



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 Lindskoog, 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,

A handwritten signature in blue ink, appearing to read "Bill O'Leary".

Bill O'Leary
VP Finance/Chief Financial Officer

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

Alaska Railroad Corporation
Financial Highlights 2005-2010

Balance Sheet
(in thousands)

	2005	2006	2007	2008	2009	2010	Unaudited
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	481,706	560,390	696,465	925,822	995,588	1,118,730	
Accumulated depreciation	(169,210)	(198,773)	(233,657)	(280,492)	(322,825)	(373,294)	
Construction work in progress	213,355	238,091	201,800	63,883	68,391	22,399	
Total capital assets	525,851	599,708	664,608	709,213	741,154	767,835	
Restricted and other non-current assets							
Total assets	\$ 573,959	\$ 714,246	\$ 834,514	\$ 854,122	\$ 861,255	\$ 892,277	
Liabilities:							
Current liabilities							
Non-current liabilities	\$ 27,449	\$ 34,322	\$ 38,140	\$ 44,464	\$ 40,768	\$ 43,221	
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	<u>375,331</u>	<u>496,356</u>	<u>598,318</u>	<u>629,927</u>	<u>606,714</u>	<u>621,476</u>	
Fund equity							
Total liabilities & fund equity	<u>\$ 573,959</u>	<u>\$ 714,246</u>	<u>\$ 834,514</u>	<u>\$ 854,122</u>	<u>\$ 861,255</u>	<u>\$ 892,277</u>	

Alaska Railroad Corporation
Financial Highlights 2005-2010

Statement of Revenues & Expenses
(in thousands)

	2005	2006	2007	2008	2009	2010	Unaudited
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	<u>\$ 12,655</u>	<u>\$ 10,445</u>	<u>\$ 16,250</u>	<u>\$ 12,557</u>	<u>\$ 13,902</u>	<u>\$ 13,807</u>	

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	<u>\$ 2,078</u>	<u>\$ 13,263</u>	<u>\$ 15,332</u>	<u>\$ 17,095</u>	<u>\$ 18,267</u>
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	<u>\$ 11,836</u>	<u>\$ 9,059</u>	<u>\$ 17,491</u>	<u>\$ 9,770</u>	<u>\$ 17,926</u>

Attachment 2
Barge Oil Field related Tonnage 2001 - 2010

