BOARD OF DIRECTORS

SPECIAL Board Meeting

Tuesday, January 17, 2023
Commencing at 9:00 a.m. in person at
327 West Ship Creek Avenue, Anchorage, Alaska 99501
&

Join Virtual Zoom Meeting Room

https://us02web.zoom.us/j/89393459414?pwd=ZGplYlNNRGc4eVdMZWJKZElJZytnQT09

Meeting ID: **893 9345 9414** **Passcode**: **313321**

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ALASKA RAILROAD CORPORATION
BOARD OF DIRECTORS
SPECIAL BOARD MEETING

Join Zoom Virtual Conference Meeting
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Meeting ID: 893 9345 9414 ~ Passcode: 313321

AGENDA

Tuesday, January 17, 2023
9:00 a.m. - Noon

I. CALL TO ORDER

This special meeting has been called for the specific purpose of discussing, considering and, if necessary and deemed appropriate, taking action on the following items i) election of Officers of the ARRC Board of Directors for 2023; ii) a staff briefing of the Board of Directors regarding rail operations in Whittier, Alaska; and iii) a review of the 2018-2023 ARRC Corporate Strategic Plan. A portion of this meeting may be held in Executive Session, if necessary and deemed appropriate.

II. ESTABLISH OF QUORUM

III. ADOPTION OF AGENDA

IV. CONFLICT OF INTEREST DISCLOSURES

V. OPPORTUNITY FOR PUBLIC COMMENT (For Agenda Items Only)

VI. NEW BUSINESS (a portion may be held in Executive Session)

1. Election of Officers of the ARRC Board of Director for 2023
2. Whittier Rail Operations Briefing
3. Review of the 2018-2023 ARRC Corporate Strategic Plan

VII. OPPORTUNITY FOR PUBLIC COMMENT/STAFF COMMENTS/DIRECTORS (For Agenda Items Only)

VIII. ADJOURNMENT

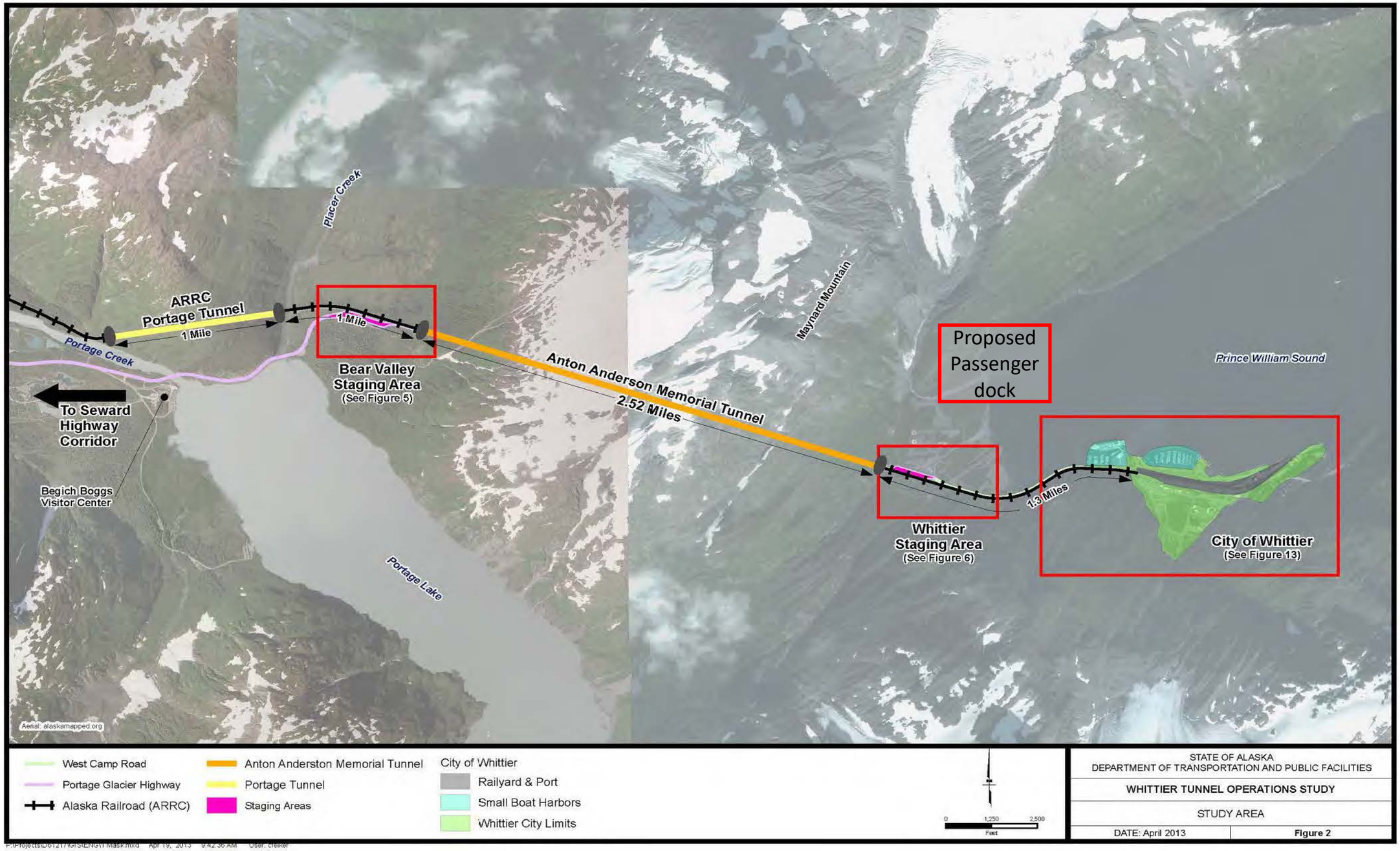
VI. NEW BUSINESS

Item 1

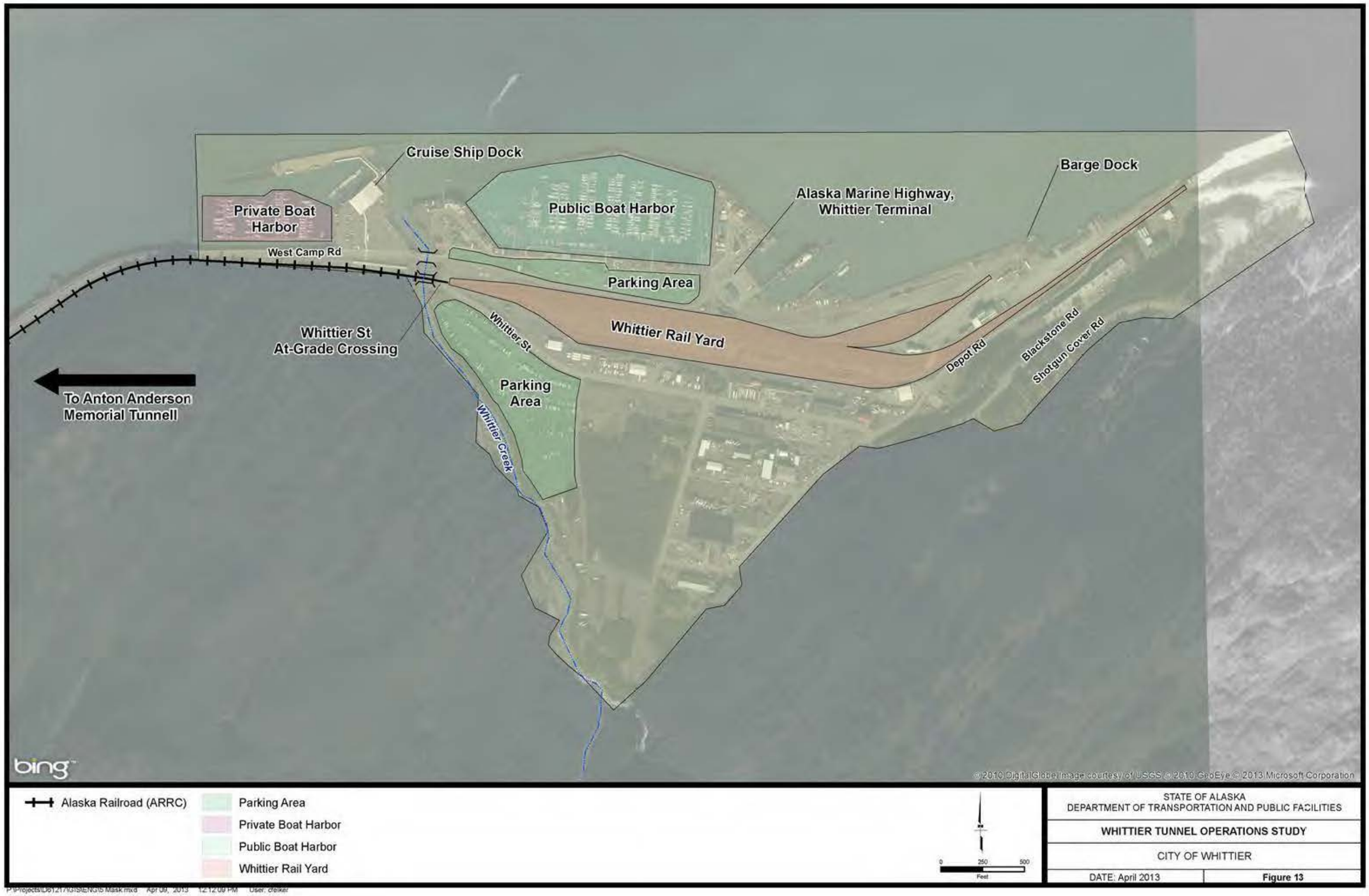
Election of 2023 Board of Director's Officers – Verbal Discussion

Whittier Operations A-Post for Special Bd Mtg

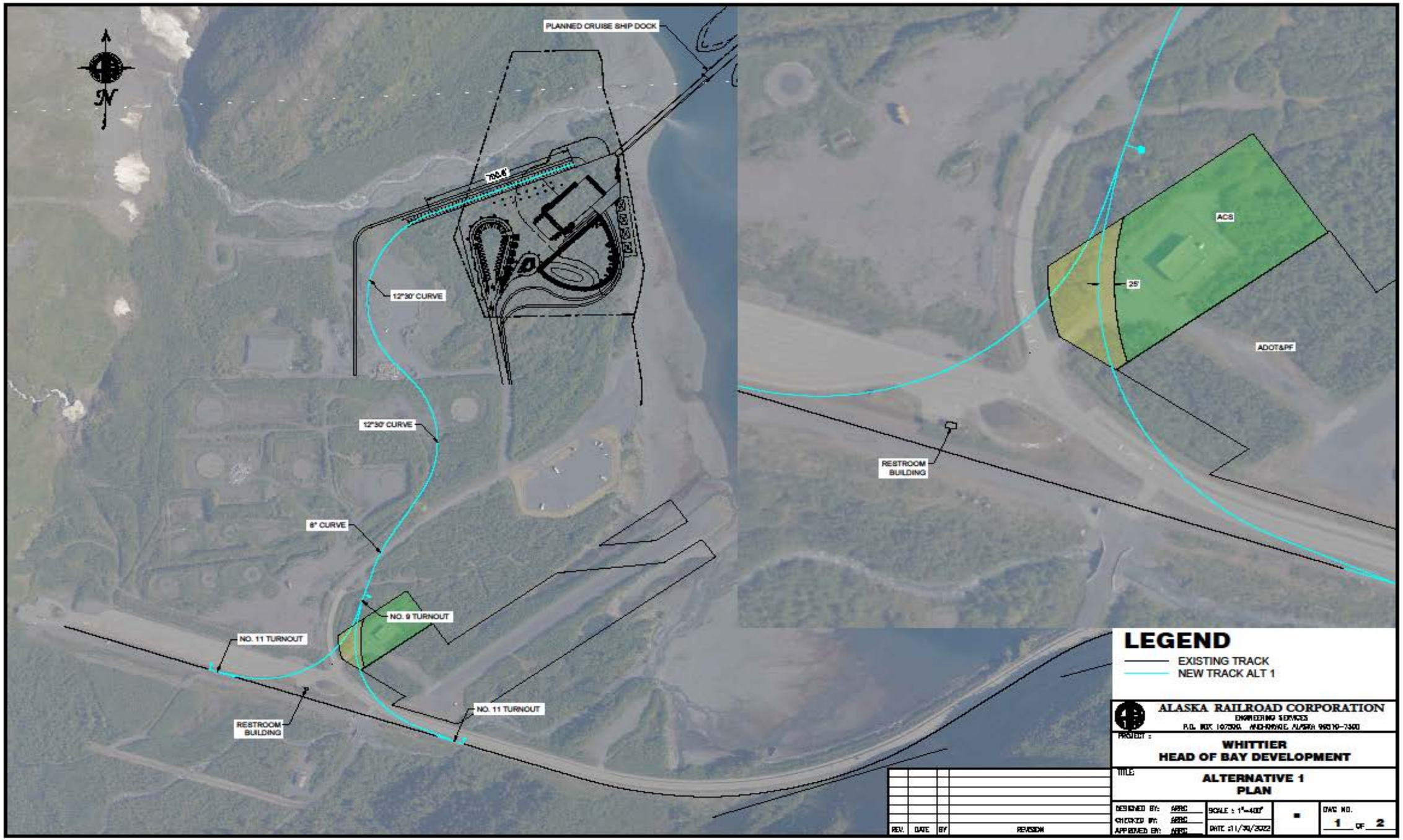
Whittier Operations – Bear Valley to Whittier



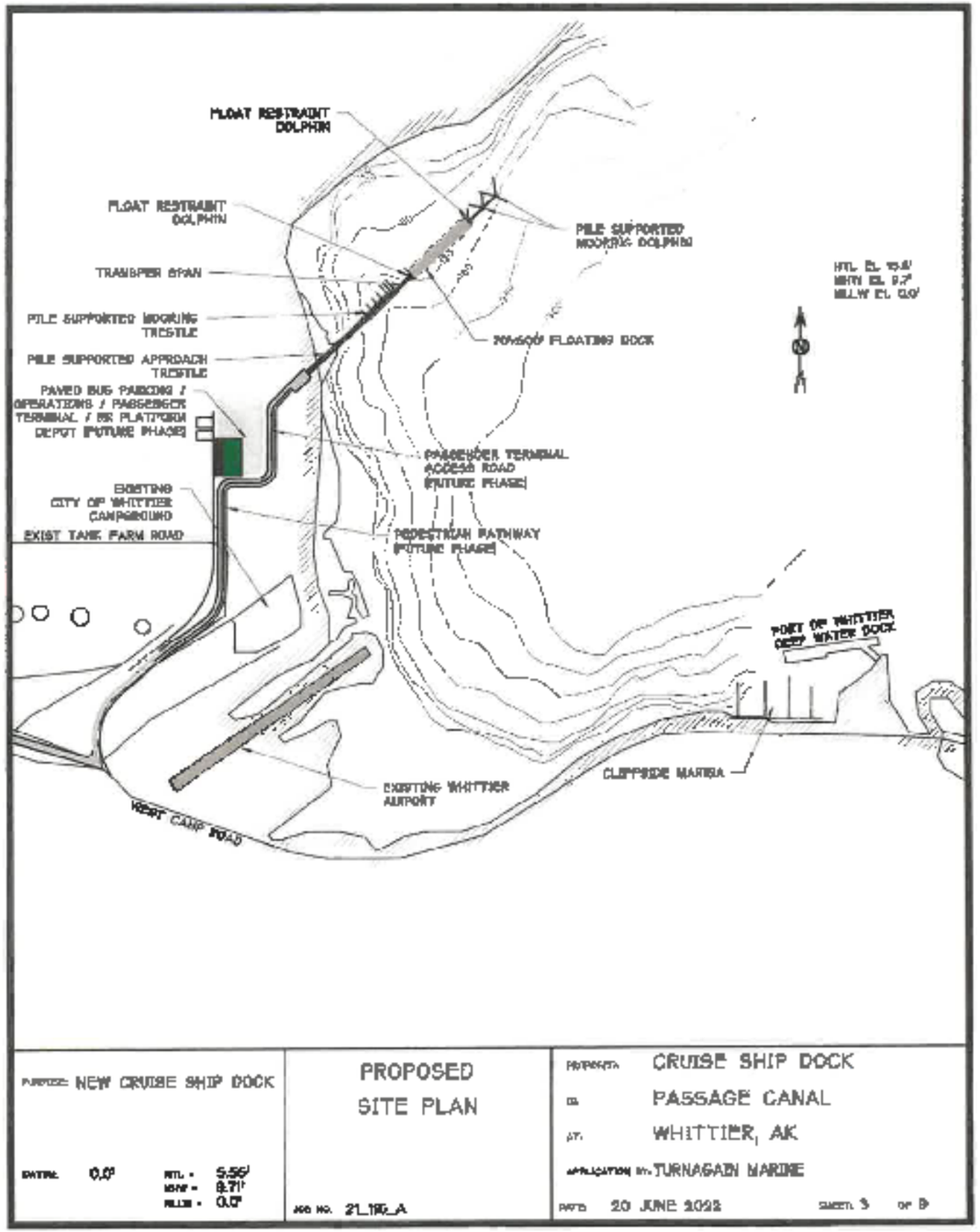
Whittier Operations – Whittier

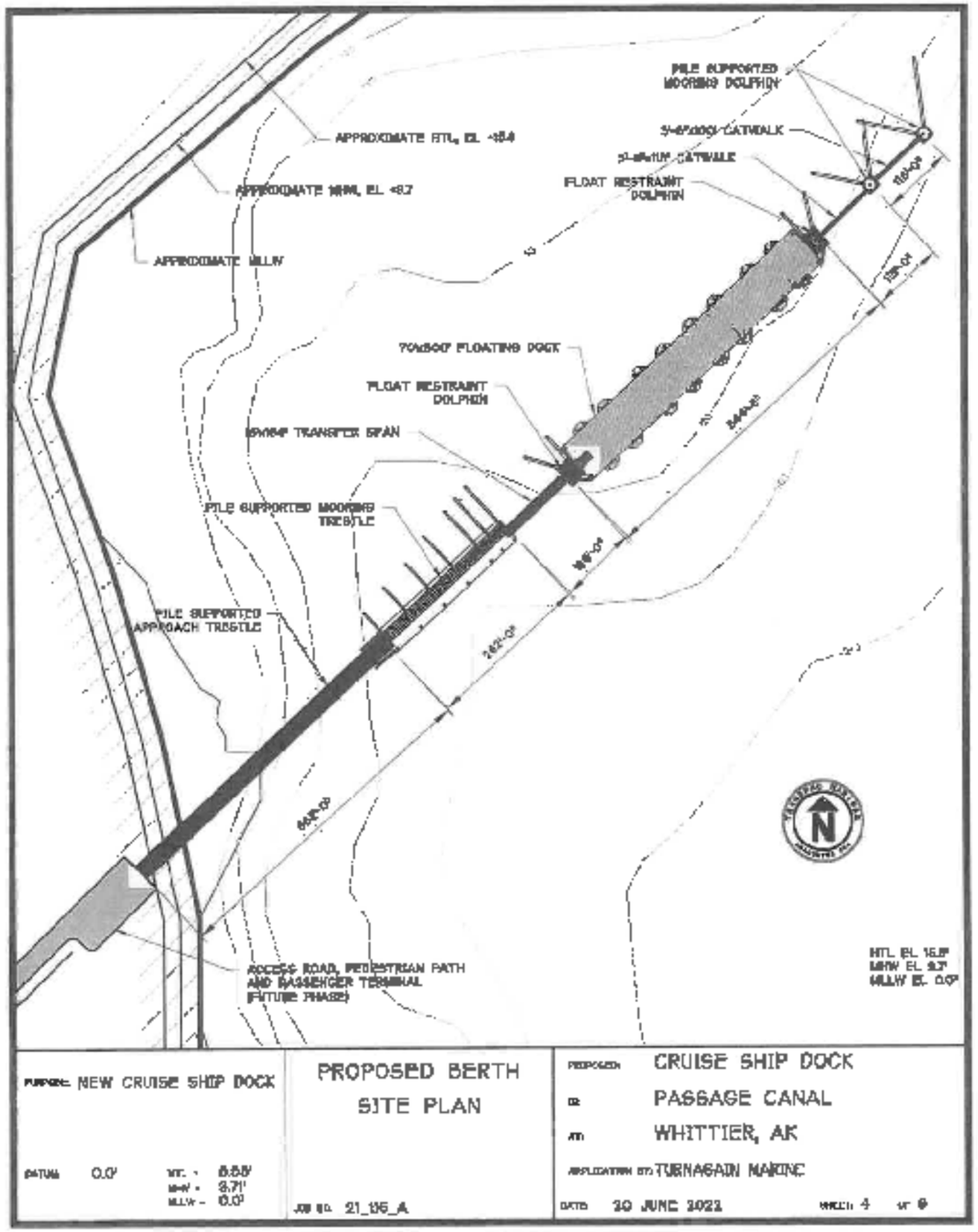


Whittier Operations – Propose Rail spur



Whittier Operations – Propose Passenger Dock





Whittier Operations – Tunnel Operations

Tunnel Schedule

The Tunnel schedule is developed to balance capacity (number of cars that transit the tunnel) with convenience. The current schedule reverses directional traffic flow every half-hour. Highway traffic enters the Tunnel during the 15-minute period at the hour and half-hour. It takes approximately 7 minutes for vehicles to transit the Tunnel. Currently at the top of the hour vehicle traffic is from Whittier to Bear Valley and at the bottom of the hour vehicle traffic is from Bear Valley to Whittier. The remaining 8 minutes of "float" time (the period from 22 minutes to 30 minutes after tunnel opening) are used at the discretion of the tunnel operator to provide extra time for vehicles or trains, as possible, to maximize the efficiency of the tunnel operations. This "float" time is used: 1) to extend a highway opening during periods of heavy traffic, 2) for trains to transit the Tunnel, and 3) to allow highway schedules to be restored after train passages.

Summer Schedule: May 1 to September 30, Open daily 5:30 am to 11:15 pm

Winter Schedule: October 1 to April 30, Open daily 7:00 am to 10:45 pm

Whittier Operations – Tunnel Operations cont.

Tunnel Control Center

The Tunnel Control Center (TCC) monitors and controls all of the operational highway systems within this Tunnel: Air-quality sensors, traffic-speed sensors, light sensors, heat detectors, communication systems, and cameras.

Train Signal System

The Train Signal System (TSS) is independent from the Tunnel Control System and is controlled by the ARRC dispatcher in Anchorage. The TSS can open tunnel doors and send signals to the TCC to request control of this Tunnel when a train is approaching the Tunnel. As part of the TSS, the Track Circuit System (TCS) can detect when a train is on the tracks in the Tunnel.

Train Usage

Approximately 50 to 60 trains a week pass through the Whittier Tunnel during the summer. During the winter, there are only 4 to 8 trains per week.

Vehicle Traffic

The majority of highway tunnel users are recreational travelers, Alaska Marine Highway System (AMHS) users, transportation companies, commercial fishing companies, and the 220 residents of Whittier. In addition to hikers, kayakers, anglers, and boat owners, recreational travelers include cruise-ship passengers traveling by bus instead of by train. Vehicular traffic volumes are highly variable throughout the year. There are up to 25,000 vehicle round-trips through the Whittier Tunnel in July, but this number may drop to 2,500 in January.

Whittier Operations – Interline Freight

Alaska Marine Lines

Alaska Marine Lines (AML), a subsidiary of Lynden Transport, operate barges between Whittier and Seattle (AML). ARRC operates the Whittier port facility. AML barges arrive every seven days from Seattle. AML barges are scheduled to dock in Whittier on Wednesdays.

Barge Capacity

AML barges have eight 400-foot-long tracks running parallel to one another and each track can nominally hold six fully-loaded rail cars, for a total of 48 cars per barge. The barge slip has three parallel tracks to unload railcars.

AML barges also have specially designed racks located above the rail cars that can carry over 200 additional shipping containers stacked in three vertical layers.

(Note: Shipping containers are visible on the barge above the barge railroad tracks.)

Whittier Operations – Interline Freight

Freight Trains

Two trains typically are required to haul 30-50 rail cars and 200+ containers from the AML barge to Anchorage. The first train from the AML barge is normally 7,000 feet long and contains rail cars and some containers. It normally departs from Whittier to Anchorage within 24 hours of a barge's arrival. The second train is normally 4,000 to 6,000 feet long and consists mostly of flatcars with fully-loaded shipping containers. It normally leaves Whittier within 36 hours after a barge arrives.

Summer Summary

120N(1) departure Whittier = 30 hours, 120N(2) departure Whittier = 40 hours – 3 crews

Winter Summary

120N(1) departure Whittier = 18 hours, 120N(2) departure Whittier = 36 hours – 2 crews

Whittier Operations – Passenger

Cruise Ship Trains

Princess cruise ship docks every other Wednesday and every Saturday and Holland America docks every Sunday. Passengers for Princess and Holland America cruise ships arrive/leave Whittier by both buses and dedicated passenger trains. In the morning, when a Princess cruise ship is docked, two empty passenger trains (Denali Express {DEX} and McKinley Express {MEX}) arrive in Whittier and depart with passengers. These passenger trains normally consist of 5 to 8 railcars and locomotive. On Sunday, Holland America ships are served by the Alaska railroad cruise train.

Cruise Ship modes of ground of transportation

Motor Coach - 65% - 85% of cruise ship passengers (4000 passenger ship = 50 + buses)
Train – 15% - 30% of cruise ship passengers

Daily Passenger Train

During the summer, The Glacier Discover passenger train makes four trips per day (two round-trips) through the Tunnel to support public transportation, daytime sightseeing cruise ships, and charter boats. This train also provides afternoon service to the U.S. Forest Service “Whistle Stops” in Chugach National Forest, south of Portage.

Whittier Operations – Wednesday Train Schedule

Whittier Tunnel

MEX North

DEX DH South

MEX North

DEX North

Glacier Discovery

Glacier Discovery

5:30 - 5:45 am	Bear Valley to Whittier
6:00 - 6:15 am	Whittier to Bear Valley
6:30 - 6:45 am *	Bear Valley to Whittier
7:00 - 7:15 am	Whittier to Bear Valley
7:30 - 7:45 am	Bear Valley to Whittier
8:00 - 8:15 am *	Whittier to Bear Valley
8:30 - 8:45 am	Bear Valley to Whittier
9:00 - 9:15 am	Whittier to Bear Valley
9:30 - 9:45 am	Bear Valley to Whittier
10:00 - 10:15 am	Whittier to Bear Valley
10:30 - 10:45 am	Bear Valley to Whittier
11:00 - 11:15 am	Whittier to Bear Valley
11:30 - 11:45 am	Bear Valley to Whittier
12:00 - 12:15 pm	Whittier to Bear Valley
12:30 - 12:45 pm	Bear Valley to Whittier
1:00 - 1:15 pm	Whittier to Bear Valley
1:30 - 1:45 pm	Bear Valley to Whittier
2:00 - 2:15 pm	Whittier to Bear Valley
2:30 - 2:45 pm *	Bear Valley to Whittier
3:00 - 3:15 pm	Whittier to Bear Valley
3:30 - 3:45 pm	Bear Valley to Whittier
4:00 - 4:15 pm *	Whittier to Bear Valley
4:30 - 4:45 pm	Bear Valley to Whittier
5:00 - 5:15 pm	Whittier to Bear Valley
5:30 - 5:45 pm	Bear Valley to Whittier
6:00 - 6:15 pm	Whittier to Bear Valley
6:30 - 6:45 pm	Bear Valley to Whittier
7:00 - 7:15 pm	Whittier to Bear Valley
7:30 - 7:45 pm	Bear Valley to Whittier
8:00 - 8:15 pm	Whittier to Bear Valley
8:30 - 8:45 pm	Bear Valley to Whittier
9:00 - 9:15 pm	Whittier to Bear Valley
9:30 - 9:45 pm	Bear Valley to Whittier
10:00 - 10:15 pm	Whittier to Bear Valley
10:30 - 10:45 pm	Bear Valley to Whittier
11:00 - 11:15 pm	Whittier to Bear Valley

Bear Valley

Whittier

DEX South

MEX South

MEX South

Glacier Discovery

DEX DH North

Glacier Discovery

Whittier Operations – Whittier Challenges

Waterfront Facilities

Most of the waterfront facilities are at or nearing their useful service life and will require significant rehabilitation or replacement in the near future. Salt water exposure has added to deterioration of steel sheet piling and timber elements. Repairs are frequently required to the barge slip, side ramp, and other facilities to maintain safe operations.

Figure 1: The Barge Slip Connects the Rail Yard to the Rail Barge

- Marginal Wharf – The 1,000-foot Marginal Wharf was a safety concern and removed in 2008. The remaining bulkhead wall is deteriorating and should be addressed in the near term to reduce risk of failure.
- Barge Slip – The remaining structural life of the barge slip and mooring dolphins is 5-10 years. In the near future ARRC will need to make a decision regarding upgrades; otherwise, disruptions in rail service between Alaska and the Lower 48 states could result.

Rail Yard Facilities

The Terminal's rail yard serves as a combined intermodal and manifest yard. The inadequate track lengths and layouts force inefficient arrangements and switching movements of railcars within the terminal. The constrained and inefficient terminal layout requires close coordination between ARRC and barge operators, and movement of cargo relies on ARRC and AML working closely together within a confined area.

Figure 1: The Combined Intermodal and Manifest Rail Yard and Container Storage

Whittier Operations – Whittier Challenges cont.

Access Tunnel Clearances

The low vertical clearance of the Portage Tunnel prevents the use of industry-standard double stack container railcars, necessitating longer train lengths and additional rolling stock to provide ARRC's intermodal services.

Figure 1: Portage Tunnel Constraint

Vehicle Traffic Disruptions

Whittier Street's at-grade rail crossing frequently blocks public vehicle traffic in order to accommodate switching operations during much of the time trains are in the rail yard, leading to traffic congestion, increased safety concerns, and frustration among the traveling public.

Figure 1: Cars Waiting at Whittier Street At-grade Crossing

Terminal Congestion

When cruise ships and the rail-barge call at Whittier simultaneously, there is insufficient track capacity to efficiently accommodate passenger trains. Passenger trains must be temporarily positioned in the terminal's rail yard, causing additional switching moves, congestion, and vehicle delays at the at-grade rail crossing.

Figure 1: Passenger Trains Routinely Cause Congestion when Staged in the Rail Yard

Whittier Operations – Whittier Challenges cont.

Geographic Limitations

The rail yard, cargo operations, and handling areas are constrained by geography (i.e., the surrounding mountains), public buildings, and the at-grade rail crossing on the only public road to downtown Whittier. There is insufficient upland available to support terminal expansion.

Figure 1: Mountains Surround the Terminal

Inclement Weather Conditions

Harsh weather is common in the Gulf of Alaska, with high seas delaying barges, which may cause two or three barges to arrive simultaneously, putting tremendous pressure on terminal operations. Approximately 25% of all barge sailings are impacted by wintertime weather delays.

Figure 1: Harsh Weather Affects Terminal Operations

Snow Management

Snowfall in Whittier is notoriously heavy, even by Alaskan standards. Trans loading operations in the winter are challenged by up to four feet of new snow per day, with snow levels that can exceed 20 feet in the terminal. Removal and management of snow is a regular wintertime activity that requires continuous reconfigurations of the fencing around the terminal perimeter.

Figure 1: Snow Management is Required to Accommodate Winter Operations

2018-2023_ARRC Corporate Strategic_Plan

5-year Strategic Plan Update

2018 - 2023

Strategy #1: Expand Business by Growing and Diversifying Revenue

- Update business marketing / sales plans annually, reflecting new strategies and economic changes.
- Continuously monitor and improve customer service/performance
    - Institute / maintain a proactive, consultative customer approach
    - Use regular business reviews with all major accounts to continually improve service and uncover new revenue opportunities
    - Implement technology solutions (customer-facing and back-end) to better measure customer service, collect feedback and enhance customer communication.
- Develop and implement new business lines that leverage core railroad competencies.
- Freight (baseline year 2017)
    - Increase revenue by 18% by 2023
    - Increase market share through positioning as low-cost, sustainable provider to not only grow from existing customer base, but diversify revenue streams through new customer engagements.
- Passenger (baseline year 2017)
    - Increase revenue by 29% by 2023
    - Develop and implement passenger strategic plan, addressing marketing approach, equipment needs, route strategy, pricing, gift shop opportunities, and service levels.
- Real Estate (baseline year 2017)
    - Increase revenue by 15% by 2023

- Using proceeds from land sales and other sources, invest in ARRC real estate through infrastructure upgrades and/or acquisitions with a goal of increasing the value and desirability of developed / underdeveloped ARRC property.
- Leverage land holdings / development as a means to increase rail traffic.

Strategy #2: Improve Profitability by Optimizing Cost Structure

- Drive corporate operating efficiency by implementing initiative team recommendations.
- Derive and implement revised key performance indicators to appropriately measure performance, provide leading indications, and calculate progress toward goals.
- Appropriately size workforce for business need, taking into account safety, seasonality, regulatory requirements, and necessary profitability.
- Achieve operating ratio of .98 by 2023.
- Grow company-wide cash flow (EBITDA) to $41 million by 2023.

Strategy #3: Balance Capital Program to Optimize Safety, Revenue, and Efficiency

- Adopt a lifecycle management approach for key asset classes through development of master plans, an investment roadmap, and implementation / funding strategies.
  - Complete the 4-year Transit Asset Management (TAM) plan by the October 2018 deadline.
  - Accomplish all goals identified in the TAM plan within the 4-year period
- Enhance productivity through technology modernization investments
  - Drive informed, real-time decision making
  - Enhance operational efficiency
  - Improve customer service through accessible feedback and response
  - Reduce risk with tools and methods proven to work in the railroad industry
  - Enhance employee connectivity and engagement through proactive, consistent and robust employee communications that maximizes outreach.

- Achieve system-wide Positive Train Control (PTC) implementation and certification on time by 2020 in the most cost-effective manner.
    - Complete and execute the PTC post-implementation plan to minimize financial and operational impact and assure system reliability.
- Appropriately address aging Seward Passenger Dock
    - In conjunction with stakeholders, develop and execute capital activities to replace existing asset functionality.
- Invest capital in support of a growing and sustainable business model.
    - Mandate appropriate return on investment for non-capital maintenance projects.

Strategy #4: Build a Proactive Culture of Safety and Engagement

- Continue "ARRC Safety Journey" as outlined.
    - Develop and implement the Incident Free Culture (IFC) program
    - Develop and implement a Hazard Recognition Program (HRP)
    - Develop and implement a Workplace Inspection program
- Revise safety key performance indicators to appropriately measure performance, provide leading indications, and calculate progress toward goals.
    - Reduce employee injuries by at least 5% year-over-year by 2023 (baseline 2017).
- Continue development and implementation of a robust training program to support corporate regulatory, safety and employee development needs.
- Maintain regulatory compliance.
- Sustain public safety/awareness campaign to reduce incidents.

Strategy #5: Enhance Economic Development, Stewardship and Stakeholder Relations

- Promote and advance regional economic development priorities through strategic partnerships
    - Strengthen and expand relationships with local and statewide economic development and tourism partners.

- Demonstrate environmental stewardship of our land, facilities and the communities in which we operate.

- Increase the public and other stakeholders' understanding about the Railroad and enhance our community standing.
    - Strengthen relationships with civic and elected leaders in communities affected by the Railroad's activities.

- Demonstrate corporate citizenship with respectful dialog, public involvement opportunities, and timely response to community concerns.

- Maintain a strong philanthropic program that supports non-profit civic and charitable organizations through in-kind contributions.