



INTERNAL MEMORANDUM

To: Murray, CEO
From: Rodger Rees, CFO *Raf*
Re: Final Budget Adjustment FY2016
Date: November 16, 2016

Enclosures

Enclosed are the proposed final revisions to the FY2016 Operating Budget. This is a reclassifying revision resulting in a net zero (-0-) adjustment. The "bottom line" or, Addition to Net Position for Debt Reduction and Port Development, remains at the budgeted \$86.7K. Please see below for an explanation by department of the proposed adjustments.

Operating Revenues:

There are no proposed changes to total revenues for the FY2016 budget. Total revenues will remain at \$85.6M for fiscal year 2016.

Operating Expenses:

Operating Expenses are adjusted as follows resulting in a \$759.3K net decrease in total operating expenses. The following are the impacts to each department.

Operations: Net increase of \$85.6K. Service contracts were reduced \$130.6K as result of lower actual costs for small equipment purchases, crane expenses and engine maintenance on emergency generators. This decrease was offset by an increase of \$277.2K in marketing incentive payments. These incentive payments are shared with the Tourist Development Association and are part of the terms of our contracts with cruise lines. General repairs and maintenance was reduced \$49.5K in total. An reduction in fuel expense of \$30.5K resulted from continued low fuel prices. Travel was adjusted downward by \$14.6K. Utilities and guard services increased by \$13K and \$17.3K, respectively. The net increase resulted in an adjusted budget amount of \$6.8M.

Facilities: Decrease of \$462.6K. Utilities were reduced \$205.8K coupled with a reduction in maintenance and supplies expenses of \$217.6K. These reductions are a result of lower actual operating costs associated with new energy efficient HVAC and lighting systems in conjunction with the new and renovated cruise terminals. Transfer of services associated with contract commencement on the Northside Cargo Terminals also contributed to reduction. Petroleum

costs continue to be lower and were adjusted downward by \$29.9K. Service contracts increases slightly by \$13.7K with an offsetting adjustment to miscellaneous expenses. The net decrease resulted in an adjusted budget amount of \$9.2M.

Public Safety: Net decrease of \$274.4K. Police Protection was decreased by a net \$191.6K due to lower Port public safety costs not associated with the BCSO contract. Employees benefit costs decreased by \$29.2K due to existing employees opting to not participating in Port benefit plans at levels budgeted. There were other smaller adjustments resulting in a reduction of approximately \$54K relating to the final transfer of operating and maintenance costs associated with badging and communication services. The net decrease resulted in an adjusted budget amount of \$7.9M.

Parks & Recreation: Net decrease of \$1.5K. Salaries expense was decreased by \$10K for unused but budgeted overtime. This was offset by a net increase of \$8.5K in utilities, maintenance, supplies and miscellaneous expenses. The net decrease resulted in an adjusted budget amount of \$1.4M.

Exploration Tower: Net increase of \$13.3K. Service contracts for several cleaning items were not needed resulting in a decrease of \$6.0K. Cost saving measures due to shorter operating hours resulted in a reduction in utilities and supplies. This decrease was offset slightly by a \$1.5K increase in advertising. The net decrease resulted in an adjusted budget amount of \$824.4K.

Fire Training Facility: Net decrease of \$53.2K. There was a \$7.5K increase in service contracts associated with the facilities but was offset by a decrease in utilities (\$15.7K), insurance (\$2K) and maintenance and supplies expense of (\$42.5K). These offsetting decreases were mainly associated with lower usage of the facilities. The net decrease resulted in an adjusted budget amount of \$178K.

Commission: Net decrease of \$1.9K. There was an increase of office expenses of \$12.1K due mostly to advertising costs associated with special commission meetings and public workshops. These increases were offset by a \$19.6K decrease in budgeted travel costs by commissioners. The net decrease resulted in an adjusted budget amount of \$469.4K.

Executive: Net decrease of \$91.5K. Legal expenses were \$40K less than budgeted as a result of in-house counsel. Employee benefits, office expenses, travel and outside third party consulting services resulted in a reduction of \$60K. The net decrease resulted in an adjusted budget amount of \$2.2M.

Finance & Accounting: Net decrease of \$42.4K. There were savings in computer support for the IFAS system of \$27.8K. Office expenses also resulted in a reduction of \$11.3K. The net decrease resulted in an adjusted budget amount of \$1.6M.

Administrative Services: Net decrease of \$820.9K. Total Insurance costs were \$504.6K less than budgeted due to a reduction in obligations associated with trail coverage from the Port's OCIP (Owner Controlled Insurance Policy) and budgeted monies not used due to consolidation

of insurance coverage. Computer software maintenance costs on the IFAS system were not needed resulting in a reduction of \$302.6K. Costs allocated to the IFAS system upgrade which were not incurred resulted in an additional budget adjustment of \$81.8K. Outside training costs were \$19.7K less than anticipated. Salaries were increased \$10K to bring to actual amounts incurred. Administrative department includes expense associated with the human resource, purchasing and the IT departments. The net decrease resulted in an adjusted budget amount of \$4.5M.

Engineering & Environmental: Net decrease of \$213.3K. Anticipated computer hosting for engineering systems and associated training costs resulted in a decrease of \$47.5K in office expenses. Third party engineering costs were also not needed resulting in a net decrease of \$159.3K. Travel costs were \$6.5K less than anticipated. The total adjusted budget for FY16 is \$1.8M.

Business Development: Net decrease of \$476K. It was decided that several trade shows previously budgeted were not going to be part of the marketing plan. This resulted in a decrease in trade development expenses of \$268.9K and a reduction in associated travel costs of \$74.5K. Outside advertising costs were \$113.9K less than budgeted due to internal efforts. Foreign trade zone costs were \$18.7K less than budgeted. The total adjusted budget for this department is \$1.6M.

Tenant & Property Development: Net decrease of \$59.5K. There was a decrease in lease administration & preparation of \$23.8K due to development of standardized leases which resulted in a decrease in usage of outside counsel. Travel and office expenses were \$16.2K and \$10K less than anticipated. This brings the total adjusted budget for this department to \$1.0M.

Communications: Net decrease of \$85.7K. Outside promotional and advertising costs were \$47K and \$17.5K less than budgeted. Internal development of website and publications resulted in a savings of \$15.5M. The resulting adjusted budget for communications is \$721.3K for FY2016.

Amortization: Decrease of \$324.1K. Amortization of dredging costs were adjusted to actual expenses but were offset by an increase in amortization of initial purchases of computer software. The resulting adjusted budget for amortization is \$1.3M for FY2016.

Non-Operating Expenses

Depreciation: Net increase of \$2.1M. This adjustment was mainly a result of final determination of dates that renovated cruise terminals are placed in service. The resulting adjusted budget for depreciation was \$36.8M.

Other: Net increase of \$759.3K. The expensing of the balance of amortization of previously issued bond discounts resulted in an increase in bond discounts amortization expense of \$36.5K. Fees associated with lines of credit, bank loans and costs associated with grant administration fees resulted in a net increase of \$116.9K to the expense accounts but were

offset by a reduction in costs associated with grant administration fees. Interest costs associated with lines of credit and bank loans required an increase of \$605.9K as the financing plan was formulated through the year. Adjusted non-operating expenses totaled \$7.5M for FY16.

Summary

Addition to Net Position for Debt Reduction and Port Development. The net impact of the above noted changes is a net zero (-0-) to the "bottom line". The adjusted amount for FY2016 budget remains at \$86.7K.

**Canaveral Port Authority
Proposed Operating Budget
For the year ending September 30, 2016
Revised November 16, 2016**

	<u>Approved FY2016 Budget</u>	<u>Proposed Changes</u>	<u>Revised FY2016 Budget</u>
<u>Operating Revenues</u>			
<u>Ship Activity</u>			
Wharfage	\$ 50,096,400		\$ 50,096,400
Dockage	6,795,800		6,795,800
Parking	15,590,100		15,590,100
Line handling	1,201,500		1,201,500
Water	1,284,200		1,284,200
Terminal/crane operations	10,000		10,000
Total Ship Activity	<u>74,978,000</u>	<u>-</u>	<u>74,978,000</u>
<u>Land Leasing</u>			
Land leases-tenants	5,748,700		5,748,700
Land leases-cove developer			
Total Land Leasing	<u>5,748,700</u>	<u>-</u>	<u>5,748,700</u>
<u>Jetty Park</u>			
Camping	1,624,000		1,624,000
Recreational parking	655,000		655,000
Camp store & laundry	127,900		127,900
Other recreational	121,000		121,000
Concessions	12,100		12,100
Total Jetty Park	<u>2,540,000</u>	<u>-</u>	<u>2,540,000</u>
<u>Exploration Tower</u>			
Entry fees & annual passes, net	214,000		214,000
Café & gift shop	99,000		99,000
Special event rentals	181,500		181,500
Total Exploration Tower	<u>494,500</u>	<u>-</u>	<u>494,500</u>
<u>Other</u>			
Fire training facility	147,400		147,400
Permits & licenses	194,000		194,000
Badging	96,000		96,000
Commercial Vehicle	817,000		817,000
Rental cars	-		-
Miscellaneous	592,800		592,800
Total Other	<u>1,847,200</u>	<u>-</u>	<u>1,847,200</u>
Total Operating Revenues	<u>85,608,400</u>	<u>-</u>	<u>85,608,400</u>
<u>Non-Operating Revenues</u>			
Interest income	50,000		50,000
Gain on sale of disposition of assets	-	-	-
Income from grant administration	301,000		301,000
Total Non-Operating Revenues	<u>351,000</u>	<u>-</u>	<u>351,000</u>
TOTAL REVENUES	<u>\$ 85,959,400</u>	<u>\$ -</u>	<u>\$ 85,959,400</u>

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<u>Operating Expenses</u>			
<u>Operations</u>			
Salaries	\$ 2,146,200	\$ (7,500)	\$ 2,138,700
Employee benefits	1,146,700		1,146,700
Service contracts	1,418,200	(130,850)	1,287,350
Utilities	28,000	13,000	41,000
Guard services	-	17,300	17,300
Cruise terminal maint.	324,500		324,500
Maintenance and supplies	182,700	(45,900)	136,800
Fuel	75,500	(30,500)	45,000
Promotions/marketing	1,270,900	277,150	1,548,050
Travel	28,200	(14,600)	13,600
Other	72,100	7,500	79,600
Total Operations	<u>6,693,000</u>	<u>85,600</u>	<u>6,778,600</u>
<u>Facilities</u>			
Salaries	2,447,400		2,447,400
Employee benefits	1,530,400		1,530,400
Service contracts	1,109,700	13,700	1,123,400
Utilities	3,428,850	(205,800)	3,223,050
Maintenance and supplies	986,050	(217,550)	768,500
Fleet maintenance	4,000	(1,000)	3,000
Fuel	104,100	(29,850)	74,250
Travel	10,700	(9,300)	1,400
Other	46,800	(12,750)	34,050
Total Facilities	<u>9,668,000</u>	<u>(462,550)</u>	<u>9,205,450</u>
<u>Public Safety</u>			
Salaries	284,400		284,400
Employee benefits	128,200	(29,200)	99,000
Fire protection	2,158,150	(9,000)	2,149,150
Police protection	5,498,400	(191,600)	5,306,800
Badging	6,000	(2,500)	3,500
Maintenance and supplies	16,000	(9,800)	6,200
Communication services	10,000	(8,800)	1,200
Security-special events	5,000	(5,000)	-
Travel	3,250	(1,525)	1,725
Other	42,150	(16,950)	25,200
Total Public Safety	<u>8,151,550</u>	<u>(274,375)</u>	<u>7,877,175</u>
<u>Parks & Recreation</u>			
Salaries	488,000	(10,000)	478,000
Employee benefits	322,000		322,000
Service contracts	203,500	(5,000)	198,500
Utilities	262,700	3,000	265,700
Maintenance and supplies	13,800	2,500	16,300
Camp store merchandise	52,000		52,000
Other	77,500	8,000	85,500
Total Parks & Recreation	<u>\$ 1,419,500</u>	<u>\$ (1,500)</u>	<u>\$ 1,418,000</u>

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	Approved FY2016 Budget	Proposed Changes	Revised FY2016 Budget
<u>Exploration Tower</u>			
Salaries	\$ 330,550		\$ 330,550
Employee benefits	222,500		222,500
Service contracts	18,000	(6,000)	12,000
Café & gift shop merchandise	70,500		70,500
Utilities	82,400	(2,000)	80,400
Exhibit fees	36,000	(1,475)	34,525
Maintenance and supplies	13,300	(5,000)	8,300
Office	1,600	175	1,775
Promotions	4,200		4,200
Advertising	55,000	1,500	56,500
Travel	1,900	(300)	1,600
Other expenses	1,700	(200)	1,500
Total Exploration Tower	837,650	(13,300)	824,350
<u>Fire Training Facility</u>			
Service contracts	72,300	\$ 7,400	79,700
Utilities	31,900	(15,675)	16,225
Insurance	40,000	(2,000)	38,000
Maintenance and supplies	85,500	(42,450)	43,050
Other	1,500	(500)	1,000
Total Fire Training Facility	231,200	(53,225)	177,975
<u>Commission</u>			
Salaries - commissioners	53,100		53,100
Salaries - administrative	58,100		58,100
Employee benefits	101,050		101,050
Legal	80,000	7,500	87,500
Office expense	128,050	12,050	140,100
Promotions	7,500		7,500
Travel-staff	2,200	(1,600)	600
Commissioners travel & exp.	40,000	(19,600)	20,400
Education & seminars	1,200	(200)	1,000
Total Commission	471,200	(1,850)	469,350
<u>Executive</u>			
Salaries - administrative	1,056,250	8,000	1,064,250
Employee benefits	362,950	(23,000)	339,950
Legal	360,000	(40,000)	320,000
Office expense	205,500	(15,000)	190,500
Planning and studies	84,500	(15,000)	69,500
Fraud hotline	2,000	(300)	1,700
Travel	30,000	(7,000)	23,000
State legislative consultant	65,000	(1,000)	64,000
Federal legislative consultant	96,000		96,000
Education & seminars	9,000	1,850	10,850
Total Executive	\$ 2,271,200	\$ (91,450)	\$ 2,179,750

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<u>Finance & Accounting</u>			
Salaries	\$ 777,300		\$ 777,300
Employee benefits	332,150		332,150
Office expense	73,950	(11,300)	62,650
Computer support and training	258,500	(27,800)	230,700
Travel	6,500		6,500
Education & seminars	8,750	(3,300)	5,450
Accounting and auditing	150,000		150,000
Total Finance & Accounting	1,607,150	(42,400)	1,564,750
<u>Administrative Services</u>			
Salaries	1,083,800		1,083,800
Employee benefits	530,100		530,100
Legal	30,000	(9,000)	21,000
Insurance	2,455,000	(504,600)	1,950,400
Office expense	142,750	(11,000)	131,750
Computer support and training	892,150	(272,800)	619,350
Personnel training and recruiting	140,900	(19,700)	121,200
Travel	6,150	(500)	5,650
Education & seminars	7,300	(3,250)	4,050
Total Administrative Services	5,288,150	(820,850)	4,467,300
<u>Engineering & Environmental</u>			
Salaries	847,200		847,200
Employee benefits	367,300		367,300
Office expense	74,800	(47,500)	27,300
Travel	18,100	(6,500)	11,600
Education & seminars	14,950	(3,650)	11,300
Engineering - general	260,000	5,000	265,000
Engineering - environmental	446,750	(160,600)	286,150
Total Engineering & Environmental	2,029,100	(213,250)	1,815,850
<u>Business Development</u>			
Salaries	513,500	6,000	519,500
Employee benefits	187,650	(6,000)	181,650
Advertising	397,500	(113,900)	283,600
Trade development	750,550	(268,900)	481,650
FTZ development	24,350	(18,725)	5,625
Travel	177,100	(74,500)	102,600
Total Business Development	2,050,650	(476,025)	1,574,625
<u>Tenant & Property Development</u>			
Salaries	205,800	2,000	207,800
Employee benefits	71,350	(2,000)	69,350
Office expense	21,300	(10,000)	11,300
Land use planning	201,000		201,000
Lease administration & preparation	548,450	(23,750)	524,700
Advertising	40,000	(9,550)	30,450
Travel	20,000	(16,150)	3,850
Total Tenant & Property Dev.	\$ 1,107,900	\$ (59,450)	\$ 1,048,450

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For the year ending September 30, 2016
Revised November 16, 2016**

	Approved FY2016 Budget	Proposed Changes	Revised FY2016 Budget
<u>Communications</u>			
Salaries	\$ 228,800	\$ 2,000	\$ 230,800
Employee benefits	110,600	(2,000)	108,600
Office expense	10,400	(3,650)	6,750
Promotions	151,100	(47,000)	104,100
Publications	153,500	(6,500)	147,000
Electronic media	73,000	(9,000)	64,000
Advertising	70,000	(17,500)	52,500
Travel	9,500	(2,000)	7,500
Total Communications	806,900	(85,650)	721,250
Total Operating Expenses Before Amortization and Depreciation	\$ 42,633,150	\$ (2,510,275)	\$ 40,122,875
<u>Amortization</u>			
Maintenance dredging	\$ 1,368,600	\$ (374,650)	\$ 993,950
Computer software	101,100	50,600	151,700
Cruise master plan	129,300		129,300
Total Amortization	1,599,000	(324,050)	1,274,950
Depreciation	34,900,000	2,075,000	36,975,000
Total Operating Expenses	79,132,150	(759,325)	78,372,825
Net Operating Income	6,476,250	759,325	7,235,575
<u>Non-operating expenses</u>			
Amortization of Bond Discount	189,900	36,525	226,425
Commissions and fees	80,500	176,900	257,400
Interest	6,370,150	605,900	6,976,050
Grant administration fees	100,000	(60,000)	40,000
Total Non-operating expenses	6,740,550	759,325	7,499,875
Net non-operating deficit	(6,389,550)	(759,325)	(7,148,875)
TOTAL REVENUES	85,959,400	-	85,959,400
TOTAL EXPENSES	85,872,700	-	85,872,700
ADDITION TO NET POSITION FOR DEBT REDUCTION AND PORT DEVELOPMENT	\$ 86,700	\$ -	\$ 86,700

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For the year ending September 30, 2016
Revised November 16, 2016**

	<u>Approved FY2016 Budget</u>	<u>Proposed Changes</u>	<u>Revised FY2016 Budget</u>
<u>Ship related revenue</u>			
Cruise operations	\$ 67,677,100		\$ 67,677,100
Cargo operations	7,300,900		7,300,900
Total ship related	<u>74,978,000</u>	<u>-</u>	<u>74,978,000</u>
Non-ship related			
Land leasing	5,748,700	-	5,748,700
Park operations	2,540,000	-	2,540,000
Fire training facility	147,400	-	147,400
Exploration Tower	494,500	-	494,500
Commercial vehicle	817,000	-	817,000
Rental cars	-	-	-
Badging, permits, etc.	882,800	-	882,800
Total non-ship related	<u>10,630,400</u>	<u>-</u>	<u>10,630,400</u>
TOTAL OPERATING REVENUES	85,608,400	-	85,608,400
TOTAL OPERATING EXPENSES	<u>79,132,150</u>	<u>(759,325)</u>	<u>78,372,825</u>
OPERATING INCOME	6,476,250	759,325	7,235,575
NON-OPERATING INCOME (EXPENSE)	(6,389,550)	(759,325)	(7,148,875)
ADDITION TO NET POSITION FOR DEBT REDUCTION AND PORT DEVELOPMENT	<u>\$ 86,700</u>	<u>\$ -</u>	<u>\$ 86,700</u>