

**ARRC BOARD OF DIRECTORS MEETING
AGENDA**

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

- I. CALL TO ORDER (9:00 a.m.)**
- II. ESTABLISH QUORUM**
- III. SAFETY BRIEFING**
- IV. CHAIR COMMENTS**
- V. ADOPTION OF AGENDA**
- VI. CONFLICT OF INTEREST DISCLOSURES**
- VII. ADOPTION OF MINUTES**
 - 1. Approval of Regular Meeting Minutes of March 31, 2020
- VIII. OPPORTUNITY FOR PUBLIC COMMENT**
- IX. BRIEFING ITEMS**
 - A. Public Briefings (a portion may be held in Executive Session)**
 - 1. CEO Update
 - 2. Business Report
 - 3. Safety Update
 - 4. PTC Update
 - B. Committee Reports**
 - 1. Real Estate Committee – Chair Shively
 - 2. Audit Committee – Chair Binkley
 - 3. Executive Committee – Chair Campbell
- X. NEW BUSINESS**
 - C. Executive Session Briefings**
 - 1. Contracts, Claims, Litigation, Personnel and Financial Matters
 - 2. Legislative Strategy
 - 3. A2A Update
 - 4. ROW and Other Land Issues
 - 5. Business Development Report
 - 6. Seward Dock Port Project
 - D. Action Items**
 - 1. Resolution No. 2020-13 – Relating to Funding of Seward Passenger Dock Replacement Project Using State Grant Funds (AFE No. 10880)
 - 2. Resolution No. 2020-14 – Relating to Funding to Purchase a Generator Van for TOFC Operations (AFE No. 10781 S-1)
 - E. Adoption of Consent Agenda**
 - 1. Resolution No. 2020-11 – Relating to the Approval of Insurance Renewal for 2020-2021
 - 2. Resolution No. 2020-12 – Relating to the Selection of a Firm to Perform the 2020 through 2024 Annual Financial Audits and Other Financial-Related Services
 - 3. Contract Lease No. 20551 – Pruhs Corporation – Anchorage
 - 4. Contract Lease No. 20552 – Pruhs Corporation – Anchorage
 - 5. Contract Lease No. 20570 – Yard Chief Yard Care, Inc. – Anchorage
 - 6. Contract Lease No. 20575 – Aurora Energy, LLC - Fairbanks
- XI. DIRECTOR/CEO/STAFF COMMENTS/OPPORTUNITY FOR PUBLIC COMMENT**
- XII. ADJOURNMENT**

ALASKA RAILROAD CORPORATION MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING

**Anchorage, Alaska
Tuesday, March 31, 2020**

I. CALL TO ORDER

The Chair, Craig Campbell, called the meeting to order at 9:04 a.m. on Tuesday, March 31, 2020. The meeting was held via Zoom technology.

II. ESTABLISH QUORUM

Chair Campbell requested Board Secretary Jennifer Haldane to establish a quorum. Vice Chair Judy Petry; Director John Binkley; Director John Shively; Commissioner, Department of Commerce Community and Economic Development, Julie Anderson; and Commissioner, Department of Transportation, John MacKinnon were all present at the commencement of the meeting. Director Jack Burton joined the meeting at 9:50 a.m.

A quorum was established by Ms. Haldane.

Staff members present:

B. Amy, Chief Financial Officer	A. Behrend, Chief Counsel
T. Covington, Director, Safety	A. Donovan, Director, Real Estate Permits & Leasing
T. Erickson, Director, Supply Management	L. Hall, Executive & Corporate Administrator
J. Haldane, Chief Human Resource Officer	J. Kubitz, VP Real Estate
C. Hopp, Chief Operating Officer	B. Lindamood, VP Engineering
L. Knox, Director Financial Planning & Analysis	B. O'Leary, President & Chief Executive Officer
M. Maddox, Assistant Controller	D. Wade, VP Marketing & Customer Service
W. Richerson, Controller	
T. Sullivan, Director, External Affairs	

III. SAFETY BRIEFING

Chair Campbell asked Tom Covington to present the safety briefing. Due to remote working conditions resulting from the COVID-19 pandemic, Mr. Covington provided safety tips related to maintaining a healthy and effective work environment away from the office.

IV. CHAIR COMMENTS

Chair Campbell thanked staff for their efforts in maintaining the Alaska Railroad Corporation's (ARRC) mission while working remotely and in such uncertain times. Chair Campbell also thanked Board Members for their participation in the Committee meetings,

and further thanked Directors' Shively and Binkley for agreeing to chair their respective committees.

Chair Campbell recognized ARRC Controller Wendy Richerson who is retiring. He noted his appreciation of Ms. Richerson's work, and for her willingness to assist in Michelle Maddox's transition to that role.

V. ADOPTION OF AGENDA

Chair Campbell asked for a motion to approve the meeting agenda. Director Binkley moved to adopt the agenda with the following changes: Under New Business C. Executive Session Briefings, changing item number 3 "Legislative Strategy" to "A2A Update" and adding item number 5 "Rent Deferment/Relief for ARRC Lessees." Director Shively seconded the motion. During discussion, Director Binkley stated that the additional briefing item was needed to address potential economic disruption ARRC tenants may be experiencing due to the COVID-19 pandemic. The agenda was approved as amended.

VI. CONFLICT OF INTEREST DISCLOSURES

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

VII. ADOPTION OF MINUTES

Chair Campbell asked if there were any corrections to the Regular Board Meeting Minutes for February 4, 2020. Director Binkley moved to adopt the meeting minutes with a correction on page 9 noting that Director Binkley excused himself from the meeting prior to discussions related to the Seward Dock Project during executive session, and returned when advised that the discussion was completed. Director Shively seconded the motion with the stated change. No further discussion or changes were noted and the February 4, 2020, minutes were approved by the Board as amended.

VIII. OPPORTUNITY FOR PUBLIC COMMENT

Ms. Haldane called for any members of the public who may have joined after the meeting began. It was noted that no members of the public joined the Zoom conference via audio or video.

IX. BRIEFING ITEMS

A. Public Briefings

1. CEO Update

Mr. O'Leary discussed how ARRC is responding to the COVID-19 pandemic. The primary goals are to protect employees and the community while keeping the railroad operational. Mr. O'Leary said that approximately 130 employees are working remotely, and for employees who must continue to report to work, we have adjusted work hours and split up work groups where possible. Mr. O'Leary remarked that finding the most effective rhythm is challenging. ARRC is anticipating a marked decline in passenger activity throughout 2020. He further explained that staff is pushing back the start of the 2020 season to mid-June, or later for some routes, making adjustments to the number of recalled seasonal employees and new hires, and providing employee training for operating within the new requirements.

Mr. O'Leary said that with the anticipated reduction in revenue, capital projects are being prioritized using a tier system. ARRC is working through new federal legislation regarding leave requirements, additional funding relating to expenses and losses associated with the pandemic, as well as an emergency docket which has been opened from regulators which could permit suspension of some regulations for train operations. Mr. O'Leary said the ARRC is considered critical infrastructure per Governor Dunleavy and Mayor Berkowitz, and as such, our employees are allowed to continue operations albeit in a modified format. Mr. O'Leary said he and senior management have been meeting, and will continue to meet, via video or audio conferencing daily to adapt to and remain abreast of this fluid situation.

2. 2019 Financial Audit

Ms. Amy discussed the 2019 annual financial audit and provided an overview of the audited 2019 financial statements. She noted that 2019 net income was \$21.6 million which was a 20 percent increase over 2018. The audited 2019 financial statements reflect total assets and deferred outflows at year-end 2019 of just over \$1.1 billion, a slight increase over year-end 2018. ARRC's net position, which is essentially equity, is \$378 million, a 6 percent increase over year-end 2018 according to the unmodified auditor's opinion. The auditors have provided an unmodified, or "clean," opinion on the audit.

Ms. Amy provided additional highlights from the audited 2109 financial statements. Operating net income for 2019 was \$4.7 million, a little more than three times that of 2018. At \$14 million, Net Real Estate Income was up \$1 million over the prior year, primarily due to Seward Passenger Dock activity associated with cruise lines. Total net gains on sales of assets were \$1.8 million, which arose primarily from the sale of land to the Municipality of Anchorage at the Port of Alaska. Investment income was up slightly over 2018. There was an accounting rule change impacting interest expense. That change required capitalized interest to be expensed; as a result, interest expenses will be higher in 2019 than in 2018. Ms. Amy said our operating ratio improved from .99 to .97 percent.

She noted that the prepared balance sheet is a comparison over six years and shows a five-year growth rate of about 0.5 percent per annum. Debt is being paid down and ARRC's net position is in positive growth. Ms. Amy said the pension and healthcare trust assets outperformed their respective target returns. The pension trust assets returned 18.4 percent compared to a target of 7.25 percent, and the healthcare trust assets returned 13.4 percent compared to a target of 6.75 percent. The pension trust was 87.5 percent funded as of year-end 2019, with a \$30 million net pension liability on the balance sheet. The healthcare trust, on the other hand, is substantially overfunded at about 325 percent, with \$35 million in assets on the balance sheet. Ms. Amy expects the actuarial valuation of the trusts to be completed by mid-June, which will recalculate liability and check assumptions as of the first of the year. She said the ARRC is in a good position to weather a global pandemic. Overall, the corporation is maintaining a strong conservative balance sheet with excellent liquidity.

Ms. Amy noted that the Accounting Department's success is a testament to Wendy Richerson's leadership as Controller for 21 years. Ms. Richerson will be retiring in early January 2021, and her replacement comes from within the department. Assistant Controller Michelle Maddox was promoted to the Controller position; she has also been at the Alaska Railroad for 21 years.

Chair Campbell thanked the staff for all of their efforts to consistently deliver clean audits, and acknowledged what an accomplishment this is when one considers that 82 individual budgets are rolled up into one large corporate budget.

3. Safety Update

Mr. Covington provided the Safety Update. He said that as of the end of the first quarter, there have been no FRA reportable derailments (i.e., derailments causing over \$10,700 in damage), no reportable grade crossing incidents, no trespassing casualties and no FRA-reportable incidents year-to-date. He noted that casualties, as defined by FRA, include injuries and fatalities. He said injuries with lost work days and total FRA-reportable injuries improved so far in 2020 over 2019. Mr. Covington said that so far this year the lost time rate is 3.6 percent, the casualty rate is 8.5 percent, restricted work days currently total 54, and lost work days total 109. He noted that stabilizing and maintaining statistics in those areas will remain the focus.

Mr. Covington noted that the corporation's Incident Free Culture ("IFC") program continues to receive positive feedback, with over 140 employees participating in the training workshops to date. The ARRC remains appreciative to Conoco Phillips for its continued assistance in getting the Railroad's IFC program running and assisting with the design and modeling.

4. PTC Update

Mr. Hopp stated that the even though the PTC report in February was good, not long after that report, the FRA completed a review and placed ARRC on a list identifying ARRC as at-risk to fail in timely implementation of PTC by the December 2020 deadline. After ARRC received a letter regarding its placement on this list, it confirmed with FRA officials

that they were not concerned that ARRC would fail to meet the implementation deadline. Mr. Hopp and Mr. O’Leary later met with Ron Batory, FRA Administrator, regarding ARRC’s placement on the list, and the meeting went well. ARRC’s placement on the list results from it being caught up in a hardline metric that did not reflect much forward progress during the first quarter of 2020, even though ARRC remained on schedule to timely implement PTC. Under this metric, ARRC had only completed Revenue Service Demonstration (“RSD”) for 36 percent of its track miles, which placed ARRC in the at-risk category. However, within the next few weeks, when RSD is began for additional portions of our system, our statistics will reflect nearly 70 percent RSD completion and take us out of the at-risk category. Mr. Hopp explained that because that will not happen before the second quarter of 2020 begins, ARRC will remain on the at-risk list until the end of the second quarter.

Chair Campbell asked if there were any regulatory or financial implications associated with being on this list. Mr. Hopp said nothing more than public embarrassment and possibly scrutiny from the FRA. Chair Campbell asked that Mr. Hopp keep the Board updated on progress.

B. Committee Reports

1. Real Estate Committee

Chair Campbell stated that the Real Estate Committee met on March 19, 2020, via Zoom Audio/Video Conference. He noted that all Board Members were in attendance, and the meeting notes were provided in the mailed Board materials. Mr. Kubitz provided a quick summary of the two action items before the Board for approval: Resolution No. 2020-10 and Contract No. 2560 relating to Odom Corporation.

2. Audit Committee

Director Binkley stated that the Audit Committee met yesterday, March 30, 2020, via Zoom Audio/Video Conference. He stated that KPMG provided an unmodified audit opinion indicating the financials were in good shape. He stated that the Audit Committee will review proposals and select the audit firm the Board will work with in reviewing ARRC financials over the next five years at the next Committee meeting. On behalf of the Audit Committee, Director Binkley submitted Resolution 2020-05, Relating to Approval of the 2019 Financial Audit Report, and recommended Board approval of that resolution.

3. Executive Committee

Chair Campbell stated that the Executive Committee also met on March 19, 2020, via Zoom Audio/Video Conference, and noted that the meeting notes were distributed in the Board Members’ folders and were sent by email. Chair Campbell stated that the Executive Committee meeting minutes are confidential and a portion was redacted due to a Board Member’s potential conflict of interest.

4. Safety Committee

Mr. Hopp provided an update of the Safety Committee meeting, which was also held on March 30, 2020, via Zoom Audio/Video Conference. Mr. Hopp said that the Committee discussed in detail safety data and IFC training feedback provided in today's Safety Update.

X. NEW BUSINESS

C. Executive Session Briefings

Director Shively moved to have the Board recess to Executive Session to discuss executive session items as identified on the agenda. Vice Chair Petry seconded the motion. There was no further discussion or objection, the motion was approved, and the Board convened to Executive Session at 10:07 a.m. to consider the following matters:

1. Contracts, Claims, Litigation, Personnel and Financial Matters
2. ROW Issues
3. A2A Update
4. Seward Dock Port Project
5. Rent Deferment/Relief for ARRC Lessees

During Executive Session, Director Binkley was excused from the audio/video conference during the Seward Dock discussion. Chair Campbell called the public session of the Regular Board Meeting back to order at 11:35 a.m. and Director Binkley was rejoined into the meeting.

D. Adoption of Consent Agenda

Chair Campbell asked Board Secretary Ms. Haldane to read all eight consent agenda items, followed by a motion to adopt the Consent Agenda. Director Shively made a motion to adopt all of the items listed under the Consent Agenda. Director Binkley seconded the motion. There was no further discussion or objections and a roll call vote was completed resulting in unanimous approval of the consent agenda as identified below:

1. Resolution No. 2020-04 – Relating to the Approval of the 2019 Financial Annual Report
2. Resolution No. 2020-05 – Relating to the 2020 Restatement of the ARRC Flexible Benefit Plan
3. Resolution No. 2020-06 – Relating to the Whittier Lower 1 and Lower 2 Track Rehabilitation (AFE No. 10868)
4. Resolution No. 2020-07 – Relating to Bridge 86.6 Pony Truss Replacement (CRISI Grant Match) (AFE No. 10869)

5. Resolution No. 2020-08 – Relating to Whittier Area 2 Drainage Replacement and Paving (AFE No. 10870)
6. Resolution No. 2020-09 – Relating to Department of Natural Resources/ARRC Land Exchange for Seward Highway Windy Corner Project
7. Resolution No. 2020-10 – Relating to The Odom Corporation (AFE No. 10867)
8. Contract No. 20560 – The Odom Corporation - Fairbanks

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

Mr. O'Leary thanked staff for all of the coordinated efforts toward today's successful Zoom conference. His appreciation was matched by all Board Members. No members of the public participated in the conference via audio or video.

XII. ADJOURNMENT

Chair Campbell entertained a motion to adjourn. Director Binkley made a motion to adjourn and Vice Chair Petry seconded the motion. The meeting was adjourned at 11:45 a.m.

IX. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

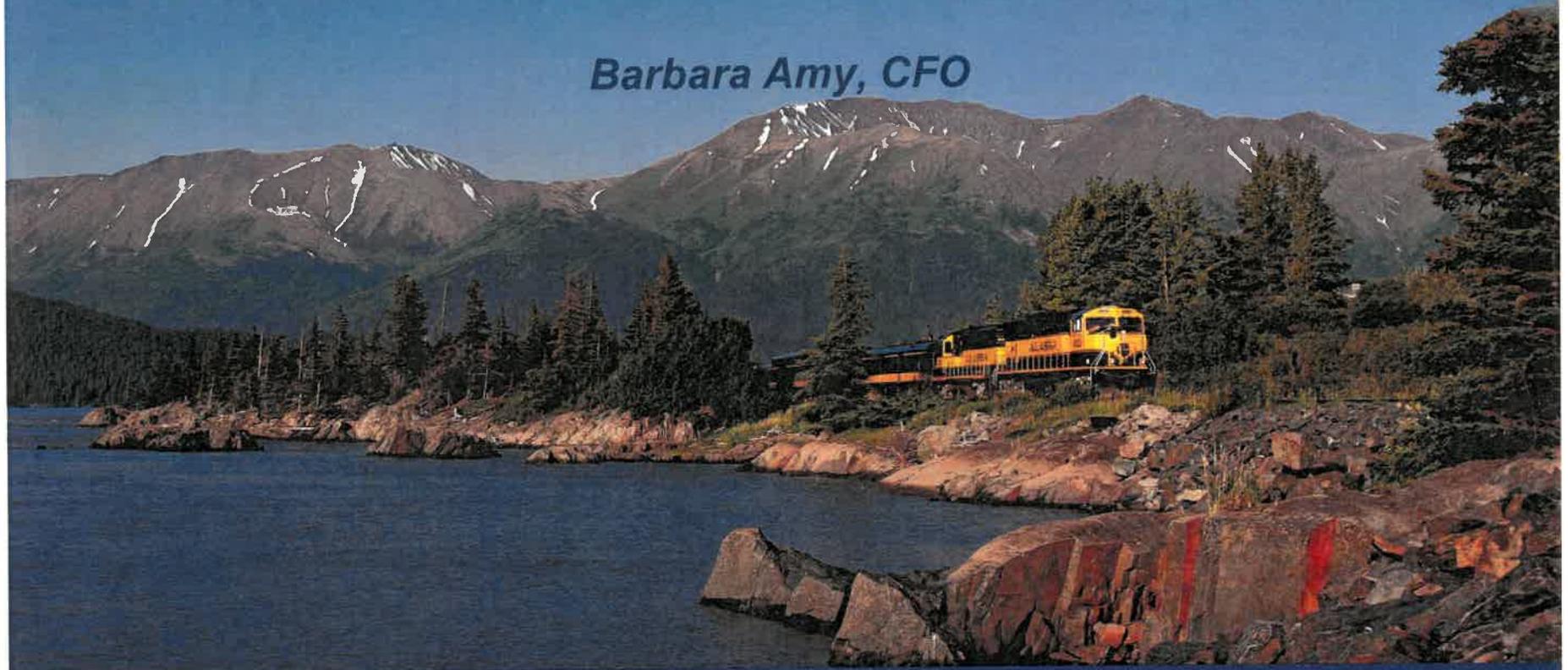
ITEM 1: CEO Update

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

YTD May Business Results

June 24, 2020

Barbara Amy, CFO



AlaskaRailroad.com



YTD May 2020 Executive Summary

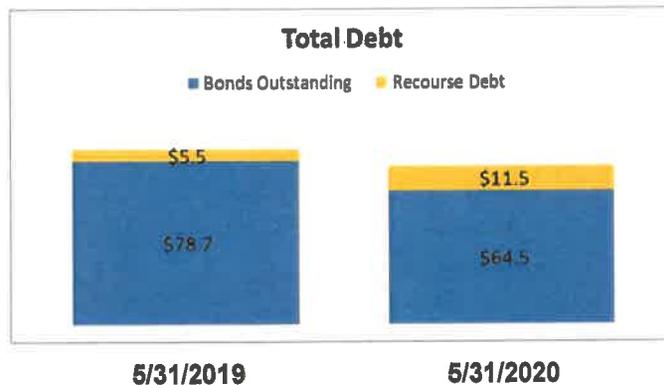
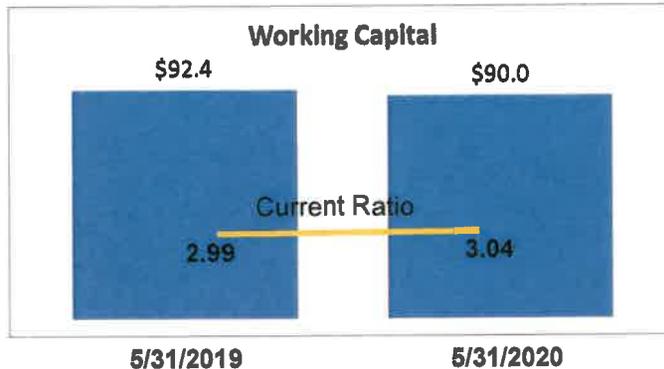
- **YTD net loss of \$8.3 million was a smaller loss by \$1.9 million than the loss expected in the revised budget, however, it is a \$2.8 million larger loss than last year's May year-to-date net loss.**
 - **Freight revenue lagged revised budget by \$1.7 million, or 4.9%**
 - *All freight business lines underperformed, with the exception of the ARMS barge, which was 9% over revised budget. While the barge was buoyed by supply chain orders already moving when the virus hit, we are beginning to see traffic slow, as we had expected.*
 - **Passenger revenue under-performed revised budget by \$0.2 million, or 23.6%**
 - *COVID-19 resulted in a service interruption for the winter Aurora service, beginning in March and continuing through mid-May, which is typically when the service transitions to the summer Denali Star*
 - *Package revenues were also negatively impacted by the pandemic*
 - **Operating expenses came in \$3.6 million under revised budget, or 7.1%**
 - *The recognition of two tax credit transactions in the first quarter of the year was the driver of the overall variance*
 - **Real Estate net revenue outperformed revised budget by \$0.2 million, or 5.1%, driven primarily by under-budget experience with respect to depreciation expense.**
- **ARRC cash balance and total debt (excluding FTA bonds) were \$74.4 million and \$11.5 million, respectively, and net working capital was \$90.0 million.**



Financial Position

at May 31, 2020

(\$ millions)



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

	5/31/2019	5/31/2020
Recourse Debt / EBITDA	0.13x	0.30x
Total Debt / EBITDA	2.00x	1.98x

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



YTD May 2020 Freight Revenue Performance

FREIGHT REVENUE

(net of fuel surcharge)

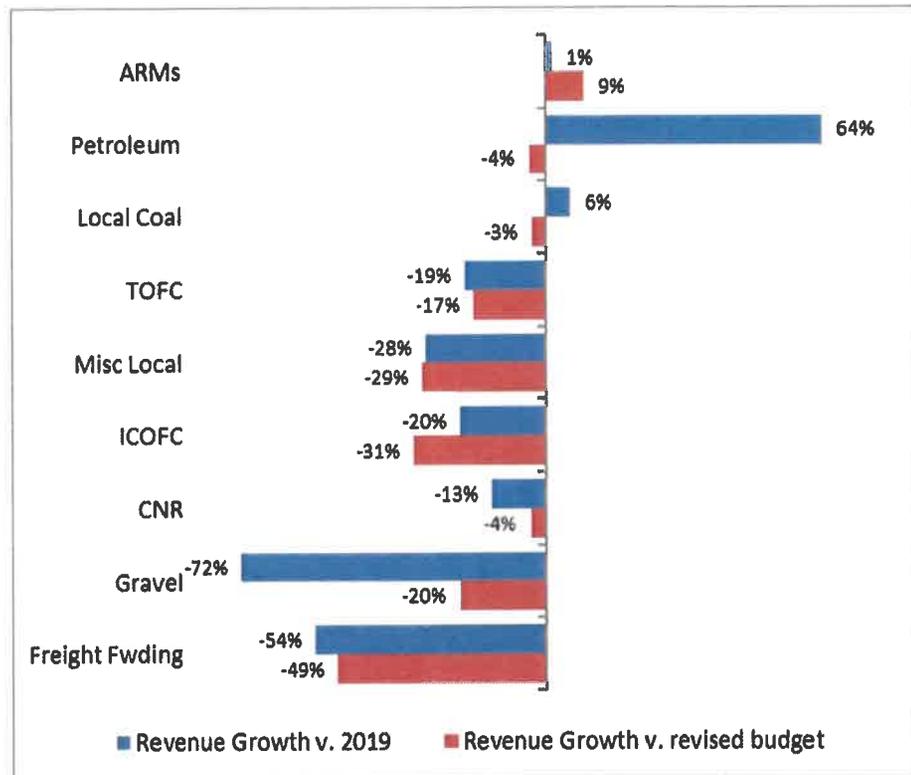
- 5% **- 5%**

v. revised
budget

v. 2019

- Units: down 27% v. 2019
down 12% v. revised budget
- Freight Revenue per unit:
 - up 31% v. 2019
 - up 8% v. revised budget
- *The addition of a 2nd Petroleum customer in 2020 combined with declines in Gravel and containerized business lines drove the growth in freight revenue per unit, even as total volumes and total freight revenue declined*

Freight revenue variance



YTD May 2020 Passenger Revenue Performance

PASSENGER REVENUE

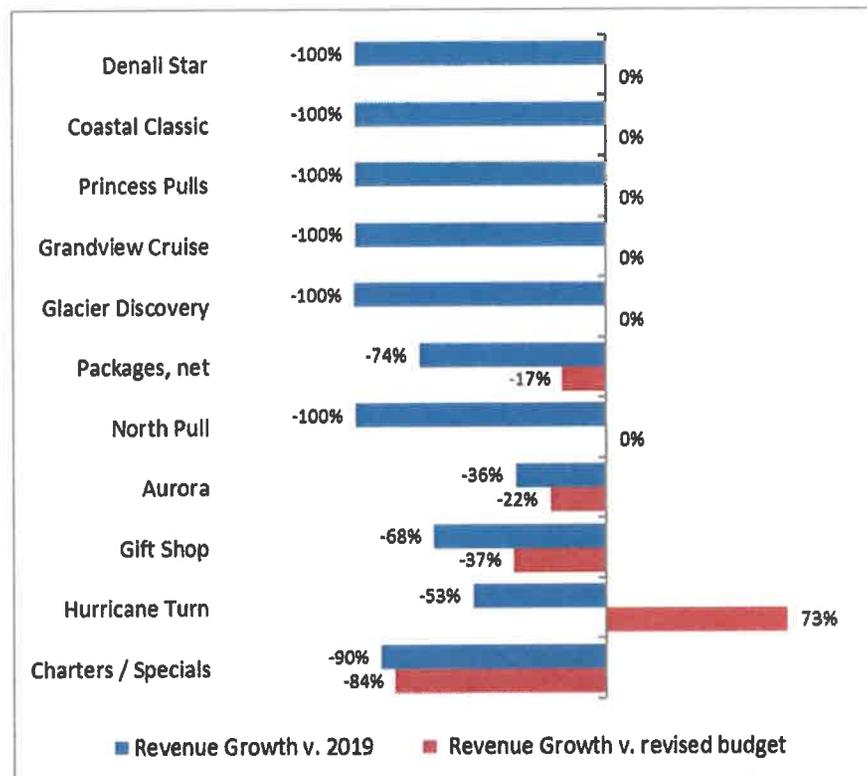
- 24% **- 84%**

v. revised
budget

v. 2019

- ARRC Ridership: down 92% v. 2019
down 18% v. revised budget
- Revenue per ARRC passenger:
up 26% v. 2019
up 16% v. revised budget
- *The impact of the pandemic on ARRC's passenger revenue is evident in the graph to the right, reflecting large declines in passenger revenue as compared to prior year and revised budget.*

Passenger revenue variance



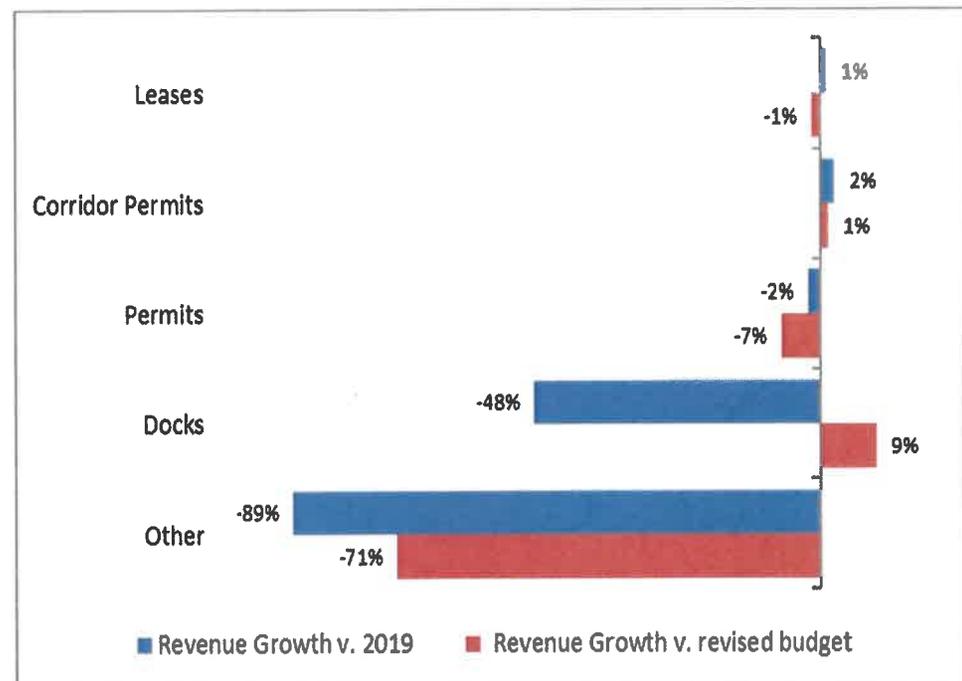
YTD May 2020 Real Estate Revenue Performance

REAL ESTATE REVENUE

- 2% v. revised budget
- 6% v. 2019

- Top three categories of real estate revenue comprise 94% of total real estate revenue
- The impact of the pandemic on Dock revenue is clear in the graph to the right as evidenced by the revenue decline as compared to prior year

Real Estate revenue variance



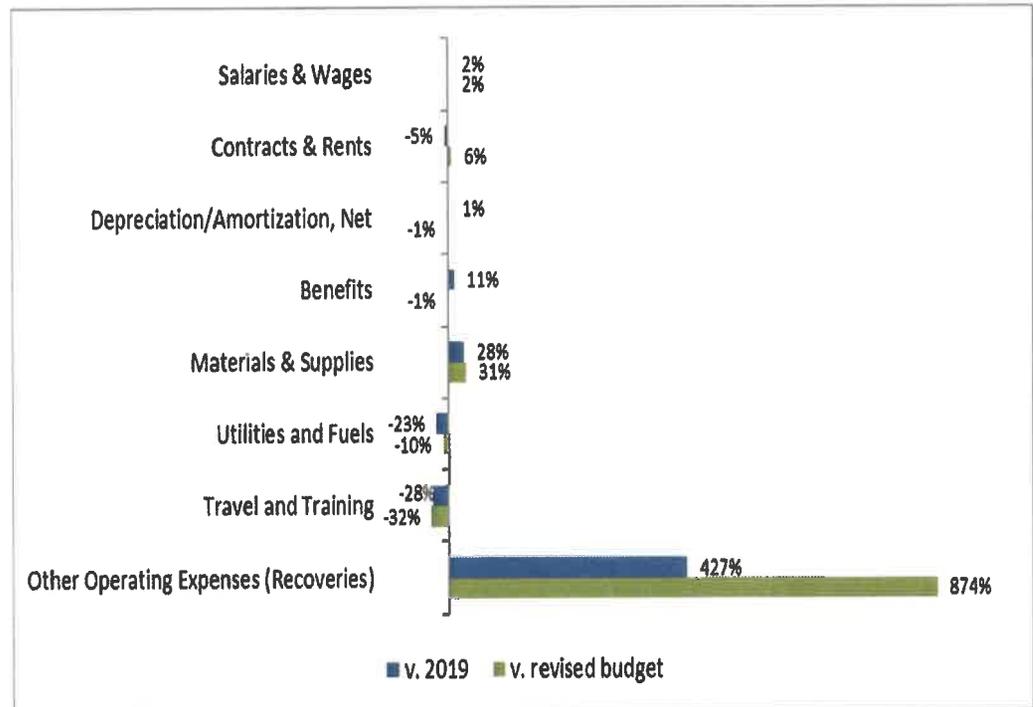
YTD May 2020 Operating Expense Performance

OPERATING EXPENSES

- 7% v. revised budget
- 8% v. 2019

- Other Operating expenses (recoveries) in 2020 included two tax credit transactions (for tax years 2018 and 2019), which drove the overall expense performance as the net revenue from the transactions is recorded as a reduction of expense

Operating expense variance



YTD May 2020 Financial Performance

\$ millions

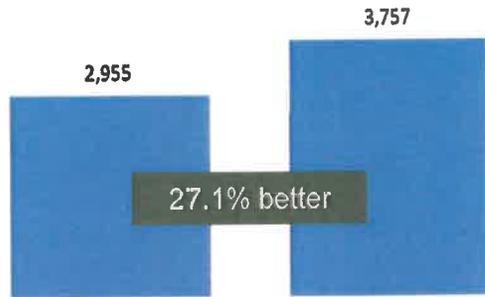
	YTD May 2020	YTD Revised Budget	Variance from budget	YTD May 2019	Variance from prior year
Operating Revenues	\$ 33.8	\$ 35.7	\$ (1.9)	\$ 40.1	\$ (6.3)
Operating Expenses	\$ 46.8	\$ 50.4	\$ (3.6)	\$ 51.1	\$ (4.3)
Operating Income	\$ (13.0)	\$ (14.7)	\$ 1.6	\$ (11.0)	\$ (2.0)
Real Estate, net	\$ 4.4	\$ 4.2	\$ 0.2	\$ 5.0	\$ (0.5)
Other Income (Expense)	\$ 0.2	\$ 0.2	\$ 0.0	\$ 0.6	\$ (0.4)
Net Income	\$ (8.3)	\$ (10.2)	\$ 1.9	\$ (5.5)	\$ (2.9)

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



YTD May 2020 Operating Highlights

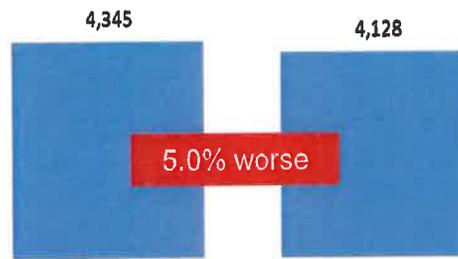
Train Productivity
(GTM per train mile)



YTD
2019

YTD
2020

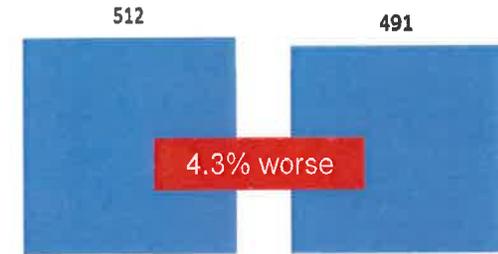
Average Train Length
(Freight trains only)



YTD
2019

YTD
2020

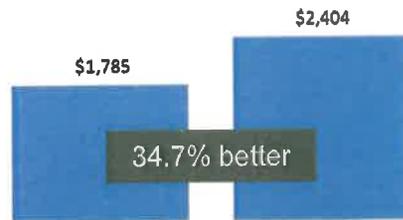
Locomotive Fuel Economy
(GTM per gallon)



YTD
2019

YTD
2020

Freight Revenue per Carload
(net of FSG for all carload freight)



YTD
2019

YTD
2020

Average Revenue per Employee
(excludes grant and FSG revenue)
\$75,306



YTD
2019

YTD
2020



Hot Items for the 3rd quarter of 2020

- ❑ *Our freight marketing team is working with the military on a large move from the lower 48 to Ft. Wainwright in the August/September timeframe that will add over \$1 million in revenue to the next budget revision*
- ❑ *Passenger service will be starting up summer services with the start of the 3rd quarter, and we will periodically be looking at schedules, staffing, and consist size and adjusting as the demand picture develops*
- ❑ *Real Estate will be working on closing both the Neighborworks and the Eklutna land exchange transactions*
- ❑ *Blocking & Tackling in the project arena – since the onset of the pandemic, we have shelved many of the 2020 approved projects that were lower on the priority list, and are focused on executing core project work, with some of the larger areas of focus in terms of dollars to be spent being:*
 - ❑ *track infrastructure and tunnel capital maintenance*
 - ❑ *the bridge program and standalone bridge projects*
 - ❑ *the vehicle and equipment program and rolling stock capital maintenance*
 - ❑ *The Whittier barge slip and Whittier yard projects*



2020 Forecast

Net income forecast for 2020, given actual YTD May performance and latest revised budget for the remainder of the year, is a \$1.1 million net loss

- *\$23.1 million lower than the original budget net income for the year, due to the impacts of COVID-19 on Alaska's economy and on all three types of ARRC's revenue streams*
- *May financials are finishing up, and are fairly close to revised budget for the month*
- *Later this month, we will be re-forecasting the 2nd half of the year. Potentially large moving parts that can impact the net income forecast:*
 - *Passenger revenue – when we concluded our spring reforecast, we had still anticipated the possibility of ships into Seward beginning in July. The summer reforecast process will remove a significant portion of the remaining passenger revenue.*
 - *Gains on sales – we are moving toward a possible summer close of an exchange of property with Eklutna Corp that has long been in the works. As the property that we are exchanging came to ARRC at transfer, it has very little basis on the balance sheet. When we book the market value of the new property acquired in the exchange, we will recognize a significant gain, which will flow through to a positive impact on net income.*

The 2021 Budget process begins in the July/August time frame with a first look at revenues and assembling of 2021 capital requests.



Trusts and Insurance

On June 12, 2020, the Pension and Healthcare Trust committees met with the actuaries to discuss their annual valuation reports. The takeaways from the reports are as follows:

- *The Pension trust was 86.6% funded on an actuarial basis and 89.4% funded on a market value basis as of the 1/1/20 valuation date, which is a 3% and 14% improvement over last year's valuation, respectively*
- *The actuarially determined contribution to the pension trust has decreased by 12% year-over-year, from \$5.2 million in 2019 to \$4.6 million in 2020*
- *The Healthcare trust was 357.0% funded on an actuarial basis and 360.5% funded on a market value basis as of the 1/1/20 valuation date*
- *The actuary is not recommending any changes in assumptions at this time*
- *An experience study is anticipated to be conducted in the fall*

Insurance quotes are coming in on ARRC's liability and property policies, which renew on July 1, and rates are expected to increase substantially due to insurer losses incurred over the last year associated with natural disasters in the lower 48 rail industry

- *Hoping to keep the increase in premium under 60%, but will ask the Board for a higher range for acceptable increase*
- *Total premium for the two looking like approximately \$2.3 million for \$75 mill in liability and \$100 mill in property coverage*



IX. BRIEFING ITEMS

A. PUBLIC BRIEFINGS

ITEM 4: PTC Update

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



**Alaska Railroad Corporation
Board of Directors
Real Estate Committee Notes**

Date: June 11, 2020
Time: 10:00.m. - 11:00 a.m.
Location: Executive Conference Room

Board Members:

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

Staff Present via zoom:

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

Member of the Public:

Nancy Wainwright

Committee Chair Shively started the meeting at 10:02 a.m.

Customer Communications:

Mr. Donovan shared with the group that both customers and staff are adjusting to new COVID protocols as staff is still showing properties abiding by social distancing and mask requirements.

Mr. Donovan informed the group that an accounting firm is in the process of buying the building next to the GOB on Ship Creek Avenue that was previously occupied by Alaska Geographic, and will occupy the space in the next couple months.

Mr. Donovan shared that CEI, which purchased the former Knik Arm Power Plant building on Whitney Avenue, has completed their building renovations and transitioned their offices into the space.

Mr. Donovan provided an update on the Christiansen and Depot Drive projects. Sewer and storm water drain have gone in and the asphalt will be completed this summer.

Mr. Donovan stated that, as directed by the Board at the last Real Estate Committee meeting, the letter included in the packet, which relates to potential rent arrangements during the COVID-19 pandemic, was prepared and sent out to all lease customers. Approximately 20 inquiries have been received, and about half a dozen tenants are participating in the partial rent deferral program that has been offered. Mr. Donovan shared with the group the rent deferral structure that has been put in place, and he also shared that tenants are participating in and receiving relief from the CARES Act and PPP programs.

Board Action Items:

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

Contract No. 20551 Pruhs Corporation - Anchorage

Mr. Donovan reminded the group that Pruhs is an existing tenant on Viking Drive and is asking for a new 30-year lease on a parcel they currently lease. Public notice has been posted and the appraisal is in process; annual rent will be the standard 8% of appraised value.

Contract No. 20552 Pruhs Corporation – Anchorage

Mr. Donovan shared that Pruhs has also applied for a 30-year lease on the adjacent parcel on Viking Drive that they currently lease as well. Public notice has been posted and the appraisal is also in process. Annual rent will be 8% of the appraised value.

Contract No. 50570 Yard Chief Yard Care, Inc. – Anchorage

Mr. Donovan shared that Yard Chief is a current subtenant that wants to acquire improvements and a new primary lease from ARRC. Yard Chief plans to do both landscaping and building improvements, which is a benefit to the surrounding properties. Public notice has been posted and the appraisal is in process, Annual rent will be 8% of appraised value.

Contract No. 20575 Aurora Energy, LLC - Fairbanks

Mr. Donovan shared that Aurora Energy has applied to lease a parcel located near the intersection of both Phillips Field Road and Pioneer Road in Fairbanks where they currently lease the adjacent lot. The parcel to be leased has not been leased in a number of years and will be used to operate a wood kiln and a site for retail firewood sales. The lease term is less than five years and matches the remaining term on Aurora's existing adjacent lease, it is the intent that when both leases expire, one lease will be applied for to cover both parcels. Mr. Donovan shared with the group that Aurora Energy is a

subsidiary of Usibelli and that they currently provide heat to the industrial area via hot water. Public notice has been posted and the appraisal is currently under progress.

Briefing / Update

Land Sale/Exchange Status

Eklutna, Inc.

Mr. Donovan reminded the group of the land exchange between ARRC and Eklutna, Inc. ARRC will trade its Parcel C in Eagle River for Eklutna's Birchwood yard. The platting action on Parcel C has been delayed, but is expected to be completed and recorded before the end of July.

NeighborWorks

Mr. Donovan stated that NeighborWorks platting has also been delayed and is scheduled to be before the platting board on July 1.

Chena Landings

Mr. Donovan reminded the group of the residential lots that have been subdivided and listed for sale in the Chena Landings subdivision in Fairbanks. Currently, Lot 7 is pending, and when the sale is complete there will be a total of 12 sales out of the 20 lots available.

Port of Alaska

Director Campbell inquired about the Port of Alaska's application to lease property from ARRC. Mr. O'Leary suggested that some aspects of that issue would be better discussed at the executive session during the upcoming Board of Directors meeting, but asked Mr. Donovan to give a brief description of the situation. Mr. Donovan shared that the Port has requested to relocate a floating dock to ARRC land, some of which is already under lease to another party, and the Port is currently working with the lessee.

Chair Shively adjourned the meeting at 10:24 a.m.

ARRC BOARD OF DIRECTORS MEETING EXECUTIVE SESSION AGENDA

**Wednesday, June 24, 2020
Virtual Conference Room Meeting**

Executive Session Briefings

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

All Materials Are Confidential

Adopted:

Resolution No. 2020-13

Relating to Funding of Seward Passenger Dock Replacement Project Using State Grant Funds (AFE No. 10880)

WHEREAS, the Alaska Railroad Corporation (ARRC) owns and operates a dock at the head of Resurrection Bay, in Seward, Alaska, that primarily serves cruise ships during the summer season (Seward Passenger Dock); and

WHEREAS, the Seward Passenger Dock is a key structure supporting cruise ship dockings important to the Alaska cruise market and Alaskan economy; and

WHEREAS, the Seward Passenger Dock is near the end of its useful life and ARRC needs to provide for a replacement dock in order to continue to serve cruise ships berthing in Seward; and

WHEREAS, replacing the Seward Passenger Dock is critical to ARRC maintaining and continuing to increase revenues from both the berthing of cruise ships and the associated revenues from the cruise train contracts under which ARRC pulls a charter train to transport the passengers coming and going from many of the cruise ships; and

WHEREAS, after extensive analysis of various approaches to replacing the Seward Passenger Dock, ARRC is now pursuing a public-private partnership for the project by means of outreach to potentially interested project developers seeking proposals; and

WHEREAS, under AS 43.52.200–295, the State of Alaska collects from cruise line companies a Commercial Passenger Vessel Excise Tax which the cruise lines pay on a per passenger basis (Excise Tax); and

WHEREAS, AS 43.52.230(d) provides that the legislature may appropriate money collected under the Excise Tax provisions to “projects that (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers on board those vessels, or (3) improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged”; and

WHEREAS, during the 2019 legislative session, the Alaska Legislature enacted Senate Bill 19 which granted to ARRC the amount of \$3,100,000 from Excise Tax monies to be used by ARRC for purposes consistent with AS 43.52.230(d); and

WHEREAS, the Department of Commerce, Community, and Economic Development has executed grant 20-DC-001 with the Alaska Railroad Corporation for this \$3,100,000; and

WHEREAS, AFE No. 10782, which was approved by the ARRC Board of Directors in September 2019 pursuant to Resolution No. 2019-36, authorized the expenditure of \$905,065 in additional Senate Bill 19 Excise Tax reallocated grant funds to initiate an investment arrangement with a private developer to replace the Seward Passenger Dock, as more specifically described in said AFE; and

WHEREAS, additional grant funds beyond those authorized to be expended under AFE No. 10782 will be necessary to continue ARRC's activities in conjunction with the development of an investment arrangement and project to replace the Seward Passenger Dock; and

WHEREAS, AFE No. 10880 authorizes expenditure of \$3,100,000 in grant funds to continue Seward Passenger Dock replacement activities, as more specifically described therein; and

WHEREAS, funding for this project is 100% State grant funds from grant 20-DC-001; and

WHEREAS, the approval to begin a capital project with an estimated cost of more than \$500,000 or an estimated completion time of more than one year requires specific Board approval pursuant to AS 42.40.120(c)(13).

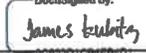
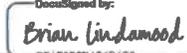
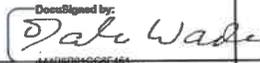
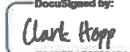
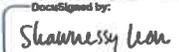
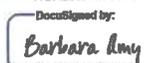
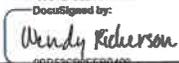
NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors has considered the Seward Passenger Dock Replacement Project funding proposal as presented by ARRC Management and hereby approves AFE No. 10880 in the amount of \$3,100,000 for the purposes stated therein.

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10880

Page 1

General Information:		Included in Capital Budget:		
AFE Title:	Seward Passenger Dock Replacement - SOA FY 2020.B	Capital Budget	Year:	2020
Prepared By:	Elizabeth Greer	Total Amount	\$	3,100,000
Resp. Center (Name):	Project Management	Source of Funding	SOA	\$ 3,100,000
Resp. Center (#):	2500	Source of Funding	ARRC	\$ -
Depreciation Center:	8910-Dock Ops & Maintenance	Source of Funding		
Line of Business:	Corporate	Grant Number	20-DC-001	
Spending Timetable:		Grant Name	Seward Dock Replacement	
2020	\$ 521,202	AFE History:		
2021	\$ 821,214		Amount	Date Prepared
2022	\$ 831,244	Original AFE	\$ 3,100,000	03/09/20
2023	\$ 787,802	Supplemental #1	\$ -	
2024	\$ 138,538	Supplemental #2	\$ -	
Total	\$ 3,100,000	Supplemental #3	\$ -	
Other Information		Supplemental #4	\$ -	
Useful Life (Years):	50	Supplemental #5	\$ -	
Annual Depreciation:		Supplemental #6	\$ -	
Estimated Annual Operating Costs	\$ -	Supplemental #7	\$ -	
Required Signatures for Approval:				
(if applicable)	Last Name(s) (Print)	Signature	Date	
Project Manager:	Elizabeth Greer		6/2/2020	
Responsible Owner:	James Kubitz		6/5/2020	
VP, Owner Department:	Brian Lindamood		6/5/2020	
Functional User(s):	Dale Wade		6/3/2020	
Chief Operating Officer:	Clark Hopp		6/8/2020	
Grant Administration:	Shawnessy Leon		6/3/2020	
Chief Financial Officer:	Barbara Amy		6/4/2020	
Accounting Department:	Wendy Richerson		6/3/2020	
CEO & President:	Bill O'Leary		6/4/2020	
Board of Directors:	Craig Campbell			

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Authorization for Expenditure Form

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AFE# 10880

Page 2

Is this project related to health and/or safety?	Yes	If yes describe:																								
The existing passenger dock has reached its useful life. It has reduced vertical capacity, and limited lateral capacity. Replacement or rehabilitation is needed to ensure the future safe operations of the facility.																										
Scope of Work:																										
Implement the investment arrangement with a private developer to replace the Seward Passenger Dock. This Scope is based on available funds from FY20 Legislative Grant of \$3,100,000 which will support Project Development activities. This is a multi-year project. Funding provided to date:																										
<table border="1"> <thead> <tr> <th>Fund Source</th> <th>Amount</th> <th>AFE</th> <th></th> </tr> </thead> <tbody> <tr> <td>State 2018</td> <td>300,000.00</td> <td>10611</td> <td>Grant 18-DC-001</td> </tr> <tr> <td>State 2020</td> <td>905,065.00</td> <td>10782</td> <td>Grant 20-RR-001</td> </tr> <tr> <td></td> <td>4,818.80</td> <td>10782</td> <td>pending supplemental</td> </tr> <tr> <td>State 2020</td> <td>3,100,000.00</td> <td>This AFE</td> <td>Grant 20-DC-001</td> </tr> <tr> <td>Total</td> <td>4,309,883.80</td> <td></td> <td></td> </tr> </tbody> </table>			Fund Source	Amount	AFE		State 2018	300,000.00	10611	Grant 18-DC-001	State 2020	905,065.00	10782	Grant 20-RR-001		4,818.80	10782	pending supplemental	State 2020	3,100,000.00	This AFE	Grant 20-DC-001	Total	4,309,883.80		
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State 2020	3,100,000.00	This AFE	Grant 20-DC-001																							
Total	4,309,883.80																									
Business Justification:																										
The existing Seward Passenger Dock was constructed as a freight dock in 1966 at the head of Resurrection Bay. The 147,000 sf pile supported dock includes two berths and a 26,000 sf terminal building that has been converted for the processing of passengers and baggage. Over 50 years old, the dock has reached the end of its useful life.																										
Ongoing annual investment of \$500,000 to \$1,000,000 by the ARRC has allowed the dock to stay in service beyond its 50-year design life. A condition assessment completed in 2014 reflects the dock is anticipated to no longer be usable by 2023 or 2024. Under the current operating framework, permitting, engineering, and construction of a new passenger dock expected to take nearly 5 years and cost in excess of \$50M. The ARRC does not have \$50+ Million to construct a new dock and time is of the essence to initiate the replacement of this dock asset, which is critical to the Alaska tourism industry.																										
A review of possible alternatives supports the development of this project as a Design / Build / Operate / Maintain program where the developer determines the details of the project based on a business agreement to lease and operate the facility. This alternative delivery method is expected to reduce the timeline to replace the dock and allow the dock to be constructed without direct ARRC capital expenditures.																										
Alternatives Considered:																										
Alternatives considered focused primarily on ARRC pursuing funding to construct and operate the facility, as currently done; however, given the financial climate of the State, and time which would be required to pursue grants, loss of dock operations would be at risk.																										
More than 70 different design alternative combinations were considered, including the retrofit of the existing freight dock. These options were set aside due to cost and significant negative impact to existing ARRC freight business. Options that would provide more traffic balance between Seward and Whittier were also considered, but were rejected due to the investment cost of a second facility in Whittier and potential increase in the level of congestion in Whittier, and through the Whittier tunnel.																										
The traditional operating option that provides the best return includes the removal of the current Seward Passenger Dock to be replaced with a floating dock and associated facilities. The anticipated project delivery cost is \$50 million.																										
Preliminary Budget:																										
Line Description (Though 2021)	Amount																									
ARRC Labor (w/OH)	\$	959,000																								
Consultants	\$	727,000																								
Materials & Equipment	\$	434,000																								
Construction/Demolition	\$	690,000																								
Other Expenses	\$	290,000																								
Total	\$	3,100,000																								

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

Adopted:

Resolution No. 2020-14

Relating to Funding to Purchase a
Generator Van for TOFC Operations
(AFE No. 10781 S-1)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) conducts trailer-on-flat-car (“TOFC”) freight transportation operations as part of its freight business; and

WHEREAS, TOFC freight operations include the transport of trailers that contain perishable freight, some of which require refrigeration to avoid spoilage in warm weather, or heat to keep from freezing (KFF) in cold weather; and

WHEREAS, to maintain the temperatures necessary for refrigeration and KFF during TOFC operations, ARRC supplies onboard electricity to certain railcars and plug outlets, supplied by means of generator vans; and

WHEREAS, ARRC operates four generator vans, the average age of which is 40 years, the maintenance of which is extremely expensive due to their age and obsolescence and the unreliability of which leads to service failures to the detriment of the TOFC business; and

WHEREAS, in an effort to begin the modernization of this component of TOFC operations, management staff determined to begin replacing the aging and inefficient generator vans with more modern, reliable units; and

WHEREAS, in August 2019, ARRC management staff approved AFE No. 10781 in the amount of \$300,000 to purchase a replacement for one of the existing generator vans; and

WHEREAS, prior to the acquisition of the new generator van, one of the four existing generator vans one suffered a catastrophic failure during the winter of 2019-2020; and

WHEREAS, based on lessons learned from using a temporary rental replacement of the failed generator van that was similar to the permanent replacement unit ARRC planned to purchase, we modified design specifications for the permanent replacement to avoid such problems; and

WHEREAS, proposed AFE No. 10781 S-1 would increase the funding for one replacement van generator by \$66,000 to allow for the design modifications noted above, and

WHEREAS, funding for this project is 100% ARRC internally funded; and

WHEREAS, the authority of ARRC's President & Chief Executive Officer to approve an unbudgeted capital expenditure is limited to matters with an estimated total cost of no more than \$300,000, with higher estimated cost matters requiring Board approval pursuant to ARRC's Approval Authority Guide.

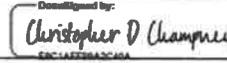
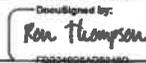
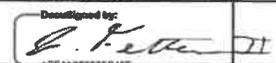
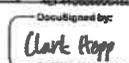
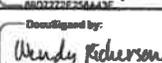
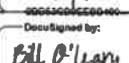
NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors has considered the proposed increase in funding for the replacement of one TOFC generator van as presented by ARRC Management and hereby approves AFE No. 10781 S-1 in the amount of \$66,000 for the purposes stated therein, which brings the total amount of AFE No. 10781 to \$366,000.

Alaska Railroad Corporation
Authorization for Expenditure Form

For Accounting Use Only

AFE# 10781 S-1

Page 1

General Information:		Included in Capital Budget:		
AFE Title:	Generator Van Replacement	Capital Budget	Year:	2019
Prepared By:	Shawnessy Leon	Total Amount	\$	366,000
Resp. Center (Name):	ISF - TOFC	Source of Funding	ARRC	\$ 366,000
Resp. Center (#):	1462	Source of Funding		
Depreciation Center:	1462-ISF-Equipment Maintenance	Source of Funding		
Line of Business:	Corporate	Grant Number		
		Grant Name		
Spending Timetable:		AFE History:		
2019	\$ -		Amount	Date Prepared
2020	\$ 366,000	Original AFE	\$ 300,000	08/13/19
2021	\$ -	Supplemental #1	\$ 66,000	05/07/20
2022	\$ -	Supplemental #2	\$ -	
2023	\$ -	Supplemental #3	\$ -	
Total	\$ 366,000	Supplemental #4	\$ -	
		Supplemental #5	\$ -	
		Supplemental #6	\$ -	
		Supplemental #7	\$ -	
		Total	\$ 366,000	
Other Information				
Useful Life (Years):	15			
Annual Depreciation:	\$ 39,784			
Estimated Annual Operating Costs	\$ -			
Required Signatures for Approval:				
(if applicable)	Last Name(s) (Print)	Signature	Date	
Project Manager:	Chris Champney		6/9/2020	
Responsible Owner:	Ron Thompson		6/9/2020	
VP, Owner Department:	Sean Mesloh		6/9/2020	
Functional User(s):	Jamie Fetterman		6/9/2020	
Chief Operating Officer:	Clark Hopp		6/10/2020	
Grant Administration:	Shawnessy Leon	N/A		
Chief Financial Officer:	Barbara Amy		6/9/2020	
Accounting Department:	Wendy Richerson		6/9/2020	
CEO & President:	Bill O'Leary		6/9/2020	
Board of Directors:	Craig Campbell			

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AFE# 10781 S-1

Page 2

Is this project related to health and/or safety?	Yes	If yes describe:
<p>The ability to keep perishable items at a constant temperature is crucial. The flux in temperature is known to cause bacterial growth in foods being stored in climate controlled environments. As our KFF (keep from freezing) business continues to grow our exposure to claims being filed for spoiled goods is on the rise. A reliable means of powering these special containers and trailers is necessary.</p>		
Scope of Work:		
<p>Immediate acquisition of 1 generator van to replace GV4. GV4 experienced catastrophic failure, needs to be replaced ASAP.</p> <p>Supplemental No. 1 increases the AFE \$66,000. Funds are reallocated from AFE Locomotive Cab Ventilation Fan Install AFE 10417 S-1. The increase is required to accommodate modifications to the generator van specifications to improve the reliability and performance of the unit during operations. A similar unit rented during the 2019/2020 fall-spring operating season resulted in maintenance issues. To cure those problems the following changes in specifications are needed: modifications to air intake system to reduce fouling by dust/dirt/debris/snow, improvement in maintenance access appurtenances, and electrical improvements to enable automatic engine restart in the event of train line interruption.</p>		
ARRC Business Justification:		
<p>In an effort to stay ahead of the faults in our current equipment line up that provides the support for our TOFC service, the generator vans are the second major component to the operation. These units make it possible to support the perishable market at an increased profit. Due to unexpected catastrophic failure replacement of one generator van is a immediate must now. Remaining Replacements will allow us to:</p> <p>A. Safety- Providing power that will not fail enroute will ensure the preservation of our customer's commodities without putting their product in jeopardy of food borne illnesses.</p> <p>B. Maintaining our services - Currently we provide power through the utilization of our generator vans. These four (4) units plug into the 191 series TOFC railcars and keep climate controlled containers/trailers operating. C. Reduced cost of ownership-The average age of the GV (generator van) units 1,2,and 3 is forty (40) years old with the newest unit GV-4 at twenty (20). With the majority of these units components no longer being produced both electrically and mechanically our cost of maintenance is exponential. These units have proven to be inadequate in their performance and have surpassed their useful life.</p> <p>D. Reliability - In the past year and half the TOFC department has seen a steady incline of failures, many of which occurred while in transit. This not only risks our customer's cargo, it increases our exposure to claims. This intermittent service damages our credibility to provide a valuable and economical service.</p> <p>E. Productivity - With elevated failures production declines not only in this service but in every department associated with it. Starting with the TOFC department, the longer it takes to get the GV on the train and energized the longer it takes us and our customers to plug in all of the trailers to the railcar power cords. This delay initiates a chain reaction from transportation leaving at a delayed time to heavy equipment losing production on their projects in order to keep TOFC equipment running. This ripple effect is felt all the way up to Fairbanks, the later the train the later the trailers and containers get offloaded witch delays the shipping commitments our customers have promised to their customers. All of this also equates to heavy overtime rates and higher train crew swaps due to running past hours of service.</p> <p>F. Growth -With a tailor built generator van that improves on all areas our current ones have failed, we will be able to run one (1) GV per train as opposed to the current two (2) on heavy trailer days. This updated version will also be able to power more trailers/containers than we currently can, giving us the ability to accept more climate controlled units per train.</p> <p>Identifying the need for better performing equipment and pursuing them in phases is essential to the TOFC department. Starting with the most vital equipment and working down is the preferred approach to a more efficient and safer department.</p>		
Alternatives Considered:		
<p>The best alternative to purchasing new units would be the option to rent a power unit. This option would get the reliability up from its current status and help alleviate train delays. Although a rental would not be railroad specific in its design for use, it would be the next best option. For immediate relief due to an unforeseen failure of a major component, rental option will be utilized until new unit arrives.</p>		
Preliminary Budget:		
Line Description	Amount	
Equipment	\$	366,000
Labor (Fully Burdened)	\$	-
Materials	\$	-
Contracts	\$	-
Other Expenses	\$	-
Total	\$	366,000

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

MEMORANDUM

TO: ARRC Board of Directors

Through: Bill O'Leary, President & Chief Executive Officer
Barbara Amy, Chief Financial Officer 

FROM: Roberta Highstone, Risk Manager 

DATE: June 11, 2020

SUBJECT: Insurance Renewals

The Alaska Railroad Corporation ("ARRC") renews its liability and property insurance policies on July 1, 2020. Various other policies will be renewed within a few months thereafter. This memo is intended to brief you on various aspects of these renewals prior to the June 24, 2020 Board Meeting when the insurance renewals will be presented as an action item.

ARRC maintains a comprehensive property and casualty insurance program, with significant self-insured retentions, as historically summarized in the attached charts. In past years, ARRC has been assisted in the design and implementation of its insurance program by Marsh & McLennan Agency, LLC ("Marsh"). As ARRC's Risk Manager, I work closely with the Marsh insurance professionals to make certain that all aspects of ARRC's exposures are addressed.

YEAR 2019-2020 PERFORMANCE

The insurance year of 2019-2020 has again been unremarkable as to concerns or incidents impacting ARRC's risk management program. As has been our procedure in the past, the ARRC Legal Department has thoroughly reviewed all incidents that could result in claims against current policies. No incidents have been identified as possibly resulting in a claim against any of the purchased insurance policies in the current claim year.

INSURANCE PROGRAM

The number of markets available to place ARRC's insurance continues to be very limited. Last year, ARRC's \$75 million general liability policy was underwritten through four U.S. underwriters and its \$225 million shared excess liability policy was underwritten by a consortium of twelve European and Bermuda underwriters. As in past years, we have scrutinized all markets with which ARRC does business for stability, terms of insurance policies, and cost.

As has been reported in the past, it is difficult to compare and assess ARRC's insurance program with the programs of other railroads. Frankly, it is impossible to find a railroad that substantially mirrors ARRC's passenger operations and freight commodity mix. ARRC's unique passenger business and high volumes of hazardous materials present greater risks for underwriters than do other railroads with greater annual revenues. Additionally, ARRC is exposed to catastrophic perils of earthquake and flood, which translates into additional risk to be considered by the property underwriters. Nonetheless, ARRC's current program includes coverages and terms that compare well to other railroads (based on railroads surveyed in 2015 by the Railroad Insurance Management Association).

ARRC's performance can be measured by our track record in the 35 years since the corporation began doing business. ARRC's spotless property and general liability claim record has benefited it in the marketplace. As shown on the attached charts, we have profited from a decrease in insurance costs over the years, and policy terms have been enhanced at little or no cost. ARRC's annual track renewal, track straightening, tie replacement, and bridge rehabilitation programs have impressed the underwriters with our commitment to and impact on safe operations. The importance of our infrastructure rehabilitation programs cannot be overstated when ARRC is assessed against all other railroads. Reductions in ARRC's premiums on the liability side have no doubt been impacted by our comprehensive capital improvement program. However, losses in the railroad industry, both domestic and foreign, have had a significant effect on the markets with which ARRC does business. Although neither incident resulted in claims against a policy and occurred in 1999, ARRC's own loss experience at Canyon and Gold Creek are issues that continue to be scrutinized by underwriters before setting rates.

Significant domestic and international incidents impact the markets in which ARRC does business. These include an accident on July 24, 2013 where a high speed Spanish passenger train travelling at more than twice the authorized speed limit derailed on a curve killing 80 passengers and injuring 140 others and an accident on December 1, 2013 where a New York Metro North passenger train travelling 52 mph over the authorized speed limit derailed on a curve killing four passengers and injuring 63 others. The worst recent accident occurred on July 6, 2013 in Lac-Mégantic, Quebec where a freight train containing 72 tank cars of crude oil ran away while unattended and derailed. Several cars exploded, resulting in 47 deaths, numerous other injuries and the total destruction of over 30 buildings in the town's center. On May 12, 2015 an Amtrak passenger traveling more than 100 mph derailed on a curve killing 8 and injuring over 200. 2014-2015 were also a bad years for railroads as there were at least six major crude oil train derailments that caused significant damages and injuries. These

incidents will definitely cause the underwriters to closely scrutinize operations involving the hauling of fuel or any hazardous materials through populated areas.

The Rail Liability markets have significantly changed since the last renewal of our policies, which included reduction of an estimated \$500 million dollars of capacity in the commercial marketplace over the last three years. The marketplace for coverage showed signs of reduction in capacity with last year's renewal and that was evidenced in the increase in last year's premium. This year it is tightening up further. We are in the midst of one of the most challenging marketplaces in the past 25 years. Over the last year, four rail insurers have closed their doors. All of this has resulted in the cost of coverage increasing significantly, not just for the Alaska Railroad but throughout the rail industry. Based on the foregoing, we predict there will be an estimated 48% to 55% premium increase in our liability policies over last year's premium.

As with the Rail liability market the property market continued to worsen through the 4th quarter of 2019 and into the 1st quarter of 2020, which became the 10th straight quarter for rate increases and the highest increase over that period. Risk industries such as rail have experienced drastic reductions in insurance capacity also resulting in higher premium costs. Record overall catastrophic and non-catastrophic losses in 2017 and 2019, higher than average losses in 2018, along with the record rail industry flooding events in the Midwest in 2019 coupled with significant business interruption events are all factors in the increasing premium costs. For this year's renewal, we are seeing that insurers are now drafting and instituting virus/pandemic type exclusions. Based on the foregoing, we are looking at a 40% to 60% increase in property premium costs over last year's premiums.

Several potential cost saving measures were considered, including giving consideration to possibly increasing deductibles and/or reducing coverage, however, Marsh feels that measures such as these are only generating minimal cost savings, and are therefore, not worth the additional risk.

As in prior years, we will not know the exact amount of the premiums until just before the renewal date, and the markets can be subject to volatile shifts between now and then. Since the renewal date is after the Board meeting in June, the Board must set an acceptable range of premium increase for renewal at this time.

2020-2021 INSURANCE REQUIREMENTS

Based on premium cost and ARRC's claims experience, ARRC should continue to self-insure a large proportion of its risks. As discussed in past years, the costs associated

with “buying down” the self-insured retentions (“SIRs”) to a lower level does not put ARRC in a better position to transfer risk, as the associated higher premium is simply not cost effective. We estimate that, on the property side, reducing the SIR from \$10 million to \$5 million could double the 2020-2021 premiums, which are already expected to increase significantly even with the SIR remaining the same. Contract requirements with ARRC’s “pull” partners requiring significant limits of insurance and strong indemnity language, as well as the \$10 million insurance line of credit, are risk transfer mechanisms that make better fiscal sense than to buy down the SIR on ARRC’s two major policies.

In our judgment, the liability insurance limits should remain at the \$300,000,000 level due to the requirement imposed by the manufacturer of equipment for the federally mandated Positive Train Control Project. Several years ago, ARRC’s broker was able to structure a shared policy for the excess coverage that the equipment manufacturer demanded. ARRC shares in this policy with several other railroads, as this is the most cost effective way to put the excess coverage in place. In the case of the property insurance policy, I recommend that the limits remain at \$100,000,000. This recommendation is based on ARRC’s current property valuations. Similarly, in the case of all other policies, limits should be renewed with no substantial changes in any segment of the program.

Finally, to meet those contingencies that fall within ARRC's self-insured retention, ARRC should continue its \$10 million line of credit that provides cash for incurred liabilities and amortizes losses over a period of years.

JUNE BOARD MEETING ACTION

At the June 24th Board Meeting, you will be asked to authorize renewal of the current insurance policies as discussed above. As no quotes will be available on the date of the meeting, the Board will need to set the parameters for all purchases. As stated, I request purchase authority of a maximum increase of 48% to 55% for liability policies and 40% to 60% for property policies. Every attempt will be made to control the premium expenditures and to obtain the best price.

Attachments

Adopted:

Resolution No. 2020-11

Relating to Insurance Renewal for
2020-2021

WHEREAS, the Alaska Railroad Corporation Act, AS 42.40.520, requires the Alaska Railroad Corporation (ARRC) to protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; and

WHEREAS, ARRC has established a risk management program and contracted with Marsh & McLennan Agency, LLC to advise the corporation on its insurance needs and insurance availability and to assist ARRC in obtaining insurance; and

WHEREAS, ARRC's various liability and property insurance policies must be renewed on July 1st of each year; and

WHEREAS, ARRC's insurance brokers have carefully reviewed the corporation's insurance needs and the current state of the insurance markets; and

WHEREAS, based on their review, ARRC's insurance brokers have advised that the premiums for ARRC's liability insurance policies may increase, but not more than 48% to 55% over the aggregate premiums ARRC paid for liability insurance for the 2019-2020 insurance year; and

WHEREAS, based on their review, ARRC's insurance brokers have advised that the premiums for ARRC's property insurance policies may increase by an estimated 40% to 60% over the aggregate premiums ARRC paid for property insurance for the 2019-2020 insurance year; and

WHEREAS, a summary of the ARRC's current insurance coverages and premiums is attached hereto as Attachment "A"; and

WHEREAS, it is necessary for the Board to authorize insurance renewals at this time because quotes from insurance underwriters are not provided to ARRC until just prior to the July 1, 2020, renewal date.

NOW THEREFORE BE IT RESOLVED that the President and Chief Executive Officer, or his designee, is hereby authorized to procure ARRC's General Liability, Shared Excess Liability, Property, Fiduciary Liability, Directors & Officers Liability, Crime, and Boiler and Machinery insurance policies within the limits of coverage set forth in Attachment "A" and at an aggregate premium level not to exceed (i) a 48% to 55% increase over the total premiums paid for liability policies for the 2019-2020 insurance year; and (ii) a 40% to 60% increase over the total premiums paid for property insurance policies for the 2019-2020 insurance year.

ATTACHMENT "A"

**ALASKA RAILROAD CORPORATION
2019 - 2020
INSURANCE PROGRAM**

<u>Coverages</u>	<u>Retention/ Deductible</u>	<u>Policy Limits</u>	<u>2019 - 2020 Premium</u>
Liability (third party personal injury & property damage)	\$5,000,000	\$70,000,000	\$511,105
Shared Excess Liability	\$75,000,000	\$225,000,000	\$282,184
Property (ARRC property damage)	\$10,000,000	\$100,000,000	\$974,281
Workers' Compensation	Self-Insured	N/A	
Fiduciary Liability	\$10,000	\$5,000,000	[included in D&O Policy]
Crime	\$10,000	\$1,000,000	[included in D&O Policy]
Directors & Officers	\$-0- for individuals; \$50,000 corporate retention per loss	\$5,000,000	\$ 85,813
Boiler & Machinery	\$10,000	\$24,000,000	<u>\$ 39,698</u>
Total 2019-2020 premiums = \$1,893,081			
<hr/>			
Line of Credit (solely for insurance contingencies in excess of \$1,000,000)		\$10,000,000	\$15,000

Alaska Railroad Corporation Property Program since 1986

Policy Term	SIR	Primary Limits	M&D Premium	Excess Limits	Excess Premium	Total Premium	TIV	Primary Rate	XS Rate	Total Rate
7-1-86/8-25-87	\$10,000,000	\$10,000,000	\$130,000	None	None	\$130,000				
8-25-87/88	\$10,000,000	\$20,000,000	\$140,000	None	None	\$140,000				
8-25-88/89	\$10,000,000	\$20,000,000	\$115,000	None	None	\$115,000				
8-25-89/90	\$10,000,000	\$20,000,000	\$97,500	None	None	\$97,500				
8-25-90/91	\$10,000,000	\$20,000,000	\$95,000	None	None	\$95,000				
8-25-91/92	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000				
8-25-92/93	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000				
8-25-93/94	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000				
8-25-94/95	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000				
8-25-95/96	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000				
8-25-96/97	\$10,000,000	\$25,000,000	\$95,000	None	None	\$95,000	\$352,197,068	\$0.03	NA	\$0.03
8-25-97/7-1-98	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$352,197,068	\$0.03	\$0.01	\$0.04
7-1-98/99	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$352,197,068	\$0.03	\$0.01	\$0.04
7-1-99/00	\$10,000,000	\$25,000,000	\$90,000	\$40,000,000	\$40,000	\$130,000	\$378,597,068	\$0.02	\$0.01	\$0.03
7-1-00/01	\$10,000,000	\$25,000,000	\$100,000	\$40,000,000	\$45,000	\$145,000	\$354,221,500	\$0.03	\$0.01	\$0.04
7-1-01/02	\$10,000,000	\$25,000,000	\$120,000	\$40,000,000	\$52,500	\$172,500	\$354,221,500	\$0.03	\$0.01	\$0.05
7-1-02/03	\$10,000,000	\$25,000,000	\$240,000	\$40,000,000	\$120,000	\$360,000	\$390,521,500	\$0.06	\$0.03	\$0.09
7-1-03/04	\$10,000,000	\$25,000,000	\$240,000	\$40,000,000	\$120,000	\$360,000	\$390,521,500	\$0.06	\$0.03	\$0.09
7-1-04/05	\$10,000,000	\$25,000,000	\$192,000	\$40,000,000	\$108,000	\$300,000	\$413,521,500	\$0.05	\$0.03	\$0.07
7-1-05/06	\$10,000,000	\$25,000,000	\$170,666	\$40,000,000	\$96,000	\$266,666	\$419,921,500	\$0.04	\$0.02	\$0.06
7-1-06/07	\$10,000,000	\$25,000,000	\$250,000	\$40,000,000	\$195,000	\$445,000	\$462,471,500	\$0.05	\$0.04	\$0.10
7-1-07/08	\$10,000,000	\$25,000,000	\$225,000	\$40,000,000	\$175,500	\$400,500	\$475,446,500	\$0.05	\$0.04	\$0.08
7-1-08/09	\$10,000,000	\$25,000,000	\$202,500	\$40,000,000	\$157,950	\$360,450	\$475,446,500	\$0.04	\$0.03	\$0.08
7-1-09/10	\$10,000,000	\$25,000,000	\$215,000	\$40,000,000	\$172,868	\$387,868	\$475,446,500	\$0.05	\$0.04	\$0.08
7-1-10/11	\$10,000,000	\$25,000,000	\$243,810	\$40,000,000	\$170,394	\$414,204	\$838,002,700	\$0.03	\$0.02	\$0.05
7-1-11/12	\$10,000,000	\$25,000,000	\$256,000	\$40,000,000	\$177,903	\$433,903	\$838,471,358	\$0.03	\$0.02	\$0.05
7-1-12/13	\$10,000,000	\$25,000,000	\$264,790	\$40,000,000	\$182,275	\$447,065	\$852,796,065	\$0.03	\$0.02	\$0.05
7-1-13/14	\$10,000,000	\$25,000,000	\$264,790	\$40,000,000	\$182,266	\$447,056	\$867,577,958	\$0.03	\$0.02	\$0.05
7-1-14/15	\$10,000,000	\$65,000,000	\$501,090	\$0	\$0	\$501,090	\$1,218,528,258	\$0.04	\$0.03	\$0.04
7-1-15/16	\$10,000,000	\$65,000,000	\$500,975	\$35,000,000	\$50,000	\$550,975	\$1,322,428,258	\$0.04	\$0.03	\$0.04
7-1-16//17	\$10,000,000	\$65,000,000	\$454,860	\$35,000,000	\$47,354	\$502,214	\$1,329,905,858	\$0.04	\$0.03	\$0.04
7-1-17/18	\$10,000,000	\$65,000,000	\$400,325	\$35,000,000	\$47,354	\$447,679	\$1,329,905,858	\$0.03	\$0.03	\$0.03
7-1-18/19	\$10,000,000	\$65,000,000	\$729,888	\$35,000,000	\$128,800	\$858,688	\$2,067,747,050	\$0.05	\$0.06	\$0.04
7-1-19/20	\$10,000,000	\$65,000,000	\$843,801	\$35,000,000	\$130,480	\$974,281	\$2,067,747,050	\$0.05	\$0.06	\$0.04
			\$7,832,995		\$2,479,644	\$10,312,639				

Historical Liability Premium / Exposure Information

Policy Term	Retention	Primary Limits	Premium	\$25M Primary Net Premium	25 xs 30 Premium	25 xs 55 Premium	Shared Excess Premium*	Total Limits	TL Premium	Gross Revenue	Primary Rate
7-1-86/87	\$5,000,000	\$25,000,000	\$795,000	\$795,000				\$25,000,000	\$795,000		
7-1-87/88	\$5,000,000	\$25,000,000	\$705,445	\$705,445				\$25,000,000	\$705,445		
7-1-88/89	\$5,000,000	\$25,000,000	\$700,000	\$700,000				\$25,000,000	\$700,000		
7-1-89/90	\$5,000,000	\$25,000,000	\$675,000	\$675,000				\$25,000,000	\$675,000		
7-1-90/91	\$5,000,000	\$25,000,000	\$575,000	\$575,000				\$25,000,000	\$575,000		
7-1-91/92	\$5,000,000	\$25,000,000	\$575,000	\$518,534				\$25,000,000	\$518,534	\$68,600,000	\$8.38
7-1-92/93	\$5,000,000	\$25,000,000	\$575,000	\$464,080				\$25,000,000	\$464,080	\$67,018,000	\$8.58
7-1-93/94	\$5,000,000	\$25,000,000	\$575,000	\$460,000				\$25,000,000	\$460,000	\$66,000,000	\$8.71
7-1-94/95	\$5,000,000	\$25,000,000	\$575,000	\$435,400				\$25,000,000	\$435,400	\$62,600,000	\$9.19
7-1-95/96	\$5,000,000	\$25,000,000	\$548,375	\$463,658				\$25,000,000	\$463,658	\$59,400,000	\$9.23
7-1-96/97	\$5,000,000	\$25,000,000	\$520,000	\$416,000				\$25,000,000	\$416,000	\$64,300,000	\$8.09
7-1-97/98	\$5,000,000	\$25,000,000	\$520,000	\$416,000				\$25,000,000	\$416,000	\$63,500,000	\$8.19
7-1-98/99	\$5,000,000	\$25,000,000	\$450,000	\$360,000				\$25,000,000	\$360,000	\$69,600,000	\$6.47
7-1-99/00	\$5,000,000	\$25,000,000	\$450,000	\$360,000				\$25,000,000	\$360,000	\$69,600,000	\$6.47
7-1-00/01	\$5,000,000	\$25,000,000	\$450,000	\$360,000				\$25,000,000	\$360,000	\$69,600,000	\$6.47
7-1-01/02	\$5,000,000	\$25,000,000	\$450,000	\$360,000	\$125,000			\$50,000,000	\$485,000	\$69,600,000	\$6.47
7-1-02/03	\$5,000,000	\$25,000,000	\$565,000	\$565,000	\$187,500			\$50,000,000	\$752,500	\$77,000,000	\$7.34
7-1-03/04	\$5,000,000	\$25,000,000	\$593,250	\$593,250	\$197,000			\$50,000,000	\$790,250	\$70,672,000	\$8.39
7-1-04/05	\$5,000,000	\$25,000,000	\$504,263	\$504,263	\$167,450			\$50,000,000	\$671,713	\$79,852,000	\$6.31
7-1-05/06	\$5,000,000	\$25,000,000	\$454,000	\$454,000	\$150,000			\$50,000,000	\$604,000	\$83,072,000	\$5.47
7-1-06/07	\$5,000,000	\$25,000,000	\$431,300	\$431,300	\$142,500			\$50,000,000	\$573,800	\$88,000,000	\$4.90
7-1-07/08	\$5,000,000	\$25,000,000	\$388,170	\$388,170	\$128,250			\$50,000,000	\$516,420	\$95,143,047	\$4.08
7-1-08/09	\$5,000,000	\$25,000,000	\$378,500	\$378,500	\$125,000			\$50,000,000	\$503,500	\$100,864,000	\$3.75
7-1-09/10	\$5,000,000	\$25,000,000	\$370,930	\$352,383	\$116,375			\$50,000,000	\$468,758	\$91,905,000	\$4.04
7-1-10/11	\$5,000,000	\$25,000,000	\$345,000	\$345,000	\$113,000			\$50,000,000	\$458,000	\$83,583,000	\$4.13
7-1-11/12	\$5,000,000	\$25,000,000	\$345,000	\$345,000	\$113,000	\$75,000		\$75,000,000	\$533,000	\$90,550,000	\$3.81
7-1-12/13	\$5,000,000	\$25,000,000	\$319,725	\$319,725	\$115,500	\$76,500		\$75,000,000	\$511,725	\$98,838,540	\$3.23
7-1-13/14	\$5,000,000	\$25,000,000	\$319,725	\$319,725	\$115,500	\$76,500		\$75,000,000	\$511,725	\$89,327,431	\$3.58
7-1-14/15	\$5,000,000	\$25,000,000	\$319,725	\$319,725	\$115,500	\$76,500	\$166,666	\$200,000,000	\$678,391	\$89,154,159	\$3.59
7-1-15/16	\$5,000,000	\$25,000,000	\$319,725	\$319,725	\$115,500	\$76,500	\$166,666	\$200,000,000	\$678,391	\$83,282,000	\$3.84
7/1/16-17	\$5,000,000	\$25,000,000	\$310,255	\$310,255	\$112,250	\$60,000	\$166,666	\$195,000,000	\$649,171	\$80,119,067	\$3.87
7/1/17-18	\$5,000,000	\$25,000,000	\$310,255	\$310,255	\$112,250	\$60,000	\$245,275	\$295,000,000	\$727,780	\$81,451,769	\$3.81
7/1/18-19	\$5,000,000	\$25,000,000	\$317,355	\$317,355	\$115,671	\$61,800	\$268,750	\$295,000,000	\$763,576	\$86,942,647	\$3.65
7/1/19-20	\$5,000,000	\$25,000,000	\$327,795	\$327,795	\$119,477	\$63,833	\$282,184	\$295,000,000	\$793,289	\$90,040,864	\$3.64
			\$16,058,793	\$14,965,543	\$2,486,723	\$626,633	\$1,296,207		\$19,375,106		

*Includes additional shared excess limits purchased effective 3/15/2014 and increased shared excess limits added 4/7/2017

Adopted:

Resolution No. 2020-12

Relating to the Selection of a Firm to Perform the 2020 through 2024 Annual Financial Audits and Other Financial-Related Services

WHEREAS, the Alaska Railroad Corporation (ARRC) is required to obtain an annual financial audit as prescribed in the Alaska Railroad Corporation Act, AS 42.40.270; and

WHEREAS, ARRC issued a Request for Proposals (RFP) seeking proposals from financial auditors to perform ARRC's 2020 and 2021 financial audits, with three one-year options exercisable annually by ARRC for the performance of the 2022 through 2024 financial audits and other financial services, as described below; and

WHEREAS, the RFP's scope of work included (i) issuing annual financial audit opinions for 2020 and 2021 and, at ARRC's annual option, for 2022 through 2024; (ii) conducting a Single Audit; (iii) conducting Federal Transit Administration-National Transit Database (NTD) Agreed Upon Procedures; and (iv) performing other financial-related services for the same years identified above; and

WHEREAS, the ARRC Board of Directors Audit Committee met on June 11, 2020, to evaluate proposals received from financial auditors in response to the RFP for conducting upcoming financial audits of ARRC and the other financial-related services described above; and

WHEREAS, based upon its review of the proposals received, the Audit Committee recommends that KPMG, LLP be selected to perform the 2020 through 2021 annual financial audits, with three options for the Corporation to extend KPMG, LLP's contract in one-year increments to include performing the 2022 through 2024 annual financial audits, and to perform the other financial-related services described herein.

NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors hereby adopts the recommendation of the Audit Committee and hereby selects KPMG, LLP's to perform the 2020 through 2021 annual financial audits and other financial-related services, with three options for the Corporation to extend KPMG, LLP's contract in one-year increments to include performing the 2022 and 2024 annual financial audits and other financial-related services for those years.

LEASE SUMMARY

LESSEE: Pruhs Corporation

CONTRACT NO: 20551

LEASE DESCRIPTION: Approximately 68,757 sq ft± (1.6 ac±) in the Alaska Railroad Anchorage Reserve lying between Viking Drive and the Ship Creek Trail, located within U.S. Survey 9112, SE1/4 Sec. 8, T13N, R3W, S.M.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: July 1, 2020

Prior Annual Rent: \$ 60,506.15

Lease Term: Thirty (30) Years

Rental Rate: 8%

Option to Extend: N/A

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

Lease Area: Approximately 68,757 square feet

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

Extended Term Rent: N/A

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

LEGAL REVIEW: Yes

INTENDED USE: Construction yard

SUMMARY AND RECOMMENDATIONS: Lessee is requesting a new 30-year lease for existing ARRC Contract No. 7241. Lessee wants to use this property for a construction yard related to lessee business. Approval is recommended.

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

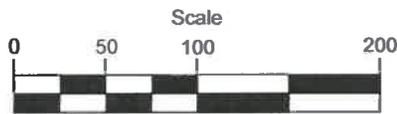
Jennifer Haldane
ARRC Board Secretary

ALASKA RAILROAD



Viking Drive

Wrangell St



1 Inch = 100 Feet

For indexing purposes this property is located in the SE1/4 Sec. 8, T13N, R3W, S.M.



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

Contract No. 20551 - Exhibit A
 For Appraisal

Pruhs Corporation
Area = 68,757 sq ft± (1.6 ac±)

ARRC title - Patent 50-2008-0196 - USS 9112

DRAWN BY: AMB
 CHECKED BY: ***
 APPROVED BY: ***

SCALE: 1" = 100'

DATE: 2020-04-30

Anchorage Terminal Reserve

R:\00 RED\LEASES\ANC\20551-L.dwg

AlaskaRailroad.com

LEASE SUMMARY

LESSEE: Pruhs Corporation

CONTRACT NO: 20552

LEASE DESCRIPTION: Approximately 80,773 sq ft± (1.9 ac±) in the Alaska Railroad Anchorage Reserve lying between Viking Drive and the Ship Creek Trail, located within U.S. Survey 9112, SE1/4 Sec. 8, T13N, R3W, S.M.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: July 1, 2020

Prior Annual Rent: \$ 64,578.40

Lease Term: Thirty (30) Years

Rental Rate: 8%

Option to Extend: N/A

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

Lease Area: Approximately 80,773 square feet

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

Extended Term Rent: N/A

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

LEGAL REVIEW: Yes

INTENDED USE: Construction yard

SUMMARY AND RECOMMENDATIONS: Prospective lessee is requesting a new 30-year lease to replace existing ARRC Contract No. 8277. Prospective lessee wants to use this property for a construction yard related to its business. Approval is recommended.

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

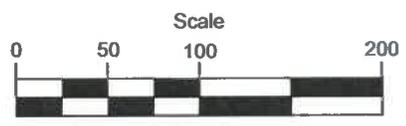
Jennifer Haldane
ARRC Board Secretary



Proposed Lease 20552
80,773 sq ft± (1.9 ac±)

Viking Drive

Wrangell St



1 Inch = 100 Feet

For indexing purposes this property is located in the SE1/4 Sec. 8, T13N, R3W, S.M.

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

Contract No. 20552 - Exhibit A
For Appraisal

Pruhs Corporation
Area = 80,773 sq ft± (1.9 ac±)

ARRC title - Patent 50-2008-0196 - USS 9112

DRAWN BY:	AMB	SCALE: 1" = 100'	DATE: 2020-04-30
CHECKED BY:	---	Anchorage Terminal Reserve	
APPROVED BY:	---		

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LEASE SUMMARY

LESSEE: Yard Chief Yard Care, Inc.

CONTRACT NO: 20570

LEASE DESCRIPTION: A parcel of land consisting of the east 175 feet of Lot 1, Block 41-A East Addition of the Anchorage Townsite containing approximately 52,500 square feet.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: July 1, 2020

Prior Annual Rent: \$ 39,772.50

Lease Term: Twenty-five (25) Years

Rental Rate: 8%

Option to Extend: N/A

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

Lease Area: Approximately 52,500 square feet

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

Extended Term Rent: N/A

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

LEGAL REVIEW: Yes

INTENDED USE: Office, storage yard for lessee's business

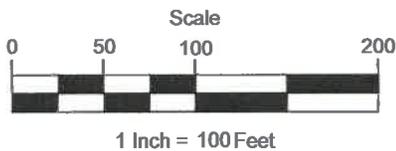
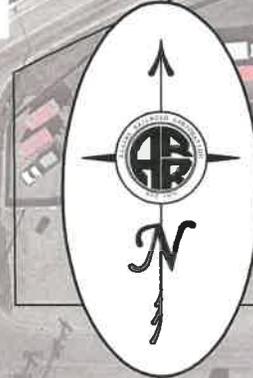
SUMMARY AND RECOMMENDATIONS: Prospective lessee is requesting a new 25-year lease for existing ARRC Contract No. 2854. Prospective lessee wants to use this property to operate a ground maintenance yard related to its business. Approval is recommended.

APPROVED: _____

Board Meeting Date: _____

Jennifer Haldane
ARRC Board Secretary

ALASKA RAILROAD



For indexing purposes this property is located in the NW1/4 Sec. 17, T13N, R3W, S.M.



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

Contract No. 20570 - Exhibit A
 For Appraisal

Yard Chief Yard Care, Inc.

Area = 52,500 sq ft± (1.2 ac±)

ARRC title - Patent 50-2016-0049 - USS 408, Block 41A

DRAWN BY:	AMB	SCALE: 1" = 100'	DATE: 2020-04-30
CHECKED BY:	---	Anchorage Terminal Reserve	
APPROVED BY:	---		

R:\00 RED\LEASES\ANC\20570-L.dwg

LEASE SUMMARY

LESSEE: Aurora Energy, LLC

CONTRACT NO: 20575

LEASE DESCRIPTION: Approximately 137,000 sq ft± (3.1 ac±) located near the intersection of Phillips Field Rd. and Driveway St. within the Alaska Railroad Fairbanks Reserve, N1/2 Sec. 10, T1S, R1W, F.M.

KEY CONTRACT PROVISIONS:

Estimated Effective Date: June 1, 2020

Base Annual Rent: \$ 28,640.00 (based on appraised value)

Lease Term: Not to exceed Five (5) Years

Prior Annual Rent: N/A

Option to Extend: N/A

Rental Rate: 8%

Lease Area: Approximately 137,000 square feet

Rent Adjustment: N/A

Extended Term Rent: N/A

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

LEGAL REVIEW: Yes

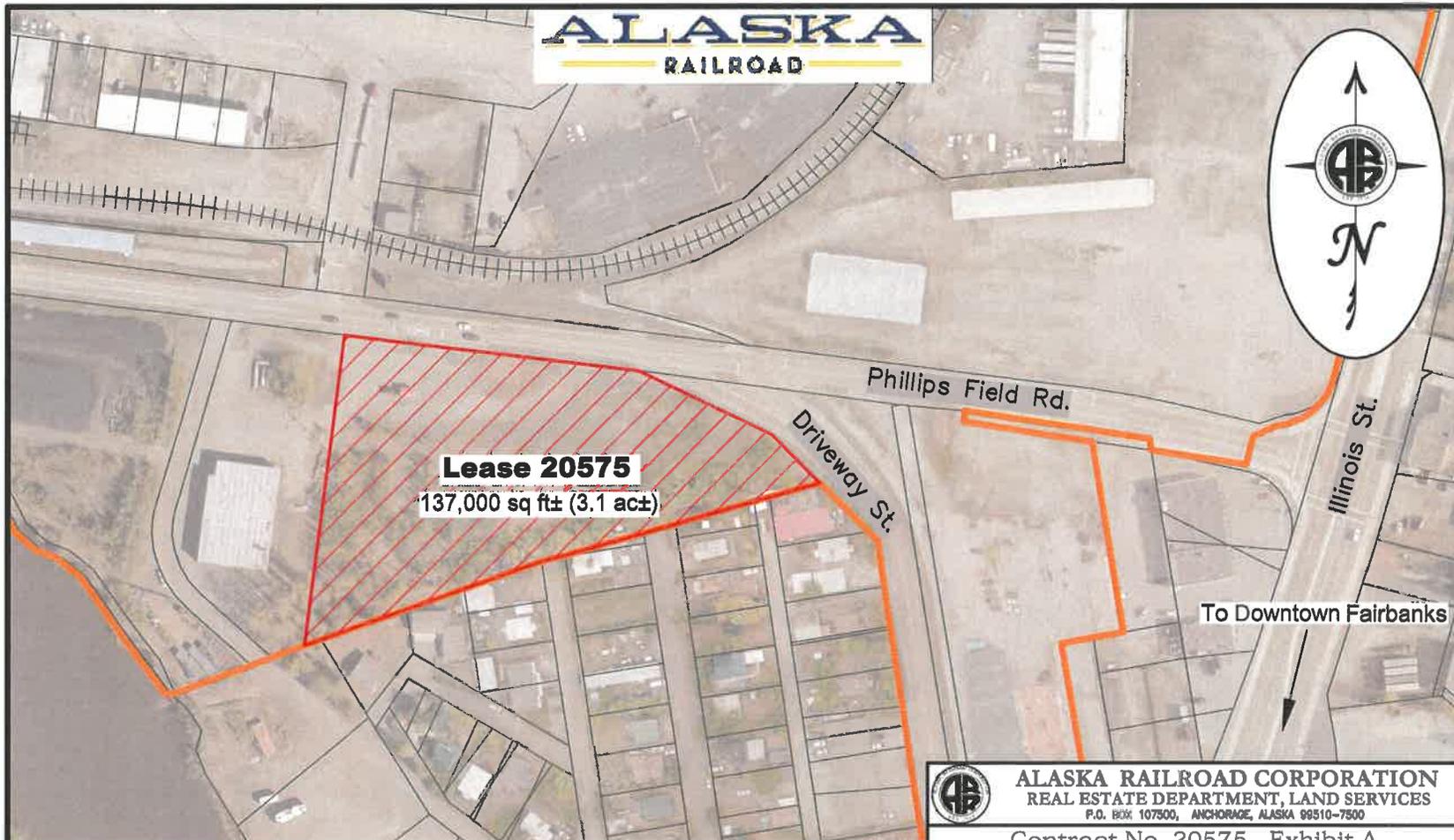
INTENDED USE: Storage yard

SUMMARY AND RECOMMENDATIONS: Prospective lessee is requesting a new lease not to exceed five (5) years. Prospective lessee wants to use this property for a storage yard related to its business. Approval is recommended.

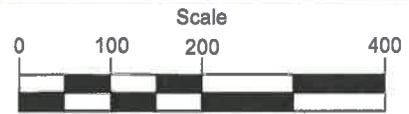
APPROVED: _____

Board Meeting Date: _____

Jennifer Haldane
ARRC Board Secretary



Lease 20575
137,000 sq ft± (3.1 ac±)



1 Inch = 200 Feet

For indexing purposes this property is located in the N1/2 Sec. 10, T1S, R1W, F.M.

AlaskaRailroad.com

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

Contract No. 20575 - Exhibit A
Aurora Energy, LLC
Area = 137,000 sq ft± (3.1 ac±)

ARRC title - Patent 50-2006-0464
Lots 6, 7, & 13, Sec. 10, USRS T1S, R1W, FM

DRAWN BY: <u>AMB</u>	SCALE: 1" = 200'	DATE: 2020-05-08
CHECKED BY: <u>***</u>	Fairbanks Terminal Reserve	
APPROVED BY: <u>***</u>	R:\00 RED\LEASES\FBX\20575-L.dwg	