 Port of Vancouver USA

# 2017 BUDGET



## BUDGET IN BRIEF

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The Port of Vancouver USA is an economic engine for the entire Southwest Washington region. The port provides quality jobs, international trade connections, a strong industrial land base and economic stability by producing revenue for state and local services. Through the Columbia River and along efficient national rail and road systems, the port connects our community to the global marketplace – a key factor in bringing community prosperity to Clark County.

The port budgets and operates under the laws applicable to a public port district as a municipal corporation under the provisions of Chapter 53 of the *Revised Code of Washington*. The port's focus on long-term strategies provides context for its budget and results. While the port's current financial outlook remains positive, the potential financial impacts of economic uncertainty and volatility in national and global economics, growth and shifts in markets and trade patterns, considerable capital requirements for rail infrastructure, terminal developments and continued regulatory requirements and environmental risks remain challenging.

The port operates principally in two industries: terminal operations and industrial property leases. Terminal operations involve marine-oriented operations, including dockage, cargo handling, storage and related activities. Industrial property leases include facilities leases, industrial activities, and storage. The annual operating and capital budgets are a forecast of expected resources and the purposeful distribution of those resources. This forecast is developed based on historical trends in revenue and expenses, information from customers and tenants, market projections, and key economic and regulatory assumptions. It is also recognized that budget adjustments may be made as the port maintains agility to take advantage of unforeseen opportunities or the need to react to unanticipated market and economic conditions. Given the need to manage overall costs and continue investing in the port's key initiatives, the following issues were considered in preparing the 2017 budget:

- Forecasts for the handling of pulp and auto volumes are expected to exceed 2016 expected volumes.
- Anti-dumping and countervailing duties will continue to impact 2017 steel imports.
- Wind commodities are expected to increase over 2016 volumes.
- Bulk mineral exports (especially copper concentrates) are expected to grow based on customer expectations and renewed export volumes.
- The 2017 budget is forecasted 4.5 million tons.
- Continued strong marketing efforts in marine and industrial markets through customer contact and trade shows. Diversification of business lines has been important in stabilizing operating revenues.
- New infrastructure in the form of marine and industrial warehouses may be needed to provide additional capacity to meet expected market demands.
- Continued construction on the West Vancouver Freight Access Project (WVFA). Priority projects within WVFA include the Grain Unit Train Loop (project 11) and the Bulk Facility Relocation (project 7).
- Construction of a new warehouse/facility in Centennial Industrial Park.
- Continued partnerships with the City of Vancouver, private sector developers, railroad leaders and government officials as revitalization work continues on the Columbia River waterfront.
- Debt services/financing: Debt service on Limited Tax General Obligation will remain relatively flat at \$5.7 million, Revenue Bond interest expense is \$2.2million. In 2017, the port anticipates issuing long-term financing of approximately \$26 million in revenue bonds. Proceeds from these bonds will be provide funding for some 2017 capital projects.
- Assessed property values in the port district increased approximately ten percent from 2015 to 2016. The port's 2017 certified levy is anticipated to remain the same amount in absolute dollars, causing the millage rate to drop for 2017.

The Port of Vancouver prepares budgets on the cash basis of accounting. In cash basis accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are recorded when paid. Cash basis budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations and/or whether too much cash is

being left in unproductive capacities. This is different from the full accrual basis of accounting, also referred to as the Generally Accepted Accounting Principles (GAAP) basis of accounting used for financial statement purposes.

**Revenues:** The 2017 budget projects operating revenues of \$37.07 million, an increase of six percent over estimated 2016 operating revenue results. Seventy-one percent of projected 2017 operating revenue is from marine, terminal and rail operations, and twenty-nine percent from industrial property leases, rail and facilities.

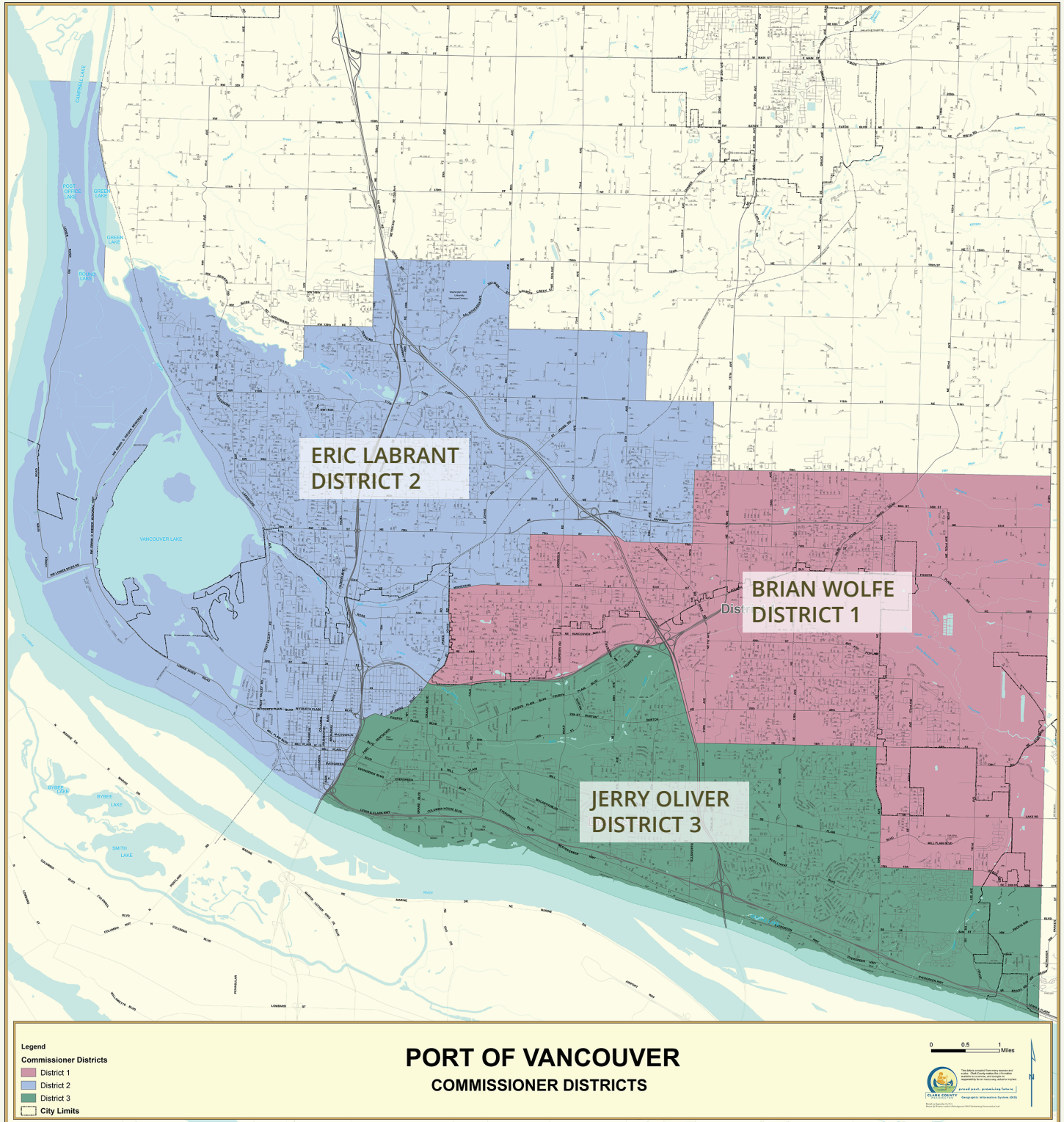
Nonoperating revenues will include approximately \$10 million from property tax collections. Seventy-nine percent of property tax receipts will be used for debt service payments on general obligation bonds and revenue bond, and the remainder will be used for capital projects and environmental remediation. The nonoperating budget also includes \$3.2 million of grants awarded for rail construction and other programs.

**Expenses:** The 2017 budget projects operating expenses of \$29.98 million, a decrease of three percent over the estimated 2016 operating expense results. This decrease is mainly due to the decrease in direct cost of sales related to decreased revenue in 2017 budget. The 2017 nonoperating expenses include debt service of \$7.9 million, Crane Settlement of \$1.6 million, a waterfront master plan program of \$327.5 thousand and continuing costs for environmental remediation of \$727 thousand.

**Capital Improvement Program (CIP):** The 2017 CIP budget of \$44.04 million reflects the port's mission to provide economic benefit to the community. Sixty-two percent of the capital budget is allocated for the continued engineering and construction of the WVFA Project. Twenty-two percent is allocated for the Centennial Industrial Park warehouse/facility. The remainder of the capital budget is allocated to various facility and terminal improvements and capital maintenance projects.

**Conclusion:** Despite the challenging realities of today's global economy, the Port of Vancouver remains committed to its vision and mission. The port's management is confident that the plans outlined in the 2017 budget will help the port and region remain financially strong, competitive and successful.

# COMMISSIONER DISTRICTS



# PORT OF VANCOUVER USA

## Strategic Plan 2016-2025



# INTRODUCTION

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**P**ort of Vancouver USA is an economic engine for the Southwest Washington region. The port provides quality jobs, international trade connections, a strong industrial land base and economic stability by producing revenue for state and local services.

Through the Columbia River and efficient national rail and road systems, the port connects our community to the global marketplace – a key factor in bringing community prosperity to Clark County.

In planning for the future, the port's focus includes strategic capital investments that keep our facilities in step with today's trade and industry demands by developing new maritime, industrial and transportation facilities.

Our future also relies on efficient management of port facilities, commitment to environmental stewardship, and collaboration with our community and our local government partners.

The port's strategy strives to ensure longevity of economic diversity and funding through a sustainable, healthy mix of cargo, tenants and revenue generation.

The Strategic Plan outlines the port's focus through the year 2025 and highlights the goals and milestones that will mark our progress. The plan identifies the strategic focus of the organization to support our mission and vision. The projections are meant to stretch and challenge the organization.

### VISION

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*A premier port that is globally recognized and well capitalized with state-of-the-industry facilities, infrastructure and service providing accountable economic benefit.*

### MISSION

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*To provide economic benefit to our community through leadership, stewardship and partnership in marine, industrial and waterfront development.*

# CORPORATE VALUES

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We, at the Port of Vancouver, have certain values that are important to us and which we reflect in our planning, our actions and our treatment of others. These values are as follows:

## **INTEGRITY**

Integrity is a character trait. It is the willingness to do what is right even when no one is looking. It includes certain moral traits such as **COURAGE** (doing what is right even at a personal cost), **HONESTY** (dealing truthfully with one another, our customers and the community), **RESPONSIBILITY** (recognizing our duties and accomplishing them well), and **ACCOUNTABILITY** (we do not shift blame to others or take credit for the work of others). Basically, it means **DOING THE RIGHT THING** even when it hurts.

## **PROFESSIONALISM**

We know our job and go about doing it efficiently and well. Our goals go beyond merely doing the job for the moment, we continuously look for ways to improve and innovate. We encourage the ability to think and act creatively and not respond by saying, "We've always done it this way." As professionals, we understand the need for communication and teamwork, respect for our teammates, and taking responsibility for following through on our commitments. A professional adds value to everything in which he or she is involved.

## **RESPECT**

We show consideration and value for others, exercising courtesy not only with our customers, tenants, and the community, but also among ourselves. Respect is mutual. While supervisors respect the value of each person under their supervision, each person also should respect the responsibility the supervisor has to support the goals that the organization must accomplish to fulfill its mission and vision.

## **PARTNERSHIP**

We work with others, and we seek to work with them well. This includes our customers, our tenants, the seafarers, our community, our labor force, and those who work within the same organization. Through partnerships and teamwork, the whole is greater than the sum of the parts. As a team, we communicate with each other and work together towards our common mission, vision and goals while supporting our community's quality of life.

## **ACHIEVEMENT**

This is the bottom line we strive to attain. It is vitally important that we achieve the corporate goals that we set, and while doing so, we serve the taxpayers of our port district, our community, our region and our nation.



# OPERATIONAL VALUES

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## LEADERSHIP

Leadership means setting the example. It means accountability and accepting responsibility. Leadership also means internal and external management excellence. Good leadership fosters a climate of teamwork, openness and mentoring while promoting growth and opportunities.

## QUALITY STAFF

The Port of Vancouver believes its staff is its most important asset. We retain quality personnel and encourage their professional development. We recognize and reward our employees for being creative, resourceful and productive.

## WORK ENVIRONMENT

Our professional work environment is both satisfying and rewarding, giving recognition and credit appropriately and frequently. We value all staff, regardless of their positions within the organization, tenants and customers for their contributions. A positive work environment promotes trust and leads to success.

## COMMUNITY INVOLVEMENT

We support and improve the community where we live, work and our children grow. We strive to be good citizens locally and globally, exhibiting ethical integrity in the global marketplace.

## SECURITY

Security means protecting employees, tenants, customers, visitors, our neighbors and the environment. Security also means safeguarding assets and resources. We promote awareness and are proactive in minimizing risks and maintaining a high level of security.

## "CAN DO" ATTITUDE

This attitude means a dedication to excellence; a desire for continuous improvement and innovation toward accomplishment and performance. It is embodied in our daily activities and decisions to improve processes, achieve savings, and enhance customer service. We anticipate and fulfill customer needs while understanding the boundaries established by the taxpaying public.

# ENVIRONMENTAL VALUES

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The Port of Vancouver believes that environmental stewardship and economic development can co-exist. We take a proactive approach to managing our natural resources and minimizing our impact on the environment. The following values outline this commitment:

## **INTEGRATED DECISION MAKING**

Incorporate environmental costs, risks, impacts and benefits into our business choices, operating decisions, and facility planning. Promote a corporate culture where environmental stewardship is demonstrated by the way we do business.

## **SUSTAINABILITY**

Sustain our natural resources through the protection of our air shed, lands and water. Build strong relationships with our community, stakeholders, customers, and suppliers for the benefit of the environment. Conserve energy and maximize the use of sustainable resources in the construction and operation of facilities and delivery of our services

## **POLLUTION PREVENTION**

Prevent new sources of contamination on Port property through best management practices and continued improvement of our environmental programs. Efficiently remediate clean-up sites to the benefit of the environment and for future industrial use and job creation. Work with tenants to help emphasize the importance of environmental stewardship and the Port's commitment to sound environmental practices.

## **COMPLIANCE**

Meet or exceed regulatory requirements in the construction and operation of our facilities and delivery of our services.

# CULTURE OF SAFETY

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## **SAFETY**

The port believes all injuries can be prevented and that each employee should be provided a safe and healthy work environment. We consider safety to be an integral component of our daily operations and the responsibility of all port employees. Each employee is responsible for practicing safety and health values, and for reporting accidents, injuries and unsafe conditions.

## **EMPOWERMENT/ENGAGEMENT**

Port leadership trusts and values employees, which fosters a culture where employees can be comfortable speaking up when potentially risky behaviors and conditions are observed. Employees at any level have the authority and responsibility to stop work and assist with hazard mitigation.

## **COMPLIANCE**

The port strives to meet or exceed federal, state and local safety rules and regulations. We partner with state and local safety and emergency response professionals and port tenants to minimize risks to our employees, tenants, customers and the community.

## **CONTINUOUS IMPROVEMENT**

The port is committed to continuous improvement in all aspects of our operations, especially related to our employees' safety and health. Through collaboration and assessments, we seek to improve our operations and facilities for the benefit of our employees, tenants, customers and neighbors.

## **INTEGRATION**

Safety is integral to all port activities and is considered in every decision.

# STRATEGIC GOALS

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## **MAXIMIZE MARINE BUSINESS AND DEVELOPMENT**

The Port of Vancouver's mission to provide economic benefit through marine development requires increased cargo diversity and modern berthing facilities, with state of the industry technology, equipment with the capacity to handle today's diverse cargoes, adequate transit storage, room for expansion, and maximum efficiencies in cargo movement through the terminals.

Long term contracts, terminal upgrades and a focus on near dock covered storage over the years have supported cargo growth to its current levels. Focus over the next few years include increasing efficiencies of throughput by reducing dwell times and minimizing number of times cargo is handled within the Port facilities.

The development of new, rail served marine terminals is essential to growing the economic benefits to our community over the next 10 years. These lands provide the opportunity to add over 550 acres of marine development.

## **MAXIMIZE INDUSTRIAL BUSINESS AND DEVELOPMENT**

With the Port's access to road, rail and river transportation, industrial properties continue to attract new business to the region and provide a variety of opportunities for existing customers to expand and/or become more efficient, creating both new jobs and greater economic benefits. Industrial warehouse space continues to be either nearly or completely leased driving, the need for new shovel ready properties.

Fifty acres of shovel ready and over 60 acres of undeveloped industrially zoned land is in Port ownership. These properties are in various stages of entitlement, thus providing for a sustained growth of new industrial businesses to the community. These industrial businesses require skilled labor which results in a relatively high number of well-paying jobs.

## **CREATE A DESTINATION WATERFRONT**

The Port of Vancouver owns approximately 10 acres on the Columbia River between Interstate 5 and the Esther Street. The vision of this unique asset is to provide public access to the Columbia River Waterfront, develop public assets in a financially responsible manner, utilize sustainable development practices, interpret the port's history as an economic development engine for Southwest Washington, create a development that supports the community through economic growth and job creation, and create a unique waterfront development experience that is a destination attracting a diverse public to its waterfront.

## **DEVELOP AND PRESERVE MULTI-MODAL TRANSPORTATION ACCESS**

The Port of Vancouver's unique location in proximity to river, road and rail transportation has been, and remains, vital to supporting and maximizing marine and industrial business. Increased velocity and capacity for marine cargos and supporting access and capacity for industrial businesses are achieved through 1) a deeper and maintained river channel and river frontage at and near the port terminals, 2) greater access and capacity on the surface connectors to the interstate system and on the interstate system, and 3) improved competitive unit train access and capacity to, from and on the mainline rail system and within the internal rail network.

## **GENERATE AND SUSTAIN DIVERSIFIED REVENUES**

The primary revenue goal is to generate and sustain diversified revenues to promote the port's long-term sustainability and economic base. To accomplish this, the port enters into long term leases for marine, industrial and waterfront properties, expands its marine cargo mix, and continuously seeks new sources of revenue through business ventures that are aligned with the port's mission. These strategies help keep the port's overall revenue stable even when there are short term fluctuations of individual revenue sources. Property tax receipts are used to acquire and construct long-term capital assets. The port actively pursues grants and has been awarded several grants to improve public infrastructure.

# KEY INITIATIVES

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## REVENUE

Goal: *Generate and Sustain Diversified Revenues*

2016 Key Initiative:

### Operating Revenue

- Aggressively pursue opportunities for new revenue
- Encourage and support expansion and new business development by existing and new tenants and customers
  - ✓ *Develop the Vancouver Energy project with the potential of creating 1000 jobs, \$2 billion in economic activity and millions in tax revenue to the City and State.*
- Emphasize international and domestic marketing to secure new cargos and business opportunities
  - ✓ *Grow and support our marine cargo mix in agriculture, mined, project and energy products.*
  - ✓ *Pursue a commitment for the Terminal 5 rail served loop track facility.*
  - ✓ *Pursue a commitment for the Columbia Gateway development.*
- Provide complete supply chain solutions to customer needs
- Strengthen and foster key partnerships and relationships
  - ✓ *Develop regional branding model promoting the three Clark County Port offerings*
  - ✓ *Develop regional branding model highlighting regional impacts of Port of Portland and Port of Vancouver*
- Strengthen communication and coordination with stakeholders
- Understand and support customer needs and business models

### Non-Operating Revenue

- Seek grants/financing to support goals.

## **WEST VANCOUVER FREIGHT ACCESS**

*Goals: Develop and Maintain Multi-modal Transportation  
Maximize Marine Business and Development  
Maximize Industrial Business and Development*

*2016 Key Initiative:*

- Deliver quality projects on time and within budget
  - ✓ Complete the West Vancouver Freight Project early 2017 and under budget
  - ✓ Manage right-of-way requirements
  - ✓ Manage stakeholder relations prior to and during construction
- Modify critical agreements with rail parties

## **CENTENNIAL INDUSTRIAL PARK**

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

*2016 Key Initiative:*

- Actively market to existing and potential new industrial users
  - ✓ Assist with the completion of the Sunlight Supply building construction
- Complete design, permitting and substantial construction of new building

## **FREIGHT CORRIDORS**

*Goal: Develop and Maintain Multi-modal Transportation*

*2016 Key Initiative:*

- Protect and improve surface transportation capacity
  - ✓ Support the expansion of I-5 freight capacity
- Protect and improve rail corridor capacity
- Protect and improve river navigation
  - ✓ Plan for and support future river infrastructure needs
  - ✓ Manage regulatory changes impacting navigation
  - ✓ Establish adequate Corps funding to maintain 43+ ft. channel depth

## **TERMINAL 1**

*Goal: Create a Destination Waterfront  
Generate and Sustain Diversified Revenues*

*2016 Key Initiative:*

- Complete concept development plan for entire 10 acres
- Complete studies for the Terminal 1 (marketplace) renovation
- Develop a solution to waterfront parking capacity

## **COLUMBIA GATEWAY - PARCEL 3**

*Goal: Maximize marine business and development  
Maximize industrial business and development  
Develop and maintain multi-modal transportation  
Generate and Sustain Diversified Revenues*

*2016 Key Initiative:*

- Develop a rail access solution to Columbia Gateway
- Identify significant marine or heavy industrial user for Columbia Gateway
- Permit and construct berm with vegetation within 100 foot buffer of Flushing Channel on Parcel 3



The Port of Vancouver USA is one of the major ports on the Pacific Coast. Its competitive strengths include available land, versatile cargo handling capabilities, vast transportation networks, a dependable labor force and an exceptional level of service to its customers and community.



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**2017 Final Budget**

<u>SOURCES</u>	
Operating Revenues	
15-Rail	780,855
16-Finance	60,000
20-Facilities	9,962,943
21-Marine Operations	17,824,751
22-Security	357,566
40-Marine Terminal	8,079,450
Total Operating Revenues	<u>\$ 37,065,565</u>
Nonoperating Revenues	
Ad Valorem Taxes	9,986,858
Interest Income	102,500
Grants	3,215,986
Proceeds from Sale of Property	20,000
Other	164,000
Total Nonoperating Revenues	<u>\$ 13,489,344</u>
Total Revenues	\$ 50,554,909
Transfer from General Fund/Financing	\$ 34,637,130
<b>TOTAL SOURCES</b>	<b><u>\$ 85,192,039</u></b>

<u>USES</u>	
Operating Expenses	
05-Executive	863,956
10-Administration	1,076,177
11-External Affairs	1,735,241
12-Information Technology	1,121,648
13-Contracts	478,993
14-Human Resources	356,332
15-Rail	770,247
16-Finance	1,670,086
17-Sales	2,322,417
20-Facilities	5,623,039
21-Operations	1,397,502
22-Security	2,306,877
32-Environmental	856,538
40-Terminal	9,211,538
41-Rail Operations	183,940
Total Operating Expenses	<u>\$ 29,974,531</u>
Nonoperating Expenses	
Debt Service	7,925,152
Environmental Remediation	727,200
Other Nonoperating Expenses	2,521,112
Total Nonoperating Expenses	<u>\$ 11,173,464</u>
Total Expenses	<u>\$ 41,147,995</u>
Capital Projects	\$ 44,044,044
<b>TOTAL USES</b>	<b><u>\$ 85,192,039</u></b>

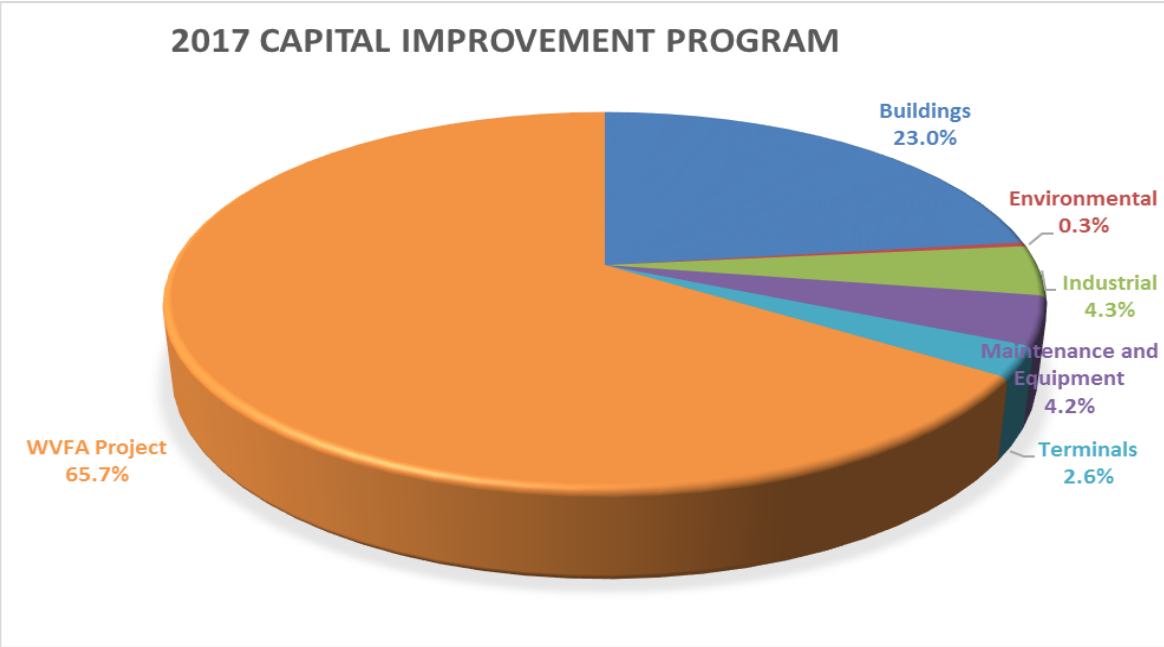
**CAPITAL BUDGET OVERVIEW**

The port invests in the acquisition, development, and maintenance of long-term assets to meet its mission of providing economic benefit to the community and serving its tenants and customers. This investment is evident in the renovation of facilities and terminals, construction of infrastructure, environmental remediation projects, and the acquisition and development of property. The port’s continuing commitment to its investment in long-term assets requires a comprehensive long-term capital planning approach.

The port’s capital planning process begins by reviewing the existing and anticipated business environment, estimates of tenant and customer demand for facilities, and available resources. A number of additional factors are considered when evaluating and prioritizing specific projects. Among these are number of jobs created, financial performance and rate of return, and safety and environmental impacts. Other aspects may be appropriate to consider based on the port’s overall mission, strategic plan and regional opportunities and constraints.

The port’s capital improvement program (CIP) is the primary tool used to plan for major capital projects and acquisition needs over a multiyear forecast period. The CIP forecasts expenditures to be incurred for the projects and acquisitions, identifies capital financing sources, and shows the impact on future operating budgets. The planning horizon for the capital budgets is 7-10 years. This period enables the port to determine emerging capital needs and estimate project costs as well as allow time to plan projects and arrange financing.

The 2017 capital budget reflects the port’s continuing commitment to promoting regional economic activity through the investment of over \$44 million in the economic development and expansion and renewal of port facilities. The port continues to engineer and construct the West Vancouver Freight Access Project, perform terminal upgrades, and build a new warehouse/distribution facility in its Centennial Industrial Park. Financing for the 2017 capital program will come from current revenues, grants, and debt.



**Port of Vancouver  
2017 Capital Projects Budget**

<b>CP #</b>	<b>Sector</b>	<b>Description of Project</b>	<b>2017</b>
<b>WVFA Program</b>			
CP0144	WVFA	WVFA All - ITA Fee for BNSF Staff	\$ 250,000
CP014405	WVFA	WVFA 05: Wash Rack	83,333
CP014405	WVFA	WVFA 05: Right-of-Way Acquisition - Legal	200,000
CP014405	WVFA	Customer Site work - Prepaid Services	450,000
CP014407	WVFA	WVFA 07: Bulk Facility Relocation	8,472,222
CP014411B	WVFA	WVFA 11B - Grain Unit Train Improvements "B" - Phase B	18,000,000
		<b>Subtotal: WVFA</b>	<b>27,455,555</b>
<b>Terminals</b>			
CP0231	Terminals	CPU Substation Electrical Improvements	\$ 30,000
CP0322	Terminals	Building 3125 Phase A & B- Rail Improvements and Partial Demolition	800,000
NEW	Terminals	Waterfront - Zone 4: Dock Improvements/Replacement	250,000
		<b>Subtotal: Terminals</b>	<b>1,080,000</b>
<b>Industrial</b>			
	Industrial	Building 2501 Enhancement Bay A and B	1,800,000
		<b>Subtotal: Industrial</b>	<b>1,800,000</b>
<b>Buildings</b>			
CP0336	Buildings	Centennial Industrial Park: Industrial Building, Lot 1	9,000,000
CP0336	Buildings	Centennial Industrial Park: Tenant Improvements - Lot 1	600,000
		<b>Subtotal: Buildings</b>	<b>9,600,000</b>
<b>Environmental</b>			
CP0347	CGW	CRANE: Berm Mitigation	144,000
		<b>Subtotal: Environmental</b>	<b>144,000</b>
<b>Maintenance</b>			
NEW	Maintenance	IT: Security Camera Upgrade	463,030
NEW	Maintenance	Maintenance: Buildings - Roofing	160,000
CP0327	Maintenance	Maintenance: Water System Upgrades - Phase A-C	1,118,000
		<b>Subtotal: Maintenance</b>	<b>1,741,030</b>
		<b>Total Capital Project</b>	<b>\$ 41,820,585</b>
		Plus Labor Capitalization	2,223,459
		<b>Total Capital Projects w/Labor Capitalization</b>	<b>\$ 44,044,044</b>
		Less: Grants and Capital Contributions	(3,215,986)
		<b>Capital Projects - Net</b>	<b>\$ 40,828,058</b>

## TAX BUDGET SUMMARY

- The port's 2017 certified levy is \$9,986,858. The levy limit is based on the lower of the implicit price deflator (IPD) of 0.953% or 1% per Initiative I-747. However, the port commission approved a levy at 100% of the prior year. The 2016 certified levy was \$9,986,858.
- In 1998, the Port of Vancouver Board of Commissioners adopted a resolution establishing a separate account for the deposit of tax receipts. The Board of Commissioners also approved Resolution No. 4-02 which authorizes tax levy proceeds to be used only for payment of debt service, capital improvements, and environmental remediation. The 2017 levy will be used for:

Debt Service (GO Bonds)	\$ 5,716,665	57.2%
Environmental Remediation	727,200	7.3%
Capital Projects	3,542,993	35.5%
Total	<u>\$ 9,986,858</u>	<u>100.0%</u>

## TAX LEVY SOURCES

### **Regular Tax Levy (RCW 53.36.020)**

In the State of Washington, the county assessors ("Assessor") determine the value of all real and personal property throughout their respective counties that is subject to *ad valorem* taxation. The assessor's duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the Department of Revenue. For tax purposes, the assessed value of property is set at 100% of its actual value. All property is subject to revaluation every four years. The property is listed by the assessor on a tax roll at its current value and the tax roll is filed in the assessor's office.

The assessor's determinations are subject to revision by the county Board of Equalization and, for certain property, subject to further revision by the State Board of Equalization. After all administrative procedures are completed; the port commission receives the assessor's final certificate of assessed value of property within the port. The 2016/2017 Taxable Assessed Value increased approximately 10% for this tax cycle.

Levy rates determine the amount of tax that a property owner pays per thousand dollars of assessed value. RCW 53.36.020 provides that a district may raise revenue by levy of an annual tax not to exceed forty-five cents per thousand dollars of assessed value. However, the passage of Initiative-747 in 2001 limited the maximum growth in property taxes from existing property to the lesser of the percentage increase in the implicit price deflator (IPD) or 1%.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. The lien date is January 1. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the port by the county treasurer.

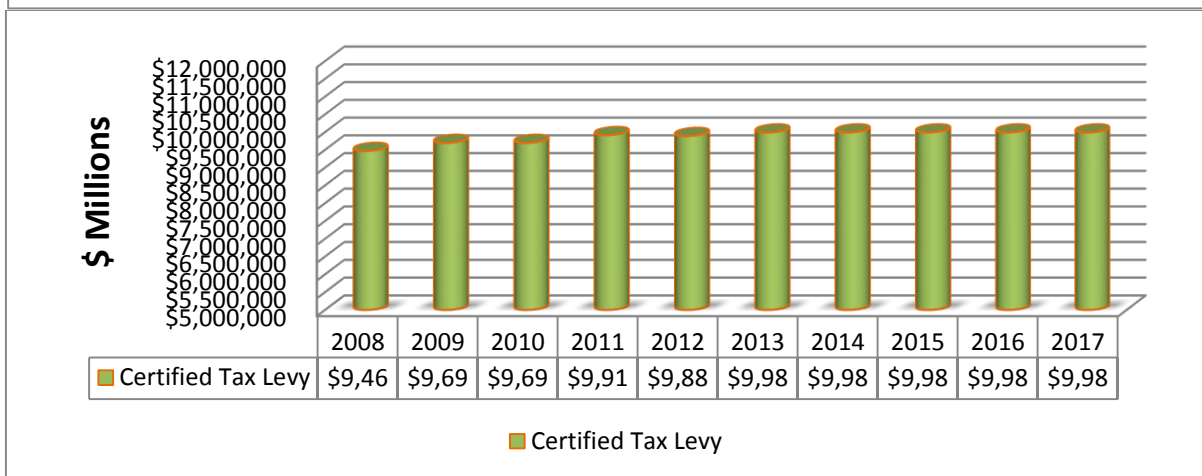
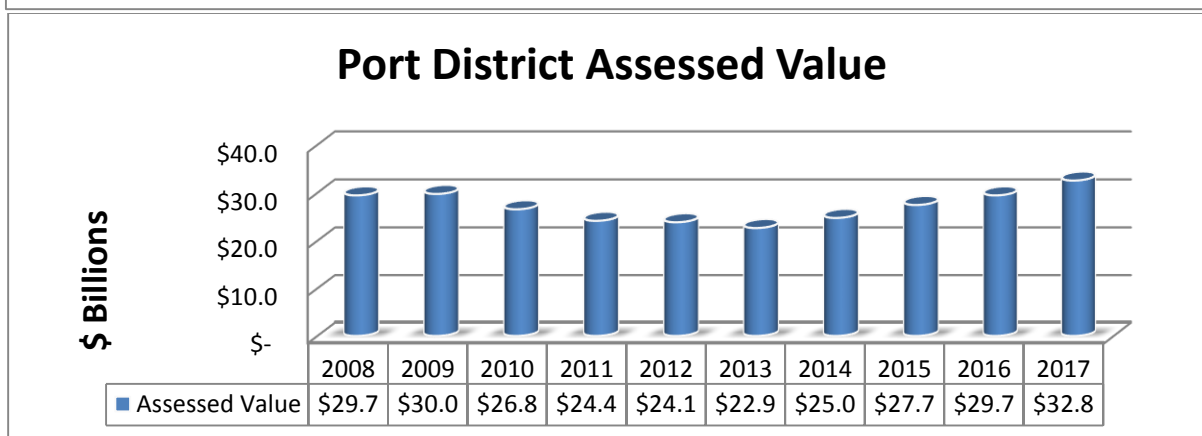
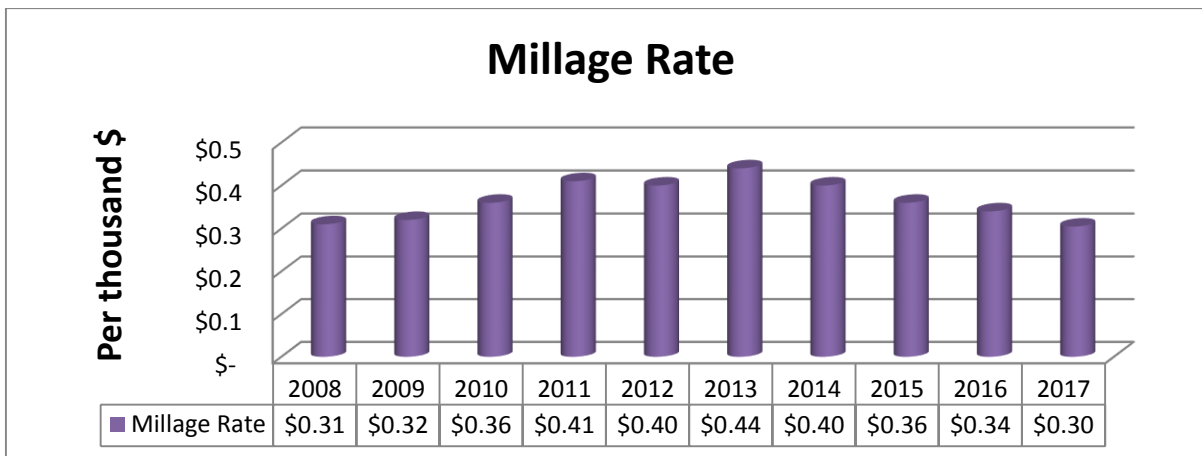
### **Special Tax Levies (RCW 53.36.070)**

The port can levy property taxes for dredging, canal construction, land leveling or filling purposes. These levies must be approved by the majority of voters within the port district and may not exceed \$0.45 per \$1,000 of the assessed value of taxable property within the port district. The port has not requested this levy.

### **Levy for Industrial Development District (RCW 53.36.100)**

A port district having adopted a comprehensive scheme of harbor improvements may levy property taxes for Industrial Development Districts for twelve years only. The levy cannot exceed \$0.45 per \$1,000 of assessed value of taxable property within the port district. If a port district intends to levy this tax for one or more years after the first six years, the port must publish notice of intent to impose such a levy. If signatures of at least eight percent (8%) of the voters protest the levy, a special election must be held with majority approval required. The port levied the tax for a six-year period between 1958 and 1963 for property acquisition. The port has not levied the seventh through twelfth year period. A ballot measure was defeated in August 2007.

FIGURES



<b>Valuations</b>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$ in Billions	29.748	29.958	26.756	24.382	24.138	22.931	24.987	27.682	29.673	32.787
% Change	9.20%	0.71%	-10.69%	-8.87%	-1.00%	-5.00%	8.97%	10.79%	7.19%	10.49%
<b>Tax Levy</b>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$ in Millions	9.467	9.693	9.693	9.912	9.888	9.987	9.987	9.987	9.987	9.987
% Change	3.07%	2.39%	0.00%	2.26%	-0.24%	1.00%	0.00%	0.00%	0.00%	0.00%

## LIMITED TAX GENERAL OBLIGATION BONDS

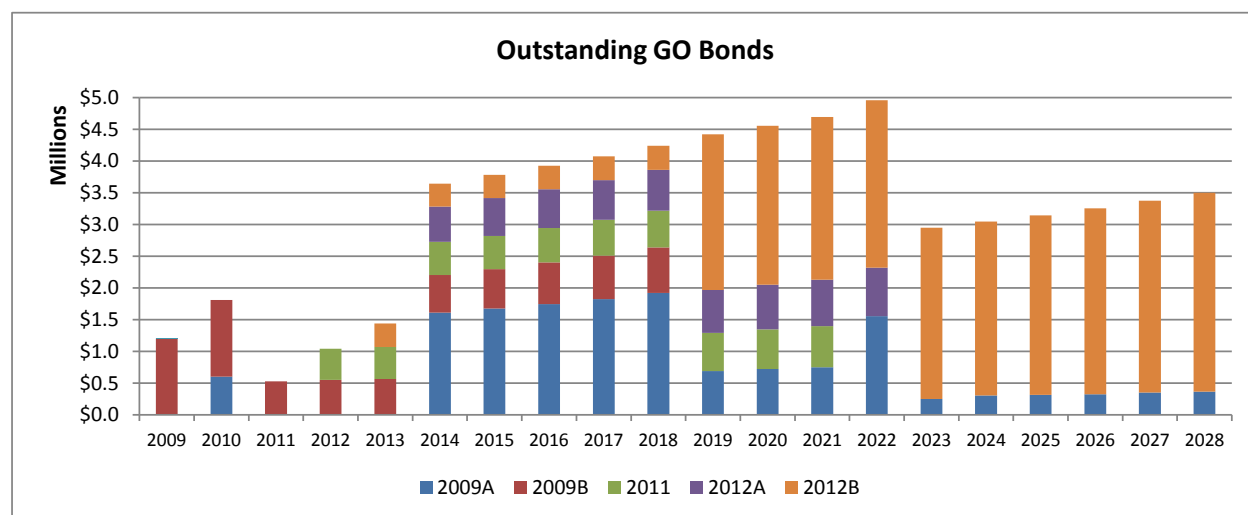
**Overview:** General obligation (GO) bonds are general obligations of the port payable from general (ad valorem) taxes, subject to certain constitutional and statutory limitations. The port plans long-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods and market conditions. Borrowings by the port mature over a term that does not exceed the economic life of the improvements that they finance.

**Financing Team:** The port employs outside financial specialists to assist in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key players in the port's financing transactions include its financial advisor, bond counsel, the underwriter and the port's finance and accounting team.

**Credit Ratings:** The Director of Finance & Accounting is responsible for maintaining relationships with the rating agencies that assign ratings to the port's various debt obligations. This effort includes providing periodic updates on the port's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance. Moody's Rating Committee has assigned an Aa3 rating to the port's LTGO bonds. Standard & Poor's rating is AA-.

In addition, Standard & Poor's Ratings Services has also affirmed the Port's 'A' issuer credit rating (ICR) with a stable outlook. This is a separate rating from the port's LTGO bond rating and focuses on the port's overall financial capacity (its creditworthiness) to pay its financial obligations.

**Outstanding Limited Tax General Obligation Bonds:** \$46,210,000 GO bonds remain outstanding at December 31, 2016.



Obligation	Purpose	Interest Rate	Final Maturity	Original Issue	Balance 12/31/16
2009 Series A	Property Acquisitions	3.0-5.0%	2028	15,000,000	9,370,000
2009 Series B	Refunding Bonds	3.0-5.0%	2018	7,335,000	1,405,000
2011	Refunding Bonds	2.0-4.0%	2021	5,600,000	3,015,000
2012 Series A	Refunding Bonds	2.0-4.0%	2022	5,905,000	4,145,000
2012 Series B	Refunding Bonds	0.38-3.614%	2028	29,745,000	28,275,000
Total GO Bonds				\$ 63,585,000	\$ 46,210,000

### **SPECIAL REVENUE BONDS**

Special revenue bonds were issued on behalf of United Grain Corporation. A lease agreement provides for unconditional payment of rent equal to the debt service of the special revenue bonds. The bonds are not general obligations of the port, are payable solely from the pledged revenues of the lease and do not constitute a lien on the unpledged revenues of the port. The outstanding special revenue bonds in the principal amount of \$25,000,000 are adjustable tender bonds subject to purchase on demand of the holder at a price equal to the principal plus accrued interest under certain notification requirements. The special revenue bonds are supported by direct payment of irrevocable bank letters of credit.

### **REVENUE BONDS**

In June of 2016, the port issued \$40,000,000 of 30 year senior lien taxable revenue and refunding bonds with an effective average interest rate of 3.71%. The express purpose of the financing was for the acquisition of real property and interests therein and the completion of capital improvements to the port's properties and facilities in connection with the West Vancouver Freight Access Project and the Centennial Industrial Park, and refinancing the acquisition of real property and interests therein and the completion of capital improvements to the port's properties and facilities which were financed with the proceeds from the port's line of credit.

In 2017, the port anticipates issuing additional senior lien taxable revenue bonds in the amount of \$26,000,000 for the purpose of capital improvements to the port's properties and facilities in connection with the West Vancouver Freight Access Project and potentially other capital projects included in the port's 2017 capital program.

### **LINE OF CREDIT**

During the year ended December 31, 2013, the port issued a 5 year Series 2013 Taxable Revenue Bond to KeyBank National Association as registered owners and is subject to transfer restrictions. The revenue bond restricts a portion of the port's net operating revenue to secure a \$50,000,000 Line of Credit. Currently there is no outstanding balance on the Line of Credit

The Line of Credit bears an interest rate equal to the sum of the LIBOR Rate for that LIBOR Interest Calculation Period applicable for said advances plus 90 basis points (0.90%), 1.42% at September 28, 2016. The port agreed to pay the Series 2013 Credit Facility Provider an unused commitment fee in the amount of 35 basis points per annum (0.35%).

The port uses this line of credit as complementary financing to operating cash flows. This agreement matures on February 28, 2018.

### **DEBT POLICY AND POST ISSUANCE COMPLIANCE POLICY AND PROCEDURES**

The port has developed a debt policy and post issuance compliance policy and procedures. The objective of the debt policy is to establish criteria that will protect the port's financial integrity while providing a funding mechanism to meet the port's capital needs. The post issuance compliance policy is designed to support successful debt management and compliance with related laws, rules and regulations and contractual requirements. These policies establish practices that will protect the port's ability to access the bond markets and support future debt financing of the port's capital projects.

### **INDEBTEDNESS LIMITATION (RCW 53.36.030)**

Under Washington State law the port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the district without a vote of the people. With the assent of three-fifths of the voters voting thereon, the district may incur additional general obligation indebtedness provided the total indebtedness of the port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the district. The following estimates the 2015 debt limit. The port does have debt capacity to issue additional general obligation bonds.

Value of Taxable Property (2017 Collection Year)*	\$	32,787,073,084
<b><i>Limited Tax General Obligation Debt Capacity (Non-voted)</i></b>		
0.25% of Assessed Value	\$	81,967,683
Less: Outstanding Limited Tax GO Debt @12/31/16		(46,210,000)
Remaining Capacity (Non-voted)	\$	<u>35,757,683</u>
* Increase of 10% from prior year		

## NOTES PAYABLE

The State of Washington, Department of Transportation is authorized and empowered under RCW 47.76A to provide financial assistance to cities, counties, ports and railroads for the purposes of acquiring, rebuilding, rehabilitating, or improving rail lines necessary to maintain essential rail services. The Port and the State of Washington negotiated a loan to a not to exceed amount of \$250,000 to construct a rail spur consisting of 542 track feet of rail, two #9 turnouts, sub-ballast, and other materials necessary to provide rail service to the Farwest Steel Facility. Total expenditures related to this project are \$103,770.

Date	Obligation
7/1/2017	10,377
7/1/2018	10,377
7/1/2019	10,377
7/1/2020	10,377
7/1/2021	10,377
7/1/2022	10,377
Total	<u>\$ 62,262</u>

The port is authorized and empowered under RCW 53.08.010 to acquire all lands, property, property rights, leases and easements necessary to carry out the West Vancouver Freight Access Project. The port and Lafarge North America, Inc. negotiated a comprehensive settlement of \$516,000 that allows for the port to move forward with right of way acquisition within and over the property owned by Lafarge North America. Terms of the settlement are as set forth in the Purchase and Sale Agreement with one final installment payment to be paid on December 31, 2018. Prior to the Maturity Date of the Promissory Note, Lafarge has the right to request the port to complete certain work benefitting Lafarge. The costs and expenses incurred by the port in completing a project will reduce the principal balance of the Promissory Note. As of September 30, 2016, the port completed work and subsequently reduced the promissory note in the amount of \$63,469.

Date	Obligation
12/31/2017	-
12/31/2018	452,531
Total	<u>\$ 452,531</u>



# 2017 Budget Calendar

Updated 8/1/2016

August 2016						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

## August

1	Distribute preliminary budget documents to departments
2	Mid-Year update and budget kick-off
9	Regular commission meeting
23	Regular commission meeting
31	Departments submit final budgets to finance

September 2016						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

## September

7	Finance to distribute consolidated budget documents to Directors'
13	Regular commission meeting
14	Directors' budget workshop
27	Regular commission meeting
28	2nd Directors' budget workshop (If Necessary)

October 2016						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

## October

11	<b>Commission budget workshop - after regular meeting</b>
18	Submit commission agenda item for preliminary budget
25	<b>Regular commission meeting - approve preliminary budget</b>
28	1st public notice; preliminary budget prepared/final hearing scheduled

November 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

## November


1	Submit commission agenda item for final budget
4	2nd public notice; final budget
8	<b>Regular commission meeting - approve final budget</b>
9	Certify to County Assessor amount of taxes levied; file final budget
22	Regular commission meeting

## GLOSSARY OF TERMS

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- **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
- **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.
- **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.
- **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 Vancouver USA

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