

Port E-News

Public Relations Department
Port of Galveston
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Board of Trustees of the Port of Galveston May 2005 Meeting

April 2005 Financial Results:

Port of Galveston and Galveston Port Facilities Consolidated Income Statement:

***The Port reports a net income for each month since the beginning of 2005.**

	April 2005 Actual	April 2004 Actual	Year-to-Date 2005
Operating Revenue	\$1,273,619	\$1,271,716	\$5,571,556
Operating Expense	893,072	898,775	3,600,588
Net Operating Income (Loss)	380,547	372,941	1,970,968
Security Cost Recovery	22,412	0	35,149
Add - Other Income	186,145	118,709	544,950
Deduct - Other Expense	230,103	295,425	1,176,277
Net Income (Loss) After Other Income and Expense	359,001	196,225	1,374,790
Deduct Depreciation and Amortization	239,142	242,777	956,567
Net Income (Loss) for the Period	\$119,859	(\$ 46,552)	\$418,223

Revenues were on budget for the April. The Monthly Variance Report lists the following differences in the Port's individual budgeted-revenue classes that varied more than 10% from budget: Switching was over budget due to a significant number of plastic car movements; Wharfage was under budget due to a delay in moving Wallenius Wilhelmsen Line to Pier 34; and Dockage and Lay Dockage were under budget due to less grain movements and the delay in the Wallenius move. Revenue Producing Services were under budget due to less water usage by the cruise lines. Expenses were slightly under budget in total. Salaries and related expenses were under budget due to capitalizing Construction & Maintenance labor used in constructing Pier 34 improvements; Maintenance and Repairs were over budget due to a catch-up in timing differences; and Other Operating Expenses were over budget because of higher than anticipated water usage. Office and Sales Expenses were on budget. In other major line items, Contract Labor exceeded budget due to the operation of two parking lots and security costs at the Pelican Island facility and Dues expense was over budget because of the payment of dues to a major cruise organization.

April 2005 Cargo Results:

Description	April 2005	April 2004	%	Year-to-date 2005	Year-to-date 2004	%
Bulk Grains	106,490	203,994	-47.80%	979,166	1,256,497	-22.07%
Bulk Fertilizer	41,152	15,804	160.39%	95,010	44,848	111.85%
Bulk Liquid	0	0	0%	16,353	79,209	-79.35%
Bulk Cement - Pier 41	5,567	0	1000%	20,211	0	1000%
Bananas / Fruit	22,698	22,452	1.10%	72,145	78,245	-7.80%
General Cargo	435	550	-20.91%	982	5,600	-82.46%
Ro-Ro Cargo	18,409	11,898	54.72%	66,513	45,456	46.32%
Containerized – Pier 10	0	2,124	-1000%	0	9,526	-1000%
Containerized - Others	444	6,706	-93.38%	22,681	18,671	21.48%
Total Cargo	195,195	263,528	-25.93%	1,273,061	1,538,052	-17.23%
Disembarking PAX	45,947	40,805	12.60%	196,771	151,591	29.80%
Embarking PAX	43,850	40,363	8.64%	195,080	150,555	29.57%
Cargo/Lay Ships	26	27	-3.70%	117	120	-2.5%
Cruise Ships	20	21	-4.76%	88	81	8.64%
Cargo/Lay Barges	16	18	-11.11%	73	28	160.71%
Research Vessels	14	10	40.0%	64	48	33.33%
Total Calls	76	76	0%	342	277	23.47%

*YTD - Year-to-date

*PAX - Passenger

Additional Reports:

CY2005 Projected Cruise Revenues

In 2005, the average passenger numbers for all cruises are approximately 9% ahead of projections. Although the total number of vehicles parked year-to-date is ahead of the 2004 totals, the average cruise passenger vehicle numbers are approximately 7% behind projections for the year. Increased air/sea passengers (increased buses from the airport) and charters are the prime reasons for this decline in vehicle numbers. Hotel/motel buses and a private discount lot have also contributed to the decrease in vehicles using port-operated cruise-passenger parking lots.

Cruise Terminal 2 Renovations

The wharf work is complete, new fenders installed, scaffolding dismantled and cleared, and the exterior of the newly-expanded west end of the terminal and the boat-shaped wall in the passenger check-in completed. The windows around the top of the west-end expansion are scheduled for installation in late May. The concrete pad for the passenger loading bridge is under construction. Permanent electrical power has been installed and the process of switching circuits over to the new circuits is on-going. The new elevator will be installed after the installation and inspection of the new escalator. The Customs and Border Protection inspection area is approximately 85% complete. The first use of the passenger loading bridge is tentatively scheduled for the *Rhapsody of the Seas*' sailing on June 19. Final completion of all Cruise Terminal No. 2 work is scheduled for July 1, 2005.

Cruise Terminal Security Perimeter Improvements (Federal Security Grant)

All four gates are installed. Training was held in mid-May and the gates are now available for use.

Fuel Cell Commissioning (Federal Security Grant)

The fuel cell became fully operational on January 12, 2005. The grid independent board was installed that allows the fuel cell to provide emergency power in the terminal if city electrical power is lost. However, on April 14, the Uninterruptible Power Supply (UPS) failed preventing restart of the fuel cell after the previous installation. Logan Energy estimated the cost to repair the UPS at \$1,820. This repair was completed on May 12 along with the replacement of the fuel cell controller for \$6,200. The fuel cell is again fully operational. On April 29, Port staff met with representatives from Moody Gardens and Texas A&M to discuss fuel cell maintenance issues. The discussion centered on developing a maintenance contract for servicing the fuel cells installed on Galveston Island at the Port of Galveston, Moody Gardens and UTMB in the hopes of negotiating a more favorable rate for this maintenance than if the contracts were negotiated separately. Additional discussions will be held to further pursue this matter. The installation cost for the fuel cell is \$133,961 and is payable through a federal security grant.

Pier 34 Upland Development

Pier 34 and the upland area to the south of Pier 34 have been improved to accommodate roll on-roll off cargo and specifically the operations of Wallenius Wilhelmsen Lines. Port engineering staff will work with Wallenius to make the area suitable for their operations as work begins at the facility.

Pier 39 and 40 Development

The Port of Galveston has demolished Sections G and H of Piers 39 and 40 and issued a Request for Proposal for the demolition of the remainder of those piers. The project was put on hold due to the lack of FY2005 Capital Improvement Funds. An existing customer has expressed great interest in relocating their operation to this location. Staff will develop an estimate for repairs and brief the Board of Trustees at the June meeting.

East End Security Gate Project

This project to improve the access to the east end of the Port is funded by a federal security grant. Initial planning focused on moving the gate access to 15th Street. Further exploration and engineering feasibility studies have indicated relocating the gate to 14th Street is possible and would fit better into the overall traffic scheme for Harborside Drive. Preliminary engineering site work is in progress.

Board of Trustees Agenda Items

- The Board of Trustees of the Galveston Wharves accepted and approved the Port's annual audit as submitted by the accounting firm of Null-Lairson, P.C. containing an unqualified opinion and combined financial statements, the Federal Single Audit Report and the Corrective Action Plan.
- The Board of Trustees of the Galveston Wharves approved the amendments to the FY2005 Operating Budget covering increases in switching, lay dockage, passenger charges, container terminal, contract labor-security, water/sewer, professional services, credit card commissions, and security-cost recovery, and reductions in wharfage, parking revenue, salaries, professional services-

consulting fees-cruise, other income and other expenses resulting in a projected increase in net income of \$1,084,300.

- The Board of Trustees of the Galveston Wharves approved and adopted the current Galveston Wharves Investment Policy until the annual review in May 2006 or until there are changes in state statutes governing the investment of public funds.
- The Board of Trustees of the Galveston Wharves authorized staff to award a contract for professional engineering services relating to the installation of a sprinkler system at Plant 14 to Goldston Engineering.
- The Board of Trustees of the Galveston Wharves denied the request by the Galveston Hotel & Motel Association to pay a lesser port access trip charge and instructed port staff to use the tariff in place governing access charges.
- The Board of Trustees of the Galveston Wharves approved the amendment to the Section 125 Cafeteria Plan changing the amount deferrable under the plan from \$3,600 to \$5,000.
- The Board of Trustees of the Galveston Wharves affirmed and approved the first amendment to the concession agreement between the Galveston Port Facilities Corporation and The Hertz Corporation for the operation of a rental car concession at the cruise terminals.
- The item "Discuss and Consider the lease and development of Pier 19/20 channel front property" was withdrawn
- The Board of Trustees of the Galveston Wharves denied the request for a lease agreement with the Burlington Northern Santa Fe Railway Company for 17.8 acres located at 37th and Harborside Drive.
- The item "Discuss and consider an amendment to the promissory note and development agreement with Carnival Corporation and additional loan and construction documents relating to increasing the primary loan amount by \$2 million to facilitate improvements to the front of the cruise terminal complex, relocate the Mallory Yard rail tracks and expand circulation roadways and staging areas related thereto" was withdrawn.
- The Board of Trustees tabled the item "Discuss and consider the appointment, employment, evaluation, reassignment, or duties of a public officer or employee, including without limitation the Port Director."
- The item "Discuss and consider a lease and development agreement with Wallenius Wilhelmsen Lines, Americas LLC for a cargo-handling terminal at Pier 34 and Plant No. 14 at the Port of Galveston" was withdrawn.

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, June 27, 2005 at the main offices of the Port of Galveston located at 123 Rosenberg, 8th floor. Agendas are scheduled to be posted on the Port of Galveston website at www.portofgalveston.com prior to the meeting.

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