

# **State of Alaska FY2009 Governor's Operating Budget**

## **Department of Transportation/Public Facilities Marine Vessel Operations Component Budget Summary**

## Component: Marine Vessel Operations

### Contribution to Department's Mission

Provide safe, reliable, and efficient transportation of people and vehicles between Alaskan communities, Canada and Bellingham, Washington.

### Core Services

- The Alaska Marine Highway System (AMHS) Marine Fleet Operations Component consistently meets the transportation needs of a diverse group of travelers. The multi-dimensional services offered by the AMHS, including cross-Gulf of Alaska sailings, provide a vital year round transportation link between road systems and many isolated Alaskan villages and towns. Moreover, this link allows for rapid delivery of perishable goods and products such as fresh produce and fresh Alaskan seafood. The transportation of essential construction equipment and materials plays a key role in supporting economic development. By the same token, transporting tourists to Alaskan communities injects revenue directly into local economies.
- Operations services provide:  
Transport of people, goods and vehicles to and from 32 ports along 3,500 track miles from Bellingham, Washington, through Southeast Alaska, across the Gulf of Alaska to Prince William Sound and South Central Alaska, to Kodiak Island, the Alaskan Peninsula and out the Aleutian Islands to Unalaska.
- Meet U.S. Coast Guard (USCG) requirements by staffing AMHS vessels with qualified employees.
- Provide quality service to every customer including housekeeping, food service, gift shops and bar service.
- Certify all shipboard employees under the Standards for Training, Certification, and Watch-keeping for Seafarers (STCW) program.
- Provide system wide security as per the regulations of the Federal Maritime Transportation Security Act.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$102,840,000**

**Personnel:**

|              |            |
|--------------|------------|
| Full time    | 724        |
| Part time    | 48         |
| <b>Total</b> | <b>772</b> |

### Key Component Challenges

Component issues include continued basic safety training certification, specialized Fast Vehicle Ferry (FVF) training, recertification of fast ferry crews, and maintenance of the updated Safety Management System (SMS) required by the International Safety Management (ISM) Code. AMHS continues to be challenged to provide specific training and certification for all vessel crews to comply with Standards for Training, Certification, and Watch-keeping for Seafarers (STCW) requirements for vessels calling at foreign ports such as Prince Rupert. AMHS also continues to be challenged by the ever increasing Maritime Transportation Security Act (MTSA) federal security regulations and meeting Safety of Life at Sea (SOLAS) international requirements to operate in foreign ports, such as Prince Rupert. The system now has the additional requirements of meeting not previously required OSHA regulations and inspections at all of the state operated vessel terminals. Shore side support staff continues to work with the development of the new ATLAS dispatch

and crew recordkeeping system, this project is proving to be more of a challenge than originally anticipated. The system continues to face shipboard crew shortages, which thus create additional overtime situations.

Management is continually reviewing the vessels and where they are best used in relation to the conditions and passenger loads of the various routes. Decisions will need to be made regarding the operations of the Chenega during the winter months. The LeConte is now operating as a day vessel, due to USCG work rest rules and the system is challenged with providing equal service to the Northern Panhandle routes as opposed to a 24/7 vessel operation.

The continual increase in the price of fuel has been a major challenge for the AMHS. Fuel prices have increased from about \$2.18 a gallon to an average of \$2.40 per gallon.

AMHS management has decided that the M/V Taku, M/V Matanuska, and M/V Kennicott will remain Safety of Life at Sea (SOLAS) classed vessels, thus requiring an investment in federal funding. Prospectively, management will continue to have a great deal of cost planning, and scheduling logistics to assure that these vessels remain SOLAS compliant up to and through 2010. In the future, the AMHS faces many decisions regarding the development of new vessels and their integration into the fleet as well as the phasing out of the system's older vessels. The system is now designing a new Southeast Shuttle day vessel, and re-examining the already existing Southern Gateway Shuttle design concept and the challenge going forward will be to find the funding to construct these new vessels. As the fleet vessels age, we are challenged with additional maintenance requirements, and possible reductions in both state and federal funding to accomplish the increasing maintenance. The combination of reduced funding and increasing maintenance demands, and the possibility of no new construction, will be the systems greatest challenge going into the future.

Turnover and retirements add to the general shortage to meet crewing requirements and has required the use of hold over and early call back overtime. Not only is this an expensive alternative, but it puts excessive pressure on crew morale and possible burnout of much needed qualified staff. AMHS management is continuing to work on an aggressive new crew recruitment program. Management is looking to the maritime academies, national trade publications, and the Washington State Ferry System where advancement opportunities occur at a slower pace to attract new employees to the AMHS.

## **Significant Changes in Results to be Delivered in FY2009**

The AMHS operating plan must work within its budget, and be developed based on anticipated system revenues, general fund subsidies, and the AMHS fund balance. The AMHS will continue to provide year round safe, reliable and efficient transportation of people, goods and vehicles on Alaska's Marine Highway.

Providing funds to cover increased fuel costs will ensure the existing level of service is maintained.

## **Major Component Accomplishments in 2007**

Provided 428 total operating weeks of service in Southeast and Southwest Alaska including cross-Gulf of Alaska service connecting the two systems

Successfully operated the FVFs M/V Fairweather and M/V Chenega under the International High Speed Code, kept crew certified and accomplished recertification of the FVF training program.

Operated all vessels with minimal loss of service due to breakdowns

Met International Safety Management (ISM), Safety Management System (SMS) and federal Maritime Transportation Security Act (MTSA) security guidelines

Increased system-wide ridership and vehicle transport following multiple years of declining numbers

Began the process of developing a new reservation system

Commenced negotiations with all three maritime labor unions

## **Statutory and Regulatory Authority**

AS 19

AS 44

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### Marine Vessel Operations Component Financial Summary

*All dollars shown in thousands*

|   | FY2007 Actuals   | FY2008<br>Management Plan | FY2009 Governor  |
|---|------------------|---------------------------|------------------|
| <b>Non-Formula Program:</b>               |                  |                           |                  |
| <b>Component Expenditures:</b>            |                  |                           |                  |
| 71000 Personal Services                   | 78,920.1         | 70,212.0                  | 68,312.2         |
| 72000 Travel                              | 1,644.1          | 1,337.3                   | 1,311.5          |
| 73000 Services                            | 12,954.0         | 12,046.6                  | 12,883.4         |
| 74000 Commodities                         | 35,039.2         | 26,938.8                  | 20,332.9         |
| 75000 Capital Outlay                      | 0.0              | 0.0                       | 0.0              |
| 77000 Grants, Benefits                    | 0.0              | 0.0                       | 0.0              |
| 78000 Miscellaneous                       | 0.0              | 0.0                       | 0.0              |
| <b>Expenditure Totals</b>                 | <b>128,557.4</b> | <b>110,534.7</b>          | <b>102,840.0</b> |
| <b>Funding Sources:</b>                   |                  |                           |                  |
| 1004 General Fund Receipts                | 97,159.2         | 74,092.5                  | 71,236.4         |
| 1061 Capital Improvement Project Receipts | 367.6            | 0.0                       | 0.0              |
| 1076 Marine Highway System Fund           | 31,030.6         | 36,442.2                  | 31,603.6         |
| <b>Funding Totals</b>                     | <b>128,557.4</b> | <b>110,534.7</b>          | <b>102,840.0</b> |

### Estimated Revenue Collections

| Description                          | Master<br>Revenue<br>Account | FY2007 Actuals  | FY2008<br>Management Plan | FY2009 Governor |
|--------------------------------------|------------------------------|-----------------|---------------------------|-----------------|
| <b>Unrestricted Revenues</b>         |                              |                 |                           |                 |
| Unrestricted Fund                    | 68515                        | 49,098.6        | 53,702.0                  | 49,300.0        |
| <b>Unrestricted Total</b>            |                              | <b>49,098.6</b> | <b>53,702.0</b>           | <b>49,300.0</b> |
| <b>Restricted Revenues</b>           |                              |                 |                           |                 |
| Capital Improvement Project Receipts | 51200                        | 367.6           | 0.0                       | 0.0             |
| <b>Restricted Total</b>              |                              | <b>367.6</b>    | <b>0.0</b>                | <b>0.0</b>      |
| <b>Total Estimated Revenues</b>      |                              | <b>49,466.2</b> | <b>53,702.0</b>           | <b>49,300.0</b> |

**Summary of Component Budget Changes  
From FY2008 Management Plan to FY2009 Governor**

*All dollars shown in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2008 Management Plan</b>                                    | <b>74,092.5</b>      | <b>0.0</b>           | <b>36,442.2</b>    | <b>110,534.7</b>   |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Reverse First FY2008 Fuel/Utility Funding Distribution          | -7,800.0             | 0.0                  | 0.0                | -7,800.0           |
| -Leased Facilities transferred into one component                | -112.3               | 0.0                  | 0.0                | -112.3             |
| -Consolidate General Funds for Marine Vessel Operations          | 438.6                | 0.0                  | 0.0                | 438.6              |
| -Consolidate General Funds for Marine Vessel Operations          | 0.0                  | 0.0                  | -438.6             | -438.6             |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Maintain FY08 levels of service                                 | 4,617.6              | 0.0                  | -4,400.0           | 217.6              |
| <b>FY2009 Governor</b>   | <b>71,236.4</b>      | <b>0.0</b>           | <b>31,603.6</b>    | <b>102,840.0</b>   |

**Marine Vessel Operations  
Personal Services Information**

| Authorized Positions |   |                                  | Personal Services Costs        |     |
|----------------------|---|----------------------------------|--------------------------------|-----|
|                      | <u>FY2008</u><br><u>Management</u><br><u>Plan</u> | <u>FY2009</u><br><u>Governor</u> |                                |     |
| Full-time            | 724   | 724                              | Annual Salaries                | 0   |
| Part-time            | 48  | 48                               | Premium Pay                    | 0   |
| Nonpermanent         | 80  | 80                               | Annual Benefits                | 0   |
|                      |   |                                  | <i>Less % Vacancy Factor</i>   | ( ) |
|                      |   |                                  | Lump Sum Premium Pay           | 0   |
| <b>Totals</b>        | <b>852</b>  | <b>852</b>                       | <b>Total Personal Services</b> |     |

**Position Classification Summary**

| Job Class Title       | Anchorage | Fairbanks | Juneau   | Others   | Total    |
|-----------------------|-----------|-----------|----------|----------|----------|
| No personal services. |           |           |          |          |          |
| <b>Totals</b>         | <b>0</b>  | <b>0</b>  | <b>0</b> | <b>0</b> | <b>0</b> |