I N D E X

PORT COMMISSION
OF THE
PORT OF HOUSTON AUTHORITY
OF THE PORTS OF HARRIS COUNTY, TEXAS
November 18, 2022

Minute No.	*Event/Action*
	General
	Chairman Campo convened the in-person and virtual Port Commission meeting and provided opening remarks along with Port Commissioners
	Staff Reports
2022-1118-01	Roger Guenther, Executive Director, presented a summary of selected financial and operational matters
	Appearances
2022-1118-02(a)	Chairman Campo recognized Leticia Gutierrez, Air Alliance Houston, who addressed the Port Commission
2022-1118-02(b)	Chairman Campo recognized Adrian Shelley, Public Citizen, who addressed the Port Commission
	Finance
2022-1118-03	Staff Report – Selected agenda items – Tim Finley, Chief Financial Officer
2022-1118-04	Approve the proposed Fiscal Year 2022 Operating and Capital Budget
2022-1118-05	Staff briefing regarding the proposed Five-Year Operating and Capital Plan
	Operations
2022-1118-06	Staff Report – Selected agenda items – Jeff Davis, Chief Port Operations Officer
2022-1118-07	Approve increases in Port Authority tariff charges, including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other charges as follows: (i) increases equal to the 8.52% increase in the Consumer Price Index average for the 12-month period ending July 2022, as published by the U.S. Bureau of Labor Statistics, for Tariff 14

Minute No.	*Event/Action*
	(Barbours Cut Container Terminal) and Tariff 15 (Bayport Container Terminal); (ii) increases equal to a 3%, for Tariff 8 (Houston Ship Channel and Public Owned Wharves), excepting (iii) increases equal to 3% for the Harbor Fee, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2023
	Closing Remarks by Chairman and Commissioners
	Adjourn Meeting

Port of Houston Authority **Houston, Texas**
Port Commission Public Meeting **November 18, 2022**

A public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on November 18, 2022, at 9:15 a.m., at the Port of Houston Authority Executive Offices, Fourth Floor Boardroom, at 111 East Loop North, Houston, Texas 77029, and via Cisco WebEx. The following commissioners, staff, and counsel were present:

Ric Campo, Chairman
Wendy Cloonan, Commissioner
Dean Corgey, Commissioner
Cheryl Creuzot, Commissioner
Stephen DonCarlos, Commissioner
Clyde Fitzgerald, Commissioner
Roger Guenther, Executive Director
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer

Chairman Campo announced that the meeting was the annual budget workshop and that he was excited by the 2023 outlook. He spotlighted the recent State of the Port meeting, which showcased the exceptional bench of talent at the Port Authority and criticality of labor partnerships, through a panel featuring Lori Brownell, Channel Development Director, Ryan Mariacher, Container Operations Director, and International Longshoremen's Association (ILA) representative Eloy Cortez.

Chairman Campo added that the cargo business continued to be strong heading into the holiday season, and people knew that cargo moved quickly and efficiently through the port.

Commissioner Fitzgerald recognized Commissioner Cloonan on being a Texas Executive Women on the Move honoree for 2022.

(2022-1118-01) Roger Guenther, Executive Director, presented a summary of selected financial and operational matters:

Mr. Guenther emphasized that volume continued to be strong. Import volumes across the country were softening, but that was not so in Houston. The past three months had been the best ever for volume for the Port Authority.

Mr. Guenther thanked Mr. Finley and his team for their work in putting together the proposed budget.

(2022-1118-02) Appearances

(a) Chairman Campo recognized Leticia Gutierrez, Air Alliance Houston, who addressed the Port Commission.

Ms. Gutierrez applauded the Port Authority's goal of net zero by 2050, but asked that it consider publishing a budget addendum that more clearly identified how its financial plan aligned and supported such a goal. Mechanisms were available for organizations to incorporate climate considerations into the budget-making process. One such mechanism, published by the Task Force on Climate-related Financial Disclosures, outlined how corporate boards should exercise their oversight and responsibilities for environmental risks and opportunities, and management's role in assessing such risks.

Ms. Gutierrez also applauded the Port Authority for the purchase of electric vehicles and cranes in the past year. It had considerable opportunities for funding investments in clean equipment, electrification, and infrastructure to reduce emissions. The Port Authority invested $4.5 million to retrofit one of the dredges working on the Houston Ship Channel Expansion (Project 11) with selective catalytic reduction technology, and had also contracted for a second dredge with a Tier 4 engine.

Although the Army Corps of Engineers (Army Corps) stated that it cannot contract for clean equipment, there was nothing preventing the Port Authority from funding similar retrofits.

Chairman Campo stated that the Port Commission agreed that a specific plan for climate change was needed, asked staff to compare the Port Authority to other ports, and added that baselines would be established in the coming months.

(b) Chairman Campo recognized Adrian Shelley, Public Citizen, who addressed the Port Commission.

Mr. Shelley reiterated that the Port Authority's budget was a great opportunity to show its commitment. Transparency in budgeting was a great practice and there was more that could be done.

Commissioner Campo reiterated that the Army Corps had its own policies and procedures regarding how it operated. The fact that the Port Authority had the current largest dredging contract in America meant it was likely the same companies would bid for the Army Corps portion of Project 11. From a market completeness perspective, it seemed as if the companies that had already done business with the Port Authority using the cleaner dredges would have an advantage in a bid process.

Environmental, Social, and Governance (ESG) was a big deal that other companies were looking at. Because of the investment by the Port Authority in cleaner dredges, he was hopeful that more companies would follow.

(2022-1118-03) Chairman Campo recognized Tim Finley, Chief Financial Officer, to provide a report of selected Finance Division agenda items.

Mr. Finley greeted all those present and referenced the meeting materials distributed to the Port Commission and shown on the screen. He advised there were no property tax revenues included in the operating budget since those revenues were used exclusively for debt service on the Port Authority's outstanding general obligation (GO) bonds, and added that any expenditure over $50,000 would continue to be brought to the Port Commission for its approval.

Mr. Finley remarked that cargo assumptions were central to the construction of a responsible financial plan. Considering that various industry and market sources were all over the map, container growth was projected at just under 2%, with general cargo tonnage projected to trend downward to pre-pandemic level growth trends.

Proposed consumer price index adjustments (CPI) were factored into projected revenues. Operating revenue was projected at $609 million, just under 5%, and accounted for the decrease in storage fees and general cargo. Salaries and benefits reflected new and replacement headcount, coupled with performance management and incentive program funding tied to attainment of cash-generation targets.

Mr. Finley explained the $677 million of capital awards were split between $579 million in project awards anticipated for the Port Operating Capital Plan and approximately $99 million anticipated in awards for Project 11. Liquidity portrayed a stable outlook with the ability to cash fund the 2023 (and five-year) operational capital plan. However, there was a potential need for additional credit in late 2023 and a potential need for financing to complete the funding of Project 11.

Commissioner DonCarlos mentioned that Chevron recently announced an $8.5 billion project and asked if there were any anticipated additional imports coming by way of said project. John Moseley, Chief Commercial Officer, replied that the new plant was approximately five years away from completion and that exports were primarily anticipated, not imports.

Commissioner DonCarlos stated that there was an assembly area in Chambers County connected to the project and wondered if supplies in connection with the construction of the plant would come across Port Authority docks, and Mr. Moseley confirmed that was anticipated by staff.

Mr. Guenther added that project cargo was coming in for projects underway in El Paso and elsewhere.

Mr. Finley stated that the 2023 budget projected an approximate 1.6% increase in container terminal units. Contextually, the projection was coming off of two years of high growth driven by the pandemic, and markets projected a slowdown in the first quarter of 2023 but the depth and duration of such a slowdown was unknown.

Retail importers were going as far as projecting the Port of Houston to be down in the first half of the year though the Port Authority historically weathered such trends well due in part to its import/export load balance. Export loads were projected to be up 4% as resin production capacity and volumes trended upward. The container terminals represented approximately 80% of the Port Authority's budget.

Coming off an incredible year, steel tonnage was projected to decrease by 15%, with the potential of drilling activity to trend downwards in 2023. International demand for steel remained supportive.

The auto function at the Bayport Container Terminal was being ramped down in order to support the need for container storage and the Turning Basin auto customer was ceasing operations in 2023. This resulted in an 11% decrease projection for autos in 2023 and a current projection of zero auto units in 2024. However, staff was pursuing opportunities to backfill such vacancies.

Mr. Finley continued: coming off a high year, other general cargos were projected to be down 23%, said decline reflecting a drop in containers and other expected cargo normalization.

Commissioner Fitzgerald assumed the increase in cargo through extra vessels and loads in 2022 was projected to remain the same. Mr. Finley recognized that great point, and confirmed that the budget assumed that the current levels would be maintained for 2023.

Commissioner Corgey commented that he had heard a lot of talk of offshore wind and wondered if anything had been projected. Mr. Moseley answered that his group had engaged companies with interest in laydown space for parts, adding that the recent infrastructure bill passed by Congress affected the industry.

Mr. Finley explained that the current revenue projection for 2022 was just over \$639 million, up 23%. A significant portion of the increase was attributed to storage – approximately \$85 million. Projected cash flow for 2022 was approximately \$353 million with plans to consume all of it as the Port Authority continued to expand its container capacity and increased its container efficiency.

Mr. Finley continued: Operating revenue for 2023 was budgeted at \$609 million, down 5% year-over-year, driven by a \$74 million drop in storage combined with Turning

Basin Terminal decreases. Normalized Operating Revenue, which restated revenues and cash flow to pre-pandemic run-rate storage fees, projected a growth of 8% into 2023. Spending was up slightly, influenced by staffing and benefits costs, along with growth in discretionary items. Overall cash generation for 2023 was projected to be healthy at $290 million.

Mr. Finley reiterated that operating revenue was projected to decrease due to a decrease in storage fees in 2023. The gross margin, an important indicator of financial effectiveness, was projected to be down approximately eight points again due entirely to the decrease in storage revenue. Spending was projected to be up approximately $13 million, mostly in the General & Administrative (G&A) space. Included in the budget was an assumption of a mid-year debt offering to complete funding of Project 11, which accounted for an interest spending increase from $15 million to $26 million. The debt assumption line item was strictly a placeholder and further conversation regarding alternatives to issuing debt would be had in 2023.

Nonoperating income of $45 million was a large number, with half of it related to interest income on cash and investments, a significant portion of which the Port Authority was prepared to pay out from for Project 11. The outlook was good for grant funds at around $21.5 million coming in.

Mr. Finley showed how the operating revenue of $639 million in 2022 was expected to decrease to $609 in 2023, the biggest driver primarily being an anticipated decline of storage revenue. Net Container revenue was projected to increase primarily through tariff changes, while general cargo through the Turning Basin Terminal declined.

Containers continued to account for 77% of total revenues in 2023 while 11% of revenue was projected to come from the Turning Basin. Leases, harbor fees, channel fees, and other nonoperating income accounted for approximately 12% of projected 2023 revenue. Nonoperating revenue was projected to increase up to 96% from 2022, primarily from grant funding associated with Bayport Wharf 6 (Port Infrastructure Development Program, or PIDP, $5.9 million) and Barbours Cut (Infrastructure For Rebuilding America or INFRA, $15.6 million) combined with interest income projected on cash and investments.

Mr. Finley noted that changes in operating expenses were primarily due to Port Authority and International Longshoremen's Association (ILA) salaries and benefits. Depreciation and amortization were well split, as capacity additions began to depreciate over the past year. He added that there was a reefer chassis program in place, funded partially by grant funds, at both container terminals, to support growth of container volume.

G&A expenses included a 5% increase in salaries and benefits for current and new headcount as well as merit increases. Other line-item increases included next generation

Enterprise Resource Planning (ERP) elements with costs for both software and staffing baked in.

Chairman Campo asked when the ERP implementation was to go live. Mr. Heidt explained that the Port Authority would only be choosing the platform and start the process in 2023, implementation was two to three years away. Expected cost was to be approximately $25 million. JD Edwards, the Port Authority's current software, was going offline in five years.

Mr. Finley detailed line items for discretionary investments, including a disparity study update, Enterprise Risk Management program, an executive development initiative, long-range capacity planning, an economic impact study, and the Houston International Maritime Conference.

Mr. Finley reiterated 2023 budgeted expenses which included operating and G&A expenses. The breakdown of the expenses was consistent with years past. Port Authority and ILA salaries and benefits accounted for 51% of total expenses. The Promotion and Development (P&D) budget was contained in the overall 2023 budget and was unchanged from what the Port Commission had previously approved at its September 2022 meeting.

Mr. Finley highlighted the over $80 million contained within the proposed budget for Environmental, Social, Safety, and Governance (ESSG) programs, initiatives, and assets. The dollars related to ESSG items were allocated throughout the budget.

Chairman Campo stressed that the key to ESSG was to tie the Port Authority's sustainability action plan and net-zero 2050 commitment and start allocating dollars to both to be tracked over time. It was important to do so for transparency in spending with the community. It would also serve to benchmark the Port Authority when compared to other ports.

Mr. Guenther pointed out that the Port Authority's commitment to accelerating the timeline of Project 11 did not show up as an ESSG item in the budget, but ultimately made the channel more efficient and was better for the environment. Other contributions and capital investments also improved environmental quality but were not reflected as such in the budget.

Commissioner Corgey questioned whether a new tour boat could be built for $2.2 million. Mr. Finley clarified that $5 million had been allocated for the boat and a request for funding would be brought sometime in 2023.

Commissioner Corgey lamented that he hated to see the old boat go, but it was time to replace it.

Chairman Campo clarified that when he spoke about the environmental initiatives, he felt that the Port Authority was a leader and it needed to show it through transparency.

Mr. Finley detailed the 2023 headcount proposal. As of September 2022, the Port Authority's total actual headcount was 717 with 56 approved open positions, the bulk of which were replacements for previously vacated positions. There were 46 new positions for 2023: twenty-three in the Operations Division, seven in Port Security and Emergency Operations, four in Executive, two in Infrastructure, three in Technology, two in People, four in Finance, and one in Business Equity. The big picture explanation was that the Port Authority was right-sizing the back-office functions to keep up with business operations as a result of the growth over the past few years.

Mr. Finley explained that a total of $677 million was expected to be brought for approval in 2023 comprised of $579 million for operating capital and $99 million related to Project 11. Port Authority projects were broken down into categories: strategic, recapitalization, Project 11, channel, and others. The strategic category included projects such as Bayport Container Terminal Wharf 7 and ship-to-shore cranes, Container Yard 1 South design, Bayport South development, the Next Gen ERP, and others.

Recapitalization projects were planned for both the Barbours Cut Container Terminal and the Turning Basin Terminal. Finally, channel projects were primarily dredging-related, while other projects included design money for the executive office building, fire suppression at the Barbours Cut terminal, and dispatch equipment.

Mr. Finely pointed out that there was projected to be a $70 million positive increase between the 2022 budget and the 2022 reforecast for capital awards proposed for the container terminals. Said increase directly related to the need for increased capacity. Capital awards that were budgeted for 2023 included placeholders for the new executive office building and the new tour boat. An expected $24 million was expected in grant reimplements in 2023.

Mr. Finley referenced slides which visualized Bayport and Barbours Cut terminal capacity growth, both for 2023 and the 5-year plan. A total of $179 million was planned for the Bayport Container Terminal with the construction of Wharf 7 being the largest award in 2023. The other line items were for design of Wharf 1 and Container Yards 1 South, 8, and 9. Wharfs 8 and 9, two high-capacity wharfs, were expected to enter the design phase in the future.

Awards for the Barbours Cut Container Terminal in 2023 included wharf construction, container yard reconstruction, crane purchases, and designs for a slag yard for reefer storage and other wharves.

Commissioner DonCarlos asked if there was enough electrical capacity to accommodate the construction of reefer storage. Mr. Heidt answered that it was part of the design.

Mr. Finley continued: the Port Authority entered 2022 with $517 million of operating cash and anticipated entering 2023 with $707 million, and a projected ending amount of $400 million. Conversely, the Port Authority entered 2022 with $390 million in funds for Project 11, anticipated entering 2023 with $181 million, and projected an end amount of nearly $203 million. The 2023 budget assumed a second issuance of revenue bonds halfway through the year. Given the Port Authority's cash and credit position, it may elect to delay said borrowing if it made sense economically.

Chairman Campo observed that the first debt issuance for Project 11 was done quickly while interest rates were low; had the Port Authority waited six months it would have paid about 200 basis points more.

Mr. Finley explained award capacity: the ability of the governing body to have money to appropriate projects throughout the year. The Port Authority had the potential for an incremental credit of $300 million in late 2023 to support capital improvement award capacity.

Mr. Finley presented the key takeaways from his presentation. Container growth rates and general cargos were projected to slow in 2023, but the financial outlook for 2023 was strong and illustrated a potential decline related to cargo, market uncertainties, and a return to pre-pandemic operating trends. Capacity additions were continuing at an accelerated pace to provide efficient growth opportunities for Port Authority customers. The Port Authority's liquidity position was sound with decisions in 2023 regarding the lowest-cost financing approach to complete funding of Project 11.

Commissioner Fitzgerald questioned whether there were allocations in the budget for the cruise terminal site, and Mr. Guenther clarified that the design plans for Wharfs 8 and 9 at the Bayport Container Terminal contemplated the use of the site and were projected to be awarded in 2025.

In response to a follow up from Commissioner Fitzgerald, Mr. Finley added that design of the east end yards would be in 2023. Combined with the design and construction of the future wharves, the cost for the container terminal buildout was expected to be very expensive.

Commissioner Fitzgerald asked for clarification on the planned addition of ship-to-shore cranes. Mr. Finley explained that four additional cranes were in the budget for purchase in 2023; however, the arrival of said cranes was anticipated in 2024.

Commissioner Fitzgerald was proud to see how staff was managing the need for cranes and staying ahead of the curve.

Chairman Campo observed that the Port Authority currently had three ship-to-shore cranes on order and Jeff Davis, Chief Port Operations Officer, clarified there were actually six cranes on order.

Mr. Guenther reiterated that the Port Authority was accelerating its plans in order to stay ahead of the demand curve, despite the uncertainty of future volumes. While retailers, ocean carriers, and others were not sure if volumes would stay constant or if it would soften throughout the forthcoming year, exports were expected to remain strong, so it was imports that were the wildcard.

Chairman Campo asked what the expected twenty-foot equivalent unit (TEU) volume would be once the two container terminals were completely built out. Mr. Guenther emphasized that master planning was continuous and ever changing, but as it stood, the expected capacity after buildout was seven million TEUs.

New opportunities such as offsite inland depots, made possible through grant funds, were being pursued as well. At the end of the day, there was a limit to the total volume that could be handled, not due to storage but to wharf availability. Ultimately the Port Authority would be constrained by the number of wharves it had and the number of ships which could be docked at any given time.

Mr. Davis added that larger ships traversing a more efficient channel would also make a difference in the amount of volume the Port Authority could handle.

Chairman Campo stressed how the construction of each new wharf and corresponding crane purchases had a cost expectation of a quarter of a billion dollars, and Mr. Heidt agreed with that estimate.

Mr. Davis added that two ships were currently waiting to dock at the Bayport Container Terminal, and so Dock 6 could not get finished fast enough.

Mr. Guenther reminded the Port Commission that the Port Authority had incentivized the contractor to finish the construction more quickly.

Commissioner Corgey gave thanks to Mr. Finley and his team for putting together the budget. It was well presented, and put together efficiently and in an easy-to-read manner.

Mr. Finley continued his presentation by giving an overview of the 5-year plan. Unit growth was pegged at Texas Gross State Product rates of 3.5%. Conversely, in 2018 and 2019 the growth rate was 8% to 9%. Operating expenses trended directly with volume. Projections for 2022, made five years previously, were off about 25%.

For every dollar of revenue, forty-five cents was expected to be reinvested in capital improvements, a trend that was consistent through the five-year projected period. The $579 million in awards for 2023 was the expected high point – capital award expenditures were expected to ramp down slowly in the following years. Award capacity represented the uncommitted funds available for award by the Port Commission for future projects; the 5-year plan included a potential additional credit of $300 million in 2023 for capital improvement projects.

Mr. Finley emphasized that although there was a bit of guesswork involved, the ending cash balances that were projected were in a comfortable range. The cash dollars being generated were planned for future expansion and capacity, and Project 11 payouts were expected to conclude in 2025.

Mr. Finley concluded by thanking the financial planning team: David Jochnau, David Dupre, and Katrina Stewart.

Commissioner Corgey was encouraged by the future investment in jobs. He noted that the private sector was also stepping up. Large tugboats were being built to accommodate the larger ships expected to call on the Port Authority.

(2022-1118-04) RCA E1 was presented, moved by Commissioner Corgey, seconded by Commissioner Cloonan. Chairman Campo, and Commissioners Cloonan, Corgey, Creuzot, DonCarlos, and Fitzgerald voted Aye. Nays none. RCA F1 PASSED.

(2022-1118-05) RCA E2 was presented, "Staff briefing, discussion, and possible action regarding the proposed Five-Year Operating and Capital Plan."

(2022-1118-06) Chairman Campo recognized Jeff Davis, Chief Port Operations Officer, to provide a report of selected Operations Division agenda items.

Mr. Davis remarked that Item F1 was highlighted earlier in the budget presentation. He requested an increase in charges to Tariff 14 and 15 (Barbours Cut Container Terminal and Bayport Container Terminal) commensurate with the 8.52% increase in the Consumer Price Index, a 3% increase to Tariff 8 (the public owned wharves), and a 3% increase in the Harbor Fee.

Commissioner Fitzgerald asked if the public had already been notified of the proposed increases, and Mr. Davis replied that the increase had been discussed at the prior meeting and all carriers had then been contacted.

(2022-1118-07) RCA F1 was presented, moved by Commissioner Fitzgerald, seconded by Commissioner Creuzot. Chairman Campo, and Commissioners Cloonan, Corgey, Creuzot, DonCarlos, and Fitzgerald voted Aye. Nays none. RCA F1 PASSED.

Chairman Campo noted that the date of the January Port Commission meeting had been changed to accommodate schedules. He thanked the entire port community and wished everyone a Happy Thanksgiving.

At 10:24 a.m., Chairman Campo adjourned the Port Commission meeting.

The above is a correct copy of the Minutes of the November 18, 2022 meeting of the Port Commission of the Port of Houston Authority.

Ric Campo, Chairman

Erik A. Eriksson, Secretary

E. FINANCE

Subject	**1. Consideration and possible action regarding the proposed Fiscal Year 2023 Operating and Capital Budget.**
Meeting	Nov 18, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 18, 2022 meeting, consider and take possible action regarding the proposed Operating and Capital Budget for Fiscal Year 2023, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Finance

Staff Contact:
David Jochnau/Tim Finley

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

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

Sec. 5007.224. ONE-YEAR CAPITAL PLAN.

a. Appropriate staff shall develop a one-year capital plan, including associated financing that is integrated with the budget of the authority.
b. The port commission shall adopt the one-year capital plan in an open meeting.
c. The port commission shall establish and document a detailed process for the analysis and approval of a project proposed for inclusion in the one-year capital plan. A project may be included in the one-year capital plan only if it is approved in accordance with that process.

A proposed Operating Budget has been developed by staff to guide it in the operation and management of Port Authority facilities and activities for Fiscal Year 2023. In addition, staff has followed its standard process for review and analysis of capital projects and prepared a proposed 2023 Capital Budget to address the most urgent infrastructure needs in line with the Port Authority's strategic direction, and as required by law.

Staff Evaluation/Justification:
In accordance with its Strategic Planning Policy, the Port Authority has made available to the public by posting on its website the proposed Fiscal Year 2023 Operating and Capital Budget at least seventy-two hours prior to this meeting.

Staff recommends that the proposed Operating and Capital Budget be adopted for Fiscal Year 2023.

E. FINANCE

Subject	**2. Staff briefing, discussion, and possible action regarding the proposed Five-Year Operating and Capital Plan.**
Meeting	Nov 18, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 18, 2022 meeting, conduct a staff briefing, and discussion, and take possible action regarding the proposed Five-Year Operating and Capital Plan, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.

Category:
General

Department:
Finance

Staff Contact:
David Jochnau/Tim Finley

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

Sec. 5007.222. MID-RANGE PLANNING.

a. Appropriate staff shall develop a mid-range plan consistent with the long-range plan. The mid-range plan must include:
    1. a five-year financial forecast addressing the financial needs and financing options of the authority for the five-year period, with information about the relative cost of the options;
    2. a five-year capital plan, including a preliminary analysis and prioritization of projects; and
    3. other detailed action plans as the port commission or staff finds necessary to achieve the goals of the mid-range plan or long-range plan.
b. The staff shall present the mid-range plan in an open meeting of the port commission. The port commission is not required to adopt a mid-range plan.

A proposed Five-Year Operating and Capital Plan has been developed by staff for the year 2023-2027 as required by law.

Staff Evaluation/Justification:
In accordance with its Strategic Planning Policy, the Port Authority has made available to the public by posting on its website the proposed Five-Year Operating and Capital Plan at least seventy-two hours prior to this meeting, and staff requests that the Port Commission review this item.

F. OPERATIONS

Subject	**1. Approve increases in Port Authority tariff charges, including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other charges as follows: (i) increases equal to the 8.52% increase in the Consumer Price Index average for the 12-month period ending July 2022, as published by the U.S. Bureau of Labor Statistics, for Tariff 14 (Barbours Cut Container Terminal) and Tariff 15 (Bayport Container Terminal); (ii) increases equal to a 3%, for Tariff 8 (Houston Ship Channel and Public Owned Wharves), excepting (iii) increases equal to 3% for the Harbor Fee, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2023.**
Meeting	Nov 18, 2022 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 18, 2022 meeting, approve increases in Port Authority tariff charges, including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other charges as follows: (i) increases equal to the 8.52% increase in the Consumer Price Index average for the 12-month period ending July 2022, as published by the U.S. Bureau of Labor Statistics, for Tariff 14 (Barbours Cut Container Terminal) and Tariff 15 (Bayport Container Terminal); (ii) increases equal to a 3%, for Tariff 8 (Houston Ship Channel and Public Owned Wharves), excepting (iii) increases equal to 3% for the Harbor Fee, such increased charges to be included and published in Port Authority Tariff Nos. 8, 14, and 15 effective January 1, 2023, 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:
Port Authority operations must remain cost effective to meet the increasing demands of the maritime trades. Staff anticipates that the cost of operations, including third-party expenses, would in general continue to increase in 2023, as reported by the change in the Consumer Price Index (CPI) for All Urban Consumers (CPI-U), United States city average, measured over a 12-month period.

Staff Evaluation/Justification:
In view of escalating costs and expense increases and recognizing the need to keep Port Authority terminals competitive and operating at compensatory levels to meet the ever-increasing demands of the maritime trades, staff has determined that it is advisable to implement increases in certain tariff charges, including dockage, wharfage, throughput charges, container storage rates, container crane and private crane rental rates, water hookup rates, freight handling rates, and miscellaneous other rates. These 8.52% increases for the container handling facilities, equal to the CPI increase, and 3% increases for certain other Tariff 8 fees, including those applicable to the Multi-Purpose facilities, should enable the Port Authority to maintain its facilities and services as a competitive port and continue to meet the needs of its customers.

Staff is also requesting a 3% increase in the Harbor Fee per vessel charge provided for in Tariff 8, to continue to permit a fee that is both reasonable and compensates the Port Authority for its administrative expenses relating to safety, fire prevention, and suppression.

Staff recommends the Port Commission approve the above tariff charge increases, to take effect January 1, 2023.