

# ANNUAL REPORT 2013

*Annual Report to the community*

THE PORT OF / *Possibility*



## REVENUE STEADY WHILE ASSETS CONTINUE ROBUST GROWTH



For more than 100 years, Clark County citizens have relied on the Port of Vancouver as a connection to the global market, creating employment opportunities for our citizens and strengthening our economy while being good stewards of our natural resources.

We take this responsibility very seriously, and I'm pleased to report that 2013 was a good year for our port. Revenue continues to follow a ten-year upward trend, remaining relatively steady as the national and global economy recovers. In addition, our most significant infrastructure investment, the West Vancouver Freight Access (WVFA) rail project, continues to progress, with completion of the Gateway Avenue overpass and significant progress on our new grade-separated rail entrance being two significant milestones in 2013.

And the best news of all is that those rail improvements are attracting millions in private sector investment and are expected to create up to 1,000 new, permanent jobs and 4,000 construction jobs. This project, in addition to our other investments in a 43-foot Columbia River shipping channel, docks, cranes and other infrastructure and equipment, has set the foundation for growth. In ten years, the port has improved its net assets (transportation infrastructure, land, buildings and equipment) by more than 260 percent – an investment that will continue to pay benefits and provide economic vitality to Clark County well into the future.

Sincerely,

Todd Coleman

## PORT LEADERSHIP

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

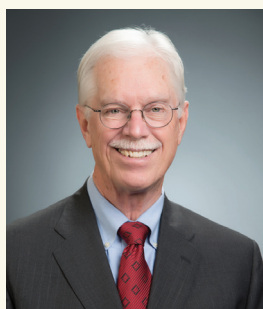


**JERRY OLIVER**  
**COMMISSION PRESIDENT**

Jerry Oliver was elected to the Port of Vancouver Board of Commissioners in 2007 and is serving as commission president for 2013. Born and raised in Flint, Mich., Mr. Oliver has a bachelor's degree in economics from the

University of Michigan. His career includes 20 years selling medical products and seven years in the financial brokerage business. Mr. Oliver also was self-employed in mid-market mergers and acquisitions for eight years.

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



**BRIAN WOLFE**  
**COMMISSION**  
**VICE PRESIDENT**

Brian Wolfe was elected to the Port of Vancouver Board of Commissioners in 2005 and is secretary of the board for 2013. Mr. Wolfe has been an attorney for 40 years and operates his own legal

practice in Vancouver. He helped create the Columbia River Economic Development Council (CREDC), served as chairman of its board of directors for 11 years, and currently serves on its executive committee. He also serves on the general advisory committee for the Clark County Skills Center and on the Southwest Washington Community Land Trust board of directors. Mr. Wolfe is president of the Vancouver Dawn Lions Club and has held leadership positions with the Greater Vancouver Chamber of Commerce, Leadership Clark County,

the Clark County Social Services Administration, Identity Clark County and the Columbia River Education and Workforce Council.

Mr. Wolfe holds a bachelor's degree from Whitworth University in Spokane and earned his doctor of jurisprudence degree from Willamette University in Salem. His current term expires December 31, 2017.

**NANCY BAKER**  
**COMMISSION SECRETARY**

After 14 years as a port employee, Nancy Baker was elected in 2003 as the first female commissioner in the Port of Van-



couver's 100-year history. She is currently serving as the secretary of the commission. Mrs. Baker is a graduate of Hudson's Bay High School and attended classes at Clark College and Portland State University.

Mrs. Baker was named a Clark County Woman of Achievement by

Clark College and the YWCA in 1996. In 2006, she received a Community Service Award from the Southwest Washington Labor Roundtable and Central Labor Council, and in 2007 was named by The Columbian newspaper as one of the 100 Most Powerful Women of Clark County. Mrs. Baker has served on numerous boards and commissions. She is currently active with the Regional Transportation Council and the Vancouver Downtown Association.

Mrs. Baker and her husband, Ray Barney, have two children and four grandchildren. Prior to her work at the port, Mrs. Baker spent 10 years in business management with a multi-million dollar retail store, as well as several years in the heavy, marine and building construction industry. Her current term expires December 31, 2015.

# A LOOK BACK AT 2013

## CARGO TONNAGE HOLDS STEADY

Total cargo tonnage for 2013 remained stable with a modest 1.6 percent decrease as domestic and international markets continue to recover. Export cargoes fluctuated depending on the customer, country and commodity. Mineral bulks, including bentonite clay (used in a variety of industrial and consumer products) and copper concentrate (used to create copper wiring and products), saw the effects of a lower demand in Asian markets, while other exports including wheat, corn and soy continue to rise with global demand and facility investments to increase capacity at the port.

The decrease in imported wind energy components due to uncertainties related to tax incentive programs for alternative energy significantly impacted the port's overall revenue. Fortunately, Subaru imports continue to increase as the U.S. market demand grows.

The port's capacity to handle a growing variety of cargoes is increasing significantly as new rail infrastructure comes on line.

### Total Cargo Tonnage (1.6 percent decrease from 2012)

2013 – 4,480,604 metric tons

2012 – 4,554,304 metric tons

### Vessel Calls (4.5 percent decrease from 2012)

2013 – 335 vessels

2012 – 351 vessels

### Overall Exports (.53 percent increase over 2012)

2013 – 3,900,687 metric tons

2012 – 3,879,982 metric tons

### Overall Imports (14 percent decrease from 2012)

2013 – 579,918 metric tons

2012 – 674,322 metric tons



## Industrial Development Continues Growth Trend

The port welcomed several new businesses to its roster in 2013, including Pangea Motors and ProBuild-ST, and the expansion of existing tenants Brewcraft USA, Puget Sound Pipe and Supply and Vancouver Warehouse. These additions held the port's occupancy rate up to more than 99 percent. To address the need for additional space, the port completed development of the first 58 acres of its new Centennial Industrial Park thanks to a \$5.7 million grant from Washington State's Department of Commerce Jobs Now Act.

## Environmental Milestones Reached

For the third year in a row, the port continued its commitment to renewable energy through the purchase Renewable Energy Credits (RECs) equal to 100% of its purchased electricity. The port also continued its efforts at innovation in stormwater management, integrating successful biofiltration technology that enabled the port to meet its regulatory requirements to control zinc, oil and other runoff contaminants. The port also installed a new facility to separate solid from liquid contaminants swept up from the docks, thanks to a grant from the Washington State Department of Ecology. The port's innovative stormwater management also included the installation of a "closed-loop" equipment steam cleaning system that will reduce water use and wastewater discharges associated with keeping the port's fleet of vehicles and industrial equipment properly maintained.

The port continues its installation of bike and pedestrian trails with the completion of a pedestrian and bike path on Lower River Road. A grant awarded in 2013 will construct a new section that will link the administration building to C-Tran bus service, and will additionally design another section that will make all the trail pieces contiguous to Gateway Avenue. The grant funded projects are part of the port's overall plan to construct approximately 3.7 miles of safe passage for bicyclists and pedestrians along Lower River Road. When complete, it will connect downtown Vancouver to the Flushing Channel at Vancouver Lake. Future segments of the path will be funded as the port's western properties such as Columbia Gateway are developed, or as additional grant funds are acquired.

Lastly, the port, together with Clark County Wetland Mitigation Partners, LLC, celebrated major construction milestones on the 154-acre Columbia River Wetland Mitigation Bank, with final planting occurring in early 2013. The wetland provides valuable habitat while ensuring responsible development.

## WHAT THE PORT MEANS TO THE COMMUNITY

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

### Quick Facts

- Established in 1912
- Third-oldest port in the State of Washington
- One of 75 port districts in the state of Washington with publicly-elected port commissioners
- 2,127 acres of property including 800 acres of developed property and more than 500 acres for future available for future development
  - 570 acres for mitigation
  - 155 acre wetland bank
  - Located on four miles of waterfront property
  - 106 river miles from the Pacific Ocean
  - Channel depth of 43 feet
  - Two 140-metric-ton Liebherr mobile harbor cranes



### Jobs and a Vibrant Economy

- The Port of Vancouver is the hub of industrial jobs in Southwest Washington.
- 100 people are employed directly by the port
- More than 2,300 people are directly employed by businesses at the port
- Nearly 17,000 jobs are generated in the community by port activities
- 80 percent of employees who come to work at the port live in Clark County or within the city limits of Vancouver
- Port of Vancouver activities generate \$1.6 billion in economic benefits to state and local taxes to fund police, fire,



transportation and other vital services.

- Washington is the most trade-reliant state in the nation, with one in three jobs dependent on international trade, according to the Washington Public Ports Association.

### **Marine Terminals**

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

### **Industrial Facilities**

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

# **WASHINGTON STATE AUDITOR'S OFFICE FINANCIAL STATEMENTS AND FEDERAL SINGLE AUDIT REPORT FOR 2013**

## **INTRODUCTION**

As management of the Port of Vancouver (port), we offer readers of the port's financial statements this narrative overview and analysis of the financial activities of the port for the fiscal year ended December 31, 2013, with selected comparative information for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

## FINANCIAL ANALYSIS

### Condensed Financial Position Information

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

### Financial Highlights

- Total assets of the port and deferred outflows exceeded its liabilities by \$274.966 million (reported as total net position). Total net position increased by \$21.773 million in comparison with the prior year due to the increase in capital assets.
- Total current and restricted assets decreased by \$9.364 million from 2012, primarily from the results of the continuation of the West Vancouver Freight Access project.
- As debt is paid down and cost cutting measures are implemented, total liabilities decreased by \$9.086 million from the prior year.

## NET POSITION

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

	<u>2013</u>	<u>2012</u>
Assets		
Current and restricted assets	\$28,400,873	\$37,765,252
Capital assets, net	331,070,504	311,102,966
Other noncurrent assets	<u>25,033,202</u>	<u>25,626,886</u>
Total Assets	\$384,504,579	\$374,495,104
Deferred Outflows of Resources:		
Deferred Charge on Refunding	<u>\$2,677,719</u>	
Total Deferred Outflows of Resources	\$2,677,719	\$
Liabilities:	\$15,322,817	\$17,608,905
Current liabilities	<u>96,893,806</u>	<u>103,693,883</u>
Noncurrent liabilities		\$121,302,788
Total liabilities	\$112,216,623	
Net Position:		
Net Invested in capital assets, net of related debt	\$266,191,815	\$239,000,164
Restricted	776,640,	751,861
Unrestricted	<u>7,997,220</u>	<u>13,440,294</u>
Total Net Position	\$274,965,675	\$253,192,319

## Summary of Operations and Changes in Net position

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents how the port's net position changed during the current and previous fiscal year as a result of operations. The port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

### Revenues:

With continuing economic challenges in 2013, the Port's diversified commodity mix resulted in a decrease in marine revenues to \$18.016 million. A change of 18.21 percent or \$4.0 million from 2012.

- The Port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99.4 percent in 2013. Although market rates have been decreasing, lease revenue was \$8.020 million, an increase of 3.44 percent in 2013.
- Total 2013 operating revenues decrease \$2.684 million (8.24%) from 2012 operating revenues

### Expenses:

- 2013 total operating expenses, before depreciation, decreased by \$2.177 million (9.35%) from 2012 expenses. Operating income, after depreciation, was \$119,846 at December 31, 2013 as compared to \$1.161 million at 2012 year end.

### Non-Operating:

- 2013 total nonoperating revenue (expenses) decreased by \$36.086 million from 2012 net of change in accounting principle, primarily due the settlement of an insurance policy in 2012, decreased federal and state grant revenue, the surplus of capital assets, and an adjustment to estimated environmental remediation activity costs.
- The port continues to be successful in applying for several grants. Grant revenue only decrease by \$4.6 million from 2012 to \$13.1 million in 2013.
- The port was successful in applying for several grants. Grant revenue increased by \$15.548 million from 2011





## CHANGE IN NET POSITION

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

	2013	2012
<b>REVENUES</b>		
Operating Revenues:		
Marine terminal operations	\$18,016,133	\$22,027,650
Property lease/rental operations	8,019,769	7,753,181
Facilities sales and service	3,458,075	2,304,027
Security sales and service	307,510	366,219
General and administrative	75,374	109,697
Nonoperating Revenues:		
Ad valorem tax revenues	\$10,014,288	\$9,711,320
Interest income	229,545	225,532
Federal and State Grants	13,093,003	217,662,057
Environmental remediation	706,870	6,393,053
Other non-operating revenues	375,658	27,427,713
Total Revenues	<u>\$54,296,225</u>	<u>\$93,980,449</u>
<b>EXPENSES</b>		
Operating Expenses:		
Marine terminal operations	\$7,201,200	\$9,509,867
Facilities	5,516,404	5,406,768
Security	1,585,155	1,429,542
General and administrative	6,817,606	6,951,591
Depreciation	8,636,650	8,102,079
Nonoperating Expenses:		
Interest expense	2,352,292	3,221,932
Other non-operating expense	110,384	154,863
Total Expenses	<u>\$32,219,690</u>	<u>\$34,776,642</u>
Change in net assets	22,076,535	59,203,807
Total net assets - beginning	253,192,319	193,151,120
Change in accounting principle	(571,005)	0
Capital contribution	267,826	837,392
Total net position - ending	<u><u>\$274,965,675</u></u>	<u><u>\$253,192,319</u></u>



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Port's investment in total capital assets as of December 31, 2013 totaled \$331.071 million (net of accumulated depreciation). The Port's investment in capital assets includes land, buildings, improvements (other than buildings), machinery and equipment, and construction in progress. The total increase in the Port's investment in capital assets for the current year was \$19.968 or 6.4%.

Major capital asset events during 2013 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. Completion of the Terminal 2 Berth 2 Deck Repair in the amount of \$1.6 million, completion of the Maritime Domain Awareness Phase II project in the amount of \$2.1 million, and the completion of the Grain Unit Train Phase B project in the amount of \$3.4 million.

### Long-Term Debt

At December 31, 2013, long-term debt outstanding totaled \$96.894 million. Of this amount, \$53.915 million comprises general obligation debt and \$25 million represents special revenue bonds secured by a letter of credit. The port is liable for a note payable in the amount of \$4.087 million for right-of-way acquisition for the West Vancouver Freight Access Project.

## 2014 BUDGET

The Port's 2014 operating revenues are forecast at \$34.089 million, which is an increase over the \$29.877 million 2013 actual operating revenues. This increase is attributed to retaining strong imports of heavy lift cargos, continued industrial development, customers interested in connecting the Midcontinent to international and domestic markets, and bulk exports. 2014 operating expenses are forecast at \$25.335 million, an increase over the actual 2013 operating expenses of \$21.120 million.

The \$54.126 million 2014 capital budget represents various facility and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

## REQUESTS FOR INFORMATION

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



Port of Vancouver USA

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