

01/21/16
PRESENTATION:
ALASKA MARINE
HIGHWAY SYSTEM
(AMHS)

<TARGET><BILL></BILL><SUBJECT>01-21-16 PRESENTATION
ALASKA MARINE HIGHWAY SYSTEM
(AMHS)</SUBJECT><COMM>HTRA29</COMM></TARGET>



Alaska Department of Transportation & Public Facilities

House Finance Subcommittee

Marc Luiken, Commissioner
Mary Siroky, Administrative Services Director

21 Jan 2016

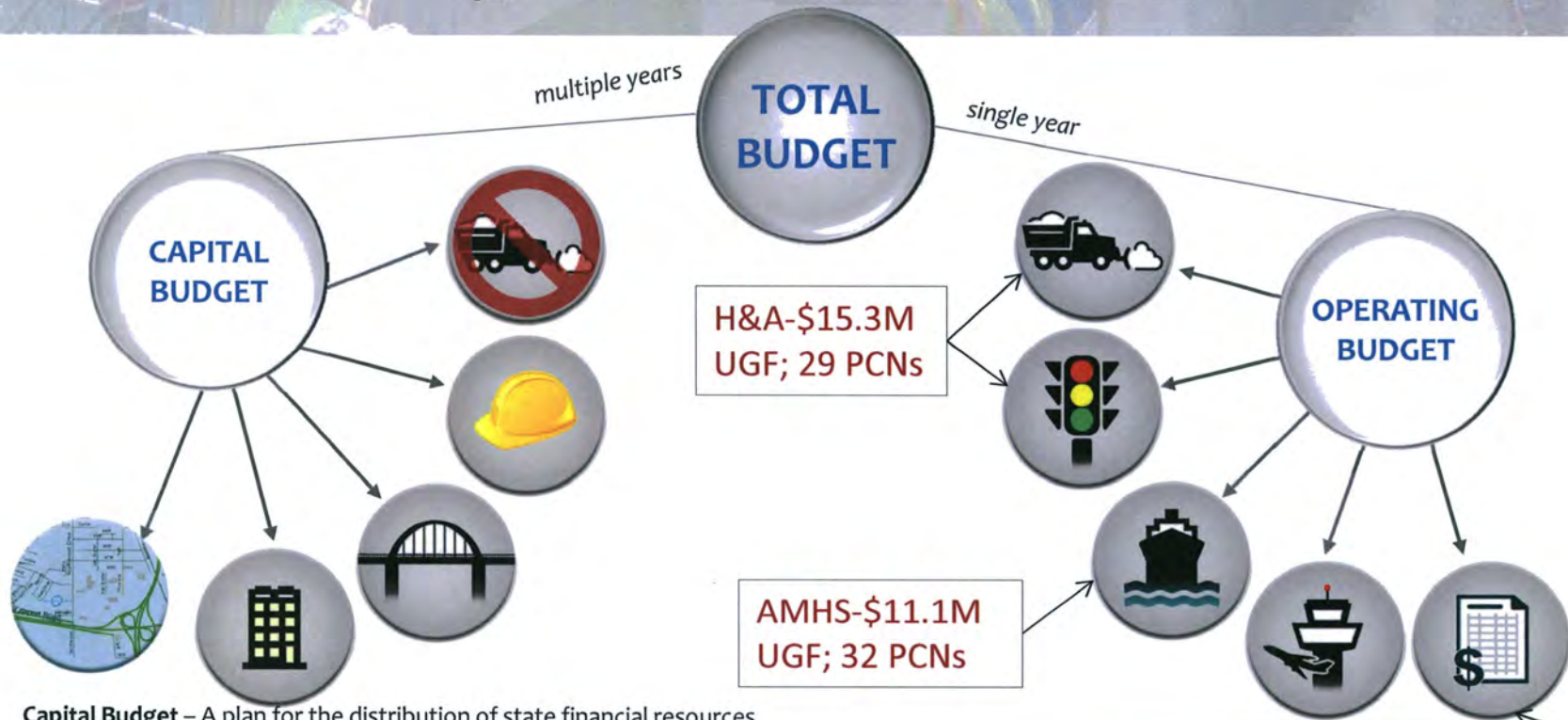
Keep Alaska Moving through service and infrastructure

Alaskans serving fellow Alaskans with dedication and excellence

- Keri Williamson
 - Project Engineer, Southcoast Region Construction
 - Northern Arizona University graduate May 2011 – summa cum laude. BSE Environmental Engineering.
 - Born and raised in Juneau. Enjoys Snowboarding, rock climbing and hiking
 - 5+ years with DOT&PF
- Leads contract administration on construction projects. Most recently in charge of Marine Ferry Terminal improvement projects in Clark Bay and Haines.
- Committed to continual personal and organizational improvement to increase efficiencies and effectiveness of contract administration.
- Exemplifies department's core value of excellence by providing consistent quality service.



How DOT&PF Navigated the FY2016 \$34.6M Reduction



Capital Budget – A plan for the distribution of state financial resources for items which have an anticipated life that exceeds one year and which usually costs at least \$25,000.*

Capital Improvement Project (CIP) – A project listed in the capital budget.*

Strict rules and regulations prohibit spending capital \$s on routine maintenance and general operating budget activities.

*Alaska Legislative Budget Handbook, November 2014

Operating Budget – A plan for the yearly distribution of state resources to cover the ongoing operations of state programs.*

Preparing for FY2017

Results Based Budgeting/Alignment (RBB/RBA): Ensuring we pursue our mission and only our mission—alignment; ensuring we are efficient and effective with the resources we're given—measure

- Core Services:
 - Operate Alaska's transportation infrastructure
 - Maintain Alaska's transportation infrastructure
 - Expand Alaska's transportation infrastructure
 - Operate Alaska Marine transportation services
- Organizational focus shifting from activities and budget to outcomes and results



STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Proposed FY2017
NORTHERN REGION
CORE SERVICE ALIGNMENT

Northern Region
Total \$105,958.8



DIVISION

NREG

CREG

SREG

AMHS

ASD

ISSD

SWAV

SWDES

MSCVE

SEF

PROGDEV

SWPF



DESIGN

- Plan Infrastructure
- Design Infrastructure
- Construct Infrastructure
- Surface Maintenance
- Off-surface Maintenance

CONSTRUCTION

- Design Infrastructure
- Construct Infrastructure
- ITS

HIGHWAYS & AVIATION

- Illumination
- Signals
- Snow & Ice Management
- Surface Maintenance
- Bridge Maintenance

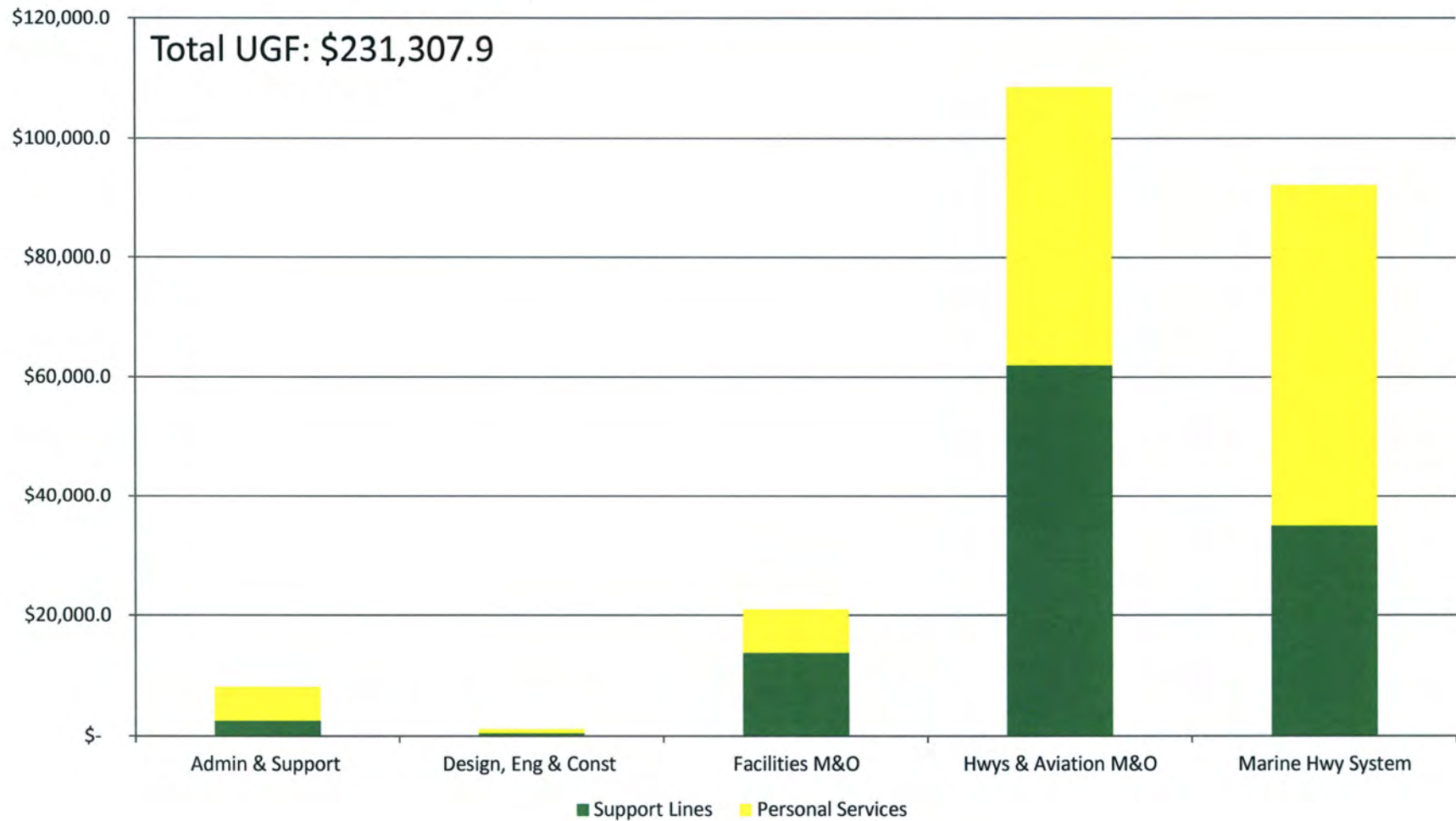
FACILITIES


- Vessel/Terminal Maintenance
- Snow & Ice Management
- Illumination

SUPPORT SERVICES

- Plan Infrastructure
- Signage
- ITS
- Surface Maintenance
- Off-surface Maintenance

Unrestricted General Fund (UGF) Broken out by Appropriation Further Broken out by Personal Services & Support Lines





FY2017 Proposed Reductions

Highways & Aviation RDU-Maintenance and Operations

- - \$6,509.9 UGF and position reduction (21 PFT, 9 PPT)
- Service reduction will be felt on lower priority roads
- Reduce equipment fleet
- Reduce commodities purchases for summer and winter supplies
- Decrease in roadway maintenance, vegetation control, guardrail repairs
- Six maintenance stations will close (Seward, Chitina, Central, Birch Lake, O'Brien Creek, Northway)
- Thompson Pass station open seasonally (winter)
- Identification of previous operating costs that are eligible for federal funding (striping)
- Reduction of law enforcement officer coverage at Part 139 airports
- Reductions to maintenance agreements on state assets

Administration & Support RDU

- Positions (2 PFT)
- -\$1,385.1 UGF Agency-wide unallocated reduction

Design & Construction RDU

- Positions (1 PPT, 5 NP)

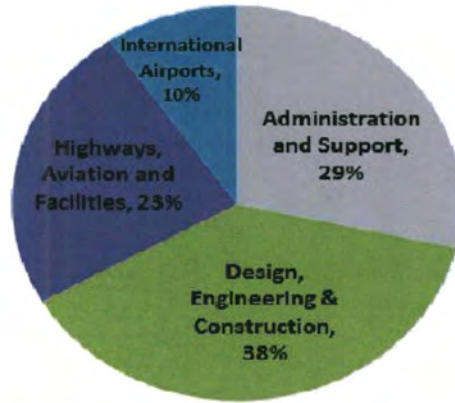
Alaska Marine Highway System RDU

- -\$5,392.0 UGF
- -6,461.0 AMHS Funds
- Position reduction (5 PPT, 9 NP)
- Operating plan reduction from 354 to 309 week of service
- Three vessels are not scheduled to operate (Taku, Chenega, Fairweather)
 - Multiple week gaps in service
 - 5 weeks – Northern Panhandle
 - 6 weeks – Prince William Sound
 - 7 weeks – Southwest Route

PCN Deletions

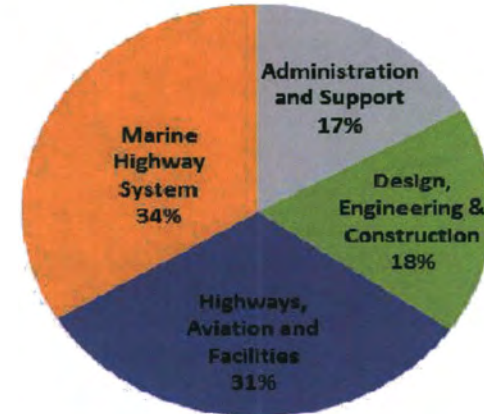
Total PCNs deleted = 21

FY2015



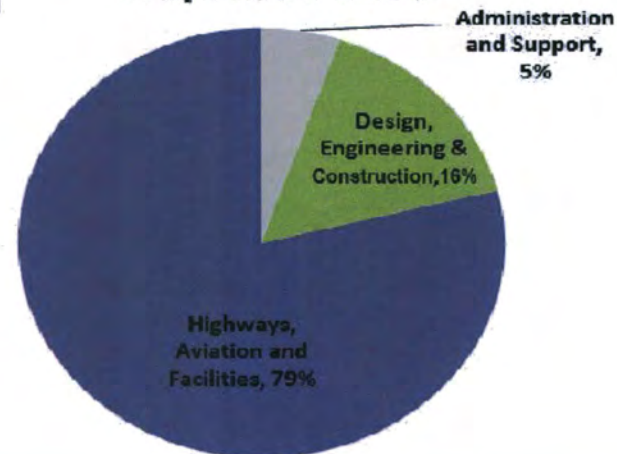
Total PCNs deleted = 95

FY2016



Total PCNs deleted = 38

Proposed FY2017



FY2017 Governor's Proposed Operating Budget Changes

New Initiatives

New Entrant Program Staff \$ 73.0 Capital Improvement Program Receipts

Increases

Mitigate Service Loss due to Past Reductions \$ 810.0 Program & Uniform Carrier Registration Receipts
 Increase Highway Safety Corridor Safe Driving Program Authority \$ 0.3 Unrestricted General Funds
 Tunnel Maintenance and Operations Contract Adjustment \$ 1,500.0 Capital Improvement Program Receipts
 Utilize Available General Fund Program Receipts in Support of Existing Division
 Activities \$ 312.1 General Fund/Program Receipts

Salary Adjustments

FY2017 Salary Increases-MMP & MEBA \$ 1,232.6 Unrestricted General Funds=\$920.8; Alaska Marine Highway Funds=\$311.8
 FY2017 Salary Increases-PSEA \$ 196.4 Federal =\$7.6; International Airport Revenue Funds=\$188.8
 Reverse FY2016 One-Time UGF Salary Adjustments \$ (1,385.1) Unrestricted General Funds

One-Time Items

Reverse One-time Marine Highway System Funds (Capitalization Account) \$ (2,600.0) Alaska Marine Highway Funds
 Reverse Telematics Fleet Management System \$ (250.0) Highway Working Capital Funds
 Reverse Gas Pipeline; AGDC; Oil and Gas Production Tax Ch14 SLA2014 (SB138) (Sec2
 Ch16 SLA 2014 P48 L23 (HB266)) \$ (70.0) Alaska LNG Inter-Agency Receipts
 Reverse Naturally Occurring Asbestos Ch13 SLA2012 (HB 258) (Ch15 SLA2012 P45 L30
 P46 L1 (HB 284)) \$ (35.3) Unrestricted General Funds

Position Count Reductions 23 full-time; 15 part-time; 14 non-permanent (5 part-time & 9 non-permanent are technical deletions for FY2016 budget reductions)

Reductions

Highways & Aviation Components \$ (6,509.9) Unrestricted General Funds
 Marine Highway System \$ (5,392.0) Unrestricted General Funds
 \$ (6,461.0) Alaska Marine Highway Funds
 Total Reductions \$(18,362.9)

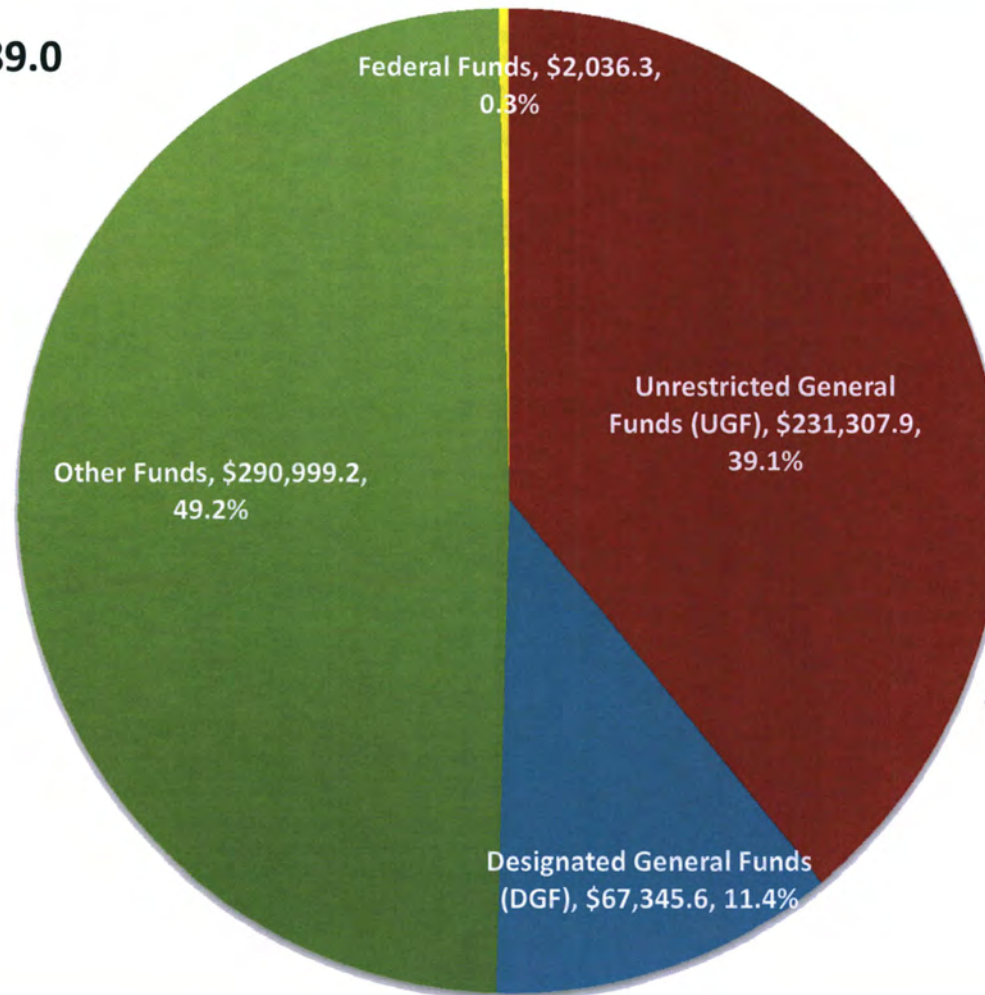
Organizational Changes

Regional Planning Consolidation
 Transportation Management & Security Function Consolidation

(Funding in Thousands)

FY2017 Governor's Proposed Budget

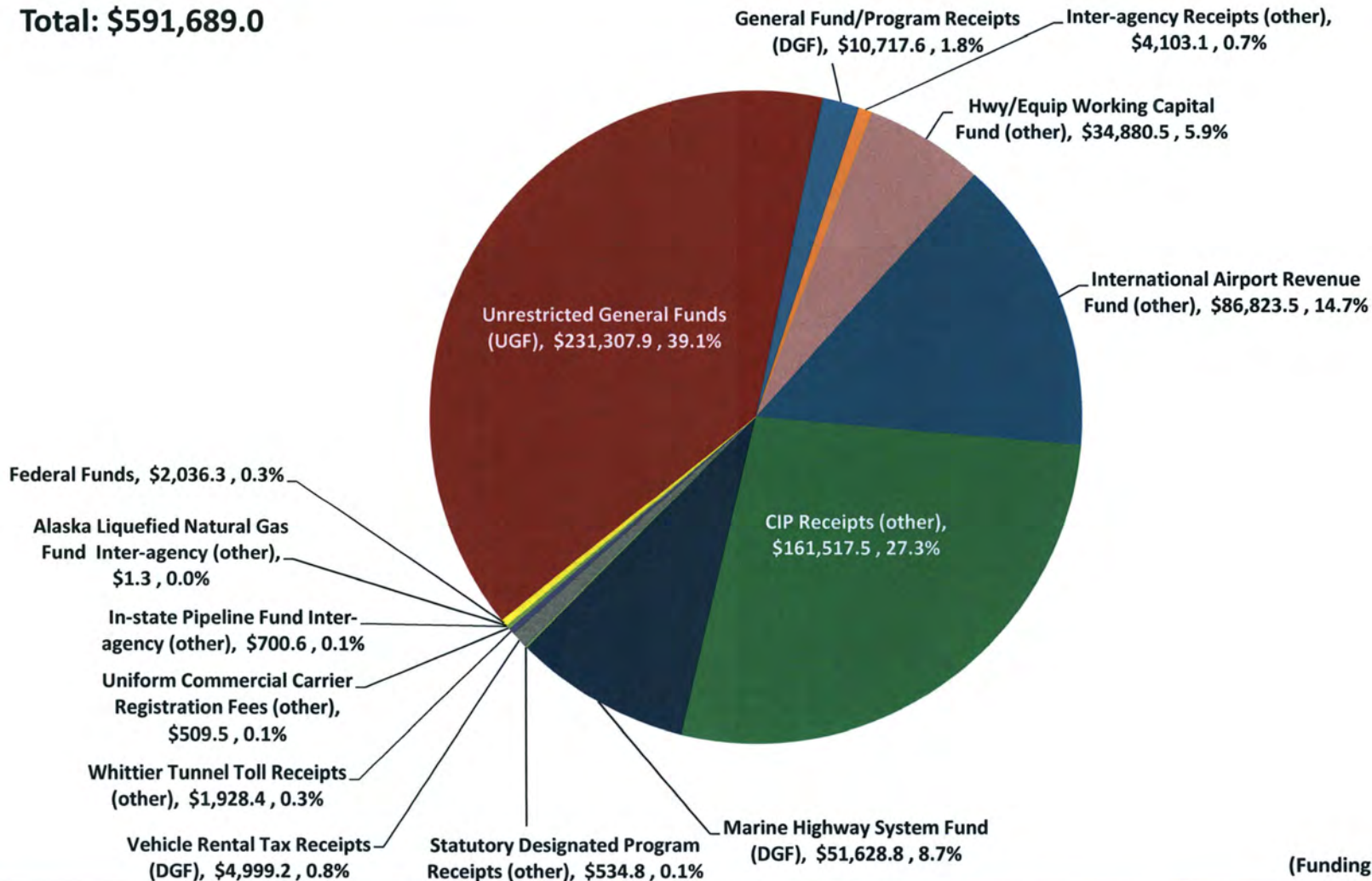
Total: \$591,689.0



(Funding in Thousands)

FY2017 Governor's Proposed Operating Budget All Funding Sources

Total: \$591,689.0



(Funding in Thousands)



Efficiencies: Replaced UGF

- Used non-UGF fund sources to support department activities where possible:
 - Increased fees
 - Rural aviation leases
 - AMHS
 - MSCVE
 - Whittier tunnel
- Transferred \$3.4M in highway and airport surface maintenance and storm drain cleaning activities to federally funded preventative maintenance capital projects.

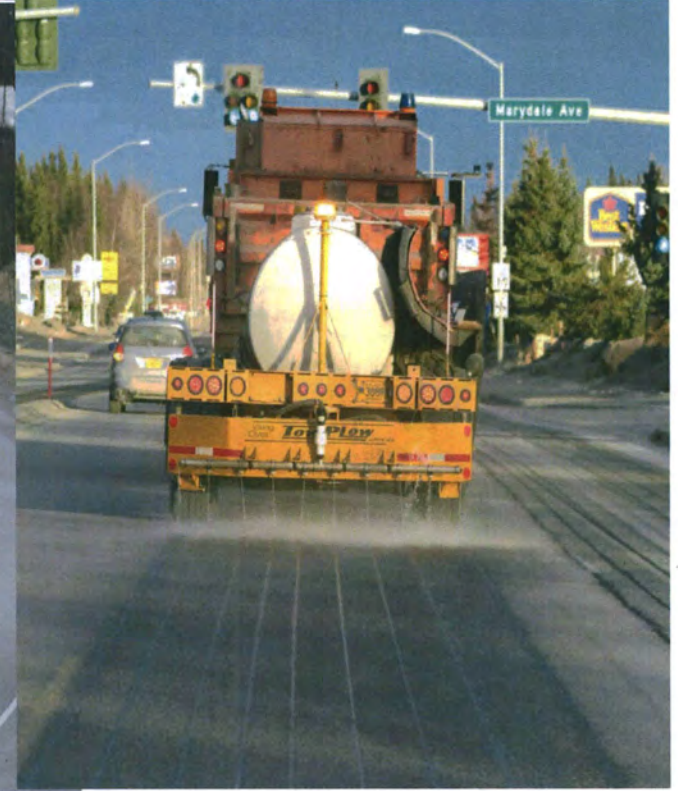
Efficiencies: Technology



Ice Breakers



Tow Plows



Pre -treatment

Video Trainings-gets training to our operators in over 80 locations

Efficiencies: Organization

Statewide Aviation



Centralizing Planning in the Division of Program Development

Leading the shared services initiative on facilities maintenance

Proactively participating in all shared services initiatives

One DOT&PF—Everyday Lean

Everyday Lean taps creativity/expertise of DOTers closest to service delivery

- User friendly intranet site
- Leadership emphasis –rewarding people and units
- Already recognized by national level organizations—grant funding
- **FAI International Garbage Incineration** Improvement resulted in \$20K/year savings

DOT&PF EMPLOYEE INTRANET | Challenges/Articles | Site Map | Intranet Home | DOT&PF Public | Employee Directory

Transportation & Public Facilities

Internal Resources for DOT&PF Staff

Home | Innovations | Best Practices | 2014 Winners | Idea Submissions

Everyday Lean Innovations & Ideas

The Challenge

We have many talented and creative employees in DOT&PF stretched across a huge state with strong Regional/CDIST boundaries. With over 3,000 employees spread out over the largest state in the country, communications and sharing of ideas is challenging at best and extremely difficult at worst.

Over the past several years many excellent ideas and innovations have been implemented at the local shop/division/regional levels without other areas of the department knowing about them. Some have been kept proprietary at these same levels because a cool saving idea may have felt like a competitive advantage. Many of these ideas and innovations may have been largely ignored.

Because of the collective horsepower and ingenuity of the DOT&PF workforce, and the need to speak as one voice, **DOT&PF** Everyday Lean Innovations & Ideas initiative was developed to provide a mechanism to promote the sharing of the information despite the decentralized nature of the department.

The Vision

DOT&PF encourages all employees to—

- identify opportunities to make smaller-scale improvements that are within their control,
- share ideas and innovations regardless of their duty station,
- identify a problem or opportunity and develop an innovative way of doing it better,
- submit ideas or innovations that have been tested and implemented regardless of the size.

DOT&PF commits to—

- listen to our employees and encourage them in making the department better,
- engage all employees in the "Everyday Lean Innovations & Ideas", developing and implementing ideas that will yield numerous benefits for DOT&PF and our customers.

The Action

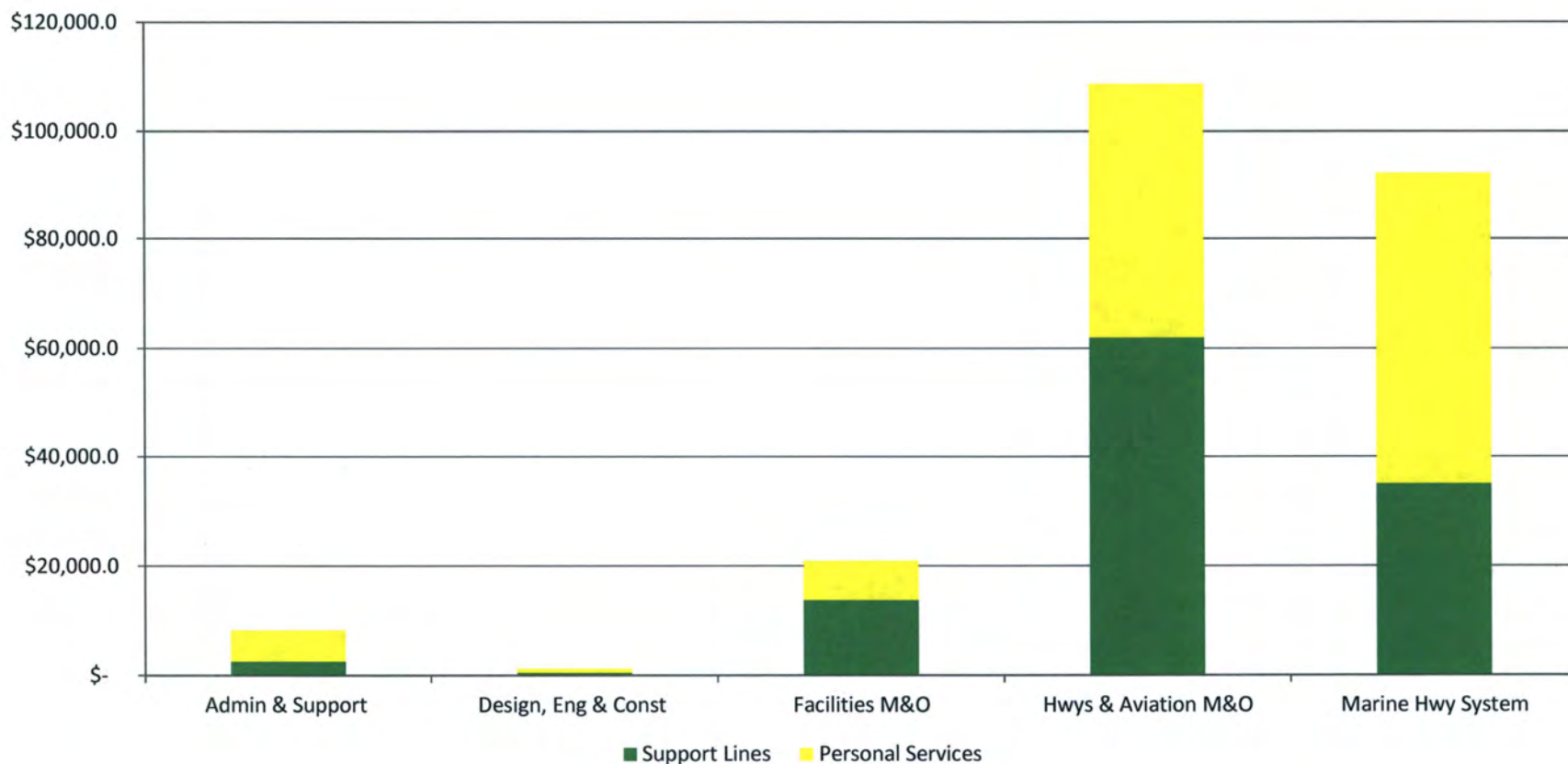
Innovations and ideas may be submitted. Visit the [Idea Submissions](#) page to learn how.

The Latest Innovations and Ideas

- Transfer Belt Install Tool
- Deflectometer Utilization for Transport
- Home Made Recycler with Emulsion Injection Capabilities
- FAI International Garbage Incineration Improvement

Where To Find Additional UGF Reductions

Total UGF: \$231,307.9





Delivering

- **Dalton Highway Aukefjorden flooding**
 - Instituted emergency procurement processes
 - Established a Unified Command Structure, led by DOT&PF—included state and private sector. Successfully prioritized the needs of North Slope.
 - Leveraged federal agencies to get most of the costs funded by feds
 - Completed road elevation project this past summer





Obligated \$780M in federal funding in Federal FY2015

- \$584 million obligated FHWA highway projects
 - \$486 million for the construction phases
- \$188 million obligated for FAA Airport projects
- \$8M awarded in Federal Transit grants for operating and capital expenses


Updated, socialized via public process, and gained approval for FY2016-19 STIP

- STIP is programmed at the FAST Act funding levels
- Anticipate 40 new construction projects in 2016
 - AMATS receives \$24M
 - FMATS receives \$8M

AIAS and Aviation

- AIAS stakeholder engagement realized 9% cargo growth/4.5% pax growth
- ANC #2 in North America/#5 in the world for air cargo traffic





A Year of Successes

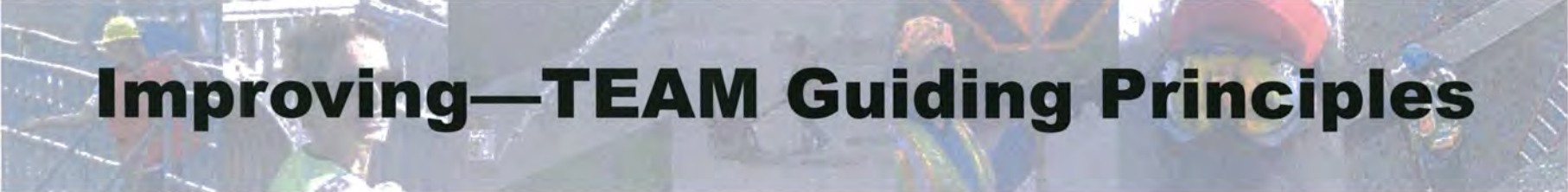
AMHS

- Set an all time record for revenue generated at \$53.9M in an effort to be more self sustaining, implemented tariff leveling.
- Reduced operating cost by \$5.2M to achieve a 33.5% cost recovery rate, up from 30.7% last year.
- Safely moved 310K passengers/106K vehicles (stable traffic volumes) despite running less ships and expending fewer GF dollars.



Contracts to Alaskans

- \$511.3M worth of contracts were awarded in 2015



Improving—TEAM Guiding Principles

We are an Executive TEAM who embraces these guiding principles:

- Remember and emphasize we are servants
- Every communication, decision, and action must be governed by Core Values

Integrity, Excellence, and Respect

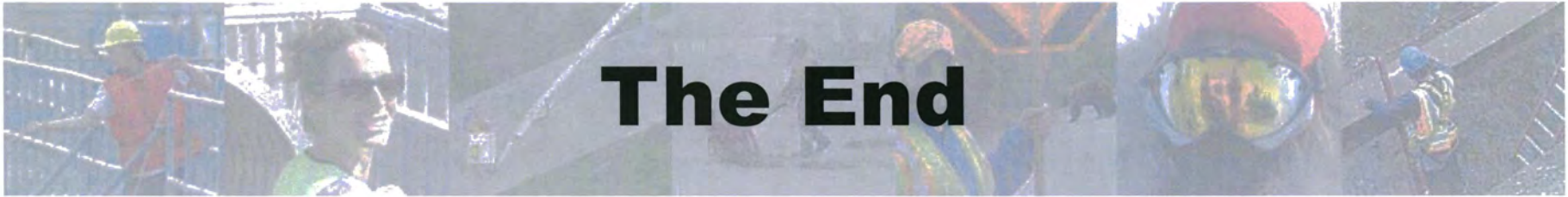
- Remember our Mission: Transportation for Alaskans
- Must be solutions oriented
- Must respect the role and intent of others in the solutions conversation
- As best we can, we'll make decisions as a TEAM
- Must communicate proactively and clearly, especially when it's contentious
- No Whining

Improving—One DOT&PF

One DOT&PF is the Organizing Principle and Change Management Brand

- One DOT&PF leverages and validates what we've already done over the last five years with DOT&PF Strategic Plan and with Summits for Success
- One DOT&PF means we are not a house divided in challenging times—a call for Trust, Teamwork, and Results
- One DOT&PF creates communication and sharing of best practices up, down, and across a huge and geographically dispersed organization
- One DOT&PF embraces the idea that leaders—at all levels have huge influence
- One DOT&PF embraces the belief that those closest to front line delivery often have the best ideas





The End

Questions?

What we heard during 6 AMHS community engagement meetings

by Michael Neussl

The Alaska Marine Highway System held six community engagement meetings across coastal Alaska last month. During this time, the department also held numerous meetings with AMHS vessel and terminal staff. The purpose of the meetings was to involve Alaskans in the decision-making process AMHS is facing due to the reality of a declining operating budget.

It's often been quoted that the heyday of the AMHS is in our past. Just four years ago, the system's 11-ship fleet sailed 412 operating weeks. At the same time, the State of Alaska was enjoying extraordinary revenues from North Slope crude, and this was reflected in nearly every area of the state — including its ferry system.

Due to the dramatic drop in the price of oil, the AMHS undesignated general fund allocation — what funds the operating budget — is now proposed to be \$31 million less than it was four years ago. Two of the system's 11 ships will not sail at all this next year, and several other ferries will only operate portions of the year.

With less ships sailing, AMHS is estimated to deliver 320 operating weeks of service; the lowest in over a decade.

Any business, when faced with a steep budget deficit, would first look to cut costs, create new revenue, find efficiencies and — at the last resort — begin curbing its operations. We too have begun this process by closing bars and gift shops, eliminating 30 shoreside positions, installing fuel management systems fleetwide, increasing tariffs and eliminating discount programs. These measures save money, but not enough to close the gap.

AMHS is not a business; it is a service to all Alaskans. From school groups that use the system to travel to tournaments, to military families moving from the Lower 48 to interior Alaska, we all benefit from a transportation system capable of providing a service that would otherwise not exist. This is why we must find solutions to sustain Alaska's ferry system well into the future. As anticipated, each meeting included constructive and thoughtful dialogue. Alaskans are passionate about their state ferry system. A copy of the presentation and an entire summary of comments can be found online at FerryAlaska.com, under service notices. Here is a brief list of issues that were raised at nearly every meeting:

- AMHS service is critically important to residents, businesses, tourists and economies.
- Many individuals are willing to pay more for reliable service, if the money goes to better service.
- The system is critical to social connections within the Alaska Native culture.
- Coastal Alaskans believe they are paying a toll to use their highway when other Alaskans in other parts of the state are not.
- Some communities' economies and infrastructure were built with the promise of AMHS service.
- Schedule consistency, dependability and reliability are critical. Uncertainty is bad for a transportation system in terms of riders, repeat users and commercial customers.
- AMHS can save on fuel costs by slowing the ships down slightly.
- The system provides reasonable travel opportunities for school students and school officials. That travel is critical to the social development of our youth.
- The system is important to Alaska military personnel on assignment. It allows passage in and out of Alaska without requiring travel through Canada.
- AMHS needs a long-range transportation plan that is defined, realistic and within the 20-year planning horizon.

Alaskans are encouraged to continue to send their comments to dot.amhs.comments@alaska.gov. It is our intention that community meetings act as springboard that will continue to generate solutions that guide AMHS.

We are committed to using your ideas, where practical, to provide reliable ferry service to Alaska. Thank those who have taken the time and effort to attend these meetings and comment on AMHS.

Michael Neussl oversees the Alaska Marine Highway System as Deputy Commissioner for the Alaska Department of Transportation and Public Facilities.