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**ANNUAL RE:PORT**  
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2012 Annual Report to the Community



THE PORT OF / *Possibility*

## DELIVERING POSSIBILITIES FOR VANCOUVER AND CLARK COUNTY



It is a time of great change at the Port of Vancouver. Since the day we turned dirt on our West Vancouver Freight Access rail project in 2008, we have been working from a vision of generating jobs and revenue for our community. The port has methodically invested, planned, adjusted and steadily moved forward on defining how we make this port a player in our region, and around the world, and now we are seeing the fruits of our labor.

The future of the port is directly tied to our transportation assets, emphasizing rail-dependent bulk cargos such as minerals, grains and liquid bulks - existing commodities that are on the brink of exponential growth. We will continue to diversify our cargos in order to steady our revenues through changes in the global market - a strategy that served us well as we experienced significant growth through the recent recession.

As a public agency, we understand that the opportunities we create also require discretion. We have given much thought to how we develop and choose which commodities, customers and tenants to pursue. We strive to make informed decisions in the best interest of our community, while maximizing our return on investment for our primary investors - Clark County tax payers.

Our criteria for growth are focused on doing what our port does best - handling a wide variety of cargos and accommodating industrial growth. Our goal is to find and attract companies that have a solid, long-term market, are well-capitalized and employ environmental best practices. We look for opportunities for business growth that brings jobs, economic activity and added revenue to our community. We also leverage our public transportation and property assets with private investment to increase return on the public's investment. These are the considerations that will guide our work as we pursue new opportunities.

We believe that the combined strategy of solid transportation and property investments, and knowing what we do best is creating the opportunities we want. We have attracted one of the largest corporations in the world, BHP Billiton to locate a potash export facility at our port - supplying mineral fertilizer to a growing global market. Companies including Brewcraft, Farwest Steel, Sapa Profiles and others have added between 350 and 400 jobs this past year. Because we completed the roadways and other infrastructure at our new Centennial Industrial Park, we are optimistic that we will have one or more tenants ready to build in 2014.

We are defining the port for the next generation, and preparing it for continued success. We still have work to do, including completion of our rail project and development of new industrial lands. We know where we are heading and are doing our best to make decisions that benefit our community. As we grow and more opportunities arise in the future, our priority is to have the right checklist to take advantage of these opportunities, with full understanding of who we are and what we want to be.

Sincerely,



Todd Coleman

## 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 a chief executive officer 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.

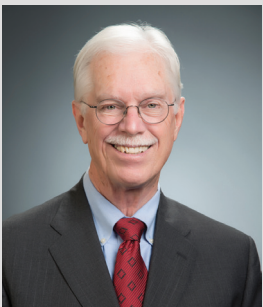


### JERRY OLIVER COMMISSION PRESIDENT

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 50 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.



### BRIAN WOLFE COMMISSION VICE PRESIDENT

Brian Wolfe was elected to his first term as a commissioner in 2005. He also serves 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 SECRETARY

After 14 years as a port employee, Commissioner Nancy Baker was elected as the first female commissioner in the Port of Vancouver's 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 the heavy marine and building construction industries. Her current term expires December 31, 2015.

# CARGO MIX IN 2012

## HERE IS A GLIMPSE AT HOW OUR CARGO MIX LOOKED IN 2012



### TOTAL TONNAGE

The Port of Vancouver handled 4.6 million tons of cargo in 2012, down from 2011 when we handled 5.6 million tons.

### VESSEL CALLS

During 2012, a total of 351 vessels called on the Port of Vancouver, down from the number of vessel calls, 456, in 2011.

### WIND TURBINE IMPORTS

In 2012, the port experienced a decrease in the amount of wind energy cargo. In total, the port handled 47,876 metric tons of wind energy cargo. In comparison, the port handled 106,182 metric tons of wind energy cargo in 2011.

Following the port's best year ever for wind energy cargo in 2011, the 55 percent decrease in 2012 can be traced directly to delays in extending the federal production tax credit for wind energy.

### IMPORT TONNAGE

In 2012, the port handled approximately 674,322 metric tons of imported cargo. This is down from 2011 when we handled 770,170 metric tons of imports.

### WHEAT EXPORTS

The port handled the export of 2.6 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 in 2012. This is down from 2011 when 3.6 million metric tons were exported through the port.

A growing number of grain elevators operating within the Columbia Snake River System and more wheat being exported from other countries such as Russia and Australia contributed to the one million metric ton decrease in U.S. wheat exports handled at the Port of Vancouver as compared to 2011.

### COPPER CONCENTRATE EXPORTS

Copper concentrates were significantly up in 2012 as the port exported 419,782 metric tons. In 2011, by comparison, we exported 337,547 metric tons.

### STEEL SCRAP EXPORTS

Steel scrap exports totaled 538,078 metric tons in 2012, compared to a year ago when we exported 554,507 metric tons.

### AUTOMOBILES

Subaru imported 46,084 cars through the port in 2012, slightly down from 49,356 imported through the port in 2011.

## 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. Throughout its 100-year history, the Port of Vancouver has been 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           |

# CARGO MIX IN 2012

## WASHINGTON STATE AUDITOR'S OFFICE FINANCIAL STATEMENTS AND FEDERAL SINGLE AUDIT REPORT FOR 2012 *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, 2012, with selected comparative information for the year ended December 31, 2011. 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 \$253.192 million (reported as total net position). Total net position increased by \$60.041 million in comparison with the prior year due to the increase in capital assets.
- Total cash and investments increased by \$8.65 million from 2011, primarily from the results of an insurance settlement.
- As debt is paid down and cost cutting measures are implemented, total liabilities decreased \$12.398 million from the prior year.

### 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, Auditor, 3103 NW Lower River Road, Vancouver, WA 98660 or [www.portvanusa.com](http://www.portvanusa.com).

## 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>2012</u>	<u>2011</u>
Assets		
Current and restricted assets	\$37,765,252	\$29,114,604
Capital assets, net	311,102,966	271,670,035
Other noncurrent assets	<u>25,626,886</u>	<u>26,067,010</u>
Total Assets	\$374,495,104	\$326,851,649
Liabilities		
Current liabilities	<u>\$17,608,902</u>	<u>\$15,741,236</u>
Noncurrent liabilities	103,693,883	117,959,293
Total Liabilities	\$121,302,785	\$133,700,529
Net Assets		
Invested in capital assets, net of related debt	\$239,000,164	\$190,865,494
Restricted	<u>751,861</u>	<u>800,382</u>
Unrestricted	<u>13,440,294</u>	<u>1,485,244</u>
Total Net Assets	<u>\$253,192,319</u>	<u>\$193,151,120</u>

## 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. The port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

### Revenues:

- With continued economic challenges in 2012, the port's diversified commodity mix resulted in a decrease in marine revenues to \$22.028 million, a change of 20.3 percent or \$5.6 million from 2011.
- The port experienced improved occupancy of its industrial leasehold facilities. Lease occupancy was 94 percent in 2011, but improved in 2012 to a leased occupancy

rate of 99 percent. Although market rates have been decreasing, lease revenue was \$7.753 million.

- Total 2012 operating revenues decreased by \$4.452 million (12.03%) from 2011 operating revenues.

### Expenses:

- 2012 total operating expenses, before depreciation, decreased by \$2.9 million (11.07%) from 2011 expenses. Operating income, after depreciation, was \$1.161 million at December 31, 2012 as compared to \$3.385 million at 2011 year end.

### Non-Operating:

- 2012 total nonoperating revenue (expenses) increased \$46.302 million from 2011, primarily due to the settlement of an insurance policy, federal and state grant revenue, the surplus of capital assets, and an adjustment to estimated environmental remediation activity costs.
- The port was successful in applying for several grants. Grant revenue increased by \$15.548 million from 2011.

## CHANGE IN NET POSITION

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

CHANGE IN NET POSITION	2012	2011
Revenues		
OPERATING REVENUES:		
Marine terminal operations	\$22,027,650	\$27,640,833
Property lease/rental operations	7,753,181	6,995,391
Facilities sales and service	2,304,027	1,914,326
Security sales and service	366,219	407,575
General and administrative	109,697	54,736
NONOPERATING REVENUES:		
Ad valorem tax revenues	\$9,711,320	\$9,934,219
Interest income	225,532	113,652
Federal and State Grants	17,662,057	2,114,107
Environmental remediation adjustment	6,393,053	4,081,809
Repair and replacement	-	(72,833)
Other non operating revenues	27,427,713	106,849
Total Revenues	<u>\$93,980,449</u>	<u>\$53,290,664</u>
Expenses		
OPERATING EXPENSES:		
Marine terminal operations	\$9,509,867	\$12,421,307
Facilities	5,406,768	6,049,449
Security	1,429,542	1,217,875
General and administrative	6,951,591	6,508,896
Depreciation	8,102,079	7,429,829
NON-OPERATING EXPENSES:		
Interest expense	3,221,932	3,586,091
Repair and replacement	-	771,808
Other non-operating expense	154,863	179,257
Total Expenses	\$34,776,642	\$38,164,512
Change in net assets	59,203,807	15,126,152
Total net assets - beginning	193,151,120	178,024,968
Capital contribution	837,392	-
Total net assets - ending	<u>\$253,192,319</u>	<u>\$193,151,120</u>



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The port's investment in capital assets as of December 31, 2012 totaled \$311.103 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 \$39,433 or 14.52 percent.

Major capital asset events during 2012 included the following: Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. Completion of the two laydown areas in the Terminal 5 Rail Loop in the amounts of \$2.620 million and \$4.392 million, respectively. Completion of the Terminal 4 Pond Relocation in the amount of \$3.596 million. Completion of the Grain Unit Train Phase A project in the amount of \$10.982 million.

### Long-Term Debt

At December 31, 2012, long-term debt outstanding totaled \$103.694 million. Of this amount, \$60.545 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 \$12.460 million for right-of-way acquisition for the West Vancouver Freight Access Project.

## ECONOMIC FACTORS AND 2013 BUDGET

### Economic Factors

Following on the heels of an exceptional year in 2011, port revenue continued to follow an upward trend established over the past decade. Although a 12 percent decrease from 2011, port revenues of \$32.5 million in 2012 exceeded totals for 2009 and 2010 by 7.8 percent and 6 percent, respectively. The port will continue to invest these funds 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, now 50 percent complete, that is expected to attract more than \$400 million in private sector investment and create 1,000 new, permanent jobs and 4,000 construction jobs.

Although total cargo tonnage for 2012 was down from 2011, the port's capacity to handle a growing variety of cargos is increasing. From rail improvements that will triple the number of rail cars the port can handle annually to the 50 percent increase in storage at the port's grain facility, the port has positioned itself well for growth.

Thanks to infrastructure improvements and innovative marketing

efforts at the port, overall import trends remained steady in 2012. Imports such as steel and jet fuel saw significant increases, while the 13 percent decrease in imports was due primarily to less wood pulp and fewer wind energy components being handled by the port. With 2011 being the port's best year for wind energy cargo, the 55 percent decrease in wind energy cargo can be traced to delays in extending the federal production tax credit program.

The port welcomed several new businesses, Brewcraft USA, Keller Supply Co., Sigma GC/Mateen and Trobella Cabinetry, to its tenant roster in 2012, and brought the port's occupancy rate to 99 percent. To address the need for additional space, the port began development of the first 58 acres of its new Centennial Industrial Park thanks to a \$5.7 million grant from Washington State's Department of Commerce Jobs Now Act 2012. The shovel-ready property is expected to host its first tenant in early 2014. 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.

The port, together with Clark County Wetland Mitigation Partners, LLC, celebrated major construction milestones on the 154-acre Columbia River Wetland Mitigation Bank in 2012. Final planting occurred in early 2013, the bank is already providing a highly effective way to preserve valuable habitat while ensuring responsible development. This year marked the successful cleanup of 4.4 billion gallons of water as part of the multi-year Fruit Valley Groundwater Cleanup effort. The port also received two grants from the Washington State Department of Ecology totaling over \$600,000 for stormwater quality improvement projects at port terminals and the port continued its purchase of Renewable Energy Certificates, equal to 100 percent of the port's electrical consumption.

### 2013 Budget

The port's 2013 operating revenues are forecast at \$33.883 million, which is an increase over the \$32.560 million 2012 actual operating revenues. This increase is attributed to retaining strong imports of heavy lift cargos, continued industrial development, and bulk exports. 2013 operating expenses are forecast at \$23.254 million, a slight decrease over the actual 2012 operating expenses of \$23.297 million.

The \$33.525 million 2013 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.



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