

PORT OF GALVESTON SUPPLEMENTAL INFORMATION FOR THE 2016 ANNUAL BUDGET

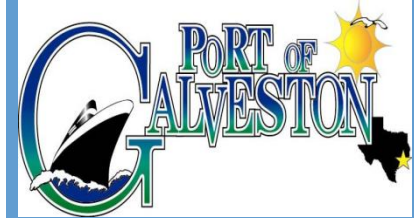


**Operating
Budget**

**Renewal and
Replacement
Budget**

**Capital
Improvement
Plan and 2016
Capital
Improvement
Budget**

Port of Galveston 2016 Annual Budget Overview of the 2016 Budget



The 2016 Budget is being presented utilizing the same format as the monthly forecasted results presented at the monthly Finance Committee and Board Meetings.

Port Staff used **VERY CONSERVATIVE** revenue projections and realistically estimated expenses to support the related budgeted levels of activity for 2016. Methodology for deriving anticipated Operating Revenues is detailed on the attached 2016 Budgeted Revenue detail sheet.

Major Events
Occurring in 2016:

Cruise Terminal 2
Expansion
Completion 1st
Quarter 2016

SMP Parking Garage
and Transit
Terminal Fully
Operational

Pier 10 BMW
Vehicle Processing
Center Fully
Operational

Begin Pier 14
Enhancements
Project

Upon Corps
Approval of Permit
for Development of
Pelican Island 100
Acres / Begin Initial
Site Work / Seek
Funding for Phase I
Development

Port of Galveston 2016 Annual Budget Overview of the 2016 Budget



Compare Summary of 2015 9 & 3 Forecast & 2016 Proposed Budget

	2015 9 & 3 Forecast Presented to Board at October 26, 2015 Meeting	Proposed 2016 Budget	Increase (Decrease)
Income From Operations – Total Revenue	33,392,213	33,532,577	140,364
Operating Expenses:			
Salaries, Contract Labor, and Benefits	8,778,146	8,901,268	123,122
Repairs and Maintenance	1,470,741	1,511,748	41,007
Other Operating Expenses	7,609,462	8,695,659	1,086,197
Contract Market Incentive Fee	2,349,206	2,463,503	114,297
Office and Sales	3,213,523	3,005,681	(207,842)
Total Operating Expenses	<u>23,421,078</u>	<u>24,577,859</u>	<u>1,156,781</u>
Net Income from Operations before Depreciation	<u>9,971,135</u>	<u>8,954,718</u>	<u>(1,016,417)</u>
Depreciation Expense	6,001,496	6,565,079	563,583
Net Operating Income	3,969,639	2,389,639	(1,580,000)
Non-Operating Income and (Expense) Net	<u>(2,047,570)</u>	<u>(1,900,940)</u>	<u>146,630</u>
Net Income before Grants, Contributions and Extraordinary Items	<u><u>1,922,069</u></u>	<u><u>488,699</u></u>	<u><u>(1,433,370)</u></u>

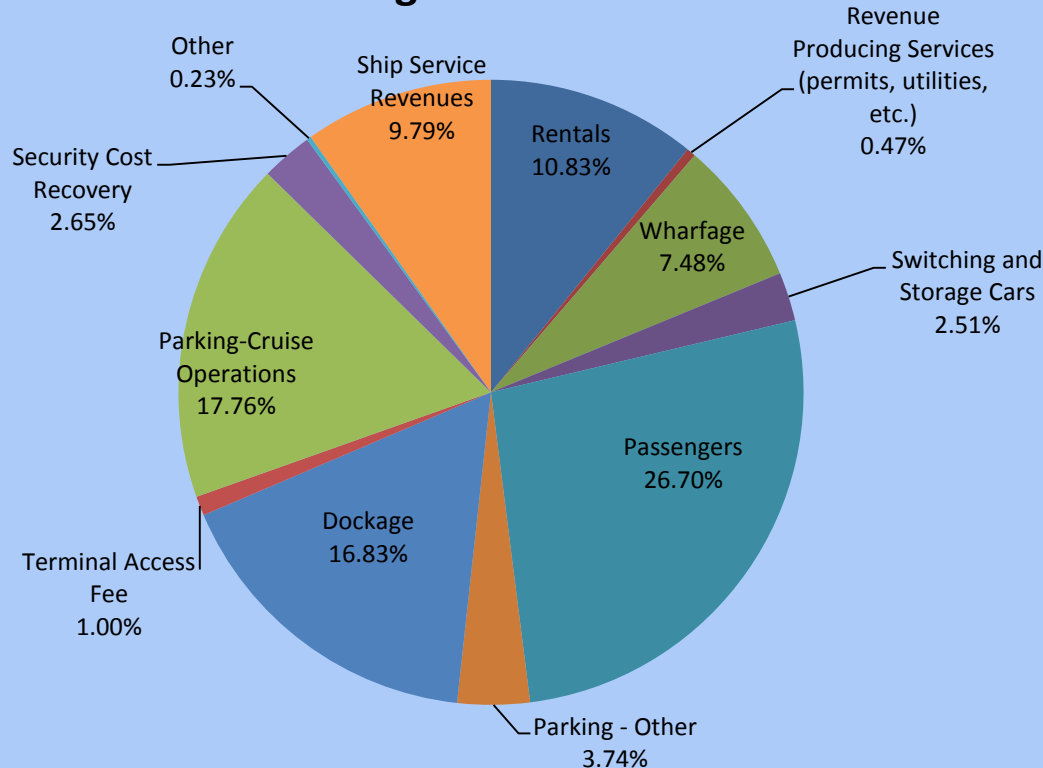
The purpose of this table is to compare the 9&3 Forecast with the Proposed 2016 Budget

Each Category will be discussed in detail in the following slides

Port of Galveston 2016 Revenues from Operations



2016 Budgeted Revenue

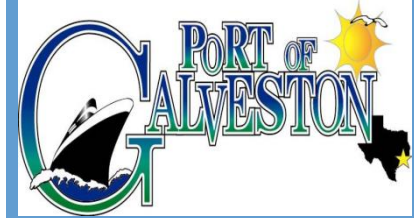


Revenues from Operations by Major Categories

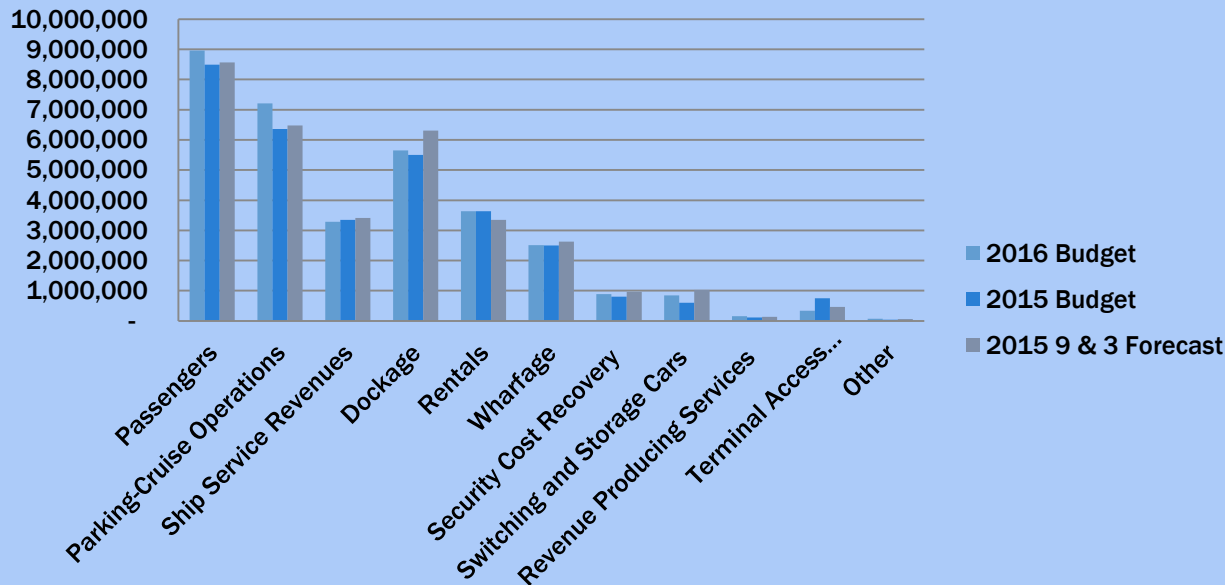
Total 2016 Operating Revenue are \$33.5M

- Passengers \$9M**
- Parking - Cruise \$6M**
- Dockage \$5.6M**
- Rentals \$3.6M**
- Ship Service Revenues \$3.3M**
- Wharfage \$2.5M**
- Parking - Other \$1.3M**
- Security Cost Recovery \$0.9M**
- Rail & Switching \$0.8M**
- All Other \$.5M**

Port of Galveston 2016 Revenues from Operations



Compare 2016 Budgeted Revenues to 2015 Budget and 2015 9 & 3 Forecast



Revenues from Operations by Major Categories

Compared to 2015 9&3 Forecast:

Increases In Revenues:

Parking **\$732K**

Passenger Revenue **\$391K**

Rentals **\$280K**

Other **\$40K**

Decreases In Revenues:

Dockage **\$667K**

Switching **\$183K**

Ship Services **\$135K**

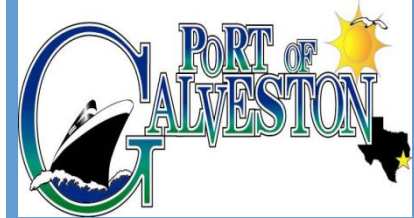
Terminal Access Fees **\$129K**

Wharfage **\$119K**

Security Cost Recovery **\$70K**

Total Revenue Increase \$140K

Port of Galveston 2016 Switching / Rail Revenues



Year	Rail Revenue (Switching and Storage Cars - GRI)					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	968,353	629,707	496,996	763,624	1,024,404	841,475
Percentage Change		-34.97%	-21.08%	53.65%	34.15%	-17.86%

Rail revenue is mainly grain, fertilizer and wind products in 2016.

Grain – based on movements required to meet minimum guaranteed grain related revenue. This is a very conservative approach to grain related revenue.

Fertilizer – remains unchanged from 2015 levels per CHS

Wind Product - includes only cargo which importers gave high assurance of 2016 activity. The Port still used conservative estimates of the ranges provided. Wind clients who gave only general commitments with no indication of levels of activity were not included in the revenue estimate.

**Rail Revenue
Projected \$841K
Allocation by
Revenue Stream**

Grain \$624K

Wind \$108K

Fertilizer \$76K

**Ro-Ro/High
Heavy \$22K**

Other \$11K

Port of Galveston 2016 Wharfage Revenue



Year	Wharfage					
	2011	2012	2013	2014	2015	2016
Revenue	2,113,569	2,927,094	2,304,942	2,659,003	2,628,159	2,509,447
Percentage Change		38.49%	-21.25%	15.36%	-1.16%	-4.52%

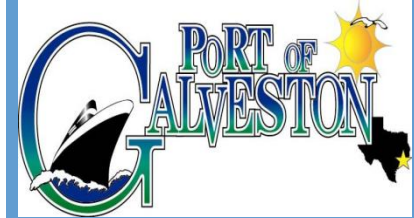
Ro-Ro/High and Heavy activity includes new VPC center, other Pier 10 and West End Activity.

Reductions due to Hoegh moving operations to another port are being replaced with other clients who have made commitments beginning in the 4th Quarter of 2015 continuing through 2016!

Wharfage is the fee charged for cargo passing over the docks

Primary sources of wharfage revenue are Ro-Ro/High & Heavy Cargo, Fruit & Produce, Fertilizer, Wind Products, and Liquid Bulk.

Port of Galveston 2016 Revenues From Cruise Operations Passenger Charges



2016 Cruise Terminal Revenue, which includes Passenger Revenue, Ship Services Revenue, Terminal Access Fees, Security Cost Recovery, Dockage, and Rentals, is \$13,401,911.

Compare to 2015 9&3 Forecast:

Passenger Revenue is projected to increase 4.57% or \$391K

Cruise Dockage increased \$38K

Cruise Security Cost Recovery increased \$14.6K

Due to reduction of services provided by the Port Ship Services, which is structured to be a pass through cost, Ship Services Revenue decreased \$135K.

Cruise Terminal Access Fees are budgeted at \$336K a decrease of \$129K. This assumes the ongoing litigation is not settled in 2016.

Other revenues decreased by \$2K

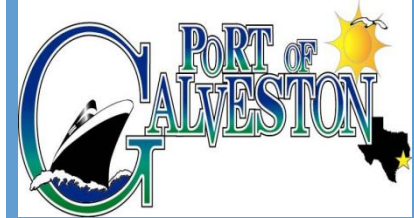
**In 2016 many of the Home Port Vessels are being replaced
Carnival Breeze replaces Magic.**

**Carnival Triumph will be replaced by the Liberty
Carnival Freedom remains.**

Royal Caribbean's Navigator of the Seas will be repositioned in November 2015 being immediately replaced by Liberty of the Seas.

The winter cruise season includes the November arrival of the Disney Wonder.

Port of Galveston 2016 Revenues From Cruise Operations Passenger Counts



Year	Embarking Passengers					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Embarking Passengers	459,448	604,272	604,994	641,650	837,278	865,700
Percentage Change		31.52%	0.12%	6.06%	30.49%	3.39%

The Port anticipates an 3.39% increase in passengers in 2016

Year	Passenger Revenue					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	3,760,158	4,854,694	4,747,532	6,157,648	8,563,766	8,954,740
Percentage Change		29.11%	-2.21%	29.70%	39.08%	4.57%

Revenue from Passenger movements increases 4.57% over 2015

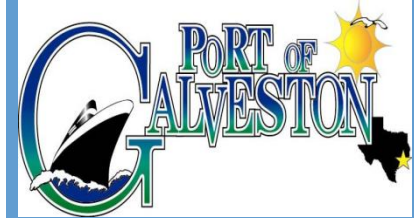
Year	Ship Services Revenue					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	2,064,344	2,471,125	2,892,874	3,449,474	3,417,369	3,282,196
Percentage Change		19.71%	17.07%	19.24%	-0.93%	-3.96%

Ship Services Revenue decreased due to decrease in services provided to RCI

The cruise ships calling Galveston their home port have capacity from 2,600 per cruise up to 4,600 per cruise with an average of 3,500 passengers per trip

Cruise Terminal 1 - Largest Single berth Cruise Terminal in the World

**Port of Galveston 2016
Parking Operations
Vehicles Parked**



Year	Cruise Vehicles Parked					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Vehicles Parked	59,466	77,624	73,395	87,422	113,264	116,450
Percentage Change		30.54%	-5.45%	19.11%	29.56%	2.81%

Year	Parking Revenue - Cruise and Other					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	3,307,542	4,203,115	4,117,693	4,851,414	6,475,789	7,208,023
Percentage Change		27.08%	-2.03%	17.82%	33.48%	11.31%

Parking Revenues Net of Sales Tax include:

Cruise Parking	\$5.95M
SMP Garage	\$0.69M
Transit Center	\$0.48M
East End Parking	<u>\$0.10M</u>
Total	\$7.2M

Parking is a major source of revenue for the Port

Financial controls are validated on a regular basis to ensure the integrity of the parking revenue stream

Port of Galveston 2016 Dockage / Lay Dockage Revenues



Year	Dockage (Includes Lay Dockage)					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	6,580,882	4,715,107	5,345,099	5,683,806	6,311,935	5,645,182
Percentage Change		-28.35%	13.36%	6.34%	11.05%	-10.56%

Dockage is projected to decrease 11% in 2016 due to a budgeted decreased grain, wind and liquid bulk activity.

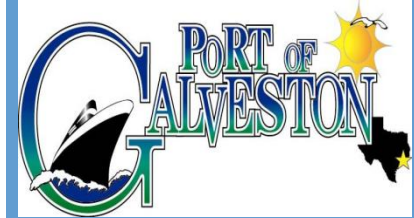
Dockage projected by product line:

Grain	\$1.53M
Ro-Ro	\$1.02M
Research Vessels	\$0.70M
Cruise	\$0.57M
Liquid Bulk	\$0.54M
Fruit and Produce	\$0.31M
General Cargo	\$0.73M
Wind Cargo	\$0.10M
Fertilizer	\$0.08M
Pier 19-21 Area	<u>\$0.06M</u>
Total	\$5.64M

Dockage consist of fees collected from ships docked at Port controlled Wharves and Piers

Rates charged are set by Tariff or may be negotiated for high traffic customers

Port of Galveston 2016 – Revenue Producing Services



	Revenue Producing Services					
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	146,204	124,191	119,137	114,505	134,320	156,888
Percentage Change		-15.06%	-4.07%	-3.89%	17.30%	16.80%

Revenue Producing Services include fees from providing water, permits, scrap sales and other miscellaneous items.

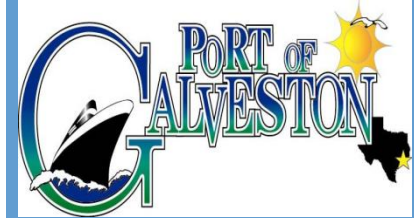
2016 Revenue Producing Services

Utilities
\$116,424

Scrap Sales
\$37,764

Permits & Fees
\$2,700

Port of Galveston 2016 – Rental Revenue



	Rental Revenue					
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	4,276,949	3,722,264	3,446,454	3,049,244	3,352,150	3,632,437
Percentage Change		-12.97%	-7.41%	-11.53%	9.93%	8.36%

Rental Revenue - consists of a combination of fixed rate rents on upland facilities and percentage rent from tenants such as Gulf Copper and Del Monte.

Ground Rents - paid by GPFC to the Port for the Cruise Terminals are excluded.

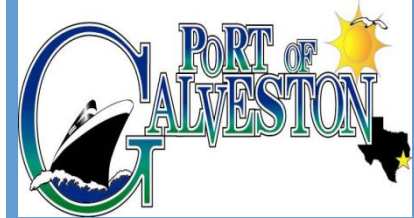
Sources:

Ro-Ro/VPC	\$1.00M
Ship Yards	\$1.00M
Pier 19-21 Area	\$0.50M
Grain	\$0.29M
Fruit and Produce	\$0.24M
All Others	<u>\$0.60M</u>
Total	<u>\$3.63M</u>

Major Sources of Rental Income

Gulf Copper
Del Monte
WWL
ADM
Malin
MBP
T&T
Galveston RR
CHS

Port of Galveston 2016 Security Cost Recovery



Year	Security Cost Recovery					
	2011	2012	2013	2014	2015	2016
Revenue	647,018	494,919	558,984	658,078	960,626	890,105
Percentage Change		-23.51%	12.76%	17.92%	45.97%	-7.34%

Security Cost Recovery is a surcharge placed on Dockage and Cargo Tonnage per the published Tariff.

The purpose of this surcharge is to recover cost of implementing, administering, and maintaining Homeland Security mandates.

Sources:

Cruise	\$225,000
All Other	\$665,105

Decrease from 2015 Forecast is a result of conservative estimate of dockage and wharfage for 2016

Security Cost Recovery Fees are used for:

Control Access to Facilities

Upgrade and Maintenance of Port Security System

Increase Police Presence

Train Port Staff

Port of Galveston 2016 – Other Operating Income



Year	Port Access Fees					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	102,410	122,430	148,554	283,566	464,907	336,000
Percentage Change		19.55%	21.34%	90.88%	63.95%	-27.73%

In October 2014, the Terminal Access Fees were standardized. Now the terminal access fee for shuttles, limos, and busses with seating capacity of less than 15 persons is \$20 per trip.

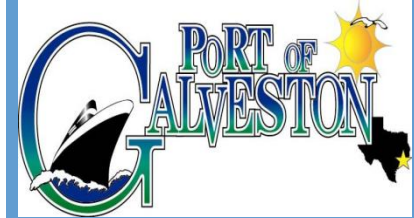
**Terminal
Access Fees
are tariff based
fees**

**Other
miscellaneous
income is
budgeted based
on normal
recurring type
transactions**

Year	Other Income					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenue	54,444	218,318	65,547	40,730	58,788	76,084
Percentage Change		301.00%	-69.98%	-37.86%	44.34%	29.42%

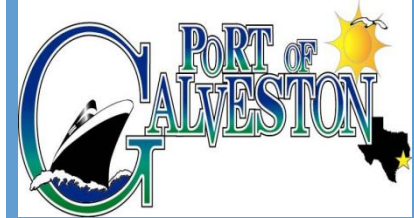
Other Operating Income is comprised of stevedore licenses, permits and other miscellaneous fees and licenses. Increased revenue in 2012 is due to \$125K payments (1 - \$50K + 1 - \$75K) for Pelican Island Option from Texas-New Mexico Railroad.

Port of Galveston 2016 –
Operating Expenses

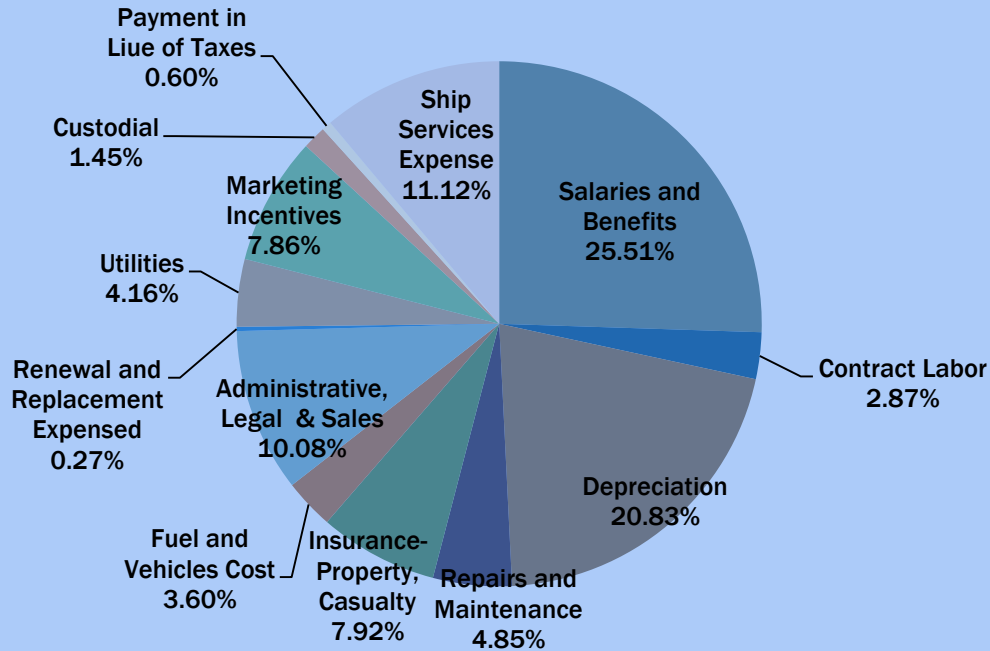


Operating Expenses consist of those costs incurred in the normal course of business and the general operations of the Port including Administrative & Sales cost in addition to the cost of Personnel, Facility and General Maintenance, Equipment Maintenance, General Liability, Property and Casualty Insurance, Utilities, Fuel and other services as required.

Port of Galveston 2016 - Operating Expenses including Depreciation



2016 Operating Expense with Depreciation



**2015 Budgeted Operating Expenses are
\$31.3M**

**Total Operating
Expenses are
\$30.7M**

**Salaries and
Benefits and
\$8.45M**

**Contract Labor
\$0.9M**

**Depreciation
\$6M**

**General and
Administrative
\$3.2M**

**Insurance
\$2.3M**

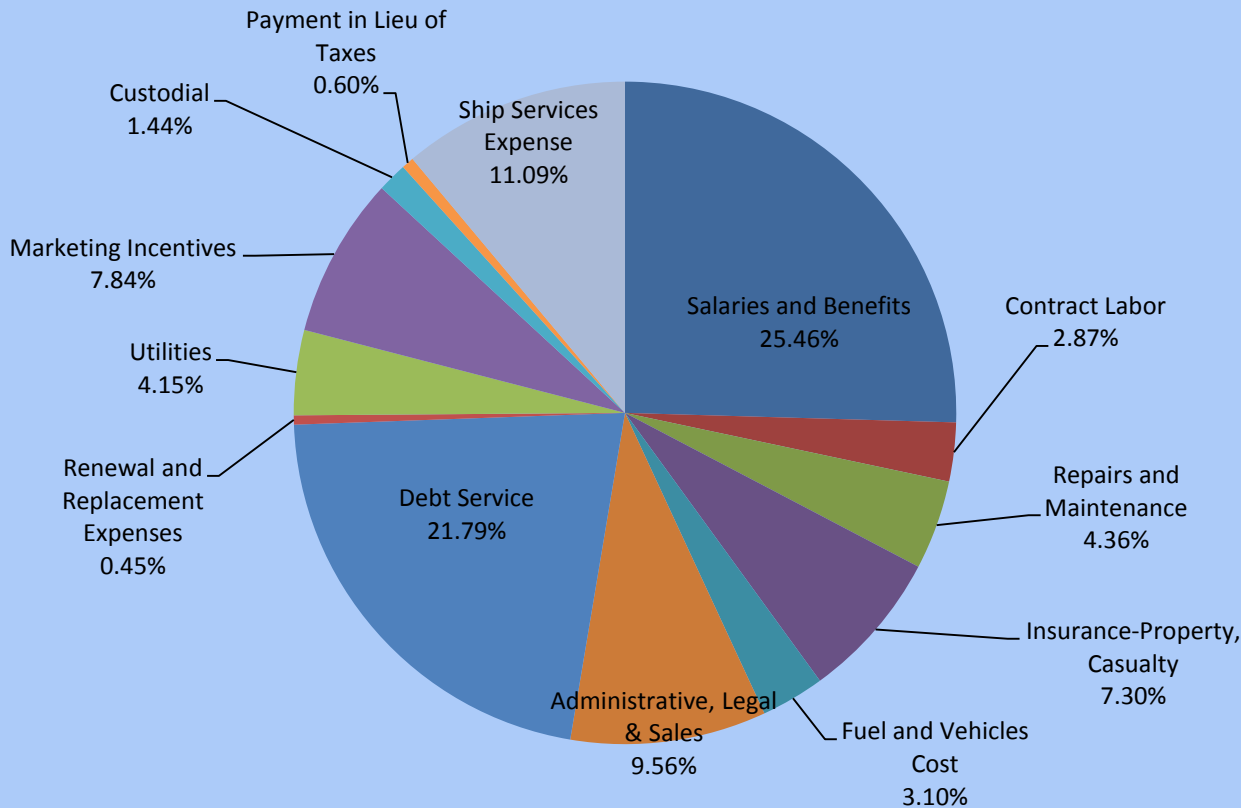
**Repairs and
Maintenance
\$1.66M**

**Other Expenses
\$8.2M**

Port of Galveston 2016 – Operating Expenses – Without Depreciation Add Debt Service (both Interest and Principal)



2016 Operating Expense with Debt Service (Annual Principal & Interest Payments)



Total Operating Expenses before Depreciation with 2016 Debt Service
\$31.41M

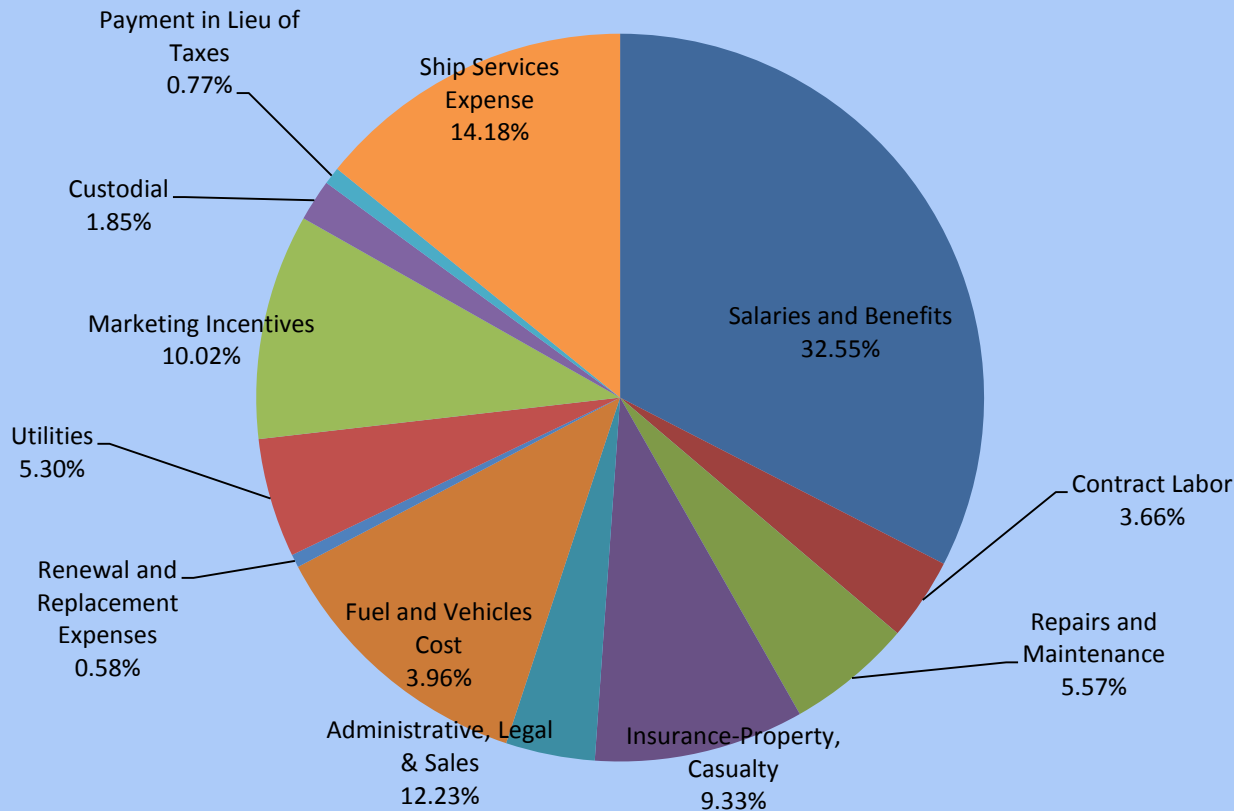
Salaries and Benefits and \$8M
Contract Labor \$0.9M
General and Administrative \$3.01M
Insurance \$2.29M
Repairs and Maintenance with R&R Expense \$1.51M
Other Expenses \$8.85M

Debt Service Total \$6.85M
Interest \$2.05M
Principal \$4.80M

Port of Galveston 2016 – Operating Expenses – Without Depreciation



2016 Operating Expense Before Depreciation



Total Operating Expenses before Depreciation and Debt Service
\$24.56M

Salaries and Benefits and
\$8M

Contract Labor
\$0.9M

General and Administrative
\$3.01M

Insurance
\$2.29M

Repairs and Maintenance with R&R Expense
\$1.51M

Other Expenses
\$8.85M

Port of Galveston 2016 – Labor and Related Cost

Salaries & Benefits with Contract Labor						
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	8,048,310	8,469,353	8,217,185	8,481,581	8,778,146	8,901,268
Percentage Change		5.23%	-2.98%	3.22%	3.50%	1.40%

The 2016 Budget includes 95 full time and 9 part time employees

2016 budget includes 5 additional positions for parking garage complex staffing and security.

Salaries, pension, health care, and employer taxes are the major components of Salaries and Benefits

This category includes Contract Labor of \$900,585. Contract Labor includes additional cost of contract parking lot personnel and police and security related to cruise terminal activity.

OUR EMPLOYEES ARE OUR GREATEST ASSETS

2016 Employees

**Police and Security
Employees**
(Includes 5 parking
garage complex staff)
37FT 6PT
43

**Maintenance
Employees**
21FT
21

Engineering
7FT 2PT
9

**Operations and Cruise
Terminal**
7FT

**General and
Administrative,
Marketing, Public
Relations, & Harbor
Master**
23FT 1PT
24

**Port of Galveston 2016 –
Labor and Related Cost**

Proposed Increases:

2016 1.5% for performance based adjustments. The Port Director has an additional fund of \$40K for Employee Retention, Promotions and stipends. The Port continues to utilize updates based on the pay rate study conducted in 2014 and updated annually with the assistance of PayScale.

Projected overtime costs, the majority of which are related to cruise activity, were adjusted to better match expected overtime.

**OUR
EMPLOYEES
ARE OUR
GREATEST
ASSETS**

**Base Salaries
\$5.84M**

**Overtime
\$369K**

**Health Benefits
\$752K**

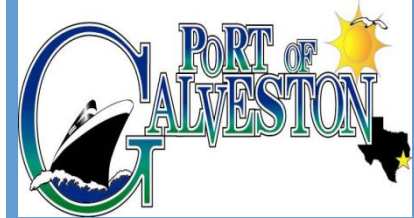
**Pension
Defined Benefit
\$400K
Defined
Contribution
\$120K**

**Employer Paid
Employment Taxes
with Social
Security
Replacement Plan
\$519K**

**Total Salaries and
Benefits \$8M**

**Contract Labor
\$901K**

Port of Galveston 2016 – Repairs and Maintenance



	Repairs and Maintenance					
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	1,069,057	1,194,322	1,192,328	1,405,989	1,470,741	1,511,748
Percentage Change		11.72%	-0.17%	17.92%	4.61%	2.79%

Repairs and Maintenance includes allowances for both planned and unplanned maintenance. Due to the nature of maintenance (needing to make unplanned repairs as issues occur) actual results vary year to year.

The 2016 budget includes \$141,700 of Renewal, Replacement and Repair expense items shown in the R&R budget. These cost are major expense type projects.

Construction & Maintenance (C&M) department is responsible for the facilities and equipment maintenance programs

Under this program they address both planned and unplanned maintenance issues

Port of Galveston 2016 – Insurance – Property & Casualty – Worker’s Comp



Property, General Liability, Workers Comp and Other Insurance						
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	2,451,182	2,568,885	2,560,112	2,397,923	2,097,047	2,273,935
Percentage Change		4.80%	-0.34%	-6.34%	-12.55%	8.44%

In 2015 cost of worker’s comp before a refund of \$49,883, is \$107,601. Net of refund (dividend) 2015 projected worker’s comp cost is \$57,718. 2016 worker’s comp budget is \$120,000. The Port does not budget for annual refunds or dividends from workers comp.

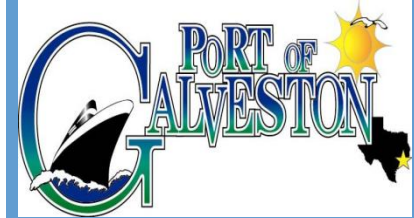
2016 Property and Casualty insurance rates are projected to increase due to increased valuation of assets along with a slight increase in rates. Port Staff believes these increases will occur at the 2016 renewal.

In 2013 the Port added fiduciary coverage

In 2014 cyber security coverage was added

In 2016, the Port property insurance coverage is anticipated to remain at \$75M

Port of Galveston 2016 – Payment in Lieu of Taxes (PILOT)



	Payment in Lieu of Taxes (PILOT)					
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	182,000	187,302	187,302	187,302	188,133	188,180
Percentage Change		2.91%	0.00%	0.00%	0.44%	0.02%

Under previous agreements, the Port made annual payments to the City of Galveston of \$182,000 to offset loss of property tax on Port property listed as nontaxable property per the City tax rolls.

With the acquisition of the SMP Garage complex the PILOT payment increased approximately \$6,180 in 2016.

Per agreement with the City the Port makes a Payment in Lieu of Property Taxes

**West Side
\$160,000**

**Old Navy Dock
\$10,000**

**Pelican Island
Other
\$12,000**

**SMP Garage
\$6,180**

Port of Galveston 2016 – Depreciation

Year	Depreciation					
	2011	2012	2013	2014	2015	2016
Expense	4,112,165	4,999,707	5,640,606	5,837,829	6,001,496	6,565,079
Percentage Change		21.58%	12.82%	3.50%	2.80%	9.39%

The Port continues to make improvements to the Property and Facilities resulting in increased Depreciation.

The increase in depreciation includes assets funded by Grants, Insurance, FEMA, debt and operations.

Since 2001 (15 Years) the net book value of Net Property and Facilities have increased 211%



Increase in Net Property and Facilities 2001 - 2016

2001-\$49,318,000
2002-\$50,326,000
2003-\$60,959,000
2004-\$69,748,000
2005-\$75,578,000
2006-\$78,079,000
2007-\$84,020,000
2008-\$92,136,000
2009-\$100,546,000
2010-\$101,418,000
2011-\$118,050,000
2012-\$127,240,000
2013-\$137,639,000
2014-\$136,548,000
2015-\$142,778,000
2016-\$153,213,254

Port of Galveston 2016 – Office and Sales Expense



	Office and Sales Expense					
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	2,846,984	2,151,992	2,273,410	2,640,438	3,213,523	3,005,681
Percentage Change		-24.41%	5.64%	16.14%	21.70%	-6.47%

Office and Sales Cost Include:

	<u>2016 Budget</u>	<u>2015 9&3</u>	<u>Increase / (Decrease) Dollars</u>	<u>Increase / (Decrease) %</u>
Sales and Marketing	371,114	424,130	(53,016)	-12%
Professional Services	803,471	1,014,088	(210,617)	-21%
Rent Expense	1,159,655	1,183,808	(24,153)	-2%
Office Supplies and Other	331,346	272,457	58,889	22%
Credit Card Fees	140,612	139,854	758	1%
Dues, Licenses, Training	119,003	116,684	2,319	2%
Travel	80,480	62,502	17,978	29%
Total	<u>3,005,681</u>	<u>3,213,523</u>	<u>(207,842)</u>	<u>-6%</u>

This table is a comparison of actual 2015 results for 9 months plus forecasted 4th quarter 2015 compared to proposed 2016 budget

* 2015 budgeted Travel is \$70,400. For 2016 Travel was increased to offset additional travel cost related to Deputy Port Director attending PPM training and other employee training.

Port of Galveston 2016 – Office and Sales Expense



2016 Budget compared to 2015 9&3 Forecast Increase in Office and Sales Expense

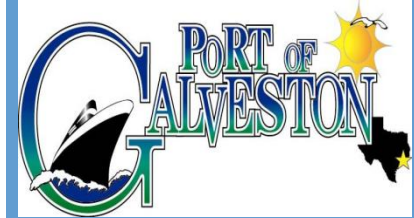
Direct Sales and Marketing Expense decreased \$53K due to reduction of print advertising \$27.7K, reduction of special functions (cruise related) \$13K, and other miscellaneous net reductions of \$12.3K

Professional Services decreased \$211K due to an anticipated reduction of legal fees of \$295K.

Rent Expense decreased by \$24K. The budget includes three months rent on temporary tents at CT2 (\$105K). Other property rent expense includes an increase in annual rate for the Sealy – Smith property leased for the VPC \$57.6K, and an annual increase in the rent on the UP property of \$40K.

Office Supply and Other costs increased by \$58.9K. These cost are actually Office and Administration cost – not just office supplies. In 2015 2 copiers were acquired via a lease. These copiers were budgeted for replacement in 2015 and, after reviewing options to own or lease the copy machines, a decision was made to lease them. Additional cost which would, if purchased be in depreciation, is now in Office Supply (Increase \$15K).

Port of Galveston 2016 – Office and Sales Expense



2016 Budget compared to 2015 9&3 Forecast Increase in Office and Sales Expense

Office (Con't)

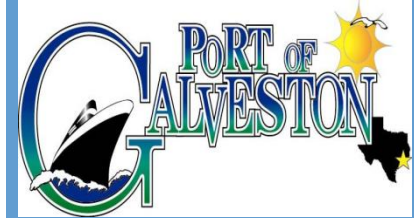
Payroll and HR services provided by ADP are projected to increase by \$49K. In 2015 the Port was billed for a partial year for HR modules. Staff is reviewing the level of services utilized vs. services available for possible reductions in future cost.

Credit Card Fees projected to increase 1% due to higher credit card volumes.

Dues Publications and Memberships are budgeted to increase \$2.3K.

Travel increased \$18K when compared to the 2015 9&3 Forecast based on anticipated 2016 travel which includes additional travel due to certification requirements for PPM program. Travel also includes costs incurred when attending training classes. Port staff will continue to strive to keep travel cost to a minimum.

Port of Galveston 2016 – Marketing Plan – excluding Social Media



- **Continue efforts to diversify the Port’s cargo, carrier and tenant mix. Advertise to and meet with importers, exporters, manufacturers, shipping lines and stevedoring companies. Attend trade shows and conferences, as appropriate. Work to expand new vehicle business.**
- **Continue to raise awareness in the trade community that the Port of Galveston is more than just a cruise port through advertising, participation in trade shows, conferences and meetings.**
- **Continue efforts to retain the Port’s current shipping lines and cargo customers through meetings, correspondence and advertising.**
- **Continue to build the cruise industry business, with efforts to attract additional Homeport and Port-of-Call ship visits. Participate and exhibit at the Seatrade Global Conference and meet with cruise line executives. Selective advertising.**
- **Market the Port’s Pelican Island Property in connection with the above initiatives as a location for future Port expansion and cargo terminal development.**

Port of Galveston 2016 – Social Media Marketing Plan



- Continue to develop a stronger online presence by promoting the Port on several social media outlets (Facebook, Twitter, YouTube, Instagram, Pinterest, etc.) .
- Continue to create and produce videos informing of parking lots, Port operations, and general helpful information to be used on Port's website and social media sites.
- Continue to work with consultants to design new print/digital ads for cargo and cruise for placement in trade publications and related websites.
- Continue to advertise in trade publications (Transportation and Logistics International, Port Strategy Magazine, Cruise and Ferry Magazine, Cruise Industry News, etc.) and special edition related issues.
- Continue to arrange interviews for Port Director for Port of Galveston to be profiled in trade publications.
- Continue to proactively provide stories about Port developments and events to the local media (Galveston Daily News, Guidry News, Houston Chronicle) and arrange for interviews with the Port Director.

**Promote
Galveston to be
a port of call or
pre / post
cruise
destination by
working with
local
organizations**

**Create new
advertisements
for print,
online, and
outdoor media**

Port of Galveston 2016 – Social Media Marketing Plan



- Continue to work closely with the Galveston Convention and Visitor's Bureau to promote Galveston as a port of call and pre/post packages by co-sponsoring and attending cruise related trade shows and travel agent conferences to meet with cruise line representatives and travel agents. In addition, co-sponsor media familiarization tours of Galveston throughout the year.
- Continue to give Port tours and to host special events to improve the awareness of the Port and its activities such as Maritime Day and Doolin Maritime Careers Camp weeklong camp at the Port.
- Continue to redesign Port website and mobile site with. Work on search engine optimization.
- Continue to redesign Port billboard ads for placement along Harborside Drive.
- Create and implement a travel agent parking incentive program
- Design E Newsletter to be distributed monthly.

Create videos to inform the public of current and future activities as well as showcase the parking lots, shuttles and services offered to cruise passengers

Port of Galveston 2016 – Other Income – Non-Operating

Year	Other Income					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	62,404	59,866	34,637	10,371	15,519	18,396
Percentage Change		-4.07%	-42.14%	-70.06%	49.64%	18.54%

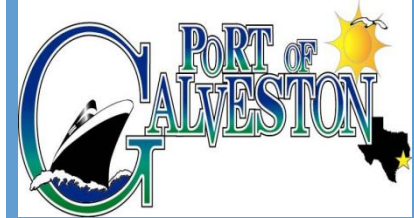
Included in the 2016 Other Income is Interest Income and finance, and bank fees.



As the Port continues to implement the current capital improvement program cash reserves are being reduced so interest income is declining

Interest rates on deposits remain at an all time low.

Port of Galveston 2016 – Interest and Other Expense – Non-Operating



Year	Interest and Other Expenses					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expense	2,753,773	2,817,262	2,175,653	1,925,894	2,063,089	1,919,336
Percentage Change		2.31%	-22.77%	-11.48%	7.12%	-6.97%

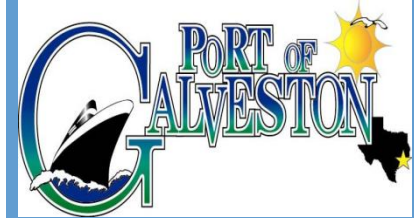
Interest and Other Expenses consist of interest on debt (net of amortization of premiums, discounts and deferred gains on refunding) and gain/loss on retirement of assets.

Outstanding Debt as of December 31, 2015 consists of:

- 2011 Series Revenue Bonds
- 2013 Series Subordinate Lien Certificates of Obligation (Refunded 2004 Series)
- 2014 Series Parity Subordinate Lien Notes
- 2004 Series Zero Coupon Bonds
- FMT capital lease on Cruise Terminal 1 Gangway
- Community Disaster Loan

Debt service payments on 2011, 2013 and 2014 Series occur on February 1st (6 months interest plus annual principal payment for period ending January 31) and August 1 (6 months interest only for period ending July 31)

Port of Galveston 2016 – Debt Service



Debt Service Payments -- Revenue Bonds, Certificate of Obligations, FMT, CDL						
Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Service Payments	4,695,925	8,484,378	1,596,388	5,870,354	6,807,296	6,802,222
Percentage Change		80.68%	-81.18%	267.73%	15.96%	-0.07%

2012 debt service increased and 2013 debt service decreased due to scheduled February 1, 2013 payment occurring in December 2012 as part of a refinancing .

2015 and 2016 include payments on the Series 2014 Revenue Notes.

Outstanding Debt

**On December
31, 2015
Principal on
Outstanding
Debt will Total
\$49,490,367.**

**This includes
Series 2004
Zero Coupon
Bond, Series
2011, 2013
and 2014 along
with CDL and
FMT Capital
Lease**

**Port of Galveston 2016 –
Schedule of 2016 Debt Service
Exclusive of Bond Premium Amortization**



Annual accruals/payments to interest and sinking funds

Debt Service Annual Accruals / Payments (Budget)			
	Principal	Interest	Total
Series 2011 Revenue Bonds	1,525,000	962,400	2,579,894
Series 2013 Subordinate Certificates of Obligation	2,713,750	158,159	3,006,563
Series 2014 Revenue Notes		577,200	577,200
FMT Note	256,798	80,499	357,090
CDL Note	300,000	27,720	327,720
Total	4,795,548	2,052,919	6,848,467

Cash basis payments to debt holders

Payments Made to Debtor's (semi-annual interest, annual principal and monthly note payments) (Cash Flow -- budget amount to restricted accounts this is paid to debtor)			
	Principal	Interest	Total
Series 2011 Revenue Bonds	1,530,000	1,019,394	2,549,394
Series 2013 Subordinate Certificates of Obligation	2,720,000	245,400	2,965,400
Series 2014 Revenue Notes		577,200	577,200
FMT Note	267,259	89,801	357,060
CDL Note	326,709	26,459	353,168
Total	4,843,968	1,958,254	6,802,222

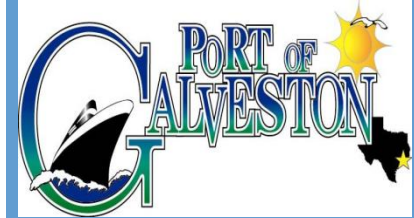
Debt Service and Depreciation

The Principal payment of Debt service is not included in the budget.

In 2015 the Galveston Transit Center and the VPC will be placed in service at end of year.

In 2016 the addition to Cruise Terminal 2 will be placed in service during the 1st Quarter.

Port of Galveston 2016 – Annual Renewal and Replacement Schedule



Annual Renewal and Replacement items are normally smaller cost capital items. The budgeted cost related to these items expires at the end of the budget year unless they are specifically requested to be carried forward to the next calendar year.

Once approved, each of these 2016 requests will be assigned a specific project identification number for tracking purposes while identified on the master project sheet collectively.

2016 R&R request total \$1,646,000 comprised of Capital projects totaling \$1,504,300 and Expense projects totaling \$141,700.

All Renewal and Replacement items are reviewed and prioritized based on availability of funds.

Items are scheduled for replacement or refurbishment on an annual basis.

These items are normally capital in nature but include selected items totaling \$141.7K which are expense in nature.

Port of Galveston 2016 – Annual Renewal and Replacement Schedule

2016 R&R request total \$1,646,000

Major Category	
Safety Projects	\$10,500
Utility Projects	\$25,000
Equipment Acquisition	\$194,300
Other Projects - Capital	\$1,126,000
Other Projects – Expense	\$129,000
Financial, Payroll and HR System Upgrades	
Computer Hardware and Operating System Upgrades	<u>\$161,200</u>
Total	<u>\$1,646,000</u>

All R&R projects are prioritized by Port Management and completed based on availability of funds



Items are scheduled for replacement or refurbishment on an annual basis.

These items are normally capital in nature but may include selected items which will be expensed.

Port of Galveston 2016 – Capital Improvement Plan

2016 Capital Improvement Plan

2016 Capital Improvement Plan and Capital Improvement Budget is presented as a separate document in the 2016 Proposed Budget Book.



■ End #37

