

# Port E-News

Public Relations Department  
 Port of Galveston  
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September 1, 2006

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

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

### July 2006 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	July 2006 Actual	July 2005 Actual	Year-to-Date 2006
Operating Revenue	\$1,377,341	\$1,355,007	\$11,979,322
Operating Expense	\$ 951,835	\$ 867,976	\$ 6,916,925
<b>Net Operating Income (Loss)</b>	<b>\$ 425,506</b>	<b>\$ 487,031</b>	<b>\$ 5,062,397</b>
Add - Security Cost Recovery	\$ 27,274	\$ 41,171	\$ 262,091
Add - Other Income	\$ 132,501	\$ 97,333	\$ 886,147
Deduct - Other Expense	\$ 287,954	\$ 299,215	\$ 1,980,237
<b>Net Income (Loss) After Other Income and Expense</b>	<b>\$ 297,327</b>	<b>\$ 326,320</b>	<b>\$ 4,230,398</b>
Deduct Depreciation and Amortization	\$ 262,750	\$ 277,542	\$ 1,839,250
<b>Net Income (Loss) from Operations</b>	<b>\$ 34,577</b>	<b>\$ 48,778</b>	<b>\$ 2,391,148</b>

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

REVENUES	OVER/(UNDER) BUDGET	COMMENTS
Switching	(\$ 5,000)	Budgeted figures were used due to failure of GRI to furnish billing info due to litigation prior to mediation
Passenger Service Fees	\$ 29,000	Summer "Drive-to" market exceeded budget projections for July
Lay Dockage	(\$ 125,000)	No drilling rigs in port, fewer ships lay-berthing and reversal of a \$40k billing error from previous month
Dockage	\$ 42,000	Increased grain tonnage
Parking Fees	\$ 120,000	Summer "Drive-to" market exceeded projections
<b>TOTAL</b>	<b>\$ 61,000</b>	

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EXPENSES	OVER/(UNDER) BUDGET	COMMENTS
Salaries & Related Items	(\$ 49,000)	Variance due to unfilled positions and timing
Maintenance & repairs	(\$ 22,000)	Under budget due to timing
Utilities	(\$ 9,000)	Budget over-estimated this expense
Dues and travel	(\$ 12,000)	Timing on these items
Tools, fuel, vehicles	(\$ 18,000)	Reversal of over-accrued expenses, due to use of new shuttle vendor
<b>Total</b>	<b>(\$110,000)</b>	

**July 2006 Cargo Results:**

Description	July 2006	July 2005	Year-to-date 2006	Year-to-date 2005	YTD %
<b>Bulk Grains</b>	346,145	163,174	2,126,268	1,411,346	50.66%
<b>Bulk Fertilizer</b>	0	0	207,339	95,010	118.23%
<b>Bulk Liquid</b>	62,630	38,661	516,094	499,981	3.22%
<b>Bulk Cement - Pier 41</b>	4,680	3,284	41,967	32,783	28.01%
<b>Bananas / Fruit</b>	20,050	14,842	135,687	126,843	6.97%
<b>General Cargo</b>	849	675	11,926	4,181	185.24%
<b>Ro-Ro Cargo</b>	30,696	18,264	166,926	125,260	33.26%
<b>Containerized – Pier 10</b>	0	794	13,644	2,191	522.73%
<b>Containerized – Pier 37</b>	0	0	0	128	-100%
<b>Containerized - Others</b>	11,004	2,736	55,016	32,182	70.95%
<b>Total Cargo</b>	<b>476,054</b>	<b>242,430</b>	<b>3,274,867</b>	<b>2,329,905</b>	<b>40.56%</b>
<b>Disembarking PAX</b>	47,183	42,160	384,054	33,410	22.54%
<b>Embarking PAX</b>	47,292	42,346	383,266	312,584	22.61%
<b>Total Revenue PAX</b>	<b>94,475</b>	<b>84,506</b>	<b>767,320</b>	<b>625,994</b>	<b>22.58%</b>
<b>Cargo/Lay Ships</b>	37	26	272	202	34.65%
<b>Cargo/Lay Barges</b>	10	16	89	111	-19.82%
<b>Research Vessels</b>	15	17	138	102	35.29%
<b>Cruise Ship Calls</b>	17	17	161	137	17.52%
<b>Total Calls</b>					

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 security status in the maritime community did not change during the increase that occurred in security levels for the aviation industry on August 11. The increased aviation industry security included more stringent inspection requirements for passengers embarking on airplanes.

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 submitted grant applications for Round 6 funding. Four projects totaling \$1,564,656 were submitted.

The Port's match would be \$391,164, if all projects are selected. According to the Department of Homeland Security Office of Grants and Training, 268 applications totaling \$569 million were submitted. There are \$168 million in funds available.

### ***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 by mid-September.

### ***Pier 35 Wharf Repairs at the Agriliance Terminal***

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. Also, these repairs were to be completed prior to September 1, 2005. The Port solicited bids in September 2005 and the bids were more than double what had been budgeted. The consulting engineer revised the technical specifications and the project was re-bid in June 2006. Two bids were received on the project. The solicitation included a base bid to repair longitudinal beams, a damaged concrete pile and cracks in the wharf deck in a 248' section between the rear hopper rail and the rear gantry crane rail. There were also two alternate bid items - the first to repair the remaining surface cracks on the dock from water's edge to landside along the entire length of the rail and the second alternate item to replace the outboard gantry crane rail along its entire length. Lone Star Resin Systems, Inc. was the low bidder on the project bidding \$157,143 on the base bid and \$69,358 on Alternate 1 and \$58,982 on Alternate 2 for a total of \$285,483. A Notice of Acceptance of the Proposal was sent to Lone Star Resin Systems, Inc. on August 9. A Notice to Proceed will be issued once the Labor and Material Bond and the Performance Bond are received and contract completed. Work should be completed 180 days after the Notice to Proceed is issued.

### ***Port Access Fees***

At the April 2006 Board meeting, the Trustees directed staff to resolve the issue of 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 and their transportation service providers. At the June 2006 Board meeting, the Trustees directed Port staff to institute the Tariff on access fees beginning July 1, 2006 with billing beginning August 1, 2006. If payment was not received by August 15 for the July invoices, then the Port would put the delinquent transportation entities on notice that they could no longer come to the cruise facilities and that the Port's police officers would monitor the vehicles. The Board also directed staff to work with the companies with overdue charges prior to July 2006 and rectify these charges. Port staff initiated a three phase approach to bringing the Port users into compliance. The first phase was to ensure that all transportation entities accessing the Port, e.g. hotel/motel shuttles, private parking lot shuttles, buses, taxis and limousines, had current Port Use Permits. A valid use permit indicates these companies have the proper amount of insurance coverage required to operate on the Port. All hotel/motels, transportation service providers and private parking lot operators were brought into compliance by the August 15 deadline

and most of the entities resolved the longstanding past due charges. The majority of the companies that are currently not in compliance are those bus operators that have accessed the Port on only a few occasions, probably during the busy winter cruise season, and are not from the Houston-Galveston area.

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

The Port of Galveston continues work on the improvements to the Wallenius Wilhelmsen Terminal at Pier 34. A prototype mechanical bull rail and additional site lighting was completed in August 2006. A truck loading ramp is projected for completion by October 1, 2006. 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. Port staff is working with Wallenius to determine the location of the entrance gate to their terminal and the fencing layout.

#### ***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 arrived in Galveston during the third week of August. Projected installation for the new gangway is mid-September.

#### ***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. Repairs are on-going and will consist of filling the voids and constructing new mooring bitts. Phase 1 of this project has been extended due to the discovery of additional voids inland of the dock apron and weather. Bids to demolish the Pier 39 and Pier 40 warehouses were opened on August 15. Due to an estimate error by the low bidder, the Port decided to re-advertise this job with alternative bid items designed to lower costs for this project.

#### **Items - The Board of Trustees of the Galveston Wharves approved all Consent Agenda Items that required action.**

- Item D-1 - Consider July 2006 Board and Staff Expense Reports
- Item D-2 - Consider Financial Statements for the Month Ended July 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 July, 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

**Agenda Items**

- Item E-1 – The Board of Trustees of the Galveston Wharves approved the Consent to Assignment of Voting Stock of Mr. L.P. Byler and Mr. D.C. Brandt, collectively the Assignor, to Assignee, Center Point Terminal Company for property on Pelican Island leased to Pelican Island Storage Terminal Inc.
- Item E-2 – The Board of Trustees of the Galveston Wharves approved the Interlocal Agreement for security services with the Port of Houston Authority to perform police protection, security services and detention services at the East End Container Terminal at Pier 10.
- Item E-3 – The Board of Trustees of the Galveston Wharves approved a request from Gulf Copper & Manufacturing Corporation to amend Section 3.06 of the lease agreement changing the date of the reduction of the Letter of Credit Face Value from April 30, 2007 to April 30, 2006.
- Item E-4 – The Board of Trustees of the Galveston Wharves approved the ratification of amendments to the Port’s tariff to provide port access fees of \$8.00 per space, per month based on the number of parking spaces in the operator’s parking lots for off-port parking operators in business before August 15, 2006 with fee increases to be based on the Consumer Price Index each year commencing in 2011. Also, the approval included the clarification that ground transportation companies operating a bus, charter bus, commercial passenger vehicle, courtesy vehicle, shuttle or bus accessing the property of the Galveston Wharves shall pay \$10.00 per decal for each vehicle annually.
- Item E-5 – The Board of Trustees of the Galveston Wharves authorized the ratification of changes to the Port’s tariff regarding Port Security Surcharges on general cargo, breakbulk cargo, bulk cargo, liquid bulk cargo and containers, effective October 1, 2006.
- Item E-6 – The Board of Trustees of the Galveston Wharves approved changes in the Port’s tariff for Passenger Service Charges on port-of-call cruise vessels.
- Item E-7 – The Board of Trustees of the Galveston Wharves approved entering into an agreement with Galveston.com to provide prepaid parking options for port-operated parking lots to passengers accessing the Galveston.com and the CruiseGalveston.com websites.
- Item E-8 – Discuss and Consider Actuarial Valuation of the Galveston Wharves Pension Plan as of January 1,2006. ITEM WAS TABLED.
- Item E-9 – The Board of Trustees of the Galveston Wharves approved the First Amendment to Computer Network Consultation and Administration Agreement with GB Tech, Inc. to increase the amount paid under the contract.
- Item E-10 – The Board of Trustees of the Galveston Wharves approved the Landscaping Services Agreement with TIBH, Industries, Inc. for grass-cutting services.
- Item E-11 – The Board of Trustees of the Galveston Wharves approved the request made by CHS Launch Services, Inc. to waive their Letter of Credit.
- Item E-12 – The Board of Trustees of the Galveston Wharves approved the Assignment and Assumption of Lease and First Amendment to the lease dated July 7, 1997 with T-Mobile West Corporation, formerly known as VoiceStream Houston, Inc. and APT Houston, Inc. and T-Mobile Texas, LP for a cell tower site located on port property.
- Item E-13 – Discuss and Consider Appointment of Delegate and Alternate to the Annual Convention and Annual Meeting of the American Association of Port Authorities to be held on Thursday, September 14, 2006 in New Orleans,

Louisiana with Authority to Cast the Vote of the Board of Trustees of the Galveston Wharves on All Motions and Resolutions. DISCUSSION ONLY. NO VOTE WAS TAKEN.

- Item E-14 - Discuss and Consider the Appointment, Employment, Evaluation, Reassignment, or Duties of a Public Officer or Employee, Including Without Limitation the Port Director. A committee comprised of three board members was formed to meet with the Port Director and bring a recommendation for consideration to the full Board at the September Board Meeting. NO VOTE WAS TAKEN.
- Item E-15 - Discuss and Consider Employment of In-House Attorney. A committee comprised of three board members was formed to discuss this item and to bring a recommendation to the full Board for consideration at the September Board Meeting. NO VOTE WAS TAKEN.
- Item E-16 - Discuss and Consider Appointment of Committee to Review the Galveston Wharves Board Management Policy Manual and the Human Resources Manual. A committee comprised of three board members was formed to discuss this item and to bring a recommendation to the full board at the September Board Meeting. NO VOTE WAS TAKEN.

### **Next Meeting**

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, September 25, 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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