



## **INTERNAL MEMORANDUM**

**TO: John Murray, CEO**  
**FROM: Rodger Rees, CFO**  
**DATE: February 22, 2017**  
**SUBJECT: First Quarter FY2017 – December 2016**

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The following is a summary of the Port Canaveral's operating results for the three months ending December 2016 (first quarter FY2017). The Finance Department's staff has completed its work for the FY2016 audit and is waiting internal review process by the auditors. The completed audit is anticipated to be presented to the Board of Commissioners in March 2017. Any adjustments from the audit review process will affect subsequent period financial statements.

### **Cruise Revenue:**

Total cruise revenue is \$19.5M which is \$4.0M or 26% over previous year and 2.8% under FY2017 budget. Included in the total cruise revenue amount is \$473.3K attributable to gaming voyages. Passenger count for multi-day cruises is 1.1M or 213.4K (23.6% increase) over year-to-date for December 2015 (FY2016). Also included in total cruise revenue are parking revenues of \$4.4M, which are \$1.2M or 36.6% over actual parking revenues for FY2016. Parking revenues associated with gaming voyages and included above was approximately \$40.2K. All cruise lines are posting passenger count increases over year-to-date FY2016 with Norwegian showing the largest increase at 85.3% increase. This increase is mainly due to the commencement of the Epic home-port schedule and a limited number of calls in FY2016. Disney, Royal Caribbean and Carnival have increases over prior year-to-date counts of 18.8%, 14.3% and 25.7%, respectively. Number of voyages for cruise ships year-to-date for December 2016 (FY2017) was 188 voyages as compared to 171 voyages in FY2016, a 10% increase. Passenger count on Victory Cruise Lines was 4% under FY2016 with 61.5K passengers sailing year-to-date. Revenues for Victory Cruise were approximately 4.8% under year-to-date FY2016 revenues of \$497.1K.

### **Cargo Revenue:**

Cargo revenue was \$2M through year-to-date December 2016 which exceeded FY2016 actual amounts by \$592.9K, or 41.4%, resulting from a 70% increase in ship calls over the same period of the previous year. FY2017 cargo revenues exceeded budget by \$220.4K or 12.2%. Actual total tonnage for FY2017 was 1.5M tons or 17.9% over FY2016 tonnage of 1.3M tons. Salt is up over last year by 33.1%. Slag rebounded over November to end up 42% over FY2016. The number of slag ship calls, 5 during December, almost doubled the number of ships from the previous year (6) due to a significant increase in slag exports to South Florida and the Northeast. Over 1M tons of petroleum were handled resulting in an increase of 20.2% over prior

year. There were 4,093 new cars imported year-to-date December 2016 while the number of used cars and trucks were up 59.6% (340 vs. 213 units). Aggregate/limestone/granite was 29.7% under FY2016. Bulk juice/juice concentrate and fertilizer continues to be less than prior year by 13.4% and 54%, respectively. There were 1,811 loaded total TEUs move year-to-date over North Cargo Piers which included 28 re-stows (moved twice) and 1,080 empty TEUs being handled. Year-to-date, the Port has serviced 109 cargo ships as compared to 64 for the same period year-to-date last year.

#### **Non-ship Revenue:**

Overall non-ship revenues of \$2.5M were 10.6% or \$235.7 over FY2016 revenues but below budget by 3.2% or 80.8K. Land lease revenues of \$1.6M were above budgeted FY2016 levels by \$29.4K or 1.8%. Actual land lease revenues were tracking over previous year levels by \$380.2K (30.2%). The increase over prior year is due mainly to rental rate increases tied to the consumer price index and several new leases. Revenues from Jetty Park operations were 37.6% under prior year actual numbers by \$200.2K (37.6%) as well as under budget by 33% due to effects of Hurricane Matthew. Revenues from commercial vehicles were over budget by 29.9% year-to-date.

#### **Non-Operating Revenues:**

Non-operating revenues consist of earnings on cash balances and revenues from grant administration fees. Total revenues from this source for FY2016 are over FY2015 actual and FY2016 budget by \$258.7K and \$187.2K, respectively. Investment earnings are up due to proceeds from Series 2016C and D not yet invested in capital projects and retained in interest bearing accounts.

#### **Total Revenues:**

Total revenue for the first three months of FY2017 is approximately \$24.3M, \$5.1M over FY2016 actual totals of \$19.2M, a difference of 26.7%. As compared to budget and discussed above, actual total revenues are below budgeted FY2016 by \$239.5K or 1%.

#### **Operating Expenses:**

Operating expenses are 6.5% or \$1.1M above actual operating expenses for the same period last year while being under FY17 budget by \$2.2M, or 10.4%. It is important to note that of the increase over FY2016 relates to increases in non-cash expenses such as depreciation and amortization. Due to assets now placed in service in these non-cash expenses represent 49% of total operating expenses. Depreciation for FY2017 is \$9M as compared to FY2016 expense of \$7.8M Salaries and benefits, across all departments in the aggregate, are 6.5% (\$262.1K) below budget due to the difference in budgeted increase and the actual amount currently in place as well as several unfilled positions. Actual salaries and benefits for FY2017 of \$3.79M are under FY2016 for the same period by \$96.8K or .03%. Service contracts are under budget by \$12.5K (1.6%) while utilities are over budget by 16.5%. Fuel costs are tracking budget.

#### **Non-Operating Expenses:**

Non-operating expenses consist of amortization of bond fees/costs, interest expense and state grant expenses. Expenses in this category are exceeding FY2017 budget due to financing costs

associated with Series 2016 C and D bonds (\$805k) and interest costs on new borrowings, Series A and B bonds and line of credit, resulting in an increase over budget of \$672.6K. Non-operating expenses are up \$1.5M over budget and prior year.

**Total Expenses:**

Total actual expenses for the three months ending December 31<sup>st</sup>, 2016 are \$21.8M which is \$2.6M or 13.7% over the same period last year while being 3.1%, or \$687.8K, under the FY2017 budget amount of \$22.4M.

**Net income for Debt Service and Reinvestment in the Port:**

Our net income for debt service and reinvestment in the Port for the FY2017 the three month period presented is \$2.5M. This amount is \$448.3K under budget and is \$2.6M over FY2016 actual amount. While FY2016 final financial results are under review by the Port's auditors, it is anticipated that the results presented will not change. Retirement expense amounts are not yet finalized for FY2016. For the periods presented, we have not yet received any grant proceeds while for the same period last year we had received \$362.8K in proceeds.

**Accounts Receivable:**

Details on accounts receivable will be updated through the day of the Commission Meeting and distributed at the meeting.