

Interim  
Report

#2

11-15-84

HOUSE TRANSPORTATION COMMITTEE  
INTERIM REPORT #2  
November 15, 1984

Representative Bette Cato  
Chairman

# Alaska State Legislature



## House of Representatives

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M E M O R A N D U M

November 26, 1984

TO: Members of the House Transportation Committee

FROM: Representative Bette Cato  
Chairman, House Transportation *BC*

SUBJECT: Interim Report #2

Enclosed is your copy of the House Transportation Committee's Interim Report #2.

enclosure

HOUSE  
TRANSPORTATION  
COMMITTEE

INTERIM REPORT #2

REPRESENTATIVE BETTE CATO  
CHAIRMAN

NOVEMBER 15, 1984

MEMBERSHIP  
HOUSE TRANSPORTATION COMMITTEE  
THIRTEENTH ALASKA STATE LEGISLATURE

REPRESENTATIVE BETTE CATO, CHAIRMAN

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REPRESENTATIVE JOHN SUND

REPRESENTATIVE MIKE SZYMANSKI

COMMITTEE STAFF:

RHONDA CARGILL

LORETTA KNIGHTLINGER

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

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### HOUSE TRANSPORTATION COMMITTEE INTERIM REPORT NO. 2 OCTOBER 15, 1984

The following report constitutes the second report of the House Transportation Committee to the Majority Leader. This report highlights staff activities and updates issues covered in Interim Report No. 1 of September 15, 1984.

#### CAPITAL PROJECTS CLEANUP EFFORT

Staff attended the Senate Transportation Committee meeting of October 2, 1984 which included a work session with the Capital Projects Cleanup group. You may remember reading articles in the newspapers relating to this topic. Copies have been provided in this report should you have missed them.

According to the news articles, the Department of Transportation has failed to begin more than 800 million dollars worth of construction projects approved by the Legislature. To help clarify this statement, we have provided a verbatim transcription of the October 2nd work session, a copy of the Capital Projects Cleanup Interim Report No. 1 (originally distributed to committee members toward the end of the thirteenth session and the Capital Projects Cleanup Status as of September 27, 1984. (See Attachment A.)

During the Senate Transportation Committee meeting, as noted on page six of the minutes, you can see that the 897 million dollars is AUTHORIZATION - be it general fund or federal authorization. The determination the Capital Projects Cleanup group has been attempting to make is to account for these authorizations. The key word used in this entire CPC explanation is authorization and also is where the confusion begins.

At the present time, the Department of Transportation hasn't been able to give us a definite date as to when to expect the final report on the Capital Projects Cleanup, but we definitely know that there will be a report for the Fourteenth Legislature.

#### ALASKA RAILROAD TRANSFER

October 2, 1984, staff attended the Senate Transportation Committee meeting in Anchorage held to assess the transfer process of the

railroad from a labor, management, and Federal Railroad Administration perspective.

The main topics of discussion included the temporary employee issues; educating the employees of what was happening during the transfer; and policy concerning maintenance and safety.

It was pointed out by Mark Hickey of the transfer team that "this is a difficult time and that lines of authority are confused. The federal government still owns and operates the railroad. The Federal Railroad Administration (FRA) has the type of oversight they've always had. The State, as part of the federal transfer law, has specific authority over three kinds of actions by the railroad: any lease of land or real property in excess of five years, any individual capital expenditure in excess of \$300,000.00 and any attempt to sell or dispose of real property. Other than that there are no formal arrangements where the State has any control over the railroad decision making. We (State) do have pretty close cooperation. In any actions of this type, the State will be alerted and briefed prior to implementation. Standard operation procedures should be followed."

During the discussion of the temporary employee issues, there was concern from employees and ex-employees of the railroad that no effort was being made to protect the railroad employees; they have no reemployment rights due to the fact that they were employed as temporary workers with the railroad and the temporary employment status was a result of a federal hiring freeze.

Mr. Hickey of the transfer team admitted that the temporary employee question is a problem and that the State agreed that the temporary employees on board at the date of transfer will be reemployed the next day with full benefits. He pointed out that the Board has to resolve the question of what commitments they want to make to the temporary employees that were previously terminated. In addition, he explained that any personnel action of the railroad today has to be in accordance with collective bargaining agreements and federal rules and procedures.

Mr. Blasigame, of management, explained that the temporaries being discussed were basically hired because of the 7.6 million dollars appropriated for railroad capital improvements when the (Alaska Railroad Transfer Act (ARTA) was passed. Thus, funds for capital improvements created jobs and the people hired were for temporary appointments.

Mr. Blasigame further explained that "one of the problems we face is that the Alaska Railroad is part of the FRA, U.S. Department of Transportation which has a mandate for man hours. When we appoint an individual, they get a career service appointment, that's permanent, versus temporary. If you let that person go, it's an adverse action, you go through a reduction in force procedure, and they have certain rights and benefits under federal regulations. When a temporary comes on, they know it's temporary, but we got a

waiver from the Office of Personnel Management to extend those appointments because of the requirement that was placed on us by federal OMB to stay within a certain guideline. We're still under that mandate."

Also brought before the committee was the problem of employee unrest due to unanswered questions about the transfer.

Mr. Allison conveyed to the Committee "It should be incumbent upon us (feds) to keep employees informed--admittedly we are somewhat late."

Mr. Valinske of the United Transportation Union (UTU) added that although UTU doesn't have the problem some other unions have, he felt that management has given them information that has been available. He also pointed out that although the FRA has been slow in getting information out, the state and the transfer team have been helpful.

Employees brought before the committee questions regarding the change in policy concerning maintenance. Several examples were given to which the railroad management and transfer team could answer various employee concerns.

Mr. Polanchek explained that "The gradual change has been occurring over the last ten years. Anchorage has always been our primary maintenance facility for locomotives and all our rolling stock--repairs, overhaul, any major function would come to Anchorage. Fairbanks is gradually phasing out, it's more of a troubleshooting operation, refuel, inspections, nothing really significant...The need for the type of skills and technicians that we had previously in Fairbanks has changed and it's become more of a service station where all we're doing is normal daily inspections. All of our locomotives are based in Anchorage, they go to Fairbanks and return to Anchorage...Major maintenance and servicing will be done in Anchorage."

Mr. Allison stated that "the FRA in Washington has a strong interest in a successful transfer, and that means that the railroad is a successful post-transfer. There is no economic incentive for the federal government to cut maintenance expenses. That lessened expense is merely going to the revolving fund which is transferred to the state minus federal obligations. We've been working in every way possible with the state to involve them in a current basis in decisions and we look forward to doing the same thing with the board once it's appointed...All money comes from the revolving fund which transfers to the state minus any current obligations to the federal government. If we started cutting expenses in that way, it would just add to the revolving fund. There is no economic incentive for us to do this in any case."

Attachment B includes informational letters of August 1984 and September 1984 to all railroad employees from the FRA and transfer

team, and minutes of the October 2, 1984 Senate Transportation Committee meeting.

ALASKA RAILROAD BOARD  
CHAPTER 153, SLA 1984

Chapter 40. ALASKA RAILROAD CORPORATION, ARTICLE 1. Section 42.40 020. BOARD OF DIRECTORS. (a) The powers of the corporation are vested in the board of directors. The board consists of the commissioner of commerce and economic development, the commissioner of transportation and public facilities and five members appointed by the governor. The five appointed members must be registered voters in the state except as provided in (1) and (2) of this subsection. Except for the commissioners and the member appointed under (5) of this section, a member may not be a state officer or employee. Appointed members shall have the following qualifications:

(1) one member of the board shall be a person who has at least 10 years of experience in railroad management; a person who is not a resident of the state may be appointed under this paragraph;

(2) one member of the board shall be or have been an executive official of a United States railroad and shall be selected in accordance with any requirement imposed under 49 U.S.C. (Interstate Commerce Act); a person who is not a resident of the state may be appointed under this paragraph;

(3) at least one member shall be from each judicial district directly served by the Alaska Railroad;

(4) one member shall have at least five years experience as owners or managers of a business in the state;

(5) one member shall be an employee who is a member of a bargaining unit representing employees of the corporation.

(b) Except for the commissioners, the members of the board shall be confirmed by a majority of the members of the legislature in joint session. A member appointed by the governor has the full powers and responsibilities of a confirmed board member until the member is rejected by the legislature or the legislature adjourns without confirming the member. (Attachment C is Chapter 153, SLA 1984)

Governor Sheffield has appointed the following individuals to serve on the Alaska Railroad Corporation Board of Directors:

James Campbell, 52, president of Spenard Builders Supply and a former Anchorage city councilman and borough assemblyman; will serve a five-year term;

Lewis Dickinson, 52, a civil engineer and member of the Anchorage Port Commission; will serve a four-year term;

Gerald Valinske, 33, who will fill the seat designated 1, law for a representative of a labor union affiliated with the railroad; will serve a three-year term;

Frank Chapados, 70, Fairbanks, president of H & S Forwarders Inc. and a former State representative who will serve a five-year term;

Commissioner Richard Knapp, Department of Transportation and Public Facilities; and

Commissioner Richard Lyon, Department of Commerce and Economic Development.

The Alaska Railroad Board has held 3 meetings. To date, the only available minutes are of the October 26th meeting. (Attachment D)

The Alaska Railroad Board selected Frank Turpin, president of the Alyeska Pipeline Service Co. as chief executive officer of the Alaska Railroad.

Other railroad related topics which staff have been following include Seward's protest of the appointment of Lew Dickinson, which the ICC has ruled as having no conflict of interest; Frank Chapados' conflict of interest, of which no decision has been made at the time of this report; and in general, the progress of the work plan of the transfer team.

#### CHAIRMAN CATO'S TRIP TO JUNEAU

Representative Cato made a trip to Juneau the week of October 21st to follow up on her meetings during her trip to Juneau in August. The following is a brief summary of what was accomplished while she was in Juneau.

Chairman Cato met with Joe Camp, Deputy Commissioner of the Marine Highway System to discuss the Marine Highway System (MHS).

To better explain negotiations with the ferry employees, here is some background as to how we perceive what is happening:

Currently the ferry workers are represented by the Inland-boatmen's Union of the Pacific (IBU-P). It is the IBU-P which has been at the bargaining tables with the State since this spring, but no agreement has been reached.

The Inland Boatmen's Union of Alaska (IBU-A) was going to seek an election of union representation, but decided against it until IBU-P had a contract proposal for the workers or bargaining talks terminate again.

The International Longshoremen's and Warehousemen's Union (ILWU) filed a petition with the Labor Relations Agency to force a union representation election.

The State has posted the notice of election of which there is a 3-4 week posting period, then a protest period, which was the status when Chairman Cato was in Juneau. If the protest goes to election, then it could tie things up and it could go to court. Thus the situation has now become the need to establish with whom the State will negotiate.

Representative Cato and Mr. Camp also discussed the profitability of the M/V Bartlett during the summer months in the Prince William Sound, the alternatives available for a high speed ferry system for southeast, the centralized reservation system, and how to resolve the problem MHS is having with the senior citizen resolution and how it is being abused by retired magazines.

Representative Cato also had two meetings with Commissioner Knapp to discuss the progress of the Capital Projects Cleanup group, when FIS will be on-line, the Valdez terminal building, San Juan Dock repairs, appointments to the Alaska Railroad Board, and basic operating/capital budget discussions.

Representative Cato met with Gretchen Keiser and Alexander Hoke of the House Research Agency for a briefing on rural energy programs to prepare for her panel discussion at the Alaska Municipal League.

Representative Cato had a breakfast with Commissioner Endell to discuss the prison in Seward.

AS 23.40.210. Agreement  
LABOR AND WORKERS' COMPENSATION

Captain Dick Hofstad has been in contact with Representative Cato and staff regarding the intent of AS 23.40.210 relating to cost-of-living pay differentials between Alaska Marine Highway employees who live in Alaska and those who live outside the state. The purpose, of course, is to encourage employees of the Marine Highway system to live in Alaska.

Captain Hofstad had been disturbed about the implementation of this statute and in his opinion, it was not being followed.

On October 12, staff was invited to attend a meeting involving Captain Hofstad, Deputy Commissioner Joe Camp, Marty Nusbaum with MHS, Karen Clark with Labor Relations and Guy VanDoren, with Senator Ziegler's office.

Staff is still in the process of researching the various opinions by the Attorney General's office relating to collective bargaining agreements negotiated with the unions. In October of 1978, the Inlandboatmen's Union of the Pacific filed suit against the Alaska

State Personnel Board and the Alaska State Labor Relations Agency. That case has been given to the Federal District Court and at the writing of this report, we are awaiting the judge's decision.

#### CONFERENCES ATTENDED

##### \*First Annual Washington Transportation Safety Conference

Representative Gato attended the first annual Transportation Safety Conference in Seattle during October 1-3. She found this conference to be a full and complete informative meeting and highly recommends that it be attended next year. Attached is a copy of a memorandum from Chairman George Walk, of the Legislative Transportation Committee to the participants of the conference and enclosing the detailed agenda and a list of those attending.

##### \*National Association of Governors' Highway Safety Representatives

Representative Gato attended the highway safety conference in Des Moines, Iowa during September 9-13, 1984. The conference covered all facets of highway safety and was a very informative meeting.

The agenda included:

Highway Safety Progress in Combatting the Drinking Driver Problem

What is Prevention?

408 and license Suspension

National Commission Against Drunk Driving

DWI Decision Making in the Higher Courts

Motorcycle Helmets and Safety in the 80s

Highway Safety Traffic Records: The New Law and Computerized Guidelines

Occupant Protection: Motivation and Mandate

Special Workshop on Child Passenger Safety and the New Law

K-12 Traffic Safety Education

Motor Carrier Safety

Commercial Vehicle Safety

Hazardous Materials Safety, Transportation

The Flagman, Traffic Safety and You

Key Management Issues in Federal/State Interaction

-child passenger safety/traffic records plans

-the single audit and attachment "p"

- communications between NHRSA and NAGHSR
- training available to the states

Attachment E, for your future information, is a listing of the Governor's Highway Safety Representatives and Coordinators.

\*Multistate Highway Transportation Agreement Committee

Representative Cato was invited to represent Alaska on the Legislative Panel for the Multistate Highway Transportation Agreement Committee November 8, in San Diego, California. The main topic of this panel was the recent amendments to the state size and width regulations to conform to the Surface Transportation Assistance Act (STAA).

GENERAL SUMMARY OF OTHER ACTIVITIES

Other topics which the House Transportation Committee staff has been covering include:

Complaint received from District Manager of Colt Industries regarding bidding process for engines on the M/V Matanuska. After reviewing the various materials which Mr. Decker supplied to the committee, discussions with the Deputy Commissioner of the Marine Highway System and the Commissioner of Department of Transportation, it was surmised that Mr. Decker did not have a valid complaint. Should any member wish further information on this topic, staff would be more than happy to provide further details.

Wien Employees Acquisition Committee's attempt to purchase Wien Airlines by its employees. Staff was asked by Representative Szymanski to look into this matter to determine if there was anything the Committee could do to assist the Wien employees with their situation. As it turns out, there is nothing the Legislature can do at this time to assist the Wien employees.

Please find enclosed a DRAFT summary of the use of high float emulsion treatment by Billy Conner, Research Engineer of the Research Section of the Department of Transportation. We will be receiving further reports on this treatment as DOT determines the success or failure of the high float emulsion projects. (See Attachment F)

The Department of Transportation and Public Facilities has also provided our committee with a copy of the "Summary of Capital Appropriations FY 85" which present an overview of the capital funds appropriated to and through the Department of Transportation from Chapter 24 (HB 691), Chapter 22 (HB 636), Chapter 18 (SB 364), Chapter 45 (SB 94), Chapter 171 (SB 409), Chapter 136 (HB 452), and Chapter 92 (HB 487) SLA 1984. In addition, an analysis is included of the repeals, reductions,

and scope changes from Chapter 171, SLA 1984 (SB 409). Copies of the Summary are available upon request.

The following is an update on the invitation for bids by the Department of Transportation and Public Facilities, taken from the Administrative Journals:

- Project No. G-27035, Tok Area Road
- Project No. A-86281, Miller House Bridge
- Project No. D-35331, Ruby Airport Runway Expansion
- Fence for Equipment Storage, Peger Road, Fairbanks 85-25-2-30
- Land Lease, Homer Airport
- Land Lease, King Salmon Airport
- Land Lease, Dillingham Airport
- Juneau-State Office Building and Alaska Office Building  
Handicapped Restroom Modifications
- Project No. R-20009, Nulato Scout Armory
- Umiat Airport Maintenance
- Fairbanks International Airport Terminal Gift Shop Concession
- Project NO. BRS-750(4), Maclaren River Bridge and Approaches
- Project NO. X-40124, Nome Office HVAC Retrofit
- Upgrade Barrow Employment Center
- Project No. MT-347, M/V Taku Reballasting
- Project No. A-86131, Old Chena Hot Springs
- Project No. R-20030, Gakona Remodeling and Multipurpose  
Addition
- Project No. li-60071, Fairbanks Jail Remodeling
- Project No. RS-I-0A2-1(i), Robertson River to Yerrick Creek
- Project NO. MT-349, M/V Aurora Drydocking and Repairs
- Project No. MT-351, M/V Tustumena Drydocking and Repairs
- Project No. MT-350, M/V Columbia Drydocking and Repairs
- Mitkof Highway Ferry Terminal to Scow Bay, Petersburg
- North and South Tongass Raised Pavement Markers, Ketchikan
- Hoonah Harbor Maintenance Dredging
- Hydaburg Creek Bridge
- Mendenhall Spur West, Juneau
- Klawock to Hollis, Stage 1
- Hoonah Airport Clearing
- Project No. HES-071-1(54), Airport Road and Richardson  
Highway Intersection Beacon
- Carpet and Vinyl Sheet Floor Covering, Fairbanks Pioneer Home
- Vinyl Fabric Wall Covering, DOT/PF Administration Building,  
Project No. 85-25-2-34, Fairbanks
- Gift Shop Concession, Fairbanks International Airport

BUDGET

INTERIM



ATTACHMENT "A"

Senate Transportation Committee  
Committee Work Session

Anchorage Legislative Information Office  
October 2, 1984  
3:00 p.m.

Capital Projects Clean-Up Report

Present: Senator Moss, Chairman  
Senator Fahrenkamp  
Senator Faiks

Absent: Senator Kerttula  
Senator Gilman

Other legislators participating: Representative Abood

Witness:

Jim Merrill  
Capital Projects Clean-Up Group  
Office of the Commissioner  
Department of Transportation & Public Facilities  
Pouch Z  
Juneau, AK 99811

ACTION NARRATIVE -VERBATIM TRANSCRIPT

Interim tape #4, Side A

No tape log numbers are recorded as no tape counter was available.

Moss: We have Jim Merrill here. Jim, if you will give us your name, etcetera, for the record, we'll get started on this.

Merrill: My name is Jim Merrill, and I am the Special Projects Engineer for the Department of Transportation. Specifically have been for one year assigned to the capital projects clean-up effort which was really a result of the question from the senators and this committee previously on problems with managing our capital projects. You have a handout there basically of the status of our project as of the 27th of Septeml... I have a kind of a flip-chart presentation here. I have two things today, two emphases. One is to bring you up to date where we are, what we have done so far and the second is to once again like we have in the past, come to the committee and ask for some help in the approach that we doing, we are not asking for money to do that, but we are at a crossroads where we need to know if the type of solution is basically the type of thing that the senators,

this committee can at least understand and endorse. And so if there's no other questions I can go right into my presentation.

Moss: I appreciate it very much if you would Jim.

Merrill: I'm not much of an artist but...in honor of the railroad, you see that we have a problem here. We have come here, but the other track is down here, and you might say that this side is where we have the information and now we have to...

Faiks: I wish you wouldn't have used the railroad for this little example of your accounting problems.

Merrill: I really didn't realize it until I sat back there...

Faiks: You see how sensitive we are on this!

Merrill: When I heard about moving money from one account to the other, you need CPC, you need the Capital Projects Clean-Up Committee and I'm not volunteering though, remember that.

Faiks: Listen you guys are going to go department to department, you know Fish & Game has the same problem, doesn't it, Bettye?

Merrill: Health & Social Services

Fahrenkamp: Oh God, don't ever volunteer for HESS, you'll be there the rest of your life.

Merrill: But we do have the problem that you're well aware of, and we do have to thank you from the Department for the help that you've given. You have been a big help and we'd like to bring you up to date on what we're planning now to kind of wind it up. The problem is we're here, we've got to get through there, and that's the problem as we're well aware. We have the information, how do we understand what we have and how do you understand what we have. The approach, you see, and the light is red here (referring to flip chart). The first thing I want to tell you that we have discovered, without a hundred years and a hundred accountants, and I saved the little newspaper article, I wish I had it with me, it came from Argentina, where right now there is a hundred civil servants pawing through six foot stacks of papers trying to figure out how much they owe. They don't know whether they own \$20 billion or \$48 billion.

Faiks: You're not comparing us to the Argentines, are you?

Merrill: No! But I do want to make the point to the committee that there is no practical way, both timewise and cost-effectiveness-wise, to make a strictly accounting reconciliation.

Fahrenkamp: You couldn't make an accounting reconciliation if you were here for the next hundred years.

Merrill: That's right. And that's, that is the first emphasis that I'd like to have understanding on, that we cannot make, practically, an accounting reconciliation.

Moss: That's all past the bench now.

Faiks: How much money are you short in making that reconciliation, are you going to tell us that or is that three pages down after...?

Merrill: Well I'm going to tell you how we're going to get there. We have the information, it will be coming to you in report form, in maybe less than three months. Okay? But you be aware of that.

Faiks: Now what's the bottom line? How much, what's the gap there in your tracks?

Merrill: One thing I can tell you is that we had when we started \$45 million dollars worth of projects overexpended. We have reduced that, without extra money, down to \$10 million by requiring them to straighten up their records. We feel we can get a lot closer than that. We do know we have a stack of bills on the table that can't be paid, and those will be \_\_\_\_\_ to the legislature in form over a couple months.

Faiks: How much is that? Now we're talking hard politics.

Merrill: It's more than a million.

Faiks: Is it more than ten?

Merrill: My guess it's in between

Fahrenkamp: Is it bigger than a breadbasket?

Merrill: The second thing is you can't make an accounting reconciliation, that our reconciliation that we're proposing to the committee and asking for guidance on too, requires some understanding of the problem and informed judgment and the use of summary type data...

Fahrenkamp: Wait a minute. Draw me a picture.

Merrill: Okay. Summary type data is something like this. Take the 1980 bond issue. It has right now 497 active projects yet in it. Each one of them could be considered a line item appropriation. We may not be able to do an accounting reconciliation on each one but in summary we can say this is how much money was in the bond issue, and this is how much we've spent, we've closed these projects, this is what it

will take to complete the rest. That is summary type data that we've been able to get. We can't in many cases pin it down to the individual project. We are looking into every project to whether we have met the legislative intent of the project, and this is quite revealing to us, and in our statement that we have there we've used something called conformity factors, where we will state that we in fact met legislative intent or we did not meet it in this area. Conformity factors is part of the report that will be coming to you, taken in what you as a legislator intended that project to do.

Abood: Mr. Chairman, if I may. It's very startling to you when you find out what you're talking about in the legislative intent when there have been very few pieces of legislation or very few appropriations that hasn't violated the legislative intent, so how do you know what that legislative intent is if it's been changed so many times...to conform to what they wanted to do regardless of legislative intent.

Merrill: We're going back to the commission to which is commonly called in our language the form 35, 35\_\_\_\_\_...

Abood: That's where the startling part is coming in.

Merrill: I know that, but it's only in many cases the only intent that was originally put down and we know that legislative intent is sometimes not very clear for us to determine. And the last thing on our approach is to put in place procedures not to do it again, and that I think is important for you to know. One of the questions that you might is why can't we make an accounting solution. As you can see the railroad here, there's only one common rail on this track, and the other two tracks don't meet.

Fahrenkamp: That's due to the differences in the accounting system, the differences in practices and changes down the line in government, right?

Merrill: Right. One of them is that in the state accounting system, in PBA, it's only balanced forward every year. We run from inception to date, and so we're always in a problem of trying to make things match, and we don't match and we didn't match significantly on June 30th and we're now trying to find out why.

Fahrenkamp: Did you find that account that things used to be stuck into when they didn't know where to put them and wanted to hold it over, has that been straightened out?

Merrill: The "M" account, that you are well aware of. They will be addressed what they are and maybe not totally accounted for but they will be addressed the best we can on that. The reason here that the funding side, the state accounting

system, only carries total dollars regardless of what the legislation. The legislation says you have total dollars made up of so many dollars of general fund and so many dollars of other. The state accounting system only takes a total and tracks that, regardless of what kind of money it is. Our own accounting system...

Moss: Does that include the funny money?

Merrill: This is where the funny money comes from. Because our own accounting system then takes this general fund here and breaks it down into whether it's match money to go with the federal money, and that looks really good, and that becomes into what we called non-participating or participating. Now, when we go out to spend it in the operations, we collect cost by project and it has more than one appropriation in it, it loses it's identity of where the money, of what appropriation the money came out of. It goes up to our accounting and we have something called the "ML", the missing link that allow us to track through and say we didn't spend all of the general fund portion here, or we spent more general fund and less of this. That's your funny money. We have a solution for that which is, which will bring materiality, if you're an accountant you know what that term means. It means they can't reconcile exactly, but they can get it close enough to where it's not material anymore. We feel that we can bring it within the limits of materiality by the process that I'll explain to you. Now the solution. Remember...

Moss: Can I ask you a question Jim? If this thing works out it could be applied to not only DOT but to other departments as well, couldn't it?

Merrill: The same types of problems exist because of being with the same accounting problems.

Abcod: If I may. Isn't there some, is it the legislator's position or job to set forth regulations or statutes that prevent the different agencies from doing this or is this strictly an in-house, DOT if you will, using that as an example, can they do anything they want to do with these funds? Is there anything legislatively that we could do to prevent that. As an example, appropriations within appropriations, moving those funds around which is against the statute to start with. But they do it. Now what's going to prevent that?

Merrill: The only thing that's going to prevent anything, like that is basically a control system that we have, I'll be talking in a minute about that, putting in place and \_\_\_\_\_. I can tell you this our commissioner is very concerned about this himself, and I'm sure the Administration is. One of the things is you as a legislature have recognized this by line item appropriating so we can't theoretically put more than

one appropriation in a project. The matter of fact is that we have put other appropriations in projects and that's the problem because we lose the identity of which one of the appropriations it went to. As an example, in one of the bond issues there is a project right here in Anchorage that the bills that we paid were \$5.2 million dollars, this is just last spring, May, the bills were \$5.2 million dollars paid out of the bond issue. When the federal receipt came back, the federal money, the check, it was deposited to the general fund, which means now when you get the general fund, and you get back in session, you say we have a surplus in the general fund this year, you're really reappropriating the money that belongs in the bond issue.

Moss: It's already been appropriated.

Merrill: It's a bond issue appropriated, what it's going to do is, and the thing that we're determining is, what's the effect on the bond balance, the cash balance in the bond. It could mean that some of the projects started in that bond issue will in fact be short of money. So there is something that is not controlled anywhere in the legislation, anywhere in DOT, anywhere in the Dept. of Revenue, anywhere in the Department \_\_\_\_\_. There is a major flaw that was uncovered in our own system and we're taking action on that. Anyway, our solution.

Fahrenkamp: There was a project in Fairbanks, maybe six years ago, maybe more. Okay. It was funded by the legislature through DOT. DOT in its wisdom decided it shouldn't be done so they did something else with it. It was funded again, DOT in its wisdom decided it shouldn't be done, they did it again. To this date it hasn't been done, at this time if it were done it would cost eight times what it would have, in fact it's prohibitive now. What recourse if any do we have on that, and is that kind of thing still going to be able to go on.

Merrill: One of the things to answer your first part is that we have identified, as of the 31st of August, some \$897 million dollars worth of authorization - could be general fund, or federal authorization that you have given us for projects that we have not yet started, or in other words started by putting the project in our own accounting system, or that we're never going to start, we just have never programmed them to start. There's \$897 million dollars. What we are doing in the report is that we are right now accounting for that - the projects that haven't been started, the projects that we are never going to start and give a reason why. That will be in the report, and that should be interesting in some projects.

Fahrenkamp: It should be in the interest of some legislators who

sweated blood to get some of those projects that are not going to start.

Merrill: Representative Cato, everytime I see her, asks about her Lackinaw Bridge. That is in that category, that it was funded, properly funded again, and the money was moved, in this case to the Juneau-Douglas bridge. So all that money's gone. The authorization's still there, we have just never programmed it into our own accounting system to start work on.

Abood: Where's the money then?

Merrill: It's sitting restricted in the state accounting system. Now whether it, the thing is...

Moss: What you're saying is we've got \$800 and something million bucks laying somewhere we ain't spent?

Merrill: Of authorizations, no money. Well that's the thing that we are determining, how much of it is actually general fund, how much of it is federal authorization.

Fahrenkamp: You'll find that there's a hell of a bunch in the general fund and a hell of a bunch of it that was never collected from the federal government, simply because we didn't do our damn paperwork.

Abood: Two years ago, three years ago, there was over a billion dollars in DOT that was unaccounted for, that they had money that was appropriated, and there it sat.

Merrill: That figure is now \$897 as of the end of August. Since I surfaced this issue and got people working on it to try to account for that, what projects did the legislature authorize for that authorization. We have programmed an additional 105 million of them so this figures down right now, because we've started to put some emphasis on that. In our report we will be accounting for all of the funding that's been restricted in there and never put to a project...that I can find.

Moss: \$897 million.

Faiks: \$897 million. You're kidding!

Merrill: Don't panic on that, Senator. Make them give you the facts first. We are identifying, within that is \$50 million dollars for a...

Faiks: No wonder you have time to make little colored pictures.

Merrill: Within that money is \$50 million dollars that was

appropriated for a replacement for the TUSTUMENA, and it was basically all federal money. It's highly unlikely that the Department is going to put a third of its federal money into one project in one year but those are the kinds of projects...

Fahrenkamp: That kind of depends on whether Bill Ray's finance chairman or not.

Merrill: You can comment on that, I can't.

Faiks: Somebody ought to.

Moss: In other words what you're saying we've been allocated \$50 million for the TUSTUMENA already.

Merrill: The authorization is there, if it was set up and the feds approved it now, there's nothing says we couldn't start working on it.

Faiks: And the TUSTUMENA, that's our highway dollars, isn't it, I mean that's part of our interstate highway system, so in the southern region, they don't get \$50 million dollars a year, do they?

Merrill: No, about ten.

Faiks: That's right, because we get \$50 million right here in River City for all of southcentral Alaska.

Merrill: Let me tell you one of the benefits of surfacing this and trying to account what were the projects that the legislature intended to be done with that. It allows you to come back and reprioritize that and that will...

Moss: In other words, what you're saying Jim, out of that \$857 million, the TUSTUMENA is one of them, do we want to keep that up there as a number one, two, three or four priority? That's what we need to tell you all again, right?

Merrill: I'd like to get it out of our books, because you know, every year we have to look at \$800 million dollars.

Faiks: I bet those legislators that aren't there anymore that have the projects in are the first one to go.

Merrill: Anyway. But we are accounting that will be in the report, as best as we can identify what the project, legislative intent it, what our status on those projects are.

Fahrenkamp: One question. Now that \$800 million that's somewhere, that's at least appropriated, how much is that under what it would take to do all the jobs that have been appropriated and don't have enough money to do.

Merrill: I don't know that figure but I can tell you know that you can't buy a TUSTUMENA for \$50 million bucks.

Fahrenkamp: Well, I know that but...

Merrill: And I am not a naval architect but I...

Fahrenkamp: ...it sounds like you've got a whole heap of money, and yet, there might be, we'll pick up a round figure, \$11, \$12, \$15 million, \$100 million, \$1 billion, oh give or take a 0 or two, that had been authorized, but there's not enough money yet to do. huh?

Merrill: My own person opinion is that the bulk of that is excess federal authorization. We may be looking at maybe \$100 million dollars worth of general fund, don't hold me to those figures, but I have a feeling it's about that amount. The rest of it is excess federal authorization that we've asked for, and you've given us.

Faiks: Excuse me for having to run out for a phone call, maybe somebody's already asked this question, are you going to be able to give us the project that was authorized, what year it was authorized, how much it was supposed to be...

Merrill: We are accounting back, I used summary type data, I can't, maybe not be able to get back to the very line item in the appropriation. Some of them are just allocations where it says go build highways, but I will take it back to the legislation, session law, chapter and year.

Faiks: I guess if it says it's a block grant to go build highways, then that would be fairly easy to take care of. What we're having trouble with is go put \$5 million dollars into the Steese Highway...

Merrill: Or LaTouche.

Faiks: Right, or LaTouche, okay. So then we'll have to...but that might have been ten years ago, or seven years ago or whatever and maybe the Steese Highway has already had it's upgrade in that spot. We have to have the tools to be able to decide what gets dropped off and what doesn't.

Merrill: We are going to, the best we can, give that, and what the present, current status of it is...we hope to surface some kind of an add/delete bill to you.

Fahrenkamp: I tell you one thing - we know a hell of a lot more than we did when you started this.

Merrill: So do I, and if I knew it, I don't think I'd have done it, accepted the challenge.

Fahrenkamp: Scared you half to death, wouldn't it?

Merrill: Yeah...our approach. you know I said couldn't do an accounting approach, I can account for all the projects, and we're going to try to account for the scope, the legislative intent, the intent of the bill, interchange, I can account for that. Going to the appropriations, and we can account for the dollars spent on appropriations. Then we come over to the funds...here we have the revenue problem, is that we are trying to determine in the factor the revenue shortfall which will point out the funny money. We're going to do that in summary, because I can't, there's nowhere in our records get back to the individual project.

Abood: Will you be able to tell why the shortfall?

Merrill: I will be able to tell you generally what the main reason is for shortfall, that the project was programmed to spend \$10 million dollars state money and \$100 million dollars federal money and when it all ended up we spend \$20 million dollars of state money, \$80 million dollars of federal money and we still hadn't overspent the appropriation. We changed the funding mix of the appropriation just from our spending patterns. This is going to be revealing to the Department how widespread that is too and it is reasonably widespread. And that's why going back to our legislation you always have a total appropriation and you have a funding source. Nowhere have we overspent the total out there, but what we don't know is what have we done to the mix.

Faiks: Why do you need a supplemental if you haven't overspent the total?

Merrill: Because it maybe...

Faiks: Because you have unpaid bills sitting on the...

Merrill: And one other reason, that we may never get the federal money, the feds won't ever participate.

Moss: For what reasons?

Merrill: On of the things is that the work that was done was declared non-participating, or it might have been like the right-of-way on a project here that they said wait a minute, you didn't do it right, and that was \$9 million dollars. And if they come back and say they're never going to pay you, the state's going to eat the \$9 million dollars, and we have found a lot of that, and we're going to...right in the report so you know exactly where that is. The approach is, and this is where I need some feedback within the next three or four weeks if I can get it. Is this approach, I can't hard-wire between the...in the accounting practices, but I can take all the information in the project, the information

of the appropriation, the summary, and the funds and I can do a threshold analysis and give you what I believe has occurred and the ranges of problems, and like I say we may have spent \$10 million dollars more general fund here than was in the mix appropriated on top. That we feel we can do it, and do it in time for when you come back to the next session, that you will have that report in your hand so you can look at it. That is what I need to know, if that kind of approach would answer your questions. You probably wouldn't be happy with it, I don't expect you to be happy, but at least you would understand why I feel I have to go that way.

Fahrenkamp: Now you and I both know, or let's say suppose, that there's been a project here DOT's doing, oh well, they just lack \$13 million of having enough, or \$20 million of having enough, or whatever, and we've got this kiddy over here to do this little jobby, so let's just take \$13 million of it and cash it...

Merrill: From what I heard from the railroad this afternoon I would go ask them how they do it. It's about the same. It has happened in the past, traditionally, that you've just gone down to the next fund source. However that is not a practice now.

Fahrenkamp: Hopefully not.

Merrill: One of the reasons is that your line item appropriation, however, mistakes are made, I just saw one the other day where there was on the same page as Chapter 24 which was just last year's session was a totally state funded project and right below it was a federal aid project. Guess where the federal aid expenditure was on the state project. In this case it was \$124 thousand dollars. The feds will never get billed for that. Now if that had gone undetected through next June 30th, we could not have corrected it, and that's what's happened in the past, that nobody ever looked, and corrected those. We're putting into place now an effort to make sure that that does not...

Moss: Would the FIS do this?

Merrill: FIS will, FIS is only the computer part of it, but it would help.

Moss: How come they aren't proceeding on with FIS?

Merrill: FIS has had some implementation problems that has delayed it.

Moss: Is it true they spent \$4 million dollars?

Merrill: I'm unsure of that.

Moss: I just want to get that on record.

Merrill: I'm unsure of that. We have accomplished some firsts in this effort that I'm proud of, and I think that you as a committee ought to be proud of too because you were involved too. We have closed 8351 projects that were always there open...and involved in doing this has become an increased knowledge and emphasis in the department that the old days are gone, that accountability is now part of the game. As I said before we have reduced the dollars of overexpended project budgets - from \$45 million to below \$10 right now, and we're going to get that even more. We have developed new report capability to allow us to pinpoint our problems before they get where we can't do anything about them. We call the annunciators. Pappy, you're an old airplane driver like I am. Annunciators always is a little light that says you've got some problems, and hopefully in time that you can correct. One of the annunciators was the three red lights and three white lights that says red over white, airman delight, white over red, airman dead. Anyway, we have done this in depth study, and one of the things that I'm very pleased about is the teamwork and the understanding that we have developed with the legislature and other departments over this, it's no longer a hush-hush subject, we are starting to level with each other and there's becoming solutions to problems, There has been an agreement which has not happened in the department before, the agreement there is a problem and that we can do something about, and I think that's an important one, recognizing that we had the problem, and that we can do something about it. Now, we feel that we've gone over this piece right up here right now because we're in the process of writing a file report right now to the administration of which you will get a copy. We have one more little hole to go across here, and I hope that we don't fall into that, and that is, that we're going to have to be able to maintain our data until we have a new system in place to out it in for caretaking. That system is not there yet. It was originally scheduled for October 1 and it's somewhere down the future yet.

Moss: What do you call that?

Merrill: That's FIS. What we have done at CPC and we are going to be incorporated in the department and it will be an ongoing affair.

Moss: Let me get this straight before you go any further past that little hole there. FIS has got to be online to make sure it's corrected.

Merrill: There is really no pure way to spit out whether the money is general fund or other that you spend without having that capability. We are starting to keep records on mini-computers that allow us to keep track...that's part of our

effort here. You can see up here, the little man here he's looking here and there's been a break in the hitch between the system and integrity and we up here, we didn't do it in the first place, we're not admitting anything but we promise not to do it again. This is what we're going to what we have in place now as control feature. We have our reports that are much more accurate and more timely and point out the problem areas to us quickly. We are now put in what we call alpha-control. For instance if a charge is charged, if a bill is charged to the wrong project, we have a way to catch it, and the reason I caught this other one... is because I was reviewing one of these alpha-control and there it was, it stands out. We have established in each region what we call the project control groups comprised of five to seven people, who watch the projects, their funding, and their expenditure, whether they're in scope or out of scope, and those kind of things. These are all human type controls because we do not have any really computer control available to us at this time. Training, quality assurance we are assigning responsibility now to where we know who has the responsibility, this isn't everybody's job now, it is an assigned responsibility and we have, by using these, we have the ability now to validate the information that flows within our system. Now in closing you see the little train. It is just starting over the hump, and we not only think we can we know we can accomplish it if we can use the approach that we have of being able to take the three areas - the projects, the appropriation and the funds and do a real professional analysis job and then present summary type data too.

Fahrenkamp: This time it's summary type data. Now if we get this...but if after all this work that you've done, which has been very encouraging to me, we have this system in place, will we from now on have to go to analysis type or can we have absolute data that will check project against project, funds against funds, or is that a dream that will never happen?

Merrill: The state has a new accounting system that is scheduled to go on-line the first of July. Within that accounting system is the ability to track other than total practice fund mix that you have in the legislature. That would be the single biggest help that we have, to be able to know whether we've spent the general fund portion of that appropriation. Right now there's nothing controls that, other than humans looking at that. We also feel that these human controls that I have just been over will have to continue on. We still have haven't replaced the human overlooking what the machine does, because the machine will accept anything. So we will continue those human elements in our controls which is new to our department and I feel that you will see a progressively better accuracy where we can do an accounting reconciliation whenever you need it. Hopefully to the point that

the Legislature would then have enough confidence in our project management ability to where we would once again be able to have a little more leeway than we now have with line-item appropriations. This is causing us some problems, but it's very understandable why the Legislature has done that.

Fahrenkamp: If we hadn't done that we'd never get there. Can we tell now from your work, excuse me Mr. Chairman, can we tell now from what's in this report that's coming up, would we be able to say okay, what's done and gone, I hope it doesn't happen anymore, but there's been \$3 million dollars worth of federal funding that should have been applied for that was never applied for by the state and received?

Merrill: Yes. We have that ability now and in fact it's on track. We run anywhere from \$25 to \$35 million dollars of unbilled federal receipts that's in the process. We're reasonably sure, I've checked back to 1972 which is the last records I could find available, and it looks that we have received all the federal money we've billed them for.

Fahrenkamp: Yeah, but did we bill them for all we were supposed to bill them for.

Merrill: That's the problem that I can't address, only in summary type data, and I have to do it on the revenue side. I have to say okay, in this fund, Fund 474 for instance, we spent money, so many million dollars that should have been federal aid. How much did we receive? And we're not going to get data out of that because of the problem I just told you about where they deposited the money to the wrong fund, but at least we'll have some summary data. One of the other things that we will have as of October 1, a very accurate count of the dollars it's going to take to complete every active project we have, and the type of money, whether it's general fund or federal money. We'll have a very accurate account and we will keep that up, obtaining that every three months, until we have FIS up to where we don't need to do that anymore.

Moss: Now will that carry us back through all of our previous projects that we know of in history?

Merrill: I'm going back as far as there's records. I know now that records in many areas are incomplete, because there has been lapses...

Moss: I know that at times when Casey was over there he was wanting to go back to '82, '83, as far as he'd want to go back to bring this data up to date.

Merrill: What we're doing is dividing them into two spots. We're

going to identify every project that's in the records somewhere as completed and done, and that will be in the appendix, there's going to be pages and pages. Then we're going to identify active projects by project and how much money was set up and what's the status of that project.

Moss: You got some kind of time frame on that?

Merrill: Our report to our executive, to our commissioner in draft form, we are expecting around the 15th of December, and then you can expect the published document maybe about a month later. This is, the reason we can meet this time schedule is because we have not had to do a strictly accounting reconciliation. Summary data is much easier and I...

Fahrenkamp: You do have to do that strictly accounting type stuff which would leave big holes as well, wouldn't it?

Merrill: Yes. What it would do is it wouldn't be any more accurate than the summary because of the holes in the data. And we have a consultant, Arnold Young, from one of the big accounting firms, who also agrees that this approach probably better than a strictly accounting approach.

Fahrenkamp: Well, Mr. Chairman, I've got to say again, even though it's summary data, I'm very encouraged to see this coming on line.

Moss: (inaudible)...I'm kind of proud of it myself.

Merrill: Any successes we've had so far has been because of this committee, has been willing to work with us on this, and I think it speaks well for the cooperation to the department on this project. Both are benefit.

Moss: Anything else.

Fahrenkamp: Let's go home. Unless he needs anything from us. What do you need from us?

Merrill: The only thing that I would need is some feedback is on the approach that I can't do a strictly accounting and that this would be an approach at least you'd be willing to look at.

Fahrenkamp: What you really expect is to hear some yelling about it, right?

Merrill: Yeah.

Fahrenkamp: Well all I can tell you is that... as I know how, because I don't know how you can do anything else unless you've got fifty years to do it in.

Merrill: And that's the conclusion...

Fahrenkamp: If you did do it strictly accounting then somebody's going to do a witch hunt.

Merrill: Oh yeah, there would be jail talk, and that's really not what we've been out to do.

Fahrenkamp: What we set out to do is get this thing straightened up.

Merrill: I do appreciate the interest. This thing could have died if it hadn't been for the commissioner and your interest as the committee. It hasn't been totally an easy road internally.

Fahrenkamp: Have you had any encouragement on the part of any of the other agencies or are they knowledgeable about what you're doing, have you had any encouragement from the agencies wanting this type of approach taken into their accounting?

Merrill: We have not contacted them, other than I know they do have basically the same problem, that could be approached the same way.

Moss: This is one of the biggest problems we had in the department, Bettye, when you look at it. Actually if this system works here, it could be applied to any other department.

Fahrenkamp: We could get them up to snuff and start somewhere clean.

Merrill: The one thing, Senator, that's got me a little concerned, that we have set up these human controls that we're going to try to keep the data clean now, but that has to be always a little pressure, always emphasis maintained, the human has a tendency to relax. There is nothing in the system developed as we have today that will allow it to, set it to motion and forget it. Our commissioner is not willing to do that, he's not willing to set it in motion and forget it, we stress that he is going to keep the pressure on.

Fahrenkamp: I would hope that your commissioner would encourage other commissioners to look at the...and to share with them what he feels about the value of this kind of approach, because I know we've had good people to leave government agencies for the fear that, good Lord, the way some of the accounting processes are, somebody's going to go to jail, and it's not going to be me, I quit.

Merrill: I thought about that myself.

Chairman Moss adjourned the meeting.

## CAPITAL PROJECTS CLEANUP

STATUS 9/27/84

The Capital Projects Cleanup (CPC) effort was started in November 1983 as a result of the Arthur Young Inc. Capital Projects Assumptive audit of October 1983. The CPC team is now preparing the Final Report of its year long effort.

### Important Accomplishments

The CPC effort has some significant accomplishments, both as a direct result and as indirect spinoff.

1. The universe of projects in the system has been significantly reduced. 8,351 projects or project phases have been closed. Our project computer reports are now 3/4 inch thick instead of 3 1/2 inches. All projects have been assigned to the responsible Region and the Departments' reports are now available by Region. Special exception reports have been developed to highlight problems and errors.
2. Increased knowledge and awareness of good project management techniques and responsibilities. Projects with expenditures in excess of budget have been reduced from \$45,509,539 to less than \$10,000,000.
3. A detailed look into the idiosyncrocies of FMS and our whole project management and accounting system.
4. Confirmation of the continuing belief that our present "system" is not serving us well. This knowledge has strengthened the development of the Department's new Project accounting system (F.I.S.) and the Project Control Groups in the Region.
5. Development of an integrated approach to reconciliation of the Department's present project accounting system which would be acceptable to most interested parties. This involves a three element program accountability analysis.
6. Better understanding and teamwork between various Departments and the Legislature concerning the whole Capital Projects problem area. These various groups have become part of the solution, not critical onlookers.

### CPC OBJECTIVES

The CPC Process and Procedures manual published in January of 1984 listed five objectives of our effort. The Final Report will show that these objectives either can be or have already been met by the Department.

## Objectives

1. Restore confidence in Department of Transportation and Public Facilities (DOT&PF) ability to effectively manage Capital projects.
2. Separate the Department's C.I.P. program of work initially into active and inactive categories for analysis and accountability of current and previous C.I.P. activity. Subsequent refinements of status will place all projects in active, complete, closed, and unclassified classifications.
3. Find a suitable way to account for Departmental responsibilities in the past which will allow those old issues to be resolved.
4. Provide a "cross walk" to F.I.S. by identifying the projects and information reliability to be included in the new system.
5. Identify criteria, policy, procedures and training needed for effective future project management.

These five objectives will be thoroughly discussed with recommendations in the report.

## CPC FINAL REPORT FORMAT

The CPC Final Report will contain five main sections and an extensive, detailed Appendix. The Report will include these sections:

1. CPC Objectives

This section will show how the CPC effort has met the objectives.

2. CPC Process

This section will build confidence in the solution and provide a detailed history of the effort which will provide an audit outline for future use by providing a complete outline of the whole CPC effort, the solution that the Department has developed, its strengths, weaknesses, etc..

3. PBA/FMS Reconciliation

This section will establish the reliability of FMS in relationship to PBA. Some old problems will be discussed and the conclusions that CPC arrived at will be detailed.

4. Program Accountability

This section will be a summary type presentation of how well the Department has met its obligations. The detailed data will be cross-referenced from the Appendix. Use of charts and graphs will be extensive.

CPC will provide program accountability using three basic methods:

By Project: This will treat projects as a single entity regardless of funding source. This will show scope accomplishment including conformity factors.

By Appropriation: This method will provide the accountability (or lack of) based on appropriations.

By Fund: This method will provide the accountability by both project and appropriation within the designated fund.

The Program Accountability section will concentrate on the strengths of DOT&PF program/project management while readily admitting the weakness and unreconcilable problems. This section will be strictly "up beat" with concentration on understanding and acceptance. The three basic methods will be brought together in a rational analyses which will show the overall condition and accountability of the C.F.P. program activities.

The Program Accountability Section will also address program irregularities, program status, fund status and revenue questions. Appendices will be correlated to provide information in detail for those who wish the backup.

#### 5. Corrective Action and Time Schedule

This section will detail the actions recommended by CPC using three general groupings.

##### a) Departmental

This group of recommendations and corrective actions including implementation schedules will cover items such as:

- program accountability recommendations
- system integrity and development
- recommended supplementals, etc.
- training
- policy, procedures
- Quality Assurance and Control
- organizational needs

##### b) Administration (other Departments of State)

This section will discuss interrelationships and recommendations with units such as OMB, DOA Finance, etc. Items such as:

- State Accounting System
- Revenue accountability
- RSA's etc.

c) Legislative

This section will present and discuss CPC recommendations for Legislative Actions. Items such as:

- Revenue
- C.I.P. implementation problems due to structure of appropriations. etc.
- Capital projects flexibility

The CPC effort will also produce for the Commissioner a Confidential Executive Report which will speak frankly about any strictly in-house items which he should be aware of.

This report can include items such as:

- confidential personnel matters
- inter-intra Departmental relationships and problems
- Legislative Recommendations
- Policy Recommendations

Time Schedule

The CPC Final Report will be ready for detailed Executive review by December 15, 1984. The Report data will reflect the C.I.P. status as of October 1, 1984. It is intended that the Final Report will be made available soon after the final Executive approval.

C P C  
CAPITAL PROJECTS  
CLEANUP

INTERIM REPORT

No. 1

State of Alaska  
Department of Transportation  
& Public Facilities

CAPITAL PROJECTS CLEANUP COMMITTEE  
INTERIM REPORT #1

This report is the first of several planned interim reports which will provide status of the project and outline the next steps needed in the Capital Projects Cleanup (CPC) effort. Included in this report will be problem identification, recommended solutions, and listing of resources needed to successfully keep the project on target and on schedule.

I. CPC PROJECT STATUS: (As of 4/1/84)

The major emphasis of the CPC to date has been focused on three principle areas:

1. a) classification of all projects listed as active and open in FMS and PDS into four categories (element III. See CPC Process and Procedures Manual for definitions).
  - 1) active
  - 2) complete
  - 3) closed
  - 4) unclassified
- b) proper assignment of Regional or Unit responsibility
- c) freezing "closed" projects in FMS (element IV)
2. determination of fund source status (elements V and VI)
3. verification of PBA/FMS reconciliations (elements I and II)

The effort in classification has been very successful. The areas where significant gains can be made have been highlighted and recommendations for these actions are contained in the recommendations section of this report.

## CLASSIFICATION RESULTS

CLASSIFICATION	TOTAL #	% OF TOTAL	NUMBER OF PROJECTS/PHASES IN CLASSIFICATION BY REGION OR UNIT RESPONSIBILITY							
			CENTRAL	NORTHERN	SE	NOME	VALDEZ	STATEWIDE	MIS	STATEWIDE
			1	2	3	4	5	6	7	8
Active	1360	45%	593	491	195	10	7	20	41	3
Complete	552	19%	388	94	56	3	3	2	6	0
Closed	986	34%	272	395	227	28	36	11	17	0
Unclassified	52	2%	13	18	11	3	1	4	0	2
TOTAL	2950	100%	1266	998	489	44	47	37	64	5

\* The CPC had concentrated its efforts on FMS cleanup as the timing, priority, relationship to PBA, and resources available do not allow full operations on both FMS and PDS at this time. This does not mean that the PDS effort is dropped, only delayed until FMS is cleared up. In this interim, on-going activities in PDS should be coordinated with the results of the CPC classification and cleanup effort.

## ESTIMATED COSTS TO CLOSE

CLASSIFICATION	TOTAL \$(1,000)	REGION OR UNIT RESPONSIBILITY \$(1,000)							
		CENTRAL	NORTHERN	SE	NOME	VALDEZ	STATEWIDE	MIS	STATEWIDE
		1	2	3	4	5	6	7	8
Active	453,800	194,458	130,532	60,021	464	128	24,666	42,634	897
Complete	28,409	20,747	2,343	1,643	203	43	2,850	580	-0-
TOTAL	482,209	215,205	132,875	61,664	667	171	27,516	43,214	897

\* Does not include liabilities in 52 unclassified projects

ON LINE FMS ACTIVITY

Using the information supplied during the Regional CPC classification effort, 954 of the 986 projects or project phases identified as closed were "frozen" in the on-system FMS. This freezing action was accomplished by placing 00/00/00 as a cutoff date and where fund resources allow, funding the project equal to expenditures. This action will undoubtedly increase the number of transactions on the error register due to "after cutoff date." We plan to let these errors accumulate during April. A "window" will be opened during May for clearance of the error register. During this time period, CPC intends to correct all the "after cutoff date" errors caused by the CPC closure effort. This is a manual process which will impact the Headquarters unit. No regional effort will be required for this action. Other error types must also be cleared. This will be a regional responsibility.

The effect on the error register so far has been negligible, but we expect the April 30, 1984 errors "after cutoff date" will show a substantial increase.

<u>TYPE OF ERROR</u>	<u># OF ERRORS 2/29/84</u>	<u># OF ERRORS 3/31/84</u>
After cutoff date	1472	1339

DETERMINATION OF FUND SOURCE STATUS

Determination of fund source status has been one of the most difficult and labor intensive efforts. While some of the information already resided within the FMS data base, considerable effort has been expended to correlate this information to the original legislation and fund type. This effort involved a project-by-project search of the legislation, correlation of fund type (billable versus non-billable) with programmatic records and legislative appropriations. This effort is still in progress. Due to the magnitude of the difficulties encountered, additional resources from other units will be needed to verify and correct the data. This effort is the highest priority within CPC at this time as the data will also be required for FIS implementation and loading.

### PBA/FMS RECONCILIATIONS

Elements I and II of the CPC task required verification of PBA/FMS reconciliation. The CPC team has monitored these elements for three months and has concluded that for all practical purposes PBA and FMS are in basic balance. By the term "in balance" it must be understood this represents an accounting balance which reflects the net collocate status in PBA/FMS.

#### NET ACCOUNTING BALANCE DIFFERENCE BETWEEN PBA AND FMS

<u>DATE</u>	<u>AMOUNT</u>
1/31/84	\$ 5,132.00
2/29/84	\$ 4,651.27
3/31/84	\$ 4,674.02

The matter of "reconciliation" to the project level is another problem. When documents do not pass the edit checks built into FMS, it must be remembered that PBA already paid the bill and charged the collocate. When the document tries to process in FMS and cannot, it goes to errors. The costs already paid by PBA are placed in clearing accounts such as Z99996 and the collocodes in both FMS and PBA are then in an "accounting balance" but have not been reconciled to a specific project. If the error is ultimately identified to a specific project, it is removed from the error clearing accounts and charged to the project by manual adjustment. If it remains uncleared, project level reconciliation has not occurred.

The question of project specific reconciliation then becomes a matter of cost benefit. It makes very little sense to spend \$100 to "reconcile" \$5 to the specific project. Where federal aid projects are involved, these uncleared costs will never be reimbursed by federal aid. The general fund has already paid the bill. This may contribute to the "funny money" problem.

As of 3/31/84, the scope of these "unreconciled project specific" expenditures amounts to \$39,275,057. This amount resides in various M and Z accounts in FMS. \$16,001,892 of the total \$39,275,057 of "unreconciled" expenditures is in the M90001 pre-FMS Accounting Transactions account. Some of this amount may represent actual unrecorded expenditures to specific projects. However, this condition may not be the case if the original expenditures were actually recorded to a project which has been lapsed improperly from the system. It would be difficult to determine the exact status of these "unreconciled" project specific expenditures.

A policy decision is needed relative to the resources required to resolve this "unreconciled" project specific expenditure problem.

#### II. ACCOMPLISHMENTS AND BENEFITS OF THE CPC EFFORT (To 4/1/84)

The CPC effort so far has made several significant contributions to the Department's program/project management effort:

1. For the first time, all active projects have a Regional or Unit responsibility assignment. This has been previously impossible due to the many statewide programs and appropriations. Early in April, the first regionalized ROI-TBR-1615 (suppressed version) will be available to the CPC Regional Coordinator and Project Control Groups. This will allow regions to have a 1615 with just their projects shown.
2. Closing of 983 projects/phases which were previously identified "active" in FMS.
3. In addition to closing projects, the CPC has determined the scope of our "completed" project problem by categorizing those unresolved liabilities which do not allow closing of the project.

4. The CPC effort has identified the estimated costs-to-close of all active and completed projects. During the classification effort, costs-to-close for the active and completed projects were estimated to be \$482,209.000 as of 1/31/84.
5. The CPC effort has identified several short-term objectives which should be accomplished before year-end closing and FIS startup:
  - a. determination of fund source status (billable and non-billable),
  - b. correction of a serious over-programming situation (see page 8),
  - c. identification of training, policy, and procedure needs,
  - d. correction of project overexpenditures, both in individual collocodes and projects level.

These items will be discussed in the recommendations section.

6. Possibly more important than the information gained from the CPC effort is the renewed interest in program/project management. The CPC found a great enthusiasm among all DOT/PF personnel for development of a dynamic and on-going operation to overcome our program/project management problems. This opportunity must not slip away, nor this enthusiasm go unrewarded.

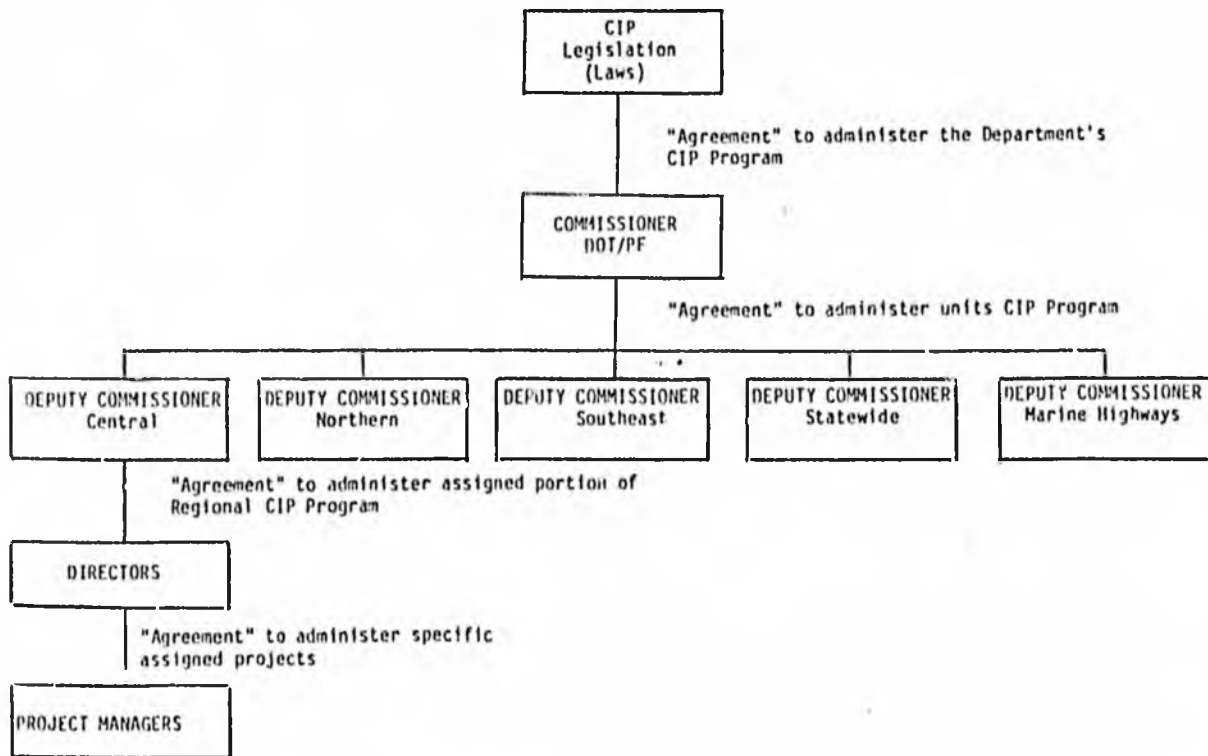
### III. RECOMMENDATIONS

The CPC team has several recommendations which we feel must be carried forward. These recommendations will require significant expenditures of resources to accomplish and will impact the Regions and other units. Commitment of these resources is essential for continued progress.

The recommendations in this section have been divided into CPC operational recommendations (which are usually short term) and Departmental policy and systems recommendations.

CPC OPERATIONAL

The CPC effort has identified several major problem areas which demand a concentrated effort for correction before full accounting and project reconciliation can be accomplished. The Department has many levels of responsibilities. Some of these responsibilities are internal to the organization and some external. In the program/project management area, these responsibilities can be characterized as a series of "agreements" between certain positions, sections, etc. and higher levels of responsibilities. For Example:



From the simplified diagram given, there are at least four levels of agreements within the Department's CIP program administration. Each of these levels carry basically the same responsibilities: the Commissioner "agrees" to administer the CIP program/projects within scope, budget, and time constraints, if any. This same "agreement" is present between the Directors and their Project Managers only at a more detailed level. The main goal of the CPC effort is to determine if these agreements are still applicable, if the parties are "out-of-agreement", and to correct areas where "out-of-agreements" occur.

CPC has identified projects in each region which are "out-of agreement." "Out-of-agreement" in CPC context is defined as projects or programs which:

1. expenditures have exceeded budgeted or authorized fundings,
2. expenditures exceed individual funding source or type,
3. project scope, etc. is significantly different from the "agreement" with the next level of responsibility.

The CPC effort has identified several major areas where these "out-of-agreement" conditions appear to be present. Other areas of "out-of-agreement" will be covered in later Interim Reports as more detail and corrective action has been identified.

These problem areas are:

- ° A serious, possibly long term, over-programming problem is apparent. On 2/29/84 FMS records indicated a total of \$5,845,732 over-programmed in 158 different collocodes. This represents a serious differential between our accounting, programmatic and project budget records. For example, in collocode 24-84-7-001, there is \$1,240,180 programmed to specific projects in excess of funding available. There is only one project funded in this collocode...K93511 Fairbanks Flood Control.

R01-TBR-1615		DEPT 24		CIP PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
PROJECT	NAME	COLLOCATION CODE	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
K93448	KODIAK BOAT HARBOR BONDS	24841250	12/31/84	03/31/83	114,400.00		125,028.66	10,628.66-	
		24843232	12/31/84	02/09/84			52.00-	52.00-	
		24847004	12/31/84	08/17/83	1,000,000.00		1,039,980.85	39,980.85-	
		K93448 PROJECT TOTALS:			3,514,400.00	0.00	3,617,445.47	3,045.47-	
→	K93511 FAIRBANKS FLOOD CONTROL	24847001	06/30/85	08/12/83	9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	
		K93511 PROJECT TOTALS:			9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	

R02-TBR-1615		DEPT 24		CIP COLLOCATION-PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
COLLOCATION CODE	PROJECT	NAME	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→	24847001	K93511 FAIRBANKS FLOOD CONTROL	06/30/85	08/12/83	9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	
		UNALLO *** NOT ON PROJECT MASTER FILE ***			1,240,179.61			1,240,179.61-	
		COLLOCATION TOTALS:			8,689,820.39	1,695,220.86	6,986,198.29	8,401.24	
	24847004	K31406 SAND POINT DOCK	07/07/86	02/02/84	438,922.49		438,922.49		
		K31438 UNALASKA HARBOR		08/31/84	233,039.37	2,500.00		230,539.37	
		K78448 KODIAK DOG BAY HARBOR DEVEL		12/31/84 03/31/84			320.50	73,656.91	
		K83448 DOG BAY BREAKWATER		12/31/85 03/23/84			1,693.09	73,320.50	
		K93124 METLAKATLA BOAT HARBOR BONDS		12/31/85 06/10/82	1,198,686.00		320.50	320.50-	
		K93153 KETCHIKAN BAR HARBOR		12/31/83 12/31/83	818,505.84		1,227,706.84	28,706.84-	
		K93448 KODIAK BOAT HARBOR BONDS		12/31/84 05/17/83	1,000,000.00		761,515.92	56,989.72	
		M90807 UNCLEARED Z99996 PRG 81		12/31/83 00/00/00			1,039,980.85	39,980.85-	
→		UNALLO *** NOT ON PROJECT MASTER FILE ***			223,834.29-		1,318.78-	1,318.78-	
		Z99910 P/R SUSPENSE AFTER 09/30/83		03/31/84			61.28-	61.28-	
		Z99999 A/P EQUIPMENT USAGE		12/31/82			378.30	378.30-	
		COLLOCATION TOTALS:			3,540,978.21	2,500.00	3,469,132.93	69,360.28	

The \$1,240,180 was placed as a "negative unallocated" in the code to bring it in balance with PBA. The project budget still reflects funding of \$9,930,000 with an unencumbered balance of \$1,248,581. However, the funding source code as shown in the R02-TBR-1615 has only \$8,401 unencumbered balance. Simply stated, the project thinks it has \$1,248,580 when in reality it has only \$8,401.

These "negative unallocated" funds must be brought to zero so the project budget accurately reflects the funding available. Of interest on the same chart, the very next code -24-84-7-004 -- also has "negative unallocated" funding of \$223,839. This code also reflects similar conditions.

- There are 796 projects/phases with expenditures in excess of budget as indicated by FMS records of 3/31/84. This situation of "negative balances" can be caused by a variety of reasons including data entry errors. In any case, this represents a failure to recognize in the Department's programmatic and budget records the actual funding necessary to offset expenditures which have already occurred.

The 3/31/84 records in FMS show \$17,358,221 expenditures in excess budget. This does not mean the appropriation is overexpended. It does indicate, however, a lack of discipline in keeping the project records current. The lack of corrective action indicates an "out-of-agreement" situation. The summary of "out-of-agreements" by regional or unit responsibility are as follows:

REGION #	REGION OR UNIT	# OF PROJECT/PHASE	\$EXPENDITURES IN EXCESS OF BUDGETS "AMOUNT OUT OF AGREEMENT"
1	Central	184	\$12,988,908
2	Northern	141	813,736
3	Southeast	76	1,213,326
4	Nome	11	44,667
5	Valdez	14	31,829
6	Statewide	9	130,540
7	Marine Highways	8	26,613
8	Statewide Planning	1	5,005
	Headquarters/Financial Management (00/00/00 projects in process of closing)	352	2,103,597
	TOTAL*		\$17,358,221

\* Included in the \$17,358,221 is \$1,409,921 expenditures in Departments "16" and "25" and \$344,118 in advance Right-of-Way funds (Q Funds) which may or may not be correctable at this time.

Of particular concern in the \$17,000,000 total negative balances is the occurrence of expenditures which are not Federal-Aid reimbursable. Within project categories which are usually general-funded (and many times in a single appropriation) there has been \$3,200,000 of expenditures in excess of FMS recorded project budgets.

CATEGORIES	\$ EXPENDITURES IN EXCESS OF BUDGET
State Funded Highway Projects	\$912,377
LSR&T	61,294
Buildings	593,686
Harbors	98,118
RSA and Department Contracts	1,139,845
Special State-Funded Projects	34,743

° There are many active project budgets which have one or more funding codes overexpended in FMS. In many cases, the correction will only involve moving expenditures to another code within the same project.

It is essential that these be corrected before year-end closing. Due to the rolling forward of net balances available in PBA, the Department's ability to correct this problem, in many cases, exists only until about August 15, 1984. After that date, correction will be virtually impossible. The over-expenditures in the project funding collocodes, if not corrected, could have serious consequences on the Department's ability to complete other projects in the same collocodes.

Numerous examples exist which show that collocate over-expenditure can have serious consequences for other projects funded in the same code. For Example:

R01-TBR-1615		DEPT 24		CIP PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
PROJECT	NAME	COLLOCATION CODE	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→ H00204	DIOMEDE HIGH SCHOOL	24881100	01/01/84	04/06/83	1,097,969.00		1,145,498.91	47,529.91-	
		24881350	01/01/84	11/28/83	2,561,000.00	47,529.91	2,513,470.09		
		24881454	01/01/84	11/28/83	1,000,000.00	630,000.00	318,969.91	51,030.09-	
		H00204 PROJECT TOTALS:			4,658,969.00	677,529.91	3,977,938.91	3,500.18	
→ H00206	ST MICHAEL HIGH SCHOOL	24881100	06/30/85	04/25/83	1,793,707.00	33,370.00	1,714,028.00	46,109.00-	
		24882045	06/30/85		19,442.00			19,442.00	
		H00206 PROJECT TOTALS:			1,813,149.00	33,370.00	1,714,028.00	65,551.00	

R02-TBR-1615		DEPT 24		CIP COLLOCATION-PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
COLLOCATION CODE	PROJECT	NAME	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→ 24881100	H00202	ELIM HIGH SCHOOL	12/30/85	03/13/80	899,835.00		899,835.00		
	H00203	MSHAKTOOLIK HIGH SCHOOL	12/30/85	11/02/82	912,444.00		985,338.00	7,056.00	
	H00204	DIOMEDE HIGH SCHOOL	01/01/84	04/06/83	1,097,969.00		1,145,498.91	47,529.91-	
	H00206	ST MICHAEL HIGH SCHOOL	06/30/85	04/25/83	1,793,707.00	33,370.00	1,714,028.00	46,109.00-	
	H00207	GULOVIN HIGH SCHOOL	12/30/85	01/04/83	1,570,149.00	31,403.00	1,533,746.00		
	H00208	KOYUK HIGH SCHOOL	12/30/85	12/02/82	1,343,272.00	12,360.00	1,350,912.00		
	H00209	STEBBINS HIGH SCHOOL	12/30/85	01/05/83	2,020,421.00	60,613.00	1,959,822.34	14.34-	
	H00210	BREVIG HIGH SCHOOL	12/30/85	11/02/82	1,583,659.00	2,004.00	1,581,655.00		
		COLLOCATION TOTALS:			11,221,506.00	139,950.00	11,075,935.25	5,620.73-	

The over-expenditure in H00204, Diomed High School, occurred in the same collocate as the St. Michael High School project, project #H00206. The St. Michael High School with a cutoff date of 6/30/85 shows a project balance of \$46,109 in collocate 24-88-1-100. The total code has only \$5,620 unencumbered balance. Unless the Diomed project expenditures are transferred to 24-88-1-454, an additional funding source for the St. Michael project must be found. The St. Michael project has been put in jeopardy by the over-expenditure in this collocate of the Diomed High School project.

One interesting sidelight brought to light in the CPC cost-to-close effort is an estimate by the region that St. Michael School project #H00206 has cost-to-close of \$99,000. If this estimate is correct, the project will also need additional funding to complete.

- ° To aid in the CPC effort of determining fund source status (elements V and VI), Financial Management has developed a series of reports which will tie each collocate and project to the proper authorization and fund source type (billable and non-billable). Within the Department, there has not been uniformity from one mode to another in how funding sources and expenditures are treated. Expenditures have usually been recorded as billable (participating) or non-billable (nonparticipating) but the authorized funding for these expenditures by fund source type has not been correlated in the FMS system with the expenditures. The Department must now validate the data in these reports to determine the true fund status.

This will require considerable effort by the regions and other units but it is essential to the CPC and regular Departmental operations efforts. Benefits of this effort will:

- a) provide validated data on fund source status for cross-walking to the new FIS
- b) determine if fund type (billable or non-billable) has been over-expended (this information is not available at current time) and the true status of the fund type
- c) allow a better look at the revenue questions within the Department's systems.

The determination of fund source status is probably the most difficult part of the CPC. It is in this area that the Commissioner's "agreement" with the CIP legislation is most vulnerable. At this time, we are unable to determine if the Commissioner is "out of agreement" with the CIP Legislation, and if out of agreement, by how much, and what type of funding is involved.

- ° The CPC effort identified 552 separate projects or phases in which all work has been completed but the project cannot be closed due to claims, right-of-way problems, etc. The cost-to-close of these projects is estimated to be \$28,409,000. Some of these "completed" projects have cutoff dates as far back as 1975; others are more recent but could be several years old. A concerted effort must be undertaken to close these projects and liquidate the liabilities.

RECOMMENDATION #1:

Each region or unit designate a minimum of two individuals with at least one from the accounting office, to review the new reports, verify or correct the data and expenditures, and prepare the input documents necessary for their corrections. As a part of this effort, these individuals will:

- a) assist the CPC in driving the "negative unallocated" funding to zero by correcting if possible the funding program to each project within each collocate where this occurs. (discussed on page 8)
- b) review all projects/phases where there are expenditures in excess of funding and correct either the collocate over-expenditure or provide funding to bring the project/phase back into budget. (discussed on page 10)
- c) clear error register assigned to the region (discussed on page 3)
- d) update the programmatic records on active and complete projects to reflect the actions in a), b), and c).

These activities need to be completed before the fiscal year ends to prevent "locking" these conditions into the official State records when PBA rolls over. Since many collocodes contain projects from more than one region, any unilateral action on one specific project may impact other projects in the collocate. It is recommended that the Division of Statewide Planning and Policy be included in this effort and provide staffing and assistance to the CPC to resolve this problem. The commitment of resources is needed to assure completion of this activity prior to the fiscal year end.

RECOMMENDATION #2:

For those projects classified as "completed projects" by the regions with anticipated additional expenditures, assign specialists from the Division of

Standards and Technical Services to assist CPC in spearheading a concerted effort to close these projects. Suggested assignments are:

Utilities	Bruce Freitag
Claims	Loren Rasmussen
Right-of-Way	Jack Bodine

Completed projects with "other" types of anticipated expenditure classifications should be handled on the same expedited basis by designating an individual in each region or unit to work full time to determine:

- exact nature of liability
- problem preventing closure
- recommended closure action
- schedule for closing action
- determination of costs and availability of funding to close

Close coordination with CPC is essential.

To prevent further erosion of the project funding required to liquidate the estimated cost-to-close of completed projects, it is recommended that where project funding is available to cover the cost-to-close, the amount be encumbered and the balance released back to unallocated. For those completed projects without sufficient funding to cover the cost-to-close, additional funding will need to be located or a management decision on project termination considered. If additional funding is found, it should also be encumbered.

The following table summarizes the problem based on CPC analysis performed to date:

#	REGION	SURPLUS FUNDING		UNDER FUNDED	
		# PROJECTS	\$ EXCESS	# PROJECTS	\$ UNDER
1	Central	157	\$5,409,135	231	\$14,426,518
2	Northern	48	1,541,724	46	515,014
3	Southeast	30	1,477,995	26	1,652,031
4	Nome	2	61,812	1	43,041
5	Valdez	0	0	3	41,970
6	Statewide	0	0	2	161
7	MHS	4	604,124	2	3,636
8	Statewide Planning	0	0	0	0
	Misc., already closed, etc.				2,631,839
Total		241	\$9,094,790	311	\$19,314,210

RECOMMENDATION # 3:

The CPC team believes that there is a great need for basic departmental program/project financial management training. This training must be tailored to a basic level as there is a wide range of knowledge levels in the project managers and Project Control Groups. The recent decentralization of DOT/PF activities has made it imperative that the Regions and units have a basic and broad understanding of DOT&PF program/project financial management principles. Training should be "targeted" to non-accounting personnel. If the training becomes too accounting-oriented the impact to on-going project management personnel will be lost. The training could establish the ground work for the "agreements" concept of program/project management. The concept, while very simple is a departure from prior Departmental philosophy and will require the support of both top management and project personnel for implementation.

## DEPARTMENTAL POLICY AND SYSTEMS RECOMMENDATIONS

The CPC effort has identified several areas where policy decisions and system changes would increase the efficiency of our program/project management and would prevent recurrence of the problems which the CPC is now addressing. These recommendations should be considered as long term commitments and not instituted as temporary measures to an ongoing problem. It is recognized that some elements of the recommendations are already underway within the Department. Other elements still need to be addressed.

The major deficiencies in the Department's program/project management efforts can be summarized into the following four categories:

- 1) fractionalization of the authority/command structure
- 2) lack of dependable and accurate CIP Regional and Statewide reports
- 3) lack of coordinated efforts, program goals, and objectives
- 4) lack of a comprehensive "systems" approach which not only would provide the needed subsystems but would include personnel training, motivation, and development of a reliable quality assurance program.

From CPC experience, the department does not have defined lines of responsibility within either the headquarters or regional level relative to responsibility for CIP financial and programmatic direction and information. There does not seem to be a clearly defined responsibility assigned to develop, administer and monitor the performance of our programs, budgets and projects.

The CPC team feels that the many and varied efforts and approaches to the same basic problem of program/project management must be brought together into a unified effort. To our knowledge, there are at least 8 groups actively

working on the same effort, some only on a part of the problem. In most cases a single focus of responsibility (similar to CPC effort) could contribute significantly to efficient, coordinated problem resolution.

The Department needs to be able to tie its operating budget requests to project workloads. (The capability exists within MIS). As the downward pressures on the operating budget increase, detailed analyses and backup tied to the CIP workload must be developed to assure full recognition of program impacts and allow alternatives to be developed and presented. The organization of Project Control Groups is a start but from the understanding the CPC team has of their duties, the PCG as presently staffed cannot provide the management analysis, direction and information needed for effective control. Classification problems may need to be overcome to allow qualified staffing at the appropriate levels of expertise and experience.

The CPC team has not seen clearly defined goals and objectives in Departmental program/project management. This lack of goals and objectives allows divergent development and management which does not contribute to our ability to pull together. For example, Southeast Region Design and Construction saw a vacuum in terminology used in program/project management and has developed a small guide. We applaud this effort but the same vacuum exists elsewhere and without a coordinated effort, the Department will have as many definitions as there are individuals dealing with program/project management.

RECOMMENDATION #1:

The Department should unify its efforts in program/project management by

developing an organizational structure with a single point of focus responsible for program/project management, development, direction and leadership. This recommendation is concerned with the operational procedures, coordination of programmatic and accounting information, evaluation, analysis, and monitoring of program and CIP performance.

RECOMMENDATION #2:

The Department should broaden its "systems" management approach to its operations. The more decentralized and diverse an organization the stronger its systems must be.

One of the first systems which should be installed is the Department Quality Assurance Program (QAP). This umbrella system would provide the Department-wide system for quality control. To be effective it must be highly visible. This visibility can be achieved by requiring each region to develop a quality control system in conjunction with the Department's QAP. The region quality control information base must be compatible with the Department's QAP. A commonly managed MIS would provide this.

RECOMMENDATION #3

Develop within the Department's CIP program/project management the concept of "agreements." This will clearly define the responsibility for corrective action when programs or projects "go out of agreement."

## ADDITIONAL POLICY ISSUES NEEDING RESOLUTION

The CPC has identified additional policy issues which will need addressing in the near future. The investigation, analysis, and coordination has not been completed on these issues so recommendations are not given in Interim Report #1.

These issues are listed for identification purposes and to develop understanding for future discussion. This list may not be all inclusive.

Additional policy issues needing resolution are:

- "Reconciliation" of clearing and suspense accounts to the project level
- Audit requirements on TORA's, Grants, Agreements, etc.
- Over expenditure of RSA's
- Disposition of REAA balances
- Lapsing Policy for completed or closed projects
- Resolution of unfunded expenditures

# DOT audit: Projects caught in a paper traffic jam

By LARRY CAMPBELL  
Daily News reporter

The state Department of Transportation has failed to undertake more than \$800 million in construction projects approved by the Alaska Legislature since statehood, according to a preliminary audit of the department released this week.

The whereabouts of some of the money is difficult to determine, the audit said.

In many cases, hard cash intended for those never-to-be projects was shifted to other efforts. The state also may have paid more than neces-

sary for some projects because it failed to apply for available federal funds.

The audit, called the Capital Projects Cleanup preliminary report, was made public in a state Senate Transportation Committee work session Tuesday afternoon. The report is the result of two years of sifting through convoluted DOT accounting procedures used for the last 25 years, said Jim Merrill, DOT special projects engineer.

Auditors still are working to straighten out the confusing DOT accounting system in time to submit a final report

to the Legislature on Dec. 15, Merrill said.

Perhaps 75 percent of the \$897 million in DOT unfunded projects represents federal matching funds that no one apparently ever bothered to request, Merrill said.

"We're talking about a lot of small projects that just added up over the years," Merrill said. "In some cases, these projects were put back because they just weren't ready to go. In others, the DOT never had any intention of building them."

"This is something we haven't done since statehood,"

said Sen. Pappy Moss, D-Delta Junction, committee chairman, of the accounting review. "The philosophy has always been build it now and we'll straighten out the records later. Well, it's later now."

The problem grew as each Legislature through the years would approve appropriations for projects, Moss said. Each appropriation would contain formulas designating how much the state would pay and how much would come from the federal government.

While the dollar approval

for projects grew, the paper work necessary to obtain federal funds for those projects fell behind in many cases, Moss said. In other instances the DOT never intended to begin the projects, at least within a time frame viewed by the Legislature.

Lax accounting procedures also may have cost the state hundreds of thousands of dollars because some projects would occasionally use state funds where federal dollars should have been used, Merrill said. An estimated accounting of how much the state has overspent also will

be included in the Dec. 15 report.

Until recently, the department had kept about 11,000 projects in an open status that should have been closed or were never intended to be built, Merrill said. In the past month, Merrill and his staff have closed out more than 8,000 accounts that should have been closed years ago, he said.

One example was a \$50 million plan years ago to build a new ferry to replace the state system's Tustumena ferry that sails between Kodiak and southcentral Alaska.

The project was to be completed with \$3 million in state funds and the balance coming from the federal government. But the money was never requested.

Meanwhile, the Tustumena account was kept open, since the project was never completed. Merrill said, however, that building a new ferry is not in any future DOT plans.

Moss said the Capital Projects Cleanup evaluation at least has brought to light the lack of proper accounting procedures within the DOT.

# State transportation audit tracks down \$800 million

Associated Press

The Alaska Department of Transportation and Public Facilities has failed to begin more than \$800 million in construction projects approved by the legislature since statehood, a preliminary audit says.

The audit is the result of two years' work and is titled the Capital Projects Cleanup preliminary report. It was made public in a state Senate Transportation Committee work session last

week.

Auditors said it was difficult to track some of the money because in many cases cash for projects was shifted to other efforts.

The state also may have paid more than necessary for some projects because it failed to apply for available federal funds. Lax accounting procedures that allowed use of state money for projects that should have been financed by federal funds also may have cost

Alaska, auditors said.

"We're talking about a lot of small projects that just added up over the years," Merrill said. "In some cases, these projects were put back because they just weren't ready to go. In others, the (agency) never had any intention of building them."

"This is something we haven't done since statehood," said Sen. Pappy Moss, D-Delta Junction, committee chairman.

The auditors still are working to

straighten out the state agency's confusing accounting system in time to submit a final report to the legislature on Dec. 15, said Jim Merrill, the department's special projects engineer.

Until recently, the department kept about 11,000 projects in an open status. The agency had no intent of building many of them, and others should have been closed, Merrill said.

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The project was to be completed with \$3 million in state funds with the balance coming from the federal government. But the federal money never was requested.

# DOT audit shows road problems

The Associated Press

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ATTACHMENT "B"

SENATE TRANSPORTATION COMMITTEE  
STANDING COMMITTEE MEETING

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October 2, 1984  
Anchorage Legislative Information Office  
10:00 a.m.

Members Present: Senator Moss, Chairman  
Senator Fahrenkamp  
Senator Faiks

Members Absent: Senator Gilman  
Senator Kerttula

Other Legislators Participating: Representative Abood  
Senator Josephson

COMMITTEE CALENDAR

A hearing to assess the transfer process of the railroad from a labor, management, and Federal Railroad Administration perspective, and to discuss the Alaska Railroad Transfer Team's work plan and time line. A work session on the Capital Project Clean-up and Financial System status report.

WITNESS REGISTER

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#### ACTION NARRATIVE

No tape log numbers are on record as no tape counter was available.

Interim tape #1, Side A

Chairman Moss called the meeting to order at 10:00 a.m., and gave a brief overview of the railroad transfer issue. He commented that the meeting was called in an attempt to get cooperation back into the process. He stated that he hoped by the end of the meeting they would be able to determine that the federal railroad authorities and the state are proceeding with a single purpose, which may not be occurring. He referred to the letter to Jack Burton from Commissioner Knapp (Attachment #1), and the transition work plan (Attachment #2). Chairman Moss recognized Mr. Arthur Minton.

Minton: Mr. Minton introduced himself as a representative from the International Association of Machinists and Aerospace workers, which some of the railroad employees belong to. He stated they're concerned about the deteriorating conditions of employment that have been occurring - unilateral changes of classifications, the farming out of work, etc. He stated their concern for the temporary employees who have no protection and benefits who have been severed from employment. It's of concern to the railroad and the state of Alaska because their expertise is needed for the maintenance of the railroad. Preferential hiring for the recall of these people for employment to the railroad should be done. They feel that these employees are not getting a fair shake in the transfer. They are going to utilize the restraints under the existing labor agreement, which is not as easy under the federal statute as it would be under a contract that entails all the conditions of employment instead of just part of them. They want to see not only the railroad facilities turned over to the state in good form but also a competent labor force with the expertise to run it well.

Chairman Moss thanked Mr. Minton and recognized Mark Hickey, asking him for an update of the transfer.

Hickey: Mr. Hickey stated that they are about halfway through the

transition period, where the federal government still owns the railroad. Certification was provided after which came the federal government's statement that the state has agreed to meet all the transfer conditions including the employee protection provision of the federal transfer law. Transfer is expected to occur no later than January 5, 1985. He referred to the work plan. The major step which has not been taken is appointment of the board members, which is expected to occur before October 5, 1984. Chairman Moss asked for clarification that the Governor would make his appointment this week. Mr. Hickey answered that to his understanding this would happen, and that the board hopefully would start meeting no later than the 3rd week of October. The board will be able to make some final decisions that are necessary for transfer - adoption of health and life insurance program, and of existing collective bargaining agreements. The major focus right now is on employee issues. Answers are being given to individual employees.

Senator Faiks asked what has occurred since June 1st that has caused employee unrest - what is different this year from last year.

Hickey: Mr. Polanchek could better answer that question. One major change that he is aware of was a RIF (reduction in force) action of four employees in the machine shops in Fairbanks. Senator Faiks asked if this also occurred last year. Mr. Hickey answered it would be more appropriate to turn that question over to the railroad.

Senator Fahrenkamp asked if these people involved in the RIF action were told that they could either move to Anchorage or be dismissed.

Hickey: Jobs would be made available to these four employees in Anchorage. Existing pay was guaranteed for two years under federal procedure, then there would be reduced pay for these people. Senator Fahrenkamp asked if they would close down the maintenance shop in Fairbanks. Mr. Hickey answered that it had been a planned effort for several years to consolidate mechanical maintenance functions in the Anchorage area. It is not an entire closing of the mechanical shop in Fairbanks. Senator Fahrenkamp stated that this was a top concern to her.

Chairman Moss recognized Representative Abood. Representative Abood stated that he'd like to know from rank & file employees what's going on.

Interim tape #1, Side B

Hickey: Referred to letter to Jack Burton from Commissioner Knapp on the question of the Anchorage freight house. Given the closeness of the transfer and the size of the issue, in talking about it with the Federal Railroad Administration

people, all involved felt that the best decision would be to postpone the action until the board could review the decision on the merits of the business proposal. My understanding is the railroad has made that decision to postpone closing the freight house so the board can assess the proposal. The state's interested in having a self sustaining operation.

Senator Faiks asked what the issue of the freight house is, and what's happening.

Hickey: The freight house has about 20 permanent employees, and handles the deliveries of rubber tires in the Anchorage area for freight brought in on the railroad. They are also involved with the new Crowley and SeaWay Services in assisting with the trailers that come in. Senator Faiks commented that the Teamsters would like to have a decision made on the freight house.

Chairman Moss called a five minute break as Mr. Hickey had to take an emergency phone call.

Interim tape #2, Side A

Chairman Moss called the meeting back to order and asked Mr. Hickey back to testify.

Hickey: This is a difficult time, and the lines of authority are confused. The federal government still owns and operates the railroad. The Federal Railroad Administration (FRA) has the type of oversight they've always had. The state, as part of the federal transfer law, has specific authority over three kinds of actions by the railroad - any lease of land or real property in excess of five years, any individual capital expenditure in excess of \$300,000.00 and any attempt to sell or dispose of real property. Other than that there are no formal arrangements where the state has any control over the railroad decision making. We do have pretty close cooperation. In any actions of this type the state will be alerted and briefed prior to implementation. Standard operating procedures should be followed.

Chairman Moss asked what would happen if the board was available before January 5th - if they'd take over operation of the railroad before then or not.

Hickey: They will not. Once the board comes into existence they will begin to be briefed on the railroad situation and be dealing with the responsibilities they will have. The actual legal responsibilities to direct and manage the railroad will not come to the board until that date of transfer.

Chairman Moss asked if they were in a situation where they had no titular head to guide them, and if they were trying to correct that.

Hickey: That's a reasonable question, which is why Commissioner Knapp feels that this is an appropriate forum to sit down and talk about it. The railroad management is there and doing the job that needs to be done, but it's a difficult time. Once the board takes over it will be a matter of time before they're really comfortable with their duties. Any change of this nature will have this time period of uncertainty. We've been able to get out a second question and answer booklet to the employees that was prepared jointly by the state and the FRA. The employees appreciate getting these answers, we've been getting some positive feedback. Chairman Moss asked who'd putting these out. Mr. Hickey answered the Transfer Team and railroad management, and the FRA.

Chairman Moss recognized Jay Trumble.

Trumble: An ex-employee of the Alaska Railroad, was employed there from 5/82-9/84. There seems to be no effort being made to protect the railroad employees. As far as employees and employee rights as this time the state seems to disavow any responsibility. The federal government seems to treat the employees as though they're no longer federal employees. The employees who have been recently terminated and their families certainly think this is a difficult time. The employees who were terminated up to 9/14/84 have no commitment from the Alaska Railroad for reemployment. They have no reemployment rights due to the fact that they were employed as temporary workers with the ARR. Many were employed 2 to 3, 3 1/2 years. I was told the temporary employment status was a result of a federal hiring freeze, and I would not have to worry about unemployment. Now I'm unemployed with no commitment of reemployment. As of 9/14/84 there are a minimum of 25 mechanical maintenance employees terminated, I quote, due to a lack of projected revenues. Given my experience with the railroad during the last few years this is considerably out of proportion with the seasonal layoffs that we experience.

Chairman Moss asked Mr. Trumble to clarify what his employment status was. Mr. Trumble answered that when first hired he was considered a term employee. With the expiration of his term his status was changed to temporary.

Representative Abood asked Mr. Trumble what his job with the railroad was. Mr. Trumble answered he was a locomotive mechanic. Chairman Moss asked if that was similar to the activity that's being curtailed in Fairbanks.

Trumble: I worked in Fairbanks for 30 days last summer. It's in the

best interest of the state of Alaska to be able to understand how this action by the railroad affects the people. These personnel actions seem to be restricted to the mechanical department. Referred to Alaska Railroad Transfer Report about an increase in rolling stock. Reducing forces in the mechanical department is creating a hazard to the employee health and safety and to the safety of the public. Without proper maintenance the chances for accidents increase considerably. Customarily in the fall we store locomotives, coaches and boxcars. This year locomotives are being stored without proper maintenance, in an unserviceable condition. During the slack time of the year would be the best time to do the maintenance on these cars.

Chairman Moss asked if maintenance that should be performed during the off-season is not being performed.

Trumble: No question about that.

Chairman Moss recognized Senator Josephson.

Senator Josephson asked if these actions by the railroad prejudice or jeopardize the state's operation, and if experienced employees would not return because of the way they have been treated.

Trumble: Being unemployed I would have to take another job. I have 10 years of experience in the railroad industry, and feel that I was an asset to the Alaska Railroad. If the state is not able to employ qualified railroad personnel it will be a disadvantage to the state.

Senator Fahrenkamp asked if in his opinion they would have locomotives and rail cars that are not properly maintained this winter and therefore will not be ready to go and could be detrimental to the safety of Alaskans. Mr. Trumble answered yes. Sen. Fahrenkamp asked if there would be enough time between the 5th of January and the beginning of the season for correcting this lack of maintenance.

Trumble: The condition of the rolling stock is extremely substandard. I cannot envision such total reversal of management policy that the opportunity would present itself to correct these deficiencies. Those deficiencies could not be corrected, in my opinion, in a six-month period. We have deficiencies of a major proportion which have existed for many years. I think the State of Alaska will find upon purchasing the railroad that the cost of enforcing laws will be surprisingly high. Senator Moss asked if he was speaking to OSHA. Mr. Trumble answered no, but to FRA laws.

Senator Moss asked for clarification that management policy appears to have been changed this year in that normally in the winter a lot of maintenance work is done which is not being done this year.

Trumble: To a certain degree, yes. In the past the work has not been

performed to maintain the equipment at a level at which it should be maintained according to the FRA standards. This year the lack of maintenance is considerably more obvious in that there are less employees to perform the maintenance. If you checked into it I'm sure you'd find that the overall number of mechanics in the repair facilities in Anchorage is reduced to the lowest point that it's been in the last ten years.

Chairman Moss asked if he had anything more to say on this.

Trumble: Yes, I'd like to address the RIF's that occurred in Fairbanks. Since that time we have examples of supervisory personnel who have been sent to Fairbanks from Anchorage expediting maintenance on locomotives with which they are unfamiliar. When the original RIF's occurred management intention was that the mechanical maintenance that had been performed in Fairbanks would be performed in Anchorage. If this is true then why must we send supervisory personnel to Fairbanks? Why have we created three positions in Fairbanks when four positions were RIFed. There have been different titles given to the positions. Perhaps the RIF was an action to circumvent the U.S. code. This work is being performed, but by different people.

Chairman Moss asked if they were under different classifications.

Trumble: Yes. They are at a lesser rate of pay and a lesser level of qualifications. It would be in the best interest of the state to have employees who were the best qualified and most competent.

Senator Josephson brought out the point that as a buyer you would want the seller to run the business as you would want it run. He asked if the state was going into a situation where we are buying something the owners lost interest in and aren't operating it right until the new owners take possession.

Chairman Moss answered that this is what the hearing is all about. He recognized Representative Abood.

Representative Abood asked where is the monitor from the state to make sure the federal government is running the railroad right, and do we have such an agency.

Chairman Moss recognized Mark Hickey.

Hickey: The transfer law does not have a formal mechanism where these kind of actions can be scrutinized and consented to by the state other than leases, capital expenditures, and the sale of real properties. The proper responsibility currently rests with the Commissioners of the Department of Commerce and Economic Development and the Department of Transportation and Public Facilities.

Representative Abood stated that they were remiss in the legislature by not setting forth an investigatory or monitoring organization to monitor these problems. We do not have a mechanism for doing that, is that correct?

Hickey: We do not have a formal mechanism. The temporary employee question is a problem. The layoff may be larger than the normal seasonal layoff. The state's obligation is with permanent employees only. The state agreed that the temporary employees on board at the date of transfer will be reemployed the next day with full benefits. The board has to resolve the question of what commitments they want to make to the temporary employees that were previously terminated.

Senator Faiks referred to the acquisition document - SB 73 in which there is a paragraph that states that everything must be as is, a caveat that states abuse of maintenance could render the agreement null and void.

Hickey: There is a section in there that states that the state is responsible for insuring that the railroad as depicted in the transfer report document as amended is the property that will be transferred. There is concern that we'll get the property that's in there. A deficiency in the railroad is the rolling stock. We are concerned about the safety situation. In the transfer report we had an agreement with the FRA that they would do a full safety assessment which was done this summer, and they are required to correct the deficiencies noted in that assessment.

Representative Abood asked if there was the possibility that the federal government could change classifications of individuals up until transfer. There's got to be something that tells the feds to run the railroad like we've always run it.

Hickey: Any personnel action of the railroad today has to be in accordance with collective bargaining agreements and federal rules and procedures. We have the kind of understanding with the FRA that there will not be these kinds of actions without us being briefed on it. If these are standard operating procedures such as seasonal layoffs which do vary from year to year that's one kind of action, if it's a major attempt at reclassification it's another.

Senator Josephson asked that since the state planned to have a more intensive maintenance program than the feds, and money has been allocated for that purpose, then would they want to hire those temporary employees back.

Hickey: That's correct.

Senator Josephson asked at what point can the state say to these employees that they'll be rehired, and is there any mechanism by which

they can go to the federal government and say that we want these people to stay on even if on a cost reimbursement basis, because in the long run it would benefit the state.

Hickey: To answer the first question, by November when the board has met they could give some kind of an answer. We anticipate people retiring, so we anticipate an even greater need for people. There are no guarantees that someone who was laid off in September will get reemployed next May.

Senator Josephson commented that the board would make the decision and he would assume the board would follow legislative intent. The railroad industry is a growth industry as far as we get the railroad up to a higher standard.

Hickey: I doubt you'd want to create a situation today where you'd want to tell the board that you have to rehire every single person who is a temporary employee of the railroad that's been laid off. You want to give the board discretion to do the hiring and firing.

Senator Fahrenkamp asked Mr. Hickey if he was able to see the financial statements to see how the railroad is doing revenue-wise.

Hickey: The railroad revenue-wise is doing better than last year due to Sea-Way traffic, but the cost is higher also so the profits aren't any higher.

Senator Fahrenkamp stated that since the RIF's were due to lack of revenue, she'd like to get in perspective what the difference is from last year, in order to know if this is a normal procedure in business, versus that this is a cut by the federal government to bare-bone it until the state takes over.

Hickey: In that context you'll want to look at the relationship of revenue costs versus revenue costs last year because you've got to deal with the net cash available for the two.

Chairman Moss thanked Mr. Hickey and recognized Mr. Allison, Mr. Polanchek and Mr. Blasingame.

Interim Tape #2, Side B

Allison: Introduced himself, Mr. Polanchek and Mr. Blasingame. The railroad administrator asked me to convey to you the degree of cooperation he has felt from the state in this process, which is impressive. It should be incumbent upon us to keep employees informed, admittedly we are somewhat late. The FRA in Washington has a strong interest in a successful, and that means that the railroad is successful post-transfer. There is no economic incentive for the federal government to cut maintenance expenses. That lessened expense is merely going to the revolving fund which is transferred to the state minus federal obligations.

We've been working in every way possible with the state to involve them in a current basis in decisions and we look forward to doing the same thing with the board once it's appointed.

Senator Josephson asked about the claim that maintenance is at a ten year low.

Polanchek: I would say that over the years maintenance has increased. Efforts to improve our roadbed and track structure have been intensified over the last five years. We've been investing more money in our roadbed, tunnels and bridges. One product of this increased maintenance is that the passenger trains now can operate at 59 miles per hour instead of 49. There's quite a difference between interchange and operational safety of rolling stock. Interchange has to do with the age of the equipment.

Senator Faiks commented that they know about the improvements in the track and roadbed, but what we want to hear about is the mechanical area. When the locomotives are being put away, are they being short-changed of the maintenance they need to start up again at the high volume season?

Polanchek: Our maintenance efforts are system-wide. In addressing the storing of locomotives, maintenance expenses can be deferred until spring. Any locomotive that is brought back will certainly be in compliance with federal standards. There is a process to put it in storage and a process to ready it for spring. What isn't done now will be done in the spring.

Senator Faiks asked why the system had changed - that maintenance that was normally done in the fall has been shortchanged. Mr. Polanchek expressed disagreement. Senator Faiks asked if there was a checklist used in storing the locomotive, where last year there were, say 25 operations performed before storage, and this year only fifteen? Can it be equated to numbers?

Polanchek: No. The same thing is being done this year to store the locomotive as last year.

Faiks: I'm confused then why the gentlemen feel very strongly that the process has been changed this year.

Polanchek: Any repair that doesn't necessarily have to be done in before storage can be deferred. We will make the repair.

Faiks: There has been a policy decision of the Alaska Railroad that the checklist for storage procedures has been changed from last year to this year.

Polanchek: No, actually this is only the second year that we've been able to take advantage of storage at the military base.

Faiks: You could almost say that additional procedures have been instituted in the railroad in storing locomotives over the last ten years, say?

Polanchek: That would be correct. In prior years with the shortage of warm storage, instead of being able to put them inside, we had to keep them outside.

Fahrenkamp: Are you deferring any more of the work this year than you did last year, or the year before?

Polanchek: I would say no.

Fahrenkamp: Can you explain to me the change in policy concerning maintenance in the Fairbanks area, and the thinking behind it?

Polanchek: The gradual change has been occurring over the last ten years. Anchorage has always been our primary maintenance facility for locomotives and all our rolling stock - repairs, overhaul, any major function would come to Anchorage. Fairbanks is gradually phasing out, it's more of a trouble-shooting operation, refuel, inspections, nothing really significant. It's only 700 miles from Anchorage to Fairbanks, which for a diesel locomotive is a short trip. The need for the type of skills and technicians that we had previously in Fairbanks has changed and it's become more of a service station where all we're doing is normal daily inspections. All of our locomotives are based in Anchorage, they go to Fairbanks and return to Anchorage. With the exception of this winter we'll probably have four or five locomotives in Fairbanks to cover the traffic of the coal mines. Major maintenance and servicing will be done in Anchorage.

Fahrenkamp: What's the thinking behind this?

Polanchek: It's more efficient and cost effective. Anchorage will be the major center, Fairbanks will be a service station.

Fahrenkamp: I'm still bothered by the idea of the service station. But if we had four people that had to go and the job descriptions have changed and there's three people there - has the work changed significantly that there's a need for another type of worker, and what happens if a wheel comes off?

Polanchek: We have changed the classification because of the type of work that's being done. Mr. Blasingame could explain this.

Blasingame: The decision to move the major function to the Anchorage area as being a management decision is the sort of thing we do on a regular basis. My job is to insure the

process we go through is done properly according to the federal regulations. It becomes an adverse action to the individuals that these changes affect because these classifications are being changed. They have an opportunity based on seniority and their present job classification that we would offer them a job in another location - that's a requirement by law. In the process that we go through by offering these people jobs in another location we can lower the grade of the individual or skill that's needed, in this case in Fairbanks. Two of the employees have the option to retire.

Fahrenkamp: Are you saying that to be transferred to Anchorage that their rate goes down.

Blasingame: As part of that protection those individual employees have both their grade and their pay protected for a minimum of two years in the federal sections. We do have to offer them a like position, and that's the reason they were offered that position in Anchorage. If there is an opening for which they are qualified which is an equal or lesser position we are required by federal regulations to offer those individuals those positions.

Fahrenkamp: If there are no openings?

Blasingame: They could be out on the street or they could bump another employee with lesser seniority.

Chairman Moss recognized Representative Abood.

Abood: I'm getting the perception that if you wish to play games with the classifications, reduce the number of people in Fairbanks or Anchorage, you'd have the right to do so. If you put all of these pieces of equipment into storage without maintenance now and wait till spring for this maintenance factor, then the state is going to have to pick up the tab. It seems that your operation is changing in this particular area up to the two year period start, otherwise why would we have this confrontation with the employees of the railroad when the state has nothing to do with it? It is strictly a federal government situation. I was in on this railroad transfer and if I'd have known this I'd have gone back to the date we paid the \$22 million that this would stay just like it is with oversight of the state until the two year period state. It seems the federal government is not acting in full faith up to this two year period, particularly in the case of the freight house. If we eliminate this, private industry might have to take it over.

Allison: Behind all this there seems to be the thinking that if the federal government gets rid of employees, or not properly maintain equipment, it will somehow be to their advantage. All money comes from the revolving fund which transfers to

the state minus any current obligations to the federal government. If we started cutting expenses in that way it would just add to the revolving fund. There is no economic incentive for us to do this in any case. Decisions like the change of classification employment in Fairbanks and the freighthouse which we decided not to give up in order that your board can review that, happen every year. This is a four employee issue of sizing the employee classifications and skills to jobs, otherwise we'd be wasting a more highly skilled individual on a job that doesn't require that.

Abood: Such as a gas station?

Allison: Right. It wasn't our understanding that's what you wanted us to do.

Faiks: Who's paying for the railroad transfer on your side?

Allison: From the revolving fund and the appropriating fund.

Faiks: Is the money coming out of the revolving fund hurting the ongoing operations of the railroad today? How would that money have been spent if the transfer wasn't going on?

Polanchek: We haven't spent very much money compared to you folks.

Faiks: Yes, I know. Hickey's expensive.

Polanchek: The railroad has always funded its own operating maintenance. We expect maintenance will be funded out of our revolving fund from operating revenue generated. The money that you're addressing for the transfer was put in two years ago by Senator Stevens as a one-time appropriation of \$7.6 million to be used by the railroad for maintenance and capital appropriations. Out of that appropriation \$1 million was earmarked for transfer related expenses. \$6.6 million was for maintenance. Up through this year we have expended all of those funds. The only funds available for the railroad is the money that we are able to generate internally.

Allison: There's another source of money on the federal side which is the other agencies - BLM, all the other agencies that are working on the transfer have funded it themselves.

Faiks: How are you going to pay for today's time?

Polanchek: Out of the operating fund.

Faiks: Is there a large sum of money being spent on this transfer that could have been spent on normal operations, maintenance and capital expenditures if we weren't going through this transfer?

Allison: It's the reverse. The purpose of the \$7.6 million special appropriation was in part to deal with one-time transfer costs. If the railroad wasn't sold they wouldn't have that money.

Faiks: The locomotives are being stored in a heated place. There's such a divergence of opinions from the workers and the management as to the locomotive storage. If because they get to be stored in the warmth, has there been a change in the storage procedures based on temperature?

Polanchek: No, because we stored them in the same place they were last year.

Faiks: What about three years ago?

Polanchek: Three years ago we didn't have storage available. The locomotives were kept running.

Faiks: What do you account for this wide margin of difference in opinion on the maintenance of these locomotives?

Polanchek: Some of the concern is because we've expended the \$7.6 million. We can't fund certain programs, and other things have to be set aside.

Faiks: That makes sense, if you were given one time only dollars. The state has a maintenance schedule that we want to project in the budget from here on out that would give you a healthy sum of money every year to keep that maintenance up to snuff. It makes sense that some of these programs were instituted under that one block of money.

Polanchek: In the locomotive area we know that the trucks on the locomotive need to be rebuilt. We took a portion of that money and had a truck rebuild program. Now that money is gone, and the program is over.

Faiks: What about safety rules and regulations? Are the citizens of Alaska going to be jeopardized because that program is shutting down, including the workers?

Polanchek: No. Under federal regulations there are specific things you are required to do to locomotives, and they will be maintained in accordance with the federal regulations.

Faiks: Last year we spent hours trying to save the temporary employees. There was no way the state could get into that labor problem without having control over the railroad. I believe we were able to get an extension on the two year federal temporary hire provision but we could not get the FRA to increase the number of permanent employees we were allowed to have. Is that right?

Blasingame: You're right. One of the problems we face is that the Alaska Railroad is part of the FRA, U.S. Dept. of Transportation which has a mandate for man hours. When we appoint an individual, they get a career service appointment, that's permanent, versus temporary. If you let that person go, it's an adverse action, you go through a reduction in force procedure, and they have certain rights and benefits under federal regulations. When a temporary comes on they know it's temporary, but we got a waiver from the Office of Personnel Management to extend those appointments because of the requirement that was placed on us by federal OMB to stay within a certain guideline. We're still under that mandate.

Faiks: We could not get David Stockman to give us a release so we could hire more permanent employees.

Blasingame: We're still in that process. We would bring temporary employees on for what we call a temporary term period. We could extend that term if we needed that employee and if the funds were available. When the funds run out, we have to let the individual go.

Chairman Moss stated recognized Mr. William Jachim, in Fairbanks.

Jachim: I was reduced to a locomotive servicer from a locomotive mechanic. We were told there were going to be 90-day inspections handled in Anchorage. We were told that we wouldn't be working out of our job descriptions. My job is a locomotive servicer and we still do repairs. In the past we had to have an inspector sign off a locomotive saying it was safe to be operated. Now we don't. In the past I couldn't move a locomotive because I was not a foreman. Now they're going to train us to move them. This is just a job I've always done that's been rewritten to a lower pay grade and different job title. We have now a permanent car foreman which is for the car repair section of our shop.

Moss: Any comments?

Polanchek: As far as a federally mandated inspection period, 90 days, 45 days, annual, certainly can be performed in Anchorage, it's simply a matter of rotating the locomotives so they can be inspected and receive the servicing or maintenance they need. As far as signing the daily inspection report no one on the railroad has ever told anyone it does not have to be signed. It's a federal requirement we must sign off on a daily locomotive inspection. What that entails is that a qualified employee make a visual walk-around of the locomotive - checking brakes, lube oil, fuel, etc. It must be done by a qualified person and that can be a locomotive engineer, it doesn't have to be a locomotive or mechanical department employee ..

Moss: Any other comments? Recognized Elmer Matlock in Fairbanks.

Matlock: Expressed agreement with Mr. Jachim.

Chairman Moss recessed the meeting until 1:30.

Interim Tape #3, Side A

Chairman Moss recognized Mr. Blasingame.

Blasingame: One point of clarification so the committee understands how the railroad operated under existing enabling legislation. We are required by law to live within the revenues which we can generate. The funds that the railroad has received from Congress in the past have been appropriations for the major capital improvements, but beyond that, all the decisions we make are based on the bottom line. We do not receive any operating subsidies whatsoever.

Moss: Could this be part of the reason that you're cutting off a few people?

Blasingame: Absolutely. We're required to live within these revenues. Those monies that we have presently have got to take us through the lean winter months. The temporaries that we've been talking about this morning were basically hired because of those funds that we had received a couple of years ago when the ARTA legislation had been passed. The \$7.6 million appropriation Sen. Stevens had acquired for the railroad were meant for capital improvements, they were allocated throughout the railroad for capital improvements which creates jobs, so people are hired for these jobs and they understand that it's just a temporary appointment.

Abood: Are we going to curtail services to Fairbanks during the winter months? Is that why the cutback is happening?

Polanchek: The normal wintertime operation is cutting down. The passenger service has been cut from daily trains to Fairbanks to weekly. Gravel operations will go until freezing. There will be a drop-off in service to Fairbanks.

Abood: Didn't we have the same type of curtailment last winter?

Polanchek: That's correct, but the projects funded by the \$6.6 million appropriation are coming to a close.

Abood: Now we're going to be living off the revenues we make, and we didn't have to for the past two years. Is there any deferred maintenance being taken care of in there?

Polanchek: You're correct, we're now back to running off what revenues we generate.

Abood: Did those people know that this was coming down?

Polanchek: Yes. They knew when they were hired they'd be on for a limited time as funds are available.

Abood: This was put into memo form?

Blasingame: That is correct. When they were hired we gave them a temporary appointment. It could be for a year or longer. Once the appointment goes beyond a year you're supposed to make it permanent. Unfortunately we were in a hiring freeze so we were unable to do that.

Moss: Does the railroad have less income than it had three years ago? It seems that we are delaying some of this maintenance until the state takes over. Don't we have income that comes in from the freight that would take care of the maintenance?

Polanchek: We use the money we generate for all operating and maintenance costs. Our revenues have increased but I would say our total available dollars for expenditures have probably decreased because of the lack of congressional appropriation for capital expenditures and major maintenance items. Our operating money has increased. When we get an appropriation from Congress those are for capital improvement items or major maintenance items. You have to go back about three years to see the changes that have taken place in our recording system.

Moss: Don't we have money that we've set up for routine maintenance? Don't we have something set aside in a regular fund?

Polanchek: No, it's not set aside in a particular fund. The departments will put together their budgets, projecting their maintenance requirements based upon a revenue forecast done by the marketing department.

Moss: What we're looking at is a difference between state fiscal year, and railroad fiscal year. Is that a problem?

Polanchek: No. From a railroad perspective it will not be difficult for us to project out our operating requirement for whatever fiscal year is adopted for the corporation.

Falks: I would like to ask the chief maintenance man some questions. I would like you to tell us the status of the maintenance over the last three or four years. There are some strong statements being made that the locomotives are not being as well cared for as they were in past years, and I would like you address that.

Moss: I'd appreciate it if you'd identify yourself for the record.

Sudall: I'm Mike Sudall, Chief Mechanical Officer with the Alaska

Railroad. As far as locomotives going into storage in worse condition than ever before, that's not true. Over the last year we have run better than a 90% availability on the locomotives, which is good for 56 locomotives.

Faiks: 90% of 56 locomotives have always been ready to go?

Sudall: Yes, that takes care of routine maintenance, mechanical problems, and so forth. When I first started the locomotives that were in storage could never have run without many dollars put into them. Since then we've retired many locomotives that couldn't be used. Last year was the first time we got indoor storage. Every locomotive that went in we tried to have ready for service when it came out in the spring. We intend to do that this year. As far as maintenance goes, it's quite adequate. The state of the art locomotives do not require some of the intense maintenance that was needed on older locomotives. We have revised maintenance schedules and practices. Our locomotives are well serviced, they run 60-70,000 miles per year. That is not very much use, and they run in a clean environment. We have initiated a truck program and traction motor overhaul program which again increases efficiency. The major portions of maintenance will be grouped in a more systematic way of maintaining the locomotive.

Abood: I understood these gentlemen say that this equipment will be put in storage in its present condition, and nothing will happen until spring. You stated that it will be worked on and ready for spring.

Sudall: The locomotives we put in storage we hope to have ready for spring at the time they go into storage.

Abood: That isn't what we heard. We heard they were going to go into storage and not fixed up until spring, one of the reasons for the cutbacks. If we're going to wait till spring, then that expense will be ours.

Polanchek: The reason we're storing them is because they don't need to be in service. We're not storing them because they need maintenance.

Abood: The question was regarding the RIF's. If we take over January 5th, then we're going to have to do the spring maintenance on those pieces of equipment. I understand they're in storage now with broken windows, etc.

Sudall: That may be true. As far as routine type slow maintenance, that is not cost-effective where anybody's going to absorb anything exorbitant. The intent is the same as last year, to have the locomotives that go into storage ready to come out for service. We do work on some to get them ready for storage.

- Abood: That wasn't what we heard here.
- Sudell: We did put some locomotives in there that we knew we couldn't get to until such a point in time. When we had other locomotives ready, we pulled those out, and completed the project on those. Our intent is to have those locomotives ready by spring.
- Abood: You remember the example of my son who owns trucks. If he didn't do any maintenance on them during the spring or now before he puts them into storage, he'd have a hell of a time trying to get it done during the spring when he had to go to work with them.
- Sudell: When they're in storage nothing's going to happen to them. They will be ready to run when they go in, when they come out all we do is put water and oil back in, check them over and fire them up, and do whatever federal inspection to bring them up to date and back in service.
- Abood: When you change a classification to something else, and that person goes away and gets another job, then that expertise is gone. We've got to hire some else at a higher wage.
- Blasingame: I understand what you're saying. We had those temporaries on in certain positions. I thought we clarified that most of those were working on the major maintenance projects that were funded throughout the appropriation, and they were laid off when that was exhausted.
- Faiks: For another point of clarification, Mr. Allison, on the economic incentive. If we did the maintenance today, or if we wait and did the maintenance in March, it's still the same pool of money?
- Allison: That's right. Anything that's spent today would come from the revolving fund.
- Faiks: Which will go to the state, intact, minus transfer expenses? That pool of money is going to come to us anyway, so you get no benefit at all for delaying maintenance?
- Moss: How much is in that fund now?
- Polanchek: Around \$7 million.
- Faiks: Federal law requires a minimum. Isn't that minimum about \$5 million?
- Blasingame: There is no federal law. There is an administrative requirement on the part of FRA.
- Faiks: What was it?

Blasingame: \$4.5 million.

Moss: Thanked the gentlemen for their testimony. Recognized Charles Schmidt.

Schmidt: I'm Charles Schmidt, General Chairman Local 75, Machinists Union. Work is being farmed out to outside organizations and other organizations in town when the railroad is laying off people, i.e. building locomotive power assemblies is done outside, not by Alaska labor. Other functions are performed out of town and by other companies in Anchorage that could be done in the Anchorage shop. Competitive bidding practices should be followed, and there should be preferential hire for Alaskans. If they have money to pay outside firms they should have money to pay present employees. A matter of concern is also whether the work is being charged to the proper account. Time cards are given to the foreman who turns in the proper account number. It would be possible that these accounts are being put into certain areas where work is not being done. This could be an attempt to put certain jobs down to make it look like a certain area's not profitable in order to justify shipping some...

Faiks: What you're suggesting is against the law. You're saying a supervisor or someone who is charged with correcting records is falsifying records. That's a felony.

Schmidt: I'm saying that most of the employees don't necessarily know the particular job account that their work is placed under.

Faiks: Is it necessary to know that?

Schmidt: I guess not.

Faiks: To accuse someone of the potential of falsifying records is a felony, it's very serious.

Schmidt: I didn't mean to accuse anybody. Another area I wanted to talk about is the RIF. This is not a seasonal thing. A RIF has to do with permanent employees. This is not what happens in the fall of the year.

Moss: It's not a seasonal thing?

Schmidt: No. In the past they've had temporary employees and they either terminate them or they were just temporarily laid off so they didn't have to go through the paperwork to hire them back.

Moss: What's the number of permanent-temporaries, or what?

Schmidt: There's a difference between a permanent-seasonal, someone

who comes back every year, like track labor, and the temporary who is hired for a certain length of time and can be terminated any time. As far as the action in Fairbanks - some of the employees are doing the same work as they were before, there's a crossing of craft guidelines there. I have some comments on employee unrest. I feel that it's greater. There's so many questions that employees have about the transfer. We need to have some kind of a meeting where employees could have their questions answered. There's a lot of turmoil. As far as the storing of locomotives there's no checklist that the employees follow. Management might have had one but as employees we were just told there were certain things to do. Fairbanks has not been phasing out over the last few years as stated. This last year there was a buildup in employees to do more maintenance and then there was this action to reduce that because they said it wasn't working out.

Moss: What you're saying is some of the work isn't being done that's supposed to be done?

Schmidt: We do have a layoff every fall, which is a mistake, because most of the work should be done in the wintertime. This year there has been a much greater layoff than what's been done in the past. There hasn't been the time to put these locomotives back in service.

Faiks: Do you have a labor agreement with the railroad?

Schmidt: Yes we do.

Faiks: And you have terms and conditions in that labor agreement?

Schmidt: Yes.

Faiks: Do you feel the railroad has violated any of those labor agreements?

Schmidt: Yes.

Faiks: Have you filed your grievance?

Schmidt: Yes.

Faiks: So you are in a grievance procedure now to adjudicate these kinds of things?

Schmidt: Yes, on certain issues.

Faiks: You are following that procedure?

Schmidt: Yes.

Abood: Would this also necessitate overtime in the spring?

Schmidt: Yes, in fact many of the locomotives will work overtime because we had so many of them working that we couldn't afford to keep them down for any length of time, we needed to put them right back in service so we could get the work done. They'd call for eight hours over time at a time. When a person works sixteen hours a day they're not very efficient. Profit doesn't mean anything, if management doesn't make wise decisions there's not going to be any profit.

Moss: He thanked Mr. Schmidt and recognized Clifford Proetz.

Proetz: I've been an employee of the Alaska Railroad for approximately ten years. I'm a machinist, locomotive mechanic, employed here in Anchorage. In that time I have been in various positions with the local unions such as president and local chairman. There are several things that have been stated in the past, one of which Sen. Faiks referred to there, about a statement that Mr. Schmidt had made about the illegality of controlling funds from one account to another. I realize that this is a dangerous statement but this happened and I know it for a fact. I have been told to leave my time cards empty so that the proper account can be put in. We can look at locomotives 2401 and 2401, scheduled at their purchase for a \$100,000.00 each renovation, which probably amounted to \$500,000.00 apiece. Excuse me, I'm a bit emotional. This has been a common occurrence, we would run out of funds in one account and other special accounts would be rifled for funds to finish the work in those projects.

Abcood: Relax, have a cup of coffee. You're among friends.

Proetz: I would like to point out the discussion about temporaries. In the past the temporaries had been furloughed. At this time they had been terminated, they are no longer employees of the federal employees. The game has changed 100%. We were led to believe that these people could be extended to the point where the state would take them under their jurisdiction, to be allowed to go through the transfer and become state employees.

Faiks: You will never be a state employee.

Proetz: An employee of the corporation. Last year we carried approximately four or five temporaries through the winter, this year it's been pared to one or two, there in labor and support positions. Mr. Hickey referred to planned actions taken by management. These planned actions, though they may be left to management, have failed in their obligation under federal law to consult and confer with the unions to inform them what's going on. This has been done in the past repeatedly, management pretty much ignores the unions.

Moss: Do you have in your possession a memorandum from Sept. 19, 1984 to Alaska Railroad Employees from Mark Hickey and William P. Loftus?

Proetz: The letter you're referring to is about our rights and privileges?

Moss: It's just an informational letter. I wonder if it's part of the data that you need.

Proetz: That was handed out at work. The second piece I haven't seen. To my knowledge none of the employees have.

Aboud: What was the date of that one?

Proetz: We received it two weeks ago.

Moss: The employees have two memorandums in their possession...

End of Side A

Interim tape #3, Side B

Proetz: The employees of the railroad have received this particular piece of information. Sen. Fahrenkamp asked about the ability of stored equipment to come on line next spring. I would like to bring up at this time a problem that the railroad experienced with Cunard, a cruise ship line. This year the railroad was informed that their service was substandard, if Cunard wasn't provided with better service, they would discontinue using the railroad to bring their passengers to Anchorage. The railroad replied the equipment would be updated. If you lay off all these employees how can you update these coaches and equipment in a period of four months. The equipment is so substandard the only way would be to buy new equipment to meet the deadline for Cunard. The program in Fairbanks had been on the increase before this action was taken. The program was to give the Fairbanks people the training they'd need to do 15 and 45 day inspections at their location, so the units that remained there over long periods of time would not have to be returned to Anchorage for inspections. This was in effect until the time of the termination of the mechanical department employees there. Last year was the first year we stored locomotives. Several of the locomotives that were stored required extensive maintenance. Last year the units were stored serviceable, but this year they have been stored in unuseable condition - they'd need heavy maintenance before going back into service. I gave you some federal cards on several units in Fairbanks. These are federally required cards which are supposed to be signed on a daily basis. If you note there's a period of almost two months on these cards with which they went without federal inspection, yet they want to reduce the work force in Anchorage. We've

been told there would be no more apprenticeships, which are essential in training Alaskans. Now we understand that all the journeymen being hired would come from outside. It's easier to bring them in from outside as temporaries than to train their own people.

Moss: Is that part of your contract?

Proetz: We have an apprenticeship agreement, but it doesn't guarantee that there will be apprentices. We merely have a guideline as a quota of how many apprentices to mechanics will be an acceptable level.

Chairman Moss thanked Mr. Proetz. Mr. Proetz stated he had more information. Chairman Moss pointed out that time was running short.

Proetz: About what transpired in Fairbanks. Management decided they'd create a new position in Fairbanks, a work leader. They didn't inform the union. Management found that they were in a supervisory vacuum. After laying off people in supervisory positions in Fairbanks they had to send supervisory people from Anchorage. As of January 1st the railroad is required to have bullet proof glass. This is quite an extensive program.

Chairman Moss thanked Mr. Proetz and recognized Jerry Valinske.

Valinske: Gerald Valinske, United Transportation Union. The United Transportation Union doesn't have the problem some of the other unions have. A lot of answers about the transfer were slow in coming. The state and transfer team have been helpful, FRA slower, and management has given us what I feel they've had available. As far as the issues the other organizations have, I don't know much about them. The transfer does have some rough edges. One of the biggest things holding us back is the board, and I'm confident the Governor is going to be making his appointments soon. They'll be able to start dealing with these issues and start giving the employees answers.

Moss: I appreciate your comments. We do have some rough edges, but I feel more comfortable than I did earlier. I hope what comes out of this session is that we'll have both the federal government and the state working together.

Faiks: I appreciate your coming here. Can you and Jack Burton's union take a lead in setting up a communication network with some of the other unions, so that they have as much information as you do?

Valinske: I'd be more than willing to do that. On August 17th when we met with management, FRA and the state transfer team a hotline was discussed so that an individual could get

specific answers. The organization endorsed that, hopefully they're pursuing that and will get it online soon.

Faiks: You're going to have to work together, so that turf battles between unions won't occur. If some of you have information, it's your duty as a railroader to share it.

Valinske: I have a lot of confidence in the other organizations. I'm more than happy to meet with their officers and work with them in the future.

Moss: Thank you Jerry. We have time for one more person in Fairbanks.

Matlock: This is Elmer Matlock. We have a fuel haul starting Sept. 1985. This is a good reason to keep our rolling equipment upgraded.

Moss: Is that fuel transfer out of MapCo.? Is it one of the same deals with the airport or into Anchorage?

Matlock: Yes. This fuel haul will be from Fairbanks to Anchorage.

Chairman Moss thanked all of the people in Fairbanks who participated and recognized Mr. Minton.

Minton: I'm Arthur Minton of the International Association of Machinists and Aerospace Workers. I'm here on behalf of the interest of the employees of the Alaska Railroad. There are some questions that haven't been answered with regard to the temporary employees whose jobs were terminated. Nobody has requested in this room today that those people be given a concrete job. The request was that these people be considered for preferential hiring. There has been no response to my knowledge to this request. I believe it's a moral obligation to the people who have the opportunity to make some policy as to what happens to those employees who were terminated.

Moss: I appreciate your comments, and I hope this will be considered.

Fahrenkamp: Is there a federal law that there has to be bullet-proof windows?

Hickey: There is a federal requirement for the glazing of windows. The state requested a waiver from the FRA because we feel that this is unnecessary. The waiver was denied. Starting in 1985 the railroad is going to have to comply.

Fahrenkamp: Who will prepare the agenda for the first board meeting?

Hickey: That's part of my job.

Fahrenkamp: As a personal favor to me, I would appreciate it if you would put this question of temporary hire to the board on the first agenda?

Hickey: That has been our intent. The board should have this put before them.

Fahrenkamp: I'm more confused than I was before the meeting. I think we set a very dangerous precedent. I for one don't feel qualified to be a labor mediation board. Mark's promise will help me a lot.

Chairman Moss thanked Mr. Hickey and everyone who was present today. He asked Mr. Hickey if there was the possibility of a board announcement by the 5th of October.

Hickey: That's correct.

Chairman Moss brought this portion of the meeting to a close.

The following testimony was submitted to Senator Moss at a later date, from Mr. John McDonnell, 505 W. 2nd Ave. #20, Anchorage, AK 99501.

Senator Moss,

A note of appreciation for your considerations and concerns regarding the transfer process of the Alaska Railroad. I only accidentally by way of passing by learned of your committee's meeting on October 2nd. I only heard 20 minutes of testimony in the morning session and the afternoon's comments were most revealing.

Not only am I a railroader myself, but I have been involved in such matters before. Formerly off the Milwaukee Railroad (1970-1980), which in 1979 declared bankruptcy and reorganized under the guise of abandoning over 2300 miles of track immediately. I have already seen one railroad inexorably and totally disrupt not only services and transportation corridors but devastate thousands of lives, careers and dignities as well. And through it all, I was struck by its finality. Once the train leaves, who calls it back? The inevitability of its own momentum. As trains go, so goes the responsibility.

Senator Moss, do not let the railroad get out of town without at least being held accountable for their actions. It is not an entity to itself. I'm sure you felt the vast discrepancy between management, worker and transfer peoples versions. It was notable to hear the testimony concerning these conflicting position and sensing the need for more vigorous determinations. Alas, I have learned, it could be four weeks before a transcript is available and as I'm sure you are aware, mountains of paperwork could materilize to

justify any position or performance in the meantime.

My only hesitation in voicing these concerns is that I am a "temporary" and if you get down to the vague and nonspecific descriptions of some 30-40% of the workforce from April to November despite "project and special monies availability." You will find we are "terminable at will" as well as for cause lack of work, or discipline. Therefore, I am reluctant to be heard, as I and many others on the property fear for their livelihoods. I realize there are no guarantees in life but if one stands up to be counted, the only thing to be counted is the fact he or she won't be returning.

But I do recognize your concern and would appreciate any comments you have concerning my thoughts.

I shall be terminated in a few weeks and despite the darkness I remain,

Respectfully yours,

John M. McDonell  
Brkmn, Alaska Railroad

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2  
JUNEAU, ALASKA 99811  
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OFFICE OF THE COMMISSIONER

September 25, 1984

Mr. Jack Burton, President  
American Federation of  
Government Employees  
Local 183  
P. O. Box 3  
Anchorage, AK 99510

Dear Mr. Burton:

I am writing in response to your recent letters to Governor Sheffield, Commissioner Lyon and myself regarding the Alaska Railroad (ARR) freight house issue. On behalf of the Governor and Commissioner Lyon, we appreciate you taking the time to write voicing your concerns on this matter.

As you know, the Alaska Railroad remains federally-owned and operated by the Federal Railroad Administration until the actual transfer occurs, which we anticipate will be in late 1984. The State of Alaska has no official standing whereby it can change or alter these kinds of decisions while the Alaska Railroad remains under federal ownership.

There have been some similar issues involving decisions by current management that have been brought to our attention over the last few weeks. In discussing these with the ARR, we have reached an understanding that the State will be informed of all such activities prior to their initiation. In addition, it has been suggested to the ARR that these kinds of decisions should be carefully weighed during this transition period, and that it might be best to postpone such actions until after transfer, or at least until such time as the new Board of Directors for the Alaska Railroad Corporation has been appointed and begun its work.

The Alaska Railroad has recently informed us that because of the pending transfer and the imminent appointment of the Board of Directors, they have decided to postpone initiation of the proposed action on the freight house until early next year. This

Mr. Burton

-2-

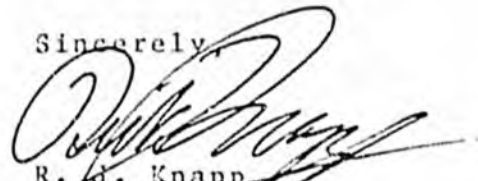
September 25, 1984

will allow the new Board ample opportunity to review the issue, and then make a decision on the relative merits of the proposal.

We appreciate the willingness of the ARR to wait and allow the new Board of Directors a chance to review this matter, once its official work has been initiated. It is worth noting that the Alaska State Legislature placed heavy emphasis on the railroad conducting its operations on a self-sustaining basis under state ownership. Accordingly, a key criteria in this review will be an assessment of the long-term economic implications of such a decision.

Thank you again for taking the time to write on this issue. We look forward to developing a good working relationship with all of the unions representing employees at the Alaska Railroad as we move toward state ownership.

Sincerely,



R. S. Knapp  
Commissioner

cc: The Honorable Bill Sheffield  
Governor  
Ben Harding, Special Staff Assistant  
Office of the Governor  
Mark S. Hickey, State Railroad Coordinator  
Alaska Railroad Transfer Team  
Richard Lyon, Commissioner  
Department of Commerce & Economic Development  
The Honorable H. Pappy Moss, Chairman  
Senate Transportation Committee  
Arnold T. Polanchek, Acting General Manager  
The Alaska Railroad  
John H. Riley, Administrator  
Federal Railroad Administration  
John Shively, Chief of Staff  
Office of the Governor

# ALASKA RAILROAD TRANSFER INFORMATION BULLETIN



## QUESTIONS AND ANSWERS FOR RAILROAD EMPLOYEES ABOUT TRANSFER OF THE ALASKA RAILROAD TO THE STATE OF ALASKA

Number One

August 1984

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Mr. James B. Blasingame  
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Section 604 of ARTA contains employee transfer and protection provisions. In Section 604, Congress required that the State-owned Railroad establish arrangements to protect the employment interest of transferred employees. These arrangements require:

- Adoption of all collective bargaining agreements which are in effect on the date of transfer. These agreements are to continue in effect for the two-year period commencing on the date of transfer and are to be renegotiated during this period.
- Retention of all employees, other than officers who are defined in ARTA as five specific positions, who elect to transfer to the State-owned Railroad in their same positions for a two-year period commencing on the date of transfer. During that period, separation can only occur in cases of reassignment, separation for cause, resignation, retirement, or lack of work.
- Payment of wages at or above the base pay levels in effect on the date of transfer for a two-year period unless the parties agree otherwise.
- Priority reemployment based on seniority with the State-owned Railroad for any transferred employee who is separated for lack of work during the two-year period. Federal service is included in the computation of seniority for reemployment.
- During the two-year period, transferred employees will receive credit for annual and sick leave, seniority rights, and relocation and turnaround travel allowances which have been accrued during their period of Federal employment.
- COLA payments to transferred employees of an amount equivalent to the cost of living allowance to which they were entitled as Federal employees on the day before the date of transfer, provided that such payment shall not exceed the percentage of any transferred employee's base salary level provided by the United States as a cost of living allowance on the day before the date of transfer, unless the parties agree to the contrary.
- Health and life insurance programs for transferred employees substantially equivalent to the Federal health and life insurance programs available to employees on the day before the date of transfer.

Section 607 of ARTA contains the following provisions regarding the continuing Federal rights of Alaska Railroad employees and the treatment of their retirement rights and benefits:

- Employees who transfer to the State-owned Railroad and who are subject to the Civil Service retirement law who transfer without a break in service shall continue to be covered in the Federal Civil Service Retirement System unless the State-owned Railroad decides to provide retirement benefits that reflect prior Federal service and are substantially equivalent to that provided State employees.
- Employees of The Alaska Railroad who elect not to transfer to the State-owned Railroad shall be entitled to all of the rights and benefits available to them under Federal law as discontinued Federal employees.

### Railroad Lands

The Corporation Act places all Railroad lands transferred to the State under the direct control and ownership of the Corporation. The Corporation may generally lease its lands, but any exchange or sale of the entire interest in lands or lease in excess of 35 years is prohibited unless the Legislature approves action by law. The Corporation may request the Department of Natural Resources to select Federal lands for Railroad use under Alaska's Statehood entitlement and may apply on its own behalf for other Federal land and property. The Corporation may request State lands for Railroad use. It can also exercise the power of eminent domain, but only with the Governor's approval.

### Financial Authority

All liabilities incurred by the Corporation must be satisfied from assets owned by the Corporation; but likewise, all revenue generated by the Corporation shall be retained and managed for use by the Railroad. With the Governor's approval, the Corporation may request direct appropriations from the Legislature. The Corporation may issue bonds with legislative approval, but the credit of the State cannot be pledged for their payment.

### Oversight and Accountability

As previously noted, both the Governor and Legislature have approval power over certain Railroad actions. Perhaps the most significant oversight mechanism is the provision that all Board members serve at the pleasure of the Governor. The Corporation Act attempts to establish a balance between the principles of managing the Railroad in a business-like manner, while ensuring accountability for the large amount of public funds and interest associated with operation of the new State-owned Railroad.

### Employee Protection

The employee provisions of ARTA set the framework by which ARR employee interests are to be protected. The basic premise is that the "status quo" for employee interests will be maintained for two years unless changes are negotiated sooner. Exceptions are allowed for separation for cause, resignation, retirement, or lack of work. Certain officers of the Railroad, as defined in ARTA, carry these protections for only a one-year period.

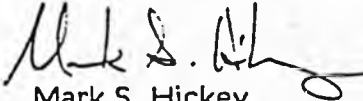
The Corporation Act is entirely consistent with the ARTA employee protection requirements and requires the Corporation to comply with these requirements. Although many of your questions regarding specific issues, such as personnel rules following transfer and new hire provisions, cannot be answered until the new Corporation begins its work, the Corporation Act does provide that Railroad employees are employees of the Corporation, not of the State, and as such, are exempt from the State Personnel Act and the Public Employment Relations Act.

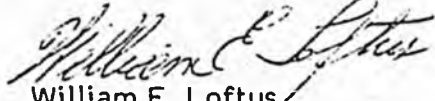
The Corporation Act also establishes a Railroad Labor Relations Agency consisting of three members appointed by the Governor. This agency is to function as an independent body and will perform normal labor relations oversight duties, such as investigating and settling complaints of unfair labor practices.

September 19, 1984

Memorandum

To: All Alaska Railroad Employees

From:   
Mark S. Hickey  
State Railroad Coordinator  
Department of Transportation  
and Public Facilities

  
William E. Loftus  
Executive Director  
Federal Railroad Administration

Subject: Alaska Railroad Transfer Information Bulletin

We are pleased to transmit to you the second issue of The Alaska Railroad Transfer Information Bulletin in response to questions you have presented.

This issue of the Information Bulletin contains information based on the best analysis presently available, relating to issues of concern to ARR employees in the areas of transfer procedure and employee protection period, benefits, leave, life and health insurance benefits, pay and positions, and other miscellaneous issues. We have tried to make the answers as clear and complete as possible. However, because the transfer process is complex and unique, some answers may be further explained as more information becomes available.

The Information Bulletin is an effort to explain the transfer process and employees' rights and benefits. The answers to these questions neither add to nor delete from your rights conferred by law. Answers provided in this bulletin represent the best efforts of the staffs of the Office of Personnel Management and Federal Railroad Administration as to Federal matters, and the Alaska Railroad Transfer Team as to issues relating to State action.

The effort to provide information to employees is continuing and more questions will be answered in the future. We appreciate your patience and cooperation as we work through this challenging period for The Alaska Railroad.

# ALASKA RAILROAD TRANSFER INFORMATION BULLETIN



## QUESTIONS AND ANSWERS FOR RAILROAD EMPLOYEES ABOUT TRANSFER OF THE ALASKA RAILROAD TO THE STATE OF ALASKA

No. 2

Sept. 1984

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## QUESTIONS AND ANSWERS

The following questions have been submitted by employees. If your specific question has not been answered here, please feel free to submit it to Mr. James B. Blasingame, Chief of Administration, or to your bargaining unit representative as listed so that we may address it in future editions of this Bulletin as the transfer process permits and the information becomes available.

The answers provided here represent the best analysis available to date. They may be explained further as more information becomes available in the future. These answers neither add to nor delete from employees' rights and benefits which are conferred by law. Rather, they are an effort to explain those rights and benefits. Answers to questions relating to Federal rights and benefits have been provided by the staff of Federal Railroad Administration and the central office of the Office of Personnel Management. Answers to issues relating to State actions have been provided by the staff from Alaska Railroad Transfer Team.

### 1. Transfer Procedure & Protection Period:

#### 1. Q. What will be the actual transfer date?

A. While the transfer date has yet to be officially set, FRA and the State are planning on a transfer date no later than January 5, 1985.

#### 2. Q. Will there still be a two-year "transition" period?

A. ARTA provides for a two-year period beginning on the date of transfer during which numerous employee interests are protected. This does not mean that there will be a period of joint Federal/State ownership and control as suggested by the idea of a "transition period." Before the date of transfer, the ARR is owned and operated by the Federal Railroad Administration. After the date of transfer, the ARR will be owned by the State of Alaska and managed and operated by the Alaska Railroad Corporation.

#### 3. Q. Will present pay and benefits be protected through the transition period?

A. The State has agreed to retain all transferring permanent employees, adopt all collective bargaining agreements, pay current pay scales, including cost of living adjustments, to continue the Federal Retirement System or provide a system substantially equivalent to that of State employees and to provide health and welfare coverage substantially equivalent to present programs. The basic principle is that these permanent employee interests will be maintained subject to the exceptions identified in ARTA for reassignment, separation for cause, resignation, retirement, or lack of work. These interests will be maintained for two years unless changes are negotiated with collective bargaining agents.

4. Q. Can employees be terminated during this period?

A. Yes, but only in accordance with the provisions of ARTA, existing collective bargaining agreements, and the personnel policies and rules in place at the time of termination.

5. Q. What mechanism will be used to effect the separation of permanent employees from Federal employment and their reemployment by the Alaska Railroad Corporation for those employees who elect to transfer?

A. The Office of Personnel Management has determined that the appropriate mechanism is reduction-in-force procedures. The required reduction-in-force notice will be issued with a concurrent offer of employment of the employee's same position from the Alaska Railroad Corporation. The RIF procedure will not require bumping and retreating for this process.

6. Q. Will a permanent employee be entitled to severance pay if he elects to resign?

A. No. The Office of Personnel Management has determined that job protection provisions provided by ARTA constitute comparable employment with the Alaska Railroad Corporation and, therefore, employees will not be entitled to severance pay.

7. Q. How long will permanent employees have to decide whether to retire, resign, or transfer to the State?

A. Employees must be given at least 30 calendar days' notice prior to the effective date of a reduction-in-force action. Employees would be required to make a written decision on the offer of employment by a designated date within the notice period.

8. Q. How will temporary employees be treated in the transfer process?

A. As a result of ARTA, all temporary employees employed as of the date of transfer will be separated from Federal service effective that date. The State has agreed to reemploy such personnel at transfer in accordance with the terms and conditions of their previous Federal appointment and, where appropriate, existing collective bargaining agreements.

9. Q. Will the Federal Government assist employees who wish to remain in Federal service with placement programs, priority hiring, or other special handling?

A. The Department of Transportation's Reemployment Priority List, Office of Personnel Management's Displaced Employee Program, and other priority placement process normally available through the local office of the Office of Personnel Management will be open to ARR employees separated from Federal service. The details of the available programs will be provided during the reduction-in-force process.

II. Benefits:

10. Q. Which retirement system will be used for current ARR employees?

A. The Civil Service Retirement System will be continued for all participating employees who transfer. Under an option provided by ARTA, the Board of Directors of the new ARR Corporation has a two-year period from date of transfer within which to decide whether or not to create a new system for transferring employees. If this option is exercised, such a system must be substantially equivalent to the retirement program maintained by the State for State employees and must reflect prior Federal service. Transferring employees and the Alaska Railroad Corporation will continue their contributions to the Civil Service Retirement System unless the Alaska Railroad Corporation decides to establish another system.

11. Q. Must an employee eligible for optional retirement decide to retire immediately upon transfer date, or will employees have the two-year protection period in which to decide?

A. Timing of the decision to retire depends upon the desires of the individual employee. Employees may exercise the right for optional retirement at any time they are eligible.

12. Q. If eligible to retire optionally within five years of transfer date, will those employees have the option to work for the Railroad under State ownership for that period and then retire under Federal retirement?

A. Yes. Timing of the decision to retire under the Federal retirement system depends on the eligibility and desires of the individual employee. For those transferring employees who are within five years of being eligible for optional retirement, ARTA provides that those employees may elect to remain in the Civil Service Retirement System even if the Alaska Railroad Corporation elects to create a new retirement system under the option provided by ARTA.

13. Q. Will there be a discontinued service retirement option available to qualified employees who choose not to transfer to the State?

A. Yes, up to and including the date of transfer.

14. Q. Does an employee eligible for discontinued service retirement at transfer have the two-year period in which to exercise the option to retire?

A. No. After the date of transfer, only transferred employees who are eligible and participating in the Civil Service Retirement System and whose employment with the Corporation is terminated (not for cause) shall be entitled to discontinued service retirement as provided by ARTA.

15. Q. If an employee decides not to retire, how will Federal service be transferred and counted toward retirement?

A. As long as the ARR Corporation elects to keep transferring employees who presently contribute to the Civil Service Retirement System in that system after transfer, the rules of that system will apply. However, if the Alaska Railroad Corporation elects to establish a retirement system substantially equivalent to the State employees' system, then credit reflecting prior Federal service as well as service with the ARR Corporation must be given subject to the rules established for the new system. Establishment of such a system is a policy matter to be addressed by the Alaska Railroad Corporation created to operate the ARR for the State.

16. Q. What will happen to the Federal employer's retirement contributions if an employee elects not to retire or not to transfer to the State?

A. In accordance with Federal regulations, those contributions remain in the Civil Service Retirement Fund.

17. Q. Under what circumstances may an employee receive a retirement contribution refund?

A. In accordance with Federal regulations, the employee who elects not to transfer to the Alaska Railroad Corporation and is not eligible to retire (optionally or discontinued service annuity) and does not elect to obtain other Federal employment may withdraw only those funds which the employee contributed to that system.

### III. Sick and Annual Leave:

18. Q. What is the interpretation of "credit" for accrued sick and annual leave benefits?

A. For those Alaska Railroad employees transferring to the State-owned railroad under the provisions of ARTA, credit will be transferred for the actual number of hours of sick and annual leave accrued by the employee prior to the date of transfer.

19. Q. In accordance with Federal regulations, if an employee is not eligible for retirement and decides not to transfer to the State, will he be paid for both sick and annual leave accrued?

A. If the employee transfers to another federal activity, both the annual and sick leave are transferred with the employee. Under Federal regulations, there is no provision for payment of accrued sick leave upon separation from service. If the employee elects not to transfer and is not eligible for retirement, that individual will receive a lump-sum payment for accrued annual leave.

20. Q. If an employee does transfer to the State, can he be paid for his accrued leave and then begin State service with a zero balance of leave?

A. No. Section 607(d) of ARTA provides: "(d) Any employee who transfers to the State-owned railroad under this title shall not be entitled to lump-sum payment for unused annual leave under section 5551 of title 5, United States Code, but shall be credited by the State with the unused annual leave balance at the time of transfer."

IV. Life Insurance and Health Benefits:

21. Q. Will the State pick up our current health and life benefits as afforded by the Federal Government during the transition period?

A. One of the requirements of Section 604 of ARTA is that the State has provided..."for health and life insurance programs for transferred employees retained by the State-owned railroad during the two-year period commencing on the date of transfer, substantially equivalent to the Federal health and life insurance programs available to employees on the day before the date of transfer (except officers of The Alaska Railroad, who shall receive such credit for one year following the date of transfer)."

Efforts are nearing completion to finalize a proposal for presentation to the ARR Corporation Board of Directors and the Federal Railroad Administration to comply with the requirements of ARTA on this subject.

22. Q. Will the Railroad, under State ownership, continue to pay health benefit premiums for certain crafts as it now does?

A. To the extent that this issue is addressed by collective bargaining agreements or the ARTA provisions, those agreements and ARTA will apply. Further review on this issue is under way as part of the planning for health benefit requirements.

V. Pay and Positions:

23. Q. Will current pay plans remain? How will pay be set for GS equivalent employees?

A. One of the requirements of Section 604 of ARTA is that the State has agreed to provide for the payment of compensation to transferred employees for two years commencing on the date of transfer at or above the base salary levels in effect for such employees on the date of transfer, unless the parties otherwise agree during the two-year period or unless the employee is separated under the provisions of ARTA.

24. Q. Will there still be an "A" and "B" pay plan as there currently is in the White Collar pay plan?

A. To the extent that the existing collective bargaining agreements adopted by the ARR Corporation address this issue, they will apply.

25. Q. Will COLA for GS equivalent employees be rolled into the base rate? Will COLA be subject to Federal income tax?

A. ARTA provides that the State has agreed to pay..."an amount equivalent to the cost-of-living allowance to which they are entitled as Federal employees on the day before the date of transfer, in accordance with the provisions of subparagraph (D) of this paragraph;..." ARTA further provides that payment of COLA to transferred employees ..."shall not exceed the percentage of any transferred employee's base salary level provided by the United States as a cost-of-living allowance on the day before the date of transfer, unless the parties agree to the contrary." Research is still ongoing as to whether COLA is required to be part of total pay or provided as separate compensation.

Taxation of such COLA payments is subject to Federal tax laws and regulation which currently provide no special treatment for such income.

VI. Miscellaneous Questions:

26. Q. Will turnaround leave still be honored?

A. Yes. One of the requirements of Section 604 of ARTA is that the State has provided "...for credit during the two-year period commencing on the date of transfer for accrued annual and sick leave, seniority rights, and relocation and turnaround travel allowances which have been accrued during their period of Federal employment (except for officers of The Alaska Railroad, who shall receive such credit for one year following the date of transfer):"

27. Q. Will the State be eligible to sell the Railroad to a privately owned corporation after the transition period?

A. Although there is no prohibition contained in ARTA on sale or transfer of the Railroad after acquisition by the State, any such sale or transfer would have to conform with relevant ARTA requirements. Further, there are no current plans for any such transfer of the ARR after acquisition by the State. The State's attention is presently focused on the transfer process and the issues that must be resolved before transfer can take place.

28. Q. Is there still the possibility of an employee corporation buying the Railroad?

A. Such arrangements are not precluded by either ARTA or legislation enacted by the State. However, the transfer process must be completed prior to consideration by the State of any such disposition of the Railroad.

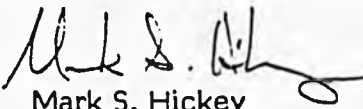
29. Q. Can transfer rights later be extended to a former employee who elected not to accept the offer of State employment?

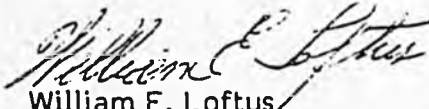
A. The Office of Personnel Management's interpretation of ARTA is that transfer rights and benefits are contingent upon continuity of employment without an actual break in service between Federal and Alaska Railroad Corporation employment. Therefore, while the Corporation has the discretion to hire a former Railroad employee at a later date, the Corporation is not required to extend ARTA transfer rights.

September 19, 1984

Memorandum

To: All Alaska Railroad Employees

From:   
Mark S. Hickey  
State Railroad Coordinator  
Department of Transportation  
and Public Facilities

  
William E. Loftus  
Executive Director  
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A. Yes. Timing of the decision to retire under the Federal retirement system depends on the eligibility and desires of the individual employee. For those transferring employees who are within five years of being eligible for optional retirement, ARTA provides that those employees may elect to remain in the Civil Service Retirement System even if the Alaska Railroad Corporation elects to create a new retirement system under the option provided by ARTA.

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A. Yes, up to and including the date of transfer.

14. Q. Does an employee eligible for discontinued service retirement at transfer have the two-year period in which to exercise the option to retire?

A. No. After the date of transfer, only transferred employees who are eligible and participating in the Civil Service Retirement System and whose employment with the Corporation is terminated (not for cause) shall be entitled to discontinued service retirement as provided by ARTA.

15. Q. If an employee decides not to retire, how will Federal service be transferred and counted toward retirement?

A. As long as the ARR Corporation elects to keep transferring employees who presently contribute to the Civil Service Retirement System in that system after transfer, the rules of that system will apply. However, if the Alaska Railroad Corporation elects to establish a retirement system substantially equivalent to the State employees' system, then credit reflecting prior Federal service as well as service with the ARR Corporation must be given subject to the rules established for the new system. Establishment of such a system is a policy matter to be addressed by the Alaska Railroad Corporation created to operate the ARR for the State.

16. Q. What will happen to the Federal employer's retirement contributions if an employee elects not to retire or not to transfer to the State?

A. In accordance with Federal regulations, those contributions remain in the Civil Service Retirement Fund.

17. Q. Under what circumstances may an employee receive a retirement contribution refund?

A. In accordance with Federal regulations, the employee who elects not to transfer to the Alaska Railroad Corporation and is not eligible to retire (optionally or discontinued service annuity) and does not elect to obtain other Federal employment may withdraw only those funds which the employee contributed to that system.

III. Sick and Annual Leave:

18. Q. What is the interpretation of "credit" for accrued sick and annual leave benefits?

A. For those Alaska Railroad employees transferring to the State-owned railroad under the provisions of ARTA, credit will be transferred for the actual number of hours of sick and annual leave accrued by the employee prior to the date of transfer.

19. Q. In accordance with Federal regulations, if an employee is not eligible for retirement and decides not to transfer to the State, will he be paid for both sick and annual leave accrued?

A. If the employee transfers to another federal activity, both the annual and sick leave are transferred with the employee. Under Federal regulations, there is no provision for payment of accrued sick leave upon separation from service. If the employee elects not to transfer and is not eligible for retirement, that individual will receive a lump-sum payment for accrued annual leave.

20. Q. If an employee does transfer to the State, can he be paid for his accrued leave and then begin State service with a zero balance of leave?

A. No. Section 607(d) of ARTA provides: "(d) Any employee who transfers to the State-owned railroad under this title shall not be entitled to lump-sum payment for unused annual leave under section 5551 of title 5, United States Code, but shall be credited by the State with the unused annual leave balance at the time of transfer."

IV. Life Insurance and Health Benefits:

21. Q. Will the State pick up our current health and life benefits as afforded by the Federal Government during the transition period?

A. One of the requirements of Section 604 of ARTA is that the State has provided... "for health and life insurance programs for transferred employees retained by the State-owned railroad during the two-year period commencing on the date of transfer, substantially equivalent to the Federal health and life insurance programs available to employees on the day before the date of transfer (except officers of The Alaska Railroad, who shall receive such credit for one year following the date of transfer)."

Efforts are nearing completion to finalize a proposal for presentation to the ARR Corporation Board of Directors and the Federal Railroad Administration to comply with the requirements of ARTA on this subject.

22. Q. Will the Railroad, under State ownership, continue to pay health benefit premiums for certain crafts as it now does?

A. To the extent that this issue is addressed by collective bargaining agreements or the ARTA provisions, those agreements and ARTA will apply. Further review on this issue is under way as part of the planning for health benefit requirements.

V. Pay and Positions:

23. Q. Will current pay plans remain? How will pay be set for GS equivalent employees?

A. One of the requirements of Section 604 of ARTA is that the State has agreed to provide for the payment of compensation to transferred employees for two years commencing on the date of transfer at or above the base salary levels in effect for such employees on the date of transfer, unless the parties otherwise agree during the two-year period or unless the employee is separated under the provisions of ARTA.

24. Q. Will there still be an "A" and "B" pay plan as there currently is in the White Collar pay plan?

A. To the extent that the existing collective bargaining agreements adopted by the ARR Corporation address this issue, they will apply.

25. Q. Will COLA for GS equivalent employees be rolled into the base rate? Will COLA be subject to Federal income tax?

A. ARTA provides that the State has agreed to pay... "an amount equivalent to the cost-of-living allowance to which they are entitled as Federal employees on the day before the date of transfer, in accordance with the provisions of subparagraph (D) of this paragraph;..." ARTA further provides that payment of COLA to transferred employees ... "shall not exceed the percentage of any transferred employee's base salary level provided by the United States as a cost-of-living allowance on the day before the date of transfer, unless the parties agree to the contrary." Research is still ongoing as to whether COLA is required to be part of total pay or provided as separate compensation.

Taxation of such COLA payments is subject to Federal tax laws and regulation which currently provide no special treatment for such income.

VI. Miscellaneous Questions:

26. Q. Will turnaround leave still be honored?

A. Yes. One of the requirements of Section 604 of ARTA is that the State has provided "...for credit during the two-year period commencing on the date of transfer for accrued annual and sick leave, seniority rights, and relocation and turnaround travel allowances which have been accrued during their period of Federal employment (except for officers of The Alaska Railroad, who shall receive such credit for one year following the date of transfer);"

27. Q. Will the State be eligible to sell the Railroad to a privately owned corporation after the transition period?

A. Although there is no prohibition contained in ARTA on sale or transfer of the Railroad after acquisition by the State, any such sale or transfer would have to conform with relevant ARTA requirements. Further, there are no current plans for any such transfer of the ARR after acquisition by the State. The State's attention is presently focused on the transfer process and the issues that must be resolved before transfer can take place.

28. Q. Is there still the possibility of an employee corporation buying the Railroad?

A. Such arrangements are not precluded by either ARTA or legislation enacted by the State. However, the transfer process must be completed prior to consideration by the State of any such disposition of the Railroad.

29. Q. Can transfer rights later be extended to a former employee who elected not to accept the offer of State employment?

A. The Office of Personnel Management's interpretation of ARTA is that transfer rights and benefits are contingent upon continuity of employment without an actual break in service between Federal and Alaska Railroad Corporation employment. Therefore, while the Corporation has the discretion to hire a former Railroad employee at a later date, the Corporation is not required to extend ARTA transfer rights.

# MEMORANDUM

## State of Alaska Department of Transportation & Public Facilities


TO: See Distribution

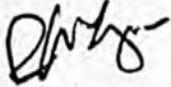
DATE: September 10, 1984

FILE NO:

TELEPHONE NO: 465-3900

SUBJECT: Alaska Railroad  
Transfer Project -  
Transition Work Plan

FROM:   
R. J. Knapp  
Commissioner  
DOT&PF

  
Richard Lyon  
Commissioner  
DC&ED

Attached for your review and information is a final draft of the Transition Work Plan for the Alaska Railroad Transfer Project. This document depicts all of the major work tasks that need to be accomplished in the period before or immediately following actual transfer.

Due to the time constraints of the transfer schedule and the complex nature of many of these work efforts, a considerable amount of this work has already been initiated, or in some cases, actually completed. Attachment A to the Overview depicts the overall organization for management of this project. Attachment B provides a general schedule with indications for major milestones and work deadlines.

As can be seen by a quick perusal of the remaining attachments to the Overview, the dynamic nature of much of this work effort requires a flexible and changing work plan. It should also be noted that many of the major work areas or "components" have already been scoped out with considerable detail reflecting the importance and priority of that particular area. Some of the other components have not yet been addressed with the same level of specificity, either because they are of a lower priority or not as time-sensitive as other tasks.

A quick review of the Work Plan Overview should provide policy-makers with a thorough and current understanding of the Alaska Railroad Transfer Project. We would recommend that everyone take the time to review at least that section in order to better understand the schedule and complexity of this new step about to be taken by the State.

If there are any questions regarding this material, or if anyone would like a more detailed briefing on this project, please feel free to call us or Mark Hickey, the State Railroad Coordinator. Thank you for your attention to this matter.

Attachment

DISTRIBUTION LIST

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## ALASKA RAILROAD TRANSFER PROJECT

### TRANSITION WORK PLAN

#### OVERVIEW

##### I. Introduction.

On July 5, 1984, Governor Sheffield signed into law an Act establishing the Alaska Railroad Corporation to own and operate the Alaska Railroad (ARR) upon transfer. That event was followed on July 12, 1984, by an exchange of documents between the Governor and John Riley, Administrator of the Federal Railroad Administration (FRA), which provided Secretary Dole's certification that the State of Alaska has agreed to meet all of the conditions of the federal Alaska Railroad Transfer Act of 1982 (ARTA).

The certification ceremony was in direct response to state acquisition legislation enacted and signed into law earlier this year, and is the last major milestone before actual transfer can occur. It represents the culmination of over three years of work by state and federal officials, which formally started on July 17, 1981, when Senate Bill 1500 was introduced in the United States Congress to authorize transfer of the ARR to the State of Alaska.

Under the terms and conditions of ARTA, certification by Secretary Dole means that the State has agreed to meet the following specific conditions:

- (1) to continue operations of the ARR as a rail carrier in intrastate and interstate commerce;
- (2) to assume all rights, liabilities and obligations of the Alaska Railroad on the date of transfer, except for tort claims and legal liabilities which occurred during federal ownership;
- (3) to protect the retirement benefits and other employee interests of all permanent employees for a two-year period following the date of transfer;
- (4) to allow representatives of the Secretary of Transportation adequate access to railroad employees' records when needed in relation to the period of federal ownership; and
- (5) to compensate the United States for the \$22.271 million which has been determined by the United States Railway Association to be the railroad's fair market value.

ARTA requires actual transfer of ownership and responsibility to occur as soon as practical after certification. The State has agreed to set the specific date by October 12, 1984, and if at all possible, to achieve the transfer by the end of this calendar year. Establishment of the transfer date is contingent, in part, on how quickly we can complete the support work necessary to achieve a smooth and orderly transfer of operations; on how long it takes to make proper board appointments; and on how long a period of time is needed for the board to become familiar with their new responsibilities.

*DATE OF TRANSFER 10-12-84  
1-5-85  
-G...*

The State's Alaska Railroad Corporation Act (Corporation Act) provides for the establishment of the Alaska Railroad Corporation (ARC) as an independent, public corporation within the Department of Commerce and Economic Development (DC&ED) to operate and manage the railroad upon transfer to state ownership. The corporation is to be managed by a seven-person Board of Directors, consisting of the Commissioners of Commerce and Economic Development and Transportation and Public Facilities, plus five public members. The new corporation is charged with carrying out its management responsibilities on a self-sustaining basis according to sound business management practices.

*Appointment of Board  
1-5-85  
-G...*

Given these time considerations and the complexity of the overall project, there is a considerable amount of work to be performed within a short period of time. The Alaska Railroad Transfer Team (Transfer Team), which was created by Governor Sheffield in February 1983 to coordinate and direct this project, has been charged with the following mission during the transition period: (1) to ensure a smooth and orderly transfer of operations from federal to state ownership; and (2) to assist with the establishment of the new corporation as it assumes its new duties.

This document has been prepared to provide policy-makers a detailed overview of project activities during this period. There are several additional documents attached to the Overview as Attachment C, which more fully depict the project's organization and schedule, while also providing a more in-depth explanation of individual work tasks.

## II. Project Organization.

With passage and enactment of the Corporation Act, the Commissioners of Commerce and Economic Development and Transportation and Public Facilities now share lead responsibility for policy direction of the Alaska Railroad Transfer Project. In order to minimize disruption of project activities, it has been decided to leave the core staff of the Alaska Railroad Transfer Team in the Department of Transportation and Public Facilities (DOT&PF) reporting directly to the DOT&PF Commissioner for performance of their duties. In turn, policy decisions and project direction will be provided on a coordinated basis by the two commissioners.

The Transfer Team, working under the direction of the State Railroad Coordinator, has responsibility for coordination and direction of project activities by all state agencies pertaining to the ARR during the transition period. The Transfer Team also has the responsibility to provide all coordination and interface with federal officials at the ARR and FRA during this period. In addition to the core staff within DOT&PF, the Transfer Team consists of additional resources from the Office of the Attorney General (AG), the Department of Administration (DOA), the Department of Natural Resources (DNR), the Office of Management and Budget (OMB), the Department of Labor (DOL), and the Department of Public Safety (DPS), along with additional outside counsel and consulting expertise as needed.

Attachment A to this document depicts the project's organizational arrangement and highlights each agency's primary responsibilities in the project. It is essential that this organizational arrangement is followed during the transition period in order to ensure timely and responsive performance of work tasks, while also minimizing the potential for conflicting direction to federal officials at the ARR and FRA.

### III. Project Schedule.

The project schedule for the transition period extends from the date of certification to a period of time beyond actual transfer. There is no need at this point to specify the end for this period since it will vary depending on the task to be performed. For example, the re-negotiation of all collective bargaining agreements, an effort for which planning needs to begin shortly, will probably not be finished until well after transfer. 2- States

The most important milestone at this juncture is the actual date of transfer. Although it has not been officially established as yet, we are working for planning purposes with a date of no later than January 1, 1985. Both the federal and state transfer laws include numerous specific requirements which must be addressed and completed before that date. As a result, all such tasks are identified in the Work Plan as "Immediate/Pre-Transfer," which classifies it as a task with highest priority for staff attention.

There are other tasks, such as budget preparation and capital planning, that need to be initiated pre-transfer because of external scheduling considerations such as the upcoming legislative session, but will continue well beyond transfer as a corporation responsibility. These are identified as "Pre-Transfer/Ongoing," and usually carry secondary priority for attention by the Transfer Team.

Finally, there is another category of tasks which cannot be initiated before the new corporation assumes a legal existence and do

not have to be underway before transfer. These items are designated as "Corporation/Post-Transfer," and carry the lowest priority for staff attention.

Another important milestone during the next month or two is the projected time period for when board appointments for the new corporation will be completed and the new board can begin its work. Although there is some indication that this may be expedited, it is currently anticipated that the first board meeting will not occur prior to October 1, 1984.

*Minuted  
of Board  
Meeting  
Board Meeting*

Attachment B presents the current schedule for this project, with particular attention focused on the transition period. It is important to reiterate that the specific milestones depicted on this chart are not definitive, but are only Transfer Team estimates for purposes of project planning.

IV. Work Task Components.

This portion of the Overview provides an explanation of the individual work tasks by major topic or "component" area. For purposes of this part of the project, all work has been divided into the following four broad components: (1) Property Transfer Issues; (2) Employee/Personnel Issues; (3) Financial/Administrative Issues; and (4) Corporate Development Issues. Although there is some duplication and overlap between these major components, particularly in the corporate development area, this structure ensures that all work tasks are identified and addressed in a timely manner consistent with the overall transfer schedule.

Each topic or component area is divided into a brief background section that outlines the basic issue, a specific list of work tasks and assigned priorities, and a final section which discusses relevant schedule and deadline considerations. Attachment C provides a more detailed explanation of the individual components and major work tasks identified below.

*July 15 - Sept 15  
Preparation of  
transfer documents  
= = =  
12.15 - Oct 31  
Final Review of  
documents  
= = =  
Resolution of Unresolved  
Issues Sept - Nov 15  
= = =  
Final Preparation  
of documents  
Oct 1 - Dec 1  
= = =*

A. Property Transfer Issues.

Background: This area includes all of the work necessary to obtain acceptable transfer documents for conveyance of the ARR's real and personal property at transfer; to resolve by negotiation or adjudication the ANSCA "3(e)" Native claims against railroad lands; and to ensure proper title recording in coordination with the DNR throughout the transition period. Additional work needs include monitoring of the ongoing cadastral survey work by the Bureau of Land Management (BLM) and resolution of record transfers and the disposition of railroad archives.

*Preparation of State's 3(e) Issues  
July 12 - Oct 15*

*Adjudication by BLM of "3(e)" Issues  
Oct 15 - Jan 14 '85*

*Negotiation of "3(e)" Issues*

Work Tasks: Specific tasks in this area are as follows:

- Review and acceptance of BLM/FRA conveyance documents (Immediate/Pre-Transfer).
- Resolve outstanding real property issues with the BLM, the Departments of Defense and Agriculture, and the National Park Service (Immediate/Pre-Transfer).
- Prepare and obtain an acceptable bill of sale for transfer of all personal property (Immediate/Pre-Transfer).
- Continue negotiations with affected Native Village and Regional Corporations (Immediate/Pre-Transfer -- Ongoing).
- Prepare state filings and participate in the "3(e)" adjudication process (Immediate/Pre-Transfer -- Ongoing).
- Monitor ongoing BLM cadastral survey of all ARR real property (Pre-Transfer/Ongoing).
- Locate, catalog and procure railroad records other than personnel records and resolve other ARR archival issues (Pre-Transfer/Ongoing).
- Resolve miscellaneous personalty matters such as the GSA motor vehicle fleet and ARR Seattle Office (Pre-Transfer/Ongoing).
- Coordinate work by corporation and DNR to record real property conveyance transfer and establish a land record management system (Pre-Transfer/Ongoing).
- Coordinate work by corporation and DNR to resolve overlapping title issues. (Corporation/Post-Transfer).

Schedule: As indicated by the priority assignments, almost all of these efforts have to occur or at least begin during the pre-transfer period. A considerable amount of this work is well underway and on schedule. Although there is no statutory deadline for the preparation of the real and personal property conveyance documents, ARTA requires that they must be basically finished in order for actual transfer to occur. Accordingly, the federal government is on schedule to have these documents completed in draft form by early September, which should allow sufficient time for the State to complete its in-depth review process.

In the area of Native claims against railroad lands, the State is required to have its "3(e)" submissions filed with the BLM by October 15, 1984, and ARTA establishes that final administrative adjudication of these claims must occur by January 14, 1985, unless resolved sooner by negotiation.

B. Employee/Personnel Issues.

Background: The Transfer Team must ensure that the employee protection provisions of ARTA are met, and that all personnel/administrative functions are transferred to the new corporation in an orderly manner. To accomplish this mission, employee benefit systems must be designed and implemented for transferring employees. Assistance must also be given to the corporation on the issue of new hires after transfer. Other work areas include ensuring that employee records are available to the new corporation, and providing assistance for transition-related labor relations activities. Finally, the Railroad Labor Relations Agency must be established in order to properly serve its mission after transfer.

Work Tasks: The major tasks in this work area are as follows:

- Monitor determinations by the U.S. Office of Personnel Management (OPM) of federal personnel questions that arise under ARTA (Immediate/Pre-Transfer).
- Ensure that non-retirement benefits (i.e., health insurance programs; annual/sick leave requirements; etc.) are provided to transferring employees by appropriate systems established prior to transfer (Immediate/Pre-Transfer).
- Ensure that retirement benefits are provided to transferring employees in systems selected and/or established prior to transfer (Immediate/Pre-Transfer).
- Resolve the status of ARR recipients of workers compensation benefits (Immediate/Pre-Transfer).
- Coordinate establishment of the Railroad Labor Relations Agency as required by the Corporation Act (Immediate/Pre-Transfer).
- Address personnel questions pertaining to new hires following transfer (Immediate/Pre-Transfer -- Ongoing).
- Provide ongoing communications with railroad employees during the transition period (Pre-Transfer/Ongoing).

July 12 - Aug. 1  
Resolution of Federal  
questions by OPM

Sept. 1 - 30  
Presentation of Answers  
to employees

July 12 - Oct. 15  
Address Employee  
Benefit Issues

Oct. 15 - Nov. 1  
Present Solutions

ARR Board  
Nov. 1 - Dec. 15  
Implement Solutions

Sept. 1 - Dec. 1  
Establishment of  
Railroad Labor Relations  
Agency

Oct. 15 - Dec. 15 (approx)  
Monitor Federal  
Education-In-Terms  
Process

Sept 15 - Dec. 15 (approx)  
assist w/new hire issues

Oct. 1 - Dec. 1  
Assist w/Adoption  
of CB Agreements  
- Personnel Rules  
by Board

- Assist with the labor relations function as required (Pre-Transfer/Ongoing).
- Ensure that appropriate employee personnel records are available to the corporation prior to transfer (Pre-Transfer/Ongoing).
- Assist corporation management with establishment of personnel rules prior to transfer as required by the Corporation Act (Pre-Transfer/Ongoing).
- Ensure that the corporation's EEO program is coordinated with the State's overall EEO program (Pre-Transfer/Ongoing).
- Assist corporation management with other personnel-related corporate development tasks as assigned (Corporation/Post-Transfer).

Schedule: A majority of these tasks have a high priority and require completion before transfer can occur. Many of these work efforts are already underway and are scheduled for completion in the October-to-November time frame. In many cases, implementation of the work products from these tasks will require board endorsement.

C. Financial/Administrative Issues.

Background: The Transfer Team must ensure that ARR financial assets are transferred to the State-owned railroad in accordance with the provisions of ARTA, and that the financial operations of the railroad are transferred without disruption. In order to accomplish these goals, the Transfer Team must provide a pre-transfer audit and assist with the development of financial planning and accounting systems for the new corporation. Short-term and long-range program and capital improvement plans also need to be developed, and procurement and contracting functions must be continued without disruption. One final important task involves the monitoring of current Revolving Fund activities and negotiation with the FRA regarding final disposition of this account.

Work Tasks: The major tasks in this work area are as follows:

- Design and manage the pre-transfer audit of the ARR's financial condition and accounting system (Immediate/Pre-Transfer).
- Monitor Revolving Fund activity and negotiate final disposition of this account with the FRA (Immediate/Pre-Transfer).

July 12 - Sept. 23  
sign & Contract  
Pre-transfer Audit

Oct 1 - Mar. 1985  
Perform Audit

July 12 - Nov. 1  
Monitor + Negotiate  
Disposition of ARR  
Revolving Fund

• Aug. 15 - Nov. 1

Assist w/ Preparation of FY '86 Budget Submittals

-- Assist the corporation with the development of railroad program and capital improvement plans, including any relevant FY'86 budget submittals (Immediate/Pre-Transfer -- Ongoing).

• Sep. 1 - Nov. 1

Address Accounting/Contracting Transfer Issues

-- Assist in development of alternative plans for immediate post-transfer accounting operations (Immediate/Pre-Transfer -- Ongoing).

• Nov. 1-15

Present Solutions to FRC Board

-- Ensure that contracting and procurement systems are not disrupted by the transfer (Pre-Transfer/Ongoing).

-- Ensure coordination between the corporation and state data processing activities (Pre-Transfer/Ongoing).

• Nov. 15 - Dec. 15 (approx)

Implement Solution

-- Ensure that supply and property management activities are transferred without disruption (Pre-Transfer/Ongoing).

-- Prepare risk management plan for corporation's review and action (Pre-Transfer/Ongoing).

Aug 15 - Oct 15

Prepare Risk Mgmt. Options Presentation

-- Assist the corporation with the development of new contracting and procurement systems consistent with the Corporation Act (Corporation/Post-Transfer).

-- Assist the corporation with the development of a new accounting system consistent with the Corporation Act (Corporation/Post-Transfer).

-- Assist with work by the corporation to review and modify personal property inventory and management systems, including re-marking of all personalty (Corporation/Post-Transfer).

-- Monitor Whittier shuttle operations and other possible commuter rail proposals as needed (Corporation/Post-Transfer).

Schedule: A few of these tasks have an immediate priority because of the transfer relationship. Others such as those with respect to budget preparation also carry an immediate priority because of the timing for the State's FY'86 budget cycle. Most of the remaining tasks should be initiated before transfer, but will continue beyond as a corporation responsibility (i.e., accounting and procurement system issues). The current schedule for the pre-transfer audit is to advertise for the work in September, with an award by the end of October.

D. Corporate Development Issues.

Background: Enactment of the Corporation Act is only the first step in the process required to properly establish the new corporation. There are a considerable number of tasks to ensure that a correct and properly functioning entity is in place prior to the date of transfer. Timing in this area is particularly acute considering the abbreviated time frame provided by the federal transfer law. The corporate development work during the pretransfer period can be categorized into the following two areas: (1) activity required by ARTA which the corporation must address in order to satisfy all of the transfer conditions; and (2) legal and organizational work central to the establishment and initial functioning of the new corporation as a legal entity within the State. Although a considerable amount of this work will eventually be taken over by the new Board of Directors and performed by corporation personnel, the Transfer Team has the primary responsibility to oversee and direct performance of this work prior to corporate assumption of these responsibilities.

Work Tasks: The following specific work tasks in this area are as follows:

Aug. 1 - Sept. 30  
Solicitation & Review  
of Candidates for  
ARTA Board of Directors  
Sept. 30 - Oct. 15  
Appointment of Board  
Sept. 1 - Nov. 15  
Preparation & Delivery  
of Briefing Materials  
Aug. 15 - Oct. 31  
Initiation of Board  
Activity  
Oct. 15 - Nov. 15 (approx)  
Board Transition/  
Orientation Period  
Sept. 15 - Oct. 15  
Verification & Establishment  
of Transfer Date  
Oct. 15 - Dec. 1  
Obtain Fee Certificate  
of Public Convenience  
& Necessity

- Assist with the review and selection process for board appointees, including preparation of briefing materials and technical research as assigned to support work by the Office of the Governor (Immediate/Pre-Transfer).
- Assess legal requirements which must be met to properly establish this entity in a timely fashion (Immediate/Pre-Transfer).
- Prepare briefing books, articles of incorporation, interim by-laws and other materials as needed for first set of board meetings (Immediate/Pre-Transfer).
- Prepare an in-depth overview and sectional analysis of the Corporation Act for presentation to the Board of Directors (Immediate/Pre-Transfer).
- Obtain certificate of public convenience and necessity from the Interstate Commerce Commission as required by ARTA (Immediate/Pre-Transfer).
- Assist board with executive official searches as required (Pre-Transfer/Ongoing).

July - Summer '85

• Coordinate  
OSHA/Building Code  
Compliance Surveys

-- Prepare briefing papers on individual railroad issues which summarize current situation and provide recommendations for further action or analysis (Pre-Transfer/Ongoing).

Dec. 8 - Jan. 5 '85  
Actual Date of  
Transfer

-- Coordinate review and approval of products from other three Work Plan components which require board knowledge and action (Pre-Transfer/Ongoing).

-- Coordinate initiation of OSHA and building code compliance surveys and planning work (Pre-Transfer/Ongoing).

-- Identify functions performed by the railroad security section and coordinate their ongoing roles with state and local law enforcement agencies as required (Pre-Transfer/Ongoing).

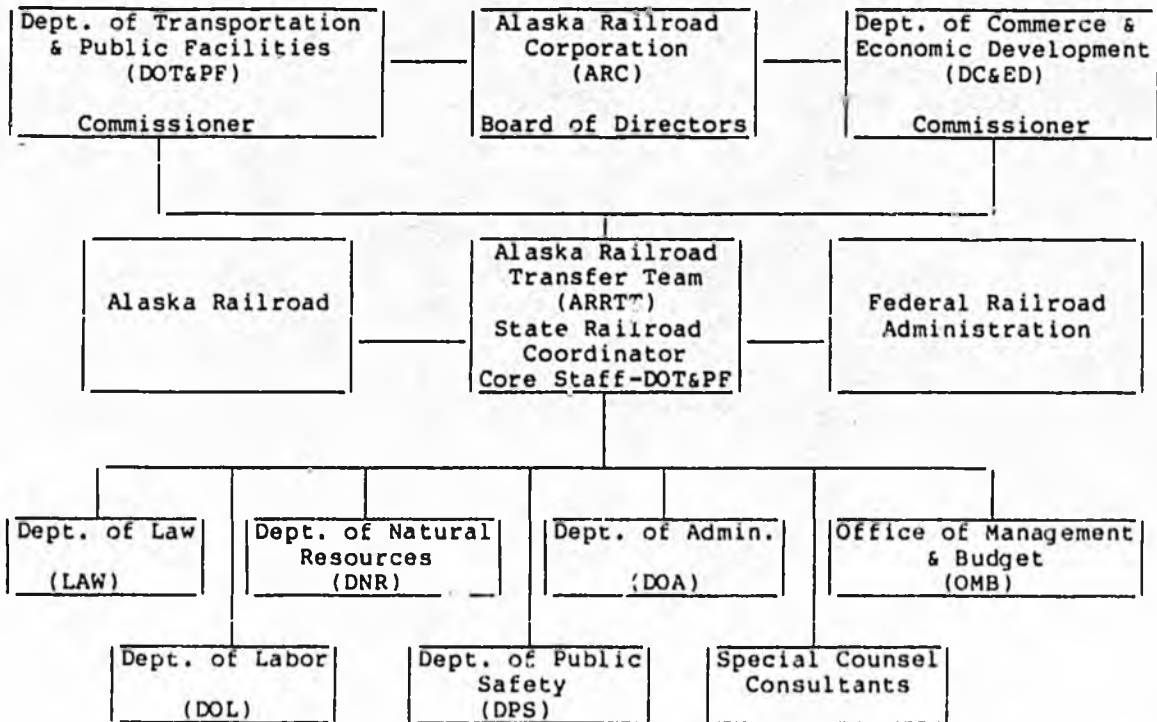
-- Coordinate initiation of valuation study work necessary to support Interstate Commerce Commission rate-making filings (Corporation/Post-Transfer).

-- Coordinate interagency liaison for the new corporation with other state agencies and federal groups as needed (Corporation/Post-Transfer).

-- Coordinate initiation of planning efforts to explore privatization options, with particular emphasis on lease arrangements (Corporation/Post-Transfer).

Schedule: Several of the first tasks need to be completed prior to the first official board meeting, which for planning purposes is scheduled for early October. Several of the other tasks must be accomplished prior to the date of transfer, which again for planning purposes is scheduled for no later than January 1, 1985. The remaining tasks will carry over beyond transfer and will eventually become a corporation responsibility, although it is recommended that several of these be initiated before actual transfer.

ALASKA RAILROAD PROJECT  
TRANSITION WORK PLAN  
PROJECT ORGANIZATION

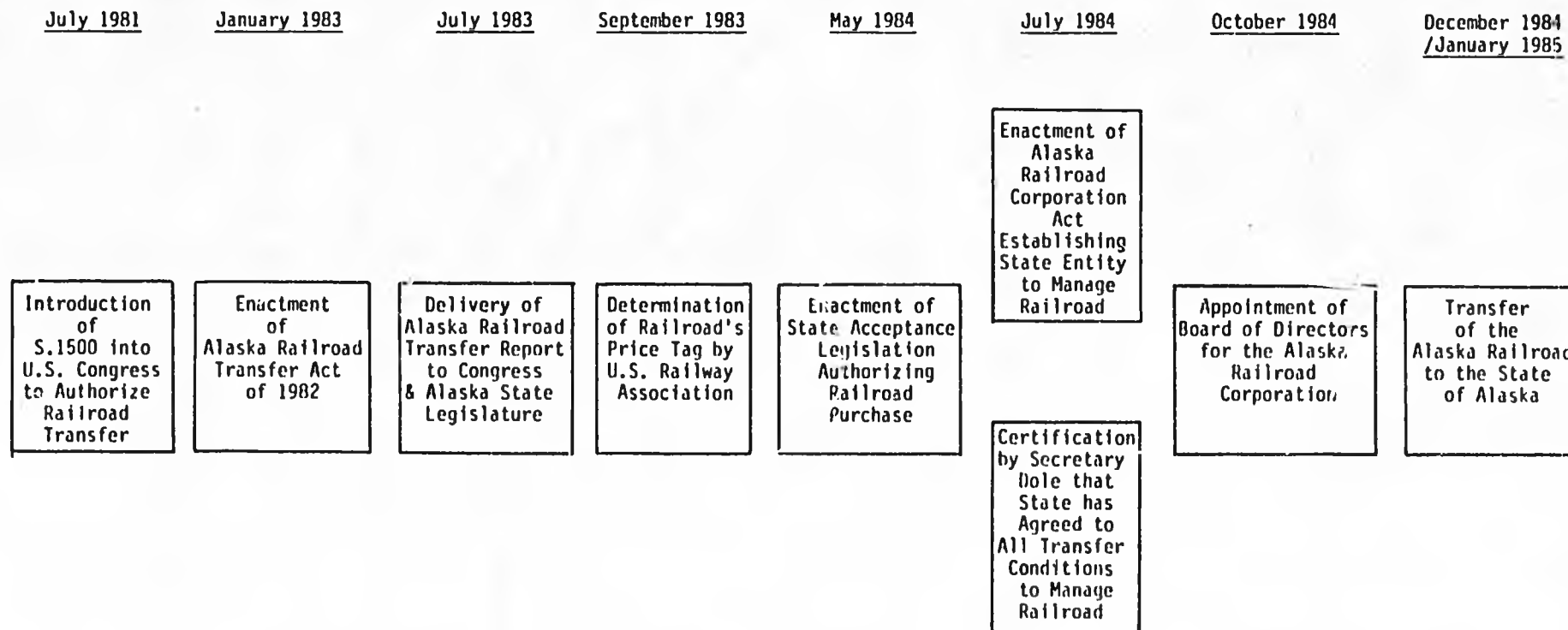


PRIMARY RESPONSIBILITIES

- DOT&PF
  - Joint Lead Agency
  - Parent Agency for ARRTT
- DC&ED
  - Joint Lead Agency
  - Parent Agency for ARC
  - Administrative Coordination of FY'85 Financial Matters
- ARRTT
  - Overall Project Direction
  - Interface With the ARR and FRA
  - Management of FY'85 Financial Matters
- DOA
  - Technical Assistance on Employee/Personnel Issues
  - Technical Assistance on Financial/Administrative Issues
  - Project Management of Pre-Transfer Audit
- DPS
  - Survey of Life and Safety Code Issues at ARR
- DOL
  - Survey of OSHA and Mechanical/Boiler System Issues at ARR
- Special Counsel/Consulting Asst.
  - Special Legal Assistance ("3(e)" work; ICC issues)
  - Capital Planning and Land Appraisal Assistance
- Law
  - Coordination of Project Legal Work
- DNR
  - Technical Review of Real Property Conveyance Documents.
  - Related Title Work and Monitoring of Cadastral Survey
- OMB
  - Technical Assistance on FY'86 Budget Preparations
  - Technical Assistance on Performance of Pre-Transfer Audit

ALASKA RAILROAD TRANSFER PROJECT  
 TRANSITION WORK PLAN  
 PROJECT SCHEDULE

°Schedule of Major Milestones



°Transition Period Schedule

ATTACHMENT B (Cont'd)

	July 1984	August	September	October	November	December	January 1985
<b>°Project Development</b>							
-Establishment of Project Organization	<u>12</u>	<u>15</u>					
-Funding Arrangements		<u>1</u>	<u>1</u>				
-Scoping of Work Plan	<u>15</u>			<u>15</u>			
<b>°Property Transfer Issues</b>							
-Preparation of Transfer Documents	<u>12</u>			<u>15</u>			
-State Review of Documents		<u>15</u>		<u>31</u>			
-Negotiation of Unresolved Issues			<u>1</u>		<u>15</u>		
-Final Preparation & Delivery of Documents				<u>1</u>		<u>1</u>	
-Preparation of State's "3(e)" Filing	<u>12</u>			<u>15</u>			
-Adjudication by BLM of "3(e)" Issue				<u>15</u>			<u>14</u>
-Negotiation of "3(e)" Issue	<u>12</u>					<u>15</u>	
<b>°Employee/Personnel Issues</b>							
-Resolution of Federal Questions by OPM	<u>12</u>		<u>1</u>				
-Presentation of Answers to Employees			<u>1</u>	<u>30</u>			

ATTACHMENT B (Cont'd)

	July 1984	August	September	October	November	December	January 1985
-Address Employee Benefit Issues	<u>12</u>			<u>15</u>			
-Present Solutions to ARC Board				<u>15</u>	<u>1</u>		
-Implement Solutions					<u>1</u>	<u>15*</u>	
-Establishment of Railroad Labor Relations Agency			<u>1</u>			<u>1</u>	
-Monitor Federal Reduction-In-Force Process				<u>15</u>		<u>15*</u>	
-Assist with New Hire Issue			<u>15</u>			<u>15*</u>	
-Assist with Adoption of CB Agreements & Personnel Rules by Board				<u>1</u>		<u>1</u>	
°Financial/Administrative Issues							
-Design and Contract i.e-Transfer Audit	<u>12</u>		<u>30</u>				
-Perform Audit				<u>1</u>			<u>March 1, 1985</u>
-Monitor & Negotiate Disposition of ARR Revolving Fund	<u>12</u>				<u>1</u>		

\* Note: This is an approximate date that will have to correspond to the actual transfer date once set.

	July 1984	August	September	October	November	December	January 1985
-Assist with Preparation of FY '86 Budget Submittals		15					1
-Address Accounting/ Contracting Transfer Issues			1				1
-Present Solutions to ARC Board						1	15
-Implement Solution						15	15*
-Prepare Risk Management Options Presentation		15			15		
°Corporate Development Issues							
-Solicitation & Review of Candidates for ARC Board of Directors		1		30			
-Appointment of Board				30	(Anywhere 15 Between)		
-Preparation & Delivery of Briefing Materials			1				15
-Initiation of Board Activity				30	(Anywhere 31 Between)		
-Board Transition/ Orientation Period					15		15*
-Negotiation & Establishment of Transfer Date			15		15		

\* Note: This is an approximate date that will have to correspond to the actual transfer date once set.

ATTACHMENT B (Cont'd)

July 1984      August      September      October      November      December      January 1985

-Obtain ICC Certificate  
of Public Convenience  
& Necessity

15 \_\_\_\_\_ 1

-Coordinate OSHA/Building  
Code Compliance Surveys

1 \_\_\_\_\_ Summer 1985

-Article Date of  
Transfer

8 (Anywhere 5  
Between)

ALASKA RAILROAD TRANSFER  
REAL/PERSONAL PROPERTY ISSUES

DRAFT WORK PLAN

1.0 Task: Review BLM/FRA conveyance documents to assure proper conveyance of all interests granted under ARTA.

Priority: 1

Resource Team: Braden, Kluis, Hickey, McGee, O'Leary, H. Rice, Akres

1.1 Establish procedure for State acceptance of title conveyance documents.

1.1.1 Real Property

1.1.2 Personal Property

1.2 Work with ARC & DNR to establish proper recording of real property conveyance documents.

1.3 Establish procedure for State review of conveyance documents.

1.3.1 Real Property

1.3.2 Personal Property

1.4 Identify and verify Federal interests being conveyed.

1.4.1 Identify lands not identified in Exhibit 1 of Transfer Report that meet criteria for rail property.

2.0 Task: Resolve remaining real property issues with interested Federal agencies.

Priority: 1

Resource Team: Hickey, Rogers, O'Leary, McGee, Braden

2.1 BLM

2.2 Department of Defense

2.3 Department of Agriculture, U.S. Forest Service

2.4 National Park Service

3.0 Task: Prepare and obtain acceptable bill of sale for transfer of all personal property.

Priority: 1

Resource Team: O'Leary, Hickey, McGee

3.1 Draft Document

3.2 Negotiate acceptance with FRA

3.3 Ensure proper delivery to corporation

3.4 Resolve miscellaneous personalty matters

4.0 Task: Continue negotiations with affected Native Village and Regional corporations with respect to ANCSA claims against railroad lands.

Priority: 1

Resource Team: Hickey, Rogers, Walsh, Kavasharov

- 4.1 Toghettele Village Corporation
- 4.2 Eklutna Village Corporation
- 4.3 Knikatnu Village Corporation
- 4.4 Deloycheet Village Corporation
- 4.5 Tanana Village Corporation
- 4.6 Cook Inlet Regional Corporation
- 4.7 Ahtna Regional Corporation
- 4.8 Chugach Natives, Inc.
- 4.9 Doyon, Ltd. Regional Corporation

5.0 Task: Prepare State filing and participate in the 3(e) process for adjudication of Native claims against railroad lands.

Priority: 1

Resource Team: Kavasharov, Rogers, Hickey

5.1 Prepare filing

5.2 Present oral findings and necessary follow-up work with BLM

5.3 Prepare appeal work if appropriate

6.0 Task: Ensure performance of cadastral survey of all real property interests to be conveyed under ARTA.

Priority: 2

Resource Team: Rice, Duren, Braden, McGee, O'Leary, Hickey

- 6.1 Monitor coordination of survey activities with review of conveyance documents.
- 6.2 Monitor coordination of survey activities with resolution of remaining real property issues with interested Federal agencies.
- 6.3 Monitor coordination of survey activities with activities relating to Native claims against railroad lands.

7.0 Task: Ensure proper disposition of all railroad records in accordance with ARTA. Coordinate archives and records management activities.

Priority: 2

Resource Team: McKinney, McAlister, Braden, Blasingame

- 7.1 Develop project plan
- 7.2 Select Steering committee
- 7.3 Select and obtain staff for project
- 7.4 Monitor staff work
- 7.5 Coordinate with steering committee
- 7.6 Coordinate with land transfer activities
- 7.7 Coordinate with personnel transfer activities

8.0 Task: Coordinate work by corporation and DNR to record real property conveyance at transfer and establish a land record management system.

Priority:

Resource Team:

(Tasks yet to be identified.)

9.0 Task: Coordinate work by corporation and DNR to resolve overlapping title issues.

Priority:

Resource Team:

(Tasks yet to be identified.)

ARR TRANSFER  
Personnel Issues  
REVISED WORK PLAN  
7-24-84

1.0 Task: Monitor determination of Federal Personnel questions.

Resource Team: Stan, Mark, Jack, Wendy, Al, Jim B.

- 1.1 Participate with FRA in formulation of questions addressed to OPM.
- 1.2 Participate with FRA and OPM in process of providing answers to questions addressed to OPM.
- 1.3 Memorialize agreements on how continuing issues are to be handled.
- 1.4 Assure that answers are properly implemented.

2.0 Task: Assure that non-retirement benefits (e.g. life and health insurance, etc.) are provided to transferring employees, permanent and temporary as required, by systems established prior to transfer.

Resource Team: Al, Wendy, Don

- 2.1 Assess present RR non-retirement benefit package.
- 2.2 Assess availability of equivalent programs.
- 2.3 ARRC contracts with benefit provider and otherwise implement benefit package.
- 2.4 Establish necessary administrative procedures within RR personnel office.
- 2.5 Coordinate these programs for transferring employees with programs for new hires.
- 2.6 Coordinate with collective bargaining process.
- 2.7 Coordinate with establishment of Personnel Rules.

3.0 Task: Assure that retirement benefits are provided to transferring employees in systems selected and/or established prior to transfer.

Resource Team: Al, Wendy, Don, Mark

- 3.1 Complete actuarial work and explain calculations in a narrative report.
- 3.2 Complete MOU with OPM on retirement.
- 3.3 Implement MOU according to procedures it establishes.
- 3.4 Establish necessary administrative procedures through RR personnel office.
- 3.5 Appeals
- 3.6 Coordinate with programs for new hires.
- 3.7 Coordinate with collective bargaining process.
- 3.8 Prepare analysis package for action by ARRC management.

4.0 Task: Assess the legal independence of RR employees from the State after transfer.

5.0 Task: Provide on-going communications with RR employees during the transition process.

Resource Team: Stan, Jim B., Wendy, Jack

- 5.1 Establish a positive, affirmative communications process.
- 5.2 Coordinate with Federal RIF procedure.
- 5.3 Coordinate with Labor Relations activities.
- 5.4 Designate person to answer personnel questions after transfer.

6.0 Task: Assist with pre-transfer labor relations functions.

Resource Team: Al, Don, Wendy, Mark

- 6.1 Review all collective bargaining agreements.
- 6.2 Prepare procedure for adoption of agreements as required by State law and ARTA.
- 6.3 Implement procedure to adopt Agreements.
- 6.4 Review RR Labor Relations Files.
- 6.5 Establish procedures (ground rules) for contract negotiations as required by ARCA.
- 6.6 Assist with renegotiation of collective bargaining agreements.
- 6.7 Assess labor relations needs with respect to nonrepresented employees.
- 6.8 Assist with establishment of ongoing labor relation functions.
- 6.9 Coordinate with records management activities.

7.0 Task: Coordinate establishment of the RR Labor Relations Agency prior to transfer as required by Section 42.40.730 of ARCCA.

7.1 Assist Governor's Office as needed in organizing RR Labor Relations Agency.

7.2 Assess legal position of RR Labor Relations Agency.

7.3 Assist RR Labor Relations Agency with establishment tasks and administrative matters as needed.

7.3.1 Assist RRLRA in definition of its mission.

- 8.0 Task: Assure that appropriate employee personnel records are available to the ARRC prior to transfer.

Resource Team: Don, Al, Wendy

- 8.1 Railroad updates all files prior to transfer to ARRC in time for record transfer to take place before ownership transfer.
- 8.2 Make legal determination of what ARRC is entitled to receive.
- 8.2.1 Legal assessment of Privacy Act liability.
- 8.2.2 Legal assessment of procedure required to support records transfer.
- 8.2.3 Other relevant legal considerations.
- 8.3 Coordinate with agreements with OPM for post transfer needs.
- 8.3.1 *Assure access to Fed records in case of state owned record destruction*
- 8.4 Assure timely delivery of appropriate information to ARRC.

- 9.0 Task: Assist ARRC management with establishment of personnel rules prior to transfer as required by Section 10(b) of ARCA.
- 9.1 Draft a package analyzing alternative personnel rules and related systems for presentation to ARRC management.
- 9.2 Legal review of draft personnel rules.
- 9.3 ARRC management selects desired alternative.
- 9.4 Assist with implementation of alternative selection.
- 9.5 Coordinate selection and implementation of personnel rule system with union leadership.
- 9.6 Coordinate selection and implementation of personnel rules system with collective bargaining process.

10.0 Task: Address personnel questions pertaining to new hires following transfer.

10.1 Non-retirement benefits.

10.2 Retirement benefits.

10.3 Assist ARRC management in establishment of wages and salary for new hires not covered by collective bargaining agreements.

10.4 Coordinate with establishment of personnel rules.

11.0 Task: Assure that the EEO program of the State-owned RR is coordinated with the State's overall EEO program.

11.1 Review current RR EEO programs and practices.

11.2 Assess requirements to be met by ARRC with respect to EEO.

11.2.1 Legal requirements.

11.2.2 Policy requirements.

11.3 Provide interface for the activities of the Division of EEO in the Department of Administration with ARRC preparation of EEO plan.

11.4 Determine action needed, if any, by ARRC management.

11.4.1 Assist ARRC management with Adoption of EEO plan.

11.4.2 Assist ARRC management with Implementation of EEO plan.

12.0 Task: Assess the status of recipients of Worker's Compensation benefits with respect to transfer.

12.1 Assess eligibility for transfer of employees receiving worker's compensation benefits.

12.1.1 Make legal determination as to which employees are to be extended the employment offer required by ARTA.

12.1.2 Assure that any offer required is made and acceptance or rejection completed.

12.2 Coordinate with activities related to determination of liabilities, revolving fund, etc.

13.0 Task: Assist ARRC management with personnel related corporate development tasks as assigned.

- 14.0 Task: Coordinate the above tasks and others that arise in the personnel aspects of the transfer process.
  
- 14.1 Assist Project Coordinator with assignment of resources.
  
- 14.2 Assist resource teams as needed in the following:
  - 14.2.1 Ascertaining policy direction.
  
  - 14.2.2 Interface with activities of other resource teams.
  
  - 14.2.3 Assessing timelines.
  
  - 14.2.4 Defining work products needed or desirable to accomplish tasks.
  
  - 14.2.5 Locating and providing special expertise not available on the resource team.
  
- 14.3 Assure that work tasks are completed in a timely manner.
  
- 14.4 Coordinate personnel group activities of transfer process with other activities such as financial matters, corporate development matters, lands matters, etc.

September 2, 1984

**ARR TRANSFER  
Financial Issues  
WORK PLAN**

**1.0 Task: Survey of ARR financial planning**

**Priority: 1**

**Resource Team: McAlister, Wiggins, Killoran, Gray, and Carr**

**1.1 Summarize existing ARR financial planning activities**

**1.2 Assemble financial data base for budget preparation**

**-- Analyze ARR debt financing capability**

**1.3 Identify needed financial planning system improvements**

September 2, 1984

2.0 Task: Prepare draft budget for state FY 1986

Priority: 1

Resource Team: McAlister, Wiggins, Kiloran, Gray, and Carr

2.1 Prepare operating budget

2.2 Prepare capital budget

September 2, 1984

**3.0 Task: Coordinate transfer audit of the ARR.**

**Priority: 1**

**Resource Team: O'Meara, McAlister, Carr and Blasingame**

**3.1 Develop RFP for audit**

**--coordinate with FRA**

**3.2 Prepare scope**

**3.3 Develop cost-reduction plan**

**3.4 Obtain bids**

**3.5 Select contractor**

**3.6 Manage contract**

**3.7 Coordinate results with accounting and financial planning task**

September 2, 1984

**4.0 Task: Assist in development of the accounting policy and system for the ARC.**

**Priority: 1**

**Resource Team: McAlister, McKinney, O'Meara, Blasingame, and Carr**

**4.1 Survey ARR's existing accounting systems and policies as part of transition audit**

**4.2 Assist in development of alternative plans for immediate post-transfer accounting operations--for each issue we will review legal requirements, review existing systems, assess available options, develop time frame for needed changes, and make recommendations to the board.**

**4.2.1 Payroll**

**4.2.2 Other disbursements**

**4.2.3 Banking**

**4.2.4 Receivables**

**4.2.5 Fiscal year**

**4.2.6 Separation of federal and state money**

**4.3 Prepare presentation for ARC Board**

September 2, 1984

5.0 Task: Coordinate development of a risk management plan for the  
ARC.

Priority: 1

Resource Team: McKinney, Blasingame

5.1 Review alternatives

5.2 Present to ARC Board

5.3 Finalize proposed risk management plan

5.4 Assist in implementation of risk management plan

5.5 Identify employees to be bonded

5.6 Coordinate bonding of employees

5.7 Assist in development of draft policy on employee bonding, for  
presentation to the ARC Board

6.0 Task: Analyze federal withholdings from the ARR revolving fund.

Priority: 2

Resource Team: McKinney, Hickey, and Carr

6.1 Survey of revolving fund

6.2 Estimate federal withholdings

6.3 Estimate fund balance at transfer

6.4 Monitor fund activity

6.5 Assure accuracy of any federal withholdings

6.6 Assure accuracy of final settlement

6.7 Review legal requirements

6.8 Negotiate written agreement with Federal Railroad Administration

6.8.1 Definition of "revolving fund"

6.8.2 Process for handling fund at transfer

September 2, 1984

**7.0 Task:** Assure smooth transition of contracting, procurement, supply, and property management activities.

**Priority:** 2

**Resource Team:** Blasingame, McKinney, McAlister

**7.1 Transition of contracting and procurement activities**

7.1.1 Survey of ARR procurement and contracting policy and procedure

7.1.2 Assist in identification of critical procurement items

7.1.3 Coordinate purchases requiring long lead time

7.1.4 Assist in identification of needed revisions in contracting procedures

7.1.5 Prepare presentation for ARC Board

**7.2 Transition of supply and property management activities**

7.2.1 Survey ARR supply and property management policies, procedures, and activities

7.2.2 Identify post-transfer supply and property management alternatives

7.2.3 Prepare presentation to ARC Board

September 2, 1984

**8.0 Task: Assure coordination, as needed, between ARR and State data processing systems.**

**Priority: 2**

**Resource Team: Blasingame, Carr, and McKinney**

**8.1 Summarize existing ARR data processing systems**

**8.2 Identify issues and needs**

**8.3 Identify needed improvements**

ALASKA RAILROAD TRANSFER  
CORPORATE DEVELOPMENT ISSUES  
WORK PLAN

1.0 Task: Assist with the review and selection process for board appointees.

Priority: 1

Resource Team: Hickey, McGee, Wiggins

1.1 Preparation of necessary/preferred qualifications for board appointees.

1.2 Assist with technical research and candidate searches as assigned.

2.0 Task: Assess legal requirements which must be met to properly establish this entity in timely fashion.

Priority: 1

Resource Team: Hickey, McGee, Wiggins, Johnson

- 2.1 Prepare Articles of Incorporation, interim by-laws, and other materials needed for first set of board meetings.
- 2.2 Identify and register Corporation Registered Agent and Registered Office.
- 2.3 Identify requirements for installation of board members.
- 2.4 Identify and implement procedures necessary for compensation and travel for board members.

3.0 Task: Prepare briefing materials on individual railroad issues for presentation to board.

Priority: 1

Resource Team: Hickey, Wiggins, Rogers, McGee, Johnson

3.1 Prepare an in-depth overview and sectional analysis of the Corporation Act.

3.2 Prepare agenda for presentation to board.

3.3 Summarize current situation during transition period before transfer for all railroad issues, including personnel, financial, administrative/operational issues and real property.

3.4 Provide recommendations for further action or analysis.

4.0 Task: Coordinate review and approval by board for actions required from this and other work plan components.

Priority: 1

Resource Team: Hickey, McAlister, Wiggins, McGee, Rogers

- 4.1 Prepare analysis of available options and provide a recommendation.
- 4.2 Assist board with adapting and implementing approved recommendations.
- 4.3 Assist board with negotiation and adoption of various agreements or memorandums of understanding.

5.0 Task: Obtain certificate of public convenience and necessity from the Interstate Commerce Commission as required by ARTA.

Priority: 1

Resource Team: Hickey, McGee, Wiggins, Johnson

5.1 Assist board with review of requirements

5.2 Prepare and submit filing to ICC

6.0 Task: Coordinate initiation of OSHA and building code compliance surveys and planning work.

Priority: 2

Resource Team: Hickey, Rice, Wiggins

- 6.1 Coordinate budgetary requirements with the Departments of Public Safety and Labor.
- 6.2 Coordinate initiation of survey work with the ARR.
- 6.3 Assist board with implementation of survey and planning work.

7.0 Task: Coordinate the ongoing railroad security function with State and local law enforcement agencies as required.

Priority: 2

Resource Team: Hickey, Wiggins, McGee

7.1 Identify functions performed by railroad security.

7.2 Coordinate resolution of issues with the Department of Public Safety.

8.0 Task: Coordinate initiation of valuation study work necessary to support Interstate Commerce Commission's rate-making filings.

Priority: 2

Resource Team: Hickey, McGee, Wiggins, Johnson

8.1 Prepare analysis of costing and rate-making procedures.

8.2 Coordinate with board.

(Remaining tasks yet to be identified.)

9.0 Task: Assist board with executive official searches as required.

Priority: 2

Resource Team: Hickey, Wiggins

(Tasks yet to be identified.)

10.0 Task: Coordinate initiation of planning efforts to explore privatization options.

Priority: 2

Resource Team: Hickey, Wiggins, Rogers, McGee

10.1 Explore possible lease arrangements.

10.2 Explore possible sale arrangements.

(Remaining tasks yet to be identified.)

11.0 Task: Coordinate inter-agency liaison for the new corporation.

Priority: 2

Resource Team: Hickey, Wiggins, McAlister, Rogers

11.1 Identify all involved agencies and contacts.

(Remaining tasks yet to be identified.)

# Workers prepare for rail transfer

by Kenneth R. Allen  
Times Writer

State officials and the Federal Railroad Administration are working to allay fears among Alaska Railroad employees who will be transferred from federal payrolls to state rosters on Jan. 5 when the 526-mile line is turned over to the Alaska Railroad Corp. for \$22.3 million.

Mark Hickey, state railroad transfer team coordinator, and William Loftus, executive director of the Federal Railroad Administration, have issued bulletins that address some employee concerns. They say the bulletins contain the "best analysis" available on what the future might hold for workers.

Most employees will move from federal to state payrolls under a two-year transition agreement.

The state has agreed to retain all transferring permanent employees, adopt all collective bargaining agreements and pay current pay scales, including cost-of-living adjustments, according to Hickey and Loftus.

They say the state will continue the Federal Re-

irement System or provide a system substantially equivalent to that of state employees and to provide health and welfare coverage much like current federal programs.

Permanent employee interests will be maintained subject to exceptions for reassignments, firings for cause, resignations, retirements and lack of work, Hickey and Loftus say.

They say employees can be fired during the two-year transition period, subject to existing collective bargaining agreements with the five unions that represent various workers and the personnel policies and rules applicable at the time of termination.

Employees must decide within 30 days before the federal-to-state transfer whether they wish to retire, resign or transfer to employment by the Alaska Railroad Corp.

All temporary workers employed as of the date of transfer will be separated from federal service on Jan. 5. The state has agreed to re-employ those workers at transfer in line with the terms and con-

ditions of their previous federal employment and existing collective bargaining agreements, where they apply.

The five unions, which represent most of the railroad workers, include:

- The United Transportation Union, representing locomotive engineers and firemen, train conductors and breakmen and baggagemen.

- The American Federation of Government Employees represents blue-and white-collar work-

ers. Freight handlers, heavy-equipment operators, on-track section crews, and clerical and administrative staffs are among its membership.

- Locomotive mechanics and maintenance workers are represented by the International Association of Machinists and Aerospace Workers.

- The American Train Dispatchers Association has two locals, one for train dispatchers and another for agent telegraphers.

- Workers on railroad rolling stock, which includes everything but locomotives, are members of the Brotherhood of Railway Carmen of the United States and Canada.

## State to take over railroad from Feds Jan. 5.

The Associated Press

Ceremonies signing over the continent's northernmost railroad from the federal government to the state of Alaska will be held Jan. 5, officials said Thursday.

John Shively, Gov. Bill Sheffield's chief of staff, said the transfer date signifies the formal and legal change of ownership for the Alaska Railroad.

Effective Jan. 6, the Alaska Railroad Corporation will be responsible for ownership and operation of the 526-mile line. The changeover follows several years of negotiations between federal and state officials as well as the passage of two major bills by the

Legislature.

One measure authorized Sheffield to buy the line, its rolling stock and facilities for \$22.3 million, while the other laid out ground rules for how the railroad was to be run.

"I'm pleased that the transfer process, set up under federal and state law, continues to remain on schedule," Shively said in a prepared statement. "We have a lot of hard work ahead of us to ensure that the transition is a smooth one, and that the railroad is run as efficiently as possible."

The railroad, which has about 500 permanent employees, has been operated by the federal government since

1924. The line extends from Fairbanks, in Alaska's interior, to two south central ports — Seward and Whittier.

The railroad passes through one national forest, one national park — Denali — and is the last remaining flag

stop line in the United States, officials said.

Ceremonies in the Railbelt area commemorating the transfer are being organized, including a formal exchange of transfer of documents at Nenana on Jan. 5, Shively said.

## State to sign for railroad in ceremonies on Jan. 5

The Associated Press

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## *ARR workers unhappy with operation*

ANCHORAGE (AP)—Alaska Railroad employees testifying at a state legislative committee hearing Tuesday said their federal bosses may be undermining the line's safety, cost-effectiveness and worker morale.

The state has purchased the Alaska Railroad for \$22.3 million, and is to take control Jan. 5, 1985. The line had been owned by the federal government.

Senate Transportation Committee Chairman Pappy Moss, D-

Delta Junction, said he called the special hearing because he has been hearing about the workers' allegations for about a month.

"I began hearing about people losing jobs in Fairbanks, and operations being shut down and the state knew nothing about it," Moss said. "I began to think we were not getting the railroad we thought we were."

The workers warned Moss that the state might be getting stuck with a \$3.5 million bill to comply

with a year-old federal regulation requiring special safety glass in all railroad equipment. The rail employees said the installations have not been done.

The employees also said temporary workers are being laid off before necessary maintenance is completed on locomotives, certain maintenance operations are being shut down and labor from outside the state is being hired instead of Alaska residents.

## Rail workers warn of misdealings

Associated Press

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ATTACHMENT "C"

MINUTES OF OCTOBER 26, 1984  
ALASKA RAILROAD CORPORATION  
REGULAR BOARD MEETING

I. CALL TO ORDER/COMMENCEMENT OF CORPORATE EXISTENCE

Meeting was called to order at 9:00 a.m. by Dick Lyon, Commissioner of the Department of Commerce and Economic Development, who introduced Dick Knapp, Commissioner of the Department of Transportation and Public Facilities; Mr. Jim Campbell, President of Spenard Builders Supply, Inc.; Mr. Frank Chapados, President of H&S Forwarders, Inc.; Mr. Lewis Dickinson, a partner of DOWL Engineers; and Mr. Gerald Valinske, an Alaska Railroad employee. Commissioner Lyon administered the Oath of Office to the four appointed members.

The first item of business on the agenda was the introduction of the Organic Resolution, which was read by Commissioner Lyon and is included in these minutes as Attachment #1. Mr. Dickinson made the motion to accept the resolution, which was seconded by Mr. Campbell. Mr. Chapados expressed concern over what he felt was a potential conflict of interest and suggested that he should not participate in the voting because of an Interstate Commerce Act provision that prohibits the participation of an officer or owner of certain freight forwarding corporations as a director of a railroad corporation. He indicated that his involvement in a freight forwarding corporation might be a conflict and is presently being reviewed by the Interstate Commerce Commission (ICC). It was his position that it would be better if he abstained from voting on the action items until the ICC completed its review.

Mr. Chapados did state, however, that he would like to participate in the discussions. He then requested to abstain from voting. Mr. Campbell indicated that he had no problem as long as Mr. Chapados could have input into the meeting. Mr. Campbell asked Mr. Jack McGee, legal counsel from the Department of Law, when they might get a ruling on this matter. Mr. McGee's response was that the ICC was reviewing it and a determination could be forthcoming within a month and possibly as soon as two weeks. Mr. Chapados said that there were alternatives to avoid this conflict if it existed and he had them under consideration as well. Mr. Campbell moved that the Board permit Mr. Chapados to refrain from voting, which was seconded by Commissioner Knapp. The motion carried without objection.

Commissioner Knapp suggested setting up a temporary Chairman and Board Secretary. He then moved that Commissioner Lyon be appointed as temporary Chairman. Commissioner Lyon suggested that Commissioner Knapp move to table the motion in order to vote on the pending Organic Resolution. Commissioner Knapp moved to table his motion, which was seconded by Mr. Valinske. His motion was tabled without objection. Mr. Campbell then said that it would be proper to vote on the Organic Resolution on the table. The motion carried unanimously with Mr. Chapados abstaining.

Commissioner Knapp then requested that the motion be put back on the table to nominate Commissioner Lyon as temporary Chairman, which was seconded by Mr. Campbell. The motion carried by unanimous decision. Commissioner Knapp then made a motion to nominate Mr. Mark Hickey as temporary Board Secretary. Motion seconded by Mr. Valinske. Commissioner Lyon asked for additional nominations. There being none, the motion carried by unanimous decision with Mr. Chapados abstaining.

Mr. Campbell moved for adoption of the agenda but asked to have discussion of an orientation trip for Board members added to the agenda. The motion was seconded by Commissioner Knapp. Chairman Campbell asked for objections but receiving none, the motion carried by unanimous decision with Mr. Chapados abstaining.

## II. OFFICIAL BUSINESS

Commissioner Knapp introduced and moved the bylaws, which were prepared by the State Attorney General's Office and Special Counsel to the Alaska Railroad Transfer Team with the assistance of counsel from The Alaska Railroad, for discussion and adoption. Motion was seconded by Mr. Campbell. Mr. Campbell asked if the bylaws could be amended at a later date as he had questions on the definition of the executive officer group and the adopting of a corporate fiscal year. Mr. Hickey said the bylaws could be amended later and that the Corporation Act gives the Board the flexibility to adopt the State fiscal year, the federal fiscal year, or whatever other fiscal year they might wish. Commissioner Lyon asked for any proposed changes to the bylaws. Hearing none, he called for a roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Mr. Campbell - yes; Mr. Dickinson - yes; Mr. Chapados - abstain. Bylaws adopted and included as Attachment #2.

Commissioner Lyon stated that the next item on the agenda was the introduction and adoption of Resolution #1, Finding of Necessity for Adoption of Emergency Rules. Commissioner Knapp noted that the election of Board officers was the next item on the agenda.

Commissioner Lyon called for election of Board officers. Mr. Dickinson nominated Mr. Campbell for Chairman. Motion seconded by Mr. Valinske. There were no additional names offered for Chairman. Commissioner Lyon declared the nominations closed. Commissioner Lyon asked Mr. Hickey to conduct a roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Mr. Campbell - abstain; Mr. Dickinson - yes; Mr. Chapados - abstain. Motion carried.

Mr. Campbell nominated Mr. Chapados as Vice Chairman. Mr. Valinske seconded the motion. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Mr. Campbell - yes; Mr. Chapados - abstain; Mr. Dickinson - yes. Motion carried.

Commissioner Knapp nominated Mr. Hickey as interim Board Secretary to serve until the Board's first regular meeting in January after the transfer. Mr. Valinske seconded the nomination. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Mr. Campbell - yes; Mr. Chapados - abstain; Mr. Dickinson - yes. Motion carried. Commissioner Lyon yielded the chair to Chairman Campbell.

Chairman Campbell welcomed everyone to the first Board meeting and said that he considered it a great pleasure to serve. He felt that it was important to give the employees of the Railroad an understanding of what was going to happen and that the Board was there to represent the entire Railbelt as well as the State of Alaska. Commissioner Lyon and Mr. Chapados echoed these comments.

Chairman Campbell introduced Item C, Introduction & Adoption of Resolution #1, on the agenda. He asked Mr. Hickey to comment on the resolution. Mr. Hickey said the resolution was consistent with the Corporation Act and what was in the Corporation's bylaws. Mr. Valinske made a motion to adopt Resolution #1, which was seconded by Mr. Dickinson. Mr. Campbell asked the Board Secretary to read the resolution into the record which was done. That resolution is included in these minutes as Attachment #3. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Chairman Campbell - yes; Mr. Chapados - abstain; Mr. Dickinson - yes. Resolution passed.

Chairman Campbell next introduced Emergency Rule #1 and asked the Board Secretary to comment. Mr. Hickey said it was an emergency rule regarding public notice of regular and special Board meetings. He said it was consistent with state law requiring public notice be given in three newspapers of general circulation. A motion was made by Commissioner Lyon and seconded by Mr. Valinske to adopt Emergency Rule #1. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Chairman Campbell - yes; Mr. Chapados - abstain; Mr. Dickinson - yes. Motion carried.

Introduction of Emergency Rule #2, Meeting by Telecommunications (Attachment #4), was made and the Board Secretary was asked by the Chairman to comment. Mr. Hickey said that it was consistent with the Corporation Act which authorizes the Board to confer by telecommunication methods. He said that any actions taken, however, would be subject to providing proper arrangements for public access to those discussions prior to making decisions. A motion to adopt Emergency Rule #2 was made by Mr. Valinske and seconded by Commissioner Knapp. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Chairman Campbell - yes; Mr. Chapados - abstain, Mr. Dickinson - yes. Motion carried.

Next item on the agenda was Emergency Rule #3 (Attachment #5), Public Participation at Meetings. The Board Secretary told the Board that the rule was designed to govern the process for public participation at regular and special meetings. Thereafter followed a general discussion followed by questions and answers. Commissioner Lyon moved to adopt Resolution #3. The motion was seconded by Mr. Valinske. Mr. Hickey stated that the rule they were adopting did not reflect the first component that they wished. Chairman Campbell asked staff to prepare an amendment during the lunch hour so that they could look at it immediately following lunch. Mr. Valinske made a motion to table the item until that afternoon. Motion seconded by Mr. Dickinson, and Emergency Rule #3 was tabled without objection.

Emergency Rule #4, Public Disclosure of Information (Attachment #6), was introduced. The Board Secretary was asked to comment. Mr. Hickey explained that the Corporation Act provides that information in the possession of the Corporation is public and available to public inspection at reasonable times.

Consistent with the need to operate a railroad corporation, however, is the need to protect information of a private or proprietary nature from public disclosure. He stated the federal transfer law requires that the State protect information of the federal Alaska Railroad which includes its proprietary business data, personnel records, etc. from public disclosure. Mr. Chapados moved for adoption of Emergency Rule #4 and Commissioner Knapp seconded the motion. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Chairman Campbell - yes; Mr. Chapados - abstain; Mr. Dickinson - yes. Motion carried.

### III. GENERAL BRIEFINGS

Chairman Campbell moved on to Item #3, General Briefings. Mr. Hickey gave a brief overview listing the major milestones of the transfer process. He also showed a Transition Chart which highlighted remaining pre-transfer work tasks. Commissioner Knapp pointed out that the reduction-in-force (RIF) process is only a procedural matter in transferring from federal ownership and wanted to make all employees aware of that fact.

Chairman Campbell introduced Arnold Polanchek, Assistant General Manager of The Alaska Railroad. Mr. Polanchek presented an overview organizational chart which indicated how the Railroad is structured. He next presented a brief overview of the Railroad's financial condition as of September 30, 1984. Additional charts were presented on Selected Operational Data, ARR Operations Summary, Positive Cash Flow, Passenger Statistics, and Selected Employment History. Mr. Chapados asked him to comment briefly on the declining revenues in 1983-84. Mr. Polanchek introduced Mr. John Gray, Manager of Marketing & Sales, who commented on the ARR Operational Summary Chart.

The meeting adjourned at 10:30 a.m. for a brief recess and reconvened at 10:45 a.m.

Commissioner Knapp noted that the next two items on the agenda were briefings on banking services and leasing activities. He noted the potential for conflicts of interest with certain members and stated that the law says that if you have a conflict of interest, you are precluded from engaging in or even discussing the items. Commissioner Knapp moved that an executive session of appropriate staff be convened during the lunch hour to discuss those specific matters, as well as transfer-related legal matters. Mr. Chapados seconded the motion.

Chairman Campbell pointed out that they would only hold executive sessions for matters of personnel and proprietary matters. He thought the Board needed to fill the Chief Executive Officer slot and wanted to include that as well in a discussion of employee and personnel matters. Commissioner Knapp changed his motion to do so and Mr. Chapados seconded the motion. The motion carried by unanimous consent.

Chairman Campbell stated that since they could not talk about banking services or leasing activities, they should move to Item E, Other Transfer Issues. Mr. Polanchek provided a brief rundown of the fiscal year 1986 budget by means of a Pro Forma Income Statement and showed the Revenue Analysis by Commodity Chart. Mr. Polanchek continued by presenting the Alaska Railroad Corporation Chart, a Summation of Freight Revenue by Freight Category Chart, and a Monthly Summation Statement of Estimated Revenues Chart.

Chairman Campbell asked the Board Secretary to address the Health & Life Insurance Program issue. Mr. Hickey presented a Health & Life Insurance Chart and introduced Mr. Evan McKinney to help explain the key issues. Mr. Hickey explained that part of the complexity of the issue is the short time limit involved and the fact that Railroad employees currently have about 20 separate programs from which to choose. There are 10 programs now in use by employees, although 89% of the employees are enrolled in three main programs. Mr. McKinney continued by saying that it was a complicated issue but the State had agreed to provide a program that was substantially equivalent to what they presently had. Mr. Hickey said they had come up with a recommended program and have informally presented it to the Federal Railroad Administration and the Office of Personnel Management. Their reaction was that it was not only substantially equivalent on the health side, but also about 20% cheaper on a cost basis.

Mr. Hickey also addressed the issue of The Alaska Railroad Medical Association. He said it was the State's recommendation to keep it in place as an adjunct to the health and life insurance program since it was incorporated in existing collective bargaining agreements. Mr. Hickey continued by saying that the Board should make a decision on the recommendations by their November 7th meeting. Mr. Hickey continued on to say that the issue has not been discussed to any degree with the employees. Chairman Campbell stated that the Board should not take any action until the employee groups could react on this issue. Mr. Dickinson asked the status of the Transfer Team's recommendation. Mr. Hickey responded that they recommended a single insurance plan and recommended continuing the ARR Medical Association as it presently exists.

Chairman Campbell asked if the Board had any objections or thoughts about having a committee to sit in on employee briefings. There were no objections. Art Minton, International Representative of the International Association of Machinists & Aerospace Workers, suggested joint sessions. Chairman Campbell suggested proceeding with joint sessions.

Chairman Campbell asked if there was time to go on to the final briefing item of Corporate Employment Offers. Mr. Hickey explained that RIF letters would be going out to all employees along with an offer of a new position with the Corporation. The employees would have a 21-day notice period in which to review these offers. Mr. Hickey said that members of the Railroad staff and State will be touring the property and answering questions and there would be an opportunity for personal counseling for employees once the RIF letters were sent out.

Meeting recessed for lunch and the executive session at 11:45 a.m. and reconvened at 1:45 p.m.

#### IV. SPECIAL ACTION ITEMS

Chairman Campbell announced that he was appointing a committee of Mr. Chapados, Mr. Valinske, and Commissioner Knapp to sit in on employee briefings. He asked Mr. Chapados to serve as Chairman. Commissioner Knapp indicated that Commissioner Lyon would serve as an alternate member if he was unable to attend some of the meetings.

Chairman Campbell introduced Item C, Banking Services, and stated that as Director of the National Bank of Alaska, he had a conflict of interest on this issue and thought Mr. Chapados did as well. At this time, he passed the gavel to Commissioner Lyon. Mr. Chapados said that he, too, had a conflict of interest.

Mr. Hickey asked Mr. McKinney and Mr. Bruce Carr, Alaska Railroad, to walk the Board through the banking service issue. Mr. McKinney explained that the object is a process to establish banking services between the Railroad and a private bank. The objective is to assure that the Railroad can go through the transfer without losing the ability to receive and disburse funds and for the Corporation to accrue any interest on the excess revenue. The process they suggested was a modified bid procedure. Based on the proposals, they would evaluate the proposals on the two criteria of the ability to provide services and the cost. He suggested a one-year contract with an option to renew. He stated that it was necessary to move quickly. Their plan was to distribute the request for proposals later in the afternoon to the four banks which currently carry the Railroad's accounts and, hopefully, would have the response back by next Friday. They would then evaluate the responses and bring that evaluation back to the Board at their next meeting on November 7th so the Board could make a decision at that time. Commissioner Knapp asked if the Board would be violating any banking procedures as the plan was limited to the consideration of only four banks. Mr. McKinney said "no" because there was an Emergency Rule on the agenda that authorized limited procurement.

Commissioner Lyon said he thought the Tender Team would like authorization to issue the request for proposals. Commissioner Knapp responded that it would come later under the subject of Special Resolution #2. The Board Secretary commented that Item 4, Special Action Items A-B related to banking authorization, but that they could move to that point on the agenda. Commissioner Lyon asked if there were any objections to doing so, and hearing none, moved to that point on the agenda. Commissioner Knapp said if there were no objections, he would move to adopt Special Resolution #2 and Emergency Rule #5 (Attachment #7). Commissioner Knapp moved for adoption of the Resolution and Emergency Rule #5 as one item. Mr. Dickinson seconded the motion. Roll call vote: Commissioner Lyon - yes; Commissioner Knapp - yes; Mr. Valinske - yes; Mr. Dickinson - yes; Chairman Campbell - abstain; Mr. Chapados - abstain.

The next item on the agenda was Item D, Leasing Activities. Mr. Polanchek made a brief overview of the leasing activities on the Railroad. He said that the Railroad owned about 3,000 acres of industrial land and that in 1974 the leasing policy of the Railroad had not been formalized. The major area of concern from the 1974-75 audit pertained to the Railroad's leasing policies. The outcome of the audit was that the Railroad was mandated to revise its leasing policies. One criteria was that all leases had to be brought up to the fair market value and a fair market rental rate applied. A leaseholders' association was formed in 1981 and they subsequently filed several actions in the courts. The initial suit was dismissed; however, there was a motion filed for reconsideration and a secondary suit filed which would probably reopen the original suit.

Commissioner Lyon asked if there were any current unresolved areas between the Railroad and leaseholders. Mr. Polanchek responded that he thought it would just be a question of the method the Railroad uses in determining the fair market value of the land as some of the leaseholders did not believe that lessee below-ground improvements to the property should be included in the appraisal. Mr. Polanchek stated that this was probably the major source of contention. Commissioner Lyon returned to gavel to Chairman Campbell.

Chairman Campbell asked if there were any other questions of the Board at that time under employee issues. The Board Secretary told the Board that they would be hearing later that day during the public comment period on these issues. Chairman Campbell suggested that if there were no objections, they would move into the public comment period since the Board had not yet adopted the procedures for signing up to speak, they would just try to allow as much time as possible but try to stay within the time restraints of five to ten minutes. He asked that all speakers sit at the front of the room and state their name for the record.

#### V. OPPORTUNITY FOR PUBLIC COMMENT

Mr. James Kirsch, Alaska Railroad employee representing himself, was the first speaker. He said there had been discussions on how the transfer was to transpire but that he had questions as to what was really going to happen after transfer. He stated that at the present time there were numerous rumors. His main concern was for those employees ready for retirement. He felt that they should be allowed to retire from the Railroad and then go back to work for the Corporation in the same job with the same seniority. His second area of concern centered around Railroad trackage that ran through the military area from Whitney Road to Eagle River. He suggested that someone negotiate with the Army to try to get a different right-of-way so the train could move faster and more efficiently with less cost to the Railroad.

Mr. Robert Collopy, Alaska Railroad Section Foreman, was the second speaker. He stated that he had 32 years of Government service--4 with the Army and the rest with The Alaska Railroad. He said that he was in the same position as Mr. Kirsch and would also like to retire from the Railroad and go back to work for the Corporation. He said he was represented by the American Federation of Government Employees and the President, Mr. Jack Burton, felt that the seniority question would be a union issue.

Mr. Jack Burton, President of the American Federation of Government Employees, spoke next. He said that these people wanted to take advantage of retirement and return to the same position, but felt that because of the way the contracts were now written, it was a political issue for the unions. He stated that he was neutral on this particular issue because it did not affect him one way or the other. Mr. Burton asked Mr. Hickey if health insurance premiums may go down for some people. The response from Mr. Hickey was that the overall cost might be as much as 20% less. He then asked if in some instances the premiums could increase and the response was that they might on a case-by-case basis. Mr. Burton stated that he would have a problem with that simply because he didn't think those people should subsidize the portion that the Railroad would otherwise pay for others.

Mr. Art Minton, International Representative of the International Association of Machinists & Aerospace Workers, addressed the issue of temporary employees who had been laid off and were subject to recall on a seasonal or as-needed basis. He suggested that temporary status implied someone who worked 30-90 days to as much as 6 months, but he did not feel that was the true picture. He said that some of these employees held positions for up to two-year periods. He felt that it was necessary to approach the Board to obtain a preferential hiring list for those temporary employees who had been terminated. He mentioned the fact that everything discussed to date spoke only to career or full-time employees. He also raised the question of those people who were within five years of retirement but said there were a lot of questions for those people who were not yet to that point and suggested that the Board also needed to address that issue.

Mr. Ray Sanderford from the United Transportation Union (UTU) was the next speaker. Mr. Sanderford said that the UTU welcomed the new ARR Board of Directors and the new ideas and expertise that they brought with them. He said they envisioned a smooth transition and that the UTU had benefited from an excellent rapport with the Railroad administration in the past. He said they were anxious to go forward with the new administration, always keeping in mind their common goal of service to the public and the State of Alaska.

Mr. Richard Farmer, representing Alaska Day Tours, Ltd., spoke next. He said over the past two years he had received a lot of support from the Railroad on the passenger side. He hoped that the Board would consider expanding the passenger side as there were not enough railroad cars available. He also mentioned that there were no passenger facilities in Whittier and said that he would like to see better facilities for the tourists.

Chairman Campbell asked if anyone else wished to speak. As there were no further comments, he closed the public speaking portion of the meeting and called a short recess at 2:35 p.m.

#### VI. CLOSING BUSINESS

The meeting reconvened at 2:45 p.m. when Chairman Campbell asked the Board Secretary to read the new draft of Emergency Rule #3 which dealt with Public Participation at Meetings. Mr. Hickey read the substitute rule.

Commissioner Knapp said that he thought Emergency Rule #3 was on the table and it would be appropriate to lift it and amend it accordingly. Chairman Campbell asked for a motion to lift it off the table. Commissioner Lyon moved to remove the motion so the table was clear. Mr. Chapados seconded the motion. Mr. Chapados said he thought it would be appropriate to have a voice vote to clear the motion off the table. The vote was unanimous with Mr. Chapados abstaining. Commissioner Knapp made a motion to adopt the amended rule and Mr. Valinske seconded it. As there were no further objections to Emergency Rule #3 (Attachment #5), the motion carried with Mr. Chapados abstaining.

Chairman Campbell said that Thursday the Board would go to Seward. The next official meeting was set for November 7 at 9:00 a.m. in the same location. He further stated that he would like the agenda to include a discussion of selection of a new Chief Executive Officer for the Corporation.

Commissioner Knapp commented on the fine presentation and preparation of the Transfer Team and appropriate staff.

Chairman Campbell said that concern had been expressed over an audit project. Mr. Hickey explained that the pre-transfer audit which was being done as part of the State's part of the transfer was basically to perform a balance sheet assessment at the date of transfer and to assess the accounting system of the Railroad and recommend changes that might be needed for the Railroad to comply with generally accepted accounting principles. Selection of this auditor dealt only with performing that work. Mr. Hickey stated that there had been confusion that the selection of this firm was the selection of the independent financial auditor for the Corporation. He stated that this selection had nothing to do with that decision which had to be a Board decision.

Commissioner Lyon said there was an element of confusion that needed to be cleared up about the fiscal year '86 budget. The bylaws called for a fiscal year which tracks the State's fiscal year but the Railroad was currently operating under the federal fiscal year. It was his hope that the Railroad would make some modification to the budget process so that the people who worked with the state system could understand it more readily. He felt that with regard to capital items, something needed to be done because of the time frame. He said that he didn't know how much flexibility they had but if the Board needed to ask for state funding in the future, they might like to address the issue.

Mr. Hickey suggested that the Board might like to take this up as an action item for the next meeting and Chairman Campbell requested a briefing on the trip to Seward. He said there would be no action, just a briefing.

Chairman Campbell asked Lee Fischer, who had just joined the meeting, if he had any questions. Mr. Fischer asked if the Board was going to take charge of the selection of the auditors. Mr. Campbell said that they would make the selection as to the final independent financial auditor for the Corporation. Mr. Hickey again explained the situation with respect to the existing audit project.

Chairman Campbell asked if there were any further comments or questions. Mr. Chapados moved to close the meeting, which was seconded by Mr. Dickinson. Hearing no objections, the meeting was adjourned at 3:00 p.m.

# Pipeline president named railroad manager

The Associated Press

The man who runs the trans-Alaska oil pipeline was named Saturday to be the new general manager of the Alaska Railroad.

Frank Turpin, president of the Alyeska Pipeline Service Co., will assume his duties Feb. 15 when he retires from Alyeska, according to James Campbell, chairman of the railroad's board of directors.

"In Frank Turpin, we have a chief executive of proven ability," said Gov. Bill Sheffield, who appointed the railroad's directors.

Turpin took over as chief executive of Alyeska in 1978, the first year of operation of the pipeline which carries oil from Prudhoe Bay on the North Slope to the marine terminal at Valdez on the Gulf of Alaska.

Turpin said his retirement has been planned for nearly a year, and the railroad job just happened to coincide.

"My wife and I had been looking forward to our new freedom after my retirement," Turpin said. "We even built our home here in anticipation of our new life of

leisure in Alaska.

But he said the challenge of running the railroad was "irresistable."

Turpin has been employed by Exxon for 38 years in various capacities. Alyeska is a consortium of the oil companies which produce the oil in Prudhoe Bay, and Turpin technically remained an Exxon employee.

The railroad is to be transferred from federal to state control on Jan. 5.

Campbell said the board will name an interim management team to oversee the rail-

road's operation until Turpin takes over.

Frank Jones, the man who ran the railroad for the federal government, has been on leave for most of the year recuperating from a heart ailment. Campbell said earlier he didn't believe Jones' health would allow him to resume his duties.

Initially, the board intended to hire former Anchorage Mayor George Sullivan, but those plans fell through last week when the two sides were unable to agree on a contract.



Frank Turpin

# Alyeska's Frank Turpin

## named to head ARR

Fairbanks Daily News-Miner  
November 11, 1984

Frank G. Turpin, who is stepping down as president of Alyeska Pipeline Service Co., will take over as head of the Alaska Railroad, effective Feb. 15.

His selection as the railroad's president and chief executive officer was announced Saturday by James Campbell, chairman of the state's Alaska Railroad Board.

The state assumes control of the railroad Jan. 5, under terms of an agreement with the federal government. In the meantime, the state board is planning for an interim management from Jan. 6 until Turpin

assumes the top job.

Turpin has worked for the Exxon Co. USA for 38 years, and has been "on loan" to Alyeska the past six years. Alyeska is the company that operates the trans-Alaska oil pipeline for the North Slope producers.

"My wife and I had been looking forward to our new freedom after my retirement," Turpin was quoted in a news release. "We even built our home here in anticipation of our new life of leisure in Alaska. But the offer from the railroad board provides an opportunity for me to make a contribution to the state, and in an area of

particular significance to me."

Speculation on who would be tapped to be the first executive of the railroad under new state ownership had been accelerating. Former Anchorage mayor George Sullivan missed the bid when he and the board failed to agree on terms. At least two other candidates reportedly had engaged in discussions with the seven-member state railroad board.

James O. Campbell, board chairman, issued Saturday's statement, and he said, "Frank Turpin was our choice among several candidates, with whom we have had discussions

over the past several weeks. We're very pleased that he has chosen to accept this very important position."

Gov. Bill Sheffield was quoted as expressing pleasure at the choice, saying Turpin has proven ability and he "brings to this new position the complex administrative and executive skills which we think will be required at this state in the railroad's history, which is both transitional and inaugural."

Earlier this year the Alaska Legislature passed the bills required to effect the transfer of the rail ownership from federal to state govern-

ments. The actual transfer occurs on Jan. 6.

Since his arrival in Alaska in 1978, Turpin has been active in numerous organizations. He was president of the Anchorage Chamber of Commerce in 1982-83, and served on that group's board and natural resources committee. He chaired the Anchorage 1981 United Way campaign, and has been a board member of the Alaska Repertory Theatre, Providence Hospital, and has been active in the University of Alaska Foundation and the Alaska affiliate of the American Heart Association. He is a member of

Rotary.

Frank Chapados, a Fairbanks member of the state railroad board, said Saturday he was pleased with Turpin's selection.

"We're benefiting from the work the transition team has done," Chapados said. The board still has many weighty matters to address, though, including plans for capital projects and employee pay and benefits.

According to Chapados, the federal Alaska Railroad management has prepared a budget for capital projects and improvements, but that's on a federal fiscal year, Oct. 1-Sept. 30,

while the state operates on a July 1-June 30 budget cycle.

At the board's last meeting, approval was given for seeking bids on an employee health plan. Chapados said the state board wants one plan, rather than the 14 programs offered under federal management.

On pay, 71 of the 500 ARR employees receive federal cost-of-living adjustments because of longevity. Chapados cites that as an example of issues the board must resolve before the actual transfer. The board meets again Nov. 21.

## **Rail board tours Seward terminal**

by Carole Jaffa  
Seward and Whittier were the first stops on an Alaska Railroad board initial tour of railroad holdings November 1. Purpose of the tour was to familiarize new board members with what the railroad now owns, what it needs and how it is being run.

The new board members are Jim Campbell, chairman of the board and owner of Spenard Builder's Supply; Lew Dickenson, chairman of Anchorage Port Commission, director of Anchorage Sand and Gravel and partner in DOWL Engineering; Frank Chapados, owner of H & S Freight Forwarders of Fairbanks; Gerald Valinske, an Alaska Railroad employee of the United Transportation Union; Commissioner of Commerce & Economic Development Dick Lyon, and Commissioner of Transportation Dick Knapp.

Also on the tour were top management people from ARR, and Bill Loftus of the Federal Railroad Administration.

Dickenson, whose appointment drew fire from the City administration and Council on grounds of possible conflict of interest (due to Dickenson's gravel business and position as chairman of the Anchorage Port Commis-

sion), stressed to the LOG that he sought "good communication" with the City, the "advance invitation" (protest of his appointment) notwithstanding.

The Railroad administration is sympathetic to Seward, he said, that came across clearly in our briefing.

Dickenson said priority capital outlay for the railroad will be for new equipment to handle the coal shipments.

Commissioner Lyon also spoke of capital outlays, commenting new gantry cranes for the Seward dock are a definite part of our proposed five year plan. He noted the railroad has always hauled more freight north than south, so the rails are reinforced for the stress of northbound traffic. This will have to change to handle coal trains.

A major problem the board must face is how to provide passenger service without losing money (last year passenger service cost \$6.3 million and brought in only \$4.6 million—a \$1.75 million loss. That translates to a \$300 loss per passenger.)

Mainline tourist trains that run from Anchorage to Fairbanks do compensate somewhat for the costly local trains that run all winter.

Another problem is replacement of rolling stock. No one builds passenger cars in the U.S. anymore; the railroad must either buy refurbished Amtrack cars or new ones from Canada to

replace the old cars.

The passenger cars now in service date from the fifties. Some use steam for heat and air conditioning; others use electric. The steam cars cause problems with pipes breaking in cold weather; plus they will not interface with electric cars. All electric stock is required.

The board members met with local business people and City Council administrators aboard their special train on the 1st. Representatives of the ILWU were among those who voiced concerns about the railroad's operation (see related article).

## Operations report details rail finances

The Associated Press

When the federal government sells the Alaska Railroad to the state in January, it will be handing over a line that had a net profit of \$1.8 million in fiscal year 1984.

A report presented last week at the first meeting of the Alaska Railroad Corp.'s board of directors said the line has \$118.2 million in assets and \$182.3 million in total

liabilities and U.S. government proprietary interests.

Railroad operations were in the red for passenger traffic and in the black for freight hauling during 1984, the report said.

On Jan. 5, the state will pay \$22.3 million for the railroad line, and the seven-member board of directors will run it as a state business.

The railroad has 482 miles of main line, running from Fairbanks to Seward. Branch lines to Palmer and Whittier make up an additional 48 miles, and 126 miles of yard and siding tracks are in use.

The line has 46 passenger coaches, 1,439 freight cars, and 57 locomotives. The report said the railroad has 465 full-time employees. There are 18 full-time executives and two part-time executives.

# Report gives financial state of rail

by Kenneth R. Allen  
Times Writer

The federally owned Alaska Railroad, which will become a state property in January, has total assets of \$118.2 million and total liabilities and U.S. government proprietary interests of \$182.3 million.

A report given last week at the first meeting of the Alaska Railroad Corp. board of directors also showed that the line had total revenues of \$62.2 million in fiscal year 1984 and total expenses of \$60.3 million, with a net profit of \$1.8 million. Cash flow was reported at \$6.7 million.

The federal fiscal year runs from Oct. 1 through Sept. 30. The Alaska Railroad Corp. board has not said whether it will follow the federal fiscal year or change to the state's fiscal calendar, which runs from July 1 through June 30.

At midnight on Jan. 5, the railroad will be turned over to the state in a \$22.3 million transaction. The line then will be operated as a state business under direction of the seven-member Alaska Railroad Corp. board of directors, which met Friday.

Only six panelists took the oath of office. The seventh has not been named by Gov. Bill Sheffield, and one already on the board — vice chairman Frank Chapados, who is president of a Fairbanks freight company — might have to step down if the Interstate Commerce Commission rules against his membership on conflict-of-interest grounds.

The ICC is reviewing whether Chapados' interest in the freight company might be too closely related to his position on the railroad board. The board will oversee freight rates for the railroad.

The railroad, commonly called a 526-mile line, which probably is a loose reference to the railroad's linking of Fairbanks and Seward, has 482 miles of main line, according to the report. Another 48 miles of branch lines are in place, and 126 miles of yard and siding tracks are in use. Total track miles was listed at 656.

The railroads' tracks actually run from Eielson Air Force Base southeast of Fairbanks to Seward, with branches linking Palmer and Whittier. Railroad linemen have said the tracks are in various stages of repair.

Forty-six passenger coaches are in the rolling stock inventory, as are 1,439 freight cars. The line, which is correctly called a "road" in the parlance of the railroad community, has a fleet of 57 locomotives.

Some in the Brotherhood of Railway Car Men of the United States and Canada, the union representing those who maintain the rolling stock, have said that equipment is in need of serious attention. Rolling stock means only the freight cars and passenger coaches.

Word from among the membership of the International Association of Machinists and Aerospace Workers holds that the locomotives are newer than the rolling stock and are in better condition. The machinists group is the union that represents those who maintain the locomotives.

The report to the board showed 18 persons were in executive positions as full-time employees for the railroad. Two others were listed as temporaries.

Full-time employees were numbered at 465. Sixty-eight were shown as permanent part-timers, and 126 were shown as temporaries.

Under total employee listings, including full-time, permanent part-time and temporaries, 80 were shown in administration, with another 232 in transportation, 180 in engineering, 131 in locomotive power and equipment, and 16 in marketing and sales.

The report indicates that railroad operations are in the red for passenger traffic and in the black for freight hauling.

A statistical summary for 1984 annual operations showed, in round numbers, the railroad took in \$4.6 million in passenger revenues but lost \$1.8 million doing it, because passenger expenses totaled \$6.3 million. Summer trains carried 75,000 passengers, which cost the railroad \$4.79 per rider. Winter trains carried less than 3,000 passengers and cost the railroad \$295 per rider.

## Rail panel member could lose post

by Kenneth R. Allen  
Times Writer

A question over conflicts of interests threatens the Alaska Railroad board of directors post held by Frank Chapados of Fairbanks.

Chapados might be required to step down from the railroad board if the Interstate Commerce Commission rules that his business affiliations and his position on the board are too closely related.

Railroad board members will be in a position to rule on shipment rates set by management when the state takes control of the federally owned line in January.

He is president of H & S Freight Forwarders. Chapados also is a board member of Lynden Inc., which is a holding company for Lynden Transport trucking.

Lynden Transport does business throughout Alaska. The freight-forwarding company deals principally in contracting with trucking companies and the Alaska Railroad for shipment of household goods belonging to military service personnel and families stationed in the state.

Chapados, who was named to the railroad board by Gov. Bill Sheffield on Oct. 3 along with three other men, said that the ICC will rule within two weeks whether it thinks he should step aside. The governor still has to fill a seat on the panel, which is a seven-member body.

"I don't own any trucks or lease any trucks," Chapados said, referring to H & S Freight Forwarders. "I do, however, arrange for the shipment of military service household goods, but I don't do anything directly with the railroad."

Chapados said he plans to relinquish his position on the Lynden board.

Membership on the railroad board would "in no way" benefit his freight-forwarding company, Chapados said.

# Rail panel meets for first time

By HAL SPENCER  
The Associated Press

**ANCHORAGE** — Meeting for the first time, the state board formed to run the Alaska Railroad unanimously named James Campbell of Anchorage as chairman and Frank Chapados of Fairbanks as vice chairman Friday.

The Alaska Railroad Corp. board meeting, which drew a small crowd consisting mostly of railroad employees, focused largely on housekeeping chores ranging from swearing in board members to adoption of corporate by-laws.

There was one hint of controversy in the otherwise quiet meeting.

Chapados, with the approval of his colleagues, refrained from voting on grounds it may be a conflict of interest for him to serve on the board.

Chapados, the owner of H&F Forwarders, a shipping concern, said Interstate Commerce Commission regulations may prohibit him from serving.

He said the ICC has been asked to rule on the question, and may make a decision with two weeks.

Jack McGee, an assistant state attorney general, said later he is optimistic that the ICC would not find Chapados has a conflict of interest. He said it was possible, however, that Chapados would have to surrender his seat.

Chapados is one of six members recently appointed by Gov. Bill Sheffield. A seventh is still to be named.

Besides Chapados and Campbell, who is president of Spenard Builders Supply, board members include Lew Dickinson of Anchorage, a partner in DOWL Engineers and chairman of the Anchorage Port Commission, Gerald Velinske of Anchorage, an Alaska Railroad employee, Commerce Commissioner Dick Lyon, and Transportation Commissioner Dick Knapp.

The board tried to allay concerns that its members

would take a provincial view in overseeing operation of the railroad, which is to be transferred from federal to state control on Jan. 5 in a formal ceremony at Nenana.

"There's only one way to do things, and that's to work together," said Chapados.

"I consider this one of the most opportunist things I've ever done in my life," said Campbell. "I want to put to rest the idea that any of us on this board represent a (single) community in the Railbelt."

The board was briefed by the Alaska Railroad Transfer Team on current operations and the line's financial condition. The board intends to adopt a budget for fiscal 1986 next month. It also will take up the sensitive issue of job security for railroad employees.

The Alaska Legislature this year authorized the purchase of the railroad for \$22.3 million. It also passed a measure to create the board.

## Railroad board selection difficult

The seventh member of the new Alaska Railroad Corp. board of directors will remain a question mark until Gov. Bill Sheffield returns from China at the earliest, according to an administration official.

The 526-mile line, which has been operated by the federal government since the early 1920s, will be transferred to state ownership on Jan. 5 in Nenana in a \$22.3 million transaction.

Carol Derfner, Sheffield's assistant for selecting board and commission members, said 37 persons had applied for the seventh board seat and that the field

has now been narrowed to a dozen. Sheffield, however, is in China on a two-week Alaska trade mission.

"This has been the hardest board to name," Derfner said. "There are so many requirements that must be satisfied, both those contained in the state-legislation creating the board and those of the Interstate Commerce Commission."

State law requires the governor to select a seventh member of the board who has 10 years of railroad management experience and has worked for a U.S. railroad as its chief executive of-

ficer. The Interstate Commerce Commission requires that the person cannot be affiliated with another railroad that does business with the Alaska Railroad. The line is not physically linked with others roads, but it does move other railroad's cars that have been sent to Alaska aboard barges.

State law provides that the governor may name five board members and that the commissioners of the Department of Transportation and the Department of Commerce and Economic Development are automatically a part of the board.

## Alaska Railroad board member wants to entice private buyers

The Associated Press

FAIRBANKS — A board member of the new Alaska Railroad Corp. said one of his goals is to make the railroad attractive to private buyers and get it off the state's hands.

But, Frank Chapados said, "I don't see that occurring right away."

Private owners "pretty much have to do it at a profit," he said. They probably could not do that, even with the same \$22 million price tag the federal government gave the state.

"Even at that, I think they would have a tremendous investment that they'd be faced with," Chapados said.

Chapados, 70, is one of five public members appointed to the board. Born in Juneau, he

has served as a U.S. marshal, a federal Fish and Wildlife enforcement agent and a two-term state representative.

Chapados said taking over the railroad will have great challenges, one of which will be dealing with employee rights and problems uncovered as the transfer takes place.

"The employees of the railroad are very important people and a real asset," he said. "I don't know if we really have any choice but to do right by them. I don't have any problem with that."

Chapados also said he's not an advocate of extending the railroad north, or south to the Canadian rail system, until the extensions serve a purpose.

A link south without a big

increase in loads would throw a wrench into a fairly sophisticated system now split between water and truck transportation, he said.

No board meetings have been scheduled. One public member has not been named yet.

Two seats on the board will be held by state Commerce Department Commissioner Dick Lyon and Transportation Department Commissioner Dick Knapp.

The three other public members named so far are James Campbell of Anchorage, president of Spenard Builders Supply; Lew Dickenson of Anchorage, and chairman of the Anchorage Port Commission, and Gerald Valinske of Anchorage, an Alaska Railroad employee of the United Transportation Union.

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4858

KINY NEWS 10/10/84

Seward officials have suggested there is an appointee to the Alaska Railroad Board of Directors may have a conflict of interest because he also serves on the Anchorage Port Commission. In a letter to the Interstate Commerce Commission, Seward Mayor, Don Cripps, says his city has serious concerns about railroad board member Lew Dickinson's ability to serve impartially on a seven member rail panel. Cripps also asks the ICC to review the credentials of other board members who were appointed to their post on October 3rd by Governor Bill Sheffield. Seward City Manager Ron Garzinni says Dickinson sets tariffs for freight shipped to the Port and then trucked to other destinations. Garzinni says that as a member of the railroad Board Dickinson also will set tariffs for cargo hauled on the Alaska Railroad when it's taken over by the State in January. And Garzinni says no individual should be actively involved in the competing modes of transportation. Cripps and Garzinni also suggest Dickinson may have a conflict because he is a Board member of Anchorage's Sand and Gravel. The official says gravel hauling operations are the largest revenue producers of the railroad. Garzinni also says Seward city officials are miffed that nobody from Seward was named to the Rail Board.

# Seward protests businessman's appointment to rail board

By RONNIE CHAPPELL  
Daily News reporter

The Seward City Council has protested the appointment of Anchorage businessman Lew Dickenson to the board of the Alaska Railroad Corporation.

Dickenson is one of four non-government people appointed to the board by Gov. Bill Sheffield last week. The board will run the railroad for the state, which bought it from the federal government for \$22.3 million and will take over its operation in January.

Monday, the council voted unanimously to ask the Interstate Commerce Commission to examine Dickenson's business and civic affairs for possible conflicts of interest.

He is chairman of the Anchorage Port Commission and a director of Anchorage Sand and Gravel, a company that ships large amounts of bulk freight from Palmer to Anchorage via the railroad.

serve both bodies."

The statement is based on the theory that high railroad freight rates encourage the movement of freight through the Port of Anchorage. That's because most of the major shippers serving the city have union contracts requiring them to truck most of their freight inland.

"Ninety percent of the carrier traffic using the Port of Anchorage is by truck and, therefore, is competing with the Alaska Railroad," Cripps said.

Despite that fact, Cripps continued, Dickenson will be "directly or indirectly setting tariffs and practices for the railroad."

Anchorage Port Director Tyler Jones termed Cripps' analysis a "narrow interpretation of the role of the Port of Anchorage and our partnership with the Alaska Railroad."

Jones said he and other

Although he termed Dickenson a "fine Alaskan" in his letter to the ICC, Seward Mayor Don Cripps said he and other city officials had "serious concerns about (Dickenson's) ability to serve with impartiality."

An agency spokesman said Tuesday that the ICC has "limited authority" to review Dickenson's appointment if questions of conflict of interest have been raised.

Federal laws provide for ICC review when a railroad director controls or owns significant amounts of stock in another carrier, said Martin Zell, deputy director for state and community affairs for the agency. The laws are designed to ensure that railroads treat all shippers fairly.

Zell did not know if the ICC could block Dickenson's appointment.

Dickenson, who is working and duck hunting in the Eureka-Chickaloon area, was un-

port officials would like to see more extensive use of the railroad.

"That's been a longstanding position," Jones said.

Sheffield knew about "Dickenson's interests" before he appointed him to the railroad board, said Sheffield Press Secretary John Greely.

"The issues were reviewed by the attorney general's office and it was determined that all (of the men appointed to the board) could pass muster," Greely said.

Other businessmen named were Jim Campbell of Anchorage, president of Spenard Bulder Supply; and Frank Chapados, owner of H & S Forwarders Inc. of Fairbanks. Gerald Valinske will represent unions on the board and Transportation Commissioner Richard Knapp and Commerce Commissioner Richard Lyon will represent state government.

Campbell's company moves

available for comment Tuesday.

In his letter, Cripps says, Dickenson is "directly involved in the railroad's gravel haul tonnage, which I believe is the railroad's largest revenue source."

"He, as a railroad board member, would be involved in decisions regarding future competing gravel sources and rates for competing services."

Seward city officials believe the startup of a new coal export facility will make it possible to use empty coal cars to backhaul large amounts of gravel to the Anchorage area.

Dickenson's position as chairman of the Anchorage Port Commission also creates problems, Cripps said.

"In most instances," he wrote, the interests of the railroad and the Port of Anchorage are "in direct conflict. We do not believe that one individual can effectively

substantial amounts of freight over the railroad, Greely said.

The Chapados nomination already is being reviewed by the ICC, said assistant attorney general Jack McGhee. The state requested the review, McGhee explained, because it is "unclear in our minds" whether ICC statutes governing freight forwarders "would preclude him from serving."

None of the appointees has filed a financial disclosure statement with the state.

Financial disclosure is not required by law, Greely said, and it "is not standard practice to ask for financial disclosure in the course of a job interview. Usually there's a verbal assurance that there are no conflicts of interest."

Sheffield elected Dickenson, Campbell and Chapados because "they know how the railroad operates."

# Sheffield appoints 6 to Alaska Railroad panel

United Press International

JUNEAU — Gov. Bill Sheffield Wednesday appointed six people, including three Anchorage men, to the seven-member board that will oversee the Alaska Railroad when it is transferred to the state from federal ownership.

The three Anchorage residents, two businessmen and a union official, were among four members of the public selected by Sheffield.

Chosen were James Campbell, 52, president of Spenard Builders Supply and a former Anchorage city council-

man and borough assemblyman; Lewis Dickinson, 52, a civil engineer and member of the Anchorage Port Commission; and Gerald Valinske, 33, who will fill the seat designated by law for a representative of labor unions affiliated with the railroad.

Campbell will serve a five year term on the board, Dickinson a four-year term and Valinske a three-year term, Sheffield said.

The other non-government appointee was Frank Chapados, 70, of Fairbanks, president of H & S Forwarders Inc. and a former state representative,

who will serve a five-year term.

The appointments are subject to approval by the Interstate Commerce Commission.

The board will oversee the Alaska Railroad Corporation, established by the state legislature last year to manage the railroad when the state buys it from the federal government for \$22.3 million, Sheffield said.

The state is expected to take over ownership December or by January of next year, Sheffield said.

The state offered to buy the railroad, which runs from Seward to

Fairbanks, to keep it running after the federal government decided to stop operating it.

Two appointments to the board from state government were required by law. The governor appointed Richard Knapp, commissioner of the Department of Transportation and Public Facilities, and Commissioner Richard Lyon of the Department of Commerce and Economic Development, as voting members.

A seventh seat is designated by law for a person with at least 10 years of railroad management experience.

port, a trucking firm in Alaska. Chapados has said he would give up his Lynden association and that his forwarding company is not in the trucking business.

"The successful operation of the railroad is critical to our city," Seward Mayor Don Cripps said Thursday. Dickinson and other railroad board members were in the Resurrection Bay community as part of an orientation tour of railroad facilities in Seward and Whittier.

Dickinson and Cripps met during the board's Seward stop. Cripps said he had received a letter from ICC which cleared Dickinson.

"There was nothing personal in our criticism," Cripps said. "We just felt uncomfortable with his nomination. It's essential that this railroad be operated correctly, and we were simply trying to voice our concern."

Seward is a deep-water port. The railroad is constructing coal loading facilities there. Seward also is a major barge port, which competes with the Anchorage port for business.

Cripps said he and other city officials had sent the names of two Seward residents to Sheffield for board consideration. "We wanted Beverly Dunham, a former local newspaper publisher in Seward, and Dale Lindsey, a local businessman," Cripps said. "If a board vacancy comes up, we'll submit those names again."

No further challenge is planned, Cripps said.

"We perceived a concern, and we've voiced that concern," he said. "The decision has been made, and we'll go with that decision."

Dickinson said his railroad board membership was no more of a conflict than that of board chairman James Campbell, president of Spenard Builders Supply Inc., which also is a major Alaska Railroad customer.

"From our point of view (his and Campbell's), and that of the governor," Dickinson said, "we know something about the railroad. I have done business with the railroad for 20 years as a consultant."

Dickinson said he would abstain from board voting anytime his participation might be considered a conflict of interest.

"Campbell plans to do the same thing," he said.

The board traveled to Whittier and Seward on a special train assembled for the orientation tour.

## ICC OKs position of rail board member

by Kenneth R. Allen  
Times Writer

The Interstate Commerce Commission has ruled Alaska Railroad Corp. board member Lewis Dickinson's position is acceptable, even though he is on the Anchorage Port Commission and Anchorage Sand and Gravel Inc.'s boards of directors.

Dickinson, a partner in DOWL Engineers of Anchorage, was criticized earlier this month by Seward city officials who said his Anchorage business and public board memberships would be in conflict with interests of the railroad.

The railroad board will oversee freight rates. Alaska Sand and Gravel is a principal customer of the railroad. The port commission has jurisdiction over tariffs on freight moving through Anchorage.

Gov. Bill Sheffield named Dickinson and four others to the board on Oct. 3. Seward officials wrote ICC criticizing Dickinson shortly after his nomination.

Another board member, Frank Chapados of Fairbanks, is still being reviewed by the ICC. Chapados is president of H & S Forwarders Inc. and a board member of the holding company of Lynden Trans-

See Rail, page B-4

port, a trucking firm in Alaska. Chapados has said he would give up his Lynden association and that his forwarding company is not in the trucking business.

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Another board member, Frank Chapados of Fairbanks, is still being reviewed by the ICC. Chapados is president of H & S Forwarders Inc. and a board member of the holding company of Lynden Trans-

See Rail, page B-1

ATTACHMENT "D"



# LEGISLATIVE TRANSPORTATION COMMITTEE

WASHINGTON STATE LEGISLATURE

SECOND FLOOR • HOUSE OFFICE BUILDING • OLYMPIA, WASHINGTON 98504 • TELEPHONE: 753-6830  
REP. GEORGE WALK, CHAIRMAN • SEN. LOWELL PETERSON, VICE CHAIRMAN • SEN. PAT PATTERSON, SEC.



October 24, 1984

## MEMORANDUM

TO: ALL CONFERENCE PARTICIPANTS

FROM: REPRESENTATIVE GEORGE WALK, CHAIRMAN *GW*  
LEGISLATIVE TRANSPORTATION COMMITTEE

I wanted to take this opportunity to thank each of you for participating in our statewide Transportation Safety Conference October 1-3 at the Sea-Tac Marriott. I also want to express our gratitude to the Traffic Safety Commission and the other co-sponsoring agencies.

This was the first such Conference ever held, and judging by the comments we've received, you found it a worthwhile effort. We are most appreciative of the enthusiastic participation by all attendees, and by your generous compliments on the Conference Evaluation forms. We also appreciate the many suggestions for additional topics and speakers should we decide to repeat the Conference in the future.

We are enclosing a final attendance roster, and a summary of conclusions from the Workshops as reported by the moderators at the Wednesday morning closing session.

During the coming months we will be talking with the other sponsoring agencies to determine whether we should continue this Conference, and, if so, at what frequency. We will advise you of our decision.

In the meantime, thank you again for attending, and for your continuing efforts to improve highway safety for all of us.

GW:tl

Enclosures

### HOUSE MEMBERS

DONN CHARNLEY  
HAROLD CLAYTON  
DICK FISCH  
RUTH FISHER  
P. J. "JIM" GALLAGHER\*  
AVERY GARRETT

EUGENE A. PRINCE  
KAREN SCHMIDT  
CURTIS P. SMITH  
DEAN SUTHERLAND  
GEORGE W. WALK\*  
SIM WILSON\*

### SENATE MEMBERS

RICK BENDER  
PAUL CONNER  
W. H. "BILL" FULLER  
BARBARA GRANLUND  
SAM C. GUESS  
FRANK "TUB" HANSEN\*

BRAD OWEN  
E. G. "PAT" PATTERSON\*  
LOWELL PETERSON\*  
GEORGE SELLAR  
PETER VON REICHBAUER

\*EXECUTIVE COMMITTEE MEMBER

## WORKSHOP REPORTS

### WASHINGTON TRANSPORTATION SAFETY CONFERENCE

The Seattle Marriott  
October 3, 1984

The issues set forth below represent the areas of concern and recommendations for possible legislative or administrative action expressed by participants in a series of workshops held during the Washington Transportation Safety Conference, October 1st through 3rd, at the Seattle Marriott Hotel. The Conference was sponsored by the Legislative Transportation Committee and the Washington Traffic Safety Commission.

#### ALCOHOL AND THE DRIVER

Moderator: Dr. Carl Klingberg, Bureau of Health Statistics, Department of Social and Health Services

1. Stronger sanctions for individuals driving without a drivers license, or while suspended or revoked.
2. Implementation of administrative license suspension for positive and swift control over the license of a driver convicted of driving while under the influence of alcohol.
3. Legal authorization of random sobriety checkpoints for detection of drinking drivers.
4. Clarification of a universally accepted definition for DWI. At what point does the individual become impaired to the extent that it interferes with safe driving practices? There is a disparity among states regarding consumptive levels implying intoxication, ranging from blood alcohol content levels of .08, .10, .15, to determining intoxication based upon observed behavior by law enforcement officials.
5. Development of a stable funding source for DWI enforcement, prosecution and education efforts.
6. Elimination of deferred prosecution for DWI offenders.

#### BICYCLE SAFETY

Moderator: Todd Littman, Secretary-Treasurer, Bicycle Federation of Washington

1. Recommends that the Legislature address the problem of bicycle safety in the most cost effective manner:
  - a) Create a statewide bicycle safety coordinator position to provide expertise for bicycle safety education programs;

BICYCLE SAFETY, cont'd.

- b) Provide pilot project grants to communities with high bicycle accident rates to allow those communities the ability to develop bicycle safety plans -- with the objective of extending the program beyond state funding.

Notes:

Bicycling accidents have increased in Washington State by 15% in the last year.

The Seattle Cascade Bicycle Club has developed a program for the Seattle public school system which includes on-bike exercises and training for 4th graders.

The Olympia Police Department has developed a public bicycle education program, which includes increased bicycle safety presentations in the schools and increased enforcement of bicycle traffic laws.

COMMERCIAL VEHICLE SAFETY

Moderator: Captain David Boyd, Washington State Patrol

Presentation of Report: Don Lewis, Motor Carrier Law Enforcement Training Officer, Washington Utilities and Transportation Commission

1. Expansion of categories for commercial endorsements to include buses, tractors, or a "train", which is a semi-tractor, and two full trailers.
2. Notification by the Department of Licensing to municipalities and to the trucking industry of the suspension or revocation of commercial drivers licenses.
3. Bringing the private commercial carriers under the same safety regulation as the common and contract commercial carriers -- for both highway and terminal enforcement, including hazardous materials regulations, qualifications of drivers, parts and accessories necessary for safe vehicle operation, reporting of accidents, maintenance repair, as well as requiring that a copy of public liability and property damage insurance be filed with the state.
4. Authorization for state enforcement agencies to check medical certificates and drivers' hours of service on the highway.

Note:

Enactment of proposals 3 and 4 would qualify Washington State for federal funding from the Surface Transportation Act, which subsidizes enforcement of safety regulations for both private and contract commercial carriers.

## LICENSING

Moderator: Charles Stansbury, Assistant Director, Driver Services, Department of Licensing

### Recommendations for Possible Legislation:

1. A "conditional" license for all first-time drivers in the state, regardless of age, to promote safer driving. Driving privileges might be withdrawn if the driver has one hazardous moving violation or two minor moving violations within a certain period of time. (Similar to the juvenile "provisional" licensing concept.)
2. A one-time 90-day instruction permit for motorcycle riders. This would encourage the rider to enter a comprehensive motorcycle training program to learn to ride safely, and be able to pass the motorcycle licensing test, rather than renewing the instruction permit indefinitely.
3. Permitting the employer of a commercial driver accessibility to both the driver's personal and commercial driving record, rather than just the commercial portion.
4. Stronger sanctions against individuals driving without a valid operator's license, or with a license that has been suspended or revoked.
5. Sanctions to prevent vehicle operators from obtaining multiple drivers licenses from many different states. Suggestions were to include the social security number on all drivers licenses, or at least in the licensee's file; or to include an individual's thumb print on the driver's license.
6. Reclassification of a "steering trailer" to a motor vehicle -- and a classified license endorsement required for the operator.

A "steering trailer" is used in the construction industry for moving concrete reinforced beams which may weigh up to 100,000 pounds. The beam sits over the top of the trailer, and a driver sits in the trailer, steering it around curves. Because it is not classified as a motor vehicle, the driver currently does not even need a drivers license to operate it.

7. A driver licensing classification for the recreational vehicle driver. Some recreational vehicles require additional skills for driving, particularly vehicles over 15,000 pounds gross weight, or the 40-foot fifth-wheel trailer pulled by a pickup.
8. Driver licensing pretesting.

A pre-testing questionnaire containing 10 basic driver training questions could be mailed with the driver license renewal notice. The driver would be advised that three of the ten questions will be asked at the time the license is renewed. If the driver is unable to answer the questions, he/she will not be issued a license until they complete a standard driving examination.

LICENSING, cont'd.

Recommendations for possible legislation, cont'd.

9. Dissemination of information, possibly by the Department of Licensing or the Washington Traffic Safety Commission, to inform state residents, or at least those with driver licenses and vehicle and boat registrations of any relevant statutory changes adopted by the Legislature.

Recommendations for possible administrative change:

1. Behind-the-wheel testing of commercial vehicle drivers by the Department of Licensing to develop a more in-depth testing program.
2. Expansion of the commercial vehicle endorsements at a more comprehensive level, separating the different classes of commercial vehicles; for example, the common and combination endorsements.

There are marked differences in skills required for driving a truck, a semi-tractor, a full trailer or a "train", which is a semi-tractor, and two full trailers.

3. Inclusion of more information for bicyclists on rules of the road in the Washington State Drivers Manual.
4. Development by the Commission on Equipment of a more comprehensive definition regarding the licensing of three-wheeled vehicles (as motorcycles or their own special category) and determination of the type of driver license endorsement, if any, they should have.

MOTORCYCLE SAFETY

Moderator: Don Mapp, State Coordinator, Washington Motorcycle Safety Program,  
Department of Licensing

1. Allocation to the motorcycle safety education account of an additional dollar from the motorcycle endorsement fee for such projects as promotion of the motorcycle training locations throughout the state, and motorcycle safety campaigns.

Currently the only money used for these programs and allocated to the motorcycle safety account is the first dollar of the \$2.00 endorsement fee.

2. Reduction in the time allotted for the term of a motorcycle instruction permit, from one year to ninety days.

Some riders are continuing to drive with a motorcycle instruction permit in lieu of taking the motorcycle licensing test.

3. Allocation of the moneys collected from the \$2.50 motorcycle instruction permit fees to be placed in the motorcycle safety education account, so that the motorcyclists are supporting their own program.

### MOTORCYCLE SAFETY, cont'd.

4. Completion of an approved motorcycle training program to be required of a driver applying for his/her first motorcycle license.
5. Special license plates for mopeds and motorscooters.
6. Highway safety signing for motorcyclists should be included in the Department of Transportation's master traffic safety plan.

### THE ROADWAY

Moderator: Wes Bogart, Chairman, Washington Highway Users Federation

1. Prohibition of the use of studded tires in Washington State.

A Washington Department of Transportation study indicates that studded tires are only effective in temperatures from 10 to 34 degrees. Their use adds to the overlay costs for highway maintenance of approximately \$3.9 million per year.

2. Better coordination between the Department of Transportation and the highway construction industry regarding a proper traffic control plan, particularly in the area of highway safety signing.
3. Encouragement of law enforcement to have vehicles which become disabled along the roadway moved to a location where there is an area wider than the shoulder to deposit the vehicle until the due process period has been completed.

### TRAFFIC SAFETY EDUCATION

Moderator: Charles Hayes, Assistant Director, Washington Traffic Safety Commission

1. Development of a general communications system, with coordination between the Legislature, the Washington Traffic Safety Commission, and other state agencies, to keep the public informed of the most current traffic safety information.
2. Development of a comprehensive state approved health-education program which will include an alcohol and safety education format.
3. Enactment of a provisional driver licensing program for drivers under age 18, possibly withdrawing the driving privilege if the driver has one hazardous moving violation or two minor moving violations.
4. Mandatory safety belt usage for the first two years of driving.
5. Opposition to any movement to eliminate high school driver education programs in Washington State.
6. Motorcycle education programs to cover more of the motorcycling public (which is now one percent of the driver population).

## VEHICLE OCCUPANT RESTRAINT SYSTEMS

Moderator: Katie Hicks, Passive Restraints Program Manager, Washington Traffic Safety Commission

1. Mandatory seatbelt laws for Washington State, and as many other states as possible.
  - a) There is a need to disseminate more information on the federal "208" ruling, explaining that passage of a mandatory seatbelt law will not eliminate the existence of passive restraint systems (including air bags).
  - b) Introduction of a multiplicity of slightly varying mandatory restraint bills should be avoided in order to maintain strong support.
  - c) Sunset clauses and effective dates set far into the future should also be set aside in favor of an early or immediate effective date.
  - d) No exemptions from the law other than for medical reasons.
  - e) Development of a plan of action for grass roots support for this needed legislation.

PARTICIPANTS IN  
WASHINGTON TRANSPORTATION SAFETY CONFERENCE

SEPTEMBER 30--OCTOBER 3, 1984  
SEATTLE MARRIOTT HOTEL  
SEATTLE, WASHINGTON

OCTOBER 22, 1984

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KATHLEEN WHITE	CITY OF OLYMPIA	P.O. BOX 1967	OLYMPIA	WA.	98507	206-753-8284
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SAME

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OKLAHOMA - Governor George Nigh  
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SAME

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SAME

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TENNESSEE - Governor Lamar Alexander

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ATTACHMENT "E"

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NORTHERN REGION, DESIGN AND CONSTRUCTION

2301 PEGER ROAD  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1911

September 14, 1984

Re: High Float Emulsion  
Treatment

The Honorable Bette Cato  
Alaska State House  
Pouch V  
Juneau, AK 99811

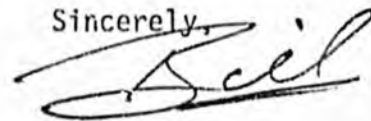


Dear Representative Cato:

When I last saw you at the Red Dog Mine meeting in Kotzebue on September 5, you asked about the success of the High Float Emulsion Treatment that is being tested in the Fairbanks and Haines areas. I'm pleased to send you a copy of a memo I received from Billy Conner, Research Engineer, which summarizes the feelings of the Research Section on the use of this method of surfacing. As you will note, it cannot be judged a success or a failure at this point in time.

I hope this information will answer your questions. If I can be of further assistance, please contact me.

Sincerely,



William B. McMullen, P.E.  
Director, D & C  
Northern Region

kk

Enclosures

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

TO:

William B. McMullen  
Director, D & C  
Northern Region

DATE:

September 12, 1984

FILE NO:

TELEPHONE NO:

FROM:

Billy Conner <sup>32</sup>  
Research Engineer

SUBJECT

High Float  
Emulsion Treatment

Pursuant to your inquiry of September 5, 1984 concerning the status of the high float emulsion, I have prepared a brief summary of the project to date. During the past summer, approximately 6.4 miles of high float emulsion treated surface was placed in the State. Of this, 4.7 miles were placed near Fairbanks. The remaining 1.7 miles was placed in Haines. The performance of these sections is inconclusive to date, due to the newness of the surface.

Prior to proceeding with the discussion, a few basic concepts must be understood. First, the term "high float" refers to the asphalt cement type used and not to the placement process. This asphalt type must be purchased from Canadian rather than USA sources. Other types of asphalt can also be used and our field testing included a Chevron asphalt emulsion, grade CMS-2. However, the Canadians feel the high float works best for them primarily because of its cold weather characteristics and its workability. Our experience thus far has been that the high float emulsion seems to be a bit easier to handle.

As with any surface treatment, the technique in question provides no more structural strength to the roadway than linoleum flooring adds to the strength of a house. Its only function is to provide a dust free road surface. The performance of surface treatments therefore, will mirror the foundation materials. (1)

It is impossible to determine the success or failure of our high float projects at this time. With any new technique, there are several start up problems due to the lack of experience. These problems are reflected in the bid prices. The emulsion costs in Haines were equivalent to 1 1/2 inches of a hot asphalt which is a far superior surface. Unless this cost can be reduced to less than 1/2 the cost of hot asphalt, the process will not be economically viable for some time. (1)

Generally, the construction of the three projects has gone as expected. There have been a few complaints. These complaints have stemmed primarily from the surface not meeting the public's expectations. The attached memo dated August 3, 1984, explains the problem in greater detail. This pavement is definitely not the surface the public visualizes when we use the term pavement. It is rougher and noisier than hot asphalt. Whether or not this type of surface is publically acceptable remains to be seen. We probably will not know how well the high float emulsion technique will perform for

two or three more years. However, the following comments can be made at this point:

- 1) High float should only be used on low volume roads where the surface must be replaced every few years no matter what the surface. Such areas may be over permafrost, or in areas where the roadway will soon be reconstructed.
- 2) Each roadway must be analyzed on its own merits to determine the best surface alternative.
- 3) The foundation materials must be solid. A poor foundation will cause immediate failure of a surface treatment.
- 4) The maintenance budget for these surfaces must be increased because they are known to require a higher maintenance effort than hot mix asphalts. Canadian experience has shown that potholes must be repaired immediately or the surface will deteriorate very rapidly.

The Research Section intends to visit the Yukon Territory to determine the long term performance of their projects. This should give us an idea of what we should expect.

In summary, high float emulsion surfaces may have application. However, they are not a replacement for high type surfaces. Because this is a surface treatment, it is more sensitive to the foundation and requires more maintenance effort.

I hope your questions have been answered. We cannot say that the high float technique is a failure or success at this juncture. However, we will continue to closely monitor the performance of these sections closely through the Research Section.

BC/cv

Attachment

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities  
SOUTHEASTERN REGION

TO Dave Waldron  
Director/Maintenance & Operations  
Southeastern Region

LATE August 3, 1984

FILE NO 244E-1802

TELEPHONE NO. (907) 789-6215

FROM Richard A. Hamilton  
Ray D. Miller  
Dale Miller  
Ed Cavagnaro

SUBJECT Mud Bay Road Surface  
Treatment Inspection Trip

Pursuant to your request of July 31, 1984 Ray Miller, Materials Engineer, Dale Miller, Assistant Construction Engineer, Ed Cavagnaro, Design Project Manager, and Dick Hamilton, Maintenance Manager traveled to Haines to meet with a concerned citizen, Mrs. Betty Holgate, and to make a field inspection of the recently completed Mud Bay Road project.

A brief history of how this particular project was developed follows in order to clear up any questions you might have in this regard.

This section of roadway was selected for the test project using High Float Emulsion Bituminous Surface Treatment (BST) per the attached Senate Resolution No. 27. It was scheduled for interim BST to protect the required structural section until funds were programmed for final paving. The Reconnaissance Report calls for placing hot asphalt pavement on this route when reconstruction of the roadway is completed to the Chilkat State Park or Flat Bay. It should also be noted that reconstruction of this road was programmed due to increased traffic on the route created by the opening of the Chilkat State Park. The present Average Daily Traffic is 250 while projected for the year 2000 is 450.

Reconstruction of the first stage of this project took place over the last two construction seasons and the roadway was accepted for traffic and maintenance on July 18, 1984. The prime contractor on the project was a joint venture between Taylor/Ritchie with the High Float Emulsion BST being constructed by Associated Sand & Gravel as the subcontractor. Since this was a new type of construction for Alaska contractors, considerable time was spent in researching and developing the specifications. Personnel assigned to the project, both Design and Construction, made several trips to Canada to observe this type of construction first-hand.

As in all new types of construction, there are certain instances where the specifications may have been improved or made more explicit. No major problems were evident that adversely affected the overall intent and scope of this project. Attached for your information is a memorandum from Larry Geise, Project Engineer, to Dale Miller, commenting on the project and specifications.

Our inspection of the project on July 31, 1984, as well as the final inspection of the project on July 16, 1984, revealed nothing out of the ordinary and the surface appeared to be as expected at this stage

of the project. The surface, as it exists, is loose gravel with the surface treated gravel at a depth of  $\pm 1$  inch under the surface gravel. The gravel surface has not been dispersed of as fast as desirable because of low speed and low volume traffic. As stated, the general roadway appearance is that of a gravel highway and not a Bituminous Surface treatment at this stage. Some areas, particularly on the small tracts portion have the appearance of a BST roadway without the loose gravel. This is probably due to higher traffic volumes.

On August 1st, Mr. Hamilton discussed the situation of the loose gravel on Mud Bay with Ray Magnuson of Yukon Highways. Ray has put down several hundred miles of High Float BST with high success. It was Ray's recommendation that the loose gravel be removed, as leaving it in place will tend to erode the treated surface. He suggested using a grader with a rubber blade and then brooming the fines.

It should be noted that some slight washboarding may exist in the Cemetary/hill portion of the project because of the steep grade encountered, however, these are certainly not of the magnitude as expressed in Mrs. Holgate's complaint. The possibility of washboarding in steeper grades is not a surprise as the Canadians had expressed this possibility during conversations with them. When the excess gravel is removed, washboarding will be more identifiable and some corrective action may be necessary, but no major amount of work is anticipated. It is felt that nearly all the washboarding is in the loose surface gravel.

It is too early to tell the percentage of success of the project, however, it cannot be classified as a complete failure as indicated by Mrs. Holgate in her complaint to the Department. As with any test project, only time and close monitoring of the conditions will identify the success of the project. It should be pointed out that this type of surfacing when 100 percent successful does not create the ride of a hot asphalt pavement. The aggregate is coarse and the riding surface will have a cohesive but rough texture.

Striping of the project may have been ill-advised because brooming and the low speed traffic had not removed the excess cover coat material, however, safety was the prime concern in making the decision to proceed with striping. It was fully understood that the completed striping was of an interim measure, but it would suffice until next spring when the Department will be restriping the project as part of their annual restriping program. There is at least 50 percent of the striping remaining at this time.

All of the above points were discussed with Mrs. Holgate during our visit. The residents along the route, it appears based on our conversation with Mrs. Holgate, fully expected the black, smooth appearance of a hot asphalt pavement surface. It appears that a press release should have been issued to inform the residents that we were doing a test project and explain what the completed surface would be like. This should be Standard Operating Procedures for any new or experimental construction techniques.

This should sum up the facts concerning the project and should you have any specific question about the project or points not covered in this memorandum, please advise. Additionally, our Research Section in Fairbanks is doing a complete study of this type of surface treatment and will be collecting data from all projects in the state in order to assemble the facts and issue a final analysis. It is recommended that the project be inspected weekly after it is broomed.

Attachments: As Stated

XC: D.D. Dieckmeyer, Director, Design & Const.  
Dale Miller, Assist. Const. Engineer  
Ray D. Miller, Materials Engineer  
Ed Cavagnaro, Project Manager  
Richard A. Hamilton, Maintenance Manager

JUL 27 1984

TO: Dale Miller  
Assistant Construction  
Engineer, Southeast Region

DATE: July 19, 1984

FILE NO:

TELEPHONE NO: 225-4690

FROM: Larry Geise  
Project Engineer

SUBJECT: Mud Bay Road  
Stage I - RS-0987(3)

*BB*  
*File*

Considerable interest has been generated relative to the placement of high-float emulsion on subject project. Please find enclosed some comments on the procedure.

Specifications required the aggregate stockpile to have a moisture content between 2% and 4%. Haines had an extremely dry spring and the moisture content was achieved without difficulty. Under most conditions, in S.E. Alaska, this could not have been achieved without expanding substantial time and money. Perhaps specifications should be reviewed to see if additional moisture is acceptable.

It would appear for this concept to be successful the unit cost has to be reduced considerably. The emulsion work was equivalent to the cost of a reasonable price 1 1/2 inch hot asphalt overlay.

The lay-down crew's experience is critical in this operation. The chip spreader operator is more important than a paving machine operator. Any variances in speed transmit through to mat surface immediately.

Prior concern about this type of placement on a steep hill (9.44%) appears warranted. The application technique difficulty is compounded on steep grades. Stopping the chip spreader smoothly while on oil and loose gravel is difficult. Gravel application has to be done so the wave of oil is of reasonable height. On this project we considered a satisfactory wave height to be 2 inches. Controlling traffic on the grade is mandatory.

The comb arrangement mounted on the chip spreader was a complete failure. This device was designed to delay aggregate transport to the grade. In reality, the only thing it accomplished was clogging the aggregate distribution. After the comb was damaged, the contractor was instructed to remove it. It was not utilized on the roadway main line.

The major delay encountered was due to the size of the distributor truck. The small truck (1300 gallons) allowed for the construction of only 900 feet of surface before refilling. This caused numerous unneeded stops. I suggest a change in specifications to require larger oil capacity.

The oil application rate of 0.75 gallons/sq. yd. was close to a practical maximum for equipment utilized. Maximum spray bar pressure, pump capacity, and truck speed of approximately 100 feet per minute was required to achieve the application rate.

The contract specified the roadway to be broomed not less than 10 days after aggregate application. Then the surface was to be painted. I suggest, if it is possible, to allow traffic action to remove loose aggregate. If this cannot be done brooming and painting should be accomplished at least a month after laydown.

My personal impression was that the HF-350S was an easier oil to use than the CMS. It definitely sprayed better with less clogging of the distributor bar. In addition, the oil flowed together easier and created a more uniform oil mat.

Most difficulties encountered on the project were standard start-up difficulties. These will be a problem encountered in all such types of applications until contractors personnel become familiar with the high float technique.

1 IN THE SENATE

BY THE TRANSPORTATION COMMITTEE

2

SENATE CONCURRENT RESOLUTION NO. 27 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the designation of three

6

sites for the application of high float

7

emulsion asphalt.

8

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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WHEREAS a substantial portion of the state's money is spent on the rehabilitation and rebuilding of our highways; and

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WHEREAS the present road building techniques are extremely expensive and may not be the most cost effective method for northern climate highways; and

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WHEREAS the Yukon Territory Department of Highways and Transportation has had success with a less expensive and more durable surfacing technique known as high float emulsion asphalt; and

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WHEREAS the climate and highway demands of Alaska are very similar to the climate and highway demands of the Yukon Territory; and

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WHEREAS there are highway surfaces in the Interior region, the South-central region, and the Southeast region that are in need of rehabilitation and could therefore be designated as test sites for an alternate surfacing technique;

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BE IT RESOLVED by the Alaska State Legislature that the governor is respectfully requested to direct the commissioner of transportation and public facilities to designate a representative site in each of the Interior, the Southcentral and the Southeast regions to be used as a test application site for high float emulsion asphalt; and be it

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FURTHER RESOLVED that the Department of Transportation and Public Facilities document the cost effectiveness of the test applications and

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- 1 report its findings and recommendations to the governor and legislature
- 2 within 10 days of the convening of the 14th Alaska Legislature