

I N D E X

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

September 24, 2019

Event/Action

General

Chairman Campo convened the meeting of the Port Commission

Presentation by ICF SH&E, Inc. regarding the review of the Port Authority's Strategic Plan, and discussion and possible action regarding the same

Adjourn Meeting

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

**Houston, Texas
September 24, 2019**

A special public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on September 24, 2019 at 12:54 p.m., at the Port of Houston Authority Executive Office, Fourth Floor Boardroom, at 111 East Loop North, Houston, Texas 77029. The following Commissioners, staff, and counsel were present:

Ric Campo, Chairman
Theldon R. Branch, III, Commissioner
Wendy Cloonan, Commissioner
Stephen H. DonCarlos, Commissioner
Clyde E. Fitzgerald, Commissioner
Roy D. Mease, Commissioner
Roger Guenther, Executive Director
Erik Eriksson, Chief Legal Officer
Jessica Shaver, Chief People Officer
Lindsay Hook, Director of Corporate Strategy
Richard Batty, ICF International Inc.
J. Kent Friedman, outside counsel

Chairman Campo convened the special meeting of the Port Commission to discuss the Strategic Plan, noting that the Port Authority was mandated by statute to revise the plan every five years. However, he believed the Strategic Plan should be fluid and updated constantly (as opposed to every five years) as budgets, capital plans, financing plans, and personnel plans all must continue to be incorporated into it. Chairman Campo stressed it was the job of staff and staff's consultants to put the puzzle pieces on the table for discussion and the Port Commission's responsibility to analyze and set the plan in motion for staff to implement.

Mr. Guenther noted that the Port Authority has engaged ICF International Inc. to consult on the Strategic Plan. He emphasized the importance of engagement from across the Port Authority and recognized the "design team" chosen to help revise it.

Chairman Campo recognized Richard Batty, to provide the presentation. He began with progress under the existing Strategic Plan. Mr. Batty remarked that alignment between the Port Commission and staff was essential to the plan's completion and implementation, and that this was the time to reflect on what goals had been accomplished in the past five years and what new priorities had arisen that should be incorporated into the plan, and that the engagement of staff would be essential to the pursuit of success of the new plan.

Mr. Batty stated that over the next two weeks there would be a series of key meetings with commissioners and staff to receive feedback on the current draft, and

simultaneously there would be meetings held with stakeholders – members of the community, private industry, and users of the ship channel.

Mr. Batty highlighted the key elements of the plan: Mission, Vision, Core Values, and Strategic Goals and Objectives. The performance measures for each element were still being worked out by the design team and would be presented later. Mr. Batty added that each element lent itself well to a level of measurability.

Mr. Batty began his slide show presentation* with the status of the existing plan. He looked at Port Authority growth under the current Strategic Plan, including a 40% increase in operating revenue, driven by container volumes. That growth had contributed to the increase in economic value that the greater port delivers, almost \$380 billion, to the State of Texas.

Mr. Batty also outlined employment growth of 20% during the period of the current Strategic Plan, adding that the 2018 employee satisfaction survey showed a measurable improvement from the previous 2016 survey.

Mr. Batty remarked on current issues and challenges facing the Port Authority. He explained that while there had been a focus on the business aspect of running a port, there may now be rebalancing toward its public agency aspects: obviously, the largest issue facing the Port Authority's future was the widening and deepening of the channel. Stakeholder engagement and developing a clear identity among the various stakeholders should be an objective in the future. He observed that the plan would be most successful if there was engagement by all staff and not at the top.

Mr. Batty noted that capital spending made up a large portion of Port Authority expenditures, and if improvements could be made in the way that spending was carried out, then funds could be freed up for other uses.

Mr. Batty continued his presentation by reviewing strengths, weaknesses, opportunities, and threats. Strengths included a central U.S. location, a diverse market base with established supply chains, and consistent and reliable labor. Weaknesses included aging facilities and channel limitations, insufficient stakeholder engagement, and a perception among stakeholders that there was a lack of transparency in the Port Authority. Opportunities included greater stakeholder outreach and influence, greater staff engagement and advocacy, and greater efficiency through innovation and technology. Threats included the scarcity of federal, state, and local funding, channel, road, and rail capacity, and statutory constraints and changes.

* A copy of the presentation has been retained in the files of the Port Authority.

Mr. Batty noted that the Strategic Plan begins with the Mission, Vision, and Core Values of the Port Authority. The feeling of the design team was that all three were good but needed to be communicated better and made more meaningful to staff and stakeholders.

Mr. Batty focused first on the Mission Statement and broke it down. He then moved on to the Vision Statement, noting that if the Mission Statement explained why the Port Authority existed, then the Vision Statement reflected the end state that the Port Authority sought to achieve. Finally, Mr. Batty focused on the Core Values, which were developed by Port Authority employees in 2015. He reminded the Port Commission that there were originally four Core Values before the fifth was added and the READY concept created. The Port Authority was READY to serve its stakeholders and READY for the future.

Chairman Campo asked if there had been any debate among the design team members as to whether these Core Values were the right ones, and Mr. Batty replied that there was some debate, but it was not long. Changing any single value would open the entirety of the Port Authority's values to discussion and potential change. Ms. Shaver noted that one of the discussions that took place centered on a reexamination of the values and whether doing so would necessitate a broad outreach effort among various stakeholder groups.

Mr. Batty continued the presentation by talking about the Strategic Goals and Objectives. The Strategic Goals encompassed five key pillars: People, Infrastructure, Efficiency, Stakeholders, and Stewardship or Sustainability. The key goal for People was to invest and engage while the goal for Infrastructure was to provide channel capacity and infrastructure to serve the region. The main goal for Efficiency was to implement efficiencies not just for the Port Authority but for the greater Port of Houston. The Stakeholders goal was to develop and strengthen partnerships with stakeholders, and the final goal would either be Stewardship or Sustainability – there was a debate about which word to use – with the goal of creating greater value for the region.

Mr. Batty provided a further breakdown of individual objectives for each of the five Strategic Goals. The People objectives were to attract, develop, and retain talent, increase employee engagement, and establish the Port Authority as a place where people wanted to work.

Chairman Campo noted that the Port Authority was a well-run, successful business that was also a government entity. To be a successful business requires having the best and brightest staff, where people wanted to work. In that regard he believed the Port Authority needed to be more a business environment and less a government environment, which would take a change of mindset. Discussions have taken place regarding the implementation of incentive programs and other programs aimed at attracting young talent with the desire for long tenure.

Commissioner Branch noted that environment played a strong factor in attracting a young workforce. He did not believe the Port Authority had such an environment at the current time because it reflected more a government culture as opposed to a business one. The Port Authority needed to become a hybrid culture of both government and business.

Chairman Campo stated that as long as statutes were not being violated, the Port Authority should be operated as a business, and this was the purpose of the Strategic Goals. He wanted it to be said that the Port Authority was one of the best workplaces in the region, was profitable, and engaged its stakeholders.

Commissioner Branch stressed that the term stakeholder was very broad and could include customers of Walmart, people who drove Volkswagen cars, and others.

Mr. Guenther believed that the Port Authority needed to embrace what it is, and Commissioner Fitzgerald agreed and stated the Port Authority should embrace the idea that it was more a business than a governmental agency.

Chairman Campo remarked that government was in the business of taking care of its constituents, and since the Port Authority was an amazing business, it could invest its money into supporting people. Referencing the first objective of the People goal – attract, develop, and retain talent – he remarked that money must be spent to attain that objective. He pointed out that the Port Authority just extended short-term disability benefits and had adopted a maternity leave policy, which were both more in line with what private business offered.

Mr. Batty remarked that, as he understood Chairman Campo's comments, the Port Authority was good at being a business when it came to generating revenue but needed to be more like a business when it came to managing people and engaging with stakeholders. Chairman Campo affirmed that was exactly what he meant, and continued that while sometimes costs were viewed as expenses, these were actually investments that would pay off in the form of smart people doing smart things, creating a flywheel effect for the future.

Commissioner Branch noted that younger employees who start families while employed by the Port Authority could stay for their entire careers if they were treated well and could have a good work/life balance to raise children.

Mr. Batty continued by outlining the Infrastructure objectives – to widen and deepen the Houston Ship Channel, drive development of intermodal distribution networks, and develop secure Information Technology solutions for resiliency. Mr. Batty noted that the third objective related to cybersecurity concerns.

Mr. Guenther commented that it was good that the Infrastructure goal was being expanded. He thought the previous goal was more internal, and this time it appeared to have expanded.

Mr. Batty explained that the objectives for the Efficiency goal were to optimize vessel traffic efficiencies, streamline core processes, and employ leading-edge technology to improve efficiency, and Chairman Campo remarked that it was apropos that if the channel were to be deepened and widened, then it should be more efficient.

The Stakeholders objectives were to implement and maintain proactive two-way stakeholder engagement, foster a culture of transparency and diversity, and cultivate key relationships to accomplish common goals.

Finally, Mr. Batty explained the objectives of the last Strategic Goal – Stewardship or Sustainability – were to implement an environmental leadership strategy, prevent, plan for, and respond to incidents affecting the greater Port of Houston, and secure and grow a diversified business base.

Mr. Eriksson asked whether the last objective Mr. Batty referenced, regarding a diversified business, was more inwardly focused or Port of Houston-focused, and asked if the Port Authority had a role in the overall diversity of the Port of Houston. Chairman Campo replied that the objective was more focused on the Port Authority's business. Ms. Shaver added that while there were a lot of obligations, the design team determined to keep the focus on growing revenues.

Mr. Guenther noted that growth had been its own goal before, and Chairman Campo explained that any business should look at diversifying its revenue sources and assessing the viability of those revenue sources over a long period of time.

Mr. Guenther summarized that the presentation was a checkpoint for the Strategic Plan process, and the design team could take the comments given and include them in its work: this was not a final product presented for approval, but rather the purpose of the meeting was to get top-down feedback.

Mr. Batty observed that the underlying theme of the Strategic Plan was the Port Authority's role as both a business and a governmental entity, and the design team attempted to highlight both aspects in the Strategic Goals.

Mr. Batty continued with the upcoming timeline, noting the next step would be engagement meetings with stakeholders, and then internal focus group meetings. Further checkpoints with the chief officers would come later, and there would be a design team workshop on October 30, 2019.

