



Port of Vancouver USA

2020 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 2020 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.
- 2020 budget volumes are forecasted at 8.9 million tons. This is a conservative approach as we plan for flat growth due to uncertainty in international trade.
- In 2020, the Terminal 1 Waterfront project will focus on finalizing the designs for the Vancouver Landing, East Portal, and Renaissance Trail, Daniels Way and Quayside. Construction for the AC Hotel by Marriott and Vancouver Landing will begin. The port will also focus on negotiations with Lincoln Property Company West for Block A and Block C. Lastly the port will continue efforts to market and promote the Terminal 1 Waterfront as well as developing its funding strategy to advance current and future development of the site.
- Continued marketing of available properties in Centennial Industrial Park.
- Shifting from a multi-year construction program to a program focused on maintaining existing public assets, including marine and rail infrastructure, facilities and equipment.
- Debt service on Limited Tax General Obligation Bonds will remain relatively flat at \$5.7 million. Revenue Bond debt service is \$5.3 million. The port has no plans to issue additional General Obligation or Revenue Bonds in 2020.
- Assessed property values in the port district increased 6.59 percent from 2019 to 2020. The port's 2020 certified levy is \$11.96 million. The budget is based on the port taking a 1 percent increase and utilization of 100 percent of banked capacity.
- Continued advancement of more than 30 strategies from the port's 2018 Strategic Plan. The plan guides the port's activities and budget for the next decade.

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 2020 budget projects operating revenues of \$41.15 million. 70 percent of projected 2020 operating revenue is from marine, terminal and rail operations, and 30 percent from is commercial, industrial property leases, rail and facilities.

Non-operating revenues include property tax in the amount of \$11.96 million. Property tax receipts will be used for debt service payments on general obligation bonds, capital projects and environmental remediation. The non-operating budget also includes \$2.31 million of other contributions and grants awarded for waterfront related projects.

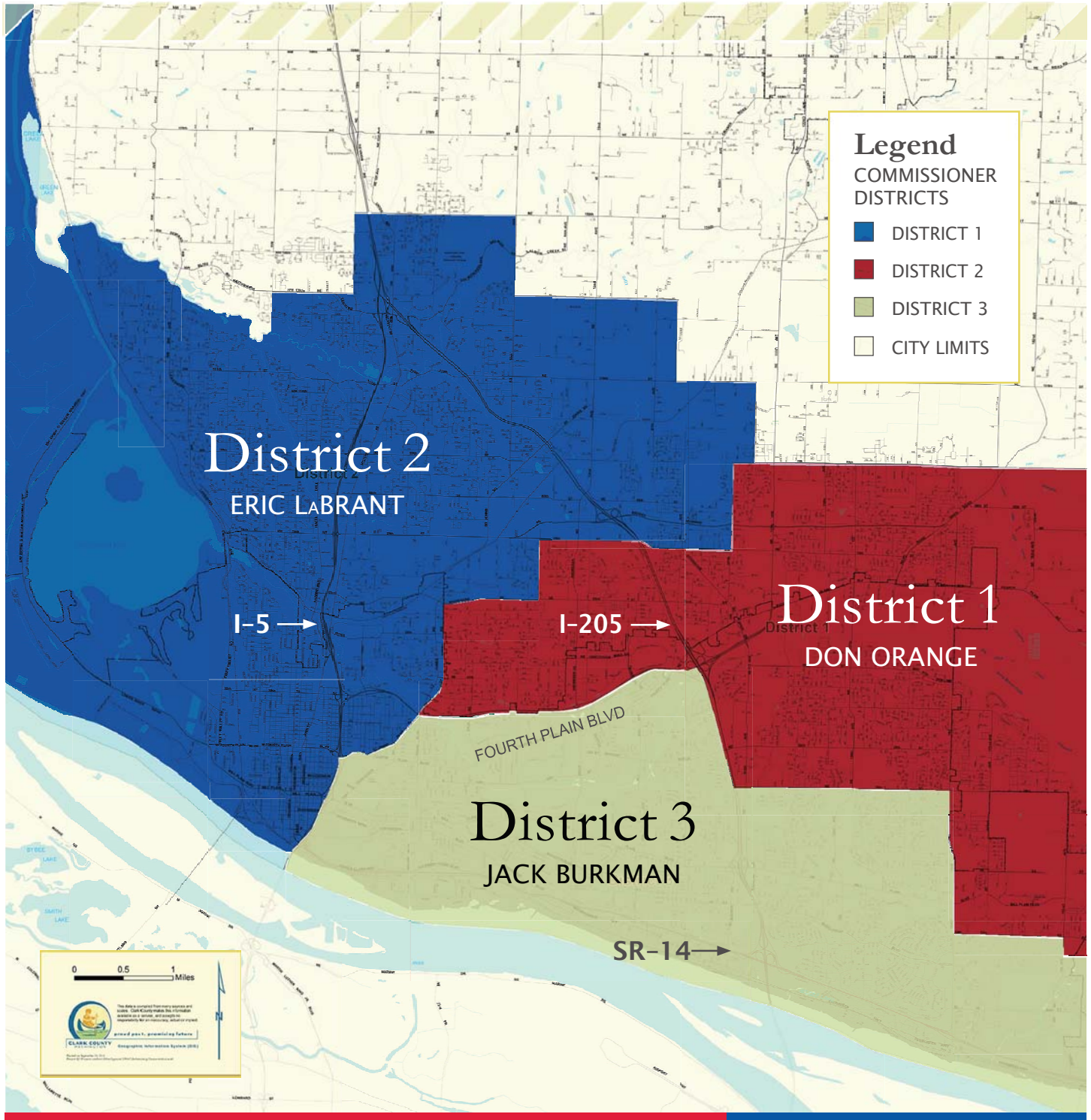
Expenses: The 2020 budget projects operating expenses of \$33.54 million, a slight increase over the estimated 2019 operating expense forecast. This increase is mainly due to the increase in dredging, professional services and increased costs of moving different commodities across the port's docks. The 2020 non-operating expenses include debt service of \$10.96 million, CRANE settlement of \$721 thousand, and continuing costs for environmental remediation of \$970 thousand.

Capital Improvement Program (CIP): The 2020 capital budget reflects the port's continuing commitment to promoting regional economic activity through the investment of over \$9.83 million in the economic development, expansion and renewal of port facilities. 37 percent of the capital budget is allocated for maintaining port infrastructure and IT systems. 40 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 leadership is confident that the plans outlined in the 2020 budget will help the port and region remain financially strong, competitive and successful.

Port of Vancouver

COMMISSIONER DISTRICTS



For more info:

info@portvanusa.com or 360-693-3611

or visit us at **portvanusa.com**



Port of Vancouver USA

STRATEGIC PLAN - 2020 BUDGET KEY INITIATIVES

Strategies in blue are new for 2020

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.*
- *Use a variety of mediums, including social media, to reach a wide and diverse audience about port programs and activities.*
- *More clearly communicate the review process for new commodities and tenants to evaluate economic, financial, environmental, community, and other impacts.*

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.*
- *Pursue opportunities to share port knowledge and resources with community partners to advance shared goals.*

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

Key Strategies:

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

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

Key Strategies:

- *Identify opportunities and events to increase public access on port property.*
- *Seek funding opportunities to expand the Renaissance Trail as well as the portside trail system.*

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.*
- *Take an active role in participating in regional economic development efforts and be a vested stakeholder with partner organizations.*

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.*
- *Work with sister ports, advocacy groups, and associations to ensure continued operations and maintenance of the Columbia River channel.*
- *Work with local, state, and federal elected officials and agencies to support and promote the importance of freight mobility.*

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.*
- *Meet with port tenants to discuss workforce challenges, apprenticeship, and training opportunities.*
- *Support apprenticeship and vocational training opportunities for port public works projects.*

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.*

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.*

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.*
- *Develop tools to analyze and report the financial viability of the movement of individual commodities.*
- *Support a diverse revenue base through tax, industrial, marine, commercial, and grants, when strategically appropriate.*
- *Continually improve the precision of the port's ten-year operating and capital forecast with key informative metrics.*

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.*
- *Develop a strategy to address debt financing options, including general obligation bonds, revenue bonds, and other financing tools.*

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.*
- *Develop and implement a pro-active ten- to twenty-year repair and replacement plan for building, fleet, rail, and infrastructure assets.*

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:

- *Emphasize and increase marketing efforts to pursue innovative business opportunities and renewable, clean energy projects.*
- *Increase marketing efforts to pursue business opportunities that increase cargo volumes, maximize utilization of port assets, and achieve revenue goals.*

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.*
- *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.*

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.*

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.*
- *Establish quarterly tenant events with informational speakers and platform for networking.*
- *Provide regular communications with current tenants and points of contact with port staff.*

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.*
- *Develop staff recognition program.*
- *Develop a training and leadership program that aligns port goals and employee growth.*
- *Actively promote employee diversity.*

Goal: Ensure alignment of key port planning documents.

Key Strategies:

- *Align key documents to reflect new Strategic Plan.*
- *Annually review and update core planning documents to reflect best management practices and statutory requirements.*

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.*

2020 Budget

<u>SOURCES</u>		
Operating Revenues		
15-Rail	976,583	
16-Finance	70,000	
18-Commercial	568,361	
19-Industrial	10,593,809	
20-Facilities	700	
21-Marine Operations	21,405,768	
22-Security	411,024	
40-Marine Terminal	7,125,287	
Total Operating Revenues	<u>\$ 41,151,532</u>	
Non-operating Revenues		
Ad Valorem Taxes	11,957,792	
Interest Income	874,284	
Grants & Other Contributions	2,305,012	
Proceeds from Sale of Property	10,000	
Other	23,600	
Total Non-operating Revenues	<u>\$ 15,170,688</u>	
Total Revenues	<u>\$ 56,322,220</u>	
Transfer from General Fund/Financing	\$ 260,600	
TOTAL SOURCES	<u>\$ 56,582,820</u>	

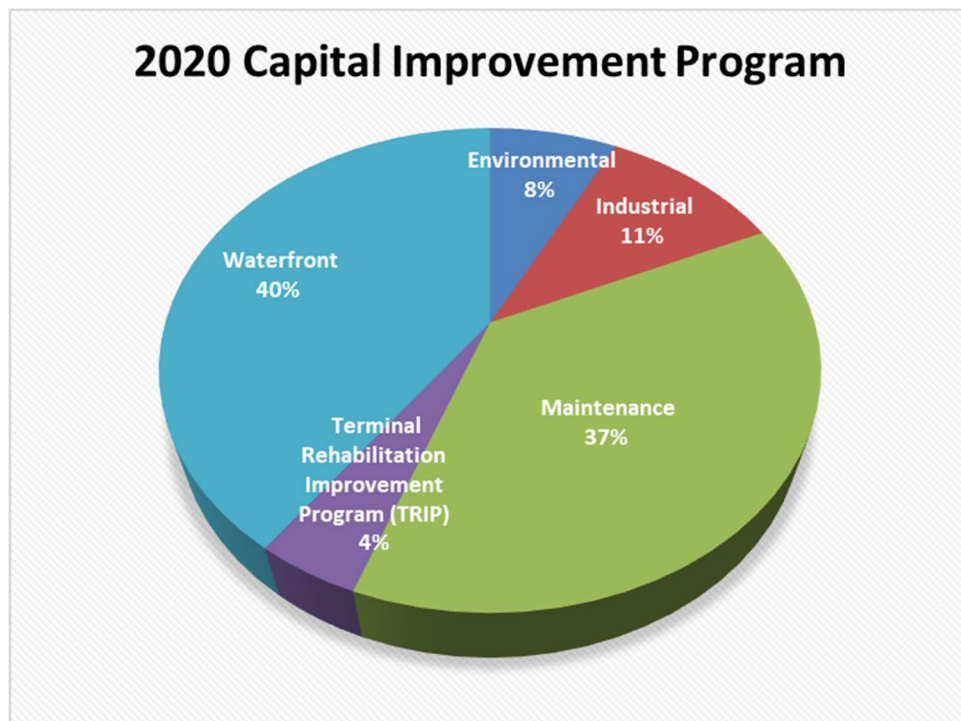
<u>USES</u>		
Operating Expenses		
05-Executive	880,452	
06-Economic Development	564,737	
10-Administration	1,297,832	
11-External Affairs	1,786,741	
12-Information Technology	1,344,579	
13-Contracts	520,123	
14-Human Resources	439,790	
15-Rail	1,255,651	
16-Finance	2,060,380	
17-Sales	1,977,653	
18-Commercial	779,266	
19-Industrial	1,899,546	
20-Facilities	5,477,797	
21-Operations	1,493,703	
22-Security	2,546,067	
32-Environmental	1,360,122	
40-Terminal	7,662,351	
41-Rail Operations	196,149	
Total Operating Expenses	<u>\$ 33,542,939</u>	
Non-operating Expenses		
Debt Service	10,962,573	
Environmental Remediation	969,650	
Other Non-Operating Expenses	1,274,252	
Total Non-operating Expenses	<u>\$ 13,206,475</u>	
Total Expenses	<u>\$ 46,749,414</u>	
Capital Projects	\$ 9,833,406	
TOTAL USES	<u>\$ 56,582,820</u>	

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. Several 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 2020 capital budget reflects the port's continuing commitment to promoting regional economic activity through the investment of over \$9.83 million in the economic development and expansion and renewal of port facilities. In 2020 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 2020 capital program will come from current revenues, tax levy revenue, grants, and other contributions.



**Port of Vancouver
2020 Capital Projects Budget**

Description	2020 Budget
Environmental	
Environmental: Columbia Gateway Screen Berm - Construction and Planting	470,000
Environmental: Purchase of Mitigation Credits	150,000
Total: Environmental	620,000
Industrial	
Industrial: Building Improvements to Bldg. 2601 - Design and Permitting	375,000
Industrial: Building Improvements to Bldg. 2601 - Construction	500,000
Total: Industrial	875,000
Maintenance	
Maintenance: Bank Stabilization, and Permitting - General	75,000
Maintenance: Buildings - 2625 Roof	367,000
Maintenance: Buildings - 2565 Siding	252,000
Maintenance: Equipment - HVAC Controller System	75,000
Maintenance: IT - Misc.	20,000
Maintenance: Paving and Striping: T2 - Nustar Phase 2 of 3	650,000
Maintenance: Paving and Striping: T3 - Phase 2 of 10	350,000
Maintenance: Tenant Improvements	150,000
Maintenance: Vehicles and Equipment - Fuel Island Upgrades	300,000
Maintenance: Vehicles and Equipment - Rail Profile Grinder	200,000
Maintenance: Vehicles and Equipment - Van replacement of 1998 Chevrolet Van	45,000
Maintenance: Water System Improvements - Phase 3 of 4	600,000
Total: Maintenance	3,084,000
Terminal Rehabilitation Improvement Program (TRIP)	
TRIP: Bank Stabilization, and Permitting - Terminal 4 Bank Stabilization Phase 1	305,000
TRIP: Docks and Fender Pilings - Berth 10 Fender Piling Retrofit	50,000
Total: TRIP	355,000
Waterfront	
Waterfront: Dock - 60% Design and Permitting	350,000
Waterfront: Landscaping - East Portal - Design and Permitting	170,000
Waterfront: Landscaping - Renaissance Trail Phase 1, Daniels Way Phase 1 and Access Way 5 - Design and Permitting	80,000
Waterfront: Landscaping - Vancouver Landing - Design, Permitting, and Construction	2,055,012
Waterfront: Removal of Terminal 1 Building - Design and Permitting	150,000
Waterfront: Site Development - Design and Construction	500,000
Total: Waterfront	3,305,012
Total: Capital Projects	8,239,012
Labor Capitalization	1,594,394
Total: Capital Projects	9,833,406
Grants and Other Contributions	
Waterfront: WA Dept of Commerce - East Portal	(170,000)
Waterfront: WA Dept of Commerce - Vancouver Landing	(2,055,012)
Waterfront: WSDOT - Renaissance Trail and Daniels Way	(80,000)
Total: Grants and Other Contributions	(2,305,012)
Total: Capital Projects - Net	7,528,394

TAX BUDGET SUMMARY

- The port's 2020 certified levy is \$11,957,792. The budget is based on the port taking a 1 percent increase and utilization of 100 percent of banked capacity. The levy limit is based on the lower of the implicit price deflator (IPD) of 1.396 percent or 1 percent per Initiative I-747. The 2019 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 2020 levy will be used for:

Debt Service (GO Bonds)	\$5,657,067	47.3%
Environmental Remediation	969,650	8.1%
Capital Projects	\$5,331,075	44.6%
Total	\$11,957,792	100.0%

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 2019/2020 Taxable Assessed Value increased approximately 6.59% 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 45 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)

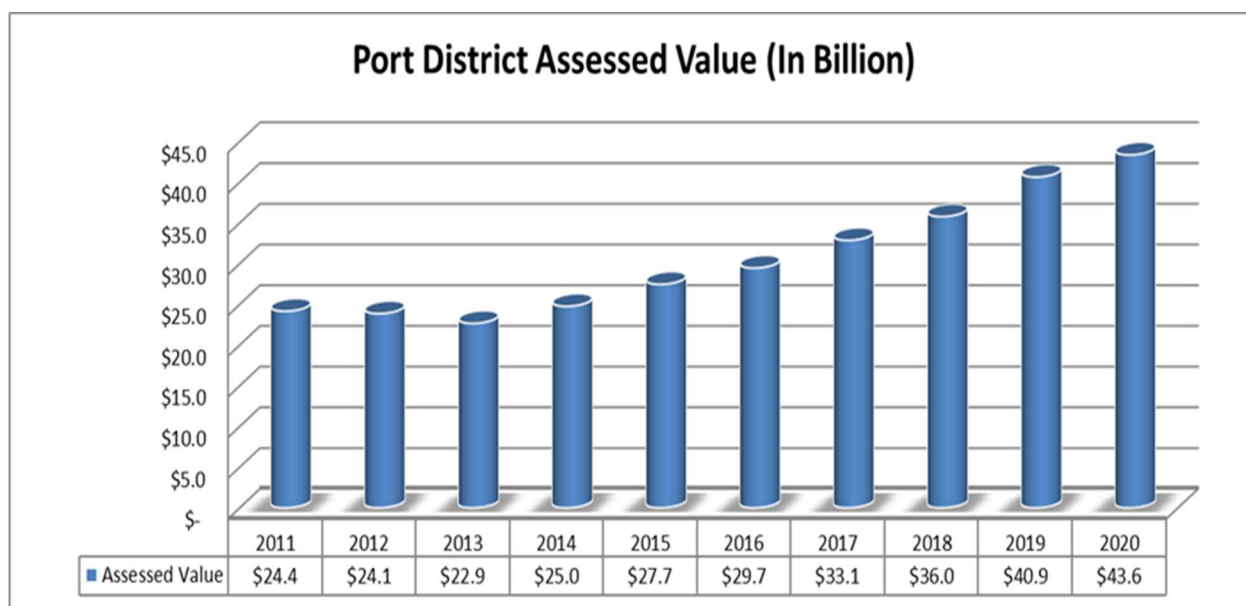
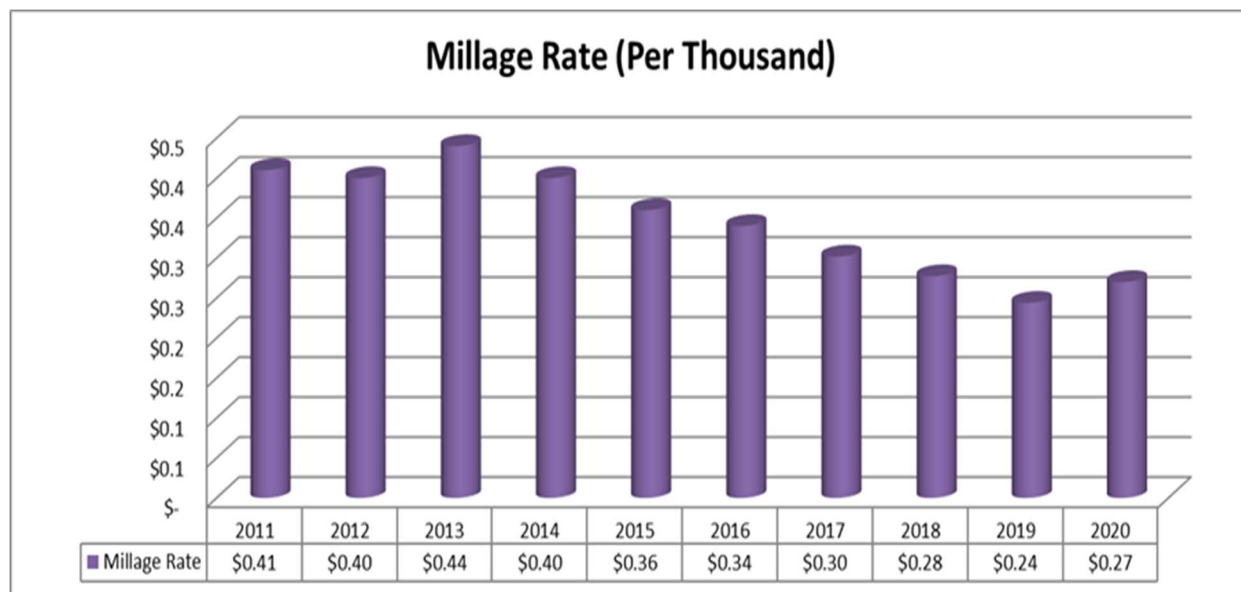
The port can levy property taxes for dredging, canal construction, land leveling or filling purposes. These levies must be approved by the majority of voters within the port district and may not exceed \$0.45 per \$1,000 of the assessed value of taxable property within the port district. The port has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

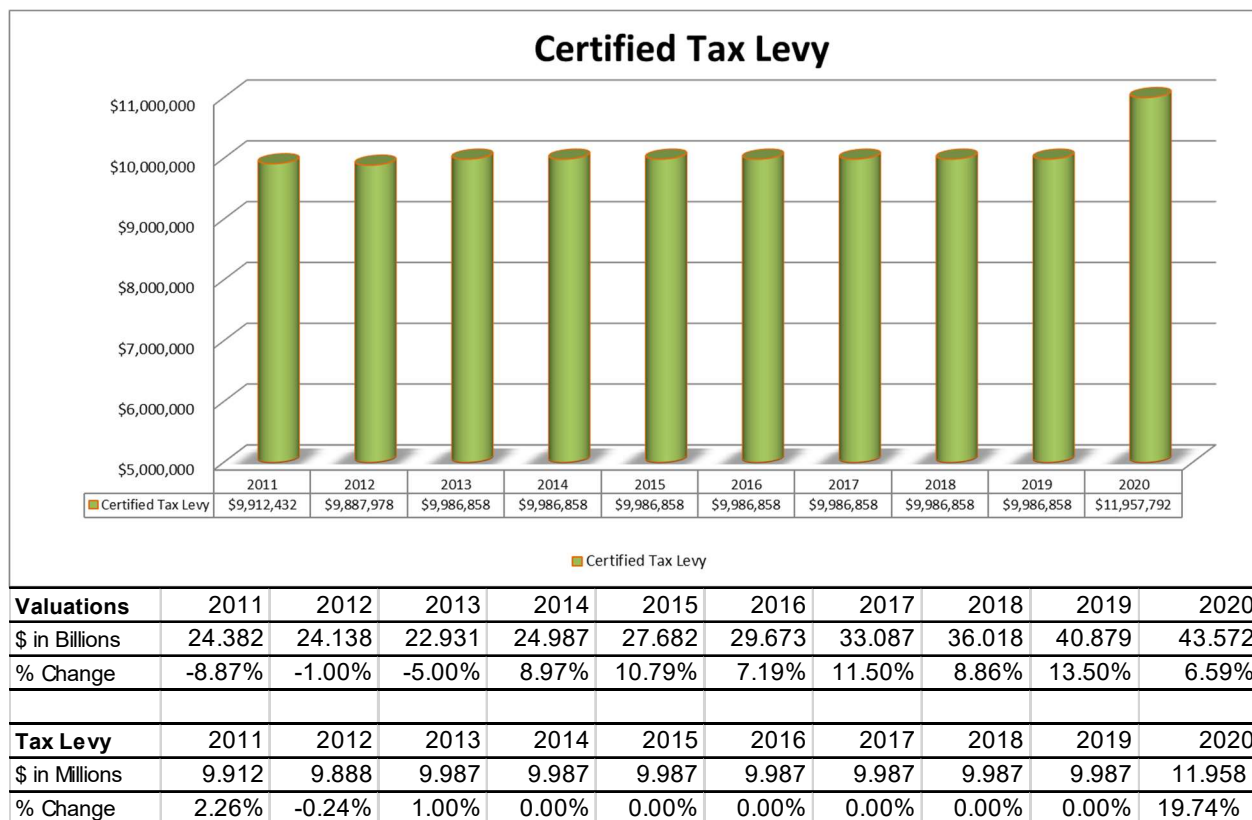
Levy for Industrial Development District (RCW 53.36.100)

A port district having adopted a comprehensive scheme of harbor improvements may levy property taxes for Industrial Development Districts for 12 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 6-year period between 1958 and 1963 for

property acquisition. The port has not levied the seventh through twelfth year period. The port's advancement of an Industrial Development District levy in August of 2007 was not successful.

FIGURES





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.

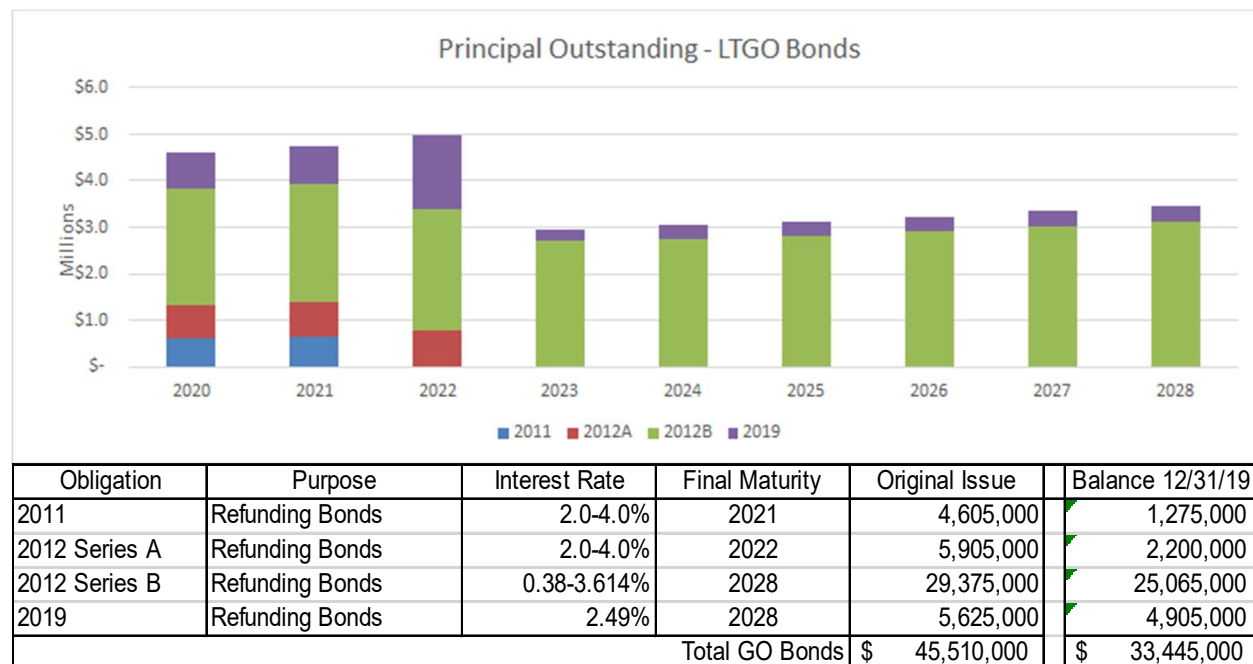
Credit Ratings: The Director of Finance & Accounting is responsible for maintaining relationships with the rating agencies that assign ratings to the port's various debt obligations. This effort includes providing periodic updates on the port's general financial condition along with coordinating meetings 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: \$33,445,000 LTGO bonds remain outstanding at December 31, 2019.



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

LONG-TERM DEBT

three-fourths of one percent of the value of the taxable property in the district. The following estimates the 2020 debt limit. The port does have debt capacity to issue additional general obligation bonds.

Value of Taxable Property (2020 Collection Year)	\$43,572,029,856
<u>Limited Tax General Obligation Debt Capacity (Non-voted)</u>	
0.25% of Assessed Value	108,930,075
Less: Outstanding Limited Tax GO Debt @12/31/19	(33,445,000)
Remaining Capacity (Non-voted)*	<u>\$ 75,485,075</u>
* Increase of 17.39% from prior year	

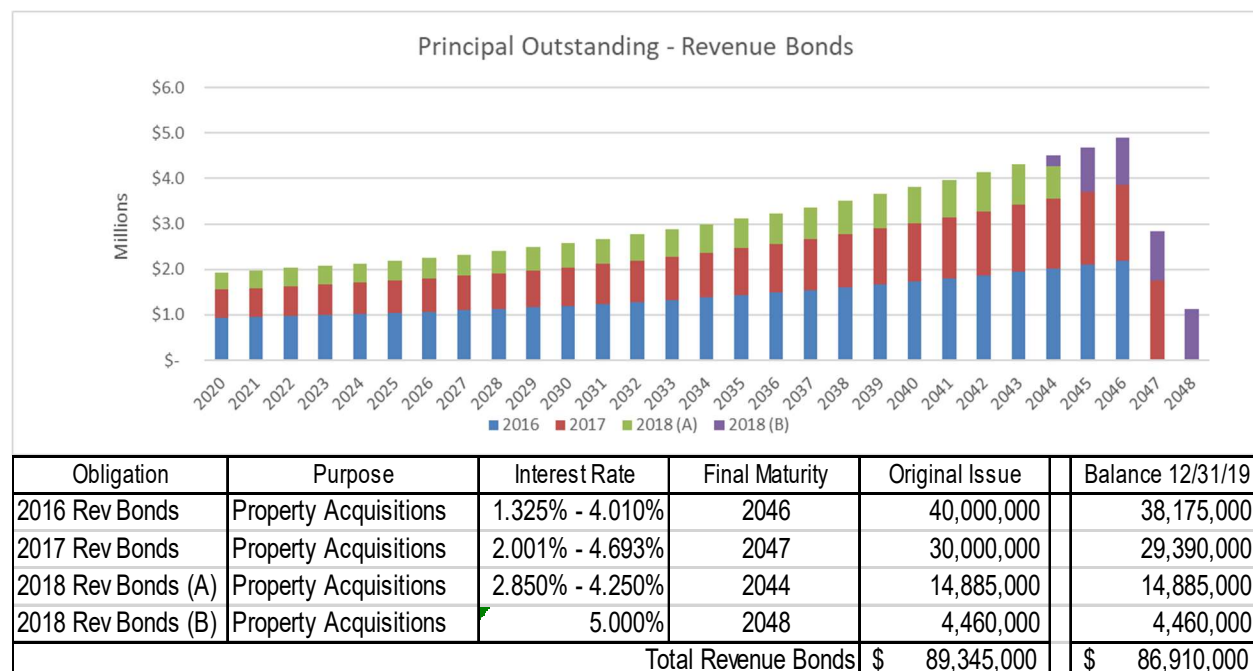
SPECIAL FACILITY REVENUE BONDS

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: \$86,910,000 Revenue bonds remain outstanding at December 31, 2019.



LINE OF CREDIT

On September 24, 2019, the Port of Vancouver's Board of Commissioners approved Resolution No. 4-2019. This resolution authorizes the Board of Commissioners to amend resolution 7-2013, as amended by resolution 11-2015, as amended by resolution 3-2017, to reflect the agreed-upon changes. The extended agreement continues to retain the services of Key Bank. The modification maintains the maximum amount of 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 57 basis points (0.57%). One-month LIBOR Rate on October 3, 2019 was 1.99%. The port has agreed to pay the Series 2013 Credit Facility Provider an unused commitment fee in the amount of 20 basis points per annum (0.20%).

The port uses this Line of Credit as complementary financing to operating cash flows. This agreement matures on September 24, 2021. 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
7/1/2020	10,377
7/1/2021	10,377
7/1/2022	10,377
Total	\$ 31,131

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.

LONG-TERM DEBT

Date	Obligation
2/1/2020	345,093
5/1/2020	345,093
Total	\$ 690,185

2020 Budget Calendar

9/25/2019

July 2019						
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			

July	
12	Distribute preliminary budget documents to departments
24	Leadership Team Strategic Initiative Update for Budget
31	2nd Leadership Team Strategic Initiative Update for Budget (If Necessary)

August 2019						
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	
6	Mid-Year update and budget kick-off
13	Regular commission meeting
27	Regular commission meeting
28	Departments submit final budgets to finance

September 2019						
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	
3	Finance to distribute consolidated budget documents to Leadership Team
10	Regular commission meeting
11	Leadership Team budget workshop
18	2nd Leadership Team budget workshop
24	Regular commission meeting
25	3rd Leadership Team budget workshop

October 2019						
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	
2	4th Leadership Team budget workshop (If Necessary)
8	Regular commission meeting
9	5th Leadership Team budget workshop and presentation to CEO
16	6th Leadership Team budget workshop (If Necessary)
22	Regular commission meeting - Commission budget workshop

November 2019						
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 preliminary budget; 1st public notice; preliminary budget prepared/final hearing scheduled
8	2nd public notice & Submit commission agenda item for final budget
12	Regular commission meeting - approve preliminary budget
26	Regular commission meeting - approve final budget
27	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 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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