

HB

100

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/9/87

FURTHER REFERRALS:

DATE: 3-25-87

The Finance Committee has considered HB 100

"An Act relating to the annual report of the Alaska Railroad Corporation."

RECOMMENDS:

- replace with CS HB 100 (Finance) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Al Lidas
F. Kaywala
Tay Brown
Ch. Swack
Mike D.

SIGNING OTHER RECOMMENDATIONS:

Peter Jare no rec
Pat Fennell no rec
Walter Boyer no rec
Gregory L. ... no Rec
Shay King No Recommendation
John no Rec.

Albert R. Lidas
 Chairman

Original sponsor: Cato

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 100 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the annual report of the Alaska
7 Railroad Corporation."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 42.40.260(a) is amended to read:

10 (a) Within 90 days following the end of the fiscal year of the
11 Alaska Railroad the board shall distribute to the governor and to the
12 legislature a report describing the operations and financial condition
13 of the corporation during the preceding fiscal year. The report may
14 include suggestions for legislation relating to the structure, powers,
15 or duties of the corporation or to the operation or facilities of the
16 corporation. Subject to AS 42.40.220, the report shall itemize the
17 cost of providing each category of service offered by the railroad and
18 the income generated by each category. The report shall also include

19 (1) the goals and objectives of the board for the preceding
20 fiscal year and modifications of the goals and objectives for the
21 current fiscal year;

22 (2) proposed plans to implement goals and objectives, in-
23 cluding estimates of future service needs, proposed modifications of
24 existing services and establishment of new services, plans for the
25 lease or other disposal of land, interests in land, or natural
26 resources on land held by the corporation during the next year, and
27 estimates of financial and personnel resources necessary to carry out
28 the proposed plans;

29 (3) a budget to carry out proposed plans in the current

1 fiscal year including an explanation of services to be provided, the
2 need for the services, the cost of the services, the total number of
3 persons employed or under contract by the corporation for personnel
4 services including those for capital improvements, and other related
5 information requested by the governor or legislature; and

6 (4) a report of the receipts and the expenditures during the
7 preceding fiscal year, an estimate of the receipts during the current
8 fiscal year, and an estimate of the receipts for the succeeding fiscal
9 year.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: CSHB 100 (Fin)

Publish Date: _____

Revision Date: 3/25/87

Title: Alaska Railroad Annual Report

Agency Affected: Commerce & Econ. Dev.

BRU: _____

Sponsor: Rep. Gato

Requestor: House Finance Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Al Adams, Chair Phone: 465-3706

Division: House Finance Committee Date: 3/25/87

Approved by Commissioner: _____ Date: _____

Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: HB 100

Publish Date: HOUSE 3/9/87

REQUEST

Bill/Resolution No.: HB 100
 Title: Alaska Railroad Annual Report

Sponsor: Representative Cato
 Requestor: House Transportation
 Date of Request: March 6, 1987

FISCAL DETAIL

Agency Affected: Commerce & Economic Dev.
 BRU: _____

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

According to the Alaska Railroad Corporation, the information requested in HB 100 can be provided by the Alaska Railroad Corporation without a great deal of additional expense.

Prepared by: Representative Bette Cato
 Division: House Transportation, Chairman

Phone: 465-4858
 Date: March 6, 1987

Approved by Commissioner: *Bette Cato*
 Agency: The Alaska State Legislature

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

HOUSE TRANSPORTATION COMMITTEE

March 6, 1987

1:30 p.m.

MEMBERS PRESENT

Rep. Bette Cato, Chairman
Rep. Henry Springer, Vice Chair
Rep. H. A. "Red" Boucher, arriving late
Rep. Bill Hudson
Rep. Drue Pearce

MEMBERS ABSENT

Rep. Ben Grussendorf
Rep. Mike Miller

COMMITTEE CALENDAR

HB 100 "An Act relating to the annual report of the Alaska
Railroad Corporation."

WITNESS REGISTER

Rep. Bette Cato
The Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811
Phone: 465-4858
Position: Unopposed

Mr. Donald Hennessey, Chairman
The Alaska Railroad Initiative Committee
8244 Seaview Street
Anchorage, Alaska 99502
Phone: 243-4473
Position: Unopposed

Ms. Becky Bear, Legislative Liaison
Dept. of Commerce & Economic Development
P. O. Box D
Juneau, Alaska 99811
Phone: 465-2504
Position: Unopposed

PREVIOUS ACTION

HB 100	DATE	PAGE	ACTION
	02/02/87 (H)	134	Read the first time - referrals Transportation and Finance

Committee Action: HB 100 first heard before Transportation
Committee on 3/6/87.

ACTION NARRATIVE

TAPE EIGHTEEN SIDE ONE
Number 000

The House Transportation Committee meeting was called to order by Chairman Cato at 1:47 p.m. Members present were Representatives Cato, Springer, Hudson, and Pearce.

#HB 100
HTRA CMTE, 3/6/87
Chairman Cato introduced HB 100 for discussion and then turned the gavel over to Vice Chair Springer so she (Rep. Cato) could testify.

Rep. Boucher arrived.

Number 034

Rep. Cato said that after several years of listening to the Alaska Railroad Corporation (ARRC)'s annual presentation, and after reviewing the ARRC's annual report, she felt that a more complete, in-depth report should be made available to the legislature and the governor in order to insure that the operation of ARRC is properly evaluated. She said the availability of a more complete report was the purpose of HB 100. Rep. Cato said she supported ARRC's autonomy and she said that HB 100 did not request any of the privileged information ordinarily withheld from public inspection by ARRC.

Number 118

Rep. Boucher said he wanted to be sure that the ARRC was complying with all requirements set down in law.

Number 144

Rep. Hudson said he supported HB 100 and wondered if inserting the word abbreviated would clarify to the ARRC that the information requested by HB 100 was requested in an abbreviated form.

Rep. Cato replied that the entire purpose of HB 100 was to ensure that certain information was available in one place. She felt that this request was by definition an abbreviated form and felt the insertion of the word abbreviated was unnecessary.

Number 162

Vice Chair Springer said he supported HB 100. He pointed out that ARRC had requested that two amendments be made to the bill. The first request was that the time limit required for information requested by HB 100 be changed from 90 days to 120 days. He said that the second amendment was that the information requested by HB 100 be included in a supplement to the ARRC annual report rather than as a part of the annual report.

Rep. Cato replied that she would not accept the 120 day amendment. She said she felt 90 days was sufficient time in which to compile the report. Regarding the supplement, Rep. Cato said that if the railroad wanted to give a separate report to the public it was entitled to do so, but that the information requested by HB 100 should be in one report.

Vice Chair Springer said that whenever bureaucrats refer to material of a confidential nature, he wonders if they may be trying to camouflage something, but at the same time he noted that it may not be in the best interest of a company in business to make money, to disclose everything.

Rep. Cato replied that in the case of ARRC this conflict was resolved by state statute which exempted ARRC from certain laws.

Number 203

Vice Chair Springer returned the gavel to Rep. Cato.

Number 210

Chairman Cato invited Ms. Becky Bear, legislative liaison for the Department of Commerce and Economic Development (DCED), to testify.

Ms. Bear said that she was testifying on behalf of ARRC because ARRC was an instrumentality of the state within DCED. She said that ARRC did not have substantial difficulty with HB 100 because the information requested by HB 100 is generally available in several of the reports currently produced by ARRC. She said that ARRC had requested two amendments. The first would change from 90 to 120 the number of days ARRC had to distribute to the legislature and governor the report requested in HB 100.

She said that the other amendment offered by ARRC was that the information requested by HB 100 be provided in a supplement to the annual report rather than as part of the annual report so that the annual report could continue to be used as a marketing tool. Stepping down from her position as legislative liaison, she said she felt that the inclusion of additional information in the annual report was a printing problem in that it was simply a matter of including a few extra pages in some of the reports. She said that ARRC had sent no fiscal note, but that it had indicated that the material requested in HB 100 could be provided without a great deal of additional expense. She offered to take comments back to ARRC.

Number 247

Chairman Cato invited Mr. Donald Hennessey, chairman of the Alaska Railroad Initiative Committee (ARIC), to testify.

Mr. Hennessey said that ARIC, a group representing owner-operators, road houses on the Parks Highway, repair shops, mechanics, allied workers and 4500 Alaskans that had signed an ARIC initiative, heartily endorsed HB 100 because the legislature, acting as an oversight committee, could not oversee an operation without having full insight into the operation. He said that because ARRC had consistently overestimated income and expenditures by 15 to 20 per cent, the requirement of a detailed explanation of the difference between estimated and actual income and expenditures was in order.

Number 299

Chairman Cato said she would entertain a motion to pass HB 100 out of committee. Rep. Boucher made a motion to pass HB 100 out of committee with individual recommendations. Chairman Cato asked if there were any objections to the motion. She said she heard none and the motion passed.

Since there was no further business to come before the House Transportation Committee, Chairman Cato adjourned the meeting at 2:08 p.m.

SECTIONAL ANALYSIS HB 100

Chapter 40 Sec 42.40.260 - annual report of the Alaska Railroad.

Section 1 (a) Line 10 thru 17 are the same as are currently in the statute

Commencing at Line 18 "The report shall also" thru to Line 7 on Page 2 of the bill - this underlined section has all been added to the current statutes.

Line 19 - (1) requires the annual report to include the goals and objective of the board for the fpreceding fiscal year and any modifications.

Line 22 (2) requires proposed plans to implement goals and objectives be included in the report.

Line 27 (3) requires the report include a budget to carry out proposed plans, and explanation of services, service costs and total number of persons employed be included in the annual report.

Line 4
Page 2 (4) requires the report include receipts and expenditures for the preceeding fy, and, and estimate of the receipts during the current fiscal year, and an estimate of receipts for the succeeding fiscal year.

(29) enter into agreements with a state agency or other instrumentality of the state; and

(30) do all things necessary or desirable to carry out the powers and duties of the corporation granted or necessarily implied in this chapter or other laws of the state or the laws or regulations of the federal government. (§ 2 ch 153 SLA 1984)

Sec. 42.40.260. Annual report. (a) Within 90 days following the end of the fiscal year of the Alaska Railroad the board shall distribute to the governor and to the legislature a report describing the operations and financial condition of the corporation during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers or duties of the corporation or to the operation or facilities of the corporation. Subject to AS 42.40.220, the report shall itemize the cost of providing each category of service offered by the railroad and the income generated by each category.

(b) Every five years the annual report shall include an analysis of potential sale arrangements whereby the corporation may be transferred into private ownership. The analysis shall include documentation of at least three offers to sell the corporation initiated by the corporation during the last five years. (§ 2 ch 153 SLA 1984)

*Jack Neysse, AG
most specific*

Sec. 42.40.270. Audits. (a) The board shall have the financial records of the corporation audited annually by an independent certified public accountant experienced in railroad accounting. The board shall have an annual performance audit conducted by a recognized railroad management expert to assure that the railroad is being managed and operated effectively and efficiently in accordance with the requirements of this chapter and that each appropriation is used to directly support those services for which the appropriation was requested. Auditors shall use the standards required under AS 42.40.100(9) and determine whether appropriations received for a service that is not self-sustaining were calculated in accordance with United States Interstate Commerce Commission standards for determining rail service subsidies.

(b) The corporation shall make all of its financial records available to an auditor appointed by the governor and to the legislative audit division for examination. Disclosure to the public by the auditor or legislative audit division of this information is subject to AS 42.40.220 and rules implementing that section. (§ 2 ch 153 SLA 1984)

Chapter 40. Alaska Railroad Corporation.

Article

1. Establishment and Organization (§§ 42.40.010 - 42.40.060)
2. Management (§§ 42.40.100 - 42.40.120)
3. Administrative Provisions (§§ 42.40.150 - 42.40.230)
4. Powers and Duties (§§ 42.40.250 - 42.40.310)
5. Corporation Property (§§ 42.40.350 - 42.40.450)
6. Financial Provisions (§§ 42.40.500 - 42.40.540)
7. Bonds (§§ 42.40.600 - 42.40.700)
8. Personnel and Labor Relations (§§ 42.40.705 - 42.40.890)
9. General Provisions (§§ 42.40.900 - 42.40.990)

Cross references. — For legislative findings and purpose in enacting this chapter, see § 1, ch. 153, SLA 1984 in the Temporary and Special Acts; for special reports required, see § 3, ch. 153, SLA 1984 in the Temporary and Special Acts.

Legislative history reports. — For legislative letter of intent relating to ch. 153, SLA 1984 (SCS CSHB 512 (Fin) am S), see 1984 Senate Journal, p. 3221

Article 1. Establishment and Organization.

Section

10. Establishment of the corporation
20. Board of directors
30. Term of office

Section

40. Vacancies
50. Compensation and expenses
60. Board officers

Sec. 42.40.010. Establishment of the corporation. There is established the Alaska Railroad Corporation. The corporation is a public corporation and is an instrumentality of the state within the Department of Commerce and Economic Development. The corporation has a legal existence independent of and separate from the state. The continued operation of the Alaska Railroad by the corporation as provided in this chapter is considered an essential government function of the state. (§ 2 ch 153 SLA 1984)

For purposes of liab (K or tort) the RR is separate indiv. can sue RR - cannot go after other state assets. restricts liability

state now the RR - with to issue bonds.

Sec. 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:

Article 4. Powers and Duties.

Section

- 250. General powers
- 260. Annual report
- 270. Audits
- 280. State oversight reports
- 285. Legislative approval required

Section

- 290. Long-range capital improvement and program plan
- 300. Use of corporation assets
- 310. Indemnification

Sec. 42.40.250. General powers. In addition to the exercise of other powers authorized by law, the corporation may

- (1) adopt a seal;
- (2) adopt bylaws governing the business of the corporation;
- (3) sue and be sued;
- (4) appoint trustees and agents of the corporation and prescribe their powers and duties;
- (5) hire legal counsel to represent the corporation;
- (6) make contracts and execute instruments necessary or convenient in the exercise of its powers and duties;
- (7) acquire by purchase, lease, bequest, devise, gift, exchange, the satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property, rights, rights-of-way, franchises, easements, and other interests in land, and acquire by appropriation water rights that are located in the state, taking title to the property in the name of the corporation;
- (8) hold, maintain, use, operate, improve, lease, exchange, donate, convey, alienate, encumber, or otherwise grant a security interest in, or authorize use or dispose of, land or personal property, subject to other provisions of this chapter;
- (9) contract with and accept transfers, gifts, grants or loans of funds or property from the United States and the state or its political subdivisions, subject to other provisions of federal or state law or municipal ordinances;
- (10) undertake and provide for the management, operation, maintenance, use, and control of all of the property of the corporation, including all land and personal property of the Alaska Railroad transferred under 45 U.S.C.1203(a) and described in the report dated July 14, 1983, as amended, submitted to Congress and the legislature under 45 U.S.C. 1204(a);
- (11) recommend to the legislature and the governor any tax, financing, or financial arrangement the corporation considers appropriate for expansion or extension and operation of the Alaska Railroad;
- (12) maintain offices and facilities at places it designates;
- (13) apply to the state, the United States, and foreign countries or other proper agencies for the permits, licenses, rights-of-way, or approvals necessary to construct, maintain, and operate transportation and related services, and obtain, hold, and reuse the licenses and permits in the same manner as other railroad operators;

(14) prescribe rates to be charged for services provided by the Alaska Railroad consistent with 45 U.S.C. 1201 — 1214 (Alaska Railroad Transfer Act of 1982);

(15) determine the routes, schedules, and types of service to be provided by the Alaska Railroad;

(16) enter into contracts, leases, and other agreements with connecting carriers, shippers, and other persons concerning the services, activities, operations, property, and facilities of the corporation, including agreements that contain provisions to preserve and expand the railroad's traffic base;

(17) plan for and undertake expansion of the railroad and railroad activities, including extension of the rail system, and contract with other modes of transportation service connecting to the rail system;

(18) hire and discharge railroad personnel and determine benefits and other terms and conditions of employment;

(19) assume all rights, liabilities, and obligations of the Alaska Railroad in accordance with 45 U.S.C. 1201 — 1214 (Alaska Railroad Transfer Act of 1982);

(20) maintain a security force to enforce municipal ordinances, state laws, and the corporation's rules with respect to violations that occur on or to property owned, managed or transported by the corporation;

(21) issue its bonds upon approval of the legislature and provide for and secure their payment, provide for the rights of their holders and hold or dispose of them;

(22) purchase the corporation's bonds at a price not more than the principal amount of them plus interest;

(23) cancel bonds of the corporation purchased by the corporation;

(24) secure the payment of its bonds by pledge, mortgage, or other lien on its contracts, revenues, income, or property;

(25) consent to the modification of the rate of interest, time of payment of an installment of principal or interest, or other term of a loan, contract, or agreement to which the corporation is a party;

(26) borrow money, including the amounts necessary to establish reasonable reserves, and pay financing charges and interest on bonds for a reasonable period after which the corporation estimates other money will be available to pay the interest, consultant, advisory, and legal fees, and other expenses necessary or incident to borrowing;

(27) acquire, hold, and dispose of stocks, memberships, contracts, bonds, general or limited partnership interests or other interests in another corporation, association, partnership, joint venture, or other legal entity, and exercise the powers or rights in connection with these interests that are provided in contracts or agreements and that are allowed by law concerning the satisfaction of debts;

(28) undertake and provide for the acquisition, construction, maintenance, equipping, and operation of connecting, switching, terminal, or other railroads and railroad facilities;

(29) enter into contracts, leases, and other agreements with connecting carriers, shippers, and other persons concerning the services, activities, operations, property, and facilities of the corporation, including agreements that contain provisions to preserve and expand the railroad's traffic base;

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(43) undertake and provide for the acquisition, construction, maintenance, equipping, and operation of connecting, switching, terminal, or other railroads and railroad facilities;

(44) prescribe rates to be charged for services provided by the Alaska Railroad consistent with 45 U.S.C. 1201 — 1214 (Alaska Railroad Transfer Act of 1982);

(45) determine the routes, schedules, and types of service to be provided by the Alaska Railroad;

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Sec. 42

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(29) enter into agreements with a state agency or other instrumentality of the state; and

(30) do all things necessary or desirable to carry out the powers and duties of the corporation granted or necessarily implied in this chapter or other laws of the state or the laws or regulations of the federal government. (§ 2 ch 153 SLA 1984)

Sec. 42.40.260. Annual report. (a) Within 90 days following the end of the fiscal year of the Alaska Railroad the board shall distribute to the governor and to the legislature a report describing the operations and financial condition of the corporation during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers or duties of the corporation or to the operation or facilities of the corporation. Subject to AS 42.40.220, the report shall itemize the cost of providing each category of service offered by the railroad and the income generated by each category.

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*Jack Meyer, AG
most
specific*

Sec. 42.40.270. Audits. (a) The board shall have the financial records of the corporation audited annually by an independent certified public accountant experienced in railroad accounting. The board shall have an annual performance audit conducted by a recognized railroad management expert to assure that the railroad is being managed and operated effectively and efficiently in accordance with the requirements of this chapter and that each appropriation is used to directly support those services for which the appropriation was requested. Auditors shall use the standards required under AS 42.40.100(9) and determine whether appropriations received for a service that is not self-sustaining were calculated in accordance with United States Interstate Commerce Commission standards for determining rail service subsidies.

(b) The corporation shall make all of its financial records available to an auditor appointed by the governor and to the legislative audit division for examination. Disclosure to the public by the auditor or legislative audit division of this information is subject to AS 42.40.220 and rules implementing that section. (§ 2 ch 153 SLA 1984)

Sec. 42.40.280. State oversight reports. (a) The board shall provide a state oversight report to the governor and the legislature before undertaking

(1) expansion, reduction, or diversification of services provided by the railroad upon the date of transfer or as provided under this chapter that the board determines would represent a significant and permanent change in the level and nature of services provided; or

(2) an application for an appropriation to be used for providing any service that is not self-sustaining.

(b) The report under (a) of this section shall be in writing, describe the proposed undertaking in detail, and specify

(1) its financial impact on the corporation;

(2) its impact on the level and nature of services provided by the corporation;

(3) the reasons the action is necessary or desirable to achieve the purposes of this chapter;

(4) whether and when the undertaking or service is expected to be self-sustaining financially; and

(5) if the undertaking requires an appropriation to be used for providing a service that is not self-sustaining, that the amount of the appropriation has been strictly calculated in accordance with United States Interstate Commerce Commission standards for determining rail service subsidies. (§ 2 ch 153 SLA 1984)

Sec. 42.40.285. Legislative approval required. Unless the legislature approves the action by law, the corporation may not

(1) exchange, donate, sell, or otherwise convey its entire interest in land;

(2) issue bonds;

(3) extend railroad lines; this paragraph does not apply to a spur, industrial, team, switching or side track;

(4) lease land for a period in excess of 35 years unless the corporation reserves the right to terminate the lease if the land is needed for railroad purposes. (§ 2 ch 153 SLA 1984)

Sec. 42.40.290. Long-range capital improvement and program plan. (a) The corporation shall prepare and the board shall adopt a long-range capital improvement and program plan. The plan shall explain the manner in which the corporation intends to accomplish the purposes of this chapter and the corporation's anticipated capital improvements during each of the five years after the plan is adopted.

(b) The board shall annually review and approve revisions to the long-range capital improvement and program plan. The board shall provide copies of the updated plan to the governor and the legislature by December 1 of each year. (§ 2 ch 153 SLA 1984)

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Sec. 42.40.905. Notice of legal actions. (a) The corporation shall notify the Department of Law within 30 days before initiating legal action unless special circumstances exist that require immediate legal action to protect the corporation assets or to continue existing service.

(b) If notice of legal action is not given under (a) of this section, within seven days of taking action the board shall notify the Department of Law of the action taken and of the special circumstances that exempted the action from the requirements of (a) of this section. (§ 2 ch 153 SLA 1984)

Sec. 42.40.910. Exemption from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. Subject to (b) of this section, the real and personal property of the corporation and its assets, income, and receipts are exempt from all taxes and special assessments of the state or a political subdivision of the state.

(b) Bonds and notes issued under this chapter are issued by a body corporate and public of the state and for an essential public and governmental purpose. Therefore, the bonds and notes, the interest and income from them, and all fees, charges, funds, revenue, income and other money pledged or available to pay or secure the payment of the bonds and notes or interest on them, are exempt from taxation, except for inheritance, transfer, and estate taxes.

(c) This section does not affect or limit an exemption from license fees, property taxes, or excise, income or other taxes, provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the corporation. (§ 2 ch 153 SLA 1984)

Sec. 42.40.920. Application of existing laws. (a) The corporation is not subject to the jurisdiction of the Alaska Transportation Commission.

(b) [Effective July 1, 1987] Unless specifically provided otherwise in this chapter, the following laws do not apply to the operations of the corporation:

- (1) AS 19; - Highways & Ferries
- (2) AS 30.15; - Navigation, Harbors + Shipping - State grants for port facilities constn
- (3) AS 35; - Public Buildings, Works & Improvements
- (4) AS 36.30; except as specifically provided in that chapter; - Public Contract
- (5) AS 37.05; - Public Finance : financial reports - uniform accounting
- (6) AS 37.07; - Exec. Budget Act
- (7) AS 37.10.010 - 37.10.060; Public Funds
- (8) AS 37.10.085; - Fin. Aid to Corporations on state or political subdiv.
- (9) AS 37.20; - Acceptance of federal funds.

- (10) AS 37.25; - *Misc provisions re Appropriations*
- (11) AS 38; - *Public Lands*
- (12) AS 44.62.010 - 44.62.320. (§ 2 ch 153 SLA 1984; am § 41 ch 106 SLA 1986) - *Admin Procedures Act. - applies primarily to*

disciplinary regulations

Effect of amendments. - The 1986 amendment, effective July 1, 1987, inserted paragraph (4) of subsection (b) and redesignated the following paragraphs accordingly.

Editor's notes. - Prior to July 1, 1987, subsection (b) read as follows: "(b) Unless specifically provided otherwise in this chapter, the following laws do not apply to the operations of the corporation:

"(1) AS 19;

- "(2) AS 30.15;
- "(3) AS 35;
- "(4) AS 37.05;
- "(5) AS 37.07;
- "(6) AS 37.10.010 - 37.10.060;
- "(7) AS 37.10.085;
- "(8) AS 37.20;
- "(9) AS 37.25;
- "(10) AS 38;
- "(11) AS 44.62.040 - 44.62.320"

Sec. 42.40.930. Conflicting laws inapplicable. If provisions of AS 42.40 conflict with the provisions of other state law, the provisions of AS 42.40 prevail. Provisions of AS 42.40 shall be construed so that they do not conflict with 45 U.S.C. 1201 - 1214 (Alaska Railroad Transfer Act of 1982). (§ 2 ch 153 SLA 1984)

Sec. 42.40.935. Railroad facilities code compliance. (a) Not later than two years after the date of transfer the corporation in consultation with the Department of Labor shall develop and adopt a plan to achieve compliance with AS 18.60. The plan shall be implemented and compliance achieved within five years after it is adopted.

(b) No later than two years after the date of transfer, the corporation in consultation with the Department of Public Safety and appropriate municipal officials, shall develop and adopt a plan to achieve compliance with building and related safety codes applicable to facilities of the corporation. The plan shall be implemented and compliance achieved within five years after it is adopted. In the sole determination of the commissioner of public safety, any existing building owned or controlled by the corporation that does not present a serious safety hazard and for which compliance would be uneconomical in consideration of its remaining useful life shall be exempted from compliance with state or municipal safety codes. (§ 2 ch 153 SLA 1984)

Sec. 42.40.940. Sale or lease of the railroad (a) The governor may provide for the sale or lease of the Alaska Railroad and dissolve the corporation if

(1) it can be assured that the railroad will continue to operate after the sale or lease; and

(2) under the terms of the sale or lease, the state will receive the amount of money it has spent in connection with the Alaska Railroad

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(b) A sale under this section is subject to approval by law. (§ 2 ch 153 SLA 1984)

Sec. 42.40.950. Reversion of assets. Except as provided in AS 42.40.940, if the corporation ceases to exist its assets revert to the state. (§ 2 ch 153 SLA 1984)

Sec. 42.40.980. Definitions. In this chapter unless the context otherwise requires,

(1) "board" means the board of directors of the Alaska Railroad Corporation;

(2) "bonds" means bonds, bond anticipation notes, notes, refunding bonds, or other obligations;

(3) "collective bargaining" means the performance of the mutual obligation of the corporation or its designated representatives and the representatives of the employees to meet at reasonable times, including meetings in advance of the budget making process, and negotiating in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or negotiation of a question arising under an agreement and the execution of a written contract incorporating an agreement reached if requested by either party, but these obligations do not compel either party to agree to a proposal or require the making of a concession;

(4) "corporation" means the Alaska Railroad Corporation;

(5) "date of transfer" means the date on which the United States Secretary of Transportation delivers the transfer documents under 45 U.S.C. 1201 — 1214 (Alaska Railroad Transfer Act of 1982);

(6) "employees" means all persons employed by the corporation including executive officers;

(7) "executive officer" means the corporation's chief executive officer, assistant chief executive officer, assistant to the chief executive officer, chief of administration, superintendent of transportation, manager of marketing and sales, chief engineer, chief mechanical officer, manager of industrial development and real estate, manager of budget and accounting, manager of planning, manager of personnel, manager of supply and procurement, chief of security, manager of operating rules, manager of data processing, manager of strategy, manager of operations planning, manager of supply, manager of procurement, manager of safety, manager of administrative procedure, chief counsel, or if so designated by the board, any employee who fulfills these management functions under a different title or who exercises a similar or comparable level of responsibility or supervision;

(8) "land" means any interest in real property, including tide and submerged land, and any right appurtenant to the interest.

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JAN 6 1987

STATE OF ALASKA
THE LEGISLATURE

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JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 11, 1986

SUBJECT: Alaska Railroad Corporation Act
(Work Order No. 15-0271)

TO: Representative Bette Cato

FROM: George Utermohle *GU*
Legislative Counsel

You have asked a number of questions regarding the Alaska Railroad Corporation (ARR). This memorandum is in answer to those questions.

ONE: WHAT ARE THE LEGAL AND ECONOMIC EFFECTS OF THE EXEMPTIONS CONTAINED IN AS 42.40.920?

AS 42.40.920 specifically exempts ARR from compliance with eleven parts of the statutes.

(1) AS 19

AS 19 addresses highways and ferries. Generally AS 19 is irrelevant to ARR, however there are some sections that could affect railroad operations. In AS 19.05 - 19.40 "utility" is defined to include railroads, so that those provisions of AS 19 addressing the interactions between the Department of Transportation and Public Facilities (DOTPF) and utilities also apply to railroads. In particular AS 19.25.010 - 19.25.020 provides that utilities may be located in highway right-of-ways with the approval of DOTPF and that utilities can be removed from highway right-of-ways if necessary to construct or repair highways.

The economic effect of this provision is to free ARR from the obligation to consult with DOTPF before locating its tracks within a highway right-of-way or to remove tracks from a highway right-of-way. The exemption puts ARR in a better position to negotiate with DOTPF for relocation of tracks from highway right-of-ways, so that DOTPF may have to

bear a larger portion of the cost of relocation. If ARR did not have this exemption, it would be in the same position as other utilities such as power companies, gas companies, and other railroads.

(2) AS 30.15

AS 30.15 provides for state participation in port development projects by authorizing grants to municipalities. The selection and support of port development projects is subject to some control by DOTPF. ARR is exempted from this process for port development.

This exemption enhances the autonomy of ARR more than it promotes economic efficiency of the railroad. Without the exemption ARR may have its port development projects complicated by cooperation with municipalities and DOTPF, but the economic cost of the cooperation should not be significant.

(3) AS 35

AS 35 relates to the construction of public facilities. ARR is exempt from several significant provisions of this title.

AS 35.05.010 designates DOTPF as the agency responsible for construction of public works in the state.

AS 35.10.015 delegates responsibility for enforcement of regulations for handicapped access to public buildings to DOTPF.

AS 35.10.025 requires that state facilities comply with local building codes.

AS 35.10.090 - 35.10.120 makes DOTPF responsible for establishing priorities for port development and for applying for federal funds for harbor facilities.

AS 35.10.160 makes DOTPF responsible for the planning, design, and construction of public facilities. This section also requires that life-cycle costing be used in estimating the total cost of proposed public facilities.

AS 35.27.020 requires that one per cent of the construction cost of public facilities be allocated to art in public places.

AS 35.30 requires that DOTPF and University of Alaska building projects receive the approval of municipal planning authorities.

ARR receives a considerable economic benefit from the exemptions from state handicapped access regulations, participation in the one-per cent-for-art program, and compliance with municipal building codes and planning ordinances.

The exemption from state handicapped access regulations may not mean any real economic benefit to ARR. ARR is still subject to federal regulations regarding handicapped access to federally licensed common carriers and to demands of the market that the railroad serves.

(4) AS 37.05

AS 37.05 is the Fiscal Procedures Act. The act requires that state agencies submit annual financial reports and statements. The act also makes the Department of Administration responsible for accounting, public records, purchasing, and space leasing for state agencies. AS 37.05.230 requires competitive bidding for goods and services purchased by state agencies and grants a bidder's preference to Alaskan businesses. AS 37.05.230 will be repealed on July 1, 1987 and replaced by provisions of the State Procurement Code (AS 36.30).

This exemption gives greater autonomy to ARR, but does not confer a measurable economic benefit on ARR.

(5) AS 37.07

AS 37.07 is the Executive Budget Act. The act requires the governor to prepare and the legislature to review budgets for state agencies. The effect of this exemption is to assure the autonomy of ARR. There is no significant economic benefit to ARR as a result of this exemption.

(6) AS 37.10.010 - 37.10.060

AS 37.10.010 - 37.10.060 requires the Department of Administration to disburse money for state agencies and the Department of Revenue to deposit in the state treasury all money received by state agencies. The exemption from these provisions assures autonomy for ARR without conferring an economic benefit.

(7) AS 37.10.085

AS 37.10.085 prohibits the state from subscribing to capital stock of corporations, from lending credit to corporations, and from borrowing money for the use of a corporation. This exemption permits ARR to invest its funds in corporations and enhances the autonomy that ARR has over its own capital.

(8) AS 37.20

AS 37.20 establishes procedures for receipt of money, property, and land from the federal government. This exemption allows ARR to receive aid from the federal government without having to receive the aid through the governor, Department of Administration, or the Department of Natural Resources. This exemption enhances the autonomy of ARR by freeing ARR from having to cooperate with other agencies in order to receive federal aid. There is no particular economic benefit to ARR associated with this exemption because ARR could still receive federal aid through the processes established in AS 37.20.

(9) AS 37.25

AS 37.25 establishes the lapse date for one year appropriations and for capital appropriations. This exemption makes it necessary for an appropriation to ARR to specifically designate a lapse date.

(10) AS 38

AS 38 relates to the management of state lands. Under AS 38 land in the public domain is managed by the Department of Natural Resources. The disposal of state land to private owners and to municipalities and the exchange of land between state, federal, and municipal governments and private landowners is also controlled under AS 38.

Most provisions of AS 38 would affect ARR only indirectly by establishing procedures for the use and management of railroad lands. However AS 38.35.020 provides for pipeline right-of-ways across state lands including railroad lands. By exempting ARR from the pipeline right-of-way provisions a pipeline company must negotiate a right-of-way across railroad lands just as if ARR was a private company.

The exemption from AS 38 enhances the autonomy of ARR by allowing ARR to manage its own land. The exemption does not confer a direct economic benefit on ARR, but may indirectly result in savings for land management costs associated with the detailed notice and public hearing requirements of AS 38.

(11) AS 44.62.040 - 44.62.320

AS 44.62.040 - 44.62.320 relates to the procedures for the adoption of regulations and for public meetings. The operation of ARR is controlled by rules adopted by the Board of the corporation in accordance with the procedures set out in AS 42.40.180. The procedures under AS 42.40.180 are analogous to the procedures required by the Administrative Procedures Act (AS 44.62) but are much less detailed regarding the notice required and the timing of the process.

The Railroad Labor Relations Agency, however, must fully comply with the Administrative Procedures Act.

ARR is also exempt from the "open meetings" law (AS 44.62.310). However ARR is subject to AS 42.40.150 and 42.40.170 which are analogous to the open meetings law. Unless the board of the corporation is discussing privileged or confidential information, the board must discuss its business in public.

The exemption from the provisions of the Administrative Procedures Act relating to adoption of regulations simplifies the process for making rules governing the railroad. The economic impact of this exemption is that ARR does not incur the costs associated with the complex procedures required to adopt regulations under AS 44.62.

The exemption from the "open meetings" law enhances the autonomy of ARR by freeing the railroad's decision-making process from the statute applicable to other government agencies. However, since ARR is required to hold open meetings under its own legislation, there is no real difference between ARR and other state agencies.

(12) AS 36.30

Effective July 1, 1987 ARR will be exempt from the State Procurement Code. However, ARR must adopt procurement procedures which are substantially equivalent to the procedures contained in the State Procurement Code and the regulations adopted under the authority of the Code. (AS 36.30.015(e))

Since ARR must adopt procurement procedures equivalent to the State Procurement Code, ARR is not truly exempt.

The only effect of this exemption is that it reflects the legislature's acknowledgement of the relatively independent status of ARR.

TWO: YOU HAVE STATED THAT YOU WOULD LIKE TO SEE ARR PROVIDE MORE INFORMATION ON ITS REVENUES, RATES, FINANCES, AND OPERATIONS. THE FOLLOWING IS A SUMMARY OF REPORTS REQUIRED OF ARR.

Ninety days after the end of ARR's fiscal year on December 31 ARR must prepare an annual report relating to the operations and financial conditions of the corporation. (AS 42.40.260) Every five years the annual report must contain a report on offers to sell the railroad. The annual report is subject to restrictions on the release of confidential information (AS 42.40.220); these restrictions may limit the informational value of the annual report.

ARR must prepare an oversight report when a significant and permanent expansion, reduction, or diversification is made in the level and nature of services provided and when the ARR applies to the legislature for a subsidy to provide rail service. (AS 42.40.280) The report must include discussions on the financial impact the railroad, on the impact of the action on the level and nature of services, on the reasons for the action, on whether and when the project will be self-supporting, and on whether the subsidy has been calculated in accordance with the standards of the Interstate Commerce Commission. ARR has not been required to prepare an oversight report to date.

ARR must prepare a five year capital improvement plan and update it annually. (AS 42.40.290) The plan must explain the manner in which the ARR will achieve the purposes of the Alaska Railroad Corporation Act. ARR must submit the report to the legislature by December 1 of each year. ARR has prepared the five year plan and at least one annual update. The update for 1986 has not been released yet.

The governor is required to contract with a private consultant for a special report on the long term operations of the railroad that are in the best interest of the state. The report must include specific recommendations on operational alternatives and on transfer of all or part of the railroad

operations to the private sector. The report is due February 1, 1987. The funds for this report lapsed without being spent. The consultant was never hired. This report has not been and is not likely to be completed.

THREE: WHAT ARE THE REQUIREMENTS FOR THE SALE OF THE RAILROAD? WHAT IS THE TIME FRAME? WHAT HAS BEEN DONE TO DATE? WHAT HAPPENS IF ARR DOES NOT COMPLY WITH THE STATUTE?

There is no specific requirement that the railroad be sold. AS 42.40.940 authorizes the governor to sell or lease the railroad and dissolve the Alaska Railroad Corporation if

(1) it can be assured that the railroad will continue to operate after the sale or lease; and

(2) under the terms of the sale or lease, the state will receive the amount of money it has spent in connection with the Alaska Railroad.

The legislature must approve any sale.

AS 42.40.260(b) requires ARR to include in its annual report once every five years

an analysis of potential sale arrangements whereby the corporation may be transferred into private ownership. The analysis shall include documentation of at least three offers to sell the corporation initiated by the corporation during the last five years.

This language can be construed as a requirement that ARR make three offers to sell the railroad every five years, but this language does not require the railroad to be sold.

There is no time period in which the railroad must be sold. The only time period involved is the requirement that ARR report on three offers to sell the railroad every five years.

To date ARR has made no offers to sell the railroad. The annual report containing information on offers to sell the railroad is due by 1990.

AS 42.40 contains no sanctions for failure to sell the railroad or to make the offers to sell the railroad. If ARR does not make the offers to sell the railroad, the only result will be that the railroad will not be sold.

Representative Cato
Page 8
December 11, 1986

Please contact me if you have further questions regarding
the Alaska Railroad Corporation Act.

GU:mkr
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STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

JAN 22 1987

M E M O R A N D U M

January 22, 1987

SUBJECT: Budget and fiscal records of the Alaska
Railroad Corporation (Work Order 15-0271)

TO: Representative Bette Cato

FROM: George Utermohle *GU*
Legislative Counsel

You have asked that the budget and fiscal records of the Alaska Railroad Corporation be more available to the legislature.

While the corporation is exempt from the Executive Budget Act and the Fiscal Procedure Act, under AS 42.40.220(a) information in the possession of the corporation is public and is open to public inspection. The only information which the corporation may withhold from the public are matters of a privileged or proprietary nature such as personnel records, communications and work product of legal counsel and other information associated with specific shippers, divisions, and contrast rate agreements. (AS 42.40.220(b)) Budget and fiscal records of the corporation are not included in the matters that the corporation may withhold from disclosure. Thus the legislature should already have access to budget and fiscal information of the corporation as well as the financial and performance audits conducted under AS 42.40.270.

However if the corporation can legally withhold budget and fiscal information under AS 42.40.220(b) or if that information has simply been difficult to obtain, then the following amendment is proposed in order to require the corporation to provide some of the information that you seek:

AS 42.40.260(a) is amended to read:

(a) Within 90 days following the end of the fiscal year of the Alaska Railroad the board shall distribute to the governor and to the legislature a report describing

the operations and financial condition of the corporation. The report shall include

(1) the goals and objectives of the board for the preceding fiscal year and modifications of the goals and objectives for the current fiscal year;

(2) proposed plans to implement goals and objectives, including estimates of future service needs, proposed modifications of existing services and establishment of new services, and the estimated financial and personnel resources to carry out the proposed plan;

(3) a budget to carry out its proposed plans in the current fiscal year including an explanation of services to be provided, the total number of persons employed or under contract by the corporation for personnel services including those for capital improvements, the need for the services, the cost of the services and other related information requested by the governor or legislature;

(4) a report of the receipts and the expenditures during the preceding fiscal year, an estimate of the receipts during the current fiscal year, and an estimate of the receipts for the succeeding fiscal year.

The report may include suggestions for legislation relating to the structure, powers or duties of the corporation or to the operation or facilities of the corporation. Subject to AS 42.40.220, the report shall itemize the cost of providing each category of service offered by the railroad and the income generated by each category.

If I can provide further assistance on this matter, please contact me.

GU:mkr
m8/038

FACSIMILE COVER SHEET

TO: Honorable Bette Cato, Chairman
House Transportation Committee

FROM: Larry D. Wood, Esq.

General Counsel's Office
Alaska Railroad Corporation

DATE: March 5, 1987

NUMBER OF PAGES (including cover sheet): 10

If any questions/problems with transmittal, please call (907) 265-2461.

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PLEASE NOTE: WE ARE SENDING THE ORIGINALS AND EXHIBITS OUT TODAY BY AIRBORNE EXPRESS. THANK YOU.

ALASKA RAILROAD CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069

VIA TELECOPY

March 5, 1987

Honorable Bette Cato, Chairman
House Transportation Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: HB 100, An Act Relating to the Annual Report of the
Alaska Railroad Corporation

Dear Representative Cato,

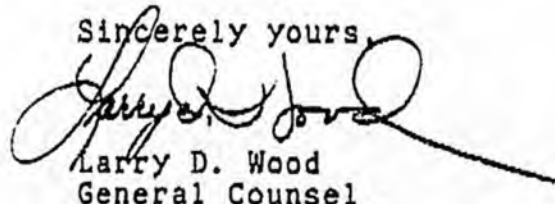
We understand that on Friday, March 6, 1987, the House Transportation Committee will be considering HB 100 which proposes some changes to the annual report of the Alaska Railroad Corporation ("ARRC"). We are hopeful that the committee will find the Corporation's position paper useful as it reviews the bill.

Unfortunately, Frank Turpin is out of town and is unable to present our comments personally. However, I know that he would want me to extend his best regards and to thank you for your continued interest in Railroad-related activities.

Because of travel budget cuts, we do not currently plan to send an ARRC representative to the hearing, but can arrange it if you believe a Railroad presence is imperative. As an alternative, our Director of Administration, Jim Blasingame, or I will be available during Friday afternoon to answer questions or concerns generated by the position paper. Our telephone numbers are 265-2425 and 265-2461, respectively.

Thank you very much.

Sincerely yours,



Larry D. Wood
General Counsel

cc: F. G. Turpin, President & CEO

3897L

HOUSE BILL, NO. 100

An Act Relating to the Annual
Report of the Alaska Railroad Corporation

I. Introduction

The Alaska Railroad Corporation Act ("ARCA") requires the Board of Directors of the Alaska Railroad Corporation ("ARRC") to prepare and distribute an annual report to the governor and legislature within 90 days following the end of each corporate fiscal year. HB 100 proposes amendments to ARCA's annual report section, AS 42.40.260(a), which are intended to add several items which must be discussed in the report.

The substance of these items appear to be generally covered in ARRC's annual report, long-range or five-year capital improvement and program plan and its yearly updates, performance and financial audits, and operating and capital budgets. However, even if the same information may be largely available now, HB 100 reflects a desire that all of it be combined in the railroad's annual report. Should the bill be favorably considered for this reason, ARRC requests that the legislation be amended to call for the items to be presented in a supplement to the annual report. Because year-end financial information would also appear in this supplement, we request that 120 days, rather than 90, be available for annual report preparation.

II. Discussion

Part A of the following discussion explains current ARCA goal setting and reporting requirements in greater detail and compares them to HB 100's modifications of the law. Part B describes changes to HB 100 which will help mitigate its impact on ARRC operations if the bill is passed.

A. ARCA's Present Planning and Reporting
Requirements

In short, HB 100 will require that ARRC's annual report include:

1. The Board's goals and objectives;

ARRC Position Paper
HB No. 100
Page 2

2. Proposed plans to implement these goals and objectives;
3. A budget to carry out proposed plans; and
4. A report of past, present, and future receipts and expenditures.

Currently, the corporation's goals and objectives and its plans to implement them are contained in its long-range or five-year capital improvement and program plan. Goals and objectives are also discussed in ARRC's annual report and a consultant's management audit measures ARRC's success in attaining them. Moreover, ARRC's budget is prepared before the close of each fiscal year. A report of railroad receipts and expenditures appears in the yearly financial audit which is published in the annual report. These plans, reports, audits, and budgets are presently available to the governor and legislature to assist their review of railroad activities.

We have attached ARRC's five-year plan, 1985 annual report, performance audit, and 1987 operating and capital budget. As noted, the financial audit is published in the annual report.

For examples of current ARRC planning and reporting, the reader may turn to ARRC's five-year plan. The plan must be updated annually and copies provided to the governor and legislature by December 1 of each year. It "must explain the manner in which the corporation intends to accomplish the purposes of this chapter and the corporation's anticipated capital improvements during each of the five years after the plan is adopted." AS 42.40.290.

Corporate goals and objectives are divided into four categories, physical plant, revenue, personnel, and general on page four of the current plan. Physical plant goals, for example, include "Major effort to upgrade equipment to improve efficiency and lower maintenance costs will continue throughout the planning period." Page 5. Efforts to implement this goal are explained in the Plans Priority and Classification of Capital section and also appear in the form of a capital spending program on page 18.

The corporation's goals for 1985 also appear on page 4 of the 1985 annual report. Goals and accomplishments are discussed by department throughout the report. In addition, ARCA requires that the annual report describe the operations and financial condition of the corporation during the preceding fiscal year. The report must itemize the cost of providing each category of service offered by the railroad and the income generated by each category.

ARRC Position Paper
HB No. 100
Page 3

The goal of "modernizing the railroad's rolling stock, equipment and physical plant" is repeated in the 1985 annual report. A detailed discussion of improvements and maintenance appears in the performance audit as another means of measuring goal attainment. The operating and capital budget lists those projects and expenditures which propose specific actions to achieve upgrade and maintenance objectives.

Finally, the budget and audited year-end financial statements appearing in the annual report do substantially include the information identified by HB 100's final paragraphs. ARRC's 1987 operating and capital budget lists those services each department will provide during the fiscal year. A manpower budget projects the number of personnel needed to accomplish operating and capital goals.

Although in separate formats, railroad plans, reports, audits, and budgets already largely cover the data and information targeted by HB 100. However, the bill's primary focus may be upon combining the information into an enlarged or supplemented annual report. Should HB 100 receive favorable consideration for this or other reasons, there are two modifications which would greatly alleviate its anticipated impact upon corporate operations.

B. Proposed Amendments to HB 100

First, because financial information would be included in the annual report, ARRC requests that the report be due 120 days, not 90, following the end of the railroad's fiscal year. By this time, audited data would more likely be available. Our experience last year indicates that 90 days is not a realistic deadline given the delays inherent in exhaustive, external financial reviews.

Second, we request that the information directed by HB 100 to be combined or provided in the annual report actually appear in a supplement. To effect this change, HB 100 could be easily modified by adding "A supplement to" before "The report" in line 18.

Although primarily a report to the governor and legislature (who, of course, represent ARRC's "shareholders"), the annual report is also used as a marketing tool. In the manner of private corporations, ARRC provides copies of its annual report to customers, potential customers, carriers, and government officials to promote and market its operations and services. We are concerned that a voluminous report will contain information of little interest to such groups, increase publication costs, and seriously damage this effective marketing tool. On the other hand, a supplemented report can be easily and less expensively provided to meet legislative needs. Finally, goals related to market strategies and costing

ARRC Position Paper
HB No. 100
Page 4

models will contain sensitive, sometimes confidential, information which should not be widely disseminated.

C. Fiscal Impact of HB 100

Because we view the tasks as largely already required by present law, favorable consideration and passage of a modified HB 100 will mostly have an administrative impact upon ARRC. To the extent that composites and additional information may be needed for an supplemented annual report, we presently believe that they can be provided without a great deal of additional expense in the area of staff and Board time, wordprocessing, copying, printing, and postage.

II. Conclusion

HB 100 requires information to be inserted in ARRC's annual report which is largely already available to the legislature in the railroad's annual report, five-year plan and updates, audits, and operating and capital budget. However, should the bill receive favorable legislative consideration, we request two amendments which will ensure a more realistic report deadline and preserve the marketing advantages of the present annual report format.

3898L

ALASKA RAILROAD CORPORATION



Five Year Plan
Issued July, 1986

PROPRIETARY INFO.
NOT FOR PUBLIC DISCLOSURE

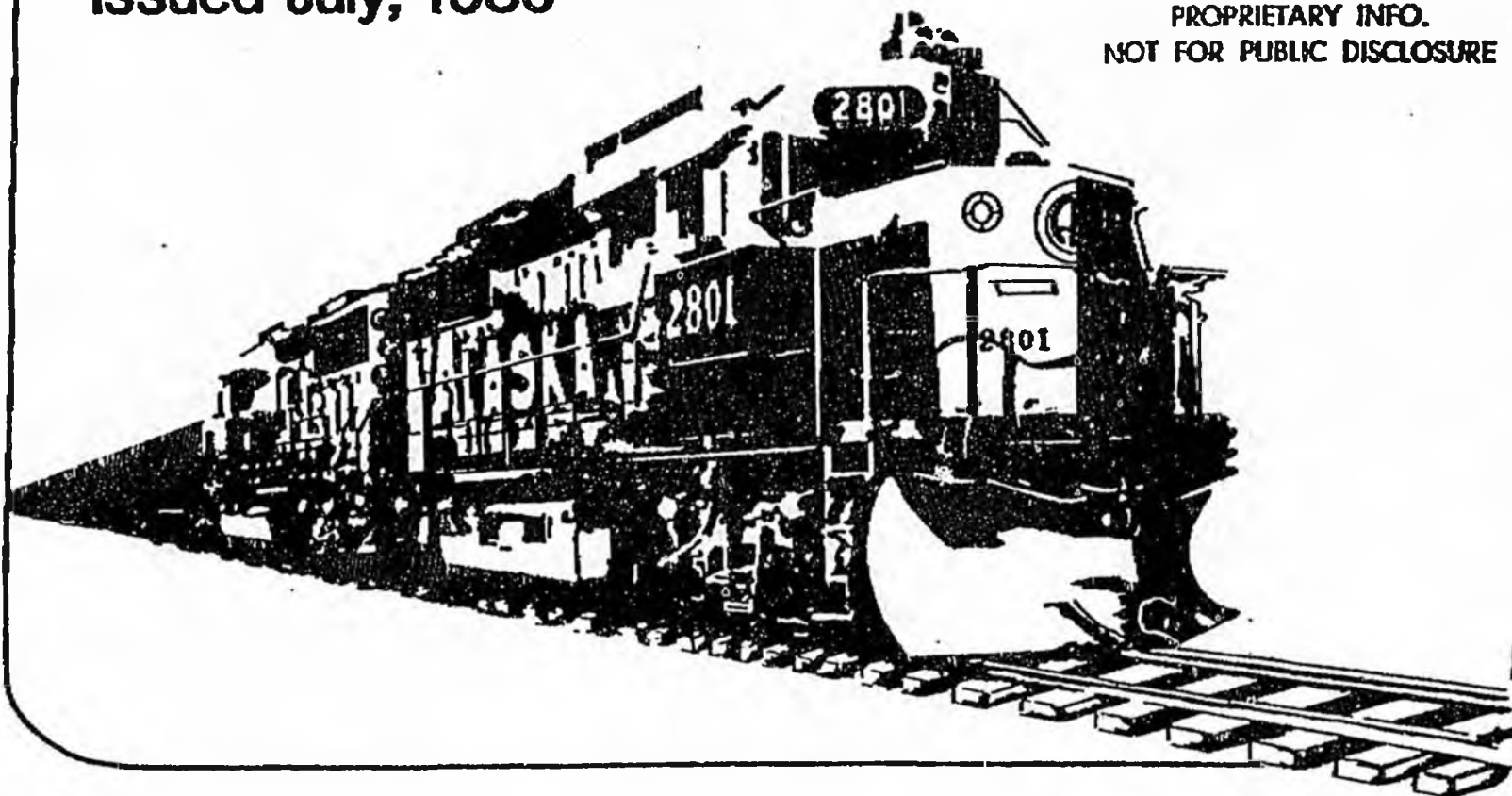


EXHIBIT A

MAR 05 '87 14:14 ARRC. ANCH ALASKA

MAR 05 '97 14:15 ARRC ANCH ALASKA

A N N U A L R E P O R T



1985



EXHIBIT B

TO THE BOARD OF DIRECTORS
OF THE ALASKA RAILROAD CORPORATION

A PERFORMANCE AUDIT
OF THE ALASKA RAILROAD

JANUARY 5, 1985 - DECEMBER 31, 1985

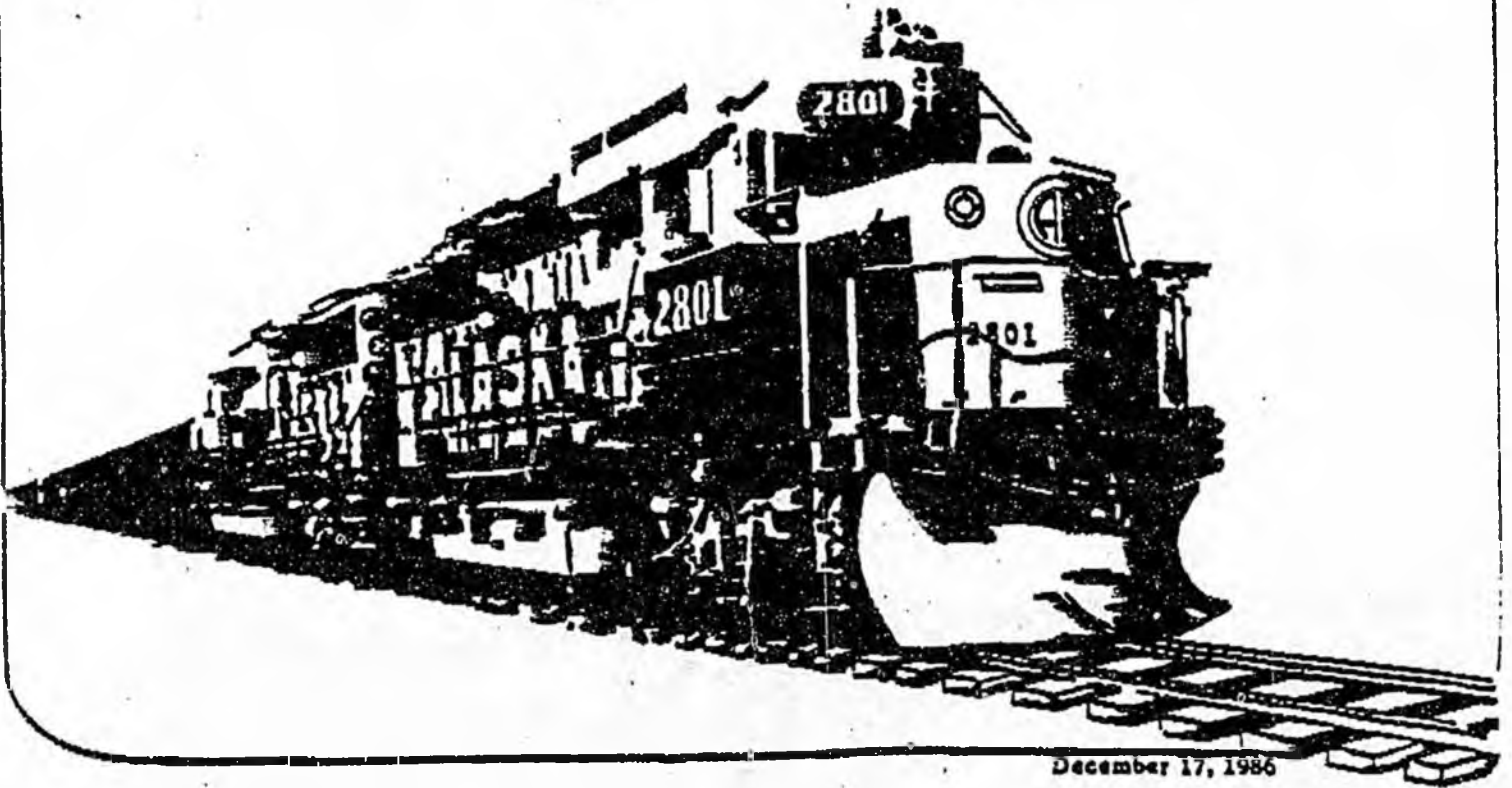
G. W. MAXWELL

JULY 28, 1986

ALASKA RAILROAD CORPORATION



1987
APPROVED
OPERATING
AND
CAPITAL BUDGET



December 17, 1986

ALASKA RAILROAD CORPORATION



Touch 7-2111 • Anchorage, Alaska 99510-7069

January 12, 1987

Ms. Penelope Weyhrauch
Legislative Analyst
Alaska State Legislature House of
Representatives Research Agency
P.O. Box Y
State Capital
Juneau, Alaska 99811-3100

Dear Ms. Weyhrauch:

Your letter dated December 4, 1986 to Mr. Larry Wood, General Counsel of the Alaska Railroad Corporation, was referred to me for response.

You have asked for our assessment of negative impacts that the Alaska Railroad Corporation ("ARRC") might experience if the statutory exemptions in AS 42.40.920 were repealed. Unfortunately, your question does not avail itself of a simple response.

In order to answer your question, it is important to understand the various laws and agreements which circumscribe ARRC's existence and operations. The federal Alaska Railroad Transfer Act ("ARTA"), 45 U.S.C. §§1201-1214, authorized the transfer of the Alaska Railroad to ARRC and established the ground rules for the State's purchase of the Railroad. As part of that act, the State was required to make certain declarations and agreements to abide by the sale terms. The state Alaska Railroad Corporation Act ("ARCA"), AS 42.40.010-.990, implemented the State's commitments all within the requirements of ARTA through the creation of a public corporation to own and operate the Alaska Railroad.

ARTA, the State's own declarations and agreements to abide by those sale terms, and ARCA insure that the State-owned railroad shall be a rail carrier generating, retaining, and managing its own revenues for railroad purposes to better serve Alaska's transportation and development needs. In framing the operating characteristics of the public corporation to conform to this expectation, Alaska's leadership, both federal and state, gave ARRC enough independence to conduct its activities as a

Ms. Penelope Weyhrauch
January 12, 1987
Page 2

separate and viable economic entity. Exemptions from laws which apply to state agencies mean generally that ARRC promotes, receives, and manages its own revenues, supplies, equipment, facilities, and real estate, establishes its own personnel policies, compensation systems, and employment agreements, promulgates its own rules and regulations to govern internal and external affairs, and manages its own purchasing, financing, and budgeting needs. On the other hand, a desire for public accountability requires open meetings, appointments by the Governor to the railroad board, procurement and ethical codes substantially equivalent to State models, financial and management audits, annual and oversight reports, legislative approval of certain real estate transactions, and long-range capital improvement and program plans. This wise blend of financial and operations independence with State oversight requirements results in a quasi-public, quasi-private railroad armed with the flexibility needed to quickly react to changing market, financial, and legal needs and with the accountability mechanisms necessary to satisfy the governmental aspects of its operations.

As a result of the dual legislative desires of self-sufficiency and public accountability all within the confines of ARTA, the Alaska legislature created a public corporation unlike any other public corporation in Alaska. This is reflected in the legislative findings and purposes which accompanied ARCA. See 1984 Alaska Session Laws, Chapter 153, Section 1. The findings and purposes clauses state that the public corporation is to be exclusively responsible for the management of the financial and legal obligations of the Alaska Railroad, carry out its responsibilities on a self-sustaining basis, and provide for the prudent operation of the railroad according to sound business management practices. Also, ARCA creates a "viable economic entity with the powers and duties necessary to operate and manage the Alaska Railroad pending eventual transfer of the Railroad to the private sector." ARCA and its legislative history reflect a legislative desire that the railroad operate as independently as possible from the State to facilitate the smooth transfer of its business and assets to a private owner. Indeed, AS 42.40.260 requires that ARRC's annual report contain every five years an analysis of potential sale arrangements, including documentation of at least three offers to sell ARRC.

Under AS 42.40.920, ARRC is exempt from the following statutes:

- (1) AS 19;
- (2) AS 30.15;
- (3) AS 35;
- (4) AS 37.05;
- (5) AS 37.07;
- (6) AS 37.10.010 37 10 050;
- (7) AS 37.10.84;
- (8) AS 37.20;

Ms. Penelope Weyhrauch
January 12, 1987
Page 3

- (9) AS 37.25;
- (10) AS 38;
- (11) AS 44.62.040 - 44.62.320.

A careful review of these statutes demonstrates how each conflicts with ARCA or ARTA. Titles 19 and 35 set forth the powers and duties of the Department of Transportation and Public Facilities ("DOT/PF") to plan, construct, maintain and operate transportation facilities, including state ferries, airports and water and harbor facilities, and to plan and construct public buildings, boat harbors, dikes and breakwaters. Since ARRC operates as a self-sustaining public corporation, exemptions from Titles 19 and 35 insure that ARRC is responsible for its own facilities and operations.

AS 30.15 provides for state grants of monies and land for construction of local port facilities. ARRC's exemption precludes municipalities from using ARRC funds or lands for port facility development.

Exemptions from portions of Title 37 are required by ARTA which states that "revenues generated by the state-owned railroad shall be retained and managed by the state-owned railroad for railroad and related purposes." 45 U.S.C. §1207(a)(5). AS 37.05, the Fiscal Procedures Act, establishes uniform accounting, purchasing, post auditing, and related financial provisions for all "state agencies" and requires state agencies to submit reports, documents, and statements to the Department of Administration for accounting purposes, requires federal funds received by state agencies to be deposited in the state treasury, makes the Department of Administration responsible for all accounts and purchases of state agencies, requires competitive bidding procedures, and imposes other financial and reporting requirements. The exemption from AS 37.05 conforms to ARTA by allowing ARRC to maintain and control its own accounts and to act as its own purchasing agent.

The exemption from AS 37.07, the Executive Budget Act, also conforms to ARTA by allowing the ARRC to budget and manage its revenues as a separate economic entity.

AS 37.10.010 - .060 designates the Department of Administration as the custodian of state funds and requires all officers, boards and commissions to account to the Department of Revenue for moneys received. Again, an exemption from AS 37.10.010 to 37.10.060 allows ARRC to manage its own revenues.

AS 37.25 determines which unexpended appropriations lapse and which do not. This exemption insures that all ARRC's monies are available to it from year to year.

AS 37.10.035 prohibits political subdivisions from subscribing to the stock of a corporation and from joining credit or

Ms. Penelope Weyhrauch
January 12, 1987
Page 4

borrowing money for a corporation's use. Exemption from AS 37.10.085 permits ARRC to manage its revenues by placing its funds in a wide range of investments, including lending its credit and borrowing money for the use of a corporation.

AS 37.20 authorizes the governor to accept federal grants and transfers of property. Transferred land falls within the jurisdiction of the Department of Natural Resources. ARRC's exemption from AS 37.20 insured that federal railroad property, including land, building, monies, personnel property and structures, would be directly conveyed to ARRC rather than to the Departments of Administration, Natural Resources and Transportation and Public Facilities.

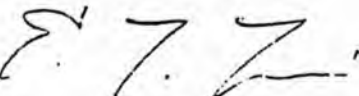
Title 38 states that the lands of the state are to be managed by the Department of Natural Resources. Exemption from Title 38 conforms to ARTA's and ARCA's mandate that ARRC manage railroad real estate.

AS 44.62.040 to 44.62.320, much of the Administrative Procedures Act, provide procedures for adopting and implementing regulations in state government. These provisions are supplanted by ARCA's AS 42.40.170 - .270, which call for publicly adopted rules by ARRC's board of directors.

The eradication of one or more of the ARCA exemptions will substantially change the model of a self-sufficient, competitive and accountable public railroad corporation that was created by Alaska's state and federal leadership. Furthermore, through the development of its own personnel, procurement, surplus property, budget, accounting, and land and lease plans, policies, and procedures, ARRC stands ready for expeditious transfer to the private sector. The short history of ARRC operations have underscored the wisdom of the legislature's original direction. We very much support that mission and would most appreciate the opportunity to comment upon proposed legislation to change or amend it.

I hope this adequately answers your question. Please feel free to call if you have any further questions.

Yours very truly,



E. Thaddeus Lewis
Associate General Counsel

cc: F. G. Turpin
L. D. Wood, Esq.

3505L

Questions asked to the Alaska
Railroad Corporation by the House
Labor & Commerce Committee, 1987

26. Describe each instance since February 1985 in which the Board has invoked an executive session to discuss the subjects described in A.S. 42.40.170(b)(7).

Response: Those instances included the following Board meetings:

February 15, 1985 - Board Mtg. - Tariff Increase
November 21, 1985 - Board Mtg. - Corporation Marketing Plan
- Costing Procedures
December 19, 1985 - Board Mtg. - Corporation Marketing Plan
February 20, 1986 - Board Mtg. - Marketing Update
April 17-18, 1986 - Board Mtg. - Marketing and Financial
Projections
May 21, 1986 - Board Mtg. - Marketing Update

Such information was also discussed in executive session as part and parcel of litigation reports. For example, a state case, City of Valdez v. ARRC, unsuccessfully sought protected pipe rate costing information, and an ICC boxcar exemption proceeding was an unsuccessful effort by watercarriers to deny ARRC the benefit of ICC deregulation of railroad boxcar movements.

27. Describe those specific categories of documents which the ARRC does not make public.

Response: ARRC does not specifically designate by type those documents that are open for public inspection and those that are not. Rather, when a particular request for information is received, ARRC first determines the nature of the request and then provides the information if it is not within the scope of those matters set forth in AS 42.40.210(b) and Board Rule No. 4.

ARRC's Board of Directors has adopted Rule 4, a copy of which is attached as an exhibit, which elaborates upon matters not available for public inspection.

28. Describe those specific categories of documents which the ARRC does make public.

Response: See response to Question No. 27.

29. Describe the specific types of documents which ARRC withholds from the public as being "proprietary information" associated with specific shippers consistent with the standards and practices of the ICC.

Response: The types of documents which fall into the category relating to proprietary information, divisions and

contract rate agreements would include cost studies, cost data, contract rate agreements, exempt rate quotations, divisions sheets, bills of lading, waybills, any documents relating to a shipper's business, and any notes or correspondence relating to any of the above.

30. Describe the specific types of documents which ARRC withholds from the public as being "proprietary information" associated with divisions consistent with the standards and practices of the ICC.

Response: See response to Question No. 29.

31. Describe the specific types of documents which ARRC withholds from the public as being "proprietary information" associated with contract rate agreements consistent with the standards and practices of the ICC.

Response: See response to Question No. 29.

32. Other than the specific types of documents described, describe other specific types of documents which the ARRC withholds from the public as "proprietary information" consistent with the standards and practices of the ICC.

Response: See response to Question No. 29.

33. List each rule pursuant to which the ARRC has designated documents as privileged or proprietary under A.S. 42.40.220 or otherwise, and describe the types of documents and information withheld from the public pursuant to each rule.

Response: See response to Question No. 27.

34. Describe the rationale of the ARRC in refusing to provide the Transportation Committee with documents requested by that committee in 1985 and 1986.

Response: It is our recollection that the information requested was operating costs for movement of freight via trailers on flat cars. Railroads in the United States have not been required by law to divulge costs. Such information has always been considered proprietary, and confidentiality has been protected. Clearly, such rules promote competition by allowing railroads the same business advantages and marketing mechanisms enjoyed by other transportation modes. In those instances where it was necessary for the Interstate Commerce Commission to have the costs in order to arrive at a conclusion, the cost data was submitted to the Commission on a confidential basis, was not divulged to the complainant or to the public, and did not appear in any printed report. Federal and state laws provide ARRC the same rights and benefits to

protect confidential information. This enables the company to price and contract its services on a businesslike basis and to respond quickly to market conditions.

35. Describe the documents and categories of information the ARRC refused to give to the Transportation Committee.

Response: Although we are not certain at this date what documents were refused, they were most probably those which would divulge confidential contract rates or operating costs, and which could be attributed to any freight service segment.

Categories of information which must remain confidential:

- contract rates
- operating costs for specific freight moves
- any information which would identify shipments concerning one shipper or consignee

36. Describe all procedures and practices by which the ARRC attempts to minimize the adverse effect of the operation of the railroad on wildlife.

Response: In cooperation with the Alaska Department of Fish and Game ("ADF&G"), the ARRC has experimented with numerous methods to minimize the adverse effects of its operations on wildlife, specifically big game. Historically, moose are the game population most affected by the railroad, primarily in years of deep snow (3 to 5 feet) for long periods of time. Unfortunately, many of the experiments have failed to demonstrate a reliable way to discourage moose usage of the plowed track (see response to Question No. 39 below). Presently, the effort is concentrated on plowing the right-of-way as wide as possible, and a combination of lights, horns and bells to frighten them away from the track. Where possible, the train engineers slow down to reduce the chance of a strike.

ARRC is again cooperating with ADF&G in its ongoing study of the moose mortality along the tracks. For example, arrangements are being made for game biologists to accompany a locomotive on several trips north this season. The corporation has also engaged a private consultant to develop electronic equipment to frighten the moose and drive them away from the track. Research and equipment design under that contract are scheduled for completion within the current winter season, with construction and installation of equipment to follow depending on the results of research.

37. Describe all actions taken by the ARRC if a train hits a moose, including names of people to whom the information is reported, reports made, and attempts to salvage meat.

RULE NO. 4 - PUBLIC DISCLOSURE OF INFORMATION

(Adopted 12-17-84
Amended 7-18-85)

A. Public Information:

As provided in AS 42.40.220, information in the possession of the Corporation is public and available to public inspection at reasonable times.

B. Restrictions on Disclosure:

As further provided under such provision and as required by the Alaska Railroad Transfer Act of 1982 (ARTA) (45 U.S.C. 1204), the following information is hereby designated to be of a privileged or proprietary nature and shall be withheld from public inspection:

- 1.) As required under Sec. 605(b) (ARTA), certain information of the Federal Alaska Railroad available to the Corporation, including, "proprietary business data, personnel records, and other information, the public disclosure of which is prohibited by law;"
- 2.) personnel records of the Corporation including but not limited to each employee's original application for employment and employment memorandum, resume, any and all salary information, reports of other employment investigations, tests, any letters of recommendation, reports of work performance, reports of the employee's progress, disciplinary actions, and such other records as may be created in the employee's initial employment and continued service to the Alaska Railroad Corporation. Personnel records may be released upon receipt of written authorization from the employee, former employee, or applicant whose records are requested. Such authorization shall specifically identify the information authorized for release.

For employees who transferred to the Corporation pursuant to P.L. 97-468, personnel records shall include the employee's Official Personnel Folder, Emergency Medical Folder, and any copies thereof. Disclosure of information contained in the Official Personnel Folder and Emergency Medical Folder shall be governed by applicable Federal law and regulation;
- 3.) communications with and work product of counsel;
- 4.) all other records, documents, data or information of a privileged or proprietary nature, including but not limited to proprietary information associated with specific shippers, divisions and contract rate agreements, and specifically including all information that may be withheld or protected from discovery in proceedings before the Interstate Commerce Commission consistent with the Commission's standards and practices;
- 5.) other information the subject of which could be discussed in executive session under AS 42.40.170;
- 6.) any other information or records required to be kept confidential by Federal or State law or regulations.

Introduced: 2/2/87
Referred: Transportation and
Finance

1 IN THE HOUSE

BY CATO

2 HOUSE BILL NO. 100

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the annual report of the Alaska
7 Railroad Corporation."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 42.40.260(a) is amended to read:

10 (a) Within 90 days following the end of the fiscal year of the
11 Alaska Railroad the board shall distribute to the governor and to the
12 legislature a report describing the operations and financial condition
13 of the corporation during the preceding fiscal year. The report may
14 include suggestions for legislation relating to the structure, powers,
15 or duties of the corporation or to the operation or facilities of the
16 corporation. Subject to AS 42.40.220, the report shall itemize the
17 cost of providing each category of service offered by the railroad and
18 the income generated by each category. The report shall also include

19 (1) the goals and objectives of the board for the preceding
20 fiscal year and modifications of the goals and objectives for the
21 current fiscal year;

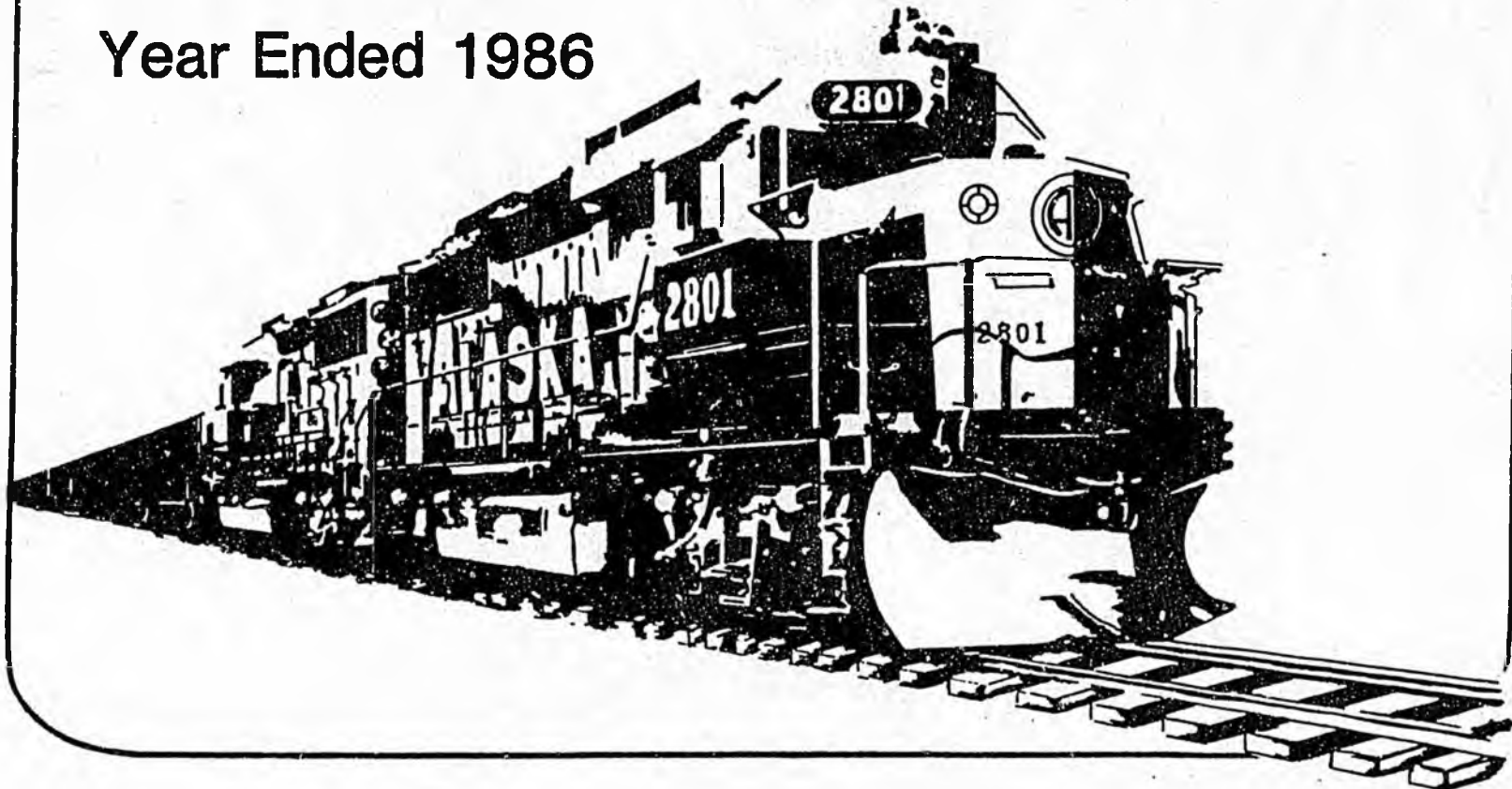
22 (2) proposed plans to implement goals and objectives, in-
23 cluding estimates of future service needs, proposed modifications of
24 existing services and establishment of new services, and estimates of
25 financial and personnel resources necessary to carry out the proposed
26 plans;

27 (3) a budget to carry out proposed plans in the current
28 fiscal year including an explanation of services to be provided, the
29 need for the services, the cost of the services, the total number of

ALASKA RAILROAD CORPORATION



**Report to Legislative Transportation Committees
Year Ended 1986**



ALASKA RAILROAD CORPORATION
REPORT TO LEGISLATIVE TRANSPORTATION COMMITTEES
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• 1987 GOALS AND ASSUMPTIONS	5 - 8
• 1986 FINANCIAL STATEMENTS	9 - 14
• PERSONNEL ACTIVITY	15 - 17
• 1987 BUDGET	3 - 53

III. ASSUMPTIONS AND GOALS

GOALS:

The long-range goals encompassed in the Five-Year Plan are as follows:

- To improve, operate, and maintain the Railroad on a self-sustaining basis.
- To enhance and upgrade the Railroad's facilities, property, and equipment to an attractive and well-maintained condition.
- To develop a highly motivated, productive work force.
- To be responsive to market opportunities and customer needs.
- To develop a public image that the Alaska Railroad Corporation is an effective and efficient corporation serving the transportation needs of Alaska.

III. ASSUMPTIONS AND GOALS (cont'd)

BASIC PLANNING ASSUMPTIONS:

Basic assumptions for the 1986 Five-Year Plan are divided into the following categories:

- Physical Plant
- Revenue
- Personnel
- General

BASIC PLANNING ASSUMPTIONS (continued)

Physical Plant

- No expansion of the rail line that we (ARRC) will pay for is scheduled to begin during the planning period.
- Major effort to upgrade equipment to improve efficiency and lower maintenance costs will continue throughout the planning period.
- Obsolete facilities, equipment, and track structures will be vacated, dismantled, removed, or torn down.
- Significant expenditures will be required to comply with OSHA requirements. Deficiencies will be resolved in the planning period.
- Obsolete and excess materials/equipment will be surplus and sold.
- Efforts to maintain the physical integrity of the Railroad will continue at or above the present level.
 - Specifically to maintain the integrity of bridges, tunnels, docks, and track structures.

Revenue

- Export coal from Healy to Seward will continue at the contract rate of 800,000 metric tons a year, plus or minus 20 percent.
- The Alaska economy will continue a slight decline during 1987 and remain stable throughout the planning period.
- Gravel shipments to Anchorage from Palmer will continue declining until 1988 and then level off in the final years of the plan.
- Continued expansion of tourist travel throughout the planning period.
- Expanded involvement in Alaska petroleum distribution.
- Expanded involvement in leasing and developing corporate real estate.
- Expansion of interline rail and terminal service through Whittier, Anchorage, and Seward will be emphasized through increased market share.

BASIC PLANNING ASSUMPTIONS (continued)

Personnel

- The Corporation will negotiate Collective Bargaining Agreements during the planning period.
- Baseline requirements will be performed as much as possible by permanent full-time Corporation employees. The only exceptions will be traditional support services.
- Seasonal and project workloads above the normal baseline will be handled with temporary Corporation or contract personnel.
- The Corporation will relate to the Alaskan transportation industry in establishing and maintaining wages, salary, and benefit practices.

General

- There is a high degree of probability that the Railroad will remain under State ownership for the planning period.
- There will be continued emphasis on increasing the efficiency of Corporation workload and on-going activities in order to achieve further reductions in operating expenditures.
- A standard on-going, life cycle replacement and upgrading program for equipment will begin and continue through and beyond the planning period.
- Increased emphasis, not necessarily expansion, of passenger service, facilities, and equipment will be evident throughout the planning period.
- Improved coordination with water carriers and increased participation in freight markets will be emphasized.
- Agreement on native claims issues will be actively pursued.

III. ASSUMPTIONS AND GOALS

GOALS:

The long-range goals encompassed in the Five-Year Plan are as follows:

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III. ASSUMPTIONS AND GOALS (cont'd)

BASIC PLANNING ASSUMPTIONS:

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- Export coal from Healy to Seward will continue at the contract rate of 640,000 metric tons a year.
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BASIC PLANNING ASSUMPTIONS (continued)

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- Seasonal and project workloads above the normal baseline will be handled with seasonal Corporation or contract personnel.
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- Agreement on native claims issues will be actively pursued.

ALASKA RAILROAD CORPORATION
 Summary Balance Sheet
 Through the Period Ending December 31, 1986
 (In Thousands of Dollars)

	<u>Dec. 31, 1986</u>
<u>Assets</u>	
Current Assets	19,026
Properties	38,602
Land	13,850
Other	<u>1,162</u>
Total Assets	<u>72,640</u>
<u>Liabilities and Owners Equity</u>	
Liabilities	
Current Liabilities	18,432
Capital Lease Obligations & Long Term Debt	<u>13,886</u>
Total Liabilities	32,318
Owners Equity	
Investment by State of Alaska	34,174
Retained Earnings	<u>6,148</u>
Total Owners Equity	40,322
Total Liabilities and Owners Equity	<u>72,640</u>

ALASKA RAILROAD CORPORATION
Statement of Income
Through the Period Ending December 31, 1986
(In Thousands of Dollars)

	Month			Year-To-Date		
	1986	Budget	Variance	1986	Budget	Variance
<u>Revenues</u>						
Railroad	4,333	4,479	(146)	47,352	67,800	(20,448)
Other	<u>1,585</u>	<u>710</u>	<u>875</u>	<u>12,947</u>	<u>11,100</u>	<u>1,847</u>
Total	5,918	5,189	729	60,299	78,900	(18,601)
<u>Cost and Expenses</u>						
Railroad						
Transportation	1,625	1,501	124	15,532	18,608	(3,076)
Ways and Structures	854	1,039	(185)	13,961	13,822	139
Equipment	734	1,277	(543)	12,329	16,330	(4,001)
Operations Staff	669	265	404	3,574	3,256	318
General and Administrative	<u>2,180</u>	<u>1,025</u>	<u>(1,155)</u>	<u>12,168</u>	<u>12,992</u>	<u>(824)</u>
Total	6,062	5,107	(955)	57,564	65,008	(7,444)
Operating Surplus	(144)	82	(226)	2,735	13,892	(11,157)
Corporate Office	58	66	(8)	670	587	83
Interest Expense	<u>(1)</u>	<u>91</u>	<u>(92)</u>	<u>613</u>	<u>1,099</u>	<u>(486)</u>
Net Surplus	(201)	(75)	(126)	1,452	12,206	(10,754)
Depreciation	<u>234</u>	<u>150</u>	<u>84</u>	<u>2,437</u>	<u>1,800</u>	<u>637</u>
Net Income (Loss)	<u>(435)</u>	<u>(225)</u>	<u>(210)</u>	<u>(985)</u>	<u>10,406</u>	<u>(11,391)</u>

ALASKA RAILROAD CORPORATION
EXPENSE PERFORMANCE ANALYSIS
Through the Period Ending December 31, 1986
(In Thousands of Dollars)

Department	Month			Year To Date			Latest Annual Estimate		
	Actual	Budget	Variance	Actual	Budget	Variance	Estimate	Budget	Variance
Railroad									
Transportation	1,625	1,502	123	15,532	18,609	(3,077)	15,532	18,609	(3,077)
Motive Power & Equipment	734	1,277	(543)	12,329	16,330	(4,001)	12,329	16,330	(4,001)
Ways & Structures	854	1,039	(185)	13,961	13,822	139	13,961	13,822	139
Operations Staff	669	265	404	3,574	3,256	318	3,574	3,256	318
Total	3,882	4,083	(201)	45,396	52,017	(6,621)	45,396	52,017	(6,621)
General & Administrative:									
Finance	809	503	(306)	5,464	6,074	(610)	5,464	6,074	(610)
Marketing	278	226	52	3,044	3,159	(115)	3,044	3,159	(115)
Human Resources	119	160	(41)	1,469	1,999	(530)	1,469	1,999	(530)
Legal	153	75	78	957	993	(36)	957	993	(36)
Administration	85	61	24	752	766	(14)	752	766	(14)
Corporate Overhead	736	0	736	482	0	482	482	0	482
Total	2,180	1,025	1,155	12,168	12,991	(823)	12,168	12,991	(823)
Corporate Office	58	66	(8)	670	587	83	670	587	83
Interest Expense	(1)	91	(92)	613	1,099	(486)	613	1,099	(486)
Depreciation	234	150	84	2,437	1,800	637	2,437	1,800	637
TOTAL	6,353	5,415	938	61,284	68,494	(7,210)	61,284	68,494	(7,210)
Flood Related	0	0	0	2,166	0	(2,166)	2,166	0	(2,166)
Total Excluding Flood	6,353	5,415	938	59,118	68,494	(9,376)	59,118	68,494	(9,376)

ALASKA RAILROAD CORPORATION
Revenues by Commodity
Through the Period Ending December 31, 1986
(In Thousands of Dollars)

Commodity	Month			Year To Date			Latest Annual Estimate		
	Actual	Budget	Variance	Actual	Budget	Variance	Estimate	Budget	Variance
Pipe	83	352	(269)	2,190	4,051	(1,861)	2,190	4,051	(1,861)
Coal: Local	250	444	(194)	4,350	4,558	(208)	4,350	4,558	(208)
Export	576	641	(65)	5,748	6,082	(334)	5,748	6,082	(334)
Petroleum	955	951	4	10,224	12,733	(2,509)	10,224	12,733	(2,509)
Gravel	0	0	0	4,054	6,847	(2,793)	4,054	6,847	(2,793)
TOFC/COFC	1,960	879	1,081	7,601	11,158	(3,557)	7,601	11,158	(3,557)
Interline	356	978	(622)	6,677	13,713	(7,036)	6,677	13,713	(7,036)
Miscellaneous Local	9	205	(196)	832	3,758	(2,926)	832	3,758	(2,926)
Total Freight	<u>4,189</u>	<u>4,450</u>	<u>(261)</u>	<u>41,676</u>	<u>62,900</u>	<u>(21,224)</u>	<u>41,676</u>	<u>62,900</u>	<u>(21,224)</u>
Passenger: North	104	12	92	2,763	3,328	(565)	2,763	3,328	(565)
South	(95)	17	(112)	1,668	1,413	255	1,668	1,413	255
Other	(8)	0	(8)	143	159	(16)	143	159	(16)
Total Passenger	<u>1</u>	<u>29</u>	<u>(28)</u>	<u>4,574</u>	<u>4,900</u>	<u>(326)</u>	<u>4,574</u>	<u>4,900</u>	<u>(326)</u>
Real Estate	274	410	(136)	5,274	5,100	174	5,274	5,100	174
All Other	<u>1,454</u>	<u>300</u>	<u>1,154</u>	<u>6,609</u>	<u>6,000</u>	<u>609</u>	<u>6,609</u>	<u>6,000</u>	<u>609</u>
Total Other	<u>1,728</u>	<u>710</u>	<u>1,018</u>	<u>11,883</u>	<u>11,100</u>	<u>783</u>	<u>11,883</u>	<u>11,100</u>	<u>783</u>
TOTAL	<u>5,918</u>	<u>5,189</u>	<u>729</u>	<u>58,133</u>	<u>78,900</u>	<u>(20,767)</u>	<u>58,133</u>	<u>78,900</u>	<u>(20,767)</u>
Flood Related	0	0	0	2,166	0	2,166	2,166	0	2,166
TOTAL	<u>5,918</u>	<u>5,189</u>	<u>729</u>	<u>60,299</u>	<u>78,900</u>	<u>(18,601)</u>	<u>60,299</u>	<u>78,900</u>	<u>(18,601)</u>

ALASKA RAILROAD CORPORATION
 Revenues by Commodity
 Through the Period Ending December 31, 1986
 1986 vs. 1985*
 (In Thousands of Dollars)

Commodity	Month			Year To Date		
	1986	1985	Inc/Decr	1986	1985*	Inc/Decr
Pipe	83	269	(186)	2,190	3,253	(1,063)
Coal: Local	250	356	(106)	4,350	4,255	95
Export	576	402	174	5,748	5,179	569
Petroleum	555	1,030	(75)	10,224	11,833	(1,609)
Gravel	0	0	0	4,054	7,819	(3,765)
TOFC/COFC	1,960	358	1,602	7,601	7,008	593
Interline	356	574	(218)	6,677	10,530	(3,853)
Miscellaneous Local	9	(168)	177	832	2,101	(1,269)
Total Freight	4,189	2,821	1,368	41,676	51,978	(10,302)
Passenger: North	104	239	(135)	2,763	2,959	(196)
South	(95)	81	(176)	1,668	1,102	566
Other	(8)	69	(77)	143	283	(140)
Total Passenger	1	389	(388)	4,574	4,344	230
Real Estate	274	(141)	415	5,274	4,322	952
All Other	1,454	662	792	6,609	6,590	19
Total Other	1,728	521	1,207	11,883	10,912	971
TOTAL	<u>5,918</u>	<u>3,731</u>	<u>2,187</u>	<u>58,133</u>	<u>67,234</u>	<u>(9,101)</u>
Flood Related	0	0	0	2,166	0	2,166
TOTAL	<u>5,918</u>	<u>3,731</u>	<u>2,187</u>	<u>60,299</u>	<u>67,234</u>	<u>6,935</u>

* The month of January, 1985 was a 26-day month due to the transfer from federal to state ownership.

ALASKA RAILROAD CORPORATION
 PROJECT-TO-DATE CAPITAL PERFORMANCE ANALYSIS
 Through the Period Ending December 31, 1986
 In Thousands of Dollars
 Summary

<u>Projects</u>	<u>Apprvd Budget</u>	<u>Amount Approp.</u>	<u>Latest Est.*</u>	<u>1986 YTD Expend.</u>	<u>Remndr of 1986</u>
Completed	7,332	11,241	5,244	6,471	0
Cancelled	2,284	644	0	0	0
In Progress	425	1,459	3,196	1,337	0
Debt Service	<u>2,726</u>	<u>3,039</u>	<u>1,534</u>	<u>1,471</u>	<u>0</u>
TOTAL	12,767	16,383	9,974	9,279	0
State Funded Projects					
Shuttle Equipment	925	0	925	89	836

Status Codes

A - AFE Preparation	D - Design	M - Materials Ordered
B - Bid Process	E - Evaluation	R - Received
C - Complete	H - On Hold	L - Lease/Purchase

* Latest Estimate adjusted for impact of capitalized interest

ALASKA RAILROAD CORPORATION
MANNING VARIANCE ANALYSIS
1983 - 1987

<u>Division</u>	<u>1983 Average Manning</u>	<u>1984 Average Manning</u>	<u>1985 Average Manning</u>	<u>1986 Average Manning</u>	<u>1987 Average Manning</u>
President & CEO	10	9	6	4	2
Chief Counsel	4	4	3	7	6
Operations	611	586	606	564	483
Administration	6	7	8	8	8
Human Resources	9	11	12	19	15
Finance	69	69	67	64	62
Marketing	11	14	18	30	34
	--	--	--	--	
TOTAL	<u>720</u>	<u>700</u>	<u>720</u>	<u>696</u>	<u>610</u>

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**ALASKA RAILROAD CORPORATION
PERSONNEL BUDGET VS. ACTUAL
MSA FILE 2-15-87 TO 2-28-87**

	FEBRUARY 1987 BUDGET	ACTIVE AS OF: 2-28-87	ACTIVE VS. BUDGET	% ACTIVE VS. BUDGET	PROJECTED LOSS OR GAIN BY 3-14-87	PROJECTED ACTIVE BY 3-14-87	MARCH 1987 BUDGET	ACTIVE VS. BUDGET-MAR	% ACTIVE VS. BUDGET-MAR	LEAVE PENDING SEP/FUR
CEO & STAFF	2	2	0	100.00%	0	2	2	0	100.00%	
OPERATIONS DIVISION										
VP & STAFF	8	8	0	100.00%	0	8	8	0	100.00%	
TRANSPORTATION	168	144	-24	85.71%	-1	143	168	-25	85.12%	
M P & E	98	98	0	100.00%	1	99	102	-3	97.06%	
ENGINEERING	152	148	-4	97.37%	0	148	174	-26	85.06%	
TOTAL OPERATIONS	426	398	-28	93.43%	0	398	452	-54	88.05%	
FINANCE DIVISION										
VP & STAFF	1	1	0	100.00%	0	1	1	0	100.00%	
ACCOUNTING	19	17	-2	89.47%	0	17	19	-2	89.47%	
INFO SYSTEMS	19	17	-2	89.47%	0	17	19	-2	89.47%	
REAL ESTATE	4	4	0	100.00%	0	4	4	0	100.00%	
FINANCIAL SERVICES	19	19	0	100.00%	-1	18	19	-1	94.74%	-1
TOTAL FINANCE	62	58	-4	93.55%	-1	57	62	-5	91.94%	
MARKETING DIVISION										
VP & STAFF	1	1	0	100.00%	0	1	1	0	100.00%	
MARKETING	5	3	-2	60.00%	0	3	5	-2	60.00%	
SALES	7	6	-1	85.71%	0	5	7	-1	85.71%	
PASSENGER SALES	10	5	-5	50.00%	0	5	10	-5	50.00%	
TOTAL MARKETING	23	15	-8	65.22%	0	15	23	-8	65.22%	
CHIEF COUNSEL	8	7	-1	87.50%	0	7	8	-1	87.50%	
ADMIN DEPT	8	6	-2	75.00%	0	6	8	-2	75.00%	
PERSONNEL DEPT	15	13	-2	86.67%	0	13	15	-2	86.67%	
TOTAL CORPORATION	544	499	-45	91.73%	-1	498	570	-72	87.37%	-1

**NOTE: LWOP/NON WORK-NON PAY/FURLOUGH/ NOT SHOWN IN ACTIVE NUMBERS
ALL FULL TIME, PART TIME & INTERMITTENT ARE COUNTED IN ACTIVE NUMBERS**

**ALASKA RAILROAD CORPORATION
1987 PERSONNEL REPORT-FEBRUARY**

AS OF: 2-28-87

MONTH	1987 BUDGETED	1987 TARGET	TARGET vs. BUDGET	% TARGET vs. BUDGET	1987 ACTUAL	ACTUAL vs. BUDGET	% ACTUAL vs. BUDGET	ACTUAL vs. TARGET	% ACTUAL vs. TARGET
JAN	533	511	-22	95.9%	519	-14	97.4%	8	101.6%
FEB	544	511	-33	93.9%	499	-45	91.7%	-12	97.7%
MAR	570	510	-60	89.5%					
APR	604	585	-19	96.9%					
MAY	671	619	-52	92.3%					
JUN	713	643	-70	90.2%					
JUL	712	643	-69	90.3%					
AUG	712	642	-70	90.2%					
SEP	634	600	-34	94.6%					
OCT	549	498	-51	90.7%					
NOV	532	496	-36	93.2%					
DEC	532	496	-36	93.2%					
AVERAGE	609	563	-46	92.4%			94.6%	-4	99.6%

**BUDGETED NUMBERS PROVIDED BY FINANCIAL SERVICES
ACTUAL NUMBERS TAKEN FROM MSA FILE 2-15-87 TO 2-28-87
LWOP/NON WORK-NON PAY AND FURLOUGH NOT COUNTED
MARKETING DIVISION HAS BUDGETED FOR HOST/HOSTESSES**

ALASKA RAILROAD CORPORATION
 1987 Projected Income Statement
 (\$ 000's)

	1987 Budget	1986 Latest Estimate	Variance	
			Dollars	Percentage
<u>REVENUES</u>				
Railroad	45,600	45,200	400	0.9
Other	11,160	11,300	(140)	(1.2)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	56,760	56,500	260	0.4
<u>COST AND EXPENSES</u>				
Railroad	39,580	42,524	(2,944)	(6.9)
Other	12,746	10,976	1,770	16.1
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	52,326	53,500	(1,174)	(2.1)
Bad Debt Reserve	480	600	(120)	(20.0)
Depreciation	3,600	2,400	1,200	50.0
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSE	56,406	56,500	(94)	(0.1)
<u>NET INCOME (LOSS)</u>	<u>354</u>	<u>0</u>	<u>354</u>	N/A

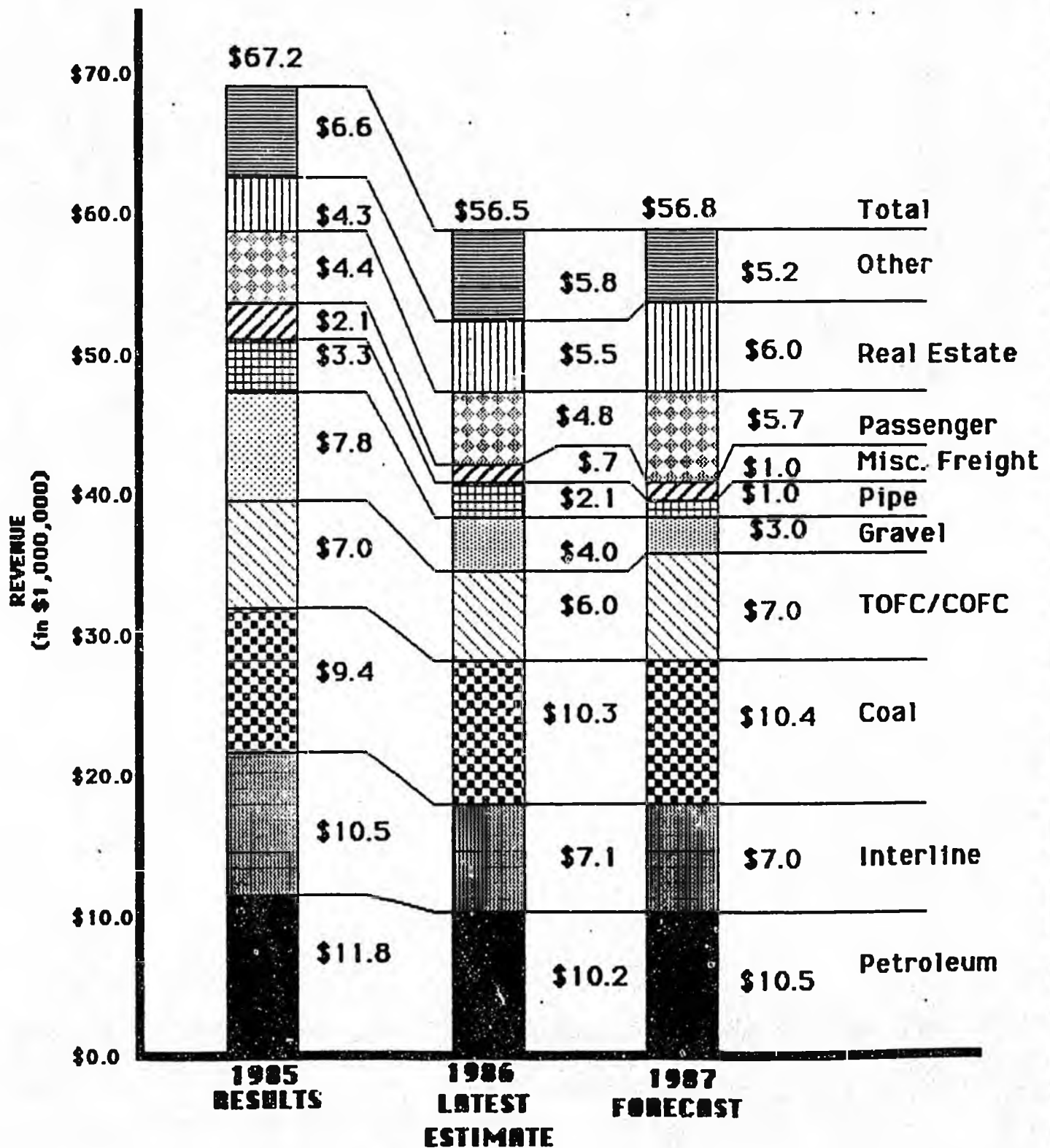
December 18, 1986

ALASKA RAILROAD CORPORATION
Revenues By Commodity
1987 Revenue Budget
(000's)

<u>Commodity</u>	<u>1987 Budget</u>	<u>1986 Latest Estimate</u>	<u>Variance</u>	
			<u>Dollar</u>	<u>%</u>
Pipe	1,000	2,125	(1,125)	(52.9)
Coal: Local	4,800	4,575	225	4.9
Export	5,600	5,700	(100)	(1.8)
Petroleum	10,500	10,200	300	2.9
Gravel	3,000	4,050	(1,050)	(25.9)
TOFC/COFC	7,000	6,000	1,000	16.6
Interline	7,000	7,050	(50)	(0.7)
Miscellaneous	1,000	700	300	42.9
TOTAL FREIGHT	39,900	40,400	(500)	(1.2)
Passenger:				
North Bound	3,300	2,700	600	22.2
South Bound	2,200	1,900	300	15.8
Charters, etc	200	200	0	0.0
TOTAL PASSENGER	5,700	4,800	900	18.8
Real Estate	6,000	5,500	500	9.1
Freight Related	662	540	122	22.6
All Other	4,498	5,260	(762)	(14.5)
TOTAL OTHER	11,160	11,300	(140)	(1.2)
TOTAL REVENUE	56,760	56,500	260	0.4

December 18, 1986

ALASKA RAILROAD CORPORATION REVENUE SOURCES



DECEMBER 16, 1986

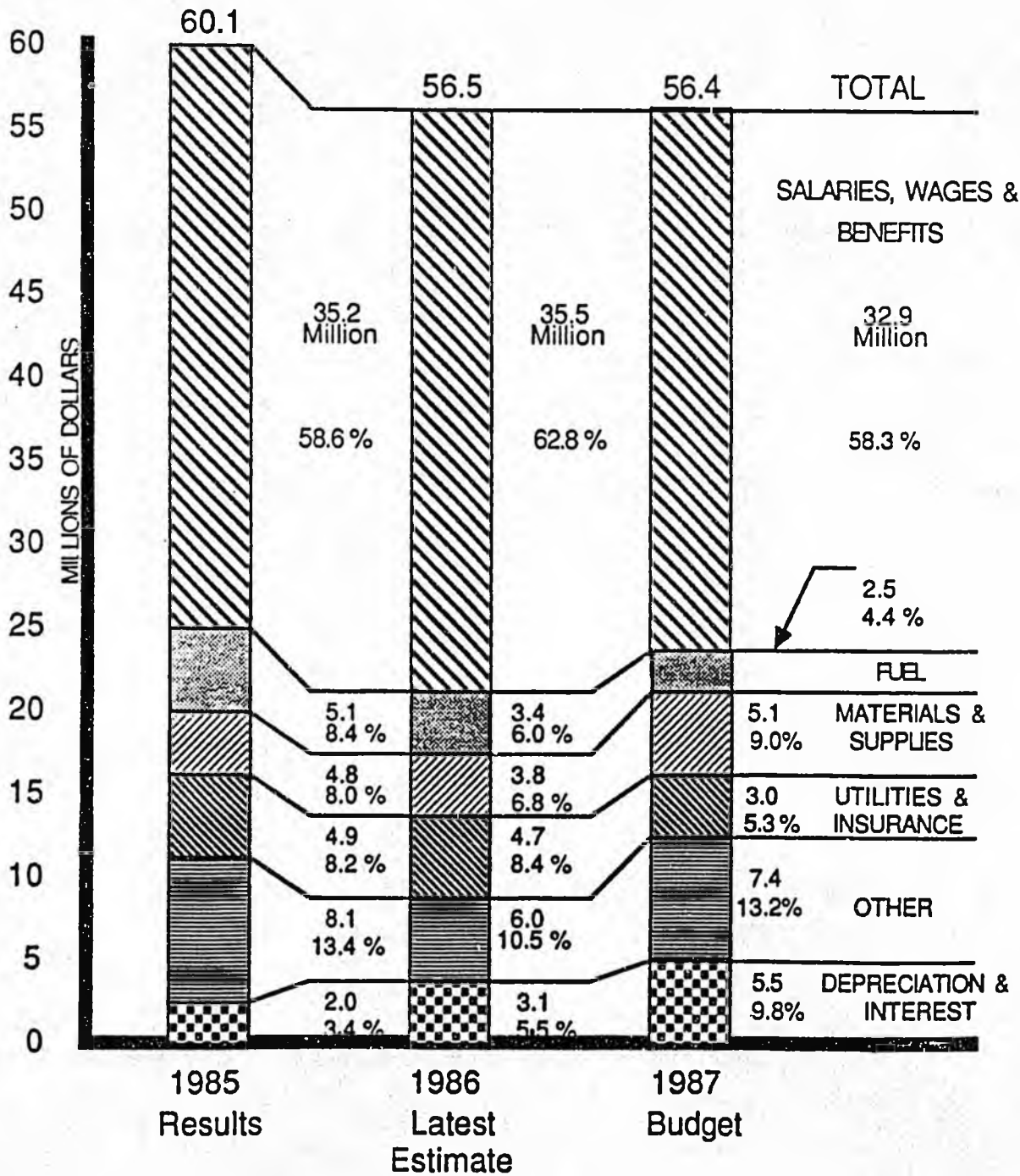
ALASKA RAILROAD CORPORATION
 1987 Expense Budget Performance Analysis
 (\$ 000's)

<u>DEPARTMENT</u>	<u>1987 BUDGET</u>	<u>1986 Latest Estimate</u>	<u>Dollar Variance</u>	<u>Percentage</u>
<u>Railroad</u>				
Transportation	13,990	15,200	(1,210)	(8.0)
Motive Power & Equipment	10,890	12,500	(1,610)	(12.9)
Engineering	11,999	12,050	(51)	(0.4)
Operations Staff	2,701	2,774	(73)	(2.6)
TOTAL RAILROAD	<u>39,580</u>	<u>42,524</u>	<u>(2,944)</u>	<u>(6.5)</u>
<u>General & Administrative</u>				
Corporate Office	525	625	(100)	(16.0)
Finance	4,599	5,120	(521)	(10.2)
Marketing	2,704	3,000	(296)	(10.0)
Administration	625	686	(61)	(8.9)
Human Resources	1,203	1,500	(297)	(19.8)
General Counsel	855	919	(64)	(7.0)
TOTAL G & A	<u>10,511</u>	<u>11,850</u>	<u>(1,339)</u>	<u>(11.3)</u>
<u>Corporate Overhead</u>				
Bad Debt Reserve	480	600	(120)	(20.0)
Interest Expense	1,920	726	1,194	164.5
Depreciation	3,600	2,400	1,200	50.0
Miscellaneous	315	(1,600)	1,915	N/A
TOTAL OVERHEAD	<u>6,315</u>	<u>2,126</u>	<u>4,189</u>	<u>197.0</u>
<u>TOTAL</u>	<u>56,406</u>	<u>56,500</u>	<u>(94)</u>	<u>(0.1)</u>

December 18, 1986

ALASKA RAILROAD CORPORATION

EXPENSE CATEGORIES



12-10-86

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ALASKA RAILROAD CORPORATION
 1987 OPERATING BUDGET SUMMARY
 (THOUSANDS OF DOLLARS)

	1987 PROPOSED <u>BUDGET</u>	1986 LATEST <u>ESTIMATE</u>	<u>VARIANCE</u>	
			<u>DOLLARS</u>	<u>%</u>
REVENUE	56,760	56,500	260	0.4
EXPENSE	<u>52,326</u>	<u>53,500</u>	<u>(1,174)</u>	<u>(2.1)</u>
SURPLUS (DEFICIT)	4,434	3,000	1,434	47.8
BAD DEBT RESERVE	480	600	(120)	(20.0)
DEPRECIATION	<u>3,600</u>	<u>2,400</u>	<u>1,200</u>	<u>50.0</u>
NET INCOME (LOSS)	<u>354</u>	<u>0</u>	<u>354</u>	<u>N/A</u>

ALASKA RAILROAD CORPORATION
1987 SPENDING BUDGET

SUMMARY
(\$000'S)

	1987 PROPOSED <u>BUDGET</u>	1986 LATEST ESTIMATE	<u>VARIANCE</u>	
			<u>DOLLARS</u>	<u>%</u>
CORPORATE OFFICE	525	625	(100)	(16.0)
OPERATIONS	39,580	42,524	(2,944)	(6.5)
FINANCE	4,599	5,120	(521)	(10.2)
MARKETING	2,704	3,000	(296)	(10.0)
ADMINISTRATION	625	686	(61)	(8.9)
HUMAN RESOURCES	1,203	1,500	(297)	(19.8)
GENERAL COUNSEL	855	919	(64)	(7.0)
CORPORATE OVERHEAD				
BAD DEBT RESERVE	480	600	(120)	(20.0)
DEPRECIATION	3,600	2,400	1,200	50.0
INTEREST EXPENSE	1,920	726	1,194	164.5
MISCELLANEOUS	<u>315</u>	<u>(1,600)</u>	<u>1,915</u>	<u>N/A</u>
TOTAL	<u>56,406</u>	<u>56,500</u>	<u>(94)</u>	<u>(0.1)</u>

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ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
CORPORATE OFFICE
SUMMARY

CORPORATE OFFICE DECREASE IS DUE TO REASSIGNMENT OF SECRETARIAL ASSISTANTS TO THE ADMINISTRATION DEPARTMENT. FURTHER DECREASES ARE BUDGETED IN AREAS OF TRAVEL, PARTICULARLY OVERSEAS SINCE COAL CONTRACT NEGOTIATIONS WITH SUNEEL HAS NOW BEEN COMPLETED. ADDITIONALLY, SUPPORT OF THE UNITED WAY CAMPAIGN FOR 1987 IS BUDGETED AT \$15,000 WHICH IS A REDUCTION OF \$5,000 FROM THE 1986 SUPPORT LEVEL.

ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
CORPORATE OFFICE
SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	264	349	(85)
CONTRACTUAL SERVICES	235	237	(2)
MATERIALS & SUPPLIES	11	11	0
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY	0	0	0
OTHER	<u>15</u>	<u>28</u>	<u>(13)</u>
TOTAL	525	625	(100)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>525</u>	<u>625</u>	<u>(100)</u>

EXPLANATION OF MAJOR VARIANCES:

- PERSONNEL REDUCTION REFLECTS RE-ASSIGNMENT OF SECRETARIAL SUPPORT FROM CEO TO ADMINISTRATION.
- OTHER EXPENSES REFLECT REDUCED FUNDING FOR CONTRIBUTIONS.

OPERATIONS DIVISION
1987 OPERATING BUDGET

THE OPERATIONS DIVISION HAS BUDGETED FUNDS TO PROVIDE A COMPLETE RANGE OF SERVICES BASED ON THE 1987 REVENUE FORECAST. THE DIVISION IS COM-
PRISED OF THE TRANSPORTATION, MP&E, ENGINEERING DEPARTMENTS, AND THE
VICE PRESIDENT OF OPERATION'S STAFF.

THE DIVISION'S BUDGETED AVERAGE MONTHLY MANPOWER IS 483 WHICH IS A
REDUCTION OF AN AVERAGE OF 80 EMPLOYEES PER MONTH FROM 1986. THIS RE-
DUCTION ALONG WITH OTHER COST CUTTING MEASURES HAS RESULTED IN A PRO-
POSED 1987 OPERATING BUDGET OF \$39,580,000. THIS BUDGET REPRESENTS
AN ESTIMATED REDUCTION OF \$2,944,000 FROM 1986 ACTUAL EXPENDITURES.
THE 1986 ACTUAL EXPENDITURES HAVE BEEN ADJUSTED FOR THE EXTRAORDINARY
EXPENSE RELATED TO THE OCTOBER FLOOD. HIGHLIGHTS OF THE BUDGET ARE
AS FOLLOWS:

	PROPOSED 1987	ESTIMATED 1986
V.P OF OPERATIONS STAFF	\$ 2,700,000	\$2,774,000
TRANSPORTATION DEPT.	\$13,990,000	\$15,211,000
MP& E DEPT.	\$10,890,00	\$12,474,000
ENGINEERING DEPT.	\$12,000,000	\$12,065,000

A DETAIL ACCOUNT OF THE PROPOSED 1987 OPERATING BUDGET IS PROVIDED
FOR EACH DEPARTMENT WITHIN THE OPERATIONS DIVISION.

ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
OPERATIONS
SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE*</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	26,582	29,013	(2,431)
CONTRACTUAL SERVICES	2,879	3,117	(238)
MATERIALS & SUPPLIES	6,723	6,824	(101)
RENTALS, UTILITIES	1,588	1,584	4
INSURANCE, CASUALTY	1,808	1,986	(178)
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	39,580	42,524	(2,944)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>39,580</u>	<u>42,524</u>	<u>(2,944)</u>

EXPLANATION OF MAJOR VARIANCES:

- PERSONNEL REDUCTION REFLECTS REDUCED MANPOWER.
- CASUALTY LOSSES ARE EXPECTED TO BE LOWER IN 1987.
- MATERIAL AND SUPPLIES REFLECT A SMALLER SUMMER WORK PROGRAM.

* EXPENSES ADJUSTED DOWNWARD TO REFLECT IMPACT OF FLOOD DISASTER.

FINANCE DEPARTMENT
1987 OPERATING BUDGET

THE FINANCE DEPARTMENT CONSISTS OF ACCOUNTING, MANAGEMENT INFORMATION SYSTEMS, REAL ESTATE, PROCUREMENT, SUPPLY AND CORPORATE PLANNING (FINANCIAL SERVICES). THE DEPARTMENT CONSISTS OF 62 PERSONNEL REFLECTING A FURTHER DECREASE OF 3 PROFESSIONAL STAFF POSITIONS FROM THE PREVIOUS YEAR.

IN THE PREVIOUS YEAR, THE DEPARTMENT IMPLEMENTED AND INSTALLED THE REMAINDER OF CRITICAL FINANCIAL MANAGEMENT INFORMATION SYSTEMS, DESIGNED AND BEGAN IMPLEMENTATION OF A CAR ACCOUNTING SYSTEM, DATA BASE MANAGEMENT SYSTEM AND PROVIDED STAFF AND TECHNICAL SUPPORT TO THE GROWING PERSONAL COMPUTER BASE AT ARRC. THESE PROGRAMS WILL CONTINUE WITH THE NEXT PHASE OF THE CAR ACCOUNTING SYSTEM AND CONTINUED EXPANSION OF THE DATA BASE INTEGRATION THROUGHOUT THE YEAR.

THE REAL ESTATE DIVISION IMPLEMENTED AN AUTOMATED LAND DATA BASE SYSTEM AND WILL CONTINUE TO UPGRADE THE INTEGRITY OF THIS SYSTEM IN THE COMING YEAR. ADDITIONALLY, 105 PARCELS OF REAL ESTATE WILL BE RE-APPRAISED UNDER THE NEW MASTER LEASE POLICY. THIS PROCESS WILL RESULT IN A HEALTHY INCREASE IN REAL ESTATE INCOME AS REFLECTED IN THE REVENUE BUDGET.

ACCOUNTING CONTINUED TO IMPLEMENT THE NECESSARY PROCEDURES AND POLICIES TO BRING THE RAILROAD IN COMPLIANCE WITH GAAP AND TO IMPLEMENT THE NEW, UPDATED VERSIONS OF THE ACCOUNTING SYSTEMS. AGGRESSIVE COLLECTION OF ALL ACCOUNTS RECEIVABLE WILL CONTINUE TO BE AN AREA OF EMPHASIS.

FINANCIAL SERVICES DISPOSED OF OVER \$1,000,000.00 OF SCRAP DURING THE PAST YEAR AND EXPECTS TO CONTINUE AT THIS PACE DURING THE BUDGETED YEAR. NEARLY \$7.0 MILLION IN EQUIPMENT WAS FINANCED AND OVER \$7.0 MILLION OF OPERATING FUNDS WAS PROVIDED. MAJOR CONTRACTS CONCLUDED DURING THE YEAR INCLUDED WESTOURS FOR OPERATION OF LUXURY PASSENGER SERVICES, REBUILD OF 6 GP-38/3 LOCOMOTIVES, EQUIPMENT CONTRACTS AND OTHER CONTRACTS OF A SIMILAR NATURE. PROCUREMENT EXPECTS TO FULLY IMPLEMENT THE NEW AUTOMATED PURCHASE ORDER MODULE OF MSA DURING THE COMING YEAR, BRING ARRC INTO COMPLIANCE WITH STATE LAW REGARDING PROCUREMENT PRACTICES AND STREAMLINE ITS ACTIVITIES.

ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
FINANCE
SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	2,979	3,267	(288)
CONTRACTUAL SERVICES	980	1,224	(244)
MATERIALS & SUPPLIES	640	624	16
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY	0	0	0
OTHER	<u>0</u>	<u>5</u>	<u>(5)</u>
TOTAL	4,599	5,120	(521)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>4,599</u>	<u>5,120</u>	<u>(521)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COST DECREASE REFLECTS FULL YEAR EFFECT OF ELIMINATION OF 3 PROFESSIONAL STAFF POSITIONS AND ASSOCIATED COSTS.
- ° CONTRACTUAL SERVICES REFLECTS WIND DOWN OF MSA ACCOUNTING SYSTEM INSTALLATION AND REMOVAL OF THE BURROUGH'S COMPUTER.

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ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
MARKETING
SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	1,230	1,411	(181)
CONTRACTUAL SERVICES	1,352	1,429	(77)
MATERIALS & SUPPLIES	60	60	0
RENTALS, UTILITIES	62	100	(38)
INSURANCE, CASUALTY	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2,704	3,000	(296)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>2,704</u>	<u>3,000</u>	<u>(296)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL REDUCTIONS REFLECT VACANT SALES POSITION.
- ° OUTSIDE SERVICES COMPRISED OF COMMISSION TICKET SALES, WHITTIER BUS RENTALS, COACH/CABOOSE CLEANING, CATERING; DECREASE DUE TO REDUCTION OF ADVERTISING CONTRACT.
- ° RENTALS DECREASE IS DUE TO RELOCATION OF THE MARKETING STAFF TO THE VACANT OFFICE SPACE IN THE GENERAL OFFICE BUILDING.

ADMINISTRATION DEPARTMENT
1987 OPERATING BUDGET

THE ADMINISTRATION DEPARTMENT BUDGET INCLUDES ALL COSTS ASSOCIATED WITH THE ARRC BOARD OF DIRECTORS, DEVELOPMENT OF ADMINISTRATIVE POLICIES, SUPPORT SERVICES PROVIDED TO THE EXECUTIVE OFFICES, AND ADMINISTRATIVE SERVICES PROVIDED TO THE CORPORATION. ADMINISTRATIVE SERVICES INCLUDES OPERATION OF THE PRINT SHOP FACILITY AS WELL AS DECENTRALIZED COPY EQUIPMENT, MAIL OPERATIONS CENTER, OFFICE AUTOMATION, AND MANAGEMENT OF THE VEHICLE FLEET. OTHER SERVICES INCLUDE RECORDS MANAGEMENT AND FORMS MANAGEMENT.

THE ADMINISTRATION DEPARTMENT CONSISTS OF SEVEN EMPLOYEES WHICH IS A DECREASE OF TWO FROM THE 1986 MANNING LEVEL. BOARD OF DIRECTORS' EXPENSES ARE ESTIMATED AT \$48,000 FOR THE YEAR WHICH INCLUDES ALL COMPENSATION, TRAVEL AND PER DIEM, AND OTHER RELATED EXPENSES. GENERAL AND EXECUTIVE ADMINISTRATIVE SUPPORT EXPENSES WHICH INCLUDES BOARD SUPPORT ARE ESTIMATED AT \$392,000 WHILE PRINT SHOP EXPENSES SUPPORTED BY ONE OPERATOR ARE ESTIMATED AT \$106,000 AND MAIL OPERATIONS EXPENSES SUPPORTED BY ONE MESSENGER AND INCLUDES ALL POSTAGE EXPENSE FOR THE CORPORATION AT \$78,000. THE ACTIVITY LEVELS OF THE VARIOUS RAILROAD DEPARTMENTS AFFECTS THE ACTIVITY LEVEL FOR ADMINISTRATIVE SERVICES BECAUSE OF THE NATURE OF SERVICE PROVIDED.

ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
ADMINISTRATION
SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	388	367	21
CONTRACTUAL SERVICES	209	272	(63)
MATERIALS & SUPPLIES	28	47	(19)
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	625	686	(61)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>625</u>	<u>686</u>	<u>(61)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COST DECREASE REFLECTS RE-ASSIGNMENT OF SECRETARIAL POSITIONS FROM CEO TO ADMINISTRATION AND PERSONNEL CUTS.
- ° OUTSIDE SERVICES DECREASE REFLECTS MOVING RESPONSIBILITY FOR BUDGETING ALL COMPUTER TYPE EQUIPMENT FROM ADMINISTRATION TO INFORMATION SYSTEMS.
- ° MATERIALS AND SUPPLIES REFLECTS A DECREASE DUE TO A ONE TIME ONLY PROJECT COMPLETED IN 1986.

HUMAN RESOURCES DEPARTMENT
1987 OPERATING BUDGET

THE HUMAN RESOURCES DEPARTMENT IS STAFFED AND BUDGETS FUNDS TO PROVIDE A FULL RANGE OF HUMAN RESOURCE SERVICES INCLUDING RECRUITMENT, EMPLOYMENT, LABOR RELATIONS, AFFIRMATIVE ACTION, HEALTH, SAFETY AND ENVIRONMENT, AND ORGANIZATION, COMPENSATION AND BENEFITS TO THE PRESIDENT AND CEO AND HIS STAFF.

THE HUMAN RESOURCES STAFF IS COMPRISED OF 15 PEOPLE UNTIL 6/30/87 AT WHICH TIME IT WILL BE REDUCED TO 14 WHICH REPRESENTS A DECLINE OF SIX ACTUAL PERSONNEL FROM THE 1986 MANNING LEVEL. THE OPERATING BUDGET FOR 1987 IS \$1,201,000. HIGHLIGHTS OF THE BUDGET ARE AS FOLLOWS:

SALARIES AND BENEFITS AMOUNT TO 68% OF THE BUDGET. AN ESTIMATED 240 PERIODIC AND 150 SEASONAL PRE-EMPLOYMENT PHYSICALS WILL COST \$72,000. SUPERVISORY AND SAFETY TRAINING IS ESTIMATED AT \$41,000. THE SAFETY AWARDS PROGRAM IS BUDGETED FOR \$50,000. THIS REPRESENTS MERIT AND BRONZE AWARDS FOR A MAJORITY OF RAILROAD EMPLOYEES IN 1987. A MORE DETAILED ACCOUNT OF THE BUDGET IS SET OUT FOR EACH SECTION OF THE HUMAN RESOURCES DEPARTMENT.

ALASKA RAILROAD CORPORATION
 1987 SPENDING PLAN
 HUMAN RESOURCES
 SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	905	1,147	(242)
CONTRACTUAL SERVICES	212	220	(8)
MATERIALS & SUPPLIES	86	133	(47)
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1,203	1,500	(297)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>1,203</u>	<u>1,500</u>	<u>(297)</u>

EXPLANATION OF MAJOR VARIANCES:

- PERSONNEL COST DECREASE REFLECTS ELIMINATION OF 6 POSITIONS.

GENERAL COUNSEL'S OFFICE
1987 OPERATING BUDGET

THE GENERAL COUNSEL'S OFFICE IS STAFFED AND BUDGETS FUNDS TO PROVIDE A FULL RANGE OF LEGAL SERVICES FOR THE CORPORATION THAT ARE NEEDED IN A MULTITUDE OF AREAS, INCLUDING COMMERCIAL, FINANCIAL, CORPORATE, REGULATORY, ENVIRONMENTAL, FEDERAL CONVEYANCING, NATIVE LAND CLAIMS, PERSONNEL, LABOR LAW, TRANSPORTATION, LEGISLATIVE INTERPRETATION AND IMPLEMENTATION, WORKERS COMPENSATION, FREIGHT CLAIMS, PERSONAL INJURY AND PROPERTY DAMAGE.

FOR FISCAL 1987 THE GENERAL COUNSEL'S OFFICE STAFF WILL BE COMPRISED OF 6 PEOPLE. THE OPERATING BUDGET FOR 1987 IS \$855,000.00. HIGHLIGHTS OF THE BUDGET ARE AS FOLLOWS:

SALARIES AND BENEFITS AMOUNT TO 41% OF THE BUDGET. AN ESTIMATED 53% OF THE BUDGET IS FOR CONTRACTUAL SERVICES, TRAVEL, LAW LIBRARY, SUPPLIES AND EDUCATION/TRAINING COMPRISES THE REMAINING 6% OF THE 1987 BUDGET. A MORE DETAILED ACCOUNT OF THE BUDGET IS SET OUT FOR EACH CATEGORY OF THE GENERAL COUNSEL'S OFFICE BUDGET.

ALASKA RAILROAD CORPORATION
 1987 SPENDING PLAN
 GENERAL COUNSEL
 SUMMARY

	<u>1987 PROPOSED BUDGET</u>	<u>1986 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	367	414	(47)
CONTRACTUAL SERVICES	484	501	(17)
MATERIALS & SUPPLIES	4	4	0
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	855	919	(64)
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>855</u>	<u>919</u>	<u>(64)</u>

EXPLANATION OF MAJOR VARIANCES:

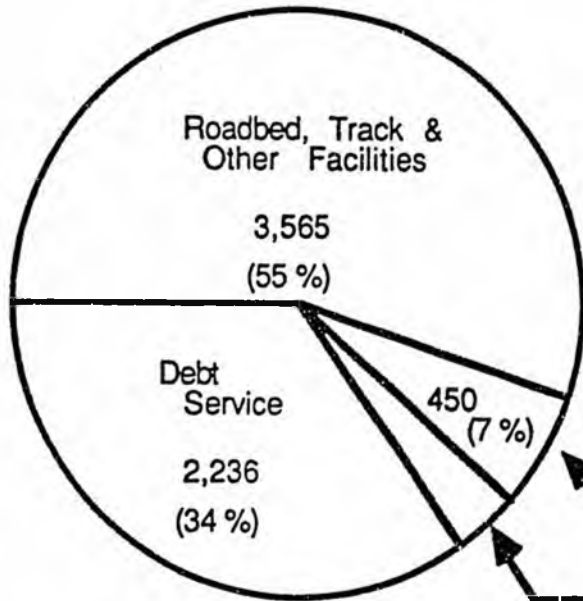
- PERSONNEL COSTS REFLECTS ELIMINATION OF GENERAL ATTORNEY POSITION.
- CONTRACTUAL SERVICES DECREASE REFLECTS REDUCED OUTSIDE ATTORNEY EXPENSES.

ALASKA RAILROAD CORPORATION
1987 SPENDING PLAN
CORPORATE OVERHEAD
SUMMARY

CORPORATE OVERHEAD INCREASES ARE DUE TO LARGER DEBT SERVICE REQUIREMENTS
AND INCREASED ASSET BASE FOR DEPRECIATION.

ALASKA RAILROAD CORPORATION 1987 CAPITAL PROGRAM

Thousands of Dollars

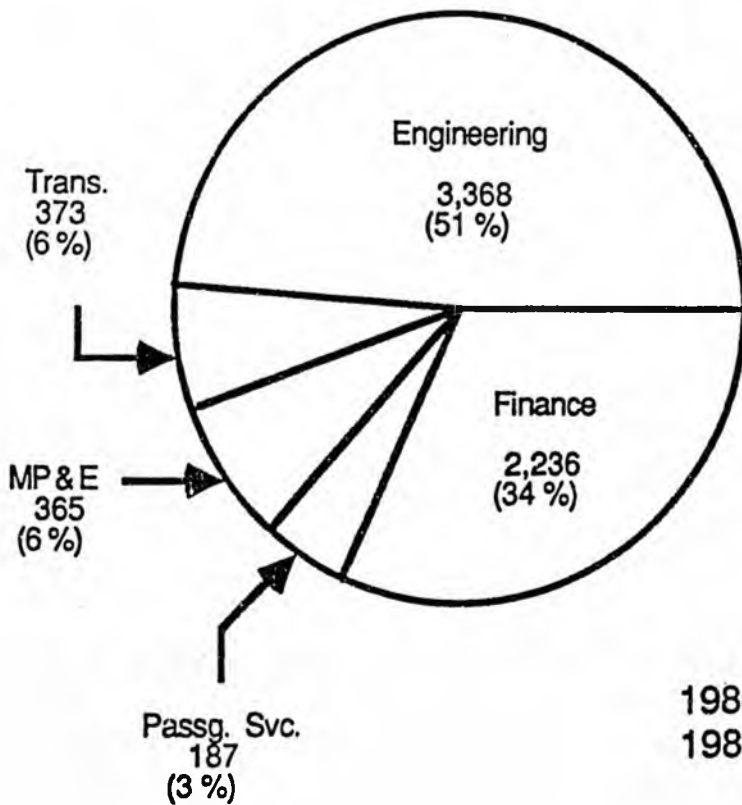


**BY
CATEGORY**

6,529

Other

Vehicles
278
(4%)



**BY
DEPARTMENT**

6,529

SPENDING

1986	Carryover	548
1987	New Projects	<u>5,981</u>
Total 1987 Spending		<u><u>6,529</u></u>

ALASKA RAILROAD CORPORATION
CAPITAL BUDGET SUMMARY
1987

DEBT SERVICE	\$2,236
OPERATIONS PROJECTS	4,106
PASSENGER SERVICES UPGRADE	187
	<hr/>
TOTAL	6,529
LESS NON-CASH/REIMBURSEABLE AMOUNT	<u>(1,909)</u>
<u>TOTAL CASH FLOW IMPACT</u>	<u>4,620</u>

December 18, 1986

(25)

ALASKA RAILROAD CORPORATION
Capital Budget Summary
1987

DEBT SERVICE

<u>INSTITUTION</u>	<u>PRINCIPLE</u>	<u>INTEREST</u>	<u>INTEREST RATE</u>
<u>Chase Manhattan</u>			
Locomotives, GP-49	482,076.00	359,040.00	9.3
Articulated Flats, 30	235,530.00	192,055.00	10.5
Construction Equipment	119,284.00	128,352.00	7.5
Locomotives, GP-38/3 (6)	279,002.00	229,917.00	8.0
Locomotive Cranes (3)	130,868.00	109,455.00	8.0
RDC, 1986 (3)	53,348.00	45,609.00	8.0
Subtotal	1,300,108.00	1,064,428.00	
<u>Citicorp</u>			
Locomotives, Construction Equip	214,278.00	161,821.00	8.3
Articulated Flats (15)	126,427.00	102,734.00	6.011
Subtotal	340,705.00	264,555.00	
<u>Alaska Pacific Bank</u>			
RDC, 1985 Upgrade	183,182.00	61,008.00	8.15
Subtotal	183,182.00	61,008.00	
<u>Miscellaneous</u>			
IBM (small equipment)	98,599.00	11,663.00	
IBM (mainframe)	221,727.00	71,937.00	
US Leasing (Wang Equip)	91,550.00	9,115.00	
Subtotal	411,876.00	92,715.00	
 TOTAL DEBT SERVICE	 2,235,871.00	 1,482,706.00	

December 18, 1986

ALASKA RAILROAD CORPORATION
 1987 Capital Budget Summary
 (\$ 000's)

OPERATIONAL PROJECTS

	<u>\$ THOUSANDS</u>	
	<u>TOTAL</u>	<u>1987</u>
	<u>VALUE</u>	<u>SPENDING</u>
 1986 CARRYOVER PROJECTS		
Head-End Power Plants	106	75
Eielson Branch Rehabilitation	2,202	92
Fiber Optic Cable Terminals	125	112
Radio System Replace & Upgrade	300	269
TOTAL	2,733	548
 1987 PROPOSED CAPITAL PROJECTS		
<u>Transportation</u>		
Light vehicles, (6)	108	108
Hot Box Detectors	100	100
Upgrade Anchorage TOFC Yard	65	65
Fairbanks TOFC Yard Phase I	100	100
TOTAL	373	373
 <u>Motive Power & Equipment</u>		
Light Vehicles, (2)	30	30
Locomotive Flange Lubricators	40	40
Material Handling Equipment	20	20
Manlift	50	50
Overhead Crane Improvements	50	50
Wastewater Treatment	100	100
TOTAL	290	290
 <u>Engineering</u>		
Light Vehicles, (6)	108	108
Rail, Ties, Ballast	1,300	1,300
Bridge Program	575	575
Montana Creek Bridge	361	361
Sheep Creek Bridge	193	193
Rail Tie Fasteners	100	100
Whittier Electric	200	200
TOTAL	2,837	2,837

(Cont)

	<u>\$ THOUSANDS</u>	
	<u>TOTAL</u> <u>VALUE</u>	<u>1987</u> <u>SPENDING</u>
1987 PROPOSED CAPITAL PROGRAM (CONT)		
<u>Security</u>		
Light Vehicles, (2)	32	32
Fencing, West Anchorage ROW	26	26
TOTAL	<u>58</u>	<u>58</u>
TOTAL OPERATIONAL PROJECTS	<u>6,291</u>	<u>4,106</u>
<u>PASSENGER SERVICES UPGRADE</u>		
Containerized Baggage	72	72
Denali Depot Upgrade	15	15
Whittier Flatcars	100	100
TOTAL PASSENGER SERVICES	<u>187</u>	<u>187</u>
<u>TOTAL OPERATION AND PASSENGER SERVICES</u>	<u>6,478</u>	<u>4,293</u>

December 18, 1986

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: LIGHT VEHICLE REPLACEMENT PROGRAM
- B. LOCATION: OPERATIONS DIVISION
- C. ESTIMATED COST: \$278
- D. ACCURACY OF COST ESTIMATE: CLASS 111 (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN
& COST ESTIMATE: N/A
- F. PROJECT DESCRIPTION: PURCHASE 16 LIGHT VEHICLES
- G. PROJECT JUSTIFICATION:

The present vehicles scheduled for replacement have body and rust damage, high mileage, and experience high maintenance costs. The vehicles' average age is eight years and mileage over 80,000. These vehicles have met or exceeded their forecasted economic life of five years or 70,000 miles.

Older vehicles with high mileage are difficult to maintain to ensure reliable operating status. An annual replacement program will result in lower vehicle maintenance cost, increase availability resulting in increased productivity, and a higher quality vehicle fleet.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: HOT BOX DETECTORS
- B. LOCATION: WILLOW MP 185.9
- C. ESTIMATED COST: \$100
- D. ACCURACY OF COST ESTIMATE: CLASS 111 (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Construct hot box, shifted load, and dragging equipment detector.

G. PROJECT JUSTIFICATION:

Trains are inspected at three locations resulting in six inspections per round trip between Anchorage and Fairbanks. These inspections result in additional train delays of approximately 30 minutes per trip.

An automated, mechanical inspection system will detect, locate, and alert train crews of hot boxes, dragging equipment, and shifted loads thus reducing train delays at the Willow inspection point. This installation will be the test site to evaluate an automated inspection system as a prelude to operating more trains without cabooses.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: UPGRADE ANCHORAGE TOFC
YARD
- B. LOCATION: SHIP CREEK
- C. ESTIMATED COST: \$65
- D. ACCURACY OF COST ESTIMATE: CLASS 111 (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Resurface the existing TOFC Yard. The project will consist of fill, grading, compaction, and surfacing with D-1 or equivalent.

G. PROJECT JUSTIFICATION:

The current TOFC Yard has not received any major improvements since 1984. Over the last three years of constant use and exposure to weather conditions, the yard has deteriorated to an uneven, wash-board surface resulting in slower operations and potential safety hazards. In August, two employees claimed on-the-job back injuries from operating yard hostlers over this rough terrain for extended periods of time.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: FAIRBANKS TOFC YARD
(PHASE 1)
- B. LOCATION: FAIRBANKS YARD
- C. ESTIMATED COST: \$100
- D. ACCURACY OF COST ESTIMATE: CLASS 111 (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A
- F. PROJECT DESCRIPTION:

Phase 1 of the Fairbanks TOFC Yard consists of relocation of the existing yard and compaction of 3000 cubic yards of type III fill.

G. PROJECT JUSTIFICATION:

The existing Fairbanks TOFC Yard is inefficient, has restricted space and will be inadequate to handle increases in intermodal business. The current TOFC Yard configuration requires intermodal cars be worked in separate areas. This in turn requires the van loader and truckers to cross active yard tracks to pick up and drop off trailers creating potential safety hazards and an inefficient yard operation. Additionally, TOFC trailers are now stored in an unsecured area and we have experienced vandalism and theft problems. This project will provide a TOFC Yard minimizing safety and security problems and maximizing operational efficiency.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: HEAD END POWER PLANT
B. LOCATION: ANCHORAGE
C. ESTIMATED COST: \$75
D. ACCURACY OF COST ESTIMATE: CLASS 11 (+ OR - 10%)
E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE

F. PROJECT DESCRIPTION:

Purchase and install a 315 KW head end power plant in locomotive 3010. This project was initiated in fourth quarter 1986 with \$28 forecasted as a work in process carryover. The estimated 1987 expenditures is \$75.

G. PROJECT JUSTIFICATION:

The modification of locomotive 3010 with a head end power unit provides the most utility to railroad operations. This modified locomotive will be used in passenger service and winter freight service. The winter utilization will consist of keep from freezing freight service.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

A. PROJECT TITLE: LOCOMOTIVE FLANGE
LUBRICATORS

B. LOCATION: ANCHORAGE

C. ESTIMATED COST: \$40

D. ACCURACY OF COST ESTIMATE: CLASS 11 (+ OR - 10%)

E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Purchase and install 15 locomotive wheel flange lubricators.

G. PROJECT JUSTIFICATION:

Recent research has shown if lubricant is applied to locomotive wheel flanges significant reduction of fuel consumption and wheel wear can be achieved. MP & E anticipates annual cost savings of \$54 in reduced consumption of fuel, locomotive and car wheels, and track wear.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: MATERIAL HANDLING
EQUIPMENT
- B. LOCATION: ANCHORAGE
- C. ESTIMATED COST: \$20
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Purchase and install miscellaneous shop equipment

G. PROJECT JUSTIFICATION:

This investment pool represents an equipment replacement program established to update our shop equipment. The shop equipment will be replaced with new more efficient equipment when the old equipment breaks down beyond economic repair.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

A. PROJECT TITLE: PURCHASE MANLIFT
B. LOCATION: ANCHORAGE
C. ESTIMATED COST: \$50
D. ACCURACY OF COST ESTIMATE: CLASS 11 (+ OR - 10%)
E STATUS OF ENGINEERING DESIGN & COST ESTIMATE N/A
F. PROJECT DESCRIPTION:

Purchase Manlift Equipment

G. PROJECT JUSTIFICATION:

MP & E Department requires a manlift to perform the monthly crane inspections and shop maintenance. Currently, MP & E rents a manlift from a local equipment dealer, or borrows Engineering Department's manlift. Engineering's manlift is heavily utilized and is seldom available for use by MP & E Department. The annual estimated cost savings in equipment rental is \$13.0.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: OVERHEAD CRANE
IMPROVEMENTS
- B. LOCATION: ANCHORAGE
- C. ESTIMATED COST: \$50
- D. ACCURACY OF COST ESTIMATE: CLASS 11 (+ OR - 10%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Purchase and install new power supply for the General Repair Shop
DC cranes.

G. PROJECT JUSTIFICATION:

The proposed new power supply will enable the crane to be operated
from floor level controls versus from a cab on the crane. The new
floor level controls will reduce labor requirements and improve shop
safety. Additionally, noise levels will be reduced and improving
the working conditions.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: WASTE WATER TREATMENT
- B. LOCATION: SHIP CREEK
- C. ESTIMATED COST: \$100
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: N/A

F. PROJECT DESCRIPTION:

Improve the waste water handling systems at the locomotive wash rack.

G. PROJECT JUSTIFICATION:

To keep the Railroad in compliance with environmental rules an improved waste water treatment handling system should be installed. A benefit of an improved system should be a reduction in the amount of water requiring treatment resulting in lower operating costs.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: RAIL PROGRAM
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$319
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE

F. PROJECT DESCRIPTION:

Install 14,400 feet of alloy rail.

G. PROJECT JUSTIFICATION:

This is an annual major maintenance program designed to replace rail that has exceeded its useful life for mainline operations. The used rail will be cascaded to sidings and or yard tracks where re-required. The replacement rail will come from existing inventories and will not require a capital outlay.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: TIE PROGRAM
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$323
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE
- F. PROJECT DESCRIPTION:

Install 6,000 ties. The tie program will be consist of 3,000 soft-wood and 3,000 hardwood ties.

G. PROJECT JUSTIFICATION:

This is an annual major maintenance program designed to replace old and worn out ties that have exceeded their useful life. The replacement ties will come from existing inventories and will not require a capital outlay.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: BALLAST PROGRAM
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$658
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE COMPLETE

F. PROJECT DESCRIPTION:

Replace 60,000 cubic yards of ballast and resurface 300 miles of track.

G. PROJECT JUSTIFICATION:

This is an annual major maintenace program designed to replace ballast that has exceeded its useful life. The replacement ballast will come from existing inventories and will not require a capital outlay.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: EIELSON BRANCH REHAB
- B. LOCATION: FAIRBANKS
- C. ESTIMATED COST: \$92
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE COMPLETE
- F. PROJECT DESCRIPTION:

Install 500 second hand ties and spot surface as required. This is a carryover project approved in the 1986 Capital Budget.

G. PROJECT JUSTIFICATION:

The installation of ties and the spot surfacing represents the balance of work for the 1986 Capital Budget item. On the completion of this work AFE 115 Eielson Branch will be complete. Any additional work will be budgeted in future years as new a budget item.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: BRIDGE PROGRAM
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$575
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE

F. PROJECT DESCRIPTION

This is an annual program of major maintenance on steel bridges, timber trestles, and culverts. Deteriorated ties, piling, bridge timbers, and culverts are replaced on a programmed basis.

G. PROJECT JUSTIFICATION:

Timber bridge components have an average service life of 30 years. Major rehabilitation work in the 1952 - 1956 period resulted in a significant amount of 30+ year old timber in service. This program is required to replace these bridge members to reduce the risk of failure. Culvert replacements are required to maintain drainage and keep roadbed maintenance costs from increasing. Renewed bridges also reduces the cost of track maintenance at the bridge ends. The replacement and/or upgrade of the substructure of the bridges is required to ensure the load carrying capabilities of the bridge and maintain a safe operating railroad.

The material cost is estimated at \$200 with the majority of the materials coming from existing inventory.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A PROJECT TITLE: MONTANA CREEK BRIDGE
- B. LOCATION: MONTANA CREEK
- C. ESTIMATED COST: \$361
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE COMPLETE
- F. PROJECT DESCRIPTION:
- Rebuild the Montana Creek Bridge
- G. PROJECT JUSTIFICATION:

The October 1986 flood severely damaged this bridge and this project represents the permanent repairs. The FEMA and STATE reimbursement is anticipated to pay for the total cost of repairs.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: RAIL TIE FASTNERS
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$100
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE

F. PROJECT DESCRIPTION:

Install 150 gage plates and 300 Pandrol tie plates on curves of 6 degrees or greater. This is a carryover project approved in the 1986 Capital Budget.

G. PROJECT JUSTIFICATION:

These devices prevent spreading track gage. Spreading of gage on sharp curves as well as rail rotation under severe lateral loading is a very serious concern for the Railroad. Constant regaging on wooden ties reduces tie service life by an estimated 15%.

The gage plates and Pandrol tie plates are in our current inventory minimizing any capital outlay for materials.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

A PROJECT TITLE: SHEEP CREEK BRIDGE
B. LOCATION: SHEEP CREEK
C. ESTIMATED COST: \$193
D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE COMPLETE
F. PROJECT DESCRIPTION:
Rebuild the SHEEP Creek Bridge
G. PROJECT JUSTIFICATION:

The October 1986 flood severely damaged this bridge and this project represents the permanent repairs. The FEMA and STATE reimbursement is anticipated to pay for the total cost of repairs. The permanent repairs were started in November 1986 and will carryover into 1987.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: FIBER OPTIC CABLE TERMINALS
- B. LOCATION: ANCHORAGE, PORTAGE, & WHITTIER
- C. ESTIMATED COST: \$112
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: COMPLETE
- F. PROJECT DESCRIPTION:

Install digital fiber optical terminals to replace open wire pole line and marine cable system between Portage and Whittier. This is a carryover project approved in the 1986 Capital Budget.

G. PROJECT JUSTIFICATION:

The pole line cable system to Whittier was built in 1940 and is in need of major overhaul and replacement. The system received major damage during the 1964 earthquake and four sections have been replaced with temporary cable. In the last six years most of the lead splices have badly corroded and are close to failure. A replacement system will cost \$325,000, but an agreement between Anchorage Telephone Utility and the Railroad has enabled us to utilize the fiber optic system between Anchorage and Whittier. This agreement will eliminate the need for replacement of the pole line. Purchasing the fiber optic terminals and connecting them to ATU's fiber optic system will give us full data and telephone service to the Whittier Terminal.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: REPLACE AND UPGRADE RADIO SYSTEM
- B. LOCATION: SYSTEM WIDE
- C. ESTIMATED COST: \$269
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE COMPLETE
- F. PROJECT DESCRIPTION:

Replace and upgrade radios currently operating in the Federal Government band to operate in the Land Transportation Railroad Band and divide the Maintenance of Way operations into separate channels from train operators. This is a carryover project approved in the 1986 Capital Budget.

- G. PROJECT JUSTIFICATION:

The military surplus radios installed in the 40's and the piece-meal modifications since then will no longer meet the needs of the Railroad. An example is the train and portable radios in use cannot operate on both the perviously assigned federal frequencies and the Land Transportation Railroad Band (LTRB). The replacement and upgrade will initially permit the Railroad to use four frequencies operating in the LTRB and permit future expansion within the 99 channels allotted for railroad use.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE: WHITTIER ELECTRIC
- B. LOCATION: WHITTIER TERMINAL
- C. ESTIMATED COST: \$200
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: REVIEW STATUS
- F. PROJECT DESCRIPTION:

Replacement of existing high voltage distribution system in the Whittier Yard.

G. PROJECT JUSTIFICATION:

The railroad has incurred a PCB contamination problem in the Whittier electrical distribution system. The current system is a non-standard distribution network which is contaminated with PCB's. A replacement system is necessary to eliminate future PCB problems and to minimize clean up costs of the current contaminated system.

PROPOSED 1987 BASELINE CAPITAL BUDGET
SUPPLEMENTAL PROJECT INFORMATION SHEET
(\$000)

- A. PROJECT TITLE SECURITY FENCE
- B. LOCATION: WEST ANCHORAGE ROW
- C. ESTIMATED COST: \$26
- D. ACCURACY OF COST ESTIMATE: CLASS III (+ OR - 15%)
- E. STATUS OF ENGINEERING DESIGN & COST ESTIMATE: REVIEW STATUS
- F. PROJECT DESCRIPTION:
- Fence the TOFC yard that borders the west Anchorage ROW.
- G. PROJECT JUSTIFICATION:

The TOFC Yard bordered by Post and Whitney Roads is a storage area without a security fence. A number of incidents of vandalism, burglary, and trespass have been reported. These incidents illustrate the importance of security fencing in restricting access to a storage area. Additionally, restricted access will minimize the potential accidents resulting in an injuries to trespassers.

PROPOSED 1987 BASELINE CAPITAL BUDGET
 SUPPLEMENTAL PROJECT INFORMATION SHEET
 (\$000)

A. PROJECT TITLE Denali Depot Refurbishing
 B. LOCATION Anchorage

C. ESTIMATED COST	<u>MATERIALS</u>	<u>(ARRC or Contract) LABOR</u>
COST		
Electrical	\$ 1,000	\$ 3,000
Plumbing	500	2,000
Roof	500	1,000
Paint Outside	1,000	1,500
Paint Inside	500	1,000
Other Repairs (contingency)	<u>\$ 1,000</u>	<u>\$ 2,000</u>
Subtotal	\$ 4,500	\$10,500

\$15,000 ESTIMATED TOTAL COST

D. ACCURACY OF COST ESTIMATE Class 3

E. PROJECT DESCRIPTION
 Bring the Denali Depot up to code. This will require work on the electric, plumbing, and heating system.

F. PROJECT JUSTIFICATION
 Denali is the hub of the northbound traffic so the ARRC needs a Depot at Denali to properly serve the customer's needs. The facility has an appropriate rustic appearance the traveling public appreciates and the facility also serves as a community center of activity.

After to talking to numerous community members, it may be possible to obtain quality volunteer labor to refurbish the Depot if the ARRC supplies the necessary materials.

- G. PROJECT ALTERNATIVES
1. Tear down the current facility and construct a new smaller depot. This alternative costs more than refurbishing and destroys an historic structure.
 2. Tear down and just construct an overhead cover. Unacceptable customer service for the 80,000 riders that travel on the north segment with Denali being that primary stop.
 3. Refurbish existing structure. Cheaper than new facility, supplies adequate customer convenience and saves an historic building.

