

**MINUTES OF THE CITY COUNCIL OF THE CITY OF GALVESTON
JOINT MEETING OF CITY COUNCIL AND WHARVES BOARD
JANUARY 9, 2025**

1/9/2025 - Minutes

1. DECLARATION OF A QUORUM AND CALL MEETING TO ORDER

With a quorum present, the meeting was called to order at 9:00 a.m.

2. ROLL CALL

Council Members Present: Mayor Craig Brown, Mayor Pro Tem Marie Robb, Council Member Sharon Lewis, Council Member David Finklea, Council Member Bob Brown, Council Member Alex Porretto, and Council Member Beau Rawlins.

Wharves Board Member Present: Chair Victor Pierson, Vice Chair Jeff Patterson, Trustee Willy Gonzalez, Trustee Sheila Lidstone, Trustee Jim Yarbrough, Trustee Mayor Craig Brown, and Trustee Richard Moore.

3. DISCUSSION ITEMS

3.A. Discussion Of The City Charter As It Relates To The Port Of Galveston

Discussion was held regarding the City of Galveston's oversight of the Wharves Board and the Port of Galveston, with an emphasis on the following key points: (1) City Charter Oversight - The City Council appoints Wharves Board members and approves the Port's debt service, with oversight duties outlined in the City Charter. Concerns were raised about a lack of reporting since 2014 as required by the charter. (2) Accountability and Transparency - The need for better transparency was emphasized, with a focus on ensuring reports and records are provided to the Council as required by the charter. (3) Financial and Payments - Discussions included payments from the Port to the City, particularly for infrastructure projects like the 14th Street Pump Station, and future payment expectations; (4) Competitive Bidding - The Port's bidding process was discussed, especially the use of "best value" in contractor selection. The goal is to improve oversight, transparency, and compliance with the City Charter while ensuring that the Port benefits the community.

3.B. Discussion Of A One Time And Annual, Long Term, Recurring Funding Stream From The Port To The City (C Brown/Pierson)

1. History
2. Current Funding
3. Funding from the City to the Port of Galveston
4. Reserve funding status
5. Payment request of a one-time special dividend to the City of Galveston in the City's 2024-2025 Fiscal Year(Porretto/Rawlins)
6. Future Funding Mechanisms
7. Creation of an ad hoc committee to determine a dividend payment structure (Porretto/Rawlins)

The discussion involved a review of the financial relationship between the Port of Galveston and the City of Galveston. Key points discussed included: (1) Historical Funding - The City receives funds from the Port, including a \$0.25 per turn per passenger fee and parking-related sales tax revenue. The Port's financial contributions are increasing, with expected further growth due to Cruise Terminal 16; (2) Current Funding - The Port has provided about \$3 million in 2024, with future increases expected. There were missed opportunities, such as

potential partnerships in the parking garage, which could have generated further revenue for the City; (3) Funding from City to Port - Over the years, the City has contributed to the Port in the form of economic development funds, infrastructure support, and capital projects; (4) Future Funding - There's a discussion of creating an ad hoc committee to decide on a future dividend payment structure, ensuring that both parties work together for long-term mutual benefit.

3.C. Update And Discussion Of The Port's Master Plan And Related Future Plans (C Brown/Pierson)

1. Cruise Lines - Number/Expansion/Timing/Moratorium of Additional Cruise Terminals and or Cruise Ships - Discussion was held and concerns raised about talks of pausing new cruise terminal development, pending an updated master plan, that could harm business momentum. The focus is on revising the master plan to reflect current developments, like cruise terminals and cargo operations, while considering limited Port space.

2. Cargo Business - Port Director Rodger Rees reported that the Port is heavily investing in its west cargo complex, with nearly \$100 million earmarked for redevelopment. Cargo business revenues are growing, but they still lag behind cruise terminal revenues.

3. Pelican Island Development - The discussion centers around the development of Pelican Island and its connection to the bridge project, which is crucial for both the port and the city. There's anticipation for discussing these developments in more detail. A preliminary draft of the AFA contract for the bridge is expected by January 2013, with the Mayor Pro Tem leading the push for additional funding to cover any deficits. The goal is to finalize agreements by April, though environmental concerns are the main obstacle slowing down the process. The projected completion date for the project is 2034, but there is hope that this timeline could be expedited.

3.D. Discussion Of The Port Of Galveston's Financial Status Resulting In A Detailed Financial Report From The Port Of Galveston Outlining The Current Available Sources And Uses Of Funds For The Next 36 Months (Porretto/Rawlins)

Port of Galveston staff provided Council with a detailed financial report outlining the available funds and how they will be used over the next 36 months. The document highlighting the Port's financial projections and planned projects was noted as very informative, and Council members were encouraged to review it closely. There was also a suggestion to further discuss the information among the Council to ensure clarity and agree on any additional requests for more details.

3.E. Update And Discussion Of The Wharves Board's Real Estate Committee (B Brown/C Brown)

The discussion revolved around the formation and update of the Wharves Board's Real Estate Committee. The committee's mission is to explore opportunities for collaboration between the City, Port, and third parties. They aim to develop areas that are attractive to both residents and tourists, ensuring compliance with all laws, policies, and plans. It was clarified that the committee is not a decision-making body but will report back to the City Council and Port Board with its findings. The issue of how Council members were appointed to the committee was raised, with concerns about whether it had been voted on by the Council. The committee intends to help inform the Port's master plan by addressing specific development issues.

3.F. Port Updates

1. Galveston County Property Tax Case - Port Attorney Tony Brown reported that Galveston County has filed lawsuits concerning taxes on the Galveston Cruise Terminal. The core issue is whether Galveston Cruise Terminal or the Port owns the terminal's improvements, which affects who should pay taxes. The Port argues it owns the improvements and the taxes should be the Port's responsibility, but if the terminal is taxed, part of the revenue goes to the

state rather than the local district. If the lawsuit is unsuccessful, it could set a precedent making all port-leased properties taxable, which could cause statewide issues.

2. EPA Negotiations - Port Attorney Tony Brown reported that the Port had been negotiating with the EPA over hazardous waste disposal regulations. Initially, the City was considered a party, but the EPA now says it's not needed as a party in the matter.

3. Procurement Bid Processes - Port Attorney Tony Brown advised there are legal considerations on local vendor preferences, as state laws limit when these preferences can apply. The ambiguity exists, but it should be fine as long as there's an established policy in place.

- 3.G. Discussion Of A Resolution Or Policy Requiring The Wharves Board Of Trustees Inform The Galveston City Council On Filed, Pending, Or Potential Lawsuits At The Next Regularly Scheduled Galveston City Council Meeting Upon Notification Of Said Lawsuit (Porretto/Rawlins)

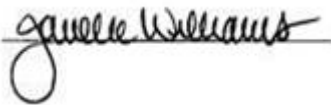
Discussion was held regarding creating a policy or resolution requiring the Wharves Board of Trustees to inform the Galveston City Council about any filed, pending, or potential lawsuits during the next regularly scheduled City Council meeting after receiving notification about a lawsuit. The goal is to keep the Council updated on legal matters that could affect the Port's physical and financial condition, and ensure everyone is on the same page. One concern raised is the potential confidentiality of sensitive lawsuits, with suggestions to collaborate on a mechanism to protect this information while keeping the Council informed.

- 3.H. Discussion Of The Port's 200 Year Anniversary Celebration (Pierson/C Brown)

Port Director Rodger Rees reported on the upcoming 200th anniversary celebration of the Port of Galveston. The celebration kicks off on May 22nd with an observance of Maritime Day, followed by a golf tournament on October 16th. The main celebration events on October 17th and 18th will feature public activities, live music, and possibly some Juneteenth-related programming. The Port's anniversary celebration has garnered significant support from local businesses, cruise lines, and other port-related partners. The overall budget for the celebration is estimated between \$500,000 and \$600,000, but no port revenue or taxpayer money will be used. The event aims to showcase the port's historical significance and its positive impact on the community, culminating in a large gala at the San Luis Hotel. The Port aims to raise funds for scholarships, using any leftover money after the event.

4. ADJOURNMENT

The meeting was adjourned at 12:20 p.m.



Janelle Williams, City Secretary

Date Approved: February 27, 2025