

Port E-News

Public Relations Department
Port of Galveston
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June 1, 2006

Board of Trustees of the Galveston Wharves May 2006 Meeting

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

April 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	April 2006 Actual	April 2005 Actual	Year-to-Date 2006
Operating Revenue	\$1,927,847	\$1,273,619	\$7,157,510
Operating Expense	1,069,685	893,072	4,046,567
Net Operating Income (Loss)	\$ 858,162	\$ 380,547	\$3,110,943
Add - Security Cost Recovery	\$ 32,116	\$ 22,412	\$ 161,353
Add - Other Income	105,703	186,145	455,643
Deduct - Other Expense	285,765	230,103	1,142,843
Net Income (Loss) After Other Income and Expense	\$ 710,216	\$ 359,001	\$2,585,096
Deduct Depreciation and Amortization	\$ 262,750	\$ 239,142	\$1,051,000
Net Income (Loss) from Operations	\$ 447,466	\$ 119,859	\$1,534,096
Add Grant Proceeds	\$ 594	0	\$ 624,210
Net Income (Loss) for the Period	\$ 448,060	\$ 119,859	\$2,158,306

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Comments on Major Revenue and Expense Items vs Budget

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Switching	\$ 48,000	Heavier than projected grain and fertilizer movements
Dockage	\$ 97,000	Increased grain movements and a large number of research vessels docking during the month
Lay Dockage	\$ 28,000	Increased activity of vessels berthing for grain inspections
Rentals	\$ 85,000	Received \$84,000 additional percentage rent from Gulf Copper for shipyard lease
Wharfage	\$ 20,000	Higher than anticipated Ro-Ro cargo volume
Parking Fees	(\$ 65,000)	Heavy use of "seamless" travel and additional competition for parking
Total	\$213,000	

EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 43,000)	Variance due to unfilled positions and timing
Maintenance & Repair	(\$ 18,000)	Variance due to timing
Vehicles (Shuttle Service)	\$ 25,000	Adjustments to increased shuttle service furnished by Ampco
Professional Services	(\$ 29,000)	Reduced Parking Consulting and timing on other professional fees
Office Expense	\$ 10,000	Variance due to payment of fine to Coast Guard of \$9,000
Total	(\$ 55,000)	

April 2006 Cargo Results:

Description	April 2006	April 2005	Year-to-date 2006	Year-to-date 2005	YTD %
Bulk Grains	357,367	106,490	1,102,200	979,166	12.57%
Bulk Fertilizer	1,526	41,152	168,425	95,010	77.27%
Bulk Liquid	72,441	58,941	292,064	287,633	1.54%
Bulk Cement - Pier 41	5,672	5,567	25,517	20,211	26.25%
Bananas / Fruit	17,489	22,698	75,480	72,145	4.62%
General Cargo	5,631	422	9,166	854	973.30%
Ro-Ro Cargo	31,701	18,409	93,283	66,513	40.25%
Containerized – Pier 10	1,986	0	1,986	0	0
Containerized – Pier 37	0	13	0	128	-100%
Containerized - Others	5,635	444	28,187	22,681	19.87%
Total Cargo	499,448	254,136	1,795,308	1,544,341	16.25%
Disembarking PAX	65,203	45,947	259,337	196,771	31.80%
Embarking PAX	63,523	43,850	257,584	195,080	32.04%
Total Revenue PAX	128,726	89,797	516,921	391,851	31.92%
Cargo/Lay Ships	40	26	147	117	25.64%
Cruise Ships	28	20	114	88	29.55%
Cargo/Lay Barges	10	16	57	73	-21.92%
Research Vessels	12	14	79	64	23.44%
Total Calls	90	76	397	342	16.08%

Definitions:

PAX - Passenger

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

The Port, including the Cruise Terminals, is currently in Maritime Security Condition I, the lowest level of heightened security. The Port participates in regular security meetings and exercises with the U. S. Coast Guard. The Commandant of the Coast Guard has directed local Captains of the Port to require appropriate identification credentials of individuals seeking access to waterfront facilities. For certain individuals, additional screening to determine if they pose a threat to these facilities will be conducted. This screening conducted by the Transportation Security Administration consists of checking an individual's immigration status and includes an examination of relevant federal databases to verify the validity of their social security or alien registration number. The Port will provide the names and dates of birth for all Port, tenant and vendor employees, except longshoremen, to the Coast Guard, which will be responsible for the actual screening. Longshoremen information will be coordinated by the West Gulf Maritime Association.

East End Security Gate (Federal Security Grant)

This project to improve the access to the east end of the Port is funded by a federal security grant. Additionally, the Port is working with the City of Galveston and the University of Texas Medical Branch (UTMB) to relocate the stop light from 16th Street to 14th Street to better fit into the overall traffic scheme for Harborside Drive. Agreements to fund this portion of the project by the Houston-Galveston Area Council and UTMB are progressing. Since the bid for construction of the project came in over-budget, the Port is working with the low bidder on the project to identify changes in those areas that might yield cost savings. Final negotiations are in process and a contract should be awarded by mid-June, with work commencing around the end of June. Work on a separate contract to improve the fencing around the perimeter of the east end is completed with the exception of the fencing along Harborside Drive which is due for completion when the guard house and entrance road are completed.

Plant No. 14/Pier 34 Improvements

The Port is working with customer Wallenius Wilhelmsen Logistics on improvements at their vehicle-handling terminal at Pier 34. An additional 158,000 sq. ft. of concrete-paved parking and lighting have been identified by Wallenius as the highest priorities for their terminal. Port engineering staff has developed a lighting plan for the area. In an effort to minimize costs for this project, three light poles removed from other areas of the Port will be used. The lighting project should be completed by the end of June. A project plan including costs and a timeline to accomplish the additional improvements will be developed and discussed with the Board of Trustees at the June board meeting.

Port Access Fees

At the April 2006 board meeting, the trustees directed Port staff to resolve the issue of the past due charges for Port Access Fees. The past due fees are primarily from the hotel-motel shuttles accessing the cruise terminals and from private parking lot shuttles. After a meeting between the Port and the Hotel-Motel Association and the Park Board concerning this issue, the Park Board representatives proposed offsetting a portion from the hotel-motel room tax to be earmarked to help defray the annual cost of cruise

marketing incurred by the Port. This funding would have the effect of reducing the expenses for cruise marketing already in the Port's budget and supplementing it with these funds. It would help defray port cruise marketing expenses such as the annual Seatrade Cruise Convention, Florida Caribbean Cruise Association membership and visits to cruise line offices by Port officials. The Hotel-Motel Association would be responsible for paying the remainder of the FY 2006 projected revenue from their association for the access fees. Concerns were expressed related to a level playing field when applying these fees. The Port staff will work to ensure an equitable process and to determine appropriate fees for shuttles that have accessed Port property over the past 15 months. Meetings with private parking lot owners are also scheduled.

Items

- Item E-1 – The Board of Trustees of the Galveston Wharves accepted the Port of Galveston's Annual Financial Audit as submitted by the accounting firm of Null-Lairson, P.C. containing an unqualified opinion and financial statements that show a positive change in Net Assets of \$2,481,970, total assets of \$114,732,353 and the Federal Single Audit Report .
- Item E-2 – Discuss and consider approval of amendment to Promissory Note and Development Agreement between Galveston Port Facilities Corporation and Carnival Corporation and additional loan and construction documents with CH2M Hill 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 – Was withdrawn pending a Carnival review of the documents and visit to the Port of Galveston to discuss the planned improvements. This item will be resubmitted at the June meeting of the Galveston Port Facilities Corporation and Galveston Wharves Board.
- Item E-3 – The Board of Trustees of the Galveston Wharves adopted the revised Wharves Investment Policy and the Resolution that incorporates changes in the Public Funds Investment Act.
- Item E-4 – The Board of Trustees of the Galveston Wharves approved the ratification of an amendment to the ADM Grain Co. Tariff increasing the base dockage rates. The fiscal impact to the Port of Galveston will be a proportional increase of monthly dockage revenue shared with ADM. This will amount to 35% of the \$0.08 increase per gross registered ton of vessel dockage at the Galveston grain elevator or approximately \$0.0288 per gross registered ton of vessel per day when dockage exceeds the current minimum dockage rate of \$25,000 for each vessel berthing at the ADM grain elevator.
- Item E-5 – The Board of Trustees of the Galveston Wharves authorized the Port Director to initiate a grant request from the U.S. Department of Commerce, Economic Development Administration for a public works project at the Gulf Copper facility on Pelican Island.
- Item E-6 – Given that unless the Port is successful in resolving the current disputes with Galveston Railroad, the Port must be prepared for the termination of that Lease Agreement. Therefore, the Board of Trustees of the Galveston Wharves authorized and directed the Port staff to pursue the identification, qualifications and interests of prospective operators of the Port's terminal railway facilities and to take appropriate action related thereto.

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, June 26, 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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