

Port E-News



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Board of Trustees of the Galveston Wharves April 28, 2008 Meeting

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

March 2008 Financial Results:

Port of Galveston and Galveston Port Facilities Corp. Consolidated Income Statement:	March 2008 Actual	Year-to-Date March 2008 Actual	Year-to-Date March 2007 Actual
Operating Revenue	\$2,635,704	\$6,744,839	\$5,674,233
Operating Expense	\$1,314,128	\$3,756,698	\$3,254,165
Net Operating Income (Loss)	\$ 1,321,576	\$ 2,988,141	\$ 2,420,068
Add - Security Cost Recovery	\$ 63,487	\$ 182,252	\$ 167,265
Add - Other Income	\$ 108,562	\$ 364,080	460,285
Deduct - Other Expense	\$ 267,374	\$ 805,864	838,213
Net Income (Loss) After Other Income and Expense	\$ 1,226,251	\$ 2,728,609	\$ 2,209,405
Deduct Depreciation and Amortization	\$ 305,417	\$ 916,250	\$ 833,499
Net Income (Loss) from Operations	\$920,834	\$ 1,812,359	\$ 1,375,906

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2008 Cargo Results

❑ **Cargo Increases for March 2008 vs. March 2007** - The Port experienced a gain over March 2007 in: Bulk Export Grain, Refrigerated Bananas and Fruit, General Cargo, Ro-Ro Cargo and Incidental Containers at various wharves and piers.

❑ **Cargo Decreases March 2008 vs. March 2007** – Comparison with March 2007 shows that there were decreases in cargo for March 2008 versus March 2007 in the following areas: Bulk Import Fertilizer, Bulk Liquids, Bulk Cement and Ro-Ro Cargo.

At the end of March 2008, Total Cargo Tonnage was 55.24% Above Year-ending March 2007, with 2,085,569 Short Tons vs. 1,343,444 Short Tons (+742,125)

March 2008 Cruise Results

Cruise Passenger Activity:

Year-to-Date Embarkations end-March 2008 vs. March 2007: *Down* 24.93% (-43,603 Passengers)

Year-to-Date Disembarkations end-March 2008 vs. March 2007: *Down* 24.70% (-43,232 Passengers)

Year-to-Date Port-of-Call Passengers end March 2008 vs. March 2007: *Down* 3.28% (-2 Passengers)

Cruise Passenger Vehicle Parking:

March 2008 vs. March 2007: *Down* 24.92% (-2,239 Vehicles) (6,744 vs. 8,983 vehicles)

Year-to-Date end-March 2008 vs. March 2007: *Down* 23.87% (-5,160 Vehicles) (16,457 vs. 12,617 vehicles)

Additional Reports:

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.

The Transportation Workers Identification Credential (TWIC) issuing office will open in Galveston on April 30. The Galveston office will be located in the strip mall at 6000 Broadway, Suite 103 across 59th Street from the post office. Hours of Operation are from 8:00 a.m. to 5:00 p.m., Monday – Friday. Individuals requiring TWIC cards can pre-enroll on line at <https://twicprogram.tsa.dhs.gov/TWICWEBAPP/>. Pre-enrollment can be done anytime even before the issuing office is opened. The Coast Guard will publish in the Federal Register the TWIC compliance dates for each Captain of the Port Zone. In accordance with the TWIC Final Rule, the Coast Guard will provide at least 90 days notice prior to the compliance date. In no case will the compliance date be later than September 25, 2008. Additionally, there has been no deadline set for ports to install the credential readers.

On April 2, Port of Galveston Police and the U.S. Coast Guard made a presentation to Port tenants and users on the details of the TWIC program including the purpose for the credential, requirements to enter Port property after TWIC becomes mandatory and program enrollment procedures. Forty people attended the presentation that was held in Cruise Terminal No. 1.

The Area Maritime Security Committee (AMSC) met at the Port of Houston on April 24. Upon the conclusion of the meeting, the AMSC Port Security Grant Sub-Committee met with the contractor hired by the AMSC (ABS Consulting) to review their progress on a Department of Homeland Security required effort to develop a Port-Wide Risk

Management/Mitigation and Business Continuity Plan. The Sub-Committee has representatives from the ports of Galveston, Houston, Texas City and Freeport as well as Harris County and industry adjacent to Galveston Bay and the various channels servicing the ports. When completed, this Plan will be used to prioritize projects requested under the Federal Security Grant Program from the eligible parties and identify those that provide the greatest risk reduction benefit for the port area as a whole, and which support the developed plan. Port of Galveston staff is reviewing the plan as it is being developed and offering comments concerning its content. Input on the plan is critical to ensure that the Port receives its fair share of future grant funding.

The next Area Maritime Security Committee is scheduled for July 24, 2008 at the Port of Houston Authority offices.

CY2008 Projected Cruise Revenues

The CY2008 Projected Cruise Revenues are based on averages for passengers and vehicles that recognize seasonal variations and more accurately reflect peak periods during the year. From March 1 – 15, revenues for Carnival cruises were based on an average of 3,200 passengers and 325 vehicles per cruise for cruises of *Conquest* and 2,275 passengers and 350 vehicles per cruise for *Ecstasy*. Projected revenues for the Royal Caribbean *Voyager of the Seas* cruises during this period were based on an average of 3,210 passengers and 350 vehicles per cruise. During Spring Break, March 16 - 31, revenues for Carnival cruises were based on an average of 3,525 passengers and 480 vehicles per cruise for cruises of *Conquest* and 2,550 passengers and 435 vehicles per cruise for *Ecstasy*. Projected revenues for the Royal Caribbean *Voyager of the Seas* cruises during Spring Break were based on an average of 3,210 passengers and 400 vehicles per cruise. In 2008, passenger numbers are as projected and vehicle numbers are 1.5% behind. Private discount parking lots and hotel/motel free parking for customers affected the vehicle numbers. The Passenger and Vehicle Count for 2008 (January 1 – March 31, 2008) and a summary sheet on all cruise statistics since September 2000 are attached.

Cruise Terminal No. 2 Improvements

At the August 27, 2007 meeting of the Board of Trustees, the Board entered into an Interlocal Agreement with the Galveston Port Facilities Corporation (GPFC) to perform facility improvements necessary at Cruise Terminal No. 2 to accommodate the arrival of Royal Caribbean Cruise Lines *Voyager of the Seas* at the end of December 2007. In addition, the Board approved the decision of the GPFC to enter into a design-build agreement with CH2M Hill Constructors, Inc. to complete these improvements at a cost not to exceed \$2,880,884. These improvements included a new awning in front of the terminal, an expanded baggage laydown area and a stores handling facility in the current truck staging area west of the terminal. The project also includes extending the current sidewalk in front of the terminal an additional 120'. Given the disruption to Cruise Terminal No. 2 operations and the exposure to the weather for the cruise passengers if the old awning was removed, the contractor, RLN Industries, Inc., was directed to wait until after *Voyager of the Seas* departs on April 27 to finish construction of the awning. The awning portion of the Terminal No. 2 improvements including the entrance and Customs area vestibules will be completed by mid-July. Work on the new stores facility has begun. All concrete work associated with the building and the loading ramp has been completed. The stores handling facility will be completed by the end of June. Work on expanding the baggage area began as scheduled the first week of March. Work on the baggage area expansion is being done so as not to interfere with operations. Completion of this project is also not anticipated until the end of June. Site improvements for the parking area west of the terminal that were used for ILA and employee parking for this season have been on hold since the discovery of a buried railroad tank car during storm drain installation. The tank car has been removed. Work on the Cruise Terminal No. 2 parking area and loop road will start again during the first week of May. The expansion project was part of the FY2007 Capital Improvement Budget and was carried over into FY 2008.

East End Security Gate Project

The project to improve access to the east end of the Port is funded by a Federal security grant. This project relocates the current gate at 16th Street, which is prone to flooding and space limited to fulfill current security requirements, to higher ground within the Port with the actual entrance to the Port moved to 14th Street. The Port is working with the City and UTMB on relocating the traffic light from 16th Street to 14th Street. Funding in the amount of \$225,569.62 is being provided by the HGAC (\$133,564), County of Galveston (\$72,005.62) and UTMB (\$20,000) for this relocation and the required engineering design. Pfeiffer & Son, Ltd. was the low bidder at \$198,989.62 to complete the installation. Site work began on September 4. The accessibility issues with the wheel chair ramps at the corners of the intersection that were not in compliance with the Architectural Barriers Act have been corrected. Installation of the traffic signal is complete. The signal became operational on April 28.

Demolition of the Plant No. 3 Foundation

As part of the November 21, 2007 Letter Agreement with Mitsubishi Power Systems Americas, Inc. to bring additional wind turbine components, primarily tower sections and generators through the Port, the Port agreed to implement storage yard repairs and modifications in the Pier 32–34 area. Improvements included demolition of the elevated base of the previously demolished Plant No. 3 warehouse to allow for additional storage at grade and also paving and leveling of areas around the railroad tracks located at the south end of the terminal in the vicinity of the gate at 37th Street. Demolition is complete and the concrete from the old foundation crushed. The old Plant No. 3 area and the rail crossings at 37th Street have been paved with asphalt. Paving at the old Plant No. 3 area is needed to accommodate storage of the next shipment of wind towers scheduled for arrival on May 4. The first shipment of wind towers left the Port on April 25. The by-pass road around the “hump” on Wharf Road at the Pier38/39 crossover for the rail barge tracks needed to move the wind towers currently stored at Pier 39 to the 37th Street exit is under construction. The towers at Pier 39 are not scheduled to move from the Port until June and this road will be completed in time to accommodate shipment of these towers.

Pier 10 Improvements

At the January 2008 Board meeting, the Trustees approved \$75,000 in Capital Improvement funds for Pier 10 Uplands Improvements. These funds were necessary to make improvements at Pier 10 to relocate Wallenius Wilhelmsen Logistics (WWL) from Pier 34. Improvements included the construction of five additional truck loading ramps able to accommodate two trucks at each ramp, demolition of the old Container-Gate Clerk and Checkers’ Canopy and booths leading into the Pier 10 Terminal from 9th Street and striping of the area. These improvements are completed. However, there are additional improvements necessary on the Pier 10 wharf and in the uplands area to accommodate WWL cargo and operations. At the February 2008 Board meeting, the Trustees approved an additional \$150,000 for these improvements. The Pier 10 Wharf repairs were identified in the Pier 10 Condition Assessment completed in April 2007 and include pile and cap repair. The uplands improvements will include removing the rail spur in the area of the gantry crane and paving over this site and paving over the existing rail storage yard at Pier 10 after Galveston railroad (GRI) has completed the necessary track maintenance. This paving will provide additional laydown and storage area for the WWL operation. The Port is also working with GRI to repair the lead track to the rail east of the Plant No. 9 warehouse. This lead track is used to offload equipment shipped via rail. Certain portions of the track are currently out of gauge and must be repaired in order to safely handle rail traffic. GRI has repaired about 150’ of the track and the Port has paved over these repairs to allow WWL to drive across the track. The Port and GRI will continue to repair this rail approximately 100’ at a time until all 450’ of the lead is restored to proper standards. The Port has also constructed additional truck loading ramps in the old canopy area. In addition, funds were also available in the FY2008 Renewal and Replacement Budget to repair the lights at Pier 10. The first order for these lights was placed in February. However, the vendor placed an incorrect order for these lights a second time and the Port is looking for another vendor. Light repairs are rescheduled for completion at the end of May. WWL, American Roll-on Roll-off Carrier and Hoegh Autoliners are now calling at Pier 10.

Pier 37 Wharf Repairs

During an investigation of water leaks on the west end of the Port, a large void approximately 20’x20’x10’ was discovered on the pier apron near the northeast corner of the Pier 37 warehouse. The void was created by a leak in a 2 and 1/2” ship’s service line that washed the fill through a hole in the sheet pile bulkhead. A subsequent inspection revealed a second void to the north of this location and a third void in the ramp landing area for the ro-ro vessels. The entire area was surveyed and a cost estimate to repairs these voids developed. A plan and funding request for completing the repairs was presented at the July Board meeting. At the August meeting, the Board approved \$136,115 in FY2007 funds to repair the undermining at the Pier 37 apron in the area by the K-Line Ramp. The topside repairs to the Pier 37 laydown area are complete. The void under the ramp landing area has been filled. However, repairs are ongoing on additional voids from the repaired area south approximately 300 feet. An additional \$230,000 has been requested in FY2008 to complete the repairs.

Pier 41 Demolition

On September 18, 2007, bids to demolish the Pier 41 warehouse were opened. The low bidder was Cherry Moving Co. at \$815,000. The bid included demolition of the warehouse and crushing of the materials. The Notice of Acceptance of the Proposal was sent October 15. A Notice to Proceed was issued November 5. Demolition of the trestle leading to the warehouse began the week of November 12 and is completed. Cherry demobilized from the site before Christmas to allow Holcim to remove the equipment for their cement operation from the warehouse. Cherry remobilized at the Port on

February 25 and concentrated their efforts on the demolition of Plant No. 3 in order to accommodate the delivery of wind towers. On March 3, Cherry moved some of their equipment to the Pier 41 warehouse and resumed their demolition efforts. The Pier 41 warehouse should be demolished by April 30. Crushing the concrete and site clean-up should be completed by May 30, 2008.

Galveston Channel and Port of Galveston Maintenance Dredging

Work has begun on the 2008 project to complete the maintenance dredging in the Galveston Harbor Channel to remove the approximately 5 million cubic yards of material that will restore the federal channel to the currently authorized 40' depth. This maintenance dredging is being done in anticipation of beginning the project to deepen the channel to 45' in 2009. Plans and specifications are being developed with advertisement scheduled for mid-April, contract award in early July and actual dredging beginning in August. Attempts will be made to award the contract to a hopper dredge as before to allow for disposal offshore thereby saving capacity on Pelican Island for future disposal.

Port staff advertised for maintenance dredging of Piers 30-34, the Pier 37, Pier 39 and 40/41 slips, the Pelican Island Storage Terminal moorings and Gulf Sulfur berth on February 3 and 10. The bids were opened on February 26. Four bids ranging from \$1,087,000 to \$1,525,000 were received. Mike Hooks, Inc. was the lowest and best responsible bid. The dredge commenced operations on March 20 and was completed on April 8. At the February Board meeting, the Board approved the award of a maintenance dredging contract for these piers and slips at a cost not to exceed \$1,000,000. The cost to dredge the Gulf Sulfur facility is approximately \$90,000 plus their pro-rated share of the mobilization/demobilization costs which brings the Port's cost under \$1,000,000 as approved by the Board. Calculations are being done to determine the actual quantity of material removed and the final cost of the maintenance dredging.

Galveston Channel Deepening Project

The Project Cooperation Agreement (PCA) between the Board of Trustees and the Department of the Army was signed on June 21, 2007. The agreement represents the planning document for the project to deepen the Galveston Harbor Channel from 40 feet to 45 feet and outlines the obligations of the Federal Government and the Port of Galveston to complete the project. The PCA requires the establishment of a Port Coordination Team (PCT) to provide consistent and effective communications between the Port and the Federal Government and generally oversee the project including but not limited to matters related to engineering and design; plans and specifications; scheduling; contract awards or modifications; contract costs; proposed management plan for dredged or excavated material disposal; and anticipated requirements for operations and maintenance of the channel after deepening. The PCT has met monthly since July. The PCA also requires that not less than 60 calendar days prior to the scheduled date of issuance of the solicitation for the first contract for construction of initial general navigation features (the Galveston Harbor Channel and the dredged or excavated material disposal facilities), the Federal Government shall notify the Port in writing of such scheduled date and the funds the Federal Government determines to be required from the Port for their sponsor's share of the costs. Also, not later than the scheduled date, the Port must verify to the satisfaction of the Federal Government that required funds have been deposited in an escrow or other account acceptable to the Federal Government, with interest accruing to the Port. Port legal counsel is working on the escrow agreement between the Department of the Army, the Board of Trustees and Moody National Bank to establish this escrow account. Establishing this account will be discussed at the April Board meeting. The contract award scheduled was modified in February 2008. The overall plan for the Galveston Channel Deepening is to complete it using two contracts and possibly a third if funding is constrained or the extension of the 45' channel to TAMUG is approved. Contract No. 1 will be awarded in July 2008 and will prepare the Pelican Island Placement Area (PA) and include some dredging to the 45' depth. Preparation includes improving the weirs and drop inlets and raising the levees with existing material. The contract is expected to be completed in early 2009. Contract No. 2 will be awarded following completion of Contract No. 1 and will complete the remaining dredging of the original 45' template and build the levee foundations at the San Jacinto PA using clay material obtained by deepening to the 45 foot project depth. This contract is expected to be completed by early 2010. If necessary, Contract No. 3 will be awarded after completion of Contract No. 2 and finalize the deepening of the remainder of the Galveston Channel to the 45' project depth. This contract is expected to be completed by late 2010 or early 2011. To cover the funds required for the FY2008 cost share expenses, the anticipated schedule of the sponsor's (Port's) share payments is \$800,000 on December 1, 2007; \$400,000 on February 1, 2008 and \$3,066,667 on April 1, 2008 for a total of \$4,266,667 in FY 2008. The Corps has still not submitted paperwork to the Port requesting the December 1 payment. However, they are working with the Port's Finance Director to get the paperwork in order to request these funds in the near future. The project schedule is dependent on the funds appropriated to the Corps and will slip if sufficient funds are not provided. The Port and the Corps continue to

conduct monthly Port Coordination Team meetings to move this project along. The next meeting is scheduled for May 12.

Marine Container Terminal Equipment Auction

On Wednesday, April 30 at 10:00 a.m. at the 14th Street Gate, the Port of Galveston held an auction to sell equipment associated with the container operation including the cranes, straddle hoist, large capacity container handling lift trucks and the dockside lattice boom material handling crane at the Gulf Copper shipyard. The equipment was old “as is”, “with all faults”, and “with removal at buyer’s risk and expense”. The sale was conducted by Plant & Machinery, Inc. for the Port.

Buried Railroad Tank Car

On January 15, 2008, a buried railroad tank car was discovered in the parking lot of Cruise Terminal 2, north of Harborside Drive, near Pier 27 during the installation of a storm water line by Port staff. ENSR, the Port’s Environmental Consultant, on behalf of the Port submitted a work plan for closure to the Texas Commission on Environmental Quality (TCEQ). Because it was unknown whether the buried tank car was historically utilized as an underground storage tank (UST), closure activities were conducted in accordance with the Texas Commission on Environmental Quality (TCEQ) Industrial and Hazardous Waste regulations (30 TAC 335). Waterlines on both the east and west sides of the tank, a storm drain on the south side of it and a sewer line close by made it difficult to dig around the tank. In spite of the various pipes, the tank was exposed, the contaminated soil placed in containers or super sacks, the contents pumped out and stored in fractionating tanks until analysis of a better sample could be completed. Additionally, the tank was rinsed and then removed by a large crane, loaded on a flat bed truck and taken to a disposal center. The TCEQ and the City of Galveston Fire Marshal both required that the tank be removed and not closed in placed.

The initial sample of the tank contents identified the presence of low concentrations of pesticide analytes (4-4’-DDE and Endosulfan). The second sample analysis characterized the product as degraded diesel. Therefore, disposal will be easier and less expensive. It is anticipated that beginning the first week of May, the approximately 50 cubic yards of impacted soils and 18,000 gallons of liquids will be transported and disposed of at a facility located in Alvin.

The total costs associated with the assessment, removal and disposal of impacted soils and liquids associated with the buried railroad tank car is \$150,000.

AGENDA BUSINESS ITEMS

- E-1 Discuss and Consider Portfolio Performance Analysis Report, Summary of Investment Performance Report and Investment Detail of the Galveston Wharves Pension Plan for the Period Ending March 31, 2008, and Discuss and Consider any Percentage Changes in Fund Mix that May Be Necessary to Increase Results **APPROVED**
- E-2 Discuss and Consider Actuarial Valuation of Galveston Wharves Pension Plan as of January 1, 2008 **APPROVED**
- E-3 Discuss and Consider Approval of Escrow Account to be Used in Conjunction with the Corps of Engineers to Fund the Channel Deepening Project Agreement **APPROVED**
- E-4 Discuss and Consider First Quarter Budget Adjustments Increasing Net Income in the Amount of \$462,500, Increasing Capital Budget Expenditures \$340,000, and Increasing the Renewal and Replacement Budget \$38,500 **APPROVED**

- E-5 Discuss and Consider Disposal/Sale of Surplus Vehicles Generally Described as a Forklift and Two Tar Pots and Declaring such Property Surplus **APPROVED**
- E-6 Discuss and Consider Approval of Galveston Railroad Freight Tariff GVSR 8000, Which Replaces and Amends Galveston Railroad, L.P. Terminal Tariff GVSR 8000-B, with an Effective Date of March 1, 2008, Including, But Not Limited To, Increasing the Line Haul Switching Rate to \$115 per Railcar **APPROVED**
- E-7 Discuss and Consider Operation and Auditing Procedures for Port Parking Operations **NO BOARD ACTION NEEDED**
- E-8 Discuss and Consider Approval of Seventh Amendment to the Design-Build Agreement between the Galveston Port Facilities Corporation and CH2M Hill Relating to the Design Work for the Parking Area and Loop Road Constructed as Part of the Cruise Terminal No. 2 Expansion Improvements at a Cost of \$30,230 Resulting in a Revised Total Contract Price of \$2,911,114 **APPROVED**
- E-9 Discuss and Consider Presentation of the Honorary Position of Chairman Emeritus to Benjamin F. Holland, Jr. in Recognition of His Many Outstanding Contributions Over the Years to the Board of Trustees and to the Port Of Galveston **APPROVED**
- E-10 Discuss and Consider Board Authorization to Negotiate and Enter Into Contracts Relating to the 2009 Annual Meeting of the American Association of Port Authorities and Other Associated Events in Advance of the Convention **APPROVED**
- E-11 Discuss and Consider Easement Agreements with the Galveston Historical Foundation and MBP Corp Related to the Port of Galveston Pedestrian Railroad Safety Program Partially Funded by a Statewide Transportation Enforcement Program (STEP) Grant Through the Texas Department of Transportation **TABLED**
- E-12 Discuss and Consider Retention of One or More Consultants to Assist the Board of Trustees and Port Staff in Developing the Pelican Island Container Terminal with the Port of Houston Authority **APPROVED**

Next Meeting

The next regular meeting of the Board of Trustees of the Galveston Wharves is scheduled for Thursday, May 22, 2008 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.

