

ALASKA MARINE HIGHWAY FUND



Annual Financial Report

For the fiscal year ended June 30, 2014

2014



Alaska Marine Highway System Fund

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

Prepared by: Alaska Marine Highway System,
Department of Transportation and Public Facilities

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Annual Financial Report
For the Fiscal Year Ended June 30, 2014

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LETTER OF TRANSMITTAL



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
Patrick J. Kemp, P.E., Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
Fax: 907.586.8365
dot.state.ak.us

December 16, 2014

Dear Alaska State Legislator:

Enclosed is the Alaska Marine Highway System (AMHS) Annual Financial Report for Fiscal Year 2014 (ended June 30, 2014) as required by AS 19.65.070.

During FY2014, AMHS recorded \$50.9 million in operating revenues which was down from the two previous years. A portion of the reduced revenue was expected because less service was provided to accommodate the \$4.2 million reduction in the FY2014 operating budget. Also, late deliveries of the M/V Tustumena and M/V Columbia from refurbishment projects contributed to reduced service and lower revenue.

The department implemented a number of cost saving measures such as reducing commissions paid to travel agents and eliminating certain discounted fares. The planned and unplanned reductions in service combined with cost saving measures and reduced fuel use resulted in a total operating expenditure of \$166 million, \$6.5 million less than FY2013.

AMHS operated with an on-time departure rate of 92 percent. Service weeks provided by AMHS decreased to 376.6, down from the prior year's 403.8, and port calls decreased from 7,005 to 6,490. Ridership decreased three percent for passenger and four percent for vehicles. As with revenues, these decreases were primarily due to the budget reduction and late availability of the M/V Tustumena and M/V Columbia.

AMHS is striving to meet the challenge of providing safe, efficient, reliable, and cost effective transportation for the traveling public while addressing the need to reduce cost to the state. The system's customer satisfaction rating remains strong at 97 percent.

I look forward to the opportunity to share more AMHS successes with you in the coming year.

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Kemp".

Patrick J. Kemp, P.E.
Commissioner

"Keep Alaska Moving through service and infrastructure."

MARINE TRANSPORTATION ADVISORY BOARD

Alaska Marine Highway System Marine Transportation Advisory Board

On March 28, 2007, Governor Sarah Palin signed Administrative Order No. 233 establishing the Alaska Marine Transportation Advisory Board (MTAB). On June 4, 2008, Governor Palin signed House Bill 294. This bill established the Alaska Marine Transportation Advisory Board and set out its powers and duties; made conforming amendments; and provided an effective date of June 5, 2008. The following are the MTAB Board Members as of June 30th, 2014:

CHAIRMAN

Robert Venables
Northern Southeast (Haines, Juneau, Skagway)

DOT&PF STAFF SUPPORT

Reuben Yost
Deputy Commissioner

Nicole Gorle
Administrative Assistant

MEMBERS

Patricia Branson
Southwest (Kodiak)

Ron Bressette
Labor Unions of the employees of the AMHS

Gerald Hope
Central Southeast (Petersburg, Sitka, Wrangell)

Joshua Howes
Member At-Large, resident of an area not directly served by AMHS

Timothy Joyce
Prince William Sound / Kenai Peninsula (Cordova, Valdez, Whittier, Yakutat, Chenega Bay, Tatitlek)

Daniel Kelly
Business owner with experience interacting with AMHS and resident of the Ketchikan Gateway Borough

Richard Knapp
Northern Southeast Alaska

Shirley Marquardt
Southwest / Aleutian Chain / Alaska Peninsula
(Akutan, Chignik, Cold Bay, False Pass, Homer, King Cove, Kodiak, Port Lions, Sand Point, Seldovia, Unalaska / Dutch Harbor)

Cathie Roemmich
Member At-Large

Maxine Thompson
Southeast Alaska (Angoon, Hoonah, Kake, Pelican, Tenakee)

PORTS OF CALL

Alaska Marine Highway System Ports of Call

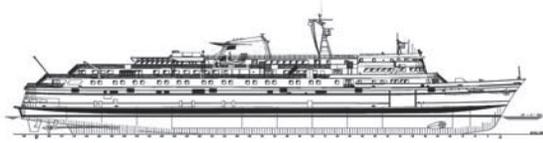
SOUTHEAST ALASKA

Angoon
Bellingham, WA
Gustavus
Haines and Borough
Hoonah
Juneau and Borough (Auke Bay)
Kake
Ketchikan and Borough
Metlakatla and Annette Island
Pelican
Petersburg (serving Kuperanof Island)
Prince Rupert, BC
Sitka and Borough
Skagway
Tenakee Springs
Wrangell and Borough
Yakutat and Borough

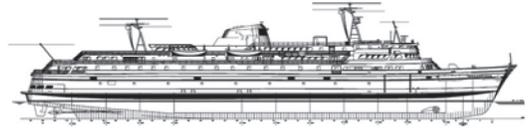
SOUTHWEST ALASKA

Akutan
Chenega Bay
Chignik
Cold Bay
Cordova
False Pass
Homer
King Cove
Kodiak and Borough
Old Harbor
Ouzinkie
Port Lions
Sand Point
Seldovia
Tatitlek
Unalaska / Dutch Harbor
Valdez
Whittier

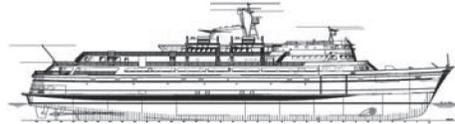
Alaska Marine Highway System Profile of the Fleet



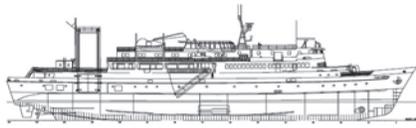
M/V Matanuska
408 feet
Built 1963



M/V Malaspina
408 feet
Built 1963



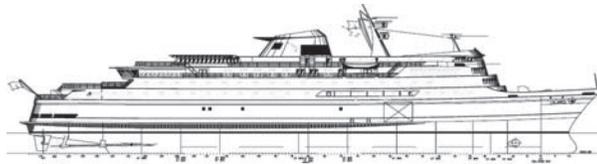
M/V Taku
352 feet
Built 1963



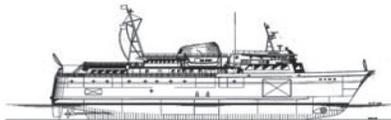
M/V Tustumena
296 feet
Built 1964



M/V Lituya
193 feet
Built 2004



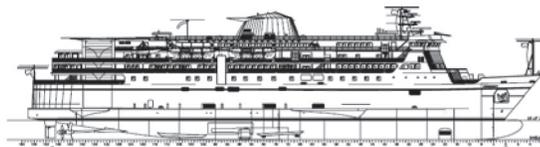
M/V Columbia
418 feet
Built 1974



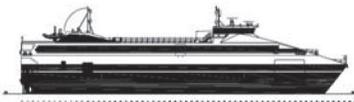
M/V LeConte
235 feet
Built 1974



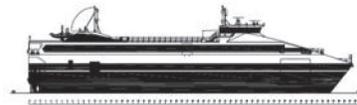
M/V Aurora
235 feet
Built 1977



M/V Kennicott
382 feet
Built 1998



FVF Fairweather
240 feet
Built 2004



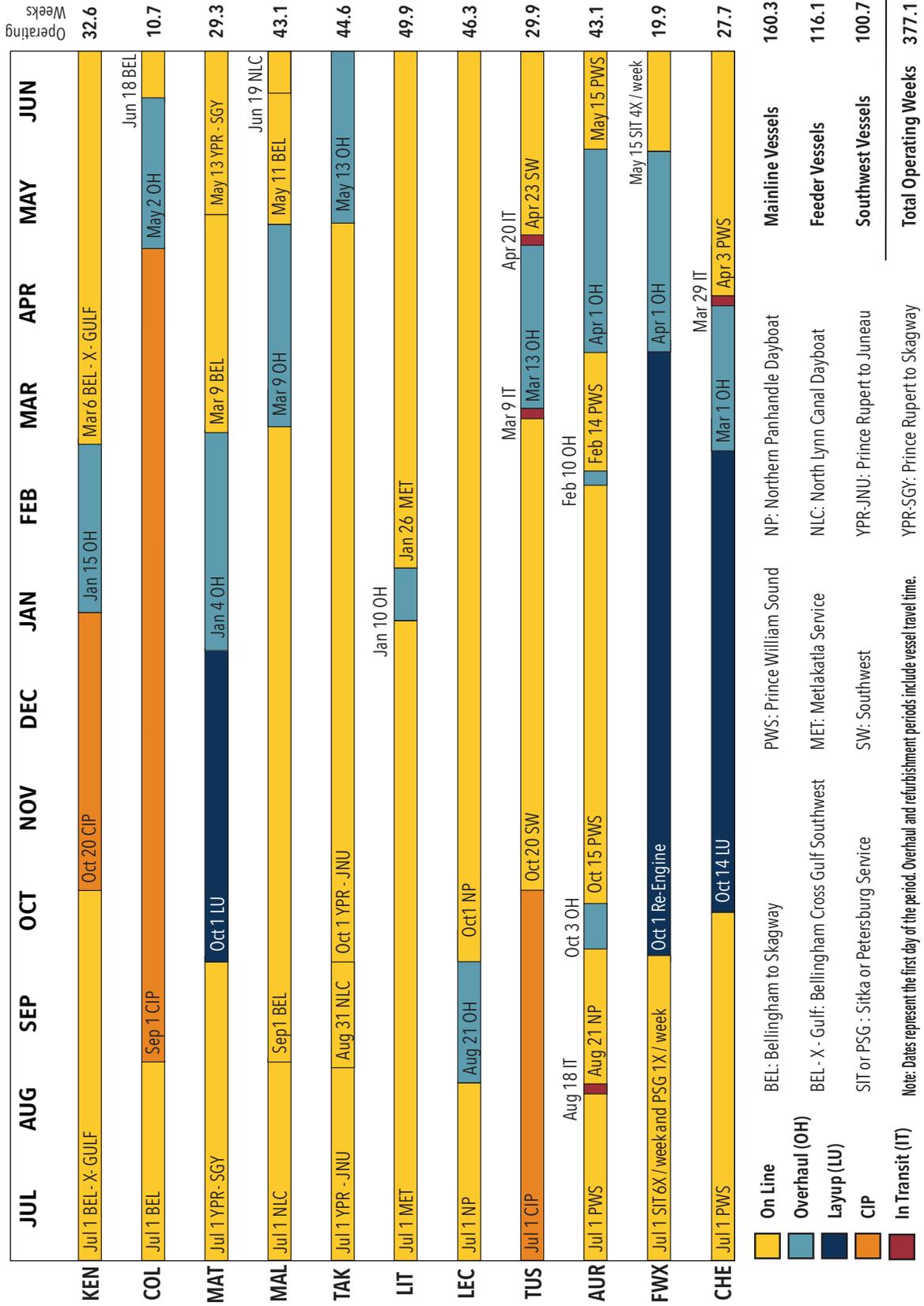
FVF Chenega
240 feet
Built 2005

VESSEL INFORMATION TABLE

Alaska Marine Highway System
Vessel Information Table

	Matanuska	Malaspina	Taku	Tustumena	Columbia	LeConte	Aurora	Kennicott	Lituya	Fairweather	Chenega
Date Built	1963	1963	1963	1964	1974	1974	1977	1998	2004	2004	2005
Length (feet)	408	408	352	296	418	235	235	382	193	240	240
Beam (feet)	74	74	74	59	85	57	57	85	50	60	60
Displacement (long tons)	5,569	5,552	4,283	3,067	7,683	2,132	2,132	7,503	647	787	787
Loaded Draft (feet-inches)	16'-11 5/8"	16'-11 3/8"	16'-11"	14'-4 1/2"	17'-6 1/8"	13'-10 7/8"	13'-10 7/8"	17'-6"	10'-6"	8'-6"	8'-6"
International Tonnage: Gross	9214	9121	7302	4529	13009	3124	3124	12635	n/a	3442	3420
(cubic capacity) Net	3824	3667	2496	1451	4932	987	987	3790	n/a	1032	1026
Domestic Tonnage: Gross	3,029	2,928	2,624	2,174	3,946	1,328	1,280	9,978	99	1,280	1,333
(cubic capacity) Net	1,235	1,253	1,494	898	2,683	566	453	7,354	66	870	827
Horsepower @ Service Speed	7,400	8,000	8,122	5,100	12,350	4300	4300	13,380	2000	15,360	15,360
Service Speed (knots)	17	17	17	14	17	14.5	14.5	17	11.5	32	32
Fuel Use (Gallons/hour)	234	270	253	151	397	188	190	354	55	600	600
Crew Capacity COI	57	59	43	37	86	24	24	52	5	10	10
Passenger Capacity COI	499	499	370	174	600	247	300	499	149	250	250
Passenger Book Capacity	450	450	350	160	499	225	250	450	125	210	210
Staterooms - 4 berth	6.0	45.0	6.0	6.0	44.0	0.0	0.0	46.0	0.0	0.0	0.0
Staterooms - 3 berth	20	0	0	0	0	0	0	0	0	0	0
Staterooms - 2 berth	79	26	32	17	56	0	0	56	0	0	0
ADA Staterooms (4 b)	0	0	0	0	0	0	0	3	0	0	0
ADA Staterooms (2 b)	1	1	2	1	3	0	0	2	0	0	0
Total Staterooms	106	72	40	24	103	0	0	109	0	0	0
Total Berths	247	238	106	68	294	0	0	320	0	0	0
Vehicle Capacity (lane-ft.)	1760	1760	1380	720	2680	680	680	1600	360	720	720
(Qty of 20 foot vehicles)	88	88	69	36	134	34	34	80	18	36	36
Vehicle Book Capacity	1675	1675	1360	680	2660	660	660	1560	300	620	620
Van Booking Capacity	10	20	4	6	21	8	8	17	2	2	3

Alaska Marine Highway System FY 2014 Operating Plan

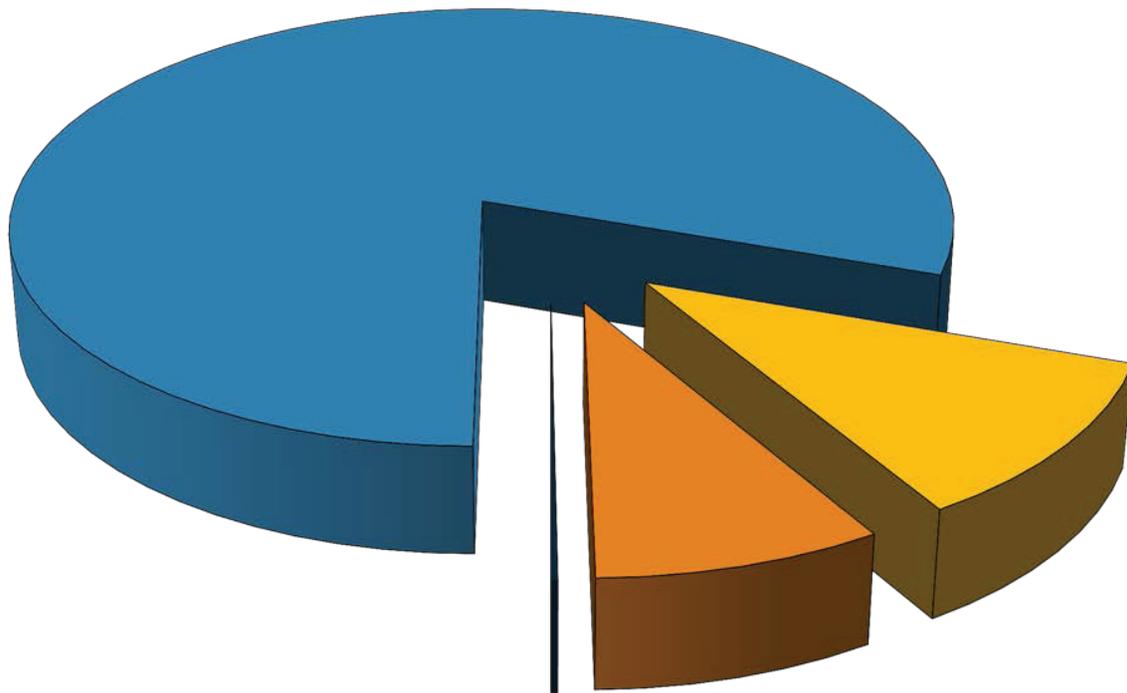


OPERATING REVENUES

Alaska Marine Highway System Fund
UNRESTRICTED OPERATING REVENUES

For the fiscal year ended June 30, 2014

\$50.9 MILLION

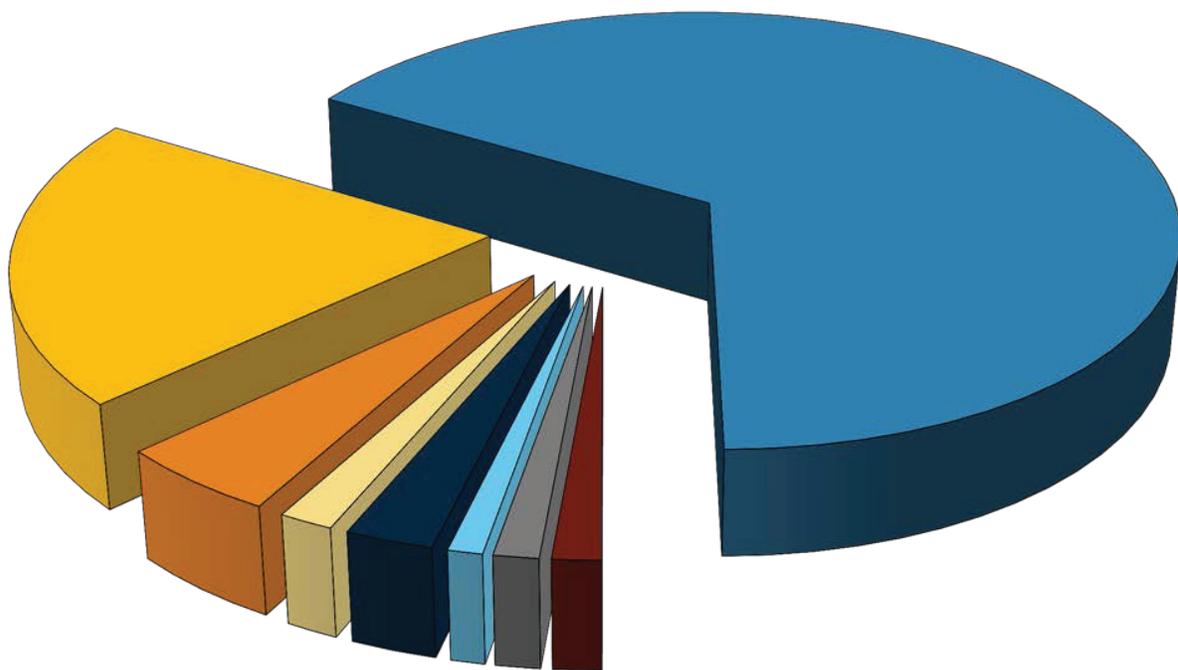


	Ticket Sales	80.7%
	Stateroom Sales	10.4%
	Passenger Services Sales	8.5%
	Other Unrestricted Revenue	0.4%

Alaska Marine Highway System Fund **OPERATING EXPENDITURES**

For the fiscal year ended June 30, 2014

\$166.0 MILLION



	Marine Vessel Operations	67.2%		Operations Management	3.0%
	Marine Fuel	19.3%		Overhaul	1.0%
	Shore Operations	5.0%		Marine Engineering	1.6%
	Reservations and Marketing	1.5%		Support Services	1.5%



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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Alaska Marine Highway System Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2014 (In Thousands)

Revenues:	<u>Capitalization</u>	<u>AMHS</u>	<u>Total</u>
Unrestricted Revenues:			
Ticket Sales	\$ -	\$ 41,074	\$ 41,074
Stateroom Sales	-	5,268	5,268
Passenger Services Sales	-	4,327	4,327
Facility Rental	-	2	2
Concession Fees	-	7	7
Investment Interest	-	172	172
Other Unrestricted Revenue	-	27	27
Total Unrestricted Revenues	-	50,877	50,877
Restricted Revenues	-	388	388
Indirect Cost Recovery	-	504	504
Total Revenues	-	51,769	51,769
Expenditures:			
Current Operating:			
Support Services		2,434	2,434
Marine Engineering	-	2,632	2,632
Overhaul	-	1,606	1,606
Operations Management	-	5,057	5,057
Reservations & Marketing	-	2,432	2,432
Shore Operations	-	8,305	8,305
Marine Fuel	-	31,966	31,966
Marine Vessel Operations	-	111,202	111,202
AMHS RSA	-	388	388
Total Expenditures	-	166,022	166,022
Excess (Deficiency) of Revenues and Other Financing Sources			-
Financing Uses from Operating	-	(114,253)	(114,253)
Fund Balance , Beginning of Year	16,644	4,568	21,212
Reserves and Year End Adjustments	(14,000)	-	(14,000)
Fund Transfer - General Fund	-	116,830	116,830
Fund Balance, End of Year; Undesignated	<u>\$ 2,644</u>	<u>\$ 7,145</u>	<u>\$ 9,789</u>

The notes to the financial statement are an integral part of this statement.

STATEMENT OF ACTUAL AND ESTIMATED REVENUES

Alaska Marine Highway System Fund Statement of Actual and Estimated Revenues Budgetary Basis (In Thousands)

	Fiscal Year Ended June 30, 2014			Fiscal Year Ending June 30, 2015		Fiscal Year Ending June 30, 2016
	Estimated Revenues	Actual Revenues	Actual Over (Under) Estimated	Total Estimated Revenues	Estimated Revenues 12/31/2014	Estimated Revenues
Restricted:						
Restricted Revenues	\$ 586	\$ 388	\$ (198)	\$ 575	\$ 200	\$ 575
Indirect Cost Recovery (ICAP)	581	504	(77)	590	588	1,222
Total Restricted	1,167	892	(275)	1,165	788	1,797
Unrestricted AMHS Fund						
Ticket Sales	42,346	41,074	(1,272)	42,662	22,920	44,531
Stateroom Sales	5,892	5,268	(624)	5,471	2,939	5,711
Passenger Services Sales	4,785	4,327	(458)	4,495	2,415	4,692
Facility Rental	10	2	(8)	10	3	10
Concession Fees	30	7	(23)	30	0	30
Other Unrestricted Revenue	150	199	49	150	28	150
Total Unrestricted	53,213	50,877	(2,336)	52,818	28,305	55,124
Total Revenues	\$ 54,380	\$ 51,769	(2,611)	\$ 53,983	\$ 29,093	\$ 56,921

The notes to the financial statement are an integral part of this statement
Budgetary Presentation shows all budgeted and actual revenues including budgeted intergovernmental activity.

NOTES TO THE FINANCIAL STATEMENT

Alaska Marine Highway System Fund
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2014

NOTE 1 - Alaska Marine Highway System Fund

The Alaska Marine Highway System Fund was established July 1, 1990. All gross revenues generated from the operation of the Alaska Marine Highway System are accounted for and remitted in accordance with AS 19.65.070 which mandates that the money shall be deposited in the Alaska Marine Highway System Fund.

Marine Highway Capitalization Account

The Marine Highway Capitalization account was established within the Alaska Marine Highway System Fund June 30, 2009. An estimated \$9 million in general funds was reappropriated to the new Capitalization Account. Access to this new funding will be restricted and will only occur with approval by the Legislative Budget and Audit Committee.

An unexpended and unobligated balance of funds for the off-set of higher fuel costs, estimated at \$1.25 million, were reallocated in Chapter 13, SLA 10, Sec 11(c) to the Marine Highway Capitalization Account.

In FY2012 and FY2013, a total of \$6.55 million of unexpended and unobligated balance of funds for the off-set of higher fuel costs were reallocated to the Marine Highway Capitalization Account.

In FY2014, \$11.0 million of funds were transferred to the AMHS FY15 Capital Fund for vessel overhaul projects and \$3.0 million in funds were transferred to the AMHS Deferred Maintenance capital fund.

NOTE 2 - CIP Program Component

The Alaska Marine Highway System budget includes a component which authorizes positions directly related to capital projects. Beginning in FY2001, the salary cost of time charged directly to capital projects is not recorded in the Alaska Marine Highway Fund. The cost of time charged to administration or overhead, is recorded in the Alaska Marine Highway Fund.

NOTE 3 - Interest Earned on the Fund

In FY13, the Alaska Marine Highway Fund began receiving the interest earned on its fund. This interest is recorded as unrestricted revenue and is reflected on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance Statement.

NOTE 4 - Operating Overhaul

Overhaul expenditures that are included in the Operating Budget are limited to small maintenance items that arise while the vessels are operating and do not include capital overhaul expenditures. Required annual and biennial vessel overhauls (including dry docking for hull and shaft inspections) and deferred maintenance items are included in the Capital Budget. In FY2014, the Vessel Overhaul and Deferred Maintenance Capital Budgets totalled \$12.8 million.

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OPERATING REVENUES BY VESSEL

Alaska Marine Highway System

Revenue by Vessel*

Fiscal Years 2003 - 2014 (In Thousands)

Vessel	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Aurora	931	3,749	2,333	2,327	2,003	1,347	2,191	3,115	2,522	1,898	2,679	2,421
Bartlett	2,271	1,387	-	-	-	-	-	-	-	-	-	-
Chenega	-	-	-	1,128	1,963	3,093	3,380	1,392	3,428	2,889	2,221	2,358
Columbia	8,227	7,763	7,917	15,530	12,439	6,463	9,713	7,924	8,939	13,014	16,635	6,682
Fairweather	-	401	3,003	2,257	2,913	2,605	1,015	1,945	1,805	1,659	1,537	1,415
Kennicott	6,519	5,276	5,662	6,209	5,831	3,414	5,182	3,125	7,154	8,151	9,195	8,425
Leconte	1,527	880	1,396	1,638	916	1,514	1,808	1,757	794	2,537	2,006	2,499
Lituya	-	78	593	593	593	721	639	620	724	822	774	769
Malaspina	2,829	12,550	11,975	7,832	7,552	11,659	10,980	11,446	10,520	5,765	3,133	12,051
Matanuska	11,555	3,798	8,762	7,418	8,146	8,841	3,094	6,211	6,100	9,003	9,217	7,154
Taku	4,787	5,039	761	3,292	2,833	4,480	5,156	4,755	2,265	4,001	3,839	4,789
Tustumena	2,453	3,366	3,196	2,849	3,060	3,376	2,992	3,525	3,318	3,755	1,875	2,106
Contract Vessels	-	3	-	76	127	-	2	54	39	12	2	-
Non Vessel Revenue	63	399	64	53	32	135	46	46	89	180	121	207
TOTAL	41,162	44,689	45,662	51,202	48,407	47,647	46,200	45,914	47,697	53,684	53,234	50,877

* *These figures are close approximations based on reservations and ticketing information. They may be used to show relative magnitude of different vessel operations. They are not accounting figures. Therefore, attempts to reconcile the figures with accounting documents may yield small discrepancies.

OPERATING EXPENDITURES BY VESSEL

Alaska Marine Highway System
Operating Expenditures by Vessel*
 Fiscal Years 2003 - 2014 (In Thousands)

Vessel	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Aurora	4,379	5,565	3,533	6,434	6,264	3,649	7,649	7,720	8,065	5,380	8,104	7,013
Bartlett	4,274	1,032	-	-	-	-	-	-	-	-	-	-
Chenega	-	-	314	7,778	6,360	8,845	9,474	4,643	10,146	8,513	8,098	7,971
Columbia	7,917	7,787	7,336	17,205	16,735	8,892	11,231	9,587	11,861	17,292	20,380	9,706
Fairweather	-	692	5,635	5,887	7,762	8,154	4,949	7,356	7,824	9,539	7,774	6,586
Kennicott	12,483	9,744	9,535	15,624	16,300	11,853	15,091	10,557	18,022	17,341	21,170	16,468
LeConte	6,490	4,037	5,869	8,129	5,485	7,141	6,912	7,070	4,858	9,807	9,533	9,915
Lituya	-	177	629	961	1,008	1,170	1,189	1,114	1,415	1,381	1,367	1,195
Malaspina	4,432	10,131	11,492	9,219	9,089	14,664	14,065	14,558	16,147	11,843	8,573	16,929
Matanuska	10,920	5,018	11,202	11,456	14,814	14,160	7,260	12,611	16,246	17,390	17,669	14,644
Taku	9,492	8,709	4,107	9,436	9,452	13,745	13,583	13,458	8,853	15,880	16,020	17,810
Tustumena	5,433	5,483	6,269	6,378	8,744	9,612	6,642	9,114	10,068	10,978	6,527	9,966
Vessel Leave	-	9,824	9,204	11,571	14,576	15,164	14,268	14,375	15,949	16,605	16,695	17,234
All Vessels	8,184	9,077	13,904	10,123	11,024	9,709	12,231	10,240	10,379	9,591	10,178	9,725
TOTAL	74,005	77,275	89,028	120,201	127,613	126,757	124,542	122,404	139,834	151,540	152,087	145,162

* Expenditures by vessel include the following operating components: Marine Vessel Operations, Overhaul, Fuel and unbudgeted AMHS Reimbursable. Service Agreements (RSA). Not included are the budget components for Marine Engineering, Operations Management, Reservations and Marketing, and Shore Operations.



Alaska Marine Highway System Fund

FY 2014 ANNUAL FINANCIAL REPORT

State of Alaska, Department of Transportation and Public Facilities

Compiled November 25th, 2014

