

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

**Houston, Texas
November 12, 2024**

A public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on November 12, 2024, 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
Clyde Fitzgerald, Commissioner
Thomas Jones, Commissioner
Charlie Jenkins, Chief Executive Officer
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer
Tim Finley, Chief Financial Officer
J. Kent Friedman, outside counsel

Chairman Campo began his opening remarks by thanking the Port Authority staff that worked on the budget.

(2024-1112-01) Charlie Jenkins, Chief Executive Officer, presented a summary of selected financial and operational matters:

Mr. Jenkins remarked that the third annual Houston International Maritime Conference had recently concluded, the biggest year yet with nearly 700 attendees, and a great opportunity to meet customers, network, and learn from one another.

Expert panelists gave presentations on imports, exports, sustainability, and the importance of the Houston Ship Channel. Commissioner Carl Bentzel of the Federal Maritime Commission, and the Administrator of the Panama Canal, Dr. Ricaurte Vásquez Morales, also gave presentations.

(2024-1112-02) Chairman Campo recognized Erik Eriksson, Chief Legal Officer, to provide an update regarding construction of the new Executive Office Building.

Mr. Eriksson remarked that the building completion schedule had been updated with a projected move-in by the end of 2025. He then walked through a slideshow of renderings of the building.

Chairman Campo asked if there would be an observation deck. Mr. Eriksson responded that there would be one, but that it would not be the same as the roof deck at the current Executive Office Building.

Commissioner Fitzgerald noted that it would be the third office building the Port Authority would have during his lifetime.

(2024-1112-03) Appearances

(a) Chairman Campo recognized Allure Anoma, Healthy Port Communities Coalition, who addressed the Port Commission.

Ms. Anoma expressed disappointment that the Port Authority did not receive the \$300 million Environmental Protection Agency (EPA) grant that it had applied for, but was excited to work with the Port Authority on the separate Clean Ports grant that was awarded. The truck driver program could be funded with the money.

(b) Chairman Campo recognized Stefanie Martinez, Environmental Community Advocates of Galena Park, who addressed the Port Commission.

Ms. Martinez gave an update on Project 11 advocacy. The community had raised concerns about the adequacy of the dredge material placement areas, specifically the toxicity of the dredge material itself, but since there was a lack of response from all parties, a letter had been sent by the community to the U.S. Army Corps of Engineers (Army Corps). A response from the Army Corps had been received stating that design plans would be shared.

Ms. Martinez emphasized that the community was very concerned about Project 11 and its negative effects on the communities along the channel.

(2024-1112-04) Chairman Campo recognized Tim Finley, Chief Financial Officer, to provide a report of selected Finance 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 that 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, adding that debt service on the Port Authority's revenue bonds was fully supported by its net revenues. Finally, any expenditure over \$100,000 would continue to be brought to the Port Commission for its approval.

Mr. Finley began with an executive overview, projecting operating revenue of \$674 million, an increase of 6.9% on an anticipated growth of container unit volumes and Tariff adjustments. Operating cash generation was projected to grow by 4%. Salaries and benefits reflected moderated headcount growth, with a continued merit programs for staff and Labor rate increases. Other spending increases related to a rise in Depreciation for capacity growth, coupled with maintenance costs associated with said operating capacity,

combined with longer-term strategic initiatives and ongoing support for Community and Stakeholder engagement.

The Port Authority anticipated Capital awards of \$396 million for 2025 with the container terminals representing 72% of investments. Project 11 awards were estimated at \$5 million. The five-year plan portrayed stable liquidity to cash-fund capacity expansion plans.

Mr. Finley explained that cargo units were anticipated to grow by 3%, with export loads increasing 4.5% and import loads increasing by 2.1%. Total TEU volume was projected to reach 4.158 million in 2025, but steel tonnage growth was projected to remain steady into the forecast horizon, due to the flattening of rig counts. Dry Bulk tonnage was projected to increase 4%, and other general cargo tonnage was expected to increase by 3%, driven by project cargos, lumber, aluminum, and bagged cement.

Chairman Campo asked where the lumber was coming from; Mr. Moseley replied it was being imported from Europe.

Mr. Finley referenced the Income Statement slide to show a summary of the 2023 audited figures, the 2024 reforecast figures, and the 2025 proposed budget figures. Operating Revenue, as previously mentioned, was expected to increase by almost 7% from 2024 to 2025 and cash flow was projected to be up about 4%.

Mr. Finley continued: in addition to volume growth, operating expenses were projected to increase from capacity additions (depreciation), labor rate increases, and maintenance projects associated with revenue-producing assets. General and administrative (G&A) expenses were expected to be up, stemming from investments in strategic goal attainment, which included Next Generation ERP, container capacity planning, traffic studies, and other items. Interest income on Port Authority funds, invested in short term instruments to take advantage of high interest rates, and grant awards, were expected to contribute to income. All told, total cash flow was projected to be approximately \$310 million.

Chairman Campo highlighted the 9.2% increase in operating expenses. If the depreciation were removed from the equation, the increase would only be 3.6%.

Mr. Finley remarked that the Port Authority typically underspent in the G&A category; however, the numbers were certainly not arbitrarily inflated.

Chairman Campo agreed with the G&A assessment; no company was ever 100% staffed.

Mr. Finley gave a detailed revenue analysis that showed a breakdown between operating revenue at \$674 million and nonoperating revenue at \$88 million. The nonoperating revenue included interest income – projected to decline – and grant funds as previously mentioned. A breakdown showed containers accounting for 74% of operating revenue, up 9% driven largely by unit growth and tariff changes. Turning Basin revenue was projected to be up approximately 2%, and a decrease in other revenues, primarily pipeline license revenue, was also budgeted.

Mr. Finley also provided a detailed expense analysis. Operating and G&A expenses were budgeted at \$398 million and \$76 million, respectively, while nonoperating expenses, which were primarily interest payments on revenue-backed debt, were expected to be \$31 million. About half of the operating expenses consisted of salaries and benefits of Port Authority and International Longshoremen's Association (ILA) labor. In sum, overall expenses were expected to grow 10% in 2025.

Chairman Campo liked the way Mr. Finley described the human assets (salaries and benefits). The Port Authority was about people and creating jobs, and one company's expense was another company's revenue.

Mr. Finley continued: the 2025 budget projected a \$40 million increase in operating expenses driven by depreciation and amortization, ILA salaries and benefits, and maintenance and capacity support such as demolition at Barbours Cut Container Terminal, wharf and road maintenance, environmental, software, and security. G&A expenses included strategic goal-related spending such as NexGen ERP, 2025 strategic plan implementation, and other initiatives.

Mr. Finley called out the Promotion and Development Fund, which was previously approved by the Port Commission and was represented in the budget numbers that were being presented.

Mr. Finley detailed Strategic Goals expense: in support of the 2025 Strategic Goals, a budget of \$7 million was comprehended by the Operating budget. The Port Authority's Strategic Goals drove priority setting, resource allocation, capability development, and decision-making, to maximize value for the region, state, and nation. Separately, the budget included \$72 million in awards and expenditures associated with sustainable projects that also contributed to the local economy through job creation and regional prosperity.

Mr. Finley noted that the Port Authority ended the month of September 2024 with 817 active employees and approximately 53 open positions, which consisted of 11 newly created positions and 42 replacements. The 2025 budget called for an additional 21 headcount, bringing the total number of positions to 891.

Mr. Finley gave a Capital overview. The capital plan had a budget of \$396 million, broken down into five categories: strategic projects, recapitalization, Project 11, channel maintenance, and other projects. Specific awards anticipated in 2025 as part of the capital plan included container terminal expansion and maintenance dredging.

Mr. Finley next specifically detailed the capital plans for the two container terminals. Bayport Container Terminal included anticipated awards for Container Yard 1 south and the Maintenance Annex. Further design and construction were planned for 2026 and beyond, but not included in the 2025 budget. Barbours Cut Container Terminal included awards for the construction of Wharfs 5 and 6, along with plans for the North Empty Yard.

Mr. Finley concluded the Capital Plan presentation by detailing plans for Manchester Terminal, which included awards planned for Manchester Terminal Wharf M2 construction and Wharf M3 design.

Mr. Finley detailed the Port Authority's liquidity projections; it was projected to have a stable liquidity position for operating funds as it invested in new capacity and redevelopment while providing debt service coverage for Project 11 bonds. The Port Authority was projected to end 2024 with approximately \$300 million in cash. Funding responsibilities for Project 11 were included in the planning horizon.

Mr. Finley explained award capacity: the ability of the governing body to have money to appropriate to projects throughout the year, and noted that award capacity included awarding against \$550 million in credit facilities.

Mr. Finley presented the key takeaways from his budget presentation. The financial outlook for the next year was stable and supported by moderate growth in cargo and managed spend across the full enterprise. Container unit growth rates were projected to increase in 2025 based on industry and market signals, combined with expected steady volumes of steel imports, and capital plans were to continue for container capacity expansion and general cargo facility redevelopment. The Port Authority's liquidity position was sound, with cash positions remaining favorable given the business assumptions.

Commissioner Fitzgerald asked about revenue from extended gate hours. Mr. Jenkins answered that the Port Authority had capacity to have extended gate hours, if necessary.

Mr. Finley moved on in his presentation to give an overview of the five-year plan. With container unity growth of 3% and general cargo growth of 2%, the plan illustrated operating revenues expanding 6% across the planning horizon, while net operating cash generation grew by 3.5%. The net operating income trend was influenced by depreciation

on capacity additions, Port Authority and ILA compensation, and support costs for operating capacity.

Mr. Finley explained that operating expenses were projected to grow from capacity additions (depreciation) as it neared completion of the Bayport Container Terminal development, including support for maintaining said capacity. G&A growth results from Next Generation ERP platform depreciation was projected to begin in 2026, along with similar merit and incentive increases throughout the horizon.

Approximately \$2 billion in total capital awards over the next five years was anticipated, as container capacity continued to expand and assets were maintained. Operating revenue over the five-year horizon was expected to be strong throughout. The Port Authority projected to have a solid liquidity position until the 2030s, when discussions related to the next container terminal and Project 12 would impact operating revenue.

Mr. Finley concluded his presentation by thanking staff for putting together the detailed numbers in the budget, especially the Financial Planning team lead by David Jochnau, Director, Financial Planning, and supported by Katrina Stewart, Budget Manager, and David Dupre, Business Analyst.

Commissioner Corgrey asked how accurate the five-year plan had been in the past. Mr. Finley answered that the Port Authority had consistently exceeded the plans.

(2024-1112-05) RCA G1 was presented, moved by Commissioner Jones, seconded by Commissioner Corgrey. Chairman Campo, and Commissioners Cloonan, Corgrey, Fitzgerald, and Jones voted Aye. Nays none. RCA E1 PASSED.

(2024-1112-06) RCA G2 was presented, "Staff briefing, discussion, and possible action regarding the proposed Five-Year Operating and Capital Plan."

(2024-1112-07) Chairman Campo recognized Jessica Shaver, Chief People Officer, to provide a report of selected People agenda items.

Ms. Shaver gave an overview of the proposed 2025 update to the Strategic Plan. The process included numerous engagements from different parties on the process: over 165 stakeholders were engaged for their feedback.

The plan consisted of the Mission, Vision, Goals, Objectives, and Strategies. There were three main Goals: Maritime Economic Development, Partnerships, and People and Organization. These were bolstered by seven Objectives with Strategies for each.

Ms. Shaver explained that the implementation of the Strategic Plan was the pivotal process to turn the strategies into actions that would help the Port Authority achieve its

Mission, Vision, Goals, and Objectives. It would be an ongoing process that involved developing project plans, capital investment strategies, operating budgets, human resource planning, and other essential activities. The Strategic Plan was considered a living document with ongoing implementation and monitoring.

(2024-1112-08) RCA E1 was presented, moved by Commissioner Cloonan, seconded by Commissioner Fitzgerald. Chairman Campo, and Commissioners Cloonan, Corgey, Fitzgerald, and Jones voted Aye. Nays none. RCA E1 PASSED.

(2024-1112-09) Chairman Campo recognized John Moseley, Chief Commercial Officer, to provide a report of selected Commercial agenda items.

Mr. Moseley presented the two items on the Commercial agenda. The first was for an increase in rent on all month-to-month leases of 3%. The other was for a right of access agreement for access to the Port Authority's Beltway 8 property.

(2024-1112-10) RCA F1 was presented, moved by Commissioner Corgey, seconded by Commissioner Cloonan. Chairman Campo, and Commissioners Cloonan, Corgey, Fitzgerald, and Jones voted Aye. Nays none. RCA F1 PASSED.

(2024-1112-11) RCA F2 was presented, moved by Commissioner Corgey, seconded by Commissioner Cloonan. Chairman Campo, and Commissioners Cloonan, Corgey, Fitzgerald, and Jones voted Aye. Nays none. RCA F2 PASSED.

(2024-1112-12) Chairman Campo recognized Ryan Mariacher, Chief Port Operations Officer, to provide a report of selected Port Operations agenda items.

Mr. Mariacher requested a general increase in charges to Tariff 14 and 15 (Barbours Cut Container Terminal and Bayport Container Terminal) commensurate with the 2.9% increase in the Consumer Price Index, a 2.9% increase to Tariff 8 (for the public wharves), and a 2.9% increase in the Harbor Fee.

(2024-1112-13) RCA H1 was presented, moved by Commissioner Fitzgerald, seconded by Commissioner Jones. Chairman Campo, and Commissioners Cloonan, Corgey, Fitzgerald, and Jones voted Aye. Nays none. RCA H1 PASSED.

At 10:13 a.m. Chairman Campo called for a brief recess, and at 10:26 a.m. called for an Executive Session and asked Mr. Eriksson to make the following announcement:

It is now 10:26 a.m. The Port Commission of the Port of Houston Authority of Harris County, Texas will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code (1) to conduct a private Consultation with Attorneys (*Section 551.071, Texas Open Meetings*

Act), including consultations regarding (i) 33 U.S.C.A. §§5(b) and 2236 and (ii) proposed amendment to the agreement for legal services with Best Best & Krieger LLP; deliberate regarding (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*); and (5) Security-Related Matters (*Sections 418.175-418.183 of the Texas Government Code, and Section 551.076, Texas Open Meetings Act*). The Port Commission will reconvene in public session after the closed meeting is adjourned.

At 10:45 a.m., Chairman Campo reconvened the open meeting with the following Commissioners, staff, and counsel in attendance:

Ric Campo, Chairman
Wendy Cloonan, Commissioner
Dean Corgey, Commissioner
Clyde Fitzgerald, Commissioner
Thomas Jones, Commissioner
Charlie Jenkins, Chief Executive Officer
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer
Tim Finley, Chief Financial Officer
J. Kent Friedman, outside counsel

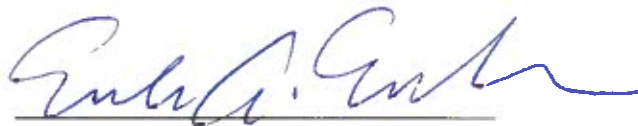
(2024-1112-14) Commissioner Jones moved to authorize the Port Authority to amend the agreement for legal services with Best Best & Krieger LLP on the terms discussed in Executive Session, and to authorize the Chief Legal Officer to do all things necessary to give effect to the foregoing, seconded by Commissioner Fitzgerald. Chairman Campo, and Commissioners Cloonan, Corgey, Fitzgerald, and Jones voted Aye. Nays none. MOTION PASSED.

At 10:46 a.m., Chairman Campo adjourned the Port Commission meeting.

The above is a correct copy of the Minutes of the November 12, 2024 meeting of the Port Commission of the Port of Houston Authority.



Ric Campo, Chairman



Erik A. Eriksson, Secretary