

# Port E-News

Public Relations Department  
 Port of Galveston  
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August 4, 2006

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

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

### June 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	June 2006 Actual	June 2005 Actual	Year-to-Date 2006
Operating Revenue	\$ 1,882,989	\$ 1,259,522	\$10,601,980
Operating Expense	\$ 964,711	\$ 846,222	\$ 5,965,089
<b>Net Operating Income (Loss)</b>	<b>\$ 918,278</b>	<b>\$ 413,300</b>	<b>\$ 4,636,891</b>
Add - Security Cost Recovery	\$ 37,102	\$ 22,444	\$ 234,817
Add - Other Income	\$ 137,196	\$ 121,921	\$ 753,646
Deduct - Other Expense	(\$ 273,757)	(\$ 288,472)	(\$1,692,283)
<b>Net Income (Loss) After Other Income and Expense</b>	<b>\$ 818,819</b>	<b>\$ 269,193</b>	<b>3,933,071</b>
Deduct Depreciation and Amortization	\$ 262,750	\$ 239,142	\$ 1,576,500
<b>Net Income (Loss) from Operations</b>	<b>\$ 556,069</b>	<b>\$ 30,051</b>	<b>\$ 2,356,571</b>

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

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Switching	-0-	Budgeted figures were used due to failure of GRI to furnish billing info due to current litigation
Passenger Service Fees	\$ 22,000	Summer "Drive-to" market exceeded budget projections
Lay Dockage	(\$ 89,000)	No drilling rigs in port and less ships lay-berthing
Revenue Producing Services	(\$ 18,000)	Item over-budgeted and will be amended in 2 <sup>nd</sup> quarter budget adjustments
Rentals	\$ 589,000	Included a payment of additional rent from customer
Parking Fees	\$ 92,000	Summer "Drive-to" market exceeded projections
<b>TOTAL</b>	<b>\$ 596,000</b>	

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EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 17,000)	Variance due to unfilled positions and timing
Maintenance & repairs	(\$ 19,000)	Under budget due to timing
Utilities	\$ 10,000	Increased usage for the month
Professional Services	(\$ 12,000)	Timing on other professional fees
Tools, fuel, vehicles	\$ 26,000	Increased shuttle service due to increased parking
<b>Total</b>		

**June 2006 Cargo Results:**

Description	June 2006	June 2005	Year-to-date 2006	Year-to-date 2005	YTD %
<b>Bulk Grains</b>	235,084	148,025	1,780,123	1,248,172	42.62%
<b>Bulk Fertilizer</b>	0	0	207,339	95,010	118.23%
<b>Bulk Liquid</b>	87,743	114,383	453,464	461,320	-1.70%
<b>Bulk Cement - Pier 41</b>	4,861	3,798	37,287	29,499	26.40%
<b>Bananas / Fruit</b>	17,361	16,566	115,637	112,001	3.25%
<b>General Cargo</b>	666	392	11,077	3,506	215.94%
<b>Ro-Ro Cargo</b>	22,340	19,468	136,230	106,996	27.32%
<b>Containerized – Pier 10</b>	296	655	13,644	1,397	876.66%
<b>Containerized – Pier 37</b>	0	0	0	128	-100.00%
<b>Containerized - Others</b>	8,293		44,012	29,446	49.47%
<b>Total Cargo</b>	376,644	2,502	2,798,813	2,087,475	34.08%
<b>Disembarking PAX</b>	38,501	34,667	336,871	271,250	24.19%
<b>Embarking PAX</b>	38,415	34,623	335,974	270,238	24.33%
<b>Total Revenue PAX</b>	76,916	69,290	672,845	541,488	24.26%
<b>Cargo/Lay Ships</b>	37	28	235	176	33.52%
<b>Cargo/Lay Barges</b>	12	11	79	95	-16.84%
<b>Research Vessels</b>	22	15	123	85	44.71%
<b>Cruise Ship Calls</b>	14	14	144	120	9.22%
<b>Total Calls</b>	85	68	581	476	22.06%

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. The Port is required to implement the Transportation Worker’s Identification Credential (TWIC) into existing access control systems and operations, purchase and utilize card readers, and update our security plan to reflect the access requirements mandated by the TWIC system. The Port is eligible for Round 6 Federal Security Grants. The grant program has changed and now requires a 25% match on all grant funds for public entities. Port staff is working on items to submit and grant applications are due by August 4, 2006.

***Fuel Cell***

In early July, Texas A&M University at Galveston notified the Port that Logan Energy has identified another college/university that was willing to take A&M's fuel cell. Logan Energy offered to remove the fuel cell at no cost. The Port and TAMUG mutually agreed to the removal and TAMUG has sent correspondence advising the Port of this decision, as required by the license agreement between the two parties. The fuel cell should be removed within the next several months. Port staff will review options for emergency power at Cruise Terminal No. 1 and report back to the Board of Trustees at the August 2006 board meeting.

***East End Security Gate Project***

This project to improve the access to the east end of the Port is funded by a federal security grant. The contract was awarded on July 11, 2006 and a Notice of Acceptance of the proposal has been sent to J. W. Kelso Company, Inc. Work is expected to be completed in December 2006.

***Pier 35 Wharf Repairs***

As part of the lease agreement with Agriliance, the Port is obligated to "perform such repairs or replacements identified by the pier survey as necessary to rectify the unsafe condition, condition endangering equipment and/or condition preventing or severely delaying the loading or unloading of vessels. However, in no event shall the lessor be required, in connection with this section of the lease, to make repairs to the apron and/or pier which would have the effect of putting the apron and/or pier in better condition than the condition of the apron and pier of the effect date." The consulting engineer revised the technical specifications and the project was re-bid in June 2006. Two bids were received on the project. A funding request for this project was approved at the July board meeting.

***Port Access Fees***

At the April 2006 board meeting, the Trustees directed Port staff to resolve the issue with the past-due charges for port access fees. Port staff has met with several users of the Port to discuss overdue charges. A proposed pay schedule was presented to each party based upon their recorded trips onto Port property. Port staff is negotiating with the parties for payment. Failure to pay in a timely manner will potentially lead to denied access to Port facilities including the cruise terminals.

***Improvements for Wallenius Wilhelmsen at Pier 34***

The Port of Galveston entered into a Terminal Services and Rate Agreement effective December 1, 2005 with Wallenius Wilhelmsen Logistics for exclusive right to use and occupy the uplands located behind Pier 34 and Plant No. 14. Article 18 of this agreement indicates the Port would make certain improvements to the leased site. Part of the work was completed by June 30, 2006. Prototype mechanical bull rails and additional site lighting will be completed by mid-August 2006. A truck loading ramp is projected for completion by October 1, 2006. The cargo wash area is pending receipt of information from Wallenius on a system that would satisfy their requirements. At the June 26, 2006 meeting, the board approved funding to construct a new Wharf Road for the west end of the Port. Work has begun on this project. The road and new fencing on the southern boundary of the Wallenius leased property should be completed by October 1, 2006.

### ***Cruise Terminal No. Second Passenger Loading Bridge***

In March 2006, the Board of Trustees of the Galveston Wharves signed a Lease/Purchase Agreement with FMT Aircraft Gate Support Systems AB of Trelleborg, Sweden for one mobile telescopic passenger loading bridge similar to the one already in place at Cruise Terminal No. 2 and one 110' fixed walkway, also similar to the fixed walkway already installed at Terminal No. 2. This second loading bridge is necessary to support the arrival of Royal Caribbean's *Voyager of the Seas* scheduled for December 23, 2007. The new gangway is expected to arrive in Galveston in mid-August. In April 2006, the Galveston Port Facilities Corporation entered into the Fifth Amendment to the Design-Build Agreement with Ch2M Hill to design, construct, and install foundations and other improvements to support the extension of the fixed walkway and a second mobile telescopic passenger loading bridge at Cruise Terminal No. 2. Work commenced on this project on July 17 and substantial completion is scheduled in mid-September 2006

### ***Pier 39 and 40 Development***

At the May 22, 2006 meeting of the Board of Trustees, the Board authorized the expenditure of \$150,000 to initiate repairs to the apron on Pier 39 and 40. The area underneath the apron is one continuous void and must be repaired in order to safely work cargo from these piers. Port staff has been approached by several cargo customers interested in this area to conduct their operations. Repairs are on-going and will consist of filling the voids and constructing new mooring bitts. Phase 1 of this project is scheduled for completion by Mid-September 2006. Port engineering staff has developed an estimate of \$520,000 for repairs to the entire wharf apron and the demolition of the warehouses on Pier 30/40.

### **Items – The Board of Trustees of the Galveston Wharves approved all Consent Agenda Items**

- Item D-1 – Consider June 2006 Board and Staff Expense Reports
- Item D-2 – Consider Financial Statements for the Month Ended June 30, 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 June, 2006
- Item D-6 – Accept Monthly Delinquent Accounts Receivable Analysis
- 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 accepted the Portfolio Performance Analysis Report, Summary of Investment Performance Report and Investment Detail of the Galveston Wharves Pension Plan for the period ending June 30, 2006.
- Item E-2 – The Board of Trustees of the Galveston Wharves approved the second quarter budget adjustments resulting in an increase in the net income of \$1,003,000.
- Item E-3 – The Board of Trustees of the Galveston Wharves approved the award of a contract to Lone Star Resin Systems, Inc. to perform Pier 35 wharf concrete repairs identified by a pier survey to rectify unsafe conditions at the Agrilience Terminal.

- Item E-4 - The Board of Trustees of the Galveston Wharves authorized the Port staff to enter into a lease agreement with U.S. Customs and Border Protection for 1,359 sq. ft. of office space in Cruise Terminal No. 2.
- Item E-5 - The Board of Trustees of the Galveston Wharves authorized the Port staff to advertise, receive bids and to sell or otherwise dispose of the surplus Bantam crane with cage and 45-ton gantry crane.
- Item E-6 - The Board of Trustees of the Galveston Wharves approved the amendments to Zone Schedule No. 2 for Foreign-Trade Zone (FTZ) No. 36, including the name change to Zone Schedule No. 3.
- Item E-7 - The Board of Trustees of the Galveston Wharves approved the sponsorship of FTZ Subzone Status in Foreign-Trade Zone No. 36 for MI-SWACO.
- Item E-8 - The Board of Trustees of the Galveston Wharves approved the First Amendment to the FTZ Storage Space Lease with Metro International Trade Services LLC.
- Item E-9 - The Board of Trustees of the Galveston Wharves approved the adoption of the FTZ Operator Agreement between the Board of Trustees of the Galveston Wharves and Metro International Trade Services, to include the management of all FTZ activity within Foreign-Trade Zone No. 36 subject to approval of verbiage correction approved by the Port's attorney.
- Item E-10 - Discuss and Consider Employment of In-House Attorney - The Board of Trustees of the Galveston Wharves discussed this item and took no action.

### **Next Meeting**

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, August 28, 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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