



Finance Division

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Members of Senate Finance Committee:

Thank you for the opportunity for the Alaska Railroad Corporation (ARRC) to present to your committee on February 2nd an overview of our financial condition and outlook for the future.

At that hearing, Senator Stedman and Senator Hoffman requested follow-up information related to some of the topics discussed. In response, I offer the following:

- Financial Highlights 2005 – 2010
 - Attachment #1 provides a six-year history of ARRC financial condition, earnings, and cash flow statements in a condensed fashion. Please note that 2010 numbers are still preliminary/unaudited; we anticipate completion of our annual financial audit by late March. Greater detail on previous audits can be found in the annual report section of our website (www.AlaskaRailroad.com).
- ARRC Barge Business Composition 2001 – 2010
 - Attachment #2 shows the changes in tonnage related to oil-field activity shipped on our rail barge over the last ten years.
- Breakdown of 2009 Position Eliminations
 - As part of a corporate initiative to reduce our cost structure to address declining key revenue streams, ARRC reduced staffing markedly in 2008 and 2009. Specific statistics:
 - Positions eliminated: 192
 - Year-round positions: 115
 - Seasonal positions: 77
 - Number of layoffs (included within total positions eliminated): 57
 - Anchorage-based staff: 46
 - Fairbanks-based staff: 8
 - Other areas: 3



Please contact me at 265-2516 or Wendy Lindscoog, VP of Corporate Affairs, at 265-2498 if you have any further follow-up questions or desire more detailed information on these or other topics.

Regards,

Bill O'Leary
VP Finance/Chief Financial Officer

cc: Chris Aadnesen, ARRC Chief Executive Officer
Wendy Lindscoog, ARRC VP, Corporate Affairs

Alaska Railroad Corporation

Financial Highlights 2005-2010

Balance Sheet

(in thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | Unaudited 2010 |
|---|------------|------------|------------|------------|------------|-------------------|
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,078 | \$ 13,263 | \$ 15,332 | \$ 17,095 | \$ 18,267 | \$ 33,488 |
| Receivables | 34,019 | 30,666 | 26,067 | 29,214 | 24,136 | 32,680 |
| Other current assets | 10,667 | 9,967 | 10,723 | 12,419 | 10,863 | 11,068 |
| Restricted assets | 1,241 | - | 7,580 | 18,139 | 20,662 | 20,101 |
| Total current assets | 48,005 | 53,896 | 59,702 | 76,867 | 73,928 | 97,337 |
| Non-current assets: | | | | | | |
| Capital assets | | | | | | |
| Accumulated depreciation | 481,706 | 560,390 | 696,465 | 925,822 | 995,588 | 1,118,730 |
| Construction work in progress | (169,210) | (198,773) | (233,657) | (280,492) | (322,825) | (373,294) |
| Total capital assets | 213,355 | 238,091 | 201,800 | 63,883 | 68,391 | 22,399 |
| Restricted and other non-current assets | 525,851 | 599,708 | 664,608 | 709,213 | 741,154 | 767,835 |
| Total assets | 103 | 60,642 | 110,204 | 68,042 | 46,173 | 27,105 |
| | \$ 573,959 | \$ 714,246 | \$ 834,514 | \$ 854,122 | \$ 861,255 | \$ 892,277 |
| Liabilities: | | | | | | |
| Current liabilities | \$ 27,449 | \$ 34,322 | \$ 38,140 | \$ 44,464 | \$ 40,768 | \$ 43,221 |
| Non-current liabilities | | | | | | |
| Notes payable, less current portion | 24,468 | 33,310 | 30,219 | 27,436 | 24,537 | 24,028 |
| Revenue bonds payable, less current portion | - | 78,403 | 164,314 | 155,066 | 145,315 | 135,133 |
| Other non-current liabilities | 1,193 | 1,208 | 1,204 | 2,318 | 2,103 | 8,449 |
| Regulatory liabilities: | | | | | | |
| Accrued pension and postretirement benefits | 4,279 | - | - | 29,225 | 6,258 | - |
| Deferred grant revenue | 345,391 | 383,435 | 402,581 | 415,882 | 428,501 | 453,866 |
| Total non-current liabilities | 375,331 | 496,356 | 598,318 | 629,927 | 606,714 | 621,476 |
| Fund equity | 171,179 | 183,568 | 198,056 | 179,731 | 213,773 | 227,580 |
| Total liabilities & fund equity | \$ 573,959 | \$ 714,246 | \$ 834,514 | \$ 854,122 | \$ 861,255 | \$ 892,277 |

Alaska Railroad Corporation
Financial Highlights 2005-2010

Statement of Revenues & Expenses
(in thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | Unaudited 2010 |
|--|-----------|-----------|-----------|-----------|-----------|-------------------|
| Operating revenue: | | | | | | |
| Freight | \$ 94,485 | \$ 89,623 | \$ 91,783 | \$ 96,337 | \$ 84,939 | \$ 84,329 |
| Passenger | 19,472 | 21,292 | 23,304 | 24,550 | 21,455 | 20,783 |
| Other | 121 | 456 | 526 | 895 | 704 | 772 |
| Grant | 15,115 | 21,299 | 32,949 | 37,013 | 36,515 | 40,225 |
| Total operating revenue | 129,193 | 132,670 | 148,562 | 158,795 | 143,613 | 146,109 |
| Operating expenses | 122,841 | 128,419 | 138,878 | 155,490 | 137,993 | 140,197 |
| Operating Income | 6,352 | 4,251 | 9,684 | 3,305 | 5,620 | 5,912 |
| Non-operating revenue (expenses): | | | | | | |
| Real estate income | 13,909 | 15,053 | 19,296 | 20,285 | 22,428 | 20,872 |
| Real estate expense | (7,403) | (8,543) | (12,626) | (9,878) | (13,063) | (11,494) |
| Gain on sale of fixed assets | 452 | 616 | 478 | (13) | 517 | 0 |
| Investment Income | 430 | 572 | 945 | 377 | 115 | 78 |
| Interest expense, net of grant revenue | (1,085) | (1,504) | (1,527) | (1,519) | (1,715) | (1,561) |
| Net income | \$ 12,655 | \$ 10,445 | \$ 16,250 | \$ 12,557 | \$ 13,902 | \$ 13,807 |

Alaska Railroad Corporation
Financial Highlights 2005-2010

Cash flows
(in thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|-----------|-----------|-----------|-----------|-----------|
| Net cash provided by operating activities | \$ 11,836 | \$ 9,059 | \$ 17,491 | \$ 9,770 | \$ 17,926 |
| Net cash provided by (used in) capital and related financing activities | (32,198) | 50,749 | 22,195 | (59,337) | (48,973) |
| Net cash provided by (used in) investing activities | 12,218 | (48,623) | (37,617) | 51,330 | 32,219 |
| Cash and cash equivalents at beginning of year | 10,222 | 2,078 | 13,263 | 15,332 | 17,095 |
| Cash and cash equivalents at end of year | \$ 2,078 | \$ 13,263 | \$ 15,332 | \$ 17,095 | \$ 18,267 |

Reconciliation of operating income to net cash provided by operating activities

| | | | | | |
|---|-----------|----------|-----------|----------|-----------|
| Operating income | \$ 6,352 | \$ 4,251 | \$ 9,684 | \$ 3,305 | \$ 5,620 |
| Depreciation and amortization | 20,224 | 26,003 | 33,977 | 42,496 | 42,193 |
| Bond issuance cost amortization | - | - | 121 | 176 | 176 |
| Grant revenue on capital assets | (11,681) | (16,275) | (24,947) | (31,261) | (29,985) |
| Changes in operating assets and liabilities | (3,059) | (4,920) | (1,344) | (4,946) | (78) |
| Total adjustments | 5,484 | 4,808 | 7,807 | 6,465 | 12,306 |
| Net cash provided by operating activities | \$ 11,836 | \$ 9,059 | \$ 17,491 | \$ 9,770 | \$ 17,926 |

Attachment 2

Barge Oil Field related Tonnage 2001 - 2010

