

MEMORANDUM

TO: Governor Mike Dunleavy, State of Alaska
FROM: Bill O'Leary, President and CEO, Alaska Railroad Corporation (ARRC)
DATE: February 1, 2024
SUBJECT: Support for additional Seward passenger dock bonding authority

In 2022, ARRC was authorized to issue up to \$60 million in bonds to replace its aging Seward passenger dock and terminal; in 2023, we requested an additional \$90 million in bond authorization to support this initiative, before suspending that request and taking a strategic pause to further evaluate project plans. With our Board's approval, we now ask the Legislature and you to grant ARRC authority to issue an additional \$75 million in bonds to support an expanded version of this vital project. Combined with the prior \$60 million bond authorization, ARRC can pursue \$135 million for a generational port project (new pier and terminal facility) that will meet future visitor market demands and serve Alaska for decades to come. The project will be fully funded by ARRC through a multi-year berthing agreement with Royal Caribbean Group (RCG) that features an annual revenue guarantee. *Per the railroad's statutes, these bonds are not a liability of the state and no state dollars will be used to repay them.*



Since last year's strategic pause, ARRC and longtime partner and project user RCG continued to develop project design and engineering plans. The updated design expanded to

better meet the needs of RCG and our other cruise industry customers, ensure operational safety, account for inflation, and best support Alaska's growing visitor industry for future generations to come.

RCG currently has three brands calling in Alaska - Royal Caribbean International, Celebrity Cruises and Silversea Cruises - with plans to increase the class size of ships docking in Seward. To support RCG's commitment and associated economic growth, the project construction schedule is time-sensitive: it calls for the passenger dock and the new cruise ship terminal to be operational in 2026. To meet this timeline, the funding will need to be secured by midyear, meaning this incremental bond authorization must be passed by the legislature this session. This is a true economic development project to both replace an existing asset and expand its capability for the future.

The Legislature and you approved the 2022 bonding authorization knowing this dock is a critical connection for hundreds of thousands of cruise passengers and visitors arriving each summer, many of whom travel on to bring tourism dollars to Alaska businesses throughout the state. The dock is near the end of its useful life. Closure or curtailed use would severely impact the cruise industry and other vessels that rely on the dock. ARRC would lose a key revenue source, important for supporting necessary capital improvements; and more broadly impactful, a diminished gateway would take a toll on Southcentral Alaska's broader transportation infrastructure and travel industry across the state.

Bottom line: It is critical to pass the \$75 million bond authorization this legislative session.