



Port E-News

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Port of Galveston
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Board of Trustees of the Port of Galveston May 2004 Meeting

Financial Results

April financials show a *net loss* from operations of (\$27,521) which represents a decrease over the net profit for the March 2004 of \$1,289 and a decrease from April 2003 when the port experienced a net loss from operations of (\$17,699). However, the results were \$182 *over* the projected loss of (\$27,703) for the month.

If these net financial results were combined with the revenues generated by the Port of Galveston from port operations that are accrued to the Galveston Port Facilities Corporation (GPFC) to pay for cruise terminal improvements, the combined *net income* from April 2004 operations would have been \$150,387 compared to a *net income* of \$218,528 for March 2004.

Operating revenue for the month of April 2004, *not* including Cruise Terminal-related revenue accruing to the GPFC, was \$1,034,909, *down* 9.06% from March 2004 and *up* 5.26% from April 2003.

April revenues were *on* budget primarily due to increased lay-dockage, rentals, equipment rentals, revenue producing services and parking fees. Wharfage charges were on budget. Dockage was under budget due primarily to lower than projected grain and liquid bulk exports for the month. Rail switching revenue was also under budget due to decreased grain exports.

Cargo Results

Total cargo for April 2004 was 263,528 short tons, 33.38% less than last month when cargo totaled 395,563 short tons and 2.12% less than the month of April 2003. Total cargo through April 2004 was 1,538,052 short tons, which is 86.38% *more* than the 825,204 short tons moved through the Port over the first four months of 2003.

Cruise Results

The passenger count for April 2004 was 40,805 disembarking and 40,363 embarking passengers (81,168 revenue passengers). This represents a decrease of 5.16% over March 2004 when there were 42,545 disembarking and 43,038 embarking passengers and an

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increase of 24.74% over April 2003 when 29,676 passengers disembarked and 31,411 embarked on cruise ships at Galveston's cruise terminals.

Additional Reports

Cruise Terminal No. 1 Walkway: Port construction and maintenance staff has completed the repainting of the passenger walkway over Harborside Drive.

1,000,000th Embarking Cruise Passenger: On Sunday, May 30, 2004, the Port of Galveston anticipates that the 1,000,000 cruise passenger will embark on a cruise vacation from The Texas Cruise Ship Terminals on Galveston Island since the commencement of year-round cruises from Galveston Island in September 2000. The Port, City and Convention and Visitor Bureau officials will note this milestone at a presentation recognizing the one millionth passenger.

Port Security Grants: Department of Homeland Security recently opened an additional round of Port Security Grant Funding, with approximately \$49 million in funds available to all ports and terminals who may apply. This is a significant decrease from the funding available in Round 3 (\$179 million).

In the first three rounds of grant funding from the Federal Government, the Port of Galveston has been awarded:

Round 1 - \$1,611,206 – (1) Security Assessment and (2) security improvements for the west end of the Port from Pier 30 through Pier 41.

Round 2 - \$2,121,000 – (1) Security gate complex for the east end of the Port to cover surveillance from Pier 19 to Pier 10, (2) enhancements to the security measures at the cruise terminal complex at Piers 25 through 27, (3) a new police headquarters and command center for the Port of Galveston Police Department, and (4) a waterside cruise terminal protection plan.

Round 3 - \$2,059,000 – (1) Cruise Terminal Security Measures and (2) Container Terminal Security Measures.

Requests for Proposals for the Lease and Development of the Pier 19/20 Channel Front:

Port staff has updated the Request for Proposals document and is currently advertising the RFP. Responses are expected to be received and opened on Thursday, June 24, 2004.

Cruise Terminal Security Condition: The Port and Cruise Terminals continue in Maritime Security Condition I. The Port of Galveston Port Security Plan has entered Stage II of three stages of the Coast Guard's review process. The requirement from the Maritime Transportation Security Act of 2002 is to have the Port Security Plan approved and in place by July 1, 2004. All ports in the Houston-Galveston Coast Guard Captain of the Port Zone will be participating in a security tabletop exercise on June 16.

Cruise Terminal No. 2 Renovations: \$7 million will be invested in Cruise Terminal No. 2 - Phase 2 renovations. CH2M Hill Constructors, Inc. planned and designed the renovations and J.W. Kelso Company, Inc. will make the improvements. On April 6, a second amendment to the Design-Build Agreement was entered into between the Galveston Port Facilities Corporation and CH2M Hill Constructors, Inc. relating to Terminal No. 2 wharf improvements for \$3.1 million. The agreement includes funding for design, construction and engineering management. The improvements by J.W. Kelso

Company, Inc. began the week of May 10 with wharf work. The completion of Phase 2 is scheduled in the last quarter of the year.

29th Street Parking Lot Expansion: Work on the extension of the 29th Street Parking Lot began on February 19, 2004. Additional drains have been added to the original specifications to provide better drainage on Old Port Industrial Road. The completion date is still projected for mid-July.

Demolition of Pier 35: The demolition of the Pier 35 warehouse is complete. The concrete rubble will be combined with the rubble from Elevator B, crushed and used by the Port at other sites.

West End Gate and Security Improvements: This project is being funded by Federal security grant money. Site work on the gate area has been completed. The guard house has been installed. Electrical work and additional lighting added after the second extension to the contract remain to be completed. Some perimeter fencing in the area of the Elevator “B” demolition site and lighting along the western boundary of the Port is also pending. All work will be completed by the end of May. Separate discussions with a landscaping contractor for this gate area are also ongoing. The Transportation Security Administration has extended the deadline to complete this project until May 31, 2004.

Pier 34 Upland Development: Port representatives continue to discuss with Wallenius Wilhelmsen Lines the development of Pier 34 and the uplands in this area for a roll on-roll off facility. Wallenius Wilhelmsen has indicated a desire for the Port to develop approximately 24 acres at this site for the facility including an approximately 140,000 square foot warehouse expanding on Plant No. 14. Future development depends on the demolition of Pier 35 warehouse and removal of the debris from the Elevator “B” demolition.

Demolition of Plant No. 3 and Sections of Piers 39 and 40: A Request for Proposals for the demolition of Section G at Plant No. 3 with options for the demolition of the remaining warehouse and Sections G and H at Piers 39 and 40 was advertised beginning Sunday, April 25. Demolition of Section G at Plant No. 3 is required to provide for a west end road capable of handling trucks and cargo in this part of the Port in conjunction with the opening of the 40th Street Gate as the only entrance into the west end of the Port. Sections G and H at Piers 39 and 40 are safety hazards and should be demolished. Bid opening was May 25.

Board of Trustees Agenda Items

- The Board of Trustees authorized staff to advertise, receive bids and allow for the disposal/sale of surplus equipment.
- The Board of Trustees authorized staff to enter into the appropriate agreements to complete the installation of Radiation Portal Monitors (RPMs) in accordance with the Bureau of Customs and Border Protection’s strategy to install RPMs at seaports to screen all containers for unauthorized shipments without impacting commerce. The Bureau of Customs and Border Protection is charged with preventing the entry of terrorists and the instruments of terrorism into the United States. The new east end gate was chosen as the only candidate for installation of an RPM at this time.

- The Board of Trustees ratified the changes made to the Board of Trustees of the Galveston Wharves Tariff Circular No. 6 allowing the Port of Galveston to charge a Cruise Terminal Security Fee at the time of an unscheduled cruise ship call. This security fee allows the Port to recover the cost associated with providing security personnel at the cruise terminals for cruise ships that may berth at the port without having an Operating Agreement with the Port of Galveston prior to such port calls.
- The Board of Trustees approved amendments to the FY 2004 Operating Budget to include increases in revenue from dockage, rentals, parking and revenue producing services, increases in expenses for salaries for new positions, contract labor, emergency dredging, vehicle costs, Workers Compensation Insurance, advertising for bids, professional services, consulting fees, and credit card commissions and coupons, and decreases in expenses from inspections, pest control and custodial services, reduction in property insurance and travel expenses.
- The Board of Trustees approved the adoption of the Galveston Wharves Investment Policy until the annual review in May 2005 or until there are changes in State statutes governing the investment of public funds.
- The Board of Trustees approved the settlement documents with Galveston Waterfront Ventures and authorized staff to execute the final settlement of the lawsuit.
- The Board of Trustees approved a \$6,000 salary increase for Port Director Steven M. Cernak effective June 1, 2004.
- The Board of Trustees approved an adjustment to the dockage charges incurred at the start-up of operations by River Materials LLC in December 2003 when the company experienced delays in its operations involving inland river hopper barges. At that time, the Port did not have in place a tariff charge for dockage for inland river barges which resulted in a non-competitive tariff charge for dockage that was 7.5 times the average and customary dockage charge for such vessels at other bulk terminals in the region.
- The Board of Trustees approved a resolution to allow the Port of Galveston to enter into a Treasury Management Services Agreement with Southwest Bank of Texas to offer prepaid cruise parking online through the Port's website.

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, June 28, 2004 at the main offices of the Port of Galveston located at 123 Rosenberg, 8th floor.
