



PORT COMMISSION MEETING

December 8, 2020 – AGENDA



Tuesday, December 8, 2020
PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

9:15 a.m.
111 East Loop North
Houston, TX 77029

A. CALL TO ORDER

B. CHAIRMAN'S REMARKS

1. Governance, legislative, policy, and operational matters

C. APPROVAL OF MINUTES

1. Port Commission Public Meeting - October 27, 2020

D. STAFF REPORTS

1. Summary of selected financial and operational matters

E. APPEARANCES

1. Roland Garcia, Commissioner - Board of Pilot Commissioners for Harris County Ports
2. Elena Craft, Environmental Defense Fund
3. Port of Houston Authority 2020 Disparity Study - Rodney Strong, Project Executive; Dr. J. Vince Eagan, Principal Investigator, Dr. Rom Hagghi, Chief Statistician, and Michele Clark-Jenkins, Project Manager - Griffin & Strong P.C.
4. Public Comment

F. EXECUTIVE

Awards, Amendments & Change Orders

1. Approve the Port Authority's membership in the National Association of Waterfront Employers and payment of dues for a period of one year in the amount of \$65,000.
2. Enter into a service agreement with the Greater Houston Port Bureau, Inc. to provide vessel traffic movement data (real-time and historical) for a one-year period in the amount of \$80,000, and subscribe to HarborLights for twenty-five users in the amount of \$10,000, for a total of \$90,000.

General

3. Approve and adopt the proposed Internal Audit 2021 Annual Audit Plan.

4. Authorize an amendment to the Amended Interlocal Agreement with the Board of Pilot Commissioners for Harris County Ports to provide for limited services.

G. COMMERCIAL

Leases

1. Approve a one-year lease with R. Warehousing & Port Services, Inc. for approximately 8.32 acres at Northside Turning Basin effective no earlier than January 1, 2021, at an annual rent of \$193,789.

2. Approve a sixth amendment to the Lease Agreement with SESCO Cement Corp. for approximately 20.14 acres out of the Turning Basin West to extend the original lease term from thirty-one years and six months to fifty years, effective January 1, 2021, at an annual rent of \$396,455 subject to annual base rent escalation of the Consumer Price Index not to exceed 4%.

3. Authorize the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc. for approximately 2 acres out of the Northside Turning Basin effective no earlier than January 1, 2021 with a 3% annual increase on an existing month-to-month premium rate for an annual rent of \$91,142.

H. FINANCE

General

1. Review, deliberation, and possible action regarding the Port of Houston Authority 2020 Disparity Study.

2. Authorize payment to the Harris County Appraisal District for appraisal services to be provided to the Port Authority for fiscal year 2021 in an amount not to exceed \$405,000, and authorize payment to the Harris County Tax Assessor-Collector for collection services for the 2020 tax year in an amount not to exceed \$1,100,000.

3. Acknowledge receipt and filing of the revised report regarding the Port of Houston Authority Restated Retirement Plan prepared by AndCo Consulting LLC, an independent investment consultant, as required by Texas Government Code Sec. 802.109.

4. Approve the actuarial valuation report dated as of August 1, 2020 for the Port of Houston Authority Restated Retirement Plan (Pension Plan).

5. Adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan (Pension Plan).

6. Adopt an amended investment policy for the Port of Houston Authority OPEB Plan, an irrevocable trust established for other post-employment benefits.

I. INFRASTRUCTURE

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a two-year environmental consulting agreement in an amount not to exceed \$200,000 for general environmental consulting services to the top-ranked proposer: staff ranking- first, Spirit Environmental, LLC; second, Terra Nova Consulting, Inc.; and third, InControl Technologies, Inc.

2. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$2,629,550 for the design of Wharf 7 at Bayport Container Terminal to the top-ranked proposers: staff ranking – first, Jacobs Engineering Group, Inc.; second, Hatch Associates Consultants, Inc.; and third, AECOM Technical Services, Inc.
3. Award a construction contract to AAA Asphalt Paving, Inc. for the annual pavement drainage and dust control work at Industrial Park East in an amount not to exceed \$600,000.
4. Amend the professional services contract with HDR Engineering, Inc. for engineering services associated with the management of placement areas at Bayport Container Terminal in an amount not to exceed \$75,000.
5. Approve a change order with McCarthy Building Companies, Inc. to perform additional work associated with the rehabilitation of Wharves 4 and 5 at Bayport Container Terminal in an amount not to exceed \$226,103.
6. Approve a change order with Standard Constructors, Inc. to perform additional work associated with land development preparation south of Port Road at Bayport Container Terminal in an amount not to exceed \$55,699.

Permits/Licenses/Pipeline Easements

7. Approve the renewal of the following expiring Port Authority licenses for new ten-year terms: ExxonMobil Pipeline Company, South Tex 66 Pipeline Company, LTD, and Valero Refining-Texas, LP.
8. Issue a marine construction permit to Russell Marine, LLC to dredge a 4.33-acre area in Old River.
9. Issue a transmission line license to Comcast Cable Communications Management, LLC for one fiber optic cable line over the Port Terminal Railroad Association's Southside Mainline railroad right-of-way.
10. Issue a pipeline license to Chevron Phillips Chemical Company LP for two 8-inch refined petroleum products pipelines under and across the Port Terminal Railroad Association's Southside Mainline railroad right-of-way.
11. Amend a marine construction permit to CGBM Global LLC to modify the placement of two spud barges for the purpose of securing fleeting vessels and to rescind a previous authorization for the construction of a bulkhead, a 1.0-acre area of fill, installation of eight pilings, dredging to -8.0 feet Mean Lower Low Water, and the removal of approximately 27,000 cubic yards of dredged material in Old River.
12. Amend a marine construction permit to CGBM Global LLC to modify the placement of one spud barge for the purpose of permitting a marine fueling and supply station, and increase the authorized dredge depth from -4.0 to -12.0 feet Mean Lower Low Water in Old River.

Project 11

13. Enter into a reimbursement agreement for design and permitting with Energy Transfer Operating L.P. related to pipeline relocated within Segment 1 of the Houston Ship Channel Expansion Channel Improvement Project at a total cost not to exceed \$2,000,000, for which the Port Authority would be responsible for one half, for a total amount not to exceed \$1,000,000.

1. OPERATIONS

Awards, Amendments & Change Orders

1. Award a three-year contract to Johnson Controls Fire Protection LP, using the Texas Comptroller's Texas Multiple Award Schedule contract, for the purchase of monitoring, inspection, repair services, and spare parts for fire alarm and suppression systems at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal in an amount not to exceed \$400,000.

General

2. Recommendation to issue Stevedore Licenses for one-year terms commencing January 1, 2021, to Agri American Stevedores, LLC; APS Stevedoring, LLC; BBM Terminals Corp.; Ceres Gulf, Inc.; Cooper/Ports America; Gulf Stream Marine, Inc.; Jacintoport International, LLC; Marine Terminal Corporation East; Richardson Stevedoring and Logistics Services, Inc.; Schroder Marine Service; Southern Stevedoring Co.; and Suderman Contracting Stevedores, Inc., upon each applicant's satisfactory completion of all requirements and obligations for license issuance.

3. Reissue and amend Port Authority Tariff Nos. 8, 14, and 15 covering the Turning Basin Terminals, Barbours Cut Terminal, and Bayport Container Terminal, all effective on or around January 1, 2021 and a 3% increase in the Harbor Fee, such increase to be included and published in Port Authority Tariff No. 8 effective January 1, 2021.

4. Amend the Freight Handling Assignment Agreements for terminal services at the Turning Basin Terminal to extend the term of the agreements through March 31, 2021.

5. Amend the lease between Terminal Link Texas, LLC and the Port Authority to provide for a right of first refusal to lease a 22.36-acre site at Bayport Container Terminal.

6. Hold steady any "Carrier's Commitment Discount Level" that would otherwise decrease for the six-month period beginning January 1, 2021, under Port Authority Marine Terminal Services Agreements.

7. Authorize the amended Industrial Water Supply Agreement with the City of Pasadena.

8. Rescind a purchase order with Carrier Enterprise, LLC, and issue a purchase order to Carrier Corporation for purchase and installation of two 150-ton chiller units for the Bayport Container Terminal's Administration and Maintenance & Repair buildings, using the Sourcewell cooperative purchase program, in an amount not to exceed \$260,000.

K. PEOPLE

Awards, Amendments & Change Orders

1. Authorize an agreement with Aetna Life Insurance Company to provide stop-loss insurance coverage for calendar year 2021 for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents, in an amount not to exceed \$1,885,980.
2. Authorize an amended agreement with Aetna Life Insurance Company to provide professional third-party administration services for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents for calendar year 2021, in an amount not to exceed \$48,000.
3. Authorize funding, in an amount not to exceed \$15,500,000, for calendar year 2021 for the payment of claims from the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents.
4. Enter into a one-year agreement with the Houston International Seafarers' Center to provide humanitarian services to seafarers whose vessels call at the terminals of the Port Authority, effective January 1, 2021, in an amount not to exceed \$90,000.

L. PORT SECURITY AND EMERGENCY OPERATIONS

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a two-year service contract in an amount not to exceed \$690,950 for shipyard maintenance services of six Port Authority vessels to the top ranked proposer: staff ranking – first, Southwest Shipyard, L.P.; second, National Cotton Inc. dba Pier 77 Marine; and third, Marine TeKno Services, LLC.
2. Enter into a three-year governmental services contract with the City of La Porte Emergency Medical Service for emergency medical services in an amount not to exceed \$226,259.25.

General

3. Renew a Memorandum of Understanding with the City of Houston for five years to provide closed Point of Dispensing Services in the event of a public health emergency.

M. TECHNOLOGY

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a security services contract in an amount not to exceed \$3,100,000 subject to potential Port Security grant reimbursement of \$450,000 for Security Operations Center (SOC), System Information and Event Management (SIEM), Threat Intelligence Platform (TIP), and Security Orchestration & Automated Response (SOAR) services payable over three years plus two one-year renewal options to the top-ranked proposer: staff ranking- first, Critical Start, Inc.; second, Red River Technology LLC; and third, Fulcrum Technology Solutions.
2. Approve staff's ranking of vendors and award a security services contract in an amount not to exceed \$75,000 subject to potential Port Security grant reimbursement of \$56,250 for information security training for Port Authority employees and third party users of Port Authority information and technology systems payable over three years plus two one-year renewal options to the top-ranked proposer: staff ranking- first, Red River Technology LLC; second, Critical Start, Inc.; and third, CapGemini America.

3. Issue a purchase order to SHI Government Solutions for a three-year purchase agreement of next generation anti-virus Endpoint Protection Platform/Endpoint Detection and Response (EPP/EDR) software, using Texas Department of Information Resources' cooperative purchase program, in an amount not to exceed \$150,000 for the three years.

N. RECESS OPEN MEETING AND CONVENE EXECUTIVE SESSION

1. Consultation with Attorneys (Section 551.071, Texas Open Meetings Act), including consultations regarding (a) Kozlowski, et al v. Buck et al and (b) proposed amendments to the agreements for legal services with (i) Baker Wotring LLP, (ii) Haynes and Boone, LLP, (iii) W. Allyn Hoaglund, and (iv) Amy Loeserman Klein

2. Real Estate (Section 551.072, Texas Open Meeting Act), including disposition of Barbours Cut Terminal and Beltway 8 vicinity properties

3. Economic Development Negotiations or Incentives (Section 551.087, Texas Open Meetings Act)

4. Employment and Evaluation of Public Officers and Employees (Section 551.074, Texas Open Meetings Act), including deliberation regarding amendment to the employment agreement with the Executive Director of the Port Authority

5. Security-Related Matters (Sections 418.175-418.183 of the Texas Government Code, and Section 551.076, Texas Open Meetings Act)

6. Adjourn Executive Session

O. RECONVENE OPEN MEETING

1. Announce any items from Executive Session requiring Port Commission action

P. ADJOURN MEETING

1. Next Meeting Requested - January 26, 2021

2. Adjourn Port Commission Meeting

F. EXECUTIVE

Subject	1. Approve the Port Authority's membership in the National Association of Waterfront Employers and payment of dues for a period of one year in the amount of \$65,000.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority's membership in the National Association of Waterfront Employers (NAWE) and payment of dues for a period of one year in the amount of \$65,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Awards, Amendments & Change Orders

Department:

Government and Public Relations

Staff Contact:

Kerrick Henny

Background:

NAWE is the representative of U.S. marine terminal operators and the stevedoring industry in Washington, D.C., promoting marine cargo efficiency, security and health, a clean environment, international trade, and economic growth through advocacy, education, and industry cooperation. As a port authority and a marine terminal operator, our engagement and alignment with other port authorities and waterfront employers on common interests and issues through NAWA should strengthen needed advocacy at the federal level.

Staff Evaluation/Justification:

Staff recommends that the Port Commission approve a one-year membership in the organization to support the Port Authority's mission.

F. EXECUTIVE

Subject **2. Enter into a service agreement with the Greater Houston Port Bureau, Inc. to provide vessel traffic movement data (real-time and historical) for a one-year period in the amount of \$80,000, and subscribe to HarborLights for twenty-five users in the amount of \$10,000, for a total of \$90,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, enter into a service agreement with the Greater Houston Port Bureau, Inc. to provide vessel traffic movement data (real-time and historical) for a one-year period in the amount of \$80,000, and subscribe to HarborLights for twenty-five users in the amount of \$10,000, for a total of \$90,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #1 - PEOPLE AND ORGANIZATION \(Be the Best Place to Work\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Executive

Staff Contact:

Tom Heidt

Background:

By Minute No. 2019-1211-11, the Port Commission authorized a service agreement with the Greater Houston Port Bureau, Inc. (GHPB), which expires December 31, 2020.

The GHPB is the non-profit agency representing over 800 organizations in the Texas Gulf maritime community. The GHPB generally serves as one of the Port Authority's links to its member businesses, acts as an advocate on behalf of the Port Authority and its other members, and provides other services to its members.

Staff Evaluation/Justification:

Staff recommends that in 2021 the Port Authority continue with GHPB services, by entering into a one-year contract to provide vessel traffic movement data (real-time and historical), and subscription services to HarborLights, and when appropriate, to assist the Port Authority in regulatory and economic development matters. These services could also include expert advice on safety, security, and environmental response issues provided by a prior U.S. Coast Guard Captain of the Port who heads up the GHPB.

Separately, staff proposes to continue as a member of the GHPB, and participate in other activities on an individual basis.

F. EXECUTIVE

Subject	3. Approve and adopt the proposed Internal Audit 2021 Annual Audit Plan.
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Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
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Access	Public
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Type	Action
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Recommended Action	The Port Commission, at its December 8, 2020 meeting, approve and adopt the proposed 2021 Annual Audit Plan, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
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Category:

General

Department:

Internal Audit

Staff Contact:

Maxine Buckles

Background:

Section 5007.226(e) of the Texas Special District Local Laws Code requires that the Port Commission "create, approve, and make available on the authority's website a risk-based annual audit plan."

During the third quarter of 2020, the Port Authority's Internal Audit group updated the Annual Risk Assessment (ARA) in accordance with applicable professional auditing standards. Based on the ARA results, and input from the Audit Committee and Port Authority staff, Internal Audit drafted a proposed Annual Audit Plan to serve as the primary guide to carry out its audit responsibilities in an efficient manner for the 2021 fiscal year.

Staff Evaluation/Justification:

The proposed Annual Audit Plan was presented to the Audit Committee at its meeting on October 27, 2020.

The plan focuses on the following key areas:

- Infrastructure (e.g., project and construction management);
- Administration and governance (e.g., human resources);
- Information Technology (e.g., cybersecurity governance, and inventory management);
- Finance and Accounting (e.g., revenue reporting, OPEB, contract compliance, and investments);
- Procurement (e.g., policies and procedures, and interlocal co-op agreements); and
- Entity Compliance (e.g., federal regulations, statutes, tariffs, and internal policies).

The plan is a flexible commitment and may be revised during the year with guidance and input from the Audit Committee, input from Port Authority staff based on audit results and findings, and consideration of internal control procedures and assessment of high-risk areas.

Following review of and discussion regarding the draft plan with the Audit Committee, staff recommends the Port Commission approve and adopt the proposed Internal Audit 2021 Annual Audit Plan.



PORT HOUSTON™
THE INTERNATIONAL PORT OF TEXAS

Annual Audit Plan Report Fiscal Year 2021

Prepared By:

Maxine N. Buckles
Chief Audit Officer

Approved By:

Port Commission, and
Audit Committee of the Port Commission

DRAFT

To: Port Commission of the Port of Houston Authority, and
Audit Committee of the Port Commission

Date: October 27, 2020

Subject: Annual Audit Plan Report – Fiscal Year 2021

Dear Commissioners:

I am pleased to submit to you the Fiscal Year 2021 Audit Plan Report. The basis of this year's Annual Audit Plan ("Audit Plan") was an Annual Risk Assessment ("ARA") performed by the Internal Audit Department as required by the applicable professional auditing standards (the ARA report is submitted under separately). Additional consideration is given to input from the Audit Committee, Executive Director, Chief Officers and department directors. This document serves as a key reference and guide to perform the audit responsibilities in an efficient and effective manner. To enhance our effectiveness, our approach is balanced by conducting the audits using in-house staff, and where appropriate, by outsourcing some projects requiring certain technical or specialized skills.

This Audit Plan includes performance, compliance/contract, policies and procedures compliance consultative reviews and unannounced audits. The plan also provides for follow-up procedures and special projects. Data analytics and continuous auditing techniques are utilized where practical.

Updates will be provided to the Audit Committee of the Port Commission at least twice a year to review the status and progress of executing the Audit Plan and to discuss other pertinent audit issues.

Respectfully submitted,

/s/ Maxine N. Buckles
Chief Audit Officer

cc: R. Guenther, Executive Director
T. Heidt, Chief Operating Officer

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BACKGROUND AND AUTHORITY

The Internal Audit Department (“IAD”) provides independent, objective assurance and consulting services designed to add value and improve the operations of the Port of Houston Authority (“Port Authority”). Attribute Standard 1000 of the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (“IIA”) requires that the IAD “... *be responsible and accountable for the Internal Audit function using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and controls processes, and incorporate a Code of ethics of the IIA by adopting an Internal Audit Charter*”. Audit results are issued, to the Audit Committee of the Port Commission (“Audit Committee”) and Port Authority Management.

AUDIT DEPARTMENT ORGANIZATION

During FY2020, the IAD had a total headcount of 5, consisting of one Chief Audit Officer, two audit managers, one internal auditor, and an administrative assistant. No headcount increases are planned for fiscal year 2021. However, the IAD will engage, as appropriate, certain third-party resources to conduct specialized auditing and supplement internal resources. As we receive additional training, certifications, and experience, we will continue to increase our ability to provide enhanced and value-added services.

APPROACH AND METHODOLOGY

The IAD adheres to: 1) the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (IIA – known as the “Red Book”), and 2) the Government Auditing Standards (“GAS” – commonly referred to as the “Yellow Book”) as promulgated by the Government Accountability Office (“GAO”). To assure compliance with these professional standards, the IAD is required to undergo a peer review every 5 years, the first of which was completed during FY2018.

The Annual Audit Plan is a flexible commitment to perform engagements in accordance with the responsibility and authority noted in the Port of Houston Authority Internal Audit Charter. The Audit Plan, which is approved by the Audit Committee, serves as a working document that considers items such as the Annual Risk Assessment (“ARA”), input from the Audit Committee, Department Management, and results from previous audits where applicable. Due to the continual requests for audit services, the increasing demand for non-audit services, and the required testing for planned activities, the Audit Plan will be monitored and revised as necessary throughout the year.

The professional standards noted previously require that the Audit Plan be rooted in risk-based methodology. In FY 2020, the IAD updated the ARA and utilized an electronic risk assessment tool to gather annual updates to departmental risks and controls. This process should provide for incorporation of ongoing changes to the risks and controls database.

Evaluating the various factors provides the IAD with indicators for project prioritization and scope. We then identify the available resources to determine the volume of activity to include in our plan (see Audit Resource Allocation section below).

AUDIT RESOURCE ALLOCATION

The Audit Plan prioritizes the IAD's limited staffing resources and budgeted funds based on the previously referenced risk assessment supplemented by management input. Auditable areas with higher risk profile ratings, management concerns, and regulatory requirements will be prioritized during the year.

The number of planned projects is based on consideration and an evaluation of:

- Current IAD headcount
- The existence or absence of established procedures (written and/or informal)
- Engagement manpower requirements
- Other types of ongoing audits, analyses and reviews performed by other Port Authority areas
- Unplanned requests from the Audit Committee, Executive Director, or other Department Management

USE OF EXTERNAL CONSULTANTS

For projects that involve circumstances where: 1) the use of experts/specialists is required; 2) the independence of the Internal Audit Department as an organization is impaired; or 3) there is the potential for significant political sensitivity, the Chief Audit Officer may elect to use external consultants. NOTE: An estimated amount is included in the annual budget for the use of these types of resources.

AUDIT PROGRAMS

Following the Audit Committee's recommendation and the Port Commission's approval of the Audit Plan, specific audit programs will be developed for each audit activity for fiscal year ending December 31, 2021. The audit programs will be designed with consideration of business processes, compliance and other requirements, performance considerations, management input, and specialized skills in order to meet the specific audit objectives of each project. Audit programs, workpapers and reports will be prepared in accordance with:

- The Institute of Internal Auditor's International Standards for the Practice of Internal Auditing ("Red Book")
- Relevant standards issued by the American Institute of Certified Public Accountants
- Government Auditing Standards ("Yellow Book")

STATUS AND UPDATES TO THE ANNUAL AUDIT PLAN

The specific projects conducted throughout the year will support the guidance provided in the Audit Plan. The nature, extent and timing of audit activities may vary as a result of changes in operations, organizational structure, competing resource priorities and management needs.

The IAD will also provide any assistance to the Audit Committee and Executive Director with special projects when requested (assuming the available resources exist and depending on the context and priority of the assignment as it relates to risk, exposure, fraud, waste and/or abuse). These special projects will normally be performed in addition to planned audit work. If the assistance requires the use of external consultants, additional funds may need to be provided by the appropriate departments and/or the Audit Committee. Executing the Audit Plan involves an update and status process that is performed regularly among the IAD, management and the Audit Committee.

ANTICIPATED BENEFITS OF AUDIT ACTIVITIES

- Compliance
- Improved Accountability
- Improved Risk Management and Internal Controls
- Improved Financial Reporting
- Improved Efficiency
- Cost Savings

FISCAL YEAR 2021 PLANNED ACTIVITIES (FOCUS AREAS)

The following summaries highlight areas of probable projects for the FY 2021 Annual Audit Plan which is subject to modification based on the needs of the organization. The audit process, while often tracked in a linear fashion, is truly dynamic and reacts to evidence, impact, and magnitude of discovery occurring during the entire engagement process. As such, the following project areas are considered a starting point from which to execute the Audit Plan and will provide a level of transparency and accountability for meeting goals and objectives.

COMPLIANCE AND/OR CONTRACT AUDITS

A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. Independent accounting, security or IT consultants evaluate the strength and thoroughness of compliance preparations. Auditors may review policies, user access controls and risk management procedures over the course of a compliance audit. Planned audit areas include:

PERFORMANCE CONTRACT COMPLIANCE – TENANT LEASES

DESCRIPTION: Lease revenue for the 8-months of FY 2019 and 2020 are approximately \$5.1 million and \$7.2 million, respectively, which is an approximate 42% increase. As of September 30, 2020, the Port Authority had approximately 141 active leases. Lease revenue accounts for approximately 2.8% of total operating revenue. As many lease renewals contain more complex provisions, management has sought assistance with monitoring compliance with these terms.

COMPLIANCE- OFFICE OF FOREIGN ASSETS CONTROL (“OFAC”)

DESCRIPTION: The Port Authority periodically hosts non-US delegations (or visitors) and participates in industry developmental activities with non-US entities. Foreign participants are screened via the Department of Treasury's Specially Designated Nationals (“SDN”) list review prior to visiting the Authority's facilities. The IAD will review the OFAC process and procedures and will audit compliance with the requirements of the OFAC policy.

COMPLIANCE - CONSTRUCTION

DESCRIPTION: For the calendar years 2018 and 2019 the Port Authority has invested approximately \$74.3 million and \$115.6 million, respectively, in construction projects. Expenditures in this category represented approximately 60% and 71% of net cash used in capital financing activities during 2018 and 2019, respectively. As of September 30, 2020, the Port Authority expended approximately \$141.0 million on construction projects. IAD will review, these expenditures, on a test basis, for compliance with the Port Authority's agreements and established policies and procedures.

COMPLIANCE - CONTRACTS OTHER THAN CONSTRUCTION

DESCRIPTION: The Port Authority routinely engages third parties to perform a variety of services. As this area has not received a recent detailed process review or audit, IAD will review, these expenditures, on a test basis, for compliance with the Port Authority's agreements and established procedures.

COMPLIANCE - OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) TRUST

DESCRIPTION: In addition to retirement benefits, the Port Authority provides certain post-employment health and welfare benefits (“OPEB”) to eligible retired employees and their dependents. In February 2015, the Port Authority established a new, stand-alone trust for the OPEB Plan with Compass Bank as trustee. In July 2015, the Commission approved a revised funding policy. On December 31, 2018 and 2019, there were 325 and 319 retirees, respectively who were eligible for these benefits. For the calendar years 2018 and 2019 the Port Authority assets held in trust for OPEB were approximately \$66.0 million and \$82.3 million, respectively. IAD will review OPEB activities for compliance with applicable policies and procedures.

COMPLIANCE – ENVIRONMENTAL INTERNATIONAL STANDARDS ORGANIZATION (“ISO”) 14001

DESCRIPTION: The Port Authority is ISO 14001 certified which requires external periodic audits to verify continued conformance with the ISO 14001 standards. Currently, Det Norske Veritas (“DNV GL”) is the external audit firm engaged by the Port Authority to perform the 2021 ISO 14001 compliance audit. IAD will partner with the Environmental Affairs Department and DNV GL to support the recertification process through both internal and external reviews and audits.

COMPLIANCE- INVESTMENTS

DESCRIPTION: During 2018 and 2019, the Port Authority made investments in the Local Government Investment Cooperative (“LOGIC”), Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”) and the Texas Local Government Investment Pool (“TexPool Prime”), which are subject to the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (“PFIA”). On December 31, 2018 and 2019, the Authority has invested \$333.4 million and \$310.6 million, respectively. IAD will review the compliance with the Texas Government Code reporting requirements and the Authority’s Investment Policy.

PROCESS REVIEWS

PROCESS REVIEW – GENERAL CARGO REVENUES

DESCRIPTION: During FY 2019, the Port Authority generated \$60.6 million in revenue associated with general cargo at its terminals, which is approximately 16.0% of total operating revenue. As of August 31, 2020, the Port Authority Turning Basin Terminals general cargo revenues were approximately \$35.9 million, or 15.5% of total operating revenues. A significant number of these transactions rely on manual processes. IAD will review a selection of general cargo customers to identify key business processes, confirm/verify reported volumes, test for approvals, billing, payment and contract compliance (focus on “major customers” and “high risk customers”).

PROCESS REVIEW – OPERATIONS MAINTENANCE

DESCRIPTION: During FY2019, the Port Authority expended approximately \$20.7 million in purchases associated with the acquisition of operations maintenance equipment, supplies and services. As of September 30, 2020, the Port Authority has expended approximately \$14.4 million in operations maintenance equipment, supplies and services, which includes \$4.0 million related to Covid-19 response. The Port Authority has maintenance processes that vary by department and location. IAD served in a consultative role in the 2019 Maintenance Operations Controls Consulting Project and will continue to monitor and review the implementation of the process and control improvement recommendations provided.

PROCESS REVIEW – IT PROCUREMENTS

DESCRIPTION: During FY2019, the Port Authority expended approximately \$6.5 million in purchases associated with the acquisition of IT-related equipment, supplies and services. As of September 30, 2020, the Port Authority has expended approximately \$6.0 million in IT related equipment and supplies. The IAD will review, document and walkthrough several key business processes to evaluate compliance with procurement and other policies and assess tracking and control of high value items within IT Systems.

CYBER SECURITY

DESCRIPTION: Cyber security continues to be identified as a high-risk area for the Port Authority, which is consistent with most organizations. During 2020, the Information Technology Department's ("IT") response to the Covid-19 pandemic included implementation of systems and communications tools to facilitate access for telecommuters and stakeholders attending virtual meetings. These activities highlighted risks associated with a remote workforce and employees utilizing personal devices to connect with Port Authority systems. Also, during the year, IT, with the support of the People Division (Training and Development Department), implemented the fourth year of Cyber Security Awareness Training. IAD will continue to work in collaboration with the IT and other departments as needed to ensure that the Port Authority mitigates risks in this area.

MAJOR SYSTEM APPLICATIONS REVIEWS/MONITORING

DESCRIPTION: IAD will review IT governance processes and perform user access reviews of the Port Authority's major system applications. Monitoring includes procedures to assess the effectiveness of IT internal controls, adequacy of segregation of duties, system access and user access is appropriate for employees and compatible with assigned job duties. Application performance accuracy testing and any other procedure considered necessary to improve efficiency of the Port Authority's system applications may also be performed

SPECIAL PROJECTS & ON-GOING MONITORING

SAFETY AND SECURITY

DESCRIPTION: The Port Authority owns and operates public facilities in the Houston Ship Channel region. The safety and security of Port Authority people and assets is an important mission for the Port Authority. Port police, fire and safety personnel continually execute strict processes and procedures in compliance with a facility security plan ("FSP") filed with the US Coast Guard ("USCG") to mitigate these risks, including engagement of 24-hour security details provided by Allied Universal. A number of external audits conducted by the USCG, US Customs and Border Protection and professional consultants, as well as internal audits lead by Port Authority facility security officers are performed to ensure compliance with the FSP. The IAD receives routine updates related to safety and security audit activities, and will work in collaboration with safety, security and other departments as needed to ensure that the Port Authority mitigates risks in this area.

RISK MANAGEMENT

DESCRIPTION: Risk management continues to be an area of focus for the Port Authority. During 2019 the Risk Management department engaged an external resource to review and evaluate the claims handling practices of the Port Authority's third-party administrator. In addition, an annual insurance coverage audit is planned to assist with identifying potential gaps in insurance coverage. It is anticipated that these or similar efforts will be utilized to optimize costs while mitigating risks to the Port Authority. IAD will continue to work in collaboration with Risk Management as needed.

ANNUAL RISK ASSESSMENT ("ARA")

DESCRIPTION: Each year the IAD develops the Audit Plan based upon risks (primarily business, financial and operational). Professional auditing standards (IIA and GAS) require that audit resources be allocated to projects supported by a continuous risk assessment methodology. Risk assessments will be performed as needed on a recurring basis to ensure a systematic review of risks and potential risks to the Port Authority.

REGULATORY COMPLIANCE

DESCRIPTION: The Port Authority is subject to a number of regulatory requirements. During 2017, the Legal department engaged an external resource to review and inventory the multitude of regulatory requirements to which the Port Authority must comply with. IAD will continue to work in collaboration with Legal as needed to ensure potential compliance gaps are identified and appropriately addressed.

FOLLOW-UP PROCEDURES

DESCRIPTION: As issues are identified during the course of conducting audits/engagements, they are documented and reported accordingly. In order to help initiate change and continued improvement, our follow-up procedures will effectively monitor progress on implementation of management responses to our recommendations. IAD will communicate with responsible management at regular intervals to monitor progress on implementation of corrective actions. These communications will be documented and published accordingly. Additionally, a sample of items will be tested on a periodic basis, depending on the magnitude, impact, and estimated cost-benefit.

QUALITY ASSURANCE PROCEDURES

DESCRIPTION: Professional standards require that the audit function have a system of quality control/assurance in place to ensure all necessary elements are in place and operating effectively. Each audit is reviewed by a professional staff member not directly assigned to the audit. The goal is to verify that sufficient, appropriate evidence is gathered and documented to adequately support conclusions based on procedures that are designed to test relevant audit objectives (this includes consideration of fraud, professional judgment, competency and supervision).

FRAUD HOTLINE/REPORTING

DESCRIPTION: The IAD provides two primary vehicles for reporting fraud, waste and/or abuse: (1) A Fraud Hotline answered by EthicsPoint, a subsidiary of Navex Global, a third-party hired by the Authority to independently gather and report fraud and/or misconduct to the IAD and (2) links to report fraud available from both the Port Authority SharePoint Homepage and EthicsPoint website. The IAD also provides auditing support based on requests from the Port Security and/or other authorities. Each reported concern must be addressed. This may require performing substantive procedures, such as an audit, or may be referred to an outside agency or department for follow-up. The initial contact, work performed, conclusions and/or referral are documented to support disposition of the reported issues. In some instances, this may also require subsequent follow-up or monitoring to adequately resolve.

DATA ANALYTICS & CONTINUOUS MONITORING

MONITORING REVIEW – Promotion & Development (“P&D”) Fund

DESCRIPTION: During FY2019, the Port Authority spent approximately \$4.8 million, or 1.2% of gross operating revenues, on P&D activities. As of August 31, 2020, the Port Authority incurred approximately \$2.5 million, or 1.0% of gross operating revenues, in P&D activities. The IAD will monitor the authority's compliance with statutory requirements governing use of the P&D fund, pursuant to Section 5007.219(a), Texas Special District Laws Code.

DATA ANALYTICS

DESCRIPTION: IAD utilizes data analytics to gain a better understanding of monetary, transactional, and other numerical data and compares that data to internal and/or external criteria to assess reasonableness. Professional and industry tools and techniques are applied to support a systematic and standard approach for data reliability and consistency. Data analytics are included in audit and review reports, where practical, to communicate results.

BEST PRACTICES

DESCRIPTION: The IAD maintains awareness of significant Port Authority transactions and events as well as significant events which occur external to the Port Authority. This is accomplished by attending professional conferences and seminars, internal meetings and by participating in various roundtable events. Financial transactions are periodically reviewed to detect anomalies. Special monitoring reviews or audits may be generated as a result of these activities.

UNANNOUNCED AUDITS

DESCRIPTION: The IAD may perform audits on an unannounced basis during the year. These may include:

- Payroll
- Purchase Orders
- Charge Card Purchases
- Petty Cash

F. EXECUTIVE

Subject	4. Authorize an amendment to the Amended Interlocal Agreement with the Board of Pilot Commissioners for Harris County Ports to provide for limited services.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize an amendment to the Amended Interlocal Agreement with the Board of Pilot Commissioners for Harris County Ports (Pilot Board) to provide for limited services, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Legal

Staff Contact:
Erik Eriksson

Background:

Beginning in 1923, the regulation of pilot services by the Pilot Board has been an adjunct to the Port Authority's control over channels and waterways and has served to improve the efficiency and effectiveness of the Pilot Board's regulatory efforts.

In order to formalize the cooperation of the two entities, interlocal agreements have been adopted between them, which both parties are authorized to enter into under Texas Government Code Section 791 (the Interlocal Cooperation Act).

As a result of a new appointment process provided in S.B. 1915 enacted by the 86th Legislature in 2019, following the resignation of Port Commissioners from the Pilot Board, separately appointed Pilot Board members succeeded to its governance.

Staff Evaluation/Justification:

An Amended Interlocal Agreement was adopted on December 11, 2019 by both entities, to continue the existing cooperative arrangements and permit the newly seated Pilot Board members to implement new arrangements for carrying out the Pilot Board's statutory duties. The agreement has been extended through December 31, 2020.

The transition process will be complete at year-end, but to facilitate the continued effective discharge of its duties, at its December 7 meeting the Pilot Board acted to request that the Port Commission approve an amendment to the agreement, to provide for limited services. It also authorized that amendment on its own behalf.

- These services would be limited to Port Authority staff consulting and legal advice and non-material use of existing Port Authority resources, e.g. short-term storage.
- The services would not include the expenditure of Port Authority funds.

Legal Division staff recommends that the Port Commission approve an amendment to the Amended Interlocal Agreement with the Board of Pilot Commissioners for Harris County Ports to provide for limited services.

G. COMMERCIAL

Subject	1. Approve a one-year lease with R. Warehousing & Port Services, Inc. for approximately 8.32 acres at Northside Turning Basin effective no earlier than January 1, 2021, at an annual rent of \$193,789.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, approve a one-year lease with R. Warehousing & Port Services, Inc. for approximately 8.32 acres at Northside Turning Basin effective no earlier than January 1, 2021, at an annual rent of \$193,789, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:
Leases

Department:
Real Estate

Staff Contact:
R. D. Tanner

Background:
By Minute No. 2010-1214-15, the Port Commission authorized the Port Authority and R. Warehousing & Port Services, Inc. to enter into a five-year lease term with a five-year option covering approximately 8.32 acres at the Northside Turning Basin, Port of Houston Block 20A. This lease is expiring. The property is used for the storage and handling of steel products.

Staff Evaluation/Justification:
Staff recommends the Port Commission approve this proposed one-year lease agreement.

G. COMMERCIAL

Subject	2. Approve a sixth amendment to the Lease Agreement with SESCO Cement Corp. for approximately 20.14 acres out of the Turning Basin West to extend the original lease term from thirty-one years and six months to fifty years, effective January 1, 2021, at an annual rent of \$396,455 subject to annual base rent escalation of the Consumer Price Index not to exceed 4%.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, approve a sixth amendment to the Lease Agreement with SESCO Cement Corp. for approximately 20.14 acres out of the Turning Basin West to extend the original lease term from thirty-one years and six months to fifty years, effective January 1, 2021, at an annual rent of \$396,455 subject to annual base rent escalation of the Consumer Price Index not to exceed 4%, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:

Leases

Department:

Real Estate

Staff Contact:

R. D. Tanner

Background:

Sesco Cement Corp. (Sesco) entered into a Lease Agreement with the Port Authority for approximately 10.67 acres of land out of the Turning Basin West commencing on June 1, 2017. The Lease Agreement has since been amended five times, increasing the Leased Premises to the current 20.14 acres in addition to other changes and modifications specifically provided in each amendment.

Under the proposed amendment, addition to the financial value of rental income for the extended term, SESCO would increase its Minimum Annual Guarantee (MAG) commitment from the current annual amount of 1,000,000 short tons to 2,000,000 short tons for years 1 through 5 of the Lease, with additional tonnage to be reconciled upon conclusion of year five of the Lease.

Sesco has completed the development of one of the largest cement processing, bagging, and waterborne shipping operations in the nation. The facility went operational in September 2020.

Staff Evaluation/Justification:

Staff recommends approval of a sixth amendment to the lease to extend the term for an additional eighteen years and six months effective January 1, 2021.

G. COMMERCIAL

Subject	3. Authorize the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc. for approximately 2 acres out of the Northside Turning Basin effective no earlier than January 1, 2021 with a 3% annual increase on an existing month-to-month premium rate for an annual rent of \$91,142.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to extend the term of a month-to-month lease with R. Warehousing & Port Services, Inc. for approximately 2 acres out of the Northside Turning Basin effective no earlier than January 1, 2021 with a 3% annual increase on an existing month-to-month premium rate for an annual rent of \$91,142, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:

Leases

Department:

Real Estate

Staff Contact:

R. D. Tanner

Background:

The Port Authority currently has a month-to-month lease with R. Warehousing & Port Services, Inc. at the Port Authority's Northside Turning Basin property, that will be in effect for more than one year as of December 31, 2020. R. Warehousing & Port Services, Inc annual rental is currently \$88,488 and is based upon the premium rate for a month-to-month lease. R. Warehousing & Port Services, Inc. uses the leased premises for the storage of steel.

An amendment to the Water Code adopted in the 2011 legislative session requires that the Port Commission approve month-to-month leases in effect for more than one year.

Staff Evaluation/Justification:

Authorize the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc. for approximately 2 acres out of the Northside Turning Basin effective no earlier than January 1, 2021 with a 3% annual increase on an existing month-to-month premium rate for an annual rent of \$91,142.

H. FINANCE

Subject	1. Review, deliberation, and possible action regarding the Port of Houston Authority 2020 Disparity Study.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action, Report
Recommended Action	The Port Commission, at its December 8, 2020 meeting, review, deliberate, and consider taking possible action regarding the Port of Houston Authority 2020 Disparity Study, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to any such action.
Goals	<p>STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)</p> <p>Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port</p> <p>Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact</p> <p>STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)</p> <p>Strategic Objective 3b. - Demonstrate transparency and accountability</p> <p>Strategic Objective 3a. - Cultivate key relationships to accomplish common goals</p>

Category:
General

Department:
Finance

Staff Contact:
Gilda Ramirez

Background:

After consideration by and recommendations from the Procurement and Small Business Development Task Force, the Port Commission, at its July 29, 2019 meeting, awarded a professional services contract for disparity study consulting services to Griffin & Strong, P.C.

The study aim was to determine the availability of qualified small-, minority-, and woman-owned businesses in the Port Authority's market area, and analyze the extent to which disparities, if any, exist in the Port Authority's utilization of such businesses in its contracting processes. Additionally, to the extent significant disparities were found to exist, the disparity study was to examine the extent to which these disparities might have been impacted by past or present discrimination.

The scope of the study work conducted by the consultant and its team included:

- Data assessment
- Quantitative data collection
- Case law and policy reviews
- Extensive outreach including interviews and surveys
- Private sector, market, utilization, availability, and disparity analyses, and
- Preparation of its final report, the Port of Houston Authority 2020 Disparity Study.

Staff anticipates that the firm would publicly present the study at the December 8, 2020 meeting.

Staff Evaluation/Justification:

Staff anticipates that the disparity study conclusions can serve as the foundation for enhancements to the Port Authority's existing Small Business Development Program, and for future policies and programs focused on inclusion and equity in the Port Authority's procurement and contracting practices.

Accordingly, staff requests that the Port Commission deliberate and consider taking possible action regarding the Port Authority 2020 Disparity Study, including instruction to staff to develop measures to address disparities in the participation of small-, minority-, and woman-owned businesses in Port Authority contracts.

H. FINANCE

Subject **2. Authorize payment to the Harris County Appraisal District for appraisal services to be provided to the Port Authority for fiscal year 2021 in an amount not to exceed \$405,000, and authorize payment to the Harris County Tax Assessor-Collector for collection services for the 2020 tax year in an amount not to exceed \$1,100,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, (a) authorize payment to the Harris County Appraisal District for appraisal services to be provided to the Port Authority for fiscal year 2021 in an amount not to exceed \$405,000, (b) authorize payment to the Harris County Tax Assessor-Collector for tax collection services for the 2020 tax year in an amount not to exceed \$1,100,000, and (c) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:
General

Department:
Controller

Staff Contact:
Curtis Duncan

Background:

The Harris County Appraisal District provides appraisal services to the Port Authority in connection with its ad valorem taxes. As provided in Section 6.06(d), Texas Property Tax Code, "each taxing unit [e.g., the Port Authority] participating in the [appraisal] district is allocated a portion of the amount of the budget equal to the proportion that the total dollar amount of property taxes imposed in the [appraisal] district by the unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the [appraisal] district by each participating unit for that year."

In addition, pursuant to statute, the Harris County Tax Assessor-Collector is charged with the assessment and collection of taxes levied on behalf of the Port Authority within the Port Authority's jurisdiction, and receives compensation for such services as agreed to by the Port Commission and Harris County Commissioners Court. In July 2007, the Harris County Commissioners Court adopted a fee schedule, which remains in use at the present time, such that each taxing unit is charged property tax collection fees at the rate of \$1.10 per parcel plus \$0.0275 per hundred dollars of taxable valuation.

Staff Evaluation/Justification:

The Harris County Appraisal District has indicated that the estimated cost allocation to the Port Authority for appraisal services to be provided for fiscal year 2020 is under \$405,000. Staff recommends that the Port Commission authorize payment of such expense, which is usually invoiced and paid in four quarterly installments, the first of which is due by December 31, 2020, in the not to exceed amount referenced above.

The Harris County Tax Assessor-Collector notified the Port Authority that the estimated preliminary property tax collection fees for the 2020 tax year is under \$1,100,000. This fee is normally withheld at

the rate of 2.5% from all Port Authority tax collections starting July 2020 until the full amount is collected.

Staff also recommends Port Commission authorization of such collection fees, in the not to exceed amount referenced above.

H. FINANCE

Subject **3. Acknowledge receipt and filing of the revised report regarding the Port of Houston Authority Restated Retirement Plan prepared by AndCo Consulting LLC, an independent investment consultant, as required by Texas Government Code Sec. 802.109.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, acknowledge receipt and filing of the revised report regarding the Port of Houston Authority Restated Retirement Plan prepared by AndCo Consulting LLC, an independent investment consultant, and authorize the Executive Director to submit such report on its behalf to the State Pension Review Board, all as required by Texas Government Code Sec. 802.109.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:

General

Department:

Treasury

Staff Contact:

Roland Gonzalez

Background:

Changes to Texas Government Code Chapter 802 were enacted in the 86th Legislative Session in 2019 to expand and update the reporting requirements for public retirement systems. Senate Bill No. 322 requires a retirement system to engage an independent firm to evaluate the appropriateness, adequacy, and effectiveness of investment practices and performance and to make recommendations for improving the investment policies, procedures, and practices.

By Minute No. 2020-0428-18, the Port Commission acknowledged the receipt and filing of such a report at its April 28, 2020 Port Commission meeting.

In July 2020, Port Authority staff and AndCo Consulting LLC both received feedback from the Texas Pension Review Board (PRB) regarding recommended revisions to the report these are stated below:

- The report did not offer areas of recommended improvements to investment performance, or if there were no recommended improvements, the report did not explain why, and
- AndCo Consulting LLC did not include an explanation as to why the firm was qualified to provide the review and prepare the report.

AndCo Consulting LLC has now prepared and delivered the revised investment performance report for the Port Authority Restated Retirement Plan.

Staff Evaluation/Justification:

AndCo Consulting LLC is an independent investment consulting firm qualified to provide the required performance and investment practice evaluation report and is currently under contract to provide the Port Authority with investment consulting services for the Port of Houston Authority Restated Retirement Plan.

The current AndCo Consulting LLC contract will cover this additional service at no additional cost or expense to the Port Authority or the Port of Houston Authority Restated Retirement Plan.

Staff presented the revised report to the November 10, 2020 Pension and Benefits Committee. At that meeting, the Pension and Benefits Committee approved staff's recommendation that the Port Commission acknowledge receipt of this revised report.

Accordingly, staff recommends that the Port Commission acknowledge receipt and filing of the revised report prepared by AndCo Consulting LLC, regarding the Port of Houston Authority Restated Retirement Plan.

H. FINANCE

Subject	4. Approve the actuarial valuation report dated as of August 1, 2020 for the Port of Houston Authority Restated Retirement Plan (Pension Plan).
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, (a) approve the actuarial valuation report dated as of August 1, 2020 for the Port of Houston Authority Restated Retirement Plan (Pension Plan), (b) authorize staff to file the report with the Texas Pension Review Board, and (c) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)
Category: General	
Department: Controller / Treasury	
Staff Contact: Curtis Duncan / Roland Gonzalez	

Background:

Section 802.101, Texas Government Code, states:

“(a) The governing body of a public retirement system shall employ an actuary, as a full-time or part-time employee or as a consultant, to make a valuation at least once every three years of the assets and liabilities of the system on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the program and reasonable expectations, and that, in combination, offer the actuary's best estimate of anticipated experience under the program. The valuation must include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

(b) On the basis of the valuation, the actuary shall make recommendations to the governing body of the public retirement system to ensure the actuarial soundness of the system. The actuary shall define each actuarial term and enumerate and explain each actuarial assumption used in making the valuation. This information must be included either in the actuarial study or in a separate report made available as a public record.

(c) The governing body of a public retirement system shall file with the State Pension Review Board a copy of each actuarial study and each separate report made as required by law.

(d) An actuary employed under this section must be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).”

The actuarial valuations for the Pension Plan are prepared by Milliman, the Port Authority’s actuary, using investment return assumption rates approved by the Port Commission.

By Minute No. 2020-1027-11, the Port Commission last approved a reduction of the actuarial assumption rate from 6.50% to 6.25%.

Staff Evaluation/Justification:

Milliman has prepared an actuarial valuation report for the Pension Plan, dated as of August 1, 2020, showing an actuarial value of Pension Plan assets of \$191,251,270, and an Unfunded Actuarial Accrued Liability (UAAL) of \$13,596,861. Using the approved actuarial assumption rate of 6.25% and other reasonable assumptions and methodologies, Milliman has estimated the Actuarially Determined Contribution (ADC) for the fiscal year ending July 31, 2021 to be \$5,833,536. As of August 1, 2020, the funded ratio of the Pension Plan was 93.4%.

Staff recommends that the Port Commission approve the Pension Plan actuarial valuation report dated as of August 1, 2020, whereupon staff would post the report on the Port Authority's website (<http://porthouston.com>) and file it with the Texas Pension Review Board in compliance with statutory requirements.

H. FINANCE

Subject **5. Adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan (Pension Plan).**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:
General

Department:
Treasury

Staff Contact:
Roland Gonzalez

Background:

By Minute 2019-1211-32, the Port Commission last adopted an amended investment policy for the Pension Plan, which states:

"To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the Port of Houston Authority Restated Retirement Plan (the "Plan"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually."

Staff Evaluation/Justification:

Staff and the Port Authority's pension consultant, AndCo Consulting, LLC, propose several revisions to the investment policy, including:

- Removal of one asset class:
 - Real Assets Portfolio (consisting of Infrastructure and MLP assets),
- Revisions to the Target Asset Allocations resulting from the removal of the above asset class:
 - Large Cap Domestic to 20.0%, from 15.0%
 - Global Tactical Asset Allocation (GTAA) to 5.0%, from 2.5%. This strategy attempts to exploit short-term market inefficiencies or long-term market trends across asset classes or sectors.
- Revisions to the Overall Investment Objective (to ensure the composite benchmark mix corresponds proportionally to the new Target Asset Allocation).
- Provide domestic equity managers flexibility to invest in a security relative to that security's weighting within the manager's benchmark.

The proposed Policy changes comply with applicable statutes, including Chapter 802, Texas Government Code. The Pension and Benefits Committee and staff recommend that the Port Commission adopt an amended investment policy for the Pension Plan, as proposed.

DRAFT

PORT OF HOUSTON AUTHORITY RESTATED RETIREMENT PLAN

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY



ADOPTED DECEMBER 8, 2020

MINUTE 2020-1208-

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I. PREAMBLE

The Port of Houston Authority Restated Retirement Plan (the "Plan" or "Pension Plan") is a defined benefit retirement plan established by the Port of Houston Authority of Harris County, Texas (the "Plan Sponsor") effective April 3, 1958. The Plan provides retirement benefits to eligible employees during their retirement years and to eligible dependents as specified in the Plan.

The Plan is a public retirement system subject to provisions of Chapter 802, Texas Government Code. As a governmental plan, it is not subject to the federal Employee Retirement Income Security Act of 1974 ("ERISA") although many of its provisions comply with ERISA.

The Port Commission (the "Commission"), as the governing body of the Plan Sponsor, has "the fiduciary responsibility for assets of the system and has the duties of overseeing the investment and expenditure of funds of the system and the administration of benefits of the system." The Commission is authorized to retain professional consultants and investment managers to assist in the investment of the Plan's assets. The Commission also establishes investment guidelines and evaluates investment manager performance.

All participants in the investment process shall undertake their responsibilities hereunder in a prudent and proactive fashion as described herein, in compliance with the Plan Sponsor's Code of Ethics, as amended from time to time, and adhering to applicable laws and regulations.

II. FIDUCIARY RESPONSIBILITIES

The Commission and its agents have a fiduciary responsibility to the participants and beneficiaries of the Plan regarding the investment of the Plan's assets.

In accordance with Section 802.203, Texas Government Code:

1. In making or supervising investments of the Plan, the Commission and each Investment Manager shall discharge its duties with respect to the Plan solely in the interest of the participants and beneficiaries and
 - (a) For the exclusive purpose of:
 - (i) Providing benefits to participants and their beneficiaries;
 - (ii) Defraying reasonable expenses of administering the Plan;
 - (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
 - (c) By diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 - (d) In accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of this section and section V of this document.
2. In choosing and contracting for professional investment management services and in continuing the use of an Investment Manager, the Commission must act prudently and in the interest of the participants and beneficiaries of the Plan.
3. The Commission is not liable for the acts or omissions of any Investment Manager it appoints in compliance with Section 802.204, Texas Government Code, nor is the Commission obligated to invest

or otherwise manage any asset of the Plan subject to management by the Investment Manager.

III. PURPOSE

This statement of investment policy (the "Policy") is set forth by the Commission in order to:

- (a) Define and assign the responsibilities of all involved parties,
- (b) Establish a clear understanding for all involved parties of the investment goals and objectives for Plan assets,
- (c) Establish the Plan's Asset Allocation,
- (d) Offer guidance and limitations to all Investment Managers regarding the investment of Plan assets,
- (e) Establish a basis for evaluating investment results,
- (f) Ensure that Plan assets are managed in accordance with the requirements of applicable Texas law and, to the extent not inconsistent with Texas law, the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations pertaining thereto, and
- (g) Establish the relevant investment horizon for which Plan assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

IV. ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Commission

The Commission is charged by law with the responsibility for the management of the assets of the Plan. The Commission shall discharge its duties solely in the interest of the Plan participants and beneficiaries, with the care, skill, prudence and diligence under the circumstances then prevailing, that a Prudent Person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

In addition, the Commission shall be responsible for ensuring the Plan investments are diversified to minimize the risk of large losses or the risk of a severe underfunding of pension liabilities, unless under the circumstances it is clearly prudent not to do so. Furthermore, the Commission shall be responsible for ensuring that Plan investments adhere to the policies, objectives and guidelines set forth in this Policy to the extent they are consistent with requirements of applicable law. The specific responsibilities of the Commission relating to the investment management of the Plan assets include:

1. Adhering to the guidelines as provided under applicable Texas law, and to the extent not inconsistent with applicable Texas law, ERISA.
2. Projecting the Plan's financial needs, and communicating such needs to the Investment Manager(s) and Pension Consultant(s) on a timely basis.
3. Determining the Plan's risk tolerance and investment horizon, and communicating these to the appropriate parties.
4. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plan's assets.
5. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Pension Consultant(s), Actuarial Consultant(s), Custodian(s), and Trustee(s).
6. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to Policy guidelines and monitor investment objective progress.

7. Developing and enacting proper control procedures (e.g., replacing Investment Manager(s) due to fundamental changes in investment management process, investment results or failure to comply with established guidelines, etc.).
8. Providing necessary and updated actuarial information on future liability payouts to support the design and maintenance of a custom liability index system.

Responsibility of the Pension and Benefits Committee

The Commission may appoint a committee or task force (the “Pension and Benefits Committee”) to provide advice and recommendations to the Commission and to assist the Commission in performing its responsibilities set forth above. If no Pension and Benefits Committee has been formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Responsibility of the Pension Consultant

The Pension Consultant’s role is that of a non-discretionary advisor to the Commission and the Pension and Benefits Committee. Investment advice concerning the investment management of Plan assets will be offered by the Pension Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Pension Consultant include:

1. Assisting in the development and periodic review of the Policy.
2. Assisting in developing an asset/liability model and appropriate liability index.
3. Recommending the appropriate asset allocation and investment styles in order to meet the funds’ long-term objectives.
4. Conducting Investment Manager searches when requested by Plan Sponsor staff, the Pension and Benefits Committee or Commission.
5. Providing “due diligence”, or research, on the Investment Manager(s).
6. Monitoring the performance of the Investment Manager(s) to provide Plan Sponsor staff, the Commission and the Pension and

Benefits Committee with the ability to determine the progress toward the investment objectives.

7. Communicating matters of policy, Investment Manager research, and Investment Manager performance to Plan Sponsor staff, the Pension and Benefits Committee and the Commission.
8. Reviewing Plan investment history, historical capital markets performance and the contents of this Policy with Plan Sponsor staff, any newly appointed members of the Commission and the Pension and Benefits Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the Plan assets placed under its investment discretion and control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and acting in accordance with the terms of any investment management agreement as may be executed by and between said Investment Manager and the Plan Sponsor. Specific responsibilities of the Investment Manager(s) include:

1. Exercising full discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process.
4. Informing the Pension Consultant, Plan Sponsor staff, the Commission and the Pension and Benefits Committee regarding any qualitative change to investment management organization (e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.).
5. Voting proxies on behalf of the Plan, and communicating such voting records to Plan Sponsor staff, the Commission and/or Pension and Benefits Committee on a timely basis as may be requested.

V. DELEGATION OF AUTHORITY

The Commission is a fiduciary under applicable Texas law and would be a fiduciary under ERISA if it applied to the Plan, and is responsible for directing and monitoring the investment management of Plan assets. As such, the Commission is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- (a) **Pension Consultant.** The Pension Consultant may assist the Commission in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Pension Consultant shall provide such assistance to the Pension and Benefits Committee in its advisory role to the Commission and/or directly to the Commission, upon request.
- (b) **Investment Manager.** The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.
- (c) **Custodian.** The Custodian may be a bank, depository trust company, or brokerage firm and will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts.
- (d) **Trustee.** Consistent with requirements of applicable law, the Commission may appoint an outside bank trust department or depository trust company, to be Trustee. The Trustee will assume fiduciary responsibility for the administration of Plan assets. The Pension and Benefits Committee shall advise the Commission in its selection, removal and replacement of any Trustee.
- (e) **Additional specialists** such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Commission to assist in meeting its responsibilities and obligations to administer Plan assets prudently, and to assist

the Pension and Benefits Committee in providing advice and recommendations in this regard.

- (f) **Plan Sponsor Staff** has responsibility for day-to-day management and administration of the Plan under the supervision and direction of the Commission, and in accordance with applicable state and federal laws, including supervising the Pension Consultant, Investment Managers, the Trustee, and any other parties engaged by the Commission.

The Commission does not reserve any control over investment decisions, with the exception of specific limitations described in this Policy. Investment Managers shall be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which it deems appropriate.

If such experts employed are also deemed to be fiduciaries under applicable Texas law, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Plan as deemed necessary.

VI. ASSET ALLOCATION

The Commission shall be responsible for allocation of the assets among Investment Managers as well as controlling the total Asset Allocation among stocks, bonds and cash. The Commission adopts the following Asset Allocation among stocks, bonds, other investments, and cash to serve as a general guideline in investing the Plan's assets.

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Large Cap Domestic Equity	15.0%	20.0%	25.0%
Mid Cap Domestic Equity	2.5%	7.5%	12.5%
Small Cap Domestic Equity	5.0%	10.0%	15.0%
International Equity	2.5%	7.5%	12.5%
Core Fixed Income	35.0%	40.0%	45.0%
High Yield Fixed Income	0.0%	5.0%	10.0%
Real Estate	0.0%	5.0%	10.0%
Global Tactical Asset Allocation (GTAA)	0.0%	5.0%	10.0%
Cash and Equivalents	0.0%	0.0%	0.5%

The Commission will review the total Asset Allocation between Investment Managers and the overall Asset Allocation on a quarterly basis to keep the Asset Allocations of the various managers in line with the target Asset Allocation listed above. The need for balancing may also occur annually or more frequently due to contributions and distributions, or if there are price movements in the financial markets which cause an Asset Class to exceed or fall below the established guideline limits.

Plan Sponsor staff is authorized to rebalance the portfolio, consistent with the above Asset Allocation guidelines, and may also maintain portfolio assets in money market accounts or other cash equivalents as deemed appropriate or necessary to cover Plan expenses and monthly benefit payment requirements.

VII. INVESTMENT OBJECTIVES

The primary objective is to maximize the rate of return on the Plan assets consistent with the preservation of the value of principal by investing in stocks, bonds and cash. The performance of the Plan assets will be evaluated against investment objectives set forth in this document for each Asset Class.

The Plan shall be managed with a philosophy of selecting and retaining individual Investment Managers who have excelled in their investment disciplines. The managers for the Plan assets shall have proven abilities in their disciplines (i.e., stocks, bonds, cash, etc.), with an ability to add value through active management in their respective market specialization. The investment objectives of the Plan are as follows:

- (a) The **Investment Managers**, when measured against other investment managers, should consistently rank in the top 33rd percentile of their most relevant universe of similar managers over the trailing three, five, and ten year periods.
- (b) The **Overall Investment Objective** of the Plan is to outperform the return of a composite mix comprised of 22.5% of the S&P 500 Index, 7.5% of the Russell Midcap Index, 10.0% of the Russell 2000 Index, 7.5% of the MSCI EAFE Index, 42.5% of the Bloomberg Barclays Capital US Aggregate Bond Index, 5.0% of the Merrill Lynch High Yield Master II Constrained Index, and 5.0% of the NAREIT All REITS Total Return Index. This objective should be met over a full market cycle, usually five to ten years.
- (c) The **Total Plan** rate of return should annually outperform, net of expenses, the actuarial return assumption as established by the Commission from time to time.
- (d) The **Total Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.
- (e) The **Large Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.

- (f) The **Large Capitalization Equity Index Portfolio** should achieve a total rate of return that matches the total return of the S&P 500 Index, gross of expenses, over a full market cycle, usually five to ten years.
- (g) The **Middle Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell Mid Cap Index by 2.0%, net of expenses, over a full market cycle, usually five to ten years.
- (h) The **Small Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell 2000 Index by 3.0%, net of expenses, over a full market cycle, usually five to ten years.
- (i) The **International Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Morgan Stanley Capital International Europe, Australasia, and the Far East (MSCI EAFE ND) Index by 1.5%, net of expenses, over a full market cycle, usually five to ten years.
- (j) The **Total Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (k) The **High Yield Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Merrill Lynch High Yield Master II Constrained Index over a full market cycle, usually five to ten years.
- (l) The **Real Estate Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the FTSE NAREIT All REITS Total Return Index or the NCREIF Fund Index-Open End Diversified Core over a full market cycle, usually five to ten years.
- (m) The **Global Tactical Asset Allocation Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the 50% S&P 500 Index/50% Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.

- (n) **Cash and short term securities** should achieve relative performance better than 91-day U. S. Treasury Bills.

General Investment Principles

- (a) Investments shall be made solely in the interest of the participants and beneficiaries of the Plan for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration of the Plan.
- (b) The Plan shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- (c) Investment of the Plan shall be so diversified as to minimize the risk of large losses or the risk of a severe underfunding of pension liabilities, unless under the circumstances it is clearly prudent not to do so.
- (d) The Commission may employ one or more Investment Managers of varying styles and philosophies to attain the Plan's objectives.
- (e) Investments should be made in consideration of the future liability payout schedule such that no severe mismatch of assets versus liabilities develops.
- (f) Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

VIII. INVESTMENT GUIDELINES

The Investment Managers are expected to execute all transactions as efficiently as possible. There are no specific restrictions on portfolio turnover or preference for long or short term holding periods. The Commission does, however, anticipate that long-term performance will be enhanced by investment strategies, not trading strategies.

All securities transactions shall be effected through brokerage firms. Each Investment Manager shall ensure brokerage commissions paid by them for executions and other services that benefit the Investment Managers are reasonable. When Investment Managers direct commissions on behalf of the Plan, the direction shall be contingent upon the institution being competitive in both price and execution. The Commission retains the right to direct brokerage commissions.

The Pension Consultant and Investment Managers shall comply with the principles outlined below regarding **compensation**.

- (a) All contracts between the Plan Sponsor and Pension Consultant(s) shall be paid on a hard dollar basis (i.e., actual cash paid for services). All contracts between the Plan Sponsor and Investment Managers shall be paid on a hard dollar basis.
- (b) Pension Consultant(s) shall not enter into any compensation arrangements with Investment Managers for any services to be provided relating to the Plan.
- (c) Investment Managers may enter into special commission arrangements with brokerage firms whereby portions of the commissions paid to brokerage firms for executing securities transactions may be directed to a third party or retained by the brokerage firm, but only for the express purpose of obtaining research products and services that are directly related to the investment process. Investment Managers shall monitor such payments on a regular basis, and as may be requested periodically by the Plan Sponsor, shall certify that such payments are in compliance with Section 28(e) of the Securities and Exchange Act of 1934, and such products and services directly benefit the Plan.

- (d) Reports shall be prepared by the Custodian and/or Investment Manager(s) at least quarterly indicating the transactions executed during the period. For other than direct transactions, the Investment Manager(s) shall have the discretion to execute transactions with the brokerage firm(s) of its choosing; however, its selection shall always be made in the best interest of the Plan.

The Plan assets may be invested in publicly traded common and preferred stocks, convertible bonds, and non-convertible fixed income securities, whether interest bearing or discount instruments, including money market instruments, subject to any restrictions herein specified. Any investments in mutual funds or other vehicles which may commingle instruments from various asset categories shall be subject to guidelines or restrictions specified in the fund prospectus or offering materials.

The assets of the Plan shall be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a Prudent Person shall be observed. All transactions undertaken on behalf of the Plan shall be for the sole benefit of the participants in the Plan and their beneficiaries.

The **domestic equity** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Plan's equity Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, unless that security has a weighting of 5% or higher

in the manager's respective benchmark index, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation, unless that security has a weighting of 10% or higher in the manager's respective benchmark index.

- (f) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (g) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **international equity** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Investing internationally diversifies the overall Plan across the global equity markets. The international equity manager will invest in non-U.S. dollar denominated equity securities and/or American Depositary Receipts ("ADR's"). The manager is required to invest in a prudent manner and to operate under the restrictions indicated in their prospectus. These include: regional constraints, diversification requirements, and the type of securities held.
- (b) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (c) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (d) No private placements or venture capital investments should be purchased.
- (e) The Plan's equity Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (f) No single security in each Investment Manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the

equity allocation of the portfolio after accounting for price appreciation.

- (g) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (h) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested in Investment Grade bonds. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated below Investment Grade but not lower than "B". The bonds must be rated by either Moody's, Fitch or Standard and Poor's. The Investment Managers are not required to invest in securities rated below Investment Grade.
- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 10% of the fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Bloomberg Barclays Capital US Aggregate Bond Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **high yield fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The high yield fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be

invested in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.

- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the high yield fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Merrill Lynch High Yield Master II Constrained Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **real estate** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Plan's real estate Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The real estate Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.

- (e) No single security in each manager's portfolio will constitute more than 10% of the portfolio's allocation at the time of purchase, nor will it be more than 13% of the allocation of the portfolio after accounting for price appreciation.
- (f) The funds shall remain fully invested in real estate except for a nominal time between sales and repurchases.

The **global tactical asset allocation** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (b) No private placements or venture capital investments should be purchased.
- (c) Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (d) No single security in each manager's portfolio will constitute more than 5% of the portfolio's allocation at the time of purchase, nor will it be more than 10% of the allocation of the portfolio after accounting for price appreciation.
- (e) The funds shall remain fully invested except for a nominal time between sales and repurchases.

Money market instruments are debt securities with maturities of less than one year. Money market purchases should reflect the discretion of the Investment Managers within the following guidelines:

- (a) Investments can be made in money market instruments that are U.S. Government or agency obligations, repurchase agreements, collateralized by U.S. Government or agency securities, commercial paper, bankers' acceptances, certificates of deposit, Euro or Yankee Dollar obligations, or time deposits.

- (b) Commercial paper shall be restricted to paper rated "A-2" or "P-2" or "F-2" or better and shall be limited such that any one commercial paper issuer shall not comprise more than 10% of the portfolio.
- (c) Bankers' acceptances, Certificates of Deposit, Euro or Yankee Dollar obligations, and time deposits shall be made in the larger banks (ranked by assets) rated "AA" or better by Moody's or the equivalent by Fitch or Standard & Poor's and in conformance with all FDIC regulations concerning capital requirements.
- (d) Investments may be in money market mutual funds that are regulated by the SEC and fully comply with rule 2a-7 of the Investment Company Act of 1940.

IX. PORTFOLIO EVALUATION

On a quarterly basis:

- (a) The Investment Managers shall provide written reports to the Plan Sponsor and the Pension Consultant detailing performance for the most recent quarterly period as well as the current outlook of the equity and fixed income markets;
- (b) The Pension Consultant shall monitor Investment Managers' performance and consistency with respect to the investment guidelines and objectives outlined in this Policy; and
- (c) The Pension Consultant shall meet with Plan Sponsor staff, the Commission and/or Pension and Benefits Committee (whether in person or via conference call), and review the Investment Managers' performance relative to objectives set forth in this Policy.

X. DEFINITIONS

ADR's	(American Depositary Receipt) A negotiable certificate receipt issued, in dollars, by an American depository stating that a certain number of foreign securities have been deposited with an overseas branch of the depository or with a custodian. ADR's are traded on the New York and other U.S. stock exchanges.
Add Value	The margin by which an investment advisor can out-perform the relative index in a specific asset class.
Asset Allocation	Process by which the total plan is divided among the different asset classes.
Asset Class	Categories of investments that include equity securities, fixed income securities and cash equivalents.
Beta	A measure of an equity portfolio's risk level which indicates its sensitivity to changes in the S&P 500 equity index. A portfolio with a Beta greater than one is more volatile than the S&P 500 (e.g., a Beta of 1.20 indicates the portfolio is 20% more volatile than the S&P 500).
Cash	Instruments or investments of high quality and safety (e.g., money market funds, treasury bills, etc.). Maturity is usually less than one year.
Commission	The Port Commission of the Port of Houston Authority of Harris County, Texas, which shall serve as the governing body responsible for administration of the Plan as specified by applicable state or local law or ordinance.
Custodian	Any bank, depository trust company, or brokerage firm appointed by the Commission to serve as custodian over all or part of the Plan's assets.
Duration	A measure of a fixed income portfolio's risk level which indicates how sensitive a fixed income portfolio is to a change in interest rates. The longer a portfolio's duration is, the more volatile it will react to changes in interest rates. Duration is calculated by finding the net present value of all cash flows of a bond until maturity.
Equities	Ownership interest possessed by shareholders in a corporation; stock as opposed to bonds.
ERISA	The Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to ERISA.

Fiduciary	Any individual or group of individuals as defined in applicable Texas law and, to the extent not inconsistent with applicable Texas law, ERISA, section 3(21)(a).
Fixed Income	Any interest bearing or discounted government or corporate security that obligates the issuer to pay the holder a specified sum of money, usually at specified intervals, and to repay the principal amount of the loan at maturity. The Fixed Income portfolio may include preferred stock.
Global Tactical Asset Allocation (GTAA)	An investment strategy that attempts to exploit short-term market inefficiencies or long-term market trends by establishing positions in relatively attractive areas of the global investable universe. A GTAA strategy is capable of quickly implementing investment ideas to help tilt a portfolio for near-term opportunities or to preserve capital during market declines. Depending on strategy, investment approaches may diversify across asset classes, sector, countries, currencies, commodities, instruments, and capital structure.
Inflation	The rise in the prices of goods and services as measured by the Consumer Price Index ("CPI").
International Equity Portfolio	An equity portfolio composed of companies based outside of the United States.
Investment Consultant	The firm employed to consult on matters relating to the effective management of the Plan assets.
Investment Grade	Securities rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's or Fitch Ratings.
Investment Horizon	The time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Plan based on active lives is 11 years (duration) and on retired lives is 15 years (duration). This will not preclude the committee from reviewing manager performance over shorter periods of three to five years.
Investment Manager	An entity appointed in accordance with Section 802.204, Texas Government Code, that provides investment advice and/or manages investments for a fee. All Investment Managers shall be registered with the Securities and Exchange Commission and abide by the rules of the Investment Advisers Act of 1940.

Large Cap Equity Portfolio	An equity portfolio composed of large sized companies. Large capitalization portfolios buy stocks with market capitalizations generally above \$10.0 billion.
Long-term	An investment approach to the markets in which an investor seeks appreciation by evaluating securities over a complete business cycle, usually five to ten years.
Mid Cap Equity Portfolio	An equity portfolio composed of middle sized companies. Middle capitalization portfolios buy stocks with market capitalizations generally between \$2.0 billion and \$10.0 billion.
Pension and Benefits Committee	The committee appointed by the Commission pursuant to the Plan, which may serve as an advisor to the Commission and provide recommendations to the Commission from time to time concerning the administration and management of the Plan. If no committee is formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.
Prudent Person	A fiduciary charged with utilizing the care, skill, prudence, and diligence that a prudent person who is familiar with such matters would use under the circumstances then prevailing.
Rate of Return	A return that includes appreciation (depreciation), realized capital gains (losses), and income. A quarterly return is computed and then chain-linked to calculate time-weighted rates of return for the periods under study.
Real Estate Investment Trust	A publicly traded security (also known as a REIT) that invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.
Securities	Marketable investment securities and instruments which are defined as acceptable in this statement.
Small Cap Equity Portfolio	An equity portfolio composed of small sized companies. Small capitalization portfolios buy stocks with market capitalizations generally up to \$2.0 billion.
Trustee	Any bank trust department or depository trust company appointed by the Commission to serve as trustee over all or part of the Plan assets.
Total Plan	Aggregate total of all assets in the Plan.

XI. POLICY REVIEW AND ADOPTION

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the Port of Houston Authority Restated Retirement Plan (the "Plan"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually.

The Commission officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commission, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon and is herewith adopted. The Commission further ratifies, approves and confirms such written notice and the contents and posting thereof.

This Policy is adopted on December 8, 2020 and supersedes all previously adopted statements of investment policy with respect to the Plan.

Chairman, Port Commission
Port of Houston Authority of
Harris County, Texas

ATTEST:

Secretary,
Port Commission
Port of Houston Authority of
Harris County, Texas

Minute 2020-1208-

H. FINANCE

Subject **6. Adopt an amended investment policy for the Port of Houston Authority OPEB Plan, an irrevocable trust established for other post-employment benefits.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, adopt an amended investment policy for the Port of Houston Authority Other Post Employment Benefit OPEB Plan, an irrevocable trust established for other post-employment benefits, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:
General

Department:
Treasury

Staff Contact:
Roland Gonzalez

Background:
By Minute 2019-1211-33, the Port Commission last adopted an amended investment policy for the OPEB Plan, which states:

"To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the OPEB Trust (the "Trust"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually."

Staff Evaluation/Justification:

Staff and the Port Authority's pension consultant, AndCo Consulting, LLC, propose several revisions to the investment policy, including:

- Removal of one asset class:
 - Real Assets Portfolio (consisting of Infrastructure and MLP assets),
- Revisions to the Target Asset Allocations resulting from the removal of the above asset class:
 - Large Cap Domestic to 20.0%, from 15.0%
 - Global Tactical Asset Allocation (GTAA) to 5.0%, from 2.5%. This strategy attempts to exploit short-term market inefficiencies or long-term market trends across asset classes or sectors.
- Revisions to the Overall Investment Objective (to ensure the composite benchmark mix corresponds proportionally to the new Target Asset Allocation).
- Provide domestic equity managers flexibility to invest in a security relative to that security's weighting within the manager's benchmark.

The proposed Policy changes comply with applicable statutes. The Pension and Benefits Committee and staff recommend that the Port Commission adopt an amended investment policy for the OPEB Plan, as proposed.

DRAFT

PORT OF HOUSTON AUTHORITY OPEB PLAN

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY



ADOPTED DECEMBER 8, 2020

MINUTE 2020-1208-

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I. PREAMBLE

By Minute 2011-1025-11, the Port Commission (the "Commission"), as governing body of the PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS (the "Plan Sponsor" or "Trust Sponsor"), adopted resolutions relating to the Trust Sponsor's participation in the PEB Trust of Texas, a multi-employer trust, to fund post-employment benefits other than pension benefits ("OPEB").

The Commission continues to desire to fund OPEB such as retiree medical, dental, vision, life insurance, long-term care, and similar benefits, as may be offered by the Trust Sponsor to its former employees and eligible dependents ("beneficiaries") under the terms and conditions of one or more plans or programs that may be maintained by the Trust Sponsor.

By Minute 2014-1028-34, the Commission (1) established a new, single-employer irrevocable trust (the "Plan", "Trust" or "OPEB Trust") at Compass Bank (now known as BBVA USA, the "Trustee"), (2) authorized the transfer of assets from the Trust Sponsor's account at the PEB Trust of Texas to the new Trust after receipt of a private letter ruling from the Internal Revenue Service confirming that the income in the Trust is excludable from federal income taxation under Section 115 of the Internal Revenue Code of 1986, as amended, and (3) designated certain individuals (each a "Plan Administrator") to act on behalf of the Trust Sponsor with respect to the Trust. By Minute 2018-1212-38, the Commission adopted an amended and restated Port of Houston Authority OPEB Plan document, effective January 1, 2019.

It is intended that the assets accumulated in the Trust would reduce the Trust Sponsor's OPEB obligations as determined by the Governmental Accounting Standards Board ("GASB").

The Commission is responsible for administration of the Trust and for the investment of the Trust's assets. The Commission is authorized to retain professional consultants and investment managers to assist in the investment of the Trust's assets. The Commission also establishes investment guidelines and evaluates investment manager performance.

All participants in the investment process shall undertake their responsibilities hereunder in a prudent and proactive fashion as described herein, in compliance with the Trust Sponsor's Code of Ethics, as amended from time to time, and adhering to applicable laws and regulations.

II. FIDUCIARY RESPONSIBILITIES

The Commission and its agents have a fiduciary responsibility to the participants and beneficiaries of the Trust regarding the investment of the Trust's assets.

1. In making or supervising investments of the Trust, the Commission and each Investment Manager shall discharge its duties with respect to the Trust solely in the interest of the participants and beneficiaries and
 - (a) For the exclusive purpose of:
 - (i) Providing benefits to participants and their beneficiaries;
 - (ii) Defraying reasonable expenses of administering the Trust;
 - (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
 - (c) By diversifying the investments of the Trust so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 - (d) In accordance with the documents and instruments governing the Trust insofar as such documents and instruments are consistent with the provisions of this section and section V of this document.
2. In choosing and contracting for professional investment management services and in continuing the use of an Investment Manager, the Commission must act prudently and in the interest of the participants and beneficiaries of the Trust.
3. The Commission is not liable for the acts or omissions of any Investment Manager it appoints hereunder, nor is the Commission obligated to invest or otherwise manage any asset of the Trust subject to management by the Investment Manager.

III. PURPOSE

This statement of investment policy (the "Policy") is set forth by the Commission in order to:

- (a) Define and assign the responsibilities of all involved parties,
- (b) Establish a clear understanding for all involved parties of the investment goals and objectives for Trust assets,
- (c) Establish the Trust's Asset Allocation,
- (d) Offer guidance and limitations to all Investment Managers regarding the investment of Trust assets,
- (e) Establish a basis for evaluating investment results,
- (f) Ensure that Trust assets are managed in accordance with the requirements of applicable Texas law and, to the extent not inconsistent with Texas law, the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations pertaining thereto, and
- (g) Establish the relevant investment horizon for which Trust assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

IV. ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Commission

The Commission is charged by law with the responsibility for the management of the assets of the Trust. The Commission shall discharge its duties solely in the interest of the Trust participants and beneficiaries, with the care, skill, prudence and diligence under the circumstances then prevailing, that a Prudent Person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

In addition, the Commission shall be responsible for ensuring the Trust investments are diversified to minimize the risk of large losses or the risk of a severe underfunding of OPEB liabilities, unless under the circumstances it is clearly prudent not to do so. Furthermore, the Commission shall be responsible for ensuring that Trust investments adhere to the policies, objectives and guidelines set forth in this Policy to the extent they are consistent with requirements of applicable law. The specific responsibilities of the Commission relating to the investment management of the Trust assets include:

1. Adhering to the guidelines as provided under applicable Texas law, and to the extent not inconsistent with applicable Texas law, ERISA.
2. Projecting the Trust's financial needs, and communicating such needs to the Investment Manager(s) and Investment Consultant(s) on a timely basis.
3. Determining the Trust's risk tolerance and investment horizon, and communicating these to the appropriate parties.
4. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Trust's assets.
5. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), Actuarial Consultant(s), Custodian(s), and Trustee(s).
6. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to Policy guidelines and monitor investment objective progress.

7. Developing and enacting proper control procedures (e.g., replacing Investment Manager(s) due to fundamental changes in investment management process, investment results, or failure to comply with established guidelines, etc.).
8. Providing necessary and updated actuarial information on future liability payouts to support the design and maintenance of a custom liability index system.

Responsibility of the Pension and Benefits Committee

The Commission may appoint a committee or task force (the “Pension and Benefits Committee”) to provide advice and recommendations to the Commission and to assist the Commission in performing its responsibilities set forth above. If no Pension and Benefits Committee has been formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Responsibility of the Investment Consultant

The Investment Consultant’s role is that of a non-discretionary advisor to the Commission and the Pension and Benefits Committee. Investment advice concerning the investment management of Trust assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of the Policy.
2. Assisting in developing an asset/liability model and appropriate liability index.
3. Recommending the appropriate asset allocation and investment styles in order to meet the funds’ long-term objectives.
4. Conducting Investment Manager searches when requested by Plan Sponsor staff, the Pension and Benefits Committee or Commission.
5. Providing “due diligence”, or research, on the Investment Manager(s).
6. Monitoring the performance of the Investment Manager(s) to provide Plan Sponsor staff, the Commission and the Pension and

Benefits Committee with the ability to determine the progress toward the investment objectives.

7. Communicating matters of policy, Investment Manager research, and Investment Manager performance to Plan Sponsor staff, the Pension and Benefits Committee and the Commission.
8. Reviewing Trust investment history, historical capital markets performance and the contents of this Policy with Plan Sponsor staff, any newly appointed members of the Commission and the Pension and Benefits Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the Trust assets placed under its investment discretion and control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and acting in accordance with the terms of any investment management agreement as may be executed by and between said Investment Manager and the Trust Sponsor. Specific responsibilities of the Investment Manager(s) include:

1. Exercising full discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process.
4. Informing the Investment Consultant, Plan Sponsor staff, the Commission and the Pension and Benefits Committee regarding any qualitative change to investment management organization (e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.).
5. Voting proxies on behalf of the Trust, and communicating such voting records to Plan Sponsor staff, the Commission and/or Pension and Benefits Committee on a timely basis as may be requested.

V. DELEGATION OF AUTHORITY

The Commission is a fiduciary under applicable Texas law and would be a fiduciary under ERISA if it applied to the Trust, and is responsible for directing and monitoring the investment management of Trust assets. As such, the Commission is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- (a) **Investment Consultant.** The Investment Consultant may assist the Commission in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Investment Consultant shall provide such assistance to the Pension and Benefits Committee in its advisory role to the Commission and/or directly to the Commission, upon request.
- (b) **Investment Manager.** The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Trust's investment objectives.
- (c) **Custodian.** The Custodian may be a bank, depository trust company, or brokerage firm and will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust accounts.
- (d) **Trustee.** Consistent with requirements of applicable law, the Commission may appoint an outside bank trust department or depository trust company, to be Trustee. The Trustee will assume fiduciary responsibility for the administration of Trust assets. The Pension and Benefits Committee shall advise the Commission in its selection, removal and replacement of any Trustee.
- (e) **Additional specialists** such as attorneys, auditors, actuaries, and others may be employed by the Commission to assist in meeting its responsibilities and obligations to administer Trust

assets prudently, and to assist the Pension and Benefits Committee in providing advice and recommendations in this regard.

- (f) **Trust Sponsor Staff** has responsibility for day-to-day management and administration of the Trust under the supervision and direction of the Commission, and in accordance with applicable state and federal laws, including supervising the Investment Consultant, Investment Managers, the Trustee, and any other parties engaged by the Commission.

The Commission does not reserve any control over investment decisions, with the exception of specific limitations described in this Policy. Investment Managers shall be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which it deems appropriate.

If such experts employed are also deemed to be fiduciaries under applicable Texas law, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Trust as deemed necessary.

VI. ASSET ALLOCATION

The Commission shall be responsible for allocation of the assets among Investment Managers as well as controlling the total Asset Allocation among stocks, bonds and cash. The Commission adopts the following Asset Allocation among stocks, bonds, other investments, and cash to serve as a general guideline in investing the Trust's assets.

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Large Cap Domestic Equity	0.0%	20.0%	25.0%
Mid Cap Domestic Equity	0.0%	7.5%	12.5%
Small Cap Domestic Equity	0.0%	10.0%	15.0%
International Equity	0.0%	7.5%	12.5%
Core Fixed Income	35.0%	40.0%	75.0%
High Yield Fixed Income	0.0%	5.0%	10.0%
Real Estate	0.0%	5.0%	10.0%
Global Tactical Asset Allocation (GTAA)	0.0%	5.0%	10.0%
Cash and Equivalents	0.0%	0.0%	0.5%

The Commission will review the total Asset Allocation between Investment Managers and the overall Asset Allocation on a quarterly basis to keep the Asset Allocations of the various managers in line with the target Asset Allocation listed above. The need for balancing may also occur annually or more frequently due to contributions and distributions, or if there are price movements in the financial markets which cause an Asset Class to exceed or fall below the established guideline limits.

Plan Sponsor staff is authorized to rebalance the portfolio, consistent with the above Asset Allocation guidelines, and may also maintain portfolio assets in money market accounts or other cash equivalents as deemed appropriate or necessary to cover Trust expenses and monthly benefit payment requirements.

VII. INVESTMENT OBJECTIVES

The primary objective is to maximize the rate of return on the Trust assets consistent with the preservation of the value of principal by investing in stocks, bonds and cash. The performance of the Trust assets will be evaluated against investment objectives set forth in this document for each Asset Class.

The Trust shall be managed with a philosophy of selecting and retaining individual Investment Managers who have excelled in their investment disciplines. The managers for the Trust assets shall have proven abilities in their disciplines (i.e., stocks, bonds, cash, etc.), with an ability to add value through active management in their respective market specialization. The investment objectives of the Trust are as follows:

- (a) The **Investment Managers**, when measured against other investment managers, should consistently rank in the top 33rd percentile of their most relevant universe of similar managers over the trailing three, five, and ten year periods.
- (b) The **Overall Investment Objective** of the Trust is to outperform the return of a composite mix comprised of 22.5% of the S&P 500 Index, 7.5% of the Russell Midcap Index, 10.0% of the Russell 2000 Index, 7.5% of the MSCI EAFE Index, 42.5% of the Bloomberg Barclays Capital US Aggregate Bond Index, 5.0% of the Merrill Lynch High Yield Master II Constrained Index, and 5.0% of the NAREIT All REITS Total Return Index. This objective should be met over a full market cycle, usually five to ten years.
- (c) The **Total Trust** rate of return should annually outperform, net of expenses, the actuarial return assumption as established by the Commission from time to time.
- (d) The **Total Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.
- (e) The **Large Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.

- (f) The **Large Capitalization Equity Index Portfolio** should achieve a total rate of return that matches the total return of the S&P 500 Index, gross of expenses, over a full market cycle, usually five to ten years.
- (g) The **Middle Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell Mid Cap Index by 2.0%, net of expenses, over a full market cycle, usually five to ten years.
- (h) The **Small Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell 2000 Index by 3.0%, net of expenses, over a full market cycle, usually five to ten years.
- (i) The **International Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Morgan Stanley Capital International Europe, Australasia, and the Far East (MSCI EAFE ND) Index by 1.5%, net of expenses, over a full market cycle, usually five to ten years.
- (j) The **Total Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (k) The **High Yield Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Merrill Lynch High Yield Master II Constrained Index over a full market cycle, usually five to ten years.
- (l) The **Real Estate Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the FTSE NAREIT All REITS Total Return Index or the NCREIF Fund Index-Open End Diversified Core over a full market cycle, usually five to ten years.
- (m) The **Global Tactical Asset Allocation Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the 50% S&P 500 Index/50% Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.

- (n) **Cash and short term securities** should achieve relative performance better than 91-day U. S. Treasury Bills.

General Investment Principles

- (a) Investments shall be made solely in the interest of the participants and beneficiaries of the Trust for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration of the Trust.
- (b) The Trust shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- (c) Investment of the Trust shall be so diversified as to minimize the risk of large losses or the risk of a severe underfunding of OPEB liabilities, unless under the circumstances it is clearly prudent not to do so.
- (d) The Commission may employ one or more Investment Managers of varying styles and philosophies to attain the Trust's objectives.
- (e) Investments should be made in consideration of the future liability payout schedule such that no severe mismatch of assets versus liabilities develops.
- (f) Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

VIII. INVESTMENT GUIDELINES

The Investment Managers are expected to execute all transactions as efficiently as possible. There are no specific restrictions on portfolio turnover or preference for long or short term holding periods. The Commission does, however, anticipate that long-term performance will be enhanced by investment strategies, not trading strategies.

All securities transactions shall be effected through brokerage firms. Each Investment Manager shall ensure brokerage commissions paid by them for executions and other services that benefit the Investment Managers are reasonable. When Investment Managers direct commissions on behalf of the Trust, the direction shall be contingent upon the institution being competitive in both price and execution. The Commission retains the right to direct brokerage commissions.

The Investment Consultant and Investment Managers shall comply with the principles outlined below regarding **compensation**.

- (a) All contracts between the Plan Sponsor and Investment Consultant(s) shall be paid on a hard dollar basis (i.e., actual cash paid for services). All contracts between the Plan Sponsor and Investment Managers shall be paid on a hard dollar basis.
- (b) Investment Consultant(s) shall not enter into any compensation arrangements with Investment Managers for any services to be provided relating to the Trust.
- (c) Investment Managers may enter into special commission arrangements with brokerage firms whereby portions of the commissions paid to brokerage firms for executing securities transactions may be directed to a third party or retained by the brokerage firm, but only for the express purpose of obtaining research products and services that are directly related to the investment process. Investment Managers shall monitor such payments on a regular basis, and as may be requested periodically by the Plan Sponsor, shall certify that such payments are in compliance with Section 28(e) of the Securities and Exchange Act of 1934, and such products and services directly benefit the Trust.

- (d) Reports shall be prepared by the Custodian and/or Investment Manager(s) at least quarterly indicating the transactions executed during the period. For other than direct transactions, the Investment Manager(s) shall have the discretion to execute transactions with the brokerage firm(s) of its choosing; however, its selection shall always be made in the best interest of the Trust.

The Trust assets may be invested in publicly traded common and preferred stocks, convertible bonds, and non-convertible fixed income securities, whether interest bearing or discount instruments, including money market instruments, subject to any restrictions herein specified. Any investments in mutual funds or other vehicles which may commingle instruments from various asset categories shall be subject to guidelines or restrictions specified in the fund prospectus or offering materials.

The assets of the Trust shall be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a Prudent Person shall be observed. All transactions undertaken on behalf of the Trust shall be for the sole benefit of the participants in the Trust and their beneficiaries.

The **domestic equity** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Trust's equity Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, unless that security has a weighting of 5% or higher

in the manager's respective benchmark index, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation, unless that security has a weighting of 10% or higher in the manager's respective benchmark index.

- (f) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (g) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **international equity** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Investing internationally diversifies the overall Trust across the global equity markets. The international equity manager will invest in non-U.S. dollar denominated equity securities and/or American Depositary Receipts ("ADR's"). The manager is required to invest in a prudent manner and to operate under the restrictions indicated in their prospectus. These include: regional constraints, diversification requirements, and the type of securities held.
- (b) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (c) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (d) No private placements or venture capital investments should be purchased.
- (e) The Trust's equity Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (f) No single security in each Investment Manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the

equity allocation of the portfolio after accounting for price appreciation.

- (g) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (h) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested in Investment Grade bonds. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated below Investment Grade but not lower than "B". The bonds must be rated by either Moody's, Fitch or Standard and Poor's. The Investment Managers are not required to invest in securities rated below Investment Grade.
- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 10% of the fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Bloomberg Barclays Capital US Aggregate Bond Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **high yield fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The high yield fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested

in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.

- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the high yield fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Merrill Lynch High Yield Master II Constrained Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **real estate** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Trust's real estate Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The real estate Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.

- (e) No single security in each manager's portfolio will constitute more than 10% of the portfolio's allocation at the time of purchase, nor will it be more than 13% of the allocation of the portfolio after accounting for price appreciation.
- (f) The funds shall remain fully invested in real estate except for a nominal time between sales and repurchases.

The **global tactical asset allocation** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (b) No private placements or venture capital investments should be purchased.
- (c) Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (d) No single security in each manager's portfolio will constitute more than 5% of the portfolio's allocation at the time of purchase, nor will it be more than 10% of the allocation of the portfolio after accounting for price appreciation.
- (e) The funds shall remain fully invested except for a nominal time between sales and repurchases.

Money market instruments are debt securities with maturities of less than one year. Money market purchases should reflect the discretion of the Investment Managers within the following guidelines:

- (a) Investments can be made in money market instruments that are U.S. Government or agency obligations, repurchase agreements, collateralized by U.S. Government or agency securities, commercial paper, bankers' acceptances, certificates of deposit, Euro or Yankee Dollar obligations, or time deposits.

- (b) Commercial paper shall be restricted to paper rated "A-2" or "P-2" or "F-2" or better and shall be limited such that any one commercial paper issuer shall not comprise more than 10% of the portfolio.
- (c) Bankers' acceptances, Certificates of Deposit, Euro or Yankee Dollar obligations, and time deposits shall be made in the larger banks (ranked by assets) rated "AA" or better by Moody's or the equivalent by Fitch or Standard & Poor's and in conformance with all FDIC regulations concerning capital requirements.
- (d) Investments may be in money market mutual funds that are regulated by the SEC and fully comply with rule 2a-7 of the Investment Company Act of 1940.

IX. PORTFOLIO EVALUATION

On a quarterly basis:

- (a) The Investment Managers shall provide written reports to the Trust Sponsor and the Investment Consultant detailing performance for the most recent quarterly period as well as the current outlook of the equity and fixed income markets;
- (b) The Investment Consultant shall monitor Investment Managers' performance and consistency with respect to the investment guidelines and objectives outlined in this Policy;
and
- (c) The Investment Consultant shall meet with Plan Sponsor staff, the Commission and/or Pension and Benefits Committee (whether in person or via conference call), and review the Investment Managers' performance relative to objectives set forth in this Policy.

X. DEFINITIONS

ADR's	(American Depositary Receipt) A negotiable certificate receipt issued, in dollars, by an American depository stating that a certain number of foreign securities have been deposited with an overseas branch of the depository or with a custodian. ADR's are traded on the New York and other U.S. stock exchanges.
Add Value	The margin by which an investment advisor can out-perform the relative index in a specific asset class.
Asset Allocation	Process by which the total Trust is divided among the different asset classes.
Asset Class	Categories of investments that include equity securities, fixed income securities and cash equivalents.
Beta	A measure of an equity portfolio's risk level which indicates its sensitivity to changes in the S&P 500 equity index. A portfolio with a Beta greater than one is more volatile than the S&P 500 (e.g., a Beta of 1.20 indicates the portfolio is 20% more volatile than the S&P 500).
Cash	Instruments or investments of high quality and safety (e.g., money market funds, treasury bills, etc.). Maturity is usually less than one year.
Commission	The Port Commission of the Port of Houston Authority of Harris County, Texas, which shall serve as the governing body responsible for administration of the Trust as specified by applicable state or local law or ordinance.
Custodian	Any bank, depository trust company, or brokerage firm appointed by the Commission to serve as custodian over all or part of the Trust's assets.
Duration	A measure of a fixed income portfolio's risk level which indicates how sensitive a fixed income portfolio is to a change in interest rates. The longer a portfolio's duration is, the more volatile it will react to changes in interest rates. Duration is calculated by finding the net present value of all cash flows of a bond until maturity.
Equities	Ownership interest possessed by shareholders in a corporation; stock as opposed to bonds.
ERISA	The Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to ERISA.

Fiduciary	Any individual or group of individuals as defined in applicable Texas law and, to the extent not inconsistent with applicable Texas law, ERISA, section 3(21)(a).
Fixed Income	Any interest bearing or discounted government or corporate security that obligates the issuer to pay the holder a specified sum of money, usually at specified intervals, and to repay the principal amount of the loan at maturity. The Fixed Income portfolio may include preferred stock.
Global Tactical Asset Allocation (GTAA)	An investment strategy that attempts to exploit short-term market inefficiencies or long-term market trends by establishing positions in relatively attractive areas of the global investable universe. A GTAA strategy is capable of quickly implementing investment ideas to help tilt a portfolio for near-term opportunities or to preserve capital during market declines. Depending on strategy, investment approaches may diversify across asset classes, sector, countries, currencies, commodities, instruments, and capital structure.
Inflation	The rise in the prices of goods and services as measured by the Consumer Price Index ("CPI").
International Equity Portfolio	An equity portfolio composed of companies based outside of the United States.
Investment Consultant	The firm employed to consult on matters relating to the effective management of the Trust assets.
Investment Grade	Securities rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's or Fitch Ratings.
Investment Horizon	The time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Trust based on active lives is 13 years (duration) and on retired lives is 14 years (duration). This will not preclude the committee from reviewing manager performance over shorter periods of three to five years.
Investment Manager	An entity appointed hereunder that provides investment advice and/or manages investments for a fee. All Investment Managers shall be registered with the Securities and Exchange Commission and abide by the rules of the Investment Advisers Act of 1940.
Large Cap Equity Portfolio	An equity portfolio composed of large sized companies. Large capitalization portfolios buy stocks with market capitalizations generally above \$10.0 billion.

Long-term	An investment approach to the markets in which an investor seeks appreciation by evaluating securities over a complete business cycle, usually five to ten years.
Mid Cap Equity Portfolio	An equity portfolio composed of middle sized companies. Middle capitalization portfolios buy stocks with market capitalizations generally between \$2.0 billion and \$10.0 billion.
Pension and Benefits Committee	The committee appointed by the Commission pursuant to the Trust, which may serve as an advisor to the Commission and provide recommendations to the Commission from time to time concerning the administration and management of the Trust. If no committee is formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.
Prudent Person	A fiduciary charged with utilizing the care, skill, prudence, and diligence that a prudent person who is familiar with such matters would use under the circumstances then prevailing.
Rate of Return	A return that includes appreciation (depreciation), realized capital gains (losses), and income. A quarterly return is computed and then chain-linked to calculate time-weighted rates of return for the periods under study.
Real Estate Investment Trust	A publicly traded security (also known as a REIT) that invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.
Securities	Marketable investment securities and instruments which are defined as acceptable in this statement.
Small Cap Equity Portfolio	An equity portfolio composed of small sized companies. Small capitalization portfolios buy stocks with market capitalizations generally up to \$2.0 billion.
Trustee	Any bank trust department or depository trust company appointed by the Commission to serve as trustee over all or part of the Trust assets.
Total Trust	Aggregate total of all assets in the Trust.

XI. POLICY REVIEW AND ADOPTION

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the OPEB Plan (the "Plan"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually.

The Commission officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commission, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon and is herewith adopted. The Commission further ratifies, approves and confirms such written notice and the contents and posting thereof.

This Policy is adopted on December 8, 2020 and supersedes all previously adopted statements of investment policy with respect to the Plan.

Chairman, Port Commission
Port of Houston Authority of
Harris County, Texas

ATTEST:

Secretary,
Port Commission
Port of Houston Authority of
Harris County, Texas

Minute 2020-1208-

I. INFRASTRUCTURE

Subject	1. Approve staff's ranking of vendors and award a two-year environmental consulting agreement in an amount not to exceed \$200,000 for general environmental consulting services to the top-ranked proposer: staff ranking- first, Spirit Environmental, LLC; second, Terra Nova Consulting, Inc.; and third, InControl Technologies, Inc.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020, meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order - first, Spirit Environmental, LLC; second, Terra Nova Consulting, Inc.; and third, InControl Technologies, Inc.; (b) award a two-year environmental consulting agreement to Spirit Environmental, LLC for storm water quality program management in an amount not to exceed \$200,000; (c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and (d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port Strategic Objective 4a. - Implement an innovative environmental leadership strategy

Category:

Awards, Amendments & Change Orders

Department:

Environmental Affairs

Staff Contact:

Trae Camble

Background:

The Port Authority is seeking to obtain an environmental consultant to assist the Port Authority's Environmental Affairs Department (EAD) staff with general environmental consulting services, which includes conducting field studies and inspections, assisting with regulatory review and permitting, conducting environmental site assessments, assisting with asbestos and mold consulting, and assisting with other activities related to the environmental management system as directed by EAD staff.

The Port Authority notified vendors regarding its request for proposals (RFP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Thirty-six vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On September 16, 2020, thirteen RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required analysis and design services:

- Spirit Environmental, LLC
- Terra Nova Consulting, Inc.
- InControl Technologies, Inc.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Spirit Environmental, LLC for an environmental consulting agreement, and act as otherwise described above.

I. INFRASTRUCTURE

Subject **2. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$2,629,550 for the design of Wharf 7 at Bayport Container Terminal to the top-ranked proposers: staff ranking – first, Jacobs Engineering Group, Inc.; second, Hatch Associates Consultants, Inc.; and third, AECOM Technical Services, Inc.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting:
(a) approve staff's ranking of vendors, based on the selection criteria, in the following order – first, Jacobs Engineering Group, Inc.; second, Hatch Consultants, Inc.; and third, AECOM Technical Services, Inc.;
(b) award a professional services contract to Jacobs Engineering Group, Inc., the top-ranked proposer for the design of Wharf 7 at Bayport Container Terminal in an amount not to exceed \$2,629,550;
(c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and
(d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals **STRATEGIC GOAL #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)**

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project would include the design of Wharf 7 at Bayport Container Terminal consisting of 1,000-feet of wharf and associated infrastructure. Port Authority staff also expects to request additional professional services for the construction phase of this work at a later time.

The Port Authority notified vendors regarding its request for qualifications (RFQs) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Twenty-five vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On May 20, 2020, nine RFQ responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFQ. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required analysis and design services:

- Jacobs Engineering Group, Inc.
- Hatch Associates Consultants, Inc.
- AECOM Technical Services, Inc.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Jacobs Engineering Group, Inc. for the design of Wharf 7 at Bayport Container Terminal, and act as otherwise described above.

I. INFRASTRUCTURE

Subject **3. Award a construction contract to AAA Asphalt Paving, Inc. for the annual pavement drainage and dust control work at Industrial Park East in an amount not to exceed \$600,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, award a construction contract to AAA Asphalt Paving, Inc. for the annual pavement drainage and dust control work at Industrial Park East in an amount not to exceed \$600,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of asphalt, pavement, drainage, and dust suppression efforts at Industrial Park East.

Proper preservation and maintenance of roadways around Industrial Park East help meet regulatory expectations. The Texas Commission on Environmental Quality (TCEQ) last verified the Port Authority's dust control compliance action plans in 2014. The Port Authority has represented to TCEQ that it intends to continue with dust suppression yearly.

The Port Authority notified vendors regarding its request for competitive sealed bids (CSBs) for the annual pavement drainage and dust control work at Industrial Park East using the Port Authority's BuySpeed Eprocurement System, and the project was advertised on the Port Authority's website and in a local newspaper. Eight vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On November 4, 2020, two CSBs were received, opened, and publicly read. The responses were reviewed and evaluated by staff in accordance with the published selection criteria.

Staff recommends that the Port Authority award a contract to AAA Asphalt Paving, Inc., the lowest and best responsible bidder for the annual pavement drainage and dust control work at Industrial Park East.

I. INFRASTRUCTURE

Subject **4. Amend the professional services contract with HDR Engineering, Inc. for engineering services associated with the management of placement areas at Bayport Container Terminal in an amount not to exceed \$75,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, approve an amendment to the professional services contract with HDR Engineering, Inc. for engineering services associated with the management of placement areas at Bayport Container Terminal in an amount not to exceed \$75,000, and authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

By Minute No. 2017-0131-25, the Port Commission awarded a professional services contract to HDR Engineering, Inc. to perform engineering services associated with the management of placement areas at Bayport Container Terminal.

This proposed amendment would consist of:

- Additional funding to continue providing construction phase services
- Extend the contract duration through May 31, 2021

Staff Evaluation/Justification:

Staff has reviewed HDR Engineering, Inc.'s proposal and found it to be fair and reasonable.

Staff recommends the Port Commission approve the amendment of the professional services contract with HDR Engineering, Inc.

I. INFRASTRUCTURE

Subject **5. Approve a change order with McCarthy Building Companies, Inc. to perform additional work associated with the rehabilitation of Wharves 4 and 5 at Bayport Container Terminal in an amount not to exceed \$226,103.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, approve a change order with McCarthy Building Companies, Inc. to perform additional work associated with the rehabilitation of Wharves 4 and 5 at Bayport Container Terminal in an amount not to exceed \$226,103, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals [STRATEGIC GOAL #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

By Minute No. 2020-0520-21, the Port Commission awarded a construction contract to McCarthy Building Companies, Inc. for the rehabilitation of Wharves 4 and 5 at Bayport Container Terminal.

This change order includes removing and relocating water lines and electrical conduits under the deck in connection with the installation of new drilled shaft and pile caps.

Staff Evaluation/Justification:

Port Authority staff has reviewed the proposal submitted by McCarthy Building Companies, Inc. and found it to be fair and reasonable. Therefore, staff recommends that the Port Commission authorize this change order.

I. INFRASTRUCTURE

Subject	6. Approve a change order with Standard Constructors, Inc. to perform additional work associated with land development preparation south of Port Road at Bayport Container Terminal in an amount not to exceed \$55,699.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, approve a change order with Standard Constructors, Inc. to perform additional work associated with land development preparation south of Port Road at Bayport Container Terminal in an amount not to exceed \$55,699, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

By Minute No. 2020-0623-19, the Port Commission awarded a construction contract to Standard Constructors, Inc. for land development preparation south of Port Road at Bayport Container Terminal.

This change order includes the following items:

- The additional cost to remobilize crew and equipment to complete the installation of the box culverts across Heavy Haul Road
- A time extension of an additional 10 calendar days for the entire project

Staff Evaluation/Justification:

Port Authority staff has reviewed the proposal submitted by Standard Constructors, Inc. and found it to be fair and reasonable. Therefore, staff recommends that the Port Commission authorize this change order.

I. INFRASTRUCTURE

Subject **7. Approve the renewal of the following expiring Port Authority licenses for new ten-year terms: ExxonMobil Pipeline Company, South Tex 66 Pipeline Company, LTD, and Valero Refining-Texas, LP.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to approve the renewal of the following expiring licenses for new ten-year terms: ExxonMobil Pipeline Company, South Tex 66 Pipeline Company, LTD, and Valero Refining-Texas, LP, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

The pipeline licensees listed below have applied to renew their licenses:

Company	File No.	License Fee
ExxonMobil Pipeline Company	2000-0015	\$114,233
South Tex 66 Pipeline Company, LTD	2007-0350	\$145,895
Valero Refining-Texas, LP	1988-0202	\$18,392
Total		\$278,520

Staff Evaluation/Justification:

The applications were reviewed and approved by the Port Authority's Channel Operations department and the Port Terminal Railroad Association when applicable. The licenses are to be renewed subject to the Port Authority's usual terms and conditions.

Staff recommends approval.

I. INFRASTRUCTURE

Subject	8. Issue a marine construction permit to Russell Marine, LLC to dredge a 4.33-acre area in Old River.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to issue a marine construction permit to Russell Marine, LLC to dredge a 4.33-acre area in Old River, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

Russell Marine, LLC, Port Authority File No. 2020-0280, has applied for a marine construction permit to dredge a 4.33-acre area in Old River, in the WT Carter Survey, A-1709.

The proposed dredge depth would be -12.0-feet plus a 2-foot overdredge below Mean Lower Low Water, to remove approximately 20,714-cubic yards of dredged material. The dredged material would be transferred via truck or barge to the Adloy Dredged Material Placement Area.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department. The permit is to be issued subject to the Port Authority's usual terms and conditions. The \$675 application fee has been paid.

Staff recommends approval.

I. INFRASTRUCTURE

Subject	9. Issue a transmission line license to Comcast Cable Communications Management, LLC for one fiber optic cable line over the Port Terminal Railroad Association's Southside Mainline railroad right-of-way.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to issue a transmission line license to Comcast Cable Communications Management, LLC for one fiber optic cable line over the Port Terminal Railroad Association's Southside Mainline railroad right-of-way, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

Comcast Cable Communications Management, LLC, Port Authority File No. 2020-0307, has applied for a transmission line license for one fiber optic cable line over the Port Terminal Railroad Association's Southside Mainline railroad right-of-way, in the George Ross Survey, A-646.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department and the Port Terminal Railroad Association. The license is subject to the Port Authority's usual terms and conditions. The \$2,500 as-built deposit has been paid. Staff recommends the application and license fees be waived since this project would provide service to the Port Terminal Railroad Association.

Staff recommends approval.

I. INFRASTRUCTURE

Subject **10. Issue a pipeline license to Chevron Phillips Chemical Company LP for two 8-inch refined petroleum products pipelines under and across the Port Terminal Railroad Association's Southside Mainline railroad right-of-way.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to issue a pipeline license to Chevron Phillips Chemical Company LP for two 8-inch refined petroleum products pipelines under and across the Port Terminal Railroad Association's Southside Mainline railroad right-of-way, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

Chevron Phillips Chemical Company LP, Port Authority File No. 2020-0306, has applied for a pipeline license for two 8-inch refined petroleum products pipelines under and across the Port Terminal Railroad Association's Southside Mainline railroad right-of-way, in the James Seymour Survey, A-698.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department and the Port Terminal Railroad Association. The license is subject to the Port Authority's usual terms and conditions and at a fee of \$10,604. The \$675 application fee and the \$2,500 as-built deposit have been paid.

Staff recommends approval.

I. INFRASTRUCTURE

Subject	11. Amend a marine construction permit to CGBM Global LLC to modify the placement of two spud barges for the purpose of securing fleeting vessels and to rescind a previous authorization for the construction of a bulkhead, a 1.0-acre area of fill, installation of eight pilings, dredging to -8.0 feet Mean Lower Low Water, and the removal of approximately 27,000 cubic yards of dredged material in Old River.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to amend a marine construction permit to CGBM Global LLC to modify the placement of two spud barges for the purpose of securing fleeting vessels and to rescind a previous authorization for the construction of a bulkhead, a 1.0-acre area of fill, installation of eight pilings, dredging to -8.0 feet Mean Lower Low Water, and the removal of approximately 27,000 cubic yards of dredged material in Old River, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

CGBM Global LLC, Port Authority File No. 2015-0377, has applied to amend a marine construction permit to modify the placement of two spud barges to be perpendicular to the shoreline for the purpose of securing fleeting vessels and to rescind a previous authorization for the construction of a bulkhead, a 1.0-acre area of fill, installation of eight pilings, dredging to -8.0-feet Mean Lower Low Water, and the removal of approximately 27,000-cubic yards of dredged material in Old River, in the W. Carter Survey, A-1709, and J. Harrell Survey, A-330.

The existing permit authorizes the placement of two spud barges, the construction of a bulkhead, a 1.0-acre area of fill, installation of eight pilings, dredging to -8.0-feet Mean Lower Low Water, and the removal of approximately 27,000-cubic yards of dredged material.

CGBM Global LLC along with AccuTRANS Fleeting Services LLC has operated a fleet management service for over 20 years and has owned property in the vicinity of this project for over five years.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department. The permit is to be issued subject to the Port Authority's usual terms and conditions. The \$675 application fee has been paid.

Staff recommends approval.

I. INFRASTRUCTURE

Subject **12. Amend a marine construction permit to CGBM Global LLC to modify the placement of one spud barge for the purpose of permitting a marine fueling and supply station, and increase the authorized dredge depth from -4.0 to -12.0 feet Mean Lower Low Water in Old River.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to amend a marine construction permit to CGBM Global LLC to modify the placement of one spud barge for the purpose of permitting a marine fueling and supply station, and increase the authorized dredge depth from -4.0 to -12.0 feet Mean Lower Low Water in Old River, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

CGBM Global LLC, Port Authority File No. 2017-0031, has applied to amend a marine construction permit to modify the placement of one spud barge to be perpendicular to the shoreline for the purpose of providing fuel, lubricants, and other supplies to marine tugs and vessels, and increase the authorized dredge depth from -4.0 to -12.0 feet Mean Lower Low Water in Old River, in the J. Harrell Survey, A-330.

The existing permit authorizes the placement of a spud barge, the construction of a bulkhead, a 0.5 acre area of fill, installation of six pilings, dredging to -4.0-feet Mean Lower Low Water, and the removal of approximately 13,500-cubic yards of dredged material to a private placement area.

CGBM Global LLC along with AccuTRANS Fleeting Services LLC has operated a fleet management service for over 20 years and has owned property in the vicinity of this project for over five years.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department. The permit is to be issued subject to the Port Authority's usual terms and conditions. The \$675 application fee has been paid.

Staff recommends approval.

I. INFRASTRUCTURE

Subject **13. Enter into a reimbursement agreement for design and permitting with Energy Transfer Operating L.P. related to pipeline relocated within Segment 1 of the Houston Ship Channel Expansion Channel Improvement Project at a total cost not to exceed \$2,000,000, for which the Port Authority would be responsible for one half, for a total amount not to exceed \$1,000,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to enter into a reimbursement agreement for design and permitting with Energy Transfer Operating L.P. related to pipeline relocated within Segment 1 of the Houston Ship Channel Expansion Channel Improvement Project at a total cost not to exceed \$2,000,000, for which the Port Authority would be responsible for one half, for a total amount not to exceed \$1,000,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
Project 11

Department:
Channel Operations

Staff Contact:
Garry McMahan

Background:

As part of the Houston Ship Channel Expansion Channel Improvement Project (HSC ECIP), several pipelines would have to be removed and relocated in order to meet U.S. Army Corps of Engineers safety requirements. The companies previously identified as pipeline owners include: Kinder Morgan Texas Pipeline LP (two pipelines); HSC Pipeline Partnership, LLC; Seminole Pipeline Company LLC; Explorer Pipeline Company; Colonial Pipeline Company; Praxair Inc, (two pipelines); Equistar Chemicals, LP; and INEOS USA LLC. Agreements with these companies were approved at the July Port Commission meeting, with an additional approval (Southtex 66 Pipeline Company, Ltd) at the October Port Commission meeting.

Port Authority staff now has identified an additional pipeline, owned by Energy Transfer Operating L.P., that would have to be relocated in Segment 1.

Costs for relocation for all of these pipelines are estimated to range of \$4.2 million to \$20 million per pipeline. The design phase is expected to help narrow down those costs, and the Port Authority would also be responsible for half of those costs.

Staff Evaluation/Justification:

The Channel Operations department staff recommends approval of this additional contract to facilitate continued accelerated progress on the HSC ECIP project

J. OPERATIONS

Subject	1. Award a three-year contract to Johnson Controls Fire Protection LP, using the Texas Comptroller's Texas Multiple Award Schedule contract, for the purchase of monitoring, inspection, repair services, and spare parts for fire alarm and suppression systems at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal in an amount not to exceed \$400,000.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission at its December 08, 2020 meeting, award a three-year contract to Johnson Controls Fire Protection LP for monitoring, inspection, repair services, and spare parts for fire alarm and suppression systems at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal, using the Texas Comptroller's Texas Multiple Award Schedule contract, in an amount not to exceed \$400,000, determine that this procurement method provides best value to the Port Authority, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2017-1023-44, the Port Commission awarded a three-year contract to SimplexGrinnell, LP for the purchase of monitoring, inspection, repair services, and spare parts for fire alarm and suppression systems at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal, using the Texas Comptroller's Texas Multiple Award Schedule (TXMAS) contract in an amount not to exceed \$400,000.

This contract is set to expire on December 31, 2020. Monitoring, inspection, and repairs to fire alarm and suppression systems at these facilities are required to comply with fire and safety standards, as well as ensure the protection of personnel and Port Authority property.

The Texas Comptroller's Office TXMAS contracts are derived from certain federal government General Services Administration (GSA) awards. GSA enters into long-term government-wide contracts with commercial firms to provide access to commercial products and services at volume discount pricing.

TXMAS contracts permit local governments that are members of the Texas Comptroller's Cooperative Purchasing Program (CO-OP) to use the competitively procured GSA pricing, or to negotiate a lower price, for the purchase of certain goods and services, including those related to fire alarm and suppression services and products.

By Minute No. 2001-0827-38, the Port Commission granted authority for the Port Authority to become a CO-OP member, thereby permitting purchases from vendors using TXMAS contracts.

The Texas Comptroller's Office is an agency of the state, and the Port Authority has entered into an agreement with the state; therefore the use of the Comptroller Office's TXMAS program is an acceptable purchasing method for the Port Authority in accordance with Texas Water Code Section 60.454. Moreover, Government Code 2155.504 permits the Port Authority to purchase directly from a vendor under a TXMAS contract, and provides that such purchases satisfy any requirement of state law relating to competitive procurement.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring monitoring, inspection, repair services, and spare parts for fire alarm and suppression systems through the Texas Comptroller's TXMAS purchasing program is the method that both satisfies competitive purchase requirements and provides best value to the Port Authority.

The Maintenance Department has determined that the best availability, price, and contract term for the items needed is provided by Johnson Controls Fire Protection LP under the pricing schedule obtained from that vendor's contract with the state Comptroller's TXMAS program, and is therefore recommending this purchase.

Accordingly, staff recommends that the Port Commission approve this best value determination and three-year contract.

J. OPERATIONS

Subject **2. Recommendation to issue Stevedore Licenses for one-year terms commencing January 1, 2021, to Agri American Stevedores, LLC; APS Stevedoring, LLC; BBM Terminals Corp.; Ceres Gulf, Inc.; Cooper/Ports America; Gulf Stream Marine, Inc.; Jacintoport International, LLC; Marine Terminal Corporation East; Richardson Stevedoring and Logistics Services, Inc.; Schroder Marine Service; Southern Stevedoring Co.; and Suderman Contracting Stevedores, Inc., upon each applicant's satisfactory completion of all requirements and obligations for license issuance.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission at its December 08, 2020 meeting, grant authority to issue Stevedore Licenses for one-year terms commencing January 1, 2021, to Agri American Stevedores, LLC; APS Stevedoring, LLC; BBM Terminals Corp.; Ceres Gulf, Inc.; Cooper/Ports America; Gulf Stream Marine, Inc.; Jacintoport International, LLC; Marine Terminal Corporation East; Richardson Stevedoring and Logistics Services, Inc.; Schroder Marine Service; Southern Stevedoring Co.; and Suderman Contracting Stevedores, Inc., upon each applicant's satisfactory completion of all requirements and obligations for license issuance, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Operations

Staff Contact:
Jeff Davis

Background:
By Minute No. 2019-1211-64, the Port Commission awarded certain stevedore licenses for one-year terms expiring December 31, 2020.

Staff Evaluation/Justification:
Staff is currently receiving stevedore license applications from companies interested in being licensed to work at Port Authority facilities during 2021 and is in the process of reviewing those applications.

Staff recommends that the Port Commission authorize licenses to be issued to the applicants as set forth above for such Port Authority facilities as determined by staff; provided however, that issuance be conditioned upon the applicant's satisfactory completion of outstanding license requirements and obligations, if any, and satisfaction of current license requirements.

J. OPERATIONS

Subject	3. Reissue and amend Port Authority Tariff Nos. 8, 14, and 15 covering the Turning Basin Terminals, Barbours Cut Terminal, and Bayport Container Terminal, all effective on or around January 1, 2021 and a 3% increase in the Harbor Fee, such increase to be included and published in Port Authority Tariff No. 8 effective January 1, 2021.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, authorize the re-issuance and amendment of Port Authority Tariff Nos. 8, 14, and 15, to amend certain subrules, including subrules relating to: (i) Revision of time disputes to rental charges in Tariff 14 and 15; (ii) Revision of gate charges on empty containers and bare chassis in Tariff 14 to conform with Tariff 15; (iii) and a 3% increase in the Harbor Fee, such increase to be included and published in Port Authority Tariff No. 8 effective January 1, 2021; and (iv) further authorize the Executive Director to do any and all things reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Operations

Staff Contact:
Jeff Davis

Background:

The Port Authority has reissued its Tariff Nos. 8, 14, and 15 each calendar year since 2008 and staff requests that these tariffs be again reissued effective on or about January 1, 2021.

Staff Evaluation/Justification:

Recommended revisions to Tariff Nos. 8, 14, and 15 include amending subrules relating to:

1. Revision of time disputes to rental charges in Tariff 14 and 15;
2. Revision of gate charges on empty containers and bare chassis in Tariff 14 to conform with Tariff 15.

The recommended revisions also include other minor clarifications, corrections, and updates of Tariff Nos. 8, 14, and 15.

Staff is separately requesting a 3% increase in the Harbor Fee per vessel charge, to continue to permit a fee that is both reasonable and more precisely compensates the Port Authority for the cost of fire response and related services.

Staff proposes that these changes become effective as set forth above, and therefore recommend that the Port Commission approve this item.

J. OPERATIONS

Subject	4. Amend the Freight Handling Assignment Agreements for terminal services at the Turning Basin Terminal to extend the term of the agreements through March 31, 2021.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, extend the current Freight Handling Assignment Agreements at the Turning Basin Terminal for an additional term of three-months effective December 31, 2020 and waive the guaranteed minimum tonnages during the extension period, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Operations

Staff Contact:
Jeff Davis

Background:

By Minute 2017-0524-34 of its May 24, 2017 meeting, the Port Commission granted authority to enter into Freight Handling Assignment Agreements (Agreements) for terminal services at the Turning Basin Terminal. The cargo handling services at the public facilities in the Turning Basin Terminal are performed by stevedores working in assigned locations under these Agreements with the Port Authority. The Agreements set forth the terms and conditions under which the stevedores would perform freight handling services at the assigned facilities. Pursuant to the Agreements, the stevedores guarantee to handle minimum tonnages or to pay specified revenue amounts based upon the square footage of the assigned areas. Port Authority staff considers the projected cargo volumes of the stevedores in evaluating and recommending stevedores for assignment of particular facilities.

By Minute 2020-0730-51, the Port Commission granted authority for the Agreements to be extended for an additional four-month period for further evaluation and for the guaranteed minimum tonnages not be applied.

Staff Evaluation/Justification:

Port Authority staff has reviewed and evaluated the current freight handling assignments and future needs of the Port Authority and recommends the Port Commission authorize extending the term of the Freight Handling Assignments at the Turning Basin Terminal for an additional three-month period, a total 10-month extension, for further evaluation through March 31, 2020. During these additional three months, it is also recommended that the guaranteed minimum tonnages not be applied.

J. OPERATIONS

Subject	5. Amend the lease between Terminal Link Texas, LLC and the Port Authority to provide for a right of first refusal to lease a 22.36-acre site at Bayport Container Terminal.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, amend the lease between Terminal Link Texas, LLC and the Port Authority to provide for a right of first refusal to lease a 22.36-acre site at Bayport Container Terminal, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Operations

Staff Contact:
Jeff Davis

Background:

The Port Authority and Terminal Link Texas, LLC (TLT) previously entered into the Amended and Restated Lease Agreement (File No. 2006-0158) dated May 4, 2017 (Lease). The Port Authority and TLT entered into a First Amendment to Lease dated October 16, 2019 and a second Amendment to Lease dated August 29, 2019, granting right of first refusal to TLT to lease a certain area at the Bayport Container Terminal, with such right of first refusal to expire December 31, 2020. Staff now recommends extending and modifying this right of first refusal.

Staff Evaluation/Justification:

In order to aid TLT in its planning for future operations in and around the Bayport Container Terminal, which may generate future commercial activity, transportation of cargo into the Bayport Container Terminal, the flow of additional cargo into the Bayport Container Terminal, and additional equipment storage, break bulk storage, laden storage, empty container storage or container freight station space in and around the Bayport Container Terminal, staff recommends amending the Lease to give TLT a right of first refusal to a certain 22.36-acre footprint at the Bayport Container Terminal from January 1, 2021 through June 30, 2021.

Staff recommends the Port Commission approve the amendment to the above lease between TLT and the Port Authority.

J. OPERATIONS

Subject **6. Hold steady any “Carrier’s Commitment Discount Level” that would otherwise decrease for the six-month period beginning January 1, 2021, under Port Authority Marine Terminal Services Agreements.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize Port Authority to hold steady any “Carrier’s Commitment Discount Level” that would otherwise decrease for the six-month period beginning January 1, 2021, under Port Authority Marine Terminal Services Agreements, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

General

Department:

Operations

Staff Contact:

Jeff Davis

Background:

Port Authority customers including global container carriers continue to experience difficult business conditions due to the COVID—19 pandemic. Staff has concluded that it would be appropriate to help customers address the impacts of the pandemic.

Staff Evaluation/Justification:

Staff recommends that the Port Commission authorize this measure addressing container lines under contract with the Port Authority. The Port Authority would offer to amend its Marine Terminal Services Agreements to hold steady any “Carrier’s Commitment Discount Level” that would otherwise decrease for the six-month period beginning January 1, 2021.

- These agreements provide customers with volume discounts that are adjusted every six-months – the January to June performance period discount, for example, is based on a customer’s volume measured over the preceding May 1 through October 31 period.
- This proposed measure would “hold harmless” customers that experienced lower volumes over that period as a result of the disruptions in the world-wide container industry from the COVID—19 pandemic in this regard.

J. OPERATIONS

Subject **7. Authorize the amended Industrial Water Supply Agreement with the City of Pasadena.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to enter into the amended Industrial Water Supply Agreement with the City of Pasadena, to restate the allowable annual maximum usage, update the boundaries of the Bayport Terminal Complex, and provide for a monthly credit to the Port Authority for completed utility infrastructure, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to such action.

Goals [STRATEGIC GOAL #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:
General

Department:
Operations

Staff Contact:
Ryan Mariacher

Background:

In 2007, in conjunction with the development of the Bayport Terminal Complex, the Port Authority entered into a Water Supply Agreement with the City of Pasadena (City) to provide for water service at that location, including water for fire protection and other ordinary site uses, vessels, and the Port Authority's lessees and other occupants/tenants.

The City and the Port Authority have now renegotiated the agreement that takes account of updated circumstances. The City Council approved this agreement at its meeting of November 3, 2020.

Staff Evaluation/Justification:

The Water Supply Agreement will provide water at the City's industrial water rates, and provides for the expanded footprint of the complex, allows for water to be supplied for industrial and commercial development, and resets the allowable annual maximum based on forecasted demand. Finally, the agreement defines a monthly credit of \$5,416.30 to the Port Authority for 20 years following execution of the agreement, to be adjusted every five years by the consumer price index, in consideration for the elevated water storage tank and 12 inch water line built by the Port Authority as provided for under the original agreement.

Staff recommends that the Port Commission approve the Industrial Water Supply Agreement.

J. OPERATIONS

Subject **8. Rescind a purchase order with Carrier Enterprise, LLC, and issue a purchase order to Carrier Corporation for purchase and installation of two 150-ton chiller units for the Bayport Container Terminal's Administration and Maintenance & Repair buildings, using the Sourcewell cooperative purchase program, in an amount not to exceed \$260,000.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, rescind the Port Authority's purchase order with Carrier Enterprise, LLC, and authorize the Port Authority to issue a purchase order to Carrier Corporation for purchase and installation of two 150-ton chiller units for the Bayport Container Terminal's Administration and Maintenance & Repair buildings, using the Sourcewell cooperative purchase program, in an amount not to exceed \$260,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

Two 150-ton chiller units currently operate at the Administration and Maintenance and Repair buildings at Bayport Container Terminal. One unit is no longer operating due to excessive internal corrosion, and the other is currently operating but with no back-up. To address this staff is seeking to purchase and install new chiller units at this location.

The Director of Procurement Services has determined that conducting this procurement through the Sourcewell cooperative purchasing program both satisfies competitive purchase requirements and provides the best value to the Port Authority.

By Minute No. 2020-0929-39, the Port Commission authorized issuance of a purchase order to Carrier Enterprise, LLC, using the Sourcewell cooperative purchase program, to address these needs.

Staff Evaluation/Justification:

Staff has now determined that the best availability, installation, and price under the Sourcewell-obtained pricing schedule for this project is provided by Carrier Corporation, not Carrier Enterprise, LLC.

In addition, staff has been informed that Carrier Corporation and Carrier Enterprise, LLC are not related entities, and therefore this matter cannot be resolved under the Executive Director's authority.

Accordingly, staff recommends that the Port Commission rescind the purchase order with Carrier Enterprise, LLC, and approve the best value determination regarding the procurement from, and issuance of a purchase order to, Carrier Corporation.

K. PEOPLE

Subject	1. Authorize an agreement with Aetna Life Insurance Company to provide stop-loss insurance coverage for calendar year 2021 for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents, in an amount not to exceed \$1,885,980.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting: (a) authorize an agreement with Aetna Life Insurance Company to provide stop-loss coverage for calendar year 2021 for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents, in an amount not to exceed \$1,885,980; (b) authorize renewal negotiations with the Aetna Life Insurance Company prior to contract expiration; and (c) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #1 - PEOPLE AND ORGANIZATION (Be the Best Place to Work)

Category:

Awards, Amendments & Change Orders

Department:

Human Resources

Staff Contact:

Roger Walter

Background:

By Minute No. 2018-0130-43, the Port Commission awarded a five-year contract to Lockton Companies LLC (Lockton), to serve as the Port Authority's Broker of Record for Health & Welfare Benefits.

Lockton's contractual responsibilities include providing employee benefits consulting services, including assisting in: development of requests for proposals (RFP) for group insurance coverages; evaluation of proposals; negotiation of renewal rates; and providing recommendations on provider selections.

In September 2018, after having reviewed proposals and analyzed the costs of a self-funded program compared to a fully-insured program, the Port Authority proceeded with the implementation of a self-funded group medical benefit program administered by Aetna for 2019.

By Minute No. 2019-1022-39, the Port Commission approved the purchase of insurance from Aetna to provide stop-loss coverage for calendar year 2020 for the self-funded group medical plan. This approval also authorized contract renewal negotiations with the Aetna Life Insurance Company prior to contract expiration.

Staff Evaluation/Justification:

Lockton and Port Authority staff have now negotiated an agreement with Aetna Life Insurance Company for stop-loss coverage for the 2021 self-funded group medical benefit program.

Staff recommends that the Port Commission authorize an agreement with Aetna Life Insurance Company for stop-loss coverage for the self-funded medical plan for 2021. The stop-loss coverage would (1) cover

any claims in excess of \$175,000 per individual claimant and (2) cover any claims in excess of an aggregate amount of 120% of projected claims. As of this time, based on projected enrollment numbers, claims are projected to total \$15,500,000. Thus, the aggregate stop-loss coverage would be estimated to provide funding if the aggregate amount of claims exceeds \$18,600,000.

Staff additionally recommends that the Port Commission authorize renewal negotiations with Aetna prior to contract expiration, to better ascertain in advance the need to solicit proposals for the next contract year.

K. PEOPLE

Subject	2. Authorize an amended agreement with Aetna Life Insurance Company to provide professional third-party administration services for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents for calendar year 2021, in an amount not to exceed \$48,000.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting: (a) authorize an amended agreement with Aetna Life Insurance Company to provide professional third-party administration (TPA) services for the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents for calendar year 2021, in an amount not to exceed \$48,000; (b) authorize renewal negotiations with the Aetna Life Insurance Company prior to contract expiration; and (c) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #1 - PEOPLE AND ORGANIZATION (Be the Best Place to Work)

Category:

Awards, Amendments & Change Orders

Department:

Human Resources

Staff Contact:

Roger Walter

Background:

By Minute No. 2018-0130-43, the Port Commission awarded a contract to Lockton Companies LLC (Lockton), to provide employee benefits consulting services, including assisting in: development of requests for proposals (RFP) for group insurance coverages; evaluation of proposals; negotiation of renewal rates; and providing recommendations on provider selections.

In September 2018, after having reviewed proposals and analyzed the costs of a self-funded program compared to a fully-insured program, the Port Authority proceeded with the implementation of a self-funded group medical program administered by Aetna for 2019.

By Minute No. 2018-0925-04, the Port Commission awarded a contract to Aetna Life Insurance Company (Aetna) for third-party administrative services for a self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and their dependents, for calendar year 2019. By Minute No. 2019-1022-40, the Port Commission authorized an amendment to this contract for services in 2020, and also authorized contract renewal negotiations with Aetna Life Insurance Company prior to contract expiration.

Accordingly, Lockton and staff began negotiations with Aetna for third-party administrative services for the 2021 self-funded group medical program.

Staff Evaluation/Justification:

Lockton and Port Authority staff have now negotiated an amendment with Aetna Life Insurance Company for professional third-party administration services for the 2021 self-funded group medical benefit program.

The proposed agreement would allow the Port Authority to continue to offer access to the same medical plans as were offered in 2019 and 2020, which includes an Open Access Managed Choice \$250 Deductible plan and a KelseyCare Health Maintenance Organization (HMO) style plan with a \$0 deductible.

Staff recommends that the Port Commission authorize an amended agreement with Aetna Life Insurance Company for TPA services. Staff additionally recommends that the Port Commission authorize renewal negotiations with Aetna prior to contract expiration, to better ascertain in advance the need to solicit proposals for the next contract year.

K. PEOPLE

Subject **3. Authorize funding, in an amount not to exceed \$15,500,000, for calendar year 2021 for the payment of claims from the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize funding, in an amount not to exceed \$15,500,000, for calendar year 2021 for the payment of claims from the Port Authority's self-funded group medical benefit program for active employees, retirees who are not Medicare-eligible, and dependents, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals STRATEGIC GOAL #1 - PEOPLE AND ORGANIZATION (Be the Best Place to Work)

Category:

Agreements, Amendments & Change Orders

Department:

Human Resources

Staff Contact:

Roger Walter

Background:

By Minute No. 2018-0130-43, the Port Commission awarded a five-year contract to Lockton Companies LLC (Lockton), to serve as the Port Authority's broker of record and provide consulting services relating to the Port Authority's group health and welfare benefits.

In September 2018, after having reviewed proposals and analyzed the costs of a self-funded program compared to a fully-insured program, the Port Authority proceeded with the implementation of a self-funded group medical benefit program administered by Aetna for 2019.

The Pension and Benefits Committee reviewed a report on the status of the 2020 self-funded medical program at its September 23, 2020 meeting. Lockton and staff recommended, and the Pension and Benefits Committee concurs, that the Port Authority continue with the self-funded program for calendar year 2021.

Staff Evaluation/Justification:

The Port Authority's open enrollment period for calendar year 2021 occurred from October 26 – November 6, 2020. Based upon the enrollment information, staff and Lockton recommend that \$15,500,000 be reserved for the self-insurance account to pay for all covered claims for calendar year 2021 from the Port Authority's self-funded group medical insurance program for active employees, retirees who are not Medicare-eligible, and dependents.

The payment of covered claims from the dedicated account is expected to be administered by Aetna pursuant to its third-party administration services agreement with the Port Authority.

Staff recommends the Port Commission approve the above funding.

K. PEOPLE

Subject	4. Enter into a one-year agreement with the Houston International Seafarers' Center to provide humanitarian services to seafarers whose vessels call at the terminals of the Port Authority, effective January 1, 2021, in an amount not to exceed \$90,000.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, enter into a one-year agreement with the Houston International Seafarers' Center to provide humanitarian services to seafarers whose vessels call at the terminals of the Port Authority, effective January 1, 2021, in an amount not to exceed \$90,000, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:

Awards, Amendments & Change Orders

Department:

Community Relations & Events

Staff Contact:

Leslie Herbst

Background:

The Houston International Seafarers' Center (Seafarers' Center), with locations at the Turning Basin Terminal and adjacent to Barbours Cut Terminal, is internationally recognized for its outstanding services and facilities for visiting seafarers. By providing a positive social, recreational, and ecumenical spiritual environment, the Seafarers' Center is an asset to both the Port Authority and the communities surrounding the port.

This agreement with the Port Authority would permit the Seafarers' Center to continue to provide the following services on a non-discriminatory basis to seafarers from all commercial vessels that call on the public and private terminals in the Port of Houston: operation of two Seafarers' Centers, transportation services, safety functions, communications, banking, emergency accommodations, recreational facilities, commissary facilities, a restaurant, mail and courier services, counseling services, and other services mutually deemed necessary. In addition, the Port Authority will also continue to invoice vessels docking at Port Authority terminals for the \$98 voluntary fee supporting the operations of the Seafarers' Center and further remit that payment within thirty days upon receipt to the Seafarers' Center. The current service agreement with the Seafarers' Center expires December 31, 2020.

Staff Evaluation/Justification:

Staff recommends that the Port Commission authorize a new service agreement with the Seafarers' Center for one year. Pursuant to the service agreement, the Seafarers' Center would submit its annual report for the past year, along with support materials, as requested by the Port Authority.

L. PORT SECURITY AND EMERGENCY OPERATIONS

Subject	1. Approve staff's ranking of vendors and award a two-year service contract in an amount not to exceed \$690,950 for shipyard maintenance services of six Port Authority vessels to the top ranked proposer: staff ranking – first, Southwest Shipyard, L.P.; second, National Cotton Inc. dba Pier 77 Marine; and third, Marine TeKno Services, LLC.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting: (a) approve staff's ranking of vendors, based on the selection criteria, in the following order – first, Southwest Shipyard, L.P.; second, National Cotton Inc. dba Pier 77 Marine; and third, Marine TeKno Services, LLC; (b) award a two-year service contract to the top-ranked proposer for shipyard maintenance services for six Port Authority vessels in an amount not to exceed \$690,950; (c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and (d) further authorize the Executive Director to do any and all things in his opinion reasonable and necessary to give effect to the foregoing.

Goals STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

Category:

Awards, Amendments & Change Orders

Department:

Fire

Staff Contact:

Chief William Buck

Background:

The Port Authority's three fireboats, and the M/V Sam Houston, the M/V Farnsworth, and the M/V Vernon Bailey, are periodically dry-docked at local shipyards for preventive maintenance and/or repairs. The dry-docking work includes inspecting hull integrity, hull sandblasting and scraping, aligning shafts and propellers, replacing shell plating, bottom painting, and other marine-related repairs, and preventative maintenance activities.

The prior two-year contract to provide shipyard maintenance services for the six Port Authority vessels expired on October 31, 2020, and it is in the best interest of the Port Authority to procure such shipyard services again to continue to maintain its vessels.

The Port Authority notified vendors regarding its request of competitive sealed proposal (CSPs) to provide shipyard maintenance services for six Port Authority vessels using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Eleven vendors downloaded the project materials from Buyspeed.

Staff Evaluation/Justification:

On October 21, 2020, three responses were reviewed and opened. The responses were evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as offering the best value to provide the required services:

- Southwest Shipyard, L.P.
- National Cotton Inc. dba Pier 77 Marine
- Marine TeKno Services, LLC

Following review, staff recommends that the Port Commission award a two-year contract to SouthWest Shipyard, L.P. The recommended shipyard is located on Brady's Island, which is in close proximity to the vessels, and is familiar with the required work.

The total amount of the proposed contract is broken down as follows: FIREBOAT 1 - \$200,000 for two dry dockings and preventive maintenance over two years; FIREBOAT 2 - \$200,000 for two dry dockings and preventive maintenance over two years; FIREBOAT 3 - \$200,000 for two dry dockings and preventive maintenance over two years; VERNON BAILEY - \$800 for one dry docking and emergency repairs, as necessary, over two years; FARNSWORTH - \$4,500 for one dry docking and emergency repairs, as necessary, over two years; SAM HOUSTON - \$86,450 for one dry docking and preventive maintenance in two years.

Accordingly, three distinct Purchase Orders would be created for this contract, each managed by the department responsible for its own vessel(s).

L. PORT SECURITY AND EMERGENCY OPERATIONS

Subject **2. Enter into a three-year governmental services contract with the City of La Porte Emergency Medical Service for emergency medical services in an amount not to exceed \$226,259.25.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize a three-year governmental services contract with the City of La Porte Emergency Medical Service (EMS) for emergency medical services in an amount not to exceed \$226,259.25, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact

Category:

Awards, Amendments & Change Orders

Department:

Fire

Staff Contact:

Chief William Buck

Background:

The Port Authority's Fire Department provides first responder medical services at the Barbours Cut Terminal and Bayport Container Terminal. The City of La Porte EMS provides follow-on EMS services as required, including ambulance response, and transport of injured persons to appropriate medical facilities.

The current three-year contract for these services is set to expire on January 31, 2021, and it is in the best interests of the Port Authority to maintain on-call EMS services for the safety of its workforce.

Staff Evaluation/Justification:

Due to the continued potential need for emergency medical services at Barbours Cut Terminal and/or Bayport Container Terminal, staff recommends that the Port Commission enter into this contract with the City of La Porte for EMS services.

L. PORT SECURITY AND EMERGENCY OPERATIONS

Subject **3. Renew a Memorandum of Understanding with the City of Houston for five years to provide closed Point of Dispensing Services in the event of a public health emergency.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020 meeting, authorize the Port Authority to renew a Memorandum of Understanding with the City of Houston for five years to provide closed Point of Dispensing Services in the event of a public health emergency, and authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact

Category:
General

Department:
Emergency Management

Staff Contact:
Colin Rizzo

Background:

The Center for Disease Control and Prevention (CDC) maintains a City Readiness Initiative (CRI) program for the distribution of preventive medicines in the event of a large-scale public health emergency, to help cities improve their ability to quickly and effectively deliver medication and medical supplies during such emergencies. This is accomplished by enrolling large organizations within cities to distribute medicine and medical supplies to their employees, families, and other applicable individuals, through Points of Dispensing (POD).

The City of Houston, acting through its Health Department, participates in the CDC's CRI program to enroll organizations throughout the Greater Houston Area. The Port Authority meets all necessary criteria to act as a "closed" POD due to its size, willingness to receive training, and ability to dispense medication and medical supplies. A closed POD assists the city in alleviating the burden on public or open PODs.

Staff Evaluation/Justification:

Operating a closed POD comes at no cost to the Port Authority. Training of Port Authority employees who volunteer to distribute the medication would be provided in cooperation with the City of Houston. By acting as a closed POD, the Port Authority can ensure vital continuity of maritime operations because employees, dockworkers, tenants, pilots, and their families would be able to gain quicker access to medication.

The previous five year Memorandum of Understanding is set to expire therefore staff recommends that the Port Commission authorize the Port Authority to renew the Memorandum of Understanding with the City of Houston to provide closed POD services to employees, dockworkers, tenants, pilots, and their families in the event of a public health emergency for a period of five years.

M. TECHNOLOGY

Subject **1. Approve staff's ranking of vendors and award a security services contract in an amount not to exceed \$3,100,000 subject to potential Port Security grant reimbursement of \$450,000 for Security Operations Center (SOC), System Information and Event Management (SIEM), Threat Intelligence Platform (TIP), and Security Orchestration & Automated Response (SOAR) services payable over three years plus two one-year renewal options to the top-ranked proposer: staff ranking- first, Critical Start, Inc.; second, Red River Technology LLC; and third, Fulcrum Technology Solutions.**

Meeting Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its December 8, 2020, meeting:
(a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order - first, Critical Start, Inc.; second, Red River Technology LLC; and third, Fulcrum Technology Solutions;
(b) award a security services contract to Critical Start, Inc. Security Operations Center (SOC), System Information and Event Management (SIEM), Threat Intelligence Platform (TIP), and Security Orchestration & Automated Response (SOAR) services payable over three years plus two one-year renewal options in an amount not to exceed \$3,100,000;
(c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and
(d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact
Strategic Objective 2c. - Enhance efficiency and resilience through innovative technology and other means
Strategic Objective 2b. - Drive development of landside infrastructure and inland distribution networks
Strategic Objective 1c. - Deliver excellence and continuous improvement in all core functions
STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)
STRATEGIC GOAL #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:
Awards, Amendments & Change Orders

Department:
Information Technology

Staff Contact:
Christopher Wolski

Background:
The Port Authority is seeking to obtain information security services and support to improve the cybersecurity posture of the Port Authority. The incorporation of next-generation capabilities and threat

intelligence would improve the timeliness of responses to cyber threats directly or indirectly targeting the Port Authority.

This expenditure is subject to potential Port Security grant reimbursement of \$450,000.

The Port Authority notified vendors regarding its request for proposals (RFP) via notification on BuySpeed of an invitation to participate in a mandatory preliminary meeting after the organizations were able to provide proof that the firms met minimum security criteria. The meeting was attended by seventeen vendors. Eleven firms submitted proposals based on the project materials they received after the mandatory meeting.

Staff Evaluation/Justification:

On September 16, 2020, eleven RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required analysis and design services:

- Critical Start, Inc.
- Red River Technology LLC
- Fulcrum Technology Solutions

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Critical Start, Inc. for information security operations that includes SOC and SIEM starting in the first quarter of 2021 and TIP and SOAR services starting in first quarter of 2022, and act as otherwise described above.

M. TECHNOLOGY

Subject	2. Approve staff's ranking of vendors and award a security services contract in an amount not to exceed \$75,000 subject to potential Port Security grant reimbursement of \$56,250 for information security training for Port Authority employees and third party users of Port Authority information and technology systems payable over three years plus two one-year renewal options to the top-ranked proposer: staff ranking- first, Red River Technology LLC; second, Critical Start, Inc.; and third, CapGemini America.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	<p>The Port Commission, at its December 8, 2020, meeting:</p> <p>(a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order - first, Red River Technology LLC; second, Critical Start, Inc.; and third, CapGemini America;</p> <p>(b) award a security services contract to Red River Technology LLC for information security training for Port Authority employees and third party users of Port Authority information and technology systems payable over three years plus two one-year renewal options in an amount not to exceed \$75,000;</p> <p>(c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and</p> <p>(d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.</p>
Goals	<p>Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact</p> <p>Strategic Objective 3b. - Demonstrate transparency and accountability</p> <p>Strategic Objective 2c. - Enhance efficiency and resilience through innovative technology and other means</p> <p>Strategic Objective 1c. - Deliver excellence and continuous improvement in all core functions</p> <p>STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)</p>

Category:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Christopher Wolski

Background:

The Port Authority is seeking to obtain information security services and support to improve the cybersecurity posture of the Port Authority. Providing all users of Port Authority information and technology systems a pre-requisite training prior to their access to these systems, would increase security by providing cybersecurity event identification training extending 'see something say something' to cybersecurity.

The Port Authority notified vendors regarding its request for proposals (RFP) on BuySpeed of an invitation to participate in a mandatory preliminary meeting after the organizations were able to provide proof that the firms met minimum security criteria.

This expenditure is subject to potential Port Security grant reimbursement of \$56,250.

Nine firms submitted proposals based on the project materials they received after the mandatory meeting.

Staff Evaluation/Justification:

On September 16, 2020, nine RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required analysis and design services:

- Red River Technology LLC
- Critical Start, Inc.
- CapGemini America

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Red River Technology LLC for information security training for Port Authority employees and 3rd party users of Port Authority information and technology systems, and act as otherwise described above.

M. TECHNOLOGY

Subject	3. Issue a purchase order to SHI Government Solutions for a three-year purchase agreement of next generation anti-virus Endpoint Protection Platform/Endpoint Detection and Response (EPP/EDR) software, using Texas Department of Information Resources' cooperative purchase program, in an amount not to exceed \$150,000 for the three years.
Meeting	Dec 8, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its December 8, 2020 meeting, issue a purchase order to SHI Government Solutions for a three-year purchase agreement of next generation anti-virus Endpoint Protection Platform/Endpoint Detection and Response (EPP/EDR) software, using Texas Department of Information Resources' cooperative purchase program, in an amount not to exceed \$150,000 for the three years, determine that this procurement method provides the best value to the Port Authority, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact Strategic Objective 2c. - Enhance efficiency and resilience through innovative technology and other means STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

Category:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Christopher Wolski

Background:

The Port Authority is seeking to obtain approval for a three-year purchase agreement to be invoiced annually for next generation anti-virus EPP/EDR software. The Texas Department of Information Resources (DIR) is a department of the State of Texas and has cooperative purchasing programs which may be used by the Port Authority.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring the next generation anti-virus software through the Texas Department of Information Resources' (DIR) purchasing program is the method that both satisfies competitive purchase requirements and provides best value to the Port Authority.

The Information Technology department has determined the current anti-virus solution, Trend Micro, reaches the end of support in March, 2021. This requires the Port Authority to look at a replacement that can bring next-generation anti-virus, also known as Endpoint Protection Platform (EPP), capabilities to the Port Authority.

The demands of a distributed workforce require cloud-based monitoring of devices, no matter where they are in the world. Many EPP products include a technology called Endpoint Detection and Response (EDR). EDR provides Port Authority information security analysts and support desk technicians the ability to remotely remediate information security events and incidents if the device can connect to the

Internet for incident detection and response. The purchase of the next generation anti-virus software was reviewed to ensure the best availability, price, and contract term for the item needed; which is provided by SHI Government Solutions under the pricing schedule obtained from that vendor's contract with DIR, and is therefore recommending this purchase.

Accordingly, staff recommends that the Port Commission approve this best value determination and contract.