

I N D E X

PORT COMMISSION
OF THE
PORT OF HOUSTON AUTHORITY
OF THE PORTS OF HARRIS COUNTY, TEXAS

July 24, 2017

Minute No.

Event/Action

General

Chairman Longoria convened the meeting of the Port Commission

Staff update and discussion regarding the updated ten-year long-range capital plan, five-year mid-range capital plan, and one-year capital plan

Adjourn Meeting

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

**Houston, Texas
July 24, 2017**

A special meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on July 24, 2017 at 1:30 p.m., at the Port of Houston Authority Executive Offices, Fourth Floor Boardroom, at 111 East Loop North, Houston, Texas 77029. The following Commissioners and staff were present:

Janiece Longoria, Chairman
Theldon R. Branch, III, Commissioner
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
John D. Kennedy, Commissioner
Roy D. Mease, Commissioner
Roger Guenther, Executive Director
Tom Heidt, Chief Financial Officer
Erik Eriksson, Chief Legal Officer
Rich Byrnes, Chief Port Infrastructure Officer
Tim Finley, Chief Financial Officer

Chairman Longoria called the special meeting of the Port Commission to order, noted there were no remarks nor any appearances, and moved to the agenda.

Agenda Item General: Staff update and discussion regarding the updated ten-year long-range capital plan, five-year mid-range capital plan, and one-year capital plan.

Mr. Heidt advised the commission that this special meeting was for the purposes of capital planning and advising the commission of possible future projects. Mr. Byrnes will present master planning matters looking to the year 2040, and Mr. Finley will present the capital and funding plans, as well as the funding resources available (reference was made by each to Power Point presentations). Mr. Heidt urged the commissioners to ask any questions they had during the presentations.

Mr. Byrnes advised those present that the Port Authority's Capital Improvement Plan ("CIP") currently totaled \$2 billion, which included the container terminals, the general cargo terminals, the bulk terminals, real estate, and the Houston Ship Channel. He suggested that key questions needed to be addressed regarding the Port Authority's strategy, goals, and capital needs. The challenges facing the Port Authority over the next 40 years included container capacity at the Barbour's Cut and Bayport Container terminals. During the last five years, the Port Authority had spent nearly \$1 billion on improvements to these two terminals.

Mr. Byrnes added that there are numerous improvements currently not in the CIP that could be made at Port Authority terminals. The long-range plans of tenants at both terminals should be included in order for the Port Authority to decide what the highest and

best uses would be for key properties. The use of the ship channel and the relationship with the U.S. Army Corps of Engineers (“Corps”) would need to be discussed regarding future dredging areas; the cost for such work was not currently in the CIP. The current Corps mega study is expected to be completed by 2020 and would provide the Port Authority sufficient information to establish an estimated budget for future dredging of the ship channel.

In conclusion, Mr. Byrnes stated that an additional \$1 to \$3 billion could be needed in the CIP, including connecting to the community in terms of civic partnering, participating in economic impacts, and brand enhancements. He commented that not all of the monies would necessarily come from the cash flow of Port Authority operations; it also could come from other sources available to the Port Authority, including public and private partnerships.

Commissioner Branch asked what the current capacity of the container terminals was and how much lead time was needed to plan for future expansion. Mr. Byrnes advised that the container terminals had approximately 4.5 million to 5 million twenty-foot equivalent units (“TEUs”) capacity, and estimated that additional resin imports that would increase current TEUs handled to 3 million per annum. He estimated that five years would be appropriate for planning and completing expansion, however he also emphasized that the Port Authority had plenty of time to think about such expansion, and that he was just advising the commission about possible future needs.

Chairman Longoria commented that the Port Authority should not rely on revenue bonds to fund new infrastructure, but rather look for innovative ways to fund expansion. Mr. Heidt noted that staff was simply advising about future expansions in the next 20 years. Mr. Guenther reiterated that staff would start planning accordingly at a high level now and refine the plan as the time gets closer. Mr. Byrnes stated that the Information Technology (“IT”), Operations, and Commercial Divisions would be a part of the 2040 plan, which would include a master plan for IT. Planning would include the Port Commission, sponsors, and a steering committee.

Mr. Finley addressed the Port Commission regarding Capital Plans and Funding. He advised the commission that he would be covering four areas:

- Bridge from 2017 approved Capital Plan to date;
- Capital Plans;
- Strategic Investments; and
- Funding and Liquidity

Bridge from 2017 approved Capital Plan to date

\$73.4 million was approved for the capital budget for 2017; the current capital plan balance to date was \$89.4 million. Funds awarded in addition to the original budget were \$5 million for 3 rubber-tired gantry (“RTG”) cranes at Bayport, \$3 million for the Bayport Flare, \$1 million for the mobile radio system, and \$0.8 million for the Bayport gate operating system. The remaining changes were approved dollars in the 2016 budget that were moved into the 2017 budget.

Capital Plans

Mr. Finley presented an overview summary of the 5 and 10 year Capital Plans:

2017		\$89.5 million
2017-2021	5 year plan	\$1.066 billion
2017-2026	10 year plan	\$2,258 billion

Among the items covered in the Capital Plans were Wharf 1, 6, and 7 dredge and design, ship-to-shore (“STS”) cranes, container yard and RTG cranes, and rail modification (Bayport Container Terminal); Wharf 3, 4, 5, and 6 dredge and design; STS cranes; container yard and RTG cranes, and Texas 146 flyover (Barbours Cut Terminal); wharf rehabilitation, facility inspection and condition assessment program – which includes wharves, docks, bridges and shorelines, rail modification, road construction, and transit shed replacements (general cargo facilities).

Strategic Investments

Mr. Finley advised that the overview of the strategic investments represents projects “on the board,” pending further economic justification. As projects and business requirements evolve and resources become available, these projects would be integrated into the capital plans and proposed to the Port Commission for consideration.

Funding and Liquidity

Mr. Finley reminded all present that in September 2015 the Port Commission authorized a \$300 million line of credit, which expires September 2018, as a result of staff projections at the time indicating that the Port Authority would need additional resources to complete approved capital improvements projects in 2016. However, the Port Authority currently has the resources available to award new projects through 2019, thanks to the staff which has made operations more efficient, which enabled the Port Authority to save approximately \$153 million in capital projects, and increased cash flow, exceeding the amount actually budgeted by \$24 million.

Mr. Finley commented that the figures he was presenting did not include any cost share for potential deepening and widening of the Houston Ship Channel, which could total approximately \$400 million. If approved, it is estimated that this cost would occur in 2022 or 2023.

Mr. Guenther commented that the liquidity that the Port Authority currently has available would not enable it, for example, to purchase property valued at \$100 million should the opportunity arise.

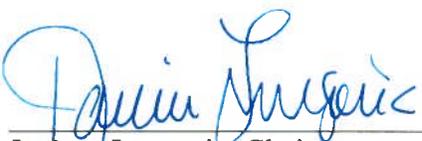
Mr. Finley advised that funding opportunities that can be pursued include operating cash flow, grants, equipment financing, short term financing, and "P3s," by which lessees could construct infrastructure on Port Authority property. As a last resort, tax and revenue bonds would be considered.

A brief discussion ensued regarding the timing of requesting a bond issue. It was suggested that before any action was taken that staff should wait to hear the results of the Corps mega study regarding the widening and deepening of the ship channel. It was also discussed that Harris County and the public should be aware of how the Port Authority was benefiting the community and the various projects being undertaken to further improve port facilities and infrastructure to increase economic growth in the area.

Chairman Longoria thanked commissioners for attending the workshop and also thanked staff for the presentation.

There being no further business, Chairman Longoria adjourned the Special Meeting of the Port Commission at 3:11 p.m.

The above is a correct copy of the Minutes of the July 24, 2017 Special Meeting of the Port Commission of the Port of Houston Authority.



Janiece Longoria, Chairman



Erik A. Eriksson, Assistant Secretary