

**OVERVIEW
DEPT. OF
TRANSPORT. &
PUBLIC FAC.,
AK. MARINE
HWY.
SYSTEM,
1/18/05**



Alaska DOT&PF Facilities Overview House State Affairs Committee

January 18, 2005

**Mike Barton
Commissioner**

Briefing Topics

- Department Overview
- State of Alaska facilities
- DOT&PF facilities
- Operating budget
- Capital budget
- Energy savings performance contract
- Design and construction



DOT&PF Regional Boundaries



DOT&PF Maintenance Stations

84 Stations Statewide



National Highway System



Alaska Highway System



DOT&PF Airports

258 State-owned Airports



DOT&PF Ports & Harbors

73 State-owned Harbors

51 Operated by agreement
by local government



AMHS Route Map

33 Ports-of-Call

3,500 Nautical Miles



State of Alaska Facilities

- 1,500 buildings
- 10 million square feet of buildings
- \$2.4 billion in replacement value
 - DOA → office buildings, storage
 - 8 Public Building Fund buildings
 - 7 non-PBF buildings
 - Health and Social Services – youth corrections, treatment and health centers, Pioneers Homes, API
 - Corrections – correctional facilities
 - DM&VA – armories, hangars
 - Fish & Game – bunkhouses, offices
 - DNR – cabins, recreational facilities, offices
 - Education – Mt. Edgecumbe
 - Labor - AVTEC
 - Courts – court and office buildings
 - Public Safety – crime labs, DPS facilities, CAP hangars



DOT&PF Facilities

- 700 buildings
 - 4 million sq. feet
 - \$302 million original cost
 - \$1 billion estimated replacement value
- 150 buildings are over 30 years old (some from the 1940's and 1950's)

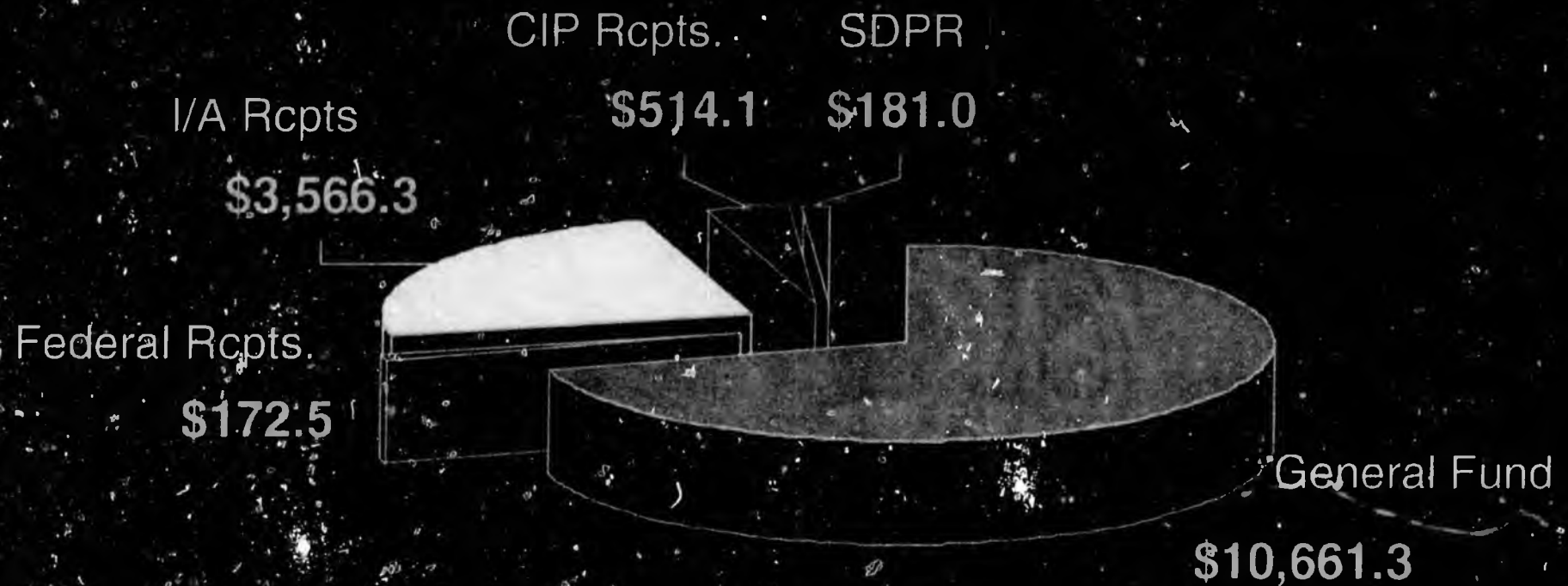


Types of DOT&PF Facilities

- Airport terminals
- Ferry terminals
- Office buildings
- Maintenance shops
- Equipment storage buildings
- Weigh stations
- Employee housing



Facilities FY06 Operating Request by Fund Source



Regional Maintenance Funding



excludes ferry system → Rents - A.P.T.

Fixed Costs

• Electricity	\$2,425.3
• Water & Sewer	203.3
• Disposal	117.7
• Natural Gas/Propane	334.5
• Heating Oil	1,931.4
• Insurance	443.7
• SEF	<u>281.6</u>
• Total	\$5,737.5



in Thousands

5 million

Capital Budget

- Facilities Deferred Maintenance \$8,000,000
 - Roof replacement
 - Maintenance shops, Ninilchik, Kalsin Bay, Jim River, Anchorage
 - Kenai Courthouse,
 - Materials Lab, Anchorage
 - Peger Road Bldgs. – Fairbanks
 - Boiler replacements
 - Sidewalk replacement
 - Bring up to fire and mechanical codes
 - Major repairs or upgrade to HVAC, electrical, water lines, septic, drain, fuel distribution systems
 - Major repair or replacement of building structures (e.g., bunkhouses at Seven Mile and Jim River)
- Willow Maintenance Station \$350,000



Energy Savings Performance Contract

- Siemens Building Technologies
- Identify Energy Conservation and Facility Improvement Measures (5 buildings in Juneau, 3 in Anchorage)
 - Guarantee utility consumption reductions
 - Take advantage of utility incentives
 - Generate opportunity for infrastructure renewal
- Design, implement and manage program performance
- Future utility savings offset the cost
- Each project is financially independent and guaranteed by the contractor



Energy Audit → By Siemens.

Design and Construction

- Regional design and construction offices provide oversight of all facilities construction projects
- (\$160 million in projects in various stages)
- Recent successes
 - Kenai Youth Detention Facility
 - Anchorage Pioneer Home Roof & HVAC
 - Sand Point AARF
 - DNA Lab Remodel
 - Alaska Railroad Anchorage Operations Center (procurement consultant)
- Projects in progress
 - DEC Food Safety Lab
 - API replacement (complete before March, move-in July)
 - ANC field maintenance facility
 - Several snow removal equipment buildings

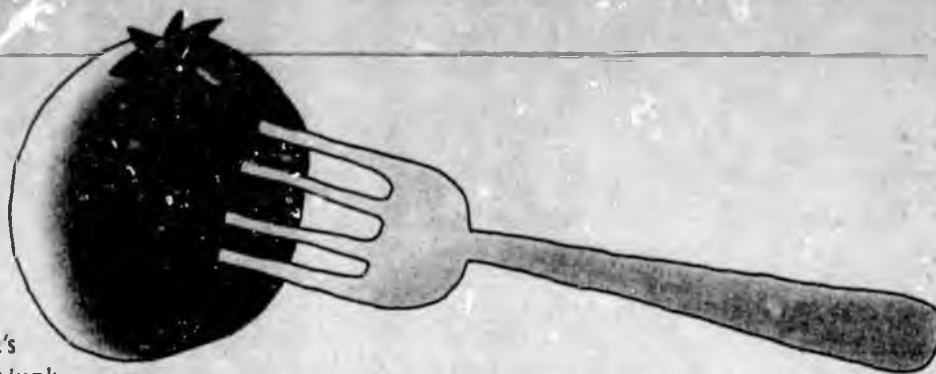


Questions?



TRY IT, YOU'LL LIKE IT

A growing number of school cafeterias are serving healthy, organic food as a way to improve children's health and fight obesity. Most of the food comes from local, small farmers. At Lincoln Elementary in Olympia, Wash., for example, the school's organic salad bar has proved so popular that all the city's elementary schools now have one. Seattle's school district recently adopted a new policy banning junk food and encouraging organic food in school cafeterias. California school districts in Berkeley, Santa Monica and Palo Alto have organic programs as well. And schools in Rhode Island, California, Massachusetts, New York, New Hampshire and Connecticut have or are getting new vending machines stocked with all-organic treats, thanks to the Stonyfield Farm company. The latest government statistics show that about 31 percent of children ages 6 to 19 are overweight; 16 percent are obese.



A SOY SOLUTION

Delaware's soybean farmers are excited about the construction of a soy biodiesel plant that will be the first of its kind in the Northeast. Soy biodiesel is made from the oil that is left over after soybeans are processed for feed. The hope is that the plant will create an additional market for soybeans, improve the environment and diversify the state's energy supply. The plant will employ 17 people, produce 5 million gallons of soy biodiesel, and generate \$11 million to \$12 million a year. The cleaner burning fuel will be blended with standard petroleum diesel before being sold. Ten other states are looking at similar plants.

NO BILLY GOATS GRUFF HERE

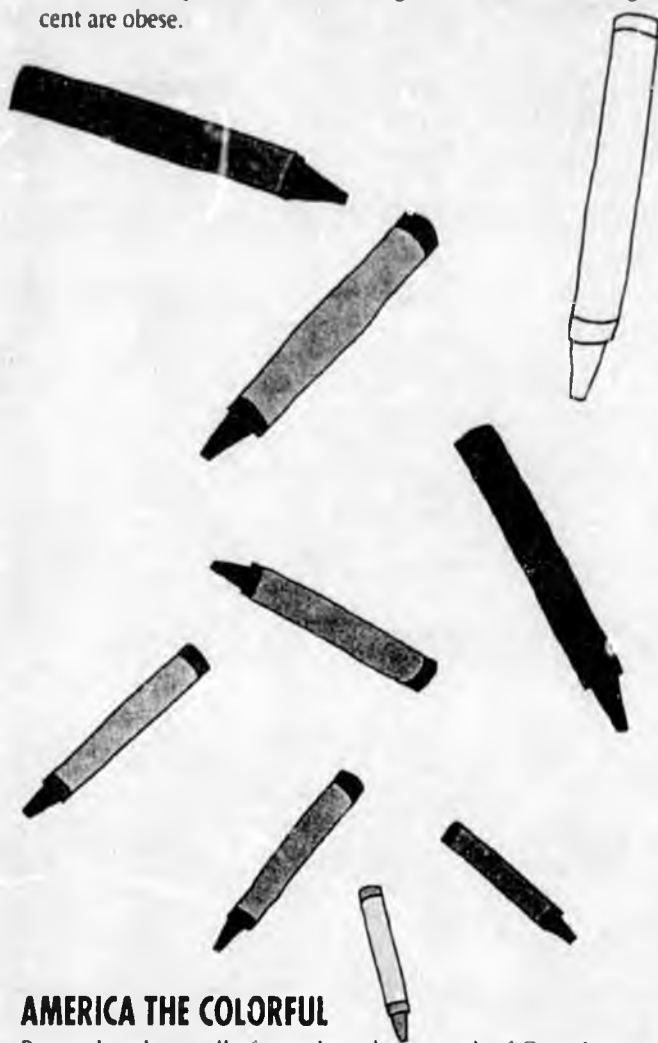
New Mexico is the first state to make a smart bridge. Built-in sensors monitor stresses and strains on bridge materials, providing data to fix problems early before a catastrophic failure. Scientists hope the data collected will also help them build better bridges in the future. New Mexico State University is developing the technology that will provide researcher information on how to build bridges with high performance concretes—advanced mixtures that could save highway departments lots of money. New Mexico is an ideal location to test stresses on concrete. Its hot days and cold nights cause concrete to bend and flex.

BIG SKIES, SMALL SALARIES

Montana has the lowest wage per job in the country, but has improved slightly in terms of total average income over the past few years, according to a report by the state Department of Labor. The average salary is \$26,900 per job, just behind South Dakota's average of \$27,200. Montana's unemployment rate, however, is roughly 4.5 percent, which is below the national rate of about 5.5 percent.

CAN YOU SPARE A DIME?

The average student who graduates from high school lacks basic skills to manage his personal financial affairs, according to the JumpStart Coalition. Many teenagers are unable to balance a checkbook and have no insight into the basic survival principles involved with earning, spending, saving and investing. Too many young people fail in the management of their first consumer credit experience, establish bad financial management habits, and stumble through their lives learning by trial and error. The coalition, along with a growing number of others, believes students need to be taught money management. Right now, only six states require financial literacy courses for high school graduation: Kansas, Louisiana, New York, North Carolina, South Carolina and Utah.



AMERICA THE COLORFUL

Remember the smell of your brand new pack of Crayola crayons the first day of school? You might even have known all the names of the colors by heart. Now, Crayola plans to produce 500,000 boxes of state-themed crayons, chosen through a nationwide contest. New York's crayon is called Lady Liberty (it's the old sea green). There's Alamo à la mode for Texas, bee-Utah-ful, a-maize-ing Iowa, and even boardwalk for New Jersey. The contest renamed 50 colors and the company added crayons for the District of Columbia and Puerto Rico along with patriotic colors like dawn's early light and America the blue-tiful.

**State of Alaska Department of
Transportation and Public Facilities**

Frank H. Murkowski
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FOR IMMEDIATE RELEASE: January 3, 2005

No. 04-2567

State Declares Impasse in Fairweather Negotiations
**ALRA asked to mediate labor agreement to keep fast vehicle ferry
operating beyond January 25**

(Juneau) – After nearly a year of fruitless bargaining for a labor agreement to cover workers on the state's new fast vehicle ferry, the state has declared negotiations to be at an impasse, and has petitioned the Alaska Labor Relations Agency (ALRA) to order mediation. Since voluntary mediation failed on October 1, state labor negotiators have met 17 times with representatives of the three maritime unions that represent ferry workers – the Inland Boatmen's Union (IBU), the Marine Engineers Beneficial Association (MEBA), and the Masters, Mates and Pilots (MM&P).

"It should not come as any surprise that we are at an impasse," said John Torgerson, special assistant to the DOT&PF Commissioner Mike Barton, and a member of the labor negotiating team. "We have been trying to negotiate a contract based on three very expensive labor agreements. The maritime unions' generous leave accruals allow many employees to work less than one-half a year, yet get paid for the entire year. Their benefits are legendary. Yet, their negotiators expect the people of Alaska to pay even more for them to work on board our newest ferry. Based on the provisions of agreements we have achieved with our other labor unions, the proposals we have offered the three maritime unions are simply at the limit of what the state can afford. The ferry system will already have to go to the Legislature for supplemental funding for this year – the unions' demands would exacerbate that even more."

In a January 3, 2005 letter to the Alaska Labor Relations Agency, the state's Director of Labor Relations, Art Chance, noted that it is uneconomic to continue operating the *Fairweather* under the residual terms of an expired agreement entered into last spring. The state would like to reduce operations from seven days per week to four during the winter, which will require laying off the vessel's second 15-member crew. However, it will require a new agreement with the three unions in order to allow operations to continue.

"If the state is unable to move to the reduced schedule, it is our intention to cease operation of the *Fairweather* on January 25, 2005," said DOT&PF Commissioner Mike Barton. "Tying up the vessel will result in the layoff of virtually the entire specially trained crew, a result we would sincerely hope to avoid."

- more -

Chance said the letter of agreement under which the vessel has operated for eight months was "crafted to cover a period of intense training and initial operations and requires that two full crews be paid for a 7/12s schedule week on-week off." That level of staffing and operation is not economic in the winter season.

The three ports currently served from Juneau by the *Fairweather* – Haines, Skagway, and Sitka – are also served by mainline ferries two times each week. Haines and Skagway are served by the *Matanuska* each Friday, and by the *Malaspina* each Monday. Sitka service is provided by the *LeConte* on each Thursday and Saturday. Travelers should check with their local terminals for exact sailing times.

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Media Contact: John Torgerson
Cell phone: 907-321-1044

FVF & Maritime Unions - Current Situation

The purpose of this fact sheet is to explain the state's position relative to crewing of the Alaska Marine Highway System's fast vehicle ferry *Fairweather*.

The fast vehicle ferry (FVF) continues to operate without a formal contract between the state and the three maritime unions representing the employees. The *Fairweather* is currently operating under the residual terms of a letter of agreement that was designed to provide for an intense schedule of training and temporarily providing service while the contracts were being negotiated. That temporary letter of agreement expired in June.

From the outset, the state preferred to negotiate a contract with the unions that would be separate and completely unrelated to the master agreement that covers the other vessels in the fleet, but it has assented to union demand to treat the FVF contracts as subcontracts of the master agreement.

Current crew requirements under the Coast Guard's High Speed Craft Code and operating 7 days per week are for two 10-person crews (A and B), with 14 relief and maintenance personnel.

The state's objective in negotiating with the maritime unions was to obtain a recognition that the operation of the FVF is fundamentally different from the operation of mainline ferries, which are in service 24 hours a day, seven days a week. The FVF normally operates about 12 hours per day, with crews going home at the end of the day. There are no crew sleeping quarters designed or built into the vessel. The substantial employee costs built into agreements covering a 24/7 operation should not be applicable to what is essentially a day boat operation.

However, employee union representatives approached the bargaining table with a substantially different idea than the state. The state offered a pay plan that incorporated the vacation, holiday, and sick leave benefits enjoyed by all AMHS employees under the master agreement. The union representatives countered with an offer that retained those amounts in the pay scale, plus asked for them again in the form of leave benefits, and demanded the 7, 6 and 6 percent pay increases contained in the most recently negotiated draft contracts of the master agreement. In their most recent offer, union negotiators are demanding additional pay for *Fairweather* service, plus a \$100 per day benefit because the state did not construct any crew quarters on board the vessel. The unions have asserted that the use of the vessel, with no crew quarters, is in violation of the master agreement.

The state and the unions' representatives met with a federal mediator on these issues on September 30 and October 1, without results. State negotiators have met with the three unions 17 times since the voluntary mediation failed. We are clearly at an impasse, and the state seeks mandatory mediation.

Continued operation of the FVF under the residual terms of the letter of agreement requiring two crews and 7-12s operation is not economically feasible during the winter months. In the event the state is unable to obtain a new agreement that allows operation to be reduced to 4-12s, it will be forced to lay-up the FVF until a contract can be reached.

The operating budget plan under which the FVF was to run during FY2005 projected summer operation of 7-12s at \$90,619 per week, and winter operation of 4-12s at \$52,873 per week. Weekly operating cost, averaged over the year, was projected at \$67,284. This was the schedule on which the FY2005 operating budget was adopted by the Legislature.

The actual cost of operations for the FVF has been substantially higher than forecast, coming in at just under \$135,000 per week. This additional cost is due primarily to higher costs for the crew, for consumable commodities, and for fuel and lubricants. The cost of fuel is nearly double what was projected at the time the FY2005 budget was written last spring. The FVF runs on diesel fuel, which was projected to cost an average of \$.83 per gallon on contract for the fiscal year. Due to the recent run-up in the price of crude oil, the most recent average price of diesel has been more than \$1.40, meaning that the 40,000 gallons of fuel the FVF uses in its 7-day schedule costs at least \$25,000 more than anticipated.

Revenue from the FVF is considerably less during the off-season than it was during the summer. For June, July, and August the FVF generated about as much in revenue as it cost to operate, or about \$135,000. Passenger traffic and car deck usage tracked just above or just below the amount necessary to break even. However, during the winter months, traffic is projected to be about one-third to one-half of break-even. Weekly revenues are expected to average \$48,000.

Possible consequences of reducing the crew or laying up the vessel:

We anticipate that some members of the current FVF crew will return to regular service within the fleet. It is understandable that ramping up for the summer and then back down for the winter is a less desirable prospect for many ferry workers. Retraining new crews for the summer becomes an expensive cost of operations. The state would prefer to avoid this outcome, if at all possible.

Service to upper Lynn Canal and Sitka will be impacted.

For those areas, the FVF is a highly desirable travel option. For example, compare its travel time and costs with the mainline ferries and airlines that serve those areas:

	Mainline Ferry	FVF	Airline
JNU-HNS	\$32 -- 4.5 hrs	\$36 -- 2.25 hrs	\$90 -- ½ hr
JNU-SKG	\$41 -- 7 hrs	\$46 -- 2.5 hrs	\$100 -- ½ hr
JNU-SIT	\$36 -- 8 hrs	\$41 -- 4.5 hrs	\$117 -- ½ hr

January 3, 2005

Mr. Mark Torgerson
Hearing Examiner
Alaska Labor Relations Agency
POB 107026
Anchorage, Alaska 99510-7026

Dear Mr. Torgerson;

As you may know, the State has been in negotiations with the three maritime unions seeking a full agreement for operation of the fast ferry *M/V Fairweather*. The vessel is currently operating under the residual terms of an interim agreement that expired on June 30, 2004. The parties have met many times and voluntarily submitted to mediation conducted by the FMCS on September 30 and October 1st. The mediation was fruitless. We have met 17 times since the failed mediation and now conclude that further bargaining is futile and will not lead to an agreement. Consequently, the State has declared that the bargaining has reached impasse.

While we do not admit that employees assigned to the *M/V Fairweather* are Class Two (AS 23.40.200(a)(2)), this Agency in 1978 determined that ferry employees were Class Two and that appears to be the controlling authority (See, D & O 20). Therefore, if D & O 20 is controlling, the parties must submit to mediation in order to attempt resolution of the deadlock. While we believe that the earlier mediation satisfies the requirements of Section 200(a)(2), it is entirely likely that there would be some sort of adjudication and resulting delay to settle that question. Consequently, while we do not believe it to be legally necessary, the State desires an additional attempt at a mediated resolution in satisfaction of Section 200(a)(2). We have determined that the FMCS can provide a mediator on January 6-7. The State will make itself available on that date. The unions are unwilling to commit to those dates.

By this letter, the State petitions the Agency to assert its authority under AS 23.40.190 and order mediation. We respectfully request that you order the parties to submit to mediation conducted by the FMCS on January 6-7, or in the alternative, order the parties to submit to mediation before a mediator of the ALRA's designation at the earliest possible time.

Mark Torgerson
Page Two
January 3, 2005

We urge haste inasmuch as it is imperative that the State be able to modify the operating conditions of *M/V Fairweather* as soon as possible. The interim agreement under which it is currently operating was crafted to cover a period of intense training and initial operations and requires that two full crews be paid for a 7/12s schedule week on – week off. That operational tempo is dramatically uneconomical in the winter season, and the State must take steps to reduce the operating costs of the vessel. If the State is unable to move to the reduced schedule, it is the State's intention to cease operation of the vessel on January 25, 2005. Cessation of the uneconomic operation will result in the layoff of virtually the entire specially trained crew of the vessel, a result the State would sincerely hope to avoid.

The State respectfully requests your immediate and favorable consideration of this petition to compel mediation. If we may answer any questions or provide further information, please do not hesitate to contact Nancy Sutch of my staff at 465-3794.

Sincerely,

/ s /

Art Chance
Director

cc:
IOMM&P
MEBA
IBU

James F. Clark
Chief of Staff
Office of the Governor

Ray Matiashowski
Commissioner
Department of Administration

Mike Barton
Commissioner
Department of Transportation and Public Facilities

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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December 22, 2004

Darryl Tseu
3017 Clinton Drive Suite 201
Juneau, Alaska 99801

Ben Goldrich
229 Fourth Street
Juneau, Alaska 99801

Ron Leighton
2333 Third Avenue
Seattle, Washington 98121

Subject: *Winter operations for the MV Fairweather*

Dear Messrs. Tseu, Goldrich and Leighton:

As you know from our meeting of November 1, 2004 the Alaska Marine Highway System will reduce the service of *M/V Fairweather* and enter into winter operations.

Effective January 11th, 2005, we will be reducing the operating days from seven days a week, to four days a week. This reduction will be in place until May 1st, 2005, at which time it is our intent to return to the summer schedule of operating 7 days a week.

Effective with this reduced schedule, will be a reduction in manning requirements from two crews, to one crew.

We anticipate the following operational manning level will be required:

Master
Chief Mate
2nd Mate
Deck Rated AB (two)
Chief Engineer
Asst. Engineer
Passenger Service Worker In Charge

Providing for the movement of people and goods and the delivery of state services.

Passenger Service Worker (two)

Night Crew requirements:

Chief Engineer
Asst. Engineer
2nd Mate
Passenger Service Workers (two)
Wiper

Security Mates

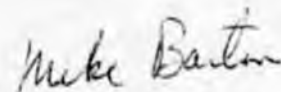
2nd Mate (Two)

The employees that are affected by this reduction in service will be considered "DRAE'S" and the rules of the Master Agreement will apply to this "RIF".

Please consider this notice to be our formal demand to bargain if you desire to bargain.

Thank you

Sincerely,



Mike Barton
Commissioner