



PORT COMMISSION MEETING

September 27, 2022 – AGENDA



Tuesday, September 27, 2022
PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

9:15 a.m.
111 East Loop North
Houston, TX 77029 Fourth
Floor Boardroom
And Via WebEx

A. CALL TO ORDER

B. OPENING REMARKS BY CHAIRMAN AND COMMISSIONERS

1. Governance, legislative, policy, operational, and community matters

C. APPROVAL OF MINUTES

1. Port Commission Public Meeting - August 2, 2022

D. STAFF REPORTS

1. Summary of selected financial and operational matters

E. APPEARANCES

1. Public Comment

F. EXECUTIVE

1. No items.

G. BUSINESS EQUITY

1. No items.

H. COMMERCIAL

Staff Report – Selected agenda items – John Moseley, Chief Commercial Officer

Awards, Amendments & Change Orders

1. Approve an approximate ten-month extension for a professional services contract with Love Advertising Inc. for media- buy services in an amount not to exceed \$400,000.

Leases

2. Approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 4.34 acres out of Block 8A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$91,869, with abatement resulting in an annual net base rent of not less than approximately \$33,535, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$350,000.

3. Approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 7.94 acres out of Block 7 at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$168,073, with abatement resulting in an annual net base rent of not less than approximately \$51,407, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$700,000.
4. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 3.57 acres out of Block 4B at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$136,017, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.
5. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10.08 acres out of Block 3A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$405,457, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.
6. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10 acres out of Block 4A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$402,240, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.
7. Approve a grazing lease for a five-year term with David Eugene Brown and Polly Brown for approximately 70 acres out of the Ezekiel Thomas Survey A-73 in the City of Galena Park, effective no earlier than November 1, 2022, at an annual base rent of approximately \$1,400.
8. Approve an amendment to the lease with Covey Transport, Inc. for approximately 3.66 acres out of Block 3 at Turning Basin West to extend the term for one year, effective no earlier than October 1, 2022, at an annual base rent of approximately \$86,270.
9. Approve an amendment to the lease with Portwall Partners, Ltd. for approximately 55.89 acres of unimproved real property located on the south side of Port Road effective no earlier than October 1, 2022, to extend (i) the Feasibility Period for six months to March 31, 2023 and (ii) commencement of the Development/Construction Period to April 1, 2023, with base rent payable during these periods as set forth in the lease.
10. Approve a third amendment to the lease with Dixie Cullen Interest, Inc. for approximately 10.402 acres to extend the Phase II Construction Period for an additional twelve-months from the current expiration date of December 31, 2022, effective no earlier than October 1, 2022, at an annual base rent of approximately \$317,370, subject to annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index.
11. Ratify the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc., commencing October 1, 2022, for approximately 2.00 acres out of Block 1C at Northside Turning Basin, at an annual base rent of approximately \$102,456.

12. Ratify the extended term of a month-to-month lease with Schroder Marine Services, Inc., commencing October 4, 2022, for approximately 1.89 acres out of Block 23B at Industrial Park East, at an annual base rent of approximately \$79,221.

I. FINANCE

Staff Report – Selected agenda items – Tim Finley, Chief Financial Officer

General

1. Approve and reaffirm the Audit Committee Charter, Internal Audit Charter, and Internal Audit Policies.
2. Authorize the reduction of the investment rate of return assumption for the Port of Houston Authority Restated Retirement Plan and the Other Post-Employment Benefits (OPEB) Plan from 6.25% to 6.00%.
3. Authorize the termination of the fixed income investment management agreement with Smith, Graham & Co. Investment Advisors, L.P. for the Port of Houston Authority Restated Retirement Plan (Pension Plan).
4. Authorize a fixed income investment management agreement with Dodge & Cox for the Port of Houston Authority Restated Retirement Plan (Pension Plan).
5. Adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan (Pension Plan).
6. Adopt an amended investment policy for the Port of Houston Authority Other Post-Employment Benefit (OPEB) Plan, an irrevocable trust established for other post-employment benefits.
7. Review and adopt the Statement of Objectives and Policy for the Port of Houston Authority 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan.

J. INFRASTRUCTURE

Staff Report – Selected agenda items – Rich Byrnes, Chief Infrastructure Officer

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a two-year environmental consulting agreement in an amount not to exceed \$250,000 for storm water quality program management to the top-ranked proposer: staff ranking - first, SNM2R, LLC; second, Edge Engineering and Science, LLC; and third, TRC Environmental Corporation.
2. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$582,870 for the 2022 electrical and communications Facility Inspection and Condition Assessment Program (FICAP) at Barbours Cut Terminal to the top-ranked proposers: staff ranking – first, Hatch Associates Consultants, Inc.; and second, Jacobs Engineering Group, Inc.
3. Approve staff's selection of four vendors and award two-year professional services contracts, each in the amount of \$50,000, to perform construction material testing (CMT) services for smaller Port Authority projects to the following proposers: Geotech Engineering and Testing, The Murillo Company, Raba Kistner, Inc., and Tolunay-Wong Engineers, Inc.

4. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$374,200 for the repair of Wharves 24, 25, and 26 at Turning Basin Terminal to the top-ranked proposer: staff ranking - first, Epoxy Design Systems, Inc.; second, Forde Construction Company, Inc.; and third, Bryant Industrial Services, LLC.
5. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$66,899,413 to construct Container Yard 1 North and 1 Middle at Bayport Container Terminal to the top-ranked proposer: staff ranking - first, Satterfield & Pontikes Construction, Inc.; second, Archer Western Construction, LLC; and third, McCarthy Building Companies, Inc.
6. Award a construction contract to David E. Harvey Builders, Inc. to construct the maintenance complex at Barbours Cut Terminal in an amount not to exceed \$41,114,027.
7. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$475,000 to perform construction material testing services for the construction of Container Yard 1 North and 1 Middle at Bayport Container Terminal to the top-ranked proposers: staff ranking - first, Terracon Consultants, Inc.; second, Aviles Engineering Corporation; and third, Braun Intertec Corporation.
8. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$200,000 to perform construction material testing services for the construction of the maintenance complex at Barbours Cut Terminal to the top-ranked proposers: staff ranking - first, Braun Intertec Corporation; second, Aviles Engineering Corporation; and third, HVJ Associates, Inc.
9. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$2,000,000 for annual pavement replacement at Barbours Cut Terminal and Bayport Container Terminal for 2023 to the top-ranked proposers: staff ranking - first, Jerdon Enterprise L.P.; second, Forde Construction Company, Inc.; and third, Total Contracting Limited.
10. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$3,220,740 for annual wharf and rubber-tired gantry (RTG) crane painting at Barbours Cut Terminal and Bayport Container Terminal in 2022 through 2023 to the top-ranked proposer: staff ranking - first, Blastco Texas, Inc.; and second, TAM Services, LLC.
11. Approve staff's ranking of vendors and award a services agreement in an amount not to exceed \$450,000 for technical support services in support of grant management to the top-ranked proposer: staff ranking - first, AECOM Technical Services, Inc.; second, Atkins North America, Inc.; and third, The Ecologix Group.
12. Approve staff's ranking of vendors and award a one-year professional services contract in an amount not to exceed \$349,556 to provide professional services for a terminal options study to the top-ranked proposer: staff ranking - first, AECOM Technical Services, Inc.; second, BEA Architects; third, Hamburg Port Consulting; and fourth, Moffatt & Nichol.
13. Award a construction contract to Four Seasons Development Company, Inc. for annual perimeter security fence replacement for 2022, in an amount not to exceed \$200,000.

14. Award a construction contract to Bryant Industrial Services, LLC for the annual fender system maintenance at Barbours Cut Terminal and Bayport Container Terminal for 2022 and 2023, in an amount not to exceed \$1,200,000.
15. Award a construction contract to Indi Construction Partners, LLC for the maintenance building addition and canopy enclosure at Bayport Container Terminal, in an amount not to exceed \$3,695,984.
16. Award a professional services contract to English + Associates Architects, Inc. for design of the new Port Coordination Center facility at the Turning Basin Terminal, in an amount not to exceed \$430,360.
17. Award a professional services contract to Binkley & Barfield, Inc. for design for the removal and replacement of security speed gates at Ramp Roads 2, 4, and 5 at Turning Basin Terminal, in an amount not to exceed \$105,250.
18. Amend the professional services contract with RPS Infrastructure, Inc. to perform final design and engineering services associated with the water line rehabilitation at South Turning Basin Terminal, in an amount not to exceed \$280,770.
19. Amend the professional services contract with AECOM Technical Services, Inc., for master planning and engineering design of Port Authority facilities at Barbours Cut Terminal and Bayport Container Terminal, to include the design of Barbours Cut Terminal pop-up yard Phase I and II and the land development design for Old Highway 146 tracts, in an amount not to exceed \$1,400,000.
20. Amend the contract with Curtin Maritime Corp. for dredging of the Houston Ship Channel between Station 78+844 and 16+000 & Bayport Ship Channel to add Barbours Cut Container Terminal maintenance dredging in an amount not to exceed \$6,500,000 and terminate the Memorandum of Agreement with the U.S. Army Corps of Engineers for maintenance dredging at Bayport Container Terminal and Auto Terminal and Barbours Cut Terminal.
21. Approve a change order with Main Lane Industries, Ltd. to perform additional work associated with the Freight Station Road dedicated right-turn lanes and U-turn connector at Bayport Container Terminal, in an amount not to exceed \$275,504.
22. Enter into an Agreement with Bay-Houston Towing, Suderman & Young Towing, and G&H Towing for the administration of federal grant funding.
23. Provide the Port Authority's contributed funds for Package 4B and cost share portion for Package 5 for construction oversight to the U.S. Army Corps of Engineers, to support Construction of Package 4B/5 of the Houston Ship Channel Expansion Channel Improvement Project, in an amount not to exceed of \$2,574,000.

Permits/Licenses/Pipeline Easements

24. Approve the revised license fees for petroleum and chemical pipeline licenses according to the attached rate schedule, effective October 1, 2022 through December 31, 2029, and remit adjustments to affected customer accounts from October 1, 2019.

25. Approve the renewal of the following expiring Port Authority license for a new ten-year term: CenterPoint Energy Houston Electric LLC.
26. Issue a transmission line license to Comcast of Houston, LLC for a fiber optic cable line crossing the Port Terminal Railroad Association tracks adjacent to Gate AA at Industrial Park East.
27. Amend a pipeline license with KM Liquids Terminals LLC to add a 12kV electrical conduit on an existing pipe rack across Panther Creek.

K. OPERATIONS

Staff Report – Selected agenda items – Jeff Davis, Chief Port Operations Officer

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$592,482 to perform inspection services for three dockside electric container cranes for Wharves Nos. 2, 5, and 6 at Bayport Container Terminal to the top-ranked proposer: staff ranking – first, Liftech Consultants, Inc.; second, Laurence & Associates, LLC; and third, APTIM Port Services International, LLC.
2. Approve staff's ranking of vendors and award a two-year contract in an amount not to exceed \$400,000 for the purchase of scaffolding services for wharf crane maintenance at Barbours Cut Terminal and Bayport Container Terminal to the top-ranked proposer: staff ranking – first, TAP Industrial Services, Inc.; and second, JBR1 Industrial Services.
3. Award the following for the purchase of auto parts for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal: (a) a two-year contract in an amount not to exceed \$300,000 to Allen Kerber Auto Parts; and (b) a two-year contract in an amount not to exceed \$200,000 to Auto Plus Auto Parts.
4. Award a three-year contract to TransTech of SC, Inc., the sole source provider, for the purchase of spare and replacement parts for Stemmann-Technik cable reels on wharf cranes at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000.
5. Award a three-year contract to Sudden Service, Inc., the sole source provider, for the purchase of captive replacement parts for Taylor equipment at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000.
6. Award an annual contract to AssetWorks, LLC, the sole source provider, for software maintenance, support and extended hardware warranty of Fleet Focus M5, Enterprise Asset Management System and Fuel Focus software, the Port Authority's Fueling and Fleet management system, in an amount not to exceed \$100,000.
7. Award a three-year contract to Paceco Corporation, the sole source provider, for the purchase of captive replacement parts and technical support services for Paceco wharf cranes at Barbours Cut Terminal, in an amount not to exceed \$100,000.

8. Award a two-year job order contract to Structural Concrete Systems, LLC for general marine facility repairs, using the Omnia Partners (formally Sourcewell), a cooperative purchase program contract, in an amount not to exceed \$500,000; and authorize staff to procure a two-year job order contract with Generocity Services, Inc. for general marine facility repairs, using Harris County Department of Education's Choice Partners, a cooperative purchase program, in an amount not to exceed \$500,000, for a total amount not to exceed \$1,000,000.

9. Award a contract to Smart Tecs LLC, the sole source provider, to replace the Optical Character Recognition lights at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$160,619.

10. Approve a two-year extension of the contract with Total Network Solutions to provide Database administrator, EDI implementation/execution, and monitoring support for the Navis Terminal Operating System, in an amount not to exceed \$554,560.

General

11. Ratify a purchase order issued June 6, 2022, to Byte Crunch Technologies, a new company owned by former Port Authority employee, Yan Chen, for software, power business intelligence tool creation, and maintenance, in an amount not to exceed \$10,000.

12. Approve an amendment to the twenty-year lease with C&C Houston Bayport to restate the footprint of the leased premises, a 21.53-acre parcel of land at Bayport Container Terminal Complex south of Port Road.

13. Approve an amendment to the existing ten-year lease with Cooper/Ports America, LLC of leased premises totaling 6.5 acres, including the warehouse known as Shed 3, at Barbours Cut Terminal to add a .65-acre tract to the premises at a base rent of \$1,325 per month, subject to annual escalation as provided in the lease.

14. Approve an amendment to the lease agreement with CMC Americas LLC for 22.52 acres at Bayport Container Terminal Complex south of Port Road, providing for Port Authority reimbursement of the tenant's improvements to the access road and intersection with Container Freight Station Road, in an amount not to exceed \$526,724.

L. PEOPLE

Staff Report – Selected agenda items – Jessica Shaver, Chief People Officer

Awards, Amendments & Change Orders

1. Authorize renewal of the agreement with Aetna Life Insurance Company to provide professional third-party administration services for the Port Authority's self-funded group medical benefits program for active employees, retirees who are not Medicare-eligible, and dependents for the calendar year 2023, in an amount not to exceed \$46,400.

2. Authorize renewal of group insurance agreements with the following carriers to include coverage for calendar year 2023 in a total amount not to exceed \$1,783,937 for: (a) Aetna Life Insurance Company, for dental, vision, and Medicare Advantage coverage and (b) Minnesota Life Insurance Company, for basic life, voluntary and dependent life, and retiree life coverage.

General

3. Approve the hiring of Captain Malcolm "Doug" Mims as a casual employee to provide services relating to the M/V Sam Houston.

M. SECURITY AND EMERGENCY OPERATIONS

Staff Report – Selected agenda items – Marcus Woodring, Chief Port Security and Emergency Operations Officer

Awards, Amendments & Change Orders

1. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$135,000 to conduct facility risk assessments for the Port Authority's five Maritime Transportation Security Act regulated facilities to the top-ranked proposer: staff ranking – first, Chemical Security Group LLC; second, ABSG Consulting, Inc.; and third, Guidepost Solutions, LLC.

General

2. Approve renewal of a Memorandum of Agreement with U.S. Coast Guard Sector Houston-Galveston for a five-year period, to exchange and share information and data in order to enhance maritime safety and security.

3. Approve up to four Memoranda of Understanding with Texas Emergency Management Assistance Teams, Texas Division of Emergency Management, Texas A&M Engineering Extension Service, and Texas A&M Forest Service, to provide training, curriculum materials, analytical services, and technical assistance services for each Port Authority personnel participating on their disaster response teams for a five-year term unless terminated earlier.

4. Approve renewal of the Interconnection Security Agreement and Memorandum of Understanding with the U.S. Coast Guard for a three-year period, to connect the Nationwide Automatic Identification System to the Command Bridge system to enhance maritime safety and emergency response.

N. TECHNOLOGY

Staff Report – Selected agenda items – Charles Thompson, Chief Information Officer

Awards, Amendments & Change Orders

1. Award the following for the configuration, installation, and five-year support of the Port Authority's NXGEN wireless solution: (a) Barbours Cut Terminal and Bayport Container Terminal outdoor wireless (LTE) solution to AT&T in an amount not to exceed \$2,400,000 and (b) Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal indoor and outdoor Wi-Fi to Netsync Network Solutions in an amount not to exceed \$1,200,000, for a total expenditure of \$3,600,000.

2. Award a contract and purchase order to Xerox for continued provision of multi-function printer devices for an additional five-years, using the State of Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$1,100,000 (total 5 years).

3. Issue a purchase order to Netsync Network Solutions for purchase of networking equipment to support additional ship- to-shore cranes, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$70,000.

4. Amend and extend for an additional five-years, the existing contract with Verizon Business Network Systems, Inc. for session initiation protocol (SIP) telephony services, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$350,000.

5. Amend the professional services contract with Deloitte Consulting, LLP for Next Generation Enterprise Resource Planning (Next Gen ERP) – Phase II, in an amount not to exceed \$240,000.

O. RECESS OPEN MEETING AND CONVENE EXECUTIVE SESSION

1. Consultation with Attorneys (Section 551.071, Texas Open Meetings Act), including consultations regarding (i) Standard Constructors, Inc. v. Port of Houston Authority, in the 151st Judicial District Court of Harris County, Texas, (ii) claims of George Hedge Contractors, Inc., (iii) agreement for litigation services with Interface Consulting International, Inc., and (iv) proposed amendment to the agreement for legal services with Haynes and Boone, LLP

2. Real Estate (Section 551.072, Texas Open Meetings Act)

3. Economic Development Negotiations or Incentives (Section 551.087, Texas Open Meetings Act)

4. Employment and Evaluation of Public Officers and Employees (Section 551.074, Texas Open Meetings Act), including deliberations regarding public employees

5. Security-Related Matters (Sections 418.175-418.183 of the Texas Government Code, and Section 551.076, Texas Open Meetings Act)

6. Adjourn Executive Session

P. RECONVENE OPEN MEETING

1. Announce any items from Executive Session requiring Port Commission action

Q. CLOSING REMARKS BY CHAIRMAN AND COMMISSIONERS

1. Governance, legislative, policy, operational, and community matters

R. ADJOURN MEETING

1. Next Meeting Requested - October 27, 2022 - Thursday

2. Adjourn Port Commission Meeting

H. COMMERCIAL

Subject	1. Approve an approximate ten-month extension for a professional services contract with Love Advertising Inc. for media-buy services in an amount not to exceed \$400,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve an approximate ten-month extension for a professional services contract with Love Advertising Inc. for media-buy services in an amount not to exceed \$400,000, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships) Strategic Objective 3c. - Engage in proactive two-way communication STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region) Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:

Awards, Amendments & Change Orders

Department:

Commercial

Staff Contact:

Christine Abbruscato

Background:

The Port Authority's strategic plan aims, in part, to grow and diversify the business base, create greater value for the region by supporting sustainable growth of the Port Authority and the greater port, and develop and strengthen external relationships with our stakeholders through proactive two-way communication.

To assist with achieving these goals and objectives, the Commercial Division seeks to obtain an approximate ten-month extension to its existing professional services agreement with Love Advertising Inc. (Love Advertising), which was awarded to the firm in October 2021 through a solicitation for request for proposals (RFP). The Port Commission awarded the professional services agreement for an initial 14-month term with an option for a one-year extension. The initial term commenced January 7, 2022 and will end March 6, 2023. To align the proposed extension period with the calendar year, the Port Authority and Love Advertising desire to shorten the original one-year extension period to approximately ten months, which would commence March 7, 2023 and end December 31, 2023. The firm would continue to provide the same media-buy services to strategize, identify, and purchase media to advertise in local, regional, and national markets.

The media-buy services are expected to support efforts to communicate the Port Authority's message and brand to its various audiences and enhance the Commercial Division's ability to promote the Port Authority. The media-buy services would include, but are not be limited to, the following:

- Advertising strategy services;
- Advertising media-buy services in local, regional, and national markets, to increase brand awareness, market lease properties, inform others about major projects, generate cost-effective, quality customer inquiries, and assist other goals related to the Port Authority's business and community efforts;
- Account management for all media-buy projects; and
- Provision of supporting data on all purchases of media and associated tracking..

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the approximate ten-month extension with Love Advertising for media-buy services.

H. COMMERCIAL

Subject	2. Approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 4.34 acres out of Block 8A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$91,869, with abatement resulting in an annual net base rent of not less than approximately \$33,535, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$350,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 4.34 acres out of Block 8A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$91,869, with abatement resulting in an annual net base rent of not less than approximately \$33,535, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$350,000, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships) Strategic Objective 3a. - Cultivate key relationships to accomplish common goals STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region) Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:

Leases

Department:

Real Estate

Staff Contact:

R.D. Tanner

Background:

Cooper/Ports America, LLC (CPA) has requested that the Port Authority lease it approximately 4.34 acres out of Block 8A at Northside Turning Basin for a six-year term. CPA plans to lease the property for the handling and storing of steel, Freight All Kinds (FAK), and/or general cargo. The property has been vacant for several years and this lease is expected to bring new cargo to the Port Authority.

CPA plans to complete a stabilization of the entire property, and has requested an abatement of 70% of the estimated construction and improvement costs during the lease term, subject to the cumulative abatement to the base rent not exceeding \$350,000. The abated base rent would remain in place for the entire lease term unless the cumulative abatement to base rent exceeds \$350,000 (with provable expenses) at any point during the term. At such point, the abated base rent would end, and the annual base rent would be based upon the then-current stabilized lease rate.

The property would remain in the condition of its improved and stabilized state at the end of the term.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease with CPA under the terms described above.

H. COMMERCIAL

Subject	3. Approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 7.94 acres out of Block 7 at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$168,073, with abatement resulting in an annual net base rent of not less than approximately \$51,407, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$700,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
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Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve a lease for a six-year term with Cooper/Ports America, LLC for approximately 7.94 acres out of Block 7 at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$168,073, with abatement resulting in an annual net base rent of not less than approximately \$51,407, subject to (i) annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index, and (ii) the cumulative abatement to the base rent not exceeding \$700,000, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships) Strategic Objective 3a. - Cultivate key relationships to accomplish common goals STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region) Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:

Leases

Department:

Real Estate

Staff Contact:

R.D. Tanner

Background:

Cooper/Ports America, LLC (CPA) has requested that the Port Authority lease it approximately 7.94 acres out of Block 7 at Northside Turning Basin for a six-year term. CPA plans to lease the property for the handling and storing of steel, Freight All Kinds (FAK), and/or general cargo. The property has been vacant for several years and this lease is expected to bring new cargo to the Port Authority.

CPA plans to complete a stabilization of the entire property, and has requested an abatement of 70% of the estimated construction and improvement costs during the lease term, subject to the cumulative abatement to the base rent not exceeding \$700,000. The abated base rent would remain in place for the entire lease term unless the cumulative abatement to base rent exceeds \$700,000 (with provable expenses) at any point during the term. At such point, the abated base rent would end, and the annual base rent would be based upon the then-current stabilized lease rate.

The property would remain in the condition of its improved and stabilized state at the end of the term.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease with CPA under the terms described above.

H. COMMERCIAL

Subject 4. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 3.57 acres out of Block 4B at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$136,017, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 3.57 acres out of Block 4B at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$136,017, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships)
Strategic Objective 3a. - Cultivate key relationships to accomplish common goals
STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)
Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:

Cooper/Ports America, LLC (CPA) has requested that the Port Authority lease it approximately 3.57 acres out of Block 4B at Northside Turning Basin for a one-year term with two one-year mutual renewal options. CPA has leased the property since July 1, 2021 under a month-to-month lease for storage and handling of steel products and general cargo, and plans to use this property for the same purpose under the proposed term lease.

The Port Commission, at its May 24, 2022, meeting, ratified the extended term of the month-to-month lease described above, since it would have been in effect for more than one year after June 30, 2022.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease with CPA under the terms described above.

H. COMMERCIAL

Subject **5. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10.08 acres out of Block 3A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$405,457, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10.08 acres out of Block 3A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$405,457, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option, 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 - PARTNERSHIPS \(Develop and Strengthen External Partnerships\)](#)
[Strategic Objective 3a. - Cultivate key relationships to accomplish common goals](#)
[STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)
[Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port](#)

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:
Cooper/Ports America, LLC (CPA) has requested that the Port Authority lease it approximately 10.08 acres out of Block 3A at Northside Turning Basin for a one-year term with two one-year mutual renewal options. CPA has leased the property since July 1, 2021, under a month-to-month lease for storage and handling of steel products and general cargo, and plans to use this property for the same purpose under the proposed term lease.

The Port Commission, at its May 24, 2022, meeting, ratified the extended term of the month-to-month lease described above, since it would have been in effect for more than one year after June 30, 2022.

Staff Evaluation/Justification:
Staff recommends the Port Commission approve the proposed lease with CPA under the terms described above.

H. COMMERCIAL

Subject **6. Approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10 acres out of Block 4A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$402,240, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a lease for a one-year term with two one-year mutual renewal options with Cooper/Ports America, LLC for approximately 10 acres out of Block 4A at Northside Turning Basin, effective no earlier than October 1, 2022, at an annual base rent of approximately \$402,240, subject to base rent escalation of the greater of 3% or the increase in the Consumer Price Index, upon the exercise of each one-year mutual renewal option, 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 - PARTNERSHIPS \(Develop and Strengthen External Partnerships\)](#)
[Strategic Objective 3a. - Cultivate key relationships to accomplish common goals](#)
[STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)
[Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port](#)

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:
Cooper/Ports America, LLC (CPA) has requested that the Port Authority lease it approximately 10 acres out of Block 4A at Northside Turning Basin for a one-year term with two one-year mutual renewal options. CPA has leased the property since July 1, 2021, under a month-to-month lease for storage and handling of steel products and general cargo, and plans to use this property for the same purpose under the proposed term lease.

The Port Commission, at its May 24, 2022, meeting, ratified the extended term of the month-to-month lease described above, since it would have been in effect for more than one year after June 30, 2022.

Staff Evaluation/Justification:
Staff recommends the Port Commission approve the proposed lease with CPA under the terms described above.

H. COMMERCIAL

Subject 7. Approve a grazing lease for a five-year term with David Eugene Brown and Polly Brown for approximately 70 acres out of the Ezekiel Thomas Survey A-73 in the City of Galena Park, effective no earlier than November 1, 2022, at an annual base rent of approximately \$1,400.

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a grazing lease for a five-year term with David Eugene Brown and Polly Brown for approximately 70 acres out of the Ezekiel Thomas Survey A-73 in the City of Galena Park, effective no earlier than November 1, 2022, at an annual base rent of approximately \$1,400, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships)
Strategic Objective 3a. - Cultivate key relationships to accomplish common goals
STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)
Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:

David Eugene Brown and Polly Brown have requested that the Port Authority lease them approximately 70 acres out of the Ezekiel Thomas Survey A-73 in the City of Galena Park for a five-year term. David Eugene Brown and Polly Brown have leased the property since 2014 for the grazing of livestock, and intend to use the property for the same purpose under the proposed lease.

Grazing leases provide the Port Authority the benefits of a tenant in possession of its properties, decreasing the risk of activities such as illegal dumping and trespassing, and providing other helpful management of these properties.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed grazing lease with David Eugene Brown and Polly Brown under the terms described above.

H. COMMERCIAL

Subject	8. Approve an amendment to the lease with Covey Transport, Inc. for approximately 3.66 acres out of Block 3 at Turning Basin West to extend the term for one year, effective no earlier than October 1, 2022, at an annual base rent of approximately \$86,270.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve an amendment to the lease with Covey Transport, Inc. for approximately 3.66 acres out of Block 3 at Turning Basin West to extend the term for one year, effective no earlier than October 1, 2022, at an annual base rent of approximately \$86,270, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships) Strategic Objective 3a. - Cultivate key relationships to accomplish common goals STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region) Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:

Leases

Department:

Real Estate

Staff Contact:

R.D. Tanner

Background:

By Minute No. 2018-0626-05, the Port Commission approved a three-year lease with Covey Transport, Inc. (Covey Transport) for approximately 3.66 acres out of Block 3 at Turning Basin West. The property is used for storing and handling steel and non-hazardous break bulk products that cross Port Authority docks.

By Minute No. 2021-0928-08, the Port Commission approved a one-year extension of the lease term with Covey Transport for the same property and purpose described above. The lease has now been in effect for approximately four years and has been subject to annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index.

Covey Transport has requested that the Port Authority extend the lease term for an additional one year and intends to continue to use the property for the purpose described above.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease amendment under the terms described above.

H. COMMERCIAL

Subject 9. Approve an amendment to the lease with Portwall Partners, Ltd. for approximately 55.89 acres of unimproved real property located on the south side of Port Road effective no earlier than October 1, 2022, to extend (i) the Feasibility Period for six months to March 31, 2023 and (ii) commencement of the Development/Construction Period to April 1, 2023, with base rent payable during these periods as set forth in the lease.

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve an amendment to the lease with Portwall Partners, Ltd. for approximately 55.89 acres of unimproved real property located on the south side of Port Road effective no earlier than October 1, 2022, to extend (i) the Feasibility Period for six months to March 31, 2023 and (ii) commencement of the Development/Construction Period to April 1, 2023, with base rent payable during these periods as set forth in the lease, 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 - PARTNERSHIPS (Develop and Strengthen External Partnerships)
Strategic Objective 3a. - Cultivate key relationships to accomplish common goals
STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)
Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:

By Minute No. 2021-0323-10, the Port Commission approved a fifty-year lease with Portwall Partners, Ltd. (Portwall) for approximately 55.89 acres of unimproved real property located on the south side of Port Road outside of the Bayport Container Terminal secured area near Seabrook, Texas. The property is to be used for the construction and operation of an industrial business park, which includes a resin packaging facility.

Portwall is requesting a six-month extension of the Feasibility Period from September 30, 2022 to March 31, 2023. Portwall is also requesting that commencement of the Development/Construction Period be extended to April 1, 2023. Portwall would continue to pay the base rent as set forth in the lease.

Portwall has cited several reasons for this extension request including feasibility study delays due to the COVID-19 pandemic and global supply chain disruptions, and their adverse impact to Portwall's ability to procure materials and equipment for the development/construction of the property.

The lease provides that the Port Authority complete certain pre-development site preparation work and deliver the property to Portwall in "development ready" condition at the end of the Feasibility Period. Because the pre-development site preparation work was not completed within the initial twelve-month Feasibility Period, the Port Authority exercised its right to extend for an additional six months. The Port Authority has now completed the pre-development site preparation work, and it delivered the property to Portwall in July 2022.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease amendment under the terms described above.

H. COMMERCIAL

Subject **10. Approve a third amendment to the lease with Dixie Cullen Interest, Inc. for approximately 10.402 acres to extend the Phase II Construction Period for an additional twelve-months from the current expiration date of December 31, 2022, effective no earlier than October 1, 2022, at an annual base rent of approximately \$317,370, subject to annual base rent escalation of the greater of 3% or the increase in the Consumer Price Index.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a third amendment to the lease with Dixie Cullen Interests, Inc. for approximately 10.402 land to extend the Phase II Construction Period for an additional twelve-months from the current expiration date of December 31, 2022, effective no earlier than October 1, 2022, at an annual base rent of \$317,370, subject to annual escalation of the greater of 3% or the increase in the Consumer Price Index, 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 - PARTNERSHIPS \(Develop and Strengthen External Partnerships\)](#)
[Strategic Objective 3a. - Cultivate key relationships to accomplish common goals](#)
[STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)
[Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port](#)

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:

By Minute No. 2018-1218-11, the Port Commission approved a twenty-five year lease, with two additional five-year extension options, with Dixie Cullen Interests, Inc. (Dixie Cullen) for approximately 10.402 acres north of the Turning Basin Terminal. The property is used for warehousing of general cargo, including but not limited to, heavy industrial storage services, export packaging, shipping, receiving, and containerizing.

The construction of a new heavy-lift warehouse was scheduled under the lease to commence in October 2019 and end eighteen months later. Due to numerous unexpected issues and delays in the pre-construction period, including in connection with permitting and the COVID-19 pandemic, the initial Phase II Construction Period of eighteen months was extended to thirty-three months, and subsequently extended to forty-five months.

In anticipation of not completing the Phase II Construction by December 31, 2022, Dixie Cullen is now requesting another extension of the Phase II Construction Period. As with the previous extensions, Dixie Cullen has cited supply chain shortages, logistics issues, and rising costs as reasons for the delay, but has assured the Port Authority that it fully plans on completing construction of the new heavy-lift warehouse.

The prior extensions and the proposed extension to the Phase II Construction Period did not and will not change the rent schedule under the lease. Dixie Cullen has been paying and would continue to pay the full operations base rent as scheduled. The current monthly base rent is \$26,447.50.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the proposed lease amendment under the terms described above.

H. COMMERCIAL

Subject **11. Ratify the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc., commencing October 1, 2022, for approximately 2.00 acres out of Block 1C at Northside Turning Basin, at an annual base rent of approximately \$102,456.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, ratify the extended term of a month-to-month lease with R. Warehousing & Port Services, Inc., commencing October 1, 2022, for approximately 2.00 acres out of Block 1C at Northside Turning Basin, at an annual base rent of approximately \$102,456, 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 - PARTNERSHIPS \(Develop and Strengthen External Partnerships\)](#)
[Strategic Objective 3a. - Cultivate key relationships to accomplish common goals](#)
[STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)
[Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port](#)

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:
The Port Authority currently has a month-to-month lease with R. Warehousing & Port Services, Inc. (R. Warehousing) for 2.00 acres out of Block 1C at Northside Turning Basin that will have been in effect for more than one year after October 1, 2022. R. Warehousing's annual base rent is approximately \$102,456, based upon the current premium rate for a month-to-month lease agreement. R. Warehousing uses the leased premises for storing and handling steel products and general cargo.

An amendment to the Texas Water Code adopted in the 2011 State of Texas legislative session requires that the Port Commission authorize month-to-month lease agreements in effect for more than one year.

Staff Evaluation/Justification:
Staff recommends the Port Commission ratify the extended term of a month-to-month lease with R. Warehousing under the terms described above.

H. COMMERCIAL

Subject **12. Ratify the extended term of a month-to-month lease with Schroder Marine Services, Inc., commencing October 4, 2022, for approximately 1.89 acres out of Block 23B at Industrial Park East, at an annual base rent of approximately \$79,221.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, ratify the extended term of a month-to-month lease with Schroder Marine Services, Inc., commencing October 4, 2022, for approximately 1.89 acres out of Block 23B at Industrial Park East, at an annual base rent of approximately \$79,221, 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 - PARTNERSHIPS \(Develop and Strengthen External Partnerships\)](#)
[Strategic Objective 3a. - Cultivate key relationships to accomplish common goals](#)
[STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)
[Strategic Objective 4d. - Support sustainable growth of Port Houston and the greater Port](#)

Category:
Leases

Department:
Real Estate

Staff Contact:
R.D. Tanner

Background:
The Port Authority currently has a month-to-month lease with Schroder Marine Services, Inc. (Schroder Marine) for 1.89 acres out of Block 23B at Industrial Park East that will have been in effect for more than one year after October 4, 2022. Schroder Marine's current annual base rent is approximately \$79,221, based upon the current premium rate for a month-to-month lease agreement. Schroder Marine uses the leased premises for storing and handling containers.

An amendment to the Texas Water Code adopted in the 2011 State of Texas legislative session requires that the Port Commission authorize month-to-month lease agreements in effect for more than one year.

Staff Evaluation/Justification:
Staff recommends the Port Commission ratify the extended term of a month-to-month lease with Schroder Marine under the terms described above.

I. FINANCE

Subject	1. Approve and reaffirm the Audit Committee Charter, Internal Audit Charter, and Internal Audit Policies.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve and reaffirm the Audit Committee Charter, Internal Audit Charter, and Internal Audit Policies, 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:
Internal Audit

Staff Contact:
Shannon Williams

Background:
The Audit Committee Charter requires that the Audit Committee conduct an annual review of its charter, the Internal Audit Charter, and the Internal Audit Policies supporting the Audit Committee and the Port Authority Internal Audit function.

By Minute No. 2021-0928-06, the Port Commission approved the Port Authority's Audit Committee Charter, Internal Audit Charter, and the Internal Audit Policies.

The Internal Audit Charter sets forth the purpose, authority, and responsibilities of the Internal Audit Department relating to Port Authority systems and business processes, risk management practices, interaction with the Port Authority's independent auditor, internal control structure, accounting policy, and internal audit matters, compliance, and reporting. The Internal Audit Policies support the Audit Committee and Internal Audit Charters.

Staff Evaluation/Justification:
The Audit Committee completed its review of the Audit Committee Charter, Internal Audit Charter, and Internal Audit Policies prior to the September 27, 2022 meeting of the Port Commission. Proposed changes to the Audit Committee Charter, the Internal Audit Charter, and Policies incorporate clarifications, updates to departmental organization, and changes to reporting structure.

The Audit Committee and staff request that the Port Commission approve these modifications to the Audit Committee Charter, Internal Audit Charter, and Internal Audit Policies, to document the completion of the annual review and to maintain synchronization of effective dates.



Audit Committee of the Port Commission of the Port of Houston Authority

Charter

Adopted as of September 27, 2022

A. Purpose and authority

The Audit Committee ("Committee") is established by the Port Commission as governing body of the Port of Houston Authority of Harris County, Texas ("Port Authority") for the primary purpose of assisting the Port Commission in:

- Oversight of the integrity of the Port Authority's financial statements and the Port Authority's accounting and financial reporting processes and financial statement audits.
- Oversight of the Port Authority's compliance with legal and regulatory requirements.
- Oversight of the qualifications and independence of the Port Authority's public accounting firm ("independent auditor").
- Oversight of the performance of the Port Authority's independent auditor, any county audit and any internal audit functions ("internal audit").
- Oversight of the Port Authority's systems of financial controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Port Authority.

Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Port Authority's policies, procedures, and practices at all levels. The Audit Committee also provides for open communication among the independent auditor, financial and senior management, the internal audit function, and the Port Commission.

The Audit Committee has the authority to initiate investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisors, as necessary, to perform its duties and responsibilities.

In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, officers, Port Commissioners, or external parties.

The Port Commission will provide appropriate funding, as requested by the Audit Committee, for compensation to the independent auditor, to any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section C of this charter.

B. Composition and meetings

The Audit Committee will be comprised of three or more Port Commissioners, and as provided by the Amended and Restated Bylaws of the Port of Houston Authority, as amended from time-to-time (the "Bylaws").

Unless a chairperson is selected by the Chairman of the Port Commission, the members of the Committee may designate a chairperson by majority vote.

The Committee will meet periodically as circumstances dictate and as otherwise provided by the Bylaws. The Committee chairperson will approve the agenda for the Committee's meetings and any member may suggest items for consideration.

As part of its responsibility to foster open communication, the Committee may meet periodically with management, any internal audit professionals, and the independent auditor in separate executive sessions.

C. Responsibilities and duties

To fulfill its responsibilities and duties, the Audit Committee will:

Documents/reports/accounting information review

1. Meet with management and the independent auditor, as applicable, to review and discuss the Port Authority's Comprehensive Annual Financial Report ("ACFR"), Restated Retirement Plan Audit, Federal and State Single Audit Reports, and any findings associated with these audits.
2. Meet with management periodically to review and discuss the Port Authority's current financial statements.
3. Review other relevant reports or financial information submitted by the Port Authority to any governmental body or the public, including relevant reports rendered by the independent auditor (or summaries thereof).

4. Recommend to the Port Commission whether the financial statements should be approved by it, as may be required by law.
5. Obtain and review any special financial reports to management.

Independent auditor

6. Recommend to the Port Commission whether to retain the independent auditor, and its compensation and the scope of its work of preparing or issuing an audit report and related duties; oversee the work performed by the independent auditor, who shall report directly to the Audit Committee; review the performance and independence of the independent auditor; remove the independent auditor if circumstances warrant; and oversee the resolution of disagreements between management and the independent auditor if they arise.
7. Discuss with the independent auditor the matters required to be discussed under Statement of Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance), which supersedes guidance contained in the previous Statement on Auditing Standards No. 61 (*Communication with audit committees*)
8. Review with the independent auditor any findings or difficulties and management's responses or recommendations.
9. Review the independent auditor's report on the Port Authority's assessment of internal control over financial reporting.
10. Hold timely discussions with the independent auditor regarding the following:
 - Critical accounting policies and practices
 - Alternative treatments of financial information within generally accepted accounting principles ("GAAP") and/or Governmental Accounting Standards Board ("GASB") standards related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
 - Other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.
11. Consider whether the independent auditor may provide non-audit services, and whether it is compatible with the auditor's independence; and oversee any relationships or services that may affect the independence and objectivity of the auditor, and take appropriate actions to oversee the independence of the outside auditor.

12. At least annually, obtain and review a report by the independent auditor describing:

- The independent auditor's internal quality-control procedures
- Any material issues raised by its most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the independent auditor, and any steps taken to deal with such issues
- All relationships between the independent auditor and the Port Authority.

13. Review the experience and qualifications of the lead partner each year and determine that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed.

14. Consider whether there should be rotation of the independent auditor itself.

15. Approve Port Authority policies, consistent with governing laws and regulations, for its hiring of personnel of the independent auditor.

Financial reporting processes, internal control structure, and accounting policy

16. In consultation with the independent auditor and any internal audit function, periodically review the integrity of the Port Authority's financial reporting processes (both internal and external).

17. Periodically review the adequacy and effectiveness of the Port Authority's disclosure controls and procedures, and the Port Authority's internal control over financial reporting, including any significant deficiencies and significant changes in internal controls.

18. Understand the scope of the auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management responses.

19. Receive and review any disclosure from the Port Authority senior management of:

- Significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Port Authority's ability to record, process, summarize, and report financial data
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the Port Authority's internal controls.

20. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Port Authority's selection or application of accounting principles, major issues as to the adequacy of the Port Authority's internal controls, and any special audit steps adopted in light of material control deficiencies.

21. Review analyses prepared by management (and the independent auditor as noted in item no. 10 above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

22. Review the effect of regulatory and accounting initiatives on the financial statements of the Port Authority.

23. Periodically review the adequacy and effectiveness of the Port Authority's other internal control systems, including information technology security and control.

Internal audit

24. Review with management and the chief audit executive the charter, activities, staffing, and organizational structure of the internal audit function and approve any additional activities, as well as the safeguards needed to address independence impairments created by responsibilities for activities outside of internal auditing.

25. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.

26. Review and approve the annual audit plan and all major changes to the plan.

27. Review the performance of the chief audit executive on an annual basis and recommend to the Port Commission for possible action his or her annual compensation and any salary adjustments, taking into consideration a report and recommendations of the Chief Financial Officer of the Port Authority, and any other information it deems appropriate.

28. Review the effectiveness of the internal audit function, including the mandatory nature of the Core Principles for the Practice of Internal Auditing, the Code of Ethics, the Definition of Internal Auditing, and *International Standards for the Professional Practice of Internal Auditing*.

29. Periodically meet separately with the chief audit executive to discuss any matters that the Committee or internal audit believes should be discussed privately.

Compliance

30. Review the effectiveness of the system for monitoring compliance with laws and regulations, and related internal policies, and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

31. Periodically review and provide input for updating and strengthening the Port Authority's code of ethics.

32. Collaborate with other Port Commissioners with regard to oversight of the Port Authority's system to communicate to and train its personnel regarding this code of ethics, and oversight of the Port Authority's processes to monitor compliance with and enforce the code of ethics.

33. Establish and oversee procedures for:

- The receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters
- The confidential, anonymous submission by Port Authority employees and others (collectively, "whistleblowers") of concerns regarding questionable accounting, auditing, or other compliance matters.

34. Review the findings of any examinations by regulatory agencies, and any other auditor observations.

35. Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Port Authority's major risk exposures and the steps management has undertaken to control them.

36. Review, with the Port Authority's counsel, legal compliance and legal matters that could have a significant impact on the Port Authority's financial statements.

37. Obtain regular updates from management and counsel regarding other compliance matters.

Reporting

38. Report regularly to the Port Commission regarding the execution of the Audit Committee's duties and responsibilities, activities, any issues encountered, and related recommendations.

Other responsibilities

39. Review as necessary – with the independent auditor, the internal audit function, and management – the extent to which changes or improvements in financial or accounting practices have been implemented.
40. Review, with management, the Port Authority's finance function, including its budget and organization.
41. Conduct an annual assessment of this charter and the Audit Committee's purpose, duties, and responsibilities hereunder, and recommend to the Port Commission any changes or amendments.
42. Perform any other activities consistent with this charter and governing laws that the Port Commission or Audit Committee determines are necessary or appropriate.

* * *



PORT HOUSTONSM
THE INTERNATIONAL PORT OF TEXAS

PORT OF HOUSTON AUTHORITY

INTERNAL AUDIT CHARTER

September 27, 2022

A. INTRODUCTION

Attribute Standard 1000 of the 2017 International Standards for the Professional Practice of Internal Auditing (*"The Standards"*) as issued by the *Institute of Internal Auditors ("IIA")* requires the Audit Organization to define the mission, scope, authority, responsibility, and accountability of the Internal Audit (IA) function using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes, and incorporating a Code of Ethics of the IIA by adopting an Internal Audit Charter.

The IIA Standards require adherence to the mandatory elements of the International Professional Practices Framework, which consist of Core Principles for the Practice of Internal Auditing, the Definition of Internal Auditing, the IIA Code of Ethics, and International Standards for the Professional Practice of Internal Auditing. The Internal Audit Department ("IAD") Charter is the commitment by all relevant parties to support and execute these activities correlated to items specified within this document and as expressed in the Mission and Vision Statement of the Port of Houston Authority ("PHA").

B. MISSION STATEMENT AND SCOPE OF WORK

1. The *Mission Statement* of the IAD is to perform the Internal Audit ("IA") function for the PHA as Audit Organization. This includes provision of independent, objective assurance and consulting services designed to add value and improve the PHA's operations. In doing so, we use Generally Accepted Governmental Auditing Standards ("GAGAS") and *The Standards*. The IAD helps divisional and departmental management of the PHA accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of various processes (*i.e. risk management, control, and governance*).

2. The *Scope of Work* of the IA function is to determine whether the organization's strategic design, implementation, documentation, and reporting of various processes are adequate and operating in a manner as represented by management. This should ensure that:

- a. Risks are identified, communicated, documented, and managed
- b. Interaction with the various governance groups occurs as needed
- c. Significant financial, managerial, and operational information is accurate, relevant, reliable, and timely
- d. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- e. Resources are acquired economically, used efficiently, and adequately safeguarded/maintained
- f. Programs, plans, and objectives are achieved as committed and/or budgeted
- g. Quality and continuous improvements are fostered within the PHA's control processes
- h. Significant legislative and regulatory issues impacting the PHA are identified, recognized, and addressed appropriately
- i. Opportunities for improving management control, accountability, and the PHA's image that are identified will be communicated to the proper level of management

C. RESPONSIBILITY

1. The IAD, which includes the PHA chief audit executive (“CAE”) and staff, has responsibility to:

a. Develop a flexible Annual Audit Plan using appropriate risk-based methodology, including any risk or control concerns expressed by Audit Committee of the Port Commission (“Audit Committee”) and/or PHA management, and submit that plan to the Port Commission for review and approval. The flexible Annual Audit Plan includes the latitude for adequate follow-up on any issues identified during the engagement process and includes relevant resource limitations and their impact on *Scope of Work*;

b. Implement the Annual Audit Plan as approved by the Port Commission, including any special tasks or projects requested by the Audit Committee and/or PHA management;

c. Provide periodic reports to the Audit Committee summarizing the results of each engagement that identify audit findings, commendations, best practices, recommendations, conclusions, and Departmental Management responses. These reports are issued by the IAD and distributed to the Port Commission and PHA divisional and departmental management. Final Reports are also made available to the external auditor, to enhance reliability, facilitate communication, and reduce costs of the overall audit process;

d. Maintain a staff with sufficient knowledge, skills, experience, and professional certifications to meet requirements of *The Standards*. This includes adequate continuing professional education (“CPE”) to maintain licensure and/or certifications and apply relevant GAGAS;

e. Establish and maintain an IAD Policies and Procedures Manual that contains specific guidelines for operations of the IA function and serves as a reference for design, execution, and assessment of the audit activities;

f. Establish and maintain a Quality Assurance and Improvement Program, to provide reasonable assurance regarding the operations of the IAD in relationship to its compliance with professional standards, this Charter, and the IAD Policies and Procedures Manual. This will include internal and external review and reporting of periodic results in performance to the Port Commission, Audit Committee and/or PHA management, along with a feedback mechanism of measurable value for assessment that will be provided to the PHA;

g. Perform relevant consulting services related to control and process implementation and optimization to assist PHA divisional and departmental management in meeting their objectives and foster synergies within the organization, while leveraging resource utilization that promotes development of professional staff with skill sets valuable to operational effectiveness and efficiencies. The IAD may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources;

h. Establish and maintain sufficient and adequate levels of relevant and dynamic knowledge base, by evaluating and monitoring new or emerging services, computer hardware and software systems, processes, functions, operations, and controls coincident with the development, implementation and/or expansion of the PHA's operations;

i. Assist in the investigation of alleged fraud, waste, and abuse within the PHA as requested by the PHA's General Counsel, PHA security, any law enforcement agency or judiciary, and notify the Audit Committee, Executive Director, and General Counsel of the results; and

j. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal coverage, avoiding duplication of effort, building professional rapport, and further developing reliance on credibility and validity of the internal audit function.

D. ACCOUNTABILITY

The CAE, in performing the IA function, shall be accountable to the Audit Committee of the Port Commission. This will be measured by:

1. Preparing a Risk-based Annual Audit Plan and providing periodic updates to the Audit Committee regarding its status and related matters, including resources;
2. Providing a periodic assessment on the adequacy, effectiveness, status of the PHA's divisions and departments, and/or component processes for controlling their activities and managing their risks, as set out in the *Mission Statement and Scope of Work* and supported by projects that the IAD has performed;
3. Reporting scope of work, results, conclusions, significant issues (including unmitigated risks and control deficiencies as expressed in engagement-level assessments), potential improvements (*i.e. recommendations*), and the status of follow-up procedures performed;
4. Maintaining adequate documentation to support conclusions in the form of workpaper files that can also be reviewed for efficiency, relevance to audit plan and program, future audit work, and quality assessment purposes; and
5. Coordinating with and providing assessments of the other control and monitoring functions (*i.e. risk management, compliance, security, ethics, environmental, etc.*)

E. INDEPENDENCE

1. Because of the unique nature of the IA function and the potential for ambiguity and conflicting interests, the independence of the IA function is critical to its success. Independence is vital both in substance and perception, in order to build a foundation of integrity upon which the efficacy and reliability of the IA function can be established and sustained.

2. To provide for the independence of the IA function, IAD personnel report to the CAE who reports functionally to the Audit Committee and administratively to the Chief Financial Officer.

3. In the event the IA function must investigate serious concerns identified under the GAGAS or The Standards (e.g. external impairments, fraud, etc.), IAD personnel shall be provided unrestricted access to the PHA Finance & Administration Department, PHA's Legal Department (subject to the maintenance of appropriate privileges), and appropriate Law Enforcement. If the IA function encounters interference in determining the scope of internal auditing, performing work, or communicating results, the CAE must disclose such interference to the Audit Committee of the Port Commission.

F. AUTHORITY

1. In order for the IAD to fulfill its responsibilities, provide adequate accountability, and maintain independence, it shall have:

a. Continual unrestricted access to all functions, records, property, and personnel of the PHA in meeting its specific audit objectives (subject to the maintenance of appropriate legal privileges and confidentiality). This includes full access to all systems that input, process, store, and report any and all information of the operations of the PHA which are not limited or otherwise restricted;

b. Full and unrestricted access to the Port Commission, management, and appropriate law enforcement (subject to the maintenance of appropriate legal privileges and confidentiality);

c. The ability to allocate audit resources, set audit frequencies, select subjects, determine scope of work, and apply audit techniques required to accomplish audit objectives, without external impairments; and

d. The necessary assistance and/or cooperation of personnel in relation to performance of engagement activity. This includes all PHA divisions and departments where cost efficient and where outsourced functions are procured for the PHA's business.

2. To further maintain independence, reliability, and integrity, the IA function, as performed by the IAD, expressly excludes:

a. Responsibility for any operational duties of the PHA, including those circumstances where the CAE certifies or attests to the effectiveness and conformity to organizational policies, procedures, and applicable laws and regulations of such operations;

b. The authority to initiate or approve transactions that are outside of the direct operations of the IA function and its activities; and

c. The authority to direct the activities of the PHA's employees outside the IA function.

G. PROFESSIONAL STANDARDS

1. As indicated in the *Introduction* and *Mission Statement and Scope of Work* sections, the IA function within the IAD will conform and adhere to GAGAS and *The Standards* or provide appropriate disclosure when exception or limitation exists or occurs.

2. As part of providing assurance to continued adherence, the IAD will undergo a Peer Review engagement every five years, which will render an independent opinion on conformance to the professional standards and requirements reference above.

3. In addition, after a successful IIA peer review, for all audits or engagements where the IAD applies GAGAS or The Standards, the IAD will provide positive assurance, in its report or other deliverable, as to its adherence to them and its application of them in its report or other deliverable.

H. AMENDMENT OF THE INTERNAL AUDIT CHARTER

The CAE is responsible for ensuring that the Charter of the IAD is periodically reviewed and updated or revised as necessary. Any amendment and/or revision shall be signed and approved by the CAE, Chief Financial Officer, and the Chair of the Audit Committee.

EXECUTIVE ENDORSEMENT

This Internal Audit Charter of the PHA is the formal document that specifies the *Mission Statement, Scope of Work, Responsibility, Accountability, Authority, and Independence* of the *IA* function. This Charter is a binding commitment and is vital to all stakeholders of the PHA. The endorsements below of this Internal Audit Charter underscores the importance of the *IA* function in relationship to the PHA's operations and confirms their continued cooperation in fulfillment of their obligation to carry out the *IA* function.

Shannon Williams
Chief Audit Executive
Port of Houston Authority

R. Timothy Finley
Chief Financial Officer
Port of Houston Authority

Thomas J. Heidt
Chief Operating Officer
Port of Houston Authority

Roger Guenther
Executive Director
Port of Houston Authority

Ric Campo
Chair, Audit Committee
Port Commission of the Port of Houston Authority

RELEVANT PROFESSIONAL STANDARDS -

GAGAS Chapters 1-3; IIA *Standards* (all, but emphasis on): 1000; 1000.A1; 1000.C1 ; 1010; 1110; 1110.A1 ; 1111; 1112; 1130; 1320; 2000; 2100; 2600 and related IIA Practice Advisories: 1000-1 ; 1000.C1-2; 2060-2; 2100-3; 2330.A1-2; 2500.A1 -1



PORT HOUSTON
H E N E R A T I O N A L P O R T O F T E X A S

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	POLICY INDEX
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**INTERNAL
AUDIT POLICY
INDEX**

POLICY NO.	POLICY NAME	CREATION DATE	LASTEST REVISED DATE	CHANGES MADE
POL-IA-001	Code of Ethics	10/01/2013	9/27/2022	Date only
POL-IA-002	Independence	10/01/2013	09/27/2022	Updated GAGAS 2018 reference
POL-IA-003	Proficiency, Competency and Professional Development	10/01/2013	09/27/2022	Date only
POL-IA-004	Planning and Risk	10/01/2013	09/27/2022	Updated for new org structure
POL-IA-005	Audit/Engagement Execution & Fieldwork	10/01/2013	09/27/2022	Date only
POL-IA-006	Audit/Engagement Documentation & Workpapers	10/01/2013	09/27/2022	Date only
POL-IA-007	Audit/Engagement Reports & Other Deliverables	10/01/2013	09/27/2022	Date only
POL-IA-008	Communications	10/01/2013	09/27/2022	Updated for new org structure
POL-IA-009	Follow-up and Remediation	10/01/2013	09/27/2022	Updated for new org structure
POL-IA-010	Quality Control and Assurance	10/01/2013	09/27/2022	Removed project QA requirement
POL-IA-011	Consideration of Fraud, Waste and/or Abuse	10/01/2013	09/27/2022	Updated for new org structure
POL-IA-012	Consideration of Information Technology	10/01/2013	09/27/2022	Language clarified
POL-IA-013	Guidelines for Hiring Employees of Audit Firm	10/28/2014	09/27/2022	Terminology updated



PORT HOUSTON
1101 N. LINDAL DRIVE, PORT OF TEXAS

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. POL-IA-001 CODE OF ETHICS Date: 09/27/2022
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CODE OF ETHICS

PRINCIPLES

Internal auditors within the Internal Audit Department (“IAD”) must adhere to the Port of Houston Code of Conduct and are expected to apply and uphold the following principles:

- **INTEGRITY**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- **INDEPENDENCE AND OBJECTIVITY**

The Internal Audit function must be independent, and internal auditors must be objective in performing their work.

Note: See Independence Policy for specific details.

- **CONFIDENTIALITY**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- **PROFICIENCY**

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

RULES OF CONDUCT

1. INTEGRITY

Internal auditors within the IAD:

- 1.1 Shall perform their work with honesty, diligence, and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organization.

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-001</u> CODE OF ETHICS Date: 09/27/2022
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2. INDEPENDENCE AND OBJECTIVITY

Internal auditors within the IAD:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2 Shall not assess specific operations for which they were previously responsible.
- 2.3 Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.4 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. CONFIDENTIALITY

Internal auditors within the IAD:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. COMPETENCY

Internal auditors within the IAD:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2 Shall perform internal auditing services in accordance with the Generally Accepted Governmental Auditing Standards ("GAGAS") in conjunction with the International Standards for the Professional Practice of Internal Auditing ("The Standards") and the IAD's Policies and Procedures Manual.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Relevant Standards:

- | | |
|-------|--|
| GAGAS | 3.02 Ethical Principles
3.16 Professional Behavior |
| IIA | IIA Code of Ethics
1100 Independence and Objectivity
1200 Proficiency and Due Professional Care
1300 Quality Assurance and Improvement Program
1322 Disclosure of Non conformance
2110 Governance
2110. A1
2431 Engagement Disclosure of Nonconformance |



PORT HOUSTON
11 • 19 • 1984 • 1986 • 1987 • 1988 • 1989 • 1990 • 1991 • 1992 • 1993 • 1994 • 1995 • 1996 • 1997 • 1998 • 1999 • 2000 • 2001 • 2002 • 2003 • 2004 • 2005 • 2006 • 2007 • 2008 • 2009 • 2010 • 2011 • 2012 • 2013 • 2014 • 2015 • 2016 • 2017 • 2018 • 2019 • 2020 • 2021 • 2022

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY

Policy No. POL-IA-002
INDEPENDENCE
Date: **09/27/2022**

INDEPENDENCE

POLICY

- In performing the Internal Audit (“IA”) Function, the Internal Audit Department (“IAD”) applies the standards of independence and objectivity as promulgated by the Generally Accepted Government Auditing Standards (“GAGAS”) and the Institute of Internal Auditors (“IIA”) International Standards for the Professional Practice of Internal Auditing (“*The Standards*”). The GAGAS Conceptual Framework Approach to Independence is applied at the Audit Organization, Audit, and Individual Auditor Levels. This is an essential cornerstone of our existence as an IAD and in the fulfillment of our mission statement and attainment of our objectives as outlined in the IAD Charter.
- The Internal Audit Department within the Port of Houston Authority (“PHA”) is considered an Internal Audit Organization for purposes of executing its mission and scope of work as indicated in the PHA Internal Audit Charter.
- IAD personnel must be independent in both substance and perception in order to build a foundation of integrity upon which the efficacy and reality of the IA function can be established and sustained.
- To provide for independence of the IA function, IAD personnel report to the PHA chief audit executive (“CAE”) who reports functionally to the Audit Committee of the Port Commission (“Audit Committee”).
- In the event that the IA function must investigate serious concerns identified under the GAGAS or the *Standards*, IAD personnel shall be provided unrestricted access to the Port Commission, PHA management, PHA’s Legal Division, and appropriate Law Enforcement (subject to the maintenance of appropriate privileges).

THREATS TO INDEPENDENCE

The following are the seven categories of threats to independence as presented in Section 3.30 of the Government Auditing Standards 2018 - Technical Update 2021 Revision:

- Self-interest threat - the threat that a financial or other interest will inappropriately influence an auditor’s judgment or behavior;*
- Self-review threat - the threat that an auditor or audit organization that has provided non-audit services will not appropriately evaluate the results of previous judgments made or services performed as part of the non-audit services when forming a judgment significant to a GAGAS engagement;*
- Bias threat - the threat that an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective;*
- Familiarity threat - the threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective;*
- Undue influence threat - the threat that external influences or pressures from sources external to the audit organization will affect an auditor’s ability to make independent and objective judgments;*

- f. Management participation threat - the threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the audited entity, which will lead an auditor to take a position that is not objective.*
- g. Structural threat - the threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will affect the audit organization's ability to perform work and report results objectively.*

Section 3.50 of the Government Auditing Standards 2018 – Technical Update 2021 Revision provides the following examples of Safeguards that could eliminate threats or reduce them to an acceptable level:

- a. Consulting an independent third party, such as a professional organization, a professional regulatory body, or another auditor to discuss engagement issues or assess issues that are highly technical or require significant judgment;*
- b. Involving another audit organization to perform or re-perform part of the engagement;*
- c. Having an auditor who was not a member of the engagement team review the work performed; and*
- d. Removing an auditor from an engagement team when that auditor's financial or other interests or relationships pose a threat to independence.*

The following are documentation requirements under GAGAS to support an auditor's compliance with independence standards:

- a. Document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence as required by paragraph 3.33;*
- b. Document the safeguards required by paragraphs 3.53-3.55 if an audit organization is structurally located within a government entity and are considered independent based on those safeguards;*
- c. Document consideration of audited entity management's ability to effectively oversee a non-audit service to be provided by the auditor as indicated in paragraph 3.74; and*
- d. Document the auditor's understanding with an audited entity for which the auditor will perform a non-audit service as indicated in paragraph 3.77.*

ATTEST TO INDEPENDENCE

As part of compliance, the CAE on behalf of the IAD and each individual auditor will assure their independence and disclose when impairment occurs or exists in the form of a signed document. These signed documents are executed annually and are kept as a part of the IAD records. Additionally, the individual auditor attests to his/her independence at the audit/engagement level by sign-off on an "Independence workpaper".

The independence statements act as support and validation of adherence to this policy.

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-002</u> INDEPENDENCE Date: 09/27/2022
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RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

INDEPENDENCE

DEFINITION	3.17 – 3.22
PERSONAL IMPAIRMENTS	3.26 – 3.27, 3.59
EXTERNAL IMPAIRMENTS	3.35, 3.48

ORGANIZATIONAL INDEPENDENCE

DEFINITION	3.21
EXTERNAL AUDIT	3.30, 3.37, 3.61
INTERNAL AUDIT	3.49 – 3.51
NON-AUDIT SERVICES	3.28, 3.34, 3.36, 3.45, 3.52 – 3.55, 3.60
OVERARCHING INDEPENDENCE PRINCIPLES	3.31 – 3.33, 3.47

IIA STANDARDS

INDEPENDENCE AND OBJECTIVITY	1100
ORGANIZATIONAL INDEPENDENCE	1110, 1110.A1, 1112
INDIVIDUAL OBJECTIVITY	1120
IMPAIRMENTS	1130, 1130.A1, 1130.A2, 1130.A3, 1130.C1, 1130.C2

IIA PRACTICE ADVISORIES

ORGANIZATIONAL INDEPENDENCE	1110 – 1
INDIVIDUAL OBJECTIVITY	1120 – 1
IMPAIRMENT TO INDEPENDENCE OR OBJECTIVITY	1130 – 1
INDEPENDENCE OF THE EXTERNAL ASSESSMENT TEAM IN THE PUBLIC SECTOR	1312 – 4



PORT HOUSTON
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PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-003</u> PROFICIENCY, COMPETENCY AND PROFESSIONAL DEVELOPMENT Date: 09/27/2022
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PROFICIENCY, COMPETENCY, AND PROFESSIONAL DEVELOPMENT

POLICY

- The Internal Audit Department (“IAD”) will maintain an adequate level of staff and access to other resources needed to execute its function and discharge its duties in accordance with the International Standards for the Professional Practice of Internal Auditing (“*The Standards*”) and IAD Charter by:
 - Recruiting, hiring and retaining qualified professionals (which may include external service providers) that possess the necessary skills and certifications to individually perform and collectively execute the internal audit function;
 - Creating and adapting an internal organizational structure while maintaining alignment with the organization’s dynamic environment and its effect on the IAD’s objectives, scope, responsibilities, accountability, and authority;
 - Providing training to new hires and experienced staff through internally developed and managed programs, Continuing Professional Education (“CPE”), and external providers of relevant curriculum that offers professional development;
 - Ensuring continued professional development of employees by:
 - Providing adequate CPE to maintain licensure and/or certifications and applying relevant Generally Accepted Government Auditing Standards (“GAGAS”); and
 - Introducing progressive auditing and analytical techniques (including those using relevant and emerging information technologies).
- Professional Development is also a partnership between the employee and the employer. The Port of Houston Authority (“PHA”) uses an annual employee performance evaluation (“EPE”) system which sets goals and objectives that align the individual’s goals with the IAD’s, allowing for recognition, growth and advancement where available. The EPE process is interactive and cooperative, which provides an avenue for a mutually beneficial and productive work environment.
- The PHA chief audit executive will decline project(s) if he/she determines that there is a lack of adequate level of staff or access to other resources (including financial) needed to execute its function and discharge its duties in accordance with professional standards.

NOTE: For more detailed information see the Proficiency, Competency & Professional Development Procedures.

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-003</u> PROFICIENCY, COMPETENCY AND PROFESSIONAL DEVELOPMENT Date: 09/27/2022
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RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

PROFESSIONAL JUDGMENT	3.109 – 3.117
COMPETENCE	4.01 – 4.06
TECHNICAL KNOWLEDGE	4.07 – 4.11, 6.04, 7.07, 7.71, 7.79

IIA Standards

1200 PROFICIENCY AND DUE PROFESSIONAL CARE
1210 PROFICIENCY
1210.A1
1210.A2
1210.A3
1210.C1
1220 DUE PROFESSIONAL CARE
1220.A1
1220.A2
1220.A3
1220.C1
1230 CONTINUING PROFESSIONAL DEVELOPMENT
2000 MANAGING THE INTERNAL AUDIT ACTIVITY
2340 ENGAGEMENT SUPERVISION

GAGAS

GUIDANCE ON GAGAS REQUIREMENTS FOR CPE GAO-05-568G

IIA PRACTICE ADVISORIES

1200-1	PROFICIENCY AND DUE PROFESSIONAL CARE
1210-1	PROFICIENCY
1210.A1-1	OBTAINING EXTERNAL SERVICE PROVIDERS TO SUPPORT OR COMPLEMENT THE INTERNAL AUDIT ACTIVITY



PORT HOUSTON
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PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-004</u> PLANNING AND RISK Date: 09/27/2022
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PLANNING AND RISK

POLICY

The Port of Houston Authority (“PHA”) chief audit executive (CAE”) will adequately:

- Plan activities and engagements to be performed for the upcoming year based on a process as identified and outlined in the Annual Audit Plan, derived from the risk assessment. The CAE establishes the risk based PHA Annual Internal Audit Plan to determine the priorities of the internal audit activity, consistent with the PHA goals and the Internal Audit Department (“IAD”) Charter.
- Plan each engagement to sufficiently identify risk, objectives, scope, work to be performed (as outlined in the Audit/Engagement Planning Procedures) and provide sufficient and appropriate documented evidence to adequately support findings, conclusions, and recommendations.

NOTE: The Annual Audit Plan is a published document which identifies each project for the upcoming fiscal year. The Annual Audit Plan is a documented process and is maintained as part of the Annual Audit Documentation.

ANNUAL AUDIT PLAN

- An Annual Risk Assessment (“ARA”) is performed at the entity level to adequately plan the annual activities of the Internal Audit (“IA”) function, which considers: updated reviews of department changes; changes to the organizational structure or relationships that change IA’s view of the overall “auditable universe”; notable/significant events, transactions, contracts, initiatives, leadership, or process changes affecting the PHA that occurred during the year; and considerations of acquisitions, changes, implementations, upgrades, and interfaces of IT/IS that are integral components of business processes.
- The ARA is used to prepare the Risk Assessment Report which is distributed to the Audit Committee of the Port Commission (“Audit Committee”), Port Commission, Executive Director, Chief Financial Officer, and appropriate senior leadership.
- Input and recommendations for projects to include in the audit plan may be requested from the Audit Committee, Executive Director, Chief Financial Officer, and senior leadership. Management’s feedback is vital and intended to further identify the areas of exposed risk that operational management would like reviewed as well as provide value to the organization.

- IAD management and staff meet as a part of developing the proposed Annual Audit Plan to strategize potential engagements for the upcoming year.
- The CAE drafts an Annual Audit Plan of specific activities, engagements, and projects which consider risk and utilize a risk-based approach and available resources and proposes and presents it to the Executive Director and the Audit Committee.
- The Annual Audit Plan is submitted to the Port Commission for review and approval.
- The IAD implements the Annual Audit Plan as approved by the Port Commission, including any special tasks or projects requested by the Audit Committee and/or PHA management.
- The IAD provides periodic reports to the Audit Committee summarizing the results of each engagement. These reports include audit findings, best practices, recommendations, conclusions, and departmental management responses. These reports are issued to the Port Commission, and PHA senior leadership. Final reports are also made available to the external auditor.
- Status, progress and other relevant communications pertaining to the Annual Audit Plan are provided to the Audit Committee on a routine (at least quarterly) basis.

ENGAGEMENT PLANNING

- The Engagement Plan is documented by the Manager (or designee) and approved by the CAE.
- Information will be accumulated and recorded during the engagement which will contribute to the following:
 - Identification of the overall audit/engagement objectives (including specific and measurable criteria, where required);
 - Identification and refinement of scope;
 - Risk definition and internal control assessment(s);
 - Developing the audit/engagement program to meet specific objectives; and
 - Determining resources (internal and external) needed to accomplish the overall audit/engagement and specific audit/engagement objectives (including the budget).

NOTE: Computer-assisted audit techniques (CAATs) are used in analysis, where appropriate.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

Generally Accepted Governmental Auditing Standards (“GAGAS”)

FINANCIAL AUDITS	Chapter 6
ATTESTATION ENGAGEMENTS	Chapter 7
PERFORMANCE AUDITS	8.01 – 8.139
INDEPENDENCE (INCLUDING NON-AUDIT SERVICES)	3.17 – 3.108

IIA STANDARDS (ANNUAL AUDIT PLAN)

2010 PLANNING
2020 COMMUNICATION AND APPROVAL
2030 RESOURCE MANAGEMENT
2050 COORDINATION
2100 NATURE OF WORK
2110 GOVERNANCE
2120 RISK MANAGEMENT
2130 CONTROL

IIA STANDARDS (ENGAGEMENT PLANNING)

2200 ENGAGEMENT PLANNING
2201 PLANNING CONSIDERATIONS
2210 ENGAGEMENT OBJECTIVES
2220 ENGAGEMENT SCOPE
2230 ENGAGEMENT RESOURCE ALLOCATION
2240 ENGAGEMENT WORK PROGRAM

IIA PRACTICE ADVISORIES

2010 – 1 LINKING THE AUDIT PLAN TO RISK AND EXPOSURES
2010 – 2 USING THE RISK MANAGEMENT PROCESS IN INTERNAL AUDIT PLANNING
2110 – 1 GOVERNANCE: DEFINITION
2110 – 2 GOVERNANCE: RELATIONSHIP WITH RISK AND CONTROL
2110 – 3 GOVERNANCE: ASSESSMENTS
2120 – 1 ASSESSING THE ADEQUACY OF RISK MANAGEMENT PROCESSES
2120 – 2 MANAGING THE RISK OF THE INTERNAL AUDIT ACTIVITY
2200 – 1 ENGAGEMENT PLANNING
2200 – 2 USING THE TOP-DOWN, RISK-BASED APPROACH TO IDENTIFY CONTROLS TO BE
 ASSESSED IN AN INTERNAL AUDIT ENGAGEMENT
2210 – 1 ENGAGEMENT OBJECTIVES
2210.A1 RISK ASSESSMENT IN ENGAGEMENT PLANNING



PORT HOUSTON
11 • 10 • 08 • 04 • 06 • 08 • 10 • 12 • 14 • 16 • 18 • 20 • 22

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-005</u> AUDIT/ENGAGEMENT EXECUTION & FIELDWORK Date: 09/27/2022
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AUDIT/ENGAGEMENT EXECUTION & FIELDWORK

POLICY

The Internal Audit Department (“IAD”) will include the following elements in performing engagements as set forth by Generally Accepted Governmental Auditing Standards (“GAGAS”) and the standards issued by the Institute of Internal Auditors (“IIA”):

- Perform, obtain, and document sufficient and appropriate:
 - Planning (including decision support for development and modification of audit procedures – See Audit/Engagement Planning Procedures);
 - Understanding and assessment of the environment and processes (including risk and internal control);
 - Auditor communication during planning and throughout the engagement;
 - Consideration of previous audits and attestation engagements;
 - Evidence, analysis, and evaluation to support conclusions (using Computer Aided Analysis Tools, where appropriate); and
 - Support for evidence, findings, recommendations, communications, and reporting.
- Process for developing elements of a finding.
- Adequate supervision of staff, their proficiency, competency, and exercise of due professional care (See Proficiency, Competency & Professional Development Policy and Procedures).
- Consideration of fraud consistent with engagement objectives.
- Quality Assurance function, based on a set of written policies and procedures.

NOTE: The concepts of reasonable assurance, significance, and risk form a framework to apply this policy, which is in accordance with professional standards and are included throughout the discussion.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

FINANCIAL AUDITS	CHAPTER 6
ATTESTATION ENGAGEMENTS	CHAPTER 7
PERFORMANCE AUDITS	CHAPTER 8

IIA STANDARDS

2200 ENGAGEMENT PLANNING
2201 PLANNING CONSIDERATIONS
2210 ENGAGEMENT OBJECTIVES
2220 ENGAGEMENT SCOPE
2230 ENGAGEMENT RESOURCE ALLOCATION
2240 ENGAGEMENT WORK PROGRAM
2300 PERFORMING THE ENGAGEMENT
2310 IDENTIFYING INFORMATION
2320 ANALYSIS AND EVALUATION
2340 ENGAGEMENT SUPERVISION

IIA PRACTICE ADVISORIES

2230 – 1 ENGAGEMENT RESOURCE ALLOCATION
2240 – 1 ENGAGEMENT WORK PROGRAM
2300 – 1 USE OF PERSONAL INFORMATION IN CONDUCTING ENGAGEMENTS
2320 – 1 ANALYTICAL PROCEDURES
2320 – 2 ROOT CAUSE ANALYSIS

NOTE: The concept of fieldwork, as a professional standard, is broader than the time spent in the field and is a term not used in the standards issued by the IIA, except in relationship to Quality Assurance and assessing the timeliness of engagement reporting.



PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-006</u> AUDIT/ENGAGEMENT DOCUMENTATION & WORKPAPERS Date: 09/27/2022
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AUDIT/ENGAGEMENT DOCUMENTATION & WORKPAPERS

POLICY

- The Internal Audit Department (“IAD”) will obtain, review, record, and retain sufficient and appropriate evidence to support its findings, conclusions, and recommendations. This is a collective body of information that is referred to as Engagement Documentation or Workpapers and includes the following elements:
 - Objectives
 - Scope
 - Procedures
 - Conclusions
 - Communications
 - Supporting Schedules
 - Notifications
- Refer to the Audit/Engagement Documentation & Workpapers Procedures for detailed workpaper documentation guidelines.
- Documentation will be reviewed by an experienced professional, other than the preparer, at various stages of the audit/engagement and prior to issuance of the final report. This supports the assurance of sufficient and appropriate evidence, as obtained by proficient/competent performance, exercise of professional judgment, and as overseen with adequate supervision.
- A final record of the work performed by an auditor shall be retained and stored as required. This record is often referred to as ‘workpapers’ or ‘working papers’ which become part of a historical record maintained within the IAD.
- Documentation will be retained for the purposes of accountability, efficiency, follow-up, and quality assurance in accordance with the Port of Houston Authority document retention requirements.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

GENERAL STANDARDS	5.22 – 5.41, 5.58 – 5.59
FINANCIAL AUDITS	6.17 – 6.35
ATTESTATION ENGAGEMENTS	7.33 – 7.38
PERFORMANCE AUDITS	8.132 – 8.141

IIA STANDARDS

2200 ENGAGEMENT PLANNING
2201 PLANNING CONSIDERATIONS
2210 ENGAGEMENT OBJECTIVES
2220 ENGAGEMENT SCOPE
2230 ENGAGEMENT RESOURCE ALLOCATION
2240 ENGAGEMENT WORK PROGRAM
2300 PERFORMING THE ENGAGEMENT
2310 IDENTIFYING INFORMATION
2320 ANALYSIS AND EVALUATION

**PORT OF HOUSTON AUTHORITY
INTERNAL AUDIT POLICY**

Policy No. POL-IA-006
**AUDIT/ENGAGEMENT DOCUMENTATION &
WORKPAPERS**
Date: 09/27/2022

2330 DOCUMENTING INFORMATION
2340 ENGAGEMENT SUPERVISION

IIA PRACTICE ADVISORIES

2330 – 1	DOCUMENTING INFORMATION
2330.A1 – 2	CONTROL OF ENGAGEMENT RECORDS
2330.A1 – 2	GRANTING ACCESS TO ENGAGEMENT RECORDS
2330.A2 – 1	RETENTION OF RECORDS



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PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. POL-IA-007 AUDIT/ENGAGEMENT REPORTS & OTHER DELIVERABLES Date: 09/27/2022
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AUDIT/ENGAGEMENT REPORTS & OTHER DELIVERABLES

POLICY

- The Internal Audit Department (“IAD”) will issue reports and/or deliverables communicating the results of each engagement and disseminate them to relevant parties as indicated in the Audit/Engagement Reporting & Other Deliverables Procedures.
- The form of the deliverable should be appropriate for its intended use.
- Effectively written deliverables that include requested management responses will:
 - Communicate results to responsible officials and management;
 - Make the results less susceptible to misunderstanding; and
 - Facilitate follow-up to determine whether appropriate corrective action has been taken.
- A draft copy of written deliverables will be reviewed by and with responsible management prior to distribution of the final deliverables.
- Engagement deliverables should be accurate, objective, clear, concise, constructive, complete, and timely. They should include the engagement’s objectives, scope, and results.
- Final communication of engagement results must, include applicable conclusions, as well as applicable recommendations and/or action plans.
- Results should be communicated to appropriate stakeholders. Communication should be made to the Audit Committee of the Port Commission (“Audit Committee”), Port of Houston Authority (“PHA”) department management and other parties, where applicable, who can ensure the results are given due consideration.
- Prompt and timely engagement reporting is important to enable effective improvement or corrective actions for recommendations. Guidelines for timeliness of engagement reporting are found in the Audit/Engagement Reporting & Other Deliverables Procedures and are summarized as follows:
 - Draft engagement deliverables should be completed on a timely basis (usually within two weeks or ten business days) from the last date of fieldwork;
 - Any revisions to draft engagement deliverables resulting from the exit meetings should be completed timely following the final exit meeting date; and
 - Final engagement deliverables should be completed timely (usually issued within one month or twenty business days) of the final exit meeting date.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

FINANCIAL AUDITS	6.36 – 6.70
ATTESTATION ENGAGEMENTS	7.05 – 7.69
REPORTING STANDARDS FOR PERFORMANCE AUDITS	Chapter 9

IIA STANDARDS

2400 COMMUNICATING RESULTS
2410 CRITERIA FOR COMMUNICATING
2420 QUALITY OF COMMUNICATIONS
2421 ERRORS AND OMISSIONS
2430 USE OF "CONDUCTED IN CONFORMANCE WITH THE INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING"
2431 ENGAGEMENT DISCLOSURE OF NONCONFORMANCE
2440 DISSEMINATING RESULTS
2500 MONITORING PROGRESS

IIA PRACTICE ADVISORIES

2400 – 1	LEGAL CONSIDERATIONS IN COMMUNICATING RESULTS
2410 – 1	COMMUNICATION CRITERIA
2420 – 1	QUALITY OF COMMUNICATIONS
2440.A2 – 1	COMMUNICATIONS OUTSIDE THE ORGANIZATION
2440 – 1	DISSEMINATING RESULTS
2440 – 2	COMMUNICATING SENSITIVE INFORMATION WITHIN AND OUTSIDE THE CHAIN OF COMMAND



PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-008</u> COMMUNICATIONS Date: 09/27/2022
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COMMUNICATIONS

POLICY

GENERAL – Communications are to be accurate, objective, clear, concise, constructive, complete, relevant, and timely. To fulfill these attributes:

- The Internal Audit Department (“IAD”) will communicate directly with the Audit Committee of the Port Commission (“Audit Committee”), the Chief Financial Officer and the appropriate senior leadership, as needed, related to the status of current projects, resources, and developing factors or external influences on the IAD function and the Annual Audit Plan.
- IAD will communicate the results of the Quality Assurance and Improvement Program (“QAIP”) to the Port Commission, Audit Committee and/or Port of Houston Authority (“PHA”) management. Disclosure should include:
 - The scope and frequency of both the internal and external assessments.
 - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
 - Findings or observations of the assessors.
 - Corrective action plans.
- IAD will communicate with appropriate PHA officials and/or management about the organizations’ risk and control environment.
- Communications with the audited entity will include the engagement’s objectives, scope, results, methodology, requests for information, interim communications of status, concerns (e.g., impairment of independence, etc.), and potential issues. Distinctions based on engagement type and/or function are as follows:

FINANCIAL AUDITS/ ATTESTATION ENGAGEMENTS	Nature, timing and extent of planned work; Level of assurance; Requests for information; Interim communications; and Any restrictions, if applicable.
PERFORMANCE AUDITS (including Compliance)	Overview of the objectives, scope, methodology, and timing of the audit and planned reporting (including any potential restrictions on the report), requests for information and interim communication.
REPORTING (All)	Deficiencies in Internal Control; Non-compliance; Contract violations.
COMMUNICATE	Fraud and/or Illegal Acts.

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-008</u> COMMUNICATIONS Date: 09/27/2022
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NOTE: The forms and timing of communication related to the preceding section are discussed in detail in the Communications Procedure.

- The IAD will communicate limitations and/or changes to the scope of services. This includes the boundaries and responsibilities of management when the IAD engages in Non-Audit Services.
- Final communication of engagement results must include applicable recommendations and /or actions plans.
- The IAD will acknowledge exemplary performance in communications.
- Engagement results will be communicated to appropriate parties. In general, communication will be made to PHA officials, management and/or other parties of interest who can ensure the results are given due consideration.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

General Standards	3.77
Financial Audits	6.06 – 6.09, 6.45
Attestation Engagements	7.09 – 7.11
Performance Audits	5.25 ,5.35, 8.20 – 8.25

IIA Standards

1111 Direct Interaction with the Board (Management)
1220 Due Professional Care
1320 Reporting on the Quality Assurance and Improvement Program
2020 Communication and Approval
2060 Reporting to the Board and Senior Management
2400 Communicating Results
2410 Criteria for Communicating
2410.A1
2410.A2
2410.A3
2410.C1
2420 Quality of Communications
2421 Errors and Omissions
2431 Engagement Disclosure of Nonconformance
2440 Disseminating Results
2440.A1
2440.A2
2440.C1
2440.C2
2500 Monitoring Progress

IIA Practice Advisories

1111 – 1	Board Interaction
1311 – 1	Internal Assessments
1312 – 1	External Assessments
2020 – 1	Communication and Approval
2060 – 1	Reporting to Senior Management and the Board
2400 – 1	Legal Considerations in Communicating Results
2410 – 1	Communication Criteria
2420 – 1	Quality of Communications
2440.A2 – 1	Communications Outside the Organization
2440 – 1	Disseminating Results
2440 – 2	Communicating Sensitive Information Within and Outside the Chain of Command
2500 – 1	Monitoring Progress

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-009</u> FOLLOW-UP AND REMEDIATION Date: 09/27/2022
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FOLLOW-UP AND REMEDIATION

POLICY

GENERAL – The Internal Audit Department (“IAD”) develops, maintains, and modifies as necessary follow-up procedures that monitor the status of findings and issues previously reported and assesses management’s process to remediate accordingly. To fulfill these attributes:

- IAD maintains a listing of the findings identified during the course of an engagement that resulted in the issuance of a report. (Note: GAGAS 8.30 and 8.46 require auditors to understand the risk associated with the results of previous engagements and issues identified with internal controls that are relevant to the current audit objectives. This is part of the engagement planning process. See Audit/Engagement Planning Procedures.)
- IAD obtains and maintains management responses and assesses the sufficiency and appropriateness in the context of the issue identified, which considers and applies risk assessment methodology.
- IAD requests management status on the remediation of issues at least once per year.
- IAD performs additional appropriate procedures to verify:
 - Accuracy of management assessment of cleared items; and
 - Efficiency and Effectiveness the Management’s remediation process.
- IAD communicates the results of the follow-up process and procedures as a formal report distributed to the Audit Committee of the Port Commission (“Audit Committee”), Chief Financial Officer, and appropriate department directors or management.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

IIA STANDARDS

2500 – MONITORING PROGRESS
 2600 – RESOLUTION OF SENIOR MANAGEMENT’S ACCEPTANCE OF RISK

IIA PRACTICE ADVISORIES (PA)

2500 – 1 MONITORING PROGRESS
 2500.A1-1 FOLLOW-UP PROCESS



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PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-010</u> QUALITY CONTROL & ASSURANCE Date: 09/27/2022
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QUALITY CONTROL & ASSURANCE

POLICY

- The Internal Audit Department (“IAD”) shall establish and maintain a system of Quality Control that is designed to provide relevant parties with reasonable assurance that:
 - The organization and its personnel comply with professional standards and applicable legal and regulatory requirements; and
 - The organization has periodic internal assessments and an external peer review every 5 years.
- The system of Quality Control adopted defines and monitors the IAD’s:
 - Leadership;
 - Emphasis on high quality work; and
 - Policies and Procedures designed to provide assurance that internal controls are operating effectively.
- The IAD develops and maintains Policies and Procedures for the Internal Audit (“IA”) function, which addresses Quality Assurance (“QA”) through standards of management, practice, proficiency, competency, execution, communication, documentation, reporting and review. The IAD Policies are reviewed and updated at least annually and presented to the Audit Committee of the Port Commission (“Audit Committee”) for approval.
- IAD performs reviews to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, relevant Generally Accepted Governmental Auditing Standards (“GAGAS”) and the International Standards for the Professional Practice of Internal Auditing (“*The Standards*”).
- Audit Manager(s) will review the engagement work for projects under their direct supervision, while a separate manager, supervisor, or assigned staff will perform specific Quality Control functions on work not performed by or under their specific assignment.
- The internal system process, which is outlined in greater detail in the Quality Assurance and Improvement Program Procedures will, at minimum, include:
 - Review of administrative and personnel records (related to Quality Control and Continuing Professional Education);
 - Review of audit and attestation documentation, including reports;
 - Periodic summary of findings with systemic causes;
 - Determination of corrective actions and/or improvements to engagement or quality processes; and

- Written report of communication of findings and timely follow-up.
- The QA function within the IAD will develop, adhere to, review and modify metrics associated with its performance.
- The IAD will develop, adhere to, report, review, and modify metrics associated with its performance.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

Independence	3.17 – 3.108
Professional Judgment	3.109 – 3.117
Competence	4.01 – 4.15
Quality Control and Assurance	5.01 – 5.95

IIA Standards

1300	Quality Assurance and Improvement Program (QAIP)
1310	Requirements of the QAIP
1320	Reporting on the QAIP
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "

IIA Practice Advisories

1230 – 1	Continuing Professional Development
1300 – 1	Quality Assurance and Improvement Program
1310 – 1	Requirements of the Quality Assurance and Improvement Program



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PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-011</u> CONSIDERATION OF FRAUD, WASTE AND/OR ABUSE Date: 09/27/2022
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CONSIDERATION OF FRAUD, WASTE AND/OR ABUSE

POLICY

- The Internal Audit Division (“IAD”) evaluates the potential for the occurrence of fraud, waste and/or abuse as part of the Assessment of Enterprise Risk Management (“ERM”):
- The IAD will inform the Audit Committee of the Port Commission (“Audit Committee”), the Port Commission, appropriate law enforcement, Chief Financial Officer, and/or other responsible officials of risks of fraud, waste and/or abuse as part of its communications, audit planning, and engagement processes.
- The IAD develops and maintains Policies and Procedures for the Internal Audit (“IA”) Function, which addresses considerations of fraud, waste and/or abuse and are reviewed and updated regularly as required (generally every 2-3 years based on changes to standards that impact the IA processes).
- Each engagement includes the following specific considerations:
 - In planning the engagement, auditors will assess risks (e.g., through discussion, research and other means) to determine potential fraud, waste and/or abuse that would be significant within the context of the engagement objectives; and
 - Design procedures to provide reasonable assurance of detecting such fraud, waste and/or abuse.
- In demonstrating Proficiency and Competence, IAD staff will demonstrate a sufficient level of knowledge to evaluate the risk of fraud, waste and/or abuse and the manner in which it is managed by the organization. However, staff within the IAD is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud, waste and/or abuse.
- By exercising Due Professional Care and in developing audit/engagement objectives, the IAD will specifically consider the likelihood and impact of fraud, waste and/or abuse occurrence(s).
- The IAD will avoid interference with investigations and legal proceedings in performing specific procedures related to fraud, waste and/or abuse and will, where appropriate, assist investigators and/or legal authorities.
- The IAD will report all suspected instances/indicators of fraud, waste, abuse and/or illegal acts to the Executive Director, Chief Legal Officer, and the Audit Committee, unless inconsequential.
- The IAD will consider the impact of public reporting on any investigative or legal proceedings.

- The IAD will report known or suspected fraud, waste and/or abuse directly to parties outside the entity if, after communication from IAD:
 - Management fails to satisfy legal or regulatory requirements to report such information; or
 - Management fails to take timely and appropriate steps to respond to known or suspected fraud, waste and/or abuse that is significant to findings and conclusions and involves funding received directly or indirectly from a government agency.

NOTE: This does not restrict the individual auditor from reporting all potential fraud regardless of magnitude or lack of management's corrective actions.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

FINANCIAL AUDITS	6.09, 6.12 – 6.24, 6.44 – 6.56
ATTESTATION ENGAGEMENTS	7.11, 7.15 – 7.18, 7.21 – 7.27, 7.40 – 7.81
PERFORMANCE AUDITS	8.25 – 8.29, 8.71 – 8.76, 8.118 – 8.123
FRAUD REPORTING	9.40 – 9.49

IIA STANDARDS

1210 –	PROFICIENCY
1210.A2	
1220 –	DUE PROFESSIONAL CARE
1220.A1	
2060 –	REPORTING TO SENIOR MANAGEMENT AND THE BOARD
2120 –	RISK MANAGEMENT
2120.A2	
2210 –	ENGAGEMENT OBJECTIVES
2210.A2	

IIA PRACTICE ADVISORIES

1220 – 1	DUE PROFESSIONAL CARE
2060 – 1	REPORTING TO SENIOR MANAGEMENT AND THE BOARD
2120 – 1	ASSESSING THE ADEQUACY OF RISK MANAGEMENT PROCESSES
2120 – 2	MANAGING THE RISK OF THE INTERNAL AUDIT ACTIVITY



PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-012</u> CONSIDERATION OF INFORMATION TECHNOLOGY Date: 09/27/2022
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CONSIDERATION OF INFORMATION TECHNOLOGY

POLICY

- The Internal Audit Department (“IAD”) is to establish and maintain a function that has specific consideration of the extent and use of Information Technology at the following levels:
 - The organization level as it pertains to technology, including systems used to meet its mission and objectives in operational, compliance and financial capacities; and
 - The audit/project and/or engagement level as it is embedded in the business processes that are part of the audit objectives and within the context of the audit scope.
- To further its mission and increase efficient use of resources, the IAD utilizes automated tools. Examples of these tools include:
 - MS Excel for data analysis and some substantive audit procedures; and
 - Automated Workpaper Software.
- To the extent the technology tools are utilized, the IAD has control over the use and access as achieved through the use of passwords, registered users and set-up within the application and provided by the related vendor.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

GENERAL STANDARDS –

TECHNICAL KNOWLEDGE	4.07 – 4.11
AUDIT PERFORMANCE, DOCUMENTATION, AND REPORTING	5.58

FIELDWORK STANDARDS FOR PERFORMANCE AUDITS – PLANNING

UNDERSTANDING OF INFORMATION SYSTEMS	8.38
INTERNAL CONTROL	8.49 – 8.53
INFORMATION SYSTEMS CONTROLS	8.59 – 8.67

OBTAINING SUFFICIENT AND APPROPRIATE EVIDENCE

APPROPRIATENESS	8.98
EXAMPLES OF CONTROL DEFICIENCIES	8.58

PERFORMANCE AUDIT OBJECTIVES

AUDIT OBJECTIVES RELATED TO INTERNAL CONTROL	1.24
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**PORT OF HOUSTON AUTHORITY
INTERNAL AUDIT POLICY**

Policy No. POL-IA-012
**CONSIDERATION OF INFORMATION
TECHNOLOGY**
Date: 09/27/2022

IIA Standards

2120	RISK MANAGEMENT
2120.A 1	EVALUATING RISK EXPOSURES
2130	CONTROL
2130.A 1	EVALUATING ADEQUACY AND EFFECTIVENESS OF CONTROLS

Practice Advisories

2120-2	MANAGING THE RISK OF THE INTERNAL AUDIT ACTIVITY
2130.A1-1	INFORMATION RELIABILITY AND INTEGRITY



<p>PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY</p>	<p>Policy No. <u>POL-IA-013</u> Guidelines for Hiring Employees or Former Employees of Independent Auditor Date: 09/27/2022</p>
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PURPOSE AND APPLICABILITY OF POLICY

The Port of Houston Authority (“PHA”) and PHA’s Audit Firm (as defined in Note 1 of attached Exhibit A) seek to maintain a relationship that does not impair the independence of the Audit Firm. An important component of this relationship is a clear hiring policy with respect to the employment by PHA of former personnel of the Audit Firm, and other persons with certain financial reporting oversight or accounting responsibilities.

This policy does not address all circumstances in which employment matters may be relevant to the Audit Firm’s independence. Any circumstances in which employment matters may be relevant to the Audit Firm’s independence and which are not expressly addressed in this policy should be carefully evaluated by the Chief Audit Executive and brought to the attention of the Audit Committee promptly so as to avoid even the appearance of compromising the independence of the Audit Firm.

This policy shall be reviewed by the Audit Committee periodically, but no less frequently than annually, for purposes of assuring continuing compliance with applicable law, in accordance with auditing standards generally accepted in the United States of America, including regulations of Government Auditing Standards issued by the Comptroller General of the United States and any other regulatory or self-regulatory bodies.

Certain terms used in this policy are defined in Exhibit A attached hereto.

POLICY

PHA shall **not** employ any of the following persons (“Non-independent Persons”):

- Any former partner, principal, shareholder, or professional employee of the Audit Firm, if he or she has a continuing financial interest in the Audit Firm or is in a position to influence the Audit Firm’s operations or financial policies;
- Any individual who would assume a “financial reporting oversight role” (as defined in Note 2 of attached Exhibit A) at PHA, if he or she was employed by the Audit Firm and was part of the “audit engagement team” (as defined in Note 3 of attached Exhibit A) during the one-year period preceding the date that “audit procedures” commenced for the fiscal period that included the date of the initial employment of the audit team member by PHA (see Note 4 of attached Exhibit A);
- Any individual who would assume an “accounting role” (as defined in Note 5 of attached Exhibit A) or a financial reporting oversight role, who is the spouse (or equivalent), parent, dependent, nondependent child, or sibling of a “covered person” (as defined in Note 6 of attached Exhibit A); or
- Any other individual whose employment by PHA is prohibited by or violates the terms of the engagement letter signed by PHA or its subsidiary with the Audit Firm;
- Unless approved by the Executive Director (which approval shall not be granted if employment is otherwise prohibited by any of the foregoing restrictions):
 - (i) any person assuming any finance role within PHA and who was employed at

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-013</u> Guidelines for Hiring Employees or Former Employees Audit Firm Date: 09/27/2022
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the level of “senior manager” or above at the Audit Firm during any of the two years prior to his or her prospective employment with PHA, and was part of the audit engagement team; or

- (ii) any person who was employed as a partner of the Audit Firm during any of the two years prior to his or her prospective employment with PHA, regardless of his or her involvement with PHA’s audit or the audit engagement team.

In order to assist the PHA with compliance with this policy, the Chief Audit Executive shall review the proposed hiring of any former personnel of the Audit Firm, and other persons who may be Non-independent Persons. The Director, Human Resources shall provide the Chief Audit Executive with the resume/CV of such persons and the job descriptions for the positions to be filled.

Oversight

The Chief Financial Officer shall provide this policy to finance personnel at PHA, to the Director, Human Resources, and to the Chief Legal Officer of PHA, as well as to the lead partner of the Audit Firm, not less frequently than annually. The Chief Financial Officer shall also include this policy in PHA’s Finance Manual.

The Chief Audit Executive shall report to the Audit Committee periodically with respect to PHA’s employment of former personnel of the Audit Firm covered by this policy.

RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE

GAGAS

INDEPENDENCE

DEFINITION	3.17 – 3.25
PERSONAL IMPAIRMENTS	3.26 – 3.34, 3.59
EXTERNAL IMPAIRMENTS	3.35, 3.48

ORGANIZATIONAL INDEPENDENCE

DEFINITION	3.17
EXTERNAL AUDIT	3.30 – 3.38, 3.61 – 3.63
NON-AUDIT SERVICES	3.64 – 3.84
OVERARCHING INDEPENDENCE PRINCIPLES	3.27 – 3.34, 3.47

IIA STANDARDS

INDEPENDENCE AND OBJECTIVITY	1100
ORGANIZATIONAL INDEPENDENCE	1110, 1110.A1
INDIVIDUAL OBJECTIVITY	1120
IMPAIRMENTS	1130, 1130.A1, 1130.A2, 1130.C1, 1130.C2

IIA PRACTICE ADVISORIES

ORGANIZATIONAL INDEPENDENCE	1110 – 1
INDIVIDUAL OBJECTIVITY	1120 – 1
IMPAIRMENT TO INDEPENDENCE OR OBJECTIVITY	1130 – 1
INDEPENDENCE OF THE EXTERNAL ASSESSMENT TEAM IN THE PUBLIC SECTOR	1312 – 4

PORT OF HOUSTON AUTHORITY INTERNAL AUDIT POLICY	Policy No. <u>POL-IA-013</u> Guidelines for Hiring Employees or Former Employees Audit Firm Date: 09/27/2022
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EXHIBIT A

Definitions and Notes

1. PHA's **"Audit Firm"** means each independent registered public accounting firm that is required to be "independent" with respect to PHA under applicable rules and regulations, in accordance with auditing standards generally accepted in the United States of America including Government Auditing Standards issued by the Comptroller General of the United States and any other applicable regulatory or self-regulatory bodies for purposes of auditing PHA's financial statements and the effectiveness of PHA's internal control over financial reporting and includes the principal auditing firm (Forvis, LLP at the date of this policy), any auditing firm named in the audit report as having been relied upon by the principal auditing firm, and any auditing firm that has audited separate financial statements (such as Single Audit).
2. Persons in a **"financial reporting oversight role"** are those who exercise or who are in a position to exercise influence over the financial statements of PHA and any person who prepares those financial statements. All of PHA's Port Commissioners and the following officers and other personnel are considered to have a financial reporting oversight role:
 - Executive Director
 - Chief Financial Officer
 - Chief Legal Officer
 - Director, Treasury
 - Controller
 - Chief Audit Executive
3. The **"audit engagement team"** consists of any partner, principal, shareholder, or professional employee of the Audit Firm participating in an audit, review, or attestation engagement with respect to PHA, including the lead and concurring partners, and all persons who consult with others on the audit engagement team during the audit, review, or attestation engagement regarding technical or industry-specific issues, transactions, or events, other than any person who has provided fewer than ten hours of audit, review, or attestation services in connection with any such engagement.
4. For purposes of this calculation, **"audit procedures"** are deemed to have commenced for the current audit engagement period the day after PHA is required to file the prior year's annual comprehensive financial report ("ACFR") with the Municipal Securities Rulemaking Board.
5. Persons in an **"accounting role"** are those who are in a position to or who do, in fact, exercise more than minimal influence over the contents of PHA's accounting records, or anyone who prepares them.
6. **"Covered persons"** comprise the audit engagement team, the chain of command (persons who supervise or have direct management for the audit, including at all successively senior levels through the Audit Firm's CEO, or who evaluate the performance or recommend the compensation of the audit engagement partner, or provide quality control or other oversight of the audit), and partners, principals, shareholders, or managerial employees of the Audit Firm who have provided at least 10 hours of non-audit services (determined from the time the services are provided until the date of the audit report with respect to the fiscal year during which the services were provided), or who expect to provide at least 10 hours of non-audit services to PHA on a recurring basis.

I. FINANCE

Subject **2. Authorize the reduction of the investment rate of return assumption for the Port of Houston Authority Restated Retirement Plan and the Other Post-Employment Benefits (OPEB) Plan from 6.25% to 6.00%.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize the reduction of the investment rate of return assumption for the Port of Houston Authority Restated Retirement Plan (Pension Plan) and the Other Post-Employment Benefits (OPEB) Plan from 6.25% to 6.00%, 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 #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:
General

Department:
Treasury

Staff Contact:
Curtis Duncan/Roland Gonzalez

Background:

Staff recently requested the Port Authority's retirement plans investment consultant, AndCo Consulting, LLC produce an asset/liability study for the Pension Plan and OPEB Plan. The purpose of the study was to review the current target asset allocation of the Pension plan and OPEB plan and the target asset allocation impact on the projected funded levels and cash contribution requirements, evaluate alternative investment strategies and target asset allocations, and estimate future total costs of the Plans. Staff reviewed the completed study in the first quarter of 2022 (with support provided by the Port Authority's Actuary, Milliman), and at the recent Pension and Benefits Committee meeting, Port Authority staff reviewed the investment return assumptions provided by the study with the committee.

Separately, the fiscal 2021 annual actuarial valuation report prepared by Milliman indicates, "...a likely range of investment return over a 20 year horizon would be between 3.92% and 6.71% per annum with a 50% likelihood of earning 5.31% (Milliman's best estimate) and a 25% likelihood of earning 6.71%."

Staff Evaluation/Justification:

Staff believes, based on the results of the Study, the recommended asset allocation, and future expected returns for the Pension Plan and OPEB Plan, that a reduction from 6.25% to 6.00% in the investment return assumption rate is in the best interest of the beneficiaries of the Pension Plan and OPEB Plan; the study includes in its conclusions, "...we would also support decreasing the return assumption if the Port Commission elects to do so."

As a result of this rate reduction, Milliman estimates the August 1, 2022, Actuarial Accrued Liability of the Pension Plan would increase by approximately \$6 million, and the annual Actuarial Determined Contribution (ADC) would increase by approximately \$950,000 (increased liability amortized over 10 years) from approximately \$7.5 million to \$8.5 million. Additionally, Milliman estimates the August 1, 2022 funded status would be reduced from approximately 92.6% to 90.2%.

In addition, as a result of this rate reduction, Milliman estimated the December 31, 2022 total OPEB Liability would increase approximately \$1.7 million and the funded status would decline approximately 5%. On a pro-forma basis, the OPEB plan funded status as of July 31, 2021 was 168% (an over-funded position) and would be reduced to approximately 163%.

Staff and the Pension and Benefits Committee recommends the Port Commission approve reduction of the investment return assumption rate to 6.00% for these plans.

I. FINANCE

Subject **3. Authorize the termination of the fixed income investment management agreement with Smith, Graham & Co. Investment Advisors, L.P. for the Port of Houston Authority Restated Retirement Plan (Pension Plan).**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize the termination of the fixed income investment management agreement with Smith, Graham & Co. Investment Advisors, L.P. for the Port of Houston Authority Restated Retirement Plan (Pension 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.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:

General

Department:

Treasury

Staff Contact:

Roland Gonzalez

Background:

By Minute No. 1996-1023-16, the Port Commission authorized the Port Authority to enter into an investment management services agreement with Smith, Graham & Co. Investment Advisors, L.P. f/k/a Smith, Graham & Company (Smith, Graham) to manage Pension Plan assets in a core-plus fixed income portfolio.

The Port Authority's retirement plans investment consultant, AndCo Consulting, LLC (AndCo), reviews and monitors the Port Authority's investment manager performance continuously, including the performance of Smith, Graham and provides the Port Authority quarterly reports on each investment manager's performance. Staff provides these investment performance reports to the Pension and Benefits Committee for its quarterly review.

Beginning September 2020, Smith, Graham was placed on alert status by AndCo for various reasons, and has continued on alert status to date.

Staff Evaluation/Justification:

As part of the ongoing review of Pension Plan investments and long-term performance, staff and AndCo recently recommended to the Pension and Benefits Committee the termination of the fixed income investment management agreement with Smith, Graham. Based on historical performance and risk/reward analysis provided by AndCo's fixed income search, the recommended action is believed to be in the best interest of the beneficiaries of the Pension Plan. In such event, staff and AndCo would reallocate assets formally managed by Smith, Graham to the new investment manager, in accordance with the asset allocation and other parameters specified in the investment policies.

Staff, AndCo, and the Pension and Benefits Committee recommend the Port Commission approve and authorize the termination of the referenced investment agreement for the Pension Plan.

I. FINANCE

Subject **4. Authorize a fixed income investment management agreement with Dodge & Cox for the Port of Houston Authority Restated Retirement Plan (Pension Plan).**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize a fixed income investment management agreement with Dodge & Cox for the Port of Houston Authority Restated Retirement Plan (Pension 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.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:
General

Department:
Treasury

Staff Contact:
Roland Gonzalez

Background:

The Port Authority's retirement plans investment consultant, AndCo Consulting, LLC (AndCo), reviews, monitors, and provides the Port Authority reports on the Pension Plan and each investment manager's performance each quarter. Staff provides these investment performance reports to the Pension and Benefits Committee for its quarterly review.

Staff and AndCo recently requested the Pension and Benefits Committee recommend Port Commission authorization to terminate the fixed income investment management agreement with Smith Graham & Co. Investment Advisors, L.P. In connection with this request, AndCo performed a fixed income manager search and performance comparison of seven fixed income investment managers for the Port Authority's consideration for its Pension Plan, to identify, select, and propose a replacement fixed manager, if warranted.

Staff Evaluation/Justification:

Staff and AndCo recently recommended to the Pension and Benefits Committee to recommend the Port Commission appoint Dodge & Cox as a new fixed income investment manager for the Pension Plan, to replace the incumbent.

Based on historical performance and risk/reward analysis provided by AndCo's fixed income search, the recommended action is believed to be in the best interest of the beneficiaries of the Pension Plan. Staff and AndCo would reallocate assets formally managed by the incumbent to this new investment manager, in accordance with the asset allocation and other parameters specified in the investment policies.

Pension and Benefits Committee and staff recommend that the Port Commission authorize the agreement for a new investment manager for the Pension Plan as provided above.

I. FINANCE

Subject	5. Adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan (Pension Plan).
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, adopt an amended investment policy for the Port of Houston Authority Restated Retirement Plan (Pension 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.

Goals [STRATEGIC GOAL #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:

General

Department:

Treasury

Staff Contact:

Roland Gonzalez

Background:

Staff requested the Port Authority's retirement plans investment consultant, AndCo Consulting, LLC (AndCo) produce an asset/liability study for the Pension Plan and Other Post-Employment Benefits (OPEB) Plan. Milliman, the Port Authority's Actuary, provided AndCo with required supporting data to produce the study. Staff reviewed the completed study in the first quarter of 2022.

The purpose of the study was to review the current target asset allocation of the Pension Plan and OPEB Plan and how each target asset allocation may impact the projected funded levels and cash contribution requirements, evaluate alternative investment strategies and target asset allocations, and estimate future total costs of each Plan.

By Minute No. 2021-0720-13, the Port Commission last adopted an amended investment policy for the Pension Plan, which states:

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy...for the Port of Houston Authority Restated Retirement Plan...the Port Commission of the Port of Houston Authority of Harris County, Texas ... will endeavor to review the Policy at least annually.

Staff Evaluation/Justification:

Based on the results of the study and future expected returns in the Pension Plan, a revision to its investment policy's asset allocation is recommended by staff and AndCo. The study includes in its conclusions, "it is our recommendation to increase allocation to Equity" and decrease the allocation to fixed income assets.

Staff and AndCo propose the following revisions to the investment policy and further assists in its achievement of the assumed investment rate of return:

- Revisions to the Asset Allocations resulting from the Study:
 - Increase to Large Cap Domestic Equity
 - Minimum from 15% to 20%
 - Target from 20% to 25%
 - Maximum from 25% to 30%
 - Decrease to Fixed Income
 - Minimum from 30% to 25%
 - Target from 35% to 30%
 - Maximum from 40% to 35%
- Revisions to the Overall Investment Objective (benchmark)
 - Increase in S&P Index from 22.5% to 27.5%
 - Decrease Bloomberg Barclays Capital US Aggregate Bond Index from 42.5% to 37.5%

The proposed investment policy changes comply with applicable statutes, including Chapter 802, Texas Government Code.

The Pension and Benefits Committee and staff recommend that the Port Commission adopt an amended investment policy for the Pension Plan, as proposed.

**PORT OF HOUSTON AUTHORITY
RESTATED RETIREMENT PLAN**

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY



ADOPTED SEPTEMBER 27, 2022

MINUTE 2022-0927-

TABLE OF CONTENTS

I.	Preamble	3
II.	Fiduciary Responsibilities	4
III.	Purpose	5
IV.	Assignment of Responsibility	6
V.	Delegation of Authority	9
VI.	Asset Allocation	11
VII.	Investment Objectives	12
VIII.	Investment Guidelines	15
IX.	Portfolio Evaluation	23
X.	Definitions	24
XI.	Policy Review and Adoption	28

I. PREAMBLE

The Port of Houston Authority Restated Retirement Plan (the “Plan” or “Pension Plan”) is a defined benefit retirement plan established by the Port of Houston Authority of Harris County, Texas (the “Plan Sponsor”) effective April 3, 1958. The Plan provides retirement benefits to eligible employees during their retirement years and to eligible dependents as specified in the Plan.

The Plan is a public retirement system subject to provisions of Chapter 802, Texas Government Code. As a governmental plan, it is not subject to the federal Employee Retirement Income Security Act of 1974 (“ERISA”) although many of its provisions comply with ERISA.

The Port Commission (the “Commission”), as the governing body of the Plan Sponsor, has “the fiduciary responsibility for assets of the system and has the duties of overseeing the investment and expenditure of funds of the system and the administration of benefits of the system.” The Commission is authorized to retain professional consultants and investment managers to assist in the investment of the Plan's assets. The Commission also establishes investment guidelines and evaluates investment manager performance.

All participants in the investment process shall undertake their responsibilities hereunder in a prudent and proactive fashion as described herein, in compliance with the Plan Sponsor's Code of Ethics, as amended from time to time, and adhering to applicable laws and regulations.

II. FIDUCIARY RESPONSIBILITIES

The Commission and its agents have a fiduciary responsibility to the participants and beneficiaries of the Plan regarding the investment of the Plan's assets.

In accordance with Section 802.203, Texas Government Code:

1. In making or supervising investments of the Plan, the Commission and each Investment Manager shall discharge its duties with respect to the Plan solely in the interest of the participants and beneficiaries and
 - (a) For the exclusive purpose of:
 - (i) Providing benefits to participants and their beneficiaries;
 - (ii) Defraying reasonable expenses of administering the Plan;
 - (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
 - (c) By diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 - (d) In accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of this section and section V of this document.
2. In choosing and contracting for professional investment management services and in continuing the use of an Investment Manager, the Commission must act prudently and in the interest of the participants and beneficiaries of the Plan.
3. The Commission is not liable for the acts or omissions of any Investment Manager it appoints in compliance with Section 802.204, Texas Government Code, nor is the Commission obligated to invest or otherwise manage any asset of the Plan subject to management by the Investment Manager.

III. PURPOSE

This statement of investment policy (the "Policy") is set forth by the Commission in order to:

- (a) Define and assign the responsibilities of all involved parties,
- (b) Establish a clear understanding for all involved parties of the investment goals and objectives for Plan assets,
- (c) Establish the Plan's Asset Allocation,
- (d) Offer guidance and limitations to all Investment Managers regarding the investment of Plan assets,
- (e) Establish a basis for evaluating investment results,
- (f) Ensure that Plan assets are managed in accordance with the requirements of applicable Texas law and, to the extent not inconsistent with Texas law, the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations pertaining thereto, and
- (g) Establish the relevant investment horizon for which Plan assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

IV. ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Commission

The Commission is charged by law with the responsibility for the management of the assets of the Plan. The Commission shall discharge its duties solely in the interest of the Plan participants and beneficiaries, with the care, skill, prudence and diligence under the circumstances then prevailing, that a Prudent Person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

In addition, the Commission shall be responsible for ensuring the Plan investments are diversified to minimize the risk of large losses or the risk of a severe underfunding of pension liabilities, unless under the circumstances it is clearly prudent not to do so. Furthermore, the Commission shall be responsible for ensuring that Plan investments adhere to the policies, objectives and guidelines set forth in this Policy to the extent they are consistent with requirements of applicable law. The specific responsibilities of the Commission relating to the investment management of the Plan assets include:

1. Adhering to the guidelines as provided under applicable Texas law, and to the extent not inconsistent with applicable Texas law, ERISA.
2. Projecting the Plan's financial needs, and communicating such needs to the Investment Manager(s) and Pension Consultant(s) on a timely basis.
3. Determining the Plan's risk tolerance and investment horizon, and communicating these to the appropriate parties.
4. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plan's assets.
5. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Pension Consultant(s), Actuarial Consultant(s), Custodian(s), and Trustee(s).
6. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to Policy guidelines and monitor investment objective progress.

7. Developing and enacting proper control procedures (e.g., replacing Investment Manager(s) due to fundamental changes in investment management process, investment results or failure to comply with established guidelines, etc.).
8. Providing necessary and updated actuarial information on future liability payouts to support the design and maintenance of a custom liability index system.

Responsibility of the Pension and Benefits Committee

The Commission may appoint a committee or task force (the “Pension and Benefits Committee”) to provide advice and recommendations to the Commission and to assist the Commission in performing its responsibilities set forth above. If no Pension and Benefits Committee has been formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Responsibility of the Pension Consultant

The Pension Consultant's role is that of a non-discretionary advisor to the Commission and the Pension and Benefits Committee. Investment advice concerning the investment management of Plan assets will be offered by the Pension Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Pension Consultant include:

1. Assisting in the development and periodic review of the Policy.
2. Assisting in developing an asset/liability model and appropriate liability index.
3. Recommending the appropriate asset allocation and investment styles in order to meet the funds' long-term objectives.
4. Conducting Investment Manager searches when requested by Plan Sponsor staff, the Pension and Benefits Committee or Commission.
5. Providing “due diligence”, or research, on the Investment Manager(s).
6. Monitoring the performance of the Investment Manager(s) to provide Plan Sponsor staff, the Commission and the Pension and

Benefits Committee with the ability to determine the progress toward the investment objectives.

7. Communicating matters of policy, Investment Manager research, and Investment Manager performance to Plan Sponsor staff, the Pension and Benefits Committee and the Commission.
8. Reviewing Plan investment history, historical capital markets performance and the contents of this Policy with Plan Sponsor staff, any newly appointed members of the Commission and the Pension and Benefits Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the Plan assets placed under its investment discretion and control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and acting in accordance with the terms of any investment management agreement as may be executed by and between said Investment Manager and the Plan Sponsor. Specific responsibilities of the Investment Manager(s) include:

1. Exercising full discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process.
4. Informing the Pension Consultant, Plan Sponsor staff, the Commission and the Pension and Benefits Committee regarding any qualitative change to investment management organization (e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.).
5. Voting proxies on behalf of the Plan, and communicating such voting records to Plan Sponsor staff, the Commission and/or Pension and Benefits Committee on a timely basis as may be requested.

V. DELEGATION OF AUTHORITY

The Commission is a fiduciary under applicable Texas law and would be a fiduciary under ERISA if it applied to the Plan, and is responsible for directing and monitoring the investment management of Plan assets. As such, the Commission is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- (a) **Pension Consultant.** The Pension Consultant may assist the Commission in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Pension Consultant shall provide such assistance to the Pension and Benefits Committee in its advisory role to the Commission and/or directly to the Commission, upon request.
- (b) **Investment Manager.** The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.
- (c) **Custodian.** The Custodian may be a bank, depository trust company, or brokerage firm and will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts.
- (d) **Trustee.** Consistent with requirements of applicable law, the Commission may appoint an outside bank trust department or depository trust company, to be Trustee. The Trustee will assume fiduciary responsibility for the administration of Plan assets. The Pension and Benefits Committee shall advise the Commission in its selection, removal and replacement of any Trustee.
- (e) **Additional specialists** such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Commission to assist in meeting its responsibilities and obligations to administer Plan assets prudently, and to assist

the Pension and Benefits Committee in providing advice and recommendations in this regard.

- (f) **Plan Sponsor Staff** has responsibility for day-to-day management and administration of the Plan under the supervision and direction of the Commission, and in accordance with applicable state and federal laws, including supervising the Pension Consultant, Investment Managers, the Trustee, and any other parties engaged by the Commission.

The Commission does not reserve any control over investment decisions, with the exception of specific limitations described in this Policy. Investment Managers shall be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which it deems appropriate.

If such experts employed are also deemed to be fiduciaries under applicable Texas law, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Plan as deemed necessary.

VI. ASSET ALLOCATION

The Commission shall be responsible for allocation of the assets among Investment Managers as well as controlling the total Asset Allocation among stocks, bonds and cash. The Commission adopts the following Asset Allocation among stocks, bonds, other investments, and cash to serve as a general guideline in investing the Plan's assets.

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Large Cap Domestic Equity	20.0%	25.0%	30.0%
Mid Cap Domestic Equity	2.5%	7.5%	12.5%
Small Cap Domestic Equity	5.0%	10.0%	15.0%
International Equity	2.5%	7.5%	12.5%
Fixed Income	25.0%	30.0%	35.0%
High Yield Fixed Income	0.0%	5.0%	10.0%
Bank Loans	0.0%	5.0%	10.0%
Real Estate	0.0%	5.0%	10.0%
Global Tactical Asset Allocation (GTAA)	0.0%	5.0%	10.0%
Cash and Equivalents	0.0%	0.0%	0.5%

The Commission will review the total Asset Allocation between Investment Managers and the overall Asset Allocation on a quarterly basis to keep the Asset Allocations of the various managers in line with the target Asset Allocation listed above. The need for balancing may also occur annually or more frequently due to contributions and distributions, or if there are price movements in the financial markets which cause an Asset Class to exceed or fall below the established guideline limits.

Plan Sponsor staff is authorized to rebalance the portfolio, consistent with the above Asset Allocation guidelines, and may also maintain portfolio assets in money market accounts or other cash equivalents as deemed appropriate or necessary to cover Plan expenses and monthly benefit payment requirements.

VII. INVESTMENT OBJECTIVES

The primary objective is to maximize the rate of return on the Plan assets consistent with the preservation of the value of principal by investing in stocks, bonds and cash. The performance of the Plan assets will be evaluated against investment objectives set forth in this document for each Asset Class.

The Plan shall be managed with a philosophy of selecting and retaining individual Investment Managers who have excelled in their investment disciplines. The managers for the Plan assets shall have proven abilities in their disciplines (i.e., stocks, bonds, cash, etc.), with an ability to add value through active management in their respective market specialization. The investment objectives of the Plan are as follows:

- (a) The **Investment Managers**, when measured against other investment managers, should consistently rank in the top 33rd percentile of their most relevant universe of similar managers over the trailing three, five, and ten year periods.
- (b) The **Overall Investment Objective** of the Plan is to outperform the return of a composite mix comprised of 27.5% of the S&P 500 Index, 7.5% of the Russell Midcap Index, 10.0% of the Russell 2000 Index, 7.5% of the MSCI EAFE Index, 37.5% of the Bloomberg Barclays Capital US Aggregate Bond Index, 5.0% of the Merrill Lynch High Yield Master II Constrained Index, and 5.0% of the NAREIT All REITS Total Return Index. This objective should be met over a full market cycle, usually five to ten years.
- (c) The **Total Plan** rate of return should annually outperform, net of expenses, the actuarial return assumption as established by the Commission from time to time.
- (d) The **Total Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.
- (e) The **Large Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.

- (f) The **Large Capitalization Equity Index Portfolio** should achieve a total rate of return that matches the total return of the S&P 500 Index, gross of expenses, over a full market cycle, usually five to ten years.
- (g) The **Middle Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell Mid Cap Index by 2.0%, net of expenses, over a full market cycle, usually five to ten years.
- (h) The **Small Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell 2000 Index by 3.0%, net of expenses, over a full market cycle, usually five to ten years.
- (i) The **International Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Morgan Stanley Capital International Europe, Australasia, and the Far East (MSCI EAFE ND) Index by 1.5%, net of expenses, over a full market cycle, usually five to ten years.
- (j) The **Total Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (k) The **High Yield Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Merrill Lynch High Yield Master II Constrained Index over a full market cycle, usually five to ten years.
- (l) The **Bank Loan Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Credit Suisse Leveraged Loan Index over a full market cycle, usually five to ten years.
- (m) The **Real Estate Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the FTSE NAREIT All REITS Total Return Index or the NCREIF Fund Index-Open End Diversified Core over a full market cycle, usually five to ten years.

- (n) The **Global Tactical Asset Allocation Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the 50% S&P 500 Index/50% Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (o) **Cash and short term securities** should achieve relative performance better than 91-day U. S. Treasury Bills.

General Investment Principles

- (a) Investments shall be made solely in the interest of the participants and beneficiaries of the Plan for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration of the Plan.
- (b) The Plan shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- (c) Investment of the Plan shall be so diversified as to minimize the risk of large losses or the risk of a severe underfunding of pension liabilities, unless under the circumstances it is clearly prudent not to do so.
- (d) The Commission may employ one or more Investment Managers of varying styles and philosophies to attain the Plan's objectives.
- (e) Investments should be made in consideration of the future liability payout schedule such that no severe mismatch of assets versus liabilities develops.
- (f) Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

VIII. INVESTMENT GUIDELINES

The Investment Managers are expected to execute all transactions as efficiently as possible. There are no specific restrictions on portfolio turnover or preference for long or short term holding periods. The Commission does, however, anticipate that long-term performance will be enhanced by investment strategies, not trading strategies.

All securities transactions shall be effected through brokerage firms. Each Investment Manager shall ensure brokerage commissions paid by them for executions and other services that benefit the Investment Managers are reasonable. When Investment Managers direct commissions on behalf of the Plan, the direction shall be contingent upon the institution being competitive in both price and execution. The Commission retains the right to direct brokerage commissions.

The Pension Consultant and Investment Managers shall comply with the principles outlined below regarding **compensation**.

- (a) All contracts between the Plan Sponsor and Pension Consultant(s) shall be paid on a hard dollar basis (i.e., actual cash paid for services). All contracts between the Plan Sponsor and Investment Managers shall be paid on a hard dollar basis.
- (b) Pension Consultant(s) shall not enter into any compensation arrangements with Investment Managers for any services to be provided relating to the Plan.
- (c) Investment Managers may enter into special commission arrangements with brokerage firms whereby portions of the commissions paid to brokerage firms for executing securities transactions may be directed to a third party or retained by the brokerage firm, but only for the express purpose of obtaining research products and services that are directly related to the investment process. Investment Managers shall monitor such payments on a regular basis, and as may be requested periodically by the Plan Sponsor, shall certify that such payments are in compliance with Section 28(e) of the Securities and Exchange Act of 1934, and such products and services directly benefit the Plan.

- (d) Reports shall be prepared by the Custodian and/or Investment Manager(s) at least quarterly indicating the transactions executed during the period. For other than direct transactions, the Investment Manager(s) shall have the discretion to execute transactions with the brokerage firm(s) of its choosing; however, its selection shall always be made in the best interest of the Plan.

The Plan assets may be invested in publicly traded common and preferred stocks, convertible bonds, and non-convertible fixed income securities, whether interest bearing or discount instruments, including money market instruments, subject to any restrictions herein specified. Any investments in mutual funds or other vehicles which may commingle instruments from various asset categories shall be subject to guidelines or restrictions specified in the fund prospectus or offering materials.

The assets of the Plan shall be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a Prudent Person shall be observed. All transactions undertaken on behalf of the Plan shall be for the sole benefit of the participants in the Plan and their beneficiaries.

The **domestic equity** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Plan's equity Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, unless that security has a weighting of 5% or higher

in the manager's respective benchmark index, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation, unless that security has a weighting of 10% or higher in the manager's respective benchmark index.

- (f) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (g) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **international equity** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Investing internationally diversifies the overall Plan across the global equity markets. The international equity manager will invest in non-U.S. dollar denominated equity securities and/or American Depositary Receipts ("ADR's"). The manager is required to invest in a prudent manner and to operate under the restrictions indicated in their prospectus. These include: regional constraints, diversification requirements, and the type of securities held.
- (b) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (c) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (d) No private placements or venture capital investments should be purchased.
- (e) The Plan's equity Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (f) No single security in each Investment Manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the

equity allocation of the portfolio after accounting for price appreciation.

- (g) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (h) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested in Investment Grade bonds. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated below Investment Grade but not lower than "B". The bonds must be rated by either Moody's, Fitch or Standard and Poor's. The Investment Managers are not required to invest in securities rated below Investment Grade.
- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 10% of the fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Bloomberg Barclays Capital US Aggregate Bond Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **high yield fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The high yield fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be

invested in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.

- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the high yield fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Merrill Lynch High Yield Master II Constrained Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **bank loan** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The bank loan managers should have portfolio characteristics similar to the Credit Suisse Leveraged Loan Index.
- b) The bank loan managers will manage their portfolios so that at least 80% of the portfolio shall be invested in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.
- c) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not

exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the bank loan portfolio shall be invested in preferred stock.

- d) No options or financial futures shall be utilized unless approved in writing by the Commission.
- e) The maximum effective Duration of the portfolio will be 120% of the Credit Suisse Leveraged Loan Index.
- f) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **real estate** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Plan's real estate Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. The real estate Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 10% of the portfolio's allocation at the time of purchase, nor will it be more than 13% of the allocation of the portfolio after accounting for price appreciation.
- (f) The funds shall remain fully invested in real estate except for a nominal time between sales and repurchases.

The **global tactical asset allocation** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (b) No private placements or venture capital investments should be purchased.
- (c) Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (d) No single security in each manager's portfolio will constitute more than 5% of the portfolio's allocation at the time of purchase, nor will it be more than 10% of the allocation of the portfolio after accounting for price appreciation.
- (e) The funds shall remain fully invested except for a nominal time between sales and repurchases.

Money market instruments are debt securities with maturities of less than one year. Money market purchases should reflect the discretion of the Investment Managers within the following guidelines:

- (a) Investments can be made in money market instruments that are U.S. Government or agency obligations, repurchase agreements, collateralized by U.S. Government or agency securities, commercial paper, bankers' acceptances, certificates of deposit, Euro or Yankee Dollar obligations, or time deposits.
- (b) Commercial paper shall be restricted to paper rated "A-2" or "P-2" or "F-2" or better and shall be limited such that any one commercial paper issuer shall not comprise more than 10% of the portfolio.
- (c) Bankers' acceptances, Certificates of Deposit, Euro or Yankee Dollar obligations, and time deposits shall be made in the larger banks (ranked by assets) rated "AA" or better by Moody's or the equivalent by Fitch or Standard & Poor's and in conformance with all FDIC regulations concerning capital requirements.

- (d) Investments may be in money market mutual funds that are regulated by the SEC and fully comply with rule 2a-7 of the Investment Company Act of 1940.

IX. PORTFOLIO EVALUATION

On a quarterly basis:

- (a) The Investment Managers shall provide written reports to the Plan Sponsor and the Pension Consultant detailing performance for the most recent quarterly period as well as the current outlook of the equity and fixed income markets;
- (b) The Pension Consultant shall monitor Investment Managers' performance and consistency with respect to the investment guidelines and objectives outlined in this Policy; and
- (c) The Pension Consultant shall meet with Plan Sponsor staff, the Commission and/or Pension and Benefits Committee (whether in person or via conference call), and review the Investment Managers' performance relative to objectives set forth in this Policy.

X. DEFINITIONS

ADR's	(American Depositary Receipt) A negotiable certificate receipt issued, in dollars, by an American depository stating that a certain number of foreign securities have been deposited with an overseas branch of the depository or with a custodian. ADR's are traded on the New York and other U.S. stock exchanges.
Add Value	The margin by which an investment advisor can out-perform the relative index in a specific asset class.
Asset Allocation	Process by which the total plan is divided among the different asset classes.
Asset Class	Categories of investments that include equity securities, fixed income securities and cash equivalents.
Bank Loan	Floating rate corporate bonds that offer larger coupons compared to U.S. Treasury, Agency and investment grade corporate bonds with the added potential for price appreciation in the event of an improvement in the economy, or performance of the issuing company. Importantly, bank loans offer the added benefit of a shorter duration profile because of the frequent coupon resets.
Beta	A measure of an equity portfolio's risk level which indicates its sensitivity to changes in the S&P 500 equity index. A portfolio with a Beta greater than one is more volatile than the S&P 500 (e.g., a Beta of 1.20 indicates the portfolio is 20% more volatile than the S&P 500).
Cash	Instruments or investments of high quality and safety (e.g., money market funds, treasury bills, etc.). Maturity is usually less than one year.
Commission	The Port Commission of the Port of Houston Authority of Harris County, Texas, which shall serve as the governing body responsible for administration of the Plan as specified by applicable state or local law or ordinance.
Custodian	Any bank, depository trust company, or brokerage firm appointed by the Commission to serve as custodian over all or part of the Plan's assets.
Duration	A measure of a fixed income portfolio's risk level which indicates how sensitive a fixed income portfolio is to a change in interest rates. The longer a portfolio's duration is, the more volatile it will react to changes in interest rates. Duration is calculated by finding the net present value of all cash flows of a bond until maturity.

Equities	Ownership interest possessed by shareholders in a corporation; stock as opposed to bonds.
ERISA	The Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to ERISA.
Fiduciary	Any individual or group of individuals as defined in applicable Texas law and, to the extent not inconsistent with applicable Texas law, ERISA, section 3(21)(a).
Fixed Income	Any interest bearing or discounted government or corporate security that obligates the issuer to pay the holder a specified sum of money, usually at specified intervals, and to repay the principal amount of the loan at maturity. The Fixed Income portfolio may include preferred stock.
Global Tactical Asset Allocation (GTAA)	An investment strategy that attempts to exploit short-term market inefficiencies or long-term market trends by establishing positions in relatively attractive areas of the global investable universe. A GTAA strategy is capable of quickly implementing investment ideas to help tilt a portfolio for near-term opportunities or to preserve capital during market declines. Depending on strategy, investment approaches may diversify across asset classes, sector, countries, currencies, commodities, instruments, and capital structure.
Inflation	The rise in the prices of goods and services as measured by the Consumer Price Index ("CPI").
International Equity Portfolio	An equity portfolio composed of companies based outside of the United States.
Investment Consultant	The firm employed to consult on matters relating to the effective management of the Plan assets.
Investment Grade	Securities rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's or Fitch Ratings.
Investment Horizon	The time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Plan based on active lives is 11 years (duration) and on retired lives is 15 years (duration). This will not preclude the committee from reviewing manager performance over shorter periods of three to five years.

Investment Manager	An entity appointed in accordance with Section 802.204, Texas Government Code, that provides investment advice and/or manages investments for a fee. All Investment Managers shall be registered with the Securities and Exchange Commission and abide by the rules of the Investment Advisers Act of 1940.
Large Cap Equity Portfolio	An equity portfolio composed of large sized companies. Large capitalization portfolios buy stocks with market capitalizations generally above \$10.0 billion.
Long-term	An investment approach to the markets in which an investor seeks appreciation by evaluating securities over a complete business cycle, usually five to ten years.
Mid Cap Equity Portfolio	An equity portfolio composed of middle sized companies. Middle capitalization portfolios buy stocks with market capitalizations generally between \$2.0 billion and \$10.0 billion.
Pension and Benefits Committee	The committee appointed by the Commission pursuant to the Plan, which may serve as an advisor to the Commission and provide recommendations to the Commission from time to time concerning the administration and management of the Plan. If no committee is formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.
Prudent Person	A fiduciary charged with utilizing the care, skill, prudence, and diligence that a prudent person who is familiar with such matters would use under the circumstances then prevailing.
Rate of Return	A return that includes appreciation (depreciation), realized capital gains (losses), and income. A quarterly return is computed and then chain-linked to calculate time-weighted rates of return for the periods under study.
Real Estate Investment Trust	A publicly traded security (also known as a REIT) that invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.
Securities	Marketable investment securities and instruments which are defined as acceptable in this statement.
Small Cap Equity Portfolio	An equity portfolio composed of small sized companies. Small capitalization portfolios buy stocks with market capitalizations generally up to \$2.0 billion.

Trustee	Any bank trust department or depository trust company appointed by the Commission to serve as trustee over all or part of the Plan assets.
Total Plan	Aggregate total of all assets in the Plan.

XI. POLICY REVIEW AND ADOPTION

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the Port of Houston Authority Restated Retirement Plan (the "Plan"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually.

The Commission officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commission, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon and is herewith adopted. The Commission further ratifies, approves and confirms such written notice and the contents and posting thereof.

This Policy is adopted on September 27, 2022 and supersedes all previously adopted statements of investment policy with respect to the Plan.

Chairman, Port Commission
Port of Houston Authority of
Harris County, Texas

ATTEST:

Secretary,
Port Commission
Port of Houston Authority of
Harris County, Texas

Minute 2022-0927-

I. FINANCE

Subject **6. Adopt an amended investment policy for the Port of Houston Authority Other Post-Employment Benefit (OPEB) Plan, an irrevocable trust established for other post-employment benefits.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, adopt an amended investment policy for the Port of Houston Authority Other Post-Employment Benefit (OPEB) Plan, an irrevocable trust established for other post-employment benefits, 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 #4 - STEWARDSHIP \(Create Greater Value for the Region\)](#)

Category:

General

Department:

Treasury

Staff Contact:

Roland Gonzalez

Background:

Staff requested the Port Authority's retirement plans investment consultant, AndCo Consulting, LLC (AndCo) produce an asset/liability study for the pension and OPEB plans. Milliman, the Port Authority's Actuary, provided AndCo with required supporting data to produce the study. Staff reviewed the completed study in the first quarter of 2022.

The purpose of the study was to review the current target asset allocation of the Pension and OPEB Plans and how each target asset allocation may impact the projected funded levels and cash contribution requirements; evaluate alternative investment strategies, target asset allocations, and estimate future total costs of each Plan.

By Minute No. 2021-0720-12, the Port Commission last adopted an amended investment policy for the OPEB plan, which states:

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy...for the OPEB Trust...the Port Commission of the Port of Houston Authority of Harris County, Texas...will endeavor to review the Policy at least annually.

Staff Evaluation/Justification:

Based on the results of the study and future expected returns in the OPEB Plan, a revision to its investment policy's asset allocation is recommended by staff and AndCo. The study includes in its conclusions, "it is our recommendation to increase allocation to Equity."

Staff and AndCo propose the following revisions to the investment policy and further assists in its achievement of the assumed investment rate of return:

- Revisions to the Asset Allocations resulting from the Study:
 - Increase to Large Cap Domestic Equity
 - Minimum from 0.0% to 20%
 - Target from 20% to 25%
 - Maximum from 25% to 30%
 - Increase Mid Cap Domestic Equity
 - Minimum from 0.0% to 2.5%
 - Increase Small Cap Domestic Equity
 - Minimum from 0.0% to 5.0%
 - Increase International Equity
 - Minimum from 0.0% to 2.5%
 - Decrease to Fixed Income
 - Minimum from 30% to 25%
 - Target from 35% to 30%
 - Maximum from 40% to 35%

- Revisions to the Overall Investment Objective (benchmark)
 - Increase in S&P Index from 22.5% to 27.5%
 - Decrease Bloomberg Barclays Capital US Aggregate Bond Index from 42.5% to 37.5%

The proposed investment policy changes comply with applicable statutes, including Chapter 802, Texas Government Code.

The Pension and Benefits Committee and staff recommend that the Port Commission adopt an amended investment policy for the OPEB Plan, as proposed.

**PORT OF HOUSTON AUTHORITY
OPEB PLAN**

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY



ADOPTED SEPTEMBER 27, 2022

MINUTE 2022-0927-

TABLE OF CONTENTS

I.	Preamble	3
II.	Fiduciary Responsibilities	4
III.	Purpose	5
IV.	Assignment of Responsibility	6
V.	Delegation of Authority	9
VI.	Asset Allocation	11
VII.	Investment Objectives	12
VIII.	Investment Guidelines	15
IX.	Portfolio Evaluation	23
X.	Definitions	24
XI.	Policy Review and Adoption	28

I. PREAMBLE

By Minute 2011-1025-11, the Port Commission (the "Commission"), as governing body of the PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS (the "Plan Sponsor" or "Trust Sponsor"), adopted resolutions relating to the Trust Sponsor's participation in the PEB Trust of Texas, a multi-employer trust, to fund post-employment benefits other than pension benefits ("OPEB").

The Commission continues to desire to fund OPEB such as retiree medical, dental, vision, life insurance, long-term care, and similar benefits, as may be offered by the Trust Sponsor to its former employees and eligible dependents ("beneficiaries") under the terms and conditions of one or more plans or programs that may be maintained by the Trust Sponsor.

By Minute 2014-1028-34, the Commission (1) established a new, single-employer irrevocable trust (the "Plan", "Trust" or "OPEB Trust") at Compass Bank (now known as BBVA USA, the "Trustee"), (2) authorized the transfer of assets from the Trust Sponsor's account at the PEB Trust of Texas to the new Trust after receipt of a private letter ruling from the Internal Revenue Service confirming that the income in the Trust is excludable from federal income taxation under Section 115 of the Internal Revenue Code of 1986, as amended, and (3) designated certain individuals (each a "Plan Administrator") to act on behalf of the Trust Sponsor with respect to the Trust. By Minute 2018-1212-38, the Commission adopted an amended and restated Port of Houston Authority OPEB Plan document, effective January 1, 2019.

It is intended that the assets accumulated in the Trust would reduce the Trust Sponsor's OPEB obligations as determined by the Governmental Accounting Standards Board ("GASB").

The Commission is responsible for administration of the Trust and for the investment of the Trust's assets. The Commission is authorized to retain professional consultants and investment managers to assist in the investment of the Trust's assets. The Commission also establishes investment guidelines and evaluates investment manager performance.

All participants in the investment process shall undertake their responsibilities hereunder in a prudent and proactive fashion as described herein, in compliance with the Trust Sponsor's Code of Ethics, as amended from time to time, and adhering to applicable laws and regulations.

II. FIDUCIARY RESPONSIBILITIES

The Commission and its agents have a fiduciary responsibility to the participants and beneficiaries of the Trust regarding the investment of the Trust's assets.

1. In making or supervising investments of the Trust, the Commission and each Investment Manager shall discharge its duties with respect to the Trust solely in the interest of the participants and beneficiaries and
 - (a) For the exclusive purpose of:
 - (i) Providing benefits to participants and their beneficiaries;
 - (ii) Defraying reasonable expenses of administering the Trust;
 - (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
 - (c) By diversifying the investments of the Trust so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 - (d) In accordance with the documents and instruments governing the Trust insofar as such documents and instruments are consistent with the provisions of this section and section V of this document.
2. In choosing and contracting for professional investment management services and in continuing the use of an Investment Manager, the Commission must act prudently and in the interest of the participants and beneficiaries of the Trust.
3. The Commission is not liable for the acts or omissions of any Investment Manager it appoints hereunder, nor is the Commission obligated to invest or otherwise manage any asset of the Trust subject to management by the Investment Manager.

III. PURPOSE

This statement of investment policy (the "Policy") is set forth by the Commission in order to:

- (a) Define and assign the responsibilities of all involved parties,
- (b) Establish a clear understanding for all involved parties of the investment goals and objectives for Trust assets,
- (c) Establish the Trust's Asset Allocation,
- (d) Offer guidance and limitations to all Investment Managers regarding the investment of Trust assets,
- (e) Establish a basis for evaluating investment results,
- (f) Ensure that Trust assets are managed in accordance with the requirements of applicable Texas law and, to the extent not inconsistent with Texas law, the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations pertaining thereto, and
- (g) Establish the relevant investment horizon for which Trust assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

IV. ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Commission

The Commission is charged by law with the responsibility for the management of the assets of the Trust. The Commission shall discharge its duties solely in the interest of the Trust participants and beneficiaries, with the care, skill, prudence and diligence under the circumstances then prevailing, that a Prudent Person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

In addition, the Commission shall be responsible for ensuring the Trust investments are diversified to minimize the risk of large losses or the risk of a severe underfunding of OPEB liabilities, unless under the circumstances it is clearly prudent not to do so. Furthermore, the Commission shall be responsible for ensuring that Trust investments adhere to the policies, objectives and guidelines set forth in this Policy to the extent they are consistent with requirements of applicable law. The specific responsibilities of the Commission relating to the investment management of the Trust assets include:

1. Adhering to the guidelines as provided under applicable Texas law, and to the extent not inconsistent with applicable Texas law, ERISA.
2. Projecting the Trust's financial needs, and communicating such needs to the Investment Manager(s) and Investment Consultant(s) on a timely basis.
3. Determining the Trust's risk tolerance and investment horizon, and communicating these to the appropriate parties.
4. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Trust's assets.
5. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), Actuarial Consultant(s), Custodian(s), and Trustee(s).
6. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to Policy guidelines and monitor investment objective progress.

7. Developing and enacting proper control procedures (e.g., replacing Investment Manager(s) due to fundamental changes in investment management process, investment results, or failure to comply with established guidelines, etc.).
8. Providing necessary and updated actuarial information on future liability payouts to support the design and maintenance of a custom liability index system.

Responsibility of the Pension and Benefits Committee

The Commission may appoint a committee or task force (the “Pension and Benefits Committee”) to provide advice and recommendations to the Commission and to assist the Commission in performing its responsibilities set forth above. If no Pension and Benefits Committee has been formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Responsibility of the Investment Consultant

The Investment Consultant’s role is that of a non-discretionary advisor to the Commission and the Pension and Benefits Committee. Investment advice concerning the investment management of Trust assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of the Policy.
2. Assisting in developing an asset/liability model and appropriate liability index.
3. Recommending the appropriate asset allocation and investment styles in order to meet the funds’ long-term objectives.
4. Conducting Investment Manager searches when requested by Plan Sponsor staff, the Pension and Benefits Committee or Commission.
5. Providing “due diligence”, or research, on the Investment Manager(s).
6. Monitoring the performance of the Investment Manager(s) to provide Plan Sponsor staff, the Commission and the Pension and

Benefits Committee with the ability to determine the progress toward the investment objectives.

7. Communicating matters of policy, Investment Manager research, and Investment Manager performance to Plan Sponsor staff, the Pension and Benefits Committee and the Commission.
8. Reviewing Trust investment history, historical capital markets performance and the contents of this Policy with Plan Sponsor staff, any newly appointed members of the Commission and the Pension and Benefits Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the Trust assets placed under its investment discretion and control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and acting in accordance with the terms of any investment management agreement as may be executed by and between said Investment Manager and the Trust Sponsor. Specific responsibilities of the Investment Manager(s) include:

1. Exercising full discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process.
4. Informing the Investment Consultant, Plan Sponsor staff, the Commission and the Pension and Benefits Committee regarding any qualitative change to investment management organization (e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.).
5. Voting proxies on behalf of the Trust, and communicating such voting records to Plan Sponsor staff, the Commission and/or Pension and Benefits Committee on a timely basis as may be requested.

V. DELEGATION OF AUTHORITY

The Commission is a fiduciary under applicable Texas law and would be a fiduciary under ERISA if it applied to the Trust, and is responsible for directing and monitoring the investment management of Trust assets. As such, the Commission is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- (a) **Investment Consultant.** The Investment Consultant may assist the Commission in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Investment Consultant shall provide such assistance to the Pension and Benefits Committee in its advisory role to the Commission and/or directly to the Commission, upon request.
- (b) **Investment Manager.** The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Trust's investment objectives.
- (c) **Custodian.** The Custodian may be a bank, depository trust company, or brokerage firm and will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust accounts.
- (d) **Trustee.** Consistent with requirements of applicable law, the Commission may appoint an outside bank trust department or depository trust company, to be Trustee. The Trustee will assume fiduciary responsibility for the administration of Trust assets. The Pension and Benefits Committee shall advise the Commission in its selection, removal and replacement of any Trustee.
- (e) **Additional specialists** such as attorneys, auditors, actuaries, and others may be employed by the Commission to assist in meeting its responsibilities and obligations to administer Trust

assets prudently, and to assist the Pension and Benefits Committee in providing advice and recommendations in this regard.

- (f) **Trust Sponsor Staff** has responsibility for day-to-day management and administration of the Trust under the supervision and direction of the Commission, and in accordance with applicable state and federal laws, including supervising the Investment Consultant, Investment Managers, the Trustee, and any other parties engaged by the Commission.

The Commission does not reserve any control over investment decisions, with the exception of specific limitations described in this Policy. Investment Managers shall be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which it deems appropriate.

If such experts employed are also deemed to be fiduciaries under applicable Texas law, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Trust as deemed necessary.

VI. ASSET ALLOCATION

The Commission shall be responsible for allocation of the assets among Investment Managers as well as controlling the total Asset Allocation among stocks, bonds and cash. The Commission adopts the following Asset Allocation among stocks, bonds, other investments, and cash to serve as a general guideline in investing the Trust's assets.

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Large Cap Domestic Equity	20.0%	25.0%	30.0%
Mid Cap Domestic Equity	2.5%	7.5%	12.5%
Small Cap Domestic Equity	5.0%	10.0%	15.0%
International Equity	2.5%	7.5%	12.5%
Fixed Income	25.0%	30.0%	35.0%
High Yield Fixed Income	0.0%	5.0%	10.0%
Bank Loans	0.0%	5.0%	10.0%
Real Estate	0.0%	5.0%	10.0%
Global Tactical Asset Allocation (GTAA)	0.0%	5.0%	10.0%
Cash and Equivalents	0.0%	0.0%	0.5%

The Commission will review the total Asset Allocation between Investment Managers and the overall Asset Allocation on a quarterly basis to keep the Asset Allocations of the various managers in line with the target Asset Allocation listed above. The need for balancing may also occur annually or more frequently due to contributions and distributions, or if there are price movements in the financial markets which cause an Asset Class to exceed or fall below the established guideline limits.

Plan Sponsor staff is authorized to rebalance the portfolio, consistent with the above Asset Allocation guidelines, and may also maintain portfolio assets in money market accounts or other cash equivalents as deemed appropriate or necessary to cover Trust expenses and monthly benefit payment requirements.

VII. INVESTMENT OBJECTIVES

The primary objective is to maximize the rate of return on the Trust assets consistent with the preservation of the value of principal by investing in stocks, bonds and cash. The performance of the Trust assets will be evaluated against investment objectives set forth in this document for each Asset Class.

The Trust shall be managed with a philosophy of selecting and retaining individual Investment Managers who have excelled in their investment disciplines. The managers for the Trust assets shall have proven abilities in their disciplines (i.e., stocks, bonds, cash, etc.), with an ability to add value through active management in their respective market specialization. The investment objectives of the Trust are as follows:

- (a) The **Investment Managers**, when measured against other investment managers, should consistently rank in the top 33rd percentile of their most relevant universe of similar managers over the trailing three, five, and ten year periods.
- (b) The **Overall Investment Objective** of the Trust is to outperform the return of a composite mix comprised of 27.5% of the S&P 500 Index, 7.5% of the Russell Midcap Index, 10.0% of the Russell 2000 Index, 7.5% of the MSCI EAFE Index, 37.5% of the Bloomberg Barclays Capital US Aggregate Bond Index, 5.0% of the Merrill Lynch High Yield Master II Constrained Index, and 5.0% of the NAREIT All REITS Total Return Index. This objective should be met over a full market cycle, usually five to ten years.
- (c) The **Total Trust** rate of return should annually outperform, net of expenses, the actuarial return assumption as established by the Commission from time to time.
- (d) The **Total Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.
- (e) The **Large Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the S&P 500 Index by 1.0%, net of expenses, over a full market cycle, usually five to ten years.

- (f) The **Large Capitalization Equity Index Portfolio** should achieve a total rate of return that matches the total return of the S&P 500 Index, gross of expenses, over a full market cycle, usually five to ten years.
- (g) The **Middle Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell Mid Cap Index by 2.0%, net of expenses, over a full market cycle, usually five to ten years.
- (h) The **Small Capitalization Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Russell 2000 Index by 3.0%, net of expenses, over a full market cycle, usually five to ten years.
- (i) The **International Equity Portfolio** should achieve a total rate of return that exceeds the total return of the Morgan Stanley Capital International Europe, Australasia, and the Far East (MSCI EAFE ND) Index by 1.5%, net of expenses, over a full market cycle, usually five to ten years.
- (j) The **Total Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (k) The **High Yield Fixed Income Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Merrill Lynch High Yield Master II Constrained Index over a full market cycle, usually five to ten years.
- (l) The **Bank Loan Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the Credit Suisse Leveraged Loan Index over a full market cycle, usually five to ten years.
- (m) The **Real Estate Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the FTSE NAREIT All REITS Total Return Index or the NCREIF Fund Index-Open End Diversified Core over a full market cycle, usually five to ten years.

- (n) The **Global Tactical Asset Allocation Portfolio** should achieve a total return, net of expenses, that exceeds the total rate of return of the 50% S&P 500 Index/50% Bloomberg Barclays Capital US Aggregate Bond Index over a full market cycle, usually five to ten years.
- (o) **Cash and short term securities** should achieve relative performance better than 91-day U. S. Treasury Bills.

General Investment Principles

- (a) Investments shall be made solely in the interest of the participants and beneficiaries of the Trust for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration of the Trust.
- (b) The Trust shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a Prudent Person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- (c) Investment of the Trust shall be so diversified as to minimize the risk of large losses or the risk of a severe underfunding of OPEB liabilities, unless under the circumstances it is clearly prudent not to do so.
- (d) The Commission may employ one or more Investment Managers of varying styles and philosophies to attain the Trust's objectives.
- (e) Investments should be made in consideration of the future liability payout schedule such that no severe mismatch of assets versus liabilities develops.
- (f) Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

VIII. INVESTMENT GUIDELINES

The Investment Managers are expected to execute all transactions as efficiently as possible. There are no specific restrictions on portfolio turnover or preference for long or short term holding periods. The Commission does, however, anticipate that long-term performance will be enhanced by investment strategies, not trading strategies.

All securities transactions shall be effected through brokerage firms. Each Investment Manager shall ensure brokerage commissions paid by them for executions and other services that benefit the Investment Managers are reasonable. When Investment Managers direct commissions on behalf of the Trust, the direction shall be contingent upon the institution being competitive in both price and execution. The Commission retains the right to direct brokerage commissions.

The Investment Consultant and Investment Managers shall comply with the principles outlined below regarding **compensation**.

- (a) All contracts between the Plan Sponsor and Investment Consultant(s) shall be paid on a hard dollar basis (i.e., actual cash paid for services). All contracts between the Plan Sponsor and Investment Managers shall be paid on a hard dollar basis.
- (b) Investment Consultant(s) shall not enter into any compensation arrangements with Investment Managers for any services to be provided relating to the Trust.
- (c) Investment Managers may enter into special commission arrangements with brokerage firms whereby portions of the commissions paid to brokerage firms for executing securities transactions may be directed to a third party or retained by the brokerage firm, but only for the express purpose of obtaining research products and services that are directly related to the investment process. Investment Managers shall monitor such payments on a regular basis, and as may be requested periodically by the Plan Sponsor, shall certify that such payments are in compliance with Section 28(e) of the Securities and Exchange Act of 1934, and such products and services directly benefit the Trust.

- (d) Reports shall be prepared by the Custodian and/or Investment Manager(s) at least quarterly indicating the transactions executed during the period. For other than direct transactions, the Investment Manager(s) shall have the discretion to execute transactions with the brokerage firm(s) of its choosing; however, its selection shall always be made in the best interest of the Trust.

The Trust assets may be invested in publicly traded common and preferred stocks, convertible bonds, and non-convertible fixed income securities, whether interest bearing or discount instruments, including money market instruments, subject to any restrictions herein specified. Any investments in mutual funds or other vehicles which may commingle instruments from various asset categories shall be subject to guidelines or restrictions specified in the fund prospectus or offering materials.

The assets of the Trust shall be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a Prudent Person shall be observed. All transactions undertaken on behalf of the Trust shall be for the sole benefit of the participants in the Trust and their beneficiaries.

The **domestic equity** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Trust's equity Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, unless that security has a weighting of 5% or higher

in the manager's respective benchmark index, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation, unless that security has a weighting of 10% or higher in the manager's respective benchmark index.

- (f) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (g) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **international equity** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Investing internationally diversifies the overall Trust across the global equity markets. The international equity manager will invest in non-U.S. dollar denominated equity securities and/or American Depositary Receipts ("ADR's"). The manager is required to invest in a prudent manner and to operate under the restrictions indicated in their prospectus. These include: regional constraints, diversification requirements, and the type of securities held.
- (b) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (c) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (d) No private placements or venture capital investments should be purchased.
- (e) The Trust's equity Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The equity Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (f) No single security in each Investment Manager's portfolio will constitute more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the

equity allocation of the portfolio after accounting for price appreciation.

- (g) Equity purchases are limited to stocks of companies with a minimum capitalization of \$200 million, unless approved by the Commission.
- (h) The funds shall remain fully invested in equities except for a nominal time between sales and repurchases.

The **fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested in Investment Grade bonds. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated below Investment Grade but not lower than "B". The bonds must be rated by either Moody's, Fitch or Standard and Poor's. The Investment Managers are not required to invest in securities rated below Investment Grade.
- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 10% of the fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Bloomberg Barclays Capital US Aggregate Bond Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **high yield fixed income** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The high yield fixed income managers will manage their portfolios so that at least 80% of the portfolio shall be invested

in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.

- b) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the high yield fixed income portfolio shall be invested in preferred stock.
- c) No options or financial futures shall be utilized unless approved in writing by the Commission.
- d) The maximum effective Duration of the portfolio will be 120% of the Merrill Lynch High Yield Master II Constrained Index.
- e) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **bank loan** portfolio should reflect the discretion of the Investment Manager(s) within the following constraints:

- a) The bank loan managers should have portfolio characteristics similar to the Credit Suisse Leveraged Loan Index.
- b) The bank loan managers will manage their portfolios so that at least 80% of the portfolio shall be invested in bonds rated below Investment Grade by either Moody's, Fitch or Standard and Poor's. The managers may, at their discretion, invest up to 20% of the portfolio in bonds rated Investment Grade by either Moody's, Fitch or Standard and Poor's. Investment in securities that are not rated shall not exceed 10% of the total assets of the portfolio, as determined at the time of the acquisition of any such investment.
- c) Total fixed income exposure, from any single issuer except U.S. Government, its agencies or instrumentalities, shall not exceed 10% of the total allocation of the portfolio, except

below Investment Grade issuers, which shall not exceed 3% of the portfolio. No more than 20% of the bank loan portfolio shall be invested in preferred stock.

- d) No options or financial futures shall be utilized unless approved in writing by the Commission.
- e) The maximum effective Duration of the portfolio will be 120% of the Credit Suisse Leveraged Loan Index.
- f) All interest and principal payments shall be swept, as received, into a money market or short duration fund for redeployment.

The **real estate** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) No options or financial futures shall be purchased unless approved in writing by the Commission.
- (b) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (c) No private placements or venture capital investments should be purchased.
- (d) The Trust's real estate Investment Manager(s) shall vote all proxies in the best interest of the Trust without regard to social issues. The real estate Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (e) No single security in each manager's portfolio will constitute more than 10% of the portfolio's allocation at the time of purchase, nor will it be more than 13% of the allocation of the portfolio after accounting for price appreciation.
- (f) The funds shall remain fully invested in real estate except for a nominal time between sales and repurchases.

The **global tactical asset allocation** portfolios should reflect the discretion of the Investment Manager(s) within the following constraints:

- (a) Aggregate investment Beta (versus the applicable benchmark) of the entire portfolio should not exceed 1.20 at any time.
- (b) No private placements or venture capital investments should be purchased.
- (c) Investment Manager(s) shall vote all proxies in the best interest of the Plan without regard to social issues. Investment Manager(s) shall provide a written report each year to discuss the general guidelines they followed in voting proxies during the year.
- (d) No single security in each manager's portfolio will constitute more than 5% of the portfolio's allocation at the time of purchase, nor will it be more than 10% of the allocation of the portfolio after accounting for price appreciation.
- (e) The funds shall remain fully invested except for a nominal time between sales and repurchases.

Money market instruments are debt securities with maturities of less than one year. Money market purchases should reflect the discretion of the Investment Managers within the following guidelines:

- (a) Investments can be made in money market instruments that are U.S. Government or agency obligations, repurchase agreements, collateralized by U.S. Government or agency securities, commercial paper, bankers' acceptances, certificates of deposit, Euro or Yankee Dollar obligations, or time deposits.
- (b) Commercial paper shall be restricted to paper rated "A-2" or "P-2" or "F-2" or better and shall be limited such that any one commercial paper issuer shall not comprise more than 10% of the portfolio.
- (c) Bankers' acceptances, Certificates of Deposit, Euro or Yankee Dollar obligations, and time deposits shall be made in the larger banks (ranked by assets) rated "AA" or better by Moody's or the equivalent by Fitch or Standard & Poor's and in conformance with all FDIC regulations concerning capital requirements.

- (d) Investments may be in money market mutual funds that are regulated by the SEC and fully comply with rule 2a-7 of the Investment Company Act of 1940.

IX. PORTFOLIO EVALUATION

On a quarterly basis:

- (a) The Investment Managers shall provide written reports to the Trust Sponsor and the Investment Consultant detailing performance for the most recent quarterly period as well as the current outlook of the equity and fixed income markets;
- (b) The Investment Consultant shall monitor Investment Managers' performance and consistency with respect to the investment guidelines and objectives outlined in this Policy;
and
- (c) The Investment Consultant shall meet with Plan Sponsor staff, the Commission and/or Pension and Benefits Committee (whether in person or via conference call), and review the Investment Managers' performance relative to objectives set forth in this Policy.

X. DEFINITIONS

ADR's	(American Depositary Receipt) A negotiable certificate receipt issued, in dollars, by an American depository stating that a certain number of foreign securities have been deposited with an overseas branch of the depository or with a custodian. ADR's are traded on the New York and other U.S. stock exchanges.
Add Value	The margin by which an investment advisor can out-perform the relative index in a specific asset class.
Asset Allocation	Process by which the total Trust is divided among the different asset classes.
Asset Class	Categories of investments that include equity securities, fixed income securities and cash equivalents.
Bank Loan	Floating rate corporate bonds that offer larger coupons compared to U.S. Treasury, Agency and investment grade corporate bonds with the added potential for price appreciation in the event of an improvement in the economy, or performance of the issuing company. Importantly, bank loans offer the added benefit of a shorter duration profile because of the frequent coupon resets.
Beta	A measure of an equity portfolio's risk level which indicates its sensitivity to changes in the S&P 500 equity index. A portfolio with a Beta greater than one is more volatile than the S&P 500 (e.g., a Beta of 1.20 indicates the portfolio is 20% more volatile than the S&P 500).
Cash	Instruments or investments of high quality and safety (e.g., money market funds, treasury bills, etc.). Maturity is usually less than one year.
Commission	The Port Commission of the Port of Houston Authority of Harris County, Texas, which shall serve as the governing body responsible for administration of the Trust as specified by applicable state or local law or ordinance.
Custodian	Any bank, depository trust company, or brokerage firm appointed by the Commission to serve as custodian over all or part of the Trust's assets.
Duration	A measure of a fixed income portfolio's risk level which indicates how sensitive a fixed income portfolio is to a change in interest rates. The longer a portfolio's duration is, the more volatile it will react to changes in interest rates. Duration is calculated by finding the net present value of all cash flows of a bond until maturity.

Equities	Ownership interest possessed by shareholders in a corporation; stock as opposed to bonds.
ERISA	The Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to ERISA.
Fiduciary	Any individual or group of individuals as defined in applicable Texas law and, to the extent not inconsistent with applicable Texas law, ERISA, section 3(21)(a).
Fixed Income	Any interest bearing or discounted government or corporate security that obligates the issuer to pay the holder a specified sum of money, usually at specified intervals, and to repay the principal amount of the loan at maturity. The Fixed Income portfolio may include preferred stock.
Global Tactical Asset Allocation (GTAA)	An investment strategy that attempts to exploit short-term market inefficiencies or long-term market trends by establishing positions in relatively attractive areas of the global investable universe. A GTAA strategy is capable of quickly implementing investment ideas to help tilt a portfolio for near-term opportunities or to preserve capital during market declines. Depending on strategy, investment approaches may diversify across asset classes, sector, countries, currencies, commodities, instruments, and capital structure.
Inflation	The rise in the prices of goods and services as measured by the Consumer Price Index ("CPI").
International Equity Portfolio	An equity portfolio composed of companies based outside of the United States.
Investment Consultant	The firm employed to consult on matters relating to the effective management of the Trust assets.
Investment Grade	Securities rated Baa3 or higher by Moody's Investor Service, or BBB- or higher by Standard and Poor's or Fitch Ratings.
Investment Horizon	The time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Trust based on active lives is 13 years (duration) and on retired lives is 14 years (duration). This will not preclude the committee from reviewing manager performance over shorter periods of three to five years.

Investment Manager	An entity appointed hereunder that provides investment advice and/or manages investments for a fee. All Investment Managers shall be registered with the Securities and Exchange Commission and abide by the rules of the Investment Advisers Act of 1940.
Large Cap Equity Portfolio	An equity portfolio composed of large sized companies. Large capitalization portfolios buy stocks with market capitalizations generally above \$10.0 billion.
Long-term	An investment approach to the markets in which an investor seeks appreciation by evaluating securities over a complete business cycle, usually five to ten years.
Mid Cap Equity Portfolio	An equity portfolio composed of middle sized companies. Middle capitalization portfolios buy stocks with market capitalizations generally between \$2.0 billion and \$10.0 billion.
Pension and Benefits Committee	The committee appointed by the Commission pursuant to the Trust, which may serve as an advisor to the Commission and provide recommendations to the Commission from time to time concerning the administration and management of the Trust. If no committee is formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.
Prudent Person	A fiduciary charged with utilizing the care, skill, prudence, and diligence that a prudent person who is familiar with such matters would use under the circumstances then prevailing.
Rate of Return	A return that includes appreciation (depreciation), realized capital gains (losses), and income. A quarterly return is computed and then chain-linked to calculate time-weighted rates of return for the periods under study.
Real Estate Investment Trust	A publicly traded security (also known as a REIT) that invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.
Securities	Marketable investment securities and instruments which are defined as acceptable in this statement.
Small Cap Equity Portfolio	An equity portfolio composed of small sized companies. Small capitalization portfolios buy stocks with market capitalizations generally up to \$2.0 billion.

Trustee	Any bank trust department or depository trust company appointed by the Commission to serve as trustee over all or part of the Trust assets.
Total Trust	Aggregate total of all assets in the Trust.

XI. POLICY REVIEW AND ADOPTION

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy (the "Policy") for the OPEB Plan (the "Plan"), the Port Commission of the Port of Houston Authority of Harris County, Texas (the "Commission") will endeavor to review the Policy at least annually.

The Commission officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commission, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon and is herewith adopted. The Commission further ratifies, approves and confirms such written notice and the contents and posting thereof.

This Policy is adopted on September 27, 2022 and supersedes all previously adopted statements of investment policy with respect to the Plan.

Chairman, Port Commission
Port of Houston Authority of
Harris County, Texas

ATTEST:

Secretary,
Port Commission
Port of Houston Authority of
Harris County, Texas

Minute 2022-0927-

I. FINANCE

Subject	7. Review and adopt the Statement of Objectives and Policy for the Port of Houston Authority 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, review and adopt the Statement of Objectives and Policy for the Port of Houston Authority 401(a) Defined Contribution Plan and 457(b) Deferred Compensation 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.
Goals	STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

Category:
General

Department:
Treasury

Staff Contact:
Roland Gonzalez

Background:
By Minute No. 2021-0427-17, the Port Commission reviewed and adopted the Statement of Objectives and Policy for the 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan.

The date on the document would simply be updated to reflect this Port Commission meeting date for its review. No other revisions are proposed in this annual review of the Statement of Objectives and Policy.

Staff Evaluation/Justification:

The proposed policy complies with applicable statutes, including all applicable state and federal laws and regulations governing Internal Revenue Code (IRC) §457(b) and IRC §401(a) Plans, including Chapter 802 of the Texas Government Code, to the extent applicable.

The Pension and Benefits Committee and staff recommend that the Port Commission adopt the current year Statement of Objectives and Policy for the Port of Houston Authority 401(a) Defined Contribution Plan and 457(b) Deferred Compensation Plan, as proposed.

**PORT OF HOUSTON AUTHORITY
DEFERRED COMPENSATION AND DEFINED
CONTRIBUTION PLANS**

STATEMENT OF OBJECTIVES AND POLICY



**PORT COMMISSION
ADOPTED SEPTEMBER 27, 2022**

MINUTE 2022-0927-

TABLE OF CONTENTS

I. PREAMBLE.....	3
II. PURPOSE OF POLICY STATEMENT	4
III. OVERVIEW AND OBJECTIVES OF THE PLANS AND INVESTMENT STRUCTURE	5
IV. RESPONSIBILITIES	7
V. INVESTMENT OPTION SELECTION & EVALUATION	10
VI. INVESTMENT OPTION REMOVAL & MAPPING	13
VII. ADDITIONAL PROVISIONS	14
VIII. DEFINITIONS	15
EXHIBIT A – INVESTMENT OPTIONS	17

I. PREAMBLE

The Port of Houston Authority 457(b) Deferred Compensation Plan (the “**457(b) Plan**”) and the Port of Houston Authority Defined Contribution Plan (the “**401(a) Plan**”) are defined contribution retirement plans established and maintained by the Port of Houston Authority of Harris County, Texas (the “**Sponsor**”). The 401(a) Plan and 457(b) Plan are referred to herein each as a “**Plan**” and together as the “**Plans**”.

The Plans provide retirement benefits to eligible employees of the Sponsor and their beneficiaries.

The Plans are intended to fully comply with all applicable state and federal laws and regulations governing Internal Revenue Code (“**IRC**”) §457(b) and IRC §401(a) plans, including Chapter 802 of the Texas Government Code, to the extent applicable. As governmental plans, the Plans are not subject to the Employee Retirement Income Security Act of 1974 (“**ERISA**”) although many of the provisions of the Plans are guided by the provisions of ERISA.

II. **PURPOSE OF POLICY STATEMENT**

The Port Commission of the Port of Houston Authority (the “**Commission**”) has adopted this Statement of Objectives and Policy (“**Policy**”) on behalf of the Sponsor, and directs that it apply to the Sponsor, the Plans’ administrators, Investment Consultants (as described in Section IV below), and others acting on behalf of, or under the direction of, the Commission with respect to the Plans.

The purpose of the Policy is to establish the investment structure for the Plans and to adopt a set of guidelines for the selection and periodic evaluation and monitoring of each Plan’s Investment Options (“**Option**”) that are made available to the employees and retirees who participate in the Plans (the “**Participants**”). This Policy is intended to ensure that the Options are provided in accordance with the general Fiduciary principles of prudence and diversification.

This Policy guides how the Commission will discharge its obligations to prudently select investment alternatives, periodically monitor and evaluate those alternatives and, based on such periodic evaluations, determine whether each Option should continue to be made available to the Participants. To guide the Commission in selecting, monitoring, reviewing and adding or changing Plan investments, this Policy:

- describes the Options available under the Plans;
- establishes investment guidelines for the selection of Options and diversification of assets;
- specifies the criteria for evaluating the performance of the selected Options; and
- defines the responsibilities of the Commission as to the selection and monitoring of Options.

A current list of the Options and their style objectives and benchmarks is set forth on **EXHIBIT A**.

These guidelines do not constitute a contract or a statement of mandatory requirements, but are instead an explanation of the general principles established for the selection and retention of the Options. When considering Options, the Commission determines the relative importance to be given to each of the general principles set forth in these guidelines and may consider other factors in addition to those described in these guidelines. This Policy is not intended to restrict or limit the discretion, control, or authority of the Commission, nor of any Fiduciary of either Plan to whom such discretion, control, or authority has been delegated, to make decisions that are deemed to be in the best interest of Participants as circumstances may require.

III. **OVERVIEW AND OBJECTIVES OF THE PLANS AND INVESTMENT STRUCTURE**

Overview of the Plans

The Plans are vehicles through which Participants may accumulate assets to provide for a portion of their retirement savings.

- The Plans are established for the exclusive benefit of the Participants.
- The Participants bear the ultimate risk and responsibility for their investment elections in the Options, and the investment performance of their individual accounts in the Plans over time.
- The Plans are intended to permit each Participant to direct the investment of his or her individual account in the Plans in one or more of the Options.

Overview of the Plans' Investment Structures

The investment structure of the Plans allows each Participant to create an investment portfolio by allocating his or her account balance between and among the Options. These Options include a diversified mix of investment funds reflecting different levels of risk and potential return, including Target Date Funds that enable Participants to direct the investment of their accounts into a single diversified vehicle that is designed to be consistent with their time horizons and/or risk tolerances.

Should a Plan Participant fail to exercise full and independent investment authority with respect to any contributions allocated to the Participant's account, all contributions will be invested in the Plan's "Qualified Default Investment Alternative" ("**QDIA**"), which is currently the appropriate Target Date Fund based on Participant's date of birth and projected retirement at the Plan's normal retirement date.

Objectives of Plans' Investment Structure

The objectives of the investment structure of the Plans are as follows:

- to provide Participants with access to investments in the key Asset Classes available in the marketplace;
- to provide Participants with access to a series of Target Date Funds which (1) allocate a Participant's assets among several Asset Classes, and (2) offer the Participant a diversified portfolio using an Asset Allocation glide path which reduces equity risk as the Participant approaches retirement age;
- to provide Participants with diverse Options in terms of Asset Classes offered [factors relevant to diversification of Asset Classes include investment style (e.g., active versus passive or growth versus value), market capitalization

(e.g., large, medium, and small), and the nature of the specific Option offered (e.g., global versus domestic or well-diversified fund versus a specialty fund)];

- to provide each Participant with the ability to construct an investment portfolio consistent with his or her individual risk and return objectives; and
- to provide a QDIA that is diversified and which Derisks the Participant's portfolio as the Participant nears retirement age.

To accomplish the objectives of the investment structure, this Policy establishes (1) investment standards for the Options offered to Participants and (2) formal criteria to monitor and evaluate the performance and risk characteristics of the investment managers for the Options.

Although the Plans are not subject to ERISA, as is similar to the provisions set forth in ERISA Section 404(c), the Plans shall:

- Provide Participants at least three Options from which to choose, with different risk/return profiles;
- Provide Participants with access to sufficient information to assist each Participant to make informed selections of Options; and
- Permit Participants to change Options daily.

Proxy voting for mutual fund shares shall be passed through to Participants in accordance with the Service Provider/Record Keeper agreement or other applicable document.

IV. **RESPONSIBILITIES**

Participants: Each Participant is best positioned to make decisions regarding the allocation of his or her Plan account balance among the various Options offered by the Plans in order to best achieve his or her investment and retirement goals. As a result, the amount to be invested in each Option, if any, shall be determined by each Plan Participant.

Each Participant will bear the sole risk for the investment results from the Options chosen by the Participant.

Each Participant should educate himself/herself as necessary to make sound investment decisions. This education may include, but is not limited to, review of materials provided by the Plans, the Service Provider/Record Keeper, investment managers and/or Investment Consultants.

Commission: The Commission, as the governing body of the Sponsor, has certain Fiduciary responsibilities for the Plans.

The Commission is responsible for this Statement of Objectives and Policy.

The Commission is authorized to consult with staff and independent experts, and may retain consultants, investment advisors, and other service providers (including any Plan administrator, and the Service Provider/Record Keeper and Investment Consultant) to assist in performing its duties, including selection of the Plans' Investment Options.

The Commission is responsible for (1) selecting and monitoring the number and types of Options and the Asset Classes offered under the Plans and (2) making changes in the Options available under the Plans, each as deemed to be necessary or appropriate in its discretion.

The Commission periodically evaluates the performance and expenses of the Options in consultation with the Investment Consultant.

The Commission periodically establishes investment guidelines for the Options and evaluates the Investment Manager's performance for each Option.

The Commission periodically reviews the Plans' service providers' performance and the fees charged for such services.

The Commission receives periodic briefings from the Plan's Investment Consultant regarding the investment performance of the Options and the expenses being charged for such Options.

Pension and Benefits Committee: The Commission may designate the Pension and Benefits Committee (or other committee or task force) to provide advice and recommendations to the Commission and to assist the Commission in performing its responsibilities set forth above. If the Pension and Benefits Committee has not been formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Periodically, but not less often than once a year, the Pension and Benefits Committee will meet to review the following:

- A. The continued adherence of this Policy to the investment objectives of the Plans as described below.
- B. The adherence to this Policy by those acting under the direction of the Commission with respect to the Plans.
- C. Comments and concerns expressed by Participants relating to the Options.
- D. Information regarding eligible Sponsor employees, including demographics, participation, contribution rates, and Participants' use of the Options.
- E. The reasonableness of the fees and expenses incurred by the Plans and the Options.
- F. Whether any changes are needed to be made to the Policy, Plans administration, Participant services, or Options.

The Pension and Benefits Committee may discuss factors similar to those set forth above with regard to the Service Provider/Record Keeper (as described below), Investment Consultants, and others acting with respect to the Plans.

Service Provider/Record Keeper: The Service Provider/Record Keeper selected by the Commission is responsible for implementing Participants' investment elections, such as changes in Option choices or Asset Allocation, and allocating Participants' contributions and account balances among the available Options in accordance with such elections. The Service Provider/Record Keeper is also responsible for maintaining accurate and up-to-date account records for all individual Participants in the Plans. These records include daily valuations of each Participant's aggregate account balance and investment in each Option.

The Service Provider/Record Keeper may from time to time (1) communicate to Participants that they are responsible for the investment of their own Plan accounts and (2) be responsible for providing each Participant with access to reasonably sufficient information to select and manage their investments. The information and services provided shall include enrollment, education, exchanges, transfers, distributions, periodic statements, and any others that may be further defined in the agreement between the Service Provider/Record Keeper and the Sponsor.

The Service Provider/Record Keeper may from time to time provide ongoing education seminars and meetings to Participants, covering relevant investment

and retirement savings topics. The Service Provider/Record Keeper shall not provide specific investment advice to Participants.

Investment Consultant: The Investment Consultant shall assist the Plans in developing appropriate investment policies and guidelines for the Plans, recommending Options to be offered to Participants, and providing ongoing monitoring and review of the Options. The Investment Consultant shall provide periodic reports outlining the investment performance of each Option, information as provided herein, and any further information or services that may be specified in the agreement between the Investment Consultant and Sponsor.

V. **INVESTMENT OPTION SELECTION & EVALUATION**

The following characteristics may be considered in selecting and monitoring Options, whether offered as a stand-alone Option, and/or as a fund included in a portfolio Option:

- A. **Manager tenure and corporate stability.** The manager's tenure as well as the corporate stability of the company offering a particular investment vehicle should be considered and evaluated before it is provided to Participants as an Option, and shall continue to be periodically evaluated if it is provided as an Option. In general, the Option's manager must have a three-year track record managing the specific Option in order for that vehicle to be considered as an Option offering. Investment Manager change, significant turnover of the responsible portfolio management team, and/or adverse developments at the fund company responsible for an Option may warrant heightened scrutiny as described below.
- B. **Manager, style, asset, and process consistency.** The manager, style, asset level, and process consistency of particular investment vehicle shall be considered and evaluated before it is provided to Participants as an Option, and shall continue to be periodically evaluated if provided as an Option. Any management turnover, substantial style drift, significant asset flows, or investment process change at the fund company responsible for an existing Option may warrant review of such Option.
- C. **Investment costs and management fees.** The overall costs and ongoing management fees of current Options, as well as new Options under consideration, shall be considered and evaluated to determine whether they are reasonable when compared to other similar and comparable investment vehicles.
- D. **Performance and risk measures.** In addition to the qualitative criteria detailed above, the ongoing performance (net of fees) and risk profile of each Option shall be considered and evaluated using the following quantitative criteria in which ranks are defined to span first percentile to one hundredth percentile, with the first percentile representing the best performance and one hundredth percentile representing the worst performance:
 - 1. Whether its return over four consecutive quarters of performance is more than the appropriate benchmark, and its rank is above the 75th percentile of the appropriate peer group.
 - 2. Whether its performance over the five and ten-year trailing periods exceeds the appropriate benchmark.
 - 3. Whether its performance over the five and ten-year trailing periods ranks in the top 50th percentile of the appropriate peer group.

4. Whether its Sharpe ratio over the five and ten-year trailing period ranks in the top 50th percentile of the appropriate peer group. The Sharpe ratio is defined as an investment's excess return (over the risk-free rate) divided by the standard deviation (risk) of the excess return.
5. Whether it shows positive Alpha over the five and ten-year trailing period relative to the appropriate benchmark. Alpha is a measure of risk-adjusted performance that represents the portion of an investment's historical performance that is not explained by movements in the benchmark index.

The Commission should endeavor to monitor the performance of the Options using the criteria described in items A through D on a quarterly basis. These reviews should evaluate each Option's performance with regard to these evaluation criteria, as well as the Option's position in the overall menu of available Options.

While the review structure contained above can be used for the evaluation of most Options, this framework should not be considered to be an exhaustive set of criteria by which any Option may be evaluated.

Moreover, there are instances where Options offered to Participants cannot be evaluated using one or more of the criteria provided by this framework. As such, the Commission recognizes the need to adopt a flexible approach when analyzing the success of the Plans' index, money market, stable value, and target date (or risk-based lifecycle) Options, since traditional methods of benchmarking returns may not fully assess the effectiveness or fully gauge the risks of these types of Options. While all Options should be reviewed within the context of their risk/reward profiles, different qualitative and quantitative factors may receive greater emphasis when evaluating the Options.

To assist with this ongoing monitoring process, the Investment Consultant shall provide periodic reports on the performance of each Option and include an evaluation matrix that identifies each Option as (i) passing ("green"), (ii) failing four quarters or less ("yellow"), or (iii) failing for more than four quarters ("red"), with recommendations in connection with the performance and risk measures described under item D above, and/or additional criteria where appropriate and applicable.

Options evaluation matrices are intended to aid the Commission in identifying those Options that may warrant increased monitoring before becoming subject to removal as detailed in **SECTION VI** of this Policy. However, the matrices are not intended to establish an exclusive decision-making process by which Options may be selected for replacement, but rather a working tool intended to document the dialogue and examination of Options by the Commission on an ongoing basis. As each situation for potential replacement is unique, the appropriate length of time during which an Option may continue to fall short of

any criteria in its evaluation matrix before being replaced will be evaluated on a case-by-case basis.

The Commission, with the assistance of the Investment Consultant, shall select an appropriate QDIA Option for each Plan. The Commission shall review each Plan's QDIA on an ongoing basis for suitability and, in this respect, will reference the Department of Labor Regulations regarding QDIAs. Each Plan's current QDIA is identified in **EXHIBIT A**.

VI. **INVESTMENT OPTION REMOVAL & MAPPING**

The ongoing suitability of an Option in the Plan shall be periodically reviewed using the Option evaluation matrix and/or other appropriate criteria.

Based on advice and/or a recommendation received from the Investment Consultant, the Commission shall have the final discretion regarding whether to retain or replace any Option. The ultimate decision to remove/replace an Option shall be made when the Commission believes such removal/replacement is in the best interests of a Plan and its Participants. Any decision to remove an Option shall be made on an individual basis with respect to the particular Option.

Without limiting the foregoing, an Option may be removed when it is determined that:

- A. Its performance over an appropriate timeframe cannot be supported or explained by market conditions or other reasonable considerations;
- B. It is determined to be reasonably uncertain that such Option will achieve its performance and risk objectives in the future; or
- C. Qualitative or other issues of concern over an appropriate timeframe exist that cannot be timely or adequately remedied.

The Sponsor shall endeavor to notify Participants of discontinuation of an Option at least 30 days prior to the effective date. The notice shall inform Participants that Participant assets in, and future contribution allocations to, the discontinued Option will be mapped to an alternative Option unless a Participant provides other instructions to the Service Provider/Record Keeper.

Following notification of the removal of an Option in which Participants have a balance or future contribution allocation, absent Participant election of a substitute Option, the following procedures will be applied to mapping Participant assets to other Options.

- A. The Plan will map Participant assets in, and future contribution allocations to, the discontinued Option to an existing or new Option that is reasonably similar in terms of risk and return characteristics of the discontinued Option. Unless presented with clear evidence to the contrary, Options within the same Asset Class should be considered as being reasonably similar in terms of risk and return characteristics; or
- B. The Plan will map Participant assets and future contribution allocations in the discontinued Option to the appropriate QDIA for the Plan.

The decision to map Participants to an Option that is reasonably similar in terms of risk and return characteristics to the discontinued Option, or to the appropriate QDIA, shall be made on a case-by-case basis, as deemed to be in the best interests of the Participants under the prevailing circumstances.

VII. **ADDITIONAL PROVISIONS**

Interpreting the Policy

The Commission shall have the authority and discretion to interpret, implement and administer this Policy at any time, including, without limitation, making any final decisions to select, remove or replace any Option available under a Plan.

Amending the Policy

These guidelines will be updated by the Treasury department and reviewed by the Commission at appropriate periodic intervals and as circumstances may warrant. This Policy may be amended from time to time by the Commission to reflect changes in the capital markets, Participants' objectives, or other factors that are relevant to a Plan, all as deemed appropriate by the Commission in its discretion.

Plan Document Controls

Notwithstanding any other provision of this Policy, if any term or condition of the Policy expressly conflicts with any term or condition in a Plan, the term or condition of the Plan will control and govern.

VIII. DEFINITIONS

401(a)	A tax-deferred retirement savings plan defined by subsection 401(a) of the Internal Revenue Code which allows for contributions by the employer. Contribution amounts, eligibility, and vesting schedule are all determined by the employer.
457(b)	A tax-deferred retirement savings plan defined by subsection 457(b) of the Internal Revenue Code which allows for contributions by the employee. Contribution amounts are determined by the employee.
Asset Allocation	Process by which the total plan is divided among the different asset classes.
Asset Class	Categories of investments that include equity securities, fixed income securities and cash equivalents.
Commission	The Port Commission of the Port of Houston Authority of Harris County, Texas, which shall serve as the governing body responsible for administration of the Plan as specified by applicable state or local law or ordinance.
Derisk	Process of reducing capital appreciation-oriented investments and increasing capital preservation-oriented assets. I.e. reducing stocks and increasing bonds.
ERISA	The Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to ERISA.
Fiduciary	Any individual or group of individuals as defined in applicable Texas law and, to the extent not inconsistent with applicable Texas law, ERISA Section 3(21)(a).
Investment Consultant	The firm employed to consult on matters relating to the effective management of the Plan.
Investment Manager	An entity appointed in accordance with Section 802.204, Texas Government Code, that provides investment advice and/or manages investments for a fee. All Investment Managers shall be registered with the Securities and Exchange Commission and abide by the rules of the Investment Advisers Act of 1940.
Investment Options	The mutual funds and other investment vehicles offered in the Plan available for Participants to invest their contributions in.
Participant	Employee, or previous employee, who is eligible to take part in the Plan.

Pension and Benefits
Committee

The committee appointed by the Commission pursuant to the Plan, which may serve as an advisor to the Commission and provide recommendations to the Commission from time to time concerning the administration and management of the Plan. If no committee is formally appointed, then the Commission shall serve as the Pension and Benefits Committee for purposes of this Policy.

Qualified Default Investment
Alternative ("QDIA")

An investment vehicle that may be used for retirement plan contributions in the absence of direction from the plan Participant. Qualified default investment alternatives were defined in the Pension Protection Act of 2006 and are limited to target date funds or life-cycle funds, balanced accounts, or professionally managed accounts.

[Exhibit A follows.]

EXHIBIT A – INVESTMENT OPTIONS

The following funds are current 457(b) Plan Options offered by the Plan to its Participants.

Fund Option	Style Objective	Peer Group	Benchmark
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Domestic Equity Funds

DFA	Large Cap Value	Large Cap Value	Russell 1000 Value
Vanguard 500	Large Cap Core Index	Large Cap Core	S&P 500
MFS	Large Cap Growth	Large Cap Growth	Russell 1000 Growth
Vanguard Mid Cap	Mid Cap Core Index	Mid Cap	CRSP US Mid Cap
Touchstone	Mid Cap Growth	Mid Cap Growth	Russell Mid Cap Growth
American Beacon	Small Cap Value	Small Cap Value	Russell 2000 Value
Vanguard Small Cap	Small Cap Core Index	Small Cap	CRSP US Small Cap
Goldman Sachs	Small Cap Growth	Small Cap Growth	Russell 2000 Growth

International / Global Equity Funds

Vanguard Total International	International Index	International Large Cap	FTSE Global ex USA All Cap
American Funds EuroPacific	International Core	International Large Cap	MSCI AC World ex USA

Fixed Income / Stable Value Funds

Vanguard Total Bond	Domestic Bond Index	Broad Market Core Fixed Income	Blmbg. Barc. U.S. Agg
Western Asset	Domestic Core+ Bond	Broad Market Core+ Fixed Income	Blmbg. Barc. U.S. Agg
Nationwide Fixed Account	Guaranteed Interest Contract	-	-
Nationwide Government Money Market Fund	Money Market	U.S. Taxable Money Market	90 Day U.S. Treasury Bill

Target Date Funds (QDIA Option)

American Funds	Target Date	Morningstar Category Target-Date	Mixed-Asset Target
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The following funds are current 401 (a) Plan Options offered by the Plan to its Participants.

Fund Option	Style Objective	Peer Group	Benchmark
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Domestic Equity Funds

DFA	Large Cap Value	Large Cap Value	Russell 1000 Value
Vanguard 500	Large Cap Core Index	Large Cap Core	S&P 500
MFS	Large Cap Growth	Large Cap Growth	Russell 1000 Growth
Vanguard Mid Cap	Mid Cap Core Index	Mid Cap	CRSP US Mid Cap
Touchstone	Mid Cap Growth	Mid Cap Growth	Russell Mid Cap Growth
American Beacon	Small Cap Value	Small Cap Value	Russell 2000 Value
Vanguard Small Cap	Small Cap Core Index	Small Cap	CRSP US Small Cap
Goldman Sachs	Small Cap Growth	Small Cap Growth	Russell 2000 Growth

International / Global Equity Funds

Vanguard Total International	International Index	International Large Cap	FTSE Global ex USA All Cap
American Funds EuroPacific	International Core	International Large Cap	MSCI AC World ex USA

Fixed Income / Stable Value Funds

Vanguard Total Bond	Domestic Bond Index	Broad Market Core Fixed Income	Blmbg. Barc. U.S. Agg
Western Asset	Domestic Core+ Bond	Broad Market Core+ Fixed Income	Blmbg. Barc. U.S. Agg
Nationwide Government Money Market Fund	Money Market	U.S. Taxable Money Market	90 Day U.S. Treasury Bill

Target Date Funds (QDIA Option)

American Funds	Target Date	Morningstar Category Target-Date	Mixed-Asset Target
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[End of Exhibit A.]

J. INFRASTRUCTURE

Subject	1. Approve staff's ranking of vendors and award a two-year environmental consulting agreement in an amount not to exceed \$250,000 for storm water quality program management to the top-ranked proposer: staff ranking - first, SNM2R, LLC; second, Edge Engineering and Science, LLC; and third, TRC Environmental Corporation.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022, meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order - first, SNM2R, LLC; second, Edge Engineering and Science, LLC; and third, TRC Environmental Corporation; (b) award a two-year environmental consulting agreement to SNM2R, LLC for storm water quality program management in an amount not to exceed \$250,000; (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 Objective 4a. - Implement an innovative environmental leadership strategy STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

Category:

Awards, Amendments & Change Orders

Department:

Environmental Affairs

Staff Contact:

Trae Camble

Background:

The Port Authority is seeking to obtain an environmental consultant to assist the Port Authority's Environmental Affairs Department (EAD) staff with storm water quality program management, including compliance with the Port Authority's Municipal Separate Storm Sewer System Permit, Storm Water Management Program, Multi-Sector General Permits, and Construction General Permits; conducting storm water sampling throughout the Port Authority; identifying, implementing, and monitoring best management practices; and assisting with other activities related to storm water quality issues, as directed by EAD staff.

The Port Authority notified vendors regarding its request for proposals (RFP) using the Port Authority's BuySpeed Eprocurement System, and the project was advertised on the Port Authority's website and in a local newspaper. Thirteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 17, 2022, four RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- SNM2R, LLC
- Edge Engineering and Science, LLC
- TRC Environmental Corporation

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to SNM2R, LLC for storm water quality program management, and act as otherwise described above.

J. INFRASTRUCTURE

Subject	2. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$582,870 for the 2022 electrical and communications Facility Inspection and Condition Assessment Program (FICAP) at Barbours Cut Terminal to the top-ranked proposers: staff ranking – first, Hatch Associates Consultants, Inc.; and second, Jacobs Engineering Group, Inc.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendor, based on the selection criteria, in the following order- first, Hatch Associates Consultants, Inc., and second, Jacobs Engineering Group, Inc.; (b) award a professional services contract to Hatch Associates Consultants, Inc. for the 2022 electrical and communications facility inspection and condition assessment program (FICAP) at Bayport Container Terminal in an amount not to exceed \$582,870; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

The ongoing Facility Inspection and Condition Assessment Program (FICAP) includes performing visual inspections of electrical and communication assets and developing condition ratings of Port Authority assets. Staff is now recommending awarding \$582,870 for year 2022, to start the FICAP condition assessment at Barbours Cut Terminal. Staff intends to come back at a later date to complete the program by requesting either an amendment to this contract and/or new contract(s) with different or additional firms to complete the program elsewhere.

The Port Authority notified vendors regarding its request for qualifications (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. Eleven vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On November 17, 2021, 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 analysis and design services:

- Hatch Associates Consultants, Inc.
- Jacobs Engineering Group, Inc.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Hatch Associates Consultants, Inc. for the 2022 electrical and communications FICAP at Barbours Cut Terminal, and act as otherwise described above.

J. INFRASTRUCTURE

Subject	3. Approve staff's selection of four vendors and award two-year professional services contracts, each in the amount of \$50,000, to perform construction material testing (CMT) services for smaller Port Authority projects to the following proposers: Geotech Engineering and Testing, The Murillo Company, Raba Kistner, Inc., and Tolunay-Wong Engineers, Inc.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's selection of four vendors and award two-year professional services contracts, each in the amount of \$50,000, to perform construction material testing (CMT) services for smaller Port Authority projects to the following proposers: Geotech Engineering and Testing, The Murillo Company, Raba Kistner, Inc., and Tolunay-Wong Engineers, Inc.; (b) authorize staff to enter into two-year professional contracts, each in an amount not to exceed \$50,000, to perform construction material testing services for all Port Authority facilities and locations; and (c) 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This procurement would provide for construction material testing services (CMT) for smaller projects at all terminals which do not require a separate CMT budget. Per Section 60.463(c) of the Texas Water Code, in certain circumstances the Port Authority is required to hire a third-party inspection firm to independently test the acceptability of construction materials installed by the contractor. This procurement would provide such third-party inspection services for those projects.

The Port Authority notified vendors regarding its request for qualifications (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. Thirty-four vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 10, 2022, four RFQ responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFQ.

Following staff Executive Committee review, staff recommends that the Port Commission award four two-year professional services contracts, each in the amount of \$50,000 and act as otherwise described above.

J. INFRASTRUCTURE

Subject	4. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$374,200 for the repair of Wharves 24, 25, and 26 at Turning Basin Terminal to the top-ranked proposer: staff ranking - first, Epoxy Design Systems, Inc.; second, Forde Construction Company, Inc.; and third, Bryant Industrial Services, LLC.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Epoxy Design Systems, Inc.; second, Forde Construction Company, Inc.; and third, Bryant Industrial Services, LLC; (b) award a contract to Epoxy Design Systems, Inc. for the repair of Wharves 24, 25, and 26 at Turning Basin Terminal, in an amount not to exceed \$374,200; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of miscellaneous repairs to three wharves within the Turning Basin Terminal. Repairs include topside/underside repair to reinforced concrete, mooring cleat repair/replacement, and expansion joint repair.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Nineteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On May 11, 2022, three CSPs were received, opened, and publicly read. The remaining responses were reviewed and evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as providing the best value for the required services:

- Epoxy Design Systems, Inc.
- Forde Construction Company, Inc.
- Bryant Industrial Services, LLC

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

J. INFRASTRUCTURE

Subject 5. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$66,899,413 to construct Container Yard 1 North and 1 Middle at Bayport Container Terminal to the top-ranked proposer: staff ranking - first, Satterfield & Pontikes Construction, Inc.; second, Archer Western Construction, LLC; and third, McCarthy Building Companies, Inc.

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting:
(a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Satterfield & Pontikes Construction, Inc.; second, Archer Western Construction, LLC; and third, McCarthy Building Companies, Inc.;
(b) award a contract to Satterfield & Pontikes Construction, Inc. to construct Container Yard 1 North and 1 Middle at Bayport Container Terminal, in an amount not to exceed \$66,899,413;
(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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of the construction of approximately forty acres of container yard at Container Yard 1 North and 1 Middle, located on the east end of Bayport Container Terminal.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Twenty-eight vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, four CSPs were received, opened, and publicly read. The responses were reviewed and evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as providing the best value for the required services:

- Satterfield & Pontikes Construction, Inc.
- Archer Western Construction, LLC
- McCarthy Building Companies, Inc.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Satterfield & Pontikes Construction, Inc. and act as otherwise described above.

J. INFRASTRUCTURE

Subject	6. Award a construction contract to David E. Harvey Builders, Inc. to construct the maintenance complex at Barbours Cut Terminal in an amount not to exceed \$41,114,027.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a construction contract to David E. Harvey Builders, Inc. to construct the maintenance complex at Barbours Cut Terminal in an amount not to exceed \$41,114,027, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of the construction of the new maintenance complex on the east end of Barbours Cut Terminal, including site work, maintenance building and repair bays, wash building, fuel island, security gate, guardhouse, and inspection canopy.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System, and the project was advertised on the Port Authority's website and in a local newspaper. Thirty-eight vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, one CSP was received, opened, and publicly read.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to David E. Harvey Builders, Inc. and act as otherwise described above.

J. INFRASTRUCTURE

Subject	7. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$475,000 to perform construction material testing services for the construction of Container Yard 1 North and 1 Middle at Bayport Container Terminal to the top-ranked proposers: staff ranking - first, Terracon Consultants, Inc.; second, Aviles Engineering Corporation; and third, Braun Intertec Corporation.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Terracon Consultants, Inc.; second, Aviles Engineering Corporation; and third, Braun Intertec Corporation; (b) award a professional services contract to Terracon Consultants, Inc. to perform construction material testing services for the construction of Container Yard 1 North and 1 Middle at Bayport Container Terminal, in an amount not to exceed \$475,000; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This procurement includes construction material testing services during the proposed construction of Container Yard 1 North and 1 Middle at Bayport Container Terminal. Per Section 60.463(c) of the Texas Water Code, in certain circumstances the Port Authority is required to hire a third-party inspection firm to independently test the acceptability of construction materials installed by the contractor. This procurement would provide such third-party inspection services.

The Port Authority notified vendors regarding its request for qualifications (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. Sixteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 10, 2022, seven 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:

- Terracon Consultants, Inc.
- Aviles Engineering Corporation
- Braun Intertec Corporation

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

J. INFRASTRUCTURE

Subject	8. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$200,000 to perform construction material testing services for the construction of the maintenance complex at Barbours Cut Terminal to the top-ranked proposers: staff ranking - first, Braun Intertec Corporation; second, Aviles Engineering Corporation; and third, HVJ Associates, Inc.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Braun Intertec Corporation; second, Aviles Engineering Corporation; and third, HVJ Associates, Inc.; (b) award a professional services contract to Braun Intertec Corporation to perform construction material testing services for construction of the maintenance complex at Barbours Cut Terminal, in an amount not to exceed \$200,000; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This procurement includes construction material testing services during the proposed construction of the maintenance complex at Barbours Cut Terminal. Per Section 60.463(c) of the Texas Water Code, in certain circumstances the Port Authority is required to hire a third-party inspection firm to independently test the acceptability of construction materials installed by the contractor. This procurement would provide such third-party inspection services.

The Port Authority notified vendors regarding its request for qualifications (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. Twenty-two vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 10, 2022, eight 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:

- Braun Intertec Corporation
- Aviles Engineering Corporation
- HVJ Associates, Inc.

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Braun Intertec Corporation and act as otherwise described above.

J. INFRASTRUCTURE

Subject	9. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$2,000,000 for annual pavement replacement at Barbours Cut Terminal and Bayport Container Terminal for 2023 to the top-ranked proposers: staff ranking - first, Jerdon Enterprise L.P.; second, Forde Construction Company, Inc.; and third, Total Contracting Limited.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Jerdon Enterprise L.P.; second, Forde Construction Company, Inc.; and third, Total Contracting Limited; (b) award a contract to Jerdon Enterprise L.P. for annual pavement replacement at Barbours Cut Terminal and Bayport Container Terminal for 2023, in an amount not to exceed \$2,000,000; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of the removal and replacement of damaged and or deteriorating pavement throughout Barbours Cut Terminal and Bayport Container Terminal.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Nine vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, three CSPs were received, opened, and publicly read. The responses were evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as providing the best value for the required services:

- Jerdon Enterprise L.P.
- Forde Construction Company, Inc.
- Total Contracting Limited

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Jerdon Enterprise L.P. and act as otherwise described above.

J. INFRASTRUCTURE

Subject	10. Approve staff's ranking of vendors and award a construction contract in an amount not to exceed \$3,220,740 for annual wharf and rubber-tired gantry (RTG) crane painting at Barbours Cut Terminal and Bayport Container Terminal in 2022 through 2023 to the top-ranked proposer: staff ranking - first, Blastco Texas, Inc.; and second, TAM Services, LLC.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order – first, Blastco Texas, Inc.; and second, TAM Services, LLC; (b) award a contract to Blastco Texas, Inc. for annual wharf and rubber-tired gantry (RTG) crane painting at Barbours Cut Terminal and Bayport Container Terminal in 2022 through 2023, in an amount not to exceed \$3,220,740; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of crane painting at Barbours Cut Terminal and Bayport Container Terminal.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Fourteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 10, 2022, four CSPs were received, opened, and publicly read. The responses were reviewed and evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as providing the best value for the required services:

- Blastco Texas, Inc.
- TAM Services, LLC

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

J. INFRASTRUCTURE

Subject	11. Approve staff's ranking of vendors and award a services agreement in an amount not to exceed \$450,000 for technical support services in support of grant management to the top-ranked proposer: staff ranking - first, AECOM Technical Services, Inc.; second, Atkins North America, Inc.; and third, The Ecologix Group.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022, meeting: (a) approve staff's ranking of the most qualified vendors, based on the selection criteria, in the following order - first, AECOM Technical Services, Inc.; second, Atkins North America, Inc.; and third, The Ecologix Group; (b) award a services agreement to AECOM Technical Services, Inc. to perform technical support services in support of grant management in an amount not to exceed \$450,000; (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.

Category:

Awards, Amendments & Change Orders

Department:

Technical and Business Analytics

Staff Contact:

Brenda Trevino, P.E.

Background:

The Port Authority has developed a robust grants program with lean in-house resources. This project would add external expertise to in-house staff to expand the capabilities of the program to apply for additional opportunities and to manage grants previously awarded to the Port Authority.

The Port Authority notified vendors regarding its request for proposals (RFP) using the Port Authority's BuySpeed Eprocurement System, and the project was advertised on the Port Authority's website and in a local newspaper. Eighteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, six RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- AECOM Technical Services, Inc.
- Atkins North America, Inc.
- The Ecologix Group

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

J. INFRASTRUCTURE

Subject	12. Approve staff's ranking of vendors and award a one-year professional services contract in an amount not to exceed \$349,556 to provide professional services for a terminal options study to the top-ranked proposer: staff ranking – first, AECOM Technical Services, Inc.; second, BEA Architects; third, Hamburg Port Consulting; and fourth, Moffatt & Nichol.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the most qualified respondents, based on the selection criteria, in the following order – first, AECOM Technical Services, Inc.; second, BEA Architects; third, Hamburg Port Consulting; and fourth, Moffatt & Nichol; (b) award a professional services contract to AECOM Technical Services, Inc. to provide professional services for a terminal options study in an amount not to exceed \$349,556; (c) grant authority, if a contract cannot be negotiated with the first-ranked respondent, to formally, and in writing, end negotiations with that respondent and proceed to the second-ranked respondent until an agreement 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 Objective 4d. - Support sustainable growth of Port Houston and the greater Port Strategic Objective 2b. - Drive development of landside infrastructure and inland distribution networks STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region) STRATEGIC GOAL #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Facility Planning

Staff Contact:

Rohit Saxena

Background:

As a major international gateway, the Port Authority's container terminal operations support the growth of the regional and state economies, with key imports in hardware and construction materials, machinery, appliances, electronics, and retail consumer goods, and key exports of plastic resins, petrochemicals, and various agriculture and automotive products.

Barbours Cut Terminal and Bayport Container Terminal have experienced record growth in recent years, and demand forecasts indicate the need for expanded terminal capacity which is being added as part of the current buildout plans. Beyond current capacity potential, long term trends of population growth and economic activity are expected to drive imports and exports into the future, and this necessitates that the Port Authority explore opportunities and commence planning for the development of its next container terminal complex.

The scope of this study includes both selecting and evaluating potential sites and concepts capable of providing increased capacity and with direct waterfront access for current and next generation container ships. These may include new greenfield sites, brownfield conversion, multiple site options that can fulfill incremental growth needs, and/or other creative cost effective and executable alternatives. Once identified, the scope would include evaluating the alternatives at a high level, based on a range of strategic criteria including cost, execution efficiency, capacity provided, risk, timing, complexity, ocean navigation waterway and land side access, total network logistics, equity, proximity, local and regional dynamics, jurisdictional considerations, environmental and social considerations, and other criteria that would be developed in consultation with Port Authority staff.

Port Houston notified vendors regarding its request for proposals (RFP) using the Port Authority's BuySpeed Eprocurement System and the request was advertised on the Port Authority's website and in a local newspaper. Twenty-one vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, four responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- AECOM Technical Services, Inc.
- BEA Architects
- Hamburg Port Consulting
- Moffatt & Nichol

Following staff Executive Committee review, staff recommends that the Port Commission award a professional services contract to AECOM Technical Services, Inc. in an amount not to exceed \$349,556 to commence the work, with an option of amending the contract at a later date, as needed, to complete the required work, and act as otherwise described above.

J. INFRASTRUCTURE

Subject	13. Award a construction contract to Four Seasons Development Company, Inc. for annual perimeter security fence replacement for 2022, in an amount not to exceed \$200,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a construction contract to Four Seasons Development Company, Inc. for annual perimeter security fence replacement for 2022, in an amount not to exceed \$200,000, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

The Port Authority is seeking to award a construction contract for annual perimeter security fence replacement for 2022. This year's projects would be for the removal and replacement of deteriorated or damaged perimeter security fencing at the Turning Basin and Woodhouse Terminals. The existing 6-foot perimeter fencing would be replaced with 8-foot fencing and three strands of barbed wire along the security perimeter of the terminals, to comply with U.S. Homeland Security requirements.

The contract will include the following:

- Removal of 6-foot fencing and barbed wire;
- Removal of existing footings;
- Replacement of 4,200 linear feet of perimeter fencing;
- Placement of 8-foot fencing with three strands of barbed wire;
- Installation of new concrete footings; and
- Installation of 20-foot rolling gate gate.

The Port Authority notified vendors regarding its request for competitive sealed bids (CSB) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Three vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, two CSBs were received, opened, and publicly read. However, one was deemed non-responsive. The remaining response was reviewed and evaluated by staff in accordance with the published selection criteria.

Staff recommends that the Port Commission award a contract to Four Seasons Development Company, Inc., the responsible bidder submitting the lowest and best bid, for annual perimeter security fence replacement for 2022.

J. INFRASTRUCTURE

Subject **14. Award a construction contract to Bryant Industrial Services, LLC for the annual fender system maintenance at Barbours Cut Terminal and Bayport Container Terminal for 2022 and 2023, in an amount not to exceed \$1,200,000.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award a construction contract to Bryant Industrial Services, LLC for the annual fender system maintenance at Barbours Cut Terminal and Bayport Container Terminal for 2022 and 2023, in an amount not to exceed \$1,200,000, 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 #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of the annual inspection, maintenance, and repair of the fender system at Barbours Cut Terminal and Bayport Container Terminal.

The Port Authority notified vendors regarding its request for competitive sealed bids (CSB) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Seven vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 17, 2022, three CSBs were received, opened, and publicly read. The responses were reviewed and evaluated by staff in accordance with the published selection criteria.

Staff recommends that the Port Commission award a contract to Bryant Industrial Services, LLC, the responsible bidder submitting the lowest and best bid, for the annual fender system maintenance at Barbours Cut and Bayport Container Terminals for 2022 and 2023.

J. INFRASTRUCTURE

Subject	15. Award a construction contract to Indi Construction Partners, LLC for the maintenance building addition and canopy enclosure at Bayport Container Terminal, in an amount not to exceed \$3,695,984.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a construction contract to Indi Construction Partners, LLC for the maintenance building addition and canopy enclosure at Bayport Container Terminal, in an amount not to exceed \$3,695,984, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

This project consists of:

- Demolition of the existing east end wall of the Bayport Maintenance Shop;
- Enclosure of the existing open-air canopy; and
- Construction of two new enclosed bays and one new open-air canopy, for a total of 7,500 sq.ft. of additional space.

The Port Authority notified vendors regarding its request for competitive sealed proposals (CSP) using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Seventeen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On May 11, 2022, one CSP was received, opened, and publicly read. The response was reviewed and evaluated by staff in accordance with the published selection criteria. Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Indi Construction Partners, LLC and act as otherwise described above.

J. INFRASTRUCTURE

Subject	16. Award a professional services contract to English + Associates Architects, Inc. for design of the new Port Coordination Center facility at the Turning Basin Terminal, in an amount not to exceed \$430,360.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a professional services contract to English + Associates Architects, Inc. for design of the new Port Coordination Center facility at the Turning Basin Terminal, in an amount not to exceed \$430,360, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

The overall scope of this project is design of a new Port Coordination Center (PCC) building at the Turning Basin Terminal.

The scope would also consist of the following:

- Providing construction documents, including assistance in preparing competitive sealed proposals (CSP), competitive sealed bids (CSB), or any other solicitation packages for any related construction projects;
- Providing a complete construction document package needed to construct a new PCC building;
- Preparing interim and final construction cost estimates; and
- Proposal and construction phase services in support of pre-proposal, pre- construction, and other meetings; review of submittals and shop drawings; responses to requests for information (RFI); assistance with change orders; and documentation of as-built archives.

Staff Evaluation/Justification:

Staff has reviewed English + Associates Architects, Inc.'s proposal and found it to be fair and reasonable and recommends that the Port Commission approve the proposed contract.

J. INFRASTRUCTURE

Subject **17. Award a professional services contract to Binkley & Barfield, Inc. for design for the removal and replacement of security speed gates at Ramp Roads 2, 4, and 5 at Turning Basin Terminal, in an amount not to exceed \$105,250.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award a professional services contract to Binkley & Barfield, Inc. for design for the removal and replacement of security speed gates at Ramp Roads 2, 4, and 5 at Turning Basin Terminal, in an amount not to exceed \$105,250, 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 #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

The scope of this project is to:

- Performing a detailed site survey of proposed fiber conduit and electrical service for the proposed replacement gates;
- Researching and evaluating existing underground utilities within the project limits;
- Providing all engineering design services required to develop a completion package for construction; and
- Preparing plans and specifications for proposed removal and replacement of the existing speed gates and all applicable utilities.

Staff Evaluation/Justification:

Staff has reviewed Binkley & Barfield, Inc.'s proposal and found it to be fair and reasonable and recommends that the Port Commission approve the proposed contract.

J. INFRASTRUCTURE

Subject **18. Amend the professional services contract with RPS Infrastructure, Inc. to perform final design and engineering services associated with the water line rehabilitation at South Turning Basin Terminal, in an amount not to exceed \$280,770.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve an amendment to the professional services contract with RPS Infrastructure, Inc. to perform final design and engineering services for the water line rehabilitation at South Turning Basin Terminal, in an amount not to exceed \$280,770, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)**

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

By Minute No. 2021-1207-20, the Port Commission awarded a professional services contract to RPS Infrastructure, Inc. for the planning and design of water line rehabilitation at South Turning Basin Terminal.

This proposed amendment would consist of the following:

- Providing all final design engineering services required for the water line rehabilitation at South Turning Basin Terminal, which includes Wharves 1-4 and 41-48; and
- Producing all necessary contract documents for construction, including assistance in preparing solicitation packages.

Staff Evaluation/Justification:

Staff has reviewed RPS Infrastructure, Inc.'s proposal and found it to be fair and reasonable and recommends that the Port Commission approve the proposed amendment.

J. INFRASTRUCTURE

Subject	19. Amend the professional services contract with AECOM Technical Services, Inc., for master planning and engineering design of Port Authority facilities at Barbours Cut Terminal and Bayport Container Terminal, to include the design of Barbours Cut Terminal pop-up yard Phase I and II and the land development design for Old Highway 146 tracts, in an amount not to exceed \$1,400,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve an amendment to the professional services contract with AECOM Technical Services, Inc., for master planning and engineering design of Port Authority facilities at Barbours Cut Terminal and Bayport Container Terminal, to include the design of Barbours Cut Terminal pop-up yard Phase I and II and the land development design for Old Highway 146 tracts, in an amount not to exceed \$1,400,000, 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:

Awards, Amendments & Change Orders

Department:

Facility Planning

Staff Contact:

Rohit Saxena

Background:

By Minute No. 2022-0321-18, the Port Commission awarded a professional services contract to AECOM Technical Services, Inc. for a three-year term, for master planning and engineering design of Port Authority facilities at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$2,500,000.

This proposed amendment would provide additional funds to this contract to replace the amount that has been used to expedite the following priority tasks to support current business needs:

- Developing engineering design of pop-up yard Phase I (14.5 acres) on the West End of Barbours Cut Terminal, to add container yard space;
- Developing engineering design of pop-up Yard Phase II (12 acres) on the West End of Barbours Cut Terminal, to add container yard space;
- Performing a Barbours Cut West End pop-up Yard Phase II survey;
- Performing a Barbours Cut West End pop-up yard Phase II-geotech, subsurface utility engineering, and pavement design; and
- Developing land development design for three tracts totaling 16.5 acres, to accommodate dirt from the construction of the Wharf 7 project, and pre-develop these tracts for future commercial use.

Staff Evaluation/Justification:

Staff has reviewed AECOM Technical Services, Inc.'s proposals for the above-mentioned tasks and found them to be fair and reasonable and recommends that the Port Commission approve the proposed amendment.

J. INFRASTRUCTURE

Subject **20. Amend the contract with Curtin Maritime Corp. for dredging of the Houston Ship Channel between Station 78+844 and 16+000 & Bayport Ship Channel to add Barbours Cut Container Terminal maintenance dredging in an amount not to exceed \$6,500,000 and terminate the Memorandum of Agreement with the U.S. Army Corps of Engineers for maintenance dredging at Bayport Container Terminal and Auto Terminal and Barbours Cut Terminal.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize the Port Authority to amend the contract with Curtin Maritime Corp. for dredging of the Houston Ship Channel between Station 78+844 and 16+000 & Bayport Ship Channel to add Barbours Cut Container Terminal (Docks 1-3 and associated transitions to adjacent Dock 4 and Lash Dock) maintenance dredging in an amount not to exceed \$6,500,000, terminate the Memorandum of Agreement with the U.S. Army Corps of Engineers for maintenance dredging at Bayport Container Terminal and Auto Terminal and Barbours Cut Terminal, as amended, 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:

Awards, Amendments & Change Orders

Department:

Channel Improvement

Staff Contact:

Lori Brownell

Background:

The Port Commission approved a Memorandum of Agreement with the U. S. Army Corps of Engineers (USACE) for maintenance dredging at Bayport Container Terminal and Auto Terminal and Barbours Cut Terminal at its meeting of May, 2021, as amended May, 2022, in the total authorized amount of \$9,885,000. That Memorandum of Agreement permits the Port Authority to "piggyback" on USACE maintenance dredging activities, to permit efficient and cost-effective maintenance of Port Authority facilities under a USACE contract.

Those USACE maintenance dredging activities are currently being carried out pursuant to a USACE contract with Encore Dredging Partners (Encore) to dredge the Houston Ship Channel (between Bayport and Morgan's Point), Bayport Channel, and Barbours Cut. Encore has completed Bayport dock maintenance dredging and other activities to date. Others remain to be completed, including work at Barbours Cut, e.g. maintenance dredging of the docks at that facility.

Because the Port Authority continues to experience draft restrictions at Barbours Cut, staff has explored alternatives to maintenance dredging under the current Memorandum of Agreement.

Staff Evaluation/Justification:

Staff has concluded that at this time it would be more efficient and cost effective for Curtin Maritime Corp. to conduct the maintenance dredging at Barbours Cut, and so requests that the Port Commission approve an amendment to its contract with the Port Authority as described above, and terminate the Memorandum of Agreement.

J. INFRASTRUCTURE

Subject **21. Approve a change order with Main Lane Industries, Ltd. to perform additional work associated with the Freight Station Road dedicated right-turn lanes and U-turn connector at Bayport Container Terminal, in an amount not to exceed \$275,504.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve a change order with Main Lane Industries, Ltd. to perform additional work associated with the Freight Station Road dedicated right-turn lanes and U-turn connector at Bayport Container Terminal, in an amount not to exceed \$275,504, 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 #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Project and Construction Management

Staff Contact:

Roger H. Hoh, P.E.

Background:

By Minute No. 2021-0928-20, the Port Commission awarded a construction contract to Main Lane Industries, Ltd. to perform additional work associated with the Freight Station Road dedicated right-turn lanes and U-turn connector at Bayport Container Terminal.

This proposed change order addresses several add/deduct items:

- Additional embankment required;
- Increase reinforced curb quantity;
- Demobilization/remobilization costs; and
- Additional traffic barricade rental costs.

This is the second change order to this contract, for a total change order value to date of \$298,871, which is a 11.56% increase in the original contract value of \$2,585,295.

Staff Evaluation/Justification:

Staff has reviewed the proposal submitted by Main Lane Industries, Ltd. and found it to be fair and reasonable, and therefore recommends that the Port Commission authorize this change order.

J. INFRASTRUCTURE

Subject	22. Enter into an Agreement with Bay-Houston Towing, Suderman & Young Towing, and G&H Towing for the administration of federal grant funding.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, authorize the Port Authority to enter into an Agreement with Bay-Houston Towing, Suderman & Young Towing, and G&H Towing for the administration of federal grant funding, 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 Objective 4a. - Implement an innovative environmental leadership strategy STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

Category:

General

Department:

Environmental Affairs

Staff Contact:

Trae Camble

Background:

The Port Authority has received a \$2.5 million grant from the federal government through its Diesel Emission Reduction Act (DERA) funding to reduce emissions through upgrading or replacing older diesel equipment with newer cleaner engines.

In connection with this grant, the Port Authority intends to partner with G&H Towing to repower two tugboats with Tier 4 engines. The tugs to be replaced are owned by Suderman & Young Towing and Bay-Houston Towing. Grant funding would reimburse these Tier 4 engine costs once the tugs are built.

Staff Evaluation/Justification:

The Port Authority has received DERA funding in the past which seeks to reduce emissions within the region by replacing older equipment with newer cleaner engines, and once again would be the actual grant recipient. This agreement would help support local companies to reduce their emissions footprints.

Staff recommends that the Port Commission authorize the Port Authority to enter into the proposed agreement to administer federal grant funding as described above.

J. INFRASTRUCTURE

Subject	23. Provide the Port Authority's contributed funds for Package 4B and cost share portion for Package 5 for construction oversight to the U.S. Army Corps of Engineers, to support Construction of Package 4B/5 of the Houston Ship Channel Expansion Channel Improvement Project, in an amount not to exceed of \$2,574,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action, Information
Recommended Action	The Port Commission, at its September 27, 2022 meeting, authorize the Port Authority to provide its contributed funds for Package 4B and cost share portion for Package 5 for construction oversight to the U.S. Army Corps of Engineers, to support construction oversight services in support of the Houston Ship Channel Expansion Channel Improvement Project, in an amount not to exceed \$2,574,000, 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:
Channel Improvement

Staff Contact:
Lori Brownell

Background:
Federal law and policy require that construction services provided by the local sponsor, be reviewed and approved by the U.S. Army Corps of Engineers (USACE).

The Port Commission, at its June 17, 2022 meeting, approved and awarded two construction contracts for an amount not to exceed \$429,403,016 for dredging of the Houston Ship Channel between Station 78+844 to 16+000 & Bayport Ship Channel (Segments 1B, 2, and portion of 1C) for hydraulic dredging to Weeks Marine, Inc. in an amount not to exceed \$329,624,450, and mechanical dredging to Curtin Maritime, Corp. in the amount not to exceed \$99,778,566.

On August 29, 2022, and as part of the draft Project Management Plan - Construction, the USACE requested \$2,500,000 for the Houston Resident Office, \$14,000 for the Northern Area Office, and \$60,000 for hydrographic surveying confirmation efforts.

Staff Evaluation/Justification:
The purpose of this request is to provide the Port Authority's contributed funds to the USACE for Package 4B and cost share portion for Package 5 to enable its required construction oversight.

Staff recommends that the Port Commission authorize the Port Authority to support the contributed funds for Package 4B and cost share portion for Package 5 for construction oversight with the USACE, as described above.

J. INFRASTRUCTURE

Subject	24. Approve the revised license fees for petroleum and chemical pipeline licenses according to the attached rate schedule, effective October 1, 2022 through December 31, 2029, and remit adjustments to affected customer accounts from October 1, 2019.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve the revised license fees for petroleum and chemical pipeline licenses according to the attached rate schedule, to be effective October 1, 2022 through December 31, 2029, and remit corresponding adjustments to affected customer accounts from October 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.

Category:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

In 2019, the Port Authority's Channel Development Operations Department researched pipeline licensing fees assessed by other public entities, and following that work, prepared a new rate schedule based on those marketplace fees. The proposed rates were disseminated to Port Authority stakeholders in August 2019 for awareness and potential comment; no comments on the proposed fees were received.

Accordingly, in September 2019, the Port Commission approved the schedule proposed by staff, to take effect October 1, 2019 and adjusted annually according to the Producers Price Index, beginning in January, 2021.

The Texas Energy Coalition, a pipeline-member organization, has been in discussion with the Port Authority since August 2020 regarding the impact of those fees on licensing of the petroleum and chemical pipelines of its member companies; those discussions have now concluded.

The attached schedule reflects proposed changes to petroleum and chemical pipeline rates resulting from those discussions; other rates are generally unchanged from the January 2022 schedule.

Staff Evaluation/Justification:

The updated schedule provides the following:

- Effective October 1, the rates for petroleum and chemical pipelines for the period beginning October 2019 would be lowered by 10%. The Port Authority will make corresponding adjustments to those customer accounts retroactive from that earlier date.
- Beginning January 1, 2030, and on January 1 of each following year of the term of the license, the rates for new petroleum and chemical pipeline licenses would be adjusted.
- Those adjustments would be equal to the change in the Consumer Price Index, based upon the July index of the prior calendar year, but not less than 2.5% or more than 6%.
- Upon the licensee's request, petroleum and chemical pipeline licenses could be issued for up to thirty-year terms, with payments due at 10-year intervals (in years 1, 11, and 21) and rate adjustments as provided above in year 11 and year 21.

Staff recommends that the Port Commission approve the revised license fees for petroleum and chemical pipeline licenses according to the attached rate schedule and otherwise act as provided above.

FEE SCHEDULE FOR PORT OF HOUSTON AUTHORITY
LICENSES AND PERMITS
Effective October 1, 2022

I. Permits (e.g., bulkheads, moorings, docks, dredging, etc.):

Application fee (one time only) for installations on the Houston Ship Channel (HSC), tributaries to the HSC, and other Port Authority property.	\$ 675.00
A \$2,500 deposit for "As-Built" drawings will be required at time of application. Such deposit will be refunded when as-built drawings are furnished as required in the permit, or if said project is canceled. If "As-Built" drawings have not been furnished within one year of completion of project installation, the \$2,500 deposit is forfeited to the Port Authority.	

II. Licenses (for Pipelines, Cable, or Transmission lines along, across, under or within railroad right-of-way, submerged lands, and other properties):

- Please note: the Port Authority reserves the right to charge lease rates rather than license fees for pipelines or transmission lines on or crossing Port Authority terminals**

Application fee (term of license) in addition to fees listed below.	\$ 675.00
A \$2,500 deposit for "As-Built" drawings will be required at time of application. Such deposit will be refunded when as-built drawings are furnished as required in the license, or if the license is canceled. If "As-Built" drawings have not been furnished within one year of completion of project installation, the \$2,500 deposit is forfeited to the Port Authority.	

Petroleum/Chemical*

Under 8"	\$ 9.64 per linear foot (LF) \$ 4,772.00 minimum (min) per line and per crossing
Over 8" but not over 16" diameter	\$ 11.57 per LF \$ 5,727.00 min per line and per crossing
Over 16" but not over 32" diameter	\$ 21.21 per LF \$ 7,953.00 min per line and per crossing
Over 32" but not over 48" diameter	\$ 33.74 per LF \$ 14,316.00 min per line and per crossing
Over 48" but not over 64" diameter	\$ 46.28 per LF \$ 17,497.00 min per line and per crossing
Over 64" but not over 80" diameter	\$ 60.73 per LF \$ 20,678.00 min per line and per crossing
Over 80" but not over 96" diameter	\$ 74.23 per LF \$ 25,450.00 min per line and per crossing
96" and greater	\$ 86.76 per LF \$ 30,223.00 min per line and per crossing

*The following provisions are applicable to petroleum and chemical pipeline licenses only:

- Terms:** Upon the licensee's request, newly issued or renewal petroleum and chemical pipeline licenses may run for terms of up to thirty years, with payment being due at 10-year intervals (in years 1, 11, and 21) and rate adjustments in year 11 and year 21 based on the then-prevailing license rate as determined below.
- Rate Adjustments:**
 - The rates for petroleum and chemical pipelines set forth above reflect a 10% reduction from the rates that took effect October 1, 2019. The Port Authority shall make adjustments to customer accounts to reflect that such rate reduction is retroactive from that date.
 - The Port Authority shall maintain the license rates for petroleum and chemical pipeline licenses as prescribed in this October 1, 2022 Fee Schedule through December 31, 2029.
 - The rates for new or renewal petroleum and chemical pipeline licenses would be adjusted beginning January 1, 2030 and on January 1 of each following year of the term of the license, based upon the July CPI of the prior calendar year.
 - Rate adjustments under No. 2(c) above would be not less than 2.5% or more than 6%.

Non-Petroleum / Non-Chemical (e.g. water lines, conduits, etc.)	
Under 8"	\$ 3.63 per LF \$ 1,794.00 min per line and per crossing
Over 8" but not over 16" diameter	\$ 4.99 per LF \$ 2,044.00 min per line and per crossing
Over 16" but not over 32" diameter	\$ 9.50 per LF \$ 3,928.00 min per line and per crossing
Over 32" but not over 48" diameter	\$ 15.89 per LF \$ 6,477.00 min per line and per crossing
Over 48" but not over 64" diameter	\$ 21.55 per LF \$ 7,924.00 min per line and per crossing
Over 64" but not over 80" diameter	\$ 28.57 per LF \$ 10,144.00 min per line and per crossing
Over 80" but not over 96" diameter	\$ 34.90 per LF \$ 12,366.00 min per line and per crossing
96" and greater	\$ 35.49 per LF \$ 14,590.00 min per line and per crossing
Electrical Transmission / Distribution	
12KV	\$ 3.63 per LF \$ 1,794.00 min per line and per crossing
35KV	\$ 4.21 per LF \$ 1,975.00 min per line and per crossing
69KV	\$ 4.35 per LF \$ 2,155.00 min per line and per crossing
138KV	\$ 4.73 per LF \$ 2,334.00 min per line and per crossing
345KV	\$ 5.07 per LF \$ 2,514.00 min per line and per crossing
Wooden support poles	\$ 250.00 each
Steel towers	\$ 1,000.00 each
III. Dredged Material Placement Agreements	
Application Fee	\$ 675.00 each use
Material Placement Fee (payable to the Port Authority)	\$ 4.12 per cubic yard
IV. Temporary Access License (Right-of-entry letter)	
	\$ 500.00 per letter
V. Seismic Exploration (Right-of-entry letter)	
Fee for right-of-entry	\$ 500.00 per letter
Fee for exploration	3D \$25.00 per acre 2D \$2,475.00 per mile \$ 2,475.00 minimum
Vi. Transfers, assignments, name changes, or other amendments	
	\$ 675.00 each
VII. Surface Site Licenses (e.g. valve sites, road grade crossings, pipe bridges, access)	
<ul style="list-style-type: none"> Please note: the Port Authority reserves the right to charge lease rates rather than license fees for surface sites on or crossing Port Authority terminals 	
Application Fee	\$ 675.00
License Fee	\$ 4.86 per ft ² \$ 8,016.00 minimum
VIII. Penalty for delinquent renewals	
<ul style="list-style-type: none"> Please note: It is the responsibility of the Licensee to renew its License with the Port Authority before the License expires, even if no renewal notice is received. 	
For delinquencies of 30 days or less, the greater of 5% of the License Fee or \$25.00 For delinquencies of more than 30 days, the greater of 10% of the License Fee or \$50.00	

J. INFRASTRUCTURE

Subject **25. Approve the renewal of the following expiring Port Authority license for a new ten-year term: CenterPoint Energy Houston Electric LLC.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize the Port Authority to approve the renewal of the following expiring license for a new ten-year term: CenterPoint Energy Houston Electric LLC, 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:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

The pipeline and transmission line licensee listed below has applied to renew its license:

Company	File No.	License Fee
CenterPoint Energy Houston Electric LLC	2002-0309	\$176,296.26
Total		\$176,296.26

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department and the Port Terminal Railroad Association when applicable. The license is to be renewed subject to the Port Authority's usual terms and conditions.

Staff recommends approval.

J. INFRASTRUCTURE

Subject	26. Issue a transmission line license to Comcast of Houston, LLC for a fiber optic cable line crossing the Port Terminal Railroad Association tracks adjacent to Gate AA at Industrial Park East.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, authorize a transmission line license to Comcast of Houston, LLC for a fiber optic cable line crossing the Port Terminal Railroad Association tracks adjacent to Gate AA at Industrial Park East, 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:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

Comcast of Houston, LLC, Port Authority File No. 2022-0271, has applied for a transmission line license for a fiber optic cable line crossing the Port Terminal Railroad Association tracks adjacent to Gate AA at Industrial Park East, in the Ezekiel Thomas Survey, A-73, and the John Brown Survey, A-8.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department and the Port Terminal Railroad Association. The license is subject to the Port Authority's usual terms and conditions and at a fee of \$1,794. The \$675 application fee and the \$2,500 as-built deposit have been paid.

Staff recommends approval.

J. INFRASTRUCTURE

Subject	27. Amend a pipeline license with KM Liquids Terminals LLC to add a 12kV electrical conduit on an existing pipe rack across Panther Creek.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, authorize the Port Authority to amend a pipeline license with KM Liquids Terminals LLC to add a 12kV electrical conduit on an existing pipe rack across Panther Creek, 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:

Permits/Licenses/Pipeline Easements

Department:

Channel Operations

Staff Contact:

Garry McMahan

Background:

KM Liquids Terminals LLC, Port Authority File No 2014-0207, has applied to amend a pipeline license to add a 12kV electrical conduit on an existing pipe rack across Panther Creek, in the Ezekiel Thomas Survey, A-73.

Staff Evaluation/Justification:

The application was reviewed and approved by the Port Authority's Channel Operations department. The license is subject to the Port Authority's usual terms and conditions and at a fee of \$382.66. The \$675 application fee and the \$2,500 as-built deposit have been paid.

Staff recommends approval.

K. OPERATIONS

Subject	1. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$592,482 to perform inspection services for three dockside electric container cranes for Wharves Nos. 2, 5, and 6 at Bayport Container Terminal to the top-ranked proposer: staff ranking – first, Liftech Consultants, Inc.; second, Laurence & Associates, LLC; and third, APTIM Port Services International, LLC.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of vendors, based on the selection criteria, in the following order – first, Liftech Consultants, Inc.; second, Laurence & Associates, LLC; and third, APTIM Port Services International, LLC; (b) award a contract to the top-ranked proposer for inspection services for three dockside electric container cranes for Wharves Nos. 2, 5, and 6 at Bayport Container Terminal in the amount not to exceed \$592,482; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2022-0802-39, the Port Commission awarded a contract to Shanghai Zhenhua Heavy Industries Co., Ltd (ZPMC) in the amount not to exceed \$40,950,000 for the purchase of three dockside electric container cranes for Wharves Nos. 2, 5, and 6 at Bayport Container Terminal. This project requires manufacturing inspection on a full-time basis. Inspection of overseas fabrication of these cranes is beyond current manpower capabilities of Port Authority staff, and therefore staff believes an inspection services consultant is required.

The Port Authority notified vendors regarding its request for qualifications (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. Eleven vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On July 6, 2022, four 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:

- Liftech Consultants, Inc.
- Laurence & Associates, LLC
- APTIM Port Services International, LLC

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

K. OPERATIONS

Subject	2. Approve staff's ranking of vendors and award a two-year contract in an amount not to exceed \$400,000 for the purchase of scaffolding services for wharf crane maintenance at Barbours Cut Terminal and Bayport Container Terminal to the top-ranked proposer: staff ranking – first, TAP Industrial Services, Inc.; and second, JBR1 Industrial Services.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of vendors, based on the selection criteria, in the following order – first, TAP Industrial Services, Inc.; and second, JBR1 Industrial Services; (b) award a two-year contract to the top-ranked proposer for the purchase of scaffolding services for wharf crane maintenance at Barbours Cut Terminal and Bayport Container Terminal in an amount not to exceed \$400,000; (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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2021-0323-26, the Port Commission awarded a two-year contract to TAP Industrial Services, Inc. in the amount not to exceed \$175,000 for the purchase of scaffolding services for wharf crane maintenance at Barbours Cut Terminal and Bayport Container Terminal. These contract funds have been depleted. The Port Authority currently owns a total of twenty-eight wharf cranes including sixteen at Barbours Cut Terminal and twelve at Bayport Container Terminal. Scaffolding is needed to enable staff to perform repairs and preventative maintenance safely on various parts of the wharf cranes not accessible by walkways and platforms, such as trolley rails and festoons.

The Port Authority notified vendors regarding its competitive sealed proposal (CSP) using the Port Authority's BuySpeed Eprocurement system and the project was advertised on the Port Authority's website and in a local newspaper. Eight vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 3, 2022, two CSP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the published selection criteria. Staff identified the following vendors, listed in order of ranking, as providing best value for the required services:

- TAP Industrial Services, Inc.
- JBR1 Industrial Services

Following staff Executive Committee review, staff recommends that the Port Authority award a two-year contract to TAP Industrial Services, Inc. and act as otherwise described above.

K. OPERATIONS

Subject **3. Award the following for the purchase of auto parts for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal: (a) a two-year contract in an amount not to exceed \$300,000 to Allen Kerber Auto Parts; and (b) a two-year contract in an amount not to exceed \$200,000 to Auto Plus Auto Parts.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award the following for the purchase of auto parts for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal: (a) a two-year contract in an amount not to exceed \$300,000 to Allen Kerber Auto Parts; and (b) a two-year contract in an amount not to exceed \$200,000 to Auto Plus Auto Parts, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)**

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2020-0428-61, the Port Commission awarded two-year contracts to Allen Kerber Auto Supply in the amount not to exceed \$250,000 and IEH Auto Parts LLC dba Auto Plus Auto Parts in the amount not to exceed \$150,000 for the purchase of auto parts for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal. The Port Authority currently owns 404 vehicles including 286 light trucks, 109 heavy duty trucks, and 9 cars operating at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal. Staff is seeking to obtain suppliers to provide, for a two-year period, the auto parts needed to service and repair these vehicles.

The Port Authority notified vendors regarding its request for competitive sealed bids (CSB) using the Port Authority's BuySpeed Eprocurement System, and the project was advertised on the Port Authority's website and in a local newspaper. Ten vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 24, 2022, four CSB responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the published selection criteria.

Following staff Executive Committee review, staff recommends that the Port Commission award two-year contracts to Allen Kerber Auto Parts and Auto Plus Auto Parts, the responsible bidders submitting the best value, for purchase of auto parts for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal.

K. OPERATIONS

Subject **4. Award a three-year contract to TransTech of SC, Inc., the sole source provider, for the purchase of spare and replacement parts for Stemmann-Technik cable reels on wharf cranes at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award a three-year contract to Transtech of SC, Inc. for the purchase of spare and replacement parts for Stemmann-Technik cable reels for wharf cranes at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000, 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 #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2017-0627-24, the Port Commission awarded a three-year contract to TransTech of SC, Inc., in an amount not to exceed \$250,000, for the purchase of spare and replacement parts for Stemmann-Technik cable reels for wharf cranes at Bayport Container Terminal. This contract expired on June 30, 2022. The Port Authority currently owns twenty-two wharf cranes operating at Barbours Cut Terminal and Bayport Container Terminal that are equipped with spreader and/or power cable reels manufactured by Stemmann-Technik GmbH of Germany. Additionally, three wharf cranes equipped with Stemman-Technik cable reels are expected to be delivered in Q2 of 2023 to the Bayport Container Terminal.

The spreader cable reels work in conjunction with the main hoist function and store up the spreader cable, which provides power and control from the operator's cab to the spreader. In addition, power cable reels work in conjunction with the gantry function and store the shore power cable, which supplies high voltage to the cranes. A total of twenty-two spreader cable reels and eighteen power cable reels from Stemmann-Technik are currently installed on wharf cranes at the container facilities.

Section 60.412 of the Water Code provides that a purchase for an item that can be obtained only from one source is exempt from certain procurement requirements of the Water Code. Port Authority staff has received a written statement from the manufacturer confirming that TransTech of SC, Inc. is the sole authorized source of replacement Stemmann-Technik parts in the United States.

Staff Evaluation/Justification:

Staff recommends that the Port Commission authorize the Port Authority to enter into a three-year contract with TransTech of SC, Inc. for the purchase of spare and replacement Stemmann-Technik cable reel parts, beginning on October 1, 2022 and ending on September 30, 2025. Replacement and spare parts would be purchased through this contract as needed to properly maintain the wharf crane cable reel systems and minimize operational downtime.

K. OPERATIONS

Subject	5. Award a three-year contract to Sudden Service, Inc., the sole source provider, for the purchase of captive replacement parts for Taylor equipment at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a three-year contract to Sudden Service, Inc. for the purchase of captive replacement parts for Taylor equipment at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$300,000, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2020-0428-64, the Port Commission awarded a three-year contract to Sudden Service, Inc. in an amount not to exceed \$200,000 for the purchase of captive replacement parts for Taylor equipment at Barbours Cut Terminal and Bayport Container Terminal. Contract funds have been depleted. The Port Authority currently owns twenty Taylor machines including nineteen units at Barbours Cut Terminal and one at Bayport Container Terminal, for maintenance and operation of container facilities. Captive replacement parts for these units would be purchased through this contract as needed, to minimize equipment downtime and provide acceptable levels of service to the industry.

Staff Evaluation/Justification:

Section 60.412 of the Water Code provides that a purchase for an item that can be obtained only from one source is exempt from certain procurement requirements of the Water Code. Port Authority staff has received a written statement from Taylor Machine Works, Inc. confirming that Sudden Service, Inc. is the sole authorized source for captive replacement parts in the Houston metro area.

Staff recommends that the Port Commission authorize the Port Authority to enter into a three-year contract with Sudden Service, Inc. for the purchase of captive replacement parts for Taylor equipment at Barbours Cut Terminal and Bayport Container Terminal, beginning on October 1, 2022 and ending on September 30, 2025.

K. OPERATIONS

Subject **6. Award an annual contract to AssetWorks, LLC, the sole source provider, for software maintenance, support and extended hardware warranty of Fleet Focus M5, Enterprise Asset Management System and Fuel Focus software, the Port Authority's Fueling and Fleet management system, in an amount not to exceed \$100,000.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award an annual contract to AssetWorks, LLC, the sole source provider, for software maintenance, support and extended hardware warranty of Fleet Focus M5, Enterprise Asset Management System and Fuel Focus software, the Port Authority's Fueling and Fleet management system, in an amount not to exceed \$100,000, 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:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

By Minute No. 2021-0720-30, the Port Commission awarded an annual contract to AssetWorks, LLC for software maintenance, support, and extended hardware warranty of Fleet Focus M5, Enterprise Asset Management System, and Fuel Focus software, the Port Authority's fueling and fleet management system, and the term of that contract is set to expire September 1, 2022. AssetWorks, LLC holds all rights to sales, distribution, implementation, and development services to Fleet Focus M5 and Fuel Focus, which includes but are not limited to, software licenses, maintenance, and support of the latter intellectual property.

Staff Evaluation/Justification:

Section 60.412 of the Water Code provides that a purchase for an item that can be obtained only from one source is exempt from certain procurement requirements of the Water Code. Port Authority staff has received a written statement from AssetWorks, LLC confirming that AssetWorks, LLC is the sole authorized sole provider of Fleet Focus M5, Enterprise Asset Management System and Fuel Focus.

Staff recommends that the Port Commission approve an annual contract with AssetWorks, LLC, for software maintenance, support and extended hardware warranty of Fleet Focus M5, Enterprise Asset Management System and Fuel Focus software, the Port Authority's Fueling and Fleet management system.

K. OPERATIONS

Subject	7. Award a three-year contract to Paceco Corporation, the sole source provider, for the purchase of captive replacement parts and technical support services for Paceco wharf cranes at Barbours Cut Terminal, in an amount not to exceed \$100,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a three-year contract to Paceco Corporation, the sole source provider, for the purchase of captive replacement parts and technical services for Paceco wharf cranes at Barbours Cut Terminal, in an amount not to exceed \$100,000, 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 #2 - INFRASTRUCTURE (Optimize Infrastructure and Channel Capacity to Serve the Region)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

The Port Authority currently owns two Paceco wharf cranes at Barbours Cut Terminal. These units are leased to stevedoring companies for container handling activities and/or training of operators. Therefore, the ability to expedite procurement of captive replacement parts and technical support services are critical for efficient terminal operation.

Staff Evaluation/Justification:

Section 60.412 of the Water Code provides that a purchase for an item that can be obtained only from one source is exempt from certain procurement requirements of the Water Code. Port Authority staff has received a written statement from the manufacturer confirming that Paceco Corporation is the sole authorized source of captive replacement Paceco parts and technical support services in the United States.

Staff recommends that the Port Authority award a three-year contract to Paceco Corporation for the purchase of captive replacement parts and technical support services for Paceco cranes. Replacement and spare parts as well as technical support would be purchased through this contract as needed to properly maintain these cranes and minimize operational downtime.

K. OPERATIONS

Subject **8. Award a two-year job order contract to Structural Concrete Systems, LLC for general marine facility repairs, using the Omnia Partners (formally Sourcewell), a cooperative purchase program contract, in an amount not to exceed \$500,000; and authorize staff to procure a two-year job order contract with Generocity Services, Inc. for general marine facility repairs, using Harris County Department of Education's Choice Partners, a cooperative purchase program, in an amount not to exceed \$500,000, for a total amount not to exceed \$1,000,000.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, award a two-year job order contract to Structural Concrete Systems, LLC, for general marine facility repairs, using the Omnia Partners (formally Sourcewell), a cooperative purchase program contract, in an amount not to exceed \$500,000, and authorize staff to procure a two-year job order contract with Generocity Services, Inc. for general marine facility repairs, using Harris County Department of Education's Choice Partners, a cooperative purchase program, in an amount not to exceed \$500,000, for a total amount not to exceed \$1,000,000, determine that this procurement method provides the best value to the Port Authority, 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 #2 - INFRASTRUCTURE \(Optimize Infrastructure and Channel Capacity to Serve the Region\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Maintenance

Staff Contact:

Paulo Soares

Background:

The Facilities Inspection and Condition Assessment Program (FICAP), implemented in 2017, strives to provide a unifying methodology for inspecting and managing corrosion and structure of marine assets as well as utilities, and communications and electrical systems at the Port Authority. The marine portion of FICAP has particularly resulted in an extensive number of Port Authority-wide repairs and since 2020, the Maintenance department has been utilizing job order contractors to assist staff in handling a multitude of FICAP repairs. This has proven highly successful: crews work faster, more efficiently, and can be scaled up or down as needed.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring job order contracts for general marine facility repairs at Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal through both the Harris County Department of Education's (HCDE) Choice Partners and Omnia Partners (formerly Sourcewell Partners) cooperative purchasing programs are the methods that both satisfies competitive purchase requirements and provides the best value to the Port Authority.

The Maintenance department has determined that the best availability, price, and contract term for the items needed are provided by Structural Concrete Systems, LLC and Generocity Services, Inc. under the pricing schedule obtained from those vendors' contract with Omnia Partners and HCDE respectively, both in an amount not to exceed \$500,000, for a total amount not to exceed \$1,000,000 for general marine facility repairs.

Accordingly, staff recommends that the Port Commission approve this best value determination and contract.

K. OPERATIONS

Subject	9. Award a contract to Smart Tecs LLC, the sole source provider, to replace the Optical Character Recognition lights at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$160,619.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a contract to Smart Tecs LLC, the sole source provider, to replace the Optical Character Recognition (OCR) lights at Barbours Cut Terminal and Bayport Container Terminal, in an amount not to exceed \$160,619, 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:

Awards, Amendments & Change Orders

Department:

Operations

Staff Contact:

Michael Shaffner

Background:

The Port Authority originally installed Optical Character Recognition (OCR) portals at Bayport Container Terminal and Barbours Cut Terminal in 2013. The Port Authority installed the Smart Tecs Gate Operating Solution in 2017. The solution has enhanced service levels and prepared the Port Authority for additional gate volumes. The lights that are required to ensure proper gate operating system functionality and expedite the interchange of trucks have reached end of life and therefore need to be replaced.

Smart Tecs LLC is the current Gate Operating System software provider. The portal lights must integrate with this software for proper functionality. The software is proprietary, owned by Smart Tecs LLC and licensed by the Port Authority.

Due to the proprietary nature of the associated hardware and software, Smart Tecs LLC is the only vendor that can deliver the required services to support the replacement of the OCR portal lights. The work order covers 8 outbound portals at Barbours Cut, and 6 inbound and 6 outbound portals at Bayport.

Staff Evaluation/Justification:

Section 60.412 of the Water Code provides that a purchase for an item that can be obtained only from one source is exempt from certain procurement requirements of the Water Code. Port Authority staff has received a written statement from Smart Tecs LLC confirming that Smart Tecs LLC is the sole authorized source for captive replacement parts in the Houston metro area.

Staff recommends that the Port Commission authorize the Port Authority to enter into a contract with Smart Tecs LLC to replace the OCR lights at Barbours Cut Terminal and Bayport Container Terminal.

K. OPERATIONS

Subject	10. Approve a two-year extension of the contract with Total Network Solutions to provide Database administrator, EDI implementation/execution, and monitoring support for the Navis Terminal Operating System, in an amount not to exceed \$554,560.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve a two-year extension of the contract with Total Network Solutions to provide Database administrator, EDI implementation/execution, and monitoring support for the Navis Terminal Operating System, in an amount not to exceed \$554,560, 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:

Awards, Amendments & Change Orders

Department:

Operations

Staff Contact:

Michael Shaffner

Background:

By Minute No. 2019-0729-44, a contract was awarded to Total Network Solutions (TNS) for an initial term of thirty-six months. The existing contract includes an option to extend for twenty-four months at the same rates as the initial term. This action would exercise this extension option through October 31, 2024.

The contract provides for three main areas of supplemental support, each with a set number of hours per month, and unused hours roll over and are applied to future overages. The three main areas of support are:

- Managed EDI and monitoring: 83 hours per month;
- Database Management: 25 hours per month; and
- Server support/monitoring, groovy development, I Reports: 43 hours per month.

Staff Evaluation/Justification:

The above provides access to and support from a team of database administrators, developers, EDI specialist, off-hours monitoring, and support which is a critical support criterion for the terminal operating system, and Total Network Solutions was ranked as the top-ranked proposer based on a request for proposals conducted and completed in the second quarter of 2019.

Staff recommends the Port Commission approve the two-year extension of the contract with Total Network Solutions.

K. OPERATIONS

Subject	11. Ratify a purchase order issued June 6, 2022, to Byte Crunch Technologies, a new company owned by former Port Authority employee, Yan Chen, for software, power business intelligence tool creation, and maintenance, in an amount not to exceed \$10,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, ratify a purchase order issued June 6, 2022, to Byte Crunch Technologies, a new company owned by former Port Authority employee, Yan Chen, for software, power business intelligence tool creation, and maintenance, in an amount not to exceed \$10,000, 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:

Awards, Amendments & Change Orders

Department:

Operations

Staff Contact:

Paulo Soares

Background:

The Port Authority issued a purchase order in June to Byte Crunch Technologies, for certain software, power business intelligence tool creation, and maintenance.

The Code of Ethics provides that the Port Authority shall not enter into any contract (other than a contract subject to competitive bids) with a person employing a former employee who has been an employee of the Port Authority within the last twelve months, if the contract relates to a matter for which the former employee had responsibility while representing the Port Authority, without the specific approval of the Port Commission.

This purchase order was not approved at that time.

Staff Evaluation/Justification:

Staff requests that the Port Commission provide that approval by ratifying the purchase order on the terms described.

K. OPERATIONS

Subject	12. Approve an amendment to the twenty-year lease with C&C Houston Bayport to restate the footprint of the leased premises, a 21.53-acre parcel of land at Bayport Container Terminal Complex south of Port Road.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve an amendment to the twenty-year lease with C&C Houston Bayport to restate the footprint of the leased premises, a 21.53-acre parcel of land at Bayport Container Terminal Complex south of Port Road, 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:
Operations

Staff Contact:
Ryan Mariacher

Background:
By Minute No. 2021-0427-47, the Port Commission approved a twenty-year lease with a commencement date of May 1, 2021 with C&C Houston Bayport (Tenant) of a 21.53-acre parcel of land at Bayport Container Terminal Complex south of Port Road for a rental amount of \$36,687.12 per month (\$1,704 per acre per month), with a right of refusal for the adjacent 8.29 acre tract.

The leased premises is expected to serve as an empty handling container/chassis and maintenance and repair yard, and Tenant is designing and constructing improvements to the premises. During the tenant's design-build process, the Tenant identified a need to shift the property limits to avoid existing drainage infrastructure improvements and maximize available land use. The acreage of the leased premises (21.53 acres) would not change. However, the restated footprint would encroach into what was previously part of the adjacent 8.29 acre right of first refusal (ROFR) tract, and accordingly the amendment would adjust the size of the ROFR tract to 5.53 acres.

Staff Evaluation/Justification:
Staff recommends that the Port Authority agree to restate the footprint of the parcel and that the Port Commission approve the above on the terms described.

K. OPERATIONS

Subject	13. Approve an amendment to the existing ten-year lease with Cooper/Ports America, LLC of leased premises totaling 6.5 acres, including the warehouse known as Shed 3, at Barbours Cut Terminal to add a .65-acre tract to the premises at a base rent of \$1,325 per month, subject to annual escalation as provided in the lease.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve an amendment to the existing ten-year lease with Cooper/Ports America, LLC of leased premises totaling 6.5 acres, including the warehouse known as Shed 3, at Barbours Cut Terminal to add a .65-acre tract to the premises at a base rent of \$1,325 per month, subject to annual escalation as provided in the lease, 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:
Operations

Staff Contact:
Ryan Mariacher

Background:
By Minute No. 2022-0426-32, the Port Commission authorized the Port Authority and Cooper/Ports America, LLC, to enter into a ten-year lease for 6.5 acres and the warehouse known as Shed 3 at Barbours Cut Terminal with a commencement date of May 1, 2022.

The amendment would add a .65-acre tract of land (Expansion Tract) to the leased premises. The base rent for the Expansion Tract would be \$1,325 per month, subject to annual escalation as provided in the lease.

Staff Evaluation/Justification:
Staff recommends the Port Commission approve the above on the terms described.

K. OPERATIONS

Subject **14. Approve an amendment to the lease agreement with CMC Americas LLC for 22.52 acres at Bayport Container Terminal Complex south of Port Road, providing for Port Authority reimbursement of the tenant's improvements to the access road and intersection with Container Freight Station Road, in an amount not to exceed \$526,724.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve an amendment to the lease agreement with CMC Americas LLC for 22.52 acres at the Bayport Container Terminal Complex south of Port Road, providing for reimbursement of the tenant's costs for improvements to the access road and intersection with Container Freight Station Road, in an amount not to exceed \$526,724, 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:

Operations

Staff Contact:

Jeff Davis

Background:

By Minute No. 2021-0427-48, the Port Commission approved a ten-year lease with CMC Americas LLC (Tenant) for 22.52 acres at the Bayport Container Terminal Complex south of Port Road. The proposed reimbursement addresses improvements needed to an access road constructed by Tenant on the Port Authority's behalf, to support safe truck transits in and out of the Tenant's depot on the leased premises onto the public road.

By Minute No. 2021-0928-54, the Port Commission approved an amendment to the lease to reimburse the Tenant's construction costs for certain previous work, not to exceed \$1,287,009.

By Minute No. 2022-0125-34, the Port Commission also approved an amendment to the lease to reimburse the tenant's costs for soils mitigation, not to exceed \$362,095.95.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve the above lease amendment and expenditure.

L. PEOPLE

Subject **1. Authorize renewal of the agreement with Aetna Life Insurance Company to provide professional third-party administration services for the Port Authority's self-funded group medical benefits program for active employees, retirees who are not Medicare-eligible, and dependents for the calendar year 2023, in an amount not to exceed \$46,400.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting:
(a) authorize renewal of the agreement with Aetna Life Insurance Company to provide professional third-party administration services for the Port Authority's self-funded group medical benefits program for active employees, retirees who are not Medicare-eligible, and dependents, for calendar year 2023, in an amount not to exceed \$46,400;
(b) authorize renewal negotiations with the Aetna Life Insurance Company prior to contract expiration; and
(c) 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 #1 - PEOPLE AND ORGANIZATION \(Be the Best Place to Work\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Human Resources

Staff Contact:

Roger Walter

Background:

By Minute No. 2018-0130-43, the Port Commission awarded a contract to Lockton Companies LLC, (Lockton), to provide employee benefits consulting services, including assisting in: development of requests for proposals for group insurance coverages; evaluation of proposals; negotiation of renewal rates; and recommendations on provider selections.

By Minute No. 2018-0925-04, the Port Commission awarded a contract to Aetna Life Insurance Company (Aetna) for third-party administration services for a self-funded group medical benefits program for active employees, retirees who are not Medicare-eligible, and their dependents for calendar year 2019. By Minute Nos. 2019-1022-40, 2020-1208-45, and 2021-1026-35, the Port Commission authorized an amendment to this contract for services in 2020, 2021, and 2022, and also authorized contract renewal negotiations with Aetna Life Insurance Company prior to contract expiration.

Accordingly, Lockton and staff began negotiations with Aetna for third-party administrative services for the 2022 and 2023 self-funded group medical program.

Staff Evaluation/Justification:

Lockton and Port Authority staff have negotiated a renewal with Aetna Life Insurance Company for professional third-party administration services for the 2022 and 2023 self-funded group medical benefits program and determined that the negotiated terms offer the best value to the Port Authority.

The proposed agreement would allow the Port Authority to continue to offer access to the same medical plans and network as were offered from 2019-2022, which include an Open Access Managed Choice \$250 deductible plan and a KelseyCare Health Maintenance Organization (HMO) style plan with a \$0 deductible.

Staff recommends that the Port Commission authorize the renewal agreement with Aetna Life Insurance Company for third-party administration services. Staff additionally recommends that the Port Commission authorize renewal negotiations with Aetna prior to contract expiration to better ascertain the need to solicit proposals for the following contract year.

L. PEOPLE

Subject	2. Authorize renewal of group insurance agreements with the following carriers to include coverage for calendar year 2023 in a total amount not to exceed \$1,783,937 for: (a) Aetna Life Insurance Company, for dental, vision, and Medicare Advantage coverage and (b) Minnesota Life Insurance Company, for basic life, voluntary and dependent life, and retiree life coverage.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	<p>The Port Commission, at its September 27, 2022 meeting:</p> <ul style="list-style-type: none">(i) award group insurance agreements to the following carriers for coverage for calendar year 2023 in a total amount not to exceed \$1,783,937;<ul style="list-style-type: none">(a) Aetna Life Insurance Company, for dental coverage, in an amount not to exceed \$495,000;(b) Aetna Life Insurance Company, for vision coverage, in an amount not to exceed \$92,097;(c) Aetna Life Insurance Company, for Medicare Advantage medical coverage, in an amount not to exceed \$629,416;(d) Minnesota Life Insurance Company, for basic life coverage and AD&D for eligible active employees, in an amount not to exceed \$135,862;(e) Minnesota Life Insurance Company, for voluntary life coverage for eligible active employees and dependents, in an amount not to exceed \$291,839; and(f) Minnesota Life Insurance Company, for basic life coverage for eligible retirees, in an amount not to exceed \$139,723;(ii) authorize the Port Authority to continue to pay: 50% of the cost of dental premiums for eligible active employees; 100% of the cost of the Medicare Advantage medical premiums for eligible retirees and dependents; and 100% of the cost of basic life premiums for active employees and retirees;(iii) determine that Port Authority employees shall continue to reimburse the Port Authority for the full cost of any vision or voluntary life premiums;(iv) authorize contract renewal negotiations with insurance carriers prior to contract expiration; and(v) further authorize the Executive Director to do any and all things in his opinion reasonable and necessary to give effect to all of the foregoing.

Goals [STRATEGIC GOAL #1 - PEOPLE AND ORGANIZATION \(Be the Best Place to Work\)](#)

Category:

Awards, Amendments & Change Orders

Department:

Human Resources

Staff Contact:

Roger Walter

Background:

By Minute No. 2018-0130-43, the Port Commission awarded a contract to Lockton Companies LLC, (Lockton), to provide employee benefits consulting services, including assisting in: development of requests for proposals for group insurance coverages; evaluation of proposals; negotiation of renewal rates; and recommendations on provider selections.

By Minute No. 2021-0928-56, the Port Commission awarded agreements for calendar year 2021 to (a) Aetna Life Insurance Company, for dental, vision, and Medicare Advantage medical coverage and (b) Minnesota Life Insurance Company, for basic life, voluntary and dependent life, and retiree life coverage. This action also authorized contract renewal negotiations with the insurance carriers prior to contract expiration. Accordingly, Lockton and Port Authority staff began negotiations with the incumbents for 2023 coverages.

In addition, on June 27, 2022, the Port Authority, through its Broker of Record, Lockton, issued a request for proposals (RFP) soliciting proposals for Medicare Advantage retiree medical coverage.

Staff Evaluation/Justification:

Lockton and Port Authority staff reviewed and evaluated the proposals and proposed 2023 renewal rates and determined that the incumbent carriers offer the best value to the Port Authority, with a decrease in Medicare Advantage rates, and no change to the other 2023 rates, as these product lines are in multi-year price guarantees.

The renewals are anticipated to be discussed at the Pension and Benefits Committee meeting on September 20, 2022. Staff recommends, and anticipates that the Pension and Benefits Committee concurs, that group insurance contracts be awarded to the following incumbent carriers for calendar year 2023, as providing the best value to the Port Authority:

- (a) Aetna Life Insurance Company, for dental, vision, and Medicare Advantage medical coverage;
- (b) Minnesota Life Insurance Company, for basic life, voluntary and dependent life, and retiree life coverage; and

Staff further recommends, and anticipates that the Pension and Benefits Committee concurs, that:

1. The Port Authority continue to pay 50% of the cost of dental premiums for eligible employees and dependents;
2. The Port Authority continue to pay 100% of the cost of basic group life premiums for Port Authority active employees and retirees;
3. The Port Authority continue to pay 100% of the cost of Medicare Advantage medical premiums for eligible retirees and dependents; and
4. Port Authority employees continue to reimburse the Port Authority for the full cost of any vision or voluntary life premiums.

Staff estimates that approximately \$925,283 of the \$1,783,937 total amount requested would be reimbursed to the Port Authority by employees, leaving a total cost to the Port Authority of approximately \$858,654.

The individual not-to-exceed amounts in the Recommended Action are based on current participant levels with adjustments for additional 2023 staffing levels. The total amount requested by staff allows for an increase in participation in 2023 based on current open positions and new 2023 headcount additions, but may be subject to amendment in order to account for actual participation levels.

L. PEOPLE

Subject	3. Approve the hiring of Captain Malcolm "Doug" Mims as a casual employee to provide services relating to the M/V Sam Houston.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve the hiring of Captain Malcolm "Doug" Mims as a casual employee to provide services relating to the M/V Sam Houston, 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:
People

Staff Contact:
Jessica Shaver

Background:
Senior Captain Malcolm "Doug" Mims retired in July 2022, after providing thirty-five years of service to the Port Authority, thirty-four of which were spent as captain on the M/V Sam Houston. After his retirement, Captain Genaro Ambriz was promoted to Senior Captain. While other staff members are working to obtain the license necessary to captain the vessel, Captain Ambriz is currently the only member of the M/V Sam Houston department with the required license.

In order to assist the Port Authority while others work toward the license, Captain Mims has expressed a willingness to return to the Port Authority as a casual employee to assist with captain or senior captain duties on an as-needed basis.

The Port Authority's Code of Ethics prohibits the Port Authority from entering into certain contracts with former employees who worked for the Port Authority in the preceding twelve months without the specific approval of the Port Commission. In accordance with the spirit of that requirement, staff is seeking the Port Commission's specific approval before re-hiring Captain Mims as a casual employee.

Staff Evaluation/Justification:
Staff recommends that the Port Commission approve the hiring of Captain Mims as a casual employee to provide services relating to the M/V Sam Houston on an as-needed basis.

M. SECURITY AND EMERGENCY OPERATIONS

Subject	1. Approve staff's ranking of vendors and award a professional services contract in an amount not to exceed \$135,000 to conduct facility risk assessments for the Port Authority's five Maritime Transportation Security Act regulated facilities to the top-ranked proposer: staff ranking – first, Chemical Security Group LLC; second, ABSG Consulting, Inc.; and third, Guidepost Solutions, LLC.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	<p>The Port Commission, at its September 27, 2022 meeting:</p> <p>(a) approve staff's ranking of vendors that offer the best proposals to the Port Authority, based on the selection criteria, in the following order – first, Chemical Security Group LLC; second, ABSG Consulting, Inc.; and third, Guidepost Solutions, LLC;</p> <p>(b) award a professional service contract to Chemical Security Group LLC to conduct facility risk assessments for the Port Authority's five Maritime Transportation Security Act (MTSA) regulated facilities in an amount not to exceed \$135,000;</p> <p>(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</p> <p>(d) further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.</p>

Category:

Awards, Amendments & Change Orders

Department:

Security

Staff Contact:

Jessica Thomas

Background:

The Port Authority is seeking to award a professional services contract for a service provider to conduct facility risk assessments for the Port Authority's five Maritime Transportation Security Act (MTSA) regulated facilities. Risk assessments are required by federal law for all terminals every five years as provided in: MTSA facility risk assessment 33 CFR 105.300, 33 CFR 105.305; CTPAT 5 Step Risk Assessment; and the new ISO 28000:2022 standard risk-based assessment Sections 6.1.2 and 6.1.3. The following Port Authority facilities would be assessed:

- Barbours Cut Terminal - 1515 East Barbours Cut Blvd, LaPorte, Texas 77571
- Bayport Terminal - 12619 Port Road, Seabrook, Texas 77586
- Turning Basin Terminal - 111 East Loop North, Houston, Texas 77029
- Old Manchester Terminal - 100 Concrete Street Houston, Texas 77011
- Woodhouse Grain Elevator - 1500 North Main Street, Galena Park, Texas 77547

The Port Authority notified vendors regarding its request for proposals (RFP) using the Port Authority's BuySpeed Eprocurement system. The project was advertised on the Port Authority's website and in a local newspaper. Sixteen vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On August 17, 2022, four RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- Chemical Security Group LLC
- ABSG Consulting, Inc.
- Guidepost Solutions, LLC

Following staff Executive Committee review, staff recommends that the Port Commission award a contract to Chemical Security Group LLC and act as otherwise described above.

M. SECURITY AND EMERGENCY OPERATIONS

Subject **2. Approve renewal of a Memorandum of Agreement with U.S. Coast Guard Sector Houston-Galveston for a five-year period, to exchange and share information and data in order to enhance maritime safety and security.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, authorize renewal of a Memorandum of Agreement with U.S. Coast Guard Sector Houston-Galveston for a five-year period, to exchange and share information and data in order to enhance maritime safety and security, 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 Objective 4c. - Support development of a robust Regional maritime workforce
Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact

Category:
General

Department:
Security

Staff Contact:
Jessica Thomas

Background:

This Memorandum of Agreement with the U.S. Coast Guard would continue to enable the Port Authority to exchange and to share information and data (primarily security camera video data) in order to enhance maritime safety and security, as permitted under the provisions of 14 U.S.C. Sections 141 60.003, 60.120, and 60.151-153. The agreement also allows the U.S. Coast Guard access to Port Authority facilities, to repair and maintain any of its communications equipment located on Port Authority property.

There is no cost associated with this Memorandum of Agreement.

Staff Evaluation/Justification:

Renewing this agreement would facilitate the continuance of good communications and working relationships between the U.S. Coast Guard and the Port Authority on safety and security matters, address the common goals of safety and security through the exchange and sharing of information and data, facilitate joint development of maritime information processes that further the mutual goals of the parties, and promote periodic meetings between the parties to identify and pursue ways to assist each other to accomplish these goals.

Staff recommends the Port Commission approve the renewal of the agreement with the U.S. Coast Guard.

M. SECURITY AND EMERGENCY OPERATIONS

Subject 3. Approve up to four Memoranda of Understanding with Texas Emergency Management Assistance Teams, Texas Division of Emergency Management, Texas A&M Engineering Extension Service, and Texas A&M Forest Service, to provide training, curriculum materials, analytical services, and technical assistance services for each Port Authority personnel participating on their disaster response teams for a five-year term unless terminated earlier.

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve up to four Memoranda of Understanding with Texas Emergency Management Assistance Teams, Texas Division of Emergency Management, Texas A&M Engineering Extension Service, and Texas A&M Forest Service, to provide training, curriculum materials, analytical services, and technical assistance services for Port Authority personnel participating on their disaster response teams for a five-year term unless terminated earlier, 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 Objective 4c. - Support development of a robust Regional maritime workforce
Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact
STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:
General

Department:
Fire

Staff Contact:
William Buck

Background:

The State of Texas has sustained the highest number of Federal Emergency Management Agency (FEMA) declared disasters since the 1950s of any state, and as a result, Texas has historically made mutual aid resources available throughout the state. In 2007, the state provided mutual aid legislation that simplified the sharing of resources across local and regional boundaries. Additionally, specialized teams such as Texas Task Force (TXTF), Texas Interstate Fire Mutual Aid System (TIFMAS), and Texas Forest Service Incident Management Teams (TAMFS IMT) were established.

The Texas Emergency Management Assistance Teams (TEMAT) are discipline-specific forces made up of local jurisdictional resources. The TEMAT— 'the team of teams'—was developed to assist jurisdictions that have been impacted by an emergency or disaster. Member agencies and their partners may respond to support local jurisdictions during a disaster or emergency event. These similar-typed resources are rostered and train together prior to an incident to be able to serve as a force multiplier in disaster response. The response teams are recruited from various disciplines at the local level and together coordinated with other state agencies. The Port Authority desires to allow personnel to participate on these teams, on a not to interfere basis, to gain professional knowledge and experience in disaster response.

TEMAT requires that each Port Authority person participating on these teams have their own Memoranda of Understanding. Currently, one Port Authority employee has been accepted to participate, and three additional Port Authority personnel have applied to participate, on these teams. Therefore, there may be multiple additional Memoranda of Understanding that the Port Authority and participating personnel will be required to execute.

Staff Evaluation/Justification:

Staff recommends the Port Commission approve one Memoranda of Understanding to support the TEMAT for the Port Authority employee currently accepted, and grant authority for up to three additional personnel to sign separate Memoranda of Understanding, that are substantially the same, if accepted into the program.

M. SECURITY AND EMERGENCY OPERATIONS

Subject	4. Approve renewal of the Interconnection Security Agreement and Memorandum of Understanding with the U.S. Coast Guard for a three-year period, to connect the Nationwide Automatic Identification System to the Command Bridge system to enhance maritime safety and emergency response.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, approve renewal of the Port Authority's Interconnection Security Agreement and Memorandum of Understanding with the U.S. Coast Guard for a three-year period, to connect the Nationwide Automatic Identification System to the Command Bridge system, 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 Objective 4c. - Support development of a robust Regional maritime workforce Strategic Objective 4b. - Prepare for disruptive events and mitigate their impact STRATEGIC GOAL #3 - PARTNERSHIPS (Develop and Strengthen External Partnerships)

Category:

General

Department:

Emergency Management

Staff Contact:

Colin Rizzo

Background:

The Port Authority has previously entered into an Interconnection Security Agreement (ISA) and Memorandum of Understanding (MOU) with the U.S. Coast Guard (USCG) regarding the management, operation, and security of Nationwide Automatic Identification System (NAIS) data connection with the Port Authority for its use in the Command Bridge Situational Awareness system. Under these agreements the USCG connects NAIS to the Command Bridge system for the purpose of sending one-way data feeds for the global Area of Responsibility. The NAIS is used to track vessels operating in the nation's waterways and ports.

There is no cost associated with the ISA and MOU.

Staff Evaluation/Justification:

Renewing these agreements would allow for the continuance of communications between the USCG's NAIS system and the Port Authority Command Bridge system to enhance maritime safety and emergency response within the Port of Houston.

Staff recommends the Port Commission approve the renewal of the agreement with the USCG.

N. TECHNOLOGY

Subject	1. Award the following for the configuration, installation, and five-year support of the Port Authority's NXGEN wireless solution: (a) Barbours Cut Terminal and Bayport Container Terminal outdoor wireless (LTE) solution to AT&T in an amount not to exceed \$2,400,000 and (b) Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal indoor and outdoor Wi-Fi to Netsync Network Solutions in an amount not to exceed \$1,200,000, for a total expenditure of \$3,600,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting: (a) approve staff's ranking of the two most qualified vendors, based on the selection criteria, in the following order – first, AT&T; second, Netsync Network Solutions (b) award a contract to AT&T for Barbours Cut Terminal and Bayport Container Terminal outdoor wireless (LTE) solution in an amount not to exceed \$2,400,000; (c) award a contract to Netsync Network Solutions for indoor and outdoor Wi-Fi for Barbours Cut Terminal, Bayport Container Terminal, and Turning Basin Terminal in an amount not to exceed \$1,200,000; 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 Objective 2c. - Enhance efficiency and resilience through innovative technology and other means

Category:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Ron Farrow

Background:

The Port Authority is seeking approval to replace the Port Authority's existing wireless/Wi-Fi environment with an updated and more robust wireless (LTE)/Wi-Fi environment. This wireless (LTE)/Wi-Fi environment would support all Container Terminal Operations in the yard(s), as well as in the building at Bayport Container Terminal and Barbours Cut Terminal. This would also replace the existing wireless access point at the Turning Basin Terminal.

The Port Authority notified vendors regarding its request for proposals (RFP) for a professional services contract using the Port Authority's BuySpeed Eprocurement System and the project was advertised on the Port Authority's website and in a local newspaper. Ten vendors downloaded the project materials from BuySpeed.

Staff Evaluation/Justification:

On June 1, 2022, ten RFP responses were received and opened. The responses were reviewed and evaluated by staff in accordance with the selection criteria published in the RFP. Staff identified the following vendors, listed in order of ranking, as most qualified to provide the required services:

- Scope one: AT&T
- Scope two: Netsync Network Solutions
- Scope three: Netsync Network Solutions

Following staff Executive Committee review, staff recommends that the Port Commission approve staff's ranking and award a contract to AT&T and contract to Netsync Network Solutions as provided above.

N. TECHNOLOGY

Subject	2. Award a contract and purchase order to Xerox for continued provision of multi-function printer devices for an additional five-years, using the State of Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$1,100,000 (total 5 years).
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, award a contract and purchase order to Xerox for continued provision of multi-function printer devices for an additional five-years, using the State of Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$1,100,000, determine that this method provides the best value to the Port Authority, 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:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Charles Thompson

Background:

The Information Technology Department provides Multi-Function Printer Devices throughout Port Authority office locations. In order to continue to do so, a renewal of a five-year agreement to the incumbent Xerox is required. This would ensure minimal interruption in services and continue to provide the needed printing, copying, scanning, and faxing functionality throughout the Port Authority.

The Texas Department of Information Resources (DIR) is a department of the State of Texas, and has cooperative purchasing programs which may be used by the Port Authority.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring the needed devices, services, and support directly from Xerox through the DIR purchasing program is the method that both satisfies competitive purchase requirements and provides best value to the Port Authority.

The Information Technology department has determined that the best availability, price, and contract term for the item needed is provided by Xerox under the pricing schedule obtained from that vendor's contract with DIR, and is therefore recommending this purchase.

Accordingly, staff recommends that the Port Commission approve this best value determination and contract.

N. TECHNOLOGY

Subject	3. Issue a purchase order to Netsync Network Solutions for purchase of networking equipment to support additional ship-to-shore cranes, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$70,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, issue a purchase order to Netsync Network Solutions for purchase of networking equipment to support additional ship-to-shore cranes, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$70,000, determine that this procurement method provides the best value to the Port Authority, 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:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Ron Farrow

Background:

The Port Authority is seeking to obtain the needed networking equipment to support its additional ship-to-shore cranes since these cranes require a number of network devices and equipment.

The Texas Department of Information Resources (DIR) is a department of the State of Texas, and has cooperative purchasing programs which may be used by the Port Authority.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring network hardware through the DIR purchasing program is the method that both satisfies competitive purchase requirements and provides best value to the Port Authority.

The Information Technology department has determined that the best availability, price, and contract term for the item needed is provided by Netsync Network Solutions under the pricing schedule obtained from that vendor's contract with DIR, and is therefore recommending this purchase.

Accordingly, staff recommends that the Port Commission approve this best value determination and contract.

N. TECHNOLOGY

Subject	4. Amend and extend for an additional five-years, the existing contract with Verizon Business Network Systems, Inc. for session initiation protocol (SIP) telephony services, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$350,000.
Meeting	Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its September 27, 2022 meeting, amend and extend for an additional five years, the existing contract with Verizon Business Network Systems, Inc. for session initiation protocol (SIP) telephony services, using Texas Department of Information Resources cooperative purchase program, in an amount not to exceed \$350,000, determine that this procurement method provides the best value to the Port Authority, 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:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Charles Thompson

Background:

The Port Authority uses session initiation protocol (SIP) services provided by Verizon as its means to provide local and long distance telephone services for all Port Authority locations.

The Texas Department of Information Resources (DIR) is a department of the State of Texas, and has cooperative purchasing programs which may be used by the Port Authority.

Staff Evaluation/Justification:

The Director of Procurement Services has determined that procuring SIP services provided by Verizon through the DIR purchasing program is the method that both satisfies competitive purchase requirements and provides best value to the Port Authority.

The Information Technology department has determined that the best availability, price, and contract term for the item needed is provided by Verizon Business Network Systems, Inc. under the pricing schedule obtained from that vendor's contract with DIR, and is therefore recommending this purchase.

Accordingly, staff recommends that the Port Commission approve this best value determination and contract.

N. TECHNOLOGY

Subject **5. Amend the professional services contract with Deloitte Consulting, LLP for Next Generation Enterprise Resource Planning (Next Gen ERP) – Phase II, in an amount not to exceed \$240,000.**

Meeting Sep 27, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY

Access Public

Type Action

Recommended Action The Port Commission, at its September 27, 2022 meeting, approve an amendment to the professional services contract with Deloitte Consulting, LLP for Next Generation Enterprise Resource Planning (Next Gen ERP) – Phase II, in an amount not to exceed \$240,000, 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:

Awards, Amendments & Change Orders

Department:

Information Technology

Staff Contact:

Charles Thompson

Background:

By Minute No. 2021-0223-45, the Port Commission awarded a professional services contract to Deloitte Consulting, LLP (Deloitte) for Next Generation Enterprise Resource Planning (Next Gen ERP) – Phase II, for an amount not to exceed \$840,000. In September 2021, the Port Authority and Deloitte executed a First Amendment to the professional services contract, which increased the contract amount by \$40,000 and extended the end of the term from April 30, 2022 through December 31, 2022.

This proposed amendment would consist of the following:

- Chart of Accounts: a high-level design of the organizational and accounting structures for all financial transactions.
- Policy evaluation: an initial evaluation and analysis of Port Authority policies, to develop recommended updates for the future state Enterprise Resource Planning (ERP) processes.
- Master Data Management: preliminary identification and analysis of core system data elements that are essential to operations, such as location, asset, employees, etc.
- Purchase Order control spend rationalization strategy: initial review of existing policies related to purchase order spend, to evaluate and identify considerations for ERP design.
- Role based security model template: a position/job based security model template and process to help leverage a future implementation effort.

Staff Evaluation/Justification:

Staff has reviewed Deloitte's proposal and found it to be fair and reasonable and recommends that the Port Commission approve the proposed amendment.

