

# 2020 Budget Executive Summary

Port of Houston Authority  
Approved November 11, 2019





## ***Foreword***

- This 2020 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 2020. It was presented to the Port Commission at an open meeting and approved on November 11, 2019.
- 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.
- For purposes of this presentation, 2020 Budget comparisons are made to the 2019 Reforecast, which is an update to the 2019 Budget prepared by staff as of July 2019. It has been posted on the Port Authority's website ([www.porthouston.com](http://www.porthouston.com)).

# ***2020 Budget Executive Summary***

## ***Content***



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- Narrative overview
- Income Statement – summary & full view
- Cargo projections
- Revenue & expense analysis
- Headcount
- Capital & Liquidity

# ***Executive Summary – 2020 Operating & Capital Budget***

## ***Narrative overview***



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- Economic growth expectations for 2020 – Global, U.S., Texas – trend consistently from 2019 from 1.9 – 3.5% \*
- Operating revenues - growing 7% to \$425 million - are expected to generate \$185 million in cash flow, “up” 4% from expected 2019 results
  - Container Terminals projecting 5% unit growth stemming from an increase in loaded export boxes; General cargos showing good growth, with steel volumes softening
  - Includes a tariff increase of 1.8% on cargos and 3% for harbor fees effective January 2020
- Investments in employee programs and tools, community and other improvement initiatives result in increased spend and balance of fiscal responsibilities
- Promotion and Development investments increase 6%
- Headcount growth of 25 new positions for 2020
- \$232 million Capital Plan focused primarily on Container Terminals
- Liquidity projections show sufficient resources to fund Port Authority Capital Plans before consideration of construction funding requirements for the Houston Ship Channel (“HSC”) Widening/Deepening project

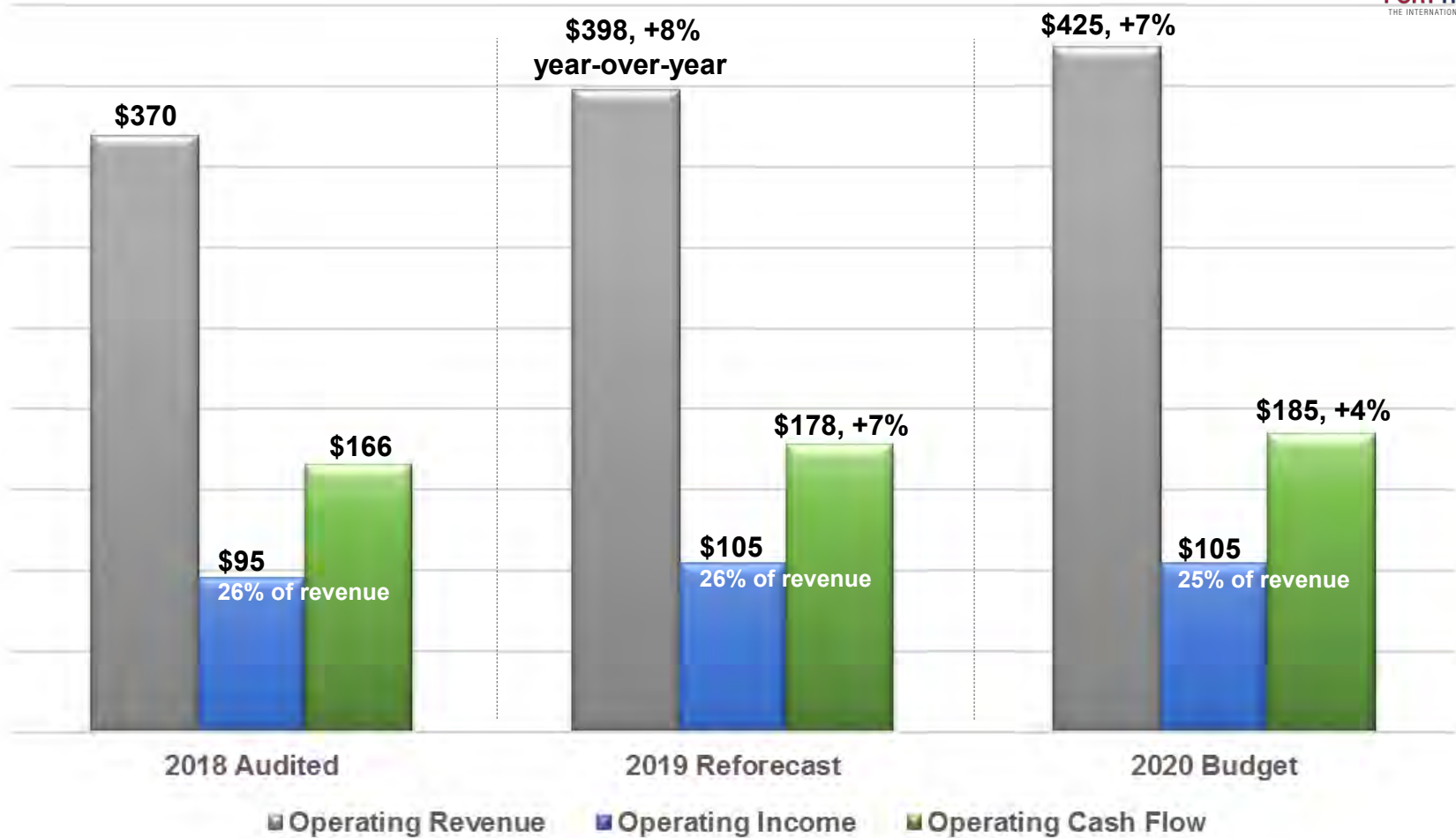
\* Federal Reserve Bank “Survey of Professional Forecasters” and FOMC; State Comptroller’s Office

# Projecting continued operational excellence

Income Statement summary, \$ in millions



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A stable growth plan into 2020, generating \$185 million in cash to support the Houston Ship Channel, Community and Port Houston improvement initiatives

# Projecting continued operational excellence

Income Statement full view, \$ in thousands



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	<u>Audited 2018</u>	<u>Budget 2019</u>	<b>2019 Actual Sep YTD</b>	<u>Reforecast 2019</u>	<u>Budget 2020</u>
Operating Revenue	\$369,714	\$399,980	\$292,244	\$398,094	\$425,424
Operating Expense	224,968	245,192	178,989	242,847	259,149
Gross Margin	144,746	154,788	113,255	155,247	166,275
% of revenue	39.2%	38.7%	38.8%	39.0%	39.1%
General & Administrative Expense	49,601	56,292	37,056	50,320	61,412
% of revenue	13%	14%	13%	13%	14%
Operating Income	95,145	98,496	76,199	104,927	104,863
% of revenue	26%	25%	26%	26%	25%
Nonoperating items and Contributions	10,616	(1,513)	8,661	9,554	(1,641)
<b>Net Income</b>	<b>\$105,761</b>	<b>\$96,983</b>	<b>\$84,860</b>	<b>\$114,481</b>	<b>\$103,222</b>
<b>Total Cash Flow (GAAP)</b>	<b>\$175,527</b>	<b>\$170,932</b>	<b>\$136,476</b>	<b>\$185,868</b>	<b>\$183,130</b>
\$ of revenue	\$0.47	\$0.43	\$0.47	\$0.47	\$0.43

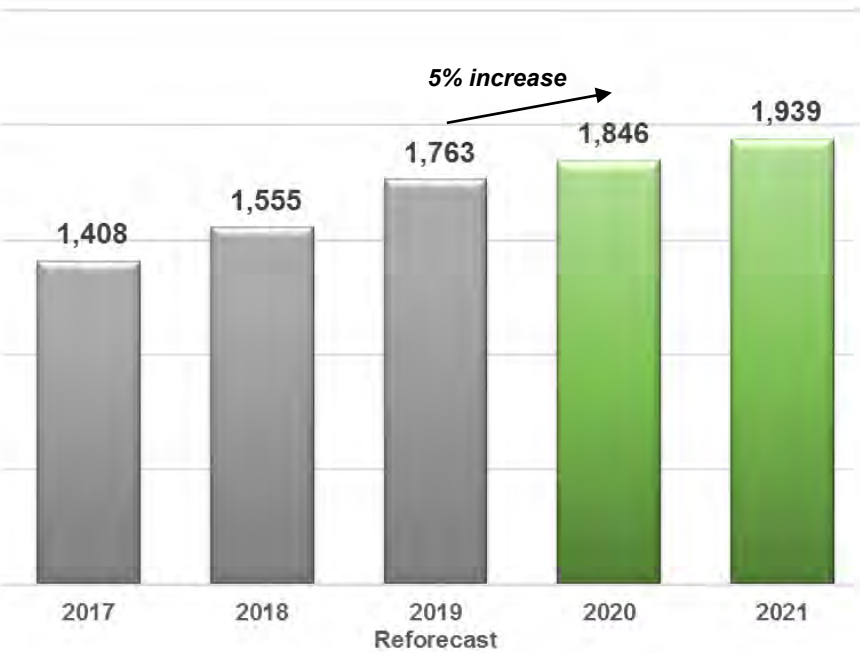
# Container showing continued growth

Container Terminal units, Steel tonnage (000s)



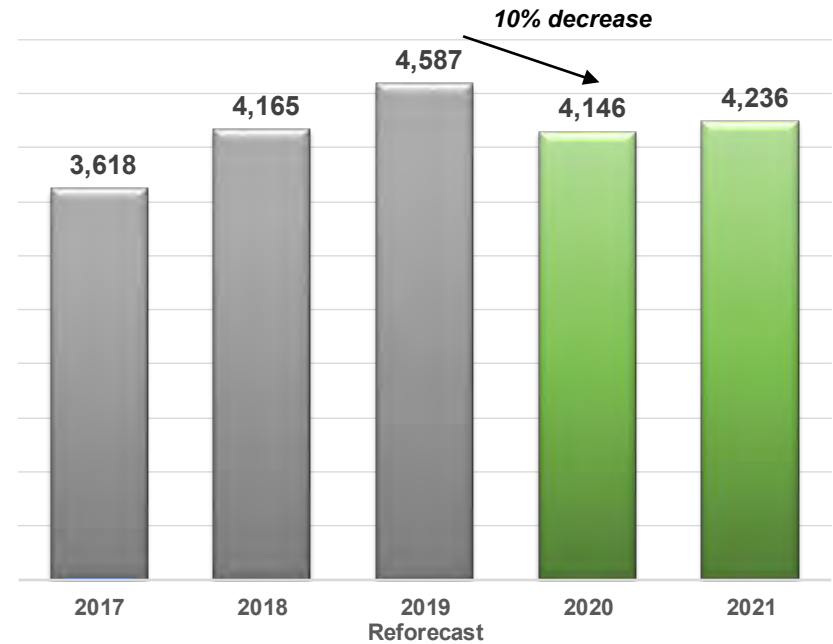
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### Total Containers



Export loads up 8% as resin production ramps;  
Import loads up 1%

### Total Steel



Anticipating the current second-half 2019 run-rate for import steel continues into 2020

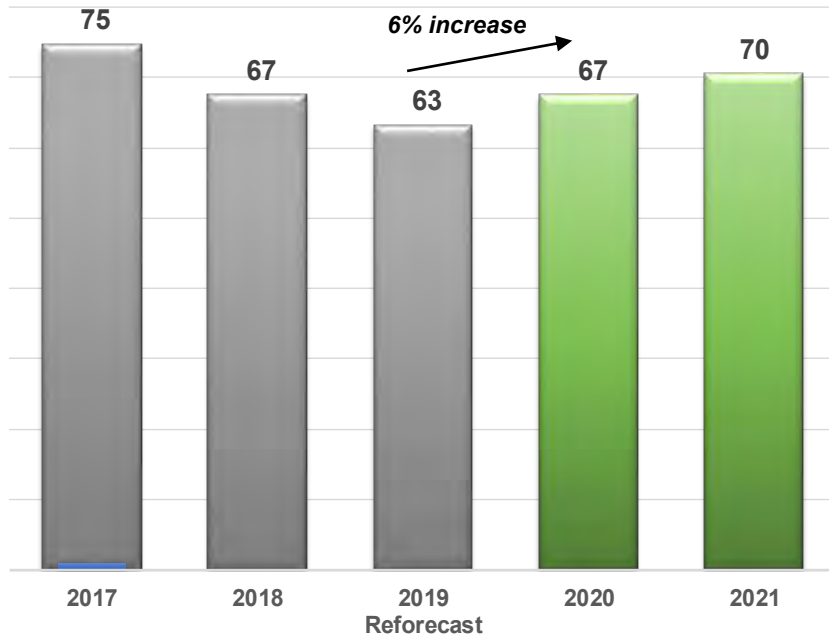
# Autos and Other General Cargos

Auto Units, cargo tonnage (000s)



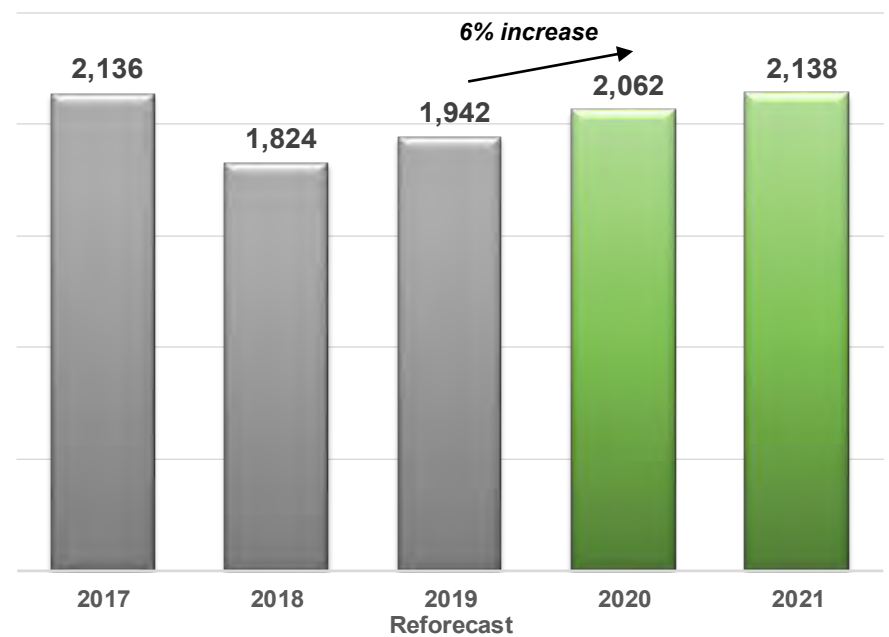
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## Total Autos



Bayport Auto Terminal projecting 4% growth;  
Turning Basin Auto projecting 7% growth

## Other General Cargos



Other cargos (cement, project cargo, grains, etc.)  
showing growth into next year

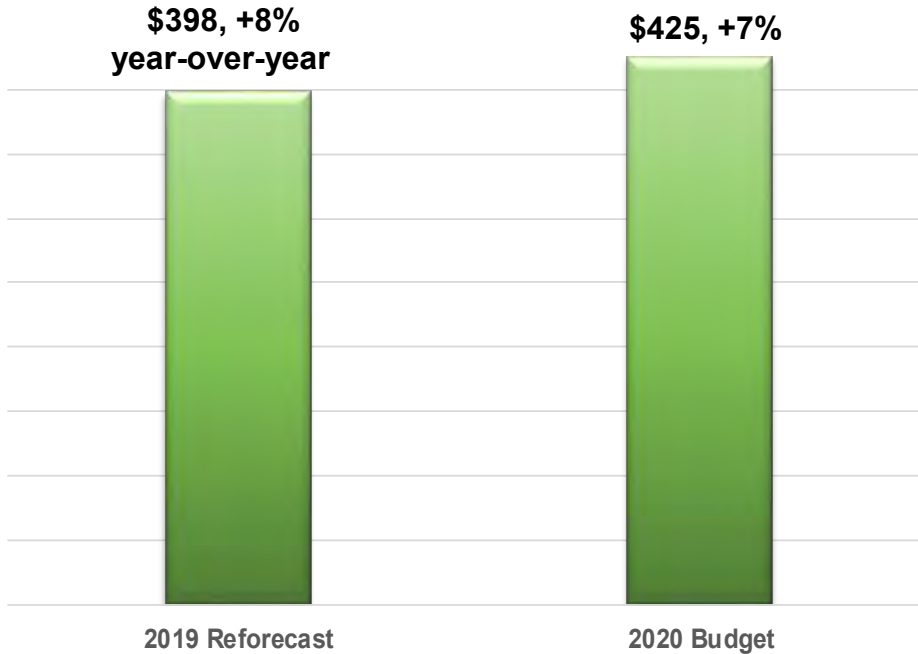


# 2020 Operating Revenue analysis, key changes from 2019

\$ in millions



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2019 Reforecast – Operating Revenue		\$398
		<u>Change</u>
• Increase in Container revenue driven by volume growth		22
• Increase in Channel Development revenue streams due to Submerged Land lease revenues		2
• Increase in Turning Basin from cargo and lease revenues		3
<b>Subtotal</b>		<b>27</b>
<b>2020 Budget – Operating Revenue</b>		<b>\$425</b>

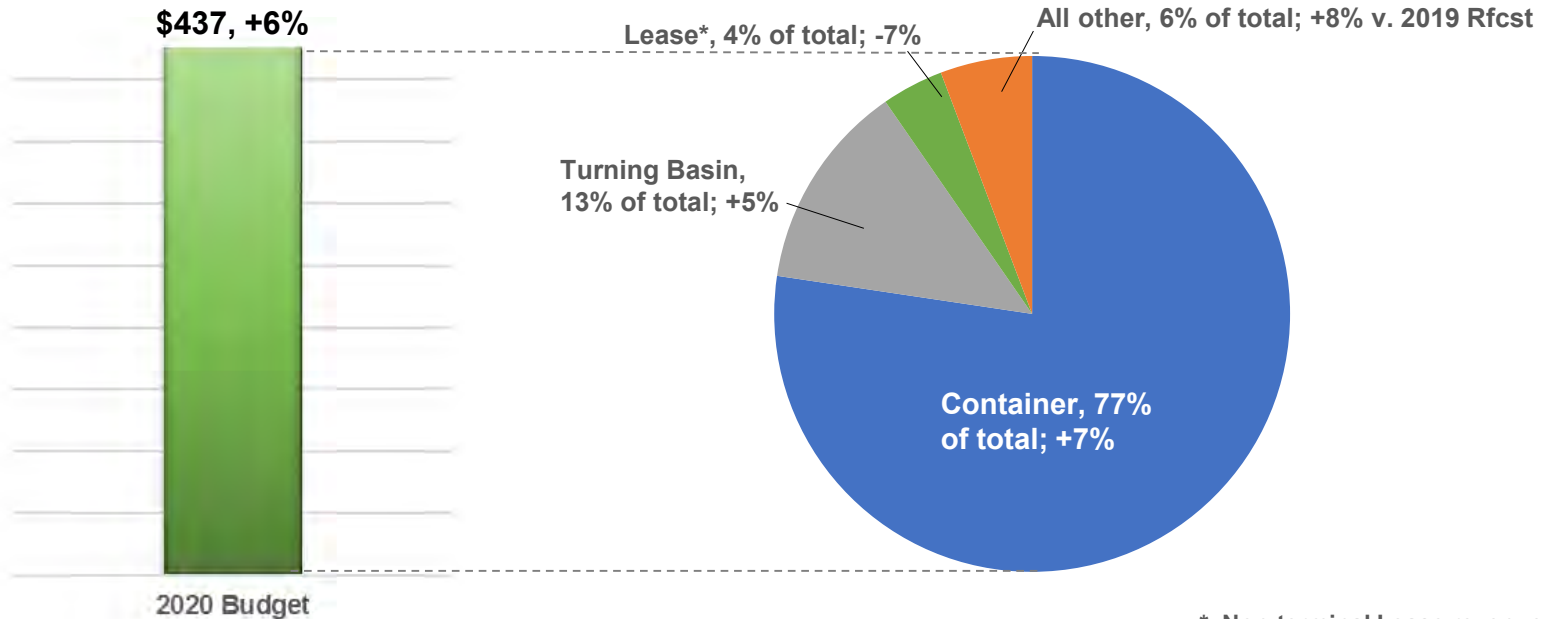
# Revenue growth driven by Container Terminals

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



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## Mix of business – 2020 Budget



\* Non-terminal Lease revenues only

- Container Terminals revenue growth on a 5% increase in units; Bayport up 5%, BCT up 4.5%
- Turning Basin Terminals offsetting a moderating steel market with growth in new leases and customers
- Lease\* decline of 7% relates to the transfer of submerged land leases to Channel Development
- All other up 8% primarily from submerged land lease revenue

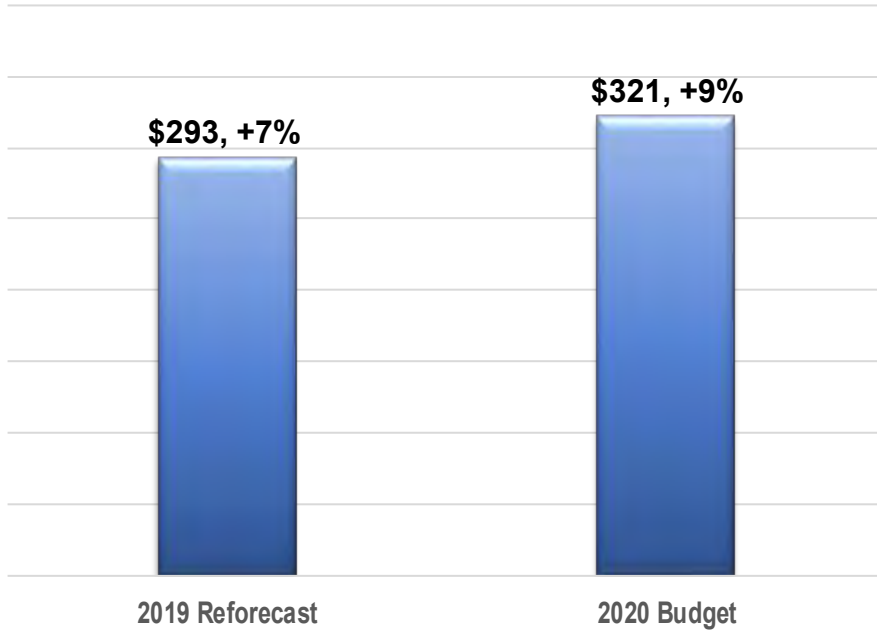
# 2020 Expense analysis, key changes from 2019

\$ in millions



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2019 Reforecast – Operating and G&A Expense **\$293**



Change

Changes in Operating and infrastructure-related:

- PHA and ILA salaries and benefits 11
- Depreciation & amortization 7
- Wharf maintenance (Splash Zone painting) 2

Changes in General and administrative:

- PHA salaries and benefits 2
- PHA incentive program 2
- Consulting fees (Next Generation ERP, Environmental Projects, Cyber security, etc.) 3
- Other expenses 1

**Subtotal 28**

**2020 Budget – Operating and G&A Expense \$321**

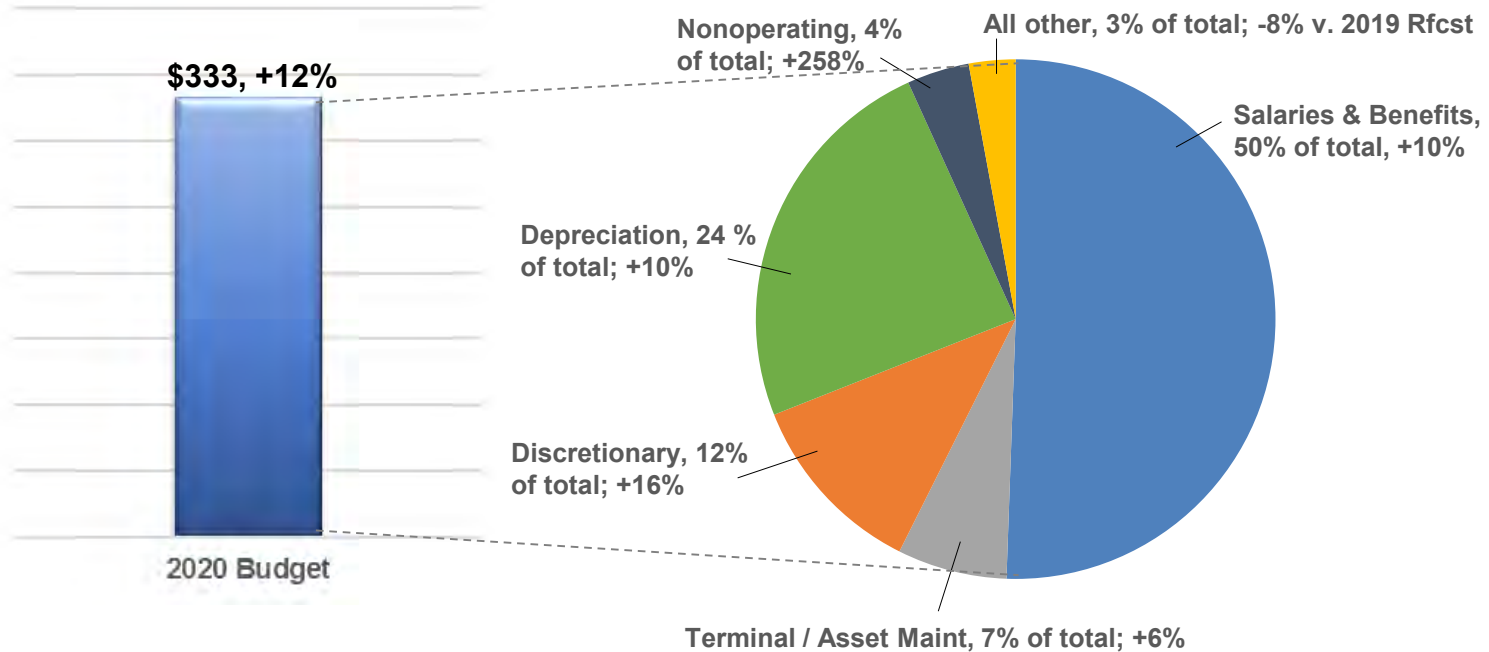
# Expenses driven by volume growth and other initiatives

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



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## Mix of expense – 2020 Budget



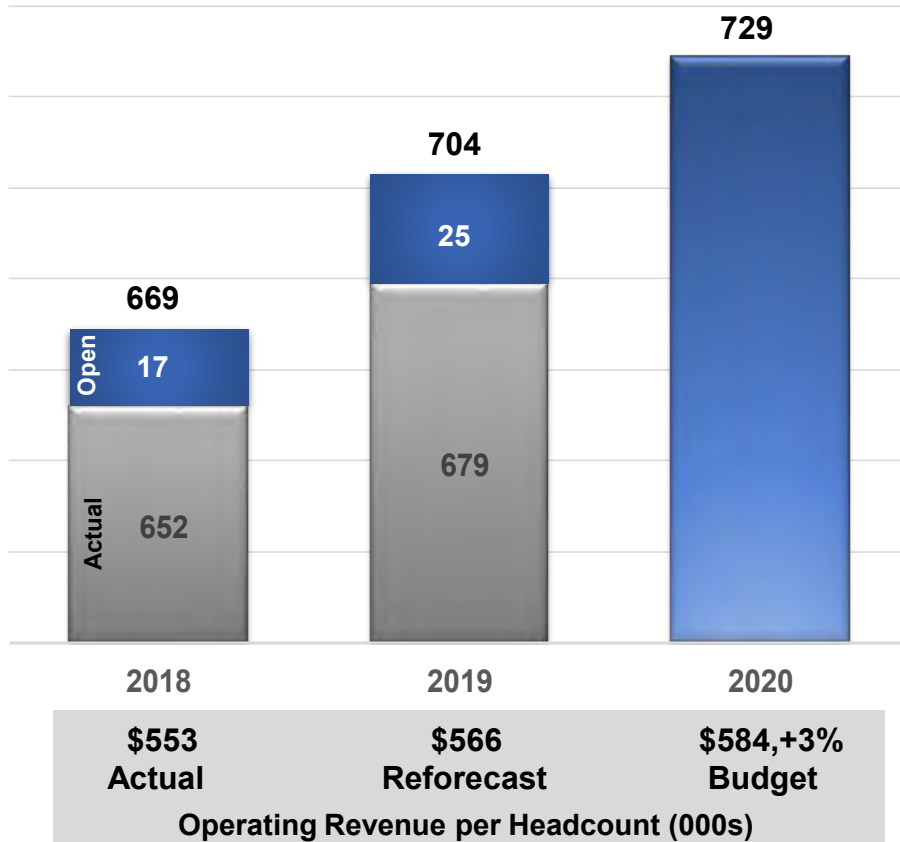
- Salaries & Benefits, including ILA labor, growing on new headcount and employee reward programs
- Terminal/Asset Maintenance increasing with volumes, Splash Zone painting, Executive Office building renovation
- Discretionary includes Consulting Fees for Next Generation ERP, Environmental projects, Cyber security and other strategic initiatives
- Depreciation expense reflects capacity additions, recapitalization and maintenance dredge

# Staffing growth will support Operations and strategic initiatives

Headcount analysis, Number of Employees\*



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2020 Budgeted Staffing	
Exempt	241
Nonexempt	438
<b>Total Actual Headcount, 9/30/2019</b>	<b>679</b>
Approved, existing open reqs	25
- 4 new from 2019, 21 replacements	
<b>New in 2020 **</b>	<b>25</b>
<b>Total Budgeted Positions</b>	<b>729</b>
<b>2020 Budget – Headcount</b>	<b>729</b>

\* Does not include Casual Labor

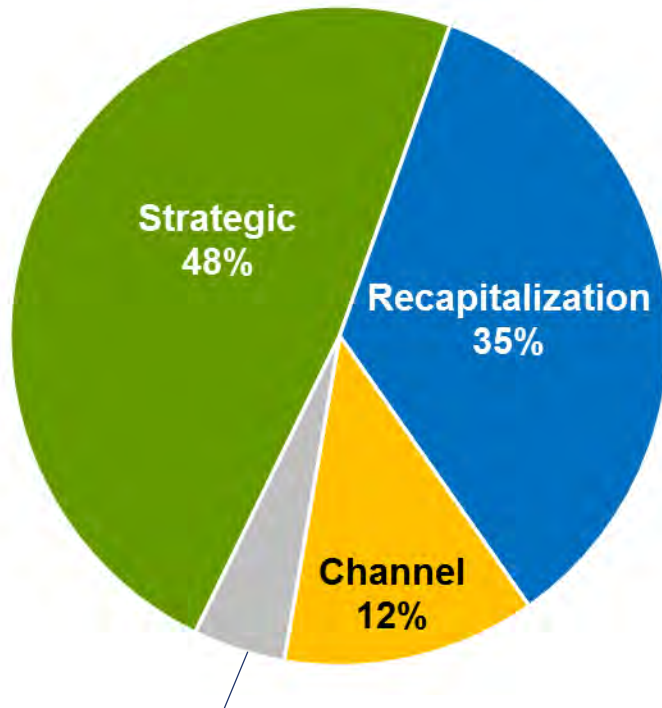
\*\* 25 new in 2020: 19 Operations (16-Ops, 3-PSEO); 6 G&A (3-Infrastructure, 2-Technology, 1-Legal)

# Operating cash flow will fund the 2020 Capital budget of \$232 million



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## 2020 Capital Improvement Program



Maintenance/other 5%

- Strategic projects = \$112 million
  - *These investments support new growth opportunities*
- Recapitalization projects = \$81 million
  - *Investments required to sustain high service levels and/or enhance productivity*
- Channel projects = \$29 million
  - *Channel project placement area preparation (BW8); cost share(s) with USACE for placement areas, PHA maintenance dredging*
- Remaining projects = \$10 million
  - *Includes maintenance equipment and other replacements*

# Liquidity planning projections, 2020 Operating & Capital Budget

## Funds available for Commission award

\$ in thousands



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<b>PORT OF HOUSTON AUTHORITY</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Funds Available, Beginning of Period</b>	\$ 427,746	\$ 89,223	\$ 40,851
Debt Service, Contingency, & Other	(87,480)	-	-
Outstanding PO's and Commitments	(143,467)	-	-
	<u>196,799</u>	<u>89,223</u>	<u>40,851</u>
Sources:			
Total Cash Flow	174,735	183,130	192,209
<b>Available Resources</b>	<u>371,534</u>	<u>272,353</u>	<u>233,060</u>
Uses:			
New Capital Investment			
Bayport Terminal	40,033	83,831	129,482
Barbours Cut	170,082	51,680	290
Channel Development	40,289	28,813	16,704
Turning Basin Terminals	9,268	24,490	12,975
Real Estate	8,124	21,445	14,185
Maintenance	4,961	10,997	9,630
Bayport Rail	1,358	4,600	-
Other	8,196	5,646	10,806
<b>Net Uses</b>	<u>282,311</u>	<u>231,502</u>	<u>194,072</u>
<b>Funds Available, End of Period</b>	<u><b>\$ 89,223</b></u>	<u><b>\$ 40,851</b></u>	<u><b>\$ 38,988</b></u>

## **HOUSTON SHIP CHANNEL**

Houston Ship Channel Project *	\$ 29,928	\$ 9,500	\$ 283,300
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\* Based on a 50:50 project cost share with industry partners; 2019 and 2020 expenditures are funded by Authority cash flow (initially) while 2021 construction is debt financed, with debt service paid by cash flow.

# 2020 Budget Operating and Capital Summary

Port of Houston Authority  
Approved November 11, 2019





## 2020 Budget



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# Operating and Capital Budget Summary

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# 2020 Operating Budget



## 2020 Budget

# 2020 Market Forecast – Global Economy

- Global economic outlook suggests 2020 will be similar to 2019.
- Countries classified as “Emerging Market and Developing Economics” as a group will continue to grow at twice the rate of more developed economies.
- China’s growth will hold steady in the face of trade tensions, but is far below 2000-2010 levels
- Southeast Asia’s growth is now almost equal to China’s, and India’s growth is faster than China’s
- 2020 GDP Growth Forecast versus 2019:

	<u>2019</u>	<u>2020</u>
➤ <b>Global</b>	<b>3.2 %</b>	<b>3.5 %</b>
➤ United States	2.3%	1.9%
➤ Euro Area	1.3 %	1.6 %
➤ China	6.2 %	6.0 %
➤ ASEAN (SE Asia)	5.0 %	5.1 %
➤ India	7.0 %	7.2 %
➤ Brazil	0.8 %	2.4 %

Sources: IMF – World Economic Outlook Update, July 2019 edition, Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, 3rd Quarter 2019

## 2020 Budget



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# 2020 Market Forecast – U.S. Economy

- Forecasters anticipate that the U.S. economy will continue to grow in 2020 with GDP growth of 1.9%, just below projected full year 2019 growth of 2.3%
- Low inflation continues, consumer prices increasing 2.0% in 2020.
- U.S. unemployment rate will continue its very slow trend downward, falling 0.1% through 2020.
- The Federal Reserve Board anticipates that it will not change interest rates over the next year.

Sources: Federal Reserve Bank of Philadelphia – Survey of Professional Forecasters – 3rd Quarter 2019, Federal Reserve FOMC September 2019



# 2020 Market Forecast – Texas Economy

- “The outlook for the Texas economy remains positive”
- State Comptroller anticipates a 3% growth in Gross State Product (“GSP”) for 2020
- Texas unemployment rate remains at a record low of 3.4%, and correspondingly the labor market “remains tight” and is growing at a faster pace than the national average.
- “Texas employment growth has been broad based, except for energy” which is lagging as oil and gas exploration activity slows

Sources: Federal Reserve Bank of Dallas “Texas Economy Keeps Growing Despite More Pessimistic Outlook”, Sept 26, 2019



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# 2019 Market Update – PHA

- PHA cargos overall are showing stable growth
  - Total 2019 tonnage is 5% higher vs. 2018
- Total container units have grown 9% year-over-year
  - Import loaded units up 6% / Export loaded units up 14%
  - Import empty units up 32% / Export empty units down 8%
- Steel tonnage year-to-date decrease of 1% (import and export)

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

*Based on 2019 YTD Sept vs. 2018 YTD Sept for overall PHA tonnage excluding the Bayport Industrial Complex*



## 2020 Budget

# Cargo Assumptions – Container Terminals

### Trends and Forecast (000's)

	<u>2017 Actual</u>	<u>2018 Actual</u>	<u>2019 Budget</u>	<u>2019 Reforecast</u>	<u>2020 Budget</u>	<u>2021 Projection</u>
TEUs *	2,287	2,331	2,742	2,927	3,083	3,142
% change	-	2%	18%	26%	5%	2%
<hr/>						
Units (Imports)	703	776	805	861	879	923
	-	10%	4%	11%	2%	5%
Units (Exports)	705	779	888	902	967	1,016
	-	10%	14%	16%	7%	5%
Total Units	1,408	1,555	1,693	1,763	1,846	1,939
	-	10%	9%	13%	5%	5%
<hr/>						
Bayport Auto Terminal (Units)	12.4	7.1	18.0	7.5	7.8	10.0
	-	(43%)	153.5%	5.6%	4%	28%

- **Projected volumes based on PHA Economic Analysis Forecast Summary with updated 2019 data**
- **2020 Budget reflects growth of export loads at 8.4% and import loads at 1.3%, with a 5% increase in empty container volume**

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

Note that percentages are comparisons to prior year (e.g., 2019 Reforecast compared to 2018 Actual)

## 2020 Budget



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# Cargo Assumptions – Turning Basin Terminals

### Trends and Forecast (000's)

	<u>2017 Actual</u>	<u>2018 Actual</u>	<u>2019 Budget</u>	<u>2019 Reforecast</u>	<u>2020 Budget</u>	<u>2021 Projection</u>
Steel (short tons)	3,618	4,165	4,910	4,587	4,146	4,236
% change *	-	15%	18%	10%	(10%)	2%
<hr/>						
General Cargo (short tons)	2,136	1,824	2,074	1,942	2,062	2,138
	-	(15%)	14%	6%	6%	4%
<hr/>						
Automobiles (units)	62.2	60.3	45.7	55.6	59.6	60.4
	-	(3%)	(24%)	(8%)	7%	1%

- **Projecting a 10% decline in steel volumes in 2020 based on actual results in second-half 2019**

\* Note that percentages are comparisons to prior year (e.g., 2019 Reforecast compared to 2018 Actual)





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## 2020 Budget

# Income Statement (000's)

	<u>Audited 2018</u>	<u>Budget 2019</u>	<u>2019 Actual Sep YTD</u>	<u>Reforecast 2019</u>	<u>Budget 2020</u>
Operating Revenue	\$369,714	\$399,980	\$292,244	\$398,094	\$425,424
Operating Expense	224,968	245,192	178,989	242,847	259,149
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% of revenue	39.2%	38.7%	38.8%	39.0%	39.1%
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\$ of revenue	\$0.47	\$0.43	\$0.47	\$0.47	\$0.43



## 2020 Budget

# Total Revenue – Summary (000's)

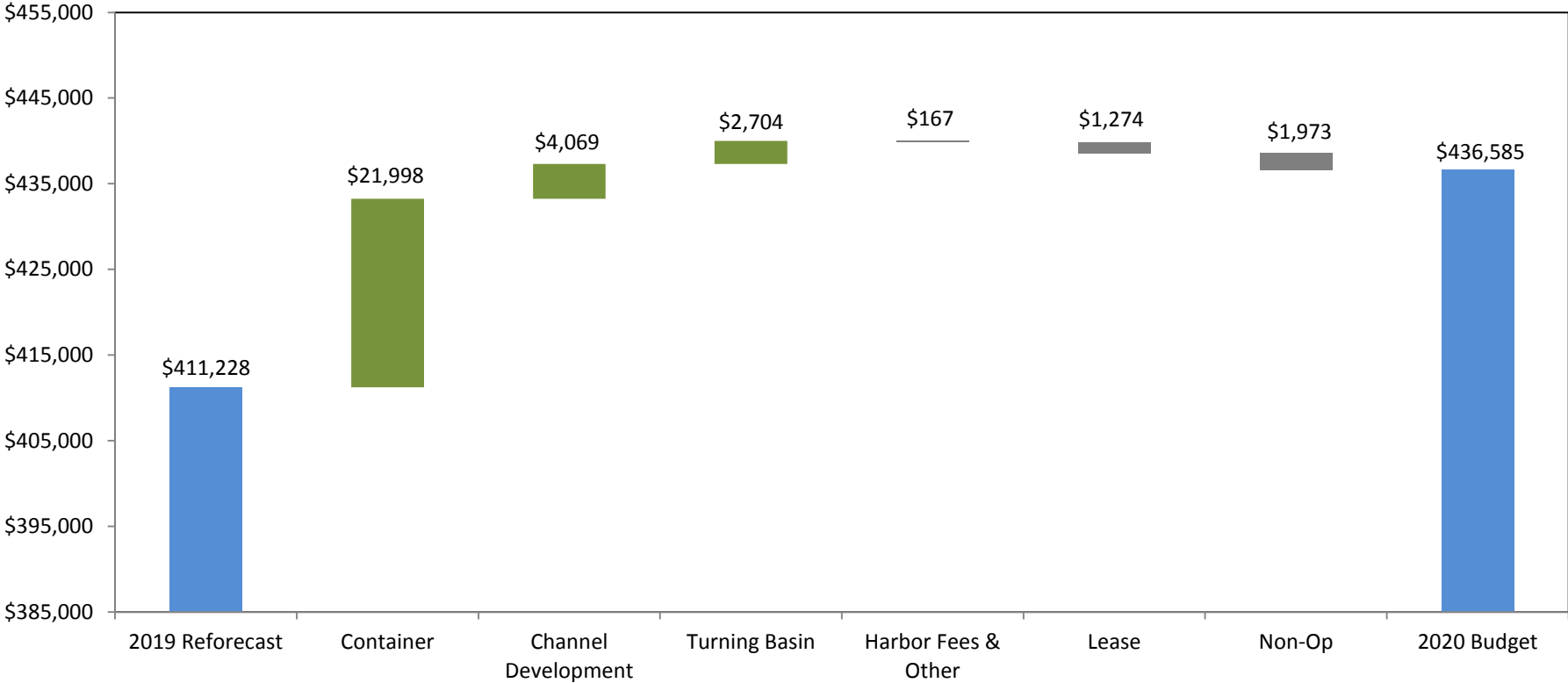
	<u>2018 Audited</u>	<u>2019 Budget</u>	<u>2019 Actual Sep YTD</u>	<u>2019 Reforecast</u>	<u>2020 Budget</u>
Container Terminals year-over-year	\$285,460	\$313,702 9.9%	\$230,430	\$315,733 10.6%	\$337,731 7.0%
Turning Basin Terminals	56,739	57,549 1.4%	40,868	54,117 (4.6%)	56,821 5.0%
Lease Revenues	18,961	16,613	13,952	18,167	16,893 (7.0%)
Harbor Fees	6,523	6,949	5,188	6,926	6,814 (1.6%)
Channel Development	1,587	4,621	1,371	2,526	6,595 161.0%
Other Revenues	444	546	435	625	570 (8.8%)
<b>Total Operating Revenues</b>	<u>\$369,714</u>	<u>\$399,980</u>	<u>\$292,244</u>	<u>\$398,094</u>	<u>\$425,424</u> 6.9%
<b>Non-Operating (Federal Grants, Insurance, Interest Income)</b>	13,634	4,020	10,790	13,134	11,161
<b>Total Revenue</b>	<u><u>\$383,348</u></u>	<u><u>\$404,000</u></u> 5.4%	<u><u>\$303,034</u></u>	<u><u>\$411,228</u></u> 7.3%	<u><u>\$436,585</u></u> 6.2%

\*A tariff increase of 1.8% is included in the 2020 Budget



# 2020 Budget

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



## 2020 Budget



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# Total Revenue – Major Changes (000's)

### 2019 Reforecast

**\$411,228**

#### Container Terminals

Increase in Wharfage - Loaded Containers	8,302	
Increase in Full Container Receipt/Delivery	3,566	
Increase in Wharf Crane Rental	3,025	
Increase in Dockage	1,737	
Increase in Empty Container Receipt or Delivery	1,355	
Increase in Storage	1,157	
Increase in Security Fees	668	
Increase in Container Refrigeration Services	567	
Increase in Wharfage - Empty Containers	396	
Increase in Rent/Lease	333	
Other Container Terminal Revenues	892	<b>21,998</b>

#### Channel Development

Increase in Submerged Land Rent/Lease	4,003	
Increase in DMA Fees	300	
Decrease in Rent/Lease	(369)	
Other Channel Development Revenue	135	<b>4,069</b>

#### Turning Basin Terminals

Increase in Rent/Lease	1,115	
Increase in Wharfage-Import	858	
Increase in Dockage	325	
Increase in Miscellaneous Revenue	174	
Other Turning Basin Terminals Revenue	232	<b>2,704</b>



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## 2020 Budget

# Total Revenue – Major Changes (000's)

### Harbor Fees

Decrease in Harbor & Barge Fees	(111)	(111)
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### Other Revenue

Decrease in Miscellaneous Revenue	(47)	
Other Revenue	(9)	(56)

### Lease Revenues

Decrease in Rent/Lease	(1,194)	
Other Lease Revenues	(80)	(1,274)

### Nonoperating

Increase in Income from Federal Funds	6,980	
Decrease in Interest Income-Securities Current Fund	(5,212)	
Decrease in Interest Income-Time Deposits Current Fund	(2,513)	
Decrease in Miscellaneous Income	(560)	
Decrease in Income from FEMA-Ike	(361)	
Decrease in Interest Income-Delinquent A/R	(229)	
Other Non Operating Revenues	(78)	(1,973)

25,357

\$436,585

**2020 Budget**



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## 2020 Budget

# Expense – Overview

- Increase in Salaries and Benefits driven by higher cargo volumes (and related equipment maintenance) combined with investments in employee reward programs.
- Growth in Depreciation reflecting capacity additions at the Container Terminals (Bayport Container Yards (“CY”) 6 and 7, Barbours Cut CY1 and dredge amortization).
- Increase in Terminal and Asset Maintenance costs related to Splash Zone painting and Executive Office building renovation.
- Consulting fees increase stems largely from Next Generation ERP preparation, Environmental projects, and the Cyber security program.



# 2020 Budget

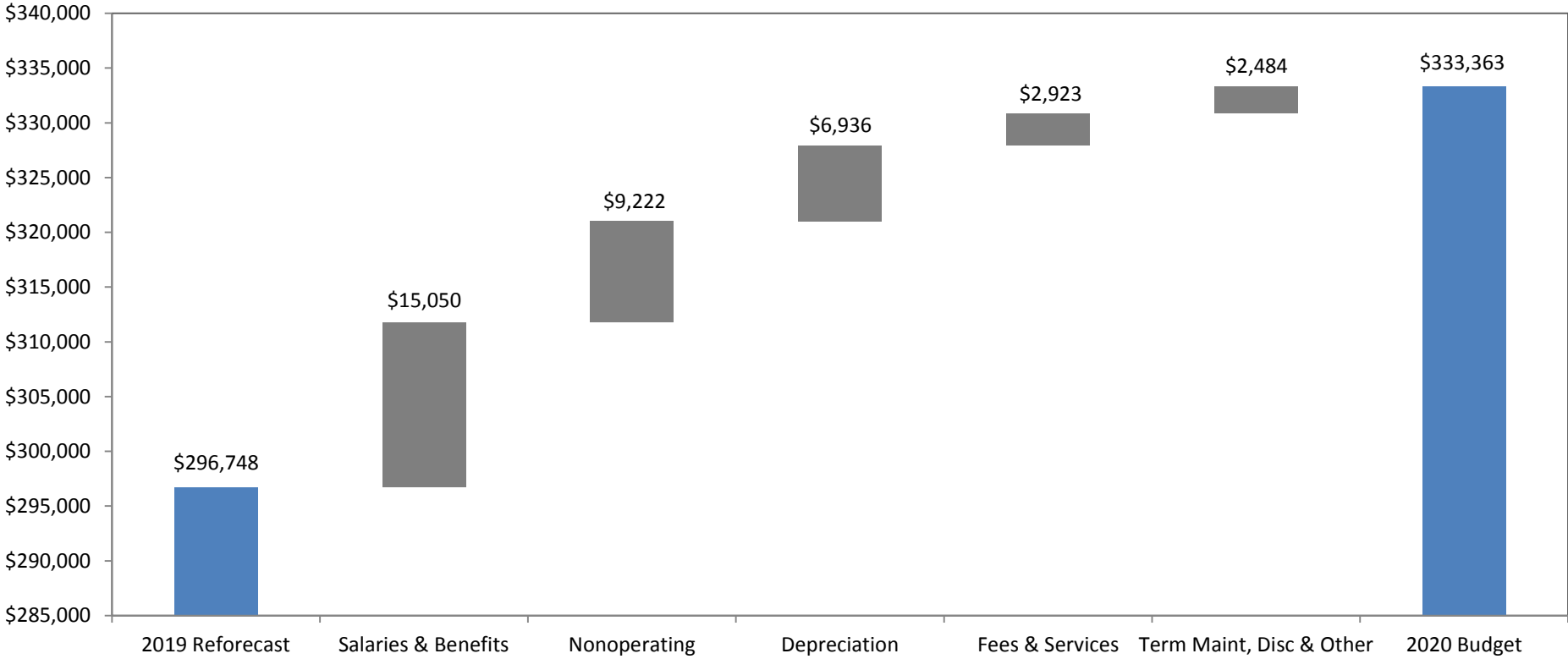
## Total Expense – Summary (000's)

	<u>2018 Audited</u>	<u>2019 Budget</u>	<u>2019 Actual Sep YTD</u>	<u>2019 Reforecast</u>	<u>2020 Budget</u>
Salaries & Benefits	\$128,263	\$139,048	\$104,628	\$138,975	\$153,618
					10.5%
Retirement Benefits	11,346	13,862	9,413	12,854	13,260
					3.2%
Depreciation & Amortization	70,840	73,949	53,201	72,972	79,908
					9.5%
Terminal & Asset Maintenance	21,535	24,184	15,826	21,288	22,512
					5.7%
Fees & Services	20,974	24,782	17,048	24,572	27,494
					11.9%
Insurance	5,141	5,443	3,969	5,338	4,911
					(8.0%)
Utilities	4,676	4,401	3,437	4,539	4,238
					(6.6%)
Fuel	4,239	4,708	3,203	4,392	4,539
					3.3%
Other Discretionary Expenses	7,606	11,859	5,321	8,425	10,845
					28.7%
Allocations	(49)	(750)	0	(188)	(765)
					306.9%
<b>Total Expenses Operations and G&amp;A</b>	<u>274,571</u>	<u>301,486</u>	<u>216,046</u>	<u>293,167</u>	<u>320,560</u>
					9.3%
<b>Nonoperating Expenses</b>	<u>3,017</u>	<u>5,533</u>	<u>2,129</u>	<u>3,581</u>	<u>12,803</u>
<b>Net Expense</b>	<u>\$277,588</u>	<u>\$307,019</u>	<u>\$218,175</u>	<u>\$296,748</u>	<u>\$333,363</u>
					12.3%



# 2020 Budget

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







## 2020 Budget

# Total Expense – Major Changes (000's)

<b>2019 Reforecast</b>			<b>\$296,748</b>
<b>Salaries &amp; Benefits</b>			
PHA Salaries & Benefits	7,740		
ILA Labor Due to Increased Volume	3,308		
PHA Incentive Program	1,988		
Increase in Leavetime Benefits	970		
Increase in Medical Insurance	876		
PHA Retirement Benefits	406		
All Other Salaries & Benefits	(238)	<b>15,050</b>	
<b>Non-Operating</b>			
Increase in Contributions to Federal/State Agencies	7,590		
Unrealized Loss on Investments	1,585		
All Other Non-Operating	47	<b>9,222</b>	
<b>Depreciation &amp; Amortization</b>			
Increase in Amortization (Dredging)	3,493		
Increase in Depreciation	3,443	<b>6,936</b>	
<b>Fees &amp; Services</b>			
Increase in Consulting Fees	2,166		
Increase in Software License Fees	699		
All Other Fees & Services	58	<b>2,923</b>	
<b>Discretionary Expenses</b>			
Refund from the ITC Fire	771		
Increase in PHA Trade Delegation Trips	338		
Increase in Economic Development Support	254		



## 2020 Budget

# Total Expense – Major Changes (000's)

Increase in Travel	233		
Increase in Advertising Media	230		
Decrease in Engineering Design and Analysis Services	(546)		
All Other Discretionary Expenses	1,140	<b>2,420</b>	
<b>Terminal &amp; Asset Maintenance</b>			
Increase in Wharf Maintenance - Contractors	2,290		
Increase in Building Maintenance - Contractors	1,125		
Decrease in Maint. to Items Other Than Equipment - P and S	(580)		
Decrease in Machinery and Equipment Maintenance-Contractor	(527)		
Decrease in Building Maintenance - P and S	(466)		
Decrease in Machinery and Equipment Maintenance - P and S	(376)		
Decrease in Railroad Maintenance - Contractor	(316)		
Decrease in Wharf Maintenance - P and S	(224)		
All Other Terminal & Asset Maintenance	298	<b>1,224</b>	
<b>All Other Expenses</b>	(1,160)	<b>(1,160)</b>	
<b>2020 Budget</b>			<u><b>36,615</b></u> <u><b>\$333,363</b></u>



## 2020 Budget

# Nonoperating – Summary (000's)

	<u>2018 Audited</u>	<u>2019 Budget</u>	<u>2019 Actual Sep YTD</u>	<u>2019 Reforecast</u>	<u>2020 Budget</u>
Nonoperating Revenues	\$8,415	\$2,422	\$9,675	\$11,155	\$2,563
Contribution from Federal/State Agencies	5,219	1,598	1,116	1,980	8,599
<b>Total Nonoperating Revenues</b>	<b>\$13,634</b>	<b>\$4,020</b>	<b>\$10,791</b>	<b>\$13,135</b>	<b>\$11,162</b>
Nonoperating Expenses	923	645	(1,215)	(1,100)	532
Contribution to Federal/State Agencies	2,095	4,888	3,345	4,681	12,271
<b>Total Nonoperating Expenses</b>	<b>\$3,018</b>	<b>\$5,533</b>	<b>\$2,130</b>	<b>\$3,581</b>	<b>\$12,803</b>
<b>Nonoperating items and Contributions</b>	<b>\$10,616</b>	<b>(\$1,513)</b>	<b>\$8,661</b>	<b>\$9,554</b>	<b>(\$1,641)</b>

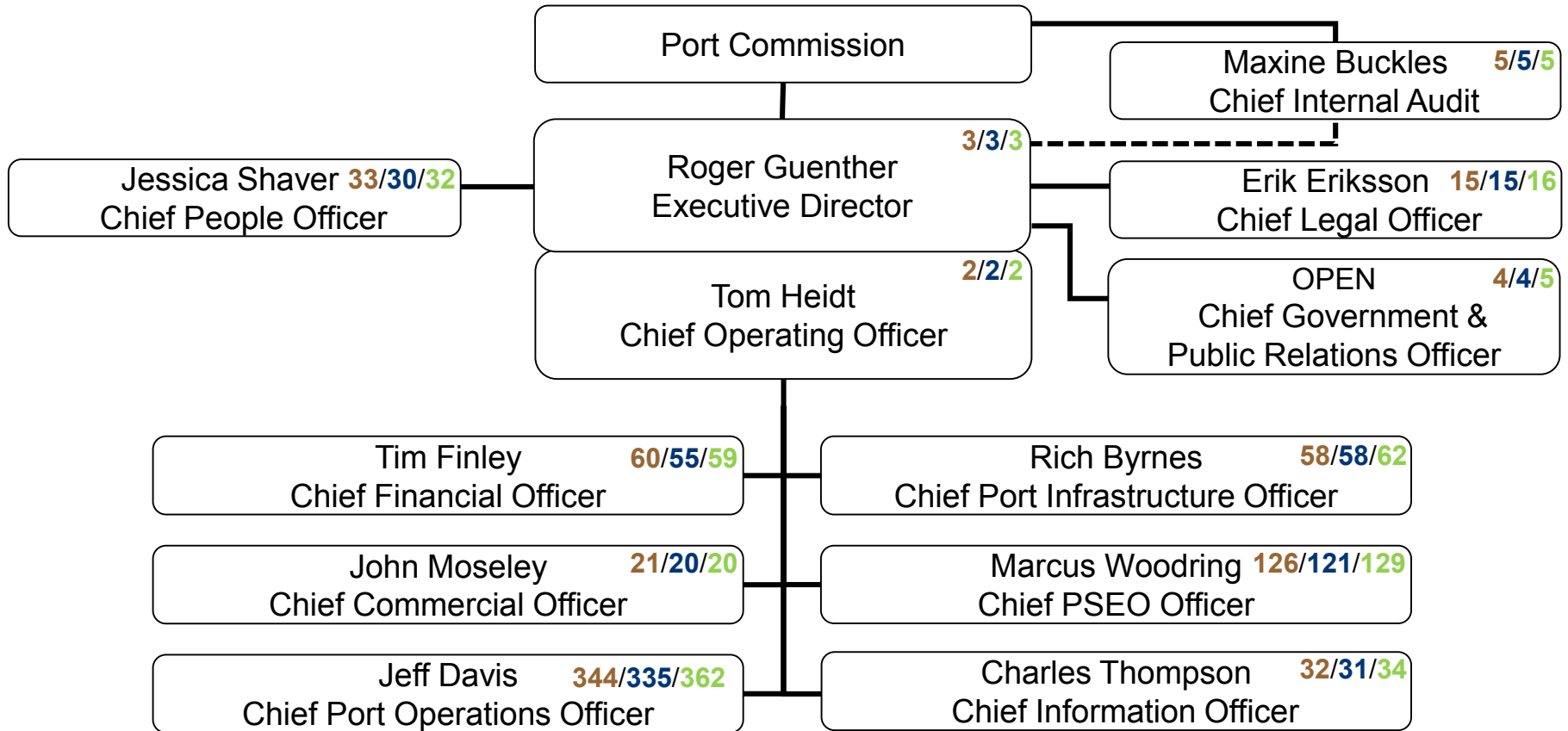
**Comments:**

- 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 the port road project; contribution to Phase 3 of Port Road project



# 2020 Budget

## Organizational structure \*



**2019 Budget = 703/2019 Actual\* = 679/2020 Budget = 729**

2018 Budget = 669    2018 Actual = 652

2017 Budget = 653    2017 Actual = 620

2016 Budget = 623    2016 Actual = 599

\* As of 9/30/2019



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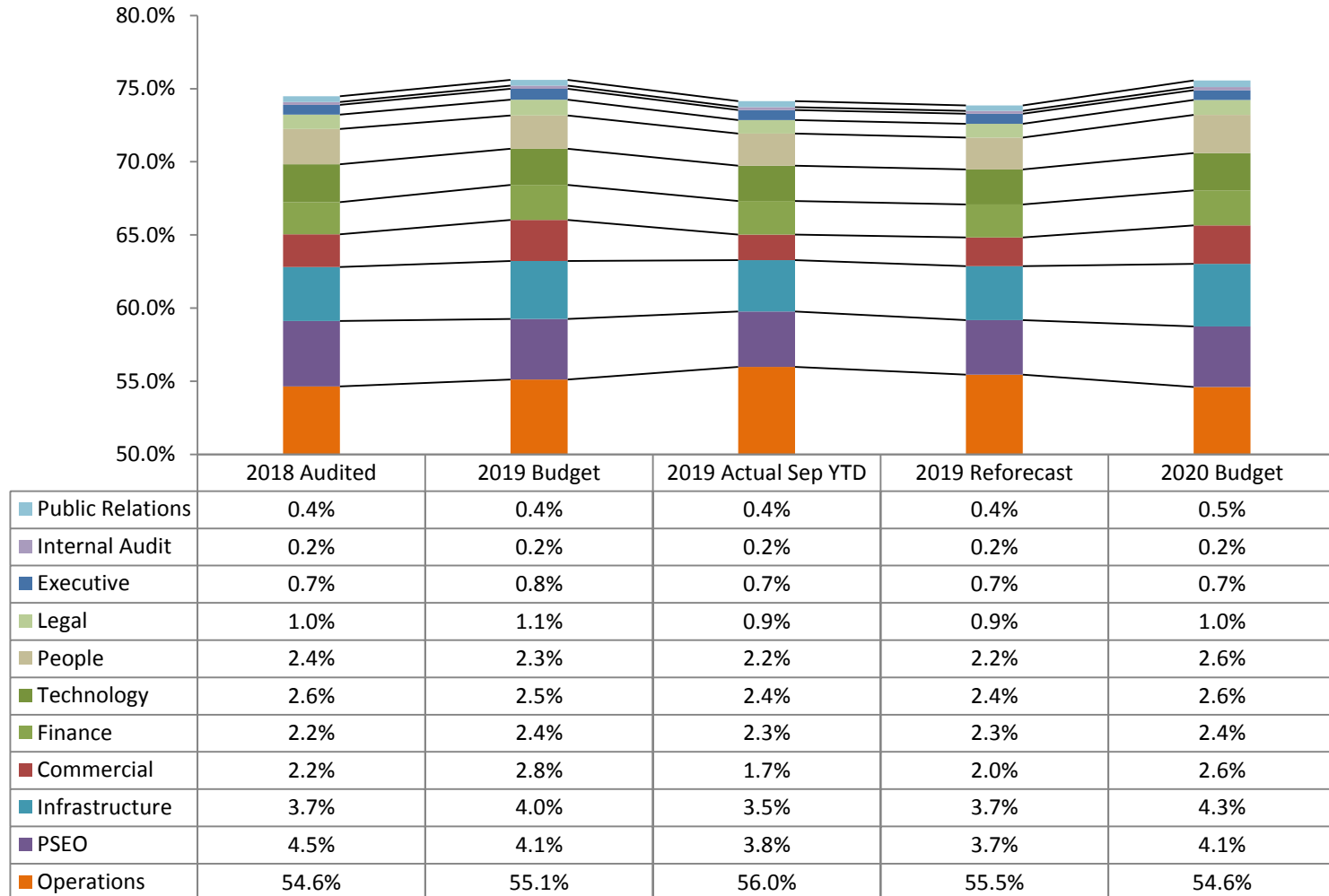
# Division Expense Summary

# 2020 Budget



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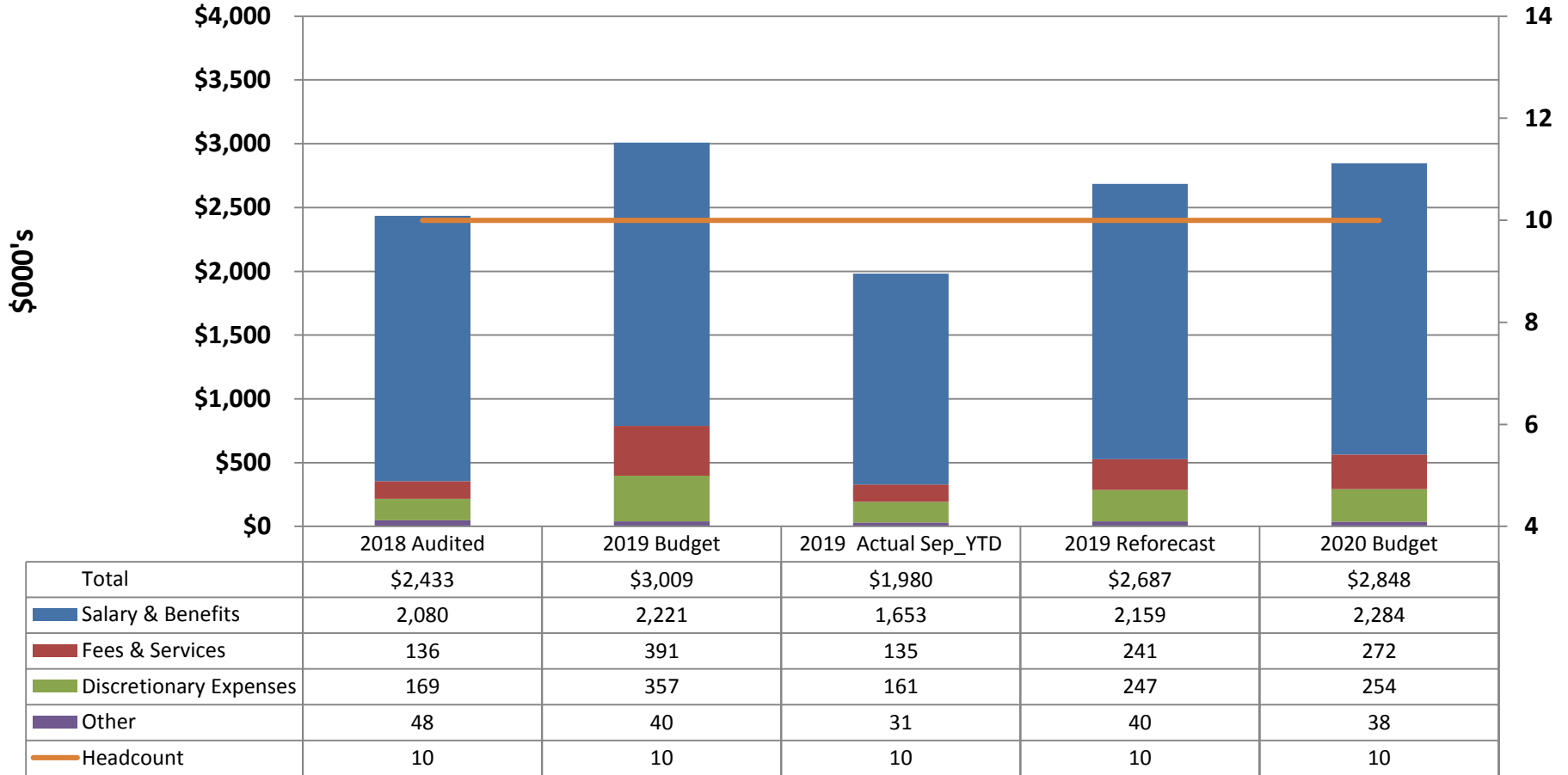
## Division Expense as % of Operating Revenue





# 2020 Budget

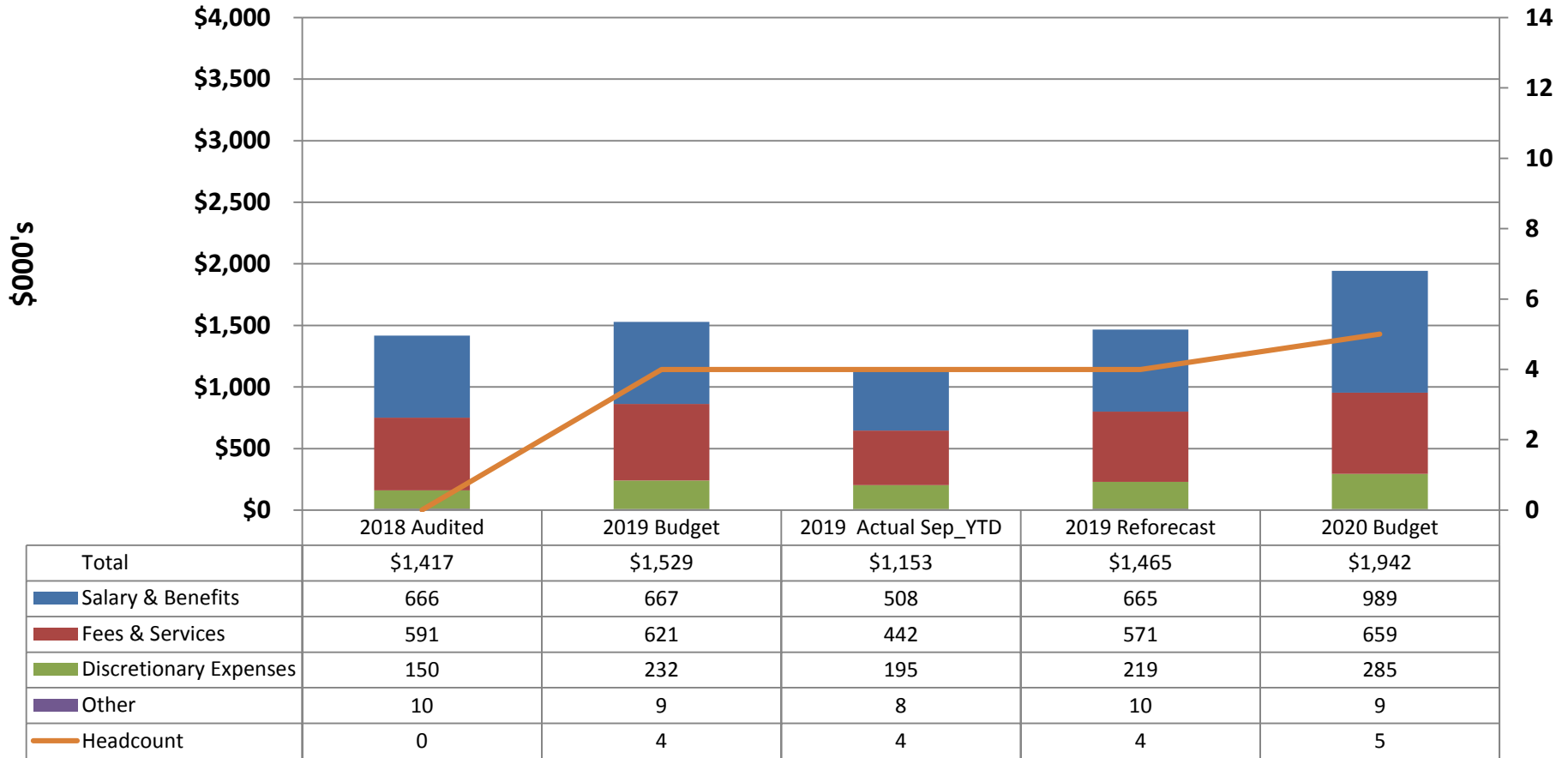
## Executive (000's)





# 2020 Budget

## Government & Public Relations (000's)

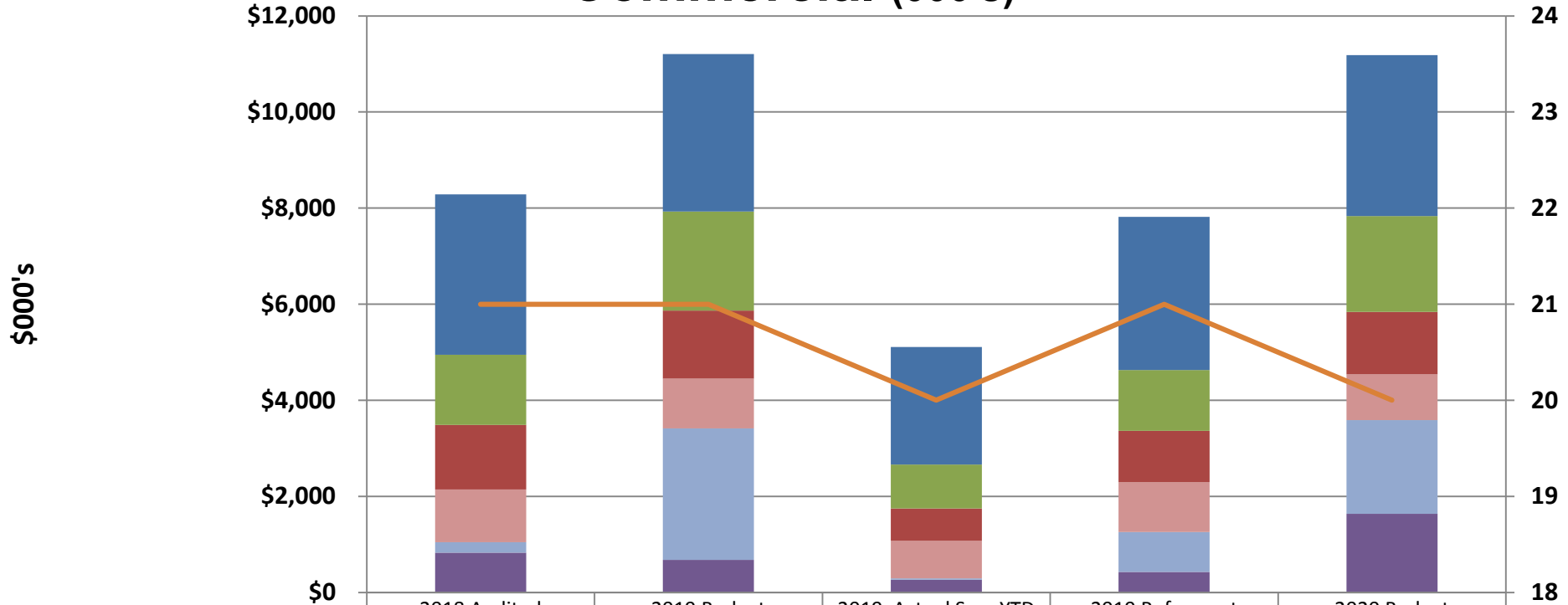






# 2020 Budget

## Commercial (000's)

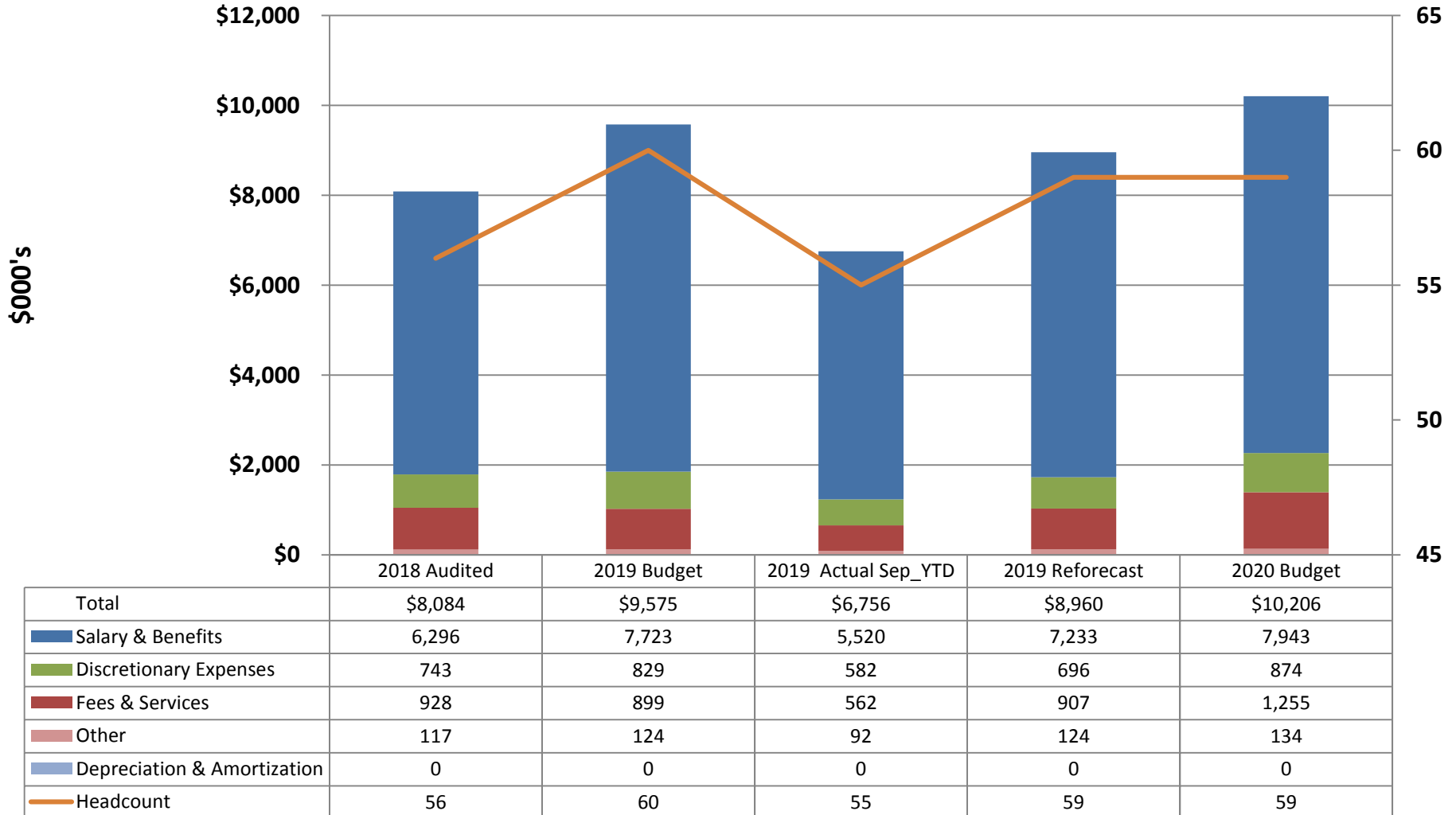


	2018 Audited	2019 Budget	2019 Actual Sep_YTD	2019 Reforecast	2020 Budget
Total	\$8,287	\$11,205	\$5,107	\$7,813	\$11,185
Salary & Benefits	3,339	3,276	2,444	3,183	3,350
Discretionary Expenses	1,464	2,061	917	1,269	1,996
Fees & Services	1,342	1,419	675	1,067	1,298
Depreciation & Amortization	1,095	1,035	781	1,040	952
Terminal & Asset Maintenance	222	2,735	26	826	1,953
Other	825	679	264	428	1,636
Headcount	21	21	20	21	20



# 2020 Budget

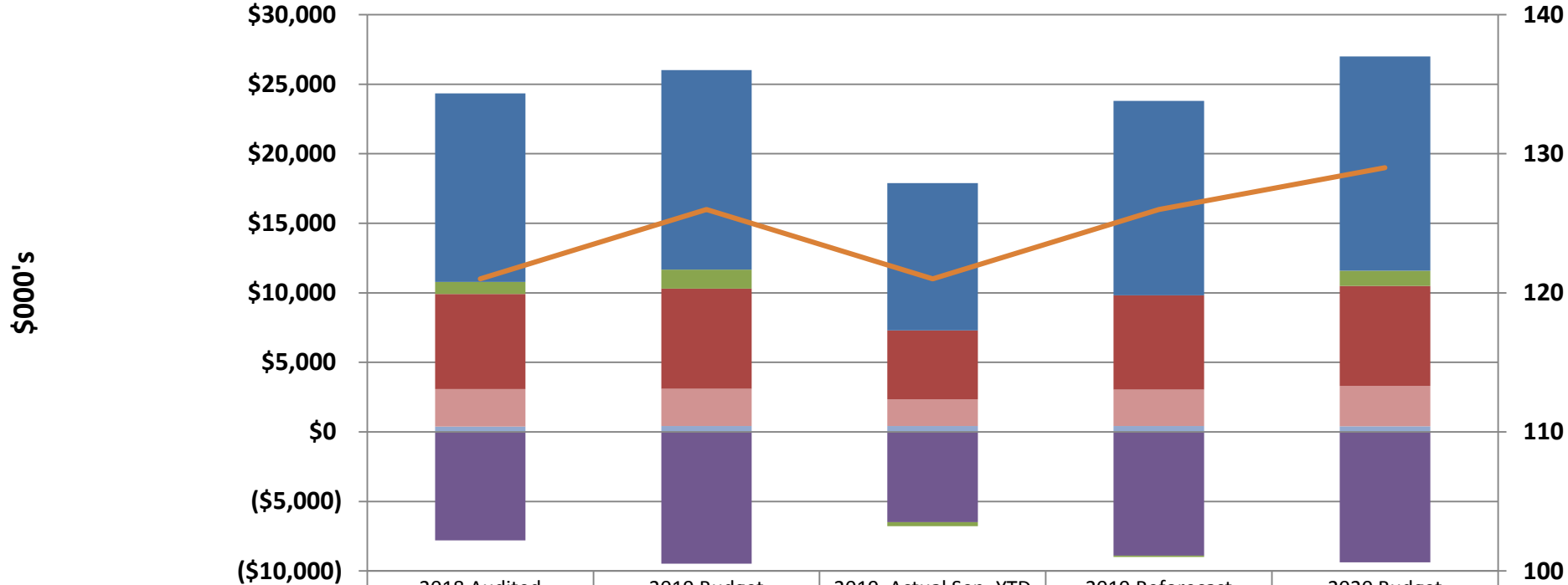
## Finance (000's)





# 2020 Budget

## PSEO (000's)

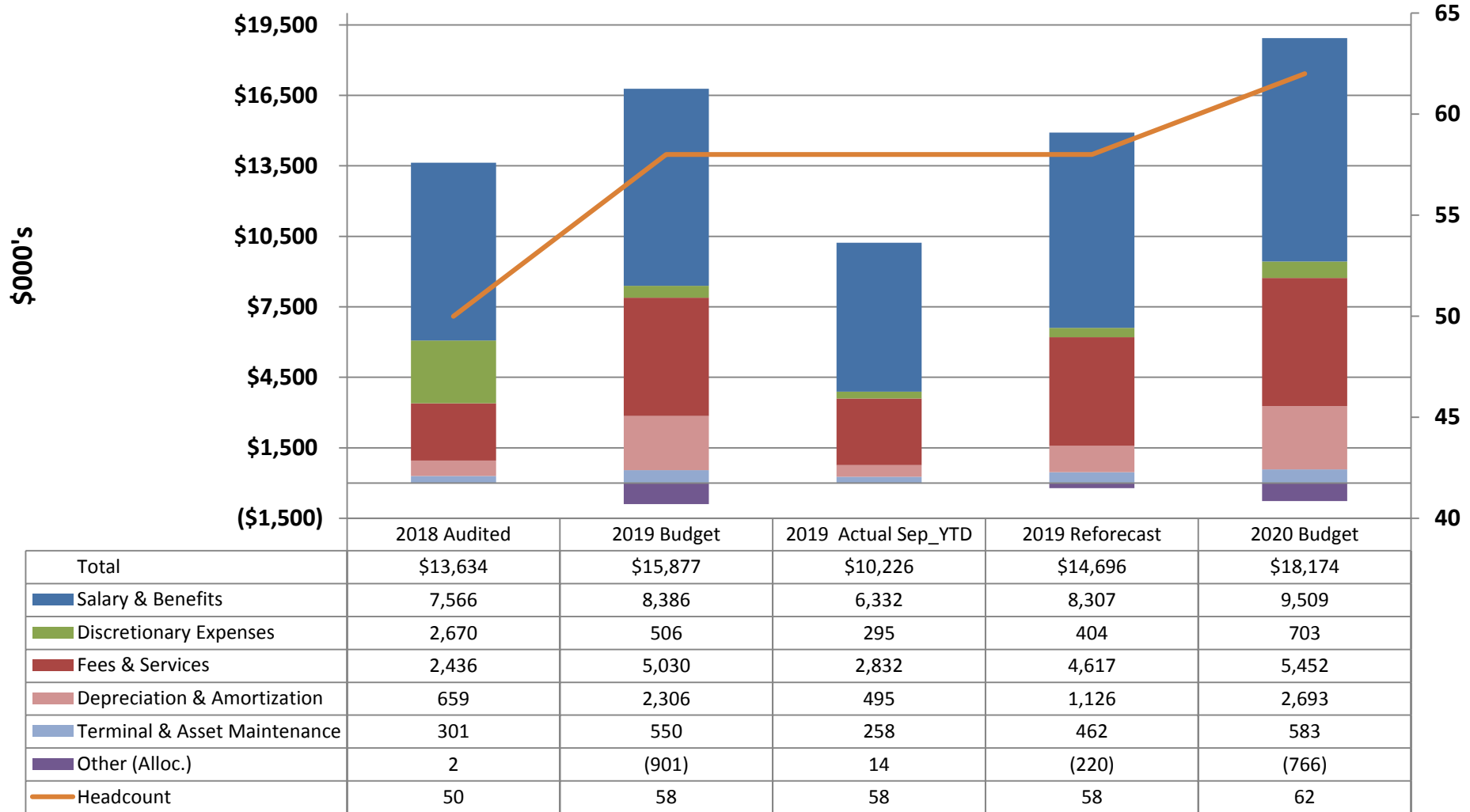


	2018 Audited	2019 Budget	2019 Actual Sep_YTD	2019 Reforecast	2020 Budget
Total	\$16,537	\$16,545	\$11,102	\$14,792	\$17,618
Salary & Benefits	13,568	14,345	10,587	13,971	15,399
Discretionary Expenses	866	1,370	(291)	(97)	1,115
Fees & Services	6,832	7,199	4,950	6,772	7,166
Depreciation & Amortization	2,685	2,679	1,929	2,629	2,913
Terminal & Asset Maintenance	393	428	414	420	405
Other (Alloc.)	(7,807)	(9,476)	(6,487)	(8,903)	(9,380)
Headcount	121	126	121	126	129



# 2020 Budget

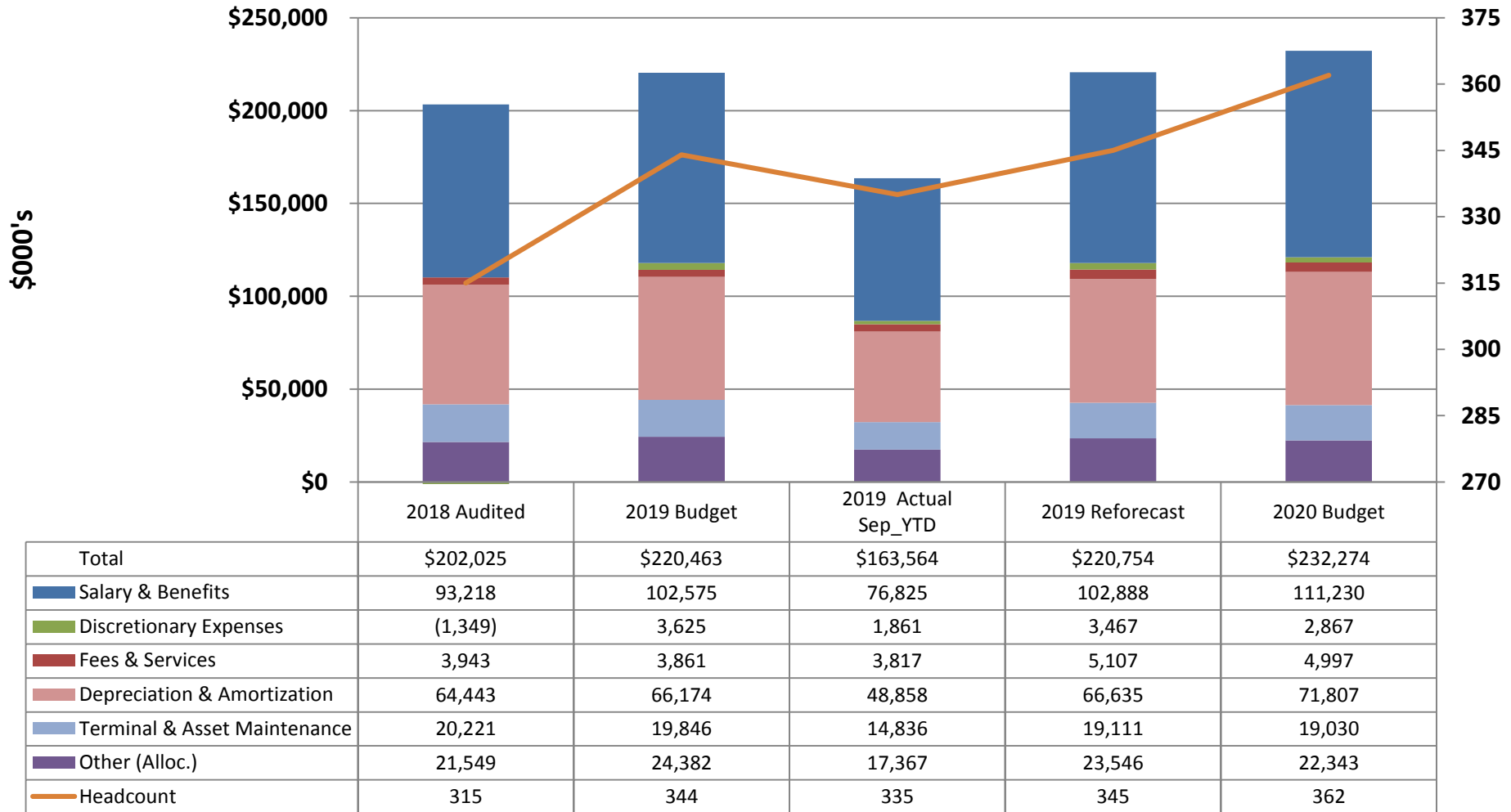
## Infrastructure (000's)





# 2020 Budget

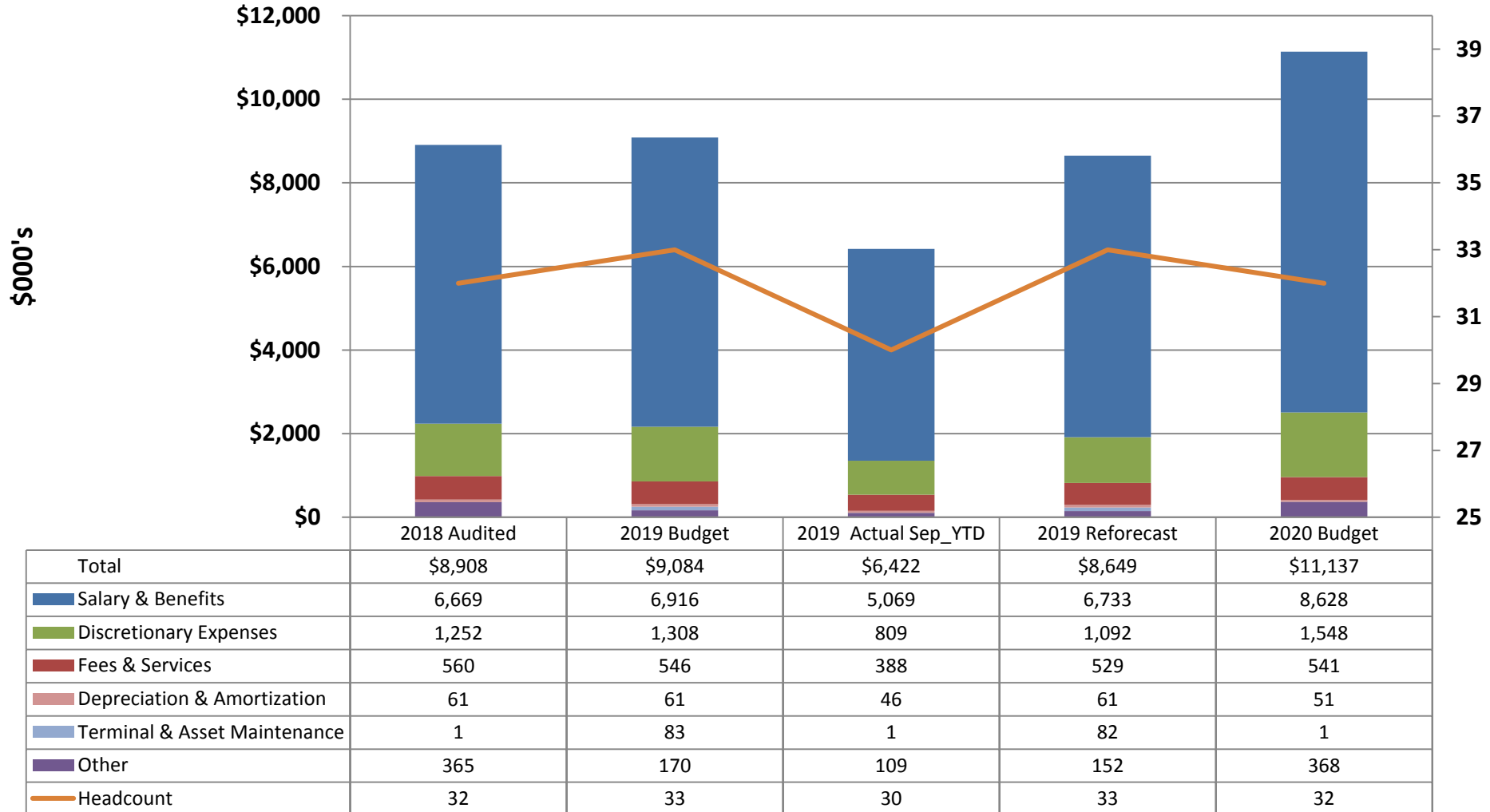
## Operations (000's)





# 2020 Budget

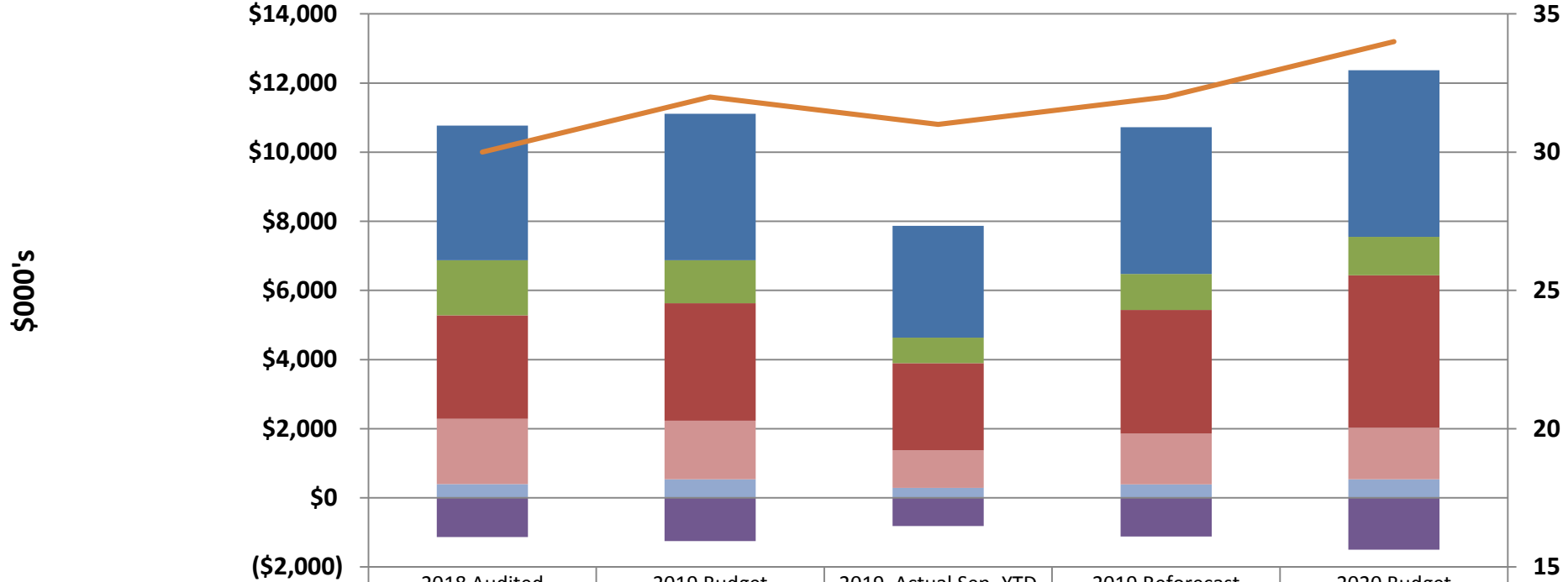
## People (000's)





# 2020 Budget

## Technology (000's)

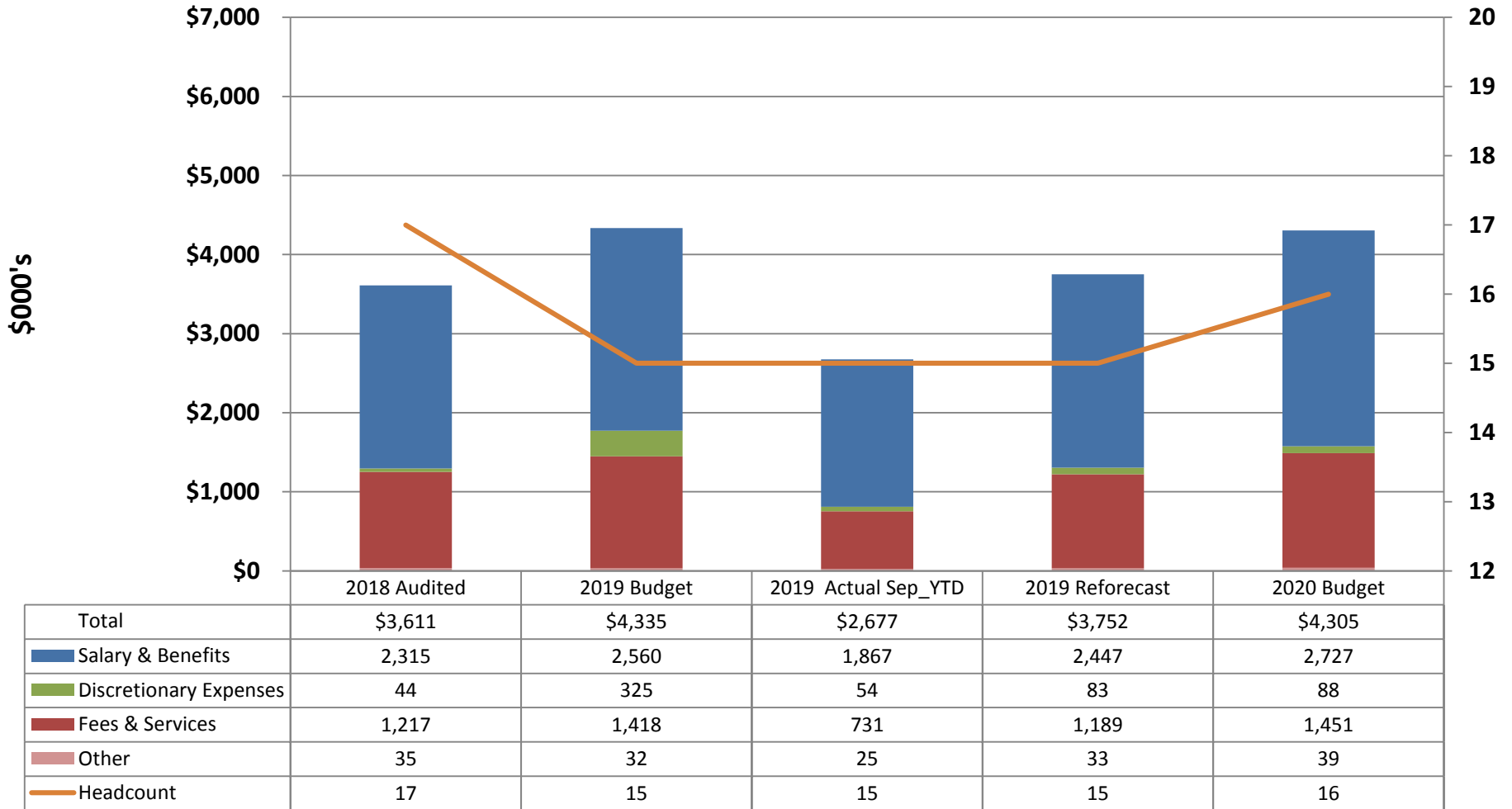


	2018 Audited	2019 Budget	2019 Actual Sep_YTD	2019 Reforecast	2020 Budget
Total	\$9,634	\$9,863	\$7,059	\$9,598	\$10,871
Salary & Benefits	3,891	4,240	3,236	4,241	4,819
Discretionary Expenses	1,597	1,246	738	1,044	1,115
Fees & Services	2,989	3,397	2,517	3,571	4,404
Depreciation & Amortization	1,892	1,688	1,088	1,476	1,491
Terminal & Asset Maintenance	397	541	291	387	541
Other (Alloc.)	(1,132)	(1,249)	(811)	(1,121)	(1,499)
Headcount	30	32	31	32	34



# 2020 Budget

## Legal (000's)

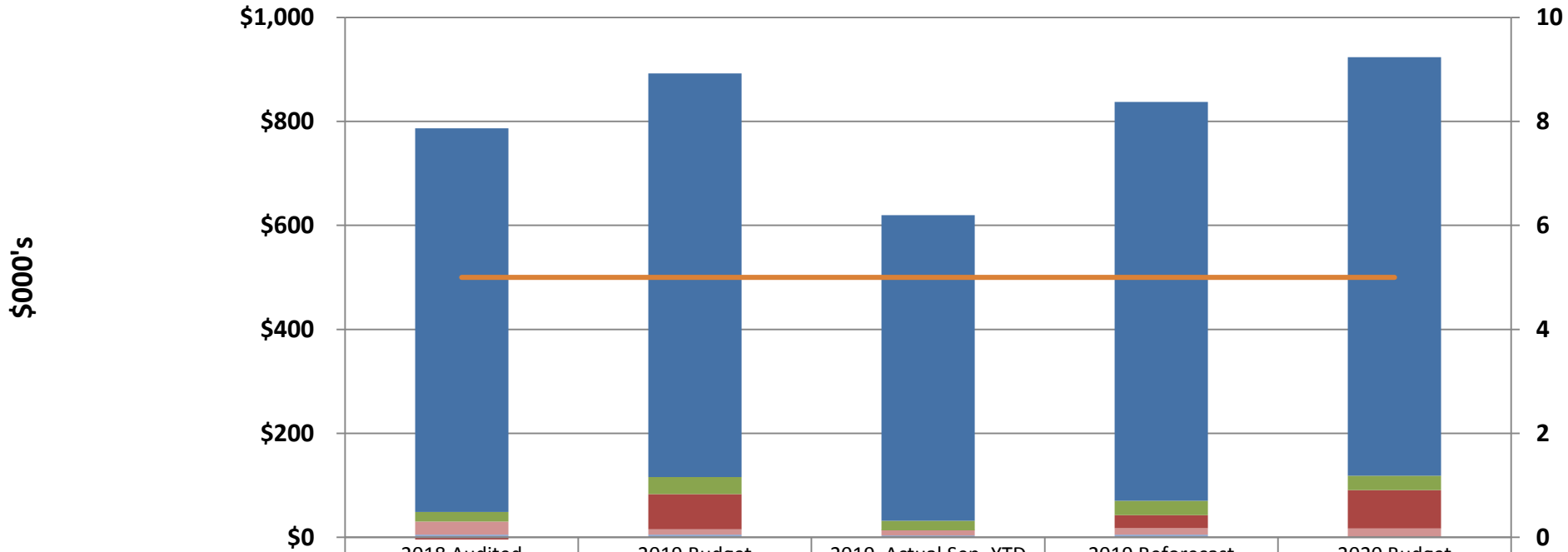






# 2020 Budget

## Internal Audit (000's)



	2018 Audited	2019 Budget	2019 Actual Sep_YTD	2019 Reforecast	2020 Budget
Total	\$770	\$893	\$619	\$837	\$923
Salary & Benefits	738	777	588	767	805
Discretionary Expenses	18	33	18	28	27
Fees & Services	(16)	67	0	25	74
Other	25	11	9	12	17
Depreciation & Amortization	5	5	4	5	0
Headcount	5	5	5	5	5

\*Included in Executive Division



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# Promotion & Development



## 2020 Budget

# Promotion & Development By Department (000's)

	<u>2019 Budget</u>	<u>2020 Budget</u>	<u>Variance</u>	<u>Variance %</u>
839-Trade Development	\$1,196	\$1,447	\$251	21.0%
881-M/V Sam Houston	1,022	1,124	102	10.0%
838-Marketing and Branding	1,427	982	(445)	(31.2%)
853-Government Relations	773	860	87	11.3%
837-Community Relations and Events	561	834	273	48.7%
806-Small Business	352	616	264	75.0%
818-Education Outreach	228	228	-	0.0%
170-Economic Development	143	159	16	11.2%
810-Executive	384	152	(232)	(60.4%)
832-Chief Commercial Officer Administration	79	103	24	30.4%
830-Research and Forecasting	-	56	56	100%
145-Channel Development	8	8	-	0.0%
856-Media Relations	5	4	(1)	(20.0%)
	<u>\$6,178</u>	<u>\$6,573</u>	<u>\$395</u>	<u>6.4%</u>

*Note: The 2020 Budget includes expenditures classified as Promotion & Development in accordance with the P&D Policy enacted in 2013.*



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# 2020 Capital Budget



## 2020 Budget

# Total Capital Investments (000's)

	2018 <u>Actual</u>	2019 <u>Budget</u>	2019 <u>Reforecast</u>	2020 <u>Budget</u>
Barbours Cut	\$ 5,454	\$129,611	\$170,082	\$ 51,680
Bayport Terminal	76,488	93,473	40,033	83,831
Channel Development*	6,164	20,092	40,292	28,813
Turning Basin Terminals	5,430	19,472	9,208	24,490
Maintenance	4,374	6,847	4,961	10,997
PSEO	396	5,946	5,063	2,188
Bayport Railroad	14,932	5,100	1,358	4,600
Real Estate	50	5,000	8,124	21,445
Other	1,973	1,856	3,190	3,458
Total Capital	<u>\$115,261</u>	<u>\$287,397</u>	<u>\$282,311</u>	<u>\$231,502</u>
Grant Reimbursements	(2,575)	(727)	(1,555)	(8,532)
Net Capital	<u>\$112,686</u>	<u>\$286,670</u>	<u>\$280,756</u>	<u>\$222,970</u>

\*Includes Channel project design costs and Beltway 8 Placement Area site preparation in 2019 reforecast and 2020, respectively



# 2020 Budget

## Bayport Terminal (000's)

<b>Major Projects</b>	<b>2020 Budget</b>
Container Yard ("CY") 2 South	\$ 23,331
9 Rubber Tire Gantry ("RTG") - CY2S	17,731
Port Road Phase 3*	16,965
Strengthen Wharves 4&5	13,444
Manage Placement Area Material	6,835
Raise/Extend Crane 212	2,650
Other (RFID, project designs, vehicles, etc.)	<u>2,875</u>
<b>Total Projects</b>	<b><u>\$ 83,831</u></b>

\* Will be partially offset by \$9.7M in grant funding



## 2020 Budget

# Barbours Cut Terminal (000's)

<b>Major Projects</b>	<b>2020 Budget</b>
Container Yard ("CY") 3 Reconstruction	\$ 26,131
Construction of Maintenance Facility	20,738
Gate Expansion -- IT Components	1,500
Radio Frequency Identification ("RFID")	1,000
Demolition of Wharf 3 Cranes	750
Fire Suppression System	650
Other	911
<b>Total Projects</b>	<b><u>\$ 51,680</u></b>



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# 2020 Budget

## Channel Development (000's)

<b>Major Projects</b>	<b>2020 Budget</b>
Channel Project - Beltway 8 Placement Area Prep	\$ 9,500
General Cargo Maintenance Dredging	6,199
Cost Share to USACE for Placement Areas	4,540
Maintenance Dredge/Tipping Fees	4,634
Cost Share to USACE for Dike Raise	2,500
Other	1,440
<b>Total Projects</b>	<b><u>\$28,813</u></b>





# 2020 Budget

## General Cargo Terminals (000's)

<b>Turning Basin Terminal</b>	
<b>Major Projects</b>	<b>2020 Budget</b>
Rehabilitation of Wharf 9	\$ 6,221
Transit Shed Restrooms Construction	5,185
Roof for Transit Shed 30-31	1,600
Other (Dock Lighting, Wharf 8 Design)	1,115
<b>Total Projects</b>	<b>\$ 14,121</b>

<b>Manchester Terminal</b>	
<b>Major Projects</b>	<b>2020 Budget</b>
Manchester-Wharf M2	\$ 10,369
<b>Total Projects</b>	<b>\$ 10,369</b>

<b>Total General Cargo Projects</b>	<b>\$ 24,490</b>
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# 2020 Budget

## Real Estate (000's)

<b>Major Projects</b>	<b>2020 Budget</b>
Bayport -- South of Port Road	\$ 11,800
Land Purchase	5,000
Executive Office Building	2,409
Sam Houston Pavilion Redevelopment	1,200
Spillman Island Bridge	1,000
Other	36
<b>Total Projects</b>	<b><u>\$ 21,445</u></b>

# Liquidity planning projections, 2020 Operating & Capital Budget

Funds available for Commission award

\$ in thousands



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<b>PORT OF HOUSTON AUTHORITY</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Funds Available, Beginning of Period</b>	\$ 427,746	\$ 89,223	\$ 40,851
Debt Service, Contingency, & Other	(87,480)	-	-
Outstanding PO's and Commitments	(143,467)	-	-
	<u>196,799</u>	<u>89,223</u>	<u>40,851</u>
Sources:			
Total Cash Flow	174,735	183,130	192,209
<b>Available Resources</b>	<u>371,534</u>	<u>272,353</u>	<u>233,060</u>
Uses:			
New Capital Investment			
Bayport Terminal	40,033	83,831	129,482
Barbours Cut	170,082	51,680	290
Channel Development	40,289	28,813	16,704
Turning Basin Terminals	9,268	24,490	12,975
Real Estate	8,124	21,445	14,185
Maintenance	4,961	10,997	9,630
Bayport Rail	1,358	4,600	-
Other	8,196	5,646	10,806
<b>Net Uses</b>	<u>282,311</u>	<u>231,502</u>	<u>194,072</u>
<b>Funds Available, End of Period</b>	<u><b>\$ 89,223</b></u>	<u><b>\$ 40,851</b></u>	<u><b>\$ 38,988</b></u>

## **HOUSTON SHIP CHANNEL**

Houston Ship Channel Project *	\$ 29,928	\$ 9,500	\$ 283,300
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\* Based on a 50:50 project cost share with industry partners; 2019 and 2020 expenditures are funded by Authority cash flow (initially) while 2021 construction is debt financed, with debt service paid by cash flow.