



(by Bruce Gough)

2016 REPORT TO THE STATE
FIVE-YEAR CAPITAL PLAN

published December 2015

A L A S K A

R A I L R O A D

OUR MISSION

Through excellent customer service and sound business management practices, provide safe, efficient and economical rail transportation and real estate services that support and grow economic development opportunities for the State of Alaska.

ALASKA
RAILROAD

ABOUT THIS REPORT

Each December the Alaska Railroad (ARRC) informs the Governor, Legislators and other key officials in State government about our capital improvement plans. The *Report to the State* includes a 5-year outlook on spending for capital investments in the Alaska Railroad's infrastructure.

Railroading is a capital-intensive industry, requiring tens of millions of dollars annually to maintain track, bridges and buildings. Millions more are spent on repairs, upgrades and replacements to railcar, locomotive, vehicle and heavy equipment fleets. In special cases, the Alaska Railroad pursues such mega-projects as the federally-mandated Positive Train Control (PTC) system. The money comes from internal funds generated by Alaska Railroad freight, passenger and real estate businesses. Grants from the Federal Transit Administration (FTA) – matched 20% by ARRC – provide another important funding source to underwrite capital projects.

PTC and FTA formula grants were topics of good news near the end of 2015. At long last, Congress extended the PTC completion deadline by three years. Railroads around the country now have until the end of 2018 to meet the federal requirement to install this high-tech safety system. U.S. legislators also allowed for a two-year extension beyond 2018 if the Federal Railroad Administration approves the extra time. This deadline relief means the Alaska Railroad will meet its project completion goal. At this time, ARRC's PTC project is also fully funded, thanks in part to State grants awarded in prior years and State approval for ARRC to sell bonds in 2015.

In other good news, federal lawmakers passed and President Obama signed the Fixing America's Surface Transportation (FAST) Act, which provides funding for our nation's surface transportation needs over the next five years. FAST Act retains the Alaska Railroad's access to FTA formula grants and modestly increases the FTA funding amount. The legislation also offers new opportunities to compete for grants that can help underwrite some PTC development costs.

This federal fiscal news could not come at a better time, enabling the railroad to meet more of its capital needs. Like all government agencies and many businesses in Alaska, the railroad must adjust to a state economy that is slowing due to low oil prices. As in years prior, there exists more necessary investments than finite resources. The 2016 - 2020 annual capital budgets reflect prioritized spending on projects that ensure safe rail transportation, regulatory compliance, and gains in efficiency and customer service.



Bill O'Leary
President and CEO



(by Judy Patrick)



MANAGEMENT

President and Chief Executive Officer (CEO)
Bill O'Leary

Chief Operating Officer (COO)
Doug Engebretson

Chief Financial Officer (CFO)
Barbara Amy

Vice President (VP) Engineering
Clark Hopp

General Counsel & VP Legal
Bill Hupprich

VP Corporate Planning & Real Estate
Jim Kubitz

VP Business Management & Corporate Affairs
Wendy Lindskoog

Chief Information Officer (CIO)
Jim Ratchford

VP Advanced Train Control Systems
Eileen Reilly

VP Marketing & Customer Service
Dale Wade

BOARD OF DIRECTORS



Board Chair
Linda Leary



Vice Chair
Bill Sheffield



Director
John Binkley



Director
Jack Burton



Director
Jon Cook



Commissioner
Chris Hladick



Commissioner
Marc Luiken

5-YEAR CAPITAL IMPROVEMENT PLAN

FEDERAL FUNDING

FEDERAL TRANSIT ADMINISTRATION (FTA) FORMULA FUNDS

	2016	2017	2018	2019	2020	5-Year Total
FTA Funding Estimate	\$ 33,431,923	\$ 34,043,730	\$ 34,688,656	\$ 35,285,679	\$ 35,949,248	\$ 173,399,236
ARRC-funded 20% Match	8,357,981	8,510,933	8,672,164	8,821,420	8,987,312	43,349,809
Total FTA Funding (including 20% match):	\$ 41,789,904	\$ 42,554,663	\$ 43,360,820	\$ 44,107,099	\$ 44,936,560	\$ 216,749,046
Preventive Maintenance	13,445,735	13,647,420	13,852,132	14,059,914	14,270,812	69,276,013
2007 Bond Debt Service	7,498,206	—	—	—	—	7,498,206
2015 Bond Debt Service	10,367,175	17,844,000	17,825,125	17,806,675	17,786,925	81,629,900
Transit Security	131,214	133,982	137,009	139,364	142,463	684,032
Transit Enhancements	131,214	133,982	137,009	139,364	142,463	684,032
Total Programmed Items	31,573,545	31,759,384	31,951,275	32,145,317	32,342,663	159,772,184
Total Grant Funds Available for Projects	\$ 10,216,359	\$ 10,795,279	\$ 11,409,545	\$ 11,961,782	\$ 12,593,897	\$ 56,976,862
Projects Funded by FTA Funds:						
Track Rehabilitation Program	7,400,000	10,795,279	11,409,545	11,961,782	12,593,897	54,160,503
Maintenance of Way Project TBD	2,816,359	—	—	—	—	2,816,359
Total Projects	10,216,359	10,795,279	11,409,545	11,961,782	12,593,897	56,976,862
Total FTA Projects, net of Programmed Items	\$ 41,789,904	\$ 42,554,663	\$ 43,360,820	\$ 44,107,099	\$ 44,936,560	\$ 216,749,046

INTERNAL FUNDING

NON-DISCRETIONARY PROJECTS

	2016	2017	2018	2019	2020	5-Year Total
Bridge Program	\$ 3,500,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 19,500,000
Track Rehabilitation Program	3,200,000	5,804,721	5,190,455	4,638,218	4,006,103	22,839,497
Vehicle and Equipment Program	2,285,000	4,218,500	4,158,500	4,610,000	4,945,000	20,217,000
Replace Wheel Shop Magna-Flux Machine	30,000	—	—	—	—	30,000
Repair / Upgrade 60-ton Overhead Crane	95,000	—	—	—	—	95,000
Purchase Operating Land at Seattle Barge Slip	560,000	—	—	—	—	560,000
Acquire 1300 Post Road Property (CBS)	450,000	—	—	—	—	450,000
Subtotal Non-Discretionary Projects	\$ 10,200,000	\$ 14,023,221	\$ 13,348,955	\$ 13,248,218	\$ 12,951,103	\$ 63,691,497

Internally-funded projects continued on next page

INTERNAL FUNDING

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CONTINUING CAPITAL PROGRAMS

	2016	2017	2018	2019	2020	5-Year Total
Avalanche and Slide Zone Risk Mitigation	\$ —	\$ 475,000	\$ 475,000	\$ 475,000	\$ 14,215,000	\$ 15,640,000
Rip Rap Program / Drainage Maintenance	375,000	500,000	500,000	500,000	500,000	2,375,000
Yard and Branch Improvements	375,000	1,000,000	500,000	500,000	500,000	2,875,000
Locomotive Truck Overhaul Program	190,000	180,000	180,000	180,000	180,000	910,000
Locomotive Engine Overhaul Program	700,000	1,659,000	1,427,000	1,134,000	1,961,000	6,881,000
Trepass Mitigation	35,000	35,000	35,000	35,000	35,000	175,000
Locomotive Compressor Overhaul	120,000	132,610	136,590	140,685	144,905	674,790
Defect Detector Upgrades	—	479,421	375,898	—	—	855,319
CCBI / CCBII Air Brake Conversion	245,600	—	—	—	—	245,600
Facilities Electrical Upgrades	70,000	100,000	100,000	100,000	100,000	470,000
Facilities General Repair	30,000	55,000	55,000	55,000	55,000	250,000
Facilities Building Maintenance	50,000	75,000	75,000	75,000	75,000	350,000
Facilities Roofing Upgrades	130,000	225,000	225,000	225,000	225,000	1,030,000
194XX Series Articulated Car Truck Overhaul	170,000	—	—	—	—	170,000
Facilities Energy Conservation	75,000	150,000	150,000	50,000	150,000	675,000
Locomotive Cab Ventilation Fan Install	128,440	—	—	—	—	128,440
Real Estate Tenant Improvements	75,000	75,000	75,000	75,000	75,000	375,000
Coach Battery Pack Replacement	46,000	—	—	—	—	46,000
Passenger Equipment Rehabilitation Program	251,000	904,000	776,000	635,000	646,000	3,212,000
Gravel Corridor Pony Truss Replacement	—	6,000,000	4,000,000	—	—	10,000,000
Docks and Slips Maintenance Program	1,500,000	2,457,060	4,000,000	4,000,000	4,000,000	15,957,060
Culvert Program	475,000	1,000,000	1,000,000	1,000,000	1,000,000	4,475,000
Motorola Base Station Refresh	258,000	435,500	435,500	435,500	435,500	2,000,000
Power and Monitoring Upgrades	50,000	80,000	80,000	80,000	80,000	370,000
Corporate Website Modernization Phase 2	173,000	—	—	—	—	173,000
Network Services	235,000	338,000	214,000	214,000	214,000	1,215,000
Alcatel Upgrades	136,000	90,000	90,000	90,000	90,000	496,000
Copier Fleet Replacement	110,000	10,000	—	—	—	120,000
Subtotal Continuing Programs	\$ 6,003,040	\$ 16,455,591	\$ 14,904,988	\$ 10,099,185	\$ 24,681,405	\$ 72,144,209

Internally-funded projects continued on next page

INTERNAL FUNDING

(continued...)

STRATEGIC BUSINESS INITIATIVES

	2016	2017	2018	2019	2020	5-Year Total
Technology Security Program	\$ 290,000	\$ 127,000	\$ -	\$ -	\$ -	\$ 417,000
Technology Mobile Development Pilot	-	130,000	-	-	-	130,000
HOS, OIS Host, Crew Dispatch Replacement	-	31,000	-	-	-	31,000
Data Storage and Server	160,000	350,000	350,000	750,000	750,000	2,360,000
Technology Contract Management Solution	-	295,000	-	-	-	295,000
Holding Signal at MP 156.2 or MP 158.93	-	402,000	402,000	402,000	402,000	1,608,000
Portage Section Facility	-	1,500,000	-	-	-	1,500,000
Design Locomotive Fueling System Upgrades	-	50,000	400,000	-	-	450,000
Diesel Generator Upgrade to SOFC	-	259,766	267,559	-	-	527,325
Purchase GPS Land Surveying Equipment	50,000	-	-	-	-	50,000
Residential Home Purchase in Fairbanks	25,000	-	-	-	-	25,000
Acquire Property at 1825 Ship Avenue	-	200,000	-	-	-	200,000
Post Road Sewer Construction: Start Phase 4	415,000	-	-	-	-	415,000
Access for Seward Freight Dock Fill Project	200,000	-	-	-	-	200,000
Repaint South Wall of Car Shop	70,000	-	-	-	-	70,000
Paved Pad on Seward Freight Dock Power End	80,000	-	-	-	-	80,000
Time/Temp Signs off Phillips Field Rd (Fairbanks)	40,000	-	-	-	-	40,000
Improve Tenant Parking / Create Overflow	20,000	-	-	-	-	20,000
Clear / Grub Hanson Road Property (Fairbanks)	50,000	-	-	-	-	50,000
Subtotal Strategic Business Initiatives	\$ 1,400,000	\$ 3,344,766	\$ 1,419,559	\$ 1,152,000	\$ 1,152,000	\$ 8,468,325
Total Internally Funded Project Requests	\$ 17,523,040	\$ 33,823,578	\$ 29,673,502	\$ 27,250,000	\$ 38,784,508	\$ 147,054,628
Estimated Funds from Internal Cash Flow	15,477,604	21,310,000	24,060,000	27,250,000	33,674,448	121,772,052
Prior Year ARRC Carryover Funds	2,045,436	-	-	-	-	2,045,436
Total Internal Funding Shortage	-	(12,513,578)	(5,613,502)	-	(5,110,060)	(23,237,140)

TOTAL FTA GRANT FUNDS AVAILABLE	\$ 10,216,359	\$ 10,795,279	\$ 11,409,545	\$ 11,961,782	\$ 12,593,897	\$ 56,976,862
TOTAL INTERNAL FUNDS AVAILABLE	15,477,604	21,310,000	24,060,000	27,250,000	33,674,448	121,772,052
TOTAL CAPITAL PROJECT PROGRAM	\$24,923,040	\$32,105,279	\$35,469,545	\$ 39,211,782	\$46,268,345	\$177,977,991

