

**State of Alaska
FY2016 Governor Amended Operating
Budget**

**Department of Transportation/Public Facilities
Marine Highway System
Results Delivery Unit Budget Summary**

Marine Highway System Results Delivery Unit

Contribution to Department's Mission

Provide safe, secure, reliable and efficient transportation of people, goods and vehicles through the Alaska Marine Highway System by developing and implementing sound policy and procedures for operations, and staffing with well trained professionals who are sensitive to the needs of our customers.

Core Services

- Operate eleven roll-on/roll-off passenger ships during the summer season and as few as four ships during the fall, winter and spring season with weeks of operation tailored to meet the traveling public and communities needs while maximizing revenue and controlling costs.
- Transport people, goods, and vehicles to and from 35 ports along 3,500 route miles from Bellingham, Washington and out the Aleutian Island chain to Unalaska.
- Operate a central reservations office, 16 state-owned terminals and providing shelter and booking passage for over 330,000 passengers and staging over 110,000 vehicles per year.
- Manage over 750 shipboard budgeted crew positions and over 160 shoreside employees.
- Maintain, repair, refurbish, and upgrade vessel and terminal facilities in compliance with stringent federal regulations with numerous agencies.

Major RDU Accomplishments in 2014

- Provided 377 total operating weeks of service with minimal loss of service due to breakdown.
- Maintained the International Safety of Life at Sea (SOLAS) certifications required for three AMHS vessels, the M/V Matanuska, M/V Taku, and M/V Kennicott, allowing them to visit Canadian ports.
- Held public meetings to take input on the new Tustumena design process.
- Completed the new engine replacement onboard M/V Columbia. The new engines aboard the M/V Columbia are producing fuel savings and have extended the service life of the ship.
- Replaced engines aboard fast ferry Fairweather as part of the settlement of litigation involving the fast vehicle ferries resulting in fuel savings.
- Employed Construction Manager/General Contractor process to negotiate a guaranteed maximum price to construct two Alaska Class Ferries.

Key RDU Challenges

- Continued with design of a new dayboat Alaska Class Ferry.
- Increasing ridership and revenues to offset operating costs, and continue to meet budget goals given the legislative budget cuts received. Budget reduction goals met via, service reduction, cost reduction, and revenue enhancement.
- Accelerated maintenance demands as a result of aging vessels.
- Mid-life engine replacement needed for several older ferries.
- Working on design of a new vessel to replace the M/V Tustumena.
- Working on receiving a SOLAS waiver for the M/V Columbia and Malaspina. If received, this will give the system more flexibility with regards to vessels calling at the port of Prince Rupert.

Significant Changes in Results to be Delivered in FY2016

Implement a fare increase for summer 2015 and a new fare structure and reservation system for 2015/2016.

Contact Information

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**Marine Highway System
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2014 Actuals				FY2015 Management Plan				FY2016 Governor Amended			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Marine Vessel Operations	111,188.5	388.5	0.0	111,577.0	111,164.4	0.0	0.0	111,164.4	113,505.1	0.0	0.0	113,505.1
Marine Vessel Fuel	31,965.6	0.0	0.0	31,965.6	28,913.6	0.0	0.0	28,913.6	26,748.1	0.0	0.0	26,748.1
Marine Engineering Overhaul	2,201.6	1,424.9	0.0	3,626.5	2,313.2	1,662.7	0.0	3,975.9	2,202.0	1,697.1	0.0	3,899.1
Reservations and Marketing	1,606.3	0.0	0.0	1,606.3	1,647.8	0.0	0.0	1,647.8	1,647.8	0.0	0.0	1,647.8
Marine Shore Operations	2,431.9	0.0	0.0	2,431.9	2,775.9	0.0	0.0	2,775.9	2,330.3	0.0	0.0	2,330.3
Vessel Operations Management	8,304.8	0.0	0.0	8,304.8	8,199.9	0.0	0.0	8,199.9	8,377.2	0.0	0.0	8,377.2
	4,929.5	127.3	0.0	5,056.8	4,700.5	133.8	0.0	4,834.3	4,029.5	136.3	0.0	4,165.8
Totals	162,628.2	1,940.7	0.0	164,568.9	159,715.3	1,796.5	0.0	161,511.8	158,840.0	1,833.4	0.0	160,673.4

Marine Highway System
Summary of RDU Budget Changes by Component
From FY2015 Management Plan to FY2016 Governor Amended

All dollars shown in thousands

	<u>Unrestricted</u> <u>Gen (UGF)</u>	<u>Designated</u> <u>Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total Funds</u>
FY2015 Management Plan	107,781.2	51,934.1	1,796.5	0.0	161,511.8
Adjustments which continue current level of service:					
-Marine Vessel Operations	2,553.1	-36.9	0.0	0.0	2,516.2
-Marine Vessel Fuel	-3,965.5	1,800.0	0.0	0.0	-2,165.5
-Marine Engineering	-9.4	-101.8	34.4	0.0	-76.8
-Reservations and Marketing	1.5	52.9	0.0	0.0	54.4
-Marine Shore Operations	4.4	172.9	0.0	0.0	177.3
-Vessel Operations Management	3.5	-674.5	2.5	0.0	-668.5
Proposed budget increases:					
-Marine Vessel Operations	2,317.4	567.1	0.0	0.0	2,884.5
Proposed budget decreases:					
-Marine Vessel Operations	-3,060.0	0.0	0.0	0.0	-3,060.0
-Reservations and Marketing	-500.0	0.0	0.0	0.0	-500.0
FY2016 Governor Amended	105,126.2	53,713.8	1,833.4	0.0	160,673.4