



Municipality of Anchorage

2017 Proposed Municipal Utilities / Enterprise Activity Anchorage Community Development Authority Operating and Capital Budgets

**Ethan Berkowitz, Mayor
Anchorage, Alaska**

MUNICIPALITY OF ANCHORAGE

ETHAN BERKOWITZ, MAYOR

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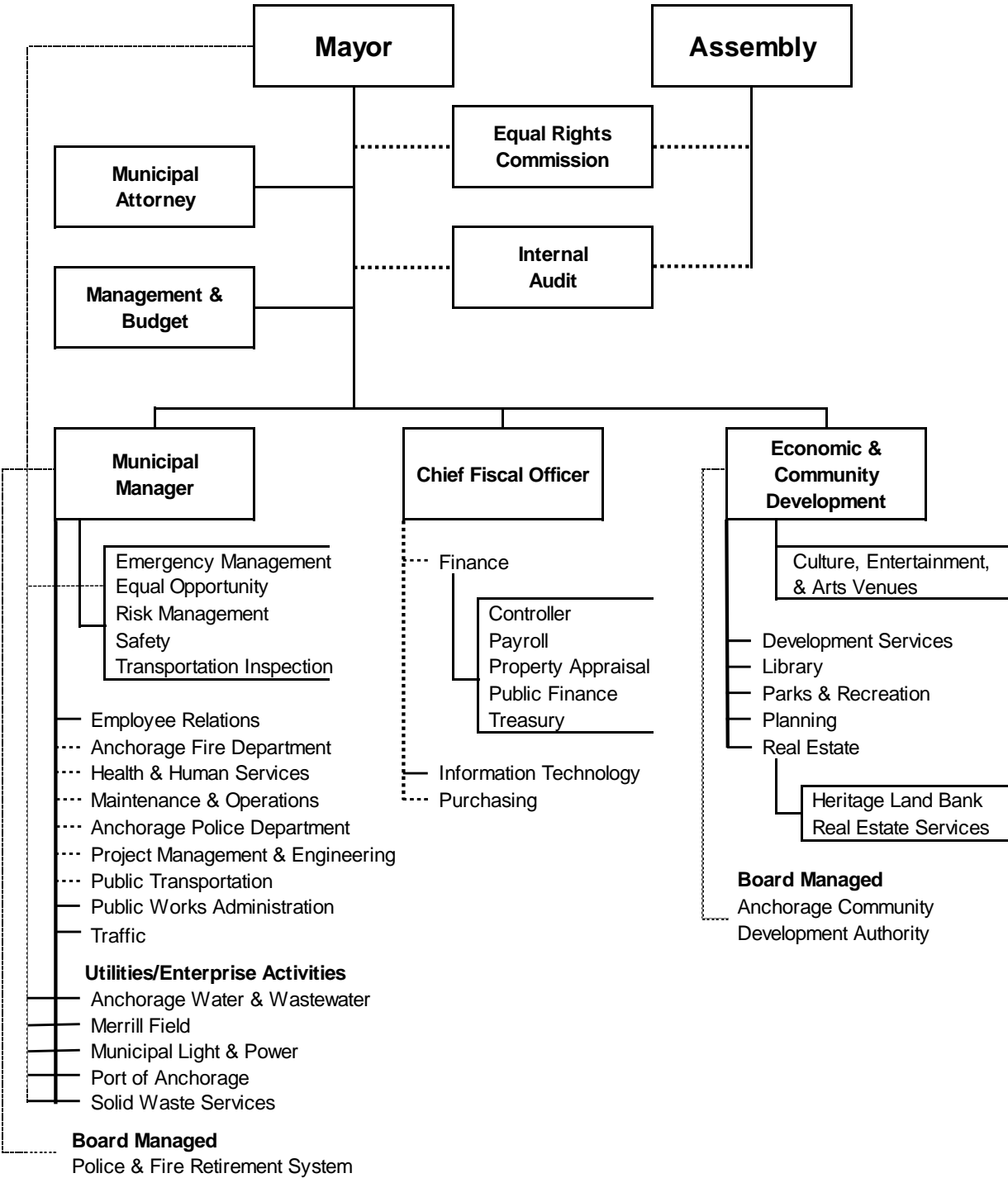


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Utility/Enterprise Budget Process and Procedures

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:

$$\frac{(2015 \text{ net book value of plant in service} \times 2015 \text{ mill rate}) + (1.25\% \times \text{actual gross operating revenues 2015})}{= 2016 \text{ MUSA}}$$

$$\frac{(2014 \text{ adjusted plant in service} \times 2015 \text{ mill rate}) + (1.25\% \times \text{actual gross operating revenues 2015})}{= 2016 \text{ MESA}}$$

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.

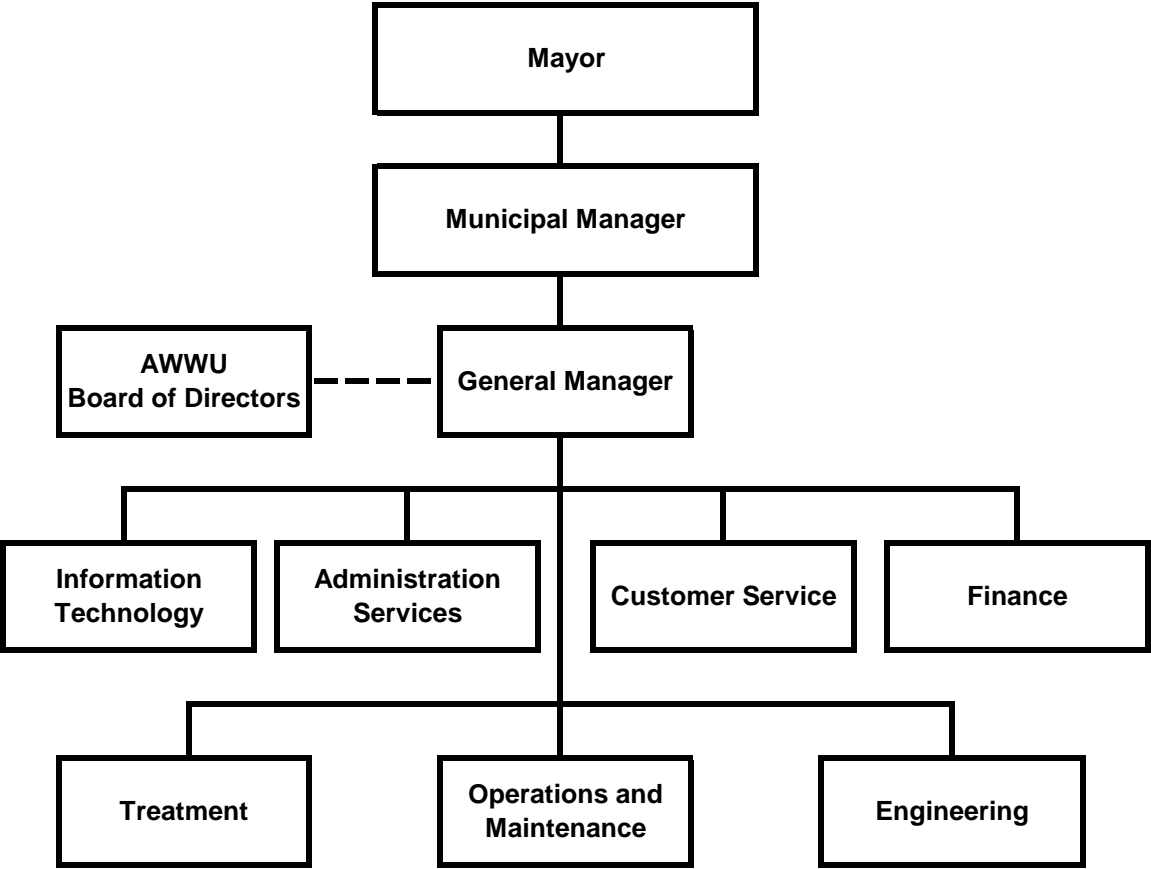
P.V.R. – Performance.Values.Results. Performance measures and corresponding data for each program, as identified by each department, are reported quarterly to communicate and demonstrate the results and effectiveness of the program in achieving its stated purpose and to accurately capture the costs to 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 and 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), approximately 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 126% from \$355.2 million to \$802 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 116% from \$301.5 million to \$651 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 and Wastewater Utility Business Plan

Vision

Excellence through innovation.

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 is in the process of preparing an updated strategic plan. The plan calls for the focus on the following goals:

- Be responsive to the needs of the community
- Be the model of innovation and efficiency in service to the public
- Be a responsible steward of ratepayer funds
- Be the employer of choice for existing and future staff

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.

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 | 2016 | | | | Past Years | | | | | |
|--|------|------|----|-----|-----|------------|------|--------|-------|-------|-------|
| | | Q4 | Q3 | Q2 | Q1 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Safe Drinking Water Act Compliance (%) | 100 | | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Clean Water Act (NPDES permit) Compliance (%) | 100 | | | | | 100 | | | | 100 | 99.99 |
| -Asplund | | | | 100 | 100 | 100 | 100 | 99.8 | 100 | | |
| -Eagle River | | | | 100 | 100 | 100 | 100 | 100 | 99.5 | | |
| -Girdwood | | | | 100 | 100 | 99.5 | 99.8 | 99.3 | 97.5 | | |
| Clean Air Act Compliance (%) (Asplund Incinerator) | 100 | | | 100 | 100 | 99.998 | 100 | 99.998 | 99.99 | 99.99 | 99.99 |

Measure #2: Number of planned and unplanned water outages

| Measure 2: Number of planned and unplanned water outages (customers per month) | Goal (Affected customers per month) | 2016 (monthly average) | 4 th Q 2016 (monthly average) | 3 rd Q 2016 (monthly average) | 2 nd Q 2016 (monthly average) | 1 st Q 2016 (monthly average) | Historical monthly average | | | |
|--|-------------------------------------|-------------------------------|---|---|---|---|----------------------------|------|------|------|
| | | | | | | | 2015 | 2014 | 2013 | 2012 |
| Planned Outages | | | | | | | | | | |
| <4 hours | <20 | 5 | | | 10 | 0 | 18 | 27 | 25 | 18 |
| 4-12 hours | <20 | 4 | | | 8 | 0 | 23 | 37 | 86 | 47 |
| >12 hours | 0 | 0 | | | 0 | 0 | 0.2 | 0.6 | 0.3 | 0.2 |
| Unplanned Outages | | | | | | | | | | |
| <4 hours | <20 | 81 | | | 147 | 15 | 41 | 40 | 27 | 46 |
| 4-12 hours | <50 | 19 | | | 12 | 26 | 33 | 44 | 33 | 38 |
| >12 hours | 0 | 6.5 | | | 13 | 0 | 0.2 | 3 | 8 | 4 |

Measure #3: Sanitary Sewer Overflows

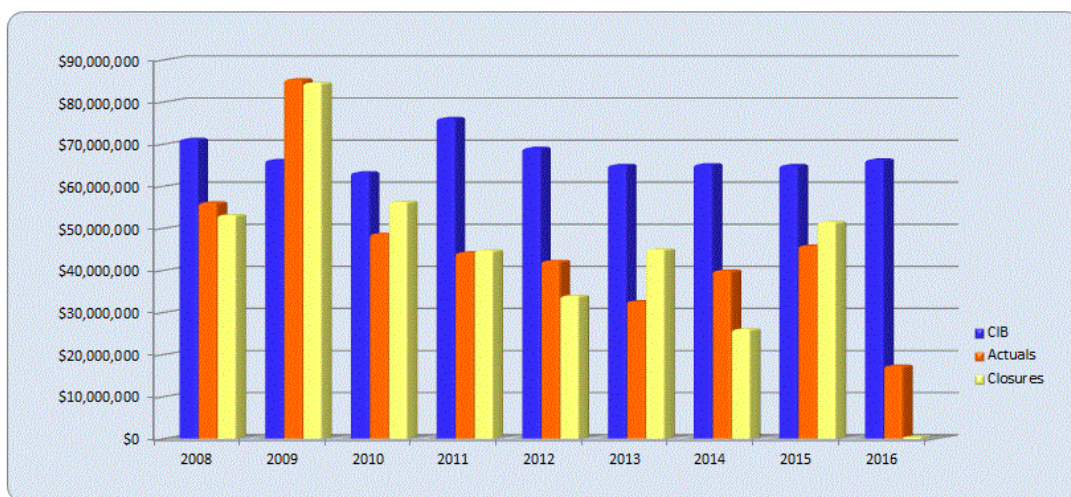
| Goal | 2016 | | | | Historical monthly average | | | | | | | |
|------|------|----|-----|------|----------------------------|------|------|------|------|------|------|------|
| | Q4 | Q3 | Q2 | Q1 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| <1.5 | | | 1.3 | 2.33 | 1.58 | 1.75 | 2.25 | 1.83 | 1.91 | 1.33 | 1.58 | 1 |

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

| Goal | 2015 | Historical Information | | | | | | |
|-------|------|------------------------|------|------|------|------|------|------|
| | | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| <4.60 | 6.08 | 5.91 | 4.47 | 5.2 | 4.4 | 1.72 | 4.10 | 4.00 |

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

| Goal | 2016 | Historical Information | | | | | | | |
|------|------|------------------------|------|------|------|------|------|------|------|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| 75% | TBD | 71% | 61% | 56% | 65% | 61% | 66% | 129% | 67% |

**Budget, Expenditures, and Closures through June 30, 2016.**

Measure #6: Debt to Equity Ratio (annual)

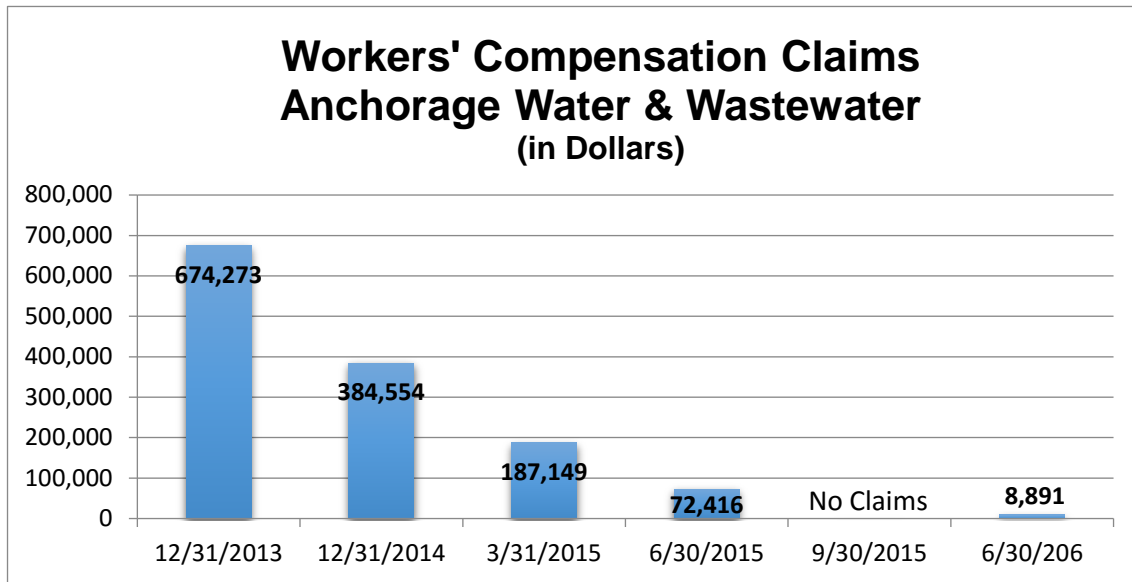
| | Goal | 2015 * | Historical Information | | | | | | |
|--------------------|-------|--------|------------------------|-------|-------|-------|-------|-------|-------|
| | | | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Water Utility | 67/33 | 61/39 | 62/38 | 65/35 | 67/33 | 70/30 | 70/30 | 71/29 | 72/28 |
| Wastewater Utility | 67/33 | 64/36 | 65/35 | 67/33 | 66/34 | 68/32 | 69/31 | 68/32 | 66/34 |

*2015 results are draft and subject to change. These results also do not reflect the impacts of implementing GASB 68.

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| 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 and 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 over 842 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 over 757 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 2015, AWWU was carrying approximately \$389.7 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 - 2016**

| Rate Year | Calculated Rate Increase in RRS | | Requested Permanent Rate Increase | | Approved/Stipulated Permanent Rate Increase | | Reason For Requesting Increases Less Than The Calculated Increases |
|-----------|---------------------------------|-------|-----------------------------------|-------|---|-------|---|
| | AWU | ASU | AWU | ASU | AWU | ASU | |
| 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. |
| 2016 | - | - | - | - | - | - | Rate changes were not requested by AWWU for 2016. |

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 and 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 and Wastewater Utility Workforce Projections

| Division | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Manager | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Information Technology | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Operations and Maintenance | 87 | 91 | 91 | 91 | 91 | 91 | 91 | 91 |
| Treatment | 63 | 63 | 64 | 64 | 64 | 64 | 64 | 64 |
| Finance | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Administrative Services | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Customer Service | 39 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Engineering | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Total Full Time | 276 | 282 | 283 | 283 | 283 | 283 | 283 | 283 |
| Part time | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Seasonal Temporary | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Interns | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Total Temporary | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Total Positions | 289 | 294 | 295 | 295 | 295 | 295 | 295 | 295 |

Anchorage Water Utility 8 Year Summary

(\$ in thousands)

| Financial Overview | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actuals | Proforma | Proposed | Forecast | | | | |
| Revenues | 61,449 | 62,002 | 61,648 | 64,708 | 67,758 | 71,478 | 74,888 | 76,528 |
| Expenses and Transfers | 48,993 | 50,379 | 54,482 | 56,799 | 58,320 | 60,894 | 63,504 | 64,967 |
| Net Income (Loss) - Regulatory | 12,456 | 11,623 | 7,166 | 7,909 | 9,438 | 10,584 | 11,384 | 11,561 |
| Dividend to General Government | - | - | - | 3,044 | 3,194 | 3,359 | 3,534 | 3,694 |
| Increase in Net Assets | 12,456 | 11,623 | 7,166 | 4,865 | 6,244 | 7,225 | 7,850 | 7,867 |
| Budgeted Positions* | 289 | 294 | 295 | 295 | 295 | 295 | 295 | 295 |
| Capital Improvement Program | 32,226 | 32,226 | 32,963 | 32,620 | 32,860 | 34,000 | 34,755 | 35,755 |
| New Debt | 20,379 | 17,500 | 35,574 | 9,600 | 9,700 | 71,000 | 10,200 | 10,500 |
| Net Plant (12/31) | 531,963 | 549,046 | 563,464 | 578,233 | 592,768 | 608,001 | 623,164 | 638,661 |
| Net Assets (12/31) | 142,458 | 154,081 | 161,247 | 166,112 | 172,356 | 179,581 | 187,431 | 195,297 |
| Operating Cash | 34,126 | 35,584 | 32,728 | 27,715 | 25,104 | 25,565 | 25,752 | 26,663 |
| Construction Cash Pool | 1,524 | 956 | 18,063 | 5,576 | - | 37,152 | 19,550 | 1,368 |
| Restricted Cash | 323 | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Total Cash | 35,973 | 36,863 | 51,114 | 33,614 | 25,427 | 63,040 | 45,625 | 28,354 |
| IGCs - General Government | 1,055 | 1,069 | 2,014 | 2,014 | 2,014 | 2,014 | 2,014 | 2,014 |
| MUSA | 7,114 | 7,315 | 7,670 | 8,669 | 8,930 | 9,184 | 9,434 | 9,677 |
| CCP Borrowings from Gen'l Govt. | - | - | - | - | 7,873 | - | - | - |
| Total Outstanding LT Debt | 221,203 | 229,462 | 254,504 | 251,216 | 247,441 | 304,427 | 298,084 | 292,089 |
| Total Annual Debt Service | 15,876 | 16,108 | 18,409 | 21,223 | 21,545 | 23,016 | 26,279 | 25,857 |
| Debt Service Coverage (Bond) | 3.22 | 3.25 | 2.62 | 2.23 | 2.41 | 2.41 | 2.15 | 2.21 |
| Debt Service Coverage (Total) | 1.85 | 1.80 | 1.42 | 1.33 | 1.40 | 1.42 | 1.33 | 1.37 |
| Debt/Equity Ratio | 61 / 39 | 60 / 40 | 61 / 39 | 60 / 40 | 59 / 41 | 63 / 37 | 61 / 39 | 60 / 40 |
| Rate Change Percent | 0.0% | 0.0% | 0.0% | 4.7% | 5.0% | 5.0% | 4.3% | 2.3% |
| Single Family Rate | 49.89 | 49.89 | 49.89 | 52.23 | 54.85 | 54.59 | 60.07 | 61.45 |
| Statistical/Performance Trends | | | | | | | | |
| Number of Accounts | 56,155 | 56,295 | 56,436 | 56,577 | 56,719 | 56,860 | 57,003 | 57,145 |
| Average Treatment (MGD) | 23.6 | 23.7 | 23.7 | 23.8 | 23.8 | 23.9 | 24.0 | 24.0 |
| Miles of Water Lines | 843 | 845 | 847 | 849 | 851 | 854 | 856 | 858 |
| Number of Public Hydrants | 5,999 | 6,014 | 6,029 | 6,044 | 6,059 | 6,074 | 6,090 | 6,105 |

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

Anchorage Water Utility Statement of Revenues and Expenses

| | 2015 Actuals | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|---------------------|
| Operating Revenue | | | | | | |
| Charges for services | 59,960,903 | 59,800,000 | 59,600,000 | 100,000 | 59,700,000 | 0.2% |
| Miscellaneous | 1,325,184 | 1,172,000 | 981,000 | 207,000 | 1,188,000 | 21.1% |
| Total Operating Revenue | 61,286,087 | 60,972,000 | 60,581,000 | 307,000 | 60,888,000 | 0.5% |
| Non Operating Revenue | | | | | | |
| Investment Income | 201,063 | 900,000 | 310,000 | 300,000 | 610,000 | 96.8% |
| Other Income | (37,710) | 130,000 | 130,000 | 20,000 | 150,000 | 15.4% |
| Total Non Operating Revenue | 163,353 | 1,030,000 | 440,000 | 320,000 | 760,000 | 72.7% |
| Total Revenue | 61,449,440 | 62,002,000 | 61,021,000 | 627,000 | 61,648,000 | 1.0% |
| Operating Expenses | | | | | | |
| Labor | | | | | | |
| Labor and Benefits | 14,738,615 | 15,429,000 | 15,650,560 | 770,167 | 16,420,727 | 4.9% |
| Overtime | 551,035 | 510,000 | 448,000 | 5,000 | 453,000 | 1.1% |
| Total Labor | 15,289,650 | 15,939,000 | 16,098,560 | 775,167 | 16,873,727 | 4.8% |
| Non Labor | | | | | | |
| Non Labor | 9,423,274 | 8,930,000 | 9,326,847 | (185,131) | 9,141,716 | -2.0% |
| Travel | 43,997 | 69,000 | 82,000 | 500 | 82,500 | 0.6% |
| Transfers (MUSA and gross receipts) | 7,113,584 | 7,315,000 | 7,280,000 | 390,000 | 7,670,000 | 5.4% |
| Depreciation and Amortization | 10,191,049 | 11,077,000 | 11,427,000 | 83,000 | 11,510,000 | 0.7% |
| Total Non Labor | 26,771,904 | 27,391,000 | 28,115,847 | 288,369 | 28,404,216 | 1.0% |
| Total Direct Cost | 42,061,554 | 43,330,000 | 44,214,407 | 1,063,536 | 45,277,943 | 2.4% |
| Charges from other departments | 1,427,587 | 1,444,000 | 1,534,140 | 479,713 | 2,013,853 | 31.3% |
| Charges to other departments | (372,976) | (375,000) | (375,000) | 375,000 | - | -100.0% |
| Total Operating Expense | 43,116,165 | 44,399,000 | 45,373,547 | 1,918,249 | 47,291,796 | 4.2% |
| Non Operating Expense | | | | | | |
| Interest on bonded debt | 5,368,897 | 5,300,000 | 5,365,000 | 732,000 | 6,097,000 | 13.6% |
| Amortization of debt expense | 162,722 | 200,000 | 295,000 | 50,000 | 345,000 | 16.9% |
| Other interest expense | 1,429,940 | 1,480,000 | 1,800,000 | (122,000) | 1,678,000 | -6.8% |
| Interest during construction | (1,084,232) | (1,000,000) | (500,000) | (430,000) | (930,000) | 86.0% |
| Total Non Operating Expense | 5,877,327 | 5,980,000 | 6,960,000 | 230,000 | 7,190,000 | 3.3% |
| Total Expenses (Function Cost) | 48,993,492 | 50,379,000 | 52,333,547 | 2,148,249 | 54,481,796 | 4.1% |
| Net Income | 12,455,948 | 11,623,000 | 8,687,453 | (1,521,249) | 7,166,204 | -17.5% |
| Appropriation: | | | | | | |
| Total Expenses | | | 52,333,547 | 2,148,249 | 54,481,796 | |
| Less: Non Cash items | | | | | | |
| Depreciation and amortization | | | 11,427,000 | 83,000 | 11,510,000 | |
| Amortization of debt expense | | | 295,000 | 50,000 | 345,000 | |
| Interest during construction | | | (500,000) | (430,000) | (930,000) | |
| Total Non-Cash | | | 11,222,000 | (297,000) | 10,925,000 | |
| Amount to be Appropriated (cash expenses) | | | 41,111,547 | 2,445,249 | 43,556,796 | |

Anchorage Water Utility Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|-------------------|------------|----------|-----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 52,333,547 | 282 | 1 | 11 |
| Transfers (to)/from Other Agencies | | | | |
| - Charges to other departments - Remove GIS COE | 375,000 | - | - | - |
| - Charges from other departments | 479,713 | - | - | - |
| Debt Service Charges | | | | |
| - Interest | 610,000 | - | - | - |
| - Amortization of Debt Expense | 50,000 | - | - | - |
| - AFUDC | (430,000) | - | - | - |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Salary and benefits adjustments | 757,307 | - | - | - |
| - Depreciation | 83,000 | - | - | - |
| - MUSA | 390,000 | - | - | - |
| 2017 Continuation Level | 54,648,567 | 282 | 1 | 11 |
| 2017 Proposed Budget Changes | | | | |
| - Overtime | 5,000 | - | - | - |
| - Software & Hardware Maintenance | 67,195 | - | - | - |
| - Telecommunications | 22,350 | - | - | - |
| - External Audit Costs | 2,500 | - | - | - |
| - Building Rent | 32,130 | - | - | - |
| - Materials, Supplies, Tools, Misc | 42,944 | - | - | - |
| - Travel | 14,500 | - | - | - |
| - APU Glacier Study | 25,000 | - | - | - |
| - Arctic Bldg Landscape and security | 75,000 | - | - | - |
| - Host WWMW Spring 2017 | 3,350 | - | - | - |
| - Remove GIS COE Expenses | (455,600) | - | - | - |
| - Remove GIS COE Travel Expenses | (14,000) | - | - | - |
| - Treatment Plant Operator - Girdwood (11% Water, 89% Wastewater) | 12,860 | 1 | - | - |
| 2017 Proposed Budget | 54,481,796 | 283 | 1 | 11 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation and amortization | (11,510,000) | - | - | - |
| - Amortization of debt expense | (345,000) | - | - | - |
| - Interest during construction | 930,000 | - | - | - |
| - Anchorage Wastewater Utility; add line cleaning crew. | - | - | - | - |
| 2017 Proposed Budget (Appropriation) | 43,556,796 | 283 | 1 | 11 |

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

Anchorage Water Utility
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| ADOT-MOA Emergency | 2,917 | 2,824 | 2,032 | 2,335 | 3,908 | 3,897 | 17,913 |
| Facility Master Plan | 1,100 | - | 650 | - | 52 | 250 | 2,052 |
| IT Hardware/Software | 1,795 | 2,145 | 1,445 | 1,520 | 1,553 | 1,553 | 10,011 |
| Miscellaneous Equipment | 880 | 850 | 850 | 850 | 850 | 850 | 5,130 |
| Other Plant & Facilities | 860 | - | - | 400 | - | - | 1,260 |
| Transmission/Distribution | 23,065 | 23,704 | 22,315 | 25,165 | 23,924 | 26,825 | 144,998 |
| Vehicles | 966 | 1,097 | 868 | 880 | 1,264 | 1,276 | 6,351 |
| Water Plant | 1,380 | 2,000 | 4,700 | 2,850 | 3,204 | 1,104 | 15,238 |
| Total | 32,963 | 32,620 | 32,860 | 34,000 | 34,755 | 35,755 | 202,953 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Debt | 21,963 | 23,620 | 24,860 | 28,000 | 29,755 | 30,755 | 158,953 |
| Equity/Operations | 11,000 | 9,000 | 8,000 | 6,000 | 5,000 | 5,000 | 44,000 |
| Grants | - | - | - | - | - | - | - |
| Total | 32,963 | 32,620 | 32,860 | 34,000 | 34,755 | 35,755 | 202,953 |

Anchorage Water Utility 2017 Capital Improvement Budget

(in thousands)

| Project Title | Debt * | State/Fed Grant | Equity/Operations * | Total |
|---|---------------|-----------------|---------------------|---------------|
| ADOT-MOA Emergency | | | | |
| ADOT-MOA-Emergency -Water | - | - | 2,917 | 2,917 |
| ADOT-MOA Emergency | - | - | 2,917 | 2,917 |
| Facility Master Plan | | | | |
| Depreciation Study | - | - | 100 | 100 |
| Water Quality_Hydraulic Modeling Master Plan | - | - | 1,000 | 1,000 |
| Facility Master Plan | - | - | 1,100 | 1,100 |
| IT Hardware/Software | | | | |
| Customer Information System Enhancements | - | - | 650 | 650 |
| Geographic Information System Application Development | - | - | 120 | 120 |
| Hydraulic Model Upgrades | - | - | 50 | 50 |
| Information Technology Infrastructure | - | - | 600 | 600 |
| Miscellaneous Information Technology Systems | - | - | 250 | 250 |
| Work Management Software | - | - | 125 | 125 |
| IT Hardware/Software | - | - | 1,795 | 1,795 |
| Miscellaneous Equipment | | | | |
| Facility Equipment - Water | - | - | 100 | 100 |
| SCADA Equipment | - | - | 750 | 750 |
| Updated Title 18 Signage | - | - | 30 | 30 |
| Miscellaneous Equipment | - | - | 880 | 880 |
| Other Plant & Facilities | | | | |
| 3000 Arctic Carpet Improvements | - | - | 500 | 500 |
| 3000 Arctic Field Services Office Upgrade | - | - | 30 | 30 |
| 3000 Arctic First Floor IT Upgrades | - | - | 50 | 50 |
| 3000 Arctic HVAC Upgrades | - | - | 200 | 200 |
| 3000 Arctic NE Stairwell Renovations | - | - | 30 | 30 |
| TRT Admin Space | - | - | 50 | 50 |
| Other Plant & Facilities | - | - | 860 | 860 |
| Transmission/Distribution | | | | |
| 486 Zone_Debarr Intertie | 1,200 | - | - | 1,200 |
| Becharof_St_Rakof_to_Chirikof_Water_Rehab | 280 | - | 510 | 790 |
| Downtown to Kincaid Water Transmission Main | 11,813 | - | - | 11,813 |
| E_3rd_Latouche_to_Ingra_Water_Rehab | 900 | - | - | 900 |
| E_43rd_Thorne_Dale_to_Piper_Water_Rehab | - | - | 567 | 567 |
| Hillcrest_Drive_Water_Rehab | 500 | - | - | 500 |
| Jewel Lake Intertie | 300 | - | - | 300 |
| Military Reservoir 25 | 1,000 | - | - | 1,000 |
| Muldoon_Curve_East_Intertie | 270 | - | - | 270 |
| Plant Oversize Improvement-Water | - | - | 25 | 25 |
| Port Flushing Facility / Sample Station | 500 | - | - | 500 |
| Reservoir Rehab | 3,250 | - | - | 3,250 |
| SW 260 Zone Capacity Improvements | 1,000 | - | - | 1,000 |
| Upper Eagle River Fire Flow | 800 | - | - | 800 |
| Water Upgrades Preliminary Engineering | 150 | - | - | 150 |
| Transmission/Distribution | 21,963 | - | 1,102 | 23,065 |

Anchorage Water Utility
2017 Capital Improvement Budget
(in thousands)

| Project Title | Debt * | State/Fed Grant | Equity/ Operations * | Total |
|-----------------------------------|---------------|----------------------------|---------------------------------|---------------|
| Vehicles | | | | |
| Dump Trucks (94601, 94602, 94603) | - | - | 600 | 600 |
| Vehicles - Water | - | - | 366 | 366 |
| Vehicles | - | - | 966 | 966 |
| Water Plant | | | | |
| Facility Plant - Water | - | - | 1,130 | 1,130 |
| Security Improv-WTR | - | - | 250 | 250 |
| Water Plant | - | - | 1,380 | 1,380 |
| Total | 21,963 | - | 11,000 | 32,963 |

* Debt and Equity/Operations funding amounts by category are estimates and subject to change as actual loans are awarded by the State of Alaska.

Anchorage Water Utility Statement of Cash Sources and Uses

| | 2015 Actual | 2016 Proforma | 2017 Proposed |
|---|-------------------|-------------------|-------------------|
| Sources of Cash Funds | | | |
| Operating Income | 25,290,826 | 23,888,000 | 21,747,030 |
| Depreciation, net of amortization | 10,191,049 | 11,077,000 | 11,510,000 |
| Transfer from Escrow Account | 1,881,616 | - | - |
| Grant Proceeds | 87,500 | - | - |
| Special Assessment Proceeds | 282,443 | 300,000 | 300,000 |
| State of Alaska Loan Proceeds | 9,378,767 | 9,500,000 | 9,700,000 |
| Bond/Other Loan Proceeds | 11,000,000 | 8,000,000 | 57,000,000 |
| Miscellaneous Non-Operating Revenues | (37,710) | 130,000 | 150,000 |
| Interest Received | 155,180 | 600,000 | 610,000 |
| Changes in Assets and Liabilities | (710,916) | 751,538 | (1,054,420) |
| Total Sources of Cash Funds | 57,518,755 | 54,246,538 | 99,962,610 |
| Uses of Cash Funds | | | |
| Capital Construction | 27,884,913 | 30,068,200 | 29,467,710 |
| Debt Principal Payment | 8,982,338 | 9,241,407 | 41,287,428 |
| Debt Interest Payments | 6,776,377 | 6,839,643 | 6,805,472 |
| MUSA | 7,113,584 | 7,314,997 | 7,670,000 |
| Total Uses of Cash Funds | 50,757,212 | 53,464,247 | 85,230,610 |
| Net Increase (Decrease) in Cash Funds | 6,761,543 | 782,291 | 14,732,000 |
| Cash Balance, January 1 | 29,396,166 | 36,157,709 | 36,940,000 |
| Cash Balance, December 31 | 36,157,709 | 36,940,000 | 51,672,000 |
| Detail of Cash and Investment Funds | | | |
| General Cash Less Customer Deposits | 34,125,523 | 35,584,000 | 33,209,000 |
| Construction Cash | 1,524,082 | 956,000 | 18,063,000 |
| Operating Fund Investment & Customer Deposits | 508,104 | 400,000 | 400,000 |
| Cash Balance, December 31 | 36,157,709 | 36,940,000 | 51,672,000 |

Anchorage Wastewater Utility 8 Year Summary

(\$ in thousands)

| Financial Overview | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | Actuals | Proforma | Proposed | Forecast | | | | |
| Revenues | 51,586 | 52,055 | 56,765 | 59,745 | 64,385 | 68,285 | 71,025 | 74,555 |
| Expenses and Transfers | 44,718 | 47,291 | 51,562 | 54,010 | 57,000 | 60,010 | 61,730 | 65,140 |
| Net Income (Loss) - Regulatory | 6,868 | 4,764 | 5,203 | 5,735 | 7,385 | 8,275 | 9,295 | 9,415 |
| Dividend to General Government | - | - | - | - | - | - | - | - |
| Increase in Net Assets | 6,868 | 4,764 | 5,203 | 5,735 | 7,385 | 8,275 | 9,295 | 9,415 |
| Budgeted Positions* | 289 | 294 | 295 | 295 | 295 | 295 | 295 | 295 |
| Capital Improvement Program | 33,345 | 34,200 | 33,650 | 36,362 | 36,710 | 36,900 | 37,000 | 37,000 |
| New Debt | 8,888 | 15,000 | 25,349 | 6,000 | 84,000 | 6,000 | 6,000 | 109,000 |
| Net Plant (12/31) | 402,356 | 411,691 | 426,503 | 439,868 | 457,152 | 475,388 | 487,969 | 502,778 |
| Net Assets (12/31) | 94,167 | 98,931 | 104,134 | 109,869 | 117,254 | 125,529 | 134,824 | 144,239 |
| Operating Cash | 26,295 | 28,333 | 26,606 | 24,108 | 23,778 | 22,334 | 23,199 | 25,427 |
| Construction Cash Pool | 613 | 283 | 7,946 | - | 56,351 | 37,192 | 9,085 | 77,349 |
| Restricted Cash | 2,146 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Total Cash | 29,054 | 30,116 | 36,052 | 25,608 | 81,629 | 61,026 | 33,784 | 104,276 |
| IGCs - General Government | 1,421 | 1,573 | 2,014 | 2,014 | 2,014 | 2,014 | 2,014 | 2,014 |
| MUSA | 5,286 | 5,705 | 5,840 | 6,050 | 6,240 | 6,490 | 6,750 | 6,930 |
| CCP Borrowings from Gen'l Govt. | - | - | - | 4,324 | - | - | - | - |
| Total Outstanding LT Debt | 166,515 | 175,620 | 235,992 | 233,261 | 308,428 | 302,843 | 296,903 | 393,576 |
| Total Annual Debt Service | 10,216 | 10,476 | 12,264 | 14,877 | 16,235 | 20,078 | 20,232 | 22,178 |
| Debt Service Coverage (Bond) | 4.91 | 4.79 | 4.17 | 2.88 | 2.85 | 2.26 | 2.40 | 2.23 |
| Debt Service Coverage (Total) | 1.82 | 1.74 | 1.66 | 1.49 | 1.58 | 1.41 | 1.47 | 1.45 |
| Debt/Equity Ratio | 64 / 36 | 64 / 36 | 69 / 31 | 68 / 32 | 72 / 28 | 71 / 29 | 69 / 31 | 73 / 27 |
| Rate Change Percent | 0.00% | 0.00% | 9.50% | 5.10% | 7.10% | 5.50% | 4.50% | 4.30% |
| Single Family Rate | 40.87 | 40.87 | 44.75 | 47.04 | 50.37 | 53.15 | 55.54 | 57.92 |
| Statistical/Performance Trends | | | | | | | | |
| Number of Accounts | 56,997 | 57,139 | 57,282 | 57,426 | 56,816 | 56,958 | 57,100 | 57,243 |
| Average Treatment (MGD) | 27.01 | 27.08 | 27.15 | 27.21 | 27.28 | 27.35 | 27.42 | 27.49 |
| Miles of Wastewater Lines | 757 | 759 | 761 | 763 | 765 | 767 | 768 | 770 |

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

Anchorage Wastewater Utility Statement of Revenues and Expenses

| | 2015 Actuals | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|---------------------|
| Operating Revenue | | | | | | |
| Charges for Services | 50,304,246 | 50,413,900 | 50,400,000 | 4,900,000 | 55,300,000 | 9.7% |
| Miscellaneous | 1,067,780 | 963,100 | 970,000 | - | 970,000 | 0.0% |
| Total Operating Revenue | 51,372,026 | 51,377,000 | 51,370,000 | 4,900,000 | 56,270,000 | 9.5% |
| Non Operating Revenue | | | | | | |
| Investment Income | 239,607 | 663,000 | 290,000 | 190,000 | 480,000 | 65.5% |
| Other Income | (25,760) | 15,000 | 15,000 | - | 15,000 | 0.0% |
| Total Non Operating Revenue | 213,847 | 678,000 | 305,000 | 190,000 | 495,000 | 62.3% |
| Total Revenue | 51,585,873 | 52,055,000 | 51,675,000 | 5,090,000 | 56,765,000 | 9.9% |
| Operating Expenses | | | | | | |
| Labor | | | | | | |
| Labor and Benefits | 15,270,525 | 15,995,000 | 16,506,261 | 310,829 | 16,817,090 | 1.9% |
| Overtime | 390,687 | 402,000 | 414,500 | 5,000 | 419,500 | 1.2% |
| Total Labor | 15,661,212 | 16,397,000 | 16,920,761 | 315,829 | 17,236,590 | 1.9% |
| Non Labor | | | | | | |
| Non Labor | 10,971,169 | 10,380,000 | 10,472,948 | 1,086,082 | 11,559,030 | 10.4% |
| Travel | 41,157 | 55,000 | 68,000 | 14,500 | 82,500 | 21.3% |
| Transfers (MUSA and gross receipts) | 5,285,575 | 5,705,000 | 5,440,000 | 400,000 | 5,840,000 | 7.4% |
| Depreciation and Amortization | 8,366,414 | 9,169,000 | 9,750,000 | (100,000) | 9,650,000 | -1.0% |
| Total Non Labor | 24,664,315 | 25,309,000 | 25,730,948 | 1,400,582 | 27,131,530 | 5.4% |
| Total Direct Cost | 40,325,527 | 41,706,000 | 42,651,709 | 1,716,411 | 44,368,120 | 4.0% |
| Charges from other departments | 1,421,400 | 1,573,000 | 1,545,604 | 468,604 | 2,014,208 | 30.3% |
| Total Operating Expense | 41,746,927 | 43,279,000 | 44,197,313 | 2,185,015 | 46,382,328 | 4.9% |
| Non Operating Expense | | | | | | |
| Interest on bonded debt | 3,031,958 | 3,000,000 | 3,068,000 | 956,000 | 4,024,000 | 31.2% |
| Amortization of debt expense | 29,432 | 32,000 | 32,000 | 30,000 | 62,000 | 93.8% |
| Other interest expense | 1,344,865 | 1,450,000 | 2,100,000 | (496,000) | 1,604,000 | -23.6% |
| Interest during construction | (1,435,149) | (470,000) | (450,000) | (60,000) | (510,000) | 13.3% |
| Total Non Operating Expense | 2,971,106 | 4,012,000 | 4,750,000 | 430,000 | 5,180,000 | 9.1% |
| Total Expenses (Function Cost) | 44,718,033 | 47,291,000 | 48,947,313 | 2,615,015 | 51,562,328 | 5.3% |
| Net Income | 6,867,840 | 4,764,000 | 2,727,687 | 2,474,985 | 5,202,672 | 90.7% |
| Appropriation | | | | | | |
| Total Expenses | | | 48,947,313 | 2,615,015 | 51,562,328 | |
| Less: Non Cash items | | | | | | |
| Depreciation and amortization | | | 9,750,000 | (100,000) | 9,650,000 | |
| Amortization of debt expense | | | 32,000 | 30,000 | 62,000 | |
| Interest during construction | | | (450,000) | (60,000) | (510,000) | |
| Total Non-Cash | | | 9,332,000 | (130,000) | 9,202,000 | |
| Amount to be Appropriated (cash expenses) | | | 39,615,313 | 2,745,015 | 42,360,328 | |

Anchorage Wastewater Utility Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|-------------------|------------|----------|-----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 48,947,313 | 282 | 1 | 11 |
| Transfers (to)/from Other Agencies | | | | |
| - Charges from other departments | 468,604 | - | - | - |
| Debt Service Charges | | | | |
| - Interest | 460,000 | - | - | - |
| - Amortization of Debt Expense | 30,000 | - | - | - |
| - AFUDC | (60,000) | - | - | - |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Salary and benefits adjustments | 206,779 | - | - | - |
| - Depreciation | (100,000) | - | - | - |
| - MUSA | 400,000 | - | - | - |
| 2017 Continuation Level | 50,352,696 | 282 | 1 | 11 |
| 2017 Proposed Budget Changes | | | | |
| - Travel | 14,500 | - | - | - |
| - Host WWMW Spring 2017 | 3,350 | - | - | - |
| - Treatment Plant Operator - Girdwood (11% Water, 89% Wastewater) | 104,050 | 1 | - | - |
| - Overtime | 5,000 | - | - | - |
| - Software & Hardware Maintenance | 67,198 | - | - | - |
| - Telecommunications | 21,650 | - | - | - |
| - External Audit Costs | 2,500 | - | - | - |
| - Building Rent | 66,560 | - | - | - |
| - Materials, Supplies, Tools, Misc | 154,439 | - | - | - |
| - Chemicals | 365,385 | - | - | - |
| - Utilities | 105,000 | - | - | - |
| - Fuel & Disposal Fees - Large Diameter Pipe Cleaning | 300,000 | - | - | - |
| 2017 Proposed Budget | 51,562,328 | 283 | 1 | 11 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation and amortization | (9,650,000) | - | - | - |
| - Amortization of debt expense | (62,000) | - | - | - |
| - Interest during construction | 510,000 | - | - | - |
| 2017 Proposed Budget (Appropriation) | 42,360,328 | 283 | 1 | 11 |

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

Anchorage Wastewater Utility
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| ADOT-MOA Emergency | 3,000 | 4,883 | 2,285 | 4,928 | 2,347 | 4,000 | 21,443 |
| Collection System | 19,369 | 23,136 | 13,480 | 18,727 | 24,644 | 24,711 | 124,067 |
| Facility Master Plan | 600 | - | - | - | 702 | 250 | 1,552 |
| IT Hardware/Software | 1,820 | 2,170 | 1,455 | 1,535 | 1,535 | 1,535 | 10,050 |
| Miscellaneous Equipment | 850 | 850 | 850 | 850 | 850 | 850 | 5,100 |
| Other Plant & Facilities | 2,115 | - | - | - | - | - | 2,115 |
| Vehicles | 966 | 893 | 868 | 880 | 892 | 904 | 5,403 |
| Wastewater Plant | 4,930 | 4,430 | 17,772 | 9,980 | 6,030 | 4,750 | 47,892 |
| Total | 33,650 | 36,362 | 36,710 | 36,900 | 37,000 | 37,000 | 217,622 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Debt | 23,650 | 26,362 | 26,710 | 26,900 | 28,000 | 29,000 | 160,622 |
| Equity/Operations | 10,000 | 10,000 | 10,000 | 10,000 | 9,000 | 8,000 | 57,000 |
| Grants | - | - | - | - | - | - | - |
| Total | 33,650 | 36,362 | 36,710 | 36,900 | 37,000 | 37,000 | 217,622 |

Anchorage Wastewater Utility

2017 Capital Improvement Budget

(in thousands)

| Project Title | Debt * | State/Fed Grant | Equity/Operations * | Total |
|--|---------------|-----------------|---------------------|---------------|
| ADOT-MOA Emergency | | | | |
| ADOT-MOA-Emergency - Sewer | - | - | 3,000 | 3,000 |
| ADOT-MOA Emergency | - | - | 3,000 | 3,000 |
| Collection System | | | | |
| 1st_Ave_Denali-F_Streets_Swr_Rehab | 525 | - | - | 525 |
| 2nd-4th_Ave_Ingra-F_Streets_Swr_Rehab | 640 | - | - | 640 |
| 4th-5th_Ave_Gambell-B_Streets_Swr_Rehab | 715 | - | - | 715 |
| 5th-6th_Ave_Cordova-C_Streets_Swr_Rehab | 780 | - | - | 780 |
| 5th-6th_Ave_Denali-Cordova_Streets_Swr_Rehab | 200 | - | - | 200 |
| 5th-7th_Ave_Coastal-Ocean_Streets_Swr_Rehab | 280 | - | - | 280 |
| 6th_8th_Ave_LM_Alley-ARRC_Swr_Rehab | 160 | - | - | 160 |
| Blueberry Sewer Rehabilitation | 1,000 | - | - | 1,000 |
| Brayton_Drive_Interceptor_Cxn_Rehab | 100 | - | - | 100 |
| D-2-4_Trunk_Improvements | 750 | - | - | 750 |
| Farm Ave Swr Rehab | 1,471 | - | - | 1,471 |
| Girdwood I&I | 500 | - | - | 500 |
| King Street Septage Receiving Station | 1,623 | - | - | 1,623 |
| Lake_Otis_Chester_Creek_Sewer_Rehab | 250 | - | - | 250 |
| Mills_Drive_Sewer_Rehab | 1,500 | - | - | 1,500 |
| Pawn_Place_Sewer_Upgrade | 200 | - | - | 200 |
| Plant Oversize and Betterments - Sewer | 25 | - | - | 25 |
| PS 12 Force Mains | 1,500 | - | - | 1,500 |
| PS 2 Force Main | 500 | - | - | 500 |
| PS 29 R&R | 550 | - | - | 550 |
| PS 52 Improvements | 2,000 | - | - | 2,000 |
| SE_Bragaw_Glenn_Sewer_Upgrades | 1,500 | - | - | 1,500 |
| Seppala Drive SS Main Recon_W 30th Ave_NLB | 670 | - | - | 670 |
| Sewer Rehabilitation Preliminary Engineering | 430 | - | - | 430 |
| W 72nd Ave Trunk Rehab | 1,500 | - | - | 1,500 |
| Collection System | 19,369 | - | - | 19,369 |
| Facility Master Plan | | | | |
| Depreciation Study | - | - | 100 | 100 |
| ERWWTF Fac Plan | - | - | 500 | 500 |
| Facility Master Plan | - | - | 600 | 600 |
| IT Hardware/Software | | | | |
| Customer Information System Enhancements | - | - | 650 | 650 |
| Geographic Information Systems Application Development | - | - | 120 | 120 |
| Hydraulic Model Upgrades | - | - | 50 | 50 |
| Information Technology Infrastructure | - | - | 600 | 600 |
| Miscellaneous Information Technology Systems | - | - | 250 | 250 |
| Water Qual. Mgmt and Environmental Compliance Monitoring Reporting | - | - | 25 | 25 |
| Work Management System | - | - | 125 | 125 |
| IT Hardware/Software | - | - | 1,820 | 1,820 |

Anchorage Wastewater Utility
2017 Capital Improvement Budget
(in thousands)

| Project Title | Debt * | State/Fed Grant | Equity/Operations * | Total |
|---|---------------|-----------------|---------------------|---------------|
| Miscellaneous Equipment | | | | |
| Facility Equipment - Sewer | - | - | 100 | 100 |
| SCADA Equipment | - | - | 750 | 750 |
| Miscellaneous Equipment | - | - | 850 | 850 |
| Other Plant & Facilities | | | | |
| King St Main Building 2nd Floor Office Improvements | - | - | 615 | 615 |
| King Street - Fuel Storage Facility Improvements | - | - | 1,500 | 1,500 |
| Other Plant & Facilities | - | - | 2,115 | 2,115 |
| Vehicles | | | | |
| Ash Dump (94204, 94605) Dump (94604) | - | - | 600 | 600 |
| Vehicles - Sewer | - | - | 366 | 366 |
| Vehicles | - | - | 966 | 966 |
| Wastewater Plant | | | | |
| AWWTF 2 inch raceway scrubber | - | - | 125 | 125 |
| AWWTF Clarifiers Upgrades | 1,801 | - | 199 | 2,000 |
| AWWTF Exterior Energy Upgrades | - | - | 200 | 200 |
| AWWTF Reroof | 750 | - | - | 750 |
| AWWTF Scum Lines | - | - | 125 | 125 |
| AWWTF Storage | 1,100 | - | - | 1,100 |
| Facility PLANT - Sewer | 630 | - | - | 630 |
| Wastewater Plant | 4,281 | - | 649 | 4,930 |
| Total | 23,650 | - | 10,000 | 33,650 |

* Debt and Equity/Operations funding amounts by category are estimates and subject to change as actual loans are awarded by the State of Alaska.

Anchorage Wastewater Utility Statement of Cash Sources and Uses

| | 2015 Actual | 2016 Proforma | 2017 Proposed |
|---|-------------------|-------------------|-------------------|
| Sources of Cash Funds | | | |
| Operating Income | 14,917,995 | 13,803,000 | 16,189,300 |
| Depreciation, net of amortization | 8,366,414 | 9,169,000 | 9,650,000 |
| Transfer from Escrow Account | 2,317,531 | - | - |
| Grant Proceeds | 4,341,129 | - | - |
| Special Assessment Proceeds | 416,238 | 300,000 | 300,000 |
| State of Alaska Loan Proceeds | 5,388,405 | 6,000,000 | 6,000,000 |
| Bond/Other Loan Proceeds | 3,500,000 | 9,000,000 | 61,000,000 |
| Miscellaneous Non-Operating Revenues | (25,760) | 15,000 | 15,000 |
| Interest Received | 339,935 | 463,000 | 480,000 |
| Changes in Assets and Liabilities | 225,594 | (325,186) | (1,120,544) |
| Total Sources of Cash Funds | 39,787,481 | 38,424,814 | 92,513,756 |
| Uses of Cash Funds | | | |
| Capital Construction | 20,977,313 | 21,230,000 | 27,437,000 |
| Debt Principal Payment | 5,833,205 | 5,894,889 | 48,231,253 |
| Debt Interest Payments | 4,584,788 | 4,534,334 | 4,609,000 |
| MUSA | 5,285,575 | 5,704,269 | 5,840,000 |
| Total Uses of Cash Funds | 36,680,881 | 37,363,492 | 86,117,253 |
| Net Increase (Decrease) in Cash Funds | 3,106,600 | 1,061,322 | 6,396,503 |
| Cash Balance, January 1 | 25,948,078 | 29,054,678 | 30,116,000 |
| Cash Balance, December 31 | 29,054,678 | 30,116,000 | 36,512,503 |
| Detail of Cash and Investment Funds | | | |
| General Cash Less Customer Deposits | 26,294,975 | 28,333,000 | 27,067,000 |
| Construction Cash | 613,003 | 283,000 | 7,945,503 |
| Operating Fund Investment & Customer Deposits | 2,146,700 | 1,500,000 | 1,500,000 |
| Cash Balance, December 31 | 29,054,678 | 30,116,000 | 36,512,503 |

- - -

About Anchorage Water and 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 \$512 million that delivers nearly 24 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 \$393 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 46% 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 2015, the Asplund Wastewater Treatment Facility treated an average of 25.3 million gallons per day (mgd). The Eagle River Wastewater Treatment Facility treated an average 1.34 mgd and the Girdwood Wastewater Treatment Facility treated 0.36 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 underwent major renovations in 1982, and expanded and upgraded again in 1989.

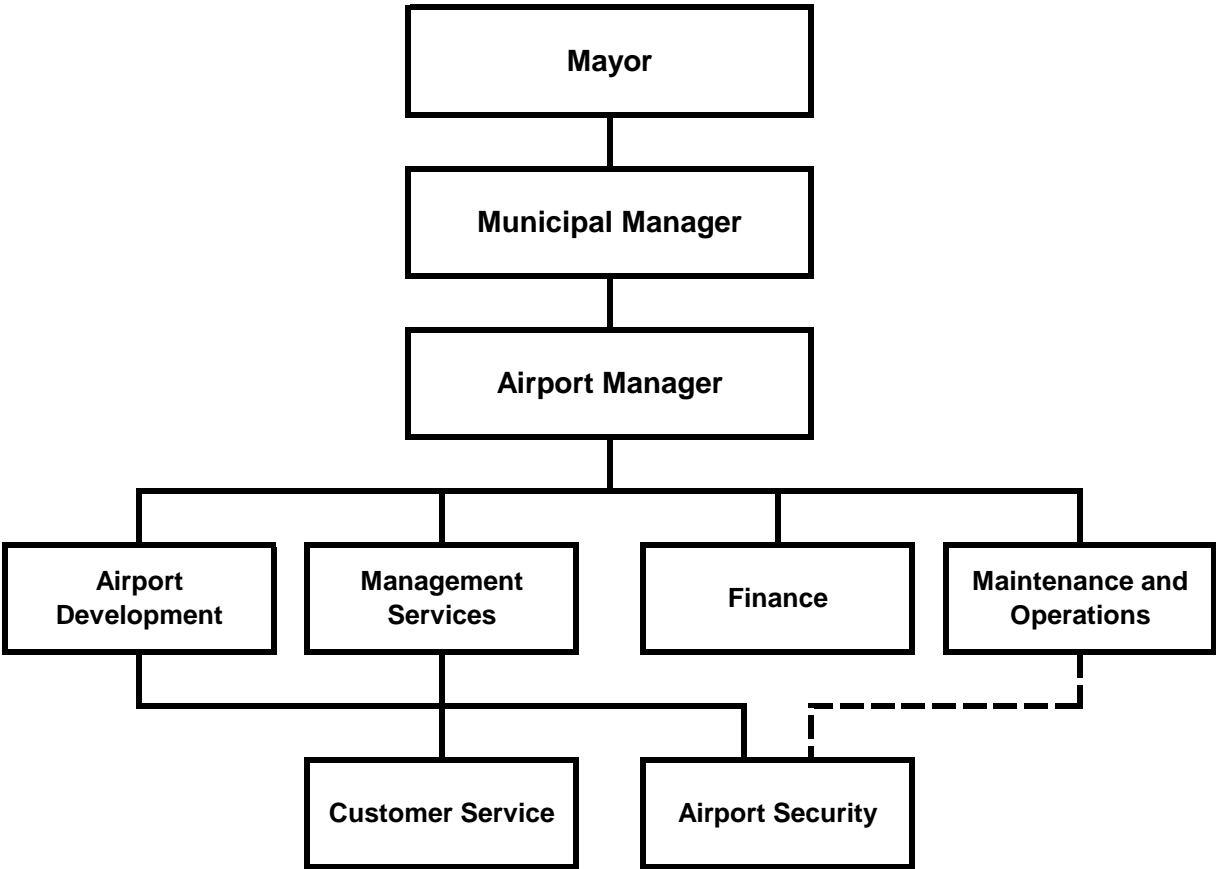
A facilities plan update was prepared in 1999. The 1999 facilities plan evaluated the existing condition of the Asplund facility and identified improvements necessary to meet the future needs of the community. The facilities plan identified over \$40 million worth of improvements to the solids handling, headworks, administration, laboratory, incineration, and thickening processes and control and power systems. AWWU undertook a majority of the recommended Asplund projects. These projects, along with careful operation, have made Asplund a modern, state-of-the-art treatment facility. In 2014, an updated Facilities plan was prepared for Asplund. The plan recommends over \$17M of additional investment in Asplund over ten years to rehabilitate and maintain aging infrastructure. ASU continues to maintain its smaller treatment plants. Additional projects at 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, 83 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 five 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, as well as the MRI spokesman in representations to the media.

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 Airport infrastructure construction. All office staff are one deep and specialized, per job duties. An additional staff person was added in 2016 in expectation of Office Manager Darlene Sivyer's anticipated retirement (24+ years with MRI) and Leasing Specialist Linda Luebke's retirement (23+ years with MRI). The new staff person presently fills undermet demands and cross trains 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 8.8% of all aircraft registered in Alaska, Merrill Field was the 102nd busiest airport in the nation in 2015.

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. Expediently 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/apron areas 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 following 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

Safely 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

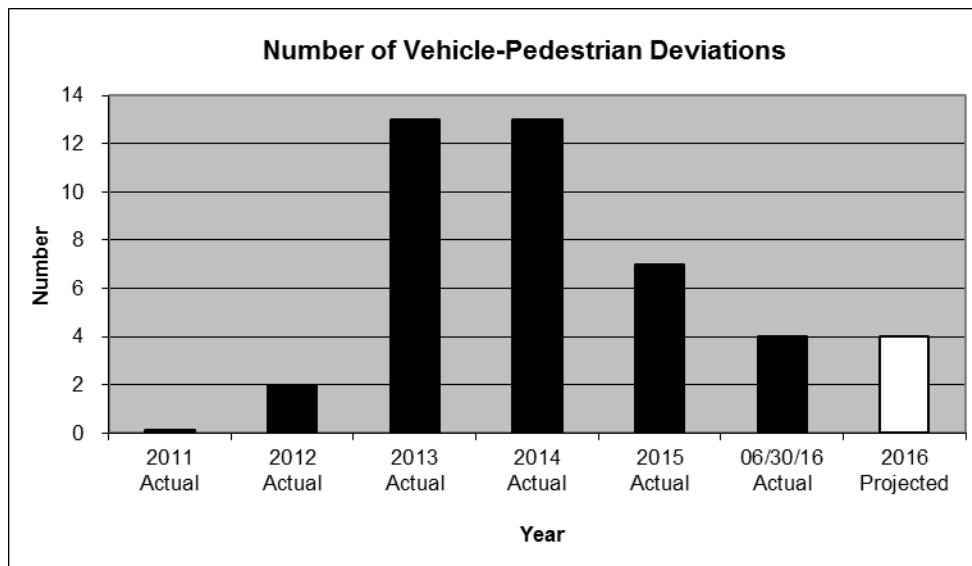
- Reduce the number of vehicle-pedestrian deviations (VPDs) - unauthorized entry into restricted areas.
- Provide sufficient aircraft parking area and business lease space to meet public demand.
- Repair and improve surface conditions on all Runway operating surfaces with a Pavement Condition Index (PCI) 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:

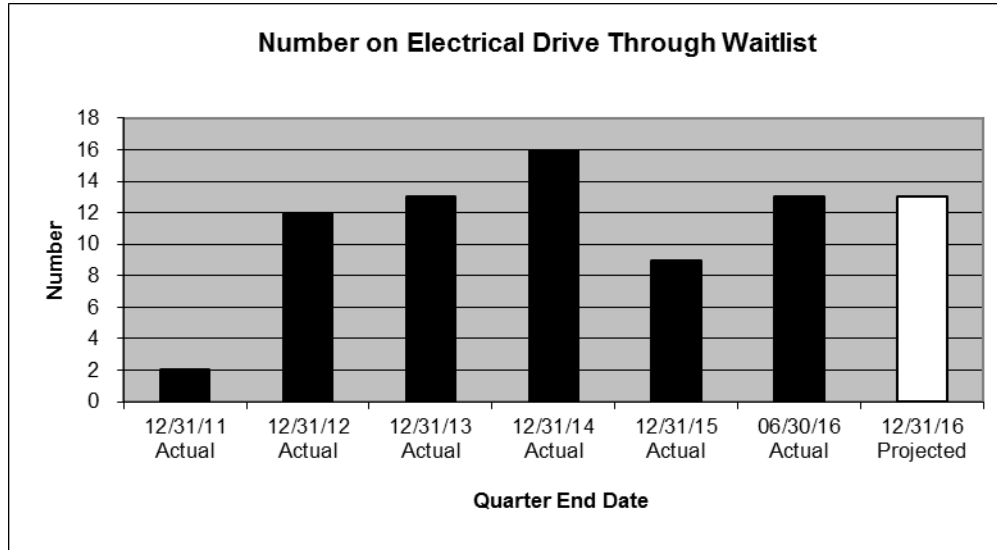
Measure #1: Number of Vehicle-Pedestrian Deviations (VPDs)

| 2015 Actual | 06/30/16 Actual | 12/31/16 Projected |
|-------------|-----------------|--------------------|
| 7 | 4 | 4 |

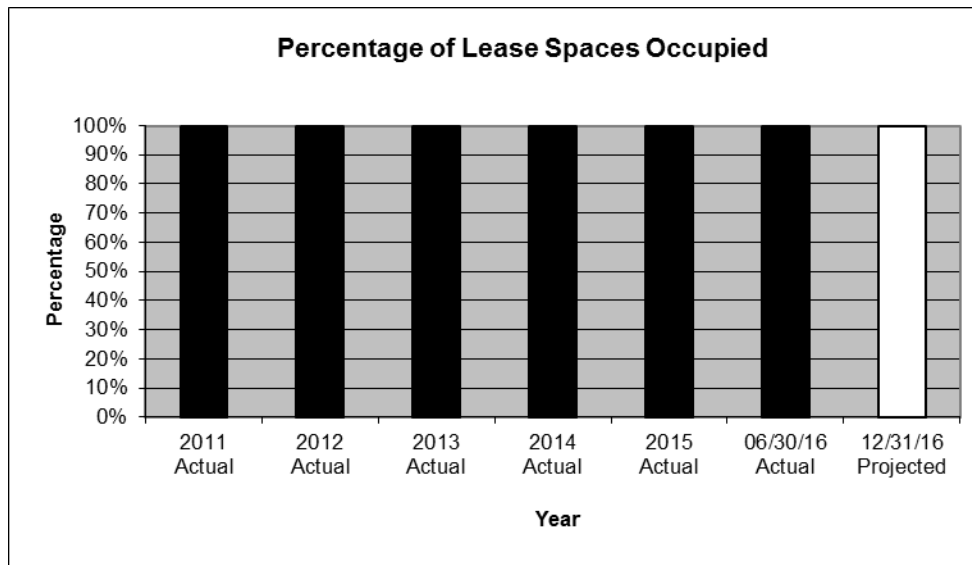


Measure #2: Number of unfulfilled requests for aircraft parking space – Electrical Drive Through

| 12/31/15 Actual | 06/30/16 Actual | 12/31/16 Projected |
|----------------------------|----------------------------|-------------------------------|
| 9 | 13 | 13 |

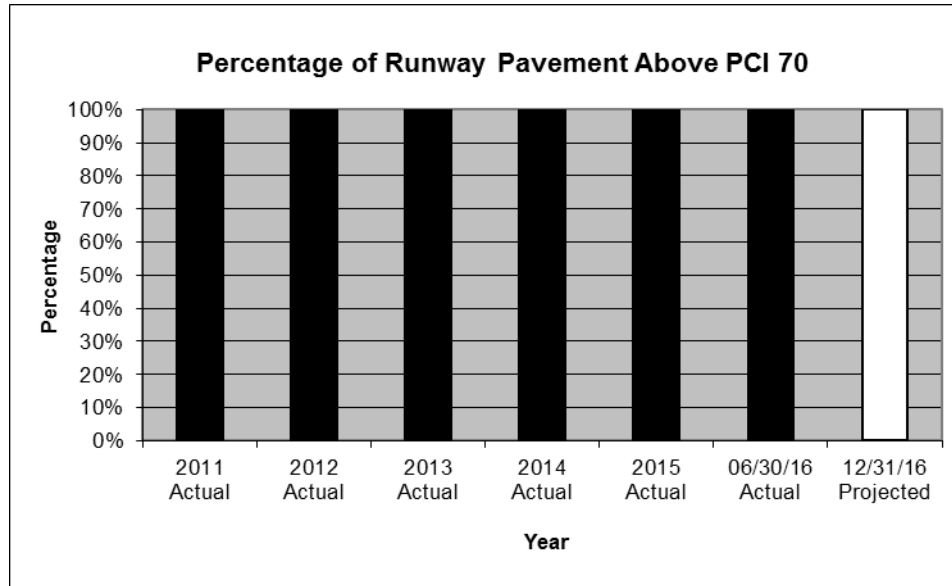

Measure #3: Percentage of lease spaces currently leased

| 2015 Actual | 06/30/16 Actual | 12/31/16 Projected |
|--------------------|------------------------|---------------------------|
| (51/51) | (51/51) | (51/51) |
| 100.00% | 100.00% | 100.00% |

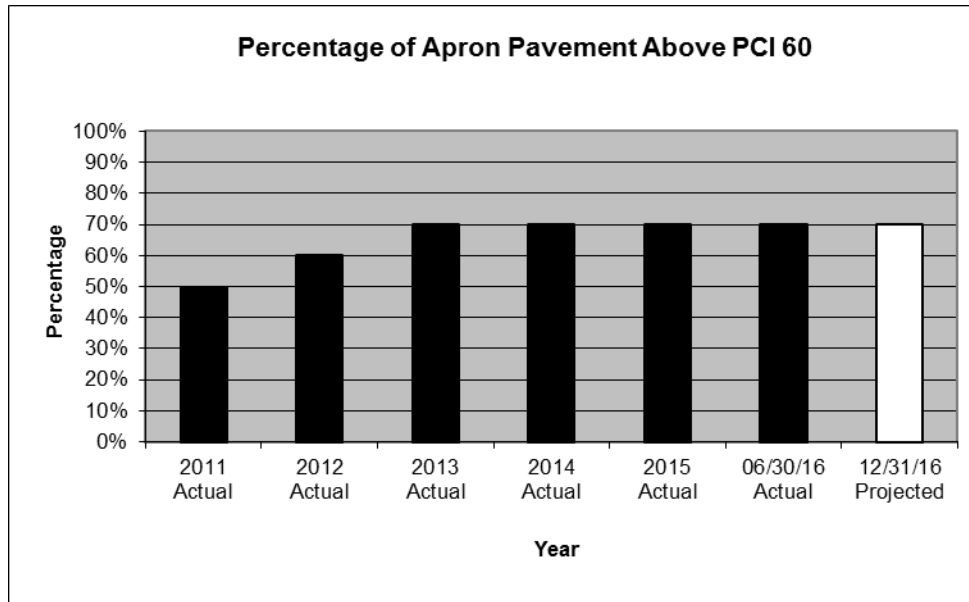


Measure #4: Percent of runway pavement above the minimum PCI value of 70

| 2015 Actual | 06/30/16 Actual | 12/31/16 Projected |
|-------------|-----------------|--------------------|
| 100% | 100% | 100% |

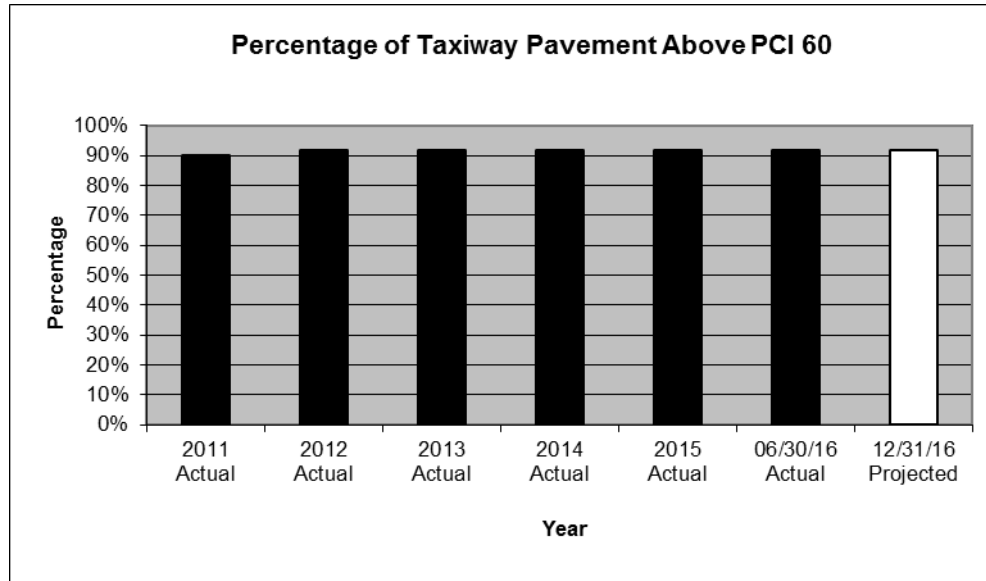
**Measure #5: Percent of apron pavement above the minimum PCI value of 60**

| 2015 Actual | 06/30/16 Actual | 12/31/16 Projected |
|-------------|-----------------|--------------------|
| 70% | 70% | 70% |



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

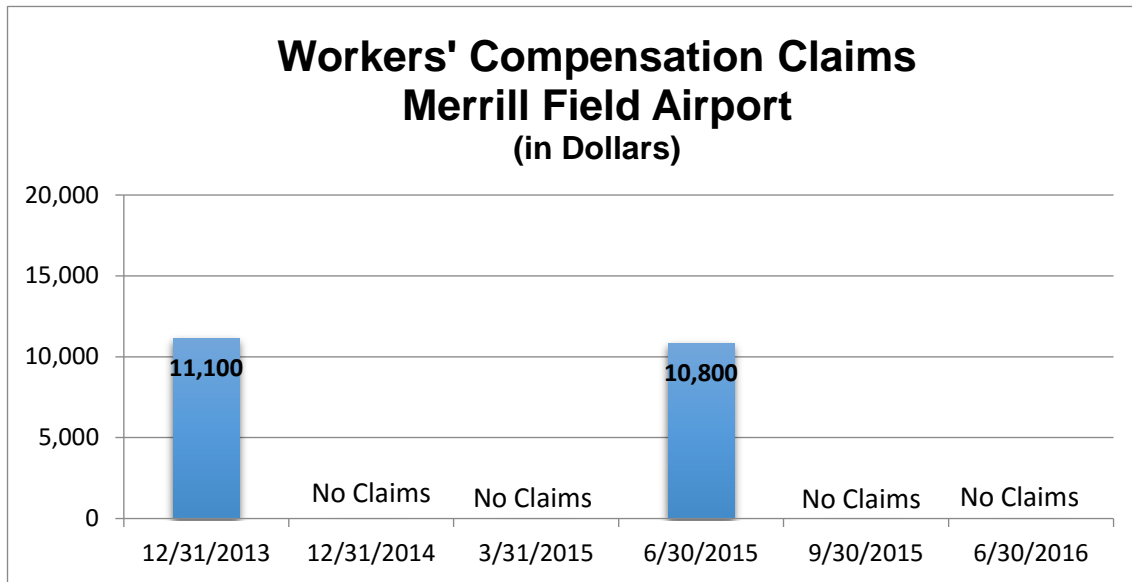
| 2015 Actual | 06/30/16 Actual | 12/31/16 Projected |
|-------------|-----------------|--------------------|
| 92% | 92% | 92% |



| |
|--|
| 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 two years, 2015 and 2016, private development has invested approximately \$13 million in constructing seven new aviation related facilities including hangars, parts facilities, and renovations; another \$6 million is anticipated in private development in 2017. The Administration updated its Merrill Field lease terms in 2016 which resulted in benefits to the airport leaseholders and makes Merrill Field leases more competitive with State airport leases.

CY 2016 projects include Phase 5 Dynamic Compaction of a portion of Taxiway Quebec at \$7 million, completion of Phase 3 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 refurbishments, and continuation and completion of Airport Master Plan Phase 2, started in 2015, to be completed in 2016. CY 2016 airfield projects also included construction of a first-in-Alaska certified aircraft paint hangar facility that will be large enough to accommodate Dash 8/DC-3/Saab 340 size aircraft or four smaller aircraft concurrently, adjacent to the recently completed renovation of the Wings of Freedom facility hangar. Additionally, JayHawk Air will construct a 60'x80' hangar (materials are on site), AK Aircraft Engines is completing a 14,555 square foot hangar, and North Edge Hangars constructed a substantial hangar that more than tripled its hangar space as well. Also in 2016, MRI completed acquisition of the former City Electric Property on the east side of Orca Street, competitively bid this site, and is near complete with leasehold development with a start-up aircraft manufacturing firm for development of this site. Three MRI owned rental buildings at 1025 and 1209 Orca Street, and 1570 E. 12th Avenue had re-roofing completed in 2016, and selected window replacement will take place in late 2016 and 2017. Development of an MRI Economic Impact brochure which highlights the economic and community benefits the Airport provides was accomplished in 2016 as part of the ongoing Airport Master Plan. Notable therein were that MRI is responsible for approximately 600 direct, indirect, and induced in-state jobs, and that four scheduled operators are based here, including one that provides non-stop service from MRI to Prudhoe Bay! Notice to Proceed on installation of runway lights on MRI's gravel/ski runway should result in construction completion by year-end 2016.

CY2017 improvements include more security fencing, cameras, and gate updates, and continuation of dynamic compaction efforts. Private sector investments are anticipated to include a significant hangar expansion by AK Airframes of the Reeve Air Motive business/hangar they purchased, and D&D Airpark is planning multiple hangar construction/re-development of the former Aero Tech Flight Training leasehold on the east side of Runway 16/34. Bidding of the former Kontor leasehold (north of Merrill Field Drive, west of Txy G) for a commercial site is expected, and another hangar development site (south of Merrill Field Drive, west of Txy G) is also expected to be bid.

Proposed rate adjustment for the 2017 budget actually reduces MRI's airfield lease rate by 1/10th of one cent. This is in concert with adopted policy of CPI based 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, which effectively makes MRI taxiways apron edge taxi-lines. This apron-edge taxi-lane configuration easily enables vehicles to inadvertently trespass onto the adjacent taxiway thereby creating a Vehicle Pedestrian Deviation (VPD).

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. Further, reconfiguration of apron-edge taxi-lanes (better delineation and the installation of taxiway lighting) has been proposed to FAA and will be pursued. 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 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 or south; 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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 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 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Maintenance Technicians | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Total Full Time | 9 | 10 | 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 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Total FTE | 9.50 | 10.50 | 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 | 2015 Actuals | 2016 Proforma | 2017 Proposed | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-----------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | Forecast | | | | | | | |
| Operating Revenues (1) | 1,913 | 1,882 | 1,732 | 1,748 | 1,764 | 1,780 | 1,796 | 1,812 |
| Operating Expenses (2) | 3,810 | 3,879 | 4,021 | 4,037 | 4,053 | 4,069 | 4,085 | 4,101 |
| Net Operating Income (Loss) | (1,897) | (1,997) | (2,289) | (2,289) | (2,289) | (2,289) | (2,289) | (2,289) |
| (1): Revenues are projected to change 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. | | | | | | | | |
| Budgeted Positions | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Capital Program | 3,425 | 9,003 | 3,524 | 5,600 | 3,800 | 5,500 | 6,500 | 5,500 |
| Bond Sales | - | - | - | - | - | - | - | - |
| Net Plant (12/31) | 60,232 | 66,744 | 67,579 | 69,871 | 70,341 | 72,413 | 75,346 | 77,192 |
| Utility Revenue Distribution | - | - | - | - | - | - | - | - |
| Net Assets (12/31) | 65,934 | 70,665 | 69,366 | 69,682 | 68,178 | 68,285 | 69,266 | 69,168 |
| Cash and Cash Equivalents | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Construction Cash Pool | 324 | 735 | 1,318 | 1,318 | 1,318 | 1,318 | 1,318 | 1,318 |
| Bond Redemption Cash | - | - | - | - | - | - | - | - |
| Total Cash | 324 | 735 | 1,318 | 1,318 | 1,318 | 1,318 | 1,318 | 1,318 |
| IGCs from General Government | 207 | 210 | 270 | 275 | 281 | 287 | 293 | 299 |
| MESA | 40 | 38 | 44 | 42 | 42 | 44 | 44 | 46 |
| 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) | 4.0% | 0.0% | -0.1% | 0.0% | 0.0% | 0.5% | 0.5% | 0.5% |

(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.

| | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Lease Rate/Square Foot/Year | \$0.208 | \$0.208 | \$0.207 | \$0.207 | \$0.207 | \$0.208 | \$0.209 | \$0.210 |
| 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 | 826 | 826 | 826 | 826 | 826 | 826 | 826 | 826 |
| Municipal Tiedowns | 530 | 530 | 530 | 530 | 530 | 530 | 530 | 530 |
| Flight Operations/Calendar Year | 120,541 | 121,000 | 121,000 | 121,000 | 121,000 | 121,000 | 121,000 | 121,000 |
| National Airport Ranking by Calendar Year | 102nd | 102nd | 102nd | 102nd | 102nd | 102nd | 102nd | 102nd |

Merrill Field Airport Statement of Revenues and Expenses

| | 2015 Actuals | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|--------------------|--------------------|--------------------|----------------------|--------------------|---------------------|
| Operating Revenue | | | | | | |
| Airport Lease Fees | 692,194 | 692,000 | 687,000 | (3,000) | 684,000 | -0.4% |
| Airport Property Rental | 475,648 | 476,000 | 480,000 | 6,000 | 486,000 | 1.3% |
| Permanent Parking Fees | 258,795 | 270,000 | 275,000 | (5,000) | 270,000 | -1.8% |
| Transient Parking Fees | 7,581 | 8,000 | 8,000 | - | 8,000 | 0.0% |
| Vehicle Parking | 60,749 | 60,000 | 42,000 | 18,000 | 60,000 | 42.9% |
| MOA Aviation Fuel Fees | 67,396 | 68,000 | 52,000 | 16,000 | 68,000 | 30.8% |
| SOA Aviation Fuel Fees | 18,961 | 19,000 | 18,000 | 1,000 | 19,000 | 5.6% |
| Medevac Taxiway Fees | 51,888 | 52,000 | 50,000 | 2,000 | 52,000 | 4.0% |
| Other Revenue | 17,686 | 18,000 | 4,000 | 11,000 | 15,000 | 275.0% |
| Total Operating Revenue | 1,650,898 | 1,663,000 | 1,616,000 | 46,000 | 1,662,000 | 2.8% |
| Non Operating Revenue | | | | | | |
| Operating Grant Revenue | 143,919 | 149,000 | 242,000 | (242,000) | - | -100.0% |
| Unrealized Gain/(Loss) on Investments | 5,675 | 6,000 | - | 6,000 | 6,000 | |
| Interest Income | 107,882 | 60,000 | 42,815 | 17,185 | 60,000 | 40.1% |
| Other Revenue | 4,712 | 4,000 | 6,000 | (2,000) | 4,000 | -33.3% |
| Total Non Operating Revenue | 262,188 | 219,000 | 290,815 | (220,815) | 70,000 | -75.9% |
| Total Revenue | 1,913,086 | 1,882,000 | 1,906,815 | (174,815) | 1,732,000 | -9.2% |
| Operating Expenses | | | | | | |
| Labor | | | | | | |
| Labor and Benefits | 1,166,041 | 1,242,000 | 1,232,467 | 24,869 | 1,257,336 | 2.0% |
| Overtime | 2,152 | 3,000 | 12,000 | - | 12,000 | 0.0% |
| Total Labor | 1,168,193 | 1,245,000 | 1,244,467 | 24,869 | 1,269,336 | 2.0% |
| Non Labor | | | | | | |
| Supplies | 111,689 | 105,000 | 100,000 | 5,000 | 105,000 | 5.0% |
| Travel | - | - | - | - | - | 0.0% |
| Other Services | 97,616 | 84,000 | 88,000 | 26,000 | 114,000 | 29.5% |
| Other Expenses | 270,792 | 267,000 | 267,000 | - | 267,000 | 0.0% |
| Depreciation and Amortization | 2,490,818 | 2,491,000 | 2,545,000 | 144,000 | 2,689,000 | 5.7% |
| Transfers (MESA and Gross Receipts) | 40,051 | 38,000 | 44,000 | - | 44,000 | 0.0% |
| Total Non Labor | 3,010,966 | 2,985,000 | 3,044,000 | 175,000 | 3,219,000 | 5.7% |
| Total Direct Cost | 4,179,159 | 4,230,000 | 4,288,467 | 199,869 | 4,488,336 | 4.7% |
| Charges to Other Departments | (729,524) | (720,000) | (736,960) | - | (736,960) | 0.0% |
| Charges from Other Departments | 206,715 | 210,000 | 219,846 | 50,439 | 270,285 | 22.9% |
| Total Operating Expense | 3,656,350 | 3,720,000 | 3,771,353 | 250,308 | 4,021,661 | 6.6% |
| Non Operating Expense | | | | | | |
| Master Plan Study | 153,514 | 159,000 | 250,000 | (250,000) | - | -100.0% |
| Total Non Operating Expense | 153,514 | 159,000 | 250,000 | (250,000) | - | -100.0% |
| Total Expenses (Function Cost) | 3,809,864 | 3,879,000 | 4,021,353 | 308 | 4,021,661 | 0.0% |
| Net Income | (1,896,778) | (1,997,000) | (2,114,538) | (175,123) | (2,289,661) | 8.3% |
| Appropriation: | | | | | | |
| Total Expenses | | | 4,021,353 | 308 | 4,021,661 | |
| Less: Non Cash items | | | | | | |
| Depreciation and Amortization | | | 2,545,000 | 144,000 | 2,689,000 | |
| Total Non-Cash | | | 2,545,000 | 144,000 | 2,689,000 | |
| Amount to be Appropriated (Cash Expenses) | | | 1,476,353 | (143,692) | 1,332,661 | |

Merrill Field

Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|------------------|-----------|----------|----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 4,021,353 | 10 | 2 | - |
| Transfers (to)/from Other Agencies | | | | |
| - Transfers (MESA) | - | - | - | - |
| - Charges to/from others | 50,439 | - | - | - |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Salary and benefits adjustments | 24,869 | - | - | - |
| - Depreciation and Amortization | 144,000 | - | - | - |
| - Master Plan Study | (250,000) | - | - | - |
| 2017 Continuation Level | 3,990,661 | 10 | 2 | - |
| 2017 Proposed Budget Changes | | | | |
| - Increase supplies and other services | 31,000 | - | - | - |
| 2017 Proposed Budget | 4,021,661 | 10 | 2 | - |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation and Amortization | (2,689,000) | - | - | - |
| 2017 Proposed Budget (Appropriation) | 1,332,661 | 10 | 2 | - |

Merrill Field Airport
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Buildings and Equipment | 524 | 100 | 800 | - | 1,000 | - | 2,424 |
| Land Acquisition | - | - | - | - | - | - | - |
| Land Improvements | 1,000 | 3,500 | 1,000 | 3,500 | 3,500 | 3,500 | 16,000 |
| Runways and Taxiways | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 12,000 |
| Total | 3,524 | 5,600 | 3,800 | 5,500 | 6,500 | 5,500 | 30,424 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Equity/Operations | 299 | 406 | 200 | 306 | 369 | 306 | 1,886 |
| Federal Grants | 3,225 | 5,194 | 3,600 | 5,194 | 6,131 | 5,194 | 28,538 |
| State Grants | - | - | - | - | - | - | - |
| Total | 3,524 | 5,600 | 3,800 | 5,500 | 6,500 | 5,500 | 30,424 |

Merrill Field Airport
2017 Capital Improvement Budget
(in thousands)

| Project Title | Federal Grants | State Grants | Equity/ Operations | Total |
|--|---------------------------|-------------------------|-------------------------------|--------------|
| Acquire Replacement Airport Pickup Truck | - | - | 24 | 24 |
| Acquire SRE - Dump Truck | 375 | - | 25 | 400 |
| Building Upgrades - Orca St. Facilities | - | - | 100 | 100 |
| Rehab Taxiway Quebec and Apron, Phase 6 | 1,900 | - | 100 | 2,000 |
| Security Upgrades, Phase 5 | 950 | - | 50 | 1,000 |
| Total | 3,225 | - | 299 | 3,524 |

Merrill Field Airport Statement of Cash Sources and Uses

| | 2015 Actual | 2016 Proforma | 2017 Budget |
|--|------------------|------------------|------------------|
| Sources of Cash Funds | | | |
| Net Income/(Loss) | (1,964,609) | (2,019,000) | (2,238,376) |
| Depreciation | 2,490,818 | 2,491,000 | 2,689,000 |
| Grant Proceeds | 915,942 | 8,387,586 | 3,225,000 |
| Proceeds from Disposal of Capital Assets | - | - | - |
| Interest Received | 107,882 | 60,000 | 60,000 |
| Total Sources of Cash Funds | 1,550,033 | 8,919,586 | 3,735,624 |
| Uses of Cash Funds | | | |
| Additions to Plant/Construction Work in Progress | 3,301,871 | 9,002,727 | 3,524,000 |
| Transfers To/From Other Funds | 1,496,515 | 38,000 | 44,000 |
| Total Uses of Cash Funds | 4,798,386 | 9,040,727 | 3,568,000 |
| Net Increase (Decrease) in Cash Funds | (3,248,353) | (121,141) | 167,624 |
| Cash Balance, January 1 | 3,504,771 | 256,418 | 135,277 |
| Cash Balance, December 31 | 256,418 | 135,277 | 302,901 |
| Detail of Cash and Investment Funds | | | |
| Cash and Cash Equivalents | 200 | 200 | 200 |
| Equity in Construction Cash Pool | 256,218 | 135,077 | 302,701 |
| Cash Balance, December 31 | 256,418 | 135,277 | 302,901 |

About Merrill Field Airport

Organization

Six office staff, including the Airport Manager, manage the operational and financial affairs of Merrill Field, and four maintenance personnel, with three summer temps, provide maintenance for 8 airport buildings and 437 acres of property. The maintenance function includes all operating surfaces of the airport - runways, taxiways, roads and aircraft tiedown areas that are not on leased property. This includes snow removal, sanding, resurfacing, and maintenance of facilities and equipment.

History

Merrill Field Airport (MRI), established in 1930 and located one mile east of downtown Anchorage, was the first real airport in Alaska and in Anchorage, and served as the primary airport for South Central Alaska until Anchorage International Airport opened in 1954. 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.

Today, 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, with higher weights allowed for emergencies, and for maintenance with prior permission.

MRI continues to be an integral part of Alaska's transportation network. Over the past five years aircraft operations have varied between 120,000 and 130,000 and based aircraft varied between 800 and 900; 2015's based aircraft numbered 826.

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; flight-seeing; 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 40% 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 on or in proximity to this closed landfill.

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

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

1,234 tiedown spaces; leaseholders manage 704; 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, operated, and staffed by FAA

Merrill Field Airport Statistics for 2015

102nd Busiest Airport in the Nation

857,509 flight operations in Alaska; 120,541 operations (14.1%) at MRI

9,431 registered aircraft in Alaska; 826 (8.8%) based at MRI

7,933 certificated pilots in Alaska; UNK at MRI

48 leaseholders lease 3,317,626 square feet of airport property with tenant improvements assessed at \$28,694,197.

16 rental properties

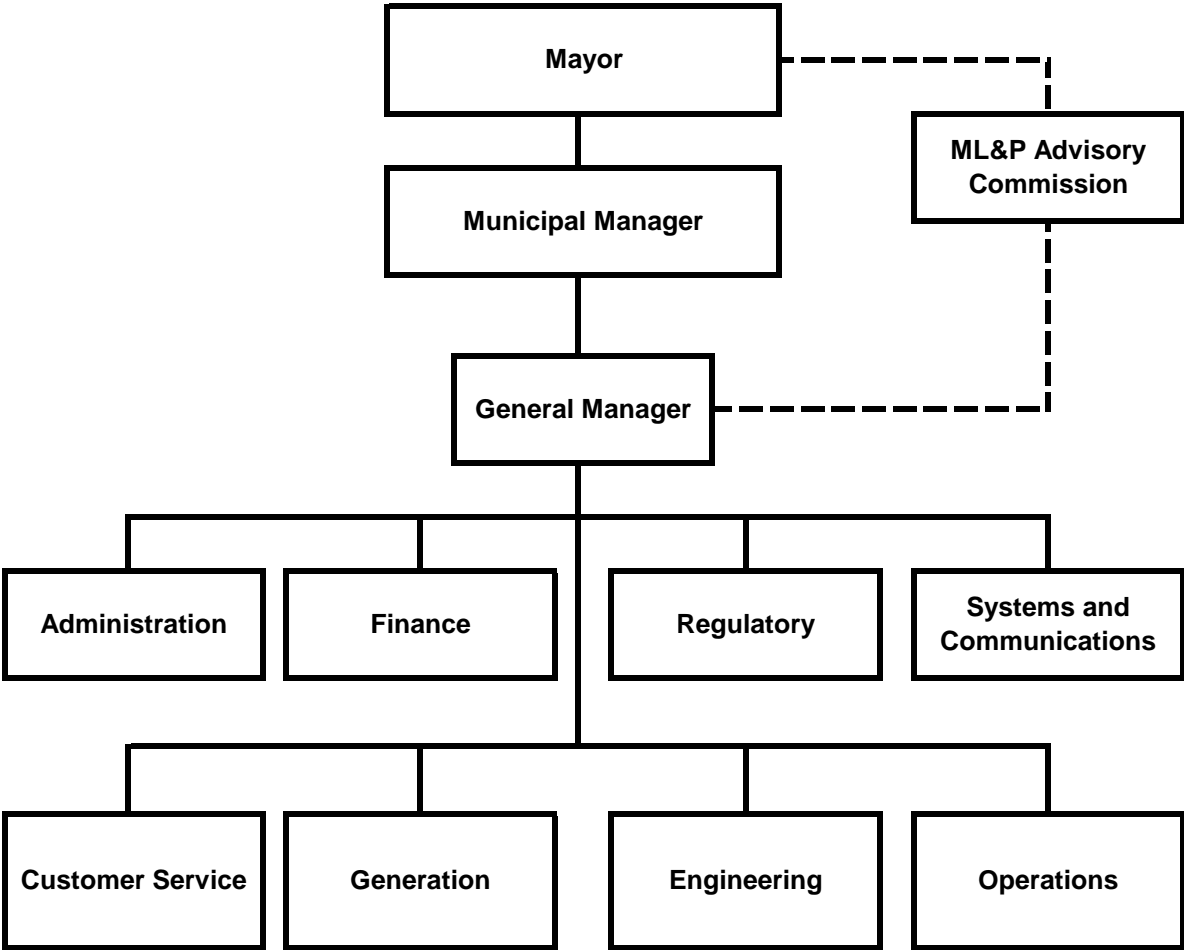
Approximately 40 aviation related businesses operate on the airport

418 transient aircraft stayed a total of 1,441 days in 2015

Approximately 833,512 gallons of fuel were sold in 2015

Airport Plant (net of accumulated depreciation) at December 31, 2015 was \$60,231,916

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 eight operating divisions: Administration, Generation and Power Management, Engineering, Operations, Finance, Customer Service, Regulatory Affairs, 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 (ML&P owns 53%), the Southcentral Power Plant (SPP) (ML&P owns 30%).

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 to the Municipal Administration, Assembly, ML&P's Advisory Commission and staff. The Finance Division is responsible for 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.

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.

Regulatory Affairs Division

The Regulatory Affairs Division 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 56.67% interest in the Beluga River Unit (BRU). The BRU, a gas field located in the Kenai Peninsula Borough, produces gas used in ML&P turbines resulting in cost saving for ML&P customers.

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. 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 energy at competitive rates that is safe and reliable.

Services

Municipal Light and Power's (ML&P) service area is roughly 20-square-miles. ML&P has approximately 31,000 residential and commercial customers. The utility provides service to the Municipality's economic drivers including: commercial, industrial (Ship Creek area and the Port of Anchorage), Universities, Major Medical Campuses, the Downtown and Midtown business districts. ML&P also serves Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities. The utility has a 56.67 percent working interest in the Beluga River Unit gas field, making it one of the only vertically integrated utilities on the West Coast. ML&P is subject to economic 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
- Maintain equity and earn net income at a level sufficient to continue to pay annual dividends to the Municipality of Anchorage
- 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 equipment and technology.
- 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
- Foster teamwork and an integrated approach to decision-making within the utility

Strategies to Achieve Goals

- Attain the financial objectives established in the Equity Management Plan
- Replace old generation with more efficient, state-of-the-art fuel efficient generation
- Implement industry best practices and streamline business processes to ensure the financial and operational integrity of the utility
- Cooperate with other Railbelt utilities to implement Economic Dispatch of generating resources
- Implement operational and financial procedures to maintain the highest bond rating
- Implement predictive maintenance program to reduce or eliminate outages and interruptions

Performance Measures to Track Progress in Achieving Goals

1. Maintain competitive residential and commercial rates as measured in revenue per kilowatt-hour (kWh) sold
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 1 day of meter read date
5. At a minimum, maintain an A bond rating
6. Maintain Customer Average Interruption Duration Index (CAIDI) below industry average
7. Maintain System Average Interruption Duration Index (SAIDI) below industry average
8. Maintain System Average Interruption Frequency Index (SAIFI) below industry average
9. 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 |
|--|

| | 2012 | 2013 | 2014 | 2015 | Q2-2016 |
|-------------------------------|-------|-------|-------|-------|---------|
| Municipal Light & Power | 11.22 | 12.92 | 15.69 | 16.55 | 17.20 |
| Chugach Elec. Assoc. | 14.51 | 14.30 | 15.94 | 17.47 | 17.74 |
| Matanuska Elec. Assoc. | 15.48 | 15.29 | 16.90 | 19.88 | 19.33 |
| Homer Elec. Assoc. | 18.99 | 19.84 | 23.26 | 24.84 | 23.82 |
| Golden Valley Electric Assoc. | 24.25 | 22.54 | 22.60 | 21.77 | 20.01 |

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 4/1/16 is 5.517 cents/kWh. The Regulatory Charge is adjusted annually by RCA, and is currently .0732 cents/kWh.

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

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| 2.17 | 3.29 | 1.41 | 6.32 | 1.79 |

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

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| .87 | 1.41 | .47 | 2.26 | .89 |

Note: Industry Average TRIR 2011 - 2014 6.6, 6.8, 4.5 and 2.4 respectively.
 Industry Average DART 2011 – 2014 3.1, 3.3, 3.8 and 1.3 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

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| 88% | 84% | 84% | 83% | 86% |

Measure #5: Maintain positive Income Before Dividend

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|--------------|-------------|--------------|-------------|-------------|
| \$15,261,908 | \$5,820,381 | \$13,450,177 | \$9,608,914 | \$8,254,950 |

Note: Cumulative Income Before Dividend

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

| Standard & Poor's Rating Services | | | | |
|-----------------------------------|------|------|------|------|
| 2012 | 2013 | 2014 | 2015 | 2016 |
| A+ | A+ | A+ | A+ | A+ |

| Fitch Ratings | | | | |
|---------------|------|------|------|------|
| 2012 | 2013 | 2014 | 2015 | 2016 |
| 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

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 preventative 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 #7: Maintain Customer Average Interruption Duration Index (CAIDI) below industry average

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| 1.02 | 1.38 | 1.21 | 1.06 | 1.53 |

Note: 2014 data compiled by EIA reported an average CAIDI of 1.26 hours.

Measure #8: Maintain System Average Interruption Duration Index (SAIDI) below industry average

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| .615 | .803 | .662 | .317 | .322 |

Note: 2014 data compiled by EIA reported an average SAIDI of 1.91 hours.

Measure #9: Maintain System Average Interruption Frequency Index (SAIFI) below industry average

| 2012 | 2013 | 2014 | 2015 | 2Q-2016 |
|------|------|------|------|---------|
| .603 | .581 | .591 | .237 | .210 |

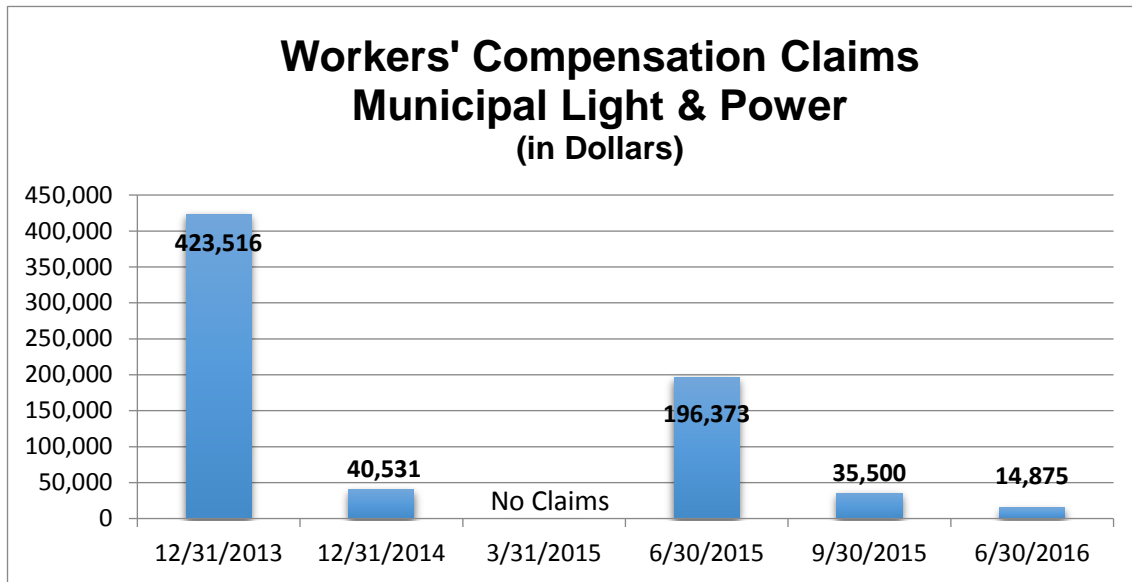
Note: 2014 data compiled by EIA reported an average SAIFI of 1.51 interruptions per customer.

EIA is the U.S. Energy Information Administration

| |
|--|
| 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 95% 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 250 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 fourth quarter 2016.

Acquisition of ConocoPhillips Alaska Incorporated’s (CPAI) interest in the Beluga River Unit (BRU) gas field

In Order U-16-012(14), dated April 22, 2016, the RCA affirmed a bench ruling the day earlier granting a joint petition filed by the Utility and Chugach Electric Association (CEA) requesting approval of a purchase and sale agreement for the acquisition of CPAI’s one-third interest in the BRU. Hearing was held on an expedited basis April 18 through 20, 2016. The total purchase price is \$152 million, with the Utility acquiring 70% of that interest for \$106.4 million and CEA the remaining 30% for \$45.6 million. The Utility funded its share of the acquisition with DRLGS and Future Natural Gas Purchases Account funds, cumulative underlift proceeds owed to it by CPAI, and unrestricted gas fund cash. This purchase gives the Utility a total 56.67% interest in the BRU, and it will seek Commission approval of accounting and ratemaking treatment for this interest.

Rate Relief

On September 9, 2013 the Utility filed a petition with the RCA, based on a 2012 test year revenue requirement study, for interim and permanent across-the-board rate increases in energy and demand charges in order to recover costs associated with its purchase of a 30% interest in SPP. The Utility requested that the rate increase be implemented in two phases, with a 24.32% interim and refundable increase to take effect within 45 days of filing and the second to take effect one year after approval of the permanent rates, for a total increase of 31.52%. The RCA granted the Utility an interim and refundable rate increase and suspended the Utility’s request into docket U-13-184 for further investigation. A hearing was held April 6 through 17, 2015. The RCA issued Order U-13-184(22) on July 16, 2015 establishing the Utility’s revenue requirement, setting the 24.32% interim rates as the permanent rates, and ordering the Utility to cease paying dividends to the Municipality.

The Utility plans to file its next revenue requirement with the RCA during the fourth quarter of 2016 requesting interim and permanent rate relief based on a 2015 test year.

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). On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was \$152 million. The utility now owns 56.67 percent of the field.

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 \$5.14/MCF in 2016 to \$6.74/MCF in 2017. 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) fourth quarter 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 and 2) 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 | 2015 | 2016* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Administration | 13 | 12** | 13 | 13 | 13 | 13 | 13 | 13 |
| Customer Service | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Engineering | 30 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Finance | 27 | 27 | 20 | 20 | 20 | 20 | 20 | 20 |
| Generation | 79 | 76 | 80 | 80 | 80 | 80 | 80 | 80 |
| Operations | 62 | 61 | 62 | 62 | 62 | 62 | 62 | 62 |
| Regulatory * | - | - | 5 | 5 | 5 | 5 | 5 | 5 |
| Systems & Communications | 22 | 22 | 25 | 25 | 25 | 25 | 25 | 25 |
| Total Full Time | 258 | 255 | 262 | 262 | 262 | 262 | 262 | 262 |
| Part-Time/Temporary | 18 | 22** | 19 | 19 | 19 | 19 | 19 | 19 |
| Total Positions | 276 | 277 | 281 | 281 | 281 | 281 | 281 | 281 |
| Total FTE | 267 | 266.5 | 271.5 | 271.5 | 271.5 | 271.5 | 271.5 | 271.5 |

* In March 2016 MOA Administration approved an ML&P organizational change to form a Regulatory Affairs Division with five Finance FTE's.

**Per AO 2015-107 (S), Assemblymember Flynn amendment, PCN 6600 reduced to 0.5 FTE (PT).

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

| Financial Overview | 2015 Actuals* | 2016 Proforma | 2017 Proposed | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------------------|------------------|------------------|----------------|----------------|----------------|----------------|---------------|
| | | | | Forecast | | | | |
| Revenues | 166,940 | 173,549 | 193,856 | 214,283 | 209,751 | 173,655 | 157,120 | 160,501 |
| Expenses | 157,331 | 156,458 | 178,876 | 194,862 | 201,426 | 167,012 | 151,313 | 156,341 |
| Net Income (Loss) - Regulatory | 9,609 | 17,091 | 14,980 | 19,421 | 8,325 | 6,643 | 5,807 | 4,160 |
| Budgeted Positions | 276 | 277 | 281 | 281 | 281 | 281 | 281 | 281 |
| Capital Improvement Program | 57,709 | 39,759 | 42,764 | 36,607 | 54,006 | 32,050 | 44,094 | 31,447 |
| Bond Sales/ Commercial Paper | 89,600 | 62,574 | 192,000 | - | - | - | - | - |
| Net Non-Contributed Plant (12/31) (REG) | 667,154 | 734,488 | 732,210 | 731,219 | 736,973 | 730,363 | 725,717 | 717,536 |
| Net Contributed Plant (12/31) | 92,026 | 181,127 | 187,121 | 187,500 | 195,356 | 191,806 | 194,108 | 185,492 |
| Net Plant (12/31) (GAAP) | 759,179 | 915,615 | 919,331 | 918,719 | 932,330 | 922,169 | 919,824 | 903,028 |
| Retained Earnings (12/31) | 248,773 | 265,243 | 279,786 | 299,207 | 307,532 | 314,175 | 319,982 | 324,142 |
| General and Restricted Cash | 125,294 | 53,915 | 45,780 | 62,357 | 65,361 | 76,704 | 55,170 | 48,133 |
| Bond Construction Cash | (2,977) | - | - | - | - | - | - | - |
| Bond Redemption Investment | 23,206 | 23,002 | 38,167 | 38,173 | 31,830 | 31,828 | 31,821 | 31,823 |
| Debt Service Account | 2,121 | 2,095 | 2,831 | 2,873 | 2,803 | 2,801 | 2,801 | 2,800 |
| Operating Fund Investment & Customer Deposits | 13,746 | 15,796 | 18,396 | 18,296 | 17,896 | 14,496 | 14,596 | 14,796 |
| Total Cash & Investments (12/31) | 161,390 | 94,808 | 105,174 | 121,700 | 117,890 | 125,830 | 104,388 | 97,552 |
| IGCs - General Government | 2,346 | 2,631 | 3,453 | 4,253 | 4,253 | 4,253 | 4,253 | 4,253 |
| Dividend | 7,029 | - | - | - | - | - | - | - |
| MUSA and Gross Receipts | 7,538 | 5,984 | 10,520 | 10,572 | 10,617 | 10,757 | 10,717 | 10,701 |
| Total Outstanding Debt | 338,355 | 330,890 | 515,370 | 507,505 | 499,775 | 491,700 | 483,290 | 474,530 |
| Total Annual Debt Service | 23,308 | 23,023 | 29,930 | 32,327 | 31,831 | 31,830 | 31,828 | 31,821 |
| Debt Service Coverage | 2.28 | 2.28 | 2.34 | 2.30 | 1.99 | 1.97 | 1.95 | 1.90 |
| LT Debt/Equity Ratio | 65/35 | 66/34 | 65/35 | 63/37 | 62/38 | 61/39 | 61/39 | 60/40 |
| Rate Change Percent | 0.00% | 0.00% | 28.00% | 7.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Statistical/Performance Trends: | | | | | | | | |
| Residential Customer (500 kWh) | \$83.60 | \$87.05 | \$108.86 | \$120.07 | \$117.66 | \$99.72 | \$91.32 | \$93.10 |
| Total Residential Sales (kWh) | 130,805 | 130,801 | 130,796 | 130,792 | 130,786 | 130,771 | 130,761 | 130,750 |
| Commercial & Industrial Sales (kWh) | 722,421 | 715,906 | 719,165 | 719,705 | 720,242 | 720,789 | 721,327 | 721,865 |
| Total Residential, Commercial and Industrial kWh Sales | 853,226 | 846,707 | 849,961 | 850,496 | 851,028 | 851,560 | 852,089 | 852,616 |
| Total Retail Sales Revenue | \$141,019 | \$149,730 | \$182,005 | \$202,611 | 197,782 | \$161,486 | \$144,486 | \$148,143 |

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

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

2017 Proposed Utility/Enterprise Activities Budgets
Municipal Light & Power
Statement of Revenues and Expenses

| | 2015 Actuals* | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Operating Revenue | | | | | | |
| Residential | 21,972,135 | 22,754,000 | 24,733,000 | 3,745,000 | 28,478,000 | 15.1% |
| Commercial | 102,566,471 | 107,488,000 | 114,651,000 | 17,962,000 | 132,613,000 | 15.7% |
| Military | 14,525,488 | 15,362,000 | 16,581,000 | 2,311,000 | 18,892,000 | 13.9% |
| Sales for Resale | 21,890,648 | 18,258,000 | 14,585,000 | (14,585,000) | - | -100.0% |
| Other | 3,181,925 | 5,197,000 | 3,023,000 | 6,983,000 | 10,006,000 | 231.0% |
| Total Operating Revenue | 164,136,667 | 169,059,000 | 173,573,000 | 16,416,000 | 189,989,000 | 9.5% |
| Non Operating Revenue | | | | | | |
| Interest Income | 382,388 | 2,069,000 | 1,052,000 | 394,000 | 1,446,000 | 37.5% |
| Other | 2,420,703 | 2,421,000 | 2,414,000 | 7,000 | 2,421,000 | 0.3% |
| Total Non Operating Revenue | 2,803,091 | 4,490,000 | 3,466,000 | 401,000 | 3,867,000 | 11.6% |
| Total Revenue | 166,939,758 | 173,549,000 | 177,039,000 | 16,817,000 | 193,856,000 | 9.5% |
| Operating Expense | | | | | | |
| Labor: | | | | | | |
| Labor and Benefits | 28,767,177 | 29,825,000 | 31,148,500 | 943,500 | 32,092,000 | 3.0% |
| Overtime | 2,318,313 | 2,153,000 | 2,121,000 | 100,000 | 2,221,000 | 4.7% |
| Total Labor | 31,085,490 | 31,978,000 | 33,269,500 | 1,043,500 | 34,313,000 | 3.1% |
| Non Labor: | | | | | | |
| Material & Supplies | 8,733,544 | 10,433,000 | 9,073,000 | 3,295,000 | 12,368,000 | 36.3% |
| Travel | 50,521 | 100,000 | 100,000 | 50,000 | 150,000 | 50.0% |
| Natural Gas Purchases & Transportation | 31,871,612 | 36,482,000 | 32,631,000 | 9,597,000 | 42,228,000 | 29.4% |
| Gas Production Expense | 13,338,050 | 15,707,000 | 18,379,000 | 4,206,000 | 22,585,000 | 22.9% |
| Southcentral Power Project | 3,467,572 | 4,155,000 | 4,155,000 | 170,000 | 4,325,000 | 4.1% |
| Purchased Power & Wheeling | 5,419,044 | 5,885,000 | 5,902,000 | 196,000 | 6,098,000 | 3.3% |
| Regulatory Debit/Credit | 5,923,949 | 5,059,000 | 298,000 | (14,885,000) | (14,587,000) | -4995.0% |
| Depreciation, Depletion & Amortization | 29,643,900 | 33,174,000 | 37,455,000 | (3,990,000) | 33,465,000 | -10.7% |
| Transfers (MUSA and Gross Receipts) | 7,538,022 | 5,984,000 | 5,845,000 | 4,675,000 | 10,520,000 | 80.0% |
| Transfers to Gen Gov't-SAP | 8,579 | - | 240,000 | (240,000) | - | -100.0% |
| Total Non Labor | 105,994,793 | 116,979,000 | 114,078,000 | 3,074,000 | 117,152,000 | 2.7% |
| Total Direct Costs | 137,080,283 | 148,957,000 | 147,347,500 | 4,117,500 | 151,465,000 | 2.8% |
| Charges from Other Departments | 2,345,579 | 2,631,000 | 2,631,377 | 822,081 | 3,453,458 | 31.2% |
| Total Operating Expense | 139,425,862 | 151,588,000 | 149,978,877 | 4,939,581 | 154,918,458 | 3.3% |
| Non Operating Expense | | | | | | |
| Interest on Bonded Debt | 18,289,164 | 17,979,000 | 20,270,000 | 4,561,000 | 24,831,000 | 22.5% |
| Other Interest Expense | 1,204,359 | 2,007,000 | 2,321,000 | (1,025,000) | 1,296,000 | -44.2% |
| Allowance for Funds Used During Construction | (773,372) | (14,537,000) | (986,000) | (385,000) | (1,371,000) | 39.0% |
| Amortization of Debt Expense | (935,143) | (684,000) | (919,000) | 2,000 | (917,000) | -0.2% |
| Other | 119,975 | 105,000 | 137,000 | (18,000) | 119,000 | -13.1% |
| Total Non Operating Expense | 17,904,982 | 4,870,000 | 20,823,000 | 3,135,000 | 23,958,000 | 15.1% |
| Total Expenses (Function Cost) | 157,330,844 | 156,458,000 | 170,801,877 | 8,074,581 | 178,876,458 | 4.7% |
| Net Income | 9,608,914 | 17,091,000 | 6,237,123 | 8,742,419 | 14,979,542 | 140.2% |
| Appropriation | | | | | | |
| Total Expenses | 157,330,844 | 156,458,000 | 170,801,877 | 8,074,581 | 178,876,458 | 4.7% |
| Less: Non Cash items | | | | | | |
| Depreciation, Depletion & Amortization | 29,643,900 | 33,174,000 | 37,455,000 | (3,990,000) | 33,465,000 | -10.7% |
| Regulatory Debits/Credits | 5,923,949 | 5,059,000 | 298,000 | (14,885,000) | (14,587,000) | -4995.0% |
| Allowance for Funds Used During Construction | (773,372) | (14,537,000) | (986,000) | (385,000) | (1,371,000) | 39.0% |
| Amortization of Bonds | (935,143) | (684,000) | (919,000) | 2,000 | (917,000) | -0.2% |
| Total Non Cash | 33,859,334 | 23,012,000 | 35,848,000 | (19,258,000) | 16,590,000 | -53.7% |
| Amount to be Appropriated (Cash Expenses) | \$123,471,510 | \$133,446,000 | \$134,953,877 | \$27,332,581 | \$162,286,458 | 20.3% |

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

Municipal Light & Power

Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|--------------------|------------|----------|-----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 170,801,877 | 255 | 1 | 21 |
| Transfers (to)/from Other Agencies | | | | |
| - SAP | (240,000) | - | - | - |
| - Intragovernmental Charges | 822,081 | - | - | - |
| - MUSA and Gross Receipts | 4,675,000 | - | - | - |
| Debt Service Changes | | | | |
| - Interest Expense | 3,536,000 | - | - | - |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Depreciation, Depletion & Amortization | (3,990,000) | - | - | - |
| - Allowance for Funds Used During Construction | (385,000) | - | - | - |
| - Gas Production Expense | 4,206,000 | - | - | - |
| - Regulatory Debits/Credits | (14,885,000) | - | - | - |
| - Purchased Power & Wheeling | 196,000 | - | - | - |
| - Natural Gas Purchases and Transportation | 9,597,000 | - | - | - |
| - Amortization of Debt Expense | 2,000 | - | - | - |
| - Southcentral Power Project | 170,000 | - | - | - |
| 2017 Continuation Level | 174,505,958 | 255 | 1 | 21 |
| 2017 Proposed Budget Changes | | | | |
| - Salary and benefit adjustment | 1,043,500 | 7 | - | (3) |
| - Material and Supplies | 3,295,000 | - | - | - |
| - Misc. Non-Operating Expense | (18,000) | - | - | - |
| - Travel | 50,000 | - | - | - |
| 2017 Proposed Operating Budget | 178,876,458 | 262 | 1 | 18 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation, Depletion & Amortization | 33,465,000 | - | - | - |
| - Regulatory Debits/Credits | (14,587,000) | - | - | - |
| - Allowance for Funds Used During Construction | (1,371,000) | - | - | - |
| - Amortization of Bonds | (917,000) | - | - | - |
| 2017 Proposed Budget (Appropriation) | 162,286,458 | 262 | 1 | 18 |

Municipal Light & Power
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Beluga River Gas Field | 8,501 | 2,267 | 11,901 | 2,267 | 11,901 | 2,267 | 39,104 |
| Distribution | 20,105 | 20,635 | 17,615 | 14,130 | 16,875 | 22,090 | 111,450 |
| General Plant | 3,582 | 3,125 | 3,365 | 2,275 | 2,780 | 2,505 | 17,632 |
| Production | 7,246 | 4,100 | 17,695 | 9,118 | 9,058 | 455 | 47,672 |
| Transmission | 3,330 | 6,480 | 3,430 | 4,260 | 3,480 | 4,130 | 25,110 |
| Total | 42,764 | 36,607 | 54,006 | 32,050 | 44,094 | 31,447 | 240,968 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Equity/Operations | 31,863 | 31,890 | 39,605 | 27,233 | 29,593 | 26,530 | 186,714 |
| Revenue Bond/Commercial Paper | - | - | - | - | - | - | - |
| Contribution in Aid of Construction | 2,400 | 2,450 | 2,500 | 2,550 | 2,600 | 2,650 | 15,150 |
| Beluga Contributed | 8,501 | 2,267 | 11,901 | 2,267 | 11,901 | 2,267 | 39,104 |
| Total | 42,764 | 36,607 | 54,006 | 32,050 | 44,094 | 31,447 | 240,968 |

Municipal Light & Power
2017 Capital Improvement Budget
(in thousands)

| Project Title | Equity/ Operations | Revenue Bond/ Commercial Paper | Contribution in Aid of Construction | Beluga Contributed | Total |
|--|-------------------------------|---|--|-------------------------------|------------------|
| Eklutna Power Plant | 2,450 | - | - | - | 2,450 |
| Structures & Improvements - Plant 1/Plant 2 | 1,766 | - | - | - | 1,766 |
| Turbines & Generators | 3,030 | - | - | - | 3,030 |
| Land & Land Rights-Transmission & Distribution | 60 | - | - | - | 60 |
| Transmission Lines | 1,170 | - | - | - | 1,170 |
| Transmission Stations | 2,140 | - | - | - | 2,140 |
| Distribution Equipment | 4,335 | - | - | - | 4,335 |
| Meters | 400 | - | - | - | 400 |
| Overhead Lines | 1,910 | - | - | - | 1,910 |
| Street Lighting | 20 | - | - | - | 20 |
| Transformer Services | 3,400 | - | - | - | 3,400 |
| Underground Lines | 7,600 | - | 2,400 | - | 10,000 |
| Communications | 2,340 | - | - | - | 2,340 |
| Stores/Tools/Lab | 242 | - | - | - | 242 |
| Structures & Improvements - General Plant | 250 | - | - | - | 250 |
| Transportation | 750 | - | - | - | 750 |
| Beluga River Gas Field | - | - | - | 8,501 | 8,501 |
| ML&P TOTAL | \$ 31,863 | \$ - | \$ 2,400 | \$ 8,501 | \$ 42,764 |

Municipal Light & Power Statement of Cash Sources and Uses

| | 2015 Actual* | 2016 Proforma | 2017 Proposed |
|---|--------------------|--------------------|--------------------|
| Sources of Cash Funds | | | |
| Income Before Dividend | 9,608,914 | 17,091,000 | 14,979,542 |
| Depreciation/Depletion/Amortization | 29,643,900 | 33,174,000 | 33,465,000 |
| Amortization of Bonds | (935,143) | (684,000) | (917,000) |
| Bond Proceeds / Commercial Paper | 89,600,000 | 62,574,000 | 192,000,000 |
| Deferred Charges and Other Assets | (1,579,431) | 3,498,948 | (2,400,000) |
| Contribution in Aid of Construction | 2,086,820 | 89,101,894 | 5,993,706 |
| Changes in Assets and Liabilities | 3,913,408 | (87,695,499) | (188,271,945) |
| Total Sources of Cash Funds | 132,338,468 | 117,060,343 | 54,849,303 |
| Uses of Cash Funds | | | |
| Additions to Plant | 110,485,296 | 175,072,700 | 35,809,798 |
| Debt Principal Payment | 7,440,000 | 8,569,547 | 8,674,252 |
| Total Uses of Cash Funds | 117,925,296 | 183,642,247 | 44,484,050 |
| Net Increase (Decrease) in Cash Funds | 14,413,172 | (66,581,904) | 10,365,253 |
| Cash Balance, January 1 | 146,977,102 | 161,390,274 | 94,808,370 |
| Cash Balance, December 31 | 161,390,274 | 94,808,370 | 105,173,623 |
| Detail of Cash and Investment Funds | | | |
| General Cash Less Customer Deposits | 26,314,358 | 30,445,436 | 13,160,109 |
| Bond Cash | (2,977,415) | - | - |
| BRU Reg Liability, Future Gas Purchases & ARO | 98,979,717 | 23,469,643 | 32,619,861 |
| Bond Investment | 23,206,490 | 23,001,710 | 38,166,554 |
| Debt Service | 2,120,791 | 2,095,249 | 2,830,767 |
| Operating Fund Investment & Customer Deposits | 13,746,333 | 15,796,333 | 18,396,333 |
| Cash Balance, December 31 | 161,390,274 | 94,808,370 | 105,173,623 |

*This Budgetary presentation does not include the effects of implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and thus the revenues and expenses presented in this schedule differ from ML&P's GAAP basis financial statements.

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, 2015, ML&P had 232 employees and total labor and benefit costs of approximately \$46.1 million, which includes operating and capital labor expenditures. Of these 232 employees, 172 were covered by a labor agreement with the IBEW and 60 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.

On April 21, 2016 the RCA approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by ML&P and CEA. The final agreement transferred 70 percent ownership of the ConocoPhillips' interest to ML&P and 30 percent to Chugach. The total purchase price was \$152 million. The utility now owns 56.67 percent of the field.

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 2015, the average number of residential and commercial customers was 24,479 and 6,366 respectively. In 2015, electric retail sales totaled 1,018,677 MWh resulting in revenues of \$141,019,025. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Other Utility Operating Income were \$164,136,667. 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 working interest in the Beluga River Unit Gas Field.

- Power Generated/Purchased in 2015

| | | |
|-------------------------------|---------------|--------|
| | 1,243,559 MWh | |
| • ML&P Generated | 702,571 MWh | 56.45% |
| Southcentral Power Plant | 338,331 MWh | 27.23% |
| Eklutna Hydroelectric Project | 68,553 MWh | 5.52% |
| • Purchased: | | |
| - Bradley Lake Project | 117,013 MWh | 9.42% |
- Total Thermal Generation capacity in 2014 400.9 Megawatts (MW) at 30°F

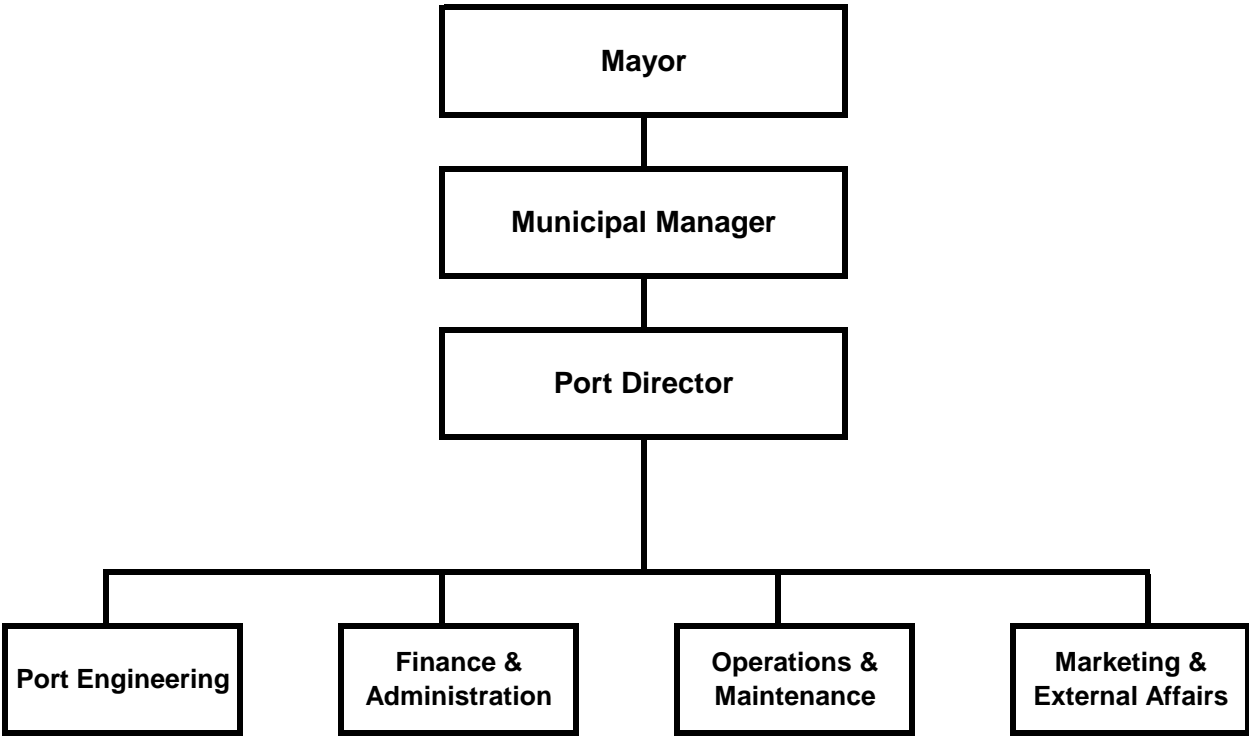
| | | |
|--|--------------------|-----|
| • Power Plant One (4 Turbines & 2 Diesels) | 98.9 MW | 25% |
| • Power Plant Two (4 Turbines) | 241.9 MW | 60% |
| • Southcentral Power Plant (4 Turbines) | 60.1 MW (ML&P 30%) | 15% |
| • Seven Gas Fired Turbines (ML&P Plant 1 & 2) | | |
| • One Heat Recovery 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

| | | |
|---------------------|-----------|--------|
| • Underground Cable | 373 Miles | |
| • Overhead Line | 253 Miles | 67.83% |
| • 19 Substations | 120 Miles | 32.17% |

- Total Electric Plant as of December 31, 2015 \$689,044,750
- Total Gas Plant as of December 31, 2015 \$ 70,134,603
- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44.4 MW of installed capacity.
- ML&P is a 30% owner of the Southcentral Power Plant
- Pursuant to a Power Sales Agreement with the Alaska Energy Authority, ML&P is required to purchase 25.9% of the output of the Bradley Lake Project, which has 126 MW of installed capacity.

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 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 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; demand timely payments from all users.
- 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 maintenance of and access to the Small Boat Launch.
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, as needed.

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 stakeholders and ensure safe and modern infrastructure for the timely delivery of consumer goods and commercial cargo.

Core Services

- Provide all 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

- Ongoing repair of deteriorated dock pile.
- Continued maintenance of valve yard valves and piping through scheduled inspections and timely maintenance.
- Continued maintenance and repair of storm drain systems.
- 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 Port Modernization Project (APMP).

Performance Measures

Progress in achieving goals will be measured by the following:

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

| | <u>2015</u> | <u>2016 (YTD)</u> |
|--------------------|-------------|-------------------|
| Total Hours | 1,594* | 562 |
| Total Cost | \$ 59,084 | \$ 23,399 |

*Increased OT hours in 2015 due to vacancy in Maintenance Supervisor position. Position was filled in August 2015.

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

| | <u>6/30/2015</u> | <u>6/30/2016*</u> | <u>%Growth/(Loss)</u> |
|-----------------------------|------------------|-------------------|-----------------------|
| Net Operating Income | \$ 2,293,581 | \$ (2,174,419) | (195%) |
| Total Cash Flow | \$ 5,988,136 | \$ 983,067 | (83.5%) |

* Unaudited

*Net Operating Income includes Depreciation (non-cash item).

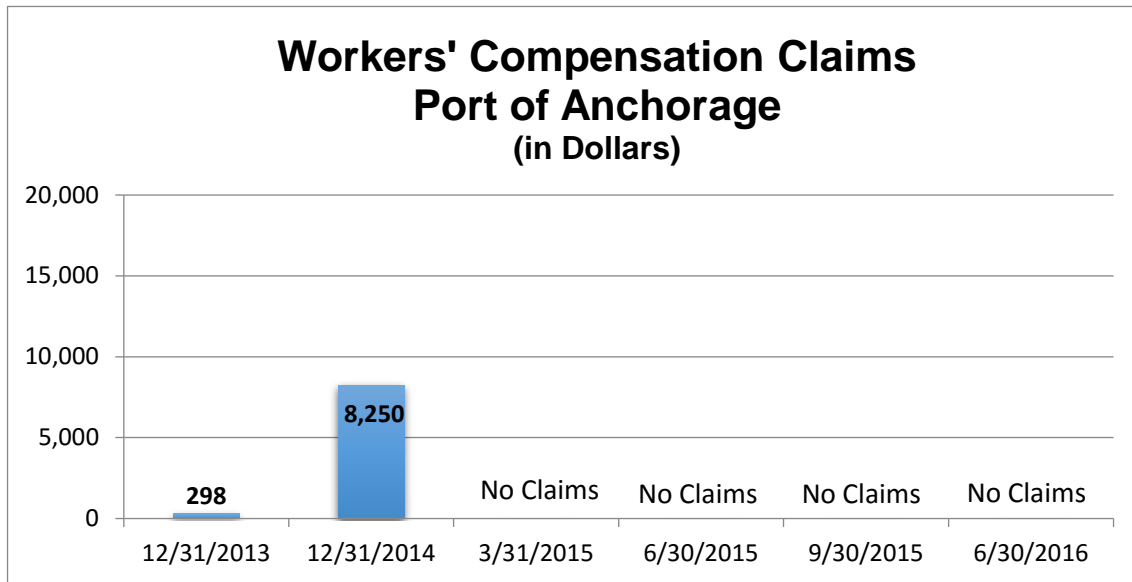
Measures #3: OSHA Recordable incidents for current vs prior year (# of incidents, loss of time & cost)

| | <u>2015</u> | <u>2016 (YTD)</u> |
|-----------------------|-------------|-------------------|
| # 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 steps. Step 1, which is fully funded, includes construction of a new Petroleum/Cement Dock and a partial cut-back and stabilization of the north extension area to preserve usable land while improving hydraulics for reduced maintenance dredging and safer navigation. Steps 2 through 4, as yet unfunded, complete the marine terminal construction and stabilization of the north extension.

The project will enable the Port to accommodate deeper draft vessels by allowing for a harbor depth increase from 35 feet to 45 feet when needed. 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 23 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 2024 at a total cost of \$600M. State capital grant and general obligation bond funding available to the project totals approximately \$126.8M, which is sufficient to complete Step 1.

Ongoing Facility Maintenance

The Port continues to work diligently to meet its commitment to offer continued operational capability 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 APMP. Those include, but are not limited to, Wharf Pile Enhancements, adding backup emergency power capability, 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.

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.

Catching up with the changing equipment and infrastructure needs of the maritime shipping community so as not to lose relevance, to keep port users competitive, and to keep the cost of goods to the consumer reasonable.

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 and Joint Base Elmendorf-Richardson.

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

Declining availability of State and Federal funding.

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

Port of Anchorage Workforce Projections

| Division | 2015 | 2016 * | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administrative / Engineering | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Operations / Maintenance | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Total Full Time | 21 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Part Time / Temporary | 1 | 12 | 8 | 2 | 2 | 2 | 2 | 2 |
| Total Positions | 22 | 32 | 28 | 22 | 22 | 22 | 22 | 22 |
| Total FTE | 21.5 | 26 | 23.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 |

*Per AO 2015-107 (S), Assemblymember Flynn amendment, PCN 6600 reduced to 0.5 FTE (PT).

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

| Financial Overview | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actuals | Proforma | Proposed | Forecast | | | | |
| Revenues | 14,396 | 18,998 | 13,316 | 13,649 | 13,990 | 14,340 | 14,698 | 15,066 |
| Expenses | 26,661 | 24,006 | 22,040 | 19,922 | 20,718 | 21,340 | 21,767 | 21,984 |
| Net Income(Loss) | (12,265) | (5,008) | (8,724) | (6,273) | (6,728) | (7,000) | (7,068) | (6,919) |
| Budgeted Positions | 22 | 32 | 28 | 22 | 22 | 22 | 22 | 22 |
| Capital Improvement Program | 3,800 | 71,839 | 228,789 | 3,500 | 3,250 | 3,250 | 3,250 | 3,250 |
| Long Term Debt** | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Net Plant (12/31) | 128,849 | 134,846 | 363,635 | 367,135 | 370,385 | 373,635 | 376,885 | 380,135 |
| Total Net Assets | 163,152 | 165,243 | 162,984 | 161,488 | 160,305 | 159,250 | 158,115 | 156,679 |
| General Cash Pool | 10,113 | 12,928 | 12,601 | 14,151 | 15,246 | 16,069 | 16,823 | 17,728 |
| Construction Cash Pool | 4,230 | 7,069 | 12,857 | 13,629 | 14,174 | 14,741 | 15,331 | 15,944 |
| Total Cash | 14,343 | 19,997 | 25,458 | 27,780 | 29,420 | 30,810 | 32,154 | 33,672 |
| IGCs - General Government | 591 | 686 | 761 | 761 | 761 | 761 | 761 | 761 |
| MESA | 2,056 | 2,114 | 2,665 | 2,732 | 2,800 | 2,870 | 2,942 | 3,015 |
| 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) | 1,832 | 428 | 456 | 456 | 456 | 456 | 456 | 456 |
| Debt/Equity Ratio (12/31) | 30/70 | 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 | \$0.135 | \$0.141 | \$0.146 | \$0.152 | \$0.158 | \$0.164 | \$0.171 |
| 1250 Cement, Bulk / Ton | \$1.43 | \$1.48 | \$1.54 | \$1.60 | \$1.67 | \$1.74 | \$1.81 | \$1.88 |
| Statistical/Performance Trends: | | | | | | | | |
| Tonnage (in thousands) | 3,776 | 3,783 | 3,783 | 3,840 | 3,897 | 3,956 | 4,015 | 4,075 |
| Operating Revenue/Ton | 3.25 | 3.05 | 3.04 | 3.04 | 3.04 | 3.04 | 3.04 | 3.04 |

** Note renewed in June 2016 - 3yr term

Port of Anchorage
Statement of Revenues and Expenses

| | 2015 Actuals | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|---------------------|--------------------|--------------------|----------------------|--------------------|---------------------|
| Operating revenue | | | | | | |
| Dock Revenue | 6,615,401 | 6,316,564 | 5,791,074 | 511,413 | 6,302,487 | 8.8% |
| Industrial Park Revenue | 5,357,778 | 4,701,596 | 4,426,599 | 36,827 | 4,463,426 | 0.8% |
| Other Operating Revenue | 297,418 | 525,813 | 720,926 | 20,000 | 740,926 | 2.8% |
| Total Operating Revenue | 12,270,597 | 11,543,973 | 10,938,599 | 568,240 | 11,506,839 | 5.2% |
| Non Operating Revenue | | | | | | |
| Interest Income (Loss) | 344,603 | 320,919 | 200,000 | - | 200,000 | 0.0% |
| Pipeline Right-of-Way Fee | 164,678 | 157,811 | 160,000 | - | 160,000 | 0.0% |
| Miscellaneous Non-Operating Revenue | 1,616,092 | 6,975,345 | 1,394,643 | 54,537 | 1,449,180 | 3.9% |
| Total Non Operating Revenue | 2,125,373 | 7,454,074 | 1,754,643 | 54,537 | 1,809,180 | 3.1% |
| Total Revenue | 14,395,970 | 18,998,047 | 12,693,242 | 622,777 | 13,316,019 | 4.9% |
| Operating Expenses | | | | | | |
| Labor | | | | | | |
| Labor and Benefits | 2,881,248 | 2,736,203 | 3,078,813 | (88,176) | 2,990,637 | -2.9% |
| Overtime | 51,350 | 45,915 | 68,040 | - | 68,040 | 0.0% |
| Total Labor | 2,932,598 | 2,782,118 | 3,146,853 | (88,176) | 3,058,677 | -2.8% |
| Non Labor | | | | | | |
| Non Labor | 11,505,961 | 10,144,207 | 8,345,127 | (1,108,204) | 7,236,923 | -13.3% |
| Travel | 9,117 | 28,360 | 30,000 | 10,000 | 40,000 | 33.3% |
| Transfers (MESA and Gross Receipts) | 2,056,004 | 2,114,268 | 1,787,340 | 877,660 | 2,665,000 | 49.1% |
| Depreciation and Amortization | 7,733,967 | 7,822,938 | 7,456,583 | 366,355 | 7,822,938 | 4.9% |
| Total Non Labor | 21,305,049 | 20,109,773 | 17,619,050 | 145,811 | 17,764,861 | 0.8% |
| Total Direct Cost | 24,237,647 | 22,891,891 | 20,765,903 | 57,635 | 20,823,538 | 0.3% |
| Charges from other departments | 591,109 | 686,033 | 686,033 | 74,441 | 760,474 | 10.9% |
| Total Operating Expense | 24,828,756 | 23,577,924 | 21,451,936 | 132,076 | 21,584,012 | 0.6% |
| Non Operating Expense | | | | | | |
| Financing Costs on Short-Term Obligations | 1,832,310 | 428,188 | 456,400 | - | 456,400 | 0.0% |
| Total Non Operating Expense | 1,832,310 | 428,188 | 456,400 | - | 456,400 | 0.0% |
| Total Expenses (Function Cost) | 26,661,066 | 24,006,112 | 21,908,336 | 132,076 | 22,040,412 | 0.6% |
| Net Income | (12,265,096) | (5,008,065) | (9,215,094) | 490,701 | (8,724,393) | -5.3% |
| Appropriation | | | | | | |
| Total Expenses | | | 21,908,336 | 132,076 | 22,040,412 | |
| Less: Non Cash items | | | | - | | |
| Depreciation and Amortization | | | 7,456,583 | 366,355 | 7,822,938 | |
| Total Non-Cash | | | 7,456,583 | 366,355 | 7,822,938 | |
| Amount to be Appropriated (Cash Expenses) | | | 14,451,753 | (234,279) | 14,217,474 | |

Port of Anchorage Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | Appropriation | Positions | | |
|---|-------------------|-----------|----------|----------|
| | | FT | PT | T |
| 2016 Approved Budget | 21,908,336 | 20 | 2 | 10 |
| Transfers (to)/from Other Agencies | | | | |
| - MESA and Gross Receipts | 877,660 | - | - | - |
| - Charges by/from others | 74,441 | | | |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Legal Services | (1,108,204) | - | - | - |
| - Depreciation | 366,355 | - | - | - |
| - Salary and benefits adjustments | (88,176) | - | - | (4) |
| 2017 Continuation Level | 22,030,412 | 20 | 2 | 6 |
| 2017 Proposed Budget Changes | | | | |
| - Increase in travel for legal | 10,000 | - | - | - |
| 2017 Proposed Budget | 22,040,412 | 20 | 2 | 6 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation | (7,822,938) | - | - | - |
| 2017 Proposed Budget (Appropriation) | 14,217,474 | 20 | 2 | 6 |

Port of Anchorage
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Anchorage Port Modernization Project | 223,000 | - | - | - | - | - | 223,000 |
| Anchorage Port GIS Mapping | 250 | - | - | - | - | - | 250 |
| Ship Creek Boat Launch Repairs | 2,039 | - | - | - | - | - | 2,039 |
| Storm Drain Repair & Enhancement | 500 | 500 | 250 | 250 | 250 | 250 | 2,000 |
| Wharf Pile Enhancements | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 18,000 |
| Total | 228,789 | 3,500 | 3,250 | 3,250 | 3,250 | 3,250 | 245,289 |

| Funding Source | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|-----------------------|----------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Equity/Operations | 5,100 | 3,500 | 3,250 | 3,250 | 3,250 | 3,250 | 21,600 |
| State/Fed Grants | 223,689 | - | - | - | - | - | 223,689 |
| Total | 228,789 | 3,500 | 3,250 | 3,250 | 3,250 | 3,250 | 245,289 |

Port of Anchorage
2017 Capital Improvement Budget
(in thousands)

| Project Title | Debt | State/Fed Grant | Equity/ Operations | Total |
|--------------------------------------|-------------|----------------------------|-------------------------------|----------------|
| Anchorage Port Modernization Project | - | 223,000 | - | 223,000 |
| Anchorage Port GIS Mapping | - | - | 250 | 250 |
| Ship Creek Boat Launch Repairs | - | 689 | 1,350 | 2,039 |
| Storm Drain Repair & Enhancement | - | - | 500 | 500 |
| Wharf Pile Enhancements | - | - | 3,000 | 3,000 |
| Total | - | 223,689 | 5,100 | 228,789 |

Port of Anchorage Statement of Cash Sources and Uses

| | 2015 Actuals | 2016 Proforma | 2017 Proposed |
|--|-------------------|-------------------|--------------------|
| Sources of Cash Funds | | | |
| Net Cash by Operating Activities | (4,307,311) | (3,321,254) | (4,745,942) |
| Interest | 358,336 | 320,919 | 200,000 |
| Grant Proceeds/Capital Contributions | 6,152,664 | 2,839,000 | 228,789,000 |
| Total Sources of Cash Funds | 2,203,689 | (161,335) | 224,243,058 |
| Uses of Cash Funds | | | |
| Additions to Plant | 2,762,657 | 2,839,000 | 228,789,000 |
| Total Uses of Cash Funds | 2,762,657 | 2,839,000 | 228,789,000 |
| Net Increase (Decrease) in Cash Funds | (2,850,523) | 2,814,873 | (327,549) |
| Cash Balance, January 1 | 17,193,519 | 14,343,146 | 19,996,869 |
| Cash Balance, December 31 | 14,342,996 | 17,158,019 | 19,669,320 |
| Detail of Cash and Investment Funds | | | |
| Equity in General Cash Pool | 10,113,362 | 12,928,235 | 12,600,686 |
| Equity in Construction Cash Pool | 4,229,634 | 7,068,634 | 12,857,634 |
| Cash Balance, December 31 | 14,342,996 | 19,996,869 | 25,458,320 |

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 50% of all waterborne freight entering the State, and 90% 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 Municipality of Anchorage is the Grantee of 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.

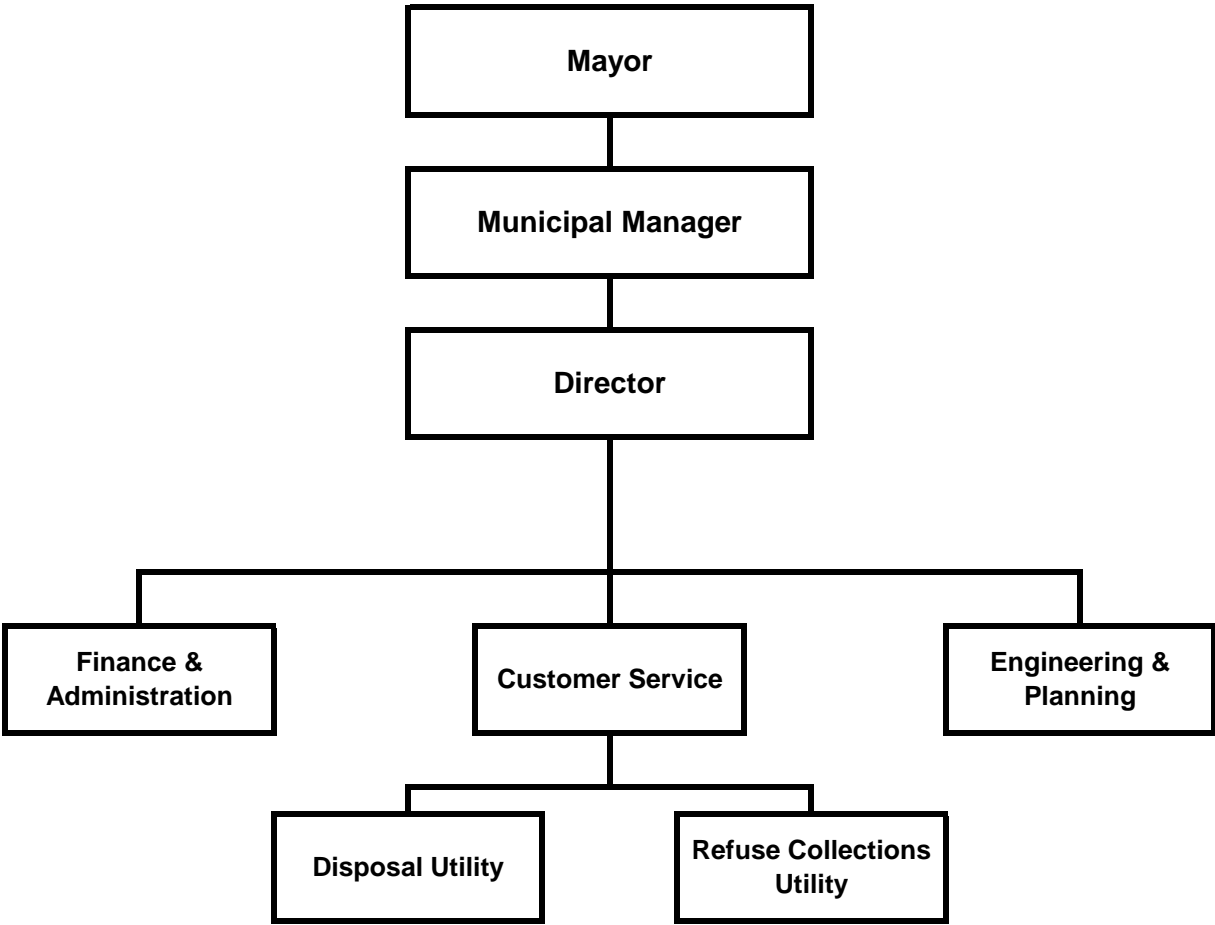
Environmental Mandates

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. The Port area was also granted a categorical exclusion from Cook Inlet Beluga Whale critical habitat for reasons of its strategic importance to the Department of Defense and the State.

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

The Municipality of Anchorage's (MOA) Solid Waste Services Department (SWS), comprised of the Refuse Collection Utility (RCU) and Solid Waste Disposal Utility (SWDU), 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 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 the RCU and SWDU's, SWS has three additional operating divisions: Engineering & Planning; 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 (SWRAC) providing an overview of strategies, operating plans and budgets, along with offering input on solid waste issues, ordinances and policies.

Refuse Collection Utility

The RCU provides both residential and commercial service to the former City of Anchorage service area. The RCU has recently converted its customers to automated operations. There are approximately 200 customers which still receive manual can and bag pickup. This change is expected to be complete by 2017.

Commercial refuse collection consists of seven routes serviced Monday through Friday and four additional routes serviced on Saturdays. This equates to the servicing of over 5,000 dumpsters on a weekly basis. All commercial refuse collected is unloaded at the Central Transfer Station (CTS).

Residential refuse collection consists of 11 routes serviced Monday through Friday for over 10,000 customers. All residential refuse is collected and unloaded at CTS. Curbside Recycling is performed by two routes that service over 9,500 customers weekly. Mixed paper and cardboard recycling collection is also provided to more than 50 municipal offices on a weekly, bi-weekly, and monthly basis. All recycling is transported and unloaded at the Anchorage Recycling Center (ARC) and pays a recycling tipping fee.

All refuse and recycling collection activities are currently performed by 27 full time employees. The RCU fleet consists of: 10, 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. RCU vehicle maintenance employees repair and maintain this fleet within a warm storage facility located at the CTS. RCU employees are members of the Teamster's union with the vehicle maintenance employees being part of the International Brotherhood of Electrical Workers. All operators are required to participate in a pre-route safety-operations briefing, and daily Department of Transportation (DOT) required pre-shift and post-shift vehicle inspections.

Solid Waste Disposal Utility

The main function of the SWDU is to dispose of household and commercial refuse generated in the MOA. The refuse is brought to three locations: Girdwood Transfer Station (GTS); CTS; and, the Anchorage Regional Landfill (ARL). The SWDU has an extensive fleet of specialized equipment for the disposal of refuse that is maintained, operated and supported by highly skilled and trained staff.

GTS receives 750 tons of refuse annually. GTS has a paved area where solid waste is discarded into an enclosure containing a 120 cubic yard trailer for transfer to CTS. GTS accepts used oil and batteries from customers and these items are picked up by SWS's Household Hazardous Waste (HHW) contractors for proper disposal, recycling, or for reuse.

CTS is located between the old and new Seward Highways on 56th Avenue. Solid waste disposed of at CTS is transferred by SWS tractors pulling 120 cubic yard open top trailers, to ARL. An average of 800 tons per day of solid waste is transferred from CTS to ARL. CTS also has an HHW disposal location and accepts residential used oil, batteries and appliances that are picked up by contractors for proper disposal, recycling, or for reuse. Customers can drop off small quantities (less than 220 pounds per month) of unregulated hazardous waste not allowed to be disposed of at ARL. A total of 25 SWS operators perform the various duties and operations associated with CTS.

ARL is located near the intersection of the Glenn Highway and Hiland Road and is a 275-acre, award-winning, subtitle D landfill that typically processes approximately 1,200 tons of refuse daily. Currently, nine cells are constructed, with a total of 12 cells to be developed. Every day solid waste is compacted and then covered with soil 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 collected and transported in pipelines at the bottom of the landfill to collection lagoons for pre-treatment by aeration to increase the oxygen levels at ARL. On average, three specially designed leachate tankers transport and dispose of 25M-gallons per year at the Anchorage Water & Wastewater Utility's Turpin Road dump station. 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. Located within a warm storage facility located at ARL, vehicle maintenance employees repair and maintain heavy equipment and SWDU vehicles. A total of 26 SWS operators and mechanics perform the various duties and operations associated with ARL. The main HHW facility is located at ARL and is operated by a contractor that serves the residential and small business customers.

In 2008, the SWDU established the MOA's recycling program which has seen increasing success. City-wide recycling has increased and trash disposed at the landfill has gone down decreased thus extending the life of the landfill. Funded from a recycling surcharge, the program promotes recycling and the recycling industry. One fulltime recycling coordinator answers public inquiries, and, in coordination with private and non-profit partners, prepares educational media (including social media) campaigns and events related to recycling throughout the MOA. 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 their facilities. Recycling within the MOA is further supported through a grant for Christmas tree recycling, and a grant to offset the Port of Anchorage wharfage fees that the ARC 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.

Engineering and Planning

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

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

The division is responsible for the planning, design and management of construction activities related to landfill expansion, LFG collection system expansion and maintenance, and landfill closure projects. 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 \$56M of closure construction work, and \$28M (both in 2015 dollars) of post closure care costs that will be conducted over a period of 30 years following the closure of ARL.

As SWS facilities age (many are over 30-years old), the division is responsible for the procurement of services for major repair and maintenance activities. These activities include periodic reconstruction of the CTS tipping floor, paving of roads and work areas at ARL, and rehabilitation of landfill gas and leachate wells and piping systems.

The division provides technical support to the SWDU ARL staff to improve landfill operations and maximize airspace utilization. The division helps re-engineer outer landfill slopes which recovers valuable landfill airspace and regularly 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.

The LFG collection system currently supplies Doyon Utilities (DU) with gas to power turbines that provide power to Joint Base Elmendorf-Richardson. LFG activities at ARL include daily checks of key operating parameters, as well as routine maintenance of LFG well heads and monitoring equipment. The system currently requires a bi-weekly check and rebalancing of over 58 current gas collection points to optimize the efficiency of the gas collection system while maximizing the gas output delivered to DU.

The division is responsible for compliance with environmental regulations at ARL as well as three closed landfill sites. All sites have groundwater monitoring and reporting requirements, as well as solid waste permit compliance 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. ARL 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 (ADEC). In addition to specific operating requirements, these permits require numerous inspections, as well as documentation and reporting requirements. Because ARL 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 ARL CTS have Storm Water Pollution Prevention Plans approved by ADEC which have regular inspection, monitoring, sampling, and reporting requirements.

Customer Service

The Customer Service Division has two work groups; the Customer Service Call Center/Administration; and, the Scale house/Cash Booth. Both work groups, totaling 18 employees, are managed by one Senior Administrative Officer.

Customer Service Call Center/Administration

This work group is based out of the SWS Administration Building located at 1111 East 54th Avenue. This office is staffed with one Senior Administrative Officer, one Junior Administrative Officer, one Collector, one Code Enforcement Officer and three Account Representative III's. The SWS call center staff answer up to 160 calls per day and also maintain the SWS customer information system, which allows the invoicing of up to 12,350 customers monthly. These customers account on average more than \$2.1M in payments monthly to their accounts.

The SWS Code Enforcement officer ensures compliance within the SWS mandatory service area by actively facilitating corrective action in accordance to AMC's 14, 15, 21.07 and 26; while handling all in-house collections efforts for accounts that are 31 to 90 days past due. Once these accounts reach 90 days past due, they are transferred to the MOA third party collections company for further collective action.

Scale house and Cash Booth

The 12 employees of the Scale house and Cash Booth work group operate both the scale houses and cash booths at CTS, ARL, and GTS. Operating hours and days of operation vary by location, but overall this work group operates 363 days a year, including all MOA holidays except Christmas and New Year's Day. Opening shifts begin as early as 6 A.M. for the staff opening CTS, closers are often on duty until approximately 6 P.M.

This group are the smiling faces that greet both the residential and commercial disposal customers as they visit our disposal locations. These employees screen the customer's load prior to disposal, kindly educate many on safe disposal practices, enforce compliance with AMC and State Laws regarding litter prevention and the assessing of fees, and help monitor safety compliance. These team members assist over a quarter of a million customers that visit our facilities each year.

Administration

The Administration division provides support to all SWS employees. It is responsible for IT assistance, Safety, Finance & Accounting, Purchasing, Accounts Payable, as well as human

resources, labor relations, security, code enforcement, facility maintenance, and vehicle parts inventory functions.

The IT staff at SWS helps manage all the technology and computer systems that track loads, weights, customer accounts receivable, billing, revenues, as well as the upload of SWS data into MOA accounting systems. This group also researches, evaluates, and implements existing and emerging technologies when deemed necessary, fiscally responsible, and/or becomes critical to operations. IT staff are in the process of completing the implementation of an integrated on-board computer system for RCU vehicles which will improve customer service, efficiency and route optimization.

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. The Safety Officer inspects buildings, projects, equipment, operating practices and working conditions for compliance with various MOA, 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 SWS, including the accounting for revenues and expenses, the preparation of budgets, asset management, capital expenditures, as well as providing financial reports. 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 MOA departments. Two employees process all accounts payable for SWS. 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 SWRAC.

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 MOA in a way that is economical and environmentally responsible.

Services

The Refuse Collection Utility (RCU) 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 customers of the RCU service area. The RCU provides three types of service: commercial dumpster; automated roll cart service; and, can and bag service.

The Solid Waste Disposal Utility (SWDU) 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 SWS from Central Transfer Station (CTS) to Anchorage Regional Landfill (ARL) for final disposal.

Business Goals

- Provide exceptional customer service for an equitable cost to the customer.
- Ensure facilities are safe for customers and SWS 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

SWS's strategic plan provides a framework to achieve results for customers.

RCU

1. Reduce refuse volumes by promoting waste reduction and increased curbside recycling diversion.
2. Reduce injuries associated with residential refuse collection.

SWDU

1. Optimize solid waste transfer truck utilization.

Performance Measures to Track Progress in Achieving Goals

Solid Waste Services measures progress in achieving these goals using sets of quantifiable performance measures.

RCU

1. Percent change in recyclable material diverted from the residential waste stream.
2. Percent change in worker injuries.

SWDU

1. Solid waste transfer truck payload weight.
2. Transfer Loads per driver shift.

Solid Waste Disposal Utility

Mission

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

Core Services

- Operate 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

The following graph provides actual average payloads by month from January 2012 through June 2016.

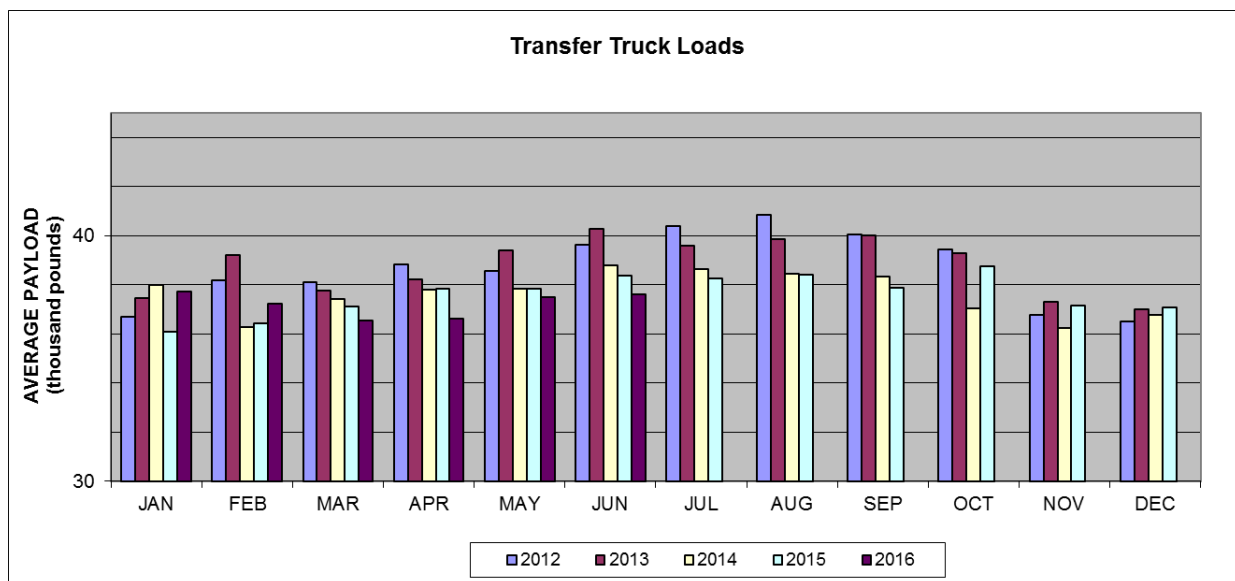


Table 1. Payload Data 2015 – 2016

| <u>MONTH</u> | <u>AVERAGE WEIGHT</u> | <u>EXCEEDING TARGET</u> | <u>EXCEEDING TARGET (+/- 5%)</u> |
|---------------------|----------------------------------|------------------------------------|---|
| APR-15 | 37,851 | 81% | 94% |
| MAY-15 | 37,826 | 49% | 81% |
| JUN-15 | 38,392 | 56% | 85% |
| JUL-15 | 38,251 | 56% | 84% |
| AUG-15 | 38,421 | 59% | 87% |
| SEP-15 | 37,686 | 49% | 80% |
| OCT-15 | 38,756 | 67% | 89% |
| NOV-15 | 37,148 | 69% | 87% |
| DEC-15 | 37,062 | 66% | 87% |
| JAN-15 | 37,742 | 77% | 92% |
| FEB-15 | 37,233 | 72% | 88% |
| MAR-15 | 36,549 | 61% | 86% |
| APR-15 | 36,628 | 79% | 85% |
| MAY-15 | 37,502 | 45% | 76% |
| JUN-15 | 37,605 | 45% | 78% |

Table 2. Loads per Driver Shift Data 2015 – 2016

| <u>MONTH</u> | <u>SHIFTS \geq 5 LOADS</u> | <u>SHIFTS \geq 4 LOADS</u> |
|---------------------|--|--|
| APR-15 | 32% | 90% |
| MAY-15 | 63% | 96% |
| JUN-15 | 78% | 97% |
| JUL-15 | 72% | 91% |
| AUG-15 | 79% | 97% |
| SEP-15 | 65% | 96% |
| OCT-15 | 63% | 93% |
| NOV-15 | 36% | 86% |
| DEC-15 | 36% | 91% |
| JAN-16 | 26% | 81% |
| FEB-16 | 23% | 80% |
| MAR-16 | 30% | 85% |
| APR-16 | 70% | 97% |
| MAY-16 | 80% | 96% |
| JUN-16 | 72% | 92% |

Measure: Average transfer payload rate.**Type**

Efficiency

Accomplishment Goal Supported

Maximization of fleet utilization by ensuring that all transfer loads meet load targets (38,000 lbs in summer; 36,000 lbs in winter) whenever possible and that drivers ideally make five trips per day to the landfill.

Definition

This measure will improve utilization of the transfer fleet. Significant deviation from this measure may be an indication that the fleet is under-utilized or over-staffed.

Data Collection Method

All transfer trucks are weighed upon arrival at ARL. Truck number, driver identification, load weight and origin are recorded into our automated scale house database for each truck.

Frequency

Measurement is made for every truckload hauled to ARL. A summary report is produced on a weekly basis showing each load, by driver, by day.

Measured By

Weights are measured by the commercial scales at ARL which are certified for commerce by the State of Alaska. Truck number and driver identification are entered by the scale house staff, but weights are recorded directly from the scale to the database.

Reporting

A weekly report is prepared by the SWS IT group which summarizes the loads by driver, weight and day. Total loads and truck count are recorded in an Excel spread sheet which summarizes the sources of all loads entering the landfill by day, day of week, month and year.

Used

Data is used by the Director and Disposal Superintendent and Transfer Station General Foreman to schedule staffing and shifts and make decisions on fleet size and vehicle replacement.

Explanatory Information

Approximately 70 percent of all solid waste processed by the SWDU is received at CENTREAL TRANSFER STATION and then transported by our transfer fleet to ARL. Operation of our transfer fleet is one of the more costly operational activities of the utility. Each day, SWS processes an average of 800 tons of garbage through CENTREAL TRANSFER STATION. SWS operates a fleet of transfer trailers, each with a capacity of 120 cubic yards (cy). A trailer can carry a maximum payload of between 38,000 and 42,000 pounds depending on the vehicle weight. Actual payloads are often less than that, and depend on the

amount, type and condition of garbage received. Payloads are also further reduced when load restrictions are in force during spring thaw.

There are no national standards for transfer operations as each transfer station represents a unique combination of transfer equipment, haul distance and local garbage characteristics. SWS has tracked transfer operations since the inception of ARL. Our general goal for weekday operations is 38,000 pounds of payload per trailer in summer and 36,000 pounds in winter (November through April).

The optimal material for waste transfer operations is municipal solid waste from commercially collected residential and commercial garbage routes. These loads are soft, compressible and generally free of oversized materials. Loads of this material only could exceed the allowable axle load limits before reaching the volume capacity of the trailer. When frozen, the efficiency of packing these materials is reduced as the garbage tends to take on a more rigid structure. Loads tend to fill the trailer volume at between 36,000 pounds and 38,000 pounds in winter.

Loads containing construction and demolition debris, fabrication and warehouse wastes and loads hauled by individual homeowners and businesses tend to contain bulky objects and materials which do not pack well into the transfer trailers. Refuse received on Saturdays generally contains a much higher percentage of these less-optimal wastes due to the large number of residential users. Consequently load efficiencies on these days are significantly decreased and highly variable.

The time to load, unload and travel round trip between the CTS and landfill is approximately 105 minutes. On an ideal shift, a driver can make five round trips, including vehicle fueling, safety inspections and contract defined breaks. Traffic, tire maintenance, mechanical maintenance, wait times entering the landfill and timing of garbage arrival can reduce the number of trips per shift. While five trips is the optimal goal, four trips are considered common.

Refuse Collections Utility

Mission

Provide solid waste collection and disposal service to rate-paying customers within our defined service area.

Core Services

- Provide dumpster service to commercial and multifamily residential customers.
- Provide automated garbage and curbside recycle collection and disposal to residential customers.
- Provide manual garbage collection to residential customers not serviced by automated routes

Accomplishment Goals

- Reduce refuse disposal volumes by promoting waste reduction and increased curbside recycling diversion.
- Reduce injuries associated with residential refuse collection.

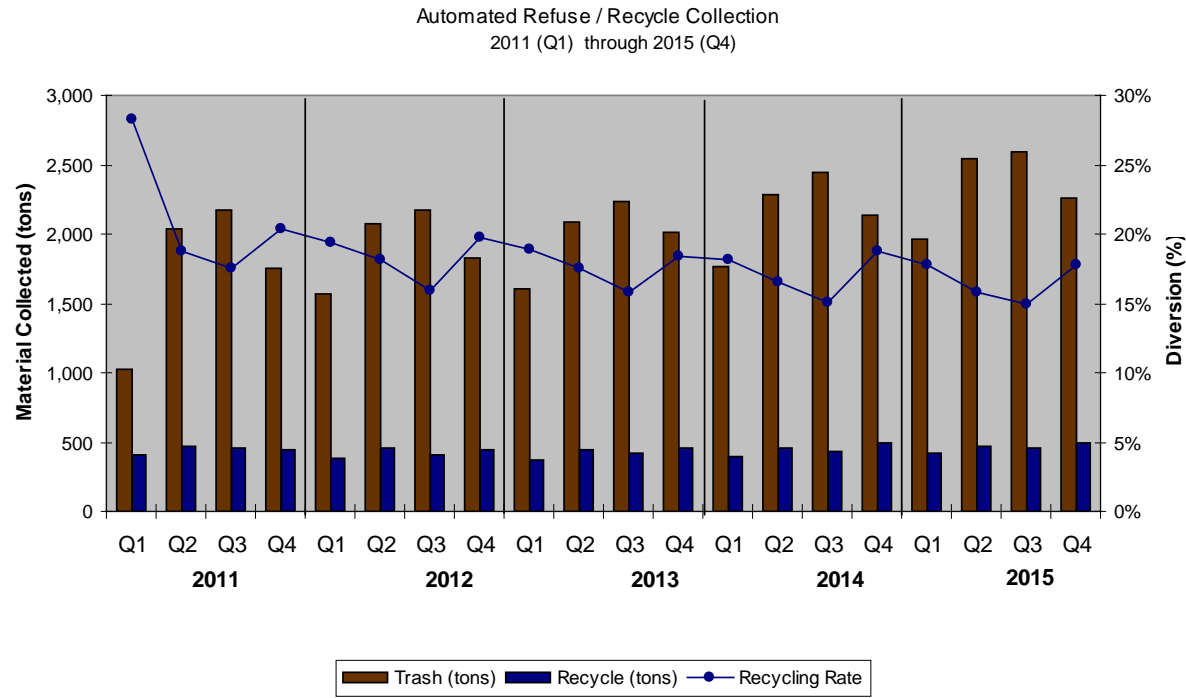
Performance Measures

Progress in achieving these goals will be measured by:

- Percent change in recyclable material diversion from the residential waste stream.
- Percent change in worker injuries

The following provides actual data from previous years which quantify these measures:

Waste and Recycle Tonnage



Workers Comp Losses 2011 - 2015
Municipal Refuse Collection Utility

As of 31 December 2015

| Service Type | Injury Type | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | |
|-----------------------|-------------------|-----------|----------|-----------|-----------|-----------|----------|-----------|---------|-----------|--------|
| | | Incidents | Losses | Incidents | Losses | Incidents | Losses | Incidents | Losses | Incidents | Losses |
| Manual Residential | TLI MO / RO | 1 | \$17,771 | 3 | \$126,687 | 0 | \$0 | 1 | \$1,802 | 0 | \$0 |
| | | 1 | \$98 | 3 | \$2,426 | 2 | \$81 | 1 | \$173 | 0 | \$0 |
| Automated Residential | TLI MO / RO | 0 | \$0 | 0 | \$0 | 3 | \$52,992 | 0 | \$0 | 0 | \$0 |
| | | 1 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| Commercial | TLI MO / RO | 0 | \$0 | 0 | \$0 | 0 | \$0 | 1 | \$3,490 | 0 | \$0 |
| | | 0 | \$0 | 7 | \$3,246 | 2 | \$154 | 1 | \$552 | 1 | \$0 |
| Vehicle Maintenance | TLI MO / RO | 0 | \$0 | 0 | \$0 | 1 | \$5,473 | 0 | \$0 | 0 | \$0 |
| | | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 1 | \$0 |
| Other | TLI MO / RO | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| | | 4 | \$2,806 | 0 | \$0 | 1 | \$1,379 | 1 | \$0 | 1 | \$0 |
| Total | TLI MO / RO | 1 | \$17,771 | 3 | \$126,687 | 4 | \$58,465 | 2 | \$5,292 | 0 | \$0 |
| | | 6 | \$2,904 | 10 | \$5,672 | 5 | \$1,614 | 3 | \$725 | 4 | \$0 |

Total: \$0

TLI = Time lost incident

MO = Incident required medical attention but no lost time

RO = Incident required no medical attention or lost time

**Performance Measures Methodology Sheet
Refuse Collection Utility**

| |
|---|
| Measure: Improved safety for Refuse Collection Workers |
|---|

Type

Effectiveness

Accomplishment Goal Supported

Reduce injuries for Refuse Collection Workers

Definition

SWS will provide fleet improvements and training to all RCU staff to improve operational safety of this group. We will track costs and lost time associated with worker injuries by operational activity.

Data Collection Method

All accident and injury related data is reported to and compiled by the Municipal Risk Manager's office in accordance with Municipal policies and procedures and Occupational Health and Safety Administration (OSHA) requirements.

Frequency

Data is collected on a per incident basis.

Measured By

Injuries and incidents are measured and reported per OSHA standard reporting requirements.

Reporting

The MOA Risk Management department provides monthly reports which detail losses by month and year-to-date. The SWS Safety Officer attributes incidents to job-specific activities.

Used

Data is used by the SWS Safety Officer and Director to identify high risk activities, perform job safety analyses, and develop training and safety system adjustments to focus on reducing incidents.

Explanatory Information

In 2008 SWS began implementation of automated refuse collection for residential customers. Currently 99% of all residential trash is collected by automated equipment.

Performance Measures Methodology Sheet Refuse Collection Utility

Measure: Increase curbside recycle diversion

Type

Effectiveness

Accomplishment Goal Supported

Achieve an overall recycle diversion rate of 20 percent for all residential customers.

Definition

RCU currently diverts between 16 percent and 20 percent of the waste stream from residential customers to recycle markets. We currently service greater than 98 percent of our customers on automated routes, with all residential refuse collection routes automated. Increasing diversion of recyclables reduces our operating costs.

Data Collection Method

All refuse and recycle loads are weighed by commercial scales at the Central Transfer Station. The diversion rate is calculated as the percentage of materials delivered to the recycle center out of all materials collected by the residential collection trucks. Customer participation is currently measured solely by subscription rate. SWS is evaluating means of estimating actual household participation by other measures, such as lift arm cycles on the recycle collection vehicles.

Frequency

All vehicles are weighed prior to unloading. Weights are automatically entered into our load management system, with scale house staff entering vehicle numbers on the weight transaction. Lift arms have an on-board cycle counter. Route drivers would record the beginning and ending count on the cycle counter for every shift.

Measured By

Weights are measured using the SWS commercial scales. Load counter data are recorded by route drivers on their daily route sheets. Diversion rate is calculated as the ration of tonnage diverted to total tonnage collected.

Reporting

Weight and arm cycle data are provided to the SWS Recycling Coordinator who reviews the data and calculates the diversion rates and household participation.

Used

Data is used by SWS to budget for disposal and recycle processing costs. Diversion and participation rates can be used to focus educational materials and customer outreach to better promote the program.

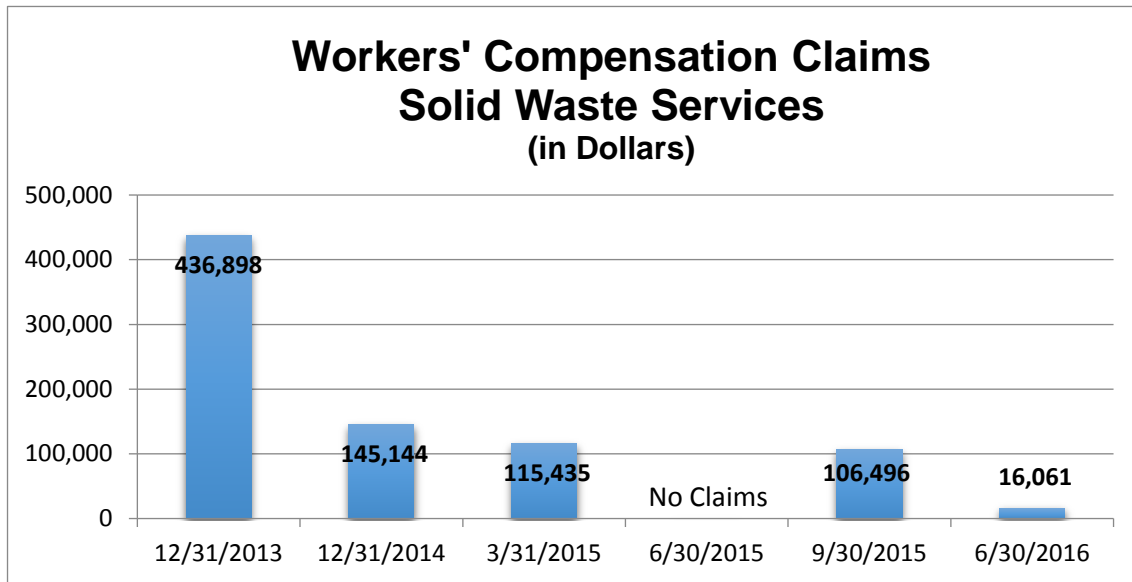
Explanatory Information

The automated refuse collection program includes a voluntary curbside recycling program which is provided to the customers at no additional charge. Source reduction and diversion of recyclables extends the life of the landfill. The RCU realizes a savings for each ton of recyclable materials diverted. The cost to dispose of refuse delivered to the CTS is \$68/ton whereas the cost to process recycled materials is currently \$60/ton.

| |
|--|
| 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 2017 budget, the Disposal Utility 2017 total budget is projected at \$22,426,121 compared to the 2016 Revised Budget of \$22,047,638 and the 2015 Pro-forma of \$20,873,294. The 2017 budget is 1.7% higher than the 2016 Revised Budget. This increase is due primarily to a contractual increase in salaries and benefits. The labor increase has been mostly offset by the reduction of the non-cash item, landfill closure costs. While the 2015 Care and Closure Estimate was utilized for the accruals in 2015, it was also determined the accrual formula did not accurately reflect the life expectancy of the landfill. With less tonnage being received and the extended life of the landfill, the annual accrual recognized has been considerably reduced.

The two items in the budget that are not appropriated by the Assembly are the non-cash items, depreciation and landfill closure expense, totaling \$5,787,910. Depreciation expense is projected at \$4,487,910 and the estimated landfill closure cost is \$1,300,000. Although the budget appropriation excludes non-cash items, both depreciation and landfill closure costs are included in the utility's financial statements.

Removing the \$5,787,910 of non-cash items from the total budget of \$22,426,121, results in a 2017 appropriation budget of \$16,638,211, a 6.3% increase over the 2016 Revised Budget (without non-cash items).

Total revenue for 2017 is projected at \$22,516,080, compared to the 2016 Revised Budget revenue of \$22,856,780. It is 1.5% lower than 2016 and reflects the Anchorage Economic Development Corporation's forecast of fewer demolition projects occurring throughout Anchorage. This is translated to less tonnage being moved to the landfill.

Net income of \$89,959 is forecast for 2017. With the higher anticipated expenses and less tonnage being received, an additional rate increase will likely be required in the very near future.

With a capital budget of \$5.44 million, the 2017 capital projects include several ARL replacement items with new technologies, and landfill equipment as well as replacing infrastructure.

Refuse Collection

To compare prior years to the Refuse Collection 2017 budget, the Refuse Collection's total operating budget is \$10,181,743. The 2015 pro forma was \$11,441,672, and the 2016 Revised Budget is \$10,120,668. The 2017 budget is 0.6% lower than the 2016 Revised Budget. There are two major areas effecting the Refuse Collection Budget. While there is a major increase of labor expenses due to contractual agreements, this is offset by the non-cash item of depreciation. Many Refuse Collection vehicles are ending their life expectancy and will need to be replaced in the near future.

The Refuse Collection budget authorization figure will exclude \$1,004,500 of depreciation. Although the budget appropriation excludes non-cash items, depreciation will be included in the utility's financial statements.

Removing the \$1,004,500 of depreciation from the total budget of \$10,181,743 results in a 2017 appropriation budget of \$9,177,243, 3.88% less more than the 2016 Revised Budget (without depreciation).

Total revenue for 2017 is projected at \$11,230,500, compared to the 2016 Revised Revenue of \$11,353,244, a 1.09% decrease. This indicates Solid Waste Services decision to delay its commercial recycling and roll-off services until sometime in the future. Without a rate increase revenues are expected to be relatively stable into the future.

The estimated Refuse Collection net income is \$1,048,757 and a capital budget of \$2.18 million is proposed. Capital expenses include the purchase of two automated side loader vehicles, two front loaders, building improvements, as well as dumpsters and roll-off cans for solid waste customers.

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Solid Waste Services External Impacts

Disposal

SWS is scheduled to construct two new landfill cells at the ARL before the end of 2020. SWS anticipates using State of Alaska Clean Water Loans with a low interest rate and 20-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 \$22M, with potential loan amounts estimated at \$21M to cover those costs.

The landfill gas (LFG) to Energy project came into commercial operation in 2013. Revenue to the SWDU derived from the sale of landfill gas to Doyon Utilities (DU) 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 MOA and Eklutna, Inc. are currently in litigation over potential revenue sharing from this project.

Currently DU Inc. holds an air quality permit which will allow continuous operation of up to six generating units at the LFG power plant on Joint Base Elmendorf-Richardson (JBER). The power plant currently operates five generating units, producing seven MW of power. In the summer months, power usage at Fort Richardson decreases below this capacity in off-peak hours. Because of the lower demand, one generating unit is shut down on evenings and weekends, resulting in decreased landfill gas consumption, seasonally. Currently, there is no energy integration between the Fort 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 MOA. SWS is in the process of implementing 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 ARL.

Since 1994 SWS has stored gravel generated from cell development activities on Fort Richardson land, initially by informal agreement. Off site storage of this material has significant implications to the efficient development and operation of the landfill site. SWS currently has over 4M-cy 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 to Anchorage Water & Wastewater Utility's (AWWU) wastewater collection system. SWS hauls the leachate from the landfill to AWWU's Turpin Street septic hauler station. In recent years, SWS has hauled over 25M-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 is in the process of initiating

design activities for a pipeline to allow direct discharge to the AWWU system. This system would pay for itself in less than seven years but has numerous political hurdles.

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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Refuse Collection | 26 | 26 | 26 | 27 | 27 | 27 | 27 | 27 |
| Disposal | 53 | 53 | 51 | 51 | 51 | 51 | 51 | 51 |
| Administration | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Total Full Time | 99 | 99 | 97 | 98 | 98 | 98 | 98 | 98 |
| Part time/Temp | 4 | 4 | 6 | 6 | 6 | 6 | 6 | 6 |
| Seasonal | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Total Positions | 110 | 110 | 110 | 111 | 111 | 111 | 111 | 111 |
| Total FTE | 108 | 108 | 107.6 | 107.6 | 107.6 | 107.6 | 107.6 | 107.6 |

2015 and 2016 values stated are historical budgeted positions and FTEs.

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

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Financial Overview | Actuals | Proforma | Proposed | | | Forecast | | |
| Revenues | 23,012 | 24,347 | 22,516 | 22,966 | 23,426 | 23,894 | 24,372 | 24,859 |
| Expenses | 22,522 | 20,220 | 23,441 | 23,675 | 23,912 | 24,151 | 24,393 | 24,637 |
| Net Income (Loss) | 490 | 4,127 | (925) | (709) | (487) | (257) | (21) | 223 |
| Budgeted Positions | 63(83) | 63(83) | 56(83) | 56(83) | 56(83) | 56(83) | 56(83) | 56(83) |
| Capital Improvement Program | 3,580 | 3,180 | 5,440 | 14,672 | 3,120 | 5,765 | 14,912 | 2,065 |
| Bond Sales/ New Debt | 6,523 | - | - | 11,807 | - | - | 10,872 | - |
| Net Plant (12/31) | 68,510 | 63,901 | 64,854 | 67,190 | 69,526 | 75,529 | 82,985 | 85,050 |
| Utility Revenue Distribution | - | - | 1,143 | 1,126 | 1,148 | 1,171 | 1,195 | 1,219 |
| Net Assets (12/31) | 56,860 | 60,987 | 60,062 | 59,353 | 58,866 | 58,609 | 58,589 | 58,811 |
| Unrestricted Net Assets | 53,844 | 57,971 | 57,046 | 56,337 | 55,850 | 55,593 | 55,573 | 55,795 |
| General /Construction Cash Pool | 6,259 | 8,851 | 5,222 | 8,709 | 2,995 | (5,373) | (1,132) | (5,670) |
| Landfill Closure Cash Reserve** | 31,101 | 32,479 | 33,779 | 34,923 | 36,888 | 38,853 | 40,818 | 41,818 |
| Total Cash | 37,360 | 41,330 | 39,001 | 43,632 | 39,883 | 33,480 | 39,686 | 36,148 |
| **In 2008, a restricted account to fund landfill closure & post-closure was approved by the MOA Assembly. | | | | | | | | |
| IGC's - General Government | 2,211 | 2,122 | 2,667 | 2,774 | 2,885 | 3,000 | 3,120 | 3,245 |
| MUSA - 1.25% | 246 | 288 | 304 | 281 | 287 | 293 | 299 | 305 |
| MUSA - Regular | 701 | 824 | 908 | 941 | 973 | 1,057 | 1,162 | 1,191 |
| Total Outstanding Debt | 17,786 | 15,741 | 14,254 | 24,574 | 22,880 | 21,193 | 19,754 | 18,515 |
| Total Annual Debt Service | 2,242 | 2,303 | 1,745 | 2,100 | 2,078 | 2,056 | 1,586 | 1,570 |
| Debt Coverage | 0.22 | 1.79 | (0.53) | (0.34) | (0.23) | (0.13) | (0.01) | 0.14 |
| Debt/Equity Ratio | 21/67 | 18/67 | 16/67 | 28/67 | 26/67 | 24/67 | 23/67 | 21/67 |
| 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/\$69 | \$58/\$68 |
| 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 | 284,050 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 |
| Vehicle Count | 242,376 | 242,376 | 242,376 | 242,376 | 242,376 | 242,376 | 242,376 | 242,376 |

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

| | 2015 Actuals | 2016 Proforma | 2016 Approved | 16 v 17 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|---------------------|
| Operating Revenue | | | | | | |
| Landfill Disposal Fees | 18,888,106 | 19,836,876 | 19,220,405 | - | 19,220,405 | 0.0% |
| Hazardous Waste Fees | 414,194 | 894,226 | 248,000 | (63,000) | 185,000 | -25.4% |
| Community Recycling Residential | 160,319 | 175,413 | 125,700 | 39,300 | 165,000 | 31.3% |
| Community Recycling Comercial | 381,369 | 449,942 | 390,000 | 10,000 | 400,000 | 2.6% |
| Landfill Methane Gas Sales | 2,337,599 | 1,408,316 | 1,950,000 | (250,000) | 1,700,000 | -12.8% |
| Recycle Rebate | - | - | - | - | - | 0.0% |
| Reimbursed Costs | 235,057 | 29,425 | 200,000 | (160,000) | 40,000 | -80.0% |
| Unsecured Loads | 16,800 | 15,817 | 15,000 | - | 15,000 | 0.0% |
| Other | 100,045 | 200,883 | 5,000 | 98,000 | 103,000 | 1960.0% |
| Total Operating Revenue | 22,533,489 | 23,010,898 | 22,154,105 | (325,700) | 21,828,405 | -1.5% |
| Non Operating Revenue | | | | | | |
| Misc. non-operating Revenue | 68,277 | 18,559 | 140,000 | - | 140,000 | 0.0% |
| Interest from cash pool | 402,601 | 687,633 | 422,675 | - | 422,675 | 0.0% |
| Unrealized Gains/Losses | (140,960) | 594,606 | 100,000 | - | 100,000 | 0.0% |
| Other Property Sales/Diposition of Assets | 149,000 | 36,049 | 40,000 | (15,000) | 25,000 | -37.5% |
| Capital Contributions/Grant Revenue | - | - | - | - | - | - |
| Total Non Operating Revenue | 478,918 | 1,336,847 | 702,675 | (15,000) | 687,675 | -2.1% |
| Total Revenue | 23,012,408 | 24,347,745 | 22,856,780 | (340,700) | 22,516,080 | -1.5% |
| Operating Expenses | | | | | | |
| Labor | | | | | | |
| Labor and Benefits | 5,765,813 | 6,124,857 | 5,790,478 | 229,085 | 6,019,563 | 4.0% |
| Overtime | 339,874 | 417,430 | 519,792 | (104,792) | 415,000 | -20.2% |
| Total Labor | 6,105,687 | 6,542,287 | 6,310,270 | 124,293 | 6,434,563 | 2.0% |
| Non Labor | | | | | | |
| Non Labor | 5,156,832 | 4,466,530 | 5,554,222 | 378,347 | 5,932,569 | 6.8% |
| Travel | 6,032 | 1,392 | 5,000 | 1,700 | 6,700 | 34.0% |
| Landfill Closure Costs | 4,037,769 | 1,378,118 | 1,964,896 | (664,896) | 1,300,000 | -33.8% |
| Debt Service | 183,124 | 258,033 | 265,753 | (7,753) | 258,000 | -2.9% |
| Depreciation and Amoritzation | 3,874,708 | 4,339,578 | 4,428,041 | 59,869 | 4,487,910 | 1.4% |
| Dividend Distribution | - | - | - | 1,142,839 | 1,142,839 | 100.0% |
| MUSA | 947,020 | 1,112,038 | 951,201 | 260,799 | 1,212,000 | 27.4% |
| Total Non Labor | 14,205,484 | 11,555,690 | 13,169,113 | 1,170,905 | 14,340,018 | 8.9% |
| Total Direct Cost | 20,311,171 | 18,097,977 | 19,479,383 | 1,295,198 | 20,774,581 | 6.6% |
| Charges from other departments | 2,211,009 | 2,122,296 | 2,568,255 | 98,503 | 2,666,758 | 3.8% |
| Total Operating Expense | 22,522,180 | 20,220,272 | 22,047,638 | 1,393,701 | 23,441,339 | 6.3% |
| Interest during Construction | - | - | - | - | - | 0.0% |
| Total Non Operating Expense | - | - | - | - | - | 0.0% |
| Total Expenses (Function Cost) | 22,522,180 | 20,220,272 | 22,047,638 | 1,393,701 | 23,441,339 | 6.3% |
| Net Income | 490,228 | 4,127,472 | 809,142 | (1,734,401) | (925,259) | -214.4% |
| Appropriation | | | | | | |
| Total Expenses | | | 22,047,638 | 1,393,701 | 23,441,339 | |
| Less: Non Cash items | | | | | | |
| Landfill Care and Closure | | | 1,964,896 | (664,896) | 1,300,000 | |
| Depreciation and Amortization | | | 4,428,041 | 59,869 | 4,487,910 | |
| Total Non Cash | | | 6,392,937 | (605,027) | 5,787,910 | |
| Amount to be Appropriated (Cash Expenses) | | | 15,654,701 | 1,998,728 | 17,653,429 | |

Solid Waste Services - Disposal

Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|-------------------|-----------|----------|----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 22,047,638 | 53 | 4 | 6 |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Non labor - contractual increases | 103,347 | - | - | - |
| - Additional Travel for Training | 1,700 | - | - | - |
| - Decrease in Landfill Closure Accrual | (664,896) | - | - | - |
| - Adjust Debt Service | (7,753) | - | - | - |
| - Depreciation and amortization | 59,869 | - | - | - |
| - Dividend Distribution | 1,142,839 | - | - | - |
| - Adjust MUSA | 260,799 | - | - | - |
| - Charges from Other Departments | 98,503 | - | - | - |
| 2017 Continuation Level | 23,042,046 | 53 | 4 | 6 |
| 2017 Proposed Budget Changes | | | | |
| - Salary and benefits adjustments* | 124,293 | (2) | (4) | (1) |
| - Master/Strategic Plan for Department | 50,000 | - | - | - |
| - Additional Well Monitoring Contract for Landfill | 225,000 | - | - | - |
| 2017 Proposed Budget | 23,441,339 | 51 | - | 5 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation and amortization | (4,487,910) | - | - | - |
| - Landfill Care and Closure | (1,300,000) | - | - | - |
| 2017 Proposed Budget (Appropriation) | 17,653,429 | 51 | - | 5 |

*Position changes due to alignment of Customer Service that belongs in Administration.

Solid Waste Services - Disposal
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|
| ARL Improvements | 675 | 11,807 | 1,250 | - | 10,872 | - | 24,604 |
| CTS Improvements | 1,500 | - | - | - | - | - | 1,500 |
| Equipment & Vehicles | 3,125 | 2,835 | 1,840 | 5,735 | 4,010 | 2,035 | 19,580 |
| Girdwood Improvements | 55 | - | - | - | - | - | 55 |
| Office Equipment & Technology | 85 | 30 | 30 | 30 | 30 | 30 | 235 |
| Total | 5,440 | 14,672 | 3,120 | 5,765 | 14,912 | 2,065 | 45,974 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|
| Clean Water Loan | - | 11,807 | - | - | 10,872 | - | 22,679 |
| Commercial Loan | - | - | - | - | - | - | - |
| Equity/Operations | 5,440 | 2,865 | 3,120 | 5,765 | 4,040 | 2,065 | 23,295 |
| Total | 5,440 | 14,672 | 3,120 | 5,765 | 14,912 | 2,065 | 45,974 |

Solid Waste Services - Disposal
2017 Capital Improvement Budget
(in thousands)

| Project Title | Debt | State/Fed Grant | Equity/ Operations | Total |
|--|-------------|----------------------------|-------------------------------|--------------|
| Tractors (5) | - | - | 850 | 850 |
| Trailers (4) | - | - | 540 | 540 |
| Wheel Loader | - | - | 650 | 650 |
| D8 Dozer/Crawler | - | - | 950 | 950 |
| Pickup Truck (2) | - | - | 100 | 100 |
| Light Plant | - | - | 35 | 35 |
| Office Equipment and technology purchase | - | - | 25 | 25 |
| Cash Register System (Scalehouses and Cash Booths) | - | - | 60 | 60 |
| ARL Warm Storage Heating | - | - | 125 | 125 |
| Litter Control System | - | - | 400 | 400 |
| ARL Perimeter Slope Interim Closures (4/5/6) | - | - | 150 | 150 |
| CTS Roof Replacement | - | - | 1,300 | 1,300 |
| Energy Efficiency | - | - | 200 | 200 |
| GDW Upgrade Video Monitoring Equipment | - | - | 25 | 25 |
| GDW Expansion of Trailer Bay | - | - | 30 | 30 |
| Total | - | - | 5,440 | 5,440 |

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

| | 2015 Actual | 2016 Proforma | 2017 Proposed |
|---|------------------------|--------------------------|--------------------------|
| Sources of Cash Funds | | | |
| Operating Income ¹ | 1,141,453 | 4,160,697 | 999,905 |
| Depreciation, net of amortization | 3,874,708 | 4,339,578 | 4,487,910 |
| Amortization of Landfill Liability | 4,037,769 | 1,378,118 | 1,300,000 |
| Deferred Revenue | 2,436 | - | - |
| Capital Contribution | - | - | - |
| Interest Received | 402,601 | 687,633 | 422,675 |
| State of Alaska Loan Proceeds | 6,522,916 | - | - |
| Changes in Assets and Liability | 55,411 | - | - |
| Total Sources of Cash Funds | 16,037,293 | 10,566,026 | 7,210,490 |
| Uses of Cash Funds | | | |
| Capital Construction | 4,375,915 | 3,180,000 | 5,440,000 |
| Debt Principal Payment | 2,058,508 | 2,045,398 | 1,486,613 |
| Debt Interest Payments | 183,124 | 258,033 | 258,000 |
| Landfill Post Closure Cash Reserve Transfer | 19,412,561 | 1,378,118 | 1,300,000 |
| MUSA | 947,020 | 1,112,038 | 1,212,000 |
| Dividend Distribution | - | - | 1,142,839 |
| Total Uses of Cash Funds | 26,977,128 | 7,973,587 | 10,839,452 |
| Net Increase (Decrease) in Cash Funds | (10,939,834) | 2,592,439 | (3,628,962) |
| Cash Balance, January 1 | 17,198,759 | 6,258,925 | 8,851,364 |
| Cash Balance, December 31 | 6,258,925 | 8,851,364 | 5,222,402 |
| Detail of Cash and Investment Funds | | | |
| General Cash Less Customer Deposits | 3,819,017 | 8,851,364 | 5,222,402 |
| Construction Cash | 2,439,908 | - | - |
| Cash Balance, December 31 | 6,258,925 | 8,851,364 | 5,222,402 |
| Landfill Post Closure Cash Reserve | 31,100,929 | 32,479,047 | 33,779,047 |

Solid Waste Services - Refuse Collection 8 Year Summary

(\$ in thousands)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------------------|--------------|--------------|---|------------|------------|--------------|--------------|--------------|
| Financial Overview | Actuals | Proforma | Proposed | Forecast | | | | |
| Revenues | 11,100 | 11,630 | 11,230 | 11,230 | 11,230 | 11,230 | 11,230 | 11,230 |
| Expenses | 11,442 | 9,345 | 10,794 | 11,010 | 11,230 | 11,455 | 11,684 | 11,917 |
| Net Income (Loss) | (341) | 2,284 | 436 | 220 | (0) | (225) | (454) | (687) |
| Budgeted Positions | 27 | 27 | 27 | 28 | 28 | 28 | 28 | 28 |
| Capital Improvement Program | 1,047 | 1,595 | 2,180 | 1,535 | 1,040 | 1,855 | 1,535 | 1,495 |
| Bond Sales | - | - | - | - | - | - | - | - |
| Net Plant (12/31) | 2,956 | 2,764 | 3,844 | 3,979 | 3,619 | 4,074 | 4,209 | 4,304 |
| Utility Revenue Distribution | 2,543 | 500 | 570 | 562 | 562 | 562 | 562 | 562 |
| Net Assets (12/31) | 10,625 | 12,909 | 13,345 | 13,565 | 13,565 | 13,340 | 12,886 | 12,199 |
| General/Construction Cash Pool | 8,929 | 10,393 | 9,644 | 9,429 | 9,489 | 8,509 | 7,621 | 6,538 |
| IGC's - General Government | 1,532 | 1,483 | 2,219 | 2,263 | 2,309 | 2,355 | 2,402 | 2,450 |
| MUSA - 1.25% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| MUSA - Regular | 52 | 40 | 52 | 60 | 65 | 74 | 76 | 78 |
| 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) | 36,026 | 36,747 | 36,500 | 36,500 | 36,500 | 36,500 | 36,500 | 36,500 |
| 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

| | 2015 Actual | 2016 Proforma | 2016 Approved | 17 v 16 \$ Change | 2017 Proposed | 17 v 16 % Change |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|---------------------|
| Operating Revenue | | | | | | |
| Commercial | 7,073,211 | 7,123,907 | 7,227,500 | 2,500 | 7,230,000 | 0.03% |
| Residential | 3,366,183 | 3,583,760 | 3,273,000 | 90,500 | 3,363,500 | 2.77% |
| Dumpster Container Rental | 464,195 | 475,238 | 461,244 | 8,756 | 470,000 | 1.90% |
| Other Collection Revenues | 85,483 | 87,816 | 300,000 | (225,000) | 75,000 | -75.00% |
| Total Operating Revenue | 10,989,073 | 11,270,721 | 11,261,744 | (123,244) | 11,138,500 | -1.09% |
| Non Operating Revenue | | | | | | |
| Interest from Cash Pool | 139,183 | 200,544 | 81,500 | 500 | 82,000 | 0.61% |
| Unrealized Gains & Losses | (35,819) | 147,894 | - | - | - | - |
| Misc. non-operating Revenue | 7,864 | 10,364 | 10,000 | - | 10,000 | 0.00% |
| Total Non Operating Revenue | 111,229 | 358,803 | 91,500 | 500 | 92,000 | 0.55% |
| Total Revenue | 11,100,301 | 11,629,523 | 11,353,244 | (122,744) | 11,230,500 | -1.08% |
| Operating Expenses | | | | | | |
| Labor and Benefits | | | | | | |
| Labor and Benefits | 2,816,026 | 2,944,362 | 2,897,346 | 235,399 | 3,132,745 | 8.12% |
| Overtime | 97,241 | 86,635 | 117,227 | (4,227) | 113,000 | -3.61% |
| Total Labor | 2,913,267 | 3,030,996 | 3,014,573 | 231,172 | 3,245,745 | 7.67% |
| Non Labor | | | | | | |
| Non Labor | 3,471,936 | 3,351,687 | 3,611,996 | 85,124 | 3,697,120 | 2.36% |
| Travel | 1,544 | 6,436 | 3,000 | 3,000 | 6,000 | 100.00% |
| MUSA | 51,828 | 39,785 | 51,652 | 348 | 52,000 | 0.67% |
| Dividends | 2,542,778 | 500,000 | 500,000 | 70,000 | 570,000 | 14.00% |
| Depreciation and Amortization | 928,211 | 933,570 | 1,285,905 | (281,405) | 1,004,500 | -21.88% |
| Total Non Labor | 6,996,297 | 4,831,478 | 5,452,553 | (122,933) | 5,329,620 | -2.25% |
| Total Direct Cost | 9,909,564 | 7,862,474 | 8,467,126 | 108,239 | 8,575,365 | 1.28% |
| Charges from Other Departments | 1,532,108 | 1,483,166 | 1,653,542 | 565,300 | 2,218,842 | 34.19% |
| Total Operating Expense | 11,441,672 | 9,345,640 | 10,120,668 | 673,539 | 10,794,207 | 6.66% |
| Non Operating Expense | | | | | | |
| Total Non Operating Expense | - | - | - | - | - | 0.00% |
| Total Expenses (Function Cost) | 11,441,672 | 9,345,640 | 10,120,668 | 673,539 | 10,794,207 | 6.66% |
| Net Income | (341,371) | 2,283,883 | 1,232,576 | (796,283) | 436,293 | -64.60% |
| Appropriation | | | | | | |
| Total Expenses | | | 10,120,668 | 673,539 | 10,794,207 | |
| Less: Non Cash items | | | | | | |
| Depreciation and Amortization | | | 1,285,905 | (281,405) | 1,004,500 | |
| Total Non-Cash | | | 1,285,905 | (281,405) | 1,004,500 | |
| Amount to be Appropriated (Cash Expenses) | | | 8,834,763 | 954,944 | 9,789,707 | |

Solid Waste Services - Refuse Collection

Reconciliation from 2016 Approved Budget to 2017 Proposed Budget

| | | Positions | | |
|---|-------------------|-----------|----------|----------|
| | Appropriation | FT | PT | T |
| 2016 Approved Budget | 10,120,668 | 26 | - | 1 |
| Changes in Existing Programs/Funding for 2017 | | | | |
| - Salary and benefits adjustments | 231,172 | - | - | - |
| - Non-Labor Adjustments (Lower Depreciation due to Life of Assets) | 85,124 | - | - | - |
| - Travel | 3,000 | - | - | - |
| - Charges from other Depts | 565,300 | - | - | - |
| - Depreciation | (281,405) | - | - | - |
| - Adjust MUSA, Gross Receipts, Contributions | 70,348 | - | - | - |
| 2017 Continuation Level | 10,794,207 | 26 | - | 1 |
| 2017 Proposed Budget Changes | | | | |
| - None | - | - | - | - |
| 2017 Proposed Budget | 10,794,207 | 26 | - | 1 |
| 2017 Budget Adjustment for Accounting Transactions (Appropriation) | | | | |
| - Depreciation and amortization | (1,004,500) | - | - | - |
| 2017 Proposed Budget (Appropriation) | 9,789,707 | 26 | - | 1 |

Solid Waste Services - Refuse Collection
2017 - 2022 Capital Improvement Program
(in thousands)

| Project Category | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Building Improvements | 350 | 50 | - | - | - | - | 400 |
| 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 | 1,435 | 1,090 | 645 | 1,460 | 1,140 | 1,100 | 6,870 |
| Total | 2,180 | 1,535 | 1,040 | 1,855 | 1,535 | 1,495 | 9,640 |

| Funding Source | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Equity/Operations | 2,180 | 1,535 | 1,040 | 1,855 | 1,535 | 1,495 | 9,640 |
| Total | 2,180 | 1,535 | 1,040 | 1,855 | 1,535 | 1,495 | 9,640 |

Solid Waste Services - Refuse Collection
2017 Capital Improvement Budget
(in thousands)

| Project Title | Debt | State/Fed Grant | Equity/ Operations | Total |
|--|-------------|----------------------------|-------------------------------|--------------|
| Frontloader (2) | - | - | 650 | 650 |
| Side loaders (2) | - | - | 690 | 690 |
| Forklift | - | - | 35 | 35 |
| Dumpsters | - | - | 275 | 275 |
| Lids | - | - | 75 | 75 |
| Residential Roll Carts | - | - | 10 | 10 |
| Dumpster Dolly (additional funding) | - | - | 60 | 60 |
| Replace Office Equipment | - | - | 5 | 5 |
| Replace Data Processing Equipment (Cash Registers) | - | - | 30 | 30 |
| Energy Efficiency Improvements | - | - | 200 | 200 |
| CTS Building Heating System/Chillers | - | - | 150 | 150 |
| Total | - | - | 2,180 | 2,180 |

Solid Waste Services - Refuse Collection

Statement of Cash Sources and Uses

| | 2015 Actual | 2016 Proforma | 2017 Proposed |
|--|------------------|-------------------|------------------|
| Sources of Cash Funds | | | |
| Operating Income | 2,142,007 | 2,464,866 | 966,293 |
| Depreciation, net of amortization | 928,211 | 933,570 | 1,004,500 |
| Interest Received | 139,183 | 200,544 | 82,000 |
| Changes in Assets and Liabilities | (336,610) | - | - |
| Total Sources of Cash Funds | 2,872,791 | 3,598,980 | 2,052,793 |
| Uses of Cash Funds | | | |
| Capital Construction | 408,132 | 1,595,000 | 2,180,000 |
| MUSA | 51,828 | 39,785 | 52,000 |
| Dividends | 2,542,778 | 500,000 | 570,000 |
| Total Uses of Cash Funds | 3,002,738 | 2,134,785 | 2,802,000 |
| Net Increase (Decrease) in Cash Funds | (129,947) | 1,464,195 | (749,207) |
| Cash Balance, January 1 | 9,058,892 | 8,928,945 | 10,393,140 |
| Cash Balance, December 31 | 8,928,945 | 10,393,140 | 9,643,933 |
| Detail of Cash and Investment Funds | | | |
| General Cash Less Customer Deposits | 6,966,968 | 10,393,140 | 9,643,933 |
| Construction Cash | 1,961,977 | - | - |
| Cash Balance, December 31 | 8,928,945 | 10,393,140 | 9,643,933 |

About Solid Waste Services

The Solid Waste Services Department (SWS) is composed of two utilities: 1) the Refuse Collections Utility (RCU); and, 2) the Solid Waste Disposal Utility (SWDU). The RCU provides refuse collection service to residential and commercial customers in the old “City of Anchorage” Service Area and the SWDU operates three transfer stations and the Anchorage Regional Landfill (ARL) providing affordable and environmentally responsible municipal solid waste disposal services for the entire Municipality of Anchorage (MOA). SWS is divided into three organizations: 1) Refuse Collections; 2) Solid Waste Disposal; and, 3) Administration (which is a support organization that fully charges out expenses to both Refuse Collections and Disposal Utilities).

Refuse Collections Utility

History

The RCU was originally a function of the former City of Anchorage Public Works Department. When the City and Borough merged in 1975, the RCU became an enterprise activity of the MOA.

Service

The RCU provides refuse 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 RCU service area. The RCU has four types of services: commercial dumpsters; automated roll cart service; can and bag service; and, curbside recycling. The RCU 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 2017, the final phase of automated collection rollout will be completed and the RCU will be servicing eight automated collection routes with approximately 250 customers remaining on can/bag service.

Regulation

The fees charged by the RCU are overseen by the Anchorage Municipal Assembly. The RCU is granted the exclusive right to collect solid waste within its defined service area by a Certificate of Public Convenience and Necessity which is issued by the Regulatory Commission of Alaska.

Environmental Mandates

Although there is no specific state or federal regulations governing refuse collection, the RCU must comply with a number of mandated regulations. These regulations include, but are not limited to: the Federal Clean Air Act; the Clean Water Act; and, the Occupational Safety and Health Administration. These regulations have and will continue to impact the economics and operations of the RCU.

Physical Plant

The RCU's truck fleet assets includes:

- 13 commercial refuse collection vehicles;
- 19 residential refuse and recycling vehicles (automated and can/bag); 9 automated / 2 Tomcats
- One rear load vehicle for MOA paper collection and recycling; and,
- 4 support vehicles (Route Supervisor vehicle, Flatbed, Box Truck and KB)

Currently, there is an average of 24,773 roll-carts and 1,977 dumpsters in service. The RCU maintains a 27,000 square foot building that contains vehicle maintenance, warm storage space, and administrative offices and it is located at the Central Transfer Station (CTS).

Future Planning Efforts

In 2015, the SWS RCU 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. This project is still on-going and is expected to be fully operational in 2017. Specifically, this system will provide real-time information to management and customer service staff such as: photo-documented waste containers that are overfull; not placed on curbside, or are out of compliance in some manner; a method for drivers to document extra charges; provide automated 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 MOA acquired responsibility for five waste disposal sites from Peters Creek to Girdwood. The SWDU was formed to operate and maintain these sites, while managing solid waste disposal matters throughout the MOA. The five sites were closed and waste disposal was consolidated to a single site near Eagle River. The ARL, is an award winning, state-of-the-art, fully engineered landfill and was opened in 1987. ARL is the only operating landfill within the MOA.

Service

The SWDU 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 SWDU 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 process. There are two remaining cells that will begin development in 2020 with preliminary design starting in 2018. ARL is projected to have a total capacity in excess of 42.3 million cubic yards and should reach its capacity in 2060, dependent upon population growth, waste compaction, diversion of more recyclables and construction activities. In 2015, approximately 284k-tons were deposited in ARL, which represents approximately 23k-tons less than in 2014. Currently, because of the lack of new demolition projects in the construction industry and a more intense effort to recycle more, SWDU expects a decline in the tonnages again in 2016 and 2017.

The transfer stations located at Girdwood, midtown Anchorage (CTS), and ARL allow the SWDU to reduce traffic flow to the landfill and to restrict access to the working face of it. CTS receives the largest amount of solid waste, having received over 215k-tons in 2015 from almost 163k customers. This facility has an operating capacity of 1,600 tons per day. The 2015 quantity was 4,583 tons less than 2014. The SWDU operates a fleet of 29 transfer tractor and trailers that transport the solid waste from CTS with a capacity of 120 yards each.

The SWDU is responsible for post closure care and monitoring of former landfill sites at Merrill Field, Peters Creek (Loretta French Park), and International Airport Road (Javier de la Vega Park). At each of these sites, SWS must perform annual groundwater and landfill gas (LFG) migration monitoring. The SDWU operates an active LFG collection system at Merrill Field to mitigate migration of LFG to commercial buildings constructed along Merrill Field Drive. The SWDU 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 SDWU's annual operating budget.

The SWDU operates a 6,000 square foot hazardous waste collection facility built in 1989 at ARL. Through 2015, the facility has collected nearly 24M pounds of hazardous waste that otherwise may have been improperly disposed of at ARL, the storm drain system, or citizens' backyards.

Household hazardous waste can be dropped off at CTS (on Tuesday, Thursday and Saturday) or the Hazardous Waste Facility located at ARL (Tuesday through Saturday). The hazardous waste is then handled by a contractor that sorts and processes the waste in to 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. 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. SWS is also exploring the option of using waste oil collected from collection and transfer vehicles to use as fuel in heaters that will provide heat for warm storage locations at CTS and ARL.

Regulation

The SWDU is not economically regulated by any non-municipal agencies but is overseen by the Anchorage Municipal Assembly. However, SDWU 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. SWDU 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

SWDU 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 SWDU 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 SWDU's assets include:

Anchorage Regional Landfill

- 275 acres, estimated to last through the year 2060.
- 42.3 million cubic yard capacity.
- Phased construction of cells lasting four to five years each.
- Ten of the 12 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 and treatment lagoons with a 2.9M-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.

Merrill Field

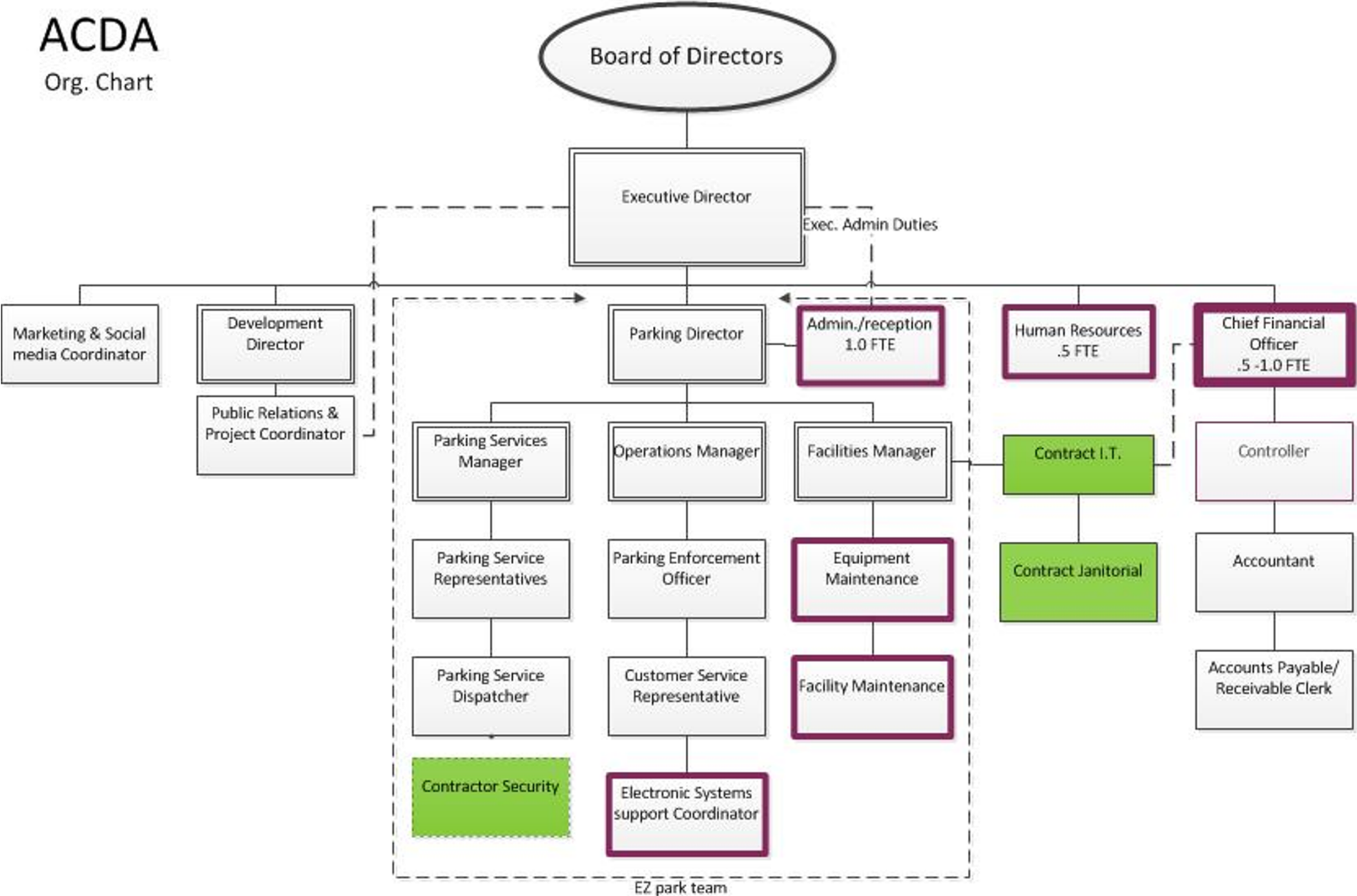
- LFG collection system and leachate/groundwater collection system.

Future Planning Efforts

Future projects include:

- Development of remaining cells (cell 8c and 9) will occur by 2020 with an estimated cost of \$22.3M.
- 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.
- Master Planning for the development and growth of SWS.
- Strategic Planning for SWS.
- CTS Upgrade and Expansion.

ACDA
Org. Chart





The Anchorage Community Development Authority 2017

Organization

Pursuant to Municipal Code, AMC 25.35.010(A), the Anchorage Community Development Authority (ACDA) 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 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 that 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 1980s.

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 affordable housing projects. On January 18, 2005, the Assembly adopted an amendment to the Anchorage Parking Authority Ordinance that created the ACDA.

In June of 2011, the Assembly delegated authority to ACDA to enforce parking violations within 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

In the fall of 2015, ACDA held a board strategy session to re-align our mission and vision, and to adopt a strong set of guiding principles anchored in our core values such as honesty, innovation, and a commitment to our community.

The mission of ACDA is to deliver quality development and public parking services within the Municipality of Anchorage.

The vision of ACDA is to create a vibrant and prosperous Municipality of Anchorage facilitated by innovative community development and public parking.



Budget Assumptions

The 5th, 6th, and 7th Avenue Garages along with JCPenney Garage have hourly public parking available on a 24/7 basis. Effective July 1, 2016, rates were adjusted to \$1.25 per hour from \$1.00 per hour, as well as the expansion of the first hour free program to include 5th Avenue Garage in addition to JCPenney Garage.

Employer contributions for the most significant employee benefit expenses (Public Employee Retirement System (PERS) and medical insurance) will continue to increase. Medical insurance is expected to increase by approximately 5.0% while 2017 employer contribution for PERS is 28.35%. Salary for staff is budgeted to increase by 3% creating a pool to support pay for performance incentive plan. This plan is subject to any budget shortfalls.

Effective July 1, 2016, monthly parking permits range from \$95 to \$110 per month depending on facility. Also effective July 1, 2016, monthly parking permits in surface lots and on-street permit zones range from \$50 to \$80 per month depending on location. Parking meter rates increased July 1, 2016 with 2-hour meters at \$1.75 per hour and 10-hour meters at \$1.25 per hour. There had been no meter increases from 2009 through 2015.

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

Executive Director's Message

As ACDA moves into 2017, we look to build on the groundbreaking work we've done over the last year in making Downtown Anchorage more safe, secure, and strong.

During the first full year under the new city administration, and with direction from our board of directors, the public witnessed ACDA set in motion new initiatives designed to create a vibrant Downtown Anchorage. These efforts followed the direction and guidance set forth in our 2016/17 Strategic Plan adopted last fall.

According to ACDA's strategic plan, key goals include:

- Define and articulate financial tools available to ACDA and the MOA for development
- Identify and support new development opportunities in the MOA
- Expand public/private partnerships to better utilize parking assets
- Enhance customer service through technology solutions



A few of the initiatives ACDA will be pursuing in 2017 to meet these goals:

- Collaboration with the Live.Work.Play. housing committee to advocate for changes in state law to allow municipalities to offer tax incentives for housing as outlined in the recent Dorsey Report.
- Phase 2 of the City Center redevelopment project that will eventually transform an entire city downtown city block while addressing decades old health and safety problems.

- Development of our Northpointe Bluff housing project on Government Hill. Collaboration with the Anchorage Downtown Partnership to improve downtown security by sharing existing assets including staffing, training and communication centers.
- Continued growth of K Street Eats, a food truck pod located at 8th and K on ACDA land.
- Continued development of the Rooftop recreation space on the top of the 5th Avenue Garage to create an attractive venue for events like movies, concerts, and private parties.
- Phase 3 of our garage renewal program that will address structural issues at the 7th Avenue Garage.
- Test marketing of new parking technology including license plate recognition and ParkiFi sensors that will allow for a better parking experience downtown.

TheRooftop

 5th Ave EasyPark Garage

Come play downtown!

**SAFETY
FIRST**
CALL OR TEXT
297-4471

ANCHORAGE
DOWNTOWN
PARTNERSHIP



EasyPark

Anchorage Community Development Authority Statement of Revenues and Expenses

| | 2016 Approved Budget | 2017 Proposed Budget |
|--|----------------------------|----------------------------|
| Operating Revenue | | |
| Parking Revenue | 8,440,410 | 8,572,828 |
| Leased Space Revenue | 690,500 | 672,480 |
| Other Operating Revenue | 231,500 | 215,000 |
| Real Estate Sales - Development | 1,370,250 | 427,350 |
| Total Operating Revenue | 10,732,660 | 9,887,658 |
| Non-Operating Revenue | | |
| Non-Operating Revenue | 53,500 | 37,786 |
| Total Non-Operating Revenue | 53,500 | 37,786 |
| Total Revenue | 10,786,160 | 9,925,444 |
| Operating Expenses | | |
| Labor | 3,766,177 | 3,896,429 |
| Professional Fees | 278,000 | 255,000 |
| Contract Services | 1,113,100 | 1,045,600 |
| Information Services | 426,300 | 426,800 |
| Direct Maintenance Costs | 200,200 | 205,000 |
| Facility Maint. Contract Services | 477,500 | 476,000 |
| Utility Expenses | 466,970 | 479,000 |
| General Expenses | 679,700 | 732,400 |
| Transfers (MESA) | 517,250 | 505,500 |
| Office Expenses | 72,400 | 60,600 |
| Employee Expenses | 78,500 | 80,000 |
| Real Estate Costs - Northpointe | 1,155,000 | 404,707 |
| Depreciation | 1,850,000 | 2,210,500 |
| Total Operating Expenses | 11,081,097 | 10,777,536 |
| Total Net Income | (294,937) | (852,092) |
| Appropriation | | |
| Total Expenses | 11,081,097 | 10,777,536 |
| Less: Non-Cash Items | | |
| Depreciation | (1,850,000) | (2,210,500) |
| Amount to be Appropriated (Cash Expenses) | 9,231,097 | 8,567,036 |

**Anchorage Community Development Authority
2017 Capital Improvement Budget**

| Project Title | Total |
|--|------------------|
| Closed Circuit TV System | 50,000 |
| Electronic Key Unified System | 25,000 |
| Garage Structural Improvements | 1,750,000 |
| General Development - Various Projects | 100,000 |
| IT Upgrades | 80,000 |
| Maintenance Equipment | 5,000 |
| Occupancy Space Sensors | 20,000 |
| Tenant Improvements Leased Spaces | 100,000 |
| Total | 2,130,000 |

**Anchorage Community Development Authority
Statement of Cash Sources and Uses**

| | 2015 Actual | 2016 Estimated | 2017 Proposed Budget |
|---|------------------------|---------------------------|-------------------------------------|
| Sources of Cash Funds | | | |
| Parking Revenue | 7,845,551 | 8,440,410 | 8,572,828 |
| Other Parking Operating Revenue | 178,000 | 178,000 | 178,000 |
| Leased Space Revenue | 647,890 | 690,500 | 672,480 |
| Development Services | 1,238,381 | 1,370,250 | 427,350 |
| Other Non-Operating Revenue | 32,558 | 53,500 | 37,000 |
| Total Sources of Cash Funds | 9,942,380 | 10,732,660 | 9,887,658 |
| Uses of Cash Funds | | | |
| Parking Operations | 6,983,518 | 6,768,197 | 7,496,729 |
| Development Operations | 501,626 | 845,650 | 564,807 |
| Payment in Lieu of Taxes | 480,082 | 517,250 | 505,500 |
| Capital Investment-Parking Operations | 2,625,489 | 2,655,000 | 1,930,000 |
| Capital Investment-Development Operations | 170,000 | 300,000 | 200,000 |
| Other Uses of Cash Funds | 123,187 | - | - |
| Total Uses of Cash Funds | 10,883,902 | 11,086,097 | 10,697,036 |
| Net Increase (Decrease) In Cash Funds | (941,522) | (353,437) | (809,378) |
| Cash Balance January 1, | 7,406,075 | 6,464,553 | 6,111,116 |
| Cash Balance December 31 | 6,464,553 | 6,111,116 | 5,301,738 |