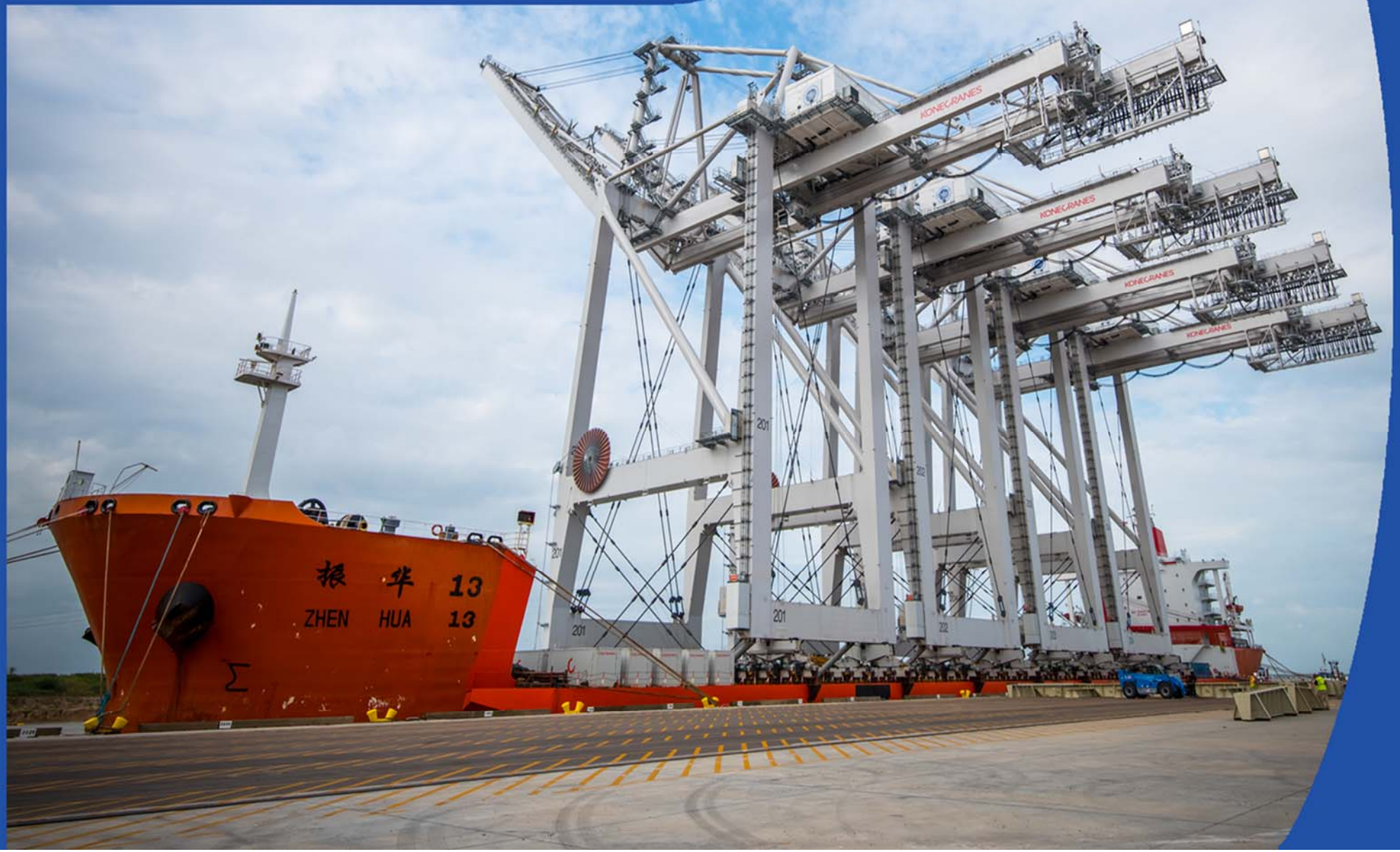
2016 Budget Executive Summary

Port of Houston Authority
November 17, 2015

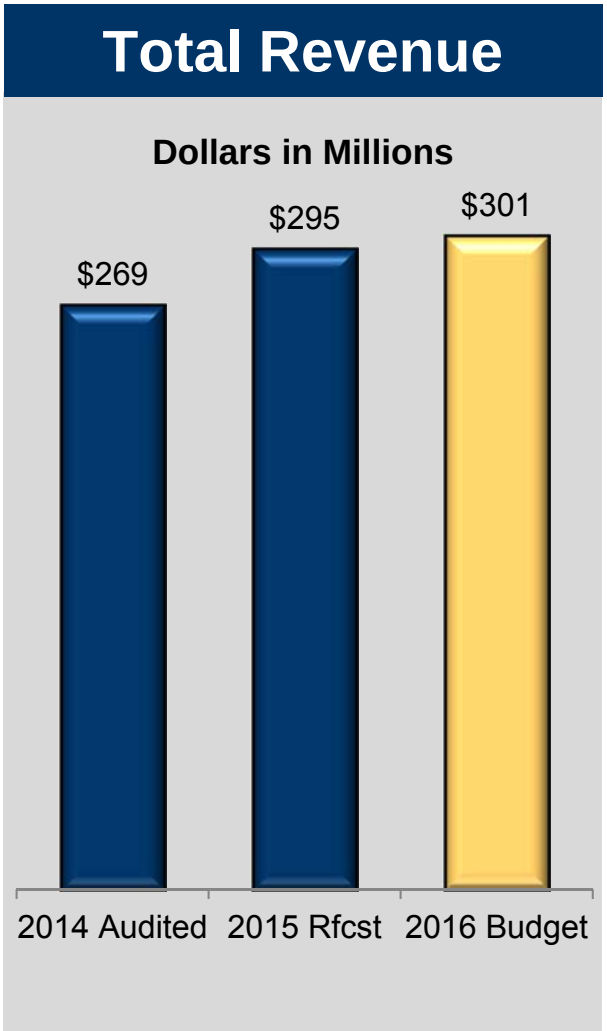


Foreword

- The proposed 2016 operating budget and capital plan was developed to guide staff in the operation and management of Port Authority facilities and activities for Fiscal Year 2016. It was approved by the Port Commission on November 17, 2015.
- Note that the operating budget does not include tax revenues, which are used exclusively for debt service on the Port Authority's outstanding general obligation *ad valorem* tax bonds.
- While the capital plan may be approved as to maximum annual amount of capital expenditures, individual operating and capital projects exceeding $50,000 will continue to be presented separately to the Port Commission for approval in accordance with statutory requirements.
- References to "2015 Budget Reforecast" refer to an update to the 2015 Budget that was prepared by staff as of July 2015 and submitted to the Port Commission. It has been posted on the Port Authority's website (www.portofhouston.com).

Executive Summary
2016 Budget

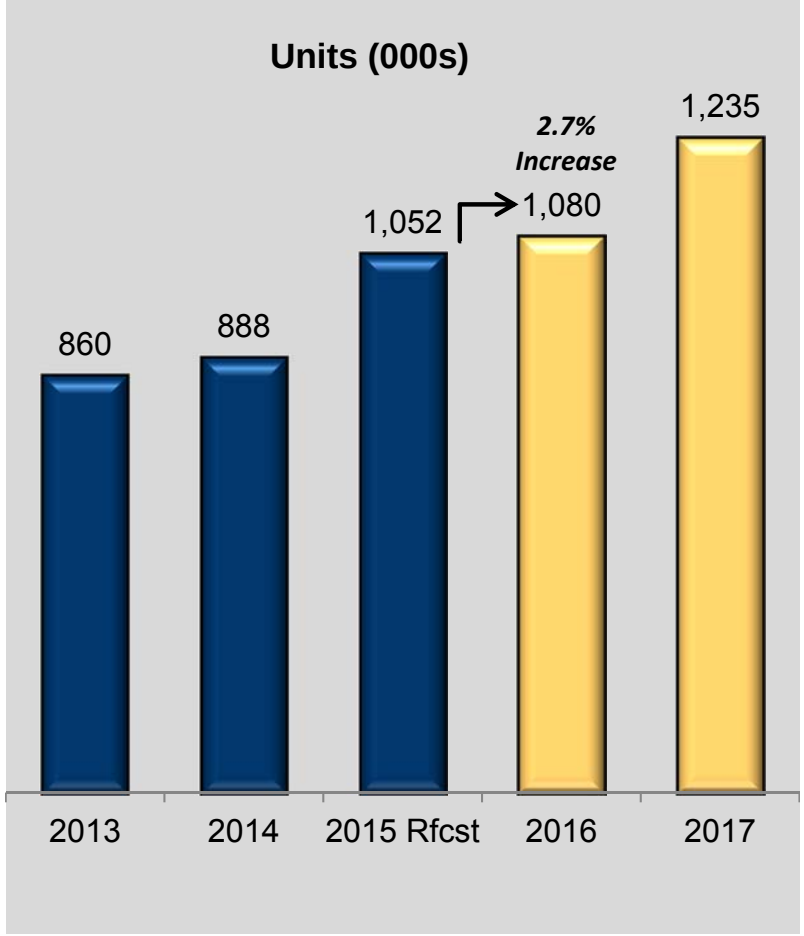
2016 revenue growth continues despite unexpected 2015 spike in tonnage



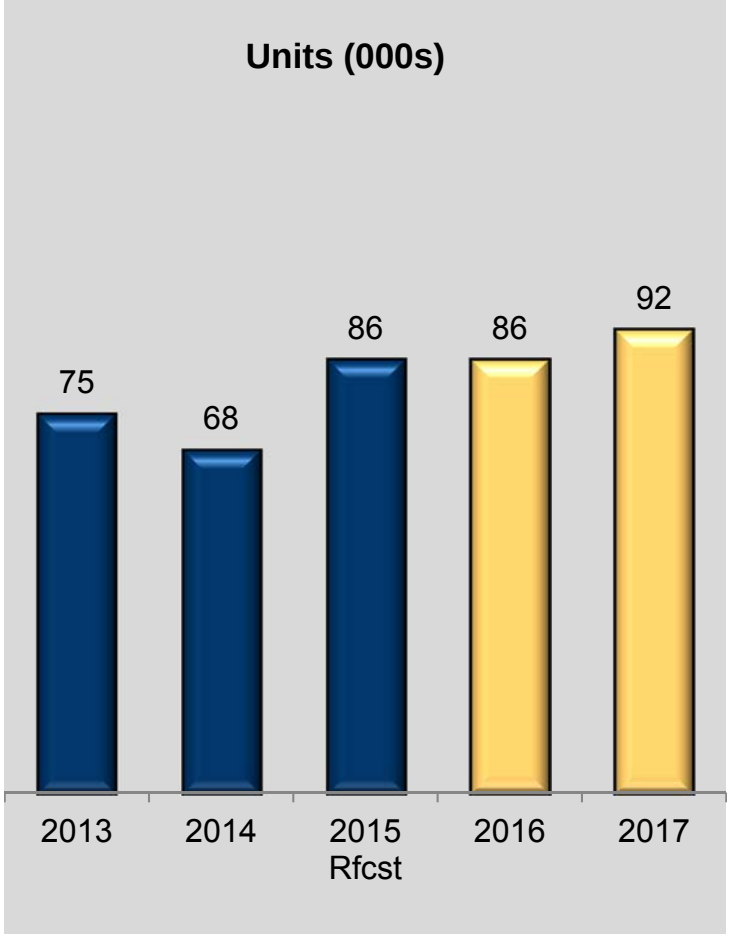
- **Total revenues increase 2.0%**
  - ***Compared to 2015 Budget Reforecast***
- **Container TEUs increase 2.7%**
  - ***Import and Export loads up 1.6%***
  - ***Empty units up 2.5%***
- **Steel tonnage decreases 11.8%**

Container units show modest growth in 2016 while autos remain flat

Containers

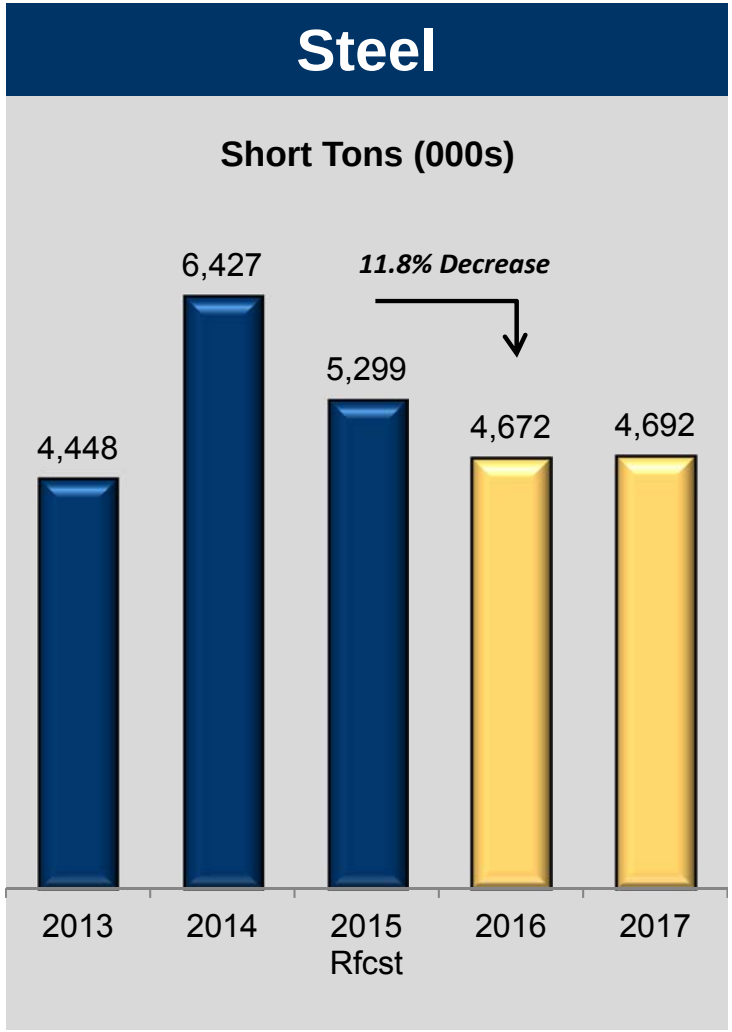


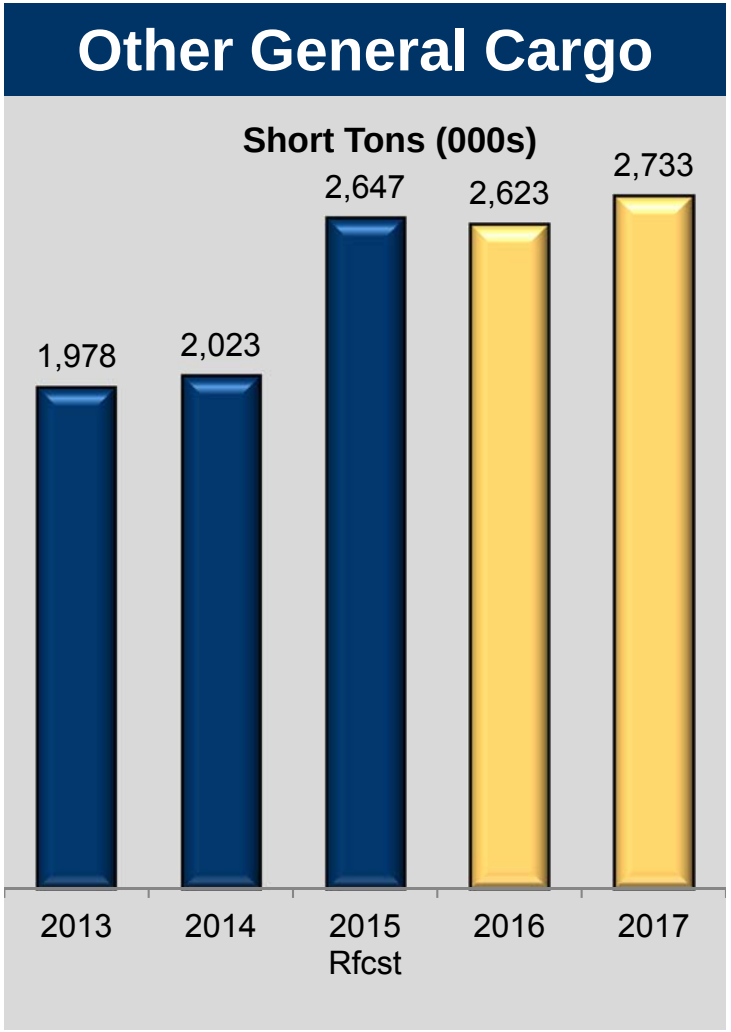
Autos



Note: 2015, 2016 and 2017 are forecasts

Steel declines vs. 2015 estimates and other general cargo volumes down slightly

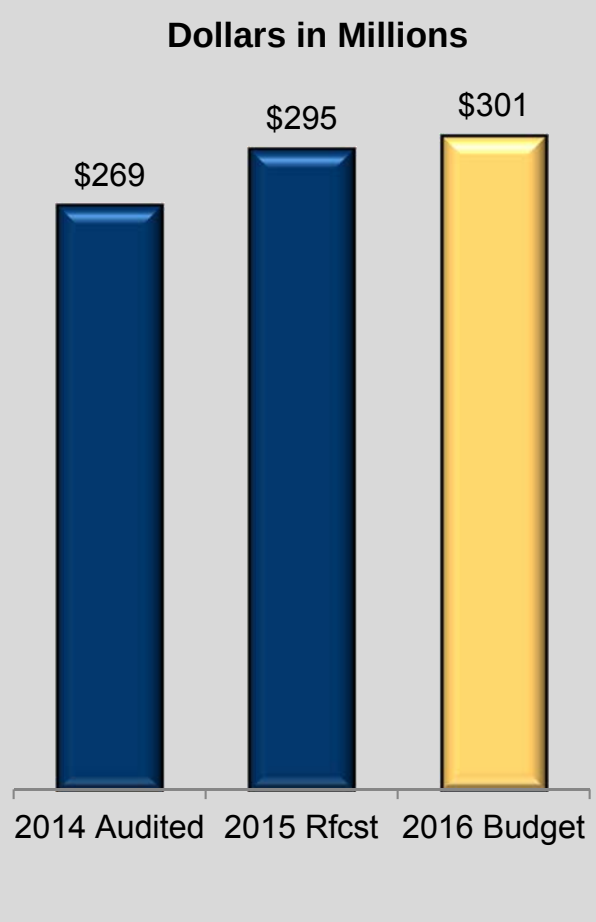




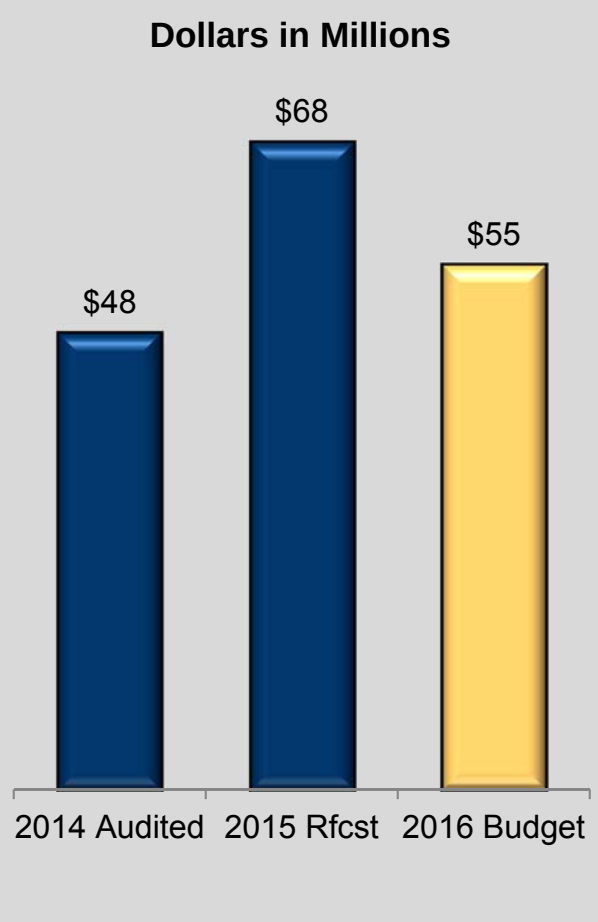
Note: 2015, 2016 and 2017 are forecasts

Strong financial performance continues in 2016

Total Revenue

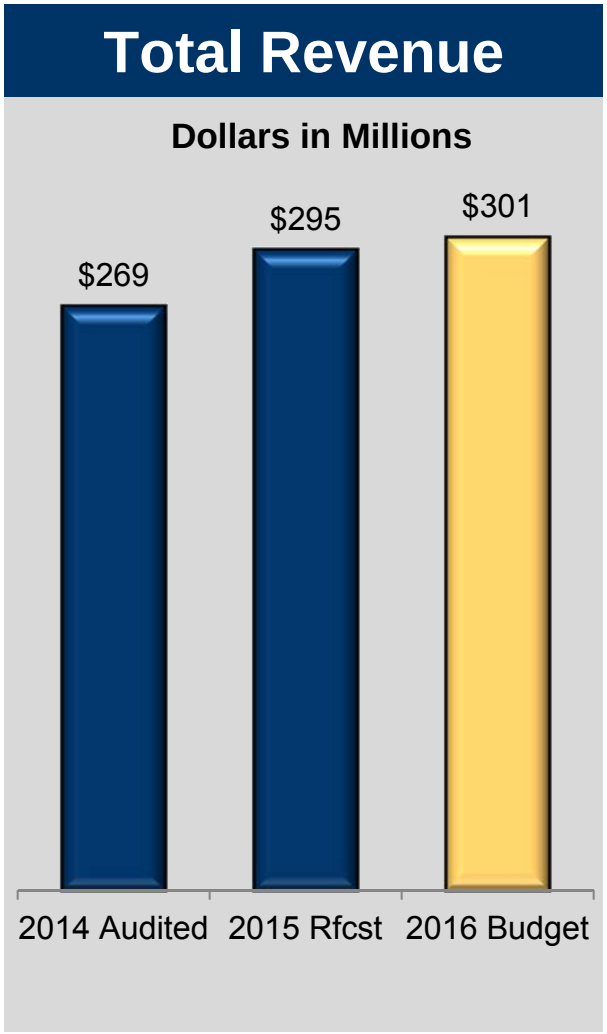


Net Income



Cash Flow ($M)

2016 Revenue expected to increase 2.0% with steady growth in container units



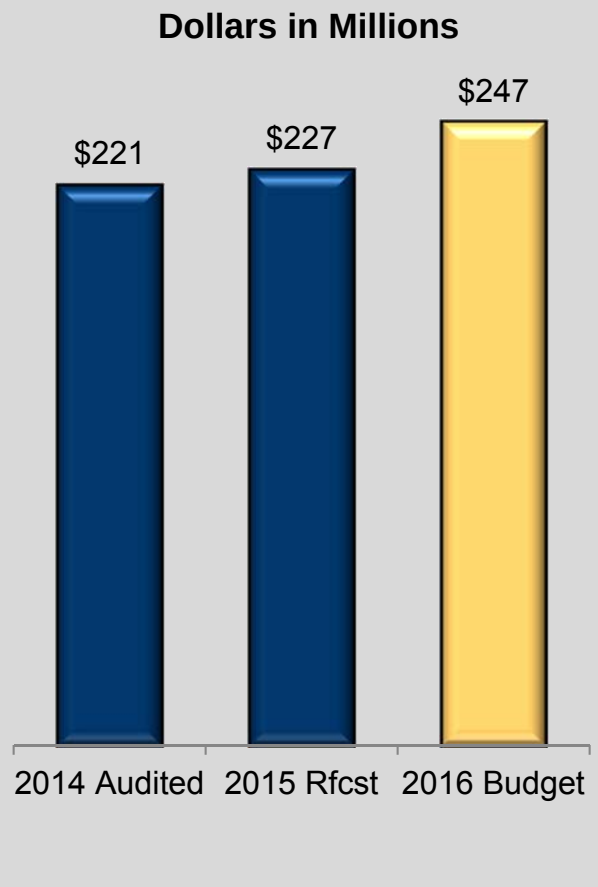
Revenue Analysis

Dollars in Millions

2015 Reforecast – Total Revenue	**$295**
	Change
• **Increase in Container revenue driven by volumes**	**10**
• **Decrease in Turning Basin revenue driven by steel volumes**	**(4)**
• **Increase Non-Operating revenue driven by**	
- **increase in income from Federal Funds**	**2**
- **increase in income from FEMA-Ike**	**1**
- **decrease in interest income**	**(1)**
• **Other**	**(2)**
Subtotal	**6**
2016 Budget – Total Revenue	**$301**

2016 Expenses expected to increase 8.5% related to capital investments and container volumes

Total Expense

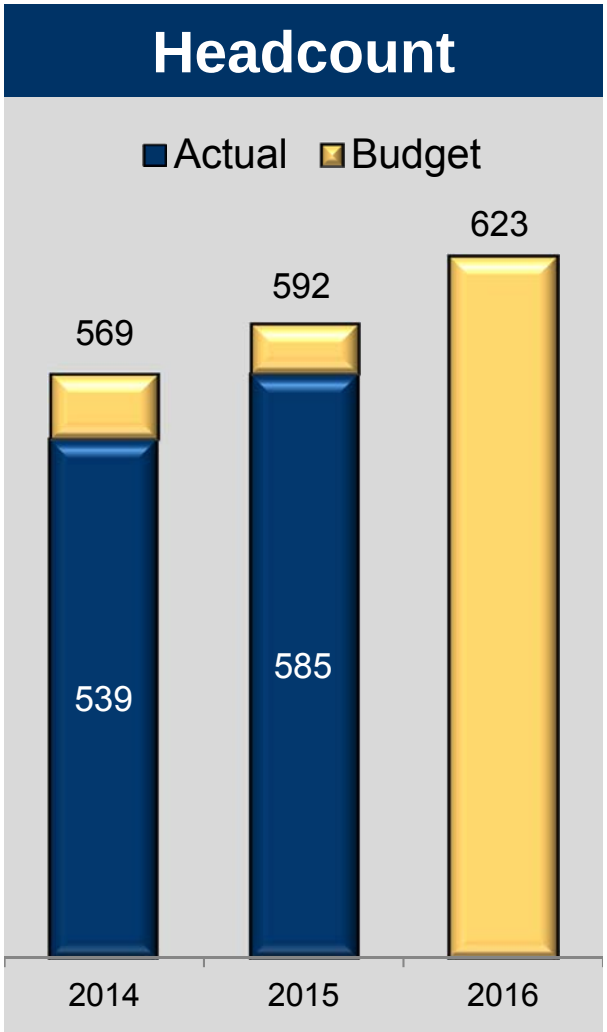


Expense Analysis

Dollars in Millions

2015 Reforecast – Total Expense	**$227**
	Change
• **Increase in Depreciation & Amortization**	**8**
• **Increase in Terminal & Asset Maintenance**	**3**
• **Increase in ILA Labor driven by volumes**	**3**
• **Increase in PHA Salaries driven by volumes**	**2**
• **Increase in Medical Insurance**	**2**
• **Other**	**2**
Subtotal	**20**
2016 Budget – Total Expense	**$247**

Organizational realignment staffing in 2016



Headcount Analysis

Number of Employees*

2015 Actual Headcount (as of September 30, 2015)	
Actual Headcount **	
Exempt	**195**
Nonexempt	**390**
Total Actual Headcount	**585**
Open Positions	
Approved	**38**
Total Approved Positions	**623**
2016 Budget – Headcount	**623**

* *Does not include Casual Labor*

** *"Exempt" are exempt from overtime, historically titled "Salary"*
"Nonexempt" are eligible for overtime, historically titled "Hourly"

Continued focus on the bottom line

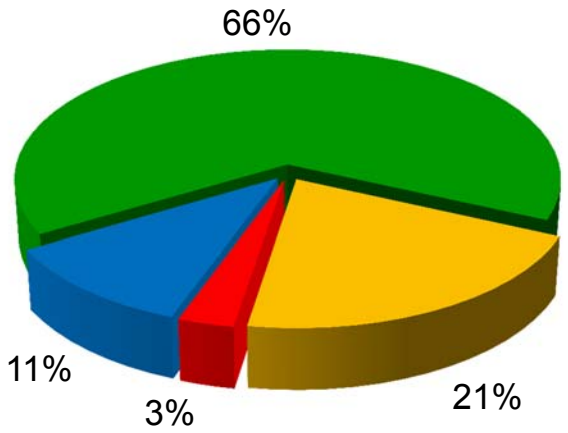
Budget Overview

Dollars in Millions

	2014 Audited	2015 Budget	2015 Reforecast	2016 Budget
Total Revenue	**$269**	**$267**	**$295**	**$301**
Total Expense	**221**	**230**	**227**	**246**
Net Income	**$48**	**$37**	**$68**	**$55**
Net Profit Margin	**18%**	**14%**	**23%**	**18%**
Cash Flow	**$103**	**$97**	**$128**	**$123**

Cash flow generated will help support the 2016 Capital Improvement budget of $314 million

2016 Capital Improvement Program
$314 Million



- Recapitalization
- Strategic
- Channel Development
- Maintenance/Other

- Recapitalization projects = $33 million
  - *Investments required to sustain high service levels and/or enhance productivity*
- Strategic projects = $207 million
  - *These investments support new growth opportunities*
- Channel projects = $65 million
  - *Development at container terminals and DAMP areas*
- Remaining projects = $9 million
  - *Includes required maintenance, equipment replacement, etc.*

2016 Budget

Liquidity (000's)

	2015	2016	2017
Discretionary Funds Available, Beginning of Period	$ 403,828	$ 162,090	$ (28,236)
Contingency	(45,000)		
Debt Service and Other Reserves	(28,845)		
Outstanding Capital PO's and Commitments	(141,265)		
	$ 188,718	$ 162,090	$ (28,236)
Sources:			
Operating Cash Flow	127,610	123,410	150,922
Available Resources	$ 316,328	$ 285,500	$ 122,686
Uses:			
New Capital Investment			
Bayport Terminal	(20,471)	(119,568)	(25,401)
Barbours Cut Terminal	(84,385)	(73,693)	(89,606)
Channel Development	(2,705)	(64,455)	(6,640)
Turning Basin Terminals	(9,775)	(33,630)	(40,809)
Bayport Railroad	(21,540)	(9,539)	(6,188)
HSSE	(1,979)	(5,028)	(750)
IT	(1,738)	(3,312)	(900)
Other	(9,405)	(2,462)	(4,544)
Real Estate	(2,240)	(2,049)	(1,714)
Subtotal - New Capital Investment	(154,238)	(313,736)	(176,552)
Net Uses	(154,238)	(313,736)	(176,552)
Discretionary Funds Available, End of Period	$ 162,090	$ (28,236)	$ (53,866)

2016 -2020 Budget

Income Statement (000's)

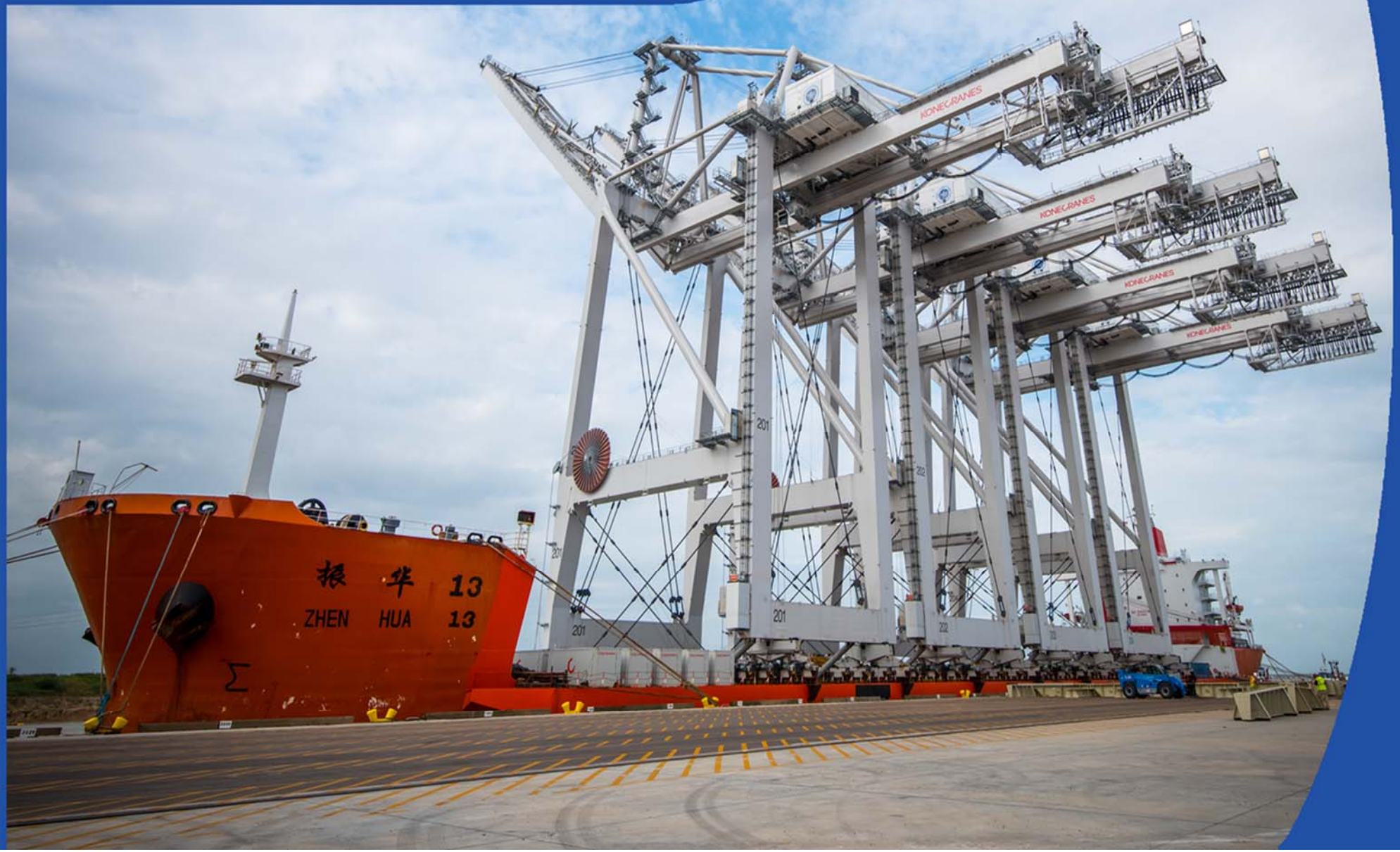
	2016 Budget	2017 Budget	2018 Budget	2019 Budget	2020 Budget
Operating Revenue*	$295,866	$327,748	$341,418	$349,180	$356,599
Less: Operating Expense	193,324	202,387	214,435	220,511	226,076
Operating Income	$102,541	$125,361	$126,983	$128,670	$130,523
Less: General & Administrative Expenses	50,556	50,596	50,052	50,464	50,162
Net Operating Income	**$51,986**	**$74,765**	**$76,930**	**$78,205**	**$80,361**
Non-Operating Revenue (Expense)	(288)	(2,388)	(4,878)	(5,708)	(5,708)
Income before Contributions & Transfers	$51,698	$72,377	$72,053	$72,497	$74,653
Contributions (to)/from Federal/State Agencies	3,057	3,342	1,599	(12,581)	(2,133)
Net Income	**$54,755**	**$75,719**	**$73,652**	**$59,916**	**$72,520**
Cash Flow	**$123,410**	**$150,922**	**$156,745**	**$150,380**	**$166,971**

*Includes G&A Revenues

2016 Budget Operating and Capital Summary

Port of Houston Authority

November 17, 2015



2016 Budget

Operating and Capital Budget Summary

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2016 Operating Budget

2016 Budget

2016 Market Forecast – Global Economy

- Economic outlook suggests 2016 slightly stronger than 2015
- Growth expected to remain steady in the period 2016-2020
- Many key economies will either grow or remain steady in 2016
- China and Brazil are both experiencing significant economic slowdowns
- 2016 GDP Growth Forecast versus 2015

	2016	2015
➢ Euro Area	1.7 %	1.5 %
➢ China	6.3 %	6.8 %
➢ India	7.5 %	7.5 %
➢ Brazil	0.7 %	-1.5 %

- Commodities: Oil prices may rebound slightly but remain significantly below 2014 highs. International market prices for other commodities will remain roughly flat in 2016.

Sources: PHA Market Development, IMF – World Economic Outlook Database, April 2015 edition and July 2015 update

2016 Budget

2016 Market Forecast – U.S. Economy

- The U.S. economy continues its gradual acceleration with 2016 GDP growth of 2.8%, ahead of 2015 GDP growth, currently estimated at 2.3%
- Low inflation continues; consumer prices increasing 2.0% in 2016
- U.S. unemployment rate will continue its very slow trend downward, falling less than 0.1% per quarter though 2016
- The Federal Reserve may begin to raise the Federal Funds Rate before the end of 2015 from zero today to 1-2% in 2016
- The Fed foresees gradual rate hikes through 2018 leading to a long run Federal Funds Rate of 3%-4%. The actual pace and level of rate hikes could be significantly different depending on how the economic situation progresses

Sources: PHA Market Development, Federal Reserve Bank of Philadelphia – Survey of Professional Forecasters – 3rd Quarter 2015, Federal Reserve FOMC September 2015 Meeting – Public Materials

2016 Budget

2016 Market Forecast – Texas Economy

- Texas Economic Strengths
  - Texas is still adding jobs and unemployment remains low
  - Real estate activity remains robust while the service sector outlook is still positive despite some weakening this year
- Texas Economic Headwinds
  - Ongoing weakness in oil prices continues to hurt Texas economy
  - Strong US dollar and global economic uncertainty are risk factors for Texas exports; forward-looking indicators for manufacturing are weak
- Texas Economic Outlook - the state economy remains resilient
  - Overall employment levels remain strong…
  - …while Texas oil industry firms are not optimistic about the oil price

Sources: PHA Market Development, Federal Reserve Bank of Dallas "Regional Economic Update", Sept 17, 2015

Texas economy continues to grow

2016 Budget

2015 Market Review – PHA

- PHA overall volumes are down versus the prior year
  - Total 2015 tonnage is 3% lower vs. 2014 *

- Total container TEU year-over-year increase of 12% **
  - Import loaded TEUs up 19% / Export loaded TEUs up 12% **
  - Import empty TEUs down -28% / Export empty TEUs up 33% **
  - Growing loaded container imports continue to reduce the need for imported empties

- Steel tonnage year-to-date decrease of -16%
  - Imports down -15% / Exports down -43% in 2015 vs. 2014 **
  - Steel import volumes face multiple headwinds including weakness in oil industry

Sources: PHA Market Development, PHA Accounting

** based on September 2015 year-to-date ("YTD ") vs. September 2014 YTD for overall PHA tonnage excluding the Bayport Chemical Complex*
*** based on September 2015 YTD vs. September 2014 YTD*

2016 Budget

Cargo Assumptions – Container Terminals

Trends and Forecast (000's)

	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Reforecast	2016 Budget	2017 Projection
Units *	**860**	**916**	**888**	**902**	**1,052**	**1,080**	**1,235**
TEU (Imports)	**674**	**677**	**688**	**710**	**813**	**843**	**986**
TEU (Exports)	**733**	**790**	**746**	**772**	**903**	**918**	**1,027**
*% Change in Units***			*3.3%*		*18.5%*	*2.7%*	*14.4%*
Budget Growth Assumption		*3.5%*		*(1.5%)*		*2.7%*	*14.4%*

* *Units at PHA container terminals only, excluding units in leased terminals*
** *Percentages are based on 2013 Actual, 2014 Actual, 2015 Reforecast, 2016 Budget and 2017 Projection*

- **Projected volumes based on PHA Economic Analysis Forecast Summary with updated 2015 data**
- **No general tariff rate increase incorporated in 2016 Budget**
- **2016 Budget reflects growth of export loads at 1.6% and import loads at 3.8%, with a 2.5% increase in empty container volume**

2016 Budget

Cargo Assumptions – Turning Basin Terminals

Trends and Forecast (000's)

		2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Reforecast	2016 Budget	2017 Projection
Steel	(short tons)	**4,448**	**3,350**	**6,427**	**5,385**	**5,299**	**4,672**	**4,692**
*% Change**				*44.5%*		*(17.6%)*	*(11.8%)*	*0.4%*
General Cargo	(short tons)	**1,978**	**2,508**	**2,023**	**2,150**	**2,647**	**2,623**	**2,733**
*% Change**				*2.3%*		*30.8%*	*(0.9%)*	*4.2%*
Automobiles	(units)	**74.9**	**77.8**	**67.6**	**67.0**	**85.7**	**85.7**	**91.5**
*% Change**				*(9.7%)*		*26.8%*	*0.0%*	*6.8%*

** Percentages are based on 2013 Actual, 2014 Actual, 2015 Reforecast, 2016 Budget and 2017 Projection*

- **Expected decline in Import and Export Steel volumes in 2016 after a strong first half 2015**
- **No general tariff rate increase incorporated in 2016 Budget**

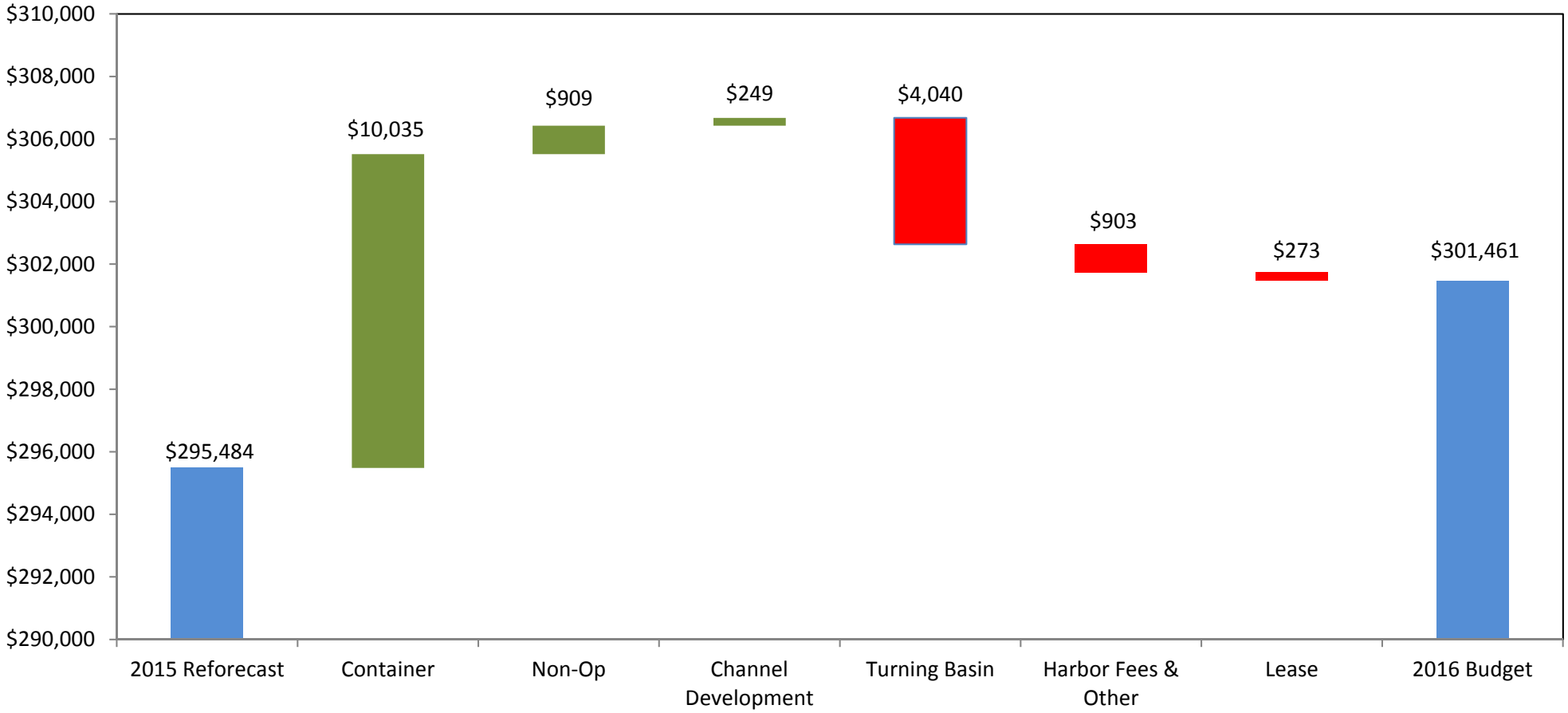
2016 Budget

Total Revenue – Summary (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Container Terminals	**$170,740**	**$174,452**	**$153,088**	**$198,690**	**$208,725**
					5.1%
Turning Basin Terminals	**65,049**	**57,638**	**48,772**	**62,930**	**58,889**
					(6.4%)
Lease Revenues	**15,625**	**15,826**	**11,923**	**16,150**	**15,877**
					(1.7%)
Harbor Fees	**6,334**	**6,880**	**5,070**	**6,790**	**6,880**
					1.3%
Channel Development	**1,926**	**5,178**	**2,079**	**2,435**	**2,683**
					10.2%
Other Revenues	**2,365**	**3,601**	**2,497**	**3,804**	**2,813**
					(26.1%)
Total Operating Revenues	**$262,039**	**$263,575**	**$223,429**	**$290,799**	**$295,867**
					1.7%
Non-Operating (Federal Grants, Insurance, Interest Income)	**7,468**	**3,475**	**3,416**	**4,685**	**5,594**
					19.4%
Total Revenue	**$269,507**	**$267,050**	**$226,845**	**$295,484**	**$301,461**
					2.0%

2016 Budget

Total Revenue – Major Changes (000's)



2016 Budget

Total Revenue – Major Changes (000's)

2015 Reforecast			**$295,484**
Container Terminals			
Increase in Full Container Receipt/Delivery	12,253		
Increase in Wharf Crane Rental	1,302		
Decrease in Storage	(4,347)		
Other Container Terminal Revenues	827	**10,035**	
Turning Basin Terminals			
Decrease in Shed Hire	(331)		
Decrease in Wharfage-Export	(365)		
Decrease in Rent/Lease	(365)		
Decrease in Dockage	(501)		
Decrease in Wharfage-Import	(1,993)		
Other Turning Basin Terminals Revenue	(485)	**(4,040)**	
Lease Revenues			
Increase in Usage Fees	977		
Decrease in Rent/Lease	(1,191)		
Other Lease Revenues	(59)	**(273)**	
Harbor Fees			
Harbor & Barge Fees	91	**91**	

2016 Budget

Total Revenue – Major Changes (cont.) (000's)

Channel Development			
Increase in DMA Fees	352		
Other Channel Development Revenue	(103)	**249**	
Other Revenue			
Decrease in Parking Lot Fees	(384)		
Decrease in Passenger Terminal Charge	(615)		
Other Revenue	5	**(994)**	
Non-Operating			
Income from Federal Funds	2,087		
Income from FEMA-Ike	1,000		
Interest Income-Securities Current Fund	(1,479)		
Other Non Operating Revenues	(699)	**909**	
			5,977
2016 Budget			**$301,461**

2016 Budget

Expense – Assumptions

- Increase in Salaries and Benefits, including ILA Labor, driven by higher cargo volumes and rise in medical cost
- Increase in Depreciation and Amortization costs related to investments in infrastructure

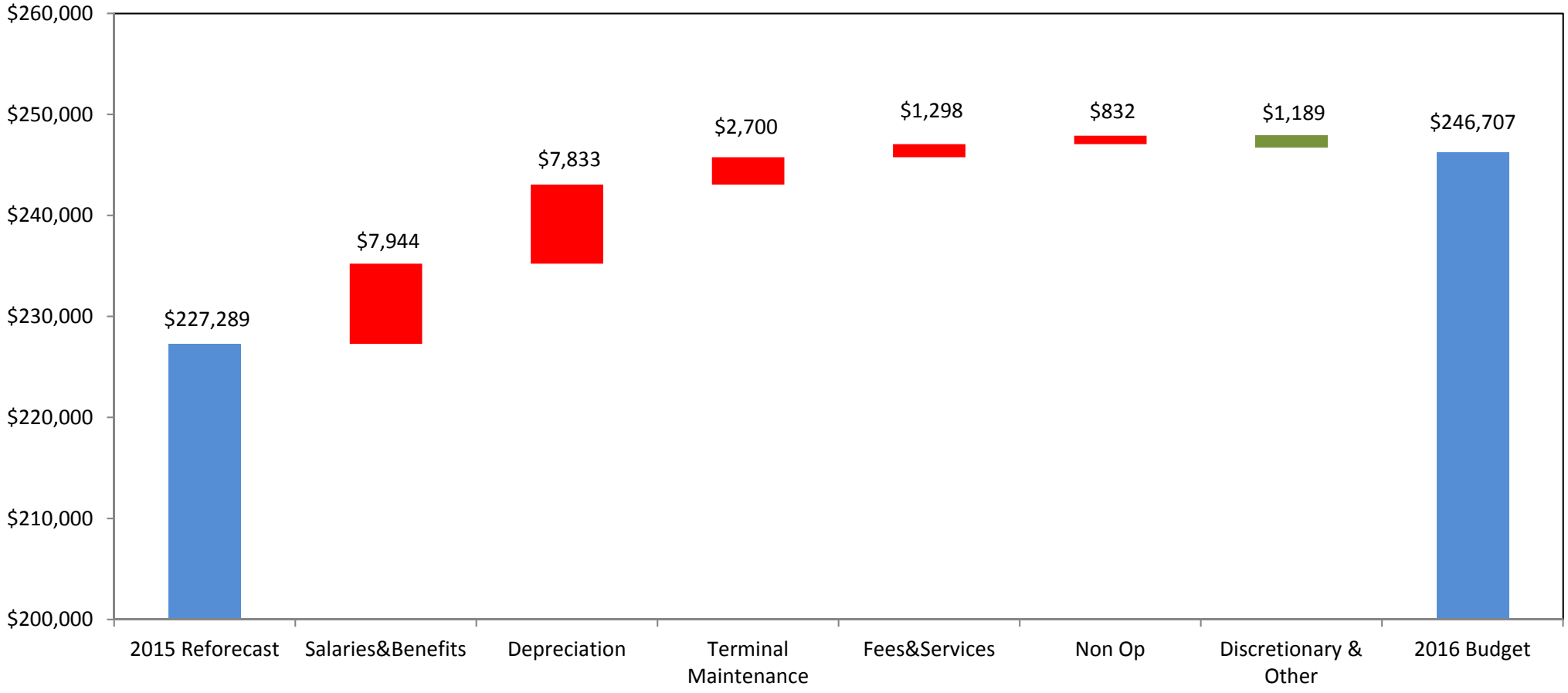
2016 Budget

Total Expense – Summary (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	**$60,365**	**$63,825**	**$51,656**	**$68,408**	**$72,791**
					6.4%
Benefits	**21,739**	**$23,006**	**$19,161**	**$24,052**	**28,007**
					16.4%
Retirement Benefits	**10,471**	**$12,400**	**$8,630**	**$11,566**	**11,173**
					(3.4%)
Depreciation & Amortization	**56,918**	**$60,884**	**$44,473**	**$60,822**	**68,655**
					12.9%
Terminal & Asset Maintenance	**17,519**	**$19,859**	**$10,724**	**$15,583**	**18,283**
					17.3%
Fees & Services	**12,655**	**$13,614**	**$10,153**	**$13,925**	**14,867**
					6.8%
Insurance	**4,396**	**$4,823**	**$3,479**	**$4,684**	**5,157**
					10.1%
Utilities	**4,111**	**$4,367**	**$3,246**	**$4,527**	**4,649**
					2.7%
Fuel	**3,455**	**$4,020**	**$1,981**	**$2,675**	**3,017**
					12.8%
Consulting Fees	**2,607**	**$4,142**	**$3,200**	**$4,420**	**4,776**
					8.1%
Discretionary Expenses	**27,685**	**$15,243**	**$10,369**	**$15,116**	**13,005**
					(14.0%)
Allocations	**(558)**	**($920)**	**($344)**	**($483)**	**(499)**
					3.3%
Total Expenses Operations and G&A	**$221,363**	**$225,263**	**$166,728**	**$225,295**	**$243,881**
					8.2%
Non-Operating Expenses	**19**	**4,650**	**(609)**	**1,994**	**2,826**
					41.7%
Net Expense	**$221,382**	**$229,913**	**$166,119**	**$227,289**	**$246,707**
					8.5%

2016 Budget

Total Expense – Major Changes (000's)



2016 Budget

Total Expense – Major Changes (000's)

2015 Reforecast			**$227,289**
Salaries & Benefits			
ILA Labor Due to Increased Volume	3,235		
PHA Salary Expenses	2,552		
Increase in Medical Insurance	1,881		
Decrease in Retirement Benefits	(393)		
All Other Salaries & Benefits	669	**7,944**	
Depreciation & Amortization			
Increase in Depreciation	6,595		
Increase in Amortization	1,238	**7,833**	
Terminal & Asset Maintenance			
Increase in Prop and Equip Demo-Contractor	1,280		
Increase in Wharf Maintenance-Contractor	1,083		
All Other Terminal & Asset Maintenance	337	**2,700**	
Fees & Services			
Increase in Software License Fees	473		
Increase in Fees and Services	439		
Increase in Consulting Fees	356		
All Other Fees & Services	30	**1,298**	

2016 Budget

Total Expense – Major Changes (cont.) (000's)

Discretionary Expenses			
Decrease in Market Development Funding	(992)		
Decrease in Engineering Design and Analysis Services	(1,540)		
All Other Discretionary Expenses	421	**(2,111)**	
Non-Operating			
Unrealized Loss on Investments	1,499		
Increase in Interest Expense	765		
Decrease in Contributions to State or Local Agencies	(1,418)		
All Other Non-Operating	(14)	**832**	
All Other Expenses			
All Other	922	**922**	
			19,418
2016 Budget			**$246,707**

2016 Budget

Operations Expense – Summary (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	**$45,275**	**$47,401**	**$40,016**	**$52,573**	**$55,439**
					5.5%
Benefits	**16,441**	**17,306**	**14,762**	**18,662**	**21,557**
					15.5%
Retirement Benefits	**4,554**	**5,215**	**3,952**	**5,309**	**4,579**
					(13.8%)
Depreciation & Amortization	**54,232**	**57,363**	**42,336**	**57,660**	**65,125**
					12.9%
Terminal & Asset Maintenance	**16,810**	**18,863**	**9,851**	**14,393**	**17,723**
					23.1%
Utilities & Fuel	**7,279**	**8,053**	**5,024**	**6,916**	**7,352**
					6.3%
Insurance	**3,843**	**4,245**	**3,034**	**4,095**	**4,456**
					8.8%
Allocation to Others	**414**	**1,142**	**654**	**930**	**1,399**
					50.4%
Fees & Services	**8,965**	**8,432**	**6,909**	**9,252**	**9,597**
					3.7%
Discretionary Expenses	**21,417**	**7,518**	**6,426**	**9,087**	**6,097**
					(32.9%)
Total Operating Expenses	**$179,230**	**$175,538**	**$132,964**	**$178,877**	**$193,324**
					8.1%

2016 Budget

Operations Expense – Major Changes (000's)

2015 Reforecast			**$178,877**
Salaries			
ILA Labor Expenses	3,235		
Increase in Medical Insurance	1,233		
PHA Salary Expenses	1,008		
Other Salaries & Benefits	285	**5,761**	
Retirement Benefits			
Decrease in Other Post Employment Benefits	(663)		
Other Retirement Benefits	(67)	**(730)**	
Depreciation & Amortization			
Increase in Depreciation	6,226		
Increase in Amortization	1,239	**7,465**	
Terminal & Asset Maintenance			
Increase in Prop and Equip Demo-Contractor	1,280		
Increase in Wharf Maintenance-Contractors	1,083		
Increase in Building Maintenance-Contractors	558		
Other Terminal & Asset Maintenance	410	**3,331**	
Fuel			
Increase in Fuel Expenses	328	**328**	
Consulting Fees			
Increase in Consulting Fees	169	**169**	

2016 Budget

Operations Expense – Major Changes (cont.) (000's)

Discretionary Expenses			
Decrease in Market Development Funding	(992)		
Decrease in Engineering Design and Analysis Services	(1,540)		
Other Discretionary Expenses	(459)	**(2,991)**	
Allocations			
IT Allocation	509		
Other Allocations	(39)	**470**	
Other Expenses			
Other	644	**644**	
			14,447
2016 Budget			**$193,324**

2016 Budget

G&A Expense – Summary (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	**$15,091**	**16,424**	**11,640**	**15,836**	**$17,352**
					9.6%
Benefits	**5,298**	**5,700**	**4,399**	**5,390**	**6,450**
					19.7%
Retirement Benefits	**5,917**	**7,185**	**4,679**	**6,256**	**6,593**
					5.4%
Fees & Services	**6,297**	**9,324**	**6,444**	**9,093**	**10,046**
					10.5%
Depreciation & Amortization	**2,686**	**3,521**	**2,137**	**3,162**	**3,530**
					11.6%
Terminal & Asset Maintenance	**709**	**996**	**873**	**1,191**	**560**
					(53.0%)
Utilities & Fuel	**287**	**335**	**202**	**285**	**314**
					10.2%
Insurance	**553**	**577**	**445**	**589**	**701**
					19.0%
Discretionary Expenses	**6,268**	**7,725**	**3,943**	**6,029**	**6,908**
					14.6%
Gross G&A Expenses	**$43,106**	**$51,787**	**$34,762**	**$47,831**	**$52,454**
					9.7%
Allocations	**(972)**	**(2,062)**	**(999)**	**(1,412)**	**(1,898)**
					34.4%
Net G&A Expenses	**$42,134**	**$49,725**	**$33,763**	**$46,419**	**$50,556**
					8.9%

2016 Budget

G&A Expense – Major Changes (000's)

2015 Reforecast			**$46,419**
Salaries & Benefits			
PHA Salary Expenses	1,544		
Increase in Medical Insurance	648		
Other Salaries & Benefits	384	**2,576**	
Retirement Benefits			
Increase in Retiree Benefits	525		
Decrease in Other Post Employment Benefits	(337)		
Other Retirement Benefits	149	**337**	
Depreciation & Amortization			
Increase in Depreciation	368	**368**	
Terminal & Asset Maintenance			
Decrease in Homeland Security-P & S	(309)		
Decrease in Machinery & Equipment Maintenance-Contractor	(177)		
Decrease in Building Maintenance-Contractors	(167)		
Other Terminal & Asset Maintenance	22	**(631)**	
Fees & Services			
Increase in Fees and Services	439		
Increase in Software License Fees	239		
Other Fees & Services	88	**766**	
Consulting Fees			
Increase in Consulting Fees	187	**187**	

2016 Budget

G&A Expense – Major Changes (cont.) (000's)

Discretionary Expenses			
Increase in Advertising Media	305		
Increase in Equipment Purchases Expensed	208		
Increase in PHA Receptions Special Events	164		
All Other Discretionary Expenses	203	**880**	
Allocations			
IT Allocation	(508)		
Other Allocations	22	**(486)**	
Other Expenses			
Other	140	**140**	
			4,137
2016 Budget			**$50,556**

2016 Budget

Income Statement (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Operating Revenue*	$262,039	$263,575	$223,429	$290,799	$295,867
Less: Operating Expense	179,230	175,538	132,964	178,877	193,324
Operating Income	$82,809	$88,037	$90,465	$111,922	$102,543
Less: General & Administrative Expenses	42,134	49,725	33,763	46,419	50,556
Net Operating Income	**$40,675**	**$38,312**	**$56,702**	**$65,503**	**$51,987**
Non-Operating Revenue (Expense)	6,543	1,390	4,226	4,139	(288)
Income before Contributions & Transfers	$47,218	$39,702	$60,928	$69,642	$51,699
Contributions (to)/from Federal/State Agencies	906	(2,565)	(202)	(1,448)	3,056
Net Income	**$48,124**	**$37,137**	**$60,726**	**$68,194**	**$54,755**
Cash Flow	**$103,188**	**$97,021**	**$103,745**	**$127,516**	**$123,410**

*Includes G&A Revenues

2016 Budget

Net Operating Income – Major Changes (000's)

2015 Reforecast		**$65,503**
Increase in Full Container Receipt/Delivery	12,253	
Decrease in Engineering Design and Analysis Services	1,540	
Increase in Wharf Maintenance - Contractors	(1,083)	
Increase in Prop and Equip Demo-Contractor	(1,280)	
Increase in Medical Insurance	(1,881)	
Decrease in Wharfage-Import	(1,993)	
PHA Salary Increased Volume	(2,552)	
ILA Labor due to Increased Volume	(3,235)	
Decrease in Storage	(4,347)	
Increase in Depreciation & Amortization	(7,833)	
All Other Changes in Revenues/Expenses	(3,105)	**(13,516)**
2016 Budget		**$51,987**

2016 Budget

Net Income – Major Changes (000's)

2015 Reforecast		**$68,194**
Increase in Full Container Receipt/Delivery	12,253	
Increase in Income from Federal Funds	2,087	
Decrease in Interest Income-Securities	(1,479)	
Increase in Medical Insurance	(1,881)	
Decrease in Wharfage-Import	(1,993)	
PHA Salary Increased Volume	(2,552)	
ILA Labor due to Increased Volume	(3,235)	
Decrease in Storage	(4,347)	
Increase in Depreciation & Amortization	(7,833)	
All Other Changes in Revenues/Expenses	(4,459)	**(13,439)**
2016 Budget		**$54,755**

2016 Budget

Non-Operating – Summary (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Non-operating Revenues	$5,098	$1,170	$3,381	$3,624	$1,447
Contribution from Federal/State Agency	2,370	2,305	35	1,061	4,148
Total Non-Operating Revenues	**$7,468**	**$3,475**	**$3,416**	**$4,685**	**$5,595**
Non-operating Expenses	(1,445)	(220)	(845)	(515)	1,736
Contribution to Federal/State Agency	1,464	4,870	237	2,509	1,091
Total Non-Operating Expenses	**$19**	**$4,650**	**($608)**	**$1,994**	**$2,827**
Non-Operating Income	**$7,449**	**($1,175)**	**$4,024**	**$2,691**	**$2,768**

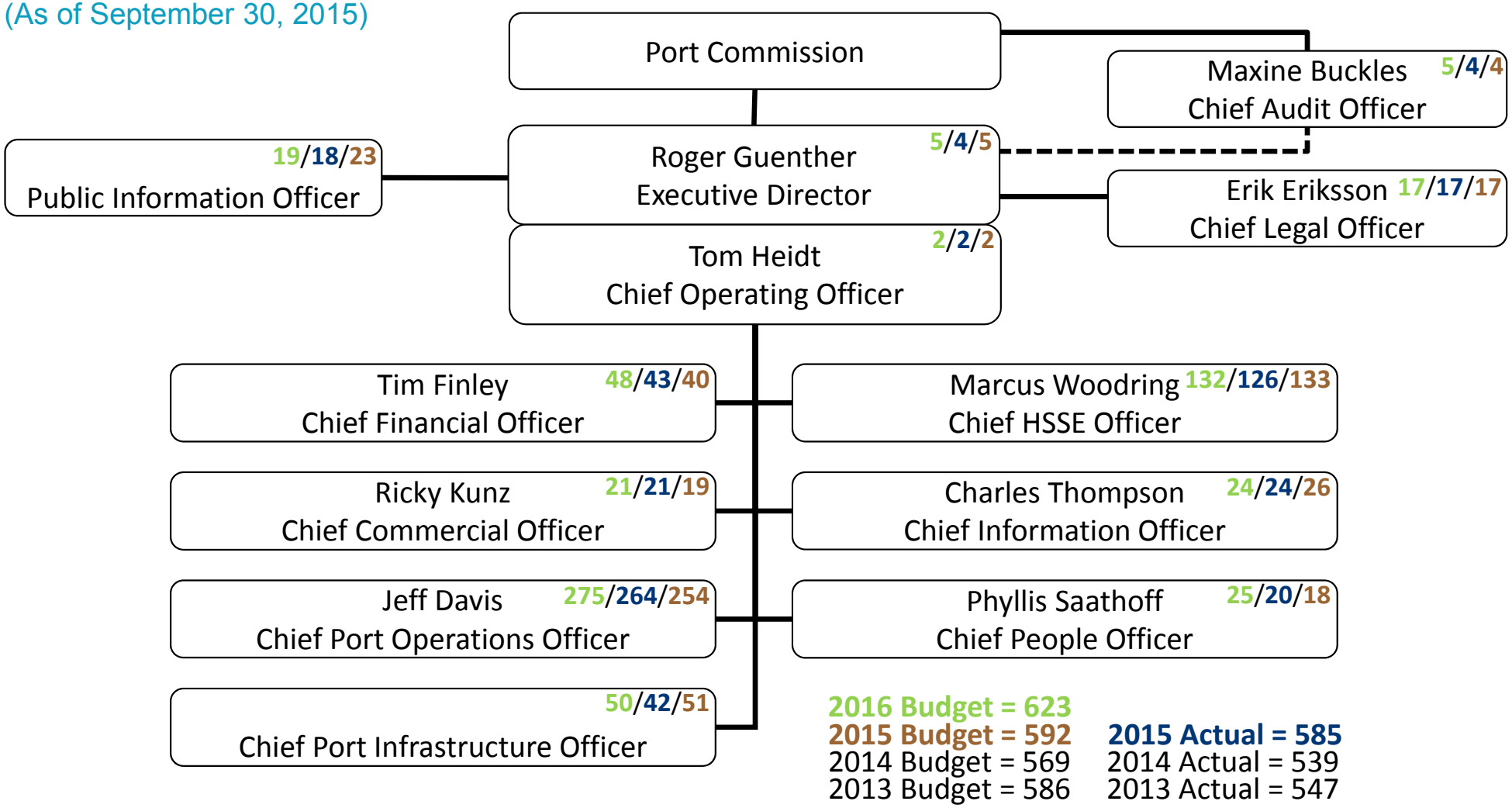
2016 Budget

Non-Operating – Major Changes (000's)

2015 Reforecast		**$2,691**
Increase in Income from Federal Funds	2,087	
Decrease in Contributions to State or Local Agencies	1,418	
Increase in Income from FEMA-Ike	1,000	
Decrease in Refund of Expenses	(449)	
Increase in Interest Expense	(765)	
Decrease in Interest Income-Securities	(1,479)	
Unrealized Gain/Loss on Investments	(1,499)	
All Other Changes in Revenues/Expenses	(236)	**77**
2016 Budget		**$2,768**

2016 BUDGET ORGANIZATIONAL STRUCTURE

(As of September 30, 2015)



2016 Budget

Executive (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,113	$1,195	$903	$1,218	$1,328
Benefits	332	382	309	367	466
Retirement Benefits	256	312	231	312	280
Depreciation & Amortization	0	0	4	5	5
Fees & Services	57	261	141	234	217
Insurance	7	11	6	9	11
Consulting Fees	93	300	710	735	138
Discretionary Expenses	171	330	190	283	335
Net Expense	**$2,029**	**$2,791**	**$2,494**	**$3,163**	**$2,780**

2016 Budget

Commercial (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,521	$1,534	$1,236	$1,648	$1,793
Benefits	463	536	465	561	667
Retirement Benefits	347	398	299	403	495
Depreciation & Amortization	646	1,001	513	774	1,002
Terminal & Asset Maintenance	563	502	276	278	19
Fees & Services	389	340	320	411	1,021
Insurance	154	163	122	163	175
Utilities	327	266	204	281	291
Consulting Fees	415	458	390	530	593
Discretionary Expenses	1,194	1,613	1,020	1,751	2,456
Gross Expense	**$6,019**	**$6,811**	**$4,845**	**$6,800**	**$8,512**
Allocations	0	0	91	91	100
Net Expense	**$6,019**	**$6,811**	**$4,936**	**$6,891**	**$8,612**

2016 Budget

Finance (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$2,614	$2,782	$2,133	$2,917	$3,318
Benefits	900	952	824	1,009	1,247
Retirement Benefits	614	741	556	752	799
Depreciation & Amortization	57	0	0	0	0
Terminal & Asset Maintenance	0	0	0	0	0
Fees & Services	790	653	481	686	781
Insurance	16	19	10	14	25
Utilities	0	0	0	0	0
Fuel	0	1	0	0	0
Consulting Fees	0	30	9	21	68
Discretionary Expenses	267	163	231	299	187
Gross Expense	**$5,258**	**$5,341**	**$4,244**	**$5,698**	**$6,425**
Allocations	0	0	0	0	0
Net Expense	**$5,258**	**$5,341**	**$4,244**	**$5,698**	**$6,425**

2016 Budget

HSSE (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$7,729	$7,974	$6,091	$8,192	$8,300
Benefits	2,810	3,123	2,429	3,018	3,415
Retirement Benefits	1,548	1,771	1,337	1,779	546
Depreciation & Amortization	3,293	3,548	2,527	3,362	3,206
Terminal & Asset Maintenance	350	417	269	454	384
Fees & Services	5,839	6,017	4,580	6,175	6,682
Insurance	328	297	249	324	446
Utilities	90	99	63	85	117
Fuel	187	241	103	157	246
Consulting Fees	66	168	25	133	135
Discretionary Expenses	804	1,223	590	992	1,167
Gross Expense	**$23,044**	**$24,878**	**$18,263**	**$24,671**	**$24,644**
Allocations	(7,532)	(9,495)	(6,846)	(9,312)	(9,670)
Net Expense	**$15,512**	**$15,383**	**$11,417**	**$15,359**	**$14,974**

2016 Budget

Infrastructure (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$3,659	$4,154	$2,696	$3,700	$4,039
Benefits	1,277	1,477	1,046	1,305	1,547
Retirement Benefits	867	961	724	950	811
Depreciation & Amortization	760	807	558	750	782
Terminal & Asset Maintenance	1,036	1,116	505	780	1,030
Fees & Services	279	521	176	335	414
Insurance	158	104	112	138	103
Consulting Fees	1,104	1,808	1,098	1,570	2,704
Discretionary Expenses	836	556	386	452	3155
Gross Expense	**$9,976**	**$11,504**	**$7,301**	**$9,980**	**$11,745**
Allocations	(659)	(1,494)	(697)	(975)	(886)
Net Expense	**$9,317**	**$10,010**	**$6,604**	**$9,005**	**$10,859**

2016 Budget

Operations (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$37,958	$39,791	$34,165	$44,695	$47,428
Benefits	13,767	14,315	12,426	15,753	18,225
Retirement Benefits	3,101	3,561	2,698	3,631	4,077
Depreciation & Amortization	50,217	53,038	39,271	53,576	61,198
Terminal & Asset Maintenance	15,365	17,146	9,017	13,099	16,310
Fees & Services	2,158	1,415	1,752	2,208	1,908
Insurance	3,453	3,861	2,730	3,695	3,936
Utilities	3,679	3,982	2,968	4,145	4,221
Fuel	3,231	3,731	1,860	2,488	2,726
Consulting Fees	152	6	0	6	0
Discretionary Expenses	20,394	6,433	5,787	8,098	5,002
Gross Expense	**$153,475**	**$147,279**	**$112,674**	**$151,394**	**$165,031**
Allocations	7,946	10,616	7,411	10,147	10,950
Net Expense	**$161,421**	**$157,895**	**$120,085**	**$161,541**	**$175,981**

2016 Budget

People (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,328	$1,375	$1,096	$1,504	$1,864
Benefits	697	480	415	512	730
Retirement Benefits	2,646	3,418	1,851	2,525	3,036
Fees & Services	198	188	190	239	234
Insurance	7	19	9	14	22
Consulting Fees	74	215	51	238	208
Discretionary Expenses	340	367	190	332	503
Net Expense	**$5,290**	**$6,062**	**$3,802**	**$5,364**	**$6,597**

2016 Budget

Technology (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,503	$1,816	$1,191	$1,654	$1,753
Benefits	546	663	468	599	691
Retirement Benefits	361	430	318	417	466
Depreciation & Amortization	1,774	2,216	1,478	2,145	2,181
Terminal & Asset Maintenance	118	436	656	763	501
Fees & Services	1,748	1,898	1,277	1,794	1,872
Insurance	194	276	194	263	360
Consulting Fees	42	45	280	317	231
Discretionary Expenses	740	1,692	640	1,064	1,206
Gross Expense	**$7,026**	**$9,472**	**$6,502**	**$9,016**	**$9,261**
Allocations	(313)	(548)	(304)	(433)	(994)
Net Expense	**$6,713**	**$8,924**	**$6,198**	**$8,583**	**$8,267**

2016 Budget

Legal (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,533	$1,584	$1,208	$1,613	$1,631
Benefits	451	514	429	510	559
Retirement Benefits	383	419	322	425	380
Depreciation & Amortization	0	110	0	47	121
Terminal & Asset Maintenance	1	20	0	10	0
Fees & Services	1,132	2,194	1,192	1,773	1,852
Insurance	8	3	5	5	13
Consulting Fees	597	906	569	772	635
Discretionary Expenses	253	356	146	232	353
Net Expense	**$4,358**	**$6,106**	**$3,871**	**$5,387**	**$5,544**

2016 Budget

Public Information (000's)

	2014 Audited	2015 Budget	2015 Actual Sep YTD	2015 Reforecast	2016 Budget
Salaries	$1,408	$1,621	$937	$1,266	$1,337
Benefits	497	565	350	417	461
Retirement Benefits	348	389	294	371	281
Depreciation & Amortization	171	164	123	163	159
Terminal & Asset Maintenance	86	224	0	199	41
Fees & Services	64	127	43	70	93
Insurance	71	69	42	59	67
Utilities	16	20	11	16	20
Fuel	37	48	19	31	45
Consulting Fees	64	206	68	98	65
Discretionary Expenses	2,685	2,511	1,189	1,613	1,273
Gross Expense	**$5,447**	**$5,944**	**$3,076**	**$4,303**	**$3,842**
Allocations	0	0	0	0	1
Net Expense	**$5,447**	**$5,944**	**$3,076**	**$4,303**	**$3,843**

2016 Budget

Promotion & Development (000's)

	2015 Reforecast	2016 Budget
838-Marketing and External Communications	$1,357	$2,372
881-M/V Sam Houston	878	1,003
853-Government Relations	891	807
839-Trade Development	327	768
837-Community Relations and Events	441	490
806-Small Business	124	430
810-Executive	87	259
809-Chief Operating Officer	0	208
170-FTZ and Economic Development	71	138
818-Education Outreach	162	115
832-Chief Commercial Officer Administration	79	55
836-Public Information Officer Administration	18	16
856-Media Relations	475	13
854-Environmental Affairs	1	41
115-Bayport Cruise	43	0
807-Small Business and Maritime Education	306	0
812-Channel Development and Environmental Affairs	152	0
813-Freight Mobility	76	0
830-Business Development	412	0
835-Internal Communications and Engagement	9	0
	$5,909	$6,715

Note: The 2016 Budget includes expenditures classified as Promotion & Development in accordance with new P&D Policy guidelines implemented after the 2013 Budget Scenario 3 was completed.

2016 Budget

Promotion & Development (000's)

881-M/V Sam Houston	2015 Reforecast	2016 Budget
Salaries	$344	$360
Benefits	133	173
Retirement Benefits	21	40
Depreciation & Amortization	39	152
Insurance	14	55
Economic Development & Community Sponsorships	41	52
Discretionary Expenses	39	46
Fuel	31	45
Terminal & Asset Maintenance	199	41
Fees & Services	17	35
Advertising	0	4
Total 881-M/V Sam Houston	$878	$1,003

Other P&D Location Expenses	2015 Reforecast	2016 Budget
Consulting Fees	$1,367	$1,077
Receptions & Special Events	775	931
Economic Development & Community Sponsorships	848	885
Advertising	483	709
Fees & Services	116	641
Art & Production	578	635
Discretionary Expenses	357	365
Travel	386	352
Table Purchases	121	117
Total Other P&D Location Expenses	$5,031	$5,712
Total P&D Expenses	$5,909	$6,715

2016 Capital Budget

2016 Budget

Total Capital Investments (000's)

	2014 Actual	2015 Budget	2015 Reforecast	2016 Budget
Bayport Terminal	$ 24,694	$ 110,317	$ 20,145	$ 119,568
Barbours Cut	16,980	72,629	87,351	73,693
Channel Development	73,536	17,580	2,330	64,455
TBT	7,517	35,268	14,286	33,630
Bayport Railroad	1,757	25,893	21,645	9,539
HSSE	1,619	3,825	3,982	5,028
IT	1,538	1,400	1,415	3,312
Real Estate	123	2,690	2,373	2,049
Other	-	5,813	3,453	2,461
Total Capital	**$ 127,764**	**$ 275,415**	**$ 156,980**	**$ 313,735**
Grant Reimbursements	**$ (2,391)**	**$ (66)**	**$ (64)**	**$ (75)**
Net Capital	**$ 125,373**	**$ 275,349**	**$ 156,916**	**$ 313,660**

2016 Budget

Bayport Terminal (000's)

Major Projects	2016 Budget
Wharf 2 & Dredging & Construction	$ 57,255
Wharf 2 - 3 Wharf Cranes	38,411
Container Yard 6 South Security	17,301
Container Yard Wharf 7-Design	3,145
Bayport Terminal Gate Lanes-Construction	1,354
Other	2,102
Total Projects	**$ 119,568**

2016 Budget

Barbours Cut Terminal (000's)

Major Projects	2016 Budget
East End Reconstruction Phase 1	$ 41,636
Gate Expansion - Construction	15,538
Wharf 2-12kv Distribution Feeders-Construction	9,737
Wharf 3 & SSB 3 Design	3,000
Purchase 6 Empty Handlers	2,250
Other	1,532
Total Projects	**$ 73,693**

2016 Budget

Turning Basin Terminal (000's)

Turning Basin North Terminal		
Major Projects		**2016 Budget**
Rehab Wharf 12 - Construction	$	8,339
Rehabilitation of Wharf 23-Inst		6,254
Lower Level Road & Utilities-Design		3,000
Replace Water Lines Under Dock		1,900
Replace Fender CD 17		1,563
Other		1,500
Total Projects	**$**	**22,556**

Turning Basin South Terminal		
Major Projects		**2016 Budget**
Rehab Decks - CD 45&46 - Installation	$	9,824
Total Projects	**$**	**9,824**

Woodhouse Terminal		
Major Projects		**2016 Budget**
Potable Water System - Construction	$	1,000
Total Projects	**$**	**1,000**

Care Terminal		
Major Projects		**2016 Budget**
Fender System-Design	$	250
Total Projects	**$**	**250**

Grand Total Turning Basin Terminals Projects	**$**	**33,630**

2016 Budget

Bayport Railroad (000's)

Major Projects	2016 Budget
PTRA Track, Mainline Red Bluff to Bayport-ROW	$ 6,994
Middle Berm-Const. & Vegetation	2,544
Total Projects	**$ 9,538**

2016 Budget

Channel Development (000's)

Major Projects	2016 Budget
Bayport Flare Deepening	$ 36,000
Placement Area Acquisition	18,000
BCT - Maintenance Dredging 2016	2,790
Bayport - Maintenance Dredging 2017	2,230
BCT-Widen & Deepen DAMP Spillman	1,200
Bayport Widen & Deepening Levee PA 15	1,000
Ditching PA 14	750
Ditching House Tract PA	750
Ditching Clinton PA (West)	700
Other	1,035
Total Projects	**$ 64,455**

2016 Budget

HSSE (000's)

Emergency Management		
Major Projects		**2016 Budget**
Outdoor Siren Notification System	$	950
Mobile Command Center		828
Situator Programming (New PSIM)		500
Total Projects	**$**	**2,278**

Fire		
Major Projects		**2016 Budget**
Fireboat Dock at Bayport-Const.	$	1,600
Fire Engine Turning Basin		500
Other		200
Total Projects	**$**	**2,300**

Police		
Major Projects		**2016 Budget**
Purchase Auto/Trucks 2016	$	300
Total Projects	**$**	**300**

Security		
Major Projects		**2016 Budget**
Turning Basin Terminal Perimeter Fence 2016	$	150
Total Projects	**$**	**150**

Grand Total HSSE Projects	**$**	**5,028**

2016 Budget

Real Estate (000's)

Major Projects	2016 Budget
Executive Office Bldg Build Out	$ 1,652
Poly One Spur @ Bayport	250
Other	147
Total Projects	**$ 2,049**

2016 Budget

Liquidity (000's)

	2015	2016	2017
Discretionary Funds Available, Beginning of Period	$ 403,828	$ 162,090	$ (28,236)
Contingency	(45,000)		
Debt Service and Other Reserves	(28,845)		
Outstanding Capital PO's and Commitments	(141,265)		
	$ 188,718	$ 162,090	$ (28,236)
Sources:			
Operating Cash Flow	127,610	123,410	150,922
Available Resources	$ 316,328	$ 285,500	$ 122,686
Uses:			
New Capital Investment			
Bayport Terminal	(20,471)	(119,568)	(25,401)
Barbours Cut Terminal	(84,385)	(73,693)	(89,606)
Channel Development	(2,705)	(64,455)	(6,640)
Turning Basin Terminals	(9,775)	(33,630)	(40,809)
Bayport Railroad	(21,540)	(9,539)	(6,188)
HSSE	(1,979)	(5,028)	(750)
IT	(1,738)	(3,312)	(900)
Other	(9,405)	(2,462)	(4,544)
Real Estate	(2,240)	(2,049)	(1,714)
Subtotal - New Capital Investment	(154,238)	(313,736)	(176,552)
Net Uses	(154,238)	(313,736)	(176,552)
Discretionary Funds Available, End of Period	$ 162,090	$ (28,236)	$ (53,866)

2016 -2020 Budget

Income Statement (000's)

	2016 Budget	2017 Budget	2018 Budget	2019 Budget	2020 Budget
Operating Revenue*	$295,866	$327,748	$341,418	$349,180	$356,599
Less: Operating Expense	193,324	202,387	214,435	220,511	226,076
Operating Income	$102,541	$125,361	$126,983	$128,670	$130,523
Less: General & Administrative Expenses	50,556	50,596	50,052	50,464	50,162
Net Operating Income	**$51,986**	**$74,765**	**$76,930**	**$78,205**	**$80,361**
Non-Operating Revenue (Expense)	(288)	(2,388)	(4,878)	(5,708)	(5,708)
Income before Contributions & Transfers	$51,698	$72,377	$72,053	$72,497	$74,653
Contributions (to)/from Federal/State Agencies	3,057	3,342	1,599	(12,581)	(2,133)
Net Income	**$54,755**	**$75,719**	**$73,652**	**$59,916**	**$72,520**
Cash Flow	**$123,410**	**$150,922**	**$156,745**	**$150,380**	**$166,971**

*Includes G&A Revenues