

I N D E X
PORT COMMISSION
OF THE
PORT OF HOUSTON AUTHORITY
OF THE PORTS OF HARRIS COUNTY, TEXAS

November 13, 2018

<u>Minute No.</u>	<u>Event/Action</u>
	General
	Commissioner Kennedy convened the meeting of the Port Commission and provided opening remarks
2018-1113-01	Approve the proposed Fiscal Year 2019 Operating and Capital Budget
2018-1113-02	Staff briefing regarding the proposed Five Year Operating and Capital Plan
2018-1113-03	Approve execution and adoption of resolutions, agreements and documents necessary to give effect to a new \$100,000,000 Senior Lien Variable Rate Revolving Note Program, including authorization to (a) incur borrowings under such financing, (b) incur rating agency fees, commitment fees, legal fees, paying agent fees, financial advisory fees, and other costs relating to the program (Costs) in an amount not to exceed \$1,000,000 for the period through December 31, 2019, and (c) in addition to the Costs, incur applicable interest costs relating to borrowings thereunder
	E. Infrastructure
2018-1113-04	Agenda Item E1 was tabled
	F. Operations
2018-1113-05	Approve increases in Port Authority tariff charges including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other tariff charges at amounts equal to the lower of the increase in the Consumer Price Index average for the 12-month period ending July 2018 or the increase in the Index average for the 12-month period ending October 2018, as published by the U.S. Bureau of Labor Statistics, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2019
	Adjourn Meeting

**Port of Houston Authority
Port Commission Public Meeting**

**Houston, Texas
November 13, 2018**

A public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on November 13, 2018 at 9:05 a.m., at the Port of Houston Authority Executive Offices, Fourth Floor Boardroom, at 111 East Loop North, Houston, Texas 77029. The following Commissioners, staff, and counsel were present:

John D. Kennedy, Chairman Pro Tem
Theldon R. Branch, III, Commissioner
Stephen H. DonCarlos, Commissioner
Clyde E. Fitzgerald, Commissioner
Roger Guenther, Executive Director
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer
Jeff Davis, Chief Port Operations Officer
Tim Finley, Chief Financial Officer
Charlie Jenkins, Senior Director, Asset Management
Ray Yi, Senior Director, Treasury
J. Kent Friedman, outside counsel

Commissioner Kennedy convened the meeting of the Port Commission, welcomed everyone and announced that he would chair the meeting in Chairman Longoria's absence.

(2018-1113-01) Commissioner Kennedy called for Item D1 on the agenda, "Consideration and possible action regarding the proposed Fiscal Year 2019 Operating and Capital Budget."

Mr. Finley greeted the attendees and referenced the meeting materials previously distributed to the Port Commission and displayed on the screen. He advised that the Port Authority's tax revenues were not included in the operating budget, since those revenues were used exclusively for debt service on the Port Authority's ad valorem tax bonds. Mr. Finley also noted that all expenditures over \$50,000 would continue to be brought to the Port Commission for approval. Finally, he pointed out that references to the "2018 Reforecast" refer to the 2018 budget update prepared by staff as of mid-year.

Mr. Finley stated that 2019 operating revenue growth was projected to be 8% over the 2018 Reforecast, fueled by a growth in containers, including import loads and resin production exports. Operating expenses for 2019 were also estimated to increase by 8% on volume projections and spending on new initiatives.

Operating cash flow was projected to increase by 7% in 2019 to \$172 million. Total cash flow was estimated at \$171 million, up 3%. Headcount growth included an additional 33 new positions, primarily in the Operations Division. \$287 million was budgeted for the 2019 capital plan, focused primarily on container terminal development. Liquidity

projections showed sufficient resources to fund capital plans through the planning horizon, absent any major ship channel widening/deepening projects.

Mr. Finley projected that total revenue for 2019 would be approximately \$404 million. Commissioner Kennedy asked Mr. Finley the reason for the growth. Mr. Finley stated that it was mainly attributable to the container business, including the increase in resin and Trans-Pacific cargo.

Commissioner Branch inquired if staff had adjusted the budget to reflect any impact on container growth due to the upcoming tariffs. Mr. Guenther reported that he made a recent trip to Asia to meet with carriers, and so expected that business would continue to be robust through the end of the year, but the sector from China was an unknown at this time, and there may be a downturn in imports from Asia. On the export side, petrochemical companies have stated that they would continue to produce product and if not shipped to China it would be shipped to South America or Europe. Mr. Guenther advised that Indian shippers started coming in the half-way point this year, and he expected those services to grow. Mr. Moseley added that Port Houston is diverse in its trade portfolio and is evenly split between North/South and Trans-Atlantic/Trans-Pacific.

Mr. Finley noted that staff was projecting an 11% increase in import steel, with up to 4.9 million tons expected in 2019. Total autos were expected to decrease 5%, with more cars coming to the area via rail as opposed to via ocean-going vessels. General cargo was expected to show a 7% increase in 2019.

Total revenue, which was forecast at \$380 million for 2018, was expected to reach \$404 million for 2019, largely driven by container revenue expectations and an increase in Turning Basin cargo and lease revenues. Revenue increases were also projected in Channel Development due to barge fleetings and dredged material placement fees.

Mr. Finley advised that expenses were forecast at \$282 million in 2018 compared with an expected \$307 million for 2019. Expenses were driven by operating and infrastructure-related charges including International Longshoremen's Association ("ILA") labor costs tied to the increasing container volumes, an increase in Port Authority headcount, and depreciation and amortization related to capital projects. Also included in the expenses were costs for the pending development of Port Road Phase 3. Changes in overhead included salaries and benefits, fees and services for cybersecurity, an environmental project, Executive Office building improvements, software licensing fees, and capacity studies for general cargo.

Mr. Finley stated that the 2019 budget proposed a total headcount of 703; 26 additional positions in operations and 7 more in general and administrative ("G&A"). Commissioner Fitzgerald asked if the Port Authority was competitive in the market and so

able to fill these positions with quality people. Ms. Shaver stated that the recently completed Mercer study noted that the Port Authority was above-market. Commissioner Branch asked to confirm whether the 703 headcount excluded ILA workers; Mr. Finley advised him that was correct.

Mr. Heidt called on Mr. Jenkins to give a brief overview of Phase 1 of the Facility Inspection and Condition Assessment Program (FICAP) regarding marine assets and structures ("Asset Management Program"). Commissioner Branch asked, prior to Mr. Jenkins' presentation, if staff was including current issues that had just been discovered in the program; Mr. Heidt replied in the affirmative.

Mr. Jenkins reported that the team had been focusing on docks and wharves. Bayport currently has 5 wharves, with an average construction date of 2010, Barbours Cut has 8 wharves with an average construction date of 1983, and Turning Basin North and South has 38 wharves with an average construction date of 1946. The newest facility at the Turning Basin is Dock 32, which is 34 years old.

Mr. Jenkins advised that at year's end the team will have completed a review of 42 of the marine assets that were high priorities in 2018, for a total of 141 marine assets, and he estimated that review of the remaining marine assets would be completed in three years. Mr. Jenkins noted that the team would be starting to inspect the corrosion of steel structures in the water, and electrical distribution and communication systems. He presented a slide which showed a sampling of 15 of the 42 assets inspected and the relative findings. There was a total of 117 actions noted; 72 of the items discovered were routine maintenance matters and 42 items were priority actions. Three high-priority issues, at City Docks 21, 25, and 26, were caught early, and these wharves were taken out of service for repairs.

Discussion ensued regarding how projects were prioritized. Mr. Heidt advised that the purpose of the Asset Management Program was to not only identify necessary repairs but to ascertain the value of each asset, to assist in prioritizing repairs. Commissioner DonCarlos asked that staff provide the Port Commission with a specific list of future inspections and findings. Mr. Heidt advised that when Phase 1 was completed staff would furnish the commissioners its findings, as well as the plan for Phase 2.

Mr. Finley briefly reviewed the operating cash flow that would fund the 2019 capital budget of \$287 million. Items included strategic projects, recapitalization projects, channel projects, and maintenance equipment and other replacements.

Commissioner Branch inquired if any of the capital project funding would be provided by the Federal Government. Mr. Finley advised that there was approximately \$2 million of grant monies for Port Security items and reefers at Bayport; however, the monies have not yet been received and therefore were not included in the budget.

Regarding liquidity projections, Mr. Finley advised the Port Commission that \$78 million is expected to be available at the end of 2019 for future projects, and \$36 million at the end of 2020.

Commissioner Branch noted that in 2019 the Port Commission would need to look at obtaining additional money to continue to fund the capital plan. Mr. Finley agreed with Commissioner Branch's statement; however, he added that if agenda Item D3 (relating to a \$100 million bank line of credit) was approved, there would be sufficient liquidity to fund Port Authority capital plans, barring a major Houston Ship Channel widening and deepening project. Mr. Finley noted that this liquidity issue was also addressed in agenda Item D2 (relating to the Five Year Plan).

Mr. Finley asked if there were any additional questions regarding the 2019 Operating and Capital Budget.

Commissioner Fitzgerald asked for clarification regarding the decrease in auto and increase in rail. Mr. Davis explained that cars coming across the docks are expected to decrease but cars continue to come into the Port Authority by rail from Mexico. He added that the Port Authority imposes a surcharge on all vehicles that arrive via rail.

Commissioner Kennedy commented that the Port Authority appears to be in excellent shape and which is reflective not only in its business growth but also in the efficiency of the operations that staff is pursuing. He thanked staff for that and expressed appreciation for the asset management work being conducted and added that he would like to see that work continue. Commissioner Kennedy also thanked staff for the exceptional job in presenting the 2019 Operating and Capital Budget.

Commissioner Kennedy called for a motion to approve the proposed Fiscal Year 2019 Operating and Capital Budget, moved by Commissioner Fitzgerald, seconded by Commissioner Branch. Commissioners Kennedy, Branch, DonCarlos, and Fitzgerald voted Aye. Nays None. THE MOTION PASSED.

(2018-1113-02) Commissioner Kennedy called for Item D2 on the agenda, "Staff briefing, discussion, and possible action regarding the proposed Five Year Operating and Capital Plan."

Mr. Finley presented a brief overview, for informational purposes only, of the Five Year Operating and Capital Plan. He pointed out that operating revenues reflect a 4.5% compound annual growth rate ("CAGR") across the Five Year Plan.

Mr. Finley noted that operating cash flow in 2019 is estimated to be \$172 million, increasing to \$214 million in 2023. The growth in cash flow would be generated by operations and expected to be reinvested in support of the capital plan.

The Capital Improvement Plan (“CIP”) shows \$287 million being expended in the 2019 budget; over the five years an estimated cumulative total of \$902 million in capital requirements is expected to sustain and grow the business. These numbers presumed that the economy sustains the current track, with an annual cash flow of over \$150 million a year over the next five years.

Commissioner Branch reiterated that these figures did not include any expenditures for widening and deepening the channel; Mr. Heidt confirmed that was correct. A discussion ensued regarding the timing and funding of the widening and deepening project. Mr. Guenther stated that appropriations, if awarded, would not be announced until 2020 at the earliest, and that staff was also looking at other funding options. Commissioner DonCarlos emphasized that staff needs to have funding options in place to move forward with the project. Mr. Guenther advised the Port Commission that he would keep them apprised of developments.

(2018-1113-03) Commissioner Kennedy called for Item D3 on the agenda, “Approve execution and adoption of resolutions, agreements and documents necessary to give effect to a new \$100,000,000 Senior Lien Variable Rate Revolving Note Program, including authorization to (a) incur borrowings under such financing, (b) incur rating agency fees, commitment fees, legal fees, paying agent fees, financial advisory fees, and other costs relating to the program (Costs) in an amount not to exceed \$1,000,000 for the period through December 31, 2019, and (c) in addition to the Costs, incur applicable interest costs relating to borrowings thereunder.”

Mr. Yi announced that, during negotiations for the renewal of the previous \$300 million note program, staff received three unsolicited financing proposals, which were reviewed with the Port Authority’s financial advisors. The evaluation showed that Regions Bank offered very beneficial terms and conditions, including a significant reduction in fees and borrowing rates. Staff recommended establishing a new Note Program for a reduced amount of \$100 million with affiliates of Regions Bank as lenders, and a five-year term to provide a cushion of liquidity, for additional opportunities or requirements for capital infrastructure investments or emergencies that may arise. Upon receiving Port Commission approval, staff would prepare the necessary agreements and other documents and present them to the Texas Attorney General’s office for its review and approval in accordance with statutory requirements.

Commissioner Kennedy called for a motion to approve Item D3, moved by Commissioner Fitzgerald, seconded by Commissioner DonCarlos. Commissioners Kennedy, Branch, DonCarlos, and Fitzgerald voted Aye. Nays none. THE MOTION PASSED.

(2018-1113-04) Agenda Item E1 was tabled.


(2018-1113-05) Commissioner Kennedy called for Item F1 on the agenda, "Approve increases in Port Authority tariff charges including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other tariff charges at amounts equal to the lower of the increase in the Consumer Price Index average for the 12-month period ending July 2018 or the increase in the Index average for the 12-month period ending October 2018, as published by the U.S. Bureau of Labor Statistics, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2019."

Commissioner Kennedy called for a motion to approve Item F1, moved by Commissioner Branch, seconded by Commissioner DonCarlos. Commissioners Kennedy, Branch, DonCarlos, and Fitzgerald voted Aye. Nays none. THE MOTION PASSED.


Commissioner Kennedy announced that the next Port Commission Meeting would be held on Wednesday, December 12, 2018.

At 10:08 a.m., Commissioner Kennedy adjourned the Port Commission meeting.

The above is a correct copy of the Minutes of the November 13, 2018 meeting of the Port Commission of the Port of Houston Authority.



John D. Kennedy, Chairman Pro Tem



Erik A. Eriksson, Secretary

D. FINANCE

Subject 1. Consideration and possible action regarding the proposed Fiscal Year 2019 Operating and Capital Budget.

Meeting Nov 13, 2018 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its November 13, 2018 meeting, consider and take possible action regarding the proposed Operating and Capital Budget for Fiscal Year 2019, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:

General

Department:

Finance

Staff Contact:

Tim Finley / Alex Skinner-Klee

Background:

The Special District Local Laws Code includes the following requirements:

Sec. 5007.223. BUDGET. The port commission shall annually adopt a budget for the authority in an open meeting.

Sec. 5007.224. ONE-YEAR CAPITAL PLAN.

(a) Appropriate staff shall develop a one-year capital plan, including associated financing that is integrated with the budget of the authority.

(b) The port commission shall adopt the one-year capital plan in an open meeting.

(c) The port commission shall establish and document a detailed process for the analysis and approval of a project proposed for inclusion in the one-year capital plan. A project may be included in the one-year capital plan only if it is approved in accordance with that process.

A proposed Operating Budget has been developed by staff to guide it in the operation and management of Port Authority facilities and activities for Fiscal Year 2019. In addition, staff has followed its standard process for review and analysis of capital projects, and prepared a proposed 2019 Capital Budget to address the most urgent infrastructure needs in line with the Port Authority's strategic direction, and as required by law.

Staff Evaluation/Justification:

In accordance with its Strategic Planning Policy, the Port Authority has made available to the public by posting on its website the proposed Fiscal Year 2019 Operating and Capital Budget at least seventy-two hours prior to this meeting.

Staff recommends that the proposed Operating and Capital Budget be adopted for Fiscal Year 2019.

D. FINANCE

Subject 2. Staff briefing, discussion, and possible action regarding the proposed Five Year Operating and Capital Plan.

Meeting Nov 13, 2018 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its November 13, 2018 meeting, hold a Staff briefing, discussion, and possible action regarding the proposed Five Year Operating and Capital Plan, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Finance

Staff Contact:
Tim Finley / Alex Skinner-Klee

Background:
The Special District Local Laws Code includes the following requirements:

Sec. 5007.222. MID-RANGE PLANNING.

(a) Appropriate staff shall develop a mid-range plan consistent with the long-range plan. The mid-range plan must include:

- (1) a five-year financial forecast addressing the financial needs and financing options of the authority for the five-year period, with information about the relative cost of the options;
- (2) a five-year capital plan, including a preliminary analysis and prioritization of projects; and
- (3) other detailed action plans as the port commission or staff finds necessary to achieve the goals of the mid-range plan or long-range plan.

(b) The staff shall present the mid-range plan in an open meeting of the port commission. The port commission is not required to adopt a mid-range plan.

A proposed Five-year Operating and Capital Plan has been developed by Staff for the year 2019-2024 as required by law.

Staff Evaluation/Justification:

In accordance with its Strategic Planning Policy, the Port Authority has made available to the public by posting on its website the proposed Five-Year Operating and Capital Plan at least seventy-two hours prior to this meeting.

D. FINANCE

Subject **3. Approve execution and adoption of resolutions, agreements and documents necessary to give effect to a new \$100,000,000 Senior Lien Variable Rate Revolving Note Program, including authorization to (a) incur borrowings under such financing, (b) incur rating agency fees, commitment fees, legal fees, paying agent fees, financial advisory fees, and other costs relating to the program (Costs) in an amount not to exceed \$1,000,000 for the period through December 31, 2019, and (c) in addition to the Costs, incur applicable interest costs relating to borrowings thereunder.**

Meeting Nov 13, 2018 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its November 13, 2018 meeting, approve execution and adoption of resolutions, agreements and documents necessary to give effect to a new \$100,000,000 Senior Lien Variable Rate Revolving Note Program, including authorization to (a) incur borrowings under such financing, (b) incur rating agency fees, commitment fees, legal fees, paying agent fees, financial advisory fees, and other costs relating to the program (Costs) in an amount not to exceed \$1,000,000 for the period through December 31, 2019, and (c) in addition to the Costs, incur applicable interest costs relating to borrowings thereunder, and further authorize the Chairman of the Port Commission and the Executive Director to do any and all things reasonable or necessary, in the opinion of either person, to give effect to the foregoing.

Goals STRATEGIC GOAL #4 - STEWARDSHIP (Sustain the business for the long-term)

Category:
General

Department:
Treasury

Staff Contact:
Ray Yi

Background:

By Minute No. 2014-0624-25, the Port Commission approved a Master Resolution and First Supplemental Resolution establishing and authorizing the Port of Houston Authority Financing System, including a proposed \$300,000,000 Flexible Rate Revolving Note Program and other matters relating thereto, including presentation of documents and agreements to the Texas Attorney General's office for review and approval in compliance with statutory requirements.

By Minute No. 2015-0519-18, the Port Commission approved execution and adoption of resolutions, agreements and documents necessary to give effect to the \$300,000,000 Flexible Rate Revolving Note Program. The Note Program closed on September 3, 2015, with Bank of America Merrill Lynch, as agent, and Branch Banking and Trust Company, Capital One, Regions Bank, Frost Bank, and Trustmark National Bank as lenders, for a three-year term expiring on September 2, 2018.

By Minute No. 2018-0416-15, the Port Commission authorized staff to negotiate the renewal of the Flexible Rate Revolving Note Program or such other debt financing agreements with financial institutions for such amounts and terms as deemed necessary or advantageous, with all proposed debt financing subject to final approval by the Port Commission.

Staff Evaluation/Justification:

In the course of negotiating the renewal of the \$300,000,000 Note Program over the summer of 2018, the Port Authority received three unsolicited proposals from other financial institutions. Staff reviewed the proposals with financial advisors (Masterson Advisors) and outside legal counsel (Bracewell LLP), and determined that one proposal from Regions Bank and its affiliates offered very beneficial terms and conditions to the Port Authority, including a significant reduction in fees and borrowing rates. Therefore, staff focused on negotiating a new bank line of credit with Regions Bank, instead of renewing the \$300,000,000 Note Program.

Additionally, since the Port Authority has generated excellent cash flows in the last few years, and a number of capital projects were delayed, there has been no need to borrow under the \$300,000,000 Note Program, which is now expired.

Accordingly, staff recommends establishing a new Note Program for a reduced amount of \$100,000,000, with affiliates of Regions Bank as lenders, and a five-year term, to provide a cushion of liquidity for additional opportunities or requirements for capital infrastructure investments, or emergencies that may arise.

Bracewell LLP worked with staff, the financial advisors, and bank counsel (Orrick) on a new Master Resolution, agreements and other documents for the new \$100,000,000 Note Program, and with the Port Commission's approval hereunder, would present them to the Texas Attorney General's office for their review and approval in accordance with statutory requirements.

Staff recommends that the Port Commission approve execution and adoption of resolutions, agreements and documents necessary to give effect to a new \$100,000,000 Senior Lien Variable Rate Revolving Note Program, including authorization to (a) incur borrowings under such financing, (b) incur rating agency fees, commitment fees, legal fees, paying agent fees, financial advisory fees, and other costs relating to the program (Costs) in an amount not to exceed \$1,000,000 for the period through December 31, 2019, and (c) in addition to the Costs, incur applicable interest costs relating to borrowings thereunder.

E. INFRASTRUCTURE

Subject **1. Approve staff's ranking of vendors and award a professional engineering services contract in an amount not to exceed \$1,788,655 for the design of the Port Road expansion and storm water drainage for Port Authority property at Bayport Container Terminal adjacent to the top-ranked proposers: staff ranking – first, LJA Engineering, Inc.; and second, TSC Engineering.**

Meeting Nov 13, 2018 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its November 13, 2018 meeting:
 (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, LJA Engineering, Inc.; and second, TSC Engineering;
 (b) award a professional services contract to the top-ranked proposer for the design of the Port Road expansion and storm water drainage for adjacent Port Authority property at Bayport Container Terminal, in an amount not to exceed \$1,788,655;
 (c) grant authority, if a contract cannot be negotiated with the first-ranked vendor, to formally, and in writing, end negotiations with that vendor and proceed to the next vendor in the order of ranking until a contract is reached or all proposals are rejected; and
 (d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals STRATEGIC GOAL #3 - INFRASTRUCTURE (Provide and facilitate infrastructure to meet demand)

Category:

General

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

The Port Authority is seeking to obtain professional engineering services for the design of the expansion of Bayport Port Road from Hwy 146 to Cruise Terminal Road and the design of storm water drainage for adjacent Port Authority property, i.e. the 95.5-acre tract at the southeast corner of the intersection of Hwy 146 and Port Road.

By Minute No. 2018-0731-16(o), the Port Commission authorized the advertisement of a request for qualifications (RFQ) for professional services. The Port Authority notified vendors regarding its RFQ using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Two vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On October 10, 2018, two RFQ responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFQ. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- LJA Engineering, Inc.
- TSC Engineering

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to LJA Engineering, Inc. and act as otherwise described above.

F. OPERATIONS

Subject **1. Approve increases in Port Authority tariff charges including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other tariff charges at amounts equal to the lower of the increase in the Consumer Price Index average for the 12-month period ending July 2018 or the increase in the Index average for the 12-month period ending October 2018, as published by the U.S. Bureau of Labor Statistics, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2019.**

Meeting Nov 13, 2018 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its November 13, 2018 meeting, approve increases in Port Authority tariff charges including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other tariff charges at amounts equal to the lower of the increase in the Consumer Price Index average for the 12-month period ending July 2018 or the increase in the Index average for the 12-month period ending October 2018 as published by the U.S. Bureau of Labor Statistics such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2019, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Goals STRATEGIC GOAL #3 - INFRASTRUCTURE (Provide and facilitate infrastructure to meet demand)

Category:
General

Department:
Operations

Staff Contact:
Jeff Davis

Background:
Port Authority terminals must remain competitive to meet the increasing demands of the maritime trades. Staff anticipates that the cost of operations, including third party expenses, will continue to increase in 2019 as reported by the change in the Consumer Price Index (CPI) for All Urban Consumers (CPI-U), United States city average, measured over a 12-month period.

In order to align the timing of CPI-based tariff changes for the carriers, this proposed tariff change would be based on the lower of the July 2018 CPI published August 10, 2018 of 2.9% or the October 2018 CPI to be published on or around November 15, 2018. It is anticipated that the CPI when published in November would reflect an increase of 2.0% to 2.5% at which point the lower of the July 2018 or the October 2018 publish will be used as the basis for the tariff change to be effective in January 2019.

Staff Evaluation/Justification:

In view of escalating costs and expense increases and recognizing the need to keep Port Authority terminals competitive and operating at compensatory levels to meet the ever increasing demands of the maritime trades, staff has determined that it is advisable to implement increases in certain tariff charges, including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental

rates, water hookup rates, freight handling rates, and miscellaneous other rates. These increases should enable the Port Authority to maintain its facilities and services as a competitive port and continue to meet the needs of its customers.

The average of the proposed rate increases based on the change in CPI would result in approximately an equivalent rate of increase in revenue for the Port Authority.

Staff recommends the Port Commission approve the above tariff charge increases.