

P O R T O F G A L V E S T O N

2018

YEAR IN REVIEW





The Port of Galveston is **Texas' No. 1 Cruise Port** and ranks as the **fourth busiest** cruise port in North America. It is one of the **top 20** cruise homeports in the world. Cruise volume is growing consistently. The Port of Galveston embarked about **985,163 passengers** in 2018 due to the largest-ever capacity commitment by the cruise industry to Texas. These deployments are expected to carry more than **1,034,000 passengers** in 2019. Total sailings increased from **255** in 2017 to **268** in 2018 and are projected to be **299** this year.

[AT THE HELM]

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CRUISING ALONG

Cruise ships in port



The Port of Galveston announced that it achieved a new milestone in 2018, with 1,966,176 passenger movements, surpassing previous passenger volumes and setting a record as the busiest year since the port began its cruise business on September 30, 2000. In addition, the Port achieved another significant milestone in December; it welcomed its 10 millionth cruise passenger since beginning cruise operations.

This past year was also a record year for cruise ship calls. The 268 cruise ship calls recorded broke the previous record of 255 turnarounds set in 2018, a 5.1 percent increase.

With a projected increase in cruise ship calls to be 299, passenger volume is also projected to increase further in 2019, with approximately 1,034,000 embarking passengers. This will be an additional 9.1 percent in passenger embarkations year-over-year from year-end 2018 to year-end 2019.

"Last year was the most successful in terms of both passenger throughput and cruise sailings in the eighteen year history of cruise operations from the Port of Galveston, and all indications

suggest that we will continue to surpass records throughout 2019. We look forward to continuing the success of our cruise operations with our cruise partners," said CEO and Port Director, Rodger Rees. "I'd like to thank Port staff and longshoremen for their hard work and City council, the local business community and tourism partners for their continued support. Their efforts have helped the Port of Galveston maintain the rank of 4th busiest cruise port in the nation," Rees said.

The Port is anticipating another banner year for the cruise business in 2019 with the repositioning of both Carnival Cruise Line's Carnival Dream and Royal Caribbean's Enchantment of the Seas in May. Additionally, in November, Disney Cruise Line's Disney Wonder will once again return to Galveston for the holiday season with a total of 9 cruises.

The Port of Galveston maintains its ranking as the fourth busiest cruise port in the nation. Cruise activity generated approximately \$60.8 million in local passenger on-shore spending, and another \$19 million in services provided at the port.

CARNIVAL VISTA SETS SAIL FROM GALVESTON

Carnival Cruise Lines newest, largest, and most innovative ship, Carnival Vista, sailed on its first voyage from its new homeport on September 23, 2018.

The arrival of the 133,500-ton Carnival Vista – the largest Carnival Cruise Line ship ever homeported in Galveston – was celebrated today. The event was highlighted by Galveston Mayor Pro-Tem Craig Brown presenting Carnival President Christine Duffy with a key to the city and proclaiming Sept. 23 as “Choose Fun Day” in recognition of the line’s new campaign that the brand lives by each and every day. In addition, Port of Galveston CEO/Port Director Rodger Rees presented a plaque commemorating Carnival Vista’s maiden voyage to Captain Andrea Catalani.

Choose Fun is a key component of the ongoing Homeport Advantage campaign designed to heighten awareness of new ship deployments and raise funds for St. Jude Children’s Research Hospital. A bumper sticker adorned with the Choose Fun tag line was unveiled on Carnival Vista’s stern, as well, during the event.

“After 17 years of cultivating the cruise business in the State of Texas, we are thrilled to welcome Carnival’s largest class ship to her new home. As one of Carnival’s most successful homeports their decision to re-position their newest ship is a testament of their confidence in the port’s continued success as one of the nation’s top cruise ports. We look forward to continuing our mutually beneficial partnership,” said Rodger Rees, Port Director/CEO.

“Carnival Vista brings Texas-sized fun to Galveston for guests of all ages and today’s event was an excellent way to celebrate the arrival of the port’s newest and largest ship and show our appreciation for the local community,” said Duffy. “Carnival is Texas’ number one cruise operator and positioning Carnival Vista to Galveston underscores our commitment to our confidence in growing this key market.”

The Carnival Vista will offer two distinctly different week-long western Caribbean itineraries from the Port of Galveston, visiting the region’s most popular destinations. The first itinerary includes calls at Montego Bay; Grand Cayman; and Cozumel, while the other features visits to Mahogany Bay (Isla Roatan); Belize; and Cozumel.

Carnival Vista, which debuted in 2016, will join Carnival Freedom and Carnival Valor sailing year-round from Galveston. Together, these three ships will operate more than 200 sailings each year carry more than 650,000 guests annually from Galveston – the most of any cruise operator.

PORT OF GALVESTON AND ROYAL CARIBBEAN SIGN MOU FOR NEW CRUISE TERMINAL

The Board of Trustees of the Galveston Wharves formally announced on December 5 that it has entered into a Memorandum of Understanding (MOU) with Royal Caribbean Cruises Ltd. setting out the general terms for a new long-term business agreement for the development and operation of a new cruise terminal. The long-term lease negotiations could lead to a 60-year transaction: a 20-year initial term and four 10-year options.

While specific designs and costs have not yet been announced, some details have been revealed. The new terminal will cover approximately 200,000 square feet on ten acres of land in the



Carnival Vista arrives at the Port of Galveston.

southeast section of the Port known as Pier 10. Improvements to the pier bulkhead and apron will be made to safely accommodate the cruise line’s largest vessels. In addition, a staging and loading area, bus and taxi staging areas and substantial parking will be constructed. The new state-of-the-art facility is anticipated to open in Fall 2021.

“This new cruise terminal to be built by Royal Caribbean allows the Port to continue investing in our infrastructure while growing our cruise business exponentially. This partnership will bring both larger class ships as well as more visitors to the City of Galveston and the region,” said Port Director/CEO Rodger Rees. “This long term lease agreement represents Royal Caribbean’s confidence in the Port of Galveston’s efficient cruise operations and the ability to attract passengers on its current and future sailings. Galveston is on course for being a global destination for cruising and we are thankful for partners like

Royal Caribbean.”

“Over the last 15 years, Royal Caribbean has brought over 2.4 million guests to Galveston driving an economic impact of \$65 million each year. The development of a new terminal is crucial to our continued growth and expansion of the brand in the region,” said Michael Bayley, President and CEO, Royal Caribbean International. “We look forward to continuing our outstanding relationship with the Port of Galveston and are excited about our plans for a state-of-the-art facility with a bold new design and technological advancements that will considerably enhance our guest experience.”

Royal Caribbean currently has two ships that sail out of Galveston, Liberty of the Seas, the largest cruise ship to sail from the State of Texas and Vision of the Seas. The Port expects the new cruise terminal to generate an additional 1 million passengers halfway through the initial term of the contract.



From left: Rodger Rees, CEO/Port Director, Port of Galveston and Michael Bayley, CEO/President, Royal Caribbean International

10 MILLIONTH PASSENGER



10 Millionth Cruise Passenger Yingtao Liu & Family

On December 9, 2018, the Port of Galveston welcomed its 10 millionth passenger to embark from the port's cruise terminal. The Port began cruise operations in 2000.

The lucky 10 millionth passenger was Yingtao Liu who drove from Norman, OK with his parents, wife, and three children. Upon checking in for his cruise yesterday he and his family were informed that they were the 10 millionth passenger by Port of Galveston CEO Rodger Rees, Carnival Vista Hotel Director, Pavol Dimaj and other representatives from the cruise line who were on hand to personally welcome Mr. Lui and his family.

The Lui family were embarking on their first cruise EVER!

"I am privileged to welcome our 10 millionth cruise passenger to embark from the Port of Galveston today. It's a very proud milestone to reach after 18 years of cultivating the cruise business in the State of Texas. I'd like to take this opportunity to thank the Port staff in particular for their hard work and support in achieving this significant milestone. We look forward to the Port's continued success as we expect millions more travelers will continue to embark on cruises from Galveston," said Rodger Rees, CEO and Port Director. "I'd also like to wish Mr. Lui and his family a Bon Voyage."

To celebrate the milestone the Port of Galveston, Carnival Cruise Lines, Galveston Convention and Visitors' Bureau and Island Bay Resort contributed several gifts to the lucky winning family. These included a three-night stay at Island Bay Resort, a bountiful basket full of delicious treats from the Port, a specially designed gift bag of Galveston swag from the CVB, and a beach bag bursting with vacation essentials from Carnival Cruise Lines to mark the occasion.

The cruise line also extended some onboard courtesies and VIP treatment during the 7 night voyage.

PORT KUDOS

U.S. COAST GUARD HONORS HARBORMASTER WITH PUBLIC SERVICE COMMENDATION

Mr. Brett Milutin, the Port of Galveston's Harbormaster, was recognized by the United States Coast Guard for his service to the regional port community during Hurricane Harvey.

A Public Service Commendation was presented to Mr. Milutin on February 20, 2018, in recognition of his participation as a member of the Greater Houston-Galveston regional Port Coordination Team (PCT), which worked to quickly re-open the Galveston Bay port complex during and after the passage of Hurricane Harvey.

The commendation was presented by the Port of Galveston's Port Director/CEO Rodger E. Rees and Chairman of the Board of Trustees of the Galveston Wharves E.L. "Ted" O'Rourke during the February meeting of the Wharves Board of Trustees.

"We are incredibly proud of Brett's service," said O'Rourke. "His swift assessment of and solutions for numerous issues greatly helped to restore vessel activity along the Galveston ship channel."

PORT RECEIVES HIGHEST AWARD FOR FINANCIAL REPORTING

The Board of Trustees of the Galveston Wharves (Port of Galveston) was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR).

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The Port has received this achievement award for 24 consecutive years.

"Without the continuing hard work and dedication of an exceptional team, it would be difficult to achieve this honor since the CAFR is a product of the accounting work that the finance department does throughout the year. The award is testament to the department's dedication to fiscal responsibility and sound financial management," said Rodger Rees, Port Director and CEO.

NATIONAL COMMUNICATIONS AWARDS FOR EXEMPLARY PUBLIC RELATIONS

The Port of Galveston received three top honors in the annual American Association of Port Authorities Communications Awards Competition.

"We are honored to be the recipient of these prestigious awards that recognize our recent communications efforts. These accolades are well deserved. It reinforces that the Port of Galveston is effectively highlighting the important role that the Port plays not just to the community and port partners but also to global maritime community," said Rodger Rees, Port Director/CEO.

The AAPA recognized the Port of Galveston with an Award of Distinction for advertisement: The Port of Everything; an Award of Distinction for social/web-based media: Hurricane Harvey



Communications; and an Award of Merit for special events: Community Open House.

FIFTY CLUB HONORS PORT POLICE OFFICER AS OFFICER OF THE YEAR

In 2018, the Board of Trustees of the Galveston Wharves (Port of Galveston) proudly recognized Officer Clay Garrison as the recipient of the Fifty Club "Officer of the Year" award for outstanding achievement while serving 2017.

The Fifty Club of Galveston County was created for the dependents of officers in Galveston County. When an officer is injured or killed in the line of duty, the Fifty Club of Galveston County is there with immediate financial support.

Officer Garrison started his Law Enforcement career in 1995 with the Fort Bend Sheriff's Office where he worked until 1999. He then joined the Galveston County Sheriff's Office where he worked until 2015. At that time, he joined the Port of Galveston Police Department.

Since Garrison joined the Port of Galveston Police Department, he quickly moved up to the rank of Corporal, where he is respected by his peers for his professional standards and work ethic. He is self-initiated and continuously pursues educational opportunities for the advancement of not only the Port Police Department but to better prepare himself for future career opportunities.

"Officer Garrison's investigative knowledge, and superior performance exemplify the quality of work and commitment to service that the Port of Galveston Police Department strives for," said Port Director Rodger Rees.



PORT LEADERS

NEW DIRECTOR OF PUBLIC SAFETY

The Port of Galveston welcomed Mr. Kenneth Campbell as its new Director of Public Safety in 2018.

In his new position, Mr. Campbell is responsible for managing and directing the Port Police & Security Department including emergency management and administrative planning for all aspects of public safety. His responsibilities include making sure that all to that federal, state and local laws and ordinances are enforced. His background in safety management will complement the Port's new focus on revamping, policies and procedures covering safety awareness, injury, and property damage and liability mitigation.

"We are excited to welcome Kenneth to our team. He comes to us with over 25 years of law enforcement experience but understands the importance of customer service," said Rodger Rees, CEO/Port Director. "His diverse, comprehensive background in managing law enforcement officers and emergency operations management makes him an excellent choice for the position. I believe he will do an exceptional job overseeing the safety of our customers and Port partners."

NEW DIRECTOR OF PORT OPERATIONS

Mr. Brett Milutin was promoted from Harbormaster to Director of Port Operations, reporting directly to Rodger Rees, CEO/Port Director.

"Having been employed with the Port for over 17 years, Brett not only possesses knowledge of past Port operations, he also brings a 'can do' attitude that we are instilling at the Port. I am excited about Brett's fresh new ideas and his loyalty to this Port. I am confident Brett will continue to improve our operation and help take the Port of Galveston to the next level," said Port Director/CEO Rodger Rees.

Milutin will be responsible for overseeing port terminal operations including organizing and directing the berthing and regulation of vessels, overseeing construction projects and liaison with current and potential new customers.

COMMUNITY INVOLVEMENT

Star Leader ready to set sail for Guatemala.



GUATEMALAN VOLCANO RELIEF EFFORTS

The Port of Galveston assisted in coordinating the shipment of relief supplies for families displaced by the volcanic eruption in Guatemala in 2018. The Fuego volcano 25 miles southwest of Guatemala began erupting on June 3, affecting 1.7 million people. More than 4,000 people forced from their homes are staying in emergency shelters to escape dangerous ash, gasses and mudslides.

Relief efforts between the City of Mission, and the Ministerios Alfa y Omega Church based in Mission, Texas, involved the collecting of supplies to help the victims of Guatemala. The goods were transported from the City of Mission where they were packaged and placed on pallets for safe transport to the Port of Galveston on June 12. The supplies included bottled water, clothing and non-perishable food items.

"We are grateful to Del Monte Fresh Produce, and Port staff for coordinating the transport logistics of this shipment of goods to the people of Guatemala effected by the volcano eruption. It's great to see organizations such as the City of Mission Police Department, and Ministerios Alfa y Omega Church extend their goodwill to those in need," said Port Director and CEO Rodger Rees.

2018 NATIONAL MARITIME DAY

The Port of Galveston hosted its annual National Maritime Day on May 22, 2018. Celebrated since 1933, National Maritime Day officially honors the contributions and sacrifices of U.S. merchant mariners in defense of the nation. These dedicated men and women are regarded as the unsung heroes in defense of the nation.

In an effort to raise public awareness of the maritime industry, several activities were planned throughout the day. The event was organized by the National Maritime Day Committee Galveston.

In the morning, an All Things Maritime look and learn took place at Pier 21. The Galveston Independent School District brought approximately 150 students to the pier to look and learn about several maritime organizations and agencies and tour several vessels. In addition, the students toured the Texas Seaport Museum, the 1877 Tall Ship Elissa, RV Baysmart Express and the Ocean Star Offshore Oil Rig Museum.

In the afternoon, a National Maritime Day Commemoration Ceremony was held to honor the generations of mariners who have served and sacrificed for their country. The ceremony took place on the grass knoll at Pier 21. The program included speakers from TAMUG, MARAD and the Port of Galveston. The U.S. Coast Guard provided the color guard and the Odyssey Academy choir (Singing Stars, grades 2 through 5) performed several songs throughout the ceremony, including the musical prelude to the ceremony, America the Beautiful.

The ceremony also included the reading of the Presidential Proclamation of National Maritime Day. The heart of the formal military ceremony was a commemorative wreath presentation in solemn remembrance of mariners who died in service to the nation. During the recognition, guests stood and service members saluted. The wreaths are eventually placed on the Merchant



National Maritime Day Commemoration

Marine Memorial plaque at Pier 21.

Following the ceremony, the Port of Galveston, and the Galveston Regional Chamber of Commerce sponsored a maritime mixer at Pier 21. Attendees included city council members, Wharves Board Trustees, USCG, chamber members, sponsors, and ceremony participants.

May 22, 2019 will mark the 10th anniversary of National Maritime Day Commemoration Ceremony at the Port of Galveston. SAVE THE DATE!

WESTERN HEMISPHERE PORTS DAY

The Port of Galveston marked April 5th as Western Hemisphere

Ports Day. Led by the American Association of Port Authorities, the Port of Galveston joins hundreds of ports in North, Central and South America, and the Caribbean, to highlight and celebrate the value of ports.

The day acknowledges the port industry's role in job creation and economic prosperity, and its commitment to education, training and environmental stewardship initiatives on behalf of the communities we serve across the Americas.

"We're pleased to recognize Ports Day as a part of our ongoing commitment to educating and training future maritime professionals," said Rodger Rees, Port of Galveston Port Director and CEO.

LOOKING AHEAD

CARGO SHIPMENTS

Cruise and cargo ships



The Board of Trustees hired a consulting firm to assist Port staff in facilitating the development of a strategic plan. Over the course of the next year, the Port of Galveston will be creating a Strategic Master Plan that will assist in guiding the Port over the next 40-years.

The Port of Galveston Strategic Master Plan (SMP) will create a vision and direction for the Port that can be embraced by the community with a sustainable and viable business model for the Port. Throughout the planning process outreach will be conducted with Port and community users and stakeholders to guide the vision accordingly.

The SMP will identify, examine, and position the Port for growth and expansion for the next 5 to 40 years, develop principles and identify key strategies that will guide future development opportunities.

Additionally, the plan shall include goals with statements of desired achievements, objectives with specific measurable outcomes that fulfill the goals, and strategies that focus the initiatives to meet the objectives. The plan shall be driven by a

recommended implementation strategy.

Long-range development goals are essential for guiding the future development and expansion of the Port. The plan, when completed, will be an evolving document that establishes policies and guidelines to direct the future development of the Port to include financial projections addressing the sustainability/profitability of the SMP range of options for conceptual port infrastructure.

As the planning process moves forward the Port of Galveston along with the Bermello Ajamil & Partners, Inc. (B&A) master planning team looks forward to working with the Port staff and community in the development of the Strategic Master Plan – and creating a vision for the Port of Galveston's future.

An open house to discuss the development of the Port's Strategic Master Plan is scheduled for February 26, 2019 from 5-9 PM at cruise terminal 2. The meeting is open to the public and we intend to gain feedback to help shape the Port of Galveston's future. Save the Date!

The Port of Galveston is a significant contributor to the local, regional and Texas state economies. The Port, through its activities, provides an annual estimated economic impact to the State of Texas of over \$2.3 billion, and generates approximately 13,890 jobs and \$869.6 million in income for Texas workers. (Martin and Associates Study)

CARGO

Total cargo tonnage for the year 2018 increased 21 percent to 4.1 million short tons when compared to the 3.4 million short tons handled during 2017. The increase in tonnage was attributable to higher volumes of bulk cargoes handled by Port tenants at their facilities, primarily import bulk fertilizer, which saw the largest increase, and liquid bulk cargo. Export grain cargo was up approximately 14 percent from the previous year.

The Port realized a 19 percent increase in general cargoes during 2018 over the previous year to 116,055 million short tons. This increase was primarily due to wind turbine and wind energy related cargo moving through the Port, including several large wind energy projects shipped through the Port to destinations in four different states. The wind energy related cargo continues to be attracted to the Port of Galveston because of a mini public-private partnership investment made in the Port's facilities.

One of the Port's customers, a major manufacturer of wind turbines, was looking for a rail-related logistics solution in early 2012 as an alternative to trucking. The Port of Galveston, together with BNSF Railway Company and the Port's short line/terminal railway operating tenant, Galveston Railroad, L.P., invested approximately \$1.5 million in building a rail car storage track system to handle over-dimensional cargo north of the ADM Export Grain Elevator in the Pier 30-34 area. The rail yard allows an entire unit train of over-sized wind turbine tower components to be put together on the cargo terminal for movement inland or received for export, which provides significant time and cost savings to the manufacturers and shippers of that cargo.

In addition to the Wind Energy related cargo, there was a 22 percent increase in Roll-On/Roll-Off (Ro-Ro) cargo, up from 358,451 short tons in 2017, to 437,716 short tons in 2018. Ro-Ro cargo activity at the Port has developed as a significant niche since the mid-1990's, when the Port started with one ocean carrier calling once or twice per month. Today the Port has four regular major Ro-Ro ocean carriers calling at the Port with 15-20 port calls per month, depending on schedules, with cargo service to and from countries (export and import cargo) around the globe, including in Europe, Africa, South America, the Mediterranean and the Asia-Pacific region.

The Port's imports of refrigerated fruit and produce in 2018 increased by 13 percent from tonnage handled in 2017.

PORT OF GALVESTON BY THE NUMBERS

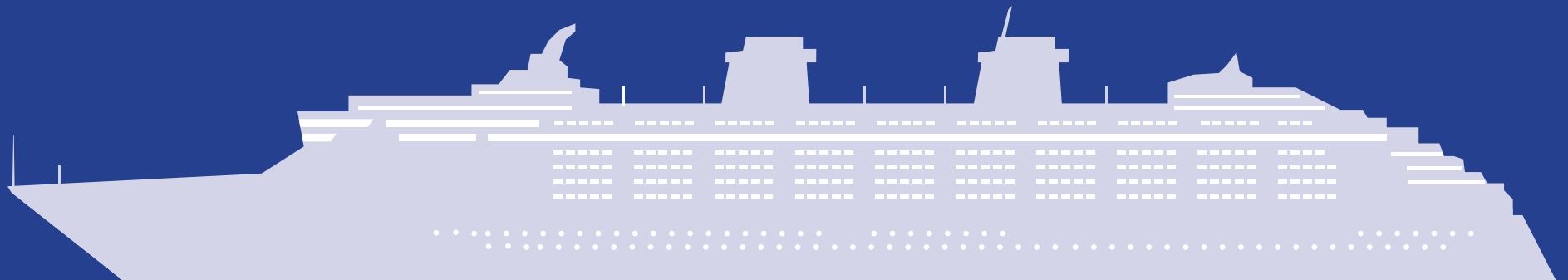


1,966,167
cruise passengers traveled
through the port in 2018



\$869.6M
income generated
for Texas workers

13,890
jobs generated by the port



#1 cruise port
of Texas

4th busiest cruise
port in U.S.

12th in world's top
20 cruise ports