

Port E-News

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

May 2005 Financial Results:

Port of Galveston and Galveston Port Facilities Consolidated Income Statement:

	May 2005 Actual	May 2004 Actual	Year-to-Date 2005
Operating Revenue	\$1,534,025	\$ 887,721	\$7,105,580
Operating Expense	\$ 892,202	\$ 721,288	\$4,492,790
Net Operating Income (Loss)	\$ 641,823	\$ 166,433	\$2,612,790
Security Cost Recovery	\$ 22,198	\$0	\$ 57,346
Add - Other Income	\$ 116,363	\$ 113,529	\$ 661,313
Deduct - Other Expense	\$ 290,245	\$ 250,578	\$1,466,522
Net Income (Loss) After Other Income and Expense	\$ 490,139	\$ 29,384	\$1,864,927
Deduct Depreciation and Amortization	\$ 239,142	\$ 197,688	\$1,195,708
Net Income (Loss) for the Period	\$ 250,997	(\$168,304)	\$ 669,219

The Monthly Variance Report lists the following differences in the Port's individual budgeted revenue classes that varied more than 10% from budget: Switching under budget \$33,113 due to the reversal of overstating Switching Revenues for the month of April. Actual Switching Revenues for May totaled \$28,992. Wharfage was under budget due to a delay in moving WW Line to Pier 34. Dockage was under budget due to a lack of activity at the ADM grain elevator. Lay Dockage is over budget due to recording revenue from oil rigs located at Pelican Island Shipyard for the period January-April that had been deferred until deemed collectible. Revenue Producing Services are over budget due to increased water usage by the cruise lines. Expenses were slightly under budget in total. Salaries and related expenses were under budget due to unfilled positions. Total Maintenance and Repairs, Total Other Operating Expenses and Total Office and Sales Expense were on budget for the month. Other Income and Expenses were over budget due to lower than projected Security Cost Recovery billing on cargos, deferring the results of Access Charge Recovery until the invoicing system is refined and expensing interest on construction advances in the Facilities Corporation.

May 2005 Cargo Results:

Description	May 2005	May 2004	%	Year-to-date 2005	Year-to-date 2004	%
Bulk Grains	120,981	275,565	-56.10%	1,100,147	1,532,062	-28.19%
Bulk Fertilizer	0	2,826	-100%	95,010	47,674	99.29%
Bulk Liquid	14,412	19,346	-25.50%	30,765	98,555	-68.78%
Bulk Cement - Pier 41	5,490	0	100%	25,701	0	100%
Bananas / Fruit	23,290	19,846	17.35%	95,435	98,091	-2.71%
General Cargo	2,260	1,922	17.59%	3,242	7,522	-56.90%
Ro-Ro Cargo	21,015	16,437	27.85%	87,528	61,893	41.42%
Containerized – Pier 10	742	9	100%	742	9,526	-92.21%
Containerized - Others	4,263	8,628	-50.59%	26,944	28,299	-1.30%
Total Cargo	192,453	344,570	-44.15%	1,465,514	1,882,622	-22.16%
Disembarking PAX	39,812	34,667	14.84%	236,583	186,258	27.02%
Embarking PAX	40,535	35,543	14.04%	235,615	186,098	26.61%
Cargo/Lay Ships	31	31	0%	148	151	-1.99%
Cruise Ships	18	18	0%	106	99	7.07%
Cargo/Lay Barges	11	5	120%	84	33	154.55%
Research Vessels	6	8	-25%	70	56	25%
Total Calls	66	62	6.45%	408	339	20.35%

Definitions:

PAX - Passenger

Additional Reports:***Cruise Terminal Security Condition, Area Maritime Security Committee and Security Related Issues***

On June 9, a meeting was held at the Port of Houston with Department of Justice (DOJ) representatives conducting a study to determine, examine and explicate the various methods being used to protect America's ports against terrorist attacks. The DOJ representatives spent all day at the Port the day before to get a better understanding of specific security issues dealt with by the Port especially with respect to cruise vessels. The Port will receive a copy of their report upon completion.

CY2005 Projected Cruise Revenues

In 2005 the average passenger numbers for all cruises are approximately 9% ahead of projections and the average vehicle numbers for all cruises are approximately 4% behind projections. 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.

Cruise Terminal 2 Renovations

The wharf work is complete and the contract closed. The renovation of the terminal will be substantially complete by June 30. The passenger loading bridge is in place and has been tested alongside *Rhapsody of the Seas*. The passenger loading bridge is tentatively scheduled to be used for passengers on the July 3rd cruise since the bridge cannot be used for passengers until the elevator is operational. Exterior painting has begun and should be completed in early July. Permanent electrical power has been installed and all circuits have been switched over to the new electrical system. The boat-shaped wall in

the passenger check-in and waiting area has been completed and carpet installed in the VIP and port's office areas. The Customs and Border Protection inspection area is approximately 90% complete although this area has already been used to process passengers departing the cruise ships.

Perimeter Security Surveillance Camera Project (Federal Security Grant)

Johnson Control, Inc. won the bid to install a surveillance system at the Port to include the procurement, installation and integration of 40 cameras. This work is complete. A change order to install additional cameras at the west end gate has been approved, but the cameras have not been installed. The Port is working with the contractor to resolve system reliability issues that have caused partial system failures especially during bad weather. This project should be completed by July 31 at which time a camera maintenance contract must be put in place.

Relocation of Police Headquarters and EOC Development (Federal Security Grant)

The Port is continuing efforts to build a new Port Police Headquarters and a secondary Emergency Operations Center (EOC) after a Notice of Default was issued to Brazos Construction in May 2005. A new low bidder has been identified and the Port will once again enter into a contract to complete the project. A scheduled completion date has not been determined at this time.

Fuel Cell Commissioning (Federal Security Grant)

The fuel cell became fully operational on January 12, 2005. The Board granted staff a six month period to explore efficiencies in running the fuel cell that would result in no net expense and a possible positive cash flow to the Port from the operation of the fuel cell. The installation cost for the fuel cell is \$133,961 and is payable through a Federal security grant.

Plant No. 14 Fire Sprinkler System

Wallenius Wilhelmsen has requested that fire sprinklers be installed at Plant No. 14 to accommodate their lumber products. Initial inquiries indicate the cost to install sprinklers in this 44,000+ square foot facility is approximately \$150,000. At the May 28 Board meeting, the Trustees approved an agenda item for engineering services to develop technical specifications to install a sprinkler system in this warehouse. The project should be advertised for bids in July.

Pier 39 and 40 Development

The demolition of the remainder of Piers 39 and 40 was put on hold due to the lack of FY2005 Capital Improvement funds. However, the site was visited by the Assistant Vice President of "K" Line America on May 12, who expressed a great interest in relocating their operation to this location. Port engineering staff has developed an estimate of \$520,000 for repairs of the wharf apron and the demolition of the warehouses.

East End Security Gate Project (Federal Security Grant)

This project to improve the access to the east end of the Port is funded by a federal security grant. Exploration and engineering feasibility studies have indicated relocating the gate to 14th Street is possible and would fit 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 approved and authorized televising monthly board meetings for 6 months on the City of Galveston's Channel 16.
- The Board of Trustees of the Galveston Wharves postponed the employment of an Emergency Operations Center Supervisor/Security Trainer.
- The Board of Trustees of the Galveston Wharves postponed the construction of a Security Training Center in Cruise Terminal No. 1.
- The Board of Trustees of the Galveston Wharves approved an amendment to the Section 125 Cafeteria Plan to permit an extension of 2 ½ months after the end of the plan year to incur and submit requests for reimbursements.
- The Board of Trustees of the Galveston Wharves tabled an amendment to terminate the Cash Balance Plan of the Galveston Wharves Pension Plan and to modify actuarial assumptions, and to make arrangements for the actuary for the Galveston Wharves Pension Plan to address the Board in the future.
- The Board of Trustees of the Galveston Wharves approved the Supplemental Statement of Work for the Actuarial Services Consultant.
- The Board of Trustees of the Galveston Wharves approved the Supplemental Statement of Work for the Computer Network Consultant to address network server issues.
- The Board of Trustees of the Galveston Wharves approved the Consulting Agreement with Goldston Engineering, Inc. for professional engineering services relating to structural improvements at Plant No. 9.
- The Board of Trustees of the Galveston Wharves postponed the lease and development of the Pier 19/20 channel front property.
- The Board of Trustees of the Galveston Wharves accepted the increase in the primary loan from Carnival Corporation of \$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.
- The Board of Trustees of the Galveston Wharves deferred the Terminal Services and Rate Agreement with Wallenius Wilhelmsen Lines, Americas LLC for a cargo-handling terminal at Pier 34 and Plant No. 14.
- The Board of Trustees of the Galveston Wharves approved the resolution authorizing consent to joint representation of the Board of Trustees of the Galveston Wharves and Port Power, Inc. by McLeod, Alexander, Powel and Apffel, P.C. and Robert R. Randolph.
- The Board of Trustees of the Galveston Wharves approved the engagement of Null-Lairson, P.C. to audit the Galveston Wharves Pension Plan.
- The Board of Trustees of the Galveston Wharves made no motion relating to the discussion and consideration of the appointment, employment, evaluation, reassignment or duties of a public officer or employee, including without limitation the Port Director.

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, July 25, 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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