

# PORT OF GALVESTON 2015 ANNUAL BUDGET



**Operating  
Budget**

**Renewal and  
Replacement  
Budget**

**Capital  
Improvement  
Plan and 2015  
Capital  
Improvement  
Budget**

**Port of Galveston 2015 Annual Budget  
Overview of the 2015 Budget**



**Major Events  
Occurring in 2015:**

**Cruise Terminal 2  
Expansion  
Completion**

**SMP Parking  
Garage and Transit  
Center In-service**

**Improvements to  
Pier 10 Auto  
Processing Center  
Completed**

**Begin Slip Fill  
Project**

**Permitting of  
Proposed LNG  
Export Facility**

**Corps Permit  
Approved for  
Development of  
Pelican Island 100  
Acres**

**The 2015 Budget is being presented in a functional format – the same format presented with Actual and Projected results compared to 9 months actual results and 3 months forecast 2014.**

**General presentation is Overview followed by Revenues, Salaries and Benefits, Repairs and Maintenance, Other Operating Expenses, General and Administrative, Depreciation then Other Income and Expenses.**

# Port of Galveston 2015 Annual Budget Overview of the 2015 Budget



## Compare Summary of 2014 Original & Final Budgets, 2014 - 9 & 3 Forecast & 2015 Budget

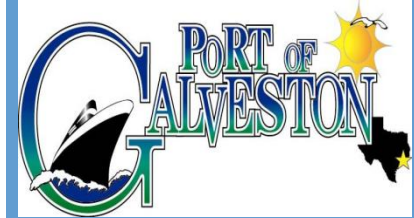
	Original 2014 Budget Approved 11/21/13	Final 2014 Budget Approved 4/28/14	9 & 3 Forecast	Proposed 2015 Budget
<b>Income From Operations – Total Revenue</b>	<b>26,935,067</b>	<b>26,938,072</b>	<b>27,541,711</b>	<b>32,089,639</b>
<b>Operating Expenses:</b>				
Salaries, Contract Labor, and Benefits	8,731,532	8,740,722	8,448,554	8,998,374
Repairs and Maintenance	1,810,386	1,716,425	1,505,690	1,535,448
Other Operating Expenses	13,760,212	13,814,969	13,923,909	14,419,915
Contract Market Incentive Fee			900,000	1,950,000
Office and Sales	2,423,467	2,452,088	2,488,302	3,130,517
<b>Total Operating Expenses</b>	<b>26,725,597</b>	<b>26,724,204</b>	<b>27,266,455</b>	<b>30,034,254</b>
<b>Net Income from Operations</b>	<b>209,470</b>	<b>213,868</b>	<b>275,256</b>	<b>2,055,385</b>
Other Income	37,200	8,994	8,770	6,900
Other Expenses	1,627,023	1,609,072	1,609,046	2,078,729
<b>Total Other Expenses</b>	<b>1,589,823</b>	<b>1,600,078</b>	<b>1,600,276</b>	<b>2,071,829</b>
<b>Excess Revenue (Loss) Over Expenses</b>	<b>(1,380,353)</b>	<b>(1,386,210)</b>	<b>(1,325,020)</b>	<b>13,556</b>
Grants and Contributions	9,453,455	7,350,191	2,948,633	4,944,526
FEMA/Insurance and Extraordinary Items	2,400,000	1,239,929	(259,890)	(273,800)
<b>Total Grants/FEMA/Insurance</b>	<b>11,853,455</b>	<b>8,590,120</b>	<b>2,688,743</b>	<b>4,670,726</b>
<b>Net Income</b>	<b>10,473,102</b>	<b>7,203,910</b>	<b>1,363,723</b>	<b>4,684,282</b>

**Change in major category 2015:**

**The Purpose of this table is to compare the Original and Amended 2014 Budget and 9&3 Forecast with the Proposed 2015 Budget**

**Each category will be discussed in detail in the following slides**

## Port of Galveston 2015 Revenues from Operations



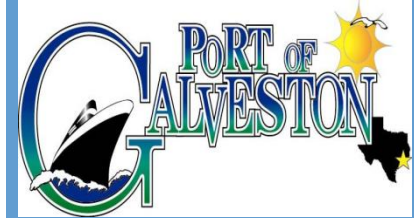
Revenues from Operations are broken down by major categories. These Categories are:

1. Switching and Rail Storage
2. Cruise Passenger Revenue
3. Cruise Parking Revenue
4. Dockage
5. Wharfage
6. Rentals
7. Ship Services
8. Revenue Producing Services
9. Security Cost Recovery
10. Other

In 2001, the top five revenue cargos were:  
Containerized Cargo, Bulk Grain, Sugar, Liquid Bulk and Fresh Produce.

Today the top five are:  
Cruise Passengers, Bulk Fertilizer, Fresh Fruit, Ro-Ro and Ship Yard Rental.

Port of Galveston 2015  
Revenues



**In developing 2015 revenue projections, Staff obtained information from:**

- 1. The Primary Stevedores**
- 2. Cruise Lines**
- 3. Del Monte**
- 4. ADM**
- 5. Ro-Ro shippers**
- 6. Various Other Tenants such as PISTI & Gulf Copper**

The volume of Grain Exports and Wind Project Imports/Exports are Unknown

Revenue Projections for Grain is based on the average of 2013 and first 9 months of 2014 as recommended by ADM

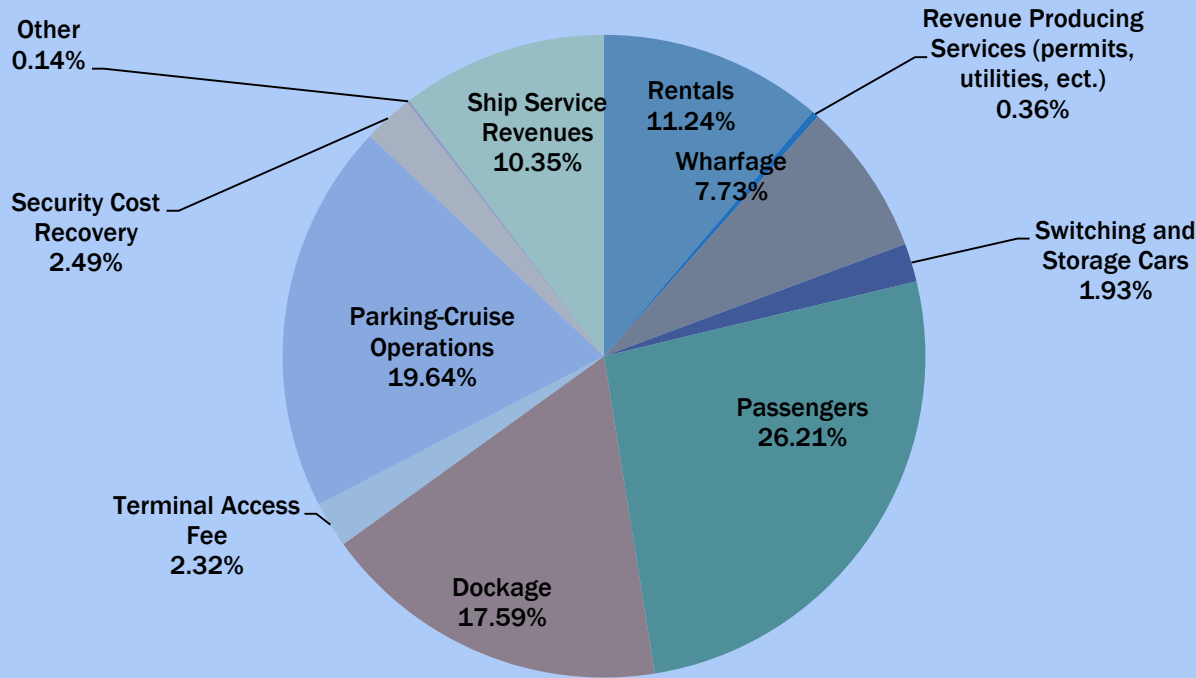
Wind Project revenue is based on 6 ship calls. It is anticipated that actual activity will exceed budgeted activity

2015 Cruise Port Calls will exceed 2014 by 51

# Port of Galveston 2015 Revenues from Operations



## 2015 Budgeted Revenue



## Revenues from Operations by Major Categories

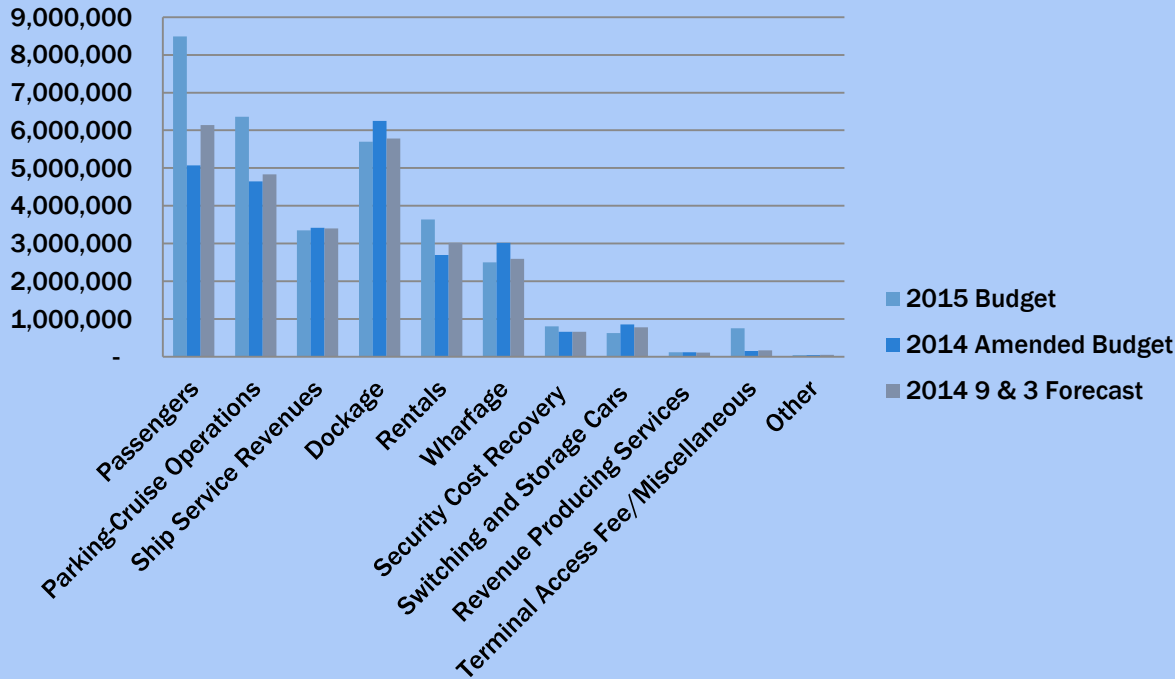
Total 2015 Operating Revenue are \$32.1M

- Passengers \$8.5M
- Parking \$6.4M
- Dockage \$5.7M
- Rentals \$3.6M
- Ship Service Revenues \$3.4M
- Wharfage \$2.5M
- Security Cost Recovery \$0.8M
- Rail & Switching \$0.6M
- All Other \$0.9M

(Not included in Graph \$300K Cruise Revenue Reserve)

# Port of Galveston 2015 Revenues from Operations

## Compare 2015 Budgeted Revenues to 2014 Budget and 2014 9 & 3 Forecast



## Revenues from Operations by Major Categories



Compared to 2014 9&3 Forecast:

**Increases in Revenues:**

Passenger Revenue **\$2.3M**

Parking **\$1.5M**

Terminal Access Fees **\$586K**

Rentals **\$623K**

Security Cost Recovery **\$144K**

**Decreases in Revenues:**

Dockage **\$84K**

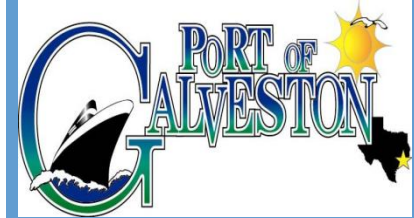
Switching **\$155K**

Wharfage **\$89K**

Ship Services **\$49K**

**Total Revenue Increase \$4.8M**

## Port of Galveston 2015 Switching / Rail Revenues



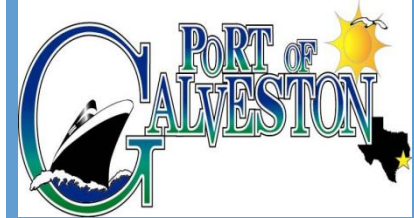
Year	Switching/Rail					
	2010	2011	2012	2013	2014	2015
Revenue	1,089,685	970,464	675,394	496,996	779,458	624,000
Percentage Change		-11%	-30%	-26%	52%	-20%

**Current budget include decreased grain exports and decreased wind product imports and exports. Both have a direct impact on rail and switching.**

2015 Switching revenues are budgeted to decrease 20% over 2014 levels due to conservative estimates of grain exports and wind cargo.



## Port of Galveston 2015 Wharfage Revenue



Year	Wharfage					
	2010	2011	2012	2013	2014	2015
Revenue	1,873,470	2,113,569	2,890,377	2,304,942	2,594,288	2,505,275
Percentage Change		13%	37%	-20%	13%	-3%

**Wharfage Revenue is expected to decrease slightly in 2015**

**Wind product activity projections include 6 shipments occurring in 2015. A higher number of shipments is expected but do not have confirmation at this time**

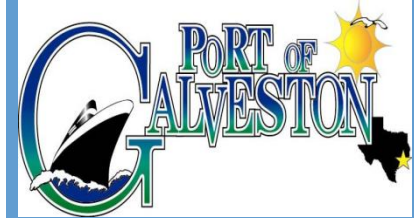
**Fresh Fruit Terminal throughput, Liquid Bulk and Ro-Ro activity is projected to increase slightly from the 2014 levels**

**Bulk Fertilizer tonnage is projected to remain unchanged from the 2014 level**

**Wharfage is the fee charged for cargo passing over the docks**

**Del Monte's addition of a new crane at Pier 16/18 is contributing to increased fresh fruit imports by allowing larger ships to be off-loaded efficiently**

**Port of Galveston 2015 Revenues From  
Cruise Operations  
Passenger Counts**



Year	Embarking Passengers					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Embarking Passengers	434,524	459,448	600,640	608,651	639,783	824,200
Percentage Change		6%	31%	1%	5%	29%

**Galveston is one of the top cruise ports in the United States. Cruise Revenues (including Passenger Revenues and related Ship Service Revenues) increased from less than \$1M in 2001 to \$11.9M in 2015 and is now over 36.5% of annual revenues.**

**With parking and access fees, Annual Revenues are \$15.7M or 58.5%.**

**In 2015 Galveston remains the Home Port of the Carnival Magic and Carnival Triumph.**

**Royal Caribbean's Navigator of the Seas will be repositioned in November being immediately replaced with a larger ship, the Royal Caribbean Liberty.**

**2015 will also see the arrival in February of the Carnival Freedom - our newest Home Port vessel - and the November arrival of the Disney Wonder.**

## Port of Galveston 2015 Revenues From Cruise Operations Passenger Charges



Passenger Revenue						
Year	2010	2011	2012	2013	2014	2015
Revenue	3,438,848	3,760,158	4,772,119	4,747,532	6,143,724	8,489,860
Percentage Change		9%	27%	-1%	29%	38%

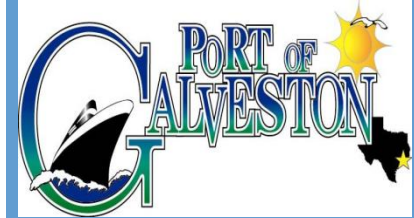
### Increase in Passengers:

1. Embarking passenger count in 2001 – 148,701. Increased in 2015 to 824,200 or an increase of 675,499 or 450% since 2001
2. Embarking passenger count in 2014 – 639,783. Increased in 2015 to 824,200 or an increase of 184,417 or 29%. This increase is 35,719 greater than total embarking passenger count in 2001.
3. 2015 includes a third Carnival ship calling Galveston its home port and the Disney Wonder arriving in November for 9 cruises

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 2015 Revenues From  
Cruise Operations  
Cruise Revenue Reserve**

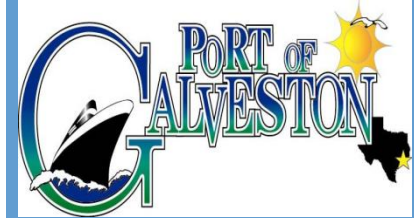


Year	Cruise Revenue Reserve					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cruise Revenue Reserve	-	-	-	-	-	(300,000)

**Cruise Revenue Reserve represents a decision by Management to reduce budgeted cruise passenger and parking revenues by an amount equal to one week's Winter Cruise Season Cruise Related Revenues excluding Ship Services Revenue or \$300,000 (rounded).**

**This budgeted contingency reserve is for the possible loss of Cruise Related Revenues due to an unforeseen event e.g. hurricanes, cruise ship casualty, etc...**

## Port of Galveston 2015 Cruise Parking Operations Vehicles Parked



Year	Vehicles Parked					
	2010	2011	2012	2013	2013	2015
Vehicles Parked	58,378	59,466	74,720	76,231	88,850	105,150
Percentage Change		2%	26%	2%	17%	21%

Financial controls over the parking lot process continue to be monitored including random car counts, observations of field processes and validation of proceeds based on expected revenue

Improvements to the on-line reservation system are increasing on-line reservations, thereby reducing the number of cash transactions in the parking lots

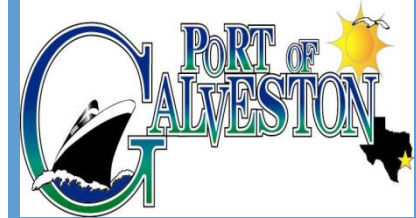
Premium Parking in the SMP Garage begins in late 2015

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

Ship Services Revenue offset Ship Services Expenses

## Port of Galveston 2015 Revenues From Parking Operations



Year	Parking					
	2010	2011	2012	2013	2014	2015
Revenue	3,208,581	3,307,542	4,202,922	4,117,693	4,831,592	6,360,381
Percentage Change		3%	27%	-2%	17%	32%

**Parking Revenues are projected to increase due to:**

- 1. Increase in passenger traffic through the Port**
- 2. Enhancements to marketing of Port Parking**
- 3. 4<sup>th</sup> year- round cruise ship**
- 4. Disney Wonder - 9 Cruises in 2015**

**Port of Galveston – Texas’ Star Cruise Port**

**12 miles to open seas**

**Proximity to Strand and other Galveston attractions**

**Within Driving Distance to Major Population Centers containing in excess of 28M people**

## Port of Galveston 2015 Dockage Revenues



Dockage						
Year	2010	2011	2012	2013	2014	2015
Revenue	6,580,882	5,171,709	5,171,709	5,345,099	5,780,333	5,696,114
Percentage Change		-21%	0%	3%	8%	-1%

**Dockage is projected to decrease 1%  
in 2015.**

The 2015 dockage tariff rate is projected to remain unchanged.

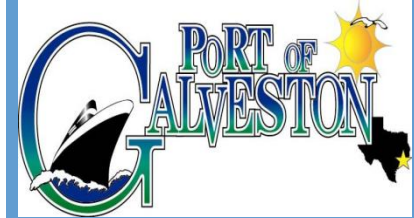
Cargos other than grain and wind product are expected to remain flat to slightly higher.

Grain is based on recommendation from ADM using average of 2013 and first 9 months of 2014.

**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 2015 Ship Services Revenue



Ship Services Revenue						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue	1,703,452	2,064,344	2,214,845	2,892,874	3,403,005	3,353,594
Percentage Change		21%	7%	31%	18%	-1%

**Ship Services Revenues are fees received for providing cruise vessels services such as porters, security, line handlers, pilots and water**

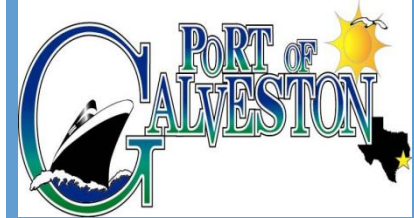
**The expense related to these services are reported in Other Operating Expenses**

**The Port provides contracts for certain services to assist the various cruise ships**

**These costs are included in the cruise passenger service charge**



## Port of Galveston 2015 – Revenue Producing Services



Revenue Producing Services						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue	467,740	349,995	153,300	119,137	114,293	116,152
Percentage Change		-25%	-56%	-22%	-4%	2%

**Revenue Producing Services includes fees from providing water, permits and other miscellaneous items.**

### 2015 Revenue Producing Services

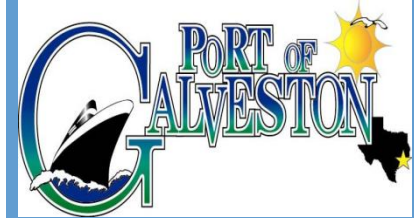
Utilities  
\$93,700

Scrap Sales  
\$9,250

Permits & Fees  
\$3,200

FTZ Fees  
\$10,000

## Port of Galveston 2015 – Rental Revenue



Rentals						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue	4,703,380	5,098,394	4,790,054	3,446,454	3,016,857	3,639,409
Percentage Change		8%	-6%	-28%	-12%	21%

**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**

### Major Sources of Rental Income

Gulf Copper  
Del Monte  
ADM  
Malin  
MBP  
T&T  
Galveston  
Railroad  
CHS

## Port of Galveston 2015 Security Cost Recovery



Year	Security Cost Recovery					
	2010	2011	2012	2013	2014	2015
Revenue	711,322	764,705	569,942	558,984	663,674	807,194
Percentage Change		8%	-25%	-2%	19%	22%

**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**

**In 2015 Cruise related Security Cost Recovery Fees were moved from Ship Services Revenue to Security Cost Recovery in the budgeted amount of \$206K**

**Security Cost Recovery Fees are used for:**

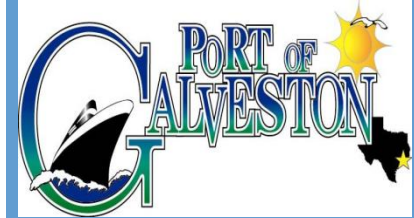
**Control Access to Facilities**

**Upgrade and Maintenance of Port Security System**

**Increased Police Presence**

**Training of Port Staff**

## Port of Galveston 2015 – Other Operating Income



Other Income / Port Access Fees						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue	118,885	122,358	164,254	214,101	214,487	797,660
Percentage Change		3%	34%	30%	0%	272%

**Other Operating Income is comprised of Terminal Access Fees (drop off fees to the cruise terminals) and other miscellaneous fees and licenses.**

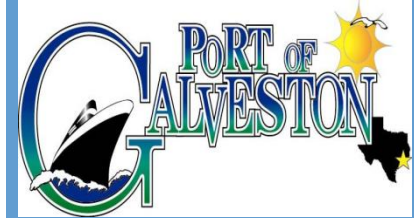
**In October 2014 the Terminal Access Fees were standardized. Now terminal access fee for shuttles, limos, and busses under 15 person capacity is \$20 per trip up from the previous \$10 per access which was the rate for just under 10 years.**

**Terminal  
Access Fees  
are tariff based  
fees**

**2015 Terminal  
access fees are  
projected to  
increase by  
\$585K**

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

## Port of Galveston 2015 – 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.

Compared to 2014  
9&3 Forecast:

Increases in  
Expenses:

Other Operating  
Expense (Insurance,  
Depreciation  
, Utilities, Market  
incentive Fee) **\$1.6M**

Office and Sales  
Expense **\$642K**

Interest on Debt  
Service **\$440K**

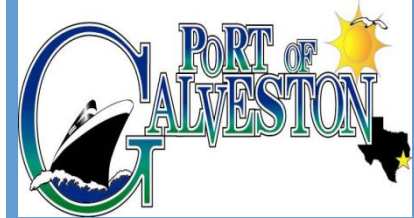
Contract labor **\$339K**

Salaries and Related  
Benefits **\$210K**

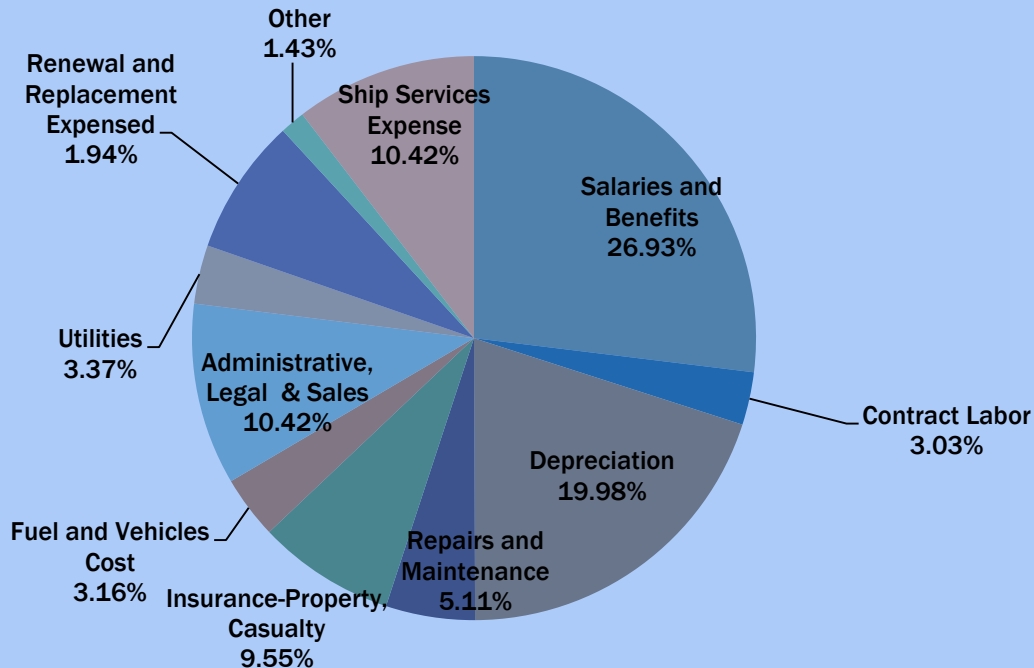
Repairs and  
Maintenance **\$30K**

Total Expense  
Increase **\$3.3M**

## Port of Galveston 2015 - Operating Expenses



### 2015 Operating Expense



**2015 Budgeted Operating Expenses are  
\$30M**

**Total Operating  
Expenses are  
\$30M**

**Salaries and  
Benefits and  
\$8.1M**

**Contract Labor  
\$0.9M**

**Depreciation  
\$6M**

**General and  
Administrative  
\$3.1M**

**Insurance  
\$2.3M**

**Repairs and  
Maintenance  
\$1.5M**

**Other Expenses  
\$8.1M**

## Port of Galveston 2015 – Labor and Related Cost

Salaries & Benefits with Contract Labor						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expense	7,208,746	7,615,177	8,040,443	8,217,185	8,448,554	8,998,374
Percentage Change		6%	6%	2%	3%	7%

The 2015 Budget includes 89 full time and 7 part time employees

Salaries, pension, health care, and employer taxes are \$8,088,944 an increase from projected 2014 actuals of \$210K. This increase is due to positions budgeted for the full year not being filled for a portion of the year and pay increases budgeted for the full year not being fully utilized in January 2014 thus causing actual 2014 results to be lower. When compared to original budget the 2015 proposed salaries and related benefits are \$107K less than 2014 original budget

2015 Contract Labor is budgeted at \$909,430 an increase of \$339K. Contract Labor includes additional cost of contract parking lot personal and police and security related to the increased cruise terminal activity. Beginning mid-year labor for the SMP garage is also included.

## OUR EMPLOYEES ARE OUR GREATEST ASSETS

### 2015 Employees

**Police and Security  
Employees  
37FT 6PT  
43**

**Maintenance  
Employees  
19FT  
19**

**Engineering  
6FT 1PT  
7**

**Operations and Cruise  
Terminal  
5FT  
5**

**General and  
Administrative,  
Marketing, Public  
Relations, & Harbor  
Master  
22FT  
22**

## Port of Galveston 2015 – Labor and Related Cost

### Proposed Increases and Other Information:

2015 proposed pay increase pool is 1.5% of budgeted 2014 budgeted pay. In 2014 the Port conducted a pay rate study with the assistance of PayScale. After adjustments to market and cost of living, total 2014 increase were less than the budgeted. No Cost of Living increase was given in 2013.

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

## OUR EMPLOYEES ARE OUR GREATEST ASSETS

Salaries \$5.5M

Health Benefits  
\$1.6M

Pension  
\$0.5M

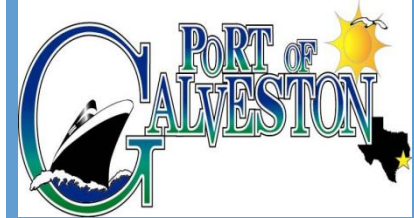
Employer Paid  
Employment  
Taxes  
\$0.5M

Total Salaries  
and Benefits  
\$8.1M

Contract Labor  
\$0.9M



## Port of Galveston 2015 – Repairs and Maintenance



Repairs and Maintenance						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses	1,661,059	1,050,715	1,159,940	1,192,328	1,505,690	1,535,448
Percentage Change		-37%	10%	3%	26%	2%

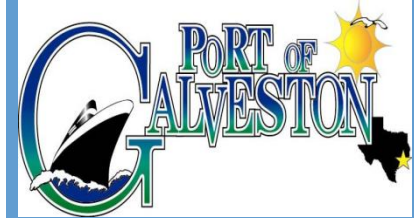
Repairs and Maintenance includes both planned and unplanned maintenance. Due to the nature of maintenance (needing to make unplanned repairs as issues occur) actual results vary year to year.

The 2015 budget includes \$70K 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 2015 – Insurance – Property & Casualty - Workers Comp



Insurance						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses	2,466,515	2,613,227	2,395,266	2,560,112	2,423,533	2,368,008
Percentage Change		6%	-8%	7%	-5%	-2%

**2015 Property and Casualty insurance rates are budgeted to remain flat. Port Staff believes at renewal there is a high probability of a decline in rates.**

**2015 Includes workers comp of \$118,000 In September 2014 the Port received a workers comp refund of \$43,282.60 reducing 2014 projected workers comp cost to \$69,398.**

**In 2013 the Port added fiduciary coverage then in 2014 cyber security coverage was added**

**In 2015 the Port coverage is anticipated to remain at \$65M**

## Port of Galveston 2015 – Payment in Lieu of Taxes (PILOT)



Payment in Lieu of Taxes (PILOT)						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses	182,000	182,000	182,000	187,302	187,306	188,306
Percentage Change		0%	0%	3%	0%	1%

Under current agreements, the Port makes 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 the PILOT payment increased approximately \$6,306 in 2015.

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

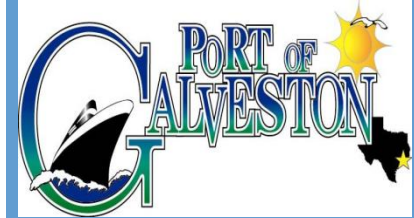
West Side  
\$160,000

Old Navy Dock  
\$10,000

Pelican Island  
Other  
\$12,000

SMP Garage  
\$6,306

## Port of Galveston 2015 - Depreciation



Year	Depreciation					
	2010	2011	2012	2013	2014	2015
Expenses	4,212,567	4,112,167	4,973,035	5,640,606	5,903,930	6,000,000
Percentage Change		-2%	21%	13%	5%	2%

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

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

Since 2001 Net Property and Facilities have increased over 215%

**Increase in Net  
Property and  
Facilities  
NEEDS FINAL  
UPDATE for  
2015**

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-\$116,189,000  
 2012-\$137,644,000  
 2013-\$143,752,000  
 2014-\$136,178,000  
**2015-\$155,213,000**

## Port of Galveston 2015 – Office and Sales Expense



Office and Sales Expense						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expense	2,595,201	2,550,479	3,158,343	2,226,806	2,488,302	3,130,517
Percentage Change		-2%	24%	-29%	12%	26%

### Office and Sales Cost Include:

	<u>2015 Budget</u>	<u>2014 9&amp;3</u>	<u>Increase / (Decrease) Dollars</u>	<u>Increase / (Decrease) %</u>
Sales and Marketing	358,800	306,086	52,714	17%
Professional Services	780,204	774,247	5,957	1%
Rent Expense	1,353,291	890,805	462,486	52%
Office Supplies and Other	302,404	248,133	54,271	22%
Credit Card Fees	161,400	111,488	49,912	45%
Dues, Licenses, Training	104,018	100,240	3,778	4%
Travel	70,400	57,303	13,097	23%
<b>Total</b>	<b><u>3,130,517</u></b>	<b><u>2,488,302</u></b>	<b><u>642,215</u></b>	<b><u>26%</u></b>

**This table is a comparison of actual results for 9 months plus forecasted 4<sup>th</sup> quarter compared to proposed budget**

## Port of Galveston 2015 – Office and Sales Expense

### 2015 Budget compared to 2014 9&3 Forecast

#### Increase in Office and Sales Expense

**Direct Sales and Marketing Expense** increased \$53K due to inclusion of internet marketing fees

**Professional Services** increased \$6K

**Rent expense** increased by \$462K. The budget includes rents for a potential lease/purchase plus normal CPI escalations.

**Office Supply and Other** cost increased by \$54K. In June 2014 the Port implemented the HR component of ADP. \$12K increase is due to moving monthly Board related cost from Travel. \$22K increased cost related to additional modules in Great Plains for Grants, Requisitions and Project Tracking.



## Port of Galveston 2015 – Office and Sales Expense

### 2014 Budget compared to 2013 9&3 Forecast

#### Increase in Office and Sales Expense

**Credit Card Fees** increased \$50K due to higher credit card volumes. This is due to lower per transaction fees with increased transactions.

**Travel** increased \$13K to the 2014 9&3 Forecast based on anticipated 2015 travel which includes additional travel due to certification requirements for PPM program and other scheduled events and cost related to the respective location of travel.



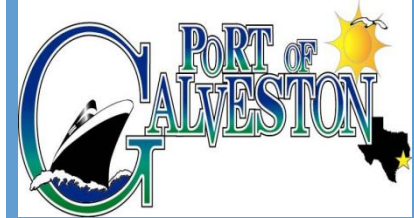
## Port of Galveston 2015 – Marketing Plan – excluding Social Media

- 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 advertising and meetings.
- Continue to build the cruise industry business, with efforts to attract additional Homeport and Port-of-Call cruise lines. Participate and exhibit at Cruise Shipping Miami 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 2015 – Social Media Marketing Plan



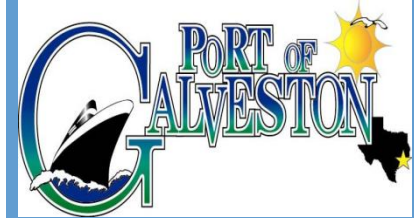
- Develop a stronger online/digital presence by advertising and promoting the Port on social media and digital advertising. Continue to advertise in trade publications and local publications.
- Create new advertisements, print and digital to be used in publications and online. Use graphic designs to update website, social media sites, and outdoor ads.
- Produce videos informing of parking lots, operations, and general helpful information to be used on Port’s website, and social media sites. Update the current promotional dvd.
- Continue to proactively produce coverage related to major events and developments at the Port via press release distributions. Create a quarterly electronic newsletter to be distributed to subscribers.
- Continue efforts to promote Galveston as a port of call. Attend cruise trade shows and conferences to meet with cruise line representatives. Work with local organizations to encourage passengers to visit the island.
- Host special events to combat the lack of awareness of the Port and its activities such as Maritime Day . Work with the CVB to produce media familiarization tours throughout the year.

Promote Galveston to be a port of call by working with local organizations

Create new advertisements for print, online, and outdoor mediums

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 2015 – Other Income – Non-Operating



Other Income						
Year	2010	2011	2012	2013	2014	2015
Revenue	843,476	509,735	131,956	47,101	8,770	6,900
Percentage Change		-40%	-74%	-64%	-81%	-21%

In years prior to 2012, Other Income included Security Cost Recovery revenue, and other revenues which are now classified as Operating Revenue.

Included in the 2015 Other Income is Interest Income and finance, and bank fees.

As the Port continues to complete 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 2015 – Interest and Other Expense – Non-Operating



Interest and Other Expenses						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expense	3,353,966	3,200,985	2,749,091	2,290,824	1,609,046	2,048,729
Percentage Change		-5%	-14%	-17%	-30%	27%

**Interest and Other Expenses consist of interest on debt and gain/loss on retirement of assets.**

**Outstanding Debt as of December 31, 2014 consists of:**

**2011 Series Revenue Bonds**

**2013 Series Subordinate Lien Certificates of Obligation (Refunded  
2004 Series)**

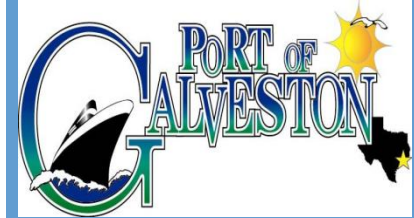
**2014 Series Parity Subordinate Lien Notes**

**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 1<sup>st</sup> (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 2015 – Debt Service



Debt Service Payments – Revenue Bonds, Certificate of Obligations, FMT						
Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Service Payments	4,695,925	8,484,378	1,596,388	6,425,878	6,083,113	6,867,363
Percentage Change		81%	-81%	303%	-5%	13%

**2011 debt service increased and 2012 debt service decreased due to scheduled 2012 payment occurring in December 2011 as part of a refinancing**

**2013 debt service increased due to timing of the 2013 refunding and payment of the February 1, 2013 debt service**

### Outstanding Debt

**On December  
31, 2014  
Principal on  
Outstanding  
Debt will Total  
\$53,868,406.**

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

**Port of Galveston 2015 –  
Schedule of 2015 Debt Service  
Exclusive of Bond Premium Amortization**



**Annual accruals/payments to interest and sinking funds**

<b>Debt Service</b>			
<b>Annual Accruals / Payments (Budget)</b>			
	Principal	Interest	Total
Series 2011 Revenue Bonds	1,525,000	1,054,894	2,579,894
Series 2013 Subordinate Certificates of Obligation	2,713,750	292,813	3,006,563
Series 2014 Subordinate Lien Notes		577,200	577,200
FMT Note	256,798	100,292	357,090
CDL Note	300,000	27,720	327,720
<b>Total</b>	<b>4,795,548</b>	<b>2,052,919</b>	<b>6,848,467</b>

**Cash basis payments to debt holders**

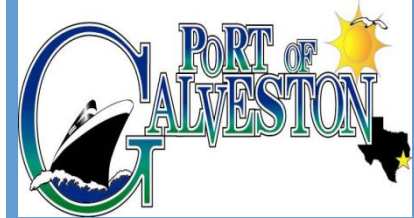
<b>Payments Made to Debtor's (semi-annual interest, annual principal and monthly note payments) (Cash Flow -- budget amount to restricted accounts this is paid to debtor)</b>			
	Principal	Interest	Total
Series 2011 Revenue Bonds	1,470,000	1,079,394	2,549,394
Series 2013 Subordinate Certificates of Obligation	2,645,000	325,875	2,970,875
Series 2014 Subordinate Lien Notes		479,397	479,397
FMT Note	256,798	100,292	357,090
CDL Note	300,000	27,720	327,720
<b>Total</b>	<b>4,671,798</b>	<b>2,012,678</b>	<b>6,684,476</b>

**Debt Service  
and  
Depreciation**

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

In 2015 certain  
assets being  
built with debt  
funds will not  
be complete or  
will be in-  
service for a  
portion of the  
year.

## Port of Galveston 2015 – 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 2015 requests will be assigned a specific project identification number for tracking purposes while identified on the master project sheet collectively.

2015 R&R request total \$1,233,600 comprised of Capital projects totaling \$1,163,600 and Expense projects totaling \$70,000.

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 \$70K which are expense in nature.

## Port of Galveston 2015 – Annual Renewal and Replacement Schedule

**2015 R&R request total \$1,530,350**

<b>Major Category</b>	
<b>Safety Projects</b>	<b>\$60,000</b>
<b>Equipment Acquisition</b>	<b>\$20,500</b>
<b>Other Projects - Capital</b>	<b>\$1,041,000</b>
<b>Other Projects – Expense</b>	<b>\$70,000</b>
<b>Computer Hardware and Operating System Upgrades</b>	<b><u>\$42,100</u></b>
<b>Total</b>	<b><u>\$1,233,600</u></b>

**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 2015 – Capital Improvement Plan

### 2015 Capital Improvement Plan

2015 Capital Improvement Plan and Capital Improvement Budget is presented as a separate document in the 2015 Proposed Budget Book.





■ End #43

