



PORT OF HOUSTON AUTHORITY Self-Evaluation Report

*Submitted to Texas Sunset Advisory Commission
September 2011*



INTRODUCTION

The Port of Houston Authority of Harris County, Texas (herein referred to as the “Port Authority”, the “Authority”, the “Navigation District” or the “District”) is pleased to submit its Self-Evaluation Report to the Texas Sunset Advisory Commission.

For one hundred years the Port Authority has served an integral part in the development of the Port of Houston. The Port of Houston spans the upper half of the 52-mile long Houston Ship Channel (the “Channel”) to the Gulf of Mexico. It includes more than 150 public and privately-owned cargo terminals and other industrial facilities along the waterway. The Port of Houston is the nation’s No.1 port in terms of foreign waterborne tonnage and is home to the world’s second largest petrochemical complex.

The Port Authority owns and operates nine public terminals in addition to providing security and emergency response services and working with the federal government as the local sponsor of the Houston Ship Channel.

The Port Authority was born from the entrepreneurial vision and spirit of early Texas pioneers, who achieved a close partnership of public and private interests to help develop the state’s maritime commerce. This partnership continues today with a strong collaboration among industry and local, state and federal governments.

The Port Authority was constituted in January 1911, when Harris County voters authorized the establishment of a navigation district and \$1,250,000 in bonds to provide funds to help dredge and maintain a deep-water ship channel to the Gulf of Mexico. The U.S. Congress appropriated the other half of the necessary funds, and work was completed under the jurisdiction of U.S. Army Corps of Engineers. The newly dredged 25-foot deep water channel opened on November 10, 1914.

The City of Houston (the “City”) soon thereafter built and operated wharves and docks along the channel. In 1922, the Port Authority assumed responsibility for operations and maintenance of the City’s port facilities along with its responsibility for work on the channel proper. That same year the City’s Harbor Board and the governing body of the Navigation District were merged into a single five-member Board of Navigation and Canal Commissioners, which was subsequently expanded to seven members and renamed the Port Commission.

In a series of statutes the Texas Legislature spelled out the Port Authority’s mission, culminating in 1927 with Section 1, Chapter 97, Acts of the 40th Legislature, Regular Session: “the development of deep water navigation and the improvement of rivers, bays, creeks, streams, and canals” within its boundaries. The 1927 Act also gave it the “purpose and authority to acquire, purchase, undertake, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads ... and all other facilities or aids incident to or necessary to the operation of ports or waterways within said District and extending to the Gulf of Mexico.”

On January 1, 1958, the Port Authority converted to a navigation district operating under Article XVI, Section 59 of the Texas Constitution, pursuant to Chapter 117, Acts of the 55th Legislature, Regular Session, 1957, in addition to its powers under Article III, Section 52. The 1957 Act further defined the role and governance of the Port Authority, and expanded its responsibilities for operation and development of ports and waterways to include activities “in aid of navigation and commerce thereon.” This underscored its mandate to create jobs and foster economic activity in the region.

In this report we focus your attention on three basic components of the Port Authority's operations:

1. The public component, which seeks to be a good steward of the public welfare, to be accountable to its local and state governmental stakeholders, and to give back to the local communities through sponsorships, education and job creation activities.
2. The terminal operations of the Port Authority, which promote and facilitate commerce by providing efficient and cost-effective marine terminals, for the competitive benefit of the Port of Houston, Texas and the nation.
3. The operation of the Houston Ship Channel, a federal waterway that must be maintained and protected so that future generations can continue to benefit from this vital national resource.

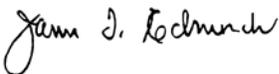
The Port Authority plays an integral role in the mission of the overall Port of Houston as the local sponsor of the Houston Ship Channel, which is a major economic engine for the region and the state. The last economic impact study completed in 2006 shows that the Port of Houston is a catalyst for more than 785,000 statewide jobs and nearly \$118 billion of annual statewide economic activity, and contributes \$3.7 billion annually in local and state taxes. Cargo handling at Port Authority facilities accounted for approximately 15% of the total tonnage moving through the Port of Houston, and for over 50% of the port's total jobs.

The Port of Houston is also a vital link to the rest of the world, engaging in trade and commerce with more than 90% of the world's countries, including the four "BRIC" nations (Brazil, Russia, India and China), which boast the world's fastest-growing economies. Despite the recent financial crisis, a total of 31.3 million tons of cargo moved through Port Authority facilities in 2010, an increase of 8.5% over the prior year. The Port Authority is preparing to undertake significant infrastructure improvements to ensure that the Port of Houston can accommodate the advent of larger vessels and increased cargo resulting from the pending Panama Canal expansion in 2014 and expected future growth in the region.

We appreciate the opportunity to present an overview of the Port Authority, including issues, challenges, and suggested improvements to help ensure that the Port Authority continues to meet its mission and key functions for the next century. Please note that since the Port Authority is not a state-funded agency, a number of the original questions in this report have been modified to reflect the operations and nature of the Port Authority.

We look forward to working with your staff during the review process. Should you have any questions, please do not hesitate to contact us or any of our liaisons listed in Section I on page 1 of this report.

Sincerely,



James T. Edmonds
Chairman, Port Commission



Alec G. Dreyer
Chief Executive Officer

TABLE OF CONTENTS

I.	Agency Contact Information	1
II.	Key Functions and Performance	3
III.	History and Major Events	19
IV.	Policymaking Structure	25
V.	Funding	31
VI.	Organization	47
VII.	Guide to Agency Programs	51
1.	Operations - Container Terminals.....	51
2.	Turning Basin Terminals	59
3.	Port Security & Emergency Operations.....	67
4.	Strategic Planning	81
5.	Engineering & Real Estate.....	99
6.	Finance & Administration.....	111
7.	Legal	123
8.	Origination.....	131
9.	Public Affairs & Economic Analysis.....	141
10.	Human Resources	151
11.	Executive	157
12.	Small Business	163
VIII.	Statutory Authority and Recent Legislation	171
IX.	Policy Issues	177
	Issue 1: Accountability and Transparency.....	177
	Issue 2: Promotion and Development Fund.....	179
X.	Other Contacts	181
XI.	Additional Information	193
XII.	Agency Comments	199
	ATTACHMENTS	201

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Agency Contact Information

Port of Houston Authority Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	E-mail Address
Agency Head	James T. Edmonds Chairman and Alec G. Dreyer Chief Executive Officer	111 East Loop North Houston, TX 77029	(713) 670-2662 (713) 670-2429 Fax (713) 670-2480 (713) 670-2429 Fax	jedmonds@poha.com adreyer@poha.com
Agency's Sunset Liaisons	Spencer Chambers and Ramon Yi	111 East Loop North Houston, TX 77029	(713) 670-2606 (713) 670-2429 Fax (713) 670-2555 (713) 670-2554 Fax	schambers@poha.com ryi@poha.com
Agency's Sunset Team	Jessica Druce and Monica Glover	111 East Loop North Houston, TX 77029	713) 670-2693 (713) 670-2427 Fax (713) 670-2830 (713) 670-2429 Fax	jdruce@poha.com mglover@poha.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

Vision

The Port of Houston Authority serves as the maritime gateway to Texas and the heartland of America by leading in global commerce, environmental stewardship, community focus, and economic prosperity.

Mission Statement

The Port of Houston Authority facilitates commerce, navigation, and safe waterways promoting sustainable trade and generating economic development for the Houston region, Texas, and the nation, while being a model environmental and security steward, and a community-focused and fiscally responsible organization.

Core Values and Objectives

1. **Economic Development** – Deliver economic development to our stakeholders, provide quality service and operations to our public and private partners, and ensure an efficient ship channel
2. **Corporate Integrity** – Cultivate an ethical business environment, preserve the fundamental principles of fairness, transparency and integrity, and promote good relationships with all stakeholders
3. **Financial Responsibility** – Provide transparent and fiscally sound business practices that demonstrate our commitment to continued growth and improvement
4. **Environmental Stewardship** – Proactively lead in environmental compliance and continually strive to enhance and sustain natural and man-made environments for future generations
5. **Security Commitment** – Work with public and private partners to provide secure facilities for the community, for our customers, businesses, and employees, and for the others who work and visit here
6. **Community Partnerships** – Bring together local communities, the maritime industry, and our other stakeholders to build partnerships that enhance the region, and also provide opportunities for the development of local small businesses
7. **Workforce Development** – Attract, develop, and retain the best talent for maritime business, valuing diversity, and fostering a mutually respectful and ethical environment

The Port Authority's primary functions include the following major areas:

Local Sponsorship of the Houston Ship Channel

Section 1, Chapter 97, Acts of the 40th Legislature, 1927 Regular Session (the "1927 Act"), reiterated that the mission of the Navigation District is the "development of deep water navigation and the improvement of rivers, bays, creeks, streams, and canals." As the federally-designated local sponsor of the Houston Ship Channel, the Port Authority partners with the U.S. Army Corps of Engineers to oversee development and maintenance of this important federal waterway.

Operation and Development of Ports and Waterways along the Houston Ship Channel

In addition, the 1927 Act sets out the Navigation District's "authority to acquire, purchase, undertake, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads ... and all other facilities or aids incident to or necessary to the operation of ports or waterways within said District and extending to the Gulf of Mexico."

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Chapter 117, Acts of the 55th Legislature, 1957 Regular Session as amended (the “1957 Act”), further defined the role and governance of the Port Authority. In addition to all other powers conferred by law, Section 1 spells out that the Port Authority’s responsibilities “to acquire, purchase, construct, enlarge, extend, repair, maintain, operate, or develop channels and turning basins, wharves, docks, warehouses, grain elevators, bunkering facilities, railroads” includes “all other facilities or aids incident to or useful in the operation or development of the District’s ports and waterways or in aid of navigation and commerce thereon.”

The Port Authority owns and operate marine terminals engaged in the business of furnishing wharfage, dock, warehouse, or other terminal facilities in connection with a common carrier, subject to the Shipping Act of 1984 (“Shipping Act”), 46 U.S.C. §40101 et seq. Under the Shipping Act, the Port Authority conducts its operations through Port Commission-established tariff rates, regulations, and practices, which govern receiving, handling, storing, or delivering property at its terminals, and is prohibited from engaging in anti-competitive practices.

The Port Authority also operates through contracts and lease agreements with carriers and others, which provide for obligations apart from those contained in its tariffs, not always under the jurisdiction of the Shipping Act and the Federal Maritime Commission (which enforces the act), but subject to other applicable state and federal laws.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The Port Authority’s ongoing objectives are to facilitate commerce along the Houston Ship Channel and to serve as a catalyst for economic development in the Houston region, the state of Texas, and the nation. The Port Authority’s key functions continue to play critical roles in the agency’s ability to achieve those objectives.

Local Sponsorship of the Houston Ship Channel

The Houston Ship Channel serves the Port of Houston, which is a significant economic engine and critical to the nation’s energy security. According to a 2006 study by Martin Associates, the facilities along the Houston Ship Channel generate in Texas over 785,000 direct, indirect and induced jobs, \$118 billion of economic activity and nearly \$3.7 billion in annual tax revenue. For additional information on the rankings of the Port of Houston and the importance of the channel, please refer to Section II, Question C on page 5.

In its role as local sponsor, the Port Authority partners with the federal government through the U.S. Army Corps of Engineers in maintaining the Houston Ship Channel for the benefit of the entire Port of Houston. This includes working to secure appropriations for channel dredging, management of dredge material placement areas and coordination on projects related to the channel.

Operation and Development of Ports and Waterways

The Texas Legislature has authorized the Port Authority to serve as a catalyst for economic development, in addition to being a steward of the channel. This is accomplished primarily through the Port Authority’s public terminals that handle general cargo, containers, bulk materials and other types of cargo, trading with U.S. and international ports.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

The Port Authority further supports maritime commerce by national and international trade development activities, including cooperative agreements with international organizations, and local infrastructure investments.

Due to the magnitude and importance of these key functions and objectives, it would be a serious detriment to the local, state and national economies if they no longer were performed by an organization with the mandate to serve the public welfare and security, committed to sustainable development of the Houston Ship Channel as an important national resource.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The effectiveness of the Port Authority's role in facilitating commerce, navigation, and safe waterways, promoting sustainable trade and generating economic development for the Houston region, Texas, and the nation are reflected in both the success of its own terminals as well as the success of the Port of Houston.

Facilitating Commerce along the Houston Ship Channel

Port Authority terminals handle approximately 70% of the containerized cargo in the U.S. Gulf Coast and 96% of waterborne containerized traffic in Texas. In addition, the Port Authority's Turning Basin Terminal is the largest breakbulk facility in the nation.

According to U.S. Department of Commerce maritime statistics, the Port of Houston and the Port Authority represent a significant portion of the state's and nation's 2010 exports and imports:

	Total Port of Houston	Port Authority Only
Texas Imports	34.0%	5.9%
Texas Exports	55.1%	21.2%
U.S. Imports	9.8%	1.7%
U.S. Exports	11.5%	4.4%

The Port of Houston is ranked:

- 1st in U.S. in foreign tonnage (10.7% of U.S. total)
- 1st in U.S. imports (9.8% of U.S. total)
- 2nd in total U.S. tonnage (10.5% of U.S. total)
- 2nd in U.S. export tonnage (11.5% of U.S. total)

The Houston Ship Channel is critical to U.S. energy security:

- Nearly all of the petrochemical exports from Houston are tied to Houston Ship Channel infrastructure
- The Port of Houston is ranked as the largest importer and exporter of petroleum and petroleum products in the United States
- The Port of Houston is also home to the second largest petrochemical complex in the world
- The country's largest refinery, with a refining capacity of 567,000 barrels a day, is located on the channel
- This refinery and the other refineries in and around the Port of Houston make Houston the largest refinery center in the United States

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

The Port Authority remains an effective partner with the federal government, through the U.S. Army Corps of Engineers, in maintaining the Houston Ship Channel. One of the significant challenges the Port Authority faces in this role is securing the necessary federal resources to maintain the Houston Ship Channel (for more information, please refer to Section II, Question G on page 11). The issue of inadequate funding for harbor maintenance is a critical issue facing all U.S. ports and waterways. However, through its outreach to the Administration and Congress, the Port Authority has been successful in maintaining relatively stable funding levels in recent years during a period of significant pressures on the federal budget. For example, the President's Budget increased its proposed allocation to the Houston Ship Channel from \$20 million to \$23.3 million from FY 2010 to FY 2012, while many waterways were reduced or cut altogether. In addition, the Port Authority secured \$98.8 million for channel work in the American Recovery and Reinvestment Act of 2009.

Despite the funding challenges facing the ship channel, it remains an effective and nationally significant waterway with advantages and benefits accruing to all businesses and facilities at the Port of Houston. As discussed above, the Houston Ship Channel supports immense trade and infrastructure. The Port of Houston handled 7,852 ship calls in 2010 as well as approximately 200,000 barge movements, for cargoes totaling an estimated 220.0 million tons.

Catalyst for Economic Development

Martin Associates was retained by the Port Authority to estimate the economic impacts generated by marine cargo activity at the public and private marine terminals located along the Houston Ship Channel. The results of the 2006 study were published in February 2007 and are available on our website (http://www.portofhouston.com/pdf/genifo/the_authority.EIS2006A.pdf). In December 2010, the Port Authority awarded another contract to Martin Associates for an updated economic impact study. The results of this study should be available in the fourth quarter of 2011 and will be provided to the Sunset Advisory Commission at that time.

For the 2006 study, separate economic models were developed to measure the impacts generated by the Port Authority's public facilities, and the impacts generated by the total marine cargo and vessel activity at both the public and private marine terminals. The economic impacts generated by the Port of Houston's public and private marine terminals for the year 2006 are summarized in the chart on the following page.

The national impacts of the Port of Houston have also been studied by Martin Associates. The firm determined that the Port of Houston is responsible nationwide for nearly \$285 billion in economic activity, more than 1.5 million direct and indirect jobs, and \$16.2 billion in tax revenue.

The Houston Ship Channel has long been a catalyst for the growth of Harris County. The findings of these economic impact studies are strong confirmation of the important and critical role the Port of Houston plays within the local region, the state and the nation.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

2006 Summary of the Local and Regional Economic Impacts Generated by the Port of Houston

	Public Terminals	Private Terminals	Total
Jobs			
Direct	20,021	38,121	58,142
Induced	20,516	41,198	61,714
Indirect	28,024	51,103	79,127
Related Jobs	<u>324,586</u>	<u>261,480</u>	<u>586,066</u>
Total	393,147	391,902	785,049
Personal Income (000's)			
Direct	\$932,308	\$1,901,192	\$2,833,500
Re-Spending/Consumption	2,450,850	4,997,854	7,448,705
Indirect	1,116,043	2,032,026	3,148,069
Related Income	<u>8,842,088</u>	<u>16,992,606</u>	<u>25,834,695</u>
Total	\$13,341,289	\$25,923,679	\$39,264,968
Economic Value (000's)			
Direct Revenue	\$2,925,739	\$5,158,941	\$8,084,680
Local Purchases	2,084,502	3,828,493	5,912,995
Related Output	<u>66,448,319</u>	<u>37,143,683</u>	<u>103,592,001</u>
Total	\$71,458,560	\$46,131,116	\$117,589,676
State & Local Taxes (000's)			
Direct, Induced, And Indirect	\$422,925	\$839,521	\$1,262,446
Related State And Local Taxes	<u>831,156</u>	<u>1,597,305</u>	<u>2,428,461</u>
Total	\$1,254,081	\$2,436,826	\$3,690,907

Security Commitment and Environmental Stewardship

The Port Authority has received a number of awards which highlight its achievements in the areas of environmental stewardship and security. In 2002, the Port Authority became the first U.S. port with an Environmental Management System to meet internationally recognized ISO 14001 standards for environmental excellence. Two years later, the Port Authority was the first U.S. port recertified to the new ISO 14001:2004 standard, and in 2008 became the world's first port authority to receive ISO 28000:2007 certification, for its security management system.

Small Business Partnerships

The Port Authority recognizes that a vibrant entrepreneurial spirit is vital for a strong economy and leadership in global trade and commerce. According to a recent study, a total of nearly \$7 billion in revenue is generated annually by all businesses providing direct services at the Port of Houston. Small businesses that are eligible for the Port Authority's Small Business Development Program enjoy a significant share of that revenue. Since the inception of the Small Business Program in 2002, more than \$333 million in contracts have been awarded to small businesses, and the Port Commission maintains aggressive goals to promote small business participation.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Current enabling law generally reflects the Port Authority's mission, objectives and approach to performing its functions. The Port Authority is a member of the Texas Ports Association (or "TPA"). During each legislative session, TPA members collaborate on drafting legislation to update and clarify the governing statutes affecting Texas ports. These changes have been important to improve processes and modernize statutes to ensure Texas public ports remain efficient and competitive.

During the 82nd Legislature, TPA successfully worked on two bills, HB 2770 and HB 2771.

HB 2770

This legislation included provisions that were either needed by particular navigation districts or that TPA members agreed was needed for all public ports. Provisions related to design-build contracts, clarifying powers and duties, streamlining sales of unneeded property, permitting month-to-month leases, permitting ports to control nuisances at dredge disposal sites, clarifying installment sales, providing flexibility in facility contracts, clarifying authority to receive grants, updating payment procedures, modernizing purchase order and requisition processes, clarifying purchasing powers, allowing charitable campaigns, providing alternative franchise notice methods, allowing for acquisition of land for industry and business development, improving disposition of surplus property and removing the sunset provision of certain procurement statutes.

HB 2771

During the 81st Legislative Session, two separate pieces of legislation passed that amended the same sections of the Water Code. The two bills had similar but not identical language which created an uncertain situation with respect to the relevant sections of the Water Code. HB 2771 was filed during the 82nd Legislative Session to cure the uncertainty and remove any possible confusion by reenacting certain provisions resulting from the differing language of the two prior bills. The language of HB 2771 was ultimately added to HB 2770.

In addition to the bills above, in recent years, at the urging of the Port Authority, the Legislature has acted on a number of other initiatives to help our region's maritime trade.

Green Coffee / Cocoa Exemption

The Harris County Green Coffee exemption was authorized by the Legislature and approved by voters as a constitutional amendment in 2001 (Session Laws, Chapter 961, Acts of the 77th Legislature, 2002). Subsequent to this amendment authorizing the raw cocoa and green coffee exemption from ad valorem taxation in Harris County, the Port of Houston was certified a green coffee exchange port in 2003 by the Intercontinental Exchange (formerly the New York Board of Trade). As a result of the designation, more jobs have been created and additional tax revenue has been generated.

The significant growth of the coffee industry in Texas is directly related to the green coffee and cocoa tax exemption. This exemption is important because it is a condition of remaining a certified trading port. In 2011, the Port Authority and the coffee industry were successful in convincing the Legislature of the continuing value of this important exemption.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Houston Ship Channel Security District

The Houston Ship Channel Security District (the “HSCSD”) is a Texas governmental entity created by the Texas Legislature in 2007 to facilitate security funding (Acts of the 80th Legislature, 2007, HB 3011). The HSCSD is a public/private partnership of the major facilities that make up the port terminals and industries in the Houston Ship Channel region. It takes advantage of the long tradition of cooperation among companies and governmental entities working in the area, particularly in matters of preventative and responsive security and safety.

This session, the HSCSD expanded the district both within and outside of Harris County.

Gulf Coast Rail District

Studies sponsored in the last decade by Harris County, the City of Houston and the Port Authority identified over 750 public at-grade railroad crossings in Harris County alone, which estimated to cause more than 30,000 vehicle-hours of delay per day, significantly impacting the region’s mobility and air quality and the safety of children and other pedestrians. The Gulf Coast Rail District (the “Rail District”) was created in response to these concerns (Transportation Code, Chapter 171, added by Chapter 756, Acts of the 79th Legislature, 2005).

The Rail District works with public and private partners to develop and implement a systematic approach to improvement of the regional rail network for the benefit of the region’s residents and economy. Houston rail infrastructure is an essential part of transporting commodities into and out of the region, while supporting regional job creation and population growth stimulating the Nation’s economic activity.

The Port Authority advocates for Rail District access to direct sources of local funding for freight rail projects. The first priorities are reducing rail crossings and removing single track bottlenecks in the rail network to improve rail mobility.

Eminent Domain

To address concerns about how government agencies in Texas exercise condemnation powers, in recent years state policy makers have filed a number of measures to address agencies with eminent domain authority and how that authority is exercised. The Port Authority has used this power sparingly for decades, in its mission to provide public facilities and promote economic development.

The Port Authority reached out to legislators on its use of eminent domain, to make sure that legislation not inadvertently impact port operations. Recent improvements maintain public port’s power of eminent domain while permitting sufficient time to develop property when needed to meet increased demand.

E. Do any of your agency’s functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

The Port Authority, as a navigation district and political subdivision of the State of Texas, has specified powers to operate, develop, and maintain ports and waterways within the defined area of the Houston Ship Channel. Only an entity with a similar mission can be counted on to promote commerce in the best interest of the public at large.

The Port Authority is adjacent to other navigation districts (e.g., the Port of Galveston, the Port of Texas City, and the Chambers County Cedar Bayou Navigation District), which operate in similar fashion as the Port Authority. By design, however, these entities serve their respective geographic regions and are

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

accountable to those communities.

However, on the important issue of maintaining their waterways, all these districts depend on dredging partnerships with the U.S. Army Corps of Engineers, and at times may collaborate to ensure such projects are operated efficiently and with minimal duplication of effort or adverse effects on other districts.

F. In general, how do other states carry out similar functions?

According to the U.S. Coast Guard, the United States is served by nearly 360 commercial ports that provide approximately 3,200 cargo and passenger handling facilities. Depending on the individual port facilities, they may accommodate anything from recreational watercraft, to barges, ferries, and ocean-going cargo and passenger ships.

Currently, there are more than 150 deep draft seaports under the jurisdiction of 126 public seaport agencies located along the Atlantic, Pacific, Gulf and Great Lakes coasts, as well as in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands. Many of these seaport agencies are governed by an elected or appointed body, such as a port commission.

Governance of these ports is a function of various state and local public entities, such as bi-state authorities, state departments, agencies, or authorities, county departments or authorities; municipal agencies, or special purpose ports, navigation districts or authorities.

According to the American Association of Port Authorities (the "AAPA"), characteristics of U.S. public ports include:

- Established by enactments of state government, public port agencies develop, manage and promote the flow of waterborne commerce and act as catalysts for economic growth. These agencies include port authorities, special purpose navigation districts, bi-state authorities and departments of state, county and municipal government.
- Seaport authorities develop and maintain the terminal facilities for intermodal transfer of cargo between ships, barges, trucks and railroads. Port authorities also lease land, and in some cases build and maintain facilities, for the growing cruise, excursion and ferry passenger industry.
- In addition to maritime functions, port authority activities may also include airports, bridges, tunnels, commuter rail systems, inland river or shallow draft barge terminals, industrial parks, Foreign Trade Zones, world trade centers, terminal or short-line railroads, shipyards, dredging, marinas and other public recreational facilities.
- Port authorities also play a critical role in national security, peace-keeping and humanitarian efforts around the world. In particular, ports support the mobilization, deployment and resupply of U.S. military forces.
- In the United States, public ports work closely with private industry, both in the development and financing of marine terminals and other maritime-related facilities. Public ports also serve as sponsors of federal navigation projects that benefit all maritime interests.

Separately, the "Public Port Finance Survey for FY 2006" was published in December of 2008 as a result of a cooperative effort between the U.S. Department of Transportation, Maritime Administration ("MARAD") and the AAPA. This report is available on the MARAD website: [http://www.marad.dot.gov/documents/REVISED_1-13-09_2006_Port_Finance_Survey_\(final\)_PRINT_ON_LEGAL_PAPER.pdf](http://www.marad.dot.gov/documents/REVISED_1-13-09_2006_Port_Finance_Survey_(final)_PRINT_ON_LEGAL_PAPER.pdf).

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

According to this report, public port agencies own approximately one-third of the U.S. deep-draft marine terminal facilities, and can be categorized by their type of operation:

- **Non-Operating Ports** – Landlord ports with all port facilities generally leased or preferentially assigned, with the lessee or assignee responsible for operating the facilities
- **Operating Ports** – Ports that provide all port services (except stevedoring) with their own employees including, but not limited to, loading and unloading of rail cars and trucks and the operation of container terminals, grain elevators, and other bulk terminal operations
- **Mixed Ports** – Ports such as the Port of Houston Authority which lease facilities to others, but continue to operate one or more facilities (e.g., specialized terminals, grain elevators, bulk terminals, container terminals, etc.) with port employees

G. What key obstacles impair your agency's ability to achieve its objectives?

Federal Appropriations for the Houston Ship Channel

In recent years, despite the best efforts of the Texas Congressional Delegation, federal appropriations to the U.S. Army Corps of Engineers (the "Corps") for the Houston Ship Channel have declined to levels below what is needed to adequately maintain the channel at its authorized width and depth.

For example, the Corps identified \$83 million of dredging needs in the Houston Ship Channel for fiscal year 2012 to maintain the channel at its approved depth and width. The President's Budget proposed funding the Houston Ship Channel at \$23 million. Congressional appropriations for the next fiscal year have not been completed at the time of this printing, but it is anticipated that the federal government will be funded through a continuing resolution and the Channel's allocation will be approximately \$20 million.

Additionally, federal resources are not being allocated equitably or where they can have the biggest impact. For example, the current federal investment for maintenance of the Houston Ship Channel on a per ton of cargo basis is much lower than it is for other ports. When compared to ports on the U.S. Gulf and East coasts, the Houston Ship Channel receives \$0.09 per ton for maintenance while others receive an average of \$0.44 per ton, or five times more.

In addition, the tax revenues collected on activity at the Port of Houston far outweigh funds needed for adequate maintenance of the channel. The customs revenue collected by the federal government from Port of Houston cargo exceeds \$768 million per year (2007), and approximately \$126.7 million in Harbor Maintenance Tax is collected annually from the Port of Houston (2007). For additional information, please also refer to Section II, Question I on page 15.

The need is great. The Corps' hydrographic report for the Houston Ship Channel shows that, in 2008, 82% of the channel was not at its designed depth and only 33% of the center of the channel was at full design depth and/or width. Looking at data going back to the 2005 reports, the Channel has been losing an average of 8% of usable depth per year.

The Texas Transportation Institute, Center for Ports and Waterways (affiliated with the Texas A&M University System) recently completed a study analyzing the direct economic effects of channel restrictions and the loss of one foot of draft from the Houston Ship Channel. The study determined that the direct economic impact of the loss of one foot of draft over 2008 and 2009 was \$373 million. For additional information on this study, please refer to the Attachments on page 201.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Depth restrictions limit the drafts of ships navigating the Channel and significantly reduce the amount of cargo carried per trip, slowing the movement of commerce, and increasing the cost of both imports and exports. These cost increases are ultimately reflected in the cost to consumers. Passing restrictions in the Houston Ship Channel result in longer and more costly transit times. The impacts also increase the number of vessel trips which generate additional emissions that affect the region's air quality.

Capital Funding

Without sufficient capital financing, the Port Authority's role in facilitating commerce along the ports and waterways of the Houston Ship Channel may suffer. While the Port Authority's need for capital improvement projects continues, some of its past sources of funding – federal appropriations and local bond financing – have been affected by local, state, and federal budget constraints.

By statute, the Port Authority has the ability to issue general obligation ad valorem tax bonds with Harris County voter approval. A significant majority of voters approved \$387 million in such funding in 1999, and \$250 million in 2007.

While Port Authority's operating revenues support its day-to-day expenses and many of its capital improvements, its revenues alone cannot sustain the pace of market-driven port infrastructure demands and continue to generate more jobs and positive economic impact for the region. Publicly supported bonds are particularly important as the Port Authority competes with ports both domestically and internationally that receive direct tax revenues, state subsidies or other tax revenue for both its operations and its infrastructure.

In 2010, the Port Authority invested a total of \$158.3 million in capital improvements, developing, expanding and renewing various facilities. Approximately \$104.1 million of these improvements were funded with public debt, with the balance paid from the Port Authority revenues.

The liquidity forecast on the following page shows estimated capital expenditures of \$100.6 million, \$215.6 million and \$291.8 million in 2011, 2012 and 2013, respectively. It is projected that the Port Authority may need to invest up to \$3 billion for infrastructure and capital expansion projects over the next ten to fifteen years to meet increased cargo demands and associated volumes.

The Port Authority expects to seek additional financing in order to further develop the facilities necessary to drive and support the region's economic growth and employment opportunities. For example, the cost to dredge the Bayport channel to accommodate larger vessels after the Panama Canal expansion is expected to total approximately \$150 million. Under normal circumstances, this would be borne by federal appropriations to the U.S. Army Corps of Engineers; however, their timeline would likely not meet the Panama Canal's 2014 target completion date.

The Port Authority will continue to explore alternatives by which to grow the Port of Houston, meet the capital needs of both the Port of Houston and the Port Authority, and not unduly burden the citizens of Harris County.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Liquidity Forecast (000's)	2011	2012	2013
Funds Available, Beginning of Year	\$ 337,751	\$ 186,928	\$ 48,017
Sources:			
Operating Cash Flow *	70,565	76,657	82,124
Available Resources	\$ 408,316	\$ 263,585	\$ 130,141
Uses:			
Outstanding Capital PO's and Commitments	(70,144)	-	-
New Capital Investment **			
Container Terminals	(57,464)	(141,559)	(97,752)
Turning Basin Terminals	(3,941)	(19,538)	(6,710)
Houston Ship Channel	(4,450)	(9,620)	(159,020)
Marine (incl. fireboats)	(15,695)	(1,931)	-
Security	(7,955)	(12,126)	(6,333)
Other	(11,053)	(30,794)	(21,955)
Subtotal - New Capital Investment	(100,559)	(215,568)	(291,770)
Net Resources	237,613	48,017	(161,629)
Less: Funds Not Available for Capital Investment			
Contingency	(35,000)		
Debt Service and Other Reserves	(15,685)		
Funds Available, End of Year	\$ 186,928	\$ 48,017	\$ (161,629)

* 2011 reflects latest quarterly forecast

** Estimate as of 8/1/2011

Asset Optimization/Bayport Cruise Terminal

Part of the master plan of the Bayport Terminal complex, partially funded through public debt approved by Harris County voters, the Bayport Cruise Terminal began construction in 2005. Norwegian Cruise Line (“NCL”) was anticipated to be the primary client cruise line calling at the terminal. However, after construction began, the cruise market experienced a significant shift, with companies moving their vessels to home ports overseas, and NCL left the Houston market in 2006.

The Port Authority continues its long-term its efforts to attract another cruise operator. Challenges impede the Port Authority’s efforts to bring a cruise line to the Bayport Terminal, including possible issues related to the cruise industry and general market conditions.

Beyond a cruise line, the Port Authority staff is also exploring alternative uses for the cruise terminal property, to produce sufficient revenues to offset the facility’s operating costs.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Accountability and Transparency

The Port Authority, as well as navigation districts statewide, share a fundamental challenge of balancing the role as a governmental entity with the demands imposed through the business-like aspects of operating terminals and competing in maritime commerce.

It is not a primary role of the Port Authority to serve as a regulator, which is a key function of many state agencies, but rather to facilitate commerce and promote economic development. This role includes operating some of the most significant port infrastructure in the state, the Gulf of Mexico and in the nation. Success requires being competitive, both with private as well as other public entities nationally and internationally, and generating revenues that are reinvested to create more commerce, economic activity and jobs.

While the Legislature has given the Port Authority this ability to function effectively and successfully as a business, it also expects the agency to operate like a governmental entity with openness and transparency, as well as accountability to the local citizens and government agencies in Harris County and the state of Texas. The confidence of local voters is particularly significant because the Port Authority must seek their approval of general obligation ad valorem tax bonds.

It is critical to the success of its statutory mission, therefore, that the Port Authority maintains the public trust. Issues related to possible conflicts of interest, certain expenditures and openness have been raised publicly in recent months. The Port Authority is and has always been committed to conducting its public business openly and transparently as well as serving as a good steward of the public's dollars. However, there always remain opportunities to make improvements and address concerns raised by stakeholders and others.

The Port Authority is cooperating with the Harris County Attorney's office and the Harris County District Attorney in their reviews of various matters. In addition, at the request of a Harris County Commissioner, the Harris County Auditor is evaluating the adequacy of the Authority's ad valorem tax rate to support the debt service on issued and outstanding debt, as well as the Authority's operating cash reserves.

The Port Commission, as governing body of the Port Authority, and staff are also addressing many of these matters through the activities of its various task forces. For additional information on these task forces, please refer to Section II, Question I on page 15.

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

Federal Appropriations for the Houston Ship Channel

As discussed in Section II, Question G on page 11, the Houston Ship Channel is an essential component to the continued operations and growth and economic impact of the Port of Houston. Federal appropriations to Corps to maintain the Channel in recent years have not been sufficient to maintain the waterway at its designed depth and width. Policy or budgetary actions that impact this federal funding, positively or negatively, will impact the Channel and subsequently all of the users of the channel.

Capital Funding

The ability to issue general obligation bonds, which debt service is covered by ad valorem taxes levied on Harris County voters, has enabled the Port Authority to keep pace with market-driven port infrastructure demands for maintaining the flow of cargo, generation of jobs and positive economic impact for the region.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Changes to the Port Authority's ability to access this public-supported financing will impact the costs of financing additional capital projects. The Port Authority reinvests its revenues after expenses towards operations and maintenance to build more revenue producing infrastructure. Additional financing costs would result in fewer investments in facilities impacting competitiveness, job creation and economic impact.

I. What are your agency's biggest opportunities for improvement in the future?

Capital Funding

The Port Authority is committed to developing, expanding and renewing port facilities and infrastructure investments that contribute to the economic health of the region and generate and sustain jobs.

There are significant opportunities ahead. Most notably, the Panama Canal's current expansion project is expected to double its capacity in 2014 by accommodating larger vessels. The Houston region is well-positioned for growth via the Panama Canal and will be one of the most positively impacted U.S. ports as a result of the expansion. This growth will come from creating an efficient link between the Gulf of Mexico with growing markets in the Pacific Rim (primarily East Asia), the west coast countries of South America and the southern ports of Central America, across multiple commodities and industries.

Increased container cargo trade is anticipated to result from the expansion of the Panama Canal. The Port Authority is building new facilities to accommodate this demand. The completion of a significant portion of the Bayport Container Terminal at approximately the same time as the Panama Canal expansion is expected to triple the container-handling capacity of the Port Authority.

The construction of a third set of locks allowing longer and wider ships to transit the Panama Canal will help to support an extension of the Port Authority market reach to other segments of the United States, including the U.S. Gulf Coast and I-35 Corridor. Population and consumer demand in these regions are anticipated to remain strong.

Beyond the Panama Canal, shipping lines are currently working with the Port Authority and bringing in the largest container vessels ever to call at the Port of Houston. This year, Port Authority terminals have received ships with the capabilities to carry over 8,000 Twenty-Foot Equivalent Units ("TEU", a standard measure of container volume). These "super post-panamax" vessels require significant infrastructure, both on the terminal as well as in the ship channel.

In expectation of increased cargo volumes and larger ships, the Port Authority is expanding and diversifying its efforts to obtain adequate funding both for terminal construction and improvement, and for the maintenance and operation of the Houston Ship Channel.

Port Authority Task Forces

The Port Commission has appointed several task forces to update the Port Authority's policies and provide additional guidance to the Port Authority in several important areas. The task force structure enables the Port Commission to focus on particular aspects of the agency and to address questions raised publicly about certain Port Authority activities. Below is a list of the task forces and a description of their efforts:

Audit – Advise regarding the Port Authority's financial statements and the Port Authority's accounting and financial reporting processes and financial statement audits

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Governance – Prepare and update Port Authority governance policies and procedures for Port Commission consideration and action, and review other governance-related matters

Pension – Provide advice and guidance regarding the administration of the Retirement Plan and the investment of the Plan’s assets

Procurement – Prepare and update procurement policies and procedures, for Port Commission consideration and action

Small Business Development and Community Relations – Update the Port Authority’s policies and procedures for both the Small Business Development Program as well as the Port Commission Sponsorships

Federal Appropriations for the Houston Ship Channel

While federal appropriations to the U.S. Army Corps of Engineers for the maintenance of the Houston Ship Channel have not been sufficient in recent years to maintain the Channel at its authorized depth and width, legislation has been filed in Congress to address the issue.

In 1986, Congress authorized the Harbor Maintenance Tax (“HMT”), a 0.125% ad valorem tax levied on cargo imported or domestically moved through federally maintained channels and harbors. The purpose of the revenues is to fund operations and maintenance of these waterways through the Harbor Maintenance Trust Fund. However, the monies are not immediately available for harbor maintenance projects, as they may only be spent if are appropriated by Congress, and in recent years, Congress has only appropriated approximately half of HMT revenues to the Corps. S 412 and HR 104 would effectively dedicate all revenues collected to their intended purpose of maintaining the nation’s waterways. Both Texas Senators as well as U.S. Representatives from Harris County and coastal districts are co-sponsors of the legislation. It is also anticipated that the language from these bills will be included in the next federal transportation reauthorization bill.

Promotion and Development Fund

Sections 60.201 through 60.205 of the Texas Water Code authorize each state navigation district to create a Promotion and Development Fund (“P&D Fund”). Under these provisions, the Port Authority and other navigation districts are authorized to set aside an amount up to five percent of gross income from operations in each calendar year.

Recognizing the need for Texas ports to compete effectively with other ports, the Legislature provided that a P&D Fund may be used for activities or matters incidental to (1) the advertising, development, or promotion of the navigation district and its facilities; (2) the furthering of the general welfare of the district and its facilities; and (3) the betterment of the district’s relations with ocean carriers, rail lines, shippers, consignees of freight, governmental officials, or others interested in ports, waterways, harbors or terminals.

In light of recent public scrutiny of expenditures, the Port Authority is reviewing its policies for funding certain activities through the P&D Fund, including strengthening of internal controls to assist with compliance with statutory requirements. To ensure that the fund is used effectively and appropriately, the Small Business and Community Relations Task Force is reviewing and updating approval procedures. For additional information on the P&D Fund, please refer to Section V, Question D on page 40.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Bayport Cruise Terminal

The Port Authority continues to work to fully optimize this asset. In addition to frequent outreach to all cruise lines, staff is exploring various alternative uses of the cruise terminal and the adjacent property.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Unlike most state and local agencies, the Port Authority generally tracks revenue tonnage as a key performance indicator, measuring the cargo from which its operational revenues are derived. The chart shown on the following page contains information on cargo statistics for the years 2008 through 2010, which reflects strong performance in 2008, the impact of the global economic crisis in 2009 and partial recovery in 2010.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Key Performance Measures

Port of Houston Authority			
Revenue Tonnage *			
(Audited, in short tons)			
	2010	2009	2008
General Cargo			
Barbours Cut			
Container Cargo	5,709,735	5,571,883	7,592,527
Lease	3,888,444	3,848,608	4,224,952
	<u>9,598,179</u>	<u>9,420,491</u>	<u>11,817,479</u>
Bayport Container Terminal	6,567,986	5,802,758	4,198,520
Turning Basin			
Autos Import	109,713	73,325	115,660
Autos Export	16,148	23,641	32,211
Steel Imports	2,005,659	2,195,728	4,961,811
All other	788,363	622,113	1,559,870
	<u>2,919,883</u>	<u>2,914,807</u>	<u>6,669,552</u>
Jacintoport	1,235,498	1,072,605	1,220,081
Care Terminal	188,279	249,001	421,064
Woodhouse	299,098	221,798	544,590
Galveston	-	-	-
Total General Cargo	<u>20,808,923</u>	<u>19,681,460</u>	<u>24,871,286</u>
Bulk			
Barbours Cut	3,136	2,426	4,409
Galveston	-	-	-
Jacintoport	1,653	10,803	-
Care Terminal	446,801	192,753	756,891
Woodhouse	31,857	30,468	6,031
Sims Bayou	783,041	648,650	571,557
S.J.B. Liquid Facility	551,405	492,921	428,698
Turning Basin	1,978,411	1,732,249	1,985,245
	<u>3,796,304</u>	<u>3,110,270</u>	<u>3,752,831</u>
Bulk Materials Terminal	4,669,560	4,513,258	4,520,962
Grain Elevator #2	2,042,395	1,560,258	2,096,735
Total Bulk	<u>10,508,259</u>	<u>9,183,786</u>	<u>10,370,528</u>
Grand Total	<u>31,317,182</u>	<u>28,865,246</u>	<u>35,241,814</u>

* Revenue tonnage is tonnage from which Authority revenues are derived. Does not include non-Authority tonnage. Based on information as received and estimates.

III. History and Major Events

Provide a timeline of your agency's history and key events, including:

- the date your agency was established;
- the original purpose and responsibilities of your agency;
- major changes in responsibilities or statutory authority;
- changes to your policymaking body's name or composition;
- significant changes in state/federal legislation, mandates, or funding;
- significant state/federal litigation that specifically affects your agency's operations; and
- key changes in your agency's organization (e.g., a major reorganization of the agency's divisions or program areas).

- 1825** The use of the Houston Ship Channel as a waterway dates back to the early settlement of Texas, when sailboats used it as a means of transportation as early as 1825.
- 1837** The steamship *Laura* travels from Galveston Bay up Buffalo Bayou to what is now Houston. The trip, in water no deeper than six feet, proved the bayou was navigable by sizable vessels and established a commercial link between Houston and the rest of the world.
- 1870** Houston petitions the federal government successfully and is granted the designation as a port of entry. The first federal survey of Houston's proposed ship channel is made.
- 1870-1910** The Houston Ship Channel undergoes construction and improvements under seven different project titles.
- 1909** A delegation of Houston's business and political leaders meets with the U.S. House of Representatives Committee on Rivers and Harbors and set a precedent by offering to share equally with the federal government the cost of a 25-foot deepwater channel capable of sustaining a major port. The Committee approves the idea, known as the "Houston Plan." The Texas legislature approves the creation of navigation districts.
- 1911** The voters of Harris County approve the formation of the Harris County Houston Ship Channel Navigation District (the "Navigation District" or the "District") on January 10, 1911. The newly formed Navigation District issues \$1.25 million in bonds to finance the deepening of the channel from 18 feet to 25 feet.
- 1913** State law gave the Navigation District the right to improve the waterway but no authority over the waterfront. As work proceeded on the channel, the City of Houston built docks, wharves, and other public facilities, and created the City Harbor Board with jurisdiction over these facilities.
- 1914** Work on the channel project is completed and the new deepwater channel is opened on November 10, 1914. President Woodrow Wilson personally sets off celebratory cannon fire on the banks of the channel from his office in Washington, D.C.
- 1919** The first direct shipment of cotton to Europe leaves the Port of Houston in November 1919 on the *M/V Merry Mount*.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- 1921** The overlapping but sometimes inadequate jurisdictions of the City Harbor Board and Navigation District Commission and city/county controversy led to state legislation permitting the consolidation of the two boards into a five-member Board of Navigation and Canal Commissioners, after voters approved the changes in 1922. Two members would be appointed by the County Commissioners' Court; two by the City Council; and the County Commissioners and City Councilmen would jointly appoint the Chairman.
- 1922** By lease agreement effective October 1, 1922, the District assumed responsibility for operating and maintaining port facilities belonging to the City of Houston.
- 1924** In 1924, the District and local railroads form the Port Terminal Railroad Association ("PTRA"), to jointly operate the railroad lines on District lands serving the Houston Ship Channel industries.
- 1927** In accordance with Session Laws, Chapter 97, 40th Legislature, the Harris County Houston Ship Channel Navigation District of Harris County, Texas is tasked with the "development of deep water navigation and the improvement of rivers, bays, creeks, streams, and canals." The Act also gives the Navigation District the "authority to acquire, purchase, undertake, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads...and all other facilities or aids incident to or necessary to the operation of ports or waterways within said District and extending to the Gulf of Mexico."
- 1927** By Session Laws, Chapter 292, 40th Legislature, the State of Texas transfers to the Harris County Navigation District "all right, title and interest of the State of Texas, to...all submerged lands lying and being situated under the waters of ... [list of bayous and rivers] ... and all other streams within Harris County Navigation District tributary to the Houston Ship Channel, so far up said streams as the State may own same ..."
- 1928** The Board of Navigation and Canal Commissioners acquires its first inspection vessel in 1928 to cruise tour groups through the Port of Houston.
- 1930** The Port of Houston enjoys a decade of explosive growth, becoming the sixth largest port in the United States and the third-ranked port in the U.S. for foreign exports.
- 1943** Synthetic rubber is produced at two new facilities located along the Houston Ship Channel and is shipped through the Port of Houston for Allied use in World War II.
- 1945** Session Laws, Chapter 90, 49th Legislature, describes the duties of the County Auditor with respect to the District.
- 1948** During the post-World War II economic boom, the Port of Houston becomes the second-largest in the U.S. by total tonnage, exceeding \$1 billion for the first time.
- 1950** The Navigation District contributes \$1,250,000 towards construction of the Washburn and Baytown tunnels under the Houston Ship Channel, in partnership with the State Highway Department and Harris County. By removing ferry traffic from the channel, these encourage industrial development on the north side of the channel.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- 1956** The *M/V Ideal X*, the world's first container ship, arrives in Houston on its maiden voyage. The Port of Houston began a massive expansion program, including:
- Railroad improvements
 - Construction of new wharves and transit sheds
 - Construction of the Bulk Materials Handling Plant
 - Deepening of the channel to 40 feet
- 1957** Session Laws, Chapter 117, 55th Legislature (the "1957 Act") enacts substantial changes to the powers and structure of the Navigation District:
- Further defines the role and governance of the Navigation District and expands its responsibilities to "acquire, purchase, construct, enlarge, extend, repair, maintain, operate, or develop channels and turning basins, wharves, docks, warehouses, grain elevators, bunkering facilities, railroads...together with all other facilities or aids incident to or useful in the operation or development of the District's ports and waterways or in aid of navigation and commerce thereon"
 - Grants the Navigation District the ability to issue long-term revenue bonds, allowing further port expansion to be financed from future earnings, as well as to issue ad valorem tax bonds as may be approved by voters in bond elections
 - Describes the obligations of the Harris County Tax Collector and Assessor and Harris County Treasurer
 - Converts the District to a navigation district operating under Article XVI, Section 59 of the Texas Constitution, effective January 1, 1958
- 1958** A new inspection vessel, the *M/V Sam Houston*, is christened and continues to provide free tours to over 15,000 residents and visitors annually.
- 1970** The Board of Navigation and Canal Commissioners announces a plan to build a container terminal at Barbours Cut and dredging begins in August 1970.
- 1971** Session Laws, Chapter 42, 62nd Legislature renames the Harris County Houston Ship Channel Navigation District, now called the Port of Houston Authority of Harris County, Texas. The Board of Navigation and Canal Commissioners is renamed the Port Commission. Session Laws, Chapter 43, 62nd Legislature authorizes the district to own and operate fire control and prevention facilities within its jurisdiction.
- 1972** The LASH dock at Barbours Cut terminal opens.
- 1977** The first container berth at Barbours Cut Terminal opens.
- 1981** The use of double-stacked trains is introduced at the Port of Houston.
- 1983** In July 1983, the Houston Foreign Trade Zone becomes the first multi-site zone approved by the U.S. Foreign Trade Board in Washington, D.C.
- 1987** Session Laws, Chapter 1042, 70th Legislature further defines the powers and duties of the Navigation District. The composition of the Port Commission is expanded from five to seven members, consisting of:
- Two appointed by the City Council of the City of Houston
 - Two appointed by the Harris County Commissioners Court

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- One appointed by municipalities adjacent to the Houston Ship Channel with populations of 100,000 or more, but less than 1,000,000
- One appointed by the Harris County Mayors' and Councils' Association, and
- A Chairman appointed by the City Council of the City of Houston and the Harris County Commissioners Court

- 1989** Harris County voters approved the \$130 million bond issue required for the local cost share to deepen the Houston Ship Channel from 40 to 45 feet, widen it from 400 to 530 feet, and find beneficial uses for dredged material.
- 1995** Session Laws, Chapter 165, 74th Legislature is the most recent codification of the Houston Pilots Licensing and Regulatory Act, providing for the responsibilities of the Port Commissioners acting as Board of Pilot Commissioners of the Ports of Harris County.
- 1997** Removal of the Baytown Tunnel begins as a part of the deepening and widening of the Houston Ship Channel. Houston becomes the first port to remove a tunnel of this magnitude without closing the Channel, lost time accidents or navigational safety impacts.
- 1998** Final Project Cooperation Agreement is signed June 10, 1998 between the Port Authority, as local sponsor, and the U.S. Army Corps of Engineers, outlining cost-sharing and other responsibilities relating to the project to bring the shipping lanes of the Houston Ship Channel to an authorized depth of 45 feet with a minimum 530 foot bottom width.
- 1999** On November 2, 1999, Harris County voters approve a \$387 million bond issue to begin building a container terminal at Bayport. The Port of Houston joins the one million container club by moving 1,001,170 TEUs (twenty-foot equivalent units) that year.
- 2001** Session Laws, Chapter 738, 77th Legislature expands the Port Authority's procurement powers by allowing it to use any method available to a school district under Subchapter B, Chapter 44 of the Education Code.
- 2002** The Port Authority becomes the first U.S. port with an Environmental Management System that meets internationally recognized ISO 14001 standards for environmental excellence.
- 2003** Session Laws, Chapter 307, 78th Legislature, HB 1730 further expands the Port Authority's procurement powers by changing the length of time a property can be leased without bid and allowing an authorized employee or officers of the port commission to make routine purchases in an amount not to exceed \$25,000. Additionally, this bill allows a port to request the environmental and safety records of contractors and to purchase security items over \$25,000 without the usual bid procedures during emergency situations.
- 2004** The Port Authority is the first U.S. port authority recertified to the new ISO 14001:2004 standard for its environmental management system.
- 2007** The Bayport Container Terminal becomes operational in January 2007. In November 2007, the Port Authority receives 65% voter approval for a \$250 million ad valorem tax bond issuance, the widest margin of any port bond proposal in recent memory, primarily for further development of the Bayport Terminal Complex.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- 2008** The Port Authority becomes the world's first port authority to receive ISO 28000:2007 certification for its security management system.
- 2010** The Port Authority's capital assets reach approximately \$1.3 billion and net assets are \$913.1 million at year end. A total of 31.3 million tons of cargo moved through Port Authority facilities in 2010. The Port of Houston ranks 1st in the U.S. in foreign tonnage for 15 consecutive years, 1st in imports for 20 consecutive years and 2nd in total tonnage for 20 consecutive years.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Port of Houston Authority Exhibit 3: Policymaking Body			
Port Commissioner Name	Term/Original Appointment/ Latest Appointment/ Appointed by	Qualification ***	City
James T. Edmonds, Chairman	Two years* / 06/27/2000** / 06/22/2010 / City Council of the City of Houston and Commissioners Court of Harris County	Freehold property taxpayer and qualified elector in the district	Houston, TX
Steve Phelps, Commissioner	Two years* / 07/29/1997 / 09/18/2007 / City Council of the City of Pasadena	Freehold property taxpayer and qualified elector in the district	Pasadena, TX
James W. Fonteno, Jr., Commissioner	Two years* / 12/22/1998/ 09/15/2009 / Commissioners Court of Harris County	Freehold property taxpayer and qualified elector in the district	Houston, TX
Kase L. Lawal, Commissioner	Two years* / 05/19/1999 / 06/24/2009 / City Council of the City of Houston	Freehold property taxpayer and qualified elector in the district	Houston, TX
Jimmy A. Burke, Commissioner	Two years* / 07/15/1999 / 05/19/2011/ Harris County Mayors' and Councils' Association	Freehold property taxpayer and qualified elector in the district	Deer Park, TX
Janiece Longoria, Commissioner	Two years* / 09/04/2002 / 11/17/2010 / City Council of the City of Houston	Freehold property taxpayer and qualified elector in the district	Houston, TX
Elyse Lanier, Commissioner	Two years* / 02/21/2006 / 11/21/2010 / Commissioners Court of Harris County	Freehold property taxpayer and qualified elector in the district	Houston, TX

NOTES:

* Water Code Sec. 61.159 provides that “each commissioner shall serve for two years and until his [or her] successor is qualified”

** Appointment as Chairman; original appointment as Port Commissioner on October 8, 1996

*** Water Code Sec. 61.160 sets forth the qualifications that each commissioner “shall be a freehold taxpayer and a qualified elector in the district”

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

B. Describe the primary role and responsibilities of your policymaking body.

The Port Commission is responsible for developing and implementing all general policies of the Port Authority, including the adoption of annual capital and operating budgets, setting the goals of the Port Authority, and awarding contracts. For additional information on the statutory authority and responsibilities of the Port Commission, please refer to Section IV, Question G on the following page.

C. How is the chair selected?

By statute, the Chairman of the Port Commission is appointed by the City Council of the City of Houston and the Harris County Commissioners Court. The City Council and the Commissioners Court each have five votes in the selection of the Chairman of the Port Commission.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The Port Commission is comprised of seven members appointed by four different jurisdictions:

- Two are appointed by the City Council of the City of Houston,
- Two are appointed by the Harris County Commissioners Court,
- One is appointed by municipalities adjacent to the Houston Ship Channel with populations of 100,000 or more, but less than 1,000,000,
- One is appointed by the Harris County Mayors' and Councils' Association, and
- A Chairman is appointed by the City Council of the City of Houston and the Harris County Commissioners Court.

A unique feature of the Port Commission is that the Port Commissioners of the Port of Houston Authority of Harris County, Texas also compose the Board of Pilot Commissioners for the Ports of Harris County in accordance with Section 66.011 of the Texas Transportation Code.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2010? In FY 2011?

Generally, the Port Commission meets once a month. Special workshop meetings are also held during the year including budget and strategic initiatives workshops. The Port Commission met 17 times during FY 2010, including three special meetings and two workshops, and 13 times from January through August 2011, including two special meetings and three workshops. The Port Commission tasks forces also met in 2011 for a total of an additional five open meetings.

F. What type of training do members of your agency's policymaking body receive?

Each Port Commissioner receives ethics training and is required to complete a state mandated training about open government. Additionally, several Port Commissioners have participated in annual seminars provided by the American Association of Port Authorities for port officials. Other opportunities for training include attendance at industry conferences (e.g., the Journal of Commerce's Breakbulk Americas Transportation Conference & Exhibition, the Annual Houston Port Region Coffee Symposium, the Houston Energy Symposium, etc.).

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

Port Commission

The seven-member Port Commission is the governing body of the Port Authority. Its powers and duties are primarily set forth in various statutes of the State of Texas, rather than specific policies, including the following:

Chapter 117, 55th Legislature (1957) (as amended)

- The District has general authority to enter into all contracts, leases and agreements necessary or convenient to carrying out its powers
- The Port Commission may borrow money and issue obligations payable from revenues derived from facilities and grant security in favor of holders of revenue obligations
- The Port Commission determines reasonable fees and charges to pay these obligations, including all expenses necessary to the operation, replacement and maintenance of facilities, amounts required to repay revenue bonds, and reserve funds; revenues in excess of these amounts may be used by the Port Commission for improvements or any other lawful purpose
- If the Port Commission certifies to the Harris County Commissioners Court (the “Court”) the need for tax bond issuance for new construction or improvements or to maintain existing improvements, the latter orders an election to vote on the proposition
- The Port Commission determines the amount of tax bonds to be issued and the Court adopts orders to authorize and direct the issuance of bonds for such District
- When tax bonds have been issued, the Court levies and collects taxes sufficient to repay the bonds and the costs of collection
- The Court is authorized to levy, assess and collect an annual tax for the “maintenance, operation and upkeep of said District and the facilities, properties and improvements of said District,” provided it is adopted by a majority vote at a Harris County election

Chapter 60, Texas Water Code, as amended

- The Port Commission shall have the District’s fiscal accounts and records audited annually in accordance with Subchapter G, Chapter 49, Texas Water Code
- The District may contract with any person, foreign or domestic, necessary or convenient to the operation or development of its ports and waterways
- The Port Commission may provide for and administer funds or plans for retirement, disability, death compensation, hospitalization and medical benefits for officers and employees
- Other Port Commission powers and duties include: establishing employee catastrophic assistance programs, authority to construct improvements, sale or lease of land, oil, gas, and minerals rights-of-way, control over channels and waterways within the corporate limits of the District, and fixing proper fees, charges, and tolls for their use
- The Port Commission may pass, amend, and repeal any ordinance, rule, or police regulation necessary to protect District-owned property and facilities not within the boundaries of any incorporated city, town, or village, and to promote health, safety, and general welfare
- The Port Commission may acquire land and waterways and improvements to them and acquire, construct, and operate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads, floating plants and facilities, lightering and towing facilities, things appurtenant to them, and all other facilities or aids incidental to or useful in the operation or development of the district's ports and waterways or in the aid of navigation and commerce in the ports and waterways

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- The management and control of District property and facilities is exercised by the Port Commission
- The Port Commission may set aside funds from gross income from operations for a promotion and development fund
- The Port Commission has adopted Subchapter N relating to competitive procurement requirements

Chapter 61 of the Texas Water Code, as amended

- Navigation districts under this chapter operate under Article III, Section 52 of the Texas Constitution
- The Port Commission may employ persons necessary for the construction, maintenance, operation, and development of the business and facilities of the District and may prescribe their duties and fix their compensation

Chapter 62 of the Texas Water Code, as amended

- Navigation districts under this chapter operate under Article XVI, Section 59, of the Texas Constitution

Chief Executive Officer

The Chief Executive Officer (referred to as Executive Director or General Manager in statutes) under his Port Commission-approved employment contract has the responsibility to:

- Manage the operations, work, activities and affairs, and properties and facilities of the Port Authority, as may be directed by the Port Commission, and as required in connection with discharge of his other duties, including:
 - Employ, supervise, and discharge employees, establish positions and salaries for employees, and authorize other persons to act on his behalf
 - Collect the revenues and moneys due the Port Authority and to deposit them to the accounts of the Port Authority
 - Make purchases and enter into contracts
 - Administer the Port Authority's relations with public and private bodies, agencies, and associations, and serve such entities in such capacity as may be directed by the Port Commission, or required in connection with discharge of his duties
 - Make such reports to the Port Commission and other authorities as the Port Commission directs, or as required in connection with discharge of his duties
 - Keep and maintain all other records, accounts, books, files, and papers of the Port Authority, except those pertaining to the duties and functions of the Harris County Treasurer, Harris County Auditor, and Harris County Tax Assessor and Collector
 - Sign, on behalf of the Port Authority, agreements, leases, licenses, permits, and other instruments
 - Perform all other duties of the Executive Director and general manager of the Port Authority as directed by the Port Commission and required by law
- Act as Secretary of the Port Commission and keep the minutes of the Port Commission meetings and furnish copies thereof to each member of the Port Commission and otherwise pursuant to applicable law
- Act as Secretary to the Board of Pilot Commissioners, administer the rules and regulations adopted by the Pilot Board, and carry out all other duties of such officer

The duties and authorities of the Chief Executive Officer are subject to change or cancellation by the Port Commission.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

Prior to the monthly Port Commission meetings, the Chief Executive Officer ("CEO") and/or staff brief the Port Commissioners individually and each commissioner is provided:

- Operating Financials and Statistical Results, including monthly and year-to-date data
- Briefing Book containing proposed agendas, draft minutes subject to approval, and Requests for Port Commission Action ("RCA") and supplemental/supporting documents

Other information periodically submitted to the Port Commission includes:

- **Status Updates** – Bimonthly updates of current events, potential issues, successes, etc., submitted by all departments at the Port Authority
- **Economic and Market Reports** – Overview of the general state of the economy, as well as a specialized product report
- **Dock Dispatch** – A quarterly employee newsletter highlighting matters such as changes in organization policies and practices, payroll and benefits information, companywide events, new hires and retirees, etc.
- **Port Report** – A monthly newsletter, directed primarily toward external stakeholders, containing information about Port Authority business dealings, community and environmental initiatives, and briefings with international, industry and public officials
- **The Port of Houston Magazine** – A bimonthly publication with mail distribution of 15,000 copies, directed primarily toward external stakeholders, focusing on business industry trends, environmental and security issues
- **Headcount Status Report** – A monthly report providing current data on employee hires, terminations and resignations for comparison against approved budgeted headcount
- **Strategic Initiatives** – Two workshops planned annually to present to the Port Commission strategic initiatives developed by staff (which may not be voted on or approved by the Port Commission, but rather the Port Commission performs oversight by providing direction to the staff and through voting on the individual components through budget approval and the established RCA process)
- **Operating Budget Report** – An annual workshop reviews the proposed budget for the following year, in preparation for Port Commission action
- **Comprehensive Annual Financial Report ("CAFR")** – This report, including the Port Authority's audited financials, is presented to the Port Commission for approval on an annual basis
- **Sustainability Report** – This annual report provides highlights of the year's activity

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

Members of the public may speak and address the Port Commission at every monthly Port Commission meeting. In addition, the Port Authority instituted a Community Hotline and email account for the community adjacent to the Bayport Container Terminal to file comments and complaints. The Port Commissioners receive a biweekly report of this activity, including the Authority's response.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Port of Houston Authority Exhibit 4: Subcommittees and Advisory Committees			
Name of Task Force	Size/Composition/How are members appointed*	Purpose/Duties	Legal Basis for Committee
Audit	Three Commissioners: Commissioner Fonteno, Chair Chairman Edmonds Commissioner Phelps	Advise regarding the Port Authority's financial statements, accounting and financial reporting processes and financial statement audits	N/A
Governance	Three Commissioners: Commissioner Phelps, Chair Commissioner Longoria Commissioner Lanier	Prepare and update governance policies and procedures for Port Commission consideration and action, and review other governance-related matters	N/A
Pension	Three Commissioners: Commissioner Edmonds, Chair Commissioner Burke Commissioner Fonteno	Advise regarding the administration of the Retirement Plan and the investment of the Plan's assets	N/A
Procurement	Three Commissioners: Commissioner Lawal, Chair Commissioner Burke Commissioner Longoria	Prepare and update procurement policies and procedures, for Port Commission consideration and action	N/A
Small Business Development and Community Relations	Three Commissioners: Commissioner Lanier, Chair Commissioner Burke Commissioner Lawal	Update the Port Authority Small Business Development Program Policies and Procedures as necessary, for Port Commission consideration and action, advise regarding other small business development matters, update the Sponsorship Policy and Procedures for Port Commission consideration and action, and review other community relations matters	N/A

*Task Force members are appointed by Chairman Edmonds

V. Funding

A. Provide a brief description of your agency's funding.

For FY 2010, the Port Authority had revenues of \$255.8 million, from three major areas:

- **Operating Revenues** generated by its maritime industry assets (\$186.7 million or 73% of the total sources of funding)
- **Ad Valorem Property Tax Revenues** (\$54.9 million or 21%) collected from Harris County taxpayers, which are used solely for debt service associated with the Port Authority's ad valorem tax bonds
- **Non operating Revenues** primarily from federal and state grant programs, investment income and insurance proceeds (\$14.2 million or 6%)

Section V, Question E on page 42 contains additional information on the Port Authority's sources of revenue.

The Port Authority has periodically issued short-term and long-term debt for the purpose of constructing capital assets and further developing the infrastructure along the Houston Ship Channel to promote continued economic vitality throughout the region. Most recently, Harris County voters approved issuance of \$387 million and \$250 million in debt instruments for these purposes in November 1999 and November 2007.

Depending on market conditions, the Authority issues short-term commercial paper to meet current cash needs, and later refinances the commercial paper by issuing long-term bonds within the limits approved by voters. In recent years, the Authority has availed itself of the lower interest rate environment and issued refunding bonds to purchase and defease prior bond issuances, which results in tax savings to Harris County voters. The refunding bond issuances since 2005 are as follows:

<u>Description</u>	<u>Par Value</u>
Series 2005A (AMT) Tax Refunding Bonds	\$ 36,665,000
Series 2005B (NON-AMT) Tax Refunding Bonds	62,485,000
Series 2006A (AMT) Tax Forward Refunding Bonds	28,380,000
Series 2006B (AMT) Tax Refunding Bonds	47,085,000
Series 2006C (NON-AMT) Tax Refunding Bonds	9,160,000
Series 2008A (AMT) Tax Refunding Bonds	234,630,000
Series 2010A (AMT) Tax Refunding Bonds	38,095,000
Series 2010B (NON-AMT) Tax Refunding Bonds	22,930,000
Series 2010C (NON-AMT) Tax Refunding Bonds	30,254,397
Series 2010D-1 (NON-AMT) Tax Refunding Bonds	147,940,000
Series 2010E (NON-AMT) Tax Refunding Bonds	22,330,000

In 2010, the Port Authority raised new funding consisting of \$85,665,000 par value of Series 2010D-2 Tax Improvement Bonds, which fully utilized the remaining authorizations from the above-mentioned bond elections.

At December 31, 2010, the Port Authority had total debt of \$792.2 million, consisting of \$763.6 million in ad valorem tax improvement bonds and ad valorem tax refunding bonds, plus \$28.6 million in accreted interest and unamortized premium. Total debt increased \$166.8 million over the prior year.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Major parties involved in the Port Authority's last debt issuance in August 2010 are as follows:

Role	Firm	Contacts
Financial Advisor	First Southwest Company 700 Milam St, Ste 500 Houston, TX 77002	Michael G. Bartolotta Warren P. "Trey" Cash III 713-654-8651
Lead Underwriter	Bank of America/Merrill Lynch 1221 McKinney St, Ste 3330 Houston, TX 77010	Stephen A. Claiborn 713-287-2312
Bond Counsel	Andrews & Kurth LLP 600 Travis St, Ste 4200 Houston, TX 77002	Robert M. Collie, Jr. Margo M. White 713-220-4200
Disclosure Counsel	Fulbright & Jaworski LLP 1301 McKinney St, Ste 5100 Houston, TX 77010-3095	T. Neil Thomas 713-651-5151

The Port Commission recently passed a resolution finding the necessity to issue new refunding bonds to purchase and refund \$52,190,000 par value of the Authority's outstanding Series 2001B (AMT) Tax Port Improvement Bonds, which are callable on or after October 1, 2011. At the direction of the Port Commission, the Authority issued a Request for Qualifications for counsel and underwriters. After evaluation and recommendation by the staff, the Port Commission approved 17 investment banking firms and seven law firms as qualified to assist the Port Authority in this bond refunding or any future transaction. The staff will be working with Harris County and a new team of counsel and underwriters to complete the refunding, which is expected to save Harris County taxpayers about \$6 million in cash flow savings and \$4.8 million in estimated net present value savings.

Shown on the following page is the Authority's debt service schedule as of December 31, 2010, showing total principal and interest payments of almost \$1.5 billion to be made from 2011 until final maturity in October 2039, prior to completing the above bond refunding.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Year	Principal Payment	Interest Payment	Debt Service	Balance
				\$1,483,141,798
2011	\$12,900,000	\$40,655,949	\$53,555,949	1,429,585,849
2012	13,805,000	38,654,529	52,459,529	1,377,126,320
2013	14,460,000	38,002,561	52,462,561	1,324,663,759
2014	15,425,000	37,322,161	52,747,161	1,271,916,598
2015	16,175,000	36,579,261	52,754,261	1,219,162,336
2016	16,975,000	35,784,961	52,759,961	1,166,402,375
2017	19,995,000	34,950,136	54,945,136	1,111,457,239
2018	20,985,000	34,034,111	55,019,111	1,056,438,128
2019	22,750,000	32,982,161	55,732,161	1,000,705,966
2020	24,250,000	31,847,011	56,097,011	944,608,955
2021	25,425,000	30,652,174	56,077,174	888,531,781
2022	25,965,000	29,397,849	55,362,849	833,168,933
2023	21,775,000	28,137,974	49,912,974	783,255,959
2024	22,785,000	27,126,691	49,911,691	733,344,268
2025	23,945,000	25,965,454	49,910,454	683,433,814
2026	25,170,000	24,737,014	49,907,014	633,526,800
2027	26,465,000	23,445,044	49,910,044	583,616,756
2028	27,885,000	22,025,794	49,910,794	533,705,963
2029	29,395,000	20,517,581	49,912,581	483,793,381
2030	30,985,000	18,926,631	49,911,631	433,881,750
2031	32,635,000	17,275,188	49,910,188	383,971,563
2032	29,520,436	20,387,452	49,907,888	334,063,675
2033	31,153,961	18,754,064	49,908,025	284,155,650
2034	33,600,000	16,305,806	49,905,806	234,249,844
2035	35,395,000	14,515,275	49,910,275	184,339,569
2036	41,405,000	8,504,275	49,909,275	134,430,294
2037	43,575,000	6,335,113	49,910,113	84,520,181
2038	45,860,000	4,052,181	49,912,181	34,608,000
2039	32,960,000	1,648,000	34,608,000	0
Total	\$763,619,397	\$719,522,401	\$1,483,141,798	

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

B. List all riders that significantly impact your agency's budget.

Not applicable. The Authority receives no General Appropriations from the State.

C. Show your agency's expenditures by division.

Port of Houston Authority Exhibit 5: Expenditures by Division Fiscal Year 2010 (Actual, in thousands)			
Division	Operating Expenses	Capital Expenditures	Total Amount
Operations – Container Terminals	\$91,168	\$129,631	\$220,799
Operations – Turning Basin Terminals	27,579	2,647	30,226
Port Security & Emergency Operations *	26,058	5,247	31,305
Strategic Planning **	6,019	16,862	22,881
Engineering & Real Estate	10,716	2,150	12,866
Finance & Administration	10,550	1,552	12,102
Legal	9,106	165	9,271
Origination	7,102	-	7,102
Public Affairs & Economic Analysis	5,954	-	5,954
Human Resources	4,706	-	4,706
Executive	1,251	-	1,251
Small Business	1,182	-	1,182
Total Expenditures	\$201,391	\$158,254	\$359,645

* For purposes of this report, all revenues and expenses shown for this newly-created division also include Operations Support

** Includes Channel Development and Environmental Affairs, with Capital Expenditures primarily related to Channel Development activity

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

D. Show your agency's expenditures by category of expense.

Port of Houston Authority Exhibit 6: Objects of Expense by Division* Fiscal Year 2010 (Actual, in thousands)			
Object-of-Expense	Container Terminals	Turning Basin Terminals	Port Security & Emergency Operations
Salaries & Benefits	\$46,291	\$11,026	\$14,560
Depreciation & Amortization	29,756	12,863	4,844
Professional Services	1,048	458	4,865
Equipment & Terminal Maintenance	8,377	567	748
Utilities	2,497	1,052	201
Insurance	2,232	678	317
Advertising & Promotion	9	2	34
Travel & Entertainment	73	4	39
Materials & Supplies	216	94	282
Other**	669	835	168
Total Operating	\$91,168	\$27,579	\$26,058
Capital Expenditures	129,631	2,647	5,247
Total	\$220,799	\$30,226	\$31,305

* The Port Authority is not listed in the General Appropriations Act FY 2010-2011

** Details available upon request

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port of Houston Authority Exhibit 6: Objects of Expense by Division* (cont.) Fiscal Year 2010 (Actual, in thousands)			
Object-of-Expense	Strategic Planning	Engineering & Real Estate	Finance & Administration
Salaries & Benefits	\$2,656	\$5,105	\$8,189
Depreciation & Amortization	209	2,532	444
Professional Services	1,087	493	1,030
Equipment & Terminal Maintenance	1,317	138	571
Utilities	6	461	128
Insurance	28	332	62
Advertising & Promotion	21	38	10
Travel & Entertainment	104	20	120
Materials & Supplies	4	237	86
Other**	587	1,360	(90)
Total Operating	\$6,019	\$10,716	\$10,550
Capital Expenditures	16,862	2,150	1,552
Total	\$22,881	\$12,866	\$12,102

* The Port Authority is not listed in the General Appropriations Act FY 2010-2011

** Details available upon request

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port of Houston Authority Exhibit 6: Objects of Expense by Division* (cont.) Fiscal Year 2010 (Actual, in thousands)			
Object-of-Expense	Legal	Origination	Public Affairs & Economic Analysis
Salaries & Benefits	\$2,030	\$2,113	\$2,037
Depreciation & Amortization	46	3,037	1
Professional Services	6,961	671	773
Equipment & Terminal Maintenance	5	10	1
Utilities	3	19	12
Insurance	13	230	15
Advertising & Promotion	1	89	1,808
Travel & Entertainment	8	765	352
Materials & Supplies	2	10	10
Other**	37	158	945
Total Operating	\$9,106	\$7,102	\$5,954
Capital Expenditures	165	-	-
Total	\$9,271	\$7,102	\$5,954

* The Port Authority is not listed in the General Appropriations Act FY 2010-2011

** Details available upon request

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port of Houston Authority Exhibit 6: Objects of Expense by Division* (cont.) Fiscal Year 2010 (Actual, in thousands)			
Object-of-Expense	Human Resources	Executive	Small Business
Salaries & Benefits***	\$4,382	\$898	\$1,007
Depreciation & Amortization	1	-	-
Professional Services	201	69	13
Equipment & Terminal Maintenance	9	-	-
Utilities	2	6	1
Insurance	6	6	5
Advertising & Promotion	13	3	13
Travel & Entertainment	38	99	77
Materials & Supplies	3	5	2
Other**	51	165	64
Total Operating	\$4,706	\$1,251	\$1,182
Capital Expenditures	-	-	-
Total	\$4,706	\$1,251	\$1,182

* The Port Authority is not listed in the General Appropriations Act FY 2010-2011

** Details available upon request

*** In 2010, Human Resources Salary & Benefits included \$2.6 million in Port Authority retiree benefits which are not allocated to other divisions

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port of Houston Authority Exhibit 6: Objects of Expense by Division* (cont.) Fiscal Year 2010 (Actual, in thousands)			
Object-of-Expense			Total
Salaries & Benefits			\$100,294
Depreciation & Amortization			53,733
Professional Services			17,669
Equipment & Terminal Maintenance			11,743
Utilities			4,388
Insurance			3,924
Advertising & Promotion			2,041
Travel & Entertainment			1,699
Materials & Supplies			951
Other**			4,949
Total Operating			\$201,391
Capital Expenditures			158,254
Total			\$359,645

* The Port Authority is not listed in the General Appropriations Act FY 2010-2011

** Details available upon request

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Promotion and Development Fund

In accordance with Sections 60.201 through 60.205 of the Texas Water Code, the Port Commission created and maintains the Port Authority Promotion and Development Fund (“P&D Fund”). The Port Authority along with other navigation districts are authorized to set aside from current income an amount not to exceed five percent of gross income from operations in each calendar year for the P&D Fund.

The P&D Fund may be used for activities or matters incidental to (1) the advertising, development, or promotion of the Port Authority and its facilities, (2) the furthering of the general welfare of the Port Authority and its facilities, and (3) the betterment of the Port Authority’s relations with steamship and rail lines, shippers, consignees of freight, governmental officials, or others interested in ports, waterways, harbors or terminals.

From time to time questions have been raised relating to the appropriateness of expenditures from the P&D Fund and how to enhance oversight of the fund. In an audit report dated January 28, 2002, the State Auditor’s Office found that the Port Authority’s monthly expenditure reports provided a reasonably accurate picture of P&D Fund activity and contained the elements for each expenditure as required by Section 60.204(c) of the Water Code. Although some expenditures may have been an issue if they had been paid for with state funds, the audit report recognized that the law affords the Port Authority significant discretion in making such expenditures from the P&D Fund and no illegal expenditures were identified. The audit report included various recommendations for strengthening internal controls, which were adopted by the Port Authority.

The Harris County Auditor’s office approves all expenditures before they are made by the Port Authority, including those from the P&D Fund, which provides significant assurance of compliance with statutory requirements.

Finally, the P&D Fund is annually audited by the Port Authority’ outside auditor.

The chart below provides an analysis of the various expenditures made from the P&D Fund during 2010, and shows that the Port Authority was in compliance with the five percent limitation imposed by the Water Code. These expenditures are reflected as Operating Expenses in the financial statements of the Port Authority.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port of Houston Authority Exhibit 6a: Promotion & Development Fund Fiscal Year 2010 (Actual, in thousands)	
Advertising/Special Events	\$ 2,003
Economic Development	953
Art/Printing Production	575
Travel	344
Consulting Fees	271
Table Sponsorships	258
Trade Trips	85
Entertainment	63
Miscellaneous	53
Membership Dues	51
Postage, Freight, and Express	46
Fees and Services	41
Training	30
Materials and Office Supplies	25
On-Line Service Fee	12
Subscriptions	5
Maintenance Costs	5
Equipment and Non-Equipment Rentals	4
Total P&D Expenditures	\$ 4,823
Actual Percentage of Total Gross Revenues	2.6%
<u>Limits per Sec. 60.201, Texas Water Code</u>	
Total Gross Revenues from Operations	\$ 186,696
Maximum Percentage	5.0%
P&D Maximum Allowed	\$ 9,335

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

E. Show your agency’s sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Port of Houston Authority Exhibit 7: Sources of Revenue Fiscal Year 2010 (Actual, in thousands)	
Source	Amount
Operating Revenues	
Vessel and cargo services	\$159,799
Rental of equipment and other facilities	20,346
Grain Elevator – rental and tariff	911
Bulk Materials Handling Plant – rental and tariff	2,368
Other *	3,272
Subtotal Operating Revenues	186,696
Property Tax Revenues	54,919
Non operating Revenues	
Investment income	3,573
Contributions from federal and state agencies **	6,748
Insurance proceeds and other, net	3,836
Subtotal Non operating Revenues	14,157
Total Sources of Revenue	\$255,772

* Includes revenues from pipeline leases, channel development fees, etc.

** Includes \$5,998 in federal grants and \$760 from the Texas Commission on Environmental Quality (“TCEQ”), but excludes Environmental Protection Agency (“EPA”) awards of \$1,394 considered “pass through” grants to other parties

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

The chart below provides information on the Port Authority's tax receipts, net revenues from its General Fund and P&D Fund, as well as capital expenditures during the last five years. Although attaining financial self-sufficiency is a very desirable goal for the Port Authority, given the level of capital improvements required to maintain our region's competitive position and meet expected future growth resulting from demographic shifts and the upcoming Panama Canal expansion, the Port Authority expects to seek additional funding sources in future years.

Port of Houston Authority					
Exhibit 7a: Tax Receipts, Net Revenues and Capital Expenditures					
General Fund and P&D Fund Only					
(Unaudited, in thousands)					
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Revenues (a)					
Harris County Property Tax Receipts	\$47,788	\$41,784	\$37,167	\$33,054	\$31,426
Debt Service Payments	43,173	42,119	35,112	35,083	34,653
Change in Bond Reserves	<u>\$4,615</u>	<u>(\$335)</u>	<u>\$2,055</u>	<u>(\$2,029)</u>	<u>(\$3,227)</u>
Operating Revenues (b)	\$184,509	\$168,199	\$195,035	\$188,778	\$165,583
Nonoperating Revenues					
Interest on Investments	3,451	4,552	6,736	9,992	11,292
Other (e.g., grants, insurance proceeds)	11,320	9,806	7,198	14,699	8,255
Subtotal Nonoperating	<u>14,771</u>	<u>14,358</u>	<u>13,934</u>	<u>24,691</u>	<u>19,547</u>
Total Gross Revenues	<u>199,280</u>	<u>182,557</u>	<u>208,969</u>	<u>213,469</u>	<u>185,130</u>
Total Operating Expenses (b) (c)	148,975	146,881	141,768	138,019	107,280
Nonoperating Expenses	<u>5,949</u>	<u>18,469</u> (d)	<u>4,461</u>	<u>29,151</u> (e)	<u>5,869</u>
Total Expenses	<u>154,924</u>	<u>165,350</u>	<u>146,229</u>	<u>167,170</u>	<u>113,149</u>
Net Revenues (available for capital expenditures) (f)	<u>\$44,356</u>	<u>\$17,207</u>	<u>\$62,740</u>	<u>\$46,299</u>	<u>\$71,981</u>
Capital Expenditures by Funding Source					
From Net Revenues	\$54,136	\$66,488	-	\$65,072	\$147,916
From Bond Proceeds	104,118	73,758	\$110,470	123,949	95,344
Total Capital Expenditures	<u>\$158,254</u>	<u>\$140,246</u>	<u>\$110,470</u>	<u>\$189,021</u>	<u>\$243,260</u>
Remaining Bond Proceeds Available for Capital Expenditures					
As of December 31, 2010	\$62,725				
Bonds Outstanding and Total Debt Service Payments					
Principal outstanding at December 31, 2010	\$763,619				
Interest remaining over life of bonds	<u>719,523</u>				
Maturity in full, October 1, 2039	<u>\$ 1,483,142</u>				
(a) Cash basis (not accrual basis)	(d) Contributions to local governments, primarily road projects				
(b) General Fund and P&D Fund only	(e) Contributions to local governments, primarily road and rail projects				
(c) Includes cost of health insurance and other benefits	(f) Excludes non-cash charges, primarily depreciation/amortization and OPEB expenses				

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

Port of Houston Authority Exhibit 8: Federal Funds - Fiscal Year 2010 (Actual, in thousands)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
U.S. Department of Homeland Security (FEMA)	10% / 90% *	Not applicable	\$3,804	\$3,804
U.S. Department of Homeland Security (TSA)	25% / 75%	Not applicable	1,645	1,645
Environmental Protection Agency	**	Not applicable	539	539
Total Federal Funds ***			\$5,988	\$5,988

* Federal Emergency Management Agency (“FEMA”) grants for emergency projects are funded 100% with federal monies, while all other projects are 10% Port Authority / 90% Federal

** Matching ratios vary based on the EPA program and range from 75% Port Authority / 25% Federal, up to 100% Federal

*** Excludes EPA awards of \$1,394 considered “pass through” grants to other parties, and excludes funding of \$760 from the Texas Commission on Environmental Quality (“TCEQ”)

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

G. If applicable, provide detailed information on fees collected by your agency.

Port of Houston Authority Exhibit 9: Fee Revenue - Fiscal Year 2010 (Actual, in thousands)				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum*	Approx. Number of Customers paying fee	Fee Revenue	Where Fee Revenue is deposited
Wharfage & related	Per ton or per container unit	119	\$55,092	General Fund
Container Handling	Per unit	14	42,635	General Fund
Operating Rents & Leases	Varies by type	164	31,022	General Fund
Dockage	Per foot, per day	137	20,052	General Fund
Wharf Crane Rental	Per hour	14	18,719	General Fund
Harbor Fees	Each vessel & length	98	4,416	General Fund
Storage Fees	Per unit per day	20	3,909	General Fund
Security Fees	Per unit	143	3,522	General Fund
Dredging Maintenance Fees	Cubic yards	11	2,318	General Fund
Customs & USDA Fees	Per unit	302	1,658	General Fund
Pipeline License Fees		46	1,102	General Fund
Barge Fees	Per unit	70	1,068	General Fund
Rail-related	Per unit	3	344	General Fund
Water Usage	Per gallon	103	344	General Fund
All Other			495	General Fund
Total Operating Revenues*			\$186,696	

* Does not include Tax Revenues, nor Non operating Revenues

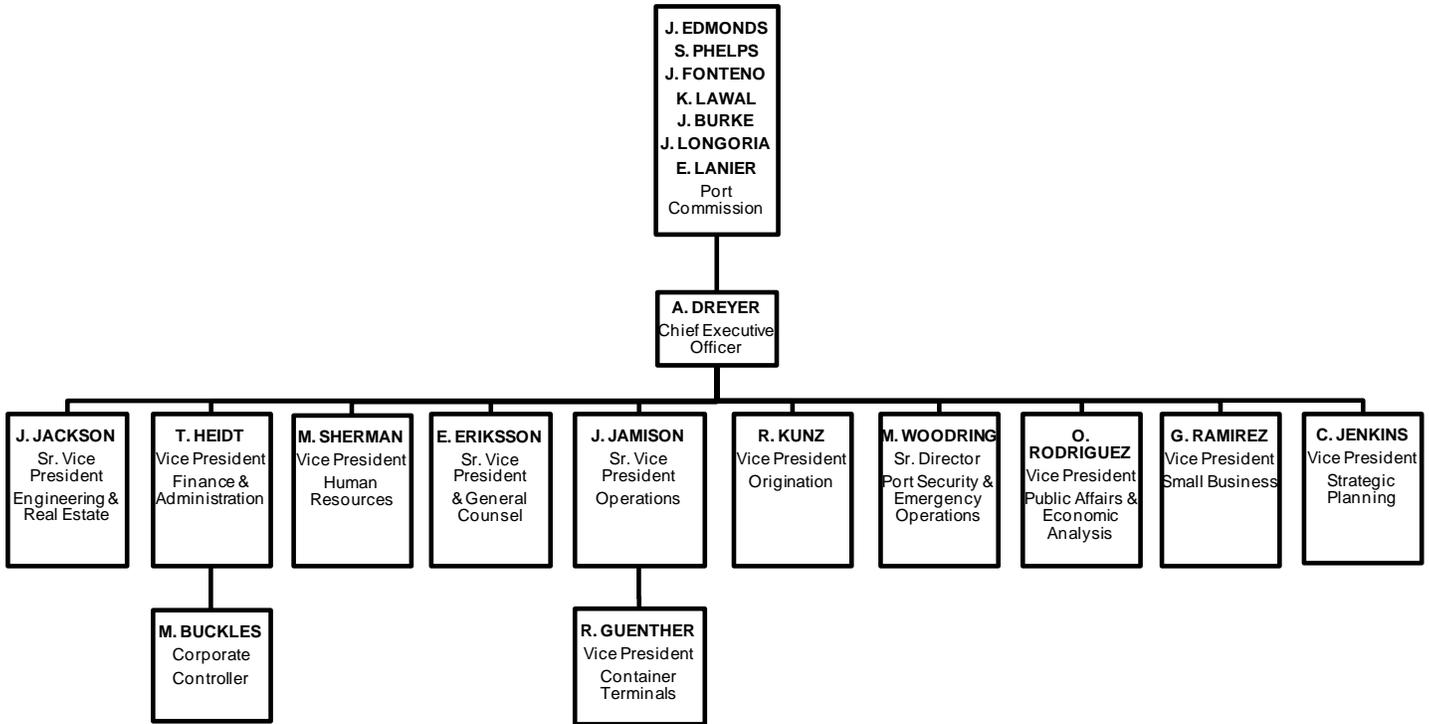
PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

The organizational chart is displayed below. The number of FTEs is provided in Section E below.

Port of Houston Authority Organization Chart



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

B. If applicable, fill in the chart below listing field or regional offices.

Port of Houston Authority Exhibit 10: FTEs by Location - Fiscal Year 2010			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2010	Number of Actual FTEs as of August 31, 2010
Executive Office Building & Turning Basin Terminals	111 East Loop North Houston, TX 77029	346	344
Barbours Cut Container Terminal	1515 E. Barbours Cut Blvd. La Porte, TX 77571	116	119
Bayport Container Terminal	12619 Port Road Seabrook, TX 77586	55	55
Port Coordination Center	8402 Clinton Dr. Houston, TX 770029	75	75
TOTAL		592	593*

* Exceeds budgeted FTE due to pending retirement of an employee whose position was replaced prior to the employee's departure.

In addition to the offices listed above, the Port Authority has engaged international representatives in Central and South America, Brazil and Asia for the purpose of international trade development. These representatives are paid through contract expenditures and are not Port Authority employees.

Central & South America Representative (Arturo Gamez)

Avenida Aquilino De La Guardia y Calle 47
Ocean Business Plaza Building, Mezzanine
Panama, Republic of Panama

Brazil Representative (John C. Cuttino)

Av. Paulista, 2300-Andar Pilotis
Sao Paulo, SP Brazil, CEP: 01310-300

Asia Representative (Ed Thomson, Ben Line Agencies Ltd.)

200 Cantonment Road, #13-05
Southpoint, 089763 Singapore

C. What are your agency's FTE caps for fiscal years 2010-2013?

Not applicable. The Port Authority is not a state agency which is subject to statutory FTE caps.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

D. How many temporary or contract employees did your agency have as of August 31, 2010?

Temporary Agency Employees 6
 Contract Employees 3

International Longshoremen’s Association (“ILA”) union labor is involved in the loading and unloading of cargo from the vessels under steamship line contractual agreements. On August 31, 2010, the Port Authority compensated 255 ILA employees.

E. List each of your agency’s key programs or functions, along with expenditures and FTEs by program.

Port of Houston Authority Exhibit 11: List of FTEs and Expenditures by Division Fiscal Year 2010 (Actual, in thousands)				
Division	FTEs as of August 31, 2010	Operating Expenses	Capital Expenditures	Total Amount
Operations – Container Terminals	171	\$91,168	\$129,631	\$220,799
Operations – Turning Basin Terminals	64	27,579	2,647	30,226
Port Security & Emergency Operations	139	26,058	5,247	31,305
Strategic Planning	18	6,019	16,862	22,881
Engineering & Real Estate	77	10,716	2,150	12,866
Finance & Administration	65	10,550	1,552	12,102
Legal	11	9,106	165	9,271
Origination	14	7,102	-	7,102
Public Affairs & Economic Analysis	14	5,954	-	5,954
Human Resources	8	4,706	-	4,706
Executive	3	1,251	-	1,251
Small Business	8	1,182	-	1,182
TOTAL	592	\$201,391	\$158,254	\$359,645

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

VII. Guide to Agency Programs

1. Operations - Container Terminals

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Operations – Container Terminals	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Roger D. Guenther, Vice President – Container Terminals	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$ 91,168
	<u>Capital Expenditures</u>	<u>\$129,631</u>
	Total Expenditures	\$220,799
Number of FTEs as of August 31, 2010	171	

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Port Authority owns and operates two major container terminals at Barbours Cut and Bayport. The objective of the Container Terminals Department is to operate and continue to develop first-class public-use container facilities which satisfy volume and vessel size market demand, using best practices and technologies, and providing the most cost-effective solution for the customer. These terminals provide for the import and export of containers for approximately 15 different major shipping lines, including the three largest container lines in the world. The Port Authority’s container terminals provide a cost-effective solution for the receiving and delivering, and loading and unloading, of goods in ISO containers through the Port of Houston to service the needs of shippers and beneficial cargo owners of the region. The Port Authority is not just a landlord of the container facilities, but rather is the primary operator of both facilities, except for one ground lease to a major steamship line, Maersk Line.

Major activities include:

- Providing and managing International Longshoremen’s Association (“ILA”) labor for all terminal activities including vessel, yard, and gate operations
- Facilitating federally mandated inspections (e.g., U.S. Department of Agriculture, U.S. Customs and Border Protection, U.S. Coast Guard, etc.)
- Interchanging trucks delivering/receiving import and export containerized cargo
- Scheduling vessel arrival and departures in cooperation with steamship lines and corresponding agencies
- Managing yard layout to generate the highest possible density while maintaining high levels of productivity for vessel operators
- Developing new processes by utilizing advanced technologies to increase terminal efficiencies
- Planning and assisting in the development of future terminal expansion
- Providing preventative maintenance and repairs to all terminal equipment including wharf cranes, rubber tired gantry cranes (“RTG’s”), and all supporting equipment with a staff of skilled mechanical and electrical technicians

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Port Authority's Container Terminals have experienced annual incremental growth in total volume handled over the last ten years. Combined, these two facilities handle approximately 70% of the containerized cargo in the U.S. Gulf Coast and 96% of waterborne containerized traffic in Texas. On average, volume in TEUs (or twenty foot equivalent units) has grown 6% each year over the recent decade. The Port of Houston is currently ranked No. 6 in the U.S. in annual container volume in TEUs.

High service levels are provided to the terminal users at both facilities, thus increasing the cost-competitive advantage through the port. Based on feedback from these users, our terminals appear to outperform most U.S. container terminals when evaluated on the following container terminal performance measures:

- Vessel Productivity (gross/net) - 31/34 moves per hour per crane
- Truck Turn Time – Single Move - 32 minutes
- Wharf Crane Reliability - over 98.5%

Each container facility is driven by a complex terminal operating system. This system tracks all moves in and out of the container facility, maintains real time inventory control, provides planning software for vessel and yard operations, and provides a mechanism for billing customers and terminals users for services. We maintain a cost-competitive pricing structure outlined in the Port Authority-published tariffs. All rules, regulations, and rates charged for services performed are in accordance these tariffs, which are approved by the Port Commission and filed with the Federal Maritime Commission. The Port Authority assures quality assistance to all users of Bayport and Barbours Cut through our Customer Service Department, as well as remote access to our operating systems for around the clock visibility to the cargo shipped through the facilities.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Port Authority's two major container terminals are located on the Houston Ship Channel. Barbours Cut Terminal ("BCT") opened in the mid 1970's and has grown to become a facility that encompasses approximately 230 acres and has met the demand of the industry over the last three decades. As BCT reached its functional capacity, Bayport Container Terminal ("BPT") was opened in January 2007 and is currently constructed on 162 acres of container yard, or about 50% of the master plan build-out design. Both facilities are RTG-based container terminals and share similar operating procedures. The core objective of the container terminals has not changed: providing more efficient solutions through new technology and capital investments in facilities to meet the demand for containerized cargo throughout the region.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Steamship Lines - These companies specialize in containerized overseas freight shipped worldwide. The following represents the main customer base of the container terminals: Alianca, Atlantic Container Line,

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

CMA-CGM, Compania Chilena, Compania Libra Lines, CSAV, Hamburg Süd, Hapag Lloyd, Maersk, Mediterranean Shipping Company, NYK Line, OOCL, Shipping Company of Saudi Arabia, and ZIM – America. Maersk operates its own facility on a long-term lease agreement with the Port Authority.

Stevedore Companies - Stevedores licensed by the Port Authority are contracted out by the steamship lines to perform vessel cargo operations. This includes planning vessel operations and hiring ILA labor to carry out the cargo operations. The main source of Port Authority revenue from this group is crane rental. Stevedoring companies include Ceres, Cooper T. Smith, Ports America, and Shippers Stevedoring.

Empty Yard Operators - Yard operators, including Houston Terminals, Inter Marine Services, and Terminal Link Texas, lease property from the Port Authority to provide depots for the pickup and return of empty containers to service the business booked by the steamship lines, and repair containers and chassis.

International Longshoremen's Association - The ILA provides the union workforce employed at the container terminals as crane operators, truck drivers, clerks, etc. The ILA includes Local 24, Local 28, and Local 1351.

Ship Agencies/Freight Handlers/Freight Forwarders - These companies work for and with the steamship lines generate and facilitate the movement of booked cargo.

Truck Companies - These companies that work for the steamship lines, agencies, and freight forwarders.

Houston Pilots - An association of pilots regulated by the Board of Pilot Commissioners and licensed by the State of Texas. Pilots are required to conduct a vessel through the navigable waters of the Houston Ship Channel.

Tug and Tow Companies - Various companies (e.g., Bay Houston Towing, G & H Towing, etc.) that assist the Houston Pilots with vessels maneuvering and docking throughout the Houston Ship Channel.

Mooring Companies - These organizations support vessel arrivals and departures by handling the lines that tie up the vessels to the Port Authority docks. This group includes Texas Mooring and Houston Mooring.

Local Communities - Both residential and commercial properties adjacent to these terminals are affected by our operations along the Houston Ship Channel.

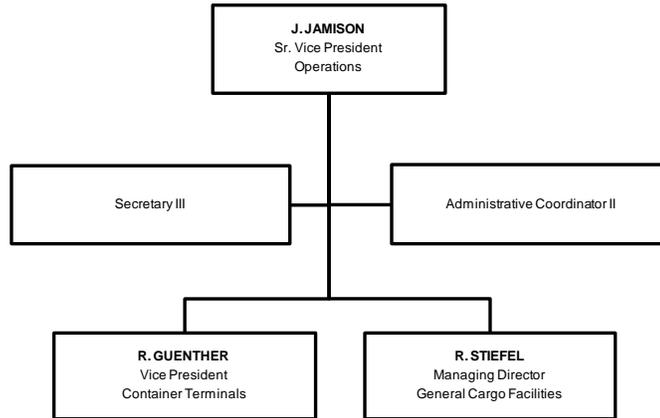
For additional information, please refer to Section X on page 181.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Vice President of Container Terminals directs the department, and reports to the Senior Vice President of Operations. The Container Terminals organization consists of two major areas, Operations and Maintenance. Please refer to the following organizational charts for more information.

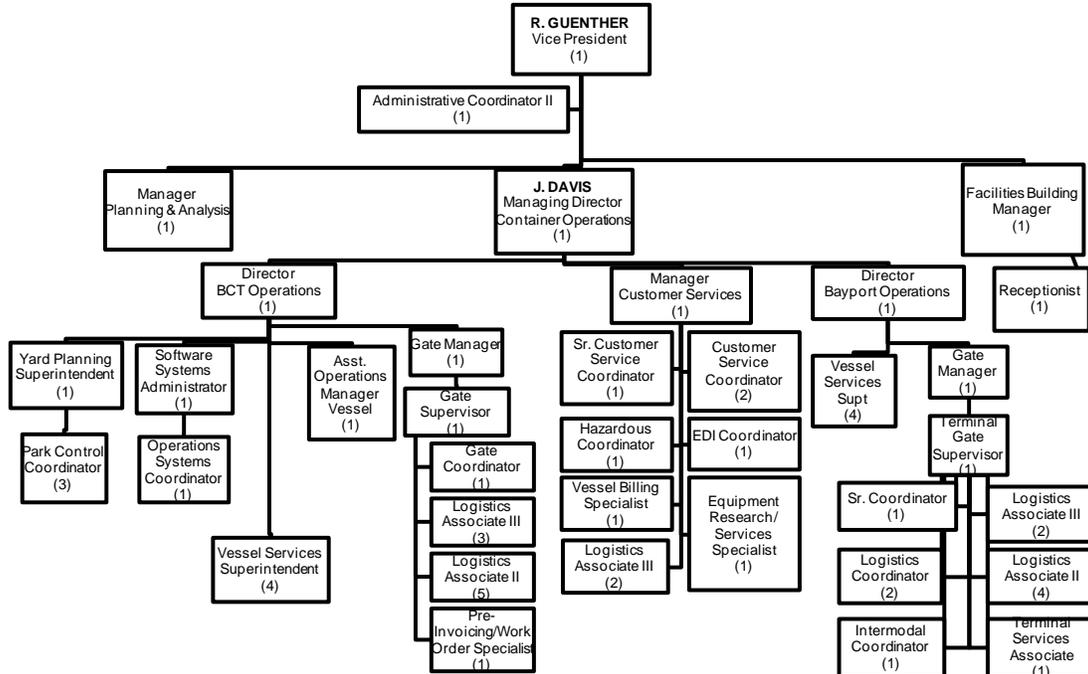
PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Operations Division (7/21/2011)



Port Authority employees are fundamentally involved with every container move through each terminal. They interact with trucking companies hauling containers in and out of the facility to expedite container moves through the terminal, and facilitate all container inspections. The Port Authority’s management provides and oversees all ILA labor that operates the container handling equipment at each facility. Port Authority employees also interact with numerous customers and agencies to schedule and assign berthing areas for vessel arrivals and departures. The Port Authority is responsible for providing an accurate and well organized yard inventory, promoting high levels of productivity for vessel cargo operations.

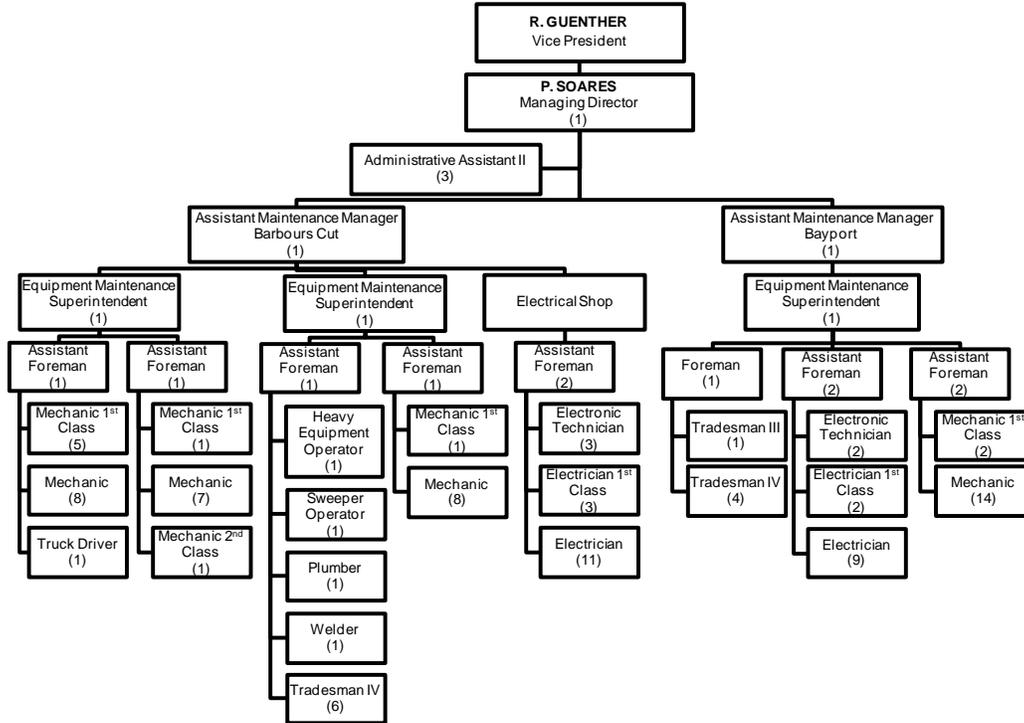
Container Terminals Department (Operations)



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port Authority Maintenance, a staff of skilled mechanical and electrical technicians, is responsible for hands-on repairs to all terminal equipment including wharf cranes, RTG's, and all operating support equipment.

Container Terminals Department (Maintenance)



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Container Terminals group is allocated funds from the Port Authority's annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by Federal Emergency Management Agency ("FEMA") and/or U.S. Department of Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

Fees for services provided by Container Terminals are defined in Tariff 14 for Barbour's Cut and Tariff 15 for Bayport which is publically available on the Port Authority's website.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Other ports in the Gulf Coast region and across the United States also handle containerized cargo and perform similar operations. However, these ports do not serve the same geographic market as the Port Authority.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Port Authority works directly with various components of the U.S. Department of Homeland Security:

U.S. Customs and Border Protection – This agency maintains a presence at both container terminals and is responsible for cargo security.

U.S. Department of Agriculture – This agency ensures that shipments meet federally mandated standards for import or export.

U.S. Coast Guard – This agency is primarily focused on the nation's defense of ports and waterways. The U.S. Coast Guard also regulates terminal security plans, certifications for vessels visiting the Port of Houston, and container certifications for units that move through the terminals.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$14,505,991

Number of Contracts Accounting for Expenditures: 839

Summary of General Purpose of Contracts: These contracts and agreements consist of support services for technical hardware, software, and electrical gear components. The majority of the expenditures cover fuel, crane painting, fender repairs, and terminal operating system support. Parts and supplies for maintenance and repair of container handling and support equipment as well as infrastructure at the facilities are also included in these contracts.

Methods used to ensure accountability for funding and performance: Contracts and professional services agreements are reviewed during the annual budget process and at other times for performance and possible changes to contract terms.

Current Contracting Problems: None.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

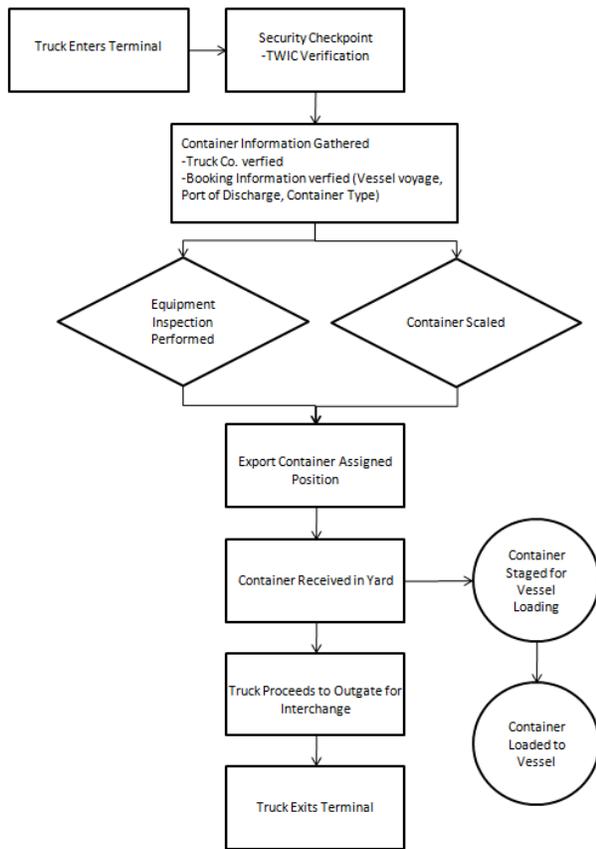
L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

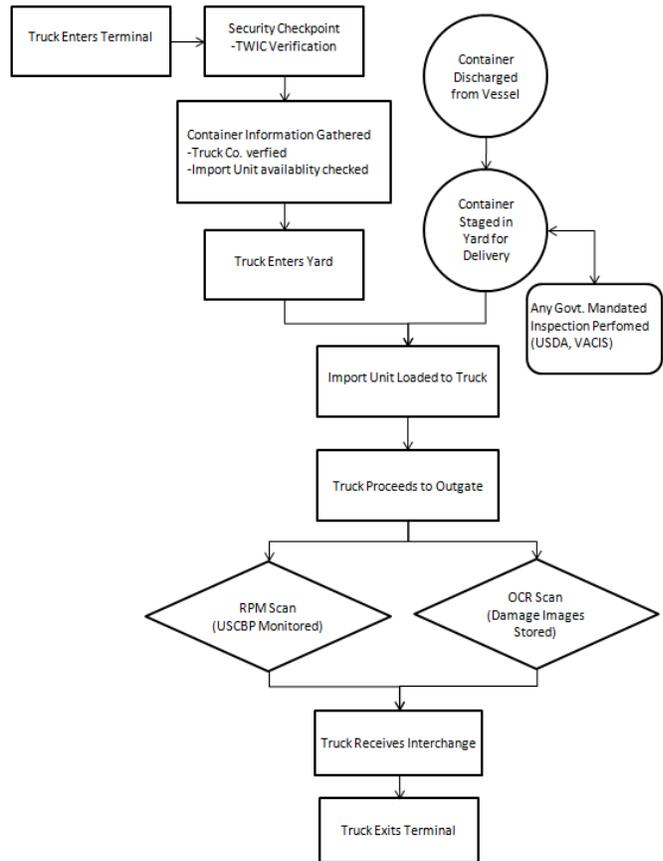
M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Aside from daily terminal operations, current processes are analyzed and advanced by utilizing innovative technologies to create and increase terminal efficiencies. Terminal expansion is also studied to determine development schedules to meet expected regional demand. The flowcharts below illustrate the basic route of a container in and out of a container terminal.

Receive Export Process:



Deliver Import Process:



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

2. Turning Basin Terminals

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Operations – Turning Basin Terminals	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Jimmy M. Jamison, Sr. Vice President - Operations	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$27,579
	<u>Capital Expenditures</u>	<u>\$ 2,647</u>
	Total Expenditures	\$30,226
Number of FTEs as of August 31, 2010	64	

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Turning Basin Terminals are public-use general cargo facilities owned by the Port Authority located at and near the Houston Turning Basin. General cargo includes a wide variety of non-containerized materials as well as grain and other dry bulk, project and heavy-lift cargo. The primary objective of the Turning Basin Terminals Department is to rejuvenate and optimize general cargo facilities and business practices to efficiently accommodate a diverse cargo portfolio, while anticipating market and economic trends. This includes maintaining and facilitating cargo movements through Port Authority terminals to meet current and future cargo needs and foster new business opportunities, while continuing to provide safe and secure facilities for the efficient handling of import and export commerce through the Port of Houston.

Major activities include:

- Coordinating and partnering with industry and customers to generate a strategic plan to foster and promote efficient and economical cargo movements through Houston and across the Port Authority wharves
- Ensuring that facilities including wharves, transit sheds, rail road tracks, lighting, fenders, and dredging are maintained in optimal operating conditions, and initiating capital and expense projects to accomplish this objective
- Scheduling vessels into public-use wharves and terminals, and coordinating arrival and departure traffic to maximize utilization
- Ensuring that facilities are in compliance with tariff rules, regulations, agreements and freight handling assignments
- Recommending stevedore licenses to permit stevedores to perform vessel loading and unloading services at Port Authority wharves
- Tracking tonnage performance for conformance on assignments and lease agreements with users and tenants
- Managing the logistics of approximately 200 trucks per day delivering cargo to and from the Port Authority wharves
- Monitoring the use of Port Authority facilities including freetime, utilization, condition, damages, construction, and environmental compliance.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Safeguarding access to restricted areas using the U.S. Department of Homeland Security's Transportation Worker Identification Credential ("TWIC") electronic photo identification system
- Maintaining Tariff 8 rates, rules, and regulations governing the Houston Ship Channel and Port Authority-owned wharves

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Port Authority has a general cargo portfolio comprised of 5 terminals, 52 docks totaling 28,700 linear feet, 5.14 million square feet of total storage, 1.55 million square feet covered storage, and access to major interstates and rail carriers (Union Pacific, Burlington Northern Santa Fe, and Kansas City Southern). Within the West Gulf general cargo market, the Port Authority ranks number one in tonnage, number of multipurpose facilities, total acres and covered storage area.

The Port Authority owns 41 general cargo wharves at the Turning Basin Terminal in the upper channel area. Wharf 32, located within the Turning Basin, was specifically designed for handling project and heavy-lift cargoes with 18.5 acres of heavy-duty paved area and 1,000 pound per square foot load capacity. The Turning Basin's competitive advantages include more land, more berths, more diverse customers and commodities, competition among stevedores benefiting the shipping industry, direct discharge to truck and rail, and a large experienced labor pool. Significant capital improvements have been made at the Turning Basin Terminal to better facilitate traffic flow, enhance security screening and make for efficient use of space, particularly in handling steel, breakbulk, and roll-on/roll-off ("RO/RO" or wheeled) cargo.

Other Port Authority general cargo terminals allow the Port Authority to maintain a diverse portfolio to enhance marketplace competition by providing specialized facilities and options for our customers. These terminals include Care Terminal, Jacintoport, the Bulk Materials Handling Plant, and Woodhouse. Care Terminal is leased to Coastal Cargo of Texas, facilities at Jacintoport are leased to Jacintoport International, LLC and Seaboard Corporation and the Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. Houston Public Grain Elevator No. 2, located at the Woodhouse Terminal, is leased to Louis Dreyfus Corporation and another grain elevator at the main Turning Basin Terminal is leased to Hansen-Mueller Company. These facilities are highly specialized and allow the Port Authority to serve the full spectrum of commodities. They represent approximately 42% of the total general cargo revenue based on 2010 financials.

The Port Authority's general cargo trade consists of steel, automobiles, project cargo, bagged food products, wind power equipment, drilling supplies and other miscellaneous products. In 2010, Port Authority general cargo facilities handled 2.7 million tons of steel, 2.1 million tons of liquid bulk, 0.7 million tons of dry bulk, and 0.8 million tons of other general cargo. In 2010, the Port Authority was the country's No. 1 port for steel imports. From 1995 to 2007, the Port Authority's steel imports grew at an annualized rate of 7.0% in comparison to U.S. total steel imports, which grew at an annualized rate of 2.6%.

The Port Authority continues to add new commodities to its portfolio. One example is proppants, used in hydraulic fracturing of oil and gas wells, which have contributed over 100,000 tons of products since October 2010. In addition, the Port Authority is a major import location for Volkswagen, Audi and Porsche. Port Authority facilities are quite suitable for handling quality commodities, due to the abundance of concrete surfaces, increased security and existing infrastructure.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Most of the Turning Basin facilities were built prior to the advent of containerization (forty or more years ago). While maritime commerce has generally evolved towards containers, the breakbulk cargos that do not containerize well have continued to grow in Houston.

Over the years the Port Authority has acquired additional facilities on the Houston Ship Channel as they became available on the market:

Woodhouse Terminal – A versatile facility that includes approximately 235,000 square feet of warehouse space, 10 acres of open storage, roll-on/roll-off ramps and three general cargo wharves ranging from 600 feet to 660 feet long.

Woodhouse Grain Elevator – The 6.2 million-bushel capacity Houston Public Grain Elevator No. 2 is an efficient, modern export facility. With a maximum rated loading capability of 120,000 bushels an hour, overall through-put costs are among the lowest in the nation.

Care Terminal – This terminal offers a state-of-the-art wharf and dock that can accommodate heavy-lift and project cargo of up to 1,000 pounds per square foot. With more than 1,100 feet of berthing space directly adjacent to 15 acres of paved open storage area and 45,900 square feet of warehouse space, Care Terminal can handle a wide variety of projects.

Jacintoport Terminal – Specialized facilities for bagged cargo and products needing refrigeration. The “Spiralveyor” bagged cargo handling system is capable of loading ships quickly and efficiently. On-site bagging equipment can package corn, oats, rice, soybeans, wheat and other food products.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Steamship Lines (Carriers) – The Port Authority affects the ability of carriers to economically provide cargo transportation services over trade lanes to other countries.

Shippers (Cargo Owners) – The Port Authority affects the ability of shippers to transport cargo to consignee overseas or to receive foreign goods in Houston for local consumption or transport to other inland destinations.

Stevedores / Freight Handlers – These parties working at Port Authority facilities directly affect the working of vessels and the delivery and receipt of cargo from land carriers (truck and rail), through employment of cargo handling personnel.

Vessel Support Services– A host of vessel support service companies are available in Houston and may work with the Port Authority or its customers to service vessel needs (e.g., repairs, ship stores, fueling, etc).

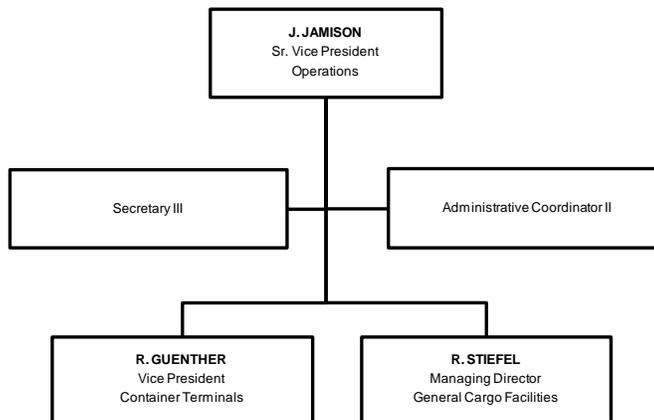
For additional information, please refer to Section X on page 181.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

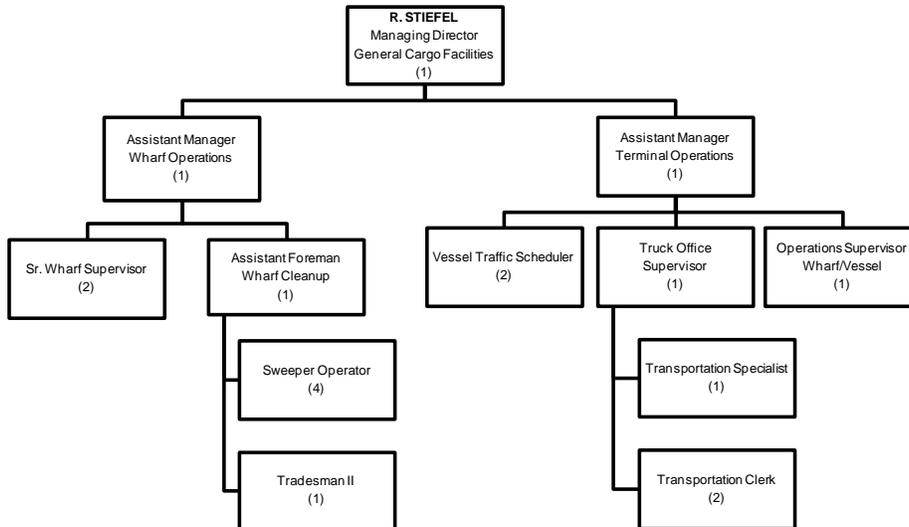
F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Managing Director of the Turning Basin Terminals directs the department and reports to the Senior Vice President of Operations. The Turning Basin Terminals organization consists of two major areas, Operations and Maintenance. The Operations group includes terminal and wharf operations, vessel scheduling and wharf cleanup. The Maintenance group provides normal maintenance of the wharves, sheds and buildings, plumbing, lighting, roads, and equipment owned and used by the Port Authority. Outside contractors are engaged as necessary for jobs beyond the in-house capabilities. Please refer to the following organizational charts for more information.

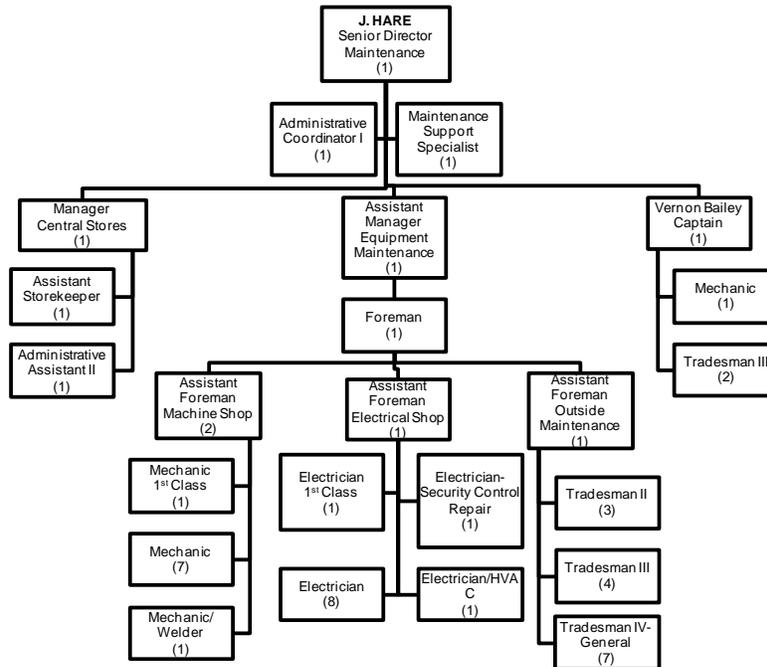
Operations Division (7/21/2011)



Turning Basin Terminals Department (Operations)



Turning Basin Terminals Department (Maintenance)



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Turning Basin Terminals Department is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Other ports in Texas, neighboring states and throughout the U.S. also handle various cargos and maritime commerce but do not serve the same geographic market as the Port Authority.

In addition, privately-owned terminals on the Houston Ship Channel provide similar cargo handling services and facilities. Private facilities do not generally provide public terminal facilities, and are typically more constrained by storage area, capacity, and/or wharves to berth vessels than the Port Authority.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The U.S. Coast Guard conducts an annual inspection to ensure that our facilities are meeting regulations for cargo handling and safety. Additionally, facilities must meet compliance with state and federal requirements for spill prevention, storm water runoff, and air emissions.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$2,717,116

Number of Contracts Accounting for Expenditures: 317

Summary of General Purpose of Contracts: Materials and supplies necessary for construction or repairs of facilities are ordered from vendors on an as-needed basis and utilized to maintain and repair vehicles, machinery, roads, wharves, and light construction projects. Contracted service providers are utilized for specialized projects that cannot be handled in-house.

Methods used to ensure accountability for funding and performance: Contracts and professional services agreements are reviewed during the annual budget process and at other times for performance and possible changes to contract terms.

Current Contracting Problems: None.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Port Authority is primarily the landlord of the Turning Basin public facilities, within which private companies perform work and conduct commerce. The Port Authority builds and maintains the facilities. Operating revenues from the Turning Basin Terminals have historically accounted for approximately 20% of Port Authority operating revenues.

Design of facilities, road infrastructure, and rail access could be changed to increase efficiency. However, the cost of the improvements, return on investment, and disruptions to existing business has been impediments to large scale implementation of these changes.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

3. Port Security & Emergency Operations*

***Note:** The Port Security & Emergency Operations Division was formed out of the Operations Division in July 2011. The Senior Managing Director of Port Security & Emergency Operations now reports directly to the CEO. Prior to July 2011, it was part of Operations and reported to the Senior Vice President of Operations.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Port Security & Emergency Operations – Port Security & Emergency Operations (including Port Police) – Marine Fire Department						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	Marcus Woodring, Sr. Managing Director, Port Security & Emergency Operations						
Actual Expenditures, FY 2010 (in thousands) (includes Operations Support)	<table> <tr> <td>Operating Expenses</td> <td>\$26,058</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td><u>\$ 5,247</u></td> </tr> <tr> <td>Total Expenditures</td> <td>\$31,305</td> </tr> </table>	Operating Expenses	\$26,058	<u>Capital Expenditures</u>	<u>\$ 5,247</u>	Total Expenditures	\$31,305
Operating Expenses	\$26,058						
<u>Capital Expenditures</u>	<u>\$ 5,247</u>						
Total Expenditures	\$31,305						
Number of FTEs as of August 31, 2010	139						

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Port Security & Emergency Operations role is to implement the Port Authority’s security commitment to work with public and private partners to provide secure facilities for the community, for our customers, businesses, and employees, and for the others who work and visit here.

More specifically, the division’s objectives are to:

- Preventing loss or harm from threats to health, welfare, and assets
- Monitoring, evaluating, and implementing programs for continued security improvement
- Providing proactive emergency response planning to ensure operational recovery
- Maximizing port security while expediting the flow of commerce

Port Security & Emergency Operations (“PSEO”) Department

The Port Authority’s main security responsibilities are to maintain a secure perimeter at its terminals, limit access to restricted areas, and assist regulatory agencies as requested. More detail on the department’s primary activities are described below.

Perimeter security and controlled access - The Port Authority operates over 60 security access points to control access to its terminal facilities in accordance with U.S. Coast Guard 33CFR:105. Up to 44 gates are manned by contract security personnel on schedules in accordance with operational requirements and federal regulations. Approximately 22 unmanned access points are also operated, utilizing electronic permissions and CCTV for surveillance. Personnel seeking access to the restricted areas must be in

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

possession of a Transportation Workers Identification Card (“TWIC”), have a reason to be on property, and approval to do so.

TWIC enforcement takes place at all restricted area gates. Persons not in possession of a TWIC may be allowed on-site with an escort, based on regulatory criteria. Port Police officers assist contract security guards with these duties and incidents that may arise. Port Police officers also interface directly with ships to exchange security information. Rail gates are considered access points, and are manned as needed by Port Security staff in coordination with rail lines. Fence lines and lighting are checked periodically for maintenance requirements.

Port Coordination Center - The Port Coordination Center, located in the Turning Basin Terminal, serves as an emergency response coordination center and liaison to the U.S. Coast Guard for Houston Ship Channel industries. In the event of a transportation security incident, or weather event, the Port Coordination Center is activated and used by the U.S. Coast Guard as the coordination point of information for the 91 regulated facilities along the upper Houston Ship Channel subject to the Maritime Transportation Security Act of 2002 (“MTSA”). The Port Coordination Team, made up of industry stakeholders and Port Authority employees, gathers information from the regulated facilities for report to the U.S. Coast Guard Sector Houston-Galveston Captain of the Port.

The Port Coordination Center is equipped with layered communication and surveillance, including Police Dispatch, CCTV cameras, mass notification systems, satellite radios, and Mobile Command Center. The Port Coordination Center offices the PSEO Department.

Port Police - Port Police employs approximately 52 sworn peace officers that meet Texas Commission on Law Enforcement Officer Standards and Education (“TCLEOSE”) regulations. The Port Police operate from the Port Coordination Center, with additional offices at Care, Barbours Cut, and Bayport Terminals.

Patrolling Port Authority wharves and outlying properties, Port Police are available 24 hours a day to enforce MTSA regulations, maintain order, conduct investigations and provide incident reports, as well as to assist in operation-related security functions. Traffic control is an important part of the job, considering the container terminals alone average approximately 2,900 trucks a day. In addition to state-mandated training requirements, Port Police officers also receive maritime security-related training.

Port Police Dispatch - Located in the Port Coordination Center, the Port Police Dispatch office provides 24/7/365 dispatch services for the coordinated response for Port Police and Marine Fire Department, including dispatch coordination with local, state, and federal law enforcement agencies.

Credentialing Office - The Port Authority Credentialing Office processes approximately 20,000 persons per year seeking access to port facilities, issuing electronic access permission based on a documented approval process. In addition, the office serves as an important customer service interface for the distribution of security requirements for access, education on general maritime security awareness, and other gate access management programs.

Communication of Port Security Requirements - In order to facilitate compliance with MTSA regulations, an important function of the PSEO Department is to communicate security requirements to port stakeholders. This is accomplished through industry group outreach, contractual language, signage at access points, credentialing office communications, training programs, and Port Authority publications. Mass notification systems are managed by the department for emergency communication of security information to port tenants and companies along the Houston Ship Channel.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Marine Fire Department

The Marine Fire Department provides emergency response assistance to all marine terminals and watercraft operating in the Houston Ship Channel. Pursuant to statute, the Port Authority owns and operates fire control and prevention facilities, and is additionally “empowered to promulgate and enforce ordinances, rules, and regulations for the promotion of safety and life and property on or adjacent to waterways, channels and turning basins with its jurisdiction from damages from fires and explosions.”

Emergency Response Assistance - The Port Authority employs approximately 57 professional full time fire fighters with responsibility for firefighting, hazardous material (“HazMat”) incident and medical response, and heavy and high-angle rescue aboard ships. The department protects the Houston Ship Channel around-the-clock, seven days a week.

Operation of Fireboats - The Marine Fire Department operates fireboats on the Houston Ship Channel to provide fire and emergency response mutual aid to all 130 land facilities situated in the Houston Ship Channel. Three fire boats and four fire stations are strategically located to respond to the marine terminals and marine traffic from the Turning Basin to the open waters across the Bayport Channel complex.

Operation of the *M/V Sam Houston* - The Marine Fire Department operates the inspection boat, *M/V Sam Houston*, to tour and educate the public on the commerce along the Houston Ship Channel. The tour boat operates 6 days a week, 2 trips per day and during 2010, more than 15,000 people participated in public tours. The Port Authority also provides a waterborne school for environmental groups bringing classes to local marine environments and ecosystems. Finally, the vessel is used to tour trade groups and industry groups, to promote the Houston Ship Channel as a vital economic engine for the region.

Oversees Houston Pilot Activity - The Marine Fire Department oversees Houston Pilot activity for review of licenses, pilot qualifications, complaints, and conduct. For additional information, please refer to Question N on page 78.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

ISO 28000 certification and recertification for Perimeter Security

In March 2008, the Port Authority’s Barbours Cut and Bayport Container Terminals were certified to the ISO 28000: Security Management Systems for Supply Chain, making it the first port authority in the world to receive this international security certification. The standard sets out stringent requirements for a security management system that incorporates all aspects of business management. The Port Authority’s certification was achieved after a three-year process of developing the system and its application to the Port Police and perimeter security operations. In 2009, the Port Authority’s Manchester Terminal was also certified to the standard.

In March 2011, the Port Authority’s Barbours Cut, Bayport, and Manchester Terminals were re-certified to the ISO 28000 standard for an additional three years, demonstrating continual improvement in perimeter security measures.

The scope of the certification is “perimeter security.” Measures developed by the Port Authority to meet these standards include improvements in security processes, procedures and practices, more detailed and

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

efficient monitoring and documentation, broader training of the Port Authority police force and security partners, and more efficient processing of vehicles through access gates.

Security Audits

- **U.S. Coast Guard facility audits** - The U.S. Coast Guard performs annual inspections as well as spot audits of regulated Port Authority facilities, for compliance with 33 CFR 105. In addition, the Port Authority performs an annual internal audit against the Facility Security Plan and federal regulations. In 2010, there were no Notice of Violations from the U.S. Coast Guard for port facilities.
- **Internal and external ISO 28000 audits** - Quarterly audits of the ISO 28000 program have been performed since March 2008, on an alternating schedule of internal and external audits, in order to identify areas for improvement as well as program strengths. In 2010, four audits were performed, and actions to address audit findings were implemented.
- **Limited-scope performance audits** - In addition to quarterly audits, limited-scope performance audits are also periodically performed on specific procedures. In 2010, seven limited-scope performance audits were performed in order to monitor and control processes, and corrective actions based on audit findings were implemented.

Proactive TWIC enforcement

The implementation of the TWIC by the Transportation Security Administration and U.S. Department of Homeland Security on April 14, 2009 requires that personnel seeking access to restricted areas must be in possession of TWIC, or be closely escorted according to the regulatory requirements. In addition to TWIC checks at entry points, Port Police and Port Security Officers regularly perform TWIC enforcement spot checks within the restricted areas. In the last six months of 2010, over 15,000 TWIC spot checks were performed by PSEO staff.

Persons approved for access to Restricted Areas

Over 12,000 persons are currently credentialed for electronic access to the Port Authority's restricted area terminals. These persons represent numerous stakeholders who have been documented, approved, and allowed access in compliance with federal regulations to "restricted areas." Approximately 40% are vendors, visitors, labor, and contractors, while 60% represent cargo transportation personnel. Another 25,000 cargo transportation workers regularly transit the Port Authority container terminals, all of whose TWIC cards are checked by security personnel at access points.

On an average day, over 8,000 individuals are registered daily through the Visitor Management System for access to Port Authority facilities.

TCLEOSE Certification

As a police agency commissioned by TCLEOSE, Port Police is subject to regular audits of records and training completion. In 2010, Port Police officers completed more than 2,800 hours of training.

Post-Ike Recognition by U.S. Coast Guard

The Sector Houston-Galveston Port Coordination Team was activated during the preparation for and response to Hurricane Ike in September 2008. Working directly with the U.S. Coast Guard, Port Authority staff members were an integral part of a small group of maritime industry experts whose work directly contributed to the expedited re-opening of 176 facilities within the sector. This process was instrumental in prioritizing vessel movements to various facilities, to safely and efficiently meet the most critical needs and expedite restoration of maritime commerce to the Houston Ship Channel. In addition, the Port Authority Port Coordination Team was activated to coordinate with the U.S. Coast Guard to

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

ensure the safe and efficient opening of phased facilities. The U.S. Coast Guard Certificate of Merit was awarded to Port Authority staff members for their role in the Port Coordination Team effort.

Marine Incidents

For 2010, the Marine Fire Department responded to over 350 incidents. Approximately 50% were related to rescue, medical and marine related incidents such as oil spills, vessel collisions, or incidents. Approximately 25% were related to small fires on wharves and some large fires on ships and waterfront terminals, and the remaining 25% were related to hazardous materials incidents or discharge that require major clean-up and disposal by Port Authority teams or those hired by the shipper.

Periodic Inspections

The State of Texas Commission on Fire Protection conducts periodic inspections to ensure that our protective equipment, training records and certifications are in compliance with state requirements. The Channel Industries Mutual Aid (“CIMA”) also conducts annual inspection of equipment and response procedures to ensure qualifications for membership remain current.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.
--

Prior to July 2011, Port Security & Emergency Operations was a department under the Operations Division and reported to the Senior Vice President of Operations. In July 2011, the Port Security & Emergency Operations Division was reorganized to also include the Marine Fire Department for improved coordination of emergency response. The responsibilities of this division have been an increasingly difficult challenge in the wake of September 11 and the resultant increasing demands on federal and state funding for security activities.

Port Security & Emergency Operations

- 1990** The Port Police agency was commissioned to provide armed protection of port property, as authorized by the Texas Water Code Section 60.077.
- 2002** MTSA was signed into law, significantly altering the focus and responsibilities of the Port Police to align with federally mandated security regulations and enforcement, as promulgated in 33 CFR 105.
- 2008** The Port Police Department was reorganized as the Port Security & Emergency Operations Department to better reflect the post-911 responsibilities.

Marine Fire Department

- 1926** The Port of Houston receives the first Fireboat *Port Houston*, 118 feet long and 27 feet wide, capable of pumping 800 gallons per minute.
- 1950** The Port Authority commissions its second fire boat *Capt. Crotty*, 74 feet long, with a capacity to pump 6000 gallons per minute.
- 1955** Channel Industries Mutual Aid (“CIMA”) was established to coordinate fire suppression with all ship channel facilities and neighboring fire departments. The Port Authority joins as a member of the association.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- 1974** The Port Authority commissions the *Captain Farnsworth*, 70 feet long and capable of pumping 6000 gallons per minute. The *Port Houston* is decommissioned.
- 1983** The Port Authority commissions two new fireboats, the *Fentress Bracewell* and the *Howard Tellepsen* and decommissions the *Capt. Crotty*. Both sister ships are approximately 65 feet in length, and have a pumping capacity of 4000 gallons per minute.
- 1994** Port Authority firefighters are officially designated certified firefighters and the fire department is officially recognized by the Texas Commission on Fire Protection.
- 1997** The Port Authority Fire Department initiates the creation and certification of hazardous material teams at the technician level.
- 2006** The Port Authority opens temporary quarters and fire station at Bayport.
- 2011** A new fire station is opened at Bayport Container Terminal and the Port Authority receives two federal grants to build three fireboats to replace its existing fleet.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Port Security & Emergency Operations Department's function affects all stakeholders requiring access to Port Authority-operated public terminals: Port Authority employees and tenants; ship agents, ship owners, and crew; stevedores and freight handlers; union labor; vendors, contractors, and service providers; and other transportation industry participants (including shipping, trucking, and rail service providers).

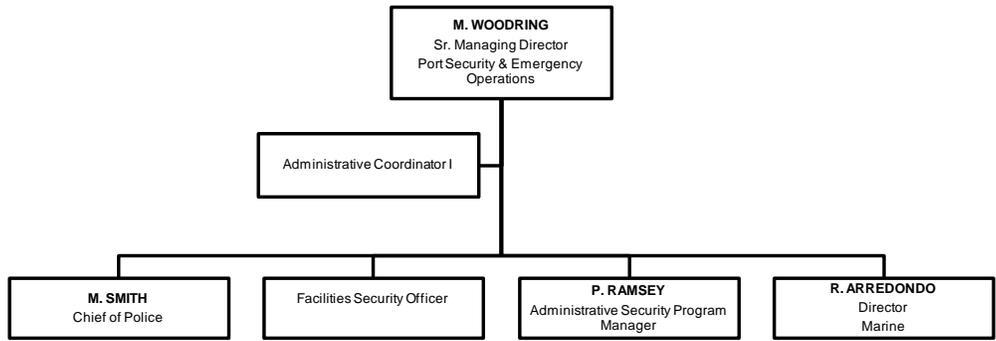
The Marine Fire Department affects: all industrial facilities, terminals and waterfront facilities on the Houston Ship Channel using the channel for commerce; ships and barges transiting the channel or moored at facilities to load and discharge cargo; wharf workers, longshoremen, stevedores, contractors and ship's crews, other personnel conducting business at the terminals; and other local fire departments, first responders, local law enforcement agencies, and U.S. Coast Guard.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Senior Managing Director of Port Security & Emergency Operations oversees the Port Security & Emergency Operations Division and reports directly to the CEO. The following organizational charts reflect the functional management of the Port Security & Emergency Operations Department (including Port Police) and the Marine Fire Department. Reporting to the Senior Managing Director are the Chief of Police, one or more Facility Security Officers, one Administrative Security Program Manager, and the Marine Fire Department Director.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port Security & Emergency Operations Division (7/21/2011)



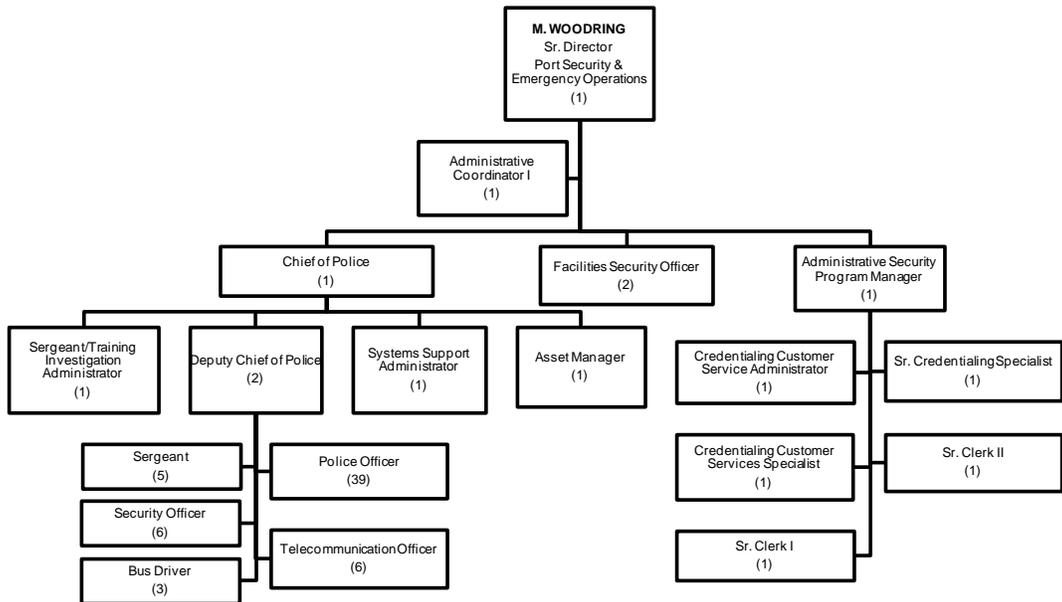
Port Security & Emergency Operations

The Chief of Police administers the Police Dept, which consists of approximately 52 sworn officers, and a civilian staff of 6 dispatchers, 6 port security officers, training sergeant, software administrator, asset manager, and two bus drivers. The Port Police operate 24 hours a day, 7 days a week, on an 8 hour shift. Shifts are managed by Police Sergeants and Deputy Chiefs.

The Facility Security Officers (“FSOs”) are responsible for ensuring that the Port Authority meets U.S. Coast Guard regulatory requirements.

The Administrative Security Program Manager (“ASPM”) administers the Credentialing Office, and 2 support administrative staff and responsibilities include ISO 28000, budgeting, purchasing, records, documentation, and credentialing.

Port Security & Emergency Operations Department

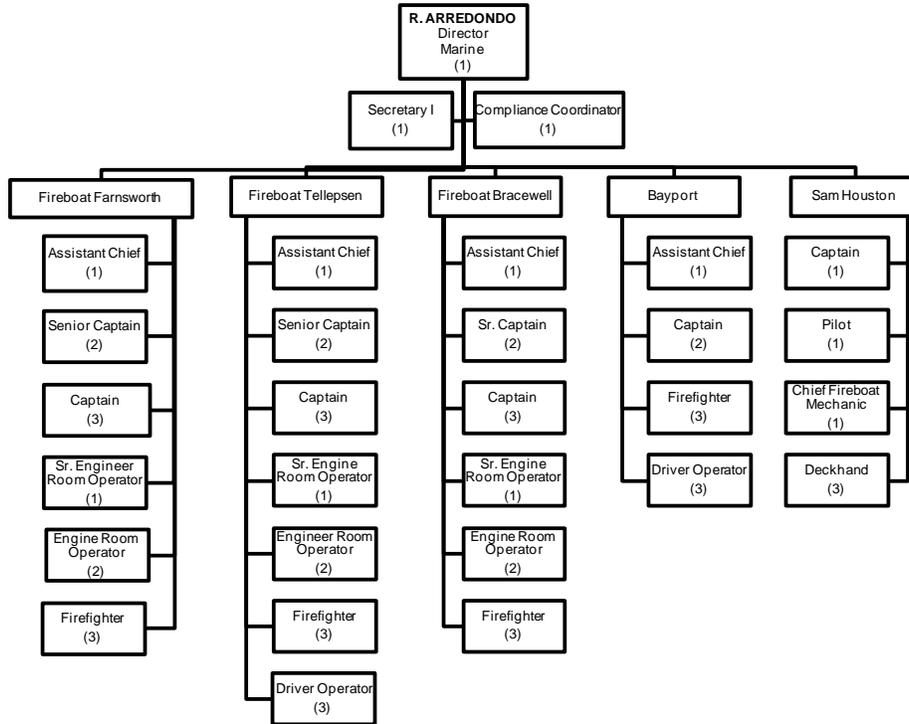


PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Marine Fire Department

The Marine Fire Department has 50 firefighters assigned, working 24/7 with three 24-hour on and 48-hour off shifts. The shifts are comparable with municipal fire departments. The current organization includes one Fire Chief registered with the Texas Fire Commission and four assistant chiefs – one assistant chief per fire station with 12 and 15 men crews per station, four or five men per shift. A full time training officer is certified by the Texas Commission on Fire Protection, and all personnel operating fireboats have obtained at least a 100 gross ton masters license.

Marine Fire Department



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Port Security & Emergency Operations

The Port Security & Emergency Operations Department is allocated funds through the Port Authority’s annual operating budget.

In addition, the Port Authority has been the beneficiary of the federal Port Security Grant Program since 2002. The Federal Security Grant Program provides funding for equipment related to improved compliance with MTSA regulations.

The Port Authority also receives TCLEOSE training funds (\$13,000 in 2010). These funds are distributed to law enforcement agencies based on a formula considering the number of agencies and the number of licensees at each agency.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Marine Fire Department

The main source of funding for the Marine Fire Department is revenue from ship harbor fees and barge fees provided for by Port Authority tariff. In 2010, revenues were \$5.5 million.

Funding for the *M/V Sam Houston* tour boat comes from the Promotion & Development Fund (\$895,000 in 2010). In addition, the Marine Fire Department expects to receive grant funding from FEMA and DHS (\$15 million with a 25% match) to assist with the purchase of three marine firefighting boats to be delivered in 2012.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Enforcing MTSA regulations is the primary focus of the Port Security & Emergency Operations Department, which includes Port Police. There are no other internal departments which fulfill this function.

There are numerous police agencies neighboring the port, which operate under the same TCLEOSE certification, with similar credentials and powers of sworn peace officers. However, these agencies serve a city, county or precinct with residents. At the Port Authority, there are no residents. Instead, there are industrial facilities with ships, vendors, truckers, stevedores, and the enforcement of MTSA regulations in order to securely maintain the port facilities, which are considered a critical infrastructure of the nation. Below are some of the differences:

- Port Police officers meet all ships calling at the Port Authority, performing docking duties, as well as exchanging security information with the ship
- Port Police officers perform enforcement duties including but not limited to TWIC enforcement, monitoring access points, investigating and reporting on maritime industrial incidents, identifying breaches of security, and detecting and apprehending stowaways
- Port Police officers enforce tariffs, rather than ordinances
- Port Police do not have jailing or court facilities (arrests are made, and suspects transported to local or county jail facilities for criminal offenses)
- An 8-10 week training program is required for new hires to the Port Police, to provide additional training to effectively police federally-regulated facilities
- Unarmed security personnel, contracted by the Port Authority, perform perimeter security duties at access points in the facilities
- Security personnel must also undergo additional training to be able to effectively enforce MTSA regulations at the gates

There are no departments internally that provide identical or similar functions to the Marine Fire Department. The fireboats operated by the Port Authority are the only fireboats on the upper Houston Ship Channel. There are several local city fire departments located throughout the length of the Houston Ship Channel that are based to protect their own territories, but respond to mutual aid to assist in incidents occurring at land terminals. There are no other waterborne fire departments available to protect waterfronts and ships.

Port Security & Emergency Operations is funded out of the Port Authority's operating budget which relieves the burden on city and county law enforcement and fire departments, not only on the Port Authority's premises, but also by participating in CIMA and The East Harris County Manufacturers Association ("EHCMA") security subcommittees.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Port Security & Emergency Operations Department does not have duplication or conflict with other programs or customers. However, the Port Authority works closely with federal, state, and local agencies to ensure cooperation and shared information, without overlapping responsibilities.

- Houston Area Maritime Operations Center (“HAMOC”) – Joint operation task force of Harris County, Houston Police Department (“HPD”), Port Police, U.S. Customs and Border Patrol (“CBP”), U.S. Coast Guard, and FBI, which focuses on mitigating maritime threats by capitalizing on the intelligence, operational and response capabilities of local, state and federal law enforcement agencies
- MOU with the National Crime Information Center/Texas Crime Information Center (“NCIC/TCIC”)
- Informal interagency agreements with local law enforcement agencies in Galena Park, LaPorte, Harris County, and HPD
- Interagency agreements with federal agencies such as U.S. Coast Guard, CBP, and FBI
- Interagency contracts with Harris County for radio interoperability
- Mutual Aid Agreements – CIMA, Greater Houston Local Emergency Planning Committee
- Interagency agreements to share cameras with city, state, federal agencies (e.g., TranStar, U.S. Coast Guard)
- Houston/Galveston Navigation Safety Advisory Committee (“HOGANSAC”) participation and coordination
- Intergovernmental agreement with the City of Morgan’s Point

With respect to the Marine Fire Department, there is no duplication of activity as each fire department has its own defined territory. However, all Harris County fire departments are members of the Harris County mutual aid. No other agency or entity operates fireboats on the upper Houston Ship Channel.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

PSEO cooperates with various federal agencies to meet regulatory requirements. The U.S. Coast Guard is the lead agency in protecting the waterways and regulating the security of vessels and maritime facilities. In addition, U.S. Customs and Border Protection is the lead agency in cargo security and screening cargo for potential hazards.

In order to provide security for the Port of Houston, all partners and stakeholders coordinate, collaborate and communicate to enhance the security of the entire Port of Houston system, not just the individual terminals along the channel. This is carried out on a daily basis through organizations such as the East Harris County Manufacturers Association, Channel Industry Mutual Aid, Area Maritime Security Group, and the Houston Ship Channel Security District. Details on these organizations are provided below.

The East Harris County Manufacturers Association (“EHCMA”) is a voluntary alliance of about 125 chemical manufacturers, refiners and supporting distribution/terminal facility managers in the Bay Area, Baytown, Deer Park, Houston, La Porte, North Channel and Pasadena. Founded in 1987, EHCMA is the largest network of its type in the world. EHCMA has a Security Subcommittee that addresses the many

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

issues of petrochemical companies in securing their facilities and works closely with CIMA to prepare for natural and manmade disasters.

Channel Industries Mutual Aid (“CIMA”) is the oldest and largest mutual aid organization in the nation. CIMA is a non-profit organization combining the fire-fighting, rescue, hazardous material handling, and emergency medical capabilities of the refining and petrochemical industry in the Houston Ship Channel area. The Port Authority’s three fire boats are included in this network. Since 1955, this organization has been providing cooperative assistance and expertise for all kinds of emergencies – both natural and manmade. The Houston Ship Channel has one of the largest concentrations of refineries and petrochemical plants in the world, and these industries recognize their responsibility to protect neighbors in the surrounding communities.

Area Maritime Security Committee (“AMSC”), formerly known as the Port Security Subcommittee, chartered February 18, 2002, was established as the Area Maritime Security Committee under the direction of the U.S. Coast Guard Captain of the Port (“COTP”). It is an inclusive group of a wide range of impacted maritime constituents throughout the COTP region, providing input on a variety of security issues. The Port Authority is a member of the AMSC’s Executive Committee and participates actively in a number of its subcommittees.

Houston Ship Channel Security District (“HSCSD”) is a public/private partnership of the major facilities that make up the port terminals and industry in the area of the Houston Ship Channel. It takes advantage of the long tradition of cooperation among companies and governmental entities working in the Houston Ship Channel area, particularly in matters of preventative and responsive security and safety. The district works together for prevention and response in the event of Transportation Security Incidents (a security incident resulting in a significant loss of life, environmental damage, transportation system disruption or economic disruption in a particular area), natural disasters, and manmade disasters including chemical explosions or releases. The purpose of the district is to make decisions in concert with channel stakeholders regarding the security system and infrastructure being designed and constructed around the Houston Ship Channel area, and through its assessment power, provide funding for this infrastructure as needed in addition to the funds provided under the Department of Homeland Security’s Port Security Grant Program. Included in the HSCSD are all MTSA-regulated facilities located on the Houston Ship Channel that receive foreign-flag vessels, and all EHCMA facilities in the district. Security infrastructure projects include a communications network and increased patrols via patrol boats and vehicles.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$6,406,397

Number of Contracts Accounting for Expenditures: 212

Summary of General Purpose of Contracts:

Port Security & Emergency Operations contract expenditures are primarily related to the following:

- Maintenance and Repair - parts and supplies needed for maintenance and repair of fireboats, firehouses, police equipment

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Materials - general material supplies such as uniforms, signs, small office equipment
- Services - professional and non-professional services such as auditing, landscaping, sewer pumping, laundry, communications, security

Methods used to ensure accountability for funding and performance: Contracts are implemented based on Port Authority purchasing practices. Contracts are released through the legal department, and may include specific language regarding performance criteria, depending on the type of contract.

Current Contracting Problems: None.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

None identified at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

HOUSTON PILOTS

Chapter 66 of the Texas Transportation Code authorizes the Port Commission to serve as the Board of Pilot Commissioners of the Ports of Harris County, regulating pilotage of vessels between the Gulf of Mexico and Harris County port facilities, inbound and outbound. The Houston Pilots serve a crucial role in ensuring safety at the Port of Houston by taking direct command or transferring directions to the ship's captain while navigating the 52-mile long Houston Ship Channel.

The Board of Pilot Commissioners is responsible for the review of applications for deputy pilot pool applicants, deputy pilot certificates, and branch pilot commissions. It also has oversight of complaints alleging violations of pilotage statutes and its "Rules and Regulations Governing Pilots and Pilotage on the Houston Ship Channel and Galveston Bay."

The Marine Fire Department works with the Application Review Committee ("ARC") appointed by the Board of Pilot Commissioners, which conducts the preliminary review of deputy pilot and pilot applications. Marine Fire Department members also work with the Board of Pilot Commissioners appointed Pilot Board Investigation and Recommendation Committee ("PBIRC"). The PBIRC conducts investigations and hearings of complaints and incidents, and recommends action to the Board of Pilot Commissioners.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Port of Houston Authority Houston Pilots Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Total number of regulated persons	93	93
Total number of regulated entities	1	1
Total number of entities inspected	1	1
Total number of complaints received from the public	0	0
Total number of complaints initiated by agency	10	8
Number of complaints pending from prior years	4	0
Number of complaints found to be non-jurisdictional	0	0
Number of jurisdictional complaints found to be without merit	0	0
Number of complaints resolved	10	8
Average number of days for complaint resolution	90	90
Complaints resulting in disciplinary action:	0	0
administrative penalty	0	0
reprimand	0	0
probation	0	0
suspension	0	0
revocation	0	1
other	0	0

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

4. Strategic Planning

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Strategic Planning Division – Channel Development – Environmental Affairs – Strategic Planning						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	Charlie Jenkins, Vice President - Strategic Planning						
Actual Expenditures, FY 2010 (in thousands)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Operating Expenses</td> <td style="text-align: right;">\$ 6,019</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td style="text-align: right;"><u>\$16,862</u></td> </tr> <tr> <td>Total Expenditures</td> <td style="text-align: right;">\$22,881</td> </tr> </table>	Operating Expenses	\$ 6,019	<u>Capital Expenditures</u>	<u>\$16,862</u>	Total Expenditures	\$22,881
Operating Expenses	\$ 6,019						
<u>Capital Expenditures</u>	<u>\$16,862</u>						
Total Expenditures	\$22,881						
Number of FTEs as of August 31, 2010	18						

B. What is the objective of this program or function? Describe the major activities performed under this program.

Strategic Planning Division

The Strategic Planning Division consists of the following departments: Channel Development, Environmental Affairs, and Strategic Planning. These departments are more fully described below.

Channel Development

The objective of the Channel Development Department is to maintain and improve the Houston Ship Channel and its branches in an optimal manner to meet the current and future needs of our stakeholders.

Major activities include:

- Coordinating federal and Port Authority requirements for the Houston Ship Channel, tributary channels, and adjacent berthing areas at Port Authority facilities, which includes: receiving and coordinating the resolution of reports of draft restrictions in the federal channels or at Port Authority berths; analyzing quarterly surveys of Port Authority berth depths; and assuring dredging is accomplished to enable efficient and effective use of Port Authority facilities
- Managing approximately 6,000 acres of Port Authority land used for placement of dredged material, which includes: contracting for ditching of disposal sites to regain capacity (volume), mowing, levee repairs, and pest control; coordinating private company use of Port Authority-owned disposal sites; and coordinating with the U.S. Army Corps of Engineers for Port Authority-contracted construction of drainage ditches and spill box repairs
- Managing and recommending Port Commission action on licenses for pipelines over, under, along, and across Port Authority property
- Reviewing, coordinating, and preparing proposed Port Commission action on applications for construction of permanent facilities constructed in or along navigable waters in Harris County, or along the Houston Ship Channel and tributary channels, as those facilities relate to or affect navigation or commerce
- Reviewing and preparing of recommendations for Port Commission action on leases of submerged lands owned by the Port Authority

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Managing Houston Ship Channel and other channel projects (widening, deepening, realignment, federal coordination)
- Coordinating authorization to access Port Authority-owned property for the purpose of conducting seismic surveys
- Participating in federal and regional safety organizations, and sponsoring federal navigation safety programs, including the Physical Oceanographic Real-Time System (“PORTS”)
- Participating and coordinating programs such as the Severe Storm Prediction, Education, and Evacuation from Disasters Program (“SSPEED”), the Blue Ribbon Resilient Communities Leadership Forum, port authority association programs, and regional and local industry group activities
- Participating in the regional Interagency Coordination Team, known as the Beneficial User Group (“BUG”), and other regional and national forums for beneficial use of dredged material
- Participating in and a member of the Houston-Galveston Navigation Safety Advisory Committee (“HOGANSAC”), which addresses the full spectrum of maritime safety issues
- Conducting special studies to benchmark the Port Authority against other U.S. ports
- Assisting with information to support federal and other funding requests

Environmental Affairs

The Environmental Affairs Department is responsible for ensuring the Port Authority’s commitment to conducting port operations and managing resources in a manner that protects and preserves the natural environment. The Port Authority’s environmental efforts are focused on compliance and stewardship programs that meet or exceed all applicable local, state, and federal environmental policies, regulations and laws; the incorporation of environmental stewardship into business decisions, best management practices and policy programs; the continuous evaluation and improvement of environmental activities and practices to achieve sustainability goals; and collaboration with industry and community stakeholders on environmental projects.

Major activities include:

- Facilitating annual environmental compliance and providing general awareness to employees, tenants, users, and contractors
- Working with the Texas Commission on Environmental Quality (“TCEQ”) and local stakeholders to determine viable control options from the maritime sector to aid in the development and implementation of the Port Authority’s Clean Air Strategy Plan (“CASP”)
- Working with local and state regulatory entities in the development of Houston-Galveston-Brazoria’s (“HGB”) contribution to the state implementation plan (“SIP”) to meet the 8-hour ozone attainment standard
- Assisting with the reduction of emissions in the goods movement fleet through accelerated engine turnover using various grant-funding programs
- Overseeing noise monitoring, particulate matter, air emissions, storm water runoff, and wetlands to minimize the impacts of construction on the surrounding communities and comply with nineteen General and Special Conditions of the U.S. Army Permit at the Bayport facility
- Overseeing, managing, and auditing of the Port Authority’s Environmental Management System in place at the Barbours Cut, Bayport and Central Maintenance facilities as well as the Marine Fire Department
- Developing a Sustainability Strategy that aligns with Port Authority strategic initiatives
- Conducting periodic internal audits for both Port Authority facilities and approximately 80 tenants for regulatory compliance

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Complying with both the Multi-Sector General Permit (“MSGP”) and Municipal Separate Storm Sewer System (“MS4”) permit for Port Authority properties
- Performing sewer permitting at all Port Authority facilities and the oversight of wastewater treatment facility operations at the Jacintoport and Care Terminals respectively
- Conducting monthly inspections of the Port Authority controlled locations for storm water pollution prevention, spill prevention, control, and countermeasures, and Stage 2 vapor recovery inspections on fueling stations
- Reviewing sediment sampling plans and reports for both internal Port Authority projects and private entities’ projects seeking placement of dredge material in Port Authority-owned dredge placement areas
- Overseeing disposal activities for both hazardous and non-hazardous industrial waste regulated by the TCEQ and Environmental Protection Agency (“EPA”) at Port Authority operated facilities
- Overseeing the Energy Management Program which considers energy conservation measures for future projects relating to the Executive Office and various transit sheds
- Tracking federal legislation regarding vessel discharge, and providing senior management with information that might be relevant to port operations
- Reporting Port Authority commitments to the Clean Texas Program, in which the Port Authority participates at the Bronze level

Strategic Planning

The Strategic Planning Department provides leadership and direction in the development of the Port Authority’s mission, vision, strategy, and objectives. The department also works to align the long-term capital plan with the corporate strategic initiatives.

Major activities include:

- Coordinating with departments and divisions of the Port Authority in developing strategic initiatives presented to the Port Commission (initiatives may not be voted on or approved as a whole by the Port Commission, but rather the Port Commission continues to perform oversight by providing direction to the staff and ultimately through voting on the individual components through budget approval and the established Request for Commission Approval process)
- Providing advice to Executive Management on strategic planning issues and possible implications for the Port Authority
- Assisting with analyzing and evaluating internal business plans
- Tying and aligning the strategic initiatives projects into the Port Authority’s budget
- Managing the application of cost-benefit analysis throughout the Port Authority to prioritize capital projects, ensuring that capital resources are linked to strategic initiatives and used to maximize Port Authority performance and the regional benefits of capital expenditures
- Developing financial models and additional decision support tools to assist in the Port Authority’s strategic planning, business planning, capital planning, and performance measurement, to advance its strategic vision and guide investment and policy choices
- Creating new processes and systems to evaluate and analyze the Port Authority’s capital projects and optimize the approval process

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Channel Development

One of the most important mandates given to the Port Authority is the oversight of the development and maintenance of the Houston Ship Channel. The Channel Development Department coordinates activities that result in federal appropriations and shared funding for the federal channels by leading or participating in a monthly and quarterly federally-authorized coordination team, user group, or industry meetings that assign, track, and document tasks and results.

In 2010, the Port Authority processed 122 permits and licenses for channel and pipeline improvements. The Port Authority also built on federally-funded improvements to its Geographic Information System (“GIS”) to include pipeline crossings of the ship channel and rail lines, to facilitate improved administration and management of the thousands of pipelines which could potentially interfere or otherwise impact ship and train traffic.

Environmental Affairs

The Port Authority developed an Environmental Management System (“EMS”) in 2002 as a pilot project with EPA and a group of municipalities around the country. The Port Authority’s EMS is a tool used to manage environmental programs in a comprehensive, systematic and documented manner to assist with environmental policy compliance and continually improve environmental performance. The Port Authority’s EMS develops objectives and targets for areas within the established operational fence line of the maintenance shops at three terminals and the Marine Fire Department. The EMS focuses on environmental compliance, pollution prevention and continual improvements in the areas of air, water, waste, and training. Established goals for program areas are monitored and measured and those areas not on target to achieve goals have explanations for future evaluation.

ISO 14001:2004 standard specifies requirements for an environmental management system to enable an organization to develop and implement policy and objectives in accordance with legal and regulatory requirements to which the organization adheres and indicates environmental aspects in which can be controlled or influenced in a positive manner for continual improvements, pollution prevention or environmental compliance within its operations. The Port Authority’s EMS is ISO 14001:2004 certified by a third-party qualified auditor. Documentation of aspects and impacts, continual improvements, pollution prevention and environmental compliance are reported through semi-annual internal and external audits, for a total of four audits each year. Audit findings are communicated through staff and management in meetings and an electronic recordkeeping tool. Documentation of corrective actions, observations and noteworthy items are included in report findings.

The TCEQ’s Clean Texas Program is a voluntary environmental leadership program to protect air, water, and land resources in Texas. Clean Texas recognizes organizations for creative approaches in resolving environmental challenges and setting goals that exceed compliance levels under existing regulations. The Port Authority has been a Bronze member since 2004, and recently completed its audit to elevate its standing to a Platinum member. The Turning Basin, Barbours Cut Container, and Bayport Container terminals participate in the Clean Texas Program. Goals for the program include energy conservation measures, air emission reductions and waste minimization/recycling programs. Reported results showed energy usage had decreased, the recycling program is at 63% and air emissions (“VOCs”) for on road fleet increased slightly as fleet turnover was delayed due to budget constraints.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

While the Port Authority has been engaged in construction activities at the Bayport Container Terminal, the Environmental Affairs Department has carefully monitored compliance with U.S. Army Permit No. SWG-1998-01818 and Construction General Storm Water Discharge Permits. EAD manages the abovementioned permit compliance for six General conditions, thirteen Special Conditions, thirty-seven Mitigation Features, and nineteen 401 Certification Standard Provisions. In December 2009, the Port Authority obtained a 10-year extension to the U.S. Army Corp of Engineers permit for Bayport.

The Port Authority is the recipient of several local, state and federal grants for its environmental program initiatives. The following information details our grant program activities for 2009 and 2010:

Litter Campaign

The Houston-Galveston Area Council (“H-GAC”) awarded a Solid Waste Grant in the amount of \$66,520 funded by the TCEQ to the Port Authority to develop and implement a litter campaign at its terminals. The “Stash your Trash” campaign was initiated in 2011, with the goal to increase quantity of recycled materials by 192 cubic yards and increase proper disposal of non-recyclable materials by 180 cubic yards.

Air Program Initiatives

EPA awarded a Diesel Emission Reduction Act (“DERA”) grant through the American Recovery and Reinvestment Act of 2009 (“ARRA”) which provided stimulus funding in the amount of \$611,466. The Port Authority was reimbursed \$538,717 in 2010 for repower of the *M/V Sam Houston* tour boat and replacement of 15 yard tractors at Barbours Cut Container Terminal. Annual air emission reductions from these projects were 15 tons/NOx, 1.31 tons/VOC, 3.85 tons/CO, 0.60 tons/PM10 and 0.59 tons/PM2.5. One additional project will be completed and reimbursed in 2011.

EPA also awarded a DERA grant through ARRA funding in the amount of \$2,856,666. The Port Authority administered this grant money as a “pass through” to reimburse tenants/users to repower, replace and retrofit 55 pieces of cargo handling equipment, in the amounts of \$291,783 in 2009 and \$697,280 in 2010. Annual air emission reductions for these projects were 52 tons/NOx, 5.02 tons/VOC, 17.34 tons/CO, 3.30 tons/PM10, 3.17 tons/PM2.5, and 925.42 tons/CO2. Additional projects are being implemented and will be completed and reimbursed in 2011.

EPA awarded a DERA grant in the amount of \$1,487,908 for the incremental costs associated with fuel switching activities on 19 Maersk Line vessels calling at the Barbours Cut Container Terminal. The Port Authority administers this grant as a “pass through” to reimburse \$154,467 to the Maersk Line for a total of 48 vessel calls in 2010. Air emission reductions over the project life (2 years) are expected to be 35.04 tons/NOx, 1,353 tons/SO2, 50 tons/PM10, 46 tons/PM2.5 and 441 tons/CO2. These emission reductions were granted by the Maersk/Port Authority partnership to H-GAC for the SIP attainment demonstration as a Voluntary Mobile Emission Program.

TCEQ awarded the Port Authority a Texas Emission Reduction Plan (“TERP”) incentive grant in the amount of \$83,263 for the repower of the *M/V Sam Houston* tour boat. The Port Authority received these funds in 2011. This grant was paired with the DERA-ARRA grant and emissions reductions.

H-GAC awarded a TERP grant in the amount of \$760,242 for the replacement of 15 yard tractors at Barbours Cut Container Terminal, and the Port Authority received these funds in 2010. This grant was paired with the DERA-ARRA grant and emission reductions.

Strategic Planning

Strategic planning staff coordinates with various departments and divisions of the Port Authority in developing strategic initiatives, which are presented to the Port Commission for review and input in a

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

public workshop. The first strategic initiatives workshop was held in September 2010 and the second one in June 2011. The initiatives themselves have not been voted on or approved as a whole by the Port Commission, but rather the Port Commission continues to perform oversight by providing direction to the staff and ultimately through voting on the individual components through budget approval and the established Request for Commission Approval (“RCA”) process.

The newly-created Strategic Planning Department has also made progress towards the creation of new processes and systems used in the evaluation of capital projects. The department, in coordination with other internal departments, is working to implement a multi-step process for ranking and selecting capital projects and aligning these projects with available financial resources. Future capital projects require the completion of a business case which describes each project in business terms and includes input from all internal stakeholders. This represents the primary document used in the capital project evaluation and prioritization process. In addition, financial and operational models have been developed at the business level to evaluate projects based on several financial parameters (e.g., free cash flow, net present value (“NPV”), internal rate of return (“IRR”), payback period, etc.). Finally, the department has created a financial model at the enterprise level to evaluate the portfolio of projects and analyze various financing scenarios to determine the optimal capital expenditure level and capital project mix.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.
--

Channel Development

Federally-maintained channels have authorized dimensions (depth and width) that are determined by economic analysis and environmental considerations, and which are codified by formal agreements between the Port Authority and the U.S. Army Corp of Engineers. As a result of evolving federal laws, each new channel agreement has unique requirements, responsibilities, and authorizations.

The Houston Ship Channel widening and deepening project, completed in 2005, provided for the creation of up to 4,250 acres of marsh as a beneficial use of dredged material. Upon completion, marshes are environmental features that become a sole-Port Authority responsibility for funding and future operation and maintenance. No previous federal channel project for which the Port Authority is the non-federal sponsor has a similar feature that commits Port Authority to long-term funding and operation and maintenance.

Pipeline and other license procedures underwent significant revision from 2004 to 2008, and have since been enhanced through use of Geographical Information System database development.

Historically, Channel Development emergency operations have focused on investigations and remedial construction for Port Authority berthing areas. For Hurricane Ike in 2009, Channel Development established a liaison with the U.S. Army Corp of Engineers Emergency Operations Center and assisted with logistics support for its survey of the federal ship channels.

Environmental Affairs

The Environmental Affairs Department was originally established in the late 1980s as part of the Port Authority’s participation as a sponsor of the federal project to widen and deepen the Houston Ship Channel. The new department consolidated several existing environmental compliance programs. The Port Commission adopted the Port Authority’s first Environmental Compliance Policy in 1988 (later revised in 2000) that is the foundation of the Port Authority’s commitment to pollution prevention, environmental compliance and continual improvement. Since its inception, the Environmental Affairs

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Department has worked diligently to develop and implement extensive environmental compliance and sustainability programs, policies and procedures that address environmental issues related to air and water quality, waste minimization and management, energy efficiency, environmental health and compliance auditing. The Environmental Affairs Department has always focused on compliance-driven programs; however, over the past decade the department has also developed and implemented stewardship programs to compliment compliance efforts.

Strategic Planning

The Strategic Planning Department was created in 2010 as the Port Authority recognized the need to provide added focus on long-term planning and to better prepare for future growth.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Channel Development Department affects the maritime industry along the various ship channels, and other industries that convey products across, along, under, or over Port Authority properties along the ship channel. Specifically, this department affects:

- U.S. Army Corps of Engineers navigation operations requiring the availability of disposal areas
- Industry with pipelines, transmission lines, tunnels or cables that cross channels, Port Terminal Railroad Association (“PTRA”) railroad right-of-way, and other Port Authority property (the department manages approximately 1,600 pipeline, transmission line, and fiber cable leases, held by approximately 325 entities with terms of up to 10 years)
- Marine terminals seeking to use Port Authority-owned disposal areas for placement of maintenance and other dredging material (the department receives on average about six requests annually)
- Marine terminals performing construction within navigable waters of the Houston Ship Channel (the Port Authority has granted approximately 134 marine construction permits, and receives about eight such permit requests per year)
- Port Authority operations requiring sufficient depth of water at Port Authority terminals.
- Natural resource agencies that rely upon the value of marsh, upland and off-shore dredged material disposal areas for improvements to avian and marine habitats

The Port Authority’s environmental programs, whether compliance-driven or stewardship-driven, are more than an internal program, as they affect all tenants and users of Port Authority facilities. Below is a more specific breakdown of persons affected by environmental programs:

Tenant Audits - Environmental Affairs staff conducts compliance audits on 61 companies (combined tenants/users) operating on Port Authority properties. All tenants are required to attend annual environment awareness training, which includes compliance programs regarding TCEQ and EPA regulations and Port Authority stewardship initiatives. Environmental Affairs staff conducts quarterly tenant stakeholder meetings to discuss air quality, water quality and compliance audit issues.

Internal Maintenance Shop Audits - Environmental Affairs staff conducts internal audits of Port Authority maintenance shop areas at the Turning Basin Terminal (including Vernon Bailey), Barbours Cut Container Terminal and Bayport Container Terminal, and requires all maintenance shop employees to participate in annual environmental awareness training on compliance programs regarding TCEQ and EPA regulations, environmental management system training and stewardship programs.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Coordination with the Marine Fire Department - Environmental Affairs staff conducts compliance audits, environmental awareness compliance and stewardship training which includes environmental management systems for the Marine Fire Department. In addition, the Environmental Affairs staff participates in emergency response activities with the Marine Fire Department when necessary.

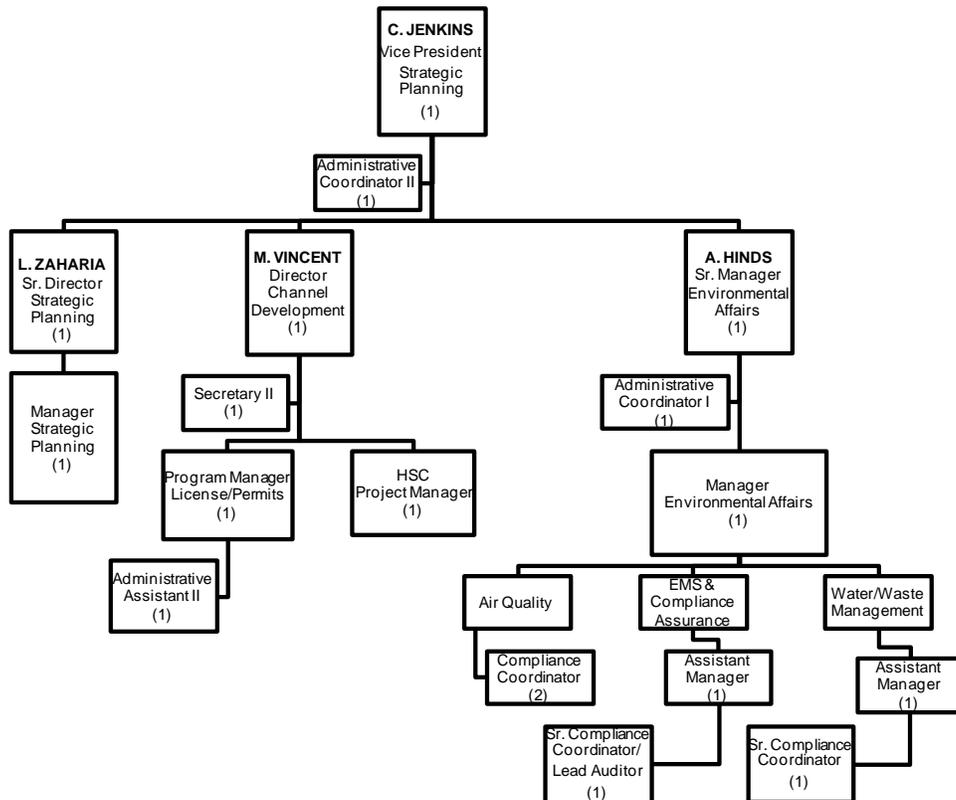
Internal Environmental Training - Environmental Affairs staff conducts Port Authority-wide annual environmental awareness training on compliance and stewardship initiatives, including the environmental management system program, recycling program and van pool program.

The Strategic Planning Department interacts with all internal departments on developing the Port Authority's major initiatives and sponsoring capital projects that relate to the Port Authority's strategy.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Strategic Planning Division supports the accomplishment of the Port Authority's primary mission and objectives. It is led by the Vice President of Strategic Planning and his three direct reports. The organizational chart reflects the functional management of the following departments: Channel Development, Environmental Affairs, and Strategic Planning.

Strategic Planning Division (7/21/2011)



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Channel Development

The Channel Development Department reports directly to the Vice President of the Strategic Planning Division and is overseen by the Director of Channel Development. The department is divided into two sections, the License/Permits program and Houston Ship Channel projects, which are each led by a program manager.

The licensing and construction permits program follows established process guidelines, written procedures, and department processes. Sub-processes include Port Commission authorization of licenses and permits, fee collection and processing, GIS database and other data collection, document archiving, and capital investment planning and documentation.

Houston Ship Channel and other channel projects follow established interagency guidelines, estimating, project management practices, and contract administration.

Environmental Affairs

The Environmental Affairs Department reports directly to the Vice President of the Strategic Planning Division and is overseen by the Senior Manager of Environmental Affairs. The department is composed of nine employees, eight technical professionals (degreed in a science or environmental-related field) and one administrative support staff. The department is divided into three program areas: Air Quality, EMS and Compliance Assurance, and Water and Permits. The department is a resource for all other Port Authority departments, tenants, users and stakeholders through monthly and quarterly training and meetings, tenant assessments, and stakeholder group meetings on specific subject matter. Environmental Affairs staff often represents the maritime industry in regional meetings or on regional working groups. Individual staff members are assigned to work on every engineering, operations or real estate project beginning at the design phase through construction completion and use. Program staff members specialize in specific areas; however, cross training within the department is prevalent due to the small staff size and large amount of programs and projects. All program directives are channeled through our management team to our Vice President, then up to our CEO and Port Commission, when appropriate.

Strategic Planning

The Strategic Planning Department reports directly to the Vice President of the Strategic Planning Division and is overseen by the Senior Director of Strategic Planning.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Strategic Planning Division is considered a “general and administrative” entity. It is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

In addition, the Channel Development Department collected the following revenues in 2010:

- License fees – \$1,038,842
- Marine construction permit fees – \$6,750
- Dredged Material Agreement fees – \$2,318,376

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Reimbursement for Port Authority-performed DAMP work – 100% for U.S Army Corps of Engineers Operations and Maintenance, with prior agreement for work on eligible projects – \$730,820
- Capital Investment Program for projects, and other construction contracts (including emergency dredging) – multiple sources, including operating revenue and bond funds
- Federal Emergency Management Agency grants for Hurricane Ike damage recovery – no funding was received in 2010, but requests for reimbursement for debris and excess siltation costs are pending

Funding Formulas and Conventions:

- Pipeline licenses. Rates are determined by Port Commission-approved schedules. Terms may be as long as ten years, but fees have been prorated for shorter periods for special cases. In special circumstances, license fees may be paid annually.
- Pipeline licenses and Rights-of-Entry are calculated based on acreage affected, linear feet of pipeline, conduit, or transmission line within Port Authority property. Set fees are collected per type of application or requested activity.
- Deposits are collected with the initial application, and are returned upon submission of adequate and sufficient as-built documentation.
- Dredged material placement into Port Authority placement areas: 75% of the estimated total fees are collected in advance of dredging. Upon receipt of verified dredge quantities, final placement fees are calculated, and the account is settled appropriately.

The Environmental Affairs Department also receives federal and state funding in the form of grants. For more information, please refer to Question C on page 84.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The Channel Development Department's functions may be similar to but are not duplicative of other state or federal agencies functions, except for reimbursable services provided by agreement to the U.S. Army Corps of Engineers ("Corps"). These federal agencies include the following:

Texas GLO Submerged Land Program

The Port Authority performs submerged land management for Port Authority-owned submerged lands (granted by the State of Texas by statute in 1927).

Corps - Contracting for dredging and supporting work (DAMP)

The Port Authority uses the most advantageous contract option for dredging including direct contracting, or combining requirements with scheduled federal dredging contracts with subsequent payment for Port Authority quantities. The Port Authority coordinates use of Port Authority contractors for accomplishment of selected work at dredged material placement areas. This is performed because the Port Authority's established contract provided greater schedule flexibility, and uses an experienced, lower-cost contractor.

Corps - Permitting of docks and similar structures

The federal government issues construction permits for various water quality or navigation requirements (specifically, Section 404 of the Clean Water Act regulating the impact of construction on water quality) and it coordinates Section 10 permits that prohibit obstructions or alterations of waters of the United

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

States. The Port Authority issues marine construction permits that consider other aspects of management, including economic development, access to adjacent property shorelines, and navigation safety, based on its authority over navigable waters in Harris County along the Houston Ship Channel and its tributary channels. The issuance of a Port Authority permit is conditional on the granting of a federal permit for construction.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Channel Development functions do not conflict with functions or responsibilities of other state or federal agencies. However, wherever similar functions are assigned, the Port Authority coordinates the activities and programs to reduce costs and increase the efficiency of all parties involved.

The Port Authority is the non-federal sponsor for all federal channel projects supporting the Port of Houston. For each project, a formal Project (or Local) Cooperation Agreement is signed which outlines the full responsibilities of the parties, including the financial obligations. Generally, this relates to the construction and maintenance of channels, and the establishment, operation, and maintenance of dredged material placement areas. In some instances, the agreements allow for either party to provide selected services. The assignment of responsibilities is closely coordinated annually, and carefully accounted by both sides.

Both the federal government and the Port Authority issue permits for marine construction, but the respective permits are issued after consideration of different conditions, and under different legislative authorities. The federal and Port Authority permit reviews are typically concurrent, and well-coordinated. The Corps is required to provide public notice of permit requests and, as a cooperative partner, the Corps provides electronic notice to the Port Authority via email of the notices. The Port Authority coordinates aspects of the federal permit application with representatives of the Corps. Should the Port Authority receive a permit application, the Port Authority advises the applicant of the requirement for federal permit(s), and the necessity of the applicant to have a federal permit before construction can begin and the Port Authority permit takes place.

Memorandums of Understanding (“MOUs”) and Other Interagency Agreements

Federal project and local coordination agreements represent a binding agreement between the Port Authority and the Federal government. More recent agreements are termed “project” agreements, while older agreements were called “local” cooperation agreements. Separate agreements exist for the Houston Ship Channel (-45 foot), Houston Ship Channel (-40 and shallower draft), and Bayport, Barbour's Cut, and Greens Bayou Channels, and govern the construction, operation and maintenance; special project features, and funding responsibilities for periods of up to 50 years.

A reimbursable agreement between the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Ocean Service, Center for Operational Oceanographic Products and Services, and the Port Authority for the Enhancement, Management, Operation, Maintenance, and Repair of NOAA's Houston/Galveston Physical Oceanographic Real-Time Systems (“PORTS”) establishes Channel Development as the sponsor of the program for administration, and provides for reimbursement of annual costs of the program. PORTS is a navigation safety system involving air and water sensors deployed through the waterways.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

U.S. Army Corps of Engineers – The Port Authority is the non-federal sponsor of the Houston Ship Channel and other tributary federal channels in Harris County. Activities in support of the channels, including dredging, construction and maintenance, are governed by formal agreement, which designates responsibilities and cost-sharing requirements. Channel Development works with the Corps' Galveston District to plan and execute programs required by law.

In addition to the Corps missions of navigation, flood control and hurricane-flood protection, its regulatory office works to protect the region's wetlands and navigation channels. The Port Authority's Environmental Affairs staff works closely with the District on wetland projects including mitigation, sediment and dredging projects, and Bayport permit compliance reporting, since the District is the permit issuing agency.

Port Terminal Railroad Association ("PTRA") – This organization is the operator of railroad tracks established on Port Authority-owned property. Channel Development administers leases for pipelines, transmission lines, and conduits over, above, along and across PTRA track when so allowed to do so by the operator. New and selected lease renewals are coordinated with PTRA before they are acted on by the Port Commission.

National Oceanic and Atmospheric Administration ("NOAA") – The Port Authority sponsors the establishment, maintenance, and operation of the PORTS federal navigation information system that aids the maritime community.

Beneficial Users Group ("BUG") – An Interagency Coordination Team for the beneficial use of dredge material (eight federal and state agencies, including the Port Authority). This team makes recommendations regarding use of dredged material, particularly as it relates to creation of marshland in Galveston Bay waters along the Houston Ship Channel, to benefit fish and wildlife habitat.

U.S. Coast Guard – A branch of the United States Armed Forces and a maritime, military, multi-mission service having a maritime law enforcement mission (with jurisdiction in both domestic and international waters) and a federal regulatory agency mission. The U.S. Coast Guard protects the maritime economy and the environment with its Marine Environmental Protection program that develops and enforces regulations to avert invasive species introduction, stop ocean dumping and prevent oil/chemical spills. The Port Authority's Environmental Affairs Department works collaboratively with U.S. Coast Guard on spill responses that threaten or impact waterways and on invasive species working groups.

The Port Authority's Channel Development Department, in concert with the Operations Division, works with the U.S. Coast Guard to assure safe navigation in the channel. Channel Development is particularly involved in draft limitations in channels or at berths which could compromise navigation safety or adversely impact commerce.

U.S. Environmental Protection Agency ("EPA") – The agency is charged with protecting human health and the environment, by writing and enforcing regulations based on laws passed by Congress. EPA regulates the Port Authority through its federal-mandated programs such as the Clean Water Act, Clean Air Act and others. The Port Authority collaborates with EPA Headquarters and Region 6 staff on air, water, waste issues, inspections and funding programs, such as DERA, emission modeling studies and drayage truck programs.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Texas Commission on Environmental Quality (“TCEQ”) – TCEQ was formed by the Texas Legislature with the aim of increasing efficiency in enforcement of environmental laws, statutes, and regulations towards clean air, clean water and the safe management of waste. TCEQ regulates the Port Authority through its air quality, water quality, and waste management programs. In addition, the Port Authority works collaboratively with TCEQ on environmental issues, inspections and programs (e.g., Clean Texas Program), as well as receiving TERP incentive grant funds.

Houston-Galveston Area Council (“H-GAC”) – H-GAC is a metropolitan planning organization for the 13-county Gulf Coast Region of Texas. H-GAC’s mission is to serve as an instrument of local government cooperation promoting regional development and safety/welfare of its citizens, providing services for transportation planning, cooperative purchasing, homeland security, air and water quality planning. H-GAC does not regulate the Port Authority; however, both entities collaborate on air, water and sustainable community issues. H-GAC oversees a regional drayage truck loan and grant program that the Port Authority helped develop, financially supports and actively promotes throughout the trucking industry. The Port Authority has also received grants from H-GAC for air and waste programs, and environmental staff members actively participate on several HGAC committees.

Gulf Coast Waste Disposal Authority (“GCWDA”) – An industrial publicly operated treatment works (“POTW”) that was created by the Texas Legislature as a non-tax supported unit of local government dedicated to waste management activities. The GCWDA’s mission is to protect the waters of the State of Texas through regional wastewater management practices which are environmentally sound and economically feasible. GCWDA receives wastewater from our Bayport Container Terminal and monitors compliance in accordance with TCEQ regulations.

Texas General Land Office (“GLO”) – The GLO manages Texas public lands including submerged lands (tidelands) in the Gulf of Mexico, the basis for GLO’s role as a national leader in oil spill research through the Oil Spill Prevention and Response Act (“OSPR”). The Port Authority is regulated by the GLO through its OSPRA program to inspect our facilities in accordance with our Spill Contingency Plan. The GLO issues the Port Authority an OSPRA certificate of compliance annually upon a favorable inspection. The Port Authority’s Environmental Affairs Department also works collaboratively with GLO on spill responses that threaten or impact waterways.

Harris County Pollution Control Services Department (“HCPCSD”) – HCPCSD conducts activities directed toward ensuring clean air and water for the citizens of Harris County consistent with the protection of public health, enjoyment of property and protection of plant, animal and marine life. The HCPCSD is charged with enforcing TCEQ’s air, water, solid and hazardous waste, and storm water rules and regulations through monitoring, inspecting and investigating activities and facilities in Harris County. The Port Authority is regulated by HCPCSD at its facilities and is routinely inspected; in addition, the Port Authority works closely with HCPCSD on spill responses and addressing environmental issues or complaints – internally and externally.

Texas Department of State Health Services (“TDSHS”) – This state agency’s mission is to improve health and well-being in Texas as it provides state-operated health care services including oversight of asbestos abatement notifications, field activities and licensing requirements in accordance to EPA’s National Emission Standards for Hazardous Air Pollutants program. For projects involving asbestos, the Port Authority and its asbestos contractors notify TDSHS of scheduled abatement or any asbestos-related activities.

The Port Authority’s Environmental Affairs Department staff work with several cities on environmental issues and initiatives such as air quality, water quality and noise programs.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$7,050,472

Number of Contracts Accounting for Expenditures: 80

Summary of General Purpose of Contracts:

The contracted expenditures for the Strategic Planning Division are primarily related to terminal expansion studies, consulting services for financial analytical initiatives, and logistics consulting on rail matters.

The Environmental Affairs Department has several active contracts that provide professional consulting support, services, and field activities associated with environmental compliance and stewardship programs, including but not limited to air quality, water quality, storm water, solid waste management, recycling, asbestos, auditing and analytical testing.

Channel Development has several active contracts that provide construction, design, and environmental support to channel projects; consultants on federal processes, impacts of navigation restrictions on commerce, and for specialized support of the Geographic Information System.

Methods used to ensure accountability for funding and performance: The Strategic Planning Division is subject to all safeguards inherent in Port Authority processes for contracts, including invoice review, tiered funding approvals, and Port Commission oversight. Contracts specify anticipated work scopes, acceptable rates, limits of charges, and what charges are allowable. Invoices require comprehensive supporting documentation, and payments may be withheld or reduced until support for charges are submitted. Work product is internally reviewed. Records of contracts are managed according to records retention guidelines. Contracts receive legal review prior to award or modification.

Current Contracting Problems: None.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Channel Development

The condition of the Houston Ship Channel, for which operations and maintenance is federally funded, is in decline. In recent years, despite the best efforts of our Congressional Delegation, the appropriations for the Houston Ship Channel have not fully met identified needs.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

For fiscal year 2011, the Houston Ship Channel needs at least \$40.6 million to meet critical (but not all) dredging and capacity requirements, which is on the low end of the typical average requirement of \$40 to \$50 million. This year, only approximately \$24 million will be funded. As a result of this funding shortfall, the U.S. Army Corps of Engineers' hydrographic report for the Houston Ship Channel shows that in 2010, only 42 percent of the center half of the channel was at full design depth. Other data indicates that since 2005, the channel has been losing an average of 8 percent of usable depth per year.

Depth and ship passing restrictions limit the drafts of ships navigating our channels and significantly reduce the amount of cargo carried per trip, slow ship movement, and increase the cost of both imports and exports. The increase in cost is eventually reflected in higher costs to consumers, which makes the Port Authority less competitive nationally and internationally.

Environmental Affairs

The following materials are available upon request to provide further detail on Environmental Programs and Initiatives:

- Annual Reports (2003 – 2009)
- Environmental Affairs 2010 Annual Summaries
- EMS Manual
- EMS Objective and Target Summary
- ISO 14001:2004 Audit Reports – internal and external
- US Army Corp of Engineers Permit for Bayport
- Clean Air Strategy Plan
- Tenant Compliance Audit Checklist
- Tenant Compliance Audit Database
- Stormwater Permits - Municipal Separate Storm Sewer System (“MS4”) and Multi-Sector General Permit (“MSGP”)
- TCEQ TERP Usage Reports
- EPA DERA Quarterly Reports

Strategic Planning

The 2012 Strategic Initiatives can be found in the attachments.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

MARINE CONSTRUCTION PERMITS (“MCP”)

Need for Regulation and Authority

The permitting of marine construction projects ensures access to navigation and property, and assures navigation safety. The program's authority was granted by the State of Texas to facilitate and accommodate commerce and navigation and oversee use of submerged lands. The program enables the

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Port Authority to regulate wharves, docks and all other facilities incident to or necessary to the operation or development of ports and waterways.

Scope, Procedures, Inspections

Scope: The Port Authority administers marine construction permits for the construction of docks, bulkheads, wharves, and other structures in navigable waters in Harris County or which have the ability to affect navigation and commerce for facilities along the Houston Ship Channel or its tributary channels.

Procedures: Applications are available from the Port Authority web site, and may be completed online. Corporate and contact information is required, along with summaries of the project, drawings that detail the requested facility, navigation information, and detailing of such aspects as dredging, the required Federal permit, and the product or nature of the applicant's business. Application and as-built documentation fees are due upon submittal. The Port Authority coordinates details not previously provided, and may coordinate with adjacent property owners, federal regulating agencies, Houston Pilots and the U.S. Coast Guard. Staff will recommend a permit for Port Commission action, and furnish any approved permit to the Applicant.

Inspections: The Port Authority does not review applications and drawings for code requirements that are otherwise the responsibility of the county or other regulatory or reviewing agency. Inspections are conducted after as-built plans are received. The Port Authority may inspect by comparing plans to aerial photography, or by site visit, and coordinates with the Corps for its findings should it identify violations of federal permit. Applicants have no requirement to construction the project.

Non-Compliance Issues

The Port Authority holds the applicant's as-built drawing fee pending receipt of record drawings. Should the permittee inform the Port Authority of completion but elect not to submit record drawings, the Port Authority retains the fee, and may use it to make corrections to the exhibits presented in the application.

Should non-conformances be identified, the Port Authority notifies the Corps and coordinates inspections and other actions. As the Port Authority permit is contingent upon approval of the federal permit and adherence to federal requirements, the Port Authority generally concurs with direction by the Corps to alter or remove any structure initially permitted, and may similarly revoke its permit and any associated lease, and order restoration of Port Authority property.

Sanctions Available to ensure Compliance

To ensure compliance, the Port Authority can recall permits and terminate leases in accordance with agreements or legal remedies.

Procedures for Handling Public Complaints

The Port Authority coordinates applications with adjacent or otherwise affected property owners regarding the proposed project. Those adjacent owners may include potential competitors to the applicant. The Port Authority coordinates applications, receives comments, coordinates with other regulatory authorities (including the Corps) to arrive at a recommendation that is reviewed by the Port Commission. However, the Port Authority has not received complaints related to marine construction permits granted in recent memory.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Port of Houston Authority Marine Construction Permits Exhibit 12: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Total number of regulated persons	N/A	N/A
Total number of regulated entities	13	10
Total number of entities inspected	0	0
Total number of complaints received from the public	0	0
Total number of complaints initiated by agency	0	0
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	0
Number of jurisdictional complaints found to be without merit	0	0
Number of complaints resolved	N/A	N/A
Average number of days for complaint resolution	N/A	N/A
Complaints resulting in disciplinary action:	N/A	N/A
administrative penalty	N/A	N/A
reprimand	N/A	N/A
probation	N/A	N/A
suspension	N/A	N/A
revocation	N/A	N/A
other	N/A	N/A

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

5. Engineering & Real Estate

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Engineering & Real Estate Division – Engineering & Construction – Project Management & GIS – Real Estate & Office/Building Services						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	James B. Jackson, Sr. Vice President - Engineering & Real Estate						
Actual Expenditures, FY 2010 (in thousands)	<table> <tr> <td>Operating Expenses</td> <td>\$10,716</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td><u>\$ 2,150</u></td> </tr> <tr> <td>Total Expenditures</td> <td>\$12,866</td> </tr> </table>	Operating Expenses	\$10,716	<u>Capital Expenditures</u>	<u>\$ 2,150</u>	Total Expenditures	\$12,866
Operating Expenses	\$10,716						
<u>Capital Expenditures</u>	<u>\$ 2,150</u>						
Total Expenditures	\$12,866						
Number of FTEs as of August 31, 2010	77						

B. What is the objective of this program or function? Describe the major activities performed under this program.

Engineering & Real Estate Division

The Engineering & Real Estate Division consists of the following departments: Engineering & Construction, Project Management & GIS, and Real Estate.

Engineering & Construction

The Engineering & Construction Department provides in-house professional services for design, construction and maintenance of facilities and for procurement of major capital investments. Groups within the Engineering & Construction Department include Engineering, Construction Management, and Field Surveying.

Major activities include:

- Designing new facilities, renovations, and major repairs (by civil, structural and electrical professional engineers)
- Preparing plans and specifications to receive bids/proposals and/or contracts, using in-house engineering with support from outside consultants
- Producing construction details, real estate documents, and project plan set design drawings, as well as perform redline corrections to as-built construction plan sets (using computer aided drafting (“CAD”))
- Executing project construction-phase operations
- Managing construction projects per the requirements of the contract requirements, materials testing schedules and technical specifications
- Performing hydrographic surveys to establish draft conditions at Port Authority wharves
- Providing instrument surveys as requested by various Port Authority departments

Project Management & GIS

The Project Management & GIS Department provides project management services for the Port Authority’s capital improvement projects. This includes managing outside consultants for professional

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

services for large projects as well as managing projects that are designed in-house by the Engineering & Construction Department.

Major activities include:

- Providing procurement assistance
- Providing technical and professional assistance to Engineering, Construction, Security, Information Technology, Material Testing, and Field Surveying services
- Maintaining analytical reports of existing Port Authority facilities and assisting with future planning
- Assisting in inspection programs for maintenance of Port Authority infrastructure
- Supporting the Port Authority's Small Business program
- Providing program management for major contracts
 - Controlling engineering projects from inception to completion
- Verifying costs and obtaining approval of baseline cost estimates
- Controlling cost and schedule changes
- Evaluating and recommending firms for professional services for architectural, civil, structural, and electrical projects
- Obtaining auxiliary professional services, e.g. geotechnical, underwater and wharf inspection, and surveying, for engineering projects
- Providing analysis and geographical and infrastructural data through the Geographical Information System ("GIS") section
- Administering geo-database design, updates, maintenance, and documentation
- Identifying GIS-user applications for the Port Authority and development of required applications

Real Estate

The Real Estate Department's objective is to optimize the value and functionality of each individual Port Authority real estate asset and provide superior service to stakeholders and tenants. The Real Estate Department is responsible for the real estate and office services functions within the Port Authority.

In addition, the department oversees the operation of Port Authority rail properties, to ensure that railroad service choices are available at competitive rates to the industries located along the Houston Ship Channel. In coordination with the major railroad companies, the Port Authority has created a railroad operation that serves ship channel industries in a neutral manner, providing each shipper/receiver equal access to each railroad.

Some of the major activities include:

- Managing and analyzing land use for a real estate portfolio of 11,500 acres of developed and undeveloped property, with 4,200,000 square feet of improved property, and road and utility infrastructure
- Marketing and leasing real estate
- Performing financial modeling for real estate proposals and valuations
- Negotiating real estate transactions including sales, leases, purchases, lease assignments, and right-of-entry agreements
- Preparing real estate transaction documents
- Collecting rents and other amounts due from Port Authority tenants and others
- Coordinating tenant meetings related to matters of security, environmental, construction and other related issues

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Managing special conservation tracts and work with other Port Authority divisions with regard to habitat protection measures
- Overseeing the Executive Office Building main campus, including office support and related services

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Engineering & Construction

The Engineering & Construction Department initiated a Construction Management group which has improved the control and efficiency of the Port Authority's administration and monitoring of construction projects. The department has implemented a transition to Microsoft Office SharePoint Server ("MOSS") for electronic construction management to improve tracking and efficiency in responses among contractor, engineer, construction manager and inspector. This platform also expedites the material approval process through a link with Microsoft Outlook's email system and improves the Port Authority's document storage and retrieval capabilities.

Design packages prepared by the Engineering & Construction Department are reviewed internally at defined milestones during the design phase to ensure capital improvement projects (e.g., roadways, wharves, parking facilities, etc) are designed per the appropriate criteria, meet the budget owner's requirements, and are within budget. Life cycle cost analysis exercises can be performed during capital improvement project designs as a means of identifying the most cost-effective construction material components. Most project proposals have been within budget and the change order percentage is less than 2%, below the standard range.

A Construction Contractor Survey was conducted in 2010 to identify and address comments from the previous five years of Port Authority-awarded contracts. Several items requested by contractors had already been made or were in the process of being adopted, including:

- Standardizing technical specifications
- Allowing subcontractor lists to be submitted one day after the bid/proposal opening date
- Expediting the change order process
- Use unit price contracts
- Expedited award notification

The combined knowledge of the design engineer, the inspection group, and maintenance and/or operations staff among others are often used to select the most effective construction solution to address unique engineering problems that occur at the Port Authority, involving extra heavy loads, the corrosive nature of the marine environment, high truck traffic volumes, etc.

Multiple submittals are received on most projects advertised for bid/proposals and the department receives repeat bidders/proposers on many projects.

Project Management & GIS

The Project Management & GIS Department reviews plans and specifications for bids and proposals and/or contracts for an average of 32 projects per year (either through in-house engineering with the assistance of Engineering and Construction Department or through outside consultants). The Project

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Management & GIS Department achieves its key functions and objectives by following regular improvements to its program, including the following:

- Creation of Enterprise Project Management (“EPM”) System to manage and control project budgeting and scheduling data, produce monthly and annual reports for public information, and design dashboard and graphic views for project information
- Enhancement of the GIS Department to include an online browser-based “WebMap” service that displays Port Authority GIS Map data for the entire organization
- Digital storage of engineering documents in a central electronic database repository

As a result of these improvements, Project Management & GIS manage an increasing number of projects and more control over successful completion.

The GIS Department won the Environmental Systems Research Institute (“ESRI”) Special Achievement Award at the ESRI User Conference in June 2007 for GIS implementation of the Real Estate Lease Management System for the Real Estate Department.

Real Estate

The Real Estate Department generated \$16.1 million in revenues and \$9.6 million in net income for the fiscal year 2010. Real Estate continues to raise its rental rates on a contemporaneous basis and effectively negotiates to maintain the occupancy rates for Port Authority properties. The top line revenue for 2011 is growing at an annualized rate of 8.8% over 2010 and is expected to accelerate slightly, given current contracts in process and underway. Top line revenue growth from 2005 thru 2009 increased by 20.2%.

Real Estate lease occupancy for the developed land portfolio within the Port Authority’s major terminals is approximately 90%.

The Office Services Department is constantly looking for better and more cost-effective methods of securing supplies and services for the Port Authority.

The operation of rail assets also falls under this department. All rail shippers/receivers at Port Authority facilities have access to rail service provided by at least two major railroads. Most industries at private facilities along the Houston Ship Channel also have access to rail service by at least two major railroads.

The safest railroads in the country are recognized each year by the awarding of the E.H. Harriman Safety Awards. In 2010, the Port Terminal Railroad Association (“PTRA”), described in Question D below, received the Silver Award in the Switching and Terminal Railroads (“S&T”) category. In addition, the PTRA was recognized as having achieved the greatest reduction in injury rates in the S&T category.

PTRA handles approximately 300,000 loaded rail cars per year and a similar number of empty rail cars. The PTRA handles these cars at a cost of about \$110 to \$125 per loaded car (about \$55 to \$62.50 per rail car handled), a lower cost than most similar rail operations in the country.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Engineering & Construction

The Engineering & Construction Department historically included all design and construction phase services under a single engineering group. However, in the last several years, the following organizational changes have been instituted:

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- The Construction Management section was established in April 2007 and focuses on the construction phase of a project
- The Project Management & GIS Department was created out of the Engineering & Construction Department in December 2009 and this department focuses on effectively managing the initiation and execution of design projects
- A regular facilities inspection program has been developed to establish the condition of terminal infrastructure and provide recommendations to plan for maintenance and repair work

Project Management & GIS

The Project Management & GIS Department now offers expanded services focused on managing projects on an internationally established standard recognized under Project Management Institute (“PMI”). This provides greater project control, as well as monitoring, controlling, and maintaining the Port Authority’s geographical and infrastructural data.

Real Estate

The Office Services Department changed its procurement in January 2011 to include participation in the State of Texas Procurement and Support Services Program to insure low-cost buying power. This department has been involved in new internal control reviews since January 2011 whereby certain changes in the purchasing and inventory control measures have yielded measurable benefits.

In 1924, the Port Authority and the railroads serving Houston agreed to jointly operate Port Authority rail assets to assure that shippers/receivers had equal access to each of the railroads. Over the years, as the Port of Houston complex grew and rail volumes increased, this original intent has not changed, under the series of contracts that regulate this unincorporated association. The PTRA operating entity created in 1924 today is governed by a board with BNSF Railway Company, Kansas City Southern Railway Company, Union Pacific Railroad Company, and the Port Authority as its voting members. PTRA pays to the Port Authority a fee for its use of the Port Authority’s rail assets, currently approximately \$1.6 million per year.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Engineering & Construction

The Engineering & Construction Department affects internal departments at the Port Authority, external government agencies and private businesses.

Internally, the Engineering & Construction Department impacts other Port Authority departments through its responsibility for the design and construction of new facilities and repairs to existing facilities. The department’s engineers are required to be licensed professional engineers.

The Engineering & Construction Department affects local and state government agencies whether through joint funding of construction projects or submission of construction projects for review and approval to meet code and/or specific project goal requirements. In addition, the department also affects private businesses through contracting with firms to provide design, construction, and materials testing services.

Project Management & GIS

This department manages the planning, design, construction and associated management issues involved in responding to capital improvement needs. Where applicable, the department staff works with other

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

divisions and departments, outside entities, consultants, and governmental agencies to comply with relevant requirements to accomplish project work. Some of the external groups affected include utility agencies, various city governments, Harris County, the U.S. Army Corps of Engineers, the engineering industry, the construction industry, stevedores and tenants.

Real Estate

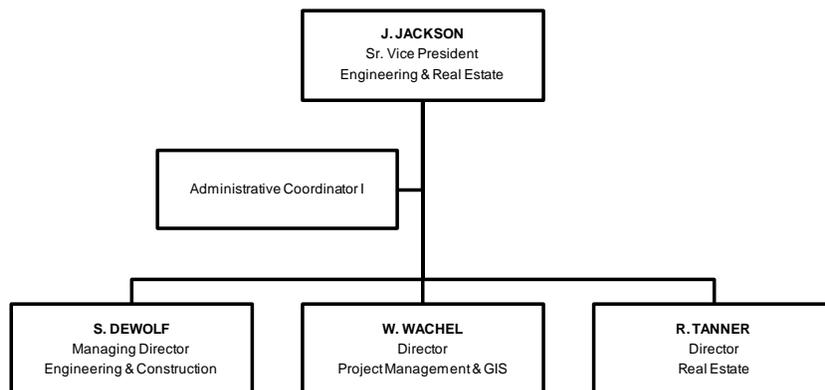
The Real Estate Department's activities affect and are intertwined into the fabric of almost every department within the Port Authority. Externally, the Real Estate and the Office Services Department's functions affect the following: U.S. Customs and Border Protection, U.S. Coast Guard, U.S. Army Corps of Engineers, Texas Department of Transportation, various city and county departments, EPA, U.S. Postal Service, and Texas Procurement and Support Services.

The PTRA provides competitive railroad service to industries located along the Houston Ship Channel, both those at Port Authority facilities and those at private facilities. There are no qualifications or eligibility requirements for this railroad service. The industries served by PTRA ship or receive a total of about 300,000 loaded rail cars each year.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Engineering & Real Estate Division is led by the Senior Vice President of Engineering & Real Estate and is subdivided into three departments: Engineering & Construction, Project Management & GIS, and Real Estate.

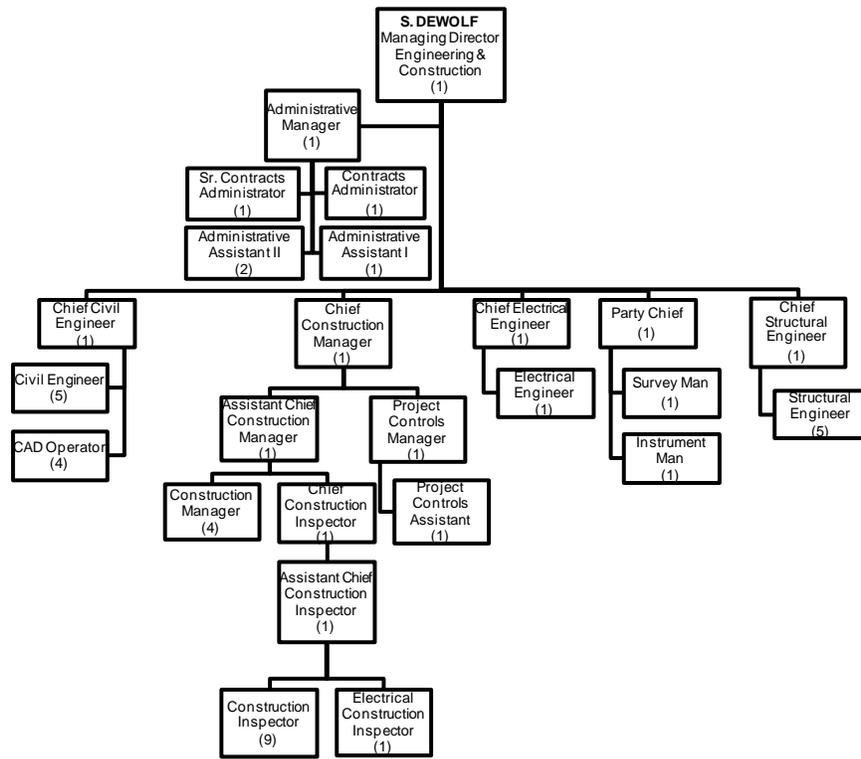
Engineering & Real Estate Division (7/21/2011)



Engineering & Construction

The Engineering & Construction Department is organized into seven sections: five technical and two support sections. The technical sections include Structural, Civil and Electrical Engineering, Construction Management and Field Surveying. The support sections are Administration and Contracts Administration.

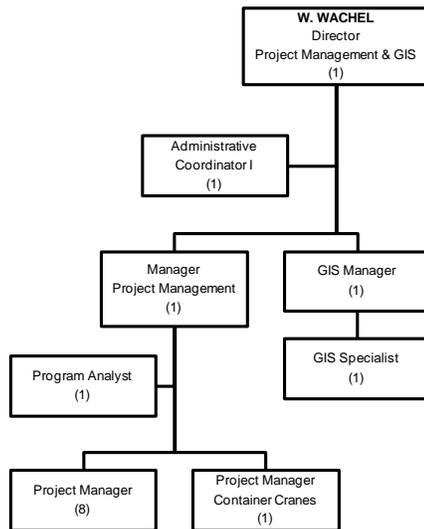
Engineering & Construction Department



Project Management & GIS

The Project Management & GIS Department is organized into four sections: two technical and two support sections. The technical sections include Project Management and Geographical Information System (“GIS”). The support sections include Administration and Program Analysis. The Project Management & GIS Department unofficially follows the guidelines for a Project Management Office standardized under the Project Management Institute. Each function within this department is managed by a section manager who reports to the Director of Project Management & GIS.

Project Management & GIS Department

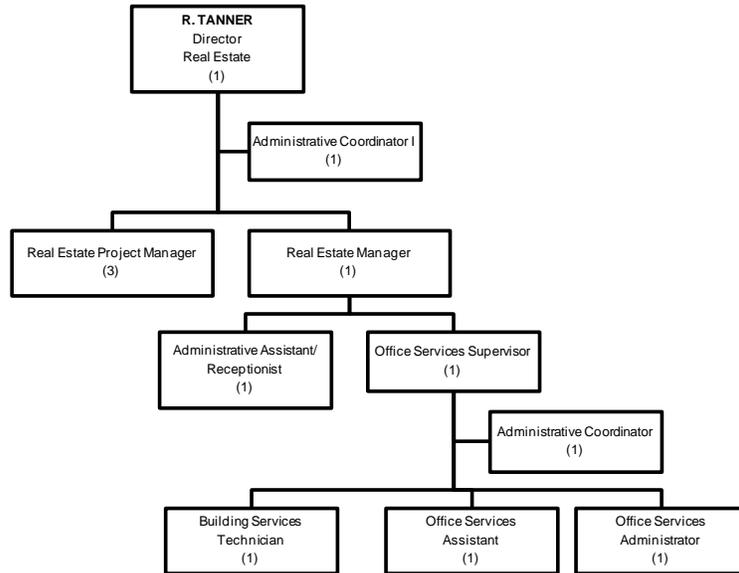


PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Real Estate

The Real Estate Department is broken out into Real Estate and Office Services. The majority of the Real Estate Department’s personnel are licensed Texas real estate brokers or sales persons, and while this is not a specific requirement for employment with the department, having a Texas real estate license is encouraged.

Real Estate Department

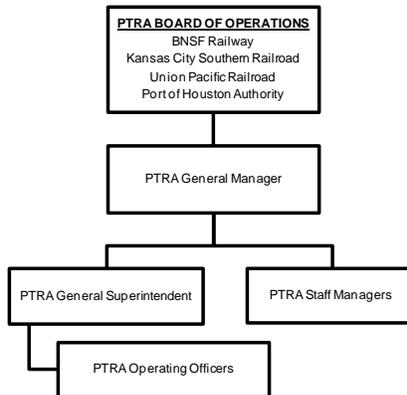


The following flowchart is one example of the many responsibilities and duties that Real Estate is responsible. The procedure for lease approval is one of the more complex aspects of the internal control and approval mechanism by which the department is administered.



The PTRA, as an operating railroad, is subject to the safety regulations of the Federal Railroad Administration and the economic regulations of the U.S. Surface Transportation Board. The organization chart is as follows:

Port Terminal Rail Association



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Engineering & Real Estate Division is considered a “general and administrative” entity. It is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

For the operation of rail properties, the Port Authority provides no funding to the PTRA; PTRA’s expenses are covered by the revenues the major railroads receive for providing rail transportation between Houston and the origins or destinations of the shipments.

H. Identify any programs, internal or external to your agency, that provides identical or similar services or functions. Describe the similarities and differences.

Although the Port Authority may contract with external consultants for engineering and construction services, a dedicated engineering staff is essential to the success of Port Authority construction projects. Without an internal engineering staff, the Port Authority would lose the empirical and institutional knowledge necessary to make successful choices in the design process.

The Project Management & GIS Department seeks outside consulting for complex or bigger projects. In addition, it periodically seeks consulting services to supplement expertise not provided in-house.

For the operation of rail properties in the Houston area, no other programs provide equal access to all railroads for rail shippers/receivers to ship/receive their products. Similar services are provided in some other U.S. cities (e.g. Chicago, St. Louis, Kansas City, Los Angeles/Long Beach, and New Orleans); most of these operations are performed by subsidiaries of the railroad companies or by contractors.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency’s customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Internally there is no duplication of the Engineering & Construction Department’s activities. The Engineering & Construction Department seeks to maximize the engineering services performed in-house. When this is not possible due to lack of manpower, support features (computer programs, equipment), or specialized skills, the department contracts out services to external consultants. However through in-house design submittal reviews, the internal engineering staff is able to supplement the external consultant’s design project through review comments.

There is also no internal duplication of the Project Management & GIS Department’s activities. Only outside consulting firms provide similar services that this department utilizes based on supplementing the in-house expertise, the complexity of the project, or the size of the project.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Engineering & Construction

Local entities – City of Houston, City of Pasadena, City of Galena Park, City of La Porte, City of Morgan’s Point, City of Seabrook, and City of Shore Acres on improvement projects affecting the quality and safety of adjoining communities, and Harris County and H-GAC on roadway and other transportation-related projects.

State agencies – Texas Department of Transportation relating to joint roadway funding projects and fiber optic projects and TCEQ regarding construction permits.

Project Management & GIS

The Port Authority is situated within and adjoining other political and governmental jurisdictions; therefore, the work of the department must conform to all applicable local, state, and federal approval requirements. Coordination with these units of governments is an integral part of this department’s function as well. Some of the organizations that this department works with include various city governments, U. S. Department of Homeland Security, Harris County, Harris County Flood Control, U.S. Army Corps of Engineers, environmental agencies including the EPA, and CenterPoint Energy.

Real Estate & Office/Building Services

The Port Authority is a landlord for leased property with the U.S. Coast Guard, U.S. Customs and Border Protection, the City of Houston and Harris County. The Real Estate Department also interfaces with Texas Department of Transportation and the City of Houston for permits on a variety of operational issues involving improved property, road and utilities. In addition, the department has some interface with the U.S. Department of Homeland Security, as much of the Port Authority’s real estate is located in restricted areas.

K. If contracted expenditures are made through this program please provide:

- **the amount of those expenditures in fiscal year 2010;**
- **the number of contracts accounting for those expenditures;**
- **a short summary of the general purpose of those contracts overall;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Fiscal Year 2010 Contract Expenditures: \$128,198,670

Number of Contracts Accounting for Expenditures: 330

Summary of General Purpose of Contracts: The contract expenditures mentioned above include capital improvement projects handled by this division on behalf of the entire Port Authority. Therefore, this figure exceeds the total expenditures of \$12.9 million listed under Question A for this division.

- ***Engineering & Construction*** – consists mainly of heavy civil /marine construction projects, material testing services related to construction projects and miscellaneous engineering support for in-house engineering projects.
- ***Project Management & GIS*** – primarily design consultant professional services for large projects and for projects requiring expertise not provided in-house.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- **Real Estate** – includes surveys of various Port Authority properties, facilities management contracts (e.g., janitorial, landscaping, elevator service, etc.), and office equipment leases.

Methods used to ensure accountability for funding and performance:

For the Engineering Department, construction progress is monitored by construction managers and inspectors. The Engineering & Construction Department's survey crew measures and verifies quantities of work where applicable before contract payments are processed.

The Project Management & GIS Department structures contracts with predetermined milestones, schedules, and deliverables. Performance is strictly monitored based on projects at their 30%, 60%, and final review milestone levels. Payments under these contracts are tied to milestone completion.

Current Contracting Problems: None

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

6. Finance & Administration

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Finance & Administration Division – Accounting / Controller’s – Finance / Financial Planning – Information Technology – Purchasing – Risk Management						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	Thomas J. Heidt, Vice President - Finance & Administration						
Actual Expenditures, FY 2010 (in thousands)	<table border="0"> <tr> <td>Operating Expenses</td> <td>\$10,550</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td><u>\$ 1,552</u></td> </tr> <tr> <td>Total Expenditures</td> <td>\$12,102</td> </tr> </table>	Operating Expenses	\$10,550	<u>Capital Expenditures</u>	<u>\$ 1,552</u>	Total Expenditures	\$12,102
Operating Expenses	\$10,550						
<u>Capital Expenditures</u>	<u>\$ 1,552</u>						
Total Expenditures	\$12,102						
Number of FTEs as of August 31, 2010	65						

B. What is the objective of this program or function? Describe the major activities performed under this program.

Finance & Administration Division

The Finance & Administration Division has overall responsibility for the Port Authority’s financial, purchasing, risk management and information technology functions, including monitoring financial performance, ensuring accurate and timely financial accounting and reporting, developing annual operating and capital budgets, administering federal grant programs, and safeguarding assets. The division strives to be a valued, strategic partner, with the following key objectives:

- Maintaining financial flexibility and liquidity to optimize our portfolio in response to marketplace and business demands
- Enhancing internal systems and decision-making capabilities and provide greater visibility on our financial position and cash flow generation
- Fostering excellent relations with the financial and investor community to ensure access to low cost capital markets for future growth opportunities

The division consists of the following departments: Accounting/Controller’s, Finance/Financial Planning, Purchasing, Risk Management and Information Technology.

Accounting/Controller’s

The Accounting/Controller’s Department is responsible for monitoring the Port Authority’s financial performance, ensuring accurate and timely financial accounting and reporting, ensuring the timely payment of goods and services procured for the Port Authority, participating in the development and monitoring of annual budgets, auditing federal grant programs, safeguarding assets, and facilitating strategic financial planning.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Some of the major processes and responsibilities include:

1. Financial Accounting
 - Accounting
 - Recording and processing of financial activities including recording and tracking of Port Authority assets, monthly/quarterly/annual financial adjustments, recording of revenues and expenses, and maintenance of enterprise funds
 - Financial Reporting
 - Preparing periodic financial statements for use by the Port Commission, management and others
 - Preparing the annual Comprehensive Annual Financial Report including blended component unit financial statements, related footnotes, and supplemental analytical reports
 - Preparing annual financial statements and related footnotes for the Restated Retirement Plan audit
 - Preparing annual single audit reports in accordance with OMB Circular A-133, which is an audit of federal grant programs
 - Cash Management
 - Recording and reporting of debt activity including borrowings and repayments of bonds, commercial paper and related transactions
 - Recording and reporting of ad valorem tax collections and related transactions
 - Monitoring and execution of wire transfers in coordination with Harris County Treasurer's office
 - Daily recording and tracking of cash receipt and disbursement activity
 - Preparing period cash position reports to management
 - Financial Analysis/Budget/Forecast Reporting
 - Preparing reports with an analysis comparing actual to budgeted/forecasted financial results
 - Assisting cost-center managers regarding revenue and expense trends and analysis of results
 - Internal Control
 - Maintaining the corporate financial control systems, including documenting and monitoring the financial control structure to mitigate potential financial risks
2. Revenue
 - Customer Billing
 - Recording and processing of revenue billings and related cash receipts in a timely manner
 - Generating revenue reports including detailed operational statistical data
 - Customer Credit
 - Reviewing and approving of new customers
 - Monitoring, identifying and addressing credit issues as they occur
3. Disbursements
 - Accounts Payable
 - Overseeing and administering the Port Authority's vendor disbursement processes, including invoices, check requests and employee expense reimbursements
 - Resolving payment disputes and/or other discrepancies
 - Periodic reporting of transactions to management and in response to open records data requests
 - Payroll
 - Overseeing and administering the Port Authority's employee compensation processes, including wage and salary computation and distribution, regulatory compliance and

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

reporting (e.g., payroll tax filings, annual payroll reporting, and IRS W-2 preparation), and garnishment processing

Finance/Financial Planning

The Finance/Financial Planning Department is responsible for the Port Authority's internal treasury, corporate finance, as well as the financial planning and analysis functions. This includes development and monitoring of annual operating and capital budgets, banking and rating agency relationships and funding initiatives.

Some of the major processes and responsibilities include:

1. Treasury and Corporate Finance
 - Managing relationships with commercial and investment banks and rating agencies
 - Leading the process for selection and implementation of depository banking services
 - Acting as a resource to the organization (e.g., providing assistance with financial aspects in RFP's, answer questions relating to foreign currency payments, etc.)
 - Providing liquidity status reports and cash flow forecasts
 - Assisting with merger, acquisition and divestiture transactions, including negotiating agreements with financial advisors and counterparties as directed by management and/or the Port Commission
2. Debt Management
 - Soliciting, recommending and negotiating short-term and long-term debt facilities as may be approved by management and the Port Commission
 - Ensuring compliance with any financial covenants in our indentures or other debt agreements
3. Investment Management
 - Investing excess funds prudently, in line with goals of safety of principal, liquidity to meet capital and other cash requirements, diversification of assets, and yield
 - Ensuring compliance with our Investment Policy and the Public Funds Investment Act (Chapter 2256, Texas Government Code)
 - Providing quarterly investment reports to the Port Commission
4. Pension and Benefits
 - Participating in reviews of pension, 457(b) deferred compensation, other post-employment benefit ("OPEB") and other related plans
 - Monitoring investment performance, including review of trustee statements
 - Interfacing with trustees and other service providers
 - Providing recommendations to management and the Pension Task Force regarding changes to the plans
5. Financial Planning and Analysis
 - Operating Plan
 - Preparing, analyzing and maintaining the 5-year plan, quarterly forecasts and the budgeting model
 - Developing corporate-wide assumptions used in the 5-year plan
 - Acting as a resource to the divisions and provide adequate training on the Cognos system to complete the operating budgets and forecasts on a timely basis
 - Providing assistance to Accounting to ensure the proper recording of transactions
 - Creating the annual budget presentation for the Port Commission (Note: The Port Authority's budgets do not necessarily guarantee funding for specific departments or purposes, as the Port Authority's revenues are dynamic and the Port Commission and management may adjust and authorize expenditures as priorities change)
 - Capital Plan

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Aggregating and maintaining the capital plan for all departments
 - Updating capital schedules as necessary to reflect changes relating to project estimates, award and completion dates
 - Working with Accounting to establish appropriate depreciation
 - Collaborating with Accounting and Engineering to develop Overhead Allocation estimates for capital projects
 - Creating reports on liquidity and available cash based on the capital and operating plans
6. Grants Program
- Managing all aspects of the security grants process, filing reports as necessary, and requesting reimbursements
 - Providing guidance on other grants and direct grant requests through the Capital Budget Committee
 - Ensuring receipt of grant monies and proper recording by Accounting

Information Technology

The Information Technology (“IT”) Department provides technology solutions and support for the Port Authority. IT plans, implements, manages and maintains all of the Port Authority’s IT assets, including all physical security hardware and software. IT also provides end-user support through our Service Desk and maintains the phone systems.

Purchasing

The Purchasing Department is responsible for procuring all goods and services necessary to maintain the Port Authority’s operations and facilities. The Purchasing Department follows the Texas Water Code, Chapter 60, as well as other Texas procurement statutes and internal policies.

Purchasing maintains the Vendor Information System (“VIS”) to facilitate solicitation of proposals for goods and services. The department provides training to internal users of the VIS and answers questions from prospective vendors. Informal bids, under \$50,000, may be obtained on VIS. For proposals exceeding \$50,000, Purchasing reviews formal procurement documents prior to advertising and receiving proposals from vendors. Purchasing works with Legal and various internal departments to ensure the formal proposal process meets the requirements of Texas statutes and to also ensure that each proposal contains all of the required documents before it is provided to vendors.

The Purchasing Department issues purchase orders to a vendor authorizing the expenditure of funds for goods and services. They are used by the Port Authority as a tool to track purchases, prevent overpayments of contracts, and document liabilities (i.e., encumber funds).

Another function of the Purchasing Department is to assist with the disposition of surplus and salvage property, with the goal of realizing the maximum benefit to the Port Authority in such disposals.

Risk Management

The Risk Management Department helps protect the financial and human assets of the Port Authority, with a key objective of minimizing any human and economic losses to the Port Authority, its employees and stakeholders. The department develops, implements, and monitors the cost-efficient combinations of risk management strategies (avoidance, reduction, transfer and/or retention) to provide the Port Authority with the most appropriate financial protection in the event of a loss.

Major areas of responsibility include the following:

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Developing programs to protect employees and third parties from injury and/or exposure to harmful elements
- Identifying operational risk exposures and implementation of risk management techniques to address anticipated risks
- Maintaining information on losses, property values, and operational changes for insurance carriers
- Preparing of applications and obtaining proposals for various insurance coverages
- Coordinating and managing liability, workers' compensation and property claims
- Reviewing claims history to identify adverse trends and loss prevention opportunities
- Reviewing contracts, leases, rights of entry, and pipeline licenses for insurance and liability issues
- Administering the Subrogation Program
- Managing third party liability disputes
- Administering Port Authority claims under the FEMA Public Assistance Program

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The following are some examples of effectiveness and efficiency of the part of the Finance & Administration Division.

GFOA Award

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port Authority for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended December 31, 2009. This was the 36th consecutive year that the Port Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Port Authority believes its 2010 CAFR continues to meet the program’s requirements and plans to submit it to the GFOA for consideration of eligibility for a Certificate of Achievement.

Information Technology

IT system availability is monitored and measured and currently exceeds 99% up-time, excluding planned outages. Service Desk statistics are available that include number of service calls closed and time to resolution. The number of servers managed per systems administrator is at 75, greater than the industry average of 22. IT’s budget, under 2% of the Port Authority’s total revenue for 2010, is in line with industry average of between 1% and 6% of total revenue.

Risk Management

Major accomplishments during the past three years include:

- Annual savings of \$1.5 million in Property & Casualty (“P&C”) insurance, despite broader and enhanced coverage
- Annual savings of \$1 million by self-insuring workers’ compensation and liability exposures beginning March 1, 2010
- Annual savings of \$100,000 in decreased claims administration costs due to selecting a Third Party Claims Administrator (“TPA”) rather than permitting the carrier to make the selection.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Other TPA benefits include increased accountability, lower claims costs due to improved claims handling practices and implementing cost containment measures, and annual contractual compliance audits
- Subrogation recoveries of \$1.5 million in the past 24 months; reduced average age of claims from 659 to 183 days (72% improvement)
- Negotiated a \$7.4 million settlement relating to Hurricane Ike with Lloyd's of London despite no initial offer
- Obtained FEMA approval of \$17.7 million in Public Assistance funds relating to hurricane damage claims
- The implementation of Self Insurance Program and Employee Indemnification Policies effective March 1, 2010, which addressed such areas as program funding, annual actuarial review requirements, claim settlement authority, employee indemnification for employment-related activities, and legal defense policies
- Obtained updated, detailed, and accurate information regarding property schedule of values resulting in rate reductions of 12% for property and 47% for cranes (annual savings included above)
- Implemented a paperless, internet-based insurance certificate tracking system; minimum annual savings of \$100,000
- Recovered \$500,000 from excess carriers in 2009 for legal fees related to liability litigation

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

By statute, the Harris County Auditor serves as auditor of the Port Authority and the Harris County Treasurer serves as the Port Authority's Treasurer. Over the years, those offices have provided substantial support for the financial functions of the Port Authority. In recent years, we have hired additional staff within the Accounting/Controller's group and Finance/Financial Planning to enable the Port Authority to assume greater responsibility for internal accounting, treasury, investment and debt management functions.

IT began as a support organization for the Port's mainframe computer and grew in scope and staff to support a much wider variety of computing hardware and software.

The Risk Management group has also experienced significant changes in recent years. The Port Authority hired its first risk manager in 2003, with primary responsibility for the placement of P&C insurance. Upon joining the Port Authority in July 2008, the current Director of Risk Management, conducted a review of the entire risk management program and after identifying deficiencies, has been addressing these concerns. Risk Management assumed responsibility for these programs:

- Annual Actuarial Reviews of workers' compensation and liability in 2009
- FEMA Public Assistance Program in October 2008
- Subrogation Program in April 2009
- Oversight of new insurance broker of record in June 2009
- Authority property appraisals in September 2009
- Liability dispute management in 2010
- Management of third party claims administrator in March 2010
- Self-Insurance Program in March 2010

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Finance & Administration Division is an essential part of the Port Authority, managing resources as directed by the Port Commission and management. It provides services to all divisions, and impacts all employees and stakeholders of the Port Authority.

The Information Technology group administers all of the servers and network infrastructure for file and print services, email and internet access, provides end-user support through its Service Desk, and maintains all Port Authority desktop computers. IT provides services to the following areas:

- **Operations** – Maintains the servers, infrastructure, hardware and software for Navis Express, the Port Authority's Terminal Operating System
- **Finance** – Supports JD Edwards Enterprise Resource Planning software, IBM Cognos budgeting application, and Insight reporting from JD Edwards
- **HR/Payroll** – Supports ePersonality HR and Payroll suite and JD Edwards Human Capital Management suite (currently transitioning from ePersonality to JD Edwards)
- **Engineering** – Supports Microsoft Sharepoint, Enterprise Project Management Live and Computer Aided Drafting
- **Maintenance** – Supports fuel tracking software and N5 maintenance tracking application
- **Security** – Administers the servers, network infrastructure and software for physical security, such as video surveillance and access control

In addition to its impact on internal Port Authority divisions and personnel, the Risk Management Department also touches external constituents. This occurs through insurance procurement, subrogation efforts against responsible parties, establishing contractual insurance requirements for tenants, contractors and other third parties, and promulgation of facility safety requirements. The Self-Insurance Program, including claims administration and litigation management, provides substantial cost savings, allowing the Port Authority to deploy these monies elsewhere in the organization.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Finance & Administration Division supports the accomplishment of the Port Authority's primary mission and objectives. It is led by the Vice President of Finance & Administration and his five direct reports. The organizational charts reflect the functional management of the following departments: Accounting/Controller's, Finance/Financial Planning, Purchasing, Risk Management and Information Technology.

The division follows enterprise-wide policies and procedures designed to provide for efficient and effective management of the Port Authority's financial and information technology resources. Typical financial policies include the Investment Policy relating to investment of excess cash.

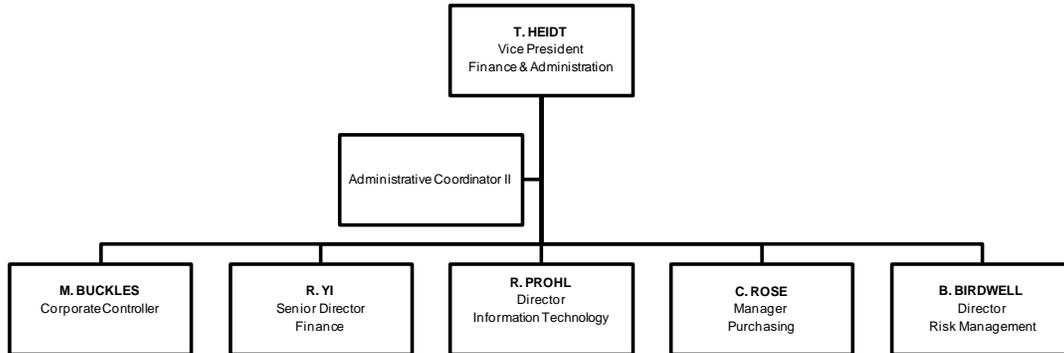
Information Technology also has many policies and procedures that it follows, including:

- Change Management based on ITIL v3 standards
- User account creation, modification, and deletion processes and workflows
- Asset configuration checklists and run books to track changes

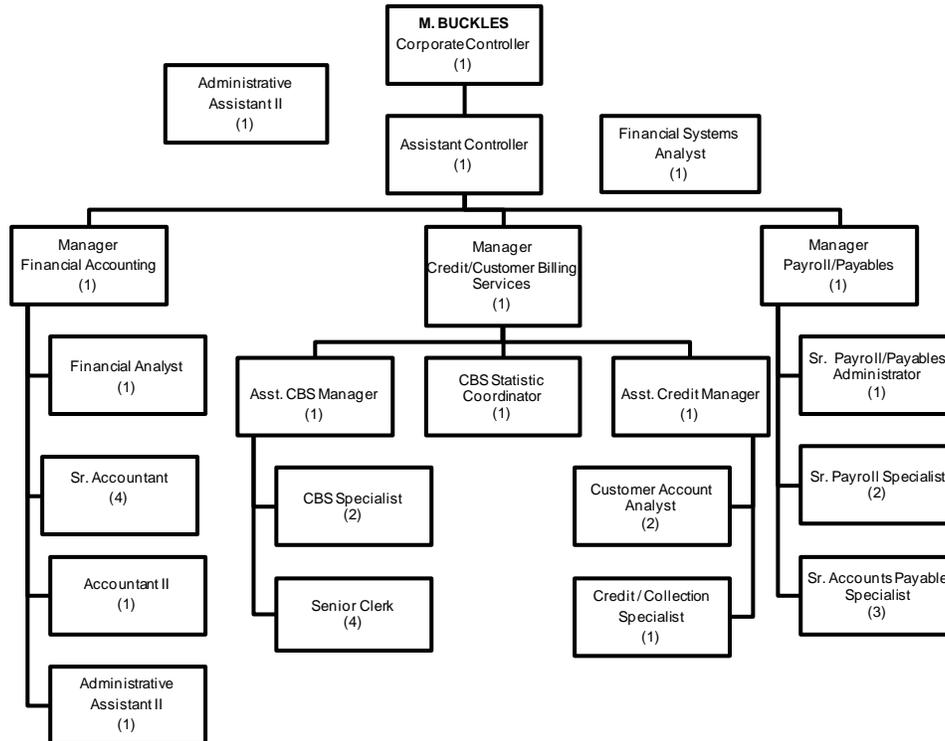
PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Service Desk process based on ITIL v3 standards, including ticket tracking and problem resolution software and a workflow for incidents through the various levels of technical support
- Designated weekly maintenance outages

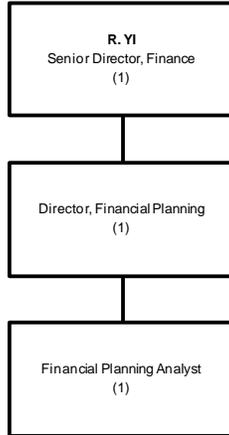
Finance & Administration Division (7/21/2011)



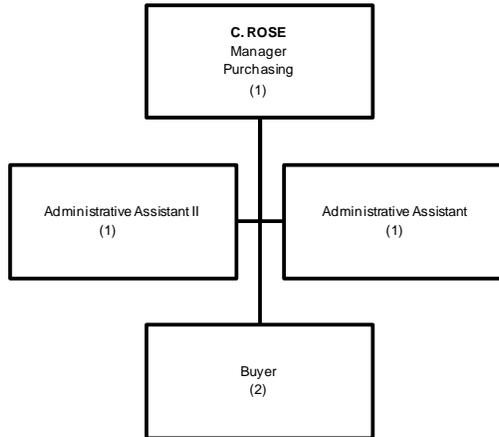
Accounting/Controller's Department



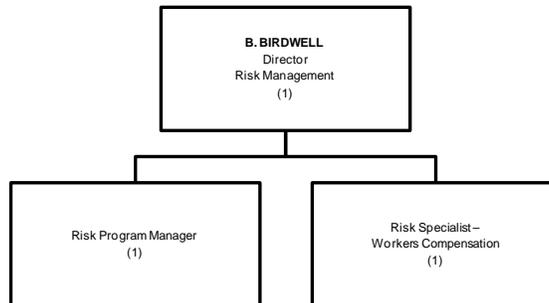
Finance/Financial Planning Department



Purchasing Department

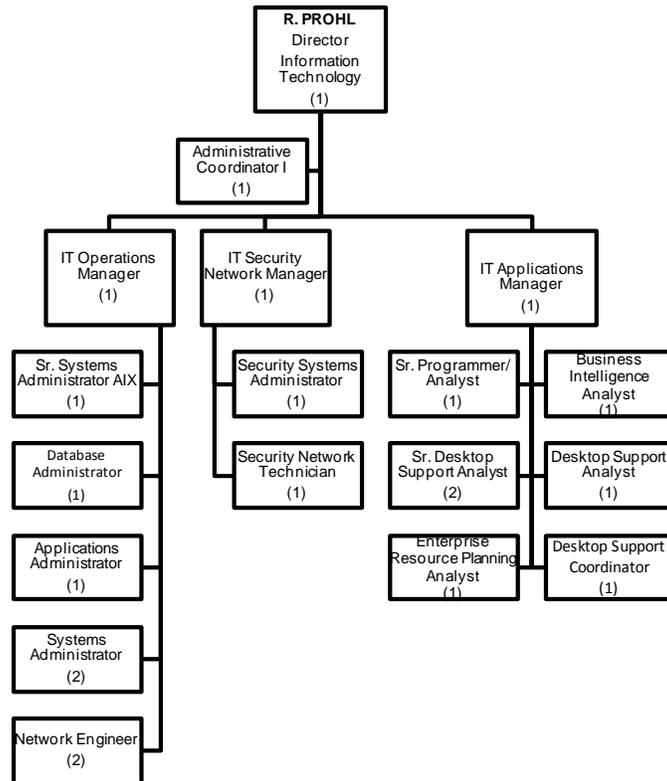


Risk Management Department



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

IT Department



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Finance & Administration Division is considered a “general and administrative” entity. It is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or U.S. Department of Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

None.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Finance & Administration Division has interlocal agreements with Harris County, whereby the latter provides services relating to investment and financial management, as well as levying and collecting ad valorem property taxes. In addition, the Port Authority purchases items and services using contracts issued by other agencies and local governments, in accordance with Chapter 791, Texas Government Code, regarding Interlocal Cooperation Contracts. By using such interlocal agreements, the Port Authority has been able to reduce cost and redundancy in procurements.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Finance & Administration Division works with the following local, regional, and federal units of government:

- **Texas Department of Transportation** – Coordination of emergency responders, such as hurricane recovery
- **U.S. Customs and Border Protection** – Maintain electronic data transfer regarding the release of containers
- **U.S. Coast Guard** – Physical security infrastructure and access control
- **Federal Emergency Management Agency** – Coordinate Requests for Public Assistance after a disaster declaration (e.g., request for FEMA grant monies to cover damage from Hurricane Ike, etc.)
- **U.S. Department of Homeland Security** – Maintenance and improvement of the physical security systems
- **Harris County** – The Harris County Auditor provides internal audit of funds disbursement, the Harris County Treasurer serves as the Treasurer of the Port Authority, and the Harris County Tax Assessor and Collector assesses and collects ad valorem taxes on behalf of the Port Authority

K. If contracted expenditures are made through this program please provide:

- **the amount of those expenditures in fiscal year 2010;**
- **the number of contracts accounting for those expenditures;**
- **a short summary of the general purpose of those contracts overall;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Fiscal Year 2010 Contract Expenditures: \$9,292,377

Number of Contracts Accounting for Expenditures: 221

Summary of General Purpose of Contracts: The Finance & Administration Division has professional services agreements and other contracts primarily relating to audit of the Port Authority's financial records, investment and financial advisory services, ad valorem tax appraisal services, implementation of hardware, software and other IT systems, insurance brokerage, third party claims administration, and advertising for the procurement process.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Methods used to ensure accountability for funding and performance: Contracts and professional services agreements are reviewed during the annual budget process and at other times for performance and possible changes to contract terms.

Current Contracting Problems: None

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

7. Legal

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Legal Division – Legal Department – Records and Information Management						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	Erik Eriksson, Sr. Vice President & General Counsel						
Actual Expenditures, FY 2010 (in thousands)	<table> <tr> <td>Operating Expenses</td> <td align="right">\$9,106</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td align="right"><u>\$ 165</u></td> </tr> <tr> <td>Total Expenditures</td> <td align="right">\$9,271</td> </tr> </table>	Operating Expenses	\$9,106	<u>Capital Expenditures</u>	<u>\$ 165</u>	Total Expenditures	\$9,271
Operating Expenses	\$9,106						
<u>Capital Expenditures</u>	<u>\$ 165</u>						
Total Expenditures	\$9,271						
Number of FTEs as of August 31, 2010	11						

B. What is the objective of this program or function? Describe the major activities performed under this program.

Legal Division

The Legal Division consists of the following departments: Administration, Legal, and Records and Information Management. These departments are more fully described below.

Legal Department

The objective of the Legal Department is to provide, manage and coordinate all legal services for the Port Authority and to render high quality and responsive legal advice to assist with carrying out the Port Authority’s mandate from Harris County voters under the Texas Legislature and Constitution.

Major activities include:

- Providing legal assistance to the Port Commission, management, and staff on business transactions, compliance, and regulatory matters, including preparing and reviewing required legal documents
- Selecting and overseeing outside counsel: the Port Authority makes use of outside law firms or special counsel, typically only when the matter requires expertise outside that of the Legal Division, or the project requires resources beyond those of the Legal Division
- Researching legal, statutory, and related administrative and business matters, and providing opinions, advice, and memoranda regarding such matters
- Collecting legal information to assist management decision-making
- Evaluating and advising on the practical consequences of legal strategies
- Analyzing the possible prosecution and defense of lawsuits
- Reviewing Port Authority materials, such as memoranda, publications, advertisements etc., for legal concerns
- Reviewing Requests for Commission Action (“RCAs”) and Requests for Proposals (“RFPs”), Requests for Qualifications (“RFQs”), Competitive Sealed Proposals (“CSPs”), Competitive Sealed Bids (“CSBs”) and other procurement documentation for compliance with Texas Water Code and internal requirements
- Supervising preparation of the monthly Port Commission agenda and minutes and assisting with

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Open Meetings Act compliance
- Drafting, reviewing, and advising on operational matters, including leasing and terminal operations matters
- Assisting with tariff preparation and Shipping Act and the Federal Maritime Commission compliance
- Advising on federal maritime security law and regulatory compliance
- Assisting with environmental compliance matters
- Drafting proposed legislation on matters affecting the Port Authority and Texas ports and assisting the Government Relations Department with bill analysis
- Testifying before Texas legislature regarding the technical aspects of bills
- Assisting with financial and risk management matters
- Assisting with human resource matters, including providing advice and direction on disciplinary actions
- Responding to requests for information under the Texas Public Information Act
- Periodically updating and revising form leases, freight handling agreements, licenses, amendments, and other legal documents
- Researching and maintaining familiarity with legislation, court decisions, and regulatory matters
- Handling of routine litigation tasks such as responding to writs of garnishment, filing bankruptcy proof of claims, etc.
- Providing preventive counseling, i.e. providing timely and effective legal advice before legal problems arise in order to prevent or minimize legal liability
- Participating in the definition and development of internal and external policies, procedures and programs
- Developing and conducting staff training sessions and workshops
- Providing other assistance and information to Port Authority constituents
- Representing the Port Authority as an industry leader by speaking locally and nationally on port-specific topics such as federal maritime security laws and regulations
- Providing voluntary pro bono legal service to indigent clients

Records and Information Management

The objective of the Records and Information Department (“RIM”) is to ensure that Port Authority record-keeping is in compliance with the Local Government Records Act (Texas Local Government Code, Chapter 203) and maintain a central repository for important Port Authority records. In 2003, the Port Authority filed a Records Management Plan with Texas State Library & Archives Commission (“TSLAC”).

Major activities include:

- Developing training to keep Port Authority employees informed about records retention
- Overseeing records retention efforts, performing research and answering questions about retention
- Making recommendations for continued improvement
- Overseeing records destruction requests
- Working with the IT Department to assist with compliance of electronic records
- Maintaining an on-site central repository for hard copy records
- Creating and maintaining an electronic records system, maintaining files on microfilm, and maintaining some “non-record” materials
- Assisting with location of Port Authority records stored outside of Central Files and offsite (i.e. in other departments)

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Managing the centralized file numbering system by assigning file numbers, setting up new files, and managing a database of file numbers
- Managing files stored offsite
- Conducting research related to files and records held in Central Files including Public Information Act and Port Authority history research requests, and locating files needed for routine Port Authority business

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Legal Division strives to provide the Port Authority with a high level of service. It is difficult if not impossible to measure minimizing legal liabilities or to measure successful legal negotiations. The Legal Division can measure, generally, the productivity of the office by the volume of work including the number of contracts reviewed, the number of files stored and retrieved, number of leases drafted, the number of advice memoranda prepared, the number of policies reviewed and drafted, and the number of training and education workshops conducted on various legal topics. However, the outcomes of those matters depend on numerous variables which are beyond its control.

To measure performance, the Legal Division identifies the following as evidence of its effectiveness and efficiency:

- The receipt of numerous requests daily for legal advice and assistance with document preparation and review, as evidence that Port Authority staff understands the importance of considering the legal implications of their actions
- Port Authority staff transact business with appropriate and reasonable allocation of business and legal risk and in compliance with federal, state and local laws and regulations
- The Port Authority is zealously and competently represented in contract negotiations

The Legal Division has earned recognition as an Equal Access Champion by the Houston Bar Association and the Houston Volunteer Lawyers Program.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Port Authority has had in-house counsel since 1973 and Port Commission Counsel since 1982. The Legal Department has increased slightly in size to meet the expanding needs of the Port Authority. The function of the Legal Department has not changed from the original intent.

The Port Authority has long had a Central Files office used as a repository for contract files and other material. Prior to November 2009, the management of that office was under Finance & Administration, and the Records Management Officer was the IT Manager. As the Local Government Records Act became effective in 1989, and the Port Authority came in full compliance with the act and accepted by TSLAC in 2003, RIM programs have evolved from simply a repository of files into responsibility for Port Authority's compliance with the Local Government Records Act.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Legal Department

The Port Authority is the Legal Department’s sole client. However, in fulfilling its duties to its client, the Legal Department must provide legal services for those who act on behalf of the Port Authority. Therefore, it affects all the divisions and stakeholders of the Port Authority. Internally, all departments and divisions are affected.

Externally, the department affects the following entities:

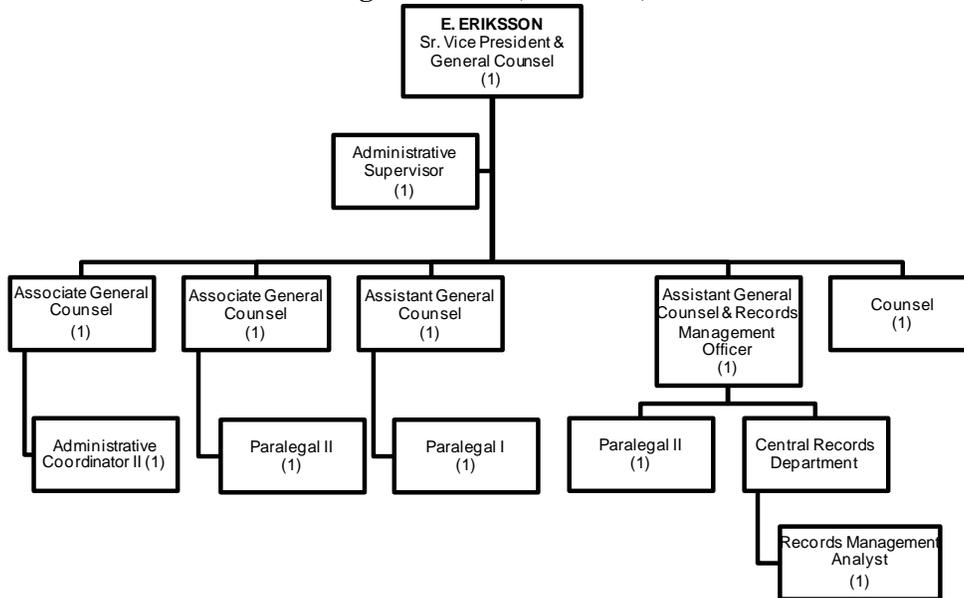
- Federal, state, and local government entities
- All tenants and business partners of the Port Authority
- All requestors of public information
- All providers of goods/services who propose or bid on the Port Authority’s procurement of such goods/services
- Residents of Houston who benefit from the Legal Department’s pro bono work

Records & Information Management Department

Records and Information Management provides an important function for the entire Port Authority. All questions about and matters related to the statutory requirements of the Port Authority’s records are handled through this department. All Port Authority records are managed with input from RIM; records with retention longer than two years require more of RIM’s resources; and records with greater than 10-year retention requirements require the most RIM resources.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Legal Division (7/21/2011)



PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Legal Department

Port Authority staff relies on the judgment and experience of the Legal Department. This occurs particularly when the Port Authority confronts legal risks and evaluates business opportunities. In order to assist the Port Authority with the accomplishment of its goals, the Legal Department's function is administered by assigning attorneys to specific departments within the Port Authority. Since the attorneys specialize in a few areas, rather than function as generalists, they are given the opportunity to better understand the dynamics of their assigned departments, and develop one-on-one client relationships with department members. Furthermore, allocating work in this fashion ensures that an intimate familiarity with all aspects of Port Authority business is maintained at all times by the Legal Department as a whole, which is essential to effectively protect the Port Authority's legal interests.

Records & Information Management

The General Counsel has designated an Assistant General Counsel to act as the Records Management Officer for the Port Authority and to administer RIM. RIM has one staff member (Records Analyst) and one open position (Records Manager).

RIM ensures that Port Authority's records management policy is current; upon the recommendation of TSLAC, RIM developed an updated policy which Port Commission adopted in April 2010, superseding earlier policies. The declared policy is to provide for efficient economical and effective controls over all Port Authority records through procedures consistent with the requirements of the Local Government Records Act and accepted records management practice.

Routine procedures for management of Port Authority records, including onsite and offsite placement of important physical files, research for records, and responding to retention queries, are carried out by RIM staff. Procedures for management of electronic records are developed and administered in conjunction with the Port Authority's IT Department. The Records Management Officer and the General Counsel administer high level compliance procedures.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Legal Division is considered a "general and administrative" entity. It is allocated funds from the Port Authority's annual operating budget, with funding sources as described in Section V on page 31. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

All entities with in-house legal departments share the similar function of providing their entity with legal services. Also, other governmental entities have records departments that provide similar functions for their entities. However, due to the highly specialized knowledge required in advising and maintaining records for the Port Authority, none provide identical services.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

No duplication with the other entities above because none have the Port Authority as their sole client.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Legal Department works with many local entities on an informal basis, to assist with legal advice, problem solving, and compliance.

RIM works with TSLAC. TSLAC published the retention schedules that RIM uses for Port Authority records and TSLAC offers advice upon request.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$6,607,529

Number of Contracts Accounting for Expenditures: 39

Summary of General Purpose of Contracts: Legal Division expenses fall into two categories: contracts for legal services with outside legal counsel and/or consultants, and contracts for equipment, supplies, and other support items.

Methods used to ensure accountability for funding and performance: For legal services, the attorneys perform careful review of invoices to verify work performed. After this inspection, the attorney authorizing the work must approve the invoice by signature.

Current Contracting Problems: None.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not Applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not Applicable.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

8. Origination

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Origination Division – Trade Development – Market Development – Foreign Trade Zone – Cruise Development						
Location/Division	111 East Loop North, Houston, TX 77029						
Contact Name	Ricky W. Kunz, Vice President - Origination						
Actual Expenditures, FY 2010 (in thousands)	<table> <tr> <td>Operating Expenses</td> <td>\$7,102</td> </tr> <tr> <td><u>Capital Expenditures</u></td> <td>-</td> </tr> <tr> <td>Total Expenditures</td> <td>\$7,102</td> </tr> </table>	Operating Expenses	\$7,102	<u>Capital Expenditures</u>	-	Total Expenditures	\$7,102
Operating Expenses	\$7,102						
<u>Capital Expenditures</u>	-						
Total Expenditures	\$7,102						
Number of FTEs as of August 31, 2010	14						

B. What is the objective of this program or function? Describe the major activities performed under this program.

Origination Division

The objective of the Origination Division is to originate new business by promoting and generating international and national trade. The Origination Division also provides benefit to the local economy by educating the business community and maritime industry about the high quality, broad array of services and facilities the Port Authority and the Port of Houston region has to offer and supporting local efforts to generate international commerce through the region. The goal of the Origination Division is to drive all trade development activities with the objective of maximizing vessel calls, cargo volumes and overall commerce through the Port of Houston and the Port Authority facilities provided for public use.

Major activities performed include:

- Devising, directing and steering the Port Authority trade development business plan, targeting of commodities, vessels and potential cargo flows
- Tracking the competitiveness of the inland carriers serving Houston to maximize the port's hinterland, forging cooperative efforts that bring various entities together
- Managing Trade Development, Market Development, Foreign Trade Zone and Cruise Development staff with the effective and economical use of resources
- Responsibility for the introduction of Port Commissioners and executive staff to Port Authority key accounts
- Conducting executive trade development visits to major existing and potential Port Authority customers
- Participation in the work of organizations such as the Greater Houston Partnership, Houston Port Bureau and others that can help achieve maximum usage of Port of Houston and Port Authority facilities
- Developing and bringing new business opportunities to the Port Authority, following through to completion, whether by tariff or contract
- Keeping the Customer Relationship Management system useful and current

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Trade Development

The objective of the Trade Development Department is to promote and generate trade through direct outreach to the business community locally, regionally, nationally and internationally. The Trade Development Department's goal is to increase cargo volume and vessel calls at Port Authority facilities and increase international waterborne commerce in the region. Major activities include canvassing of existing, potential and target customers domestically and abroad, such as multi-national companies engaged in international trade. These include, but are not limited to, exporters and importers, ocean carriers, vessel and barge operators, stevedores, freight forwarders, trading companies, private and public companies and organizations, and other entities which influence the transportation of waterborne cargo. Canvassing efforts include direct and indirect marketing methods such as phone calls, email, mailings, face to face sales calls, attendance at trade shows, exhibition booths and stands at industry conventions, and public appearances at international trade events and other customer outreach venues.

Major activities include:

- Defining of focal segments (industries, trade zones, customer types, etc.) and ensuring clarity and proper coverage of all desired Port Authority customers through appropriate account assignments
- Participating in periodic Port Authority trips to visit customers throughout the world, including planning of itineraries and subsequent follow-up
- Organizing various Port Authority-sponsored receptions, luncheons, etc.
- Managing international and Houston offices
- Hosting various commercial clients and visitors

Market Development

The objective of the Market Development Department is to support trade development by preparing the Port Authority's plan for carrying out the annual Trade Development Program. Major activities include monitoring the external environment to identify opportunities and vulnerabilities in the Port Authority's markets and facilities, and acting as a source of strategic information, market analysis and trend forecasting to the Port Authority staff, Port Commissioners and the Port of Houston community. Other activities include annual budget preparation and coordination/logistics of marketing programs and promotional events that support the trade development program in the business-to-business environment.

Major activities include:

- Managing resources to properly acquire economic data, market and statistical information for originating new business and trade
- Interpreting and analyzing statistical information and market data
- Prioritizing the Port Authority's market research needs, including economic trend forecasting for Houston-area industry
- Distributing and preparing annual foreign trade statistics
- Monitoring trade patterns and trends in the maritime industry
- Acting as the Port Authority's liaison with local, national and international trade and commercial organizations and governmental bodies

Foreign Trade Zone

The objective of the Foreign Trade Zone ("FTZ") Department is to direct and coordinate the administrative and operational functions of the Houston Foreign Trade Zone, through supervision of all FTZ activity, including the provision of information and training to zone users and prospective zone users, to provide the best possible service to the local community and assure compliance by the Port Authority and all zone users with all federal FTZ regulations. Additionally, the FTZ Department assists in the execution of the division's annual Trade Development Program.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Major activities include:

- Monitoring reforms and changes in Foreign Trade Zone regulations, providing guidance subsequent to any clarification of rules and regulations regarding the FTZ
- Tracking the potential liability of active zone sites to assure financial compliance
- Determining whether U.S. Customs rules and regulations are adhered to regarding the FTZ
- Serving present FTZ users and adding new customer base
- Overseeing and recommending any requested changes in the FTZ No. 84 Tariff 2 for Port Commission action

Cruise Development

The objective of the Cruise Development Department is to manage all of the Port Authority's cruise activities, including cruise operations and the marketing of the facilities to the cruise industry, to promote and generate tourism business benefiting the local, regional and state economy through economic activity and job creation. Major activities include canvassing of potential and target cruise lines and passenger carriers with sales calls, attendance at trade shows, exhibition booths and stands at cruise industry conventions, and public appearances at international cruise trade events and other customer outreach venues. The Cruise Development Department is responsible for the operations of the Port Authority's cruise terminals and coordinating activities with the vessels, agents, and regulatory agencies, in addition to coordinating and overseeing maintenance, security, engineering and other departments as they relate to cruise terminal operations, and serving as the interface with all U.S. regulatory agencies affecting the operations of the cruise terminals.

Major activities include:

- Achieving proper coverage of all desired Port Authority customers through appropriate canvassing efforts and promotional activity
- Participating in periodic cruise industry events worldwide, including planning of itineraries and subsequent follow-up

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The effectiveness and efficiency of the Origination Division can be measured by revenue, number of ship arrivals and the volume of cargo (tonnage and/or containers) handled at Port Authority's facilities, the timeliness and accuracy of market data analysis and the positive impact both to the community and the business development efforts at the Port of Houston. For example, in the case of Trade Development and Marketing, key statistics and performance measures include 2010 container revenue, which was up 11%, and non-container revenue, which increased 8% compared to 2009. Ship arrivals were up 5.9% for 2010 versus 2009. TEUs, a measure of container volume, were up 1% in 2010 versus 2009, while total tonnage was up 9%. In addition to the improved performance of vessel calls and cargo volumes, the increased size of ships, performance of strategic commodities such as steel and the market share of global trade lanes such as imports from Asia have been identified as strategic focal segments tied to their high degree of job creation and revenue generation. In April 2011, the Port Authority received its first 8,100 TEU ships, the largest container vessels that have ever called ports of the Gulf of Mexico.

Events organized to develop and originate new business and support local area businesses have typically partnered with organizations like Houston Visitors and Convention Bureau and the Greater Houston Partnership, for example, the *Journal of Commerce* 2010 Breakbulk Americas Transportation Conference

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

and Exhibition, which generated more than \$4.9 million in direct economic impact on Houston. The Oct. 12-14, 2010 event garnered record attendance of nearly 4,000 shippers, supply chain providers and industry leaders from around the world, contributing towards further growth and business activity along the Houston Ship Channel and the city, state and national economy.

In the case of the FTZ Department, Foreign Trade Zone #84 covers 2,778 acres of authorized general purpose zone area at 22 separate locations within Harris County, Texas. Ten of these zone sites have activated areas which were managed by the Port Authority's FTZ Department. During fiscal year 2010, the general purpose zone had a total activated area of 1,180,595 square feet of warehouse space and 672 acres of uncovered and tank storage areas. FTZ # 84 also includes 15 subzones that were established for single purpose zone users.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

With the exception of the recent addition of the Cruise Development Department and the decision to dissolve the Port of Houston Authority International Corporation ("POHAIC") in 2011, the function of the department has not changed from its original intent.

A foreign trade zone was established in Harris County in July 1983. The Port Authority was granted the responsibility of operating and maintaining that FTZ. The FTZ Department was created in August 1986 to handle the FTZ responsibilities for the Port Authority. The function of the department has not changed from the original intent.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The waterborne commerce generated by the Port of Houston region directly and indirectly creates 1.5 million jobs nationally and 785,000 jobs in the State of Texas. Most importantly, the work of the Port of Houston and Port Authority directly impact the import and export community, creating jobs for companies involved in trade via Houston, the labor that handles freight across the docks, and the companies that transport, store and distribute these products around the world and across the country by sea, air, rail and truck.

In the tourism industry, Texas residents form the largest group of cruise line passengers of any state and so the activities of the cruise terminal have the potential of developing Houston's local tourism industry.

The Origination Division contracts with companies and individuals to represent the Port of Houston region in its trade development activities internationally, to help develop its Customer Relationship Management platform and deliver the business analytics and other data sources needed to develop its commercial programs. Additionally, the Origination Division sponsors and supports local and national chambers of commerce, economic development offices and industry organizations which promote international trade in the region.

A partial list of entities affected includes importers, exporters, ocean carriers, Chambers of Commerce, service providers, and industrial real estate businesses. For additional information, please refer to Section X on page 181.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

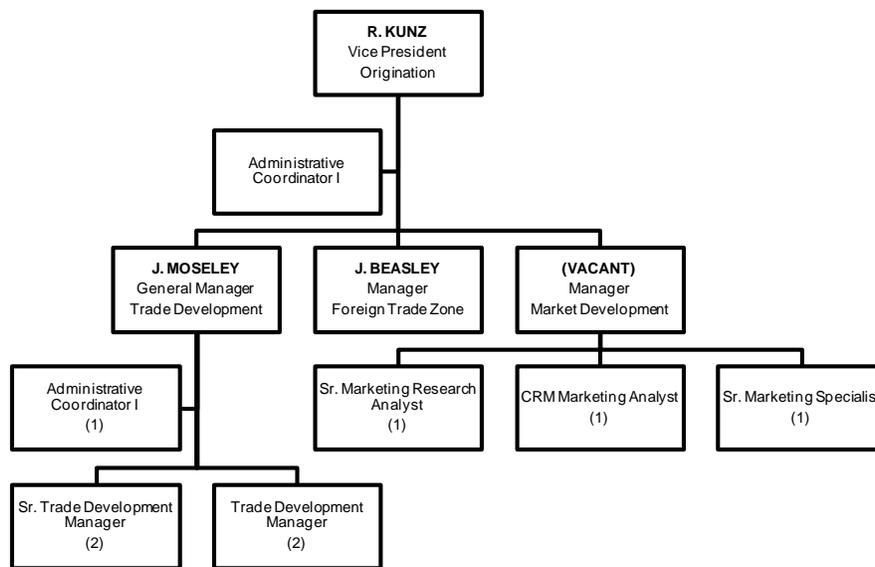
F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Origination Division

The Origination Division is responsible for all domestic and international commercial activities for the Port Authority.

The Vice President of Origination is an executive level staff employee who reports directly to the CEO. The Vice President of Origination manages four departments responsible for originating new business – Trade Development, Market Development, Foreign Trade Zone, and Cruise Development, and an administrative coordinator who answers phone calls, fields external and internal inquiries and supports the activities of the Vice President of Origination and the four departments. The Trade Development Department also has its own administrative coordinator, to handle staff's travel schedules and the other internal support requirements of the department. Each department is headed by a department manager who manages respective staff and budget, reporting to the Vice President of Origination.

Origination Division (7/21/2011)



Trade Development

The Trade Development Department consists of a General Manager, four Trade Development Managers and an administrative coordinator. The General Manager and Trade Development Managers meet with exporters, importers, vessel operating common carriers (“VOCCs”, also known as ocean carriers or steamship lines), stevedores, international freight forwarders, non-vessel operating common carriers (“NVOCCs”), distribution center and warehouse operators, real estate developers, brokers and agents, trucking companies, railroads, freight and commodity associations, economic development officers, international trade delegations, overseas trade development officers and other local, state and federal commercial and international trade development representatives in the U.S. and around the world. The administrative coordinator supports the trade development staff.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

In addition to meeting with customers locally, nationally and internationally in face-to-face meetings as part of their canvassing effort to attract and convince potential customers to select and use the Port of Houston, the department sponsors, participates, attends and/or exhibits at more than 60 trade shows and conventions worldwide each year such as the *Journal of Commerce's* annual break bulk conventions, in Europe, Asia and North America, and conferences and events sponsored by the Retail Industry Leaders Association, Trans-Pacific Maritime Conference, Off Shore Technology Conference in the U.S. and Brazil, Intermodal Brazil, Rail Industry Clearance Association and the American Wind Energy Association. The Trade Development Department conducts facility tours and presentations to customers and other interested individuals, companies and private and public entities including congressional and other delegations from local, state and federal agencies. Additionally, the Trade Development Department regularly hosts visiting trade missions from countries around the world.

The Trade Development Department is responsible for managing global representation. The General Manager directly oversees contracts with the Port Authority commercial representatives around the world and driving overseas strategy as defined by the division head. A combination of weekly, monthly, quarterly and annual reports are required from each contractor which detail their activities and performance in marketing and promoting the Port of Houston to cargo interest and vessel operators around the world.

Market Development

The Market Development Department consists of a Market Development Manager and three marketing analysts supporting the division's statistical, marketing and customer relationship activities. Schedules are largely based on budget timelines (monthly, quarterly and annual budget reporting and planning), planning around event calendars and regular reporting of trade statistics and other market intelligence. Additionally, the department is responsible for obtaining the Port Authority's Memorandums of Understanding with sister ports around the world and coordinating relationships with the trade and commercial departments of foreign consuls.

Foreign Trade Zone

The Foreign Trade Zone Department maintains a record of all properties that have been granted FTZ status and all applications for additional FTZ sites and the function is administered through case-by-case project time lines.

Cruise Development

At this early stage of development, the Cruise Development Department's efforts are largely devoted towards canvassing a cruise line to call at the Port of Houston. The department participates and/or attends major cruise industry events such as the Florida Caribbean Cruise Association ("FCCA") and the Cruise Lines International Association ("CLIA"). Additionally, the Cruise Development Department generates open bids for attracting new business to the cruise facilities. Upon successfully securing a new cruise line, a standard operating procedure for managing cruise vessel calls and passenger traffic will be implemented.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Origination Division is considered a "general and administrative" entity. It is allocated funds from the Port Authority's annual operating budget, with funding sources as described in Section V on page 31.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internally, both the Origination Division and Small Business Division support business development at the Port. Origination's mission is to promote and generate international trade, whereas Small Business aims to create opportunities relating to contracting and procurement for local small businesses.

Externally, the Origination Division works closely with the surrounding municipal and county regional economic development offices in order to coordinate efforts to develop international trade for the region. The division also works with the State of Texas Economic Development office as well as the U.S. Commercial Service at the federal level, to develop export trade from Texas and the United States, and with other regulatory agencies responsible for the administration of Foreign Trade Zones and regulation of the cruise industry. While the goal of these external offices is to foster trade development through the region or state of Texas, the goal of the Origination Division is to drive overall commerce through the Port of Houston and especially Port Authority facilities.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Municipal and County Regional Economic Development Offices – The Origination Division works closely with the surrounding municipal and county regional economic development offices in order to coordinate efforts to develop international trade for the region.

State of Texas Economic Development Office – The Economic Development and Tourism division of the Governor's Office markets Texas globally as the premier business location and travel destination. It develops strategies to generate leads and inquiries which over time can be developed into business recruitment prospects, export opportunities and tourism, thereby creating jobs and wealth for Texans.

U.S. Commercial Service – The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce's International Trade Administration. U.S. Commercial Service trade professionals in over 100 U.S. cities and in more than 75 countries help U.S. companies get started in exporting or increase sales to new global markets.

Foreign-Trade Zones Board – Authority for establishing FTZ facilities is granted by the Foreign-Trade Zones Board under the Foreign-Trade Zones Act of 1934, as amended (19 U.S.C. 81a-81u), and the Board's regulations (15 C.F.R. Part 400). The Foreign Trade Zones Board, within the U.S. Department of

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Commerce, provides guidance regarding FTZ functions, approves changes to the FTZ program and monitors zone activity through reports provided by the FTZ Department.

Greater Houston Convention and Visitors Bureau (“GHCVB”) – The GHCVB is the primary sales and marketing arm of the city of Houston and Harris County. Its mission is to improve the economy of Greater Houston by attracting conventions, tourists and international government officials to the area through sales and marketing efforts. The Cruise Development Department works closely with GHCVB in order to coordinate efforts to develop the cruise and tourism industry for the Houston area.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The amount of those expenditures in fiscal year 2010: \$825,313

The number of contracts accounting for those expenditures: 31

A short summary of the general purpose of those contracts overall: Origination contract expenditures primarily relate to economic and trade development and promotional support, along with global trade, statistical data, and business intelligence services. The Port Authority also has two contracts to aid in the development of trade with the Port Authority and Brazil, Central America, and South America. Contract expenditures also include international trade conferences and consulting fees related to railroad infrastructure development, policy and planning.

The methods used to ensure accountability for funding and performance: Each contract is designed differently depending on its objectives and each has different metrics and deliverables to ensure performance. Representation contracts require weekly, monthly, quarterly and annual performance reporting tied to trade performance for specific territories. Other contracts require specific deliverables tied to specified events, conferences, promotional material and/or specific types of data. As needs arise, contractors are expected to perform as per terms and conditions of their contracts and based on the timeliness, accuracy and quality of their work, contract performance is measured and then funded.

A short description of any current contracting problems: None

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

9. Public Affairs & Economic Analysis

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Public Affairs & Economic Analysis Division – Economic Analysis – Communications – Community Relations – Government Relations	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Olga L. Rodriguez, Vice President - Public Affairs & Economic Analysis	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$5,954
	<u>Capital Expenditures</u>	—
	Total Expenditures	\$5,954
Number of FTEs as of August 31, 2010	14	

B. What is the objective of this program or function? Describe the major activities performed under this program.

Public Affairs & Economic Analysis Division

The Public Affairs & Economic Analysis Division consists of the following departments: Economic Analysis, Communications, Community Relations, and Government Relations.

Economic Analysis

The Port Authority's Economic Analysis Department facilitates and supports informed decision making and long-term strategic planning by the Port Authority's business units, and focuses on the Port Authority's unique market position among major U.S. ports.

Major activities include:

- Overseeing analysis and forecasts of the regional maritime economy, as well as monitoring national and global trends, which may influence the performance of Port Authority business
- Providing regular and timely advice to Executive management on economic issues and their possible implication for the Port Authority
- Managing the application of cost-benefit analysis throughout the Port Authority to prioritize capital projects and ensure that capital resources are used to maximize Port Authority performance and the regional benefit of capital expenditures
- Developing and using additional decision support tools to assist in the Port Authority's strategic planning, business planning, capital planning, and performance measurement, to advance its strategic vision and guide investment and policy choices
- Managing the provision of guidance and assistance to line businesses on forecasting issues, business planning, and long-term trends in the economy affecting their respective businesses
- Managing the preparation and providing reports and presentations on the regional maritime economy for the region's stakeholders
- Overseeing economic impact analyses

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Developing and maintaining collaborative working relationships with economists at public, private, academic, and not-for-profit organizations in the region

Communications

The Communications Department manages a wide array of communications functions, including advertising and media strategies, publications, marketing collateral materials and executive presentations, Web site, crisis communications, public awareness, corporate branding, the internal speakers' bureau and social media.

Major activities include:

- Serving as the liaison and spokesperson with the news media
- Informing and educating internal and external stakeholders about the purpose, activities, services and accomplishments of the Port Authority and the Port of Houston, as well as their impact as an economic engine for the region, state and nation
- Responsibility for the branding and messaging of the Port Authority
- Annually publishing six issues of the full-color glossy, direct-mail *Port of Houston* magazine, twelve monthly *Port Report* e-newsletters, an annual report, quarterly *Dock Dispatch* employee newsletters, educational and trade brochures and fact sheets, as well as preparation of speeches and PowerPoint presentations for Port Commissioners, executives and staff members who appear at public functions on behalf of the Port Authority
- Maintaining the Port Authority website: www.portofhouston.com

Community Relations

The mission of the Community Relations program is to use Port Authority resources to address vital social and community issues, by making strategic decisions that sustain and augment the Port Authority's involvement and visibility, while creating stronger and healthier communities.

Major activities include:

- Developing and maintaining positive relationships with local governments and organizations, such as community advisory panels and local chambers of commerce in communities within or adjacent to Port Authority operations
- Providing support for the coordination of special events for the Port Authority
- Collaborating with the Communications Department to secure publicity and other communications support for special events and community programs
- Acting as ambassadors and the public face of the Port Authority with community, civic, non-profit, business and international organizations
- Identifying, developing and organizing appropriate sponsorship opportunities, special events, programs and activities as provided by the Port Commission Sponsorship Policy and Procedures
- Overseeing the employee volunteer program to drive and motivate employee engagement
- Conducting and arranging briefings and tours of Port Authority facilities for community and educational groups, as well as for local elected officials
- Overseeing reservations and bookings for the Port Authority's public tours and special tours on the *M/V Sam Houston*, including trips for dignitaries

Government Relations

The objective of the Government Relations Department is to advocate for policy priorities affecting the Port Authority, the Port of Houston and the Houston Ship Channel, with elected officials, legislative bodies and public agencies at the local, state and federal levels of government.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Major activities include:

- Preparing local, state, and federal legislative agendas for the Port Authority, with the input of the Port Commission, executive staff, division directors, federal and state consultants and maritime industry interests
- Providing analysis of legislative issues and developing response strategies
- Recommending, managing and evaluating all legislative consultants – two federal and six state
- Advising of changes and proposed changes in local, state and federal laws
- Promoting and facilitating cooperative intergovernmental initiatives
- Serving as the liaison to the staff of other local governments, state and federal government elected officials and agencies
- Developing and implementing strategies educating and updating elected and appointed officials and governmental agencies on policy priorities and the importance of the Houston Ship Channel

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Economic Analysis

While only in existence for one year, this department has already made significant contributions to the organization by providing valuable information to internal departments and management to assist them with decision-making. For example, Economic Analysis developed long-term forecasts for containers, steel and general cargo which were used for the 2012 Strategic Initiatives developed by the staff. The “Economic and Market Report” was produced, which contains a detailed summary of the health of the national, state, and local economies as well as information about the Port Authority’s key commodities. These reports were circulated to various Port Authority stakeholders. Additionally, the department produces data and reports on demand. In summary, internal departments are actively and effectively utilizing the department’s reports and other products, which demonstrates the effectiveness of the department.

Communications

In 2010, the Communications staff produced 75 press releases and news alerts, one Sustainability Report, six issues of the bimonthly Port of Houston magazine, twelve issues of the monthly *Port Report* e-newsletter, three issues of *Dock Dispatch*, the Port Authority’s employee newsletter, and 100 executive speeches and PowerPoint presentations.

In 2010, the department received awards from its peers for two publications:

- 2009 *The Port of Houston* magazines
 - Public Relations Society of America-Houston Chapter, Silver Excalibur
 - International Association of Business Communicators (“IABC”)-Houston Chapter, Bronze Quill
 - American Association of Port Authorities, Award of Merit
- 2008 Annual and Environmental Report
 - IABC-Houston, Award of Excellence

Community Relations

The *M/V Sam Houston* has been operating as the Port of Houston's public tour vessel since its first voyage on July 30, 1958. The tour serves to educate the public about the importance of the Port through a 90-minute trip along the Houston Ship Channel. Since January 2011, more than 4,000 people have taken

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

advantage of the public tour. During 2010, more than 15,000 people participated in the public tour. In 2010, the Houston Press named the *M/V Sam Houston* the “Best Window into the Oil Industry.”

Additionally, in 2010 the Port Authority’s community volunteers – the Port SupPORTers – had 160 employees volunteering more than 2,700 hours to Port Authority’s Community Programs which included giving more than 100 units of blood through the Gulf Coast Regional Blood Center (equivalent to saving 300 lives in the Houston region) and participating in the 2010 Combined Charities Employee Campaign, which raised nearly \$45,000, benefiting community organizations including the United Way of Greater Houston, Community Health Charities of Texas, the Boys and Girls Harbor and EarthShare of Texas, among other organizations. For this initiative, the Port Authority received the 2010 Ray of Hope Award for Employee Giving by Community Health Charities of Texas.

An example of additional local support in 2010 is the Port Authority’s partnership with the city of La Porte in a citywide Don’t Mess with Texas Trash-Off on April 2, 2011. The Port Authority brought volunteers, including students and teachers from the Port Authority’s partner school, Port Houston Elementary, to pick up trash and recyclables. The volunteers removed a total of 146 large bags of trash.

Finally, the Community Relations Department was a primary driver of one of the Port Authority’s most significant community programs – the Bayport Mitigation Solution Program.

As part of its ongoing commitment toward being a responsible and responsive neighbor, the Port Authority unveiled its Bayport Mitigation Solution program in March 2010. This program was the result of a series of sound mitigation efforts initiated by the Port Authority, and based on a comprehensive independent study of neighborhood sound impacts.

The Port Authority’s program provided the owners of 411 residential properties (in an area defined by the results of the study) the opportunity to apply for a mitigation payment in return for granting the Port Authority an impact easement.

As of April 2011, a total of 278 applications were received from eligible property owners interested in participating in the program, representing 78% of all owners in the program boundary area. 97% of these have closed, resulting in total mitigation payments of over \$9.5 million

Government Relations

The Port Authority has a wide variety of policy issues at the federal, state and local levels of government. The efforts of the Government Relations Department have helped to ensure success or progress in these priorities. Specifically, a top priority is securing the necessary federal resources to maintain the Houston Ship Channel. Through outreach to the Administration and Congress, the Port Authority has been successful in maintaining relatively stable funding levels in recent years during a period of significant pressures on the federal budget. For example, the President’s Budget has increased its proposed allocation to the Houston Ship Channel from \$20 million to \$23.3 million from FY 2010 to FY 2012, while many waterways were reduced or cut altogether. In addition, the Port Authority secured \$98.8 million for the channel in the American Recovery and Reinvestment Act of 2009.

In the Texas Legislature, the Port Authority was successful in securing language in the eminent domain reform legislation protecting its ability to retain and appropriately use this authority.

The Government Relations Department conducts over 50 briefings/tours for elected officials, appointed officials and other stakeholders from local communities as well as from across the state and country, to highlight Port of Houston operations, economic impact, environmental stewardship and port security.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Economic Analysis

This department was created through an initiative by the current CEO to facilitate and support more informed decision making and long-term strategic planning for Port Authority's operations. Initially created as a stand-alone department, Economic Analysis was merged with the previously-named Public Affairs Division when its Vice President was placed in charge of both entities.

Communications

The Port of Houston magazine has been published since 1923, making it one of the state's oldest trade publications and perhaps the oldest general interest publication of any Texas state agency. The magazine is published bimonthly and serves as a tool for building, maintaining, strengthening and reinforcing positive impressions of the Port Authority. Its distribution consists primarily of Houston and Texas decision makers, business leaders, elected officials, news media, environmentalists, and community leaders as well as customers from around the world. For additional information, please refer to the Attachments on page 201.

Community Relations

Developing community partnerships in the region has long been a goal, but the Port Authority has developed a more strategic approach in support of activities and organizations that are within or near the operational footprint, while continuing to develop and maintain good relationships with surrounding communities. Specifically, the Port Authority developed and initiated a 2012 Strategic Plan that provides a greater and more prominent profile to this commitment through the Port Authority's core values. In addition, support of educational initiatives is more concentrated on maritime, science and math education.

Government Relations

The first internal staff was hired in 1988 to complement the outside consultants hired to represent the Port Authority in Washington. Government relations staff now includes two employees and additional consultants have been added, to assist with policy priorities both at the federal and state levels.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Economic Analysis

The beneficiaries and consumers of Economic Analysis products/reports are various entities within the Port Authority including Strategic Planning, Operations, Origination, as well as Port Commissioners and executives. The materials are also available to other maritime stakeholders.

Communications

Internal stakeholders consist primarily of Port Commissioners, Port Authority employees and affiliated agencies. External stakeholders include the general public – primarily Harris County residents; public officials, maritime industry interests, international trade principals and members of the news media.

Community Relations

Internal stakeholders consist of the Port Commission and all Port Authority employees. Externally, the Community Relations Department works with numerous stakeholders including Port Authority

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

customers, business organizations, non-governmental organizations (“NGOs”), government entities, local authorities, media, educational institutions, local communities, partner industries, suppliers, and consumers.

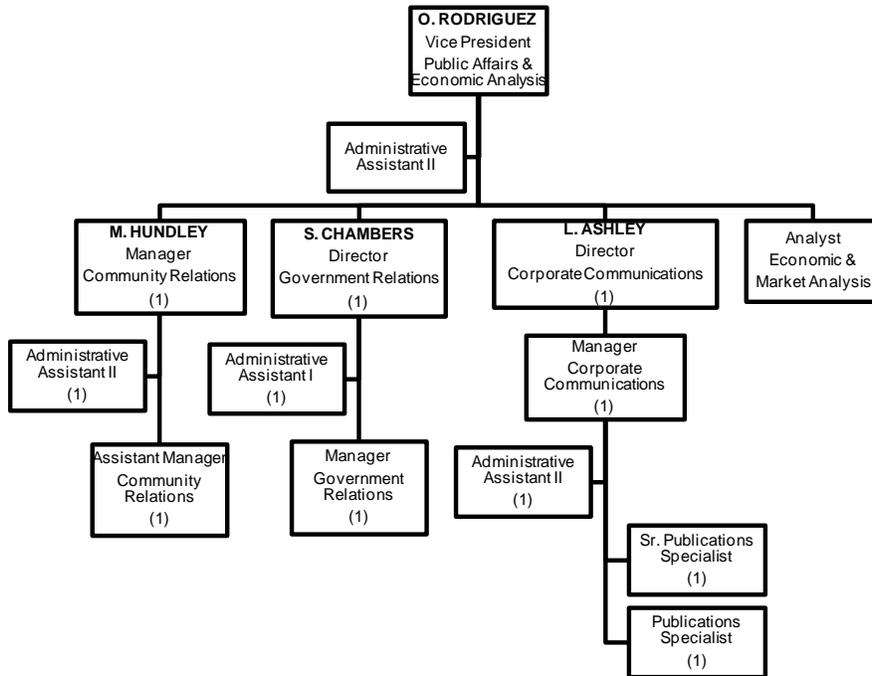
Government Relations

The policy priorities of the Port Authority impact the entire Port of Houston, particularly with regard to securing federal appropriations for the U.S. Army Corps of Engineers to maintain the Houston Ship Channel. In addition, other priorities impact regional mobility through transportation and road construction policies and efforts. The Port Authority is also accountable to the state of Texas through its operating statutes as well as the local entities which appoint the members of the Port Commission including the City of Houston, Harris County, City of Pasadena, as well as the other cities located along the Houston Ship Channel.

For additional information, please refer to Section X on page 181.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Public Affairs & Economic Analysis Division (7/21/2011)



Economic Analysis

This newly created department’s work flow comes from its charge to provide ongoing analysis and forecasts of the regional maritime economy. The executive management of the Port Authority directly receives much of the department’s work product in addition to requesting specific data for special or focused projects.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Communications

Communication related inquiries including videotaping, photography, interview requests, speaker presentations, and crisis communications emergency response management are managed through the Communications Department. This department also works with various divisions to determine editorial content for collateral materials, branding, advertising and messaging.

Community Relations

The Community Relations Department's aim is to apply Port Authority efforts and resources to the communities most affected by the agency's operations. These are generally communities located directly on the Houston Ship Channel or near Port Authority operations, and include Baytown, Deer Park, Galena Park, Houston, Jacinto City, La Porte, Morgan's Point, Pasadena, Seabrook and Shoreacres. Efforts in these communities may include fostering maritime commerce, economic and workforce development, environmental awareness, community vitality, and safety and security. Initiatives are developed that maximize resources and provide the greatest impact.

Many efforts are funded through the Port Authority's Promotion and Development ("P&D") Fund. These funds are allocated based on requests received directly from the communities or through Port Authority developed programs. Fund distribution is supervised by the Port Commission Small Business and Community Development Task Force and requires approval from the Vice President of Public Affairs & Economic Analysis, the CEO, and the Port Commission Chairman. For additional information on the P&D Fund, please refer to Section V, Question D on page 40.

Government Relations

The Government Relations Department takes direction from the Port Commission and agency officers in identifying policy issues and developing implementation strategies. There is also regular communication between the department and the two federal and six state legislative consultants on policy priority developments and efforts.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Public Affairs & Economic Analysis Division is considered a "general and administrative" entity. It is allocated funds from the Port Authority's annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

Communications receives partial funding in advertising sales revenue generated by the magazine (\$44,297 in 2010).

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internally, the Community Relations Department and the Small Business Division have similar activities through its local chamber of commerce service agreements and Maritime Academy programs.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not Applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Economic Analysis

The department has an ongoing research-based relationship with the Federal Reserve Bank of Dallas, Houston Branch.

Communications

Federal, state and local elected officials, agencies and other government entities receive copies of publications produced by the Communications Department.

Community Relations

Much of the department's interactions are with officials and organizations within communities directly on the Houston Ship Channel or are near Port Authority operations including Baytown, Deer Park, Galena Park, Houston, Jacinto City, La Porte, Morgan's Point, Pasadena, Seabrook and Shoreacres.

Government Relations

It is a core function of the Government Relations Department to interact with any and all government entities. Below is a list of the agencies or governmental entities at each level of government with the most regular contact with the Port Authority as well as a general description of the relevant issues:

- **Federal** – Relevant issues include, but are not limited to, appropriations, port security, trade and environment. The list of federal entities includes, but is not limited to, the U.S. Congress, White House (e.g., Office of Management and Budget), U.S. Army Corps of Engineers, U.S. Department of Transportation, U.S. Department of Commerce, U.S. Department of Homeland Security, U.S. Coast Guard and U.S. Customs and Border Protection.
- **State** – Relevant issues include, but are not limited to, navigation district powers and duties, transportation policy and environmental matters. The list of state entities includes, but is not limited to, the Texas Legislature, Texas Governor, Texas Department of Transportation, Texas Commission on Environmental Quality, Texas Department of Agriculture and Texas Comptroller of Public Accounts.
- **Local** – Relevant issues include, but are not limited to, ordinances affecting port operations, economic development and transportation policy. Additionally, these entities have the responsibility of appointing the members of the Port Commission. They include Harris County, the City of Houston, City of Pasadena, and ship channel area communities (Baytown, Deer Park, Galena Park, Jacinto City, La Porte, Morgan's Point, Seabrook and Shoreacres).

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$2,805,712

Number of Contracts Accounting for Expenditures: 142

Summary of General Purpose of Contracts: Website development and maintenance, production of collateral materials, preparing executive presentations, media placement of public awareness advertisements, and federal and state legislative consulting.

Methods used to ensure accountability for funding and performance: Contracts and professional services agreements are reviewed during the annual budget process and at other times for performance and possible changes to contract terms.

Current Contracting Problems: None

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Economic Analysis Department was established in June 2010. The department's objectives include helping the Port Authority expand its business opportunities and make strategic business decisions.

The Port Authority is on the cutting edge of major ports by establishing its own economics department. Below is a list of how other ports handle this function, if at all:

- Port Authority of New York and New Jersey has an Economic Division as part of its Planning & Regional Development Department. It employs Ph.D. economist Alexander Heil as well as a small research staff.
- The following ports perform economic analysis functions in another department
 - Port of Los Angeles, Planning and Economic Development Division
 - Port of Long Beach, Master Planning Department
 - Port of Virginia, Economic Development Department
 - Port of Savannah, Marketing and Business Development Department
- All other major U.S. ports depend on consultants for economic functions (based on information available).

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

Not Applicable.

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

Not applicable.

10. Human Resources

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Human Resources Division	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Melanie Sherman, Vice President - Human Resources	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$4,706
	Capital Expenditures	—
	Total Expenditures	\$4,706
Number of FTEs as of August 31, 2010	8	

B. What is the objective of this program or function? Describe the major activities performed under this program.

The mission of the Human Resources (“HR”) Division is to support and influence the strategic direction of the Port Authority by retaining highly qualified employees who are motivated to produce results and who are interested in continuous improvement. HR has the responsibility of managing the following areas:

- Administering salaries and performance reviews for all employees
- Administering benefits for all active, retired and disabled employees
- Developing and training of staff to enhance employee’s knowledge, skills and abilities
- Developing and administering policies and procedures to comply with federal regulations pertaining to employment law
- Managing staffing requirements necessary to meet department and agency needs
- Processing all personnel actions including, but not limited to, new hires, retirements, salary changes, promotions, transfers, resignations, terminations, title changes, etc.
- Coordinating employee and retiree special events

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Salary Administration: The compensation program is designed to allow employees growth within their respective position over a period of time. The Port Authority’s practice is to pay employees at the midpoint of the market range relative to their skills and experience, and review positions for internal and external equity either through benchmarking within the organization or through leading compensation survey data when available. Positions are reviewed every two years (or more frequently when necessary) to ensure that proper information is reflected in the job description. Salary ranges are reviewed annually and are adjusted based on market information as necessary.

Benefit Administration: The Port Authority prides itself in the benefit programs offered to their employees and retirees. It has been noted by new and former employees that the benefit package offered by the Port Authority plays a major role in their employment decision, and most current employees agree

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

that it is a major factor in their retention at the Port Authority. Separately, the implementation of a wellness program in conjunction with our health plan has reduced health claims and increased attendance.

Training & Development: Staff development is developed and administered utilizing a blended approach of online and/or instructor-led training. The online training program allows employees to participate in self-study e-learning which, according to Corporate Learning Factbook, better addresses the learning needs of the younger worker. This places training at the employee's fingertips 24/7. Over half of all companies are using a virtual classroom tool, and between 20% to 30% are using application simulation and rapid e-learning tools. Instructor-led training programs continue to provide the hands-on, face-to-face contact for those courses that are more effectively presented using this format.

Staffing: HR works closely with management throughout the Port Authority to recruit and fill vacant positions. Applications average over 2,500 per year for job openings, with an average of 50 days to fill vacant positions. The turnover rate has averaged less than 8% over the last five years.

Personnel Actions: HR is responsible for timely and accurate data input related to all personnel changes including, but not limited to, new hires, retirements, salary changes, promotions, transfers, resignations, terminations, title changes, and benefit changes. These changes are made within the internal HR/Payroll system and external systems (e.g., insurance company online service, etc.).

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Not applicable.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

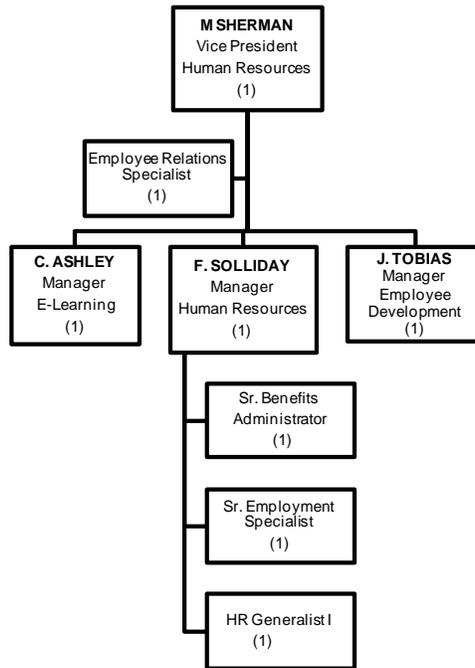
HR affects all active employees, disabled employees, retirees and job applicants of the Port Authority. The breakdown as of December 31, 2010 is as follows:

- Full Time Active Employees 592
- Casual Part Time Employees 4
- Disabled Employees 16
- Retired Employees 266
- Job Applicants 2,543

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Human Resources Division (7/21/2011)



The HR Department offers programs and services as follows:

Employment: The process of filling vacancies is managed by an established hiring practice. It begins with the hiring manager notifying HR with a request to fill a vacant position. The Senior Employment Specialist reviews the job description with the hiring manager prior to advertising. All positions are posted “in-house” for current employees for 5 business days. Certain positions will also be given to placement agencies and posted on the Port Authority website. All applicants are screened initially by HR. Applicants who meet minimum qualifications are referred to the hiring manager for interview selections. Interviews are set up by the Senior Employment Specialist. Once an applicant is chosen, the hiring manager and the HR management team agree to the salary, based on experience. Applicants selected for hire are subject to background checks and if approved, are then sent for pre-employment drug testing. Depending on the position the applicant may also be required to undergo physical and psychological testing. Job offers are made by HR and the entire process is tracked in the HR information system.

Benefits: The benefit processes are administered by the Senior Benefits Administrator. All benefit plans are managed according to contract and policy. Summary plan descriptions are available for all employees and provided through the Port Authority web-based SharePoint site. New hires are allowed to enroll in benefits within the first 31 days of employment. Current employees are allowed to make changes to any and all benefit plans during open enrollment which takes place in December of each year for a February 1 effective date. All enrollments are processed through the HR information system, which is linked to payroll, and additionally data is entered into each insurance carrier’s client websites.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

The defined benefit retirement plan is administered through HR with Compass Bank serving as Trustee. The Port Authority's actuary, Milliman Inc., is responsible for benefit calculations and all pension-related activity such as GASB 45 and OPEB matters. Gregory W Group is the Port Authority's pension consultant, advising on the asset allocation and investment policy and is the liaison for the pension plan's investment managers. The Port Commission Pension Task Force oversees the plan design and ensures compliance with the plan.

The 457 Deferred Compensation plan is administered through Nationwide. HR, supervised by the Pension Task Force, is responsible for overseeing the overall plan design.

Compensation: The compensation program is managed by the HR Manager. The program is reviewed annually for internal equity and external market data to ensure positions are slotted appropriately within the structure and salary ranges are adjusted based on market data. Recommended changes are proposed to and approved by the CEO. The program consists of employee transfers, promotions, title changes, etc. In addition, the program is used as part of employee performance-based management. All compensation records are maintained within the HR information system, as well as personnel files. Annual performance reviews as well as probationary reviews are administered through HR.

Employee Relations: HR offers assistance to management and employees to manage conflict within the workplace. Policies are administered to ensure consistency in personnel practices, and a grievance procedure is in place to help resolve conflict. HR conducts supervisory training held on a regular basis for new supervisors.

Records: HR is responsible for the maintenance and administration of personnel records. Records are kept electronically within the current HR information system, ePersonality. Paper files are also maintained for all employees and retirees.

Training & Development: The Training & Development Department established an online training program offering instruction for all levels of employees through an electronic Learning Management System ("LMS") hosted by SkillSoft Corporation during 2010. An online tracking system tracks both e-learning and instructor-led training. The training software also allows for record tracking of online courses taken and completed, as well as classroom training and off-site training classes.

The Training & Development Department is responsible for tracking and ensuring compliance with the Port Authority's training policy:

- All management staff (including Sr. Vice Presidents, Vice Presidents, directors, and department managers) is required to complete a minimum of 40 hours of training per calendar year
- All other managers and supervisors are required to complete a minimum of 24 hours of training per calendar year
- All non-management employees are required to complete a minimum of 8 hours of training per calendar year

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Human Resources Division is considered a “general and administrative” entity. It is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31.

Employee benefit programs are partially funded by employee contributions to premiums. The Port Authority Van Pool program is partially subsidized by the Metropolitan Transit Authority of Harris County (“METRO”) and employee contributions.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

None.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency’s customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Not applicable, however, HR communicates with other local entities such as the City of Houston, Harris County and METRO to share information regarding human resources administration and practices.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$10,766,099

Number of Contracts Accounting for Expenditures: 31

Summary of General Purpose of Contracts: The largest HR expenditures relate to life, medical, dental, vision, and supplemental insurance policy contracts and a benefit consultant. Many of these costs are allocated to other divisions, which explains why the above figure for contract expenditures exceeds the actual 2010 expenditures of \$4.7 million as reflected in Question A for this division. In addition, this

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

division has contracted expenditures relating to employee training programs (includes software and materials), employee service recognition programs, and employee special events.

Methods used to ensure accountability for funding and performance: All contracts are administered in compliance with the Port Authority benefit programs and insurance carrier plans. For employee training-related expenditures, surveys are conducted by participants after each on-site training session to provide feedback for any necessary changes.

Current Contracting Problems: None

The Port Authority also had 12 contracts worth \$728,850 for pension advisors and consultants, investment manager fees, auditor, and administrative fees, which were paid from plan assets and are not included in the above contract expenditures amount.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The following information can be provided for review:

- Employee handbook
- HR/Payroll system reports
- Insurance plan agreements
- Summary Plan Descriptions
- Training materials
- Budget information
- Procurement information

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

11. Executive

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Executive Division/CEO's Office	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Anita Hayes, Executive Assistant	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$1,251
	Capital Expenditures	_____
	Total Expenditures	\$1,251
Number of FTEs as of August 31, 2010	3	

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Chief Executive Officer (“CEO”, also referred to in state statutes as the Executive Director or general manager) provides leadership and direction to ensure that the Port Authority meets its vision, mission, and objectives established by the Port Commission. The CEO is responsible for ensuring sound ethics and fiscal management for the Port Authority, consistent with local, state and federal laws and best public practices.

The CEO acts as Secretary of the Port Commission and keeps the minutes of Port Commission meetings and furnishes copies to the Port Commission and others. In addition, the CEO acts as Secretary to the Board of Pilot Commissioners, administer the rules and regulations adopted by the Pilot Board, and performs the other duties of such officer.

Additionally, if elected by the Board of Directors of the Port Development Corporation, the CEO acts as President of the Port Development Corporation and performs the duties of such officer.

As directed by the Port Commission, major activities include:

- Managing the operations, work, activities and affairs, and properties and facilities of the Port Authority
- Employing, supervising and discharging employees, establishing positions and salaries for employees, and authorizing other persons to act on his behalf
- Collecting the revenues and moneys due to the Port Authority and depositing them to the accounts of the Port Authority
- Making purchases and entering into contracts
- Administering the Port Authority’s relations with public and private bodies, agencies, and associations, and serving such entities in capacities as directed by the Port Commission or required in connection with discharge his duties
- Making reports to the Port Commission and other authorities as the Port Commission directs, or as required in connection with discharge of his duties

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Keeping and maintaining records, accounts, books, files, and papers of the Port Authority, except those pertaining to the duties and functions of the Harris County Treasurer, Harris County Auditor, and Harris County Tax Assessor and Collector
- Signing and delivering on behalf of the Port Authority, agreements, deeds, leases, month-to-month rental agreements, licenses, franchises, permits, minutes, notices, accounts, receipts, invoices, warrants, requisitions, vouchers, checks, records, and other instruments, as required in the lawful and proper discharge of his duties, as may be approved or as directed by the Port Commission, or otherwise pursuant to applicable law
- Performing all other duties of the CEO, executive director and general manager of the Port Authority as directed by the Port Commission and required by law

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Under direction of the Port Commission, the CEO is ultimately responsible for all aspects of the agency. Further details on the agency's overall effectiveness and efficiency are reflected in the performance metrics reported in Section II, Question J on page 17.

Since the CEO joined the Port Authority in 2009, the following activities have occurred:

- The CEO worked with staff to develop monthly cash liquidity status reports, and multi-year forecasts for staff use
- The CEO introduced new Strategic Initiatives workshops: though the initiatives themselves have not been voted on or approved as a whole by the Port Commission, staff preparation for these workshops has focused staff on potential short-term and long-term actions that contribute to our mission

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Prior to the time the current CEO joined the Port Authority in September 2009, the Executive Office was led by the Executive Director that reported to the Port Commission. In addition, a Managing Director reported to the Executive Director. In December 2009, the position of Managing Director was eliminated, and the position's responsibilities were reallocated among the CEO and Vice Presidents.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Chief Executive Officer observes and conducts the following relationships:

- The CEO is accountable to the Port Commission for the proper interpretation and fulfillment of his functions, responsibilities and authority, and relationships
- The CEO selects and coordinates the operations and activities of the Port Authority Vice Presidents, and secures their advice and assistance in formulating overall objectives, plans and programs, and stands ready to render them advice and support

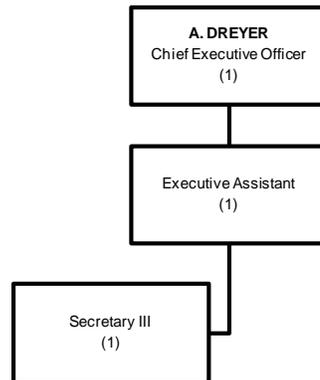
PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- The CEO engages in activities with representatives of government, industry, labor, public service organizations. These activities are necessary and/or desirable in the best interest of the Port Authority
- The CEO coordinates the operation and activities of the Port Authority to place emphasis on promoting economic development and foreign trade
- The CEO conducts such other relationships as the Port Commission may specify or as he may deem advisable in the best interest of the Port Authority

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The CEO reports directly to the Port Commission and performs all duties as directed by the Commission and required by law. All Port Authority Officers report to the CEO and follow his direction.

Executive Office Division (7/21/2011)



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Executive Division is considered a “general and administrative” entity. It is allocated funds from the Port Authority’s annual operating budget, with funding sources as described in Section V on page 31.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

None.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Not applicable.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$72,375

Number of Contracts Accounting for Expenditures: 6

Summary of General Purpose of Contracts: The contracted expenditures related to the Executive Office are administrative and non-material.

Methods used to ensure accountability for funding and performance: Not applicable.

Current Contracting Problems: None

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

12. Small Business

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Small Business Division	
Location/Division	111 East Loop North, Houston, TX 77029	
Contact Name	Gilda Ramirez, Vice President - Small Business	
Actual Expenditures, FY 2010 (in thousands)	Operating Expenses	\$1,182
	<u>Capital Expenditures</u>	<u> -</u>
	Total Expenditures	\$1,182
Number of FTEs as of August 31, 2010	8	

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Port Authority’s Small Business Development Program (“SBDP” or the “Program”) was created to provide additional opportunities for local small businesses to participate in contracting and procurement at the Port Authority. By formalizing existing practices and implementing new procedures, the SBDP allows the Port Authority to produce more effective small business participation and create opportunities relating to the Port Authority contracting and procurement.

Key Features of the Small Business Program:

The SBDP is a goal-oriented program, requiring contractors who receive contracts from the Port Authority to use good faith efforts to use certified small businesses. The Program applies to all contracts over \$50,000, except contracts for sole-source items, federally funded contracts, contracts with other governmental entities, and those contracts that are otherwise prohibited by applicable law or expressly exempted by the Port Authority. The SBDP is a race and gender neutral program open to all certified small businesses located in the greater Houston area.

The Port Commission establishes an annual goal for small business participation at the Port Authority, which is at 35% percent of the dollar amount of all SBDP-eligible contracts and procurement. However, individual contract goals will vary based on subcontracting opportunities, availability of small businesses, and price competitiveness. The SBDP has clear guidelines for counting small business participation, and applies safeguards to Program prevent abuse. Requirements for small businesses certification are listed below.

The SBDP incorporates several procedures to help implement the Program which are designed to maximize its success. These include:

- Utilizing small business advisors to assist small businesses and contractors by providing information, assistance, and support
- Reducing the size of contracts, when feasible, to allow small businesses a better opportunity to compete
- Assisting small businesses in obtaining insurance and surety bonds when possible

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- Strongly encouraging joint ventures and/or alliances among small businesses and larger firms
- Assisting in developing a mentoring program for small business owners with appropriate private sector businesses and individuals
- Requiring prospective proposers to provide written assurance of small business participation in their proposals
- Providing workshops and training sessions on issues frequently encountered by small businesses during the proposal process and generally while doing work at the Port Authority
- Maintaining an updated small business directory and source list(s) to help identify qualified and available small businesses
- Maintaining information on the SBDP, proposals, and other opportunities to do business with the Port Authority on the Port Authority website

The SBDP requires good faith efforts by contractors to use small businesses in contract performance and has procedures in place to determine whether contractors are meeting this requirement. Contractors are required to document efforts to obtain small business participation. A contract award may be denied or an existing contract may be terminated for the contractor's failure to use good faith efforts.

The Port Authority may impose sanctions on a contractor or small business that failed to make good faith efforts or failed to comply with the required procedures of the SBDP. Due process procedures are in place to provide an opportunity for a hearing to any contractor or small business facing sanctions, including an appeals procedure. The SBDP also provides dispute resolution procedures for decisions relating to the implementation of the Program.

The SBDP is implemented in a nondiscriminatory manner, and contractors and small businesses are prohibited from discriminating in the operations of the Program based on race, sex, religion, national or ethnic origin, age, or disability. Discrimination in selecting or utilizing small businesses may subject the contractor or small business to disqualification from future contracts with the Port Authority.

The Port Authority monitors the progress of the SBDP, reviewing participation reports, community input, recommendations, and operational efficiency. Quarterly reports are made to the Port Commission addressing the number of contracts awarded to small businesses, general categories of contracts, and dollar value of contracts.

The Port Authority seeks input from the Port Authority Small Business Advisory Council comprised of representatives of small businesses, contractor associations, minority business groups, women-owned business groups, community organizations, and other governmental units in evaluating the Program's effectiveness and operations.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Since the inception of the SBDP in 2002, more than \$333 million in contracts have been awarded to small business, prime and subcontractor totaling 41 percent of all eligible Port Authority contracts. 1,284 companies are currently registered in the SBDP. Registered small businesses receiving Port University training from 2003 to 2009 have been awarded \$11.8 million in contracts.

The SBDP provides training and development initiatives to vendors at no cost or minimum cost. Current

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

training initiatives include Port University, monthly Small Business Networking Forums, Small Contractors Training Series, the Port Authority Contractors Forum, Turner School of Construction, and one-on-one sessions. New training initiatives with established partnerships include the interagency “Guiding Protégés to Success” (“GPS”) Program, Women’s Business Enterprise Alliance, Houston Minority Supplier Development Council, University of Houston Small Business Development Center, Texas Business Alliance, SCORE, Silver Fox Advisors, and “What Next” forums.

Below are some additional benefits extended to firms registered in the SBDP:

- Awarding points to approved small businesses for their status and meeting small business goals on projects during the Port Authority’s evaluation process for ranking and evaluating Competitive Sealed Proposals
- Participation in community-based events for small, minority-and women-owned businesses
- Participation in the Port Authority sponsored small business events
- Participation in the Program’s mentoring initiative
- Participation in various training and development initiatives at no cost or minimal cost to vendors
- Encouragement of joint ventures, alliances, and mentoring relationships among small and large businesses and individuals

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.
--

2001 The 77th Texas Legislature approved an amendment to the Texas Water Code, Chapter 60 to allow Navigation Districts to procure services and products under the Education Code, which allowed for the creation of the Small Business Program.

2001 The Port Commission approves the creation and development of the SBDP. Program policies and procedures are approved.

2001 The Port Commission approves the formulation of the Port Authority Small Business Task Force to oversee the development and implementation of the program.

2002 The Port Commission approves formal adoption of the SBDP and its implementation for contract requirements beginning May 1, 2002.

The Port Commission approves the development of the Port Authority Small Business Advisory Council to assist with the SBDP by providing an independent assessment of the Program's operations and by assisting in refining its goals, procedures, and operations

Members of the Advisory Council are appointed by the Port Commission in conjunction with the Small Business Development Task Force, from representatives of small businesses, contractor associations, minority business groups, women-owned business groups, community organizations, and other governmental units.

2003 The Program holds its first Port University class.

2007 Industry leaders and the Port Authority collaborate to identify opportunities for workforce development and job creation through educational opportunities.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- 2009** The Small Business Division partners with the Houston Independent School District to implement a maritime academy program at two local high schools.
- 2009** The Small Business Division partners with Texas Southern University in the development of an undergraduate degree program in Maritime Transportation and Security.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The SBDP affects the 1,284 companies that are currently registered in the Program and all small businesses that apply. The Program requires prior certification of a small business in order to count the participation of that small business toward program goals. Qualifications and eligibility requirements are listed below:

Program Qualifications

Participation in the SBDP is open to all certified small businesses located in Greater Houston and the surrounding areas including Harris, Galveston, Fort Bend, Montgomery, Waller, Liberty, Chambers and Brazoria counties.

A small business must not exceed the applicable industry size standards set forth by the Small Business Administration in the code of Federal Regulations, Title 13, Part 121 (www.sba.gov/size/). The owner's net worth must not exceed \$750,000 excluding principal residence and the assets of the small business.

Eligibility Requirements for Certification

To be eligible for certification as a small business, each applicant must do the following:

- Demonstrate that the firm's gross revenues or number of employees averaged over the past three years does not exceed the size standards as defined pursuant to Section 3 of the Small Business Act and 13 C.F.R. §121.201
- Demonstrate that the net worth of each small business owner does not exceed \$750,000, exclusive of principal residence and the value of the small business
- Sign a Port Authority application form certifying that the net worth of the applicant falls within the SBDP guidelines
- Demonstrate a significant local business presence (this provision requires that the small business have an established place of business in one or more of the counties of Harris, Galveston, Fort Bend, Montgomery, Liberty, Waller, Chambers, or Brazoria, Texas)

Certification Process

- To be eligible to participate in the SBDP, a small business must have certification of its small business status (certifications may be obtained from public and private agencies that certify small businesses)
- The small business must complete an application form and provide it to the Port Authority, accompanied by a copy of the small business's certification
- The Port Authority does not represent that any particular agency employs the same definition of "small business" as that used by the Port Authority and it is the responsibility of the applicant to choose an agency for certification that uses the Port Authority's definitional criteria for small business

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- The Port Authority recognizes certification by private agencies on behalf of governmental units (e.g. City of Houston)
- Whether certification is from a governmental agency (e.g., METRO, Small Business Administration, etc.), or a private agency (e.g., Women's Business Enterprise Alliance, Houston Minority Supplier Development Council, etc.), the Port Authority has the right to revoke acceptance of a business as a certified or qualifying small business or to conduct certification reviews in accordance with the SBDP
- Once an application is approved by the Port Authority staff, the small business is considered a SBDP-certified
- The Port Authority denies certification to any applicant that is a pass-thru business

Recertification Requirement

A small business application is valid through the certification date provided by the certifying agency. To reapply, a business must submit a renewal application and evidence of continuing eligibility and certification.

Revocation

The Port Authority may revoke a previously approved application if it determines that the business does not meet the definition of a small business, or if the business fails to provide requested information in connection with an application review conducted by the Port Authority. The Port Authority may also revoke a previously approved application if it determines that the small business is operating as a pass-thru business. If a question arises regarding certification, the Port Authority will continue to count the previously certified small business as a SBDP-Certified Small Business until the business's small business certification expires or is officially revoked.

Certification Reviews

The Port Authority conducts random certification reviews of certified businesses by auditing them to verify that the information submitted by the business is accurate and that the business remains eligible after certification has been granted. An application approval is subject to revocation if it is determined that a business does not qualify as a SBDP-Certified Small Business under the terms of this Program.

Limitations

Except upon a finding of good cause by the Port Authority, a firm is no longer eligible to participate in the SBDP after being enrolled for nine (9) years. In determining whether good cause exists to extend a firm's participation SBDP beyond nine (9) years, the Port Authority may review all relevant factors (such as amount of business previously received by the firm, capacity of other small businesses to provide similar goods or services, impact on existing or potential Contracts, opportunity for other small businesses to compete, best interests of the Port Authority, etc.).

Graduation Provisions

The Port Authority may graduate a small business from eligibility as a SBDP-Certified Small Business. Once graduated, a small business may still contract to work on the Port Authority projects, but its participation will not be counted toward satisfaction of SBDP goals. A small business will be graduated from SBDP if:

- The small business' gross revenues or number of employees over a 3 year period exceeds the size standards as defined pursuant to Section 3 of the Small Business Act and 13 C.F.R. § 121.201
- The net worth of any owner of the small business exceeds \$750,000, exclusive of principal residence and the value of the small business
- The small business is graduated by the certifying agency because of changes in size standards of

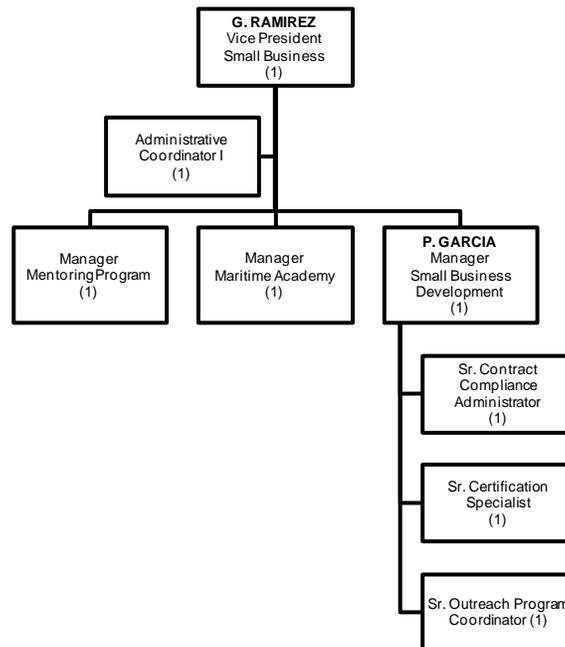
PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

- the small business (inclusive of affiliates) or net worth of each owner
- The small business has participated in the SBDP for nine years (and the Port Authority has not approved an extension of participation based on good cause)

Decisions by the Port Authority regarding certification, revocation, limitations, and graduation are subject to the dispute resolution procedures of the SBDP.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Small Business Division (7/21/2011)



Program Enrollment Process

1. Companies will be required to register on-line in the Port Authority's Vendor Information System ("VIS") by going to www.portofhouston.com.
2. Firms are required to submit the company's certification from any one of the certifying agencies which include: City of Houston, METRO, Houston Minority Supplier Development Council, and Women Business Enterprise Alliance. The Port Authority is not a certifying entity, but only recognizes certifications from those agencies listed above.
3. Firms must complete and submit the Port Authority's Small Business Program Application.

Application Review

Upon the review and approval of the documentation and registration in VIS by the Port Authority Small Business Division staff, the firm receives a letter and certification acknowledging its acceptance into the program.

The Port Authority staff may reject applications if not satisfactorily completed, or the applicant does not

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

meet the requirements of the definition of a small business, the application contains false information, the applicant does not provide the information required in connection with the application review, the applicant's small business certification expires less than forty five (45) days from the date of the application, or the small business participant is de-certified by certifying agency.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Small Business Program is considered a "general and administrative" entity. It is allocated funds from the Port Authority's annual operating budget, with funding sources as described in Section V on page 31. Certain physical security projects may be funded by FEMA and/or Homeland Security grants, with partial match from Port Authority funds. Capital expenditures may also be funded from issuances of ad valorem tax bonds.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

- City of Houston, Office of Small Business Opportunity - certifying agency
- Metropolitan Transit Authority of Harris County ("METRO") - certifying agency
- University of Houston Small Business Development Office - non-certifying agency
- Houston Community College - non-certifying agency
- Houston Independent School District - non-certifying agency
- State of Texas HUB Program - non-certifying agency

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

To be eligible to participate in the SBDP, a small business must have certification of its small business status. Certifications may be obtained from public and private agencies that certify small businesses. In addition, the Port Authority may offer the opportunity for certification by independent third-party agencies.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Small Business Division currently is working with the City of Houston, METRO, and HISD on an Interagency Guiding Protégés to Success ("GPS") program. This is the first collaboration between the four public agencies and teams up small businesses (protégés) with larger businesses (mentors).

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2010 Contract Expenditures: \$12,598

Number of Contracts Accounting for Expenditures: 11

Summary of General Purpose of Contracts: The Small Business contracts are primarily administrative and non-material.

Methods used to ensure accountability for funding and performance: Not applicable.

Current Contracting Problems: None.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

No additional information at this time.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

Not applicable.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable.

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2007 – 2011, or earlier significant Attorney General opinions, that affect your agency’s operations.

Port of Houston Authority Exhibit 13: Statutes/Attorney General Opinions	
Citation/Title	Authority/Impact on Agency
Texas Water Code	
Water Code, Chapter 60 – Navigation Districts, General Provisions	Describes various powers and authorities of navigation districts
Water Code, Chapter 61 – Navigation Districts	Navigation district creation, set up and organization, and powers and duties – applicable to navigation districts organized under Texas Constitution, Article III, Section 52, including the Port Authority
Water Code, Chapter 62 – Navigation Districts	Additional navigation district creation, set up and organization duties – applicable to navigation districts organized under Texas Constitution, Article XVI, Section 59, including the Port Authority, which acts under both sections of the Texas Constitution
Water Code, Chapter 49, Subchapter G – Audit of Districts	Establishes requirements for audits of navigation districts
Water Code, Chapter 68, Subchapter A – General Provisions	Authorizes formation of the Houston Ship Channel Security District
Special Laws	
Session Laws, Chapter 15, 31st Legislature (1909)	Navigation district creation (now codified in Water Code, Chapter 61)
Session Laws, Chapter 30, 37th Legislature (1921)	Authorizes navigation districts in certain municipalities to develop facilities incident to operation and development of a port; facilitated “merger” with City of Houston Harbor Board and operation of “City Docks”
Session Laws, Chapter 97, 40th Legislature (1927)	Recreates the Harris County Houston Ship Channel Navigation District (originally constituted in 1911 by voters under 1909 Act and reorganized under 1921 Act), and granted it general powers and authorities
Session Laws, Chapter 292, 40th Legislature (1927)	Grants rights, title and interest to lands around the ship channel to the navigation district

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Session Laws, Chapter 90, 49th Legislature, SB 310 (1945)	Defines the duties of the Harris County Auditor
Session Laws, Chapter 117, 55th Legislature, HB 641 (1957)	Further defines the powers and duties of the navigation district and converts it to a navigation district operating under the provisions of both Article XVI, Section 59 and Article III, Section 2
Session Laws, Chapter 186, SB 297 (1961)	Authorizes additional security for the payment of obligations
Session Laws, Chapter 42 62nd Legislature (1971)	Changes the name of the navigation district to the Port of Houston Authority of Harris County, Texas
Session Laws, Chapter 43, 62nd Legislature, HB 348 (1971)	Provides for fire fighting and fire safety regulation and further defines the navigation district's power and authority to acquire, purchase, lease, maintain and operate lands
Session Laws, Chapter 1042, 70th Legislature (1987)	Further defines the powers and duties of the Port Authority and Harris County officials and created the seven member board of commissioners
Session Laws, Chapter 1019, 71st Legislature, HB 1059 (1989)	Expands the Port Authority's authority regarding contracts
Other Texas Statutes	
Education Code, Chapter 44, Fiscal Management, Subchapter B	Procedures for purchasing contracts (adopted by reference in Water Code, Subchapter N)
Transportation Code, Chapter 55	Establishes Port Authority Advisory Committee
Transportation Code, Chapter 66	Houston Pilots Licensing and Regulatory Act, also setting forth the powers and duties of the Board of Pilot Commissioners for Harris County ports
Transportation Code, Chapter 171	Establishes the Gulf Coast Rail District
Federal Statutes	
American Recovery and Reinvestment Act of 2009 (National Clean Diesel Funding Assistance Program), Pub.L. 111-5	Authorizes grants for clean diesel projects
Container Security Initiative, 6 U.S.C. § 945 et seq.	Program to help increase security for containerized cargo shipped to the U.S. from around the world
Customs-Trade Partnership Against Terrorism, 6 U.S.C. § 961 et seq.	Defines and establishes the baseline level of security measures within the trade community
Energy Policy Act of 2005 (EPAAct), Title VII, Subtitle G (Sections 791-797)	Authorizes grants for clean diesel projects
Maritime Transportation Security Act of 2002, Pub.L. 107-295	Provides for Facility Security Plans; Facility Security Assessments and other port security measures as a result of 9/11; sets security standards for transporting cargo by marine vessels

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

SAFE Port Act (2006)	The SAFE Port Act codified into law programs to improve the security of U.S. ports, including the Port Security Grant Program
Shipping Act of 1984, 46 U.S.C. §40101 et seq.	Governs the Port Authority’s operations as a marine terminal operator
Water Resources Development Act, Public Law No: 110-114	Provides for Army Corps of Engineers projects

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Port of Houston Authority Exhibit 14: 82nd Legislative Session Chart		
Legislation Enacted – 82nd Legislative Session		
Bill Number	Author	Summary of Key Provisions
SB 18	Estes/Duncan	<p>As a navigation district created by the state, the Port of Houston Authority has the authority to exercise condemnation powers as part of its mission to provide public facilities and promote economic development.</p> <p>The Port Authority and Texas Ports Association worked to maintain the exemption for navigation districts in Sec. 2206.001 of the Government Code. In addition, ports supported language in Sec. 21.101 of the Property Code dealing with a previous land owner’s right to repurchase condemned property that would allow a governmental entity to publicly adopt a plan that demonstrates a project will take more than 10 years if they cannot meet more than one of the six other requirements.</p>
SB 1104	Senator Jackson	<p>The Houston Ship Channel Security District was created by the Texas Legislature during the 80th Legislature. It is a public/private partnership of the major facilities that make up the port terminals and industry in the area of the Houston Ship Channel. Its purpose is to enhance security in the area of the Houston Ship Channel through coordination between stakeholders and through its assessment power, provide for funding for this infrastructure as needed in addition to the funds provided under the Department of Homeland Security’s Port Security Grant Program.</p> <p>SB 1104 amended the powers and duties of the security district and clarified its ability to add territory.</p>

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

HB 2770	Rep. Wayne Smith	<p>Each session, the members of the Texas Ports Association collaborate on legislation updating and clarifying the statutes governing navigation districts (generally, non-controversial changes).</p> <p>Most notably, this legislation provides for the review of the Port Authority under the Texas Sunset Act.</p> <p>The legislation also includes provisions related to design-build contracts, clarifying some powers and duties, streamlining the sale of unneeded property, permitting month-to-month leases, permitting ports to suppress and prevent nuisances at dredge disposal sites, clarifying installment sales, providing flexibility in facility contracts, clarifying authority to receive grants, updating payment procedures, modernizing purchase order and requisition processes, clarifying purchasing powers, regulating charitable campaigns, providing alternative franchise notice methods, allowing for acquisition of land for industry and business development, improving disposition of surplus property and removing the sunset provision of certain procurement statutes.</p>
HB 2771	Rep. Wayne Smith	<p>During the 81st Legislative Session, two separate pieces of legislation passed that amended the same sections of the Water Code. The two bills had similar but not identical language therefore creating an uncertain situation with respect to the relevant sections of the Water Code. HB 2771 sought to cure the uncertainty and remove any possible confusion by reenacting certain provisions resulting from the differing language.</p> <p>HB 2771 sought to reenact Sections 60.4035(a), 60.404(a) and (d), and 60.406(a), Water Code, as amended by Chapters 415 (HB 1972) and 1191 (HB 3785), Acts of the 81st Legislature, 2009 Regular Session. HB 2771 establishes that, to the extent of any conflict, the provisions of HB 2771 prevail over another act of the 82nd Legislature, 2011 Regular Session, relating to non-substantive additions to and corrections in enacted codes.</p> <p>These provisions were ultimately added to HB2771.</p>
HB 699	Rep. Deshotel	<p>The legislation amended the port capital program in Chapter 55 of the Transportation Code. Specifically, it clarified that the program applies to maritime ports in addition to changing the requirements of the port capital report.</p>

Legislation Not Passed – 82nd Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reasons the Bill Did Not Pass
HB 2206	Oliviera	<p>This legislation proposed a \$2 per foot fee on commercial vessels to fund activities under the Coastal Erosion Planning and Response Act. Texas ports opposed the measure because it reduced their competitiveness by increasing the cost of maritime business in Texas, and it attempted to tie the movement of ocean vessels to the unrelated natural process of coastal erosion. The bill did not pass as a result of the ports' concerns.</p>

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

N/A	N/A	<p>During the interim of the 81st Legislature, the Texas House Committee on Ways and Means held hearings on its charge to determine whether tax exemptions currently in Texas law still meet their legislative intent. At its interim hearing on April 20, 2010, the committee considered the exemption granted to the storage of green coffee in Harris County (green coffee refers to the unroasted state of the coffee bean). The Legislature authorized the exemption in 2001, which enabled the Port of Houston to become a certified a green coffee exchange port in 2003 by the Intercontinental Exchange. As a result, Houston surpassed other ports in the country to become one of the largest handlers of the commodity in the nation. The concern during the 82nd Legislature was that the exemption would be revoked in the effort to address state budgetary challenges. It was explained, however, that revoking this exemption only resulted in the loss of the exchange port designation which would shift all coffee cargo, and its associated benefits, to other states with no increased revenue to the government.</p>
-----	-----	---

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

IX. Policy Issues

Issue 1: Accountability and Transparency

A. Brief Description of Issue

The Port of Houston Authority is committed to conducting itself in a manner that is open as well as accountable to the people and communities in the region. The Port Authority meets or exceeds the requirements of the Texas Open Records Act and the Port Commission ensures that all of its actions follow the Texas Open Meetings Act.

To ensure that the organization is meeting stakeholder expectations of transparency and accountability, additional mechanisms and tools can be implemented to further demonstrate the Port Authority's commitment to openness and make information more readily available.

B. Discussion

The statutes that govern the organization, duties and powers of the Port Authority and its Port Commission contain provisions that provide a significant authority and accountability to the local governments in the Houston region. Specifically, Port Commissioners are appointed for two-year terms by the City of Houston (two appointments), Harris County (two appointments), City of Pasadena (one appointment) and the Harris County Mayors and Councils Association (one appointment), with the Port Commission Chair appointed jointly by the City of Houston and Harris County. Harris County officials have additional roles and responsibilities. The Harris County Auditor has statutory duty of auditing the Port Authority and provides oversight of expenditures with on-site personnel. The Harris County Treasurer also serves as treasurer of the Port Authority, with various statutory financial responsibilities. The Harris County Tax Assessor and Collector assesses, levies and collects taxes to support the repayment of the Port Authority's capital debt.

Most importantly, the voters of Harris County themselves provide oversight. Voters authorized the Port Authority twice in the last century, and their approval is mandated for the Port Authority to issue any general obligation ad valorem tax bonds for capital improvements and other projects.

The state could implement additional transparency and accountability mechanisms, some of which it requires of certain state and county officials.

It should also be recognized, however, that it is inherently necessary for navigation districts and port authorities to remain competitive in the maritime industry with private entities as well as other ports in the state, U.S. and internationally, to allow them to meet their statutory mission of providing economic development through the operation of terminals. Therefore, there are occasions when the governing body of a navigation district should have the ability to meet in closed session to discuss competitive business matters, which is an authority granted to counties and certain special purpose districts. The inability to have proprietary discussions could lead to loss of competitiveness. Navigation districts could benefit, therefore, from this authority given by the Legislature to other agencies (see Sections 551.0725, 551.0726, 551.073, 551.075, 551.085 and 551.086 of the Texas Government Code).

C. Possible Solutions and Impact

- Require the governing body to adopt by-laws and code of ethics that are posted on the agency's web site
- Record the governing body's public meetings and post on the agency's web site
- Require members of the governing body and the executive head of the agency to disclose any conflicts of interest and complete personal financial statements to be submitted annually
- Authorize closed session deliberation of competitive business matters

Issue 2: Promotion and Development Fund

A. Brief Description of Issue

In accordance with Sections 60.201 through 60.205 of the Texas Water Code, the Port Commission created and maintains the Port of Houston Authority Promotion and Development (“P&D”) Fund. Navigation districts, including the Port Authority, are authorized to set aside from current income an amount not to exceed five percent of its gross income from operations in each calendar year for the P&D Fund.

By statute, the P&D Fund may be used for activities or matters incidental to (1) the advertising, development, or promotion of the Port Authority and its facilities; (2) the furthering of the general welfare of the Port Authority and its facilities; and (3) the betterment of the Port Authority’s relations with ocean carriers and rail lines, shippers, consignees of freight, governmental officials, or others interested in ports, waterways, harbors or terminals.

Recent public scrutiny of certain activities paid through the P&D Fund could be addressed through clearer internal policy guidelines and controls relating to approval of expenditures as well as additional transparency on actual expenditures.

B. Discussion

The statute authorizing the P&D Fund clearly acknowledges that navigation districts in Texas “are in keen competition with other ports, waterways, harbors, and terminals outside the state and with privately owned port and terminal facilities inside the state.” This is also true of ports worldwide. Further, it states the challenge in bordering states that are “developing their competing ports, waterways, harbors, and terminals through expenditure of large amounts of money without any audit or restriction on expenditure of the money” with the goal of “thwarting and impeding the use, progress, and development of the ports, waterways, harbors, and terminals” in Texas.

The legislature concluded that this keen competition required Texas ports to also have tools, thus it established a “relatively small fund” for “liberal” use for certain activities.

C. Possible Solutions and Impact

The P&D fund is an important tool for Texas ports to remain competitive not only within the nation but also internationally. The Port Commission, through its Small Business and Community Relations Task Force, is currently reviewing the agency’s policies regarding the P&D fund to ensure not only that it complies with state law, but that it is also administered effectively.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

X. Other Contacts

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Port of Houston Authority Exhibit 15: Contacts			
INTEREST GROUPS*			
(groups affected by agency actions or that represent others served by or affected by agency actions)			
<p>*Note: The Port Authority interacts with a very large number of groups that have an interest in the agency. We have provided a list below of contacts that interact with the Port Authority with the greatest frequency and we can provide more upon request.</p> <p>In addition, for a more detailed list of contacts, please refer to the 2010 Port of Houston Business Directory in the attachments. This publication has contact information for more than 1,500 businesses with a role in the maritime and transportation industries involved with the Port of Houston.</p>			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Steamship Lines			
The Port Authority works with a large number of steamship lines. We have provided a list of steamship lines that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
Alianca <i>Dave Burke</i>	465 South Street Morristown, NJ 07960	973-775-5553	david.burke@us.hamburgsud.com
Atlantic Container Line <i>Gregory Waidlich</i>	194 Wood Ave. S. Suite 500 Iselin, NJ 08830	410-284-3842	gwaidlich@aclcargo.com
CMA-CGM <i>Jim Poma</i>	1200 Hwy 146 S. Suite 180 LaPorte, Texas 77571	281-471-3400	usa.jpoma@cma-cgm.com
Compania Chilena <i>Clyde Saltalamchia</i>	c/o Norton Lilly 10050 NW Freeway Suite 275 Houston, TX 77092	713-685-3775	csaltalamchia@nortonlilly.Com
Compania Libra Lines <i>Captain Nelson Sotomayor</i>	8528 N.W. 53rd Terrace Suite 115 Miami, FL 33166	305-702-4233	nsotomayor@csavagency-na.com
CSAV <i>Ted Muller</i>	99 Wood Avenue South 9th Floor Iselin, NJ 08830	732-635-2639	tmuller@csav.com
Hamburg Sud <i>Dave Burke</i>	465 South Street Morristown, NJ 07960	973-775-5553	david.burke@us.hamburgsud.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Hapag Lloyd <i>Phillip Summers, Jr.</i>	390 Benmar Drive Suite 250 Houston, TX 77060	281-885-3479	phillip.summers@hlap.com
Maersk <i>Tim Haas</i>	919 E. Barbours Cut Blvd. LaPorte, TX 77571	281-470-4505	tim.haas@apmterminals.com
Mediterranean Shipping Company <i>Hervé Torlotting</i>	10050 Northwest Frwy Suite 300 Houston, TX 77092	713-681-8880	htorlotting@msc.us
NYK Line <i>James Stark</i>	360 Interstate N. Parkway Suite 300 Atlanta, GA 30339	770-818-1392	james.stark@na.nykline.com
OOCL <i>Gary Hartzo</i>	7600 W. Tidwell Suite 700 Houston, TX 77040	713-329-9200	gary.hartzo@oocl.com
Shipping Company of Saudi Arabia <i>Poul Madsen</i>	5200 Hollister St. Suite 200 Houston, TX 77040	713-895-3049	pmadsen@nscsaamerica.com
ZIM – America <i>Captain Dan Lepadatu</i>	1111 N. Loop West Suite 900 Houston, TX 77008	713-613-4106	lepadatu.dan@us.zim.com
Stevedoring Companies			
The Port Authority works with a large number of stevedoring companies. We have provided a list of companies that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
Ceres <i>Troy Gouger</i>	1109 E. Barbours Cut Blvd. LaPorte, TX 77571	281-471-5900	tgouger@ceresglobal.com
Chaparral Stevedoring <i>Irby Banquer</i>	1717 E. Loop Suite 443 Houston, TX 77029	713-674-6700	ibanquer@ayership.com
Coastal Cargo of Texas <i>Wojciech Ruthowski</i>	16800 Peninsula Blvd. Houston, TX 77015	281-860-0010	wru@jkgroup.com
Cooper T. Smith <i>Terry Wilkes</i>	2315 McCarty Drive, Houston, TX 77029	713-675-0017	terry.wilkes@coopertsmith.com
Empire Stevedoring <i>Captain Khan</i>	7600 Ave. P, Berth 46-48 Houston, TX 77012	713-674-3768	empirehou@aol.com
Jacintoport International <i>Stanley Kradish</i>	16398 Jacintoport Blvd. Houston, TX 77015	713-673-7000	stanley_kradish@jacintoport.com
Jacob Sterns Company <i>John Lindquist</i>	2104 75th Street Houston, TX 77011	713-926-8386	jlinquist@txjacobstern.com
Ports America <i>Chris Lewis</i>	500 E. Barbours Cut Blvd. LaPorte, TX 77571	281-471-7613	chris.lewis@portsamerica.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Richardson Stevedoring <i>Kelly Richardson</i>	8500 Clinton Dr. Gate 1, Hill Rd. City Dock #23 Houston, TX 77029	713-673-1110	kellyr@richardsoncompanies.com
Shippers Stevedoring <i>Don Johnson</i>	2011 E. Barbours Cut Blvd. LaPorte, TX 77571	281-470-1528	donjj@sscusa.com
International Longshoremen’s Association (“ILA”)			
ILA Local 24 <i>T.L. Simon</i>	7811 Harrisburg Houston, TX 77012	713-923-2564	jmcnamara@ilaunion.org
ILA Local 28 <i>Larry Sopchak</i>	213 East Shaw Street Pasadena, TX 77506	713-473-9436	jmcnamara@ilaunion.org
ILA Local 1351 <i>Charles Montgomery</i>	7524 Avenue N Houston, TX 77012	713-923-2839	pres@ILA1351.org
ILA South Atlantic & Gulf Coast District Office <i>Clyde Fitzgerald</i>	914 Clear Lake City Webster, TX 77598	281-461-8888	sagcdila@sbcglobal.net
Empty Yard Operators			
Houston Terminals <i>Sam Bosworth</i>	12703 Port Road Seabrook, TX 77586	281-291-8400	sbosworth@houtml.com
Inter Marine Services <i>Greg Emerson</i>	335 E. Barbours Cut Blvd. LaPorte, TX 77571	281-471-9633	gemerson@imsdepot.com
Terminal Link Texas <i>Greg Linbeck</i>	12703 Port Road Seabrook, TX 77586	281-291-7332	glinbeck@terminallinktx.com
Trucking Companies			
The Port Authority works with a large number of trucking companies. We have provided a list of companies that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
Ace Transportation <i>James Frederick</i>	502 N. Broadway LaPorte, TX 77571	281-471-5033	james@frederickincorporated.com
All Coast Intermodal <i>Loran Mixon</i>	2205 N. Hwy. 146 LaPorte, TX 77571	281-867-4683	loranm@allcoast.net
Bridge Terminal Trucking <i>Garrett Chilek</i>	7707 Wallisville Road Houston, TX 77020	713-675-5454	houbttdsp@bttinc.com
Canal Cartage <i>Rick Maddox</i>	11643A Wallisville Road Houston, TX 77013	713-672-4006	rickm@canalcartage.com
Core Trucking <i>Allen Baity</i>	1717 Turning Basin Suite 100 Houston, TX 77029	281-470-7575	allen@coreoftx.com
Ex-Cargo Services <i>Marcia Faschingbauer</i>	5330 Gulf Freeway Houston, TX 77023	713-921-7700	mhfaschingbauer@excargo.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Gulf Winds <i>Ron Messner</i>	411 Brisbane Houston, TX 77061	713-747-4909	rmessner@gwii.com
Schneider Logistics <i>Lance Underwood</i>	15025 Hwy. 10 E. Channelview, TX 77530	281-457-1462	underwoodl@schneider.com
Sunburst Truck Lines <i>Wayne Leone</i>	5121A Oates Road Houston, TX 77013	713-672-1027	dispatch@sunbursttrucklines.com
Trans Gulf Transportation <i>Billy Keys</i>	501 Independence Parkway South LaPorte, TX 77571	281-470-0500	billyk@transgulfrans.com
Import and Export Companies			
The Port Authority works with a large number of importers and exporters. We have provided a list of companies that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
Academy Sports and Outdoor <i>Tony Davis</i>	1800 N Mason Road Katy, TX 77449	281-646-5463	tony.davis@academy.com
Chevron Phillips <i>Michael Taber</i>	10001 Six Pines Dr. The Woodlands, TX 77380	832-813-4251	taberml@cpchem.com
Crown Mark, Inc. <i>Karen Chou</i>	10881 S. Sam Houston Parkway W. Houston, TX 77031	832-295-9500	kchou@crownmark.com
ExxonMobil <i>Eric F. Born</i>	13501 Katy Fwy. Houston, TX 77079	281-870-6197	eric.f.born@exxonmobil.com
Rooms To Go <i>Ali Hosein</i>	11540 US Hwy 92 East Seffner, FL 33584	813-635-3093	ahosein@roomstogo.com
Salzgitter Mannesmann <i>Bob Moore</i>	1770 St James Place Suite 500 Houston, TX 77056	713-386-7900	Bob.moore@szmh-group.com
Shintech <i>EE Schroeder</i>	3 East Greenway Plaza Suite 1150 Houston, TX 77046	713-965-0713	eschroeder@shin-tech.com
Steamship Agents and Freight Forwarders			
The Port Authority works with a large number of service providers and freight forwarders. We have provided a list of companies that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
American Shipping and Chartering Corp. <i>Ralf Knickrehm</i>	11451 Katy Fwy. Suite 250 Katy, TX 77079	713-600-7640	Administration@americanshipping.com
Ayers Maritime Services, Inc <i>Irby Banquer</i>	1717 Turning Basin, Dr. Suite 443 Houston, TX 77029	713-674-6700	office@ayership.com
Biehl & Co <i>T. Springer</i>	5200 Hollister Suite 300 Houston, TX 77040	713-690-7200	tspringer@biehlco.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

CH Robinson <i>Scott Douthitt</i>	14100 Southwest Fwy Suite 320 Sugarland, TX 77478	281-265-2700	scott.douthitt@chrobinson.com
DHL <i>Lyndsey Weaver</i>	4690 World Houston Parkway Houston, TX 77032	281-964-2529	lyndsey.weaver@dhl.com
Geodis Wilson <i>George Abreu</i>	8210 Humble-Westfield Road Suite 100 Houston, TX 77388	281-442-4700	george.abreu@us.geodiswilson.com
Inchcape Shipping Services <i>Patricia Bushnell</i>	15635 Jacintoport Blvd. Suite 100 Houston, TX 77015	281-8601500	patricia.bushnell@iss-shipping.com
JAS Forwarding <i>Bill Reddick</i>	5676 N Sam Houston Parkway East Suite 100 Houston, TX 77032	281-372-5900	breddick@jasusa.com
Real Estate Tenants			
The Port Authority works with a large number of tenants. We have provided a list of companies that interact with the Port Authority with the greatest frequency and can provide more contacts by request.			
Alltrans Port Services, Inc. <i>Donna Rains</i>	P.O. Box 683 Houston, TX 77056	713-673-3844	drains@alltransportservices.com
E. I. Dupont de Nemours and Company <i>Nancy J Cantwell</i>	4417 Lancaster Pike Wilmington, DE 17805- 1523	302-774-1041	Nancy.j.cantwell@usa.dupont.com
Hansen Mueller <i>Jim Mendlik</i>	12231 Emmet St. Suite 1 Omaha, NE 68164	402-951-2185	j.mendlik@hmgrain.com
Jacob Stern Sons, Inc. <i>Lee Charnow</i>	P.O. Box 9359 Houston, TX 77261	281-726-7377	lcharnow@tx.jacobstern.com
Kinder Morgan <i>Jeff Hersperger</i>	500 Dallas Suite 1000 Houston, TX 77002	713-369-8967	Jeff_hersper@kindermorgan.com
Louis Dreyfus Corporation <i>Bill Mullins</i>	1500 South Main Street, Galena Park, Texas 77547	713-671-7100	Bill.mullins@ldcorp.com
Maersk <i>Tim Haas</i>	919 E. Barbours Cut Blvd. LaPorte, TX 77571	281-470-4505	tim.haas@apmterminals.com
Ports America Texas, Inc. <i>Norman Lamb</i>	8222 Manchester, Houston, Texas	832-615-7201	Norman.lamb@portsamerica.com
Richardson Steel <i>Nolan Richardson</i>	P.O. Box 605 Galena Park, TX 77547	713- 673-1110	Nolan@richardsoncompanies.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Shippers Stevedoring <i>Nick Stratigakis</i>	11811 East Freeway Suite 660 Houston, TX 70029	713-451-5777	nick@sscusa.com
Storage & Processors, Inc. <i>John Conley</i>	P.O. Box 15526 Houston, TX 77220	713-674-4585	conleyj@storage&processors.com
Sunbelt group I.P. dba Arrow Steel Processors <i>Chris Seveney</i>	1900 Post Oak Blvd. Suite 950 Houston, Texas 77056	713-840-0550	cseveney@sunbeltgroupinc.com
Volkswagen Group of America, Inc. <i>Stuart Kessler</i>	P.O. Box 24096 Houston, Texas 77229	713-672-7415	Stuart.kessler@vw.com
Railroad Companies			
Port Terminal Railroad Association <i>Marvin Wells</i>	8934 Manchester Street Houston, TX 77012	713-393-6502	mwells@ptracom
Environmental Organizations			
Air Alliance of Houston <i>Matthew Tejada</i>	2409 Commerce Street Suite A Houston, Texas 77003	713-528-3779	tejada@airalliancehouston.org
American Lung Association <i>Jamie Roll Dan Hoyt</i>	2030 North Loop West Houston, TX 77018	713-629-5864	jroll@breathehealthy.org dhoyt@breathehealthy.org
Armand Bayou Nature Center <i>Tom Katrude</i>	8500 Bay Area Blvd Houston, TX 77258	281-474-2551	tom@abnc.org
Bayou Land Conservancy <i>Jennifer Lorenz</i>	10330 Lake Rd, Bldg J Houston, TX 77070	281-576-1634	jlorenz@bayouland.org
Baytown Nature Center <i>Tracy Prothro</i>	6213 Bayway Drive Baytown, TX 77520	281-420-5360	tracy.prothro@baytown.org
Environmental Defense Fund <i>Elena Craft</i>	44 East Avenue Austin, Texas 78701	512-692-3452	ecraft@edf.org
Galveston Bay Foundation <i>Bob Stokes</i>	17330 Highway 3 Webster, Texas 77598	281-332-3381 (x211)	bstokes@galvbay.org

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS*
(that serve as an information clearinghouse or regularly interact with your agency)

* Note: There are 94 Consulates, 27 Chambers of Commerce and 18 Sister Cities. We have provided a few of these contacts and can provide more contacts by request.

Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
U.S. Advisory Committee for Trade Policy and Negotiation <i>Kase L. Lawal</i>	111 East Loop North Houston, TX 77029	713-670-2400	Fabi.marmorato@camac.com
American Association of Port Authorities (AAPA) <i>Kurt Nagle Meredith Martino Dave Sanford</i>	1010 Duke Street Alexandria, VA 22314	703-684-5700	knagle@aapa-ports.org mmartino@aapa-ports.org dsanford@aapa-port.org
Bay Area Houston Economic Partnership <i>Bob Mitchell</i>	18045 Saturn Lane Houston, TX 77058	832-536-3255	bob@bayareahouston.com
BAYTRAN <i>Coletta Castleschouldt,</i>	P.O. Box 626 Seabrook, TX 77586	832-771-0773	coletta@infobatp.com
Brazil Consulate <i>Mario Ernani Saade</i>	1233 W. Loop South Suite 1150 Houston, TX 77027	713-961-3063	gabinete.houston@itamaraty.gov.br
Brazil-Texas Chamber <i>Ricardo Peduzzi</i>	14614 Falling Creek Dr. Suite 105 Houston, TX 77068	281-781-8969	rpduzzi@peduzzicom.com
China Consulate <i>Yanping GAO</i>	3417 Montrose Blvd. Houston, Texas 77006	713-520-1462	chinaconsul_hou_us@mfa.gov.cn
Consular Corps of Houston <i>Sandija Bayot</i>	5120 Woodway Drive Suite 5004 Houston, TX 77056	713-888-0404	sandija@swbell.net
East End Chamber <i>Diane Lipton</i>	550 Gulf Gate Center Mall Houston, TX 77087	713-926-3305	diane@eecoc.org
Economic Alliance Houston Port Region <i>Chad Burke</i>	908 West Main Street LaPorte, TX 77571	281-867-1112	chad@allianceportregion.com
French American Chamber of Commerce <i>Denis Blampoix</i>	3100 Timmons Lane Suite 350-B Houston, TX 77027	713-960-0575	denis.blampoix@gmail.com
Germany Consulate <i>Roland Friedrich Herrmann</i>	1330 Post Oak Blvd. Suite 1850 Houston, Texas 77056	713-627-7770	info@germanconsulatehouston.org

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Greater Houston Partnership <i>Beth Whitehead</i>	1200 Smith Street Suite 700 Houston, Texas 77002	713-844-3630	bwhitehead@houston.org
Greater Houston Port Bureau <i>Captain Bill Diehl</i>	111 East Loop North Houston, TX 77029	713-678-4300	bdiehl@txgulf.org
Greater Houston Visitors and Convention Bureau <i>Wayne Chappell</i>	901 Bagby Suite 100 Houston, TX 77002	713-437-5238	wchappell@ghcvb.org
Greens Bayou Corridor Coalition <i>Regina Lindsey</i>	16945 Northchase Drive Suite 1900 Houston, Texas 77060	281-874-2137	rlindsey@greenspoint.org
Gulf Coast Rail District <i>Maureen Crocker</i>	6922 Old Katy Rd Houston, TX 77024	713-843-5451	maureen.crocker@gcrd.net
Gulf Coast Waste Disposal Authority <i>Lori Traweek</i>	910 Bay Area Boulevard Houston, Texas 77058	281-488-4115	lroussel@gcwda.com
Gulf Intracoastal Canal Association (GICA) <i>Jim Stark</i>	P.O. Box 6846 New Orleans, LA 71074	901-490-3312	jstark@gicaonline.com
Houston Citizens Chamber of Commerce <i>Eric Lyons</i>	2808 Wheeler Street Houston, TX 77004	713-522-9745	president@hccoc.org
Houston East End Chamber of Commerce <i>Frances Castaneda Dyess</i>	550 Gulfgate Center Mall Houston, TX 77088	713-926-3305	frances@eecoc.org
Houston-Galveston Area Council <i>Alan Clark</i>	3555 Timmons Lane Houston, Texas 77027	713-627-3200	alan.clark@h-gac.com
Houston Hispanic Chamber of Commerce <i>Dr. Laura Murillo</i>	1801 Main Street Houston, TX 77054	713-644-7070	lmurillo@houstonhispanicchamber.com
Houston Minority Supplier Development Council <i>Richard Huebner</i>	3 Riverway Houston, TX 77056	713-271-7805	Richard.huebner@hmsdc.org
Houston Pilots <i>Capt. Stephen Conway</i>	203 Deerwood Glen Dr. Deer Park, TX 77536	713- 645-9620 (x 504)	po@houston-pilots.org
Houston Seafarer Centers <i>Fr. Rivers Patout</i>	9250 High Level Road Houston, TX 77029	713-672-0511	houstonchaplains@yahoo.com

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Houston Ship Channel Security District <i>Robin Riley</i>	111 East Loop North Houston, TX 77029	713-671-0947	robin.c.riley@exxonmobil.com
Indo-American Chamber <i>Jagdip Ahluwalia</i>	1535 West Loop South Suite 200 Houston, TX 77027	713-624-7131	almamach@aol.com
Marine Exchange <i>Pat Seeba</i>	111 East Loop North Houston, TX 77029	713-678-7711	pseeba@txgulf.org
National Waterways Conference <i>Amy Larson</i>	4650 Washington Blvd. Suite 608 Arlington, VA 22201	703-243-4090	amy@waterways.org
Netherlands Consulate <i>Geert C. Visser</i>	5177 Richmond Avenue Suite 725 Houston, TX 77056	713-622-8000	gvisser@nlconsulatehouston.org
North Channel Chamber of Commerce <i>Wayne R. Oquin</i>	13301 I-10 East Freeway #100 Houston, TX 77015	713-450-3600	wayneoq@flash.net
ProMexico <i>Armando Camarena</i>	4507 San Jacinto St 3rd Floor Houston, TX 77004	281-769-2129	armando.camarena@promexico.gob.mx
Sister Cities of Houston <i>Ellen Goldberg</i>	PO Box 55853 Houston, TX 77225	713-973-9399	ellen@goldberg.net
Texas Ports Association (TPA) <i>Steve Cernak</i>	P O Box 328 Galveston, TX 77553	409-765-9321	scernak@portofgalveston.com
Texas Transportation Institute <i>Jim Kruse, Director</i>	701 North Post Oak Suite 430 Houston, TX 77024-3827	713-686-2971	j-kruse@tmail.tamu.edu
University of Houston – College of Business <i>Bill Sherrill</i>	334 Melcher Hall 4800 Calhoun Rd. Houston, TX 77024	713-743-4752	bill@sherrillservice.com
West Gulf Maritime Association <i>Niels Aalund</i>	1717 Turning Basin Drive Suite 200 Houston, Texas 77029	713-715-6424	naalund@wgma.org
Women’s Business Enterprise Alliance <i>Susan Repka</i>	9800 North Loop West Suite 100 Houston, TX 77018	713-681-9232	srepka@wbea-texas.org
World Affairs Council of Houston <i>James Fonteno</i>	P. O. Box 920905 Houston, TX 77292	713-522-7811	info@wachouston.org

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

LIAISONS AT OTHER STATE AGENCIES* (with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)			
Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
FEMA/TX DPS - Texas Division of Emergency Management <i>David Brandon</i>	5805 N Lamar Blvd (78752) PO Box 4087 Austin, TX 78773	713-967-7011	david.brandon@associates.dhs.gov
Galveston Bay Estuary Program <i>Steven Johnson</i>	17401 El Camino Real Suite 210 Houston, TX 77058	281-218-6461	steven.johnson@tceq.texas.gov
TCEQ <i>Mark Vickery</i>	13100 Park 35 Circle Austin, TX 78753	512-239-1000	Mvickery@tceq.state.tx.us
TCEQ Region 12 <i>Donna Phillips</i>	5425 Polk Avenue Suite H Houston, TX 77023	713-767-3700	dphillips@tceq.state.tx.us
Texas Department of Economic Development <i>Henry Molina</i>	1700 N. Congress Ave. Austin, TX 78711	512-936-0258	henrym@tded.state.tx.us
Texas Department of Transportation (TxDOT) <i>Scot Sullivan</i>	118 E. Riverside Dr Bldg 118-2nd Floor Austin, TX 78704	512-486-5119	scott.sullivan@txdot.gov
Texas Department of Transportation (TxDOT) Houston District <i>Delvin Dennis</i>	7600 Washington Avenue Houston, TX 77007	713-802-5000	delvin.dennis@txdot.gov
Texas General Land Office (GLO) <i>Tony Williams</i>	1700 N. Congress Ave. Suite 935 Austin, Texas 78701	512-463-5055	Tony.williams@gl.texas.gov
Texas Parks & Wildlife <i>Neil Thomas</i>	4200 Smith School Road Austin, TX 78744	512-389-4355	neil.thomas@tpwd.state.tx.us

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

LIAISONS AT CITY AND COUNTY AGENCIES*

(with which your agency maintains an ongoing relationship)

* Note: In addition, the Port Authority works with numerous Houston and Harris County State and Federal elected officials, contact information for which can be provided upon request. Also, the Port Authority works with numerous municipal and county regional economic development offices, regulatory agencies responsible for the administration of Foreign Trade Zones, and regulatory agencies responsible for the administration of the cruise industry. These can also be provided upon request.

Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
City of Houston Mayor's Office <i>Andy Icken</i>	611 Walker Houston, TX 77002	713-837-0510	andy.icken@cityofhouston.net
City of Houston Office of Business Opportunity <i>Carlecia Wright</i>	611 Walker Street Houston, TX 77002	713-837-9000	Carlecia.wright@cityofhouston.net
Harris County Auditor <i>Barbara Schott</i>	1001 Preston, 8th Floor, Houston, TX 77002	713-755-6505	auditor@co.harris.tx.us
Harris County Financial Services <i>Jack Yuran</i>	1001 Preston Houston, TX 77002	713-755-8170	jack.yuran@ms.hctx.net
Harris County Tax Assessor and Collector <i>Don Sumners</i>	1001 Preston Houston, TX 77002	713-368-2510	don.sumners@tax.hctx.net
Harris County Treasurer <i>Orlando Sanchez</i>	1001 Preston Room 652 Houston, TX 77002	713-755-5120	Treasurer.info@itc.hctx.net
Houston TranStar <i>David Rye</i>	6922 Old Katy Road Houston TX 77024	713.843.5455	David.Rye@transtar.org

LIAISONS AT FEDERAL AGENCIES

(with which your agency maintains an ongoing relationship)

Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
EPA Region 6 <i>Al Armendariz</i> <i>Barbara Davis</i>	1445 Ross Avenue Dallas, TX 75202	214-665-2100	armendariz.al@epa.gov davis.barbara@epa.gov
National Oceanic and Atmospheric Administration <i>Darren Wright</i>	Department of Commerce - NOAA National Office Service SSMCA, Station 6532 1305 East-West Highway Silver Spring, MD 20910	301-713-2981 (x193)	Darren.Wright@noaa.gov

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Small Business Administration <i>Manuel Gonzalez</i>	8701 S. Gessner Drive Suite 1200 Houston, TX	713-773-6518	manuel.gonzalez@sba.gov
U.S Army Corps of Engineers, Galveston District <i>Colonel Christopher Sallese</i>	2000 Fort Point Road, Galveston, TX 77550	409-766-3001	Christopher.sallese@usace.army.mil
U.S. Coast Guard <i>Captain James Whitehead</i>	9640 Clinton Drive Houston, TX 77029	713-671-5199	James.H.Whitehead@uscg.mil
U.S. Customs <i>Mike Sinclair</i>	2350 North Sam Houston Parkway East #1000 Houston, TX 77032	832-549-6242	Michael.sinclair@dhs.gov
U.S. Department of Commerce <i>Alan Richel</i>	1919 Smith Street Suite 1026 Houston, TX 77002	713-209-3123	alan.richel@trade.gov

XI. Additional Information

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency’s practices.

Port of Houston Authority Bayport Container Terminal Complaints Exhibit 16: Complaints Against the Agency - Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Number of complaints, questions or comments received	100	336
Number of complaints	100	230
Number of complaints that received a response	100	230
Number of complaints pending from prior years	0	0
Average time period for response to a complaint	*Each complaint receives a call back in an average time of 48-96 hours.	*Each complaint receives a call back in an average time of 48-96 hours.

*Typically, concerns are addressed within 24-48 hours, however, some concerns during the weekend or holidays are not addressed until the following Monday or next work day.

Bayport Mitigation Solution Program

The Bayport Mitigation Solution Program is the result of a series of sound mitigation efforts initiated as part of the Port Authority’s “Good Neighbor Program.” This program is reflective of the Port Authority’s commitment to its residential neighbors along the north shore of the Bayport Terminal. The Port Authority’s program provided 411 residential property owners (in an area defined by the results of an independent study) the opportunity to apply for participation. The program provided a mitigation payment for use as eligible owners saw fit.

Bayport Hotline

On March 10, 2010, the mitigation program was officially kicked off in a community meeting. During this meeting, citizens were informed and encouraged to use the Bayport Hotline for any complaints or questions about the mitigation program. As a result, the number of complaints, questions and comments more than doubled in 2010.

When the Port Authority receives an e-mail, letter, phone call or any form of comment expressing concerns or requesting action, the following actions are taken:

1. The information is recorded in the Bayport Communication log, noting the name, address, time of call and the issue or concern.
2. Bayport Labor orders are checked to research if the complaint or concern is related to scheduled terminal operations.
3. Bayport operations are called to further research any unusual circumstances that may be occurring or occurred at the time of the concern or issue. The situation is evaluated to determine if any operational action is needed.
4. The individual who had the concern or issue is responded to personally, or if not available, via e-mail or mail.
5. The response is documented.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Whistleblower Process Implementation

The Port Commission Audit Task Force recently directed staff to implement a more robust “whistleblower” process at the Port Authority, modeled on the state-of-the-art innovations prompted nationally by the 2002 Sarbanes-Oxley Act.

In addition to existing whistleblower protections in place at the Port Authority and under Texas law, the Port Authority is moving forward to institute two channels – toll-free telephone or an online web site – for whistle-blowers to submit complaints.

These procedures are expected to address potential allegations of any illegal or unethical conduct by Port Authority officials and employees, going beyond simply handling concerns regarding questionable accounting or auditing matters, as required by the Sarbanes-Oxley Act.

The Port Authority will also devote increased resources to investigate credible complaints submitted under the system, while continuing to adhere to current law and policy prohibiting retaliation against whistle-blowers.

B. Fill in the following chart detailing your agency’s Historically Underutilized Business (HUB) purchases.

Port of Houston Authority Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2008				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	112,003,102	42,084,280	38%	11.9%
Building Construction	625,947	215,100	34%	26.1%
Special Trade	1,595,498	10,149	1%	57.2%
Professional Services	20,155,683	8,014,860	40%	20.0%
Other Services	1,457,811	612,325	42%	33.0%
Commodities	7,671,884	1,796,810	23%	12.6%
TOTAL	143,509,925	52,733,524	37%	

FISCAL YEAR 2009				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	52,967,828	20,940,760	40%	11.9%
Building Construction	22,410,222	2,678,494	12%	26.1%
Special Trade	1,054,789	437,249	41%	57.2%
Professional Services	5,122,749	3,381,192	66%	20.0%
Other Services	3,236,876	1,370,374	42%	33.0%
Commodities	9,362,848	1,650,451	18%	12.6%
TOTAL	94,155,312	30,458,520	32%	

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

FISCAL YEAR 2010				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	10,026,054	6,300,666	63%	11.9%
Building Construction	3,480,461	776,498	22%	26.1%
Special Trade	1,118,074	236,700	21%	57.2%
Professional Services	3,734,488	3,005,052	80%	20.0%
Other Services	1,230,647	347,500	28%	33.0%
Commodities	7,836,035	1,657,052	21%	12.6%
TOTAL	27,425,759	12,323,468	45%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.15b)

The Port Authority does not have a HUB policy. Since it does not receive appropriations from the State of Texas, it generally is not subject to the provisions of Chapter 2161 of the Texas Government Code. However, the Port Authority does track its HUB expenses, and has established its Small Business Development Program, more fully described in Section VII.12 of this report, which has achieved good HUB results, as noted in Question A above. The SBDP is a race and gender neutral program open to all certified small businesses located in the greater Houston area, many of which also qualify as highly underutilized businesses.

D. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14)

Although this HUB requirement does not apply to the Port Authority, we have similar procedures in place to solicit procurement proposals that encourage small business participation.

E. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

	Response / Agency Contact
1. Do you have a HUB coordinator? (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.26)	Although this requirement does not apply to the Port Authority, we have appointed Gilda Ramirez as Vice President over our Small Business Division to fulfill a similar role.
2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Sec. 2161.066; TAC Title 34, Part 1, rule 20.27)	Although this requirement does not apply to the Port Authority, our SBDP sponsors forums and training sessions, including mentoring and networking opportunities, at no cost to small, minority-owned and women-owned businesses.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

<p>3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Sec. 2161.065; TAC Title 34, Part 1, rule 20.28)</p>	<p>Although this requirement does not apply to the Port Authority, we do have a mentor-protégé program within our SBDP, facilitated by our Mentor Program Manager.</p>
--	--

F. Fill in the chart below detailing your agency’s Equal Employment Opportunity (EEO) statistics.¹

Port of Houston Authority							
Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2008							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	112	14.3%	6.6%	5.4%	14.2%	22.3%	37.3%
Professional	71	19.7%	8.3%	16.9%	13.4%	32.4%	53.2%
Technical	66	15.2%	12.4%	21.2%	20.2%	19.7%	53.8%
Administrative Support	130	23.1%	11.2%	23.9%	24.1%	93.1%	64.7%
Service Maintenance	68	38.2%	13.8%	20.6%	40.7%	10.3%	39.0%
Skilled Craft	148	12.8%	6.0%	19.6%	37.5%	1.4%	4.8%

FISCAL YEAR 2009							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	113	13.3%	9.0%	6.2%	23.7%	26.6%	38.8%
Professional	73	19.2%	11.7%	15.1%	19.9%	26.0%	54.5%
Technical	65	13.9%	17.0%	26.2%	27.0%	16.9%	55.6%
Administrative Support	118	23.7%	13.2%	28.0%	31.9%	94.1%	66.2%
Service/Maintenance	77	36.4%	12.8%	23.4%	44.8%	16.9%	39.7%
Skilled Craft	143	11.2%	5.1%	20.3%	46.9%	1.4%	5.1%

¹ The Service/Maintenance category includes three distinct occupational categories: Service/Maintenance, Para-Professionals, and Protective Services. Protective Service Workers and Para-Professionals are no longer reported as separate groups. Please submit the combined Service/Maintenance category totals, if available.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

FISCAL YEAR 2010							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	125	10.4%	7.5%	8.0%	21.17%	30.4%	37.5%
Professional	81	21.0%	9.7%	14.8%	18.8%	30.9%	53.3%
Technical	65	15.4%	13.9%	24.6%	27.1%	15.4%	53.9%
Administrative Support	112	21.4%	12.7%	30.4%	31.9%	95.5%	67.1%
Service/Maintenance	65	36.9%	14.4%	24.6%	49.9%	18.5%	39.1%
Skilled Craft	145	13.1%	6.6%	19.3%	46.3%	1.4%	6.0%

Note: The job category descriptions are defined according to the EEOC Form 164, State and Local Government Information (EEO-4) Instruction Booklet published by the Equal Employment Opportunity Commission.

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?
--

Yes, the policy is specified in our employee handbook: The Port Authority provides equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, physical or mental disability, military status or genetic information in accordance with applicable federal, state, and local laws governing non-discrimination in employment. This policy applies to all terms and conditions of employment, including, but not limited to, hiring, placement, promotion, termination, layoff, transfer, leaves of absence, benefits, compensation, and training.

The Port Authority’s minority workforce percentages have been reviewed by management and found to be less than the typical civilian labor force in certain categories. However, it should be noted that the Port Authority’s workforce has been very stable, with many employees having over 20 years of service. As positions become available, we have made good efforts to attract a more diverse staff, including Asians and others born outside the U.S.

Our Port Commission, consisting of seven members, includes two Female (28.5%), one Black (14.3%) and one Hispanic (14.3%). Our senior management consists of 13 officers, including four Female (30.8%), two Blacks (15.4%) and two Hispanics (15.4%).

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

XII. Agency Comments

Bayport Cruise Terminal

The Port Authority has received public scrutiny in recent months over certain expenditures. These issues have mostly been explained and addressed in other sections of the Self-Evaluation Report. While mentioned throughout this report, the public discussion regarding the building of the Bayport Cruise Terminal deserves some additional historical perspective and background.

Prior to 1997, all vessel calls by modern cruise lines in the Greater Houston area were into the Port of Galveston. Norwegian Cruise Lines (“NCL”) believed that there was an untapped market in Texas, so signed an initial contract with the Port Authority for a three-year term starting in 1997, to begin cruises from Barbours Cut Container Terminal. The Port Authority quickly converted a berth at Barbours Cut and erected an 18,000 square foot warehouse structure intended to serve as a temporary cruise terminal.

NCL began sailing the Norwegian Star from Houston and heavily promoted its “Texaribbean” itinerary. However, the promotion waned after initial sailings experienced substantial negative news coverage due to the vessel’s age and mechanical failures. The Norwegian Star yielded 51,295 passengers (90% capacity) from May 1997 to October 1998. In 1998, NCL replaced the vessel with the newer Norwegian Sea, which operated from Houston from December 1998 to December 2000 yielding 165,748 passengers during the 107 sailings (102% capacity).

Nearby competition began increasing when Carnival Cruise Lines began sailing seasonally from the Port of Galveston in 1999. The agreement between that port and cruise line included loan provisions to improve the cruise terminal.

By 2000, NCL planned to build several new larger ships and deploy one of them to Houston. NCL communicated to the Port Authority that it needed a larger cruise terminal as the Barbours Cut facility was too small to accommodate their larger vessels. Additionally, other cruise lines visited Houston from 2001 to 2003, including Royal Olympic Line and Premier Cruise Line.

In 2001, Royal Caribbean Cruises Limited (“RCCL”) expressed interest in deploying vessels from Houston, but concluded the Barbours Cut facility was too small. As a result, RCCL signed an agreement with the Port of Galveston.

The 2005 season saw the replacement of the Norwegian Sea with the Norwegian Dream, a larger and newer vessel. While Houston’s cruise terminal could accommodate the new ship, there were concerns with the baggage lay down areas of the terminal building. NCL continued to push for a new terminal at Bayport.

The Port Commission awarded contracts to build Bayport Cruise Terminal One to meet NCL’s required “need by” date of October 2007. However, construction start delays caused by litigation associated with permitting issues of the Bayport Terminal complex created serious challenges. As a result, the cruise industry was unwilling to commit to Houston until the new cruise terminal was completed.

March 2006 saw NCL refocus its efforts, along with three vessels, in the Hawaiian market. As a result, the company announced its plans to leave Houston.

The Port Authority increased its effort to attract RCCL to Houston from Galveston. Unfortunately, these efforts were unsuccessful despite several accommodations offered to the cruise line.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

The cruise market is highly dynamic and in 2007 and 2008, there was a significant redeployment of ships from the Caribbean waters to Europe, Brazil, Australia and New Zealand because cruise lines were able to realize a higher yield of passengers per day than in the U.S. market. For example, cruise lines sent more than 44 vessels to European destinations, from a previous high of eight.

It should be noted that the Bayport Cruise Terminal was actually utilized by cruise lines for a brief time after the devastating effects of Hurricane Ike caused widespread damage to the Port of Galveston in September 2008. Gerry Cahill, president and CEO of Carnival Cruise Lines, stated, “We are especially grateful to the Port of Houston for their responsiveness. Many of their personnel involved in making this happen were dealing with the aftermath of Hurricane Ike but set that aside to work with us on very short notice to assure that these vessels would continue to have a Texas homeport and with minimal disruption to our guests.”

Presently, the Port Authority’s Cruise Development Department is actively canvassing cruise line companies and encouraging them to come to the Port of Houston. Staff participates and attends major cruise industry events such as the Florida Caribbean Cruise Association (“FCCA”) and the Cruise Lines International Association (“CLIA”). The Cruise Development Department also generates open bids for attracting new business to the cruise facilities. Additionally, other options and alternative uses of the cruise terminal and adjacent property are being considered.

SUMMARY

The Port Commission and staff of the Port Authority appreciate this opportunity to present an overview of the Port Authority, its mission and its key functions. Our history of collaboration among private industry and local, state and federal governments has served us well and we look forward to continuing our partnership with all constituents, to benefit our local communities, our state and the nation.

- As a political subdivision of the State of Texas, we are mindful of our role as a steward of the public interest, with accountability and transparency.
- As an operator of terminals and port facilities, we take seriously our mandate to create jobs and foster economic activity in the region. While we have enjoyed continued success as a public terminal operator despite the recent economic downturn, we realize that there are still many challenges ahead, as we prepare and plan for the growth that is sure to come to the Port of Houston after the Panama Canal expansion is completed in 2014.
- Finally, as sponsor of the Houston Ship Channel, a federal waterway, we are committed to maintaining and protecting this vital national resource for future generations.

We are at your disposal to answer any questions during the review process, and look forward to working with you on solutions to our common issues.

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

ATTACHMENTS

As requested, we are including the following supplemental data or documents with the hard copy of the Self-Evaluation Report.

Attachments Relating to Key Functions, Powers, and Duties	
<p>1. A copy of the agency’s enabling statute.</p>	<p>1a.) Chapter 97, Acts of the 40th Legislature, 1927 Regular Session 1b.) Chapter 292, Acts of 40th Legislature, 1927 Regular Session 1c.) Chapter 90, Acts of the 49th Legislature, 1945 Regular Session 1d.) Chapter 117, Acts of the 55th Legislature, 1957 Regular Session 1e.) Chapter 43, Acts of 62nd Legislature, 1971 Regular Session 1f.) Chapter 1042, Acts of 70th Legislature, 1987 Regular Session 1g.) Chapter 1019, Acts of 71st Legislature, 1989 Regular Session</p>
<p>2. A copy of each annual report published by the agency from FY 2006 – 2010*.</p>	<p>2a.) Annual Report 2006 2b.) Annual Report 2007 2c.) Annual Report 2008 2d.) Environmental Report 2006 2e.) Environmental Report 2007 2f.) Environmental Report 2008 2g.) Sustainability Report 2009</p> <p>These reports are also available online at: http://www.portofhouston.com/publicrelations/annual.html</p> <p>*Note: We will provide the Sustainability Report 2010 when it is available.</p>
<p>3. A copy of each internal or external newsletter published by the agency from FY 2009 – 2010.</p>	<p>3a.) Dock Dispatch (2009) – Summer and fall issues 3b.) Dock Dispatch (2010) – Spring, summer, and fall issues 3c.) The Port Report Newsletter – Distributed monthly Available online at: http://www.portofhouston.com/publicrelations/newsletter-signup.html 3d.) Bayport Report (Newsletter)</p>
<p>4. A list of publications and brochures describing the agency.</p>	<p>4a.) Welcome to the Port of Houston Brochure Available online at: http://www.portofhouston.com/publicrelations/publications.html 4b.) Port of Houston Authority Container Facilities 4c.) Port of Houston Authority Breakbulk Facilities 4d.) The Port of Houston Magazine Available online at: http://www.portofhouston.com/publicrelations/magazine.html 4e.) The Port of Houston Business Directory, 2010</p>

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

5. A list of studies that the agency is required to do by legislation or riders.	None.
6. A list of legislative or interagency studies relating to the agency that are being performed during the current interim.	None.
7. A list of studies from other states, the federal government, or national groups/associations that relate to or affect the agency or agencies with similar duties or functions.	7a.) MARAD Public Port Finance Survey 2006 7b.) U.S. Department of Transportation, America’s Container Ports 2009 7c.) U.S. Department of Commerce, U.S. Port Trade Report 2010 and 2009 7d.) Southern Legislative Conference, CanagaRetna, The Panama Canal Expansion and SLC State Ports: A Special Series Report, June 2010 7e.) RITA Bureau of Transportation Statistics (USDOT), America’s Container Ports: Lining Markets at Home and Abroad, January 2011

Attachments Relating to Policymaking Structure

8. Biographical information (e.g., education, employment, affiliations, and honors) or resumes of all policymaking body members.	8a.) Chairman James T. Edmonds – Biographical information 8b.) Commissioner Steve Phelps – Biographical information 8c.) Commissioner James W. Fonteno, Jr. – Biographical information 8d.) Commissioner Kase L. Lawal – Biographical information 8e.) Commissioner Jimmy A. Burke – Biographical information 8f.) Commissioner Janiece Longoria – Biographical information 8g.) Commissioner Elyse Lanier – Biographical information
9. A copy of the agency’s most recent rules.	None.

Attachments Relating to Funding

10. A copy of the agency’s Legislative Appropriations Request for FY 2012 – 2013.	None.
11. A copy of each annual financial report from FY 2008 – 2010.	11a.) CAFR for FY 2006 11b.) CAFR for FY 2007 11c.) CAFR for FY 2008 11d.) CAFR for FY 2009 11e.) CAFR for FY 2010
12. A copy of each operating budget from FY 2009 – 2011.	12a.) Budget presentation for FY 2009 12b.) Budget presentation for FY 2010 12c.) Budget presentation for FY 2011

PORT OF HOUSTON AUTHORITY SELF-EVALUATION REPORT

Attachments Relating to Organization	
13. If applicable, a map to illustrate the regional boundaries, headquarters location, and field or regional office locations.	13a.) Map of Port of Houston Authority Properties 2006 13b.) Map of Port of Houston Authority Properties 2007 13c.) Map of Port of Houston Authority Properties 2008 13d.) Map of Port of Houston Authority Properties Showing Major Highways

Attachments Relating to Agency Performance Evaluation	
14. A copy of each quarterly performance report completed by the agency in FY 2008 – 2010.	None.
15. A copy of any recent studies on the agency or any of its functions conducted by outside management consultants or academic institutions.	15a.) Martin Associates, Economic Impact Study of the Port of Houston, 2006 15b.) ISO 14001 Audit Reports performed by third-party auditor Det Norske Veritas (DNV), 2006 to present (9 attachments) 15c.) Texas Transportation Institute (TTI), Direct Economic Effects of Lack of Maintenance Dredging of the Houston Ship Channel, December 2010
16. A copy of the agency's current internal audit plan.	None.
17. A copy of the agency's current strategic plan.	17a.) 2012 Proposed Strategic Initiatives 17b.) 2012 Strategic Initiatives Public Workshop Presentation (June 28, 2011)
18. A list of internal audit reports from FY 2007 – 2011 completed by or in progress at the agency.	18a.) List of Auditor Reports 18b.) Audit Report of P&D Fund by Deloitte & Touche for FY 2008 and FY 2007
19. A list of State Auditor reports from FY 2007 – 2011 that relate to the agency or any of its functions.	19a.) State Auditor's Report on P&D Fund dated January 28, 2002 There have been no other State Auditor reports in recent history.
20. A copy of any customer service surveys conducted by or for your agency in FY 2010.	None.



PORT OF HOUSTON AUTHORITY
111 EAST LOOP NORTH
P.O. BOX 2562
HOUSTON, TX 77252-2562

PH: 713.670.2400
FAX: 713.670.2429

www.portofhouston.com