



PORT HOUSTONSM
THE INTERNATIONAL PORT OF TEXAS

Capital Planning Workshop – July 31, 2018 – Summary



Capital Plans and Funding

Notes & assumptions



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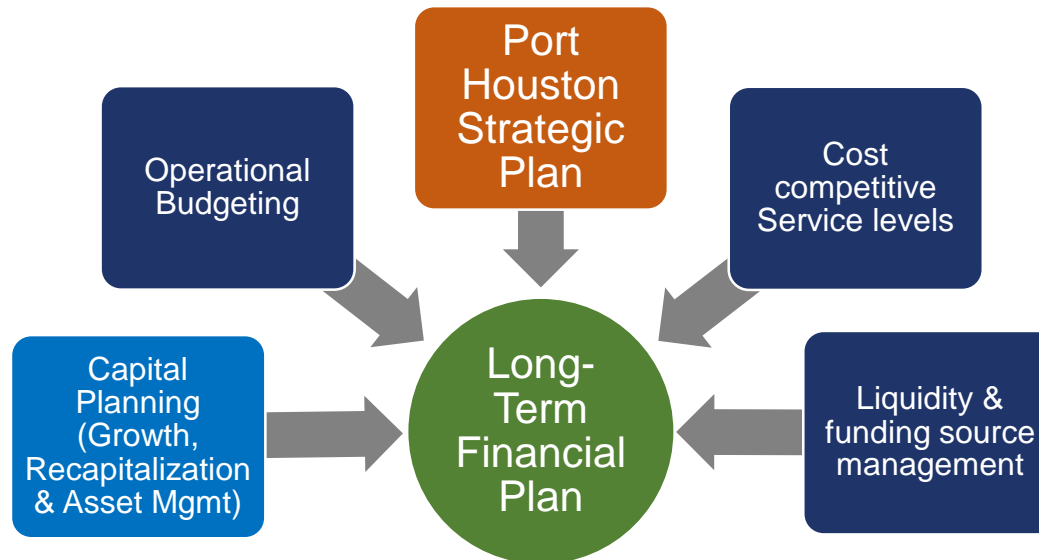
- The November 2018 Budget workshop is the forum for Commission approval of 2019 and review of 5-year plans.
- Dates identified and ‘available resources’ refer to award dates and funds available to encumber, not Cash outlay or balances.
- Capital plans for Container Terminals reflect capacity needed to sustain Customer service levels (container moves per hour, truck turn time, densification) through timely development of Bayport and recapitalization of BCT.
- Distinction is made between Channel investments that directly support the Port’s revenue-generating operations and those that support overall Houston Ship Channel (“HSC”) stakeholders.
- Liquidity projections tied to the Commission-approved 2018 Operating budget and assume market and operational stability.
- Master Plan 2040 and other business opportunities will continue to shape and guide these plans.

Context for Capital planning



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- Operating requirements** Identify needs and Service levels to meet Customer, HSC and Channel industry partner requirements
- Economic development** Infrastructure to support job growth and regional prosperity
- Timing** Ensure capacity in place at the right time and on schedule
- Stewardship** As good stewards of Public resources, operating Safely & Securely
- Financial Sustainability** A key component of long-term financial plan



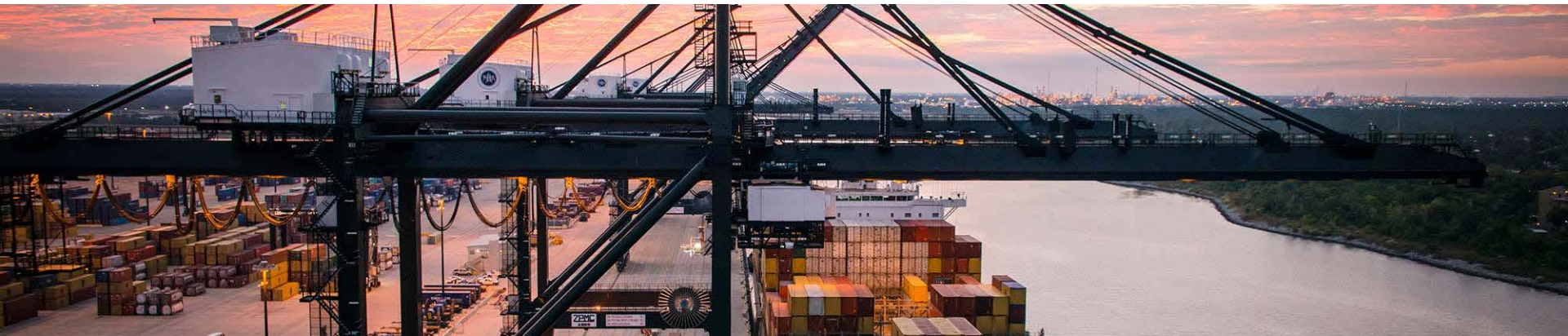
Bridge 2018 Capital budget to current

Current 2018 Plan (\$ in thousands)



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	2018	
2018 Capital Budget	\$274,538	Net Timing changes: Turning Basin maintenance dredging \$8m; Rehab Manchester Wharf 2 \$6m; Communication Towers \$4m; Fireboat Dock \$2m
Net timing changes	(26,834)	
Dropped from the Plan	(18,180)	Dropped: Scope of wharf rehab changed & re-evaluation of multiple container yards
Additions to the Plan	7,364	Additions: BCT and Bayport dredging of \$4m; Bayport Middle Berm \$1m
Subtotal	(37,650)	
Current 2018 Capital Plan	\$236,888	



Capital plan

Summary of 5 and 10-year plans (\$ in thousands)

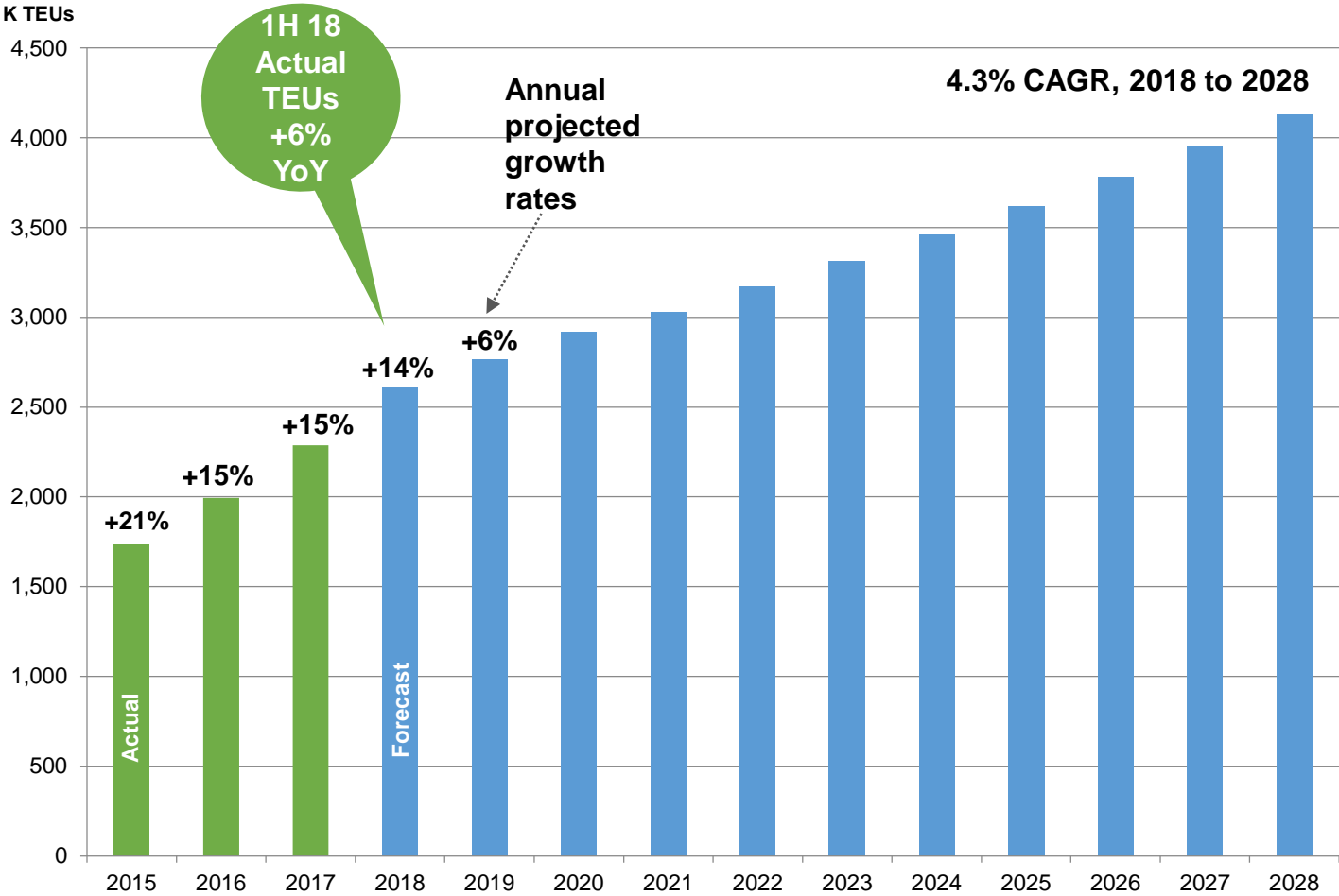


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Budget Owner	Current		2018 - 2022		2018 - 2027	
	2018	% ttl	5 yr Plan	% ttl	10 yr Plan	% ttl
Barbours Cut Terminal	\$91,836	39%	\$311,614	34%	\$550,421	22%
Bayport Terminal	95,872	40%	325,377	35%	623,291	25%
Container Terminals total *	187,708	79%	636,991	69%	1,173,712	47%
General Cargo Terminals *	16,245	7%	58,600	6%	418,245	17%
Channel Development	9,220	4%	135,964	15%	770,941	31%
<i>Port Authority</i>	6,570	71%	42,744	31%	90,741	12%
<i>HSC</i>	2,650	29%	93,220	69%	680,200	88%
Security & Emergency Ops	822	0.3%	10,837	1%	19,952	1%
Technology	1,930	1%	8,224	1%	10,059	0.4%
Real Estate	11,084	5%	35,231	4%	35,531	1%
Support, other	9,879	4%	33,461	4%	51,757	2%
Capital Plan	\$236,888		\$919,308		\$2,480,197	

* The Terminals include the Maintenance-driven capital requirements associated with the operation.

Container terminal growth projections



HSC Expansion plans

Channel Development



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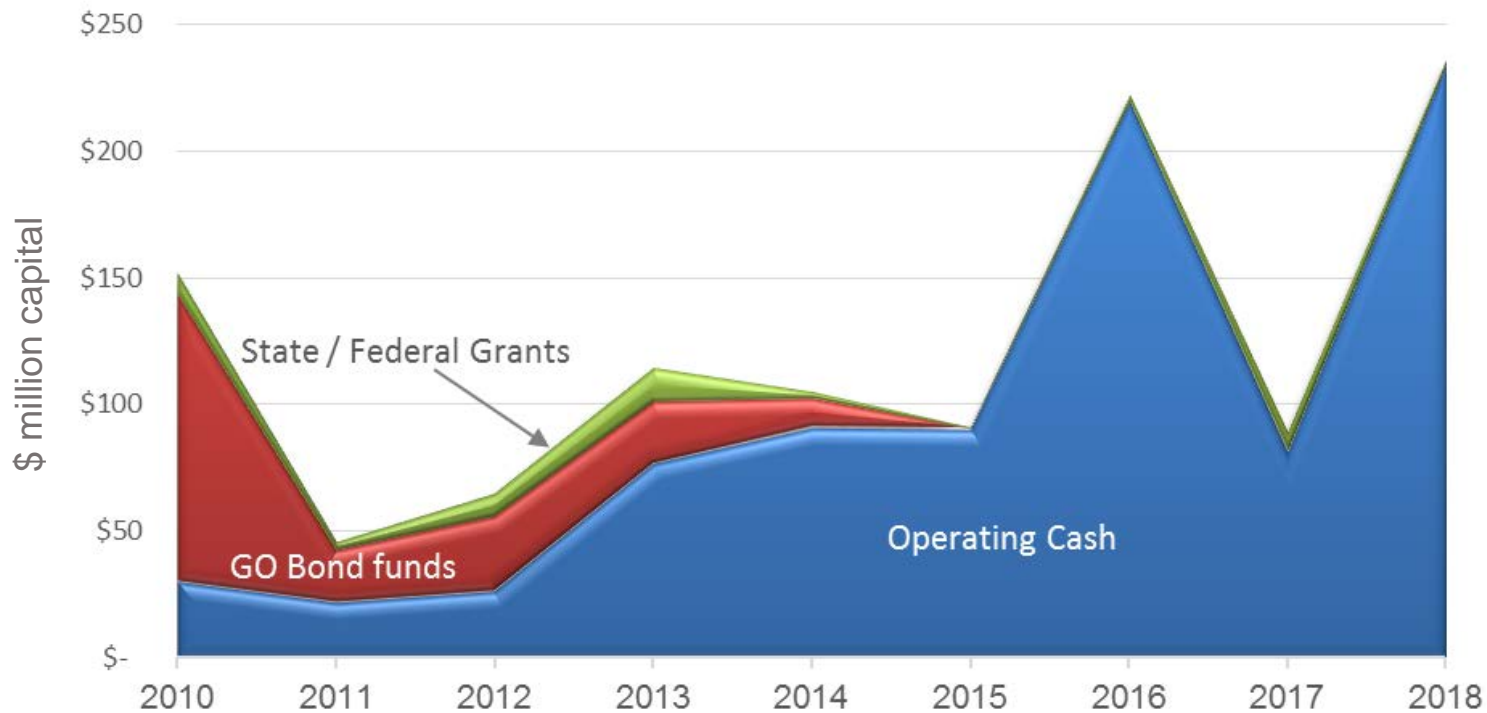
Funding

2010 – 2018 look-back funding sources



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For the period 2010 through 2018, the port will have self-funded 80% or \$900 million of its capital needs, including \$107 million for Houston Ship Channel (“HSC”) projects which benefit the region, State and our channel industry partners.



Funding

Note Purchase Program - renewal



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- In April 2018, Port Commission authorized staff to negotiate renewal of the current Note Program or other debt financing for amounts and terms deemed necessary or advantageous
- Currently assessing a \$100 million line of credit to provide flexibility for unforeseen business opportunities, Channel responsibilities or emergencies
- Lenders interested in renewal at lower commitment fee
- Received 3 unsolicited proposals with more competitive commitment fees
- Staff is evaluating all proposals and anticipates making a recommendation to the Port Commission before the end of 2018

Capital Plans and Funding

Executive summary



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- Capital budget for 2018 down from \$275 million to \$237 million
- 5-year Plan estimated at \$919 million
 - Container Terminals 69% of Plan for growth and redevelopment
 - Includes \$40 million purchase of upland Placement Area capacity
 - Incorporates design cost of the HSC Expansion project, \$34 million
- 10-year outlook remains in \$2 billion+ range
 - Includes Cost share for HSC Expansion, estimated at \$615 million
- Sufficient liquidity projected to fund Port Houston's operating capacity *before* consideration of the HSC Expansion project
 - Based on volume projections and demand/market stability
 - Cost share responsibilities for HSC Expansion project will require external financing (funds required ~2024; project timing could change)
 - Does NOT comprehend any cost share responsibility for HSC Expansion outside of the 10-year planning horizon or other Recovery & Resiliency construction projects
 - Note Purchase Program to be renewed by year-end at lower amount

Capital Plans and Funding

Focus on Continuous Improvement



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- Optimize cash flow via pursuit of Growth, efficiency of operations and measured overhead spending
- Pursue Grant Program and other funding opportunities, aligning them with future projects
- Govern Capital project spending via deliberate timing of projects, prioritization (safety, security, economic, other), tradeoffs, etc.
- Ensure visibility to Capital Plans and Liquidity projections with our Stakeholders



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THANK YOU

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