

# I N D E X

PORT COMMISSION  
OF THE  
PORT OF HOUSTON AUTHORITY  
OF THE PORTS OF HARRIS COUNTY, TEXAS  
November 10, 2020

<u>Minute No.</u>	<u>Event/Action</u>
	<b>General</b>
	Chairman Campo convened the virtual Port Commission meeting and provided opening remarks
	<b>Staff Reports</b>
2020-1110-01	Roger Guenther, Executive Director, presented a summary of selected operational matters
	<b>Appearances</b>
2020-1110-02(a)	Chairman Campo recognized Adrian Shelley, Public Citizen, who addressed the Port Commission
2020-1110-02(b)	Chairman Campo recognized Leticia Ablaza, Air Alliance Houston, who addressed the Port Commission
2020-1110-02(c)	Chairman Campo introduced Rich Byrnes, Chief Infrastructure Officer, to provide a 2040 Plan presentation
	<b>E. Executive</b>
2020-1110-03	Approve Port Commission committee and task force chairs and members
	<b>F. Finance</b>
2020-1110-04	Chairman Campo recognized Mr. Finley to provide a report of Finance Division agenda items
2020-1110-05	Approve the proposed Fiscal Year 2021 Operating and Capital Budget ( <i>as amended to increase the proposed funding for the Baytown-West Chambers Economic Development Foundation and the Economic Alliance Houston Port Region from \$30,000 to \$40,000</i> )
2020-1110-06	Staff briefing and discussion regarding the proposed Five Year Operating and Capital Plan

Minute No.

Event/Action

**J. Operations**

2020-1110-07

Chairman Campo recognized Mr. Heidt to provide a report of selected Operations Division agenda item

2020-1110-08

Authorize additional purchase order funding for continuing pandemic response services with Workplace Safety Screenings for \$875,000, Ambassador Services, LLC for \$450,000, and Transportation Rental Solutions LLC for \$80,000

**Adjourn Meeting**

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

**Houston, Texas  
November 10, 2020**

A public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on November 10, 2020 at 9:15 a.m., 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  
Roy Mease, Commissioner, arrived at 10:22 a.m.  
Roger Guenther, Executive Director  
Erik Eriksson, Chief Legal Officer  
Tom Heidt, Chief Operating Officer  
Tim Finley, Chief Financial Officer  
J. Kent Friedman, outside counsel

Chairman Campo began the meeting by thanking Port Authority staff for all its efforts. October was one of the biggest months ever from a container perspective; it was critical to jobs and the region to get supplies in and to customers. He also thanked the Port Authority police and fire departments for keeping everyone safe.

(2020-1110-01) Roger Guenther, Executive Director, presented a summary of selected operational matters as follows.

Mr. Guenther highlighted October 2020 operating results:

- October was a terrific month as the Port Authority saw a welcome rebound in container volumes.
- September 2020 was the first month of growth over 2019 since the beginning of the pandemic, with container volumes up 1%.
- October 2020 was the busiest month ever, with a 15% increase over October 2019. The Port Authority handled 296,000 twenty-foot equivalent units (TEUs), a single month record.
- Activity was being pushed by an 18% increase in loaded cargo, during a peak season that had been compressed over the past few months as retailers rushed to ensure merchandise was on the shelves to meet the holiday demand.
- Container volume put the Port Authority down only 1% for year-to-date 2020, versus a record 2019 year.
- Operating revenue of \$36.6 million, driven by this activity, represented a new record as well – 5% greater than the previous record set in July 2019.

Mr. Guenther was proud of the efforts of Port Authority staff and all its partners, who continued to deliver this tremendous growth efficiently and reliably for customers while keeping the port free of congestion. He expected to see a strong finish through the remainder of 2020.

Commissioner Fitzgerald asked regarding import volumes, and Mr. Guenther answered that these were up about 20% over October 2019, a 15% increase in TEUs and a 5% increase in loaded units. The increase primarily came from Asian markets.

Commissioner Fitzgerald also paid tribute to the pilots and tug operators who were essential to the uplift in business, adding that it took everyone to make the channel function.

Commissioner Corgey thanked Mr. Guenther for allowing crew changes at Port Authority terminals; the procedure was working seamlessly. He added that there seemed to be a lot of U.S. flagships in the channel recently.

Chairman Campo mentioned that there was currently a quorum and Commissioner Mease would be arriving late to the meeting. He noted that the draft of the disparity study was expected to be disseminated in the forthcoming week and would be discussed in summary at the December meeting.

(2020-1110-02)      Appearances

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

Mr. Shelley stated he was representing both the Public Citizen and Healthy Port Communities Coalition, a coalition of organizations that work in and around communities adjacent to the Houston Ship Channel to protect the health and safety of residents.

Mr. Shelley appreciated that the 2021-2025 budget had been provided but felt there was not a lot of detail in it. He noted that there was a lot of investment in the port and in the region every year. There was approximately \$238 million in capital expenditures for 2021 and \$266 million for Project 11 in the document he reviewed which were needed investments to keep the Port of Houston the economic engine that it has been. However, the coalition and residents were interested in what the regional economic engine would do for them in terms of quality of life, health, and safety.

Mr. Shelley noted he believed there was approximately \$3 million in economic development and community support each year, which represented a little less than 1% of the total expenses of the Port Authority, and there was not a lot of detail about those expenses. He felt it was a missed opportunity to engage with the communities adjacent to

the Port Authority and the advocacy groups that were interested in what the Port Authority could and should do as a leader in the region.

Mr. Shelley recognized that the Port Authority had met a few times recently with the Healthy Port Communities Coalition, which was appreciated, but he also felt there had not been any meaningful opportunities to provide things like feedback on the budget; as an example, the clean air strategy plan that had been in draft form for a long time. Mr. Shelley emphasized that comments and feedback on the plan had been promised, but he had not seen anything related to the plan, and it would have been great to see the plan in conjunction with the budget. In addition, there were opportunities available for funding for the kinds of strategies that should go into a clean air strategy plan, such as the Texas Emissions Reduction Plan at the state level and the Diesel Emissions Reduction Act at the federal level.

Mr. Shelley described how grant money could be inserted into the budget as investment in clean technology for the region, and doing so would allow people the opportunity to provide comments and participation.

Mr. Shelley concluded his remarks by stating he appreciated the opportunity to comment on the budget, but felt that it was a missed opportunity to have a more meaningful conversation about where the Port Authority's priorities were, as reflected in it.

Chairman Campo stated that he did not disagree with anything Mr. Shelley said, there needed to be a forum for the communities in and around the port, and clearly the Port Authority need to invest in an environmental policy with a clean air strategy, and vet it with the community. Furthermore, the Port Authority needed to get as much capital from state and federal opportunities as possible to do so.

Chairman Campo continued by noting that the challenge with the budget was that if a massive amount of detail were to be included, it would take a long time to present and review. He thought the next step would be to bring it up to the appropriate committee or to have a separate meeting dealing specifically with environmental issues and how they were addressed.

Commissioner Corgey felt it was a good issue for the Community Relations Committee to address and work into its new Community Grants Program. He agreed with Mr. Shelley's points and would be more than happy to have a conversation to further discuss the issues.

Commissioner Cloonan noted that she had a couple of conversations previously with Mr. Shelley and she appreciated that he continued to hold the Port Authority accountable.

Commissioner DonCarlos questioned Mr. Guenther as to the status of the clean air strategy plan, and Mr. Guenther explained that the latest draft of the plan had been received from the consultants and that a meeting with the Healthy Port Communities Coalition was scheduled. The plan was currently under review internally and staff felt it was close to meeting all the needs of the Port Authority. Once the plan was finalized internally, it would be opened up for review and comment by various stakeholders, such as Mr. Shelley.

Mr. Guenther added that the Port Authority was also conducting a goods and emissions inventory, working with its tenants to gather information, which was expected to take approximately nine months to complete. Mr. Guenther emphasized that the Port Authority would continue to engage with Mr. Shelley and his groups.

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

Ms. Ablaza explained that Air Alliance Houston was a non-profit advocacy organization which worked to reduce the public health impacts from air pollution and advance environmental justice. Air Alliance Houston was also part of the Healthy Port Communities Coalition.

Ms. Ablaza appreciated the time that the Port Authority had taken to meet with her organization but also felt frustrated as she had not seen the desired environmental leadership. She acknowledged that the Port Authority was a huge economic engine that brought a large amount of opportunities to the region, but at the same time the communities that lived in and around the port needed to be considered.

Ms. Ablaza would have liked to see a roadmap as to how the Port Authority would handle everything from emissions to the widening and deepening of the channel. She emphasized that there were air quality concerns at the present time, and that her organization had met with Port Authority staff previously, but she had not gotten a clear path. She wanted to see a public, data-driven, strategic plan to reduce emissions at the Port Authority, and which included performance targets. A community engagement meeting had been held to formalize a path with the community to have a dialog and engagement with the Port Authority to identify common objectives.

Ms. Ablaza stressed that the Port Authority had expressed a desire to do more community engagement but felt that there were still a lot of items that had not been answered, such as the clean air strategy plan.

Chairman Campo agreed with everything that had been said by Mr. Shelley and Ms. Ablaza. A roadmap for environmental stewardship was needed that would be shared with the public; a public data-driven plan was needed. Part of the challenge in the current pandemic environment was finding the opportunity to have face-to-face meetings. Virtual

meeting worked but slowed progress (the disparity study was a great example as it was supposed to have been completed in August 2020).

Chairman Campo felt that all the commissioners would agree with him in that the Port Authority wanted to be the environmental leader. He wanted to make sure that the various organizations, such as Mr. Shelley's and Ms. Ablaza's, did not feel as if they were getting the run-around.

Commissioner Corgey stressed that he would be more than willing to sit down with Mr. Shelley and Ms. Ablaza at any time to further discuss their concerns.

(c) Chairman Campo introduced Rich Byrnes, Chief Infrastructure Officer, to provide a 2040 Plan presentation.

Mr. Byrnes began his presentation by noting a draft copy of the full presentation had been provided to the commissioners for review. He stated that the 2040 Plan was a blueprint which described high level priorities and acted as a guide for investments and policy decisions. Staff was excited to have stakeholders on board and had undertaken extensive stakeholder engagement, including information sessions and focus groups. A webinar on the 2040 Plan and Project 11 with nearly 400 attendees had also been held, and feedback from these engagements had been incorporated into the plan.

Mr. Byrnes emphasized that, to ensure consistency, staff had also examined over 50 external plans from the City of Houston, Harris County, area communities, the Houston-Galveston Area Council, the Texas Department of Transportation, the Galveston Bay Plan, the U.S. Army Corps of Engineers, and others to identify and address common themes like economic prosperity resilience, environmental quality, and mobility and safety.

Mr. Byrnes explained the steps taken to develop the 2040 Plan. The first two were to understand the situation and the Port Authority's goals. The next two were to act and invest in strategies and capital projects. The centerpiece of the plan was four implementation strategies and twelve specific initiatives, which further drove projects and capital programs. Finally, the plan needed to deliver economic impacts and community connections with the need for adjustment over time. Consequently, the phrase "living document" would be used.

Mr. Byrnes expanded on each of the steps. He talked about the Port Authority knowing its roles and opportunities, which required acknowledging two distinct concepts: Port Houston and the greater Port of Houston. Port Houston referred to the Port Authority, with its roles to sponsor the ship channel and operate its public docks. The greater Port of Houston was the broader collection of industry, communities, and citizens living in the area. The two concepts provided the backdrop for everything else and needed to support one another for the overall mission of driving regional prosperity.

Mr. Byrnes described how knowing the Port Authority's role also meant knowing where it came from, in order to see where it might go. The Port Authority's history established a pattern of leadership and innovation. Examples of the Port Authority's innovation included being the first major public and private partnership with the federal government in 1912, the first container shipping destination in 1956, the first port ISO-certified for environmental management in 2002, and the first port to move to 100% renewable electricity in 2019.

Mr. Byrnes affirmed that the Port Authority would continue its innovation with the ship channel expansion, which had been called a new model for the nation. The Port Authority would continue to roll out new technology, participate in community projects, better its security and safety, and improve regional transportation.

Staff had analyzed trends and future drivers to put opportunities in context. Population growth in Texas, total cargo of the greater Port of Houston, and containerized cargo measured in TEUs had been tracked for the future. Each has been a tremendous success story, and there was a correlation of growth with the continuing improvements to the ship channel. The forecasts were based on external research, industry consensus on growth, and other sources.

Mr. Byrnes considered it was clear that fundamental long-term growth in energy and resin exports, and continued economic and population growth in Texas, meant that both imports and exports of cargo would continue driving the need for the ship channel and infrastructure.

Mr. Byrnes further explained how the second part of the plan was to align with the Port Authority's mission, vision, and values that were at its core and drove the strategic plan goals of people, partnerships, infrastructure, and stewardship, which in turn catalyzed the four implementation strategies of the 2040 Plan, and which then framed the journey and guided specific actions. The centerpiece of the plan, then, was comprised of the "four-C strategies:" channel, cargo, community, and change. Each of the strategies had several initiatives.

Mr. Byrnes described the first strategy: supporting continuing regional growth by sponsoring improvements to the Houston Ship Channel. The first initiative of the strategy was expanding the channel – known as Project 11. The Port Authority's mission on the water also required stewardship of tremendous assets, including 10,000 acres of dredged material and beneficial use marsh areas, along with 14,500 acres of submerged lands. These aspects brought economic benefits to the maritime community, and environmental benefits through enhanced habitats such as bird islands and oyster reef restoration.

Mr. Byrnes detailed the next strategy: cargo. Cargo was what ports “do” – supporting efficient supply chains, which influences how companies locate and operate. The first cargo initiative was to continue to build out the container terminals to stay ahead of growth and facilitate commerce. That included rehabilitating the Barbour's Cut Container Terminal and adding wharves and facilities to the Bayport Container Terminal.

Mr. Byrnes noted that the Port Authority's multipurpose cargo terminals serve heavy industry, steel imports, wind energy, and automotive industries. In this area, the plan was more about operation flexibility, to accommodate fluctuating and diverse markets and provide new opportunities. That pivoted into real estate, where the initiative was to promote new commercial concepts, from the Turning Basin Terminal all the way to Pelican Island.

Mr. Byrnes continued his presentation with the third strategy: connections to the community. The 2040 Plan's first initiative for this strategy was moving to a more project-focused engagement model with the communities, aimed at ensuring tangible results validated by the communities themselves. Environmental stewardship meant activities like renewable electricity, LED lighting, electric vehicles, and industry-leading recycling. The Port Authority was participating in numerous forward-thinking groups for tree planting, decarbonization in shipping, the hydrogen economy, tanker port-call efficiencies, plastic recycling, and other ideas. Finally, the community also included the trucking, rail, and pipeline partners that moved goods, and the plan promoted more efficient goods movement outside the gates through freight mobility.

Mr. Byrnes explained that the fourth “C” was about change as the Port Authority continued its journey into the future. No 20-year plan could be both overly specific and accurate at the same time, uncertainty needed to be accounted for, but the Port Authority could plan around adjustments to market dynamics such as changes in ship sizes, the energy renaissance, growing population, and commensurate traffic.

Mr. Byrnes emphasized that new technologies were part of the equation, including gate improvements which increased throughput velocity for trucks and new systems for managing the millions of TEUs moving through the yards. Plans also included renewing enterprise resource management systems, improving collaboration and knowledge management systems, enhancing safety and security, and future intelligent transportation systems. Change also included changing things out when the time had come, such as removal of the out-of-date LASH dock to make room for the expanded ship channel and bigger ships.

Mr. Byrnes explained that as the Port Authority acted on the strategies, investments were required. The Port Authority maintained a long list of projects and programs which included wharf and yard expansions, envisioning a “Project 12” to come after Project 11, and renovating facilities, which could require \$4 billion over the 20-year time frame. He

gave more details on Project 11 and the widening and deepening of the channel, adding that the plan was to accelerate execution beginning in the new year. He noted the timeline of the previous ten projects, and the expectation for a twelfth project within the 20-year planning time frame.

Mr. Byrnes illustrated the functional strategies for the cargo terminals including “build and grow” at the container ports and “operational flexibility” in the multi-purpose cargo sector.

The next step of the plan was to deliver results. Benefits already delivered by the Port Authority included 3.2 million jobs in the U.S. and 1.35 million in Texas, \$802 billion in U.S. economic value and \$339 billion in Texas economic value, and \$38.1 billion in federal tax revenue and \$5.6 billion in state tax revenue. The Port Authority expected the 2040 Plan to deliver more, as well as adding value through specific projects, innovation, and resilience.

Mr. Byrnes reiterated that the 2040 Plan was a living document. There were many ideas that still needed to be addressed, such as supporting maritime innovation, exploring new transportation modes, plastics recycling, and improving environmental quality in partnership with area stakeholders.

Mr. Byrnes concluded his remarks by acknowledging and thanking the people and organizations that contributed to and shaped the 2040 Plan. Strong relationships with stakeholders would help move the 2040 Plan’s general direction to specific value, and would be essential to move the Port Authority forward in the forthcoming years.

Chairman Campo emphasized that the 2040 Plan and the 5-Year Plan were living documents that would need to be constantly adjusted given the environment and priorities of the Port Authority.

(2020-1110-03) Chairman Campo called for a motion to approve Port Commission committee and task force chairs and members. Commissioner Cloonan moved for approval, seconded by Commissioner Corgey. The motion passed.

(2020-1110-04) Chairman Campo recognized Mr. Finley to provide a report of Finance Division agenda items.

Mr. Finley greeted all those present and referenced the meeting materials distributed to the Port Commission and the onscreen presentation. He advised there were no tax revenues included in the operating budget since those revenues were used exclusively for debt service for the Port Authority’s outstanding general obligation ad valorem tax bonds, and added that any expenditure over \$50,000 would continue to be brought to the Port Commission for its approval. He pointed out that 2021 budget

comparisons were being made to the 2020 budget reforecast, an update to the 2020 budget that was prepared by staff as of July 2020.

Mr. Finley stated that economic growth expectations for 2021 trended consistently from 2.5 to 5.4%. 2021 operating revenue growth was projected to grow 4.6% to \$398 million, generating \$146 million in cash flow, down 3% from expected 2020 results. Container revenues projected a 4% growth in units. General cargo showed a 3% growth based on an expected steel uptick.

Chairman Campo noted that it was interesting that Texas' growth expectations at 2.5% were far below the national and global expectations, and felt it was a result of the decline in the energy sector, due in part to the pandemic. However, he was hopeful that Texas would do better, as it usually outperforms the nation. Chairman Campo recently saw a figure stating that Texas employs more clean energy jobs than "old-energy" jobs. An energy transition may be forthcoming, and the Port Authority was well positioned for such a transition.

Mr. Finley agreed that the pandemic had an impact on the energy sector. He felt the topline estimate was fairly conservative but wanted to plan expenses and growth accordingly.

Mr. Finley remarked on projected spend increases for operations associated with capacity growth, combined with investments for targeted strategic initiatives. Promotion and Development investments would decrease by 9%. Headcount growth included 15 new positions for 2021 – nine for Operations and six for General and Administrative (G&A). There was also the \$239 million capital plan, focused primarily on the container terminals in both new capacity and redevelopment; approximately \$306 million was anticipated for Project 11.

Liquidity projections showed sufficient resources to fund the Port Authority Operating Capital Plans and Mr. Finley noted that the budget assumed the Port Authority's portion of Project 11 would be funded by proceeds from revenue bonds.

Mr. Finley projected operating revenue for 2020 of approximately \$381 million, down about 3% from 2019. The second quarter of 2020 was the low point for the year, down about 11% in revenue. Growth numbers turned around beginning in September and continued with a strong October. The Port Authority looked good in relation to the reforecast, with revenue spot on and cash flows a bit ahead.

Mr. Finley advised that 2021 would reach \$398 million in operating revenue, a growth of 5%, generating \$146 million in cash flow. The 2021 gross profit margin percentage of 29.6% would decline from the 2020 reforecast of 34%, driven by the capital

assets put in place. The Port Authority would still generate good cash flow at just under \$150 million.

Mr. Finley called attention to the \$7 million in nonoperating items and contributions. The big picture was the approximately \$20 million of incoming grant money associated with Bayport Wharf 6 and the Port Road expansion projects. Pulling the category down was the funding of approximately \$13 million for the Port Road expansion combined with the anticipated \$4 million of interest on the debt that was anticipated to fund the Port Authority's portion of Project 11.

Mr. Finley explained that total container growth was projected at a 6% increase, with import loads up 6% and export loads up 3%, as resin production returned to normal levels. Steel was projected to increase 13%, with just under 3 million tons, based on the anticipation of improved market conditions, including an increase in drilling activity by the second half of 2021 and inventory replenishment. Total automotive cargo tonnage was projected to increase by 58% and other general cargo such as cement, grain, project cargo, etc. was projected to increase by 3%. The projected increase in automotive cargo was reflective of a return to 2019 levels.

Mr. Finley moved on to operating revenue analysis. He reiterated a total of \$381 million in operating revenue for the 2020 reforecast and projected growth to \$398 million for the 2021 budget. The big driver for this would be the 6% unit growth in containers, which would drive approximately \$12 million in top-line growth. Steel and general cargo growth would contribute approximately \$5 million as well.

Mr. Finley remarked that total revenue for 2021 of \$422 million was a combination of the \$398 million in operating revenue and \$24 million in nonoperating revenue such as grants. The projected total revenue reflected an increase of 8%. Containers represented approximately three quarters of the Port Authority's revenue. Turning Basin Terminal revenue growth was led by an expected steel tonnage increase of 13%. Nonoperating revenue was projected to increase by 127%, primarily from grant revenue associated with the Bayport Wharf 6 and Port Road projects.

Mr. Finley advised that expenses were reforecast at \$305 million in 2020 compared with an expected \$338 million for 2021. Expenses were driven by depreciation and amortization, which would begin to hit in 2021, and the Port Authority and International Longshoremen's Association (ILA) labor costs, tied to volume and capacity growth. Wharf maintenance was another large expense projected for 2021, with the relocation of three cranes from the Bayport Container Terminal to the Barbours Cut Container Terminal accounting for a large part.

Mr. Finley noted that G&A spending was up approximately \$5 million from the 2020 reforecast, driven primarily by the change in work patterns which has dampened

spending in 2020. Some of the projected increase represented a return to pre-pandemic spending. Consulting fees were up a few million in total, with a large part being the next generation enterprise planning platform and environmental projects. Salaries and benefits were up approximately \$1 million.

Mr. Finley reviewed all expenses, noting that salaries and benefits, including labor, comprised 50% of the total spend, the largest amount. ILA costs made up approximately \$62 million of the category, while Port Authority salaries and benefits accounted for \$114 million. Both ILA and Port Authority salaries were projected to increase by 7%.

Terminal asset and maintenance accounted for 7% of total expenses with an increase of 37%; Mr. Finley explained it was due to the crane relocation and other ongoing maintenance necessary to sustain the growth and productivity of the terminals. Discretionary spending, which was made up of a host of items such as fees and services, travel, etc. increased by 11% over the 2020 budget. Within the discretionary category for 2021, a pool of funds was set aside for the Port Commission to leverage for support of economic development and sponsorships at each commissioner's discretion.

Chairman Campo clarified that \$70,000 had been set aside in the discretionary category, providing each commissioner \$10,000 to assign to civic groups that supported the Port Authority. This would be incremental to the existing process for support of these groups, which support Mr. Guenther approves.

Mr. Finley continued by highlighting the depreciation expense, which comprised approximately 25% of projected 2021 spending: a growth of 15%. The depreciation expense reflected capacity additions, recapitalization, and maintenance dredging.

Mr. Finley went into more detail on staffing growth, noting that as of September 2020 there were 695 Port Authority staff members, with 38 open positions, for a total projected headcount of 748. Fifteen new positions were being requested for 2021: nine in the Operations Division, three in Infrastructure, one in Technology, and two in Finance.

Mr. Finley reviewed the operating cash flow that would fund the 2021 Capital budget of \$239 million. Items included strategic projects to support new growth opportunities such as the Bayport Wharf 6 project and the related ship-to-shore cranes, recapitalization projects including a maintenance facility at the Barbours Cut Container Terminal, channel projects such as maintenance dredging, and other remaining projects including the replacement of maintenance equipment like yard mules and related gear. The figures excluded the Port Authority's portion of Project 11 construction costs estimated at \$306 million for 2021.

Regarding liquidity projections, Mr. Finley called attention to the total cash flow, which was comprised of the cash flow generated by operations and nonoperating items

such as grants. Total cash flow included principal and interest payments in the amount of \$4 million associated with potential 2021 revenue bond issuance.

Chairman Campo pointed out the key aspects of the debt, which would be supported by Port Authority revenue bonds and not ad valorem tax bonds. The Port Authority in the past had used ad valorem tax bonds to build things such as the Bayport Container Terminal, because it did not have enough revenue at the time to support itself through the investment. At the present time, the situation was different, as the Port Authority had a revenue stream to pledge port-supported bonds as opposed to Harris County taxpayer-supported bonds. Chairman Campo felt it was notable that previous Port Commissions and staff had situated the Port Authority to be able to accomplish such things on its own instead of asking for taxpayer assistance.

Mr. Finley emphasized that any bond issuance would be brought before the Port Commission for approval at the appropriate time, concluding his 2021 budget proposal.

Commissioner DonCarlos disagreed with the portion of the budget regarding promotion and development. He understood the concept of reducing the amount but differed on cutting the budget of two of the organizations that dealt directly with the Port Authority: the Baytown-West Chambers Economic Development Foundation and the Economic Alliance Houston. Both proposed budgets had been cut by \$10,000. Commissioner DonCarlos viewed those organizations differently than he did chambers of commerce, which primarily supported local businesses. The two entities worked directly with the Port Authority in bringing major manufacturing to the region.

Commissioner DonCarlos gave an example of how the Baytown-West Chambers Economic Development Foundation directly worked with west Chambers County primarily in logistics operations that used the Port Authority and supported the container terminals. He felt it was the wrong time to be cutting budgets for those types of organizations, and was at a loss as to why the two organizations were having their budgets cut and being grouped together with other various chambers of commerce and was in favor of restoring the two organizations previous budgets of \$40,000 each as opposed to the proposed \$30,000 for 2021. Commissioner DonCarlos was certain that the two organizations would be willing to put together presentations which would show how they benefited the Port Authority.

Mr. Guenther understood the point Commissioner DonCarlos made and stated that there was a reason to become more consistent with the levels of sponsorship. As the Port Authority migrated into its grants program there would be opportunities for groups like the ones Commissioner DonCarlos referenced to receive a larger contribution for the value provided to the Port Authority. Mr. Guenther reiterated that he made a recommendation based upon a lot of work and a level of consistency versus some of the levels in the past.

Commissioner DonCarlos stated his issue with the organizations obtaining grant money was that they did not have any special programs to present. He was more concerned with the organizations getting a steady known income stream.

(2020-1110-05) RCA F1 was presented. Commissioner DonCarlos moved to approve the proposed Fiscal Year 2021 Operating and Capital Budget (*as amended to increase the proposed funding for the Baytown-West Chambers Economic Development Foundation and the Economic Alliance Houston Port Region from \$30,000 to \$40,000*), seconded by Commissioner Fitzgerald. Chairman Campo, and Commissioners Cloonan, Corgey, Creuzot, DonCarlos, Fitzgerald, and Mease voted Aye. Nays none. MOTION PASSED.

(2020-1110-06) RCA F2 was presented, “Staff briefing and discussion regarding the proposed Five Year Operating and Capital Plan.”

Mr. Finley presented a brief overview, for informational purposes only, of the Five-Year Plan. He pointed out that Operating Revenues reflected a 3.6% compound annual growth rate for 2021-2025 compared to cash generation growing by 3.7%, a relatively conservative outlook. A spike in operating revenue in 2023 was expected due to anticipated additional resin production capacity coming online. The net income percentage of revenue showed a slight decline and was related almost entirely to growth and depreciation, as capacity was added over the coming years.

Mr. Finley reminded the Port Commission that the total cash flow seen over the five-year horizon was very stable and in a positive position while comprehending debt service on potential revenue bond issuance as previously mentioned.

Mr. Finley called attention to the G&A line item for the 2021-2025 income statement. He noted that discretionary spending was frozen throughout the year at the given \$15 million budget level. A merit program and incentive program were included every year throughout the time horizon.

From a Capital Budget perspective, Mr. Finley explained the Port Authority’s own operating capital was approximately \$900 million over the five-year period. He reminded the commissioners that the Port Authority had a line of credit in place through 2023 via a note purchase program totaling \$100 million. Chairman Campo queried Mr. Finley as to whether the line of credit had ever been used, and Mr. Finley responded that it had not.

Mr. Finley concluded his presentation by stating that a favorable projection was being made with regard to funds available over the five-year time period. He thanked the staff members who worked on the budget and created the presentation: David Jochnau, Financial Planning Director, Katrina Stewart, Financial Planning Analyst, and David Dupre, Business Analyst.

Chairman Campo observed that the fall in net income numbers was primarily related to increased depreciation expenses. The key was to make sure the Port Authority was getting a good return on its investment and not building too much capacity in advance of when it was needed, but it was also known that in order to drive revenue and cash flow the Port Authority needed to be ready to accept 18,000 TEU ships. The current ship-to-shore cranes were capable of servicing such ships and once the ship channel was widened the ships would be calling.

(2020-1110-07) Chairman Campo recognized Mr. Heidt to provide a report of Operations Division agenda items.

Mr. Heidt noted that agenda Item G1 was related to pandemic support services. Staff wanted to be sure the proper funding was in place through the end of the year and asked for \$875,000 for workplace safety screenings, \$450,000 for cleaning services, and \$80,000 for terminal workforce transportation of ILA members. To date, the Port Authority had spent approximately \$4.8 million.

Mr. Heidt emphasized that the Port Authority had filed two claims with FEMA and would continue to document its costs in order to file any future claims that may become available.

(2020-1110-08) RCA G1 was presented, moved by Commissioner Corgey, seconded by Commissioner Cloonan. Chairman Campo, and Commissioners Cloonan, Corgey, Creuzot, DonCarlos, Fitzgerald, and Mease voted Aye. Nays none. RCA G1 PASSED.

Commissioner Fitzgerald thanked Chairman Campo for doing everything he could to get the channel widened and emphasized the importance of Project 11. A few weeks before, he attended a virtual state of the port meeting of a competing port. In the competing port's presentation, they talked about all the large ships that had been calling, with 15,000 TEUs coming through its channel every day. He emphasized that the cost of shipping containers on the large vessels was cheaper. He noted how that port had its own rail system so it could unload a container and send it to its customer's facility within three days.

Commissioner Fitzgerald's point was that the deepening and widening needed to be completed as quickly as possible and before Port Authority cargo left for competing ports.

Chairman Campo agreed completely with Commissioner Fitzgerald and reiterated that Project 11 was the Port Authority's biggest priority. The good news was that the Port Authority was just waiting on the federal government to give approval so that construction

could commence. If the Port Authority could not bring in the larger ships, they would go somewhere else.

Commissioner DonCarlos thanked Mr. Finley and Mr. Guenther and their team for all the work done on the budget.

Commissioner Corgey commented that he liked the discretionary funds for the commissioners.

Mr. Guenther noted that the next day was Veterans Day and he thanked all the veterans for their service.

At 10:50 a.m., Chairman Campo adjourned the Port Commission meeting.

The above is a correct copy of the Minutes of the November 10, 2020 meeting of the Port Commission of the Port of Houston Authority.



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Ric Campo, Chairman



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Erik A. Eriksson, Secretary

## E. EXECUTIVE

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<b>Subject</b>	<b>1. Approve Port Commission committee and task force chairs and members.</b>
Meeting	Nov 10, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 10, 2020 meeting, approve the appointment of Port Commission committee and task force chairs and members, as set forth on Exhibit "A."

**Category:**

General

**Department:**

Executive

**Staff Contact:**

Roger Guenther

**Background:**

The Amended and Restated Bylaws of the Port Authority and subsequent Port Commission action has established the following standing committees and task forces of the Port Commission:

- Audit Committee
- Community Relations Committee
- Compensation Committee
- Dredge Task Force
- Governance Committee
- Pension and Benefits Committee
- Procurement and Small Business Development Task Force

The Amended and Restated Bylaws of the Port of Houston Authority of Harris County, Texas further provide that the Chairman of the Port Commission shall appoint the chairs and members of the committees of the Port Commission, subject to the consent of each appointee and Port Commission approval.

**Staff Evaluation/Justification:**

Chairman Campo now proposes to designate Port Commissioners to serve on those committees and task forces as set forth on Exhibit "A."

Staff requests that the Port Commission approve these appointments subject to the consent of each appointee.

<b>Port Commission Committees and Task Forces</b>							
<b>November 2020</b>							
<b>Task Force:</b>	<b>Audit Committee</b>	<b>Community Relations Committee</b>	<b>Compensation Committee</b>	<b>Governance Committee</b>	<b>Pension &amp; Benefits Committee</b>	<b>Procurement &amp; Small Business Task Force</b>	<b>Dredge Task Force</b>
<b>Task Force Duties:</b>	<i>Advises on the Port Authority's financial statements, its accounting and financial reporting processes, and financial statement audit.</i>	<i>Updates the Port Commission's Sponsorship Policy and Procedures and advises on community relations matters.</i>	<i>Advises on goals and attainment issues and compensation for the Executive Director; reviews pay policies, benefit policies, and work-culture issues for all employees; and advises on succession planning.</i>	<i>Prepares and updates the Port Authority's governance policies and procedures, for the Port Commission's consideration and action, and reviews governance-related matters.</i>	<i>Advises on the administration of the Port Authority Restated Retirement Plan, the investment of Plan assets, and other employee benefits.</i>	<i>Prepares and updates procurement policies and procedures for the Port Commission's consideration and action; also updates Small Business Development Program policies and procedures and advises on other small business development matters.</i>	<i>Considers Houston Ship Channel matters, and the use of Port Authority resources for dredging, dredge material disposal, and disposal area maintenance.</i>
<b>Commissioner Assignments</b>							
<b>Chairman Campo</b>	Chair	Member	Chair	Member			Chair
<b>Commissioner Cloonan</b>		Member	Member			Chair	Member
<b>Commissioner Corgey</b>		Chair			Member	Member	Member
<b>Commissioner Creuzot</b>	Member	Member		Member			Member
<b>Commissioner DonCarlos</b>		Member		Chair		Member	Member
<b>Commissioner Fitzgerald</b>		Member	Member		Chair		Member
<b>Commissioner Mease</b>	Member	Member			Member		Member

## F. FINANCE

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<b>Subject</b>	<b>1. Consideration and possible action regarding the proposed Fiscal Year 2021 Operating and Capital Budget.</b>
Meeting	Nov 10, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 10, 2020 meeting, consider and take possible action regarding the proposed Operating and Capital Budget for Fiscal Year 2021, 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:**  
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 2021. In addition, staff has followed its standard process for review and analysis of capital projects, and prepared a proposed 2021 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 2021 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 2021.

## F. FINANCE

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<b>Subject</b>	<b>2. Staff briefing, discussion, and possible action regarding the proposed Five Year Operating and Capital Plan.</b>
Meeting	Nov 10, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 10, 2020 meeting, hold a staff briefing, discussion, and possible action regarding the proposed Five Year Operating and Capital Plan, and further authorize the Executive Director to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.
Goals	STRATEGIC GOAL #4 - STEWARDSHIP (Create Greater Value for the Region)

**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 2021-2025 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.

## G. OPERATIONS

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<b>Subject</b>	<b>1. Authorize additional purchase order funding for continuing pandemic response services with Workplace Safety Screenings for \$875,000, Ambassador Services, LLC for \$450,000, and Transportation Rental Solutions LLC for \$80,000.</b>
Meeting	Nov 10, 2020 - PORT COMMISSION OF THE PORT OF HOUSTON AUTHORITY
Access	Public
Type	Action
Recommended Action	The Port Commission, at its November 10, 2020 meeting, authorize additional purchase order funding for continuing pandemic response services with Workplace Safety Screenings for \$875,000, Ambassador Services, LLC for \$450,000, and Transportation Rental Solution for \$80,000, 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:**

Port Operations

**Staff Contact:**

Paulo Soares

**Background:**

The COVID-19 pandemic continues to impact Port Authority operations and employees and require staff to make emergency purchases.

Water Code Section 60.4035(a)(1) permits the Executive Director and authorized officers to make emergency purchases and contracts in amounts that exceed \$50,000 if necessary to, among other things, "to preserve or protect the public health and safety of the residents of the district." As the Port Commission has been advised, Port Authority staff has concluded that this statute permits these COVID-19 procurements without the customary competitive procedures or prior to Port Commission approval, and staff has endeavored to notify the Port Commission within forty-eight hours of such purchases as required.

At its May meeting, the Port Commission ratified a number of previous procurements that totaled more than \$50,000. Additional emergency funding has followed.

1. Workplace Safety Screenings performs temperature screenings at Port Authority terminals.
  - On April 7 the firm was issued an emergency purchase order for \$310,000 to perform temperature screenings at Port Authority terminals.
  - At the April 28 meeting the Port Commission approved an additional \$370,000 that lasted until the end of May.
  - At the May 20 meeting the Port Commission approved an additional \$720,000 that lasted until the end of July.
  - At the July 30 meeting the Port Commission authorized an additional \$400,000 needed to continue these services until the end of September.
  - At the September 29 meeting the Port Commission authorized an additional \$650,000 needed to continue these services.
2. Ambassador Services, LLC provides general cleaning services at the container terminals pursuant to two contracts totaling \$800,000 that were previously approved by the Port Commission. Since mid-

March, additional services have been provided by the firm on a weekly basis, for disinfecting and sanitizing both facilities.

- At the May 20 meeting the Port Commission approved an additional \$560,000 that lasted until the end of July.
- At the July 30 meeting the Port Commission authorized an additional \$450,000 that has lasted until the first week of September.
- At the September 29 meeting the Port Commission authorized an additional \$600,000 needed to continue these services.

Separately, due to COVID-19 social distancing requirements, since April additional vans provided by Transportation Rental Solutions LLC have been required for terminal workforce transportation. The cumulative amount paid to the firm is expected to soon exceed \$50,000 for the four rental vans, which continue in use.

**Staff Evaluation/Justification:**

Accordingly, with the continuing need for emergency services related to the Port Authority's COVID-19 response efforts, staff requests that the Port Commission authorize the following additional purchase order amounts:

- Workplace Safety Screenings - \$875,000 for temperature screenings,
- Ambassador Services, LLC - \$450,000 for disinfecting and sanitizing, and
- Transportation Rental Solutions LLC - \$80,000 for van rental.

The requests will help the Operations Division continue to procure these emergency services reliably and efficiently through the end of January. However, the nature of emergency management and the duration of this specific pandemic response are unpredictable, hence future requests for additional funding may be required.