

An aerial photograph of a port area. On the left, a large cargo ship is docked at a pier. The water is a deep blue. In the background, a city with various buildings and infrastructure is visible. The sky is clear and blue. The image is framed by a blue and green geometric border.

2020 BUDGET – COMMISSION APPROVED



Approved by Commission December 10, 2019



INCOME STATEMENT DETAIL



2020 OPERATING BUDGET

| | 2018 Actual | Prior 12 Months | 2019 Projected | 2019 Budget | 2020 Budget | 2020 vs 2019 Budget | % Change |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|--------------|
| Operating Revenues | | | | | | | |
| Wharfage | \$ 50,487,099 | \$ 55,251,981 | \$ 57,913,858 | \$ 54,503,208 | \$ 71,514,749 | \$ 17,011,541 | 31.2% |
| Building and Land Rentals | 18,591,803 | 18,677,788 | 18,769,797 | 18,369,343 | 20,603,832 | 2,234,489 | 12.2% |
| Dockage | 15,310,186 | 16,781,064 | 17,114,981 | 14,698,562 | 19,298,207 | 4,599,645 | 31.3% |
| Security | 9,014,384 | 10,251,743 | 10,626,921 | 9,365,330 | 12,119,085 | 2,753,755 | 29.4% |
| Rail Charges | 2,552,814 | 3,462,404 | 3,618,816 | 2,332,000 | 3,691,931 | 1,359,931 | 58.3% |
| Dredging Revenue | - | - | - | 2,000,000 | 2,621,400 | 621,400 | 31.1% |
| Freight Handling | 3,098,112 | 2,732,428 | 2,363,279 | 2,557,414 | 2,446,465 | (110,949) | -4.3% |
| Conference Center Services | 2,398,684 | 2,560,526 | 2,232,585 | 2,434,663 | 1,900,093 | (534,570) | -22.0% |
| All Other Revenue | 4,319,787 | 4,636,019 | 3,994,890 | 3,428,118 | 3,055,736 | (372,382) | -10.9% |
| Operating Revenues | 105,772,869 | 114,353,953 | 116,635,127 | 109,688,638 | 137,251,498 | 27,562,860 | 25.1% |
| Operating Expenses | | | | | | | |
| Employee Services | 22,855,944 | 25,232,645 | 24,522,087 | 26,122,152 | 29,505,512 | 3,383,360 | 13.0% |
| Professional Services | 10,658,137 | 15,315,608 | 13,330,299 | 11,196,949 | 13,229,150 | 2,032,201 | 18.1% |
| Maintenance | 5,083,457 | 6,081,412 | 5,299,931 | 6,494,504 | 11,226,430 | 4,731,926 | 72.9% |
| Administrative Expenses | 2,958,455 | 3,366,302 | 3,795,030 | 4,274,797 | 5,881,940 | 1,607,143 | 37.6% |
| Contracted Services | 2,353,692 | 2,677,708 | 2,715,777 | 1,659,033 | 2,256,473 | 597,440 | 36.0% |
| Insurance | 1,610,673 | 1,674,284 | 1,700,471 | 1,475,454 | 1,962,354 | 486,900 | 33.0% |
| Operator and Event Expenses | 1,788,718 | 1,797,570 | 1,555,820 | 1,870,831 | 1,698,729 | (172,102) | -9.2% |
| Utilities | 1,073,443 | 1,117,304 | 1,134,328 | 1,100,484 | 1,110,747 | 10,263 | 0.9% |
| All Other Expenses | 2,389,254 | 2,492,997 | 1,898,163 | 1,875,650 | 3,056,386 | 1,180,736 | 63.0% |
| Operating Expenses | 50,771,773 | 59,755,830 | 55,951,905 | 56,069,854 | 69,927,721 | 13,857,867 | 24.7% |
| EBITDA | 55,001,096 | 54,598,123 | 60,683,221 | 53,618,784 | 67,323,777 | 13,704,993 | 25.6% |
| Depreciation | 14,149,760 | 14,714,728 | 14,199,235 | 16,273,211 | 16,196,111 | (77,100) | -0.5% |
| EBIT | 40,851,336 | 39,883,395 | 46,483,986 | 37,345,573 | 51,127,666 | 13,782,093 | 36.9% |



2020 OPERATING BUDGET

| | 2018 Actual | Prior 12 Months | 2019 Projected | 2019 Budget | 2020 Budget | 2020 vs 2019 Budget | % Change |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|----------------|
| Non-Operating Revenue(Expenses) | | | | | | | |
| Interest Income | \$ 4,807,322 | \$ 7,830,946 | \$ 8,635,558 | \$ 5,513,950 | \$ 3,000,000 | \$ (2,513,950) | -45.6% |
| Other Income | 674,212 | 2,644,429 | 458,720 | 5,009 | 0 | (5,009) | -100.0% |
| Gain(Loss) Sale of Assets | (61,064) | (67,784) | (954) | - | - | - | |
| Interest/Bond Issuance Expenses | (9,689,633) | (13,594,889) | (13,001,818) | (13,795,392) | (13,701,625) | 93,767 | -0.7% |
| Other Expenses | (4,902,007) | (6,664,209) | (7,497,356) | (3,000,000) | - | 3,000,000 | -100.0% |
| Hillcrest Expenditures | (1,786,180) | (1,659,936) | (6,988,098) | (1,543,440) | (2,000,000) | (456,560) | 29.6% |
| Hillcrest Reimbursement-TXDOT | 14,761,550 | 18,290,398 | 12,825,611 | 15,434,400 | 8,000,000 | (7,434,400) | -48.2% |
| Non-Operating Revenue(Expenses) | 3,804,200 | 6,778,955 | (5,568,337) | 2,614,527 | (4,701,625) | (7,316,152) | -279.8% |
| Net Income (Loss) | \$ 44,655,536 | \$ 46,662,350 | \$ 40,915,649 | \$ 39,960,100 | \$ 46,426,041 | \$ 6,465,941 | 16.2% |



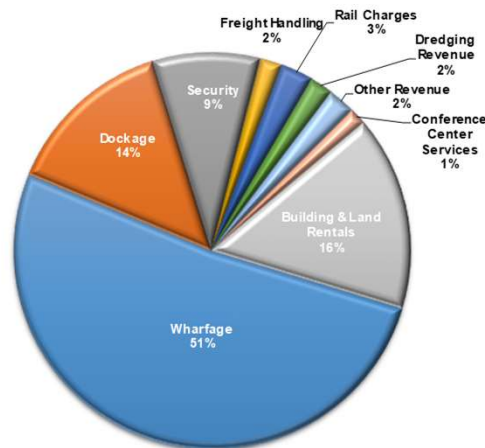


REVENUE



2020 Revenue Detail

| | 2019(A)* | 2019B | 2020B |
|----------------------------|----------------------|----------------------|----------------------|
| Wharfage | \$ 57,913,858 | \$ 54,503,208 | \$ 71,514,749 |
| Building & Land Rentals | \$ 18,769,797 | \$ 18,369,343 | \$ 20,603,832 |
| Dockage | \$ 17,114,981 | \$ 14,698,562 | \$ 19,298,207 |
| Security | \$ 10,626,921 | \$ 9,365,330 | \$ 12,119,085 |
| Other Revenue | \$ 3,994,890 | \$ 3,428,118 | \$ 3,055,736 |
| Rail Charges | \$ 3,618,816 | \$ 2,332,000 | \$ 3,691,931 |
| Dredging Revenue | \$ - | \$ 2,000,000 | \$ 2,621,400 |
| Freight Handling | \$ 2,363,279 | \$ 2,557,414 | \$ 2,446,465 |
| Conference Center Services | \$ 2,232,585 | \$ 2,434,663 | \$ 1,900,093 |
| Total Revenues | \$116,635,127 | \$109,688,638 | \$137,251,498 |



- Wharfage continues to dominate our revenue stream with many crude exports going to franchise docks
- Building and Land Rentals became second largest revenue stream in 2018
 - Revaluation of land values
 - Higher value for easements
 - Higher volume of land transactions
- Rail Charges have grown due to non-waterborne cargo to Mexico
- Expect Ortiz revenues to drop in 2020 due to ongoing construction and possible renovation
- PPI increase of 2.16% to existing tariffs
- Have taken high level \$6 million haircut to address overall risk profile



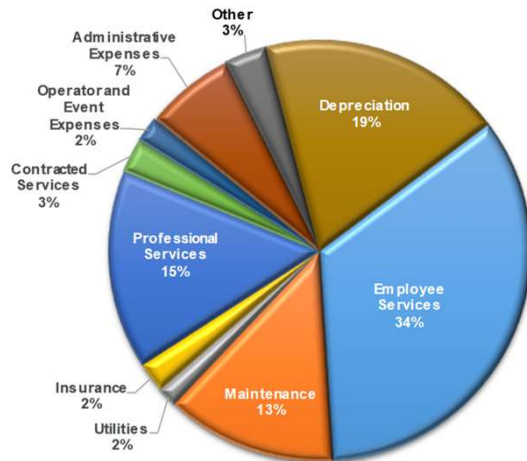


EXPENSE



2020 Expense Detail

| | 2019(A)* | 2019 | 2020 |
|---------------------------------|----------------------|----------------------|----------------------|
| Employee Services | \$ 24,522,087 | \$ 26,122,152 | \$ 29,505,512 |
| Professional Services | \$ 13,330,299 | \$ 11,196,949 | \$ 13,229,150 |
| Maintenance | \$ 5,299,931 | \$ 6,494,504 | \$ 11,226,430 |
| Administrative Expenses | \$ 3,795,030 | \$ 4,274,797 | \$ 5,881,940 |
| Contracted Services | \$ 2,715,777 | \$ 1,659,033 | \$ 2,256,473 |
| Insurance | \$ 1,700,471 | \$ 1,475,454 | \$ 1,962,354 |
| Operator and Event Expenses | \$ 1,555,820 | \$ 1,870,831 | \$ 1,698,729 |
| Utilities | \$ 1,384,256 | \$ 1,296,464 | \$ 1,350,364 |
| All Other Expenses | \$ 1,648,235 | \$ 1,679,670 | \$ 2,816,769 |
| Total Operating Expenses | \$ 55,951,905 | \$ 56,069,854 | \$ 69,927,721 |
| Depreciation | \$ 14,199,235 | \$ 16,273,211 | \$ 16,196,111 |
| Total Expenses | \$ 70,151,140 | \$ 72,343,065 | \$ 86,123,832 |



- Employee Services remains our largest expense, up \$3.4M from 2019 Budget
 - Full year impact of 2019 hires, new FTE's for 2020, COLA adjustment, and increase in retirement plan benefit
- Professional Services in 3 primary categories
 - Legal – projecting overall decrease for 2020
 - Engineering and Environmental – several large items either ongoing or proposed
 - Other lobbyists and consultants
- Maintenance up significantly for needed repairs on existing Public Oil Docks and assumption of more maintenance in-house
- Administrative expenses growing for P&D Fund growth to maintain 2% target, and additional partnership opportunity with Texas State Aquarium

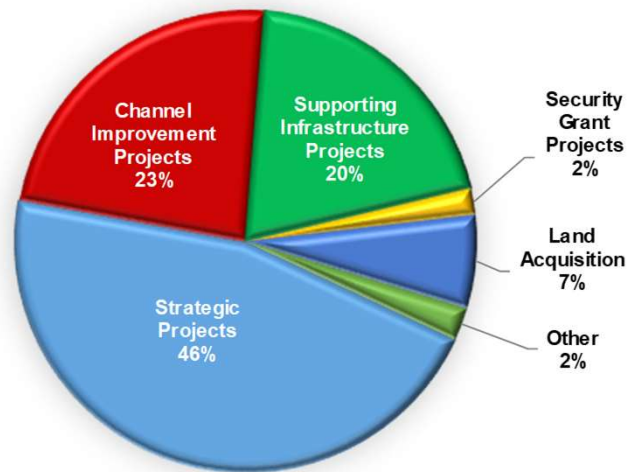




CAPITAL SPENDING



Capital Spending



- Capital spending heavily dominated by the construction of customer oil docks;
 - LSP – Harbor Island
 - POTAC – OD22
- Channel Improvements Projects; and
- Construction of New Office Building



2020 Capital Spending Summary

| <i>Strategic Projects</i> | |
|---|--------------------|
| Oil Docks | \$97,875,000 |
| Dry Cargo Docks | 437,900 |
| Bulk Terminal | 6,115,000 |
| Property and Buildings | 4,698,500 |
| Total Strategic Projects | 109,126,400 |
| <i>Channel Improvement Projects</i> | |
| Canals and Basins | 55,591,751 |
| Total Channel Projects | 55,591,751 |
| <i>Security Grant Projects</i> | |
| Security | 4,295,745 |
| Total Security Grant Projects | 4,295,745 |
| <i>Supporting Infrastructure Projects</i> | |
| Oil Docks | 3,070,000 |
| Dry Cargo Docks | 0 |
| Bulk Terminal | 5,146,155 |
| Canals and Basins | 3,000,000 |
| Property and Buildings | 35,510,171 |
| Railroads | 800,000 |
| Total Supporting Infrastructure Projects | 47,526,326 |



2020 Capital Spending Summary

| <i>Other Projects</i> | |
|-----------------------------|------------------|
| Conference Center | 4,000,000 |
| Administration | 1,188,000 |
| Port Operations | 243,000 |
| Total Other Projects | 5,431,000 |

| <i>Land Acquisition</i> | |
|-------------------------------|-------------------|
| Property and Buildings | 15,500,000 |
| Total Land Acquisition | 15,500,000 |

| | |
|---|----------------------|
| Total Capital Expenditures | \$237,471,222 |
| Less: TxDOT Reimbursement | (8,000,000) |
| Less: Federal/State/Local Grant Funding ** | (2,420,027) |
| Total Capital Expenditures - Port Funded | \$227,051,195 |





CASH POSITION



Cash Position - 2020

| | 2020 |
|--|-----------------------|
| Total Cash Reserve Funds Available, Beginning of Period | \$ 289,130,650 |
| Less Non-discretionary Funds: | |
| Operating Reserve | (43,704,825) |
| Contingency Reserve | (10,000,000) |
| Self Insurance Reserve | (5,000,000) |
| Debt Service Reserve | (15,314,816) |
| Total Non-discretionary Funds | (74,019,641) |
| Discretionary Reserves Available, Beginning of Period | 215,111,009 |
| Sources: | |
| Net Income | 46,426,041 |
| Add: Depreciation | 16,196,111 |
| Operating Cashflow | 62,622,152 |
| Grant Proceeds/Contributions | 2,420,027 |
| Capital Recovery - Inner Harbor Oil Dock | 1,134,307 |
| Capital Recovery - Inner Harbor Bulk Dock | 1,725,000 |
| Capital Recovery - La Quinta Dock | 9,600,000 |
| Total Sources | 77,501,487 |
| Total Available Resources | 292,612,495 |
| Uses: | |
| Capital Projects: | |
| Strategic Projects | (109,126,400) |
| Channel Projects | (55,591,751) |
| Security Projects | (4,295,745) |
| Supporting Infrastructure Projects | (47,526,326) |
| Land Acquisition | (15,500,000) |
| Other Projects | (5,431,000) |
| Total Capital Projects | (237,471,222) |
| Principal Debt Service | (6,635,000) |
| Total Uses | (244,106,222) |
| Net Source(Use) of Discretionary Reserves | (166,604,735) |
| Discretionary Reserves Available, End of Period | 48,506,273 |
| Total Cash Reserve Funds Available, End of Period | \$ 122,525,915 |

