

ALASKA MARINE HIGHWAY FUND



Annual Financial Report

For the fiscal year ended June 30, 2018

2018



Alaska Marine Highway System Fund

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

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, 2018

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THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
John MacKinnon, Commissioner

3132 Channel Drive
PO Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
dot.alaska.gov

January 5, 2019

Dear Alaska State Legislator:

Enclosed is the Alaska Marine Highway System (AMHS) Annual Financial Report for Fiscal Year 2018 (ended June 30, 2018) as required by AS 19.65.070.

During FY2018, AMHS recorded \$47.3 million in operating revenues which was an increase of \$1.5 million from the previous year. Revenues per vessel operating week were the highest ever in the history of AMHS. Operating expenditures totaled \$142.0 million, \$7.1 million more than FY2017 and \$3.2 million less than FY2016.

AMHS operated with an on-time departure rate of 92 percent. Port calls decreased during FY2018, down from 5,767 in FY2017 to 5,518. Service weeks provided by AMHS decreased to 317.5, down from the previous year's 329.5.

The Alaska Marine Highway System is meeting the challenge of providing safe, efficient, reliable, and cost effective transportation for the traveling public. The system's customer satisfaction rating remains strong at 95 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 "John MacKinnon".

John MacKinnon
Commissioner

"Keep Alaska Moving through service and infrastructure."

MARINE TRANSPORTATION ADVISORY BOARD

Alaska Marine Highway System Marine Transportation Advisory Board

Originally created under Administrative Order 204, a temporary interim Marine Transportation Advisory Board (MTAB) was established by Governor Murkowski on January 15, 2003. Administrative Order 233, signed by Governor Palin and dated March 28, 2007, permanently established the MTAB which was subsequently established in Alaska Statute by House Bill 294 on June 4, 2008. This bill established the Alaska Marine Transportation Advisory Board and set out its powers and duties in Alaska Statute AS 19.65.011 and AS 19.65.110-195, made conforming amendments, and provided an effective date of June 5, 2008. The board was expanded by one seat (from 11 members to 12) with the addition of a representative from the Southwest System under Senate Bill 24 effective September 1, 2013. The following are the MTAB Members as of June 30th, 2018:

CHAIRMAN

Robert Venables

Northern Southeast Alaska (Haines, Juneau, Skagway)

DOT&PF STAFF SUPPORT

Captain John Falvey

General Manager

Brittany Weideman

Administrative Assistant II

MEMBERS

Patricia Branson

South Central Alaska

Shannon Adamson

Labor Unions of the employees of the AMHS

Gerald Hope

Central Southeast Alaska (Petersburg, Sitka, Wrangell)

Kerin Kramer

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

Daniel Kelly

Business owner with experience interacting with AMHS - Resident of Ketchikan Gateway Borough

Patty Mackey

Travel Agent / Tourism Specialist

Jack Jensen

Marine Captain / Engineer

Carlin Enlow

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

Robert Arnold

Member At-Large

Norm Carson

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

Greg Wakefield

Member At-Large / Not directly served by AMHS

PORTS OF CALL

Alaska Marine Highway System Ports of Call

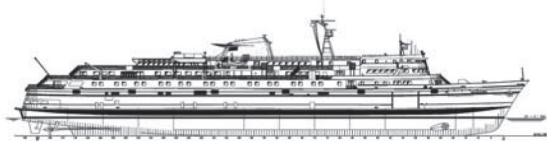
SOUTHEAST ALASKA

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

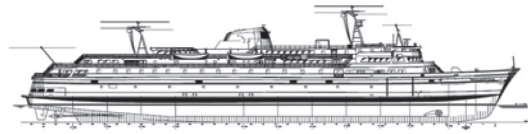
SOUTHWEST ALASKA

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

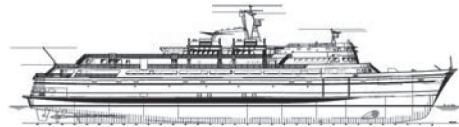
Alaska Marine Highway System Profile of the Fleet



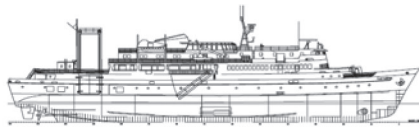
M/V Matanuska
408 feet
Built 1963



M/V Malaspina
408 feet
Built 1963



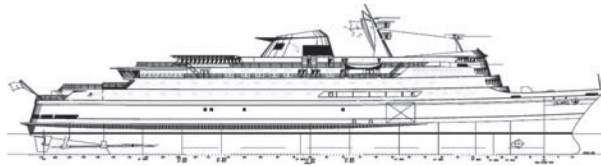
M/V Taku
352 feet
Built 1963



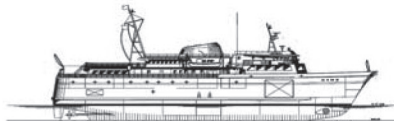
M/V Tustumena
296 feet
Built 1964



M/V Lituya
181 feet
Built 2004



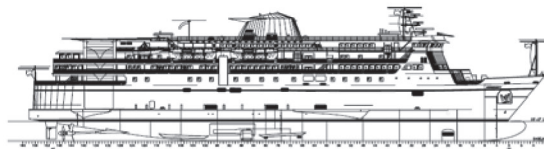
M/V Columbia
418 feet
Built 1974



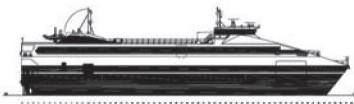
M/V LeConte
235 feet
Built 1974



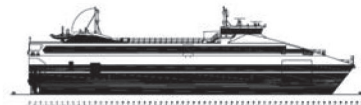
M/V Aurora
235 feet
Built 1977



M/V Kennicott
382 feet
Built 1998



FVF Fairweather
235 feet
Built 2004



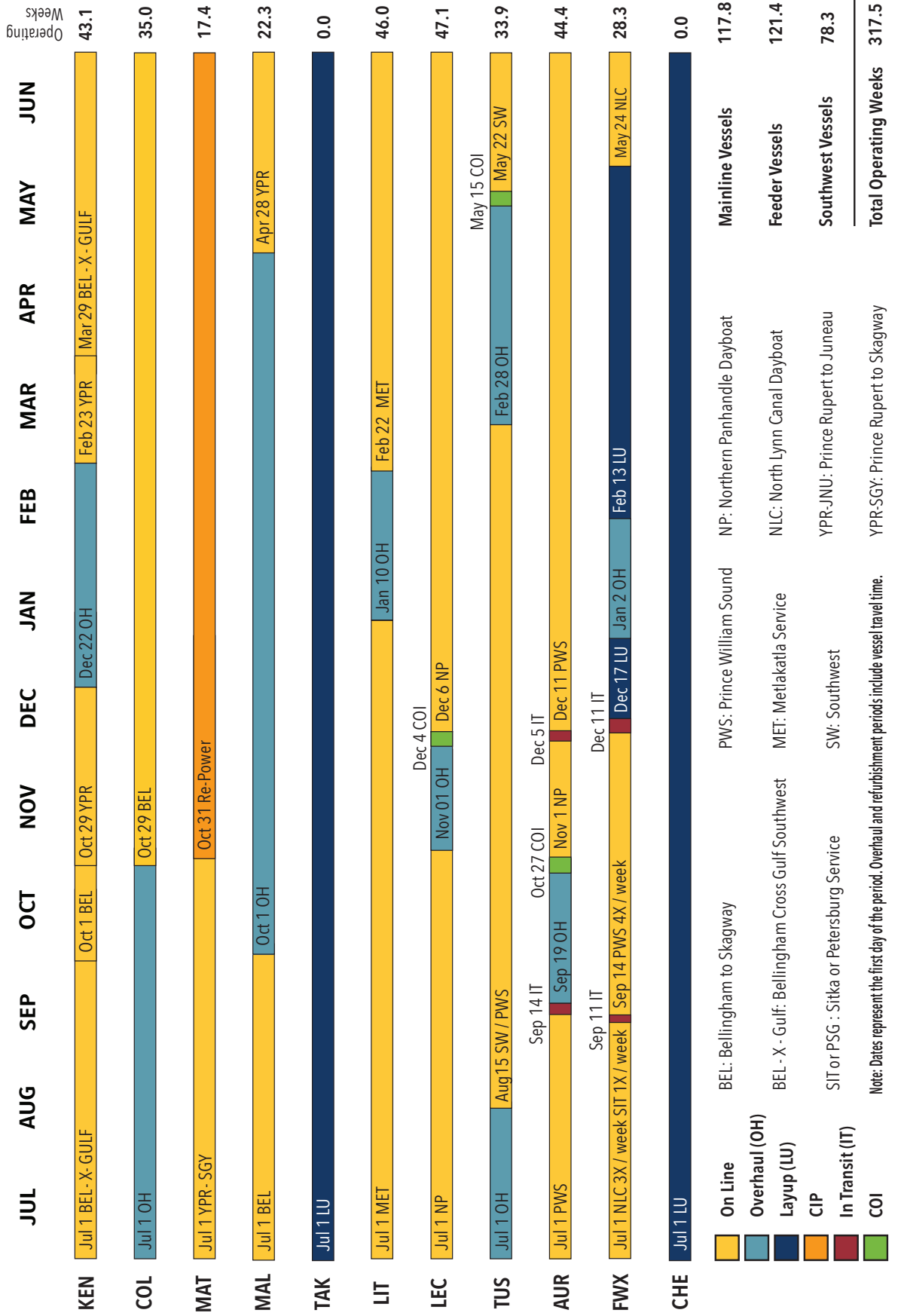
FVF Chenega
235 feet
Built 2005

VESSEL INFORMATION TABLE

Alaska Marine Highway System
Vessel Information Table

	Matanuska	Malaspina	Taku	Tustumena	Columbia	LeConte	Aurora	Kennicott	Lituya	Fairweather	Chenega
Year Built	1963	1963	1963	1964	1974	1974	1977	1998	2004	2004	2005
Length (ft)	408	408	352	296	418	235	235	382	181	235	235
Beam (ft)	74	74	74	59	85	57	57	85	50	60	60
Displacement (L/T)	5,569	5,994	4,319	3,067	7,684	2,132	2,132	7,503	647	787	787
Loaded Draft (ft-in)	16-11 5/8	16-10	17	14-4 1/2	17-6 1/8	13-8	13-8	17-6	12	8-6	8-6
<u>International Tonnage</u>											
Gross:	9,214	9,121	7,302	4,529	13,009	3,124	3,124	12,635	758	3,424	3,420
Net:	3,824	3,667	2,496	1,451	4,932	987	987	3,790	227	1,027	1,026
<u>Domestic Tonnage</u>											
Gross:	3,029	2,928	2,625	2,174	3,946	1,328	1,280	9,978	97	1,280	1,333
Net:	1,235	1,253	1,494	898	2,683	566	453	7,354	66	870	827
hp @ Service Speed	7,200	8,000	8,000	5,100	14,000	4,300	4,300	13,200	2,000	19,310	19,310
Service Speed (kts)	16.50	16.50	16.50	13.30	17.30	14.50	14.50	16.75	11.50	32.00	32.00
Fuel Use (gph)	234	270	253	151	397	188	190	354	55	600	600
Crew Capacity: COI	48	47	44	38	63	24	24	55	5	10	10
Passenger Capacity: COI	499	499	370	174	600	247	300	499	149	250	250
Passenger Capacity: Booking	450	450	350	160	499	225	250	450	125	210	210
<u>Staterooms</u>											
4 berth	5	45	6	6	45	0	0	48	0	0	0
3 berth	21	0	0	0	0	0	0	0	0	0	0
2 berth	79	26	32	17	56	0	0	58	0	0	0
4 berth ADA	0	0	0	0	0	0	0	3	0	0	0
2 berth ADA	1	1	2	1	3	0	0	0	0	0	0
Total Staterooms	106	72	40	24	104	0	0	109	0	0	0
Total Berths	243	234	92	60	298	0	0	320	0	0	0
Vehicle Capacity (lane-ft.)	1,960	1,960	1,500	852	3,200	720	720	1,700	360	720	720
Quantity (20 foot vehicles)	83	83	75	34	133	33	33	78	15	31	31
Vehicle Capacity: Booking	1,675	1,675	1,000	680	2,660	660	660	1,560	300	620	620
Van Capacity: Booking	10	10	5	6	16	8	7	17	2	3	3

Alaska Marine Highway System FY 2018 Operating Plan

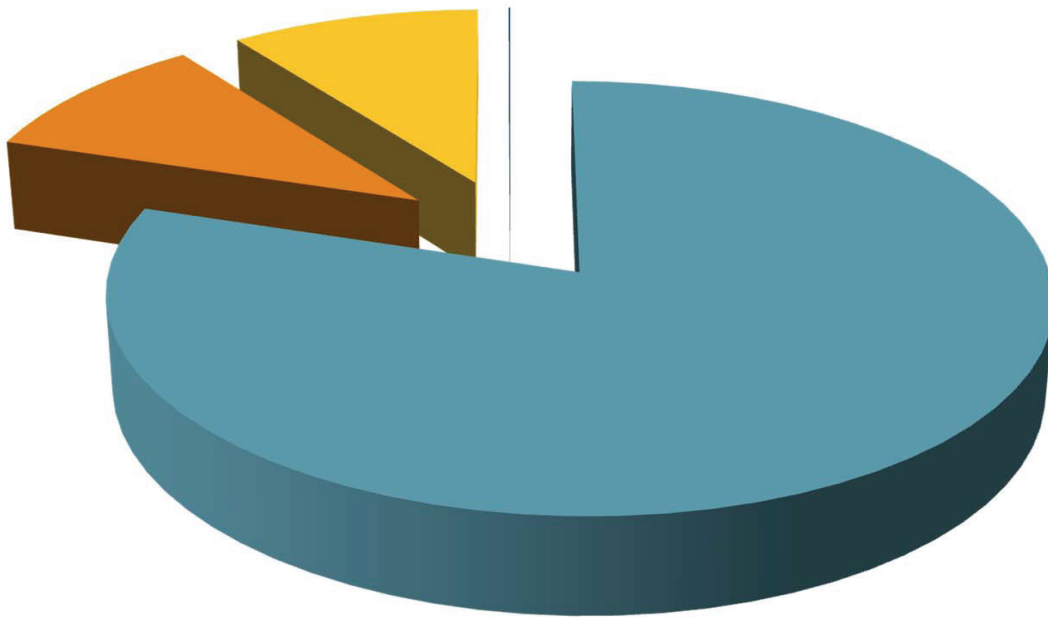






OPERATING REVENUES

Alaska Marine Highway System Fund
UNRESTRICTED OPERATING REVENUES

For the fiscal year ended June 30, 2018

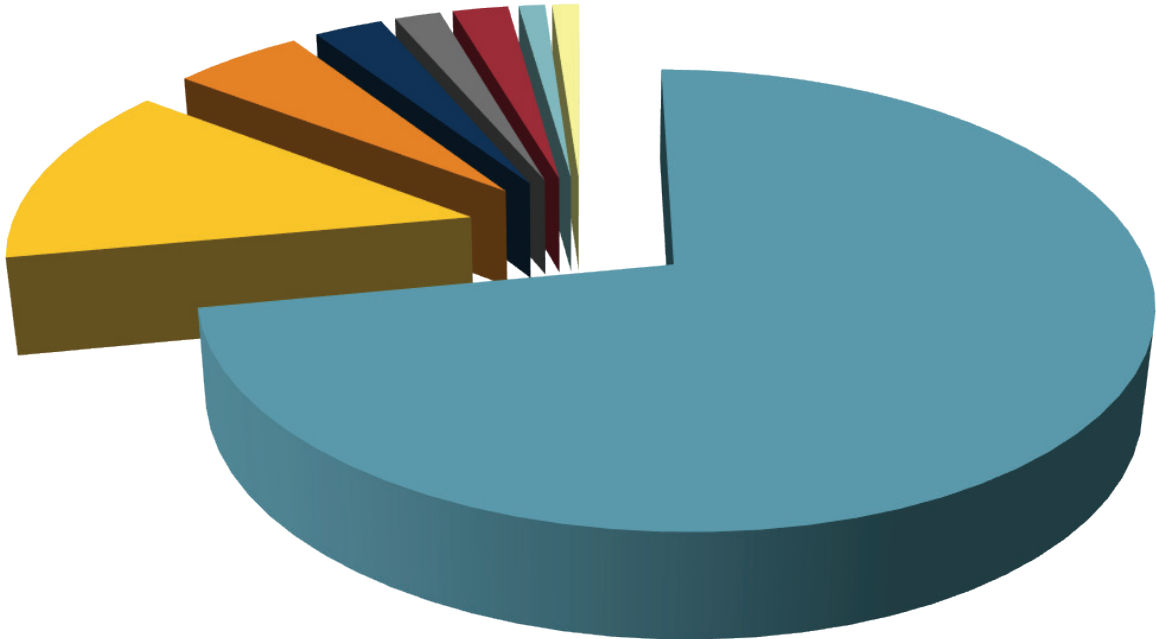
\$47.3 MILLION











	Ticket Sales	80.0%
	Stateroom Sales	10.0%
	Passenger Services Sales	10.0%
	Other Unrestricted Revenue	0.0%

Alaska Marine Highway System Fund
OPERATING EXPENDITURES

For the fiscal year ended June 30, 2018
\$142.0 MILLION



	Marine Vessel Operations	72.0%		Operations Management	2.9%
	Marine Fuel	13.3%		Overhaul	1.1%
	Shore Operations	5.4%		Marine Engineering	1.9%
	Reservations and Marketing	1.1%		Support Services	2.3%



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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, 2018 (In Thousands)

Revenues:	<u>Capitalization</u>	<u>AMHS</u>	<u>Total</u>
Unrestricted Revenues:			
Ticket Sales	\$ -	\$ 37,845	\$ 37,845
Stateroom Sales	-	4,722	4,722
Passenger Services Sales	-	4,729	4,729
Facility Rental	-	7	7
Concession Fees	-	7	7
Other Unrestricted Revenue	-	7	7
Total Unrestricted Revenues	-	47,316	47,316
Restricted Revenues	-	414	414
Indirect Cost Recovery	-	563	563
Total Revenues	<u>-</u>	<u>48,294</u>	<u>48,294</u>
Expenditures:			
Current Operating:			
Support Services	-	3,287	3,287
Marine Engineering	-	2,712	2,712
Overhaul	-	1,592	1,592
Operations Management	-	4,067	4,067
Reservations & Marketing	-	1,565	1,565
Shore Operations	-	7,620	7,620
Marine Fuel	-	18,895	18,895
Marine Vessel Operations	-	101,858	101,858
AMHS RSA	-	414	414
Total Expenditures	<u>-</u>	<u>142,012</u>	<u>142,012</u>
Excess (Deficiency) of Revenues and Other Financing Sources			
Financing Uses from Operating	-	(93,718)	(93,718)
Fund Balance, Beginning of Year	2,630	28,661	31,291
Reserves and Year End Adjustments	-	-	-
Fund Transfer - General Fund	-	41,949	41,949
Motor Fuel Tax	-	3,552	3,552
Transfer from CBR	-	30,000	30,000
Fund Balance, End of Year; Undesignated	<u>\$ 2,630</u>	<u>\$ 10,444</u>	<u>\$ 13,074</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, 2018			Fiscal Year Ending June 30, 2019		Fiscal Year Ending June 30, 2020
	Estimated Revenues	Actual Revenues	Actual Over (Under) Estimated	Total Estimated Revenues	Estimated Revenues 12/31/2018	Estimated Revenues
Restricted						
Restricted Revenues	\$ 300	\$ 414	\$ 114	\$ 224	\$ -	\$ 200
Indirect Cost Recovery (ICAP)	1,250	563	(687)	600	-	600
Total Restricted	1,550	977	(573)	824	-	800
Unrestricted AMHS Fund						
Ticket Sales	42,596	37,845	(4,751)	40,689	21,357	40,228
Stateroom Sales	5,228	4,722	(506)	5,077	2,665	5,019
Passenger Service Sales	3,551	4,729	1,178	5,084	2,668	5,026
Facility Rental	15	7	(8)	4	3	8
Concession Fees	10	7	(3)	10	6	8
Other Unrestricted Revenue	10	7	(3)	10	7	10
Total Unrestricted	51,410	47,316	(4,094)	50,874	26,706	50,299
Total Revenues	\$ 52,960	\$ 48,294	\$ (4,666)	\$ 51,698	\$ 26,706	\$ 51,099

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, 2018

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 FY2015 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 - Transfer from Constitutional Budget Reserve (CBR) and Motor Fuel Tax

In FY2018, the Legislature appropriated \$30.0 million from the Constitutional Budget Reserve (CBR) to the Marine Highway Fund. \$3.55 million was also appropriated to the Marine Highway Fund from the Motor Fuel Tax Fund. The authority to use these funds is part of the Marine Highway System's FY2018 operating budget.

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. Large vessel overhaul and deferred maintenance items are included in the Capital Budget. In FY2018, the Vessel Overhaul and Deferred Maintenance Capital Budgets totalled \$19.0 million.

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OPERATING REVENUES BY VESSEL

Alaska Marine Highway System Unrestricted Revenue by Vessel*

Fiscal Years 2007 - 2018 (In Thousands)

VESSEL	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Aurora	2,003	1,347	2,191	3,115	2,522	1,898	2,679	2,421	4,059	2,721	3,228	3,458
Chenega	1,963	3,093	3,380	1,392	3,428	2,889	2,221	2,358	1,914	675	-	-
Columbia	12,439	6,463	9,713	7,924	8,939	13,014	16,635	6,682	11,778	7,471	5,500	10,929
Fairweather	2,913	2,605	1,015	1,945	1,805	1,659	1,537	1,415	1,684	2,049	2,418	2,516
Kennicott	5,831	3,414	5,182	3,125	7,154	8,151	9,195	8,425	8,265	7,705	11,198	9,873
Leconte	916	1,514	1,808	1,757	794	2,537	2,006	2,499	854	3,634	4,015	4,356
Lituya	593	721	639	620	724	822	774	769	848	812	1,117	1,069
Malaspina	7,552	11,659	10,980	11,446	10,520	5,765	3,133	12,051	11,036	11,316	7,481	7,785
Matanuska	8,146	8,841	3,094	6,211	6,100	9,003	9,217	7,154	3,989	7,192	7,863	4,329
Taku	2,833	4,480	5,156	4,755	2,265	4,001	3,839	4,789	5,474	-	-	-
Tustumena	3,060	3,376	2,992	3,525	3,318	3,755	1,875	2,106	3,828	3,566	2,865	2,981
Contract Vessels	127	-	2	54	39	12	2	-	-	-	-	-
Non Vessel Revenue	32	135	46	46	89	180	121	207	167	16	74	21
TOTAL	48,407	47,647	46,200	45,914	47,697	53,684	53,234	50,877	53,896	47,157	45,759	47,316

*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 2007 - 2018 (In Thousands)

VESSEL	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Aurora	6,264	3,649	7,649	7,720	8,065	5,380	8,104	7,013	6,446	6,264	7,051	8,569
Chenega	6,360	8,845	9,474	4,643	10,146	8,513	8,098	7,971	6,595	3,899	878	345
Columbia	16,735	8,892	11,231	9,587	11,861	17,292	20,380	9,706	15,757	14,312	13,297	19,131
Fairweather	7,762	8,154	4,949	7,356	7,824	9,539	7,774	6,586	7,739	6,894	8,248	6,433
Kennicott	16,300	11,853	15,091	10,557	18,022	17,341	21,170	16,468	15,031	17,074	18,121	20,549
LeConte	5,485	7,141	6,912	7,070	4,858	9,807	9,533	9,915	6,677	9,087	9,511	10,374
Lituya	1,008	1,170	1,189	1,114	1,415	1,381	1,367	1,195	1,224	963	1,065	1,197
Malaspina	9,089	14,664	14,065	14,558	16,147	11,843	8,573	16,929	15,313	14,794	8,215	12,185
Matanuska	14,814	14,160	7,260	12,611	16,246	17,390	17,669	14,644	10,683	17,078	15,909	7,729
Taku	9,452	13,745	13,583	13,458	8,853	15,880	16,020	17,810	16,768	3,414	1,261	203
Tustumena	8,744	9,612	6,642	9,114	10,068	10,978	6,527	9,966	10,569	10,884	10,644	11,316
Vessel Leave	14,576	15,164	14,268	14,375	15,949	16,605	16,695	17,234	9,006	13,339	13,350	13,478
All Vessels	11,024	9,709	12,231	10,240	10,379	9,591	10,178	9,725	18,298	7,145	8,347	11,252
TOTAL	127,613	126,757	124,542	122,404	139,834	151,540	152,087	145,162	140,106	125,147	115,897	122,759

* 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 2018 ANNUAL FINANCIAL REPORT

State of Alaska, Department of Transportation and Public Facilities

Compiled December 20th, 2018

