

September 9, 2009

## Board of Trustees of the Galveston Wharves August 2009 Meeting

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

### July 2009 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	July 2009 Actual	Year-to-Date July 2009 Actual	Year-to-Date July 2008
Operating Revenue	\$1,415,711	\$12,662,360	\$15,469,052
Operating Expense	\$1,215,870	\$8,773,501	\$8,511,724
<b>Net Operating Income (Loss)</b>	<b>\$199,841</b>	<b>\$3,888,859</b>	<b>\$6,957,328</b>
Add - Security Cost Recovery	\$48,385	\$308,122	\$430,835
Add - Other Income	\$70,628	\$515,241	\$871,268
Deduct - Other Expense	\$372,956	\$2,444,606	\$1,971,368
<b>Net Income (Loss) After Other Income and Expense</b>	<b>(\$54,102)</b>	<b>\$2,267,616</b>	<b>\$6,288,063</b>
Deduct Depreciation and Amortization	\$291,250	\$2,038,750	\$2,137,917
<b>Net Income (Loss) from Operations</b>	<b>(\$345,352)</b>	<b>\$228,866</b>	<b>\$4,150,146</b>

### July 2009 Cargo Results

Cargo Increases for July 2009 vs. July 2008 -The Port experienced a gain over July 2008 in: Bulk Liquids

Cargo Decreases July 2009 vs. July 2008 - The port experienced a decrease over July 2008 in: Bulk Export Grain, Refrigerated Bananas and Fruit, General Cargo, RoRo-Cargo and Incidental Containers at various wharves and piers.

## July 2009 Cruise Results

### Cruise Passenger Activity:

Year to Date Embarkations end July 2009 vs. end July 2008:       *Down 6.28% (-16,615)*  
 Year to Date Disembarkations end July 2009 vs. end July 2008:   *Down 6.25% (-16,559 Passengers)*  
 Year to Date Port of Call Passengers end-July 2009 vs. end July 2008:       *Down 100% (-59 Passengers)*  
**Total Revenue Passengers Year to Date end July 2009: 496,569 Passengers (Down 6.26% from Year to Date end July 2008)**

### Cruise Passenger Vehicle Parking:

July 2009 vs. July 2008: Up 1.17% (+58 vehicles) (5,004 vs. 4,946 vehicles)  
 Year to Date end July 2009 vs. end July 2008: Up .97% (+347 Vehicles) (36,268 vs. 35,921 vehicles)

### Port News:

#### Cruise Terminal Security Condition, Area Maritime Security Committee and Security Related Issues

The Port including the Cruise Terminals are currently in Maritime Security (MARSEC) Condition I.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA provides \$787 billion in stimulus funds to the Nation. Under this legislation, ARRA provides \$150 million in stimulus funding for the Port Security Grant Program (PSGP). Of this amount, \$84.1 million is available to Group I ports. The Houston-Galveston port complex of Galveston, Texas City and Houston are the only Group I ports in the State of Texas. ARRA PSGP funds support port-wide risk management including TWIC implementation; enhanced domain awareness; and further capabilities to prevent, detect, respond to and recover from attacks involving improvised explosive devices (IEDs) and other non-conventional weapons. There is no Federal cost share requirement for the FY 2009 ARRA PSGP. Port staff submitted a grant application to include a request for funding for TWIC implementation, additional police officers to assist with added responsibilities at the security check points to the Port, security lighting at Cruise Terminal No. 2 and replacement of surveillance equipment that has become unsupportable. A decision on the grant request was expected by mid-August, but as of this date there have been no announcements.

The TWIC issuing facility has relocated to 9300 Emmett F. Lowry Expressway, Suite 156, Texas City, Texas 77591. Office is in the strip mall next to Sam's Club in Texas City. Office hours are from 8:00 a.m. to 6:00 p.m.

The next Area Maritime Security Committee will be held on October 22, 2009 at the Port of Houston Authority boardroom.

### CY2008 Projected Cruise Revenues

The CY2009 Projected Cruise Revenues are based on averages for passengers and vehicles that recognize seasonal variations and more accurately reflect peak periods during the year. For the month of July, revenues for Carnival cruises were based on an average of 3,325 passengers and 440 vehicles per cruise for cruises of *Conquest* and 2,370 passengers and 380 vehicles per cruise for *Ecstasy*. Despite the reduction in cruises, vehicle numbers remain strong and ahead of projections. However, passenger numbers continue to lag those projected in the budget due to a slight decrease in Royal Caribbean Cruise Line passenger numbers and the loss of the three cruises in May and June due to itinerary changes because of the swine flu. In 2009, passenger numbers are 3.9% behind projections and vehicle numbers are 8.0% ahead.

**ADM Track Expansion**

In February 2007, BNSF indicated they needed additional tracks at the Port of Galveston to support the increased level of corn and grain shipments and improve shuttle train turnaround times. Discussion of this expansion had been delayed because of the hurricane and questions concerning funding responsibilities toward the expansion. Port staff subsequently met with ADM and GRI concerning the alignment of the additional tracks. ADM has indicated a willingness to pay for the expansion. At the July 2009 Board meeting, the Trustees approved an amendment to the ADM lease to modify the description of their leased premises to accommodate the rail yard changes necessary to install additional tracks. The lease amendment also resulted in ADM assuming responsibility of four tracks previously included in the GRI lease. Signing of the lease amendment is awaiting a formal survey to develop metes and bounds of the new lease area as required in the lease. The metes and bounds should be completed by the end of August and the amendment signed by mid-September. ADM has initiated engineering site surveys in anticipation of beginning the track expansion immediately after the lease amendment is approved by both parties.

**Pier 10 Improvements/Demolition of Plant No. 9**

Bid Proposals to demolish Plant No. 9 were opened on August 12. Ten (10) vendors submitted proposals and the bid amounts ranged from \$580,000 to \$1,247,000. The low bid was submitted by USA Environment, LP in Houston, Texas. The Trustees will be asked to consider an award of a demolition contract to USA Environmental at the August Board meeting. USA Environment is estimating 100 days to demolish and crush the concrete from this job.

**Repairs to Pier 39 and 40 Wharf and Pier 40/41 Crossover**

The Pier 39/40 T-head berth has become one of the Port's most important and used deep water berths since the demolition of the warehouses in this area. With Trustee approval, a total of \$400,000 in capital improvement funds was spent in 2006, 2007 and 2008 to repair the bulkhead, remedy subsidence problems and install lighting and a truck ramp. At the July Board meeting, the Trustees approved \$45,000 for three high mast lights at Pier 40. These lights will be installed following completion of the improvements at Pier 41 to relocate Malin International Ship Repair from Pier 14.

**Relocation of Malin International Ship Repair to Pier 41**

Port staff met with Malin representatives on April 6 and again on May 29 to discuss their requirements for relocating their operation to Pier 41. A relocation plan was formulated and a design for the new facility has been completed. At the March Board meeting, the Trustees approved \$70,000 for the installation of lights at Pier 41 as part of the relocation. At the July Board meeting, the Trustees approved \$195,000 to relocate the Malin operation to Pier 41. The Lease Agreement requires the Lessor (Port) "must pay for all of Lessee's reasonable costs and expenses associated with the relocation of Lessee to such substituted property". Malin intends to contract for some of the relocation work including moving their portable office buildings. The expense of these items could be taken out of monthly lease payments made to the Port by Malin. In an effort to minimize relocation costs to the Port, staff has identified some tasks that could be done more cheaply using Port labor. The Port has begun trenching work for power for the lights and the sewage and has started to install conduit. Port staff will meet with representatives from Malin on August 24 to discuss the move and the relocation is scheduled to begin the last week of August and take approximately three weeks.

**Pier 40 and 41 Uplands and West of Pier 41 Improvements**

At the November Board meeting, the Board of Trustees approved \$165,000 in Capital Improvement funds to move the crushed concrete from the Pier 41 warehouse demolition currently stored on the Pier 40 and 41 uplands area to other locations on the Port. The material has been used to develop the four acre Pier 40 and 41 uplands site, the 20 acres of property west of the Port recently leased from the Union Pacific (UP) Railroad Company and the area in front of Cruise Terminal No. 2. The larger rock has been used to stabilize the twenty acre UP site. Approximately, eight of the 20 acres at the UP site had been developed before the supply of crushed rock was depleted. At the May 2009 Board meeting, \$190,000 in Capital Improvement funds was approved to develop an additional 5.56 acres of the 20 acre site. Work on the 5.56 acres has been completed. Currently, 13 of the 20 acres have been stabilized and are completely full of wind tower cargo. Stabilization of the remaining seven acres is pending identification of additional funds. However, the crushed material from the demolition of Plant No. 9 could be used to complete the stabilization of this property at considerable savings from the development of the last 5.56 acres. Assuming a demolition contract is approved in August, work on this site could resume with the material from Plant No. 9 in late October. Development of the 13 acres has allowed the Port to continue receiving wind power cargo from ships scheduled to call from late May through October that may have been possibly diverted to other ports. The Pier 40 and 41 Uplands area has been stabilized, but requires additional fine material to make the surface suitable for automobiles and trucks. However, large wheeled vehicles have been stored at the site. \$200,000 for Phase II improvements in this area were approved at the June Board meeting. Work

has begun on trenching for the electrical conduit for lighting in this area. This project will be done simultaneously with the improvements at Pier 41. This area will be needed to accommodate the automobiles being exported through Hoegh Autoliners, currently staged at Pier 41, when Malin relocates to this site.

### **Galveston Channel and Port of Galveston Maintenance Dredging**

On July 11, 2008, bids were opened on the project to complete the maintenance dredging in the Galveston Harbor Channel. This maintenance dredging is being done in order to begin the project to deepen the channel to 45'. Maintenance dredging began December 3 and had been delayed because of Hurricane Ike and shoaling conditions at Freeport. Maintenance dredging also includes the Galveston Entrance Channel. As in 2007, the contract was awarded to a hopper dredge to allow for disposal offshore thereby saving capacity on Pelican Island for future disposal. Approximately 6.8 million cubic yards of material would have to be removed in order to restore the federal channel to the currently authorized 40' depth. The Corps of Engineers had identified sufficient funding to complete the maintenance dredging of the 45' template in Galveston Harbor. However, in April 2009, the Port was advised that it had received \$40 million in Federal dredging funds from the American Recovery and Reinvestment Act of 2009 (ARRA) of which \$14 million was designated for the Army Corps of Engineers Operations and Maintenance program to return the entire Galveston Harbor Channel to its current authorized 40' depth. The hopper dredge returned in late May 2009 and completed the remaining two sections of the eight in their original contract before departing for a Coast Guard mandated shipyard availability in July. The hopper dredge is now scheduled to return in mid-September to the Galveston Harbor Channel to complete the maintenance dredging of the entire 40' template funded by the ARRA stimulus. Project completion is expected in mid-February 2010.

On an average, Port berths experienced 1 to 2 feet of shoaling as a result of the hurricane and the resultant tidal surge. A contract with King Fisher Marine Services, the successful bidder for the deepening project, to conduct maintenance dredging at selected Port berths and slips was approved at the April Board meeting. Maintenance dredging by King Fisher began on June 3 and is completed. As part of the contract, the cruise terminals, the Pelican Island Storage Terminal, the grain elevator and Piers 34, 35, 39/40 and 41 t-heads and the Pier 37, 39/40 and 40/41 slips have been dredged.

### **Galveston Channel Deepening Project**

The bid opening for Contract No. 2 was held on July 15, 2009. Two bids were received: \$12.95 million and \$25.43 million. King Fisher Marine was again the low bidder. The Port transferred its \$3.35 million cost share for Contract No. 2 to the Corps on July 29 to allow them to award this contract. Contract No. 2 will complete the remaining dredging of the original 45' template from the Galveston Harbor Channel entrance to approximately adjacent the Yacht Basin and build the levee foundations at the San Jacinto PA using clay material obtained by deepening to the 45' project depth. This contract is expected to be completed by Spring 2010. As part of the \$40 million in Federal dredging funds from the American Recovery and Reinvestment Act of 2009, the Port also received \$25.1 million in CG (Construction General) funds to complete the deepening project in the Galveston Harbor Channel to the vicinity of Pier 38 slip. Deepening the remainder of the channel is part of a separate study to justify extending the 45' channel to the Pelican Island Bridge. The final results of this study are expected in November 2009. The Port and the Corps continue to conduct monthly Port Coordination Team meetings to move this project along with the next meeting scheduled for September 23.

### **Pelican Island Container Terminal**

On May 11, 2007, the Port of Houston Authority (PHA) and the Board of Trustees of the Galveston Wharves (Port) signed a Memorandum of Understanding (MOU) whereby they indicated their intention to formulate a joint action plan to create a Master Development Plan for a Pelican Island container facility. The MOU resolved that PHA and the Port establish a Pelican Island joint action team comprised of representatives from both ports to begin and implement the Pelican Island action plan. Staff costs to develop this planning effort shall be borne by each port. However, all other costs should be approved and paid for by the ports as they may agree, following their customary procurement procedures. The joint action team was also directed to develop procedures for the selection and use of consulting firms to assist with the planning effort. On March 25, 2008, PHA and the Port entered into an Interlocal Agreement for Pelican Island Container Terminal Planning that formalized the issues stated in the MOU. Following guidance in the MOU, the Interlocal Agreement directed the Planning Team to prepare a Request for Proposals (RFP) to solicit proposals for one or more consultants to assist with the preparation of the Conceptual Planning Study for the Pelican Island facility. On July 22, 2008, a Request for Qualifications (RFQ) was issued rather than the RFP indicated in the Interlocal Agreement. RFQs were received on August 21, 2008 and the Planning Team met on August 27 to evaluate all submittals based on the selection criteria set forth in the RFQ and other relevant considerations. Following the Planning Team evaluation, three

firms, AECOM, Halcrow and URS were selected to proceed with Project Outlines for the Container Terminal Conceptual Planning Study. PHA and the Port paid each firm \$20,000 for this project outline development. The Port's share, \$30,000, was approved by the Board at the June 2008 Trustees meeting. The delivery schedule for the project outline submission and final award was delayed because of the hurricane. Pelican Island status meetings were held with each firm on December 12 and the firms submitted their outlines on January 14, 2009. Preliminary reviews of the outlines, proposed fee and schedule from the three firms have been conducted. Because of the current national economic situation, both ports have re-evaluated their capital project budgets and weighed the budgets against the importance of the Pelican Island Conceptual Planning Study. POG and PHA have both concluded that the study is an important part of their future plans and are committed to moving forward with the study, but with a cap on the proposed fee to do the study of \$750,000. The firms were requested to re-evaluate their proposed scope of work and determine how the proposed fee could be reduced while still providing a quality study that meets both Port's needs. The request to modify the scope of the proposal to keep the cost of the project under \$750,000 adds additional expenditures to the current contract. To offset these expenditures, each group was offered an additional \$5,000 to complete this request. The cost to the Port of Galveston was an additional \$7,500. Revised outlines were submitted on April 27. The presentations on the outlines to the joint POG/PHA staff were held on May 5 and a selection made that same day. AECOM was selected as the successful bidder. PHA and POG met with AECOM on May 13 to discuss scope and fee. At the Port of Houston Authority Commissioner's meeting on June 23, the Commissioners approved a Consulting Services contract to AECOM USA Group, Inc. for the Pelican Island Conceptual Planning Study in an amount not to exceed \$750,000. The Interlocal Agreement between the Port of Houston Authority and the Board of Trustees of the Galveston Wharves requires that the Board reimburse the Port of Houston Authority for one-half of the cost of the consultant's services. At the June meeting, the Board approved payment of expenses to reimburse the Port of Houston Authority the Galveston Wharves share of the cost of the consultant's services not to exceed \$375,000. AECOM has not yet signed a contract with POHA because of indemnification language in the contract. Once this issue is resolved, AECOM expects to begin the public outreach phase of the contract by the end of September.

## **2009 AAPA Convention Progress Report**

### **Summary Overview**

Early convention registration is picking up and hotel reservations are solid. Guarantees and commitments have been kept at conservative levels due to reports of lower than normal attendance at recent AAPA events, and at annual conventions throughout the hemisphere.

### **Accomplishments**

- Approximately 100 delegates and guests are registered.
- Well over half of the block of 2025 overnight hotel rooms has been filled.
- Guests are arriving earlier than expected and the room block commitment for Sunday, October 25, the first night of the convention, has been expanded.
- The Spanish and English web sites located at [www.aapa2009.com](http://www.aapa2009.com) continue to serve as the convention's main outreach tool.
- Supplementing e-mailings, a direct mail piece was sent to each port director in the hemisphere.
- Almost all convention vendors and assets have been identified and confirmed.
- The agenda has been updated (attached). There is now some regional presence on the speaking roster.
- The convention team is closing in on its sponsorship goal with more than \$300,000 in sponsorship commitments to date.
- The ports of Texas are stepping up to the plate by contributing food items for a "barbecue cook-off" at one of the evening events.
- The Convention team has initiated a number of outreach projects with a view to maximizing economic impact on the community.
  - It is working with The Grand Opera House in an effort to host a concert on the Opening Night of the convention.
  - Promotional opportunities are being offered to area vendors.
  - A "gumbo night" event open to delegates and select business partners is being organized in conjunction with the maritime community.
  - Local attractions have been booked for guest tours.
  - The local faith community is being invited to provide invocations.
  - A convention intern position was created.

- Texas A & M students are being asked to provide volunteer service at the convention, introducing those students to port and maritime business.
  - Area restaurants and shops are being promoted in convention literature.
  - An ancillary golf outing is being organized.
- Roughly 30 exhibitors have reserved space.

#### **Pending Activities**

- A bilingual convention program/handbook is being developed, including letters from local dignitaries and elected officials.
- The grand opening ceremony is being planned and it will showcase the history, culture, business and resiliency of the Island.
- On-site convention staffing and signage needs are being finalized.
- A regional media outreach plan is being developed.

#### **BUSINESS ITEMS**

- E-1 Discuss and Consider Award of Contract for Demolition of Plant No. 9 Warehouse to USA Environment, LP at a Cost Not to Exceed \$580,000 APPROVED
  
- E-2 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 October 25-29, 2009 in Galveston, TX with Authority to Cast the Vote of the Board of Trustees of the Galveston Wharves on All Motions and Resolutions APPROVED
  
- E-3 Discuss and Consider Expenditure of \$123,457 to Purchase and Install Two Engines for the 90 Ton Crane at the Gulf Copper & Manufacturing Corporation Facility on Pelican Island and Initiation of a Texas Emission Reduction Plan (TERP) Grant Application Sponsored by the Houston-Galveston Area Council for \$122,657 as Reimbursement of the Purchase Price and Installation of the Engines with the Anticipated Net Cost to the Board of Trustees of the Galveston Wharves Not to Exceed \$800 WITHDRAWN
  
- E-4 Discuss and Consider Lease Agreement Between the Board of Trustees and Ports America Texas, Inc. for a Gear House Located at the Port, Having a Two Year Term Commencing September 1, 2009 APPROVED
  
- E-5 Discuss and Consider Terminal Services and Rate Agreement Between the Board of Trustees and Wallenius Wilhelmsen Atlantic LLC for Operation of the Cargo Handling Terminal at Pier 10 at the Port APPROVED
  
- E-6 Discuss and Consider Preliminary Design Proposal for the Filling and Reconstruction of Wharves 10-16 at the Port of Galveston Submitted by CH2M Hill WITHDRAWN
  
- E-7 Discuss and Consider First Amendment to Lease Dated January 1, 2007

and Easement Between the Board of Trustees and Malin International Ship and Drydock, Inc. Relating to Relocation of the Leased Premises from Pier 14 East and West to Piers 40 and 41 at the Port APPROVED

- E-8 Discuss and Consider Legal Rights and Remedies Relating to the Lease and Development Agreement Dated June 1, 2001 Between the Board of Trustees and Joe's Crab Shack-Texas, Inc. for Operation of the Joe's Crab Shack Restaurant at Pier 19 APPROVED
- E-9 Discuss and Consider Legal Rights and Remedies Relating to the Lease and Development Agreement Effective February 1, 2002 Between the Board of Trustees and Southern Compress and Warehouse Co. for Plant 12-1 and Plant 12-2 APPROVED
- E-10 Discuss, Consider and Act Upon Authorization of Legal Action with Respect to Failure to Pay Insurance Claim Relating to the May 2005 Windstorm Event at the Pelican Island Shipyard APPROVED
- E-11 Discuss and Consider Legal Action Against CRP International, LLC, and Charles Richard Perez Relating to the Container Cranes at Pier 10 Purchased by Them at Auction in 2008 APPROVED
- E-12 Discuss and Consider Legal Options Relating to the Rate Hearings Conducted by the Board of Pilot Commissioners for Galveston County Ports with Respect to the Rate Change Application Filed in 2009 by the GALTEX Pilots WITHDRAWN

### **Next Meeting**

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Monday, September 28, 2009 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](http://www.portofgalveston.com) prior to the meeting

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