

ALBANY PORT DISTRICT COMMISSION
2020 Proposed Budget

	2019 Approved Budget	Year to Date Jan - July 2019	Year to Date Budget	2019 Projection	2019 Estimate	2020 Proposed Budget	Variance to 2019 Estimate \$	Variance to 2019 %
Operating Revenue:								
Rental Income	3,328,552	2,098,051	1,941,655	1,430,000	3,528,051	3,467,431	(60,620)	-1.72%
Maritime Related								
Dockage Fees	293,535	165,709	(171,229)	90,200	255,909	255,909	0	0
Wharfage Fees	568,460	213,526	331,602	181,500	395,026	395,026	0	0
Stevordore Fees and Services	250,000	131,471	145,833	111,002	242,472	245,000	52,528	21.66%
Other Services and Revenue	600	17,458	350	3,250	20,708	20,708	0	0
Total Operating Revenue	5,156,097	2,995,962	2,665,266	2,085,552	5,081,514	5,073,421	(8,092)	-0.16%
Operating Expenses:								
Payroll, Payroll Taxes and Fringe Benefits	2,740,097	1,527,764	1,665,057	876,840	2,404,603	2,569,350	164,746	6.85%
Repairs, Maintenance and Utilities	251,500	197,790	146,708	81,856	279,646	265,500	(14,146)	-5.06%
Other Post Retirement Benefit Expense	312,150	0	0	100,000	100,000	100,000	0	0
Crane Parts and Repairs	55,000	150,716	32,083	62,000	212,716	55,000	(157,716)	-74.14%
Insurance	218,000	118,421	177,333	82,025	200,446	229,553	29,106	14.52%
Professional and Consulting Fees	304,000	240,627	177,333	19,466	260,093	507,000	246,907	94.93%
Service Contracts	208,680	134,471	121,730	88,682	223,153	240,000	16,847	7.55%
Security and Safety Costs	131,000	21,952	76,417	17,475	39,427	137,300	97,873	248.24%
Education & Training	5,640	2,055	3,290	1,000	3,055	10,000	6,945	227.33%
Office Supplies & Expense	42,450	24,276	24,763	9,220	36,551	50,300	13,749	37.62%
Advertising, Promotion and Association Due	219,691	148,461	128,153	30,360	178,821	264,502	85,681	47.91%
Contingency	180,000	0	0	0	0	180,000	180,000	100.00%
Total Operating Expense	4,668,208	2,566,531	2,375,534	1,368,924	3,935,455	4,608,504	673,049	17.10%
Operating Income (Expense) before other	487,889	429,431	289,732	716,628	1,146,059	464,917	(681,142)	-59.43%
Depreciation and Other (Income) Expenses:								
Depreciation Expense	1,996,000	1,166,516	1,164,333	911,818	2,078,334	2,947,307	868,973	41.81%
Interest Income	(82,500)	(10,471)	(48,125)	0	(10,471)	(14,400)	(3,929)	37.53%
Interest Expense	215,726	134,432	125,840	95,313	229,745	200,738	(29,007)	-12.63%
Waterfront Development	267,675	237,892	156,144	9,245	247,137	269,750	22,613	9.15%
Taxes	0	23,991	0	0	23,991	0	(23,991)	0.00%
Municipal Support	146,000	70,684	85,167	70,684	141,368	163,000	21,632	15.30%
(Gain)/Loss on Asset	0	(4,863)	0	0	(4,863)	0	4,863	0.00%
Net Depreciation and Other (Income) Expense	2,542,901	1,618,181	1,483,359	1,087,060	2,705,241	3,566,395	861,154	31.83%
Change in Net Position Before Capital Funding	(2,055,012)	(1,188,750)	(1,193,627)	(370,432)	(1,559,182)	(3,101,477)	(1,542,295)	98.92%
Capital Contributions and Grant Revenue	8,900,000	321,084	5,191,667	92,515	413,599	12,094,900	11,681,301	100.00%
Change in Net Position	6,844,988	(867,666)	3,998,040	(277,917)	(1,145,583)	8,993,423	10,139,006	100.00%

ALBANY PORT DISTRICT COMMISSION
 2020 BUDGET
 Capital Items

	2020	2021	2022
SOURCES			
CAPITAL REPAIR & REPLACEMENT RESERVE	\$ 464,917	\$ 500,000	\$ 500,000
CAPITAL CONTRIBUTIONS **	<u>12,094,900</u>	<u>15,514,900</u>	<u>24,000,000</u>
TOTAL SOURCES	<u>12,559,817</u>	<u>16,014,900</u>	<u>24,500,000</u>
USES			
SOUTH WHARF RECONSTRUCTION PROJECT	\$ -	\$ -	-
BIG LIFT MARITIME WAREHOUSE	-	-	-
DOCK WAREHOUSE DEMO/RECONSTRUCTION	8,208,600	2,736,200	-
EXTERNAL BIG LIFT TRANSPORTATION ROUTE		1,500,000	-
MARINE TERMINAL RECONSTRUCTION		-	1,750,000
UPGRADES PER DEC LEASE RENEWAL	316,000	168,500	
80 ACRE EXPANSION	2,300,000	12,000,000	40,000,000
700 SMITH BOULEVARD	800,000		
OTHER PROJECTS	225,000	100,000	100,000
EQUIPMENT	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>
TOTAL USES	<u>11,949,600</u>	<u>16,554,700</u>	<u>41,900,000</u>
SURPLUS/(DEFECIT)	<u>\$ 610,217</u>	<u>\$ (539,800)</u>	<u>\$ (17,400,000)</u>

** Capital Contributions includes State and Federal Transportation, Economic Development and Energy programs.

**ALBANY PORT DISTRICT COMMISSION (“APDC”)
2020 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 2020 budgets.

Overall, the 2020 budget anticipates an increase in the APDC’s net position of approximately \$9 million. This anticipated increase assumes capital contributions of \$12 million in 2020. Capital contributions are typically grants received from state or federal sources. Absent of the capital contributions for 2020, the budget anticipates generating approximately \$460,000 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 2020 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.

2020 Budget Goal	Objective	Metric
New roadway and terminal improvement design	Design completed	Design completion percentage
New warehouse - construction	Construction completed	Construction completion percentage
Re-program/re-purpose available land	Create revenue/development opportunities	Percentage change of available vacant acres
	Re-use plan for 700 Smith Blvd	Number of parcels mapped as leased, sold or under development integrated with relevant information
	Re-use plan for 877 S Pearl Street/13 Binghamton	
Identify, monitor and report cybersecurity risk	Close on sale of 900 S Pearl Street	
	Increase awareness of cybersecurity risks	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
Continue Port expansion efforts	Formalize risk registry	Number of items that are identified as high risk/high impact
	Obtain necessary regulatory approvals	Approval granted of FGEIS, approval of access design and permits
	Design & permitting access and bridge	
	Pursue federal and state grant funding opportunities	
	Business development results	Number of business development meetings, percentage of land leased or number of business development commitments

2020 Budget Goal - Maritime	Objective	Metric
Retain Imports	Continue efforts with railroads to provide best pricing for wood pulp shipments to ensure retention of this market sector business	Revenue from Imported wood pulp shipments
	Retain shipments of imported calcium chloride that is primarily shipped to Canada	Shipments totalling 10-12,000 s.t. annually
Obtain New Import Business	Obtain shipments of imported lumber destined to Connecticut previously moving through Philadelphia port terminals	Short tons of lumber secured
	Working with foreign company with office in New Jersey to obtain shipments of Kraft liner board	Obtain 18,000 short tons of Kraft linerboard annually
	Identify and secure steel shipments to move over our facilities	Breakbulk shipments of imported steel
	Obtain shipments of more than the two major energy construction projects we are working won in Ohio and Pennsylvania	Import shipments for major energy construction projects
	<u>Domestic, land based wind energy project shipments</u>	Wind energy shipments moving over our facilities
Obtain new export business	<u>Exportation of logs in container</u>	100 x 40' containers per week or 4,000 annually on a seasonal basis
	Working with New Zealand company and local service provider to cut, stow and ship logs in containers to China	
	<u>Exportation of hay from New York to Middle East and world-wide destinations</u>	
	Working with major New Jersey agriculture company, university extension and farmers to develop new market for farmers	Shipments of hay in containers a new market for New York farmers
Obtain international and domestic project cargo shipments over the Ro-Ro ramp	<u>Exportation of steel scrap to world-wide markets and destinations</u>	
	Assist steel scrap tenants to develop shipments in conjunction with Houston TX based exporter with facilities in Pakistan and India	Shipments of scrap steel in containers
	Continue efforts begun to develop new international project cargo shipments	Number of International project cargo shipments moving over new Ro-Ro ramp
	Develop marketing program aimed at South Atlantic and Gulf coast barge operators to secure domestic project cargo shipments	Number of Domestic project cargo shipments moving over new Ro-Ro ramp

Significant revenue and expense assumptions that have been used in the development of the 2020 budget are presented below.

REVENUE ASSUMPTIONS:

Revenue derived from operations is budgeted at approximately \$5 million. Budgeted operating revenue for 2020 represents only a \$8,000 decrease compared to the current operating revenue projection for 2019. 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 have been budgeted at the same as the 2019 projections to remain conservative until there are stronger indications of increased activity.

- Rental income through the leasing of APDC-owned real property is the largest single operating revenue component. Income from real estate represents over 68% of APDC's operating revenue. APDC's real estate portfolio serves as a stabilizing force to offset volatility in the maritime sector. Rental revenue is expected to increase by modest inflationary adjustments to rents, generally through CPI, as prescribed in the individual leases. APDC is completing negotiations for a new lease on the DEC building which will provide a substantial increase in rental revenue. APDC is also completing negotiations for an expanded lease for RIS on the Rensselaer side of the port.
- 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 2020 budget reflects the fixed amount of the payment (\$200,000) and the additional \$45,000 for the expansion of the FMT agreement.

In 2019 we do not expect the 10% revenue share as defined under the terms of the Agreement and have not budgeted in 2020.

- 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 2020, \$382,000 is for security charges and represents about 4,200 hours of chargeable security services and 1,800 TWIC escorts. The 2020 budget anticipates 500 hours of billable crane hours, generating \$175,000 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 2020.

EXPENSE ASSUMPTIONS:

- 11 full-time salaried employees
- 6 full-time hourly employees
- 6 regular part-time security employees
- 1 new and 1 replacement position
- Static association membership (AAPA, NAPA, CEG, Green Marine, Capital Region Chamber, etc.)

Expenses incurred from operations (“OpEx”) are budgeted at approximately \$4.6 million and this amount reflects a 17% increase over the current projection of operating expenses for 2019. The major drivers of this increase are Professional fees, Safety and Security costs and Advertising and Promotion as detailed below.

- OpEx incurred for Salaries and related expenses are budgeted at approximately \$1.75 million for 2020. Included in the 2020 budget is an allocation of \$145,000 to fund one new and one unfilled position and an approximately \$37,000 pool for salary adjustments to be used to bring maintenance hourly rates in line with job function and responsibilities, along with increasing Security staff hourly rates modestly. An additional \$23,000 pool for salary adjustments would be distributed at the discretion of the CEO. Approximately \$300,000 of the proposed salary expense has a revenue offset through the billing of security services.

- Professional Services are expected to increase by about \$247,000. This increase over the 2019 estimated amount includes a fee due to CBRE for their services related to the DEC lease agreement.
- Administrative Expenses are expected to increase over the 2019 projections. This is due to proposed increases for Marketing and travel related to general business development.
- Facilities Equipment & Maintenance are expected to decrease in 2020 by \$170,000, which is attributable to the Crane repair costs that were incurred in 2019. The remaining expenses will continue to be close to budget for 2020.
- Security and Safety costs for 2020 are projected to increase over the 2019 projections but are inline with the 2019 budget. We have budgeted \$80,000 to replace cameras throughout the property.

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 was executed during Q4 2018 to partially fund capital project costs.
- For 2020, we have again included 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.

BUDGET RISKS:

Revenue - The Port has seen a decrease in Maritime related revenue in 2019, specifically dockage fees, wharfage on Heavy Lift and Crane Equipment Rental. These budget lines have been kept conservative to reflect these decreases. Specific maritime goals have been developed to mitigate these trends, concentrating on retaining current imports, obtaining new import and export business and optimizing the new Ro-Ro ramp.

Expenses – The Port incurred substantial crane repair expenses in 2019 which was not foreseen. This type of additional expense is unusual and based on maintenance recommendations, are not projected to occur in 2020. In these occasions, as we saw in 2019, the Port purposefully adjusts other expense spending to maintain a positive cashflow.

CAPITAL ITEMS:

- The 2020 budget anticipates generating approximately \$460,000 to fund necessary capital repairs and replacements in 2020 and reflect the fluctuations addressed earlier in this document. The performance of operating activities during 2020 will either reduce or increase the resources used to fund APDC’s capital needs.
- Capital contributions totaling \$12 million is expected to be recorded by APDC in 2020. These amounts will be restricted for capital-related activities and are projected to supplement the amounts generated by APDC 2020 operating activities.