



Port of Vancouver USA

ANNUAL RE:PORT

*2011 Annual Report to the Community*



THE PORT OF / *Possibility*



Photo courtesy of Dynamic Photography

## DELIVERING POSSIBILITIES FOR VANCOUVER AND CLARK COUNTY



As the saying goes, the only constant is change. Nowhere was that sentiment more relevant than at the Port of Vancouver USA during 2011. While the nation continued its economic struggles, here at the port, many of the changes we saw were both heartening and indicative that decisions we've made for the future are on the right track. Your port is truly positioned as a generator of jobs and a source of economic vitality for our community and the entire region.

Some of the highlights are especially significant, including an 18 percent jump in operating income over 2010. Overall cargo tonnage held steady—no small feat in a down global economy—and some growth areas were exceptional, such as a 321 percent rise in wind energy imports, 110 percent increase in project cargo imports, and a 42 percent boost in lumber exports. Thanks to our deeper Columbia River shipping channel, the number of ocean-going ships and river barges calling on the port was up nearly 13 percent.

Our industrial sector also rebounded, adding two new tenants and bringing the port's occupancy rate to 94 percent, a number expected to reach close to 100 percent in the coming year. New and existing businesses support hundreds of direct jobs and contribute millions of dollars to our community.

These crucial growth markers also represent resources for reinvestment—revenue that goes to port infrastructure projects that in turn leverage private investment and create even more jobs for our community. An exciting example is the port's ongoing West Vancouver Freight Access rail project. Already, we're reaping the benefits of finished portions of this upgrade, which will more than triple the port's rail capacity. Not only is it reinforcing our position as a major worldwide trade hub, critical jobs are also being created: 4,000 during construction, and ultimately 1,000 new, permanent jobs.

2011 was also an important year for the port's environmental stewardship. Permitting was completed for more than 150 acres of port property for a wetland mitigation bank, the first of its kind in Clark County. The multi-year Fruit Valley Groundwater Cleanup effort to address contamination from a former landowner is nearly completed. And the port increased its purchase of Renewable Energy Credits, equal to 100 percent of the port's electrical consumption.

Though nothing can detract from these accomplishments, we are not without challenges. Unemployment remains high. Until the economy is back on solid footing, we will continue to see variances in cargo activity. Unforeseeable global factors, from trade and economic issues to catastrophic weather events, have notable impact on our port.

It is deeply satisfying, however, to see the port's farsighted plans—visions deftly laid out by our commissioners, and executed by the entire port team—continue to gain ground in the way of living-wage jobs and economic growth. Change may be constant, but the future belongs to those whose foresight makes it possible to capitalize on change. We intend to ensure that the port and the community we serve remain leaders in that effort.

Sincerely,

A handwritten signature in black ink that reads "Larry Paulson". The signature is written in a cursive, flowing style.

Larry Paulson

## PORT LEADERSHIP

The Port of Vancouver USA is a special district established by state legislation and governed by a three-member Board of Commissioners, which sets policy, authorizes expenditures, and appoints an executive director who is responsible for leadership of the port. Commissioners are elected to six-year terms by voters in Clark County's 111-square mile port district. The Commission conducts its business in public meetings held the second and fourth Tuesday of each month at the port's Administrative Office, located at 3103 NW Lower River Road, Vancouver, Washington.



### **BRIAN WOLFE** **COMMISSION PRESIDENT**

Brian Wolfe was elected to his first term as a commissioner in 2005. He will also serve on the executive committee of the Columbia River Economic Development Council. Mr. Wolfe operates his own legal practice in Vancouver and has more than 40

years of experience as an attorney. He helped create the Columbia River Economic Development Council (CREDC), and served as chairman of its board of directors from 1983 to 1994. He has also held leadership positions with the Greater Vancouver Chamber of Commerce, Leadership Clark County, the Clark County Social Services Administration, Identity Clark County and the Columbia River Education and Workforce Council (CREWC). He holds a B.S. from Whitworth University in Spokane and earned his doctorate from Willamette University in Salem. His current term expires December 31, 2017.



### **NANCY BAKER** **COMMISSION** **VICE PRESIDENT**

After 14 years as a port employee, Commissioner Nancy Baker was elected as the first female commissioner in the Port of Vancouver's nearly 100-year history.

Elected in November 2003, Ms. Baker is a graduate of Hudson's Bay High School and attended classes at both Portland State University and Clark College. In 1996, Ms. Baker was named one of Clark County's Women of Achievement by Clark College and

the YWCA. In 2006, she received the Community Service Award from the SW Washington Labor Roundtable and the Central Labor Council; and in 2007 was named by the Columbian newspaper as one of the 100 Most Powerful Women of Clark County. Ms. Baker has served on numerous boards and commissions, including the City of Vancouver International Affairs Commission and the Washington Public Ports Authority.

The mother of two and grandmother of four, Ms. Baker is married to Ray Barney. Prior to her work at the port, Ms. Baker spent 10 years in business management with a multi-million dollar retail store, as well as several years in heavy marine and building construction industry. Her current term expires December 31, 2015.



### **JERRY OLIVER** **COMMISSION SECRETARY**

Mr. Oliver was first elected to the Port of Vancouver Board of Commissioners in 2007. Mr. Oliver was born and raised in Flint, Mich., and has a bachelor's degree in economics from the University of Michigan (1961).

His career includes 20 years selling medical products, and a seven year stint in the financial brokerage business. Mr. Oliver also was self-employed for eight years, when he worked in mid-market mergers and acquisitions.

Mr. Oliver and his wife of more than 45 years, Joan, have two adult daughters and six grandchildren. He is an ardent hunter, fisher, and backpacker and has been involved with the Audubon Society, Columbia Land Trust, Pheasants Forever, and in his church, where he has served in a variety of capacities over the years. His current term expires December 31, 2013.

# CARGO MIX IN 2011

## HERE IS A GLIMPSE AT HOW OUR CARGO MIX LOOKED IN 2011



### TOTAL TONNAGE

The Port of Vancouver handled 5.6 million tons of cargo in 2011, slightly down from 2010 when we handled 5.7 million tons.

### VESSEL CALLS

During 2011, a total of 457 vessels called on the Port of Vancouver. That's up from the number of vessel calls, 405, in 2010.

### WIND TURBINE IMPORTS

In 2011, the port experienced an increase in the amount of wind energy cargo. In total, the port handled 3,300 pieces of wind energy cargo. In comparison, the port handled 743 pieces of wind energy cargo in 2009.

Another important measure of volume can be found in the number of International Longshore and Warehouse Union (ILWU) work hours generated to handle wind turbine imports over the year. The total number of Longshore hours tied to the handling of wind energy cargo at the Port of Vancouver in 2011 was 75,015 compared to 43,433 hours in 2010.

### IMPORT TONNAGE

In 2011, the port handled approximately 775,770 metric tons of imported cargo. This is down from 2010 when we handled 831,000 metric tons of imports.

### WHEAT EXPORTS

The port handled the export of nearly 3.6 million metric tons of exported wheat grown in Eastern Washington and Oregon, as well as Idaho, Montana, North and South Dakota and even as far away as Minnesota, Kansas, and Nebraska. This is slightly down from 2010 when 3.7 million metric tons were exported through the port. The port's grain elevator, operated by United Harvest, exports about 16 percent of all U.S. exported wheat.

### COPPER CONCENTRATE EXPORTS

Copper concentrates were slightly down in 2011 as the port exported 337,500 metric tons. In 2010, by comparison, we exported 373,000 metric tons.

### STEEL SCRAP EXPORTS

Steel scrap exports totaled 425,000 metric tons in 2011, compared to a year ago when we exported nearly 469,000 metric tons.

### AUTOMOBILES

Subaru imported more than 49,000 cars through the port in 2011, down from 88,000 imported through the port in 2010.

## WHAT THE PORT MEANS TO THE COMMUNITY

The Port of Vancouver USA was established by local voters in 1912 to ensure public ownership of trade docks on the Columbia River. Located at the natural transportation hub of the Pacific Northwest on the Columbia-Snake River System, the Port of Vancouver is an ideal transfer point for cargos moving to and from the Pacific Rim and the world. Annually the port handles approximately 500 ocean-going vessels, as well as river barges, with a total cargo volume of more than 5 million metric tons. The port is adjacent to the north/south and east/west national highways and offers on-site connection to river grade rail traveling between Canada, Mexico, and east to Chicago. As it approaches the end of the first century, the Port of Vancouver is an anchor for the economic well-being of Vancouver, Clark County and Southwest Washington. The Port of Vancouver is the second largest port on the Columbia River. It is a leader in the import of wind energy cargos. Vancouver, Washington is also the main West Coast port of entry for Subaru America, which means the majority of all Subaru vehicles sold west of the Mississippi River are imported through the port.

### QUICK FACTS

- Established in 1912
- Third-oldest port in the State of Washington
- One of 75 port districts in the state of Washington with publicly-elected port commissioners
- 2,127 acres of property includes:
  - 800 acres of currently operating facilities
  - More than 500 acres for future development
  - 570 acres for mitigation
  - 157 acres of wetland bank
  - Four miles of waterfront
  - 106 river miles from the Pacific Ocean
  - Channel depth of 43 feet
  - Two 140-metric-ton Liebherr mobile harbor cranes

### JOBS AND A VIBRANT ECONOMY

- The Port of Vancouver is the hub of industrial jobs in Southwest Washington.
- 100 people are employed directly by the port
- More than 2,300 people are directly employed by businesses at the port
- Nearly 17,000 jobs are generated in the community by port activities
- 80 percent of the employees who come to work at the port live

in Clark County or within the city limits of Vancouver

- Port of Vancouver activities generate \$1.6 billion in economic benefits to state and local taxes to fund police, fire, transportation and other vital services.
- Washington is the most trade-reliant state in the nation, with one in three jobs dependent on international trade, according to the Washington Public Ports Association.

### MARINE TERMINALS

- The Port of Vancouver has five marine terminals that provide 13 shipping berths.
- The port has more than 1.2 million square feet of waterfront warehousing.
- More than 12 shipping lines call on the Port of Vancouver.

### INDUSTRIAL FACILITIES

- The port has more than 50 industrial tenants.
- There are more than two million square feet in warehouses for industrial activities at the port.
- The port has more than 800 acres of developed property for industrial and maritime activities.



### SOME OF THE PORT'S TENANTS ARE

- |                             |                           |
|-----------------------------|---------------------------|
| • Boise Cascade             | • NuStar Energy LP        |
| • Cadet Manufacturing       | • Red Lion Hotel          |
| • CalPortland               | • Vancouver at the Quay   |
| • Commodities Plus          | • SAPA                    |
| • Food Express, Inc.        | • Subaru of America, Inc. |
| • Great Western Malting     | • Tristar Transload PNW   |
| • IMS Electronics Recycling | • United Grain Corp.      |
| • Northwest Packing         | • Vancouver CFS           |

# WASHINGTON STATE AUDITOR'S OFFICE

## FINANCIAL STATEMENTS AND FEDERAL SINGLE AUDIT REPORT FOR 2011

### *Management's Discussion and Analysis*

#### INTRODUCTION

As management of the Port of Vancouver (port), we offer readers of the port's financial statements this narrative overview and analysis of the financial activities of the port for the fiscal year ended December 31, 2011, with selected comparative information for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the port's basic financial statements. The port's financial statements include two components: 1) the port's basic financial statements, and 2) the notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the port's financial statements. The notes to the financial statements can be found following the financial statements of this report.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position tell us whether the port's financial position has improved as a result of the year's activities. The Statement of Net Position information on all of the port's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position show how the port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated

for specific activities or objectives. The port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

#### FINANCIAL ANALYSIS

##### CONDENSED FINANCIAL POSITION INFORMATION

The *Statement of Net Position* reflects the port's financial position at year end. Financial position is represented by the difference between assets owned and liabilities owed at a specific point in time. The difference between the two is reflected as net position. As previously noted, changes in net position over time can be a good indicator of the port's financial position.

#### FINANCIAL HIGHLIGHTS

- Total assets of the port exceeded its liabilities by \$193.151 million (reported as total net position). Total net position increased by \$15.126 million in comparison with the prior year due to the increase in capital assets.
- Total cash and investments decreased by \$4.9 million from 2010, primarily for the continued construction of the West Vancouver Freight Access Project
- As debt is paid down and cost cutting measures are implemented, total liabilities decreased \$12.001 million from the prior year.



## NET POSITION

The following condensed financial information provides an overview of the port's financial position for the fiscal years ended December 31.

### NET POSITION

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and restricted assets	\$29,114,604	\$33,991,758
Capital assets, net	271,670,035	263,638,035
Other noncurrent assets	<u>26,067,010</u>	<u>26,096,884</u>
<b>Total Assets</b>	<b>\$326,851,649</b>	<b>\$323,726,677</b>
<b>Liabilities</b>		
Current liabilities	\$15,741,236	\$14,512,225
Noncurrent liabilities	<u>117,959,293</u>	<u>131,189,484</u>
<b>Total Liabilities</b>	<b>\$133,700,529</b>	<b>\$145,701,709</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$190,865,494	\$173,313,898
Restricted	800,382	880,709
Unrestricted	<u>1,485,244</u>	<u>3,830,361</u>
<b>Total Net Assets</b>	<b><u>\$193,151,120</u></b>	<b><u>\$178,024,968</u></b>

## SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the port's net position changed during the current and previous fiscal year as a result of operations. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows (e.g. uncollected receivables).

### Revenues:

- Despite the continuing economic challenges in 2011, the port's diversified commodity mix resulted in a slight increase in marine revenues to \$27.641 million. A change of 20.3 percent or \$4.669 million from 2010.
- The port experienced improved occupancy of its industrial leasehold facilities. Lease occupancy was 87 percent

in 2010, but improved in 2011 to a leased occupancy rate of 94 percent. Although market rates have been decreasing, lease revenue was \$6.995 million.

- Total 2011 operating revenues increased \$5.716 million (18.27%) from 2010 operating revenues

### Expenses:

- 2011 total operating expenses, before depreciation, increased \$5.324 million (25.51%) from 2010 expenses. Operating income, after depreciation, was \$3.385 million at December 31, 2011 as compared to \$3.676 million at 2010 year end.

### Non-Operating:

- 2011 total nonoperating revenue (expenses) increased \$4.025 million from 2010, primarily due to an adjustment to estimated environmental remediation activity costs.
- The port was successful in applying for several grants. However, grant revenue decreased by \$2.823 million from 2010.

## CHANGE IN NET POSITION

This table summarizes the operations for fiscal years ending December 31.

CHANGE IN NET POSITION	2011	2010
	<hr/>	<hr/>
Revenues		
OPERATING REVENUES:		
Marine terminal operations	\$27,640,833	\$22,971,882
Property lease/rental operations	6,995,391	6,691,898
Facilities sales and service	1,914,326	1,347,686
Security sales and service	407,575	233,143
General and administrative	54,736	51,711
NONOPERATING REVENUES:		
Ad valorem tax revenues	\$9,934,219	\$9,649,602
Interest income	113,652	173,420
Federal and State Grants	2,114,107	4,937,672
Environmental remediation adjustment	4,081,809	424,090
Repair and replacement	(72,833)	3,583,910
Other non operating revenues	106,849	218,125
Total Revenues	<hr/> \$53,290,664	<hr/> \$50,283,139
Expenses		
OPERATING EXPENSES:		
Marine terminal operations	\$12,421,307	\$8,380,557
Facilities	6,049,449	5,405,282
General and administrative	6,508,896	6,057,076
Security	1,217,875	1,030,083
Depreciation	7,429,829	6,746,732
NON-OPERATING EXPENSES:		
Interest expense	3,586,091	3,730,797
Repair and replacement	771,808	7,411,283
Other non-operating expense	179,257	128,754
Total Expenses	\$38,164,512	\$38,890,564
Change in net assets	15,126,152	11,392,575
Total net assets - beginning	178,024,968	166,632,393
Prior period adjustment	-	-
Total net assets - ending	<hr/> <hr/> \$193,151,120	<hr/> <hr/> \$178,024,968

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The port's investment in capital assets as of December 31, 2011 totaled \$271.670 million (net of accumulated depreciation).

The port's investment in capital assets includes land, buildings, improvements (other than buildings), machinery and equipment, and construction in progress. The total increase in the port's investment in capital assets for the current year was 3.05%.

Major capital asset events during 2011 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. Completion of the relocation of the Kinder Morgan Bulk Commodity handling facility project in the amount of \$1.321 million. Completion of the base land improvement project at the Centennial Industrial Park in the amount of \$4.436 million. Additional information of the port's capital assets activity may be found in Note 4 in the notes to the financial statements.

### Long-Term Debt

At December 31, 2011, long-term debt outstanding totaled \$117.959 million. Of this amount, \$61.980 million comprises general obligation debt and \$25 million represents special revenue bonds secured by a letter of credit. The port is liable for a note payable in the amount of \$17.460 million for right-of-way acquisition for the West Vancouver Freight Access Project.

Additional information on the port's long-term debt can be found in Note 9 in the notes to the financial statements.

## ECONOMIC FACTORS AND 2012 BUDGET

### Economic Factors

- The port had a healthy year in 2011, generating nearly \$5.7 million more in operating income over 2010. These critical funds will be reinvested in port infrastructure projects that leverage private investment and create jobs for our community. One such project is the port's ongoing West Vancouver Freight Access rail project that is expected to create 1,000 new, permanent jobs and 4,000 construction jobs.
- The port handled 5.6 million metric tons of cargo in 2011, down slightly from 2010. Overall cargo trends held steady with wind energy, pulp, scrap metal and project cargo leading much

of the growth, while other cargos, such as automobiles, wheat and bulk minerals, dipped due to the recession and global events.

- A deeper Columbia River shipping channel and innovative marketing efforts resulted in 456 ocean-going ships and river barges calling on the port in 2011, up from 405 in 2010. Many of those vessels carried U.S. wheat, the port's number one export by volume, to such faraway places as Japan and the Philippines. Others brought wind turbine components from Korea and China to our docks, making 2011 the port's best year ever for wind energy cargo.
- In 2011, the port welcomed two new businesses, Sapa Profiles and Puget Sound Pipe & Supply, to its tenant roster of more than 50. These two additions brought the port's occupancy rate up to 94 percent, and this impressive number is expected to rise to 97 percent within the first half of 2012. Overall, marine and industrial businesses at the port employ an estimated 2,300 people and generate approximately \$1.6 billion in economic benefit to the region annually.

### 2012 BUDGET

The port's 2011 operating revenues are forecast at \$37.159 million, which is slightly less than the \$37.012 million 2011 actual operating revenues. This stabilization is attributed to retaining strong imports of heavy lift cargos and wheat exports. 2012 operating expenses are forecast at \$26.694 million, a slight increase over the actual 2011 operating expenses of \$26.197 million.

The \$49.193 million 2012 capital budget represents various facility and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

### Requests for Information

This financial report is designed and intended to provide a general overview of the Port of Vancouver's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Vancouver, Director of Finance, 3103 NW Lower River Road, Vancouver, WA 98660 or [www.portvanusa.com](http://www.portvanusa.com).



Port of Vancouver USA

..... THE PORT OF / *Possibility* .....

3103 NW LOWER RIVER ROAD • VANCOUVER, WA 98660 • PORTVANUSA.COM