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100 Personal Services (cont.): FY 83

<u>Position</u>	<u>Range</u>	<u>Salary</u>	<u>Overhead (27%)</u>	<u>Total</u>
President (Dir. Level)	26	\$54,100	\$14,600	\$68,700
Executive Secretary	10	\$20,300	\$5,500	\$25,800
Planner V	21	\$43,200	\$11,700	\$54,900
Planner III	17	\$32,300	\$8,700	\$41,000
Clerk Typist II	07	\$17,000	\$4,600	\$21,600
				<u>\$212,000</u>

(These positions reflect the authority noted in the legislation allowing the President to employ additional staff as necessary. The staff growth in FY 83 is based on the assumption of increased duties following organizational structuring in the FY 82 year.)

E) 200 Travel: FY 82

Quarterly meeting of the board of directors, with an assumption of additional attendance by the President (average attendance =8):

Round-trip air fare @ \$300 x 8 = \$2,400

Two days per diem @ \$67 per day x 8 = \$1,100

Incidental meeting expenses = \$100

Total per meeting = \$3,600 x 4 meetings = \$14,400

Additional travel requirements of board and staff (including D.C. trips for negotiations):

12 trips per year @ \$600 air fare and per diem = \$7,200

FY 82 Total = \$21,600

FY 83 travel budget reflects a small increase due to additional staff and greater duties: \$24,000

F) 300 Contractual: FY 82 and 83

Office Space Rental: 1,000 net square feet @ \$18 annual nsf cost = \$18,000

Bond counsel and consultant requirements: \$200,000 Total: \$218,000 per year

(These latter contractual requirements reflect the authority noted in the legislation and are based on the assumption of needed expertise to establish the appropriate bonding authorities and the organizational format of this public corporation.)

FISCAL NOTE: SB 212 An Act establishing the Alaska Railroad Authority

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- G) 500 Equipment: Minor expenditures for the necessary business machines are indicated under this category.

FOOTNOTES:

- 1 No attempt has been made to include cost estimates with respect to liabilities and obligations associated with the transfer of the railroad itself. The FY 82 and 83 figures only cover organizational structuring and transfer negotiation. However, in that Section 3 (b) (2) specifically notes the authority may enter into a transfer agreement that includes the assumption of rights and obligations of the Alaska Railroad, there are several major concerns which warrant attention prior to legislation enactment. The following list briefly highlights these items:
- (a) acquisition costs: this item could potentially range from the high estimate of \$220 - \$240 million, which reflects the railroad's current value in terms of actual Federal dollars invested, to the inferred asking price of one dollar;
  - (b) deferred maintenance costs: current estimates by the railroad and the Federal Railroad Administration place this figure somewhere between \$60 to \$70 million, which raises the associated question of Federal replacement responsibilities to cover these expended assets;
  - (c) ongoing capital and operation (freight and passenger) costs: this item, which varies greatly depending on current traffic volume and the relative health of the Alaskan economy, could easily become a significant ongoing liability to the State or merely a sporadic or even nonexistent requirement; (Note: Attached are four financial statements from the Alaska Railroad's FY 80 Annual Report to provide some current data on this point.)
  - (d) personnel liabilities: this concern, which without more specific data is impossible to estimate other than to say it could well range into the hundreds of millions of dollars, includes not only existing retirement and benefit responsibilities, but also the assumption of contractual obligations under current collective bargaining agreements with respect to such items as pay scales, employee levels, and seniority requirements.
  - (e) land status uncertainty: this issue involves both the general question of status of all railroad property under the transfer scenario, and the specific concern of outstanding land claims, particularly under ANSCA, against Alaska Railroad property;
  - (f) pending litigation: the majority of these items involve the lands question, however, all pending legal liabilities should be evaluated; and
  - (g) tax and commerce considerations: evaluation should be given to all potential advantages and disadvantages with respect to these items in the context of removing Federal ownership of the Alaska Railroad.

2. No actual estimates are provided for subsequent fiscal years because of the difficulty in predicting levels of responsibility beyond initial organizational structuring and potential expenses through the transfer negotiation stages. In that Sec. 42.40.120 specifically requires the authority to provide for the operation of the Alaska Railroad following transfer, there exists the real possibility of the State incurring significant liabilities for the ongoing operation of the railroad. Although rough estimates could be provided of these potential costs, there exists a structural limitation under this piece of legislation as drafted, since Sec. 42.40.230 clearly states that neither the credit nor the taxing powers of the State or its political subdivisions may be pledged by the authority, and that the State and its political subdivisions will not be liable for the debts incurred by the authority.
  
3. The legislation does not address a specific source of funding for the establishment of this public corporation. Consequently, the first two years of funding are depicted under the General Fund category. Although no funding is shown under the Federal Fund category, there are both planning and operational assistance grants available from the Federal Railroad Administration, U.S. Department of Transportation, to aid local rail operations. DOT/PF is currently the recipient of rail planning funds, which represents the major source of funds of DOT/PF's rail studies. However, while it is apparent that if this public corporation is formed, it will become the administrator of these funds, it is doubtful that the State of Alaska would be allowed to use these funds other than for technical rail planning. As a result, these funds are not depicted as a source of funding for the contractual requirements noted above.

# FINANCIAL

The following four financial statements (Tables VIII through XI) describe the financial situation of The Alaska Railroad.

TABLE VIII : STATEMENT OF INCOME  
FISCAL YEARS 1979-80  
(Thousand dollars)

CATEGORY	1980	1979
Operating Revenues (Note 3):		
Freight	\$21,664	\$18,158
Passenger	1,549	1,564
Other (Note 17)	3,524	3,378
	<u>\$26,737</u>	<u>\$23,100</u>
Operating Expenses (1) (Note 4):		
Maintenance of Way & Structures (Note 5)	\$ 5,109	\$ 5,235
Maintenance of Equipment	9,118	7,845
Transportation	13,146	11,821
Traffic Management	530	470
Incidental	2,456	1,937
General and Administration (Note 6)	4,021	3,977
	<u>\$34,380</u>	<u>\$31,285</u>
Income (Loss) from Operations	<u>(7,643)</u>	<u>(8,185)</u>
Non-operating Properties (Note 18):		
Income	2,155	2,081
Less Expense (1)	344	204
Net	<u>1,811</u>	<u>1,877</u>
Net Gain (Loss)	<u><u>\$(5,832)</u></u>	<u><u>\$(6,308)</u></u>
(1) Depreciation included in Expenses (Note 8)	\$ 3,526	\$ 3,219
Operating Ratio including depreciation	128.59%	135.43%
Operating Ratio excluding depreciation	115.40%	121.50%

Notes follow Table XI

TABLE IX : BALANCE SHEET  
SEPTEMBER 1979-80  
(Thousand dollars)

CATEGORY	1980	1979
<b>Assets:</b>		
Current Assets:		
Cash (Note 9)	\$ 3,638	\$ 5,225
Trust and Deposit Funds (Note 10)	83	63
Accounts Receivable	8,364	6,791
Materials and Supplies (Note 11)	5,426	6,339
Prepaid Expenses	...	83
	<u>\$17,511</u>	<u>\$18,501</u>
Properties:		
Land (Note 12)	265	618
Buildings	12,361	12,389
Roadway Structures & Facilities	111,689	110,689
Equipment	44,031	41,330
Non-operating Property	2,997	3,932
Total Properties	<u>171,343</u>	<u>168,958</u>
Less Accumulated Depreciation:	<u>51,529</u>	<u>49,587</u>
Properties - Net	<u>119,813</u>	<u>119,371</u>
Additions and Betterments in Progress (Note 13)	14,277	11,759
	<u>134,090</u>	<u>131,130</u>
Other Assets and Deferred Charges	2,176	1,748
Total Assets	<u><u>\$153,777</u></u>	<u><u>\$151,379</u></u>
<b>Liabilities &amp; Proprietary Interest of the U.S.</b>		
Government:		
Current Liabilities:		
Accounts Payable	\$ 2,772	\$ 1,615
Accrued Payrolls Payable	1,603	1,325
Trust and Deposit Funds (Note 10)	83	63
	<u>\$ 4,458</u>	<u>\$ 3,003</u>
Provision for Employees Annual Leave (Note 14)	...	(2)
Other Liabilities and Unadjusted Credits	1,922	936
Total Liabilities	<u>6,380</u>	<u>3,937</u>
Proprietary Interest (Note 15):		
Net Investment	174,082	167,603
Retained Earnings from July 1, 1954	(20,161)	(13,534)
Current Year Operating Results	(5,832)	(6,308)
Extraordinary Items (Note 7)	(692)	(319)
Total Proprietary Interest (Note 15)	<u>147,397</u>	<u>147,442</u>
Total Liabilities and Proprietary Interest	<u><u>\$153,777</u></u>	<u><u>\$151,379</u></u>

Notes follow Table XI

TABLE X: STATEMENT OF CHANGES IN FINANCIAL POSITION  
 FISCAL YEARS 1979-80  
 (Thousand dollars)

FUNDS	1980	1979
Funds Were Provided by:		
Revenues and Other Receipts	\$ 28,973	\$ 25,290
Appropriations from Congress (Note 16)	<u>6,500</u>	<u>9,300</u>
Total Funds Provided	35,473	34,590
Funds Were Used for:		
Labor	21,360	22,138
Other	7,832	5,445
Capital Improvements & Replacements	<u>6,893</u>	<u>8,181</u>
Total Funds Used	36,085	35,764
Increase (Decrease) in Government Equity	(613)	(1,173)
Other Increase (Decreases):		
Undelivered Orders	(1,824)	(705)
Supplies and Materials	(996)	(157)
Properties	2,960	4,711
Other	<u>428</u>	<u>5</u>
Total, Other	568	3,854
Total Increase (Decrease) in Government Equity	<u>\$ (45)</u>	<u>\$ 2,681</u>
Proprietary Interest:		
Beginning Balance	\$147,442	\$144,761
Increase (Decrease)	<u>(45)</u>	<u>2,681</u>
Ending Balance (Note 15)	<u>\$147,397</u>	<u>\$147,442</u>

Notes follow Table XI

TABLE XI: FIVE-YEAR CONDENSED SUMMARY OF OPERATIONS  
 FISCAL YEARS 1976 - 1980  
 (Thousand dollars)

CATEGORY	1980	1979	1978	1977	1976	
					TQ (Note 2)	JUNE
Operating Revenues	\$ 26,737	\$ 23,100	\$ 27,400	\$ 33,376	\$ 9,737	\$ 52,511
Operating Expenses	<u>34,380</u>	<u>31,285</u>	<u>33,301</u>	<u>35,703</u>	<u>11,127</u>	<u>49,380</u>
Income from Operations	(7,643)	(8,185)	(5,861)	(2,327)	(1,390)	3,131
Non-operating Properties (Note 18):						
Income	2,155	2,081	1,651	1,646	314	1,161
Expense	<u>344</u>	<u>204</u>	<u>213</u>	<u>255</u>	<u>35</u>	<u>191</u>
Non-operating Gain (Loss)	1,811	1,877	1,438	1,391	279	970
Net Gain or Loss	\$ (5,832)	\$ (6,308)	\$ (4,423)	\$ (936)	\$ (1,111)	\$ 4,100
Less Extraordinary Items (Note 7)	(692)	(319)	(654)	(833)	(919)	(1,057)
Annual Retained Earnings	\$ (6,524)	\$ (6,627)	\$ (5,077)	\$ (1,769)	\$ (2,030)	\$ 3,043
Operating Ratio	128.59%	135.43%	121.53%	106.97%	114.30%	94.04%
Including Depreciation						
Working Ratio						
Excluding Depreciation	115.40%	121.50%	109.91%	97.62%	107.02%	89.23%

Notes follow Table XI