

# ALASKA RAILROAD

## BOARD OF DIRECTORS Regular Board Meeting

Tuesday, June 14, 2022  
Commencing at 9:00 a.m. in the  
JBB Board Room at  
327 West Ship Creek Avenue, Anchorage, Alaska 99501  
&

### Join Virtual Zoom Meeting Room

<https://us02web.zoom.us/j/83131450288?pwd=dUxicmtjaEF5RXI4SXJSNUVUaEw0UT09>

Meeting ID: 831 3145 0288

Passcode: 261583



### Dial-In by your nearest location to join by audio only

- +1 346 248 7799 US (Houston)
- +1 669 900 6833 US (San Jose)
- +1 253 215 8782 US (Tacoma)
- +1 312 626 6799 US (Chicago)
- +1 929 205 6099 US (New York)
- +1 301 715 8592 US (Washington DC)

**ARRC BOARD OF DIRECTORS MEETING  
AGENDA**

Tuesday, June 14, 2022, 9:00 a.m. - 2:00 p.m.  
In-Person: 327 W. Ship Creek Avenue, Anchorage, Alaska 99501  
Virtually: [Zoom Virtual Meeting Room](#)

- I. CALL TO ORDER (9:00 a.m.)
- II. ESTABLISH QUORUM
- III. SAFETY BRIEFING
- IV. CHAIR COMMENTS
- V. ADOPTION OF AGENDA
- VI. CONFLICT OF INTEREST DISCLOSURES
- VII. ADOPTION OF MINUTES
  - 1. [Approval of Regular Meeting Minutes of March 31, 2022](#)
- VIII. OPPORTUNITY FOR PUBLIC COMMENT
- IX. BRIEFING ITEMS
  - A. **Public Briefings (a portion may be held in Executive Session)**
    - 1. [CEO Update](#)
    - 2. [Safety Update](#)
    - 3. [Business Report](#)
  - B. **Committee Reports**
    - 1. [Real Estate Committee](#)
    - 2. Executive Committee
    - 3. Audit Committee
- X. NEW BUSINESS
  - C. **Executive Session Briefings**
    - 1. Contracts, Claims, Litigation, Personnel and Financial Matters
    - 2. 2021 Profit Study
    - 3. External Issues Review Committee
    - 4. Business Development Report
    - 5. Seward Dock Port Project
  - D. **Adoption of Consent Agenda**
    - 1. [Resolution No. 2022-10 – Relating to Insurance Renewal for 2022-2023](#)
    - 2. [Resolution No. 2022-11](#) – Relating to Approval of the Topic for the 2022-2023 Performance Audit
    - 3. [Resolution No. 2022-12](#) – Relating to Interim Funding for Preconstruction Costs of Seward Passenger Dock Reconstruction Project ([AFE No. 11041](#))
    - 4. [Resolution No. 2022-13](#) – Relating to 2022 Repair of Whittier Barge Terminal Transfer Span ([AFE No. 11043](#))
    - 5. [Resolution No. 2022-14](#) – Relating to Fairbanks Yard Water Line Repair/Replacement ([AFE No. 11042](#))
    - 6. [Resolution No. 2022-15](#) – Relating to Authorization to Fund Termination of MMME, LLC Leasehold ([AFE No. 11044](#))
    - 7. [Contract Lease No. 20781 \(Healy\)](#)
- XI. OPPORTUNITY FOR PUBLIC COMMENT AND DIRECTORS/CEO/STAFF COMMENTS
- XII. ADJOURNMENT

# 033122 AKRR BD Mtg Minutes FINAL

# ALASKA RAILROAD CORPORATION MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING

Anchorage, Alaska  
Thursday, March 31, 2022

## I. CALL TO ORDER

Board Chair John Shively called the meeting to order at 9:02 a.m. on Thursday, March 31, 2022. The meeting was held via Zoom technology.

## II. ESTABLISH QUORUM

Chair Shively requested Board Secretary Jennifer Mergens to establish a quorum. Vice Chair Judy Petry; Director John Binkley, Director John Reeves; Director Gale Dinsmore; and Commissioner, Department of Transportation & Public Facilities, Ryan Anderson were all present at the commencement of the meeting.

A quorum of six board members was established by Ms. Mergens. Commissioner, Department of Commerce Community and Economic Development, Julie Sande joined very shortly after the meeting commenced.

Staff members present:

B. Amy, Chief Financial Officer	A. Behrend, Chief Counsel
T. Covington, Director, Safety	A. Donovan, Director, Real Estate Permits & Leasing
T. Erickson, Director, Supply Management	L. Hall, Executive & Corporate Administrator
J. Mergens, Chief Human Resource Officer	B. Lindamood, VP Engineering
C. Hopp, Chief Operating Officer	M. Maddox, Controller
J. Kubitz, VP Real Estate	Y. Teytelman, Senior Attorney
L. Knox, Director Financial Planning & Analysis	D. Wade, VP Marketing & Customer Service
B. O'Leary, President & Chief Executive Officer	
R. Traini, Manager, Labor Relations	

Members of the public:

Anthony Hafner  
Shayna Gurtler Rowe

### **III. SAFETY BRIEFING**

Mr. Covington discussed Sure Step, a safety program to refocus employees as they enter the busy passenger season. Its primary purpose is to remind employees to be aware of risks and hazards as they approach each task.

### **IV. CHAIR COMMENTS**

Chair Shively thanked Board Members for their commitment to accomplishing ARRC's mission of safety, service and profitability.

### **V. ADOPTION OF AGENDA**

Director Dinsmore moved to adopt the agenda, and Commissioner Anderson seconded the motion. The meeting agenda was unanimously approved as presented and posted.

### **VI. CONFLICT OF INTEREST DISCLOSURES**

Director Dinsmore stated that he had a conflict relating to United Transportation Union (UTU), noting that a portion of the litigation report was redacted from his Board Book. Chair Shively agreed that should any discussions related to that matter begin during Executive Session, Director Dinsmore would be separated into a private waiting room and rejoined at the beginning of the next topic.

### **VII. ADOPTION OF MINUTES**

Director Binkley moved to approve both the Regular Board Meeting minutes of February 1, 2022, and the Special Board Meeting minutes of March 14, 2022. Director Dinsmore seconded the motion. No changes or objections were noted, and both sets of meeting minutes were unanimously approved.

### **VIII. OPPORTUNITY FOR PUBLIC COMMENT**

No members of the public made any comments.

### **IX. BRIEFING ITEMS**

#### **A. Public Briefings**

##### **1. CEO Update**

Mr. O'Leary remarked that ARRC is expecting a very strong and busy 2022 summer passenger season, with online bookings comparable to 2019. He further noted that the initially planned 61 freight barges in Whittier have now increased to 66, and that cruise ships are returning to Southcentral Alaska. Mr. O'Leary said Operations is initiating a Smooth Start program, which involves every department prepping for peak ridership,

track maintenance, gravel trains, construction and capital projects. He shared that the winter train runs were better than expected with last Saturday's Aurora train hosting nearly 200 passengers. Mr. O'Leary said that summer seasonal hiring has been challenging, and attracting new, and retaining current, qualified employees is a priority. He stated that ARRC is well-positioned financially, and he gave credit to staff, management and the Board for navigating through the pandemic. Mr. O'Leary further noted that Tim Sullivan has resigned his position. He provided a brief update on the legislative bills related to bond funding authorization in support of our Seward Passenger Dock and to the Executive Budget Act, noting that the bond funding bill has passed the House and Senate Transportation Committees and will next go to the Senate Finance Committee. Mr. O'Leary concluded his presentation with a review of the items on the Consent Agenda.

## **2. Safety Update**

Mr. Covington provided a safety update through February 2022 stating that all of the Federal Railroad Administration (FRA) reportable safety incident data metrics are still trending downward in comparison to 2021. He noted that there have been no FRA reportable derailments (i.e., derailments causing over \$11,200 in damage), no reportable grade crossing incidents, no trespassing or passenger casualties, and no FRA-reportable incidents year-to-date. Mr. Covington said that so far this year the lost time rate is 0.9 percent.

## **3. Northern Rail Extension**

Mr. Lindamood gave a presentation on the Northern Rail Extension Project, which would involve extending the railroad from North Pole to Delta Junction. He noted this project first came up during World War II and has been looked at several times by different organizations including the Department of Transportation and the U.S. Army. Mr. Lindamood further provided information relating to Phase 1 and the progress ARRC initially made with available funding at that time, noting the full project cost was estimated to be just under \$1 billion in 2012. He discussed some of the risks associated with restarting this project and stated it is unclear if the Surface Transportation Board and/or Bureau of Land Management (BLM) would require a supplemental environmental review. Director Binkley commented that it is important for ARRC to stay engaged on this as the railroad is being looked at as an alternative to trucking, and also that support of the military for the project would be critical. General discussion among the group ensued.

Mr. Lindamood then provided an update on the Seward Passenger Dock Project. He shared that there have been four respondents to the dock design/build RFP, and the intention is that by the end of the first week in April a selection will be made. Mr. Lindamood also advised that ARRC is looking for temporary space for ARRC and cruiseline staff as the project moves forward.

## **4. Audit Committee / 2021 Financial Audit**

Audit Committee Chair Petry stated that the Audit Committee met March 30, 2022. She advised that KPMG had reviewed the 2021 financials and provided an unmodified audit opinion. Audit Chair Petry further noted that the KPMG Auditors confirmed to the Audit

Committee that KPMG had no concerns relating to staff, management or the financials. She said on behalf of the Audit Committee, Resolution 2022-05, Relating to Approval of the 2021 Financial Annual Report, was recommended for Board approval.

Ms. Amy then discussed the 2021 year-end annual financial audit and provided an overview of the audited 2021 financial statements. She said the audited 2021 financial statements reflect total assets and deferred outflows at year-end 2021 of slightly under \$1.1 billion, and ARRC's net position is \$401.4 million. Ms. Amy explained the auditors have provided an unmodified, or "clean," opinion on the audit. The following are highlights of Ms. Amy's presentation:

- Our preliminary forecast shows 2022 net income of approximately \$38 million. This includes an increase in freight revenue (net of fuel surcharge revenue) of about \$6 million over original budget and additional revenue associated with the Seward Passenger Dock.
- The shared excess liability policy renewal is in progress. ARRC is required to have coverage of up to \$323 million. ARRC shares the amount between a base \$75 million of liability insurance and \$225 million of coverage with other railroads. The premium for that shared excess liability coverage is expected to remain flat at last year's rate.
- It is expected that ARRC's property insurance premium will increase significantly at renewal in July due to increases in replacement cost estimates for buildings and bridges.
- Operating net income for 2021 was \$8.1 million.
- At \$12.8 million, net Real Estate income was up 23% over 2020 levels, primarily due to growth across a variety of Real Estate revenue lines. Total net gains on sales of assets and investment income also increased due to gains recorded on the sale of the Neighborworks property and the land exchange with Eklutna.
- ARRC's operating ratio was 0.92 for the year, which means that operating revenue exceeded operating expenses.
- The balance sheet comparison over the last six years shows ARRC's liquidity and net position rebounding from lower levels in 2020 that were driven by the pandemic's impact on ARRC's business.
- Ms. Amy said the Pension Trust assets outperformed their respective target returns. The Pension Trust assets returned 17.3 percent compared to a target of 7.25 percent, and increased the funded status to 105.3 percent, with a \$13.8 million net pension asset on the balance sheet.

- The Healthcare Trust is substantially over-funded at almost 415 percent funded or \$44.7 million over-funded on an actuarial basis. The next actuarial valuation will be completed by mid-June.

## **B. Committee Reports**

### **1. Real Estate Committee**

Mr. Kubitz stated that the Real Estate Committee met on March 21, 2022. He advised that the meeting notes were provided in the Board materials. Committee Chair Binkley provided a quick summary of the two Fairbanks contract leases which are recommended for approval.

### **2. Executive Committee**

Chair Shively stated that the Executive Committee meeting was held on March 21, 2022, and noted that the confidential meeting notes were distributed in the Board Books. He said the Executive Committee reviewed the Consent Agenda items brought forward to today's meeting.

### **3. Safety Committee**

Chair Dinsmore said the Safety Committee also met on March 21, 2022, with much of the discussion revolving around a review of the 2021 safety goals, year-to-date safety data, and a snow removal plan utilizing equipment and manpower for future icy weather and heavy snow events. He also noted that the confidential meeting notes were included in the Board materials.

## **X. NEW BUSINESS**

### **C. Executive Session Briefings**

Vice Chair Petry moved to have the Board recess to Executive Session to discuss items as identified on the agenda. Director Dinsmore seconded the motion. There was no further discussion or objection. The motion was approved and the Board convened to Executive Session at 10:05 a.m. The following items were discussed in Executive Session:

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. Legislative Strategy
3. Business Development Report
4. Seward Dock Port Project

Chair Shively called the public session of the Regular Board Meeting back to order at 11:16 a.m.



#### **D. Adoption of Consent Agenda**

Chair Shively read the Consent Agenda items for the record. He called for a motion to adopt the Consent Agenda with the omission of Item #6 Resolution No. 2022-10 – Relating to Approval of Employment Contract for President-Chief Executive Officer. Vice Chair Petry made the motion as requested to adopt Consent Agenda items #1 through #5, and Items #7 and #8. Director Reeves seconded the motion. There was no further discussion or objections and the Board unanimously approved the Consent Agenda as identified below:

1. Resolution No. 2022-05 – Relating to the Approval of the 2021 Financial Annual Report
2. Resolution No. 2022-06 – Relating to Approval of the Collective Bargaining Agreement between the Alaska Railroad Corporation and the Carmen’s Division of the Transportation Communication International Union
3. Resolution No. 2022-07 – Relating to Whittier Terminal Master Plan (AFE No. 11031)
4. Resolution No. 2022-08 – Relating to 2021 Heavy Rainfall Washout Event in the Kenai Peninsula Borough (AFE No. 11030)
5. Resolution No. 2022-09 – Relating to an Increase in the 2022 Bridge Rehabilitation Program (AFE No. 10968 S-1)
7. Contract Lease No. 20751 Pioneer Properties of Alaska, LLC (Fairbanks)
8. Contract Lease No. 20755 KNW, LLC (Fairbanks)

#### **XI. DIRECTOR/CEO/STAFF COMMENTS/ OPPORTUNITY FOR PUBLIC COMMENT**

Chair Shively stated that the Flying Crown Homeowners Association requested to meet with representatives of the ARRC Board. It was agreed that Commissioner Anderson, Director Dinsmore and Chair Shively will participate in that meeting.

Commissioner Anderson thanked Mr. O’Leary and staff for their assistance with the avalanche issues that plagued the Eagle River/Hiland Road community.

Director Dinsmore stated that a recently hired locomotive engineer advised him that there are surplus locomotive road engines for sale in the contiguous 48 states. Mr. Hopp will talk further with Director Dinsmore on this topic.

Director Reeves suggested the possibility of allowing gaming aboard ARRC’s trains.

Director Binkley congratulated ARRC on another successful financial audit and a phenomenal year-end turnaround. Vice Chair Petry echoed Director Binkley’s comments.

Chair Shively thanked the Board and stated he was looking forward to hopefully meeting in-person in June. He noted that the passing of Congressman Don Young was a tremendous loss of a friend and supporter of ARRC.

## **XII. ADJOURNMENT**

Director Binkley moved to adjourn and Director Dinsmore seconded the motion. The meeting adjourned at 11:29 a.m.

**IX. BRIEFING ITEMS**

**A. PUBLIC BRIEFINGS**

**ITEM 1: CEO Update**

**Update will be verbally presented  
at the Board Meeting**

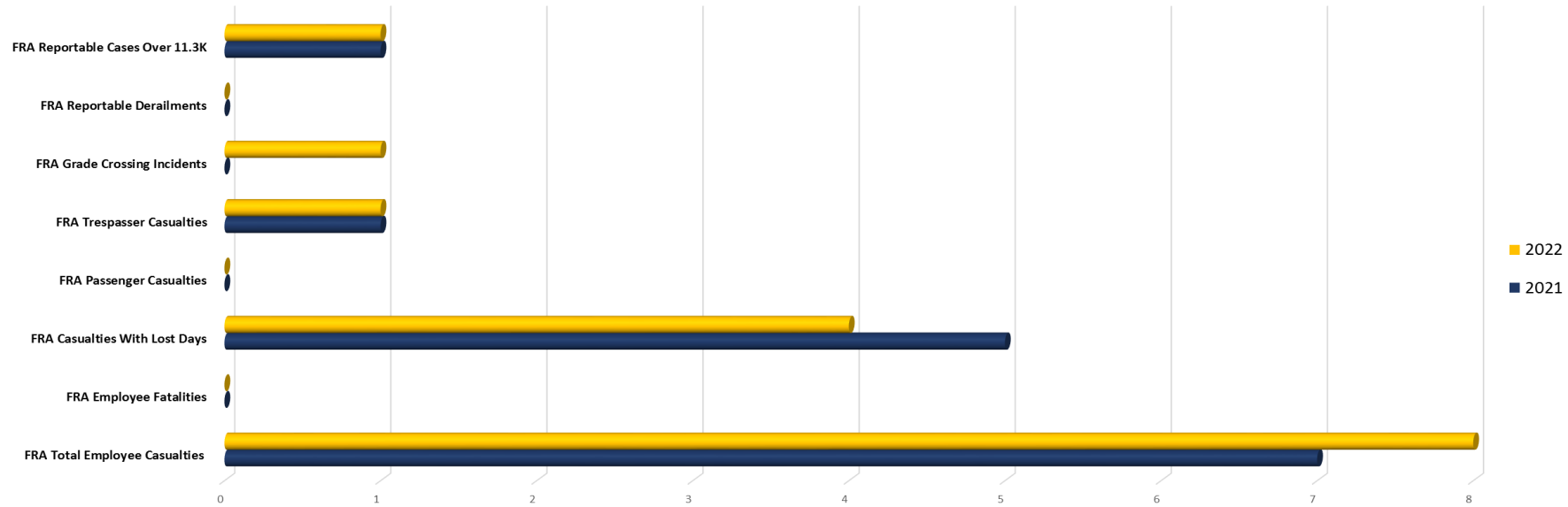
# June 2022 - ARRC Safety Update slide



# Safety Report

## January-May

FRA Safety Data  
2021 Vs. 2022, as of 31 May 22



	FRA Total Employee Casualties	FRA Employee Fatalities	FRA Casualties With Lost Days	FRA Passenger Casualties	FRA Trespasser Casualties	FRA Grade Crossing Incidents	FRA Reportable Derailments	FRA Reportable Cases Over 11.3K
2022	8	0	4	0	1	1	0	1
2021	7	0	5	0	1	0	0	1

	<i>FRA Casualty Rate</i>	<i>Lost Time Rate</i>	<i>Lost Work Days</i>	<i>Restricted Work Days</i>
<b>2021</b>	<b>3.0</b>	<b>2.1</b>	<b>446</b>	<b>277</b>
<b>2022</b>	<b>3.2</b>	<b>1.6</b>	<b>90</b>	<b>104</b>

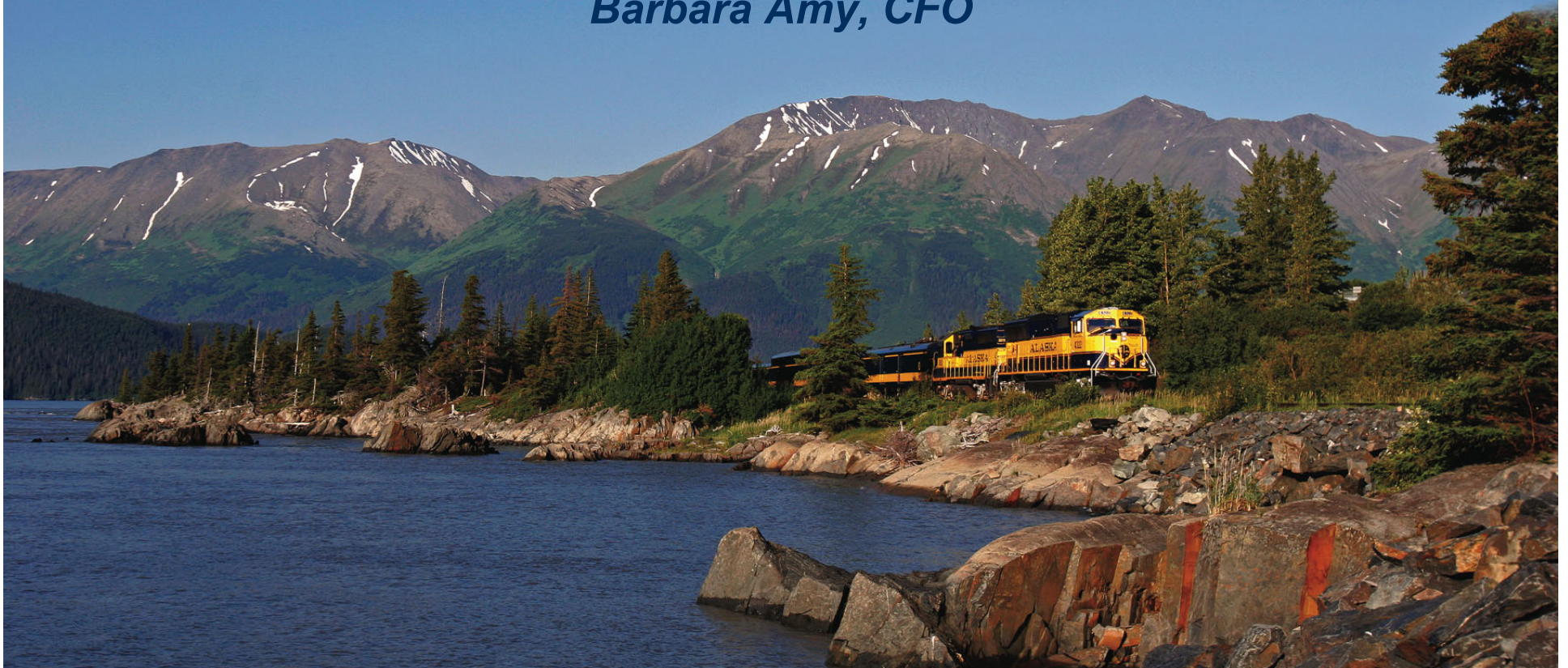
\*FRA Casualty Rate = FRA Reportable Injuries (regardless of lost time) x 200,000 divided by total hours worked.  
Lost Time Rate = Lost Time Cases x 200,000 divided by total hours worked

# **June 2022 Business Financial Report w-Experience Study and Insurance Renewal - final**

# YTD April Business Results

*June 14, 2022*

*Barbara Amy, CFO*



[AlaskaRailroad.com](https://www.alaskarailroad.com)



# YTD April 2022 Executive Summary

- **YTD net loss of \$10.9 million was a larger loss by \$0.8 million than the loss expected according to the revised budget**
  - *Freight revenue exceeded revised budget by \$2.8 million, or 9%*
    - *Most freight business lines outperformed, with the exception of Local Coal, which underperformed by 16%*
  - *Passenger revenue outperformed revised budget by \$0.9 million, or 103%*
    - *The Aurora winter train service outperformed revised budget by 119%, driving the category results*
  - *Operating expenses came in over revised budget by \$4.7 million, or 10%*
    - *Fuel expenses came in 62% over revised budget, for a total variance of \$2.5 million, driven by unfavorable quantity and price variances, while both Materials & Supplies as well as Contracts expense categories came in \$1.0 million over revised budget each, with rolling stock parts, barge expense and freight forwarding expenses driving the over-budget experience*
  - *Real Estate net revenue outperformed revised budget by \$0.2 million, or 9%*
    - *driven primarily by out-performance in lease revenue*
- **ARRC cash balance and total debt (excluding FTA bonds) were \$60.9 million and \$7.5 million, respectively, and net working capital was \$66.6 million.**

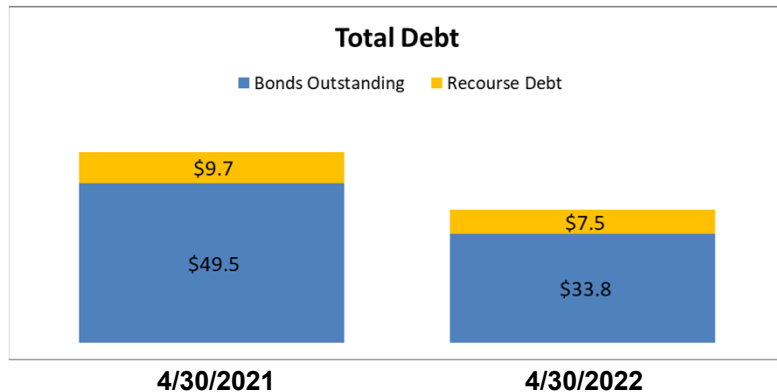
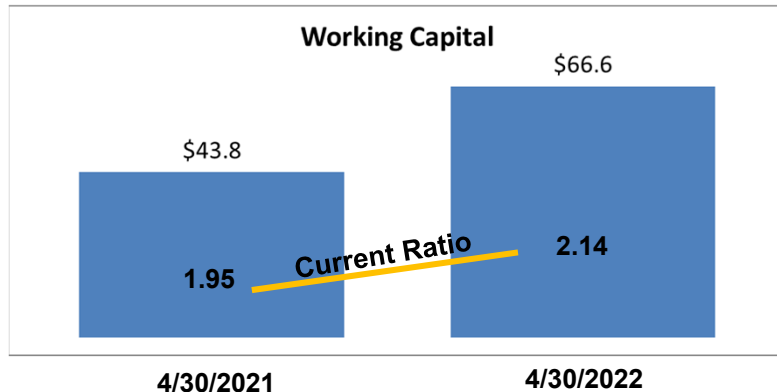




# Financial Position

## at April 30, 2022

(\$ millions)



- Continuing to maintaining strong liquidity at more than 2.0x current assets to current liabilities
- Decrease in year-over-year total debt as ARRC continues to repay loans
  - ARRC retired its 2015A series bonds with the last principal payment in August of 2021
- ARRC's trailing 12-month cash flow increased significantly on a year-over-year basis and leverage ratios decreased, given the pandemic's lower case numbers during the summer of 2021 before the delta variant emerged.
  - *debt-to-cash flow ratios are a measure of the company's ability to repay its debt from cash flow generated by the business. We have adjusted the Total Debt ratio to reflect only 20% of the bonds par value outstanding.*

	4/30/2021	4/30/2022
Recourse Debt / EBITDA	4.41x	0.25x
Total Debt (net of grant revenue) / EBITDA	8.93x	0.47x

*Note: Total Debt includes ARRC FTA bonds but excludes unamortized bond premium*



# YTD April 2022 Freight Revenue Performance

## FREIGHT REVENUE

(net of fuel surcharge)

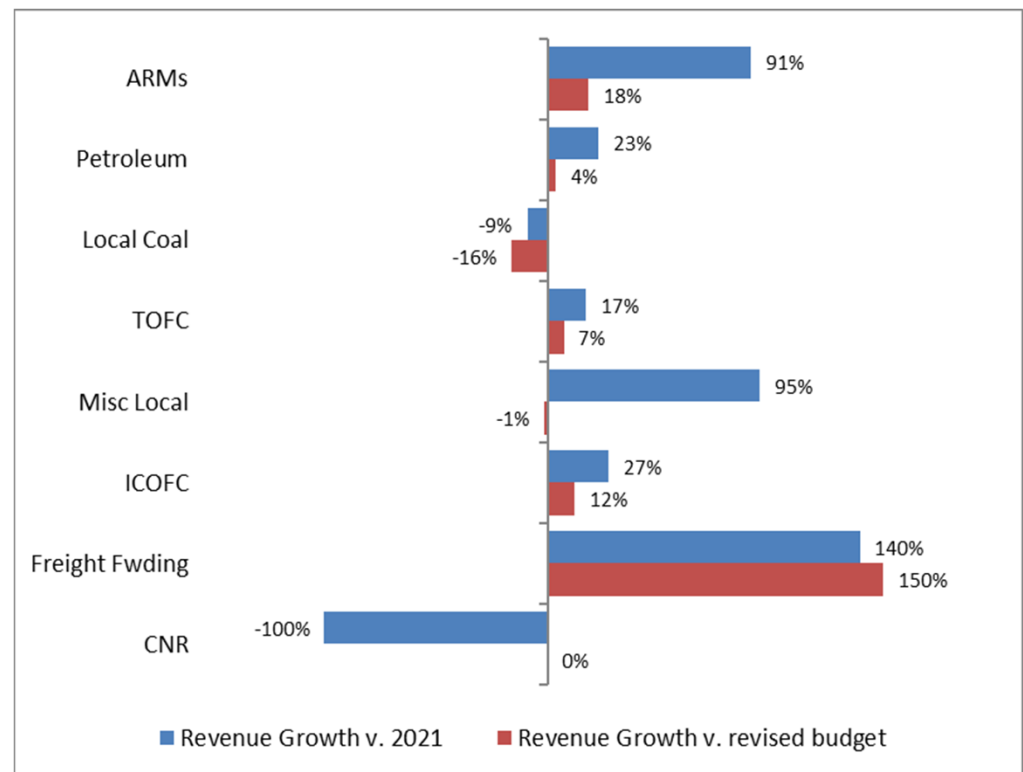
**+ 10%** | **+ 47%**

v. revised  
budget

v. 2021

- Units: up 26% v. 2021  
up 5% v. revised budget
- Freight Revenue per unit:
  - up 17% v. 2021
  - up 4% v. revised budget
- *ARMs and Petroleum drove the over-budget and over prior year performance*

## Freight revenue variance



# YTD April 2022 Passenger Revenue Performance

## PASSENGER REVENUE

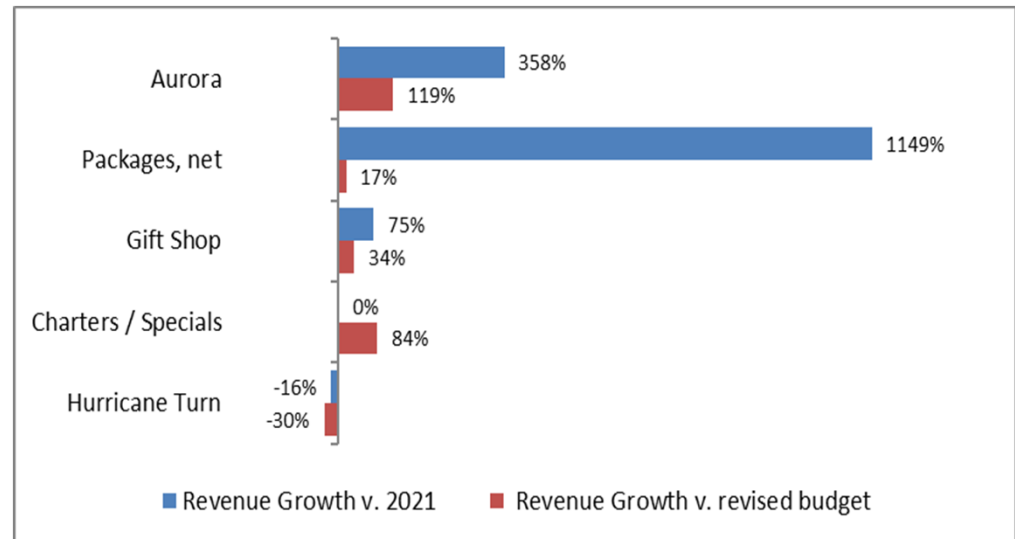
**+ 102%** **+ 408%**

v. revised  
budget

v. 2021

- ARRC Ridership: up 265% v. 2021  
up 111% v. revised budget
- Revenue per ARRC passenger:  
up 39% v. 2021  
down 4% v. revised budget
- *The Aurora winter train dramatically outperformed budget in terms of ridership, while the much smaller Hurricane Turn service underperformed its ridership budget. Yields were improved over 2021 experience, but lagged budgeted yields slightly.*

## Passenger revenue variance



# YTD April 2022 Real Estate Revenue Performance

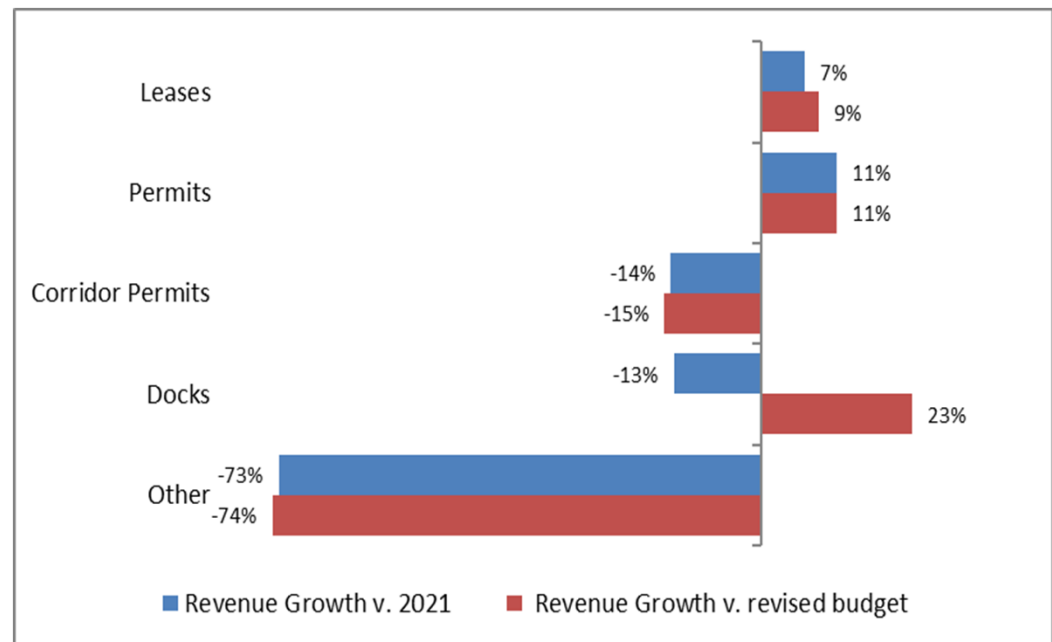
## REAL ESTATE REVENUE

**+ 5%** v. revised budget

**+ 1%** v. 2021

- Top three categories of real estate revenue comprise 90% of total real estate revenue
- Lease and permit revenue both performed well against budget and prior year, however, underperformance in corridor permits as compared to both revised budget and prior year, mitigated some of the growth

## Real Estate revenue variance



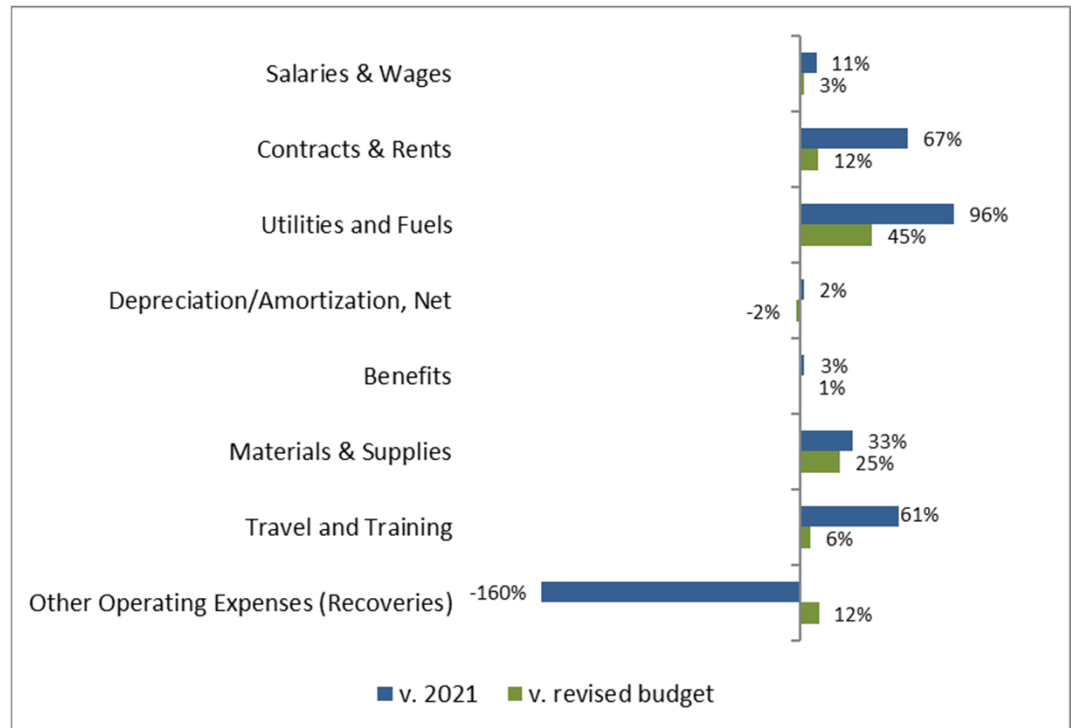
# YTD April 2022 Operating Expense Performance

## OPERATING EXPENSES

**+ 10%** v. revised budget  
**+ 30%** v. 2021

- *The Other Operating Expenses (Recoveries) category is the driver in the comparison against prior year as the first four months of 2020 included two tax credit transactions that served to reduce total operating expenses while there were no such transactions in the first four months of 2021.*
- *Performance versus revised budget is driven by the slower than expected pace of capitalizations, reducing depreciation expense, combined with lower barge expense and freight car per diem in the contracts & rents category.*

## Operating expense variance



# YTD April 2022 Financial Performance

\$ millions

	YTD April 2022	YTD Revised Budget	Variance from budget	YTD April 2021	Variance from prior year
Operating Revenues	\$ 35.8	\$ 32.2	\$ 3.7	\$ 22.0	\$ 13.8
Operating Expenses	\$ 50.8	\$ 46.0	\$ 4.7	\$ 39.0	\$ 11.7
Operating Income	\$ (15.0)	\$ (13.9)	\$ (1.1)	\$ (17.0)	\$ 2.1
Real Estate, net	\$ 2.9	\$ 2.7	\$ 0.2	\$ 2.9	\$ 0.1
Other Income (Expense)	\$ 1.1	\$ 1.1	\$ 0.1	\$ 1.1	\$ 0.1
Net Income	\$ (10.9)	\$ (10.1)	\$ (0.8)	\$ (13.1)	\$ 2.2

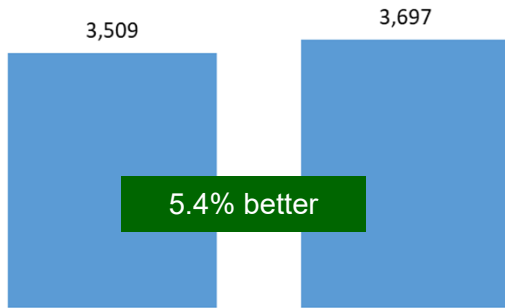
- *Operating revenue outperformed as compared to revised budget, due primarily to outperformance of freight revenue, and specifically as it relates to the ARMs barge business line*
- *Operating expenses were over revised budget as well as the prior year, driven primarily by utilities and fuels expenses*
- *Real Estate net revenue performed well, coming in over revised budget and prior year, due largely to growth in lease revenues*
- *Other Income (Expense) performed in line with revised budget and with prior year*
- *As a result, Net Income (loss) under-performed revised budget, but outperformed prior year*



# YTD April 2022 Operating Highlights

## Train Productivity

(GTM per train mile)

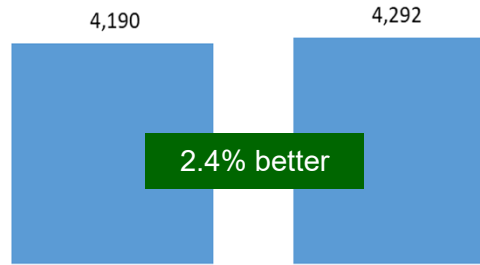


YTD  
2021

YTD  
2022

## Average Train Length

(Freight trains only)

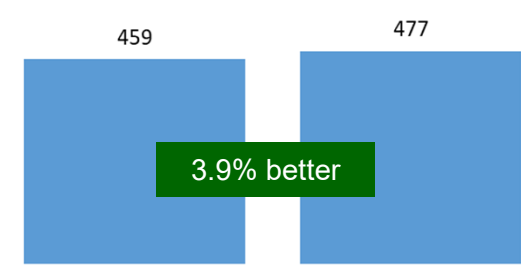


YTD  
2021

YTD  
2022

## Locomotive Fuel Economy

(GTM per gallon)

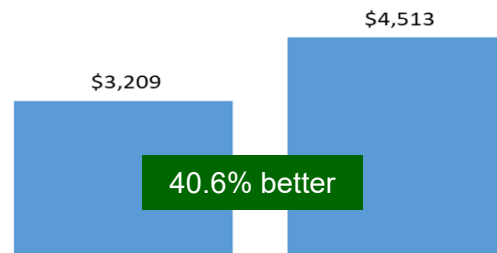


YTD  
2021

YTD  
2022

## Freight Revenue per Carload

(net of FSG for all carload freight)

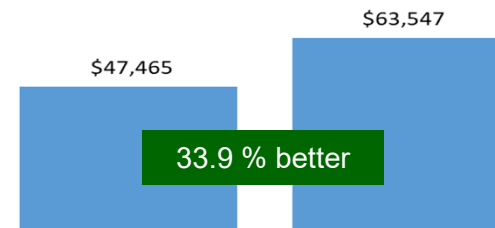


YTD  
2021

YTD  
2022

## Average Revenue per Employee

(excludes grant and FSG revenue)



YTD  
2021

YTD  
2022



# Hot items for 3Q22

- **Seward Passenger Dock and Facility Replacement Project:** *Making progress on a number of fronts:*
  - *The bond legislation was approved in the legislature on the last day of session. It now goes to the governor for his signature*
  - *ARRC has procured Bank of America as its underwriter; kick-off will be scheduled when all members of the bond underwriting team are in place*
  - *ARRC procured a Progressive Design/Build contractor for the dock portion of the project; Pacific Pile & Marine is the contractor*
  - *ARRC Project Management is working with the contractor and with Royal Caribbean Group (“RCG”) on the design elements of the dock*
  - *ARRC team is working with RCG on finalizing the term sheet that will serve as the basis for the Port User Agreement*
  
- **Construction season is in full swing:** *the center of gravity of the 2022 capital program is track and bridge rehabilitation programs, where more than half of this year’s capital dollars are slated to be spent.*
  
- **Grant Applications have been non-stop:** *In addition to the grant activity for CARES and FTA Formula funded projects for 2022, since the approval of the 2022 capital budget in November of 2021, ARRC has been awarded two federal grants for projects:*
  - *a 2021 CRISI grant for bridge 422.9*
  - *a 2021 PIDP grant for Whittier Terminal Master Planning*

*We are awaiting word on several other grant applications that we have submitted since November 2021:*

  - *a 2022 CRISI STC grant for MP F6.8 Avalanche Control*
  - *a 2022 RAISE grant for MP 190.5 Bridge Replacement*
  - *a 2021 BRIC grant for MP 4.8-5.9 Salmon Creek track raise*





# YTD April Performance v. Strategic Plan Goals

- *Stop light chart below is all green lights, as ARRC's forecast reflects an expectation that we will meet financial strategic plan goals for 2022*

2022 Strategic Goals	2022 Forecast status
Grow Freight Revenue by 16% over 2021	
Grow Passenger Revenue by 82% over 2021	
Grow Real Estate Revenue by 2% over 2021	
Improve corporate revenue per employee metric by 12% over 2021	
Operating Wages / Operating Revenue of 40% or less	
Grow EBITDA (ex Operating Assistance) to 36.9 million	



# 2022 Net Income Forecast

**Net income forecast for 2022, given actual YTD April performance and latest revised budget for the remainder of the year, is \$45.3 million, which is \$25.5 million higher than the original budget net income for the year**

- *Timing of receipt of ARPA funds slipped from 2021 to 2022, resulting in \$8.2 million more grant revenue in 2022 than was reflected in the original budget*
- *Freight revenue forecast (net of fuel surcharge revenue and net of barge expense) is \$5.4 million higher than what was reflected in the original budget for the year, due largely to higher expectations for the ARMs, Local Miscellaneous and Freight Forwarding business lines*
- *Real Estate revenue forecast increased \$6.1 million over what was reflected in the original budget due largely to Seward Passenger dock revenues originally expected to go to a PPP operator*
- *Labor & Benefits expenses forecast decreased \$5.2 million due to funded status of the pension and healthcare trusts and associated reduction in expenses associated with pension and other post-retirement benefits expenses*



# The Trusts: Experience Study and Valuation

***Drafts of the Valuation Reports were completed in early June for liability values as of 1/1/2022 and shared with management. The drafts will be presented to the committees next week.***

- *The Pension Trust funded ratio was 96.9% on an actuarial basis and 107.1% on a market value basis as of 1/1/2022. The actuaries opined on the risks that the plan is subject to, with the most significant being investment risk, and that while they would recommend a lower discount rate assumption, they found management's rate to be reasonable.*
- *The Healthcare Trust funded ratio was 448.2% on an actuarial basis and 465.1% on a market value basis as of 1/1/2022. The actuaries opined on the actuarial assumptions, and discussed that the discount rate assumption, while not unreasonable, was "on the borderline of reasonable assumptions", and suggested management review and consider reducing the rate. The actuaries made the same observation last year, at which time, ARRC did lower the discount rate assumption from 6.75% to 6.25%. The actuaries also discussed that even though they would prefer to see a lower discount rate, it "just doesn't matter" because the impact on the over-funded status of the trust would be insignificant, no matter how low the discount rate was assumed to be.*



# 2022 Insurance Program Renewal

***July 1 marks the start of the year for our annual insurance renewal, therefore, we are requesting authorization to renew the liability and property insurance programs within certain ranges***

- *Up to 20% over 2021 premium levels for the liability program*
  - *This program provides ARRC up to \$75 million (including \$5 million self-insurance retention) in coverage, and is provided by a group of four insurers assembled by Marsh, our broker. This is our primary liability coverage, on top of which, lies the excess liability coverage, required by our contract with Motorola, which we renewed at the Board meeting in March.*
- *Up to 25% over 2021 premium levels for the property program*
  - *This program provides ARRC up to \$100 million (including \$10 million self-insurance retention) in coverage, and is provided by a group of twelve insurers assembled by Marsh, our broker.*

***Every effort will be made to renew below the limits provided***



# 2022 June 2 Real Estate Committee Notes FINAL



## Alaska Railroad Corporation Board of Directors Real Estate Committee Notes

Date: June 2, 2022

Time: 9:00 a.m.

Location: James B. Blasingame Board Room and Virtual Zoom Meeting

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### Board Members:

John Binkley, Committee Chair – via Zoom  
John Shively, Committee member  
John Reeves, Committee Member – via Zoom  
Judy Petry, Committee Member– via Zoom  
TJ Dinsmore, Committee Member – via Zoom  
Commissioner Ryan Anderson, Committee Member – excused  
Commissioner Julie Sande, Committee Member – via Zoom

### Staff:

Jim Kubitz, Andy Donovan, Paul Farnsworth, Kristen Gratrix, Andy Behrend, Jennifer Mergens, Bill O’Leary, Clark Hopp, Dale Wade, Barbara Amy, Brian Lindamood, Lorine Hall, Michelle Maddox, LaFewt Knox, Beth Fleischer

### Customer Communications:

Mr. Kubitz reminded the group that the State of Alaska has been leasing some warehouse space in the old Odom building to store COVID supplies. The State recently gave about half of that space back and there is already interest in the vacant space.

### Board Action Items:

Authorizations for Expenditure to be presented to the Board of Directors for consideration:

*AFE No. 11044/Res. No. 2022-15 MMME, LLC. 1115 E. Whitney Road*

Mr. Kubitz provided an update to the Committee on the progress of terminating the lease for the parcel in the Anchorage Yard where the Alaska Marble building is located. The building is up for sale and there is 22 years remaining on the lease. ARRC has an operational need to take the land back and expand the Yard. A tentative lease termination agreement has been made and will be brought before the Board at the June 14 meeting.

*AFE No. 11042/Res. No. 2022-14 Fairbanks Yard Water Service*

Mr. Kubitz shared with the Committee that a water line in the Fairbanks yard had frozen over the winter and we have been operating without water. Water is currently being brought to buildings for the time being; however, a new waterline will need to be installed. Mr. Farnsworth is working with Golden Heart Utilities on the project.

Contracts to be presented to the Board of Directors for consideration:

*Contract No. 20781– Linda Norris & William Barker - Healy*

Mr. Kubitz shared that one of our existing lessees in Healy has applied for a new 20-year lease. Staff recommends approval at the June 14 Board meeting.

Briefing / Update

Fairbanks

Chena Landings Lot Sale

Mr. Kubitz shared that staff is processing a sale of a residential lot in the Chena Landings subdivision which will close soon.

Chena River Trail Update

Mr. Kubitz stated that the Department of Transportation (DOT) is having the trail appraised and we are waiting to hear from them.

Chair Binkley asked about the lease that had been approved the previous winter where Pioneer Properties was looking at purchasing the Halverson lease. There was discussion regarding the land value and condition of the rail spur that serves the property.

Anchorage

Eklutna Construction & Maintenance - 1850 Viking Drive

Mr. Kubitz reminded the Committee that Eklutna had leased the building formally known as Karen's RV. Eklutna has recently received approval from its board to purchase the building and a sale is currently under negotiation.

Auto Electric – Post Road

Mr. Kubitz reminded the Committee of the lease moratorium on the north side of Post Road and that new leases are not being entered into due to future plans of yard/track expansion. Mr. Kubitz shared that one of the impacted lease tenants, Auto Electric, had

a building collapse this winter due to snow load. The tenant is in arrears on his lease payments and staff is working with the tenant to come to a solution to terminate the lease.

#### Ujiji Lease Extension

Mr. Kubitz shared with the Committee that the lease for Ujiji, LLC, a tenant on Ship Creek Avenue, is expiring; however, the tenant has requested an extension through September 2023 to provide time to get the buildings demolished.

#### Fish Creek Trail

Mr. Lindamood shared with the Committee the Municipality of Anchorage (MOA)'s project seeking to provide access through the Coastal Trail through the ARRC ROW north of Northern Lights to where the trail meets the ROW. There was discussion surrounding the issues with the current uses of the ROW and conflicts that are arising with the progress of the project.

#### Seward

##### Parking for Lowell Point vehicles

Mr. Kubitz shared that the Railroad offered parking to those impacted by the recent landslide in Seward. Cars that were stuck on the other side of Lowell Point were barged into town and their owners were able to use the Railroad's parking area until the road was reopened.

##### Seward Airport Lease Update

Mr. Lindamood shared with the Committee that the lease that was approved by the Board for a portion of the Seward Airport last year presented some issues for the DOT in its airport development plans. DOT and the Railroad are working together to come up with a mutually beneficially solution involving a different lease structure and the Railroad gaining control of Airport Road. It is anticipated that a new lease will be brought before the Board in the fall.

#### Whittier

##### Mass Excavation

Mr. Kubitz shared that the gravel extraction activities in Whittier have resumed for the summer.

##### Head of the Bay Project Update



Mr. Kubitz stated that there have been multiple permits for survey and geotechnical work at the Head of the Bay for the Huna Totem project on the City of Whittier's lease parcel.

Chair Binkley adjourned the meeting at 9:46 a.m.

# **ARRC BOARD OF DIRECTORS MEETING EXECUTIVE SESSION AGENDA**

**Tuesday, June 14, 2022  
Virtual Conference Room Meeting**

## **Executive Session Briefings**

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. 2021 Profit Study
3. External Issues Review Committee
3. Business Development Report
4. Seward Passenger Dock Project


All Matters Are Confidential. All in-person members of the public will be asked to exit the boardroom and all virtual attendees will be moved into a private waiting room to be rejoined at the completion of Executive Session.


## **X. NEW BUSINESS**

### **D. Adoption of Consent Agenda**

- 1. Resolution No. 2022-10 – Relating to Insurance Renewal for 2022-2023**
- 2. Resolution No. 2022-11 – Relating to Approval of the Topic for the 2022-2023 Performance Audit**
- 3. Resolution No. 2022-12 – Relating to Interim Funding for Preconstruction Costs of Seward Passenger Dock Reconstruction Project (AFE No. 11041)**
- 4. Resolution No. 2022-13 – Relating to 2022 Repair of Whittier Barge Terminal Transfer Span (AFE No. 11043)**
- 5. Resolution No. 2022-14 – Relating to Fairbanks Yard Water Line Repair/Replacement (AFE No. 11042)**
- 6. Resolution No. 2022-15 – Relating to Authorization to Fund Termination of MMME, LLC Leasehold (AFE No. 11044)**
- 7. Contract Lease No. 20781 (Healy)**

**TO:** ARRC Board of Directors

**Through:** Bill O’Leary, President & Chief Executive Officer  
Barbara Amy, Chief Financial Officer 

**FROM:** Roberta Highstone, Risk Manager 

**DATE:** June 6, 2022

**SUBJECT:** Insurance Renewals

The Alaska Railroad Corporation (“ARRC”) renews its liability and property insurance policies on July 1, 2022. Various other policies will be renewed within a few months thereafter. This memo is intended to brief you on various aspects of these renewals prior to the June 14, 2022 Board Meeting when the insurance renewals will be presented as an action item.

ARRC maintains a comprehensive property and casualty insurance program, with significant self-insured retentions, as historically summarized in the attached charts. In past years, ARRC has been assisted in the design and implementation of its insurance program by Marsh & McLennan Agency, LLC (“Marsh”). As ARRC’s Risk Manager, I work closely with the Marsh insurance professionals to make certain that all aspects of ARRC’s exposures are addressed.

#### **YEAR 2021-2022 PERFORMANCE**

The insurance year of 2021-2022 has again been unremarkable as to concerns or incidents impacting ARRC’s risk management program. As has been our procedure in the past, the ARRC Legal Department has thoroughly reviewed all incidents that could result in claims against current policies. No incidents have been identified as possibly resulting in a claim against any of the purchased insurance policies in the current claim year.

#### **INSURANCE PROGRAM**

The number of markets available to place ARRC’s insurance continues to be very limited. Last year, ARRC’s \$75 million general liability policy was underwritten through four U.S. underwriters and its \$323 million shared excess liability policy was underwritten by a consortium of seventeen European and Bermuda underwriters. As in past years, we have scrutinized all markets with which ARRC does business for stability, terms of insurance policies, and cost.

As has been reported in the past, it is difficult to compare and assess ARRC’s insurance program with the programs of other railroads. Frankly, it is impossible to find a railroad that substantially mirrors ARRC’s passenger operations and freight commodity mix. ARRC’s unique passenger business and high volumes of hazardous materials present

greater risks for underwriters than do other railroads with greater annual revenues. Additionally, ARRC is exposed to catastrophic perils of earthquake and flood, which translates into additional risk to be considered by the property underwriters. Nonetheless, ARRC's current program includes coverages and terms that compare well to other railroads (based on railroads surveyed in 2015 by the Railroad Insurance Management Association).

ARRC's performance can be measured by our track record in the 37 years since the corporation began doing business. ARRC's spotless property and general liability claim record has benefited it in the marketplace. As shown on the attached charts, we have profited from a decrease in insurance costs over the years, and policy terms have been enhanced at little or no cost. ARRC's annual track renewal, track straightening, tie replacement, and bridge rehabilitation programs have impressed the underwriters with our commitment to and impact on safe operations. The importance of our infrastructure rehabilitation programs cannot be overstated when ARRC is assessed against all other railroads. Reductions in ARRC's premiums on the liability side have no doubt been impacted by our comprehensive capital improvement program. However, losses in the railroad industry, both domestic and foreign, have had a significant effect on the markets with which ARRC does business. Although neither incident resulted in claims against a policy and occurred in 1999, ARRC's own loss experience at Canyon and Gold Creek are issues that continue to be scrutinized by underwriters before setting rates.

Significant domestic and international incidents impact the markets in which ARRC does business. These include an accident on July 24, 2013 where a high speed Spanish passenger train travelling at more than twice the authorized speed limit derailed on a curve killing 80 passengers and injuring 140 others and an accident on December 1, 2013 where a New York Metro North passenger train travelling 52 mph over the authorized speed limit derailed on a curve killing four passengers and injuring 63 others. The worst recent accident occurred on July 6, 2013 in Lac-Megantic, Quebec where a freight train containing 72 tank cars of crude oil ran away while unattended and derailed. Several cars exploded, resulting in 47 deaths, numerous other injuries and the total destruction of over 30 buildings in the town's center. On May 12, 2015 an Amtrak passenger traveling more than 100 mph derailed on a curve killing 8 and injuring over 200. 2014-2015 were also a bad years for railroads as there were at least six major crude oil train derailments that caused significant damages and injuries. These incidents will definitely cause the underwriters to closely scrutinize operations involving the hauling of fuel or any hazardous materials through populated areas.

The Rail Liability markets have significantly changed in recent years, including reduction of an estimated \$500 million dollars of capacity in the commercial marketplace and the increase in the Rail Passenger Transportation Liability Cap from \$295 million to \$323 million. This has resulted in the Alaska Railroad Corporation having to increase its total liability limits to \$323 million, thereby increasing total costs of liability premiums.

For this current renewal period we are still in the midst of a challenging marketplace. Lower levels of passenger and freight volumes during the pandemic helped to keep our

increase in premium low at the last renewal period, but with the return of more passengers and freight to ARRC's system in 2021 and still more in 2022 comes an increase in exposure that the insurers see as the justification for a larger increase in premium at this renewal. We predict that there will be an estimated increase of up to 20% for the premiums for our liability policies over the last renewal period.

As with the Rail liability market, the property market has continued to worsen through 2021, with the highest increases over the last few years. Risk industries such as rail have experienced drastic reductions in insurance capacity also resulting in higher premium costs. Over the last few years, record overall catastrophic and non-catastrophic losses and significant business interruption events are factors in the increasing premium costs. Based on the foregoing, we are looking at up to a 25% increase in property premium costs over last year's 15% increase in premiums.

Several potential cost saving measures were considered, including giving consideration to possibly increasing deductibles and/or reducing coverage, however, Marsh feels that measures such as these are only generating minimal cost savings, and are therefore, not worth the additional risk.

As in prior years, we will not know the exact amount of the premiums until just before the renewal date, and the markets can be subject to volatile shifts between now and then. Since the renewal date is after the Board meeting in June, the Board must set an acceptable range of premium increase for renewal at this time.

## **2022-2023 INSURANCE REQUIREMENTS**

Based on premium cost and ARRC's claims experience, ARRC should continue to self-insure a large proportion of its risks. As discussed in past years, the costs associated with "buying down" the self-insured retentions ("SIRs") to a lower level does not put ARRC in a better position to transfer risk, as the associated higher premium is simply not cost effective. We estimate that, on the property side, reducing the SIR from \$10 million to \$5 million could double the 2021-2022 premiums, which are already expected to increase significantly even with the SIR remaining the same. Contract requirements with ARRC's "pull" partners requiring significant limits of insurance and strong indemnity language, as well as the \$10 million insurance line of credit, are risk transfer mechanisms that make better fiscal sense than to buy down the SIR on ARRC's two major policies.

In our judgment, the liability insurance limits should remain at the \$323,000,000 level due to the requirement imposed by the manufacturer of equipment for the federally mandated Positive Train Control Project. Several years ago, ARRC's broker was able to structure a shared policy for the excess coverage that the equipment manufacturer demanded. ARRC shares in this policy with several other railroads, as this is the most cost effective way to put the excess coverage in place. In the case of the property insurance policy, I recommend that the limits remain at \$100,000,000. This recommendation is based on ARRC's current property valuations. Similarly, in the case of all other policies, limits should be renewed with no substantial changes in any segment of the program.

Finally, to meet those contingencies that fall within ARRC's self-insured retention, ARRC should continue its \$10 million line of credit that provides cash for incurred liabilities and amortizes losses over a period of years.

## **JUNE BOARD MEETING ACTION**

At the June 14th Board Meeting, you will be asked to authorize renewal of the current insurance policies as discussed above. As no quotes will be available on the date of the meeting, the Board will need to set the parameters for all purchases. As stated, I request purchase authority of a maximum increase of up to 20% for liability policies and up to 25% for property policies. Every attempt will be made to control the premium expenditures and to obtain the best price.

Attachments

Section Four

# Railroad Liability Program

## Historical Premium and Exposure Information

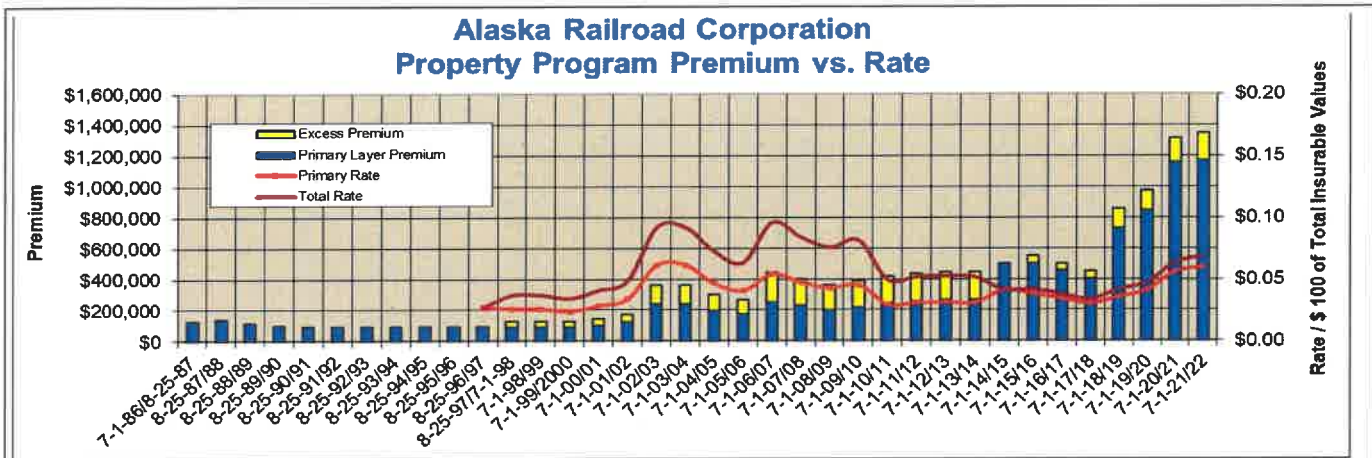
Policy Term	Primary Limits	PREMIUMS						LIMITS		Gross Revenue	Primary Rate	Total Rate
		Primary Premium	25 xs 30 Premium	20 xs 55 Premium	Shared Excess Limits *	Excess Premiums	TL Premium	Add'l Limits xs Primary	Total Limits			
7-1-86/87	\$25,000,000	\$795,000				\$0	\$795,000	0	\$25,000,000			
7-1-87/88	\$25,000,000	\$705,445				\$0	\$705,445	0	\$25,000,000			
7-1-88/89	\$25,000,000	\$700,000				\$0	\$700,000	0	\$25,000,000			
7-1-89/90	\$25,000,000	\$675,000				\$0	\$675,000	0	\$25,000,000			
7-1-90/91	\$25,000,000	\$575,000				\$0	\$575,000	0	\$25,000,000			
7-1-91/92	\$25,000,000	\$575,000				\$0	\$575,000	0	\$25,000,000	\$68,600,000	\$8.38	\$0.84
7-1-92/93	\$25,000,000	\$575,000				\$0	\$575,000	0	\$25,000,000	\$67,018,000	\$8.58	\$0.86
7-1-93/94	\$25,000,000	\$575,000				\$0	\$575,000	0	\$25,000,000	\$66,000,000	\$8.71	\$0.87
7-1-94/95	\$25,000,000	\$575,000				\$0	\$575,000	0	\$25,000,000	\$62,600,000	\$9.19	\$0.92
7-1-95/96	\$25,000,000	\$548,375				\$0	\$548,375	0	\$25,000,000	\$59,400,000	\$9.23	\$0.92
7-1-96/97	\$25,000,000	\$520,000				\$0	\$520,000	0	\$25,000,000	\$64,300,000	\$8.09	\$0.81
7-1-97/98	\$25,000,000	\$520,000				\$0	\$520,000	0	\$25,000,000	\$63,500,000	\$8.19	\$0.82
7-1-98/99	\$25,000,000	\$450,000				\$0	\$450,000	0	\$25,000,000	\$69,600,000	\$6.47	\$0.65
7-1-99/00	\$25,000,000	\$450,000				\$0	\$450,000	0	\$25,000,000	\$69,600,000	\$6.47	\$0.65
7-1-00/01	\$25,000,000	\$450,000				\$0	\$450,000	0	\$25,000,000	\$69,600,000	\$6.47	\$0.65
7-1-01/02	\$25,000,000	\$450,000	\$125,000			\$125,000	\$575,000	\$25,000,000	\$50,000,000	\$69,600,000	\$6.47	\$0.83
7-1-02/03	\$25,000,000	\$565,000	\$187,500			\$187,500	\$752,500	\$25,000,000	\$50,000,000	\$77,000,000	\$7.34	\$0.98
7-1-03/04	\$25,000,000	\$593,250	\$197,000			\$197,000	\$790,250	\$25,000,000	\$50,000,000	\$70,672,000	\$8.39	\$1.12
7-1-04/05	\$25,000,000	\$504,263	\$167,450			\$167,450	\$671,713	\$25,000,000	\$50,000,000	\$79,852,000	\$6.31	\$0.84
7-1-05/06	\$25,000,000	\$454,000	\$150,000			\$150,000	\$604,000	\$25,000,000	\$50,000,000	\$83,072,000	\$5.47	\$0.73
7-1-06/07	\$25,000,000	\$431,300	\$142,500			\$142,500	\$573,800	\$25,000,000	\$50,000,000	\$88,000,000	\$4.90	\$0.65
7-1-07/08	\$25,000,000	\$388,170	\$128,250			\$128,250	\$516,420	\$25,000,000	\$50,000,000	\$95,143,047	\$4.08	\$0.54
7-1-08/09	\$25,000,000	\$378,500	\$125,000			\$125,000	\$503,500	\$25,000,000	\$50,000,000	\$100,864,000	\$3.75	\$0.50
7-1-09/10	\$25,000,000	\$370,930	\$116,375			\$116,375	\$487,305	\$25,000,000	\$50,000,000	\$91,905,000	\$4.04	\$0.53
7-1-10/11	\$25,000,000	\$345,000	\$113,000			\$113,000	\$458,000	\$25,000,000	\$50,000,000	\$83,583,000	\$4.13	\$0.55
7-1-11/12	\$25,000,000	\$345,000	\$113,000	\$75,000		\$188,000	\$533,000	\$50,000,000	\$75,000,000	\$90,550,000	\$3.81	\$0.59
7-1-12/13	\$25,000,000	\$319,725	\$115,500	\$76,500		\$192,000	\$511,725	\$50,000,000	\$75,000,000	\$98,838,540	\$3.23	\$0.52
7-1-13/14	\$25,000,000	\$319,725	\$115,500	\$76,500		\$192,000	\$511,725	\$50,000,000	\$75,000,000	\$89,327,431	\$3.58	\$0.57
7-1-14/15	\$25,000,000	\$319,725	\$115,500	\$76,500	\$166,666	\$358,666	\$678,391	\$175,000,000	\$200,000,000	\$89,154,159	\$3.59	\$0.76
7-1-15/16	\$25,000,000	\$319,725	\$115,500	\$76,500	\$166,666	\$358,666	\$678,391	\$175,000,000	\$200,000,000	\$83,282,000	\$3.84	\$0.81
7/1/16-17	\$25,000,000	\$310,255	\$112,250	\$60,000	\$166,666	\$338,916	\$649,171	\$170,000,000	\$195,000,000	\$80,119,067	\$3.87	\$0.81
7/1/17-18	\$25,000,000	\$310,255	\$112,250	\$60,000	\$245,275	\$417,525	\$727,780	\$270,000,000	\$295,000,000	\$81,451,769	\$3.81	\$0.89
7/1/18-19	\$25,000,000	\$317,355	\$115,671	\$61,800	\$268,750	\$446,221	\$763,576	\$270,000,000	\$295,000,000	\$86,942,647	\$3.65	\$0.88
7/1/19-20	\$25,000,000	\$327,795	\$119,477	\$63,833	\$282,184	\$465,494	\$793,289	\$270,000,000	\$295,000,000	\$90,040,864	\$3.64	\$0.88
7/1/20-21	\$15,000,000	\$271,725	\$352,500	\$125,000	\$535,664	\$1,013,164	\$1,284,889	\$303,000,000	\$318,000,000	\$62,177,948	\$4.37	\$2.07
7/1/21-22	\$15,000,000	\$275,000	\$252,500	\$249,375	\$670,284	\$1,172,159	\$1,447,159	\$303,000,000	\$318,000,000	\$60,756,550	\$4.53	\$2.38
		<b>\$16,605,518</b>	<b>\$3,091,723</b>	<b>\$1,001,008</b>	<b>\$2,502,155</b>	<b>\$6,594,886</b>	<b>\$23,200,404</b>					

\* Shared Excess program anniversary currently at 3/21. The premiums are included with the calendar year of the program.

- Since 2000 the limits excess of the \$5M have increased from \$25M to \$318M
- 2020 was the first time your liability premium spend (based on \$318M limits) exceeded your 1986 inception premium of \$795,000 (which was based on only a \$25M limit)



# Section Five Railroad Property History & Exposures



Policy Term	SIR	Primary Layer	M&D Premium	Excess Limits	Excess Premium	Total Premium	TIV	Primary Rate	XS Rate	Total Rate
7-1-86/8-25-87	\$10,000,000	\$10,000,000	\$130,000			\$130,000				
8-25-87/88	\$10,000,000	\$20,000,000	\$140,000			\$140,000				
8-25-88/89	\$10,000,000	\$20,000,000	\$115,000			\$115,000				
8-25-89/90	\$10,000,000	\$10,000,000	\$97,500			\$97,500				
8-25-90/91	\$10,000,000	\$20,000,000	\$95,000			\$95,000				
8-25-91/92	\$10,000,000	\$25,000,000	\$95,000			\$95,000				
8-25-92/93	\$10,000,000	\$25,000,000	\$95,000			\$95,000				
8-25-93/94	\$10,000,000	\$25,000,000	\$95,000			\$95,000				
8-25-94/95	\$10,000,000	\$25,000,000	\$95,000			\$95,000				
8-25-95/96	\$10,000,000	\$25,000,000	\$95,000			\$95,000				
8-25-96/97	\$10,000,000	\$25,000,000	\$95,000			\$95,000	\$352,197,068	\$0.0270	#VALUE!	\$0.0270
8-25-97/7-1-98	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$352,197,068	\$0.0256	\$0.0114	\$0.0369
7-1-98/99	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$352,197,068	\$0.0256	\$0.0114	\$0.0369
7-1-99/2000	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$378,597,068	\$0.0238	\$0.0106	\$0.0343
7-1-00/01	\$10,000,000	\$25,000,000	\$100,000	\$40,000,000	\$45,000	\$145,000	\$354,221,500	\$0.0282	\$0.0127	\$0.0409
7-1-01/02	\$10,000,000	\$25,000,000	\$120,000	\$40,000,000	\$52,500	\$172,500	\$354,221,500	\$0.0339	\$0.0148	\$0.0487
7-1-02/03	\$10,000,000	\$25,000,000	\$240,000	\$40,000,000	\$120,000	\$360,000	\$390,521,500	\$0.0615	\$0.0307	\$0.0922
7-1-03/04	\$10,000,000	\$25,000,000	\$240,000	\$40,000,000	\$120,000	\$360,000	\$390,521,500	\$0.0615	\$0.0307	\$0.0922
7-1-04/05	\$10,000,000	\$25,000,000	\$192,000	\$40,000,000	\$108,000	\$300,000	\$413,521,500	\$0.0464	\$0.0261	\$0.0725
7-1-05/06	\$10,000,000	\$25,000,000	\$170,666	\$40,000,000	\$96,000	\$266,666	\$419,921,500	\$0.0406	\$0.0229	\$0.0635
7-1-06/07	\$10,000,000	\$25,000,000	\$250,000	\$40,000,000	\$195,000	\$445,000	\$462,471,500	\$0.0541	\$0.0422	\$0.0962
7-1-07/08	\$10,000,000	\$25,000,000	\$225,000	\$40,000,000	\$175,500	\$400,500	\$475,446,500	\$0.0473	\$0.0369	\$0.0842
7-1-08/09	\$10,000,000	\$25,000,000	\$202,500	\$40,000,000	\$157,950	\$360,450	\$475,446,500	\$0.0426	\$0.0332	\$0.0758
7-1-09/10	\$10,000,000	\$25,000,000	\$215,000	\$40,000,000	\$172,868	\$387,868	\$475,446,500	\$0.0452	\$0.0364	\$0.0816
7-1-10/11	\$10,000,000	\$25,000,000	\$243,810	\$40,000,000	\$170,394	\$414,204	\$838,002,700	\$0.0291	\$0.0203	\$0.0494
7-1-11/12	\$10,000,000	\$25,000,000	\$256,000	\$40,000,000	\$177,903	\$433,903	\$838,471,358	\$0.0305	\$0.0212	\$0.0517
7-1-12/13	\$10,000,000	\$25,000,000	\$264,790	\$40,000,000	\$182,275	\$447,065	\$852,796,065	\$0.0310	\$0.0214	\$0.0524
7-1-13/14	\$10,000,000	\$25,000,000	\$264,790	\$40,000,000	\$182,266	\$447,056	\$867,577,958	\$0.0305	\$0.0210	\$0.0515
7-1-14/15	\$10,000,000	\$65,000,000	\$501,090	\$0	\$0	\$501,090	\$1,218,528,258	\$0.0411	\$0.0000	\$0.0411
7-1-15/16	\$10,000,000	\$65,000,000	\$500,975	\$35,000,000	\$50,000	\$550,975	\$1,322,428,258	\$0.0379	\$0.0038	\$0.0417
7-1-16/17	\$10,000,000	\$65,000,000	\$454,860	\$35,000,000	\$47,354	\$502,214	\$1,329,905,858	\$0.0342	\$0.0036	\$0.0378
7-1-17/18	\$10,000,000	\$65,000,000	\$400,325	\$35,000,000	\$47,354	\$447,679	\$1,329,905,858	\$0.0301	\$0.0036	\$0.0337
7-1-18/19	\$10,000,000	\$65,000,000	\$729,888	\$35,000,000	\$128,800	\$858,688	\$2,067,747,050	\$0.0353	\$0.0062	\$0.0415
7-1-19/20	\$10,000,000	\$65,000,000	\$843,801	\$35,000,000	\$130,480	\$974,281	\$2,067,747,050	\$0.0408	\$0.0063	\$0.0471
7-1-20/21	\$10,000,000	\$65,000,000	\$1,154,377	\$35,000,000	\$156,256	\$1,310,633	\$2,070,973,568	\$0.0557	\$0.0075	\$0.0633
7-1-21/22	\$10,000,000	\$65,000,000	\$1,169,182	\$35,000,000	\$176,675	\$1,345,857	\$1,957,829,078	\$0.0597	\$0.0090	\$0.0687
			\$7,832,995		\$2,479,644	\$10,312,639				

Adopted:

Resolution No. 2022-10

Relating to Insurance Renewal for  
2022-2023

WHEREAS, the Alaska Railroad Corporation Act, AS 42.40.520, requires the Alaska Railroad Corporation (ARRC) to protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; and

WHEREAS, ARRC has established a risk management program and contracted with Marsh & McLennan Agency, LLC to advise the corporation on its insurance needs and insurance availability and to assist ARRC in obtaining insurance; and

WHEREAS, ARRC's various liability and property insurance policies must be renewed on July 1<sup>st</sup> of each year; and

WHEREAS, ARRC's insurance brokers have carefully reviewed the corporation's insurance needs and the current state of the insurance markets; and

WHEREAS, based on their review, ARRC's insurance brokers have advised that the premiums for ARRC's liability insurance policies may increase, but not more than 20% over the aggregate premiums ARRC paid for liability insurance for the 2021-2022 insurance year; and

WHEREAS, based on their review, ARRC's insurance brokers have advised that the premiums for ARRC's property insurance policies may increase by an estimated 25% over the aggregate premiums ARRC paid for property insurance for the 2021-2022 insurance year; and

WHEREAS, a summary of the ARRC's current insurance coverages and premiums is attached hereto as Attachment "A"; and

WHEREAS, it is necessary for the Board to authorize insurance renewals at this time because quotes from insurance underwriters are not provided to ARRC until just prior to the July 1, 2022, renewal date.

NOW THEREFORE BE IT RESOLVED that the President and Chief Executive Officer, or his designee, is hereby authorized to procure ARRC's General Liability, Shared Excess Liability, Property, Fiduciary Liability, Directors & Officers Liability, Crime, and Boiler and Machinery insurance policies within the limits of coverage set forth in Attachment "A" and at an aggregate premium level not to exceed (i) a 20% increase over the total premiums paid for liability policies for the 2021-2022 insurance year; and (ii) a 25% increase over the total premiums paid for property insurance policies for the 2021-2022 insurance year.

**ATTACHMENT "A"**

**ALASKA RAILROAD CORPORATION  
2021 - 2022  
INSURANCE PROGRAM**

<u>Coverages</u>	<u>Retention/ Deductible</u>	<u>Policy Limits</u>	<u>2021 - 2022 Premium</u>
Liability (third party personal injury & property damage)	\$5,000,000	\$70,000,000	\$ 776,875
Shared Excess Liability	\$75,000,000	\$225,000,000	\$ 670,285
Property (ARRC property damage)	\$10,000,000	\$100,000,000	\$1,345,857
Workers' Compensation	Self-Insured	N/A	
Fiduciary Liability	\$10,000	\$5,000,000	[included in D&O Policy]
Crime	\$10,000	\$1,000,000	[included in D&O Policy]
Directors & Officers	\$-0- for individuals; \$50,000 corporate retention per loss	\$5,000,000	\$ 112,473
Boiler & Machinery	\$10,000	\$24,000,000	<u>\$ 47,456</u>
Total 2020-2021 premiums =			\$2,952,946
-----			
Line of Credit (solely for insurance contingencies in excess of \$1,000,000)		\$10,000,000	\$15,000

Adopted:

Resolution No. 2022-11

Relating to Approval of the Topic for the  
2022-2023 Performance Audit

WHEREAS, AS 42.40.270 requires the Board of Directors of the Alaska Railroad Corporation (ARRC) to have an Annual Performance Audit conducted to assure that the railroad is being managed and operated effectively and efficiently; and

WHEREAS, every year the Board of Director's Audit Committee considers topics for the annual performance audit that would be beneficial to the company; and

WHEREAS, the topic of a performance audit selected by the Corporation is occasionally extensive and/or important enough that it is determined that a performance of such an audit may reasonably be conducted to satisfy two successive years of the annual performance audit requirement of AS 42.40.270; and

WHEREAS, for 2022-2023, the Audit Committee reviewed at its meeting on June 2, 2022, a recommendation from management staff that ARRC hire a consultant to perform an assessment of the performance of the Corporation's south end passenger service, with a scope of work substantially similar to that attached hereto; and

WHEREAS, the Audit Committee recommends that the Board of Directors approve the performance of such an assessment and that such assessment cover the performance audit requirements for the years 2022 and 2023.

NOW THEREFORE BE IT RESOLVED, the ARRC Board of Directors hereby adopts the recommendation of the Audit Committee and selects an assessment of the performance of the Corporation's south end passenger service as the topic for the 2022-2023 performance audit. Management staff shall obtain proposals for such an assessment and shall present its recommended proposal to the Audit Committee for consideration.

## **Proposed Scope of Work for South-End Passenger Service Evaluation**

### **ARRC Board Resolution No. 2022-11, Relating to Approval of the Topic for the 2022-2023 Performance Audit**

From May through September, the south end of the railroad has become significantly busier in recent years. Future development plans involving the replacement of the Seward dock and terminal has the potential to yield even greater numbers of passengers. As such, an assessment of aspects of this lane that inform management decisions going forward would be helpful. Considerations include:

#### Schedules and passenger train patterns

- Rail activity on the corridor as it relates to traffic patterns inclusive of the Coastal Classic, Glacier Discovery, Spencer Glacier Whistle stop, Princess MEX, Princess DEX, Holland DEX, Cruise Trains and work train needs.
- Evaluation of train arrival and departure times as they relate to the tour operators we connect with in Seward, Whittier and Spencer. Does our train schedule complement customer offerings?
- Service start and end dates

#### Asset utilization and revenue management

- Current assets, ages, condition and deployment by train route.
- Optimization of asset use – are we making the most of our assets in terms of revenue opportunity?
- Need for additional assets in the future.
- Demand before and after completion of Seward dock/terminal.
- Additional train routes, or changes to current routes to meet future demand.
- Pricing evaluation
- Customer composition (tour operators, travel agent, direct, excursion partners)
- Target customers cruise and non-cruise. How do we best leverage our cruise relationships?

#### Infrastructure needs to support growth

- PTC
- Sidings
- Avalanche mitigation/other capital needs

Adopted:

Resolution No. 2022-12

Relating to Interim Funding for  
Preconstruction Costs of Seward  
Passenger Dock Reconstruction Project  
(AFE No. 11041)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) owns and operates a dock (“Seward Passenger Dock”) and related terminal building (“Seward Passenger Terminal Building”) at the head of Resurrection Bay, in Seward, Alaska, that primarily serve cruise ships during the summer season; and

WHEREAS, the Seward Passenger Dock is a key structure supporting cruise ship dockings important to the Alaska cruise market and Alaskan economy; and

WHEREAS, the Seward Passenger Dock is near the end of its useful life and ARRC needs to provide for a reconstructed dock in order to continue to serve cruise ships berthing in Seward; and

WHEREAS, reconstructing the Seward Passenger Dock is critical to ARRC maintaining and continuing to increase revenues from both the berthing of cruise ships and the associated revenues from the cruise train contracts under which ARRC pulls charter trains to transport the passengers coming and going from many of the cruise ships; and

WHEREAS, after extensive analysis of various approaches to reconstructing or replacing the Seward Passenger Dock, ARRC is now pursuing a progressive design-build approach for reconstructing the Seward Passenger Dock in a manner that will allow its continued use for the above-described activities; and

WHEREAS, preconstruction work on the Seward Passenger Dock, including engineering, design, procurement of materials and related activities, is ongoing; and

WHEREAS, AFE No. 11041 authorizes expenditure of \$4,300,000 to continue Seward Passenger Dock reconstruction activities, as more specifically described therein; and

WHEREAS, funding for this project is 100% ARRC internal funds to be derived from revenues from Seward Passenger Dock operations in 2022; and

WHEREAS, the approval to begin a capital project with an estimated cost of more than \$500,000 or an estimated completion time of more than one year requires specific Board approval pursuant to AS 42.40.120(c)(13).

NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors has considered the Seward Passenger Dock Reconstruction Project preconstruction funding proposal as presented by ARRC Management and hereby approves AFE No. 11041 in the amount of \$4,300,000 for the purposes stated therein.

**Alaska Railroad Corporation**  
**Authorization for Expenditure Form**

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<b>AFE# 11041</b>
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Page 1

General Information:	
AFE Title:	<b>Seward Passenger Dock Preconstruction</b>
Prepared By:	<b>Elizabeth Greer</b>
Resp. Center (Name):	<b>Project Management</b>
Resp. Center (#):	<b>8910</b>
Depreciation Center:	<b>8910-Dock Ops &amp; Maintenance</b>
Line of Business:	<b>Corporate</b>
Spending Timetable:	
2022	\$ 4,300,000
2023	\$ -
2024	\$ -
2025	\$ -
2026	\$ -
<b>Total</b>	<b>\$ 4,300,000</b>
Other Information	
Useful Life (Years):	50
Annual Depreciation:	\$ 86,000
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	Unbudgeted 2022
Total Amount	\$	4,300,000
Source of Funding	ARRC	\$ 4,300,000
Source of Funding		
Source of Funding		
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 4,300,000	05/20/22
Supplemental #1	\$ -	
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
<b>Total</b>	<b>\$ 4,300,000</b>	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
<b>Project Manager:</b>	<b>Elizabeth Greer</b>	<i>Elizabeth Greer</i>	6/8/2022
<b>Responsible Owner:</b>	<b>James Kubitz</b>	<i>James Kubitz</i>	6/8/2022
<b>VP, Owner Department:</b>	<b>Brain Lindamood</b>	<i>[Signature]</i>	6/8/2022
<b>Functional User(s):</b>	<b>Dale Wade</b>		
<b>Chief Operating Officer:</b>	<b>Clark Hopp</b>		
<b>Grant Administration:</b>	<b>Shawnessy Leon</b>	<b>N/A</b>	
<b>Chief Financial Officer:</b>	<b>Barbara Amy</b>	<i>Barbara Amy</i>	6/8/2022
<b>Accounting Department:</b>	<b>Michelle Maddox</b>		
<b>CEO &amp; President:</b>	<b>Bill O'Leary</b>	<i>Bill O'Leary</i>	6/8/2022
<b>Board of Directors:</b>	<b>John Shively</b>		

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<b>AFE# 11041</b>
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<b>Is this project related to health and/or safety?</b>	<b>Yes</b>	<b>If yes describe:</b>
<p>The existing passenger dock has reached its useful life. It has reduced vertical capacity, and limited lateral capacity. Replacement or rehabilitation is needed to ensure the future safe operations of the facility.</p>		
<b>Scope of Work:</b>		
<p>The scope of work completes preconstruction work for the reconstruction of the Seward Passenger Dock and material procurement. Preconstruction consists of final design completion, construction planning, ARRC Advance Construction/Procurement, and initiation of procurement for a portion of the High Risk Materials (Schedule/Cost).</p> <p>The remaining project work is estimated to be \$60M. Project completion is expected in 2025 and is anticipated to be bond funded. This project supplements the scopes of AFE's "10782 Seward Pasg Dock - SOA FY2020 A" &amp; "10880 Seward Pasg Dock - SOA FY2020 B".</p>		
<b>ARRC Business Justification:</b>		
<p>The existing Seward Passenger Dock was constructed as a freight dock in 1966 at the head of Resurrection Bay. The 147,000 sf pile supported dock includes two berths and a 26,000 sf terminal building that has been converted for the processing of passengers and baggage. Over 50 years old, the dock has reached the end of its useful life.</p> <p>Ongoing annual investment of \$500,000 to \$1,000,000 by the ARRC has allowed the dock to stay in service beyond its 50-year design life. A condition assessment completed in 2014 reflects the dock is anticipated to no longer be usable by 2023 or 2024. Under the current operating framework, permitting, engineering, and construction of a new passenger dock expected to take nearly 5 years and cost in excess of \$50M. Time is of the essence to initiate the replacement of this dock asset, which is critical to the Alaska tourism industry.</p> <p>This project is a Progressive Design/Build (PDB) where the contractor is developing the design and cost with ARRC. Profit Fee has been set at 11%.</p> <p>MOUs have been made with the RCL cruise lines to support a Business Plan and Bonding to fund the project.</p>		
<b>Alternatives Considered:</b>		
<p>Alternatives considered include DBOM; however, ARRC and the developers could not come to terms. Options that would provide more traffic balance between Seward and Whittier were also considered, but were rejected due to the investment cost of a second facility in Whittier and potential increase in the level of congestion in Whittier, and through the Whittier tunnel.</p>		
<b>Preliminary Budget:</b>		
<b>Line Description (Though 2021)</b>	<b>Amount</b>	
PM/Admin/Design	\$	-
ARRC Construction	\$	2,411,592
Design and Construction Planning	\$	1,888,408
Construction/Demolition	\$	-
<b>Total</b>	\$	4,300,000

**Note:** All health and/or safety related project(s) should be the highest ranked project(s) in the department.

Adopted

Resolution No. 2022-13

Relating to 2022 Repair of Whittier Barge  
Terminal Transfer Span (AFE No. 11043)

WHEREAS, the Alaska Railroad Corporation (ARRC) owns and maintains a barge terminal located within its Whittier Reserve in Whittier, Alaska (“Whittier Barge Terminal”); and

WHEREAS, the Whittier Barge Terminal serves as the only rail ferry terminal in Alaska; and

WHEREAS, the Whittier Barge Terminal is a critical infrastructure asset of ARRC and the State with respect to rail shipments to and from Alaska, including shipments of cargo which support development and construction projects; and

WHEREAS, the Whittier Barge Terminal’s loading span is a vital component of that facility and is in critical need of maintenance to reduce the risk of failure, which would essentially stop rail access to Alaska from outside the State; and

WHEREAS, the project proposed to be funded by AFE No. 11043 will repair cracked welds, replace end stringers, replace grating, replace oversized shoes, replace corroded bolts and address reconfiguration of the deck layout for improved maintenance access; and

WHEREAS, AFE No. 11043 authorizes expenditure of \$1,350,000 to conduct the repairs to the Whittier Barge Terminal described above and reduce the potential for failure of the transfer span; and

WHEREAS, funding for this project is 100% ARRC internal funds; and

WHEREAS, the approval to begin a capital project with an estimated cost of more than \$500,000 or an estimated completion time of more than one year requires specific Board approval pursuant to AS 42.40.120(c)(13).

NOW THEREFORE BE IT RESOLVED, that the ARRC Board of Directors has considered the proposed Whittier Barge Terminal transfer span repair project as presented by ARRC Management and hereby approves AFE No. 11043 in the amount of \$1,350,000 for the purposes stated therein.

**Alaska Railroad Corporation**  
**Authorization for Expenditure Form**

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**AFE# 11043**

Page 1

General Information:	
AFE Title:	<b>Whittier Transfer Span 2022 Repair</b>
Prepared By:	<b>Elizabeth Greer</b>
Resp. Center (Name):	<b>Project Management</b>
Resp. Center (#):	<b>2500</b>
Depreciation Center:	<b>8910-Dock Ops &amp; Maintenance</b>
Line of Business:	<b>Corporate</b>
Spending Timetable:	
2022	\$ 1,350,000
2023	\$ -
2024	\$ -
2025	\$ -
2026	\$ -
<b>Total</b>	<b>\$ 1,350,000</b>
Other Information	
Useful Life (Years):	50
Annual Depreciation:	\$ 27,000
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	Unbudgeted 2022
Total Amount	\$	1,350,000
Source of Funding	ARRC	\$ 1,350,000
Source of Funding		
Source of Funding		
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 1,350,000	05/18/22
Supplemental #1	\$ -	
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
<b>Total</b>	<b>\$ 1,350,000</b>	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
<b>Project Manager:</b>	<b>Elizabeth Greer</b>	<i>Elizabeth Greer</i>	6/7/2022
<b>Responsible Owner:</b>	<b>Brian Lindamood</b>	<i>Brian Lindamood</i>	6/7/2022
<b>VP, Owner Department:</b>	<b>James Kubitz</b>	<i>James Kubitz</i>	6/8/2022
<b>Functional User(s):</b>	<b>Clark Hopp</b>	<i>Clark Hopp</i>	6/7/2022
<b>Chief Operating Officer:</b>	<b>Clark Hopp</b>	<i>Clark Hopp</i>	6/7/2022
<b>Grant Administration:</b>	<b>Shawnessy Leon</b>	<b>N/A</b>	
<b>Chief Financial Officer:</b>	<b>Barbara Amy</b>	<i>Barbara Amy</i>	6/7/2022
<b>Accounting Department:</b>	<b>Michelle Maddox</b>	<i>Michelle Maddox</i>	6/8/2022
<b>CEO &amp; President:</b>	<b>Bill O'Leary</b>	<i>Bill O'Leary</i>	6/7/2022
<b>Board of Directors:</b>	<b>John Shively</b>		

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<b>AFE# 11043</b>
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<b>Is this project related to health and/or safety?</b>	Yes	<b>If yes describe:</b>
There is risk that the Whittier Transfer Span could deteriorate to the point of failure.		
<b>Scope of Work:</b>		
The project replaces end stringers, grating, oversized shoes, corroded bolts, repairs cracked welds and address some reconfiguration of the deck layout for improved maintenance access.		
<b>ARRC Business Justification:</b>		
The Whittier Terminal Barge serves is the only rail ferry terminal in Alaska. It is a critical ARRC infrastructure which provides rail shipments to Alaska. Rail shipments includes cargo that supports development/construction projects throughout the State of Alaska. Loss of this loading span would essentially stop train access to our State.		
<b>Alternatives Considered:</b>		
Complete replacement is too large of a project to undertake at this time.		
<b>Preliminary Budget:</b>		
<b>Line Description</b>		<b>Amount</b>
ARRC Labor	\$	311,160
Contractor	\$	598,000
Contingency	\$	440,840
	\$	-
	\$	-
	\$	-
<b>Total</b>	\$	1,350,000

**Note:** All health and/or safety related project(s) should be the highest ranked project(s) in the department.

Adopted:

Resolution No. 2022-14

Relating to Fairbanks Yard Water Line  
Repair/Replacement (AFE No. 11042)

WHEREAS, the Alaska Railroad Corporation (ARRC) maintains a railyard in Fairbanks (“Fairbanks Yard”) that has for many years been served by a 1,300-foot main water supply line owned by ARRC (“Yard Water Line”); and

WHEREAS, during the winter of 2021-2022, the Yard Water Line froze, leaving the Fairbanks Yard without fire protection and necessitating ARRC to bring in a temporary tanked water supply to meet other water needs of the Fairbanks Yard; and

WHEREAS, the Yard Water Line must be repaired or replaced in order to restore fire suppression capabilities and other water supply needs in the Fairbanks Yard; and

WHEREAS, ARRC has explored alternatives for repairing and/or replacing the Yard Water Line; and

WHEREAS, if the Yard Water Line is repaired in its current configuration, Golden Heart Utilities (“GHU”) will require ARRC to upgrade the water supply system by installing backflow prevention and recirculating lines, which will require ARRC to construct a building in the Fairbanks Yard to meet the GHU’s requirements for reconnecting water service, making this alternative time consuming, expensive and potentially hazardous to Fairbanks Yard operations; and

WHEREAS, Management has determined that a more economical and less risky alternative for restoring domestic water service and fire protection to the Fairbanks Yard would be to connect the Yard Water Line to an existing water line that runs along Well Street and to install backflow prevention devices in an existing building; and

WHEREAS, GHU also believes that the alternative described immediately above is the best option to supply water to the Fairbanks Yard; and

WHEREAS, the project funded by AFE No. 11042 will restore water service to the Fairbanks Yard as described above; and

WHEREAS, funding for this project will be 100% internal ARRC funds in the amount of \$500,000; and

WHEREAS, the authority of ARRC's President & Chief Executive Officer to approve an unbudgeted capital expenditure is limited to matters with an estimated total cost of no more than \$300,000, with higher estimated cost matters requiring Board approval pursuant to ARRC's Approval Authority Guide.

NOW THEREFORE BE IT RESOLVED, that the ARRC Board of Directors has considered the Fairbanks Yard Water Line Repair/Replacement proposal as presented by ARRC Management and hereby approves AFE No. 11042 in the amount of \$500,000 for the purposes stated therein.

**Alaska Railroad Corporation**  
**Authorization for Expenditure Form**

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<b>AFE# 11042</b>
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Page 1

General Information:	
AFE Title:	<b>Fairbanks Yard Water Service Upgrades</b>
Prepared By:	<b>Shane Maloney</b>
Resp. Center (Name):	<b>Real Estate and Facilities</b>
Resp. Center (#):	<b>1840</b>
Depreciation Center:	<b>1840-Shops/Warehouses</b>
Line of Business:	<b>Real Estate/Facilities</b>
Spending Timetable:	
2022	\$ 500,000
2023	\$ -
2024	\$ -
2025	\$ -
2026	\$ -
<b>Total</b>	<b>\$ 500,000</b>
Other Information	
Useful Life (Years):	30
Annual Depreciation:	\$ 16,667
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	Unbudgeted 2022
Total Amount	\$	500,000
Source of Funding	ARRC	\$ 500,000
Source of Funding		\$ -
Source of Funding		\$ -
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 500,000	05/20/22
Supplemental #1	\$ -	
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
<b>Total</b>	<b>\$ 500,000</b>	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	Paul Farnsworth		
Responsible Owner:	Paul Farnsworth		
VP, Owner Department:	James Kubitz	<i>James Kubitz</i>	6/8/2022
Functional User(s):	Paul Farnsworth		
Chief Operating Officer:	Clark Hopp	<i>Clark Hopp</i>	6/7/2022
Grant Administration:	Shawnessy Leon	N/A	
Chief Financial Officer:	Barbara Amy	<i>Barbara Amy</i>	6/7/2022
Accounting Department:	Michelle Maddox		
CEO & President:	Bill O'Leary	<i>Bill O'Leary</i>	6/7/2022
Board of Directors:	John Shively		

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<b>Is this project related to health and/or safety?</b>	<b>Yes</b>	<b>If yes describe:</b>
<p>The Fairbanks Yard is currently without fire protection due to a lack of domestic water supply.</p>		
<b>Scope of Work:</b>		
<p>The project will provide a new water service to the Fairbanks Yard by connecting to an existing Golden Heart Utilities (GHU) line. This will include extending 560' of service line from an existing GHU service located on Wells Street and connecting to the existing building in the yard. We will also install a new backflow prevention device as well as upgrade distribution lines in the utilidor. This project is the most economical long-term solution to restore domestic water service and fire protection to the yard buildings.</p> <p>Waterline extension: \$250,000  Backflow/Distribution upgrades: \$200,000  Engineering: \$50,000</p>		
<b>ARRC Business Justification:</b>		
<p>In the winter of 2021, the main water supply line that feeds the Fairbanks yard froze and will has to be repaired. The existing line runs 1300' through the operations yard and is owned by ARRC. Once repairs are made, GHU will require ARRC to upgrade the water supply system by installing backflow prevention on the supply and recirculating lines to protect the service lines from contamination. These upgrades will require ARRC to construct a building in the middle of the operating yard to meet the requirements of the utility to reconnect service. This will be a costly and time consuming option, and constructing a building in the operations yard is impractical and creates a hazard to operations. There is currently no fire protection in the Fairbanks yard due to this situation.</p> <p>An alternative solution is to install a new water supply to the yard by connecting to an existing line that runs along Wells Street, and installing the backflow prevention devices in an existing building. This option would only require the utility to install a new 560' line extension to Round House and be out of the active operations area. This work would require upgrades to waterlines in the utilidor, to accommodate water flow requirements to restore fire protection in the yard. This option is the most economical and risk adverse option to restore domestic water service and fire protection to the Fairbanks yard.</p>		
<b>Alternatives Considered:</b>		
N/A		
<b>Preliminary Budget:</b>		
<b>Line Description</b>	<b>Amount</b>	
Equipment	\$	-
Labor (Fully Burdened)	\$	50,000
Materials	\$	50,000
Contracts	\$	400,000
Other Expenses	\$	-
<b>Total</b>	<b>\$</b>	<b>500,000</b>

**Note:** All health and/or safety related project(s) should be the highest ranked project(s) in the department.



Adopted:

Resolution No.2022-15

Relating to an Authorization to Fund Termination  
of MMME, LLC Leasehold (AFE No. 11044)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) owns a 41,840 square foot parcel of land located at 1115 East Whitney Road in Anchorage, Alaska (“Leased Premises”) which is currently leased to a tenant, MMME, LLC (“MMME”), pursuant to the terms and conditions of ARRC Lease Contract No. 9350 (“Lease”), which is scheduled to expire on August 31, 2044; and

WHEREAS, MMME owns a building located on the Leased Premises (“Building”). The Building is a single story block building containing approximately 15,460 square feet; and

WHEREAS, the Leased Premises is one of two ARRC lease parcels located adjacent to ARRC’s Anchorage Yard in the vicinity of ARRC’s Anchorage TOFC operation; and

WHEREAS, the Leased Premises and the other lease parcel significantly constrain ARRC’s TOFC operation by creating a lack of loading space, customer parking and room to maneuver loading equipment past leaseholder buildings to and from the tracks during train loading and unloading; and

WHEREAS, ARRC has multiple master plans showing the need to expand TOFC operations throughout the Leased Premises and the area currently occupied by the other leaseholder; and

WHEREAS, MMME put the Building up for sale in 2021; and

WHEREAS, the sale of the Building to a third party would likely be accompanied by assignment of the Lease and also create pressure on ARRC to issue another long-term lease, thereby risking continued constraint of ARRC’s TOFC operation; and

WHEREAS, ARRC Management has determined that a better solution to protect and expand ARRC’s TOFC operation would be to obtain an early termination of the Lease and that MMME is amenable to such an approach; and

WHEREAS, on April 13, 2022, Lessee and Lessor entered into a Conditional Letter of Intent to enter into a lease termination agreement by which MMME would remove the Building, restore the Leased Premise to broom clean condition, vacate the Leased Premises and terminate the Lease in exchange for a payment by ARRC of \$1,650,000; and

WHEREAS, ARRC Management has determined that the proposed consideration to be paid by ARRC for the lease termination agreement described above, which is based on

the value of the Building and the estimated cost of demolition, fairly represents the value of the early termination of the Lease; and

WHEREAS, termination of the Lease and removal of the Building will allow ARRC to expand its Anchorage TOFC operation and overcome the current constraints to that operation posed by the Lease and the Building; and

WHEREAS, AFE No. 11044 authorizes the expenditure of \$1,700,000 in internal ARRC funds to obtain the early termination of the Lease on the terms and conditions described above, plus transaction costs, as more specifically described therein; and

WHEREAS, the ARRC Approval Authority Guide requires Board approval for unbudgeted capital expenditures in excess of \$300,000.

NOW THEREFORE BE IT RESOLVED, that the ARRC Board of Directors has considered the proposed lease termination transaction with MMME as presented by ARRC Management, and hereby approves AFE No. 11044 in the amount of \$1,700,000 to obtain the early termination of the Lease and return of the Leased Premises in broom clean condition and hereby further authorizes the President and CEO, or his designee, to negotiate, finalize and execute all documents necessary to consummate said lease termination transaction.

## Alaska Railroad Corporation

## Authorization for Expenditure Form

For Accounting Use Only

AFE# 11044

Page 1

General Information:	
AFE Title:	1115 East Whitney Road - Lease Termination
Prepared By:	Brian Lindamood
Resp. Center (Name):	Operations
Resp. Center (#):	8900
Depreciation Center:	8900-Real Estate
Line of Business:	Corporate
Spending Timetable:	
2022	\$ 1,700,000
2023	\$ -
2024	\$ -
2025	\$ -
2026	\$ -
<b>Total</b>	<b>\$ 1,700,000</b>
Other Information	
Useful Life (Years):	30
Annual Depreciation:	\$ 56,667
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	Unbudgeted 2022
Total Amount	\$	1,700,000
Source of Funding	ARRC	\$ 1,700,000
Source of Funding		
Source of Funding		
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 1,700,000	05/18/22
Supplemental #1	\$ -	
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
<b>Total</b>	<b>\$ 1,700,000</b>	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	Brian Lindamood	<i>Brian Lindamood</i>	6/7/2022
Responsible Owner:	Brian Lindamood	<i>Brian Lindamood</i>	6/7/2022
VP, Owner Department:	Clark Hopp	<i>Clark Hopp</i>	6/7/2022
Functional User(s):	Clark Hopp	<i>Clark Hopp</i>	6/7/2022
Chief Operating Officer:	Clark Hopp	<i>Clark Hopp</i>	6/7/2022
Grant Administration:	Shawnessy Leon	N/A	
Chief Financial Officer:	Barbara Amy	<i>Barbara Amy</i>	6/7/2022
Accounting Department:	Michelle Maddox	<i>Michelle Maddox</i>	6/7/2022
CEO & President:	Bill O'Leary	<i>Bill O'Leary</i>	6/7/2022
Board of Directors:	John Shively		

\*\*\*Original Form Must Be Returned to Accounting\*\*\*

**Alaska Railroad Corporation**  
**Authorization for Expenditure Form**

For Accounting Use Only

<b>AFE# 11004</b>
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Page 2

<b>Is this project related to health and/or safety?</b>	No	<b>If yes describe:</b>
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**Scope of Work:**

Fund the consideration to be paid to the lessee under ARRC Lease No. 9350 in exchange for the early termination of that lease (22 years prior to its expiration date) and removal of the Alaska Marble building located at 1115 East Whitney Road on the lease parcel and restoration of the property to broom clean condition.

**ARRC Business Justification:**

ARRC's TOFC operation is located between Whitney Road and the Anchorage Yard. The operation is significantly constrained due to the location of two ARRC lease parcels located to the east of the Anchorage Operations Center. ARRC must switch the facility multiple times per day due to a lack of loading space. Parking for customers to pick-up or drop off their trailers is also limited, and there is little room to maneuver container loading equipment past the leaseholders' buildings to and from the tracks during train loading and unloading.

ARRC's master planning analysis shows the need to expand its TOFC operation into the area currently occupied under the two leases mentioned above. One of the leased parcels, leased under ARRC Contract No. 9350 ("Lease") contains the Alaska Marble building ("Building"), which is owned by MMME, LLC. The Building was put up for sale in 2021. ARRC staff is concerned that the sale of the Building to a third party could be accompanied by assignment of the Lease and create pressure on ARRC to issue another long-term lease, thereby risking continued constraint of ARRC's TOFC operation. Management has determined that a better solution to protect and expand ARRC's TOFC operation would be to obtain an early termination of the Lease and that MMME is amenable to such an approach. ARRC and MMME have entered into a Conditional Letter of Intent to enter into a lease termination agreement by which MMME would remove the Building, restore the Leased Premise to broom clean condition, vacate the Leased Premises and terminate the Lease in exchange for a payment by ARRC of \$1,650,000, a figure negotiated based on the value of the Building and the estimated cost of demolishing it and restoring the premises to broom clean condition.

**Alternatives Considered:**

Wait for the lease to expire in 22 years, or force a relocation later if the space becomes operationally necessary.

**Preliminary Budget:**

<b>Line Description</b>	<b>Amount</b>
ARRC Labor/PM/Closing costs	\$ 50,000
Building	\$ 1,650,000
	\$ -
	\$ -
	\$ -
	\$ -
<b>Total</b>	\$ 1,700,000

**Note:** All health and/or safety related project(s) should be the highest ranked project(s) in the department.

**LEASE SUMMARY**

**LESSEE:** Linda Norris & William Barker

**CONTRACT NO:** 20781

**LEASE DESCRIPTION:** The subject parcel is located within a portion of the Alaska Railroad Healy Reserve with a total area measuring approximately 15,600 square feet, more or less plus access road with rail crossing. Said parcel being at ARRC Milepost D-0.23 of the Suntrana Branch, south of the Healy Airport approximately two miles east of the Parks Highway and south of the Healy Spur Road, within Section 20, T12S, R7W, Fairbanks Meridian.

**KEY CONTRACT PROVISIONS:**

**Estimated Effective Date:** August 1, 2022

**Base Annual Rent:** \$ 936.00 (based on appraised value from 2022)

**Lease Term:** Twenty (20) Years

**Prior Annual Rent:** \$490.00

**Option to Extend:** N/A

**Rental Rate:** 8%

**Lease Area:** 15,600 sq. ft., more or less plus access road & crossing.

**Rent Adjustment:** Rent shall be adjusted not less than every 5 years reflecting change in applicable Consumer Price Index.

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**PUBLIC NOTICE:** Yes, public comment period expired June 14, 2022.

**LEGAL REVIEW:** Yes

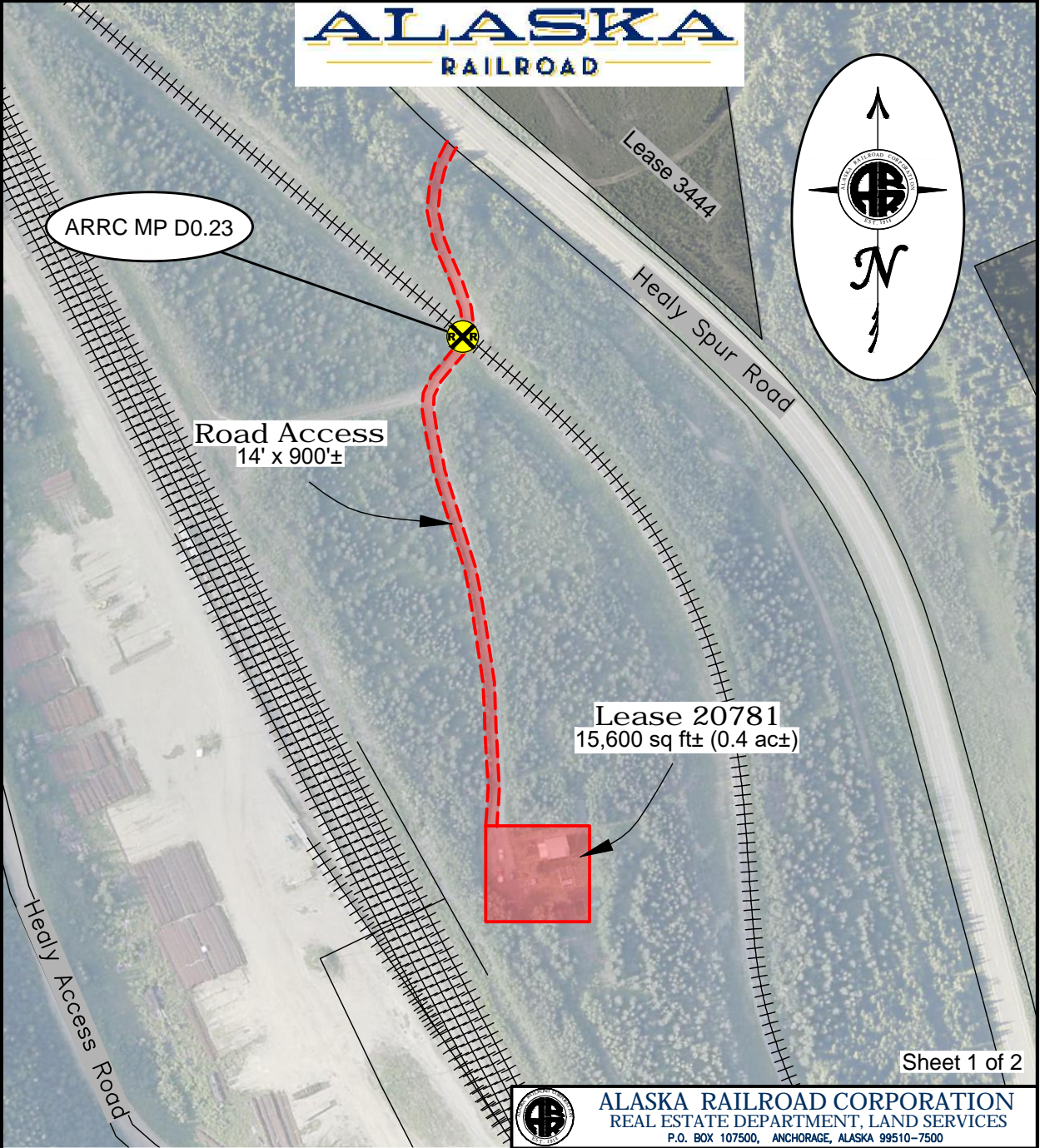
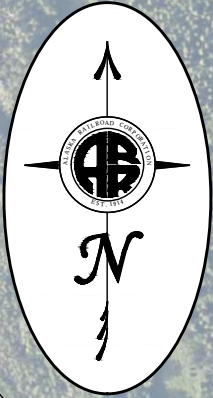
**INTENDED USE:** Residential home site consistent with prior use.

**SUMMARY AND RECOMMENDATIONS:** The current Ground Lease, ARRC Contract 5510, is due to expire July 31, 2022. Lessee would like to enter a new agreement for a twenty (20) year term. Similar to the existing lease, the new ground lease will include a provision allowing either party to terminate the lease on ninety (90) days' notice and a provision requiring Lessee to be responsible for maintenance of the access road and crossing included under the lease in a manner satisfactory to ARRC. Approval is recommended.

**APPROVED:** \_\_\_\_\_

**Board Meeting Date:** \_\_\_\_\_

**Jennifer Mergens  
ARRC Board Secretary**

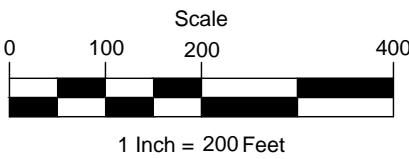


ARRC MP D0.23

Road Access  
14' x 900'±

Lease 20781  
15,600 sq ft± (0.4 ac±)

Sheet 1 of 2



For indexing purposes this property is located in the Sec.20, T12S, R7W, F.M.

**ALASKA RAILROAD CORPORATION**  
REAL ESTATE DEPARTMENT, LAND SERVICES  
P.O. BOX 107500, ANCHORAGE, ALASKA 99510-7500

Contract No. 20781 - Exhibit A  
Linda Norris & William Baker  
**Road Crossing, 14' x 900'± Road & 15,600 sq ft± (0.4 ac±) Lease Area**  
ARRC title - Patent Bk 33 Pg 968  
USRS T12S R7W F.M.

DRAWN BY:	DCA	SCALE:	1" = 200'	DATE:	2022-05-13
CHECKED BY:	DCA	Healy Terminal Reserve			
APPROVED BY:	DCA				
R:\00 RED\LEASES\HEA\20781-L.dwg					