

ALASKA RAILROAD

BOARD OF DIRECTORS REGULAR Board Meeting

Wednesday, February 8, 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/87598214895?pwd=UktZY1NsdEVjUUZ3NmtZREs1bjhSZz09>

Meeting ID: 875 9821 4895 Passcode: 725138



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

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ARRC BOARD OF DIRECTORS MEETING AGENDA

Wednesday, February 8, 2023, 9:00 a.m. - 2:00 p.m.
327 West Ship Creek Avenue, 3rd Floor, Anchorage, Alaska 99501

Join Zoom Meeting: <https://us02web.zoom.us/j/87598214895?pwd=UktZY1NsdEVjUUZ3NmtZREs1bjhSZz09>

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- I. CALL TO ORDER
- 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 November 15, 2022](#)
 - 2. [Approval of Special Meeting Minutes of January 17, 2023](#)
- 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](#)
- X. NEW BUSINESS
 - C. **Executive Session Briefings**
 - 1. Contracts, Claims, Litigation, Personnel and Financial Matters
 - 2. Legislative Strategy
 - 3. Seward Passenger Dock Update
 - 4. Business Development Report
 - D. **Adoption of Consent Agenda**
 - 1. [Resolution No. 2023-01](#) - Relating to Renewal of Self Insurance and Operating Lines of Credit
 - 2. [Resolution No. 2023-02](#) - Relating to Approval of Appointment of Chairperson for Tax Deferred Savings and Pension Committee, Non-Represented Tax Deferred Savings Committee, 457 Deferred Compensation Committee and Post-Retirement Health Care Trust Committee
 - 3. [Resolution No. 2023-03 - Relating to Appointment](#) to Tax Deferred Savings and Pension Committee, Non-Represented tax Deferred Savings Committee, 457 Deferred Compensation Committee and Post-Retirement Health Care Trust Committee
 - 4. [Resolution No. 2023-04 - Relating to Approval of Appointment](#) of Labor Member of the Pension and Represented 401(k) Tax Deferred Savings Committee
 - 5. [Resolution No. 2023-05](#) – Relating to Approval of Compensation for Newly Appointed Chief Financial Officer
- XI. OPPORTUNITY FOR PUBLIC COMMENT/STAFF/DIRECTORS
- XII. ADJOURNMENT

November 15 2022 REGULAR Board Mtg Min

ALASKA RAILROAD CORPORATION MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING

Anchorage, Alaska
Tuesday, November 15, 2022

I. CALL TO ORDER

Board Chair John Shively called the meeting to order at 9:00 a.m. on Tuesday, November 15, 2022. The meeting was held in person at 327 West Ship Creek Avenue, Anchorage, Alaska 99501 with a virtual option available via Zoom technology.

II. ESTABLISH QUORUM

Chair Shively requested Board Secretary Jennifer Mergens to establish a quorum. Director John Binkley; Vice Chair Judy Petry; Director Gale Dinsmore and Commissioner, Department of Transportation & Public Facilities (AKDOT), Ryan Anderson were all in person. Commissioner, Department of Commerce Community and Economic Development, Julie Sande and Director John Reeves participated virtually.

Ms. Mergens established a full board quorum.

Staff members present:

B. Amy, Chief Financial Officer	A. Behrend, Chief Counsel
T. Covington, Director, Safety	C. Hopp, Chief Operating Officer
J. Mergens, Chief Human Resources Officer	L. Hall, Executive & Corporate Administrator
J. Kubitz, VP Real Estate	B. Lindamood, VP Engineering/Chief Engineer
L. Knox, Director Financial Planning & Analysis	M. Maddox, Controller
B. O'Leary, President & Chief Executive Officer	D. Wade, VP Marketing & Customer Service
B. Fleischer, Director, Technology	C. Terry, Director, External Affairs
J. Garner II, Superintendent, Transportation	Y. Teytelman, Senior Attorney
B. Butcher, Human Resources Coordinator	A. Donovan, Director, Real Estate Leasing and Permits
	T. Erickson, Director Supply Management

Members of the public:

Rebecca Lowe (Virtual)
Cynthia Wentworth (Virtual)
Tom Brooks (Virtual)

III. SAFETY BRIEFING

Mr. Covington shared safety tips on driving defensively during winter conditions.

IV. CHAIR COMMENTS

Chair Shively acknowledged the passing of former Board Member Governor Bill Sheffield. He shared that he was Governor Sheffield's Chief of Staff when the Alaska Railroad was purchased from the federal government, noting that Governor Sheffield was especially proud to be a part of making it happen.

V. ADOPTION OF AGENDA

Chair Binkley moved to adopt the agenda. Director Dinsmore seconded the motion. There was no discussion, and the meeting agenda was adopted as presented.

VI. CONFLICT OF INTEREST DISCLOSURES

No members stated any conflict of interest.

VII. ADOPTION OF MINUTES

Vice Chair Petry moved to approve the Regular Board Meeting minutes of September 29, 2022. Director Binkley seconded the motion. No changes or objections were noted, and the meeting minutes were unanimously approved.

VIII. OPPORTUNITY FOR PUBLIC COMMENT

No members of the public wished to offer public comments.

IX. BRIEFING ITEMS

A. Public Briefings

1. CEO Update

Mr. O'Leary stated that the 2023 Operating and Capital Budgets and Five-Year Capital Plan were before the Board for review and approval. He shared that ARRC had a very successful 2022, giving credit to Railroad employees who performed well through many challenges.

Mr. O'Leary shared some upcoming year-end events which include six employee town hall meetings as well as customer appreciation parties, and invited the Board to the customer event on December 8. Mr. O'Leary further advised he will notify the Board when the Fairbanks

Customer Appreciation party is scheduled early in 2023. Mr. O’Leary concluded his presentation with a quick review of the Consent Agenda items.

2. Safety Report

Mr. Covington highlighted 2022 safety data through October, noting there were three reportable incidents with damages over \$11,300. He explained that ARRC is not where it would like to be relating to casualty incidents so far this year. Mr. Covington stated that both the 2.1 lost time rate and 4.4 FRA casualty rate for 2022 are slightly over the goal. He noted ARRC has had fewer lost work and restricted work-days in 2022 as compared to 2021.

Vice Chair Petry asked if there was a trend in the type of injuries or departments incurring injuries. Mr. Covington stated that there are no notable trends in departments or job types; however, soft tissue injuries and slips and falls continue to be most prevalent. Mr. Hopp noted that the severity level of injuries is still in decline which is impressive considering the increased amount of overtime worked during a very busy year.

3. 2023 Operating and Capital Budgets; 5-Year Capital Plan

Ms. Amy presented the 2022 overview, the 2023 Operating and Capital Budgets and the 5-Year Plan. Highlights of Ms. Amy’s presentation included:

- The 2022 year-end net income forecast of \$48.4 million was largely driven by freight and passenger revenue, which came in collectively at \$16.1 million over original budget.
- 2023 net income is budgeted at \$33.3 million. ARRC is anticipating steady revenue growth in its freight and passenger portfolios.
- Real Estate revenue is expected to increase based on higher passenger numbers at the Seward Passenger Dock.
- ARRC has a very strong balance sheet with strong liquidity, and well-funded pension and post-retirement benefit plans.
- The railroad is expecting a full line-up of summer passenger train services, driving 32 percent growth in operating revenues.
- Operating expenses are expected to increase by 20 percent in 2023 as compared to 2022.
- ARRC’s 5-Year Capital Plan includes funding from a variety of sources, including grants from CRISI, FHWA FLAP, Federal Transit Administration (FTA) formula funds (including CARES Act funds administered by FTA), and other grantor agencies, as well as from ARRC’s own cash flow.

More detailed information relating to the 2022 forecast, the 2023 proposed budget, the pension and healthcare plans, and the 5-Year Capital Plan is set out in the presentation included in the Board meeting materials. Mr. O’Leary stated that upon Board approval of the 2023 budgets and 5-Year Capital Plan, the latter will be shared with the State of Alaska by December 1, 2022, as required.

B. Committee Reports

1. Real Estate Committee

Committee Chair Binkley stated that the Real Estate Committee met on November 2, 2022. He advised that the meeting notes were provided in the Board materials, and noted that the State of Alaska DOT & PF lease contract on Government Hill was the largest issue receiving public comments and discussion at the meeting. Due to the need for additional review and community discussion, that item was deferred. Mr. Kubitz provided a quick summary of the lease contracts which are recommended for approval.

2. Executive Committee

Chair Shively stated that the Executive Committee met on November 2, and reminded the Board that the notes of the meetings are confidential and were included in the Board Books.

3. Audit Committee

Vice Chair Petry said the Committee also met on November 2. She shared that topics included KPMG’s presentation of its 2022 financial audit plan, and review of a vendor for the 2022-2023 Performance Audit of South End Performance. Vice Chair Petry stated that the Committee recommended approval of the resolution selecting the vendor for the 2022-2023 Performance Audit.

4. Safety Committee

Committee Chair Dinsmore stated that the Committee met on October 18 and discussed 2022 safety statistical data and identified safety goals for 2023.

X. NEW BUSINESS

C. Executive Session Briefings

Vice Chair Petry moved to have the Board recess to Executive Session to discuss executive session agenda items. Director Dinsmore seconded the motion. There was no further discussion or objection, and the motion was approved. The Board convened to Executive Session at approximately 11:04 a.m. to discuss the following:

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. Business Development Report
3. Seward Passenger Dock Project
4. Contract Lease No. 9999 – State of Alaska DOT&PF on Government Hill

Chair Shively called the meeting back into public session at 12:43 p.m.

D. Adoption of Consent Agenda

Vice Chair Petry made a motion to adopt the 11 items listed in the Consent Agenda. Commissioner Anderson seconded the motion.

1. Resolution No. 2022-22 – Relating to Approval of the 2023 Operating, Pension Trust and Alaska Railroad Corporation Health Care Trust Budgets
2. Resolution No. 2022-23 – Relating to Approval of the 2023 Capital Budget and AFE Nos. 11061, 11062, 11063, 11064, 11065, 11066, 11067, 11068, 11069, 11070, 11071, 11072, 11073, 11074, 11075, 11076, 11077, 11078, 11079, 11080
3. Resolution No. 2022-24 – Relating to the 2023 Five-Year Capital Improvement Plan
4. Resolution No. 2022-25 – Relating to Increase in Funding for the Vital Functions Project in Support of the Positive Train Control Program– (AFE No. 10675 S-1)
5. Resolution No. 2022-26 – Relating to an Increase in the 2022 Roofing Upgrades (AFE No. 10979 S-1)
6. Resolution No. 2022-27 – Relating to Fairbanks Yard Drainage Rehabilitation Project (AFE No. 10918 S-2)
7. Resolution No. 2022-28 – Relating to an Increase in the Crew Calling and Dispatch System Implementation Project (AFE No. 10757S-1)
8. Resolution No. 2022-29 – Relating to Funding of the 2022 ARRC MP F6.8 Avalanche Control Project (AFE No. 11081)
9. Resolution No. 2022-30 – Relating to the Selection of a Firm to Perform the 2022-2023 Performance Audit
10. Resolution No. 2022-31 – Relating to an Authorization to Finance 2022 Equipment Acquisitions
11. Contract No. 7432C – Flying Crown Subdivision Addition No. 1 and Addition No. 2 Property Owners Association

There was no further discussion or objection, and all 11 Consent Agenda items were unanimously approved.

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

Mr. O’Leary commended Ms. Amy and her staff for all the work that went into preparing the 2023 budgets. Director Binkley commented that this is the most successful year he has witnessed. Chair Shively stated that with the anticipated revenue numbers and capital project plans, the biggest challenge will be managing and balancing the growth. Chair Shively advised that he will be travelling internationally for the first few months of 2023.

XII. ADJOURNMENT

Chair Shively entertained a motion to adjourn. Director Binkley so moved and Director Dinsmore seconded. The meeting adjourned at 12:58 p.m.

January 17 2023 SPECIAL Bd Mtg Minutes Final

**ALASKA RAILROAD CORPORATION (ARRC)
MINUTES OF THE SPECIAL BOARD OF DIRECTORS MEETING**

**Anchorage, Alaska
Tuesday, January 17, 2023**

I. CALL TO ORDER

Board Chair John Shively called the special meeting to order at 9:05 a.m. on Tuesday, January 17, 2023. This special meeting was 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 to the Board of Directors regarding rail operations in Whittier, Alaska; and iii) a review of the 2018-2023 ARRC Corporate Strategic Plan.

II. ESTABLISH QUORUM

Chair Shively requested Board Secretary Jennifer Mergens establish a quorum. Director John Binkley; Commissioner, Department of Transportation & Public Facilities, Ryan Anderson and Chair Shively were all present in person. Vice Chair Judy Petry; Director John Reeves; Director Gale Dinsmore; and Commissioner, Department of Commerce Community and Economic Development, Julie Sande joined virtually.

A quorum was established by Ms. Mergens.

Staff members present:

A. Behrend, Chief Counsel	M. Maddox, Controller
T. Erickson Director, Supply Management	C. Hopp, Chief Operating Officer
L. Knox, Director Financial Planning & Analysis	J. Mergens, Chief Human Resources Officer
B. Lindamood, VP Engineering	L. Hall, Executive & Corporate Administrator
J. Kubitz, VP Real Estate	R. Highstone, Risk Manager
C. Terry, Director, External Affairs	B. O’Leary, President & Chief Executive Officer
D. Wade, VP Marketing & Customer Service	

Guests:

John Springsteen, State Corporation Liaison, Office of the Governor (Virtual)

III. ADOPTION OF AGENDA

Vice Chair Petry moved to adopt the special meeting agenda as presented, and Director Dinsmore seconded the motion. There was no discussion and the agenda was adopted as presented.

IV. CONFLICT OF INTEREST DISCLOSURES

No member disclosed any conflicts of interest related to the agenda items.

V. OPPORTUNITY FOR PUBLIC COMMENT

John Springsteen shared that his role as the State Corporation Liaison was designated to foster better communication among all state corporations and authorities. He said the ultimate goal is promoting investment, economic growth, and statewide development.

VI. NEW BUSINESS

1. Election of Officers of the ARRC Board of Directors for 2023

Director Binkley moved that the Alaska Railroad Board of Directors re-elect John Shively as Chair; Judy Petry as Vice Chair; and Jennifer Mergens and Andy Behrend to continue as Board Secretary and Assistant Board Secretary, respectively, in 2023. Director Dinsmore seconded the motion. There was no discussion or objection and the motion advanced as presented.

Chair Shively stated that the External Issues Review Committee members will include Commissioner Sande, public member Troy Thomas, Vice Chair Judy Petry, and himself. He announced that the Real Estate, Audit, Safety and Executive Committee members and Committee Chairs will remain the same in 2023 as they were in 2022.

2. Whittier Rail Operations Briefing

Mr. Hopp briefed the Board on how freight and passenger trains operate in concert with community and business partners to meet customer demands in Whittier. He covered current operations, the proposed rail spur and passenger dock expansion, tunnel schedule and operations, interline freight and passenger operations, as well as constraints and challenges such as the marginal wharf and barge slip, tunnel access, terminal congestion, inclement weather, avalanches and snow management. He noted ARRC expects continued growth in barge-rail freight operations, as well as for passenger operations, given construction of a new cruise ship dock. Lengthy discussion ensued between Board Members and staff.

Review of the 2018-2023 ARRC Corporate Strategic Plan

Mr. O'Leary gave an overview of Alaska Railroad's 2018-2023 Corporate Strategic Plan. He noted that developing the plan required data analysis, coordination between Railroad departments, cooperation with partners, and research into understanding future and potential customer needs, wants, and behaviors. The Board reviewed the plan development process previously used, and agreed to have staff pursue an updated five-year plan, and then work with the Board to refine the draft into a final product. Mr. O'Leary shared that the 2023 Corporate Strategic Goals and Initiatives will be shared with the Board soon, along with a status report of how ARRC did on meeting 2022 goals.

Collectively, the Board supported staff developing a draft copy of the 2024-2028 Five-Year Strategic Plan for Board review and input later this year.

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

Mr. Springsteen thanked the Board for allowing him to listen in and participate.

Mr. O'Leary reminded the Board that committee meetings are scheduled for January 24 and the next Board meeting is on February 8.

Director Binkley commented that he is excited to see the business growth opportunities. He also thanked Chair Shively and Vice Chair Petry for taking on their respective roles again in 2023.

Chair Shively reminded Board Members that he would be out of state and returning to participate in the March Board meeting.

VIII. ADJOURNMENT

Director Binkley moved to adjourn. Vice Chair Petry seconded the motion. The meeting was adjourned at 10:30 a.m.

IX. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

ITEM 1: CEO Update

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



2023 Strategic Goals and Initiatives

Strategy #1: Build a Proactive Culture of Safety and Engagement

- Continue implementation of the Incident Free Culture (IFC) program.
- Achieve suite of safety goals, reducing injuries, incidents, and lost time.
- Continued development and implementation of Diversity, Equity, Inclusion, and Belonging (DEIB) initiatives.
- Strengthen our company culture through continued promotion of employee engagement and commitment to ARRC's core values in daily activities and decisions.
- Continued identification and deployment of training and development opportunities in support of succession planning efforts

Strategy #2: Expand Business by Growing and Diversifying Revenue

- Freight business — increase revenue by 7% compared to 2022.
- Passenger business — increase revenue by 4% compared to 2022.
- Real Estate business — increase revenue by 8% compared to 2022.
- Complete the Freight Marketing Strategic Plan by the end of the first quarter (Q1 2023).
- Complete updates to marketing plans for all business lines by end of first quarter (Q1 2023). Plans outline strategies and tactics for growing and protecting freight, passenger and real estate activities.
- Continue establishing Customer Expectation and Service-Level Agreements for all major freight and passenger customers.
- Complete ongoing evaluation of the Seattle ARMS barge gateway to ensure service continuity and support of this business line.

Strategy #3: Improve Profitability by Optimizing Cost Structure

- Improve the corporate revenue per employee metric by 3% compared to 2022.
- Achieve operating wages as a percentage of operating revenue of 35% or lower.
- Continue implementation of the next phase of the Corporate Key Performance Indicator program.

- Grow earnings before interest, tax, depreciation and amortization (EBITDA) by 16% to \$56.6 million.

Strategy #4: Balance Capital Program to Optimize Safety, Revenue, and Efficiency

- Complete approved capital program within the planned timeframe and within budget.
- Continue development of Vital Functions and Precision GPS components of PTC system.
- Continue the Seward Passenger Dock replacement project, including completion of a long-term user agreement, securing financing, completion of final design, and beginning construction activities.
- Continue Seward Freight Dock expansion project, with permits and final design to be complete in 2023.
- Continue Strategic Long Range Land Use Planning initiative — related to acquisition and existing property — to include Operations and Real Estate.
- Continue to assess, identify and mitigate cybersecurity risks to ensure the safety and security of ARRC operations, data and computer systems.
- Continue to develop our capabilities in the federal grants arena, pursuing competitive grant opportunities where beneficial and practicable.

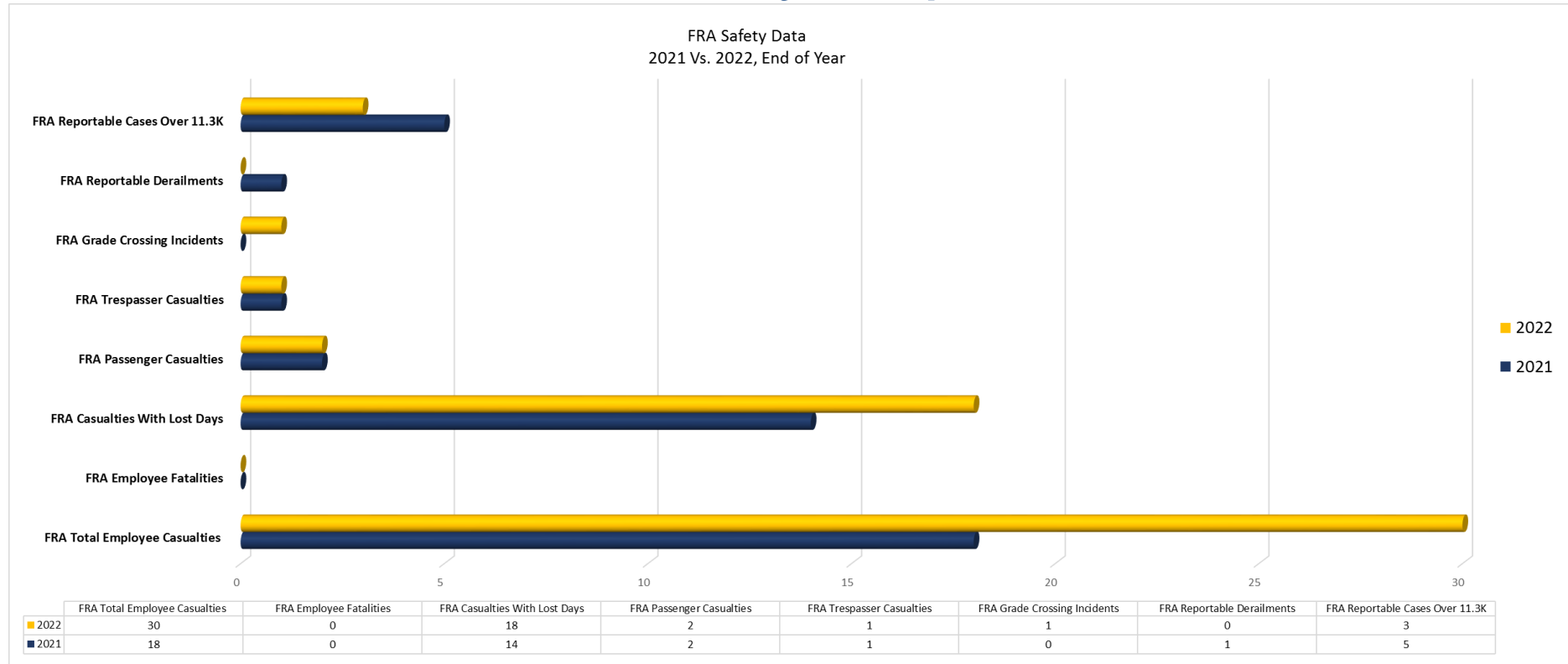
Strategy #5: Enhance Economic Development, Stewardship and Stakeholder Relations

- Continue outreach to private and public entities to aid in economic development projects.
- Continue support of Alaskan non-profit entities and charitable service efforts through in-kind donations and encouraging employee participation.
- Utilize centennial year events and messaging to promote positive engagement and support from citizens, communities, stakeholders, and all levels of elected officials.

ARRC Safety Report 2022 Year-End for Feb 8 2023



Safety Report



	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	30	0	18	2	1	1	0	3
2021	18	0	14	2	1	0	1	5

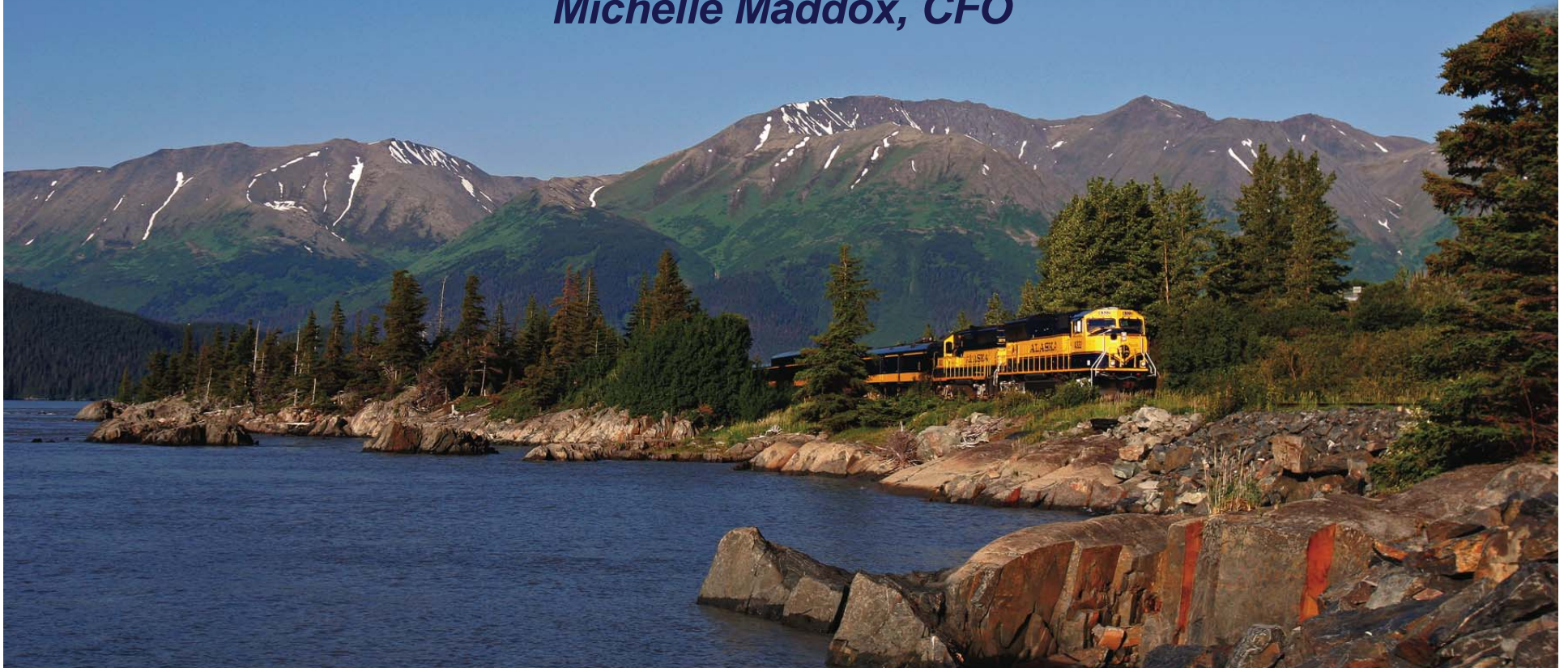
	<i>FRA Casualty Rate</i>	<i>Lost Time Rate</i>	<i>Lost Work Days</i>	<i>Restricted Work Days</i>
2021	3.1	2.4	1034	332
2022	4.6	2.7	692	158

*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

YTD November Business Results

February 8, 2023

Michelle Maddox, CFO



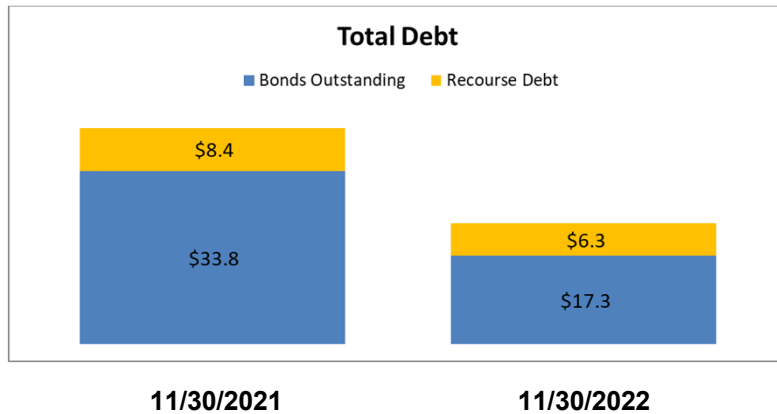
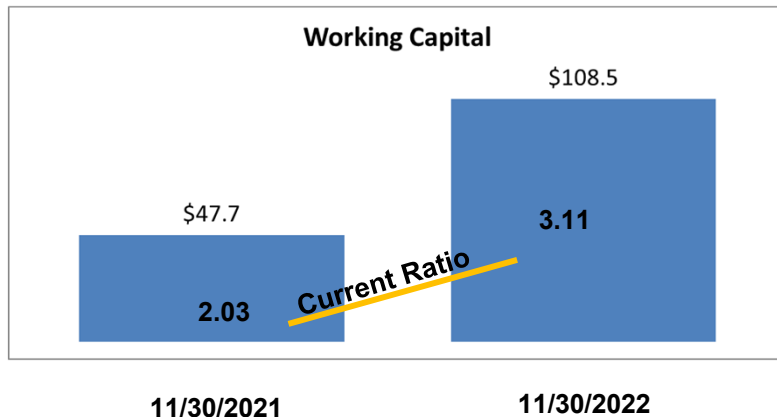
[AlaskaRailroad.com](https://www.alaskarailroad.com)



YTD November 2022 Executive Summary

- **YTD net income of \$16.1 million exceeding revised budget by \$4.5 million.**
 - Freight revenue exceeded revised budget by \$2.4 million, or 2%
 - Most freight business lines outperformed, with the exception of Local Coal, which lagged revised budget by 10%
 - Passenger revenue outperformed revised budget by \$5.9 million, or 15%
 - The Denali Star service came in 33% over revised budget, leading the outperformance of the category
 - Operating expenses came in over revised budget by \$4.5 million, or 3%
 - Fuel expenses, including locomotive, vehicle and equipment, and barge fuel, came in 17% over revised budget due primarily to the higher-than-expected price per gallon of fuel experienced
 - Contracts & Rents came in over revised budget, largely due to passenger service expenses that were over budget, consistent with the experience of passenger revenue
 - Materials & Supplies came in over revised budget by 21%, with rolling stock parts and computer software costs comprising about half of the over-budget experience
 - Real Estate net revenue underperformed revised budget by \$0.3 million, or 1%
 - driven primarily by underperformance of the Seward Passenger dock revenues
- **ARRC cash balance and total debt (excluding FTA bonds) were \$86 million and \$6.3 million, respectively, and net working capital was \$108.5 million.**

Financial Position at November 30, 2022 (\$ millions)



- Continuing to maintaining strong liquidity at nearly 3.0x current assets to current liabilities
- Decrease in year-over-year total debt as ARRC continues to repay loans
 - In the next twelve months, ARRC will retire its FTA bonds series 2015B, its 2006 Real Estate Master Trust debt, and its 2015 Vehicle & Equipment Debt
- ARRC's trailing 12-month cash flow increased significantly on a year-over-year basis, and leverage ratios decreased
 - *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.*

	11/30/2021	11/30/2022
Recourse Debt / EBITDA	0.46x	0.11x
Total Debt (net of grant revenue) / EBITDA	0.82x	0.17x

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



YTD November 2022 Freight Revenue Performance

FREIGHT REVENUE

(net of fuel surcharge)

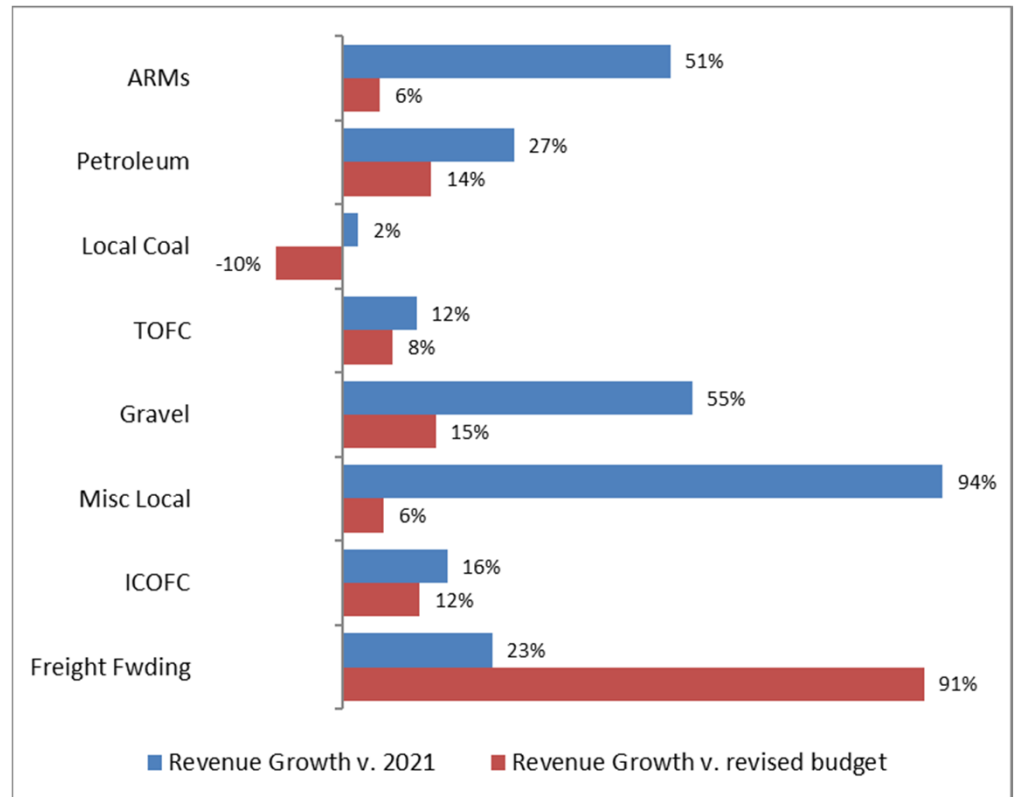
+ 7% **+ 36%**

v. revised
budget

v. 2021

- Units: up 32% v. 2021
up 12% v. revised budget
- Freight Revenue per unit:
 - up 3% v. 2021
 - down 5% v. revised budget
- *ARMs and Petroleum drove the over-budget and over prior year performance*
- *Local Coal lagged the revised budget in volume due in part to boiler plant issues at UAF throughout the 1st quarter and into May*

Freight revenue variance



YTD November 2022 Passenger Revenue Performance

PASSENGER REVENUE

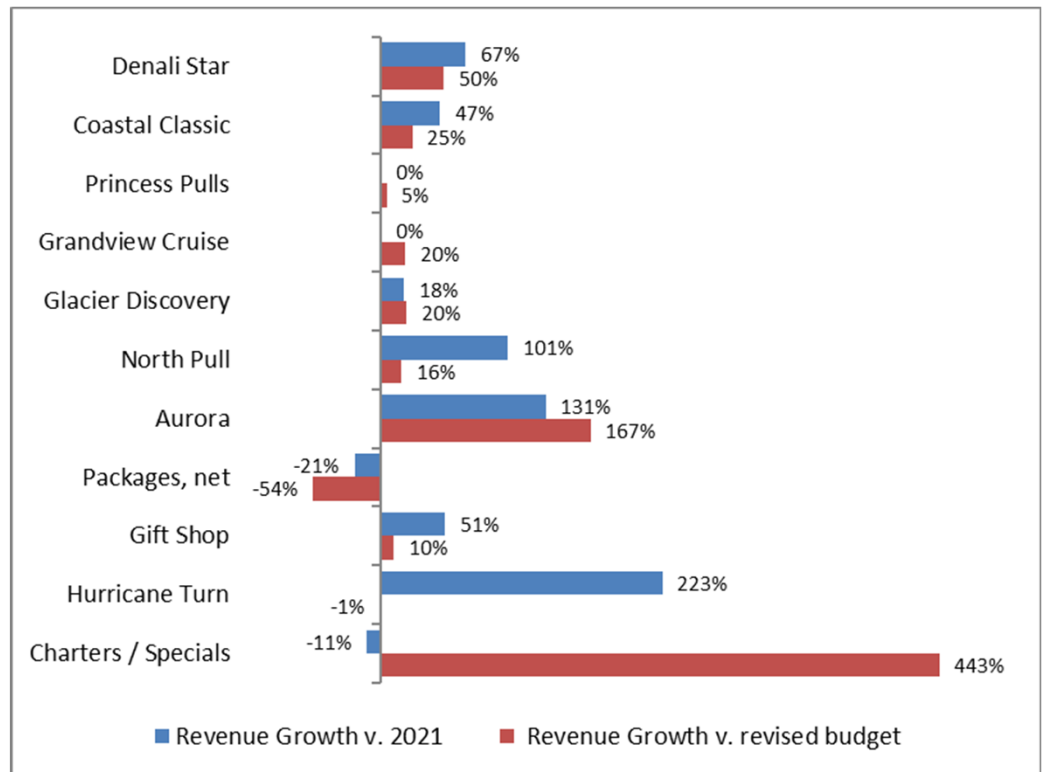
+ 15% **+ 101%**

v. revised
budget

v. 2021

- ARRC Ridership: up 32% v. 2021
up 12% v. revised budget
- Revenue per ARRC passenger:
up 18% v. 2021
down 4% v. revised budget
- *Yield and ridership is higher than in 2021, ridership is higher than revised budget but yield was slightly lower than revised budget.*
- *Factors in the Denali Star's performance were the additional Gold Star days and a full schedule of service in 2022*

Passenger revenue variance



YTD November 2022 Real Estate Revenue Performance

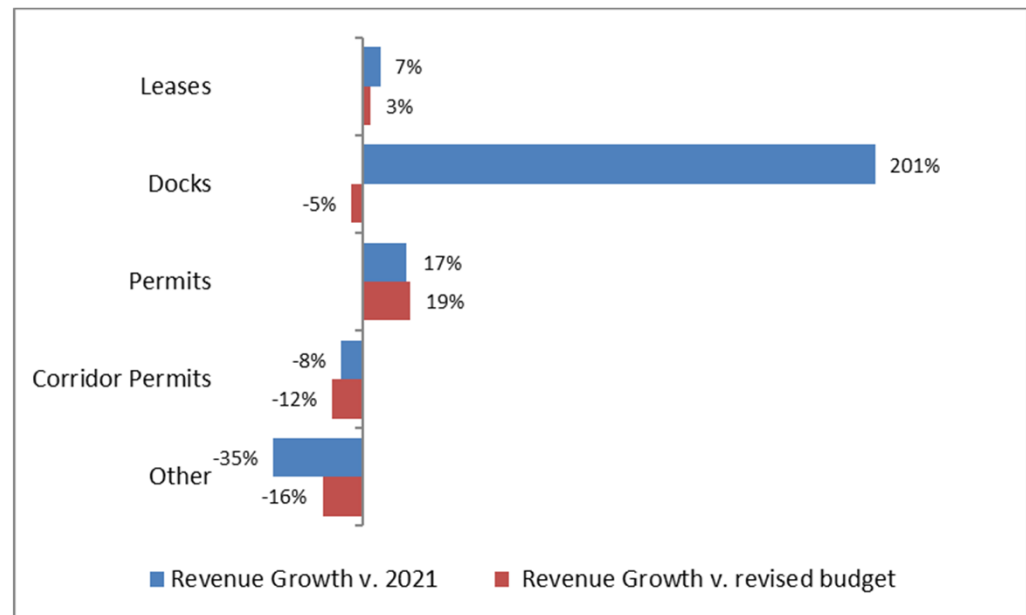
REAL ESTATE REVENUE

- 1% v. revised budget

+ 26% v. 2021

- Top two categories of real estate revenue comprise 74% of total real estate revenue
- The big story is the return of the cruise industry to Southcentral Alaska, and the impact on dock revenue performance as compared to prior year. Ships came a bit lighter with passengers than we were budgeting, but still a good result.

Real Estate revenue variance



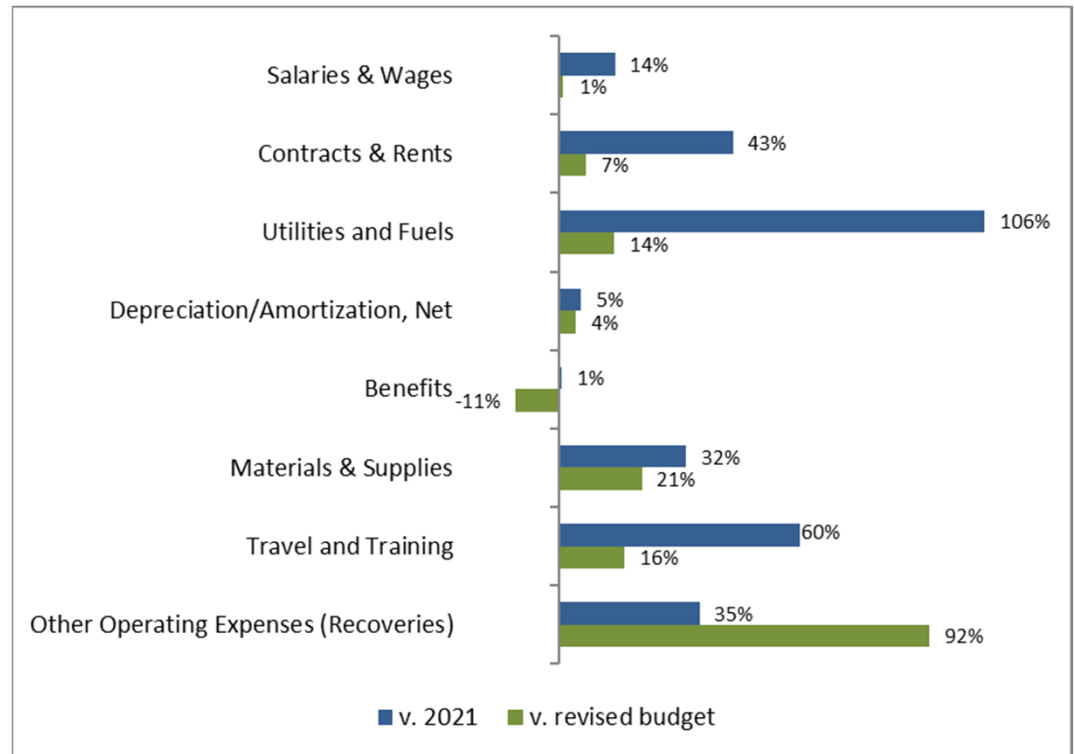
YTD November 2022 Operating Expense Performance

OPERATING EXPENSES

+ 3% **+ 28%**
 v. revised budget v. 2021

- All categories of expense experienced growth over that of the prior year, given the increased levels of train activity in the first year of post-pandemic summer travel, with the fuel category heavily impacted by the price of fuel.
- Actual performance came in over revised budget in almost every category, but with the two largest categories experiencing lower levels of budget overruns. Only benefits expenses came in below revised budget.

Operating expense variance



YTD November 2022 Financial Performance

\$ millions						
	YTD November 2022	YTD Revised Budget	Variance from budget	YTD November 2021	Variance from prior year	
Operating Revenues	\$ 147.9	\$ 139.5	\$ 8.4	\$ 93.2	\$ 54.6	
Operating Expenses	\$ 148.4	\$ 143.9	\$ 4.5	\$ 115.8	\$ 32.5	
Operating Income	\$ (0.5)	\$ (4.4)	\$ 3.9	\$ (22.6)	\$ 22.1	
Real Estate, net	\$ 12.7	\$ 12.8	\$ (0.2)	\$ 8.4	\$ 4.3	
Other Income (Expense)	\$ 3.9	\$ 3.1	\$ 0.9	\$ 13.3	\$ (9.3)	
Net Income	\$ 16.1	\$ 11.5	\$ 4.6	\$ (0.9)	\$ 17.0	

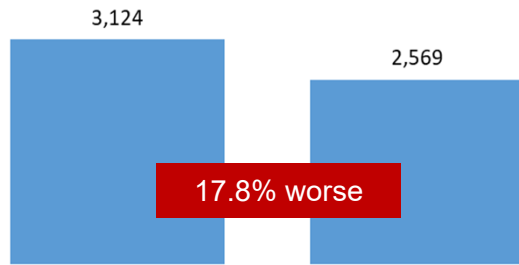
- *Operating revenue outperformed as compared to revised budget, due to outperformance of passenger revenue and freight revenue*
- *Operating expenses were over revised budget as well as over that of the prior year, driven primarily by utilities and fuels expenses, contracts and rents, and materials and supplies.*
- *Real Estate net revenue underperformed, coming in under revised budget but over prior year, due largely to the return of cruise ships to the Seward Passenger Dock, but with a lighter load of passengers than expected for the season*
- *Other Income (Expense) outperformed revised budget and with prior year, due largely to more than expected interest income*
- *As a result, Net Income (loss) outperformed revised budget and prior year*



YTD November 2022 Operating Highlights

Train Productivity

(GTM per train mile)

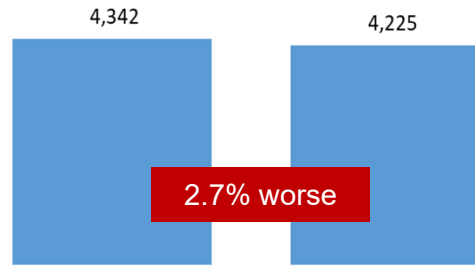


YTD
2021

YTD
2022

Average Train Length

(Freight trains only)

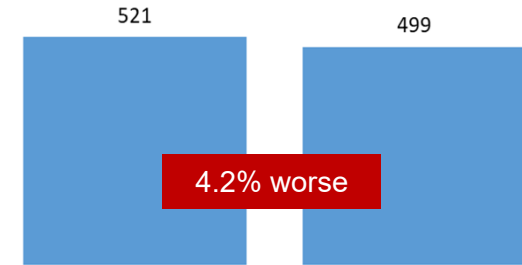


YTD
2021

YTD
2022

Locomotive Fuel Economy

(GTM per gallon)

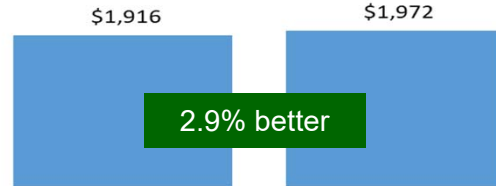


YTD
2021

YTD
2022

Freight Revenue per Carload

(net of FSG for all carload freight)

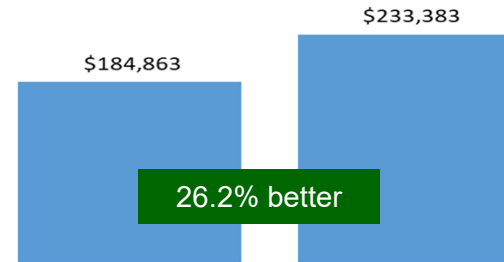


YTD
2021

YTD
2022

Average Revenue per Employee

(excludes grant and FSG revenue)



YTD
2021

YTD
2022



YTD November 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 November performance and latest revised budget for the remainder of the year, is \$50.2 million, which is \$30.4 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*
- *Freight revenue forecast (net of fuel surcharge revenue and net of barge expense) is \$12.3 million higher than what was reflected in the original budget for the year, due largely to higher expectations for the ARMs barge business line*
- *Passenger revenue forecast is \$4.0 million higher than what was reflected in the original budget*
- *Real Estate revenue forecast increased \$4.6 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 \$6.5 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*
- *Contracts & Rents expenses forecast increased \$5.0 million over what was reflected in the original budget, due to higher ARMs barge expenses and higher contract costs associated with higher passenger revenue.*
- *Rolling stock parts expense forecast is \$1.9 million over original budget, due largely to a fan blade weld issue causing catastrophic engine failures in the SD70MAC 43xx series of locomotives, and the precautionary work done on the rest of this same series of locomotives that had not yet experienced a failure*



2023 January 24 Real Estate Committee Notes FINAL



Alaska Railroad Corporation Board of Directors Real Estate Committee Notes

Date: January 24, 2023

Time: 9:00 a.m.

Location: Virtual Zoom Meeting

Board Members:

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

Staff:

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

John Springsteen – Development Advisor, Governor’s office

Customer Communications:

At 9:03 a.m. Chair Binkley called the meeting to order and asked Mr. Kubitz to start with the agenda items. Mr. Kubitz shared that he is still meeting with a number of potential customers for projects in Seward for which there are Non-Disclosure Agreements (NDA’s) in place. Mr. Kubitz believes that one, a new freight customer, will be entering the Seward market.

Mr. Kubitz stated that staff had met with Alaska Humanities about their lease in the Historic Depot regarding the lease term.

Mr. Kubitz provided that there has been discussion regarding how to increase parking at the lot across from the Historic Depot, which is in high demand, and different ideas have been considered.

Briefing / Update

Anchorage

Fish Creek Trail

Mr. Lindamood provided an update, noting that the design team, made up of State of Alaska Department of Transportation (DOT) and Municipality of Anchorage (MOA) employees, has provided a draft report showing the alternatives and the route selected for the trail connector from Northern Lights to Westchester Lagoon. The “south” end of the route is approximately 25’ off the ARRC Right of Way (ROW) while the “northern” section is within the ROW along the access road that Alaska Water and Wastewater Utility (AWWU) constructed and along the property line to where it connects at Westchester Lagoon.

The next step is for the design team to notify the public about the selected route. The project will require Railroad approval, which Mr. Lindamood anticipates will be requested in about a year.

Karen’s RV Building Sale to Eklutna

Mr. Kubitz shared that the sale of the building referred to as “Karen’s RV” to Eklutna has not closed and was delayed due to the holidays.

Mid-State Truck and Trailer

Mr. Kubitz provided that the McDonald family that is currently leasing portion of the former CBS lot, is considering expanding their lease area under a short term lease.

Patrick Hickey Lease

Mr. Kubitz summarized with the group that the Railroad had gotten back the Hickey property on Whitney through a lease termination agreement and that the building at the site will be removed in the near future.

Whittier

Mass Excavation

Mr. Kubitz shared with the group that there has been no update from Mass Excavation on their negotiations with Turnagain Marine regarding activities at the City of Whittier lease site at the Head of the Bay.

Head of Bay Project Update

Mr. Lindamood shared that he and Ms. Terry had attended a work session with the City of Whittier and that Turnagain Marine had communicated that pilings that are currently being coated in Turkey, and are expected to arrive in April 2023 and to be driven for the dock structure by this fall. At the work session, Turnagain Marine also shared the rail options that would serve the site.

Chugach Alaska Corporation

Mr. Kubitz shared that he would be meeting with the CEO of Chugach Alaska Corporation to discuss interest in a potential housing project in Whittier.

Seward

Harbor 360

Mr. Kubitz stated that we anticipate a new lease would be brought to the March Board meeting that would consolidate all of the Seward leases for existing customer, Harbor 360, a company owned by Tom Tougas, which operates a hotel and other visitor amenities in the vicinity. The consolidated lease premises would include the parcel currently occupied by the Train Wreck, which Mr. Tougas plans to improve. Mr. Kubitz also noted that we are discussing with Mr. Tougas the removal of the Seward Yacht Club building which he acquired several years ago.

Fairbanks

Mr. Farnsworth shared that Golden Heart Utilities is working with ARRC to re-establish water service to the Fairbanks Yard.

At 9:25 a.m. Chair Binkley confirmed that there were topics that were financial, confidential and proprietary in nature and asked for a motion to move to Executive Session to discuss Legislative issues as noted on the meeting agenda. Director Dinsmore so moved, and Director Petry seconded that motion. Mr. Springsteen inquired as to whether he might be allowed to attend the Executive Session. After discussion with other Committee members, Committee Chair Binkley determined that Mr. Springsteen would be allowed to attend the Executive Session.

At 9:36 a.m. the meeting went back into general session. Committee Chair Binkley confirmed there was no further business to discuss and asked for a motion to adjourn. Director Dinsmore moved to adjourn and Director Petry seconded. The meeting was adjourned at 9:37 a.m.

IX. BRIEFING ITEMS
B. COMMITTEE REPORTS

2. EXECUTIVE COMMITTEE

**Executive Committee Notes are confidential
and were omitted.**

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

X. NEW BUSINESS

C. Executive Session Briefings

Wednesday, February 8, 2023

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

All Matters Are Confidential. All Members of the Public 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. 2023-01 - Relating to Renewal of Self Insurance and Operating Lines of Credit**
- 2. Resolution No. 2023-02 - Relating to Approval of Appointment of Chairperson for Tax Deferred Savings and Pension Committee, Non-Represented Tax Deferred Savings Committee, 457 Deferred Compensation Committee and Post-Retirement Health Care Trust Committee**
- 3. Resolution No. 2023-03 - Relating to Appointment to Tax Deferred Savings and Pension Committee, Non-Represented tax Deferred Savings Committee, 457 Deferred Compensation Committee and Post-Retirement Health Care Trust Committee**
- 4. Resolution No. 2023-04 - Relating to Approval of Appointment of Labor Member of the Pension and Represented 401(k) Tax Deferred Savings Committee**
- 5. Resolution No. 2023-05 – Relating to Approval of Compensation for Newly Appointed Chief Financial Officer**

Adopted:

Resolution No. 2023-01

Relating to Renewal of Self Insurance
and Operating Lines of Credit

WHEREAS, the Alaska Railroad Corporation (“ARRC”) Board of Directors previously approved a \$10,000,000 self-insurance line of credit, and a \$10,000,000 operating line of credit with Wells Fargo Bank, N.A.; and

WHEREAS, the above referenced lines of credit expire on April 1, 2023; and

WHEREAS, ARRC continues to have a need for immediate access to funds in the event of major loss or damage and wishes to continue the protection offered by an insurance line of credit; and

WHEREAS, ARRC continues to have a need to maintain access to an operating line of credit to insure the availability of funds during times of cash shortfalls and to provide maximum flexibility in the management of its cash resources; and

WHEREAS, the authority to establish lines of credit requires Board approval in accordance with ARRC's Approval Authority Guide; and

WHEREAS, corporate management has determined that Wells Fargo Bank, N.A. offers rates and terms for the insurance and operating lines of credit that are within a market range of comparable credit lines.

NOW THEREFORE BE IT RESOLVED that the President & CEO, or his designee, is authorized (i) to negotiate, finalize and execute documents necessary to originate, maintain, use and renew a \$10,000,000 self insurance line of credit, and a \$10,000,000 operating line of credit with Wells Fargo Bank, N.A. on the terms and conditions set forth in the Lines of Credit Financing Proposal received by ARRC on January 21, 2023, a summary of which is attached hereto as Exhibit A, or on terms and conditions more favorable to the Corporation than those stated therein; and (ii) on behalf of ARRC to designate ARRC's obligation under one or more of the lines of credit as a “qualified tax exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986 to the extent possible.

Adopted:

Resolution No. 2023-02

Relating to Appointment of
Chairperson for Tax Deferred
Savings and Pension Committee,
Non-Represented Tax Deferred
Savings Committee, 457
Deferred Compensation
Committee and Post-Retirement
Health Care Trust Committee

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors a pension plan, a represented employee 401(k) tax deferred savings plan, a non-represented employee 401(k) tax deferred savings plan, a non-represented employee Section 457 deferred compensation plan and a post-retirement medical plan for corporate employees; and

WHEREAS, the Corporate Pension Plan and the Represented Employee 401(k) Tax Deferred Savings Plan are administered by the Pension and Represented 401(k) Tax Deferred Savings Committee, which consists of three management and two union employees; and

WHEREAS, the Non-Represented Employee 401(k) Tax Deferred Savings Plan and the 457 Deferred Compensation Plan are administered by the Non-Represented Tax Deferred Savings Committee, which consists of three management employees; and

WHEREAS, the ARRC Post-Retirement Health Care Trust is administered by the Post-Retirement Health Care Trust Committee consisting of the Chief Financial Officer, the Chief Human Resources Officer, and the Manager, Benefits and Records; and

WHEREAS, it is necessary from time to time to remove people from said committees and to fill vacancies on said committees; and

WHEREAS, Barbara Amy, ARRC’s former Chief Financial Officer, has resigned from the Corporation; and

WHEREAS, Barbara Amy was the Chairperson of the aforementioned Committees; and

WHEREAS, management recommends that Jennifer Mergens, the Chief Human Resources Officer for the corporation, be appointed to replace Ms. Amy as the Chair on said committees.

NOW THEREFORE BE IT RESOLVED, that the ARRC Board of Directors hereby appoints Jennifer Mergens as the Chair of the Pension and Represented 401(k) Tax Deferred Savings Committee, the Non-Represented Tax Deferred Savings Committee, the 457 Deferred Compensation Committee and the Health Care Trust Committee in accordance with the provisions of the respective plan documents.



ALASKA RAILROAD CORPORATION

Date: January 19, 2023

To: ARRC Board of Directors

From: Bill O'Leary, President & CEO

Subject: Nomination of Michelle Maddox, Chief Financial Officer, to Serve as a Member of the Tax Deferred Savings and Pension Committee, Non-Represented Tax Deferred Savings Committee, 457 Deferred Compensation Committee and Health Care Trust Committee

As a result of the resignation of Barbara Amy, Chief Financial Officer, a vacancy is occurring on the aforementioned Committees. These Committees are responsible for the administration of the ARRC sponsored defined contribution and defined benefit retirement plans, the post-retirement medical plan and investment of the funds associated with the plans.

Michelle Maddox has been appointed to the position of Chief Financial Officer to replace Ms. Amy.

I am nominating Ms. Maddox to serve as a member of the aforementioned Committees. While the terms of the five plan documents (ARRC Corporation Pension Plan, Represented 401(k) Tax Deferred Savings Plan, Non-Represented 401(k) Tax Deferred Savings Plan, 457 Deferred Compensation Plan and ARRC Post-Retirement Medical Plan Trust) vary slightly, for the most part, the ARRC Board of Directors is responsible for appointing members to the Committees.

It is my recommendation that the Board approve Resolution 2023-03 and that Ms. Maddox be appointed to the Committees effective February 8, 2023.

Adopted:

Resolution No. 2023-03

Relating to Appointment to Tax Deferred Savings and Pension Committee, Non-Represented Tax Deferred Savings Committee, 457 Deferred Compensation Committee and Health Care Trust Committee

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors a pension plan, a represented employee 401(k) tax deferred savings plan, a non-represented employee 401(k) tax deferred savings plan, a non-represented employee Section 457 deferred compensation plan and a post-retirement medical plan for corporate employees;.

WHEREAS, the Corporate Pension Plan and the Represented Employee 401(k) Tax Deferred Savings Plan are administered by the Pension and Represented 401(k) Tax Deferred Savings Committee, which consists of three management and two union employees; and

WHEREAS, the Non-Represented Employee 401(k) Tax Deferred Savings Plan and the 457 Deferred Compensation Plan are administered by the Non-Represented Tax Deferred Savings Committee, which consists of three management employees; and

WHEREAS, the ARRC Health Care Trust is administered by the Health Care Trust Committee consisting of the Chief Financial Officer, the Chief Human Resources Officer, and the Manager, Benefits and Records; and

WHEREAS, it is necessary from time to time to remove people from said committees and to fill vacancies on said committees; and

WHEREAS, Barbara Amy, the Chief Financial Officer, who has been a member of the aforementioned Committees has resigned from the Corporation and has been replaced by Michelle Maddox as Chief Financial Officer.

NOW THEREFORE BE IT RESOLVED, that the ARRC Board of Directors hereby appoints Michelle Maddox to the Pension and Represented 401(k) Tax Deferred Savings Committee, the Non-Represented Tax Deferred Savings Committee, the 457 Deferred Compensation Committee and the Health Care Trust Committee in accordance with the provisions of the respective plan documents.

Adopted:

Resolution No. 2023-04

Relating to Approval of
Appointment of Labor Member of
the Pension and Represented
401(k) Tax Deferred Savings
Committee

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors a Pension Plan and a Represented 401(k) Tax Deferred Savings Plan for corporate employees; and

WHEREAS, the Corporation Pension Plan and the Represented Employee 401(k) Tax Deferred Savings Plan are administered by the Pension and Represented 401(k) Tax Deferred Savings Committee, which consists of three management and two union employees; and

WHEREAS, it is necessary from time to time to appoint employees to serve on said Committee; and

WHEREAS, the Plan Documents both provide that the Board shall appoint all Committee members, but that the President & CEO shall nominate all management representatives and the unions shall nominate all labor representatives; and

WHEREAS, the unions have nominated Dirk Hosler, a member of the ARW bargaining unit, to serve as one of the two union representatives on the Committee, replacing Nathan Lunn, who resigned from the ARRC.

NOW THEREFORE BE IT RESOLVED that the ARRC Board of Directors hereby approves the appointment of Dirk Hosler to serve on said Committee in accordance with the provisions of the Plan Documents.

MEMORANDUM

Date: December 22, 2022

To: Rick Traini, Director of Employment Practices

From: ARRC Union Officials

Re: Open Labor Representative Seat – ARRC Pension Plan Committee


Please be advised the ARRC Union Officials have met and discussed the open Labor Representative Seat on the Pension and Tax Deferred Savings Plan Committee after the receipt of your October 11, 2022, email. After much discussion and debate, collectively the ARRC Union Officials wish to submit ARRC employee Dirk Hosler as the replacement for the open Labor Representative Seat.




UTU



ARW



TCU



IBT



ATDA

Adopted:

Resolution No. 2023-05

Relating to Approval of Compensation
For Newly Appointed Chief Financial
Officer

WHEREAS, the Alaska Railroad Corporation (ARRC) has a need to fill the Chief Financial Officer position due to Barbara Amy's departure; and

WHEREAS, Michelle Maddox has been appointed as Chief Financial Officer; and

WHEREAS, AS 42.40.110(b) requires the Board of Directors to approve the compensation of "executive officers" of the corporation; and

WHEREAS, Management has briefed the Board in Executive Session regarding the compensation package for Michelle Maddox.

NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors hereby approves and confirms the compensation to be paid to the above stated newly appointed Chief Financial Officer as presented in Executive Session on January 17, 2023.