

2016 BOARD OF COMMISSIONERS BUDGET WORKSHOP

October 28, 2015

 Port of Vancouver USA

THE PORT OF / *Possibility*

PRELIMINARY BUDGET WORKSHOP AGENDA

- Introduction & Review of Key Initiatives
- Overview of 2016 Preliminary Budget
- 2016 Capital Program
- 2016 Cash & Financing
- 2016 Tax Levy
- Economic Impact Study Results

KEY INITIATIVES

GENERATE AND SUSTAIN DIVERSIFIED REVENUES

West Vancouver Freight Access

Goals: Develop and Maintain Multi-Modal Transportation; Maximize Marine Business and Development; Maximize Industrial Business and Development

Centennial Industrial Park

Goals: Maximize Industrial Business and Development; Generate and Sustain Diversified Revenues

Freight Corridors

Goal: Develop and Maintain Multi-Modal Transportation

Master Planning For Future Development

Goals: Develop and Maintain Multi-Modal Transportation; Maximize Marine Business and Development; Maximize Industrial Business and Development; Generate and Sustain Diversified Revenues

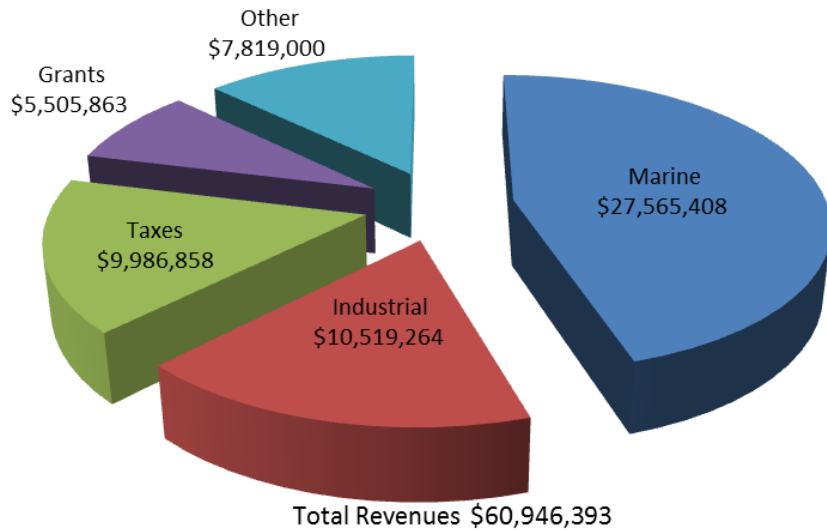
2016 SOURCES & USES

SOURCES	
Operating Revenues	
15-Rail	715,148
16-Finance	60,000
20-Facilities	10,568,875
21-Marine Operations	17,791,046
22-Security	390,094
40-Marine Terminal	10,942,261
41-Rail Operations	2,205,000
Total Operating Revenues	\$ 42,672,424
Nonoperating Revenues	
Ad Valorem Taxes	9,986,858
Interest Income	45,600
Grants	1,067,800
Proceeds from Sale of Property	20,000
Other	44,000
Total Nonoperating Revenues	\$ 11,164,258
Total Revenues	\$ 53,836,682
Transfer from General Fund/Financing	\$ 23,141,963
TOTAL SOURCES	\$ 76,978,645

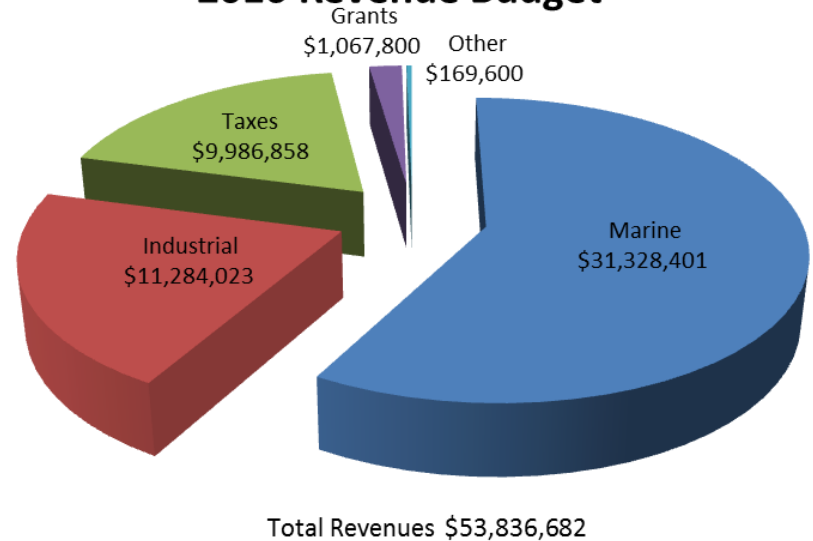
USES	
Operating Expenses	
05-Executive	1,138,976
10-Administration	1,136,983
11-External Affairs	1,609,081
12-Information Technology	1,058,849
13-Contracts	421,237
14-Human Resources	342,375
15-Rail	783,347
16-Finance	1,664,066
17-Sales	2,391,773
20-Facilities	5,376,966
21-Operations	972,423
22-Security	2,286,695
32-Environmental	956,234
40-Terminal	11,127,651
41-Rail Operations	2,216,279
Total Operating Expenses	\$ 33,482,935
Nonoperating Expenses	
Debt Service	5,712,820
Environmental Remediation	936,850
Other Nonoperating Expenses	2,563,577
Total Nonoperating Expenses	\$ 9,213,247
Total Expenses	\$ 42,696,181
Capital Projects	\$ 34,282,464
TOTAL USES	\$ 76,978,645

YEAR-OVER-YEAR REVENUE COMPARISON

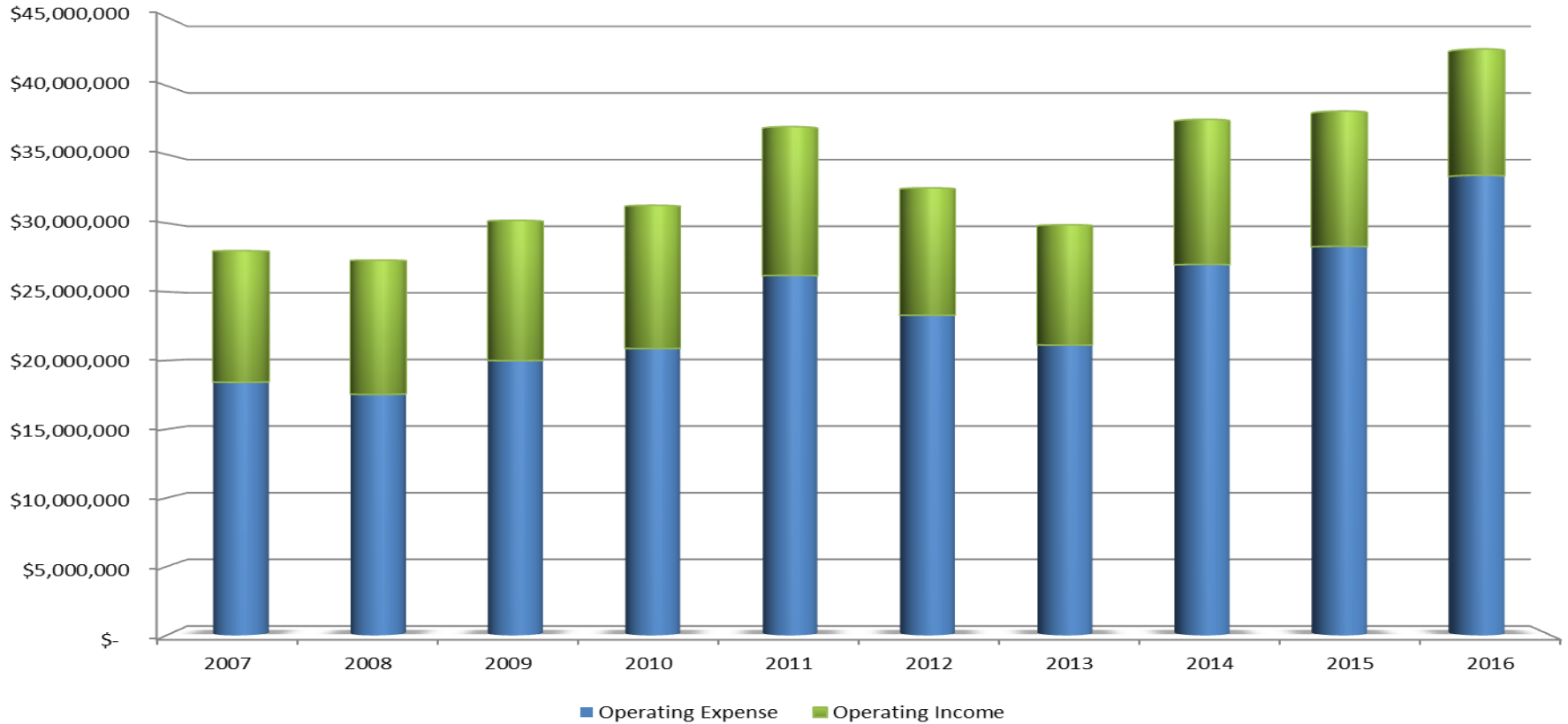
2015 Revenue Projected



2016 Revenue Budget

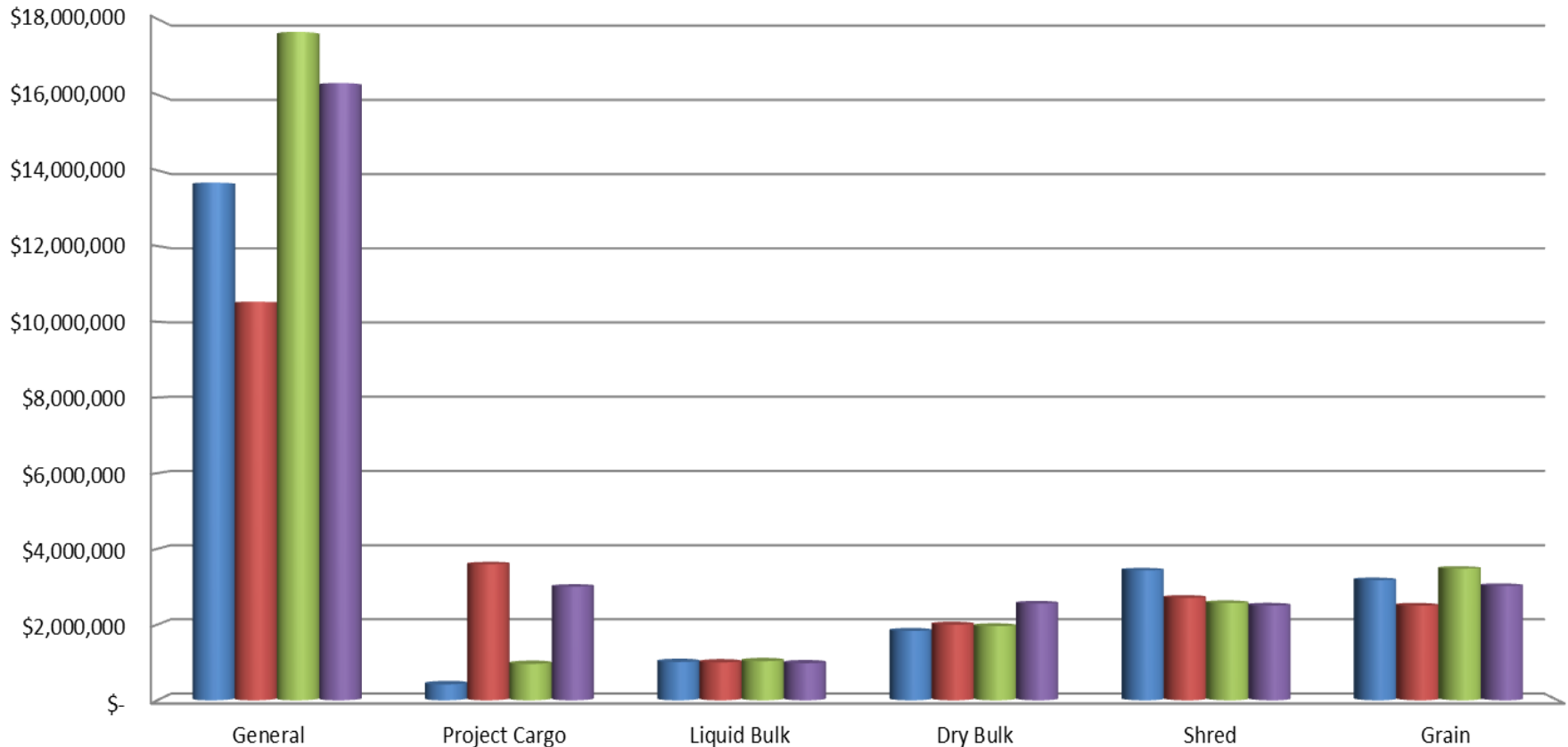


OPERATING REVENUE, EXPENSES & INCOME COMPARISON



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenue (in million)	\$ 28.0	\$ 27.3	\$ 30.2	\$ 31.3	\$ 37.0	\$ 32.6	\$ 29.9	\$ 37.6	\$ 38.1	\$ 42.7
Operating Expense (in million)	\$ 18.4	\$ 17.5	\$ 20.0	\$ 20.9	\$ 26.2	\$ 23.3	\$ 21.1	\$ 27.0	\$ 28.3	\$ 33.5
Operating Income (in million)	\$ 9.6	\$ 9.8	\$ 10.2	\$ 10.4	\$ 10.8	\$ 9.3	\$ 8.8	\$ 10.6	\$ 9.8	\$ 9.2
Operating Margin %	34%	36%	34%	33%	29%	28%	29%	28%	26%	22%

YEAR-OVER-YEAR COMMODITY TRENDS



	General	Project Cargo	Liquid Bulk	Dry Bulk	Shred	Grain
■ 2013 Plan	\$13,674,377	\$419,509	\$1,010,022	\$1,831,742	\$3,435,999	\$3,178,030
■ 2014 Plan	\$10,527,578	\$3,596,466	\$999,700	\$1,998,557	\$2,708,169	\$2,500,000
■ 2015 Plan	\$17,655,729	\$960,562	\$1,032,771	\$1,956,867	\$2,568,347	\$3,480,061
■ 2016 Plan	\$16,306,169	\$3,000,509	\$977,933	\$2,554,871	\$2,502,090	\$3,022,534

2016 CAPITAL BUDGET HIGHLIGHTS

WEST VANCOUVER FREIGHT ACCESS

- *POV Bulk Facility Relocation*
- *Terminal Ops Relocation*
- *Gear Locker Relocation*
- *Final Phase of Grain Train Loop Track Upgrades*

CENTENNIAL INDUSTRIAL PARK

- *Construction of POV Warehouse/Distribution Center*

FREIGHT CORRIDORS

- *Freight Corridor Study*

MASTER PLANNING FOR FUTURE DEVELOPMENT

- *Waterfront Master Plan*

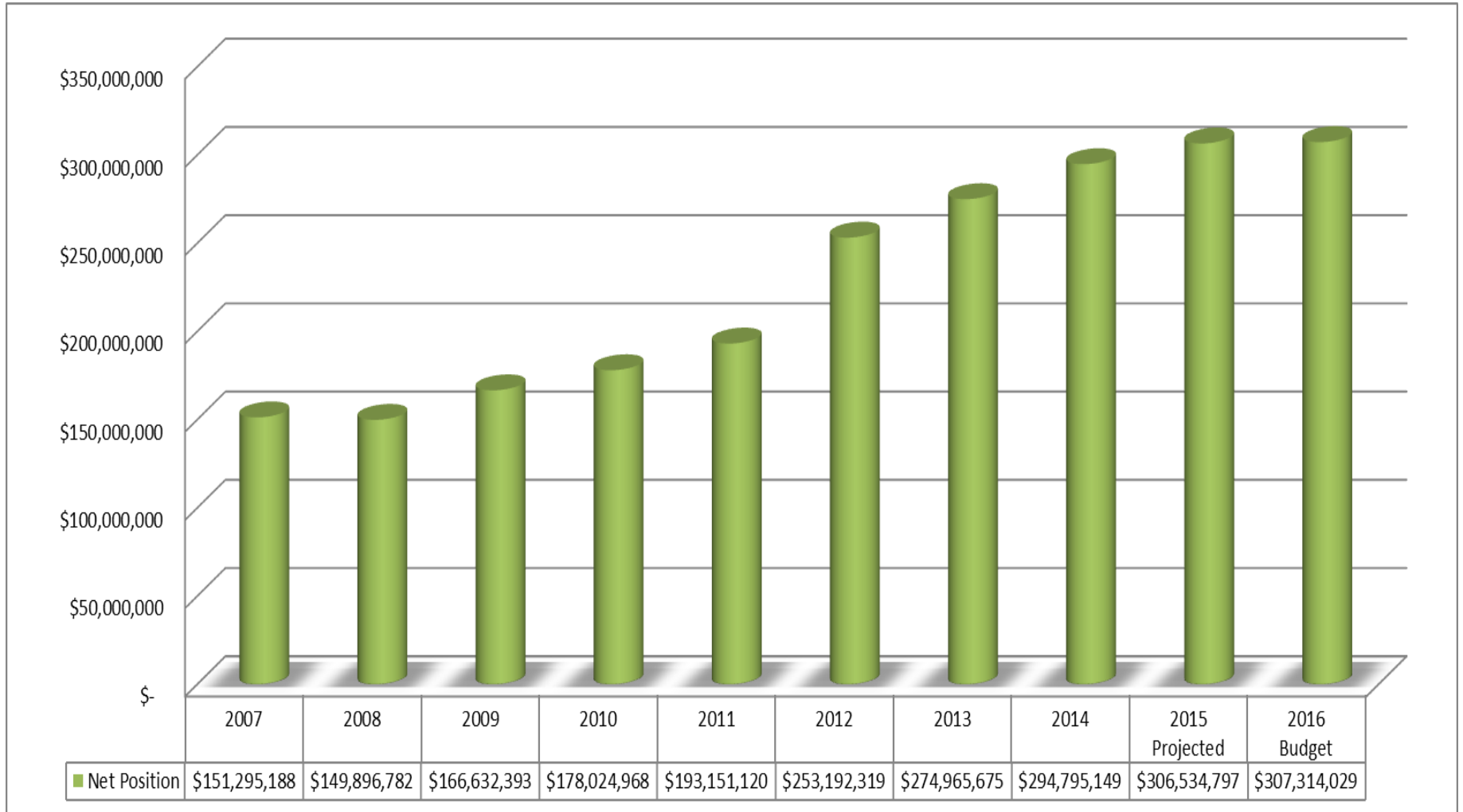
2016 CAPITAL PROJECTS BUDGET

CP #	Sector	Description of Project	2016 Amount
WVFA Program			
CP0144	WVFA	WVFA All - Design Reviews	\$ 250,000
CP0144	WVFA	WVFA All - Schedule 2-4 Engineering	1,075,000
CP014405	WVFA	WVFA 05: Wash Rack	185,000
CP014405	WVFA	WVFA 05: Right-of-Way Acquisition - Legal	720,000
CP014407	WVFA	WVFA 07: Bulk Facility Relocation	7,100,000
CP014407, CP014411B	WVFA	WVFA 07-11B Prepurchase of Rail Materials for Projects	400,000
CP0321	WVFA	Terminal Operations Building Relocation	950,000
CP0325	WVFA	Gearlocker Building	4,010,000
CP0326	WVFA	Dockworkers Support Building	200,000
		Subtotal: WVFA	14,890,000
Terminals			
CP0322	Terminals	Building 3125 Rail Improvements and Partial Demolition	2,440,000
CP0324	Terminals	Terminal 4 Improvements 3A & 3B	2,000,000
		Subtotal: Terminals	4,440,000
Transportation			
CP0281	Transportation	Trail Construction: Segment #2	820,000
		Subtotal: Transportation	820,000
Industrial			
CP0320	Industrial	Building 3309 Covered Storage Expansion	340,000
NEW	Industrial	Building 2501 Enhancement Bay A and B	1,200,000
NEW	Industrial	Centennial Industrial Park Culverts	125,000
NEW	Industrial	Entitlement	200,000
		Subtotal: Industrial	1,865,000
Buildings			
NEW	Buildings	Centennial Industrial Park: Industrial Building, Lot 1	5,970,000
NEW	Buildings	Waterfront: Office Planning, Permitting, & Design	200,000
NEW	Buildings	Waterfront: Building 100 Demolition & Remediation	700,000
		Subtotal: Buildings	6,870,000

2016 CAPITAL PROJECTS BUDGET CONT'D

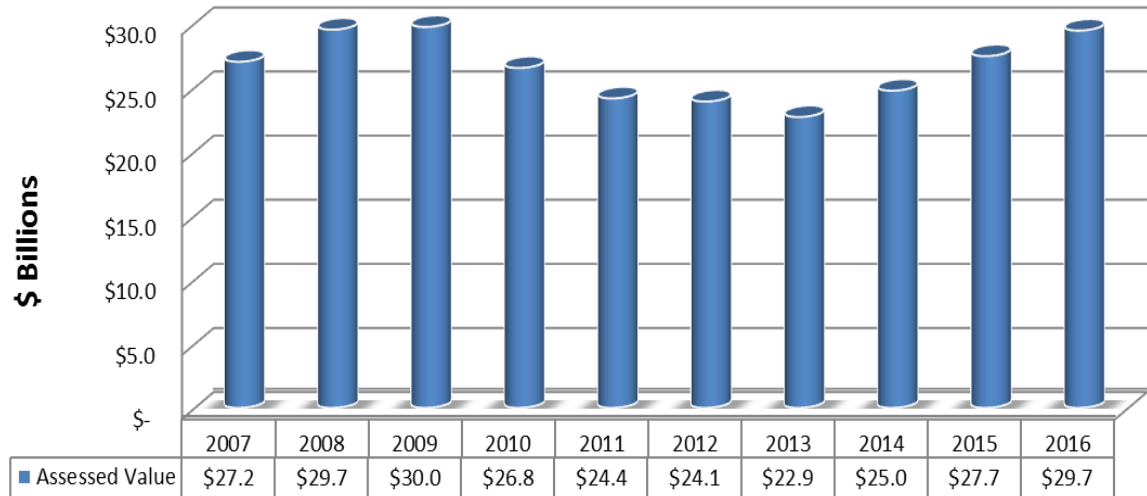
CP #	Sector	Description of Project	2016 Amount
<i>Environmental</i>			
NEW	Environmental	Tree Mitigation	50,000
		<i>Subtotal: Environmental</i>	<i>50,000</i>
<i>Maintenance</i>			
NEW	Maintenance	IT: Camera Equipment	35,000
NEW	Maintenance	IT: CMMS Integration	15,000
NEW	Maintenance	IT: Fire Monitoring Equipment	30,000
NEW	Maintenance	IT: Terminal Operations Software	500,000
NEW	Maintenance	IT: WI-FI Equipment	50,000
NEW	Maintenance	Maintenance: Tenant Improvements and Lighting Upgrades	150,000
NEW	Maintenance	Maintenance: Buildings - Roofing	200,000
NEW	Maintenance	Maintenance: Docks, Bank Stabilization, and Permitting	155,000
CP0327	Maintenance	Maintenance: High Tank Replacement	740,000
NEW	Maintenance	Maintenance: Drainage and Utilities Group	662,000
NEW	Maintenance	Maintenance: Mobile Harbor Crane Cables - Inventory	35,000
NEW	Maintenance	Maintenance: Rail	150,000
NEW	Maintenance	Maintenance: Roadways - Paving and Striping	250,000
NEW	Maintenance	Port Vehicles and Equipment	650,000
		<i>Subtotal: Maintenance</i>	<i>3,622,000</i>
		<i>Total Capital Projects</i>	<i>\$ 32,557,000</i>
		Plus Labor Capitalization	1,725,464
		<i>Total Capital Projects w/Labor Capitalization</i>	<i>\$ 34,282,464</i>
		Less: Grants and Capital Contributions	(1,067,800)
		<i>Net Capital Projects</i>	<i>\$ 33,214,664</i>

NET POSITION GROWTH

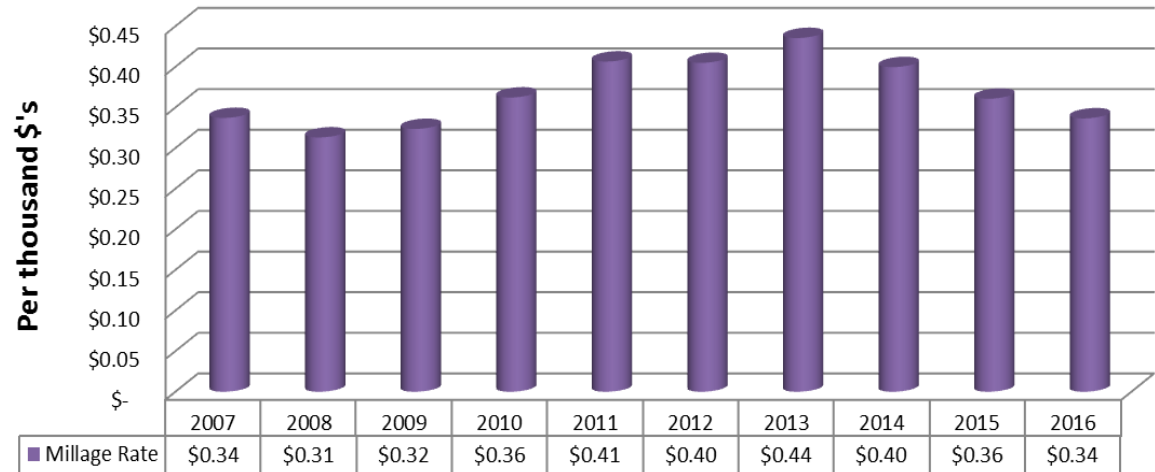


PROPERTY TAX LEVY

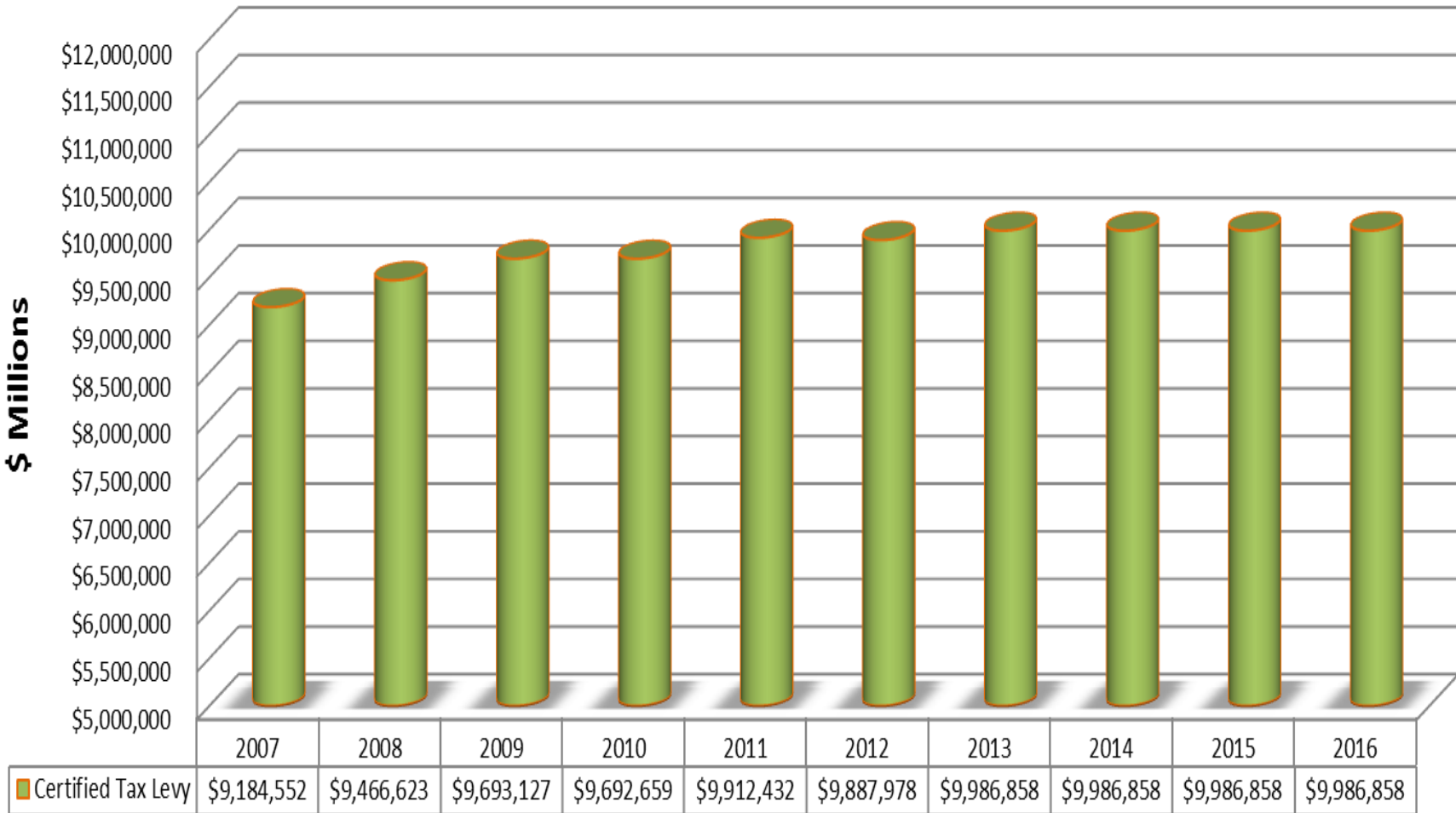
Port District Assessed Value



Millage Rate

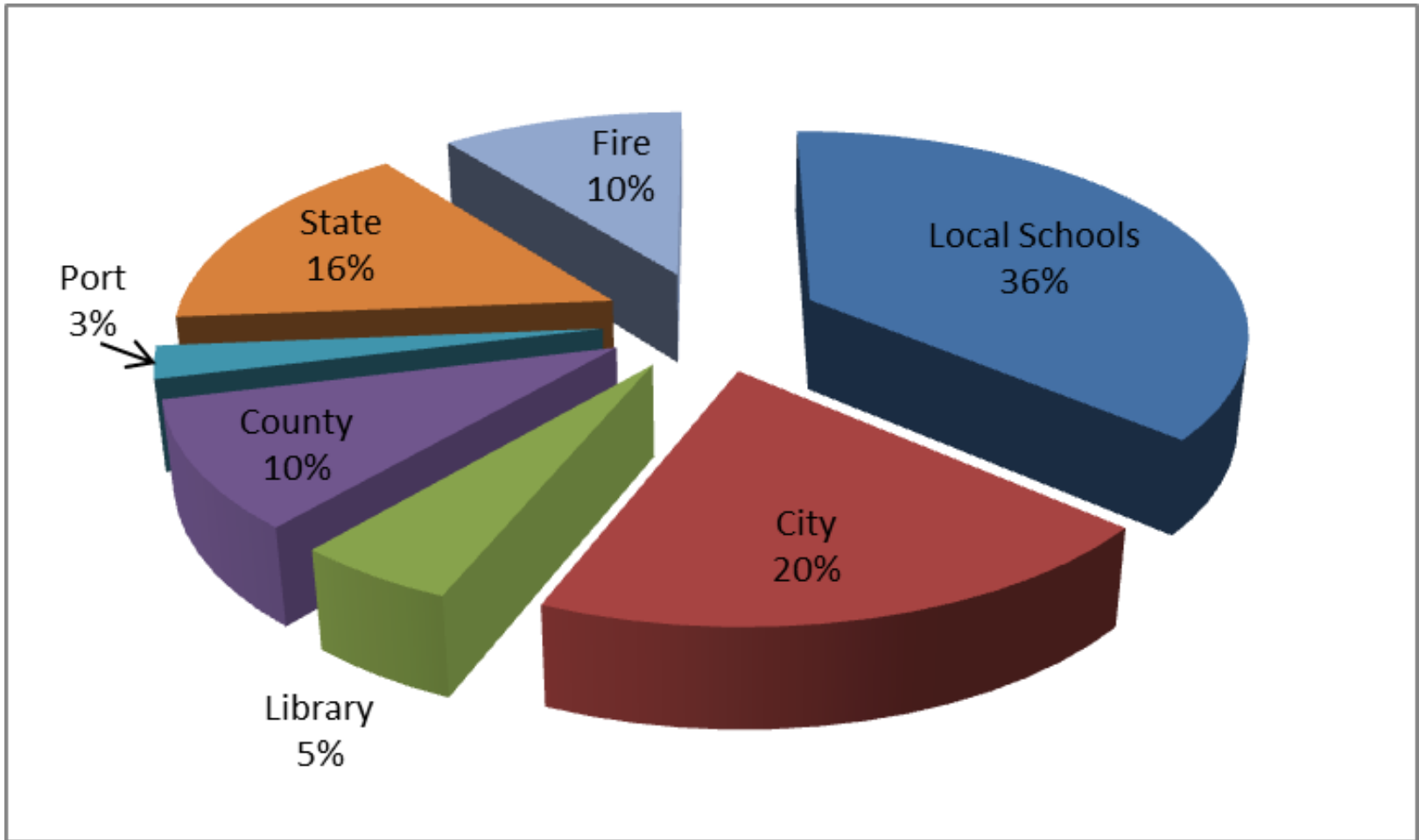


CERTIFIED TAX LEVY



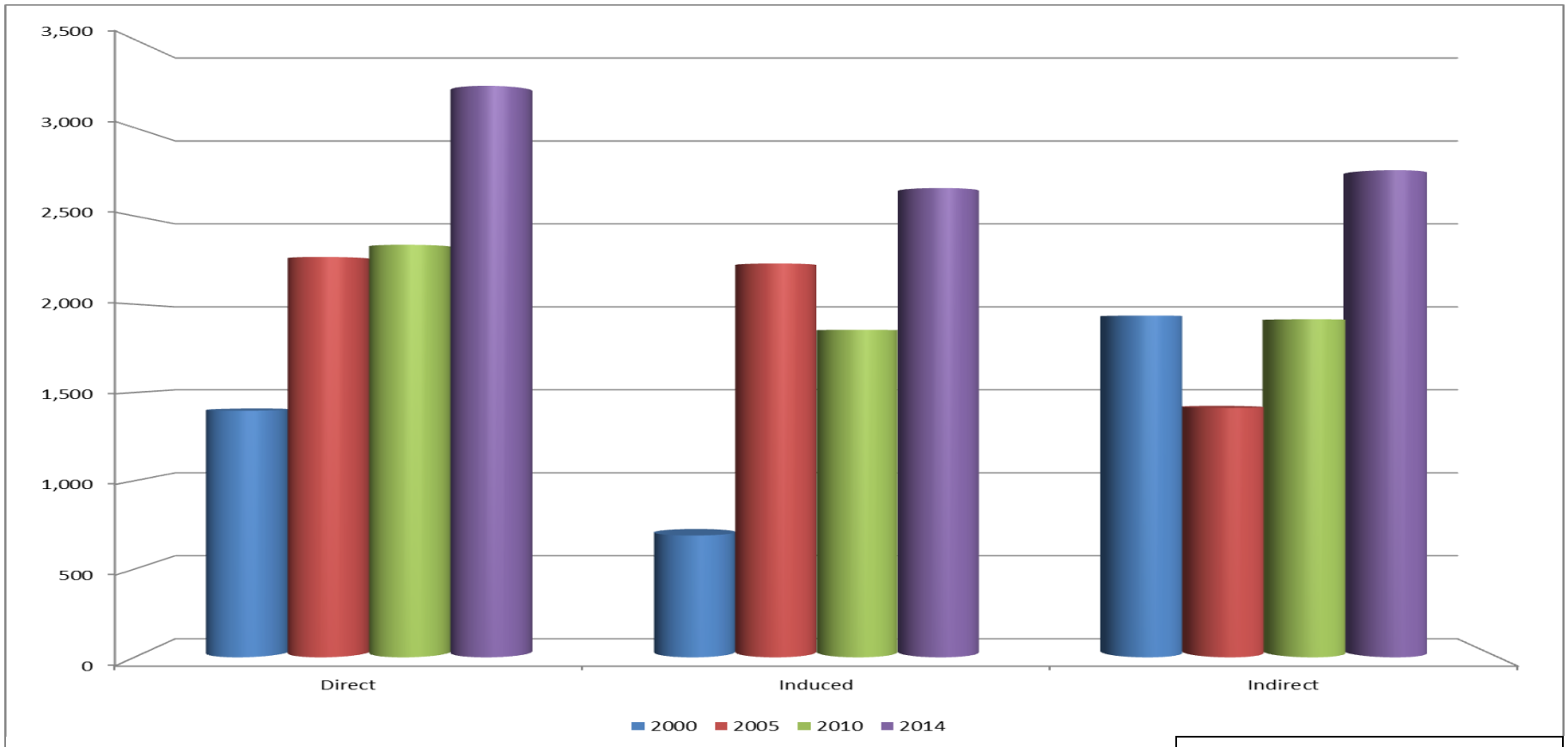
■ Certified Tax Levy

2015 PROPERTY TAX ALLOCATION



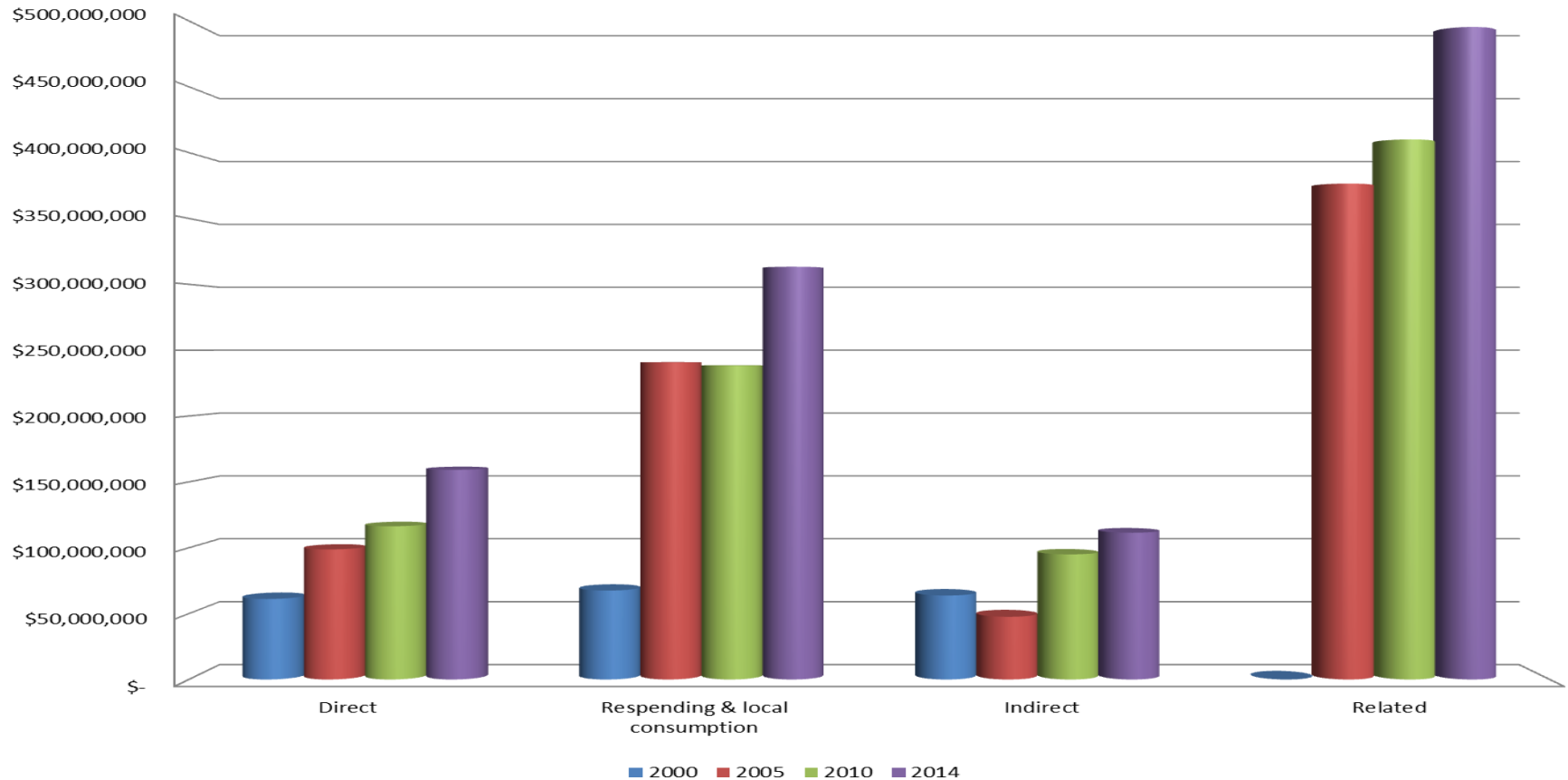
Source: Clark County Assessor website
www.clark.wa.gov/treasurer/property/rates

ECONOMIC IMPACT STUDY: JOBS



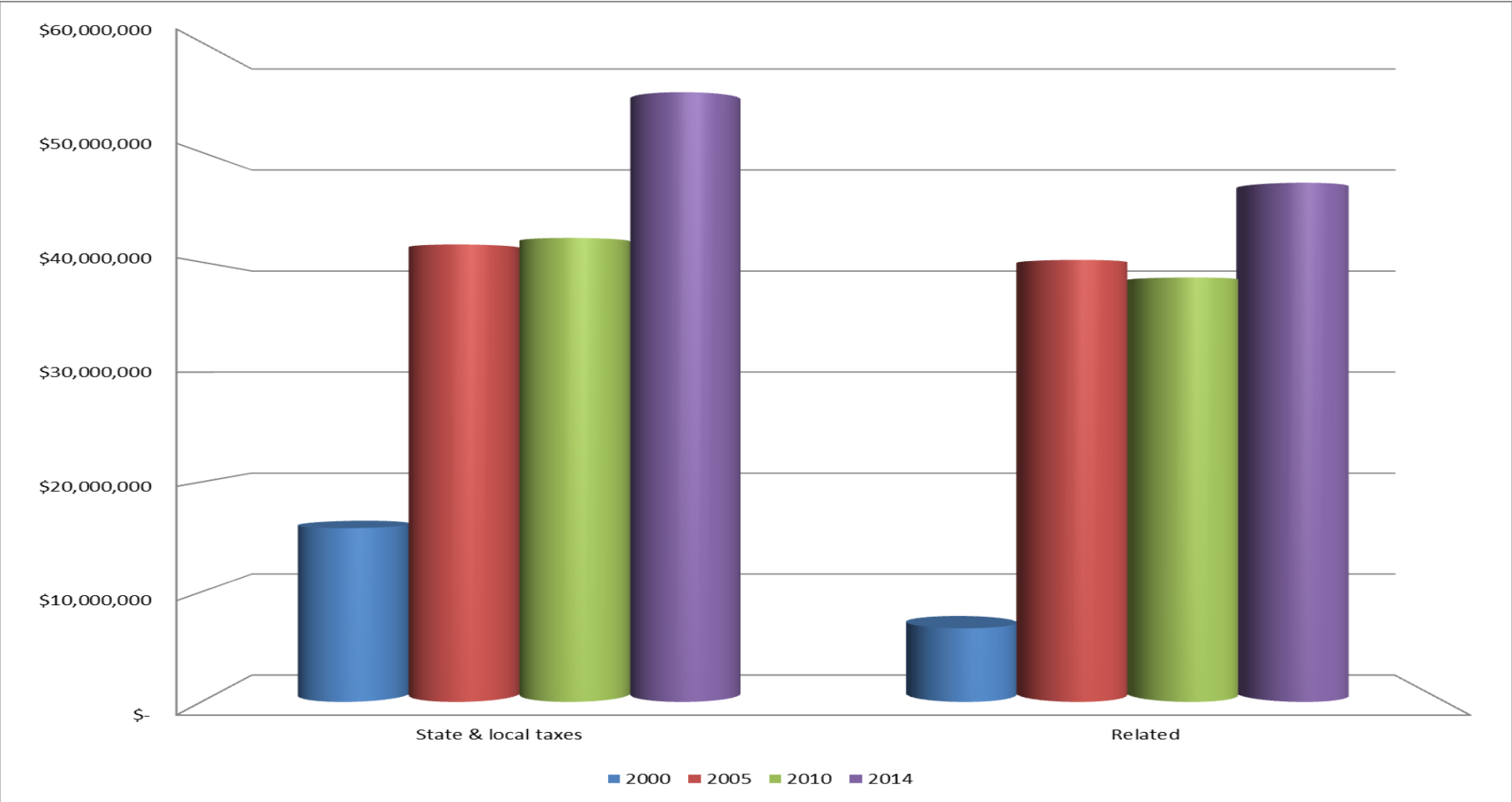
	2000	2005	2010	2014	% Year over Year Change		
					'00 to '05	'05 to '10	'10 to '14
Total Number of Jobs	4,023	15,580	16,996	20,202	287%	9%	19%
Direct	1,397	2,268	2,337	3,237	62%	3%	39%
Induced	690	2,231	1,855	2,658	223%	-17%	43%
Indirect	1,936	1,413	1,915	2,759	-27%	36%	44%
Related	-	9,668	10,889	11,547	0%	0%	0%

ECONOMIC IMPACT STUDY: PERSONAL INCOME



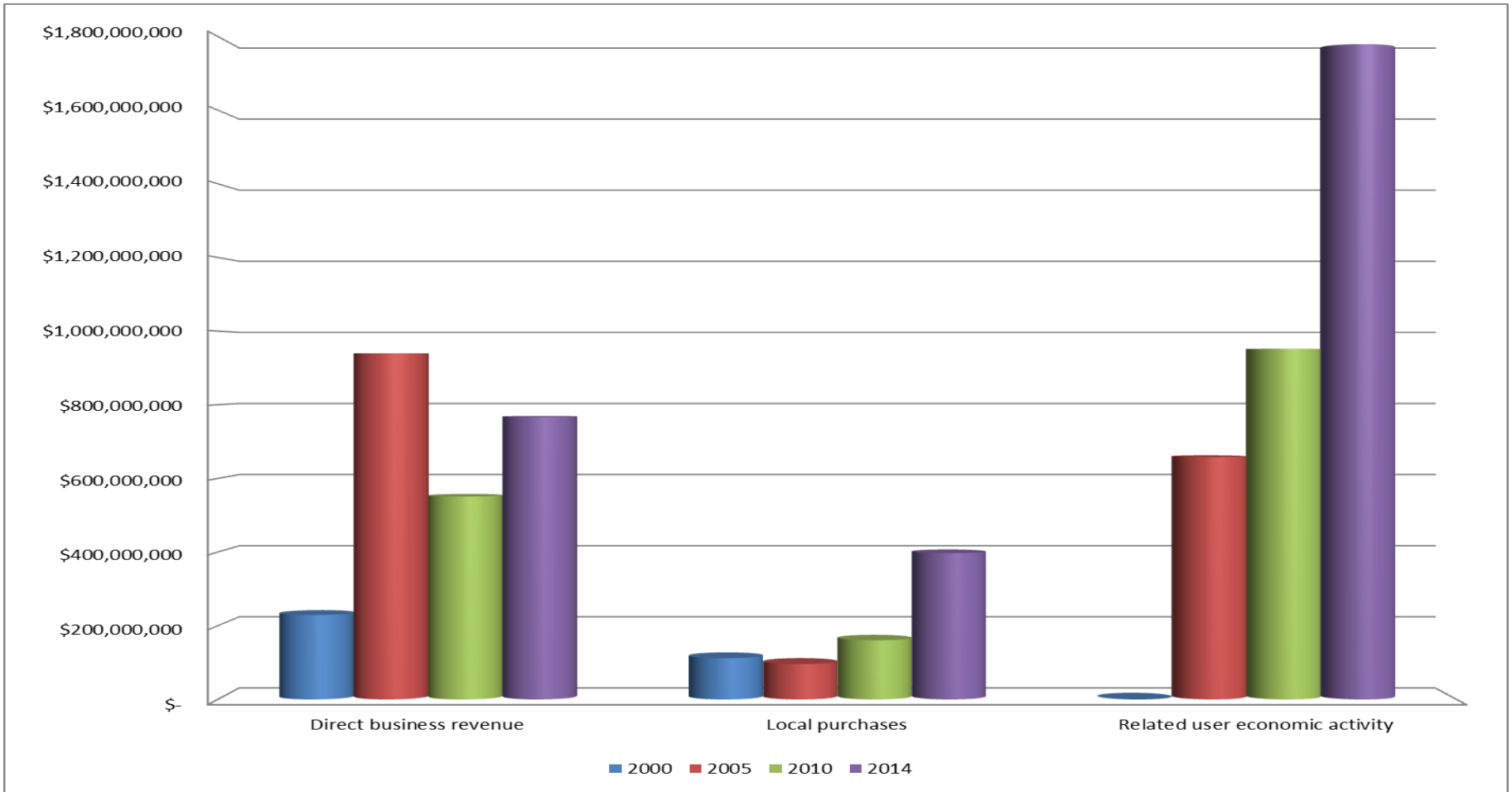
	2000	2005	2010	2014	% Year over Year Change		
					'00 to '05	'05 to '10	'10 to '14
Total Personal Income	\$ 192,401,000	\$ 763,550,000	\$ 859,600,000	\$1,079,346,000	297%	13%	26%
Direct	\$ 61,110,000	\$ 98,750,000	\$ 116,300,000	\$ 159,215,000	62%	18%	37%
Responding & local consumption	\$ 67,508,000	\$ 240,700,000	\$ 238,300,000	\$ 313,364,000	257%	-1%	31%
Indirect	\$ 63,783,000	\$ 47,600,000	\$ 95,000,000	\$ 111,409,000	-25%	100%	17%
Related	\$ -	\$ 376,500,000	\$ 410,000,000	\$ 495,358,000	0%	9%	21%

ECONOMIC IMPACT STUDY: STATE & LOCAL TAXES



	2000	2005	2010	2014	% Year over Year Change		
					'00 to '05	'05 to '10	'10 to '14
Total State & Local Taxes	\$ 22,500,000	\$ 81,800,000	\$ 80,800,000	\$ 102,669,000	264%	-1%	27%
State & local taxes	\$ 15,800,000	\$ 41,600,000	\$ 42,200,000	\$ 55,453,000	163%	1%	31%
Related	\$ 6,700,000	\$ 40,200,000	\$ 38,600,000	\$ 47,216,000	500%	-4%	22%

ECONOMIC IMPACT STUDY: ECONOMIC ACTIVITY



	2000	2005	2010	2014	'00 to '05	'05 to '10	'10 to '14
Total Economic Activity	\$ 341,000,000	\$1,693,990,000	\$1,663,751,000	\$2,943,158,000	397%	-2%	77%
Direct business revenue	\$ 229,100,000	\$ 939,900,000	\$ 550,951,000	\$ 766,961,000	310%	-41%	39%
Local purchases	\$ 111,900,000	\$ 96,050,000	\$ 160,700,000	\$ 397,205,000	-14%	67%	147%
Related user economic activity	\$ -	\$ 658,040,000	\$ 952,100,000	\$1,778,992,000	0%	45%	87%

GLOSSARY OF TERMS

- **Compound Average Growth Rate** – The year-over-year growth rate of an investment over a specified period of time.
- **Cost of Capital** – The cost of funds used for financing a business.
- **Covenants** – Binding terms between a lender and a borrower in which the borrower agrees to certain financial performance measures by which they must operate their business to.
- **Debt Capacity** - Assessment of the amount of debt an entity can repay in a timely manner without jeopardizing its financial viability. This is typically restricted by loan covenants or board mandated.
- **Debt Service** – Principal and interest payments on debt.
- **Debt Service Coverage Ratio** – Operating income/debt service payments

GLOSSARY OF TERMS CONT'D

- **Discounted Cash Flow (DCF)** – A valuation method used to estimate the attractiveness of an investment opportunity. Discounted cash flow (DCF) analysis uses future free cash flow projections and discounts them to arrive at a present value, which is used to evaluate the potential for investment.
 - **Cash Flow** – A revenue or expense stream that changes an entities cash position over a given period. Cash inflows usually arise from one of three activities - financing, operations (revenue) or investing. Cash outflows result from expenses or investments
 - **Present Value** – The current worth of a future sum of money or stream of cash flows given a specified rate of return. Future cash flows are discounted at the discount rate, and the higher the discount rate, the lower the present value of the future cash flows
 - **Discount Rate** – The discount rate in s DCF analysis that takes into account not just the time value of money, but also the risk or uncertainty of future cash flows - the greater the uncertainty of future cash flows, the higher the discount rate

GLOSSARY OF TERMS CONT'D

- **Internal Rate of Return (IRR)** – The discount rate where the net present value of all cash flows from a particular project are equal to zero. When comparing various projects, the project with the highest IRR is generally considered the best and is undertaken first.
- **Millage Rate** – The amount per \$1,000 that is used to calculate taxes on property.
- **Net Present Value (NPV)** – The difference between the present value of cash inflows and the present value of cash outflows over the life of an investment.
- **Non-operating Expenses** – Expenses from interest expense on debt, environmental remediation, and other non-operating expenditures.
- **Non-operating Revenue** – Revenues from tax levies, interest income, sale of property, and other non-operating revenues.
- **Operating Expenses** – Expenses incurred from operations of the port, excludes depreciation expense.
- **Operating Income** – Operating revenue less operating expenses.

GLOSSARY OF TERMS CONT'D

- **Operating Revenue** – Revenue generated from operations of the port includes: dockage, wharfage, storage, rail, and lease income.
- **Parity Debt** – Debt issued with equal rights to one another.
- **Payback Period** – The number of years to payback the initial cost of the investment from the investments cumulative cash flow streams (revenue less expenses).
- **Return on Investment** – A performance measure used to evaluate the efficiency of an investment calculated as: $(\text{Gain on investment} - \text{cost of investment}) / \text{cost of investment}$.

PORT OF POSSIBILITY

Comments & Questions?

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