Capital Plans and Funding

Notes & assumptions

• The November 2018 Budget workshop is the forum for Commission approval of 2019 and review of 5-year plans.

• Dates identified and ‘available resources’ refer to award dates and funds available to encumber, not Cash outlay or balances.

• Capital plans for Container Terminals reflect capacity needed to sustain Customer service levels (container moves per hour, truck turn time, densification) through timely development of Bayport and recapitalization of BCT.

• Distinction is made between Channel investments that directly support the Port’s revenue-generating operations and those that support overall Houston Ship Channel (“HSC”) stakeholders.

• Liquidity projections tied to the Commission-approved 2018 Operating budget and assume market and operational stability.

• Master Plan 2040 and other business opportunities will continue to shape and guide these plans.
Context for Capital planning

**Operating requirements**
Identify needs and Service levels to meet Customer, HSC and Channel industry partner requirements

**Economic development**
Infrastructure to support job growth and regional prosperity

**Timing**
Ensure capacity in place at the right time and on schedule

**Stewardship**
As good stewards of Public resources, operating Safely & Securely

**Financial Sustainability**
A key component of long-term financial plan
## Bridge 2018 Capital budget to current

### Current 2018 Plan ($ in thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Capital Budget</td>
<td>$274,538</td>
</tr>
<tr>
<td>Net timing changes</td>
<td>(26,834)</td>
</tr>
<tr>
<td>Dropped from the Plan</td>
<td>(18,180)</td>
</tr>
<tr>
<td>Additions to the Plan</td>
<td>7,364</td>
</tr>
<tr>
<td>Subtotal</td>
<td>(37,650)</td>
</tr>
<tr>
<td><strong>Current 2018 Capital Plan</strong></td>
<td><strong>$236,888</strong></td>
</tr>
</tbody>
</table>

**2018 Capital Budget**

- **Net Timing changes:** Turning Basin maintenance dredging $8m; Rehab Manchester Wharf 2 $6m; Communication Towers $4m; Fireboat Dock $2m
- **Dropped:** Scope of wharf rehab changed & re-evaluation of multiple container yards
- **Additions:** BCT and Bayport dredging of $4m; Bayport Middle Berm $1m
### Capital plan
#### Summary of 5 and 10-year plans ($ in thousands)

<table>
<thead>
<tr>
<th>Budget Owner</th>
<th>Current 2018</th>
<th>% ttl</th>
<th>2018 - 2022 5 yr Plan</th>
<th>% ttl</th>
<th>2018 - 2027 10 yr Plan</th>
<th>% ttl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbours Cut Terminal</td>
<td>91,836</td>
<td>39%</td>
<td>311,614</td>
<td>34%</td>
<td>550,421</td>
<td>22%</td>
</tr>
<tr>
<td>Bayport Terminal</td>
<td>95,872</td>
<td>40%</td>
<td>325,377</td>
<td>35%</td>
<td>623,291</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Container Terminals total</strong> *</td>
<td>187,708</td>
<td>79%</td>
<td>636,991</td>
<td>69%</td>
<td>1,173,712</td>
<td>47%</td>
</tr>
<tr>
<td>General Cargo Terminals *</td>
<td>16,245</td>
<td>7%</td>
<td>58,600</td>
<td>6%</td>
<td>418,245</td>
<td>17%</td>
</tr>
<tr>
<td>Channel Development</td>
<td>9,220</td>
<td>4%</td>
<td>135,964</td>
<td>15%</td>
<td>770,941</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Port Authority</strong></td>
<td>6,570</td>
<td>71%</td>
<td>42,744</td>
<td>31%</td>
<td>90,741</td>
<td>12%</td>
</tr>
<tr>
<td><strong>HSC</strong></td>
<td>2,650</td>
<td>29%</td>
<td>93,220</td>
<td>69%</td>
<td>680,200</td>
<td>88%</td>
</tr>
<tr>
<td>Security &amp; Emergency Ops</td>
<td>822</td>
<td>0.3%</td>
<td>10,837</td>
<td>1%</td>
<td>19,952</td>
<td>1%</td>
</tr>
<tr>
<td>Technology</td>
<td>1,930</td>
<td>1%</td>
<td>8,224</td>
<td>1%</td>
<td>10,059</td>
<td>0.4%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>11,084</td>
<td>5%</td>
<td>35,231</td>
<td>4%</td>
<td>35,531</td>
<td>1%</td>
</tr>
<tr>
<td>Support, other</td>
<td>9,879</td>
<td>4%</td>
<td>33,461</td>
<td>4%</td>
<td>51,757</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Capital Plan</strong></td>
<td>236,888</td>
<td></td>
<td>919,308</td>
<td></td>
<td>2,480,197</td>
<td></td>
</tr>
</tbody>
</table>

* The Terminals include the Maintenance-driven capital requirements associated with the operation.
Container terminal growth projections

Annual projected growth rates

1H 18
Actual TEUs
+6% YoY

4.3% CAGR, 2018 to 2028

Excludes TEUs handled in the Turning Basin terminals
HSC Expansion plans
Channel Development

The Houston Ship Channel
For this study effort, the ship channel has been divided into six segments:

- Bay Reach
- Bayport Channel
- Barbours Cut Channel
- Boggy Bayou to Sims Bayou
- Sims Bayou to I-610 Bridge
- I-610 Bridge to Turning Basin
Funding
2010 – 2018 look-back funding sources

For the period 2010 through 2018, the port will have self-funded 80% or $900 million of its capital needs, including $107 million for Houston Ship Channel ("HSC") projects which benefit the region, State and our channel industry partners.
Funding
Note Purchase Program - renewal

• In April 2018, Port Commission authorized staff to negotiate renewal of the current Note Program or other debt financing for amounts and terms deemed necessary or advantageous.

• Currently assessing a $100 million line of credit to provide flexibility for unforeseen business opportunities, Channel responsibilities or emergencies.

• Lenders interested in renewal at lower commitment fee.

• Received 3 unsolicited proposals with more competitive commitment fees.

• Staff is evaluating all proposals and anticipates making a recommendation to the Port Commission before the end of 2018.
Capital Plans and Funding

Executive summary

• Capital budget for 2018 down from $275 million to $237 million

• 5-year Plan estimated at $919 million
  • Container Terminals 69% of Plan for growth and redevelopment
  • Includes $40 million purchase of upland Placement Area capacity
  • Incorporates design cost of the HSC Expansion project, $34 million

• 10-year outlook remains in $2 billion+ range
  • Includes Cost share for HSC Expansion, estimated at $615 million

• Sufficient liquidity projected to fund Port Houston’s operating capacity before consideration of the HSC Expansion project
  • Based on volume projections and demand/market stability
  • Cost share responsibilities for HSC Expansion project will require external financing (funds required ~2024; project timing could change)
  • Does NOT comprehend any cost share responsibility for HSC Expansion outside of the 10-year planning horizon or other Recovery & Resiliency construction projects
  • Note Purchase Program to be renewed by year-end at lower amount
Capital Plans and Funding
Focus on Continuous Improvement

- Optimize cash flow via pursuit of Growth, efficiency of operations and measured overhead spending
- Pursue Grant Program and other funding opportunities, aligning them with future projects
- Govern Capital project spending via deliberate timing of projects, prioritization (safety, security, economic, other), tradeoffs, etc.
- Ensure visibility to Capital Plans and Liquidity projections with our Stakeholders
THANK YOU

Port Houston is committed to financial transparency.

PortHouston.com/financial-transparency

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