August 1, 2018

Christopher C. MacNeith
Region 10 Civil Rights Officer
FTA, Office of Civil Rights
915 Second Avenue
Seattle, Washington 98174

Re: Alaska Railroad Corporation DBE Goal 2019-2021

Dear Mr. MacNeith:

This is to notify you that the Alaska Railroad Corporation (ARRC) has placed its 2019-2021 Proposed DBE Goal on the FTA's TrAMS submission page. The ARRC's overall goal for 2019-2021 is **3.0%**. This goal is a race neutral goal. The goal is posted on ARRC's website, and ARRC is seeking input from stakeholder groups and the public through a 30-day public comment period and scheduled public meeting.

If you have any questions regarding the ARRC's goal or its calculations, please contact me at 907.265.2613 or at sellerswarehamt@akrr.com.

Very truly yours,

Tina Sellers Wareham
Deputy Chief Counsel

ALASKA RAILROAD CORPORATION
DBE GOAL FY 2019-2021

Submitted to:

United States Department of Transportation
Federal Transit Administration, Region 10
Jackson Federal Building
915 Second Avenue, Suite 3142
Seattle, WA 98174-1002

Phone: (206) 220-7954
Fax: (206) 220-7518

August 1, 2018

Submitted by:

Alaska Railroad Corporation
FTA Vendor No. 5806
327 W. Ship Creek Avenue
Anchorage, AK 99501

Phone: (907) 265-2461
Fax: (907) 265-2443
sellerswarehamt@akrr.com

DBE Goal Setting Evidence and Methodology

I. Preface

In 2015, during the development of the Alaska Railroad Corporation (ARRC) Disadvantaged Business Enterprise (DBE) Goal for 2016-2018, several factors were impacting the number of capital projects ARRC could carry out, including FTA funding cuts, reduced freight revenues, and the need to apply FTA funds to bond debt service. With the enactment of the FAST Act, ARRC is back to prior FTA funding levels. ARRC continues to face challenges in its freight revenue mix, with fuel and coal lines of business still significantly below pre-2012 levels. ARRC projects it will use approximately one-third of the FTA funds it receives during the 2019-2021 timeframe to cover bond debt service for bonds issued to finance its FRA-mandated Positive Train Control (PTC) project and the corporation's service of other debts. Though these challenges are not new, they continue to impact the allocation of FTA funds to capital projects.

In addition to the ongoing challenges posed by reduced revenues and bond debt service, ARRC is currently redirecting internal expense and capital dollars to comply with several new federally mandated requirements for PTC, safety, training and transit asset management (TAM). Because these mandates create a system-wide burden on our infrastructure spending obligations, ARRC's current focus for its FTA fund allocation is on maintaining its system assets in a state of good repair.

II. Step No. 1 of the DBE Goal Calculation, 49 CFR § 26.45(c)

In Step No. 1 of the calculation, ARRC's objective is to determine the relative availability of DBEs to perform the types of contracts (both prime and subcontracts) that ARRC intends to let during Federal Fiscal Years 2019-2021. Accordingly, the first area of inquiry for Step No. 1 is an examination of the FTA-funded projects ARRC currently plans for that time period:

Project	FTA Funding 2019 - 2021	Work Will be Performed by
Preventive Maintenance	39,295,686	Contractor and ARRC Internal Forces
Transit Asset Management	4,357,301	Contractor
Track Rehabilitation Program	17,750,659	Contractor and ARRC Internal Forces
Passenger Car Rehabilitation Program	2,224,011	Contractor and ARRC Internal Forces
Wheelchair Lift Replacement	30,000	Contractor
Dispatch Radio Modernization	1,041,735	Contractor
Seward Train Depot Communications Enhancements	99,360	Contractor

Breaking each of these project categories down into their potential for contracting opportunities, the results show:

Preventive Maintenance. From 2019-2021, ARRC anticipates receiving approximately $39,296,000 in Preventive Maintenance funds. Because ARRC receives these funds on a continuing basis, some of the funds are already dedicated to ongoing contracts. The remainder of the PM funds that ARRC reasonably anticipates awarding under contract are included in the goal methodology set forth below.

Transit Asset Management. Initially, ARRC will use these funds to engage a contractor to develop a TAM needs assessment, with the goal of identifying electronic solutions to support asset management data capture and analysis. Using the needs assessment, ARRC will develop an RFP to procure its asset management system. ARRC will select a software vendor and then enter a contract with the vendor to configure and implement the system. The TAM system is included in the methodology below.

Track Rehabilitation Program. ARRC performs the majority of its own track work using internal forces, but issues contracts for certain track rehabilitation services that require large pieces of specialized equipment that ARRC does not own and maintain itself. During the 2019-2021 timeframe, ARRC plans to expend FTA funds on rail grinding and ballast maintenance work. The rail grinding work will be performed under an ongoing contract. ARRC will be seeking to enter a contract for the ballast maintenance work, which is included in the goal methodology below.

Passenger Car Rehabilitation Program. As part of a multi-year project, ARRC will be using this money to rehabilitate numerous baggage, diner, café, and passenger cars. ARRC internal forces will perform a portion of the labor, and HVAC services will be provided under an ongoing term services contract. However, ARRC anticipates that the bulk of the work will be completed by contracting with flooring, exterior painting, interior surface, upholstery, plumbing, and mechanical contractors and suppliers. The various contracting opportunities afforded by this program are included in the goal methodology.

Wheelchair Lift Replacement. ARRC anticipates purchasing new wheelchair lifts during each of the years in the 2019-2021 timeframe. The lift replacement project is included in the goal methodology below.

Dispatch Radio Modernization. To maintain compatibility with existing systems, ARRC plans to modernize its radio dispatch operations by purchasing new system components from, and continuing its long association with, its current vendor. All labor for this project will be performed by ARRC internal forces. There are no contractable opportunities in this category.

Seward Train Depot Communications Enhancements. ARRC anticipates using these funds to enhance the network connection between the Seward communications shelter and ARRC's Seward Depot. System design and engineering, permitting, and installation of the selected technology will be completed under ongoing term services contracts. Accordingly there are no contractable opportunities for DBEs on this project.

Potential Methodologies for Determining Relative Availability

Methodology 1: Divide the number of DBEs in the market by the number of all businesses (DBE and non-DBE) in the market to derive a base figure for the relative availability of DBEs. Those calculations are broken down as follows:

NAICS Code[1]	Nature of Work	DBEs	All Businesses	Relative Availability
562991	Septic Pumping	0	15	0.0000
238190	Elevator Maintenance	0	11	0.0000
488210	Vegetation Management	0	0	
561730	Lawn Care/Snow Removal - Anchorage	0	83	0.0000
561720	Janitorial - Seward	0	5	0.0000
561720	Janitorial - Healy	0	5	0.0000
561720	Janitorial - Anchorage	2	115	0.0174
561720	Janitorial - Girdwood	0	2	0.0000
561720	Janitorial - Fairbanks	0	31	0.0000
541611	TAM Needs Assessment	3	85	0.0353
511210	TAM Software Purchase, Configuration & Implementation	0	6	0.0000
488210	Ballast Maintenance	1	6	0.1667
811121	Passenger Car Rehabilitation - Exteriors	0	47	0.0000
423840	Passenger Car Rehabilitation - Window Gaskets/Rubber	0	12	0.0000
238220	Passenger Car Rehabilitation - Diner Car Interior Rebuild	1	101	0.0099
238330	Passenger Car Rehabilitation - Flooring	7	52	0.1346
811420	Passenger Car Rehabilitation - Upholstery	0	6	0.0000
238220	Passenger Car Rehabilitation - Bathroom Upgrades	1	101	0.0099
336510	Passenger Car Rehabilitation - 40-Year Truck Overhauls	0	0	
238390	Passenger Car Rehabilitation - Interior Surfaces	0	11	0.0000
336510	Passenger Car Rehabilitation - Air Brake Conversions	0	0	
333921	Wheelchair Lift Replacement	0	0	
Combined Totals		**15**	**694**	**0.0216**

[1] ARRC obtained the appropriate NAICS codes from the NAICS Manual (2017), corporate filings, and direct communication with contractors. The number of DBE firms in those NAICS codes was derived from the State of Alaska AUCP's DBE Directory, http://www.dot.state.ak.us/cvlrts/directory.shtml. The total number of businesses in the relevant market area bearing those NAICS codes was derived from the U.S. Census, https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml.

Methodology 2: Use a bidders list from the previous year. Although ARRC has had projects similar to those listed above in previous years, it was determined that the bidders list for those projects may not adequately reflect the relative availability of DBEs in the market.

Methodology 3: Use information from a disparity study. At this time, ARRC does not have a disparity study.

Methodology 4: Use the goal of another recipient. The Alaska Department of Transportation & Public Facilities (DOT&PF) receives federal funding from FTA, the Federal Highway Administration, and the Federal Aviation Administration and sets DBE goals for each of those agencies. Because the ARRC's projects for 2019-2021 are not significantly similar to DOT&PF's FHWA projects (highway), its FAA projects (airport) or its FTA projects (bus and ferries), it was determined that this methodology should not be used as a determinative measure for arriving at a goal for the ARRC.

Methodology 5: Use alternative methods that appropriately reflect the relative availability of DBEs. No appropriate methods were found.

Having considered each of the methodologies set forth above, ARRC determined that the figure that best represents the overall base relative availability of DBEs for ARRC's FTA-funded projects, before weighting, is 0.0216.

Weighting the Base Figure

Using the FTA's Weighting Base Figure Worksheet, ARRC's rounded, weighted base figure is 3%. A copy of the Weighting Base Figure Worksheet, including specific dollar amounts for projects by NAICS number, is attached to this DBE Goal submission.

III. Step Two of the DBE Goal Calculation, 49 CFR § 26.45(d)

Step 2 of the goal-setting procedure requires recipients to make adjustments, if necessary, to the base figure calculated in Step 1 above. Factors to be considered include: (1) the current capacity of DBEs to perform work on DOT-funded contracts as measured by the volume of work DBEs have performed in recent years; (2) evidence from disparity studies; (3) if using another recipient's goal, adjustments required for differences in markets and contracting programs (this factor is inapplicable); (4) if available, evidence from related fields that affect opportunities for DBEs to form, grow and compete; (5) statistical disparities in the ability of DBEs to get financing, bonding and insurance; and (6) data on employment, self-employment, education, training, and union apprenticeship programs, to the extent that it is relevant to opportunities for DBEs to perform in the recipient's program.

Having considered the Step 2 factors set forth in the regulations, ARRC finds that the factor most relevant to its program is historical data showing the work performed by DBEs on ARRC projects in the past three years and in 2018 to date. The use of this factor is justified by the fact that the contracting opportunities in 2019-2021 will be substantially similar to those experienced by the ARRC in past years. As reported previously in the ARRC's Uniform Semiannual DBE Reports, the historical figures are:

2015	0.93%
2016	1.0%
2017	0.0%
2018 to date	0.0%

The median of those figures is 0.48%.

IV. ARRC Overall Goal Calculation FY 2019-2021

Step 1: Rounded Weighted Base Rate 3%

Step 2: Median Based on Historical Participation 0.48%

Average Step 1 and Step 2: 1.74%

While the historical participation factor indicates that a downward adjustment of the overall goal may be appropriate, ARRC finds that the rounded weighted base rate, without adjustment, is consistent with its overall DBE goals in recent years. Accordingly, ARRC has elected to forgo any adjustment and will use the rounded, weighted base rate as its overall goal.

ARRC DBE Goal for FY 2019-2021 3%

V. Division of Goal into Race Conscious and Race Neutral Means of Achievement, 49 CFR §§ 26.45(f)(3), 51(c)

At the present time, the ARRC does not have a disparity study evidencing actual discrimination in federally-funded contracting opportunities against DBEs. Therefore, in accordance with 49 CFR § 26.45(f)(3), 49 CFR § 26.51(c), the FTA's "Disadvantaged Business Enterprises; Western States Guidance for Public Transportation Providers," 71 FR 14775 (March 23, 2006), and Western States Paving Co. v. United States Dept. of Transportation, 407 F.3d 983 (9th Cir. 2005), the ARRC maintains a fully race-neutral DBE Program.

VI. Consultation and Publication, 49 CFR §26.45(g)(1)

In February 2018, ARRC sponsored and participated in the annual two-day, statewide DBE conference hosted by the Alaska Department of Transportation & Public Facilities. This well-attended conference offers business development information to DBEs, and affords recipients and DBEs the opportunity to learn about each other's projects and capabilities. ARRC participated in a panel discussion on how to do business with the corporation, provided procurement information to interested DBEs at ARRC's staffed booth, and met one-on-one with numerous DBEs over a lengthy "match-making" session. Insofar as ARRC's projects and contracting opportunities tend to be similar from year to year, ARRC found the interaction beneficial for informing its goal-setting process.

For further input on ARRC's overall goal, ARRC will be reaching out to minority, women's and general contractor groups and community organizations to obtain information relevant to the goal setting process, and to directly inform such stakeholders of the additional efforts ARRC has undertaken to encourage public/DBE feedback:

- Published the proposed goal and methodology on ARRC's website, accessible at www.alaskarailroad.com;
- Advertised the proposed goal in a statewide Public Notice format, a copy of which is attached to this document, providing for a 30-day public comment period;
- Issued, via the Public Notice, a public meeting invitation and opportunity for in-person review of the overall goal and its rationale.

After the public meeting and 30-day comment period, ARRC will consider all input received from DBE stakeholders and the public, and determine whether to adjust the overall goal.

Step 1 - Determine the weight of each type of work by NAICS Code:

* Enter all the FTA-assisted projects below. Project amounts should be assigned relevent NAICS Code(s).

	NAICS Code	Project	Amount of DOT funds on project:	% of total DOT funds (weight)
1)	562991	Preventive Maintenance - Septic Service	$252,000.00	0.0241
2)	238190	Preventive Maintenance - Elevator Maintenance	$60,000.00	0.0057
3)	488210	Preventive Maintenance - Vegetation Management, Railway Applic.	$480,000.00	0.0459
4)	561730	Lawn Care/Snow Removal - Anchorage	$104,000.00	0.0099
5)	561720	Janitorial - Seward	$320,000.00	0.0306
6)	561720	Janitorial - Healy	$72,000.00	0.0069
7)	561720	Janitorial - Anchorage	$156,000.00	0.0149
8)	561720	Janitorial - Girdwood	$24,000.00	0.0023
9)	561720	Janitorial - Fairbanks	$174,000.00	0.0166
10)	541611	TAM Needs Assessment	$48,000.00	0.0046
11)	511210	TAM Software Purchase, Configuration & Implementation	$4,309,301.00	0.4119
13)	488210	Ballast Maintenance	$2,000,000.00	0.1912
14)	811121	Passenger Car Rehabilitation - Exteriors	$1,496,000.00	0.1430
15)	423840	Passenger Car Rehabilitation - Window Gaskets/Rubber	$60,800.00	0.0058
16)	238220	Passenger Car Rehabilitation - Diner Car Interior Rebuild	$320,000.00	0.0306
17)	238330	Passenger Car Rehabilitation - Flooring	$120,000.00	0.0115
18)	811420	Passenger Car Rehabilitation - Upholstery	$176,000.00	0.0168
19)	238220	Passenger Car Rehabilitation - Bathroom Upgrades	$96,000.00	0.0092
20)	336510	Passenger Car Rehabilitation - 40-Year Truck Overhauls	$84,000.00	0.0080
21)	238390	Passenger Car Rehabilitation - Interior Surfaces	$72,000.00	0.0069
22)	336510	Passenger Car Rehabilitation - Air Brake Conversions	$8,000.00	0.0008
23)	333921	Wheelchair Lift Replacement	$30,000.00	0.0029
	Total FTA-Assisted Contract Funds		**$10,462,101.00**	**1**

Step 2 - Determine the relative availability of DBE's by NAICS Code:

* Use DBE Directory, census data and/or a bidders list to enter the number of available DBE firms and the number of available firms.

	NAICS Code	Project	Number of DBEs available to perform this work	Number of all firms available (including DBEs)	Relative Availability	
1)	562991	Preventive Maintenance - Septic Service	0	15	0.0000	
2)	238190	Preventive Maintenance - Elevator Maintenance	0	11	0.0000	
3)	488210	Preventive Maintenance - Vegetation Management, Railway Applic.	0	0		
4)	561730	Lawn Care/Snow Removal - Anchorage	0	83	0.0000	
5)	561720	Janitorial - Seward	0	5	0.0000	
6)	561720	Janitorial - Healy	0	5	0.0000	
7)	561720	Janitorial - Anchorage	2	115	0.0174	
8)	561720	Janitorial - Girdwood	0	2	0.0000	
9)	561720	Janitorial - Fairbanks	0	31	0.0000	
10)	541611	TAM Needs Assessment	3	85	0.0353	
11)	511210	TAM Software Purchase, Configuration & Implementation	0	6	0.0000	
13)	488210	Ballast Maintenance	1	6	0.1667	
14)	811121	Passenger Car Rehabilitation - Exteriors	0	47	0.0000	
15)	423840	Passenger Car Rehabilitation - Window Gaskets/Rubber	0	12	0.0000	
16)	238220	Passenger Car Rehabilitation - Diner Car Interior Rebuild	2	101	0.0198	
17)	238330	Passenger Car Rehabilitation - Flooring	7	52	0.1346	
18)	811420	Passenger Car Rehabilitation - Upholstery	0	6	0.0000	
19)	238220	Passenger Car Rehabilitation - Bathroom Upgrades	1	101	0.0099	
20)	336510	Passenger Car Rehabilitation - 40-Year Truck Overhauls	0	0		
21)	238390	Passenger Car Rehabilitation - Interior Surfaces	0	11	0.0000	
22)	336510	Passenger Car Rehabilitation - Air Brake Conversions	0	0		
23)	333921	Wheelchair Lift Replacement	0	0		
	Combined Totals		**16**	**694**	0.0231	***Overall availability of DBEs***

Step 3 - (Weight) x (Availability) = Weighted Base Figure

	NAICS Code	Project	Weight	x	Availability	Weighted Base Figure
1)	562991	Preventive Maintenance - Septic Service	0.02409	x		
2)	238190	Preventive Maintenance - Elevator Maintenance	0.00573	x		
3)	488210	Preventive Maintenance - Vegetation Management, Railway Applic.	0.04588	x		
4)	561730	Lawn Care/Snow Removal - Anchorage	0.00994	x		
5)	561720	Janitorial - Seward	0.03059	x		
6)	561720	Janitorial - Healy	0.00688	x		
7)	561720	Janitorial - Anchorage	0.01491	x	0.01739	0.0003
8)	561720	Janitorial - Girdwood	0.00229	x		
9)	561720	Janitorial - Fairbanks	0.01663	x		
10)	541611	TAM Needs Assessment	0.00459	x	0.03529	0.0002
11)	511210	TAM Software Purchase, Configuration & Implementation	0.41190	x		
13)	488210	Ballast Maintenance	0.19117	x	0.16667	0.0319
14)	811121	Passenger Car Rehabilitation - Exteriors	0.14299	x		
15)	423840	Passenger Car Rehabilitation - Window Gaskets/Rubber	0.00581	x		
16)	238220	Passenger Car Rehabilitation - Diner Car Interior Rebuild	0.03059	x	0.01980	0.0006
17)	238330	Passenger Car Rehabilitation - Flooring	0.01147	x	0.13462	0.0015
18)	811420	Passenger Car Rehabilitation - Upholstery	0.01682	x		
19)	238220	Passenger Car Rehabilitation - Bathroom Upgrades	0.00918	x	0.00990	0.0001
20)	336510	Passenger Car Rehabilitation - 40-Year Truck Overhauls	0.00803	x		
21)	238390	Passenger Car Rehabilitation - Interior Surfaces	0.00688	x		
22)	336510	Passenger Car Rehabilitation - Air Brake Conversions	0.00076	x		
23)	333921	Wheelchair Lift Replacement	0.00287	x		
					Total	0.0345
					Expressed as a % (*100)	3.45%
					Rounded, Weighted Base Figure:	**3%**

FFY 2019-2021 DBE Goal Methodology

The Alaska Railroad Corporation (ARRC) invites you to participate in its triennial Disadvantaged Business Enterprise (DBE) goal-setting process. ARRC is developing an overall DBE goal for use on projects funded by the Federal Transit Administration. For the period beginning October 1, 2018 to September 30, 2021 (FFY 2019-2021) ARRC proposes the following overall DBE goal: 3% (3% race-neutral, 0.00% race-conscious). You may find the goal methodology online at:

https://www.alaskarailroad.com/corporate/procurement/dbe-program

A public meeting to discuss the goal will be held:

Thursday, August 30, 2018 from 10:00 a.m. until 11:00 a.m.

Alaska Railroad Corporation
James B. Blasingame Board Room
327 West Ship Creek Avenue
Anchorage, Alaska 99501

During the public comment period beginning July 31, 2018 and ending September 7, 2018, comments may be provided via:

Email: sellerswarehamt@akrr.com

Fax: 907.265.2443

Mail: Tina Sellers Wareham
Alaska Railroad Corporation
327 West Ship Creek Avenue
Anchorage, Alaska 99501

Phone: (907) 265-2613

The proposed overall goal and its rationale are also available for review during normal business hours (8:00 a.m.-5:00 p.m., Monday-Friday) at the Alaska Railroad Corporation located at 327 West Ship Creek Avenue, Anchorage, Alaska 99501.

Individual with disabilities who may need auxiliary aids, services, and/or special modifications to participate in public meetings or who require special accommodations while gathering information on this file, should contact Tina Wareham at 907.265.2613 or email at sellerswarehamt@akrr.com; TDD number 907.265.2621; requests should be made at least two days before the accommodation is needed to make any necessary arrangements.