

Port E-News

Public Relations Department
 Port of Galveston
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April 6, 2006

Board of Trustees of the Galveston Wharves March 2006 Meeting

Meetings of the Board of Trustees of the Galveston Wharves
 are televised on the City of Galveston's Channel 16.

February 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	February 2006 Actual	February 2005 Actual	Year-to-Date 2006
Operating Revenue	\$1,644,165	\$1,433,158	\$3,335,740
Operating Expense	\$ 959,939	\$ 867,045	\$1,987,219
Net Operating Income (Loss)	\$ 684,226	\$ 566,113	\$1,348,521
Security Cost Recovery	\$ 39,989	\$0	\$ 84,016
Add - Other Income	\$ 121,439	\$ 120,256	\$ 231,499
Deduct - Other Expense	\$ 283,288	\$ 310,493	\$ 572,617
Net Income (Loss) After Other Income and Expense	\$ 562,366	\$ 375,876	\$1,091,419
Deduct Depreciation and Amortization	\$ 262,750	\$ 239,142	\$ 525,500
Net Income (Loss) for the Period	\$ 299,616	\$ 136,734	\$565,919

Comments on Major Revenue and Expense Items vs Budget

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Lay Dockage	\$ 59,000	Heavy use of Port for topside repairs and layovers
Rentals	\$ 33,000	Higher than budgeted results from Port property
Revenue Producing Services	(\$ 22,000)	Delay in budgeted water rate increases until March
Parking Fees	(\$153,000)	Heavy use of seamless travel & additional competition for parking
Total	(\$ 48,000)	

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EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 17,000.00)	Variance due to unfilled positions and timing
Contract Labor	(\$ 6,000.00)	Reduced Parking Volume
Maintenance & Repair	(\$ 11,000)	Variance due to timing
Professional Services	(\$ 41,000)	Reduced parking consulting and timing on other professional fees
Direct Sales, Dues & Travel	(\$ 18,000)	Variance due to delayed trips and sales events
Total	(\$ 109,000.00)	

February 2006 Cargo Results:

Description	February 2006	February 2005	%	Year-to-date 2006	Year-to-date 2005	%
Bulk Grains	240,094	372,136	-35.48%	424,156	577,812	-26.59%
Bulk Fertilizer	18,099	41,709	-56.61%	88,562	46,087	92.16%
Bulk Liquid	76,511	86,910	-11.97%	125,077	146,072	-14.37%
Bulk Cement - Pier 41	5,290	4,409	19.98%	12,174	9,239	31.77%
Bananas / Fruit	16,342	14,030	16.48%	37,085	32,817	13.01%
General Cargo	1,188	413	187.65%	2,295	418	449.04%
Ro-Ro Cargo	14,830	16,138	-8.11%	41,108	32,029	28.35%
Containerized – Pier 37	0	0	0	0	49	-100%
Containerized – Pier 10	0	0	0	0	0	0
Containerized - Others	6,789	6,777	.18%	16,534	17,466	-5.34%
Total Cargo	379,143	542,522	-30.11%	746,991	861,989	-13.34%
Disembarking PAX	61,067	46,780	30.54%	126,647	99,365	27.46%
Embarking PAX	61,459	46,506	32.15%	125,822	98,314	27.98%
Cargo/Lay Ships	33	32	3.13%	72	64	12.50%
Cruise Ships	29	21	38.10%	58	46	26.09%
Cargo/Lay Barges	26	19	36.84%	36	35	2.86%
Research Vessels	20	17	17.65%	45	29	55.17%
Total Calls	108	89	21.35%	211	174	21.26%

Definitions:
PAX - Passenger

Additional Reports:

Fuel Cell Commissioning (Federal Security Grant)

The fuel cell first became operational on January 12, 2005. The initial function of the cell was to provide a on-hands classroom for Texas A&M. The installation cost was \$140,000 and was paid through a Federal Security Grant. The fuel cell has not been operational since June 2005. A final decision on A&M’s funding commitment to the fuel cell was still unresolved as of March 2006 pending further review by the university. The Port of Galveston, Texas A&M and CenterPoint Energy met last month to discuss the benefits of the operation and possible outcomes.

East End Security Gate Project (Federal Security Grant)

This project to improve the access to the east end of the Port of Galveston is funded by a Federal Security Grant and includes construction of a guard house, a new entrance road, and new fencing around the perimeter of the east end of the Port. Funding for a new traffic signal at 14th Street and Harborside Drive was pursued through the Houston-Galveston Area Council (HGAC) and the University of Texas Medical Branch. An east

end tenant's meeting was held on January 18 and no problems with the project were presented. The City of Galveston and the Texas Department of Transportation also worked on the project. Bid openings for the project were held on April 4, 2006. Award of a contract is pending.

Sales and Governmental Affairs

The Port of Galveston met with Congressional staff and members of the Texas Congressional delegation including Senator Kay Bailey Hutchison to discuss obtaining additional funding and grants for the Port of Galveston in support of harbor and channel dredging, port security and expansion of business at the Port of Galveston.

The Port of Galveston exhibited at the annual International Seatrade Cruise Industry Convention in Miami from March 13-16 and met with executives from Carnival Corporation/Carnival Cruise Lines, Royal Caribbean Cruises Ltd and other cruise lines. Discussions focused on on-going and future developments, enhancements and expansion at Cruise Terminals No. 1 and No. 2 to support optimal customer satisfaction for cruise line passengers, cruise ship deployments, the operating agreements between the cruise lines and the Galveston Wharves and the development of future cruise business.

Items

- Item E-1 - The Board of Trustees of the Galveston Wharves tabled for 90 days action on the request from MBP Corp to reconsider its June 2004 proposal for development of the Pier 19/20 channel front property as a restaurant and marina.
- Item E-2 - The Board of Trustees of the Galveston Wharves approved additional funding payable to The RETEC Group for work performed that was necessary to close the project on the leaking petroleum storage tank at Pier 19.
- Item E-3 - The Board of Trustees of the Galveston Wharves approved an approximately 146% increased payment over last year's premium and a 116% increase over budget for FY 2006 for property insurance due to increases in premiums to Aon Risk Services for Port Property Insurance Renewal and related budget adjustment. This increased premium provides coverage of \$25 million as opposed to the normal \$40 million limits in coverage
- Item E-4 - The Board of Trustees of the Galveston Wharves approved entering into a consulting agreement for engineering services to prepare roofing and other facility repair bids for damage caused by the windstorm of May 8, 2005 and Hurricane Rita.
- Item E-5 - The Board of Trustees of the Galveston Wharves approved a lease agreement with Veritas Geophysical Corporation, subject to revisions by the Port Director and the Port Attorney.
- Item E-6 - The Board of Trustees of the Galveston Wharves approved a 5-year storage lease for Foreign Trade Zone #36 with Metro International Trade Services LLC for the importation and storage of products for the London Metal Exchange, the world's premier non-ferrous (no iron content) metals market.
- Item E-7 - The Board of Trustees of the Galveston Wharves approved a rate change to Tariff Item #475 effective April 1, 2006 to increase water furnished to vessels from \$2.75 per 100 cubic feet to \$3.20 per 100 cubic feet and to increase minimum hook-up charges from \$120.87 to \$135.37 from 8 a.m. to 5 p.m. on Monday through Friday and from \$181.31 to \$203.07 for all other times and holidays to cover the 16.35% increase in water rates charged by the City of Galveston to the Port of Galveston.

- Item E-8 – The Board of Trustees of the Galveston Wharves approved the Mutual Aid Law Enforcement Agreement between the Port of Galveston and the Galveston County Sheriff’s Department to provide law enforcement personnel to the Port of Galveston in the event of an emergency situation and provide Port of Galveston law enforcement personnel to the County of Galveston in the event of an emergency.
- The Board of Trustees of the Galveston Wharves approved the Intergovernmental Agreement with the Houston Galveston Area Council (HGAC) requiring the Port to act as General Contractor in the relocation of traffic signals on Harborside Drive from 16th Street to 14th Street with the HGAC pledging up to \$133,564 and the University of Texas Medical Branch pledging \$20,000 and the Port of Galveston responsible for any additional costs.

Following the regular monthly meeting of the Board of Trustees of the Galveston Wharves, the Board held the Annual Goals and Objectives Meeting.

The Board of Trustees 2006/2007 Goals

1. New facility for Del Monte Fresh Produce
2. Third cruise terminal – evaluate importance and financing
3. Hutchison Port Holdings (HPH)
 - a. What to do
 - b. Go forward or not
 - c. Based on HPH outcome, communicate with Pier 10 lessee – Port of Houston Authority

The Board of Trustees 2006/2007 Alternate Goals

1. LNG Terminal
2. Identify cash sources
3. Gulf Copper Drydock and Rig Repair – Help with development funding for improvement & repairs

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, April 24, 2006 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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