Port of
GALVESTON

PORT OF GALVESTON
SUPPLEMENTAL INFORMATION
FOR THE 2019 ANNUAL BUDGET

Operating Budget

Renewal and Replacement Budget

Capital Improvement Plan and 2019 Capital Improvement Budget

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Overview of the 2019 Proposed Budget

The 2019 Proposed Budget is being presented utilizing the same format as the monthly forecasted results presented at the monthly Finance Committee and Board Meetings.

Port staff used conservative revenue projections and realistically estimated expenses to support the related budgeted levels of activity for 2019. Methodology for deriving anticipated Operating Revenues is detailed on the attached 2019 Budgeted Revenue detail sheet. Cruise revenues assume increased rate related to the release of Pier 10 for development of a potential third cruise terminal.

Debt issuance of $36M @ 4.25% mid year.

Proposed Major 2019 Projects:
Cruise Terminal Parking Garage
Pelican Island Development
Fill Slips/Berth Renovation

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Port of Galveston 2019 Proposed Annual Budget Overview

Compare Summary of 2018 Budget to 2019 Proposed Budget

	2018 Budget	Proposed 2019 Budget	Increase/ (Decrease) $	Increase/ (Decrease) %
Total Income From Operations	$ 37,432,315	$ 47,768,780	$ 10,336,465	27.6%
Operating Expenses				
Total Salaries and Related Expenses	$ 9,026,423	$ 9,121,896	$ 95,473	1.1%
Total Repairs and Maintenance	3,045,861	3,433,099	387,238	12.7%
Total Other Operating Expenses	13,794,530	16,334,917	2,540,387	18.4%
Total Office & Sales Expenses	3,231,714	4,238,437	1,006,723	31.2%
Total Operating Expenses Before Depreciation and Amortization	$ 29,098,528	$ 33,128,349	$ 4,029,821	13.8%
Net Operating Income (Loss) Before Depreciation and Amortizatior	$ 8,333,787	$ 14,640,431	$ 6,306,644	75.7%
Depreciation Expense	$ 6,535,754	$ 6,899,458	$ 363,704	5.6%
Net Operating Income (Loss) After Depreciation and Amortization	$ 1,798,033	$ 7,740,973	$ 5,942,940	330.5%
Total Non Operating Income	$ 126,262	$ 140,863	$ 14,601	11.6%
Total Non Operating Expenses (includes new debt interest)	$ 1,674,004	$ 2,441,495	$ 767,491	45.8%
Net Income Before Grants, Contributions, Extraordinary Items, Special Items and Fema	$ 250,291	$ 5,440,341	$ 5,190,050	2073.6%

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Port of Galveston 2019 Proposed Annual Budget Overview

Compare Summary of 2018 Forecast to 2019 Proposed Budget

	2018 Forecast Presented to Board at October Meeting	Proposed 2019 Budget	Increase/ (Decrease)	Increase/ (Decrease) %
Total Income From Operations	$ 42,566,880	$ 47,768,780	$ 5,201,900	12.2%
Operating Expenses				
Total Salaries and Related Expenses	$ 8,329,897	$ 9,121,896	$ 791,999	9.5%
Total Repairs and Maintenance	2,951,450	3,433,099	481,649	16.3%
Total Other Operating Expenses	13,997,930	16,334,917	2,336,987	16.7%
Total Office & Sales Expenses	3,720,677	4,238,437	517,760	13.9%
Total Operating Expenses Before Depreciation and Amortization	$ 28,999,954	$ 33,128,349	$ 4,128,395	14.2%
Net Operating Income (Loss) Before Depreciation and Amortizatior	$ 13,566,926	$ 14,640,431	$ 1,073,505	7.9%
Depreciation Expense	$ 6,530,571	$ 6,899,458	$ 368,887	5.6%
Net Operating Income (Loss) After Depreciation and Amortization	$ 7,036,355	$ 7,740,973	$ 704,618	10.0%
Total Non Operating Income	$ 148,160	$ 140,863	$ (7,297)	-4.9%
Total Non Operating Expenses (includes new debt interest)	$ 1,674,699	$ 2,441,495	$ 766,796	45.8%
Net Income Before Grants, Contributions, Extraordinary Items, Special Items and Fema	$ 5,509,816	$ 5,440,341	$ (69,475)	-1.3%

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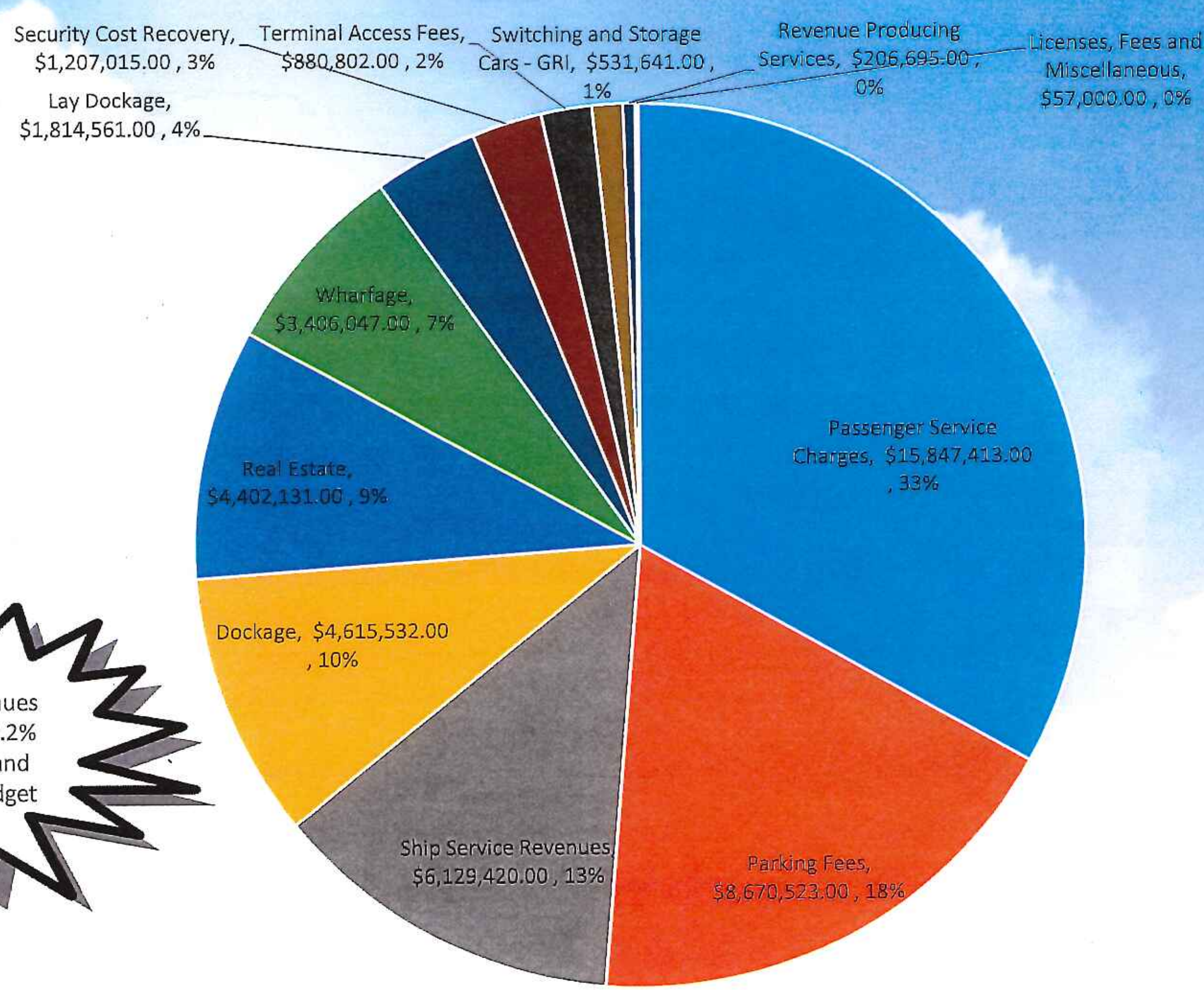
2019 Proposed Budgeted Revenues from Operations by Major Categories



Total operating revenues are $47,768,780 - 12.2% over 2018 forecast and 27.6% over 2018 budget

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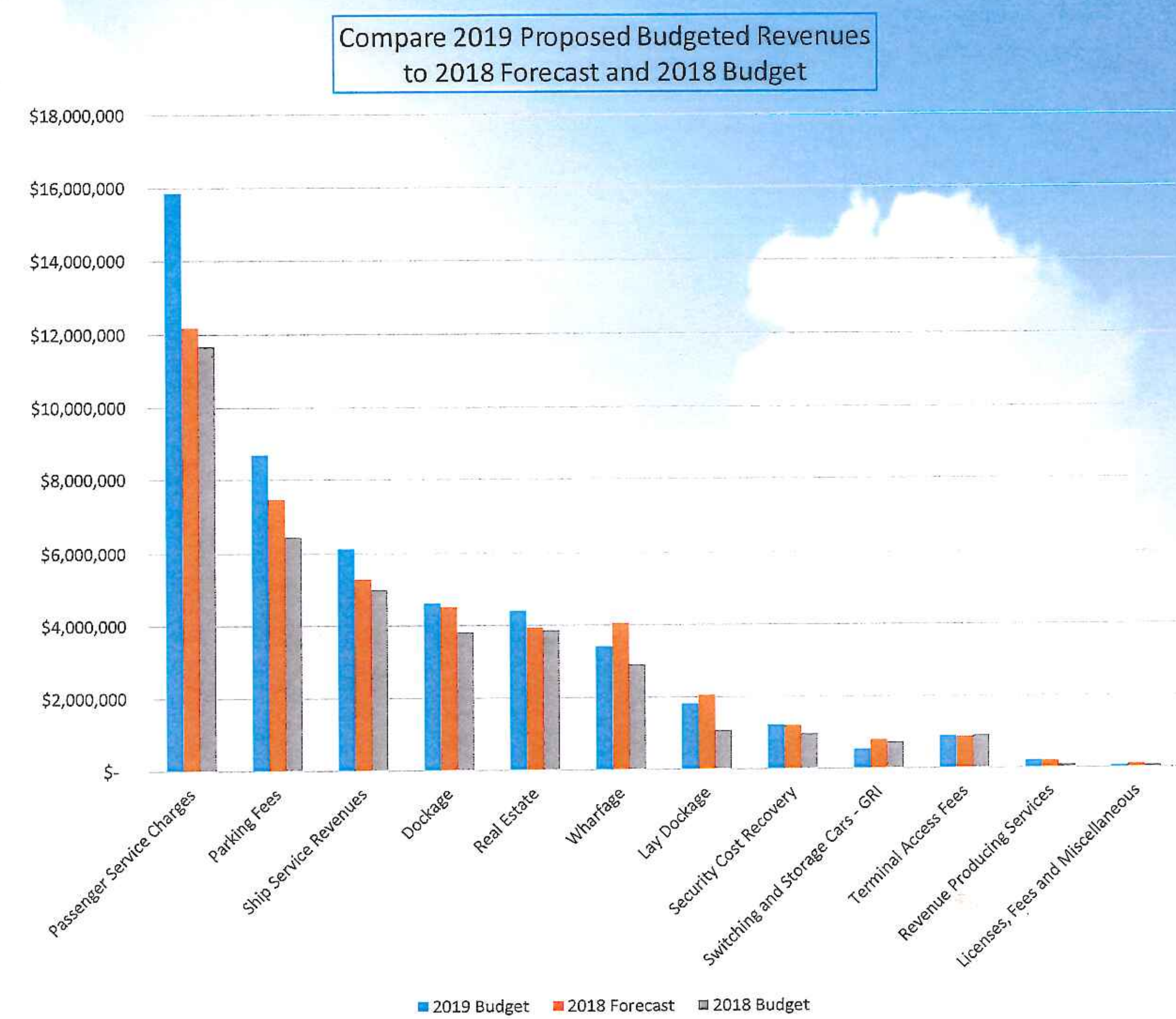
2019 Proposed Budgeted Revenue from Operations



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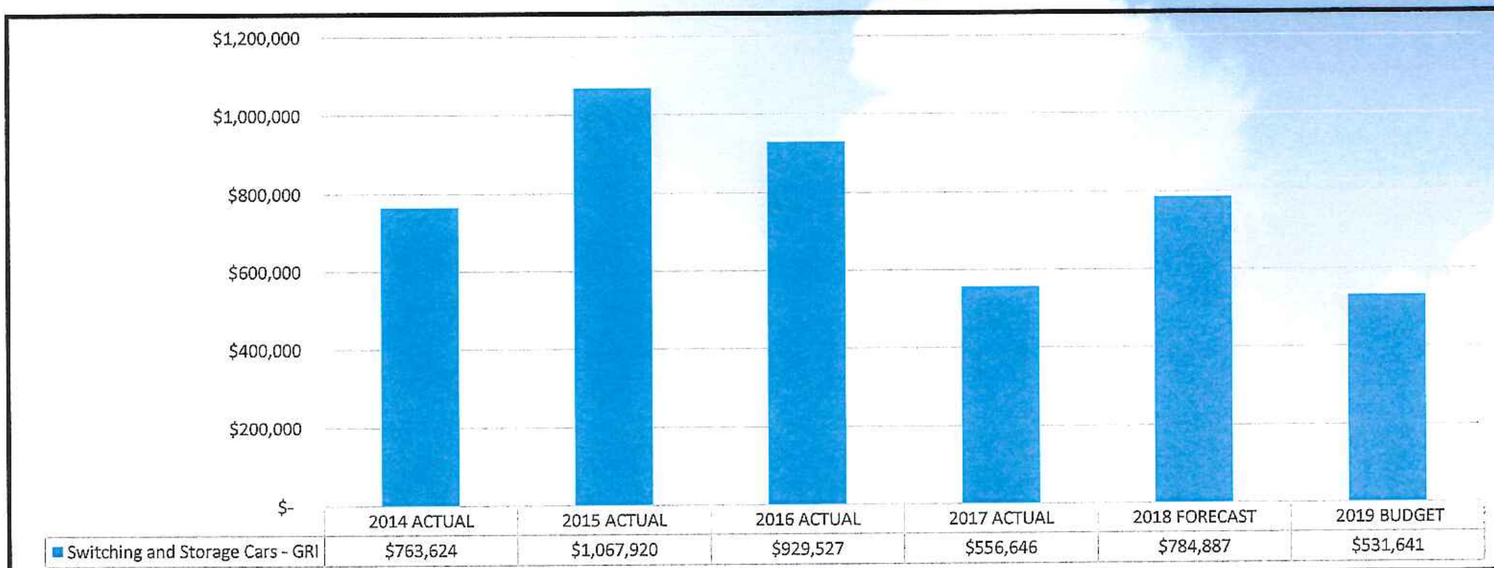
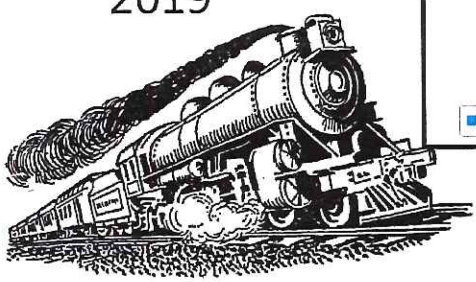
Switching/Rail Revenue Trend

Consists Mainly of Grain, Fertilizer, and Wind Products in 2019





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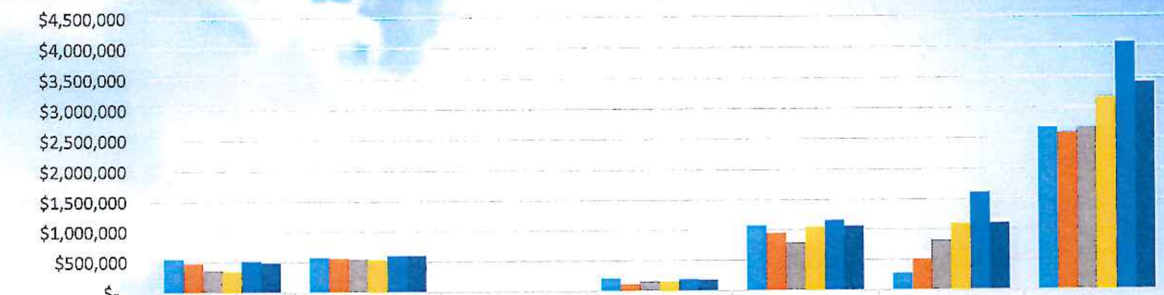
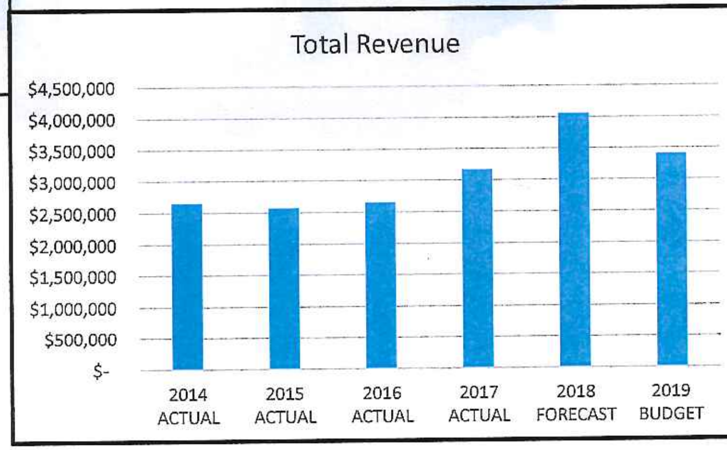
Wharfage Revenue Trend



	Fertilizer	Fruit & Produce	General Cargo	Liquid Bulk	Ro-Ro	Wind	TOTAL
2014 ACTUAL	$546,403	$567,390	$-	$204,483	$1,069,093	$271,634	$2,659,003
2015 ACTUAL	$473,007	$556,152	$-	$110,770	$937,657	$499,623	$2,577,209
2016 ACTUAL	$360,052	$539,117	$6,942	$159,607	$781,801	$814,083	$2,661,602
2017 ACTUAL	$343,237	$534,802	$2,603	$150,079	$1,045,827	$1,093,202	$3,169,750
2018 FORECAST	$511,206	$597,554	$2,685	$189,635	$1,151,176	$1,603,088	$4,055,344
2019 BUDGET	$482,784	$593,322	$-	$177,000	$1,055,132	$1,097,809	$3,406,047

Fees Charged for Cargo Passing
Over the Docks

Total Proposed 2019 Budgeted
Wharfage is $3,406,047



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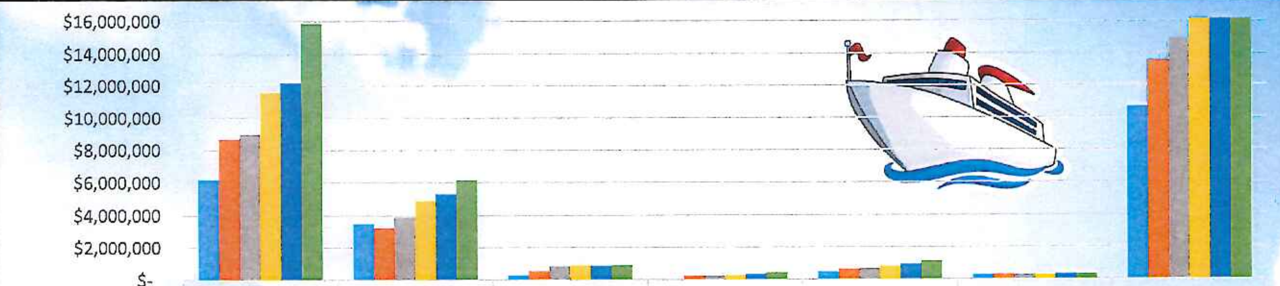
Cruise Terminal Revenue Trend and Passengers

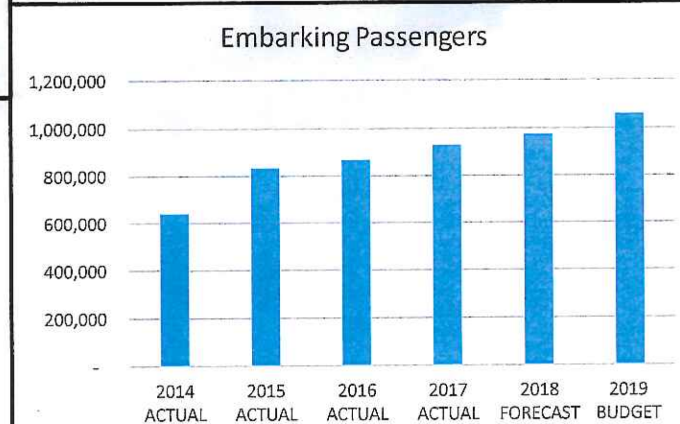


	Passenger Revenue	Ship Services Revenue	Terminal Access Fees	Security Cost Recovery	Dockage	Real Estate	Total Revenue
2014 ACTUAL	$6,157,648	$3,449,474	$283,566	$-	$468,034	$284,261	$10,642,983
2015 ACTUAL	$8,647,317	$3,195,913	$526,823	$209,571	$625,864	$300,929	$13,506,417
2016 ACTUAL	$8,946,032	$3,891,550	$832,440	$226,375	$669,412	$276,165	$14,841,974
2017 ACTUAL	$11,580,016	$4,861,472	$889,170	$275,738	$817,617	$276,641	$18,700,654
2018 FORECAST	$12,167,142	$5,271,453	$856,402	$338,799	$924,775	$309,588	$19,868,159
2019 BUDGET	$15,847,413	$6,129,420	$880,802	$433,060	$1,117,397	$311,693	$24,719,785

Cruise Terminal 1 is the largest single berth cruise terminal in the world based on square footage!!!

Total cruise revenue is $24,719,785, which is 24.4% over 2018 forecast

Total embarking passengers is 1,059,450, which is 8.7% over 2018 forecast



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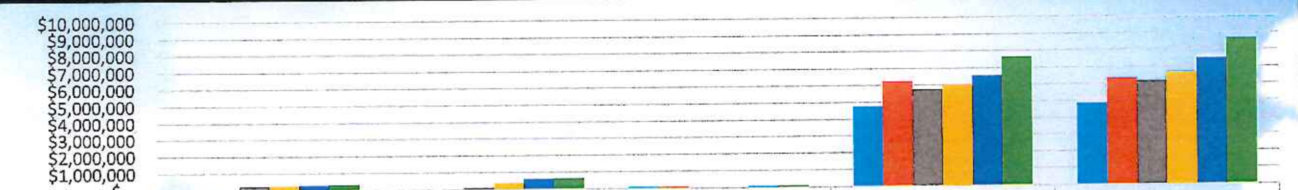
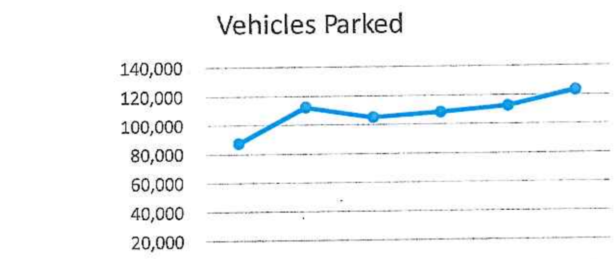
Parking Revenue Trend and Vehicles Parked



	SMP Garage	Transit Center	East End	Cruise	Total Revenue
2014 ACTUAL	$-	$-	$95,281	$4,756,133	$4,851,414
2015 ACTUAL	$15,469	$-	$76,664	$6,220,763	$6,312,896
2016 ACTUAL	$243,287	$96,416	$43,577	$5,760,696	$6,143,976
2017 ACTUAL	$264,377	$377,104	$34,969	$5,993,111	$6,669,561
2018 FORECAST	$276,277	$580,008	$72,092	$6,527,292	$7,455,668
2019 BUDGET	$314,818	$627,450	$99,234	$7,629,021	$8,670,523

Cruise and Transit Center Combined Revenue up 16.2% over 2018 Forecast



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Vehicles Parked	87,422	112,363	105,108	108,343	112,539	123,225

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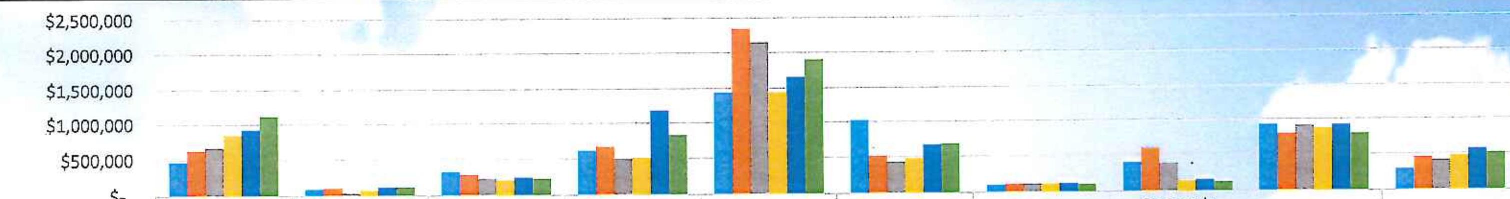
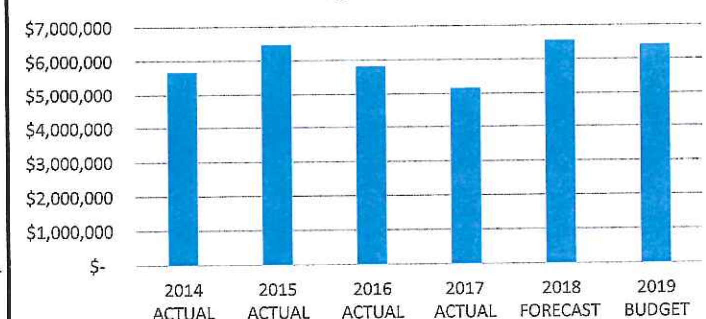
Dockage Revenue Trend



	Cruise	Fertilizer	Fruit & Produce	General Cargo	Grain	Liquid Bulk	Pier 19-21 Area	Research Vessels	Ro-Ro	Wind
2014 ACTUAL	$468,033	$94,970	$327,938	$609,762	$1,435,104	$1,023,616	$102,105	$402,291	$930,175	$289,813
2015 ACTUAL	$625,865	$105,167	$281,582	$663,103	$2,340,082	$509,965	$112,168	$595,240	$797,449	$448,910
2016 ACTUAL	$669,413	$35,382	$227,318	$491,243	$2,148,433	$427,640	$116,865	$388,706	$911,198	$410,501
2017 ACTUAL	$852,485	$71,781	$207,961	$507,669	$1,439,277	$478,284	$115,357	$146,122	$872,351	$474,129
2018 FORECAST	$924,774	$120,840	$247,426	$1,179,599	$1,653,312	$671,080	$118,003	$161,860	$918,278	$571,468
2019 BUDGET	$1,117,397	$119,019	$228,605	$834,816	$1,899,488	$685,508	$106,228	$128,041	$797,823	$513,168

Fees Charged for
Berthing Ships at
the Docks



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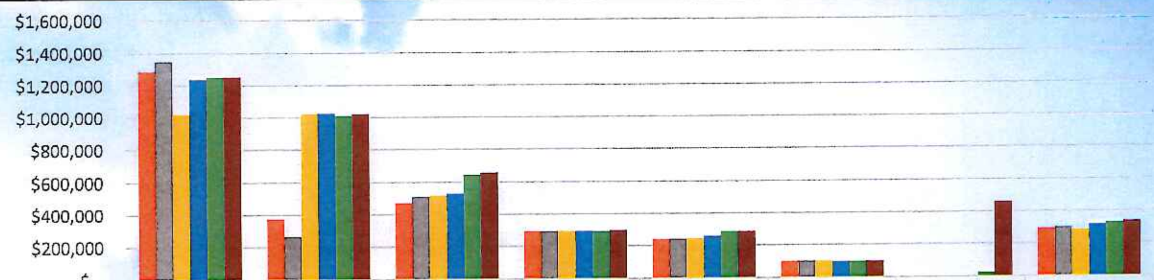
Real Estate Revenue Trend



	SHIP YARDS	RO-RO	PIER 19-21 AREA	GRAIN	FRUIT AND PRODUCE	FERTILIZER	WIND	ALL OTHERS
2014 ACTUAL	$1,284,745	$371,401	$472,256	$289,960	$238,259	$103,338	$-	$289,285
2015 ACTUAL	$1,346,319	$263,347	$510,116	$289,960	$238,489	$103,338	$-	$300,195
2016 ACTUAL	$1,021,572	$1,020,904	$517,647	$289,960	$240,657	$103,338	$-	$284,376
2017 ACTUAL	$1,236,820	$1,022,892	$527,313	$289,960	$256,431	$99,665	$-	$315,900
2018 FORECAST	$1,251,306	$1,010,315	$645,766	$289,960	$283,684	$100,241	$25,933	$328,519
2019 BUDGET	$1,252,092	$1,018,428	$655,638	$294,012	$283,685	$101,700	$460,296	$336,280

Fixed Rate Rents on Upland Facilities and Percentage Rents from Tenants such as Gulf Copper and Del Monte; New in 2019 – GE Rental of $432K for Wind Product

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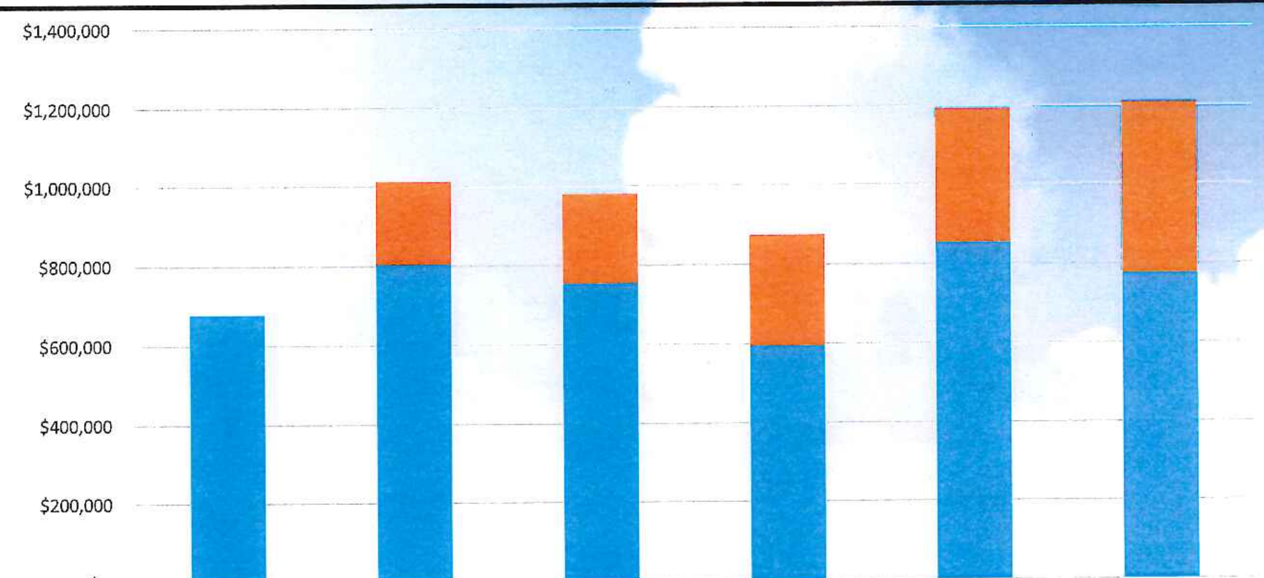
Security Cost Recovery Revenue Trend

Fees Placed on Dockage and Cargo Tonnage for Security Services



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Security Cost Recovery (Cruise)	$-	$209,571	$226,375	$279,357	$338,799	$433,060
Security Cost Recovery (Non-Cruise)	$676,950	$803,218	$753,504	$594,320	$853,222	$773,955

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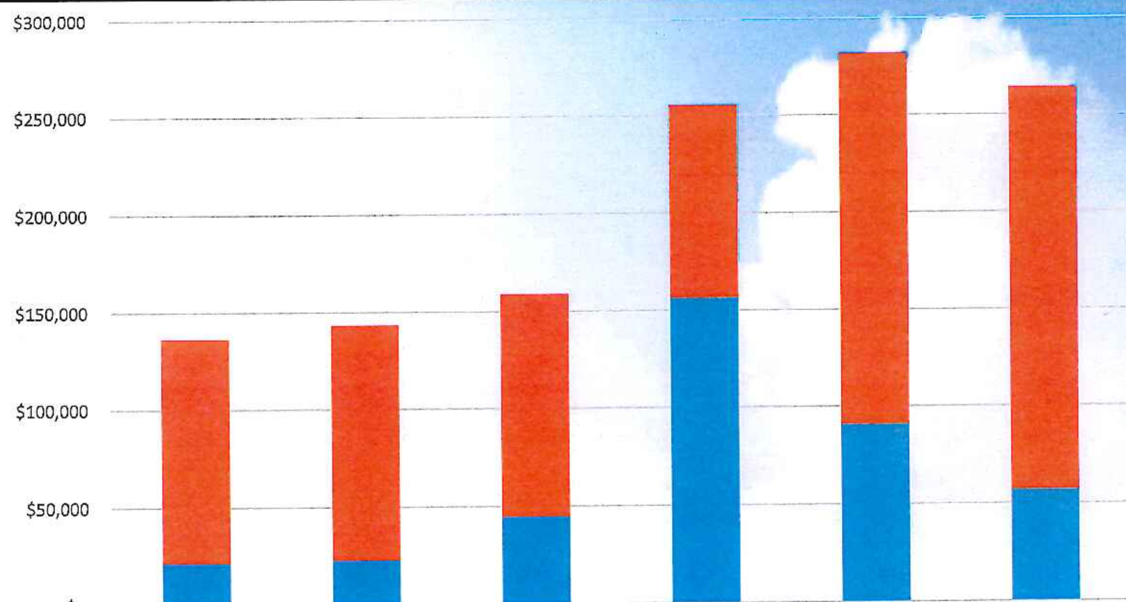
Other Revenue Trend



	2014 ACTUAL	2015 ACTUAL	*2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Revenue Producing Services	$114,505	$120,389	$114,358	$98,497	$190,548	$206,695
Licenses, Fees and Miscellaneous	$21,858	$23,090	$44,908	$156,665	$91,056	$57,000

*$639,445 removed from 2016 licenses, fees & miscellaneous for Gulf Copper tipping fees for comparability

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2019 Annual Budget
Operating Expenses

Operating Expenses consist of those costs incurred in the normal course of business and the general operations of the Port including Personnel, Facility and General Maintenance, Equipment Maintenance, General Liability, Property and Casualty Insurance, Utilities, Fuel, Administrative, Sales, and Other Costs as required

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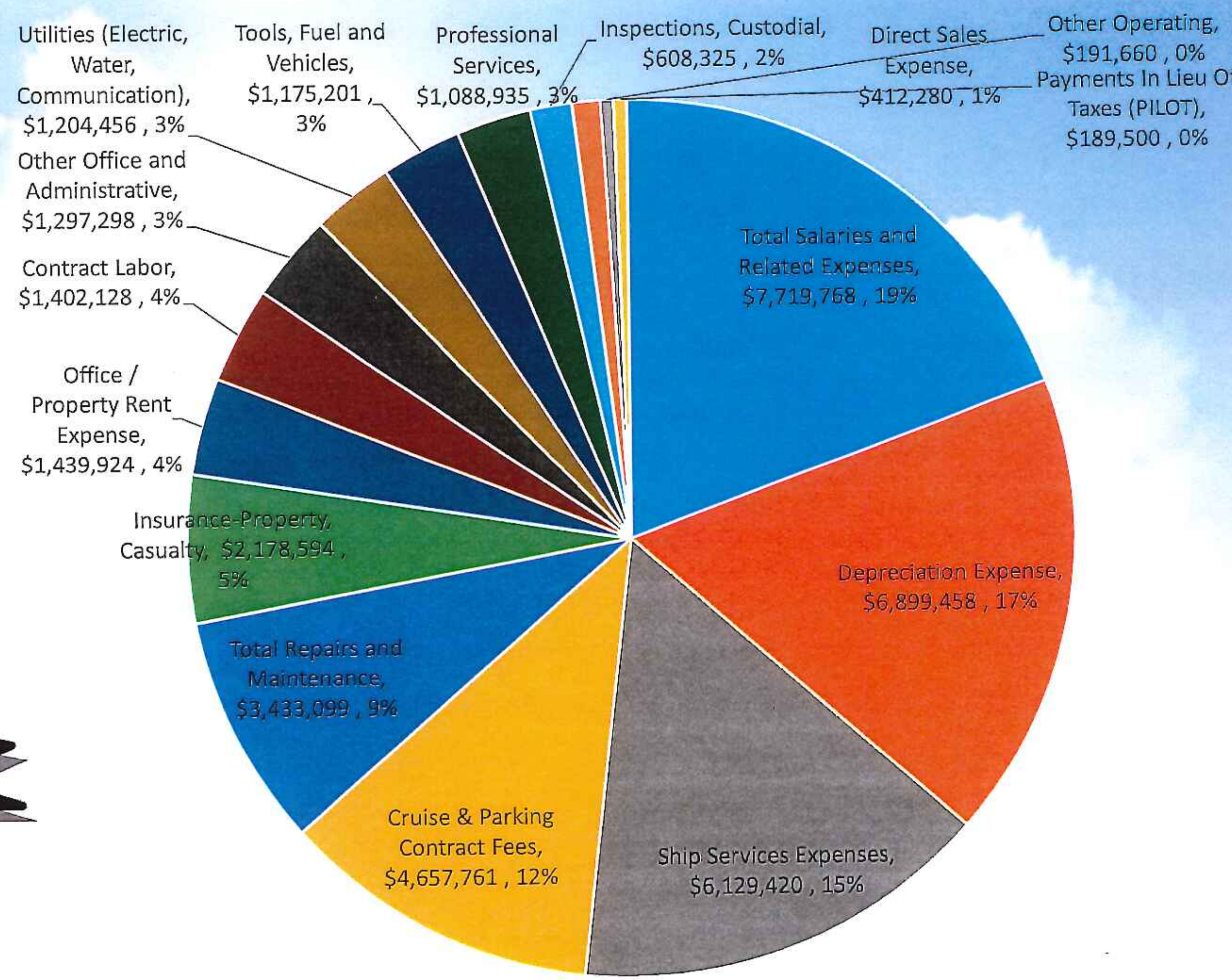
2019 Proposed Expenses from Operations Including Depreciation

Total Operating Expenses including Depreciation are $40,027,807



Note: Percentages are the percentage of total expenses

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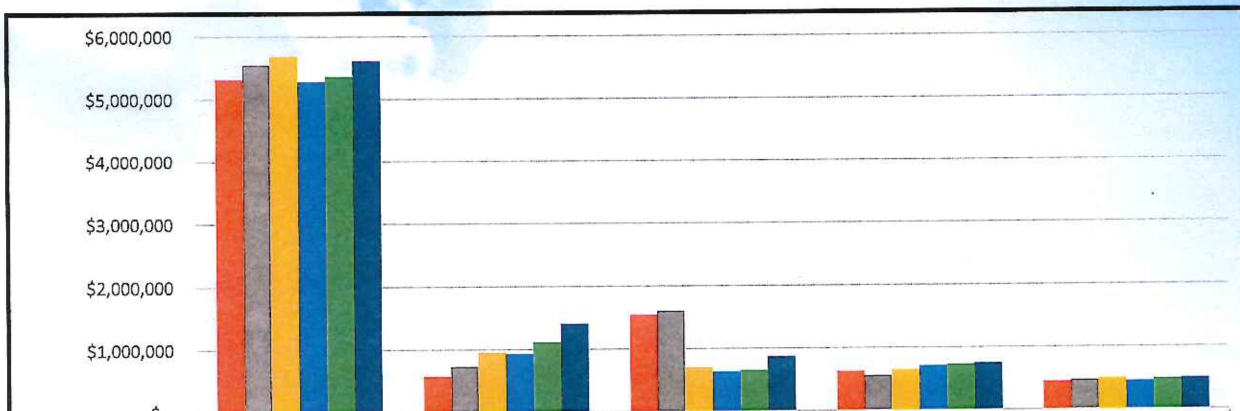
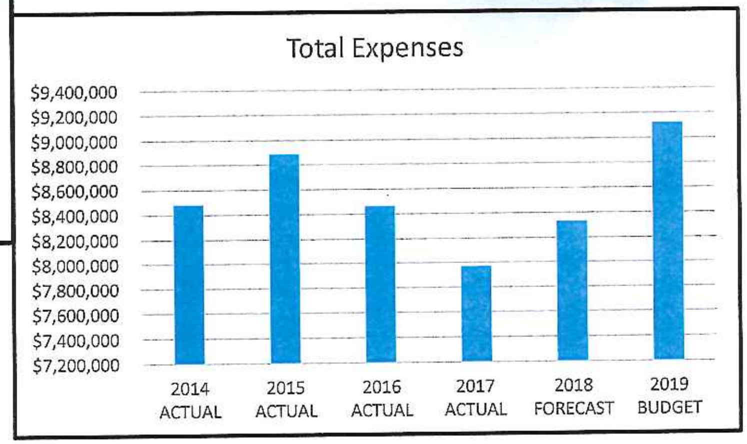
Salaries and Related Trend with Contract Labor



	Salaries	Contract Labor	Health & Welfare	Pension	Payroll Taxes
2014 ACTUAL	$5,316,209	$565,248	$1,542,459	$618,948	$438,717
2015 ACTUAL	$5,558,603	$725,619	$1,601,744	$549,279	$456,731
2016 ACTUAL	$5,692,168	$944,462	$692,765	$642,488	$490,573
2017 ACTUAL	$5,282,311	$925,647	$618,696	$700,359	$445,050
2018 FORECAST	$5,368,346	$1,111,499	$647,825	$725,177	$477,050
2019 BUDGET	$5,617,889	$1,402,128	$870,976	$742,139	$488,764



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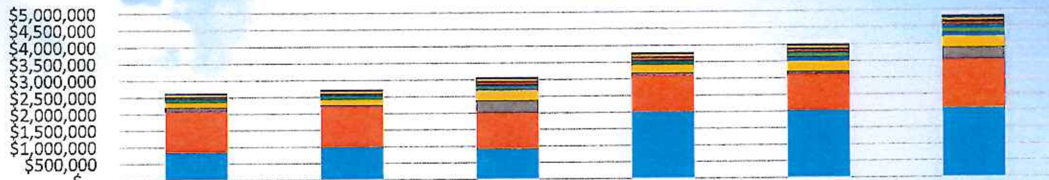
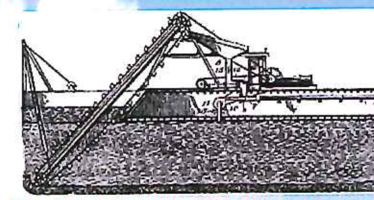
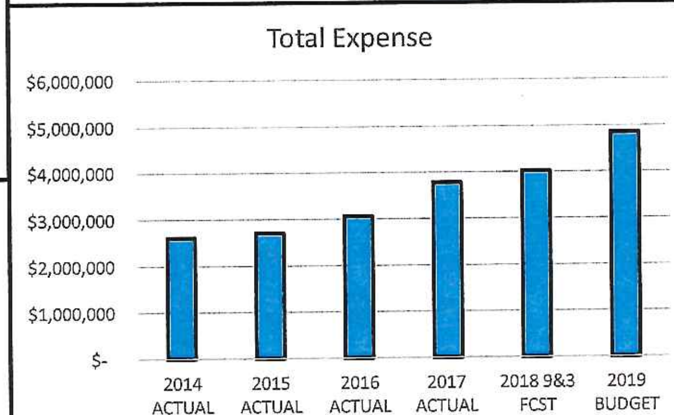
Repairs & Maintenance Expense Trend



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Rentals	$3,008	$1,548	$13,850	$2,356	$13,777	$15,000
Docks	$3,890	$3,423	$10,226	$19,333	$9,620	$24,000
Electrical	$23,538	$25,649	$23,961	$25,332	$25,391	$35,400
Police	$44,774	$66,676	$54,421	$63,293	$69,610	$69,004
Supplies	$47,813	$44,513	$46,532	$48,947	$63,629	$70,600
Buildings/Grounds	$32,633	$22,263	$80,580	$74,131	$66,825	$87,600
Landscaping	$51,130	$53,648	$58,357	$61,051	$53,949	$100,000
Services	$68,213	$74,835	$75,987	$59,919	$85,537	$101,720
Levees	$-	$-	$37,149	$-	$130,000	$129,600
Cruise	$116,131	$140,272	$273,830	$227,730	$281,887	$312,675
Renewals & Replacements Expensed	$164,836	$73,617	$398,047	$104,322	$111,224	$387,500
Salaries & Related	$1,209,636	$1,206,686	$1,073,088	$1,065,608	$1,058,537	$1,414,392
Maintenance Dredging	$850,020	$1,000,000	$920,608	$2,021,127	$2,040,000	$2,100,000



Dredging expense is 43% of the 2019 Repairs & Maintenance budget



The Construction & Maintenance (C&M) department is responsible for the facilities and equipment maintenance programs - they address both planned and unplanned maintenance issues. Annual results will vary.

The 2019 budget includes $387,500 of Renewal, Replacement, and Repair expense items shown in the R&R budget.

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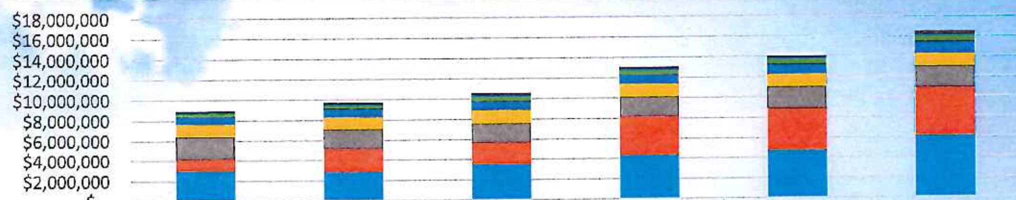
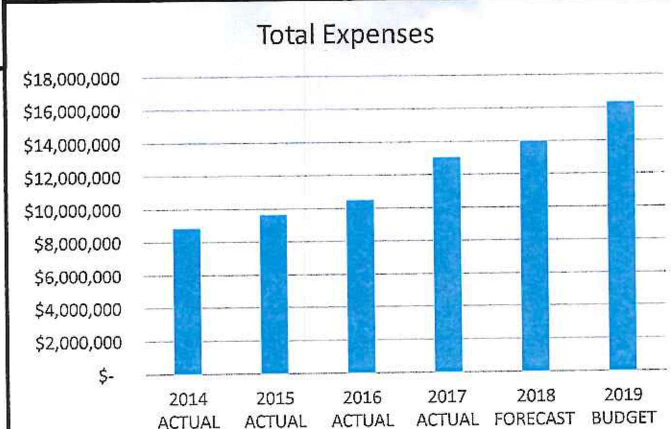
Other Operating Expense Trend



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Fire Security and Intrusion	$14,189	$14,638	$21,101	$18,391	$23,273	$26,660
Worker's Comp Insurance	$52,732	$55,206	$128,135	$96,106	$45,200	$165,000
Payments In Lieu Of Taxes (PILOT)	$187,302	$188,077	$188,561	$188,793	$189,058	$189,500
Inspections, Custodial	$261,414	$309,601	$433,379	$467,666	$531,157	$608,325
Tools, Fuel and Vehicles	$734,371	$825,639	$866,585	$907,212	$965,317	$1,175,201
Utilities (Electric, Water, Communication)	$1,219,756	$1,145,983	$1,254,564	$1,239,206	$1,221,781	$1,204,456
Insurance-Property, Casualty	$2,345,191	$2,040,349	$2,017,410	$2,016,094	$2,183,428	$2,178,594
Cruise & Parking Contract Fees	$1,121,386	$2,267,809	$2,111,053	$3,794,360	$4,116,087	$4,657,761
Ship Services Expenses	$2,959,206	$2,819,298	$3,496,774	$4,319,689	$4,722,629	$6,129,420

Inspections and Custodial, Tools, Fuel and Vehicles, Cruise & Parking Contract Fees, and Ship Services Expenses are projected to increase in 2019 over the 2018 Forecast due to the increase in Cruise Ships from 268 to 299



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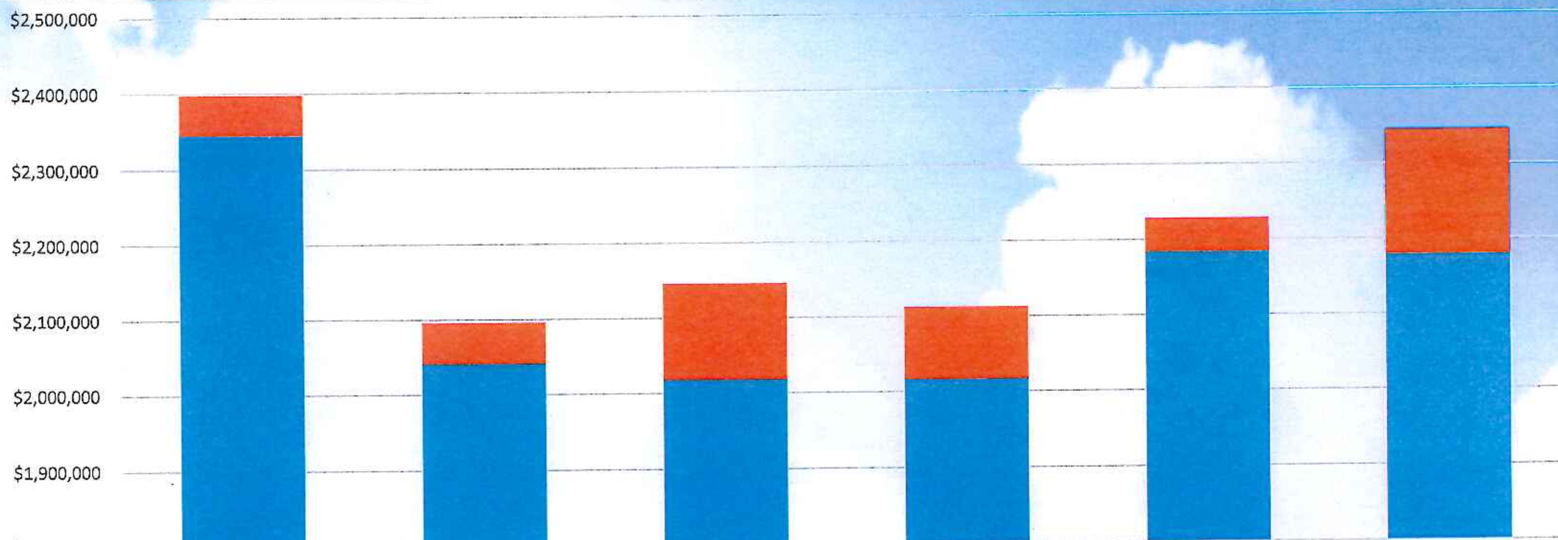
Insurances Trend



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Workers' Comp Insurance	$52,732	$55,206	$128,135	$96,106	$45,200	$165,000
Property & Casualty Insurances	$2,345,191	$2,040,349	$2,017,410	$2,016,094	$2,183,428	$2,178,594

*Property, General Liability, and Other Insurances are expected to remain flat in 2019
*The Port does not budget for annual refunds or dividends from Workers' Comp Insurance

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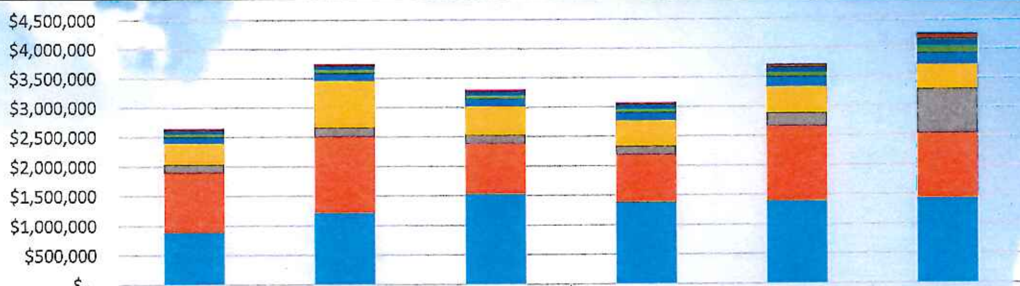
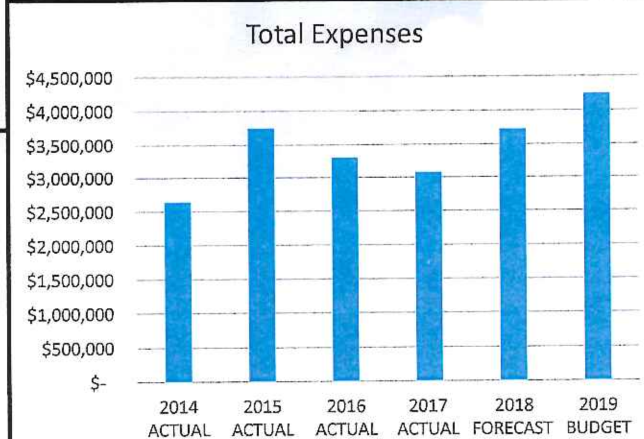
Office and Sales Expense Trend



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Training & Development	$29,014	$32,737	$32,390	$34,323	$43,573	$92,238
Dues, Publications & Memberships	$59,925	$67,109	$69,981	$80,317	$96,836	$118,506
Travel	$49,157	$55,568	$50,911	$54,129	$67,783	$120,218
Credit Card Fees & Coupons	$109,308	$130,031	$128,563	$135,656	$176,273	$194,938
Direct Sales Expense	$350,661	$794,612	$484,532	$430,812	$438,408	$412,280
Office & Other Administrative Expenses	$146,875	$166,496	$163,665	$159,621	$252,534	$771,398
Professional Services	$1,003,686	$1,271,069	$840,492	$792,546	$1,245,617	$1,088,935
Office / Property Rent Expense	$891,811	$1,225,956	$1,530,415	$1,384,362	$1,399,653	$1,439,924

Primary components of the increase from the 2018 Forecast to the 2019 Budget are the inclusion of 2016 &2017 Port Security Grant Expense Items in the 2019 Budget of $507K for Computer Equipment and $327K for Computer Services; these were offset by other smaller increases and decreases for an overall category increase of $518K



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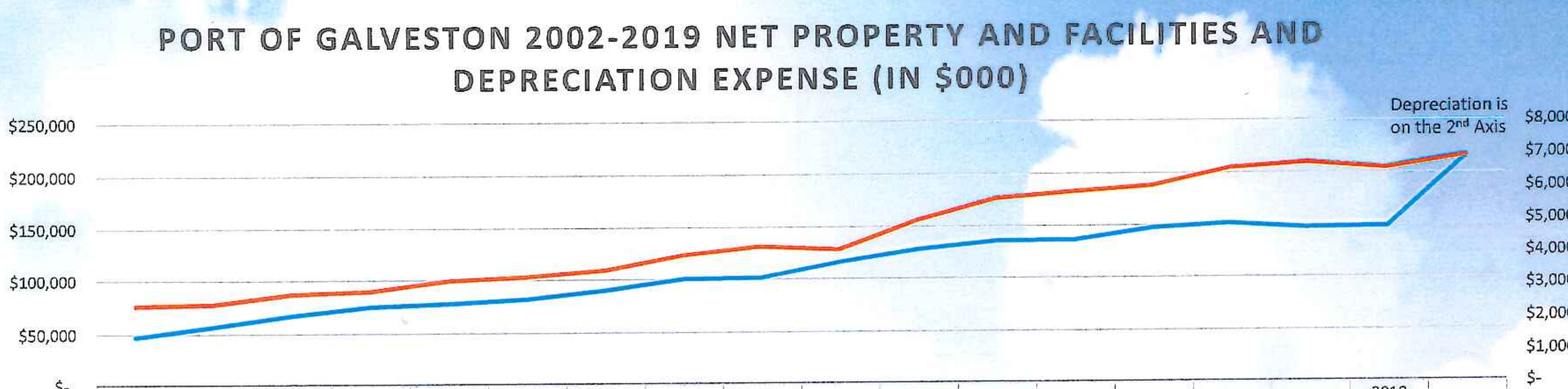
Net Property and Facilities and Depreciation Expense Trend



	2002 ACT	2003 ACT	2004 ACT	2005 ACT	2006 ACT	2007 ACT	2008 ACT	2009 ACT	2010 ACT	2011 ACT	2012 ACT	2013 ACT	2014 ACT	2015 ACT	2016 ACT	2017 ACT	2018 FCST	2019 BUD
NET PROP& FAC	$47,431	$57,040	$67,187	$75,320	$77,988	$81,880	$90,000	$100,736	$101,886	$116,245	$128,226	$136,176	$136,548	$147,902	$152,026	$147,820	$148,766	$215,244
DEPR EXP	$2,447	$2,490	$2,785	$2,867	$3,184	$3,303	$3,500	$3,942	$4,213	$4,112	$5,000	$5,641	$5,838	$6,005	$6,549	$6,706	$6,531	$6,899

Depreciation includes fixed assets Funded by Grants, Insurance, FEMA, Debt, and Operations

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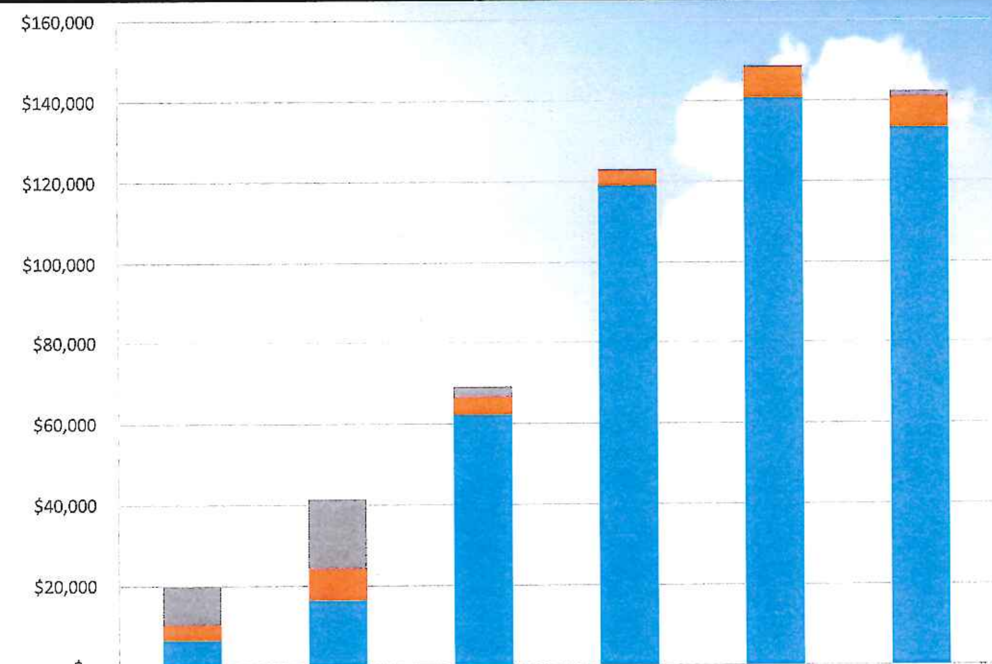
Non-Debt Related Other Expense Trend



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Account Analysis Fees	$9,535	$17,089	$2,571	$340	$450	$1,455
Interest - Unrestricted - & Finance Charges	$3,672	$7,731	$4,265	$3,666	$7,440	$7,510
Interest - Restricted Funds	$6,699	$16,467	$62,197	$119,061	$140,720	$133,353

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2019 Debt Service

Port of Galveston Cash Restrictions For Debt

Debt Service	2019 Interest	2019 Principal	2019 Debt - Cash Basis	Bond Premium/ Deferred Gain	Remove Prior Year Accretion that Impacts Cash but Not Book	2019 Debt - Book Basis	Comments
Series 2011; Final Installment January 2026	$ 838,476	$ 1,847,500	$ 2,685,976	$ (51,070)		$ 2,634,906	Restricted monthly from operating revenue
Series 2004 B; Final Installment January 2020	$ -	$ -	$ -			$ -	Restricted monthly from operating revenue
Series 2004 B Prior Year Accretion of Zero Coupon Bond Installment 2/1/2019	$ 1,676,949	$ 1,483,051	$ 3,160,000		$ (1,388,349)	$ 1,771,651	Accretion total due 1/31/2019 is $3,160,000 and same on 1/31/2020
Series 2014 Revenue Notes; Final Installment January 2026	$ 577,200		$ 577,200			$ 577,200	Restricted monthly from operating revenue
Community Disaster Loan; Final Installment June 2019	$ 1,624	$ 174,959	$ 176,583			$ 176,583	Restricted monthly from operating revenue
New Variable Rate Debt $36M 20 Year Interest Only Year 1-3	$ 765,000	$ -	$ 765,000	$ -	$ -	$ 765,000	2019 Draw done on larger bank loan. Additional draw done in 2020.
Debt Service	$ 3,859,249	$ 3,505,510	$ 6,599,759	$ (51,070)	$ (1,388,349)	$ 5,925,340	
Final Installment in 2019							

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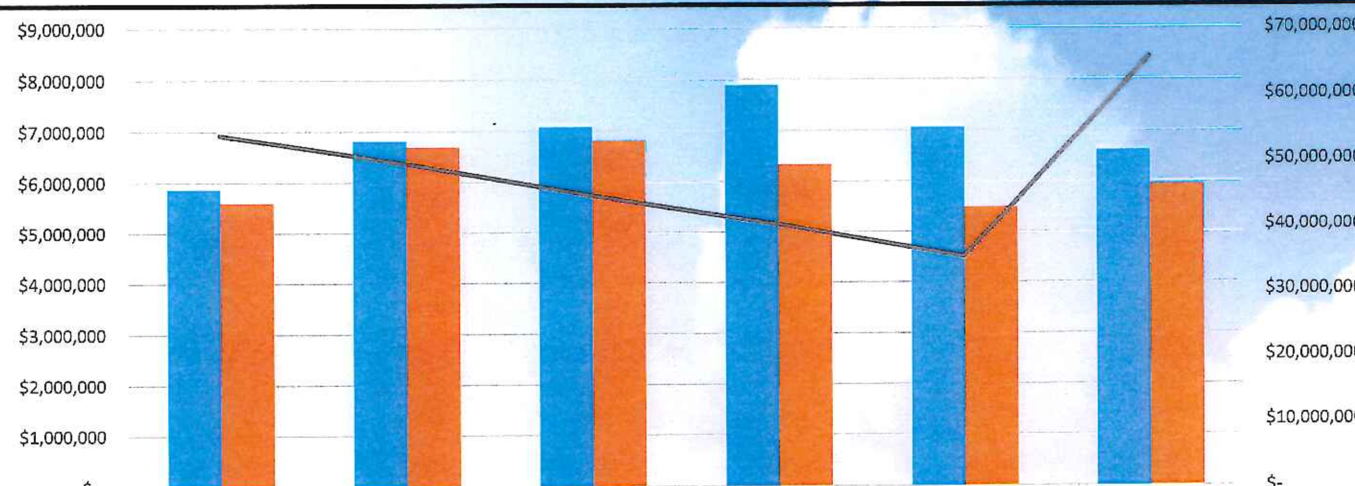
2019 Debt Service and Principal on Outstanding Debt

Decrease in Book Basis Debt from 2014 through 2018 is Due to Payments and Accretion for Debt Payments

Increase in 2019 Debt is Due to an $36M Debt Issuance, Partly Offset by Debt Payments



	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 FORECAST	2019 BUDGET
Debt - Cash Basis	$5,870,354	$6,807,296	$7,075,495	$7,883,755	$7,052,293	$6,599,759
Debt - Book Basis	$5,599,142	$6,684,476	$6,802,222	$6,323,790	$5,485,678	$5,925,340
Principal on Outstanding Debt	$53,868,406	$49,490,367	$44,635,300	$40,126,381	$34,986,466	$65,505,621

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2019 Annual Budget
Annual Renewals and Replacements

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

Once approved, each of these 2019 requests will be assigned project identification numbers which are tracked on the master project sheet.

The total 2019 R&R request is $1,140,150, comprised of Capital projects totaling $752,650 and Expense projects totaling $387,500.

All R&R items are reviewed and prioritized based on availability of funds.

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2019 Annual Budget

Annual Renewals and Replacements Schedule

Project Type	Expense	Capital
Environmental	5,000	-
Utility	8,000	20,000
Equipment Acquisition	-	62,000
Other	374,500	560,000
IT Hardware and Software	-	110,650
Total	**387,500**	**752,650**

Major Other Capital R&R Includes:		Capital
Dock Repairs		150,000
CT2 A/C System		120,000
FMT #1&2 Rebuild Hydraulic Cylinders		80,000
CT2 Rebuild Two 40-Ton HVAC Units		65,000

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2019 Annual Budget
Capital Improvement Plan

The 2019 Capital Improvement Plan and Capital Improvement Budget is presented as a separate document in the 2019 Proposed Budget Book.