

# 2013 Budget

**Port of Houston Authority**  
**Approved February 26, 2013**





# Foreword

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- In the Fall of 2012, a proposed operating budget was developed to guide staff in the operation and management of Port Authority facilities and activities for Fiscal Year 2013
- As a result of the Authority's reorganization, it was decided to revise the proposed budget and present it at a budget workshop on February 26, 2013
- This presentation reflects the 2013 Operating and Capital Budget as approved by the Port Commission on February 26, 2013
- The operating budget does not include tax revenues which are used exclusively for debt service on outstanding ad valorem tax bonds
- While the capital plan may be approved as to maximum annual amount of capital expenditures, individual capital projects will continue to be presented separately to the Port Commission for approval

# **2013 Budget**

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## **Executive Summary**

*(Pages 1-1 to 1-14)*

## **Operating and Capital Summary**

*(Pages 2-1 to 2-44)*

# 2013 Budget Executive Summary

**Port of Houston Authority  
February 26, 2013**



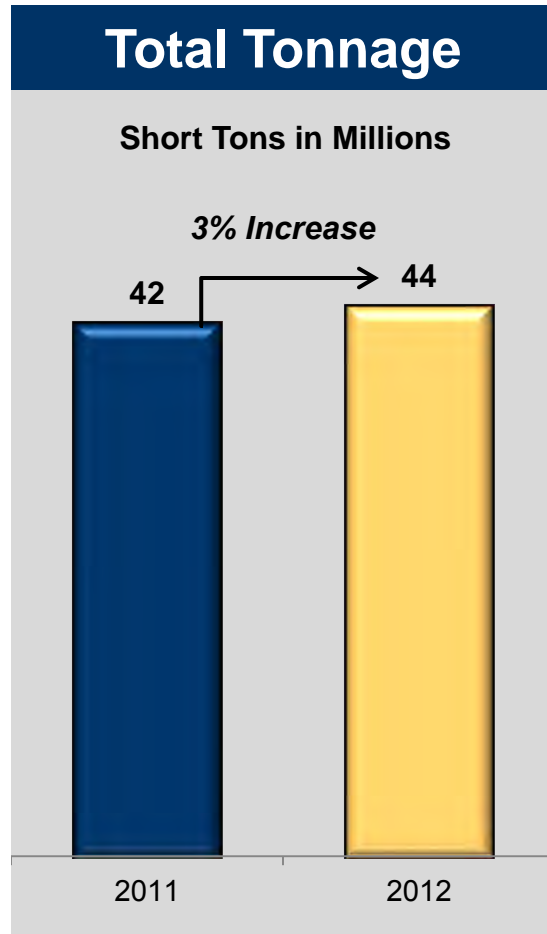
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# **Executive Summary**

## **2013 Budget**



## ***2012 was a record year for total tonnage led by steel and containers***



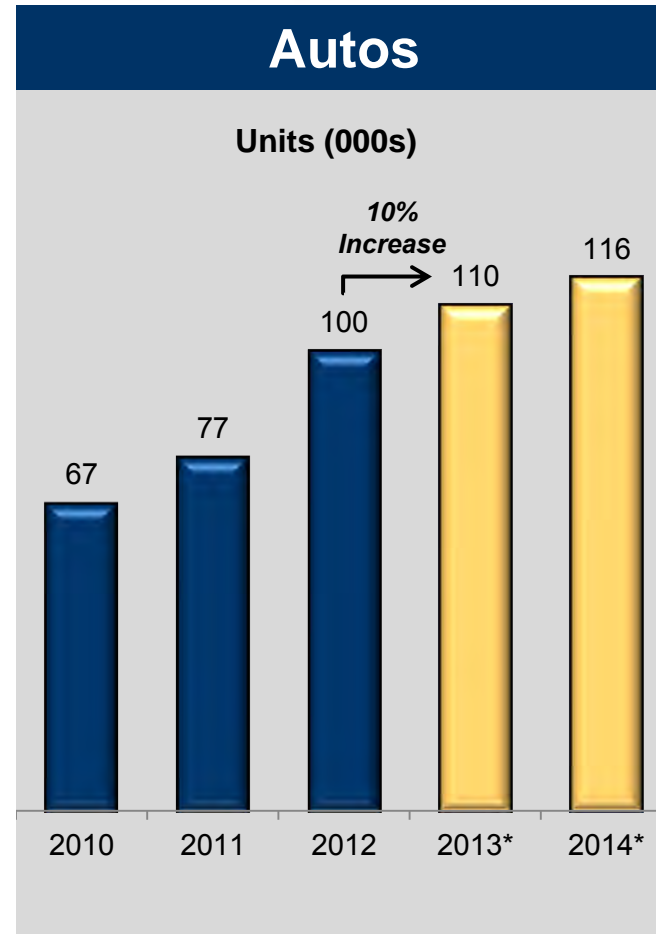
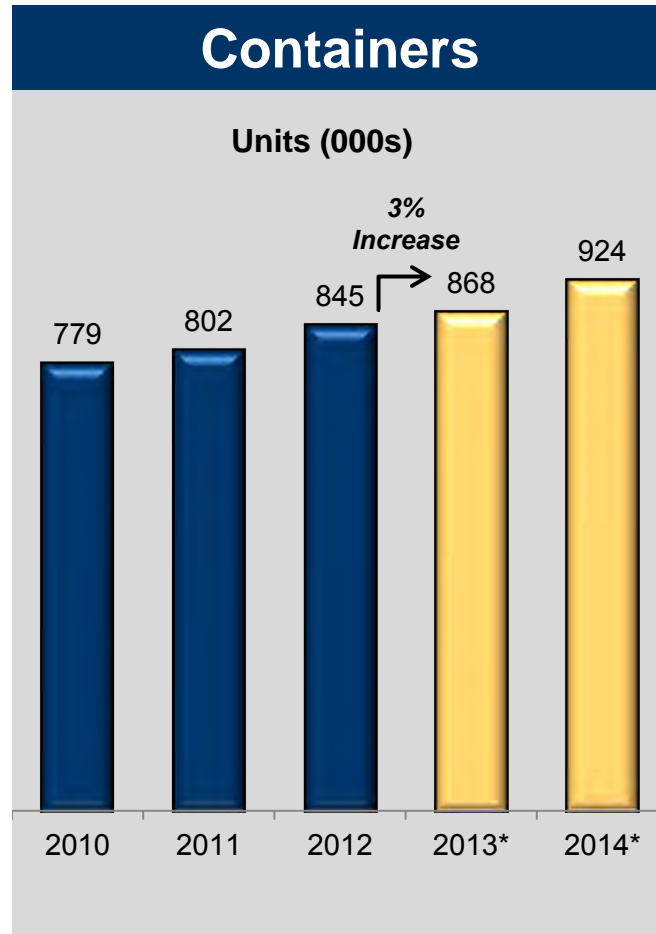
- PHA imports and exports continue to improve
  - *Total tonnage for 2012 was 3% higher vs. 2011*
  - *Previous tonnage record was in 2008 with 42.7 million short tons*
- Container TEUs increase 2.8%
  - *Import loads up 13%*
  - *Export loads up 0.4%*
- Steel tonnage increase 26%
  - *Imports up 38%*
  - *Exports down 42%*

## ***U.S. and Global market outlooks show modest growth in 2013 followed by growth acceleration in 2014***

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- Global economic outlook for 2013 remains subdued, barely ahead of 2012, although global growth expected to accelerate in 2014-15
- U.S. economy continues its gradual recovery from the recession with 2013 GDP growth of 2.0%
- The Federal Reserve Bank of Dallas forecasts some headwinds in the Texas economy in 2013, but job growth should continue

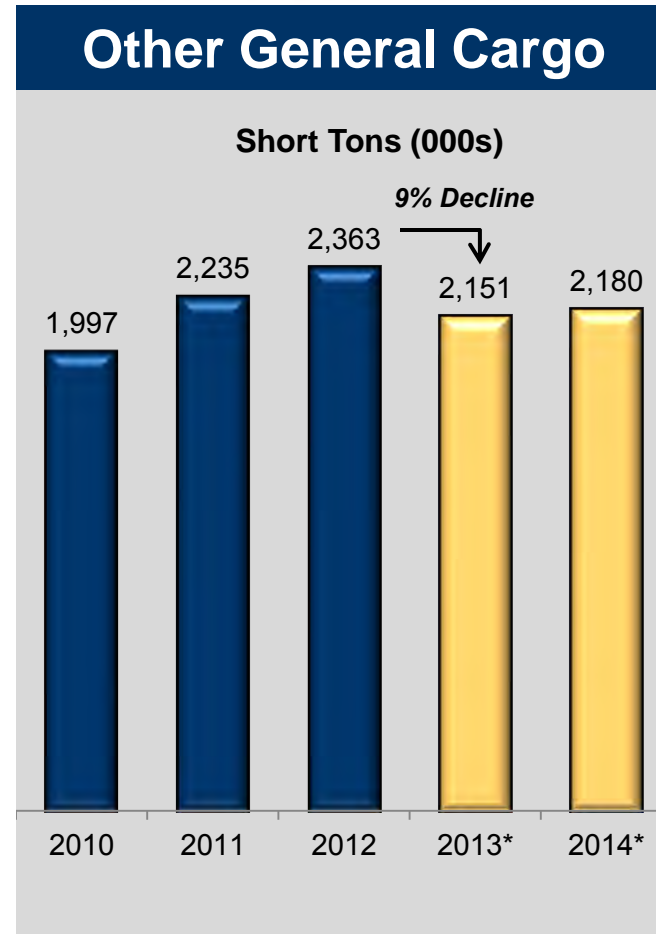
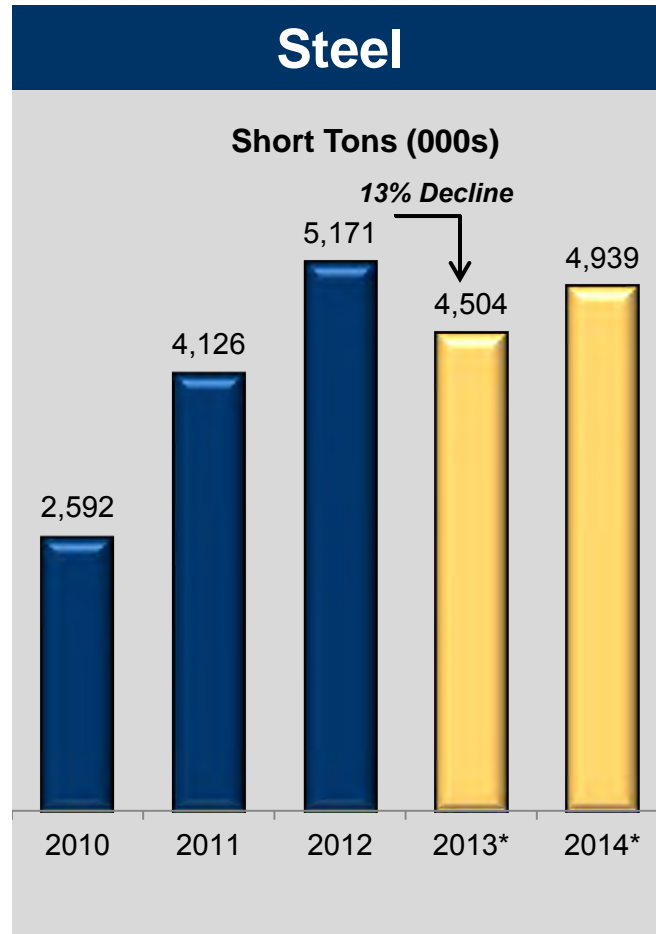
## ***PHA container and auto cargo forecasts show continued growth...***



\*Note – 2013 and 2014 are forecasts



## 2013 general cargo volumes soften, followed by 2014 growth



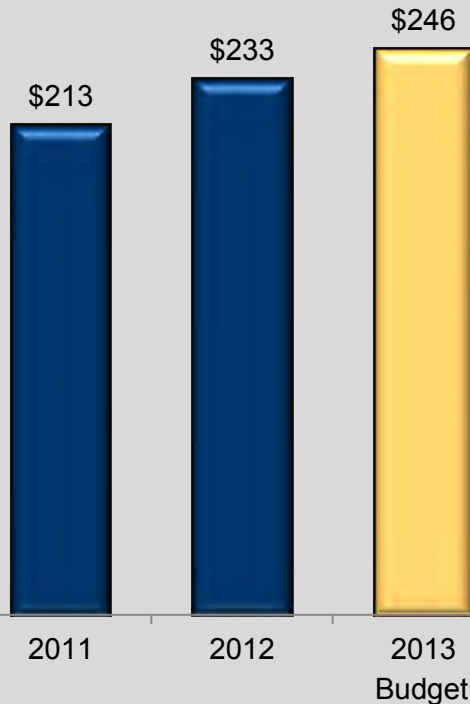
\*Note – 2013 and 2014 are forecasts



## ***Strong financial performance forecasted in 2013***

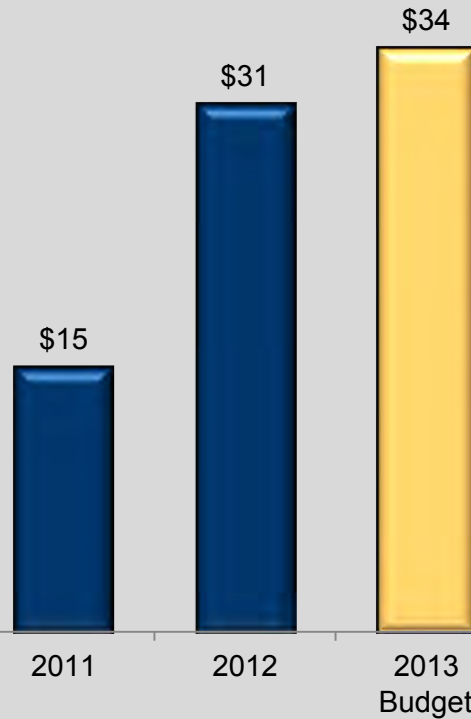
### **Total Revenue**

Dollars in Millions

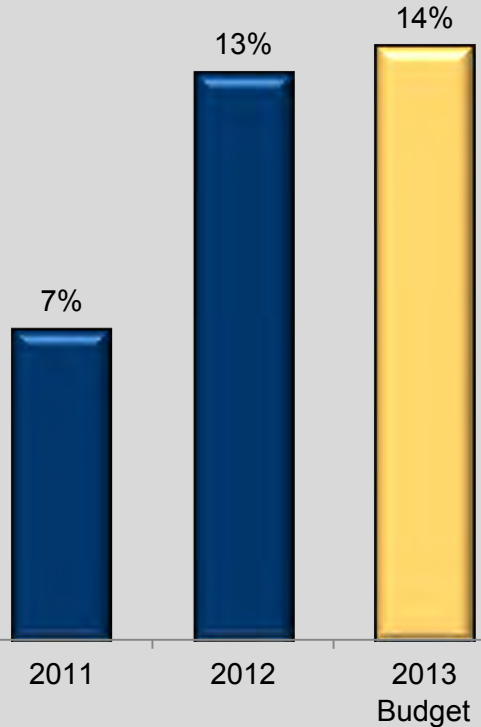


### **Net Income**

Dollars in Millions

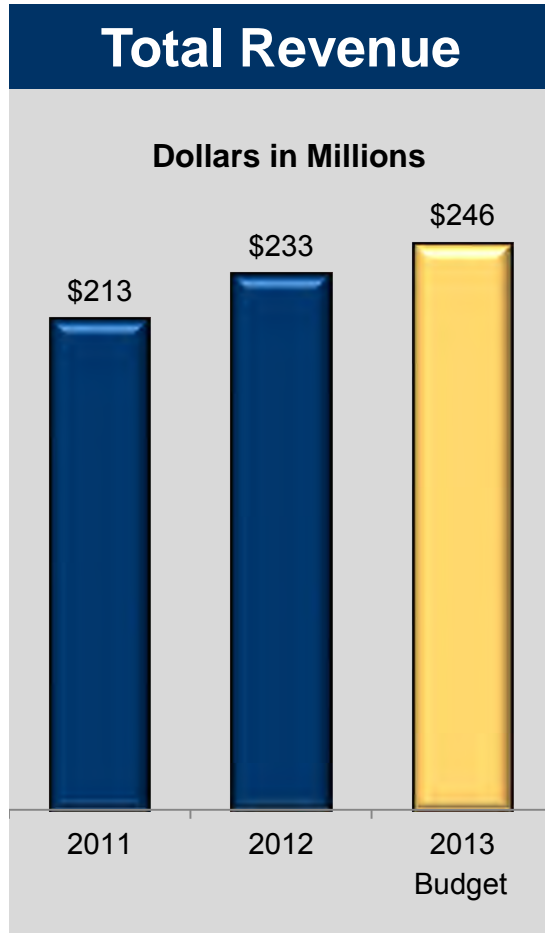


### **Profit Margin**





## 2013 Revenue expected to increase 6%



## Revenue Analysis

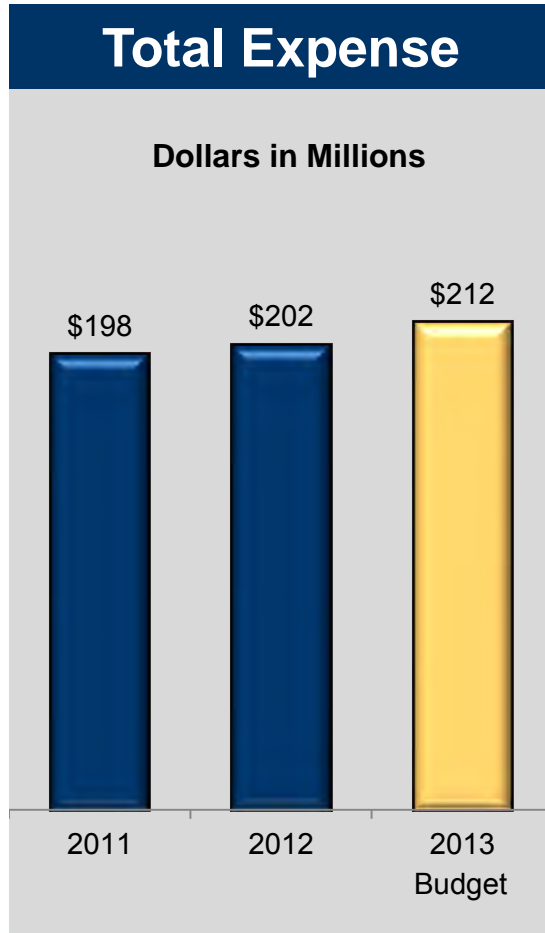
Dollars in Millions

**2012 Total Revenue (Unaudited) \$233**

	<u>Variance</u>
Non-Op Revenue Gains driven by grant reimbursements	10
Increase in Container Revenue due to Rate & Volume Increases	9
Reduced utilization of dredge material sites	(6)
Reduced Turning Basin Revenue due to volume declines	(2)
Other	2
<b>Subtotal</b>	<b>13</b>
<b>2013 Total Revenue (Budget)</b>	<b>\$246</b>



## 2013 Expenses expected to increase 5%



## Expense Analysis

Dollars in Millions

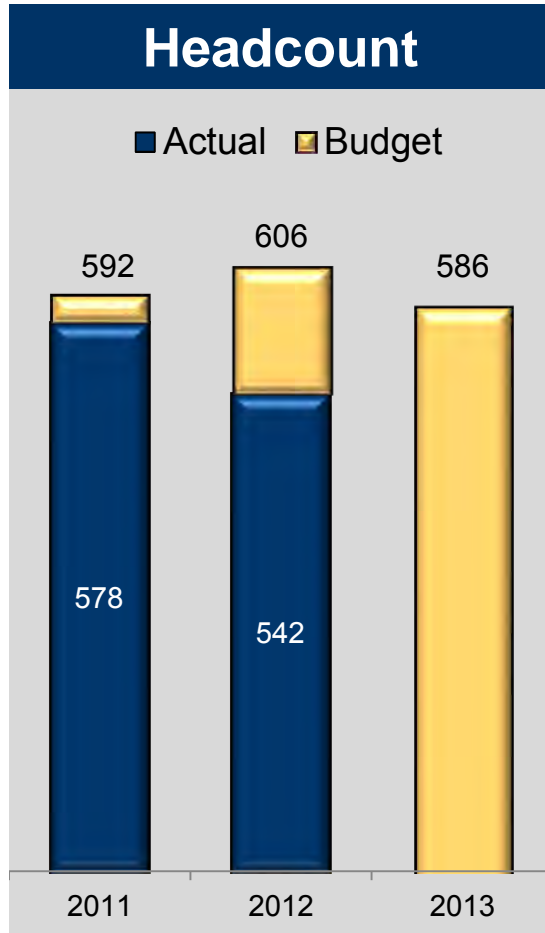
**2012 Total Expense (Unaudited)**

**\$202**

	<u>Variance</u>
Increase in Fees & Services driven by channel studies and consultants	3
Non-Op Expense Increase due to 2013 Interim Debt Financing	2
Depreciation Increase due to Bayport projects	2
Salaries & Benefits Increase due to increase in overtime, ILA Labor expenses, medical, and new Sunset positions	1
Retirement Benefits Increase due to OPEB Increase offset slightly by 2012 Pension prepayment	1
Other	1
<b>Subtotal</b>	<b>10</b>
<b>2013 Total Revenue (Budget)</b>	<b>\$212</b>



## Strong focus on rightsizing the organization in 2013



### Headcount Analysis

Number of PHA Employees

#### 2012 Actual Headcount (12/31/2012)

542

	Variance
Early Retirement Replacements	18
Turnover of Critical Hires and New Positions posted in 2012 and filled in 2013	13
New Positions required for Sunset	9
New positions created in 2013	4
Subtotal	44
2013 Budgeted Headcount	586

#### Additional Notes

- 42 Employees accepted the Early Retirement Program and retired prior to 12/31/2012
- Early Retirement replacements primarily consisted of police and fire positions
- Sunset positions created were in Internal Audit, Safety, and Procurement
- New Positions in 2013: 2 Assistant Fire Chiefs, Strategic Planning Support and Capital Planner



***Continue to grow Bottom Line through strong operational performance and expense management***

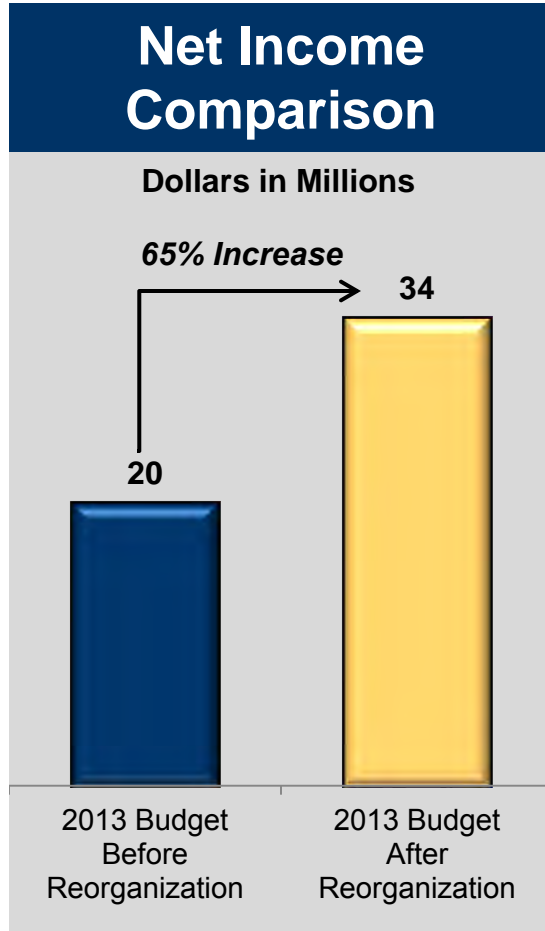
**Budget Overview**

Dollars in Millions

	2011 Audited	2012 Unaudited	2013 Budget
Total Revenue	\$213	\$233	\$246
Total Expense	198	202	212
Net Income	\$15	\$31	\$34
Net Profit Margin	7%	13%	14%
Cash Flow	\$71	\$90	\$92



## ***Reorganization and additional grant revenues resulted in additional \$13 million in cash flow***

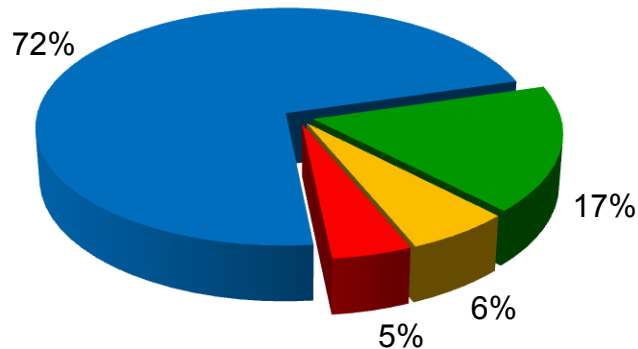


- Net Income increased by \$13 million
  - *Non-Op income increased by \$9 million due to grant reimbursements*
  - *Operating Expenses and G&A declined by \$4 million driven by reorganization and strict expense management*
- Budgeted Headcount decreased from 609 to 586 (4% decline)
- PHA will continue to identify cost savings from the reorganization throughout 2013



## ***Additional cash flow generated will support the 2013 Capital Improvement budget of \$220 million***

### **2013 Capital Improvement Program \$220 Million**



- Infrastructure Recapitalization
- Strategic Infrastructure
- Other
- Maintenance/Dredging

- Recapitalization projects = \$159 million
  - *Investments required to sustain high service levels and/or enhance productivity*
  - *Major Projects include BCT Redevelopment and Upper Level Road*
- Strategic projects = \$38 million
  - *These investments support new growth opportunities*
  - *Examples include continued development of the Bayport Terminal and 18 Acres at TB*
- Remaining projects = \$23 million
  - *Includes required maintenance, dredging, etc.*



# 2013 Budget Liquidity (000's)

	2012	2013	2014
Discretionary Funds Available, Beginning of Period	\$371,917	\$261,218	\$133,084
Contingency	(35,000)		
Debt Service and Other Reserves	(15,875)		
Outstanding Capital PO's and Commitments	<u>(90,889)</u>	<u>                    </u>	<u>                    </u>
	230,154	261,218	133,084
Sources:			
Operating Cash Flow *	89,989	92,133	84,488
Available Resources	<u>320,143</u>	<u>353,351</u>	<u>217,572</u>
Uses:			
New Capital Investment			
Barbours Cut	(23,000)	(121,326)	(85,857)
Turning Basin, N&S	(8,772)	(25,520)	(20,810)
Bayport Terminal	(3,603)	(20,770)	(120,434)
Real Estate	-	(19,200)	-
Chan. Dev. & BUS	(4,102)	(8,690)	(144,040)
IT	(9,316)	(4,466)	(3,300)
Fire Dept.	(240)	(3,567)	(2,500)
Port Police	(790)	(2,838)	(390)
Executive Office Bldg	(1,028)	(2,531)	(640)
General Counsel	-	(2,200)	-
Other	(8,075)	(9,159)	(10,732)
Subtotal - New Capital Investment	<u>(58,925)</u>	<u>(220,267)</u>	<u>(388,702)</u>
Discretionary Funds Available, End of Period	<u>\$261,218</u>	<u>\$133,084</u>	<u>(171,130)</u>

\* Net Income + Depreciation + Amortization



## 2013 Operating Budget Summary

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- 2012 was a record setting year for the Port Authority
  - *Highest recorded cargo tonnage and operating revenue*
- Moderate U.S. and Global economic growth expected in 2013
  - *Continued PHA container and auto growth that offsets declines in general cargo*
- Strong financial performance is expected to continue in 2013
  - *Continuing strong operational performance, finding new revenue opportunities, and managing expenses*
- Reorganization cost savings will continue to be identified throughout 2013
  - *Continuing focus on rightsizing the organization and creating efficiencies*
- Additional cash generated is reinvested into the ongoing capital improvement program



# 2013 Budget Operating and Capital Summary

**Port of Houston Authority**  
**February 26, 2013**





# 2013 Budget

## Operating and Capital Budget Summary

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# 2013 Operating Budget



## 2013 Market Forecast – Global Economy

- Global economic outlook for 2013 remains subdued, barely ahead of 2012, although global growth expected to accelerate in 2014-15, barring any unforeseen crises
- 2013 GDP rates for most countries projected to improve compared to 2012 levels, but still relatively low overall
- 2013 Real GDP Growth Forecast

	2013	2012
➤ European Union	-0.2%	-0.4%
➤ China	8.2%	7.8%
➤ India	5.9%	4.5%
➤ Brazil	3.5%	1.0%

- Commodity prices relatively unchanged in 2013

*Overall global slow growth*

## 2013 Market Forecast – US Economy

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- U.S. economy continues its gradual recovery from the recession with 2013 GDP growth of 2.0% versus 2012 GDP growth of 2.2%
- Low inflation expected, with consumer prices increasing 2.2%
- U.S. unemployment rate will trend downward, falling an average of 0.1% per quarter
- Low interest rates will remain for the foreseeable future

*Expect U.S. economy to continue its gradual recovery*



## 2013 Market Forecast – Texas Economy

- Employment Growth above Trend and Faster than in U.S.
  - Texas job growth is more than double the national rate (3.2% YTD Annualized in TX vs. 1.4% nationally)
  - Texas unemployment rate continues to fall, approaching 6.5%
- Texas construction activity is bouncing back, especially in the residential sector
  - Housing inventories recently dropped to 5.1 months of demand, the lowest level since March 2007 before the recession
- The Federal Reserve Bank of Dallas forecasts some headwinds in the Texas economy in 2013, but job growth should continue

Sources: PHA Market Development, Federal Reserve Bank of Dallas “Regional Economic Update” Dec 17, 2012

*The Texas economy remains strong*

## 2013 Budget

# 2012 Market Forecast – PHA

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- PHA imports and exports continue to improve
  - Total tonnage for 2012 was 3% higher vs. 2011
  - General Cargo (excluding containers) tonnage increased 18% 2012 vs. 2011
- Container TEUs year-over-year increase of 2.8%
  - Import loads up 13% / Export loads up 0.4%
  - Total loads up 5.2% / Total empties down 3.7%
- Steel tonnage year-over-year increase of 26%
  - Imports up 38% / Exports down 42% 2012 vs. 2011
  - PHA steel imports expected to decline in 2013\*
- Trade Forecast\*\*
  - Global container trade outlook – 6% annual growth per annum through 2017
  - Global project cargo trade outlook – average 10% growth per annum through 2015

\* Source: PHA Market Development

\*\* Source: Drewry Shipping Consultants

*PHA cargo volumes show improvement*



# 2013 Budget

## Cargo Assumptions – Container Terminals

### Trends and Forecast (000's)

	2010	2011	2011	2012	2012	2013	2014
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>
Units	779	794	802	837	845	868	924
% Change*			2.95%		5.36%	2.72%	6.53%
Budget Growth Assumption		5.60%		4.10%		3.95%	6.53%

\* Percentages are based on 2011 Audited, 2012 Actual, 2013 Budget & 2014 Projection

Note: Excludes Maersk / partner lines volumes

- **Projected volumes based on PHA Economic Analysis Forecast Summary with updated 2012 data**
- **3% general rate increase incorporated in 2013 Budget effective February 1, 2013**
- **2013 Budget reflects growth of export and import loads at 5%, with no growth in empty container movements**

# 2013 Budget

## Cargo Assumptions – Turning Basin Terminals

### Trends and Forecast (000's)

		2010	2011	2011	2012	2012	2013	2014
		<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Projection</u>
<b>Steel</b>	(short tons)	2,592	3,064	4,126	3,574	5,171	4,504	4,939
% Change*				59.19%		25.33%	-12.89%	9.66%
<b>General Cargo</b>	(short tons)	1,997	2,070	2,235	2,250	2,363	2,151	2,180
% Change*				11.93%		5.74%	-8.99%	1.37%
<b>Automobiles</b>	(units)	66.8	65.9	77.3	69.1	99.8	110.0	115.5
% Change*				15.72%		28.94%	10.22%	5.00%

\* Percentages are based on 2011 Audited, 2012 Actual, 2013 Budget & 2014 Projection

- **3% general rate increase incorporated in 2013 Budget starting February 1, 2013**
- **Expected decline in Import and Export Steel volumes in 2013**
- **General cargo expected to decline in 2013 due to reduction in wind power generating equipment**
- **Import Automobiles expected to grow 10% in 2013 and 5% in 2014**



# 2013 Budget

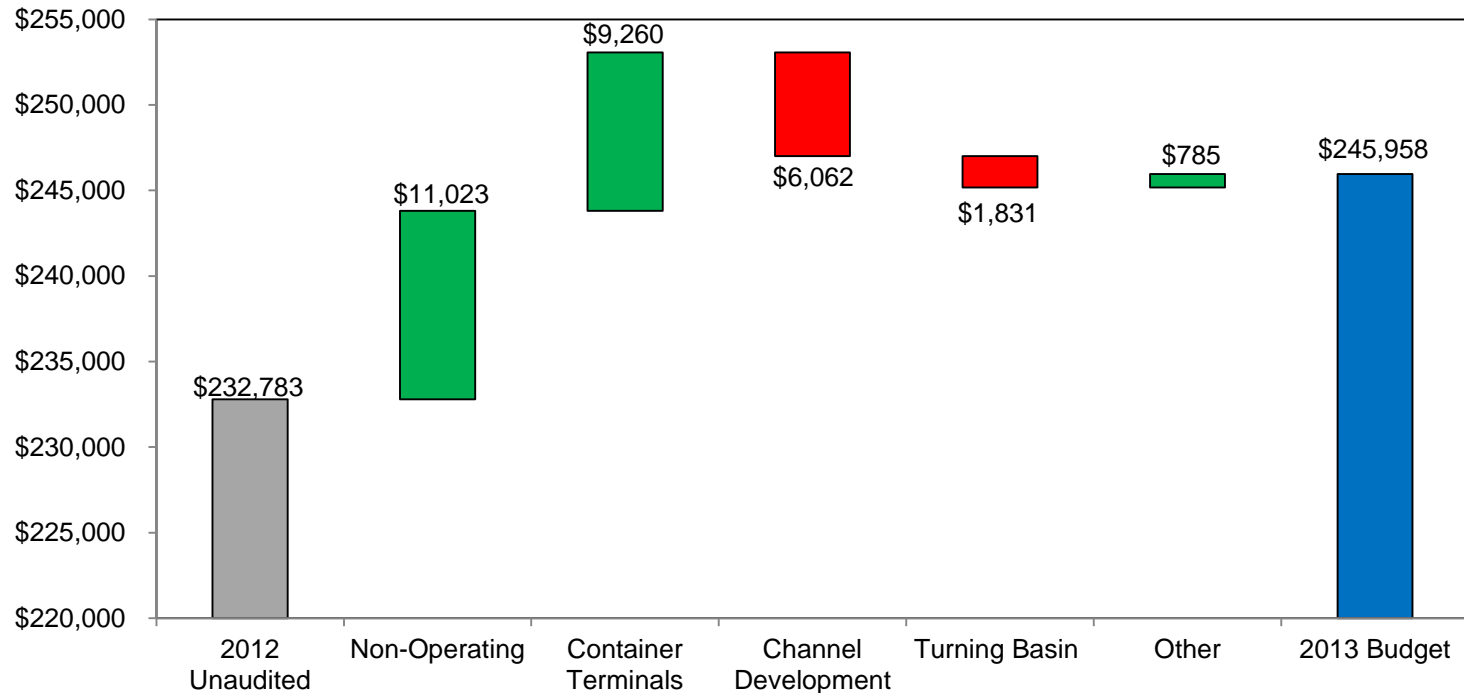
## Total Revenue - Summary (000's)

	<u>2011 Budget</u>	<u>2011 Audited</u>	<u>2012 Budget</u>	<u>2012 Unaudited</u>	<u>2013 Budget</u>
Container Terminals	\$131,102	\$130,330	\$136,072	\$137,182	\$146,442
				5.3%	6.8%
Turning Basin Terminals	36,667	42,072	40,271	47,003	45,172
				11.7%	-3.9%
Lease Revenues	21,705	22,780	21,997	24,057	24,023
				5.6%	-0.1%
Harbor Fees	5,750	5,636	5,908	5,992	6,255
				6.3%	4.4%
Channel Development	2,664	3,356	9,788	8,428	2,366
				151.1%	-71.9%
Other Revenues	564	822	761	809	1,365
				-1.6%	68.7%
Total Operating Revenues	\$198,452	\$204,996	\$214,797	\$223,471	\$225,623
				9.0%	1.0%
Non-Operating (Federal Grants, Insurance, Interest Income)	7,735	8,364	8,027	9,312	20,335
				11.3%	118.4%
Total Revenues	<u>\$206,187</u>	<u>\$213,360</u>	<u>\$222,824</u>	<u>\$232,783</u>	<u>\$245,958</u>
				9.1%	5.7%

Percentages are based on 2011 Audited, 2012 Unaudited and 2013 Budget

## 2013 Budget

### Total Revenue – Major Changes (000's)



*Non-Operating Revenue Represents Highest Growth Segment in 2013*



## 2013 Budget

# Total Revenue – Major Changes (000's)

2012 Unaudited		\$232,783
Container Revenues: Volume Increase of 4% and Tariff Increase of 3%	9,260	
Non-Operating Revenues: Grant Reimbursements	10,065	
Non-Operating Revenues: Non-Recurring Land Write-off in 2012	3,295	
Channel Revenues: Reduced Utilization of Dredge Material Sites	(6,078)	
Turning Basin revenues: Reduced Volume Projection in Steel and General Cargo	(1,831)	
Non-Operating Revenues: No Sale of Land Expected in 2013	(912)	
Non-Operating Revenues: Non-Recurring Refund of Insurance Premium in 2012	(586)	
All Other Revenues	(38)	13,175
2013 Budget		\$245,958

## 2013 Budget

# Expense - Assumptions

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- Equipment and terminal maintenance expenses increase due to demolition of buildings
- Depreciation increase resulting from completion of Bayport Terminal projects
- Reduction in pension expenses
- Headcount reflects changes associated with the early retirement program
- Budget includes current cost savings from reorganization

*Continue to manage headcount and expenses against operational performance targets*



# 2013 Budget

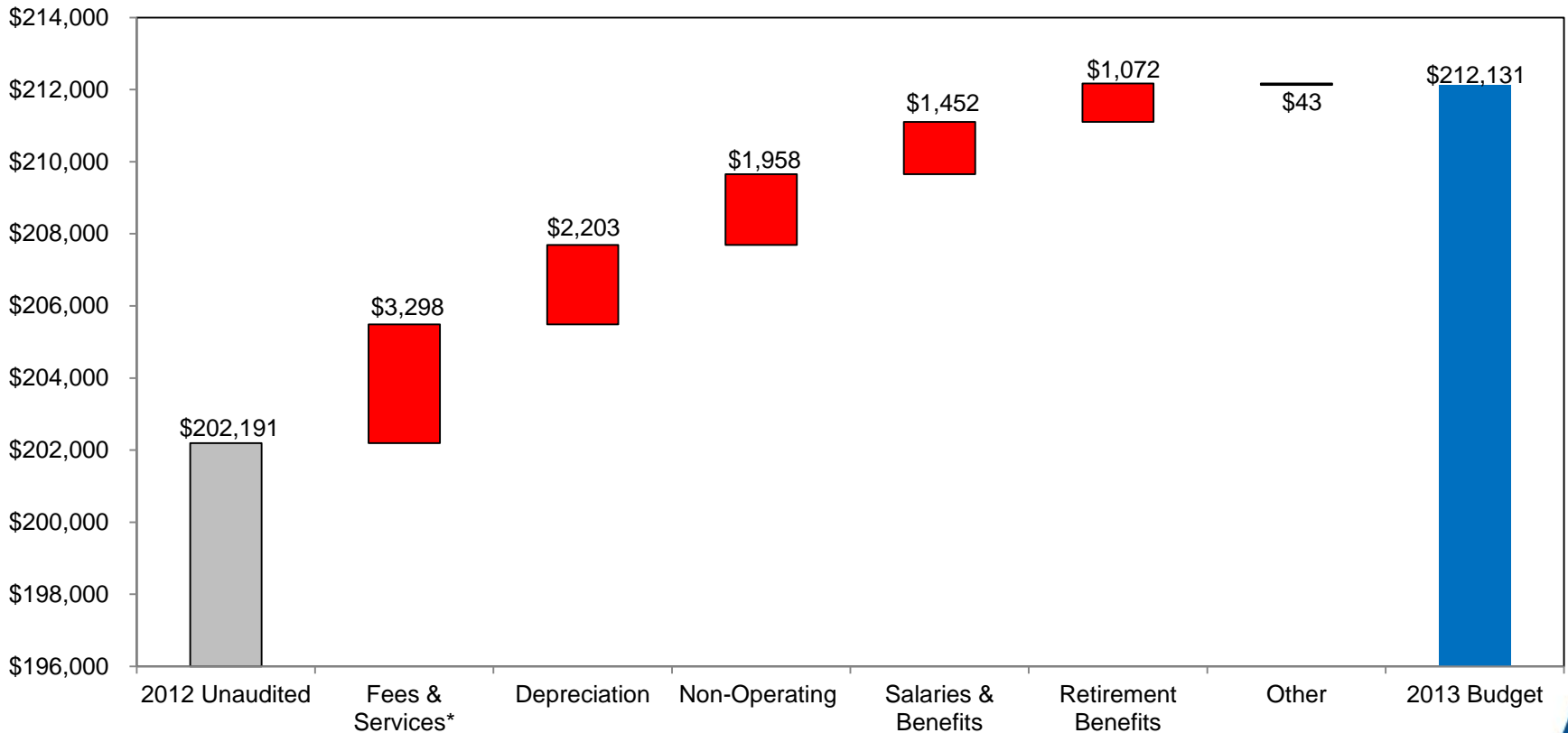
## Total Expense – Summary (000's)

	2011 Budget	2011 Audited	2012 Budget	2012 Unaudited	2013 Budget
Salaries	\$56,902	\$52,879	\$57,517	\$55,055	\$55,972
				4.1%	1.7%
Benefits	22,218	21,209	22,313	21,553	22,088
				1.6%	2.5%
Retirement Benefits	24,268	16,939	21,477	17,878	18,950
				5.5%	6.0%
Depreciation & Amortization	57,817	55,388	56,226	56,103	58,306
				1.3%	3.9%
Equipment & Terminal Maintenance	14,841	20,325	15,789	14,741	14,413
				-27.5%	-2.2%
Fees & Services	10,456	10,556	15,322	11,151	13,417
				5.6%	20.3%
Insurance	4,586	4,773	4,701	4,880	4,939
				2.2%	1.2%
Utilities	3,910	4,583	4,419	4,373	4,406
				-4.6%	0.8%
Fuel	2,692	3,318	3,269	3,274	3,399
				-1.3%	3.8%
Consulting Fees	3,783	2,939	2,632	2,436	3,468
				-17.1%	42.4%
Discretionary Expenses	8,919	8,681	9,490	12,095	12,556
				39.3%	3.8%
Allocations	(9,586)	(6,825)	(2,687)	(1,790)	(2,183)
				-73.8%	22.0%
<b>Total Expenses Operations and G&amp;A</b>	<b>\$200,806</b>	<b>\$194,765</b>	<b>\$210,468</b>	<b>\$201,749</b>	<b>\$209,731</b>
				3.6%	4.0%
Non-Operating Expenses	1,900	3,231	2,650	442	2,400
				-86.3%	443.0%
<b>Net Expense</b>	<b>\$202,706</b>	<b>\$197,996</b>	<b>\$213,118</b>	<b>\$202,191</b>	<b>\$212,131</b>
				2.1%	4.9%

Percentages are based on 2011 Audited, 2012 Unaudited & 2013 Budget

# 2013 Budget

## Total Expense – Major Changes (000's)



\*Fees & Services include Consulting Fees



# 2013 Budget

## Total Expense – Major Changes (000's)

<b>2012 Unaudited</b>			<b>\$202,191</b>
<b>Fees &amp; Services</b>			
Fees for Bayport Ultimate Feasibility Study	1,150		
Software License Fees	666		
Maintenance Study of Ship Channel	350		
Project Management Consultants	295		
Consultant for Terminal Improvements	250		
Dredging Consultants	160		
Safety Consultants	125		
All Other Locations	302	<b>3,298</b>	
<b>Depreciation</b>			
Container Terminal Increase	1,959		
All Other Locations	244	<b>2,203</b>	
<b>Non-Operating</b>			
Interim Debt Financing Commitment Fees at 0.5%	1,500		
Financing Fees (Rating Agency, Bank and Other Fees)	400		
County Appraisal Expenses	400		
Contributions to Federal/State Agencies	(264)		
Other Non-Operating Expenses	(78)	<b>1,958</b>	
<b>Salaries &amp; Benefits</b>			
Replacements and Changes Due to Sunset (Internal Audit, Safety, Procurement etc.)	458		
Medical (Includes New Hires and Rate Adjustment of 4.9%)	429		
Increase in Overtime	305		
ILA Labor and Benefit Expenses	260	<b>1,452</b>	
<b>Retirement Benefits</b>			
OPEB Expense	3,024		
Retiree Benefits	262		
Defined Contribution Expense	98		
Pension Expense (Prepayment in 2012)	(2,312)	<b>1,072</b>	
<b>Other Expenses</b>		<b>(43)</b>	
			<b>9,940</b>
<b>2013 Budget</b>			<b>\$212,131</b>

# 2013 Budget

## Operations Expense – Summary (000's)

	2011 Budget	2011 Audited	2012 Budget	2012 Unaudited	2013 Budget
Salaries	\$40,327	\$37,496	\$40,187	\$38,403	\$39,286
				2.4%	2.3%
Benefits	16,004	15,304	15,681	15,248	15,681
				-0.4%	2.8%
Retirement Benefits	12,204	8,026	10,306	8,288	8,758
				3.3%	5.7%
Depreciation & Amortization	56,129	53,919	54,056	53,975	55,266
				0.1%	2.4%
Terminal & Asset Maintenance	14,276	20,700	16,489	15,235	12,690
				-26.4%	-16.7%
Utilities & Fuel	6,498	7,774	7,552	7,516	7,751
				-3.3%	3.1%
Insurance	3,934	4,067	4,004	4,153	4,441
				2.1%	6.9%
Allocation In (Out)	(908)	(858)	(2,279)	(1,929)	4,341
				124.8%	-325.0%
Fees & Services	6,102	6,609	3,676	1,598	1,677
				-75.8%	4.9%
Demolition	-	24	-	195	2,368
				712.5%	1114.4%
Discretionary Expenses	3,902	4,324	4,384	6,642	4,116
				53.6%	-38.0%
<b>Total Operating Expenses</b>	<b>\$158,468</b>	<b>\$157,385</b>	<b>\$154,056</b>	<b>\$149,324</b>	<b>\$156,375</b>
				-5.1%	4.7%

Percentages are based on 2011 Audited, 2012 Unaudited & 2013 Budget



# 2013 Budget

## Operations Expense – Major Changes (000's)

<b>2012 Unaudited</b>			<b>\$149,324</b>
<b>Salaries</b>			
Replacements and Changes Due to Sunset (Internal Audit, Safety, Procurement etc.)	338		
Overtime	285		
ILA Labor Expenses	260	<b>883</b>	
<b>Benefits</b>			
Medical (Includes New Hires and Rate Adjustment of 4.9%)	294		
ILA Benefits	168		
Replacements and Changes Due to Sunset (Internal Audit, Safety, Procurement etc.)	142		
Leavetime Adjustment from Early Retirement	(171)	<b>433</b>	
<b>Retirement Benefits</b>			
OPEB Expense	1,613		
Defined Contributions Expense	43		
Pension Expense (Prepayment in 2012)	(1,186)	<b>470</b>	
<b>Depreciation</b>			
Container Terminal Increase	1,959		
All Other Locations	(668)	<b>1,291</b>	
<b>Terminal &amp; Asset Maintenance</b>			
Change in Allocation Policy	(2,097)		
Wharf Maintenance	(354)		
Other Maintenance	(94)	<b>(2,545)</b>	
<b>Utilities &amp; Fuel</b>			
Fuel at Operating Terminals	214		
Utilities at Operating Terminals	21	<b>235</b>	
<b>Allocation In (Out)</b>			
Security Expenses from Guard Contract	3,838		
Change in Allocation Policy	2,097		
IT Allocation	335	<b>6,270</b>	

## 2013 Budget

# Operations Expense – Major Changes (cont.) (000's)

<b>Insurance</b>			
Increase in Worker's Compensation, Property, and Other Insurance Premiums	288	<b>288</b>	
<b>Demolition</b>			
Demolition of Buildings	2,173	<b>2,173</b>	
<b>Fees &amp; Services</b>			
Multiple Operating Location Activities	79	<b>79</b>	
<b>Discretionary Expenses</b>			
Safety Equipment	130		
Market Development Fund Expense	(2,685)		
All Other Discretionary Expenses	29	<b>(2,526)</b>	
			<b>7,051</b>
<b>2013 Budget</b>			<b>\$156,375</b>



# 2013 Budget

## G&A Expense – Summary (000's)

	2011 Budget	2011 Audited	2012 Budget	2012 Unaudited	2013 Budget
Salaries	\$16,575	\$15,384	\$17,330	\$16,652	\$16,686
				8.2%	0.2%
Benefits	6,214	5,906	6,632	6,305	6,408
				6.8%	1.6%
Retirement Benefits	12,064	8,913	11,171	9,590	10,192
				7.6%	6.3%
Fees & Services	8,137	6,886	14,279	12,063	15,208
				75.2%	26.1%
Depreciation & Amortization	1,688	1,469	2,171	2,128	3,040
				44.9%	42.9%
Economic Development & Community Support	1,894	1,250	1,865	1,707	2,174
				36.6%	27.4%
Terminal & Asset Maintenance	1,753	1,050	721	749	939
				-28.7%	25.4%
Utilities & Fuel	542	582	567	621	505
				6.7%	-18.7%
Insurance	651	705	697	727	498
				3.1%	-31.5%
Discretionary Expenses	5,095	3,441	3,835	3,841	4,230
				11.6%	10.2%
Gross G&A Expenses	\$54,613	\$45,586	\$59,268	\$54,383	\$59,880
				19.3%	10.1%
Allocation In (Out)	(1,689)	(1,519)	(169)	(168)	(4,341)
				-88.9%	2483.9%
Allocated Expenses to CIP	(10,586)	(6,687)	(2,687)	(1,790)	(2,183)
				-73.2%	22.0%
<b>Net G&amp;A Expenses</b>	<b>\$42,338</b>	<b>\$37,380</b>	<b>\$56,412</b>	<b>\$52,425</b>	<b>\$53,356</b>
				40.2%	1.8%

Percentages are based on 2011 Audited, 2012 Unaudited & 2013 Budget

# 2013 Budget

## G&A Expense - Major Changes (000's)

<b>2012 Unaudited</b>			<b>\$52,425</b>
<b>Salaries</b>			
Replacements and Changes Due to Sunset (Internal Audit, Safety, Procurement etc.)	14		
Overtime	20	<b>34</b>	
<b>Benefits</b>			
Medical Insurance	135		
Replacements and Changes Due to Sunset (Internal Audit, Safety, Procurement etc.)	112		
Leavetime Adjustment from Early Retirement	(145)	<b>102</b>	
<b>Retirement Benefits</b>			
OPEB Expense	1,412		
Retiree Benefits	262		
Defined Contribution Expense	54		
Pension Expense (Prepayment in 2012)	(1,126)	<b>602</b>	
<b>Fees &amp; Services</b>			
Bayport Ultimate Feasibility Study	1,150		
Software License Fees	666		
Project Management Consultants	295		
Consultant for Terminal Improvements	250		
Dredging Consultants	160		
Other Fees and Services	624	<b>3,145</b>	
<b>Depreciation</b>			
IT Department	723		
All Other G&A Departments	189	<b>912</b>	
<b>Economic Development &amp; Community Support</b>			
PHA Events	300		
All Other Expenses	167	<b>467</b>	

# 2013 Budget

## G&A Expense - Major Changes (000's)

<b>Terminal &amp; Asset Maintenance</b>			
Building Maintenance	338		
All Other G&A Departments	(148)	<b>190</b>	
<b>Utilities &amp; Fuel</b>			
Utilities and Fuel Expenses	(116)	<b>(116)</b>	
<b>Insurance</b>			
Worker's Compensation, Property, and Other Insurance Premiums	(229)	<b>(229)</b>	
<b>Discretionary Expenses</b>			
Travel	184		
Dues and Memberships	171		
Reduction in Other G&A Expenses	34	<b>389</b>	
<b>Allocation In (Out)</b>			
Change in Allocation Policy	(3,837)		
IT Allocation	(335)	<b>(4,172)</b>	
<b>Allocated Expenses to CIP</b>			
Expenses Allocated to CIP	(393)	<b>(393)</b>	
			<b>931</b>
<b>2013 Budget</b>			<b>\$53,356</b>



# 2013 Budget

## Income Statement (000's)

	<u>2011 Budget</u>	<u>2011 Audited</u>	<u>2012 Budget</u>	<u>2012 Unaudited</u>	<u>2013 Budget</u>
Operating Revenues*	\$198,452	\$204,996	\$214,797	\$223,471	\$225,623
Less: Operating Expenses	<u>158,468</u>	<u>157,385</u>	<u>154,056</u>	<u>149,324</u>	<u>156,375</u>
Operating Income	39,984	47,611	60,741	74,147	69,248
Less: General & Administrative Expenses	<u>42,338</u>	<u>37,380</u>	<u>56,412</u>	<u>52,425</u>	<u>53,356</u>
Net Operating Income	(2,354)	10,231	4,329	21,722	15,892
Non-Operating Revenue (Expense)	<u>2,477</u>	<u>4,850</u>	<u>870</u>	<u>552</u>	<u>(711)</u>
Income before Contributions & Transfers	123	15,081	5,199	22,274	15,181
Contributions (to)/from Federal/State Agencies	3,358	284	4,507	8,317	18,646
<b>Net Income</b>	<u><b>\$3,481</b></u>	<u><b>\$15,365</b></u>	<u><b>\$9,706</b></u>	<u><b>\$30,591</b></u>	<u><b>\$33,827</b></u>
<b>Cash Flow</b>	<u><b>\$61,298</b></u>	<u><b>\$70,753</b></u>	<u><b>\$65,932</b></u>	<u><b>\$89,989</b></u>	<u><b>\$92,133</b></u>

\*Includes G&A Revenues

# 2013 Budget

## Net Operating Income - Major Changes (000's)

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<b>2012 Unaudited</b>		<b>\$21,722</b>
Reduced Utilization of Dredge Material Sites	(6,078)	
Turning Basin Revenues	(1,831)	
Pension Expense (Prepaid in 2012)	2,312	
All Other Changes in Revenues/Expenses	(233)	
		(5,830)
<b>2013 Budget</b>		<b>\$15,892</b>

# 2013 Budget

## Net Income - Major Changes (000's)

<b>2012 Unaudited</b>		<b>\$30,591</b>
Contributions from Federal/State Agencies	10,065	
Contributions to Federal/State Agencies	264	
Debt Financing Expenses	(1,900)	
Change in Net Operating Income	(5,830)	
All Other Changes in Revenues/Expenses	637	
		3,236
<b>2013 Budget</b>		<b>\$33,827</b>



# 2013 Budget

## Non-Operating - Summary (000's)

	<u>2011 Budget</u>	<u>2011 Audited</u>	<u>2012 Budget</u>	<u>2012 Unaudited</u>	<u>2013 Budget</u>
Non-Operating Revenues	\$2,372	\$6,848	\$870	\$330	\$1,289
Contribution from Federal/State Agency	<u>5,363</u>	<u>1,516</u>	<u>7,157</u>	<u>8,981</u>	<u>19,046</u>
<b>Non-Operating Revenues</b>	<b>\$7,735</b>	<b>\$8,364</b>	<b>\$8,027</b>	<b>\$9,311</b>	<b>\$20,335</b>
Non-Operating Expenses	(105)	1,998	-	(222)	2,000
Contribution to Federal/State Agency	<u>2,005</u>	<u>1,232</u>	<u>2,650</u>	<u>664</u>	<u>400</u>
<b>Non-Operating Expenses</b>	<b>\$1,900</b>	<b>\$3,230</b>	<b>\$2,650</b>	<b>\$442</b>	<b>\$2,400</b>
<b>Non-Operating Income</b>	<b><u>\$5,835</u></b>	<b><u>\$5,134</u></b>	<b><u>\$5,377</u></b>	<b><u>\$8,869</u></b>	<b><u>\$17,935</u></b>

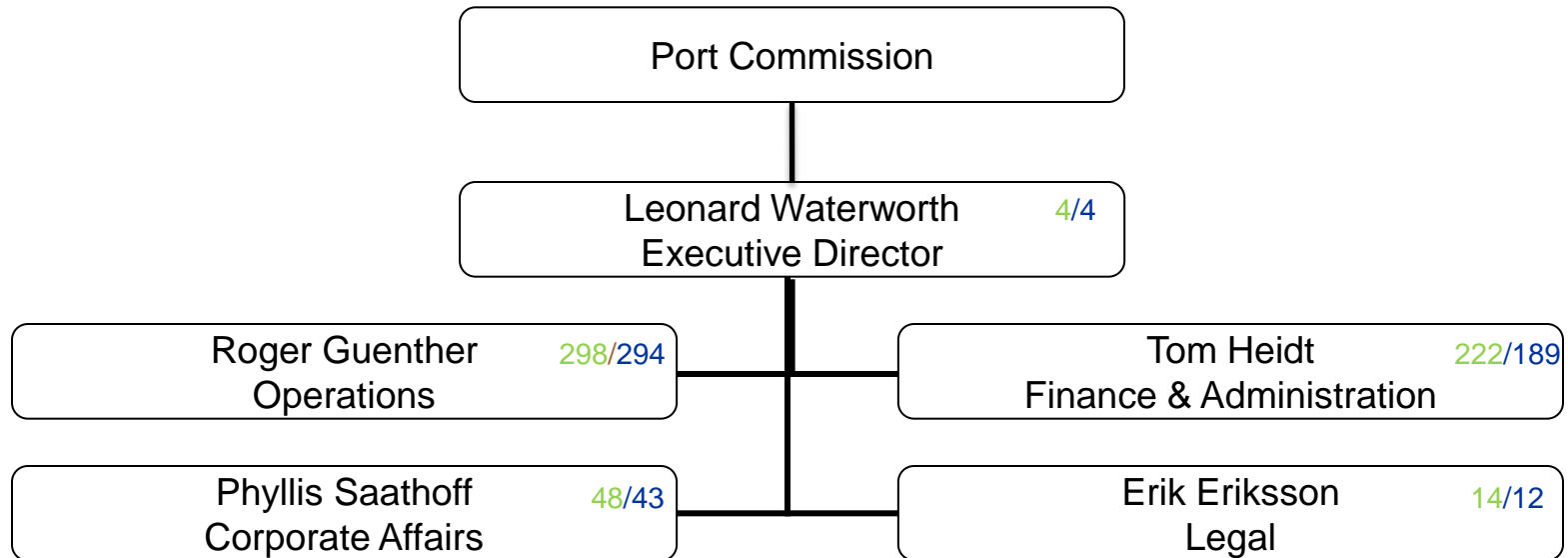
# 2013 Budget

## Non-Operating - Major Changes (000's)

<b>2012 Unaudited</b>		<b>\$8,869</b>
Contributions from Federal/State Agencies	10,065	
Asset Write-Off of Land in 2012	3,295	
Contributions to Federal/State Agencies	264	
County Appraisal Fees	(400)	
Refund of Insurance in 2012	(586)	
Sale of Land in 2012	(912)	
Debt Financing Expenses	(1,900)	
All Other Changes in Revenues/Expenses	(760)	
		9,066
<b>2013 Budget</b>		<b>\$17,935</b>

# 2013 Budget

## PHA Staff Organization Structure



Total Employment (Budget / Actual): 2013 (586) 2012 (606 / 542) 2011 (592 / 578) 2010 (616 / 592)



# 2013 Budget

## Executive (000's)

	<b>2011 Budget</b>	<b>2011 Audited</b>	<b>2012 Budget</b>	<b>2012 Unaudited</b>	<b>2013 Budget</b>
Salaries	\$453	\$430	\$468	\$422	\$475
Benefits	152	120	160	116	133
Retirement Benefits	288	190	269	217	246
Fees & Services	1	28	267	173	90
Consulting Fees	50	110	100	131	150
Travel	80	14	99	19	80
Dues & Memberships	60	30	5	61	65
Discretionary Expenses	99	20	49	47	119
<b>Net Expense</b>	<b>\$1,183</b>	<b>\$942</b>	<b>\$1,417</b>	<b>\$1,186</b>	<b>\$1,358</b>

# 2013 Budget

## Operations (000's)

	<u>2011 Budget</u>	<u>2011 Audited</u>	<u>2012 Budget</u>	<u>2012 Unaudited</u>	<u>2013 Budget</u>
Salaries	\$39,745	\$36,437	\$39,872	\$37,830	\$37,833
Benefits	15,051	14,924	14,898	14,535	14,643
Retirement Benefits	12,113	7,991	10,487	8,433	8,774
Depreciation & Amortization	50,198	48,808	48,351	48,324	48,315
Equipment & Terminal Maintenance	12,255	18,198	13,678	12,898	10,555
Utilities	3,756	4,299	4,190	4,067	4,112
Insurance	3,646	3,756	3,688	3,779	3,899
Fuel	2,558	3,136	3,071	3,089	3,397
Fees & Services	1,310	1,468	1,447	1,652	1,527
Contingency	1,000	1	1,000	1	-
Environmental Related Costs	510	268	633	443	646
Discretionary Expenses	3,410	4,753	4,131	4,803	6,773
<b>Gross Expense</b>	<b>\$145,552</b>	<b>\$144,039</b>	<b>\$145,446</b>	<b>\$139,854</b>	<b>\$140,474</b>
Allocations	(2,718)	411	1,457	2,427	5,270
<b>Net Expense</b>	<b>\$142,834</b>	<b>\$144,450</b>	<b>\$146,903</b>	<b>\$142,281</b>	<b>\$145,744</b>

# 2013 Budget

## Finance & Administration (000's)

	<u>2011 Budget</u>	<u>2011 Audited</u>	<u>2012 Budget</u>	<u>2012 Unaudited</u>	<u>2013 Budget</u>
Salaries	\$12,227	\$11,715	\$12,336	\$12,311	\$12,919
Benefits	5,428	4,919	5,541	5,308	5,531
Retirement Benefits	8,993	6,842	8,234	7,228	7,702
Fees & Services	5,760	6,100	8,567	7,110	7,972
Depreciation & Amortization	3,356	2,726	4,000	3,903	6,092
Equipment & Terminal Maintenance	1,308	1,244	945	842	850
Insurance	571	634	716	777	741
Telephone	182	208	220	259	247
Computer Hardware Rental	50	30	100	94	110
Discretionary Expenses	2,481	2,400	2,164	2,616	3,013
<b>Gross Expense</b>	<b>\$40,356</b>	<b>\$36,818</b>	<b>\$42,823</b>	<b>\$40,448</b>	<b>\$45,177</b>
Allocations	(9,020)	(9,218)	(6,672)	(6,397)	(7,532)
<b>Net Expense</b>	<b>\$31,336</b>	<b>\$27,600</b>	<b>\$36,151</b>	<b>\$34,051</b>	<b>\$37,645</b>



# 2013 Budget

## Corporate Affairs (000's)

	<b>2011 Budget</b>	<b>2011 Audited</b>	<b>2012 Budget</b>	<b>2012 Unaudited</b>	<b>2013 Budget</b>
Salaries	\$3,473	\$3,288	\$3,667	\$3,350	\$3,499
Benefits	1,248	1,027	1,329	1,221	1,328
Retirement Benefits	2,235	1,495	1,927	1,549	1,650
Depreciation & Amortization	4,216	3,808	3,852	3,852	3,899
Consulting Fees	2,710	2,176	1,877	1,519	1,848
Economic Development Support	907	779	841	729	824
Art & Printing Production	889	603	653	493	614
PHA Sponsored Events	383	184	556	620	297
Advertising Media	1,102	317	324	254	351
PHA Receptions & Special Events	364	150	208	162	778
Discretionary Expenses	4,238	3,648	5,698	6,248	5,388
<b>Gross Expense</b>	<b>\$21,765</b>	<b>\$17,475</b>	<b>\$20,932</b>	<b>\$19,997</b>	<b>\$20,476</b>
Allocations	201	186	80	81	79
<b>Net Expense</b>	<b>\$21,966</b>	<b>\$17,661</b>	<b>\$21,012</b>	<b>\$20,078</b>	<b>\$20,555</b>

## 2013 Budget

### Legal (000's)

	<b>2011 Budget</b>	<b>2011 Audited</b>	<b>2012 Budget</b>	<b>2012 Unaudited</b>	<b>2013 Budget</b>
Salaries	\$1,003	\$1,010	\$1,175	\$1,141	\$1,245
Benefits	338	219	384	373	453
Retirement Benefits	639	422	561	451	579
Fees & Services	3,020	2,687	2,752	2,032	1,948
Depreciation & Amortization	46	46	23	23	-
Insurance	16	18	19	17	16
Discretionary Expenses	66	157	70	113	189
<b>Gross Expense</b>	<b>\$5,128</b>	<b>\$4,559</b>	<b>\$4,984</b>	<b>\$4,150</b>	<b>\$4,430</b>
Allocations	(1,646)	(444)	-	-	-
<b>Net Expense</b>	<b>\$3,482</b>	<b>\$4,115</b>	<b>\$4,984</b>	<b>\$4,150</b>	<b>\$4,430</b>

# 2013 Budget

## Income Statement (000's)

	<u>2013 Budget Pre ReOrg</u>	<u>2013 Budget Post ReOrg</u>	<u>Variance</u>	<u>%</u>
Operating Revenues*	\$225,239	\$225,623	\$384	0.2%
Less: Operating Expenses	<u>159,459</u>	<u>156,375</u>	<u>(3,084)</u>	<u>-1.9%</u>
Operating Income	65,780	69,248	3,468	5.3%
Less: General & Administrative Expenses	<u>54,619</u>	<u>53,356</u>	<u>(1,263)</u>	<u>-2.3%</u>
Net Operating Income	11,161	15,892	4,731	42.4%
Non-Operating Revenue (Expense)	<u>(996)</u>	<u>(711)</u>	<u>285</u>	<u>28.6%</u>
Income before Contributions & Transfers	10,165	15,181	5,016	49.3%
Contributions (to)/from Federal/State Agencies	10,289	18,646	8,357	81.2%
<b>Net Income</b>	<u><b>\$20,454</b></u>	<u><b>\$33,827</b></u>	<u><b>\$13,373</b></u>	<u><b>65.4%</b></u>
<b>Cash Flow</b>	<u><b>\$79,068</b></u>	<u><b>\$92,133</b></u>	<u><b>\$13,065</b></u>	<u><b>16.5%</b></u>





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# 2013 Capital Budget

## 2013 Budget

# Capital Investments (000's)

	2011 Actual	2012 Actual	2013 Budget
Barbours Cut Terminal	\$3,250	\$23,000	\$121,326
Turning Basin Terminals	4,625	7,972	25,520
Bayport Terminal	765	3,603	20,770
Real Estate	40,137	0	19,200
Channel Development	447	3,932	8,690
IT	6,026	9,316	4,466
Engineering	130	3,473	3,782
Harbor Fire	15,395	240	3,567
Port Police	6,524	790	2,838
Executive Office Building	751	1,028	2,531
Legal	0	0	2,200
Care Terminal	280	0	2,000
Other	1,494	5,572	3,377
<b>Total Capital</b>	<b>\$79,824</b>	<b>\$58,926</b>	<b>\$220,267</b>
Less: Grant Reimbursement	(1,516)	(8,981)	(14,046)
<b>Net Capital</b>	<b>\$78,308</b>	<b>\$49,945</b>	<b>\$206,221</b>

# 2013 Budget

## Barbours Cut Terminal (000's)

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	<b><u>2013 Budget</u></b>
<b>Major Projects</b>	
4 Wharf Cranes (Wharf 1)	\$47,380
Wharf 1 Reconstruction	44,990
C- 4 10 Acres Rehabilitation	10,000
C- 5 10 Acres Rehabilitation	7,049
Wharf 1-Distribution Feeders Installation	3,600
Wharf 1- SSB 1 Installation	1,567
Annual Pavement Replacement 2013	1,500
4 Wharf Cranes (Wharf 1)-Inspection	1,110
C-5 Communication Fiber Installation	1,000
Other	3,130
<b>Total Projects</b>	<b><u>\$121,326</u></b>

# 2013 Budget

## Turning Basin Terminals (000's)

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	<b>2013 Budget</b>
<b>Major Projects</b>	
18 Acre Staging Area for NCCSA	\$18,000
Concrete Repair of Spalling Wharf 20 2013	5,000
Rehab Substructure & Decks Wharves 24&25	1,000
Other	1,520
<b>Total Projects</b>	<b>\$25,520</b>



# 2013 Budget Bayport Terminal (000's)

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	<b>2013 Budget</b>
<b>Major Projects</b>	
9 RTGs	\$17,100
Program Management 2013	2,700
Other	970
<b>Total Projects</b>	<b><u>\$20,770</u></b>

# 2013 Budget Real Estate (000's)

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<b>Major Projects</b>	<b>2013 Budget</b>
Upper Level Road 1 Construction	<u>\$19,200</u>
<b>Total Projects</b>	<u><b>\$19,200</b></u>

# 2013 Budget

## Channel Development (000's)

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	<b>2013 Budget</b>
<b>Major Projects</b>	
TB - Maintenance Dredging - 2014	\$4,500
BCT - Maintenance Dredging 2013	1,200
DAMP Peggy Lake 2013	1,100
Other	1,890
<b>Total Projects</b>	<b><u>\$8,690</u></b>

# 2013 Budget

## IT (000's)

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	<b>2013 Budget</b>
<b>Major Projects</b>	
BCT Fiber Improvements Installation	\$1,475
Fiber Sam Houston to Southside Installation	1,391
Other	<u>1,600</u>
<b>Total Projects</b>	<b><u>\$4,466</u></b>



# 2013 Budget Fire Department (000's)

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<b>Major Projects</b>	<b>2013 Budget</b>
Marine Emergency Building at Turning Basin Construction	\$1,887
Fire Truck-TB-2013	550
BCT Firehouse	450
Marine Emergency Building at Turning Basin Wharf	380
Other	300
<b>Total Projects</b>	<b>\$3,567</b>

# 2013 Budget

## Port Police (000's)

---

<b>Major Projects</b>	<b>2013 Budget</b>
PCC Expansion Construction - Rnd 8	\$1,413
Phase 3 Gate Security	620
Gate 8 Guard House - Installation	500
Other	305
<b>Total Projects</b>	<b>\$2,838</b>

# 2013 Budget Liquidity (000's)

	2012	2013	2014
Discretionary Funds Available, Beginning of Period	\$371,917	\$261,218	\$133,084
Contingency	(35,000)		
Debt Service and Other Reserves	(15,875)		
Outstanding Capital PO's and Commitments	<u>(90,889)</u>	<u>                    </u>	<u>                    </u>
	230,154	261,218	133,084
Sources:			
Operating Cash Flow *	89,989	92,133	84,488
Available Resources	<u>320,143</u>	<u>353,351</u>	<u>217,572</u>
Uses:			
New Capital Investment			
Barbours Cut	(23,000)	(121,326)	(85,857)
Turning Basin, N&S	(8,772)	(25,520)	(20,810)
Bayport Terminal	(3,603)	(20,770)	(120,434)
Real Estate	-	(19,200)	-
Chan. Dev. & BUS	(4,102)	(8,690)	(144,040)
IT	(9,316)	(4,466)	(3,300)
Fire Dept.	(240)	(3,567)	(2,500)
Port Police	(790)	(2,838)	(390)
Executive Office Bldg	(1,028)	(2,531)	(640)
General Counsel	-	(2,200)	-
Other	(8,075)	(9,159)	(10,732)
Subtotal - New Capital Investment	<u>(58,925)</u>	<u>(220,267)</u>	<u>(388,702)</u>
Discretionary Funds Available, End of Period	<u><u>\$261,218</u></u>	<u><u>\$133,084</u></u>	<u><u>(171,130)</u></u>

\* Net Income + Depreciation + Amortization



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