

2012 Budget

Port of Houston Authority
Approved January 10, 2012



Foreword

- A proposed operating budget was developed to guide staff in the operation and management of Port Authority facilities and activities for Fiscal Year 2012
- At a budget workshop held on November 14, 2011, the Port Commission requested additional information and certain changes to the proposed budget, which staff subsequently provided
- At its meeting on December 13, 2011, the Port Commission requested that the budget be discussed at a future budget workshop
- This presentation reflects the 2012 Operating Budget as approved by the Port Commission on January 10, 2012
- The operating budget does not include tax revenues nor capital expenditures, as capital projects are approved separately by the Port Commission

2011 Market Update – PHA

- PHA imports and exports continue to improve
 - Total tonnage for October 2011 year-to-date is 8% higher vs. 2010
 - General Cargo tonnage increased 12.7% year-to-date
- Container TEUs year-to-date increase of 2.4%
 - Imports up 4.9% / Exports up 0.04%
 - Loads up 3.9% / Empties down 2.2%
- Steel tonnage year-to-date increase of 60%
 - Imports up 56% / Exports up 83%
- Trade Forecast*
 - Container trade industry outlook – 7% annual growth for the next five years
 - Project cargo trade outlook – average 11% growth per annum through 2015

* Source: Drewry Shipping Consultants

PHA cargo volumes show improvement

2012 Market Forecast – U.S. Economy

- U.S. economy continues gradual recovery, 2012 GDP growth 2.6%
- Low inflation, consumer prices increasing 2.0%
- U.S. unemployment rate to fall to 8.6%, Texas and Houston employment levels outperform U.S. overall
- Low interest rates will remain for the foreseeable future
- Presidential election will loom over the economy and business decisions
- Government spending debate to continue due to election and recommendations by “Supercommittee”

Expect gradual recovery of the U.S. economy, with Texas continuing to slightly outperform the rest of the nation

2012 Market Forecast – Global Economy

- Global economic outlook weaker than 2011, but most countries forecast growth in 2012
- GDP growth ranges from low single digits (US, EU) to high single digits (China, India)
 - European Union 1.4%
 - Brazil 3.6%
 - India 7.5%
 - China 9.0%
- Commodity prices softer due to forecasted slower global economic growth
- Chinese economy growth remains strong, in spite of lower EU and US growth rates
- European sovereign debt crisis likely to remain under control, but prompt resolution unlikely

Opportunities remain despite overall global slow growth

2012 Budget

Cargo Assumptions – Container Terminals

Trends and Forecast (000's)

	2009	2010	2010	2011	2011	2012	2013
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>	<u>Projection</u>
Units	753	849	779	794	804	837	877
% Change*			3.50%		3.20%	4.10%	4.80%
<i>Budget Growth Assumption</i>		4.20%		5.60%		4.10%	4.80%

* Percentages are based on 2010 Audited, 2011 Forecast, 2012 Budget & 2013 Projection

Note: Excludes Maersk / partner lines volumes

- Projected volumes based on PHA Economic Analysis Forecast Summary with updated 2011 data
- No general rate increase incorporated in 2012 Budget
- Proposed 9% increase for security fees in 2012
- 2012 Budget reflects growth of export and import loads in the 4% to 6% range, with no growth in empty container movements
- 2011 Actual volume is less than 2011 Budget primarily due to a decrease in the number of empty containers handled for the year

Container units handled expected to increase in 2012 and 2013

2012 Budget

Cargo Assumptions – Turning Basin Terminals

Trends and Forecast (000's)

		2009	2010	2010	2011	2011	2012	2013
		<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>	<u>Projection</u>
Steel	(short tons)	2,657	2,625	2,721	3,064	4,074	3,574	3,881
<i>% Change*</i>				2.40%		49.70%	-12.30%	8.60%
General Cargo	(short tons)	1,799	1,795	1,917	2,070	2,151	2,250	2,490
<i>% Change*</i>				17.70%		7.70%	4.60%	10.70%
Automobiles	(units)	52.7	55	66.8	65.9	66.8	69.1	71.7
<i>% Change*</i>				26.80%		0.00%	3.40%	3.70%

* Percentages are based on 2010 Audited, 2011 Forecast, 2012 Budget & 2013 Projection

- No general rate increase incorporated in 2012 Budget
- Expected decline in Import and Export Steel volumes in 2012 as shale drilling activity moderates and private terminal resumes export business. Increased Import Steel growth projected in 2013 as economic recovery strengthens
- Import Automobile units based on Volkswagen projections
- General cargo growth expected to continue in 2012 and 2013

Steel expected to decline in 2012 and rebound in 2013

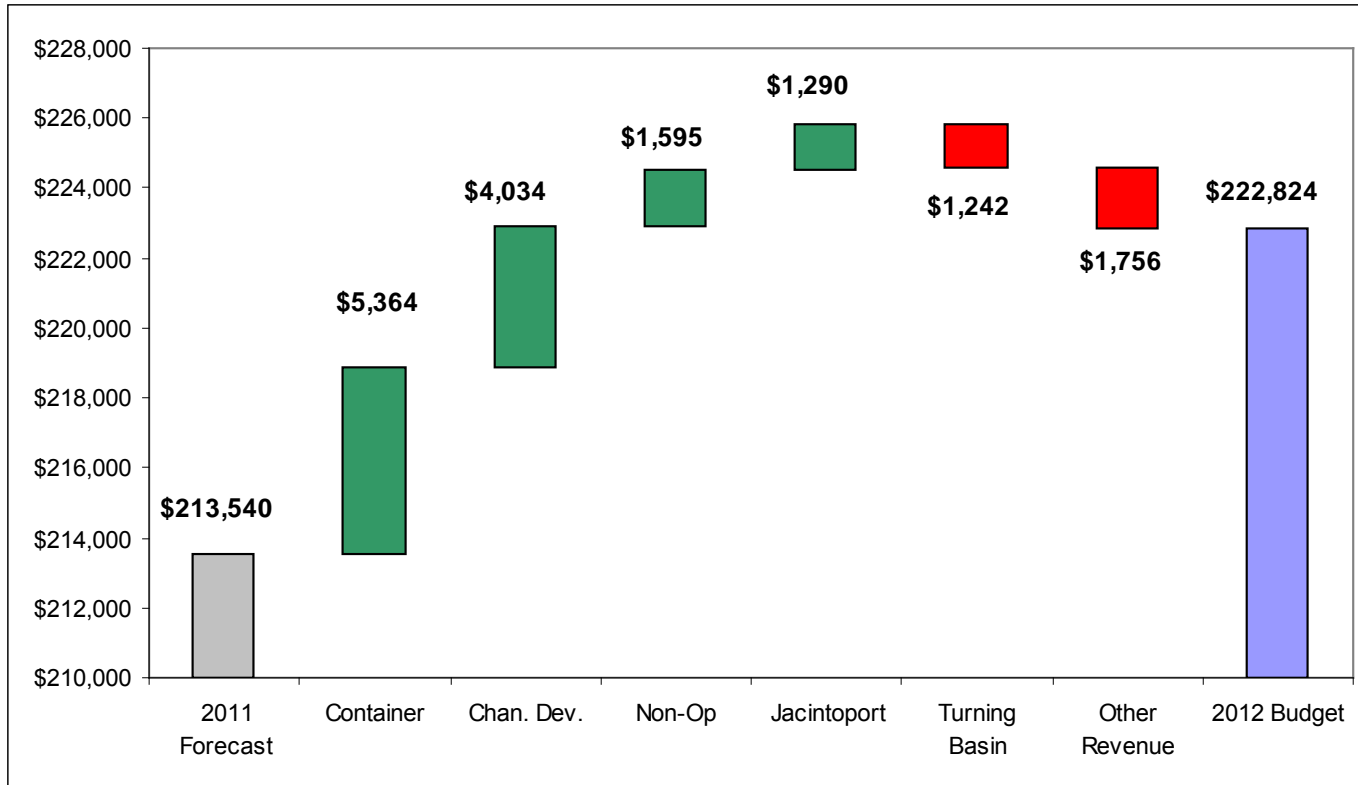
2012 Budget Revenue (000's)

	2010 Budget	2010 Audited	2011 Budget	2011 Forecast	2012 Budget
Container Terminals	\$120,917	\$120,361	\$131,102	\$130,708	\$136,072
				8.6%	4.1%
Turning Basin Terminals	32,233	33,724	36,667	41,530	40,271
				23.1%	-3.0%
Lease Revenues	21,300	21,270	21,705	22,605	21,997
				6.3%	-2.7%
Channel Development	4,085	3,272	2,664	5,754	9,788
				75.9%	70.1%
Harbor Fees	5,266	5,484	5,750	5,741	5,908
				4.7%	2.9%
Other Revenue Sources	434	713	564	765	761
				7.3%	-0.5%
Total Operating Revenue	\$184,235	\$184,824	\$198,452	\$207,103	\$214,797
				12.1%	3.7%
Non-Operating (Federal Grants, Insurance, Interest Income)	19,818	11,478	7,735	6,436	8,027
				-43.9%	24.7%
Total Revenues	\$204,053	\$196,302	\$206,187	\$213,539	\$222,824
				8.8%	4.3%

Percentages are based on 2010 Audited, 2011 Forecast and 2012 Budget

2012 Budget

Revenue – Major Changes (000's)



Container Terminals revenue represents highest growth segment in 2012

2012 Budget

Revenue – Major Changes (000's)

- **Container Terminals Revenue increase \$5,364**
 - Increase driven by 4.1% growth in export and import loads
- **Channel Development Revenue increase \$4,034**
 - The majority of the dredge disposal material revenues will be captured in 2012
 - BOSTCO 2011: \$3,000
 - BOSTCO 2012: \$6,000
- **Non-Operating Revenue increase \$1,595**
 - Grant reimbursement for various projects (See page 15b)
- **Jacintoport Revenue increase \$1,290**
 - New Lease with Seaboard Marine has been negotiated and assumed to start 1/1/2012
 - PHA gives up small amount of other revenues (dockage and wharfage) in exchange for higher rent/lease revenue, and Seaboard Marine takes over the operations of the whole facility
- **Turning Basin Terminals decrease \$1,242**
 - 2012 Budget expects a 12.3% reduction in steel import and export volumes
- **Other Revenue decrease \$1,756**
 - Reduction in Maersk lease revenue (\$600)
 - Reduction in revenues from HPGE (\$760)
 - Reduction in all other revenues (\$396)

2012 Budget

Expense Assumptions

- Fuel expense flat, even with higher 2012 cargo volumes
- Small increase in depreciation as only a few Bayport projects were completed in 2011
- ILA master contract wage increase of 3% over 2011
- Addition of 13 full time employees
- Non-recurring expense at Barbours Cut (BCT) for Wharf and Fender repair

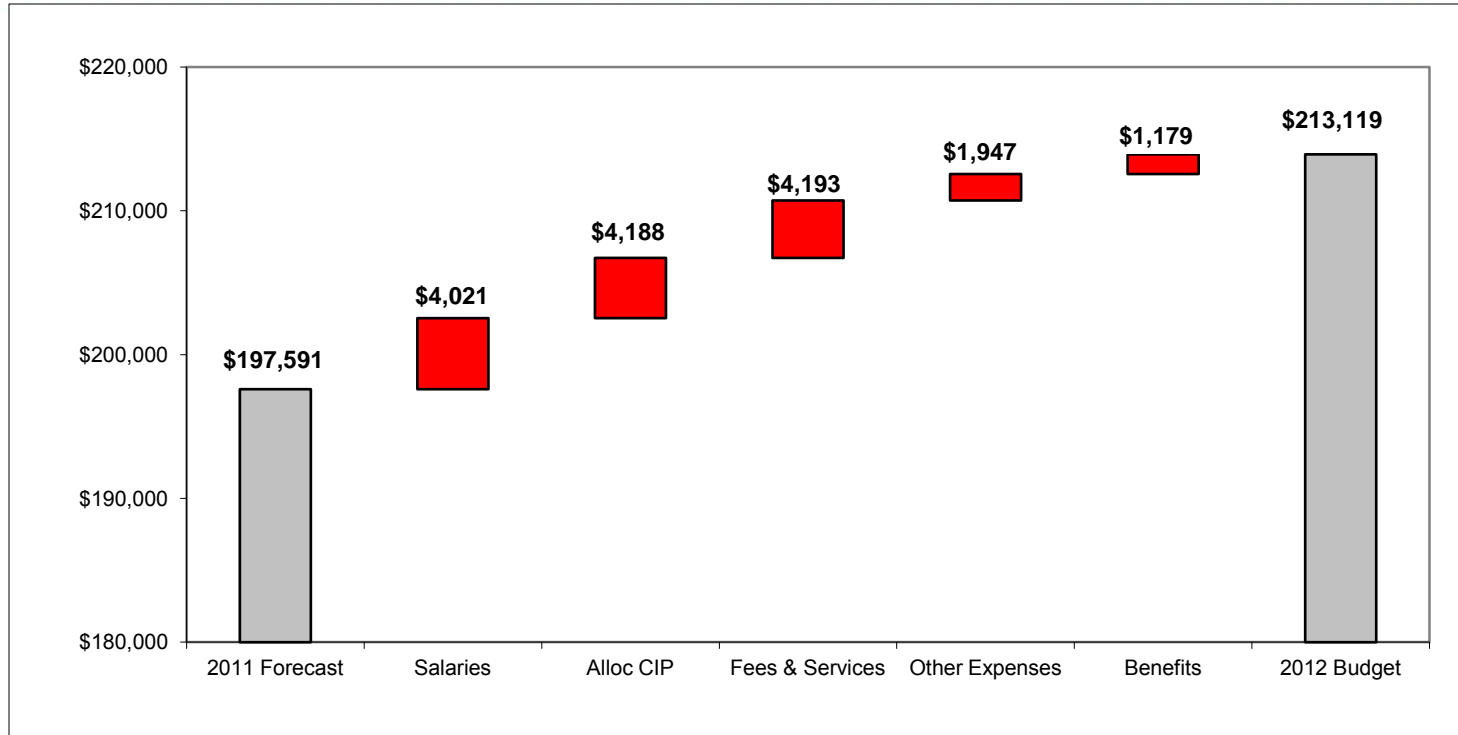
Continue to manage headcount and expenses against operational performance targets

2012 Budget Expense – Summary (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$54,772	\$52,184	\$56,902	\$53,497	\$57,517
				2.5%	7.5%
Benefits	20,594	19,868	22,078	21,034	22,213
				5.9%	5.6%
Retirement Benefits	23,641	24,042	24,268	22,700	21,477
				-5.6%	-5.4%
Depreciation & Amortization	56,603	51,690	57,817	54,971	56,226
				6.3%	2.3%
Equipment & Terminal Maintenance	13,736	18,141	16,041	16,570	17,174
				-8.7%	3.6%
Fees and Services	10,374	17,080	10,182	10,653	15,080
				-37.6%	41.6%
Insurance	4,389	5,107	4,586	4,649	4,701
				-9.0%	1.1%
Utilities	3,662	3,949	3,910	4,182	4,419
				5.9%	5.7%
Fuel	2,452	2,647	2,692	3,274	3,269
				23.7%	-0.2%
Consulting Fees	4,256	2,818	3,783	2,859	2,632
				1.5%	-7.9%
Labor Allocated to CIP	(3,342)	(2,771)	(10,586)	(6,876)	(2,687)
				148.1%	-60.9%
Discretionary Expenses	2,908	7,992	9,133	6,948	8,448
				-13.1%	21.6%
Total Expenses – Operations & G&A	\$194,045	\$202,747	\$200,806	\$194,461	\$210,469
				-4.1%	8.2%
Non-Operating (See Tab 4)	6,666	2,459	1,900	3,130	2,650
				27.3%	-15.3%
Total Expenses Including Non-Operating	\$200,711	\$205,206	\$202,706	\$197,591	\$213,119
				-3.7%	7.9%

Percentages are based on 2010 Audited, 2011 Forecast & 2012 Budget

2012 Budget Expense – Major Changes (000's)



- Salaries and Benefits increases associated with ILA labor and PHA full headcount
- Increased expenses due to reduced allocations to Construction In Progress (CIP) related to change in Accounting allocation method
- Fees & Services increase for Bayport Channel study, Woodhouse disposition, Channel Development audit, new debt financing program and additional Harris County Auditor fees

2012 Budget

Expense – Major Changes (000's)

- **Salaries increase \$4,021**
 - Driven by increase in ILA contract wages, replacing normal attrition of employees in 2011 and new hires in 2012 (See detail on pages 20 & 21 of the Budget Workshop Packet)
- **Allocation to CIP increase \$4,188**
 - Increase in expenditure is related to the reduction in expenses allocated to CIP
 - Costs will now being expensed in the current period rather than being booked to CIP and later charged to operating expenses as part of depreciation
- **Fees & Services increase \$4,193**
 - Bayport ultimate feasibility study (\$2,000), new debt financing program (\$240), Harris County Auditor fees (\$373), Channel Development audit (\$200) and Woodhouse disposition (\$650)
- **Other Expenses increase \$1,947**
 - Increase in depreciation (\$1,255), equipment & terminal maintenance (\$604) and remaining expenses (\$88)
- **Benefits increase \$1,179**
 - Medical and Life insurance increases (\$761)
 - Benefits associated with the above-mentioned increase in salaries (\$418)

2012 Budget

Expense – Operations (000's)

	2010 Budget	2010 Audited	2011 Budget	2011 Forecast	2012 Budget
Salaries	\$34,536	\$33,158	\$36,496	\$34,250	\$36,757
				3.3%	7.3%
Benefits	13,428	12,649	14,284	13,476	14,147
				6.5%	5.0%
Retirement Benefits	4,582	9,301	10,008	9,176	8,769
				-1.3%	-4.4%
Depreciation & Amortization	52,281	48,323	53,692	51,628	51,613
				6.8%	0.0%
Equipment & Terminal Maintenance	12,536	16,779	14,099	15,422	16,297
				-8.1%	5.7%
Utilities	3,296	3,587	3,513	3,821	4,055
				6.5%	6.1%
Insurance	3,729	4,221	3,730	3,739	3,679
				-11.4%	-1.6%
Fees & Services	1,203	1,612	1,138	1,252	3,309
				-22.3%	164.3%
Fuel	2,342	2,482	2,546	3,069	3,059
				23.7%	-0.3%
Discretionary Expenses	10,639	14,583	10,423	10,363	8,401
				-28.9%	-18.9%
Total Expenses – Operations	\$138,572	\$146,695	\$149,929	\$146,196	\$150,086
				-0.3%	2.7%

Percentages are based on 2010 Audited, 2011 Forecast & 2012 Budget

2012 Budget

Expense – Operations (000's)

- **Salaries & Benefits up \$3,178**
 - 2011 normal attrition and 2012 new hires \$744
 - Increase in medical insurance \$336
 - Increase in ILA Salary Contract \$1,207
 - Increase in Overtime \$461
 - Increase in other benefits \$430
- **Fees and Services up \$2,057**
 - \$2 million for Bayport ultimate feasibility study
- **Equipment & Terminal Maintenance up \$875**
 - Wharf Maintenance-Contractors up \$408
 - Machinery & Equipment-Contractors up \$221
 - All other maintenance accounts \$246
- **Discretionary Expenses down \$1,962**
 - G&A locations no longer allocating to Operations (\$2,949)
 - Contingency fund \$1,000

2012 Budget Expense – G&A (000's)

	2010 Budget	2010 Audited	2011 Budget	2011 Forecast	2012 Budget
Salaries	\$20,236	\$19,026	\$20,405	\$19,247	\$20,761
				1.2%	7.9%
Benefits	7,166	7,219	7,794	7,559	8,065
				4.7%	6.7%
Retirement Benefits	19,059	14,741	14,261	13,524	12,708
				-8.3%	-6.0%
Fees & Services	9,130	15,468	8,994	9,394	11,747
				-39.3%	25.0%
Depreciation & Amortization	4,321	3,366	4,124	3,343	4,613
				-0.7%	38.0%
Consulting Fees	4,112	2,516	3,291	2,582	2,452
				2.6%	-5.0%
Insurance	661	886	856	910	1,021
				2.7%	12.2%
Maintenance	1,200	1,362	1,942	1,148	877
				-15.7%	-23.6%
Discretionary Expenses	2,351	3,236	8,679	6,600	7,041
				104.0%	6.7%
Subtotal	\$68,236	\$67,820	\$70,346	\$64,307	\$69,285
				-5.2%	7.7%
Labor Allocated to Operations	(9,420)	(8,997)	(8,884)	(9,165)	(6,216)
				1.9%	-32.2%
Labor Allocated to CIP	(3,342)	(2,771)	(10,586)	(6,876)	(2,687)
				148.1%	-60.9%
Total Expenses – G&A	\$55,474	\$56,052	\$50,876	\$48,266	\$60,382
				-13.9%	25.1%

Percentages are based on 2010 Audited, 2011 Forecast & 2012 Budget

2012 Budget

G&A Expense Explanations (000's)

G&A Expenses 2011		48,266
Change in accounting allocation method; cost allocated to operational departments and capital projects greatly reduced	7,138	
Depreciation	1,270	
2011 normal attrition replacement (20) & 2012 New Hires (13)	1,607	
Bank and other related fees for Woodhouse disposition	650	
Information Technology software license and maintenance fees	542	
Medical and life insurance increase	413	
Harris County internal audit services	373	
New debt financing program (Bank, legal and related fees)	240	
Channel Development Audit	200	
Property and casualty insurance increase	111	
Retiree medical benefits	74	
Pension and OPEB contributions	(890)	
All remaining expense accounts (See pages 8 and 9 of the Budget Workshop Packet)	388	
		12,116
G&A Expenses 2012		60,382

2012 Budget

Income Statement (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Operating Revenue	\$184,235	\$184,824	\$198,452	\$207,103	\$214,797
Less: Operating Expenses	<u>138,572</u>	<u>146,695</u>	<u>149,929</u>	<u>146,196</u>	<u>150,086</u>
Operating Income	45,663	38,129	48,523	60,907	64,711
Less: General & Administrative Expenses	<u>55,474</u>	<u>56,055</u>	<u>50,876</u>	<u>48,266</u>	<u>60,382</u>
Net Operating Income	(9,811)	(17,926)	(2,353)	12,641	4,329
Non-Operating Revenue (Expense)	<u>10,640</u>	<u>7,817</u>	<u>2,477</u>	<u>3,782</u>	<u>870</u>
Income before Contributions and Transfers	829	(10,109)	124	16,423	5,199
Contributions (to)/from Federal/State Agencies	<u>2,511</u>	<u>1,204</u>	<u>3,358</u>	<u>(476)</u>	<u>4,507</u>
Net Income	<u>\$3,340</u>	<u>(\$8,905)</u>	<u>\$3,482</u>	<u>\$15,947</u>	<u>\$9,706</u>

2012 Budget

Non-Operating (000's)

	<u>2010 Audited</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Income From Federal Funds	\$2,944	\$1,075	\$7,157
Interest Income	3,451	2,093	870
Other Revenues	5,083	3,268	0
Total Non-Op Revenues (See Tab 1, Page 7)	\$11,478	\$6,436	\$8,027
Contributions to State & Local Agencies	\$1,742	\$1,551	\$2,650
(Gain)/Loss	(121)	1,560	0
Other Expenses	838	19	0
Total Non-Op Expenses (See Tab 1, Page 10)	\$2,459	\$3,130	\$2,650
Net Non-Operating	\$9,019	\$3,306	\$5,377

2012 Budget Non-Operating (000's)

NON-OP REVENUE Income From Federal Funds Detail

(Grant Reimbursement)	2012	2013	2014	2015	2016	Notes
Round 7						
Woodhouse Fiber	2,488,054	-	-	-	-	Fiber cable from Woodhouse to the PCC
Round 8						
Blue Force Tracking	268,942	-	-	-	-	Wireless communication from vehicles
Fiber Optic Infrastructure	1,940,574	3,603,923	-	-	-	Fiber from BCT, Bayport, Care to TxDOT
PCC Expansion	355,950	830,550	-	-	-	Office, bunkhouse at PCC
PCC Upgrades	30,952	72,222	-	-	-	Efficiency upgrades to PCC interior
Fire Boat	748,500	2,994,000	-	-	-	Fireboat
Round 9						
Night Vision Capability	42,946	257,677	128,839	-	-	Night vision cameras
CAD Expansion	23,817	142,904	71,452	-	-	Expand dispatch system
CCTV Camera Replacement	67,500	405,000	202,500	-	-	Camera replacement
Fire Boats	748,500	748,500	5,988,000	-	-	2 fireboats
Rail Gate Security	216,686	866,744	1,083,430	-	-	Security at terminal rail gates
Security Maintenance Program	225,000	225,000	1,800,000	-	-	Maintenance of existing granted projects
Round 10						
BCT Fiber	-	168,109	504,326	1,008,652	-	High capacity fiber at BCT
Round 11						
Fiber Sam Houston-Southside	-	-	155,861	545,515	857,237	Fiber from Southside to the Sam Houston pavillion
Security Maintenance Program 2	-	-	100,000	350,000	550,000	Maintenance of existing granted projects
Grand Total	7,157,422	10,314,629	10,034,408	1,904,167	1,407,237	

Tab 4 Slide 1

2012 Budget

Non-Operating (000's)

NON-OP REVENUE
Contributions to Others

	2012
Morgan's Point Sidewalk-Donaldson	650,000

Boat Dock @ San Jacinto	2,000,000
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				BID	AWARD	COMPL:	2012
Executive Administration	2007-00802	Morgan's Point Sidewalk - Donaldson	Expense-Contribution	26-Jul-11	24-Jan-12	30-Jun-12	650,000
	2007-00805	Boat Dock @ San Jacinto Monument	Expense-Contribution	25-Sep-12	25-Sep-12	30-Sep-12	2,000,000
Executive Administration Total							2,650,000

Tab 4 Slide 1

2012 Budget

Net Income Explanation (000's)

Net Income 2011		15,947
Revenue increase due to assumed volumes and dredge disposal material revenues	7,694	
Increase in federal grants (Woodhouse fiber, Fiber Optic Infrastructure and the first new fireboat)	4,973	
Change in accounting allocation method	(7,138)	
Operating Expense increases associated with the increased revenues	(3,890)	
Non-Operating revenues decrease due to projected reductions in interest income and insurance proceeds	(2,902)	
Replacement employees for 2011 normal attrition and new hires in 2012	(1,607)	
Depreciation	(1,270)	
Increase in Fees (Bayport Channel Study, Woodhouse sale, New debt financing program, Channel Development audit and Harris County Auditors)	(1,463)	
All remaining G&A Expense Accounts (See page 7 of the Budget Workshop Packet)	(638)	
		(6,241)
Net Income 2012		9,706

2012 Budget

Pro Forma Income Statement* (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Operating Revenue	\$184,235	\$184,824	\$198,452	\$207,103	\$214,797
Less: Operating Expenses	<u>136,727</u>	<u>145,107</u>	<u>148,134</u>	<u>144,733</u>	<u>150,086</u>
Operating Income	47,508	39,717	50,318	62,370	64,711
Less: General & Administrative Expenses	<u>61,029</u>	<u>59,504</u>	<u>57,390</u>	<u>53,971</u>	<u>60,382</u>
Net Operating Income	(13,521)	(19,787)	(7,072)	8,399	4,329
Non-Operating Revenue (Expense)	<u>10,640</u>	<u>7,817</u>	<u>2,477</u>	<u>3,782</u>	<u>870</u>
Income before Contributions and Transfers	(2,881)	(11,970)	(4,595)	12,181	5,199
Contributions (to)/from Federal/State Agencies	<u>2,511</u>	<u>1,204</u>	<u>3,358</u>	<u>(476)</u>	<u>4,507</u>
Net Income	<u>(\$370)</u>	<u>(\$10,766)</u>	<u>(\$1,237)</u>	<u>\$11,705</u>	<u>\$9,706</u>

**2010 and 2011 data have been adjusted for accounting allocation changes effective in 2012*

2012 Budget

Operating Cash Flow (000's)

	2010 Budget	2010 Audited	2011 Budget	2011 Forecast	2012 Budget
Net Income	\$3,340	(\$8,905)	\$3,482	\$15,947	\$9,706
				279.1%	-39.1%
Add: Depreciation/Amortization	56,603	51,690	57,817	54,971	56,226
				6.3%	2.3%
Add: OPEB Annual Required Contribution	13,097	11,250	11,970	10,141	7,641
				-9.9%	-24.7%
Add: POHAIC Non cash writeoff	-	-	-	1,980	-
					100.0%
Deduct: OPEB Trust Funding	-	-	-	(8,000)	(8,000)
Deduct: Capital Additions	(6,979)	(6,103)	(10,586)	(6,876)	(2,687)
				12.7%	-60.9%
Cash Flow	\$66,061	\$47,932	\$62,683	\$68,163	\$62,886
				42.2%	-7.7%

Percentages are based on 2010 Audited, 2011 Forecast and 2012 Budget

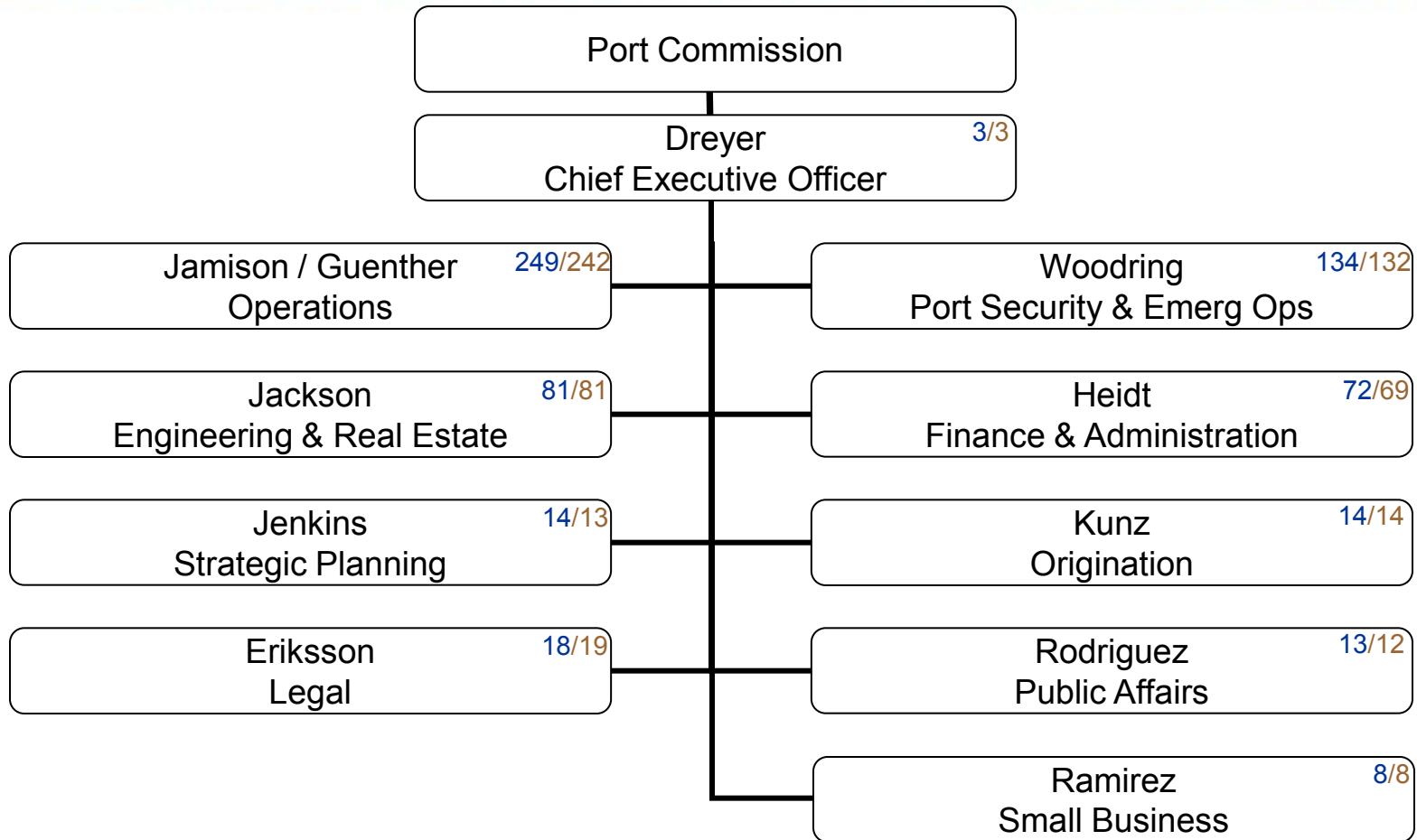
2012 Budget

Cash Flow Explanation (000's)

Cash Flow 2011		68,163
Changes in Net Income (See page 15)	(6,241)	
Depreciation & Amortization increase due to new project completion	1,255	
Decrease in OPEB Annual Required Contribution	(2,500)	
POHAIC write off in 2011	(1,980)	
Reduction in expenses being capitalized	4,189	
		(5,277)
Cash Flow 2012		62,886

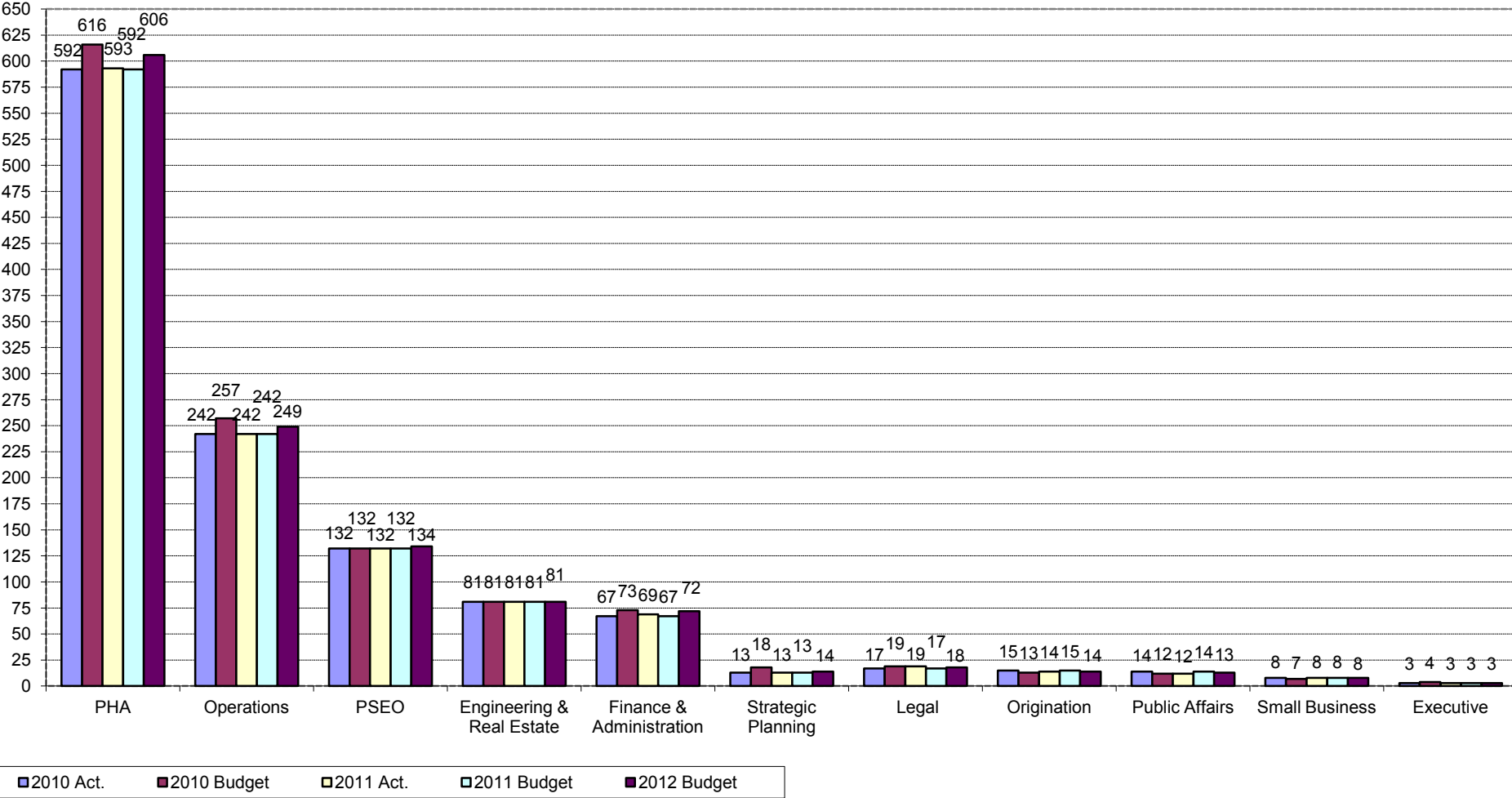
2012 Budget

PHA Staff Organization Structure



Total Employment : 2012 (606) 2011 (593) 2010 (592) 2009 (592) 2008 (595)

2012 Budget PHA Headcount 2010-2012



2012 Liquidity Report (000's)

	2011	2012	2013
Discretionary Funds Available, Beginning of Year	\$ 337,751	\$ 206,665	\$ 63,384
Contingency	(35,000)	-	-
Debt Service and Other Reserves	(15,685)	-	-
	\$ 287,066	\$ 206,665	\$ 63,384
Sources:			
Operating Cash Flow *	68,163	62,886	65,546
	\$ 355,229	\$ 269,551	\$ 128,930
Uses:			
Outstanding Capital PO's and Commitments	(48,253)	-	-
New Capital Investment **			
Container Terminals	(57,241)	(145,854)	(111,303)
Turning Basin Terminals	(3,915)	(35)	(20,430)
Houston Ship Channel	(6,000)	(5,520)	(129,510)
Marine (incl. fireboats)	(16,120)	(2,881)	-
Security	(8,173)	(12,868)	(5,023)
Other	(8,863)	(39,008)	(37,869)
Subtotal - New Capital Investment	(100,311)	(206,167)	(304,135)
Discretionary Funds Available, End of Year	\$ 206,665	\$ 63,384	\$ (175,205)

* Reflects 2011 Forecast as of 10/26/2011

* Includes \$8,000 payment to OPEB Trust every December

** Estimate as of 10/26/2011

Moderate third party external financing will be necessary in 2012

Forward Looking Principles

- Primary operational focus:
 - Balance headcount and other expenses against actual operating performance
 - Enhance operating cost transparency
 - Consistently generate free cash flow
- Optimal deployment of capital resources:
 - Preserve cash resources and liquidity
 - Strengthen capital allocation process and reporting

Decisive financial decisions are necessary to achieve operational excellence and enhance liquidity



Appendix

2012 Budget Executive (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$494	\$411	\$453	\$442	\$468
Benefits	111	175	152	118	160
Retirement Benefits	130	295	288	264	269
Consulting Fees	250	-	146	184	196
Travel	130	67	80	12	99
Fees & Services	-	69	1	5	267
Discretionary Expenses	324	234	159	40	53
Total Expense	<u>\$1,439</u>	<u>\$1,251</u>	<u>\$1,279</u>	<u>\$1,065</u>	<u>\$1,512</u>

Headcount

Executive 3

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Container Terminals (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$28,136	\$26,838	\$29,581	\$27,780	\$30,207
Benefits	10,427	9,842	10,850	10,324	10,801
Retirement Benefits	2,662	5,337	5,819	5,335	5,106
Depreciation & Amortization	32,283	29,483	33,505	33,211	33,780
Equipment & Terminal Maintenance	6,039	8,899	7,888	8,766	10,413
Fuel	2,200	2,374	2,400	2,919	2,905
Utilities	2,056	2,328	2,432	2,386	2,503
Insurance	2,513	2,862	2,537	2,533	2,412
Bayport User Fees	1,382	1,576	1,000	1,785	1,740
Fees & Services	662	1,036	585	655	578
Telephone	175	168	177	166	163
Materials	200	216	173	188	150
Discretionary Fees	489	1,525	396	442	519
Total Expense	\$89,224	\$92,484	\$97,343	\$96,490	\$101,277
Expense Allocation In (Out)	4,599	3,863	3,984	4,036	2,481
Net Expense	\$93,823	\$96,347	\$101,327	\$100,526	\$103,758

Headcount BCT-Salary 31 BCT-Hourly 65 Bayport-Salary 38 Bayport-Hourly 43

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Turning Basin Terminals (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$3,934	\$3,678	\$4,094	\$3,729	\$3,921
Benefits	2,472	1,642	1,952	1,830	1,879
Retirement Benefits	1,845	2,344	2,468	2,263	2,174
Depreciation & Amortization	11,634	11,094	12,109	11,376	11,108
Equipment & Terminal Maintenance	5,030	5,814	4,516	4,506	3,721
Utilities	1,143	1,028	964	1,207	1,217
Insurance	770	852	769	767	926
Fees & Services	521	456	471	535	658
Environmental Related Costs	185	170	212	191	222
Fuel	121	84	116	121	125
Discretionary	264	2,930	188	310	218
Total Expense	\$27,919	\$30,092	\$27,859	\$26,835	\$26,169
Expense Allocation In (Out)	586	1,194	785	1,312	236
Net Expense	\$28,505	\$31,286	\$28,644	\$28,147	\$26,405

Headcount

Turning Basin 18 Maintenance 47 Harbor Patrol 4

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Operations Support (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$287	\$278	\$292	\$265	\$243
Benefits	76	76	87	80	73
Retirement Benefits	71	165	186	171	140
Depreciation & Amortization	2,891	2,475	2,433	2,274	1,901
Contingency Total	-	-	1,000	-	1,000
Insurance	6	8	7	7	7
Discretionary Expense	25	27	25	20	22
Total Expense	\$3,356	\$3,029	\$4,030	\$2,817	\$3,386
Security Allocations	93	68	78	75	29
Net Expense	\$3,449	\$3,097	\$4,108	\$2,892	\$3,415

Headcount

Administration 3

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Engineering & Real Estate (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$6,145	\$5,572	\$6,128	\$5,499	\$5,955
Benefits	2,128	2,121	2,275	2,236	2,301
Retirement Benefits	1,760	3,940	3,863	3,542	3,276
Depreciation & Amortization	3,046	2,709	2,889	2,256	2,281
Fees & Services	156	192	245	215	2,199
Equipment & Terminal Maintenance	1,545	1,683	1,733	1,806	1,916
Utilities	347	446	361	337	470
Insurance	275	394	353	368	363
Consulting Fees	297	423	802	448	338
Environmental Related Costs	770	471	560	240	306
Materials	254	238	158	167	156
Discretionary Expenses	644	1,268	620	432	491
Total Expense	\$17,367	\$19,457	\$19,987	\$17,546	\$20,052
Expense Allocation In (Out)	(5,876)	(5,320)	787	600	701
Allocated Expenses to CIP	(342)	(300)	(8,783)	(6,239)	(2,231)
Net Expense	\$11,149	\$13,837	\$11,991	\$11,907	\$18,522

Headcount

Administration	2	Engineering & Construction	47	Project Management	14	Office Services	5
Channel Development	4	Beneficial Use Sites	2	Building Services	1	Real Estate	6

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Finance & Administration (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$4,445	\$4,179	\$4,532	\$4,346	\$4,699
Benefits	1,605	1,601	1,741	1,732	1,845
Retirement Benefits	14,869	5,329	4,411	4,457	4,384
Fees & Services	703	953	1,248	939	3,165
Depreciation & Amortization	491	445	717	605	1,410
Equipment & Terminal Maintenance	595	663	785	558	176
Telephone	175	128	110	128	164
Computer Hardware Rental	-	-	50	31	100
Insurance	87	106	77	81	88
Discretionary Expenses	1,098	1,738	650	799	842
Total Expense	\$24,069	\$15,142	\$14,321	\$13,676	\$16,873
Expense Allocation In (Out)	(498)	(543)	(564)	(557)	(169)
Allocated Expenses to CIP	-	-	(803)	(779)	(456)
Net Expense	\$23,571	\$14,599	\$12,954	\$12,340	\$16,248

Headcount

Administration	2	IT	24	Finance/Fin Planning	4	Training & Development	2
Accounting	31	Risk Management	3	Human Resources	6		

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Strategic Planning (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$1,070	\$936	\$1,063	\$1,008	\$1,140
Benefits	344	310	334	342	379
Retirement Benefits	275	615	678	622	560
Consulting Fees	2,085	944	1,111	493	550
Economic Development Support	180	180	182	182	183
Fees & Services	17	19	62	83	53
Equipment & Terminal Maintenance	19	14	18	17	18
Discretionary Expenses	958	675	764	617	315
Total Expense	\$4,948	\$3,693	\$4,211	\$3,364	\$3,198
Expense Allocation In (Out)	(650)	(460)	(498)	(375)	-
Net Expense	\$4,298	\$3,233	\$3,714	\$2,989	\$3,198

Headcount

Administration

3

Strategic Planning

2

Environmental Affairs

9

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Origination (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$1,244	\$1,049	\$1,082	\$1,068	\$1,119
Benefits	436	353	394	373	371
Retirement Benefits	270	658	691	669	643
Depreciation & Amortization	2,941	3,037	3,276	2,979	2,973
Consulting Fees	575	457	580	582	570
PHA Sponsored Events	280	365	300	162	441
Economic Development Support	267	303	365	267	283
Travel	146	212	399	160	240
Insurance	219	231	209	212	130
Fees for Online Service Bureaus	151	119	143	110	135
Utilities	7	9	7	120	96
Discretionary Expenses	497	635	568	506	365
Total Expense	\$7,033	\$7,429	\$8,014	\$7,208	\$7,366
Expense Allocation In (Out)	80	88	99	118	80
Net Expense	\$7,113	\$7,516	\$8,113	\$7,326	\$7,446

Headcount

Administration 2

Market Development 5

Houston Trade 6

FTZ 1

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Public Affairs (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$866	\$894	\$924	\$847	\$950
Benefits	267	227	335	281	342
Retirement Benefits	235	529	680	623	471
Consulting Fees	705	701	948	991	750
Art & Printing Production	931	608	867	639	634
Advertising Media	1,201	1,125	1,050	310	300
PHA Receptions & Special Events	-	-	263	166	150
PHA Sponsored Events	267	274	77	119	107
Economic Development Support	375	677	100	100	100
Discretionary Expenses	571	642	725	649	580
Total Expense	\$5,418	\$5,677	\$5,969	\$4,725	\$4,384

Headcount

Administration	2	Government Relations	3
Communications	5	Community Relations	3

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Legal (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$1,218	\$1,251	\$1,242	\$1,273	\$1,408
Benefits	426	440	428	434	492
Retirement Benefits	352	755	792	726	695
Fees & Services	4,003	9,351	2,997	3,129	2,727
Depreciation & Amortization	46	46	46	46	23
Discretionary Expenses	204	237	130	197	134
Total Expense	\$6,249	\$12,080	\$5,635	\$5,805	\$5,479
Expense Allocation In (Out)	(450)	(527)	(646)	(534)	-
Allocated Expenses to CIP	(3,000)	(2,470)	(1,000)	143	-
Net Expense	\$2,799	\$9,083	\$3,903	\$5,414	\$5,479

Headcount

Legal	11	Purchasing	5
Records Management Information	2		

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Small Business (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$475	\$499	\$568	\$541	\$559
Benefits	118	203	175	203	213
Retirement Benefits	112	270	319	292	321
Economic Development Support	-	-	260	192	275
Educational Sponsorships	50	41	50	132	109
Discretionary Expenses	218	168	213	143	198
Total Expense	<u>\$973</u>	<u>\$1,181</u>	<u>\$1,585</u>	<u>\$1,503</u>	<u>\$1,675</u>

Headcount

Administration	2
Small Business	6

2010 and 2011 data have not been adjusted for accounting changes effective in 2012

2012 Budget

Port Security and Emergency Operations (000's)

	<u>2010 Budget</u>	<u>2010 Audited</u>	<u>2011 Budget</u>	<u>2011 Forecast</u>	<u>2012 Budget</u>
Salaries	\$6,458	\$6,600	\$6,941	\$6,702	\$6,849
Benefits	2,185	2,877	3,353	3,082	3,358
Retirement Benefits	1,060	3,804	4,074	3,736	3,439
Fees & Services	4,288	4,841	4,494	5,045	5,397
Depreciation & Amortization	3,214	2,369	2,796	2,202	2,728
Equipment & Terminal Maintenance	436	1,016	1,048	846	925
Insurance	420	560	549	600	688
Fuel	99	137	130	189	196
Materials	269	280	195	223	189
Dues & Memberships	152	76	149	102	154
Utilities	109	137	147	132	133
Discretionary Expenses	616	389	392	386	418
Total Expense	\$19,306	\$23,086	\$24,268	\$23,245	\$24,474
Expense Allocation In (Out)	(7,800)	(7,447)	(7,136)	(7,617)	(6,047)
Net Expense	\$11,506	\$15,639	\$17,132	\$15,628	\$18,427

Headcount

PSEO Admin 10

Sam Houston 6

PSEO 67

Marine Admin 3

Fireboats 48

2010 and 2011 data have not been adjusted for accounting changes effective in 2012



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