

ALBANY PORT DISTRICT COMMISSION (“APDC”)
2019 PROPOSED BUDGET
Overview

In accordance with the requirements of the Public Authorities Accountability Act (“PAAA”), public authorities with a December 31 fiscal year are required to adopt, make available on their website, and report in the Public Authority Reporting Information System (“PARIS”) their 2019 budgets.

Overall, the 2019 budget anticipates an increase in the APDC’s net position of approximately \$6.9 million to an estimated \$68 million. This anticipated increase assumes capital contributions of \$8.9 million in 2019. Capital contributions are typically grants received from state or federal sources. Absent of the capital contributions for 2019, the budget anticipates generating approximately \$430,000 to fund capital projects.

Certain items are reimbursable from Federal Marine Terminals (“FMT”) in accordance with the Terminal Operating Agreement (“Agreement”) between APDC and FMT. Accounting rules require these items to be recorded as expenses when incurred by APDC and revenue recognized when reimbursed by FMT; however, due to the unpredictable nature of these items and that on a net basis do not impact the operating budget, these items are not included for budgeting purposes.

During the development of the budget, proposed goals have been identified to guide the allocation of resources proposed for 2019 and beyond. Accomplishing these goals will bring new facilities online, stabilize and grow real estate revenue, develop enterprise-wide cybersecurity practices, and position the APDC for future growth.

2019 Budget Goal	Objective	Metric
New warehouse - design & construction	Design completed and construction underway	Design & construction completion percentage
	Create revenue/development opportunities	Percentage change of available vacant acres
Re-program/re-purpose available land	Increase geospatial technology utilization	Number of parcels mapped as leased, sold or under development integrated with relevant information
	Identify, monitor and report cybersecurity risk	Percentage of staff who have completed a cybersecurity awareness program offered through a Center for Internet Security affiliated provider
	Formalize change control management process	Numbers of user, equipment or access adds, changes and/or deletes
	Formalize risk registry	Number of items that are identified as high risk/high impact
Continue Port expansion efforts	Obtain necessary regulatory approvals	Approval granted by close of Q3

Significant revenue and expense assumptions that have been used in the development of the 2019 budget are presented below.

REVENUE ASSUMPTIONS:

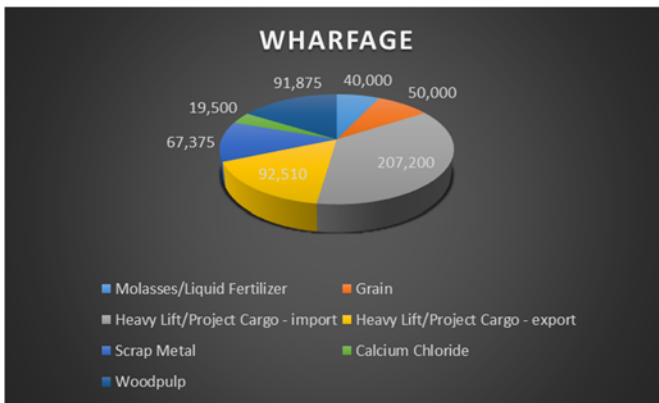
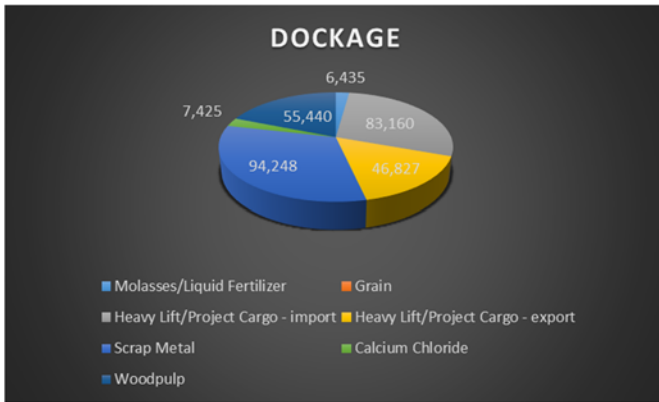
- Tenant leases: 23 tenants; all leases go beyond 2019
- 59 vessels
- Average net registered tons: 4,600
- Average duration of vessel call: 3.25 days
- 4,100 billable security hours
- 1000 hours of mobile harbor crane utilization

Revenue derived from operations is budgeted at approximately \$5.2 million. Budgeted operating revenue for 2019 represents a decrease of approximately 2% (\$61,500) as compared to the current operating revenue projection for 2018. There is not one specific driver of this budgeted reduction; it is the result of net of growth in rental income offset by reductions in maritime-related revenue which is reflective of current market conditions. The maritime-related categories represent an aggregate reduction of about \$36,000 or 3%. This is more reflective of certain significant occurrences in 2018 (new commodities; greater mobile harbor crane utilization), rather than conveying an anticipated contraction of revenue generating activities in 2019.

- Rental income through the leasing of APDC-owned real property the largest single operating revenue component. Income from real estate over 65% of APDC's operating revenue. APDC's real estate portfolio serves as a stabilizing force to offset volatility in the maritime sector. Overall, this revenue is expected to grow by just under 2.5%. This is the net result of leases that have not been renewed offset by a long-term lease for tenancy of the Big Lift warehouse. The net effect of this activity during 2019 is expected to increase rental revenue by about \$76,000 which will be enhanced by modest inflationary adjustments to rents, generally through CPI, as prescribed in the individual leases.
- Maritime Related revenue is generated from charges for vessels being berthed at APDC-owned docks (dockage) and charges generated from the loading and unloading of vessels (wharfage). Additionally, the Agreement with FMT consists of two primary revenue components: a fixed amount related to FMT's operation of the APDC maritime terminal and a revenue sharing payment that is triggered upon FMT gross revenue exceeding specified thresholds. The 2019 budget reflects the fixed amount of the payment (\$200,000) and anticipates a 10% revenue share as defined under the terms of the Agreement.

For 2019, revenue from Maritime-Related activities reflects anticipated dockage and wharfage revenue derived from new vessel/project activity that is committed or near-committed. Overall, the budget estimates 59 vessels for 2019; of this total about 60% are anticipated to be calls serving heavy lift/project cargo customers both on an import and export basis.

The graphs below present 2019 budgeted dockage and wharfage revenue by commodity:



- Services Revenue consists of fees generated primarily from two activities: security charges for the terminal and terminal escort charges for those entering the terminal without the necessary Transportation Working Identification Credentials (“TWIC”). Also included in this category are the charges collected for FMT’s use of the APDC’s mobile harbor cranes. Of the amount budgeted for 2019, \$365,000 is for security charges and represents about 4,100 hours of chargeable security services and 1,750 TWIC escorts. The 2019 budget anticipates 1000 hours of billable crane hours, generating \$350,000 of revenue. The crane revenue activity is correlated to the anticipated handling needs of an additional woodpulp customer. Similar to certain other break bulk commodities, movement of woodpulp shipments drive crane utilization.
- The Facility Related category primarily represents the revenue recognized through various reimbursements received primarily from FMT for the use of fuel, utilities, equipment rentals and other similar items utilized in the daily operation of APDC’s terminal. As these items are effectively offset by expenses, this category is not budgeted in 2019.

EXPENSE ASSUMPTIONS:

- 12 full-time salaried employees
- 6 full-time hourly employees
- 6 regular part-time security employees
- 3 new positions
- Static association membership (AAPA, NAPA, CEG, Green Marine, Capital Region Chamber, etc.)

Expenses incurred from operations (“OpEx”) are budgeted at approximately \$4.2million and this amount reflects a 14% increase over the current projection of operating expenses for 2018. The drivers of this increase are detailed below.

- OpEx incurred for Salaries are budgeted at approximately \$1.9 million for 2019. This represents an estimated increase of about \$338,000 over the 2018 estimate. Included in the 2019 budget is an allocation of \$310,000 to fund new/unfilled positions and an approximately \$40,000 pool for salary adjustments to be distributed at the discretion of the General Manager. Approximately \$260,000 of the proposed salary expense has a revenue offset through the billing of security services.
- The new positions that have been proposed will meet identified necessary skill sets and enhance/complement existing skill sets within the organization. Specifically, these new positions will strengthen the business development, project management and finance/accounting and compliance functions by addressing succession planning and provide oversight over the approximately \$40 million of ongoing capital project work.
- Professional Services are expected to increase by about \$275,000. This increase over the 2018 estimated amount is primarily attributable to utilizing less than anticipated engineering and consulting services in 2018. The 2019 budget proposes a lower allocation (as compared to the 2018 budget) for retaining professional services for engineering, communications and lobbying firms for various purposes. Depending on the nature of the work involved, some of the costs associated with these activities could be capitalized.
- Administrative Expenses are expected to decrease by \$10,500 over the 2018 estimated amount. This is primarily attributable to the net effect of modest increases and decreases spread across various office-related activities.
- Facilities Equipment & Maintenance are expected to decrease in 2019 by \$225,000; however, excluding non-capitalized expenses related to equipment repair expected to be incurred during Q4 of 2018, this category carries a budgeted increase of just over \$25,000 for 2019. The amount is spread across several items but is primarily attributable to net decreases in the expected costs of equipment rental, vehicle repairs and non-capitalized building repair.

NON-OPERATING ACTIVITIES:

- Non-operating revenue is income derived from APDC's investment portfolio.
- Within the non-operating expense categories are contractual amounts related to non-capital lease obligations of the APDC and various interest and transaction charges related to other lease obligations.
- During 2014Q2 the APDC entered into a master lease agreement with a commercial bank for purposes of funding current and future capital items. Various APDC-owned assets are pledged as collateral under the terms of the lease agreement. An additional sub-lease is anticipated to be executed during Q1 2019 to partially fund capital project costs.
- For 2019, a contingency amount representing approximately 4% (or \$180,000) of operating expenses is being proposed to help stabilize the volatility in various maritime and maritime-related revenue activities and/or reduce the impact of unanticipated expenses on net position.

CAPITAL ITEMS:

- The 2019 budget anticipates generating approximately \$430,000 to fund necessary capital repairs and replacements in 2019 and reflect the fluctuations addressed earlier in this document. The performance of operating activities during 2019 will either reduce or increase the resources used to fund APDC's capital needs.
- Grant revenue totaling \$8.9 million is expected to be recorded by APDC in 2019. These amounts will be restricted for capital-related activities and are projected to supplement the amounts generated by APDC 2019 operating activities.

ALBANY PORT DISTRICT COMMISSION
2019 Proposed Budget

	2018 Approved Budget	2018 Year-to-Date Amount	Year-to-Date Budget	2018 Projection	2018 Estimate Amount	2019 Proposed Budget	Variance to 2018 Estimate (\$)	Variance to 2018 Estimate (%)
OPERATING REVENUE								
REAL ESTATE RELATED								
Rental Income	\$3,211,582.80	\$2,148,421.95	\$2,141,055.20	\$1,103,697.07	\$3,252,119.02	\$3,328,552.20	\$76,433.18	
Buckeye Revenue	150,000.00	50,000.00	50,000.00	100,000.00	150,000.00	0.00	(150,000.00)	
MARITIME RELATED								
Dockage	186,384.00	366,740.58	115,236.00	9,654.00	376,394.58	293,535.00	(82,859.58)	
Wharfage	292,160.67	477,445.56	170,415.28	5,075.00	482,520.56	568,460.00	85,939.44	
Stevedore Payment	200,000.00	222,661.46	133,333.33	66,664.00	289,325.46	250,000.00	(39,325.46)	
SERVICES	557,499.96	620,960.14	371,666.64	51,755.00	672,715.14	715,550.00	42,834.86	
FACILITY RELATED	0.00	29,518.33	0.00	0.00	29,518.33	0.00	(29,518.33)	
TOTAL OPERATING REVENUE	\$4,597,627.43	\$3,915,748.02	\$2,981,706.45	\$1,336,845.07	\$5,252,593.09	\$5,156,097.20	(\$96,495.89)	-1.84%
OPERATING EXPENSES								
SALARIES & FRINGE								
Salaries	1,691,497.39	1,217,846.12	1,030,312.77	346,966.16	1,564,812.28	1,902,626.81	337,814.53	
Fringe Benefits	603,321.64	459,071.49	464,335.76	144,250.15	603,321.64	691,757.36	88,435.72	
FICA & Other	112,745.09	91,354.18	75,060.43	24,287.63	115,641.81	144,549.51	28,907.70	
PROFESSIONAL SERVICES & CONSULTANTS								
Auditing Services	32,000.00	37,412.50	32,000.00	0.00	37,412.50	40,000.00	2,587.50	
A & E Services	200,000.00	44,500.92	100,000.00	0.00	44,500.92	100,000.00	55,499.08	
Appraisal Services	12,000.00	0.00	6,000.00	3,000.00	3,000.00	9,000.00	6,000.00	
Insurance	218,000.00	160,515.94	145,333.36	57,484.06	218,000.00	218,000.00	0.00	
Service Contracts	198,975.96	124,729.88	152,650.64	74,246.08	198,975.96	322,680.00	123,704.04	
Consultants	265,000.00	67,868.38	54,500.00	0.00	67,868.38	155,000.00	87,131.62	
ADMINISTRATIVE	256,850.92	188,985.17	172,561.60	84,365.75	273,350.92	262,781.75	(10,569.17)	
FACILITIES, EQUIPMENT, & MAINTENANCE	303,299.96	273,866.92	172,611.63	279,433.04	553,299.96	328,500.00	(224,799.96)	
TOTAL OPERATING EXPENSES	3,893,690.96	2,666,151.50	2,405,366.19	1,014,032.87	3,680,184.37	4,174,895.43	494,711.06	13.44%
NON-OPERATING REVENUE	57,900.00	54,204.97	38,600.00	18,000.00	72,204.97	82,500.00	10,295.03	14.26%
NON-OPERATING EXPENSES								
Municipal Support	0.00	0.00	0.00	140,000.00	140,000.00	146,000.00	6,000.00	
Amortization, Interest & Other Charges	191,193.13	103,584.23	142,547.83	87,608.90	191,193.13	251,401.01	60,207.88	
Waterfront Development	190,000.00	228,777.95	190,000.00	0.00	228,777.95	232,000.00	3,222.05	
TOTAL NON-OPERATING EXPENSES	381,193.13	332,362.18	332,547.83	227,608.90	559,971.08	629,401.01	69,429.93	12.40%
CAPITAL REPAIR & REPLACEMENT RESERVE	558,643.34	990,958.80	297,725.79	113,203.30	1,084,642.61	434,300.76	(650,341.85)	-59.96%
NON CASH ITEMS	2,492,150.04	1,308,444.10	1,333,333.36	960,150.00	2,268,594.10	2,488,150.00	219,555.90	9.68%
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,753,506.70)	(317,485.30)	(1,035,607.57)	(846,946.70)	(1,183,951.49)	(2,053,849.24)	(869,897.75)	73.47%
CAPITAL CONTRIBUTIONS	16,800,000.00	10,863,059.80	8,400,000.00	1,500,000.00	12,363,059.80	8,900,000.00	(3,463,059.80)	-28.01%
INCREASE/(DECREASE) IN NET POSITION	15,046,493.30	10,545,574.50	7,364,392.43	653,053.30	11,179,108.31	6,846,150.76	(4,332,957.55)	-38.76%

ALBANY PORT DISTRICT COMMISSION

2019 PROPOSED BUDGET

	Capital Items	2019	2020	2021
SOURCES				
CAPITAL REPAIR & REPLACEMENT RESERVE		\$ 434,301	\$ 500,000	\$ 500,000
CAPITAL CONTRIBUTIONS		8,900,000	7,570,186	-
TOTAL SOURCES		<u>9,334,301</u>	<u>8,070,186</u>	<u>500,000</u>
USES				
SOUTH WHARF RECONSTRUCTION PROJECT		\$ 2,750,000	\$ -	\$ -
BIG LIFT MARITIME WAREHOUSE		-	-	-
DOCK WAREHOUSE DEMO/RECONSTRUCTION		4,070,430	7,559,370	-
EXTERNAL BIG LIFT TRANSPORTATION ROUTE		-	1,500,000	-
MARINE TERMINAL RECONSTRUCTION		-	3,500,000	-
OTHER PROJECTS		-	225,000	100,000
EQUIPMENT		100,000	-	50,000
TOTAL USES		<u>6,920,430</u>	<u>12,784,370</u>	<u>150,000</u>
SURPLUS/(DEFECIT)		<u>\$ 2,413,871</u>	<u>\$ (4,714,184)</u>	<u>\$ 350,000</u>