

PORT OF GALVESTON 2013 ANNUAL BUDGET

PORT OF GALVESTON GALVESTON, TEXAS



**Operating
Budget**

**Renewal and
Replacement
Budget**

**Capital
Improvement
Plan and 2013
Capital
Improvement
Budget**

**Port of Galveston 2013 Annual Budget
Overview of the 2013 Budget**

The 2013 Budget is being presented in a functional format – the same format presented monthly with Actual and Projected results compared to the originally approved 2012 Budget. 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.



**Major Events
Occurring in
2013:**

**Completion of
Pier 18 - Del
Monte**

**Parking Garage
and Transit
Center**

Port of Galveston 2013 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



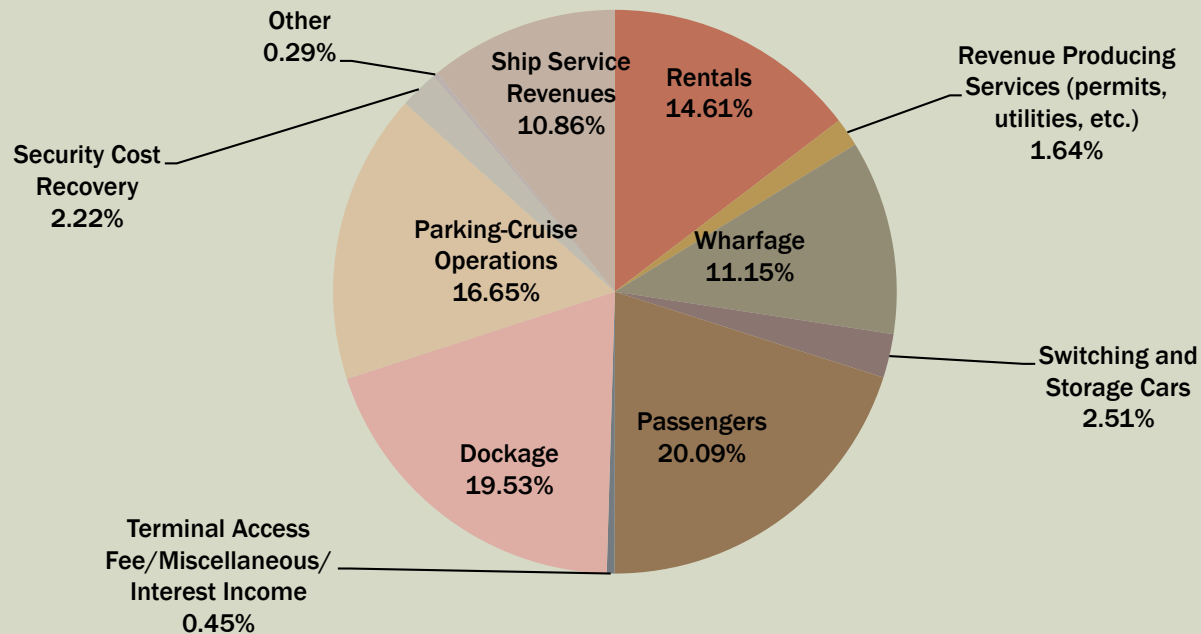
In 2001, the top five cargos were Containerized Cargo, Bulk Grain, Sugar, Liquid Bulk and Fresh Produce.

Today the top five are Cruise Passengers, Bulk Grain, Liquid Bulk, Ro-Ro and Ship Yard Rental.

Port of Galveston 2013 Revenues from Operations



2013 Budgeted Revenue



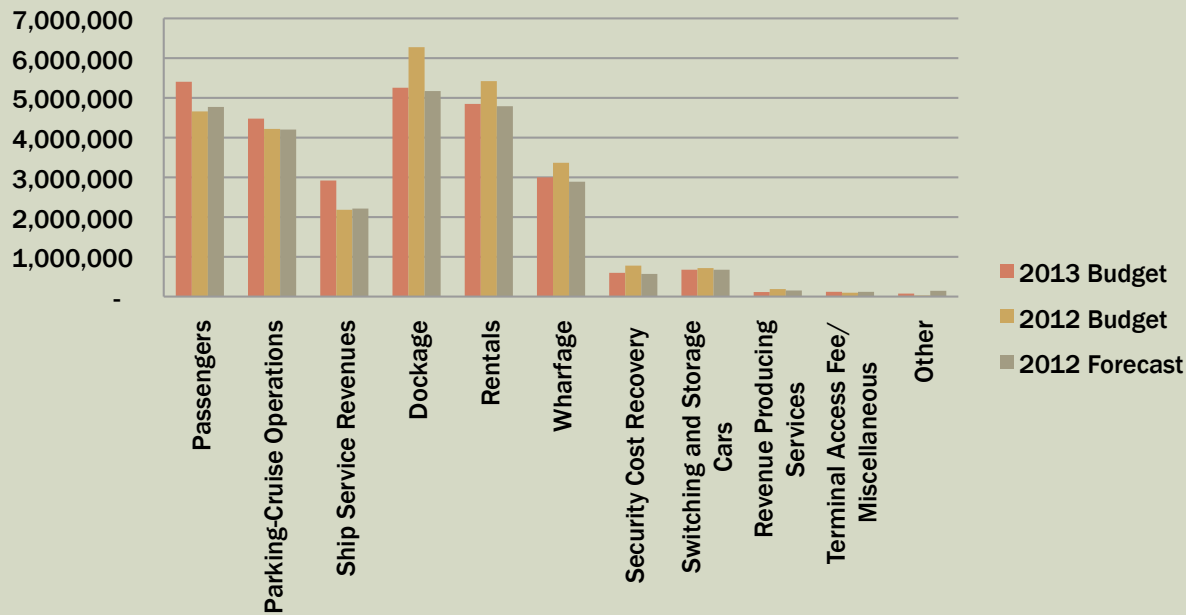
Revenues from Operations by Major Categories

Total 2013 Operating Revenue are \$27.5M

Dockage \$5.3M
Rentals \$4.8M
Passengers \$5.4M
Wharfage \$3M
Parking \$4.5M
Ship Service Revenues \$2.9M
Rail & Switching \$0.7M
Other \$0.9M

Port of Galveston 2013 Revenues from Operations

Compare 2013 Budgeted Revenues to 2012 Budget and 2012 9 & 3 Forecast



Revenues from Operations by Major Categories



Compared to 2012 9&3 Forecast:

Increases In Revenues:

Ship Services **\$705K**

Passenger Revenue **\$633K**

Parking
\$275K

Dockage **\$84K**

Wharfage **\$110K**

Rentals **\$58K**

Security Cost
Recovery **\$27K**

Switching **\$0.5K**

Terminal Access **0.7K**

Decreases In Revenues:

Revenue Producing Services **\$39K**

Other **\$70K**

Total Revenue
Increase **\$1.78M**

Port of Galveston 2013 Switching / Rail Revenues

Year	Switching/Rail					
	2008	2009	2010	2011	2012	2013
Revenue	998,713	878,609	1,089,685	970,464	675,394	675,900
Percentage Change		-12%	24%	-11%	-30%	0.1%

2013 projected grain exports are expected to be flat due to

- 1. 2012 drought conditions resulting in less grain available for export**
- 2. abundance of competitively priced grain in other countries**



2012 Grain exports are projected to be the lowest since 1992.

Forecast for 2013 grain exports are expected to trend flat for first 6 months of 2013 with increases in both 3rd and 4th quarters contingent on increased 2013 harvest.

Port of Galveston 2013 Wharfage Revenue

Year	Wharfage					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	1,615,490	1,583,092	1,873,470	2,071,066	2,890,377	3,000,590
Percentage Change		2%	18%	11%	39%	4%

Slight increase in Wharfage (4%) over 2012 projected results.

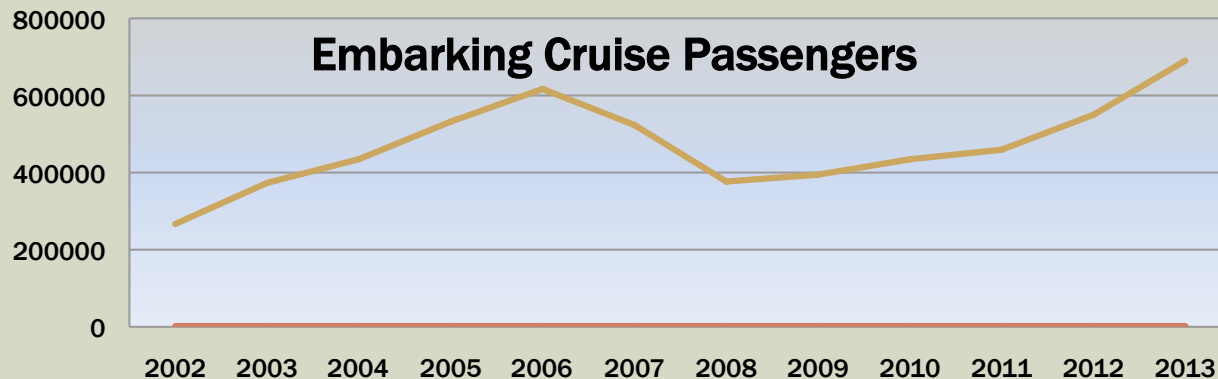
Projected Wharfage is based on conservative dockage and cargo projections.



Wharfage is the fee charged for cargo passing over the docks

Major contributors to Wharfage Revenue are Ro-Ro cargo, Liquid Bulk, Fresh Produce and Grain and Wind Turbine Components

Port of Galveston 2013 Revenues From Cruise Operations



Galveston is one of the top cruise ports in the United States.

Passenger Revenues from Cruise Operations increased from less than \$1M in 2001 to \$5.4M in 2013 and is now over 20% of annual revenues.



In 2001 total embarking passengers were 148,701. In 2013, the passenger count is expected to exceed 690,275 an increase in excess of 360%!

In 2013 Galveston is Home Port to the Carnival Magic and Triumph. Winter Home Port to the Disney Magic, Mariner of the Seas, and the Crown Princess

Port of Galveston 2013 Revenues From Cruise Operations Passenger Counts

Year	Embarking Passengers					
	2008	2009	2010	2011	2012	2013
Embarking Passengers	376,815	394,640	434,524	459,448	600,640	690,275
Percentage Change		5%	10%	6%	31%	15%

Increase in Passengers:

1. Embarking passenger count in 2001 - 148,701. Increased in 2013 to 690,275 or an increase of 541,574 or 364% since 2001
2. Cruise calls in 2001 were 91 in 2013 scheduled cruise calls are 205 - an increase of 114 calls or 125% since 2001



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

Cruise Terminal 1 - Largest Cruise Terminal in the World

Port of Galveston 2013 Revenues From Cruise Operations – Historical Trends

Year	Passanger Revenue					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	2,348,848	3,032,155	3,438,848	3,760,158	4,772,119	5,405,494
Percentage Change		29%	13%	9%	27%	13%

Increase in Passenger Revenue

1. 31 additional port calls
2. Arrival of Disney and return of Princess cruise lines in late 2012



Disney Magic will make 23 turnarounds in 2013 with an estimated 2,300 passengers per cruise

The Crown Princess will make 15 turnarounds in 2013 with an estimated 3,200 passengers per cruise

Port of Galveston 2013 Revenues From Parking Operations

Year	Parking Revenue					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	2,910,778	3,132,854	3,208,581	3,307,542	4,202,922	4,478,093
Percentage Change		8%	2%	3%	27%	7%

Parking Revenues are projected to increase due to

- 1. Increase in passenger traffic through the Port**

- 2. Enhancements to marketing of Port Parking**



**Port of Galveston --
Perfect Gulf Coast Port**

12 miles to open seas

Proximity to Strand and other Galveston attractions

Within Driving Distance to Major Population Centers containing in excess of 25M people

Port of Galveston 2013 Revenues From Parking Operations

Year	Vehicles Parked					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Vehicles Parked	68,230	53,162	58,378	59,466	74,720	79,875
Percentage Change		-22%	10%	2%	26%	7%

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

Taking steps to increase on-line reservations reducing the number of cash transactions in the parking lots



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 2013 Dockage Revenues

Year	Dockage					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	5,926,759	5,451,920	7,084,880	6,580,882	5,171,709	5,255,187
Percentage Change		-8%	30%	-7%	-21%	2%

Dockage is projected to remain flat in 2013. Grain shipments are expected to increase beginning 2nd quarter from 20 year lows projected for 1st quarter 2013.

Other cargos are expected to remain flat to slightly lower.

2013 budget includes a planned 3% increase in dockage tariff rate



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 2013 Ship Services Revenue

Ship Services Revenue						
Year	2008	2009	2010	2011	2012	2013
Revenue	1,646,860	1,474,313	1,703,452	2,064,344	2,214,845	2,920,350
Percentage Change		-10%	16%	21%	7%	32%

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

32% increase in 2013 is due to services to be provided to Disney and Princess Cruise Lines.

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 2013 – Revenue Producing Services

Revenue Producing Services						
Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue	498,900	371,812	349,995	467,740	229,062	114,280
Percentage Change		-25%	-6%	34%	-51%	-25%

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

Decrease in 2013 due to the change in Carnival Operating Agreement and lower water demands from the Cruise Ships and fewer grain ships



2013 Revenue Producing Services

Utilities
\$76,500

Scrap Sales
\$19,200

Permits & Fees
\$2,500

FTZ Fees
\$16,080

Port of Galveston 2013 – Rental Revenue

Year	Rentals					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	5,799,238	4,365,053	4,703,380	5,098,394	4,790,054	4,848,052
Percentage Change		-25%	8%	8%	-6%	1%

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 included. This amount is offset by Rental Expense located in Other Operating Expenses



Major Sources of Rental Income

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

Port of Galveston 2013 Security Cost Recovery

Security Cost Recovery						
Year	2008	2009	2010	2011	2012	2013
Revenue	584,578	550,516	711,322	764,705	569,942	597,386
Percentage Change		-6%	29%	8%	-25%	5%

Security Cost Recovery is a surcharge placed on Dockage and Wharfage per the published Tariff

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

Increase is directly related to Dockage and Wharfage activity



Actions taken

Control Access to Facilities

Upgrade and Maintenance of Port Security System

Increased Police Presence

Training of Port Staff

Port of Galveston 2013 – Other Operating Income

Year	Other Income					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	135,116	100,074	118,885	122,358	264,254	195,280
Percentage Change		-26%	19%	3%	116%	-26%

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

2012 revenue includes one time revenue of \$66K for services provided during the Fort Worth Commissioning. Once these revenues are removed there is a 2% decrease in other operating income.



Terminal Access Fees are tariff based fees.

The bulk of these fees are from privately owned parking lots which drop off and pick up customers at the cruise terminals.

**Port of Galveston 2013 –
Operating Expenses**

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



**Total Operating
Expenditures
are \$25.1M**

**Salaries and
Benefits
\$8.1M**

**Contract Labor
\$0.7M**

**Repairs and
Maintenance
\$1.1M**

**General and
Administrative
\$2.3M**

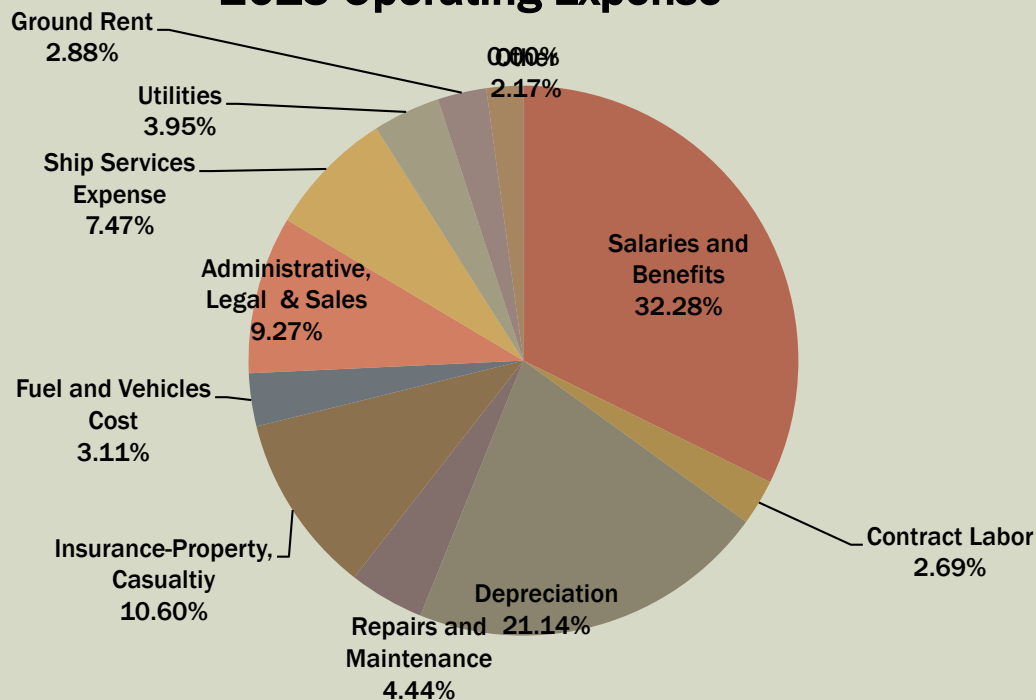
**Insurance
\$2.7M**

**Depreciation
\$5.3M**

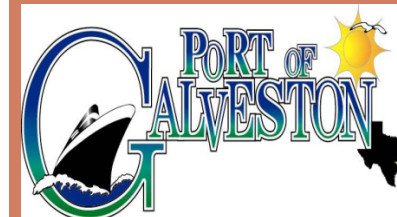
**Other Expenses
\$4.9M**

Port of Galveston 2013 – Operating Expenses

2013 Operating Expense



**2013 Budgeted Operating Expenses
are \$25.1M**



**Total Operating
Expenditures
are \$25.1M**

**Salaries and
Benefits
\$8.1M**
**Contract Labor
\$0.7M**
**Repairs and
Maintenance
\$1.1M**
**General and
Administrative
\$2.3M**
**Insurance
\$2.7M**
**Depreciation
\$5.3M**
**Other Expenses
\$4.9M**

**Port of Galveston 2013 –
Labor and Related Cost**

Year	Salaries & Benefits					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	6,269,123	6,552,001	7,208,746	7,615,177	8,040,443	8,099,857
Percentage Change		5%	10%	6%	6%	1%

The 2013 Budget includes 90 full time and 11 part time employees

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

**OUR
EMPLOYEES
ARE OUR
GREATEST
ASSETS**

2013 Employees

**Police and Security
Employees
40FT 7PT
47**

**Maintenance Employees
19FT
19**

**Engineering
5FT 2PT
7**

**Operations and Cruise
Terminal
4FT
4**

**General and Administrative
22FT 2PT
24**

**Port of Galveston 2013 –
Labor and Related Cost**

Proposed Increases:

No Cost of Living increase at this time. Management will monitor revenue and other factors possibly bringing a midyear recommendation for a salary adjustment to the Board.

Overtime costs were adjusted to better match expected overtime directly related to additional ships during winter cruise and holiday season.

**OUR
EMPLOYEES
ARE OUR
GREATEST
ASSETS**

Salaries \$5.4M

**Health Benefits
\$1.6M**

**Pension
\$0.7M**

**Employer Paid
Employment
Taxes
\$0.4M**

Port of Galveston 2013 – Repairs and Maintenance

Repairs and Maintenance						
Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	1,270,965	1,335,331	1,661,059	1,050,715	1,159,940	1,112,966
Percentage Change		5%	24%	-37%	10%	-4%

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.



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 2013 – Insurance – Property & Casualty

Insurance						
Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	1,466,746	2,466,515	2,613,227	2,395,266	2,397,361	2,658,970
Percentage Change		68%	6%	-8%	0%	11%

2012 Property and Casualty insurance rates are predicted to increase 10% in 2013



**Post Ike
Insurance
increased
substantially**

**Port of Galveston 2013 –
Payment in Lieu of Taxes (PILOT)**

Payment in Lieu of Taxes (PILOT)						
Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	182,000	182,000	182,000	182,000	188,000	188,000
Percentage Change		0%	0%	0%	0%	0%

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 on the City tax rolls.

With the acquisition of the SMP Garage the PILOT increased approximately \$6,000 annually.



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
\$6,000**

Port of Galveston 2013 – Depreciation

Year	Depreciation					
	2008	2009	2010	2011	2012	2013
Revenue	3,500,057	3,942,434	4,212,567	4,112,167	4,973,035	5,304,662
Percentage Change		13%	7%	-2%	21%	7%

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 191%



Increase in Net Property and Facilities

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

Port of Galveston 2013 – Office and Sales Expense

Office and Sales Expense						
Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	2,774,130	3,195,543	2,595,201	2,550,479	2,287,122	2,327,045
Percentage Change		15%	-19%	-2%	-10%	2%

Office and Sales Cost include:

	<u>2013 Budget</u>	<u>2012 9&3</u>	<u>Increase/(Decrease)</u>	
Sales and Marketing	\$ 313,370	327,885	(14,515)	(4%)
Professional Services	\$ 689,450	1,085,621	(396,171)	(36%)
Rent Expense	\$ 805,800	404,934	400,866	99%
Office Supplies and Other	\$ 171,114	175,802	(\$4,688)	(3%)
Credit Card Fees	\$ 106,027	90,668	15,359	17%
Dues, Licenses, Training	\$ 117,684	91,554	26,130	29%
Travel	\$ 90,000	77,169	12,831	17%
Other	\$ 33,600	33,490	110	0.3%
Total	\$ 2,327,045	\$2,287,122	\$39,922	2%

When compared to the 2012 budget, the 2013 budget for Office and Sales decreased \$646K from \$2.97M to \$2.33M.



**Compare 2013
budget to 2012 9&3**

Increased expenses:
Rent Expense due to 2012 waiver from BNSF - Parking Lot A
Credit Card Fees increase in credit card receipts
Training and Travel planned essential 2013 training and travel – varies by annual requirements

Decreased Expenses:
 Professional Services 2012 contained Martin Associates Study, record retention , and allowance for planned litigation

**Port of Galveston 2013 –
Office and Sales Expense**

**2013 Budget compared to 2012 Approved Budget
Decrease in Office and Sales Expense**

Direct Sales Expense decreased \$30K to \$313,370 due to a reduction in budgeted advertising.

Professional Services decreased \$690K to \$689,450 due to \$360K reduction in Legal Fees (one time litigation fees in 2012) \$120K for record retention remediation and training which occurred in 2012 and \$95K for Martin and Associates valuation study, and compensation and benefit study.

Office Supply and Other cost decreased by \$52k to \$171,114. This decrease is in line with actual cost incurred in 2012.

Travel decreased \$40K and is restricted to essential travel related to sales and training only.



The Board directed Staff to develop a detailed marketing plan To do so Staff budgeted to enlist the aid of a professional marketing firm in 2013

**Port of Galveston 2013 –
Office and Sales Expense**

2013 Budget compared to 2012 Approved Budget

Increase in Office and Sales Expense

Rent Expense increased by \$22.8K to \$805,800.

Credit Card Fees increased by \$29.2K to \$106,027 driven by increased usage of credit cards by parking patrons. We anticipate bidding the merchant services for processing credit cards in 2013.

Dues, Licenses, Training and Memberships are driven by annual required training and association dues. 2013 increased by \$18k to \$117,684.



**Travel includes
Essential Travel
Only:**

**Required
Training**

Sales

**Selected Trade
Shows**

**Governmental
Affairs**

**Other Revenue
Generating Port
Related
Business**

Port of Galveston 2013 – Other Income – Non-Operating

Year	Other Income					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	1,449,830	811,528	843,476	509,735	131,956	132,036
Percentage Change		-44%	4%	-40%	-74%	0.1%

In years prior to 2013, Other Income included Security Cost Recovery revenue, and other revenues now classified as Operating Revenue.

Included in the 2013 Other Income is Interest Income and finance charges.



Interest Rates
on Deposits
remain at an all
time low.

**Port of Galveston 2013 –
Interest and Other Expense – Non-Operating**

Year	Interest and Other Expenses					
	2008	2009	2010	2011	2012	2013
Revenue	3,494,997	3,850,735	3,353,966	3,200,985	2,749,091	2,527,645
Percentage Change		10%	-13%	-5%	-14%	-8%

Interest and Other Expenses consist of interest on debt and gain/loss on retirement of assets. As debt service declines, the related interest cost declines.

Outstanding Debt as of December 31, 2013 consists of

2004 Series Certificates of Obligation (Refunded)

2011 Series Revenue Bonds

FMT note on Cruise Terminal 1 Gangway

Community Disaster Loan



**Debt
Milestones**

The note issued to Carnival for Cruise Terminal 1 were retired in December 2012.

We anticipated that the 2004 Series CO's will be refinanced in January 2013.

Port of Galveston 2013 – 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.

Each of these 2013 requests will be assigned a specific project identification for tracking purposes while identified on the master project sheet collectively.

2013 R&R request total \$1,318,790 comprised of Primary items totaling \$915,990; Secondary items which will receive funding if funds are available \$86,800 and those items which we will notify the Board prior to actions totaling \$316,000.

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 may include selected items which may be expensed.

**Port of Galveston 2013 –
Annual Renewal and Replacement Schedule**

2013 R&R request total \$1,318,790

Major Category	
Safety Equipment	\$15,000
Haz-Mat Disposal	\$5,000
Utility Projects (Water)	\$26,000
Equipment Acquisition	\$172,200
Great Plains Upgrade	\$150,000
Other Projects	\$847,000
Computer Hardware and Operating System Upgrades	<u>\$104,790 Total</u>
	<u>\$1,318,790</u>



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.

■ End #34

