

Port E-News

Public Relations Department
Port of Galveston
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September 30, 2005

Board of Trustees of the Galveston Wharves September 2005 Meeting

**Rescheduled from Monday, September 26, 2006
To Wednesday, September 28, 2005**

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

August 2005 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	August 2005 Actual	August 2004 Actual	Year-to-Date 2005
Operating Revenue	\$1,150,411	\$1,096,268	\$10,870,515
Operating Expense	\$ 892,037	\$ 862,213	\$ 7,099,025
Net Operating Income (Loss)	\$ 258,374	\$ 234,055	\$ 3,771,490
Security Cost Recovery	\$ 22,346	-0-	\$ 143,308
Add - Other Income	\$ 179,375	\$ 114,975	\$ 1,059,942
Deduct - Other Expense	\$ 288,167	\$ 188,012	\$ 2,342,375
Net Income (Loss) After Other Income and Expense	\$ 71,928	\$ 161,018	\$ 2,632,365
Deduct Depreciation and Amortization	\$ 277,542	\$ 41,514	\$ 1,989,933
Net Income (Loss) for the Period	(\$ 105,614)	(\$ 80,496)	\$ 642,432

Revenues were under budget for August due to timing on Wharfage from Wallenius Wilhelmsen's RoRo operation and Lay Dockage dropping under budget due to lack of ships stopping over for repairs and layovers coupled with a lack of grain movements. All other revenues were on budget for the month.

Expenses were slightly over budget in total with Fuel and Vehicles running over due to higher fuel and shuttle costs. Electricity went over due to a three-month back-billing on Cruise Terminal 2 and a back-billing for electrical service at the old Todd property leased by Gulf Copper & Manufacturing Corporation that has been discontinued. Professional Services were over budget due to paying approximately \$50,000 in legal expenses on the St. Paul lawsuit in August.

August 2005 Cargo Results:

Description	August 2005	August 2004	%	Year-to-date 2005	Year-to-date 2004	%
Bulk Grains	220,793	37,466	489.32%	1,632,139	1,968,222	-17.08%
Bulk Fertilizer	36,094	24,243	48.88%	131,104	71,917	82.30%
Bulk Liquid	57,389	0	100.0%	557,370	163,979	239.90%
Bulk Cement - Pier 41	3,907	5,377	-27.34%	36,690	24,924	47.21%
Bananas / Fruit	17,601	24,480	-28.10%	144,444	158,075	-8.62%
General Cargo	66	36	83.33%	4,375	10,031	-56.39%
Ro-Ro Cargo	9,966	18,827	-47.07%	135,226	112,042	20.69%
Containerized – Pier 10	984	0	100.0%	3,175	9,526	-66.67%
Containerized - Others	5,495	10,162	-45.93%	37,677	50,497	-25.39%
Total Cargo	352,295	120,591	192.14%	2,682,200	2,569,213	4.40%
Disembarking PAX	33,971	34,767	-2.29%	347,381	283,950	22.34%
Embarking PAX	33,265	33,914	-1.91%	345,846	283,039	22.19%
Cargo/Lay Ships	28	21	33.33%	230	226	.02%
Cruise Ships	14	16	-12.50%	151	143	5.59%
Cargo/Lay Barges	7	9	-22.22%	118	48	145.83%
Research Vessels	19	5	280.0%	121	77	57.14%
Total Calls	68	51	33.33%	620	494	25.52%

Definitions:

PAX - Passenger

Additional Reports:***Cruise Terminal 2 Renovations***

The renovation of the terminal and wharf is complete.

Cruise Vessel Schedule Changes

As a result of Hurricane Katrina, Carnival's largest cruise ship, *Conquest*, and the Fantasy Class *Sensation* were diverted to Galveston on August 28 and 29, respectively, to disembark passengers from these New Orleans-based cruise ships. *Conquest* departed for a previously scheduled dry dock in the Bahamas and *Sensation* remained in Galveston pending a storm damage assessment of the Port of New Orleans. The resultant catastrophic storm damage in New Orleans led Carnival to leave *Sensation* in Galveston running the same itinerary as *Ecstasy*. On September 4, the Port was advised by Carnival that FEMA had chartered three of their ships, *Ecstasy*, *Sensation* and *Holiday*, as floating hotels to accommodate evacuees. *Ecstasy* and *Sensation* were to remain in Galveston and *Holiday* would stay in its homeport of Mobile. Despite the efforts of FEMA to offer accommodations to the evacuees on the cruise ships in Galveston, there appeared to be little or no interest to relocate from shelters in Houston. At this point, FEMA made the decision to shift *Ecstasy* and *Sensation* to New Orleans as hotel ships for relief workers. The ships departed Galveston on September 9 and 10. With the departure of the Galveston-based *Ecstasy* and the anticipated return to service of *Conquest* on September 11, Carnival switched *Elation* from its 7-day cruise itinerary leaving on Sunday to the 5,5,4-day itinerary of *Ecstasy*. This change freed up a Sunday berth for *Conquest* to assume the 7-day cruise from Galveston although on a different itinerary from *Elation's* 7-day itinerary. It is anticipated that these ships and schedules will remain in place until New Orleans is capable of supporting cruise operations.

Relocation of Port Police Headquarters and EOC Development (Federal Security Grant)

The Federally funded project to build a new Port Police Headquarters and a secondary Emergency Operations Center (EOC) was awarded to Brazos Commercial Constructors (BCC), Inc. for \$588,000. However, on May 6, 2005, a Notice of Default was issued to Brazos Construction since it had ceased work on the project and notified the Port that it refused to perform the contract work in accordance with the plans and specifications for the project. This matter was referred to the bonding company (SureTec) which negotiated with several other construction firms to complete the work. RLN Corporation of Hitchcock, Texas was identified by SureTec as low bidder for this job. The contract was fully executed on September 8 and Notice to Proceed was issued effective September 12. Tentative completion date is January 31, 2006.

Galveston Channel and Port Maintenance Dredging

The bid opening for the Port maintenance dredging contract was held on June 27, 2005 concurrently with a Corps of Engineers (ACOE) bid opening for the Galveston Channel maintenance dredging. The Port received two bids for the slip and pier maintenance dredging - \$1,208,780 and \$1,867,000. The low bidder was Kingfisher Marine Services, LP. The actual cost to the Port, when considering a prorated cost share for the mobilization/demobilization, will be approximately \$1,085,500. The low bidder for the ACOE contract was Mike Hooks, Inc. The ACOE maintenance dredging for the Federal channel began August 8. The Port must wait until ACOE completes the Galveston Channel maintenance dredging before Port slip and pier maintenance dredging can begin. However, following the FEMA request to Carnival to charter three of their ships for evacuee accommodations, FEMA also directed the Port of Galveston to moor two of these ships at the port. The only berths suitable and available on Port property were Pier 37 and 40 slips. These berths, that were to be dredged under the Port's maintenance dredging contract, did not have sufficient depth to accommodate the cruise ships. FEMA directed the Corps of Engineers to divert their channel maintenance dredging contractor to dredge these slips on an emergency basis in order to be able to moor the two cruise vessels in Galveston. These berths were dredged during the week of September 4, but the ships were eventually diverted to New Orleans pending further direction from FEMA on their use.

Items

- Item E-1 - The Board of Trustees of the Galveston Wharves approved the appointment of a port representative to serve as Ex-Officio to the Airport Advisory Committee and instructed the Port Director to determine the best representative from port staff.
- Item E-2 - The Board of Trustees of the Galveston Wharves approved the amendments to the FY2005 Operating Budget to include projected new revenues for 2006 and wage increases for port staff.
- Item E-3 - The Board of Trustees of the Galveston Wharves approved the Seventh Amendment to the lease with Smith-Hamm, Inc.
- Item E-4 - The Board of Trustees of the Galveston Wharves approved the Interlocal Contract for shuttle bus services to support cruise operations with the City of Galveston (Island Transit) at a rate of \$38 per hour per bus for priority use of eight buses.
- Item E-5 - Discuss and consider amendment to Landscaping Agreement with TIBH - Withdrawn

- Item E-6 - The Board of Trustees of the Galveston Wharves authorized the Port Director to compensate RETEC in the additional amount of \$5,215 for the Phase I Environmental Site Assessment of the Port's Pelican Island Terminal Facility and other services deemed necessary under the Environmental Services Consulting Agreement with RETEC.
- Item E-7 - Discuss and consider Lease and Operating Agreement with C G Railway, Inc. for lease of Rail Barge Facility - Withdrawn
- Item E-8 - Discuss and consider Terminal Services and Rate Agreement with Wallenius Wilhelmsen Lines, Americas LLC for a cargo handling terminal at Pier 34 and Plant No. 14 - Tabled
- Item E-9 - The Board of Trustees of the Galveston Wharves approved a one-year extension on the employment contract for the Port Director, a \$6,000 increase in salary and a possible bonus based on the accomplishment of goals set by the Board of Trustees.
- E-10 - The Board of Trustees of the Galveston Wharves authorized the Port's attorney to contact the two parties involved in the Disposition of Settlement Proceeds in Cause No. 03CV1013 to seek a resolution in the case.
- E-11 - EMERGENCY ITEM - The Board of Trustees of the Galveston Wharves authorized the Port Director to expend funds to investigate, assess, and repair any damage to the port caused by Hurricane Rita.

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, October 24, 2005 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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