

ARRC BOARD OF DIRECTORS MEETING

Tuesday, February 4, 2020, 9:00 a.m. - 2:00 p.m.

Pike's Waterfront Lodge – Fireweed Room
1850 Hoselton Road, Fairbanks, Alaska 99705

- I. **CALL TO ORDER (9:00 a.m.)**
- II. **ESTABLISH QUORUM**
- III. **SAFETY BRIEFING**
- IV. **SWEARING IN OF NEW BOARD MEMBERS**
- V. **ELECTION OF OFFICERS**
- VI. **CHAIR COMMENTS**
- VII. **ADOPTION OF AGENDA**
- VIII. **CONFLICT OF INTEREST DISCLOSURES**
- IX. **ADOPTION OF MINUTES**
 1. Approval of Regular Meeting Minutes of November 18, 2019
- X. **OPPORTUNITY FOR PUBLIC COMMENT**
- XI. **BRIEFING ITEMS**
 - A. **Public Briefings (a portion may be held in Executive Session)**
 1. CEO Update
 2. DC Update – Snjez Arthur, Conlon, Chambers & Hartwell, LLC
 3. Safety Update
 4. Business Report
 5. PTC Update
 - B. **Committee Reports**
 1. Real Estate Committee
 2. Executive Committee
- XII. **NEW BUSINESS**
 - C. **Executive Session Briefings**
 1. Contracts, Claims, Litigation, Personnel and Financial Matters
 2. Collective Bargaining Agreement Negotiations Update
 3. A2A Update
 4. Legislative Strategy
 5. Business Development Report
 6. Seward Dock Update
 - D. **Adoption of Consent Agenda**
 1. Resolution No. 2020-01 – Relating to Increase in Funding for 2020 Access Improvements to The Rail Complex (AFE No. 10799-S1)
 2. Resolution No. 2020-02 – Relating to Approval of the Sixth Amendment to the Alaska Railroad Corporation Pension Plan (Eligible Employee/Board Member Definition)
 3. Resolution No. 2020-03 – Relating to Approval of the Third Amendment to the 401(k) Tax Deferred Savings Plan for Non-Represented Employees (Eligible Employee/Board Member Definition)
 4. Contract Lease No. 20546 – Medallion Building, LLC
 5. Contract Lease No. 5611 – York Steel
- XIII. **DIRECTOR/CEO/STAFF COMMENTS/OPPORTUNITY FOR PUBLIC COMMENT**
- XIV. **ADJOURNMENT**

ALASKA RAILROAD CORPORATION MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING

Anchorage, Alaska
Tuesday, November 19, 2019

I. CALL TO ORDER

The Acting Chair, Commissioner John MacKinnon, called the meeting to order at 8:30 a.m., on Tuesday, November 19, 2019 at the Alaska Railroad Corporation (ARRC) Headquarters Building, James B. Blasingame Board Room, 327 West Ship Creek Avenue, Anchorage, Alaska.

II. ESTABLISH QUORUM

Acting Chair MacKinnon requested that the Board Secretary, Andy Behrend, establish a quorum. Acting Chair MacKinnon and Directors Craig Campbell and Jack Burton attended in person. Director John Binkley participated telephonically. Commissioner Julie Anderson and new Director John Shively were excused. New Director Judy Petry was unable to complete travel to Anchorage due to weather and also was excused. A board quorum of four directors was established by Mr. Behrend.

Staff members present:

B. Amy, Chief Financial Officer	A. Behrend, Chief Counsel/Board Secretary
J. Bennett, Chief Special Agent	T. Covington, Director, Safety
T. Erickson, Director, Supply Management	J. Haldane, Chief Human Resources Officer
L. Hall, Executive & Corporate Administrator	C. Hopp, Chief Operating Officer
L. Knox, Director, Financial Planning & Analysis	J. Kubitz, VP, Real Estate
B. O'Leary, President & Chief Executive Officer	B. Lindamood, VP, Engineering & Chief Engineer
D. Wade, VP Marketing & Customer Service	T. Sullivan, Director, External Affairs
	T. Wareham, Deputy Chief Counsel

Members of the public present:

Katherine Wood, Representative of HDR, Inc.

III. SAFETY BRIEFING

Acting Chair MacKinnon asked Tom Covington to present the safety briefing. Mr. Covington discussed how to exit the building and what to do in case of an emergency. He also discussed safe driving practices.

IV. CHAIR COMMENTS

Acting Chair MacKinnon noted that the Board's mission statement focuses on "Safety, Service and Profitability." He said although our two new board members, Directors Petry and Shively, are not present, he welcomes them and is looking forward to serving with them. He noted that over the past year the Board has experienced a tremendous changeover.

Acting Chair MacKinnon noted that Director Burton recently reached 25 years of Board service. Acting Chair MacKinnon noted that in January 2007, as a Deputy Commissioner, he acted as an ARRC Board member for one meeting and that he had appreciated the historical knowledge and wisdom of Director Burton. Acting Chair MacKinnon said he is pleased to acknowledge Director Burton's twenty-five years of service and to present him with a silver service spike award. Director Burton thanked him and said that working with great people has made his 25 years of service a true pleasure. He said he has enjoyed working with fellow Board members and management over the years, and is looking forward to the next 25 years. Acting Chair MacKinnon said newer members should look to Directors Burton and Binkley for guidance and Board history.

V. ADOPTION OF AGENDA

Acting Chair MacKinnon asked for a motion to approve the Agenda. Director Burton moved to adopt the meeting agenda and Director Campbell seconded that motion. There were no objections or further discussion, and the agenda was initially approved as presented.

After Director Binkley disclosed a potential conflict of interest (as explained in Section VI, below), Director Campbell made a motion to modify the order of the agenda items included in the agenda under New Business, Executive Session Briefings. Specifically, he moved to switch and renumber items C.2. (A2A Rail Project Update) and C.3 (Seward Passenger Dock Project). That would place the Seward Passenger Dock Project item last, which would allow Director Binkley to be present for discussion of the rest of the Executive Session items before recusing himself from the Seward Passenger Dock Project discussion. Director Burton seconded Director Campbell's motion to approve the agenda as so modified. There were no objections to the modified order of topic briefings and no further discussion, and the agenda was re-approved as modified.

VI. CONFLICT OF INTEREST DISCLOSURES

Director Binkley disclosed that he may have a potential conflict of interest related to the Seward Passenger Dock Project which was disclosed earlier to both previous Chairs Cook and Leary. He noted that he has recused himself from all previous discussions and participation regarding that project in both the Executive Committee and Board meetings. He stated that although he doesn't have a direct conflict at this time, there is a potential that he might develop such a conflict later. He therefore requests to be excused from any non-public discussions regarding the Seward Passenger Dock Project. He said this recusal would include discussions during today's Executive Session, and that he would disconnect from the

phone line before that discussion takes place. It was at this point that Director Campbell moved to modify the agenda, as discussed in detail in Section V, above.

VII. ADOPTION OF MINUTES

Acting Chair MacKinnon asked if there were any corrections to the Regular Board Meeting Minutes dated September 18, 2019. Director Burton moved to adopt the meeting minutes as presented, and Director Campbell seconded the motion. No objections were stated, and the Regular Board Meeting Minutes for September 18, 2019 were approved by the Board as presented without further discussion.

VIII. OPPORTUNITY FOR PUBLIC COMMENT

No members of the public provided any comments.

IX. BRIEFING ITEMS

A. Public Briefings

1. CEO Update

Acting Chair MacKinnon noted that a portion of some of the public briefing topics may be handled during Executive Session. Mr. O'Leary said the primary topic at today's meeting is discussing and approving the 2020 Operating and Capital budgets. He next provided highlights from the Washington D.C. report, which summarizes current legislative issues. He then referred the Board to the draft 2020 Corporate Goals located behind Tab A in the Board books. He explained that the corporate goals are guiding principles that support our five strategic initiatives. Mr. O'Leary also asked the Board to review and provide comments on the draft ARRC 2020 Board meeting calendar printed on the back cover of the Board book. He said Staff's goal is to finalize both the 2020 Corporate Goals and the 2020 Board meeting calendar by year-end. Mr. Behrend noted, especially for our new Board members, that the first board meeting of the year is scheduled to take place in Fairbanks in conjunction with the Fairbanks Customer Appreciation party, which is customarily attended by Board members and Staff the evening prior to the Board meeting.

2. Safety Report

Mr. Covington and Mr. Hopp provided the Safety Report. They noted that year-to-date ARRC experienced a 33% increase in reportable injuries as compared to 2018. Mr. Covington stated that grade crossing incidents, trespasser casualties, total employee casualties, lost time rate, and lost work days all were up year-to-year over 2018. After discussions at the September Board meeting, the Safety Department initiated a safety alert reminding employees to use safer working habits and to apply training skills to reduce injuries. Following the beginning of that campaign, reportable injuries and incidents for the month of October 2019 were down relative to 2018, and the FRA casualty rate and restricted work days were also better than

2018 during that period. Mr. Covington said the Safety Department will continue to nurture an incident free culture and continue safety training programming for 2020.

Mr. Hopp said the challenge continues to be reducing the large percentage of lost-time injuries attributed to soft tissue injuries such as sprains and strains. In 2019, training programs related to Hazard Recognition and Attention Disorders were introduced to provide situational awareness in an attempt to reduce injuries, authority violations and similar incidents. Overall, employee groups receiving training are showing a decrease in incidents.

In planning for 2020, Mr. Covington stated that we are researching the causes and characteristic effects of sleep apnea and fatigue, as well as the potential value of using a slip-trip-and-fall simulator. The simulator provides training experiences in varying conditions and on varying surfaces. Mr. Hopp said that given the uneven and variable walking surfaces ARRC employees experience, such as raised tracks and ballast, such a simulator could provide value.

3. PTC Update

Mr. Hopp provided a verbal update on Positive Train Control (PTC). Earlier this year, we completed 91 successful runs in Revenue Service Demonstration (RSD). We have now run over 250 successful trains with less than 10 failures. The ARRC PTC system is composed of two distinct operational control systems, one in signalized territory and another in non-signalized territory. The ARRC has requested approval from Federal Railroad Administration (FRA) to begin non-signalized territory RSD testing before the beginning of 2020. Director Campbell asked what is required to be shown in a request for approval to begin RSD. Mr. Hopp said that FRA has to be assured that we have properly tested the system and that it is ready for RSD. To make that showing, we must conduct a series of different steps, which includes lab and field testing. Director Campbell asked when full PTC operations will begin. Mr. Hopp stated that during summer 2020, we will be operating with full PTC in signalized territory, while at the same time completing RSD runs on the non-signalized territory. Mr. Hopp noted that we anticipate investing over \$180 million in PTC. Mr. O'Leary stated that our PTC program is a tremendous achievement and one that has touched all departments in a company-wide effort over a long period of time. And now we are a little over one year away from meeting our federally mandated delivery date of December 31, 2020.

4. 2020 Operating and Capital Budgets

Mr. O'Leary noted that 2020 is his 19th budget year at ARRC in his various capacities, and 2020 is one of the best budgets during that period. ARRC is emerging from a 10-year downturn, and now shows strong potential earnings and cash flow. In past years, long-term planning has been challenging. We are relieved to be entering a new decade in a good financial position. In addition, ARRC will pay off Federal Transit Administration (FTA) bonds in 2022. He said we can now really begin to look toward our future, addressing capital issues, managing cost controls and serving new customers.

4. 2020 Operating and Capital Budgets (continued)

Ms. Amy discussed the 2020 Operating, Pension Trust and Health Care Trust Budgets, the 2020 Capital Budget and the 5-Year Operating and Capital Plans dated November 19, 2019, which are located behind tab A and attached to these minutes as Exhibit A.

Ms. Amy provided the following key highlights, including a quick overview of 2019 performance and a more in depth discussion of the 2020 budgets. The 2019 original budget reflected net income of \$21.5 million, net operating income of \$5.6 million and a bit over \$40 million in cash flow. So far, 2019 has yielded a strong freight revenue year. ARMs barge revenues are \$7.4 million higher than budgeted and miscellaneous local freight revenue is \$1.3 million higher than budget. On the expense side, operating expenses are over budget by \$12.4 million due to higher-than-budgeted pension benefits expenses of \$8.2 million, and an increase in contracts and rents expenses of \$3.9 million associated with barge and miscellaneous operations contracts that exceeded budget due to barge and freight forwarding revenue in excess of budget. The larger pension expense forecast for 2019 arose from changes to actuarial assumptions made on the advice of the pension plan's advisors. The assumption changes included (1) a change in mortality assumption based on a State of Alaska mortality study completed in March 2019, which essentially shows that workers in Alaska are living longer than we had assumed, and (2) a reduction in ARRC's long-term expected return assumption on pension trust investments from 7.5% to 7.25%.

Ms. Amy noted, that the Corporation continues to maintain a strong balance sheet, with very low leverage and high liquidity, which is important for a large, infrastructure asset heavy company with an income statement that is subject to economic swings. Ms. Amy noted that ARRC's pension net liability is \$36.6 million, and the Pension Plan is 84% funded. She also noted that the Healthcare Trust remains over 300% funded, and is reflected as a net asset of nearly \$30 million. Due to the overfunded status, we have not made an actuarial contribution to the Healthcare Trust in several years, and do not foresee the necessity for contributions during 2020. Ms. Amy noted that the overall financial picture continues to improve. At close of October, the net income forecast for 2019 stood at \$16.2 million, with a net operating loss of \$0.5 million.

Ms. Amy next discussed the 2020 budgets. The 2020 Operating budget is for net income of \$22 million net operating income of \$4.4 million, and little over \$47.6 million in cash flow. ARRC is expecting stronger North Slope development and revenue from a new petroleum customer to contribute to an increase in freight revenues of about 7%. On the passenger side, expected revenue growth from rate increases and ridership increases should offset an expected decrease in revenues from pull service contracts. We expect net income growth from real estate of 3.1% arising in part from increases in Seward Passenger Dock revenues. On the expense side, overall operating expenses are expected to increase \$2.3 million, or about 1.9%, from 2019 to 2020, partly due to employee wage increases of \$1.7 million, while benefit costs should remain flat.

Ms. Amy next discussed the 2020 Capital Plan. Capital funding is budgeted at \$51.8 million. Included in that amount is \$30.7 in cash flow that ARRC will contribute toward 2020

4. 2020 Operating and Capital Budgets (continued)

capital projects. The remaining balance will come from the two FTA Formula fund sources providing \$9.1 million, \$5.1 million in prior year capital funds repurposed to 2020 and \$6.9 million from a proposed balance sheet spend-down of funds to support our equipment program. Ms. Amy said total budgeted FTA funds for 2020 are \$45.5 million. The portion of the FTA funding available for projects will be increasing in future years because FTA formula fund bond debt will mature in 2023, therefore, funds that currently go to FTA bond debt service will be available for projects starting in 2023. Ms. Amy explained that the track program uses the largest portion of the FTA formula funds. Director Campbell asked how much necessary track rehabilitation work costs on an annual basis. Mr. Hopp stated that we should be installing about 40 to 50 thousand railroad ties annually, while we currently install about 20 to 25 thousand ties annually at a cost of about \$12 million.

Director Campbell inquired as to the plan to accommodate the new customer business. Mr. O'Leary stated that our goal is to accommodate this new customer using existing train starts rather than running more trains. Growth in ARRC's overall business and growth in its asset base has resulted in the addition of 5 new positions in 2019 with 8 more in the 2020 budget. A lengthy discussion ensued regarding labor force sizing for new customer business. Mr. O'Leary stated that the UTU collective bargaining agreement dictates the number and nature of train crew positions in conjunction with train service. Another factor supporting the addition of positions is that we are backlogged in our repair shop. Tight staffing also restricts our ability to deliver and manage capital projects and to manage our responsibilities arising from PTC. Over the last 10 years, over 300 positions were removed from the organization. We are cautious about adding employees, and have waited as long as reasonably possible to increase our labor force. Mr. O'Leary said this measured addition of positions is a good start to meet the expected growth ahead of us.

Finally, Ms. Amy discussed briefly the Five-Year Capital and Operating Plans. She noted that the net "other income" for 2020 includes gains on sales of property; however, ARRC is not budgeting for gains from sales of property in years 2021 through 2024. She noted that the impending maturation of the FTA Formula bonds in 2023 will positively impact ARRC's ability to spend on capital projects in future years.

B. Committee Reports

1. Real Estate Committee

Mr. O'Leary noted that the Real Estate Committee met on November 5 and the notes from that meeting are located in the Board book behind Tab B. The only real estate-related action item the Committee is recommending for approval is AFE No. 10802 - ACS Fairbanks, by means of capital budget Resolution No. 2019-39.

2. Executive Committee

Mr. O'Leary stated that the Executive Committee also met on November 5. The confidential meeting notes are in the Board book behind Tab B. Many of the items reflected in those notes will be revisited and discussed during Executive Session at today's Board meeting.

3. Audit Committee

Mr. O'Leary noted that the Audit Committee also met on November 5, and that the meeting notes and a copy of KPMG's Audit Plan and Strategy report are in the Board book behind Tab B. Those materials provide extensive details of the audit plan to review the financial statements for 2019 fiscal year.

4. Safety Committee

Mr. O'Leary explained that no Safety Committee meeting was held in November.

X. NEW BUSINESS

C. Executive Session Briefings

Director Campbell moved to have the Board recess to Executive Session to discuss the listed Executive Session agenda items. Director Burton seconded the motion. There was no further discussion or objection. The motion was approved and the Board convened to executive session at 10:15 a.m.

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. A2A Rail Project Update
3. Seward Passenger Dock Project

Acting Chair MacKinnon called the regular Board Meeting back to order at 10:45 a.m.

D. Adoption of Consent Agenda

Acting Chair MacKinnon asked for a motion to adopt the Consent Agenda. Director Campbell made a motion to adopt all four items listed under the Consent Agenda. Director Burton seconded the motion. Acting Chair MacKinnon said Consent Agenda items were more thoroughly discussed during Executive Session; however, for those not included in that session, he highlighted the non-confidential matters discussed for the record, and discussion ensued.

Following the conversations described above, there was no further discussion and the Consent Agenda, as enumerated below, was adopted.

1. Resolution No. 2019-38 – Relating to Approval of the 2020 Operating, Pension Trust and Alaska Railroad Corporation Health Care Trust Budgets

2. Resolution No. 2019-39 – Relating to Approval of the 2020 Capital Budget and AFE Nos. 10745-S1, 10788, 10789, 10790, 10791, 10792, 10793, 10794, 10795, 10796, 10797, 10798, 10799, 10800, 10801, 10802, 10803, 10804, 10805
3. Resolution No. 2019-40 – Relating to the 2020 Five Year Capital Improvement Plan
4. Resolution No. 2019-41 – Relating to Petro Star Rail Transportation Contract

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

There were no additional comments from the Board, Staff or members of the public. Mr. O’Leary once again asked Board members to review the 2020 Board meeting calendar and to remit comments in an effort to finalize the schedule with full Board participation before year-end. He also reminded Board members that typically at the first meeting of the year, the Board Chair and Vice Chair are elected and committee members assigned. Acting Chair MacKinnon urged Board members to look at their calendars to decide the likelihood of a special meeting before mid-January to discuss selecting Board officers and confirming committee assignments.

Director Binkley thanked the board members for modifying the agenda and accommodating his schedule changes. Director Campbell thanked management for dedicating the time to educate him on railroad matters. He hopes for an opportunity to help unify this new Board. Director Burton also thanked the group for his 25-year recognition award and welcomed all of the new members aboard. Acting Chair MacKinnon stated that it was a pleasure to serve as Chair today. He added that the value of longevity and institutional knowledge is immeasurable, and a five-member turnover on the Board is expensive in a variety of ways. He said ARRC is an important part of the state’s economy and transportation system, and he hopes to maintain consistency on the Board for the health of ARRC.

XII. ADJOURNMENT

Acting Chair MacKinnon stated that if there was nothing further to discuss, he would entertain a motion to adjourn. Director Campbell made a motion to adjourn. Director Burton seconded the motion and the meeting adjourned at 11:03 a.m.



Alaska Railroad Corporation

2020 Operating and Capital Budgets & 5-year plans

November 19, 2019

Contents

- Budget Overviews and Highlights
- 2020 Operating Budget
- 2020 Pension Trust and Healthcare Trust Operating Budgets
- 2020 Capital Budget
- 5-year Operating and Capital Plans

Budget Overviews and Highlights

Overview – 2019 Forecast

2019 Original Budget Net Income: **\$ 21.5 million**

- Net operating income: \$ 5.6 million
- EBITDA \$ 40.2 million

Changes throughout the year:

- **Freight revenue** up \$ 7.8 million over budget
 - \$7.4 million in higher-than-budgeted ARMS revenues
 - \$1.3 million in higher-than-budgeted Miscellaneous Local revenues
- **Operating expenses** up \$12.4 million over budget
 - Benefits expenses up \$8.0 million due to \$8.2 million increase to pension expense coming from changes in actuarial assumptions that resulted in a larger liability and higher expense
 - Contracts & Rents expenses up \$3.9 million, primarily due to higher barge expense associated with higher barge revenues and higher miscellaneous ops contracts expense associated with higher freight forwarding revenues.

2019 Forecast Net Income: **\$ 15.9 million**

- Net operating income (loss): (\$ 0.7 million)
- EBITDA \$ 41.4 million

September 2019 Balance Sheet

- **Most recent balance sheet reflects strong financial position**
 - Current ratio greater than 3x
 - Cash balance includes large amount of funding committed to ongoing capital projects but not yet spent
 - Ratio of Recourse Debt to 2019 Forecast EBITDA of 0.11x
 - Pension liabilities of \$36.6 million
 - Pension trust 84% funded based on actuarial value of assets at most recent valuation date
 - Post Retirement Health care trust asset of \$29.9 million
 - Healthcare Trust 328% funded based on actuarial value of assets at most recent valuation date

	9/30/2019
Assets	
Cash & Cash Equivalents	\$ 88,076,888
Account & Grant Receivables	\$ 32,149,043
Other Current Assets	\$ 35,040,927
Total Current Assets	\$ 155,266,858
Property & Equipment, net	\$ 729,938,632
Other Assets	\$ 211,328,236
Total Assets	\$ 1,096,533,726
Liabilities & Equity	
Liabilities	
Accounts & Payroll Payable	\$ 20,455,840
Current portion of Long Term Debt	\$ 1,308,195
Current portion of FTA Bonds Payable	\$ 14,960,000
Other Current Liabilities	\$ 4,181,569
Total Current Liabilities	\$ 40,905,604
Long Term Debt	\$ 3,395,685
FTA Bonds Payable	\$ 58,335,336
Deferred Grant Revenues	\$ 576,453,444
Pension & Post Retirement Medical Liability	\$ 36,576,745
Other Long Term Liabilities	\$ 7,571,707
Total Liabilities	\$ 723,238,521
Equity	
Investment - State of Alaska	\$ 34,173,555
Net Position	\$ 339,121,650
Total Equity	\$ 373,295,205
Total Liabilities & Equity	\$ 1,096,533,726

Overview – 2020 Operating Budget

2020 Budget Net Income:	\$ 22.0 million
▪ Net Operating Income	\$ 4.4 million
▪ EBITDA	\$ 47.6 million

- **In 2020, ARRC expects that stronger slope development activity to continue, a positive development for Freight Revenue, and ARRC expects to add a new customer to the Petroleum business line**
 - Up \$5.8 million over 2019 Forecast
- **Growth in the volume of cruise passengers destined for Southcentral Alaska ports will drive growth in Passenger Revenue**
 - Up \$1.6 million over 2019 Forecast, with essentially all of the growth on ARRC's own trains (as opposed to the pulls)
 - Princess swapping the larger Star Princess for the smaller Pacific Princess in 2020, resulting in need for only a MEX on Pacific Princess days as opposed to a MEX and DEX
- **Expecting Real Estate Revenue to rise based on higher lease revenues and increased revenue at the Seward Passenger Dock**
 - Up \$0.9 million over 2019 Forecast
- **Change in Operating Expenses from 2019 forecast to 2020 budget reflects \$2.3 million increase**
 - Wages increasing by 3.6% or \$1.7 million
 - Benefits expected to be flat as compared with 2019 forecast
- **Budgeting up \$1 million for gains on sales of assets**

Capital Funding Available

2020 Internal Cash Flow Planned for Capital Projects: \$30.7 million

FTA Formula Funds provide \$9.1 million in project funds

- project funds are after bond debt service and preventive maintenance

Prior year FTA funds allocated or repurposed to 2020: \$5.1 million

- A mix of unallocated 2019 FTA funds to be approved and 2018 FTA funds previously approved and rolling over to fund 2020 projects

Proposed Spend down of cash on balance sheet to fund 2020 Capital Projects: \$6.9 million

Total Capital Budget Funding: \$51.8 million

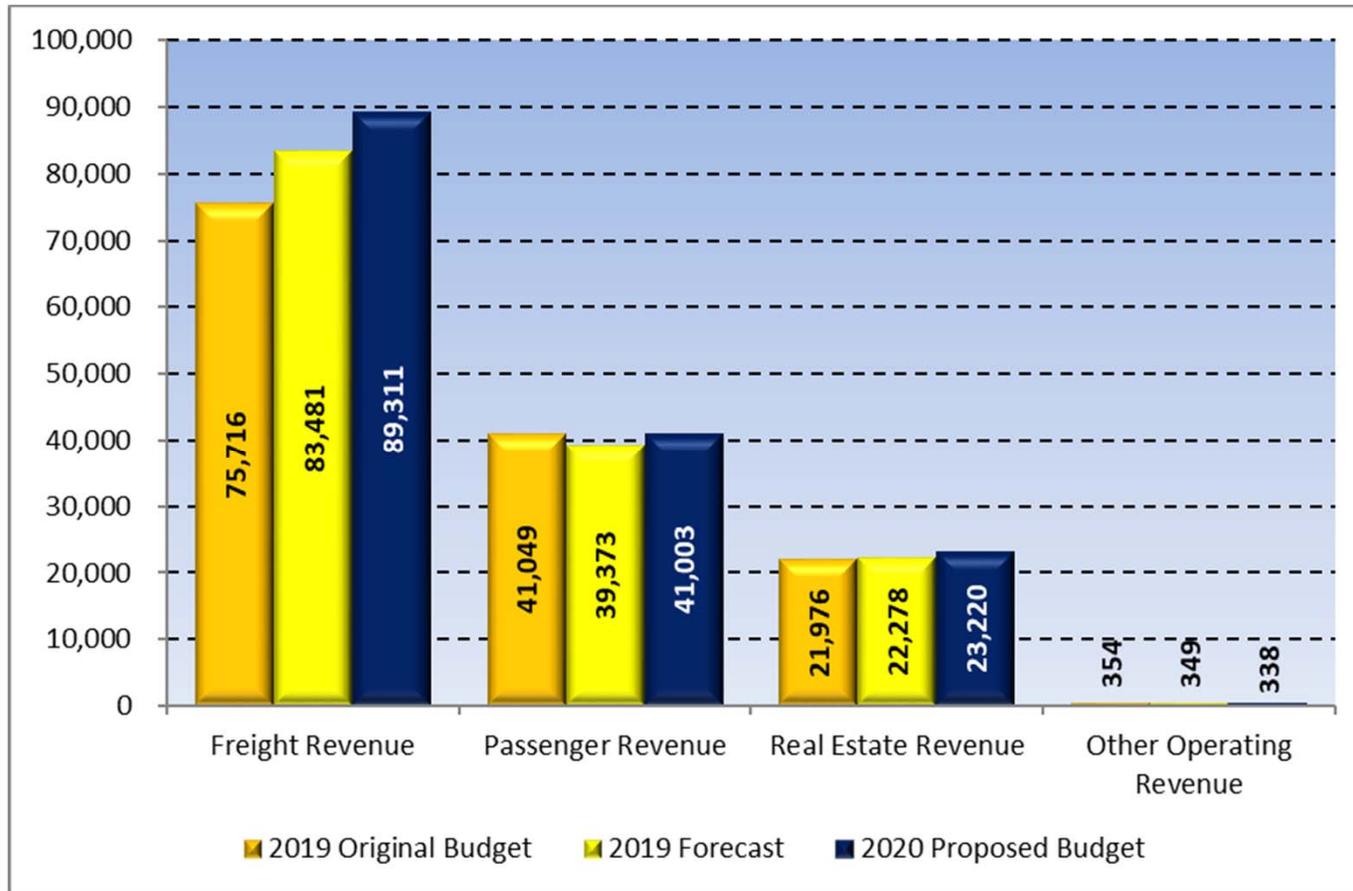
2020 Operating Budget

Net Income Comparison

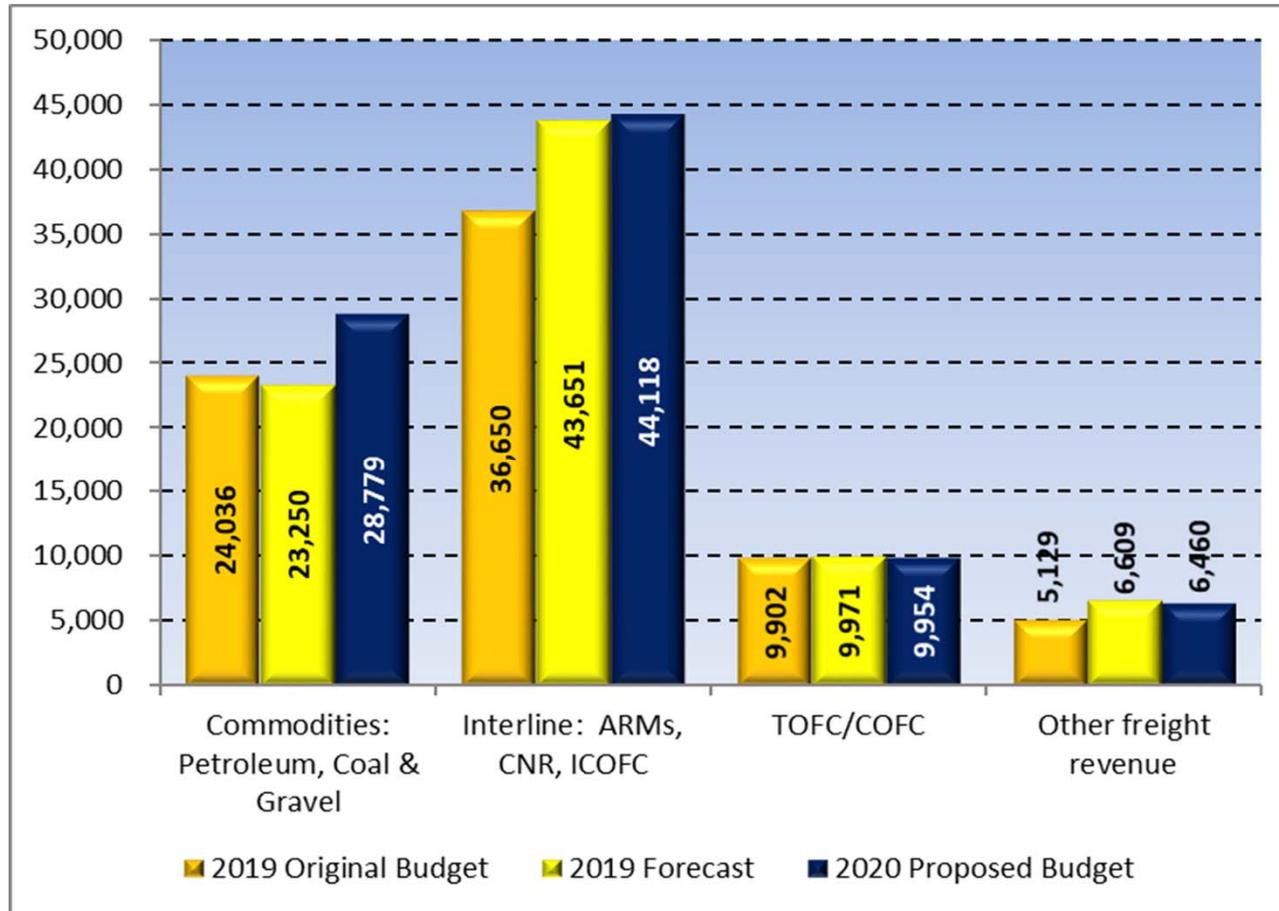
	2020 Proposed Budget	2019 Forecast	Variance
Operating Revenues	\$ 130,652,678	\$ 123,202,603	\$ 7,450,075
Operating Expenses	\$ 126,274,852	\$ 123,929,223	\$ 2,345,629
Operating Income	\$ 4,377,826	\$ (726,620)	\$ 5,104,446
Real Estate, net	\$ 14,317,544	\$ 13,892,994	\$ 424,551
Other Income (Expense)	\$ 3,306,290	\$ 2,684,261	\$ 622,029
Net Income	\$ 22,001,660	\$ 15,850,635	\$ 6,151,026

- **ARRC is expecting continuing relative strength in North Slope activity and the addition of a new customer to drive 5.8% growth in operating revenues**
 - Growth in Freight Revenues as well as Passenger Revenues
- **ARRC is expecting operating expenses to increase only 1.9% overall**, with 3.6% increases in Wages offset by slow to no growth in several other expense categories
 - Adding eight new positions to support growth in operating revenue – increases overall wages by 1.3%
 - 2020 is a leap year – increases overall wages by 0.3%
 - Remaining base of wages increasing 2.0% over 2019 forecast
- **Real Estate net income is expected to grow by 3.1%**, driven by growth in the Seward Passenger Dock business line and in lease revenues
- Other income (expense) variance is due to more budgeted gains on sales than in 2019 forecast

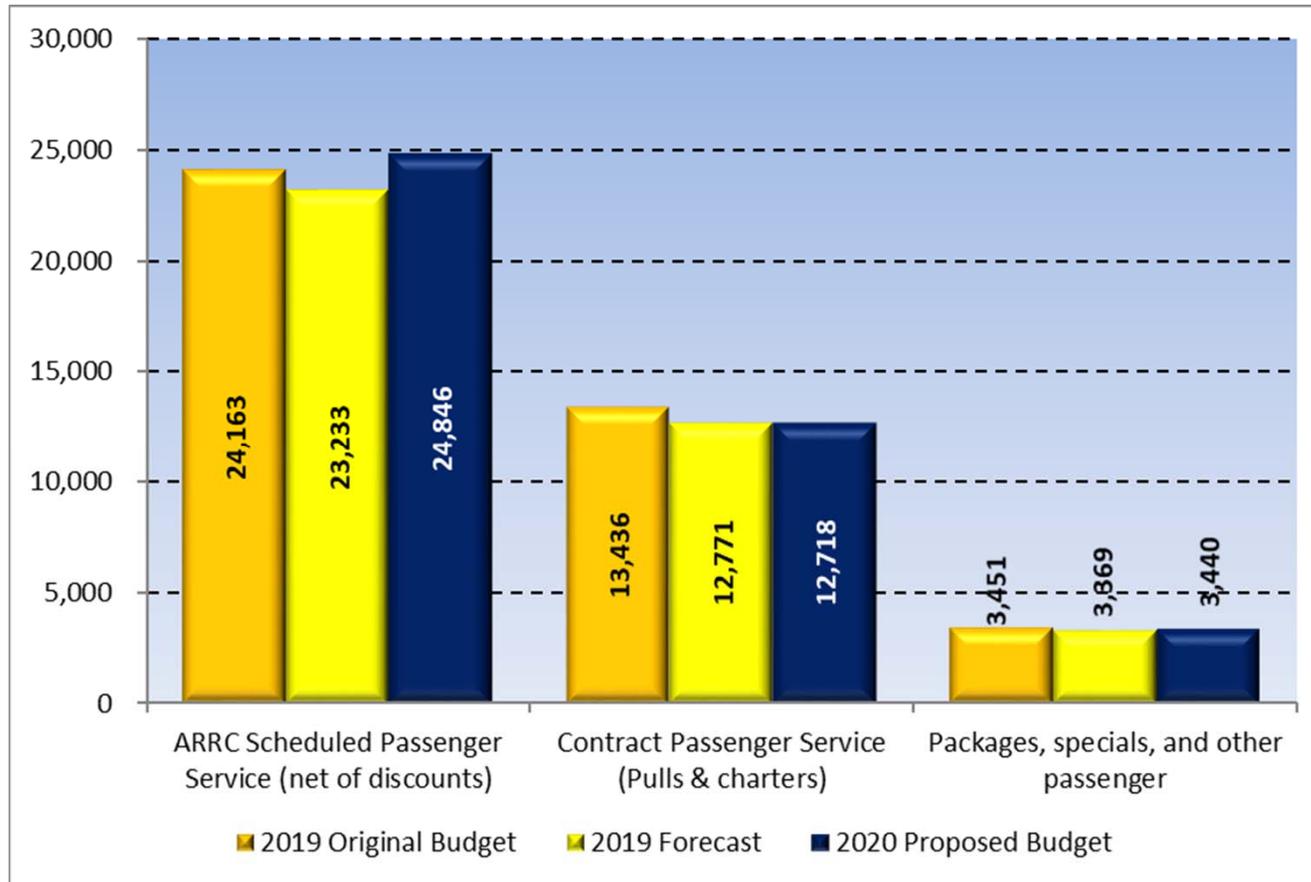
Total Revenues (in \$ thousands)



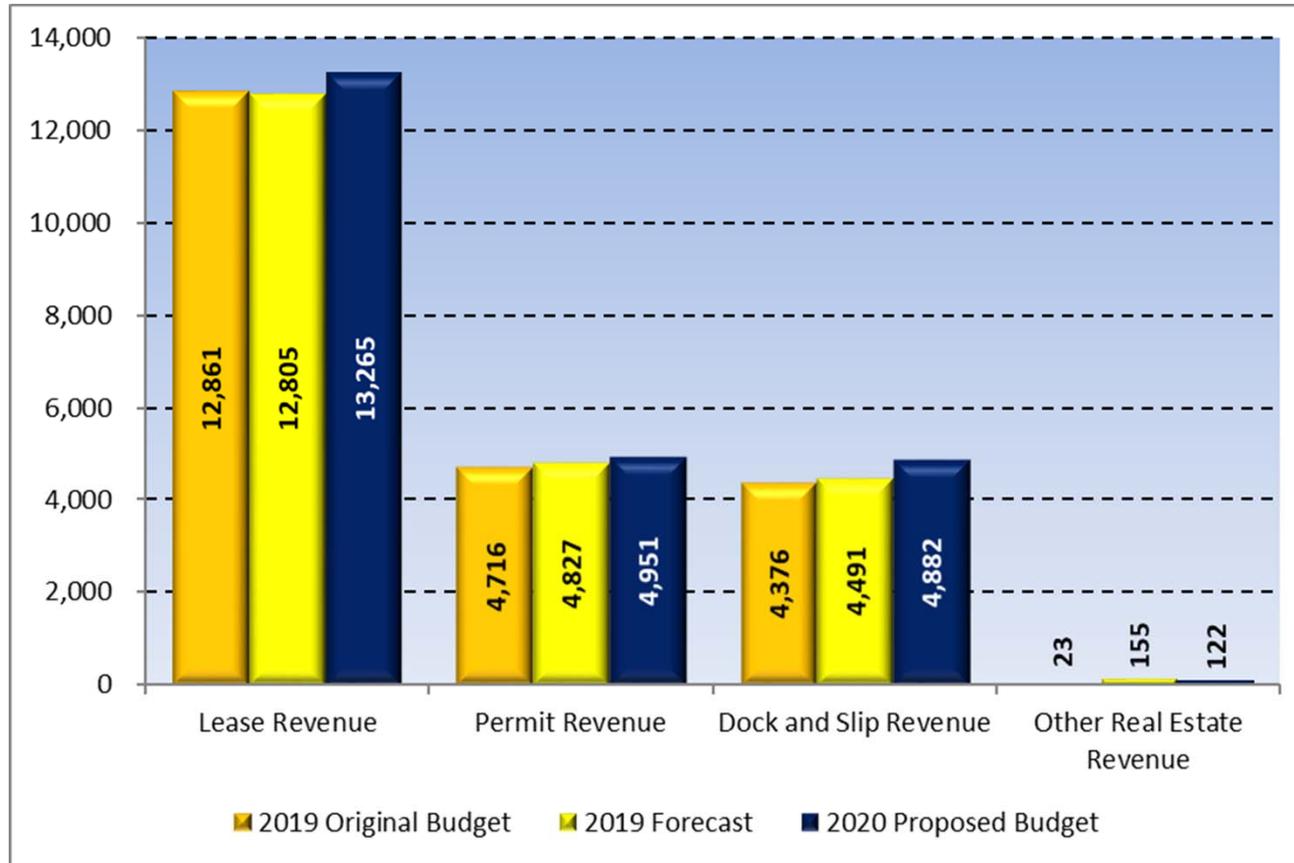
Total Freight Revenues (in \$ thousands)



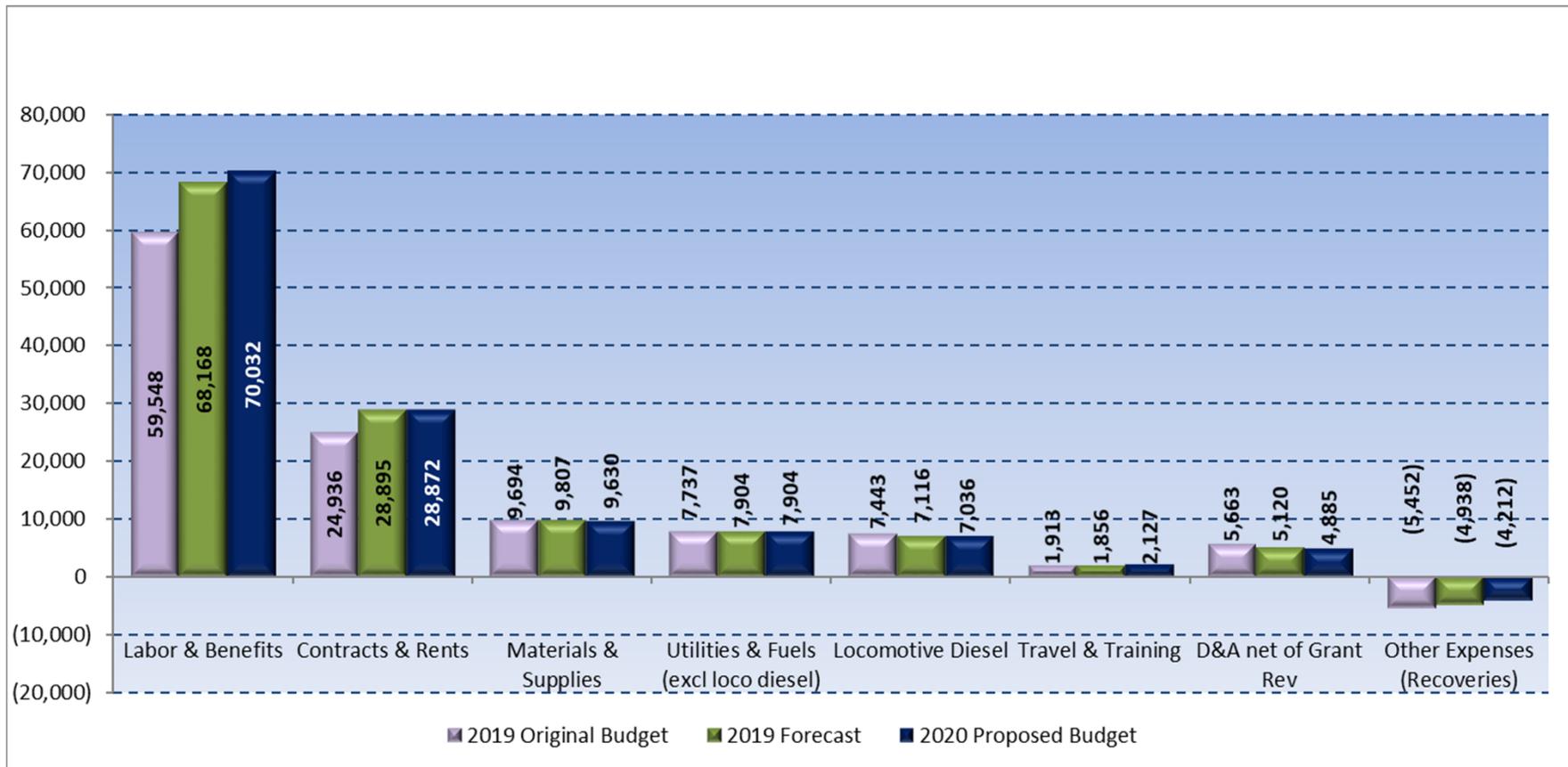
Total Passenger Revenues (in \$ thousands)



Total Real Estate Revenues (in \$ thousands)



Expenses by Category (in \$ thousands)



Drivers of Changes in Expenses

There are two areas of expense driving the \$2.3 million increase in operating expenses over 2019 forecast:

- Salaries & Wages up \$1.7 million or 3.6% from 2019 Forecast
 - Adding eight new positions in support of growth in ARRC's business, as exhibited by growth in 2020 operating income and cash flow, and by growth in 2020 proposed capital budget. The new positions cause 1.3% of the 3.6% total growth in Salaries & Wages over 2019 forecast
 - Leap year includes an extra working day as compared to 2019, translating into 0.3% growth in Salaries & Wages
 - Leaves a net 2.0% in growth in salaries and wages from:
 - Increases on existing Salaries & Wages
 - A full year of five new positions added in 3rd quarter of 2019 in support of growth in ARRC's business
- Other Expenses (Recoveries) down \$0.7 million or 14.7% from 2019 Forecast
 - This category is a net recovery of expense, so a reduction in recovery drives overall operating expenses up
 - Growth in Other Expenses, largely in support of growth in passenger revenue, but also from a reduced expectation of vehicle and equipment fleet cost recovery
 - Insurance expense also resides in this expense grouping, and we are expecting property insurance premiums to continue to climb, primarily in response to weather events in other parts of the country

Operating Budget Comparison

		2020 Proposed Budget	2019 Forecast	Variance	2019 Original Budget	Variance from 2019 Original Budget
Operating Revenue						
Freight		\$ 89,311,314	\$ 83,480,795	\$ 5,830,519	\$ 75,716,240	\$ 13,595,074
Passenger		41,003,303	\$ 39,373,111	\$ 1,630,192	41,049,399	\$ (46,096)
Other		338,061	\$ 348,697	\$ (10,636)	353,875	\$ (15,814)
	Total Operating Revenue	130,652,678	123,202,603	7,450,075	117,119,514	13,533,164
Operating Expenses						
Salaries & Wages		47,605,637	\$ 45,939,578	\$ 1,666,059	45,314,678	\$ 2,290,959
Benefits		22,426,309	\$ 22,228,837	\$ 197,473	14,233,787	\$ 8,192,522
Travel and Training		2,127,199	\$ 1,856,218	\$ 270,981	1,912,854	\$ 214,345
Contracts and Rents		28,872,403	\$ 28,895,279	\$ (22,876)	24,936,249	\$ 3,936,155
Materials and Supplies		9,630,395	\$ 9,806,704	\$ (176,308)	9,693,746	\$ (63,351)
Utilities and Fuels		14,939,968	\$ 15,020,361	\$ (80,393)	15,180,043	\$ (240,076)
Depreciation/Amortization, Net of Grant Revenue		4,885,392	\$ 5,120,378	\$ (234,986)	5,662,593	\$ (777,201)
Other Expenses (Recoveries)		(4,212,452)	\$ (4,938,131)	\$ 725,679	(5,452,058)	\$ 1,239,606
	Total Operating Expense	126,274,852	123,929,223	2,345,629	111,481,893	14,792,959
	Net Income from Operations	4,377,826	(726,620)	5,104,446	5,637,621	(1,259,795)
Other Income (Expense)						
Real Estate Revenue		23,220,284	\$ 22,278,250	\$ 942,034	21,975,689	\$ 1,244,595
Real Estate Expense		(8,902,739)	\$ (8,385,256)	\$ (517,483)	(8,158,820)	\$ (743,919)
	Real Estate Net Income	14,317,544	13,892,994	424,551	13,816,869	500,675
Gain/(Loss) on Sale of Capital Assets		2,636,578	\$ 1,623,865	\$ 1,012,713	1,486,516	\$ 1,150,062
Interest Income		1,002,900	\$ 1,614,302	\$ (611,402)	1,002,900	\$ -
Interest Expense, Net of Bond Grant Revenue		(333,188)	\$ (553,906)	\$ 220,718	(452,577)	\$ 119,389
	Net Other Income, excl RE	3,306,290	2,684,261	622,029	2,036,839	1,269,451
	Other Inc (Exp), Net	17,623,834	16,577,255	1,046,580	15,853,708	1,770,126
	Net Income (Loss)	\$ 22,001,660	\$ 15,850,635	\$ 6,151,026	\$ 21,491,329	\$ 510,331

2020 Pension Trust and Healthcare Trust Budgets

2020 Pension / Healthcare Trust Administration Budgets

- ARRC Pension and Health Care Plan documents permit administrative costs to be deducted from the assets
- Combined assets total ~ \$250.7 million as of September 30, 2019
- Administrative costs include ARRC staff wages/salaries, training, and professional services (investment advisor, actuarial services, legal services, trustee fees, etc.)
- Proposed administrative budgets are 0.22% of plan assets

2020 Budget for ARRC Pension Plan

(in thousands)

	2020 Budget	2019 Forecast	Variance	2019 Budget
Wages & Benefits	\$ 112.2	\$ 89.5	\$ 22.7	\$ 109.2
Travel, lodging and training	\$ 20.8	\$ 17.4	\$ 3.4	\$ 17.0
Services & Contracts	\$ 274.2	\$ 236.4	\$ 37.8	\$ 238.5
Materials & Supplies	\$ 1.0	\$ 0.3	\$ 0.8	\$ 1.0
	\$ 408.2	\$ 343.5	\$ 64.7	\$ 365.7

- Wages and benefits expected to be up from 2019 forecast as forecast includes some vacancy on the committee during 2019, and union members on the committee charge wages to the pension plan when they are traveling for training, as we expect them to be in 2020.
- Travel, lodging and training budget up from forecast as the committee has one new member approved by the Board mid-year (the UTU representative's replacement), and another relatively new member when the new Chief HR Officer replaced the retiring Chief HR Officer earlier this year. We expect that the new members will continue to need to be trained in order to meet their fiduciary obligations as committee members.
- Services & Contracts increasing from 2019 budget due to anticipated increases as several service contracts come up for renewal.

2020 Budget for Healthcare Trust Plan

(in thousands)

	2020 Budget	2019 Forecast	Variance	2019 Budget
Wages & Benefits	\$ 24.6	\$ 13.6	\$ 11.0	\$ 4.6
Travel, lodging and training	\$ 6.9	\$ 5.4	\$ 1.5	\$ 2.1
Services & Contracts	\$ 102.4	\$ 99.0	\$ 3.4	\$ 71.7
Materials & Supplies	\$ 0.5	\$ -	\$ 0.5	\$ -
	\$ 134.4	\$ 118.0	\$ 16.4	\$ 78.4

- Increase in wages and benefits from 2019 forecast to 2020 budget is due to change in how staff charges time spent working on the Healthcare Trust.

2020 Capital Budget

Capital Projects – Sources of Funding

- Approximately \$51.8 million in total funding planned for capital projects
 - 2020 FTA funds of \$9.1 million for eligible projects identified
 - FTA grant funds from prior years previously unallocated or being reallocated of \$5.1 million
 - Cash funding of \$6.9 million as a spend down of cash on the balance sheet as opposed to cash coming from 2020 cash flow
 - Internal cash flow funding of \$30.7 million from 2020 cash flow

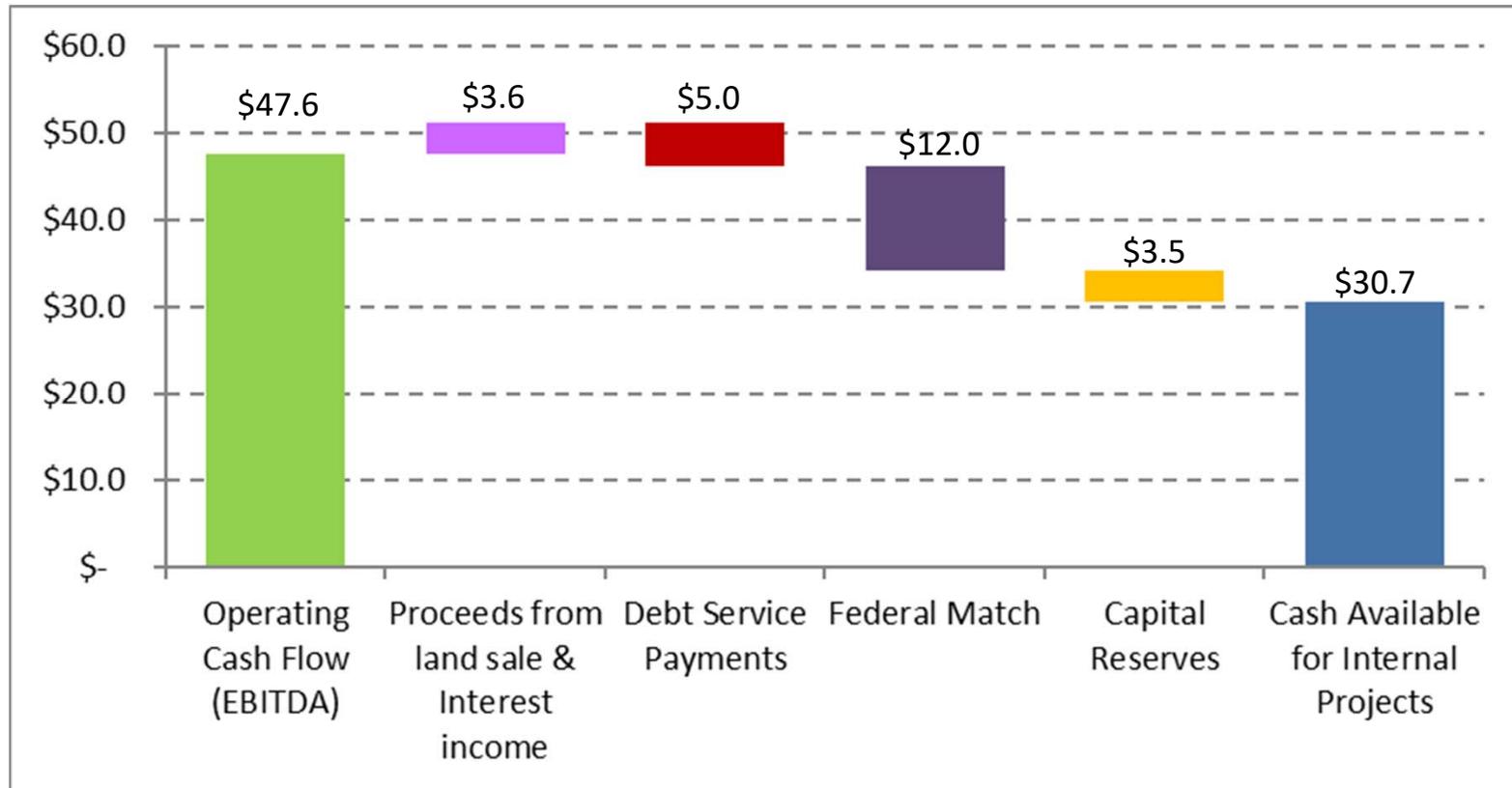
Fund Source	2020
Federal Transit Administration (net of programmed items) ("FTA")	\$ 9,057,974
Prior Year FTA Funds unallocated or being reallocated	\$ 5,137,446
Cash on Balance Sheet	\$ 6,880,800
2020 Internal Funds	\$ 30,706,928
<i>Total Capital Program</i>	\$ 51,783,148

2020 Capital Plan – FTA Formula Funds

FTA Formula Funded Capital Program	2019 Funds	2020 Funds
<i>Total Funding from Formula Program</i>	\$ 5,137,446	\$ 45,554,474
Preventive Maintenance		\$ 16,464,359
Bond Debt Service		\$ 17,786,925
Total Programmed Items		\$ 34,251,284
<i>Total Grant Funds Available for Projects</i>	\$ 5,137,446	\$ 11,303,190
2020 Track Rehabilitation	\$ 5,137,446	\$ 5,712,554
2020 Passenger Car Rehabilitation		\$ 2,227,000
MP 379-380		\$ 375,520
Locomotive Truck Overhaul		\$ 317,700
Bridge MP 422.9		\$ 250,000
2020 Locomotive Painting		\$ 175,200
<i>Total Proposed FTA Formula Fund Program</i>	\$ 5,137,446	\$ 9,057,974
<i>Balance of FTA 2020 Funds to reserve for 2021 capital program</i>		\$ 2,245,216

- 2019 was a difficult year to estimate as extra funding had been appropriated in 2018 for the 5337 program, therefore, we were unsure of what to estimate for the 5337 program for 2019. We took a conservative approach and ended up receiving more funds than we had anticipated. That, in combination with 2019 FTA funds that we had been planning to allocate to the 2020 track rehab program and some rollover funds coming from other FTA-funded projects, drove a large total 2019 allocation to the 2020 FTA-funded portion of the capital budget.
- There are \$2.2 million in unallocated 2020 FTA funds at this time. We plan to use those funds for later years' needs in accordance with the proposed 5-year capital plan.

2020 Operating to Capital Bridge (in millions)



- In addition to the \$30.7 million in internal cash flow coming from the 2020 operating budget, we intend to spend down \$6.9 million of cash on the balance sheet, bringing the total internal dollars to be spent in this year's capital program to \$37.6 million.

2020 Capital Plan – Internally Funded Projects

Non-Discretionary Projects		2020
Engineering	MP 52.24 (Tunnel District)	\$ 1,655,000
Real Estate	2020 All Season HVAC Upgrades (increase to AFE 10745)	\$ 325,000
Transportation	Locomotive Simulator Retrofit & Mobile Stand	\$ 238,000
Communication	Anchorage Shop Networking	\$ 186,000
Technology	Fairbanks HA Server Infrastructure	\$ 58,000
Engineering	2020 Environmental Waste Management Structures	\$ 44,200
Total Non-Discretionary Projects		\$ 2,506,200
Continuing Programs		
MOW	2020 Track Rehabilitation Program	\$ 1,185,000
VEOC	Equipment Program	\$ 4,726,600
Engineering	2020 Bridge Program	\$ 3,752,500
VEOC	Vehicle Program	\$ 3,116,950
Passenger	Passenger Car Rehabilitation	\$ 377,000
Engineering	2020 Docks & Slips	\$ 760,000
MOW	2020 Culvert Program	\$ 700,000
Engineering	System Bridge Ratings	\$ 575,000
MOW	2020 Rip Rap & Drainage Maintenance	\$ 500,000
MOW	2020 Yard & Branch Improvements	\$ 500,000
Facilities	2020 Section Improvements	\$ 450,000
Mechanical	Locomotive Truck Overhaul	\$ 106,000
Communication	Network Services	\$ 395,000
Technology	2020 PC Refresh	\$ 288,000
Security	2020 Public Transportation System Security Fund	\$ 225,000
Facilities	2020 General Repairs	\$ 200,000
Facilities	2020 Roofing Upgrades	\$ 175,000
Signal	2020 Detector Upgrades	\$ 147,000
Facilities	2020 Energy Management	\$ 125,000
Real Estate	2020 Tenant Improvements	\$ 125,000
Facilities	2020 Anchorage Yard Drain Rehab Phase 2	\$ 100,000
Facilities	2020 Building Maintenance	\$ 100,000
Real Estate	2020 Land & Utilities	\$ 100,000
MOW	2020 Avalanche Program	\$ 80,000
Facilities	2020 Electrical Upgrades	\$ 75,000
Facilities	2020 GOB HVAC Upgrades	\$ 70,000
Technology	2020 Printer Refresh	\$ 35,000
Total Continuing Programs		\$ 18,989,050

2020 Capital Plan – Internally Funded Projects

Strategic Business Initiatives		2020
Engineering	Whittier Barge Slip	\$ 1,000,000
Engineering	Eagle River Bridge	\$ 882,000
Engineering	Mat-Su Valley ROW Fire Mitigation	\$ 826,000
Real Estate	2020 Depot Drive Access Improvements	\$ 700,000
Transportation	Wasilla Control Point	\$ 675,000
Real Estate	Purchase Fairbanks ACS Properties & make upgrades	\$ 650,000
Engineering	Snow River Embankment Projection	\$ 625,478
Engineering	Healy Canyon Planning	\$ 500,000
Signal	2020 Bearing Acoustic Monitor	\$ 425,000
Facilities	2020 Warehouse 1 HVAC Upgrades	\$ 325,000
Communication	Avtec Radio Update	\$ 234,000
Facilities	2020 GOB Office Refresh	\$ 225,000
Communication	Comm Remote Power	\$ 197,000
Facilities	Healy Equipment Shelter	\$ 175,000
Signal	2020 Switch Machine Replacement	\$ 152,500
Technology	2020 Data Center Modernization	\$ 121,000
Signal	2020 Thermal Brick Switch Heaters	\$ 114,500
Communication	Fairbanks Wireless	\$ 113,000
ERP Committee	AP Automation	\$ 105,000
Technology	ARRC Mobile Applications 2020	\$ 100,000
Technology	SharePoint to Office transition	\$ 100,000
Engineering	Whittier Marginal Wharf Replacement	\$ 100,000
ERP Committee	Electronic HR Records Management	\$ 99,750
Signal	2020 Signal CP C-Can Replacement	\$ 88,000
Communication	Communication Site Standardization	\$ 74,000
Mechanical	Automatic Single Car Test Device	\$ 55,000
Technology	2020 Technology Security Cloud Email Protection	\$ 45,000
Technology	SHTAP - Section House Technology Accessibility Program	\$ 43,000
Technology	Technology Security Next Gen AntiVirus-Pilot	\$ 17,000
	Total SBIs	\$ 8,767,228
Ranked Projects		
Communication	Garner Site to Healy Fiber Optic Cable	\$ 250,000
Mechanical	Sand Tower	\$ 100,000
Communication	Telecomm office area refresh	\$ 64,450
Technology	Yard Switching	\$ 30,000
	Total Ranked Projects	\$ 444,450
	Total Internal Capital Budget	\$ 30,706,928

5 Year Operating and Capital Plans

5 Year Operating Plan (in millions)

	2020	2021	2022	2023	2024
Net Operating Income	\$ 4.38	\$ 5.28	\$ 5.78	\$ 6.18	\$ 7.20
Net Real Estate Income	\$ 14.32	\$ 14.63	\$ 14.80	\$ 15.16	\$ 15.49
Net Other Income	\$ 3.31	\$ 0.78	\$ 1.07	\$ 1.11	\$ 0.96
Net Income	\$ 22.00	\$ 20.69	\$ 21.65	\$ 22.45	\$ 23.64

- Net Other Income in 2020 includes gains on sales of property. ARRC is not budgeting for gains from sales of property in the years 2021 through 2024
- The decrease in Net Other Income from year 2023 to 2024 arises from the fact that by 2023, the FTA bonds have matured and recognition of amortization of bond issue premium has come to an end

5 Year Internal Capital Cash Generation (in millions)

	2020	2021	2022	2023	2024
Net Income	22.00	20.69	21.65	22.45	23.64
Depreciation	20.60	20.57	21.26	22.22	23.35
Non cash pension/prm in net income	8.26	5.03	6.85	2.10	0.61
Less: Principal Pymts on LT Debt	(4.63)	(5.20)	(5.41)	(4.55)	(0.77)
Less: Federal Match & Capital Reserve	(15.52)	(5.90)	(5.99)	(9.63)	(9.72)
Total Internal Capital Available	30.71	35.19	38.36	32.59	37.11

5 Year Capital Plan – Sources of Funding

Fund Source	2020	2021	2022	2023	2024
Federal Transit Administration Funds (net of programmed items)	9.06	11.76	12.22	30.42	30.87
Internal Funds (including cash spend down in 2020)	37.59	35.19	38.36	32.59	37.11
Prior Year FTA funds not allocated or rolling over	5.14	2.25	-	-	-
Total Capital Funds Available	51.78	49.19	50.58	63.01	67.98

- Other sources of funds may be added to the Fund Source list during this 5-year period as they become available for large projects

- Debt Financing may also be considered for certain needs that lend themselves well to debt financing, such as replacement of vehicles, equipment and rail cars

5 Year Capital Plan – FTA Formula Funds

FTA Formula Funded Capital Program	2020	2021	2022	2023	2024	5-Year Total
<i>Total FTA (with match)</i>	\$ 45,554,474	\$ 46,237,508	\$ 46,931,070	\$ 47,635,037	\$ 48,349,562	\$ 234,707,651
Preventive Maintenance	\$ 16,464,359	\$ 16,711,324	\$ 16,961,994	\$ 17,216,424	\$ 17,474,671	\$ 84,828,772
2015A Bond Debt Service	\$ 15,902,875	\$ -	\$ -	\$ -	\$ -	\$ 15,902,875
2015B Bond Debt Service	\$ 1,884,050	\$ 17,768,000	\$ 17,747,875	\$ -	\$ -	\$ 37,399,925
<i>Total Programmed Items</i>	\$ 34,251,284	\$ 34,479,324	\$ 34,709,869	\$ 17,216,424	\$ 17,474,671	\$ 138,131,572
<i>Total Grant Funds Available for Projects</i>	\$ 11,303,190	\$ 11,758,184	\$ 12,221,201	\$ 30,418,613	\$ 30,874,891	\$ 96,576,079
Track Rehabilitation Program	\$ 5,712,554	\$ 5,804,234	\$ 8,181,470	\$ 5,747,920	\$ 16,312,500	\$ 41,758,678
Passenger Car Rehabilitation	\$ 2,227,000	\$ 2,026,000	\$ 881,000	\$ 900,000	\$ 900,000	\$ 6,934,000
Bridge MP 422.9	\$ 250,000	\$ 3,200,000	\$ 2,000,000	\$ -	\$ -	\$ 5,450,000
Locomotive Truck Overhaul	\$ 317,700	\$ 214,000	\$ -	\$ 110,500	\$ -	\$ 642,200
Locomotive Engine Overhaul	\$ -	\$ -	\$ 146,231	\$ 147,693	\$ 149,170	\$ 443,094
Locomotive Paint	\$ 175,200	\$ -	\$ -	\$ -	\$ -	\$ 175,200
MP 379 -380	\$ 375,520	\$ -	\$ -	\$ 6,000,000	\$ -	\$ 6,375,520
Bridge MP 25.7	\$ -	\$ -	\$ -	\$ 9,500,000	\$ -	\$ 9,500,000
Transit Asset Management	\$ -	\$ 501,450	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,501,450
Wheel Chair Lift Replacement	\$ -	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 50,000
Multi-year Bridge Replacement Program	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 3,125,000	\$ 10,125,000
<i>Total Current Year Estimated FTA Formula Funds Program</i>	\$ 9,057,974	\$ 11,758,184	\$ 12,221,201	\$ 30,418,613	\$ 21,499,170	\$ 84,955,142
<i>Remaining Current Year Funds to Allocate</i>	\$ 2,245,216	\$ -	\$ -	\$ -	\$ 9,375,721	\$ 11,620,937
Track Rehabilitation Program - with prior year funds	\$ 5,137,446	\$ 2,245,216	\$ -	\$ -	\$ -	\$ 7,382,662
<i>Total Prior Year Funds Allocated to Projects</i>	\$ 5,137,446	\$ 2,245,216	\$ -	\$ -	\$ -	\$ 7,382,662

5 Year Capital Plan – Internally Funded Projects

Non-Discretionary Projects		2020	2021	2022	2023	2024	5-Year Total
Engineering	MP 52.24 (Tunnel District) Rockfall Mitigation	\$ 1,655,000	\$ -	\$ -	\$ -	\$ -	\$ 1,655,000
Facilities	2020 All Season HVAC Upgrades	\$ 325,000	\$ -	\$ -	\$ -	\$ -	\$ 325,000
Transportation	Locomotive Simulator Retrofit & Mobile Stand	\$ 238,000	\$ -	\$ -	\$ -	\$ -	\$ 238,000
Communication	Anchorage Shop Networking	\$ 186,000	\$ -	\$ -	\$ -	\$ -	\$ 186,000
Technology	Fairbanks HA Server Infrastructure	\$ 58,000	\$ -	\$ -	\$ -	\$ -	\$ 58,000
Engineering	Environmental Waste Management Structures	\$ 44,200	\$ -	\$ -	\$ -	\$ -	\$ 44,200
Subtotal - Non-Discretionary Projects		\$ 2,506,200	\$ -	\$ -	\$ -	\$ -	\$ 2,506,200
Continuing Programs							
VEOC	Vehicle & Equipment Program	\$ 7,843,550	\$ 12,754,000	\$ 7,293,300	\$ 8,228,820	\$ 5,829,350	\$ 41,949,020
MOW	Track Rehabilitation Program	\$ 1,185,000	\$ 8,475,550	\$ 9,943,530	\$ 10,777,080	\$ 1,812,500	\$ 32,193,660
Engineering	Bridge Program	\$ 3,752,500	\$ 3,752,500	\$ 4,500,000	\$ 4,500,000	\$ 5,900,000	\$ 22,405,000
Passenger	Passenger Car Rehabilitation	\$ 377,000	\$ 140,000	\$ 74,000	\$ 200,000	\$ 200,000	\$ 991,000
Engineering	Docks & Slips	\$ 760,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,760,000
MOW	Culvert Program	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 3,500,000
MOW	Rip Rap & Drainage Maintenance	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,500,000
MOW	Yard & Branch Improvements	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,500,000
Mechanical	Locomotive Truck Overhaul	\$ 106,000	\$ 214,000	\$ -	\$ 110,500	\$ -	\$ 430,500
Facilities	Section Improvements	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 100,000	\$ 1,900,000
Communication	Network Services	\$ 395,000	\$ 345,000	\$ 345,000	\$ 345,000	\$ 345,000	\$ 1,775,000
Technology	PC Refresh	\$ 288,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 225,000	\$ 1,188,000
Engineering	System Bridge Ratings	\$ 575,000	\$ -	\$ -	\$ -	\$ -	\$ 575,000
Security	Public Transportation System Security Fund	\$ 225,000	\$ 150,000	\$ 150,000	\$ 150,025	\$ 152,276	\$ 827,301
Facilities	General Repairs	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 900,000
Facilities	Roofing Upgrades	\$ 175,000	\$ 200,000	\$ 400,000	\$ 500,000	\$ 250,000	\$ 1,525,000
Signal	Detector Upgrades	\$ 147,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 747,000
Facilities	Energy Management	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 625,000
Real Estate	Tenant Improvements	\$ 125,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 525,000
Facilities	Building Maintenance	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000
Facilities	Anchorage Yard Drain Rehab Phase 2	\$ 100,000	\$ 250,000	\$ -	\$ -	\$ -	\$ 350,000
Real Estate	Land & Utilities	\$ 100,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 400,000
MOW	Avalanche Mitigation Program	\$ 80,000	\$ 720,000	\$ 780,000	\$ 600,000	\$ 600,000	\$ 2,780,000
Facilities	Electrical Upgrades	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 375,000
Facilities	GOB HVAC Upgrades	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Technology	Printer Refresh	\$ 35,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 155,000
Mechanical	Locomotive Paint	\$ -	\$ 176,950	\$ -	\$ -	\$ -	\$ 176,950
Subtotal - Continuing Programs		\$ 18,989,050	\$ 31,408,000	\$ 27,715,830	\$ 29,641,425	\$ 18,869,126	\$ 126,623,431

5 Year Capital Plan – Internally Funded Projects

Strategic Business Initiatives		2020	2021	2022	2023	2024	5-Year Total
Engineering	Snow River Embankment Projection	\$ 625,478	\$ 9,144,000	\$ -	\$ 2,000,000	\$ -	\$ 11,769,478
Engineering	Whittier Barge Slip	\$ 1,000,000	\$ 5,500,000	\$ -	\$ 2,000,000	\$ -	\$ 8,500,000
Engineering	Eagle River Bridge	\$ 882,000	\$ 5,400,000	\$ -	\$ -	\$ -	\$ 6,282,000
Engineering	Matsu Valley Fire Mitigation	\$ 826,000	\$ -	\$ -	\$ -	\$ -	\$ 826,000
Real Estate	Depot Drive Access Improvements	\$ 700,000	\$ 500,000	\$ -	\$ -	\$ -	\$ 1,200,000
Transportation	Wasilla Control Point	\$ 675,000	\$ -	\$ -	\$ -	\$ -	\$ 675,000
Real Estate	Fairbanks ACS Property Purchase and Upgrades	\$ 650,000	\$ -	\$ -	\$ -	\$ -	\$ 650,000
Engineering	Healy Canyon Planning	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,500,000	\$ 1,500,000	\$ 4,500,000
Signal	Bearing Acoustic Monitor	\$ 425,000	\$ -	\$ -	\$ -	\$ -	\$ 425,000
Facilities	Warehouse 1 HVAC Upgrades	\$ 325,000	\$ -	\$ -	\$ -	\$ -	\$ 325,000
Engineering	Whittier Marginal Wharf Replacement	\$ 100,000	\$ 1,000,000	\$ 8,000,000	\$ 7,000,000	\$ -	\$ 16,100,000
Communication	Avtec Radio Update	\$ 234,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 334,000
Facilities	GOB Office Refresh	\$ 225,000	\$ 350,000	\$ 225,000	\$ -	\$ -	\$ 800,000
Communication	Comm Remote Power	\$ 197,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 437,000
Facilities	Healy Equipment Shelter	\$ 175,000	\$ -	\$ -	\$ -	\$ -	\$ 175,000
Signal	Switch Machine Replacement	\$ 152,500	\$ 152,500	\$ 152,500	\$ 152,500	\$ 152,500	\$ 762,500
Signal	Thermal Brick Switch Heaters	\$ 114,500	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 594,500
Communication	Fairbanks Wireless	\$ 113,000	\$ -	\$ -	\$ -	\$ -	\$ 113,000
Technology	Data Center Modernization	\$ 121,000	\$ -	\$ -	\$ -	\$ -	\$ 121,000
ERP Committee	AP Automation	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ 105,000
Technology	ARRC Mobile Applications	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Technology	SharePoint to Office	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
ERP Committee	Electronic HR Records Management	\$ 99,750	\$ -	\$ -	\$ -	\$ -	\$ 99,750
Signal	Signal CP C-Can Replacement	\$ 88,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 288,000
Communication	Communication Site Standardization	\$ 74,000	\$ 74,000	\$ 74,000	\$ 74,000	\$ 74,000	\$ 370,000
Mechanical	Automatic Single Car Test Device	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Technology	Technology Security Cloud Email Protection	\$ 45,000	\$ -	\$ -	\$ -	\$ -	\$ 45,000
Technology	Section House Technology Accessibility Program	\$ 43,000	\$ -	\$ -	\$ -	\$ -	\$ 43,000
Technology	Technology Security Next Gen AntiVirus-Pilot	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ 17,000
Engineering	Bridge MP 447.7	\$ -	\$ 500,000	\$ 7,400,000	\$ -	\$ -	\$ 7,900,000
Engineering	Bridge MP 467.8 & MP 467.9	\$ -	\$ -	\$ 972,000	\$ 13,000,000	\$ -	\$ 13,972,000
Engineering	Bridge MP 114.3	\$ -	\$ -	\$ -	\$ 650,000	\$ 8,000,000	\$ 8,650,000
Engineering	MP 4.8 - 6.33 Salmon Creek Track & Bridge Raise	\$ -	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Mechanical	SD70 Mac Can Bus Upgrade	\$ -	\$ -	\$ 505,000	\$ -	\$ -	\$ 505,000
Mechanical	Melco Upgrade	\$ -	\$ 1,616,640	\$ 1,632,960	\$ 1,649,460	\$ 1,666,110	\$ 6,565,170
Transportation	TOFC Park Spur	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Engineering	Bridge 227 Trainman's Walk Replacement	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000	\$ 3,500,000
Subtotal - Strategic Business Initiatives		\$ 8,767,228	\$ 26,617,140	\$ 19,741,460	\$ 28,905,960	\$ 15,072,610	\$ 99,104,398

5 Year Capital Plan – Internally Funded Projects

Ranked Projects		2020	2021	2022	2023	2024	5-Year Total
Communication	Garner Site to Healy Fiber Optic Cable	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Mechanical	Sand Tower	\$ 100,000	\$ 1,400,000	\$ -	\$ -	\$ -	\$ 1,500,000
Communication	Communication Office Upgrades	\$ 64,450	\$ -	\$ -	\$ -	\$ -	\$ 64,450
Technology	Yard Switching	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 30,000
	Funds available for Ranked Projects	\$ -	\$ -	\$ -	\$ -	\$ 3,385,540	\$ 3,385,540
Subtotal - Ranked Projects		\$ 444,450	\$ 1,400,000	\$ -	\$ -	\$ 3,385,540	\$ 5,229,990
Projects Funded by Cash Balance Spend down		2020	2021	2022	2023	2024	5-Year Total
VEOC	Vehicle & Equipment Program	\$ 6,880,800	\$ -	\$ -	\$ -	\$ -	\$ 6,880,800
Total Internally Funded Project Requests		\$ 30,706,928	\$ 59,425,140	\$ 47,457,290	\$ 58,547,385	\$ 37,327,276	\$ 233,464,019
Estimated Funds from Internal Cash flow		\$ 30,706,928	\$ 35,190,000	\$ 38,360,000	\$ 32,590,000	\$ 37,110,000	\$ 173,956,928
Total Internal Funding Shortage		\$ -	\$ 24,235,140	\$ 9,097,290	\$ 25,957,385	\$ 217,276	\$ 59,507,091
Total Capital Budget		\$ 51,783,148	\$ 49,193,400	\$ 50,581,201	\$ 63,008,613	\$ 58,609,170	\$ 273,175,532

XI. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

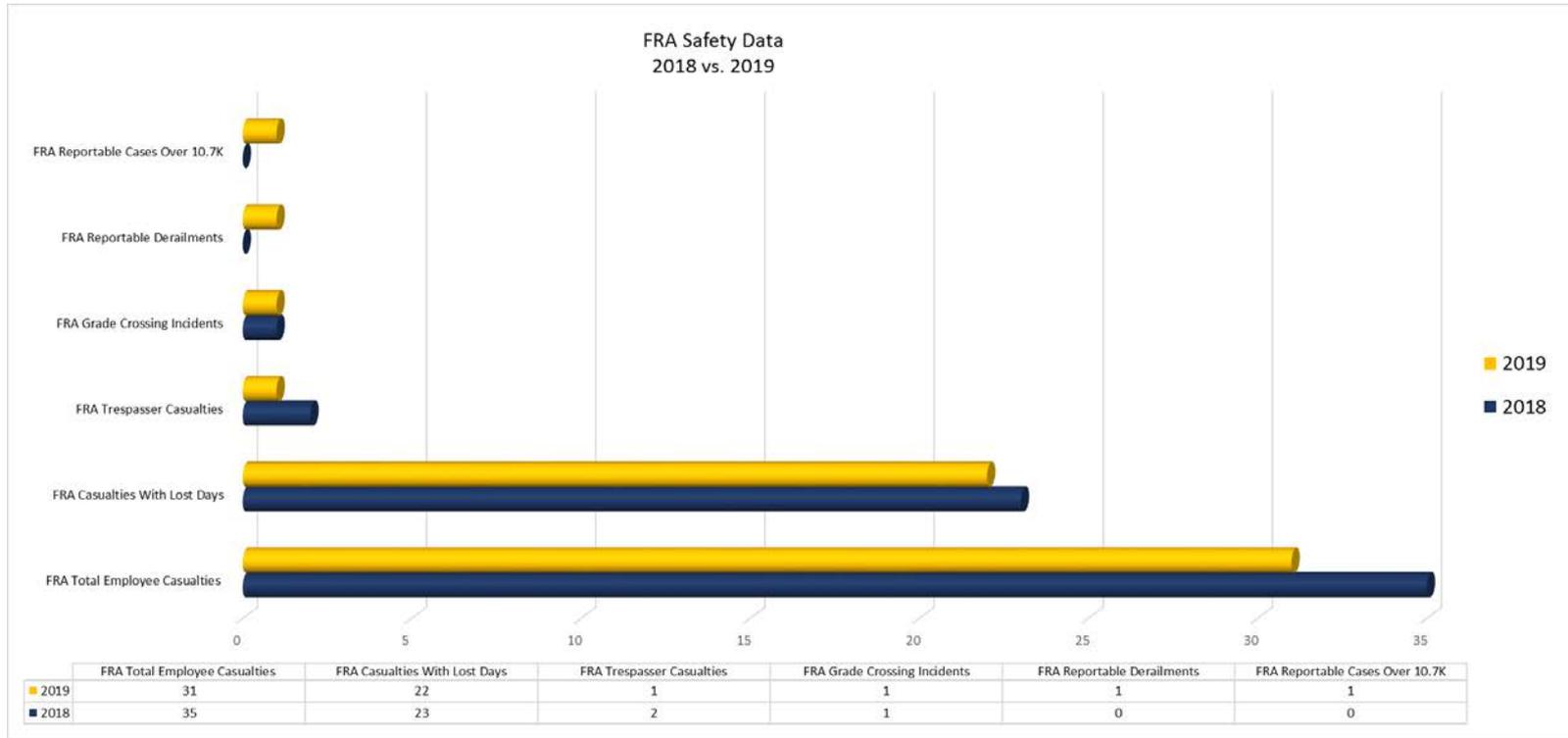
ITEM 1: CEO Update

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



Safety Report

Year End Review 2018/2019



2019	<i>FRA Casualty Rate</i>	<i>Lost Time Rate</i>	<i>Lost Work Days</i>	<i>Restricted Work Days</i>
2018	5.1	3.6	969	988
	5.9	3.8	1007	697

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

YTD November Business Results

February 4, 2020

Barbara Amy, CFO



AlaskaRailroad.com

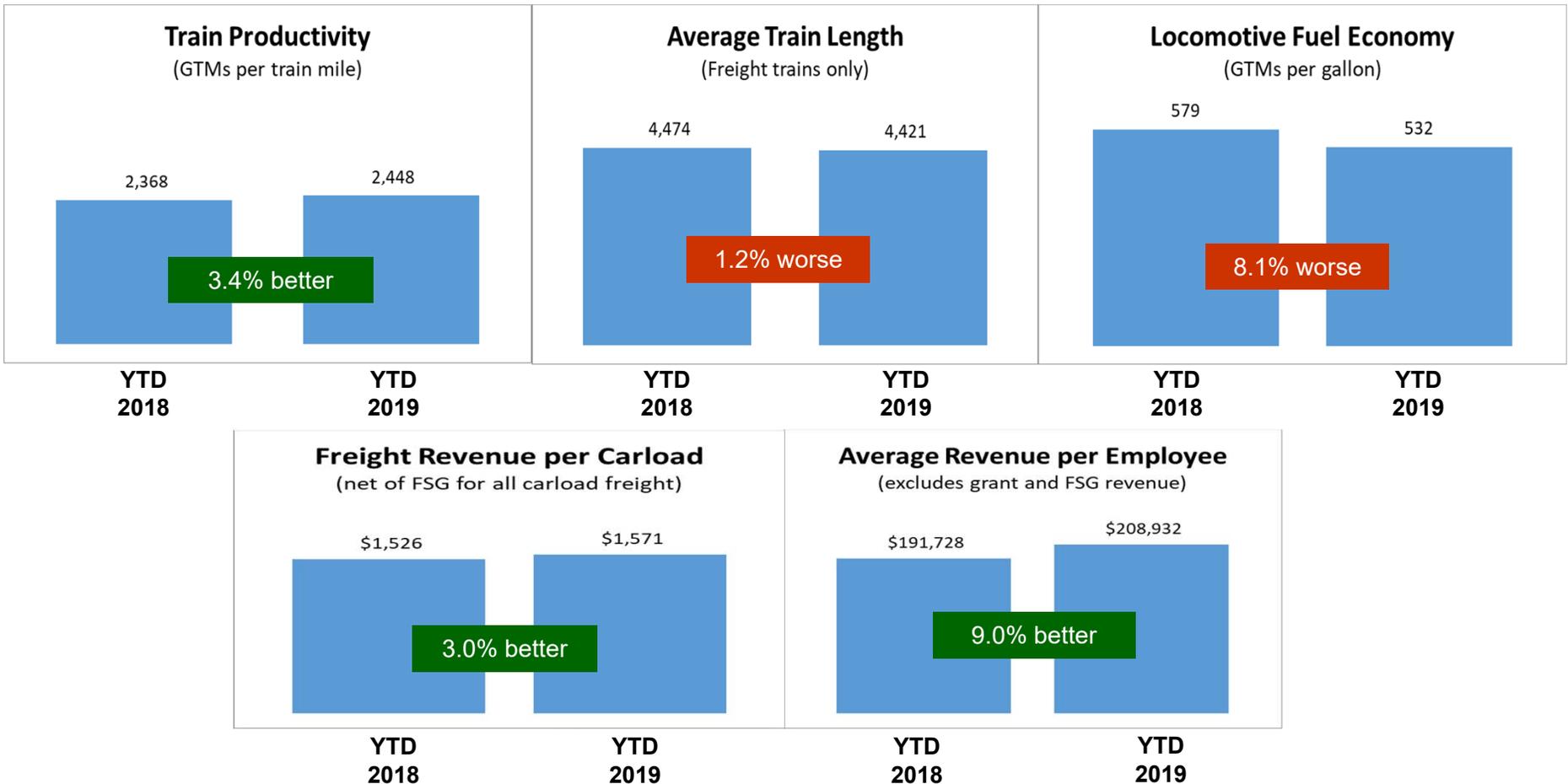


YTD November 2019 Executive Summary

- **YTD net income of \$14.5 million was \$2.7 million higher than the original budget of \$11.8 million net income. Key factors driving the variance were:**
 - *Freight revenue outperformed original budget by \$7.9 million, or 11.3%*
 - *Interline outperformed original budget a combined \$6.9 million*
 - *Local Miscellaneous and Freight Forwarding outperformed original budget a combined \$1.4 million*
 - *Passenger revenue under-performed original budget by \$1.6 million, or 4.0%*
 - *Coastal Classic and Glacier Discovery outperformed revenue budget while most other passenger business lines fell short of original budget*
 - *Operating expenses came in \$4.8 million over original budget, or 4.2%*
 - *Contracts & Rents \$4.0 million over original budget, with \$2.8 million of that attributable to barge expense and freight car per diem associated with the barge operation*
 - *Real Estate revenue outperformed original budget by \$0.4 million while real estate expenses came in \$0.2 million under original budget*
- **ARRC cash balance and total debt (excluding FTA bonds) were \$81.7 million and \$4.5 million, respectively**



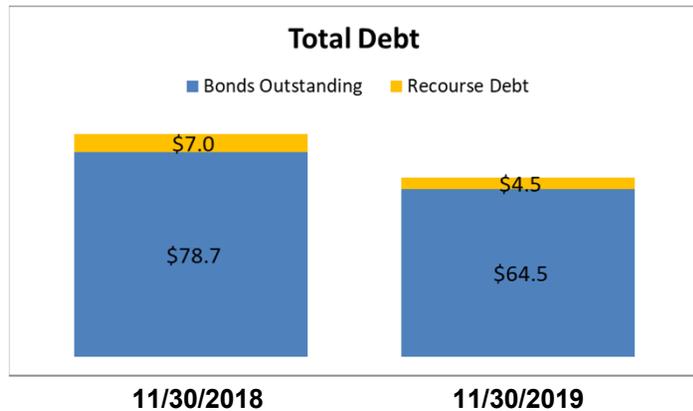
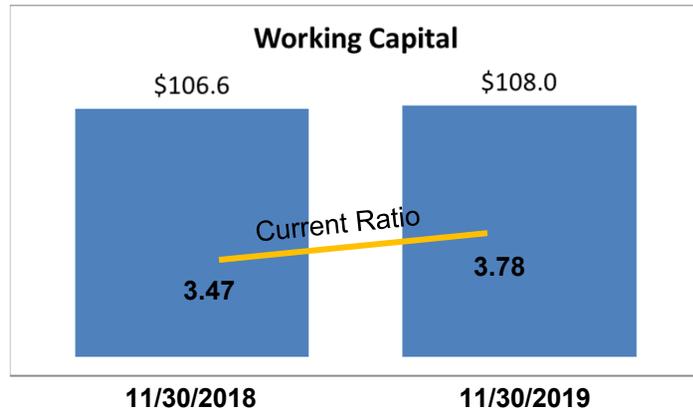
YTD November 2019 Operating Highlights



Financial Position

at November 30, 2019

(\$ millions)



- Maintaining strong liquidity at more than 3.0x current assets to current liabilities
- Decrease in year-over-year recourse debt as ARRC continues to repay loans without adding new debt
 - Note: debt financing for \$8.0 million acquisition of flat cars added in December 2019
- ARRC's trailing 12-month cash flow increased on a year-over-year basis, and with declining debt balances, the debt-to-cash flow ratios improved
 - *debt-to-cash flow ratios are a measure of the company's ability to repay its debt from cash flow generated by the business*

	11/30/2018	11/30/2019
Recourse Debt / EBITDA	0.20x	0.10x
Total Debt / EBITDA	2.45x	1.57x

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



YTD November 2019 Freight Revenue Performance

FREIGHT REVENUE

(net of fuel surcharge)

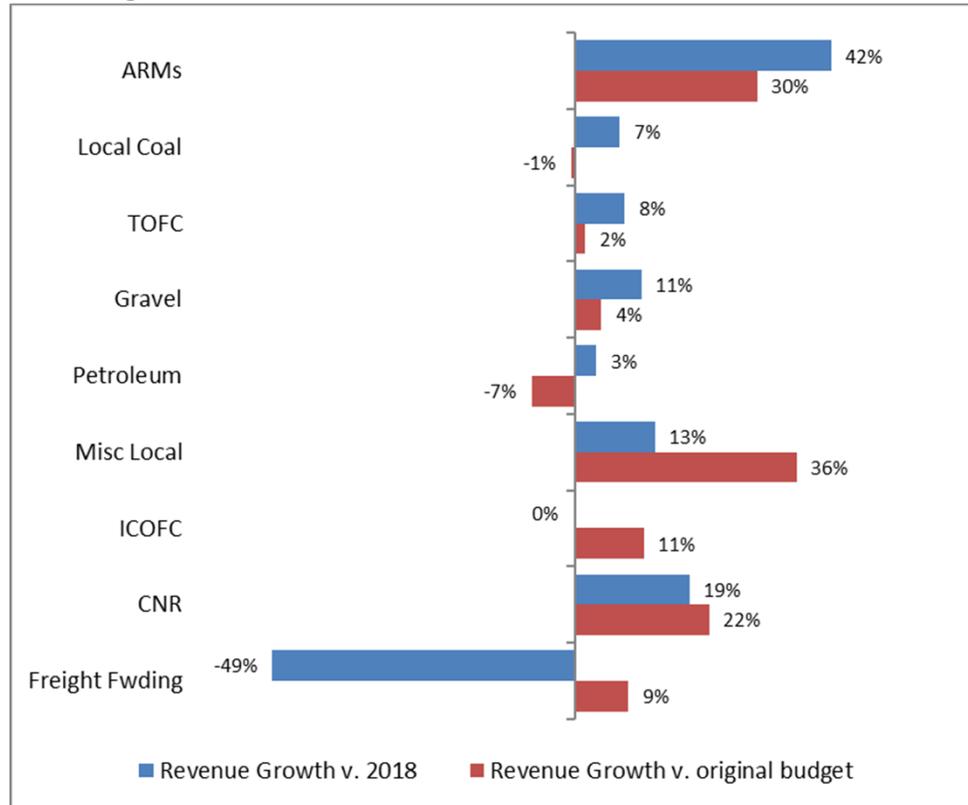
+14% + 19%

v. original
budget

v. 2018

- Units: up 4% v. 2018
up 8% v. original budget
- Freight Revenue per unit:
 - up 14% v. 2018
 - up 6% v. original budget
- *Revenue growth exceeded prior year and budget almost everywhere, with ARMs growth the overall driver*

Freight revenue variance



YTD November 2019 Passenger Revenue Performance

PASSENGER REVENUE

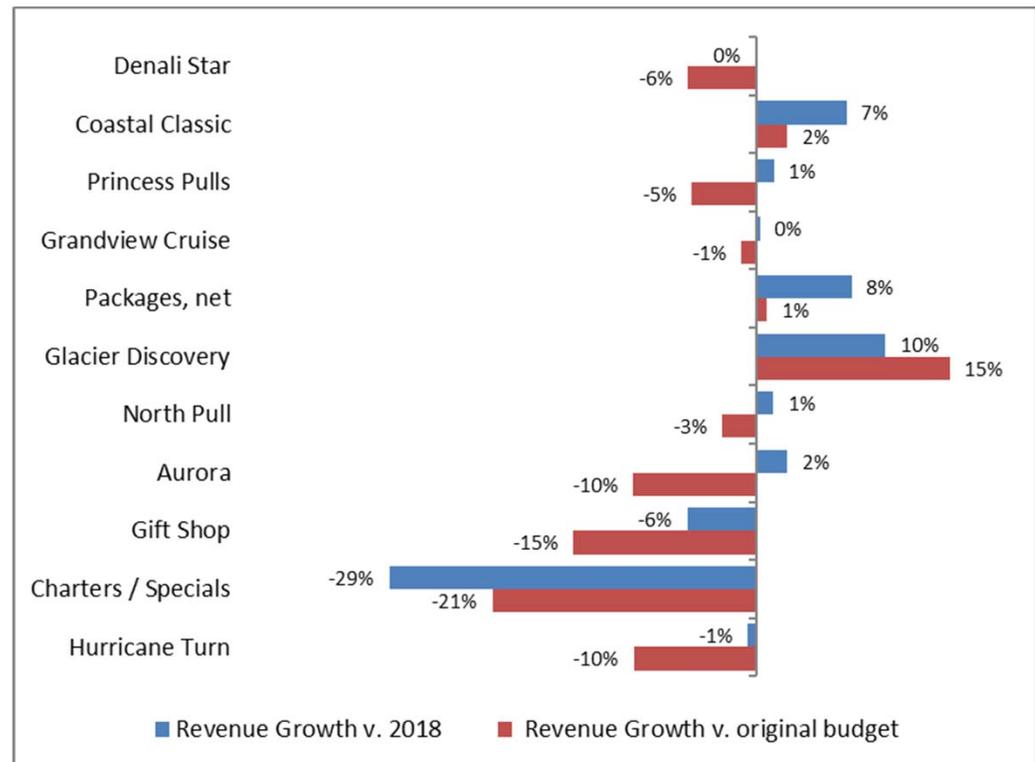
- 4% **+ 1%**

v. original
budget

v. 2018

- ARRC Ridership: + 1% v. 2018
+ 1% v. original budget
- Revenue per ARRC passenger:
up 1% v. 2018
down 4% v. revised budget
- *Coastal and Glacier performed well against prior year and budget, but the cruise-related business lines fell short of budget and the Denali Star lost ground in terms of ridership as compared to prior year and budget.*

Passenger revenue variance



YTD November 2019 Real Estate Revenue Performance

REAL ESTATE REVENUE

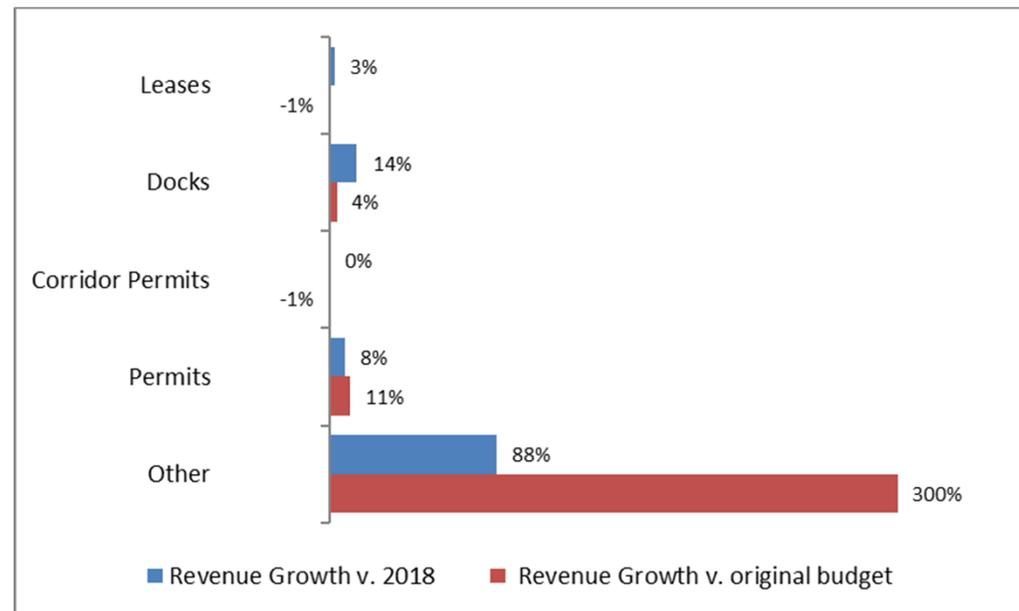
+ 2% **+ 6%**

v. original
budget

v. 2018

- Top three categories of real estate revenue comprise 89% of total real estate revenue
- Experiencing growth in dock revenue over prior year and original budget, particularly as related to Seward passenger dock, which exceeded budget and showed significant growth over prior year

Real Estate revenue variance



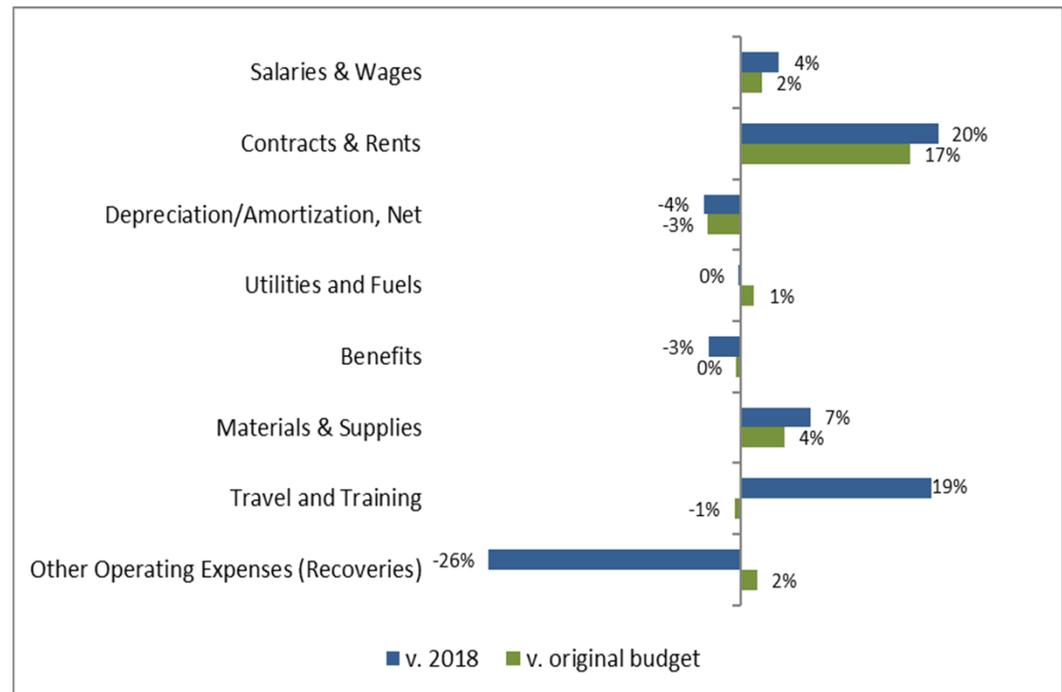
YTD November 2019 Operating Expense Performance

OPERATING EXPENSES

+ 4% **+ 7%**
 v. original budget v. 2018

- *Top three categories comprise 73% of 2019 operating expenses*
- *Performance of Salaries & Wages typically drives total expense performance*
- *Contracts & Rents growth primarily related to growth in ARMs revenue*
- *Other Operating expenses (recoveries) in 2018 included a tax credit transaction (for tax year 2017)*

Operating expense variance



YTD November 2019 Financial Performance

\$ millions					
	YTD November 2019	YTD Original Budget	Variance from budget	YTD November 2018	Variance from prior year
Operating Revenues	\$ 117.1	\$ 110.7	\$ 6.3	\$ 105.0	\$ 12.1
Operating Expenses	\$ 118.8	\$ 114.0	\$ 4.8	\$ 111.0	\$ 7.7
Operating Income	\$ (1.7)	\$ (3.2)	\$ 1.5	\$ (6.0)	\$ 4.3
Real Estate, net	\$ 13.6	\$ 13.0	\$ 0.6	\$ 12.5	\$ 1.1
Other Income (Expense)	\$ 2.6	\$ 2.0	\$ 0.6	\$ 2.6	\$ (0.0)
Net Income	\$ 14.5	\$ 11.8	\$ 2.7	\$ 9.1	\$ 5.4

- Operating revenue out-performance is due primarily to stronger than expected freight revenue, and the ARMs barge business line in particular
- Operating expenses were up over original budget and over prior year
 - Prior year operating expenses include a tax credit transaction, which is not repeated in the current year's YTD
 - ARMs barge revenue drove a large increase in ARMs barge expense in the Contracts & Rents expense category
- Real Estate, net performed well, coming in over original budget and prior year
 - Seward passenger dock revenue and lease revenue drove the positive results
- Other Income (Expense) exceeded original budget with interest income and property sales as drivers
- As a result, Net Income outperformed original budget and prior year



Hot Items for the 1st quarter of 2020

- ❑ *Expect ARRC to book 2018 and 2019 tax credit transactions in 1Q2020*
- ❑ *All trains running in Central and Kenai subdivisions currently running with PTC active.*
- ❑ *ARRC was successful in booking a ship load of proppant / frac sand from China to Seward for rail transfer to Fairbanks and then on to Prudhoe Bay. The rail move is a January revenue item, and while the move did not go entirely as planned due to cold weather challenges with the on-ship crane system, the challenges were ultimately overcome and lessons were learned that will improve future moves, should we capture another opportunity like this one later in 2020.*
- ❑ *The outlook for oil field supply volumes continue to be strong on the ARMs barge*
- ❑ *Expecting a late February or early March start to Petro Star moves northbound*



2019 Forecast and 2020 budget

Net income forecast for 2019, given actual YTD November performance and latest revised budget for the month of December, is \$16.0 million

- \$5.5 million lower than the original budget net income for the year
- December actual results are not yet complete, but so far, we can see that we have a large positive variance to budget in freight revenue, particularly in the ARMs business line. Passenger, Real Estate and Other Operating revenue have also outperformed budget.
- Potentially large moving parts that can impact the net income forecast:
 - Pension benefit – Those of you whose tenure on ARRC's board pre-dates July of 2019 will recall that ARRC made two changes in key assumptions in the valuation of its pension liability with the most recent valuation in June. Those changes were the primary drivers to a \$15 million increase in the pension liability and a \$5.9 million increase in expected pension expense. Performance of the pension trust asset investments handily outperformed the 7.25% target rate of investment, and the over-performance will have the impact of reducing the pension expense adjustment that we make in December. Once the actuaries have done their year end work, we will see how much positive impact to net income forecast will be realized.

The 2020 Budget for net income approved by the Board in November is \$22.0 million. No budget revisions are scheduled until the end of 1st quarter.

XI. 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: January 23, 2019
Time: 9:00.m. - 10:30 a.m.
Location: Executive Conference Room

Board Members:

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

Staff:

Jim Kubitz, Andy Donovan, Kristen Gratrix, Doug Stephens, Erin Ealum, Aaron Butterer, Paul Farnsworth, Andy Behrend, Barbara Amy, Clark Hopp, Bill O’Leary, Tim Sullivan, Jennifer Haldane, LaFewt Knox, Wendy Richerson

Mr. Kubitz started the meeting at 9:07 a.m. by asking Mr. Hopp for a safety briefing. Mr. Kubitz then asked the Real Estate Department to provide introductions, which were followed by introductions by the remaining Alaska Railroad staff present.

Board Action Items:

AFE’s / Resolutions to be presented to the Board for approval:

AFE No. 10799 S-1 Depot Drive

Mr. Kubitz provided a history of the land lying west of the Anchorage Historic Depot for the new Board Members and discussed recent tenancies that have prompted the need to develop access to that area. Mr. Farnsworth described the particulars of the improvements, including pavement, access, traffic flow and trespass mitigation, and the reasons that the AFE for work in 2020 needed to be increased. Commissioner Anderson asked if there would be additional phases of the project for which additional funding would be requested, Mr. Kubitz responded that there would be additional funding requests in future years once we get better clarity as to what future development of the area will require.

Contracts to be presented to the Board for approval:

Contract No. 20546 Medallion Building LLC. – Anchorage

Mr. Kubitz shared with the group a brief history of the Medallion building and how the Railroad had recently acquired it and other, less desirable, buildings as part of an attempt to clean up the area. There is currently an RFP for the demolition of the three buildings that were identified to be scraped. The remaining building, the Medallion building, will be purchased by the current tenant, and is already under an interim combined land and building lease pending the long-term ground lease being brought to the February 4th Board Meeting for approval.

Contract No. 5611 York Steel – Anchorage

Mr. Kubitz shared with the group that York Steel is a current lease tenant that would like to expand its leased premises area to correct encroachment issues. The proposed supplement to the lease requires Board approval because of the sizable addition to the size of the premises.

Briefing / Update

Anchorage

Odom building sale

Mr. Kubitz summarized the history of the Odom building on 1st Avenue in Anchorage. A Letter of Intent (LOI) has been sent to Odom that anticipates a potential deal involving leasing and purchases of properties in both Anchorage and Fairbanks. The terms of any resulting deal will be subject to approval by the Board.

Anchorage International Airport Hotel Request for Proposal

Mr. Kubitz provided the group the history of Anchorage International Airport's (AIA) plans to construct an onsite hotel and how ARRC in the past has been approached by AIA about using the Sheffield Depot as a lobby for the hotel. Mr. Kubitz stated that over time the staffing and the plans at AIA have changed and that they currently do not plan on using the Sheffield Depot in the project. We believe, however, that we may still be approached by an eventual developer. Additionally, as the Airport's Request for Proposal now stands, the hotel development would impact the area leased by ARRC, so we anticipate some impact on ARRC and possibly further discussions with the Airport.

Seward Highway Windy Corner Meeting – DNR and DOT

Mr. Kubitz asked Mr. Hopp to speak on the Windy Corner project. Mr. Hopp shared that there is an aggressive plan to address safety concerns along Windy Corner on the Seward Highway which involves a proposed exchange of land between ARRC, DOT and DNR to accommodate realigned rights-of-way (ROW) for both DOT and ARRC. Mr. Hopp reminded the group that ARRC was there first and currently most of the DOT's highway lies on top of the ARRC ROW. We believe ARRC currently holds fee title to that property, unencumbered by section lines, and ARRC would prefer that DNR convey to ARRC the same unencumbered fee title that ARRC will provide to DNR. The issue regarding section line easements continues to be a sticking point in the discussions between the agencies, especially in light of the public's desire to access Turnagain Arm and resulting trespass issues. There was further discussion about design and safety needs, as well as the agencies involved and the challenges encountered to date.

Fairbanks

ACS Building – Driveway Street

Mr. Kubitz provided an update and history on the previously approved purchase of a building currently owned by ACS on ARRC property in Fairbanks. The purchase is moving forward, however, has been delayed due to delays in ACS's negotiations regarding its future space. When acquisition is final, the building will accommodate three ARRC departments, as well as have additional space available to lease.

DOT Chena Trail

Mr. Kubitz provided an update that DOT has applied for an easement for a trail that was previously permitted to the City of Fairbanks. The City's permit expired due to a sunset clause related to construction funding that was never obtained. ARRC is working with the DOT and will be bringing a proposal to the Board at a future meeting.

Land Sate Status

Eklutna, Inc.

Mr. Kubitz briefed the group on the trade of ARRC's Parcel C with Eklutna, Inc. for its Birchwood lot with rail access. The parcel to be conveyed to Eklutna is currently being replatted and the land exchange will close soon.

Whittier Manor

Mr. Kubitz shared that the plat for Whittier Manor has been approved and that the sale was moving forward. Mr. Behrend went into more detail as to the conveyance documents, which preserve ARRC's interests in potential future development of the nearby ARRC rail yard.

NeighborWorks

Mr. Kubitz updated the Committee regarding the status of the sale of the land on Government Hill that was approved as part of a 2018 land sale bill. The parcel is currently being re-platted and the transaction will close later in the year.

Meeting adjourned at 10:22 a.m.

Adopted:

Resolution No. 2020-01

Relating to an Increase in Funding for
2020 Access Improvements to the Rail
Complex (AFE No. 10799 S-1)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) owns several acres of prime, mostly undeveloped land located to the west of the Anchorage Historical Depot in the ARRC Anchorage Reserve (the “Rail Complex Land”); and

WHEREAS, located on the Rail Complex Land is a building owned and occupied by 49th State Brewing Company (“49th State”), which leases the underlying land from ARRC; and

WHEREAS, it is critical to ARRC’s prospects for developing the undeveloped portion of the Rail Complex Land, as well as important to the success of ARRC’s lessee, 49th State, and its tenant that safe, reliable access is available to the Rail Complex Land and 49th State’s building; and

WHEREAS, ARRC designed a multi-year project to reconfigure, widen and pave the existing access road, known as Depot Drive, which connects First Avenue to the Rail Complex Land; and

WHEREAS, ARRC began construction of the Depot Drive Project in 2019 and plans to construct additional phases of the Project in 2020 and 2021; and

WHEREAS, in November 2019, the ARRC Board of Directors approved, as part of the ARRC 2020 Capital Budget, AFE No. 10799 in the amount of \$700,000, in order to fund the work on the Depot Drive Project planned for 2020, based on preliminary cost estimates; and

WHEREAS proposed AFE No. 10799 S-1 would increase the funding for the work to be done in 2020 on the Depot Drive Project by \$1,000,000 due to (i) estimated project costs at the 65% engineering stage, plus contingency, coming in \$394,946 higher than anticipated by the original conceptual design; and (ii) the acceleration into 2020 of scope planned for 2021 estimated to cost \$605,054 by means of an additive-alternative, with such acceleration of project scope made possible because utilities from a neighboring parcel that will run under Depot Drive will be finished sooner than expected, allowing 2020 construction to extend beyond its original planned stopping point and providing improved access to the 49th State building earlier than planned; 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.

NOW THEREFORE BE IT RESOLVED that the ARRC Board of Directors has considered the proposed acceleration of, and associated increase in funding for, the Depot Drive Project presented by ARRC Management and hereby approves AFE No. 10799 S-1 in the amount of \$1,000,000 for the purposes stated therein which brings the total amount of AFE No. 10799 to \$1,700,000.

**Alaska Railroad Corporation
Authorization for Expenditure Form**

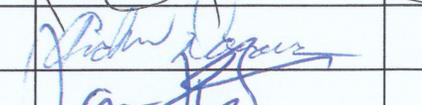
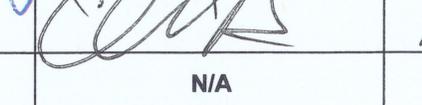
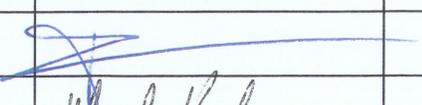
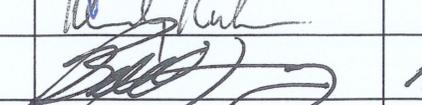
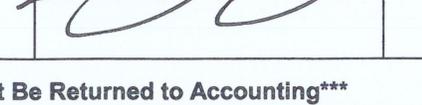
For Accounting Use Only

AFE# 10799 S-1

Page 1

General Information:	
AFE Title:	2020 Access Improvements to The Rail Complex
Prepared By:	Shane Maloney
Resp. Center (Name):	Real Estate and Facilities
Resp. Center (#):	8900
Depreciation Center:	8900-Real Estate
Line of Business:	Real Estate/Facilities
Spending Timetable:	
2020	\$ 1,700,000
2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ -
Total	\$ 1,700,000
Other Information	
Useful Life (Years):	20
Annual Depreciation:	\$ 85,000
Estimated Annual Operating Costs	\$ -

Included in Capital Budget:		
Capital Budget	Year:	2020
Total Amount	\$	1,700,000
Source of Funding	ARRC	\$ 1,700,000
Source of Funding		\$ -
Source of Funding		\$ -
Grant Number		
Grant Name		
AFE History:		
	Amount	Date Prepared
Original AFE	\$ 700,000	08/05/19
Supplemental #1	\$ 1,000,000	01/14/20
Supplemental #2	\$ -	
Supplemental #3	\$ -	
Supplemental #4	\$ -	
Supplemental #5	\$ -	
Supplemental #6	\$ -	
Supplemental #7	\$ -	
Total	\$ 1,700,000	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	Paul Farnsworth		1.14.20
Responsible Owner:	Andrew Donovan		1-14-2020
VP, Owner Department:	James Kubitz		1/14/2020
Functional User(s):	Paul Farnsworth		1.14.20
Chief Operating Officer:	Clark Hopp		1-17-20
Grant Administration:	Shawnessy Leon	N/A	
Chief Financial Officer:	Barbara Amy		1-20-20
Accounting Department:	Wendy Richerson		1/20/2020
CEO & President:	Bill O'Leary		1/24/2020
Board of Directors:			

Original Form Must Be Returned to Accounting

**Alaska Railroad Corporation
Authorization for Expenditure Form**

For Accounting Use Only

AFE# 10799 S-1

Page 2

Is this project related to health and/or safety?	Yes	If yes describe:
---	------------	-------------------------

With this area being occupied with local residents and businesses, it is important that we provide safe access for the public that will ensure traffic flow keeps a safe distance from the track. This projects also provides more room for four buses to operate in eliminating track fouling hazards.

Scope of Work:

This is year two of the Depot drive access enhancements. This project will improve access to the area currently being developed west of the Anchorage Depot. This will provide a widened roadway, lighted pedestrian path, and means to keep people off of the tracks.

Supplement No.1 increases the AFE by \$1,000,000. The increase is due to: (1) an increase in cost estimate from the 2018 conceptual estimate to the 65% design estimate, plus 20% contingency; and (2) the addition of an additive alternative in the bid document allowing for a portion of the 2021 phase of construction to be added to the 2020 project, extending the construction to the 49th State lease line, plus a 20% contingency. This project implements trespass mitigation measures as well as enables improved public access to tenant properties.

ARRC Business Justification:

With this development we need to provide safe and easy public access for both businesses and the public as well as provide enhanced trespass mitigation to the mainline rail. The development of new residential condos and businesses moving on to the property necessitates better access and lighting.

Alternatives Considered:

Preliminary Budget:

Line Description	Amount
Equipment	\$ -
Labor (Fully Burdened)	\$ 50,000
Materials	\$ -
Contracts	\$ 1,650,000
Other Expenses	\$ -
Total	\$ 1,700,000

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

Date: January 24, 2020
To: Bill O'Leary, President and CEO
From: Theresa MacLeod, Manager, ARRC Retirement Plans *TMM*
Subject: Sixth Amendment to the Alaska Railroad Corporation Pension Plan

The Alaska Railroad Corporation Board of Directors receive a fee for services as a member of the Board of Directors. It is necessary for the Alaska Railroad Corporation Pension Plan document to be amended to further clarify the definition of "Eligible Employee" regarding the Board Members.

Currently, Section 1.18 Eligible Employee states, "Eligible Employee" means any Employee, except an Employee who is:

- (a) Covered by the Civil Service Retirement System;
- (b) Performing services for the Employer and is on the payroll of a third party leasing organization;
- (c) Not treated by the Employer as an employee for payroll tax purposes, but who is subsequently determined by a government agency, by the conclusion or settlement of threatened or pending litigation, or otherwise to be (or to have been) a common law employee of the Employer;
- (d) Covered under a collective bargaining agreement where retirement benefits were the subject of good faith bargaining, which does not provide for retirement benefits under this Plan; or
- (e) A Special Services Employee.

The Sixth Amendment to the Alaska Railroad Corporation Pension Plan expands the Plan terms to provide the following in reference to the Board of Directors:

- (f) Treated by the Employer as an employee for federal payroll tax purposes solely because of services provided as a member of the Board and whose only pay from the Employer is pay for service on the Board.

Please let me know if you have any questions.

Adopted

Resolution No. 2020-02

Relating to Approval of the Sixth Amendment to the Alaska Railroad Corporation Pension Plan (Eligible Employee / Board Member Definition)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors the Alaska Railroad Corporation Pension Plan (the “Plan”); and

WHEREAS, Section 10.1 of the Plan provides for amendment of the Plan; and

WHEREAS, Section 1.18 of the Plan defines “Eligible Employee” and lists exceptions to the definition of an Eligible Employee; and

WHEREAS, ARRC would like to clarify the Employer/Employee relationship between ARRC and its Board Members and the applicable services and fees; and

WHEREAS, it is necessary to exclude from the definition of Eligible Employee individuals whose sole pay is for services as a member of the ARRC Board of Directors; and

WHEREAS, restatement or amendment of the Plan requires ARRC Board of Directors’ approval; and

NOW, THEREFORE, BE IT RESOLVED that the ARRC Board of Directors has reviewed and approves the Sixth Amendment to the Plan substantially in the form of the Plan document amendment attached hereto as Exhibit A which shall become effective February 4, 2020.

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 Sixth Amendment 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; and
- (d) Certify this resolution to any necessary person, corporation or governmental entity.

SIXTH AMENDMENT
TO THE
ALASKA RAILROAD CORPORATION
PENSION PLAN

The Alaska Railroad Corporation Pension Plan (the “Plan”), as amended and restated effective January 1, 2016 and subsequently amended through the Fifth Amendment, is hereby further amended, pursuant to Section 10.1, effective as of date of signature below, as follows:

1. Section 1.18 Eligible Employee is amended by replacing the current subsections (d) and (e) with the following:
 - (d) covered under a collective bargaining agreement where retirement benefits were the subject of good faith bargaining, which does not provide for retirement benefits under this Plan;
 - (e) a Special Services Employee; or,
 - (f) treated by the Employer as an employee for federal payroll tax purposes solely because of services provided as a member of the Board and whose only pay from the Employer is pay for service on the Board.

IN WITNESS WHEREOF, the Alaska Railroad Corporation has caused this Sixth Amendment to the Plan to be executed on this ____ day of _____, 2020.

ALASKA RAILROAD CORPORATION

BY: _____

ITS: _____

WITNESS

Date: January 24, 2020
To: Bill O'Leary, President and CEO
From: Theresa MacLeod, Manager, ARRC Retirement Plans 
Subject: Third Amendment to the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees

The Alaska Railroad Corporation Board of Directors receive a fee for services as a member of the Board of Directors. It is necessary for the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Plan document to be amended to further clarify the definition of "Eligible Employee" regarding the Board Members.

Currently, Section 1.14 Eligible Employee states, "Eligible Employee" means any Employee, except an Employee who is:

- (a) A member of a collective bargaining unit;
- (b) A Special Services Employee;
- (c) Performing services for the Employer and is on the payroll of a third party leasing organization;
and
- (d) Not treated by the Employer as an employee for payroll tax purposes, but who is subsequently determined by a government agency, by the conclusion or settlement of threatened or pending litigation, or otherwise to be (or to have been) a common law Employee of the Employer.

The Third Amendment to the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees expands the Plan terms to provide the following in reference to the Board of Directors:

- (e) Treated by the Employer as an employee for federal payroll tax purposes solely because of services provided as a member of the Board and whose only pay from the Employer is pay for service on the Board.

Please let me know if you have any questions.

Adopted

Resolution No. 2020-03

Relating to Approval of the Third Amendment to the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees (Eligible Employee / Board Member Definition)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) sponsors the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees (the “Plan”); and

WHEREAS, Section 9.1 of the Plan provides for amendment of the Plan; and

WHEREAS, Section 1.14 of the Plan defines “Eligible Employee” and lists exceptions to the definition of an Eligible Employee; and

WHEREAS, ARRC would like to clarify the Employer/Employee relationship between ARRC and its Board Members and the applicable services and fees; and

WHEREAS, it is necessary to exclude from the definition of Eligible Employee individuals whose sole pay is for services as a member of the ARRC Board of Directors; and

WHEREAS, restatement or amendment of the Plan requires ARRC Board of Directors’ approval; and

NOW, THEREFORE, BE IT RESOLVED that the ARRC Board of Directors has reviewed and approves the Third Amendment to the Plan substantially in the form of the Plan document amendment attached hereto as Exhibit A which shall become effective February 4, 2020.

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 Third Amendment 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; and
- (d) Certify this resolution to any necessary person, corporation or governmental entity.

THIRD AMENDMENT
TO THE
ALASKA RAILROAD CORPORATION
401(k) TAX DEFERRED SAVINGS PLAN
FOR NON-REPRESENTED EMPLOYEES

The Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees (the “Plan”), as amended and restated effective January 1, 2016 and subsequently amended by the Second Amendment, is hereby further amended, pursuant to Section 9.1 of the Plan, effective as of the date of signature below, as follows:

1. Section 1.14 Eligible Employee is amended by replacing the current subsections (c) and (d) with the following:
 - (c) performing services for the Employer and is on the payroll of a third-party leasing organization;
 - (d) not treated by the Employer as an employee for payroll tax purposes, but who is subsequently determined by a government agency, by the conclusion or settlement of threatened or pending litigation, or otherwise to be (or to have been) a common law Employee of the Employer; or,
 - (e) treated by the Employer as an employee for federal payroll tax purposes solely because of services provided as a member of the Board and whose only pay from the Employer is pay for service on the Board.

IN WITNESS WHEREOF, Alaska Railroad Corporation has caused this Third Amendment to the Plan to be executed on this _____ day of _____, 2020.

ALASKA RAILROAD CORPORATION

BY: _____

ITS: _____

LEASE SUMMARY

LESSEE: Medallion Building, LLC

CONTRACT NO: 20546

LEASE DESCRIPTION: A parcel containing approximately 23,700 sq. ft., and located at 1520 North Post Road, within the ARRC Anchorage Reserve

KEY CONTRACT PROVISIONS:

Estimated Effective Date: March 1, 2020

Prior Annual Rent: \$19,270 for 23,700 sq.ft. Based on \$10.25 psf (prior leased area 80,193 sq.ft.)

Lease Term: Thirty (30) years

Option to Extend: N/A

Rental Rate: 8%

Lease Area: Approx. 23,700 sq.ft.

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

Base Annual Rent: \$TBD (based on appraised value).

PUBLIC NOTICE: Yes, public comment period expired February 3, 2020.

LEGAL REVIEW: Yes

INTENDED USE: Shop, Warehouse and Equipment Storage for Business.

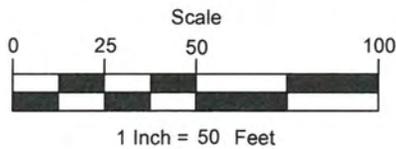
SUMMARY AND RECOMMENDATIONS: Lessee under a current short-term commercial lease has offered to purchase the 7,302 sq. ft. building known as the Medallion Building located on the premises and has requested a new ground lease. Staff recommends approval of a new ground lease with Lessee.

APPROVED: _____

Board Meeting Date: _____

Andy Behrend
ARRC Board Secretary

ALASKA RAILROAD



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

Contract No. 20546 - Exhibit A
 Medallion Building, LLC

Area = 23,700 sq ft± (0.5 ac±)

ARRC title - Patent 50-2011-0122 - USS 1170, Lot 2

DRAWN BY:	AMB	SCALE: 1" = 50'	DATE: 2020-01-07
CHECKED BY:	DAS	Anchorage Terminal Reserve	
APPROVED BY:	DAS		
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LEASE SUMMARY

LESSEE: York Steel Company, Inc.

CONTRACT NO: 5611

LEASE DESCRIPTION: Lot 103 as depicted on the unrecorded plat titled "Anchorage Terminal Reserve Warehouse Ave. and First Ave. – "C" Street to Cordovia Street – Portion of Whitney Rd." Sheet 8 and the attached "Exhibit A" and that land lying 60' directly south of said Lot 103, containing 27,300 square feet, more or less.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: March 1, 2020

Base Annual Rent: \$19,240.00 (based on 2017 appraised value)

Lease Term: expires 4/30/2039

Prior Annual Rent: \$15,067.14

Option to Extend: N/A

Rental Rate: 8%

Lease Area: Approx. 27,300 square feet

Rent Adjustment: Fair-Market rental value as determined by appraisal.

PUBLIC NOTICE: Yes, public comment period expires February 3, 2020.

LEGAL REVIEW: Yes

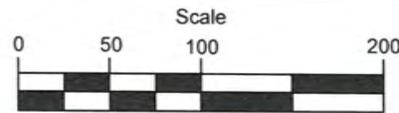
INTENDED USE: Commercial Storage.

SUMMARY AND RECOMMENDATIONS: This parcel has been under a long term lease ARRC Contract No. 5611. Lessee has been storing equipment outside of lease boundaries and now wishes to expand lease area approximately 6,000 square feet to accommodate actual area. Approval of the expanded leased premises is recommended.

APPROVED: _____

Board Meeting Date: _____

Andy Behrend
ARRC Board Secretary



1 Inch = 100 Feet

For indexing purposes this property is located in the SE1/4 Sec. 7, T13N, R3W, S.M.

AlaskaRailroad.com



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

Contract No. 5611 - Exhibit A
York Steel Company, Inc.

Old Area = 20,361 sq ft± (0.5 ac±)
New Area = 27,300 sq ft± (0.6 ac±)

ARRC title - Patent 50-2011-0122 - USS 1170, Lot 2

DRAWN BY:	AMB	SCALE: 1" = 100'	DATE: 2020-01-15
CHECKED BY:	DAS	Anchorage Terminal Reserve	
APPROVED BY:	DAS		

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ARRC BOARD OF DIRECTORS MEETING EXECUTIVE SESSION AGENDA

**Tuesday, February 4, 2020
Pike's Waterfront Lodge – Fireweed Room
1850 Hoselton Road
Fairbanks, Alaska 99705**

Executive Session Briefings

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. Collective Bargaining Agreement Negotiations Update - Verbal
3. A2A Update - Verbal
4. Legislative Strategy - Verbal
5. Business Development Report - Verbal
6. Seward Dock Update - Verbal