



Port of Vancouver USA

2019 Budget

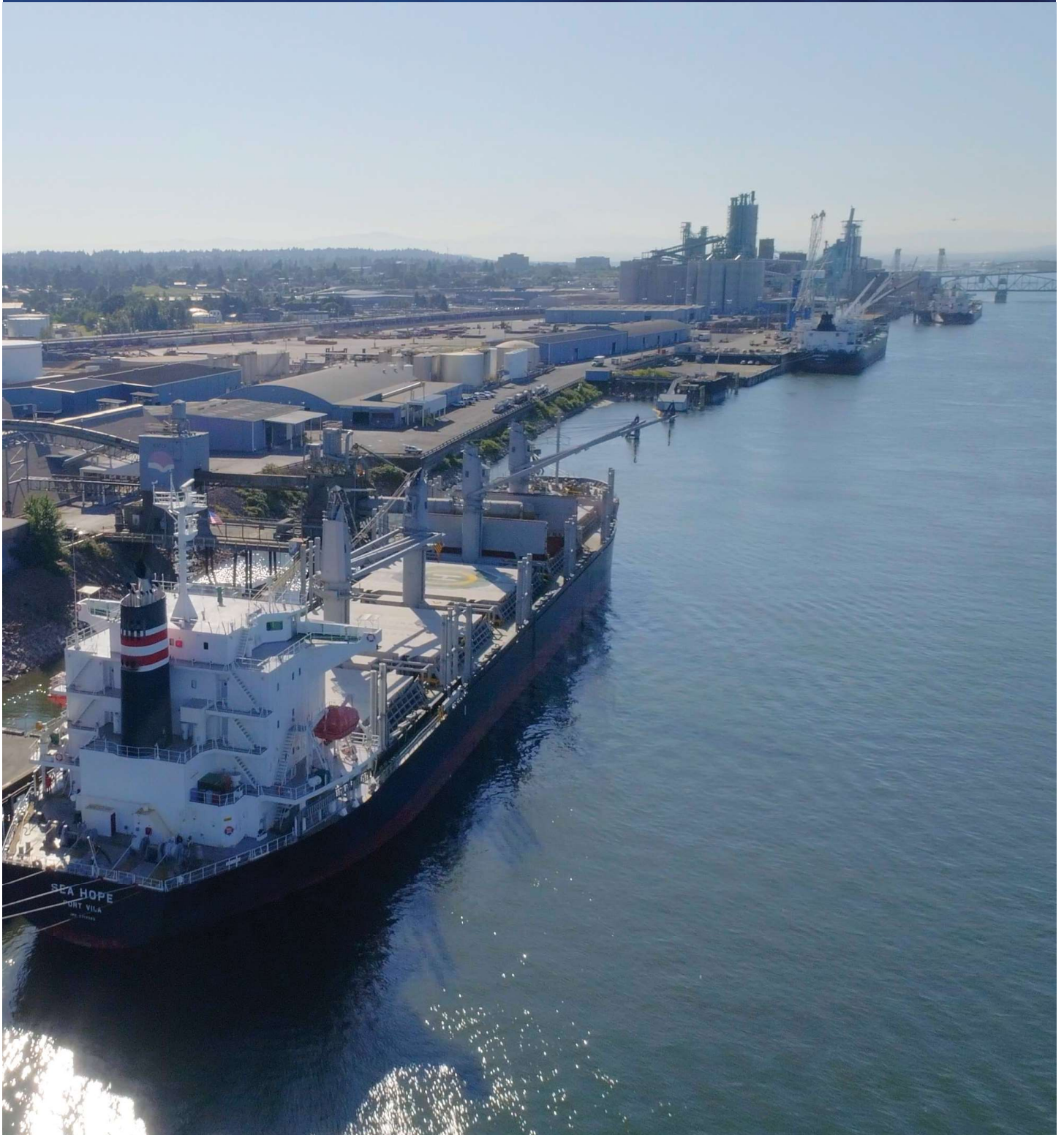


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BUDGET IN BRIEF

The Port of Vancouver USA is an economic engine for Southwest Washington. 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. Our budget reflects financial sustainability strategies that also consider the need for a healthy environment and community to ensure the port remains a unique and vibrant center of trade.

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 also operates sustainably, using an all-inclusive approach that enhances profitability while allowing it to operate responsibly within the larger community.

The port operates principally in two industries: terminal operations and industrial/commercial property leases. Terminal operations involve marine-oriented operations, including dockage, cargo handling, storage and related activities. Industrial/commercial 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 2019 budget:

- 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.
- 2019 budget volumes are forecasted at 8.3 million tons. This is a conservative approach as we plan for flat growth due to uncertainty in international trade.
- Moving the Terminal 1 Waterfront Development project forward, including ground stabilization along the Columbia River bank, finalizing the hotel lease and seeking a variety of funding sources to begin work on public assets such as a new dock, stormwater treatment facilities, bike/pedestrian trail and public marketplace.
- Continued marketing of available properties in Centennial Industrial Park.
- Continued partnerships with the City of Vancouver, private sector developers, railroad leaders and government officials as revitalization work continues along the Columbia River waterfront.
- Shifting from a multi-year construction program to a program focused on maintaining public assets, including marine and rail infrastructure, facilities and equipment.
- Debt services/financing: Debt service on Limited Tax General Obligation will remain relatively flat at \$5.7 million, Revenue Bond debt service is \$4.9 million. The port has no plans to issue additional General Obligation or Revenue Bonds in 2019.
- Assessed property values in the port district increased approximately 13.5 percent from 2018 to 2019. The port's 2019 certified levy is anticipated to remain the same amount in absolute dollars, causing the millage rate to drop for 2019.
- Implementation of more than 30 strategies from the port's 2018 Strategic Plan. The plan, which guides the port's activities and budget for the next decade, was approved by the Board of Commissioners in September 2018 after an 11-month process that included broad public and stakeholder input.

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 2019 budget projects operating revenues of \$37.55 million, an increase of 2.9 percent over estimated 2018 operating revenue results. 68 percent of projected 2018 operating revenue is from marine, terminal and rail operations, and thirty-one percent from commercial, industrial property leases, rail and facilities.

Non-operating revenues will include approximately \$10 million from property tax collections. 57 percent of property tax receipts will be used for debt service payments on general obligation bonds and the remainder will be used for capital projects and environmental remediation. Non-operating budget also includes \$2.37 million of other contributions and grants awarded for waterfront ground stabilization and other programs.

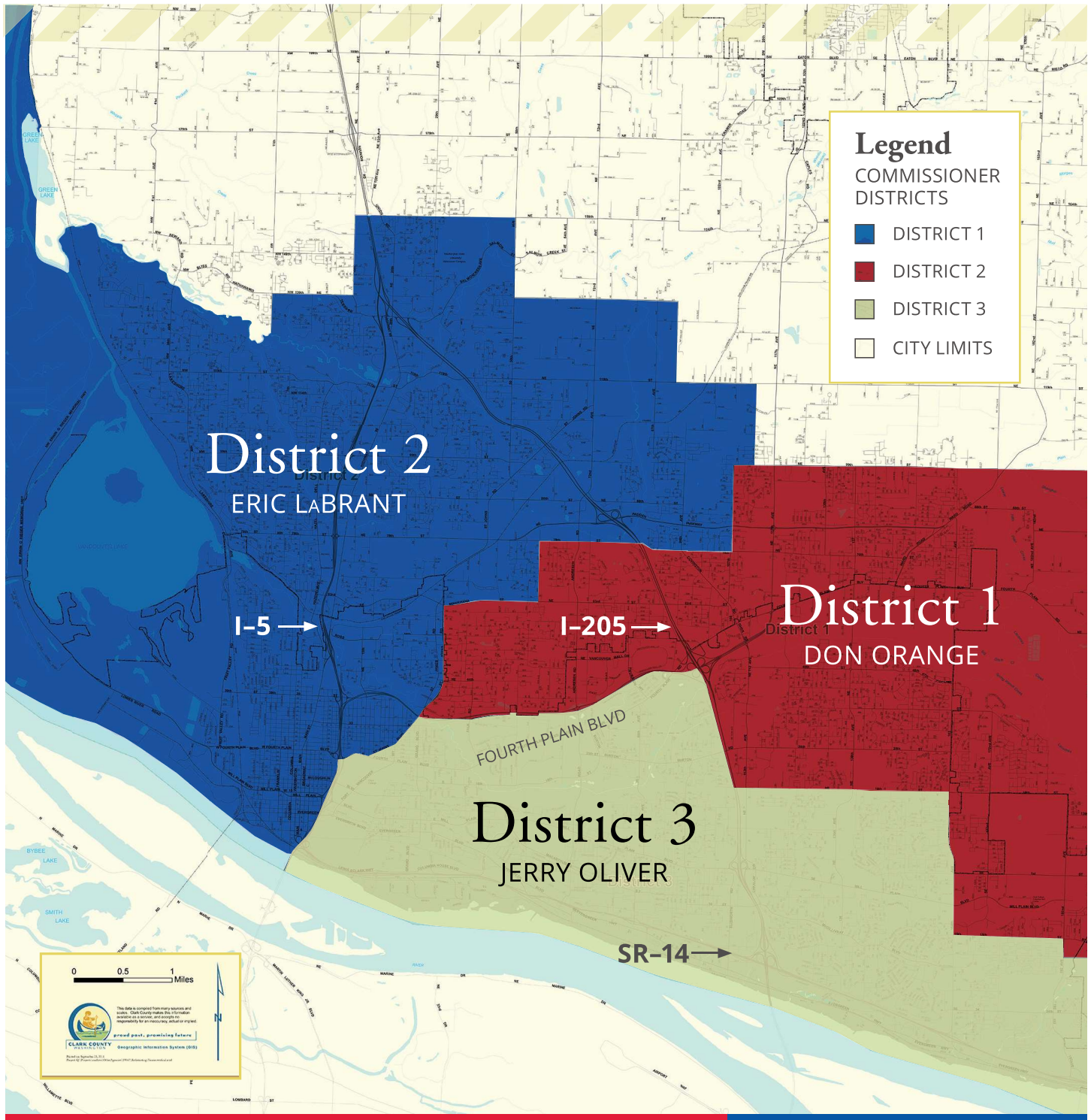
Expenses: The 2019 budget projects operating expenses of \$30.77 million, an increase of 6.1 percent over the estimated 2018 operating expense results. This increase is mainly due to the increase in professional services and cost of sales related to increased revenue in the 2019 budget. The 2019 non-operating expenses include debt service of \$10.63 million, Crane Settlement of \$1.54 million, and continuing costs for environmental remediation of \$939 thousand.

Capital Improvement Program (CIP): The 2019 capital budget reflects the port's continuing commitment to promoting regional economic activity through the investment of over \$13.43 million in the economic development and expansion and renewal of port facilities. 57 percent of the capital budget is allocated for maintaining port infrastructure and IT system. 21 percent is allocated for waterfront projects. The remainder of the capital budget is allocated to various environmental, facility and terminal improvements.

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 2019 budget will help the port and region remain financially strong, competitive and successful.

Port of Vancouver

COMMISSIONER DISTRICTS



For more info:

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Port of Vancouver USA

STRATEGIC PLAN - 2019 BUDGET KEY STRATEGIES

COMMUNITY GOALS

Goal: Strengthen community outreach and communication.

Key Strategies:

- *Increase opportunities to engage the community in mutual discussions and provide education about port activities, including port tours and the lecture series.
(External Affairs Department)*
- *Use a variety of mediums, including social media, to reach a wide and diverse audience about port programs and activities.
(External Affairs Department)*
- *More clearly communicate the review process for new commodities and tenants to evaluate economic, financial, environmental, community, and other impacts.
(Sales Department/Economic Development)*

Goal: Build partnerships to advance and communicate shared goals.

Key Strategies:

- *Create a program by which port commissioners, leaders and staff discuss opportunities, port goals, and progress with partners, including port tenants, labor organizations, municipalities, tribes, non-profit organizations, neighboring ports, educators, and the business community.
(External Affairs Department)*
- *Pursue opportunities to share port knowledge and resources with community partners to advance shared goals.
(External Affairs Department)*

Goal: Implement the vision of a destination waterfront at Terminal 1.

Key Strategies:

- *Build a public marketplace on the Columbia River.
(Economic Development)*
- *Create a financially independent business model at Terminal 1 by securing long-term partnerships to support the operating and capital costs.
(Sales Department/Finance Department)*
- *Support public enjoyment and tourism through activities such as river cruises and events at Terminal 1.
(Economic Development)*

Goal: Provide trails and public access opportunities on port properties.

Key Strategies:

- *Identify opportunities and events to increase public access on port property.
(External Affairs Department)*

ECONOMIC DEVELOPMENT GOALS

Goal: Support local efforts to maintain an adequate supply of commercial and industrial real estate.

Key Strategies:

- *Support development of shovel-ready sites within the port district with the necessary and appropriate infrastructure, including broadband and utilities.
(Economic Development)*
- *Take an active role in participating in regional economic development efforts and be a vested stakeholder with partner organizations.
(Economic Development)*

Goal: Take a leadership role in supporting regional, multi-modal transportation and improving freight mobility.

Key Strategies:

- *Support and track regional discussions on issues such as the I-5 Bridge, commercial surface transportation, and impacts on local roads, and regional access.
(Economic Development)*
- *Work with sister ports, advocacy groups, and associations to ensure continued operations and maintenance of the Columbia River channel.
(External Affairs Department/Economic Development)*
- *Work with local, state, and federal elected officials and agencies to support and promote the importance of freight mobility.
(External Affairs Department/Economic Development)*

Goal: Support the development of a skilled workforce to align with regional needs and increase job opportunities across the port district.

Key Strategies:

- *Partner with local businesses, associations, and the legislature to support workforce development programs.
(External Affairs Department/Economic Development)*
- *Meet with port tenants to discuss workforce challenges, apprenticeship, and training opportunities.
(Sales Department)*

ENVIRONMENTAL GOALS

Goal: Protect air quality, water resources, and land managed by the port through deliberate and proactive efforts in all aspects of the port's operations.

Key Strategies:

- *Develop a Climate Action Plan through analysis of internal programs and policies, regulatory and voluntary emission programs, and best practices, consistent with the port's commitment to sustainability.
(Environmental Department)*

Goal: Maintain the port's Sustainability Program to ensure that port operations are based on economic, environmental, and social values.

Key Strategies:

- *Maintain Sustainability Program and ensure all departments are represented on Sustainability Committee.*
(Environmental Department)

FINANCIAL GOALS

Goal: Strengthen the port's financial sustainability.

Key Strategies:

- *Pursue business opportunities that increase cargo volumes, maximize utilization of port assets, and achieve revenue goals.*
(Sales Department)
- *Develop tools to analyze and report the financial viability of the movement of individual commodities.*
(Finance Department)

Goal: Develop and communicate a long-term strategy for the use of property taxes and debt financing policies and tools.

Key Strategies:

- *Identify a tax strategy that addresses long-term use of taxes.*
(Finance Department)

Goal: Develop a rolling 20-year comprehensive, scheduled maintenance plan to maximize operational capacity, efficiency and life expectancy of port assets.

Key Strategies:

- *Continue to expand uses of technology to develop tools to support maintenance and management of port assets.*
(Facilities Department)
- *Develop and implement a pro-active ten- to twenty-year repair and replacement plan for building, fleet, rail, and infrastructure assets.*
(Facilities Department)

MARINE & INDUSTRIAL BUSINESS GOALS

Goal: Pursue opportunities that utilize the port's property and infrastructure investments to create jobs and support the economy.

Key Strategies:

- *Increase marketing efforts to pursue business opportunities that increase cargo volumes, maximize utilization of port assets, and achieve revenue goals.*
(Sales Department)

Goal: Ensure the port's cargo portfolio is diversified by leveraging resources to respond to customer needs and market demands.

Key Strategies:

- *Extend contracts with existing customers and tenants.*
(Sales Department)
- *Develop an understanding of global markets and reinforce strong relationships with customers to ensure the port can adapt to market conditions and competitively attract new cargo opportunities.*
(Sales Department)

Goal: Continue to play a key role in maintaining navigability of Columbia River System, including berthing systems, anchorage, turning basins, and the main channel.

Key Strategies:

- *Work with industry associations, policy makers, and elected officials at the local, state and federal levels to continue supporting the critical role of navigation for international trade and the regional economy.*
(Sales Department)

Goal: Support growth and economic opportunities for existing tenants and strengthen outreach.

Key Strategies:

- *Act as a resource and regularly reach out to existing tenants to assess business, workforce, and facility needs, and to provide support for opportunities.*
(Sales Department/Administrative Department)
- *Provide regular communications with current tenants and points of contact with port staff.*
(Sales Department/Administrative Department)

ORGANIZATIONAL GOALS

Goal: Recruit and retain talented and diverse staff who support effective internal and external communications, continuous improvement and innovation of port business and service to the community.

Key Strategies:

- *Analyze staffing levels and develop staff resource and succession plan.*
(Human Resources Department)
- *Develop a training and leadership program that aligns port goals and employee growth.*
(Human Resources Department)
- *Actively promote employee diversity.*
(Human Resources Department)

Goal: Ensure alignment of key port planning documents.

Key Strategies:

- *Align key documents to reflect the new Strategic Plan.*
(Administrative Department)

Goal: Analyze risks and develop a plan for business continuity, resiliency, and disaster recovery.

Key Strategies:

- *Create risk assessment document that includes buildings, fleet, rail and infrastructure; staffing; information technology; financial & commodities; and operational components.
(Operations Department)*



Port of Vancouver USA

2019 Budget

<u>SOURCES</u>		
Operating Revenues		
15-Rail		903,545
16-Finance		70,000
18-Commercial		497,356
19-Industrial		10,073,676
20-Facilities		322,500
21-Marine Operations		20,180,564
22-Security		398,125
40-Marine Terminal		5,099,638
Total Operating Revenues	\$	37,545,404
Non-operating Revenues		
Ad Valorem Taxes		9,986,858
Interest Income		350,000
Grants & Other Contributions		2,370,248
Proceeds from Sale of Property		10,000
Other		23,600
Total Non-operating Revenues	\$	12,740,706
Total Revenues	\$	50,286,110
Transfer from General Fund/Financing	\$	8,131,941
TOTAL SOURCES	\$	58,418,051

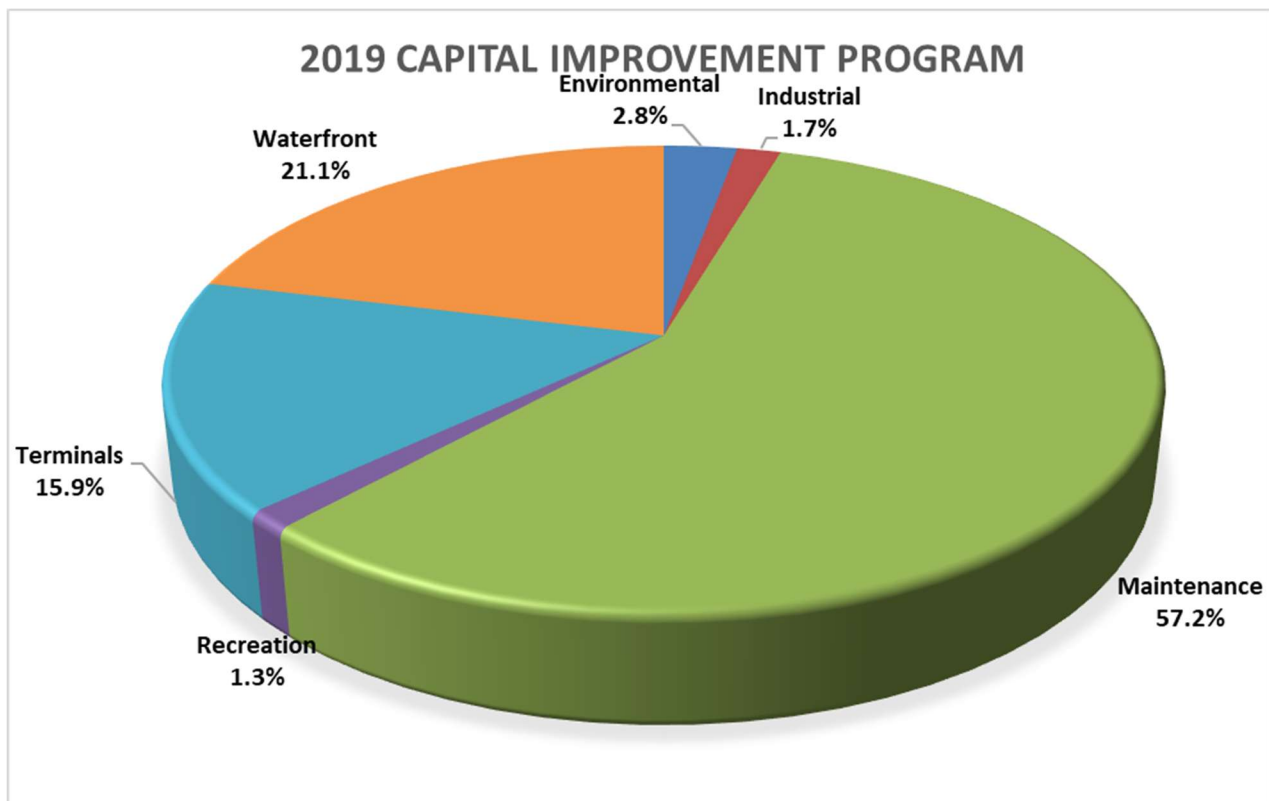
<u>USES</u>		
Operating Expenses		
05-Executive		842,196
06-Economic Development		555,061
10-Administration		1,263,087
11-External Affairs		1,688,680
12-Information Technology		1,245,493
13-Contracts		500,880
14-Human Resources		354,093
15-Rail		1,123,813
16-Finance		2,183,005
17-Sales		1,986,914
18-Commercial		560,416
19-Industrial		1,072,234
20-Facilities		4,911,809
21-Operations		1,501,390
22-Security		2,635,546
32-Environmental		1,286,514
40-Terminal		6,865,259
41-Rail Operations		189,630
Total Operating Expenses	\$	30,766,019
Non-operating Expenses		
Debt Service		10,629,620
Environmental Remediation		938,750
Other Non-operating Expenses		2,649,070
Total Non-operating Expenses	\$	14,217,440
Total Expenses	\$	44,983,458
Capital Projects	\$	13,434,593
TOTAL USES	\$	58,418,051

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 multi-year forecast period. The CIP forecasts expenditures to be incurred for the projects and acquisitions, identifies capital funding sources, and show 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 funding.

The 2019 capital budget reflects the port's continuing commitment to promoting regional economic activity through the investment of over \$13.43 million in the economic development and expansion and renewal of port facilities. In 2019 the Port will perform tenant improvements, continue advancing a multi-year investment in the port's Waterfront development and perform significant maintenance related improvements to existing port facilities. Financing for the 2019 capital program will come from current revenues, tax levy revenue, grants, and other contributions.



**Port of Vancouver
2019 Capital Projects Budget**

Description	2019 Budget
Terminals	
Terminals: T5 - Processing of Materials	80,000
Terminals: Berth 10 - Inspection and Coating	25,000
Terminals: Bulk Facility - Redesign & Retrofit	1,131,498
Terminals: Well #4 Replacement	200,000
Terminals: T5 - Wi-Fi Expansion and Fencing	435,000
Total: Terminals	1,871,498
Industrial	
Port: Dark Fiber Initiative	200,000
Total: Industrial	200,000
Environmental	
Environmental: Parcel 3 - Berm Construction	336,300
Total: Environmental	336,300
Recreation	
Recreation & Transportation: Trail Segment 2 from POV offices to Parcel 1A	150,000
Total: Recreation	150,000
Waterfront	
Waterfront: Block D Site Preparation	75,000
Waterfront: Ground Stabilization - Design and Construction	1,320,000
Waterfront: Utilities - Relocation	200,000
Waterfront: Dock Replacement - Design	50,000
Waterfront: Marketplace Building - Design	50,000
Waterfront: Renaissance Trail & Daniels Way - Design and Construction	200,000
Waterfront: Parking Improvements - Design and Construction	550,000
Waterfront: Amphitheater - Preliminary Design	50,000
Total: Waterfront	2,495,000
Maintenance	
Maintenance: IT	305,000
Maintenance: Port Vehicles and Equipment	750,000
Maintenance: Bank Stabilization, and Permitting	75,000
Maintenance: Buildings	1,292,110
Maintenance: Docks and Fender Pilings	1,025,000
Maintenance: Drainage and Utilities	590,000
Maintenance: Paving and Striping	1,790,000
Maintenance: Rail & Turnouts	250,000
Maintenance: Tenant Improvements	150,000
Maintenance: Water System Improvements	525,000
Total: Maintenance	6,752,110
Total: Capital Projects	11,804,908
Labor Capitalization	1,629,685
Total: Capital Projects + Labor Capitalization	13,434,593
Grants and Other Contributions	(2,370,248)
Total: Capital Projects + Labor Capitalization - Grants	11,064,345

TAX BUDGET SUMMARY

- The port's 2019 certified levy is \$9,986,858. The levy limit is based on the lower of the implicit price deflator (IPD) of 2.169 percent or 1 percent per Initiative I-747. However, the port commission approved a levy at 100% of the prior year. The 2018 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 2019 levy will be used for:

Debt Service (GO Bonds)	\$5,707,484	57.1%
Environmental Remediation	938,750	9.4%
Capital Projects	3,340,624	33.5%
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 2018/2019 Taxable Assessed Value increased approximately 13.5% 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.

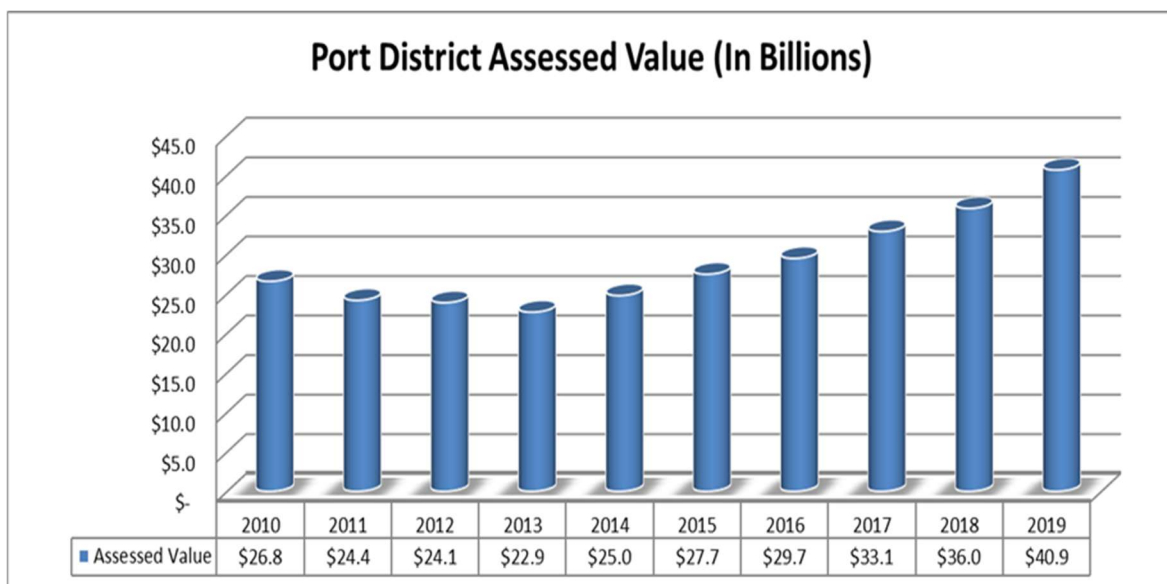
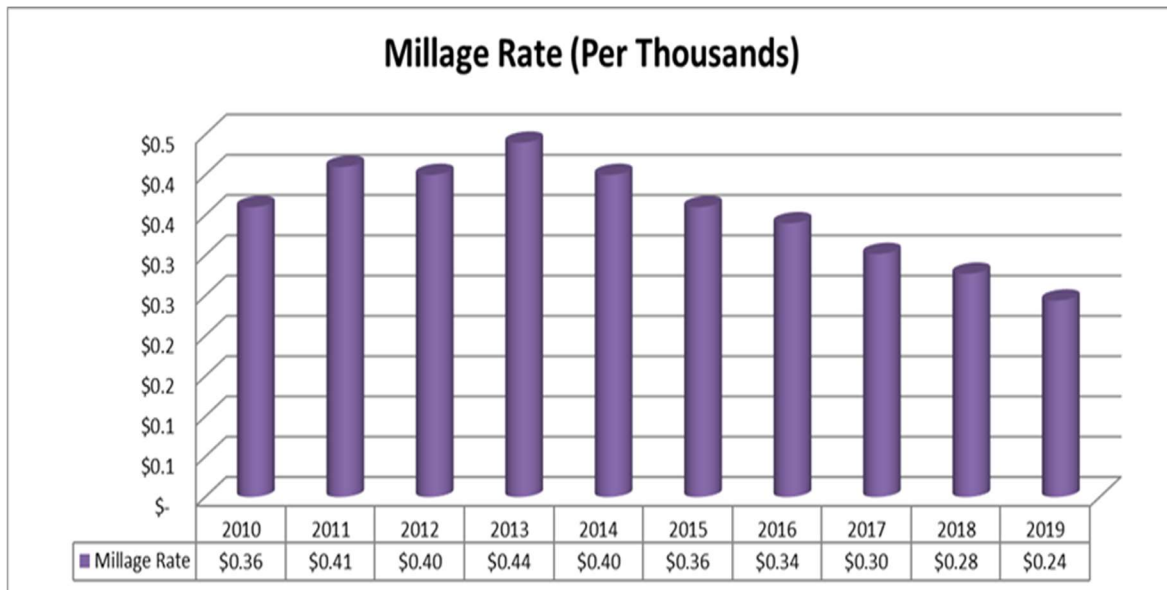
Special Tax Levies (RCW 53.36.070)

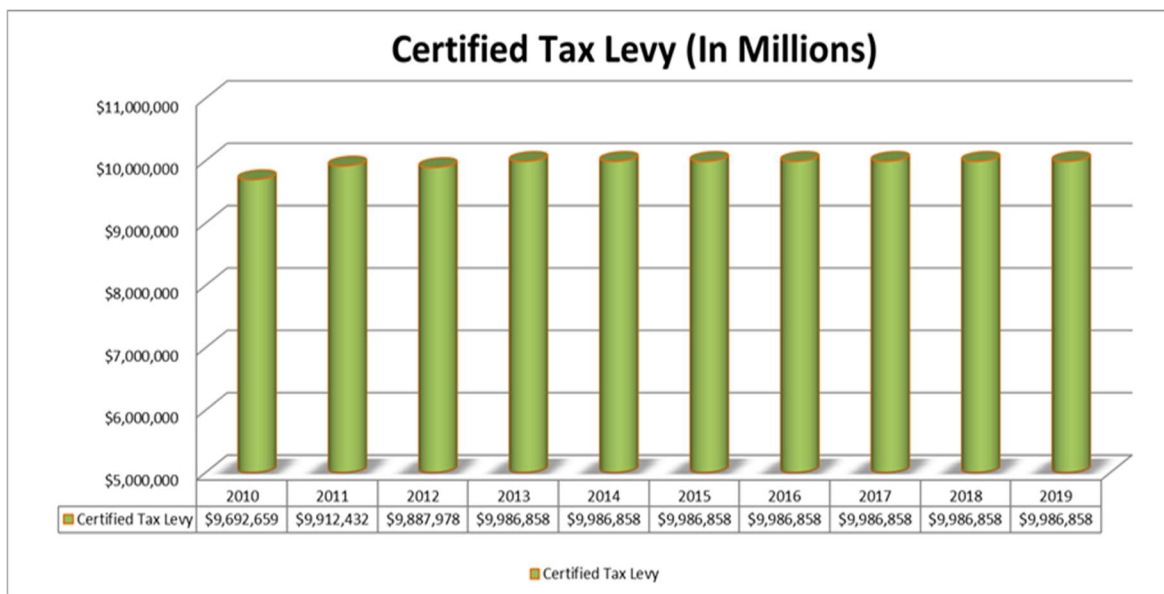
The port can levy property taxes for dredging, canal construction, land leveling or filling purposes. These levies must be approved by the majority of voters within the port district and may not exceed \$0.45 per \$1,000 of the assessed value of taxable property within the port district. The port has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





Valuations	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
\$ in Billions	26.756	24.382	24.138	22.931	24.987	27.682	29.673	33.087	36.018	40.879
% Change	-10.69%	-8.87%	-1.00%	-5.00%	8.97%	10.79%	7.19%	11.50%	8.86%	13.50%
Tax Levy	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
\$ in Millions	9.693	9.912	9.888	9.987	9.987	9.987	9.987	9.987	9.987	9.987
% Change	0.00%	2.26%	-0.24%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

LONG-TERM DEBT

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.

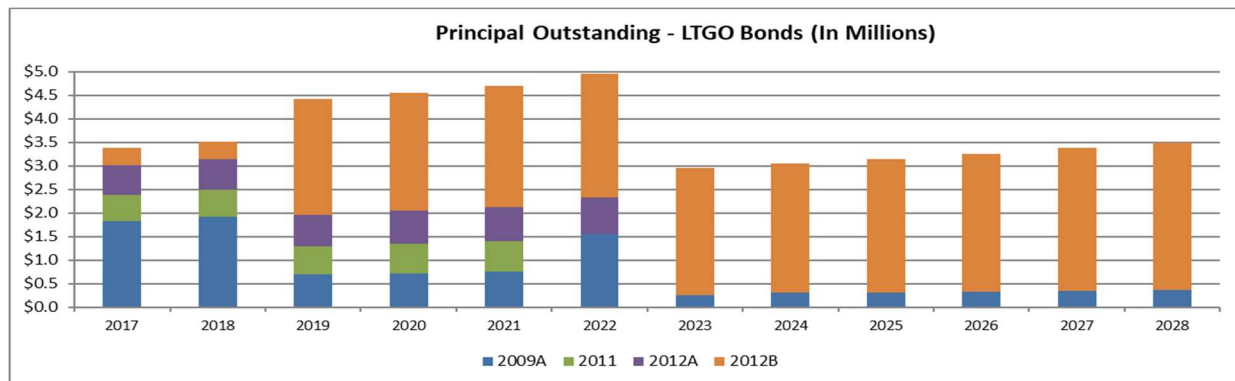
Credit Ratings: The Director of Finance & Accounting is responsible for maintaining relationships with the rating agencies that assign ratings to the port's various debt obligations. This effort includes providing periodic updates on the port's general financial condition along with coordinating meetings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

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 Revenue bond rating and focuses on the port's overall financial capacity (its creditworthiness) to pay its financial obligations.

LIMITED TAX GENERAL OBLIGATION BONDS

Overview: Limited Tax General obligation (LTGO) 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.

Outstanding Limited Tax General Obligation Bonds: \$37,895,000 LTGO bonds remain outstanding at December 31, 2018.



Obligation	Purpose	Interest Rate	Final Maturity	Original Issue	Balance 12/31/18
2009 Series A	Property Acquisitions	3.0-5.0%	2028	15,000,000	5,625,000
2011	Refunding Bonds	2.0-4.0%	2021	5,600,000	1,875,000
2012 Series A	Refunding Bonds	2.0-4.0%	2022	5,905,000	2,875,000
2012 Series B	Refunding Bonds	0.38-3.614%	2028	29,745,000	27,520,000
Total GO Bonds				\$ 56,250,000	\$ 37,895,000

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 2018 debt limit. The port does have debt capacity to issue additional general obligation bonds.

Value of Taxable Property (2019 Collection Year)*	\$40,879,417,796
<u>Limited Tax General Obligation Debt Capacity (Non-voted)</u>	
0.25% of Assessed Value	102,198,544
Less: Outstanding Limited Tax GO Debt @12/31/19	(37,895,000)
Remaining Capacity (Non-voted)	<u>\$ 64,303,544</u>
* Increase of 34.22% from prior year	

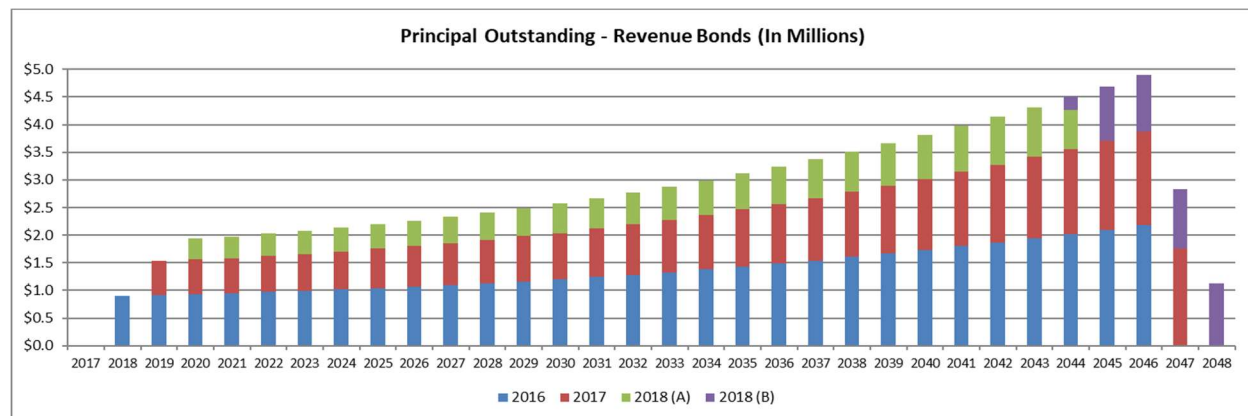
SPECIAL FACILITY REVENUE BONDS

Special facility 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

Overview: Revenue bonds are obligations of the port payable solely from the port's net operating revenues. 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.

Outstanding Revenue Bonds: \$89,345,000 Revenue bonds remain outstanding at December 31, 2018.



LONG-TERM DEBT

Obligation	Purpose	Interest Rate	Final Maturity	Original Issue	Balance 12/31/18
2016 Rev Bonds	Property Acquisitions	1.325% - 4.010%	2046	40,000,000	39,095,000
2017 Rev Bonds	Property Acquisitions	2.001% - 4.693%	2047	30,000,000	30,000,000
2018 Rev Bonds (A)	Property Acquisitions	2.850% - 4.250%	2044	14,885,000	14,885,000
2018 Rev Bonds (B)	Property Acquisitions	5.000%	2048	4,460,000	4,460,000
Total Revenue Bonds				\$ 89,345,000	\$ 88,440,000

LINE OF CREDIT

On September 26, 2017, the Port of Vancouver's Board of Commissioners approved Resolution No. 3-2017, modifying its Series 2013 Taxable Revenue Bond to KeyBank National Association as registered owners. The modification reduces the Line of Credit, extends the maturity date, reduces the interest rate on advances, and the unused commitment fee. The revenue bond restricts a portion of the port's net operating revenue to secure a \$35,000,000 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 One month LIBOR Rate for that LIBOR Interest Calculation Period applicable for said advances plus 62 basis points (0.62%). One month LIBOR Rate on October 12, 2018 was 2.28%. The port has agreed to pay the Series 2013 Credit Facility Provider an unused commitment fee in the amount of 25 basis points per annum (0.25%).

The port uses this Line of Credit as complementary financing to operating cash flows. This agreement matures on September 26, 2019. The maturity date can be extended annually by one-year at the request of the port and the sole consent of Key Bank.

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.

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
7/1/2019	10,377
7/1/2020	10,377
7/1/2021	10,377
7/1/2022	10,377
Total	\$ 41,508

LONG-TERM DEBT

On December 8, 2015, the port approved the Settlement Agreement with Columbia River Alliance for Nurturing the Environment (CRANE) and agreement to transfer property with Columbia Land Trust. The agreements accomplished the following goals: Allow the Port of Vancouver to complete its efforts to entitle approximately 450 net acres of marine and industrial development; respond to market demand primarily in the agriculture, dry bulk, liquid bulk, roll on roll off and heavy manufacturing sectors; creation of approximately 540 acres of habitat for Sandhill Cranes and other wildlife in the Vancouver lowlands; participate with the well-known and well respected Columbia Land Trust as steward of the habitat and open space; provide opportunity for substantial job creation and beneficial economic development to Vancouver, Clark County and the greater Portland region. Starting on August 1, 2016, the port will make 16 quarterly installments of \$345,093.56 to Columbia Land Trust, to fund an endowment totaling \$5,521,481 by May 1, 2020. The endowment held in perpetuity by Columbia Land Trust will be utilized for long-term maintenance and operations.

Date	Obligation
2/1/2019	345,093
5/1/2019	345,093
8/1/2019	345,093
11/1/2019	345,093
2/1/2020	345,093
5/1/2020	345,093
Total	\$ 2,070,555

2019 Budget Calendar

9/28/2018

August 2018						
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
14	Regular commission meeting
28	Regular commission meeting
29	Departments submit final budgets to finance

September 2018						
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	
5	Finance to distribute consolidated budget documents to Leadership Team
11	Regular commission meeting
12	Leadership Team budget workshop
19	2nd Leadership Team budget workshop (If Necessary)
25	Regular commission meeting
26	3rd Leadership Team budget workshop (If Necessary)

October 2018						
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	
3	4th Leadership Team budget workshop (If Necessary)
9	Regular commission meeting
10	5th Leadership Team budget workshop (If Necessary)
17	6th Leadership Team budget workshop (If Necessary)
23	Commission budget workshop - after regular meeting

November 2018						
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	
2	Submit commission agenda item for preliminary budget
2	1st public notice; preliminary budget prepared/final hearing scheduled
13	Regular commission meeting - approve preliminary budget
16	Submit commission agenda item for final budget
16	2nd public notice; final budget
27	Regular commission meeting - approve final budget
28	Certify to County Assessor amount of taxes levied; file final budget

GLOSSARY OF TERMS

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



Port of Vancouver USA

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