

# Port of Houston Authority

## Promotion and Development Fund Policy and Standards



### I. Definitions.

A. “Outreach Vehicles” means the 1947 restored antique fire truck owned by the Port Authority, the Mobile Command Center, the Port Authority’s hybrid vehicles, and the Port Authority’s emergency response vehicles and vessels.

B. “P&D” means Promotion and Development.

C. “P&D Fund” means the promotion and development fund provided for in Tex. Water Code Sec. 60.204.

D. “P&D Policy” means this Promotion and Development Fund Policy and Standards document.

E. “P&D Priorities” means the expenditure priorities described in Section III below.

F. “P&D Statute” means Tex. Water Code Subchapter H “Promotion and Development Fund in Certain Districts” (see Exhibit “A” attached).

G. “P&D Volunteer Activities” means Port Commissioner, staff, and retiree volunteer activities aligned with the P&D Priorities, as organized by the Port Authority.

H. “Port Authority” means the Port of Houston Authority of Harris County, Texas.

I. “Port of Houston” means the maritime complex along the Houston Ship Channel and its tributary waterways, including the Port Authority’s public terminals as well as privately-owned facilities.

### II. Overview and Policy Statement.

A. Pursuant to the P&D Statute, the Port Authority sets aside a portion of its operating revenues as a P&D Fund for the following purposes:

1. Advertising, developing, and promoting the Port Authority and the Port of Houston;

2. Furthering the general welfare of the Port Authority and the Port of Houston; and
3. Improving the Port Authority's relations with steamship and rail lines, shippers, freight interests, governmental officials, and others who are interested or may be interested in the Port of Houston.

The purpose of this P&D Policy is to set out the Port Authority's policy and standards for use of the P&D Fund.

B. The Port Authority may conduct programs, initiatives, and activities to support the P&D Priorities. In addition, Port Commissioners, Port Authority staff members, and representatives of external organizations may request that the Port Authority assist external programs, initiatives, and activities that support the P&D Priorities, through contributions of funds or in-kind services.

C. Expenditures supporting these programs, initiatives, and activities should be evaluated against the Port Authority's other needs and available resources, and only appropriate items should be funded, consistent with prudent financial management, the P&D Statute, and this P&D Policy.

### III. P&D Priorities.

A. Maritime Commerce. The Port Authority is committed to promoting international and national maritime trade and generating economic development, by increasing vessel calls, cargo volumes, and overall commerce through the Port of Houston and Port Authority facilities. This priority includes the following programs, initiatives, and activities:

1. Outreach to current and potential domestic and foreign customers, through business visits, direct and indirect marketing programs, promotional events, and other means;
2. Seeking out new opportunities for the markets and facilities of the Port of Houston and Port Authority;
3. Supporting the continued operation, maintenance, and improvement of the Houston Ship Channel;
4. Advocating for maritime transportation and the infrastructure that supports the Port of Houston; and

5. Educating the public and officials regarding these matters.

B. Economic and Workforce Development. The Port Authority is committed to supporting economic and workforce development-related programs to help generate and support commerce for the Port of Houston and Port Authority. This priority includes the following programs, initiatives, and activities:

1. Membership in trade associations;
2. Small business development initiatives;
3. Support of economic development groups, including local chambers of commerce;
4. Fostering maritime industry-related career readiness; and
5. Assisting educational activities that promote maritime workforce opportunities.

C. Environmental Awareness. The Port Authority is committed to promoting environmental protection and stewardship aimed at air quality improvement, marsh creation, pollution prevention and remediation, storm-water management, sustainability, and waste reduction. This priority includes the following programs, initiatives, and activities:

1. Participation in pilot projects and long-term sustainability initiatives;
2. Support of employee van pools and other energy conservation measures;
3. Participation in community cleanups; and
4. Sponsorship of environmental conferences and other gatherings;

D. Community Outreach. The Port Authority is committed to supporting community-based activities and programs to promote the general welfare of the region. This priority includes the following programs, initiatives, and activities:

1. Forging Port Authority-related community and governmental alliances;

2. Encouraging Port Authority staff volunteer efforts; and
3. Supporting communities that are directly affected by Port Authority activities.

IV. P&D Programs, Initiatives, and Activities.

A. Programs.

1. The Port Authority may initiate and invest in programs that are aligned with the P&D Priorities. These programs should make careful use of resources and be designed to contribute to the region's economic and community development, and should address the needs and challenges of the Houston Ship Channel region.

2. Port Authority employees should staff Port Authority programs that are strongly aligned with its legislatively-mandated purposes of facilitating and accommodating navigation and commerce and developing the Port of Houston. Such programs may include Port of Houston and Port Authority trade development, small business development outreach, and maritime educational support programs.

3. The Port Authority may provide funding for programs aligned with the P&D Priorities that are sponsored by community and other organizations.

B. Service Agreements.

1. The Port Authority may enter into service agreements with non-profit community organizations that help the Port Authority meet its economic and community development objectives, through third-party activities that align with its P&D Priorities. These may include chambers of commerce, economic and workforce development groups, and transportation organizations.

2. The Port Authority's service agreements should require these groups to furnish promotional and economic development services on behalf of the Port Authority and the Port of Houston, and periodically report to the Port Authority on those activities.

C. Sponsorships.

1. The Port Authority may provide sponsorship support for events and activities that help it meet its economic and community development objectives, and align with the P&D Priorities.

2. Sponsorships should generally be used to assist groups not already receiving programmatic or service agreement support from the Port Authority, and/or for events that provide opportunities for Port Commissioners and Port Authority employees to promote the Port Authority and the Port of Houston and improve the Port Authority's relations with those who are interested or may be interested in the Port of Houston.

3. Sponsorships can include Port Authority-led events, and monetary and in-kind support of events organized by third parties or with the assistance of the Port Authority.

D. Employee Service and Giving. Port Authority employees and retirees support a variety of P&D Volunteer Activities, both with their time and their own funds.

1. "Port SupPORTers" are Port Authority employees who may volunteer their time with the community in a variety of ways, such as donating blood, assisting in public schools, participating in beautification projects, serving on non-profit boards and committees, and volunteering in other ways.

2. The Port Authority may periodically conduct a Combined Charities Employee Campaign in accordance with Subchapter R of Chapter 60 of the Tex. Water Code, collecting funds from employees to donate to designated charitable and environmental organizations.

3. The Retiree Ambassador Program may organize volunteer efforts by Port Authority retirees. In addition to supporting the P&D Priorities, this program can increase the volunteer base in the community, and maintain and build relationships with retired employees.

E. Tours aboard the *M/V SAM HOUSTON*. The *M/V SAM HOUSTON* is operated by the Port Authority to support the P&D Priorities. Houston Ship Channel tours on the *M/V SAM HOUSTON* help business and industry leaders, community members, elected officials, international visitors, students, tourists, and others become familiar with the Port of Houston and better understand the economic value that the maritime industry contributes to the region and the nation.

1. The *M/V SAM HOUSTON* may conduct public tours on a regular basis. Tours should be open to the public by advance reservation.

2. In addition to these regularly scheduled public tours, the *M/V SAM HOUSTON* may be reserved for special tours that help support the P&D Priorities.

a. Without limiting the foregoing, special tours may be provided to officials and groups with purposes or activities that directly or indirectly contribute to Port Authority or Port of Houston business, that are concerned with issues of economic development or international commerce and transportation, or that impact the development and maintenance of Port Authority facilities, the Houston Ship Channel, or the Port of Houston and its stakeholders.

b. The Port Authority reserves the right to determine all special tour conditions, including tour group sizes, catering arrangements, and materials that may be brought aboard the *M/V SAM HOUSTON*.

c. Tour groups should timely submit requests for refreshments or catering services provided at the Port Authority's expense on special tours. Such requests should be approved only if and to the extent that the expenditures involved in meeting such requests support careful use of Port Authority resources and align with the P&D Priorities.

d. Tour groups shall not be permitted to use the *M/V SAM HOUSTON* for hire, nor to use special tours to support political or special interest issue advocacy, fundraising, or for-profit business activities, including offering special tours for compensation, whether as an auction item or for other consideration.

e. Promotion or publicity of any special tour requested by a third party should not be allowed without advance approval of the Port Authority.

f. As ambassadors of the Port of Houston, Port Commissioners and former Port Commissioners may sponsor one special tour aboard the *M/V SAM HOUSTON* each calendar year, provided it supports the P&D Priorities and is approved as otherwise provided herein.

F. Outreach Vehicles. Outreach Vehicles may be used to support the P&D Priorities, subject to scheduling availability.

1. Outreach Vehicles may be displayed to help members of the public, including elected officials, domestic and international guests, and students, become familiar with the Port Authority and the Port of Houston. Community activities such as parades and gatherings that call for displays or booths should be given priority for the use of Outreach Vehicles.

2. Outreach Vehicles shall not be used for hire or to support political or special interest issue advocacy, fundraising, or for-profit business activities, or for

personal use by any Port Commissioner, employee, or third party, or provided for compensation or other consideration.

3. No decorations, signs, or similar materials should be displayed by third parties on any Outreach Vehicle without the prior written approval of the Port Authority.

G. Promotion and Advertising.

1. Community promotion and advertisement activities are part of an integrated communications effort designed to build awareness of the Port Authority and the Port of Houston, consistent with the P&D Statute and P&D Priorities. Port Authority business development promotion and advertisement activities are designed to increasing vessel calls, cargo volumes, and overall commerce through Port Authority facilities.

a. Community promotion and advertisement should be separately administered from Port Authority business development promotion and advertisement activities.

b. Community promotion and advertisement efforts are primarily executed through promotional and collateral materials, creative advertisements, and news and editorial features, using multiple media platforms to reach diverse audiences. Business development promotion and advertisement activities also include direct customer outreach and event participation and promotion.

2. Community promotion and advertisement should highlight the vital economic impact of the Port Authority and Port of Houston, and alert the public to opportunities to participate in Port Authority P&D programs, initiatives, and activities, and work with the Port Authority. Messages may also include the Port Authority's involvement in the community, commitment to the environment, its stature in global trade and commerce, and its overall contributions to the quality of life for the Houston region, Texas, and across the United States.

3. The Port Authority should consider advertisement and promotional opportunities provided by local and trade organizations, including publishers and media outlets, and should seek promotional partnership opportunities.

H. Federal and State Legislative Support.

1. The Port Authority is a public entity, authorized by Texas law, with oversight provided locally through a Port Commission with members appointed by the City of Houston, Harris County, the City of Pasadena, and the Harris County Mayors'

and Councils' Association. The Port Authority is also the local sponsor of the Houston Ship Channel, partnering with the federal government to maintain the Houston Ship Channel. In addition to state law that governs its operations, Port Authority properties, terminals, and operations are subject to local ordinance, federal law, and international agreements. Consequently, it is regulated by and partners with dozens of governmental agencies.

2. The Port Authority should maintain active communication and collaboration with the jurisdictions, agencies, and the many elected and appointed officials who oversee or otherwise may affect the Port of Houston. It should conduct efforts to educate policy makers on the importance of the Port Authority and its operations, and engage in legislative, governmental, and regulatory processes to ensure that the Port Authority most effectively carries out its mission and directives.

3. These functions and efforts are the purview of the Chairman and the Port Commission, the policy making body of the institution, who are the primary ambassadors for the Port of Houston Authority and its mission, and who may from time to time delegate assignments to staff or consultants, as they deem appropriate, to forward the goals of the Port of Houston Authority.

a. In order to most effectively conduct interactions with numerous elected and appointed federal and state officials, and consistent with the bylaws of the Port of Houston Authority, the Chairman in consultation with the Commission may engage external federal and state legislative consultants.

b. These legislative consultants should be expert in policy-making, either possess or have the ability to build relationships with key federal or state government stakeholders, and monitor and report on important and notable legislative and administrative developments.

I. Other Activities. The Port Authority reserves the right to engage in other activities, as determined by the Port Commission from time-to-time, which are supported by the P&D Fund, consistent with the P&D Statute, and aligned with the P&D Priorities.

V. Authority of the Port Commission and Delegation of that Authority.

A. Control and Responsibility of the Port Commission. The P&D Fund is under the exclusive control of the Port Commission, which has full responsibility for auditing, approving, and safeguarding P&D Fund expenditures.

B. Primary Port Commission Authority. The Port Commission shall exercise this authority by approving the budget for all activities and costs to be paid from the P&D

Fund, reviewing and approving appropriate individual items, including all contracts otherwise subject to Port Commission approval by law, and delegating as they deem appropriate, review and approval of items to Port Authority staff.

C. Delegation of Authority to Port Commission Community Relations Committee. Except as provided in Section V(D) below, the Port Commission hereby delegates to the Port Commission Community Relations Committee the authority to periodically review and approve community and trade development activities comprising the following P&D Initiatives, as described in Section IV above:

1. Programs;
2. Service agreements;
3. Sponsorships; and
4. Special Tours aboard the *M/V SAM HOUSTON*.

D. Delegation of Authority to Port Commission Procurement and Small Business Development Task Force. The Port Commission hereby delegates to the Port Commission Procurement and Small Business Development Task Force the authority to periodically review and approve small business development activities associated with the following P&D Initiatives, as described in Section IV above:

1. Programs;
2. Service Agreements;
3. Sponsorships; and
4. Special tours aboard the *M/V SAM HOUSTON*.

E. Delegation of Authority to Port Commission Audit Committee. The Port Commission hereby delegates to the Port Commission Audit Committee the following duties:

1. Oversight of audits and financial reviews of the P&D Fund, including an annual audit conducted by an independent auditor; and
2. Oversight of related P&D Fund financial matters, including
  - a. The integrity of P&D Fund financial statements;

- b. P&D Fund accounting reporting processes and controls;
- and
- c. The qualifications, independence, and performance of the P&D Fund's independent auditor.

F. Delegation of Authority to Executive Director and Designees. Except with respect to its approval of contracts otherwise subject to Port Commission approval by law, or as otherwise provided by Port Commission-approved policies, the Port Commission hereby delegates to the Executive Director, and his or her designees, the review and approval of the following P&D Initiatives, as described in Section IV(D) and V(G) above:

- 1. Employee Service and Giving;
- 2. Outreach vehicles;
- 3. Promotion and Advertising, provided that any externally-requested promotion and advertising activity requiring an expenditure in excess of \$25,000 should be approved by the Port Commission. External requests should not be treated as separate or sequential requests to avoid this requirement.

G. P&D Fund Reporting. The Port Commission shall be provided regular reports, at least monthly, setting forth all expenditures from the P&D Fund, in such detail as the Port Commission requires, for the previous month and for such other periods as the Port Commission directs.

- 1. Such reports shall be made available to the public on the Port Authority's website.
- 2. Such reports shall include detailed information about:
  - a. Travel by Port Commissioners;
  - b. Special uses of the Port Authority's resources, including programs, service agreements, special tours aboard the *M/V SAM HOUSTON*, and outreach vehicles, and their associated costs, organized by Port Authority division;
  - c. Sponsorships and similar spending; and
  - d. Total expenditures from the P&D Fund, including year-to-date summary information by category of expenditure.

H. P&D Policy Updates. The Port Commission shall evaluate this P&D Policy's effectiveness and adopt updates to it as needed at regularly scheduled public meetings.

I. Additional Standards for Administration. The Port Commission hereby directs staff to prepare and from time-to-time update standards consistent with this P&D Policy for staff's financial administration of the P&D Fund.

VI. Standards for Port Authority P&D Expenditures.

A. P&D Fund is for Purposes Not Covered by Other Law. In accordance with the P&D Statute, the purpose of the P&D Fund is for disbursements "for unusual purposes and occasions not covered by other law," and the existence of the P&D Fund shall not affect payment of expenses customarily paid out of the Port Authority's regular funds.

B. Expenses Not Paid from the P&D Fund. Therefore, the following expenses are not subject to the P&D Statute and P&D Policy, and should not be customarily paid from the P&D Fund:

1. Routine and operational payroll-related expenses;
2. Other routine overhead expenses, that would customarily be considered an operating expense under generally accepted accounting principles; and
3. Operational and capital expenditures made to assist a city, county, state, or federal governmental entity.

C. Expenses Paid from the P&D Fund. Except as provided in Section VI(B) above, the following expenses are subject to the P&D Statute and P&D Policy, and paid from the P&D Fund:

1. Expenses related to community support and involvement (including programs, service agreements, event sponsorships, volunteer activities, promotional use of vessels and vehicles, community advertising, and legislative outreach);
2. Expenses related to business and economic growth and development for the Port Authority, Port of Houston, and the region; and

3. All expenses, including payroll-related expenses, of the *M/V SAM HOUSTON* and the related Pavilion.

VII. Management of P&D Activities.

A. Budgeting.

1. Each Port Authority division that anticipates P&D Fund expenses in the following year should develop a budget of these expenditures in conjunction with the Port Authority's annual budget process.

2. Port Authority staff should recommend, for Port Commission approval, reasonably detailed P&D Fund budget line items for the forthcoming year, at the Port Commission meeting or workshop during which the annual operating budget of the Port Authority is reviewed and approved.

3. Port Commissioners and Port Authority staff should limit P&D Fund expenditures to the amounts set forth in the annual operating budget adopted by the Port Commission, and in no event shall P&D Fund expenditures exceed five percent of the Port Authority's gross income from operations in each calendar year.

4. If necessary, budgets should be reforecast quarterly by the applicable budget owner, and each reforecast should be shown on subsequent monthly reports, along with explanations for significant variances from the original approved annual budget line items.

B. Review of Proposed Activities and Requests for Activities. Every proposed activity and request to support an activity subject to the P&D Policy should be evaluated to determine whether it falls within the P&D Priorities and the budget adopted by the Port Commission.

C. Approval of P&D Fund Support.

1. Requests for Port Authority support of activities from the P&D Fund should be submitted to the Port Authority in writing.

a. Port Commissioners should submit completed requests to the Executive Director, who shall notify the Corporate Affairs Division of such requests.

b. Port Authority employees and third parties should submit completed requests to the Corporate Affairs Division.

2. The Corporate Affairs Division shall bring such requests to the appropriate approving authority, as provided in Sections V(B) through (F) above, for action.

3. Port Commissioners, the Port Commission Community Relations Committee, the Port Commission Procurement and Small Business Development Task Force, or Port Authority staff, as provided in Sections V(B) through (F) above, shall review and take action on such requests, provide all approved requests should conform to the P&D Priorities and the budget guidelines adopted by the Port Commission.

4. If the Port Commission Community Relations Committee or Port Commission Procurement and Small Business Development Task Force, as applicable, disapproves or fails to act on a Port Commissioner request, the Port Commissioner making the request may resubmit the request for consideration and possible action at a public session of the Port Commission.

D. P&D Policy Exceptions.

1. Exceptions to this P&D Policy applicable to Port Authority employee requests may only be made by the Port Commission Community Relations Committee or Port Commission Procurement and Small Business Development Task Force, as applicable.

2. Exceptions to this P&D Policy applicable to Port Commissioner requests may only be made by the Port Commission in public session.

3. All expenditures resulting from approved exceptions shall be subject to the same reporting requirements as other approved expenditures from the P&D Fund.

## Exhibit A

### TEXAS WATER CODE

#### CHAPTER 60 SUBCHAPTER H. PROMOTION AND DEVELOPMENT FUND IN CERTAIN DISTRICTS

Sec. 60.201. PURPOSE. Districts in this state which operate ports or waterways and harbor and terminal facilities are in keen competition with other ports, waterways, harbors, and terminals outside the state and with privately owned Port Authority and terminal facilities inside the state. Well-situated and well-equipped ports and waterways in other nearby states and owners of substantial Port Authority and terminal facilities located inside and outside the state are advertising, promoting and developing their competing ports, waterways, harbors, and terminals through expenditure of large amounts of money without any audit or restriction on expenditure of the money. This activity or expenditure is thwarting and impeding the use, progress, and development of the ports, waterways, harbors, and terminals of this state. Continuation of this hardship and injustice can best be met and coped with by more liberal use of some relatively small fund set aside from the gross income from operations of the ports of this state to be used in the manner provided in this subchapter.

Sec. 60.202. CREATION OF FUND. A district organized under general or special law may set aside out of current income from its operations a promotion and development fund of not more than five percent of its gross income from operations in each calendar year.

Sec. 60.203. EXPENDITURE OF FUND. Money in the promotion and development fund shall be spent by the commission or as the commission may direct to pay any expenses connected with:

- (1) any activity or matter incidental to the advertising, development, or promotion of the district or its ports, waterways, harbors, or terminals;
- (2) furthering the general welfare of the district and its facilities; or
- (3) the betterment of the district's relations with steamship and rail lines, shippers, consignees of freight, governmental officials, or others interested or sought to be interested in the ports, waterways, harbors, or terminals.

Sec. 60.204. MANAGEMENT AND CONTROL OF PROMOTION AND DEVELOPMENT FUND.

(a) The money in the promotion and development fund shall be kept separate from all other funds and accounts of the district, and no money collected from assessing or levying taxes may be mingled with the fund.

(b) The promotion and development fund shall be under the exclusive control of the commission, and the commission shall have full responsibility for auditing, approving, and safeguarding the expenditure of money from the fund.

(c) The county auditor shall exercise his usual supervision and control to assure that the commission sets aside no more than five percent of its gross income from operations in each calendar year in the promotion and development fund. The county auditor may audit disbursements from the fund and shall be entitled to a monthly statement showing the:

- (1) date of each disbursement from the fund;
- (2) amount disbursed;
- (3) person or concern to whom disbursed; and
- (4) general purpose of each disbursement.]\*

Sec. 60.205. OTHER EXPENSES NOT AFFECTED. Since this subchapter authorizes disbursements from the promotion and development fund for unusual purposes and occasions not covered by other law, the setting aside of the fund and disbursements from the fund shall not affect payment of other expenses customarily approved, audited, and paid out of the regular funds of the district.

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\* Water Code Sec. 60.204(c) does not apply to the Port of Houston Authority, effective September 1, 2013; *see Special District Local Laws Code Sec. 5007.227(d)*.