

State of Alaska FY2010 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

- Operations provide for the 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 Alaska Marine Highway System (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 per the regulations of the Federal Maritime Transportation Security Act.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$106,821,000

Personnel:

Full time	724
Part time	48
Total	772

Key Component Challenges

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 ocean-going vessels and for those 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. As security regulations increase, the AMHS continues to adjust and is in the process of streamlining all of the system's shore-side terminal and vessel security plans.

Meeting Safety of Life at Sea (SOLAS) international requirements to operate outside the lines of demarcation and in foreign ports continues to be a challenge for the system. The system will be conducting a major vessel overhaul during the winter of 2008/2009 consisting of safety modification to the M/V Matanuska to meet the 2010 SOLAS required standards.

The system now has the additional requirements of meeting Occupational Safety and Health Administration (OSHA) regulations and inspections at all of the state operated vessel terminals, as well as increased inspections at all AMHS terminals.

Shore-side support staff continues to work with the development of the new Automated Time and Labor Advanced Scheduling (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 cause additional overtime situations. Due to the known vessel crew shortages, the AMHS changed the operational schedules of the M/V Malaspina and M/V Kennicott to help alleviate this costly situation.

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 have been made regarding the operation of the M/V Chenega during the winter months in Prince William Sound, and the M/V LeConte is now operating as a day vessel due to USCG work rest rules. The system continues to be challenged with providing equal service to the Northern Panhandle routes as opposed to a 24/7 vessel operation. New dock fenders were installed in both Kake and Hoonah, which allowed larger mainline vessels to call at these two Panhandle ports, thus providing more consistent overall Panhandle village service.

The continual increase in the price of fuel has been a major challenge for the AMHS. Fuel prices have increased from an average of \$2.40 per gallon to over \$4.00 per gallon at times.

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 class of shuttle ferry and has the challenge of securing state funding to construct these vessels, as it is assumed that the AMHS will be seeing less and less federal funding available. 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 will be some of the systems greatest challenges 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. AMHS is sending management personnel to the maritime academies with presentations in an attempt to attract new graduates, and also use national trade publications to advertise for new employees.

Significant Changes in Results to be Delivered in FY2010

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 2008

- Provided 413 total operating weeks of service in Southeast and Southwest Alaska including cross-Gulf of Alaska service connecting the two systems.
- Successfully operated the Fast Vehicle Ferries (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.
- Continued increasing system-wide ridership and vehicle transport following multiple years of declining numbers.

- Began the process of developing a new reservation system.
- Moved forward with the implementation of satellite communication systems aboard AMHS vessels.
- Commenced the implementation of the federally required Transportation Worked Identification Card program.
- Progress continues on the implementation of the ATLAS crew dispatch and record keeping system.

Statutory and Regulatory Authority

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Contact Information
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Marine Vessel Operations Component Financial Summary

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	75,278.0	72,638.1	74,875.8
72000 Travel	2,159.5	1,798.6	1,896.2
73000 Services	10,676.9	11,495.3	11,637.4
74000 Commodities	36,977.3	49,489.0	18,411.6
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
Expenditure Totals	125,091.7	135,421.0	106,821.0
Funding Sources:			
1004 General Fund Receipts	87,882.9	102,390.6	73,790.6
1061 Capital Improvement Project Receipts	594.4	0.0	0.0
1076 Marine Highway System Fund	36,614.4	33,030.4	33,030.4
Funding Totals	125,091.7	135,421.0	106,821.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	46,909.9	51,256.9	49,300.0
Unrestricted Total		46,909.9	51,256.9	49,300.0
Restricted Revenues				
Capital Improvement Project Receipts	51200	594.4	0.0	0.0
Restricted Total		594.4	0.0	0.0
Total Estimated Revenues		47,504.3	51,256.9	49,300.0

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	102,390.6	0.0	33,030.4	135,421.0
Adjustments which will continue current level of service:				
-Delete One-time FY2009 Fuel/Utility Cost Increase Funding Distribution from the Office of the Governor	-28,600.0	0.0	0.0	-28,600.0
-Delete Maintaining Service to SW AK During Overhaul of the Tustumena Sec. 66a, 66b, CH 29 SLA 08 P223 L20-27 (SB221)	-2,297.6	0.0	-1,950.0	-4,247.6
Proposed budget increases:				
-Maintain FY09 Levels of Service	2,297.6	0.0	1,950.0	4,247.6
FY2010 Governor	73,790.6	0.0	33,030.4	106,821.0

**Marine Vessel Operations
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2009</u> <u>Management</u> <u>Plan</u>	<u>FY2010</u> <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
Totals	852	852	Total Personal Services	

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
No personal services.					
Totals	0	0	0	0	0