

ALASKA RAILROAD

ALASKA RAILROAD CORPORATION BOARD OF DIRECTOR'S MEETING

Thursday, September 24, 2020
Commencing at 9:00 a.m.
Virtual Zoom Meeting Room



AGENDA FOLD OUT IS LOCATED AT THE END OF THIS PACKET



**ARRC BOARD OF DIRECTORS
MEETING AGENDA**

Thursday, September 24, 2020 9:00 a.m. - 2:00 p.m.
Virtual Conference Room
Anchorage, Alaska

- 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 June 24, 2020
- VIII. OPPORTUNITY FOR PUBLIC COMMENT**
- IX. BRIEFING ITEMS**
 - A. Public Briefings (a portion may be held in Executive Session)**
 - 1. CEO Update
 - 2. Business Report
 - 3. Annual Reports: Pension Plan, 401(k) Tax Deferred Savings Plan, 457 Deferred Compensation Plan, Health Care Trust
 - 4. Safety Update
 - 5. PTC Update
 - B. Committee Reports**
 - 1. Real Estate Committee – Chair Shively
 - 2. Audit Committee – Chair Binkley
 - 3. Executive Committee – Chair Campbell
 - 4. Safety Committee – Chair Shively
- X. NEW BUSINESS**
 - C. Executive Session Briefings**
 - 1. Contracts, Claims, Litigation, Personnel and Financial Matters
 - 2. A2A Update
 - 3. ROW and Other Land Issues
 - 4. Summary of 2019 Profit Study
 - 5. Business Development Report
 - 6. Seward Dock Port Project
 - D. Adoption of Consent Agenda**
 - 1. Resolution No. 2020-15 – Relating to Whittier Yard Area 2 Drainage and Paving Project (AFE No. 10870 S-1)
 - 2. Resolution No. 2020-16 – Relating to an Increase in the 2020 Docks & Slips Program (AFE No. 10798 S-2)
 - 3. Resolution No. 2020-17 – Relating to the Approval of the First Amendment to the 2020 Restatement of the Alaska Railroad Corporation Flexible Benefit Plan
 - 4. Resolution No. 2020-18 – Relating to Approval of the Topic for the 2020-2021 Performance Audit
 - 5. Contract Lease No. 20600 Denali Hotel, LLC – Healy
 - 6. Contract Lease No. 20599 Winterhouse, Inc. – Valdez
 - 7. Contract Lease No. 20467 Nordlys, LLC – Talkeetna
- XI. DIRECTOR/CEO/STAFF COMMENTS/OPPORTUNITY FOR PUBLIC COMMENT**
- XII. ADJOURNMENT**

ALASKA RAILROAD CORPORATION MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING

Anchorage, Alaska
Wednesday, June 24, 2020

I. CALL TO ORDER

The Chair, Craig Campbell, called the meeting to order at 9:02 a.m. on Wednesday, June 24, 2020. The meeting was held via Zoom technology.

II. ESTABLISH QUORUM

Chair Campbell requested Board Secretary Jennifer Haldane to establish a quorum. Vice Chair Judy Petry; Director John Binkley; Director Jack Burton; Director John Shively; and Commissioner, Department of Commerce Community and Economic Development, Julie Anderson were all present at the commencement of the meeting. Commissioner, Department of Transportation & Public Facilities (AKDOT), John MacKinnon, was previously excused.

A quorum was established by Ms. Haldane.

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. Haldane, Chief Human Resource Officer	J. Kubitz, VP Real Estate
C. Hopp, Chief Operating Officer	B. Lindamood, VP Engineering
L. Knox, Director Financial Planning & Analysis	B. O'Leary, President & Chief Executive Officer
R. Highstone, Risk Manager	S. Wheeler, Regulatory & Corporate Communications Officer
W. Richerson, Controller	
T. Sullivan, Director, External Affairs	
D. Wade, VP Marketing & Customer Service	

Participating Guests/Members of the Public:

Katherine Wood, HDR, Inc.
Thomas Spina, Tom Spina Consulting
Trevor Fulton
Interested Stakeholder (name not supplied)

III. SAFETY BRIEFING

Chair Campbell asked Tom Covington to present the safety briefing. Mr. Covington provided safety tips related to defensive driving techniques.

IV. CHAIR COMMENTS

Chair Campbell thanked staff for their efforts in maintaining the Alaska Railroad Corporation's (ARRC) mission while being flexible and working remotely during uncertain times. Chair Campbell acknowledged that Railroad staff have maintained good contact and information flow, and he hoped all Board Members were sharing the same experience. Chair Campbell said he would strive to get through the agenda prior to 2 p.m. to maintain a quorum and allow some Board Members to meet other obligations.

V. ADOPTION OF AGENDA

Chair Campbell asked for a motion to approve the meeting agenda. Director Shively moved to adopt the agenda, and Director Binkley seconded the motion. During discussion, Director Shively suggested the following change: Switching the order of agenda item IX (Briefing Items) with item X (New Business) to ensure a quorum is maintained for approval of action items and adoption of the consent agenda. Commissioner Anderson stated that the proposed reordering of the meeting agenda would allow her to attend another board meeting scheduled for later today. Director Shively moved to adopt the agenda as so revised and Commissioner Anderson seconded the motion. The agenda was adopted as revised.

VI. CONFLICT OF INTEREST DISCLOSURES

Director Binkley disclosed that he may have a potential conflict of interest related to the Seward Dock Update noted for discussion in executive session. He stated that although he does not have a direct conflict at this time, there is a potential that he may develop such a conflict later. Director Binkley requested to be excused from any non-public discussions during Executive Session regarding the Seward Passenger Dock Project. Chair Campbell acknowledged that Director Binkley had consistently disclosed this potential conflict and he concurred with the request. It was agreed that conference hosts would separate Director Binkley from the group conference into a private Zoom room during the Seward Dock discussion during Executive Session, and rejoin him into the meeting at the conclusion of that discussion.

VII. ADOPTION OF MINUTES

Chair Campbell asked if there were any corrections to the Regular Board Meeting Minutes for March 31, 2020. Vice Chair Petry moved to adopt the meeting minutes. Commissioner Anderson seconded the motion to adopt the meeting minutes. No discussion or changes were noted, and the March 31, 2020, minutes were approved by the Board as presented.

VIII. OPPORTUNITY FOR PUBLIC COMMENT

Ms. Haldane called for any members of the public who may have joined after the meeting began to identify themselves. It was noted that Katherine Wood of HDR, Inc. was the only member of the public currently participating on the Zoom conference. Ms. Wood shared that she was HDR's Transportation Business Lead. She acknowledged and thanked the ARRC Board and staff for moving forward with capital projects, and noted that HDR had been advised by ARRC of five term contracts which had been awarded to HDR. Ms. Wood expressed her gratitude for the opportunity to continue to work with ARRC.

IX. NEW BUSINESS

A. Executive Session Briefings

Director Shively moved to have the Board recess to Executive Session to discuss executive session items as identified on the agenda, which are listed below. Vice Chair Petry seconded the motion. There was no further discussion or objection, the motion was approved, and staff and members of the public as appropriate were moved into a Zoom waiting room to allow the Board to convene Executive Session at 9:13 a.m. to consider the following matters:

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. Legislative Strategy
3. A2A Update
4. ROW and Other Land Issues
5. Business Development Report
6. Seward Dock Port Project

During Executive Session, Director Binkley was excused from the audio/video conference during the Seward Dock discussion. Chair Campbell called the public session of the regular Board meeting back to order at 10:52 a.m., and Director Binkley was rejoined into the meeting along with all participating members of the public.

B. Action Items

1. Resolution No. 2020-13 – Relating to Funding of Seward Passenger Dock Replacement Project Using State Grant Funds (AFE No. 10880)

Director Shively moved to approve the resolution. Vice Chair Petry seconded the motion. Chair Campbell requested a roll call vote on the above-referenced action item. The Board Secretary conducted that vote, which resulted in five Board members approving Resolution No. 2020-13, with Director Binkley abstaining due to his potential conflict of interest.

2. Resolution No. 2020-14 – Relating to Funding to Purchase a Generator Van for TOFC Operations (AFE No. 10781 S-1)

Director Shively moved to approve Resolution No. 2020-14. Vice Chairman Petry seconded the motion. There was no further discussion nor objection, and the motion was approved.

C. Adoption of Consent Agenda

Chair Campbell asked Board Secretary Ms. Haldane to read the Consent Agenda items, followed by a motion to adopt the Consent Agenda. The Board Secretary read the items, and Director Burton made a motion to adopt all of the items listed under the Consent Agenda. Commissioner Anderson seconded the motion. There was no further discussion or objection, and the Consent Agenda was unanimously approved:

1. Resolution No. 2020-11 – Relating to the Approval of Insurance Renewal for 2020-2021
2. Resolution No. 2020-12 – Relating to the Selection of a Firm to Perform the 2020 through 2024 Annual Financial Audits and Other Financial-Related Services
3. Contract Lease No. 20551 – Pruhs Corporation – Anchorage
4. Contract Lease No. 20552 – Pruhs Corporation – Anchorage
5. Contract Lease No. 20570 – Yard Chief Yard Care, Inc. – Anchorage
6. Contract Lease No. 20575 – Aurora Energy, LLC – Fairbanks

X. BRIEFING ITEMS

D. Public Briefings

1. CEO Update

Mr. O’Leary said that ARRC began this year with positive expectations for 2020. He agreed with Chair Campbell that ARRC employees are keeping forward progress and adjusting to the challenges presented by the COVID-19 pandemic. He noted that by this period we normally would have been six weeks into our summer season, and instead we are preparing for a late passenger season start of July 1 and are experiencing a reduced level of freight and passenger demand. ARRC is making significant efforts to develop new policies, protocols and procedures for the safety of passengers and employees. Mr. O’Leary said new operations would include Plexiglas shields, facemask requirements, staggered work shifts, and increased cleaning and sanitation procedures. He noted that as of the previous pay period, payroll was down 80 recalled seasonal employees and new hires from 2019. He further said we have deferred nearly \$10 million in budgeted capital projects. Mr. O’Leary said that approximately 130 employees are still working remotely, the current plan is to transition some employees back in mid-July with a full employee return to work just after Labor Day weekend subject to pandemic changes unfolding.

Mr. O’Leary shared highlights of two Town Hall listening sessions conducted via Zoom, which allowed all of Senior Staff and employees to safely participate. Overall, it was

successful way to communicate with employees across the railroad, with total participation of about 300 employees. Mr. O’Leary noted the post-survey results showed appreciation for management’s immediate efforts dealing with the pandemic, although there were some mid-term and long-term concerns about the future.

Chair Campbell asked about the protocol for face coverings for passengers while onboard the train. Mr. Wade explained that as a result of recent news from the Alaska DOT regarding infections on Alaska Marine Highway System vessels, ARRC will require face coverings for passengers whenever they are on railroad property or onboard the trains, except when consuming food and beverages. Mr. Wade said that enforcement of those rules with respect to those passengers requiring reminding, refusing to comply, or not wearing face coverings for medical reasons will be challenging. He said segregation in empty cars for unmasked passengers is the potential remedy for safe operations within the new requirements. The primary messaging is to protect all passengers and employees by implementing best practices with regard to face coverings.

2. Business Report

Chief Financial Officer Barbara Amy presented the year-to-date business performance results through May. She noted that the year started off well as compared to the approved budget; however, the pandemic slowed progress just prior to the end of the first quarter. Ms. Amy said year-to-date revised budget net loss of \$8.3 million was a smaller loss than expected by \$1.9 million. Freight revenue lagged revised budget by \$1.7 million, largely driven by the pandemic, affecting different freight business lines. She reminded the Board that the pandemic interrupted the Aurora Winter train service and pushed the 2020 Summer Passenger season start date to July 1. Passenger revenue underperformed revised budget by \$200,000, and operating expenses underperformed the revised budget by \$3.6 million. Ms. Amy explained that the recognition of two tax credit transactions in the first quarter of the year mitigated the loss of revenue in operating expenses. Real Estate net revenue outperformed the revised budget by \$200,000, primarily due to under-budget depreciation expenses.

Ms. Amy said ARRC’s balance sheet shows very strong liquidity of \$90 million in working capital, which is approximately \$2.4 million less than 2019 working capital. The cash balance and total debt (excluding FTA bonds) was \$74.4 million, and \$11.5 million, respectively. She highlighted that total debt included the approved \$8 million flat car purchase completed in December 2019.

Ms. Amy further addressed revenue performance of the various business lines. She noted that ARMS barge growth activity was up 8 percent over revised budget, while gravel experienced a large loss of revenue. In response to Chair Campbell’s question about what impact the decline in gravel revenue was expected to have, Mr. Wade explained that AS&G is running six trains a week; however, QAP was postponed and had a slow start of one train every other day. Mr. Wade noted that there were several large construction projects in 2019, and gravel is expected to slow more during the month of July. Ms. Amy stated that passenger ridership is down 92 percent compared to year-to-date performance in 2019, and revenue was down 24 percent compared to revised budget. Real Estate revenue came in 2 percent under revised budget and is down 6

percent under May 2019 on a year-to-date basis. She explained that the lack of cruise activity significantly impacted dock revenue.

Ms. Amy next discussed ARRC's operating metrics, noting expenses are down 7 percent versus revised budget. She stated that salaries and wages are the largest operating expenses, comprising 40 percent of total operating expenses. As of the last two pay periods, 80 fewer employees had returned to work due to the delayed season start as compared to 2019. She said that the overall total operating expenses are down, mitigated by the increase in other operating expense recoveries due to the recognition of the two 45G tax credits. Ms. Amy said operating income loss of \$13 million was \$1.6 million better than the revised budget. She noted the largest decline was average revenue per employee because, even though fewer employees are on premises, average revenue is lower.

Looking forward to the third quarter, Ms. Amy said a military freight move is expected to begin in August. She noted that passenger service is scaled back and it is difficult to judge demand due to the late season start. Real Estate gains on real estate sales will increase with the expected NeighborWorks and Eklutna land transactions. ARRC has shelved \$8.5 million in previously approved capital projects from the 2020 capital program in an effort to conserve cash, so the focus will be on the remaining core projects. The 2020 Forecast was prepared in April and showed a \$1.1 million net loss. Currently, we are revising the budget to take into consideration the lack of cruise activity and passenger revenue. May financials are ready and will be sent after the Board meeting. Ms. Amy stated the 2021 budget process will begin in August and will be challenging as we attempt to identify future impacts of the pandemic.

Ms. Amy said the Pension and Healthcare Trust Committees met and completed their annual actuarial valuation report. As of January 1, both are well funded. The report was emailed to Board Members last Thursday. The Healthcare Trust continues to be an overfunded asset at 357 percent of full funding. The Pension Trust was 86.6 percent funded as of year-end 2019. Ms. Amy explained that an experience study is completed every five years, and the next one is scheduled for this fall. ARRC liability and property insurance policies are set to renew as of July 1.

Ms. Amy concluded her briefing stating that overall the corporation is still maintaining a strong conservative balance sheet with excellent liquidity to weather this global pandemic.

3. Safety Update

Mr. Covington reported that to date in 2020 there were no FRA reportable cases over \$10,700, no reportable derailments, and no trespasser or passenger casualties. Mr. Covington reported one FRA grade crossing incident in Willow and one employee fatality. He said improvements were shown in 2020 over 2019 total FRA employee casualties due to slips, trips, and falls. Mr. Covington said that so far this year the lost time rate is 3.3 percent, the casualty rate is 5.6 percent, restricted work days currently total 266, and lost work days total 278. Chair Campbell asked what the impact of an employee fatality was on FRA reportable statistics, and Mr. Covington responded that it would show as an automatic 180 days lost time incident on the record.

Mr. Covington reported there have been no reportable incidents and no injuries in 20 days. He noted that the corporation's Incident Free Culture ("IFC") program continues to receive positive feedback from employees. Mr. Hopp said he is proud of the organization as a whole for working during a time when employees could be distracted by the uncertainty of today's environment which could cause a loss of attention; however, incidents are low and employees are stepping up and focusing on work.

4. PTC Update

Mr. Hopp stated that FRA's second quarter PTC progress report shows ARRC's PTC system is on target for timely implementation and delivery of our PTC system by the December 31, 2020, mandated deadline. He further stated that we see no issues that would prevent us from remaining on track. He reminded the Board that our PTC system consists of three unique working systems: Centralized Traffic Control ("CTC"), Switch Monitoring, and Virtual Switch Indication. CTC, with automated switches with signal aspects, is being used in the heaviest corridor between Anchorage and Kashwitna. Both CTC and Switch Monitoring are in full PTC operations. Mr. Hopp said FRA approval is pending for finalizing the Virtual Switch Indication System, which is a logic-based program covering the south end. However, Mr. Hopp stated he is optimistic an approval will be forthcoming within the next two weeks.

E. Committee Reports

1. Real Estate Committee

Committee Chair Shively stated that the Real Estate Committee met on June 11, 2020, via Zoom Audio/Video Conference. He highlighted the Real Estate Department's good work in reaching out to tenants and customers and offering assistance during the pandemic. He noted that some tenants are participating in the payment deferral assistance program. Committee Chair Shively said the Committee appreciated the Board's approval of the four consent agenda contract items submitted. Mr. Kubitz concurred with the Chair in thanking and commending his staff. Chair Campbell also commended the Committee and staff for working through the many challenges to help our customers.

2. Audit Committee

Committee Chair Binkley stated that the Audit Committee also met on, June 11, 2020, via Zoom Audio/Video Conference. He stated that the Audit Committee recommended Board approval of Resolution 2020-12 relating to the firm selection to perform financial audits for the next five years. He appreciated the Board's approval as recommended.

3. Executive Committee

Chair Campbell stated that the Executive Committee met twice since the last Board meeting on April 30, and June 11, 2020, via Zoom Audio/Video Conference. He said discussions were primarily updates related to today's Executive Session agenda items.

Chair Campbell stated that both sets of Executive Committee meeting minutes were confidential and a portion of one of those sets of minutes was redacted in the Board meeting materials due to a Board Member's potential conflict of interest.

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

Chair Campbell asked if any participating members of the public wished to make any comments. Ms. Haldane stated there were three members of the public participating but all declined the opportunity to address the Board. Chair Campbell inquired about the location of the September 2020 Board meeting, stating that he would leave it up to staff and management to determine as appropriate.

XII. ADJOURNMENT

Chair Campbell entertained a motion to adjourn. Director Shively made a motion to adjourn and Vice Chair Petry seconded the motion. The meeting was adjourned at 11:56 a.m.

IX. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

ITEM 1: CEO Update

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

YTD August Business Results

September 24, 2020

Barbara Amy, CFO



AlaskaRailroad.com



YTD August 2020 Executive Summary

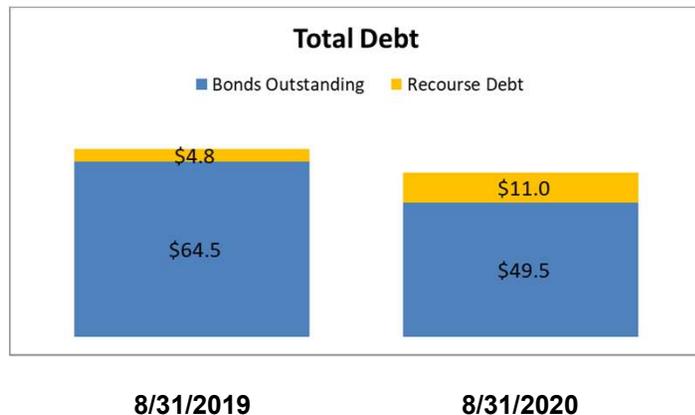
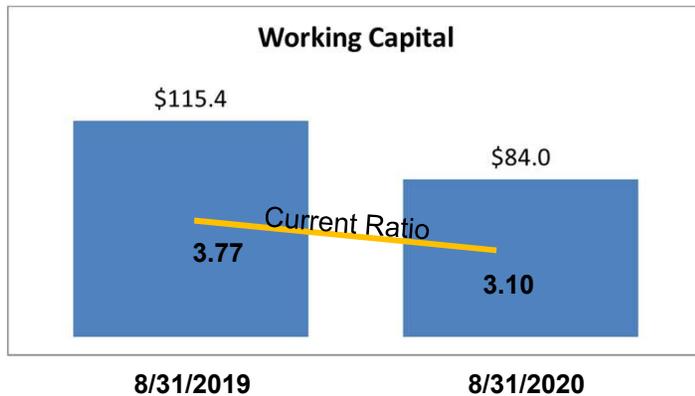
- **YTD net loss of \$16.3 million was a smaller loss by \$0.1 million than the loss expected according to the revised budget**
 - *Freight revenue lagged revised budget by \$3.8 million, or 7.2%*
 - *Most freight business lines underperformed, with the exception of the ARMS barge, which was 8% over revised budget, and Local Coal and Petroleum, which were each over revised budget by 1%. Barge traffic was buoyed by supply chain orders already moving when the virus hit, and the addition of a military move in August/September.*
 - *Passenger revenue under-performed revised budget by \$0.4 million, or 13.8%*
 - *COVID-19 disrupted demand for ARRC's passenger trains and resulted in a dramatic downward revision of the passenger revenue budget. The largest impact to passenger revenue is the absence of the pull services for the cruise lines. ARRC has also had to make service frequency reductions due to reduced demand, and has combined services where possible.*
 - *Operating expenses came in \$3.9 million under revised budget, or 4.9%*
 - *The recognition of two tax credit transactions in the first quarter of the year was the primary driver of the variance*
 - *Real Estate net revenue outperformed revised budget by \$0.4 million, or 5.6%, driven primarily by under-budget experience with respect to depreciation expense.*
- **ARRC cash balance and total debt (excluding FTA bonds) were \$62.4 million and \$11.0 million, respectively, and net working capital was \$84.0 million.**



Financial Position

at August 31, 2020

(\$ millions)



- Maintaining strong liquidity at more than 3.0x current assets to current liabilities
- Decrease in year-over-year total debt as ARRC continues to repay loans
 - Note: debt financing for \$8.0 million acquisition of flat cars added in December 2019
- ARRC's trailing 12-month cash flow decreased on a year-over-year basis, and with issuance of new flat car acquisition debt in December of 2019, leverage ratios increased, however, they continue to reflect conservative use of debt in the capital structure
 - *debt-to-cash flow ratios are a measure of the company's ability to repay its debt from cash flow generated by the business*

	8/31/2019	8/31/2020
Recourse Debt / EBITDA	0.11x	1.05x
Total Debt / EBITDA	1.59x	5.75x

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



YTD August 2020 Freight Revenue Performance

FREIGHT REVENUE

(net of fuel surcharge)

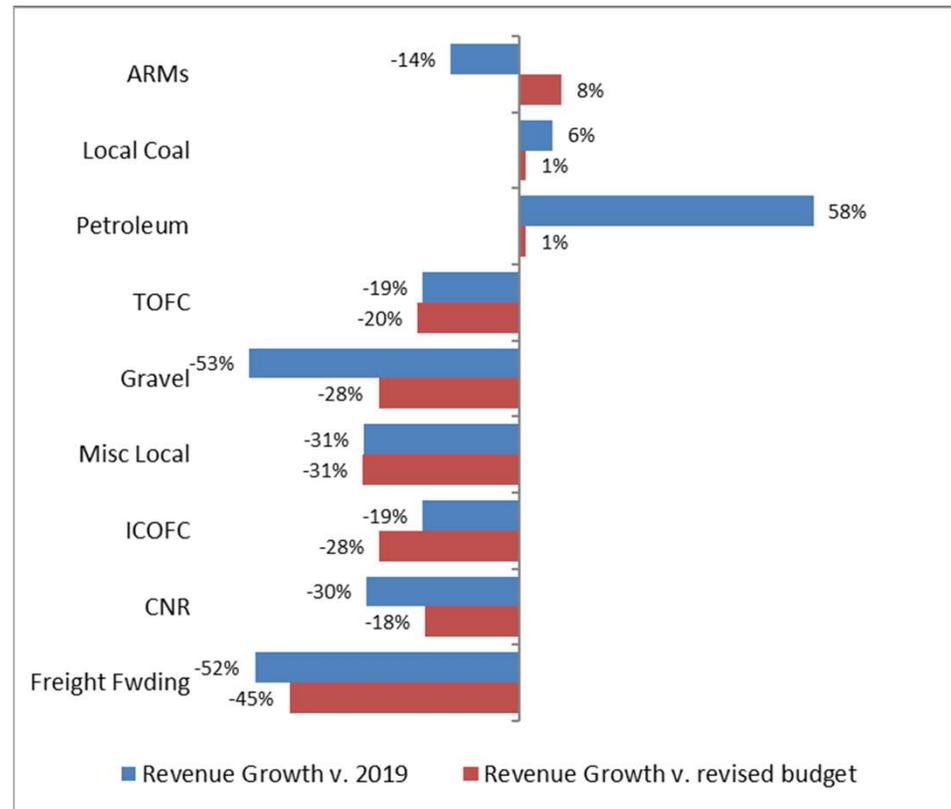
- 7% **- 13%**

v. revised
budget

v. 2019

- Units: down 27% v. 2019
down 13% v. revised budget
- Freight Revenue per unit:
 - up 19% v. 2019
 - up 7% v. revised budget
- *The addition of a 2nd Petroleum customer in 2020 combined with declines in Gravel and containerized business lines drove the growth in freight revenue per unit, even as total volumes and total freight revenue declined*

Freight revenue variance



YTD August 2020 Passenger Revenue Performance

PASSENGER REVENUE

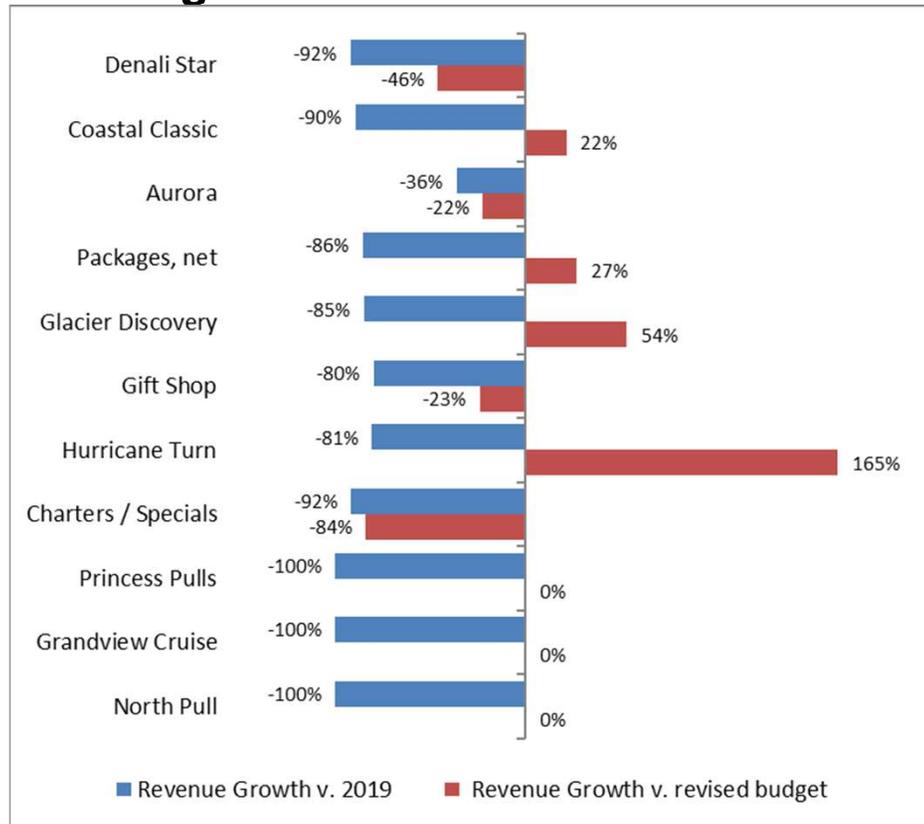
- 14% **- 92%**

v. revised
budget

v. 2019

- ARRC Ridership: down 94% v. 2019
up 14% v. revised budget
- Revenue per ARRC passenger:
down 22% v. 2019
down 19% v. revised budget
- *The impact of the pandemic on ARRC's passenger revenue is evident in the graph to the right, reflecting large declines in passenger revenue as compared to prior year and revised budget.*

Passenger revenue variance



YTD August 2020 Real Estate Revenue Performance

REAL ESTATE REVENUE

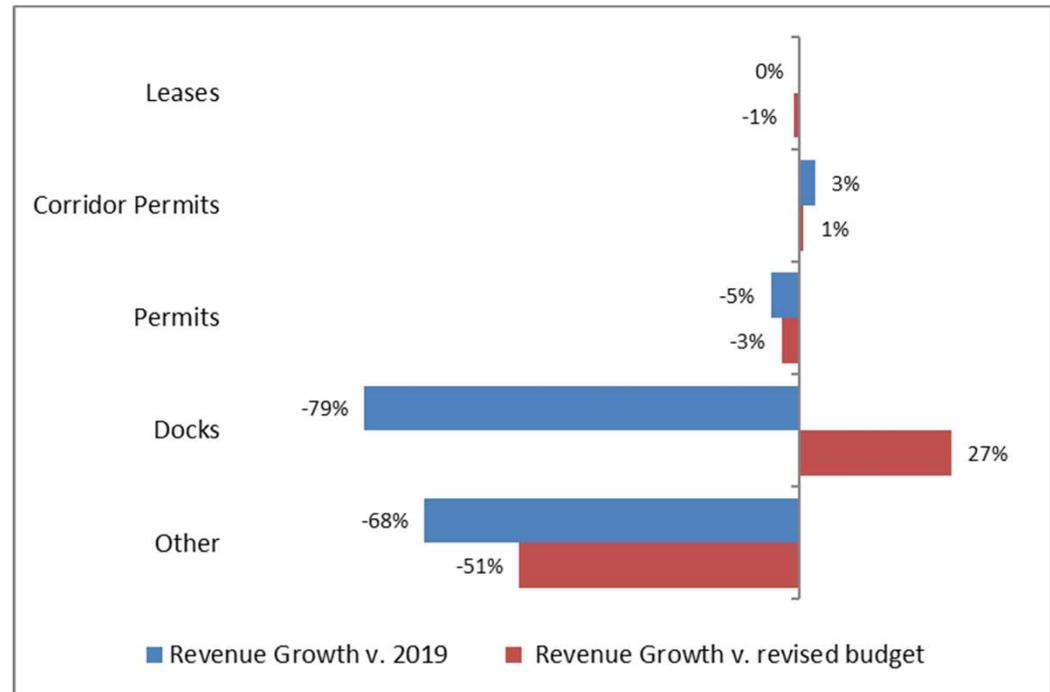
flat - **20%**

v. revised
budget

v. 2019

- Top three categories of real estate revenue comprise 93% of total real estate revenue
- The impact of the pandemic on Dock revenue is clear in the graph to the right as evidenced by the revenue decline as compared to prior year

Real Estate revenue variance



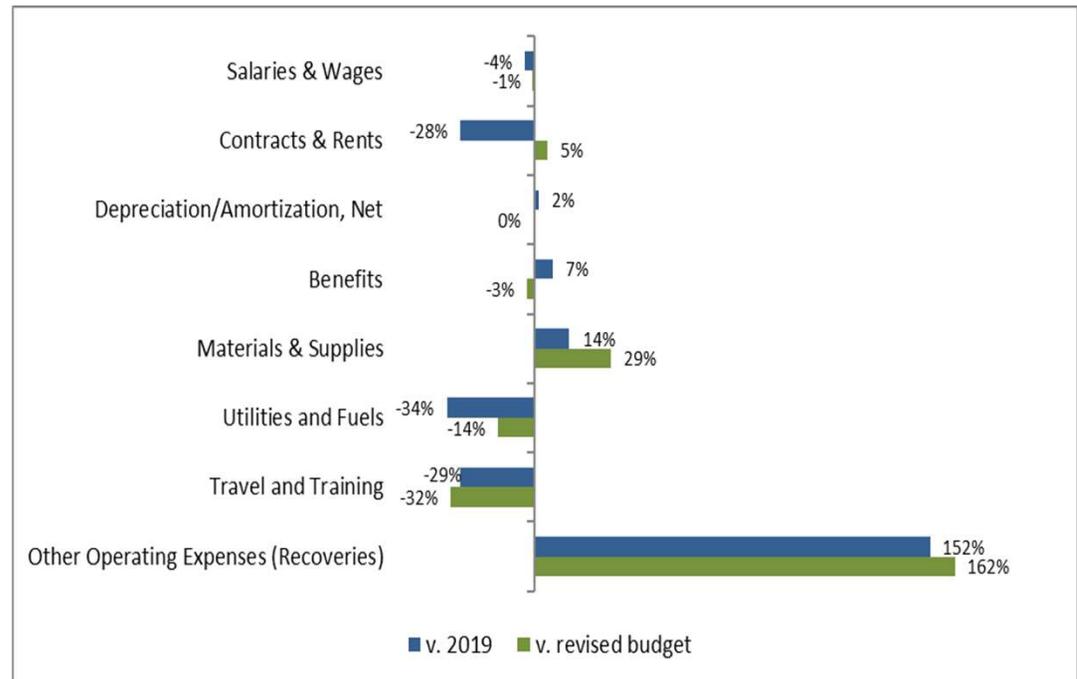
YTD August 2020 Operating Expense Performance

OPERATING EXPENSES

- 5% **- 15%**
 v. revised budget v. 2019

- Lower ARMs barge revenue and the associated lower barge expense in 2020 as compared to prior year drove the change in the Contracts & Rents category
- Lower fuel prices were a driver in the lower Utilities & Fuels category
- Other Operating expenses (recoveries) in 2020 included two tax credit transactions (for tax years 2018 and 2019), which drove the higher recovery in the category

Operating expense variance



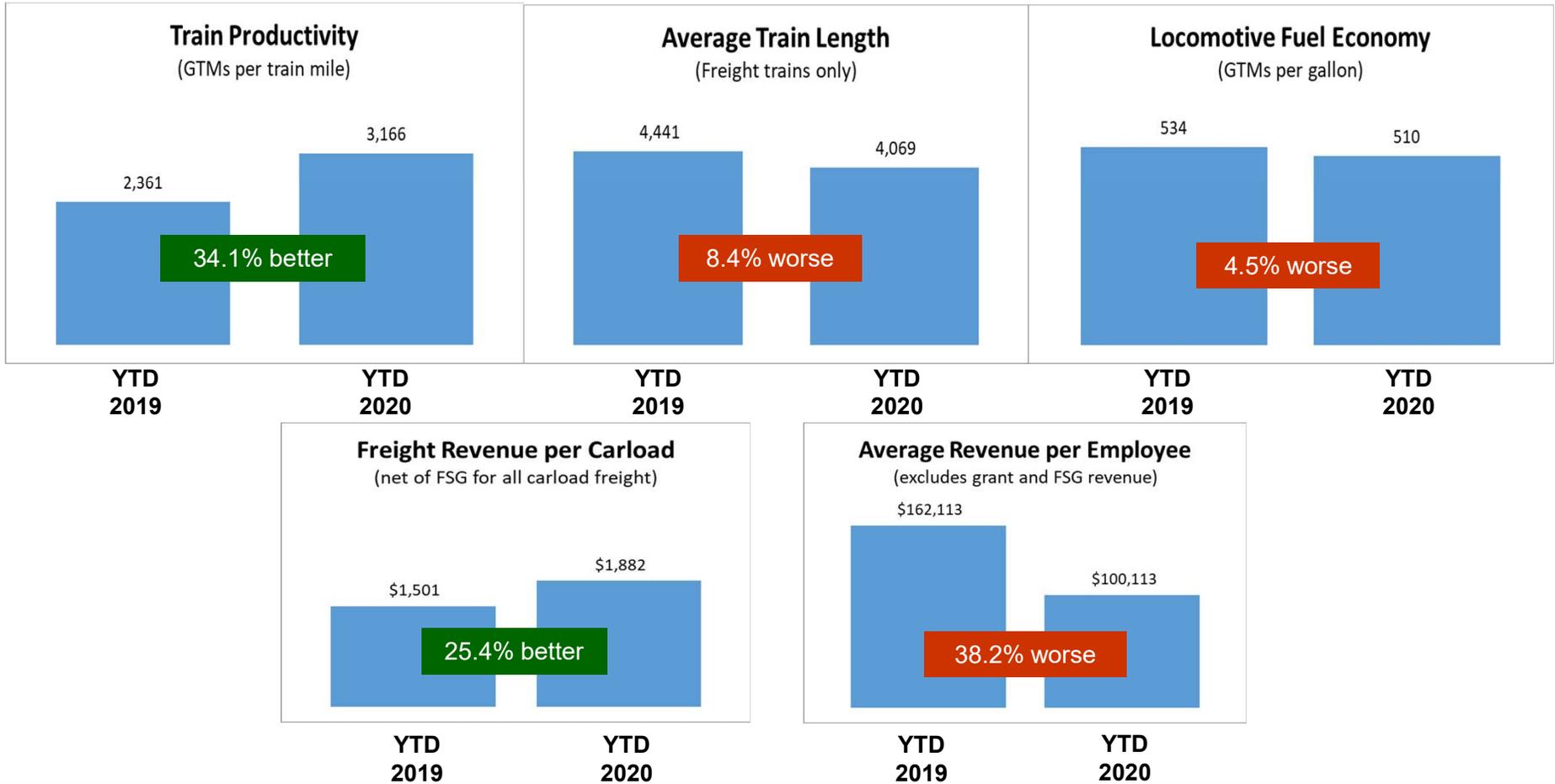
YTD August 2020 Financial Performance

<i>\$ millions</i>						
	YTD August 2020	YTD Revised Budget	Variance from budget	YTD August 2019	Variance from prior year	
Operating Revenues	\$ 52.2	\$ 56.5	\$ (4.3)	\$ 93.0	\$ (40.7)	
Operating Expenses	\$ 76.1	\$ 80.0	\$ (3.9)	\$ 89.5	\$ (13.4)	
Operating Income	\$ (23.9)	\$ (23.5)	\$ (0.3)	\$ 3.5	\$ (27.3)	
Real Estate, net	\$ 7.3	\$ 6.9	\$ 0.4	\$ 10.4	\$ (3.1)	
Other Income (Expense)	\$ 0.3	\$ 0.3	\$ 0.0	\$ 0.8	\$ (0.5)	
Net Income	\$ (16.3)	\$ (16.4)	\$ 0.1	\$ 14.7	\$ (31.0)	

- *Operating revenue under-performance as compared to revised budget is due primarily to weaker than expected freight revenue, with the exception of the ARMS barge business, and to a lesser degree, Petroleum and Local Coal*
- *Operating expenses were below revised budget and prior year*
 - *The completion of two tax credit transactions in March of 2020 for tax years 2018 and 2019 were the driver of the under-budget experience*
- *Real Estate, net performed well, coming in over revised budget, but underperformed prior year*
 - *Lower than budgeted depreciation expense drove the performance versus revised budget*
 - *The impact of the pandemic on Seward Passenger Dock revenue drove the variance to the prior year's performance*
- *Other Income (Expense) performed in line with revised budget and underperformed prior year*
 - *Lower interest rates reduced interest earnings, and the addition of freight car debt raised interest expense v. prior year*
- *As a result, Net Income (loss) outperformed revised budget, but underperformed prior year*



YTD August 2020 Operating Highlights



2020 Forecast

Net income forecast for 2020, given actual YTD August performance and latest revised budget for the remainder of the year, is a \$10.2 million net loss

- *\$32.2 million lower than the original budget net income for the year, due to the impacts of COVID-19 on Alaska's economy and on all three types of ARRC's revenue streams*
- *As we came into the summer train season, we had adjusted for the impact of the pandemic by:*
 - *Suspending winter passenger train service and delaying the start of the summer trains – when we concluded our spring reforecast, we had still anticipated the possibility of ships into Seward beginning in July. The summer reforecast removed the pull revenue and adjusted downward to the demand picture we were seeing for our passenger trains. Summer train service was delayed until July 1, and summer hiring in support of the passenger trains was also delayed. In addition, the loss of the pull trains from the revenue plan resulted in downsizing among the T&E staff to match the new expectation for train starts, however, the expectation that we would, at some point, experience COVID-infected train crews meant we had to hold on to some extra crew resources.*
 - *Met regularly to assess demand and adjusted where necessary – It became clear to us in the second half of July that the Denali Star had more resources than demand was calling for, so we reduced train starts from 7-days per week bi-directional service to 4-days per week single-directional service, thereby reducing operating cost.*
- **Looking ahead into the 2021 budget process, we have a less clear picture than we have experienced in recent memory.**



Date: September 11, 2020

To: ARRC Board of Directors
Bill O'Leary, President and CEO

From: Barbara Amy, Committees' Chairman and Chief Financial Officer

Subject: Pension, 401(k), 457 and Post-Retirement Committees' Accomplishments and Goals

The Alaska Railroad Corporation sponsors the Corporation Pension Plan, 401(k) and 457 Tax Deferred Savings Plans and the Healthcare Trust. The Plans are administered by the 401(k) Tax Deferred Savings and Pension Committee and the Non-Represented Tax Deferred Savings, 457 & Healthcare Plans Committee. The Committee members are pleased to share the following summary of the 2019/2020 Plan Year activities, accomplishments and goals:

- The Committees and staff met 12 times throughout the year.
- The Pension Plan funding status as of January 1, 2020 was 86.6%, on an Actuarial Value Basis, compared to 84.2% as of January 1, 2019.
- The Healthcare Trust funding status as of January 1, 2020 was 357.0%, on an Actuarial Value Basis, compared to 328.2% as of January 1, 2019.
- The Committees replaced the MFS Blended Research US Core Equity Fund with T. Rowe Price Structured Fund in the large cap blend asset class of the Pension and Healthcare Trusts.
- The Committees replaced the Vanguard Mid Cap Growth Fund with the MFS Mid Cap Growth R6 Fund in the 401(k) Plans, and the Pension and Healthcare Trusts.
- The Committees replaced four Vanguard Index Funds with Fidelity Funds in the 401(k) Plans as Vanguard was moving all funds to a higher share class and Fidelity was lowering the expense of their Index Funds.
- The Committees approved and implemented the CARES Act Coronavirus-related distribution/withdrawal of up to \$100,000 in the 401(k) Plans.
- The Committees approved updated Qualified Domestic Relations Order Procedures for all Plans to streamline the process for retirement benefit attachments due to divorce.
- The Committee directed the Plan's Investment Consultant to perform a Healthcare Trust Asset Allocation Study to further reduce the Trust's exposure to equity and alternative investments and increase its' fixed income allocation. This resulted in the Committee's approval to move the Healthcare Trust Assets from a 50/50 allocation to a 60% Fixed Income/40% Equity and Alternatives allocation.

We believe that the Committees have been very productive and successful in the administration and management of these valuable employee benefit plans. Please let me know if you have any questions.

Attachments:

- Annual Report of Pension Plan Performance
- Annual Report of Health Care Plan Performance
- Annual Report of the 401(k) Tax Deferred Savings Plan Performance
- Empower 457 Plan Report.

Alaska Railroad Corporation
Pension Plan
Annual Report - August 2020

The Pension and Represented 401(k) Savings Plan Committee recently received the Plan's Actuarial Valuation report which is an important source of information regarding the funded status of ARRC's Pension Plan. The report's purpose determines the ARRC's annual Actuarially Determined Contribution to the Plan and measures the Plan's funding status and progress. This Annual Report provides information, extracted from the valuation, on the Plan's operations and finances, and highlights the most recent actions taken by the Committee.

In 2019, the Pension Plan started in stark reversal to the dismal Fourth Quarter of 2018 by returning 8.9% in the first quarter alone. The performance continued throughout 2019, ending the calendar year with a return of 18.3%. The Committee continued its focus on effective cost management by keeping the Plan's investment costs at 0.57%. For the year, and trailing 5-year period, the Plan outperformed its policy index which is evidence of effective cost management, staying on target in relation to asset allocation, and adherence to the Investment Policy. All of these factors in 2019 helped the funded status of the Plan.

Plan investments earned approximately 18.3% on a market value basis and 6.6% on the smoothed actuarial asset value basis which is used to determine the Plan's contribution amount. The actuarial loss on the smoothed actuarial value of assets, which is assumed to earn 7.25%, increased the unfunded actuarial accrued liability by approximately \$1.2 million. However, gains in mortality assumption as well as demographic gains more than offset the actuarial shortfall of the investment portfolio, resulting in the Actuarial Accrued Liability being measured at a lower level than expected. As a result, the total Actuarially Determined Contribution, which is ARRC's employer contribution to the Pension Plan, was determined to be \$4.62 million for 2020, which was \$0.6 million lower than what it was in the prior year. Outlined below are a few additional statistics with respect to the Pension Plan:

	2019 ACTIVITY	2018 ACTIVITY
Net Assets January 1	\$ 177,871,494	185,423,712
Employee Contributions	4,476,526	4,340,511
Employer Contributions	5,219,810	3,555,037
Net Investment Income (Loss)	32,627,961	(8,075,058)
Total Additions (Subtractions)	\$ 42,324,297	(179,511)
Pension Benefits Paid	6,909,492	6,079,511
Disability Benefits Paid	51,236	98,675
Refund of Employee Contribution Accounts	1,088,767	883,539
Administrative Expenses	269,365	310,982
Total Deductions	\$ 8,318,860	7,372,707
Net Assets December 31	\$ 211,876,931	177,871,494
Retiree Count	311	296

Additional accomplishments include:

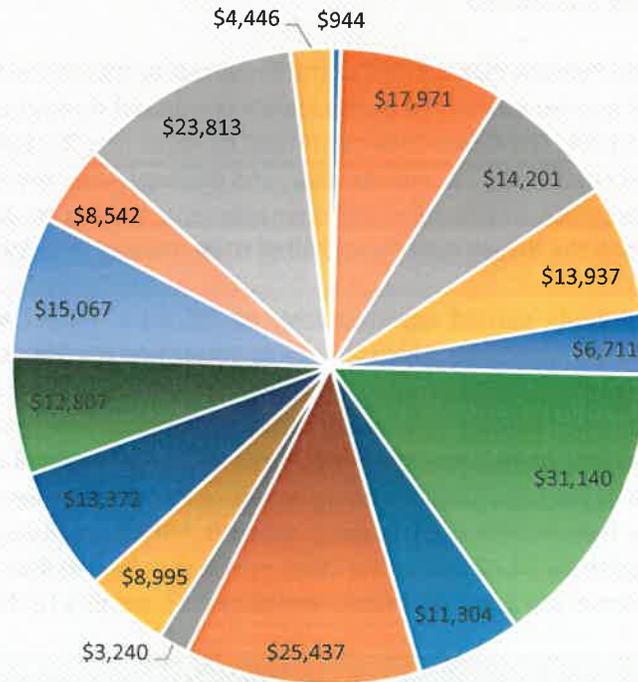
- The Committee welcomed Mr. Schultze as the new Labor Representative Committee member. He filled the seat vacated by Mr. Cain.
- The Committee implemented the use of the Hedge Fund Research, Inc. (HFRI) Fund of Funds (FOF) Conservative index as the primary index for the Total Return Bond funds.

- The Committee approved the Fourth Amendment to the Pension Plan which removed the 1,056 Hours of Service Eligibility Waiting Period to conform to the new TCU contract.
- The Committee approved the Fifth Amendment to the Pension Plan creating Tier 2 Pension benefits to conform to the new ATDA contract.
- The Committee approved a Pro-rata methodology for the Joint & Survivor Annuity Cost associated with Qualified Domestic Relations Orders.

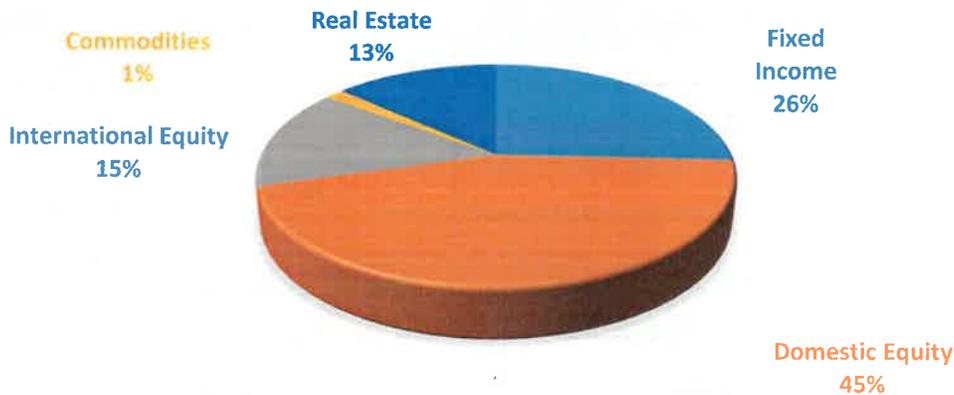
Pension Plan Funds & Assets at December 31, 2019

- Wells Fargo Money Market
- Rothschild Small Cap
- RREEF American-REIT II
- Prime Property Fund
- Rimrock
- MFS International Equity
- Met West Total Return
- Vanguard Institutional Index
- PIMCO Commodity Real Return
- Templeton Global Bond
- Hottchkis & Wiley High Yield
- JP Morgan Mid Cap Value
- Vanguard Mid Cap Growth
- Dimensional - US TIPS
- T Rowe Price US Equity Research
- PIMCO Dynamic Bond

In Thousands



Asset Classes at December 31, 2019



Please contact the Committee Members if you have any questions.
Alaska Railroad Corporation Pension Plan Committee Members

Barbara Amy	Committee Chairman & Chief Financial Officer	Ashley Schultze	Labor Representative
Michael Humphrey	Manager, Records & Benefits	Nathan Lunn	Labor Representative
Theresa MacLeod	Committee Secretary & Manager, Ret Plans	Jennifer Haldane	Chief Human Resources Officer

Alaska Railroad Corporation
401(k) Tax Deferred Savings Plan
Annual Performance Report – August 2020

The Represented and Non-Represented 401(k) Tax Deferred Savings Plan Committees are pleased to present the 401(k) Plan's Annual Report which provides valuable information on the Plan's finances and activity status for the previous year. Some notable statistics are:

- Participants' funds were allocated at the end of 2019 as follows:
 - ✓ Large Cap 26.7%,
 - ✓ Mid Cap 6.4%,
 - ✓ Fixed Income 25.9%,
 - ✓ Small Cap 4.5%,
 - ✓ International 6.4%,
 - ✓ Target Date Retirement Funds 28.8%,
 - ✓ Loan Fund 1.3%.
- The annualized rate of return for the Plan was 19.88% compared to (-4.24%) for 2018.
- The annualized weighted average Expense Ratio was 0.223%.
- The average participant balance was \$157,499.
- The Plan currently offers a choice of 26 investment funds.

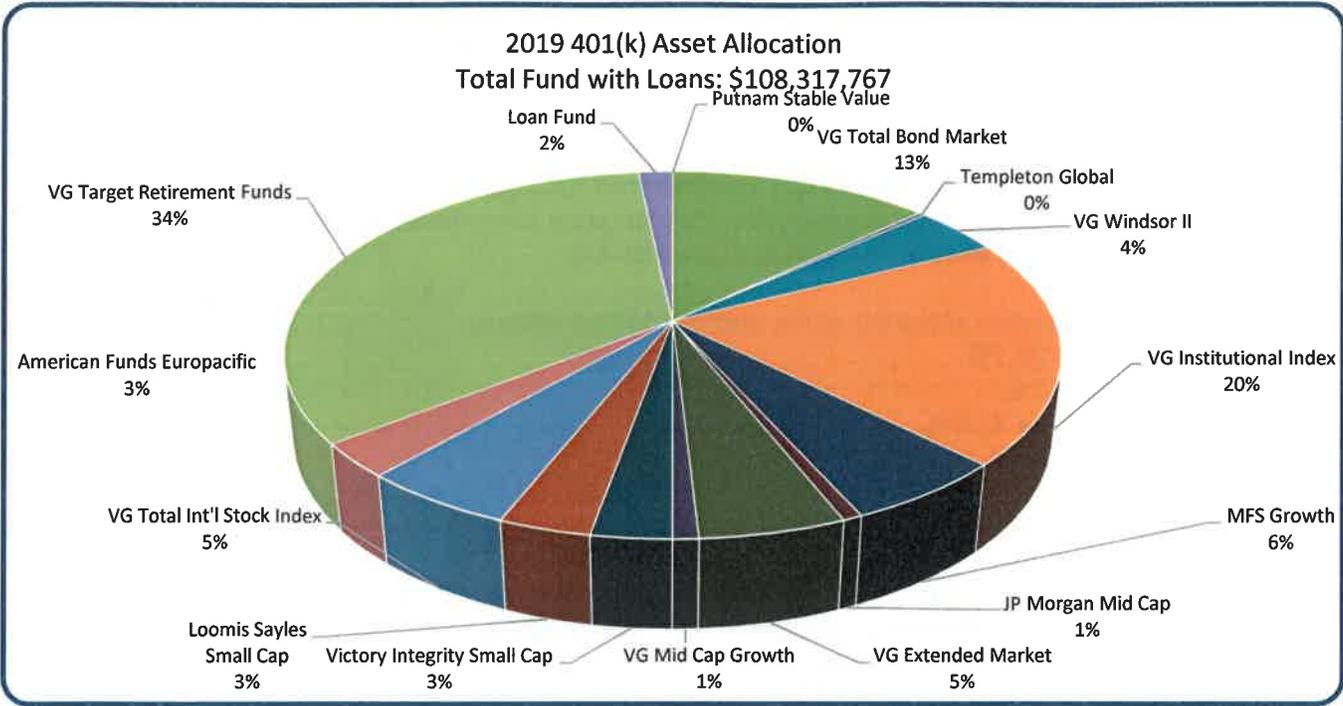
Additional accomplishments include:

- The Committee welcomed Mr. Schultze as the new Labor Representative Committee member. He filled the seat vacated by Mr. Cain.
- The Committee elected a new Record Keeper, Empower Retirement, which resulted in a notable decrease in administrative fees. Approximately \$26,481 was paid to Empower Retirement for 2019 administrative services compared to \$50,647 paid to Vanguard for 2018 services.
- The Committee implemented the Bipartisan Budget Act provisions affecting Hardship withdrawal criteria such as 1) a loan is not required, 2) suspension of contributions for 6 months is not required, and 3) participants may now access all monies.
- The Committee approved the Fourth Amendment allowing ARW participants additional roll-in options.
- The Committee approved the Fifth Amendment which clarified the definition of disability and simplified the disability determination process.
- The Committee approved changing the Loan Interest Rate to the Prime Rate plus 1%.
- The Committee approved a CARES Act optional provision allowing participants to receive a Coronavirus-related withdrawal/distribution of up to \$100,000 through December 2020.

401(k) Plan Activity

	2019	2018
Employee Contributions	\$ 3,777,330	\$ 3,600,197
Employer Match	\$ 871,701	\$ 842,613
TOTAL	\$ 4,649,031	\$ 4,442,810
Plan Balance on 12/31	\$108,317,767	\$ 93,332,781
Average Balance	\$ 157,499	\$ 136,777
Active participants	442	472
All participants	679	660

	%Active Employees Participating	
	2019	2018
ARW	55%	55%
ATDA	78%	80%
TMSTR	75%	81%
Non-Rep	81%	76%
TCU	89%	94%
UTU	74%	73%
TOTAL	69%	68%



Please contact the Committee Members if you have any questions.

- 401(k) Tax Deferred Savings Plan Committee Members:**
- | | |
|------------------|---|
| Barbara Amy | Chairman and Chief Financial Officer |
| Michael Humphrey | Manager, Benefits and Records |
| Jennifer Haldane | Chief Human Resources Officer |
| Nathan Lunn | Labor Representative |
| Ashley Schultze | Labor Representative |
| Theresa MacLeod | Committee Secretary and Manager, Retirement Plans |



Alaska Railroad Corporation 457 Tax Deferred Compensation Plan

Plan Review
June 30, 2020

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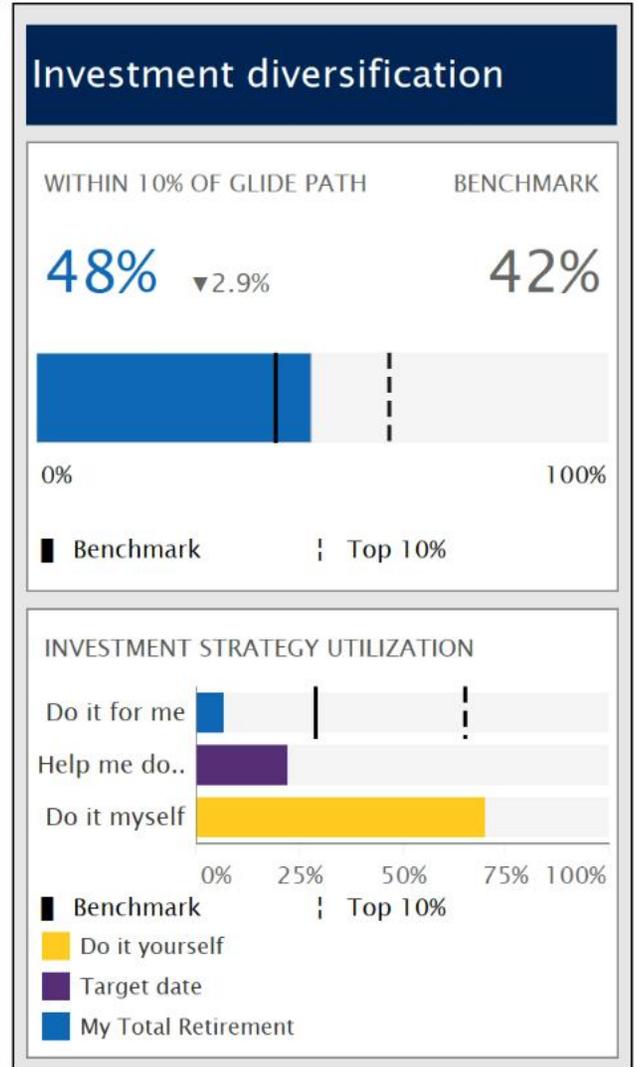
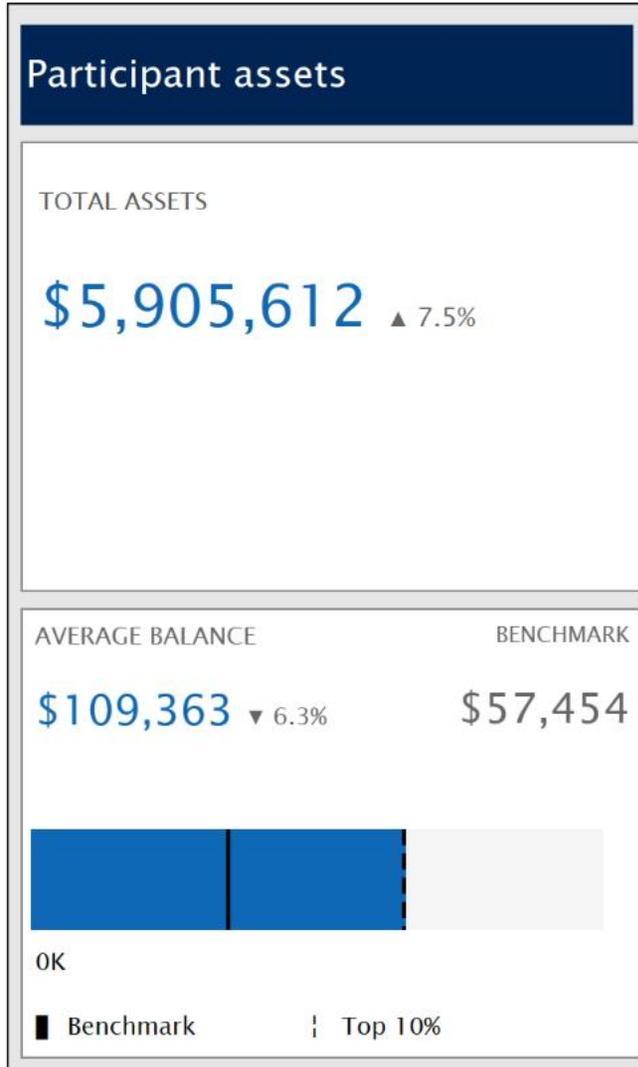
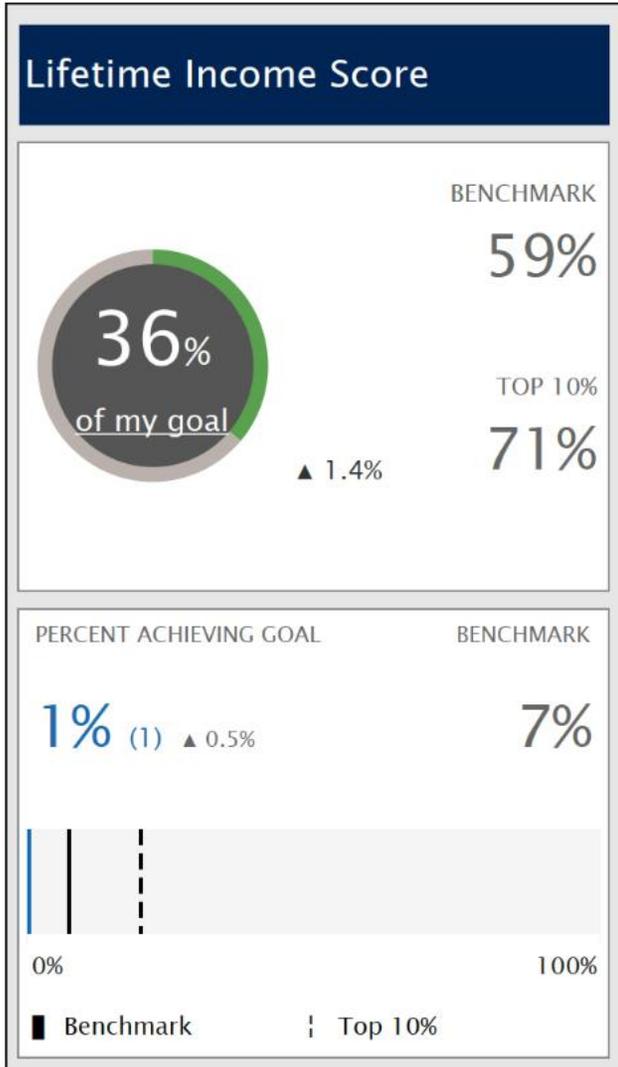
- Plan analytics
- Investment performance

Plan analytics

- Executive summary
- Income replacement
 - Lifetime Income Score™
- Plan overview
 - Plan metrics
 - Cash flow
- Saving
 - Participation rates
 - Participation rates detail
- Saving enough
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 - Participant average balances
 - Loan activity
- Saving appropriately
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 - Asset allocation
 - Net interfund transfer activity
 - Net interfund activity by asset class
 - Investment strategy and investment count
 - Advisory services
 - Self-directed brokerage account
 - Single investment holders - DIY
 - Single investment holders - TDF
 - Equity positions

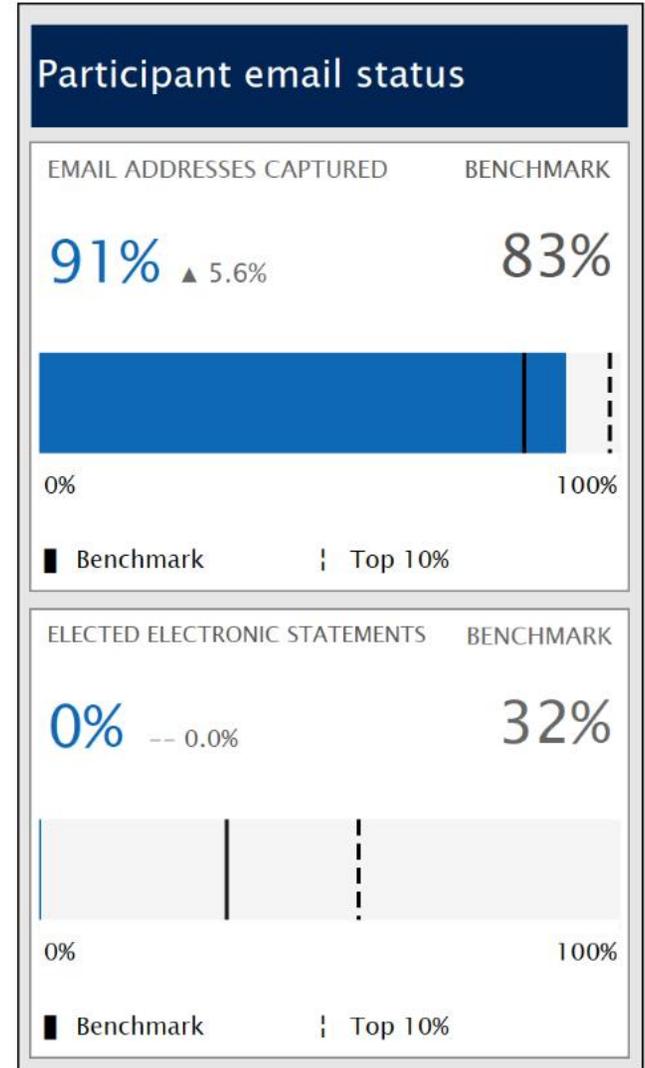
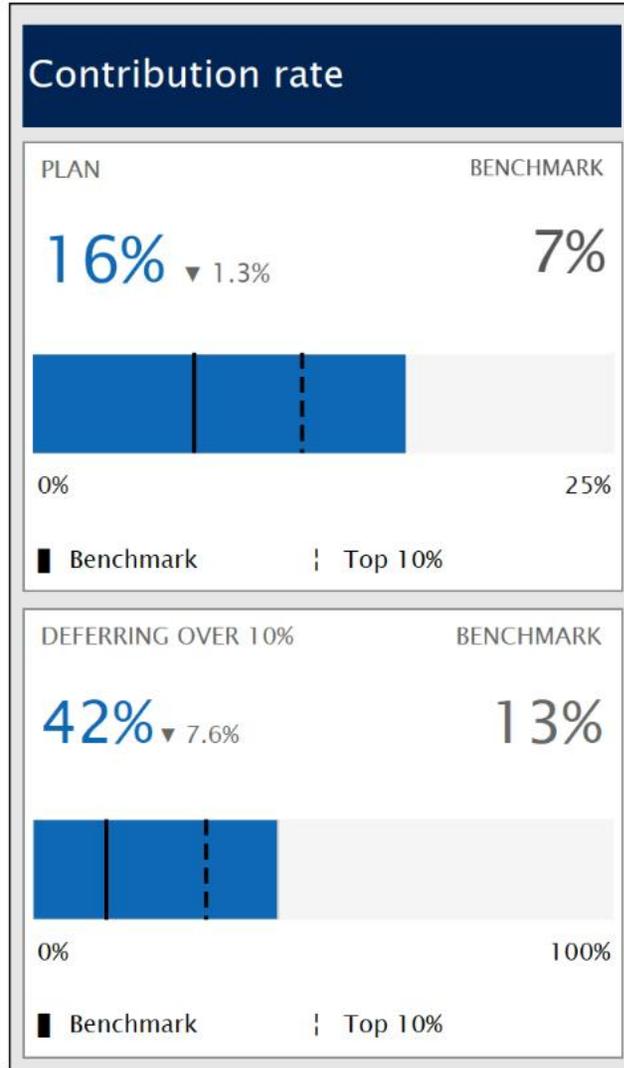
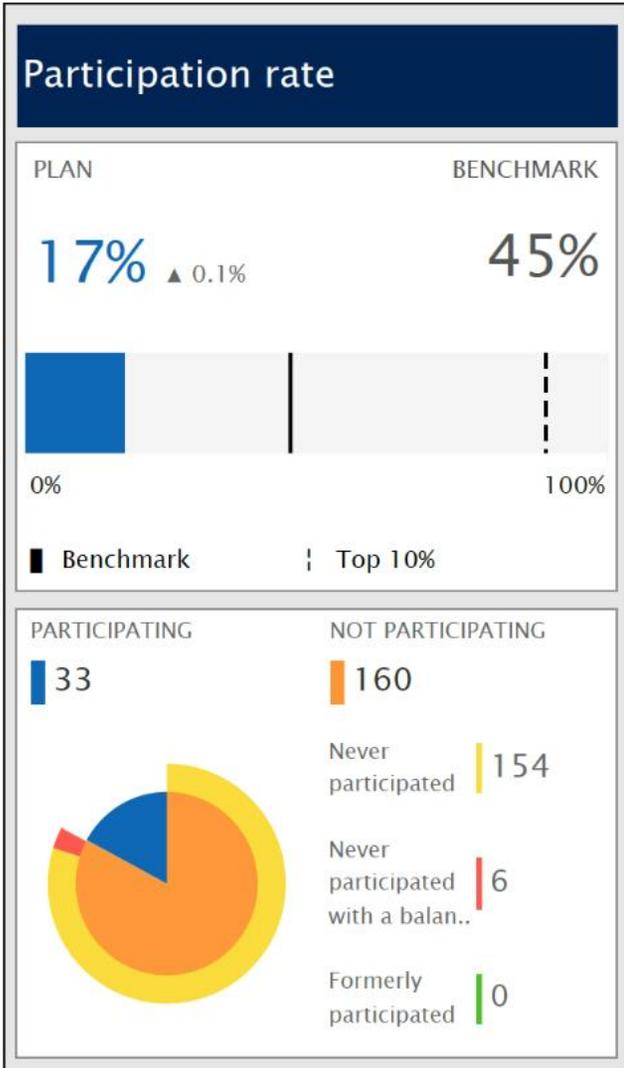
Executive summary

As of 06/30/2020



Executive summary

As of 06/30/2020



Plan metrics

As of 06/30/2020

	12/31/2018	12/31/2019	06/30/2020
Plan Health			
Lifetime Income Score (Median) ^	40.60%	44.16%	36.23%
Participation/Enrollment Detail			
Eligible Employees	182	189	193
Participating Employees	28	32	33
Participation Rate	15.38%	16.93%	17.10%
Average Contribution Rate for Deferring	18.29%	17.90%	16.10%
Average Contribution Rate for All Eligibles	2.81%	3.03%	2.75%
Participant Detail			
Average Age	53.89	52.32	52.43
All Ppt With a Balance	44	50	54
Average Account Balance	\$106,306.22	\$115,291.27	\$109,363.18
Average Tenure in Years	13.41	12.64	12.28
% Ppt email addresses captured	63.64%	86.00%	90.74%
% Ppts opting into receive electronic statements	0.00%	0.00%	0.00%
Investment Detail			
# of Non-TDF Funds Offered	15	14	14
# of TDF Funds	12	12	12
Average # of Funds Utilized	3.64	3.84	4.09
% of Participants Using Asset Allocation Model	0.00%	0.00%	0.00%
# of Participants Using Asset Allocation Model	0	0	0
% of Participants Using Managed Accounts	0.00%	6.00%	7.41%
# of Participants Using Managed Accounts	0	3	4
% of Participants Using TDF	18.18%	22.00%	22.22%
# of Participants Using TDF	8	11	12

The projections, or other information generated by the Lifetime Income Score (LIS), including the likelihood of various investment outcomes, are hypothetical in nature. They do not reflect actual plan or investment results and are not guarantees of future results. The results may vary with each use and over time. Please refer to the Plan Service Center for additional information, including methodology and assumptions.

^ The plan median LIS assumes a retirement income replacement rate of 75%.

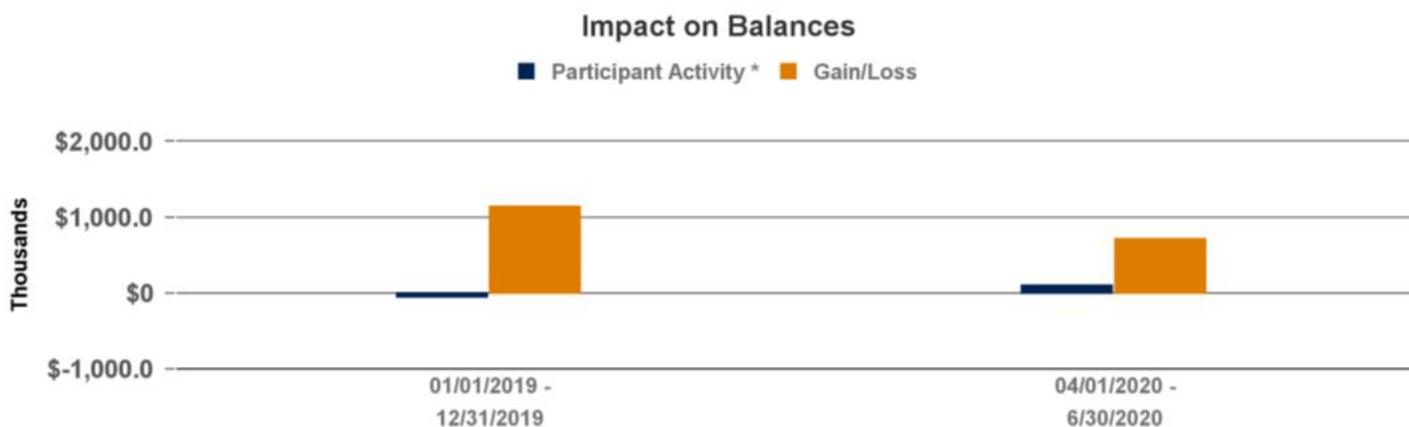
Plan metrics

As of 6/30/2020

457 Participation:	With a Balance	Non-Participating	Total Eligible	Participation Rate
Non-Represented Employees	40	177	217	18%
Board	1	0	1	100%
Unassigned	13	8	21	61%

Cash flow

As of 06/30/2020



	01/01/2019 - 12/31/2019	04/01/2020 - 06/30/2020
Beginning Balance	\$4,677,473.66	\$5,092,738.38
Contribution	\$504,627.31	\$99,997.83
Total Disbursements	-\$554,330.82	\$0.00
Participant Fees **	-\$1,835.38	-\$523.20
Other ***	\$0.00	\$0.00
Gain/Loss	\$1,138,628.87	\$713,398.93
Ending Balance	\$5,764,563.64	\$5,905,611.94

* Participant Activity includes the sum of Contributions and Total Disbursements.

** Fees may include but are not limited to: transactional and plan administrative fees.

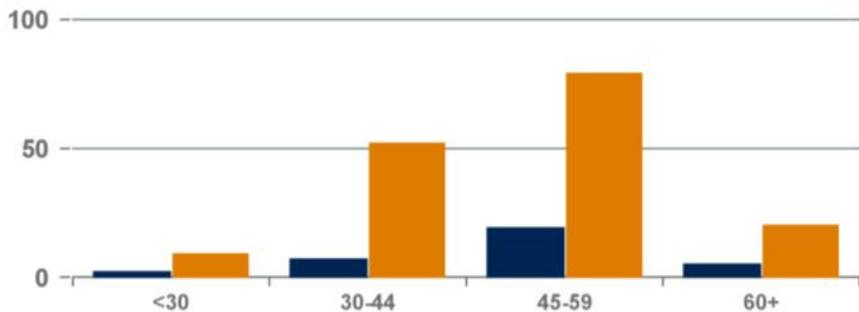
*** Other includes 'Transfer In', 'Transfer Out', 'Adjustments', 'Loan Issue' and 'Loan Payment'.

Participation rates

As of 06/30/2020

by Age Group

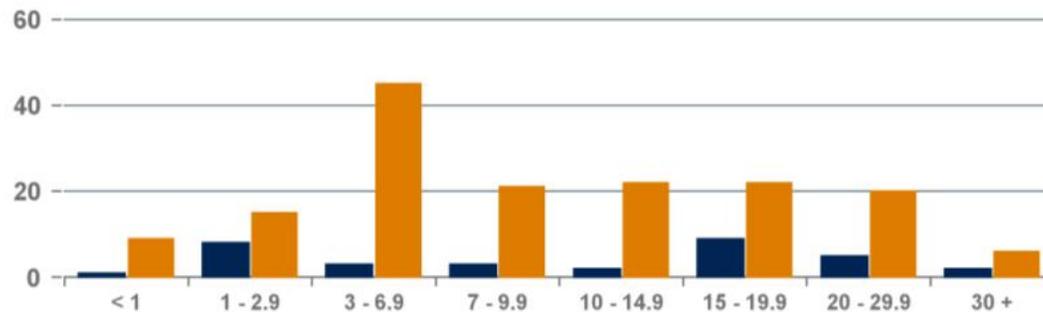
■ Contributing ■ Not Contributing



	<30	30-44	45-59	60+
Contributing	2	7	19	5
Not Contributing	9	52	79	20
Participation Rate	18.18%	11.86%	19.39%	20.00%

by Tenure (Years)

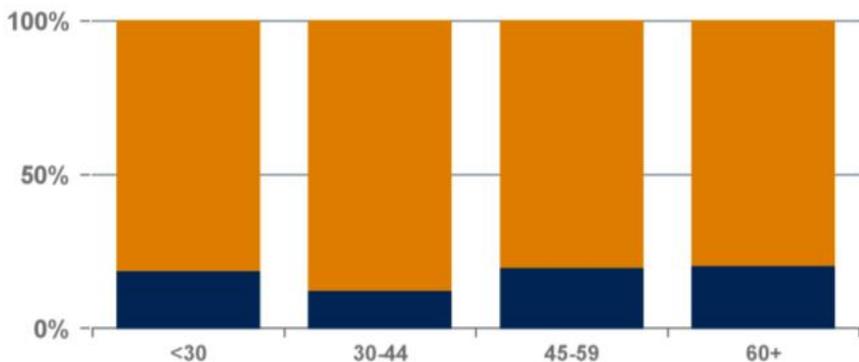
■ Contributing ■ Not Contributing



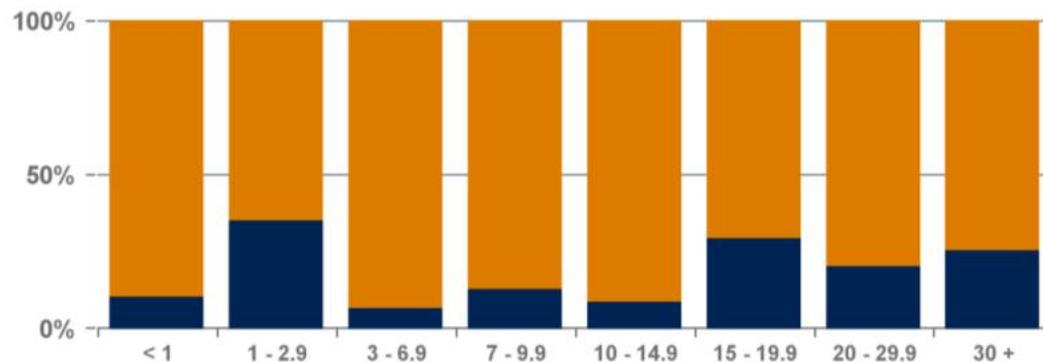
	<1	1 - 2.9	3 - 6.9	7 - 9.9	10 - 14.9	15 - 19.9	20 - 29.9	30 +
Contributing	1	8	3	3	2	9	5	2
Not Contributing	9	15	45	21	22	22	20	6
Participation Rate	10.00%	34.78%	6.25%	12.50%	8.33%	29.03%	20.00%	25.00%

Plan Participation Rate: 17.1%

■ Contributing ■ Not Contributing

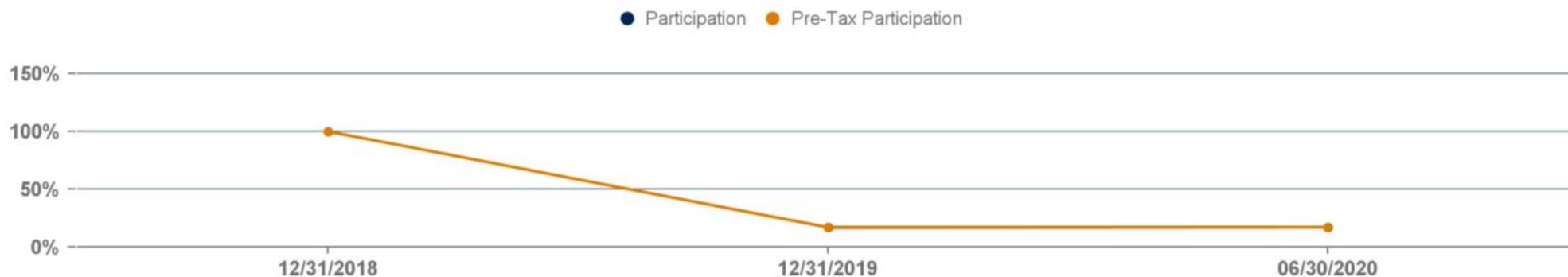


■ Contributing ■ Not Contributing



Participation rates detail

As of 06/30/2020



	Participation	Pre-Tax Participation
12/31/2018	0%	100.00%
12/31/2019	16.93%	16.93%
06/30/2020	17.10%	17.10%

As of 06/30/2020

Tenure (Years)	Contributing	Participation	Pre-Tax Participation
< 1	1	10.00%	10.00%
1 - 2.9	8	34.78%	34.78%
3 - 6.9	3	6.25%	6.25%
7 - 9.9	3	12.50%	12.50%
10 - 14.9	2	8.33%	8.33%
15 - 19.9	9	29.03%	29.03%
20 - 29.9	5	20.00%	20.00%
30 +	2	25.00%	25.00%
Total	33	17.10%	17.10%

Gender	Contributing	Participation	Pre-Tax Participation
Female	9	18.00%	18.00%
Male	22	15.94%	15.94%
Unknown	2	40.00%	40.00%
Total	33	17.10%	17.10%

Age Group	Contributing	Participation	Pre-Tax Participation
<30	2	18.18%	18.18%
30-44	7	11.86%	11.86%
45-59	19	19.39%	19.39%
60+	5	20.00%	20.00%
Total	33	17.10%	17.10%

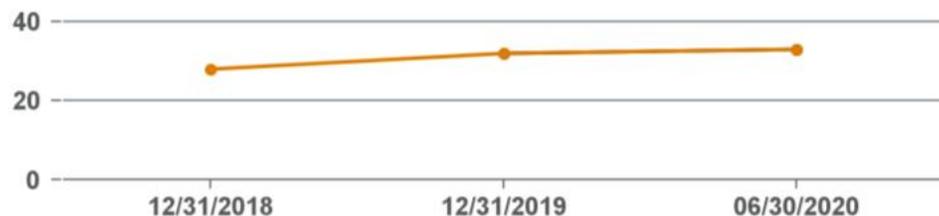


Contribution Rate

As of 06/30/2020

Number of Employees Contributing

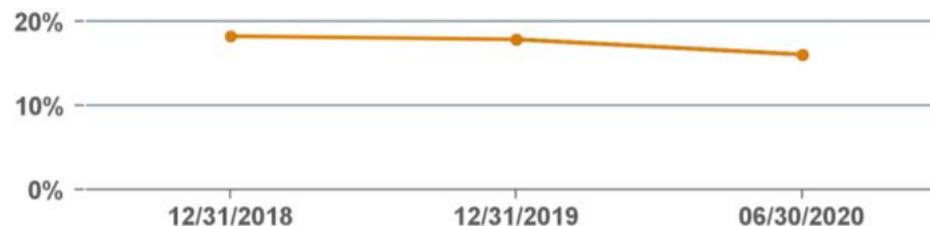
● Contributing ● Pre-Tax



	12/31/2018	12/31/2019	06/30/2020
Contributing	0	32	33
Contributing Pre-Tax	28	32	33

Average Contribution Rate

● Contributing ● Pre-Tax %



	12/31/2018	12/31/2019	06/30/2020
Contributing	0.00%	17.90%	16.10%
Pre-Tax %	18.29%	17.90%	16.10%

As of 06/30/2020

Tenure (Years)	Contributing	Contributing	Pre-Tax %
< 1	1	1.00%	1.00%
1 - 2.9	8	9.86%	9.86%
3 - 6.9	3	8.34%	8.34%
7 - 9.9	3	4.00%	4.00%
10 - 14.9	2	100.00%	100.00%
15 - 19.9	9	17.70%	17.70%
20 - 29.9	5	8.20%	8.20%
30 +	2	7.00%	7.00%
Total	33	16.10%	16.10%

Gender	Contributing	Contributing	Pre-Tax %
Female	9	8.43%	8.43%
Male	22	11.60%	11.60%
Unknown	2	100.00%	100.00%
Total	33	16.10%	16.10%

Age Group	Contributing	Contributing	Pre-Tax %
<30	2	3.00%	3.00%
30-44	7	10.14%	10.14%
45-59	19	16.06%	16.06%
60+	5	29.80%	29.80%
Total	33	16.10%	16.10%

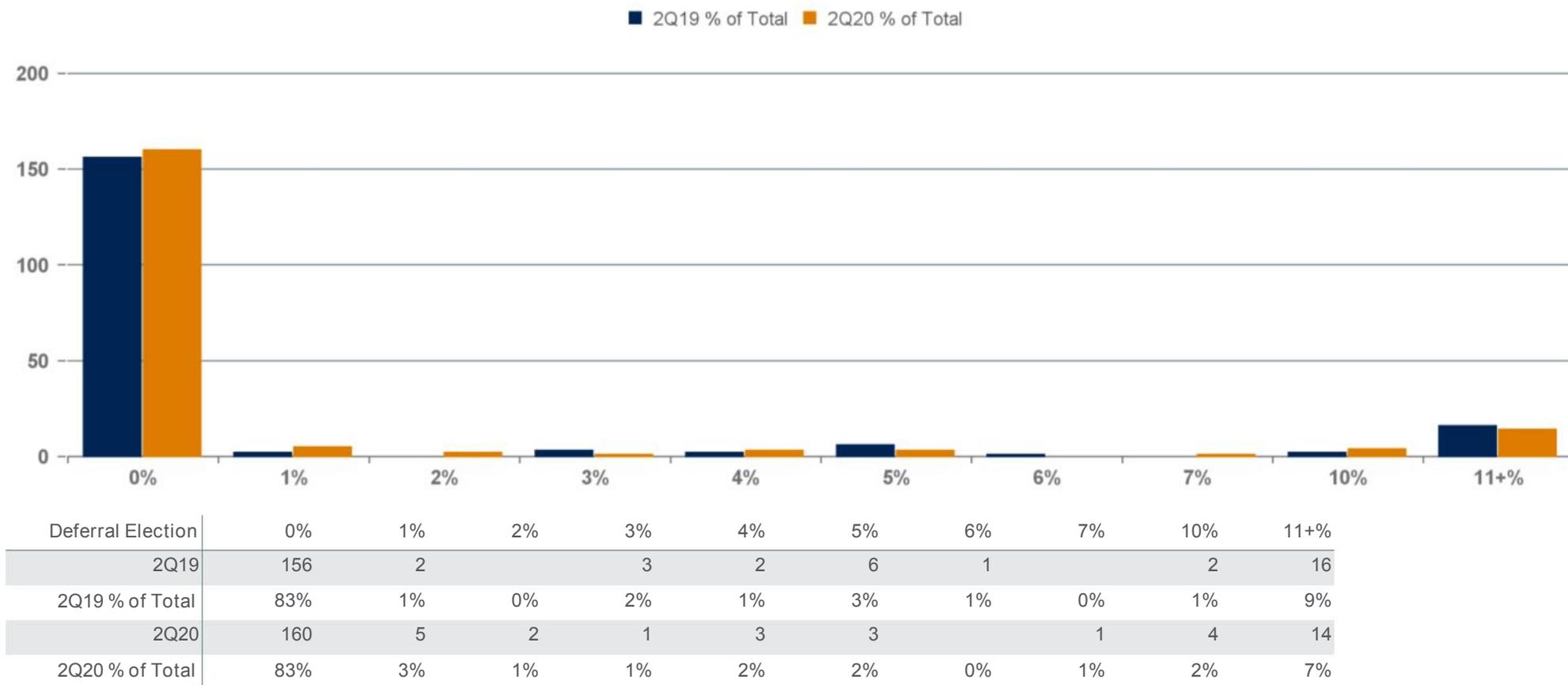
If the plan allows for dollar deferrals, participants contributing a dollar amount are included in the contribution count but cannot be included in the average contribution rate unless we have a valid salary. The percentages may not reflect your plan's maximum deferral constraints.

Overall Average Contribution Rate is calculated by adding together Pre-Tax, After-Tax, Roth and Catch-Up contribution rates available on our system

Distribution of deferral elections percent of all contributing

As of 06/30/2020

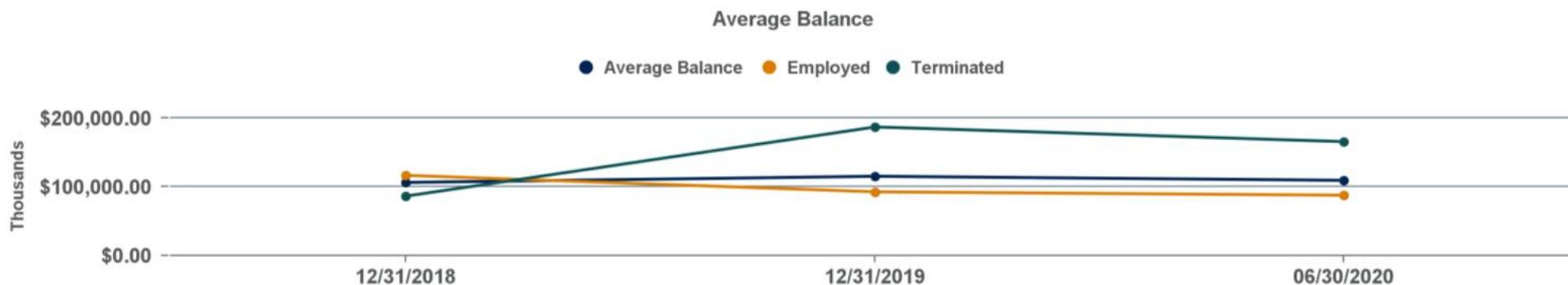
2Q19 Total Contributing = 32 2Q19 Total Not Contributing = 156
2Q20 Total Contributing = 33 2Q20 Total Not Contributing = 160



If the plan allows for dollar deferrals, participants contributing a dollar amount are included in the contribution count but cannot be included in the average contribution rate unless we have a valid salary. The percentages may not reflect your plan's maximum deferral constraints.

Participant average balances

As of 06/30/2020



	12/31/2018	12/31/2019	06/30/2020
Average Balance	\$106,306.22	\$115,291.27	\$109,363.18
Employed	\$116,644.60	\$92,607.90	\$87,718.99
Terminated	\$86,318.68	\$187,121.94	\$165,638.10

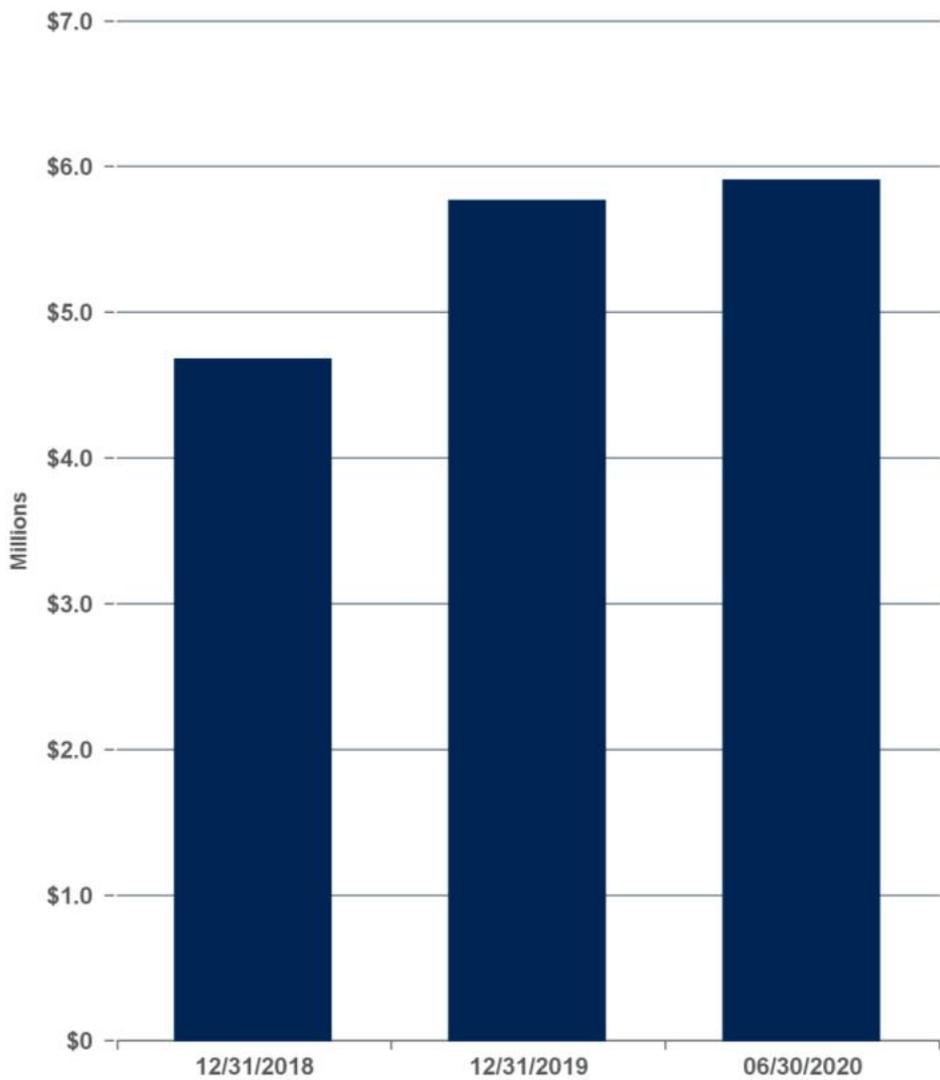
As of 06/30/2020

Employment Status	# of Participants	Average Balance	Tenure (In Years)	Employed # of Participants	Average Balance	Terminated # of Participants	Average Balance
Employed	39	\$87,718.99	< 1	2	\$157,291.76	2	\$135,814.07
Terminated	15	\$165,638.10	1 - 2.9	8	\$21,536.85	3	\$29,472.45
			3 - 6.9	5	\$26,873.11	2	\$108,758.26
			7 - 9.9	4	\$22,553.09	1	\$172,218.76
			10 - 14.9	2	\$113,975.86	2	\$109,542.69
			15 - 19.9	9	\$166,611.16	2	\$560,211.81
			20 - 29.9	6	\$149,552.59	1	\$70,328.16
			30 +	3	\$28,272.22	2	\$162,476.77
Salary	# of Participants	Average Balance					
< 35000	1	\$313,582.92					
55000-75000	2	\$2,201.06					
75000 -95000	10	\$67,804.14					
95000 -115000	6	\$64,274.05					
>115000	24	\$135,929.48					
No Salary	11	\$114,693.97					

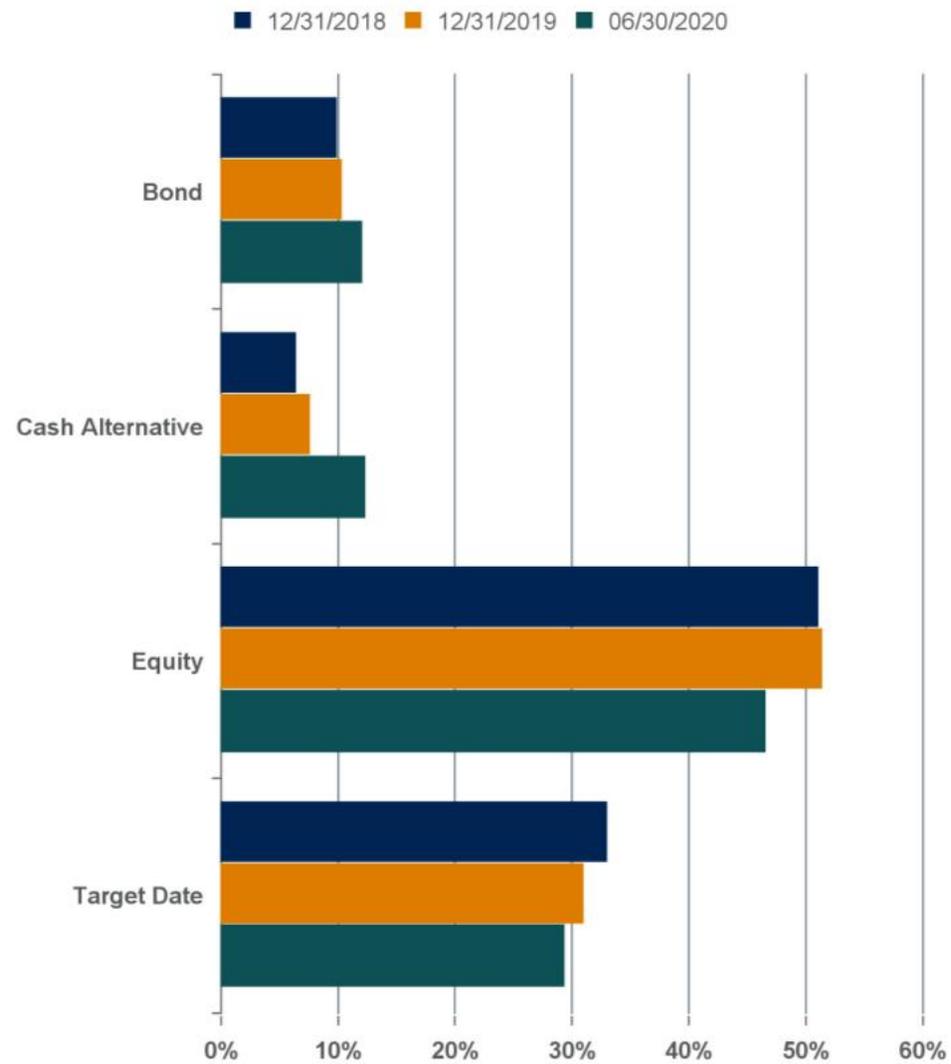
Participant Assets

As of 06/30/2020

Total Participant Assets

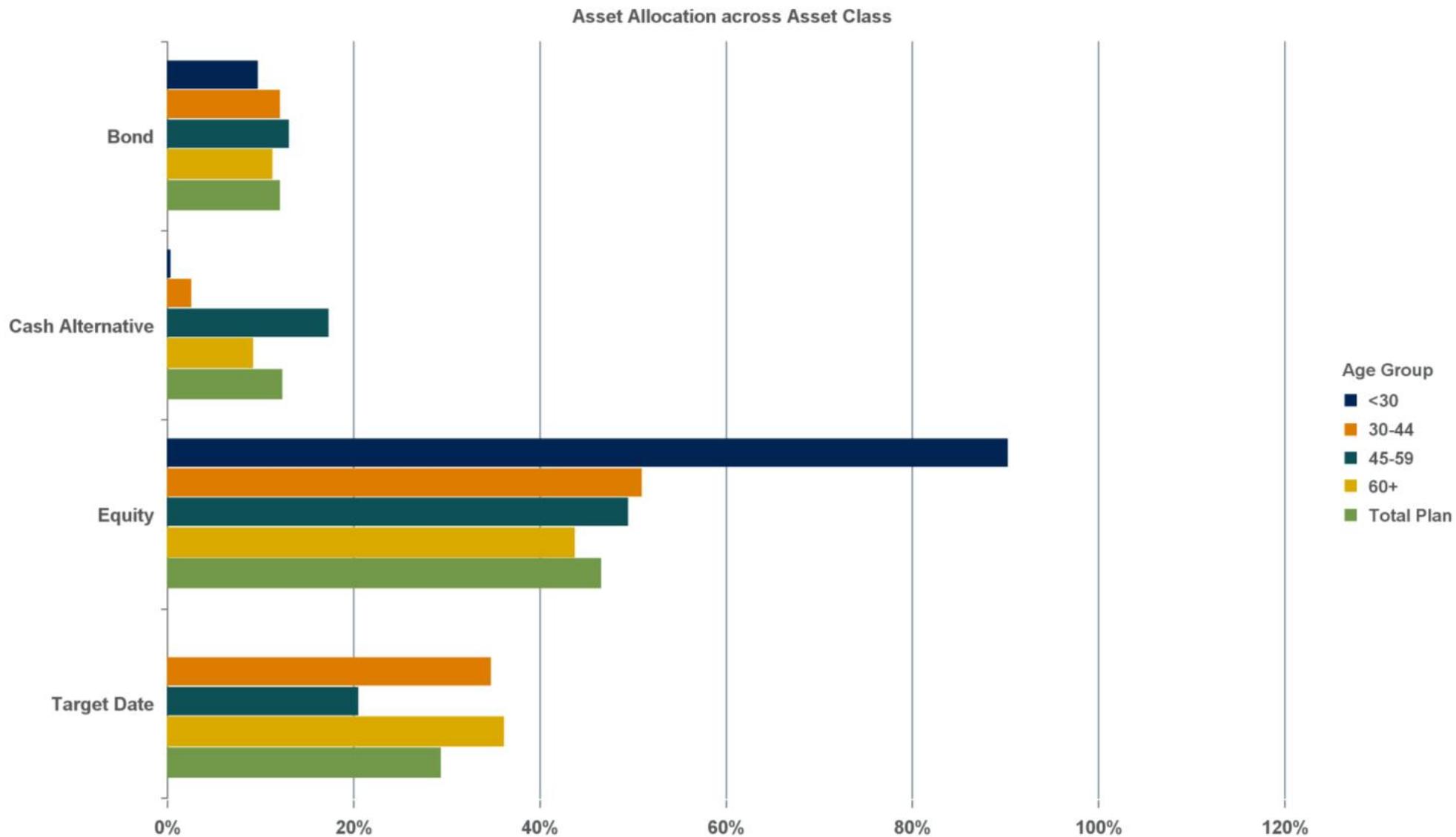


Participant Assets by Asset Class



Asset allocation by age group

As of 06/30/2020



Asset allocation

As of 06/30/2020

Asset Class	Investment	As of 06/30/2019			As of 06/30/2020		
		Total Balance	% of Total	Participants	Total Balance	% of Total	Participants
Bond	Fidelity US Bond Index	\$0.00	0.00%		\$665,132.19	11.26%	26
	Templeton Global Bond R6	\$26,400.09	0.48%	6	\$43,386.12	0.73%	8
	Vanguard Total Bond Market Index Inst	\$631,605.89	11.51%	25	\$0.00	0.00%	
Cash Alternative	Putnam Stable Value Fund: 15bps	\$105,381.68	1.92%	4	\$723,567.29	12.25%	16
	Vanguard Retirement Savings Trust	\$278,518.49	5.08%	7	\$0.00	0.00%	
Equity	American Funds EuroPacific Gr R6	\$316,555.96	5.77%	13	\$308,597.59	5.23%	16
	Fidelity 500 Index	\$0.00	0.00%		\$685,151.25	11.60%	29
	Fidelity Extended Market Index	\$0.00	0.00%		\$124,484.16	2.11%	19
	Fidelity Total Intl Index Instl Premium	\$0.00	0.00%		\$116,223.59	1.97%	13
	JPMorgan Mid Cap Value R6	\$40,234.17	0.73%	5	\$34,348.45	0.58%	7
	Loomis Sayles Small Cap Growth N	\$213,559.21	3.89%	4	\$216,147.31	3.66%	4
	MFS Growth R6	\$641,990.71	11.70%	8	\$814,924.05	13.80%	13
	Vanguard Extended Market Idx I	\$127,623.23	2.33%	17	\$0.00	0.00%	
	Vanguard Institutional Index I	\$715,975.89	13.05%	26	\$0.00	0.00%	
	Vanguard Mid Cap Growth Inv	\$73,544.48	1.34%	5	\$30,895.98	0.52%	3
	Vanguard Total Intl Stock Index I	\$116,649.87	2.13%	12	\$0.00	0.00%	
	Vanguard Windsor II Fund - Admiral	\$301,313.86	5.49%	14	\$204,463.12	3.46%	17
	Victory Integrity Small Cap Value R6	\$266,772.57	4.86%	7	\$209,863.22	3.55%	10
Target Date	Vanguard Target Retirement 2015 Inv	\$86,888.88	1.58%	2	\$94,821.44	1.61%	3
	Vanguard Target Retirement 2020 Inv	\$211,629.77	3.86%	4	\$180,842.65	3.06%	4
	Vanguard Target Retirement 2025 Inv	\$180,379.33	3.29%	8	\$197,915.51	3.35%	8
	Vanguard Target Retirement 2030 Inv	\$73,584.58	1.34%	5	\$142,482.04	2.41%	5
	Vanguard Target Retirement 2035 Inv	\$376,640.51	6.86%	6	\$428,586.3	7.26%	7
	Vanguard Target Retirement 2040 Inv	\$63,088.12	1.15%	3	\$95,813.33	1.62%	4

Asset allocation

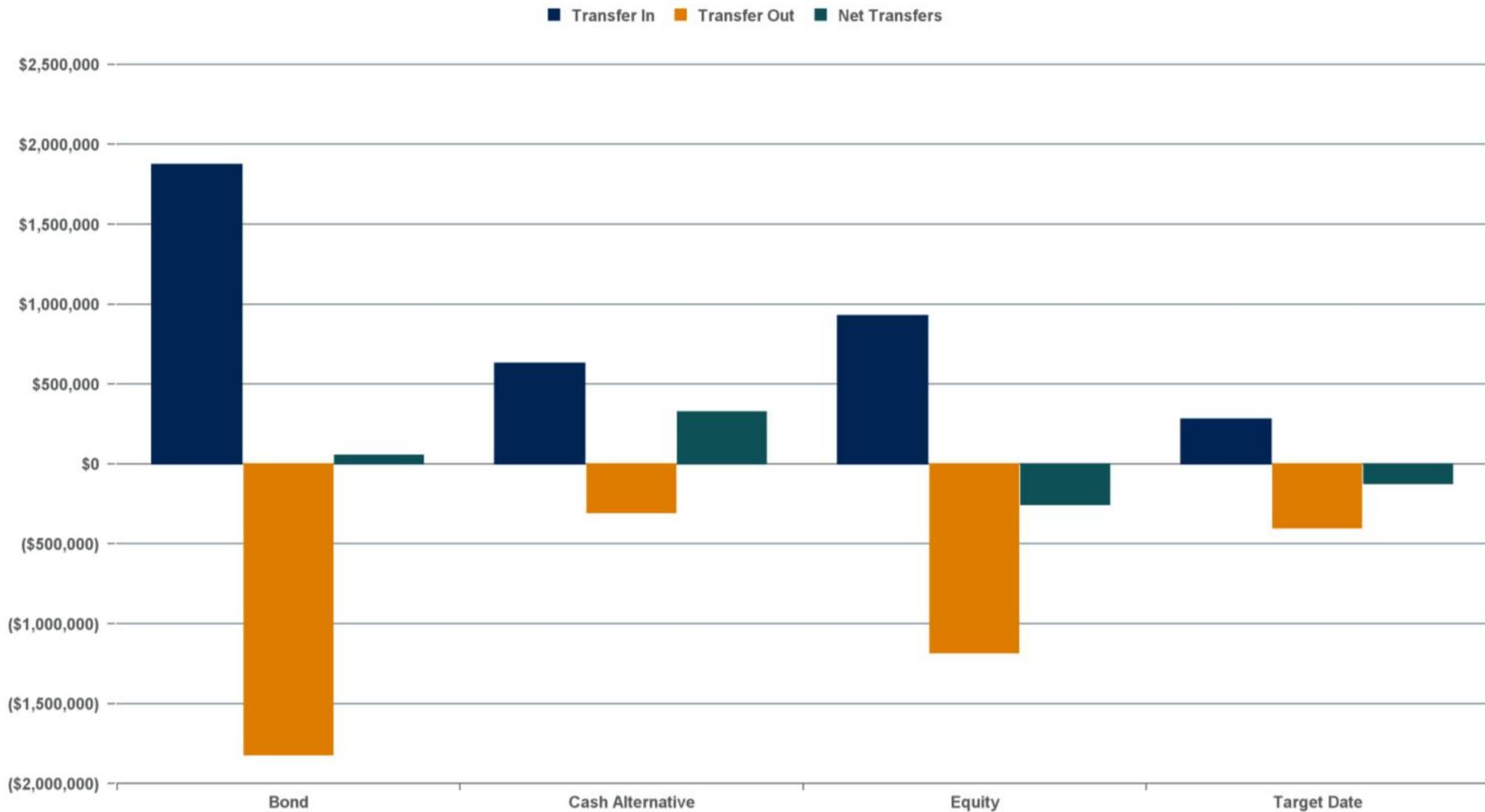
As of 06/30/2020

Asset Class	Investment	As of 06/30/2019			As of 06/30/2020		
		Total Balance	% of Total	Participants	Total Balance	% of Total	Participants
	Vanguard Target Retirement 2045 Inv	\$0.00	0.00%		\$10,171.47	0.17%	1
	Vanguard Target Retirement 2050 Inv	\$5,318.04	0.10%	2	\$15,593.42	0.26%	2
	Vanguard Target Retirement 2060 Inv	\$0.00	0.00%		\$1,804.69	0.03%	1
	Vanguard Target Retirement Income Inv	\$633,826.5	11.55%	4	\$560,396.77	9.49%	5
Total Balance:		\$5,487,481.83			\$5,905,611.94		

Net transfer activity by asset class

Rolling 12 Months as of 06/30/2020

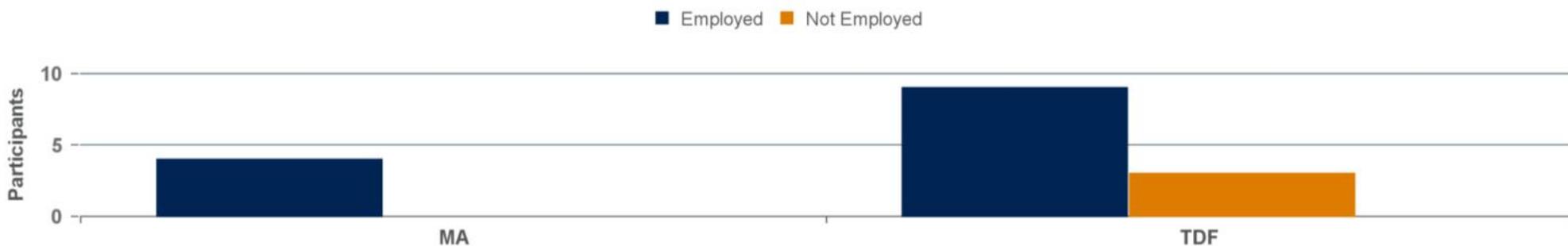
Dollars



Investment strategy and investment count

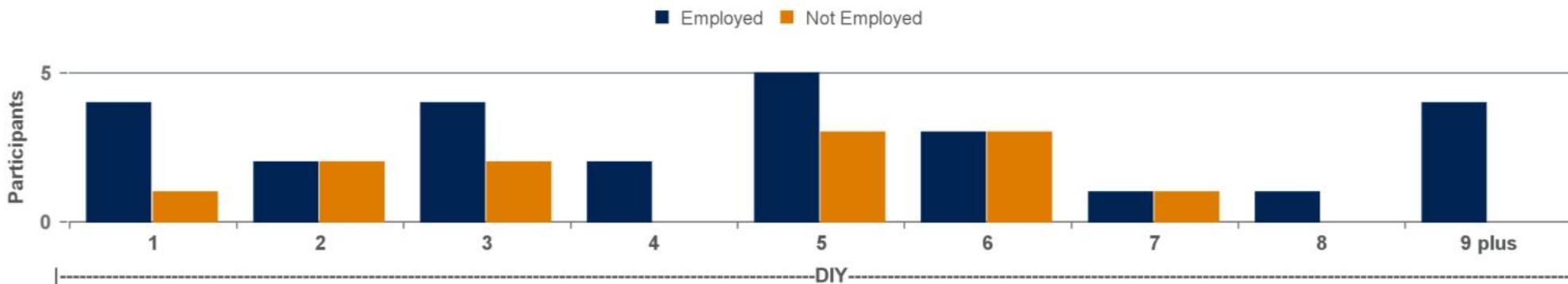
As of 06/30/2020

Participant Count by Investment Strategy



	MA	TDF
Employed	4	9
Not Employed	0	3

DIY - Participant Count by Number of Investments



	1	2	3	4	5	6	7	8	9 plus
Employed	4	2	4	2	5	3	1	1	4
Not Employed	1	2	2	0	3	3	1	0	0

Investment strategy refers to the approach a participant takes with regard to managing their investments. The following strategies are dependent on that service being offered within the plan. Each strategy classification is exclusive; meaning a participant is only included in one group as of the last day of the reporting period. Managed Accounts (MA) refers to anyone enrolled in the service. Online Advice (ADV) investors utilize online advice for Managed Accounts. The Asset Allocation Model (AAM) group includes anyone enrolled in a model portfolio. Brokerage (BR) includes participants taking advantage of the self-directed brokerage option; therefore the balance illustrated in this investment strategy may include non-brokerage investments. The Target Date Fund (TDF) group includes anyone with greater than 95% of their investments in one or two target date fund(s); therefore up to 5% of the balance illustrated in the investment strategy may be from non-target date funds. Risk Based (RB) group includes anyone with greater than 95% of their investments in funds designated as asset allocation with a risk tolerance grade; therefore up to 5% of the balance illustrated in the investment strategy may be from non-risk based investments. Any participants not in one of the prior strategies would be designated as Do-it-yourself (DIY).



Advisory services

As of 06/30/2020

	2Q20
Participants with Advice	0
Participants with Managed Accounts	4
Total Participants With Balance in the Plan	54
Percentage using Managed Accounts	7.41%

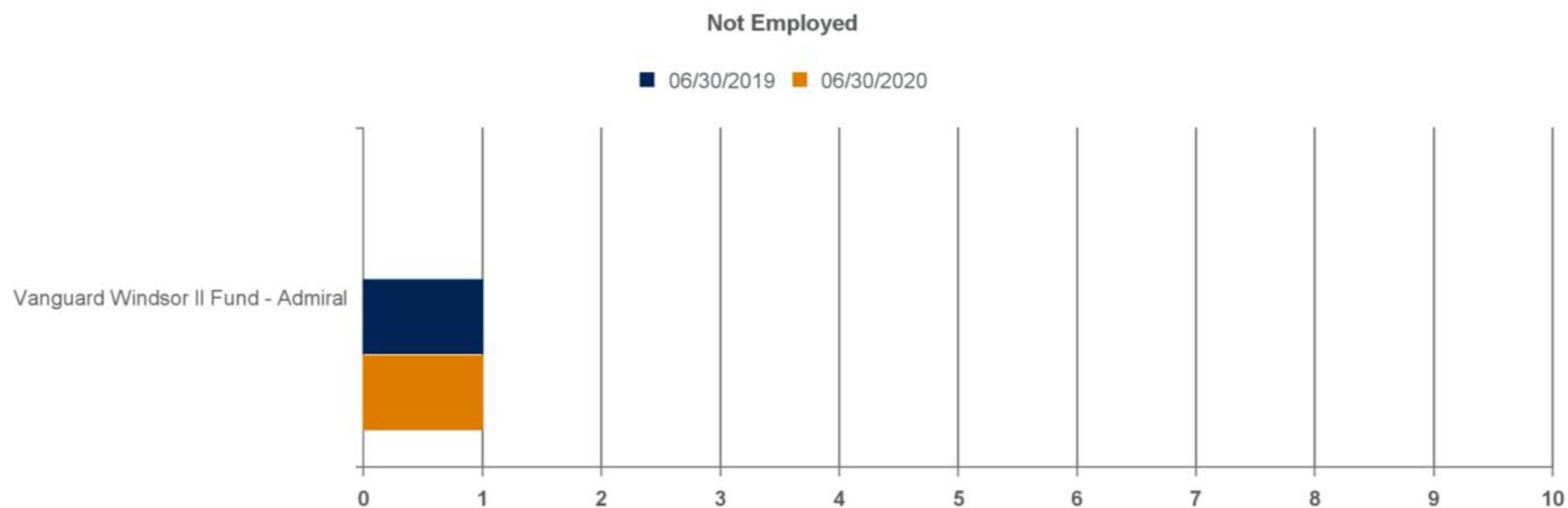
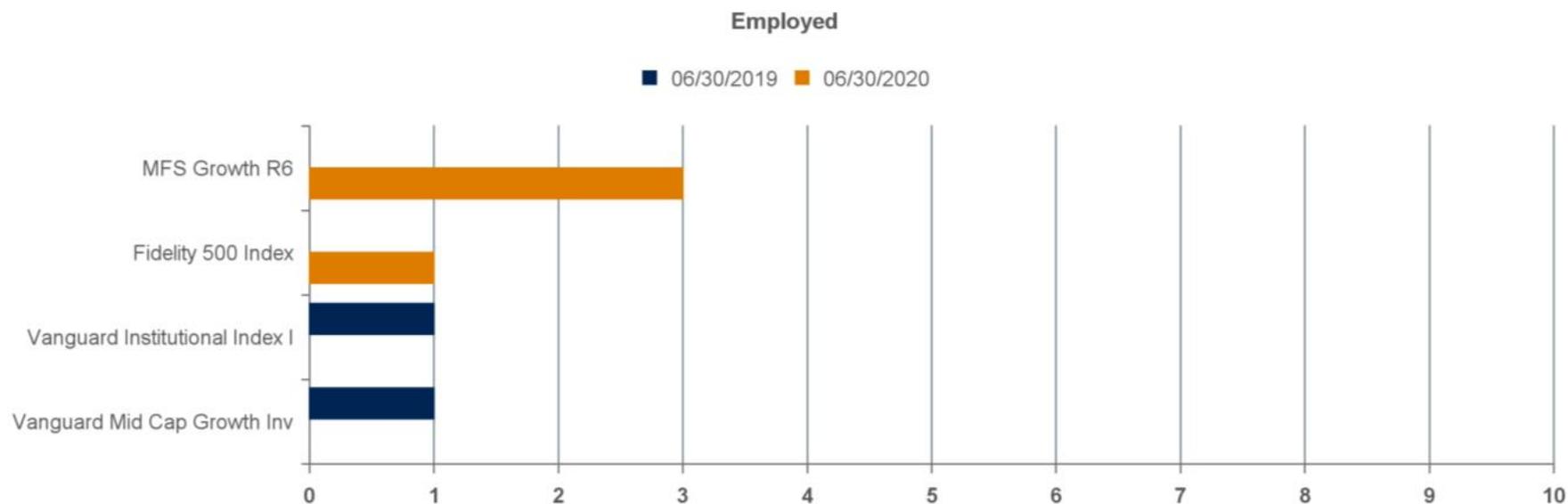
Average Managed Account Balance	\$1,722.49
Average Age Managed Account Participant	39.53
Managed Account Saving Rate	4.67%
Average Contribution Rate for Deferring	16.10%

Managed Accounts Balance	\$6,889.94
Total Balance in Plan	\$5,905,611.94
Percentage of total balance in Managed Accounts	0.12%

If the plan allows for dollar deferrals, we cannot include those people that are contributing with dollar amounts that have an invalid salary (less than the deferral amount) when calculating an average contribution rate. The percentages may not reflect your plan's maximum deferral constraints.

Single investment holders - DIY

As of 06/30/2020

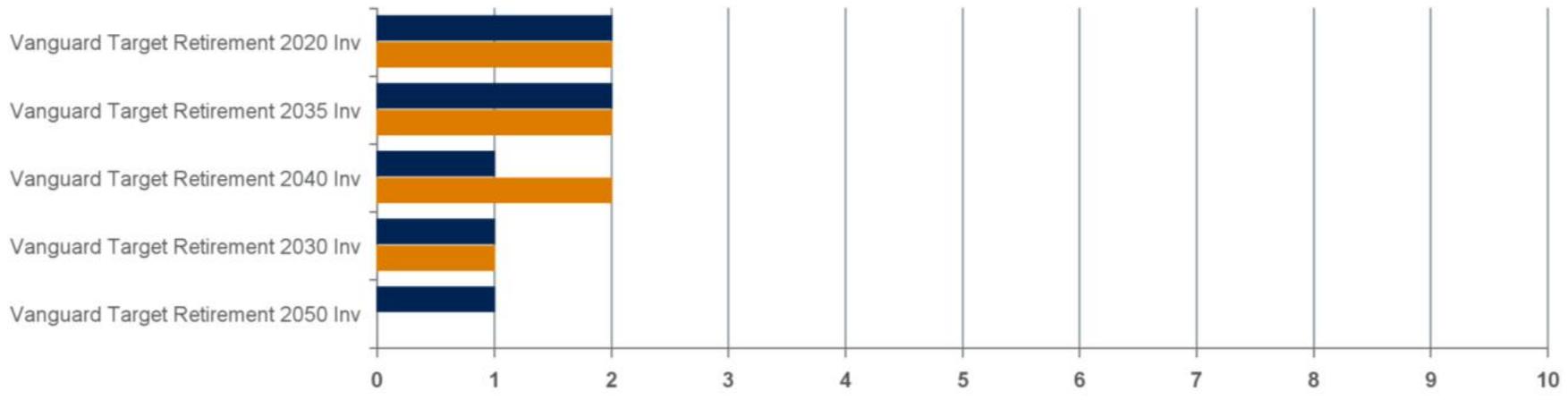


Single investment holders - TDF

As of 06/30/2020

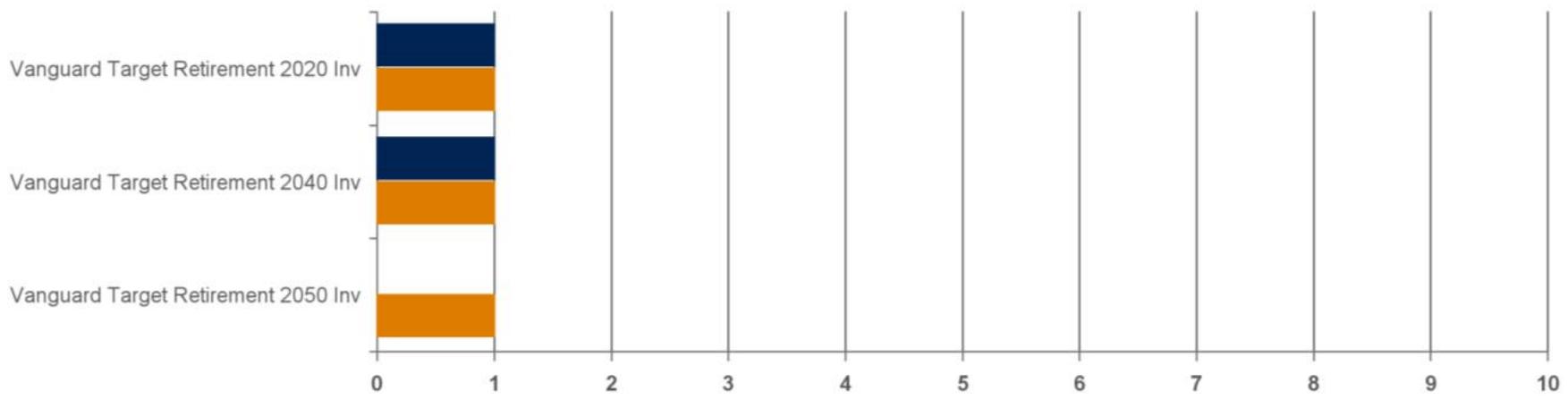
Employed

06/30/2019 06/30/2020



Not Employed

06/30/2019 06/30/2020

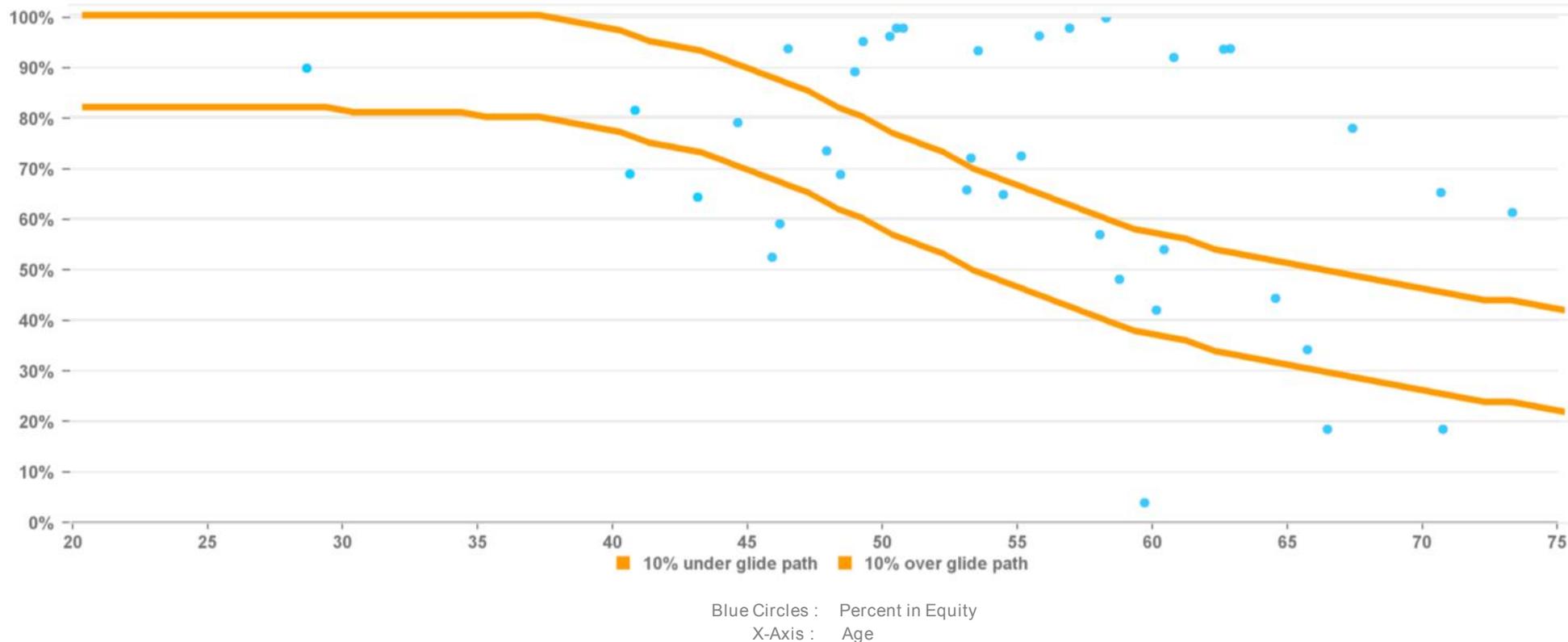


Equity positions

As of 06/30/2020

Do-it-yourselfers equity positions vs. representative target date glidepath

The representative target date glidepath reflects an asset allocation derived in conjunction with Morningstar Investment Management LLC. The glidepath reflected is for illustrative purposes only.



To illustrate the scatter graph clearly, it has been limited to a maximum of 3,000 randomly Do-It-Yourself investors



Investment performance

Alaska Railroad Corporation 457 Deferred Compensation Plan - 100003-02

Investment Performance as of 06/30/2020



Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit empowermyretirement.com. The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information about investments offered through your Plan, you may obtain mutual fund prospectuses from your registered representative or Plan website. Read them carefully before investing.

For additional fund information, please refer to the Fund Fact Sheet or Prospectus.

INVESTMENT OPTION	Ticker	Gross/Net Expense Ratio	Inception Date	Returns as of Month Ending 06/30/2020						Returns as of Quarter Ending 06/30/2020					Calendar Year Returns		
				1 Month	YTD	1 Year	3 Year	5 Year	10 Year/ Since Inception	3 Month	1 Year	3 Year	5 Year	10 Year/ Since Inception	2019	2018	2017
Asset Allocation																	
Vanguard Target Retirement Income Inv	VTINX	0.12 / 0.12	10-27-2003	1.45	1.46	5.69	5.39	4.93	5.84	7.84	5.69	5.39	4.93	5.84	13.16	-1.99	8.47
Vanguard Target Retirement 2015 Inv	VTXVX	0.13 / 0.13	10-27-2003	1.59	0.79	5.45	5.78	5.47	7.55	8.90	5.45	5.78	5.47	7.55	14.81	-2.97	11.50
Vanguard Target Retirement 2020 Inv	VTWNX	0.13 / 0.13	06-07-2006	1.92	-0.58	5.09	6.09	5.96	8.31	11.40	5.09	6.09	5.96	8.31	17.63	-4.24	14.08
Vanguard Target Retirement 2025 Inv	VTTVX	0.13 / 0.13	10-27-2003	2.14	-1.46	4.82	6.33	6.29	8.88	13.20	4.82	6.33	6.29	8.88	19.63	-5.15	15.94
Vanguard Target Retirement 2030 Inv	VTHR X	0.14 / 0.14	06-07-2006	2.33	-2.33	4.40	6.42	6.47	9.37	14.58	4.40	6.42	6.47	9.37	21.07	-5.86	17.52
Vanguard Target Retirement 2035 Inv	VTTHX	0.14 / 0.14	10-27-2003	2.49	-3.24	3.94	6.45	6.62	9.84	15.90	3.94	6.45	6.62	9.84	22.44	-6.58	19.12
Vanguard Target Retirement 2040 Inv	VFORX	0.14 / 0.14	06-07-2006	2.65	-4.11	3.46	6.50	6.76	10.08	17.29	3.46	6.50	6.76	10.08	23.86	-7.32	20.71
Vanguard Target Retirement 2045 Inv	VTIVX	0.15 / 0.15	10-27-2003	2.85	-4.90	2.97	6.41	6.79	10.10	18.70	2.97	6.41	6.79	10.10	24.94	-7.90	21.42
Vanguard Target Retirement 2050 Inv	VFIFX	0.15 / 0.15	06-07-2006	2.83	-4.90	3.02	6.42	6.79	10.10	18.67	3.02	6.42	6.79	10.10	24.98	-7.90	21.39
Vanguard Target Retirement 2055 Inv	VFFVX	0.15 / 0.15	08-18-2010	2.83	-4.95	2.95	6.40	6.77	9.55	18.64	2.95	6.40	6.77	9.55	24.98	-7.89	21.38
Vanguard Target Retirement 2060 Inv	VTTSX	0.15 / 0.15	01-19-2012	2.84	-4.95	2.95	6.39	6.76	9.16	18.61	2.95	6.39	6.76	9.16	24.96	-7.87	21.36
Vanguard Target Retirement 2065 Inv	VLXVX	0.15 / 0.15	07-12-2017	2.84	-5.03	2.84	N/A	N/A	6.17	18.59	2.84	N/A	N/A	6.17	24.96	-7.94	N/A
International																	
American Funds EuroPacific Gr	RERGX	0.46 / 0.46	05-01-2009	5.61	-4.77	3.17	4.76	4.90	7.48	22.77	3.17	4.76	4.90	7.48	27.40	-14.91	31.17
Fidelity Total Intl Index Instl Premium	FTIH X	0.06 / 0.06	06-07-2016	4.24	-10.95	-4.55	1.04	N/A	4.32	17.41	-4.55	1.04	N/A	4.32	21.48	-14.38	27.63
MSCI EAFE Index	N/A	- / -		3.40	-11.34	-5.13	0.81	2.05	5.73	14.88	-5.13	0.81	2.05	5.73	22.01	-13.79	25.03
Small Cap																	
Loomis Sayles Small Cap Growth	LSSNX	0.82 / 0.82	02-01-2013	3.47	-1.04	3.04	11.91	9.14	14.57	30.37	3.04	11.91	9.14	14.57	26.65	0.60	27.03
Victory Integrity Small Cap Value	MVSSX	0.96 / 0.96	06-01-2012	2.38	-28.63	-23.95	-7.04	-1.49	7.37	19.84	-23.95	-7.04	-1.49	7.37	23.28	-18.42	12.59
Russell 2000 Index	N/A	- / -		3.53	-12.98	-6.63	2.01	4.29	10.50	25.42	-6.63	2.01	4.29	10.50	25.52	-11.01	14.65

Alaska Railroad Corporation 457 Deferred Compensation Plan - 100003-02 (Continued)

INVESTMENT OPTION	Ticker	Gross/Net Expense Ratio	Inception Date	Returns as of Month Ending 06/30/2020					Returns as of Quarter Ending 06/30/2020					Calendar Year Returns			
				1 Month	YTD	1 Year	3 Year	5 Year	10 Year/ Since Inception	3 Month	1 Year	3 Year	5 Year	10 Year/ Since Inception	2019	2018	2017
Mid Cap																	
Fidelity Extended Market Index ^{5,15}	FSMAX	0.05 / 0.05	09-08-2011	4.06	-5.60	1.14	6.44	6.76	12.32	31.18	1.14	6.44	6.76	12.32	28.00	-9.36	N/A
JPMorgan Mid Cap Value R ^{6,14,15}	JMYYX	0.75 / 0.73	09-09-2016	1.11	-19.45	-13.70	-1.23	2.45	10.27	18.16	-13.70	-1.23	2.45	10.27	26.67	-11.66	13.68
Vanguard Mid Cap Growth Inv ^{5,15}	VMGRX	0.36 / 0.36	12-31-1997	2.64	3.37	6.93	13.40	8.76	13.81	30.65	6.93	13.40	8.76	13.81	32.07	-3.29	22.01
S & P MidCap 400 Index ^{7,8,10}	N/A	- / -		1.26	-12.78	-6.70	2.39	5.22	11.34	24.07	-6.70	2.39	5.22	11.34	26.20	-11.08	16.24
Large Cap																	
Fidelity 500 Index ¹⁵	FXAIX	0.01 / 0.01	05-04-2011	1.98	-3.09	7.49	10.71	10.72	13.97	20.53	7.49	10.71	10.72	13.97	31.47	-4.40	21.81
MFS Growth R ^{6,15}	MFEKX	0.57 / 0.57	08-26-2011	3.63	10.03	20.80	20.33	16.72	17.22	24.68	20.80	20.33	16.72	17.22	37.81	2.68	30.99
Vanguard Windsor II Fund - Admiral ¹⁵	VWNAX	0.26 / 0.26	05-14-2001	1.71	-9.91	0.06	4.88	6.26	11.22	19.61	0.06	4.88	6.26	11.22	29.16	-8.53	16.89
S & P 500 Index ^{7,8,9}	N/A	- / -		1.99	-3.08	7.50	10.73	10.73	13.99	20.54	7.50	10.73	10.73	13.99	31.49	-4.38	21.83
Bond																	
Fidelity US Bond Index ^{6,15}	FXNAX	0.03 / 0.03	05-04-2011	0.64	6.53	9.01	5.38	4.32	3.79	2.77	9.01	5.38	4.32	3.79	8.48	0.01	3.50
Templeton Global Bond R ^{6,13,15}	FBNRX	0.64 / 0.56	05-01-2013	-0.01	-4.27	-5.96	-0.79	0.70	2.88	0.13	-5.96	-0.79	0.70	2.88	1.01	1.57	2.79
Barclays Capital Aggregate Bond Index ^{7,8,12}	N/A	- / -		0.63	6.14	8.74	5.32	4.30	3.82	2.90	8.74	5.32	4.30	3.82	8.72	0.01	3.54
Fixed																	
Putnam Stable Value Fund: 15bps ^{3,15,16}	N/A	0.28 / 0.28	02-28-1991	0.19	1.21	2.49	2.39	2.17	2.34	0.59	2.49	2.39	2.17	2.34	2.54	2.35	N/A

These returns and fund operating expenses are expressed as percentages. 3, 5 and 10 Year/Since Inception returns shown are annualized. For 10 Year/Since Inception, if the fund was not in existence for 10 years, returns shown are since inception. If the fund is less than one year old, returns are not annualized.

Performance returns reflect a deduction for fund operating expenses. Your Plan may also assess an administrative fee which would reduce the performance quoted above.

Funds may impose redemption fees and/or transfer restrictions if assets are held for less than the published holding period. For more information, see the fund's prospectus and/or disclosure documents.

Securities offered by GWFS Equities, Inc., Member FINRA/SIPC, marketed under the Empower brand. GWFS is affiliated with Great-West Funds, Inc.; Great-West Trust Company, LLC; and registered investment advisers Advised Assets Group, LLC and Great-West Capital Management, LLC, marketed under the Great-West Investments(TM) brand. This material has been prepared for informational and educational purposes only and is not intended to provide investment, legal or tax advice.

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Expense ratios provided are the Funds' total annual operating expense ratios, gross of any fee waivers or expense reimbursement.

¹ Target Date funds may be subject to fund operating expense at the target date fund level as well as a prorated fund operating expense of each underlying fund in which they invest. For more information, please refer to the fund prospectus.

² Asset allocation and balanced investment options and models are subject to risks of the underlying investments, which can be a mix of stocks/stock funds and bonds/bond funds. For more information, see the prospectus and/or disclosure documents.

³ A collective trust is not a mutual fund and is exempt from SEC registration. Designed for and exclusively sold to qualified retirement plans and their participants, the funds are not available to individual retail investors.

⁴ Foreign investments involve special risks, including currency fluctuations, taxation differences and political developments.

Alaska Railroad Corporation 457 Deferred Compensation Plan - 100003-02 (Continued)

- ⁵ *Equity securities of small and mid-size companies may be more volatile than securities of larger, more established companies.*
- ⁶ *Compared to more highly rated securities, high-yield bond investment options are subject to a greater risk, including the risk of default. A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.*
- ⁷ *A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in a benchmark index.*
- ⁸ *Benchmark index returns are supplied by Morningstar, Inc. There may be another benchmark that is more specific to each of the funds listed under the broad asset class. Please refer to the fund's prospectus for more specific information as to the fund's actual benchmark index.*
- ⁹ *S&P 500(R), S&P Mid Cap 400(R) Index and S&P Small Cap 600(R) Index are registered trademarks of Standard & Poor's Financial Services LLC and have been licensed for use by Great-West Life & Annuity Insurance Company. The funds are not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the funds.*
- ¹⁰ *S&P MidCap 400® Index is an unmanaged index considered indicative of the domestic Mid-Cap equity market. "Standard & Poor's®", "S&P®", "S&P 400®", and "Standard & Poor's 400®" are registered trademarks of Standard & Poor's Financial Services LLC ("Standard & Poor's").*
- ¹¹ *Russell 2000® Index is a trademark of Russell Investments and is an unmanaged index considered indicative of the domestic Small-Cap equity market.*
- ¹² *Barclays Capital U.S. Aggregate Bond Index is an unmanaged index representative of the broad bond market and is composed of government and corporate bonds, mortgage-backed bonds and asset-backed bonds.*
- ¹³ *The Fund has a Contractual Expense Ratio Waiver in the amount of .08% which expires on 30-APR-2021.*
- ¹⁴ *The Fund has a Contractual Expense Ratio Waiver in the amount of .02% which expires on 31-OCT-2020.*
- ¹⁵ *Although data is gathered from reliable sources, including but not limited to Morningstar, Inc., the completeness or accuracy of the data shown cannot be guaranteed. Where data obtained from Morningstar, (C)2017 Morningstar, Inc. All rights reserved. The Data: (1) is the proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.*
- ¹⁶ *Putnam funds are managed by Putnam Investment Management. Putnam mutual funds are distributed by Putnam Retail Management. Putnam is affiliated with GWL&A and GWL&A of NY and their subsidiaries and affiliates.*



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Alaska Railroad Corporation

Health Care Trust

Annual Performance Report - August 2020

The ARRC Health Care Trust Committee recently received the Trust's Actuarial Valuation report which is an important source of information regarding the funded status of ARRC's Post-Retirement Health Care Plan. The report's purpose determines the ARRC's annual Actuarially Determined Contribution to the Plan, measures the Trust's funding status and progress, and assists ARRC in making informed decisions regarding Plan, benefits and investments. This Annual Report provides information, extracted from the valuation, on the Trust's operations and finances, and highlights the most recent actions taken by the Committee.

2019 started out with an excellent First Quarter, which largely erased the losses experienced in the Fourth Quarter of 2018. The Health Care Trust assets continued to earn a healthy return throughout the year, and 2019 ended with an annual return of 13.5% (net of investment management and consulting fees) and an investment return of \$6,096,578. There were contributions to the Trust's performance from several areas, but the biggest contribution came from the Fixed Income managers.

The Trust earned 5.2% on the smoothed actuarial asset value basis which lagged the targeted rate of return of 6.75%, adding \$0.8 million to the value of the Accrued Liability. However, there were significant demographic gains experienced that reduced the expected value of the liability. Overall, the value of the Plan's Accrued Liability decreased from \$14.7 million at the end of 2018 to \$14.1 million at the end of 2019, and the overfunded status of the Plan increased over the same period.

The Committee is pleased to report that the Trust remains exceptionally well-funded at a funded ratio of 357.0% on an actuarial basis. The Railroad is not required to make an Annual Required Contribution to fund the Trust for 2020 due to its already overfunded status. Outlined below are a few additional statistics:

	2019 ACTIVITY	2018 ACTIVITY
Net Assets January 1	\$ 45,248,167	\$ 46,627,143
Employer Contributions	\$ -	\$ -
Net Investment Income	\$ 6,096,578	\$ (957,627)
Total Additions	\$ 6,096,578	\$ (957,627)
HCT Disbursement, Less Retiree Premiums	\$ 370,933	\$ 349,724
Administrative Expenses	\$ 59,015	\$ 71,625
Total Deductions	\$ 429,948	\$ 421,349
Net Assets December 31	\$ 50,914,797	\$ 45,248,167
Retiree Medical Count	34	37

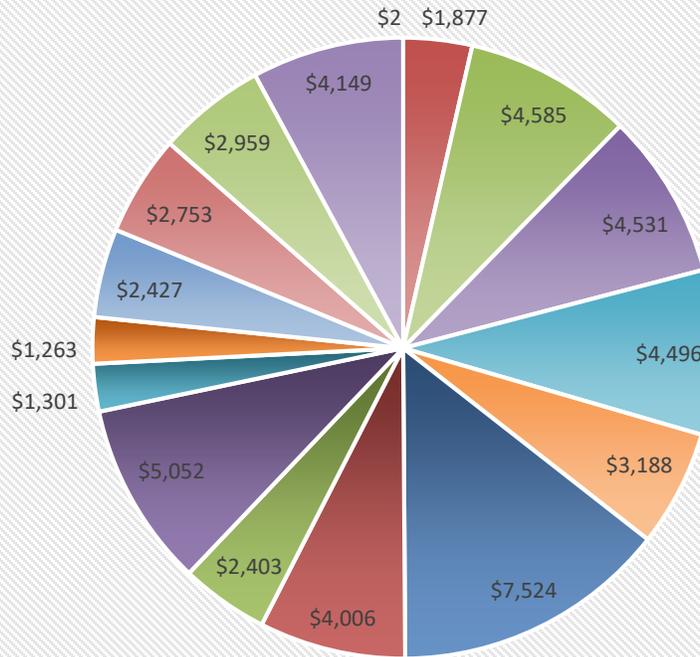
Additional accomplishments include:

- The Committee approved a Large Cap Blend Asset Class Manager Search and replaced the MFS Blended Research US Core Equity fund with the T. Rowe Price Structured fund
- The Committee changed the asset allocation from a 50/50 allocation to a 60% Fixed Income/40% Equity asset allocation.
- The Committee approved a Mid Cap Growth Asset Class Manager Search and replaced the Vanguard Mid Cap Growth fund with the MFS Mid Cap Growth R6 fund.

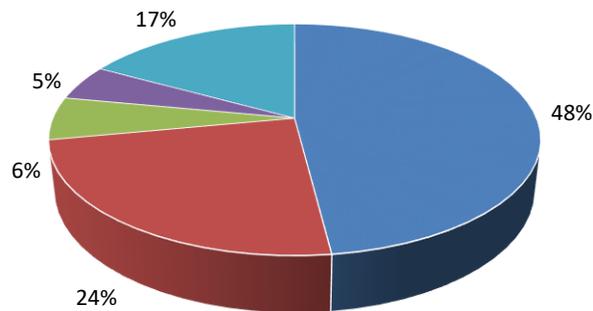
ARRC Healthcare Trust Funds & Assets at December 31, 2019

In Thousands

- Wells Fargo Money Market
- Rothschild Small Cap
- RREEF America - REIT II
- Morgan Stanley
- Rimrock
- MFS Int. Equity
- Metropolitan West
- Vanguard Health
- Templeton Global Bond
- Hotchkis & Wiley & High Yield
- JP Morgan Mid Cap Value
- Vanguard Mid Cap Growth
- Dimensional - US TIPS
- Vanguard US HC Stocks
- Health PIMCO
- T Rowe Price



Asset Classes at December 31, 2019



- Fixed Income
- Domestic Equities
- International Equities
- Specialty Equity-Healthcare
- Real Estate

Please contact the Committee Members if you have any questions.

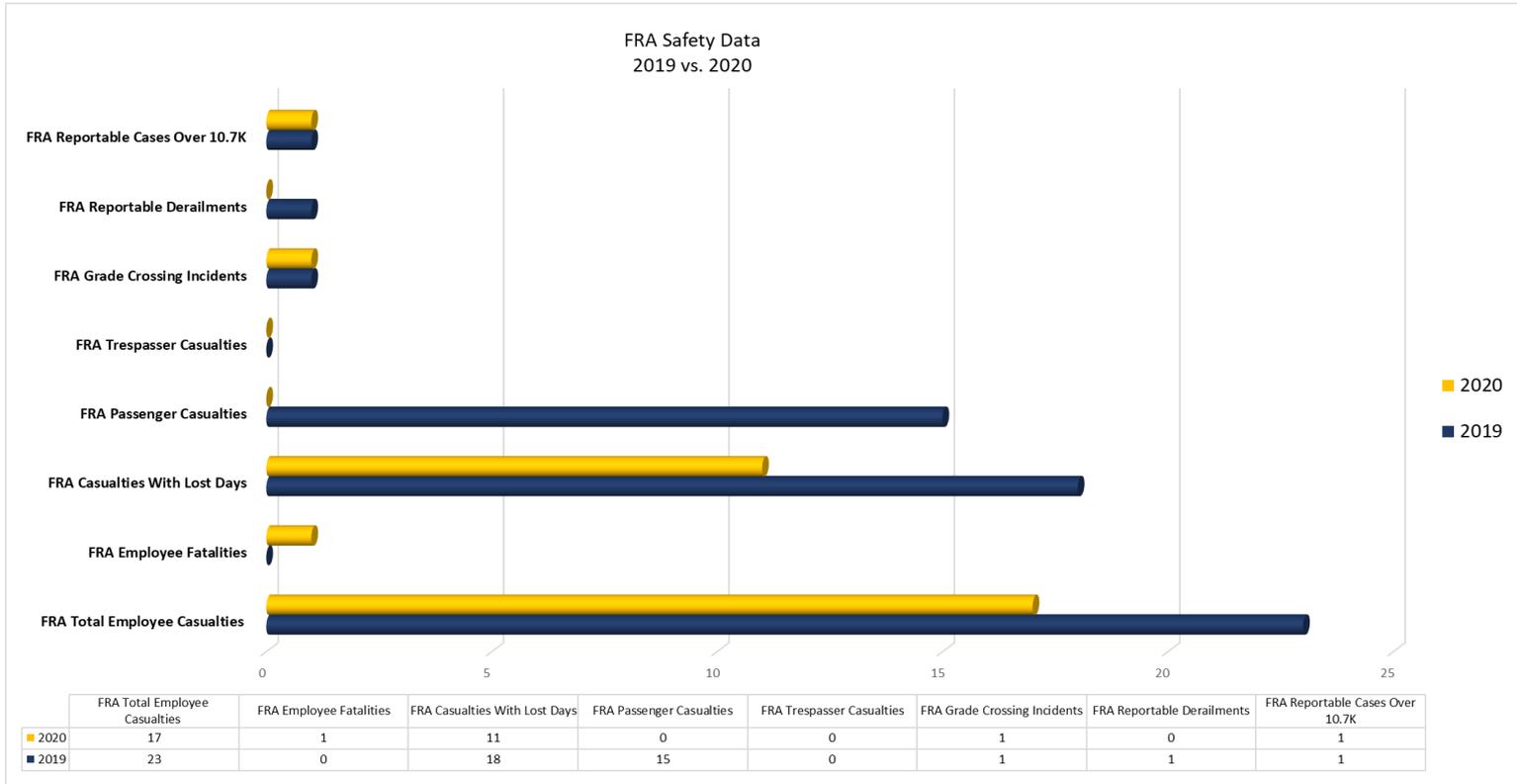
Healthcare Trust Committee Members:

Barbara Amy	Committee Chairman and Chief Financial Officer
Michael Humphrey	Manager, Benefits & Records
Jennifer Haldane	Chief Human Resources Officer
Theresa MacLeod	Committee Secretary and Manager, ARRC Retirement Plans



Safety Report

January –Aug



	<i>FRA Casualty Rate</i>	<i>Lost Time Rate</i>	<i>Lost Workdays</i>	<i>Restricted Workdays</i>
2020	4.5	2.8	398	502
2019	5.3	4.0	878	598

*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

IX. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

ITEM 5: PTC Update

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



Alaska Railroad Corporation Board of Directors Real Estate Committee Notes

Date: September 10, 2020
Time: 10:00 a.m.
Location: Virtual Zoom Meeting

Board Members:

John Shively, Committee Chair – via Zoom
Craig Campbell, Committee Member – via Zoom
Judy Petry, Committee Member– excused
Jack Burton, Committee Member – via Zoom
John Binkley, Committee Member – via Zoom
Commissioner MacKinnon, Committee Member – via Zoom
Commissioner Anderson, Committee Member – via Zoom

Staff:

Jim Kubitz, Andy Donovan, Paul Farnsworth, Kristen Gratrix, Erin Ealum, Doug Stephens, Andy Behrend, Jennifer Haldane, Bill O’Leary, Clark Hopp, Dale Wade, Barbara Amy, Brian Lindamood, Lorine Hall, Tim Sullivan, Michelle Maddox

Members of the Public:

Christine O’Connor - Alaska Telephone Association (ATA)
Jackson Fox – Fairbanks Area Surface Transportation (FAST)
Randi Bailey – Department of Transportation (DOT) (joined during the meeting)
Julie Jones – Festival Fairbanks
Michael Stanley – Denali Park Hotel, LLC (joined during the meeting)
Ivet Hall – Department of Transportation (DOT) (joined during the meeting)

Committee Chair Shively called the meeting to order at 10:00 a.m. and requested that the Board Secretary, Ms. Haldane, list the names of the meeting attendees. Chair Shively then requested that Mr. Kubitz proceed with the agenda items at 10:05 a.m.

Customer Communications:

Mr. Kubitz reminded the group of the rent assistance letter that ARRC had sent out earlier this year to lease tenants in light of the Covid-19 pandemic. Only two tenants are currently participating in rent deferral. Others that had inquired have since declined to participate due to the availability of CARES Act and PPP programs.

Board Action Items:

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

Contract No. 20600 Denali Park Hotel, LLC – Healy

Mr. Kubitz shared with the group that the Denali Park Hotel, a current tenant in Healy, has a lease that does not expire until year 2045. The tenant has applied for a ninety-five (95) year ground lease, while simultaneously seeking the ability to purchase his lease parcel. Mr. Kubitz indicated that staff does not support the request because it does not include any plan for additional development of the leased premises.

Public Comment: Mr. Michael Stanley, Manager of Denali Park Hotel, LLC.

Mr. Stanley provided a brief history of his lease in Healy. He stated that Trip Advisor rates him at 4 out of 5 stars, which is better than the rating of the Princess hotel in Denali Park, which rates 3.5 stars. He stated he has been a good tenant and a good neighbor, as well as providing good boarding for Denali's guests. He is requesting a ninety-five (95) year lease similar to the lease given to a competitor approximately ½ mile from his location, which included an opportunity for that lessee to purchase its lease parcel.

Contract No. 20599 Winterhouse, Inc. – Valdez

Mr. Kubitz stated that Winterhouse, Inc, has a lease in Valdez for a boat storage facility, which is nearing the end of its term. Mr. Kubitz shared that the customer has applied for a new twenty (20) year lease and that staff recommends approval.

Contract No. 20467 Nordlys, LLC. – Talkeetna

Mr. Kubitz shared with the group that a lease to Nordlys, LLC was previously approved by the Board, but was never executed by Nordlys. Mr. Kubitz stated that due to the initial investment and COVID restrictions, Nordlys has requested that the terms of the lease be renegotiated and that staff has worked with the customer on a revision that could be reasonable for both parties. Mr. Kubitz noted that rent payments for the proposed five (5)-year lease includes a both minimum annual payments and alternative annual rent of ten percent (10%) of Nordlys' gross revenues from its operations on the leased property, whichever is higher.

Briefing / Update

Chena Trail – Fairbanks Area Surface Transportation (FAST)

Mr. Kubitz made reference to the letter that had been sent to the Board Chair from the FAST group in Fairbanks in regards to the Department of Transportation and Public Facilities' (DOT) request for a trail easement in the Chena Subdivision in Fairbanks. Mr. Kubitz provided a brief history of proposals to construct such a trail, including a

summary of the ARRC trail permit that had been previously negotiated and executed with the City of Fairbanks for an 8-foot wide trail corridor. Mr. Kubitz noted the area differences between the previous permit and the 50' easement that is currently being requested. He also noted the significant investment that ARRC has made in recent years to develop the Chena Landings Subdivision, including a new lease to Odom Corporation and residential land sales. There was further discussion regarding how to respond to the letter sent to the Board from the FAST Group, and it was agreed that the topic would be further discussed during executive session at the September 24 Board Meeting.

Public Comment: Ivet Hall, DOT Right of Way Agent IV

Ms. Hall provided detail on how the floodplain and floodway requirements have significantly impacted the scope of the project. She discussed DOT's view that its current request is reasonable. Ms. Hall also commented that she welcomes discussions with ARRC to better align the trail request with ARRC's expectations.

Port of Alaska – Tidelands lease

Mr. Kubitz shared with the group that he had been in contact with the Port Director and that an application was pending for leasing additional land to accommodate a dock structure. The project would also impact an ARRC lease tenant, who would be subleasing additional land as well.

Odom Transaction Complete- State of Alaska Lease

Mr. Kubitz confirmed that the transaction to purchase the Odom Corporation's 1st Avenue property in Anchorage was completed and briefly shared the history of the project as well as the relationship between ARRC and the Odom Corporation.

Depot Drive Improvements

Mr. Kubitz reminded the group of the status of improvements to Depot Drive to accommodate the tenants on the west end of the Anchorage Depot. The Edge condominium development will be commencing the construction of a third building and 49th State Brewing is continuing improvements of their lease facility with the expected opening of the tasting room in summer 2021. Mr. Farnsworth shared in more detail the summer's activities regarding utility relocation, road work and safety improvements underway to dress up the property and showcase the remaining 7 acres available for development.

Land Sale/Exchange Status

Eklutna, Inc.

Mr. Kubitz provided an update on the land trade with Eklutna. Mr. Kubitz stated that he had just signed the Plat for ARRC's Parcel C, which will be traded with Eklutna for its Birchwood property. The Birchwood property will provide ARRC with additional rail-served property for development.

NeighborWorks

Mr. Kubitz reminded the group of the pending sale transaction involving an ARRC parcel on Government Hill. This would be the largest of the recent land sale transactions in terms of sale price. The platting process on that property is still underway.

Chena Landings

Mr. Kubitz shared with the group that sale of another lot in the Chena Subdivision had closed in August.

Wetland Mitigation Sales

Mr. Kubitz provided a brief history of a Wetland Mitigation Bank that had been created in ARRC's Portage Reserve. ARRC had recently had its first mitigation credit sale. Three-tenths (0.3) of a credit had been sold to DOT for their Seward Highway 75-90 project.

Before the Committee continued into its Executive Session, Director Binkley stated for the record that he would be recusing himself after the first agenda item for Executive Session and would not participate in the discussion of the Seward Passenger Dock project.

Chair Shively called the meeting into Executive Session at 11:00 a.m. for purposes of confidential, financial, proprietary discussion items, specifically the two items listed in the meeting agenda.

Executive Session adjourned at 11:15 and the Real Estate Committee was adjourned immediately thereafter.

ARRC BOARD OF DIRECTORS MEETING EXECUTIVE SESSION AGENDA

**Thursday, September 24, 2020
Virtual Conference Room Meeting**

Executive Session Briefings

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. A2A Update
3. ROW and Other Land Issues
4. Summary of 2019 Profit Study
5. Business Development Report
6. Seward Dock Port Project

All Materials Are Confidential

Adopted:

Resolution No. 2020-15

Relating to Whittier Yard Area 2 Drainage and Paving Project (AFE No. 10870 S-1)

WHEREAS, the Alaska Railroad Corporation (ARRC) maintains a railyard in the ARRC Whittier Reserve (Whittier Yard), part of which is depicted as “Area 2” on Exhibit A to this resolution (Area 2); and

WHEREAS, existing storm drain structures underlying Area 2 have exceeded their useful life, their foundations have corroded beyond repair and they have been undermined by the stormwater that enters them; and

WHEREAS, due to their deteriorated condition, the existing storm drain structures are at increased risk of structural failure when loaded by the constant heavy truck traffic and occasional heavy forklift traffic present on Area 2; and

WHEREAS, failure of one or more of the outdated storm drain structures located in Area 2 within the travel path of such vehicles could result in property damage, personal injury or death; and

WHEREAS, removing and replacing up to eleven corroded and failing storm drain structures in Area 2 will result in a safer and more functional storm drain system, thereby mitigating the risks posed by the current outdated, corroded and potentially dangerous storm drain structures; and

WHEREAS, on March 31, 2020, the ARRC Board of Directors approved AFE No. 10870 pursuant to Board Resolution No. 2020-08, which authorized the expenditure of \$902,128 in ARRC funds to remove and replace up to eleven of the current storm drain structures located on Area 2 (Project); and

WHEREAS, subsequent to the approval of AFE No. 10870, ARRC staff determined that the placement of asphaltic pavement in Area 2 would provide additional safety and cost benefits by further reducing ARRC’s potential for liability related to vehicle incidents and by significantly reducing the costs of maintaining the storm drain system; and

WHEREAS, proposed AFE No. 10870 S-1 would increase the funding for the Project by \$450,000 to fund the above-described paving work, with the attendant safety and maintenance cost benefits; and

WHEREAS, the above-described project will be funded entirely with ARRC funds; 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 proposed increase to the Project presented by ARRC Management and hereby approves AFE No. 10870 S-1 in the amount of \$485,000 for the purposes stated therein, which brings the total amount of AFE No. 10870 to \$1,387,128.

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10870 S-1

Page 1

General Information:	
AFE Title:	Whittier Yard: Subgrade Drainage Improvements - Area 2
Prepared By:	Brian A. O'Dowd
Resp. Center (Name):	Projects
Resp. Center (#):	2500
Depreciation Center:	1318-Maintenance Depreciation
Line of Business:	Engineering
Spending Timetable:	
2020	\$ 902,128
2021	\$ 485,000
2022	\$ -
2023	\$ -
2024	\$ -
Total	\$ 1,387,128
Other Information	
Useful Life (Years):	25
Annual Depreciation:	\$ 55,485
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	2020
Total Amount	\$	1,387,128
Source of Funding	ARRC	\$ 1,387,128
Source of Funding		\$ -
Source of Funding		\$ -
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 902,128	03/03/20
Supplemental #1	\$ 485,000	09/09/20
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
Total	\$ 1,387,128	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	Brian O'Dowd		
Responsible Owner:	Lloyd Tesch		
VP, Owner Department:	Brian Lindamood		
Functional User(s):	Lloyd Tesch		
Chief Operating Officer:	Clark Hopp		
Grant Administration:	Shawnessy Leon	N/A	
Chief Financial Officer:	Barbara Amy		
Accounting Department:	Wendy Richerson		
CEO & President:	Bill O'Leary		
Board of Directors:	Craig Campbell		

Original Form Must Be Returned to Accounting

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10870 S-1

Page 2

Is this project related to health and/or safety?	Yes	If yes describe:
Existing structures within the area labeled "AREA 2" are beyond their useful life and have the potential to fail when loaded. These structures are constantly under heavy truck traffic and occasional heavy forklift lift traffic. Should one, or multiple structures fail within the travel path of any vehicles minor property damage or death could occur. The structures foundations have corroded beyond repair and become undermined by the storm waters that enter them.		
Scope of Work:		
Removal and replacement of up-to eleven (11) corroded (<i>failing</i>) storm drain structures between the "MOUNTAIN" and "BAY" tracks within the Whittier Yard. Subsidiary to the work is the removal of the existing corrugated metal pipe (CMP) connecting the structures to one another, replacement of the CMP with an aluminized coated CMP for galvanic protection, and tying into the existing storm drain system that is not scheduled for removal.		
Supplemental No.1 funds all labor, materials, overhead, and supervision required for the placement of asphaltic concrete pavement in AREA 2 of the Whittier Yard, between the "BAY" and "MOUNTAIN" tracks.		
ARRC Business Justification:		
Completion of the work reduces the companies exposure to potential damages and claims should the existing substructures fail. Furthermore, the subgrade improvements need to be in place prior to AML / KNIK Constructions placement of asphaltic concrete (AC) pavement within the area. At the conclusion of both the subgrade improvements and the placement of AC pavement, the maintenance costs to maintain the storm drain system will be greatly reduced.		
Supplemental No.1 will complete work that reduces the companies exposure to potential damages and claims should vehicle strikes occur within the area, as well the maintenance costs to maintain the storm drain system will be greatly reduced.		
Alternatives Considered:		
Removing all drainage features within the area referenced herein and to leave the system in place until its imminent failure. Both alternatives are not preferable as the maintenance costs would greatly increase. Both alternatives pose their own safety hazards; ponding of water and ice build up in the winter would create hazards if the system were to be removed and not replaced; and the continual corrosion of the existing structures would increase the likelihood of the failure of a structure as it sits or as its loaded.		
If supplemental No.1 is not completed ARRC could do nothing or place, grade, and compact a sacrificial Aggregate Base Course, Grading D-1 in place of the asphaltic concrete structural layer.		
Preliminary Budget:		
Line Description	Amount	
Equipment	\$	170,196
Labor (Fully Burdened)	\$	323,717.90
Materials	\$	372,115
Contracts	\$	471,708
Other Expenses	\$	49,391
Total	\$	1,387,128

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

F:\ODDWD FROM HUBBLE\7. Whittier\Whittier Paving\Drawings\Whittier Drainage Site Map 3.22.20.dwg Plot: SITE Plot Style: T500-Hub.ctb

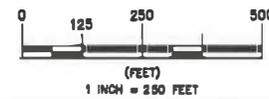


LEGEND

- LEGACY STRUCTURES
- STRUCTURES REPLACED IN 2019
- STRUCTURES REQUIRED PRIOR TO PAVING AREA 2

NOTES:

1. STRUCTURE LOCATIONS SHOWN ARE APPROXIMATE.
2. PAVEMENT EXTENTS SHOWN ARE APPROXIMATE.



ALASKA RAILROAD CORPORATION ENGINEERING SERVICES P.O. Box 107600, ANCHORAGE, ALASKA 99510-7600		
PROJECT : Whittier Yard Drainage and Site Improvements		
TITLE : Site Plan Completed / Remaining Improvements		
DESIGNED BY: BAO	SCALE : AS NOTED	SHEET NO. : 1 OF 1
DRAWN BY: BAO	DATE : 2/11/2020	DWG. NO. :
CHECKED BY: SJK		
APPROVED BY: [Signature]		

Adopted:

Resolution No. 2020-16

Relating to an Increase in the 2020
Docks and Slips Program (AFE No.
10798 S-2)

WHEREAS, the Alaska Railroad Corporation (ARRC) owns, maintains and operates marine docks and slips in Southcentral Alaska; and

WHEREAS, ARRC has developed a multi-year capital maintenance program directed to ARRC's marine docks and slips, including those located in Whittier, Alaska; and

WHEREAS, the Board of Directors approved AFE No. 10798 in the amount of \$760,000 at its November 19, 2019 Board meeting to fund capital maintenance projects to be conducted in 2020 on ARRC's marine docks and slips; and

WHEREAS, on March 2, 2020, the President & Chief Executive Officer approved AFE No. 10798 S-1 in the amount of \$175,000 to fund waterfront barge slip work associated with the Whittier Yard paving and drainage project and capital maintenance of the Whittier Barge Slip transfer span's structural components and higher-than-expected costs of work to maintain its protective coating; and

WHEREAS, subsequent to the approval of AFE 10798 S-1, it was determined that further funds were needed to complete additional essential transfer span capital maintenance to allow for the safe and uninterrupted use of the transfer span by mitigating the risk of additional failures of identified components that could adversely affect its structural integrity; and

WHEREAS, AFE 10798 S-2 will provide additional funding in the amount of \$275,000 to complete the above-described essential capital maintenance work necessary to maintain structural integrity of the barge transfer span; and

WHEREAS, the additional funds to be provided by AFE No. 10798 S-2 will be obtained by diverting funds in that amount from the Whittier Barge Slip replacement planning effort, which is funded under AFE No. 10795, work on which was started later in 2020 than anticipated;

WHEREAS, the reduction in the scope of funding under AFE No. 10795 will not affect ARRC's ability to seek grant funds to support financing of the redevelopment of the Whittier Terminal; and

WHEREAS, funding for this project will be 100% ARRC internal funds; 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, and the additional funds provided by AFE No. 10798 S-2 would bring the total amount of the unbudgeted capital expenditures from AFE Nos. 10798 S-1 and 10798 S-2 to \$450,000.

NOW THEREFORE BE IT RESOLVED that the ARRC Board of Directors has considered the proposed increase to the 2020 barge and slip capital maintenance project presented by ARRC Management and hereby approves AFE No. 10798 S-2 in the amount of \$275,000 for the purposes stated therein which brings the total amount of AFE No. 10798 to \$1,210,000.

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10798 S-2

Page 1

General Information:	
AFE Title:	2020 Docks and Slips Program
Prepared By:	Elizabeth Greer
Resp. Center (Name):	Dock Operations & Maintenance
Resp. Center (#):	8910
Depreciation Center:	8910-Dock Ops & Maintenance
Line of Business:	Corporate
Spending Timetable:	
2020	\$ 1,210,000
2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ -
Total	\$ 1,210,000
Other Information	
Useful Life (Years):	20
Annual Depreciation:	\$ 60,500
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	2020
Total Amount	\$	1,210,000
Source of Funding	ARRC	\$ 1,210,000
Source of Funding		\$ -
Source of Funding		\$ -
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 760,000	08/14/19
Supplemental #1	\$ 175,000	02/26/20
Supplemental #2	\$ 275,000	08/31/20
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
Total	\$ 1,210,000	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	Elizabeth Greer		
Responsible Owner:	Christian Ryll		
VP, Owner Department:	Brian Lindamood		
Functional User(s):	Paul Farnsworth		
Chief Operating Officer:	Clark Hopp		
Grant Administration:	Shawnessy Leon	N/A	
Chief Financial Officer:	Barbara Amy		
Accounting Department:	Wendy Richerson		
CEO & President:	Bill O'Leary		
Board of Directors:	Craig Campbell		

Original Form Must Be Returned to Accounting

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10798 S-2

Page 2

Is this project related to health and/or safety?	Yes	If yes describe:
The annual docks and slips program keeps our marine assets in serviceable condition.		
Scope of Work:		
This project continues the multi-year program of on-going capital for docks and slips maintained by ARRC. The 2020 Program is anticipated to include capital maintenance projects as identified on the annual prioritized plan to address critical work system-wide.		
Supplemental No.1 gives additional money required to perform waterfront barge slip work associated with the Whittier paving & drainage project, as well as additional funding to the capital maintenance of both the Whittier Barge Slip transfer span's structural components and its protective coating overage. The Construction Contract under which this work is being performed also includes \$325,000 in funding from 2018 Docks and Slips AFE #10572.7983 to address further deferred maintenance items on this facility.		
Supplemental No.2 increases funding for the completion of the transfer span capital maintenance. These repairs will allow for the safe and uninterrupted use of the barge transfer span. The repairs are essential to mitigate the further failing of identified components and their affect on the integrity of the structure as a whole. Funding for overage on Structural Repairs, and waterfront work for yard improvements (electrical and new gangway).		
ARRC Business Justification:		
A consistently supported docks and slips rehabilitation and improvement program allows ARRC to maintain the structural integrity of marine assets, and improve the corporation's ability to meet customer needs in a timely manner.		
Supplemental No.1 increases funding for the completion of the capital maintenance. These repairs will allow for the safe and uninterrupted use of the barge transfer span. The repairs are essential to mitigate the further failing of identified components and their affect on the integrity of the structure as a whole. The original estimate did not sufficiently account for the additional equipment, labor, materials, and overhead to perform the work on a legacy structure coated with a lead based paint.		
Supplemental No.2 will divert funding from the Whittier Barge Slip replacement planning effort (AFE 10795) to complete critical 2020 docks & slips work (AFE 10798) . This critical work is primarily associated with the Whittier Barge Slip. The Whittier planning effort (AFE 10795) will account for this rehabilitation effort and develop schedules accordingly. The efforts associated with 10795 have started later in 2020 than anticipated pending term contract awards and the reduction in this scope will not affect the ability to seek grant funds to support financing of the terminal redevelopment.		
Alternatives Considered:		
There are no known alternatives to basic maintenance. Facilities all require various levels of maintenance. New facilities can be designed and constructed for lower maintenance levels, however, existing assets have less opportunity to improve durability and maintenance levels. Careful consideration of which marine facilities are critical to ARRC's long-term business may allow removal of some of these assets from the maintenance roster. A limited amount of marine assets with heavy use will require less maintenance than more facilities with lighter use. The primary driver for many of the facilities is corrosion; not wear from use.		
Preliminary Budget:		
Line Description	Amount	
Equipment	\$	65,450
Labor (Fully Burdened)	\$	121,550
Materials	\$	748,000
Contracts	\$	275,000
Other Expenses	\$	-
Total	\$	1,210,000

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

Adopted

Resolution No. 2020-17

Relating to Approval of the First Amendment to the 2020 Restatement of the Alaska Railroad Corporation Flexible Benefit Plan

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors the Alaska Railroad Corporation Flexible Benefit Plan (the “Plan”), which is a cafeteria plan under Internal Revenue Code Section 125; and

WHEREAS, the Plan was last restated effective January 1, 2020; and

WHEREAS, it is desirable to amend the Plan effective January 1, 2020, pursuant to certain federal regulatory guidance relating to the 2020 COVID-19 pandemic; and

WHEREAS, amendment of the Plan requires ARRC Board of Directors’ approval.

NOW, THEREFORE, BE IT RESOLVED that the ARRC Board of Directors has reviewed and approves the Amendment No. 1 to the Plan attached to this resolution;

NOW, THEREFORE, BE IT FURTHER RESOLVED that the ARRC Board of Directors hereby directs and authorizes the President and CEO, or his designee, to take such actions as are reasonably necessary to:

- (a) Execute the Amendment No. 1 to the Plan, substantially in the form of Exhibit A attached hereto;
- (b) Execute any and all other documents as he deems necessary or desirable to carry out the foregoing resolution;
- (c) Take such actions as he deems necessary or desirable to effectuate the intent of this resolution and to meet statutory, regulatory or contractual requirements;
- (d) Certify this resolution to any necessary person, corporation or governmental entity.

Amendment No. 1

Alaska Railroad Corporation Flexible Benefit Plan

The Alaska Railroad Corporation (“Employer”) maintains the Alaska Railroad Corporation Flexible Benefit Plan, as amended and restated effective January 1, 2020 (“Plan”). The Plan is hereby amended, effective January 1, 2020, pursuant to Section 11.1 of the Plan, as follows:

1. Notwithstanding the rules set forth in Section 5.4 (“Change Events”) or any other provisions of the Plan to the contrary:
 - (a) A Participant may change the Participant’s elections for contributions to the Health Flexible Spending Account Plan and/or the Dependent Care Flexible Spending Account Plan on a prospective basis at any time during 2020 without experiencing a “Change Event” as described in Section 5.4 of the Plan. This includes the right to elect to contribute to one or both of the FSA Plans for Participants who were not contributing to one or both of the FSA Plans during 2020 prior to such change.
 - (b) If a Participant reduces the Participant’s election at any time during 2020 so that the Participant will make no further contributions to a FSA Plan for the remainder of 2020, but the Participant remains employed by the Employer as an Eligible Employee, the Participant will remain a Participant in the FSA Plan for the remainder of 2020 and the Grace Period for 2020, unless and until the Participant’s participation in the FSA Plan(s) is terminated for any other reason. When a Participant elects to stop contributions to a FSA Plan during 2020, claims for qualifying expenses incurred will be paid by the FSA only up to the total amount of contributions made by the Participant during 2020.
 - (c) When making a change under either (a) or (b) above, a Participant may not reduce contributions to the Health Flexible Spending Account Plan so that the Participant’s total contributions to the Health Flexible Spending Account Plan for 2020 are less than the amount the claims submitted to the Health Flexible Spending Account by the Participant as of the date of the Participant’s election to reduce the Participant’s contributions.
 - (d) The changes described in this Section 1 will only be allowed during Plan Year 2020.

2. The last sentence of section 6.2(c) of the Plan is deleted from the Plan and replaced with the following:

Effective January 1, 2020, “Qualifying Medical Expenses” includes over-the-counter drugs and medical supplies, whether or not they were prescribed, and menstrual care products, such as tampons, pads, liners, cup, sponge and similar products, subject to any rules and requirements for such expenses approved by the Administrator.

3. The Administrator, in its discretion, may adopt for the Plan some or all of the deadline relief described in Part III of the document issued by the Department of Labor and the Department of Treasury entitled “Extension of Certain Timeframes for Employee Benefit Plans, Participants, and Beneficiaries Affected by the COVID–19 Outbreak” and found at 85 Fed. Reg. 26315 (May 4, 2020). Any such relief adopted by the Plan shall be provided to all Participants on a nondiscriminatory basis.

Except as provided herein, the Plan remains in full force and effect.

Alaska Railroad Corporation

By: _____
William O’Leary
President & CEO

Adopted:

Resolution No. 2020-18

Relating to Approval of the Topic for the
2020-2021 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 2020-2021, the Audit Committee reviewed at its meeting on September 10, 2020, a recommendation from management staff that ARRC hire a consultant to perform an assessment of the performance of _____, 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 2020 and 2021.

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 _____ as the topic for the 2020-2021 performance audit. Management staff shall obtain proposals for such an assessment and shall present its recommended proposal to the Audit Committee for consideration.

LEASE SUMMARY

LESSEE: Denali Park Hotel, LLC

CONTRACT NO: 20600

LEASE DESCRIPTION: Parcel of land situated within the Southeast ¼ of the Northeast ¼, Section 25, Township 12 South, Range 8 West and within Section 30, Township 12 South, Range 7 West, Fairbanks Meridian and lying west of the west right-of-way line of the Parks Highway, State of Alaska, Department of Highways Project No. F-037-2(2), and north of the northerly right-of-way line of Otto Lake Road.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: October 1, 2020

Rental Rate: 8%

Lease Term: Not to exceed Ninety-Five (95) Years

Rent Adjustment: Rent is adjusted every 5 years with adjusted annual rent not to exceed 135% of the prior year's annual rent or to decrease to less than 65% of the prior year's annual rent

Option to Extend: N/A

Lease Area: Approximately 12 acres

Base Annual Rent: \$14,880.00 (based on appraised value)

Extended Term Rent: NA

Prior Annual Rent: \$12,960.00

PUBLIC NOTICE: Yes, public comment period expires September 24, 2020.

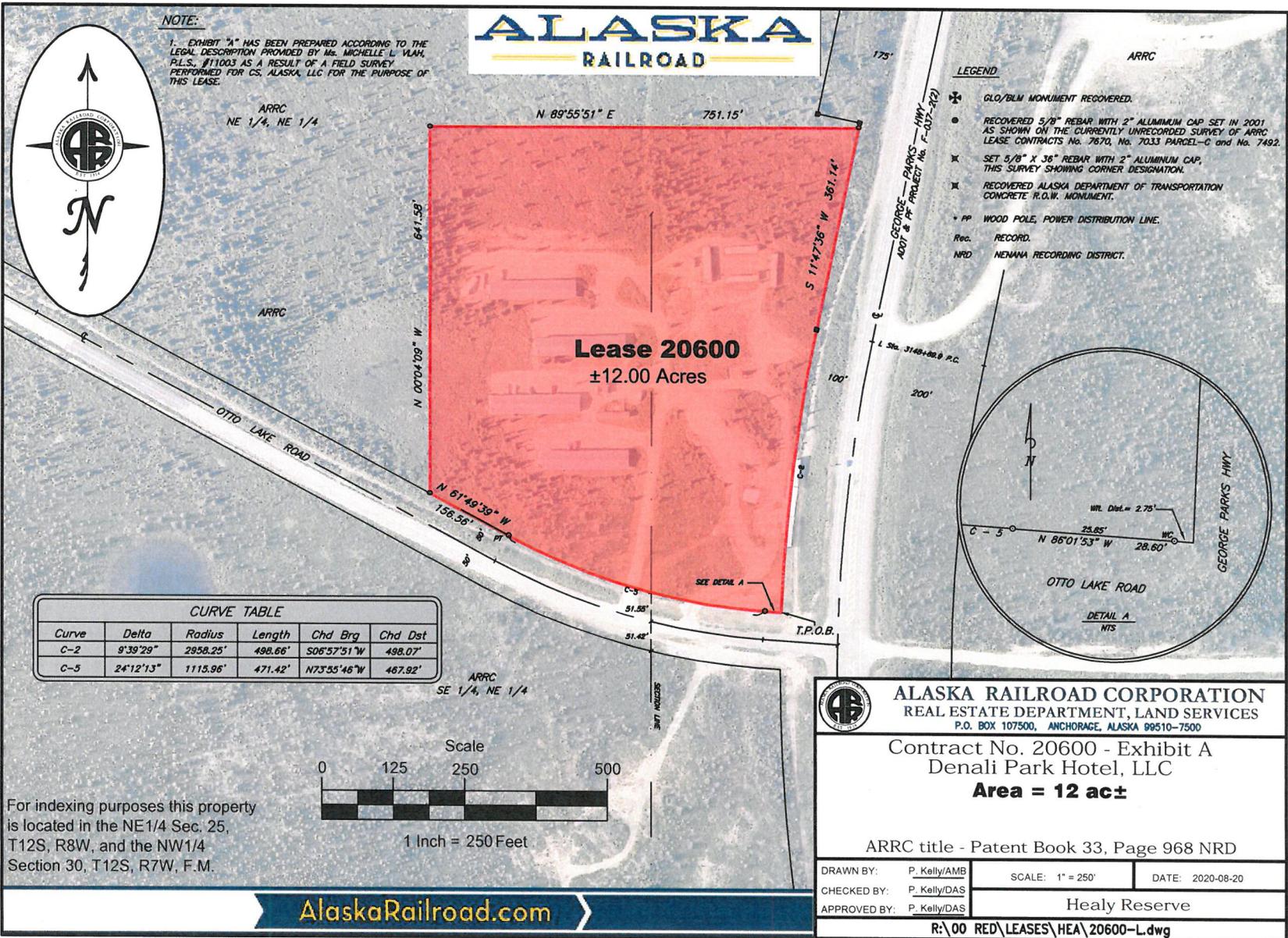
LEGAL REVIEW: Yes

INTENDED USE: Hotel

SUMMARY AND RECOMMENDATIONS: Current Lessee is requesting a new lease not to exceed Ninety-Five (95) years. Lessee currently operates a hotel at this site under ARRC Contract No. 20199, which is scheduled to expire on 8/30/2045 and although a lease longer than Thirty-Five years requires significant improvements, the lessee wants to continue its present use with no immediate plans to build additional improvements other than maintaining the existing improvements.

APPROVED: _____ **Board Meeting Date:** _____

Jennifer Haldane
ARRC Board Secretary



NOTE:

1. EXHIBIT "A" HAS BEEN PREPARED ACCORDING TO THE LEGAL DESCRIPTION PROVIDED BY Ms. MICHELLE L. VLAH, P.L.S., #11003 AS A RESULT OF A FIELD SURVEY PERFORMED FOR CS, ALASKA, LLC FOR THE PURPOSE OF THIS LEASE.



ARRC
NE 1/4, NE 1/4

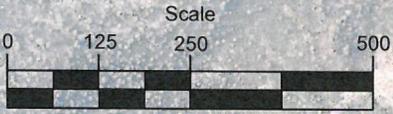
N 89°55'51" E 751.15'

Lease 20600
±12.00 Acres

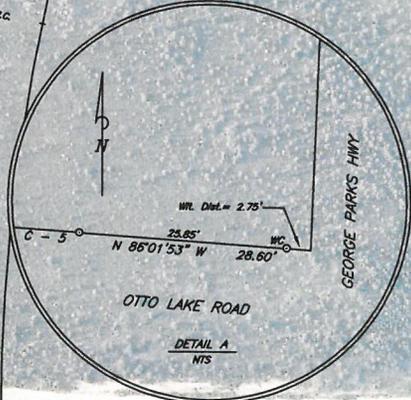
LEGEND

- ⊕ GLO/BLM MONUMENT RECOVERED.
- RECOVERED 5/8" REBAR WITH 2" ALUMINUM CAP SET IN 2001 AS SHOWN ON THE CURRENTLY UNRECORDED SURVEY OF ARRC LEASE CONTRACTS No. 7670, No. 7033 PARCEL-C and No. 7492.
- ✕ SET 5/8" X 3/8" REBAR WITH 2" ALUMINUM CAP, THIS SURVEY SHOWING CORNER DESIGNATION.
- ✕ RECOVERED ALASKA DEPARTMENT OF TRANSPORTATION CONCRETE R.O.W. MONUMENT.
- PP WOOD POLE, POWER DISTRIBUTION LINE.
- Rec. RECORD.
- NRD NENANA RECORDING DISTRICT.

CURVE TABLE					
Curve	Delta	Radius	Length	Chd Brg	Chd Dst
C-2	9°39'29"	2958.25'	498.66'	S06°57'51" W	498.07'
C-5	24°12'13"	1115.96'	471.42'	N73°35'46" W	467.92'



For indexing purposes this property is located in the NE1/4 Sec. 25, T12S, R8W, and the NW1/4 Section 30, T12S, R7W, F.M.



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

Contract No. 20600 - Exhibit A
Denali Park Hotel, LLC

Area = 12 ac±

ARRC title - Patent Book 33, Page 968 NRD

DRAWN BY: P. Kelly/AMB	SCALE: 1" = 250'	DATE: 2020-08-20
CHECKED BY: P. Kelly/DAS	Healy Reserve	
APPROVED BY: P. Kelly/DAS		

R:\00 RED\LEASES\HEA\20600-L.dwg

AlaskaRailroad.com

LEASE SUMMARY

LESSEE: Winterhouse, Inc.

CONTRACT NO: 20599

LEASE DESCRIPTION: That portion of Lot 3, U.S. Survey 3682 not encompassed by Valdez Glacier Road or McKinley Street, as depicted on the plat for U.S. Survey 3682, dated February 28, 1963 and the attached "Exhibit A", containing 136,727 square feet, more or less.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: October 1, 2020

Prior Annual Rent: \$7,605.00

Lease Term: Twenty (20) Years

Rental Rate: 8%

Option to Extend: N/A

Rent Adjustment: Rent is adjusted every 5 years with adjusted annual rent not to exceed 135% of the prior year's annual rent or to decrease to less than 65% of the prior year's annual rent

Lease Area: Approximately 136,727 sq.ft.

Base Annual Rent: \$8,750.53 (based on appraised value)

Extended Term Rent: NA

PUBLIC NOTICE: Yes, public comment period expires September 24, 2020.

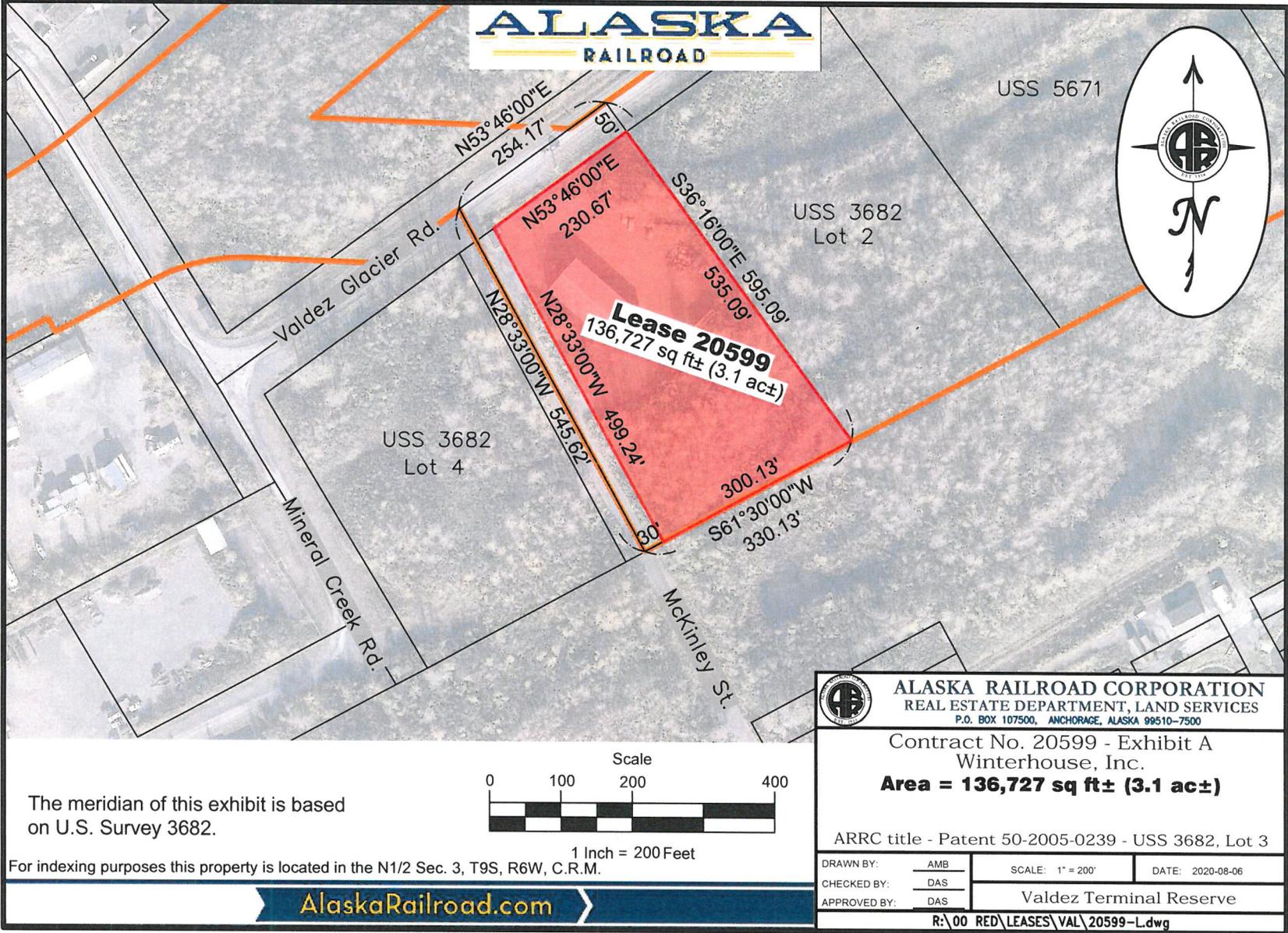
LEGAL REVIEW: Yes

INTENDED USE: Storage yard

SUMMARY AND RECOMMENDATIONS: Lessee's current lease expires on September 30, 2020, and Lessee is requesting a new lease for Twenty (20) years. Lessee wants to continue to use this property for a storage yard. Approval is recommended.

APPROVED: _____ **Board Meeting Date:** _____

Jennifer Haldane
ARRC Board Secretary



LEASE SUMMARY

LESSEE: Nordlys, LLC

CONTRACT NO: 20467

LEASE DESCRIPTION: Talkeetna Reserve – Approximately 361,636 sq. ft. (8.30 acres) located along the Talkeetna River, within the Talkeetna Railroad Reserve of U.S. Survey 1260, Sec. 24, T26N, R5W, Seward Meridian

KEY CONTRACT PROVISIONS:

Estimated Effective Date: February 15, 2021

Lease Term: Five (5) years

Option to Extend: Three (3) Five (5)-year options exercisable by Nordlys

Lease Area: Approx. 361,636 sq.ft.

Base Annual Rent: Lease years 1-2 annual rent is \$50,000 or 10% of gross revenue, whichever is higher.

Prior Annual Rent: N/A

Rental Rate: 8% rental rate; calculation of actual rent for lease years 1-5 is reflected below

Rent Adjustment: Lease years 3-5 annual rent is \$75,000 or 10% of gross revenue, whichever is higher. If one or more optional extensions are exercised, the annual base rent will be adjusted, if necessary, to ensure 8% rental rate.

PUBLIC NOTICE: Yes, public comment period expires September 24, 2020. Public notice and opportunity also was completed in 2019 when the Board initially approved a lease for Nordlys.

LEGAL REVIEW: Yes

INTENDED USE: Hospitality and Support Services.

SUMMARY AND RECOMMENDATIONS: The Board initially reviewed and approved a request by Nordlys, LLC in 2019 for a lease in support of this project. That lease was not executed and Nordlys' plans for the project have since been significantly affected by the adverse impact of the COVID-19 on the Alaska tourism industry. Nordlys originally planned to construct 10 temporary dome structures to house its guests in 2020 with potential expansion to up to a total of 28 dome structures. Initial investment by Nordlys is anticipated to be \$1,750,000. Nordlys further anticipates guests using rail for at least one direction to or from Talkeetna as part of the travel experience package. The Board approved initial lease at its March 28, 2019 meeting, but while that lease agreement was pending signature by Nordlys, the pandemic caused it to revise its plans for 2020 and to decrease its guest forecast for the initial 2 years of the lease term. Because of these unforeseen changes, Nordlys has requested a new five (5) year ground lease with slightly adjusted rent terms, but still with three (3) five (5)-year extension options as was the case

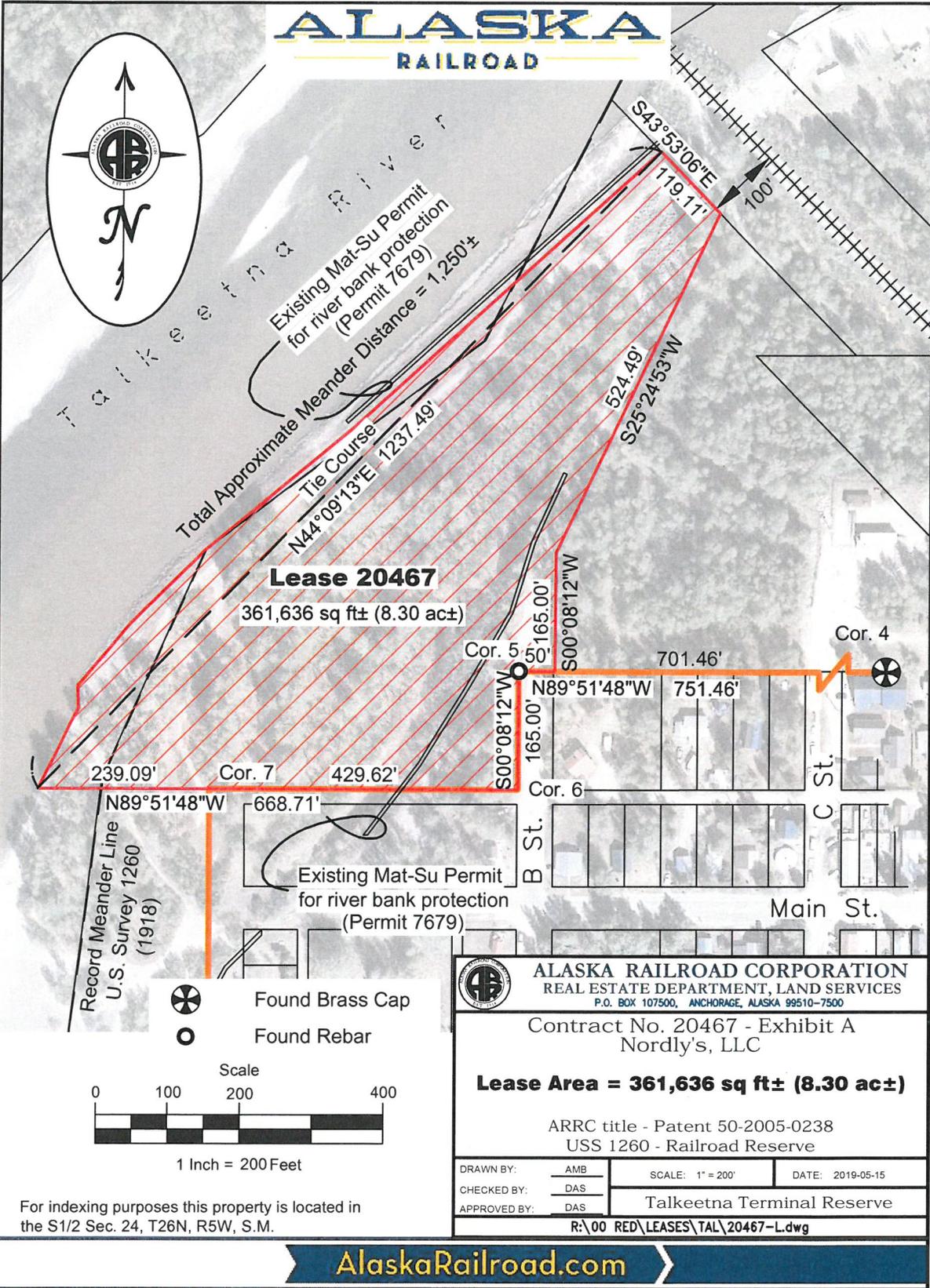
with the originally approved lease. The requested lease would commence effective February 15, 2021. Annual rent will include a floor amount of \$50,000 in lease years 1-2 and \$75,000 in lease years 3-5, but will revert to ten percent (10%) of Nordlys' annual gross revenues from the project in any lease year when such annual gross revenues exceed the applicable annual rent floor. For comparison, under the originally-approved lease, the annual rent floor was \$50,000 in lease year 1 and increased to \$75,000 for lease years 2 through 5. Approval is recommended.

APPROVED: _____ **Board Meeting Date:** _____

Jennifer Haldane
ARRC Board Secretary

DRAFT

ALASKA RAILROAD



For indexing purposes this property is located in the S1/2 Sec. 24, T26N, R5W, S.M.

AlaskaRailroad.com