

State of Alaska
FY2007 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 provides:

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.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$120,325,400	Personnel:	
	Full time	598
	Part time	147
	Total	745

Key Component Challenges

Component issues include completing basic safety training certification and specialized Fast Vehicle Ferry (FVF) training for all new designated AMHS FVF mariners and maintaining and updating 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 regarding STCW requirements for vessels calling at foreign ports such as Prince Rupert.

Many changes are occurring in the AMHS fleet. The M/V Fairweather operated in the Southeast and the new FVF Chenega operated in Prince William Sound during the end of summer 2005. Currently the FVF Chenega is preparing to operate between Ketchikan, Wrangell, and Petersburg connecting with the FVF Fairweather operating from Juneau to Petersburg, thus allowing a traveler to go from Ketchikan to Juneau in one day. The operation of two day boats linking

up to provide seamless service presents both operational, terminal, and security challenges. The result of these test runs could guide management decisions on what the system will look like in the future.

The continual increase in the price of fuel has been a major challenge for the AMHS. Fuel prices have increased from about \$1.50 a gallon to well over \$2.00 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 thus dropping the M/V Aurora and M/V Leconte from SOLAS classification (SOLAS classification is required to travel into foreign ports). This decision has been based on SOLAS upgrade costs, and scheduling logistics regarding Prince Rupert service. Going forward, management will have a great deal of cost planning, and scheduling logistics to assure that the M/V Taku, M/V Matanuska and M/V Kennicott can remain SOLAS compliant up to and through 2010.

Turnover and crew retirement has taken place at a record pace. The lack of crew in general has created a substantial fleet crew operating in hold over situation, thus creating excessive overtime. AMHS management must develop an aggressive new crew recruitment program. Management is looking to the maritime academies, national trade publications, and the Washington State Ferry System to attract new employees where advancement is now slower than with the AMHS.

Significant Changes in Results to be Delivered in FY2007

The AMHS operating plan must be developed based on anticipated system revenues, general fund subsidy and 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. Additional weeks of service will result in a higher frequency of port calls and provide better service to the traveling public.

Meeting the need to cover increased fuel will ensure the existing level of service is maintained.

Major Component Accomplishments in 2005

Provided 349 total operating weeks of service in Southeast and Southwest Alaska including cross-Gulf of Alaska service connecting the two systems. Provided the highest level of service in Prince William Sound to date.

Successfully operated the FVF M/V Fairweather under the International High Speed Code.

Operated the M/V Lituya which is the first vessel in the AMHS to operate under subchapter T rules

Maintained full service across the Gulf of Alaska and in Southeast with the M/V Kennicott and M/V Tustumena.

Operated all other vessels with minimal loss of service due to breakdowns.

Met ISM and SMS federal guidelines.

Statutory and Regulatory Authority

AS 19

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Contact Information

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**Marine Vessel Operations
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	56,133.5	63,701.0	72,121.2
72000 Travel	1,043.7	458.6	1,060.1
73000 Services	8,833.2	7,295.2	12,099.2
74000 Commodities	21,872.2	18,073.9	35,044.9
75000 Capital Outlay	96.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	87,978.6	89,528.7	120,325.4
Funding Sources:			
1004 General Fund Receipts	0.0	57,693.7	84,503.0
1061 Capital Improvement Project Receipts	546.6	0.0	0.0
1076 Marine Highway System Fund	87,432.0	31,835.0	35,822.4
Funding Totals	87,978.6	89,528.7	120,325.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	46,145.7	48,800.0	50,200.0
Unrestricted Total		46,145.7	48,800.0	50,200.0
Restricted Revenues				
Capital Improvement Project Receipts	51200	546.6	0.0	0.0
Restricted Total		546.6	0.0	0.0
Total Estimated Revenues		46,692.3	48,800.0	50,200.0

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	57,693.7	0.0	31,835.0	89,528.7
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	3,442.2	0.0	6.9	3,449.1
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	114.2	0.0	0.9	115.1
-FY 07 Retirement Systems Cost Increase	2,286.1	0.0	12.8	2,298.9
Proposed budget decreases:				
-Columbia reduced weeks of service	-688.0	0.0	0.0	-688.0
-Service schedule adjustment	0.0	0.0	-230.7	-230.7
Proposed budget increases:				
-Operating Plan change to increase weeks of service	2,779.6	0.0	0.0	2,779.6
-Fast vehicle ferry employee shuffles and route training	601.5	0.0	0.0	601.5
-Contractual increases associated with additional ferry service	2,395.4	0.0	0.0	2,395.4
-Commodity increase due to additional ferry service	4,888.0	0.0	0.0	4,888.0
-Risk Management Self-Insurance Funding Increase	2,413.2	0.0	3.6	2,416.8
-Maintain FY06 budgeted weeks of service levels - fuel costs	4,857.6	0.0	4,193.9	9,051.5
-Increase in FY06 weeks of service - fuel costs	3,719.5	0.0	0.0	3,719.5
FY2007 Governor	84,503.0	0.0	35,822.4	120,325.4

**Marine Vessel Operations
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u>	<u>FY2007</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	598	598	Annual Salaries	222,946
Part-time	147	147	COLA	6,978
Nonpermanent	0	0	Premium Pay	28,252
			Annual Benefits	148,365
			<i>Less 0.00% Vacancy Factor</i>	(0)
			Lump Sum Premium Pay	0
Totals	745	745	Total Personal Services	406,541

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Amhs Dispatcher	0	0	1	2	3
Stock & Parts Svcs Journey II	0	0	0	2	2
Totals	0	0	1	4	5