INDEX

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

July 31, 2018

Event/Action

General

Chairman Longoria convened the meeting of the Port Commission and welcomed everyone.

Chairman Longoria called for Item B1 on the agenda, “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
A Capital Planning special meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on July 31, 2018 at 10:24 a.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
Erik Eriksson, Chief Legal Officer
Tim Finley, Chief Financial Officer

Chairman Longoria convened the meeting of the Port Commission and welcomed everyone.

Chairman Longoria called for Item B1 on the agenda, “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. Guenther thanked Chairman Longoria and called on Mr. Finley to give the July 2018 Capital Planning Workshop presentation.

Mr. Finley handed out printed power point slides, which are maintained with these Minutes, and briefly discussed the items he would be covering in his presentation:

- Bridge from 2018 approved Capital Plan to date;
- Capital Plan;
- Funding and Liquidity; and
- Summary.

Mr. Finley added that the Ten-year Capital Plan was based on market and operational stability.

A. **Bridge from 2018 approved Capital Plan to date.**

The 2018 Capital Budget previously approved by the commission totaled $275 million; staff is now estimating that the final 2018 expense will be $237 million.
Timing has changed on various projects and those will be moved into 2019, and the Five-year Capital Plan, resulting in a $27 million change.

- Approximately $18 million was dropped from the budget, due to scope changes and re-evaluation of projects.
- Finally, an additional $7 million was added to the budget for Barbours Cut and Bayport dredging and the Bayport Middle Berm.

B. Capital Plan.

Mr. Finley presented an overview of the Five-year and Ten-year Capital Plans.

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$237 million</td>
<td></td>
</tr>
<tr>
<td>2018-2022</td>
<td>Five-year Plan</td>
<td>$919 million</td>
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<tr>
<td>2018-2027</td>
<td>Ten-year Plan</td>
<td>$2.5 billion</td>
</tr>
</tbody>
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In 2017, the Five Year Capital Plan was estimated to total just under $1 billion; it is currently projected to total $919 million.

Commissioner DonCarlos asked why the Bayport Rail project had been dropped, and Mr. Finley explained that it was a change in the dollar amount for the project; the project was still proceeding as planned.

Commissioner Branch inquired why there was a large jump from the 2019 projection to the 2020 projection. Mr. Finley explained that some projects were moved ahead in the five-year plan and additional projects had been added, including for example, the Barbours Cut Terminal Maintenance Facility and Barbours Cut Terminal Gate expansion.

Mr. Finley gave a brief summary of the Five-Year and Ten-Year Capital Plans. Among the items covered in the plans are the following:

Bayport Container Terminal: Wharf 1, 6, and 7 dredge and design; ship-to-shore ("STS") cranes; rubber-tired gantry ("RTG") cranes, container yard design and construction; gate expansion; pipeline relocation; East Empty Yard; real estate purchase; and Bayport rail and spur.

Barbours Cut Terminal: Wharf 4, 5, and 6 dredge and design; STS cranes; RTG cranes; gate renovation design and construction; design and construction of maintenance and administration buildings; container yards design and construction; and Texas 146 interchange.

General Cargo Facilities: wharf rehabilitation; yards; and road construction.
Channel Development: berth maintenance dredging; ditching; placement area acquisition; placement area construction and maintenance; and design and expansion of the Houston Ship Channel.

Mr. Finley remarked that the bulk of the expenditure for the expansion of the Houston Ship Channel is budgeted for 2022; however, this could change at any time. Cost share amounts for the expansion are subject to change, and the budget amount excludes potential funding of any “Recovery and Resiliency” and ship channel expansion construction costs that may occur outside of the ten-year planning horizon. Design is estimated to begin in 2020, funding of design in 2022, and the Port Houston’s contributions to project construction would potentially begin as early as 2024, for a total cumulative of $615.4 million included in the plan.

Mr. Finley reviewed the remaining key capital projects, including communication towers and a fireboat dock in 2019, real estate purchases, pipeline relocations, land preparation for Beltway 8, an additional fireboat, and possibly an additional fire engine.

Commissioner DonCarlos inquired if Port Houston was planning to build an additional fireboat dock, as coverage has been extended to the Gulf of Mexico. Mr. Heidt responded that the current fireboat dock was slated to be built at Bayport. Mr. Guenther interjected that there are ongoing discussions with the Lone Star Safety Committee regarding the construction of an additional dock, the location of same, and what role industry would play in that.

C. Funding and Liquidity.

Mr. Finley advised that for the period 2010 through 2018 Port Houston has self-funded 80% or $900 million of its capital needs, including $107 million for Houston Ship Channel projects. The total funding was derived from operating cash, general obligation bond funds, and state and federal grants.

Port Houston is expected to be able to fund the 2020 and 2022 design costs associated with ship channel expansion projects from operating cash flows; however, the cost share for construction (beginning in 2024) would require funding from other sources. There was further discussion regarding the funding of the expansion of the ship channel and the commission was advised of the “unknowns” at the present time. Staff indicated that it would have a better estimate of the cost when the Army Corps of Engineers study was completed in 2019.

Mr. Finley went on to note that in 2015, the commission authorized a $300 million line of credit facility which expires in September. Staff is currently assessing a $100
million replacement line of credit, to provide flexibility for funding unforeseen business opportunities, ship channel responsibilities, or emergencies. Staff has received three unsolicited proposals with more competitive commitment fees lower than currently being paid on the $300 million facility, is currently evaluating the proposals, and anticipates making a recommendation to the commission on this matter before the end of 2018.

Discussion ensued regarding lowering the line of credit availability from $300 million to $100 million.

D. **Summary.**

Mr. Finley summarized his presentation as follows:

- The capital budget for 2018 is down from $275 million to $237 million;
- The ten year outlook remains in the $2 billion plus range;
- Sufficient liquidity is projected to fund Port Houston’s operations, before consideration of the Houston Ship Channel expansion project; and
- All projections are based on market and operational stability.

Mr. Finley asked if there were any questions; there were none. Chairman Longoria thanked Mr. Finley and staff for the presentation and thanked the commissioners for attending the workshop.

There being no further business, Chairman Longoria adjourned the meeting of the Port Commission at 11:16 a.m.

The above is a correct copy of the Minutes of the July 31, 2018 Meeting of the Port Commission of the Port of Houston Authority.

[Signature]
Janice Longoria, Chairman

[Signature]
Erik A. Eriksson, Secretary