



FY 2016 Budget Assumptions

Virginia Port Authority



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Introduction

This document has been assembled to outline the overarching business assumptions that are built into the Fiscal Year 2016 budget. Budget expectations for the Virginia Port Authority are included in this document.

Revenue

- Operating revenues from component unit is based on Virginia International Terminal, LLC's (VIT) fiscal year 2016 budgeted cash flow. It has been calculated in accordance with the Virginia Port Authority's (VPA) bond resolution ensuring that all required reserves at VIT are filled.
- Other revenues primarily consist of Security Surcharges collected by VIT and remitted to the VPA.
- Grant revenue represents federal and state grant receipts for the VPA's barge service and other operational maintenance costs.

Expenses

Personnel:

- Headcount for FY 2016 is budgeted at 206 which is an increase from the FY 2015 headcount of 89. It includes positions transferred from VIT contemplated in the shared services agreement for administration.
- The new positions are budgeted to be brought in over the course of the fiscal year.

- \$12.2 million will be billed back through our shared services agreement to VIT and HRCPII.

Operating Expenses:

- Increased Engineering and Sustainability costs are budgeted to be incurred to advance capital projects and ensure operational efficiencies.

Maintenance Expenses

- Total Maintenance expenses are estimated to increase by \$273.5 thousand, or 3.5% over current forecast.

Administrative Expenses

Total Administrative expenses are estimated to increase by \$19.0 million over the FY2015 forecast due primarily to the following:

- \$12.4 million due to new administrative positions assumed to be hired ratably over the fiscal year.
- Contractual Services are expected to increase by \$4.6 million.
- Facility rent is expected to increase \$2.1 million due to additional volume rent and 1.9% rate increase.

Operating Income

Operating income for FY 2016 for the Virginia Port Authority is budgeted at a loss of \$4.6 million, a decrease of \$18.2 million from the forecast for FY 2015.

VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Budgeted and Forecasted Year Ending June 30, 2015 and Budgeted Year Ending June 30, 2016

	Forecasted		Budgeted FY16	Shared Services Eliminations	Total Budgeted FY16	Forecasted to Budget		
	Budgeted FY15	(As of February 28, 2015)				%	\$ Change	
Operating Revenues:								
Operating revenues from component unit	\$ 106,124,338	\$ 93,537,162	\$ 121,883,656	\$ -	\$ 121,883,656	30.3%	\$ 28,346,494	
Other revenues	8,731,954	8,759,528	22,227,398	(12,213,776)	10,013,622	14.3%	1,254,094	
Other Revenues - Grants	4,413,846	5,137,811	4,455,248	-	4,455,248	-13.3%	(682,563)	
Total operating revenues	119,270,139	107,434,501	148,566,302	(12,213,776)	136,352,526	26.9%	28,918,025	
Operating Expenses:								
Terminal operations	1,232,625	1,291,189	2,437,656	-	2,437,656	88.8%	1,146,467	
Terminal maintenance	7,308,846	7,861,155	8,134,675	-	8,134,675	3.5%	273,520	
General and administrative	20,799,605	20,177,613	37,012,886	(12,213,776)	24,799,110	22.9%	4,621,497	
Facility rental	55,369,248	57,447,275	59,566,579	-	59,566,579	3.7%	2,119,304	
Depreciation and amortization	43,800,824	43,443,192	45,977,294	-	45,977,294	5.8%	2,534,102	
Total operating expenses	128,511,149	130,220,424	153,129,090	(12,213,776)	140,915,314	8.2%	10,694,890	
Operating income (loss)	(9,241,010)	(22,785,923)	(4,562,788)	-	(4,562,788)	80.0%	18,223,135	
Non-operating revenues (expenses)								
Interest income	298,835	381,381	266,892	-	266,892	-30.0%	(114,489)	
Interest expense	(20,299,569)	(19,762,303)	(20,303,061)	-	(20,303,061)	-2.7%	(540,758)	
Bond issue cost	-	-	-	-	-	0.0%	-	
Revenues from Federal Government	17,875,000	2,875,000	8,984,250	-	8,984,250	212.5%	6,109,250	
Revenues/Expenses (Primary Government)	6,000,000	6,000,000	21,437,500	-	21,437,500	257.3%	15,437,500	
Gain (loss) on disposals	-	-	-	-	-	0.0%	-	
Income (loss) before capital contributions and transfers	(5,366,744)	(33,291,845)	5,822,793	-	5,822,793	117.5%	39,114,638	
Capital contributions and transfers								
Commonwealth Port Fund allocation	38,465,482	37,937,353	40,400,867	-	40,400,867	6.5%	2,463,514	
Increase (decrease) in Net Position	33,098,738	4,645,508	46,223,660	-	46,223,660	895.0%	41,578,152	
Net Position - Beginning of Year	342,908,701	342,908,701	347,554,209	-	347,554,209	1.4%	4,645,508	
Net Position - End of Year	\$ 376,007,439	\$ 347,554,209	\$ 393,777,869	\$ -	\$ 393,777,869	13.3%	\$ 46,223,660	

**VIRGINIA PORT AUTHORITY
MAINTENANCE EXPENSE SUMMARY
FISCAL YEAR ENDING JUNE 30, 2016**

Description	Estimated Maintenance	Estimated Capital	Total Cost
Operational Maintenance (62601):			
Program Management (MP, project mgmt, surveys, geotech, etc.)	1,742,700	500,000	2,242,700
VIG II Modeling, Simulation, and Permitting (also see Future Projects)		1,257,300	1,257,300
Rail Maintenance	1,000,000		1,000,000
Fender Maintenance	500,000		500,000
Barge Service (grant expenditures)	2,550,000		2,550,000
	<u>5,792,700</u>	<u>1,757,300</u>	<u>7,550,000</u>
Maintenance Reserve (13804):			
Pavement Maintenance	1,300,000		1,300,000
Stormwater Pond Maintenance	150,000		150,000
Fence Maintenance	100,000		100,000
	<u>1,550,000</u>	<u>-</u>	<u>1,550,000</u>
Total Expenditures	<u><u>7,342,700</u></u>	<u><u>1,757,300</u></u>	<u><u>9,100,000</u></u>

**VIRGINIA PORT AUTHORITY
FUTURE CAPITAL OUTLAY PROJECTS
FISCAL YEAR ENDING JUNE 30, 2016**

Projects	Est Contract Date	Projected Cost
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CAPITAL PROJECTS:

FY2016:

Container Handling Equipment	44,353,680
NIT Rail/3rd Street Improvements	2,000,000
VIG II Rail Portal	250,000
VIG II Modeling and Simulation (also see maint)	1,825,000
IT Projects (DR, GPS for equipment, etc.)	1,749,000
NIT North Gate/Yard (TIGER)	15,000,000
Rebuild VIP Rail	750,000
VIP Rail Expansion	5,000,000
NIT Infrastructure	3,500,000
NIT Rail Expansion	13,400,000
Dredging	7,700,000
PMT landside Infrastructure Improvements	2,000,000
PMT Wharf and Fender Improvements	3,640,000
Richmond Infrastructure Improvements	2,600,000
VPA - CIEE Corp Support (2011 Funds)	3,500,000
CIEE - Fill to maintain elev 10	3,500,000
VPA - CIEE Project Operations & Management	2,000,000
CIEE Pre-dredge debris removal	3,000,000
CIEE Wick Drains	5,200,000
CIEE CIRRC Permitting	1,000,000
FED Port Security Grant	1,484,250

Total	\$ 123,451,930
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Summary by source:

CPF Paygo	9,525,000
TR Paygo	5,780,000
State Grant	21,437,500
Federal Grant	8,984,250
Bond	77,725,180
	\$ 123,451,930

VIRGINIA PORT AUTHORITY
BUDGET SUMMARY - CASH BASIS
FOR THE YEAR ENDING JUNE 30, 2016

Description	2015 Budgeted	2015 Forecast	2016 Budgeted
Revenues (all sources)			
Terminal Revenues	\$ 110,753,506	\$ 82,704,657	\$ 131,897,278
Commonwealth Port Fund Allocation	38,465,482	39,161,803	40,400,867
Operating Revenues-Grants	4,413,846	5,575,993	4,455,248
Total Revenue	153,632,834	127,442,453	176,753,393
Operating Expenditures			
Commerce Advertising	563,250	321,657	563,250
National & International Trade Services	4,094,080	3,809,952	3,218,782
General Management & Direction	7,304,350	8,019,414	22,810,309
GM&D - Facilities Rent	55,245,220	56,537,820	59,122,725
Operational Maintenance	9,413,846	6,629,156	11,441,975
Debt Service for Port Facilities	45,094,050	43,892,976	41,382,716
Security Services	8,011,075	7,419,283	9,915,295
Payments in Lieu of Taxes	1,232,625	1,342,304	1,357,625
Aid to Localities	1,000,000	821,667	1,000,000
Port Facilities Planning	-	-	1,080,031
Reversion to the General Fund	193,123	193,123	193,123
Total Operating Expenditures	132,151,619	128,987,352	152,085,831
Available for Capital Outlay	21,481,216	(1,544,899)	24,667,562
Capital Financing			
Financing Sources	11,970,000	11,970,000	77,725,180
Federal Grant funds	17,875,000	2,875,000	8,984,250
State Grant funds	6,000,000	6,000,000	21,437,500
Reappropriation of Prior Year funds	-	-	-
Total Capital Financing	35,845,000	20,845,000	108,146,930
Capital Expenditures			
Maintenance Reserve	1,500,000	1,500,000	1,550,000
Cargo Handling Facilities	11,753,000	16,910,000	84,031,930
Craney Island	8,220,000	8,000,000	18,200,000
Federal Grant Projects	17,875,000	6,000,000	8,984,250
State Grant Projects	6,000,000	6,000,000	21,437,500
Total Capital Expenditures	45,348,000	38,410,000	134,203,680
Estimated Change in Fund Balance	\$ 11,978,216	\$ (19,109,899)	\$ (1,389,188)
Staff Positions	89	89	206
CE Reserve	\$ 12,440,312	\$ 12,616,272	\$ 16,359,052
Reserve, Maintenance & Improvement Fund	-	-	-
Pledged Net Revenue Coverage (1.1x test)	2.79	1.55	2.87
Pledged Adjusted Net Revenue Coverage (1.35x test)	3.01	1.75	3.18

**VIRGINIA PORT AUTHORITY
BUDGETED CASH FLOW SUMMARY
FISCAL YEAR ENDING JUNE 30, 2016**

Special Funds (Terminal Revenues):

Revenues		136,352,526
Operating Expenditures:		
Operational Maintenance	1,841,975	
Commerce Advertising	563,250	
National & International Trade Services	3,218,782	
General Management & Direction	22,810,309	
GM&D - Facilities Rent	59,122,725	
Debt Service for Port Facilities	19,179,215	
Security Services	9,239,644	
Payments in Lieu of Taxes	1,357,625	
Port Facilities Planning	1,080,031	
Reversion to the General Fund	117,711	
 Total Operating Expenditures		 118,531,267
 Capital Expenditures		 5,780,000
 Budgeted Revenues Over(Under)Expenditures		 <u>12,041,259</u>

Commonwealth Port Fund:

Revenues		40,400,867
Operating Expenditures:		
Operational & Reserve Maintenance	8,600,000	
Security Maintenance	675,651	
Debt Service for Port Facilities	22,203,501	
Aid to Localities	1,000,000	
Reversion to the General Fund	75,412	
 Total Operating Expenditures		 32,554,564
 Capital Expenditures		 9,525,000
 Budgeted Revenues Over(Under)Expenditures		 <u>(1,678,697)</u>
 Total All funds		 <u>10,362,562</u>

OPERATING RESULTS AND DEBT SERVICE COVERAGE

	Budgeted 2015	Forecast 2015	Budgeted 2016
Virginia International Terminals			
VIT Gross Receipts	368,266,251	383,563,034	428,473,160
VIT Current Expenses	(252,809,602)	(285,405,817)	(302,928,671)
VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	(2,300,000)	(5,491,487)	2,704,695
VIT Deposits to CEMA	(11,135,098)	(7,671,449)	(13,904,077)
VIT Net Revenue	102,021,551	84,994,281	114,345,107
Virginia Port Authority			
VPA Gross Revenues			
VIT Net Revenue	102,021,551	84,994,281	114,345,107
VPA Security Surcharges and Other Income	8,731,954	7,991,169	9,999,489
Total VPA Gross Revenues	110,753,506	92,985,450	124,344,596
Current Expenses (Operating Expenditures)			
Operating Expenditures - Special Funds			
Total Budgeted TR Expenditures	(75,874,500)	(77,101,985)	(85,089,005)
Operating Expenditures - Special Funds	(75,874,500)	(77,101,985)	(85,089,005)
Operating Expenditures - CPF			
Non Capital Security in CPF	(402,950)	(447,531)	(152,775)
Non Capital/ Non Barge Op Maintenance in CPF	(1,970,000)	(1,433,403)	(3,512,116)
Non Capital Reserve Maintenance	(925,000)	(782,267)	(1,550,000)
Operating Expenditures - CPF	(3,297,950)	(2,663,201)	(5,214,891)
Total Operating Expenditures	(79,172,450)	(79,765,186)	(90,303,896)
VPA Net Revenues	31,581,056	13,220,264	34,040,700
Operating (& Capital Expenses) paid with CPF's	3,297,950	2,663,201	5,214,891
Debt Service Coverage			
Principal & Interest Requirement:			
Principal	3,365,000	3,365,000	6,490,000
Interest	12,133,032	10,112,061	10,419,811
Interest received on Debt Service Reserve	(211,832)	(30,000)	(179,499)
Principal & Interest Requirement:	15,286,200	13,447,061	16,730,312
Pledged Net Revenues	42,716,154	20,891,713	47,944,777
Pledged Adjusted Net Revenues	46,014,104	23,554,914	53,159,668
Pledged Net Revenue Coverage (1.1x test)	2.79	1.55	2.87
Pledged Adjusted net Revenue Coverage (1.35x test)	3.01	1.75	3.18
Principal and Interest Senior Debt Service	15,286,200	13,447,061	16,730,312
Principal and Interest MELP Debt Service	10,094,920	10,094,920	6,932,266
Total Debt Service	25,381,120	23,541,981	23,662,577
VPA Net Revenues	31,581,056	13,220,264	34,040,700
MELP DSC Covenant (1.0x test)	1.24	0.56	1.44

(1) Pledged net revenues equal VPA revenues plus VIT deposits to CEMA

(2) Pledged adjusted net revenues equal pledged net revenues plus operating expenses paid with CPF