

Marine Transportation Advisory Board Meeting
Tuesday, December 18, 2018 – 9:00 AM
Aleutian Pribilof Island Association Inc. boardroom
1131 East International Airport Road
Teleconference # 1-800-315-6338
Access Code: 39051

Board Members: Robert Venables (Chair), Shannon Adamson, Patricia Branson, Gerald Hope, Jack Jensen, Patti Mackey, Karin Kramer, Robert Arnold, Norm Carson, Greg Wakefield, Carlin Enlow, Norm Carson, Ernie Weiss

9:00 - Welcome and Call to Order

1. Board Roll Call to Establish Quorum
 - a) Roll call for AMHS Reform Steering Committee
 - b) Welcome and Introduction of other participants
2. Approval of Agenda

9:15 - Long-range planning and AMHS Reform initiative updates

- a. Overview of AMHS Strategic Operational & Business Plan (EBDG, McDowell)
 - b. AMHS Reform Phase 4 objectives
 - c. AMHS presentation – ACF crew quarters (AMHS)
 - d. Discussion ACF history, operational requirements, data gaps (EBDG)
 - e. Discussion – future task: Fleet & Terminal Capital Plan (EBDG)
 - f. Market & Revenue Analysis (McDowell)
 - g. Draft Plan for Operational Development for Public Corporation (McDowell)
 - h. Legislative Engagement (McDowell)
 - HB 412 discussion, proposed changes
 - i. Stakeholder and Public Outreach (McDowell)
- 10:45 Break
- 11:00 Long Range planning/vision (roundtable)
- Noon Working Lunch (box lunch provided for MTAB & Steering Committee)
- j. Continue long-range planning work-session – Q&A
 - k. Sub-committee – Identify actions for next 30, 90, 150 days?

2:00 - Convene MTAB Business Meeting

3. Public Comments (3 minutes per speaker)
4. Chair's Report
5. AMHS Updates – Fleet, Terminal report, other misc.
6. Board Comments
7. Next Meeting – TBD, during legislative session
8. Adjourn

Memorandum

To: AMHS Reform Steering Committee, MTAB, and SE Conference
From: McDowell Group
Date: December 13, 2018
RE: Overview of HB 412

This memo provides an overview of House Bill 412, introduced by the House Transportation Committee at the end of the 2018 legislative session.

Bill Version: 30-LS1569D
Introduced: 4/27/18

“An Act related to the Alaska marine highway system; establishing the Alaska Marine Highway System Corporation; and providing for an effective date.”

The committee held a field hearing in Kodiak during the interim, acknowledging a desire to reintroduce a similar legislation when the legislature reconvenes in 2019. The committee further recognized that additional work would be needed on the legislation.

This memo helps to bring focus on areas of the bill that require attention to align with AMHS Reform findings and recommendations. It also illustrates the extensive number of changes needed to give the new corporation needed authorities.

Drafting and review of new legislation will be done by experienced staff that support the Legislature and/or the Administration. A detailed sectional analysis will likely be developed by the bill sponsor and will become part of the public record.

Section 55 (pages 19-41) creates a new chapter in statute to form the Alaska Marine Highway Corporation. This is the heart of the bill and requires constant attention throughout legislative process.

Much of the 53-page bill incorporates statutory changes needed to give the new public corporation including:

- Authorities and responsibilities now held by other entities, such as the Alaska Department of Transportation.
- Needed authorities held by other public corporations, such as the authority to bond, own assets, develop procurement policies, etc.
- To illustrate the nature of these changes, the project team examined sections 1-29 in greater detail and noted what aspect of Alaska Statutes was proposed for modifications (see below).

Creation of Alaska Marine Highway Corporation

Section 55 (pages 19-41) 42.50.010 Establishes the new corporation.

- 42.50.020-060 Board of Directors
 - Composition does not align with AMHS Reform recommendations.
- 42.50.100-240 Administrative processes

- Board meetings, quorum, regulations, public interface
- 42.50.250-320 Corporation powers
 - Includes bylaws, assets, right-of-ways, set rates, contracts, hire personnel, etc.
- 42.50.350-440 Corporation property
 - Includes leases, permits, sale of property, conveyance, eminent domain, land exchange.
- 42.50.500-695 Financial provisions and bonds
 - Includes ability to issue bonds, financial advisor, pledge of the state, limitation on employee or board member liability.
- 42.50-705-710 Personnel and labor relations
 - Employees are employees of the corporation, not the state. However, some provisions may apply (Wage and Hour Act) and some provisions can be mutually agreed upon in collective bargaining.
- 42.50.800-995 Miscellaneous provisions
 - Includes claims against corporation, exemption from taxation, definitions.

Sections 36-37 (page 13): These sections concern management of the Alaska Marine Highway System vessel replacement fund.

- The bill changes management and reporting from the Department of Revenue to the Alaska Marine Highway Corporation.
- Recommend revisiting this, as Department of Revenue Treasury Division manages funds for other public corporations including Alaska Mental Health Trust Authority, Alaska Energy Authority, and others.

Sections 1-29 (Illustrating Wide-Ranging Changes)

Section 1: AMHS added to the list of agencies and public corporations exempted in AS 08.88.690 concerning real estate transactions.

Section 2: AMHS defined as AS 42.50.990 in Alaska Housing Finance Corporation definitions.

Section 3: AMHS defined as AS 42.50.990 in Alaska Department of Transportation definition of State Highway System.

Section 4: Replaced references to MTAB and Department with corporation in AS 19.65.011 addressing long-range comprehensive plan.

Section 5: Corporation added to AS 19.65.020 concerning naming AMHS vessels or facilities.

Section 6: Department replaced with corporation in AS 19.65.030 concerning acquisition and maintenance of ferry terminals.

Section 7: Department replaced with corporation in AS 19.65.030 concerning connection of ferry terminals with highway systems.

Section 8: Department replaced with corporation in AS 19.65.030 concerning adoption of regulations and usage fees for ferry terminals.

Section 9: Department replaced with corporation in AS 19.65.030 concerning construction and use of ferry terminals not owned by the corporation.

Section 10: Department replaced with corporation in AS 19.65.030 concerning approval of ferry terminal construction.

Section 11: Department replaced with corporation in AS 19.65.035 concerning space available, free transportation to members of Alaska organization militia for official activities.

Section 12: New section added to AS 65 Alaska Marine Highway System defining the corporation.

Section 13: Alaska Marine Highway System replaced with corporation in AS 19.65.070 concerning remittance of revenues to Department of Revenue to be deposited in AMHS fund. Phrase "and dept service" added to statute to read: Revenue and debt service accounting. Department replaced with corporation regarding written report to legislature. Language concerning corporation debts added in sections (b)(5) and (c).

Section 14: Department replaced with corporation in AS 19.65.080 concerning appropriations from AMHS fund.

Section 15: Added language in definition section of AS 19.65 Alaska Marine Highway System for consistency when referring to AMHS and AMHS Corporation.

Section 16: Added Alaska Marine Highway System Corporation Act to AS 23.05.360(f) concerning hearings held by the Alaska Labor Relations Agency. (Note: Alaska Railroad Corporation Act is already listed.)

Section 17: Added Alaska Marine Highway System Corporation Act to AS 23.05.360(a) concerning hearings held by the Alaska Labor Relations Agency. (Note: Alaska Railroad Corporation Act is already listed.)

Section 18: Added Alaska Marine Highway System Corporation to AS 23.40.030 defining labor organization.

Section 19: Replaced references to DOTPF Commissioner, Corporation, Division of Marine Transportation, and State Ferry with corporation and Alaska Marine Highway in AS 23.40.040 concerning collective bargaining agreement. Added "or other employees of the corporation in AS 23.40.040 following phrase masters or members of the crews of vessels. Defined corporation as AS 42.50.990 and Alaska Marine Highway as AS 42.50.010.

Section 20: Added Alaska Marine Highway System Corporation to list of entities in AS 23.30.250 defining public employers in section concerning collective bargaining.

Section 21: Confirmed Alaska Marine Highway as defined in AS 42.50.990 in General Provisions section of Title 28 Motor Vehicles.

Section 22: Alaska Marine Highway System removed from AS 29.35.722 concerning transfer or operation of state assets.

Section 23: Replaced Division of Marine Transportation with Alaska Marine Highway System Corporation in AS 35.10.015 concerning accessibility of vessels.

Section 24: Added definition of Alaska Marine Highway System Corporation in AS 35.10.015 concerning accessibility of vessels.

Section 25: Added the word Alaska to Marine Highway System in AS 35.27.020(c) concerning art in public facilities.

Section 26: Added corporation and the word Alaska to Marine Highway System in AS 35.27.030 concerning art in public facilities.

Section 27: Clarified definition of Alaska Marine Highway System in AS 35.27.030 concerning art in public facilities.

Section 28: Added Alaska Marine Highway Corporation board of directors to AS 36.30.015 concerning adoption of procurement procedures (similar to Railroad, Aerospace, ASMI, and other specifically named public corporations).

Section 29: Added Alaska Marine Highway Corporation board of directors to AS 36.30.990(1)(b) exempting agency from procurement statutes (similar to UA, Railroad, AHFC, Aerospace, ASMI, AIDEA, and other specifically named public corporations).

Other Sections

Sections 30-36 and 38-54: Additional instances of giving Alaska Marine Highway Corporation authorities granted similar public corporations.

Sections 56-85: Covers transitional processes and additional instances of giving Alaska Marine Highway Corporation authorities granted similar public corporations.

Agenda item (b)

Excerpts of MOU between State & SEC for Phase 4 of AMHS Reform

This updated MOU is a supplement to the original MOU signed on May 19, 2016 and focuses on (1) Operations Development for Public Corporation (including Board of Directors); (2) Legislative Engagement; (3) Stakeholder Engagement; and (4) Continuing Marketing and Revenue Analysis.

Roles and Responsibilities

Through this MOU, the Southeast Conference agrees to:

- Identify, request, and receive additional funding for the project;
- Coordinate with AMHS staff at least twice for in-person meetings between the State, Southeast Conference, and any sub-contractors;
- Provide staff and resources to coordinate the statewide steering committee of community leaders for the enhancement of the long term, comprehensive operational and business plan that outlines options for sustainability of the AMHS;
- Provide staff and resources to gather information (or contract, if needed) pertaining to:
 - (1) Operations Development for Public Corporation (including Board of Directors);
 - (2) Legislative Engagement;
 - (3) Stakeholder Engagement; and
 - (4) Continuing Marketing and Revenue Analysis.
- Contract with specialists if needed to identify possible solutions for the AMHs; and
- Submit a final, written plan with key recommendations to the State of Alaska.

This enhanced plan will focus on the following issues.

- ***Operations Development for Public Corporation:*** Plan will:
 - Address specific recommendations and timeline for development of public corporation and board of directors;
 - Detail materials needed to form and guide public corporation, including articles of incorporation, bylaws, and other board guidance documents, as well as documents outlining corporate processes;
 - Outline a basic transition plan, including offering considerations regarding access to shared services and ensuring access to federal funds;
 - Develop a Transition Strategic Pathway;
 - Address stabilized funding for this new public corporation; and
 - Support legislation for the creation of the public corporation.
- ***Legislative Engagement:*** Plan will continue to build momentum for legislation creating a public corporation. Southeast Conference and/or contractors will provide presentations, testimony, and follow-up at strategic points in the process. Southeast Conference and/or contractors will present in selected legislative hearings as the bill moves through both houses, and with the administration as it moves through the process.

- ***Stakeholder Engagement:*** Plan will continue to build public and political support for the public corporation. This stakeholder engagement, beyond public presentations, will require an updated brochure and website, tactical strategy, and updated presentation with updated AMHS passenger and revenue data. Task also includes participation in Steering Committee meetings, presentations at Southeast Conference, and drafting/distributing press releases as needed.
- ***Market and Revenue Analysis:*** Plan will provide updated information pertaining to AMHS operations and revenue and identifying changing market trends. Plan will build on Phase 2 analysis on operating and non-operating revenues and will examine opportunities for partnerships to enhance onboard service and operating revenues. Revenue-generating potential of shoreside land holdings will also be evaluated. Plan will also incorporate updated information on corridor traffic, travel demand, and fares.

Timeframe

The projected timeline outlining a draft plan for Operations Development and Legislative and Stakeholder Engagement is December 2018. The projected timeline for final versions of the Fleet and Terminal Standardization, Market and Revenue Analysis, and Operations Development, as well as any final additions to the Legislative and Stakeholder Engagement Plan, is April 2019.

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Vessels

M/V Matanuska Repower Winter 2018 to June 2019

The Matanuska Federal project is ongoing, consisting of the addition of new engines and a new steering system replacement during the winter of 2018 and into the spring of 2019. This project will replace the main engines, reduction gears, control systems, shafting, propellers, rudders, associated auxiliary equipment, switchboard, exhaust and waste heat boilers, bow thruster, steering gear, electrical generation switch boards, house and stack repairs, painting, security upgrades, miscellaneous system upgrades, rescue boat and davit upgrades, structural repairs, exterior and interior paint, and a state overhaul. Also included in the project is a USCG mandated major conversion, which will bring many of the SOLAS requirements up to present day standards. The contract was awarded to Vigor Industries in Portland Oregon, and commenced in November 2017, and current plans have the vessel re commencing revenue service in July 2019.

Malaspina SOLAS Waiver

The AMHS has received a SOLAS waiver for the Malaspina to run into Prince Rupert in place of the Matanuska. The waiver will expire on August 1, 2019.

Fleet wide Lifesaving Equipment Upgrades

AMHS has an ongoing federally sponsored project to upgrade fast rescue boats and davits where needed. To date, the Columbia and Kennicott have had new davits and new fast rescue boats installed. The Fairweather has had a new fast rescue boat davit installed, and the Matanuska will receive a new davit and fast rescue boat during the winter of 2018/ 2019 while in its re-power project.

Chenega Layup Update

The Chenega continues to remain in an unmanned layup in Ward Cove, Ketchikan. Per a contract between the State and Ward Cove Industries, the vessel is being monitored for security purposes. AMHS engineering staff also makes scheduled visits to the ship to check on the vessels condition.

Fairweather Update

The Fairweather completed revenue service in Prince William Sound on November 18, 2018. The Fairweather will be berthed in Juneau until it goes into a state overhaul on January 2, 2019 in Ketchikan, followed by a cost savings layup in Juneau. The vessel will commence summer service in Lynn Canal on May 2, 2019.

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Satellite Communications System

The AMHS has awarded a new vessel Satellite Communications System contract to GCI Communication Corporation. The new contract and service will add additional broadband, faster delivery and receiving of data speed, new vessel hardware, along with providing the needed connectivity for the use of the new reservation system hand held scanners. The new hardware is currently being installed aboard each ship as they go through their individual annual winter overhaul periods.

Passenger Services Upgrade Amenities Project

A federally funded fleet wide passenger services upgrade project is in the early stages of planning. Upgrades to public spaces will also include galleys. Work will be completed during vessel overhauls and CIP's. Vessels receiving upgrades first will be the Leconte, Kennicott, Aurora and Lituya, followed by a second project for the vessels Matanuska, Malaspina.

Tustumena Replacement Vessel Project

The 100% PS&E (Plans Specifications and Estimates) package is complete.

The TRV project was in the FY 18 Capital Budget which has been approved, therefore the state now has the authority to spend project related federal and state matching funds from the vessel replacement fund.

Currently the Buy America Waiver Request is with the Federal Highway Administration in Washington D.C. undergoing a review process. Pending initial approval, the waiver will then be posted for public comment. After completion of the public comment period, the waiver request will next be reviewed for final approval or rejection. Of note, very few waivers have been approved under the current Administration in Washington D.C.

Of Note: AMHS has also recently submitted a new second Buy America Waiver request to FHWA, as AMHS has now reduced the waiver request to 4 items at a value of approximately 4.5 million dollars.

AMHS management is also actively working with the Alaska Delegation in D.C and with FHWA in an effort to get the needed waivers approved.

On November 15, 2018 the DOT&PF /AMHS issued a pre-solicitation notice to inform interested shipyards in the US, that it will be seeking proposals from qualified shipyards to provide preconstruction and construction services under the CMGC project delivery method, which would result in the construction of a new Tustumena replacement vessel.

Dependent upon the Buy America Waiver request approval progress, AMHS continues to plan on delivering the ship for revenue service by December 2022, or early 2023.

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Tustumena Replacement Vessel Characteristics

- Length Over All (LOA) | 330 Feet
- Depth | 24.5 Feet
- Breadth Over All (BOA) | 71 Feet
- Design Draft | 15' – 10" to 16' – 6" (End of Service Life)
- Air Draft | 90 Feet
- Cruise / Service Speed | 15 Knots
- Vans & Cars | 12 Vans & 27 Cars
- Cars Only | 54
- Vehicle Loading Ability | Stern & Side (Port & Starboard)
| Vehicle Elevator
- Vehicle Lane Length | 1,180 Feet
- Passengers | 250 (Berths for 104)
- Officer & Crew | Minimum Manning IAW Regulatory Requirement

New Reservation System

The new reservation system is now being used throughout the system. While implementation of the new system has not been without its challenges, the transition process has gone relatively smooth due to the hard work of terminal and vessel staff. The handheld scanners and kiosks are still being tested to ensure full functionality with kiosks being ready for use in selected manned terminals in the near future. The hand held scanners work well with cellular connectivity, although in ports without a cellular connection, an off line operation is still necessary. The goal of the new satellite system contract is to remedy the hand held scanner issues in some ports which have a lack of cellular connectivity, and the GCI contractor is currently working on the local connectivity issues. AMHS continues to work closely with the reservation system contractor, to resolve all of the issues that have come up since the go live, and continues to make improvements so as to increase efficiencies for both customers and staff.

Alaska Class Ferries

The MV Tazlina was christened on 8/11/18, with sea and dock trial now complete, the state hopes to take ownership soon. The Hubbard construction is progressing well, with sea trials also complete and the state hopes to also take ownership of the Hubbard soon.

AMHS Fleet Condition Survey Report

AMHS contractor Glostien Associates has completed the yearly vessel condition surveys for the Malaspina, Columbia, Tustumena, Lituya, Aurora, Matanuska, and Kennicott. The contract also included

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designing and building a new electronic database system for tracking the physical condition of the individual ships.

Financial Reports to Ship Captains

AMHS management continues to provide vessel captains, and senior vessel crew with monthly financial, and cost to operate statements. This effort is intended to engage the ships officers with shore side management, and to solicit their suggestions regards vessel cost savings and efficiency suggestions.

Terminals

Haines ACF End Berth Second Phase

This project consists of design, construction and the addition of two bow/stern loading docks for berthing the new Alaska Class Ferries. Shore side and uplands improvements will also take place. The environmental document has been approved, and final design is completed. This project is currently on hold pending a decision on ACF crew cabin installation.

Prince Rupert Ferry Terminal Replacement

The Prince Rupert ferry terminal dock replacement project remains in a stalemate over Buy America act compliance issues, and on January 29, 2018 DOT&PF sent a Buy America Waiver request to FHWA in Juneau for initial review before being send to Washington D.C. for consideration. In the meantime, AMHS is continuing to conduct minor repairs and maintenance in an effort to keep the facility functional and safe, and is also looking at other possible docking options in Prince Rupert to assure continued stable service to Prince Rupert.

Skagway Ferry Float Replacement

The project is ongoing, with a project completion date of 1/21/22.

Ketchikan Terminal

This is a two phase project consisting of the replacement of some of the of existing vessel berthing and mooring structures, placement of a new turning dolphin between berths 1 and 3, refurbishment of fenders and platform components at the berth #3 float, construction of a new pedestrian covered walkway structure over the existing sidewalk from the terminal building to the berth #3 approach, and the placement of cathodic protection anodes on existing pile supported structures at berths #1 and #3. The first phase of the project consisted of a dolphin upgrade, with covered catwalk from the terminal to

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berth #3, along with some utility work being completed. The Berth 3 side fender upgrades and remaining utility work on the Berth # 1 transfer bridge will be completed on 2/8/21.

Ward Cove Layup and Working Berth Facility for AMHS

Details still need to be worked out between the state and the EPA regarding the environmental aspects of the project and its potential to disturb the sediment cap. The AMHS has met with AIDEA to discuss possible funding options for construction of the marine layup facility, which is an ongoing effort.

AMHS Gustavus Terminal Improvements

In December 2013, a storm damaged the facility. The environmental document work has been completed and design is underway. The construction is now expected to be completed 6/27/20.

Tenakee Springs Dock Replacement

Project scoping is underway and a conceptual alternative design has been approved and selected by the City of Tenakee. Right away work in continuing. A design consultant has been selected and the notice to proceed is being reviewed. Construction is expected to be completed on 3/23/20.

Waste Water Treatment System Replacement

Preliminary design work and environmental scoping is ongoing for the replacement of in ground wastewater systems located at state owned terminals in Auke Bay, Sitka, Haines, and Skagway. The project is expected to be completed on 9/24/20.

Underground Diesel Storage tank Removal

Eight underground diesel storage tanks located at state owned terminals in Skagway, Juneau, Wrangell, Petersburg, Ketchikan, Cordova, Sitka, and Valdez are being removed and replaced by above ground storage tanks. A consultant for the project is currently being procured. The project is expected to be completed on 9/24/20.

Auke Bay Terminal Improvements

This project includes work to install an east stern berth dolphin, along with sanitary sewer and shore tie power upgrades. The project is expected to be completed on 3/29/20.

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Kodiak Terminal

This project is completed although not closed out yet, and not turned over to the City of Kodiak, as change orders for additional security fencing and pursers shack still remain. AMHS plans to complete that additional work soon.

Shore side Condition Survey

The annual shore side marine terminal inspections for FY 2019 are underway, with the process of drafting the report to follow.

Upgrades To Accommodate ACF Ferries If Crew Cabins Are Installed

Preliminary design is being investigated for the upgrade of the Chenega Bay, Talitlek, Pelican, Cordova and Whittier mooring facilities. If crew cabins are installed in the ACF vessels, these docks will be accessible by the ACF's, and will require upgrades.

2:00pm Arrive Skagway
3:30pm Depart Skagway.
Note: Car Deck fully utilized 1000'+.

Tazlina NLC Mainliner
U/W 7:00am – Return 10:00pm
Crew 24/7 – 6hr watches

Haines – Skagway
runtime 1hr.

Skagway - Haines
runtime 1hr.

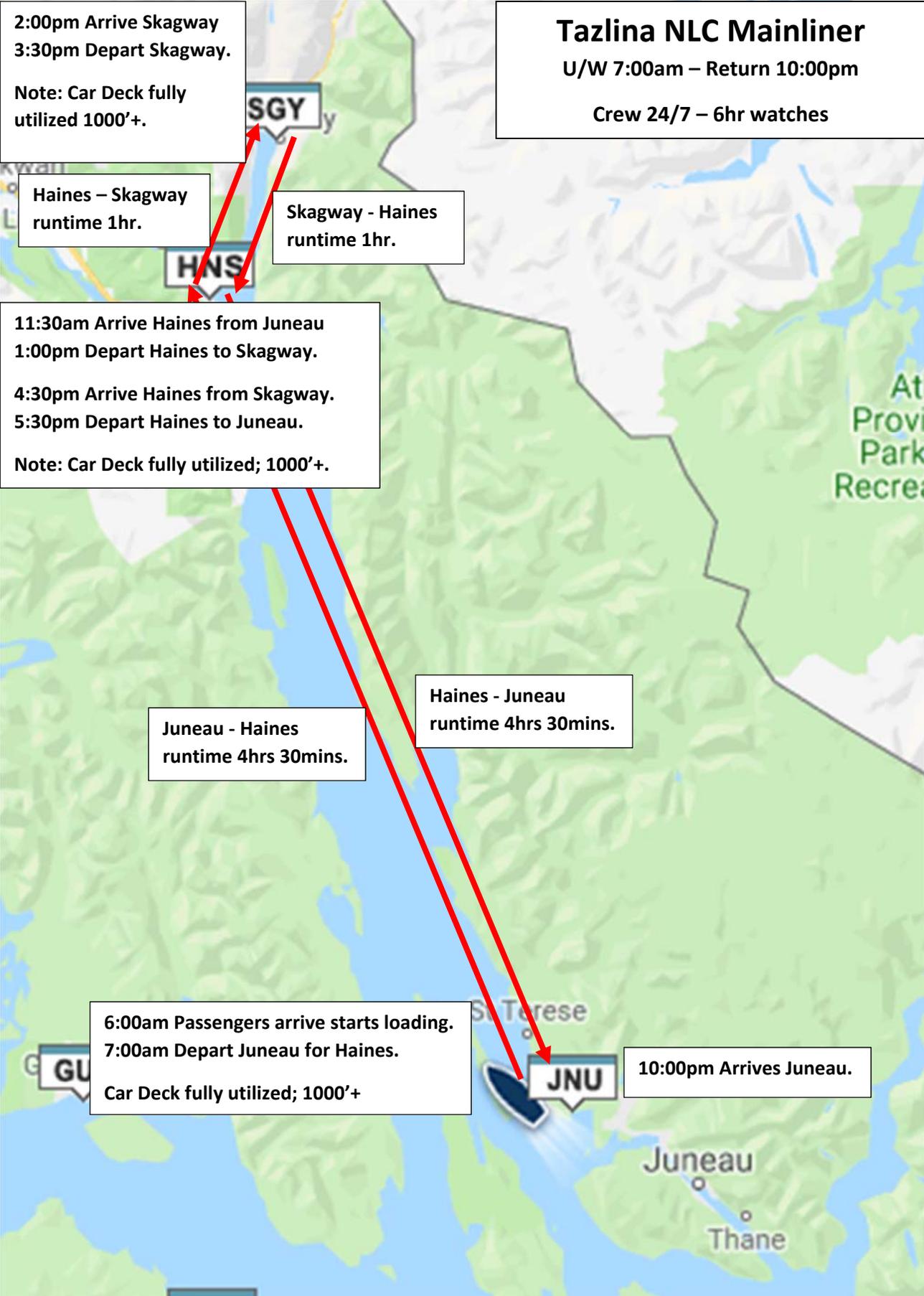
11:30am Arrive Haines from Juneau
1:00pm Depart Haines to Skagway.
4:30pm Arrive Haines from Skagway.
5:30pm Depart Haines to Juneau.
Note: Car Deck fully utilized; 1000'+.

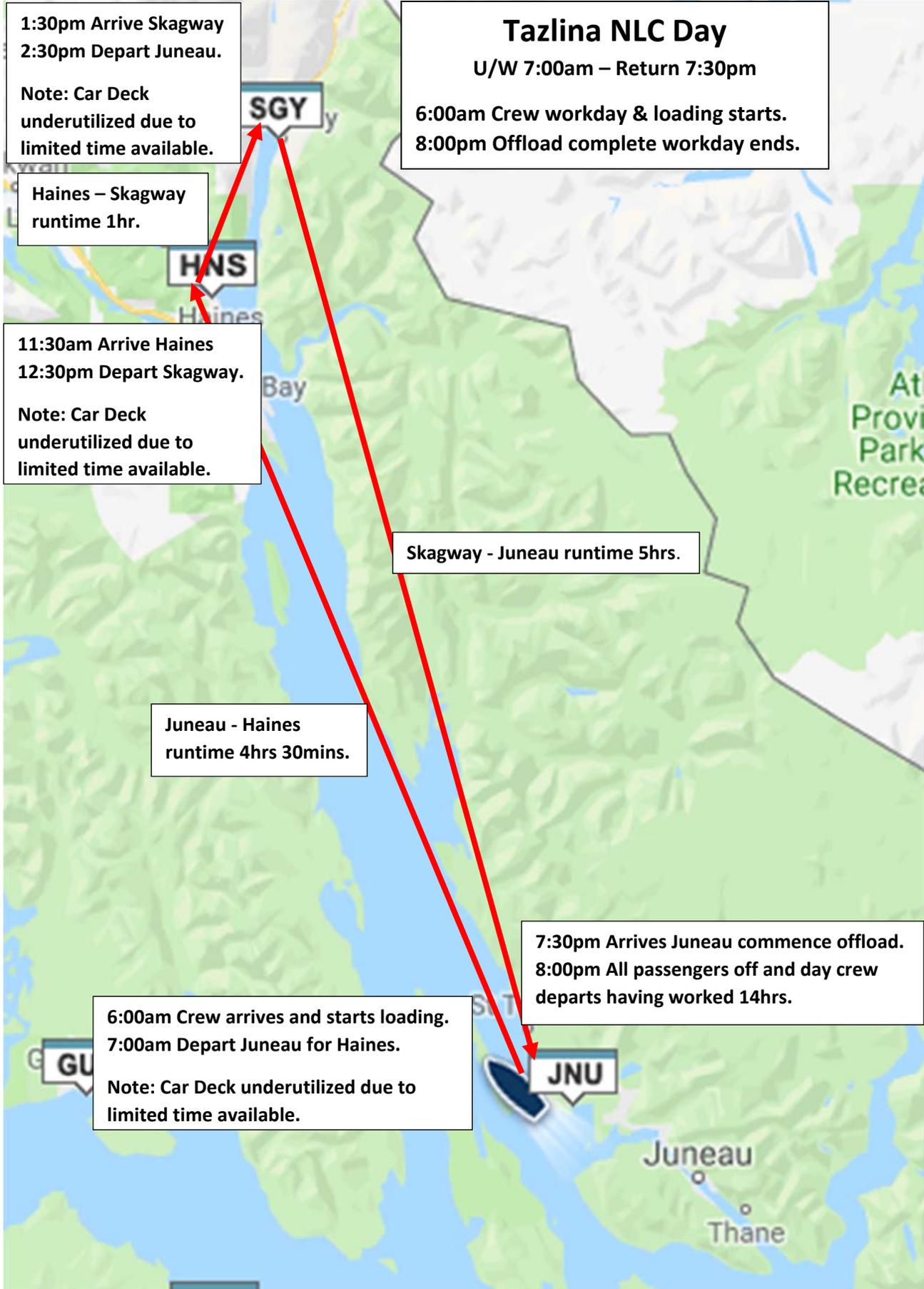
Juneau - Haines
runtime 4hrs 30mins.

Haines - Juneau
runtime 4hrs 30mins.

6:00am Passengers arrive starts loading.
7:00am Depart Juneau for Haines.
Car Deck fully utilized; 1000'+

10:00pm Arrives Juneau.





Tazlina NLC Day

U/W 7:00am – Return 7:30pm

6:00am Crew workday & loading starts.
8:00pm Offload complete workday ends.

1:30pm Arrive Skagway
2:30pm Depart Juneau.

Note: Car Deck underutilized due to limited time available.

Haines – Skagway runtime 1hr.

11:30am Arrive Haines
12:30pm Depart Skagway.

Note: Car Deck underutilized due to limited time available.

Skagway - Juneau runtime 5hrs.

Juneau - Haines runtime 4hrs 30mins.

7:30pm Arrives Juneau commence offload.
8:00pm All passengers off and day crew departs having worked 14hrs.

6:00am Crew arrives and starts loading.
7:00am Depart Juneau for Haines.

Note: Car Deck underutilized due to limited time available.

