

ALBANY PORT DISTRICT COMMISSION (“APDC”)
2023 Approved 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 2023 budgets.

Overall, the 2023 budget anticipates an increase in the APDC’s net position of approximately \$209 million. This anticipated increase assumes capital contributions of \$211 million in 2023. Capital contributions are typically grants received from state or federal sources. Absent of the capital contributions for 2023, the budget anticipates generating approximately \$1,051,000 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 2023 and beyond. Accomplishing these goals will bring new facilities online, stabilize and grow real estate revenue, position the APDC for future growth and contribute to environmental justice and address climate change.

2023 Budget Goal	Objective	Projected Completion Date	Metric
New roadway -including expansion extension - construction	Construction Bid, construction awarded for roadway, construction underway for roadway	Sep-23	Design doc and bid doc completion, construction completion percentage
Comprehensive terminal improvement construction	Construction Bid, construction awarded for terminal, construction underway for roadway	Dec-23	Design doc and bid doc completion, construction completion percentage
Shed 1 reuse construction, improve roof, electrical, flooring, canopy exterior and rail siding	Program manager bid, Construction Bid, construction awarded for each scope, construction underway	Dec-23	Established plan and bid documents prepared and put out and completed, building fully utilized
Compliance on all funding sources for road, terminal, shed 1 projects	Manage multiple supplemental resources	Dec-23	Monitoring and compliance
Support Port tenants	Meet one on one with Port tenants, identify retention plans, identify business development opportunities with existing tenants (all short term renewal options have been executed)	Quarterly	Percentage of tenant meetings
Create revenue/business development opportunities	Since all commercial spaces are spoken for, explore strategic initiatives that will create revenue/business development	Ongoing	Percentage change of revenue / development
APDC marketing, communications update	Streamline, unify strategic marketing, communication, outreach and writing that represents the Port	Ongoing	Add communications/writing position, implement strategic communications plan
Re-program/re-purpose available land	Re-use plan for any other minor developable or limited properties	Dec-23	Feasibility evaluations, Lease or sale or collaborative options presented/approved

2023 Budget Goal	Objective	Projected Completion Date	Metric
Continue Port expansion efforts	Construction in progress	Ongoing	% Completion
	Maritime scope put out for bid, partnership developed	Dec-23	Number of recommendations / outcomes
	Undertake strategic assessments of opportunities and economic development impact	Dec-23	Scope defined, bid, partnership developed, resources identified
	Renss Land Lease	Dec-23	Lease executed
Develop Future Revenue Stream	Resource development for Rensselaer Land Acq	Dec-23	Agreement in place
	Develop offshore wind energy project business; possible storage, staging or manufacturing	Ongoing	Number of commitments for use
Growth Strategy Reassessment	Strategic Planning Review with Board	Dec-23	Agenda developed, session held, strategic recommendations and action plan, determine growth/no growth plans
	Perform growth strategy and market assessment update	Dec-23	Update with clear strategic direction
	Review enabling legislation for updating	Dec-23	Update with clear strategic direction
Continue Alignment of Maritime Interface with FMT	Continue strong point of contact and chain of command on both parts, convey expectations inc marketing goals	Dec-23	Regular engagement
Retain Tonnage Passing the Wharf	Retain woodpulp from Europe to various destinations in the U. S. and Canada	Ongoing	% change from previous year
Increase Tonnage Passing the Wharf	Secure Winter Port Business: Inc steel business that would sail to the Great Lakes, other regional business cargo movement needs	Ongoing	% change from previous year
	Containerboard from Europe for various paper companies and brokers in Canada, New York & New Jersey and coordinate with local and regional businesses	Ongoing	% change from previous year
Develop future Revenue Streams	Shipments of more than the two major energy construction projects.	Ongoing	Number of commitments
	Identify and secure shipments of international or domestic steel to move over our facilities	Ongoing	Number of commitments
Increase Ships entering the Port	Develop additional business for ocean carrier that carries forest products - either import or export	Ongoing	% change from previous year
	Continue marketing program aimed at South Atlantic and Gulf Coast barge operators to secure either heavy lift/project or general cargo business	Ongoing	% change from previous year
Increase Longshoreman Hours	Obtain land based wind energy project shipments	Ongoing	Number of wind energy projects secured
Explore Foreign Trade Zone designation	Coordinate with local business on benefits of FTZ	Ongoing	FTZ engagement and implementation

Significant revenue and expense assumptions that have been used in the development of the 2023 budget are presented below.

REVENUE ASSUMPTIONS:

Revenue derived from operations is budgeted at approximately \$6.6 million. Budgeted operating revenue for 2023 represents \$675,000 increase from 2022 budget and a \$285,000 increase compared to the current operating revenue projection for 2022. The major driver of this increase is the result of net growth in rental income along with a budgeted increase in maritime-related revenue which is expected to remain close to the 2022 level.

- Rental income through the leasing of APDC-owned real property is the largest single operating revenue component. Income from real estate represents over 63% 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 had completed negotiations for a new lease on the DEC building at the end of 2020 which allows for an increase in rental revenue. Required updates to the building were completed in 2022 after COVID 19 related delays. The budget reflects the full year at the new rate. During 2022 APDC negotiated an extension to The Mohawk Paper lease, with an increased monthly rent starting on December 1, 2022.

- 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 2023 budget reflects the fixed amount of the payment (\$245,000) and anticipates a 10% revenue share as defined under the terms of the Agreement.
- 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 2023, \$400,000 is for security charges and represents about 3,300 hours of chargeable security services and 2,500 TWIC escorts. The 2023 budget anticipates 800 hours of billable crane hours, generating \$290,000 of revenue. The crane revenue activity is correlated to the continued handling needs of the additional wood pulp customer and steel shipments that occurred in 2022. Similar to certain other break bulk commodities, movement of wood pulp 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 2023.

EXPENSE ASSUMPTIONS:

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

Expenses incurred from operations ("OpEx") are budgeted at approximately \$5 million; this amount reflects a 9% increase (\$400,000) over the budgeted operating expenses for 2022.

The major drivers of this increase are Repairs and Maintenance and Crane parts and repairs as well as Engineering Services and Consulting expenses as detailed below.

- OpEx incurred for Salaries and related expenses are budgeted at approximately \$2.9 million for 2023. The overall change from the projected 2022 expense is \$97,000. Included in the 2023 budget is a previously approved Communications Specialist, an additional maintenance staff employee and a competitiveness and retention and a pool for salary adjustments which combine for the approximately 4.26% increase. APDC's NYS Retirement payment for 2023 is \$46,000 lower than 2021, which included an adjustment for prior years. Approximately \$400,000 of the proposed salary expense has a revenue offset through the billing of security services.
- Professional Services are budgeted at an increase of \$35,000. This increase is in the Consultant line and includes Finance consulting for GASB changes and the remainder of the increase are consulting fees to be incurred for IT and business development assistance.
- Administrative Expenses are expected to increase over the 2022 projections, with a \$5,000 increase from the 2022 budget. The major driver in the increase from projection is the utilization of the education and training budget as well as miscellaneous office expense. The 2023 Printing budget has been increased with the expectation of an annual report to be produced.
- Facilities Equipment & Maintenance has a budgeted increase of \$18,000 from the current year end projection. This increase is \$34,000 higher than what was budgeted in 2022, but we expect continued roof and road repairs along with increased supply costs. Crane Parts and Repair are budgeted at an increase from both 2022 budget and projection due to required inspections that are due in 2023.
- Security and Safety costs budget has been increased \$13,000. The primary driver is increased Fire/Sprinkle costs.

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. In 2021 Q1, APDC extended the original 2014 lease for another 4 years.

- For 2023, 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.
- The amount of unspent contingency in 2023 will be moved into a Replacement Reserve account.

CAPITAL ITEMS:

- The 2023 budget anticipates generating approximately \$1,051,000 to fund necessary capital repairs and replacements in 2023 and reflects the fluctuations addressed earlier in this document. The performance of operating activities during 2023 will either reduce or increase the resources used to fund APDC's capital needs.
- Capital contributions totaling \$211 million is expected to be recorded by APDC in 2023. These amounts will be restricted for capital-related activities and are projected to supplement the amounts generated by APDC 2023 operating activities.

ALBANY PORT DISTRICT COMMISSION
2023 Budget with 2022 Forecast - Actual Results through July 31, 2022

	<u>Year to Date</u> <u>Jan- July 2022</u>	<u>Forecast</u> <u>Aug - Dec 2022</u>	<u>Forecast</u> <u>2022</u>	<u>Budget</u> <u>2022</u>	<u>Approved</u> <u>Budget</u> <u>2023</u>
Operating Revenue:					
Rental Income	2,150,167	1,535,829	3,685,997	3,635,098	4,105,952
Dockage Fees	330,146	225,000	555,146	398,000	460,000
Wharfage Fees:	195,637	271,000	466,637	427,000	450,000
Buckeye Revenue	50,000	100,000	150,000	150,000	150,000
Stevodore Fees and Services	235,216	164,000	399,216	430,000	430,000
Crane Equipment Rental	163,625	120,000	283,625	250,000	290,000
Security Fees	304,868	205,000	509,868	370,000	450,000
Public Private Partnership Revenue	1,731,600	4,019,332	5,750,932	5,750,932	300,000
Other Services and Revenue	5,909	4,750	10,659	10,000	10,000
Total Operating Revenue	5,167,168	6,644,911	11,812,079	11,421,030	6,645,952
Operating Expenses:					
Payroll, Payroll Taxes and Fringe Benefits	1,735,004	1,140,410	2,875,414	2,790,230	2,972,228
Other Post Retirement Benefit Expense	-	100,000	100,000	100,000	100,000
Repairs, Maintenance and Utilities	217,682	121,259	338,941	322,500	356,500
Crane Parts and Repairs	60,764	17,000	77,764	70,000	90,000
Insurance	161,540	112,411	273,952	265,000	290,000
Professional and Consulting Fees	75,826	140,000	215,826	251,000	286,000
Service Contracts	127,737	90,555	218,292	185,000	220,000
Security and Safety Costs	79,231	71,470	150,701	141,500	154,500
Education and Training	430	13,500	13,930	30,000	30,000
Office Supplies and Expense	21,584	16,803	38,387	52,000	57,000
Advertising, Promotion and Association Dues	52,191	135,603	187,794	220,000	270,000
Development Expense Empire Wind Project	2,000,811	3,390,121	5,390,932	5,390,932	-
Contingency	-	-	-	180,000	180,000
Total Operating Expense	4,532,800	5,349,132	9,881,933	9,998,162	5,006,228
Operating Income (Expense) before other item:	634,368	1,295,779	1,930,147	1,422,868	1,639,724
Depreciation and Other (Income) Expenses:					
Depreciation Expense	1,537,344	1,350,000	2,887,344	3,500,000	2,760,000
Interest Income	(5,007)	(5,000)	(10,007)	(1,000)	9,007
Interest Expense	85,061	61,360	146,420	149,589	111,358
Waterfront Development	250,096	32,280	282,376	282,890	297,890
Municipal Support	8,428	160,000	168,428	170,000	170,000
(Gain)Loss on Asset	-	-	-	-	-
Net Depreciation and Other (Income) Expen	1,875,923	1,598,640	3,474,562	4,101,479	3,348,255
Change in Net Position Before Capital Funding	(1,241,555)	(302,861)	(1,544,416)	(2,678,611)	(1,708,531)
Capital Grant Revenue	1,560,718	243,794,110	245,354,828	245,500,000	210,975,000
Change in Net Position	319,163	243,491,249	243,810,413	242,821,389	209,266,469