

ALBANY PORT DISTRICT COMMISSION (“APDC”)
2018 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 2018 budgets.

Overall, the 2018 budget anticipates an increase in the APDC’s net position of approximately \$14.1 to an estimated \$61 million. This anticipated increase is more than three times the projected net position increase for 2017 and assumes capital contributions of \$16 million in 2018. Capital contributions are typically grants received from state or federal sources. Absent of the capital contributions for 2018, the budget projects a decrease of approximately \$1.8 million in APDC’s 2018 net position.

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 2018 and beyond. Accomplishing these goals will bring new facilities online, stabilize and grow real estate revenue, maintain security compliance, and position the APDC for future growth.

- Complete Big Lift warehouse construction and commence operations.
Bringing this facility online during the first half of 2018 will position the APDC to accommodate the existing and future needs of heavy lift/project cargo customers.
- Negotiate and execute new leases to replace expiring leases
Income from real estate represents over 70% of APDC’s operating revenue. To maintain the stabilizing effect of APDC’s real estate portfolio to offset volatility in the maritime sector, the following leases will be replaced/renegotiated during 2018.
 - Ardent Mills/Cargill – successful negotiation of this lease could provide necessary improvements to the grain elevator leading to increased vessel/barge traffic and increased utilization of the grain elevator and new wharf.

- Greco Construction – upon the expiration of this lease, the building should be demolished and replaced with tenant built/financed facilities to diversify APDC’s tenant base and complement existing APDC assets.
- NYSDEC – this lease is currently being negotiated and will include improvements to the building owned by the APDC.
- Address cybersecurity risks and develop appropriate governance in response.
As a facility regulated by the Maritime Transportation Security Act, the APDC is required to identify and analyze computer system and network vulnerabilities. The overarching goal is to ensure that APDC staff has the appropriate training, appropriate policies are updated/established and that system access is designed in such a way to protect APDC’s electronic assets and information.
- Continue to identify expansion opportunities
The 2018 proposed budget allocates resources to retain firms for engineering and consulting work to perform due diligence on possible expansion opportunities. By continuing to focus on potential land acquisition, the APDC could position itself to meet warehousing/distribution facility/logistics hub demand.

Significant revenue and expense assumptions that have been used in the development of the 2018 budget are presented below.

REVENUE ASSUMPTIONS:

Revenue derived from operations is budgeted at approximately \$4.6 million. Budgeted operating revenue for 2018 represents a decrease of approximately 13% (\$700,000) as compared to the current operating revenue projection for 2017. Although the difference is substantial it is more reflective of certain significant occurrences in 2017 (new commodities; greater mobile harbor crane utilization), rather than conveying an anticipated contraction of revenue generating activities in 2018.

- Rental income through the leasing of APDC-owned real property the largest single operating revenue component. Overall, this revenue is expected to remain virtually flat from the 2017 projection. The 2018 budget reflects revenue derived from leasing a previously unoccupied 2-acre parcel in Rensselaer and the attrition of a long-term tenant currently leasing land and a building in the Albany facility. The net effect of this activity during 2018 is expected to reduce rental revenue by about \$10,000 offset 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 2018 budget reflects the fixed

amount of the payment; effective January 1, 2018, the fixed amount of the payment will increase to \$200,000.

For 2018, revenue from Maritime-Related activities is budgeted at \$319,000 less than the amount projected for 2017. Of that amount - excluding dockage revenue generated by non-reoccurring project cargo - \$168,000 is attributable to lower anticipated dockage revenue for heavy lift/project cargo vessels. The balance is spread between lower dockage revenue across other commodities and lower wharfage charges.

The chart below arrays dockage and wharfage revenue assumptions for 2018 by commodity:

COMMODITY	DOCKAGE	WHARFAGE	VESSELS	NRTs	DAYS AT PORT	TONNAGE
Molasses/Liquid Fertilizer	12,870	\$ 40,000	2	9750	2	30,000
Grain	8,910	50,000	1	9000	3	25,000
Heavy Lift/Project Cargo	80,850	105,316	35	3500	2	39,297
Heavy Lift/Project Cargo - barges	10,494	17,213	10	1590	2	3,182
Scrap Metal	54,384	34,580	4	10300	4	89,819
Calcium Chloride	4,620	21,538	1	3500	4	11,045
Woodpulp	14,256	23,514	4	2700	4	22,394
	<u>\$ 186,384</u>	<u>\$ 292,161</u>	<u>57</u>			<u>220,737</u>

- 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 2018, \$400,000 is for security charges and represents about 5,500 hours of chargeable security services and 1,250 TWIC escorts. The 2018 budget anticipates 450 hours of billable crane hours, generating almost \$160,000 of revenue.
- 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 2018.

EXPENSE ASSUMPTIONS:

Expenses incurred from operations are budgeted at approximately \$3.7 million and this amount reflects a 3% over the current projection of operating expenses for 2017.

- Expense incurred for Salaries, Fringe Benefits, and related items are budgeted at approximately \$2.3 million for 2018. This represents an estimated increase of about \$8,000 over the 2017 estimate. Included in the 2018 budget is an allocation of an approximately \$52,000 pool for salary adjustments to be distributed at the discretion of the General Manager.
- Professional Services are expected to increase by about \$214,500. This increase over the 2017 estimated amount is primarily attributable to an allocation for retaining engineering firms for various purposes. These purposes could include site, environmental or structural evaluations of APDC owned (or non-owned) assets. 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 \$29,000 over the 2017 estimated amount. This is primarily attributable the net effect of modest increases and decreases spread across various office-related activities.
- Facilities Equipment & Maintenance are expected to decrease in 2018 by \$73,000. 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 late 2017 or early 2018 to partially fund capital project costs.
- For 2018, a contingency amount representing approximately 5% (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 2018 budget anticipates generating approximately \$590,000 to fund necessary capital repairs and replacements in 2018 and reflect the fluctuations

addressed earlier in this document. The performance of operating activities during 2018 will either reduce or increase the resources used to fund APDC's capital needs.

- Grant revenue totaling \$16 million is expected to be recorded by APDC in 2018. These amounts will be restricted for capital-related activities and are projected to supplement the amounts generated by APDC 2018 operating activities.

ALBANY PORT DISTRICT COMMISSION
2018 Approved Budget

	2017 Approved Budget	2017 Year-to-Date Amount	2017 Projection	2017 Estimate Amount	2018 Approved Budget	Variance to 2017 Estimate (\$)	Variance to 2017 Estimate (%)
OPERATING REVENUE							
REAL ESTATE RELATED							
Revenue - Rental Income	\$ 3,202,838	\$ 2,140,323	\$ 1,084,077	\$ 3,224,400	\$ 3,219,983	\$ (4,417)	
Buckeye Revenue	150,000	100,000	50,000	150,000	150,000	-	
MARITIME RELATED							
Dockage	245,895	312,417	81,965	394,382	186,384	(207,998)	
Wharfage	262,725	303,161	87,575	390,736	292,161	(98,576)	
Stevedore Payment	110,000	183,420	29,150	212,570	200,000	(12,570)	
SERVICES	505,000	784,465	47,415	831,880	557,500	(274,380)	
FACILITY RELATED	75,000	106,442	-	106,442	-	(106,442)	
TOTAL OPERATING REVENUE	<u>4,551,458</u>	<u>3,930,228</u>	<u>1,380,182</u>	<u>5,310,411</u>	<u>4,606,028</u>	<u>(704,383)</u>	-13.26%
OPERATING EXPENSES							
SALARIES & FRINGE							
Salaries	1,582,330	1,113,057	469,274	1,582,330	1,587,244	4,914	
Fringe Benefits	605,764	270,792	326,164	596,956	603,322	6,365	
FICA & Other	112,401	83,043	32,849	115,893	112,745	(3,147)	
PROFESSIONAL SERVICES & CONSULTANTS							
Litigation Attorney	-	7,500	-	7,500	-	(7,500)	
Auditing Services	32,000	32,000	-	32,000	32,000	-	
A & E Services	15,000	26,523	-	26,523	200,000	173,477	
Appraisal Services	7,500	4,000	-	4,000	12,000	8,000	
Insurance	195,000	133,335	65,000	198,335	195,000	(3,335)	
Service Contracts	142,800	89,230	47,600	136,830	138,976	2,147	
Consultants	350,000	158,976	50,000	208,976	250,000	41,024	
ADMINISTRATIVE	295,946	233,936	62,009	295,946	266,851	(29,095)	
FACILITIES, EQUIPMENT, & MAINTENANCE	235,300	299,326	76,767	376,093	303,300	(72,793)	
OTHER & MISCELLANEOUS	-	742	-	742	-	(742)	
TOTAL OPERATING EXPENSES	<u>3,574,041</u>	<u>2,452,461</u>	<u>1,129,663</u>	<u>3,582,124</u>	<u>3,701,438</u>	<u>119,314</u>	3.33%
NON-OPERATING REVENUE	<u>49,500</u>	<u>45,201</u>	<u>16,950</u>	<u>62,151</u>	<u>49,500</u>	<u>(12,651)</u>	-20.36%
NON-OPERATING EXPENSES							
Amortization, Interest & Other Charges	95,839	45,586	32,000	77,586	159,530	81,944	
Waterfront Development	180,000	195,945	-	195,945	205,000	9,055	
TOTAL NON-OPERATING EXPENSES	<u>275,839</u>	<u>241,531</u>	<u>32,000</u>	<u>273,531</u>	<u>364,530</u>	<u>90,999</u>	33.27%
CAPITAL REPAIR & REPLACEMENT RESERVE	751,078	1,281,437	235,470	1,516,907	589,560	(927,347)	-61.13%

ALBANY PORT DISTRICT COMMISSION
2018 Approved Budget

NON CASH ITEMS	<u>2,443,570</u>	<u>1,348,160</u>	<u>505,560</u>	<u>1,853,720</u>	<u>2,492,150</u>	<u>638,430</u>	34.44%
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,692,492)	(66,723)	(270,090)	(336,813)	(1,902,590)	(1,565,777)	464.88%
CAPITAL CONTRIBUTIONS	<u>11,500,000</u>	<u>328,131</u>	<u>3,500,000</u>	<u>3,828,131</u>	<u>16,800,000</u>	<u>12,971,869</u>	338.86%
INCREASE/(DECREASE) IN NET POSITION	<u>\$ 9,807,508</u>	<u>\$ 261,408</u>	<u>\$ 3,229,910</u>	<u>\$ 3,491,318</u>	<u>\$ 14,897,410</u>	<u>\$ 11,406,092</u>	326.70%

ALBANY PORT DISTRICT COMMISSION

2018 APPROVED BUDGET

Capital Items
2017

2018

2019

2020

SOURCESCAPITAL REPAIR & REPLACEMENT RESERVE
CAPITAL CONTRIBUTIONS

\$ 1,516,907	\$ 589,560	\$ 550,000	\$ 550,000
<u>2,825,000</u>	<u>16,800,000</u>	<u>12,404,800</u>	<u>5,325,000</u>

TOTAL SOURCES

<u>4,341,907</u>	<u>17,389,560</u>	<u>12,954,800</u>	<u>5,875,000</u>
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USESSOUTH WHARF RECONSTRUCTION PROJECT
BIG LIFT MARITIME WAREHOUSE
DOCK WAREHOUSE DEMO/RECONSTRUCTION
EXTERNAL BIG LIFT TRANSPORTATION ROUTE
MARINE TERMINAL RECONSTRUCTION
OTHER PROJECTS
BOA MASTER LEASE
VEHICLES

\$ 2,075,000	\$ 5,250,000	\$ 4,325,000	\$ 4,325,000
3,000,000	5,000,000	-	-
-	4,550,000	3,079,800	3,539,900
-	-	1,500,000	-
-	-	3,500,000	-
-	450,000	-	-
452,600	462,200	472,000	482,000
<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>

TOTAL USES

<u>5,557,600</u>	<u>15,742,200</u>	<u>12,876,800</u>	<u>8,376,900</u>
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SURPLUS/(DEFECIT)

<u>\$ (1,215,693)</u>	<u>\$ 1,647,360</u>	<u>\$ 78,000</u>	<u>\$ (2,501,900)</u>
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