

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 3, 2022

1:06 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Sara Hannan, Vice Chair
Representative Louise Stutes
Representative Harriet Drummond
Representative Tom McKay
Representative Kevin McCabe
Representative Mike Cronk

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 366

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance the replacement of the Alaska Railroad Corporation's passenger dock and related terminal facility in Seward, Alaska; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 366

SHORT TITLE: LEG. APPROVAL: AK RAILROAD REVENUE BONDS

SPONSOR(S): TRANSPORTATION

02/22/22	(H)	READ THE FIRST TIME - REFERRALS
02/22/22	(H)	TRA, FIN
03/01/22	(H)	TRA AT 1:00 PM BARNES 124
03/01/22	(H)	Scheduled but Not Heard
03/03/22	(H)	TRA AT 1:00 PM BARNES 124

WITNESS REGISTER

JOE HARDENBROOK, Staff
Representative Grier Hopkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 366 on behalf of the House Transportation Standing Committee, sponsor by request, chaired by Representative Hopkins.

CLARK HOPP, Chief Operations Officer
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 366 gave a PowerPoint presentation, titled "AKRR Seward Dock Bonding Presentation."

BARBARA AMY, Chief Financial Officer
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 366.

JANETTE BOWER, City Manager
City of Seward
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 366.

PRESTON CARNAHAN, Director of Destination Development
Royal Caribbean Group
Miami, Florida

POSITION STATEMENT: Testified in support of HB 366.

TOM TOUGAS, representing self
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 366.

ACTION NARRATIVE

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CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:06 p.m. Representatives Drummond, Hannan, McKay, McCabe, Cronk, Stutes, and Hopkins were present at the call to order.

^#hb366

LEG. APPROVAL: AK RAILROAD REVENUE BONDS

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CHAIR HOPKINS announced that the only order of business would be HOUSE BILL NO. 366, "An Act authorizing the Alaska Railroad

Corporation to issue revenue bonds to finance the replacement of the Alaska Railroad Corporation's passenger dock and related terminal facility in Seward, Alaska; and providing for an effective date."

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JOE HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, presented HB 366 on behalf of the House Transportation Standing Committee, sponsor by request, chaired by Representative Hopkins. He explained that HB 366 would allow the Alaska Railroad Corporation (ARRC) to issue bonds for replacement of a well-used asset nearing the end of its useful life. Once completed, this project would provide the funding for repayment of the bonds as well as continuing to underpin the financial success and stability of the railroad and the communities it serves.

MR. HARDENBROOK paraphrased from the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

The Alaska Railroad Corporation (ARRC) is seeking authority from the Alaska State Legislature, as per AS 42.40.285, to issue bonds of no more than \$60 million to fund the construction of a new passenger dock and terminal passenger facility in Seward, Alaska. While ARRC must seek authority from the state to issue bonds, under AS 42.40.690 the State of Alaska is not liable for the debts of ARRC.

The Alaska Railroad has maintained facilities for passengers arriving in and departing from Seward for more than 100 years. In 1966, the existing passenger dock was constructed after the destruction of the dock, along with most of the City of Seward, in the 1964 Great Alaska Earthquake. The dock's pile foundation has experienced significant corrosion over its half-century lifespan, which limits the dock's remaining useful life and has resulted in weight restrictions being implemented. While safe to use, the dock is clearly nearing the end of its useful life.

Due to the dock's deteriorating condition and to accommodate larger class ships that are expected to make the cross-gulf trip to Seward, the new dock must be completed in time for the 2024 cruise ship season.

As such, the new passenger dock will be designed to accommodate anticipated cruise traffic for the next fifty years, be capable of simultaneously mooring two ships measuring up to 1,080 feet long and provide for offseason mooring of freight vessels.

Critically important is that all construction must avoid interruption to cruise or rail passenger service between May and September of 2022 and 2023. Total anticipated cost for construction of the new passenger dock and terminal, as well as demolition of the existing dock and terminal, is \$79 million. In addition to the existing \$12 Seward dock passenger fee, ARRC has implemented a \$15 per cruise ship passenger Dock Improvement Fee starting in 2022. This funding, along with other dock revenues and \$1 million in other ARRC funds, will be used to provide an estimated \$19 million for dock and terminal construction. ARRC will seek an additional \$60 million by issuing bonds to fund the remainder of the cost of construction. The debt service on this \$60 million will be paid entirely from dock revenues. In order to meet the 2024 need for the new dock, it is imperative that ARRC coordinate public debt funding by mid-2022.

MR. HARDENBROOK noted the invited testifiers available online.

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CLARK HOPP, Chief Operations Officer, Alaska Railroad Corporation, gave a PowerPoint presentation, titled "AKRR Seward Dock Bonding Presentation." He began on slide 1, "Seward Passenger Dock," which pictures a freight dock, passenger dock, and coal dock. The passenger dock was built in 1966, starting out as a freight dock. He noted there is a 26,000 square foot terminal building for passenger processing. The dock is nearing the end of its useful life, he remarked. He reminded members that the dock serves the railroad and the Southcentral Interior visitor industry. Nearly one-quarter of a million passengers "came over this dock in 2019." Those passengers go on to ride the train, rent cars, and visit other parts of Alaska. He commented on the possibility for growth.

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REPRESENTATIVE STUTES asked whether this was the same dock that was utilized by the Alaska Marine Highway System (AMHS) when a ferry was going into Seward.

MR. HOPP responded yes.

REPRESENTATIVE STUTES asked, if the ferries go back into Seward, whether they will have the ability to tie up to this dock.

MR. HOPP responded, if this were the desire, there would have to be some design considerations.

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REPRESENTATIVE MCCABE questioned the design consideration and its costs. He asked whether it would be better [to design for the ferries] on the frontend of construction or wait until later to have to modify [the dock].

MR. HOPP responded that the next six months would be the time to have this discussion.

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REPRESENTATIVE HANNAN asked whether this new dock would be able to accommodate only mega ships or whether the dock would still have two sides, one built to accommodate smaller ships if they are not all Panamax vessels.

MR. HOPP responded that the freight dock will have the flexibility to accommodate many different sizes of ships including cruise ships and ferries.

REPRESENTATIVE HANNAN asked whether ARRC is looking at modifications to the coal dock.

MR. HOPP responded that there are currently no modifications planned for the coal dock. He added that the coal industry has been stagnant for several years. The design of the coal dock would take a lot of retro fitting to handle cruise ships, but the freight dock can accommodate additional overflow.

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REPRESENTATIVE MCCABE asked about the reverse. He asked whether the dock would have the ability to accommodate a freighter for

anything other than passenger services. For example, if Alaska had an issue with food sustainability.

MR. HOPP responded that in Southeast Alaska, there are floating docks, which are passenger oriented. The current plan would be to accommodate a robust winter season of freight activity so it would have quite a bit of flexibility. The answer to the question is yes.

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REPRESENTATIVE DRUMMOND asked about off-season mooring. She asked for clarification whether it would be an operational dock for loading and unloading freight.

MR. HOPP responded by pointing out the picture of the primary freight dock on slide 1, stating that it is available for this type of activity.

REPRESENTATIVE DRUMMOND asked about the kind of freighters that come into the Port of Alaska in anchorage, and whether these are part of the plan, as they do not appear to be.

MR. HOPP confirmed that is correct. This passenger dock would not be able to accommodate this kind of activity. In response to a follow-up question, he stated that the freight dock could accommodate the freighters which currently dock at the Port of Alaska Anchorage.

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MR. HOPP proceeded to slide 2, titled "ARRC Seward Passenger Dock." He reiterated that because of the condition of the passenger dock, the ARRC has embarked on the project to rebuild the pier and terminal building on the dock for modernization. Project funding details are shown on the slide, and ARCC will continue to look for options for grants and other financing.

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REPRESENTATIVE MCCABE pointed out that ARRC has \$19 million and asked whether the budget was sufficient funds to cover the project. He had also heard that because of the COVID-19 pandemic the railroad was struggling.

MR. HOPP responded yes, ARRC can afford the \$19 million. He acknowledged that the COVID-19 Pandemic resulted in a financial

struggle; however, there will be more money left over after this project. He deferred to the CFO of ARRC for further response.

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BARBARA AMY, Chief Financial Officer, Alaska Railroad Corporation, responded that the cash flows from the dock and the revenue bonds will be sufficient to cover the cost of the project.

REPRESENTATIVE MCCABE questioned the available federal grants for large construction projects, and which grants ARRC is considering.

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MR. HOPP responded that most of the grants which fall within the range are typically grants related to passenger movement through the Federal Transit Administration. He stated that grants have also been received through the Federal Railroad Administration, and different opportunities are still being explored. He expressed the opinion that the slow motion of most grants is not suited for pairing up with ARRC's aggressive construction.

REPRESENTATIVE MCCABE questioned ARRC's level of confidence that the railroad could be finished with the money and timeframe available.

MR. HOPP responded that ARRC has been working on the project for nearly three years and has much experience in the project arena. For example, the corporation constructed a bridge that was delivered on time and under budget. He expressed the opinion that there is quite a lot of expertise, but ARRC is not a dock expert. He offered that there are a fair number of great resources, and there are contractors in Alaska who have experience with these types of projects.

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REPRESENTATIVE DRUMMOND, so that passengers disembarking can access various shore excursions, inquired about the proximity of the railroad to the dock.

MR. HOPP responded that ARRC runs a charter business called The Alaska Railroad Cruise Train with an over 500-passenger capacity. The passengers are moved by all different modes of transportation.

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REPRESENTATIVE CRONK asked about the source of the \$180 million grant to build a bridge near Salcha, Alaska, and whether the project progressed, or was it a "bridge to nowhere."

MR. HOPP responded that the funding for this project was close to \$110 billion from the U.S. Department of Defense monies, and the remainder was the state's monies. He said that the bridge was the first critical piece. The reason the bridge was built first was so Eielson Air Force Base and Fort Wainwright could access training.

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MR. HOPP proceeded on slide 2. He stated that per ARRC statutes, issuance of public bids requires legislative authority in addition to its usual approval by the board of directors.

REPRESENTATIVE STUTES asked whether the board of directors has approved this.

MR. HOPP responded yes.

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MR. HOPP, continuing with slide 2, explained the time sensitive nature. He stated that ARRC needs to be in the market no later than the third quarter of this year to meet the project demands.

REPRESENTATIVE STUTES asked when the board approved the project.

MR. HOPP responded that the board approved the project at its February 2022 meeting.

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REPRESENTATIVE HANNAN asked why the project had not been requested for last year.

MR. HOPP responded that ARRC began to move the project forward nearly 24 months ago. He said that the first direction the corporation went was a public/private partnership; however, in late 2021 one of the partners in the consortium decided to pursue other opportunities.

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REPRESENTATIVE MCCABE asked about the 2022 report to the state, which is a 5-year capital plan published December 1, 2021. He said that he doesn't see anything about the Seward dock rehabilitation.

MS. AMY responded that the report to the state came from ARRC's 5-year plan. The plan goes through the board in the budget meeting in the middle of November. At that time, ARRC was still in a public/private partnership. It was not until later ARCC started running the project itself; therefore, the document would not reflect the project as ARRC's "capital project."

CHAIR HOPKINS questioned whether it would still be in the 5-year plan.

MS. AMY responded no, because the way the partnership was structured, it would not have required a capital outlay.

REPRESENTATIVE MCCABE commented that even though it was a public partnership, it would have been in the report somewhere.

MR. HOPP responded that the partnership had been an agreement for the private group to finance, construct, and operate the dock facility while paying a concessionaire fee to the ARRC. He explained that this is why it is not seen in the capital program.

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REPRESENTATIVE HANNAN questioned whether ARRC is in development with other capital projects which are not part of the state, such as hotels, or extensions of rail lines which are private partnerships.

MR. HOPP responded that none come to mind.

REPRESENTATIVE HANNAN commented that, from a legislator's perspective, this is not something the legislature would fund. She said there are a variety of projects across the state in reference to railroad extensions, and perhaps the legislature should encourage them to pursue these avenues through partnerships.

MR. HOPP responded that he is not aware of any which are not part of the public record.

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MR. HOPP proceeded to slide 3, titled "ARRC Seward Passenger Dock." He focused on ARRC's partnership with the Royal Caribbean Group.

REPRESENTATIVE MCCABE expressed the knowledge that ARRC tows passenger coaches for Princess Cruises to Denali from Seward. He questioned whether this includes the Royal Caribbean Group as well.

MR. HOPP responded no; Royal Caribbean Group doesn't own any passenger coaches. He stated that ARRC moves Royal Caribbean Group passengers with its own set of rail cars.

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CHAIR HOPKINS asked whether he could provide the committee with other capital projects at a subsequent meeting.

MR. HOPP responded yes, as within the last 24 months there have been public efforts and requests for proposals for a passenger dock in Seward. He said that he knew it had been made public, and there have been discussions.

CHAIR HOPKINS expressed appreciation for further discussion at the next committee meeting.

MR. HOPP expressed appreciation to be able to speak before the committee.

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CHAIR HOPKINS opened public testimony on HB 366.

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JANETTE BOWER, City Manager, City of Seward, testified in support of HB 366. She said that the project is vital for the city. Closure of the dock facility would eliminate tourism dollars for the city and would also affect the marine industry in Seward. In the off season, when the ships are not docked for the cruise industry, the docks are used for other events. Events are held within the terminal. She suggested that partnerships with ARRC and the Royal Caribbean Group will benefit Seward and the state for many years to come.

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PRESTON CARNAHAN, Director of Destination Development, Royal Caribbean Group, testified in support of HB 366. He said that the company has 60 ships globally and carries around 7 million guests. In 2019, the company had 6 ships in Alaska, and in 2022 it plans to have 10. The company has been in Alaska since 1990 and has been in Seward for over 20 years. Recently, there have been challenges during the pandemic. Through a great partnership with ARRC, the company is committed to supporting the project, the community, and Seward.

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TOM TOUGAS, representing self, testified in support of HB 366. He said he had lived in Seward for over 30 years. He said that this dock is used on a year-round basis. The vessels are brought back to Seward in the fall for upkeep and repair. He expressed the opinion that the dock is important not only to Seward but to all of Alaska.

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CHAIR HOPKINS closed public testimony. He announced that HB 366 was held over.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:55 p.m.