

# Port E-News

Public Relations Department  
Port of Galveston  
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April 27, 2006

## Board of Trustees of the Galveston Wharves April 2006 Meeting

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

### March 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	March 2006 Actual	March 2005 Actual	Year-to-Date 2006
Operating Revenue	\$1,893,922	\$1,467,832	\$5,229,663
Operating Expense	\$ 989,664	\$ 965,542	\$2,976,883
<b>Net Operating Income (Loss)</b>	<b>\$ 904,258</b>	<b>\$ 502,290</b>	<b>\$2,252,780</b>
Security Cost Recovery	\$ 45,221	\$0	\$ 129,237
Add - Other Income	\$ 118,441	\$ 122,410	\$ 349,940
Deduct - Other Expense	\$ 284,461	\$ 317,233	\$ 857,078
<b>Net Income (Loss) After Other Income and Expense</b>	<b>\$ 783,459</b>	<b>\$ 307,467</b>	<b>\$1,874,879</b>
Deduct Depreciation and Amortization	\$ 262,750	\$ 239,142	\$ 788,250
<b>Net Income (Loss) from Operations</b>	<b>\$ 520,709</b>	<b>\$ 68,325</b>	<b>\$1,086,629</b>
Add Grant Proceeds	\$0	\$0	\$ 623,626
<b>Net Income (Loss) for the Period</b>	<b>\$ 520,709</b>	<b>\$ 68,325</b>	<b>\$1,710,245</b>

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**Comments on Major Revenue and Expense Items vs Budget**

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Switching	\$ 49,000	Heavier than projected grain and fertilizer movements
Dockage	\$ 105,000	Increased grain movements and a large number of research vessels docking during the month
Lay Dockage	\$ 40,000	Increased activity of vessels berthing for topside repairs and grain inspections
Rentals	\$ 33,000	Higher than budgeted results from Port property
Revenue Producing Services	(\$ 15,000)	Full effect of water rate increases not in effect until April billing cycle
Parking Fees	(\$ 59,000)	Heavy use of "seamless" travel and additional competition for parking
<b>Total</b>	<b>\$153,000</b>	

EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 40,000)	Variance due to unfilled positions and timing
Contract Labor	(\$ 10,000)	Reduced Parking Volume
Maintenance & Repair	(\$ 11,000)	Variance due to timing
Vehicles (Shuttle Service)	(\$ 9,000)	Reduced Parking Volume
Professional Services	(\$ 14,000)	Reduced Parking Consulting and timing on other professional fees
Direct Sales, Dues & Travel	(\$ 14,000)	Variance due to delayed trips and sales events
<b>Total</b>	<b>(\$ 98,000)</b>	

**March 2006 Cargo Results:**

Description	March 2006	March 2005	Year-to-date 2006	Year-to-date 2005	YTD %
<b>Bulk Grains</b>	320,677	294,864	744,833	872,676	-14.65%
<b>Bulk Fertilizer</b>	78,337	7,771	166,899	53,858	209.89%
<b>Bulk Liquid</b>	94,546	82,620	219,623	228,692	-3.97%
<b>Bulk Cement - Pier 41</b>	7,671	5,405	19,845	14,644	35.52%
<b>Bananas / Fruit</b>	20,906	16,630	57,991	49,447	17.28%
<b>General Cargo</b>	1,240	9	3,535	432	718.29%
<b>Ro-Ro Cargo</b>	20,474	16,075	61,582	48,104	28.02%
<b>Containerized – Pier 10</b>	0	0	0	0	-0-
<b>Containerized – Pier 37</b>	0	66	0	115	-100%
<b>Containerized - Others</b>	5,018	4,771	21,552	22,237	-3.08%
<b>Total Cargo</b>	548,869	428,211	1,295,860	1,290,205	.44%
<b>Disembarking PAX</b>	67,487	51,459	194,134	150,824	28.72%
<b>Embarking PAX</b>	68,239	52,916	194,061	151,230	28.32%
<b>Cargo/Lay Ships</b>	35	27	107	91	17.58%
<b>Cruise Ships</b>	28	22	86	68	26.47%
<b>Cargo/Lay Barges</b>	11	22	47	57	-17.54%
<b>Research Vessels</b>	22	21	67	50	34.00%
<b>Total Calls</b>	96	92	307	266	15.41%

Definitions:  
PAX - Passenger

**Additional Reports:*****Voyager of the Seas***

On April 10, 2006, Royal Caribbean International announced that *Voyager of the Seas* would be homeported in Galveston for 18 cruises starting on December 23, 2007 until April 20, 2008. This vessel will be the largest cruise ship to ever sail from Galveston and will conduct 7-day cruises departing on Sundays to the Western Caribbean. *Voyager* will replace *Rhapsody of the Seas* for these cruises with *Rhapsody* moving to New Orleans for the 2007/2008 winter season and returning to Galveston in the Spring of 2008. The Board approval at the February Board Meeting of the lease purchase of an additional passenger access gangway for Cruise Terminal No. 2 will greatly facilitate the embarkation and disembarkation of the up to 3,800 passengers that typically sail on this vessel.

***Splendour of the Seas and 2007/2008 Winter Cruise Season***

The April 10<sup>th</sup> press release by Royal Caribbean indicated that *Splendour of the Seas* would not be returning for the 2007/2008 winter season. When *Splendour* returns from Europe in the Fall of 2007, it will enter into a 7-day cruise schedule to the Eastern Caribbean sailing from the Dominican Republic. However, *Splendour* is still scheduled to return for the 2006/2007 winter season and continue to operate 4- and 5-day cruises to Mexico.

***Galveston Island Convention and Visitors Bureau Support of Cruise Development***

The Director of Tourism for the Galveston Island Convention and Visitors Bureau (CVB), Melody Smith, recently advised Port staff that the Bureau has been working to support the development of cruise activity at the Port of Galveston and Galveston Island through the following activity:

- Hosted two three-day Carnival Travel Agent FAM (Familiarization) tours for 65 people each, totaling 130 agents. The first group was from the Midwest and the second primarily from the West Coast. Prior to this time, Carnival Cruise Lines hosted these events in New Orleans. Due to the relocation of the *Carnival Conquest* to the Port of Galveston, Carnival needs to familiarize the agents with Galveston.
- Attended Cruise Lines Industry Association (CLIA) "Cruise 3Sixty" Cruise Travel Agents Convention in Fort Lauderdale, Florida with Galveston port staff in April.
- Working with Celebrity on a final travel agent ship visit in May 2006.
- The website [www.cruisegalveston.com](http://www.cruisegalveston.com) was launched in April and this site is a resource only for travel agents to encourage pre/post hotel stays and educate them about the Galveston destination.
- Working with Carnival Cruise Lines and Houston CVB to co-host a May 2006 Mid-West and West Coast sales retreat.

***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. The contract will be to construct a guard house and entrance road. Bid openings for the project were held on April 4, 2006. The low bid was approximately \$220,000 above the budget for the project. If sufficient savings are not identified, the scope of the project will have to be amended and the request for proposals re-solicited.

***Plant No. 14/Pier 34 Improvements***

Upon relocation of operations to Pier 34, Wallenius Wilhelmsen Logistics notified the Port of improvements needed at the site for their operations. Additional concrete paving

is needed to handle the large volume of tracked vehicles received at the Port. Lighting improvements are needed at an adjacent lot. Paving and lighting along with mechanical bull-rails on the pier ramp area are the highest priorities for the Pier 34 terminal. A plan and timeline to accomplish these improvements will be discussed with the Board of Trustees.

### ***Pier 35 Wharf Repairs***

A bid opening for repairs to the Agriliance terminal at Pier 35/36 was held in September 2005. Original engineering costs for these repairs appear to have been underestimated. Alternative solutions to complete the repairs have been identified and revised specifications have been developed. A new Request for Proposals (RFP) will be sought. A line item for repairs to this facility has been submitted in the proposed FY 2006 Capital Improvement Budget.

### ***Harborside Drive Landscaping Project***

The Port issued a Request for Qualifications (RFQ) for a landscape design planner to assist the Port with a Harborside Drive Beautification Project. Two responses were received. An Evaluation Committee, comprised of four members of Port staff, was assembled to review the submittals. The committee evaluation criteria was based on the consultant's experience with TX DOT requirements; previous work done in Galveston; understanding of the proposed project; experience with safety, ADA requirements and environmental issues. The committee ranked M2L Associates as the most qualified for this project.

### ***Sales and Governmental Affairs***

The Port Director, the Senior Director of Marketing and Administration and the Governmental Affairs Manager attended the annual Seatrade Cruise Industry Convention in Miami, Florida. The Port exhibited at the convention and had meetings with executives from several cruise lines to discuss ongoing and future development, enhancements and expansion at Cruise Terminals No. 1 and No. 2.

The Port Director and the Governmental Affairs Manager attended the 2006 American Association of Port Authorities Spring Conference in Washington, D.C. in March. Additionally, they met with Congressional staff and members of the Texas delegation.

The Senior Director of Marketing and Administration attended and exhibited at the 2<sup>nd</sup> annual Cruise Line Industry Association "Cruise 3Sixty" Cruise Travel Agent's Convention along with the Director of Tourism for the Galveston Convention and Visitors Bureau.

### **Items**

- Consent Agenda - Item D-6 - Accept Monthly Delinquent Accounts Receivable Analysis - The Board of Trustees of the Galveston Wharves instructed staff to meet with users of the Cruise Terminal transportation system to determine a resolution to the Port Access Fee issue and come back to the Board with a resolution or a plan of action to enforce the Port's tariff.
- Item E-1 - The Board of Trustees of the Galveston Wharves accepted the Portfolio Performance Analysis Report, Summary of Investment Performance Report and Investment Detail of the Galveston Wharves Pension Plan for the period ending March 31, 2006 as presented by Kempner Capital Management Company, the investment firm that handles the assets of the Port's Defined Benefit Pension Plan.

- Item E-2 - The Board of Trustees of the Galveston Wharves approved the Interlocal Contract requesting the Galveston Port Facilities Corporation perform the facility improvements necessary at Cruise Terminal No. 2 to accommodate the installation of the fixed walkway extension and a second passenger loading bridge and approved the decision of the Galveston Port Facilities Corporation to enter into a fifth amendment to the Design-Build Agreement with CH2M Hill Constructors for these improvements at a price not to exceed \$224,000.
- Item E-3 - The Board of Trustees of the Galveston Wharves approved the first quarter budget adjustments increasing the net income in the amount of \$316,000.
- Item E-4 - The Board of Trustees of the Galveston Wharves approved the decision of the Galveston Port Facilities Corporation to enter into an agreement with Kone, Inc. for the installation of skirt deflector devices on the two escalators at Cruise Terminal No. 1 at a cost of \$7,700.
- Item E-5 - The Board of Trustees of the Galveston Wharves deferred this item that read "Discuss and consider amendment to promissory note and development agreement with Carnival Corporation and additional loan and construction documents relating to increasing the primary loan amount by \$3.5 million to facilitate passenger capacity improvements to Cruise Terminal No. 1 and other associated facility improvements.

### **Next Meeting**

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, May 22, 2006 at the main offices of the Port of Galveston located at 123 Rosenberg, 8<sup>th</sup> floor. Agendas are scheduled to be posted on the Port of Galveston website at [www.portofgalveston.com](http://www.portofgalveston.com) prior to the meeting.

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