The following discussion and analysis (MD&A) of the activities and financial performance of the Albany Port District Commission ("APDC" or the "Port") is offered as an introduction and overview of the financial statements of APDC for the fiscal year ended December 31, 2018, with comparative data for the fiscal year ended December 31, 2017. Following this MD&A are the basic financial statements of APDC together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the notes, certain supplementary information is presented to assist with the understanding of the APDC's financial operations.

APDC is governed by a five member Board of Commissioners ("Board"). All Commissioners are appointed by the Governor of New York State based upon recommendations of the Mayors of Albany and Rensselaer. The Board has adopted several policies as required under the Public Authorities Accountability Act ("PAAA") of 2005 and the Public Authorities Reform Act ("PARA") of 2009, enhancing transparency and embracing best governance practices.

The APDC Finance Committee meets on a quarterly basis or more frequently if necessary to review project and transactional analysis. As necessary, the Committee makes recommendations for consideration by the Board. On a monthly basis, the Board meets to discuss infrastructure needs, project activity and progress, maritime activity performance and the APDC's financial position and performance. Additionally, the APDC Audit Committee, without management present, independently meets with the external auditors to discuss relevant issues and concerns.

INTRODUCTION

In 1925 the Albany Port District Commission was established through an act of the New York State Legislature ("Enabling Legislation"). The Enabling Legislation granted broad authority to the APDC to develop, construct, and manage a maritime facility. During the succeeding decades, the APDC developed into a year-round, twenty-four hour operation encompassing nearly 300 acres within two municipalities, directly and indirectly employing hundreds of men and women and generating hundreds of millions of dollars in regional and state-wide economic output.

Stevedoring services are provided by Federal Marine Terminals, Inc. ("FMT"). Through a Terminal Operating Agreement ("TOA") between APDC and FMT, FMT is authorized to manage a portion of APDC property for general cargo and commodity handling and to conduct various activities related to vessel servicing. Under the TOA, FMT is obligated to make monthly payments to APDC ("Base Payments"). Additionally, upon achieving certain gross revenue thresholds, FMT is also obligated to pay a percentage of gross revenue to APDC ("Revenue Share Payments").

The APDC strives to responsibly and effectively manage the publicly-owned maritime Port of Albany-Rensselaer, driving the economy of Capital Region and beyond while emphasizing transparency and public stewardship. The APDC's mission consists of three main tenets:

- Effective Management of the Public's Asset.
- Economic Contribution to the Region.
- Integrity, Professionalism and Customer Service.

Through the execution of this mission, APDC has emerged as an award-winning, multi-faceted organization offering world-class facilities and services with a global economic influence.

INFRASTRUCTURE INVESTMENT

The guiding principal for Port infrastructure investment is to create an environment which enhances supply chain performance and promotes the efficient movement of cargo between the Port and customer markets. Significant resources are allocated by the APDC to develop projects, identify funding opportunities and perform grant administration related to infrastructure investments. These investments will assist in retaining and attracting customers as the Port develops into a regional logistics hub.

As previously reported, the Port has engaged in a multi-year, multi-project initiative to ensure the Port's capacity is aligned with anticipated market demand. Upon completion in 2020, this initiative will have created over $40 million in mission-critical capital improvements. Nearly $18 million of funding for this work is through the Transportation Investment Generating Economic Recovery ("TIGER") program. This program, administered by the United States Department of Transportation ("USDOT"), will provide funding to support strategic maritime terminal improvements. Grants totaling $19 million from New York State are funding new and replacement infrastructure. During 2018 the capital investment related to new/replacement Port infrastructure was approximately $21 million. Of this amount, 65% was funded from Federal and New York State sources.

Beginning in 2017 and continuing into 2018, projects have been undertaken to grow the Port's storage and transportation capacity for manufactured products. Demonstrating the inter-relationship between maritime activity and upland development, these projects will result in new assets both within the maritime terminal and on underutilized land adjacent to the terminal. The Port has leveraged these projects to establish a competitive advantage to pursue business and cargo capture.

The reconstruction of approximately 840 feet of the southern wharf on the western side of the facility that began in 2017 has continued and is expected to be completed during 2019. The area of the wharf being replaced dates back to the Port's original construction. Design elements of the wharf will feature a roll-on, roll-off ramp ("RoRo") and an enhanced weight capacity to accommodate the anticipated needs of the APDC's current and future manufacturing customers.

LEASING

During 2018 new long-term leases were executed between the APDC and two businesses. This allows for the leveraging of APDC-owned assets and public funding to induce business development and investment at the Port. This development allows the Port to create value-added supply chain solutions for new and existing customers.

During the fourth quarter, the APDC executed a lease with a trucking and logistics company for a newly constructed 45,000 square foot climate-controlled warehouse. This warehouse features a clear-span design with an enhanced floor weight capacity. These design elements have been incorporated specifically to accommodate the next generation of energy generating infrastructure components and to attract/retain heavy lift/project cargo manufacturing customers. The initial annual rent is $450,000 with an initial term running through 2028. The tenant has the option for two additional 5-year terms following the expiration of the initial term.

The 13-million bushel capacity grain elevator dates back to the Port's original construction and for several decades was the largest grain elevator east of the Mississippi River. Since it was put into service it had been leased to one of the Port's original tenants. A new lease for 12.5 acres of land (which includes the grain elevator) executed between the APDC and an existing tenant commenced on July 1, 2018 with an initial 20-year term with two 5-year options. This transaction is expected to generate economies of scale within the tenant's supply chain and represents an opportunity for future investment which could include utilization of maritime assets currently under construction.

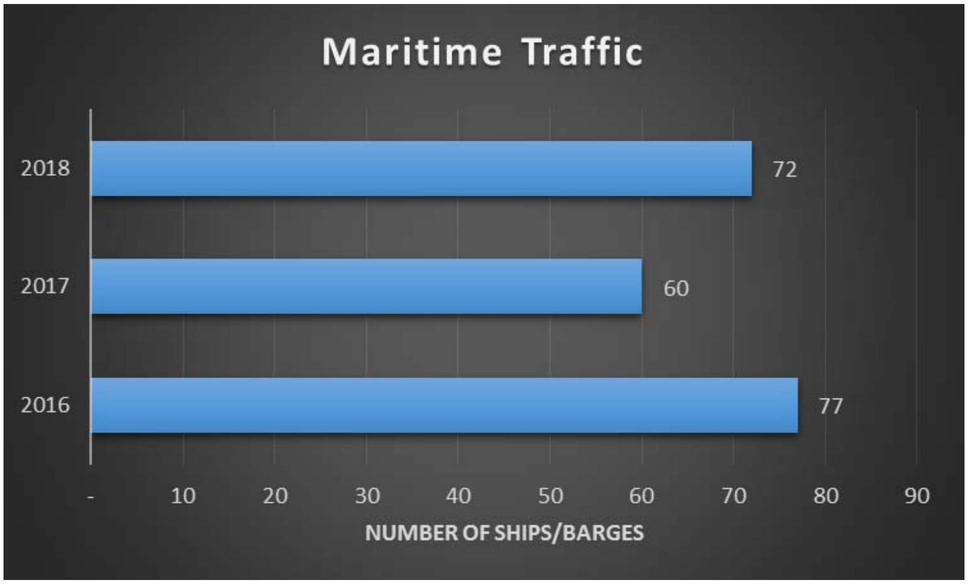
EXPANSION

In 1932, President (then Governor of New York) Franklin Delano Roosevelt presided over the Port's dedication ceremony and highlighted the colossal engineering feat that established the Port. At that time, it could not have been known that nearly 85 years later, the APDC Board of Commissioners would guide the Port through a land acquisition that will result in the first significant physical expansion of the Port.

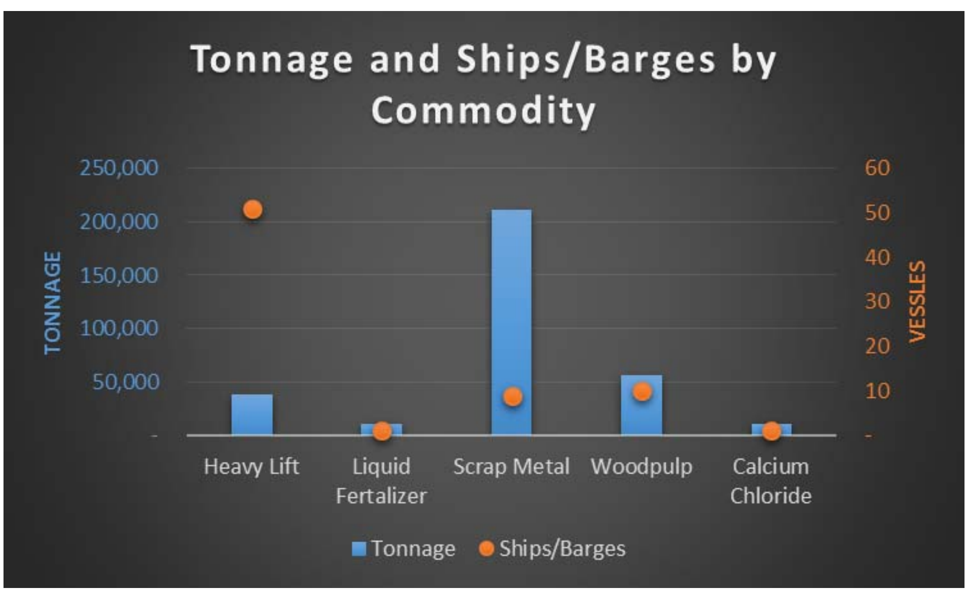
During the fourth quarter, the APDC closed on the $5.25 million purchase of an 80-acre site adjacent to the Port's southeastern border in the town of Bethlehem. This acquisition has increased the size of the Port by 25% to nearly 400 acres. To fund this purchase, the Port utilized a portion of the investment portfolio and executed an additional $2.5 million sub-lease under an existing master lease with Bank of America.

Various pre-development activities have commenced and the required permitting process for the site is underway. Full permitting is anticipated to take approximately 12 months after which core infrastructure construction will begin. Upon completion, the site could feature as much as 1,000,000 square feet of warehouse space or serve as an assembly facility for off-shore wind energy development activities.

MARITIME-RELATED ACTIVITY

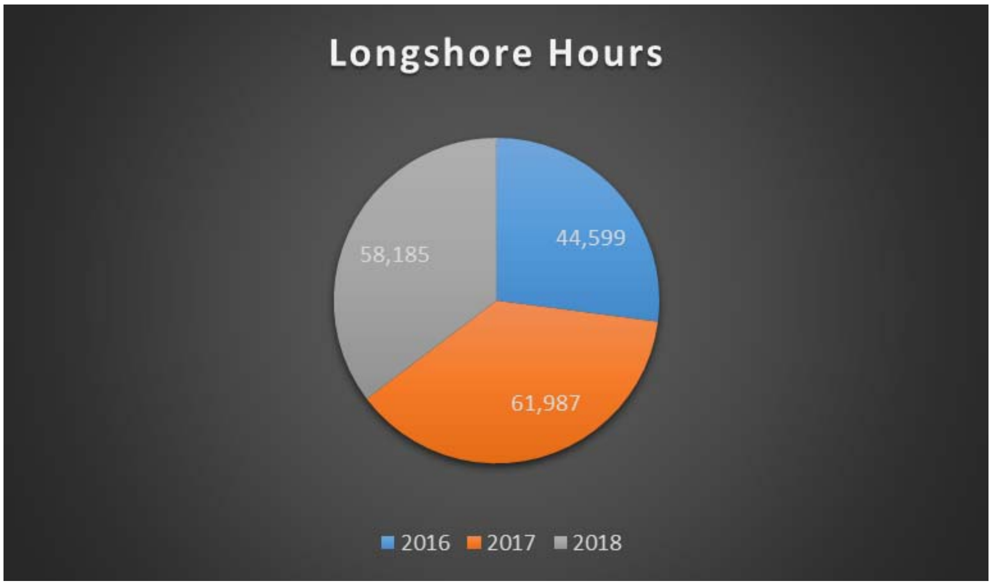


- As compared to 2017, calls to the Port increased by twelve ships/barges overall during 2018. The primary driver of this increase is within the heavy lift/project cargo category, which saw a 33% increase. More modest increases also occurred in the scrap metal and wood pulp categories.
- One of the Port's major manufacturing customers continued its role in two significant electrical generating projects during 2018. These projects, which have a reported combined cost of approximately $2 billion, drove significant inbound calls with the cargo being transported from the Port to project sites within New York State and Pennsylvania.

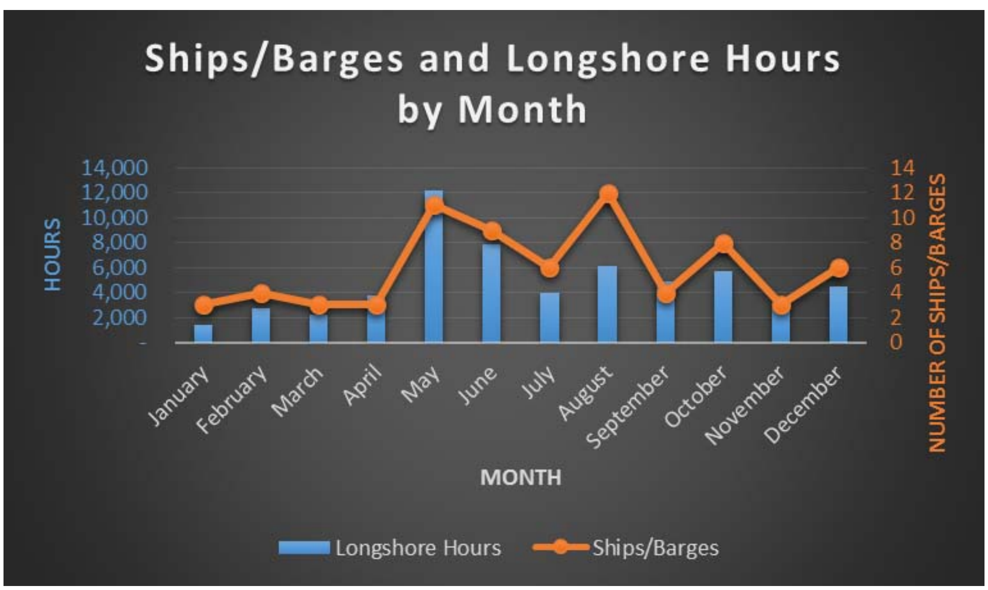


- Scrap metal remains the highest-volume commodity in terms of tonnage by a substantial margin. Scrap metal represents almost 65% of total tonnage for the year. Wood pulp which yields the second highest volume of tonnage (17% of total tonnage in 2018). On a per vessel basis, average tonnage for scrap metal was about 23,500 tons, which is a modest increase (roughly 5%) over 2017.

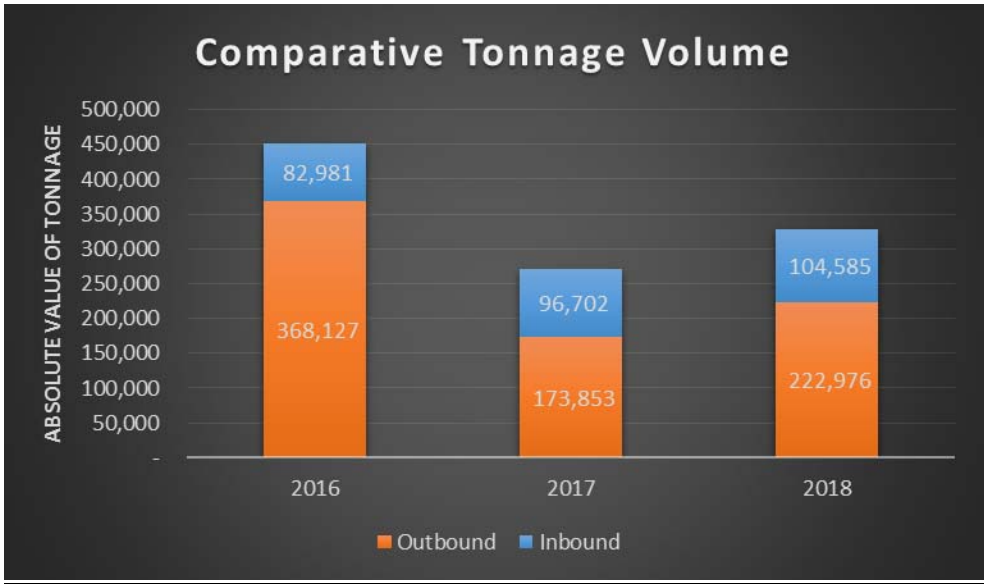
- Although heavy lift/project cargo represents a relatively modest amount of total 2018 tonnage (approximately 12% or 38,000 tons), almost 70% of all cargo-carrying ship and barge calls in 2018 fell into this category.



- The number of longshore hours worked is one of the Port's key indicators and is discussed in detail with the Board of Commissioners on a monthly basis. This metric is important as it demonstrates the economic value and job opportunities created by the Port's activity.



- More than 12,000 longshore hours were worked during May 2018, which is a record for the number of hours worked during a single month. To provide some context, in 2014 (the year the Port set a record for the most longshore hours worked in a year at just under 82,000 hours), the average number of hours worked in a month was 6,800. Over the previous four years, the monthly average longshore hours worked was 5,195.



- Overall tonnage has increased from 2017 by 21%. While still below the tonnage handled in 2016, inbound cargo tonnage in 2018 represents a 3-year high and is a 26% increase over 2016.

- Excluding non-reoccurring inbound cargo handling that occurred in 2017, the year-over-year inbound tonnage increase is 19%. That increase is primarily driven by the increase in wood pulp vessels. Wood pulp tonnage handled in 2018 increased just over 14,000 or 34%.

- Outbound tonnage increased by 49,000 tons or 28%. Although heavy lift/project cargo tonnage decreased by 30% (4,500 tons), scrap iron tonnage increased by over 53,000 tons mitigating the decrease.

FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues and expenses for the years ended December 31, 2018 and 2017 is shown below.

	2018	2017
OPERATING REVENUES		
Property and equipment rentals	$ 3,696,220	$ 3,692,105
Maritime-related	1,644,058	1,335,224
Security	550,843	508,573
Other operating revenues	181,309	186,870
Total operating revenues	6,072,430	5,722,772
OPERATING EXPENSES		
Payroll and related expenses	2,497,721	2,633,068
Maintenance and material handling	666,165	397,507
Professional services	470,579	489,801
Other operating expenses	330,321	455,867
Total operating expenses	3,964,786	3,976,243
OPERATING INCOME	2,107,644	1,746,529
Depreciation and other items	(2,466,285)	(2,281,042)
CHANGE IN NET POSITION BEFORE CAPITAL FUNDING	(358,641)	(534,513)
Capital grant funding	14,437,332	7,836,141
INCREASE (DECREASE) IN NET POSITION	14,078,691	7,301,628
Total net position, beginning of year, unadjusted	51,333,124	44,031,496
Prior period adjustment (Note 2)	(2,023,274)	-
Total net position, beginning of year, adjusted	49,309,850	44,031,496
Total net position, end of year	$ 63,388,541	$ 51,333,124

Income generated from operations has increased by $361,000 (21%) over 2017. This increase is primarily attributable to the year-over-year growth in operating revenue.

Operating Revenue increased by $350,000 or 6% from 2017. Non maritime-related revenue was virtually flat as compared to 2017; increasing by under 1%. Maritime-related revenue; however, increased by over 23% ($309,000).

- Dockage Fees are charged for vessels that are utilizing berths and are based upon either the length or net registered tonnage ("NRT") of the vessel. Overall, revenue derived from this category increased by $54,000 or 12%. Most of this increase ($52,000) was driven by activity within the heavy lift/project cargo category. In 2018 several heavy lift/project cargo calls utilized vessels that are approximately three-times larger (based on NRTs) than those used in the past to transport this cargo.

- Revenue derived from wharfage increased significantly in 2018; by $274,000 or 68%. The increase in driven in part by a higher volume of ship/barge traffic and also by the manner in which customer wharfage charges are assessed. Specifically, cargo for the manufacturing projects mentioned previously was billed based on volume (as opposed to weight).

- Effective January 1, 2018 a restructured TOA took effect. The fixed payment component was increased and the revenue share component was recalibrated to invert the revenue threshold amount and percentages to incentivize increased activity. The amount received under the new TOA is just under $67,000 higher (18%) over 2017.

- Revenue generated from utilization of the APDC's two Liebherr mobile harbor cranes decreased modestly by about 2% ($80,000) as compared to 2017. The revenue generated in 2018 equates to 1,149 hours of use by FMT for maritime terminal operations. Although crane utilization was lower in 2018 it should be noted that those hours were generated primarily by only one of the cranes; as the other crane was out of service for most of the year. That crane is anticipated to be placed back in service during Q1 of 2019.

Operating expenses in 2018 overall remained virtually flat from 2017 (decrease was less than 1%). This continues a trend from 2016 as operating expenses are contained while significant capital improvements are undertaken.

- Payroll and related expenses have decreased by just over 5% or $135,000 from 2017. A primary driver being a reduction of the expense recognized under GASB 75 as compared to the expense recognized under GASB 45 in 2017. (The notes to the financials cover GASB 75 activity in detail.) Additionally, employee benefits decreased by 8% ($41,000). APDC's share of employee retirement contributions decreased by just under $41,000 (18%). These decreases are offset by modest (less than 3%) increases in administrative and maintenance salary expense.

- Professional services decreased overall by 4% ($19,000) from 2017. Premiums for property and liability insurance coverage decreased by $24,000. This reduction was offset by a $7,000 increase in various professional fees paid. Non-capitalized expense related to engineering services increased by $70,000 as evaluations of Port-owned property continued in 2018. This is almost entirely offset by a $69,000 decrease in expense related to consultants.

- Material Handling increased by $64,000 or 48%. Parts and repairs related to one of the Port's mobile harbor cranes increased by $78,000. This is offset by an approximately $10,000 reduction in expenses related to the Port's fork truck fleet as older assets are taken out of service and replaced. Related to the mobile harbor crane being out of service, equipment leasing increased significantly ($210,000) which was the cost incurred for replacement crane services on an as needed basis to supplement the crane that remained in service.

- Maintenance expense increased by $31,000 or 13%. Although expense related to service contracts increased by $58,000 this is primarily due to the reclassification of expenses that had in prior periods been captured as other operating expenses. Reclassifying this activity allows for enhanced reporting service contract cost and evaluation of contractor performance when necessary. This activity was offset by a net decrease across several different activities captured within this category.

- Other operating expenses decreased by 28% ($126,000). In addition to the reclassification mentioned above, fuel expense decreased by $70,000 mostly due to one of the mobile harbor cranes being out of service.

A condensed summary of APDC's net position at December 31, 2016, 2017, and 2018 is shown below:

Total net position has increased by over $12 million (24%) from December 31, 2017 to December 31, 2018.

	2016	2017	2018
Assets and Deferred Outflows of Resources			
Current and other assets	$ 6,137,429	$ 12,715,759	$ 9,565,316
Capital assets	42,937,259	48,953,855	68,506,233
Deferred outflows of resources	594,722	238,854	356,838
Total assets and deferred outflows of resources	$ 49,669,410	$ 61,908,468	$ 78,428,387
Liabilities			
Current liabilities	$ 901,157	$ 2,666,962	$ 3,638,990
Long-term liabilities	4,661,543	7,848,105	9,687,290
Deferred inflows of resources	75,214	60,277	1,713,566
Total liabilities and deferred inflows of resources	$ 5,637,914	$ 10,575,344	$ 15,039,846
Net Position			
Invested in capital assets, net of related debt	$ 40,823,615	$ 43,254,662	$ 61,112,306
Unrestricted	3,207,881	8,078,462	2,276,235
Total net position	$ 44,031,496	$ 51,333,124	$ 63,388,541

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

- A $2.5 million sub-lease under the existing master lease with Bank of America was executed during November 2018. This sub-lease carries a seven-year term and a fixed rate of 4.09%. Certain APDC-owned equipment assets serve as collateral under the terms of the sub-lease.

- Construction will be completed on the Big Lift Maritime Warehouse and full operations will occur during the first quarter of 2019.

- Next phase of TIGER projects will continue:
  - On December 5, 2018, the Board of Commissioners authorized the execution of a contract with a consultant for construction management advisory services related to the construction of a new warehouse within the maritime terminal and related terminal roadway improvements. Work under this engagement will commence during the first quarter of 2019.
  - During the first quarter of 2019, a request-for-proposals ("RFP") will be issued for design of a new 60,000 square foot warehouse within the existing maritime terminal.

- An RFP will be issued in February 2019 for the disposition via lease of an approximately 2 acre site adjacent to the wharf in the city of Rensselaer. Previously this site had been leased to a bulk cargo handler.

- Federal and state funding opportunities will continue to be pursued to address not only existing infrastructure needs but also to develop new infrastructure in response to emerging trends within the maritime and transportation logistics industries.

FINANCIAL STATEMENTS

APDC's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). Revenue is recognized when earned, not when received and expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of APDC's financial condition. Questions concerning the information provided in this report may be addressed in writing to:

Albany Port District Commission
106 Smith Boulevard
Albany, NY 12202