

Port of Houston Authority
PROMOTION AND DEVELOPMENT FUND POLICY
Amended March 2023



I. Purpose.

A. The State of Texas has granted the Port of Houston Authority (the “Port Authority”) the authority to set aside and use a portion of its income from operations for certain promotion and development activities, subject to the control of its Port Commission.

B. This Promotion and Development Fund Policy (the P&D Policy”) is implemented for the purpose of ensuring compliance with state law, advancement of the Port Authority’s interests, prudent financial management, business control, and accountability, and applies to all Port Commissioners and Port Authority staff members.

II. Definitions.

A. “Approval Authority” means the Port Commission and persons properly delegated the authority to review, evaluate, approve, and disapprove requests for expenditures from the P&D Fund.

B. “Outreach Vehicles” means the 1947 restored antique fire truck owned by the Port Authority, the Mobile Command Center, the Port Authority’s emergency response vehicles and vessels, and other suitable Port Authority vehicles and vessels.

C. “P&D Fund” means the promotion and development fund of the Port Authority created pursuant to Texas Water Code Sec. 60.204.

D. “P&D Priorities” means the P&D Fund expenditure priorities described in Section IV below.

E. “P&D Statutes” means Texas Water Code Chapter 60 Subchapter H “Promotion and Development Fund in Certain Districts” (see Exhibit “A” attached) and Texas Special District Local Laws Code Sec. 5007.219 “Promotion And Development Fund” (see Exhibit “B” attached).

F. “Port of Houston” means the maritime complex along the Houston Ship Channel and its tributary waterways, including the Port Authority’s public terminals as well as privately-owned facilities.

III. Establishment of P&D Fund.

A. Pursuant to the P&D Statutes that authorize the Port Authority to set aside up to five percent of its gross income from operations in each calendar year for the purposes described therein and below, the Port Authority hereby sets aside a portion of its operating revenues as a P&D Fund.

B. The P&D Fund shall be kept separate from all other funds and accounts of the Port Authority. No money collected from assessing or levying taxes may be comingled with the P&D Fund.

C. The P&D Fund shall be under the exclusive control of the Port Commission, which shall have full responsibility for auditing, approving, and safeguarding the expenditure of money from the P&D Fund. In order to meet these obligations, the Port Commission may delegate Port Authority staff members certain authority to act on its behalf.

D. All P&D Fund disbursements require Approval Authority authorization. The Approval Authority shall exercise due diligence when evaluating requests for disbursements, including balancing the benefits of making the proposed expenditure against the Port Authority's other financial and operational needs and resources, and considering the authority and limitations on expenditures stated in the P&D Statutes and P&D Policy.

E. P&D Fund expenditures shall be accounted for using generally-accepted accounting principles, transparent, and subject to audit.

IV. P&D Fund Purposes.

A. Pursuant to the P&D Statutes, the P&D Fund shall be used for the following purposes:

1. Developing and promoting the Port Authority and the Port of Houston;
2. Furthering the general welfare of the Port Authority and the Port of Houston; and
3. Improving the Port Authority's relations with parties that are interested in or that may be interested in the Port of Houston.

B. The Port Authority may conduct programs, initiatives, and activities to support the P&D Priorities. In addition, Port Commissioners, Port Authority staff members, and representatives of external organizations may request that the Port Authority assist programs, initiatives, and activities that support the P&D Priorities, through contributions of funds or in-kind services.

V. P&D Priorities.

Requests for P&D Fund disbursements corresponding to the following P&D Priorities shall, to the extent practicable, be preferred by an Approving Authority as it balances the

anticipated benefit of a proposed P&D Fund expenditure against the Port Authority's other financial and operational needs and resources.

A. Community Outreach, Improvement, and Beautification. The Port Authority is committed to supporting community-based organizations to promote the Port Authority, the Port of Houston, and the general welfare of the region. Expenditures related to this priority include the following programs, initiatives, and activities that may be submitted for approval:

1. Forging community, governmental, and other alliances, and cultivating inclusion and relationships;
2. Increasing awareness, understanding, and trust of the Port Authority and the Port of Houston;
3. Encouraging dialogue with community members and groups;
4. Encouraging Port Authority staff volunteer efforts;
5. Supporting projects focused on improving communities, neighborhoods, parks and greenspace, and "points of entry" to Port Authority facilities; and
6. Otherwise supporting communities that are impacted by Port Authority activities.

B. Workforce and Business Development. The Port Authority promotes workforce development-related programs in order to generate and support employment with the Port Authority, and grow the Port of Houston and regional businesses and employment. Expenditures related to this priority include the following programs, initiatives, and activities that may be submitted for approval:

1. Initiatives supporting the development of small businesses and minority and woman-owned business enterprises;
2. Support of business development groups, including local chambers of commerce;
3. Activities fostering maritime industry-related career readiness; and
4. Educational activities that promote maritime workforce opportunities.

C. Environmental Awareness. The Port Authority is committed to promoting environmental protection and stewardship aimed at air quality improvement, marsh creation,

pollution prevention and remediation, storm-water management, sustainability, and waste reduction. Expenditures related to this priority include the following programs, initiatives, and activities that may be submitted for approval:

1. Participation in pilot projects and long-term sustainability initiatives;
2. Support of other sustainability and conservation measures;
3. Participation in community cleanups and other local environmental initiatives; and
4. Sponsorship of environmental and sustainability conferences and other gatherings;

VI. Financial Support, In-Kind Contributions, and Other Support.

A. Programs, Initiatives, and Activities.

1. The Port Authority may initiate and invest in programs, initiatives, and activities that are aligned with the P&D Statutes and P&D Priorities, and approved in accordance with the P&D Policy to assure responsible use of and accounting for P&D Fund resources.

2. Port Commissioners, Port Authority staff members, and representatives of external organizations may request that the Port Authority assist with programs, initiatives, and activities that support P&D Priorities, whether sponsored by the community or otherwise, through contribution of funds or in-kind services.

3. The Port Authority should endeavor to receive appropriate recognition for providing funding or in-kind services for external programs, initiatives, and activities supported by the Port Authority.

4. Port Authority staff members may staff P&D Fund-supported programs, initiatives, and activities provided such participation does not unreasonably interfere with the employee's regular job responsibilities and is approved by the Port Authority.

B. Grants.

1. The Port Authority may award P&D Fund-supported grants to non-profit organizations carrying out activities, programs, or services that help support the P&D Priorities, develop and strengthen partnerships, and create greater value for our region.

2. Grants shall not be awarded to non-profit organizations that are not in good standing with the Internal Revenue Service, for-profit entities, labor, sectarian, fraternal, military, or professional associations, sports or athletic groups, charitable or endowment campaigns, political action committees, candidates, or lobbyists, and individuals.

C. Organizational Support Agreements.

1. The Port Authority may enter into P&D Fund-supported organizational support agreements with non-profit organizations carrying out activities, programs, or services that help support the P&D Priorities. These organizations may include chambers of commerce, workforce development, environmental, and transportation organizations, and other community, regional and business groups.

2. The Port Authority's organizational support agreements should require these groups provide periodic written reports documenting the organization's activities and accounting for use of Port Authority P&D funds to the Port Authority staff member designated in the applicable agreement to receive such reports.

D. Sponsorships.

1. The Port Authority may provide sponsorship support from the P&D Fund for events and activities that help support the P&D Priorities.

2. Sponsorships should generally be used to provide opportunities for Port Commissioners and Port Authority staff members to promote the Port Authority and the Port of Houston and improve the Port Authority's relations with those who are interested or may be interested in the Port of Houston.

3. Sponsorships may include Port Authority-led events, and monetary and in-kind support of events organized by third parties or with the assistance of the Port Authority.

E. M/V SAM HOUSTON Tours. The M/V SAM HOUSTON is operated by the Port Authority to support the P&D Priorities.

1. The M/V SAM HOUSTON, and any successor vessels, should conduct public tours on a regular basis. Tours should be open to the public by advance reservation subject to space restrictions and availability.

2. In addition to regularly-scheduled public tours, the tour vessel may be reserved for special tours, provided that in the judgment of the Approval Authority, the special tour helps support the P&D Priorities.

a. The Port Authority reserves the right to determine all special tour conditions, including tour group sizes, catering arrangements, and materials that may be brought aboard the tour vessel.

b. Tour groups shall not be permitted to use the tour vessels for hire, nor use special tours to support political or special interest issue advocacy, fundraising, or for-profit business activities, including offering special tours for compensation, whether as an auction item or for other consideration.

3. As ambassadors of the Port of Houston, Port Commissioners and former Port Commissioners may sponsor one special tour aboard the M/V SAM HOUSTON and successor vessels each calendar year, provided that in the judgment of the Approval Authority, the special tour helps support the P&D Priorities.

F. Outreach Vehicles. Outreach Vehicles may be used to support the P&D Priorities, subject to scheduling availability.

1. Outreach Vehicles may be displayed to members of the public to increase their familiarity with the Port Authority and the Port of Houston. Community activities such as parades and gatherings that call for displays or booths should be given priority for the use of Outreach Vehicles, in the event of conflicting requests for display of Outreach Vehicles.

2. Outreach Vehicles shall not be used for hire or to support political or special interest issue advocacy, fundraising, or for-profit business activities, or for personal use by any Port Commissioner, employee, or third party, or provided for compensation or other consideration.

G. Other Activities. The Port Authority reserves the right to engage in other activities which are supported by the P&D Fund, consistent with the P&D Statutes, aligned with the P&D Priorities, and approved by an Approval Authority.

VII. Limitation of P&D Disbursements.

A. Expenses incurred by the Port Authority to conduct its routine operations and customarily approved, audited, and paid for out of regular funds of the Port Authority shall not be paid by P&D Fund disbursement.

B. Without limiting the foregoing, the P&D Fund shall not be used to pay the following:

1. Payroll-related expenses unrelated to the M/V SAM HOUSTON and any successor vessels;

2. Overhead expenses that would customarily be considered an operating expense under generally-accepted accounting principles; or

3. Operational and capital expenditures made to assist a city, county, state, or federal governmental entity.

VIII. Port Commission Expenditure Authority, Delegation, and Directives.

A. Approval of P&D Fund Expenditures and Budget. Each year the Port Commission shall approve the budget for all activities and costs to be paid from the P&D Fund, and review and approve appropriate individual items, including all contracts subject to Port Commission approval by law, and may delegate review and approval of items to Port Authority staff as it deems appropriate.

B. Delegation of Authority to Port Commission Audit Committee. The Port Commission hereby delegates to the Port Commission Audit Committee the following duties:

1. Oversight of audits and financial reviews of the P&D Fund, including an annual audit conducted by an independent auditor; and

2. Oversight of related P&D Fund financial matters, including the following:

a. The integrity of P&D Fund financial statements;

b. P&D Fund accounting reporting processes and controls; and

c. The qualifications, independence, and performance of the P&D Fund's independent auditor.

C. Delegation of Authority to Executive Director and Designees. Except with respect to its approval of contracts otherwise subject to Port Commission approval by law, or as otherwise provided by this P&D Policy and other Port Commission-approved policies, the Port Commission hereby delegates to the Executive Director, and his or her designees as set forth in writing, the review, prioritization, analysis, and approval or disapproval of requests for expenditure of P&D Funds, including the programs, initiatives, and activities set forth herein.

D. Delegation to the Chief Financial Officer. The Port Commission hereby delegates to the Chief Financial Officer the creation and execution of P&D Fund accounting procedures and practices consistent with this P&D Policy, the P&D Statutes, and accounting best practices.

E. P&D Fund Reporting. Port Authority staff members shall provide the Port Commission with regular reports, no less frequently than quarterly, setting forth all expenditures

from the P&D Fund, in such detail as the Port Commission requires, for the previous quarter and for such other periods as the Port Commission directs.

1. Without limiting the foregoing, such reports shall include information regarding:

a. Travel by Port Commissioners;

b. Grants, organizational support agreements, sponsorships, and similar spending;

c. In-kind and special uses of the Port Authority's resources, including the use of the M/V SAM HOUSTON, successor vessels, and associated costs, sorted by Port Authority division;

d. Total expenditures from the P&D Fund, including year-to-date summary information by category of expenditure; and

e. Other matters as requested by the Port Commission.

2. Periodic reports concerning P&D Fund expenditures shall be prepared for the public and made available to the public on the Port Authority's website.

F. P&D Policy Exceptions.

1. Exceptions to this P&D Policy applicable to Port Commissioner requests require action by the Port Commission in public session.

2. All other exceptions shall be approved by the Approval Authority with such delegated power.

3. All expenditures resulting from approved exceptions shall be subject to the same reporting requirements as other approved expenditures from the P&D Fund.

IX. Management of P&D Fund Budgeting, Requests, and the Approval Process.

A. Budgeting.

1. Each Port Authority division that anticipates P&D Fund expenses in the following year should develop a budget of these expenditures in conjunction with the Port Authority's annual budget process.

2. Port Authority staff should recommend reasonably detailed P&D Fund budget-line items for the forthcoming year, for Port Commission action at the Port Commission meeting during which the annual operating budget of the Port Authority is reviewed and acted on.

3. The Port Authority should endeavor to limit P&D Fund expenditures to the amounts set forth in the annual operating budget adopted by the Port Commission. In no event shall P&D Fund expenditures exceed five percent of the Port Authority's gross income from operations in each calendar year.

4. Budgets should be reforecast periodically by the applicable budget owner, and each reforecast should be shown on subsequent monthly reports, along with explanations for significant variances from the original approved annual budget line items.

B. External Requests for P&D Fund Expenditures.

1. All external requests for use of P&D Funds shall be submitted in writing to the Port Authority. P&D Fund request forms shall be available to the public and should be the preferred method for submitting a request for P&D Funds.

2. External requests not made in writing or lacking adequate justification may be disapproved by the Port Authority.

C. Evaluation and Approval or Disapproval of Funding Requests.

1. Every request for a P&D Fund expenditure shall be evaluated to determine whether it falls within the P&D Priorities and the budget adopted by the Port Commission and whether it properly serves the interests of the Port Authority. Each approved expenditure shall include a description of the expected impact of the expenditure and how the expenditure is consistent with the P&D Priorities and state whether the amount being requested is within the quarterly budget of the applicable budget owner.

2. Port Commissioners, and persons with applicable delegated Approval Authority, shall review and take action on such requests in accordance with this P&D Policy and the budget guidelines adopted by the Port Commission.

3. Any request for funding exceeding Fifty Thousand Dollars (\$50,000) shall be approved by the Port Commission during public session prior to payment.

4. Any request for funding not included in the Port-Commission-approved budget shall be approved by the Executive Director or his or her designee for such purpose prior to payment.

5. Except as hereafter provided, the action of the Approval Authority is final. If the Approval Authority disapproves a request or fails to act on any request, the request shall be considered denied, provided however if the Port Commission or Approval Authority disapproves or fails to act on a Port Commissioner request, a Port Commissioner may resubmit the request for consideration and possible action at a public session of the Port Commission.

X. P&D Policy Responsibility.

1. The Port Commission Community Relations Committee shall evaluate this P&D Policy's effectiveness and recommend updates as needed to the Port Commission for possible action at regularly scheduled meetings.

2. The Director, Community Relations and Events is responsible for implementation of this P&D Policy and is the contact for staff members seeking its interpretation.

XI. Adoption.

This Promotion and Development Fund Policy was originally adopted by the Port Commission on August 20, 2013, as evidenced by Minute No. 2013-0820-09, and amended by its action dated March 20, 2023, Minute No. 2023-0320-07.

Policy Owner: Community Relations
Policy Version: First Amendment

Exhibit A

TEXAS WATER CODE

CHAPTER 60 SUBCHAPTER H. PROMOTION AND DEVELOPMENT FUND IN CERTAIN DISTRICTS

Sec. 60.201. PURPOSE. Districts in this state which operate ports or waterways and harbor and terminal facilities are in keen competition with other ports, waterways, harbors, and terminals outside the state and with privately owned Port Authority and terminal facilities inside the state. Well-situated and well-equipped ports and waterways in other nearby states and owners of substantial Port Authority and terminal facilities located inside and outside the state are advertising, promoting and developing their competing ports, waterways, harbors, and terminals through expenditure of large amounts of money without any audit or restriction on expenditure of the money. This activity or expenditure is thwarting and impeding the use, progress, and development of the ports, waterways, harbors, and terminals of this state. Continuation of this hardship and injustice can best be met and coped with by more liberal use of some relatively small fund set aside from the gross income from operations of the ports of this state to be used in the manner provided in this subchapter.

Sec. 60.202. CREATION OF FUND. A district organized under general or special law may set aside out of current income from its operations a promotion and development fund of not more than five percent of its gross income from operations in each calendar year.

Sec. 60.203. EXPENDITURE OF FUND. Money in the promotion and development fund shall be spent by the commission or as the commission may direct to pay any expenses connected with:

- (1) any activity or matter incidental to the advertising, development, or promotion of the district or its ports, waterways, harbors, or terminals;
- (2) furthering the general welfare of the district and its facilities; or
- (3) the betterment of the district's relations with steamship and rail lines, shippers, consignees of freight, governmental officials, or others interested or sought to be interested in the ports, waterways, harbors, or terminals.

Sec. 60.204. MANAGEMENT AND CONTROL OF PROMOTION AND DEVELOPMENT FUND.

(a) The money in the promotion and development fund shall be kept separate from all other funds and accounts of the district, and no money collected from assessing or levying taxes may be mingled with the fund.

(b) The promotion and development fund shall be under the exclusive control of the commission, and the commission shall have full responsibility for auditing, approving, and safeguarding the expenditure of money from the fund.

[(c) The county auditor shall exercise his usual supervision and control to assure that the commission sets aside no more than five percent of its gross income from operations in each calendar year in the promotion and development fund. The county auditor may audit disbursements from the fund and shall be entitled to a monthly statement showing the:

- (1) date of each disbursement from the fund;
- (2) amount disbursed;
- (3) person or concern to whom disbursed; and
- (4) general purpose of each disbursement.]*

Sec. 60.205. OTHER EXPENSES NOT AFFECTED. Since this subchapter authorizes disbursements from the promotion and development fund for unusual purposes and occasions not covered by other law, the setting aside of the fund and disbursements from the fund shall not affect payment of other expenses customarily approved, audited, and paid out of the regular funds of the district.

*Water Code Sec. 60.204(c) does not apply to the Port of Houston Authority, effective September 1, 2013; see *Special District Local Laws Code Sec. 5007.227(d)*.

Exhibit B

TEXAS SPECIAL DISTRICT LOCAL LAWS CODE SEC. 5007.219

Sec. 5007.219. PROMOTION AND DEVELOPMENT FUND. (a) In this section, "promotion and development fund" means a fund created and managed under Subchapter H, Chapter 60, Water Code.

(b) The port commission shall adopt clear, complete policy and procedures to govern the use of the promotion and development fund. The policy and procedures must include:

(1) provisions limiting acceptable uses of promotion and development fund money to uses with a direct tie to the mission of the authority;

(2) a consistent budget process;

(3) a process for requesting sponsorship funds by port commissioners, authority employees, and outside groups;

(4) an approval process for each type of expenditure from the promotion and development fund, including:

(A) the level of approval or notification required for authority employees, applicable task forces, and the port commission; and

(B) a requirement that each approved expenditure must include a description of:

(i) the expected impact of the expenditure; and

(ii) how the expenditure is consistent with the strategic direction for promotion and development fund money as adopted by the port commission;

(5) a procedure for handling exceptions to the policy, including a requirement that an exception be subject to the same reporting requirements as other approved expenditures from the promotion and development fund;

(6) a provision for evaluating the policy's effectiveness and having the port commission adopt updates to the policy as needed at regularly scheduled public meetings; and

(7) requirements for regular tracking of all expenditures from the promotion and development fund and reporting of the expenditures to the port commission and to the public by making the reports available on the authority's website.

(c) A report described by Subsection (b)(7) must include detailed information about:

(1) travel by port commissioners;

(2) special uses of the authority's resources, including the use of any public tour vessels and the associated costs, sorted by authority division;

(3) sponsorship and similar spending; and

(4) total expenditures from the promotion and development fund, including year-to-date summary information by category of expenditure.