

# 2019 Budget Executive Summary

Port of Houston Authority  
Approved November 13, 2018



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## ***Foreword***

- This 2019 operating budget and capital plan has been developed to guide staff in the operation and management of Port Authority facilities and activities for Fiscal Year 2019. It was presented to the Port Commission at an open meeting and approved on November 13, 2018.
- Note that the operating budget does not include tax revenues, which are used exclusively for debt service on the Port Authority's outstanding general obligation *ad valorem* tax bonds.
- While the capital plan may be approved as to maximum annual amount of capital expenditures, individual operating expense and capital projects exceeding \$50,000 will continue to be presented separately to the Port Commission for approval in accordance with statutory requirements.
- References to "2018 Budget Reforecast" refer to an update to the 2018 Budget that was prepared by staff as of July 2018 and submitted to the Port Commission. It has been posted on the Port Authority's website ([www.portofhouston.com](http://www.portofhouston.com)).

# ***2019 Budget Executive Summary***

## ***Content***



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- Narrative overview
- Income Statement summaries
- Cargo projections
- Revenue & expense analysis
- Headcount
- Capital & Liquidity

# ***Executive Summary – 2019 Operating & Capital Budget***

## ***Narrative overview***



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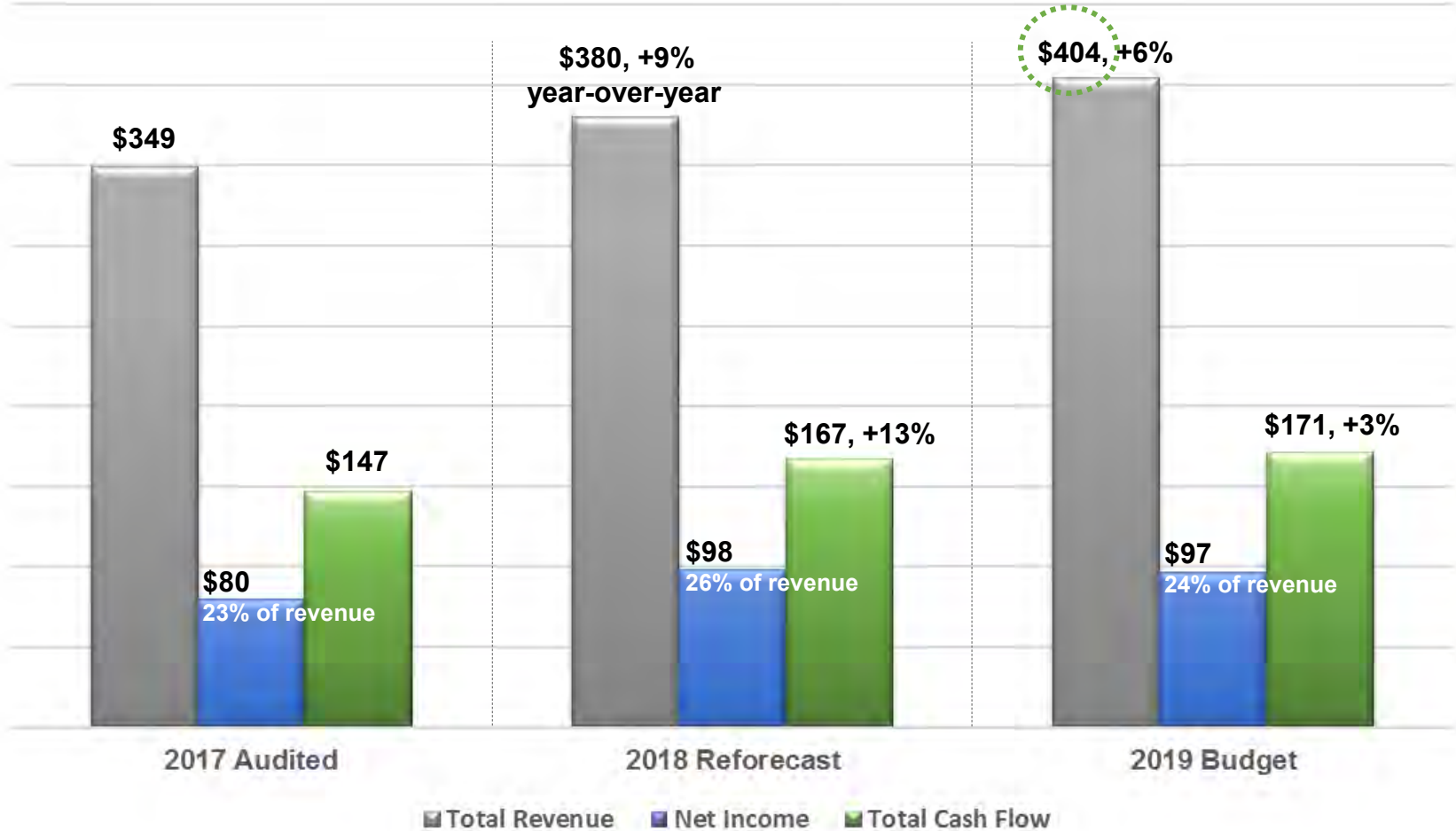
- Operating revenues up 8% anticipating continued ramp-up of resin production combined with growth in Import Loads; Total revenues grow 6%
- Operating expenses, including General & Administrative, grow 8% on volume projections and spending on new initiatives; Total expenses grow 9%
- Operating income dollars up 7%, *a 25% profitability margin, “flat” to mid-year 2018 forecast*; Net income rate drops from 2 points, though flat to mid-year 2018 outlook
- Operating Cash Flow increases 7% in 2019 to \$172 million; Total Cash Flow \$171 million, up 3%
- Headcount growth of 33 new positions for 2019
  - 26 Operations (24-Ops, 2-Infrastructure); 7 G&A (2-PSEO, 2-Technology, 2-Finance, 1-People)
- \$287 million Capital Plan focused primarily on Container Terminal development & reinvestment (~89% of Plan)
- Liquidity projections show sufficient resources to fund Capital Plans through the planning horizon, before consideration of ‘major’ Ship Channel Widening/Deepening projects

# Projecting continued operational excellence

Income Statement overview, \$ in millions



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A solid growth plan into 2019; net income “flattens” on nonoperating items

# Projecting continued operational excellence

Income Statement overview, \$ in millions



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	<b>2017 Audited</b>	<b>2018 Budget</b>	<b>2018 Reforecast</b>	<b>2019 Budget</b>
<b>Total Revenue</b>	<b>\$349</b>	<b>\$374</b>	<b>\$380</b>	<b>\$404</b>
<b>Total Expense</b>	<b>269</b>	<b>284</b>	<b>282</b>	<b>307</b>
<b>Net Income</b>	<b>\$80</b>	<b>\$90</b>	<b>\$98</b>	<b>\$97</b>
<b>Net Profit Margin</b>	<b>23%</b>	<b>24%</b>	<b>26%</b>	<b>24%</b>
<b>Cash Flow</b>	<b>\$147</b>	<b>\$158</b>	<b>\$167</b>	<b>\$171</b>

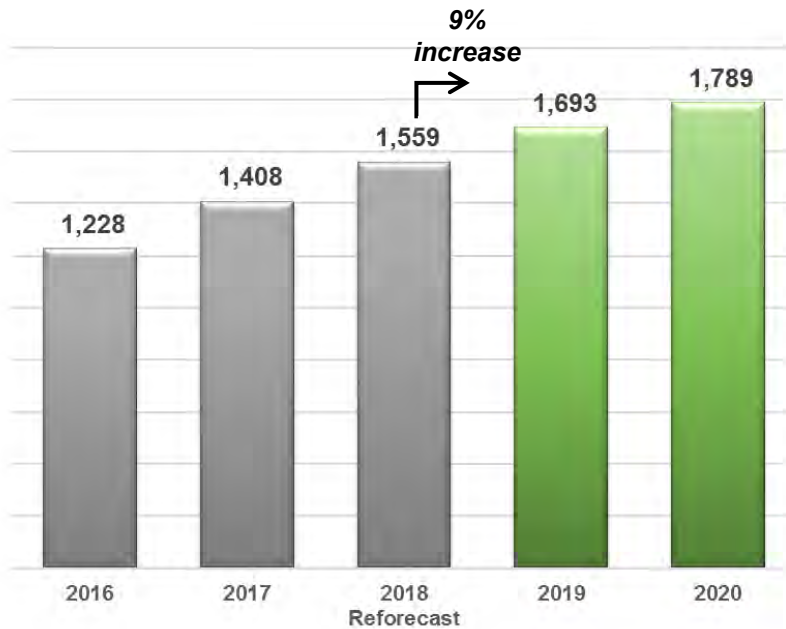
# Container and Steel showing continued growth

Container Units, Steel tonnage (000s)



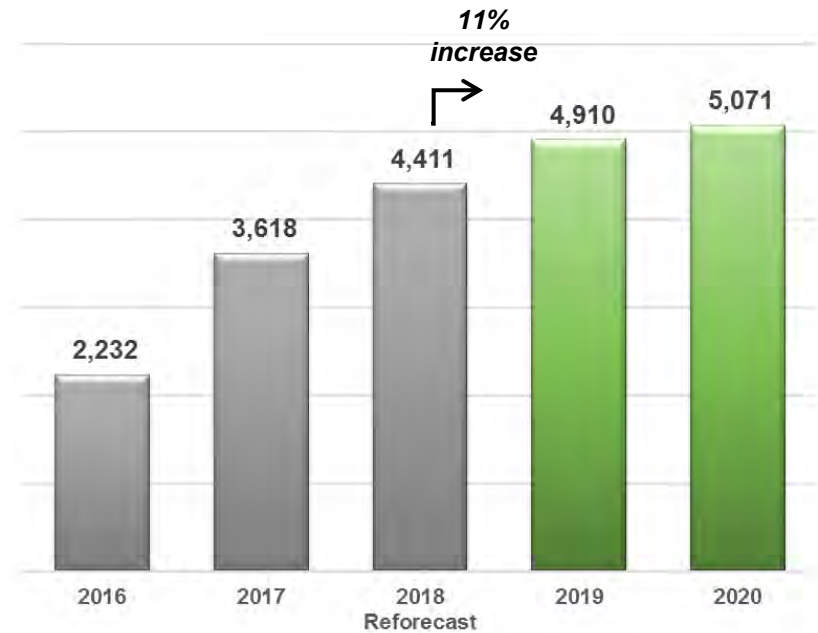
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## Total Containers



Export loads up 12.3% as resin production ramps;  
Import loads up 8.0% on economic strength,  
TransPacific service growth

## Total Steel



Anticipating continued 'share' gain from Port of  
Houston import tonnage

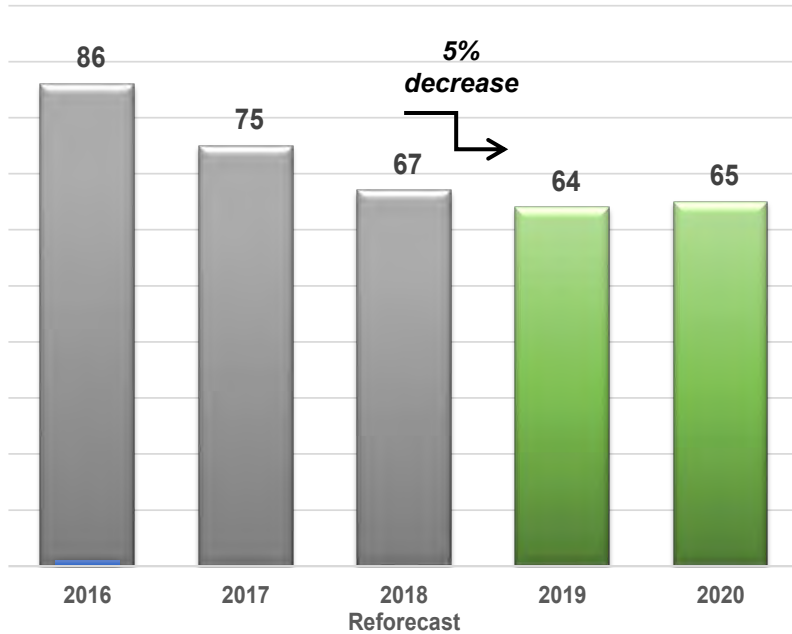
# Autos and Other General Cargos

Auto Units, cargo tonnage (000s)



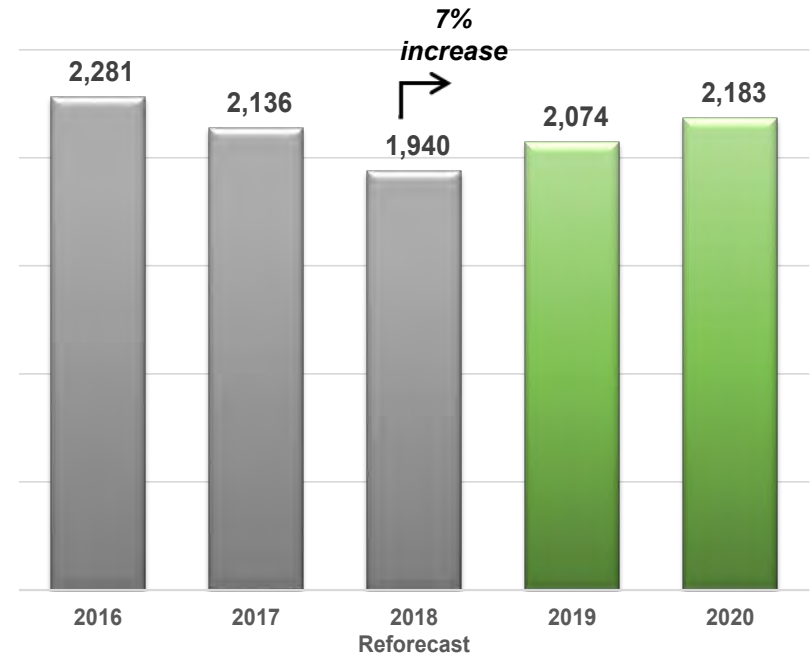
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## Total Autos



Bayport Auto Terminal projecting slight growth;  
Turning Basin Auto down 8%

## Other General Cargos



Other cargos (machinery & equipment, bagged goods, wood products, etc.) showing growth into next year

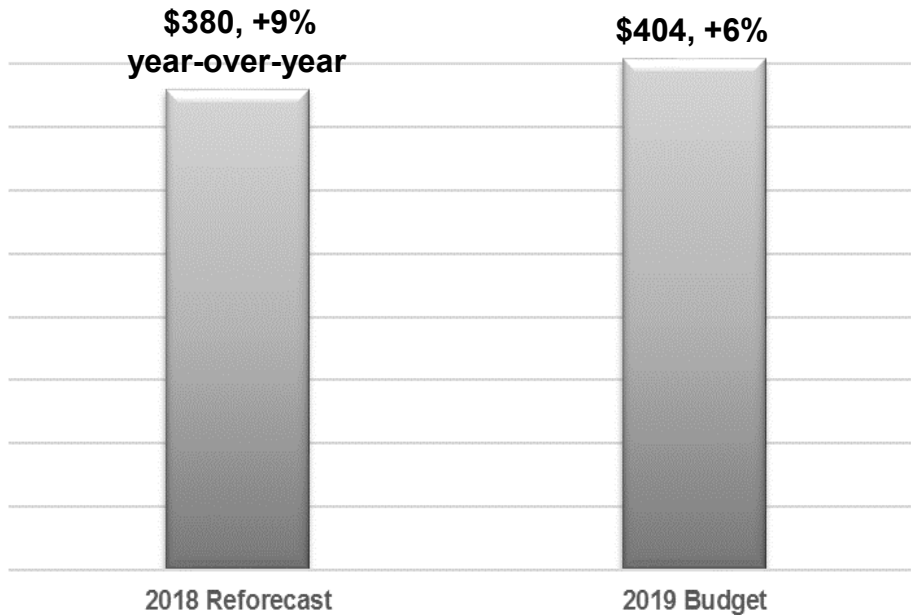


# 2019 Revenue analysis, key changes from 2018

\$ in millions



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2018 Reforecast – Total Revenue	\$380
	<u>Change</u>
• Increase in Container revenue driven by volume growth	27
• Increase in Turning Basin from cargo and lease revenues	2
• Decrease in Lease revenues	(2)
• Increase in Channel Development revenue streams due to DMA Fees and Barge Fleeting	2
• Decrease in Nonoperating revenues, primarily driven by reduced Interest Income	(5)
<b>Subtotal</b>	<b>24</b>
<b>2019 Budget – Total Revenue</b>	<b>\$404</b>

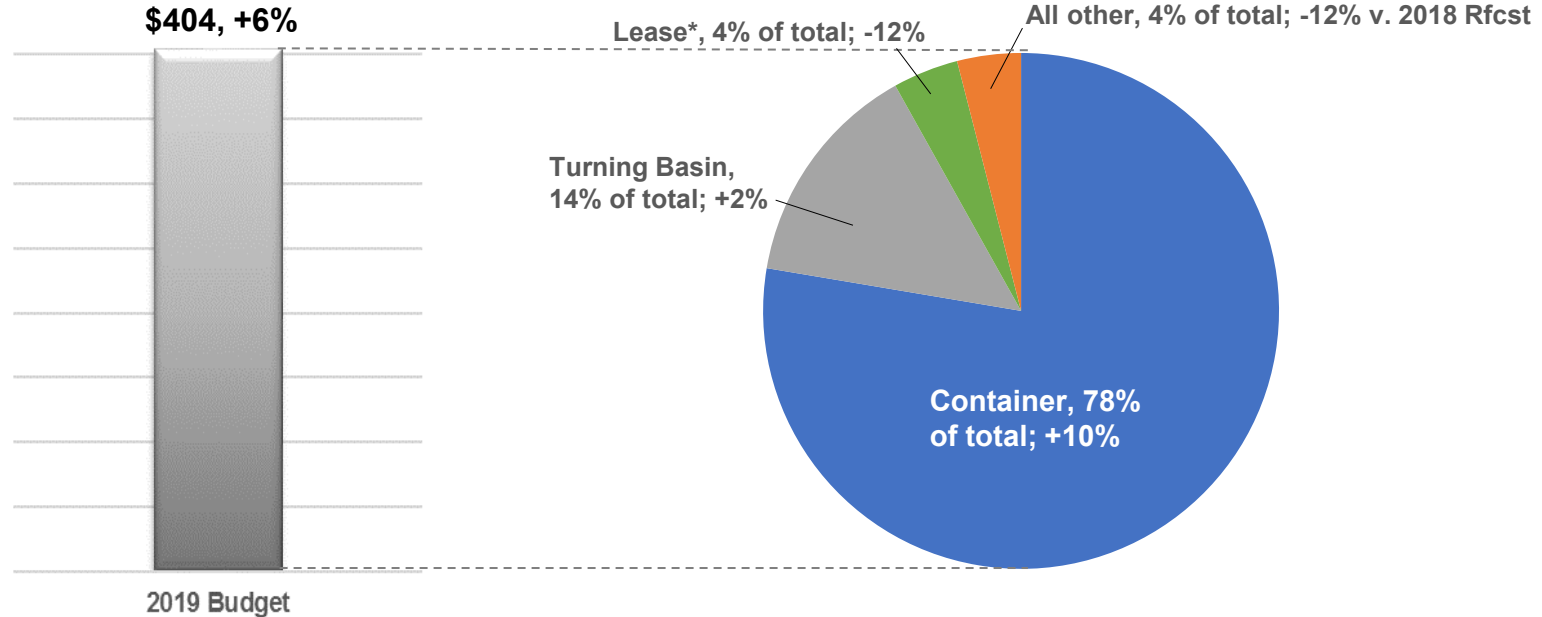
# Revenue growth driven by Container Terminals

Total Revenues, in \$ millions (mix and year-over-year growth)



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## Mix of business – 2019 Budget



\* Non-Terminal Lease revenues only

- 10% Container Terminals revenue growth on a 9% increase in units. Export loaded units up 12.3% and Import loaded units up 8.0%; Empty units down 0.6%
- Turning Basin Terminals with modest growth of 2%; Steel projected up by 11% and other general cargos up 10%
- Lease\* declines 12% primarily from the conclusion of terms for several properties
- All other drops 6% from Nonoperating revenues: lower Interest Income

# 2019 Expense analysis, key changes from 2018

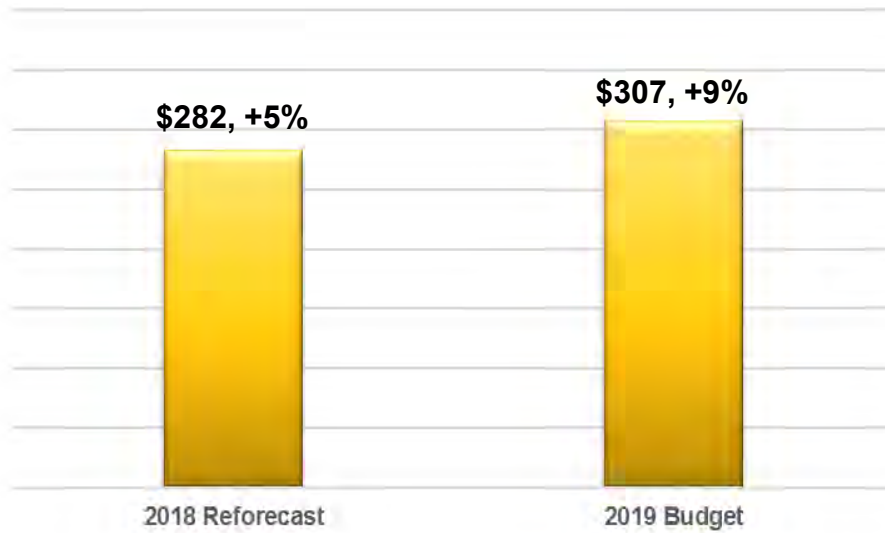
\$ in millions



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2018 Reforecast – Total Expense

**\$282**



Change

Changes in Operating and infrastructure-related:

- PHA and ILA labor 9
- Depreciation & amortization 5
- Contribution to local/state agencies 3

Changes in General and administrative:

- Personnel salaries and benefits 2
- Fees & services (Cyber security, Environmental Projects, etc.) 2
- Building-related and other expenses 4

**Subtotal 25**

**2019 Budget – Total Expense \$307**

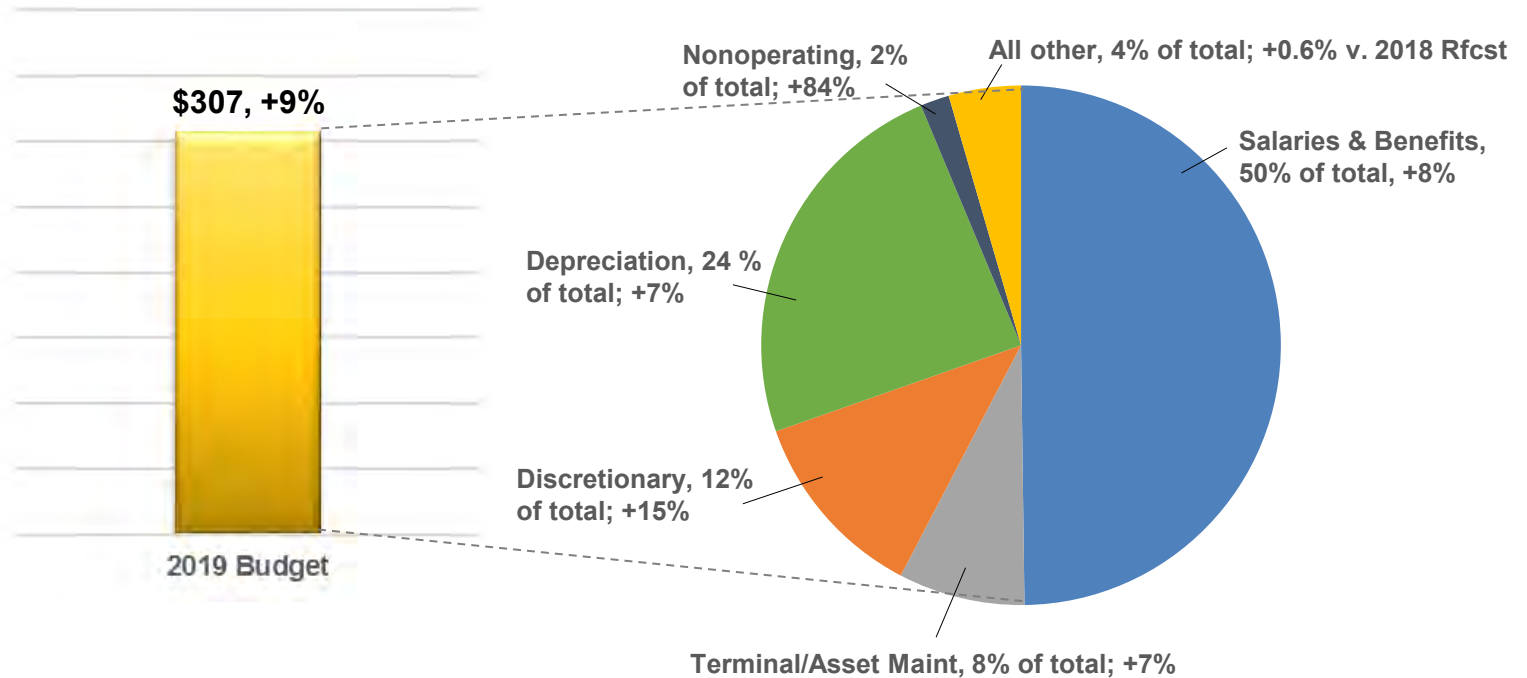
# Expenses driven by volume growth and other initiatives

Total Expenses, in \$ millions (mix and year-over-year growth)



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## Mix of expense – 2019 Budget



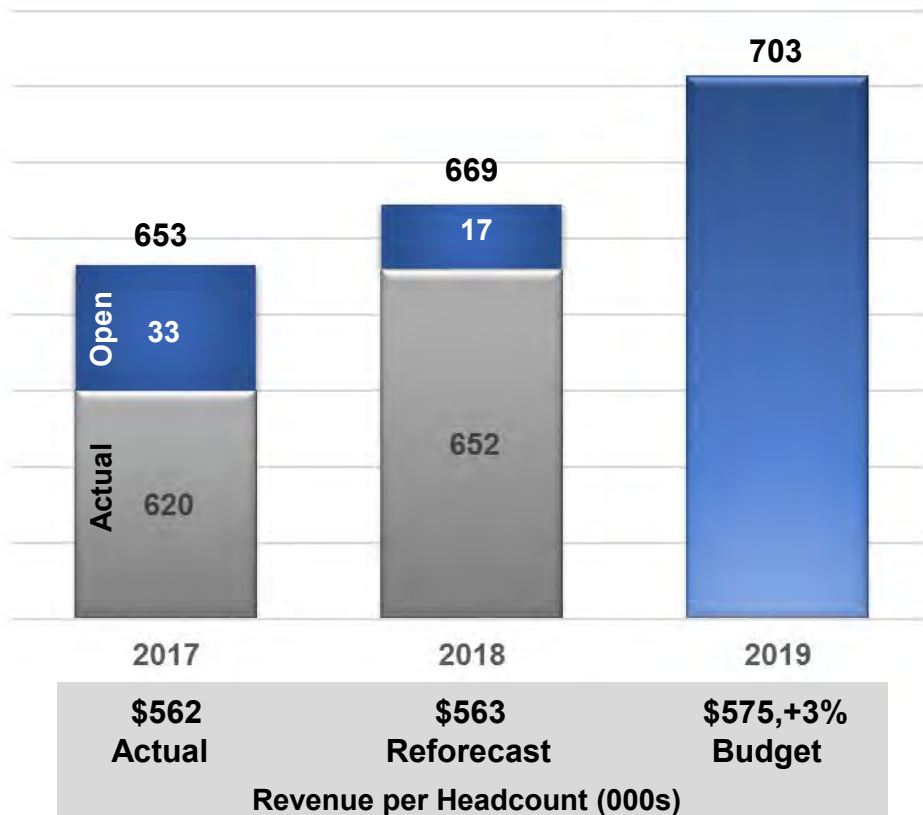
- Salaries & Benefits, including ILA labor, growing, though not as fast as Revenue
- Depreciation expense reflects capacity additions and recapitalization
- Discretionary includes Fees & Services for Cyber security, Environmental and other strategic initiatives
- Terminal/Asset Maint. increasing with volumes, LED initiative, Executive Office Building updates
- *Gross margin rate*, which reveals efficiency of operational spend, is “up” from mid-year 2018 Reforecast
- *G&A spend as a percent of revenue*, which illustrates efficiency of overhead spend, is “flat” to mid-year 2018 Reforecast (and 2018 Budget)

# Staffing growth will support Operations and strategic initiatives

Headcount analysis, Number of Employees\*



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2019 Budgeted Staffing	
Exempt	221
Nonexempt	431
<b>Total Actual Headcount, 9/30/2018</b>	<b>652</b>
Approved, existing open reqs	18
New	33
<b>Total Budgeted Positions</b>	<b>703</b>
<b>2019 Budget – Headcount</b>	<b>703</b>

\* Does not include Casual Labor

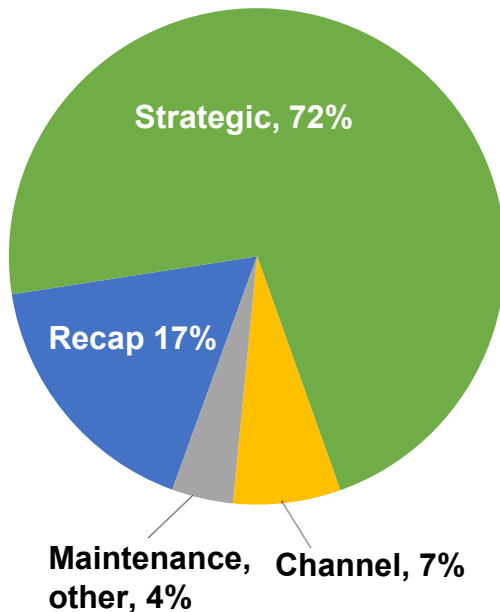


# Operating cash flow will fund the 2019 Capital budget of \$287 million



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## 2019 Capital Improvement Program



- Strategic projects = \$206 million
  - *These investments support new growth opportunities*
- Recapitalization projects = \$49 million
  - *Investments required to sustain high service levels and/or enhance productivity*
- Channel projects = \$19 million
  - *Development at container terminals and DAMP areas*
- Remaining projects = \$13 million
  - *Includes maintenance equipment and other replacements*

# Liquidity projections, 2019 Operating & Capital Budget

\$ in thousands



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	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Funds Available, Beginning of Period</b>	\$ 361,939	\$ 194,476	\$ 78,011
Debt Service, Contingency, & Other	(58,220)	-	-
Outstanding PO's and Commitments	(110,337)	-	-
	<u>\$ 193,382</u>	<u>\$ 194,476</u>	<u>\$ 78,011</u>
<b>Sources:</b>			
Net Operating Cash Flow	166,534	170,932	174,622
<b>Available Resources</b>	<u>\$ 359,916</u>	<u>\$ 365,408</u>	<u>\$ 252,633</u>
<b>Uses:</b>			
New Capital Investment			
Barbours Cut	23,254	129,611	77,780
Bayport Terminal	84,281	93,473	55,389
Channel Development	7,310	20,092	44,383
Turning Basin Terminals	5,451	19,472	13,615
Maintenance	14,839	6,847	3,527
PSEO	11,169	5,946	1,160
Bayport Railroad	14,543	5,100	-
Real Estate	871	5,000	10,397
Other	3,722	1,856	10,415
<b>Net Uses</b>	<u>165,440</u>	<u>287,397</u>	<u>216,666</u>
<b>Funds Available, End of Period</b>	<u><u>\$ 194,476</u></u>	<u><u>\$ 78,011</u></u>	<u><u>\$ 35,967</u></u>



# 2019 Budget Operating and Capital Summary

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## 2019 Budget



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# Operating and Capital Budget Summary

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# 2019 Operating Budget





## 2019 Budget

# 2019 Market Forecast – Global Economy

- Global economic outlook suggests 2019 will be similar to 2018.
- Countries classified as “Emerging Market and Developing Economics” as a group will continue to grow at twice the rate of Advanced Economies.
- China’s growth will hold steady in the face of trade tensions.
- 2019 GDP Growth Forecast versus 2018:

	<u>2018</u>	<u>2019</u>
➤ <b>Global</b>	<b>3.9 %</b>	<b>3.9 %</b>
➤ United States	2.8%	2.8%
➤ Euro Area	2.2 %	1.9 %
➤ China	6.6 %	6.4 %
➤ India	7.3 %	7.5 %
➤ Brazil	1.8 %	2.5 %

Sources: IMF – World Economic Outlook Update, July 2018 edition, Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, 3rd Quarter 2018

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# 2019 Market Forecast – U.S. Economy

- U.S. economy continues its strong performance with 2019 GDP growth of 2.8%, same as 2018 GDP growth currently estimated at 2.8%.
- Low inflation continues, consumer prices increasing 2.4% in 2019.
- U.S. unemployment rate will continue its very slow trend downward, falling 0.3% through 2019.
- The Federal Reserve Board anticipates that it will continue to gradually raise interest rates over the next year.
- Trade tensions with China and other trade partners that emerged in 2018 to continue into 2019, unclear at this point what the impact will be on the overall U.S. economy.

Sources: Federal Reserve Bank of Philadelphia – Survey of Professional Forecasters – 3rd Quarter 2018, Federal Reserve FOMC September 2018



# 2019 Market Forecast – Texas Economy

- Texas economy “continues to post strong growth and outpace the nation.”
- Texas unemployment rates at record lows.
- High growth in the Texas economy is leading to tight labor markets.
- “Texas continues to hit new records in oil production, particularly in the Permian Basin.”
- “Texas exports remain strong despite a rising dollar, higher tariffs and widespread uncertainty around future U.S. trade policy.”



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## 2019 Budget

# 2018 Market Update – PHA

- PHA overall volumes are slightly higher
  - Total 2018 tonnage is 8% higher vs. 2017\*
- Total container units have grown 9% year-over-year\*\*
  - Import loaded units up 10% / Export loaded units up 8%\*\*
  - Import empty units down 2% / Export empty units up 12% \*\*
- Steel tonnage year-to-date increase of 28% (import and export)
  - Imports up 28%\*; Steel recovery reflects increased Port Houston share

**Sources: PHA Commercial Division, PHA Accounting**

*\*based on 2018 YTD Sep vs. 2017 YTD Sep for overall PHA tonnage excl. Bayport Industrial Complex*

*\*\* based on 2018 YTD Sep vs. 2017 YTD Sep*



## 2019 Budget

# Cargo Assumptions – Container Terminals

### Trends and Forecast (000's)

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Budget</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>	<u>2020 Projection</u>
TEUs *	1,993	2,287	2,612	2,542	2,742	2,899
% change	-	15%	14%	11%	8%	6%
<b>Budget growth assumption</b>	-	-	18%	-	5%	6%
Units (Imports)	602	703	750	753	805	852
	-	17%	7%	7%	7%	6%
Units (Exports)	625	705	862	806	888	937
	-	13%	22%	14%	10%	6%
Total Units	1,228	1,408	1,613	1,559	1,693	1,789
	-	15%	15%	11%	9%	6%
Bayport Auto Terminal (Units)	0.7	12.4	9.5	17.6	18.0	18.5
	-	1671%	(23%)	41.9%	2%	3%

- **Projected volumes based on PHA Economic Analysis Forecast Summary with updated 2018 data**
- **2019 Budget reflects growth of export loads at 12.3% and import loads at 8.0%, with a 0.6% decrease in empty container volume**

\* Units at PHA Container Terminals only, excluding Units at the Turning Basin

Note that percentages are comparisons to prior year (e.g., 2018 Reforecast compared to 2017 Actual)



## 2019 Budget



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# Cargo Assumptions – Turning Basin Terminals

### Trends and Forecast (000's)

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Budget</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>	<u>2020 Projection</u>
Steel (short tons)	2,232	3,618	3,649	4,411	4,910	5,071
% change *	-	62%	1%	22%	11%	3%
<hr/>						
General Cargo (short tons)	2,281	2,136	2,499	1,940	2,074	2,183
% change *	-	(6%)	17%	(9%)	7%	5%
<hr/>						
Automobiles (units)	84.8	62.2	69.4	49.6	45.7	46.3
% change *	-	(27%)	12%	(20%)	(8%)	1%

- **Expect 11.3% growth in Import and Export Steel volumes in 2019**

\* Note that percentages are comparisons to prior year (e.g., 2018 Reforecast compared to 2017 Actual)



# 2019 Budget

## Income Statement (000's)

	<u>2017 Audited</u>	<u>2018 Budget</u>	<u>2018 Actual Sep YTD</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>
Operating Revenue*	\$333,321	\$368,151	\$273,623	\$370,772	\$399,980
Less: Operating Expense	<u>216,192</u>	<u>225,360</u>	<u>166,311</u>	<u>228,182</u>	<u>245,192</u>
Gross Margin	117,129	142,791	107,312	142,590	154,788
% of revenue	35%	39%	39%	38%	39%
Less: General & Administrative Expenses	45,059	54,797	37,091	50,845	56,292
% of revenue	<u>14%</u>	<u>15%</u>	<u>14%</u>	<u>14%</u>	<u>14%</u>
Operating Income	72,070	87,994	70,221	91,745	98,496
% of revenue	22%	24%	26%	25%	25%
Non-Operating Revenue (Expense)	<u>3,384</u>	<u>(247)</u>	<u>4,482</u>	<u>5,409</u>	<u>1,777</u>
Income before Contributions & Transfers	75,454	87,747	74,703	97,154	100,273
Contributions (to)/from Federal/State Agencies	4,706	2,055	652	394	(3,290)
<b>Net Income</b>	<u><u>\$80,160</u></u>	<u><u>\$89,802</u></u>	<u><u>\$75,355</u></u>	<u><u>\$97,548</u></u>	<u><u>\$96,983</u></u>
<b>Total Cash Flow</b>	<b>\$146,716</b>	<b>\$157,860</b>	<b>\$126,448</b>	<b>\$166,534</b>	<b>\$170,932</b>
\$ of revenue	\$0.44	\$0.43	\$0.46	\$0.45	\$0.43

\*Includes G&A revenues; in addition, a Tariff increase of 1% is included in the 2019 Budget



## 2019 Budget

# Total Revenue – Summary (000's)

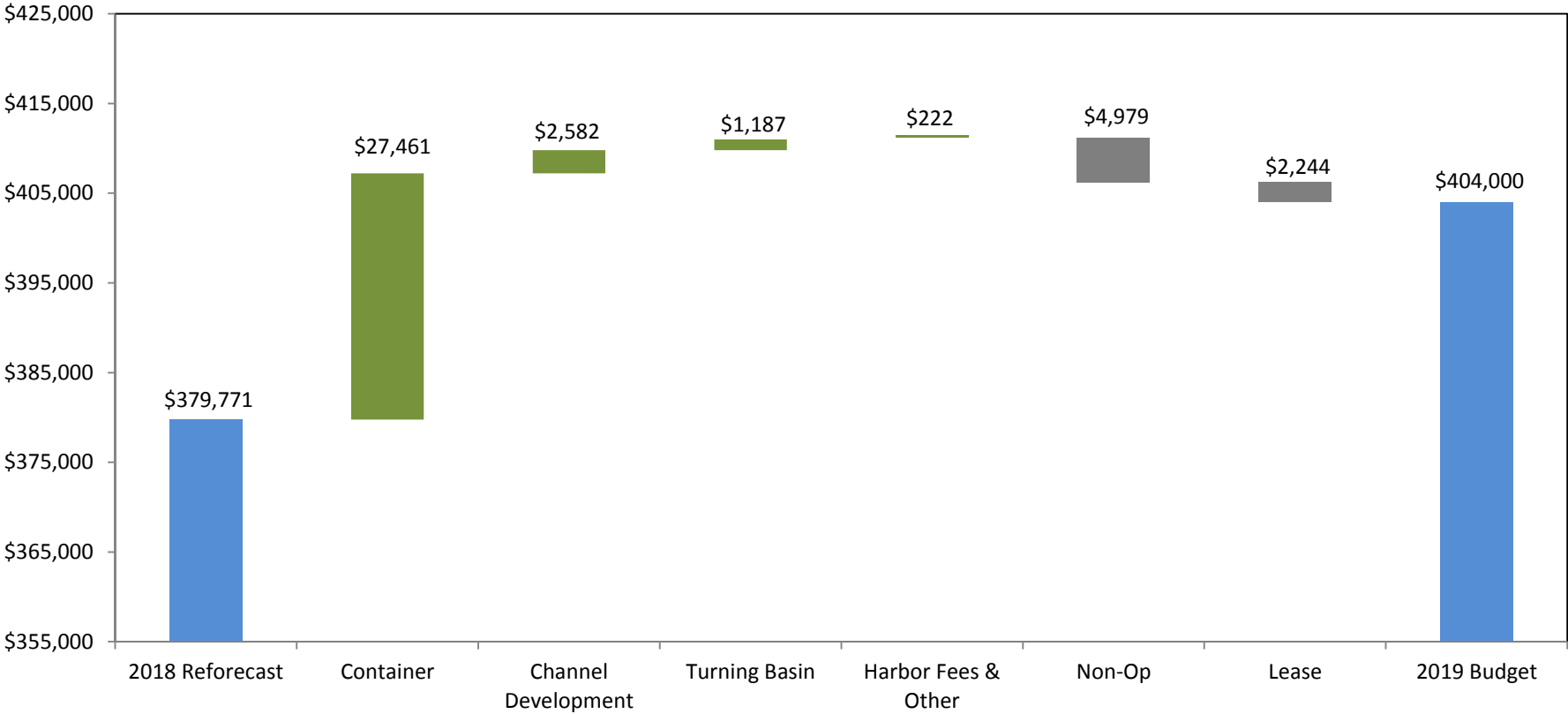
	<u>2017 Audited</u>	<u>2018 Budget</u>	<u>2018 Actual Sep YTD</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>
Container Terminals year-over-year	\$252,405	\$288,033 14.1%	\$210,193	\$286,241 13.4%	\$313,702 9.6%
Turning Basin Terminals	53,871	52,671 (2.2%)	42,732	56,362 4.6%	57,549 2.1%
Lease Revenues	17,295	16,439	14,192	18,857	16,613 (11.9%)
Harbor Fees	6,401	6,949	5,051	6,788	6,949 2.4%
Channel Development	2,922	3,574	1,145	2,038	4,621 126.7%
Other Revenues	427	485	310	486	546 12.4%
<b>Total Operating Revenues</b>	<u>\$333,321</u>	<u>\$368,151</u>	<u>\$273,623</u>	<u>\$370,772</u>	<u>\$399,980</u> 7.9%
<b>Non-Operating (Federal Grants, Insurance, Interest Income)</b>	15,334	5,920	7,406	8,999	4,020
<b>Total Revenue</b>	<u><u>\$348,655</u></u>	<u><u>\$374,071</u></u> 7.3%	<u><u>\$281,029</u></u>	<u><u>\$379,771</u></u> 8.9%	<u><u>\$404,000</u></u> 6.4%

\*A tariff increase of 1% is included in the 2019 Budget



# 2019 Budget

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





## 2019 Budget

# Total Revenue – Major Changes (000's)

<b>2018 Reforecast</b>			<b>\$379,771</b>
<b>Container Terminals</b>			
Increase in Wharfage - Loaded Containers	10,380		
Increase in Full Container Receipt/Delivery	8,131		
Increase in Wharf Crane Rental	3,836		
Increase in Storage	2,277		
Increase in Dockage	1,718		
Increase in Security Fees	719		
Increase in Container Refrigeration Services	568		
Other Container Terminal Revenues	(168)	<b>27,461</b>	
<b>Turning Basin Terminals</b>			
Increase in Rent/Lease	464		
Increase in Wharfage-Import	332		
Increase in Dockage	320		
Other Turning Basin Terminals Revenue	71	<b>1,187</b>	
<b>Lease Revenues</b>			
Decrease in Rent/Lease	(2,338)		
Other Lease Revenues	94	<b>(2,244)</b>	
<b>Harbor Fees</b>			
Harbor & Barge Fees	166		
Other Harbor Fees	(5)	<b>161</b>	



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## 2019 Budget

# Total Revenue – Major Changes (000's)

### Channel Development

Increase in DMA Fees	1,700	
Increase in Barge Fleeting	737	
Other Channel Development Revenue	145	<b>2,582</b>

### Other Revenue

Increase in FTZ Annual Base Fees	63	
Other Revenue	(2)	<b>61</b>

### Non-Operating

Increase in Income from Federal Funds	677	
Decrease in Interest Income-Securities Current Fund	(4,116)	
Decrease in Income from FEMA-Ike	(930)	
Other Non Operating Revenues	(610)	<b>(4,979)</b>

24,229

**2019 Budget**

\$404,000



## 2019 Budget

# Expense – Overview

- Increase in Salaries and Benefits, primarily ILA Labor, driven by higher cargo volumes.
- Growth in Depreciation reflecting capacity additions at the Container Terminals (Bayport CY6N, Wharf 2; BCT East End, CY1 and STS cranes).
- Increase in Terminal and Asset Maintenance costs related to LED lighting; Splash zone painting; and Executive Office Building updates.
- Consulting fees increase stems largely from the next phase of Asset Management program; Environmental projects; and the Cyber Security program.
- Budget includes \$2.4 million of funding aligned with Strategic Plan 2019 Outcomes.





# 2019 Budget

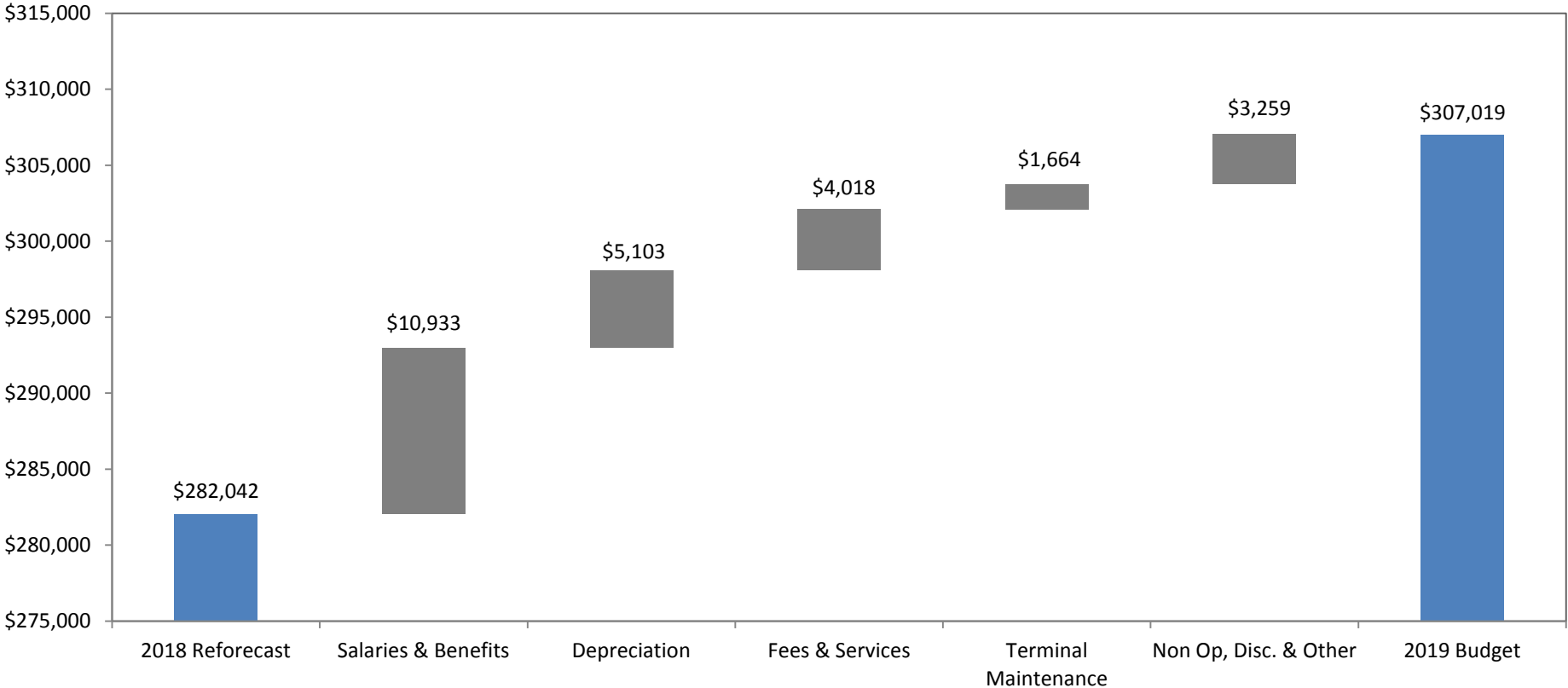
## Total Expense – Summary (000's)

	<u>2017 Audited</u>	<u>2018 Budget</u>	<u>2018 Actual Sep YTD</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>
Salaries & Benefits	\$115,293	\$127,866	\$97,010	\$128,040	\$139,048 8.6%
Retirement Benefits	12,354	13,748	10,309	13,938	13,862 (0.5%)
Depreciation & Amortization	66,214	68,058	50,953	68,846	73,949 7.4%
Terminal & Asset Maintenance	18,267	22,908	12,994	22,519	24,184 7.4%
Fees & Services	17,703	22,483	14,245	20,762	24,782 19.4%
Insurance	4,992	5,066	3,841	5,141	5,443 5.9%
Utilities	3,952	4,323	3,383	4,452	4,401 (1.1%)
Fuel	3,190	3,553	3,207	4,282	4,708 9.9%
Other Discretionary Expenses	19,538	12,509	7,523	11,202	11,859 5.9%
Allocations	(250)	(357)	(64)	(154)	(750) 387.0%
<b>Total Expenses Operations and G&amp;A</b>	<u>261,253</u>	<u>280,157</u>	<u>203,401</u>	<u>279,028</u>	<u>301,486</u> 8.0%
Non-Operating Expenses	7,244	4,112	2,090	3,014	5,533
<b>Net Expense</b>	<u><u>\$268,497</u></u>	<u><u>\$284,269</u></u>	<u><u>\$205,491</u></u>	<u><u>\$282,042</u></u>	<u><u>\$307,019</u></u> 8.9%



# 2019 Budget

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



# 2019 Budget



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

### 2018 Reforecast

**\$282,042**

#### **Salaries & Benefits**

ILA Labor Due to Increased Volume	5,414	
PHA Salaries & Benefits	4,559	
Increase in Medical Insurance	939	
All Other Salaries & Benefits	21	<b>10,933</b>

#### **Depreciation & Amortization**

Increase in Depreciation	3,772	
Increase in Amortization (Dredging)	1,331	<b>5,103</b>

#### **Terminal & Asset Maintenance**

Increase in Parts and Supplies for the LED Lighting Program	2,332	
Increase in Building Maintenance - Contractors	1,772	
Increase in Wharf Maintenance - Contractors	1,120	
Decrease in Prop and Equip Demo-Contractor	(2,441)	
Decrease in Machinery and Equipment Maintenance-Contractor	(1,357)	
All Other Terminal & Asset Maintenance	238	<b>1,664</b>

#### **Fees & Services**

Increase in Consulting Fees	2,730	
Increase in Software License Fees	904	
All Other Fees & Services	384	<b>4,018</b>

#### **Discretionary Expenses**

Increase in Engineering Design and Analysis Services	684	
Increase in Equipment Purchases Expensed	351	
Increase in Travel	299	



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## 2019 Budget

# Total Expense – Major Changes (000's)

Increase in Telephone	205	
Increase in Advertising Media	202	
Decrease in Asset Management Assessment	(1,871)	
All Other Discretionary Expenses	787	<b>657</b>
<b>Non-Operating</b>		
Increase in Contributions to State or Local Agencies	3,431	
Decrease in Interest Expense	(645)	
All Other Non-Operating	(267)	<b>2,519</b>
<b>All Other Expenses</b>	83	<b>83</b>
		<u>24,977</u>
<b>2019 Budget</b>		<u><u>\$307,019</u></u>

# Strategic investments support short- and long-term performance



	2018 Budgeted	2018 Actual YTD*	2019 Budgeted
Total Incremental Spend	\$5.3 m	\$1.3 m	\$2.4 m

\*2018 Actual YTD calculated through Q3 of 2018

- Strategic spend represents the cost of initiatives and deliverables directly relating to strategic plan action items
- 2018 lags in intended FICAP spending
- As required by statute, the strategic plan will be updated in 2019 and presented to the Commission in 2020.
- Beginning in 2019, P&D budget is NOT included in strategic Incremental Spend calculation

## 2019 Priority Initiatives:

### People & Organization \$265K

- Organizational Change Management
- Enhanced Employee Training and Development Programs (Port Houston Academy)
- Enterprise Collaboration and Knowledge Management through SharePoint Development

### Infrastructure \$1,915K

- Marine Structure Condition Assessment
- Houston Ship Channel Mega Study Completion
- Enterprise Asset Software
- Freight Mobility Studies

### Growth \$148K

- Inland Cargo Growth Plan
- Operating Terminal Technology Upgrades
- Brand Awareness and Recognition
- Maritime Marketing Analysis

### Stewardship \$84K

- Cybersecurity Processes, Procedures, and Guidelines
- Continuous Improvement of M/V Sam Houston Experience
- ISO 45001 Safety Compliance



## 2019 Budget

# Nonoperating – Summary (000's)

	<u>2017 Audited</u>	<u>2018 Budget</u>	<u>2018 Actual Sep YTD</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>
Nonoperating Revenues	\$6,385	\$1,788	\$5,816	\$7,148	\$2,422
Contribution from Federal/State Agency	8,949	4,132	1,589	1,851	1,598
<b>Total Nonoperating Revenues</b>	<b>\$15,334</b>	<b>\$5,920</b>	<b>\$7,405</b>	<b>\$8,999</b>	<b>\$4,020</b>
Nonoperating Expenses	3,001	2,035	1,335	1,740	645
Contribution to Federal/State Agency	4,243	2,077	938	1,457	4,888
<b>Total Nonoperating Expenses</b>	<b>\$7,244</b>	<b>\$4,112</b>	<b>\$2,273</b>	<b>\$3,197</b>	<b>\$5,533</b>
<b>Nonoperating Income (Expense)</b>	<b>\$8,090</b>	<b>\$1,808</b>	<b>\$5,132</b>	<b>\$5,802</b>	<b>(\$1,513)</b>

**Comments:**

\*Nonoperating revenue includes Interest Income-Securities

\*Nonoperating expense includes Interest Expense associated with the Note Purchase Program

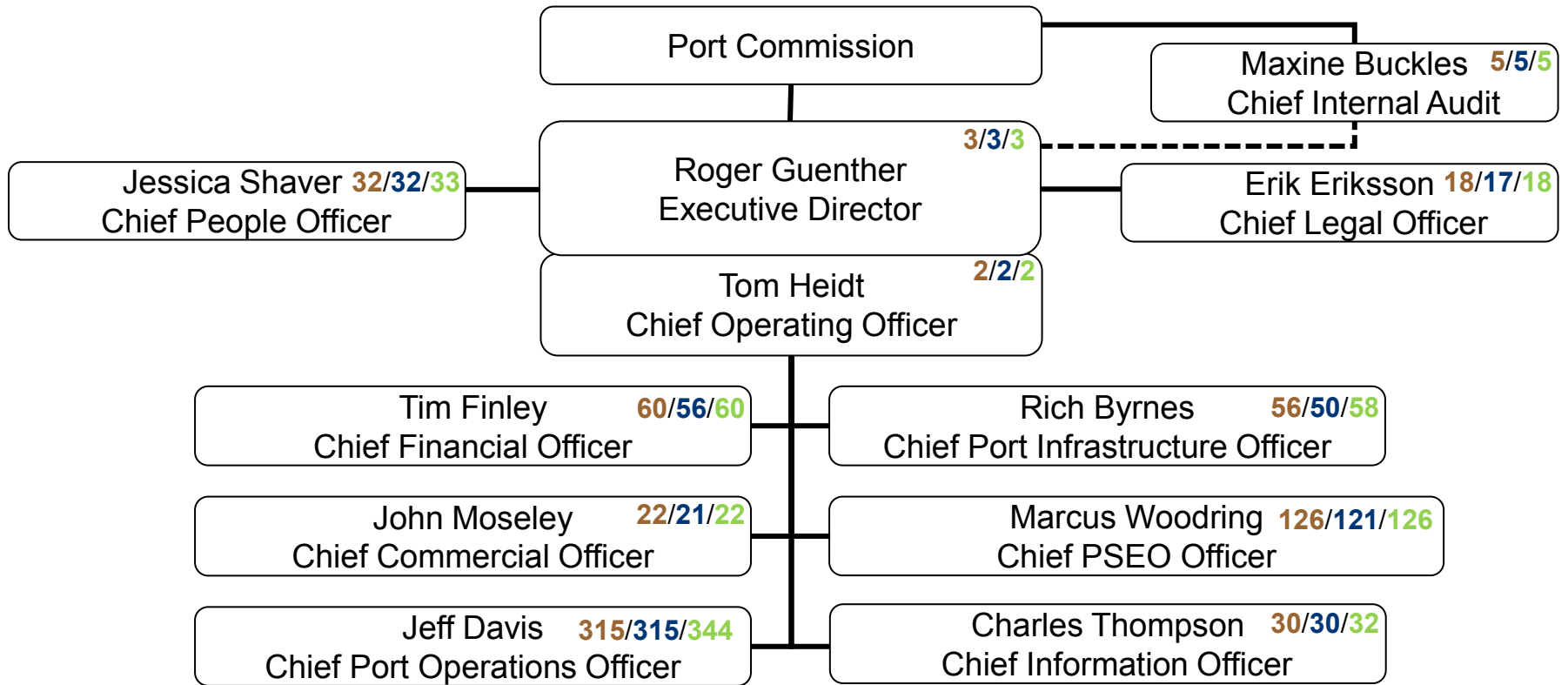
\*Contribution to/from Federal/State Agencies includes grant for reefer plugs; contribution to Phase 3 of Port Road project; contribution to BCT Wastewater Facility project

# 2019 Budget ORGANIZATIONAL STRUCTURE

(\*As of September 30, 2018)



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**2018 Budget = 669/2018 Actual\* = 652/2019 Budget = 703**

2017 Budget = 653	2017 Actual = 620
2016 Budget = 623	2016 Actual = 599
2015 Budget = 592	2015 Actual = 585





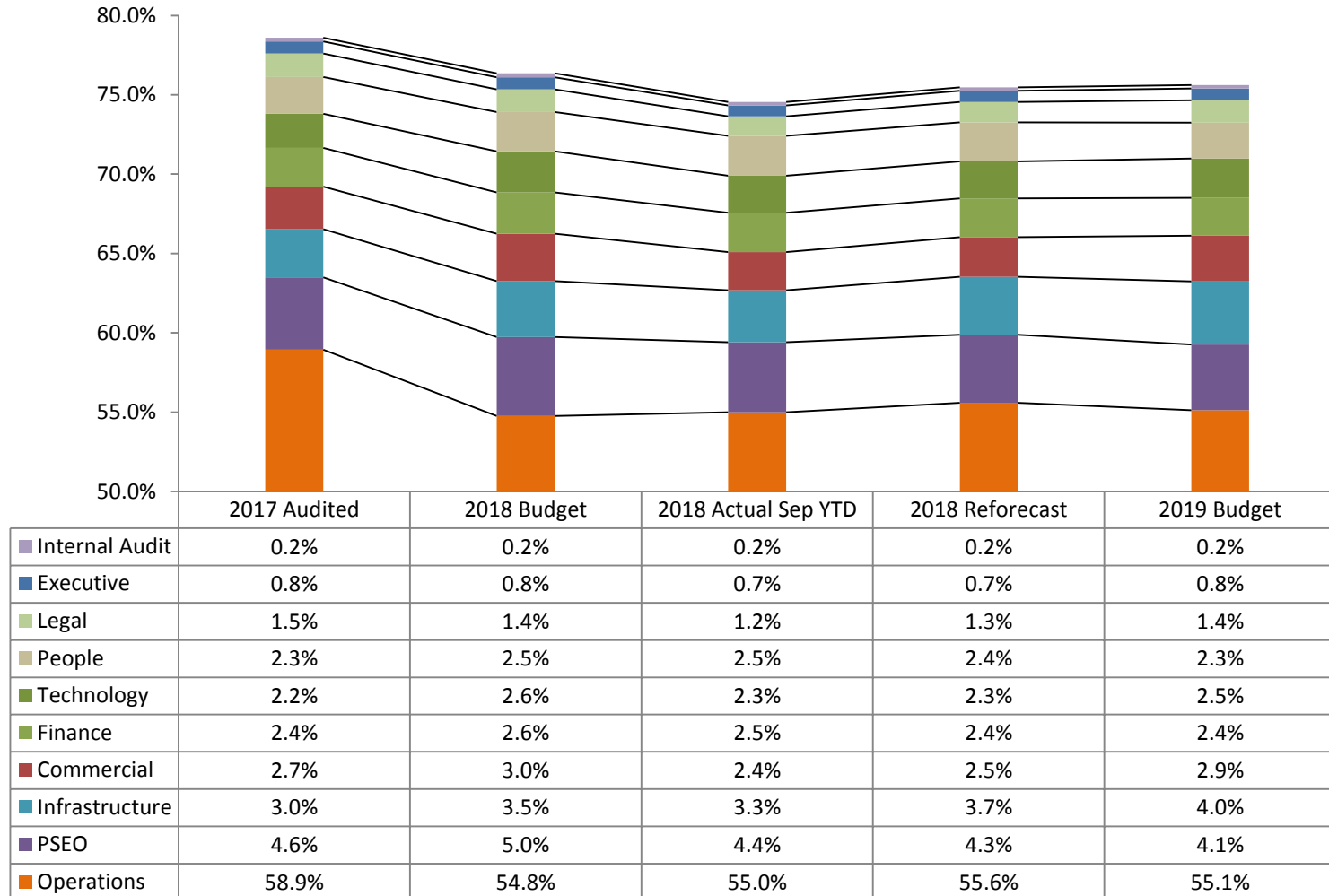
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# Division Expense Summary



## 2019 Budget

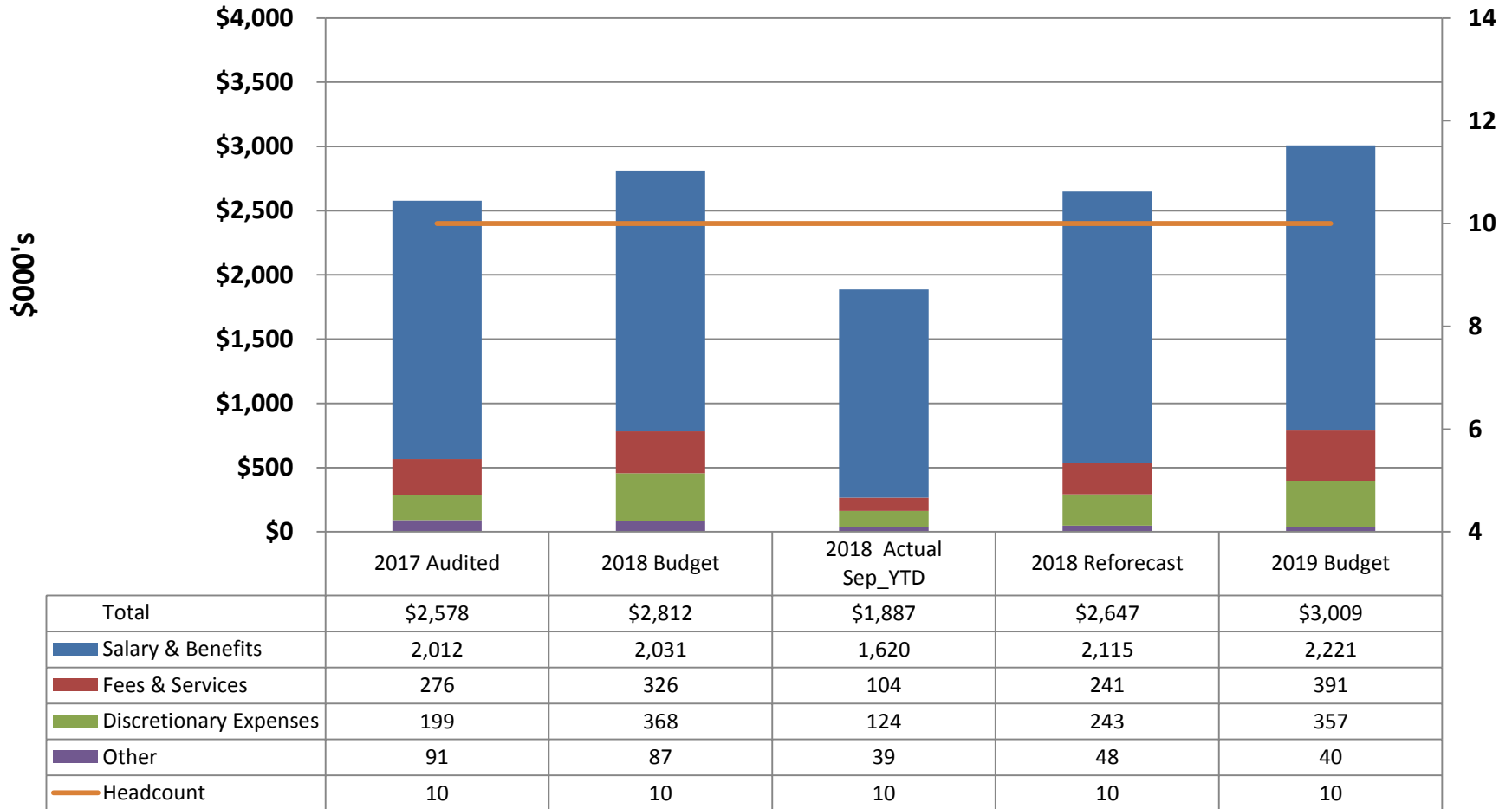
# Division Expense as % of Operating Revenue





# 2019 Budget

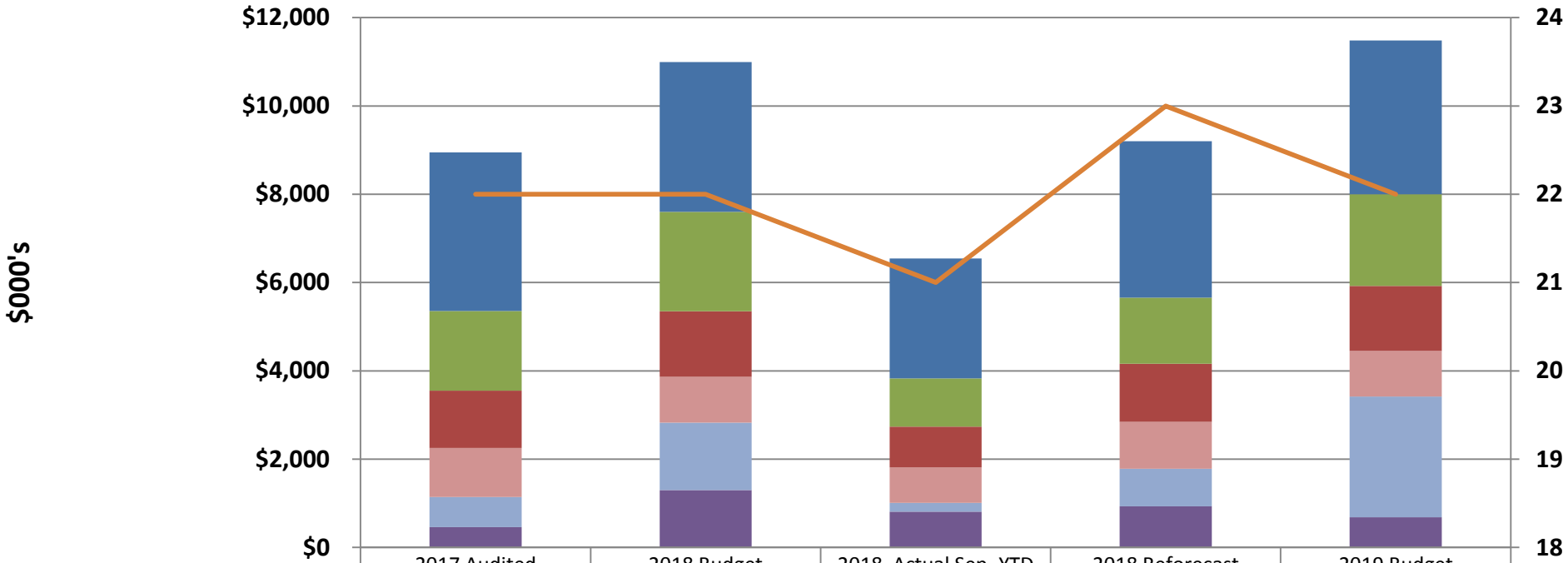
## Executive (000's)





# 2019 Budget

## Commercial (000's)

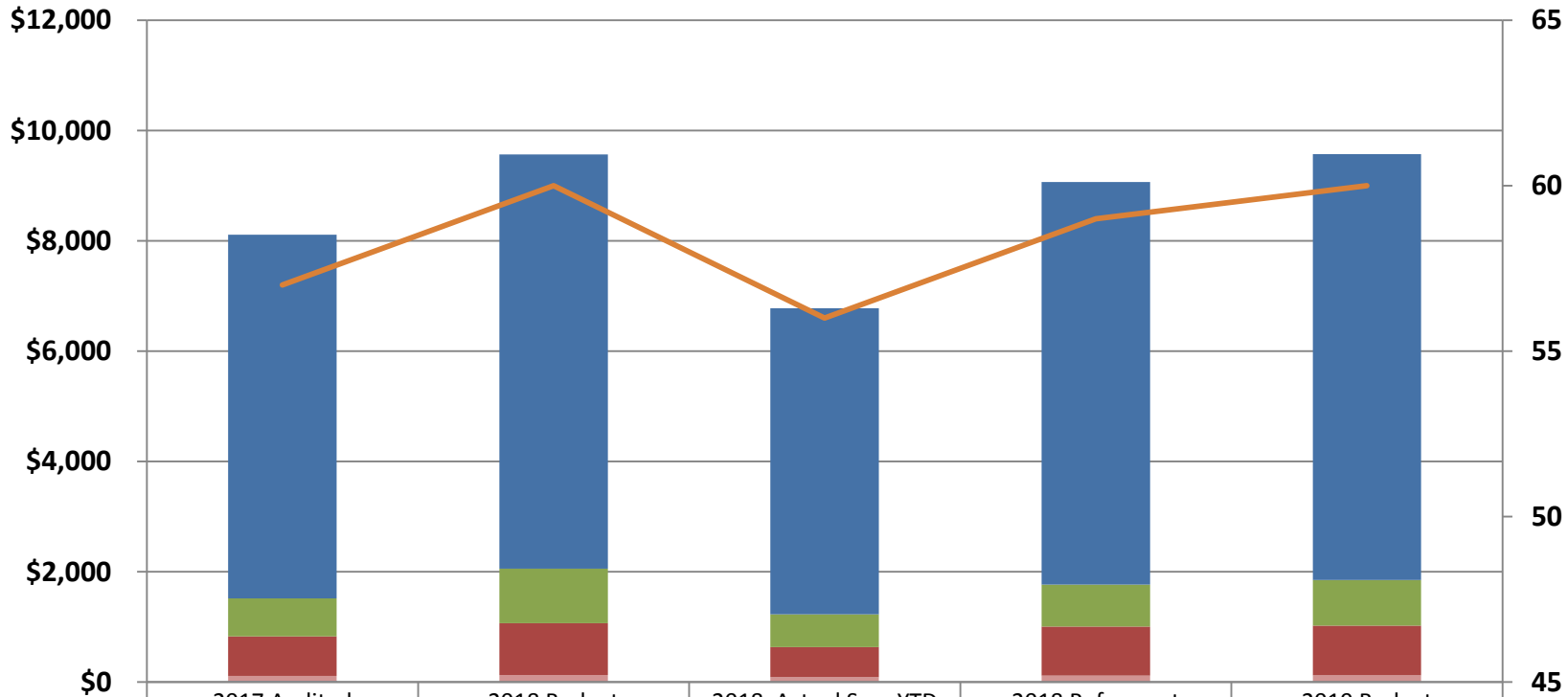


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$8,950	\$10,994	\$6,543	\$9,203	\$11,480
Salary & Benefits	3,595	3,395	2,717	3,545	3,482
Discretionary Expenses	1,803	2,251	1,089	1,499	2,074
Fees & Services	1,297	1,483	924	1,314	1,471
Depreciation & Amortization	1,111	1,040	802	1,063	1,035
Terminal & Asset Maintenance	683	1,527	202	848	2,735
Other	461	1,298	809	934	683
Headcount	22	22	21	23	22



# 2019 Budget

## Finance (000's)

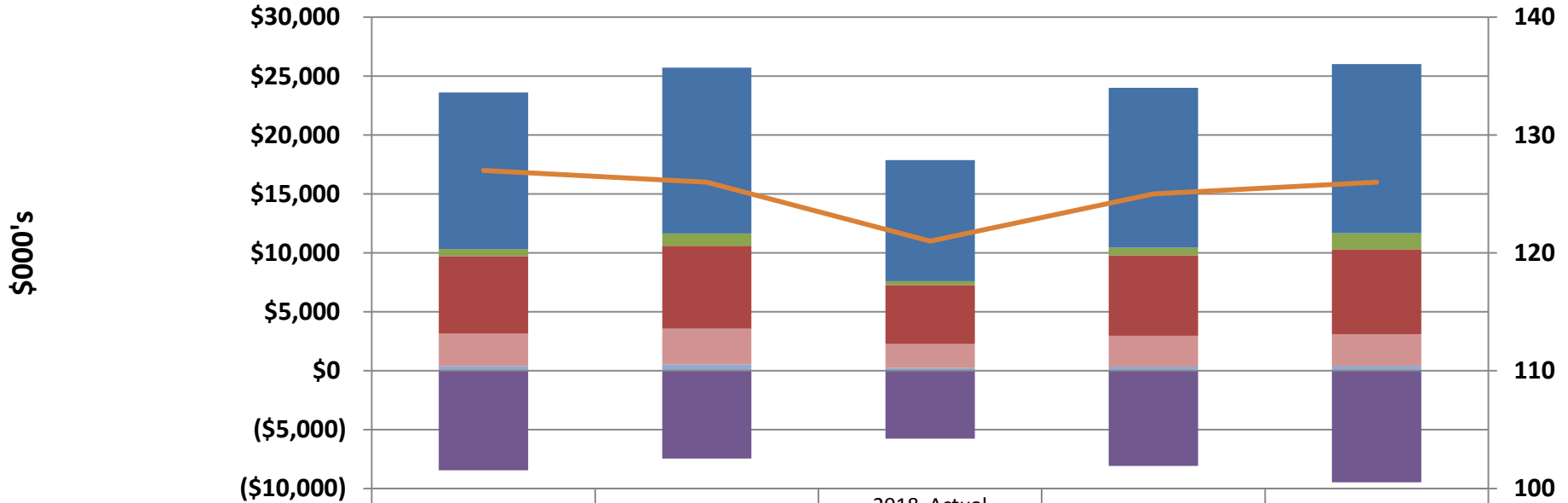


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$8,115	\$9,570	\$6,781	\$9,070	\$9,575
Salary & Benefits	6,595	7,509	5,550	7,299	7,723
Discretionary Expenses	688	992	598	762	829
Fees & Services	717	936	542	891	899
Other	97	133	91	118	124
Depreciation & Amortization	18	0	0	0	0
Headcount	57	60	56	59	60



# 2019 Budget

## PSEO (000's)

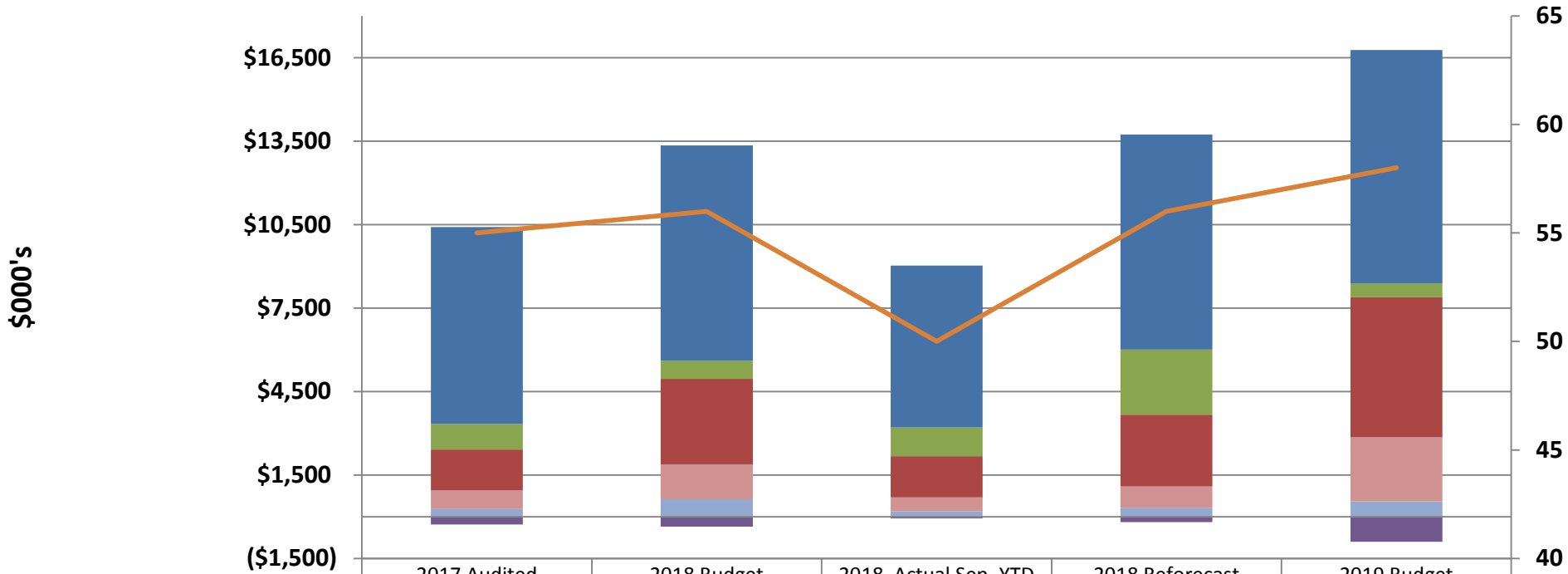


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$15,186	\$18,286	\$12,110	\$15,950	\$16,545
Salary & Benefits	13,290	14,098	10,276	13,585	14,345
Discretionary Expenses	611	1,026	326	640	1,370
Fees & Services	6,579	7,043	5,017	6,827	7,199
Depreciation & Amortization	2,760	3,042	2,004	2,625	2,679
Terminal & Asset Maintenance	386	528	259	347	428
Other (Alloc.)	(8,440)	(7,451)	(5,772)	(8,074)	(9,476)
Headcount	127	126	121	125	126



# 2019 Budget

## Infrastructure (000's)



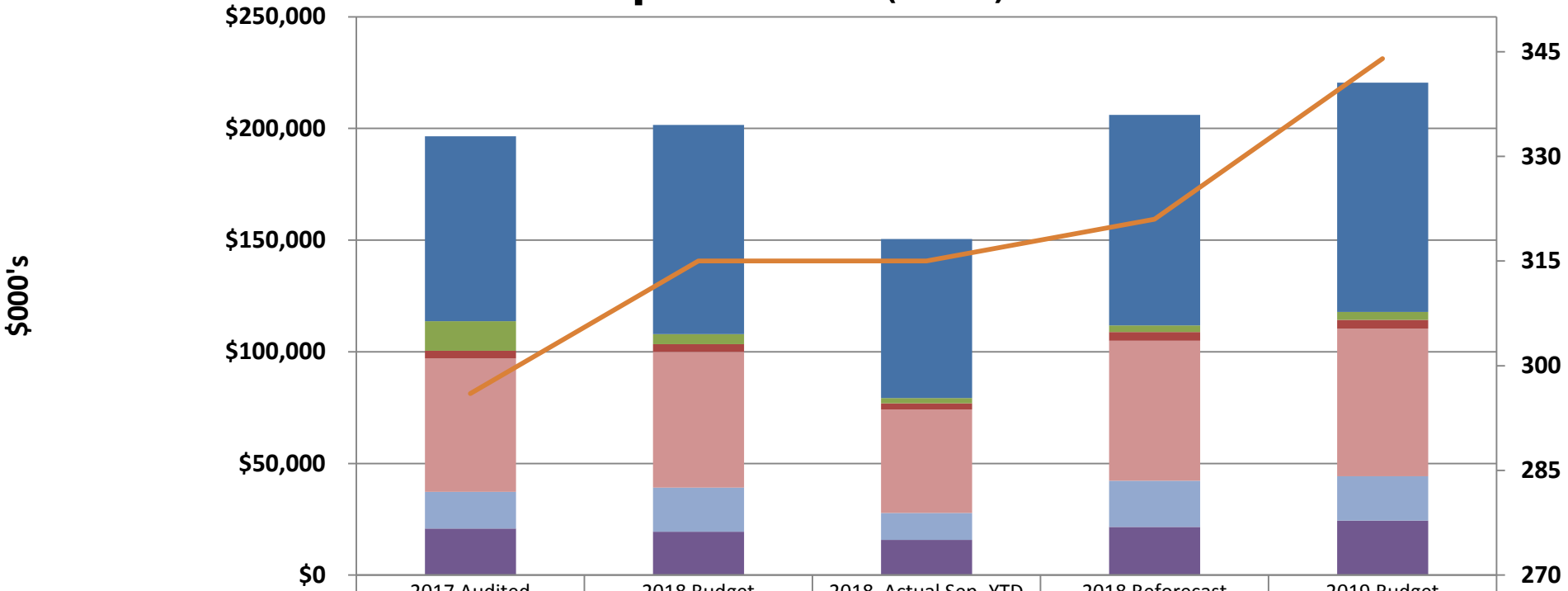
	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$10,137	\$12,987	\$8,964	\$13,547	\$15,877
Salary & Benefits	7,083	7,744	5,821	7,738	8,386
Discretionary Expenses	916	646	1,025	2,341	506
Fees & Services	1,471	3,080	1,482	2,576	5,030
Depreciation & Amortization	667	1,249	494	767	2,306
Terminal & Asset Maintenance	277	630	201	321	550
Other (Alloc.)	(276)	(361)	(60)	(196)	(901)
Headcount	55	56	50	56	58





# 2019 Budget

## Operations (000's)

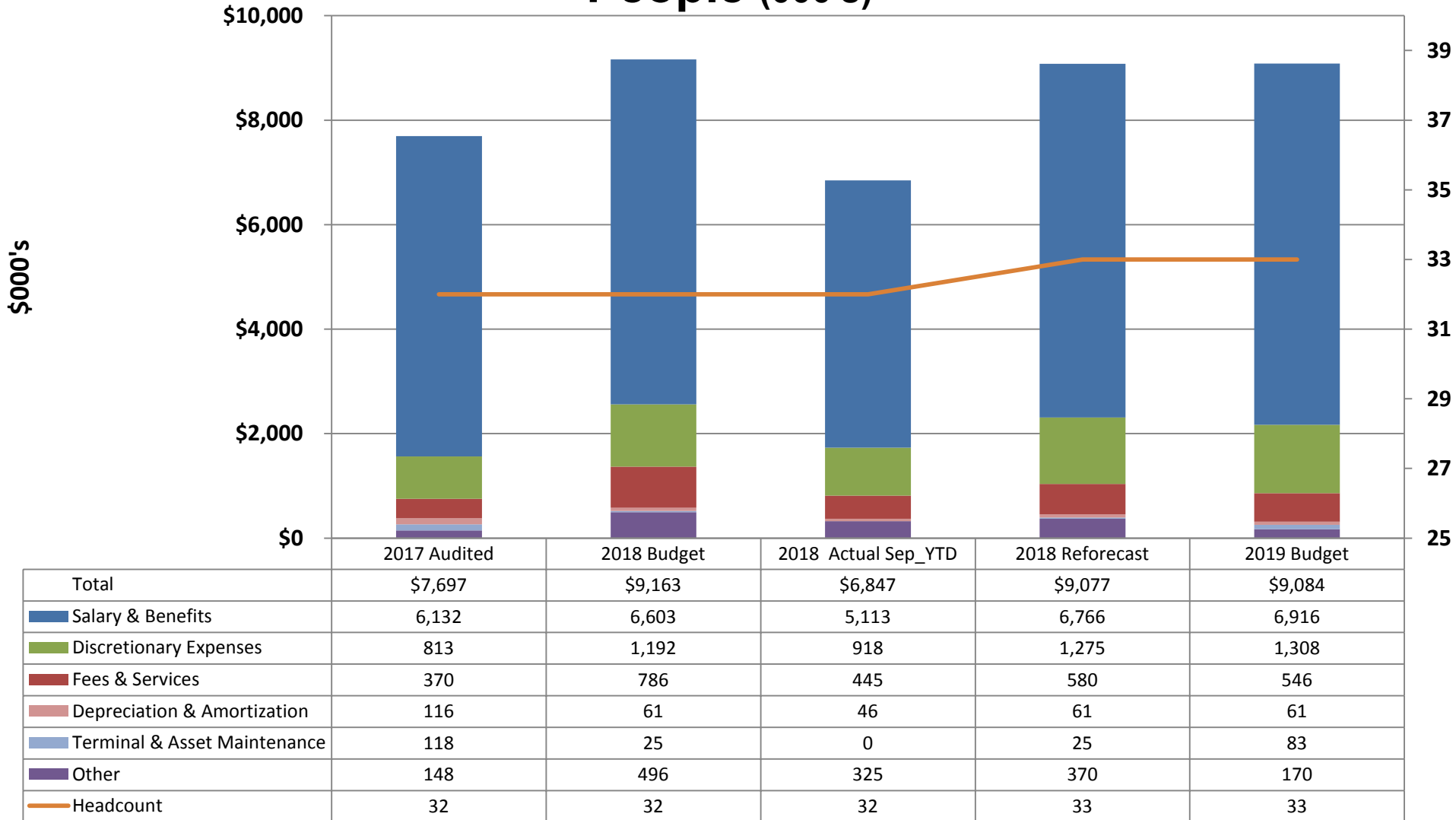


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
<b>Total</b>	\$196,451	\$201,623	\$150,459	\$206,086	\$220,463
<b>Salary &amp; Benefits</b>	82,707	93,657	71,172	94,299	102,575
<b>Discretionary Expenses</b>	13,243	4,508	2,352	2,968	3,625
<b>Fees &amp; Services</b>	3,429	3,448	2,699	3,839	3,861
<b>Depreciation &amp; Amortization</b>	59,709	60,841	46,402	62,732	66,174
<b>Terminal &amp; Asset Maintenance</b>	16,515	19,744	12,077	20,637	19,846
<b>Other (Alloc.)</b>	20,848	19,425	15,757	21,611	24,382
<b>Headcount</b>	296	315	315	321	344



# 2019 Budget

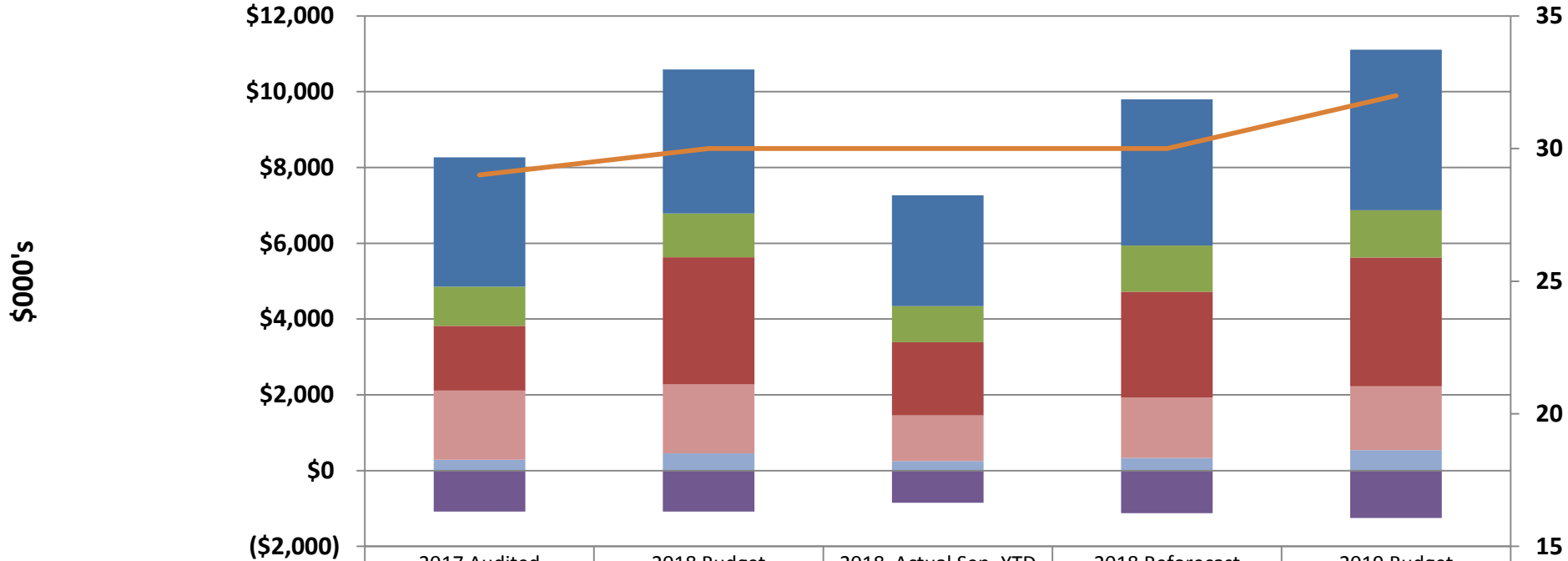
## People (000's)





# 2019 Budget

## Technology (000's)

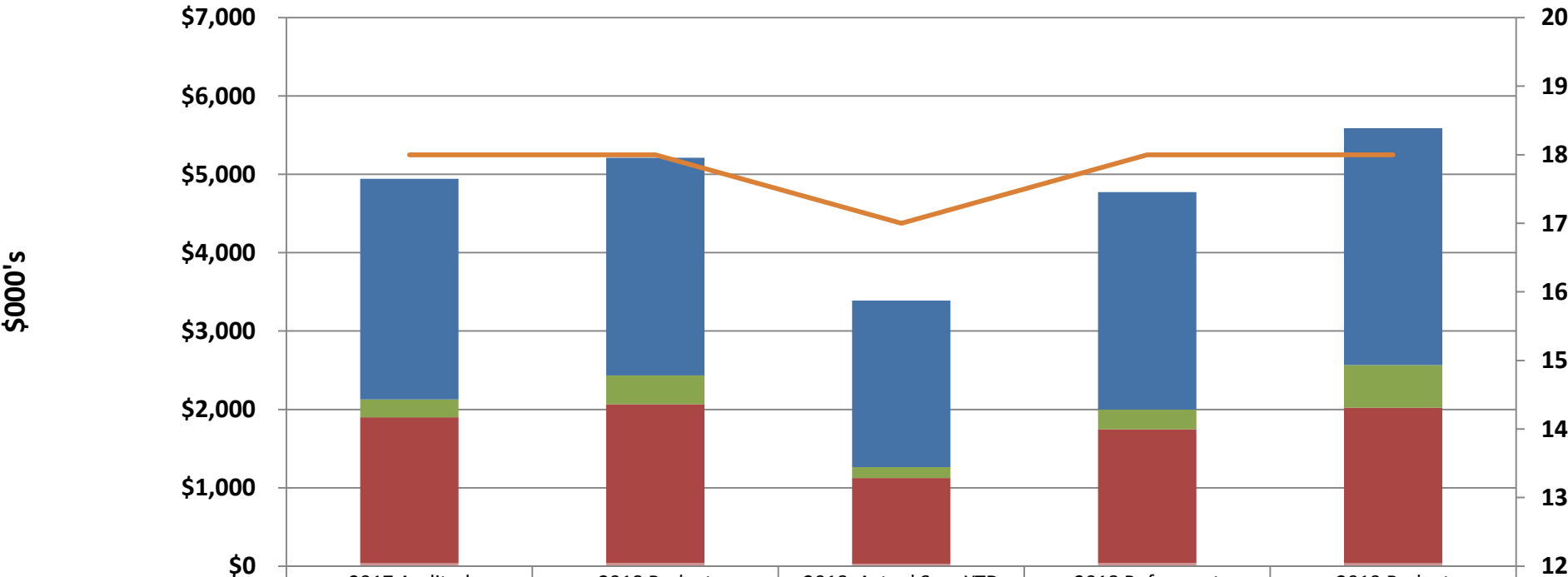


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$7,194	\$9,509	\$6,421	\$8,675	\$9,863
Salary & Benefits	3,416	3,802	2,924	3,857	4,240
Discretionary Expenses	1,038	1,156	954	1,222	1,246
Fees & Services	1,700	3,357	1,936	2,787	3,397
Depreciation & Amortization	1,829	1,821	1,200	1,593	1,688
Terminal & Asset Maintenance	288	454	254	340	541
Other (Alloc.)	(1,077)	(1,081)	(847)	(1,124)	(1,249)
Headcount	29	30	30	30	32



# 2019 Budget

## Legal (000's)

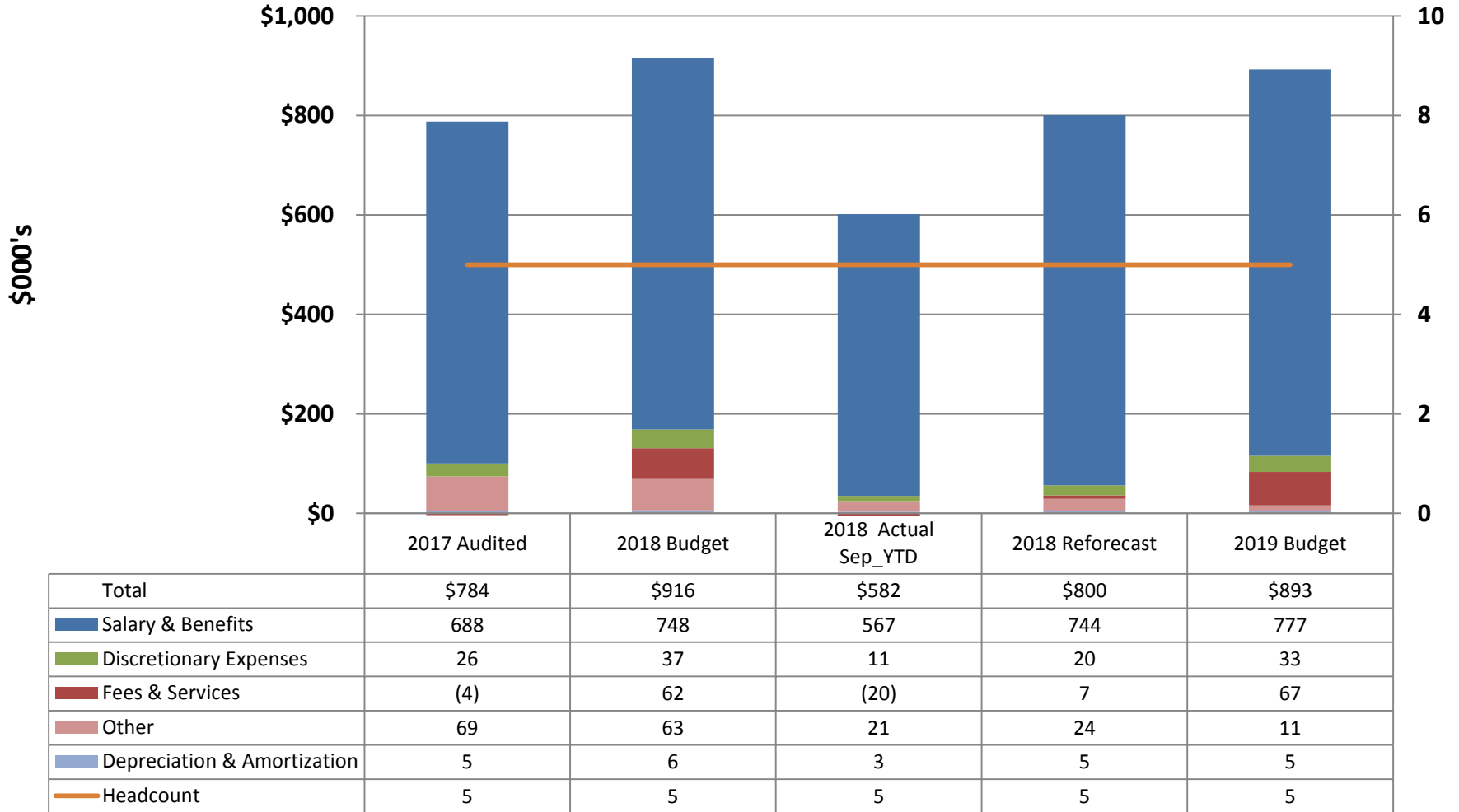


	2017 Audited	2018 Budget	2018 Actual Sep_YTD	2018 Reforecast	2019 Budget
Total	\$4,944	\$5,212	\$3,389	\$4,771	\$5,589
Salary & Benefits	2,817	2,777	2,126	2,772	3,021
Discretionary Expenses	228	368	138	251	544
Fees & Services	1,864	2,026	1,095	1,708	1,986
Other	35	41	30	40	38
Headcount	18	18	17	18	18



# 2019 Budget

## Internal Audit (000's)





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# Promotion & Development



## 2019 Budget

# Promotion & Development By Department (000's)

	<u>2018 Reforecast</u>	<u>2019 Budget</u>	<u>Variance</u>
838-Marketing and External Communications	\$1,325	\$1,427	\$102
839-Trade Development	709	1,196	487
881-M/V Sam Houston	809	1,022	213
853-Government Relations	606	773	167
837-Community Relations and Events	437	561	124
810-Executive	218	384	166
806-Small Business	334	352	18
818-Education Outreach	170	228	58
170-FTZ and Economic Development	204	143	(61)
832-Chief Commercial Officer Administration	39	79	40
145-Channel Development	3	8	5
856-Media Relations	5	5	-
805-Treasury	1	-	(1)
854-Environmental Affairs	40	-	(40)
	<u>\$4,900</u>	<u>\$6,178</u>	<u>\$1,278</u>

*Note: The 2019 Budget includes expenditures classified as Promotion & Development in accordance with the P&D Policy enacted in 2013.*



## 2019 Budget

# Promotion & Development (000's)

<u>881-M/V Sam Houston</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>	<u>Variance</u>
Salaries	\$386	\$377	(\$9)
Benefits	206	219	13
Retirement Benefits	30	91	61
Terminal & Asset Maintenance	25	80	55
Receptions & Special Events	65	65	-
Depreciation & Amortization	14	56	42
Fuel	29	36	7
Insurance	9	35	26
Other Discretionary Expenses	18	33	15
Fees & Services	25	24	(1)
Advertising	2	5	3
<b>Total 881-M/V Sam Houston</b>	<b>809</b>	<b>1,021</b>	<b>212</b>
<u>Other P&amp;D Location Expenses</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>	<u>Variance</u>
Consulting Fees	849	1,159	310
Receptions & Special Events	876	975	99
Economic Development & Community Sponsorships	667	698	31
Travel	441	540	99
Advertising	277	532	255
Fees & Services	509	451	(58)
Other Discretionary Expenses	279	427	148
Art & Production	193	375	182
<b>Total Other P&amp;D Location Expenses</b>	<b>4,091</b>	<b>5,157</b>	<b>1,066</b>
<b>Total P&amp;D Expenses</b>	<b>\$4,900</b>	<b>\$6,178</b>	<b>\$1,278</b>





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# 2019 Capital Budget



## 2019 Budget

# Total Capital Investments (000's)

	<u>2017 Actual</u>	<u>2018 Budget</u>	<u>2018 Reforecast</u>	<u>2019 Budget</u>
Barbours Cut	\$ 4,454	\$ 99,837	\$ 88,702	\$ 129,611
Bayport Terminal	27,197	83,597	77,841	93,473
Channel Development	3,698	13,835	9,220	20,092
Turning Basin Terminals	1,567	24,897	14,006	19,472
Maintenance	2,144	7,662	5,737	6,847
PSEO	2,870	7,073	822	5,946
Bayport Railroad	1,205	15,343	15,858	5,100
Real Estate	1,831	12,565	11,034	5,000
Other	708	9,729	11,810	1,856
Total Capital	<u>\$ 45,674</u>	<u>\$ 274,538</u>	<u>\$ 235,030</u>	<u>\$ 287,397</u>
Grant Reimbursements	(7,957)	(4,035)	(3,417)	(727)
Net Capital	<u>\$ 37,717</u>	<u>\$ 270,503</u>	<u>\$ 231,613</u>	<u>\$ 286,670</u>

Note:

The amounts presented here are based on awards.



## 2019 Budget

# Barbours Cut Terminal (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
Wharf 3 & SSB3 Reconstruction	\$ 47,050
3 STS Cranes-Wharf 3	38,411
Wharf 3 & SSB3 Electrical Distribution	8,584
C-1 N & C-2 Reconstruction	27,346
CY2 Mid South - Design	2,056
Design Maintenance Facility	2,056
Other	4,108
<b>Total Projects</b>	<b>\$ 129,611</b>

Note:

Other includes BCT Wastewater facility, vehicles and RFID.



# 2019 Budget

## Bayport Terminal (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
Strengthen Wharves 4&5 Construction	\$ 24,673
Strengthen Wharves 4&5 Design	2,467
CY2S Construction	23,131
Port Road Phase 3	18,659
9 RTG's for CY 2	17,100
Raise/Extend Crane 212	2,724
East Empty Yard Support	2,544
Other	2,175
<b>Total Projects</b>	<b>\$ 93,473</b>

Note:

Other includes vehicles and RFID.



# 2019 Budget

## Channel Development (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
TB - Maintenance Dredging	\$ 8,050
BCT - Maintenance Dredging	3,069
Bayport - Maintenance Dredging	2,453
HSC Cost Share to Corps	1,720
Bayport Auto Term - Maintenance Dredging	1,320
East Clinton Ditching	1,070
Other	2,410
<b>Total Projects</b>	<b>\$ 20,092</b>

Note:

Other includes dredging and tipping fees.



# 2019 Budget

## Turning Basin Terminal (000's)

Turning Basin North Terminal	
Major Projects	2019 Budget
Rail Replacement	\$ 2,047
Rehab Wharf 8 Design	512
Transit Shed Restrooms Design	512
Other	639
<b>Total Projects</b>	<b>\$ 3,710</b>

Manchester/Care Terminals	
Major Projects	2019 Budget
Manchester-Wharf M2	\$ 10,235
Care-Fender System	5,527
<b>Total Projects</b>	<b>\$ 15,762</b>

<b>Grand Total Turning Basin Terminals Projects</b>	<b>\$ 19,472</b>
---	------------------

Note:

Other includes dock lighting and fiber improvements.



# 2019 Budget

## Maintenance (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
BCT Maintenance Total	\$ 3,092
BPT Maintenance Total	2,010
TB Maintenance Total	1,745
<b>Total Projects</b>	<b>\$ 6,847</b>

Note:

Maintenance projects include: Crane retrofits, Festoon systems, Forklifts, Heavy truck lift, Asphalt roller, and Spreader bars.



# 2019 Budget

## PSEO (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
Communication Towers-Emergency Management	\$ 4,164
Fireboat Dock @ BPT	978
Vehicles-Police & Security	375
Station Generators-Fire	200
Other	229
<b>Total Projects</b>	<b>\$ 5,946</b>

Note:

Other includes BPT Substation Security and SCBA.





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# 2019 Budget

## Bayport Railroad (000's)

<b>Major Projects</b>	<b>2019 Budget</b>
PTRA Track, Mainline Red Bluff to Bayport-ROW	\$ 5,100
<b>Total Projects</b>	<b>\$ 5,100</b>

# Liquidity projections, 2019 Operating & Capital Budget

\$ in thousands



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	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Funds Available, Beginning of Period</b>	\$ 361,939	\$ 194,476	\$ 78,011
Debt Service, Contingency, & Other	(58,220)	-	-
Outstanding PO's and Commitments	(110,337)	-	-
	<u>\$ 193,382</u>	<u>\$ 194,476</u>	<u>\$ 78,011</u>
<b>Sources:</b>			
Net Operating Cash Flow	166,534	170,932	174,622
<b>Available Resources</b>	<u>\$ 359,916</u>	<u>\$ 365,408</u>	<u>\$ 252,633</u>
<b>Uses:</b>			
New Capital Investment			
Barbours Cut	23,254	129,611	77,780
Bayport Terminal	84,281	93,473	55,389
Channel Development	7,310	20,092	44,383
Turning Basin Terminals	5,451	19,472	13,615
Maintenance	14,839	6,847	3,527
PSEO	11,169	5,946	1,160
Bayport Railroad	14,543	5,100	-
Real Estate	871	5,000	10,397
Other	3,722	1,856	10,415
<b>Net Uses</b>	<u>165,440</u>	<u>287,397</u>	<u>216,666</u>
<b>Funds Available, End of Period</b>	<u><u>\$ 194,476</u></u>	<u><u>\$ 78,011</u></u>	<u><u>\$ 35,967</u></u>