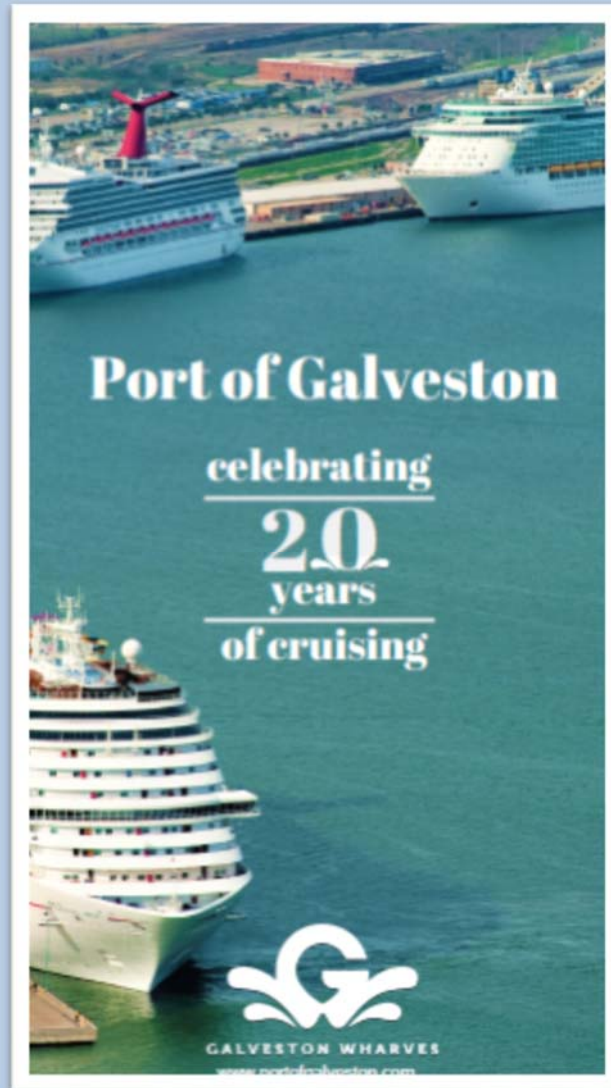


2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



**The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston, Texas
Comprehensive Annual Financial Report
for the Year Ending December 31, 2019**

PORT OF GALVESTON
Galveston, Texas



GALVESTON WHARVES

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year Ending December 31, 2019

Prepared by the Department of Finance Under the
Direction of the CFO and the Senior Financial Staff

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Directory of Officials

2019 Board of Trustees, Port Director/CEO and CFO of the Galveston Wharves

ALBERT P. SHANNON CHAIRMAN	LEIGH ELIZABETH BEETON VICE CHAIRMAN	DR. CRAIG BROWN TRUSTEE
		
RICHARD DEVRIES TRUSTEE	HARRY D. MAXWELL JR. TRUSTEE	E.L. "TED" O'ROURKE TRUSTEE
		
TODD P. SULLIVAN TRUSTEE	RODGER REES PORT DIRECTOR / CEO	MARK MURCHISON CFO
		

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Directory of Officials (continued)

Comprehensive Annual Financial Report For the Year Ending December 31, 2019

BOARD OF TRUSTEES

Albert P. Shannon, Chairman
Leigh Elizabeth Beeton, Vice Chairman
Dr. Craig Brown, Trustee
Richard DeVries, Trustee
Harry D. Maxwell Jr., Trustee
E.L. "Ted" O'Rourke, Trustee
Todd P. Sullivan, Trustee

OFFICERS AND EXECUTIVE STAFF

Rodger Rees, Port Director / CEO
Angie Ramirez, Executive Assistant – Board of Trustees/Port Director
Mark R. Murchison, Chief Financial Officer
Brett Milutin, Director of Port Operations
Laura Camcioglu, Director of Administration
Kenneth Campbell, Director of Safety and Security
William Dell, Director of Cruise Operations
Cristina Galego, Public Relations Manager

GENERAL COUNSEL

McLeod, Alexander, Powel & Apffel, P.C.

BOND COUNSEL

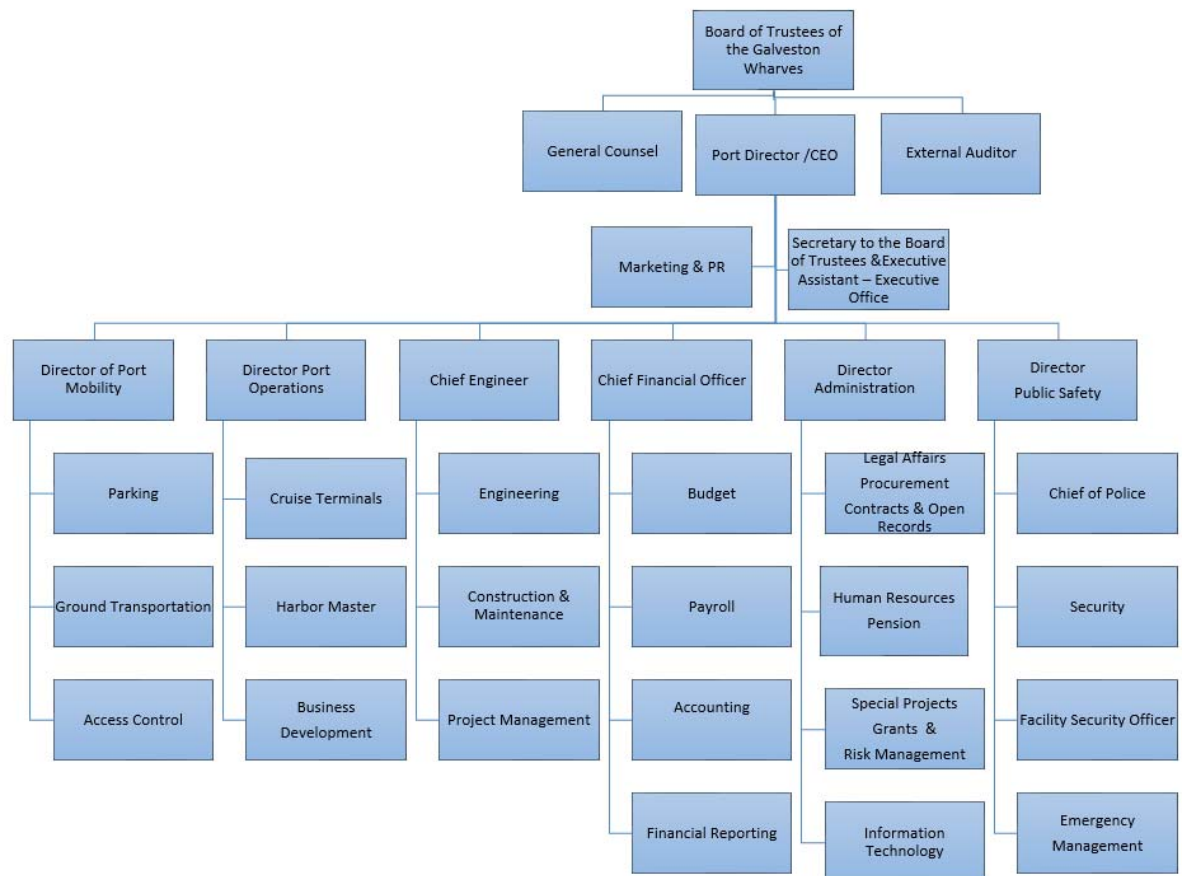
Bracewell & Giuliani, L.L.P.

AUDITORS

RSM US LLP

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Organization Chart



2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Port Contact Information

Port of Galveston
123 25th Street, 8th Floor
Galveston, Texas 77550

Telephone: 409-765-9321

Telefax: 409-766-6109

Website: www.portofgalveston.com

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GALVESTON WHARVES

- 123 Rosenberg Avenue 8th Floor, Galveston, Texas 77550
- Galveston (409) 765-9321 • Houston (281) 286-2484
- Fax (409) 766-6171 • Website: <http://www.portofgalveston.com>

BOARD OF TRUSTEES OF THE GALVESTON WHARVES

Albert P. Shannon, Chairman
Leigh Elizabeth Beeton, Vice
Chairman

Dr. Craig Brown, Trustee
Richard DeVries, Trustee
Harry D. Maxwell, Jr., Trustee
E. L. "Ted" O'Rourke, Trustee
Todd P. Sullivan, Trustee

PORT DIRECTOR/CEO
Rodger Rees

Letter of Transmittal

May 26, 2020
Board of Trustees of the Galveston Wharves
Galveston, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Board of Trustees of the Galveston Wharves for the year ended December 31, 2019. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Port of Galveston. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Port of Galveston. All disclosures necessary to enable the reader to gain an understanding of the Port of Galveston's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Independent Auditors selected by the Board of Trustees have audited the financial statements for the year ended December 31, 2019. The Independent Auditors' report is included in front of the financial section of this report.

The audit was designed to meet the requirements of generally accepted auditing standards. When the Port of Galveston meets the requirements of the Federal Single Audit Act of 1984 and related Uniform Guidance, the audit is designed to also meet these requirements. The Port did not meet these requirements in 2019, and therefore, an independent report related to the Single Audit Act is not available for 2019.

A copy of the Independent Auditor's reports may be obtained by contacting the CFO, 123 Rosenberg Avenue, 8th Floor, Galveston TX 77550. An electronic copy of this report will be posted to the Port's website at www.portofgalveston.com within 15 days of acceptance of the report by the Board of Trustees of the Galveston Wharves.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with this letter.

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Profile of the Government

The Galveston Wharves (Port of Galveston or Port) was created by City Ordinance in 1940 as a separate utility of the City of Galveston to manage, maintain, operate and control all existing port properties and all additions, improvements, or extensions to such properties. The Port operates as an enterprise organization under the direction of a Board of Trustees appointed by the Galveston City Council. An enterprise fund is used to account for activity in which the cost of providing goods and services are primarily recovered through the fees charged to the users of such goods and services. All Port of Galveston properties are located within the limits of the City of Galveston, Texas.

The Galveston City Council created the Galveston Port Facilities Corporation (GPFC) in 2002 for use as a financing vehicle for expansion and renovation of Port facilities. A detailed explanation of the GPFC is given in Note 1 to the 2019 Financial Statements which are included in the Financial Section of the CAFR.

This report includes all activities of the Port of Galveston and its blended component unit, the GPFC.

The Port is a separate utility so designated by provision of the City Charter (the Charter). The Charter provides that all city-owned wharf and terminal properties, and all income and revenue there from, is to be set aside and controlled, maintained and operated by a "Board of Trustees of the Galveston Wharves." One member of the Board of Trustees is an ex-officio representative of the City Council and is elected by the Council from its own membership for a term contemporaneous with the term of the Council electing such member. The Council appoints the remaining six members of the Board of Trustees. The Charter provides that the Board of Trustees shall have those powers which are necessary or proper to the discharge of its responsibilities including, but not limited to, the employment of a general manager for the Port and such subordinate officers and employees as may be required for the proper conduct of the business of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and, in general, the complete management and control of the Port and the income and revenues, thereof, subject only to the special limitations provided in the Charter.

Situated on Galveston Island two miles off the Texas coast on the Gulf of Mexico and approximately 50 miles south of Houston, the Port of Galveston is Texas' oldest port. Galveston was used for shipping as long ago as 1820, and on October 17, 1825 became a provisional port and customs entry port by Act of Congress in Mexico.

Galveston Island is connected to the Texas mainland by two vehicular causeways and a railroad bridge on the northwest side of the island, a third highway bridge to the Texas mainland across the San Luis Pass at the southwestern tip of the island, and, at the eastern tip of the island, an excellent free state highway ferry service to Bolivar Peninsula with mainland connections to the northeast.

The Port's facilities, located at the entrance to Galveston Bay, constitute a large portion of the greater port complex that surrounds Galveston Harbor. This complex is situated on the north side of the island city with property and facilities also located on adjacent Pelican Island. The Gulf Intracoastal Waterway (ICW) runs alongside the Port of Galveston. The 45 foot deep Galveston Channel provides deep water access to the open Gulf. The Galveston Channel includes two turning basins with 45 feet depth and widths up to 1,400 feet. Galveston port facilities are situated 9.3 miles from the open sea.

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Budgetary Process

During the fourth quarter of each year, the Board of Trustees adopts an annual budget for the period beginning January 1 through December 31 of the following year. This budget is based on the Port's recommended tariff rates, projected revenues, operating expenses, debt service and capital improvement plans.

Results of operations are reviewed monthly by an operational and functional management team who is held responsible for the results. The actual vs. budgetary results are reported monthly to the Trustees of the Port of Galveston, which also holds management accountable for actual results. Through management reporting, the Port is promulgating sound financial and management practices.

Local Economic Condition and Outlook

2019 was a momentous year for the Port of Galveston – one in which several major milestones were achieved.

Record Revenues and Profits

The Port of Galveston closed out the year with record revenue of \$51.5 million, up from \$43.5 million in 2018. The Port had 1,023 paid ship calls in 2019, which was 21.8% over the 840 paid ship calls in 2018.

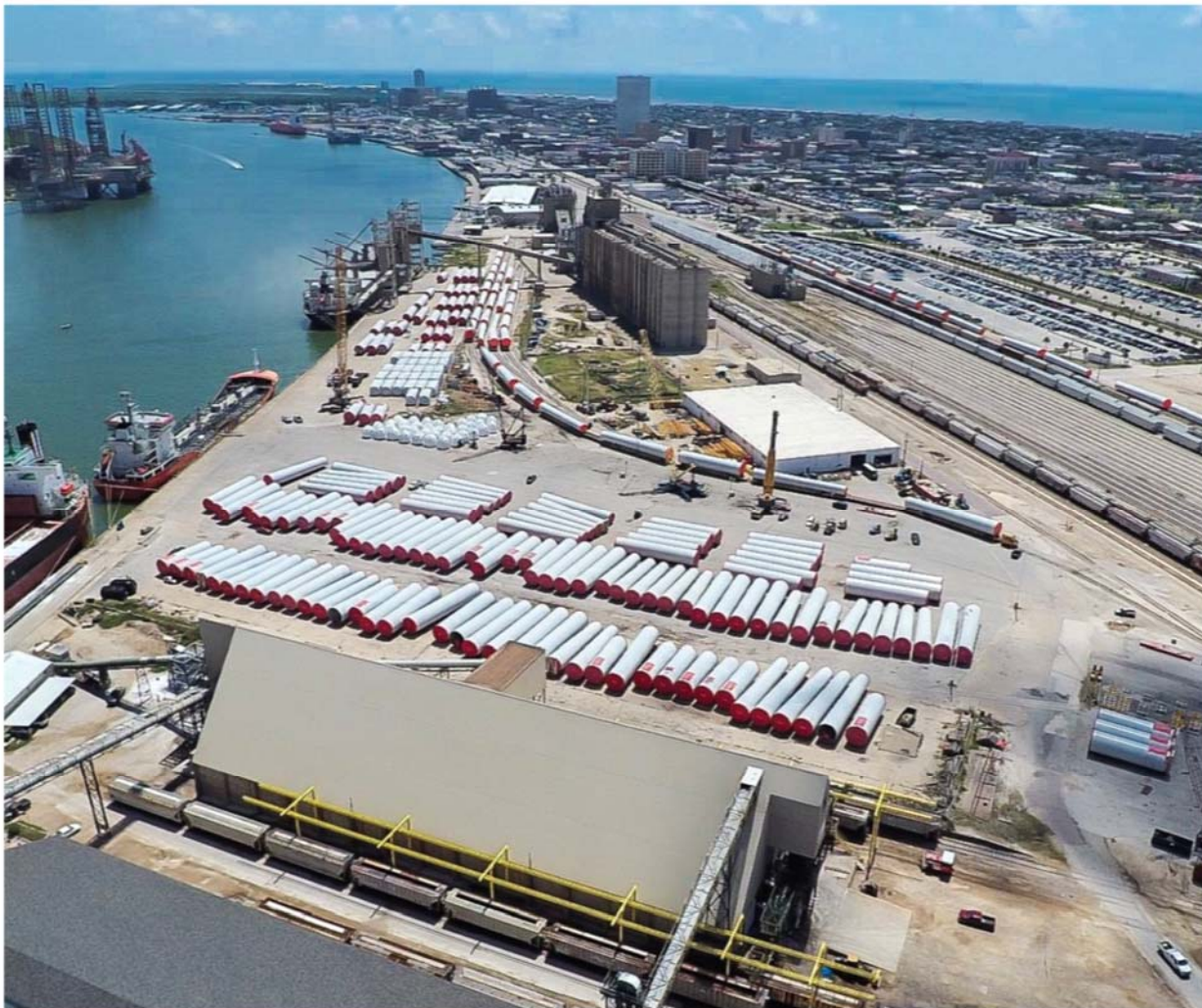
By focusing on growing revenues and cutting expenses, the Port of Galveston increased net income by 56.8% from \$7.0M in 2018 to \$11.1M in 2019. As a self-supporting enterprise, the Port does not rely on any local tax dollars for operations, and thus must generate income to reinvest in much-needed waterfront improvements to grow the Port's business, support the growth of local jobs and boost the local economy. This is done by operating as a landlord port that facilitates the movement of a diverse mix of domestic and international cargoes through Port facilities and property totaling approximately 850 acres on Galveston Island and the adjacent Pelican Island.

Cargo Growth

One of the top 50 ports in the nation and one of the busiest in Texas, the Port moved 4.0 million tons of cargo in 2019. The Port handled 163,724 short tons of wind and general cargo in 2019, which was up 41.1% from the 116,055 short tons handled in 2018. This includes 74m (242 ft.) Vestas blades in 2019, which is the largest amount ever handled at the Port of Galveston. Following is a chart showing 2019 short tons by major product line.

2019 Short Tons By Major Product Line		
Product Line	2019	% of Total
Bulk Grain	647,328	16.1%
Bulk Fertilizer	540,096	13.4%
Liquid Bulk	1,574,339	39.2%
Bananas and Other Fruit	568,860	14.2%
Roll On Roll Off (includes BMW Vehicle Processing Center)	523,491	13.0%
Wind and General Cargoes	163,724	4.1%
Total	4,017,838	

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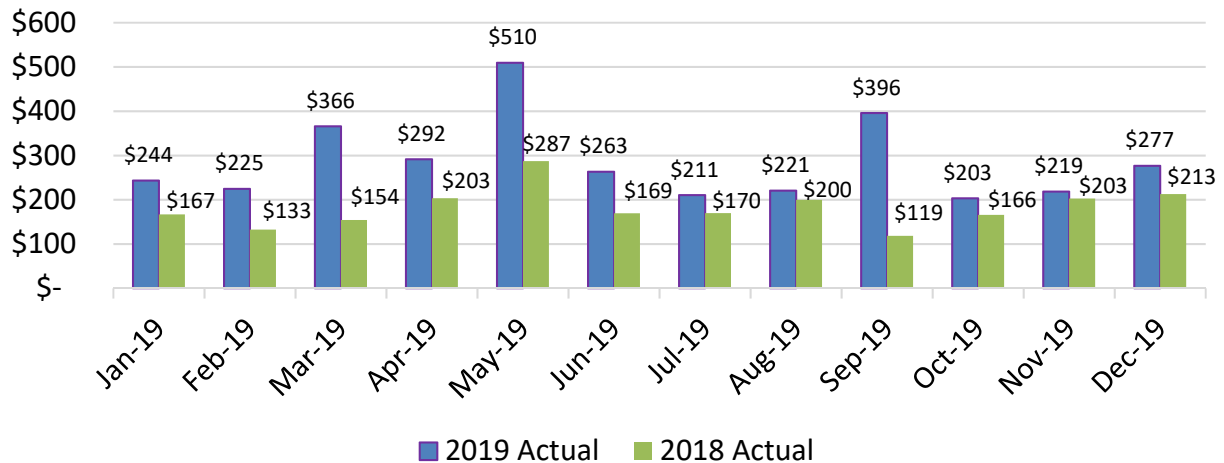


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Lay Growth

Vessels lay-up at the Port of Galveston for a variety of reasons including obtaining vessel repairs and maintenance, gathering stores, and obtaining inspections. A record-setting 377 lay vessels called at the Port of Galveston in 2019 compared with 248 in 2018, or an increase of 52%, driving lay dockage revenue up from \$2.2 million in 2018 to \$3.4 million in 2019. Following is a graph of monthly lay dockage revenues for 2019 and 2018.

Monthly through December, 2019
(in thousands)



Cruise Growth

As the Port of Galveston marked its 20th year as a cruise homeport, cruise business was stronger than ever. The fourth most popular cruise port in North America, the Port of Galveston welcomed its 1 millionth cruise passenger, which is a record and 2.2 million cruise passenger movements in 2019.

The Cruise Industry has a significant influence on the State of Texas, the local economies and the Port of Galveston. Cruise Lines International Association (CLIA) published a report in August of 2019 entitled "Contribution of the International Cruise Industry to the U.S. Economy in 2018" prepared by Business Research & Economic Advisors. Regarding embarkations, the report stated that Galveston is one of the few ports in the country that has seen an increase in each of the two-year periods since 2010 combining for total growth of 126% over that time frame, including a 13% increase from 2016 to 2018. The report further states that Texas cruise related visits produce an estimated \$115 million in passenger and crew onshore spending.



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The following chart from the 2018 CLIA report shows increased cruise operations in Galveston drove a \$1.51 billion (6.2%) increase in cruise industry direct expenditures in 2018. Thus, the Galveston cruise industry represents 6.3% of the direct expenditures generated by the cruise industry in the United States. Direct expenditures of the Galveston cruise industry generated 26,241 jobs and \$1.75 billion in income through the Texas economy during 2018. These impacts accounted for 6.2% of national employment impact and 7.6% of the national wage impact.

Texas		Share of the U.S.
Passenger Embarkations	985,000	7.8%
Resident Cruise Passengers	1,198,000	9.2%
Total Passenger Visits & Crew Arrivals	1,404,000	5.2%
Direct Expenditures (\$ Millions)	\$ 1,511	6.3%
Total Employment Impact	26,241	6.2%
Total Wage Impact (\$ Millions)	\$ 1,749	7.6%

Source: Cruise Lines International Association and Business Research and Economic Advisors

City of Galveston Local Impact

Tourism Economics prepared a report for the Galveston Island Convention & Visitor's Bureau entitled "The Economic Impact of Tourism on Galveston Island, Texas – 2018 Analysis." One of the key trends in 2018 according to this study was that cruise visitors made a significant contribution to the growth of island visitors, accounting for nearly a third of the annual volume growth. Cruise visitors grew from 459 thousand in 2011 to 985 thousand in 2018, representing 114.6% growth over 7 years or an average of 16.4% per year. Total visitors to the island grew from 5,437 thousand in 2011 to 7,190 thousand in 2018, representing growth of 32.2% over 7 years, or an average of 4.6% per year.

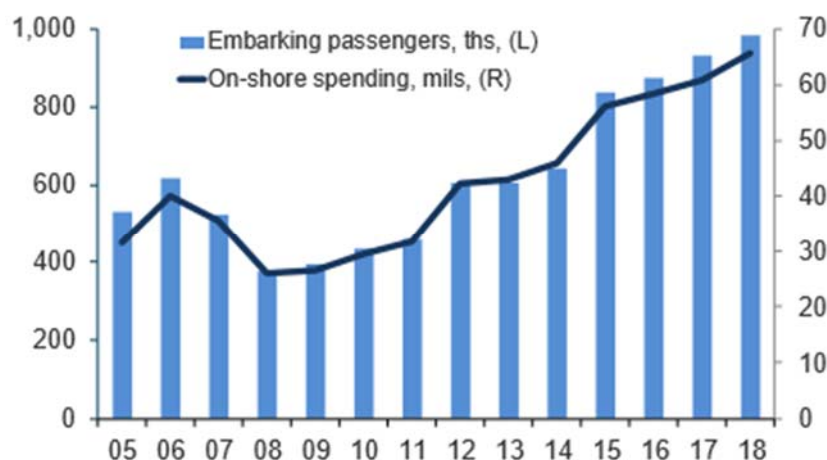
Visitor Volume Trends								
	Thousands							
	2011	2012	2013	2014	2015	2016	2017	2018
Cruise Passengers	459	604	605	642	837	877	934	985
% change	16.4	31.5	0.1	6.1	30.5	4.7	6.5	5.5
Total Visitors	5,437	5,697	5,823	6,026	6,409	6,466	6,998	7,190
% change	20.6	4.8	2.2	3.5	6.4	0.9	8.2	2.7

Sources: Port of Galveston, Tourism Economics

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Tourism Economics study states that cruise activity generated \$65.7 million in passenger on-shore spending and another \$19.3 million in local services provided at the port in 2018.

Cruise Passengers and On-Shore Spending



Sources: Port of Galveston, CLIA, Tourism Economics

Since 2011, the Port has made direct payments in excess of \$62.2 million to vendors located within the City of Galveston. This is an average annual expenditure of \$6.9 million local spend over the past nine years. Removing non-operating payments like insurances, notes and bonds, 31% of the Port's 2019 annual expenditures were paid to local vendors, which is up from 25% in 2018. Additionally, the Port operates cruise parking lots subject to sales tax through which the local government receives 2% of parking revenues, or \$161 thousand in 2019.

Royal Caribbean Agreement for a Third Cruise Terminal

The Port of Galveston and Royal Caribbean signed an agreement in 2019 for the cruise line to invest in excess of \$100 million in a third cruise terminal at Pier 10 in Galveston. The new Royal Caribbean terminal will be LEED (Leadership in Energy and Environmental Design) certified. LEED is a globally recognized set of green building standards.



Strategic Master Planning and Long-Term Funding

The Board of Trustees of the Galveston Wharves adopted a 20-year strategic master plan with the assistance of Bermello Ajamil & Partners, Inc., to guide Port growth. Based on one and one-half years of research, including meetings with stakeholders and the public, this comprehensive business-driven road map will guide the Port in making business decisions, identifying opportunities and prioritizing capital improvement projects. The strategic master plan will be updated regularly as market demand, business strategies, and funding sources evolve.

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Port received approval of various Federal Port Security Grants and notification of funding for Port infrastructure improvements from the Texas Department of Transportation in 2019. The Port will continue to pursue Federal Port Security Grants, Texas Department of Transportation funding, and local Industrial Development Corporation grants (4B Sales Tax). These grants range from 100% funding of specific projects to projects with a 25% or more Port cost share. Generally, the grants received by the Port are 25% Port cost share consisting of in-kind or actual percentage cash contribution. Additionally, the Port continues to actively pursue public-private financing opportunities to fund improvements and additions to its facilities. Plans for financing future facilities include replacing or increasing bond indebtedness as existing issues are retired and as increased cash flow from operations permits.

A July 2019 study commissioned by the Port of Galveston in conjunction with the Strategic Master Plan performed by Martin Associates entitled "The Economic Impacts of Marine Cargo at the Port of Galveston, 2018" found that the Port generated 10,465 jobs, total personal income of \$745.72 million, revenue/economic output of \$1,573.88 million, and state and local taxes of \$56.67 million.

The Economic Impacts of Marine Cargo at the Port of Galveston - Martin Associates

Summary of the Local and Regional Economic Impacts Generated
By the Port of Galveston

PORT OF GALVESTON	
JOBS	
Direct	2,577
Induced	3,347
Indirect	1,447
Related Users	<u>3,094</u>
TOTAL JOBS	10,465
PERSONAL INCOME (\$ Millions)	
Direct	\$146.59
Re-Spending/Local Consumption	\$397.47
Indirect	\$70.68
Related User Income	<u>\$130.97</u>
TOTAL PERSONAL INCOME	\$745.72
REVENUE/ECONOMIC OUTPUT (\$ Millions)	
Direct Business Revenue	\$556.63
Local Purchases	\$126.45
Related Users Output	<u>\$890.80</u>
TOTAL REVENUE	\$1,573.88
STATE AND LOCAL TAXES (\$ Millions)	
Direct	\$11.14
Re-Spending/Local Consumption	\$30.21
Indirect	\$5.37
Related User Taxes	<u>\$9.95</u>
TOTAL TAXES	\$56.67

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Green Marine Initiative

The Port of Galveston joined Green Marine in 2019 – a voluntary environmental certification program from the North American marine industry. Participants include ship owners, ports, terminals, and shipyards based in the United States and Canada. Green Marine certification is a part of the Port's long-term commitment to continuously improve its environmental performance. If granted, the Port of Galveston would be the second Texas port to gain this certification.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Board of Trustees of the Galveston Wharves for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. This was the 26th consecutive year that the Port of Galveston has achieved this prestigious award. In order to receive a Certificate of Achievement, candidates must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Port of Galveston staff believes that the 2019 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and the Port of Galveston will submit the report to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Board of Trustees
of the Galveston Wharves
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



2019 Comprehensive Annual Financial Report

Relevant Financial Policies

Grant proceeds are treated as contributions to capital and are not included in operating income. Capital grants and contributions are listed immediately following operating income and before contributions in the Port's Statement of Revenues, Expenses and Changes in Net Position. These items are included in the Financial Section of the Port's CAFR.

COVID-19 Statement - "A smooth sea never made a skilled sailor." – President Franklin D. Roosevelt

The Port of Galveston is fortunate to have entered this challenging period from a position of strength. With strong Board leadership and staff performance, operations were streamlined and the Port capitalized on opportunities that resulted in increased revenues and build-up of unrestricted cash reserves to over \$14 million to draw on as needed.

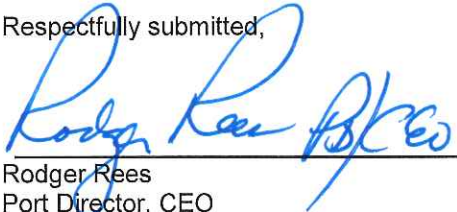
This pandemic struck just as the port was beginning to implement its first-ever 20-Year Strategic Master Plan, and the Port Board and staff remain committed to implementing priority projects identified in this detailed road map. So, while the pandemic has affected project timelines in ways we still may not fully know, the port's infrastructure needs and growth opportunities remain. By using our internal Construction and Maintenance team and seeking millions of dollars in state and federal grants, the Port will follow plans to develop these projects in a fiscally responsible manner. The Port is confident that as the fourth most popular cruise port in America, Galveston will continue to be a top cruise port when sailings resume.

Acknowledgements


The preparation of this Report could not have been accomplished in a timely manner without the dedicated efforts of the Port's staff, our management team, the Board of Trustees and other contributors. We request that you continue to assist us with your advice, efforts and loyalty.

With record-breaking 2019 revenues, strong profits, solid cash flows, a signed agreement with Royal Caribbean to build a third cruise terminal, and strategic master plan to guide the way, the Port is well positioned for new opportunities and growth.

Respectfully submitted,



Rodger Rees
Port Director, CEO



Mark R. Murchison
Chief Financial Officer

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



The Port of Galveston Celebrates 194 Years

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section



**Port of Galveston
Galveston, Texas**

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



**The Port of Galveston Breaks Ground
at Old Port Industrial Road**

Independent Auditor's Report

To the Board of Trustees
The Board of Trustees of the
Galveston Wharves

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Trustees of the Galveston Wharves (the Port), a component unit of the City of Galveston, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of December 31, 2019, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The information in these sections has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

San Antonio, Texas
May 26, 2020

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis



**Port of Galveston
Galveston, Texas**



GALVESTON WHARVES

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

Overview of the Financial Statements

The Management discussion and analysis is intended to serve as an introduction to the Board of Trustees of the Galveston Wharves' (Port of Galveston or Port) basic financial statements which consist of the following: 1) statement of net position, 2) statement of revenues, expenses and changes in net position 3) statement of cash flows and 4) notes to the financial statements. This report includes other supplementary information in addition to the basic financial statements.

The statement of net position presents as of a specific date information on the Port's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between the four being reported as net position. Increase or decrease in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Port's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement results in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The basic financial statements include not only the Port (known as primary government), but also a legally separate blended component unit, the Galveston Port Facilities Corporation. Financial information for this component unit is reported in conjunction with the primary government.

Since the Port follows enterprise fund accounting and reporting requirements, there is a statement of cash flows included as part of the basic financial statements. The accompanying notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the data provided in the statements.

The Board of Trustees of the Galveston Wharves

**Management's Discussion and Analysis
December 31, 2019**

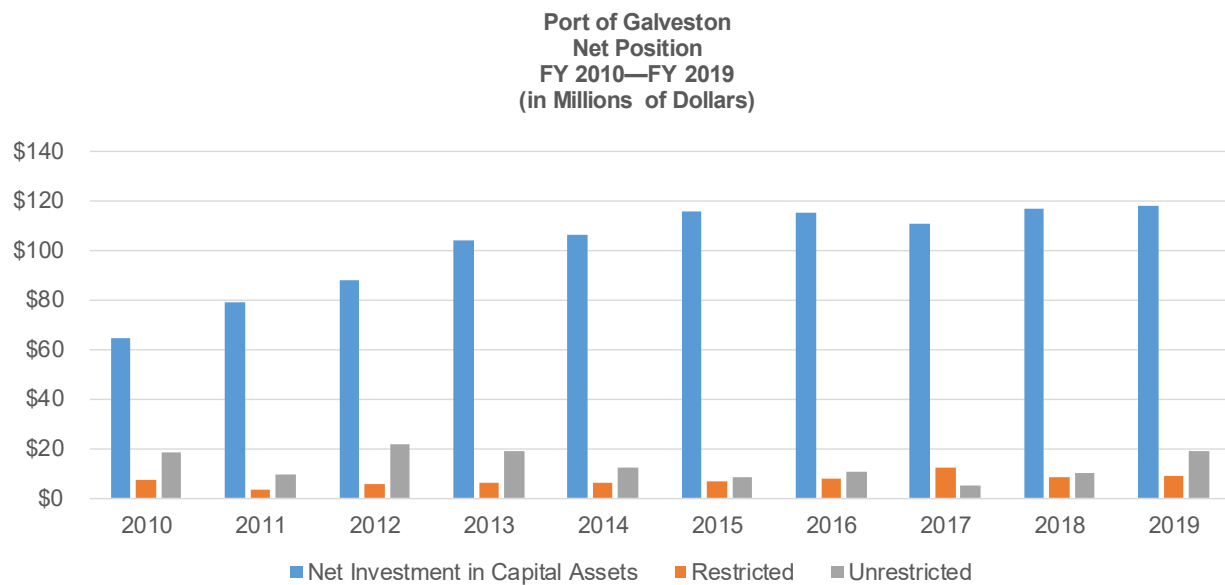
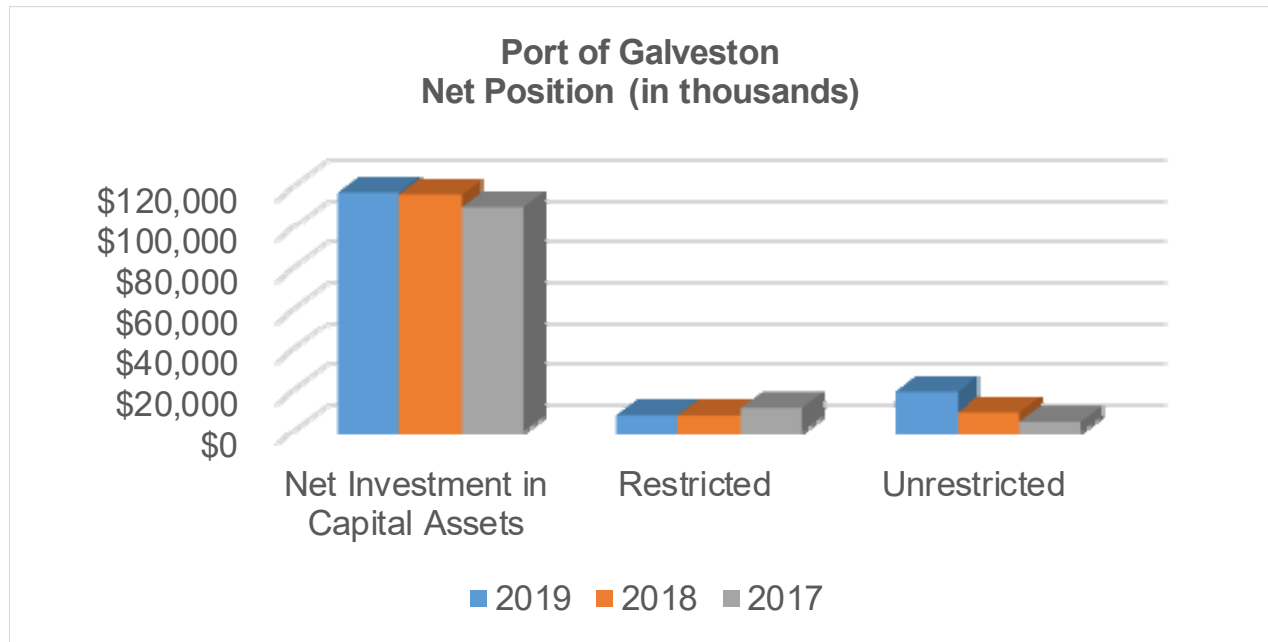
Financial Analysis of the Port as a Whole

Net position: The following financial information is derived from the Port's financial statements comparing the Port's current to prior year financial position (in 000's):

	2019	2018	Increase (Decrease) Over Prior Year
Current assets	\$ 49,211	\$ 36,831	34%
Capital assets	145,631	149,794	(3%)
Other noncurrent assets	1,261	1,460	(14%)
Total assets	196,103	188,085	4%
Deferred outflows of resources	1,177	985	19%
Current liabilities	16,992	13,659	24%
Long-term liabilities	30,433	37,223	(18%)
Net pension liability	3,907	2,442	60%
Total liabilities	51,332	53,324	(4%)
Deferred inflows of resources	-	847	(100%)
Net position:			
Net investment in capital assets	117,664	116,705	1%
Restricted	8,564	8,409	2%
Unrestricted	19,721	9,785	102%
Total net position	\$ 145,949	\$ 134,899	8%

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019



Statement of net position: The Port's combined net position increased \$11.1 million between fiscal years 2018 and 2019, to approximately \$145.9 million. Net investment in Capital Assets increased \$959 thousand to \$117.7 million. Restricted Net Position increased \$0.2 million to \$8.6 million and Unrestricted Net Position increased \$9.9 million to \$19.7 million.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

Total assets increased by \$8.0 million in 2019.

- **Current assets increased \$12.4 million.**
 - Current unrestricted cash and cash equivalents increased \$7.6 million attributable to an increased accumulation of unrestricted cash.
 - Current receivables net of allowances increased \$4.6 million. \$2.5 million relates to 2019 Royal Caribbean supplemental fees. The remaining increase relates to an additional 10 cruise ship calls (\$1.2 million) and increased cargo and lay ship calls of 19 ships over the same period last year (\$0.9 million)
 - Current prepaid accounts decreased \$0.1 million.
 - Current restricted cash, cash equivalents and investments increased \$0.3 million
- **Noncurrent assets decreased \$4.4 million**
 - Capital assets, net of depreciation, decreased \$4.2 million (see Note 4).
 - Additions to capital assets were \$2.6 million
 - Retirements from capital assets were \$0.8 million
 - Normal depreciation of capital assets totaled \$6.0 million net of retirements of \$0.4 million.
 - Net investment in direct financing lease decreased \$0.2 million.

Deferred outflows of pension and contributions increased \$0.2 million.

Total liabilities decreased by \$2.8 million in 2019.

- **Current liabilities increased \$3.3 million**
 - Trade accounts payable and other accrued expenses increased \$1.6 million largely due to normal fluctuations in timing.
 - Short-term deferred revenue increased \$0.1 million
 - Long term debt due within a year increased \$1.6 million. The major driver is the addition of Series 2014 Notes principal increase of \$1.8 million, partly offset by the pay-off of the CDL Loan decrease of \$0.2 million.
- **Long-term liabilities decreased \$5.3 million**
 - Long-term debt due in more than one year decreased \$6.7 million due to the transfer of Series 2014 Note annual debt service from long-term to short-term of \$1.8 million, and paying down Series 2004 A&B Certificates of Obligation of \$2.9 million, Series 2011 Refunding Bonds of \$1.9 million and the U.S. Army Corps of Engineers debt of \$0.1 million.
 - Long-term deferred revenues decreased \$0.2 million due to 2019 recognition of revenue and transfer to short term deferred.
 - Long-term employee paid time off increased \$0.1 million due to a change in the calculation of employee sick leave pay eligible.
 - Net pension liabilities increased \$1.5 million based on the most recent actuarial study.

Deferred inflows of resources decreased \$0.8 million based on the most recent actuarial study.

The Board of Trustees of the Galveston Wharves

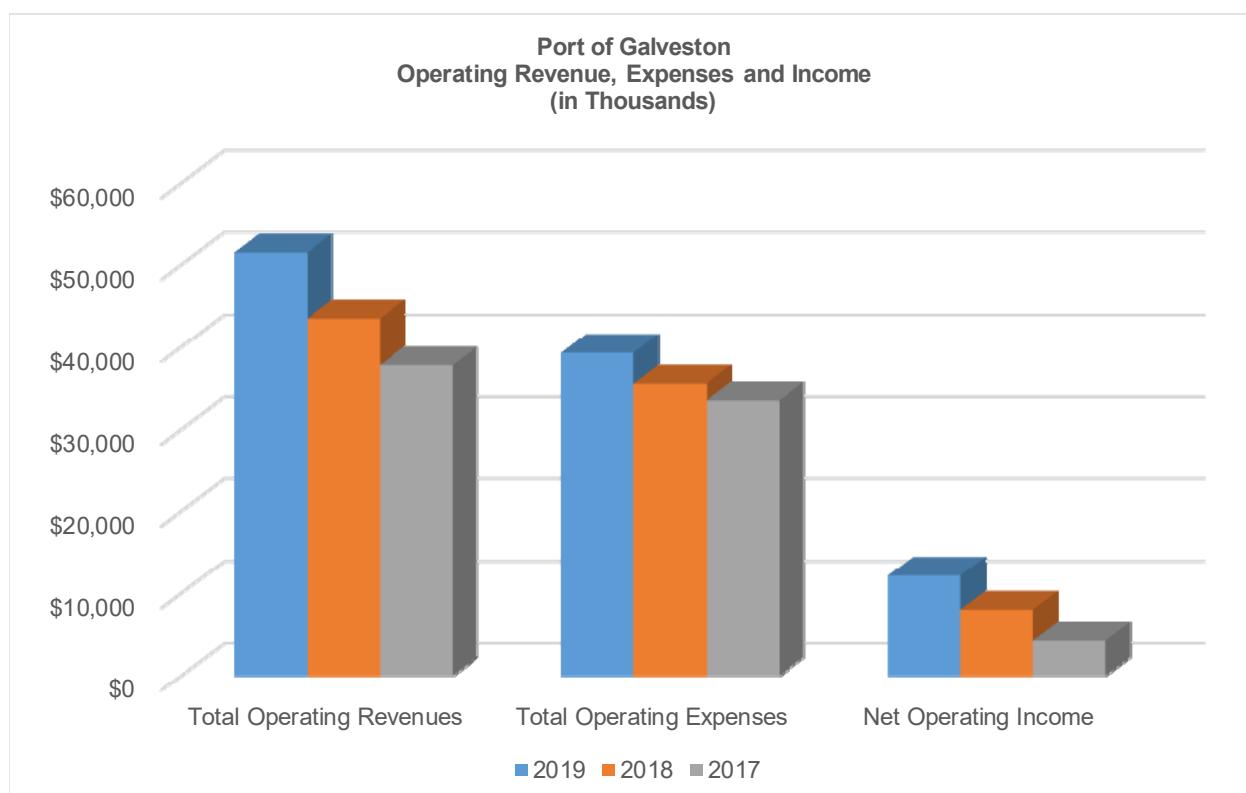
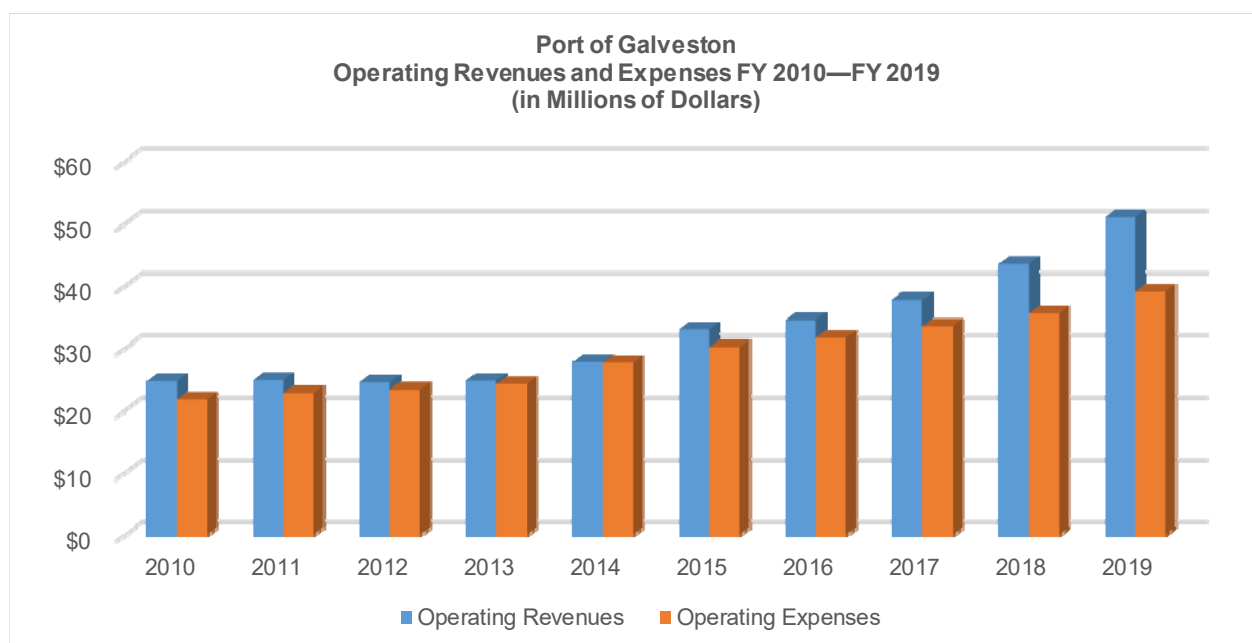
Management's Discussion and Analysis December 31, 2019

Changes in net position: The following financial information is derived from the Port's financial statements comparing the Port's current to prior year changes in financial position or net position (in 000's):

	2019	2018	Increase (Decrease) Over Prior Year
Operating revenues:			
Vessels and cargo services	\$ 34,516	\$ 28,749	20%
Building and facilities rental and fees	16,958	14,766	15%
Total operating revenues	51,474	43,515	18%
Operating expenses:			
Personnel services	9,495	8,281	15%
Maintenance and operations	15,019	12,774	18%
Sales and office	8,414	7,935	6%
Depreciation	6,371	6,547	(3%)
Total operating expenses	39,299	35,537	11%
Net operating income	12,175	7,977	53%
Nonoperating revenue (expense):			
Earnings on investment	519	281	85%
Other income	18	-	100%
Annual City payment	(189)	(189)	(0%)
U.S. Army Corps of Engineers-related expenses	-	(488)	(100%)
Hurricane-related income (expenses)	(227)	(459)	(51%)
Other expenses	(400)	-	0%
Interest expense	(1,499)	(1,743)	(14%)
Total nonoperating revenue (expenses)	(1,778)	(2,598)	(32%)
Income before capital grants and contributions	10,397	5,379	93%
Capital grants and contributions	653	1,669	(61%)
Changes in net position	11,050	7,049	57%
Beginning net position	134,899	127,850	6%
Ending net position	\$ 145,949	\$ 134,899	8%

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019



Total operating revenues increased by \$8.0 million from \$43.5 million in 2018 to \$51.5 million in 2019. Total operating expenses increased by \$3.8 million from \$35.5 million in 2018 to \$39.3 million in 2019. Net Operating income increased by \$4.2 million from \$8.0 million in 2018 to \$12.2 million in 2019.

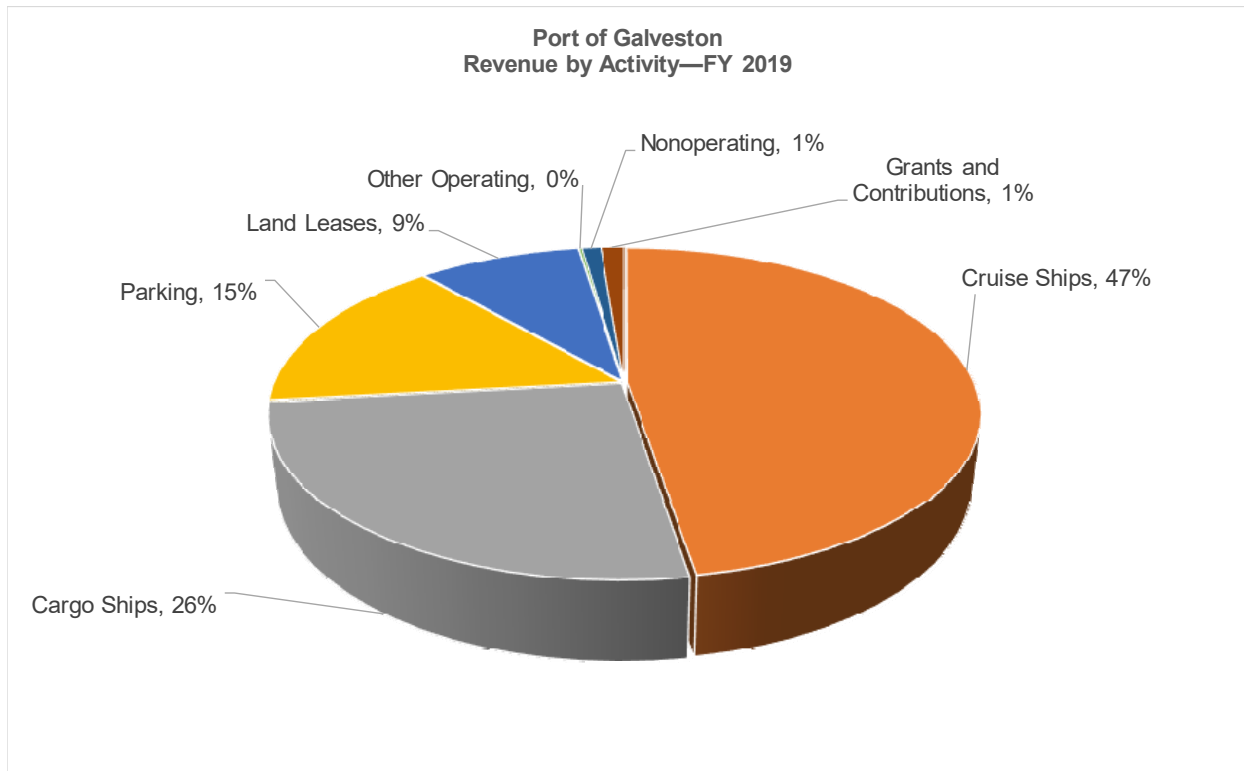
The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

- Vessels and cargo services increased 20%, or \$5.8 million, from \$28.7 million in 2018 to \$34.5 million in 2019.
 - 2019 passenger revenues increased \$3.8 million from \$12.2 million in 2018 to \$16.0 million in 2019. \$1.3 million is due to an increase in passengers of 225,415 movements related primarily to 29 additional cruise ship calls. An additional \$2.5 million is related to an increase in the Royal Caribbean tariff.
 - Dockage increased \$0.3 million or 5% largely driven by 25 additional cargo ship calls, excluding lay dockage.
 - Lay dockage increased \$1.2 million, or 57%, due to 129 additional ship calls. This increase is sustainable well into the future as shippers become aware the Port welcomes lay vessels destined for other Gulf Coast ports.
 - Wharfage decreased \$0.4 million, or 10%. Certain types of cargo saw increased short tons, including the Wind, RoRo and General Cargoes category increasing 105,436 (18%) driven predominantly by Wind. Demurrage is included in the category Wharfage. 2018 Wind-related demurrage was converted to a Real Estate Rental by leasing specific acreage for lay down area to Wind, thereby shifting \$0.5 million out of the Wharfage category to Real Estate. Additionally, tariffs placed on Bulk Grains due to ongoing international trade issues resulted in a decrease of 192,067 short tons. Decreased revenue from Grain dockage is minimized due to a Minimum Annual Guarantee (MAG).
 - Ship services increased \$0.9 million directly related to the addition of 29 cruise ship calls in 2019.
- Building, facilities rental and fees increased 15% or \$2.2 million from \$14.8 million in 2018 to \$17.0 million in 2019.
 - Parking increased \$0.5 million or 7% due to a 9% increase in number of cars parked.
 - Real estate increased \$0.9 million or 24%. \$0.5 million is due to Wind Demurrage moving from the Wharfage category into Real Estate. An additional \$0.3 million is due to increased space for Wind cargo, and the remaining \$0.1 million relates to various other product lines.
 - Rail switching increased \$0.1 million or 9%.
 - Security cost recovery increased \$0.2 million, or 18%, due to the addition of 183 cruise, cargo and lay ship calls.
 - Terminal access fees increased \$0.2 million, or 19%, due to the addition of 29 cruise ship calls.
 - Revenue producing services increased \$0.5 million or 154%. The Port put a new tariff in place in 2019, Harbor Maintenance Fees, amounting to \$0.4 million. The other \$0.1 million relates to increases in various other categories.
 - Licenses, fees and miscellaneous decreased \$0.2 million or 67%, related primarily to 2019 tipping fees being below 2018 levels.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

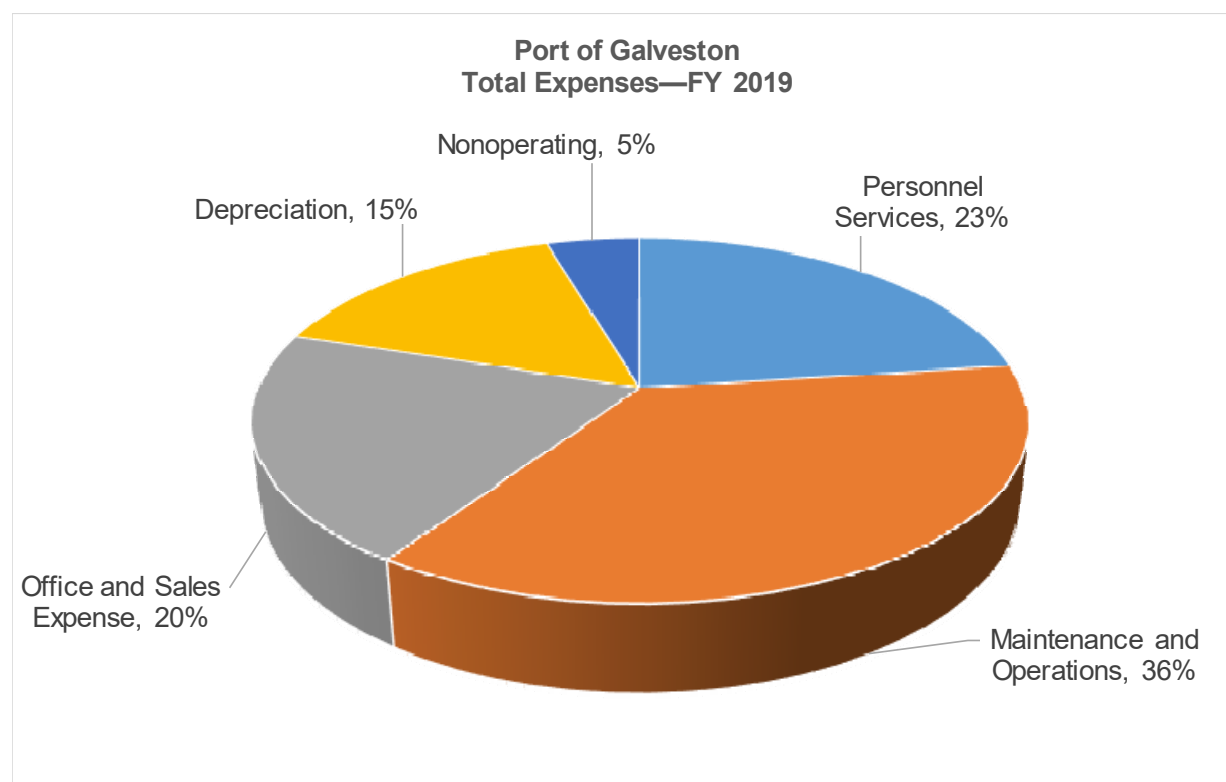


Operating expenses increased \$3.8 million, or 11%, in 2019

- Salaries and Related Expenses increased \$1.2 million, or 15%. Employee-related expenses increased by \$0.9 million due to filling positions in late 2018 and 2019 that were vacant for most of 2018. Contract Police/Security Expenses outside the cruise terminals increased by \$0.3 million due primarily to the 29 additional cruise ship calls.
- Maintenance and Operations expense increased \$2.3 million or 18%. Ship Services Expenses, including Stevedoring, Line Handling, Pilotage, Agency, Waste Disposal, Contract Security inside the cruise terminals, and Shuttle Services, increased by \$1.9 million due primarily to the 29 additional cruise ship calls. Included in this category are the Marketing and Parking Incentive Fees the Port pays to various cruise lines which due to increased passenger movements caused an increase of \$0.2 million. All other categories increased another \$0.2 million.
- Office and Sales Expense, excluding salaries and related expense, increased \$0.5 million, or 6%, of which \$0.3 million is related to property rentals associated with parking lots, and the remaining \$0.2 million is related to various other expenses.
- Depreciation expense decreased \$0.2 million, or 3%, when compared with 2018.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019



Other nonoperating revenues/expenses netted an expense increase of \$0.2 million or 21% in 2019

- Revenue Decrease of \$0.8 million—Capital Grants and Contribution Income decreased by \$1.0 million, or 61%, partly offset by Interest/Investment income increase of \$0.2 million, or 85%.
- Expense Decrease of \$0.6 million—Decreases are related to a \$0.5 million payment to the US Army Corps of Engineering expense which occurred in 2018, \$0.3 million for interest expense, or 14%, and \$0.2 million for Hurricane Ike expenses, 51%. An increase is related to a \$0.4 million loss on retirement of assets.

2019 Tonnage

- 2019 Cargo tonnage decreased 2% from 4.1 million tons in 2018 to 4.0 million tons in 2019
 - Grain shipments decreased by 23% to 647 thousand tons from 839 thousand tons in 2018 largely due to tariffs placed on grain imported to China in 2019.
 - Bulk fertilizer decreased 11% in 2019 to 540 thousand tons from 604 thousand in 2018 due primarily to timing.
 - Liquid bulk increased by 2% to 1.6 million tons from 1.5 million tons in 2018.
 - Fresh Fruit and Vegetables increased 6% to 569 thousand tons from 534 thousand tons in 2018.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

- Wind, RoRo and General Cargoes increased 18% to 687 thousand tons up from 582 thousand tons. Wind increased 41% to 164 thousand tons up from 116 thousand tons. RoRo increased 20% to 523 thousand tons up from 438 thousand tons.
- Passenger movements increased 11% to 2,195,648 in 2019 up from 1,970,233 movements in 2018 (a movement consists of an embarkation or disembarkation passenger).
- Parking increased to 114,042 vehicles in 2019 up from 113,484 in 2018.

Capital Assets and Debt Administration

Capital assets: As of December 31, 2019, capital assets before depreciations, which includes both depreciable and nondepreciable assets along with construction work in progress, totaled \$256 million. This is an increase of \$1.8 million over 2018. Accumulated Depreciation as of year-end 2019 is \$111 million, an increase of \$6.0 million. The net change in Capital Assets was a \$4.2 million decrease from 2018. The following is a comparison of capital assets for the years ended December 31, 2018 and 2019 (in 000's):

	2019	2018
Land	\$ 16,499	\$ 16,499
Channel deepening	15,132	15,132
Construction in progress	3,128	2,376
Total capital assets, nondepreciable	34,759	34,007
Railway property and buildings	4,261	4,261
Wharves property and buildings	206,354	204,810
Operating equipment	7,632	8,344
Office equipment	3,324	3,059
Total capital assets being depreciated	221,571	220,474
Less allowance for depreciation	(110,699)	(104,688)
Total assets being depreciated, net	110,872	115,786
Total capital assets	\$ 145,631	\$ 149,793

Nondepreciable capital assets increased \$0.8 million related to construction work in progress, while land and channel deepening remained the same. Depreciable assets decreased \$4.9 million, which is the net of an increase in capital assets being depreciated of \$1.1 million and accumulated depreciation increase of \$6.0 million.

More detailed information on capital assets may be found in Note 4 of the financial statements.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

Long-Term Debt

At year-end the Port had \$18.6 million in bonds and contracts payable and \$13.0 million in notes payable representing a \$5.0 million, or 14%, decrease over prior year. Included in bonds and contracts payable are Series 2011 Refunding bonds of \$15.4 million and Series 2004B contracts payable to the City of Galveston for Certificates of Obligation of \$3.2 million. The notes payable is a Series 2014 notes payable of \$13 million. Changes in long-term debt for the year ended December 31, 2018 and 2019 are summarized below (in 000's):

Debt Category	2019	2018
Revenue bonds	\$ 15,426	\$ 17,242
Contracts payable	3,145	6,136
Loans and leases payable	13,000	13,175
Total	\$ 31,571	\$ 36,553

Bond ratings: The underlying ratings assigned to the Port's bond issues are as follows:

- Standard and Poor's: A-
- Moody's Investor's Services: Baa1-

More detailed information on long-term debt can be found in note 5 to the financial statements.

Economic Factors and Next Year's Rates

The Board of Trustees of the Galveston Wharves' mission is to manage the assets and resources under its stewardship for optimum economic benefit for the City of Galveston and the surrounding region. It is the intent of the Board to set its fees, leases and other charges at a level to recover the cost of its activities including renewal and replacement of its facilities and equipment.

The vision of The Port of Galveston is to be a premier port that is globally recognized, well capitalized with state-of-the-industry facilities and service, and promote the movement of cruise passengers and a broad range of cargoes. Our passions are people, innovation, continuous improvement and service to industry and the community.

The mission of the Port of Galveston management and staff is to protect, preserve and enhance the assets of the City of Galveston's waterfront property by continuing to rebuild and improve facilities to grow opportunities for existing customers and attract new businesses that will promote jobs and economic prosperity for the Port and the community.

Port of Galveston management and staff fully recognize the value of Port property in a global economy and will continue to seek alternative sources of funding and development arrangements to expand and diversify the Port's commercial base with accountability and sensitivity to Port and community stakeholders and the environment.

During 2019, several positive events which affect both short term and longer term future years occurred.

The Port of Galveston finalized a Strategic Master Plan using the consulting firm Bermello Ajamil & Partners, Inc. that will assist in guiding the Port over the next 40 years. The Strategic Master Plan creates a vision and direction for the Port that includes a sustainable and viable business model. The Port reached out to community stakeholders who provided input to guide the future vision of the Port.

The Board of Trustees of the Galveston Wharves

Management's Discussion and Analysis December 31, 2019

Royal Caribbean signed an agreement with the Port of Galveston in 2019 for the cruise line to invest in excess of \$100 million in a third cruise terminal at Pier 10 in Galveston. The new Royal Caribbean terminal will be LEED (Leadership in Energy and Environmental Design) certified, which is a globally recognized set of green building standards.

The Port received approval of various Federal Port Security Grants and notification of funding for Port infrastructure improvements from the Texas Department of Transportation.

The Port of Galveston joined Green Marine in 2019—a voluntary environmental certification program from the North American marine industry. Green Marine certification is a part of the Port's long-term commitment to continuously improve its environmental performance. If granted, the Port of Galveston would be the second Texas port to gain this certification.

Other significant items include home porting three Carnival Cruise Line ships, two Royal Caribbean Cruise Line ships, and one Disney Cruise Line winter season ship. Wind cargo had a record year in 2019 and we expect this trend to continue into 2020. The lease agreement with ADM grain has a minimum annual guaranteed payment that began in 2015 which continues to minimize the impact of the lost shipments to China. The Port's lay business had record-setting years in 2018 and 2019, and we expect that trend to continue into 2020. As a result, the Port anticipates increased cargo movement, lay activity and robust cruise ship activity in 2020.

Contacting the Port's Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Port of Galveston, 123 Rosenberg, 8th Floor, Galveston, Texas 77550.

2019 Comprehensive Annual Financial Report

BASIC FINANCIAL STATEMENTS



Port of Galveston
Galveston, Texas

The Board of Trustees of the Galveston Wharves

**Statement of Net Position
December 31, 2019**

Assets	
Current assets—unrestricted:	
Cash and cash equivalents	\$ 20,312,601
Accounts receivable, net of allowance for doubtful accounts	10,640,591
Prepaid items	657,900
Current portion of investment in direct financing lease	199,146
Current assets—restricted:	
Cash and cash equivalents	13,219,548
Investments	4,181,265
Total current assets	49,211,051
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	34,759,440
Capital assets, net of depreciation	110,871,962
Total capital assets	145,631,402
Other assets:	
Net investment in direct financing lease, less current portion	1,261,259
Total noncurrent assets	146,892,661
Total assets	196,103,712
Deferred outflows of resources—pension items	1,177,383
Total assets and deferred outflows of resources	\$ 197,281,095

(Continued)

The Board of Trustees of the Galveston Wharves

Statement of Net Position (Continued)
December 31, 2019

Liabilities

Current liabilities:

Accounts payable	\$ 4,264,291
Accrued expenses	4,312,746
Payable to other government	189,244
Interest payable	547,393
Accrued compensated absences	249,142
Unearned revenues and rents	525,858
Long-term liabilities due within one year	130,849
Long-term liabilities due within one year (payable from restricted assets)	6,773,387
Total current liabilities	16,992,910

Long-term liabilities:

Accrued compensated absences	487,507
Unearned revenues and rents	1,484,498
Long-term debt due in more than one year	28,460,693
Net pension liability	3,906,450
Total long-term liabilities	34,339,148

Total liabilities

51,332,058

Net position:

Net investment in capital assets	117,664,207
Restricted for debt service	8,563,972
Unrestricted	19,720,858
Total net position	145,949,037

Total liabilities and net position

\$ 197,281,095

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019**

Operating revenues:	
Charges for services:	
Vessels and cargo services	\$ 34,516,312
Building and facilities rental and fees	16,957,797
Total operating revenues	51,474,109
Operating expenses:	
Personnel services	9,494,870
Maintenance and operations	15,019,177
Sales and office	8,413,703
Depreciation	6,370,852
Total operating expenses	39,298,602
Operating income	12,175,507
Nonoperating revenues (expenses):	
Investment income	519,163
Other income	18,011
Loss on sale of assets	(400,102)
Interest expense	(1,499,143)
Annual city payment	(189,245)
Recovery, restoration and other nonoperating expenses	(227,224)
Total nonoperating revenues (expenses)	(1,778,540)
Income before capital grants and contributions	10,396,967
Capital grants and contributions	653,380
Change in net position	11,050,347
Net position at beginning of year	134,898,690
Net position at end of year	\$ 145,949,037

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Cash receipts from customers	\$ 46,837,604
Cash payments to employees	(8,818,908)
Cash payments to suppliers for goods and services	(21,766,993)
Net cash provided by operating activities	<u>16,251,703</u>
Cash flows from noncapital financing activities:	
Annual City payment	(189,245)
Net cash used in noncapital financing activities	<u>(189,245)</u>
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(3,378,899)
Principal payments on CDL notes payable	(174,959)
Receipts from capital grants and contributions	635,772
Interest paid—long-term debt	(1,535,914)
Acquisition and construction of capital assets	(2,687,975)
Net cash used in capital and related financing activities	<u>(7,141,975)</u>
Cash flows from investing activities:	
Receipts of interest	305,384
Investment income	162,709
Purchase of investments	(5,760,797)
Proceeds from sale of investments	4,747,194
Payments made related to capital and direct financing lease	199,148
Net cash used in investing activities	<u>(346,362)</u>
Net increase in cash and cash equivalents	8,574,121
Cash and cash equivalents at beginning of year	<u>24,958,028</u>
Cash and cash equivalents at end of year	<u>\$ 33,532,149</u>
Cash and cash equivalents per statement of net position:	
Unrestricted	\$ 20,312,601
Restricted	13,219,548
Cash and cash equivalents at end of year	<u>\$ 33,532,149</u>

(Continued)

The Board of Trustees of the Galveston Wharves

Statement of Cash Flows (Continued)
Year Ended December 31, 2019

Operating income	\$ 12,175,507
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,370,852
Charge-off of prior year construction expenses to operating expense	71,318
Changes in operating assets and liabilities:	
Increase in accounts receivable	(4,578,166)
Decrease in prepaid items	93,652
Increase in accounts payable	325,078
Increase in accrued expenses	1,247,157
Decrease in unearned revenues and rents	(113,954)
Increase in accrued compensated absences	235,658
Increase in payable to other government	76
Increase in deferred outflows—pension items	(192,825)
Decrease in deferred inflows—pension items	(846,633)
Increase in net pension liability	1,463,983
Net cash provided by operating activities	<u>\$ 16,251,703</u>
Supplemental disclosures of cash flow information:	
Payables that result in capital assets related to construction	<u>\$ 595,007</u>
Retainage payable	<u>\$ 296,305</u>

See accompanying notes to financial statements.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Board of Trustees of the Galveston Wharves (the Port) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the Port's significant policies.

A. Reporting Entity

The Port was designated "a separate utility" in Article XII, Section 2 of the Charter of the City of Galveston (by ordinance adopted October 17, 1940). Article XII, Section 2 states "The Galveston Wharves and the income and revenues therefrom, shall be fully managed, controlled, maintained and operated by a Board of Trustees to be known as "Board of Trustees of the Galveston Wharves" (the Trustees).

The Trustees of the Port consist of seven members; one member is the ex-officio representative of the City of Galveston City Council and is elected from the City Council (the Council) by council members. The Council appoints the six remaining members for three-year staggered terms. The Trustees have the powers which are necessary or proper to discharge their responsibilities which include, but are not limited to: the election of a chairman, the employment of a general manager and such other officers and employees as may be required for the proper conduct of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and in general, the complete management and control of the Port and the income and revenue thereof. The Trustees have no power to contract in the name of the City of Galveston and no action or inaction by the Trustees shall render the City of Galveston liable for damages or shall be binding other than on the properties, income and revenues of the Port. Except for the annual payment of approximately \$190,000 to the City of Galveston, all net revenues of the Port shall be retained and used by the Port for the betterment and extension of the Port. For reporting purposes, the Port is considered a component unit of the City of Galveston.

As required by GAAP, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the Port's financial reporting entity. Based on these considerations, the following entity has been included in the Port's reporting entity as a blended component unit.

Galveston Port Facilities Corporation: The Galveston Port Facilities Corporation (the Corporation) was incorporated on June 17, 2002, under the provisions of the Texas nonprofit corporation act as a financing facility for the future financing of expansion and renovation of Port's facilities. The Corporation provides services exclusively for the benefit of the Port and is governed by a board of directors composed of the seven members of the primary government and two additional directors appointed by the Council. Because the nature and significance of the Corporation's relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, the Corporation's activities have been included in the accompanying financial statements. Separate financial statements for the Corporation are not prepared.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Port is a special purpose government entity engaged in business-type activities and uses a single enterprise fund for the presentation of its financial statements. Proprietary fund (which includes an enterprise fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port and the Corporation are charges to customers for services. Operating expenses include personnel services, maintenance and operations, sales and office, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

The Port's cash and cash equivalents, including restricted cash and cash equivalents, are considered to be cash on hand and include demand deposits, external investment pools and short-term investments with original maturities of three months or less from the date of acquisition, if any. Restricted cash and cash equivalents represent amounts restricted through debt covenants and annual payment to the City of Galveston. External investment pools are valued at amortized cost or net asset value (NAV), as applicable.

D. Investments

Investments represent amounts restricted through debt covenants. The Port values its investments in treasury securities using a computerized pricing service utilizing a yield-based matrix system to arrive at the estimated fair value. Net change in the fair value of investments is recognized and reported as investment income in the financial statements.

E. Accounts Receivables

The Port considers most accounts receivables to be fully collectible; however, the Port has created an allowance for those, where based upon historical attempts at collection, it deems collection to be unlikely. Parking lots in litigation with required court deposits are removed from the reserve calculation. It is the Port's policy to set a reserve of 40.0% for receivables over 90 days, 20.0% for receivables over 60 days and a 2.5% reserve on under 60 day receivables. The allowance for the year ended December 31, 2019, totaled approximately \$323,000.

F. Prepaid Items

Prepayments for services and insurance that will benefit periods beyond the current period are reflected as prepaid items.

G. Capital Assets

Property constructed or acquired by purchase is stated at cost. The Port's policy is to capitalize all capital assets with historical cost over \$10,000 and moveable equipment under \$10,000. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value on the date the asset is received. Construction in progress will be depreciated when placed in service.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used for depreciation purposes:

Railroad facilities	5-25 years
Wharves, docks and buildings	5-75 years
Machinery and equipment	3-40 years
Furniture and office equipment	5-30 years

H. Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued when incurred. Employees of the Port earn annual vacation and sick leave time at the rate of one-twelfth of the annual days eligible for each month worked. Vacation time is accrued at the rate of 12.0 to 31.5 working days per year and may accumulate up to a maximum of 320 hours measured on employees hire anniversary date. Full-time employees accumulate sick leave time at the rate of one day per month, not to exceed 960 hours. Upon termination, employees are paid for accumulated vacation time, as well as accumulated sick leave, with sick time being paid up to a maximum of 720 hours.

I. Unearned Revenues and Rents

Unearned revenues and rents represent lease payments received that are to be recognized in future periods and provision for dredging slips and access channels. In 1977, the Port received approximately \$10 million in the form of advanced rental on the dockside elevator facility. The advance rent is being recognized over the initial and optional terms of the lease that aggregate 50 years. At December 31, 2019, the amount that applies to future periods was approximately \$1.5 million. This amount is presented as unearned revenues and rentals as a long-term liability on the statement of net position.

J. Pensions

The fiduciary net position of the Port's pension plan (the Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from the Plan's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Use of Estimates

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflow (inflows) and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates utilized in preparing the financial statements include depreciable lives of property and equipment, allowance for doubtful accounts and actuarial assumptions relative to future pension benefit obligations. Although not expected by management, actual results could differ from those estimates.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

The Port has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension—are an aggregate of items related to pensions, as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. They consist of contributions subsequent to the measurement date, difference between expected and actual experience, effect of changes in actuarial assumptions and net difference between actual and projected investment earnings.

M. Net Position

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted: Restricted net position represents those portions of net position segregated pursuant to the provisions of the indenture of the City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds, Series 2004 B, the Series 2011 Revenue Refunding bonds and 2014 Subordinate Revenue Notes Series A and B, which require the Port to establish and maintain an interest and sinking fund and a debt service reserve fund.

Unrestricted: This is the residual component of net position. It consists of net position that does not meet the definition of restricted or net investment in capital assets.

N. Revenues and Expenses

Operating revenues and expenses: Operating revenues are recorded when earned and expenses are recorded when incurred. Revenues and expenses relating to the Port's vessel and cargo operations include cruise passenger fees, ship service fees, wharfage, dockage and lay dockage. Revenues and expenses relating to the Port's building and facilities rental operations include terminal access fees, real estate fees, switching fees, license fees and parking fees. All other revenues and expenses are classified as nonoperating.

Capital grants and contributions: Grants restricted for capital acquisition and construction are recorded as capital contributions. Grant revenue that can be used for operating purposes, if any, is recognized when earned. Both are considered earned when all applicable eligibility requirements have been met by the Port.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

O. New and Future GASB Pronouncements:

Implementation of new GASB standard: In the current fiscal year, the Port implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Port also implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, in which legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Port had no activities that triggered the recognition of these type of transactions and therefore no impact to the financial statements.

Future GASB implementations: GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the Port beginning with its fiscal year ending December 31, 2020. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria is included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Port for fiscal year ending December 31, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expense on the lease liability and (5) note disclosures about the lease. A lessor must recognize (1) a lease receivable (measured at the present value of lease payments expected to be received during the lease term), (2) deferred inflow of resources, (3) interest revenue on the lease receivable and (4) note disclosures of leasing

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

O. New and Future GASB Pronouncements (Continued)

arrangements and the total inflows of resources recognized from leases. This statement provides exceptions for leases of assets held as investments, certain regulated leases, short-term leases and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the Port for fiscal year ending December 31, 2022. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provision about the following:

- The effective date of GASB Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of GASB Statement No. 84 to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (P3) and Availability Payment Arrangements (APA)*, issued in April 2020, will be effective for the Port for fiscal year ending December 31, 2023. This Statement provides guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions—namely GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 87, *Leases*. The statement also makes certain improvements to the guidance previously included in GASB Statement No. 60 and provides accounting and financial reporting guidance for APAs.

The issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, extended the due dates of various statements with due dates for periods beginning after June 15, 2018 and later. The dates noted above reflect these amended due dates.

Management is currently evaluating the impact, if any, these pronouncements will have on the Port's financial statements. GASB Statements No. 84 and 87 will likely have an impact on the Port's financial statements.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 2. Deposits and Investments

Cash and cash equivalents as of December 31, 2019, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	\$ 20,312,601
Restricted:	
Cash and cash equivalents	13,219,548
Total cash and cash equivalents	<u>\$ 33,532,149</u>

Cash and cash equivalents as of December 31, 2019, consist of the following:

Checking and time deposits:	
Cash on hand	\$ 8,300
Deposits with financial institutions:	
Cash on demand—Moody's	22,326,541
Cash in investment accounts	793,050
Held by City of Galveston for contracts payable	<u>2,896,669</u>
	26,024,560
Investments:	
Local government investment pools	7,507,589
Total cash and cash equivalents	<u>\$ 33,532,149</u>

Deposits: State statutes and the Port's depository agreement require all deposits and investment balances in depository institutions be covered by federal depository insurance and/or to be collateralized at the lower of par or current fair value by the following:

- Obligations of the United States (U.S.) or its agencies and instrumentalities
- Direct obligations of the State of Texas or its agencies
- Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the state of Texas
- Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent

Investments: The Port is required by Government Code Chapter 2256, the Public Funds Investment Act (PFIA), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable instruments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit (CDs). PFIA determines the types of investments which are allowable for the Port. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies and state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools (9) guaranteed investment contracts and (10) common trust funds.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Public funds investment pools: Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of PFIA, Chapter 2256 of the Texas Government Code. In addition to other provisions of PFIA designed to promote liquidity and safety of principal, it requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

The Port invests in TexasTerm which is an individual investment portfolio established by the TexasTerm Advisory Board pursuant to the TexasTerm Common Investment Contract that established the Pool. TexasTerm is a local government investment portfolio that allows governments to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the Texas PFIA and other similar cooperative statutes and under the statutes governing investment of funds by those local governments. TexasTerm is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The Port's investments managed through TexasTerm are valued and recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Port also invests in the Texas Short Term Asset Reserve Program (TexStar) which has been organized in accordance with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and PFIA. The fund seeks to maintain a constant dollar objective and fulfills all requirements of PFIA for local government investment pools. The portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily U.S. Treasury securities, U.S. agency securities and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the U.S. or its agencies or its instrumentalities. Consistent with the investment pool, the Port values and records these investments at NAV or its equivalent.

Treasury securities are bills, notes and bonds (collectively known as Treasuries) issued by the Treasury Department that represent direct obligations of the U.S. government. The Port's investments in Treasuries are reported at fair value using quoted market prices or other fair value techniques, as required by GASB Statement No. 72, *Fair Value Measurements*. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Categories within the fair value hierarchy include: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are unobservable inputs. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Treasuries are backed by the full faith and credit of the U.S. government. The Port's Treasuries are measured using Level 2 inputs and valued using a computerized pricing service utilizing a yield-based matrix system to arrive at the estimated fair value.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

As of December 31, 2019, the Port had the following investments:

Type		Weighted-Average Maturity Days	Percentage Invested	Fair Value Hierarchy	Credit Rating (S&P)
Investments measured at fair value:					
Treasuries	\$ 4,181,265	21	36%	Level 2	No rating
Investments measured at amortized cost:					
TexasTerm investment fund	4,035,324	37	35%	n/a	AAAf
Investments measured at NAV:					
TexStar investment fund	3,472,265	36	30%	n/a	AAAm
Total investments	<u>\$ 11,688,854</u>		<u>100%</u>		
Weighted-average maturity days		<u>31</u>			

The valuation method for investments measured at the NAV per share (or its equivalent) as of December 31, 2019, is presented on the following table.

Investments Valued at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
TexStar investment fund	<u>\$ 3,472,265</u>	N/A	Daily	N/A

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port does have a formal investment policy with a maximum allowable stated maturity of investments of 3 years.

Credit risk: In accordance with state statutes, PFIA and the Port's investment policy, the Port's investments require at a minimum a rating of "A" by a nationally recognized rating agency. Investments noted above have been rated AAA by Standard and Poor's.

Concentration of credit risk: The Port is required to disclose investments in any one issuer that represent 5% or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Port's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings.

Custodial credit risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Port's investments pools are not exposed to custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Port's deposits may not be returned to it. The Port's deposits held at financial institutions were entirely covered by the Federal Deposit Insurance Corporation or were secured by collateral at December 31, 2019.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Restricted cash, cash equivalents and investments: In accordance with the terms of Article XII, Section 9, of the Charter of the City of Galveston, the Port is required to set aside funds for interest and sinking and debt service reserves; City of Galveston franchise payment; bond proceeds and bulkhead improvements. Restricted cash, cash equivalents and investments at December 31, 2019, consist of the following:

Interest and sinking and debt service reserves:	
Revenue Refunding Bonds Series 2011	\$ 2,648,000
Revenue Bonds Series 2011 Interest and Sinking Fund	2,081,845
Series 2004B Interest, Sinking and Reserve Funds	3,955,082
Series 2014 Interest and Sinking Fund	244,470
City of Galveston franchise payment	182,000
Bond proceeds	6,084,872
Bulkhead improvements	2,204,544
	<u>\$ 17,400,813</u>

Note 3. Accounts Receivable

Trade accounts receivable are generated from general deep water port services and rental property and facilities. Accounts receivable and the associated allowance for doubtful accounts as of December 31, 2019, are as follows:

Accounts receivable—trade	\$ 10,877,479
Grants receivable	86,258
Less allowance for doubtful accounts	(323,146)
Net accounts receivable	<u>\$ 10,640,591</u>

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 4. Capital Assets

Changes in capital assets during the year ended December 31, 2019, are summarized as follows:

	Balance at December 31, 2018	Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2019
Capital assets not being depreciated:					
Land	\$ 16,499,295	\$ -	\$ -	\$ -	\$ 16,499,295
Channel deepening	15,131,996	-	-	-	15,131,996
Construction in progress	2,376,015	2,650,683	(71,318)	(1,827,231)	3,128,149
Total capital assets not being depreciated	34,007,306	2,650,683	(71,318)	(1,827,231)	34,759,440
Capital assets being depreciated:					
Railway facilities	4,260,563	-	-	-	4,260,563
Wharves, docks and buildings	204,810,258	-	(18,023)	1,562,154	206,354,389
Machinery and equipment	8,344,266	37,292	(749,339)	-	7,632,219
Furniture and office equipment	3,059,029	-	-	265,077	3,324,106
Total capital assets being depreciated	220,474,116	37,292	(767,362)	1,827,231	221,571,277
Less accumulated depreciation for:					
Railway facilities	(2,472,798)	(53,571)	-	-	(2,526,369)
Wharves, docks and buildings	(93,615,094)	(5,488,085)	9,870	-	(99,093,309)
Machinery and equipment	(6,624,482)	(423,134)	349,237	-	(6,698,379)
Furniture and office equipment	(1,975,196)	(406,062)	-	-	(2,381,258)
Total assets being depreciated, net	(104,687,570)	(6,370,852)	359,107	-	(110,699,315)
Total capital assets	\$ 149,793,852	\$ (3,682,877)	\$ (479,573)	\$ -	\$ 145,631,402

Depreciation expense for the year ended December 31, 2019, totaled \$6,370,852.

Commitments relating to construction in progress as of December 31, 2019, are as follows:

	Total Commitment	Total Capitalized	Construction in Progress	Remaining Commitment
Port security grant 2017 EMW FEMA	\$ 987,000	\$ 127,601	\$ 133,617	\$ 725,781
Port security grant 2018 EMW FEMA	929,500	-	-	929,500
Port security grant 2019 EMW FEMA	1,704,930	-	-	1,704,930
Walkway elevators and repairs	274,574	-	243,060	31,514
2017 Fill slips	850,001	-	266,388	583,613
Cruise terminal 3	170,000	-	91,507	78,493
RoRo relocation	730,000	-	167,268	562,732
Automated parking	547,666	-	513,337	34,329
Master planning services	799,653	-	777,326	22,327
Old Port Industrial Road	2,244,249	-	317,545	1,926,704
Parking deck	300,000	-	18,875	281,125
Projects under \$200,000	878,822	234,177	599,227	45,417
Totals	\$ 10,416,395	\$ 361,778	\$ 3,128,149	\$ 6,926,467

The Port plans to finance construction commitments with the use of existing bond proceeds and proceeds from operations.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 5. Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at December 31, 2018	Increases	Decreases	Balance at December 31, 2019	Amounts Due Within One Year
Revenue bonds:					
Series 2011 Refunding	\$ 16,880,000	\$ -	\$ (1,765,000)	\$ 15,115,000	\$ 1,855,000
Premium on Series 2011	361,744	-	(51,070)	310,674	-
Revenue notes payable:					
Series 2014 (AMT)	13,000,000	-	-	13,000,000	1,773,750
Contracts payable to the City of Galveston:					
Series 2004B	2,873,672	-	(1,483,050)	1,390,622	1,390,621
Accreted interest on capital appreciation bonds	3,262,784	170,101	(1,678,869)	1,754,016	1,754,016
CDL notes payable:					
Federal Community Disaster Loan	174,959	-	(174,959)	-	-
Other long-term liabilities:					
U.S. Corps of Engineers	3,925,466	-	(130,849)	3,794,617	130,849
Compensated absences	500,991	538,994	(303,336)	736,649	249,142
Net pension liability	2,442,467	1,463,983	-	3,906,450	-
	<u>\$ 43,422,083</u>	<u>\$ 2,173,078</u>	<u>\$ (5,587,133)</u>	<u>\$ 40,008,028</u>	<u>\$ 7,153,378</u>

Long-term bonded debt at December 31, 2019, was comprised of the following issues:

Description	Original Issue	Interest Rates	Maturity Dates Beginning/ Ending	Interest Payment Dates
Revenue bonds:				
City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds Series 2011	\$ 25,925,000	4.00%-5.00%	February 1, 2013/2026	February 1/ August 1
Revenue notes payable:				
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	6,000,000	4.44%	February 1, 2015/2026	February 1/ August 1
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	4,000,000	4.44%	February 1, 2015/2026	February 1/ August 1
City of Galveston, Texas Subordinate Lien Wharves and Terminal Revenue Note Series 2014 (AMT)	3,000,000	4.44%	February 1, 2015/2026	February 1/ August 1
Contracts payable to the City of Galveston:				
City of Galveston, Texas Combination Tax and Revenue Certificate of Obligation Series 2004B	5,163,672	5.09%-5.18%	February 1, 2004/2020	February 1/ August 1

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

As of December 31, 2019, the annual debt service requirements for revenue bonds, revenue notes payable and contracts payable to the City of Galveston until maturity are as follows:

		Revenue Bonds		
		Principal	Interest	Total
Years ending December 31:				
2020	\$	1,855,000	\$ 690,169	\$ 2,545,169
2021		1,950,000	595,044	2,545,044
2022		2,055,000	494,919	2,549,919
2023		2,150,000	395,169	2,545,169
2024		2,255,000	294,647	2,549,647
2025-2027		4,850,000	245,500	5,095,500
	\$	15,115,000	\$ 2,715,448	\$ 17,830,448

		Revenue Notes Payable		
		Principal	Interest	Total
Years ending December 31:				
2020	\$	1,773,750	\$ 577,200	\$ 2,350,950
2021		2,012,916	534,243	2,547,159
2022		2,102,500	446,442	2,548,942
2023		2,201,667	354,756	2,556,423
2024		2,301,667	258,852	2,560,519
2025-2026		2,607,500	212,121	2,819,621
	\$	13,000,000	\$ 2,383,614	\$ 15,383,614

		Contracts Payable to the City of Galveston		
		Principal	Interest	Total
Years ending December 31:				
2020	\$	1,390,622	\$ 1,769,379	\$ 3,160,001

Revenue bonds: The indentures creating the Series 2011 Wharves and Terminal Refunding Bonds issued to the public on December 6, 2011, provide that after provision for payment of maintenance and operations and required deposits into the city payment fund annually by December 31 of approximately \$190,000, the gross revenues of the Port are to be pledged for the payment of debt service on the bonds through February 1, 2026. Maintenance and operating expenses, for the purpose of determining funds available for debt service, do not include depreciation expense or interest on obligations or indebtedness issued by the Port or operating expense for use by lessees or others using the Port facilities. The indentures require that for the duration of the period the bonds are outstanding, the Port create and maintain a debt service reserve fund of \$2,549,919 equal to at least 150% of the average annual debt service or 125% of the maximum annual debt service requirements on all parity obligations that will be outstanding after the issuance of the series of additional parity bonds then proposed to be issued; provided, however, that this requirement shall not apply to the issuance of refunding bonds that will have the effect of reducing the average annual debt service requirements on the parity obligations. These interest and sinking funds have been established at the Port's depository bank and are reported as restricted cash and cash equivalents in the financial statements. The Port is in compliance with all significant bond covenants.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

Revenue notes payable: Revenue Notes Series 2014 (AMT) were issued through a direct placement on October 2, 2014. These notes are payable to Moody National Bank, NA (\$6 million), Texas First (\$4 million) and Home Town Bank, NA (\$3 million). The notes issued are to finance certain improvements to Terminal 2 and related infrastructure to accommodate increased cruise ship activity and to pay the associated costs of issuance. The notes and the series are special obligations of the City of Galveston that are payable from and are secured by a lien on a pledge of the revenues (subordinate to the lien of the senior lien parity obligations) of the City of Galveston's port and harbor facilities remaining after deduction of operation and maintenance expenses and an annual payment required by the City of Galveston Charter (the net revenues), as defined and provided in the indenture, which net revenues are required to be set aside and pledged to the payment of the senior lien parity obligations and subordinate lien obligations, and all other obligations issued on a parity therewith in the parity bond interest and sinking fund (for the benefit of the owners of the senior lien parity obligations), subordinate lien interest and sinking fund (for the benefit of the owners of the Series 2014 notes), and the parity bond debt service reserve fund (for the benefit of the owners of the senior lien parity obligations) maintained for the payment of all such obligations, all as more fully described and provided for in the Indenture.

Contracts payable to the City of Galveston: On January 13, 2004, the City of Galveston issued to the public Combination Tax and Revenue Certificates of Obligation (COs) Series 2004A and 2004B totaling \$19,323,672 in favor of the Port. The primary security for the repayment of these CO's, which have a final maturity date of February 1, 2020, is the net revenues of the Port. The proceeds of this issue are to be used to build out Cruise Terminal No. 2, demolish grain elevator B, construct warehousing, channel deepening and parking facilities. The liability of the Port relating to these obligations is presented as contracts payable to reflect the agreement (evidenced by resolution of the Trustees of the Port dated December 9, 2003) between the Port and the City of Galveston for the repayment of the debt with Port revenues. This agreement also requires the Port to make monthly transfers to the interest and sinking funds for the CO's in approximately equal monthly installments of 1/6th of the next scheduled interest payment and 1/12th of the next scheduled principal payments.

On May 2, 2013, \$14,025,000 of the COs Series 2004A and Series 2004B were refunded through the issuance of \$13,600,000 by the City of Galveston Combination Tax and Revenue COs Series 2013. The refunded bonds were called on May 6, 2013.

The Port has pledged future gross revenues, net of specified operating expenses, to repay the contracts payable to the City of Galveston. The Port covenants that it will generate sufficient net revenues, after the payment of all payments on obligations, to be at least 125% of the current debt service payments in each fiscal year. In the event net revenues in any fiscal year are insufficient to satisfy the rate covenant, the City of Galveston is authorized to direct the Trustees to increase fees, tolls and charges of the Port to a level sufficient to satisfy such rate covenant. Net revenues are defined in the Indenture as the amount remaining after deducting from gross revenues the maintenance and operation expenses and the annual city payment. Maintenance and operation expenses exclude depreciation expense or extraordinary noncash expenses or write-downs of the Port's facilities. Gross revenues are defined in the Indenture as all gross revenues, income, proceeds, tolls, rents, lease money, returns and exchanges derived from and after the date of the Indenture from the operation of the Port's facilities, and from the services provided; all proceeds of business interruption insurance maintained in connection with the Port's facilities, provided that such proceeds shall be deemed to have been received in the year or years during which the business interruption occurred; interest earned from the investment money; and all other revenues pledged to the payment of all parity obligations. Gross revenues expressly exclude special project pledged revenues. Special project pledged revenues are defined in the indenture as those rentals, payments and/or other amounts payable to the City of Galveston in consideration for the use, lease or availability of a special project which are made subject to pledges, liens and/or assignments by the City of Galveston to secure the payment or repayment of special project obligations.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

Community Disaster Loan (CDL) Program: The Port participated in the Community Disaster Loan Program through the Department of Homeland Security and was awarded \$3.7 million in June 2009. The note bears interest at 2.5% per annum and matured on June 30, 2014. Neither principal nor interest payments were required until maturity. The terms of the loan provide that if the recipient jurisdiction has not recovered sufficiently to meet its operating budget after three full fiscal years, repayment of all or part of the loan may be canceled. Based on FEMA's review, \$2.4 million was forgiven in 2014 leaving a balance of \$1.3 million to be paid quarterly over a five-year period beginning July 2014. As of December 31, 2019, the balance was paid in full.

U.S. Army Corps of Engineers: The Port was advised by the U.S. Army Corps of Engineers that the Port, as the local sponsor, would receive billing for payback on previously constructed general navigation features. Based on recent estimates, the Port will be responsible for an additional 10% of the cost of the Galveston Harbor Channel deepening to 45 mean lower low water. The estimated cost is \$3,925,466 payable over a period not to exceed 30 years. These costs are being capitalized and the liability is being accrued. As of December 31, 2019 the balance is \$3,794,617.

Note 6. Lease Arrangements With the Port as the Lessor

Direct financing lease—dockside elevator: The Port acquired a dockside elevator in 1977 for \$36,085,730. The acquisition was financed by the issuance of \$26,000,000 special revenue bonds and \$10,085,730 advance rental from the lessee. During 1982, the Port issued \$27,420,000 special revenue bonds to finance additional improvements by the lessee that were redeemed on October 1, 1987.

Upon issuing Special Contract Refunding Revenue Bonds in the amount of \$8,500,000 on April 15, 1998, the Port entered into an amended lease agreement with its present lessee to amend the terms of the lease extending the initial lease period to May 1, 2015, (17 years), with options to extend the lease for four additional successive terms of three years each. On February 13, 2015, the Port entered into an amended lease agreement with its present lessee, whereby lessee exercised all four extensions.

The Port had no obligation for the special revenue bonds beyond the resources provided by the direct financing lease. These special revenue bonds were retired in December 2011.

In 2015, the Port entered into a revised agreement with the lessee with a renewal term of the lease beginning May 1, 2015, and ending May 1, 2027, for the leasing of a facility tract. The lessee has the option to purchase the improvements situated on the facility tract at the end of the term for \$1. The lessee covenants that during each calendar year the total of all renewal rental, dockage paid to the Port for ships and barges handling bulk commodities at the leased premises (Grain Dockage), and rail switching and other charges paid to the Port allocated to bulk commodities moved by rail to or from the leased premises (Switching Charges) will not be less than \$2 million, the MAG (the minimum annual guarantee). As part of the revised agreement, the lessee will lease the facility tract for a total of \$286,675 a year, pay the Port a share of dockage revenue generated from the grain vessel loadings by lessee and the Port's railcar switching revenues earned on the lessee's grain rail car activities. If, during any calendar year, the total renewal rental, grain dockage and switching charges, as set forth above, actually received by the Port exceeds \$2.8 million (the threshold), the Port's share of grant dockage shall be immediately reduced to 18% from 36% for the remainder of the calendar year. Beginning on the third anniversary of the renewal effective date, both the MAG and the threshold will be adjusted on that date and on each anniversary of such date during the remainder of the term of the lease to reflect increases in the consumer price index. Due to low grain volumes in fiscal year 2019, the lessee was required to make an additional payment to reach the minimum annual guaranteed payment of \$2 million.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 6. Lease Arrangements With the Port as the Lessor (Continued)

The Port accounts for the amended lease as a direct financing lease and reflects the following accounts at December 31, 2019:

Minimum lease rental payments receivable:	
Due within one year	\$ 199,146
Due after one year	1,261,259
Net investment in direct financial lease	<u>\$ 1,460,405</u>

The investment in direct financing lease is net of unearned income of \$2,126,376. Unearned income is amortized and charged to operations over the initial and optional terms of the lease on a straight-line basis.

A schedule of net minimum lease payments receivable over the life of the lease is as follows:

Years ending December 31:	
2020	\$ 199,146
2021	199,146
2022	199,146
2023	199,146
2024	199,146
2025-2027	464,675
	<u>\$ 1,460,405</u>

Railroad facilities—operating lease: Following the favorable settlement in 2006 of a lawsuit filed by the Port over the interpretation of certain language in the lease covering rail facilities owned by the Port, the Port entered into a new lease agreement with the previous lessee covering the rail facilities effective August 1, 2006, through the period ending July 31, 2026. This new lease calls for annual base rent in the amount of \$100,000 adjusted annually for a cost of living increase, and percentage rent of 20% of the lessee's total gross revenues. It also called for the relocation of certain rail track, the cost of which was split 50/50 between the Port and the lessee. The lease also provides for the establishment of an "Annual Track Fund." Under this section, the lessee will accrue \$20,000 per month to be spent on maintaining and repairing the railroad track. If during the course of a year, lessee spends less than the annual \$240,000 accrual, the balance remaining is to be split 50/50 between the lessee and the Port.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 6. Lease Arrangements With the Port as the Lessor (Continued)

Other operating leases: The Port leases to others certain land and improvements. These leases are classified as operating leases and agreements. The minimum lease payments under these operating leases and agreements that have noncancelable lease terms in excess of one year are as follows:

Years ending December 31:

2020	\$ 4,155,678
2021	3,158,050
2022	3,140,221
2023	5,140,221
2024	6,939,643
2025-2029	32,228,794
2030-2034	31,790,609
2035-2039	27,268,007
2040-2044	26,609,389
2045-2049	28,093,771
2050-2054	29,250,385
2055-2059	31,411,679
2060-2064	33,740,006
2065-2069	35,070,563
2070-2074	37,665,617
2075-2079	40,576,567
2080-2084	30,238,888
	<u>\$ 406,478,088</u>

Note 7. Employee Retirement System (Pension Plan)

Plan description: The Port's pension plan (the Plan) is a single-employer defined benefit pension plan created by the City of Galveston, Texas, ordinance to provide retirement and incidental benefits to substantially all employees of the Port. The Plan was established January 1, 1965, restated January 1, 2008, and most recently amended effective January 1, 2013. On January 10, 2010, the Plan was amended to cease further accrual of benefits under the Plan for existing employees electing to participate in the Galveston Wharves 2010 Plan and for all Port employees hired after January 1, 2010. The Plan has been designed as a "governmental plan" by the U.S. Department of Labor and, thus, is not subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974. Beginning January 1, 2010, the Plan is closed to new members.

Plan administration: The Plan is administered by the Port. Frost is the Trustee for the Plan.

Pension Plan fiduciary net position: Detailed information about the Plan's fiduciary net position is available in a separately issued Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by requesting such report from the Board of Trustees of the Galveston Wharves, 123 Rosenberg, Galveston Texas 77550 or P.O. Box 328, Galveston, Texas 77553, or can be viewed at <https://www.portofgalveston.com/156/Reports>.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Benefits provided:

Normal retirement: Plan participants are eligible for normal retirement upon attainment of age 65 and the fifth anniversary of the date that he or she entered the Plan as a participant. The normal retirement benefit under the Plan equals 1.5% of average monthly compensation multiplied by a participant's years of benefit service at retirement or earlier termination of employment. If a participant is married for at least one year at the time of his or her death, the surviving spouse will be paid 66 2/3% of the amount the participant was receiving at the time of his or her death. If the spouse is more than 10 years younger than the participant, the traditional pension benefit otherwise payable will be reduced on an actuarially equivalent basis to reflect that the spouse is exactly 10 years younger than the participant.

Death benefit: If a participant, who has not had a termination of employment, dies prior to commencement of benefits after achieving five years of vesting service, his or her surviving spouse will be entitled to receive 66 2/3% of the participant's accrued benefit determined under normal retirement, considering the employee's average monthly compensation and years of benefit service as of his or her date of death. If the spouse is more than 10 years younger than the participant, the traditional pension benefit otherwise payable will be reduced on an actuarially equivalent basis to reflect that the spouse is exactly 10 years younger than the participant. The last payment will be made as of the first day of the month preceding the spouse's date of death or remarriage, if earlier.

Late retirement: If a participant elects to work beyond normal retirement age, the accrued benefit the participant is entitled to receive will be determined as of normal retirement age and will be recomputed on each annual anniversary thereof.

Early retirement: Early retirement is permitted on the first day of any month coinciding with or following the date as of which the participant completes at least 10 one-year periods of service and the sum of the participant's age and service equals 70. Upon reaching early retirement age prior to termination of employment, a participant may retire and elect to receive at any time up to the normal retirement date an amount equal to his or her accrued benefit payable under normal retirement, but based only on average monthly compensation and years of benefit service as of his or her early retirement date, reduced in accordance with the following table (interpolated between whole ages to completed months):

Attained Age	Percent of Benefits Paid
65	100%
64	95%
63	90%
62	85%
61	80%
60	75%
59	70%
58	65%
57	60%
56	55%
55	50%

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Disability: A participant who suffers a disability prior to termination of employment and who has completed 10 or more years of vesting service will be entitled to receive a monthly amount which will be computed in the same manner as his or her normal retirement benefit considering his or her average monthly compensation and years of benefit service as of the date of his or her disability. Such benefit shall commence at the time the participant is eligible or would have been eligible (if the participant was a full-time employee) for benefits under the employer's long-term disability plan and has met the definition of disability, as defined in the Plan document.

Termination: A terminated participant will be entitled to the vested portion of his or her accrued benefit, calculated under normal retirement, except that his or her benefit will be determined as of his or her termination of employment and will be payable to such participant at normal retirement date. If eligible, a participant may elect to have his or her vested accrued benefit commence at his or her early retirement date, in which event, it will be reduced to reflect such early commencement. A participant is 100% vested after five years of vesting service.

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	65
Inactive employees entitled to, but not yet receiving benefits	58
Active plan members	29
	<u>152</u>

Contributions: The Port will pay contributions for a plan year as determined by the actuary to fund plan benefits and at such times as the Port may decide. Employees do not make contributions under this Plan. All contributions under the Plan shall be paid or transferred into the Trust Fund to be held, managed, invested and distributed in accordance with the provisions of the Plan. The Port reserves the right to reduce, suspend or discontinue contributions to the plan. Currently, the Port is making monthly contributions such that payments equal to the prior-year funding requirement is met. In the event the funding requirement exceeds monthly contributions, an additional contribution is normally scheduled to fund the annual required contribution. The Port's contribution for 2019 was \$575,000.

Net pension liability: The Port's net pension liability was measured as of December 31, 2018, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The net pension liability was determined through an actuarial valuation performed as of December 31, 2018. The actuarial assumptions used are as follows:

Valuation date	December 31, 2018
Actuarial cost method	Individual entry age cost method
Asset valuation method	Fair value of assets
Interest rates	Discount rate 7.25%
	Expected long-term rate of return 7.25%
	Municipal bond rate N/A
Inflation	2.75%
Annual pay increases	3.00%

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Mortality rates:	RP 2014 Mortality Table projected from 2006 with the Social Security Generational Improvement Scale based on the 2018 Trustees Report
Retirement rates	The latter of attainment of age 65 or the completion of five years of vesting service
Experience study	The most recent experience study was completed in 2017 to review the interest rate and mortality assumption. There has not been a recent experience study to review the demographic assumptions. As the Plan is not large enough to have credible experience, demographic assumptions are determined based on the results of broad population trends.

The following changes in actuarial assumptions occurred since the last actuarial valuation:

- A 7.5% load to the final average pay of active employees eligible to retire as of December 31, 2018 was added to anticipate the impact of accrued vacation and sick time pay.
- The mortality table has been updated from using a fully generational improvement scale based on assumptions developed from the 2017 Social Security Trustees report to the improvement scale based on assumptions developed from the 2018 Social Security Trustees Report.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term rate of return on assets:

The long-term rate of return on the pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Target allocation percentages and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income equities securities	10%	2.00%
Common stock	60%	6.28%
Domestic equities—large cap	5%	6.28%
Domestic equities—mid cap	3%	6.86%
Domestic equities—small cap	5%	7.35%
International equities	10%	5.89%
Natural resources	1%	3.94%
Emerging markets	1%	8.42%
Cash	5%	0.00%

Sensitivity of net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net pension liability	\$ 5,477,763	\$ 3,906,450	\$ 2,563,019

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Changes in the net pension liability: The following presents the changes in net pension liability as of December 31, 2019.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018	\$ 16,109,828	\$ 13,667,361	\$ 2,442,467
Changes for the year:			
Service cost	149,366	-	149,366
Interest	1,135,048	-	1,135,048
Changes in assumptions	88,955	-	88,955
Difference between expected and actual experience	41,613	-	41,613
Contributions—employer	-	575,000	(575,000)
Net investment income	-	(560,928)	560,928
Benefit payments, including refunds of employee contributions	(1,206,729)	(1,206,729)	-
Administrative expenses	-	(62,705)	62,705
Other changes	-	(368)	368
	208,253	(1,255,730)	1,463,983
Balance at December 31, 2019	\$ 16,318,081	\$ 12,411,631	\$ 3,906,450

Pension expense: For the year ended December 31, 2019, the Port recognized pension expense of \$999,525.

Deferred outflows of resources and deferred inflows of resources related to pension: At December 31, 2019, the Port reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,806	\$ -
Changes in assumptions	44,477	-
Net difference between projected and actual earnings	537,100	-
Contributions subsequent to the measurement date	575,000	-
	\$ 1,177,383	\$ -

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 7. Employee Retirement System (Pension Plan) (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Years	Net Deferred Outflows (Inflows) of Resources
2020	\$ 262,684
2021	51,697
2022	(17,324)
2023	305,326
	<u>\$ 602,383</u>

Deferred inflows and outflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over the average expected remaining service life for all active, inactive and retired members. Deferred outflows related to the net difference between projected and actual earnings are amortized over a five-year period.

Note 8. Deferred Compensation Plans and Defined Contribution Plans

Deferred Compensation Plan—Section 457 Plan: The Port offers all full-time employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (IRC 457). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. Government entities relying upon third parties to manage IRC 457 assets are not required to report such assets on their balance sheets.

Defined Contribution Plan— Employees Retirement Accumulation Plan:

a. Plan Description

The Employees Retirement Accumulation Plan, a defined contribution plan was established under Internal Revenue Service (IRS) section 401(a) and is administered by International City/County Management Association (ICMA) for the employees' of the Port. The plan is employee-directed, whereby employees may choose among various investment options available to plan participants.

The Port and employee contributions are immediately vested. Contributions required under the plan by both the employee and employer are established by the plan document.

Amounts in the defined contribution plan are available to participants in accordance with IRS guidelines for such plans.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 8. Deferred Compensation Plans and Defined Contribution Plans (Continued)

b. Plan Funding Policy

Active plan members must contribute 7.65% of his/her earnings and the Port is required to contribute 5.5% of participant earnings. The plan members contributed \$422,166 and the Port contributed \$303,277 during the year ended December 31, 2019.

Defined Contribution Plan—Galveston Wharves 2010 Plan:

a. Plan Description

On January 1, 2010, the Port initiated the Galveston Wharves 2010 Plan (the 2010 Plan). Employees hired prior to January 1, 2010, were given the option to remain in the defined benefit plan, or opt for the new plan. Employees hired after January 1, 2010, were automatically enrolled in the 2010 Plan. The 2010 Plan, a defined contribution plan was established under IRS section 401(a) and is administered by ICMA for the employees' of the Port. The 2010 Plan is employee-directed, whereby employees may choose among various investment options available to participants.

Employees are vested in the plan after three years of service. Upon termination of employment, employees are eligible for the following benefits:

- Life annuity
- Lump-sum payment
- Rollover
- Combination of percentages direct payment and percentages rollover

b. Plan Funding Policy

The contributions made by the Port is a percentage of compensation based on years of service as follows:

0-4.99 years	3%
5-9.99 years	6%
10 plus years	9%

The Port contributed \$158,607 during the year ended December 31, 2019.

Note 9. Commitments, Contingencies and Uncertainties

A substantial portion of the Port's facilities and operating assets are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does management expect such compliance to have, any material effect upon the capital expenditures, net income, financial condition or competitive position of the Port. However, due to the nature of the industry in which it operates, a risk of possible fines, penalties and liability claims exists. Management believes its current practices and procedures for the control and disposition of waste comply with applicable federal and state requirements, and the Port is insured against claims arising from environmental hazards.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 9. Commitments, Contingencies and Uncertainties (Continued)

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Port expects such amounts, if any, to be immaterial.

The Port is subject to claims and lawsuits arising from the normal course of business. The Port's legal counsel routinely evaluates such claims and management may make provisions for probable losses if deemed appropriate. There were no provisions recorded as of December 31, 2019.

The Port is a defendant in a lawsuit filed by three of the private cruise parking lots. These parking lots are contesting the 2014 rate increase in private parking lot cruise terminal access fees. By order of the court, the defendants are required to remit the old rate to the Port and place the difference between the old rate and the new rate in escrow with the court until the matter is resolved.

With respect to litigation cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Port.

Note 10. Risk Management

The Port is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions and natural disasters, for which the Port carries commercial insurance. The Port is also exposed to the risk of loss resulting from operation of equipment; general, professional and law enforcement liability and workers' liability for which it carries commercial insurance. For the amounts deductible from the loss coverage amounts, the Port is self-insured. The Port has not significantly reduced insurance coverage for the past two years or had settlements that exceeded coverage amounts for the past three fiscal years.

The Port also provides for losses ranging from \$1 million to \$75 million by carrying excess/umbrella liability insurance coverage.

The Port provides all active, regular full-time employees with group life, medical and dental insurance coverage and flexible benefit program. Coverage is obtained through the City of Galveston Medical Self Insured Plan. Dental and flexible benefit plans are obtained through third-party insurance carriers.

Arbitrage compliance: Per section 148 of the Internal Revenue Code of 1986 as amended (the Code), the Port must meet certain criteria with regard to interest earnings on its proceeds from long-term debt issuances in order for the interest income paid on those obligations to be considered tax-exempt for the debt holders. Related U.S. Treasury regulations promulgated under that same Code section generally provide that the initial determination of the taxable or tax-exempt status of an obligation is made as of the date such obligation is issued, based on reasonable expectations regarding the use of the resulting proceeds.

Long-term debt that does not initially meet, and continue to meet, the minimum criteria of section 148 of the Code and the related Treasury regulations, and particularly the requirement to rebate certain arbitrage profits to the federal government, is considered "arbitrage bonds" and forfeits its tax-exempt status. The Port's obligation to calculate and, if necessary, make rebate payments continues as long as proceeds of debt remain unexpended.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 10. Risk Management (Continued)

Arbitrage profits result when the interest rate earned on invested debt proceeds is materially greater than that paid to holders of that debt, as calculated beginning on the third anniversary of the debt's issuance. Accordingly, any proceeds unexpended more than three years after debt issuance is subject to yield restriction. The yield restriction may be satisfied, if any, by making yield-reduction payments pursuant to Treasury Regulation Section 1.148-5(c).

The Port presently has unexpended debt proceeds from certain debt issues, but will not be subject to yield restrictions until December 2023 and, therefore, does not anticipate associated noncompliance issues.

Note 11. Concentration of Credit Risk

Two customers generated operating revenues of \$23,134,583, which comprise approximately 45% of total operating revenues for the year ended December 31, 2019, and one customer had outstanding accounts receivable of \$3,810,137, which comprise approximately 36% of outstanding trade accounts receivable as of December 31, 2019. In the normal course of business, the Port extends unsecured credit to its customers.

Note 12. Related Party

In the ordinary course of business, the Port has entered into a contracted service transaction with a vendor affiliated with a Trustee for an amount totaling approximately \$1,191,744 for the year ended December 31, 2019.

Note 13. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Any quarantines, labor shortages or other disruptions to the Port's operations, or that of its suppliers and vendors, may adversely affect the Port's revenues, ability to provide its services and operating results. In addition, a significant outbreak of an epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Port operates, resulting in an economic downturn that could affect demand for services. Galveston is the fourth largest cruise port in America. As of the date of this report, cruise sailings from the Port are temporarily suspended beginning mid-March, 2020. The week of May 11, 2020 Carnival Cruise Lines announced that it would resume cruises in August 2020 from Galveston and two other U.S. ports. The Port continues to maintain a robust level of cargo activity. The extent to which COVID-19 may affect the Port's operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 14. Condensed Combining Information for the Port and the Corporation

	Primary Government	Corporation	Eliminations	Totals
Current assets	\$ 38,467,342	\$ 10,743,709	\$ -	\$ 49,211,051
Capital assets	138,279,014	7,352,388	-	145,631,402
Other noncurrent assets	1,261,259	-	-	1,261,259
Total assets	178,007,615	18,096,097	-	196,103,712
Deferred outflows of resources	1,177,383	-	-	1,177,383
Current liabilities	14,815,354	2,177,556	-	16,992,910
Long-term Liabilities	34,339,148	-	-	34,339,148
Total liabilities	49,154,502	2,177,556	-	51,332,058
Net position:				
Net investment in capital assets	110,311,819	7,352,388	-	117,664,207
Restricted	8,563,972	-	-	8,563,972
Unrestricted	11,154,705	8,566,153	-	19,720,858
Total net position	\$ 130,030,496	\$ 15,918,541	\$ -	\$ 145,949,037

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Eliminations	Totals
Operating revenues:				
Charge for services:				
Vessels and cargo services	\$ 11,122,515	\$ 23,393,797	\$ -	\$ 34,516,312
Building and facilities rental and fees	23,688,962	787,741	(7,518,906)	16,957,797
Total operating revenues	34,811,477	24,181,538	(7,518,906)	51,474,109
Operating expenses:				
Personnel services	8,541,478	953,392	-	9,494,870
Maintenance and operations	8,032,153	14,505,930	(7,518,906)	15,019,177
Sales and office	4,280,820	4,132,883	-	8,413,703
Depreciation	5,688,810	682,042	-	6,370,852
Total operating expenses	26,543,261	20,274,247	(7,518,906)	39,298,602
Operating income (loss)	8,268,216	3,907,291	-	12,175,507
Nonoperating revenues (expenses):				
Investment income	447,634	71,529	-	519,163
Other income	18,011	-	-	18,011
Loss on sale of assets	(400,102)	-	-	(400,102)
Interest expense	(1,499,143)	-	-	(1,499,143)
Annual city payment	(189,245)	-	-	(189,245)
Recovery, restoration and other nonoperating expenses	(227,224)	-	-	(227,224)
Total nonoperating revenues (expenses)	(1,850,069)	71,529	-	(1,778,540)
Income (loss) before capital grants and contributions	6,418,147	3,978,820	-	10,396,967
Capital grants and contributions	653,380	-	-	653,380
Change in net position	7,071,527	3,978,820	-	11,050,347
Net position at beginning of year, restated	122,958,969	11,939,721	-	134,898,690
Net position at end of year	\$ 130,030,496	\$ 15,918,541	\$ -	\$ 145,949,037

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 27,566,387	\$ 19,271,217	\$ 46,837,604
Cash payments to employees	(7,865,516)	(953,392)	(8,818,908)
Cash payments to suppliers for goods and services	(11,945,226)	(9,821,767)	(21,766,993)
Interfund transfers	7,518,906	(7,518,906)	-
Net cash provided by operating activities	15,274,551	977,152	16,251,703
Cash flows from noncapital financing activities:			
Annual City payment	(189,245)	-	(189,245)
Net cash used in noncapital financing activities	(189,245)	-	(189,245)
Cash flows from capital and related financing activities:			
Principal payments on revenue bonds, contracts payable and capital lease	(3,378,899)	-	(3,378,899)
Principal payments on CDL notes payable	(174,959)	-	(174,959)
Receipts from capital grants and contributions	635,772	-	635,772
Interest paid—long-term debt	(1,535,914)	-	(1,535,914)
Acquisition and construction of capital assets	(2,687,975)	-	(2,687,975)
Net cash used in capital and related financing activities	(7,141,975)	-	(7,141,975)
Cash flows from investing activities:			
Receipts of interest	233,855	71,529	305,384
Investment income	162,709	-	162,709
Purchase of investments	(5,760,797)	-	(5,760,797)
Proceeds from sale of investments	4,747,194	-	4,747,194
Payments received from capital and direct financing lease	199,148	-	199,148
Net cash provided by (used in) investing activities	(417,891)	71,529	(346,362)
Net increase in cash and cash equivalents	7,525,440	1,048,681	8,574,121
Cash and cash equivalents at beginning of year	20,586,900	4,371,128	24,958,028
Cash and cash equivalents at end of year	<u>\$ 28,112,340</u>	<u>\$ 5,419,809</u>	<u>\$ 33,532,149</u>
Cash and cash equivalents per statement of net position:			
Unrestricted	\$ 15,063,385	\$ 5,249,216	\$ 20,312,601
Restricted	13,219,548	-	13,219,548
Cash and cash equivalents at end of year	<u>\$ 28,282,933</u>	<u>\$ 5,249,216</u>	<u>\$ 33,532,149</u>

(Continued)

The Board of Trustees of the Galveston Wharves

Notes to Financial Statements

Note 14. Condensed Combining Information for the Port and the Corporation (Continued)

	Primary Government	Corporation	Total
Operating income	\$ 8,268,216	\$ 3,907,291	\$ 12,175,507
Adjustments to reconcile operating income to net cash provided by (used in)			
operating activities:			
Depreciation	5,688,810	682,042	6,370,852
Charge-off of prior year construction expenses to operating expense	71,318	-	71,318
Changes in operating assets and liabilities:			
Increase in accounts receivable	(905,976)	(3,672,190)	(4,578,166)
Decrease in prepaid items	89,556	4,096	93,652
Increase in accounts payable	180,078	145,000	325,078
Increase (decrease) in accrued expenses	1,336,425	(89,268)	1,247,157
Increase (decrease) in unearned revenue and rent	(114,059)	105	(113,954)
Increase in accrued compensated absences	235,658	-	235,658
Increase in payable to other government	-	76	76
Increase in deferred outflows—pension items	(192,825)	-	(192,825)
Decrease in deferred inflows—pension items	(846,633)	-	(846,633)
Increase in net pension liability	1,463,983	-	1,463,983
Net cash provided by operating activities	\$ 15,274,551	\$ 977,152	\$ 16,251,703
Supplemental disclosures of cash flow information:			
Construction payables	\$ 595,007	\$ -	\$ 595,007
Retainage payable	\$ 296,305	\$ -	\$ 296,305



GALVESTON WHARVES

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT



2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplemental Information



**Port of Galveston
Galveston, Texas**

The Board of Trustees of the Galveston Wharves

Schedule of Changes in Net Pension Liability and Related Ratios Last Five Measurement Years Ended December 31 Required Pension Supplementary Information (Unaudited)

	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	\$ 149,366	\$ 138,712	\$ 137,707	\$ 169,079	\$ 183,481
Interest	1,135,048	1,119,970	1,095,941	1,071,934	1,040,307
Change in assumptions	88,955	762,720	-	(239,557)	-
Difference between expected and actual experience	41,613	(134,857)	84,594	156,762	(56,421)
Benefit payments, including refunds of employee contributions	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Net change in total pension liability	208,253	744,658	462,431	400,499	462,551
Total pension liability at beginning of year	16,109,828	15,365,170	14,902,739	14,502,240	14,039,689
Total pension liability at end of year	\$16,318,081	\$16,109,828	\$15,365,170	\$14,902,739	\$14,502,240
Plan fiduciary net position:					
Contributions—employer	\$ 575,000	\$ 562,160	\$ 420,000	\$ 400,000	\$ 540,004
Net investment income	(560,928)	2,475,326	519,420	153,997	782,143
Benefit payments, including refunds of employee contributions	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Administrative expense	(62,705)	(69,370)	-	(65,437)	(89,122)
Other changes	(368)	1,280	679	1,199	3,203
Net change in plan fiduciary net position	(1,255,730)	1,827,509	84,288	(267,960)	531,412
Plan fiduciary net position at beginning of year	13,667,361	11,839,852	11,755,564	12,023,524	11,492,112
Plan fiduciary net position at end of year	\$12,411,631	\$13,667,361	\$11,839,852	\$11,755,564	\$12,023,524
Plan net pension liability at end of year	\$ 3,906,450	\$ 2,442,467	\$ 3,525,318	\$ 3,147,175	\$ 2,478,716
Fiduciary net position as a percentage of the total pension liability	76%	85%	77%	79%	83%
Covered payroll	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196	\$ 3,289,226	\$ 3,484,519
Plan net pension liability as a percentage of covered payroll	194%	92%	111%	96%	71%

Note: GASB Statement No. 68 was implemented in fiscal year 2015; therefore, information for prior years is not available.

The Board of Trustees of the Galveston Wharves

Schedule of Plan Pension Contributions

Last Ten Years

Required Pension Supplementary Information (Unaudited)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 515,856	\$ 421,327	\$ 562,160	\$ 415,085	\$ 377,727
Contributions in relation to the actuarially determined contribution	575,000	575,000	562,160	420,000	400,000
Contribution excess	\$ (59,144)	\$ (153,673)	\$ -	\$ (4,915)	\$ (22,273)
Covered payroll	\$ 1,527,483	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196	\$ 3,289,226
Contributions as a percentage of covered payroll	37.64%	28.51%	21.14%	13.23%	12.16%
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 398,283	\$ 540,004	\$ 669,776	\$ 595,057	\$ 595,057
Contributions in relation to the actuarially determined contribution	540,004	540,004	669,776	595,057	595,057
Contribution excess	\$ (141,721)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,484,519	\$ 3,627,781	\$ 3,921,729	\$ 3,889,073	\$ 3,990,184
Contributions as a percentage of covered payroll	15.50%	14.89%	17.08%	15.30%	14.91%

Methods and assumptions used to determine contribution for 2019:

Valuation date	December 31, 2018
Actuarial cost method	Individual entry age cost method
Amortization method	22-year level dollar (closed)
Asset valuation method	Fair value of assets
Interest rates	7.25%, net of investment expenses, including inflation
Inflation	2.75%
Annual pay increases	3.00%
Final average pay load	7.5% load to the final average pay of active employees eligible to retire as of December 31, 2018, was added to anticipate the impact of accrued vacation and sick time pay.
Mortality rates based on the 2018 Trustees Report	RP 2014 Mortality Table projected from 2006 with the Social Security Generational Improvement Scale
Retirement rates	The latter of the attainment of age 65 or the completion of five years of vesting service



2019 Comprehensive Annual Financial Report

Statistical Section



Port of Galveston
Galveston, Texas

2019 Comprehensive Annual Financial Report



2019 Comprehensive Annual Financial Report

Statistical Section Categories

Financial Trend	Page
<i>These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.</i>	
Condensed statement of net position	64-65
Condensed statement of changes in net position	66-67
Operating revenue statement	68-69
Revenue Capacity Data	
<i>This schedule contains information regarding the largest contributors to operating revenues.</i>	
Schedule of ten largest revenue generating customers	70-71
Debt Capacity Data	
<i>These schedules contain information for the reader to assess the affordability of the Port's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	
Schedule of long-term debt	73
Pledged net revenue coverage	74-75
Debt service schedule	76
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place.</i>	
Demographic and economic statistics	77
Principal employers in the City of Galveston	79
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port provides and the activities it performs.</i>	
Tonnage handled through facilities, port activity, inward/outward	80-81
Cruise traffic	82
Number of employees and gross wages paid	83
Operating facilities	84-85

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position Last 10 Fiscal Years

Description	2019	2018	2017	2016
Assets				
Unrestricted current assets	\$ 31,810,238	\$ 19,731,195	\$ 14,197,722 (a)	\$ 18,183,941
Restricted current assets	17,400,813	17,099,839	18,642,035	19,900,725
Properties and facilities, net	145,631,402	149,793,852	147,820,443	152,026,032
Other assets	1,261,259	1,460,406	1,659,552	1,858,698
Total assets	196,103,712	188,085,292	182,319,752	191,969,396
Deferred outflow of resources	1,177,383	984,558	1,409,876	1,146,128
Liabilities				
Current liabilities—payable from nonrestricted assets	10,219,523	8,688,028	8,865,980	5,414,459
Current liabilities—payable from restricted assets	6,773,387	4,971,216	4,823,336	4,420,000
Long term debt, net of current portion	28,948,200	35,535,886	36,505,594	43,709,763
Unearned revenues	1,484,498	1,686,930	2,075,676	2,337,245
Net pension liability	3,906,450	2,442,467	3,525,318	3,147,175
Total liabilities	51,332,058	53,324,527	55,795,904	59,028,642
Deferred inflows of resources	-	846,633	83,707	228,612
Net position				
Net investment in capital assets	117,664,207	116,705,066	110,603,904	115,231,634
Restricted	8,563,972	8,408,718	11,995,924	7,869,709
Unrestricted	19,720,858	9,784,906	5,250,189 (a)	10,756,927
Total net position	\$ 145,949,037	\$ 134,898,690	\$ 127,850,017	\$ 133,858,270

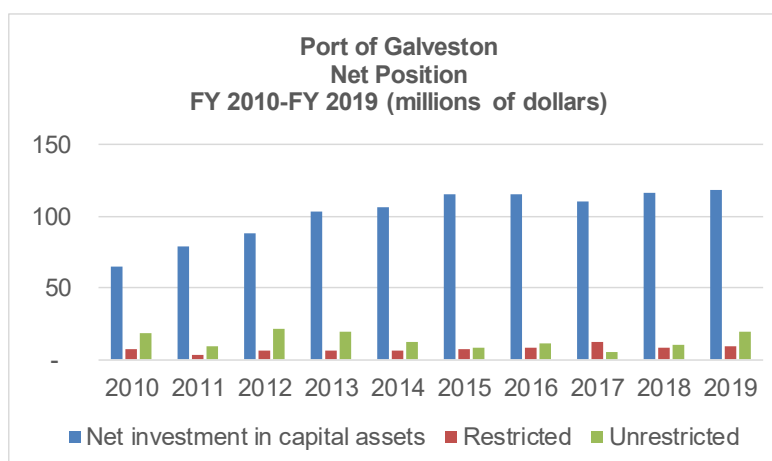
- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.
- Effective January 1, 2012, the Wharves implemented GASB Statements No. 63 and No. 65. Prior periods presented above have been restated to reflect the accounting methods dictated by these statements.

(a) Restated

The Board of Trustees of the Galveston Wharves

Condensed Statement of Net Position Last 10 Fiscal Years

2015	2014	2013	2012	2011	2010
\$ 20,584,656	\$ 21,289,662	\$ 23,855,430	\$ 26,711,814	\$ 15,432,593	\$ 25,064,376
27,796,300	34,491,857	21,643,798	22,538,833	22,812,482	33,752,774
147,901,820	136,548,043	137,638,530	127,239,959	118,050,502	101,418,433
2,057,844	2,256,990	2,456,136	2,655,282	2,904,883	11,607,319
198,340,620	194,586,552	185,593,894	179,145,888	159,200,460	171,842,902
451,726	540,004	-	-	-	-
10,558,641	7,900,565	5,109,981	5,836,253	8,789,144	8,636,926
4,250,000	4,115,000	5,324,294	3,780,000	1,355,000	2,815,000
48,638,548	52,707,229	43,566,405	51,255,689	52,359,120	64,215,178
2,522,265	2,665,129	2,844,814	3,149,585	4,842,624	5,648,989
2,478,716	2,547,577				
68,448,170	69,935,500	56,845,494	64,021,527	67,345,888	81,316,093
133,961	142,594	188,841	-	-	-
115,312,854	106,323,197	103,644,735	87,905,458	79,080,947	64,626,839
6,704,602	6,321,160	6,020,683	5,782,618	3,572,747	7,422,212
8,192,759	12,404,105	18,894,141	21,436,285	9,200,878	18,477,758
\$ 130,210,215	\$ 125,048,462	\$ 128,559,559	\$ 115,124,361	\$ 91,854,572	\$ 90,526,809



The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position Last 10 Fiscal Years

Description	2019	2018	2017	2016
Operating revenues	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872
Operating expenses:				
Personnel services	9,494,870	8,281,310	7,972,059	8,462,458
Maintenance and operations	15,019,177	12,773,845	11,772,312	10,987,938
Sales and office	8,413,703	7,935,356	6,865,712	5,412,002
Depreciation	6,370,852	6,546,854	6,705,570	6,549,259
Total operating expenses	39,298,602	35,537,365	33,315,653	31,411,657
Net operating income (loss)	12,175,507	7,977,151	4,454,196	3,077,215
Nonoperating revenue (expenses):				
Direct financing lease	-	-	-	-
Investment income	519,163	280,987	347,353	288,856
Miscellaneous Income	18,011	-	-	-
Annual city payment ^(b)	(189,245)	(189,169)	(188,793)	(188,561)
Interest expense	(1,499,143)	(1,742,546)	(1,934,675)	(2,125,727)
Bond issuance costs	-	-	-	-
Other debt expense	-	-	-	-
Net gain (loss) on disposal of equipment	(400,102)	-	-	-
Operating grants	-	-	-	-
U.S. Army COE-related expenses	-	(487,983)	-	-
Hurricane-related income (expenses) ^(c)	(227,224)	(459,194)	(811,434) ^(a)	(552,828)
Total nonoperating revenues (expenses)	(1,778,540)	(2,597,905)	(2,587,549)	(2,578,260)
Income (expense) before contributions	10,396,967	5,379,246	1,866,645	498,955
Capital grants and contributions	653,380	1,669,423	30,384	3,149,100
Changes in net position	\$ 11,050,347	\$ 7,048,669	\$ 1,897,029	\$ 3,648,055

- Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.
- Effective January 1, 2012, the Wharves implemented GASB Statements No. 63 and No. 65. Prior periods presented above have been restated to reflect the accounting methods dictated by these statements.

(a) Restated.

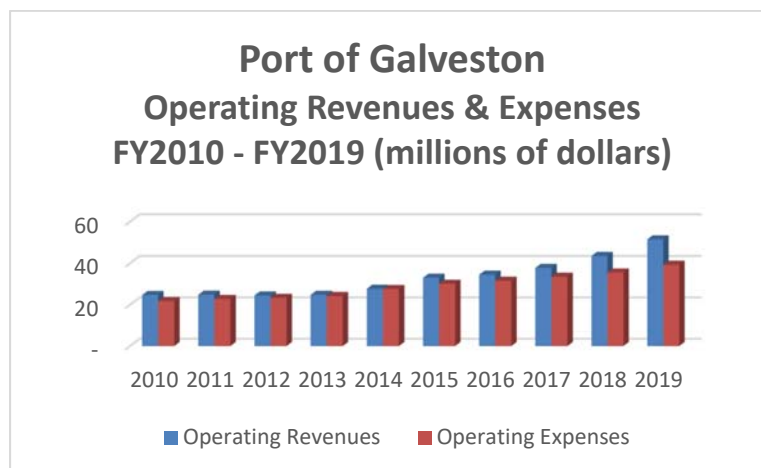
(b) Effective in 2018, annual City payments for all years are being shown as nonoperating expenses rather than operating expenses.

(c) Effective in 2018, hurricane-related expenses for all years are being shown as nonoperating expenses rather than extraordinary items.

The Board of Trustees of the Galveston Wharves

Condensed Statement of Changes in Net Position Last 10 Fiscal Years

2015	2014	2013	2012	2011	2010
\$ 33,015,643	\$ 27,711,092	\$ 24,767,493	\$ 24,482,964	\$ 24,843,317	\$ 24,678,500
8,891,974	8,858,156	8,845,314	8,819,701	8,281,209	7,657,539
9,005,438	8,911,837	7,105,943	6,990,167	7,329,099	7,101,626
6,046,520	3,804,123	2,428,240	2,333,548	2,869,070	2,595,201
6,005,248	5,837,831	5,640,607	4,999,706	4,112,167	4,212,567
29,949,180	27,411,947	24,020,104	23,143,122	22,591,545	21,566,933
3,066,463	299,145	747,389	1,339,842	2,251,772	3,111,567
-	-	-	-	428,542	467,500
232,073	225,801	201,126	122,618	81,193	375,976
-	-	-	-	-	-
(188,076)	(187,302)	(187,302)	(187,302)	(182,000)	(182,000)
(2,275,468)	(1,970,803)	(2,115,837)	(2,500,263)	(2,991,863)	(3,157,474)
-	-	-	-	(432,241)	-
-	(170,521)	(225,146)	-	-	-
3,279	-	1,840	-	(24,366)	(40)
-	-	-	-	1,962,345	3,421,521
-	-	-	-	-	-
(569,808)	(1,963,657)	(944,908)	13,340,200	(481,789)	6,161,099
(2,798,000)	(4,066,482)	(3,270,227)	10,775,253	(1,640,179)	7,086,582
268,463	(3,767,337)	(2,522,838)	12,115,095	611,593	10,198,149
4,893,290	2,263,814	15,958,039	11,154,694	716,170	-
\$ 5,161,753	\$ (1,503,523)	\$ 13,435,201	\$ 23,269,789	\$ 1,327,763	\$ 10,198,149



The Board of Trustees of the Galveston Wharves

Operating Revenue Statement Last 10 Fiscal Years

Description	2019	2018	2017	2016
Switching	\$ 724,899	\$ 664,519	\$ 556,646	\$ 929,527
Wharfage	4,061,884	4,491,912	3,169,750	2,661,602
Passenger charge	16,011,250	12,200,846	11,580,016	8,946,032
Parking fees	8,118,181	7,607,603	6,669,561	6,143,976
Dockage	8,204,487	6,719,542	5,165,419	5,826,700
Ship service revenues	6,238,691	5,336,560	4,861,472	3,891,550
Shed hire	-	-	-	-
Revenue producing services	873,759	343,467	98,497	114,358
Rentals	4,685,762	3,787,582	3,748,981	3,478,455
Security cost recovery	1,401,845	1,191,123	847,632	949,909
Terminal access fees	1,059,105	888,442	889,170	832,440
Miscellaneous	94,246	282,920	182,710	714,323
Total operating revenues	\$ 51,474,109	\$ 43,514,516	\$ 37,769,854	\$ 34,488,872

The Board of Trustees of the Galveston Wharves

**Operating Revenue Statement
Last 10 Fiscal Years**

2015	2014	2013	2012	2011	2010
\$ 1,067,920	\$ 763,624	\$ 496,996	\$ 629,707	\$ 968,353	\$ 1,089,685
2,577,208	2,659,003	2,304,942	2,927,094	2,113,569	1,873,470
8,647,317	6,157,648	5,271,205	4,854,694	3,760,158	3,438,848
6,312,896	4,851,414	4,117,693	4,203,115	3,307,542	3,208,581
6,479,532	5,683,806	5,345,099	4,715,107	6,580,882	7,084,880
3,195,913	3,449,474	2,892,874	2,471,125	2,064,344	1,703,452
-	-	-	4,216	-	-
120,388	114,505	119,137	124,191	146,204	467,740
3,051,766	3,049,244	3,446,461	3,718,048	5,098,394	4,703,380
979,811	658,078	558,984	494,919	647,018	602,437
526,823	283,566	148,554	122,430	102,410	101,020
56,067	40,730	65,547	218,318	54,444	405,008
\$ 33,015,641	\$ 27,711,092	\$ 24,767,492	\$ 24,482,964	\$ 24,843,318	\$ 24,678,501

The Board of Trustees of the Galveston Wharves

**Schedule of 10 Largest Revenue Generating Customers
Current Year and Nine Years Ago**

2019				Percent of Total Operating Revenues
Rank	Customer Name	Amount		
1.	Royal Caribbean, Int'l.	\$	12,773,513	25%
2.	Carnival Cruise Lines		10,361,070	20%
3.	ADM Grain Co.		1,956,699	4%
4.	DSV Air & Sea, Inc.		1,138,224	2%
5.	Metro Ports Suderman Contracting		1,023,934	2%
6.	WWL Vehicle Services Americas		945,837	2%
7.	Wallenius Wilhelmsen Logistics		945,648	2%
8.	Del Monte Fresh Produce CO, N.A.		891,016	1%
9.	Coastal Region		745,556	2%
10.	CHS, Inc.		693,829	1%
Total ten largest customers			31,475,326	61%
Others			19,998,783	39%
Total operating revenues		\$	51,474,109	100%

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

**Schedule of 10 Largest Revenue Generating Customers
Current Year and Nine Years Ago**

2010		
Customer Name	Amount	Percent of Total Operating Revenues
Carnival Cruise Lines	\$ 2,883,247	12%
Royal Caribbean, Int'l.	2,421,854	10%
ADM Grain	2,351,585	10%
Gulf Copper	2,127,083	9%
Pelican Island Storage Terminal Inc.	1,124,544	5%
Galveston Railroad, L.P.	1,100,282	4%
Wallenius Wilhelmsen	1,065,030	4%
Del Monte Fresh Fruit	1,044,961	4%
Central Dispatch Inc.	703,260	3%
Norton Lilly Int'l.	684,748	3%
Total ten largest customers	15,506,594	63%
Others	9,171,906	37%
Total operating revenues	\$ 24,678,500	100%



The Board of Trustees of the Galveston Wharves

**Schedule of Long-Term Debt
Last 10 Fiscal Years**

Fiscal Year	Special Obligation Bonds	Revenue Bonds	Contracts Payable	Notes Payable	Capital Leases	Total	Percentage of Personal Income	Dollars Per Capita
2010	\$ 8,500,000	\$ 31,485,000	\$ 19,323,672	\$ 8,831,619	\$ 1,246,569	\$ 69,386,860	7%	\$ 3,905
2011	-	25,925,000	20,753,455	6,626,054	3,316,379	56,620,888	5%	2,401
2012	-	25,925,000	18,552,189	3,739,399	3,087,814	51,304,402	4%	2,176
2013	-	25,187,093	19,072,664	1,339,294	2,849,937	48,448,988	4%	1,952
2014	-	23,726,023	16,571,412	14,339,294	2,602,368	57,239,097	4%	2,167
2015	-	22,204,953	14,013,026	14,180,080	2,344,712	52,742,771	4%	2,016
2016	-	20,623,883	11,393,206	13,853,370	2,076,562	47,947,021	4%	1,798
2017	-	18,972,813	8,687,611	13,602,884	1,797,486	43,060,794	3%	1,574
2018	-	17,241,744	6,136,456	13,174,959	-	36,553,159	3%	1,295
2019	-	15,425,674	3,144,637	13,000,000	-	31,570,311	2%	1,062

The Board of Trustees of the Galveston Wharves

**Pledged Net Revenue Coverage
Last 10 Fiscal Years**

Description	2019	2018	2017	2016	2015
Operating revenues	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872	\$ 33,015,643
Operating expenses	39,298,602	35,537,365	33,504,448	31,600,218	30,137,256
Net operating income (loss)	12,175,507	7,977,151	4,265,401	2,888,654	2,878,387
Add:					
Miscellaneous income	18,011	-	-	-	-
Interest income	519,163	280,987	347,353	288,856	232,073
Depreciation	6,370,852	6,546,854	6,705,572	6,549,259	6,005,248
Total net revenues	\$ 19,083,533	\$ 14,804,992	\$ 11,318,326	\$ 9,726,769	\$ 9,115,708
Annual debt service	\$ 6,459,743	\$ 6,549,453	\$ 6,447,362	\$ 6,444,562	\$ 6,450,236
Debt service coverage	2.95	2.26	1.76	1.51	1.41

The Board of Trustees of the Galveston Wharves

**Pledged Net Revenue Coverage
Last 10 Fiscal Years**

Description	2014	2013	2012	2011	2010
Operating revenues	\$ 27,711,092	\$ 24,767,493	\$ 24,482,964	\$ 24,843,317	\$ 24,678,500
Operating expenses	27,599,249	24,207,406	23,330,424	22,773,545	21,748,933
Net operating income (loss)	111,843	560,087	1,152,540	2,069,772	2,929,567
Add:					
Miscellaneous income	-	-	-	-	-
Interest income	225,801	201,126	122,618	81,193	375,976
Depreciation	5,837,831	5,640,607	4,999,706	4,112,167	4,212,567
Total net revenues	\$ 6,175,475	\$ 6,401,820	\$ 6,274,864	\$ 6,263,132	\$ 7,518,110
Annual debt service	\$ 5,513,294	\$ 5,693,844	\$ 2,521,208	\$ 4,695,925	\$ 4,682,086
Debt service coverage	1.12	1.12	2.49	1.33	1.61

The Board of Trustees of the Galveston Wharves

Debt Service Schedule

Year Ending December 31	Revenue Bonds, Series 2011	Certificate of Obligations	Notes Payable	Total Principal and Interest Requirements
2020	\$ 2,545,169	\$ 3,160,000	\$ 2,350,950	\$ 8,056,119
2021	2,545,044		2,511,362	5,056,406
2022	2,549,919		2,511,572	5,061,491
2023	2,545,169		2,517,388	5,062,557
2024	2,549,647		2,519,634	5,069,281
2025	2,548,375		2,522,023	5,070,398
2026	2,547,123		210,186	2,757,309
	<u>\$ 17,830,446</u>	<u>\$ 3,160,000</u>	<u>\$ 15,143,115</u>	<u>\$ 36,133,561</u>

The Board of Trustees of the Galveston Wharves

Demographic and Economic Statistics

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Personal Income (in \$000's) (1)	Median Age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2010	56,391	17,769	1,002,012	38.8	12	6,400	8.4%
2011	47,743	23,581	1,125,828	38.8	12	6,400	8.9%
2012	48,444	23,581	1,142,358	38.8	12	6,450	7.6%
2013	47,762	24,822	1,185,548	38.8	12	6,450	7.7%
2014	48,733	26,410	1,287,038	38.8	12	6,800	5.6%
2015	49,608	26,164	1,297,944	37.3	12	6,813	6.3%
2016	50,180	26,665	1,338,050	36.3	12	6,976	4.8%
2017	50,550	27,366	1,383,351	37.0	12	6,914	3.8%
2018	50,497	28,227	1,425,379	36.6	12	7,017	4.5%
2019	50,457	29,733	1,500,238	39.4	12	7,015	3.6%

Source: (1) U.S. Census Bureau
 (2) Galveston Independent School District
 (3) United States Census Bureau and Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.



The Board of Trustees of the Galveston Wharves

**Principle Employers in the City of Galveston
Current Year and Nine Years Ago**

Employer	2019			2010		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
University of Texas Medical Branch	9,000	1	50.42%	7,900	1	56%
American National Insurance Company	1,600	2	8.96%	850	4	6%
Galveston Independent School District	1,361	3	7.63%	1,044	3	7%
Landry's Restaurants	1,300	4	7.28%	746	7	5%
Moody Gardens	922	5	5.17%	783	5	5%
City of Galveston	700	6	3.92%	748	6	5%
Fertitta Hospitality	566	7	3.17%	743	8	5%
Galveston College	543	8	3.04%	140	10	1%
ILA (Local 20, 1665, 15048 and 1443)	500	9	2.80%	-	-	-
Schlitterbahn	500	10	2.80%	-	-	-
Galveston County (on island only)	460	11	2.58%	1,210	2	8%
Texas A&M University at Galveston	397	12	2.23%	329	9	2%
	<u>17,849</u>		<u>100.00%</u>	<u>14,493</u>		<u>100.00%</u>

Source: Galveston Economic Development Partnership and Texas Workforce Commission.
<http://www.galvestonislandtx.com/business/economic/profiles.htm>

The Board of Trustees of the Galveston Wharves

**Tonnage Handled Through Facilities, Port Activity, Inward/Outward
Last 10 Fiscal Years**

Description	2019	2018	2017	2016
Bulk grain	647,328	839,395	734,932	2,466,931
Bulk fertilizer	540,096	603,701	455,945	565,277
Bulk liquid	1,574,339	1,544,103	1,225,701	1,303,459
Other bulk cargoes	-	-	-	-
Bananas and other fruit	568,860	534,412	484,661	486,797
Other general and Ro RoCargo	687,215	581,779	486,296	383,320
Livestock	-	-	-	-
Total tons handled	4,017,838	4,103,390	3,387,535	5,205,784
Inward	3,043,447	3,069,352	2,342,006	2,631,508
Outward	974,391	1,034,038	902,805	2,574,276
Total inward and outward	4,017,838	4,103,390	3,244,811	5,205,784
Number of vessels, including ships and barges	1,023	840	734	752

The Board of Trustees of the Galveston Wharves

**Tonnage Handled Through Facilities, Port Activity, Inward/Outward
Last 10 Fiscal Years**

2015	2014	2013	2012	2011	2010
3,073,498	1,553,860	914,099	1,088,386	3,592,228	4,361,157
620,731	721,562	542,121	700,104	413,890	376,278
904,659	1,666,465	2,127,632	2,080,702	2,518,378	2,753,381
-	-	-	10,818	20,362	-
520,697	504,542	439,178	337,912	369,234	358,953
483,722	495,067	429,382	548,476	439,734	369,891
-	-	11,897	20,178	5,043	-
5,603,307	4,941,496	4,464,309	4,786,576	7,358,869	8,219,660
5,296,181	3,103,258	3,314,967	3,404,705	3,493,545	3,610,312
307,126	1,838,238	1,149,342	1,381,871	3,865,324	4,609,348
5,603,307	4,941,496	4,464,309	4,786,576	7,358,869	8,219,660
810	846	912	803	774	1,078

The Board of Trustees of the Galveston Wharves

**Cruise Traffic
Last 10 Fiscal Years**

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
2010	152	434,524	58,378
2011	152	459,448	59,466
2012	174	604,272	77,624
2013	179	604,994	73,395
2014	181	641,650	87,422
2015	232	834,616	112,363
2016	235	868,923	105,108
2017	255	938,198	116,211
2018	268	989,220	113,484
2019	297	1,091,622	114,042

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

**Number of Employees and Gross Wages Paid
Last 10 Fiscal Years**

Year	Average Number of Employees (Maintenance)	Average Number of Employees (Security)	Average Number of Employees (Administration)	Total Average Number of Employees (a)	Gross Wages Paid (b)
2010	22	43	29	94	\$ 4,742,606
2011	21	45	32	98	5,027,568
2012	21	45	32	98	5,238,227
2013	18	44	33	95	5,213,368
2014	18	42	33	93	5,266,610
2015	19	43	34	96	5,683,543
2016	21	43	40	104	5,956,898
2017	20	41	32	93	5,437,350
2018	20	33	33	86	5,322,593
2019	20	27	35	82	5,593,528

(a) Based on quarterly Bureau of Labor Statistics reports.

(b) Includes straight time and overtime.

The Board of Trustees of the Galveston Wharves

Operating Facilities December 31, 2019

East End Roll-On Roll-Off (RoRo) Cargo Terminal and Vehicle Processing Center (VPC) at Pier 9 15 (Pier 10 Terminal)	Services major RoRo cargo ship ocean lines. Major RO-RO Hub Port on Gulf Coast. Total 40.1 acres, including 19.7 acres leased in 2016 to an operator for a VPC for BMW. Additional 5.44 acres for Caterpillar EPC. Also transloading military household goods for ARC.
Vehicle Processing Center (Pier 10 Terminal)	VPC for BMW located on 19.7 acres in Foreign Trade Zone Number 36. The VPC services 42 BMW and Mini Cooper Dealers in the states of Texas, Oklahoma, Louisiana and Arkansas.
Refrigerated Warehouse and Distribution Center/Terminal at Pier 16-18	Services importation of refrigerated bananas and other fruit and produce. Quick access to Interstate Hwy. 45. Phase I and Phase II expansion projects completed in 2009. Phase III expansion project was completed in 2011. Phase IV and V expansion projects completed in 2012. Pier 18 expansion (40 feet wide by 600 feet long) completed 2012. Pier 16 expansion (40 feet wide by 600 feet long) completed 2013. Uplands acreage expanded (2 acres) in 2015. Additional land added under lease in August, 2017.
Pier 21 Harborside Development	Retail/wholesale waterfront commercial development of outlets for the sale and provision of goods and services to the public: hotel, restaurants, residential rental units, offices, museums and a small boat basin for the docking of pleasure craft and recreational vessels, together with related offices, parking facilities and other facilities, incidental, or pertinent, to these operations.
Texas Cruise Ship Terminals On Galveston Island®	Home port to Carnival Cruise Line and Royal Caribbean International. Seasonal home port to Disney Cruise Line. Highest cruise passenger volume on the Gulf Coast. Fourth largest (by volume) cruise port in North America. Parking available for passengers on all cruises. Ability to take on additional cruise ships and passengers. Expansion of Cruise Terminal No. One to handle higher volume cruise vessels completed in October 2011. Expansion of Cruise Terminal No. Two to accommodate larger cruise vessels completed in 2016. Expansion of mooring capabilities at Cruise Terminal No. One to accommodate the largest Carnival Cruise Line vessel was completed in early 2018.
Export Grain Elevator at Pier 30-32	Operated by ADM Grain Company. Handles grain exports from U.S. Midwest and Southwest regions, serviced by BNSF Railway and Union Pacific Railroad. Storage capacity 3,200,000 bushels. Railcar unloading capacity of 1,600 MT per hour; Vessel loading capacity of 2,000 MT per hour. Facility rail expansion completed in 2012 to allow handling of three shuttle trains of 100 rail cars each.

The Board of Trustees of the Galveston Wharves

Operating Facilities (Continued) December 31, 2019

Pier 35 Bulk Cargo Terminal-Fertilizer	Operated by CHS, Inc. a major importer of bulk urea fertilizer. Facility has storage capacity of 80,000 short tons. Serviced by BNSF and Union Pacific Railroads. Facility rail track expansion to handle shuttle trains completed in 2012.
West End RoRo and General Cargo Piers 37-40	Serves two major RoRo cargo ocean shipping lines. Miscellaneous breakbulk, rolling stock, remarketed vehicles for export and IMO Class One cargoes. Piers also used for docking vessels for repairs.
Vessel Repair Facility at Pier 41	Dockside repairs on research and other vessels primarily related to the offshore oil industry, including drilling ships. Operated by a Port tenant. Significant local employer.
The Old Navy Dock on adjacent Pelican Island	Tenant offers a full range of maritime support services including salvage and emergency pollution response solutions for worldwide deployment.
Shipyard Operation on adjacent Pelican Island	Property is 110 acres plus docks, piers and dry-dock facility operated by a major Port tenant. Facility repairs oil rigs, ships, barges and research vessels. Major local employer. Major source of rental income to Port.
Pelican Island Storage Terminal, Inc.	Liquid bulk terminal operated by Port tenant moving carbon black and heavy fuels. Tank storage capacity expanded 100%, completed in 2012. Further expansion of tankage and diversification of products is expected.

