

Port E-News

Public Relations Department
 Port of Galveston
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June 28, 2006

Board of Trustees of the Galveston Wharves June 2006 Meeting

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

May 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	May 2006 Actual	May 2005 Actual	Year-to-Date 2006
Operating Revenue	\$ 1,561,480	\$ 1,534,025	\$ 8,718,993
Operating Expense	\$ 956,071	\$ 892,202	\$ 5,002,634
Net Operating Income (Loss)	\$ 605,409	\$ 641,823	\$ 3,716,359
Add - Security Cost Recovery	\$ 36,362	\$ 22,198	\$ 197,715
Add - Other Income	\$ 160,806	\$ 116,363	\$ 616,449
Deduct - Other Expense	\$ 275,683	\$ 290,245	\$ 1,418,526
Net Income (Loss) After Other Income and Expense	\$ 526,894	\$ 490,139	\$3,111,997
Deduct Depreciation and Amortization	\$ 262,750	\$ 239,142	\$ 1,313,750
Net Income (Loss) from Operations	\$264,144	\$ 250,997	\$ 1,798,247

Comments on Major Revenue and Expense Items vs Budget

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Switching	\$ 84,000	Heavier than projected grain & fertilizer movements
Dockage	\$ 97,000	Increased grain movements and a large number of research vessels docking during the month
Revenue Producing Services	(\$ 24,000)	Reduced Cruise Ship Volume for the month
Rentals	\$ 16,000	Pelican Island customer is being included
Wharfage	(\$ 19,000)	Less than anticipated bulk liquid & ro-ro cargo volume
Parking Fees	\$ 72,000	Summer "Drive-to" market exceeded projections
TOTAL	\$ 226,000	

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EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 34,000)	Variance due to unfilled positions and timing
Utilities	\$ 18,000	Increased usage for the month. Year-to-date is on budget
Professional Services	(\$ 14,000)	Timing on other professional fees
Office Expense	(\$ 16,000)	Timing on Direct Sales (\$6,000) and Dues and Travel (\$10,000)
Total	(\$ 46,000)	

May 2006 Cargo Results:

Description	May 2006	May 2005	Year-to-date 2006	Year-to-date 2005	YTD %
Bulk Grains	442,839	120,981	1,545,039	1,100,147	40.44%
Bulk Fertilizer	38,914	0	207,339	95,010	118.23%
Bulk Liquid	73,657	59,304	365,721	346,937	5.41%
Bulk Cement - Pier 41	6,909	5,490	32,426	25,701	26.17%
Bananas / Fruit	22,796	23,290	98,276	95,435	2.98%
General Cargo	1,245	2,260	10,411	3,114	234.33%
Ro-Ro Cargo	20,607	21,015	113,890	87,528	30.12%
Containerized – Pier 10	11,362	742	13,348	742	1698.92%
Containerized – Pier 37	0	0	0	128	-100%
Containerized - Others	8,532	4,263	35,719	26,944	32.57%
Total Cargo	626,861	237,345	2,422,169	1,781,686	35.95%
Disembarking PAX	39,033	39,812	298,370	236,583	26.12%
Embarking PAX	39,975	40,535	297,559	235,615	26.29%
Total Revenue PAX	79,008	80,347	595,929	472,198	26.20%
Cargo/Lay Ships	51	31	198	148	33.78%
Cruise Ships	16	18	130	106	22.64%
Cargo/Lay Barges	10	11	67	84	-20.24%
Research Vessels	22	6	101	70	44.29%
Total Calls	99	66	496	408	21.57%

Definitions:

PAX - Passenger

Additional Reports:

Cruise Terminal Security Condition, Area Maritime Security Committee and Security Related Issues

The Port, including the Cruise Terminals, continues operating in Maritime Security Condition I, the lowest level of heightened security. Port staff is reviewing the Notice of Proposed Rulemaking (NPRM) on the Transportation Worker's Identification Credential (TWIC). This program is expected to cover over 750,000 workers nationwide and would be funded through user fees. The Transportation Security Administration (TSA) estimates that each worker would pay approximately \$149 to receive a TWIC. A TWIC card would be valid for 5 years. This regulation will have a significant effect on the Port. The Port will be required to implement TWIC into existing access control systems and operations, purchase and utilize card readers, and update the Port's security plan to reflect the access requirements mandated by the TWIC system. Compatibility issues with the TWIC program for access control, including card readers will be addressed in a

security project funded by Rounds 3 and 4 of Federal Security Grants scheduled to begin the last week in June.

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. Two contractors responded in April to a project bid opening for the construction of the guard house and the entrance road portion of the project. Both bids were above the budget for the project. Port engineering staff worked with the low bidder to identify changes in those areas that might yield cost-savings. Staff completed negotiations with the contractor using revised drawings developed in-house that would allow award of a contract within budget. The draft contract, plus an associated change order that reduces the overall cost of the initial bid, was submitted to the Port's legal counsel for review. Contract award is now anticipated no later than mid-July.

The Port is working with the City of Galveston and the University of Texas Medical Branch (UTMB) concerning a traffic light at the intersection of 14th Street and Harborside Drive, with funding provided by the Houston-Galveston Area Council (H-GAC) and UTMB. A traffic engineering consultant will be hired to assist with engineering design and technical specifications for this traffic signal using the H-GAC and UTMB funds.

Port Access Fees

At the April 2006 meeting of the Board of Trustees, the trustees directed staff to resolve the issue of "past-due" charges for Port Access Fees as described for all users of port facilities in the Port of Galveston Tariff. Port staff met with the leadership of the Hotel-Motel Association and the Park Board of Trustees and with several private parking lot operators to discuss overdue fees. Failure to resolve the issue could lead to denied-access to Port facilities including the cruise terminals.

Plant No. 14/Pier 34 Improvements

Wallenius Wilhelmsen Logistics has an agreement with the Port of Galveston for exclusive use of the uplands area located behind Pier 34 and Plant No. 14. Under the agreement, the Port is required to make certain improvements to the site including, paving immediately adjacent to the dock area, fencing the site perimeter, striping the paved area, and installing new bull rails, fenders, lighting, a cargo wash area, rail access and loading ramps and a sprinkler system in the warehouse. All improvements required under the agreement are completed with the exception of fencing on the site perimeter, mechanical bull rails, additional lighting, the cargo wash area and the sprinkler system. The lighting is under construction and will be completed by mid-July and the mechanical bull rails should be installed by the end of July. The perimeter fencing will be installed after the completion of New Wharf Road in the west end of the Port.

Items - The Board of Trustees of the Galveston Wharves approved all Consent Agenda Items with a stipulation on Item D-6

- Item D-1 - Consider May 2006 Board and Staff Expense Reports
- Item D-2 - Consider Financial Statements for the Month Ended May 31, 2006
- Item D-3 - Accept Port Investments Report
- Item D-4 - Accept Bank Reconciliation Report and Schedule of Internal Fund Balances
- Item D-5 - Accept Comparison of Cash Flow for the Month of May, 2006

- Item D-6 - Accept Monthly Delinquent Accounts Receivable Analysis - The Board of Trustees of the Galveston Wharves instructed Port staff to begin enforcing the Port Tariff related to Port Access Fees. As of July 1, 2006, Access/Trip Charges as specified in the tariff will be invoiced in August for July operations.
- Item D-7 - Accept Vendor Check Register Report
- Item D-8 - Discuss and Consider Trade Development

Items

- Item E-1 - The Board of Trustees of the Galveston Wharves approved the amendment to the promissory note and development agreement between the 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 bringing the total commitment by Carnival Corporation to \$14 million to facilitate passenger capacity improvements to Cruise Terminal No. 1 and other associated facility improvements.
- Item E-2 - The Board of Trustees of the Galveston Wharves approved the renewal of the Audit Engagement Letter with Null-Lairson, P.C. for the performance of basic auditing services for years 2006, 2007 and 2008 at a cost not to exceed \$117,100 plus any additional fees for single audit procedures and reporting on the Port's grants which will vary depending on the Port's involvement in future federal funding, the nature of the funding and the compliance requirements.
- Item E-3 - The Board of Trustees of the Galveston Wharves approved the lease agreement with CHS Launch Services Inc. for a one-year primary term for a portion of Pier 14-15 slip and the adjacent upland area to operate a launch service for steamship agents, customs service, supply vendors and others with the stipulation that a survey be made of all port properties.
- Item E-4 - The Board of Trustees of the Galveston Wharves approved a five-year primary term Planned Service Agreement with Johnson Controls, Inc. for maintenance of the Port of Galveston's security camera system at a price not to exceed \$42,000 per year.
- Item E-5 - The Board of Trustees of the Galveston Wharves approved the construction of New Wharf Road through the Pier 34 upland area to facilitate installation of perimeter fencing as required in the Development Plan of the Terminal Services and Rate Agreement with Wallenius Wilhelmsen Logistics at a cost not to exceed \$300,000.
- Item E-6 - The Board of Trustees of the Galveston Wharves approved the Board's attendance at the annual convention of the American Association of Port Authorities to be held in September 2006 in New Orleans.
- Item E-7 - The Board of Trustees of the Galveston Wharves authorized the Port Director and Legal Counsel to take all actions necessary to appeal the judgment rendered in Nancy Saint-Paul v. City of Galveston, et al.
- Item E-8 - Discuss and consider approval of settlement agreement - James Owens d/b/a International Trade and Transport Ltd., and Board of Trustees of the Galveston Wharves v. Galveston Railroad, L.P., Rail Management Corporation, Genesee & Wyoming Inc., Rail Link, Inc. and Ron R. Surovik, Individually. NO ACTION TAKEN.
- Item E-9 - The Board of Trustees authorized the Port Attorney to put Rail Link Inc. on notice that if mediation is not successful by August 11, 2006, the lease agreement between the Port of Galveston and Rail Link will be terminated and

Rail Link will have 10 days to seek a temporary injunction. The Port Attorney was also authorized to notify Rail Link of past violations that are occurring in the current lease.

Next Meeting

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