

**MINUTES OF THE CITY COUNCIL AND WHARVES BOARD OF
TRUSTEES
OF THE CITY OF GALVESTON
JOINT MEETING - MAY 21, 2025**

5/21/2025 - City Council and Wharves Board of Trustees Minutes

1 DECLARATION OF A QUORUM AND CALL MEETING TO ORDER

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

2 ROLL CALL

City Council Members Present: Mayor Craig Brown, Mayor Pro Tem Marie Robb, Council Member David Finklea, Council Member Bob Brown, Council Member Alex Porretto, and Council Member Beau Rawlins (9:18 am). Absent: Council Member Sharon Lewis.

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

3 DISCUSSION ITEMS

3.A Discussion of the Updated Master Plan for the Port of Galveston

Port Director Rodger Rees provided the Port of Galveston Master Plan Update. The Port is ahead of schedule by six years on the Master Plan. A new update is underway focusing on cruise and cargo growth. Cruise business is booming, with Terminal 4 opening early (Nov 2025) and Disney will be here full-time by 2027. Cargo expansion includes new berths and West End development funded by TXDOT. Pelican Island projects could be transformative but are under NDA. Infrastructure improvements are ongoing (roads, Pier 41, grain elevator demolition). The financial situation shows reserves are nearly depleted, with about \$10 million remaining and no formal operational reserve policy in place. Funding remains challenging due to matching fund requirements, prompting efforts to secure more state support. Most cruise terminal projects have been financed through borrowing. The Battleship Texas is set to relocate to Pier 15, with insurance and dredging costs posing significant concerns; the foundation will bear these expenses and aims to incorporate the ship into the local tourism scene. Meanwhile, a \$47-48 million federal dredging project has been authorized but not yet fully funded, with ongoing coordination among political leaders and private partners. This dredging and channel work is expected to increase cargo capacity and support port growth.

3.B Discussion of Activities for the 200 Year Anniversary of the Port of Galveston

Port Director Rodger Rees reported on the 200-year anniversary activities for the Port of Galveston. The Port of Galveston, chartered on October 17, 1825, is celebrating its 200th anniversary, possibly the oldest operating entity in Texas. The anniversary event is funded entirely by sponsors, with over \$900,000 raised and an estimated cost of \$600,000. A key goal is to establish a scholarship endowment fund at Texas A&M University at Galveston for maritime industry students, aiming to provide ongoing scholarships and support maritime workforce development. Texas A&M Galveston is highlighted as a leading maritime program, with graduates earning the highest starting salaries in the Texas A&M system. Maritime Day, kicking off the anniversary, includes activities like ship tours, workforce tables, a children's choir, and a ceremony focused on maritime workforce development. The main celebration on October 17th at Pier 21 will host about 2,000 attendees, with bands, a drone show, and a VIP tent for sponsors. A gala event will follow with around 750–800 guests, helping raise additional scholarship funds. A commemorative pictorial book on the Port's 200-year history is being produced by the Galveston Historical Society, with 1,500 copies planned for distribution. The event emphasizes community involvement, maritime industry growth, and honoring the Port's historic legacy.

3.C Discussion and Input from Council and Wharves Board Members Concerning Future Audits

City Council and the Wharves Board discussed future audits of the Port. The Wharves Board is open to collaborating with the City Council on audits and recognizes an audit of their training and travel is scheduled this year. Council Members noted the City Auditor's limited capacity but emphasized the importance of regular audits for all entities, including the Port and Park Board. It was suggested to establish an audit committee or expand the finance committee's role to improve risk assessment and oversight, involving members from the city, Port, and Park Board to strengthen collaboration and trust. Concerns were raised about audits becoming politically charged, as seen in current contentious audits of the Park Board. The Port has significant financial activity (\$70M+ annually), yet no internal audit staff; some recommended considering staffing or cost-sharing to bolster audit capacity. Key audit focus areas suggested include high-value operations like parking revenue, procurement, and construction contracts rather than smaller items like travel expenses. Transparency and proactive communication were highlighted as essential to avoid conflict and improve effectiveness. The discussion also touched on upcoming legislative scrutiny regarding municipal finances, emphasizing the need for strong audit practices. Overall, the group agreed on the value of risk-based audits, collaborative approaches, and building trust among city entities to enhance financial oversight.

3.D Discussion of Alternate Revenue Sources (Finklea/Porretto)

Discussion was held regarding ways to increase City revenue from the Port's economic impact without harming Port operations. While the Port generates significant tax revenue and economic value, the City currently receives a relatively small fixed payment in lieu of taxes. The City Council has supported the Port through bonds and infrastructure projects, and both sides are considering shared services (like procurement and finance) to improve efficiency and reduce costs.

There is opposition to revenue sharing based on gross Port revenue, as it could negatively affect operations. Instead, the focus is on collaboration, infrastructure improvements (especially in the Harborside area), and maximizing long-term contracts with cruise partners. Port leadership emphasizes protecting city assets, jobs, and reinvesting in infrastructure.

However, due to City staffing challenges and timing concerns, major changes or shared service implementation are on hold for now. The parties plan to continue discussions and workshops to find balanced, mutually beneficial solutions in the future.

3.E Discussion of the Allocation of Hotel Occupancy Tax to the Port of Galveston (V. Pierson)

The City Council and Wharves Board members discussed the allocation of Hotel Occupancy Tax (HOT) to the Port of Galveston. About 32% of cruise passengers spend a night in Galveston hotels before or after their cruise, suggesting potential for the Port to request HOT funding to support infrastructure projects like the Pelican Island Bridge.

There is interest in collaboration between the Port and the Park Board to pursue such funding, especially with increasing cruise traffic expected (e.g., Disney's full-time operations). Concerns were raised about recent Texas legislation (Senate Bill 2532 and related House bills) that could negatively impact how HOT funds are allocated and counted against the city's tax cap, potentially restricting the Port's ability to use these funds. The legislation is described as poorly written, with possible long-term ramifications, and some council members encourage opposition to the bills. Legal complexities exist regarding whether expenditures of HOT funds by the city or park board are allowable and how these impact voter approval rates for taxes. The discussion also touched on other funding sources, such as sales tax revenue, which have supported infrastructure like the Pelican Island Bridge. Overall, the group expressed willingness to continue working together on funding opportunities but noted current legislative restrictions limit immediate actions. The meeting concluded with appreciation for collaboration efforts and the importance of continuing dialogue to improve Galveston's community and infrastructure.

4 ADJOURNMENT

The meeting was adjourned at 11:24 a.m.



Janelle Williams, City Secretary

Date Approved: June 26, 2025

