



## Port E-News

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### **Board of Trustees of the Port of Galveston August 2004 Meeting**

#### **FINANCIAL RESULTS**

Revenue generated from the operations of the Port of Galveston for the first seven months of 2004 was \$7,152,204. This represents an increase of \$36,967 *over* revenues from operations for the first seven months of last year which were \$7,115,237. Operating revenue for 2004 continues to remain ahead of last year's revenue level.

Immediate short term revenue *projections* for 2004 show a loss, but a turn around is expected in the last quarter of the year when revenues from new crop grain movements, increased cruise business and consolidated cruise parking operations will be realized.

Monthly financials for the Port of Galveston for July 2004 show a *net income from operations* of \$94,963. *Net income from cruise operations* at Piers 25 and 27 of \$190,219 is not included as it is accrued to the Galveston Port Facilities Corporation (GPFC) to pay for cruise terminal improvements.

If the total net financial results for July 2004 were combined with the net revenues generated by the Port of Galveston's cruise operations, the combined *net loss* from all July 2004 port operations would have been (\$343,016) after calculating all income, expenses, depreciation and amortization for both the Port of Galveston and the Galveston Port Facilities Corporation. This number includes a one-time unanticipated expense of \$206,000 which represents just over 60% of the total of July's net loss from operations. This expense was the result of adjusting the interest expense on the outstanding Certificates of Obligation.

July revenues were down for several reasons: Switching, Dockage and Wharfage due to a lack of grain movements and fertilizer imports; Dockage and Lay Dockage due to a drop in oil-related marine activity in the area; and last, the inclusion of revenues expected from the acquisition of parking lots that has not yet taken place.

#### **CARGO RESULTS**

Total cargo for July 2004 was 286,020 short tons compared to 302,259 tons for July 2003.

Total cargo for the first seven months of 2004 increased 44.69% over the same period in 2003 as 2,448,621 tons were handled so far this year and 1,692,306 tons were handled last year.

### **CRUISE RESULTS**

The passenger count for July 2004 was 33,275 disembarking and 33,369 embarking passengers (66,644 revenue passengers).

Passenger count for the first seven months of 2004 increased 15.13% over the same period in 2003 as 249,125 embarked and 249,183 disembarked so far this year as compared to 216,389 embarked and 216,395 disembarked last year. The Port is on pace to embark over 400,000 passengers in 2004.

### **Additional Reports**

***Cruise Lines Contribute to Texas's Economic Health:*** The results of an annual study conducted by the International Council of Cruise Lines were released on August 24, 2004. The study reported that cruise lines and their passengers and crew spent nearly \$631 million on direct purchases in Texas in 2003, generating 9,767 jobs paying \$425 million in income. Texas was ranked 5<sup>th</sup> in the nation in benefiting from cruise activity. The report stated that the Port of Galveston had 377,000 passengers and the Port of Houston Authority had 15,000 cruise passengers in 2003 meaning that the Port of Galveston provided 96% of the economic benefit or approximately \$607 million of direct purchases and 9,400 jobs in 2003.

***Cruise Terminal Security Condition, Area Maritime Security Committee and Security-Related Issues:*** The Port of Galveston and the cruise terminals are currently in Maritime Security Condition I. The Port of Galveston Port Security Plan has entered Stage III of three stages of the Coast Guard's review process.

***FY2004 Projected Cruise Revenues:*** In 2004, average passenger numbers for all cruises are ahead of projections. Vehicle counts are down for the Carnival vessels, but are on budget for the Royal Caribbean ship. The decline is due to competition from other parking lots and from free parking offered by local hotels and motels.

***Cruise Terminal No. 2 Renovations:*** The anticipated completion date of the \$3.1 million wharf improvements at Cruise Terminal No. 2 is projected for November 5, 2004. An agreement for the manufacture of a mobile telescopic bridge system for Terminal No. 2 was signed in March. It is scheduled to be delivered and installed in October 2004. The delivery will be timed to coincide with the completion of dock improvements necessary to accommodate the new bridge at Terminal No. 2. In order to maximize project funds, some terminal renovation plumbing work is being done by the Construction and Maintenance Department including installation of new water and sewage lines and the ship's water station.

***29<sup>th</sup> Street Parking Lot Expansion:*** This expansion was completed on August 13, 2004 and is currently being used for cruise passenger parking.

***Perimeter Security Surveillance Camera Project:*** The Port is progressing with the installation of surveillance cameras and the supporting electrical system. The project is being funded by Round 2 of the Federal Security Grants Program and will be completed in November 2004.

***West End Mitigation Project (West End Gate and Security Improvements):*** The Port of Galveston secured the west end of its facilities through the construction of a new security gate at Pier 40 and the installation of continual, perimeter fencing from the cruise terminal to Pier 41. Other improvements include new enhanced lighting throughout the west end of the port complex. The gate opened in the beginning of July 2004 and was officially dedicated on August 16, 2004. The dedication ceremony was officiated by Benjamin F. Holland, Chairman of the Board of Trustees of the Galveston Wharves and attended by John Carnes, Regional Director of the U.S. Maritime Administration and Captain Richard Kaser, Commanding Officer of the U.S. Coast Guard MSO Houston-Galveston and Federal Maritime Security Coordinator.

***Demolition of Plant No. 3 and Sections G and H of Piers 39 and 40:*** A Notice to Proceed was issued on August 19, 2004 for the demolition of a section of Plant 3 located at 37<sup>th</sup> and Old Wharf Road, and two sections of Piers 39 and 40 which are safety hazards. Plant 3 is being demolished to accommodate a new, internal Port road that will better serve the west end of the Port and improve the connection to the West End Gate.

### **Board of Trustees Agenda Items**

- The Board of Trustees approved the appointment of the Port Director as the delegate and Trustee Robert Hoskins as the alternate to the 93<sup>rd</sup> Annual Convention of the American Association of Port Authorities (AAPA) in September in Long Beach, California.
- The Board of Trustees approved a resolution authorizing the Port staff to enter into a Local Project Advance Funding Agreement with the Texas Department of Transportation for a Comprehensive Traffic Management Study to develop short term and long term recommendations regarding traffic management along Harborside Drive/State Highway 275.
- The Board of Trustees deferred action on the Lease Agreement with the Burlington Northern/Santa Fe Railway Company.
- The Board of Trustees approved an agreement with Enterprise Rent A Car for the use of parking spaces in port-operated parking lots.
- The Board of Trustees approved a concession agreement with Enterprise Leasing Company of Houston for counter space and a kiosk at both cruise terminals.
- Staff withdrew a request for an amendment to a consulting agreement for engineering services for the relocation of the Mallory Rail Yard.
- The Board of Trustees approved a contract to demolish Piers 39 and 40, Sections A through F to include demolition and removal only with no retention of crushed concrete.
- The Board of Trustees approved the third amendment to the Design-Build Agreement for improvements to Cruise Terminal No. 2 to further divide Phase 2C work (building renovations) into that which currently has a developed guaranteed maximum price. The contract price was not to exceed \$2,378,567 and is for work to build-out the west end of the terminal.

- The Board of Trustees approved the reduction of the Commercial General Liability Insurance for the Pier 19 Mosquito Fleet Group from \$1,000,000 to \$300,000 and approved the increase of the letter of credit from \$8,000 to \$10,000 as security for the repair of damage to the finger piers and docks and to clean up incidents of land pollution in lieu of maintaining an insurance policy to cover such damage. The Group will assist the Port in keeping the Pier 19 Charter Area safe and clean, especially from used oil and oil filters.
- The Board of Trustees approved the renewal of the consulting contract for actuarial service with Frederick Bass who has served as the actuary since 1989 for the Galveston Wharves Defined Benefit Pension Plan and the Retirement Accumulation Plan for the employees of the Galveston Wharves.
- The Board of Trustees approved an operating agreement with Marine Spill Response Corporation for the berth and apron at Pier 12.
- The Board of Trustees approved a Landscaping Service Agreement with TIBH Industries, Inc. at a cost not to exceed \$30,951 during the first year and \$30,000 during the second year.
- The Board of Trustees authorized compensation to The RETEC Group, Inc., an environmental liability management company, for the Closure of the Leaking Petroleum Storage Tanks (LPSTs) and Sediments Analytical and Ecological Permissible Concentration Level (PCL) Calculation, not to exceed the Port Director's expenditure authority.
- The Board of Trustees approved the amendment to the Pier 14 lease with Smith Hamm for the extension of the Temporary Rent Reduction for one year and to review the extension at that time, approved the reduction in insurance limits to \$1,000,000 and approved the change in the escalation provision to make the denominator in the formula for calculating the rental escalation the Index number of the same reporting period of the previous year.
- The Board of Trustees agreed to consider the letter from C-Port Galveston, L.P. dated July 29, 2004 once their account is current.
- The Board of Trustees tabled amending the Bylaws relating to the Code of Ethics.
- The Board of Trustees approved emergency dredging for the Pier 36/37 slip at a cost not to exceed \$35,000 to accommodate a new vessel in K-Line's Galveston service.

### **Next Meeting**

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, September 20, 2004 at the main offices of the Port of Galveston located at 123 Rosenberg, 8<sup>th</sup> floor. Agendas are posted on the Port of Galveston website at [www.portofgalveston.com](http://www.portofgalveston.com) on the Friday before the meeting on Monday.

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