure #5: Execution of Capital Improvement Budget (annual)

Goal	2015	Historical Information						
		2014	2013	2012	2011	2010	2009	2008
75%	TBD	61%	56%	65%	61%	66%	129%	67%



Budget, Expenditures, and Closures Through End of Calendar Year 2014

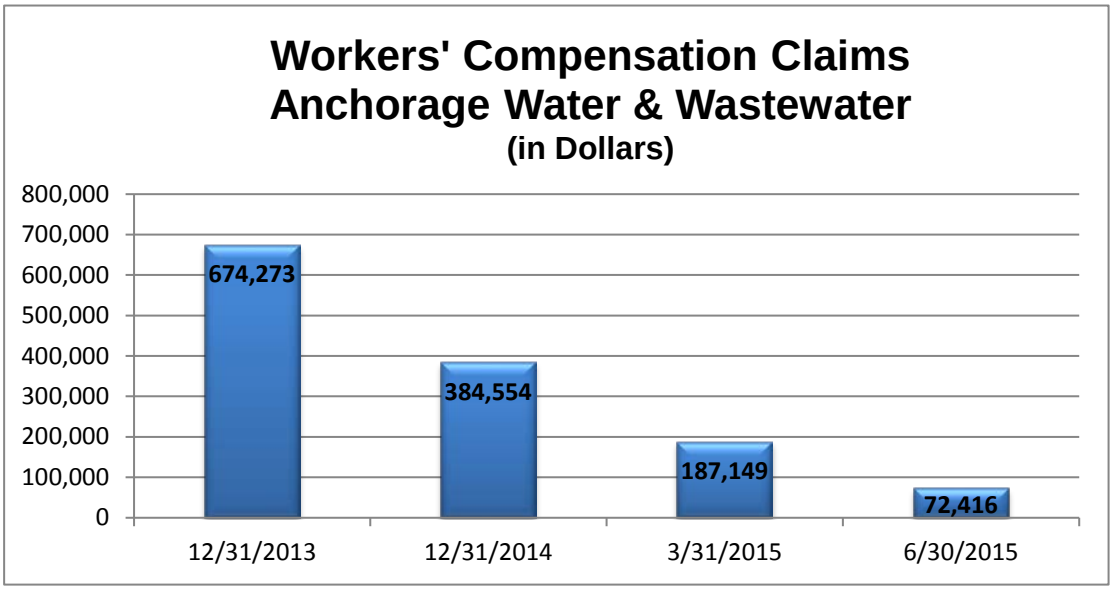
Measure #6: Debt to Equity Ratio (annual)

	Goal	2014	Historical Information					
			2013	2012	2011	2010	2009	2008
Water Utility	67/33	62/38	65/35	67/33	70/30	70/30	71/29	72/28
Wastewater Utility	67/33	65/35	67/33	66/34	68/32	69/31	68/32	66/34

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Anchorage Water & Wastewater
Highlights and Future Events

Aging Infrastructure
At the current time, AWWU provides best-in-class service as measured against industry benchmarks such as drinking water compliance rate, water quality complaints, water pipeline breaks, unplanned service disruptions, compliance with discharge permits, collection system failures, and sewer overflows. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

In aggregate, AWU's physical assets are considered to have about one-half of their useful lives consumed. The water transmission and distribution system pipe network consists of 839.7 miles of pipe, has a weighted average age of over 35 years. Other AWU assets including treatment facilities, reservoirs, wells, booster stations, and major valve vaults are of varying age, but in aggregate, have reached just over one-half of their useful lives and have undergone or have been scheduled for major re-investment over the next 5-10 years.

ASU's sewer pipe network consists of 754 miles of pipe and has a weighted average age of 36 years, again reflecting just over one-half of the estimated useful lives of pipe and approximately three-fifths of the estimated useful lives of other sewer plant. Unlike the water system however, some treatment facility assets are new. Within the Anchorage Bowl, more than $40 million of treatment plant investment occurred over the past decade, much of that for new assets (e.g., new headworks, solids handling, building improvements and liquid process improvements) at the Asplund WWTF. In Eagle River, new process improvements and support systems (UV disinfection, mechanical and HVAC systems) worth over $3 million were built over the last five years. The exception is the Girdwood WWTF, which is now over 30 years old and reaching the end of its useful life as documented by multiple studies performed since 2006.

AWWU has advanced its asset management program to manage the Utility's aging infrastructure. The primary components of AWWU's asset management program include:

- Risk based approach that categorizes AWWU's assets and evaluates each asset's class on the basis of consequence and likelihood of failure.
- Robust analysis of system performance and maintenance data to predict service lives of different asset classes.
- Business case analysis of major projects to determine solutions yielding lowest overall lifecycle costs.
- Use of state-of-the-art repair and rehabilitation technologies to reduce service disruption and reduce costs.
- Condition assessment monitoring and evaluation using both AWWU staff and specialized contractors.

Limited Customer Growth
The Anchorage economy and land-use development patterns and restrictions are such that AWWU does not anticipate significant customer growth rate for the foreseeable future. Limited customer growth represents a significant challenge for AWWU because there are few new customers to help cover the cost of maintaining infrastructure. Exacerbating the lack of customer growth is the repair and replacement of contributed plant. In the 1990's, over 70% of the plant in-service was contributed (i.e., given to AWWU or paid for by grants). Today that percentage is about 50% and decreasing steadily. Contributed plant is not included in rates for calculating depreciation costs and earning a return. However, repair and replacement of this considerable portion of our plant-in-service must be borne wholly by customers. With a very slow growth of the customer base, cost of this repair and replacement will increase over time for each customer.

There is very little AWWU can do to encourage significant customer growth without major changes in policy and community desires. Most of AWWU's customer growth will come from redevelopment of existing properties in the MOA, expansion in outlying areas (which require significant expenditures to extend infrastructure) and limited infill. Redevelopment and infill must comply with current codes and utility tariffs, which may require upgrades to existing utility service.

Aging Workforce
AWWU is typical of the industry in that we have an aging workforce. Over half of AWWU's workforce is 45 years old or more. Many of these individuals can be expected to retire in the next few years. Many of these individuals are the experienced and licensed professionals required to operate AWWU's facilities in compliance with Alaska regulations. Alaska's oil industry and the boom in oil and gas development in the lower 48 represents a significant threat to retaining water and wastewater professionals. The oil industry typically pays significantly higher wages than AWWU.

Debt
At the end of 2014, AWWU was carrying approximately $375.5 million in total net debt. AWWU can easily service this debt and the Utility maintains healthy operating margins and debt service coverage ratios. However, compared to peer utilities, AWWU has a significant amount of debt and finances much less of its capital program with equity.

Two major factors have contributed to AWWU's current debt/equity position. First, during the 1990's, AWWU did not have rate increases and had a very modest capital improvement budget (CIB). During these years, reductions in workforce levels and improvements in worker productivity as a result of investments in appropriate technology allowed the Utility to operate effectively, but not accumulate equity.

Rate Increases Calculated, Requested and Approved
AWWU 2004 - 2015

	Calculated Rate Increase in RRS		Requested Permanent Rate Increase		Approved/Stipulated Permanent Rate Increase		
Rate Year	AWU	ASU	AWU	ASU	AWU	ASU	Reason For Requesting Increases Less Than The Calculated Increases
2004	14.2%	8.1%	14.2%	8.1%	13.6%	8.1%	The calculated increases were requested due to the change in the MUSA calculation.
2005	7.2%	6.8%	7.2%	6.8%	7.8%	3.0%	The calculated increases were requested due to the change in the MUSA calculation.
2006	12.4%	15.0%	8.9%	10.6%	6.5%	10.6%	Policy direction to limit rate increases requested to reduce impact on customers.
2007	15.0%	17.8%	14.5%	13.0%	7.0%	9.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2008	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2008.
2009	8.7%	8.0%	7.0%	6.5%	5.6%	6.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2010	7.0%	9.5%	2.5%	2.5%	2.5%	2.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2011	18.5%	26.2%	8.0%	15.0%	8.0%	15.0%	Policy direction to limit rate increases requested to reduce impact on customers.
2012	13.0%	16.6%	6.0%	11.0%	6.0%	11.0%	Policy direction to limit rate increases requested to reduce impact on customers.
2013	9.1%	6.8%	6.0%	4.5%	6.0%	4.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2014	5.6%	6.7%	4.0%	5.5%	2.26%	4.34%	Policy direction to limit rate increases requested to reduce impact on customers. AWWU stipulated to permanent rates lower than the rates requested.
2015	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2015.

To improve its debt position, AWWU must continue to request reasonable rates and at the same time control expenses. The budget provided in this package provides just such a balance.

Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit was reissued reissuance by ADEC in 2014. The Girdwood WWTF permit is administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the Utility's application for reauthorization of the permit. The renewal process includes an evaluation by EPA to determine whether Asplund continues to meet the Clean Water Act criteria necessary to reissue a permit with a 301(h) modification allowing only primary treatment. Subsequent to a positive determination, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to-date suggest that such a finding is unlikely.

Anchorage Water & Wastewater Utility
External Impacts

Wastewater Treatment Facilities Discharge Permits
The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit was reissued by ADEC in 2014, and will be valid for at least five years. The Girdwood WWTF permit is administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF remains under the auspices of the U.S. Environmental Protection Agency (EPA). The EPA is currently evaluating the Utility's application for reauthorization of the permit allowing only primary treatment, in accordance with criteria set out in Section 301(h) of the Clean Water Act. Subsequent to the agency's determination that the Asplund discharge meets the 301(h) criteria, EPA will consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to-date suggest that such a finding is unlikely.

Aging Infrastructure
At the current time, AWWU provides best-in-class service as measured against industry benchmarks. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

AWWU has advanced its asset management program to optimize spending on the Utility's aging infrastructure. We are performing business case analyses of major issues to determine solutions that lead to lowest overall life cycle costs, as well as extensive condition assessment monitoring and evaluation using both AWWU staff and specialized contractors. This work is expected to provide best value to ratepayers in the long term.

Anchorage Water & Wastewater Utility
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
General Manager	2	2	2	2	2	2	2	2
Information Technology	18	18	18	18	18	18	18	18
Operations and Maintenance	87	87	91	91	91	91	91	91
Treatment	62	63	63	63	63	63	63	63
Finance	21	21	21	21	21	21	21	21
Employee Services	0	0	0	0	0	0	0	0
Administrative Services	6	6	6	6	6	6	6	6
Customer Service	39	39	41	41	41	41	41	41
Engineering	41	41	40	40	40	40	40	40
Total full time	**275**	**276**	**282**	**282**	**282**	**282**	**282**	**282**
Temporary	2	2	2	2	2	2	2	2
Total Positions	**277**	**278**	**284**	**284**	**284**	**284**	**284**	**284**
Total FTE	**277**	**278**	**284**	**284**	**284**	**284**	**284**	**284**
Interns	7	7	7	7	7	7	7	7

Anchorage Water Utility
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	62,157	61,249	61,021	64,131	65,821	69,031	72,441	74,301
Expenses	47,530	50,629	52,334	55,007	57,704	60,544	63,326	64,649
Net Income (Loss) - Regulatory	**14,627**	**10,620**	**8,687**	**9,124**	**8,117**	**8,487**	**9,115**	**9,652**
Dividend to General Government	-	-	-	-	3,184	3,269	3,429	3,594
Increase in Net Assets	**14,627**	**10,620**	**8,687**	**9,124**	**4,933**	**5,218**	**5,686**	**6,058**
Budgeted Positions*	277	278	284	284	284	284	284	284
Capital Improvement Program	33,399	31,700	32,226	33,080	32,218	33,000	34,000	35,000
New Debt	10,797	21,400	17,900	28,374	2,900	76,000	3,100	3,200
Net Plant (12/31)	502,319	519,824	536,638	553,545	569,338	584,823	600,563	616,593
Net Assets (12/31)	130,002	140,623	149,359	158,483	163,415	168,633	174,320	180,377
Operating Cash	28,007	34,285	32,542	33,561	29,531	26,021	24,285	23,255
Construction Cash Pool	993	268	74	7,582	-	43,244	20,594	-
Restricted Cash	396	395	395	395	395	395	395	395
Total Cash	**29,396**	**34,948**	**33,011**	**41,538**	**29,926**	**69,660**	**45,274**	**23,650**
IGCs - General Government	1,153	1,255	1,159	1,159	1,159	1,159	1,159	1,159
MUSA	7,138	7,114	7,280	7,510	7,750	7,970	8,190	8,410
CCP Borrowings from Gen'l Govt.	-	-	-	-	10,952	-	-	2,956
Total Outstanding LT Debt	211,628	221,929	230,123	248,235	238,395	301,369	289,015	276,460
Total Annual Debt Service	19,447	16,031	17,146	18,806	21,520	22,950	26,423	26,269
Debt Service Coverage (Bond)	3.15	3.17	3.07	2.84	2.18	2.12	1.85	1.91
Debt Service Coverage (Total)	1.74	1.77	1.60	1.57	1.40	1.40	1.31	1.34
Debt/Equity Ratio	62 / 38	61 / 39	61 / 39	61 / 39	59 / 41	64 / 36	62 / 38	61 / 39
Rate Change Percent	4.0%	0.0%	0.0%	5.0%	2.5%	4.7%	4.7%	2.5%
Single Family Rate	50.54	49.89	49.89	52.38	53.69	56.22	58.86	60.33
Statistical/Performance Trends								
Number of Accounts	55,854	55,994	56,134	56,274	56,415	56,556	56,697	56,839
Average Treatment (GPD) (000)	22,900	22,200	22,256	22,311	22,367	22,423	22,479	22,535
Miles of Water Lines	839	840	842	844	846	848	851	853
Number of Public Hydrants	5,949	5,964	5,979	5,994	6,009	6,024	6,039	6,054

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Water Utility
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Charges for services	59,384,894	59,537,000	60,250,000	(650,000)	59,600,000	-1.1%
Miscellaneous	1,137,674	1,185,000	981,000		981,000	0.0%
Total Operating Revenue	**60,522,568**	**60,722,000**	**61,231,000**	**(650,000)**	**60,581,000**	**-1.1%**
Non Operating Revenue						
Investment Income	433,930	397,000	287,000	23,000	310,000	8.0%
Other Income	1,201,119	130,000	130,000		130,000	0.0%
Total Non Operating Revenue	**1,635,049**	**527,000**	**417,000**	**23,000**	**440,000**	**5.5%**
Total Revenue	**62,157,617**	**61,249,000**	**61,648,000**	**(627,000)**	**61,021,000**	**-1.0%**
Operating Expenses						
Labor						
Labor and Benefits	13,882,842	15,253,000	15,048,916	601,644	15,650,560	4.0%
Overtime	552,524	480,000	362,500	85,500	448,000	23.6%
Total Labor	14,435,366	15,733,000	15,411,416	687,144	16,098,560	4.5%
Non Labor						
Non Labor	7,957,838	9,100,000	9,091,283	235,564	9,326,847	2.6%
Travel	43,848	54,000	82,000		82,000	0.0%
Transfers (MUSA and gross receipts)	7,138,099	7,113,584	7,084,470	195,530	7,280,000	2.8%
Depreciation and Amortization	10,233,693	10,758,000	10,400,000	1,027,000	11,427,000	9.9%
Total Non Labor	25,373,478	27,025,584	26,657,753	1,458,094	28,115,847	5.5%
Total Direct Cost	**39,808,844**	**42,758,584**	**42,069,169**	**2,145,238**	**44,214,407**	**5.1%**
Charges from other departments	1,244,683	1,475,000	1,629,693	(95,553)	1,534,140	-5.9%
Charges to other departments	(91,392)	(375,000)	(375,000)		(375,000)	0.0%
Total Operating Expense	**40,962,135**	**43,858,584**	**43,323,862**	**2,049,685**	**45,373,547**	**4.7%**
Non Operating Expense						
Interest on bonded debt	5,547,876	5,270,000	6,155,000	(790,000)	5,365,000	-12.8%
Amortization of debt expense	261,439	350,000	320,000	(25,000)	295,000	-7.8%
Other interest expense	1,554,856	1,500,000	1,800,000		1,800,000	0.0%
Interest during construction	(795,916)	(350,000)	(280,000)	(220,000)	(500,000)	78.6%
Total Non Operating Expense	**6,568,255**	**6,770,000**	**7,995,000**	**(1,035,000)**	**6,960,000**	**-12.9%**
Total Expenses (Function Cost)	**47,530,390**	**50,628,584**	**51,318,862**	**1,014,685**	**52,333,547**	**2.0%**
Net Income	**14,627,227**	**10,620,416**	**10,329,138**	**(1,641,685)**	**8,687,453**	**-15.9%**
Appropriation:						
Total Expenses			**51,318,862**	**1,014,685**	**52,333,547**	
Less: Non Cash items						
Depreciation and amortization			10,400,000	1,027,000	11,427,000	
Amortization of debt expense			320,000	(25,000)	295,000	
Interest during construction			(280,000)	(220,000)	(500,000)	
Total Non-Cash			10,440,000	782,000	11,222,000	
Amount to be Appropriated (Cash Expenses)			**40,878,862**	**232,685**	**41,111,547**	

Anchorage Water Utility
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2015 Revised Budget	51,318,862	276	2	7
Transfers (to)/from Other Agencies				
- Charges to other departments	-	-	-	-
- Charges from other departments	(95,553)	-	-	-
Debt Service Charges				
- Interest	(1,035,000)	-	-	-
Changes in Existing Programs/Funding for 2016				
- Salary and benefits adjustments	478,400	-	-	-
- Software Maintenance	18,288	-	-	-
- Materials	29,000	-	-	-
- Merchant Fees	68,000	-	-	-
- Depreciation	1,027,000	-	-	-
- MUSA	195,530			
2016 Continuation Level	**52,004,527**	**276**	**2**	**7**
2016 Proposed Budget Changes				
- Remove 1/2 Time Permit Coordinator Position, never filled	(37,278)	(1)	-	-
- Adjustment to capital labor for 2016.	24,326	-	-	-
- Adjust Overtime to Current pay rates	85,500	-	-	-
- Adjust Capital Overhead	70,000	-	-	-
- Add 2 Call Center Representatives	86,196	2	-	-
- Remove AWU portion of 2015 aerial imagery capture.	(125,000)	-	-	-
- Remove 1 Time GIS Grant.	(87,500)	-	-	-
- GIS licensing.	158,500	-	-	-
- GIS Professional Services	36,100	-	-	-
- GIS Remove MOA portion of 2015 aerial imagery capture.	(100,000)	-	-	-
- GIS Labor	50,000	-	-	-
- Miscellaneous (rounding)	3,176			
- Increase funding for water line inspection and condition assessment.	165,000	-	-	-
2016 Proposed Budget	**52,333,547**	**278**	**2**	**7**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(11,427,000)	-	-	-
- Amortization of debt expense	(295,000)	-	-	-
- Interest during construction	500,000	-	-	-
- Anchorage Wastewater Utility; add line cleaning crew.	-	4	-	-
2016 Proposed Budget (Appropriation)	**41,111,547**	**282**	**2**	**7**

Anchorage Water Utility
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Equipment	4,680	3,853	3,810	2,813	3,286	3,020	21,462
Plant	5,800	9,323	7,225	4,205	8,875	14,239	49,667
Pipe	21,746	19,904	21,183	25,982	21,839	17,741	128,395
Total	**32,226**	**33,080**	**32,218**	**33,000**	**34,000**	**35,000**	**199,524**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Debt	18,226	21,080	21,218	22,000	26,000	27,000	135,524
Grants	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Equity/Operations	12,000	10,000	9,000	9,000	6,000	6,000	52,000
Total	**32,226**	**33,080**	**32,218**	**33,000**	**34,000**	**35,000**	**199,524**

Anchorage Water Utility
2016 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
347 Zone Conversion	975	-	-	975
ADOT-MOA-Emergency-Water	-	-	3,670	3,670
Customer Information System Enhancements	-	-	360	360
Downtown to Kincaid Water Transmission Main	-	2,000	-	2,000
Engineering Project Management Tools -Water	-	-	45	45
Facility Equipment - Water	-	-	100	100
Facility Plant - Water	-	-	1,500	1,500
Geographic Information Systems Application Development	-	-	160	160
Hydraulic Model Upgrades	-	-	50	50
Information Technology Infrastructure	-	-	685	685
Information Technology Master Plan Update-Water	-	-	52	52
Line Trucks (94216, 94217)	-	-	480	480
Miscellaneous Information Technology Systems	-	-	713	713
Northern Lights Wesleyan to Bragaw	6,000	-	-	6,000
Plant Oversize Improvement-Water	25	-	-	25
Railroad Yard Water 16" Rehabilitation	3,463	-	-	3,463
Reservoir 3 & 4 Circulation Line	900	-	-	900
Rosemary Street to ARCA Water Line Rehabilitation	2,400	-	-	2,400
SCADA Equipment	-	-	750	750
Ship Creek Water Treatment Facility Rehabilitation.	2,250	-	-	2,250
Storage Facility--Emergency Water Trailers	150	-	-	150
Terminal Road Water Rehabilitation 16"	1,063	-	1,000	2,063
Transmission Main Extension	300	-	1,000	1,300
Vactor Truck (94950) Line Truck (94856)	-	-	480	480
Vehicles-Water	-	-	360	360
Water Quality Management and Environmental Compliance Monitoring Reporting	-	-	45	45
Water Upgrades Preliminary Engineering	-	-	150	150
West 8th at L Street Upgrades	700	-	-	700
Work Management Software	-	-	400	400
Total	**18,226**	**2,000**	**12,000**	**32,226**

Anchorage Water Utility
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Operating Income	26,901,480	23,977,000	22,632,000
Depreciation, net of amortization	10,233,693	10,758,000	11,427,000
Transfer from Escrow Account	-	1,881,616	-
Grant Proceeds	-	2,000,000	2,000,000
Special Assessment Proceeds	471,667	300,000	300,000
State of Alaska Loan Proceeds	3,097,215	2,900,000	2,900,000
Bond/Other Loan Proceeds	7,700,000	18,500,000	15,000,000
Miscellaneous Non-Operating Revenues	1,201,124	130,000	130,000
Interest Received	461,717	397,000	310,000
Changes in Assets and Liabilities	1,775,261	296,569	197,500
Total Sources of Cash Funds	**51,842,157**	**61,140,185**	**54,896,500**
Uses of Cash Funds			
Capital Construction	21,123,389	32,124,750	32,095,000
Debt Principal Payment	12,232,610	8,982,338	10,002,000
Debt Interest Payments	7,140,754	7,367,479	7,457,000
Transfer to Escrow Account	1,881,616	-	-
MUSA	7,138,099	7,113,584	7,280,000
Total Uses of Cash Funds	**49,516,468**	**55,588,151**	**56,834,000**
Net Increase (Decrease) in Cash Funds	2,325,689	5,552,034	(1,937,500)
Cash Balance, January 1	27,070,477	29,396,166	34,948,200
Cash Balance, December 31	**29,396,166**	**34,948,200**	**33,010,700**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	28,007,205	34,285,000	32,542,000
Construction Cash	992,930	268,200	73,700
Operating Fund Investment & Customer Deposits	396,031	395,000	395,000
Cash Balance, December 31	**29,396,166**	**34,948,200**	**33,010,700**

Anchorage Wastewater Utility
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	51,741	51,651	51,675	55,085	60,485	66,525	70,805	76,965
Expenses	43,026	45,985	48,947	52,670	57,590	62,750	64,450	67,990
Net Income (Loss) - Regulatory	**8,715**	**5,666**	**2,728**	**2,415**	**2,895**	**3,775**	**6,355**	**8,975**
Dividend to General Government	-	-	-	-	-	-	-	-
Increase in Net Assets	**8,715**	**5,666**	**2,728**	**2,415**	**2,895**	**3,775**	**6,355**	**8,975**
Budgeted Positions*	277	278	284	284	284	284	284	284
Capital Improvement Program	31,863	33,345	34,200	35,150	36,000	37,000	38,000	39,000
New Debt	7,373	20,500	22,000	33,349	123,000	5,000	5,000	93,000
Net Plant (12/31)	370,799	385,980	404,408	419,040	485,000	507,580	528,330	554,210
Net Assets (12/31)	87,299	92,966	95,801	98,216	101,111	104,886	111,241	120,216
Operating Cash	22,105	25,207	24,825	25,310	24,502	22,161	23,147	24,261
Construction Cash Pool	2,312	4,197	859	9,478	99,658	44,908	3,158	64,558
Restricted Cash	1,531	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total Cash	**25,948**	**30,904**	**27,184**	**36,288**	**125,660**	**68,569**	**27,805**	**90,319**
IGCs - General Government	1,226	1,405	1,545	1,545	1,545	1,545	1,545	1,545
MUSA	5,387	5,286	5,440	5,700	5,910	6,840	7,160	7,450
CCP Borrowings from Gen'l Govt.	-	-	-	-	-	-	-	-
Total Outstanding LT Debt	163,288	177,826	192,999	280,820	393,689	384,916	375,857	454,416
Total Annual Debt Service	9,865	10,851	12,027	14,294	19,993	25,663	25,588	27,381
Debt Service Coverage (Bond)	5.52	5.04	4.63	3.52	1.94	1.56	1.76	1.87
Debt Service Coverage (Total)	2.13	1.77	1.47	1.38	1.20	1.10	1.22	1.32
Debt/Equity Ratio	65 / 35	66 / 34	58 / 42	69 / 31	77 / 23	76 / 24	74 / 26	77 / 23
Rate Change Percent	5.50%	0.00%	0.00%	6.00%	9.50%	9.50%	6.50%	8.80%
Single Family Rate	41.18	40.87	40.87	43.32	47.44	51.94	55.32	60.19
Statistical/Performance Trends								
Number of Accounts	56,711	56,853	56,995	57,137	56,816	56,958	57,100	57,243
Average Treatment (GPD) (000)	30,800	28,700	28,772	28,844	28,916	28,988	29,061	29,133
Miles of Wastewater Lines	755	755	757	759	761	763	764	766

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Wastewater Utility
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Charges for Services	50,415,326	50,200,000	50,600,000	(200,000)	50,400,000	-0.4%
Miscellaneous	1,011,197	977,000	970,000		970,000	0.0%
Total Operating Revenue	**51,426,523**	**51,177,000**	**51,570,000**	**(200,000)**	**51,370,000**	**-0.4%**
Non Operating Revenue						
Investment Income	295,068	459,000	228,000	62,000	290,000	27.2%
Other Income	19,433	15,000	15,000		15,000	0.0%
Total Non Operating Revenue	**314,501**	**474,000**	**243,000**	**62,000**	**305,000**	**25.5%**
Total Revenue	**51,741,024**	**51,651,000**	**51,813,000**	**(138,000)**	**51,675,000**	**-0.3%**
Operating Expenses						
Labor						
Labor and Benefits	14,348,429	15,650,000	15,728,754	777,507	16,506,261	4.9%
Overtime	357,046	390,000	378,000	36,500	414,500	9.7%
Total Labor	14,705,475	16,040,000	16,106,754	814,007	16,920,761	5.1%
Non Labor						
Non Labor	9,654,032	10,000,000	9,989,384	483,564	10,472,948	4.8%
Travel	46,532	42,000	68,000		68,000	0.0%
Transfers (MUSA and gross receipts)	5,386,761	5,285,575	5,265,071	174,929	5,440,000	3.3%
Depreciation and Amortization	7,843,888	9,112,000	8,500,000	1,250,000	9,750,000	14.7%
Total Non Labor	22,931,213	24,439,575	23,822,455	1,908,493	25,730,948	8.0%
Total Direct Cost	**37,636,688**	**40,479,575**	**39,929,209**	**2,722,500**	**42,651,709**	**6.8%**
Charges from other departments	1,225,922	1,405,000	1,638,291	(92,687)	1,545,604	-5.7%
Total Operating Expense	**38,862,610**	**41,884,575**	**41,567,500**	**2,629,813**	**44,197,313**	**6.3%**
Non Operating Expense						
Interest on bonded debt	3,064,779	2,970,000	3,500,000	(432,000)	3,068,000	-12.3%
Amortization of debt expense	33,120	32,000	40,000	(8,000)	32,000	-20.0%
Other interest expense	1,393,372	1,548,000	1,450,000	650,000	2,100,000	44.8%
Interest during construction	(328,333)	(450,000)	(680,000)	230,000	(450,000)	-33.8%
Total Non Operating Expense	**4,162,938**	**4,100,000**	**4,310,000**	**440,000**	**4,750,000**	**10.2%**
Total Expenses (Function Cost)	**43,025,548**	**45,984,575**	**45,877,500**	**3,069,813**	**48,947,313**	**6.7%**
Net Income	**8,715,476**	**5,666,425**	**5,935,500**	**(3,207,813)**	**2,727,687**	**-54.0%**
Appropriation						
Total Expenses			**45,877,500**	**3,069,813**	**48,947,313**	
Less: Non Cash items						
Depreciation and amortization			8,500,000	1,250,000	9,750,000	
Amortization of debt expense			40,000	(8,000)	32,000	
Interest during construction			(680,000)	230,000	(450,000)	
Total Non-Cash			7,860,000	1,472,000	9,332,000	
Amount to be Appropriated (Cash Expenses)			**38,017,500**	**1,597,813**	**39,615,313**	

Anchorage Wastewater Utility
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2015 Revised Budget	45,877,500	276	2	7
Transfers (to)/from Other Agencies				
- Charges from other departments	(92,687)	-	-	-
Debt Service Charges				
- Interest	440,000	-	-	-
Changes in Existing Programs/Funding for 2016				
- Salary and benefits adjustments	573,232	-	-	-
- Software Maintenance	16,393	-	-	-
- Chemicals	100,000	-	-	-
- Utilities	211,500	-	-	-
- Merchant Fees	68,000	-	-	-
- Bad Debt Expense	75,000	-	-	-
- Depreciation	1,250,000	-	-	-
- MUSA	174,929	-	-	-
2016 Continuation Level	**48,693,867**	**276**	**2**	**7**
2016 Proposed Budget Changes				
- Remove 1/2 Time Permit Coordinator Position, never filled	(37,278)	(1)	-	-
- Adjustment to capital labor for 2016.	57,272	-	-	-
- Adjust Overtime to Current pay rates	36,500	-	-	-
- Adjust Capital Overhead	100,000	-	-	-
- Add 2 Call Center Representatives	86,196	2	-	-
- Remove AWU portion of 2015 aerial imagery capture.	(125,000)	-	-	-
- Remove 1 Time GIS Grant.	(87,500)	-	-	-
- Air permit SSI Compliance	125,000	-	-	-
- Add 4 person line cleaning crew for large diameter pipe cleaning, positions would be filled 4th quarter 2016.	98,085	4	-	-
- Miscellaneous (rounding)	171	-	-	-
2016 Proposed Budget	**48,947,313**	**282**	**2**	**7**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(9,750,000)	-	-	-
- Amortization of debt expense	(32,000)	-	-	-
- Interest during construction	450,000	-	-	-
2016 Proposed Budget (Appropriation)	**39,615,313**	**282**	**2**	**7**

Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Wastewater Utility
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Equipment	5,975	4,418	3,671	3,303	3,301	3,255	23,923
Plant	17,205	7,618	5,441	13,872	2,604	6,580	53,320
Pipe	11,020	23,114	26,888	19,825	32,095	29,165	142,107
Total	**34,200**	**35,150**	**36,000**	**37,000**	**38,000**	**39,000**	**219,350**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Debt	27,200	29,150	30,000	31,000	32,000	30,000	179,350
Grants	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Equity/Operations	6,000	5,000	5,000	5,000	5,000	8,000	34,000
Total	**34,200**	**35,150**	**36,000**	**37,000**	**38,000**	**39,000**	**219,350**

Anchorage Wastewater Utility
2016 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
2nd Avenue and Post Road Sewer Rehabilitation	496	-	-	496
7th-9th Avenue I Street-LM Alley Sewer Upgrades	874	-	-	874
ADOT-MOA-Emergency-Sewer	1,500	-	-	1,500
Asplund Clarifiers Upgrades	1,000	-	-	1,000
Asplund Gravity Thickener Rehabilitation	400	-	-	400
Asplund Grit Facility Improvements	700	-	-	700
Asplund Process Water Supply Rehabilitation	-	1,000	-	1,000
Blueberry Sewer Rehabilitation	470	-	-	470
Customer Information System Enhancements	-	-	360	360
Eagle River Wastewater Treatment Facility Rehabilitation	6,400	-	-	6,400
East 42nd Avenue Sewer Rehabilitation	239	-	-	239
Engineering Project Management Tools - Sewer	-	-	45	45
Facility Equipment - Sewer	-	-	100	100
Facility Plant - Sewer	-	-	500	500
Fish Creek Interceptor Phase II	1,000	-	-	1,000
Flower-Park Glenn to 4th Sewer Upgrade	133	-	-	133
Geographic Information Systems Application Development	-	-	160	160
Hydraulic Model Upgrades	-	-	50	50
Information technology Infrastructure	-	-	685	685
Information Technology Master Plan Study - Sewer	-	-	52	52
Interceptor and Trunk Rehabilitation	353	-	-	353
Interceptor C: Force Main Gravity Junction Rehabilitation	750	-	-	750
King Street Backup Power Upgrades	1,300	-	-	1,300
King Street Main Building 1st Floor Office Improvements	270	-	-	270
King Street Main Building Exterior Upgrades	385	-	-	385
King Street Main Building Mechanical Upgrades	400	-	-	400
King Street Septage Receiving Station	100	-	-	100
King Street Shop Improvements	650	-	-	650
King Street Warm Storage Building Upgrades	4,110	-	-	4,110
Large Diameter Sewer Cleaning Equipment	-	-	1,670	1,670
Line Truck (94218) Combination Cleaner (94940)	-	-	560	560
Miscellaneous Information Technology Systems	-	-	738	738
ML&P - Starview Drive Sewer Upgrades	190	-	-	190
Plant Oversize and Betterments-Sewer	-	-	25	25
PS 30/31 Force Main and Facility Upgrades	2,200	-	-	2,200
SCADA Equipment	500	-	250	750
Security Improvements-Sewer	250	-	-	250
Sewer Rehabilitation Preliminary Engineering	430	-	-	430
Trunk Interceptor Extension	2,000	-	-	2,000
Turpin Septage Receiving Station	100	-	-	100
Vehicles-Sewer	-	-	360	360
Water Quality Management and Environmental Compliance Monitoring Reporting	-	-	45	45
Work Management System	-	-	400	400
Total	**27,200**	**1,000**	**6,000**	**34,200**

Anchorage Wastewater Utility
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Operating Income	18,152,084	14,578,000	12,613,000
Depreciation, net of amortization	7,843,888	9,112,000	9,750,000
Transfer from Escrow Account	-	2,317,531	-
Grant Proceeds	560,460	1,000,000	1,000,000
Special Assessment Proceeds	351,374	300,000	300,000
State of Alaska Loan Proceeds	1,672,810	5,000,000	5,000,000
Bond/Other Loan Proceeds	5,700,000	15,500,000	17,000,000
Miscellaneous Non-Operating Revenues	19,433	15,000	15,000
Interest Received	299,535	459,000	290,000
Changes in Assets and Liabilities	211,717	425,574	111,000
Total Sources of Cash Funds	**34,811,301**	**48,707,105**	**46,079,000**
Uses of Cash Funds			
Capital Construction	13,657,447	27,620,400	32,338,000
Debt Principal Payment	5,402,093	5,994,258	6,859,000
Debt Interest Payments	4,302,913	4,850,950	5,162,000
Interfund Loan from Water Utility	-	-	-
Transfer to Escrow Account	2,317,531	-	-
MUSA	5,386,761	5,285,575	5,440,000
Total Uses of Cash Funds	**31,066,745**	**43,751,183**	**49,799,000**
Net Increase (Decrease) in Cash Funds	3,744,556	4,955,922	(3,720,000)
Cash Balance, January 1	22,203,522	25,948,078	30,904,000
Cash Balance, December 31	**25,948,078**	**30,904,000**	**27,184,000**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	22,104,938	25,207,000	24,825,000
Construction Cash	2,311,949	4,197,000	859,000
Operating Fund Investment & Customer Deposits	1,531,191	1,500,000	1,500,000
Cash Balance, December 31	**25,948,078**	**30,904,000**	**27,184,000**

About Anchorage Water & Wastewater

Anchorage Water Utility History
From the first intake of water at Lower Ship Creek, and a few miles of woodstave water lines downtown more than 90 years ago, Anchorage's public water utility has grown into an enterprise with a net plant in service of approximately $502 million that delivers nearly 27 million gallons of water to customers each day. 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. In 1929, an aqueduct was drilled through the mountains north of Anchorage to supply water from Eklutna Lake to the Eklutna hydroelectric power plant along the Knik River. In 1985, AWWU tapped this aqueduct and connected a 7.8 mile long transmission main (intake portal) to provide water from the Lake to the Eklutna Water Treatment Facility. A 2.6 mile raw water line to Ship Creek was built in 1980 to replace an earlier raw water main originally constructed in 1962 for the Ship Creek Water Treatment Facility (WTF).

Anchorage Wastewater Utility History
The Alaska Engineering Commission first installed sewers in downtown Anchorage in 1916 along the lower bluff near the Alaska Railroad Depot. As Anchorage grew, construction of sewers continued and by the end of World War II, sewers were available to much of the area between Ship Creek and Chester Creek, west of Cordova Street. Greater Anchorage Area Borough (GAAB) was created in 1964, and was granted area wide sewer authority. The last major private sewer utility was acquired by the GAAB in 1972. The wastewater utility is now owned and governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the GAAB on September 15, 1975. Anchorage’s public wastewater utility has grown into an enterprise with a net plant in service of approximately $371 million.

Service
Anchorage's enjoyment of drinking water is just one part of the AWWU system. After the day's water is used, it must be treated before it is returned to the environment. The creeks and inlets downstream from Anchorage's wastewater treatment facilities are not adversely impacted by treated effluent, which is AWWU’s principal measure of success. The Anchorage community benefits from the superior operation of the three wastewater treatment plants that serve its growing population.

Governance
AWWU has a seven-member Board of Directors as codified in Anchorage Municipal Code section 4.80.020. The Board is appointed by the Mayor to staggered 3-year terms, with nominees subject to Assembly approval. The Board, by code, makes recommendations to the Mayor, establishes procedures for customer complaints, and recommends changes in code to the Assembly that the Board deems necessary or desirable for the efficient operation of the Utility or for the benefit of its customers. The authority for operation and management of the Utility is under the control of the Mayor. The Board members are very experienced professionals in the fields of law, accounting, engineering, and public health, in addition to 2 at-large citizen members. Regular meetings are held monthly and are open to the public. Board meetings focus on Utility operations and highlights.

Economic Regulation and Accounting
Since 1970, both the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU) have been regulated by the Alaska Public Utilities Commission (APUC), which was renamed the Regulatory Commission of Alaska (RCA) on July 1, 1999. AWU and ASU each hold a Certificate of Public Convenience and Necessity for serving portions of the Anchorage Bowl, Eagle River and Girdwood. This commission must approve all rates and tariffs 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 of the State of Alaska and confirmed by the State Legislature.

AWWU is an Enterprise Fund. Enterprise Funds are used to account for operations where costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

AWWU applies all applicable provisions of the Governmental Accounting Standards Board (GASB) which has authority for setting accounting standards for governmental entities. The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The accrual basis of accounting is used for Enterprise Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Environmental Regulation
AWWU's activities are dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. Potable water produced by AWU must comply with the regulations promulgated under the Safe Drinking Water Act (SDWA). The SDWA is the main federal law governing the quality of drinking water in the United States. The ADEC has authority (primacy) to administer the SDWA regulations for the EPA. The SDWA sets standards for the chemical and microbial quality of drinking water and establishes requirements for informing the public.

ASU's activities are also dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. All wastewater discharges must comply with the regulations promulgated under the Clean Water Act (CWA). The CWA is the main federal law governing discharges into the waters of the United States. The CWA requires that each treatment facility have a unique National Pollution Discharge Elimination System (NPDES) permit that specifies the discharge limits from each facility for a wide variety of chemical and biological constituents. The ADEC has authority (primacy) to issue and administer the NPDES permits for ASU's Eagle River and Girdwood WWTFs. Authority to issue and administer the 301(h) modification for the Asplund WWTF has been retained by EPA, due to the special conditions of this discharge as outlined in section 301(h) of the CWA. In addition to the CWA laws, ASU's sewage sludge incinerator must also comply with the provisions specified in Title V of the Clean Air Act (CAA). ADEC has primacy for the CAA and administers the permit for EPA.

Failure to comply with the regulations promulgated under the SDWA, CWA and CAA can result in fines and/or compliance orders and criminal charges.

Physical Plant
The John M. Asplund Wastewater Treatment Facility is one of the few facilities in the nation operating as a primary treatment facility under Section 301(h) of the Clean Water Act. The primary

treatment provided by this facility removes up to 45% of the BOD and 80% of the solids from the influent wastewater meeting the criteria necessary for discharge to the marine waters of Cook Inlet. The smaller Eagle River and Girdwood Wastewater Treatment facilities provide advanced secondary treatment prior to discharge to Eagle River and Glacier Creek respectively. These facilities remove up to 99% of the pollutants from the incoming wastewater prior to discharge.

In 2014, the Asplund Wastewater Treatment Facility treated an average of 26.9 million gallons per day (mgd). The Eagle River Wastewater Treatment Facility treated an average 1.4 mgd and the Girdwood Wastewater Treatment Facility treated 0.4 mgd. The three facilities have a combined design capacity of 61.1 mgd. The wastewater collection system has approximately 755 miles of pipes.

The Asplund Facility, 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.

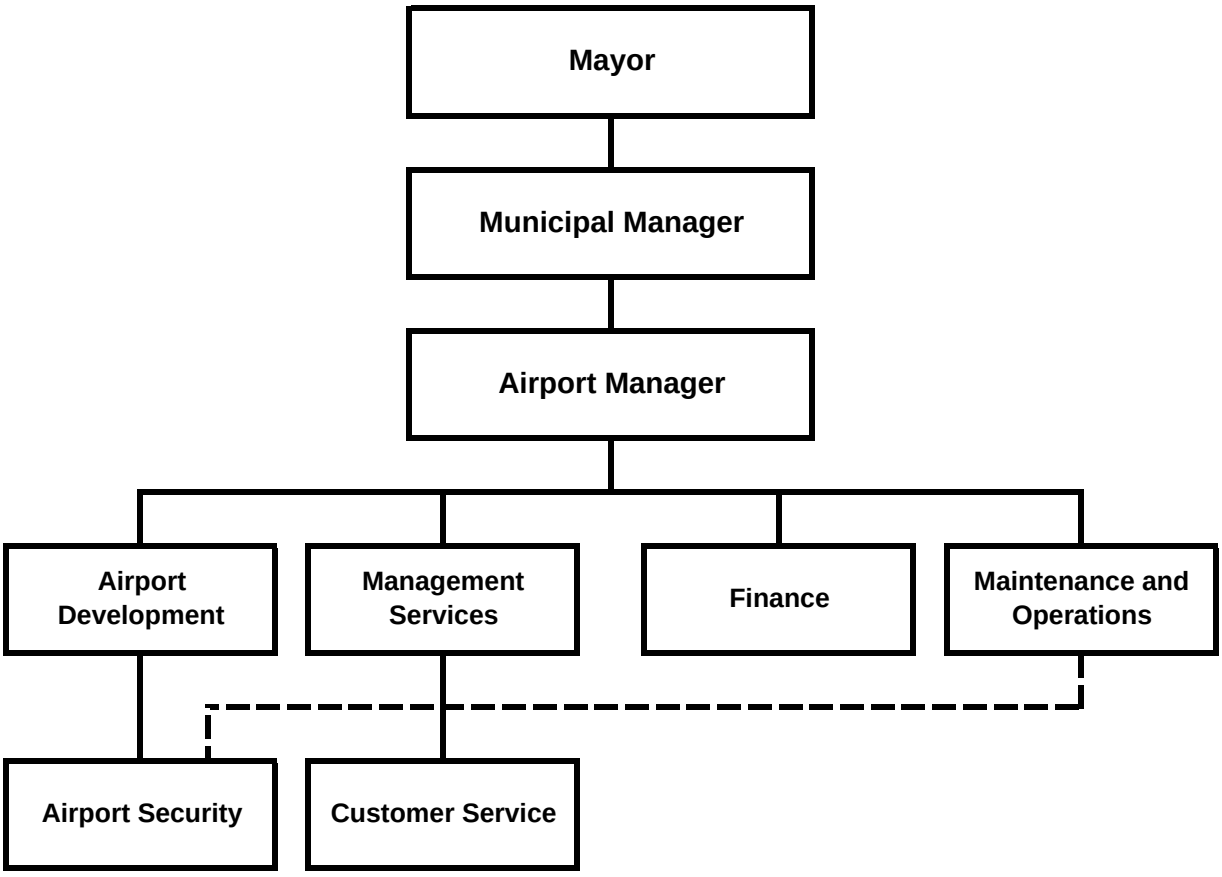
In conjunction with the permit renewal process, a facilities plan update was prepared in 1999. The facilities plan evaluated the existing condition of the Asplund facility and identified improvements necessary to meet the future needs of the community. The facilities plan identified a cumulative $40 million worth of improvements to the solids handling, headworks, administration, laboratory, incineration, and thickening processes and control and power systems. These projects, along with careful operation, have made Asplund a modern, state-of-the-art treatment facility. ASU continues to maintain its treatment plants. Additional projects at Asplund, Eagle River and Girdwood are underway, all designed to replace, rehabilitate and provide for the near-term needs of the areas being serviced.

AWU’s three sources of water are Eklutna Lake, Ship Creek and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl and Girdwood Valley. Eklutna Water Treatment Facility and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the two water systems. The Ship Creek Water Treatment Facility and the remainder of water wells are used to augment the primary water supply as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl.

Of these sources, the Eklutna Water Treatment Facility (WTF) now provides, on average,90 percent of total water production for the Northern Communities and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU’s total water production, all water produced and distributed is from two wells.

Projects to maintain the surface water plants and AWU’s wells are on-going. The purpose of these projects is multiple fold: to rehabilitate and upgrade facilities where equipment has reached the end of its useful life; to automate and increase operational efficiency of facilities; to increase yield from existing well sites; and to meet stricter federal and state regulations regarding water quality.

Merrill Field Airport



Merrill Field Airport
Organizational Overview

Merrill Field Airport is functionally structured as a single department. Department personnel include the Airport Manager and four office staff, plus four maintenance personnel.

The Airport Manager is responsible for overall management, airport operations, risk mitigation and operational tone/policies/direction of the Airport. The Airport Manager is also the primary point of contact with the FAA regarding capital and airport planning, operations, and capital development.

The Administrative staff conducts the day-to-day operation of the Airport, including property management and servicing of leasehold and tie-down customers. Other functions include the planning, design, and oversight of the construction of Airport infrastructure. All office staff are one deep and specialized, per job duties. An additional staff person is proposed in the 2016 budget in expectation of Office Manager Darlene Sivyer's anticipated retirement (23+ years with MRI) and Leasing Specialist Linda Luebke's retirement (22+ years with MRI). The new staff person would fill presently undermet demands and cross train to become familiar with Office Manager and Leasing Specialist duties.

Maintenance personnel provide maintenance and operation of Airport facilities and equipment, as well as maintenance of all operating surfaces on the airport - runways, taxiways, roads, and aircraft tiedown areas that are not on leased property. Such responsibilities include snow removal, sanding, airfield maintenance, including coordination of Notices to Airmen (NOTAMs) and currency of the regularly updated and continuously broadcast Air Traffic Information Service (ATIS).

Merrill Field Airport
Business Plan

Background
Merrill Field Airport (MRI) is a municipally owned and operated enterprise. It is operated as a city Enterprise Fund department under the direction of the Municipal Manager.

Services
Merrill Field is a primary commercial service airport and serves as a general aviation reliever for Anchorage International Airport. Home base to 8.9% of all aircraft registered in Alaska, Merrill Field was the 104th busiest airport in the nation in 2014.

Mission
Merrill Field Airport is committed to operating and maintaining a safe and efficient airport that meets the aviation and business needs of the community.

Business Goals
- Enhance the Airport's role as the major general aviation transportation facility serving Anchorage and outlying areas within Alaska by providing services that promote and encourage use of the Airport by the general aviation community.
- Develop an overall Airport strategy, including leasing policies and pricing that attracts aviation support services and related businesses to Merrill Field and encourages long and short term private sector investments.
- Practice sound fiscal management to enable Merrill Field to increase its value, both to its customers and to its owner, the Municipality of Anchorage.
- Take advantage of new technologies to maximize the use and efficiency of available resources.
- Understand and be responsive to our customers to better meet their needs by providing the services and facilities they desire. This includes maintaining those facilities in a fully functional, efficient and safe condition by continually improving their utility, quality, and appearance.
- Maximize the use of Federal Airport Improvement Program (AIP) grants to provide facilities that will safely and adequately meet the needs of general aviation.
- Meet requisite FAA sponsor assurances resultant from AIP grant acceptance.

Strategies to Achieve Goals
Merrill Field's strategic plan provides a framework to achieve results for the customer.

1. Maintain a pro-active anti-noise policy, asking pilots to follow established noise-reducing practice. Maintain a close working relationship and coordinate with the MRI FAA ATCT.
2. Maintain positive relations with neighboring Community Councils by encouraging their comments and actively addressing their concerns.
3. Work in close coordination with the Municipal Airports Aviation Advisory Commission, Fixed Based Operators, and Airport users.
4. Continue to aggressively seek and obtain both FAA and State grant funding for the Airport Capital Improvement Program.
5. Provide infrastructure to meet customer demand.
6. Maintain revenues at a level adequate to cover inflation, fund MOA and FAA mandated costs, and meet airport objectives by:
    a. increasing facility productivity
    b. adjusting user fees and/or lease rates annually.
7. Minimize expenses by:

   a. Reducing services where the impact is minimal
   b. Employing economies of scale whenever possible
   c. Deferring expenses, within practical limits
   d. Performing functions in-house when workloads permit.
8. Take advantage of new technology
   a. Continue refinement and enhancement of existing programs to facilitate better data resource management, including enabling fiber optic cabling and surveillance cameras airport-wide.
   b. Continue replacing computer hardware, as required, to ensure the efficient processing of data.
9. Maintain database and management reporting capabilities.
10. Maintain runways, taxiways, and tie-down aprons in a safe and secure condition.
11. Expeditiously and systematically remove snow from all surfaces. Ensure NOTAMs (Notices to Airmen) and ATIS (Air Traffic Information Service) are both proactive and current.
12. Continue long term planning, development, and construction of quality airport facilities through the Airport Master Plan process.
13. Provide technical assistance to lessees on issues associated with federally mandated environmental programs.
14. Endeavor to reduce the number of runway incursions (Vehicle/Pedestrian Deviations or VPDs).
15. Manage and develop Orca Street properties to maintain and maximize lease rental revenue.
16. Pursue development of new lease lots and encourage development of commercial aviation facilities on current leaseholds.
17. Perform asphaltic crack sealing of runways/taxiways to extend the life expectancy of these surfaces.
18. Fund pre-grant expenses for engineering services on grant-eligible projects.
19. Enhance the utility of existing tiedown aprons, taxiways, and roadways.
20. Expand aircraft aprons and taxiways as needed to meet demand.
21. Actively market Airport facilities and services.
22. Acquire planned acquisition of identified parcels west of the Runway 16/34 safety area to ensure compatible land use.
23. Identify high priority projects to be included in the FAA 5-Year Airport Capital Improvement Plan (ACIP) thereby helping Merrill Field to more effectively compete nationally for AIP grant funds.
24. Secure engineering services for project preliminary design, final design, contract specifications, bid award, and construction supervision.

Performance Measures to Track Progress in Achieving Goals

Merrill Field measures progress in achieving these customer commitments using the set of quantifiable performance measures.

1. Number of Vehicle-Pedestrian Deviations (VPDs)
2. Number of unfulfilled requests for aircraft parking space – Electrical Drive-Through
3. Percentage of lease spaces currently leased
4. Percent of runway pavement above the minimum PCI value of 70
5. Percent of apron pavement above the minimum PCI value of 60
6. Percent of taxiway pavement above the minimum PCI value of 60

Merrill Field Airport

Anchorage: Performance. Value. Results.

Mission

Operate and maintain Merrill Field Airport to meet the aviation and business needs of our customers.

Core Services

- Maintain runways, taxiways, and aircraft parking aprons in a safe and secure condition.
- Provide space to operate and park aircraft.
- Provide lease space for private enterprises to support air transportation.

Accomplishment Goals

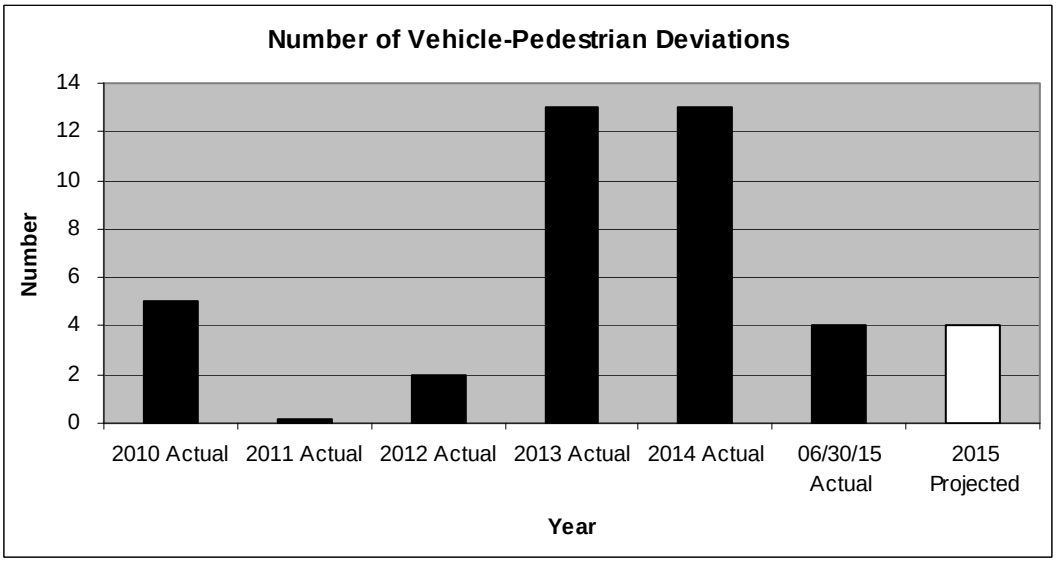
- Reduce the number of vehicle-pedestrian deviations (VPDs) - unauthorized entry into restricted areas.
- Provide sufficient aircraft parking area and business lease space to meet public demand.
- Repair and improve surface conditions on all Runway operating surfaces with a Pavement Condition Index (PCI) below 70 and all Taxiway, Apron & Roadway operating surfaces with a PCI below 60 (on a scale of 1 – 100 with 100 being the best condition).

Performance Measures

Progress in achieving goals will be measured by:

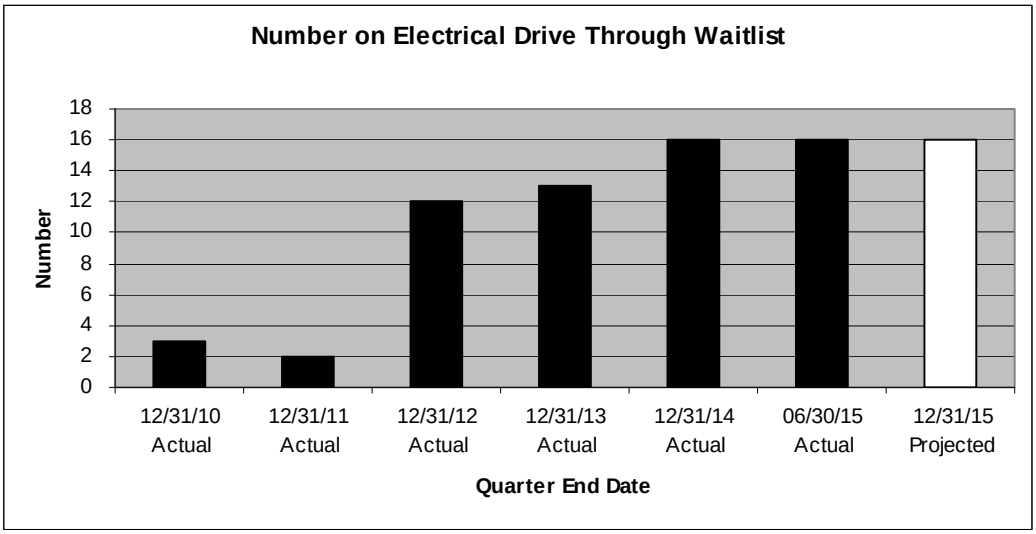
Measure #1: Number of Vehicle-Pedestrian Deviations (VPDs)

2014 Actual	06/30/15 Actual	2015 Projected
13	4	4



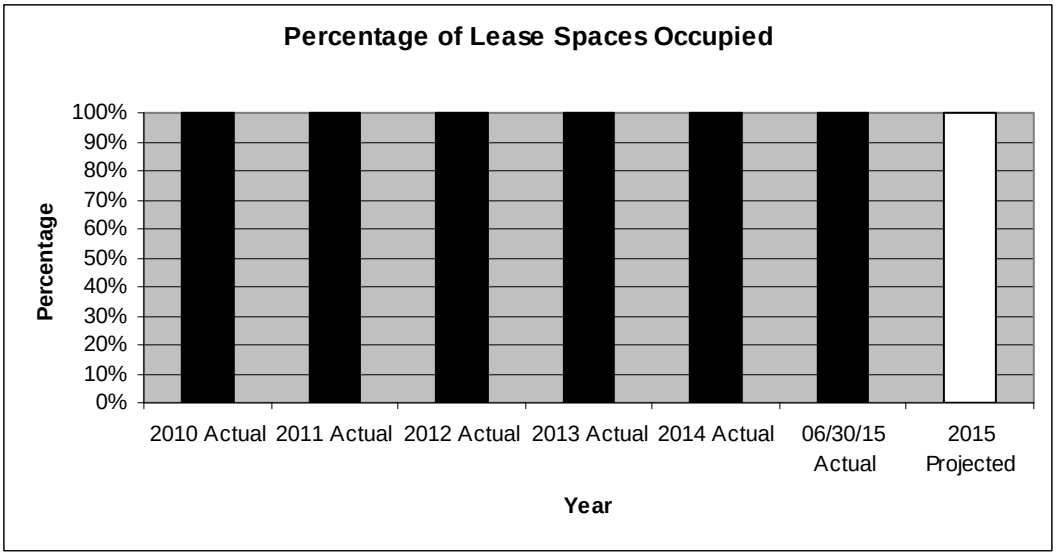
Measure #2: Number of unfulfilled requests for aircraft parking space – Electrical Drive Through

12/31/14 Actual	06/30/15 Actual	12/31/15 Projected
16	16	16



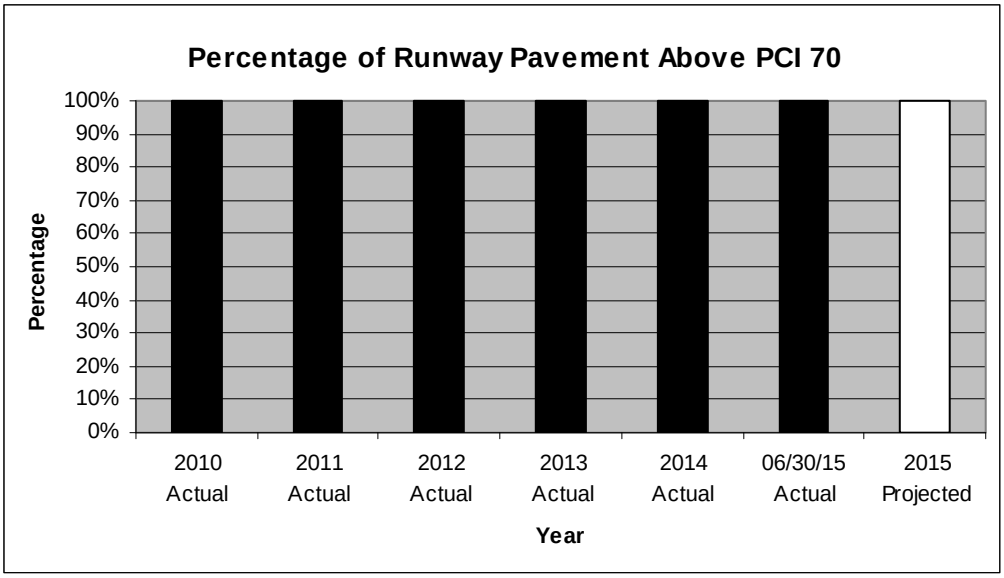
Measure #3: Percentage of lease spaces currently leased

2014 Actual	06/30/15 Actual	2015 Projected
(51/51)	(51/51)	(51/51)
100.00%	100.00%	100.00%



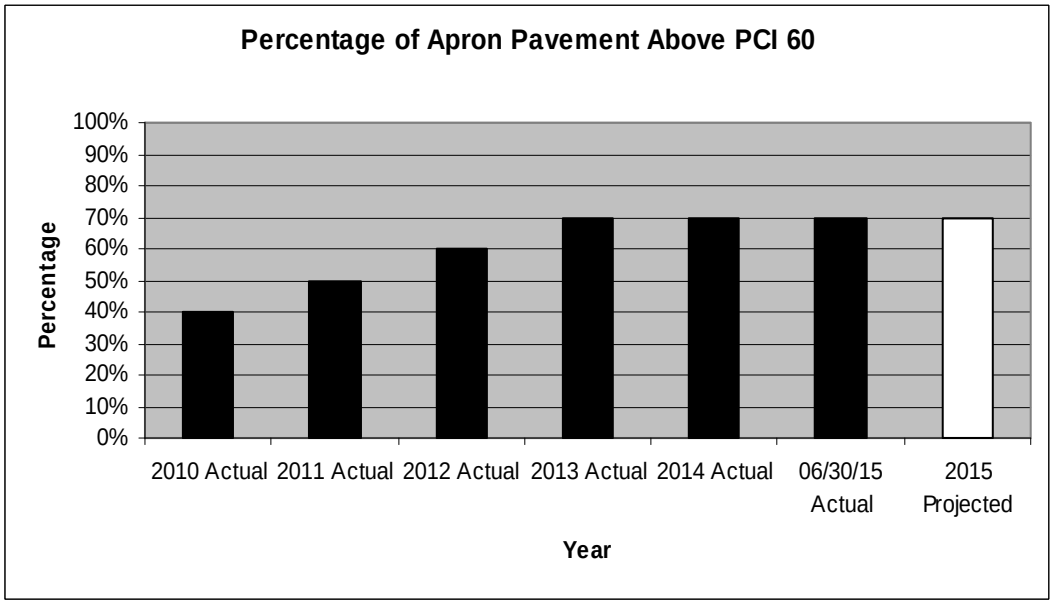
Measure #4: Percent of runway pavement above the minimum PCI value of 70

2014 Actual	06/30/15 Actual	2015 Projected
100%	100%	100%



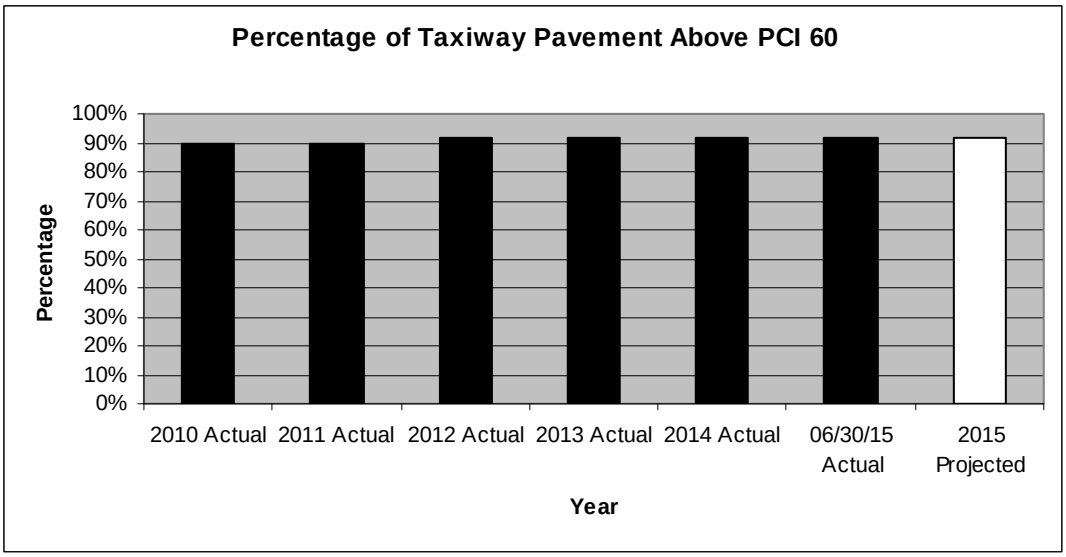
Measure #5: Percent of apron pavement above the minimum PCI value of 60

2014 Actual	06/30/15 Actual	2015 Projected
70%	70%	70%



Measure #6: Percent of taxiway pavement above the minimum PCI value of 60

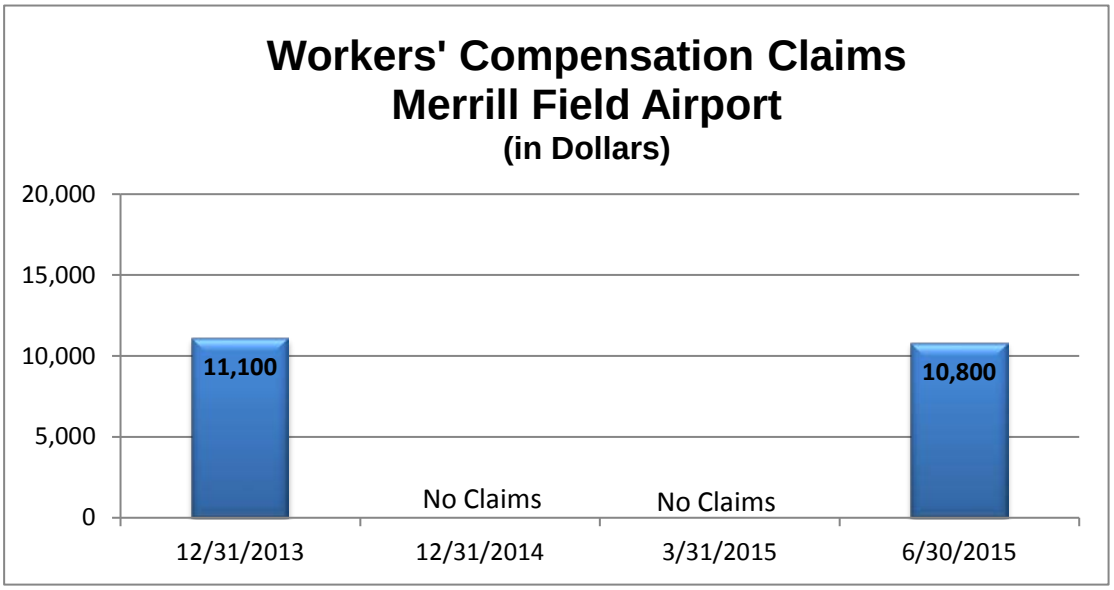
2014 Actual	06/30/15 Actual	2015 Projected
92%	92%	92%



PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Merrill Field Airport
Highlights and Future Events

MRI 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 seven new aviation related facilities including hangars, parts facilities and renovation of the historic Hangar.net hangar on 5th Avenue; over $7 million is anticipated in private development in 2016. The Administration updated its Merrill Field lease terms in 2008 which resulted in more benefits to the airport leaseholders and makes Merrill Field leases more competitive with State airport leases.

Anticipated CY 2016 projects include Phase IV dynamic compaction of a portion of Taxiway Quebec; Phase lll of the airfield security camera, ramp lighting and fiber optic cable installation on the 5th Avenue side of the airfield, Taxiway Kilo resizing and airfield gate operator refurbishment will be completed; plus continuation and completion of Airport Master Plan Phase ll, officially started in 2015 will be completed in 2016. Other 2016 airfield projects are anticipated to include construction continuation of a first-in-Alaska certified aircraft paint hangar facility that will be large enough to accommodate a Dash 8/DC3 size aircraft or four smaller aircraft concurrently, adjacent to the recently completed renovation of the Wings of Freedom facility (formerly known as Hangar.net) hangar. Additionally, JayHawk Air will construct a 60'x60' hangar on its site (materials are on site; permitting was not completed in 2015 to enable project completion before winter weather onset); AK Aircraft Engines will construct a hangar on their site; North Edge Hangars plan a substantial hangar construction along 5th Av adjacent to Hudson Circle; Reeve Air Motive business has been purchased by AK Airframes and a substantial hangar expansion there is also planned; plus D&D Airpark is planning re-development of the former Aero Tech Flight Training leasehold on the east side of Runway 16/34. Also expected in 2016, MRI anticipates the acquisition of the current City Electric Property on the east side of Orca Street and north of 8th Avenue to be completed and subsequent development of this site undertaken. Three MRI owned rental buildings at 1225 and 1209 Orca Street and 1570 E 12th Avenue have been re-roofed in 2015 and selected window replacement will take place in late 2015 and 2016.

No proposed rate adjustments for the 2016 budget are projected (prior year projected CPI coupled with previously addressed CPI effectively washed; the 2/10 of one cent increase does not warrant a rate adjustment). This is in concert with adopted policy of proactive annual rate adjustments rather than reactive multi-year-in-arrear adjustments, as has been done historically.

Merrill Field Airport
External Impacts

With approximately 120,000 take offs and landings per year, Merrill Field (MRI) serves as a general aviation 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 ~830 based aircraft, Merrill Field provides a positive economic impact to Anchorage.

MRI is one of the few airports in the nation that has a taxiway link connecting directly to a hospital (Alaska Regional). Medevac aircraft land and taxi directly to the hospital and the patient is transferred from the aircraft onto a gurney and wheeled into the hospital. This service saves valuable minutes in critical situations and it is regularly utilized.

MRI continues to remain debt-free by pursuing federal airport grant funds for all grant-eligible capital improvement projects by working with federal and state grant managers to secure all available grant funding as it becomes available. These funds are used to develop/continue its economic revitalization program through cooperative efforts of the business owners, airport management, and surrounding communities.

Since its beginning in 1930 when MRI was built on the outskirts of Anchorage, it has become encroached by residential and commercial development. As a result, the airfield layout is geometrically constrained without taxiway separation from individual leasehold apron areas. Rather, MRI taxiways are effectively apron edge taxi-lanes. This apron edge taxi-lane configuration, coupled with an inadequate fencing deterrent along 5th Avenue and elsewhere often results in individuals not associated with the airport occasionally entering restricted areas (trespass across taxiways and/or runways),aka Vehicle Pedestrian Deviations or (VPD's).

To address this, in our Runway Safety Program we have 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 the historic number in the hundreds to 19-or-less per year over the past decade. Our ongoing goal is to improve Airport fencing and perimeter/gate security through continued education of and support of the Airport leaseholders and businesses, the Municipality of Anchorage, and the Federal Aviation Administration, with an ultimate goal of eliminating trespass incidents.

MRI noise complaints have dramatically decreased since implementing a "Fly Friendly" program that includes a revised standard protocol for all rotorcraft touch & go operations, emphasizing the use of Runway 34 only when the wind is out of the north; landing long (further down the runway); using steeper ascent and descent angles, to the degree practicable; and using Bryant Army Airfield (on JBER) for rotorcraft training, when it is available.

Merrill Field Airport
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
Airport Manager	1	1	1	1	1	1	1	1
Airport Development	1	1	1	1	1	1	1	1
Finance	1	1	1	1	1	1	1	1
Management Services	2	2	3	3	3	3	3	3
Maintenance Technicians	4	4	4	4	4	4	4	4
Total Full Time	**9**	**9**	**10**	**10**	**10**	**10**	**10**	**10**
Part-time/Temporary	2	2	2	2	2	2	2	2
Total Part Time	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Positions	**11**	**11**	**12**	**12**	**12**	**12**	**12**	**12**
Total FTE	**9.50**	**9.50**	**10.50**	**10.50**	**10.50**	**10.50**	**10.50**	**10.50**

Merrill Field will hire up to three temporary seasonal employees for 3 months each summer, depending upon the impact of the previous winter's ops expenses experienced.

Merrill Field Airport
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues (1)	1,785	1,926	1,907	1,923	1,939	1,955	1,971	1,987
Expenses (2)	3,509	3,894	4,021	4,037	4,053	4,069	4,085	4,101
Net Income (Loss)	**(1,724)**	**(1,968)**	**(2,114)**	**(2,114)**	**(2,114)**	**(2,114)**	**(2,114)**	**(2,114)**
Budgeted Positions	11	11	12	12	12	12	12	12
Capital Improvement Program	2,509	4,620	2,200	2,500	3,800	2,000	2,000	2,000
Bond Sales	-	-	-	-	-	-	-	-
Net Plant (12/31)	59,847	61,977	61,632	61,201	62,030	61,104	60,220	59,377
Utility Revenue Distribution	-	-	-	-	-	-	-	-
Net Assets (12/31)	65,603	65,765	63,306	61,041	60,040	57,279	54,556	51,870
Cash and Cash Equivalents	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Construction Cash Pool	4,913	3,724	3,384	3,306	2,993	2,931	2,869	2,806
Bond Redemption Cash	-	-	-	-	-	-	-	-
Total Cash	**4,913**	**3,724**	**3,384**	**3,306**	**2,993**	**2,931**	**2,869**	**2,806**
IGCs - General Government (4)	(478)	(505)	(517)	(527)	(538)	(549)	(560)	(571)
MESA	45	40	44	43	42	42	43	42
Total Debt	-	-	-	-	-	-	-	-
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100
Rate Change Percent (3)	5.3%	4.0%	0.0%	1.6%	1.6%	1.6%	1.6%	1.6%
Lease Rate/Square Foot/Year	$0.200	$0.208	$0.208	$0.212	$0.215	$0.218	$0.222	$0.225
Tail-In Space Per Month	$60	$60	$60	$60	$60	$60	$60	$60
Drive-Through Space Per Month	$70	$70	$70	$70	$70	$70	$70	$70
Statistical/Performance Trends								
Based Aircraft	833	833	833	833	833	833	833	833
Municipal Tiedowns	530	530	530	530	530	530	530	530
Flight Operations/Calendar Year	125,588	126,000	126,000	126,000	126,000	126,000	126,000	126,000
National Airport Ranking by Calendar Year	104th	104th	104th	104th	104th	104th	104th	104th

(1): Revenues are projected to increase at the rate of the Consumer Price Index (CPI). Capital grant revenue is not included.
(2): Expenses shown includes all depreciation, including depreciation on assets purchased with grant funds.

(3): Rate increases shown in future years are for purposes of projections only and have not been approved for implementation. The intent is to reflect CPI coverage to maintain established operating budgets. Merrill Field Airport will continue to strive to find ways to avoid projected rate increases.
(4) Includes IGC charges to grants for administration and work authorizations

Merrill Field Airport
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Airport Lease Fees	659,549	687,000	687,000	-	687,000	0.0%
Airport Property Rental	434,555	480,000	457,000	23,000	480,000	5.0%
Permanent Parking Fees	279,408	279,000	275,000	-	275,000	0.0%
Transient Parking Fees	12,706	8,000	10,000	(2,000)	8,000	-20.0%
Vehicle Parking	40,044	42,000	40,000	2,000	42,000	5.0%
MOA Aviation Fuel Fees	66,637	52,000	52,000	-	52,000	0.0%
SOA Aviation Fuel Fees	18,998	18,000	18,000	-	18,000	0.0%
Medevac Taxiway Fees	49,896	50,000	50,000	-	50,000	0.0%
Other Revenue	1,612	7,000	1,000	3,000	4,000	300.0%
Total Operating Revenue	**1,563,405**	**1,623,000**	**1,590,000**	**26,000**	**1,616,000**	**1.6%**
Non Operating Revenue						
Operating Grant Revenue	167,900	242,000	202,000	40,000	242,000	19.8%
Interest Income	45,629	46,000	37,000	5,815	42,815	15.7%
Other Revenue	7,986	15,000	3,000	3,000	6,000	100.0%
Total Non Operating Revenue	**221,515**	**303,000**	**242,000**	**48,815**	**290,815**	**20.2%**
Total Revenue	**1,784,920**	**1,926,000**	**1,832,000**	**74,815**	**1,906,815**	**4.1%**
Operating Expenses						
Labor						
Labor and Benefits	1,139,070	1,175,000	1,119,784	112,683	1,232,467	10.1%
Overtime	3,526	5,000	27,000	(15,000)	12,000	-55.6%
Total Labor	1,142,596	1,180,000	1,146,784	97,683	1,244,467	8.5%
Non Labor						
Supplies	100,576	95,000	138,000	(38,000)	100,000	-27.5%
Travel	-	-	-	-	-	0.0%
Other Services	78,696	88,000	107,000	(19,000)	88,000	-17.8%
Other Expenses	287,002	256,000	261,000	6,000	267,000	2.3%
Depreciation and Amortization	2,326,561	2,490,000	2,450,000	95,000	2,545,000	3.9%
Transfers (MESA and Gross Receipts)	44,652	40,000	37,208	6,792	44,000	18.3%
Total Non Labor	**2,837,487**	**2,969,000**	**2,993,208**	**50,792**	**3,044,000**	**1.7%**
Total Direct Cost	**3,980,083**	**4,149,000**	**4,139,992**	**148,475**	**4,288,467**	**3.6%**
Charges to Other Departments	(735,004)	(737,000)	(808,960)	72,000	(736,960)	-8.9%
Charges from Other Departments	257,304	232,000	228,900	(9,054)	219,846	-4.0%
Total Operating Expense	**3,502,383**	**3,644,000**	**3,559,932**	**211,421**	**3,771,353**	**5.9%**
Non Operating Expense						
Master Plan Study	6,434	250,000	207,535	42,465	250,000	20.5%
Total Non Operating Expense	**6,434**	**250,000**	**207,535**	**42,465**	**250,000**	**20.5%**
Total Expenses (Function Cost)	**3,508,817**	**3,894,000**	**3,767,467**	**253,886**	**4,021,353**	**6.7%**
Net Income	**(1,723,897)**	**(1,968,000)**	**(1,935,467)**	**(179,071)**	**(2,114,538)**	**9.3%**
Appropriation:						
Total Expenses			**3,767,467**	**253,886**	**4,021,353**	
Less: Non Cash items						
Depreciation and Amortization			2,450,000	95,000	2,545,000	
Total Non-Cash			2,450,000	95,000	2,545,000	
Amount to be Appropriated (Cash Expenses)			**1,317,467**	**158,886**	**1,476,353**	

Merrill Field
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2015 Revised Budget	3,767,467	9	2	-
Transfers (to)/from Other Agencies				
- Transfers (MESA)	6,792	-	-	-
- Charges to/from others	62,946	-	-	-
Changes in Existing Programs/Funding for 2016				
- Salary and benefits adjustments	24,325	-	-	-
- Depreciation and Amortization	95,000	-	-	-
2016 Continuation Level	**3,956,530**	**9**	**2**	**-**
2016 Proposed Budget Changes				
- Add one new Junior Admin Officer position, grade 12	88,358	1	-	-
- Reduce overtime expense	(15,000)	-	-	-
- Supplies	(38,000)	-	-	-
- Repair and Maintenance, Legal, Janitorial and Bird Control Services	(19,000)	-	-	-
- Increase Master Plan Study	42,465	-	-	-
- Other Expenses	6,000	-	-	-
2016 Proposed Budget	**4,021,353**	**10**	**2**	**-**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and Amortization	(2,545,000)	-	-	-
2016 Proposed Budget (Appropriation)	**1,476,353**	**10**	**2**	**-**

Merrill Field Airport
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Buildings and Equipment	200	500	200	-	-	-	900
Land Improvements	1,000	1,000	2,600	1,000	1,000	1,000	7,600
Runways and Taxiways	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Total	**2,200**	**2,500**	**3,800**	**2,000**	**2,000**	**2,000**	**14,500**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Federal Grants	1,875	2,344	3,375	1,875	1,875	1,875	13,219
State Grants	63	78	112	63	63	62	441
Equity/Operations	262	78	313	62	62	63	840
Total	**2,200**	**2,500**	**3,800**	**2,000**	**2,000**	**2,000**	**14,500**

Merrill Field Airport
2016 Capital Improvement Budget
(in thousands)

Project Title		Federal Grants	State Grants	Equity/ Operations	Total
Building Upgrades - Orca Street Facilities		-	-	200	200
Rehab Taxiway Quebec and Apron, Phase 5		938	31	31	1,000
Security Upgrades, Phase 4		937	32	31	1,000
	Total	**1,875**	**63**	**262**	**2,200**

Merrill Field Airport
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Net Income/(Loss)	(1,724,874)	(1,974,000)	(2,118,000)
Depreciation	2,326,561	2,490,000	2,545,000
Grant Proceeds	1,637,682	3,431,752	4,359,875
Proceeds from Disposal of Capital Assets	-	-	-
Interest Received	45,629	46,000	46,000
Total Sources of Cash Funds	**2,284,998**	**3,993,752**	**4,832,875**
Uses of Cash Funds			
Additions to Plant/Construction Work in Progress	2,618,876	4,620,496	4,700,000
Transfers To/From Other Funds	(701,612)	562,000	473,000
Total Uses of Cash Funds	**1,917,264**	**5,182,496**	**5,173,000**
Net Increase (Decrease) in Cash Funds	367,734	(1,188,744)	(340,125)
Cash Balance, January 1	4,545,452	4,913,186	3,724,442
Cash Balance, December 31	**4,913,186**	**3,724,442**	**3,384,317**
Detail of Cash and Investment Funds			
Cash and Cash Equivalents	200	200	200
Equity in Construction Cash Pool	4,912,986	3,724,242	3,384,117
Cash Balance, December 31	**4,913,186**	**3,724,442**	**3,384,317**

About Merrill Field Airport

Organization
Five office staff manage the operational and financial affairs of Merrill Field, and four maintenance personnel provide maintenance for 8 airport buildings and 436 acres of property. The maintenance function includes all operating surfaces of the airport - runways, taxiways, roads and aircraft tie-down areas that are not on leased property. This includes snow removal, sanding, resurfacing, and maintenance of facilities and equipment.

History
Merrill Field Airport (MRI), established in 1930 and located one mile east of downtown Anchorage, was the first real airport in Alaska and in Anchorage. 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.

MRI is classified as a "Primary Commercial Service Airport" and serves as a general aviation reliever airport to Ted Stevens Anchorage International Airport. MRI is presently restricted to aircraft weighing 12,500 pounds or less.

MRI continues to be an integral part of Alaska's transportation network. Over the past five years aircraft operations have varied between 130,000 and 170,000 and based aircraft varied between 827 and 910: 2013’s based aircraft numbered 833.

Service
Merrill Field serves as the general aviation link between Southcentral Alaskan communities, rural areas, and Anchorage. Intrastate air traffic to and from Anchorage, with many passengers destined for the downtown and midtown areas, are conveniently served by MRI.

Some of the many services provided at MRI 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; a fully accredited University of Alaska Aviation Technology Division campus offering Baccalaureate/Associate degree and A&P License programs in piloting and aviation management; and direct Medevac taxiway connection to Alaska Regional Hospital.

Regulation
Merrill Field 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 affect the Airport. Approximately one-third of the MRI airfield land mass is atop the former Anchorage Municipal landfill, which was closed in 1987. As a result of this resident land mass, significant environmental challenges and additional development costs exist for airfield development and construction.

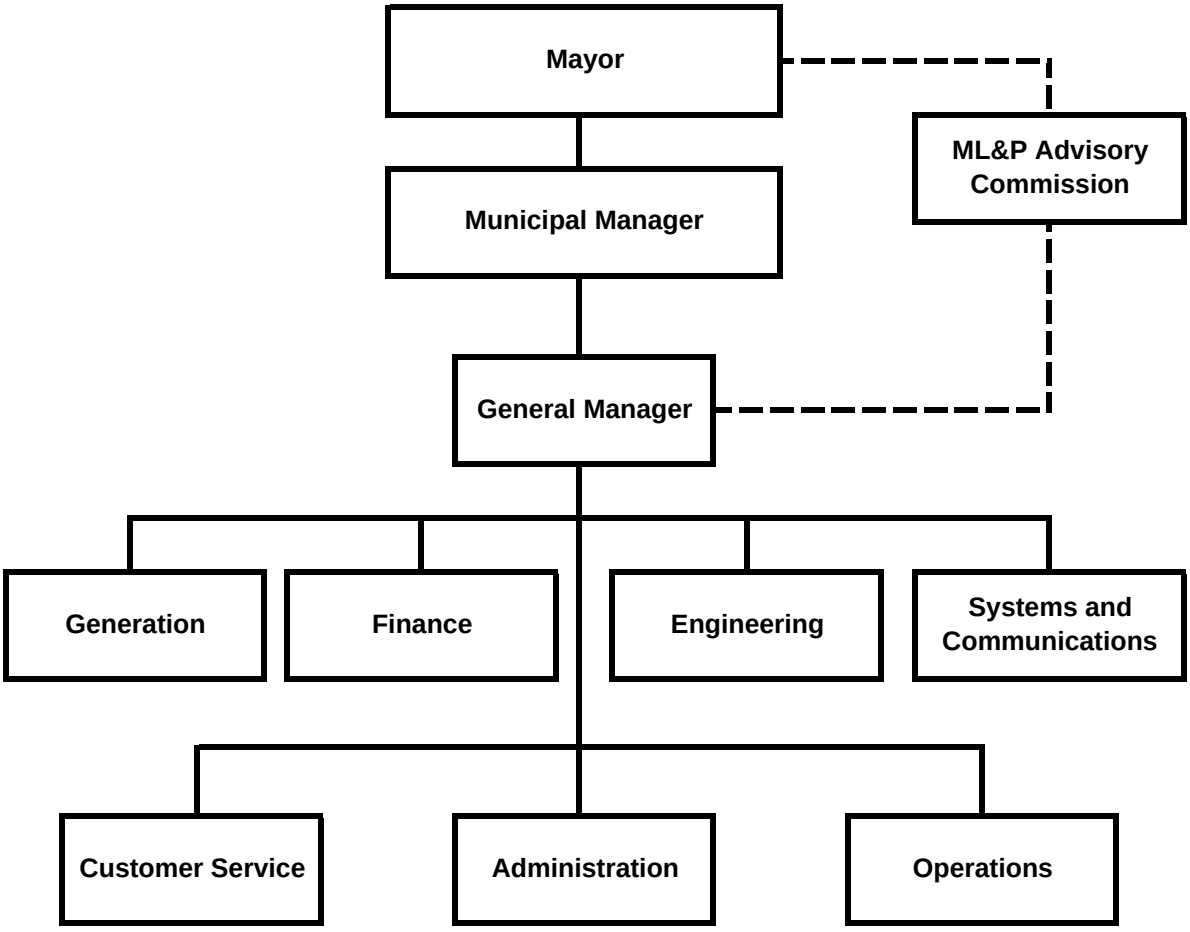
Physical Plant

Primary Commercial Service Airport
- Hub for intra-Alaska travel
- Located one mile from downtown Anchorage
- General Aviation reliever airport to Ted Stevens Anchorage International Airport
- Restricted to aircraft weighing 12,500 pounds or less
- 436 acre land area; elevation 137 feet; fee simple title
- 1,244 tiedown spaces; leaseholders manage 714; Municipality manages 530, including 53 for transient aircraft
- Runway 7/25 length/width is 4,000' x 100'; Runway 16/34 is 2,640' x 75'; Gravel/Ski Runway 5/23 is 2,000' x 60'
- Six taxiways; 102 acres of tiedown aprons
- Air Traffic Control Tower owned and operated by FAA

Merrill Field Airport Statistics for 2014
- 104th Busiest Airport in the Nation
  - 820,453 flight operations in Alaska; 125,588 operations (15.3%) at MRI
- 9,347 registered aircraft in Alaska; 833 (8.9%) based at MRI
- 8,032 certificated pilots in Alaska; UNK at MRI
- 48 leaseholders lease 3,311,861 square feet of airport property with tenant improvements assessed at $274,869,000
- 12 rental properties
- Approximately 36 aviation related businesses operate on the airport
- 485 transient aircraft stayed a total of 2,197 days in 2014
- Approximately 843,455 gallons of fuel were sold in 2014

Airport Plant (net of accumulated depreciation) at December 31, 2014 was $59,846,668

Municipal Light & Power



Municipal Light & Power
Organizational Overview

General Manager's Office
The General Manager is responsible for the overall management of Municipal Light & Power (ML&P). ML&P is functionally structured into seven operating divisions: Administration, Generation and Power Management, Engineering, Operations, Finance, Customer Service, and Systems and Communications. Each division manager reports directly to the General Manager. The General Manager and Division Managers are responsible for coordinating both the strategic planning efforts and the efficient application of resources necessary to achieve ML&P's mission.

Administration Division
The Administration Division provides support to the General Manager. Functions carried out by the Administration Division include: human resources, labor relations, safety, security, public relations, environmental, telephone switchboard/receptionist duties, and courier/mailroom operations.

Generation and Power Management Division
The Generation and Power Management Division is responsible for the production and dispatch of all thermal electricity at ML&P and the dispatch of the Eklutna Hydroelectric plant.

This includes operation, maintenance, engineering, and installation of equipment used in conjunction with the two Municipally-owned electric power plants. The division also provides full spectrum maintenance and support for the Eklutna Hydroelectric Power Plant, of which ML&P owns 53%. ML&P is a 30% owner of the Southcentral Power Plant (SPP), with the other 70% owned by Chugach Electric Association (CEA). This 183-megawatt (MW) natural-gas fired, combined-cycle plant went into service January 31, 2013.

The **Generation Plant Operators** operate the turbines as required by the dispatch center. The operator's primary function is to monitor and respond to equipment alarms and trips. This is done on a 24-hour basis. The operators coordinate lock-out/tag-out safety procedures in the plant when equipment is taken out of service for maintenance.

The **Heavy Mechanical** crew performs overhauls and major maintenance of power production equipment. This experienced crew is trained to disassemble large industrial turbines, evaluate their condition and make necessary repairs.

The **Electric/Electronic** section provides maintenance and installation of all instrumentation, which includes generation control and protective systems, supervisory control and data acquisition systems (SCADA), general plant electrical systems, and other related plant and construction work.

The **Eklutna** hydroelectric plant is managed by a ML&P Superintendent but operated by a CEA Operator. Plant electrical production and costs are shared between ML&P, CEA, and Matanuska Electric Association (MEA) based on a predetermined percentage of ownership.

The **Generation Warehouse** section maintains an inventory of critical spare parts for the generation division. There is also an economic advantage to purchasing parts that have a long

lead time; a 25% savings on parts (which can cost several million dollars) can be realized by doing this.

The **Power Management** section performs studies and analyses to determine the optimal operation of ML&P's Generation and Hydroelectric resources and conducts a variety of power pooling and marketing studies to identify power sales opportunities between ML&P and other Railbelt utilities. The three major functions of the Power Management section are as follows:

Power Dispatch is responsible for the safe and efficient control and dispatch of ML&P's interconnected electrical system, including the Eklutna Hydroelectric Project and the southern portion of the Alaskan Intertie. This section responds to emergencies or unscheduled outages on the Interconnected System, ML&P Transmission System, and/or ML&P Power Plants and directs outage restoration procedures.

Distribution Dispatch operates the ML&P distribution system in a safe and reliable manner, responds to distribution system emergencies and unscheduled outages, directs restoration procedures to restore service as soon as practicable, and directs switching and tagging of scheduled maintenance, new services, and system improvements.

The **Gas Controller** works closely with Power Dispatch to establish daily gas requirements and nominates those requirements to gas field operators and pipeline transmission/distribution operators using day-ahead nomination procedures. The Gas Controller monitors daily natural gas usage to develop trends, forecasting models, and reports.

Engineering Division

The Engineering Division is responsible for the planning, budgeting, design, coordination, and construction of transmission and distribution facilities that are required to provide consumers with safe and reliable electrical power.

The **Engineering Support** section is responsible for ML&P's Geographic Information System (GIS), rights-of-way acquisition of easements/permits/lands and record keeping, land surveying and project staking, underground locates, support, administration, and Autodesk utility design (AUD) encompassing ML&P's electronic engineering design workflow. The section is also responsible for the continuing property/facility records, computer aided drafting (CAD), mapping, and the professional services contract administration as related to these responsibilities.

This section is also responsible to provide and develop tools to maintain the GIS, streamline engineering business processes using workflows and technology to increase efficiency, and maintain the integrity and accuracy of ML&P's design and asset data.

The **Station Design, System Protection and System Planning** section prepares complete substation and switchyard design packages, implements all the distribution and transmission system protection, conducts transmission and distribution load flow studies, performs distribution system fault and failure analyses, purchases substation equipment, and is responsible for the annual transformer distribution order, prepares specifications and contract documents, and procures construction contracts.

Additionally conducts distribution system normal studies and transmission system load flow studies, prepares substation construction standards and provides technical support to other

sections and divisions for system upgrades; performs distribution system fault analyses, protective devices coordination and coordinates with other intertie utilities for transmission protection and transmission line improvements.

The **Transmission/Distribution Line Design and Customer Engineering** sections are responsible for the design of major system improvements, relocations, undergrounding, and line extensions of the transmission and distribution systems. These sections also provides engineering services to new customers, including new service line extension design, minor customer service, and non-ML&P construction project reviews. They perform NESC safety compliance assessments, update material specifications, prepare new and update construction standards and construction methods, develop standards and maintenance methods, evaluate material bids, prepare and administer the "unit price" construction contract and other project construction contracts, and do other special projects. They coordinate with other Municipal departments, governmental agencies, community organizations and other utilities.

Operations Division
The Operations Division oversees the construction, maintenance, and operation of the transmission and distribution systems, administration of contracts and contractors, facility maintenance, fleet and equipment maintenance, and warehousing of required material.

The **Line** section is responsible for the construction and maintenance of the transmission and distribution systems. This section also provides cut-in/cut-out assistance for the Customer Service Division and switching services as directed by the Generation and Power Management Division.

The **Technical Services** section provides services associated with electrical metering and substation maintenance including installation, calibration and testing of circuit breakers, relays, meters, transformers, and SCADA equipment.

The **Fleet Services** section provides pre-purchase technical specifications, preventive and nonscheduled maintenance of all utility rolling stock, miscellaneous equipment, and hot line tools.

The **Electrical Services** section provides testing, repairs and tracking of transformers, facility maintenance and associated contract administration, as well as management of ML&P's PCB/Hazardous materials testing and disposal program.

The **Warehouse** section is responsible for receipt, storage and issuance of construction and maintenance material for Engineering and Operations. They also provide support to other divisions in processing purchase requisitions, including change orders and receiving goods.

The **Radio Shop** section is responsible to support process control and internal communications for all ML&P divisions. They work closely with MOA general government communications shop to provide adequate and interoperable two-way radio communications for ML&P and fulfill service contracts in support of wireless communications for Municipal Enterprise Activities (AWWU, SWS, and Port of Anchorage).

Finance Division
The Finance Division provides financial management, financial reporting, budgeting and analysis of reports and budgets to ML&P's staff and Advisory Commission, the Municipal

Administration, Assembly and regulatory agencies. The Finance Division is responsible for regulatory matters, long-range resource planning, forecasts, financial support for ML&P's interest in the Beluga River Unit (BRU) gas field, and pursuit of initiatives necessary to support the utility's financial health and competitive position.

The **Accounting** section is responsible for general and plant accounting, and financial reporting according to regulatory requirements and Generally Accepted Accounting Principles (GAAP). The Accounting section is also responsible for meeting accounting and tax compliance requirement for ML&P's gas field operations.

The **Budgeting** section is responsible for financial forecasting, financial modeling, bond sale support, yearly operating and Capital Improvement Plan budget submissions, developing budgeting standards, ensuring budget compliance, and providing other situational fiscal analysis as required.

The **Payroll** section is responsible for collection and submission of employee time sheets for accurate payroll processing and preparation of monthly health, welfare, pension and benefits reporting in compliance with collective bargaining agreements.

The **Regulatory Affairs** section is responsible for participation in all regulatory proceedings affecting ML&P's ability to perform its mission, maintenance of ML&P's tariff, special contracts, COPA filings, rate studies and oversight of ML&P's interest in the BRU.

Customer Service Division
The Customer Service Division provides a full line of customer services for ML&P's electric customers.

The **Customer Service** section is responsible for any customer contact necessary to establish, maintain, and terminate electrical service and landlord contracts. This section explains rates and tariff applications as required, responds to residential and commercial service requests and bill inquiries, and processes cash receipts, while maintaining security of customer records. Customer Service is the focus for customer contact in the utility.

The **Credit and Collections** section is a primary function of the division as it is responsible for negotiating payment schedules in accordance with ML&P's tariff, Alaska Statutes, and accepted Fair Credit Act practices, as well as providing anti-identity theft measures demanded by Federal statutes and practices. This section is also responsible for maintaining a low percentage of write-offs, coordinating all customer refunds and reviews, as well as preparation of accounts for legal referral.

Billing, another key section of the division, receives the read data collected by the meter readers and processes, records, and renders billing statements to clearly inform the customer of their energy consumption.

The **Meter Reading** section is responsible for accurate and timely scheduled monthly meter reads, timely reads on customer connects and disconnects, and delinquent door hanger notices. This section also investigates customer energy usage patterns, high bill complaints, customer equipment access issues and power theft incidents.

Systems and Communication Division
The Systems and Communication Division provides internal communications, business systems installation and process control support for all ML&P Divisions and the General Manager's office. In addition, this division provides recommendations for communication system upgrades, improvements and replacements ensuring equipment compatibility and cost efficiency.

The **Programming Section** is responsible to ensure business practices and methodologies are applied through easy to use electronic products, applications, software, and/or hardware products for all employees of ML&P from their first day of employment forward. This applies to commercial off-the-shelf products, applications created in-house, and MOA applications.

The **Network Services Section** is responsible for 24/7 Business LAN connectivity and support, server support, and telephone/voicemail services to all of ML&P. Network Services is also responsible to provide an efficient and reliable means for ML&P employees to communicate both internally and externally to ML&P customers, vendors, and other outside agencies.

The **Energy Management System (EMS) Section** provides configuration, maintenance and technical support for the ML&P SCADA/EMS system infrastructure and user computer consoles used to manage and control power generation, transmission and distribution systems.

The **IT Support Section** supports and administrates the desktop PCs for all ML&P divisions. They provide help desk support for ML&P computer users, provide disaster recovery planning and implementation to assure the availability of critical data, provide security and software update service for all desktop PCs.

The **Document Control and Records Management Section** is responsible for establishing and maintaining utility wide document management and retrieval technologies.

Municipal Light & Power
Business Plan

Mission
Provide Service with competitive, safe, reliable energy.

Services
Municipal Light and Power's service area is roughly 20-square-miles and includes commercial, university and medical customers in the Downtown and Midtown business districts, as well as industrial loads in the Ship Creek and port areas. ML&P serves Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities. The utility has a one-third working interest in the Beluga River Unit gas field, making it one of the only vertically integrated natural-gas-fired utilities on the West Coast. ML&P is subject to regulation by the Regulatory Commission of Alaska.

Business Goals
- Provide electricity on demand to ML&P customers 24 hours a day, 365 days a year
- Meet the needs and expectations of our customers by providing:
  - Competitive rates and reliable service for all customer classes
  - Prompt, reliable and courteous customer assistance
  - Support and assistance to the military bases
  - Support and assistance to wholesale power customers
- Replace old turbines with more efficient, state-of-the-art turbines capable of achieving over 25% fuel savings
- Operate the electrical system with optimum economic efficiency and strict adherence to environmental standards
- Provide for the safety of both the public and our employees in the operation of the electrical system
- Recruit and retain a highly skilled, diverse workforce dedicated to serving the Anchorage community
- Improve system reliability by incorporating new components, technologies, and methods of cooperation with interconnected utilities
- Maintain competitive rates by incorporating cost cutting technologies and streamlining business processes without jeopardizing the financial and operational integrity of the utility
- Attain the financial objectives established in the Equity Management Plan
- Promote efficient use of electrical energy
- Continue to provide educational programs to school children and the community on electrical safety. Communicate factual information to customers and the public at large on issues affecting ML&P and the utility industry, including means by which the customer may undertake on their own volition measures to install cost-effective, energy efficient technologies and promote energy conservation
- Foster teamwork and an integrated approach to decision-making within the utility
- Maintain equity and earn net income at a level sufficient to continue to pay annual dividends to the Municipality of Anchorage

Strategies to Achieve Goals
- Affordable and competitive rates
- Low employee incident rate
- Low number of lost work days

- Highest possible bond rating
- Highest possible net income
- Low customer outages and interruptions

Performance Measures to Track Progress in Achieving Goals

1. Maintain competitive residential service rates as measured in cents per kilowatt hour
2. Maintain Total Recordable Incident Rates (TRIR) below industry average
3. Maintain Days Away Restricted Transferred (DART) rate below industry standard
4. Achieve 80% of bills that go out within 1day of meter read date
5. Maintain positive Income Before Dividend
6. At a minimum, maintain an A bond rating
7. Maintain competitive residential and commercial rates as measured in revenue per kilowatt-hour (kWh) sold
8. Maintain Customer Average Interruption Duration Index (CAIDI) below industry average
9. Maintain System Average Interruption Duration Index (SAIDI) below industry average
10. Maintain System Average Interruption Frequency Index (SAIFI) below industry average
11. Manage workers' compensation claims

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Provide service with competitive, safe, reliable energy.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

Direct services provided by divisions

- See: Customer Service, Finance and Systems & Communications
- See: Energy Production
- See: Engineering & Operations

Accomplishment Goals

- Affordable and competitive rates
- Safe work environment
- Safe service
- Reliable service

Performance Measures

Progress in achieving goals will be measured by:

Measure #1: Maintain competitive residential service rates as measured in cents per kilowatt hour

	2011	2012	2013	2014	Q2-2015
Municipal Light & Power	12.60	11.22	12.92	15.69	16.05
Chugach Elec. Assoc.	14.02	14.51	14.30	15.94	17.47
Matanuska Elec. Assoc.	15.28	15.48	15.29	16.90	19.31
Homer Elec. Assoc.	20.52	18.99	19.84	23.26	24.80
Golden Valley Electric Assoc.	21.16	24.25	22.54	22.60	20.48

Note: Customer charge is $6.56/month and energy usage is 750 kWh/month. Energy Charge effective 10/24/13 is 10.734 cents/kWh. The Cost of Power Adjustment (COPA) effective 4/1/15 is 4.362 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0754 cents/kWh.

Measure #2: Maintain Total Recordable Incident Rates (TRIR) below industry average

2011	2012	2013	2014	2Q-2015
4.41	2.17	3.29	1.41	1.91

Measure #3: Maintain Days Away Restricted Transferred (DART) rate below industry standard

2011	2012	2013	2014	2Q-2015
2.2	.87	1.41	.47	.96

Note: Industry Average TRIR 2011 - 2013 6.6, 6.8, and 4.5, respectively.

Industry Average DART 2011 – 2013 3.1, 3.3 and 3.8 respectively.

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Ensure Municipal Light and Power's (ML&P) business process requirements are efficiently and effectively conducted, while also meeting ML&P's stewardship obligations to the citizens of Anchorage.

Core Services

- Energy distribution
- Energy generation
- Customer service

Direct Services

- Financial services that maintain and protect the financial integrity of the utility
- Service all residential and commercial customer account needs
- Support utility wide communications and technical/business application needs of the utility

Accomplishment Goals

- Accurate and timely reporting of financial data
- Maintain sound key financial ratios
- Maintain optimal business systems uptime
- Accurate and timely meter reading and customer billing

Performance Measures

Progress in achieving goals will be measured by:

Measure #4: Achieve 80% percent of bills that go out within 1 day of meter read date

2011	2012	2013	2014	2Q-2015
86%	88%	84%	84%	87%

Measure #5: Maintain positive Income Before Dividend

2011	2012	2013	2014	2Q-2015
$12,396,768	$15,261,908	$5,820,381	$13,450,177	$3,059,564

Note: Cumulative Income Before Dividend

Measure #6: At a minimum, maintain an A bond rating

Standard & Poor's Rating Services				
2011	2012	2013	2014	2015
A+	A+	A+	A+	A+

Fitch Ratings				
2011	2012	2013	2014	2015
A+	A+	A+	A+	A+

Note: Rates the level of risk involved in investing in ML&P bonds; "A+" indicates the least amount of risk and is in the highest rating category.

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Provide a competitive, reliable energy source

Core Services

- Energy generation
- Energy distribution

Direct Services

- Produce energy to meet consumer demand
- Manage energy production to efficiently dispatch electric power

Accomplishment Goals

- Generation equipment availability
- Economical management of generation resources

Performance Measures

Progress in achieving goals will be measured by:

Measure #7: Maintain competitive residential and commercial rates as measured in revenue per kWh (kilowatt-hour) sold

Year 2014
Comparisons reported annually (mid-Nov.) by American Public Power Association and Energy Information Agency, U.S. Dept. of Energy

Year 2013	ML&P	CEA	MEA	HEA	GVEA
Residential	13.23	14.82	15.11	20.99	22.87
Commercial	10.37	12.22	12.55	18.22	21.11

Note: Year 2010 - 2013 data reported in cents.

Year 2012	ML&P	CEA	MEA	HEA	GVEA
Residential	11.73	13.84	15.23	20.26	24.22
Commercial	8.78	11.73	12.76	17.59	22.59

CEA=Chugach Electric Association;
MEA=Matanuska Electric Association;
HEA=Homer Electric Association;
GVEA=Golden Valley Electric Association.

Year 2011	ML&P	CEA	MEA	HEA	GVEA
Residential	13.02	14.23	15.11	19.73	22.42
Commercial	10.11	11.99	12.72	17.72	20.77

Year 2010	ML&P	CEA	MEA	HEA	GVEA
Residential	12.95	13.27	13.81	16.78	20.22
Commercial	10.17	10.91	11.36	14.74	18.75

Municipal Light & Power

Anchorage: Performance. Value. Results.

Mission

Design, construct, operate and maintain generation, transmission and distribution facilities to serve anticipated electric power needs within ML&P's service area at the lowest reasonable cost.

Core Services

- Energy generation
- Energy distribution
- Customer service

Direct Services

- Design reliable and cost effective electrical systems
- Construct reliable and cost effective electrical systems in accordance with design standards
- Provide electrical system maintenance that insures continuity of a vital utility
- Maintain the Continuing Property Records (CPR) system to record equipment type and location

Accomplishment Goals

- Maintain voltages under normal conditions within plus or minus 5 percent (%) of nominal voltage
- Adhere to safety and construction standards
- Proactive preventive maintenance service
- Maintain an outage reporting database system in accordance with industry standards
- Restore power outage conditions in an expeditious and economical manner

Performance Measures

Progress in achieving goals will be measured by:

Measure #8: Maintain Customer Average Interruption Duration Index (CAIDI) below industry average

2011	2012	2013	2014	2Q-2015
.939	1.02	1.38	1.21	.58

Note: APPA's 2013 Distribution Reliability Survey provides a benchmark for CAIDI of 96.47 minutes (1.61 hours).

Measure #9: Maintain System Average Interruption Duration Index (SAIDI) below industry average

2011	2012	2013	2014	2Q-2015
.467	.615	.803	.662	.208

Note: APPA 2013 Distribution Reliability Survey provides a benchmark for SAIDI of 58.49 minutes (.975 hours).

Measure #10: Maintain System Average Interruption Frequency Index (SAIFI) below industry average

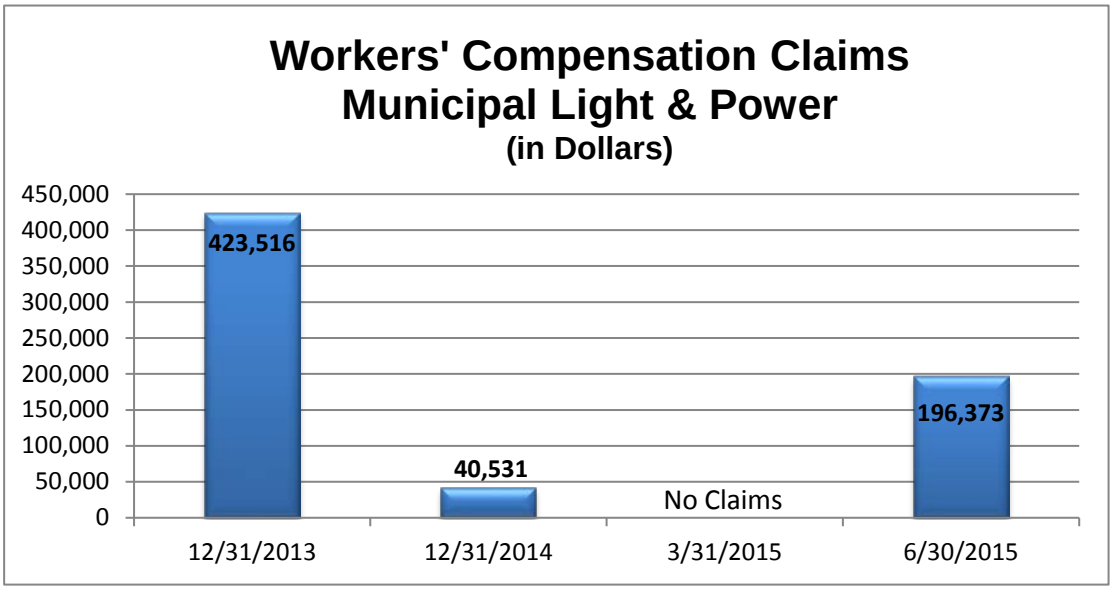
2011	2012	2013	2014	2Q-2015
.497	.603	.581	.591	.361

Note: APPA 2013 Distribution Reliability Survey provides a benchmark for SAIFI of 1.11 interruptions per customer.

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Municipal Light & Power
Highlights and Future Events

New Generation
ML&P is at a point from a life cycle perspective where it must make significant generation capital additions over the next few years. Currently, there is $314.2 million in the project to replace aging generation infrastructure. Modern generating units are much more efficient, allowing them to deliver more energy for the same amount of fuel. The new (2) LM6000 Cycle Plant (Plant 2A) adjacent to existing Plant 2 is over 50% complete and scheduled to cost just under $300 million. Once finished the plant should produce the same power for 30% less natural gas and over 90% less Nox and CO emissions. At peak construction there have been approximately 150 workers on site. The Plant will use low value "waste" heat to heat AWWU's city drinking water (15 degrees average). The goal is to have Plant 2A online by second quarter 2016.

Rate Relief
U-13-184: On September 9, 2013 ML&P filed a request with the Regulatory Commission of Alaska (RCA) to implement a two-phased rate increase to recover costs associated with its interest in the Southcentral Power Project (SPP). For Phase One, ML&P requested a 24.32% across-the-board increase to the interim rates in effect at that time. ML&P requested a 31.52% increase to the same interim rates for Phase Two, to take effect one year after Phase One was implemented. Requested Phase One rates were lower than those of Phase Two, because as part of Phase One ML&P sought to use $5.5 million from the Deferred Regulatory Liability from Gas Sales (DRLGS) fund to mitigate the rate increase's impact on its customers.

The RCA approved a 24.32% interim and refundable rate increase, effective October 24, 2013 and opened a docket. Hearing was held April 6 through 17, 2015. Prior to the hearing, ML&P and the other parties to this docket – the Attorney General, the Federal Executive Agencies, and Providence Health & Services – resolved several issues through stipulation. The RCA issued its final order on July 16, 2015 approving ML&P's requested 24.32% permanent increase to demand and energy charges. Additionally, the RCA affirmed ML&P's methodology regarding its capital structure, cost of capital analysis, and cost of service study. ML&P must recalculate rate classes' charges in its next revenue requirement study and revisit its COPA formula. The RCA ordered ML&P to discontinue forwarding dividend payments to the Municipality effective January 1, 2016. The RCA also opened two new investigatory dockets – one to investigate the appropriate use of DRLGS funds and the other to examine ML&P's tariff regarding self-generation.

Dividend and Gross Receipts Payments
The dividend consists of a revenue distribution to general government of 5 percent of the utility's gross revenues (excluding restricted revenues) and a gross receipts payment considered supplemental MUSA at 1.25% multiplied by actual gross operating revenues. The dividend is based on prior year revenues confirmed after audit.

In response to a proposal from ML&P, the Regulatory Commission of Alaska issued a bench ruling on November 7, 2005, removing their restriction on dividend and dividend-like payments, thereby reinstating ML&P's ability to pay dividends to its owner, the Municipality of Anchorage. From 2006 to 2015 the dividend and gross receipts distribution totaled $75.7 million, averaging $7.6 million a year. As stated in the Rate Relief section above (U-13-184), the RCA ordered ML&P to discontinue forwarding dividend payments to the Municipality effective January 1, 2016.

Municipal Light & Power
External Impacts

Beginning January 1, 2006 all of ML&P's gas requirements for generation (except for purchases to meet peaking requirements) were supplied from its one-third interest in the Beluga River Unit Gas Field (BRU). While ML&P's principal source for meeting its natural gas requirements for electric power generation will continue to be met from its reserves in the BRU gas field for the foreseeable future, the BRU is a mature field whose production is declining. The BRU's current production profile now requires that ML&P acquire through purchase or exchange other sources of gas on a continuous, on-going basis in order to meet its generation needs. ML&P successfully negotiated a six-year gas supply contract for 19.64 Bcf of gas effective in the second quarter 2014.

The transfer price of gas from the Gas Division to the Electric Division is, for all practicable purposes comprised of costs necessary to produce gas. The transfer price, including the ARO surcharge is budgeted to increase from $4.812/MCF in 2015 to $6.312/MCF in 2016. Beginning in the summer of 2012 ML&P has also incurred additional costs due to fees paid to Cook Inlet Natural Gas Storage Alaska, Inc. for seasonal gas storage.

ML&P anticipates that it will file its next request for rate relief with the Regulatory Commission of Alaska (RCA) in August 2016. The projected rate increases reflected herein are projections for the purposes of this budget and may not reflect the actual percent rate increase ML&P will file with the RCA due to the following: 1) the rate increase projections were developed using the information that was available at the time the budget was developed, 2) the rate increase projections in this document are based on total base rates, when ML&P files its request for a rate increase the percentage increase requested will only apply to a subset of base rates (demand and energy charges only); 3) ML&P is investigating rate stabilization options that may be implemented in the next rate case.

Revenue reductions in 2019 thru 2021 that are caused by the maturity of the Beluga River Unit (BRU) bond debt in 2018. ML&P plans to request a change in the ratemaking methodology for the BRU from the current debt service coverage methodology.

Municipal Light & Power
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
Administration	12	13	13	13	13	13	13	13
Customer Service	25	25	25	25	25	25	25	25
Engineering	30	30	32	32	32	32	32	32
Finance	22	27	27	27	27	27	27	27
Generation	79	79	76	76	76	76	76	76
Operations	58	62	61	61	61	61	61	61
Regulatory	6	-	-	-	-	-	-	-
Systems & Communications	21	22	22	22	22	22	22	22
Total Full Time	**253**	**258**	**256**	**256**	**256**	**256**	**256**	**256**
Part-Time/Temporary	26	18	21	21	21	21	21	21
Total Positions	**279**	**276**	**277**	**277**	**277**	**277**	**277**	**277**
Total FTE	**268.5**	**267**	**266.5**	**266.5**	**266.5**	**266.5**	**266.5**	**266.5**

Municipal Light & Power
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	142,993	160,949	177,039	194,387	206,813	193,155	174,935	175,920
Expenses	129,543	156,999	170,839	188,294	192,304	188,961	170,800	173,060
Net Income (Loss) - Regulatory	**13,450**	**3,950**	**6,200**	**6,092**	**14,509**	**4,195**	**4,135**	**2,860**
Budgeted Positions	279	276	277	277	277	277	277	277
Capital Improvement Program	141,656	57,709	39,669	38,361	41,491	39,184	44,501	35,178
Bond Sales/ Commercial Paper	24,700	115,900	185,000	-	-	-	-	-
Net Non-Contributed Plant (12/31) (REG)	597,029	688,685	712,540	692,068	679,384	668,563	662,754	647,224
Net Contributed Plant (12/31)	95,399	91,986	97,401	97,577	101,441	100,424	98,989	96,068
Net Plant (12/31) (GAAP)	692,428	780,671	809,941	789,645	780,825	768,987	761,743	743,292
Retained Earnings (12/31)	255,504	251,639	255,933	260,003	272,730	275,514	278,531	280,569
General and Restricted Cash	107,981	111,378	112,573	117,634	124,525	137,955	117,332	95,409
Bond Construction Cash	1,215	-	-	-	-	-	-	-
Bond Redemption Investment	23,882	25,729	27,735	37,182	37,182	36,686	36,685	36,684
Debt Service Account	2,571	2,079	2,283	2,788	3,110	3,099	3,100	3,100
Operating Fund Investment & Customer Deposits	11,328	14,928	16,428	18,228	18,028	17,328	16,828	17,728
Total Cash & Investments (12/31)	**146,977**	**154,114**	**159,018**	**175,833**	**182,846**	**195,068**	**173,944**	**152,921**
IGCs - General Government	3,382	2,661	2,631	3,754	3,754	3,854	3,854	3,803
Dividend	5,822	7,052	-	-	-	-	-	-
MUSA and Gross Receipts	7,381	7,538	5,845	10,143	10,186	10,073	9,980	9,950
Total Outstanding Debt	345,795	338,355	515,890	508,370	497,720	487,067	475,922	464,288
Total Annual Debt Service	28,630	23,315	25,321	31,987	34,768	34,272	34,271	34,270
Debt Service Coverage	1.92	2.12	2.45	2.14	2.14	1.86	1.84	1.80
LT Debt/Equity Ratio	59/41	66/34	67/33	67/33	65/35	64/36	63/37	62/38
Rate Change Percent	24.32%	0.00%	24.00%	0.00%	6.00%	0.00%	0.00%	0.00%
			effective 10/1/2016					
Statistical/Performance Trends:								
Residential Customer (500 kWh)	$80.69	$83.96	$92.26	$103.70	$109.57	$102.47	$94.12	$94.99
Total Residential Sales (kWh)	133,411	134,049	134,044	134,040	134,035	134,029	134,014	134,004
Commercial & Industrial Sales (kWh)	729,978	731,564	732,134	732,705	733,276	733,848	734,421	734,993
Total Residential, Commercial and Industrial kWh Sales	863,389	865,613	866,178	866,744	867,311	867,877	868,435	868,997
Total Retail Sales Revenue	$131,295	$142,126	$157,803	$175,956	$186,768	$172,223	$153,504	$154,719

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 co

Municipal Light & Power
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Residential	21,435,044	22,460,000	24,277,000	456,000	24,733,000	1.9%
Commercial	98,470,914	103,231,000	110,108,000	4,543,000	114,651,000	4.1%
Military	13,422,166	14,688,000	15,899,000	682,000	16,581,000	4.3%
Sales for Resale	7,391,906	14,546,000	6,721,000	7,864,000	14,585,000	117.0%
Other	(812,298)	3,033,000	15,495,000	(12,472,000)	3,023,000	-80.5%
Total Operating Revenue	**139,907,732**	**157,958,000**	**172,500,000**	**1,073,000**	**173,573,000**	**0.6%**
Non Operating Revenue						
Interest Income	670,466	577,000	1,194,000	(142,000)	1,052,000	-11.9%
Other	2,414,730	2,414,000	2,416,000	(2,000)	2,414,000	-0.1%
Total Non Operating Revenue	3,085,196	2,991,000	3,610,000	(144,000)	3,466,000	-4.0%
Total Revenue	**142,992,927**	**160,949,000**	**176,110,000**	**929,000**	**177,039,000**	**0.5%**
Operating Expense						
Labor:						
Labor and Benefits	27,108,776	31,078,000	28,835,423	2,350,577	31,186,000	8.2%
Overtime	1,889,845	1,892,000	1,685,000	436,000	2,121,000	25.9%
Total Labor	28,998,621	32,970,000	30,520,423	2,786,577	33,307,000	9.1%
Non Labor:						
Material & Supplies	9,993,749	9,098,000	7,134,000	1,939,000	9,073,000	27.2%
Travel	67,644	70,000	70,000	30,000	100,000	42.9%
Natural Gas Purchases & Transportation	16,598,848	31,276,000	32,326,000	305,000	32,631,000	0.9%
Gas Production Expense	12,591,491	15,359,000	16,008,000	2,371,000	18,379,000	14.8%
Southcentral Power Project	3,397,754	3,995,000	3,995,000	160,000	4,155,000	4.0%
Purchased Power & Wheeling	5,467,545	5,791,000	5,306,000	596,000	5,902,000	11.2%
Regulatory Debit/Credit	(2,264,613)	7,000	(1,750,000)	2,048,000	298,000	-117.0%
Depreciation, Depletion & Amortization	30,700,970	30,235,000	32,136,000	5,319,000	37,455,000	16.6%
Transfers (MUSA and Gross Receipts)	7,381,413	7,538,000	7,527,017	(1,682,017)	5,845,000	-22.3%
Transfers to Gen Gov't-SAP	326,886	5,000	-	240,000	240,000	na
Total Non Labor	84,261,687	103,374,000	102,752,017	11,325,983	114,078,000	11.0%
Total Direct Costs	**113,260,308**	**136,344,000**	**133,272,440**	**14,112,560**	**147,385,000**	10.6%
Charges from Other Departments	3,381,799	2,661,000	2,660,795	(29,418)	2,631,377	-1.1%
Total Operating Expense	**116,642,107**	**139,005,000**	**135,933,235**	**14,083,142**	**150,016,377**	**10.4%**
Non Operating Expense						
Interest on Bonded Debt	13,858,048	18,289,000	19,134,000	1,136,000	20,270,000	5.9%
Other Interest Expense	989,565	1,310,000	930,000	1,391,000	2,321,000	149.6%
Allowance for Funds Used During Construction	(2,474,940)	(792,000)	(5,300,000)	4,314,000	(986,000)	-81.4%
Amortization of Debt Expense	293,978	(933,000)	(1,161,000)	242,000	(919,000)	-20.8%
Other	233,992	120,000	54,000	83,000	137,000	153.7%
Total Non Operating Expense	**12,900,643**	**17,994,000**	**13,657,000**	**7,166,000**	**20,823,000**	**52.5%**
Total Expenses (Function Cost)	**129,542,750**	**156,999,000**	**149,590,235**	**21,249,142**	**170,839,377**	**14.2%**
Net Income	**13,450,177**	**3,950,000**	**26,519,765**	**(20,320,142)**	**6,199,623**	**-76.6%**
Appropriation						
Total Expenses			**149,590,235**	**21,249,142**	**170,839,377**	
Less: Non Cash items						
Depreciation, Depletion & Amortization			32,136,000	5,319,000	37,455,000	
Regulatory Debits/Credits			(1,750,000)	2,048,000	298,000	
Allowance for Funds Used During Construction			(5,300,000)	4,314,000	(986,000)	
Amortization of Bonds			(1,161,000)	242,000	(919,000)	
Total Non Cash			23,925,000	11,923,000	35,848,000	
Amount to be Appropriated (Cash Expenses)			**$125,665,235**	**$9,326,142**	**$134,991,377**	

Municipal Light & Power
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

	Appropriation	Positions FT	PT	T
2015 Revised Budget	149,590,235	258	-	18
Transfers (to)/from Other Agencies				
- SAP	240,000	-	-	-
- Intragovernmental Charges	(29,418)	-	-	-
- MUSA and Gross Receipts	(1,682,017)			
Debt Service Changes				
- Interest Expense	2,527,000	-	-	-
Changes in Existing Programs/Funding for 2016				
- Depreciation, Depletion & Amortization	5,319,000	-	-	-
- Allowance for Funds Used During Construction	4,314,000	-	-	-
- Gas Production Expense	2,371,000	-	-	-
- Regulatory Debits/Credits	2,048,000	-	-	-
- Purchased Power & Wheeling	596,000	-	-	-
- Natural Gas Purchases and Transportation	305,000	-	-	-
- Amortization of Debt Expense	242,000	-	-	-
- Southcentral Power Project	160,000	-	-	-
2016 Continuation Level	**166,000,800**	**258**	**-**	**18**
2016 Proposed Budget Changes				
- Salary and benefit adjustment	2,786,577	(2)	-	3
- Material and Supplies	1,939,000	-	-	-
- Misc. Non-Operating Expense	83,000	-	-	-
- Travel	30,000	-	-	-
2016 Proposed Operating Budget	**170,839,377**	**256**	**-**	**21**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation, Depletion & Amortization	37,455,000	-	-	-
- Regulatory Debits/Credits	298,000	-	-	-
- Allowance for Funds Used During Construction	(986,000)	-	-	-
- Amortization of Bonds	(919,000)	-	-	-
2016 Proposed Budget (Appropriation)	**134,991,377**	**256**	**-**	**21**

Municipal Light & Power
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Beluga River Gas Field	13,700	8,700	13,700	9,400	9,400	9,400	64,300
Distribution	12,791	15,596	17,856	12,976	15,251	11,786	86,256
General Plant	3,273	2,740	1,925	2,338	2,370	2,042	14,688
Production	8,700	3,975	1,850	11,910	15,790	10,450	52,675
Transmission	1,205	7,350	6,160	2,560	1,690	1,500	20,465
Total	**39,669**	**38,361**	**41,491**	**39,184**	**44,501**	**35,178**	**238,384**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Equity/Operations	20,669	27,311	25,441	27,384	32,651	23,228	156,684
Revenue Bond/Commercial Paper	3,000	-	-	-	-	-	3,000
Contribution in Aid of Construction	2,300	2,350	2,350	2,400	2,450	2,550	14,400
Beluga Contributed	13,700	8,700	13,700	9,400	9,400	9,400	64,300
Total	**39,669**	**38,361**	**41,491**	**39,184**	**44,501**	**35,178**	**238,384**

Municipal Light & Power
2016 Capital Improvement Program
(in thousands)

Project Title	Equity/ Operations	Revenue Bond/ Commercial Paper	Contribution in Aid of Construction	Beluga Contributed	Total
Beluga River Gas Field	-	-	-	13,700	13,700
Communications	2,178	-	-	-	2,178
Distribution Equipment	1,710	-	-	-	1,710
Eklutna Power Plant	200	-	-	-	200
Land & Land Rights - Distribution	35	-	-	-	35
Land & Land Rights - Transmission	20		-	-	20
Meters	400	-	-	-	400
Misc Equipment	45	-	-	-	45
Overhead Lines	1,656	-	-	-	1,656
Plant 2A	-	3,000	-	-	3,000
Southcentral Power Project	500	-	-	-	500
Stores/Tools/Lab	340	-	-	-	340
Street Lighting	110	-	-	-	110
Structures & Improvements - General Plant	250	-	-	-	250
Structures & Improvements - Plant 1/Plant 2	900	-	-	-	900
Transformer Services	2,980	-	-	-	2,980
Transmission Lines	70	-	-	-	70
Transmission Stations	1,115	-	-	-	1,115
Transportation	460	-	-	-	460
Underground Lines	3,600	-	2,300	-	5,900
Unit 3	400	-	-	-	400
Unit 7	3,700	-	-	-	3,700
ML&P TOTAL	**$ 20,669**	**$ 3,000**	**$ 2,300**	**$ 13,700**	**$ 39,669**

Municipal Light & Power
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Income Before Dividend	13,450,177	3,950,000	6,199,623
Depreciation/Depletion/Amortization	30,700,970	30,235,000	37,455,000
Amortization of Bonds	293,978	(933,000)	(919,000)
Bond Proceeds / Commercial Paper	98,600,000	115,900,000	185,000,000
Deferred Charges and Other Assets	6,172,937	1,622,129	-
Contribution in Aid of Construction	11,012,485	6,166,000	16,807,000
Changes in Assets and Liabilities	(9,096,873)	(15,097,852)	(155,042,777)
Total Sources of Cash Funds	**151,133,674**	**141,842,277**	**89,499,846**
Uses of Cash Funds			
Additions to Plant	141,977,229	127,265,001	77,130,911
Debt Principal Payment	17,910,000	7,440,000	7,465,000
Total Uses of Cash Funds	**159,887,229**	**134,705,001**	**84,595,911**
Net Increase (Decrease) in Cash Funds	(8,753,555)	7,137,276	4,903,935
Cash Balance, January 1	155,730,658	146,977,103	154,114,379
Cash Balance, December 31	**146,977,103**	**154,114,379**	**159,018,314**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	13,872,447	14,145,624	22,604,668
Bond Cash	1,215,105	-	-
BRU Construction & Future Gas Purchases	94,108,960	97,232,087	89,968,129
Bond Investment	23,881,704	25,729,163	27,734,913
Debt Service	2,570,879	2,079,497	2,282,596
Operating Fund Investment & Customer Deposits	11,328,008	14,928,008	16,428,008
Cash Balance, December 31	**146,977,103**	**154,114,379**	**159,018,314**

About Municipal Light & Power

Organization
ML&P is functionally structured into seven operating divisions: Generation & Power Management, Engineering, Operations, Finance, Customer Service, Administration, and Systems & Communication. Each division manager reports directly to the General Manager.

As of December 31, 2014, ML&P had 237 employees and total labor and benefit costs of approximately $43.7 million, which includes operating and capital labor expenditures. Of these 237 employees, 174 were covered by a labor agreement with the IBEW and 63 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. Unit 3, which was purchased in 1968 and remained in service for 36 years, was retired in 2004. Unit 3's replacement, which is the first new generating unit for ML&P in more than 20 years, began commercial operation August 16, 2007. The 30MW simple-cycle gas turbine is a GE LM2500+ and cost $27.5 million to purchase and install. Four of the seven gas fired turbines have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas transportation system. In addition to its two power plants, ML&P operates nineteen modern substations and is the south-end controller of the Alaska Intertie from Anchorage to Fairbanks.

In late 1996, the Municipality purchased a one-third working interest in the Beluga River Gas Field, which established 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.

On August 28, 2008 ML&P entered into an agreement with Chugach Electric Association for a dedicated 30% share of the output of the Southcentral Power Project (SPP) plant, varying in electrical output from 45 MW to 54 MW depending on season and temperature. It is a 3 X 1 LM6000 combined cycle project. The plant entered into commercial operation January 31, 2013.

Services
ML&P service area encompasses 19.9 contiguous square miles including a large portion of the commercial and high-density residential areas of the Municipality. In 2014, the average number of residential and commercial customers was 24,429 and 6,358 respectively. In 2014, electric retail sales totaled 1,027,510 MWh resulting in revenues of $131,295,125. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were $139,907,731. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical service.

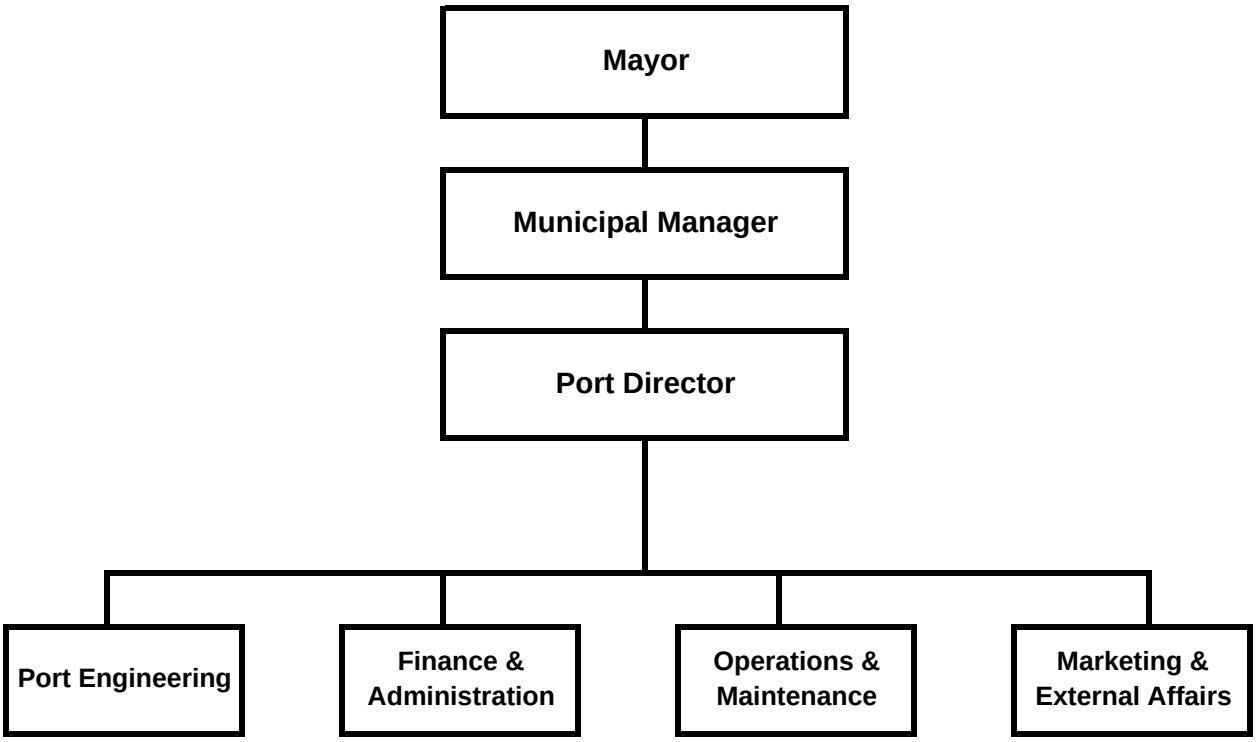
Regulation
ML&P is subject to economic regulation by the Regulatory Commission of Alaska (RCA), which is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. RCA regulation encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and charges.

ML&P budgets are submitted to the Administration before submittal to the Municipal Assembly for approval.

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

- Power Generated/Purchased in 2014 1,130,267 MWh
  - ML&P Generated 527,360 MWh 46.66%
    Southcentral Power Plant 392,146 MWh 34.70%
    Eklutna Hydroelectric Project 83,110 MWh 7.35%
  - Purchased:
    - Bradley Lake Project 127,651 MWh 11.29%
- Total Thermal Generation capacity in 2014 400.9 Megawatts (MW) at 30°F
  - Power Plant One (4 Turbines & 2 Diesels) 98.9 MW 25%
  - Power Plant Two (4 Turbines) 241.9 MW 60%
  - Southcentral Power Plant (4 Turbines) 60.1 MW (ML&P 30%) 15%
  - Seven Gas Fired Turbines (ML&P Plant 1 & 2)
  - One Heat Recovery Turbine (ML&P Plant 2)
  - Four of the seven gas fired turbines are equipped to use No. 2 fuel oil as an alternate fuel
  - Southcentral Power Plant – Three Gas Fired Turbines and one Heat Recovery Turbine
- Distribution System in 2014 376 Miles
  - Underground Cable 254 Miles 67.55%
  - Overhead Line 122 Miles 32.45 %
  - 19 Substations

Port of Anchorage



Port of Anchorage
Organizational Overview

The Port of Anchorage is an enterprise function of the Municipality.

The Port Director oversees all Port operations, which include: maintenance, safety functions, management of vessel scheduling, movements and dockside activities, general upkeep and operation of the facilities, infrastructure, equipment, and security. This also includes the upkeep and day-to-day management of all municipally-owned infrastructure, roads, and docks. The Maintenance Section is also responsible for the dredging and upkeep of the Ship Creek Boat Launch and Dry Barge Berth. Further, the Port's Operations Manager also serves in the role of Facility Security Officer, wherein he oversees the contract for Port security forces. Additionally, the Port's Safety Coordinator is in this section. The Deputy Port Director not only acts for the Director in his absence, but is now responsible for overseeing the Port's capital improvement program, to include managing the Port's engineering services contract, and execution of all FEMA port security grant program funds. While managing these programs, the Deputy Port Director will coordinate, as necessary, with the Port Engineer. The Port Engineer has overall responsibility to serve as the contract technical representative for all matters related to the ongoing Port modernization project.

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

The External Affairs section is responsible for all media advertising, coordinating public outreach and media/press relations, any major events involving public participation, business development, and grant writing. Associated duties include management of website and social media presence, coordinating all public speaking engagements, coordinating all port tours for both businesses and the public, interfacing with the public and all media for information inquires and public comments, and writing press releases.

Port of Anchorage
Business Plan

Mission

The Port of Anchorage is committed to provide a modern, safe, and efficient facility to support the movement of goods throughout the State of Alaska.

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. The staff of the Port is responsible for maintaining and operating all of the land, docks, and municipal buildings that encompass the Port of Anchorage.

Business Goals

- Provide Port operating expertise and management to the Anchorage Port Modernization Project (APMP) with the Port Director and Deputy Port Director serving on the APMP 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 billings to tenants and customers.
- Provide required level of Port security under U.S. Coast Guard/Homeland Security directives through a consortium of private tenants and the Port.

Strategies to Achieve Goals

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

Performance Measures to Track Progress in Achieving Goals

Progress in achieving goals will be measured by:

1. Overtime hours and pay compared to base compensation for current vs prior year.
2. Operating Net Income YTD for current vs prior year.
3. Reportable incidents for current vs prior year (# of incidents, loss of time & cost).

Port of Anchorage

Anchorage: Performance. Value. Results.

Mission

Develop and 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-related 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.
- Assist the Municipality of Anchorage 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.

	2014	2015 (YTD)
Total Hours	946	363
Total Cost	$ 36,723	$ 11,701

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

	06/30/2014	06/30/2015*	%Growth/(Loss)
Net Operating Income	$-1,858,821	$ 2,293,581	223% *
Total Cash Flow	$ 2,469,643	$ 5,988,136	142% *

* Unaudited

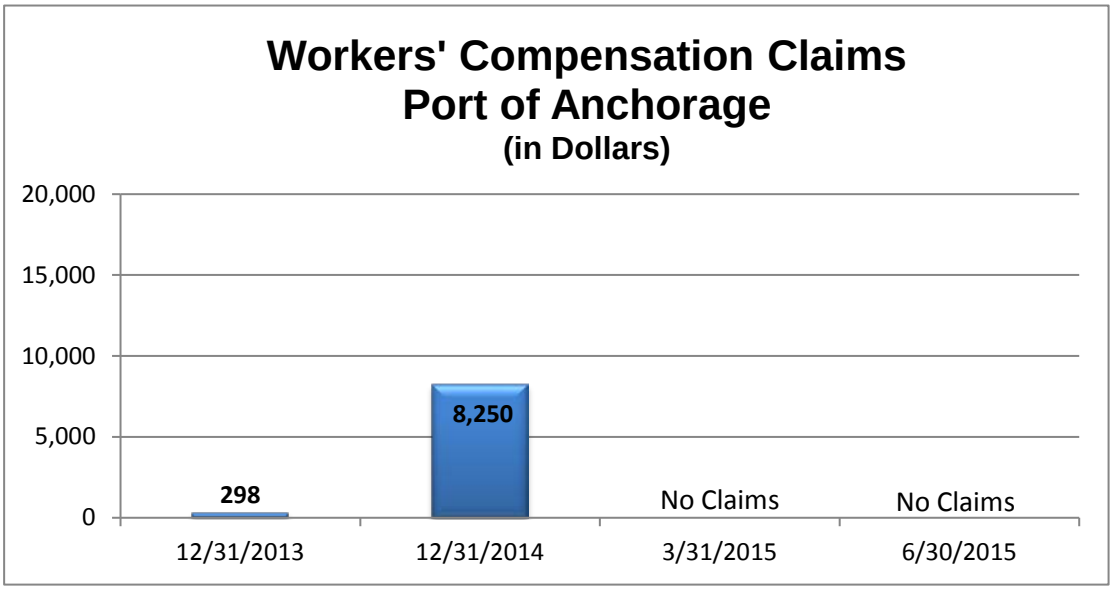
Measures #3: OSHA Recordable incidents for current vs prior year (# of incidents, loss of time & cost)

	2014	2015 (YTD)
# of Incidents	0	0
Loss of Time	0	0
Cost	$ 0	$ 0

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Port of Anchorage
Highlights and Future Events

Anchorage Port Modernization Project (APMP)
The Port's existing marine terminals have reached the end of their life span and suffer from severe corrosion on the wharf piling. The APMP will replace two general cargo terminals and two petroleum terminals to ensure infrastructure resilience over a 75-year life cycle. To maintain Port operations during construction, the project will be completed in four primary steps. Step 1 includes providing new buildings for Port administration and maintenance operations that must be relocated to allow demolition and reconstruction of the marine terminals. Step 2 cuts-back and stabilizes the north extension area to preserve usable land while improving hydraulics for reduced maintenance dredging and safer navigation. Steps 3 to 4 complete the new marine terminal construction.

The project will enable the Port to accommodate deeper draft vessels by allowing for a harbor depth increase from 35 feet to 45 feet. New ship-to-shore container cranes will increase reach for wider vessels. Completion of this project is critically important for the Port to continue to serve 87% of Alaska's population and to maintain its role as one of only 22 designated Department of Defense Strategic Seaports.

Based on a 15%-complete design, assuming full up-front funding, and assuming timely permit issuance, the project is estimated to be completed in 2022 at a total cost of $485M. State capital grant and general obligation bond funding available to the project totals approximately $126.8M.

Revenue Requirement Update & Cost of Services Study
The Port of Anchorage is under contract with Parrish Blessing and Associates to perform an update to the 2014 Revenue Requirement study and to prepare a Cost of Service evaluation. The completed study will result in a management tool that effectively addresses whether the Port, at existing rates, is recovering its revenue requirement and the percentage change in rates needed to achieve its revenue requirement. It will outline equitable cost recovery from each customer class of service category that accurately estimates both the demands on the Port infrastructure and the benefits derived by customers from the Port of Anchorage. The report will deliver recommended rate structures grounded in current best cost-of-service and recovery practices that adequately address the balance of perspectives and needs of the Port and the customers served. Upon completion, the Port will receive recommendations to either increase, decrease, or keep the same rate structures for each class of service. Completion is estimated in the 4th Quarter of 2015.

Ongoing Facility Maintenance
The Port continues to work diligently to meet its commitment to offer continued operational capacity for Port customers while new facilities are in design and construction. Aging facilities not included in the early phases of infrastructure improvements continue to be managed and maintained to the highest standards possible with great attention being paid to the highest priorities addressed first. The recommendations in the Port's Capital Improvement Budget address items needing immediate attention outside of the modernization project. Those include, but are not limited to, Wharf Pile Enhancements, Upgraded Emergency Power System and Ship Creek Boat Launch restoration and repairs. Additionally, continued work on the Port's Storm Drain system is required to maintain proper drainage over the footprint of the Port.

Fuel Farm and Leasehold Expansion

As of this writing, construction is in process for the first tank in the new Delta Western fuel facility at the Port of Anchorage. The estimated completion date is the fall of 2015. No firm dates have been reported to management as to the construction of additional storage at this facility, however, the initial business plan indicated there will be as many as 6 tanks when the facility is completed.

Port of Anchorage
External Impacts

External Factors
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.

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.

Sustaining the response to jet fuel requirements from Ted Stevens Anchorage International Airport.

Designation of the Port of Anchorage as one of 23 Department of Defense National Strategic Seaports.

Increased interest in and utilization of our new barge bath.

Landside and waterside access to the Port, including road access associated with the proposed Knik Arm Bridge.

Declining availability of State and Federal funding sources.

Unpredictable terrorist events affecting implementation of Department of Homeland Security laws and regulations.

Port of Anchorage
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
Administrative / Engineering	9	8	8	8	8	8	8	8
Operations / Maintenance	12	12	12	12	12	12	12	12
Total Full Time	**21**	**20**	**20**	**20**	**20**	**20**	**20**	**20**
Part Time / Temporary	2	2	12	2	2	2	2	2
Total Positions	**23**	**22**	**32**	**22**	**22**	**22**	**22**	**22**
Total FTE	**22.0**	**21.0**	**26.0**	**21.0**	**21.0**	**21.0**	**21.0**	**21.0**

Port of Anchorage
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	12,310	12,947	12,693	13,010	13,336	13,669	14,011	14,361
Expenses*	23,569	18,967	21,945	19,823	20,616	21,234	21,659	21,875
Net Income(Loss)	**(11,259)**	**(6,020)**	**(9,252)**	**(6,812)**	**(7,280)**	**(7,565)**	**(7,648)**	**(7,514)**
Budgeted Positions	23	22	32	22	22	22	22	22
Capital Improvement Program	255,172	3,800	71,839	3,808	3,245	3,375	3,510	3,650
Long Term Debt**	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Net Plant (12/31)	26,095	129,442	133,600	137,408	140,653	144,028	147,538	151,188
Total Net Assets	168,338	166,555	162,336	161,488	160,305	159,250	158,115	156,679
General Cash Pool	10,205	12,760	14,581	14,781	14,981	15,181	15,381	15,581
Construction Cash Pool	6,988	10,788	10,788	11,424	12,425	13,292	14,231	15,464
Total Cash	**17,193**	**23,548**	**25,369**	**26,205**	**27,406**	**28,473**	**29,612**	**31,045**
IGCs - General Government	3,511	762	686	762	762	762	762	762
MESA	534	2,056	1,787	1,832	1,877	1,924	1,973	2,022
Total Outstanding Debt 12/31 - (Long Term Debt)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Debt Service Coverage (Short Term Note Interest)	707	456	456	456	456	456	456	456
Debt/Equity Ratio (12/31)	28/72	28/72	29/71	29/71	30/70	30/70	31/69	31/69
Tariff Wharfage Rates (01/15):								
1250 Petroleum, Bulk / Barrel	$0.130	$0.130	$0.135	$0.141	$0.146	$0.152	$0.16	$0.16
1250 Cement, Bulk / Ton	$1.37	$1.43	$1.48	$1.54	$1.60	$1.67	$1.74	$1.81
Statistical/Performance Trends:								
Tonnage (in thousands)	3,456	3,672	3,783	3,840	4,010	4,070	4,132	4,194
Operating Revenue/Ton	3.45	2.95	2.86	2.84	2.89	2.89	2.89	2.89

*AO2015-170 Appropriated legal contracts for FY2014 - 2016 total $9M, FY16 requires $3.5M of this appropriation and is represented in non labor expenses.

** Commercial Paper converted to a three year note in July 2013.

Port of Anchorage
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed*	16 v 15 % Change
Operating revenue						
Dock Revenue	5,555,705	5,969,918	5,751,810	39,264	5,791,074	0.7%
Industrial Park Revenue	4,548,180	4,500,422	4,423,599	3,000	4,426,599	0.1%
Other Operating Revenue	458,365	472,685	586,204	134,722	720,926	23.0%
Total Operating Revenue	**10,562,250**	**10,943,025**	**10,761,613**	**176,986**	**10,938,599**	**1.6%**
Non Operating Revenue						
Interest Income (Loss)	211,006	243,807	200,000	-	200,000	0.0%
Pipeline Right-of-Way Fee	174,968	270,493	160,000	-	160,000	0.0%
Miscellaneous Non-Operating Revenue	1,361,865	1,489,719	1,394,643	-	1,394,643	0.0%
Total Non Operating Revenue	**1,747,839**	**2,004,019**	**1,754,643**	**-**	**1,754,643**	0.0%
Total Revenue	**12,310,089**	**12,947,044**	**12,516,256**	**176,986**	**12,693,242**	**1.4%**
Operating Expenses						
Labor						
Labor and Benefits	2,503,925	2,364,190	2,670,374	445,939	3,116,313	16.7%
Overtime	36,723	59,650	68,040	-	68,040	0.0%
Total Labor	2,540,648	2,423,840	2,738,414	445,939	3,184,353	**16.3%**
Non Labor						
Non Labor	7,311,050	5,925,808	5,378,190	2,966,937	8,345,127	55.2%
Travel	90,189	8,960	30,000	-	30,000	0.0%
Transfers (MESA and Gross Receipts)	533,731	2,056,004	799,197	988,143	1,787,340	123.6%
Depreciation and Amortization	8,026,147	7,366,442	7,366,442	90,141	7,456,583	1.2%
Total Non Labor	15,961,117	15,357,214	13,573,829	4,045,221	17,619,050	29.8%
Total Direct Cost	**18,501,765**	**17,781,054**	**16,312,243**	**4,491,160**	**20,803,403**	27.5%
Charges from other departments	3,510,666	762,718	675,377	10,656	686,033	1.6%
Total Operating Expense	**22,012,431**	**18,543,772**	**16,987,620**	**4,501,816**	**21,489,436**	**26.5%**
Non Operating Expense						
Financing Costs on Short-Term Obligations	1,556,940	423,864	456,400	-	456,400	0.0%
Total Non Operating Expense	**1,556,940**	**423,864**	**456,400**	**-**	**456,400**	0.0%
Total Expenses (Function Cost)	**23,569,371**	**18,967,636**	**17,444,020**	**4,501,816**	**21,945,836**	**25.8%**
Net Income	**(11,259,282)**	**(6,020,592)**	**(4,927,764)**	**(4,324,830)**	**(9,252,594)**	**87.8%**
Appropriation						
Total Expenses			**17,444,020**	**4,501,816**	**21,945,836**	
Less: Non Cash items				-		
Depreciation and Amortization			7,366,442	90,141	7,456,583	
Total Non-Cash			7,366,442	90,141	7,456,583	
Amount to be Appropriated (Cash Expenses)			**10,077,578**	**4,411,675**	**14,489,253**	

*AO2015-170 Appropriated legal contracts for FY2014 - 2016 total $9M, FY16 requires $3.5M of this appropriation and is represented in non labor.

Port of Anchorage
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

	Appropriation	Positions FT	PT	T
2015 Revised Budget	17,444,020	21	1	-
Transfers (to)/from Other Agencies				
- MESA	988,143	-	-	-
- Charges by/from others	10,656			
Changes in Existing Programs/Funding for 2016				
- PIEP Legal Contracts - AO2015-170 appropriated legal contracts for FY2014 - 2016 total $9M, FY16 requires $3.5M of this appropriation	3,500,000	-	-	-
- PIEP Discovery Research Team (DiRT) - 10 Temporary positions to complete document catalog and research work; 7 FT, 3 PT	413,063	-	-	10
- Legal Services	(413,063)	-	-	-
- Insurance - Savings due to obtaining a 5 year policy, sufficient insurance buget remains	(75,000)	-	-	-
- Depreciation	90,141	-	-	-
- Salary and benefits adjustments	32,876	-	-	-
2016 Continuation Level	**21,990,836**	**21**	**1**	**10**
2016 Proposed Budget Changes				
- Decrease advertising	(45,000)	-	-	-
2016 Proposed Budget	**21,945,836**	**21**	**1**	**10**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation	(7,456,583)	-	-	-
2016 Proposed Budget (Appropriation)	**14,489,253**	**21**	**1**	**10**

Port of Anchorage
2016 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
Emergency Power Upgrade	-	-	750	750
Port Modernization	-	67,000	-	67,000
Port Security	-	813	276	1,089
Wharf Pile Enhancements	-	-	3,000	3,000
Total	**-**	**67,813**	**4,026**	**71,839**

Port of Anchorage
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Anchorage Port Modernization Project	67,000	-	-	-	-	-	67,000
Buildings and Equipment	1,839	688	-	-	-	-	2,527
Wharf Pile Enhancements	3,000	3,120	3,245	3,375	3,510	3,650	19,899
Total	**71,839**	**3,808**	**3,245**	**3,375**	**3,510**	**3,650**	**89,426**

Funding Source	2016	2017	2018	2019	2020	2021	Total
State/Fed Grants	67,813	688	-	-	-	-	68,501
Equity/Operations	4,026	3,120	3,245	3,375	3,510	3,650	20,925
Total	**71,839**	**3,808**	**3,245**	**3,375**	**3,510**	**3,650**	**89,426**

Port of Anchorage
Statement of Cash Sources and Uses

	2014 Actuals	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Net Cash by Operating Activities	3,634,653	6,130,809	1,620,650
Interest	236,164	223,807	200,000
Grant Proceeds/Capital Contributions	1,247,658	3,800,000	71,839,000
Total Sources of Cash Funds	**5,118,475**	**10,154,616**	**73,659,650**
Uses of Cash Funds			
Additions to Plant	6,863,023	3,800,000	71,839,000
Total Uses of Cash Funds	**6,863,023**	**3,800,000**	**71,839,000**
Net Increase (Decrease) in Cash Funds	(2,646,995)	6,354,616	1,820,650
Cash Balance, January 1	19,840,514	17,193,519	23,548,135
Cash Balance, December 31	**17,193,519**	**23,548,135**	**25,368,785**
Detail of Cash and Investment Funds			
Equity in General Cash Pool	10,205,074	16,559,690	18,380,340
Equity in Construction Cash Pool	6,988,445	6,988,445	6,988,445
Cash Balance, December 31	**17,193,519**	**23,548,135**	**25,368,785**

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 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 stakeholders have maintained a notable safety record throughout the five decades the Port has been in operation. The Port is one of 21 nationally designated Department of Defense strategic seaports.

The Anchorage Port Modernization Project (APMP) began in 2003 as the Port Intermodal Expansion Project (PIEP). What started as an expansion effort, is now solely focused on replacing the deteriorating dock structures that have reached their original design life and were not built to current engineering standards for operational and seismic performance.

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 74% of all waterborne freight, and 95% of all refined petroleum products sold within the Railbelt and beyond (87% 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 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.

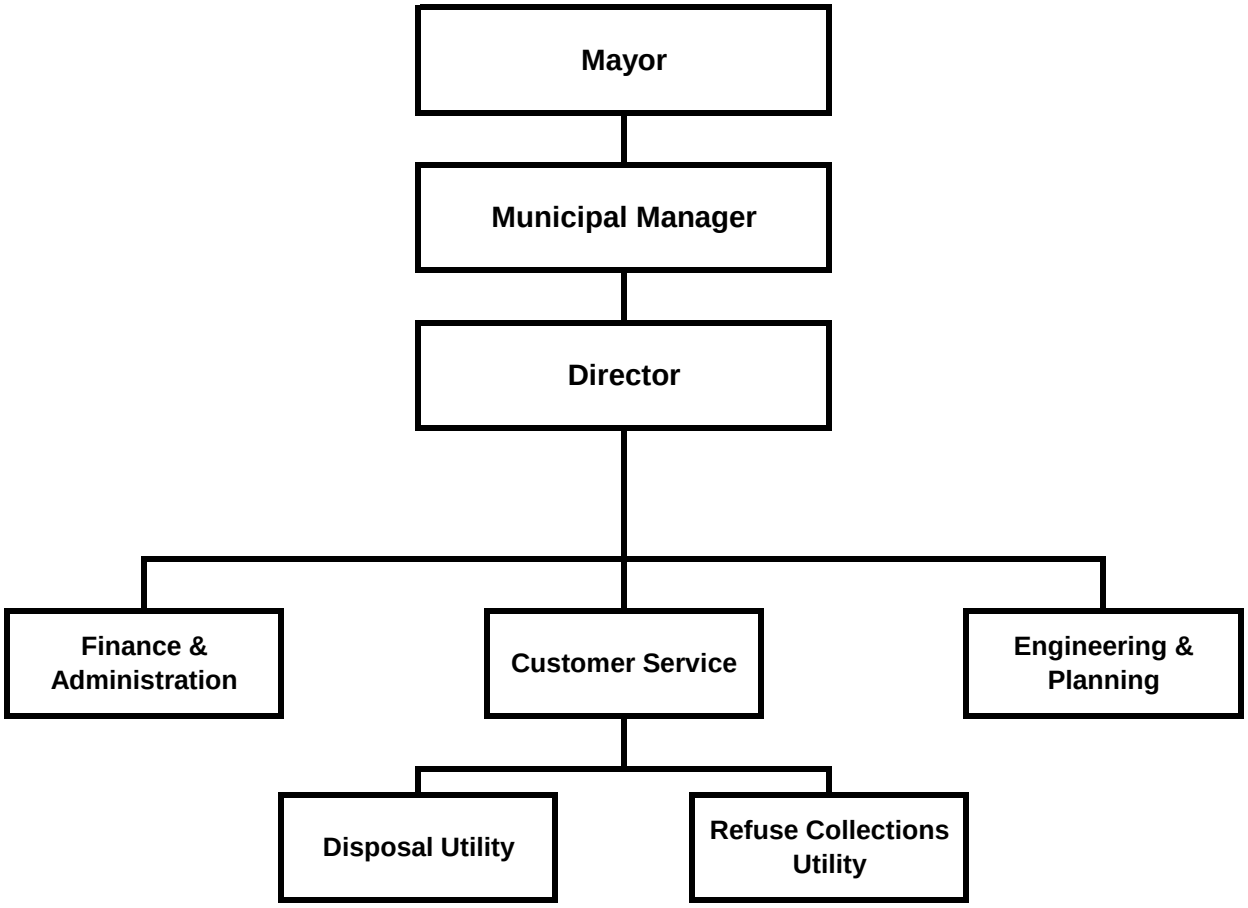
Regulation
Dock revenue rates for the Port of Anchorage are established in the Port of Anchorage Terminal Tariff No. 8 and through contractual Terminal Preferential Usage Agreements. Changes to the tariff and adjustments to the five year Preferential Usage Agreements' charges require initial approval 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 supply for 87% of the state's population is of utmost importance. Efforts will continue 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 continues to undergo security upgrades via Federal Port Security Grant applications and awards. Emergency preparedness planning and drills continue to be held to establish up to date disaster action and mitigation plans.

Solid Waste Services



Solid Waste Services
Organizational Overview

Solid Waste Services, comprised of the Refuse Collection Utility and Solid Waste Disposal Utility, is defined as a municipal utility by Anchorage Municipal Code [AMC 26.10.015]. The Utilities are self-funded and self supporting by revenues derived from operations; primarily customer fees for services. No tax dollars are used by Solid Waste Services (SWS) operations. By Code and Municipal Charter, each utility is required to operate in accordance with general business standards common to the solid waste industry [Charter Article 16.01] and to provide a reasonable profit in accordance with industry standards [AMC 26.10.060].

To support Refuse Collection and the Disposal Utilities, SWS is comprised of three operating divisions: Engineering, Customer Service, and Administration. Each SWS supervisor reports to the Director.

Director
The Director is responsible for the overall management of SWS. The Director oversees operational decisions, with the Solid Waste and Recycling Advisory Commission providing an overview of strategies, operating plans and budgets, along with offering input on solid waste issues, ordinances and policies.

Refuse Collection Utility
The Refuse Collection Utility provides both residential and commercial service to the City of Anchorage service area. The collection utility is currently in the process of change, with all customers shifting to automated operations. There are currently approximately 2,000 commercial and residential customers which still receive manual can and bag pickup. This change is expected to be complete by 2017.

Commercial refuse collection is performed with a fleet of six commercial frontload refuse collection vehicles and one double sideload refuse collection vehicle, each with a single operator on seven routes serviced Monday through Friday. There are four additional routes serviced on Saturdays. Commercial Refuse Collection vehicles service over 5,000 dumpsters weekly. This translates to a route average of 635 dumpsters weekly and 127 dumpsters daily. All commercial refuse collected is unloaded at the Central Transfer Station.

Commercial dumpster service is supported by a container repair technician who is responsible for the transportation of commercial refuse containers between sites while operating a medium-duty flatbed truck and forklift, as well as the repair, cleaning, and inventory of dumpsters.

Residential refuse and curbside recycling collection is performed with a fleet of six automated sideload vehicles with a single operator on six routes serviced Monday and Tuesday, and five routes on Wednesday, Thursday, and Friday. Three automated residential trash routes service over 10,000 customers weekly, with a daily route average of 726 services. All residential refuse is collected and unloaded at the Central Transfer Station.

Curbside Recycling is performed by two routes that service over 9,500 customers weekly, with an average of 700 daily. Residential recycling is transported and unloaded at the Anchorage Recycling Center and pays a recycling tipping fee.

Residential automated service is supported by a container inventory technician who is responsible for the transportation of trash and recycling roll carts between customer locations by a medium-duty cargo van, as well as the repair, cleaning, and inventory of roll carts.

Mixed paper and cardboard recycling collection for municipal offices began in 2005, and is provided on a weekly, bi-weekly, and monthly basis to more than 50 locations using 64-gallon roll-carts. This recycling service is provided using a semi-automated vehicle with a single operator. The average weight of mixed paper and cardboard collected annually is 112 tons. Mixed paper and cardboard is transported and unloaded at the Anchorage Recycling Center with no tipping fees and at no cost to MOA general government. The donation to general government is currently estimated at over $30,000.

All refuse and recycling collection activities are currently performed by the following positions:

Operations Supervisor – Responsible for a total program of refuse collections.
Route Supervisor – Coordinates daily activities associated with refuse collections.
Commercial Equipment Operators – Operates commercial frontload vehicles to service dumpsters for collection of commercial waste.
Residential Equipment Operators – Operates automated sideload vehicles to service roll carts for collection of residential waste.
Swampers – Assists with collection of commercial and residential waste.
Container Repair Technician – Responsible for transportation, repair, cleaning, and inventory of commercial dumpsters.
Container Inventory Technician – Responsible for transportation, repair, cleaning, and inventory of residential trash and recycling roll carts.

Refuse collection fleet consists of ten 40 cubic yard commercial frontload vehicles, nine 27 cubic yard automated sideload vehicles, one 25 cubic yard rear loader, six light-duty support vehicles, and one forklift.

Refuse Collection vehicle maintenance employees repair and maintain the refuse collection fleet within a warm storage facility at the central transfer station.

Refuse Collection employees are members of the Teamster's union and Vehicle Maintenance employees are with the International Brotherhood of Electrical Workers. All operators are required to participate in a pre-route safety-operations briefing, and daily DOT required pre-shift and post-shift vehicle inspections.

Disposal Utility
The main function of the Disposal Utility is to dispose of household and commercial refuse generated in the Municipality. The refuse is brought to three locations: Girdwood Transfer Station, Central Transfer Station, and the Anchorage Regional Landfill. The Disposal Utility has an extensive fleet of specialized equipment for the disposal of refuse that is maintained, operated and supported by highly skilled and trained individuals located at each location.

The Girdwood Transfer Station (GTS) receives over 9,800 household garbage loads totaling 750 tons of refuse annually. GTS has a paved area where garbage is discarded into an enclosure containing a 120 cubic yard trailer for transfer to the Central Transfer Station. GTS accepts used oil and batteries from customers; the items are picked up by Household Hazardous Waste contractors for proper disposal, recycling, or for reuse.

The Central Transfer Station (CTS) is located between the old and new Seward Highways on 56th Avenue. The CTS transfers on average 45 loads totaling 800 tons per day. The refuse is transferred to the landfill by SWS tractors pulling 120 cubic yard open top trailers, referred to as transfer trucks. First, commercial and residential refuse is dumped on the tipping floor. Next, the transfer trucks pull into one of two loading pits and the refuse is pushed into the trailers by front end loader operators on the tipping floor. The refuse is then packed down in the trailers by a knuckle boom crane operator located above each loading pit. Finally, the loaded trailers are then driven to Anchorage Regional Landfill. CTS accepts residential used oil, batteries and appliances that are picked up by contractors for proper disposal, recycling, or for reuse.

The Disposal Utility has a Household Hazardous Waste facility operated by a private contractor at CTS. Customers can drop off small quantities (less than 220 pounds per month) of unregulated hazardous waste not allowed in the landfill; some of the items are made available for reuse by the public at a Paint and Materials Exchange building located near the entrance on East 54th Avenue.

The Anchorage Regional Landfill (ARL), located near the intersection of the Glenn Highway and Hiland Road, is a 275 acre, award-winning, subtitle D landfill that disposes of 1,100 tons of refuse daily. Currently, nine cells are constructed, with a total of 12 cells to be developed. Every day, the refuse is compacted, and then, by regulation, it must be covered using bulldozers. The cover material comes from the excavation of future cells. Each landfill cell is lined and contains a leachate (water) collection system. Leachate is transported in pipelines to collection lagoons for pre-treatment by aeration to increase the oxygen levels. On average, three specially designed leachate tankers transport and dispose of 50,000 gallons a day.

ARL employees are responsible for the daily disposal of all of the MOA's refuse, the excavation and hauling of daily cover material, the installation and maintenance of landfill gas recovery wells and lines, the hauling of leachate, the building and maintaining of roads, snow removal, dust control and equipment repair.

In 2008, the Disposal Utility established the municipality-wide recycling program which has seen increasing success in the last four years. City-wide recycling has increased and trash disposed in the landfill has gone down; thus extending the life of the landfill. Funded from a recycling surcharge, the program promotes recycling and the recycling industry. Two part-time recycling coordinators answer public inquiries, and, in coordination with private and non-profit partners, prepare educational media campaigns and events related to recycling.

The surcharge has funded the development of an expanded paved public recycling drop-off site at the landfill. ARL currently accepts aluminum cans, paper, plastic, and cardboard. The materials are then transported to the Anchorage Recycling Center.

The program also provides support for public space recycling and to the Anchorage School District (ASD) by collecting mixed paper from all ASD facilities. Recycling is further supported through a grant for Christmas tree recycling, and a grant to offset the Port of Anchorage wharfage fees that the Anchorage Recycling Center pays to ship recyclables out of state. A large, but less visible effort is economic and business development grants. These funds are given to local recycling businesses for developing ideas for reusing materials in-state, such as glass, tires, construction and demolition debris, and organics.

Located within a warm storage facility located at ARL, vehicle maintenance employees repair and maintain heavy equipment and Disposal vehicles.

As previously stated, the main Household Hazardous Waste facility is located at ARL. It is operated by a private contractor that serves the residential and small business customers.

Engineering and Planning

Engineering and Planning consists of one engineer/manager and two engineering technicians. The group has the following main functions:

- Planning, design and construction of new facilities;
- Major facility upgrades and repairs;
- Technical landfill operations;
- Landfill gas collection system operation;
- Regulatory compliance

The division is responsible for planning, design and management of construction on landfill expansion cells, gas collection system piping, and landfill closure projects. Over the next ten years, the Engineering division will manage over $38 million in planned landfill cell construction. The division relies on contracted engineering services for major design and construction projects. As the landfill development progresses, engineering efforts will turn more toward closure and reclamation projects such as capping, re-vegetation and storm water management. The current closure cost includes $36 million (2005 dollars) of closure construction work that will be conducted over a period of 20 years.

As facilities age, the Engineering and Planning division is responsible for planning, design and procurement of services for major repair and maintenance activities. These activities include periodic reconstruction of the Central Transfer Station tipping floor, paving of roads and work areas at the landfill, and rehabilitation of landfill gas and leachate wells and piping systems.

The Engineering and Planning division provides technical support to the Solid Waste Disposal landfill operations staff to improve landfill operations and maximize landfill airspace utilization. The division has helped re-engineer outer landfill slopes, recovering landfill volume equivalent of nearly one year of waste disposal. The engineering staff monitors waste compaction and daily cover quantities in order to re-evaluate these estimates. The division provides support for planning fill operations, developing access roads, and efficiently mining cover materials from the site. As an example, the landfill crew, in addition to processing solid waste, can also mine gravel for current and future cover operations.

Operation of the landfill gas collection system will change from a compliance activity to a commercial production activity after startup of the Landfill Gas to Energy contract with Doyon Utilities in late 2012. Operation will include daily checks on key operating parameters, as well as routine maintenance of well heads and monitoring equipment. The system will require bi-weekly checking and rebalancing of the 58 current gas collection points to optimize the efficiency of the gas collection system while maximizing the gas output delivered to Doyon Utilities.

The Engineering and planning division is responsible for compliance with environmental regulations at the Anchorage Regional Landfill, as well as three closed landfill sites. All sites have groundwater monitoring and reporting requirements, as well as solid waste permit compliance requirements relating to operation or post-closure monitoring. The Merrill Field landfill site has active landfill gas and leachate management systems which have both operational and regulatory reporting requirements.

The Anchorage Regional Landfill operates under an active Class I landfill operating permit, as well as a Title V Air Quality operating permit, both issued by the Alaska Department of Environmental Conservation. In addition to specific operating requirements, these permits require numerous inspections, as well as documentation and reporting requirements. Because the landfill accepts asbestos wastes, it is regulated under National Emissions Standards for Hazardous Air Pollutants which requires inspection and documentation of every load of regulated material received. Both the Landfill and Central Transfer Station have Storm Water Pollution Prevention Plans approved by the Alaska Department of Environmental Conservation which have regular inspection, monitoring, sampling, and reporting requirements.

Customer Service

The Customer Service division is the direct communication link for the utility to its customers. This division manages Refuse Collection service requests, explains rates, enforces solid waste municipal codes, and manages billing and debt collection. Customer Service also is the utility's public image when it greets Disposal Utility customers at the Central Transfer Station, Girdwood Transfer Station, and the Anchorage Regional Landfill. To facilitate and promote waste management efforts, the division collaborates with local organizations such as the Anchorage Chamber of Commerce, Anchorage Downtown Partnership, ALPAR, City Wide Spring Clean-Up, as well as schools, universities, and the military bases.

The Customer Service division consists of a Senior Administrative Officer, Junior Administrative Officer, Debt Collector, Administrative Account Representatives, Scale House/Cash Booth Representatives, and a Code Enforcement Officer. Customer Service Account Representatives are located in the main administrative building, but also work at two scale houses and three cash booth locations from Girdwood to Eagle River every day of the week when the facility is open between the hours of 6:15 a.m. to 5:30 p.m.

The Customer Service division responds to incoming calls and assists customers at the counter with payments or other service-related matters such as trash collection, proper disposal regulations, municipal ordinances, general hazardous waste disposal, recycling awareness, and billing-related questions. Receiving over 300 calls per day, the representatives set up site services, work to resolve customer's complaints and ensure that the best services are being provided for both trash pick up and disposal. The representatives facilitate work orders for route drivers, assist drivers in the field by radio communication, and ensure proper billing for services for each property that Refuse Collection Utility services and for Disposal Utility customer accounts.

The Debt Collection Representative is responsible for the investigation, analysis, and follow-up of overdue customer accounts. To obtain information and to secure the collection of debt, the Representative corresponds with customers, attorneys, and outside agencies. To assist customers, payment agreements and plans are prepared.

The Code Enforcement Officer monitors the SWS service area by actively facilitating corrective action for, or resolution of, code violations observed in the field or by general public complaints received.

Working inside two scale houses or three cash booths, the Disposal Utility Account Representatives screen customer loads, process charges and fees, assist with hazardous waste or recycling questions, and monitor the safety of customers and employees. The Customer Service Division is responsible for face-to-face interaction with over a quarter of a million customers per year.

Recognizing that the solid waste business is dangerous, the Customer Service strives to educate customers about safe disposal of waste and efficiently respond to as many waste related issues as possible to meet the needs of our customers. SWS works together to resolve customer issues as promptly as possible. Safety and customer service are the highest priorities.

Administration
The Administration division provides support to the Director and to each Utility. It is responsible for IT Systems & Communications, Safety, Finance & Accounting, Purchasing, and Accounts Payable, as well as human resources, labor relations, security, code enforcement, facility maintenance, and vehicle parts inventory functions.

The IT Systems & Communications Section manages the solid waste based computer systems that track loads, weights, customer accounts receivable, billing, revenues, as well as the upload of SWS data into the Municipal accounting systems.

In addition, the section is responsible for the maintenance and technical support of the SWS 120,000 pound IP-based commercial truck scales for the Disposal Utility. The commercial scales are a vital resource that must be properly maintained and certified in order to conduct commerce, and are essential in monitoring the amount of waste Anchorage generates. The Disposal Utility has four scales at two locations—the Central Transfer Station and Anchorage Regional Landfill—which weigh and process over 150,000 transactions annually. This information is used for a multitude of business purposes such as revenue accounting, budget forecasting, and estimated landfill life.

The IT staff maintain all technology devices/equipment, and the associated software applications—nearly 200 networked and local devices running a multitude of applications (AD, SQL, IIS, Tower, Database, File, Print Server, and Antivirus Suites), along with numerous other hardware devices necessary to operate an efficient and safe, local and wide area network.

The Staff also researches, evaluates, and implements existing and emerging technologies when deemed necessary, fiscally responsible, and/or becomes critical to operations. For example, in 2005 SWS completed a database conversion, and moved from a mainframe database in use since 1985 to a SQL platform, reducing software and hardware cost by $20,000 annually ($140,000 saved and still counting). The solid waste focused PC Scale Tower system that replaced the mainframe is not only less expensive to maintain, but also far more modern, scalable, and advanced than the previous system. It enables users to create and develop reports instantaneously. Current projects under evaluation include a Tower-integrated GPS system, landfill geotechnical systems to aid in proper compaction (less compacter passes, reclaimed air space, extends landfill life), and e-billing implementation.

The Safety Section ensures that all operations are conducted in a safe manner. The Safety Section is responsible for compliance with OSHA safety standards by ensuring that the work environment is safe, as well as identifying and mitigating potential hazards for SWS employees and the public long before the hazard becomes an accident statistic. It is responsible for the development, administration and enforcement of safety codes, rules and practices. The Safety Officer inspects buildings, projects, equipment, operating practices and working conditions for compliance with various Municipal, State and Federal safety codes and regulatory requirements. The Safety Officer coordinates safety programs in training, personal protective equipment, clothing and devices, as well as organizes and conducting seminars on first aid and OSHA required safety training. The Safety Officer prepares reports and makes

recommendations for improvement. By analyzing data on accident rates and compensation claims, the Safety Officer develops methods to reduce costs, loss time, and personnel suffering.

The Finance and Accounting section manages the financial matters of the two utilities, including the accounting for revenues and expenses, the preparation of budgets, asset management, capital expenditures, as well as providing financial reports to SWS managers, the Advisory Commission, the Administration and the Assembly.

The Purchasing and Accounts Payable section is responsible for the procurement of and the payment for all equipment, supplies, and contracts, in coordination with other municipal departments. Two employees process all accounts payable for both utilities. Invoices are received, checked, account coded, approved, and entered into PeopleSoft for payment. Purchase orders are initiated at SWS: verifying proper account codes and funding, attaching all supporting documentation, obtaining proper department approval and then forwarding the packets to MOA Purchasing for final approval. Over 100 SWS timecards are processed each week into the PeopleSoft system from the Kronos timekeeping system to ensure proper pay and cost of service coding. Other support duties include: ordering office supplies, processing travel authorizations, expense reports, incoming and outgoing mail, maintaining files, providing administrative support to supervisors and to the SWS Advisory Commission.

The SWS philosophy is to retain a small staff, while encouraging safety and dedication to a job well done.

Solid Waste Services
Business Plan

Mission
Provide management of our solid waste resources to create a safe and sustainable waste system for the Municipality of Anchorage (MOA) in a way that is economical and environmentally responsible.

Services
The Refuse Collection Utility provides garbage collection to the service area of the former City of Anchorage, which is approximately 20% of the population of the MOA. Since at least 1952, there has been mandatory service for all occupants of the Refuse Collections Utility service area. The Refuse Collections Utility provides three types of service: commercial dumpster, automated roll cart service, and can and bag service.

The Solid Waste Disposal Utility serves the entire MOA. The services include the disposal of solid waste, the collection of household hazardous waste, and the promotion of community recycling. Municipal solid waste is received at three transfer stations located within MOA. The waste is then transported by the Utility to the Anchorage Regional Landfill for final disposal.

Business Goals
- Provide exceptional customer service for an equitable cost to the customer.
- Ensure facilities are safe for the customers and for Solid Waste Services employees
- Provide proper disposal of hazardous waste for commercial and residential generators.
- Promote community involvement through education and be responsive to the needs and concerns of municipal citizens.
- Use technology to optimize operations.
- Plan and prepare for current and future waste collection and disposal needs.
- Create incentives and programs to promote source reduction first, then recycling, then treatment, and finally disposal as the preferred means to handle waste.
- Research and explore new revenue options.

Strategies to Achieve Goals
Solid Waste Services strategic plan provides a framework to achieve results for customers.
Refuse Collection Utility
1. Reduce refuse volumes by promoting waste reduction and increased curbside recycling diversion.
2. Reduce injuries associated with residential refuse collection.

Disposal Utility
1. Optimize solid waste transfer truck utilization.
2. Set rates that reflect the cost of services while maintaining infrastructure.

Performance Measures to Track Progress in Achieving Goals
Solid Waste Services measures progress in achieving these goals using sets of quantifiable performance measures.
Refuse Collections Utility
1. Percent change in recyclable material diverted from the residential waste stream.
2. Percent change in worker injuries.

Disposal Utility
1. Solid waste transfer truck payload weight.
2. Maintain positive revenue stream.

Solid Waste Disposal Utility

Anchorage: Performance. Value. Results.

Mission

Dispose of municipal solid waste generated within the Municipality in compliance with state and federal regulations.

Core Services

- Operate the Anchorage Regional Landfill (ARL)
- Operate the solid waste transfer stations and transfer fleet
- Promote community recycling efforts

Accomplishment Goals

Optimize solid waste transfer truck utilization

Performance Measures

- Solid waste transfer truck payload weight
- Transfer loads per driver shift

Measure #1: Average transfer payload rate.

The following graph provides actual average payloads by month from January 2009 through June 2014.

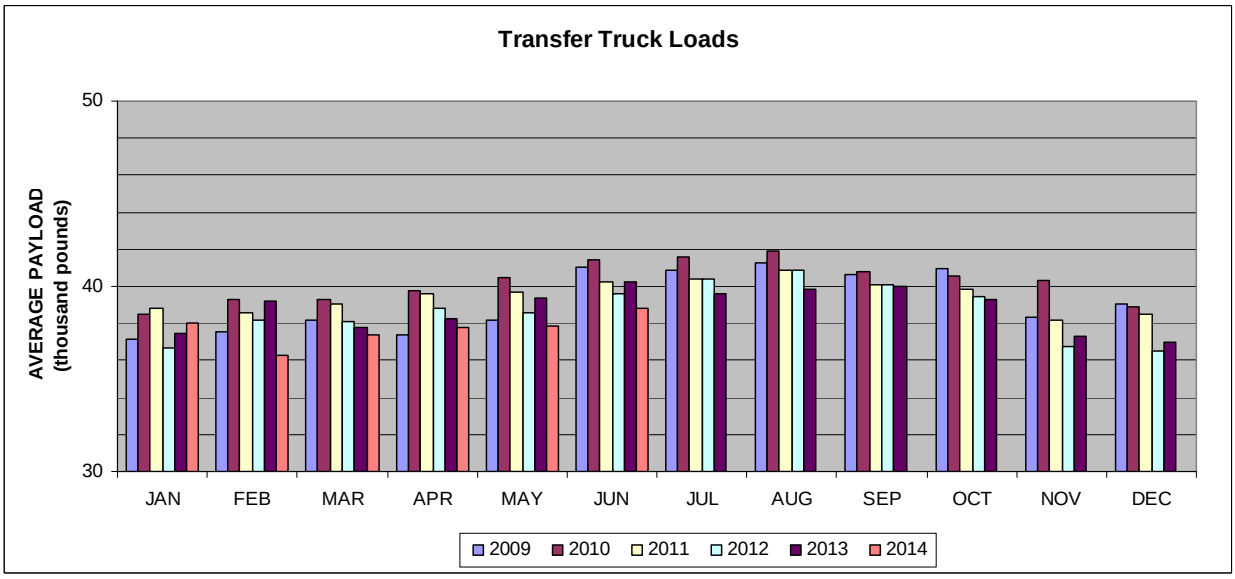


Table 1. Payload Data 2013 – 2014

MONTH	AVERAGE WEIGHT	EXCEEDING TARGET	EXCEEDING TARGET (+/- 5%)
APR-13	38,216	58%	85%
MAY-13	39,394	41%	75%
JUN-13	40,277	46%	81%
JUL-13	39,596	47%	82%
AUG-13	39,862	48%	85%
SEP-13	40,015	54%	88%
OCT-13	39,274	37%	74%
NOV-13	37,300	42%	73%
DEC-13	37,016	35%	69%
JAN-14	37,988	52%	86%
FEB-14	36,300	26%	58%
MAR-14	37,417	43%	79%
APR-14	37,800	48%	77%
MAY-14	37,848	17%	49%
JUN-14	38,788	29%	65%

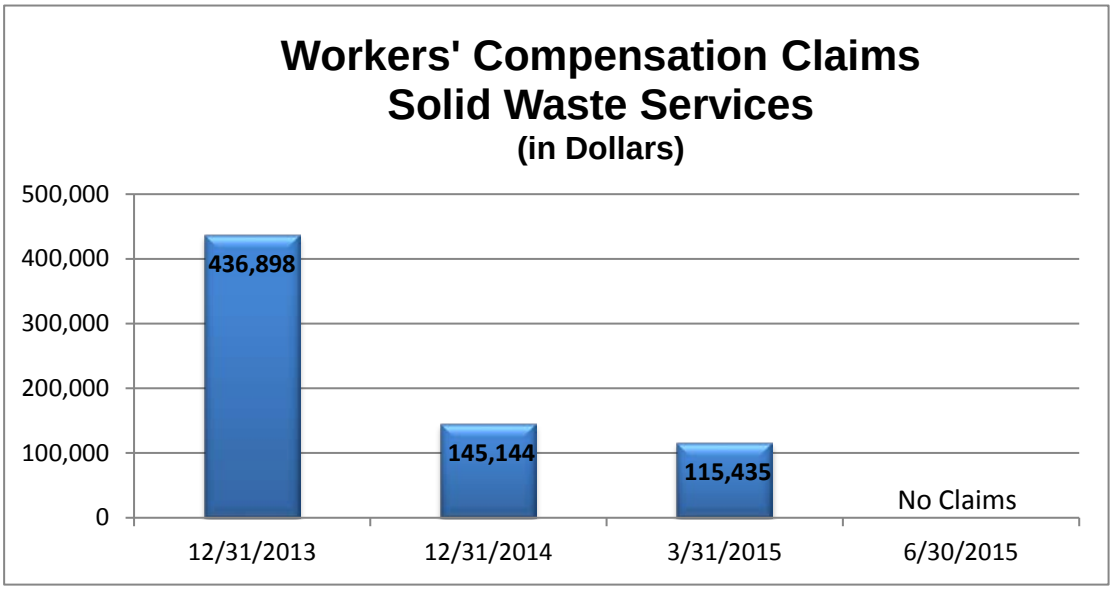
Table 2. Loads per Driver Shift Data 2013 – 2014

MONTH	SHIFTS ≥ 5 LOADS	SHIFTS ≥ 4 LOADS
APR-13	27%	93%
MAY-13	65%	93%
JUN-13	81%	98%
JUL-13	65%	94%
AUG-13	57%	79%
SEP-13	56%	95%
OCT-13	65%	95%
NOV-13	38%	88%
DEC-13	31%	78%
JAN-14	19%	87%
FEB-14	4%	68%
MAR-14	32%	91%
APR-13	40%	90%
MAY-13	58%	89%
JUN-13	67%	96%

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.



Solid Waste Services
Highlights and Future Events

Disposal Utility
To compare prior years to the 2016 budget, the Disposal Utility 2016 total budget is projected at $22,047,638 compared to the 2015 Revised Budget of $20,873,294 and the 2014 Proforma of $20,777,246. The 2016 budget is 5.6% higher then the 2015 Revised Budget. This increase is due primarily to a higher depreciation expense and a contractual increase in salaries and benefits. There is a moderate decrease in non-labor expenses and an adjustment to the debt service.

The two items in the budget that are not appropriated by the Assembly are the non-cash items, depreciation and landfill closure expense, totaling $6,392,937. Depreciation expense is projected at $4,428,041 and the estimated landfill closure cost is $1,964,896. Although the budget appropriation excludes non-cash items, both depreciation and landfill closure costs are included in the utility's financial statements.

Removing the $6,392,937 of non cash items from the total budget of $22,047,638, results in a 2016 appropriation budget of $15,654,701, a 1.4% increase over the 2015 Revised Budget (without non-cash items).

Total revenue for 2016 is projected at $22,856,780, compared to the 2015 Revised Budget revenue of $22,730,958. It is .6% higher than 2015 and reflects the flat line expectation of anticipated level debris tonnage. The leading factor in this area is being projected by the Anchorage Economic Development Corporation's forecast of fewer demolition projects occurring throughout Anchorage.

Net income of $809,142 is forecast for 2016. With the higher anticipated expenses, an additional rate increase will likely be required in the very near future.

With a capital budget of $3.18 million, the 2016 capital projects include several ARL replacement items with new technologies, and landfill equipment.

Refuse Collection
To compare prior years to the Refuse Collection 2016 budget, the Refuse Collection's total operating budget is $10,120,668. The 2015 pro forma was $9,665,327 and the 2015 Revised Budget is $12,115,755. The 2016 budget is 16.47% lower than the 2015 Revised budget due to a major decrease in the Gross Receipts and Contributions made to the Municipality in 2015. This is marginally offset by a moderate increase of labor expenses due to contractual agreements.

The Refuse Collection budget authorization figure will exclude $1,285,905 of depreciation. Although the budget appropriation excludes non-cash items, depreciation will be included in the utility's financial statements.

Removing the $1,285,905 of depreciation from the total budget of $10,120,668 results in a 2016 appropriation budget of $8,834,763, 18.36% less than the 2015 Revised Budget (without depreciation).

Total revenue for 2016 is projected at $11,353,244, compared to the 2015 Revised Revenue of $11,219,189, a 1.11% increase. Without a rate increase revenues are expected to be relatively stable so the modest increase is primary based on current customer behavior in regards to bin sizes and frequency of pickups.

The estimated Refuse Collection net income is $1,232,576 and a capital budget of $1.59 million is proposed. Capital expenses include the purchase of two automated side loader vehicles, a front loader, building improvements, as well as dumpsters and roll-off cans for solid waste commercial customers.

Solid Waste Services
External Impacts

Disposal
SWS is scheduled to construct two new landfill cells at the Anchorage Regional Landfill before the end of 2020. The Utility anticipates using State of Alaska Clean Water Loans with a low interest rate and twenty year term, whenever possible. It is unknown if the program will be funded in the future; if the eligible expenses related to landfill construction will further limit use of these funds for construction; or if SWS will be awarded loans based on the program scoring criteria. Currently the total cost of the landfill expansion is over $22 million, with potential loan amounts estimated at $21 million to cover those costs.

The Landfill Gas to Energy project came into commercial operation in 2013. Revenue to the Disposal Utility derived from the sale of landfill gas to Doyon Utilities is based upon the purchase price for natural gas as reported by Chugach Electric to the Regulatory Commission of Alaska. Future revenues anticipated from this project will be based upon gas price projections by Chugach Electric and other area utilities. As a result the actual revenue generated by this project will fluctuate dependent upon market price of natural gas in Southcentral Alaska. The Municipality and Eklutna Inc. are currently in litigation over potential revenue sharing from this project. Should Eklutna prevail in this action, revenues realized by Solid Waste Services for this service may be decreased by as much as 50 percent.

Currently Doyon Utilities Inc. holds an air quality permit which will allow continuous operation of up to six generating units at the landfill gas power plant on Fort Richardson. The power plant currently operates five generating units, producing 7 MW of power. In the summer months, power usage at Ft. Richardson decreases below this capacity in off-peak hours. Because of the lower demand one generating units is shut down on evenings and weekends, resulting in decreased landfill gas consumption, seasonally. Currently, there is no energy integration between the Ft. Richardson and Elmendorf sides of JBER. This limits the amount of revenue that can be generated by the project.

The current tonnage received at the landfill is dependent upon all refuse providers servicing the Municipality of Anchorage. Solid Waste Services is in the process of initiating a Recycling Education Program as well as recycling incentives. As a result, there is an expected decrease in the amount of refuse received by the Anchorage Regional Landfill.

Furthermore, there is a decrease in demolition of structures within the municipality. This has resulted in the amount of demolition debris reporting to the landfill and has steadily decreased since the inception of Central Recycling Services [CRS]. A portion of the demolition debris diverted to CRS is recycled while the residual from the process is disposed at other locations such as the Birchwood monofill.

Since 1994 SWS has stored gravel generated from cell development activities on Ft. Richardson land, initially by informal agreement. Off site storage off this material has significant implications to the efficient developemtn and operation of the landfill site. SWS currently has over 4 million cubic yards of material stored off-site, all of which will ultimately be needed in the construction and closure of the landfill. In 2009 SWS and JBER reached an agreement whereby SWS would formally lease the land in return for reduced tipping fees. The lease was formalized in 2014 but expires in 2019. An extension of this lease needs to be negotiated prior to expiration to ensure continued use of this property until the gravel is expended.

Leachate from the ARL is disposed of the the local wastewater treatment system, a common practice in the solid waste industry. SWS hauls the leachate from the landfill to AWWU's Turpin Street septic hauler station. In recent years, SWS has hauled over 25 million gallons annually to this facility. The cost for this activity is driven by labor, fuel and vehicle O&M costs as well as AWWU disposal rates, all of which are continuously rising. SWS has explored the possibility of constructing a pipeline to allow direct discharge to the AWWU system. This system would pay for itself in less than 10 years but has numerous political hurdles. SWS is also exploring other onsite treatment alternatives; however these systems have had mixed success of in the solid waste industry because of the strength and variability of the leachate.

The ARL and Central Transfer Station facilities were all constructed in 1987. Consequently, many mechanical, electrical and structural components of these facilities are rapidly approaching or have exceeded their useful lives. Many of these systems are either life safety issues or critical to the continued operation of the facilities. SWS, has and will continue to incur significant capital and maintenance costs as these facilities and components are upgraded or replaced.

Solid Waste Services
Workforce Projections

Division	2014	2015	2016	2017	2018	2019	2020	2021
Refuse Collection	26	26	26	26	26	26	26	26
Disposal	57	53	58	58	58	58	58	58
Administration	21	18	17	17	17	17	17	17
Total Full Time	**104**	**97**	**101**	**101**	**101**	**101**	**101**	**101**
Part time/Temp	7	12	6	6	6	6	6	6
Total Positions	**111**	**109**	**107**	**107**	**107**	**107**	**107**	**107**
Total FTE	**109**	**103.8**	**104**	**104**	**104**	**104**	**104**	**104**

Solid Waste Services - Disposal
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	23,315	23,282	22,857	23,542	24,249	24,976	25,726	26,497
Expenses	19,211	20,777	22,048	22,489	22,939	23,398	23,865	24,343
Net Income (Loss)	**4,104**	**2,505**	**809**	**1,054**	**1,310**	**1,579**	**1,860**	**2,154**
Budgeted Positions	63(111)	61(109)	63(107)	63(107)	63(107)	63(107)	63(107)	63(107)
Capital Improvement Program	3,200	3,580	3,180	4,560	14,132	1,860	5,735	13,832
Bond Sales/ New Debt	-	9,480	110	-	-	11,807	-	-
Net Plant (12/31)	55,341	56,678	57,547	60,384	72,816	72,998	77,077	89,723
Utility Revenue Distribution	-	-	-	-	-	-	-	-
Net Assets (12/31)	52,224	54,729	55,719	56,869	68,676	68,926	68,926	79,798
Unrestricted Net Assets	35,869	38,374	39,285	40,442	41,858	43,545	45,515	47,782
Future Landfill Closure Liability	27,063	29,028	30,993	32,958	34,923	36,888	38,853	40,818
General /Construction Cash Pool	17,380	13,909	13,182	12,381	1,494	14,698	12,182	1,877
Landfill Closure Cash Reserve**	11,637	13,375	15,340	17,532	19,497	21,461	23,426	25,391
Total Cash	**29,017**	**27,284**	**28,522**	**29,913**	**20,991**	**36,159**	**35,608**	**27,268**
IGC's - General Government	2,126	2,467	2,568	2,541	2,617	2,696	2,776	2,860
MUSA - 1.25%	291	291	286	294	303	312	322	331
MUSA - Regular	661	656	665	721	870	873	922	1,075
Total Outstanding Debt	11,590	18,113	16,179	14,692	13,205	23,526	22,039	21,001
Total Annual Debt Service	1,942	2,243	2,311	1,723	1,700	1,678	1,656	1,186
Debt Coverage	2.11	1.12	0.39	0.67	0.83	1.01	1.19	1.91
Debt/Equity Ratio	22/78	33/67	29/71	25/75	19/81	34/66	32/68	26/74
Rate Percentage Change (CTS /ARL)								
Tipping Fee Rate per Ton (ARL / CTS)	$58/$68	$58/$68	$58/$68	$58/$68	$58/$68	$58/$68	$58/$68	$58/$69
Pickup Rate per Load	$16	$16	$16	$16	$16	$16	$16	$16
Car Rate per Load	$6	$6	$6	$6	$6	$6	$6	$6
Statistical/Performance Trends								
Tons Disposed	306,723	292,069	295,000	295,000	295,000	295,000	295,000	295,000
Vehicle Count	225,625	257,498	257,498	257,498	257,498	257,498	257,498	257,498

**In 2008, a restricted account to fund landfill closure & post-closure was approved by the MOA Assembly.

Certain actual financial figures above will not match the Comprehensive Annual Financial Report; the CAFR combines Disposal with Administrative and Vehicle Maintenance cost centers.

Solid Waste Services - Disposal
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Landfill Disposal Fees	19,086,842	20,261,947	19,610,583	(390,178)	19,220,405	-2.0%
Hazardous Waste Fees	226,228	229,675	132,000	116,000	248,000	87.9%
Community Recycling Residential	151,690	155,700	155,700	(30,000)	125,700	-19.3%
Community Recycling Comercial	422,283	400,000	350,000	40,000	390,000	11.4%
Landfill Methane Gas Sales	2,404,762	1,500,000	1,650,000	300,000	1,950,000	18.2%
Recycle Rebate	(15,095)	(75,000)	(75,000)	75,000	-	-100.0%
Reimbursed Costs	252,362	300,000	300,000	(100,000)	200,000	-33.3%
Unsecured Loads	16,100	15,000	15,000	-	15,000	0.0%
Other	4,676	5,000	5,000	-	5,000	0.0%
Total Operating Revenue	**22,549,848**	**22,792,322**	**22,143,283**	**10,822**	**22,154,105**	**0.0%**
Non Operating Revenue						
Misc. non-operating Revenue	274,153	225,000	140,000	-	140,000	0.0%
Interest from cash pool	351,665	140,000	322,675	100,000	422,675	31.0%
Unrealized Gains/Losses	5,718	25,000	25,000	75,000	100,000	300.0%
Other Property Sales/Diposition of Assets	133,168	100,000	100,000	(60,000)	40,000	-60.0%
Capital Contributions/Grant Revenue	-	-	-	-		-
Total Non Operating Revenue	**764,705**	**490,000**	**587,675**	**115,000**	**702,675**	**19.6%**
Total Revenue	**23,314,553**	**23,282,322**	**22,730,958**	**125,822**	**22,856,780**	**0.6%**
Operating Expenses						
Labor						
Labor and Benefits	5,522,951	5,679,141	5,677,136	113,342	5,790,478	2.0%
Overtime	358,095	499,213	499,213	20,579	519,792	4.1%
Total Labor	**5,881,046**	**6,178,354**	**6,176,349**	**133,921**	**6,310,270**	**2.2%**
Non Labor						
Non Labor	5,068,874	5,570,120	5,573,101	(18,879)	5,554,222	-0.3%
Travel	5,429	5,000	5,000	-	5,000	0.0%
Landfill Closure Costs	1,485,396	1,964,896	1,964,896	-	1,964,896	0.0%
Debt Service	208,404	198,640	270,753	(5,000)	265,753	-1.8%
Depreciation and Amoritization	3,494,426	3,446,781	3,469,319	958,722	4,428,041	27.6%
Transfers (MUSA and Gross receipts)	941,084	946,599	947,020	4,181	951,201	0.4%
Total Non Labor	**11,203,613**	**12,132,036**	**12,230,089**	**939,024**	**13,169,113**	**7.7%**
Total Direct Cost	**17,084,659**	**18,310,390**	**18,406,438**	**1,072,945**	**19,479,383**	**5.8%**
Charges from other departments	2,126,218	2,466,856	2,466,856	101,399	2,568,255	4.1%
Total Operating Expense	**19,210,877**	**20,777,246**	**20,873,294**	**1,174,344**	**22,047,638**	**5.6%**
Interest during Construction						0.0%
Total Non Operating Expense	-	-	-	-	-	0.0%
Total Expenses (Function Cost)	**19,210,877**	**20,777,246**	**20,873,294**	**1,174,344**	**22,047,638**	**5.6%**
Net Income	**4,103,676**	**2,505,076**	**1,857,664**	**(1,048,522)**	**809,142**	**-56.4%**
Appropriation						
Total Expenses			**20,873,294**	**1,174,344**	**22,047,638**	
Less: Non Cash items						
Landfill Care and Closure			1,964,896	-	1,964,896	
Depreciation and Amortization			3,469,319	958,722	4,428,041	
Total Non Cash			5,434,215	958,722	6,392,937	
Amount to be Appropriated (Cash Expenses)			**15,439,079**	**215,622**	**15,654,701**	

Solid Waste Services - Disposal
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

	Appropriation	Positions FT	PT	T
2015 Revised Budget	20,873,294	53	4	7
Changes in Existing Programs/Funding for 2016				
- Salary and benefits adjustments	133,921	5	(4)	(2)
- Non labor - contractual increases	(18,879)	-	-	-
- Adjust Debt Service	(5,000)	-	-	-
- Adjust MUSA	4,181	-	-	-
- Depreciation and amortization	958,722	-	-	-
- Charges from Other Departments	101,399	-	-	-
2016 Continuation Level	**22,047,638**	**58**	**-**	**5**
2016 Proposed Budget Changes				
- None	-	-	-	-
2016 Proposed Budget	**22,047,638**	**58**	**-**	**5**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(4,428,041)	-	-	-
- Landfill Care and Closure	(1,964,896)	-	-	-
2016 Proposed Budget (Appropriation)	**15,654,701**	**58**	**-**	**5**

Solid Waste Services - Disposal
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
ARL Improvements	860	1,150	11,807	250	-	10,872	24,939
CTS Improvements	130	-	-	-	-	-	130
Equipment & Vehicles	2,165	3,330	2,300	1,585	5,710	2,935	18,025
Girdwood Improvements	-	55	-	-	-	-	55
Office Equipment & Technology	25	25	25	25	25	25	150
Total	**3,180**	**4,560**	**14,132**	**1,860**	**5,735**	**13,832**	**43,299**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Clean Water Loan	110	-	11,807	-	-	10,872	22,789
Commercial Loan	-	-	-	-	-	-	-
Equity/Operations	3,070	4,560	2,325	1,860	5,735	2,960	20,510
Total	**3,180**	**4,560**	**14,132**	**1,860**	**5,735**	**13,832**	**43,299**

Solid Waste Services - Disposal
2016 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
ARL Drainage / Stormwater Study	-	-	25	25
ARL Evaporators (2)	-	-	400	400
ARL GCCS Blower Replacement / Rebuild	-	-	35	35
ARL GPS Survey Equipment	-	-	75	75
ARL Latex Paint Pump	-	-	10	10
ARL Leachate Blower Replacement / Rebuild	60	-	-	60
ARL Leachate Loading Pumps Replacement / Rebuild	50	-	-	50
ARL LFG Flare Building Gas Monitoring System Replacement	-	-	30	30
ARL Lighting Upgrades	-	-	10	10
ARL Perimeter Slope Interim Closures	-	-	25	25
ARL Reconstruct Fueling Island	-	-	90	90
ARL Tarp Deployment System	-	-	50	50
Cherry Pickers (2)	-	-	700	700
CTS Ramp Heater Manifolds	-	-	50	50
CTS Transfer Station Rehabilitative Study	-	-	80	80
Dozer (D155)	-	-	925	925
MT6 Trackless Tractor	-	-	160	160
Office Equipment and technology purchase	-	-	25	25
Pickup Truck	-	-	40	40
Tractors (2)	-	-	340	340
Total	**110**	**-**	**3,070**	**3,180**

Solid Waste Services - Disposal Utility
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Operating Income	4,755,046	1,269,989	786,270
Depreciation, net of amortization	3,494,426	3,578,993	4,428,041
Amortization of Landfill Closure Costs	1,485,396	1,964,896	1,964,896
Deferred Revenue	157,147		
Capital Contribution	-	-	-
Interest Received	471,793	450,000	422,675
Changes in Assets and Liabilities	716,633	-	110,000
Total Sources of Cash Funds	**11,080,441**	**7,263,878**	**7,711,882**
Uses of Cash Funds			
Capital Construction	12,569,986	5,806,826	3,180,000
Debt Principal Payment	1,704,171	2,044,413	2,044,411
Debt Interest Payments	223,922	198,640	266,312
Landfill Post Closure Cash Reserve	1,622,132	1,738,531	1,964,896
MUSA	941,084	947,020	983,000
Total Uses of Cash Funds	**17,061,295**	**10,735,430**	**8,438,619**
Net Increase (Decrease) in Cash Funds	(5,980,854)	(3,471,552)	(726,737)
Cash Balance, January 1	**23,361,673**	17,380,819	13,909,267
Cash Balance, December 31	**17,380,819**	**13,909,267**	**13,182,530**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	13,980,087	13,909,267	13,182,530
Construction Cash	3,400,732	-	-
Cash Balance, December 31	**17,380,819**	**13,909,267**	**13,182,530**
Landfill Post Closure Cash Reserve	11,637,332	13,375,863	15,340,759

Solid Waste Services - Refuse Collection
8 Year Summary
($ in thousands)

Financial Overview	2014 Actuals	2015 Proforma	2016 Proposed	2017	2018	2019	2020	2021
				Forecast				
Revenues	10,851	11,014	11,353	11,353	11,353	11,353	11,353	11,353
Expenses	8,729	9,665	10,121	10,425	10,737	11,059	11,391	11,733
Net Income (Loss)	**2,122**	**1,349**	**1,232**	**929**	**616**	**294**	**(38)**	**(380)**
Budgeted Positions	27(111)	27 (109)	27 (107)	27 (107)	27 (107)	27 (107)	27 (107)	27 (107)
Capital Improvement Program	997	1,047	1,595	1,750	1,420	590	2,050	395
Bond Sales	-	-	-	-	-	-	-	-
Net Plant (12/31)	3,776	3,551	4,927	5,174	5,357	4,534	5,076	3,855
Utility Revenue Distribution	-	-	-	-	-	-	-	-
Net Assets (12/31)	10,709	9,812	11,208	12,304	13,093	13,565	13,711	13,520
General/Construction Cash Pool	9,059	8,753	9,701	10,261	10,929	12,104	11,487	12,182
IGC's - General Government	1,580	1,921	1,653	1,878	1,934	1,992	2,052	2,114
MUSA - 1.25%	N/A	N/A	500	N/A	N/A	N/A	N/A	N/A
MUSA - Regular	71	57	51	69	75	81	87	93
Total Outstanding Debt	-	-	-	-	-	-	-	-
Total Annual Debt Service	-	-	-	-	-	-	-	-
Debt Service Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt/Equity Ratio	0/100	0/100	0/100	0/100	0/100	0/100	0/100	0/100
Residential Rate per month			$14.10 - $36.50 pay as you throw variable residential rates					
Commercial Rate (3Yd-1 per wk)	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00	$125.00
Statistical/Performance Trends								
Waste Collected (Tons)	36,501	37,231	37,976	38,000	38,000	38,000	38,000	38,000
Average Residential Services	12,230	12,230	12,230	12,230	12,230	12,230	12,230	12,230
Average Dumpsters Services	4,378	4,378	4,378	4,378	4,378	4,378	4,378	4,378

Solid Waste Services - Refuse Collection
Statement of Revenues and Expenses

	2014 Actuals	2015 Proforma	2015 Revised	16 v 15 $ Change	2016 Proposed	16 v 15 % Change
Operating Revenue						
Commercial	6,957,651	7,100,000	7,300,000	(72,500)	7,227,500	-0.99%
Residential	3,231,501	3,277,253	3,277,253	(4,253)	3,273,000	-0.13%
Dumpster Container Rental	463,420	460,436	465,436	(4,192)	461,244	-0.90%
Other Collection Revenues	98,232	99,000	95,000	205,000	300,000	215.79%
Total Operating Revenue	**10,750,804**	**10,936,689**	**11,137,689**	**124,055**	**11,261,744**	**1.11%**
Non Operating Revenue						
Interest from Cash Pool	95,557	77,000	77,000	4,500	81,500	5.84%
Unrealized Gains & Losses	785	-	-	-	-	-
Misc. non-operating Revenue	4,101	500	4,500	5,500	10,000	122.22%
Total Non Operating Revenue	**100,443**	**77,500**	**81,500**	**10,000**	**91,500**	**12.27%**
Total Revenue	**10,851,247**	**11,014,189**	**11,219,189**	**134,055**	**11,353,244**	**1.19%**
Operating Expenses						
Labor and Benefits						
Labor and Benefits	2,701,440	2,659,745	2,676,349	220,997	2,897,346	8.26%
Overtime	79,650	107,883	107,883	9,344	117,227	8.66%
Total Labor	2,781,090	2,767,628	2,784,232	230,341	3,014,573	8.27%
Non Labor						
Non Labor	3,405,164	3,616,393	3,616,393	(4,397)	3,611,996	-0.12%
Travel	1,503	3,000	3,000	-	3,000	0.00%
Transfers (MUSA and Gross receipts)	56,573	62,791	2,594,430	(2,042,778)	551,652	-78.74%
Depreciation and Amoritization	905,372	1,294,305	1,294,305	(8,400)	1,285,905	-0.65%
Total Non Labor	4,368,612	4,976,489	7,508,128	(2,055,575)	5,452,553	-27.38%
Total Direct Cost	**7,149,701**	**7,744,117**	**10,292,360**	**(1,825,234)**	**8,467,126**	**-17.73%**
Charges from Other Departments	1,579,729	1,921,210	1,823,395	(169,853)	1,653,542	-9.32%
Total Operating Expense	**8,729,431**	**9,665,327**	**12,115,755**	**(1,995,087)**	**10,120,668**	**-16.47%**
Non Operating Expense						
Total Non Operating Expense	-	-	-	-	-	0.00%
Total Expenses (Function Cost)	**8,729,431**	**9,665,327**	**12,115,755**	**(1,995,087)**	**10,120,668**	**-16.47%**
Net Income	**2,121,816**	**1,348,862**	**(896,566)**	**2,129,142**	**1,232,576**	**-237.48%**
Appropriation						
Total Expenses			**12,115,755**	**(1,995,087)**	**10,120,668**	
Less: Non Cash items						
Depreciation and Amortization			1,294,305	(8,400)	1,285,905	
Total Non-Cash			1,294,305	(8,400)	1,285,905	
Amount to be Appropriated (Cash Expenses)			**10,821,450**	**(1,986,687)**	**8,834,763**	

Solid Waste Services - Refuse Collection
Reconciliation from 2015 Revised Budget to 2016 Proposed Budget

		Positions		
	Appropriation	**FT**	**PT**	**T**
2015 Revised Budget	12,115,755	26	-	1
Changes in Existing Programs/Funding for 2016				
- Salary and benefits adjustments	230,341	-	-	-
- Non-Labor Adjustments	(4,397)			
- Charges from other Depts	(169,853)			
- Depreciation	(8,400)	-	-	-
- Adjust MUSA, Gross Receipts, Contributions	(2,042,778)	-	-	-
2016 Continuation Level	**10,120,668**	**26**	**-**	**1**
2016 Proposed Budget Changes				
- None	-	-	-	-
2016 Proposed Budget	**10,120,668**	**26**	**-**	**1**
2016 Budget Adjustment for Accounting Transactions (Appropriation)				
- Depreciation and amortization	(1,285,905)	-	-	-
2016 Proposed Budget (Appropriation)	**8,834,763**	**26**	**-**	**1**

Solid Waste Services - Refuse Collection
2016 - 2021 Capital Improvement Program
(in thousands)

Project Category	2016	2017	2018	2019	2020	2021	Total
Building Improvements	150	-	50	-	-	-	200
Containers/Dumpsters/Roll-offs & Lids	360	360	360	360	360	360	2,160
Data Processing	30	30	30	30	30	30	180
Office Equipment	5	5	5	5	5	5	30
Vehicle Replacement	1,050	1,355	975	195	1,655	-	5,230
Total	**1,595**	**1,750**	**1,420**	**590**	**2,050**	**395**	**7,800**

Funding Source	2016	2017	2018	2019	2020	2021	Total
Equity/Operations	1,595	1,750	1,420	590	2,050	395	7,800
Total	**1,595**	**1,750**	**1,420**	**590**	**2,050**	**395**	**7,800**

Solid Waste Services - Refuse Collection
2016 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
CTS Building Heating System/Chillers	-	-	150	150
Dumpster Dolly	-	-	75	75
Dumpsters/Roll-offs	-	-	275	275
Frontloader (1)	-	-	315	315
Lids	-	-	75	75
Pickup Truck	-	-	40	40
Replace Data Processing Equipment	-	-	30	30
Replace Office Equipment	-	-	5	5
Residential Roll Carts	-	-	10	10
Side loaders (2)	-	-	620	620
Total	**-**	**-**	**1,595**	**1,595**

Solid Waste Services - Refuse Collection
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Operating Income	2,021,373	(896,566)	1,232,576
Depreciation, net of amortization	905,372	1,294,305	1,292,305
Interest Received	95,557	77,000	81,500
Changes in Assets and Liabilities	78,083	-	-
Total Sources of Cash Funds	**3,100,385**	**474,739**	**2,606,381**
Uses of Cash Funds			
Capital Construction	628,278	705,633	1,595,000
MUSA	56,573	51,828	63,000
Total Uses of Cash Funds	**684,851**	**757,461**	**1,658,000**
Net Increase (Decrease) in Cash Funds	2,415,534	(282,722)	948,381
Cash Balance, January 1	6,620,052	9,035,586	8,752,863
Cash Balance, December 31	**9,035,586**	**8,752,863**	**9,701,244**
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	7,736,483	8,752,863	9,701,244
Construction Cash	1,323,109	-	-
Cash Balance, December 31	**9,059,592**	**8,752,863**	**9,701,244**

About Solid Waste Services

Solid Waste Services (SWS) is composed of two separate utilities: 1) the Refuse Collections Utility that provides refuse collection service to residential and commercial customers in the "City of Anchorage" Service Area; 2) the Solid Waste Disposal Utility that operates multiple transfer stations and the regional landfill providing affordable and environmentally responsible municipal solid waste disposal services for the entire Municipality. SWS is divided into three organizations: 1) Refuse Collections and 2) Solid Waste Disposal, which are separate operating utilities, and 3) Administration, which is a support organization that fully charges out expenses to both Refuse Collections and Disposal Utilities.

Refuse Collection Utility

History
Refuse Collections Utility was originally a function of the former City of Anchorage Public Works Department. When the City and Borough merged in 1975, Refuse Collections became an enterprise activity of the Municipality.

Service
Refuse Collections Utility provides garbage collection to the service area of the former City of Anchorage, which is approximately 20% of the population of the Municipality of Anchorage. Since at least 1952, there has been mandatory service for all occupants of the Refuse Collections Utility service area. The Refuse Collections Utility has four types of services: commercial dumpsters, automated roll cart service, can and bag service, and curbside recycling.

Refuse Collections Utility services over 5,000 dumpsters per week with six daily dumpster routes, and two Saturday routes to serve its commercial and multi-family residential customers.

As a result of an automated trash and recycling collection service that began in the fall of 2009, most SWS residential customers are serviced using automated vehicles and roll carts. In 2014, the final phase of automated collection rollout will be completed and the refuse collection utility will be servicing five automated collection routes with only one remaining daily route for can/bag service. The utility also has a recycling pickup schedule.

Regulation
The Refuse Collections Utility is regulated by the Regulatory Commission of Alaska (RCA). The utility is granted the exclusive right to collect solid waste within its defined service area by a Certificate of Public Convenience and Necessity. The Alaska Public Utilities Commission (predecessor to the RCA) relinquished economic regulation authority to the Anchorage Municipal Assembly.

Environmental Mandates
Although there is no specific state or federal regulations governing refuse collection, the Utility must comply with a number of federal and state mandated regulations. 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 impact the economics and operations of the Refuse Collections Utility.

Physical Plant
The Refuse Collection Utility's assets include:

Industry Specific truck fleet
- 13 commercial refuse collection vehicles
- 19 residential refuse and recycling vehicles (automated and can/bag)
- 1 rear load vehicle for MOA paper collection and recycling
- 8 support vehicles

Currently, there is an average of 24,773 roll-carts and 1,977 dumpsters in service.

Refuse Collections maintains a 27,000 square foot building that contains vehicle maintenance, warm storage space, and administrative offices.

Future Planning Efforts
In 2015, SWS Refuse Utility implemented an Automated Refuse Route Management System (ARRMS) with up-to-date route information and GPS to make refuse collection operations more efficient and cost effective. Specifically, this system will photo-document waste containers that are overfull, not placed on curbside, or are out of compliance in some manner; provide a safe and convenient method for drivers to document extra charges; provide automated near-real-time communication between refuse collection vehicles and the back office systems; provide updated route information to refuse collection vehicle operators; track vehicle progress on route; integrate with SWS existing billing system; and provide moving map displays for drivers that show customer and navigation information.

Solid Waste Disposal Utility

History
Municipal solid waste disposal was originally a function of the City Public Works Department, which operated the city landfill at Merrill Field. Under unification, the Municipality acquired responsibility for five waste disposal sites from Peters Creek to Girdwood. The Solid Waste Disposal Utility was formed to operate and maintain these sites, while managing solid waste disposal matters throughout the Municipality. The five sites were closed and waste disposal was consolidated to a single site near Eagle River. The Anchorage Regional Landfill (ARL), an award winning, state-of-the-art, fully lined, modern landfill, was started 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. Municipal solid waste is received at three 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 cells 1 through 7, 8a and 10 have been constructed, with cells 8b, 11, and 12 in 2015. There are two remaining cells that will begin development in 2020 with preliminary design starting as early as 2016. 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 2045. In 2014, 306,723 tons were deposited in ARL, only 1,441 tons less than in 2013. Currently,

because of the lack of new demolition projects in the construction industry, Solid Waste Disposal expects a decline in the tonnage again in 2015.

Solid Waste Disposal Utility also operates three transfer stations located at Girdwood, midtown Anchorage (Central Transfer Station, CTS), and ARL. The transfer stations allow the Solid Waste Disposal Utility to reduce traffic flow to the landfill and to restrict access to the working face of the landfill. CTS receives the largest amount of solid waste, having received over 220,438 tons in 2014 from over 163,680 customers. This facility has an operating capacity of 1,600 tons per day. The 2014 quantity was 7,428 tons less than 2013. The Solid Waste Disposal Utility operates a fleet of 29 transfer tractor and trailers that transport the solid waste from CTS. The trailers have a capacity of 120 yards each.

The Disposal Utility is responsible for post closure care and monitoring of former landfill sites at Merrill Field, Peters Creek (Loretta French Park), and International Airport Road (Della Vega Park). At each of these sites, the department must perform annual groundwater and landfill gas (LFG) migration monitoring. The Utility operates an active LFG collection system at Merrill Field to mitigate migration of LFG to commercial buildings constructed along Merrill Field Drive. The Utility also operates and maintains a leachate collection system along 15th Avenue to mitigate potential migration of groundwater contaminants to the Chester Creek system. Since no closure funds were ever designated for these sites, all post closure care activities must be funded out of the Utility's annual operating budget.

Solid Waste Disposal Utility operates a 6,000 square foot hazardous waste collection facility built in 1989. 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 2014, the facility has collected nearly 24 million pounds of hazardous waste that otherwise may have been improperly disposed of at the landfill, the storm drain system, or citizens' backyards.

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 that sorts and processes the waste in proper containers. Hazardous products are shipped out of state to federally approved hazardous waste disposal sites. Other materials are rendered inert and landfilled, processed locally, or recycled. In March 2000, a new reuse program was successfully implemented. Anchorage residents bring household items such as paints, cleaners, and solvents to Reuse Centers at CTS or at ARL. The items are then stocked for other Anchorage residents to take home for reuse on household projects.

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 Solid Waste operating permit issued by the Alaska Department of Environmental Conservation (ADEC). This permit must be renewed every five years. ARL construction and certain operations must comply with the EPA Resource Conservation and Recovery Act (RCRA) subtitle D. The facility is also regulated under a Title V air emissions operating permit issued by ADEC. The Disposal Utility operates under two permits from AWWU for industrial water discharge, one for disposal of leachate from ARL and one for discharge of leachate contaminated groundwater at Merrill Field. ARL has permits from the U.S. Department of Fish and Wildlife and the Alaska Department of Fish and Game for bird management.

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, the Clean Air Act, New Source Performance Standards (NSPS), the Clean Water Act, SARA Title 3 (Super Fund), NESAP (asbestos), and NPDES (storm water discharge). In 2010, EPA added greenhouse gas monitoring and reporting requirements that affect both active and closed landfill sites. It is projected that the environmental mandates regarding operating and constructing a landfill will become even more stringent in the future.

Physical Plant
The Disposal Utility's assets include:

Anchorage Regional Landfill
- 275 acres, estimated to last through the year 2043.
- 42.3 million cubic yard capacity.
- Phased construction of cells lasting four to five years each.
- Nine of the twelve landfill cells are constructed.
- Located on municipal land.
- Scale house and a 22,000 square-foot shop with an adjoining storage facility.
- Heavy equipment fleet: dozers, loaders, dump trucks, boom truck, water truck, leachate trucks, tankers, lube trucks, grader, and solid waste compactor.
- Two leachate storage, treatment lagoons with a 2.9 million gallon capacity.
- Gas collection facility with 700 square foot blower and flare station with a 2,000 cubic feet per minute capacity enclosed flare.
- Gas processing facility processes gas to fuel quality and transports it by pipeline to Doyon Utility's power generation system to produce electricity on adjacent military lands. MOA is currently in a 20-year agreement with Doyon, in which Doyon will generate electricity from methane gas to sell to military customers on Joint Base Elmendorf Richardson (JBER).

Three transfer stations provide intermediate disposal, easy access for public
- Cash booths at Girdwood, CTS, and the ARL public site.
- Two scale houses, one each at CTS and ARL.
- 29 transfer tractor and trailers haul from stations to landfill.

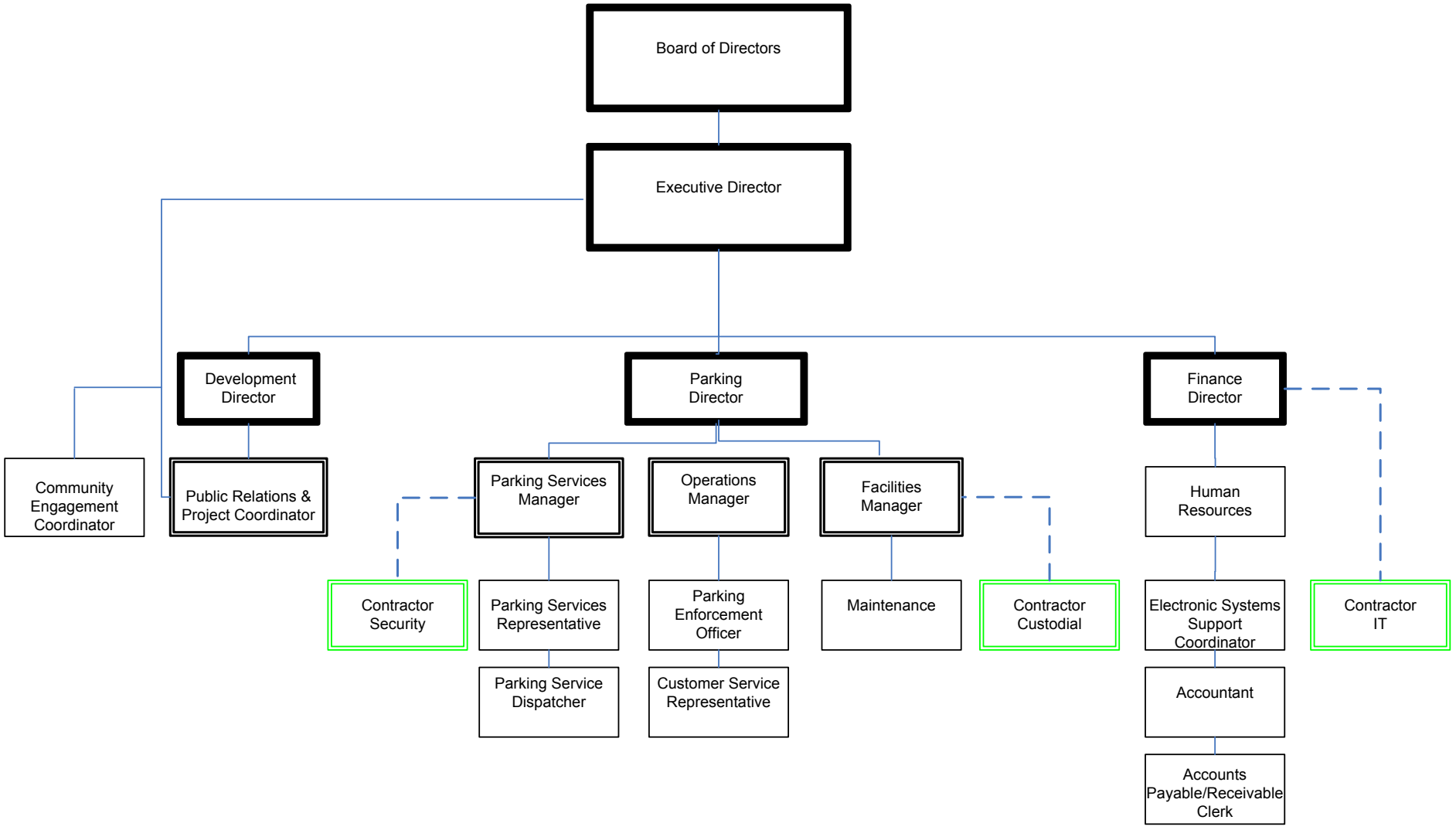
Hazardous waste management
- 6,000 square foot collection facility for household hazardous waste.
- Opened in 1989, operated by private contractor.
- Received the System Excellence Award in North America from Solid Waste Association of North America.

Merrill Field
- Landfill gas collection system and leachate/groundwater collection system.

Future Planning Efforts
Future projects include:
- Development of remaining cells (cell 8c and 9) will occur by 2020 with an estimated cost of $22.3 million.
- Slop closure and storm water run off development is on-going.

- Expansion of gas collection system into cell 10 in 2015; cells 11 and 12 in 2020.
- Construction of pipeline to mitigate growing expense of hauling leachate.

Internal Structure



Rev. 8/11/15

The Anchorage Community Development Authority
2016

Organization
Pursuant to Municipal Code, AMC 25.35.010(A), the Anchorage Community Development Authority is "an instrument of the municipality, but exists independently of and separately from the municipality." ACDA is governed by a nine-member board of directors appointed by the mayor and approved by the assembly. Two of the nine members are executive employees of the municipality. In addition, two assembly members serve as *ex officio* members of the board. The management team of Anchorage Community Development Authority (ACDA) reports to the Board of Directors. The Executive Director is appointed by and serves at the pleasure of the Mayor.

ACDA has an operational staff of 48 employees. These employees operate all municipal parking facilities, maintain and clean public garages and parking lots, maintain on-street parking meters, manage Anchorage Police Department's parking citation system, plan and develop public projects, and manage property in the ACDA's inventory. ACDA's planning and development staff work on projects and property transferred from the Municipality to ACDA, along with other redevelopment projects, both in the public as well as the private sectors.

History
The predecessor of ACDA, the Anchorage Parking Authority, was originally created as a separate public authority on February 28, 1984. That authority was created "to create an environment in the Anchorage area such that parking and parking policies are a position of influence for the community as a whole." Within four years, the Anchorage Parking Authority operated three public garages (two of which were new), six surface lots and the on-street spaces are within the Central Business District (CBD). Total parking operated by the Anchorage Parking Authority was approximately 5,800 spaces. Revenues from parking operations were used to help pay debt service on the parking garages built in the 1980's.

In 2004, the municipality began considering creation of a community development authority that could aid in developing public lands identified for their development potential and redevelopment of deteriorated or demised areas or properties, as well as affording housing projects. On January 18, 2005, the assembly adopted an amendment to the Anchorage Parking Authority Ordinance that created the Anchorage Community Development Authority (ACDA).

In June of 2011, the Anchorage Assembly delegated ACDA authority to enforce parking violations with the area bounded by Ship Creek on the north, Gambell Street on the east, 10th Avenue on the south, and M street on the west. The Assembly amended Anchorage Municipal Code chapter 25.35.

Mission & Vision
The mission of ACDA is to manage and enhance public parking and facilitate development for a vibrant community.

The Vision of ACDA is to be a conduit for responsible development and convenient, safe parking services in the Municipality of Anchorage. ACDA will act as a catalyst for, and investor in, projects that help implement the economic and community development goals of the Anchorage community as expressed in our community plans and initiatives.

Budget Assumptions
The 5th, 6th & 7th Avenue Garages along with JC Penny Garage have hourly public parking available on a 24/7 basis.

Employer contributions for the most significant employee benefit expenses (PERS and medical insurance) will continue to increase. Medical insurance is expected to increase by approximately 5.0% while employer contribution for PERS will remain at 35.68% in 2016.

Salary for staff is planned to increase by 3% creating a pool to support the pay for performance incentive plan. This plan is subject to any budget shortfalls.

The existing rates for monthly parking permits range from $85 to $105 per month depending on facility.
The existing rates for monthly parking permits range from $25 to $90 per month depending on the location of lots.

Parking meter rates increased in 2008 – (2 & 4 hour meters at $1.25/hr and 10 hour meters at $0.75/hr.) There have been no meter rate increases for 2009, 2010, 2011, 2012, 2013, 2014, 2015 and no increase currently proposed for 2016.

Lease revenue is generated by leases with small businesses in the 6th Ave Transit Mall, first floor area and the retail spaces in the 5th Avenue Garage. Revenue projections are based on current leases in effect.

A New Direction for ACDA in 2016
With the election of a new mayor, has come a new direction for the Anchorage Community Development Authority. With issues such as housing gridlock being experienced throughout Anchorage, the downtown core of the city is poised to begin attracting new private sector investment to help address the housing shortage in a way that adds value and opportunity to residents, and new tax revenues to the Municipality of Anchorage.

In the coming year, ACDA will begin an aggressive campaign to facilitate private/public partnerships focused on re-development and economic growth within Anchorage's downtown core for the purpose of achieving:

- An attractive housing and mixed-use development option for developers,
- An active and prosperous place for businesses and employees,
- A center for community, artists and cultural experiences, and
- A vibrant urban environment for residents, workers and visitors.

To accomplish these goals, ACDA will work closely with the Anchorage Assembly, the mayor's office and the Alaska State Legislature to propose a suite of tax incentives that have been

proven to enable development, while meeting the needs set forth in the Anchorage Downtown Comprehensive Plan.

Among communities nationwide there is a clear recognition that changing demographics and a demand for higher density housing has spurred downtown re-vitalization efforts. In Anchorage, our studies show similar demographics and the same desire to live, work and play downtown.

In addition to promoting community development projects downtown, ACDA will continue to enhance public parking through operating well maintained and safe parking facilities, along with integrating new technology for better yield management and a more pleasant customer experience. Currently Easy Park manages over 4,400 spaces, with 2,600 garage spaces and 1,800 street spaces.

Easy Park is in the midst of a $3 million capital improvement project to address structural and maintenance issues that are common with aging infrastructure. In light of the significant capital investments we are making in our facilities, and the fact that we have not had any rate relief since 2008, ACDA will be evaluating 2016 pricing to ensure we are keeping up with the cost of providing the service. Currently, Anchorage’s parking rates are significantly below the monthly and hourly rates in similar cities. The median cost of an unreserved monthly permit in Bellevue, Washington is $195, compared to $95 in Anchorage. The hourly rates for transient users of our garages are equally low, as the average daily rate in the U.S. in 2012 was $17.19, compared to $10.00 in Anchorage today.

The new direction for ACDA, combined with a strong belief that parking is essential to a growing the downtown core, means that 2016 will be an exciting year for the re-vitalization and economic growth of downtown Anchorage.

Anchorage Community Development Authority
Statement of Revenues and Expenses

	2015 Revised	2016 Proposed
Operating Revenue		
Parking Revenue	8,404,113	8,440,410
Leased Space Revenue	690,500	690,500
Other Operating Revenue	225,405	231,500
Real Estate Sales - Development	1,335,000	1,370,250
Total Operating Revenue	**10,655,018**	**10,732,660**
Non Operating Revenue	105,500	53,500
Total Non Operating Revenue	105,500	53,500
Total Revenue	**10,760,518**	**10,786,160**
Operating Expenses		
Labor	3,688,468	3,766,177
Professional Fees	116,000	278,000
Contract Services	1,077,500	1,113,100
Information Services	500,580	426,300
Direct Maintenance Costs	183,250	200,200
Facility Maint. Contract Services	460,400	477,500
Utility Expenses	432,199	466,970
General Expenses	547,800	679,700
Transfers (MESA)	577,523	517,250
Office Expenses	63,100	72,400
Employee Expenses	73,000	78,500
Real Estate Costs - Northpointe	1,209,891	1,155,000
Depreciation	1,620,000	1,850,000
Total Operating Expenses	**10,549,711**	**11,081,097**
Total Net Income	**210,807**	**(294,937)**
Appropriation		
Total Expenses	10,549,711	11,081,097
Less: Non Cash Items		
Depreciation	(1,620,000)	(1,850,000)
Amount to be Appropriated (Cash Expenses)	**8,929,711**	**9,231,097**

Anchorage Community Development Authority
2016 Capital Improvement Budget

Project Title	Total
5th Ave Garage elevator upgrades	350,000
6th Ave Garage elevator upgrades	450,000
Closed Circuit TV System	25,000
Electronic Key unified system	25,000
Garage structural improvements	1,750,000
General Development - various projects	150,000
IT Upgrades	15,000
Mobile License Plate Recognition	40,000
Tenant Improvements - Leased Spaces	150,000
Total	**2,955,000**

Anchorage Community Development Authority
Statement of Cash Sources and Uses

	2014 Actual	2015 Proforma	2016 Proposed
Sources of Cash Funds			
Parking Revenue	8,217,504	8,565,748	8,440,410
Other Parking Operating Revenue	178,000	178,000	178,000
Leased Space Revenue	663,414	637,270	690,500
Development Services	646,532	1,274,000	1,370,250
Other Non-Operating Revenue	122,421	105,500	53,500
Total Sources of Cash Funds	**9,827,871**	**10,760,518**	**10,732,660**
Uses of Cash Funds			
Parking Operations	6,156,512	6,702,889	6,768,197
Development Operations	366,468	350,317	845,650
Payment in Lieu of Taxes	488,915	494,523	517,250
Capital Investment-Parking Operations	1,592,644	3,238,000	2,655,000
Capital Investment-Development Operations	55,897	170,000	300,000
Other Uses of Cash Funds	125,604	125,604	-
Total Uses of Cash Funds	**8,786,040**	**11,081,333**	**11,086,097**
Net Increase (Decrease) In Cash Funds	1,041,831	(320,815)	(353,437)
Cash Balance January 1,	6,296,331	7,338,162	7,017,347
Cash Balance December 31,	**7,338,162**	**7,017,347**	**6,663,910**

PVR Measure WC: Managing Workers' Compensation Claims

Reducing job-related injuries is a priority for the Administration by ensuring safe work conditions and safe practices. By instilling safe work practices we ensure not only the safety of our employees but reduce the potential for injuries and property damage to the public. The Municipality is self-insured and every injury poses a financial burden on the public and the injured worker's family. It just makes good sense to WORK SAFE.

Results are tracked by monitoring monthly reports issued by the Risk Management Division.